

CHAPTER II

FINANCES OF THE

UNION TERRITORY OF

PUDUCHERRY

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Introduction

This chapter provides a broad perspective of the finances of the Union Territory (UT) of Puducherry. It contains overall financial trends during the five-year period from 2015-16 to 2019-20, debt sustainability, key Public Account transactions and analyses the critical changes in major fiscal aggregates relative to the previous year based on the Finance Accounts of the UT. Information was also obtained from the UT Government wherever necessary.

2.1 Major changes in key fiscal aggregates during 2019-20 vis-à-vis 2018-19

This section gives a bird's eye view of the major changes in key fiscal aggregates of the Government of UT of Puducherry during the current financial year, compared to the previous year. Each of these indicators would be analysed in the succeeding paragraphs. A time series data on UT Government finances is given in **Appendix 2.1**.

Table 2.1 presents the changes in key fiscal aggregates in 2019-20 compared to 2018-19.

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 UT increased by 5.95 <i>per cent</i> ✓ Own Tax receipts of the UT decreased by 22.37 <i>per cent</i> ✓ Non-tax receipts increased by 3.41 <i>per cent</i> ✓ Grants-in-aid from Government of India increased by 63.88 <i>per cent</i>
Revenue Expenditure	<ul style="list-style-type: none"> ✓ Revenue expenditure increased by 7.03 <i>per cent</i> ✓ Revenue expenditure on General Services increased by 7.38 <i>per cent</i> ✓ Revenue expenditure on Social Services increased by 1.62 <i>per cent</i> ✓ Revenue expenditure on Economic Services increased by 13.70 <i>per cent</i> ✓ Expenditure on Grants-in-aid given by UT Government was Nil
Capital Expenditure	<ul style="list-style-type: none"> ✓ Capital expenditure increased by 4.47 <i>per cent</i> ✓ Capital expenditure on General Services increased by 10.53 <i>per cent</i> ✓ Capital expenditure on Social Services increased by 26.98 <i>per cent</i> ✓ Capital expenditure on Economic Services decreased by 13.10 <i>per cent</i>
Loans and Advances	<ul style="list-style-type: none"> ✓ Disbursement of Loans and Advances decreased by 96.43 <i>per cent</i> ✓ Recoveries of Loans and Advances remained constant
Public Debt	<ul style="list-style-type: none"> ✓ Public Debt Receipts increased by 3.57 <i>per cent</i> ✓ Repayment of Public Debt increased by 19.25 <i>per cent</i>
Public Account	<ul style="list-style-type: none"> ✓ Public Account Receipts increased by 19.28 <i>per cent</i> ✓ Disbursement from Public Account decreased by 39.55 <i>per cent</i>
Cash Balance	<ul style="list-style-type: none"> ✓ Cash balance increased by ₹ 21 crore (1.30 <i>per cent</i>) in 2019-20 compared to previous year

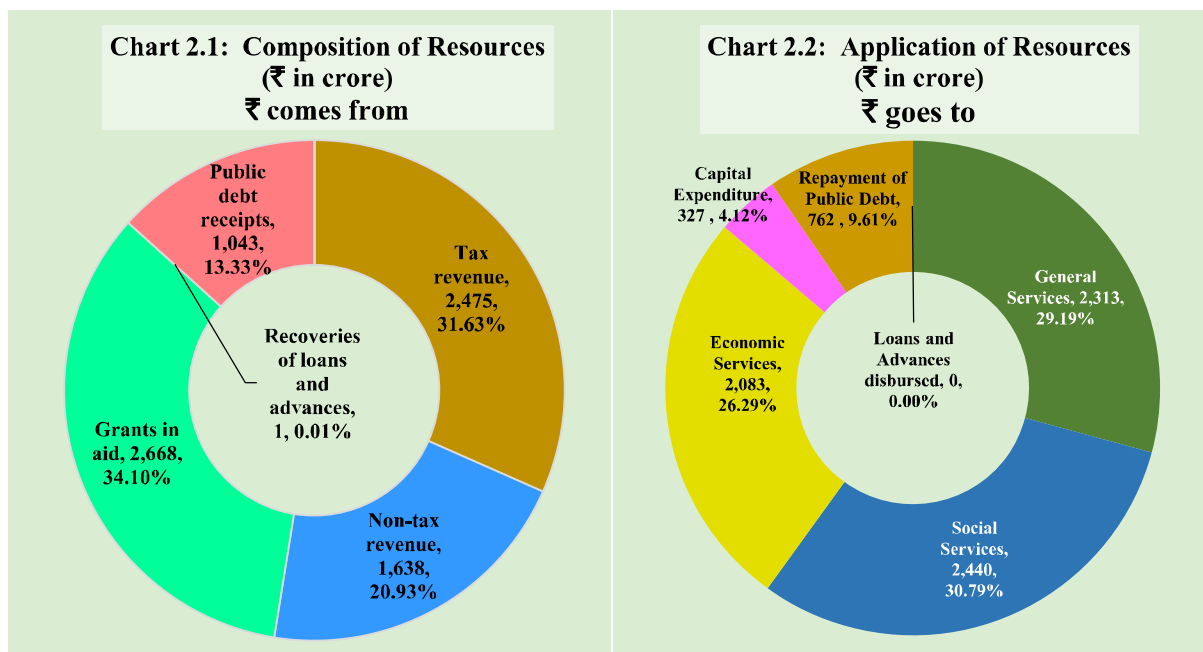
2.2 Sources and Application of Funds

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

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

(₹ in crore)				
	Particulars	2018-19	2019-20	Increase(+)/ Decrease(-)
Sources	Opening Cash Balance with RBI	2,111.89	1,621.28	(-) 490.61
	Revenue Receipts	6,400.41	6,781.34	380.93
	Recoveries of Loans and Advances	0.91	0.53	(-) 0.38
	Public Debt Receipts (Net)	368.12	280.77	(-) 87.35
	Public Account Receipts (Net)	(-) 557.05	120.68	677.73
	Total	8,324.28	8,804.60	480.32
Application	Revenue Expenditure	6,386.87	6,835.83	448.96
	Capital Expenditure	313.05	326.61	13.56
	Disbursement of Loans and Advances	3.08	0.11	(-) 2.97
	Closing Cash Balance with RBI	1,621.28	1,642.05	20.77
	Total	8,324.28	8,804.60	480.32

(Source: Finance Accounts 2019-20)



(Source: Finance Accounts 2019-20)

2.3 Resources of the Union Territory

The resources of the UT are described below:

Revenue receipts consist of tax revenue, non-tax revenue and Grants-in-aid from the Government of India (GoI).

Capital receipts comprise miscellaneous Capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GoI. Both revenue and Capital receipts form part of the Consolidated Fund of the UT.

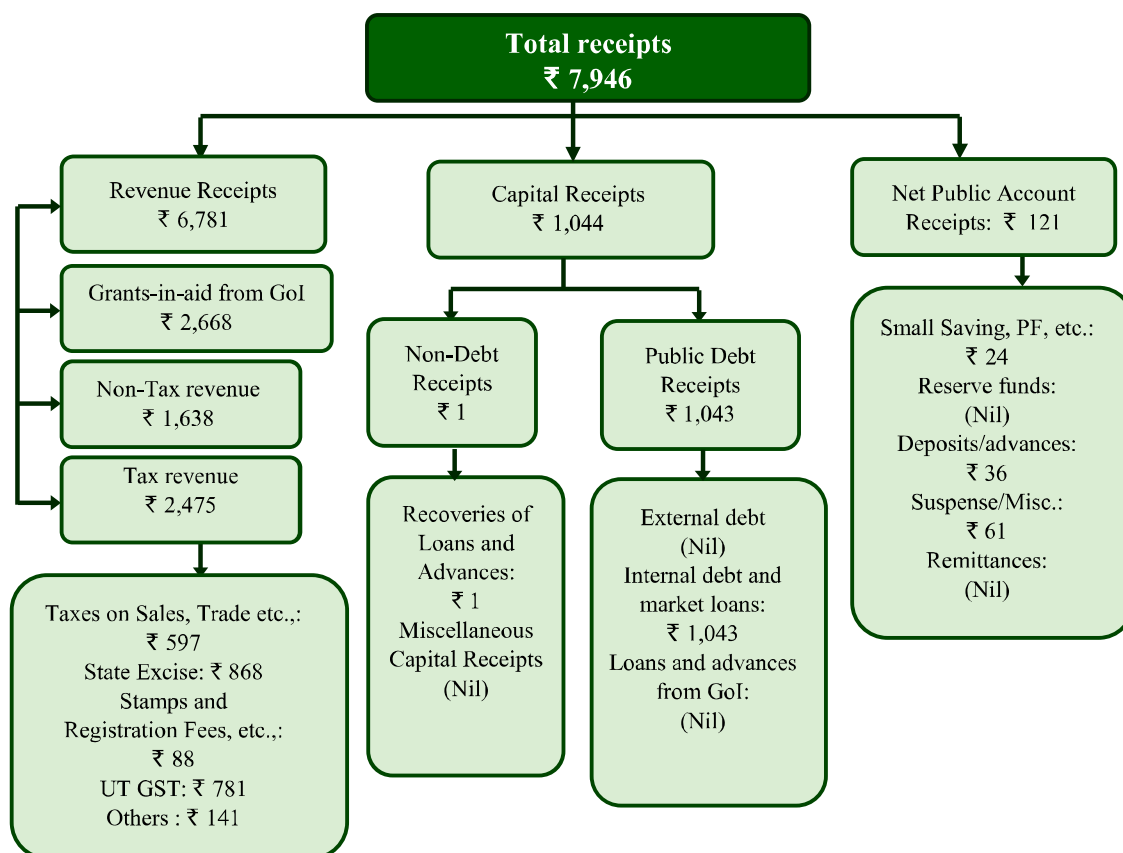
Net Public Accounts receipts: There are receipts and disbursements in respect of certain transactions such as small savings, provident fund, reserve funds, deposits, suspense, remittances, etc., which do not form part of the Consolidated Fund. These are kept in the Public Account set up under Section 47 A of UT Act, 1963 and are not subject to vote by the UT Legislature. Here, the Government acts as a banker. The balance after disbursements is the fund available with the Government for use.

2.3.1 Receipts of the UT

The **Chart 2.3** 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.

Chart 2.3: Composition of receipts of the UT during 2019-20

(₹ in crore)



2.3.2 Revenue Receipts

This paragraph gives the trends in total Revenue receipts and its components. Statement 14 of Finance Accounts details the Revenue receipts of the Government.

2.3.2.1 Trends and growth of Revenue receipts

Table 2.3 provides the trends and growth of Revenue Receipts as well as revenue buoyancy with respect to GSDP over the five-year period 2015-20. Further, trends in Revenue Receipts relative to GSDP and composition of Revenue Receipts are given in **Charts 2.4** and **2.5** respectively.

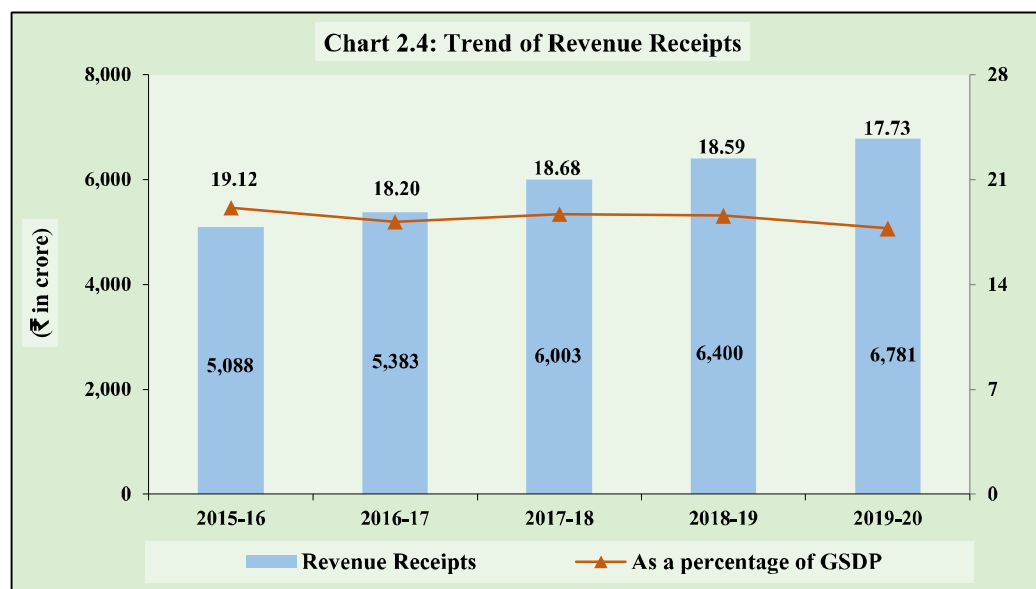
Table 2.3: Trends in Revenue receipts relative to GSDP

	2015-16	2016-17	2017-18	2018-19	2019-20
Revenue receipts (RR) (₹ in crore)	5,088	5,383	6,003	6,400	6,781
Rate of growth of RR (<i>per cent</i>)	6.94	5.80	11.52	6.61	5.95
Own tax Revenue (₹ in crore)	2,260	2,401	2,806	3,188	2,475

	2015-16	2016-17	2017-18	2018-19	2019-20
Non-tax Revenue (₹ in crore)	1,138	1,245	1,374	1,584	1,638
Rate of growth of Own Revenue (Own Tax and Non-tax Revenue) (<i>per cent</i>)	3.19	7.30	14.65	14.16	(-) 13.81
Gross State Domestic Product (₹ in crore) (2011-12 Series)	26,617	29,573	32,129	34,433	38,253
Rate of growth of GSDP (<i>per cent</i>)	17.91	11.11	8.64	7.17	11.09
RR/GSDP (<i>per cent</i>)	19.12	18.20	18.68	18.59	17.73
Buoyancy Ratios¹					
Revenue buoyancy with reference to GSDP (ratio)	0.39	0.52	1.33	0.92	0.54
UT's own tax buoyancy with reference to GSDP (ratio)	0.75	0.56	1.95	1.90	(-) 2.02

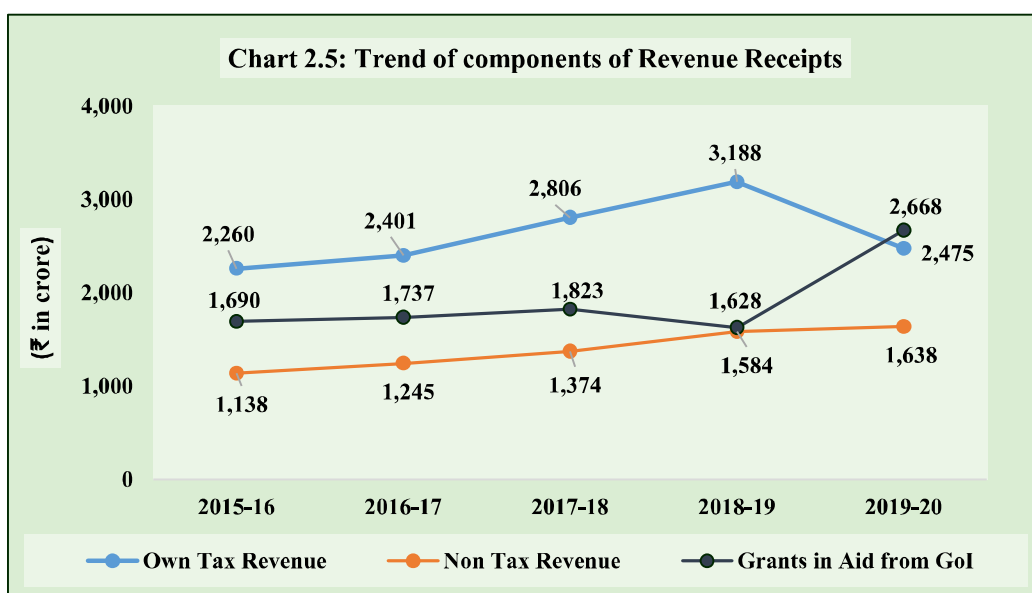
(Source: GSDP figures of Directorate of Economics and Statistics)

Revenue receipts of the UT comprising of own tax and non-tax revenue increased by 21.04 *per cent* from ₹ 3,398 crore in 2015-16 to ₹ 4,113 crore in 2019-20. The rate of growth of own revenue decreased by 13.81 *per cent* when compared to the previous year, which made the UT from revenue surplus of ₹ 14 crore in the year 2018-19 to revenue deficit of ₹ 55 crore in 2019-20.



(Source: Finance Accounts of respective years)

¹ Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For instance, revenue buoyancy with respect to GSDP at 1.85 implies that Revenue Receipts tend to increase by 1.85 percentage points, if the GSDP increases by one *per cent*.



(Source: Finance Accounts of respective years)

General trends relating to Revenue Receipts of the UT are as follows:

Revenue Receipts increased by 33.27 *per cent* from ₹ 5,088 crore in 2015-16 to ₹ 6,781 crore in 2019-20. During 2019-20, Revenue Receipts increased by ₹ 381 crore (5.95 *per cent*) over the previous year, which was much lower than the growth rate of GSDP of 11.09 *per cent*.

About 60.65 *per cent* of the Revenue Receipts during 2019-20 came from the UT's own resources, while Grants-in-aid contributed 39.35 *per cent*.

The increase in the Revenue receipts of the Union Territory by ₹ 381 crore over the previous year was due to increase in Grants-in-aid from Gol (₹ 1,040 crore) and Non-Tax Revenue (₹ 54 crore) which was offset by decrease in Tax Revenue (₹ 713 crore) during the year.

During the current year, the increase of 7.03 *per cent* (₹ 449 crore) in Revenue expenditure was higher than the increase of 5.95 *per cent* (₹ 381 crore) in Revenue Receipts, leading to a Revenue Deficit as against the Revenue Surplus in the previous year.

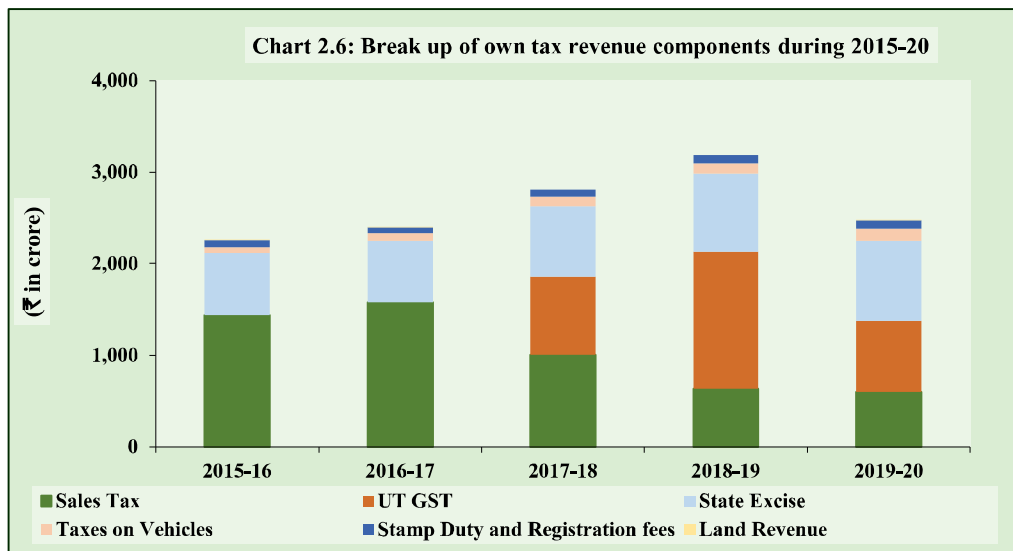
There was wide fluctuation in the revenue buoyancy of the UT due to implementation of GST (in 2017-18), which also impacted the actual receipts in different components of revenue. During the year, ₹ 862 crore was received as "Compensation for loss of revenue arising out of implementation of GST" under Grants-in-aid from Gol.

2.3.2.2 Union Territory's own resources

UT's performance in mobilisation of resources was assessed in terms of its own resources comprising revenue from its own tax and non-tax sources. The trends in growth of tax and non-tax revenue are discussed in the succeeding paragraphs.

Own Tax Revenue

The details of gross collection of taxes and duties and their growth are given in **Chart 2.6** and **Table 2.4**.



(Source: Finance Accounts of respective years)

Table 2.4: Components of UT's own tax revenue

Revenue Head	2015-16	2016-17	2017-18	2018-19	2019-20	(₹ in crore) Spark line
Sales Tax	1,439	1,576	1,008	632	597	
UT GST	0	0	852	1,499	781	
State Excise	674	671	770	850	868	
Taxes on Vehicles	69	87	104	114	139	
Stamp Duty and Registration fees	76	66	71	92	88	
Land Revenue	2	1	1	1	2	
Total	2,260	2,401	2,806	3,188	2,475	

(Source: Finance Accounts of respective years)

UT's Tax revenue decreased from ₹ 3,188 crore in 2018-19 to ₹ 2,475 crore in 2019-20 by ₹ 713 crore (22.37 per cent) over the previous year. The huge variation in respect of UT GST in 2018-19 and 2019-20 was mainly due to

misclassification of “Compensation for loss of revenue arising out of implementation of GST” under the major head 0009-02-101 instead of major head 1601-08-114 during the year 2018-19, which was rectified during the year 2019-20. Though Sales Tax decreased by ₹ 35 crore, State Excise (₹ 18 crore) and Taxes on Vehicles (₹ 25 crore) increased during 2019-20. The decrease in Sales Tax during 2019-20 was mainly due to less collection under Trade Tax, State Sales Tax and Central Sales Tax.

UT Goods and Services Tax (UT GST)

In pursuance of the provisions of the Constitution Amendment (One Hundred and First) Act, 2016, State/UT are entitled for compensation for the loss of revenue arising on account of implementation of the Goods and Services Tax. According to GST (Compensation to the States) Act, 2017, Central Government will compensate the States for loss of revenue arising on account of implementation of GST for a period of five years. The compensation payable to the UT shall be calculated for every financial year after the receipt of revenue figure, 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 UT of Puducherry, the revenue realised through the taxes since now subsumed into GST was ₹ 1,095.37 crore during the base year (2015-16). The revenue to be protected for any year was to be calculated by applying a growth rate of 14 *per cent* per annum.

The projected revenue for the year 2019-20 in accordance with the base year figure was ₹ 1,850.04 crore. Revenue figure under GST for the year 2019-20 has been depicted in Finance Accounts as per nature of receipts *i.e.*, State Goods and Services Tax (SGST) and Integrated Goods and Services Tax (IGST). The projected revenue and the Revenue receipts of the UT Government including pre-GST taxes and taxes under GST during the year 2019-20 is given in **Table 2.5**.

Table 2.5: Projected revenue and the Revenue receipts of the UT Government including pre-GST taxes and taxes under GST

(₹ in crore)

Period	Projected revenue *	Pre-GST taxes ***	SGST	IGST	Total tax collected	Compensation received **	Total including compensation	Deficit
1	2	3	4	5	6= (3+4+5)	7	8= (6+7)	9= (2-8)
2019-20	1,850.04	596.64	380.28	401.27	1,378.19	862.29	2,240.48	Yet to be finalised

* Projected based on a growth rate of 14 *per cent* for every year from the base year revenue (2015-16)

** Compensation due to be received for the 2019-20 is under reconciliation

*** This includes non-subsumed tax components also

(Figures excluding refunds as worked out by UT Government)

(Source: Finance Accounts 2019-20)

As seen from **Table 2.5**, the projected revenue for the year 2019-20 is ₹ 1,850.04 crore. The UT Government had so far received compensation of ₹ 862.29 crore. The certification of revenue for 2019-20 and excess or deficit in receipt of compensation is yet to be finalised.

Arrears of revenue

The arrears of revenue indicate delayed realisation of revenue due to the Government. Similarly, arrear of assessment indicates potential revenue, which is blocked due to delayed assessment. Both deprive the UT of potential Revenue receipts and affect ultimately the revenue deficit.

The arrears of revenue as on 31 March 2020 under the principal heads of revenue amounted to ₹ 1,101.41 crore, of which ₹ 517.44 crore were outstanding for more than five years as detailed in **Table 2.6**.

Table 2.6: Arrears of revenue

(₹ in crore)

Sl. No.	Departments	Total arrears	Arrears outstanding for more than five years	Remarks
1.	Electricity	709.61	238.87	Arrears were due to non-payment of electricity charges.
2.	Commercial Taxes	274.20	225.79	Arrears related to collection of tax under PGST/CST and VAT Acts, major portion is sub-judice.
3.	Excise	67.43	39.07	Arrears were mainly due to non-payment of <i>kist</i> by the lessees of arrack and toddy shops.
4.	Public Works	41.59	11.51	Details not furnished by the Department.

Sl. No.	Departments	Total arrears	Arrears outstanding for more than five years	Remarks
5.	Accounts and Treasury	2.84	0.11	Arrears related to audit fee from Religious Institutions.
6.	Transport	2.68	0.57	Arrears relating to collection of taxes on vehicles.
7.	Hindu Religious Institutions and Wakf Board	0.80	0.44	Arrears were due to shortfall in collection of dues from temples.
8.	Stationery and Printing	0.55	0.20	Pendency related to non-recovery of dues from Government Departments for stationery and printing, sale of Gazettes, Press receipts <i>etc.</i>
9.	Revenue	0.49	0.12	Arrears due to land tax, licence fees towards mining <i>etc.</i>
10.	Agriculture	0.32	0.32	Arrears due from PASIC and local bodies towards rent, cost of seeds and other services.
11.	Co-operative	0.31	0.08	Arrears being Audit fees due from societies under dormant or liquidation conditions.
12.	Tourism	0.18	0.05	Arrears being rent due from Guests/Government officials towards room rent.
13.	Industries and Commerce	0.13	0.12	Arrears related to rent due from defunct industrial units.
14.	Information and Publicity	0.12	0.12	Rent due from Government Guest House and Guest House Canteen rent. Concerned Department has been requested to send write-off proposal to the Government.
15.	Higher and Technical Education	0.07	0.00	Arrears of fee from students and rent from BSNL for the tower.
16.	Judicial	0.06	0.04	Arrears in payment of fines and also forfeitures were due to accused undergoing imprisonment in some cases and pendency of appeal in Courts.
17.	Fisheries and Fishermen Welfare	0.03	0.03	Arrears of lease amount on fish farm at Coringa river at Yanam.
Total		1,101.41	517.44	

(Source: Details furnished by respective Departments)

Table 2.6 further indicates that the amount of uncollected revenue as on 31 March 2020 was about 16 *per cent* of the total revenue (₹ 6,781 crore) raised by the Government during the year 2019-20.

Arrears in assessment

The details of Value Added Tax (VAT) cases pending at the beginning of the year, cases becoming due for assessment, cases disposed off during the year and number of cases pending for finalisation at the end of the year as furnished by the Commercial Taxes Department (CTD) in respect of VAT are shown in **Table 2.7**.

Table 2.7: Arrears in assessment

Head of revenue	Opening balance	New cases due for assessment during 2019-20	Total assessments due	Cases disposed of during 2019-20	Balance at the end of the year	Percentage of disposal (col. 5 to 4)
(1)	(2)	(3)	(4) = (2)+(3)	(5)	(6) = (4)-(5)	(7)
VAT Scrutiny Assessment	22,060	0	22,060	1,533	20,527	6.95

(Source: Details furnished by the Department)

It was seen that out of 15,238 cases pertaining to the period from 2008-09 to 2014-15, only 850 cases were disposed during 2019-20. Similarly, out of 6,822 cases for the period 2015-17, only 683 cases were disposed off. As the percentage of disposal was very low, the Department has to take a time bound action to complete all the pending cases as new tax regime has taken place.

Evasion of tax detected by Department, refund cases, etc.

The details of cases of evasion of tax detected by the CTD, cases finalised and the demands for additional tax raised are given in **Table 2.8**.

Table 2.8: Evasion of Tax Detected

Sl. No.	Head of revenue	Cases pending as on 31 March 2019	Cases detected during 2019-20	Total	No. of cases in which assessment/ investigation completed and additional demand with penalty <i>etc.</i> , raised		No. of cases pending for finalisation as on 31 March 2020
					No. of cases	Amount of demand (₹ in crore)	
1.	State Goods and Services Tax	14	55	69	48	4.30	21
2	Sales Tax/ VAT	272	0	272	28	0.24	244

(Source: Details furnished by the Department)

It was seen that out of 244 cases, 167 cases were pending for more than five years and 77 cases were pending for period ranging from three to five years. During the year, the Department could clear only 10 *per cent* of pending Sales Tax/VAT cases as against 272 cases pending at the beginning of the year. The Department needs to take a time bound action to complete all the cases as new tax regime has taken place and further delay in clearance may result in loss of revenue to the UT.

Pendency of refund cases

The number of refund cases pending at the beginning of the year 2019-20, claims received during the year, refunds allowed during the year and cases pending at the close of the year 2019-20 relating to CTD (UT Goods and Services Tax) is given in **Table 2.9**.

Table 2.9: Details of refund cases

(₹ in crore)

Sl. No.	Particulars	UT GST	
		No. of cases	Amount
1.	Claims outstanding at the beginning of the year	25	3.16
2.	Claims received during the year	158	50.20
3.	Refunds made during the year	168	46.68
4.	Refunds rejected during the year	0	0.00
5.	Balance outstanding at the end of year	15	6.68

(Source: Details furnished by the Department)

Non-tax revenue

Non-tax revenue consists of interest receipts, dividends and profits, mining receipts, departmental receipts, etc. The details of non-tax revenue pertaining to the period 2015-20 are given in **Table 2.10**.

Table 2.10: Components of non-tax revenue

(₹ in crore)

Revenue Head	2015-16	2016-17	2017-18	2018-19	2019-20	Spark line
Interest receipts	88	66	99	95	99	
Dividends and Profits	4	0	2	1	3	
Other Non-Tax receipts, of which	1,046	1,179	1,273	1,488	1,536	
(a) Power	991	1,116	1,197	1,353	1,423	
(b) Medical and Public Health	16	13	17	26	11	
(c) Water Supply and Sanitation	6	7	15	24	21	

Revenue Head	2015-16	2016-17	2017-18	2018-19	2019-20	Spark line
(d) Ports and Light Houses	6	9	12	11	12	
(e) Housing	1	1	1	7	7	
(f) Miscellaneous General Services	3	7	5	31	37	
(g) Education, Sports, Art and Culture	2	1	1	7	2	
(h) Others	21	25	25	29	23	
Total	1,138	1,245	1,374	1,584	1,638	

(Source: Finance Accounts of respective years)

Non-tax Revenue, which ranged between 22 and 25 *per cent* of total Revenue Receipts of the UT during the five-year period from 2015-16 to 2019-20, increased marginally from ₹ 1,584 crore in 2018-19 to ₹ 1,638 crore in 2019-20. Major contributor for the increase in Non-Tax Revenue was Power which increased from ₹ 1,353 crore in 2018-19 to ₹ 1,423 crore in 2019-20 due to revision of tariff and higher collections.

2.3.2.3 Grants-in-aid from GoI

The Grants-in-aid (GIA) received from GoI for the years 2015-16 to 2019-20 are given in **Table 2.11**.

Table 2.11: Grants-in-aid from Government of India

(₹ in crore)					
Head	2015-16	2016-17	2017-18	2018-19	2019-20*
Non-Plan Grants	807	747	28	5	—
Grants for State/UT Plan Schemes	699	795	11	—	—
Grants for Central Plan Schemes	—	—	—	—	—
Grants for Centrally Sponsored Schemes (CSS)	184	195	383	152	201
Other transfers/Grants to States/Union Territories with Legislature	—	—	1,401	1,471	2,467
Total	1,690	1,737	1,823	1,628	2,668
Percentage of increase over the previous year	15.36	2.78	4.95	(-) 10.70	63.88
Percentage of GIA to Revenue Receipts	33.22	32.27	30.37	25.44	39.35

*Distinction between Plan and Non-Plan has been dispensed with

(Source: Finance Accounts of respective years)

Grants-in-aid received from GoI increased by ₹ 1,040 crore (63.88 *per cent*) during 2019-20. The total grant as a percentage of Revenue receipts increased from 25.44 in 2018-19 to 39.35 in 2019-20. This was mainly due to

rectification of “Compensation for loss of revenue arising out of implementation of GST” wrongly booked under a different head in the year 2018-19.

2.3.3 Capital receipts

Capital receipts comprise miscellaneous Capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/ commercial banks) and loans and advances from GoI. The trends in growth and composition of Capital receipts during 2015-20 are given in **Table 2.12**.

Table 2.12: Trends in growth and composition of Capital Receipts

(₹ in crore)

Source of receipts	2015-16	2016-17	2017-18	2018-19	2019-20
Capital Receipts	743	822	1,062	1,008	1,044
Miscellaneous Capital receipts	Nil	Nil	Nil	Nil	Nil
Recovery of loans and advances	2	2	1	1	1
Net Public Debt receipts	741	820	1,061	1,007	1,043
<i>External Debt</i>	Nil	Nil	Nil	50	Nil
<i>Internal Debt</i>	642	748	989	957	1,043
<i>Growth rate</i>	4.56	16.51	32.22	(-) 3.24	3.57
<i>Loans and advances from GoI</i>	99	72	72	Nil	Nil
<i>Growth rate</i>	10.00	(-) 27.27	0.00	(-) 100.00	Nil
Rate of growth of debt Capital receipts (<i>per cent</i>)	5.26	10.66	29.39	(-) 5.09	3.57
Rate of growth of non-debt Capital receipts (<i>per cent</i>)	Nil	Nil	(-) 50.00	Nil	Nil
Rate of Growth of GSDP	17.91	11.11	8.64	7.17	11.09
Rate of growth of Capital receipts (<i>per cent</i>)	5.24	10.63	29.20	(-) 5.08	3.57

(Source: Finance Accounts of respective years)

The Capital receipts increased by ₹ 36 crore in 2019-20 on account of increase in Public Debt receipts. Though the Capital receipts of the UT increased from ₹ 743 crore in 2015-16 to ₹ 1,044 crore in 2019-20, the rate of growth of Capital receipts decreased from 5.24 *per cent* to 3.57 *per cent* during the same period.

Public debt receipts create future repayment obligation and these are taken from Market, Financial Institutions and Central Government. During the five-year period 2015-20, 50.60 *per cent* of Public debt receipts were used for repayment of Public Debt taken in earlier years and the remaining 49.40 *per cent* was utilised for other purposes.

2.3.4 UT's performance in mobilisation of resources

UT's performance in mobilisation of resources is assessed in terms of its own resources comprising own tax and non-tax sources. The targets prescribed in the FRM, Budget Estimates and actuals are given in **Table 2.13**.

Table 2.13: Tax and non-tax receipts *vis-à-vis* projections

	FRM	Budget Estimates	Actuals	Percentage variation of actuals over	
				Budget Estimates	FRM
Own Tax revenue	3,344	3,778	2,475	(-) 34.49	(-) 25.99
Non-tax revenue	1,582	1,637	1,638	--	(+) 3.54

(Source: Finance Accounts and Budget documents)

The Own Tax revenue decreased by ₹ 869 crore (25.99 *per cent*) and ₹ 1,303 crore (34.49 *per cent*) than the target proposed in the FRM and budget estimate respectively. The reasons for decrease in own tax revenue was mainly due to incorrect booking of GST compensation during 2018-19 as mentioned in paragraph 2.3.2.2 *ibid*. Non-tax revenue increased by ₹ 56 crore (3.54 *per cent*) and ₹ one crore from the target proposed in the FRM and budget estimates respectively.

The UT was, however, dependent on the Grants-in-aid from the GoI which was evident from the fact that out of the total Revenue receipts of ₹ 6,781 crore, the grants from GoI accounted for ₹ 1,806 crore (excluding GST compensation of ₹ 862 crore) which was 26.63 *per cent* of the Revenue Receipts of the UT.

2.4 Application of resources

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

2.4.1 Growth and composition of expenditure

The total expenditure of UT Government, its composition and its sectoral distribution during the period 2015-20 are given in **Tables 2.14** and **2.15** and **Charts 2.7** and **2.8**.

Table 2.14: Total expenditure and its composition

(₹ in crore)					
Parameters	2015-16	2016-17	2017-18	2018-19	2019-20
Total expenditure (TE)	5,725	5,905	6,201	6,703	7,163
Revenue expenditure (RE)	5,285	5,458	5,807	6,387	6,836
Capital expenditure (CE)	439	447	394	313	327
Loans and Advances	1	0	0	3	0
As a percentage of GSDP					
TE/GSDP	21.51	19.97	19.30	19.47	18.73
RE/GSDP	19.86	18.46	18.07	18.55	17.87
CE/GSDP	1.65	1.51	1.23	0.91	0.85
Loans and Advances/GSDP	0.00	0.00	0.00	0.01	0.00

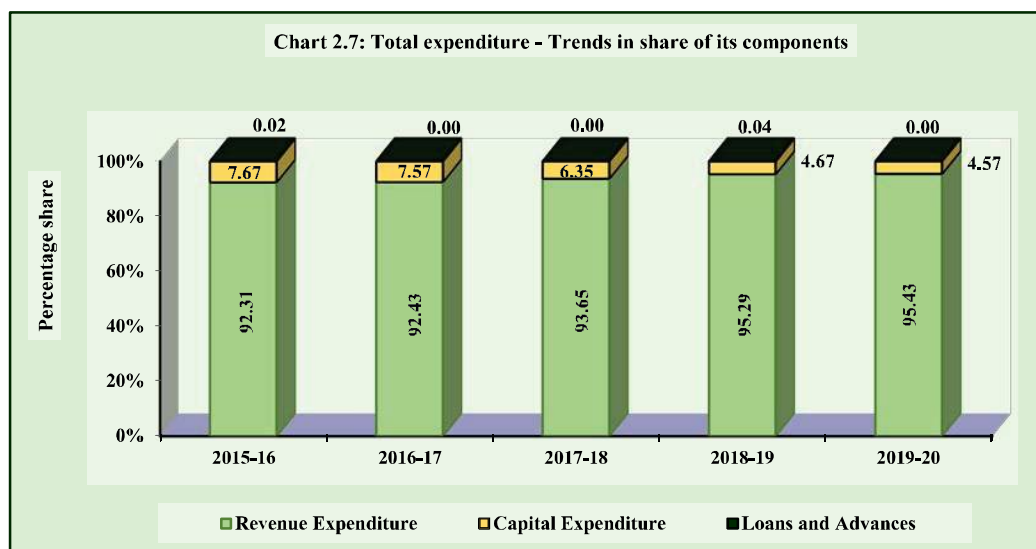
(Source: Finance Accounts of respective years)

The above table shows that Total Expenditure of the UT increased by 25 *per cent* from ₹ 5,725 crore in 2015-16 to ₹ 7,163 crore in 2019-20. During the year 2019-20, it increased by 6.86 *per cent* from ₹ 6,703 crore in 2018-19 to ₹ 7,163 crore in 2019-20. As a percentage of GSDP, the total expenditure declined from 21.51 in 2015-16 to 18.73 in 2019-20. The significant increase in Revenue expenditure from ₹ 5,285 crore in 2015-16 to ₹ 6,836 crore in 2019-20 contributed to the increase in total expenditure, which resulted in revenue deficit of ₹ 54.49 crore in the year 2019-20.

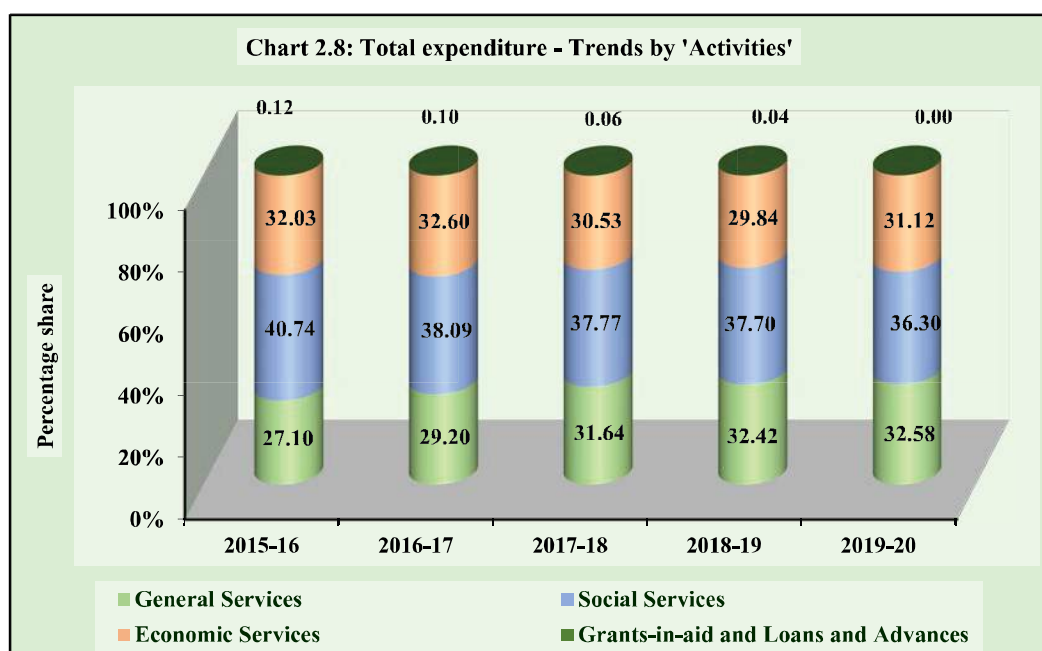
Table 2.15: Relative share of various sectors of expenditure

(in per cent)					
Parameters	2015-16	2016-17	2017-18	2018-19	2019-20
General Services	27.10	29.20	31.64	32.42	32.58
Social Services	40.74	38.10	37.77	37.70	36.30
Economic Services	32.03	32.60	30.53	29.84	31.12
Others (Grants to Local Bodies and Loans and Advances)	0.12	0.10	0.06	0.04	0.00

(Source: Finance Accounts of respective years)



(Source: Finance Accounts of respective years)



(Source: Finance Accounts of respective years)

General trends relating to expenditure of the UT are as follows:

The Revenue expenditure increased by ₹ 449 crore (7.03 *per cent*) and the Capital expenditure increased by ₹ 14 crore (4.47 *per cent*) during 2019-20 as compared to the previous year. Capital expenditure has significantly decreased in the last few years with its share as a percentage of GSDP decreasing from 1.65 in 2015-16 to 0.85 in 2019-20.

It could be seen from **Chart 2.7** that the Revenue expenditure as a share of total expenditure was increasing consistently over a period of five years and stood at 95.43 *per cent* of the total expenditure during 2019-20. Consistent increase in Revenue expenditure was due to fact that the committed

expenditure had gradually increased from ₹ 2,801 crore in 2015-16 to ₹ 4,048 crore in 2019-20. Further, as a percentage of total expenditure, the expenditure under General Services increased from 27.10 to 32.58 during the period 2015-20.

The proportion of Capital expenditure to total expenditure decreased from 7.67 *per cent* in 2015-16 to 4.57 *per cent* in 2019-20 which indicated that lower priority was accorded to infrastructure development/creation of capital assets.

During 2019-20, the expenditure on General Services, Social Services and Economic Services increased by 7.41 *per cent*, 2.89 *per cent* and 11.45 *per cent* respectively over the previous year.

2.4.2 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 UT's infrastructure and service network.

Revenue expenditure of ₹ 6,836 crore during 2019-20 increased by ₹ 449 crore as compared to ₹ 6,387 crore in 2018-19. It constituted 95.43 *per cent* of total expenditure of ₹ 7,163 crore during the year. However, as a percentage of GSDP, the Revenue expenditure declined from 18.55 in 2018-19 to 17.87 in 2019-20. The buoyancy of Revenue expenditure with reference to Revenue receipts during 2019-20 stood at 1.18.

The overall Revenue Expenditure, its rate of growth, its ratio to Total Expenditure and buoyancy *vis-à-vis* GSDP and Revenue Receipts are given in **Table 2.16** and the sectoral distribution of Revenue Expenditure pertaining to 2019-20 are given in **Chart 2.9**.

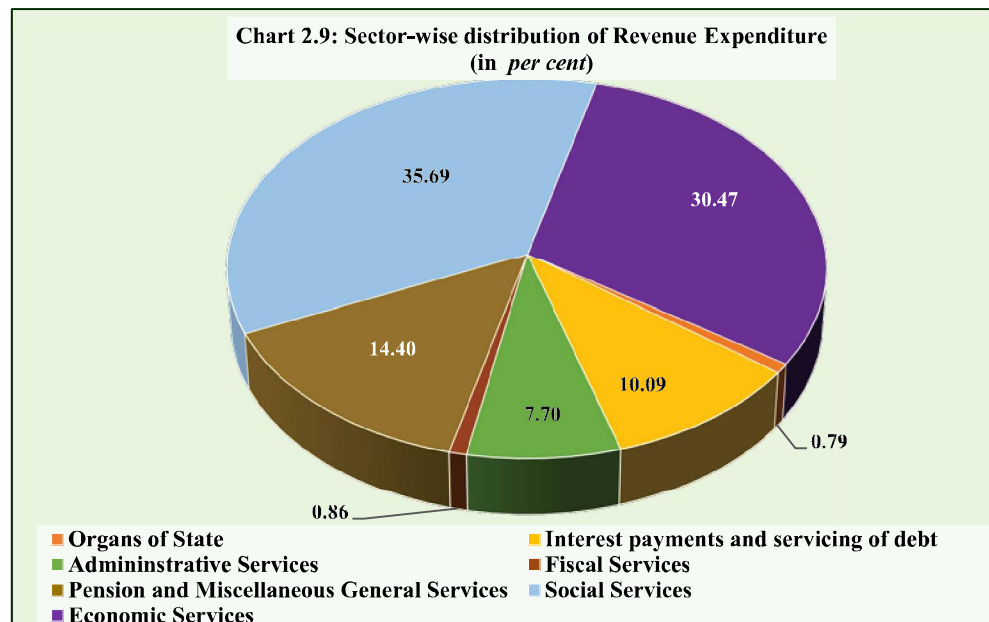
Table 2.16: Revenue Expenditure - Basic Parameters

(₹ in crore)

Parameters	2015-16	2016-17	2017-18	2018-19	2019-20
Total expenditure (TE)	5,725	5,905	6,201	6,703	7,163
Revenue expenditure (RE)	5,285	5,458	5,807	6,387	6,836
Rate of Growth of RE (<i>per cent</i>)	10.10	3.27	6.39	9.99	7.03
Revenue expenditure as percentage of TE	92.31	92.43	93.65	95.29	95.43
RE/GSDP (<i>per cent</i>)	19.86	18.46	18.07	18.55	17.87
RE as percentage of RR	103.87	101.39	96.73	99.80	100.81

Buoyancy of Revenue Expenditure with					
GSDP (ratio)	0.56	0.29	0.74	1.39	0.63
Revenue receipts (ratio)	1.46	0.56	0.56	1.51	1.18

(Source: Finance Accounts of respective years)



(Source: Finance Accounts 2019-20)

As a percentage of total Revenue expenditure except for Administrative services, Pension and Miscellaneous General services and Economic Services, all other sectors decreased when compared to previous year.

Revenue expenditure as a percentage of GSDP has dipped from 18.55 *per cent* in 2018-19 to 17.87 *per cent* in 2019-20, although it witnessed an increase of ₹ 449 crore (7.03 *per cent*) over the previous year. This was due to fact that the rate of growth of GSDP was 11.09 *per cent* when compared to the rate of growth of Revenue expenditure, which stood at 7.03 *per cent* during 2019-20. As against the target of ₹ 6,845 crore fixed for Revenue expenditure in FRM, the actual Revenue expenditure was ₹ 6,836 crore.

2.4.2.1 Major changes in Revenue Expenditure

The significant variation under various heads of account with regard to Revenue Expenditure of the UT during 2018-19 and 2019-20 are given in **Table 2.17**.

Table 2.17: Variation in Revenue Expenditure during 2019-20 as compared to 2018-19

(₹ in lakh)

Major Heads and description		2018-19	2019-20	Increase (+)/ Decrease (-)
2059	Public Works	10,447.35	15,702.85	5,255.50
2216	Housing	5,350.98	3,008.16	(-) 2,342.82
2217	Urban Development	13,069.73	6,485.30	(-) 6,584.43
2245	Relief on Account of Natural Calamities	2,118.73	6,066.47	3,947.74
2250	Other Social Services	318.93	449.20	130.27
2435	Other Agriculture Programmes	320.29	638.97	318.68
2501	Special Programme for Rural Development	21.02	54.70	33.68
2505	Rural Development	4,056.58	1,974.12	(-) 2,082.46
2515	Other Rural Development Programmes	4,401.22	1,827.59	(-) 2,573.63
2575	Other Special Area Programmes	1,465.77	834.85	(-) 630.92
2852	Industries	2,043.65	8,696.91	6,653.26
3054	Roads and Bridges	2,319.20	3,408.15	1,088.95
3055	Road Transport	581.69	1,480.13	898.44
3425	Other Scientific Research	190.84	269.94	79.10
3451	Secretariat-Economic Services	1,127.72	1,612.33	484.61
3456	Civil Supplies	773.42	1,083.13	309.71
3475	Other General Economic Services	81.19	498.65	417.46

(Source: Finance Accounts of respective years)

Table 2.17 indicates that Revenue expenditure under Urban Development declined significantly during the year primarily due to decrease in assistance to Local Bodies/Corporations. Housing also recorded a decrease during 2019-20 compared to the previous year due to repair works not carried out to various staff quarters and non-settlement of pending bills for completed works. Similarly, in respect of Public Works, the increase was due to filling up of vacant posts. Under Industries, the increase was due to more grants released to Co-operative Sugar Mills and Textiles.

2.4.2.2 Committed expenditure

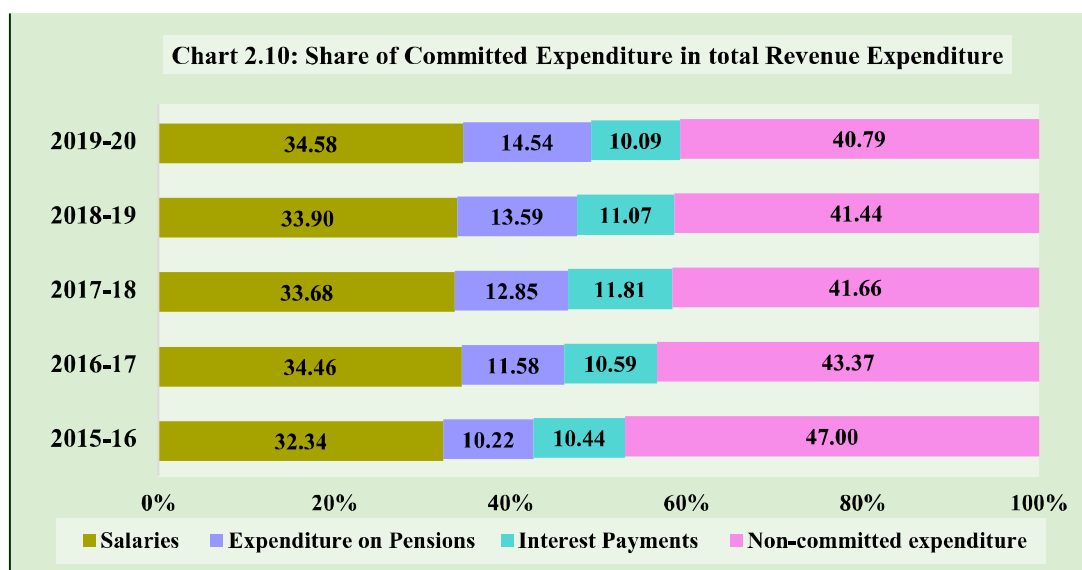
The committed expenditure of the UT Government on revenue account consists of interest payments, expenditure on salaries and pensions. It has first charge on Government resources. Upward trend in committed expenditure leaves the Government with lesser flexibility for development sector. The various components of committed expenditure and its share in total Revenue Expenditure are given in **Table 2.18** and **Chart 2.10**.

Table 2.18: Components of Committed Expenditure

(₹ in crore)

Components of Committed Expenditure	2015-16	2016-17	2017-18	2018-19	2019-20
Salaries ²	1,709	1,881	1,956	2,165	2,364
Expenditure on Pensions	540	632	746	868	994
Interest Payments	552	578	686	707	690
Total	2,801	3,091	3,388	3,740	4,048
As a percentage of Revenue Receipts (RR)					
Salaries	33.59	34.94	32.58	33.83	34.86
Expenditure on Pensions	10.61	11.74	12.43	13.56	14.66
Interest Payments	10.85	10.74	11.43	11.05	10.18
Total	55.05	57.42	56.44	58.44	59.70
As a percentage of Revenue Expenditure (RE)					
Salaries	32.34	34.46	33.68	33.90	34.58
Expenditure on Pensions	10.22	11.58	12.85	13.59	14.54
Interest Payments	10.44	10.59	11.81	11.07	10.09
Total	53.00	56.63	58.34	58.56	59.21

(Source: Finance Accounts of respective years)



(Source: Finance Accounts of respective years)

It could be seen from **Table 2.18** that the total committed expenditure of UT Government was increasing consistently over the period of five years. It increased from ₹ 2,801 crore in 2015-16 to ₹ 4,048 crore in 2019-20 by ₹ 1,247 crore. Further, the committed expenditure constituted 59.21 *per cent*

² Includes Grants-in-aid given for salaries.

of Revenue Expenditure and 59.70 *per cent* of Revenue Receipts during 2019-20.

Expenditure on salaries during the current year was ₹ 2,364 crore, which increased by ₹ 199 crore (9.19 *per cent*) over the previous year and stood at 34.86 *per cent* of Revenue receipts (₹ 6,781 crore) and 34.58 *per cent* of Revenue expenditure (₹ 6,836 crore) respectively. Over the five-year period 2015-20, it increased by ₹ 655 crore (38.32 *per cent*) from ₹ 1,709 crore in 2015-16 to ₹ 2,364 crore in 2019-20.

Pension payments increased by 14.52 *per cent* from ₹ 868 crore in 2018-19 to ₹ 994 crore in 2019-20 and it stood at 14.66 *per cent* and 14.54 *per cent* of Revenue receipts and Revenue expenditure respectively. Over the five-year period 2015-20, it increased by ₹ 454 crore (84.07 *per cent*) from ₹ 540 crore in 2015-16 to ₹ 994 crore in 2019-20.

Interest payments decreased by ₹ 17 crore (2.40 *per cent*) in 2019-20 over the previous year. It constituted around 10 *per cent* of Revenue receipts and Revenue expenditure respectively. However, during the five-year period 2015-20, it increased by ₹ 138 crore (25 *per cent*) due to increase in Public Debt from ₹ 741 crore in 2015-16 to ₹ 1,043 crore in 2019-20.

The percentage of non-committed expenditure to total expenditure had decreased from 47 *per cent* in 2015-16 to 40.79 *per cent* in 2019-20 which was due to the fact that the committed expenditure had increased from 53 *per cent* in 2015-16 to 59.21 *per cent* in 2019-20. This indicated that lower priority was given for maintenance of the existing General, Social and Economic Services.

2.4.2.3 Subsidies

The amount of subsidy provided by UT Government during 2015-16 to 2019-20 are given in **Table 2.19**.

Table 2.19: Expenditure on subsidies during 2015-20

	2015-16	2016-17	2017-18	2018-19	2019-20
Subsidies (₹ in crore)	154	134	157	173	223
Subsidies as a percentage of Revenue Receipts	3.03	2.49	2.62	2.70	3.29
Subsidies as a percentage of Revenue Expenditure	2.91	2.46	2.70	2.71	3.26

(Source: Finance Accounts of respective years)

Subsidies as a percentage of Revenue expenditure increased from 2.71 *per cent* (₹ 173 crore) in 2018-19 to 3.26 *per cent* (₹ 223 crore) in

2019-20 which represents the expenditure booked under the object head '33-Subsidies' mainly under Civil supplies and Consumer affairs (₹ 190 crore), Agriculture and Farmer Welfare (₹ 17 crore) and Women and Child Welfare Department (₹ five crore). The increase of ₹ 50 crore in subsidies during 2019-20 contributed to the revenue deficit of ₹ 54.49 crore.

During the year 2019-20, UT Government provided implicit subsidy of ₹ 33 crore under Grant 17 - Education and Grant 21 - Social Welfare. These were booked under the object heads 21 - Supply and Material and 50-Other charges for the schemes such as free supply of text books, provision of transport facilities to students, free supply of rice to all disabled persons, Supply of sarees and dhoties to the differently abled persons and Supply of rice and clothing to poor people.

2.4.2.4 *Financial assistance by UT Government to Local Bodies and other Institutions*

The quantum of assistance provided by way of grants and loans to Local Bodies and other institutions during the current year compared to the previous years is presented in **Table 2.20**.

Table 2.20: Financial assistance to Local Bodies and other institutions

(₹ in crore)

Financial assistance to Institutions	2015-16	2016-17	2017-18	2018-19	2019-20
(A) Local Bodies					
Municipalities	53.83	41.95	7.64	9.79	6.66
Panchayati Raj Institutions	1.10	3.58	0.77	1.44	2.41
Total (A)	54.93	45.53	8.41	11.23	9.07
(B) Others					
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	45.96	32.12	104.37	48.36	36.43
Development agencies and Autonomous Bodies	433.37	504.92	381.23	319.68	229.72
Co-operatives	61.49	57.45	14.62	10.07	36.26
Other Institutions*	120.56	28.88	150.90	359.02	467.90
Total (B)	661.38	623.37	651.12	737.13	770.31
Total (A+B)	716.31	668.90	659.53	748.36	779.38
Revenue expenditure	5,285	5,458	5,807	6,387	6,836
Assistance as a percentage of Revenue expenditure	13.55	12.26	11.36	11.72	11.40

* Welfare societies and religious institutions

(Source: Information furnished by the Directorate of Accounts and Treasuries, Puducherry)

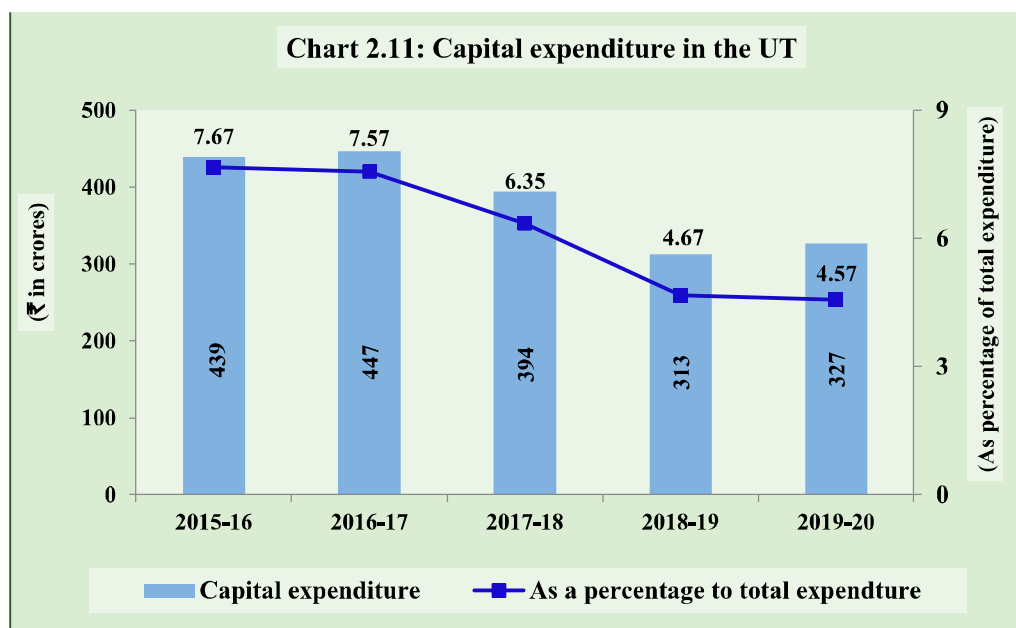
Financial assistance extended to Local Bodies and other institutions increased (4.14 *per cent*) from ₹ 748.36 crore in 2018-19 to ₹ 779.38 crore in 2019-20 which was due to increase in financial assistance to other institutions from ₹ 359.02 crore in 2018-19 to ₹ 467.90 crore in 2019-20.

2.4.3 Capital expenditure

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

Capital expenditure of the UT showed significant decrease over the period of five years from ₹ 439 crore in 2015-16 to ₹ 327 crore in 2019-20. As a percentage of total expenditure, it stood at 4.57 during 2019-20. However, the UT did not expend the budgetary allocation on creation of assets in any year during the five-year period 2015-20. During 2019-20, as against the budgetary allocation of ₹ 522 crore, only ₹ 327 crore (59 *per cent*) was expended.

The details of year-wise Capital expenditure during 2015-16 to 2019-20 and its percentage to total expenditure are given in **Chart 2.11**.



(Source: Finance Accounts of respective years)

It could be seen from **Chart 2.11** that the Capital expenditure was on a decreasing trend. The steep decline in Capital expenditure by ₹ 112 crore during the five-year period indicated that the UT Government was unable to spend on infrastructure and capital works, despite adequate budgetary allocations.

2.4.3.1 Major changes in Capital expenditure

The significant variations under various heads of account with regard to Capital expenditure of the UT during 2018-19 and 2019-20 are given in **Table 2.21**.

Table 2.21: Capital expenditure during 2019-20 compared to 2018-19

(₹ in lakh)

	Major Heads of Account	2018-19	2019-20	Increase (+)/ Decrease (-)
4058	Capital Outlay on Stationery and Printing	19	29	10
4070	Capital Outlay on other Administrative Services	56	105	49
4202	Capital Outlay on Education, Sports, Art and Culture	822	1,583	761
4215	Capital Outlay on Water Supply and Sanitation	9,435	2,654	(-) 6,781
4216	Capital Outlay on Housing	28	112	84
4225	Capital Outlay on Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities	128	323	195
4235	Capital Outlay on Social Security and Welfare	59	191	132
4401	Capital Outlay on Crop Husbandry	24	5	(-) 19
4403	Capital Outlay on Animal Husbandry	3	14	11
4405	Capital Outlay on Fisheries	129	51	(-) 78
4425	Capital Outlay on Co-operation	(-) 3	13	16
4702	Capital Outlay on Minor Irrigation	353	788	437
4851	Capital Outlay on Village and Small Industries	255	927	672
5051	Capital Outlay on Ports and Light Houses	1,327	2,516	1,189
5055	Capital Outlay on Road Transport	617	1,096	479
5452	Capital Outlay on Tourism	4,147	577	(-) 3,570

(Source: Finance Accounts of respective years)

Table 2.21 indicates that Capital Expenditure under Education, Sports, Art and Culture increased due to more expenditure on major works regarding middle and secondary education. In respect of Ports and Light Houses, the increase was due to more investments made on infrastructure, maintenance and development of small ports. The decrease in expenditure in respect of Water Supply and Sanitation was due to less developmental works to water supply system. Under Tourism, the decrease was due to reduction in expenditure for tourist infrastructure.

2.4.3.2 Quality of investments in Public Sector Undertakings

As of March 2020, Government invested ₹ 1,043.09 crore (₹ 714.58 crore³ in 12 Government Companies⁴ and ₹ 328.51 crore in 359 Co-operative Institutions). The year-wise details of investments made, returns received and the average rate of return are given in **Table 2.22**.

Table 2.22: 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)	1,018.52	1,030.67	1,027.79	1,033.70	1,043.09
Return (₹ in crore)	3.93	Nil	0.09	0.09	0.06
Return (<i>per cent</i>)	0.39	Nil	0.01	0.01	0.01
Average rate of interest on Government Borrowings (<i>per cent</i>)	7.47	7.20	8.02	7.88	7.42
Difference between interest rate and return (<i>per cent</i>)	7.08	7.20	8.01	7.87	7.41
Difference between interest on Government borrowings and return on investment (₹ in crore)	72.11	74.21	82.33	81.35	77.29

(Source: Finance Accounts of respective years)

The average rate of return on investment was 0.01 *per cent* during 2017-18 to 2019-20, while the average rate of interest paid by the UT Government during the period was 7.60 *per cent*.

Out of the total 12 working PSUs, six PSUs earned profit of ₹ 28.05 crore and six PSUs incurred losses of ₹ 52.37 crore aggregating to overall loss of ₹ 24.32 crore during 2019-20. Out of 12 Government companies, seven have completely eroded their net worth⁵, while remaining five Government companies have positive net worth as on 31 March 2020. The UT Government has made a cumulative investment of ₹ 444.01 crore in six loss making Government companies and ₹ 482.13 crore in seven Government companies whose net worth had completely eroded. The status of UT PSUs pertaining to investments made, their net profit/loss and net worth as on 31 March 2020 are given in **Table 2.23**.

³ It includes ₹ 712.39 crore (Investment of Government of Puducherry), ₹ 1.68 crore (Investment by Government of India) and ₹ 0.51 crore (Other investments).

⁴ Pondicherry Textile Corporation, which erroneously classified by Department of Accounts and Treasuries (DAT) as Statutory Corporation is also a Government Company registered under the Companies Act, 1956.

⁵ Net worth means the sum total of the paid-up share capital and free reserves and surplus less accumulated loss and deferred revenue expenditure. Free reserves mean all reserves created out of profits and share premium account, but do not include reserves created out of revaluation of assets and write back of depreciation provision.

Table 2.23: Status of PSUs about investments made, their net profit/loss and net worth**(₹ in crore)**

Sl. No.	Company	Status of PSU	Net profit/ loss after tax		Net Worth	Investment in Share Capital during 2019-20	Cumulative investment as on 31 March 2020
			Year	Amount			
1	Puducherry Agro Service and Industries Corporation Limited (PASIC)	Loss making	2012-13	(-) 1.28	(-) 23.26	NIL	15.00
2	Puducherry Agro Products, Food and Civil Supplies Corporation Limited (PAPSCO)	-do-	2013-14	(-) 7.23	(-) 17.19	NIL	9.88
3	Puducherry Adi-Dravidar Development Corporation Limited (PADCO)	-do-	2016-17	(-) 2.09	0.75	NIL	13.18
4	Puducherry Corporation for Development of Women and Differently Abled Persons Limited (PCDWDAP)	-do-	2017-18	(-) 8.81	(-) 9.68	NIL	3.82
5	Pondicherry Textiles Corporation Limited (PTC)	-do-	2015-16	(-) 27.31	(-) 206.35	NIL	367.35
6	Puducherry Road Transport Corporation Limited (PRTC)	-do-	2017-18	(-) 5.65	(-) 18.70	NIL	34.78
Sub-total				(-) 52.37	(-) 274.43	NIL	444.01
7	Puducherry Tourism Development Corporation Limited (PTDC)	Profit making	2018-19	1.05	(-) 9.22	NIL	17.59
8	Swadeshee Bharathee Textile Mills Limited (SBTML)	-do-	2014-15	22.19	(-) 21.19	NIL	33.71
9	Puducherry Backward Classes and Minorities Development Corporation Ltd (PBCMDC)	-do-	2014-15	1.23	6.80	NIL	4.81
10	Pondicherry Industrial Promotion Development and Investment Corporation Limited (PIPDIC)	-do-	2017-18	0.00	124.41	NIL	104.04
11	Puducherry Distilleries Limited (PDL)	-do-	2016-17	0.96	57.28	NIL	8.45
12	Puducherry Power Corporation Limited (PPCL)	-do-	2018-19	2.62	135.69	NIL	99.78
Sub-total				28.05	293.77	NIL	268.38
Investments in 359 Co-operative Institutions							328.51
Central Government Investment							1.68
Other Investments ⁶							0.51
Grand Total				(-) 24.32	19.34	Nil	1,043.09

(Source: Details furnished by respective Companies)

⁶ Other investments in four PSUs namely, Puducherry Agro Products, Food and Civil Supplies Corporation Limited (₹ 0.05 crore), Tamil Nadu Industrial Investment Corporation Limited, Chennai (₹ 0.15 crore), National Minorities Development and Finance Corporation Limited (₹ 0.26 crore) and Cannanore Spinning and Weaving Mill, Mahe (₹ 0.05 crore).

Out of six loss making PSUs, five PSUs have a negative net worth, while only one PSU viz., Puducherry Adi-Dravidar Development Corporation Limited (PADCO) has a positive net worth. Similarly, out of six profit making PSUs, two PSUs viz., PTDC and SBTML have a negative net worth. No investment was made in these PSUs during the last four years ending 2019-20.

Considering the average cost of borrowings of 7.42 *per cent* for the year 2019-20, these companies are required to earn a minimum return of ₹ 35.77 crore against which these companies reported a total net loss of ₹ 24.32 crore as per their latest audited accounts.

2.4.3.3 Capital locked in incomplete projects

The capital locked in incomplete capital works in the UT are detailed in **Tables 2.24** and **2.25**.

Table 2.24: Age profile of incomplete projects as on 31 March 2020

(₹ in crore)

Year of commencement	No of incomplete projects	Estimated cost	Expenditure (as on 31 March 2020)
2007	01	6.26	5.92
2010	02	10.53	8.29
2011	01	71.62	64.84
2014	01	11.00	4.17
2015	07	4.00	1.47
2016	10	38.55	18.05
2017	14	95.27	25.58
2018	07	17.52	8.75
2019	20	75.40	13.59
2020	11	4.25	0.87
Total	74	334.40	151.53

(Source: Finance Accounts 2019-20)

Table 2.25: Department-wise profile of incomplete projects as on 31 March 2020

(₹ in crore)

Department	No of incomplete projects	Estimated cost	Expenditure
Public Work/Irrigation	69	322.67	143.43
Electricity	5	11.73	8.10
Total	74	334.40	151.53

It could be seen from **Tables 2.24** and **2.25** above that as against estimated amount of ₹ 334.40 crore, an amount of ₹ 151.53 crore has been incurred. The projects, however, remained incomplete as of March 2020. It was seen that in respect of 12 projects on which an expenditure of ₹ 84.69 crore incurred remained incomplete for periods ranging from five to 13 years. Similarly, ₹ 66.84 crore incurred on 62 projects remained incomplete for period ranging from one to five years. The intended benefits have not

percolated despite the high expenditure over a long period. Further, the Capital expenditure of the UT showed significant decrease over the period of five years from ₹ 439 crore in 2015-16 to ₹ 327 crore in 2019-20. Thus, the funds borrowed for implementation of these projects during the respective years led to extra burden in terms of servicing of debt and interest liabilities.

2.4.4 Expenditure priorities

The expenditure responsibilities relating to the social sector and economic infrastructure are largely State/UT subjects. 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 category to aggregate expenditure (AE)) is attached to a particular sector, if the allocation given to that particular head of expenditure is below the General Category States' (GCS)/national average. Apart from improving the allocation towards development expenditure (DE), the efficiency of expenditure use is also reflected by the ratio of capital expenditure (CE) to Total expenditure and the proportion of Revenue expenditure being spent on Education and Health Sectors. The higher the ratio of these components to Total Expenditure, the quality of expenditure is considered to be better.

An analysis of fiscal priority (percentage of expenditure category to aggregate expenditure) of UT Government with regard to development expenditure, social sector expenditure (SSE) and Capital expenditure during the current year and comparison of fiscal priority given to different categories of expenditure of UT of Puducherry in 2015-16 and 2019-20 are given in **Table 2.26**.

Table 2.26: Fiscal priority of UT Government in 2015-16 and 2019-20

Fiscal priority of UT		AE/ GSDP	DE/ AE	SSE/ AE	CE/ AE	ESE/ AE	Expenditure on Education, Sports, Art and Culture/AE	Expenditure on Health and Family Welfare /AE
Puducherry (Percentage)	2015-16	21.51	72.77	40.74	7.67	32.02	12.07	8.51
	2019-20	18.73	67.41	36.29	4.57	31.12	11.65	10.22
General Category States (Percentage)	2015-16	16.97	70.29	36.09	14.81	34.19	15.68	4.79
	2019-20	15.15	65.42	36.73	12.97	28.69	15.91	5.21

(Source: Finance Accounts of respective years)

As can be seen from **Table 2.26**, development expenditure as a ratio of Aggregate expenditure of the UT of Puducherry was more than that of GCS during both the years *i.e.*, 2015-16 and 2019-20. The decrease in aggregate

expenditure of UT Government, as a percentage to GSDP from 21.51 in 2015-16 to 18.73 in 2019-20, indicated that UT Government spent lesser proportion of its GSDP on aggregate expenditure in 2019-20. Capital Expenditure of the UT was less than that of GCS during both the years and it reduced from 7.67 *per cent* in 2015-16 to 4.57 *per cent* of the aggregate expenditure in 2019-20. Expenditure on Health and Family Welfare had increased from 8.51 *per cent* in 2015-16 to 10.22 *per cent* of the aggregate expenditure in 2019-20 and it was also higher when compared to the GCS in both the years. However, expenditure on Education, Sports, Art and Culture decreased from 12.07 *per cent* in 2015-16 to 11.65 *per cent* of the aggregate expenditure in 2019-20 and it was also less than the GCS in both the years.

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 Section 47A of the UT Act, 1963 and are not subject to vote by the UT Legislature. The Government acts as a banker in respect of Public Account moneys. The balance after disbursements during the year is the fund available with the Government to utilise it for various purposes.

2.5.1 Net Public Account Balances

The component-wise net balances in Public Account of the UT as on 31 March 2020 are given in **Table 2.27**.

Table 2.27: Component-wise net balances in Public Account

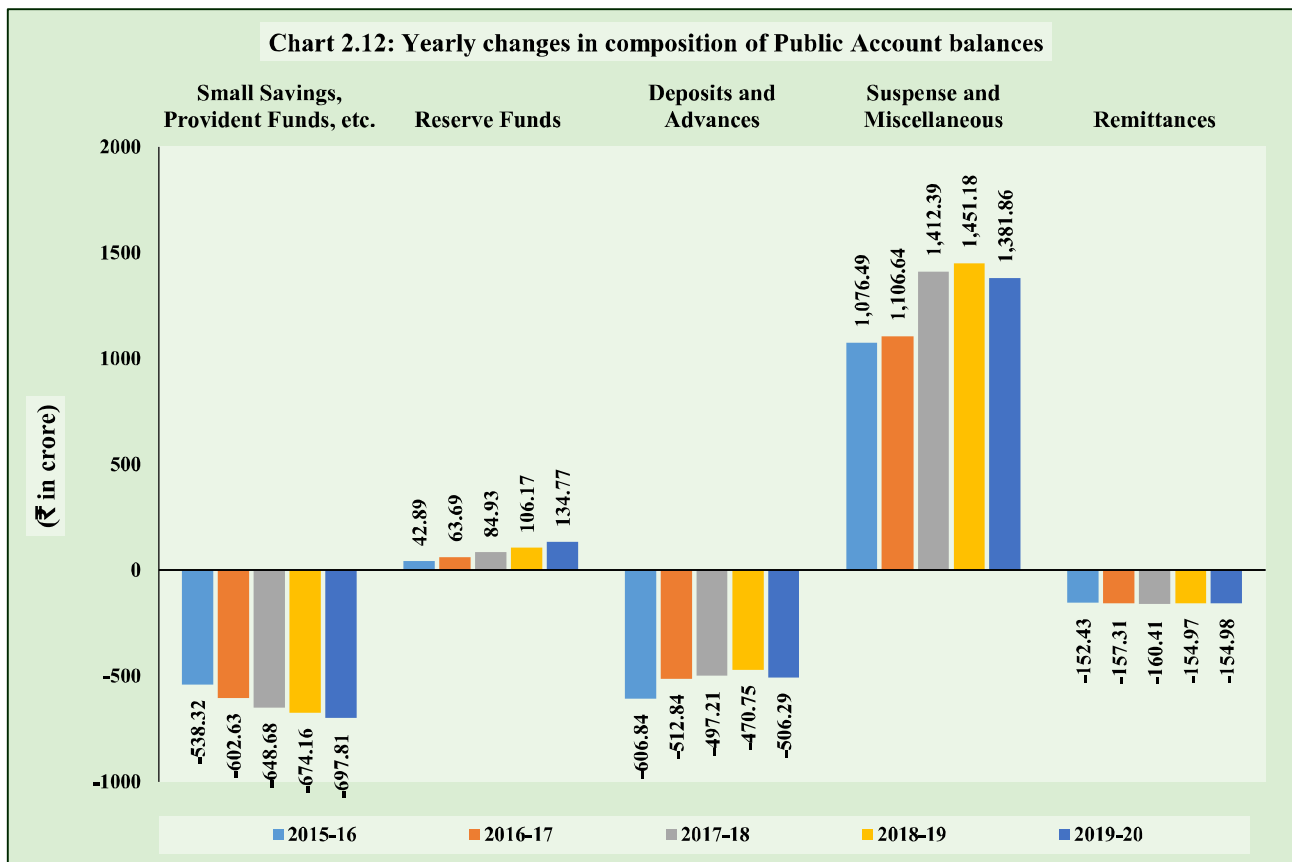
(₹ in crore)						
Sector	Sub Sector	2015-16	2016-17	2017-18	2018-19	2019-20
I. Small Savings, Provident Funds, <i>etc.</i>	Small Savings, Provident Funds, <i>etc.</i>	(-) 538.32	(-) 602.63	(-) 648.68	(-) 674.16	(-) 697.81
J. Reserve Funds	(a) Reserve Funds bearing Interest	--	--	--	--	--
	(b) Reserve Funds not bearing Interest	42.89	63.69	84.93	106.17	134.77
K. Deposits and Advances	(a) Deposits bearing Interest	(-) 85.72	(-) 97.82	(-) 116.07	(-) 135.49	(-) 165.49
	(b) Deposits not bearing Interest	(-) 521.70	(-) 415.64	(-) 381.82	(-) 335.89	(-) 341.43
	(c) Advances	0.58	0.62	0.68	0.63	0.63

Sector	Sub Sector	2015-16	2016-17	2017-18	2018-19	2019-20
L. Suspense and Miscellaneous	(b) Suspense	205.43	175.20	(-) 263.54	276.94	307.74
	(c) Other Accounts	871.06	931.44	1,675.93	1,174.24	1,074.12
	(d) Accounts with Governments of Foreign Countries	—	--	—	--	--
	(e) Miscellaneous	—	--	—	--	--
M. Remittances	(a) Money Orders and other Remittances	(-) 152.43	(-) 157.31	(-) 160.41	(-) 154.97	(-) 154.98
	(b) Inter-Governmental Adjustment Account	—	--	—	--	--
Total		(-) 178.21	(-) 102.45	191.02	257.47	157.55

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

(Source: Finance Accounts of respective years)

The yearly changes in composition of Public Account balances are depicted in **Chart 2.12**.



(Source: Finance Accounts of respective years)

2.5.2 Reserve Funds

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

2.5.2.1 Consolidated Sinking Fund

As per the request of the Reserve Bank of India, the UT Government have set up the Consolidated Sinking Fund from the financial year 2009-10. The fund is to be utilised as an Amortisation fund for redemption of the outstanding liabilities (comprise of internal debt and public account liabilities) of the Government. The Government may contribute to the Fund atleast 0.5 *per cent* of the outstanding liabilities as at the end of the previous year. During the year 2019-20, the opening outstanding liabilities of the UT Government was ₹ 7,518.63 crore (Public Debt - ₹ 6,479.30 crore and Public Account - ₹ 1,039.33 crore) for which the UT Government had to contribute ₹ 37.59 crore at 0.5 *per cent* of the total outstanding liabilities which was not provided. This has resulted in understatement of the revenue/fiscal deficit to that extent during the current financial year and have also deferred the liability to future years. As of 31 March 2020, the UT Government had invested ₹ 366.95 crore.

2.5.2.2 Union Territory Disaster Response Fund

The Government of India issued guidelines in May 2014 for State Disaster Response Fund in respect of Union Territories. The guidelines stipulated that the UT Government should make suitable provision in their budget under the Head 2245 - Relief on account of Natural Calamities - 05 UT Disaster Response Fund- 101 Transfers to Reserve Fund and Deposit Accounts - UT Disaster Response Fund (UTDRF). The actual expenditure on disaster response works should be booked only under respective minor heads within Major Head 2245 and the expenditure to be charged to the UTDRF should be shown as negative entry under 2245-05-901-*Deduct* amount met from UTDRF for relief expenditure. Thus, the amount transferred should be deposited in the UT Disaster Response Fund created in Public Account of the Government under Reserve Fund.

The Government of Puducherry contemplated (September 2017) the procedure to be followed in contribution and administration of UTDRF. It was proposed to deposit the amount in any Nationalised Bank and it was also proposed to meet the actual expenditure on immediate relief initially under the Head of Account 2245- Relief on Account of Natural Calamities and the quantum of

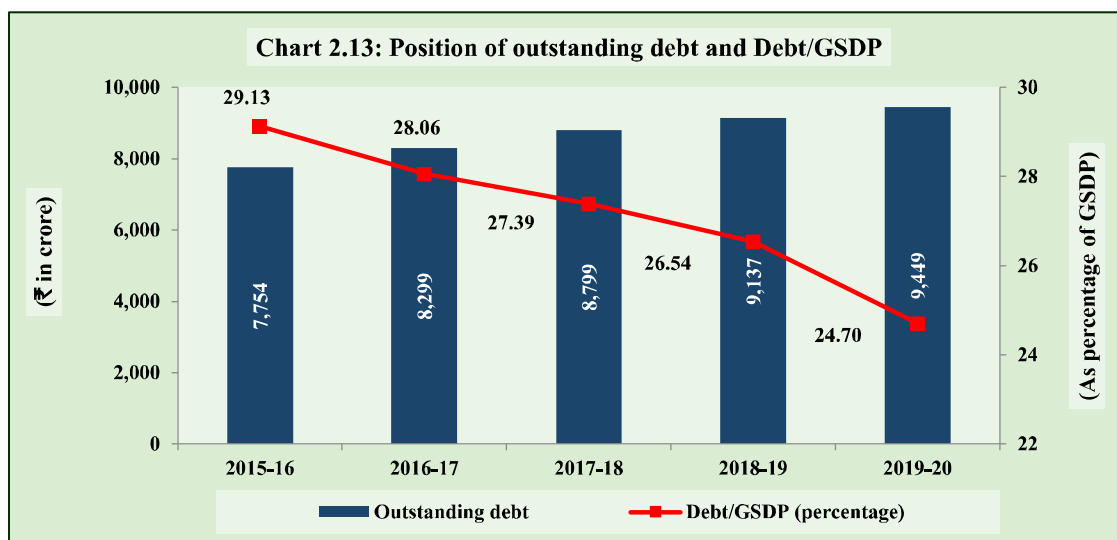
relief to be met subsequently from the UTDRF maintained under the Public Account through inter-account transfer.

Audit noticed that the contributions pertaining to UTDRF were being deposited in Pudukkottai Bharathiyar Grama Bank and expenditure incurred therefrom. An amount of ₹ 13.85 crore was available in the Bank as of March 2020. Thus, UTDRF was not created under Public Account as contemplated and funds are kept outside Government account in contravention of the guidelines.

2.6 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.

The position of outstanding debt and Debt/GSDP ratio during 2015-16 to 2019-20 are given in **Chart 2.13**.



(Source: Finance Accounts of respective years)

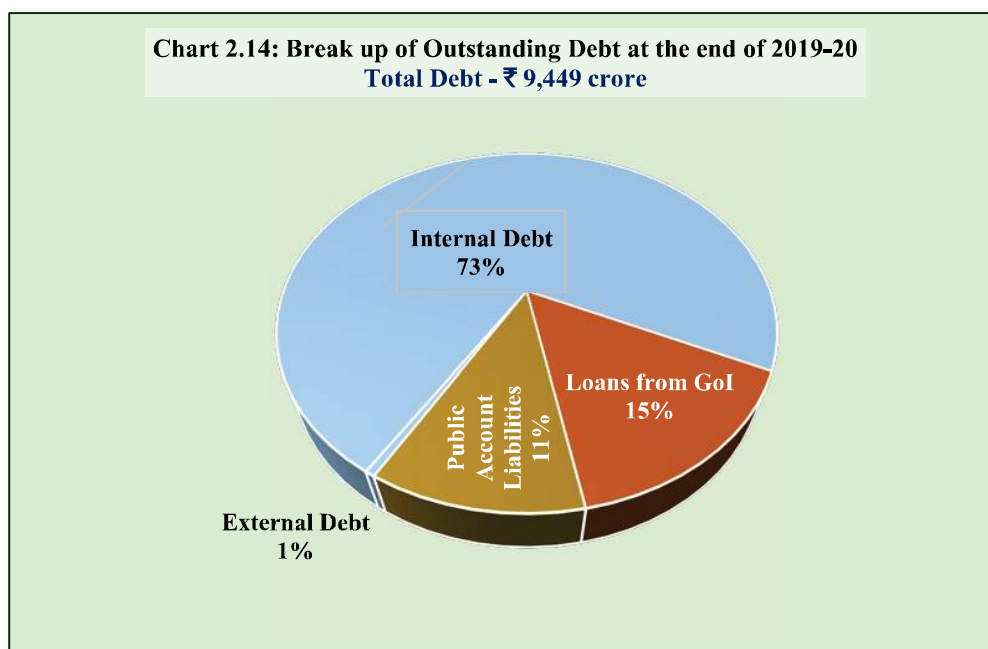
2.6.1 Debt profile - Components

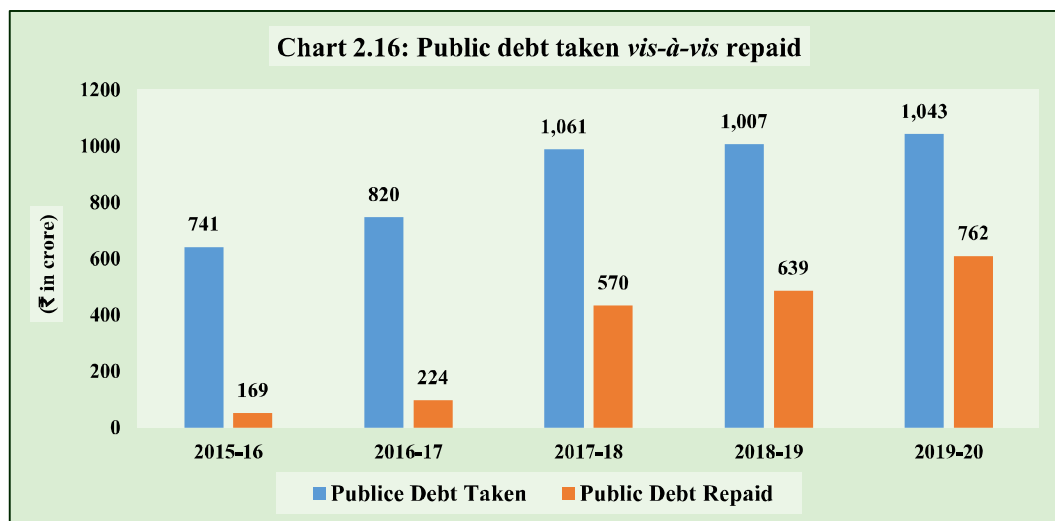
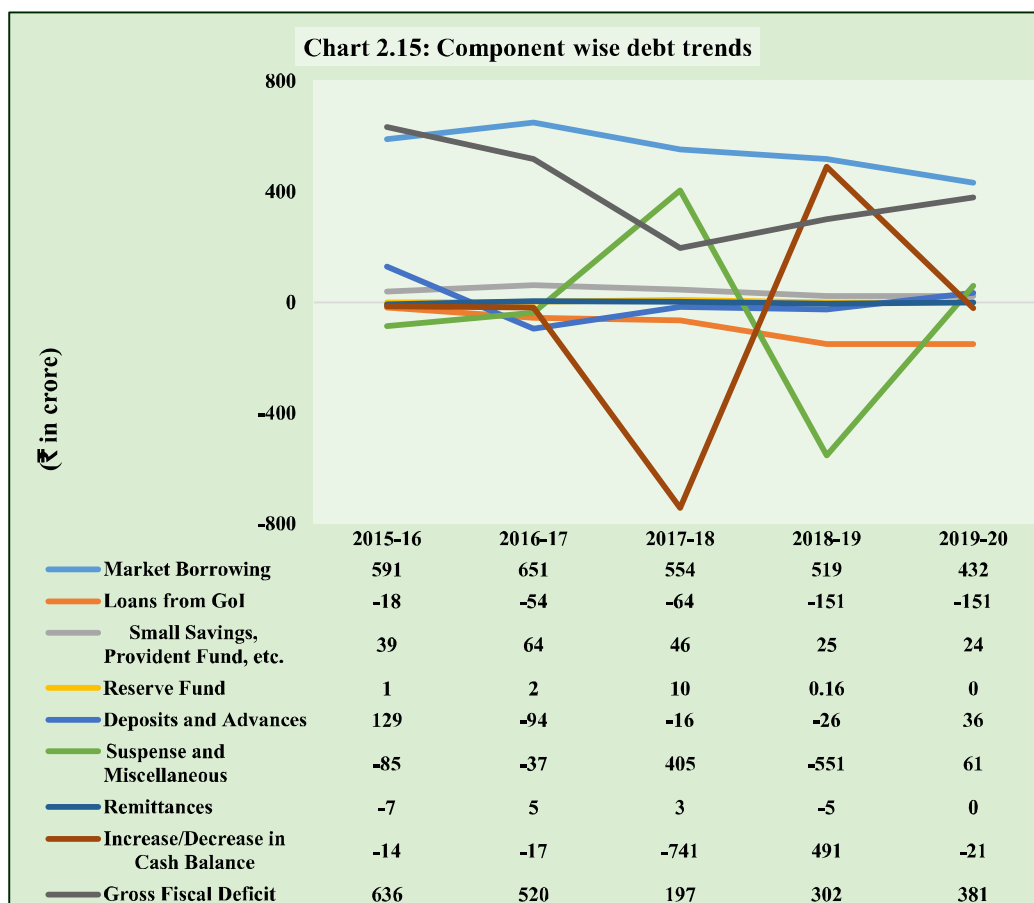
Total debt of the UT Government constitutes of External/Internal debt of the UT (market loans, ways and means advances from RBI, special securities issued to National Small Savings Fund and loans from financial institutions, etc.) and loans and advances from the Central Government. The details of component-wise debt trends are given in **Table 2.28** and **Charts 2.14, 2.15** and **2.16**.

Table 2.28: Component-wise debt trends

		(₹ in crore)				
Particulars		2015-16	2016-17	2017-18	2018-19	2019-20
Outstanding overall Debt		7,754	8,299	8,799	9,137	9,449
Public Debt		6,651	7,246	7,737	8,098	8,379
	External Debt	Nil	Nil	Nil	50	50
	Internal Debt	4,811	5,461	6,016	6,479	6,911
	Loans from GoI	1,840	1,785	1,721	1,569	1,418
Public Account Liabilities		1,103	1,053	1,062	1,039	1,070
Rate of growth of outstanding debt (<i>per cent</i>)		10.30	7.03	6.02	3.84	3.41
Gross State Domestic Product (GSDP)		26,617	29,573	32,129	34,433	38,253
Debt/GSDP (<i>per cent</i>)		29.13	28.06	27.39	26.54	24.70
Total Debt Receipts		741	820	1,061	1,007	1,043
Total Debt Repayments		169	224	570	639	762
Total Debt Available		572	596	491	368	281
Debt Repayments/Debt Receipts (<i>per cent</i>)		22.81	27.32	53.72	63.46	73.06

(Source: Finance Accounts of respective years)





(Source: Finance Accounts of respective years)

It could be seen that the outstanding debt (including Public Account liabilities) though increased from ₹ 7,754 crore in 2015-16 to ₹ 9,449 crore in 2019-20, the rate of growth decreased from 10.30 *per cent* to 3.41 *per cent* during the same period. During the five-year period, the percentage of repayment of Public Debt out of Public Debt Receipts increased from 22.81 to 73.06. Out of the total Debt Receipts of ₹ 1,043 crore during 2019-20, an amount of

₹ 762 crore (73.06 per cent) was utilised for repayment of debt, leaving a balance of only ₹ 281 crore available for capital spending.

2.6.2 Components of fiscal deficit and its financing

The various components of fiscal deficit and its financing pattern are detailed in **Table 2.29**.

Table 2.29: 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		(-) 636	(-) 520	(-) 197	(-) 302	(-) 381
1	Revenue Deficit	(-) 197	(-) 75	196	13	(-) 54
2	Net Capital Expenditure	(-) 439	(-) 447	(-) 394	(-) 313	(-) 327
3	Net Loans and Advances	0	2	1	(-) 2	0
Financing Pattern of Fiscal Deficit						
1	Market Borrowings	591	651	554	519	432
2	Loans from GoI	(-) 18	(-) 54	(-) 64	(-) 151	(-) 151
3	Special Securities issued to NSSF	--	--	--	--	--
4	Loans from Financial Institutions	--	--	--	--	--
5	Small Savings, PF, etc.	39	64	46	25	24
6	Deposits and Advances	129	(-) 94	(-) 16	(-) 26	36
7	Suspense and Miscellaneous	(-) 85	(-) 37	405	(-) 551	61
8	Remittances	(-) 7	5	3	(-) 5	0
9	Reserve Funds	1	2	10	0.16	0
10	Overall Deficit	650	537	938	(-) 189	402
11	Increase/Decrease in cash balance	14	17	741	(-) 491	21
12	Gross Fiscal Deficit	(-) 636	(-) 520	(-) 197	(-) 302	(-) 381

(Source: Finance Accounts of respective years)

The Fiscal deficit though increased from ₹ 302 crore in 2018-19 to ₹ 381 crore in 2019-20, it decreased by ₹ 255 crore during the five-year period. This was due to decrease in revenue deficit and reduction in Capital expenditure over the years.

2.6.3 Debt profile - Maturity and Repayment

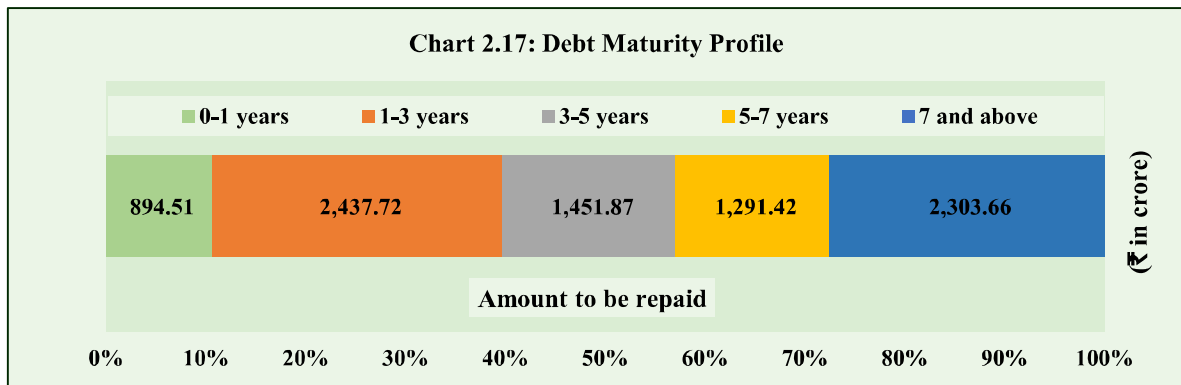
The debt maturity and repayment profile indicates commitment on the part of the Government for debt repayment or debt servicing.

The debt maturity profile of repayment of debt by the UT Government is given in **Table 2.30** and **Chart 2.17**.

Table 2.30: Debt Maturity profile of repayment of debt

Period of repayment (Years)	Amount (₹ in crore)	Percentage (w.r.t. Public debt)
0 – 1	894.51	10.68
1 – 3	2,437.72	29.09
3 – 5	1,451.87	17.33
5 – 7	1,291.42	15.41
7 and above	2,303.66	27.49
Total	8,379.18	

(Source: Finance Accounts 2019-20)



(Source: Finance Accounts 2019-20)

The maturity profile of UT Government's Public Debt indicates that nearly 72.51 *per cent* of the total Public debt was repayable within next seven years, which indicates a year-on-year increase in its repayment burden.

2.7 Debt Sustainability Analysis

Debt sustainability is defined as the ability of the State to service its debt now and in future. The higher the level of public debt, the more likely is that fiscal policy and public debt are unsustainable, as a higher debt requires a higher primary surplus to sustain it. Large primary fiscal surpluses are needed to service a high level of debt and high level of debt heightens an economy's vulnerability to interest rate. A high debt level is generally associated with higher borrowing requirements and therefore a higher risk of a rollover crisis and it may be detrimental to economic growth.

Fiscal space in general refers to the room a Government has to undertake discretionary policy relative to existing plans without undermining debt sustainability or market access. Apart from the magnitude of debt of UT

Government, it was important to analyse various indicators that determine the debt sustainability of UT. This section assesses the sustainability of debt of UT Government in sufficiency of non-debt receipts, net availability of borrowed funds⁷ and burden of interest payments (measured by interest payments to revenue receipts ratio).

Table 2.31 indicates debt sustainability of the UT for a period of five years beginning from 2015-16.

Table 2.31: Trends in Debt Sustainability indicators

(₹ in crore)

Debt Sustainability Indicators	2015-16	2016-17	2017-18	2018-19	2019-20
Outstanding Public Debt*	6,651	7,246	7,737	8,098	8,379
Rate of growth of outstanding Public Debt	9.42	8.95	6.77	4.67	3.47
GSDP	26,617	29,573	32,129	34,433	38,253
Rate of growth of GSDP	17.91	11.11	8.64	7.17	11.09
Debt/GSDP	24.98	24.50	24.08	23.51	21.90
Average interest Rate of outstanding Public Debt (<i>per cent</i>)	8.18	7.73	8.25	8.55	8.22
Percentage of Interest payment to Revenue Receipts	10.85	10.74	11.43	11.05	10.18
Percentage of Debt Repayment to Debt Receipts	22.81	27.32	53.72	63.46	73.06
Net Debt available to the UT [#]	51.60	35.93	(-) 127.47	(-) 265.12	(-) 396.35
Net Debt available as <i>per cent</i> to Debt Receipts	6.96	4.38	(-) 12.01	(-) 26.33	(-) 38.00
Debt Stabilisation (Quantum spread [@] + Primary Deficit)	507	260	517	341	541

* Outstanding Public Debt is the sum of outstanding balances under the heads 6003-Internal Debt and 6004- Loans and Advances from the Central Government.

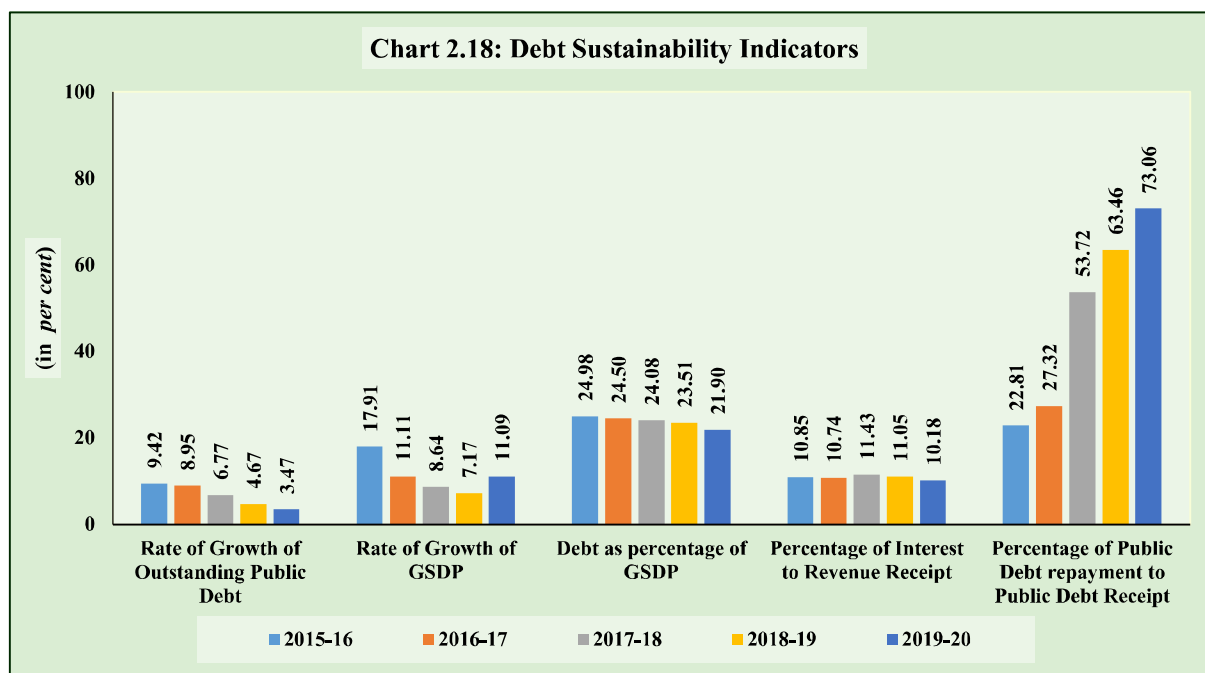
Net debt available to the UT Government is calculated as excess of Public debt receipts over Public debt repayment and interest payment on Public Debt.

@ Debt Stock (previous year fiscal liability) * Interest Spread (GSDP growth rate *minus* average interest rate)/100

(Source: Finance Accounts of respective years)

The trends of debt sustainability indicators for the period 2015-16 to 2019-20 are given in **Chart 2.18**.

⁷ Defined as the ratio of the debt redemption (Principal + Interest Payments) to total debt receipts and indicates the extent to which the debt receipts were used in debt redemption, indicating the net availability of borrowed funds.



(Source: Finance Accounts of respective years)

- The rate of growth of outstanding debt, which was at 9.42 *per cent* in 2015-16 decreased to 3.47 *per cent* in 2019-20.
- UT's Debt-GSDP ratio was gradually decreasing from 2015-16 and stood at 21.90 *per cent* during 2019-20. A falling Debt/GSDP ratio can be considered as leading towards stability.
- The burden of interest payments which showed an increase of 11.43 *per cent* in 2017-18, decreased to 11.05 *per cent* in 2018-19 and further decreased to 10.18 *per cent* of Revenue receipts during 2019-20. The reduction was due to increase in Revenue receipts from ₹ 6,003 crore in 2017-18 to ₹ 6,781 crore in 2019-20 and decrease in interest payments from ₹ 707 crore in 2018-19 to ₹ 690 crore in 2019-20.
- The debt repayment to debt receipts which was 22.81 *per cent* in 2015-16 increased to 53.72 *per cent* in 2017-18 and went upto 73.06 *per cent* in 2019-20.
- The net debt available to UT Government decreased to (-) ₹ 396.35 crore in 2019-20. This was mainly due to repayment of ₹ 677 crore as interest on public debt which was 64.91 *per cent* of the borrowings of ₹ 1,043 crore during 2019-20. The debt repaid during the year was ₹ 762 crore. The financial outgo on account of debt servicing thus impacted the finances of UT due to increase in Revenue expenditure on account of high interest payments.

- The developmental works were also affected due to paucity of funds as seen from the actual Capital expenditure (₹ 327 crore) which was less by 37.36 *per cent* of the budget estimate of ₹ 522 crore.

2.7.1 Utilisation of borrowed funds

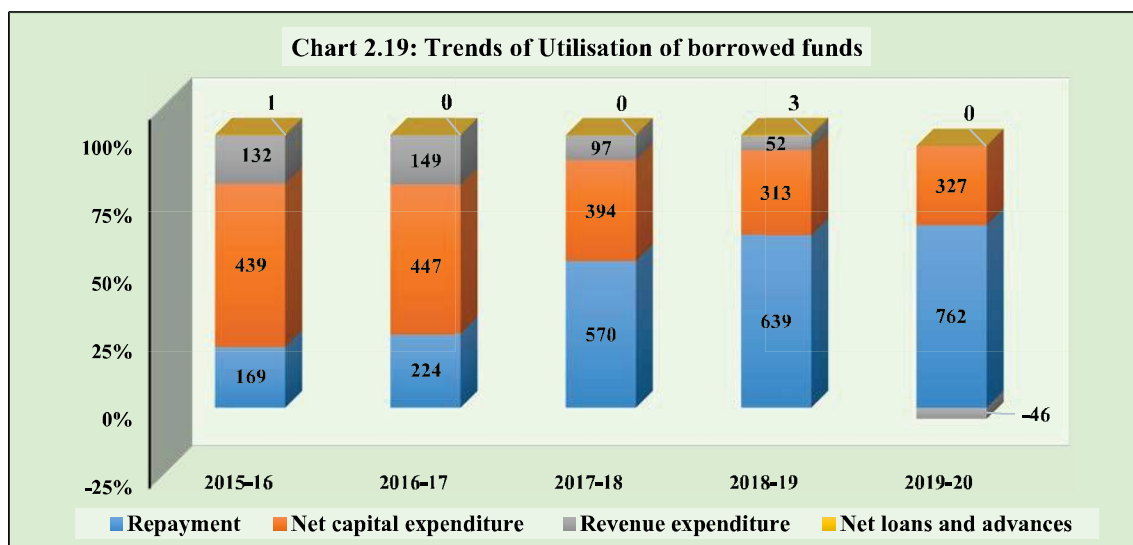
Borrowed funds should ideally be used to fund capital creation and developmental activities. Using borrowed funds for meeting current consumption and repayment of interest on outstanding loans is not sustainable. The trends in utilisation of borrowed funds are given in **Table 2.32** and **Chart 2.19**.

Table 2.32: Utilisation of borrowed funds

(₹ in crore)						
Year	Row No.	2015-16	2016-17	2017-18	2018-19	2019-20
Total Borrowings	1	741	820	1,061	1,007	1,043
Repayment of earlier borrowings (Principal)	2	169	224	570	639	762
Net Capital expenditure	3	439	447	394	313	327
Net loans and advances	4	1	0	0	3	0
Portion of Revenue expenditure met out of net available borrowings	5=1-2-3-4	132	149	97	52	(-) 46

(Source: Finance Accounts of respective years)

It could be seen from the above table that total borrowing had increased by 40.75 *per cent* from ₹ 741 crore in 2015-16 to ₹ 1,043 crore in 2019-20, whereas the repayment of borrowing increased by 350.88 *per cent* during the same period. During the five-year period 2015-20, 50.60 *per cent* of Public debt receipts were utilised for repayment of Public Debt taken in earlier years.



(Source: Finance Accounts of respective years)

It could be seen from **Table 2.32** that ₹ 762 crore (73.06 *per cent*) out of the borrowing of ₹ 1,043 crore has been utilised for repayment, leading to lesser spending on creation of Capital Assets.

2.7.2 Status of Guarantees

Guarantees are liabilities contingent on the Consolidated Fund of the UT in case of default by the borrower for whom the guarantee has been extended. Guarantees for the purpose of Administration of Union Territories, prior to the amendment of the Union Territories Act on 06 September 2001, were given by GoI under Article 292 of the Constitution of India. In the event of the guarantees being invoked, the payment would initially be charged to the Consolidated Fund of India and the amount subsequently recovered from the Government of UT of Puducherry. Consequent to amendment of Union Territories Act on 06 September 2001 and issue of its notification by the Government of India on 10 May 2006, the Government of UT of Puducherry was empowered to give guarantees.

The maximum amount for which guarantees were given to Co-operatives and Government Companies by UT Government and GoI on behalf of UT and outstanding guarantees for the last five years are given in **Table 2.33**.

Table 2.33: Guarantees given by UT and GoI on behalf of UT of Puducherry

Guarantees	2015-16	2016-17	2017-18	2018-19	2019-20
Maximum amount guaranteed (₹ in crore)	56.18	56.18	63.18	63.18	63.18
Outstanding amount of guarantees (₹ in crore)	44.48	44.48	49.16	48.24	42.17
Percentage of maximum amount guaranteed to total Revenue receipts	1.10	1.04	1.05	0.99	0.93

(Source: Finance Accounts of respective years)

As a percentage of Revenue receipts, the maximum amount guaranteed decreased from 0.99 in 2018-19 to 0.93 in 2019-20. No guarantee was invoked during any of the five years.

2.7.3 Management of cash balances

As per an agreement with the Reserve Bank of India, State/UT 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 RBI revises the limit for ordinary WMA to the State/UT Governments from time to time.

State/UT Governments 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'. It is not desirable that State/UT Government take recourse to market loans despite having large cash balances leading to further accretion to cash balances without putting it to productive use. The details of cash balances and their investments as at the beginning and at the end of 2019-20 are given in Table 2.34.

Table 2.34: Cash Balances and their investment

(₹ in crore)

	Opening balance as on 1 April 2019	Closing balance as on 31 March 2020
(A) General cash balance		
(i) Cash in treasuries	Nil	Nil
(ii) Deposits with RBI	0.15	0.15
(iii) Deposits with other banks	Nil	Nil
(iv) Local remittances	Nil	Nil
Total	0.15	0.15
(v) Investment held in cash balance investment account	1,280.56	1,272.48
Total (A)	1,280.71	1,272.63
(B) Other cash balances and investments		
(vi) Departmental cash balances	0.46	0.44
(vii) Permanent Imprest	1.76	2.03
(viii) Investment in earmarked funds	338.35	366.95
Total (B)	340.57	369.42
Grand Total (A) + (B)	1,621.28	1,642.05
Interest realised	68.49	67.90

(Source: Finance Accounts 2019-20)

The cash balance increased from ₹ 1,621.28 crore in 2018-19 to ₹ 1,642.05 crore in 2019-20. During the year, the cash balance investment⁸ was ₹ 1,272.48 crore. The cash balance investment and the interest earned during the period 2015-20 are given in **Table 2.35**.

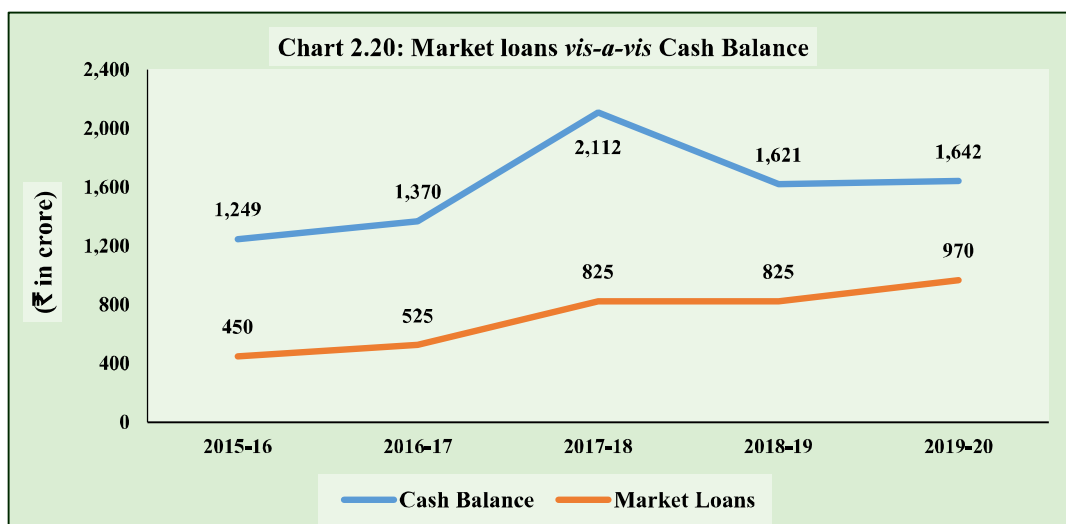
Table 2.35: Cash Balance Investment Account (Major Head-8673)

(₹ in crore)

Year	Opening Balance	Closing Balance	Increase (+) / decrease (-)	Interest earned
2015-16	988.03	984.17	(-) 3.86	65.68
2016-17	984.17	1,082.10	97.93	42.66
2017-18	1,082.10	1,792.64	710.54	47.90
2018-19	1,792.64	1,280.56	512.08	68.49
2019-20	1,280.56	1,272.48	(-) 8.08	67.90

(Source : Finance Accounts of respective years)

It could be seen from the above table that the cash balance investment had increased by 29.29 *per cent* from ₹ 984.17 crore in 2015-16 to ₹ 1,272.48 crore in 2019-20. It is pertinent to point out that during the same period, the Public Debt receipts increased by 40.75 *per cent* from ₹ 741 crore in 2015-16 to ₹ 1,043 crore in 2019-20. The Cash balances and Market loans during the five-year period 2015-20 are indicated in **Chart 2.20**.



(Source : Finance Accounts of the respective years)

The month-wise details of cash balance investment made in treasury bills and the borrowings of the UT Government are given in **Table 2.36**.

⁸ Cash balance investment was the mandatory investment required to be done by each State/UT Government with RBI. This balance was the combined cash and cash equivalent balance of Consolidated Fund, Contingency Fund and Public Account.

Table 2.36: Cash Balance Investment Account vis-à-vis borrowings**(₹ in crore)**

Month and Year	Investment in Cash Balance Investment Account (Treasury bills)			Borrowings
	14 days	Less than 90 days	Total	
April 2019	351.85	920.63	1,272.48	--
May 2019	607.87	897.32	1,505.19	--
June 2019	242.64	897.32	1,139.96	--
July 2019	443.69	764.02	1,207.71	--
August 2019	400.12	914.01	1,314.13	--
September 2019	358.71	914.01	1,272.72	--
October 2019	532.03	1,020.45	1,552.48	211.27
November 2019	455.43	888.73	1,344.16	210.39
December 2019	347.61	771.44	1,119.05	206.42
January 2020	464.41	892.30	1,356.71	107.81
February 2020	306.91	892.29	1,199.20	103.89
March 2020	581.69	693.66	1,275.35	203.03
Total				1,042.81

It could be seen from **Table 2.36** above that the average monthly cash balance investment during 2019-20 was ₹ 1,296.59 crore, whereas the UT Government resorted for borrowings of ₹ 1,042.81 crore during 2019-20. While the average interest rate on Government borrowing was 8.22 *per cent*, the average interest earned on cash balance investment was only 5.32 *per cent*. Thus, resorting to borrowings despite availability of huge cash balance was against the principles of financial prudence.

2.8 Conclusion

Revenue receipts: Revenue receipts of the UT increased by 5.95 *per cent* over the previous year, which was a positive indicator. However, the same was lesser than the Revenue expenditure during 2019-20, which resulted in revenue deficit of ₹ 55 crore as against revenue surplus during previous year. Though the Revenue receipts increased by ₹ 381 crore over the previous year, the same was much lower than the growth rate of GSDP of 11.09 *per cent*.

Revenue expenditure: Revenue expenditure increased from ₹ 6,387 crore in 2018-19 to ₹ 6,836 crore (7.03 *per cent*) in 2019-20. The proportion of

Revenue expenditure to total expenditure stood at 95.43 *per cent* during the year. The committed expenditure such as salaries, pension and interest payment constituted 59.21 *per cent* of Revenue expenditure. The decrease in aggregate expenditure of UT Government, as a percentage to GSDP, from 21.51 in 2015-16 to 18.73 in 2019-20, indicated that UT Government spent lesser proportion of its GSDP on aggregate expenditure in 2019-20.

Capital expenditure: Though there was marginal increase in Capital expenditure, it was very minimal when compared to total expenditure, which indicated that the UT was not prioritising on infrastructure development. As against the Capital expenditure of ₹ 439 crore incurred during 2015-16, the expenditure incurred during 2019-20 was only ₹ 327 crore which constituted only 4.57 *per cent* of the total expenditure. Besides this, an amount of ₹ 151.53 crore has been incurred on projects which remained incomplete as of March 2020 and had not yielded the intended benefits. The non-completion of projects for long periods could hinder the overall development of the UT.

Fiscal status: The Fiscal deficit though increased from ₹ 302 crore in 2018-19 to ₹ 381 crore in 2019-20, it decreased by ₹ 255 crore during the five-year period. This was due to decrease in revenue deficit and due to reduced Capital expenditure over the years. UT's Debt-GSDP ratio was gradually decreasing from 2015-16 and stood at 21.90 *per cent* during 2019-20. A declining trend in Debt-GSDP ratio can be considered as leading towards stability.

Arrears of revenue: As of March 2020, there was huge arrears in collection of revenue to the tune of ₹ 1,101.41 crore and out of which ₹ 517.44 crore were outstanding for more than five years.

Return on investment: The return on investment remained constant at 0.01 *per cent* during 2017-18 to 2019-20. The difference in interest rate on borrowings by Government was 7.41 *per cent* when compared to the return on investment.

Fiscal liabilities: The outstanding fiscal liabilities though increased from ₹ 7,754 crore in 2015-16 to ₹ 9,449 crore in 2019-20, the rate of growth decreased from 10.30 *per cent* to 3.41 *per cent* during the same period.

Debt maturity profile: The maturity profile of public debt indicated that nearly 72.51 *per cent* of the total public debt has to be repaid within next seven years.

Borrowings: Resorting to borrowings despite availability of huge cash balance was against the principles of financial prudence.

2.9 Recommendations

- Efforts may be taken to eliminate revenue deficit and the dependency on Grants-in-aid from GoI.
- The UT shall consider spending more on capital infrastructure development on a broader vision and long term goal to achieve overall economic and social development of the UT.
- Efforts need to be taken to improve the working of Government companies to have a reasonable return on investments.
- Contribution to the sinking fund shall be made every year as it is amortisation fund for redemption of the outstanding liabilities.
- Efforts needs to be taken to complete the incomplete projects in a time bound manner to achieve the intended objective of the projects.
- Concerted efforts may be taken to collect the arrears of revenue.