

CHAPTER-2
FINANCES OF THE STATE

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This chapter provides a broad perspective of the finances of the State and analyses the critical changes in major fiscal aggregates relative to the previous year. It discusses the overall trends during the five-year period from 2017-18 to 2021-22, debt sustainability of the State and key Public Account transactions, based on the Finance Accounts of the State.

2.1 Major changes in Key Fiscal Aggregates during 2021-22 vis-à-vis 2020-21

Table-2.1 gives a bird's eye view of the major changes in key fiscal aggregates of the State during the Financial Year 2021-22, compared to the previous year. Each of these indicators has been analysed in the succeeding paragraphs.

Table-2.1: Changes in key fiscal aggregates in 2021-22 compared to 2020-21

Revenue Receipts Increased by 12.70 per cent	<ul style="list-style-type: none"> ➤ Own Tax Receipts of the State increased by 18.75 per cent ➤ Own Non-Tax Receipts decreased by 33.92 per cent ➤ State's Share of Union Taxes and Duties increased by 50.80 per cent ➤ Grants-in-Aid from Government of India increased by 4.46 per cent
Revenue Expenditure Increased by 4.96 per cent	<ul style="list-style-type: none"> ➤ Revenue Expenditure on General Services increased by 5.68 per cent ➤ Revenue Expenditure on Social Services increased by 5.49 per cent ➤ Revenue Expenditure on Economic Services increased by 10.36 per cent ➤ Expenditure on Grants-in-Aid decreased by 20.29 per cent
Capital Expenditure Increased by 15.23 per cent	<ul style="list-style-type: none"> ➤ Capital Expenditure on General Services increased by 43.71 per cent ➤ Capital Expenditure on Social Services increased by 16.72 per cent ➤ Capital Expenditure on Economic Services increased by 8.89 per cent
Loans and Advances	<ul style="list-style-type: none"> ➤ Disbursements of Loans and Advances increased by 813.16 per cent ➤ Recoveries of Loans and Advances decreased by 26.09 per cent
Public Debt	<ul style="list-style-type: none"> ➤ Public Debt Receipts decreased by 23.64 per cent ➤ Repayment of Public Debt increased by 15.92 per cent
Public Account	<ul style="list-style-type: none"> ➤ Public Account Receipts increased by 10.97 per cent ➤ Public Account Disbursements increased by 12.79 per cent

2.2 Sources and Application of Funds

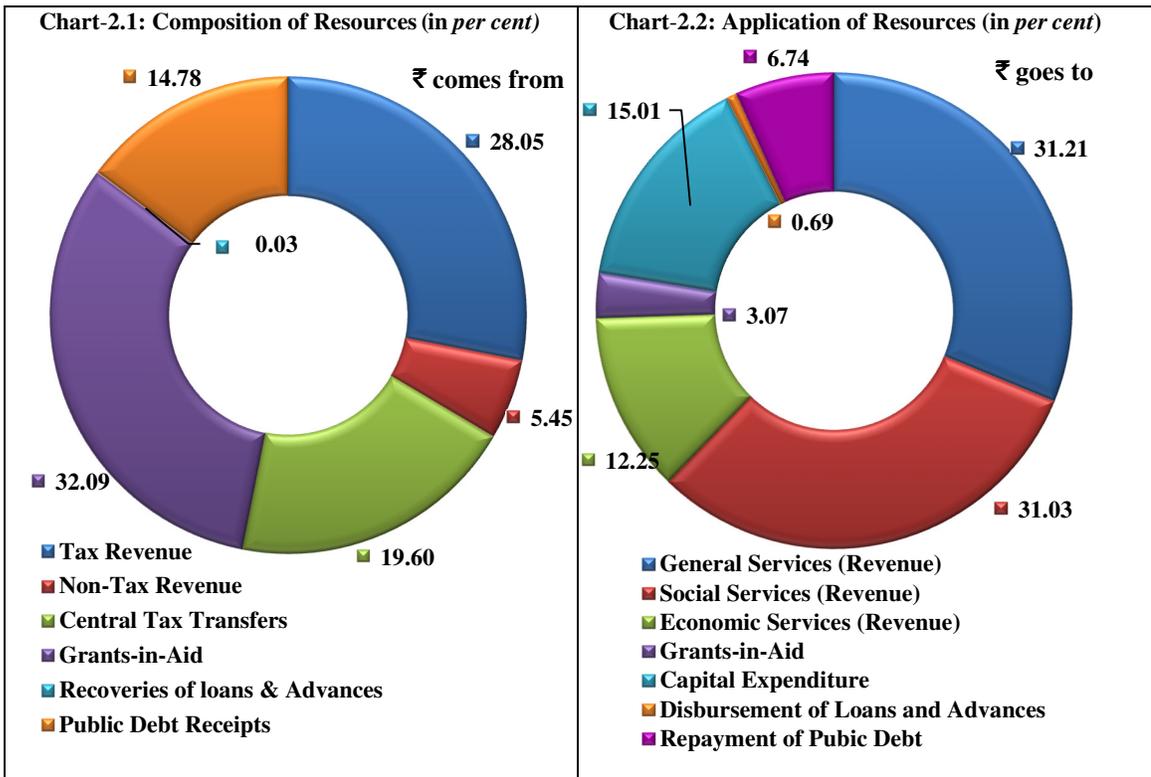
Table-2.2 compares the component of the sources and application of funds of the State during the Financial Year 2021-22 with 2020-21 in figures, while **Charts-2.1** and **2.2** give the details of where the "Receipts comes from" and "Expenditure goes to" during 2021-22 in terms of percentages.

Table-2.2: Details of Sources and Application of funds during 2020-21 and 2021-22.

(₹ in crore)

	Particulars	2020-21	2021-22	Increase/Decrease (in per cent)
Sources	Opening Cash Balance	1,922.35	3,575.97	86.02
	Revenue Receipts	38,204.36	43,056.99	12.70
	Misc. Capital Receipt	0.20	0.00	-100
	Recoveries of Loans & Advances	23.05	17.08	(-) 25.90
	Public Debt Receipts (Net)	6,865.10	4,087.85	(-) 40.45
	Public Account Receipts (Net)	452.41	(-) 314.67	(-) 169.55
	Contingency Fund (Net)	(-) 224.71	223.88	(-) 199.63
	Total	47,242.76	50,647.10	7.21
Application	Revenue Expenditure	37,091.03	38,928.95	4.96
	Capital Expenditure	6,538.21	7,533.50	15.22
	Disbursements of Loans & Advances	37.55	347.46	825.33
	Closing Cash Balance with RBI	3,575.97	3837.19	7.30
	Total	47,242.76	50,647.10	7.21

Source: Finance Accounts.



Source: Finance Accounts.

2.3 Resources of the State

Resources of the State are described below:

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

(market loans, borrowings from financial institutions/commercial banks) and loans and advances from GoI.

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

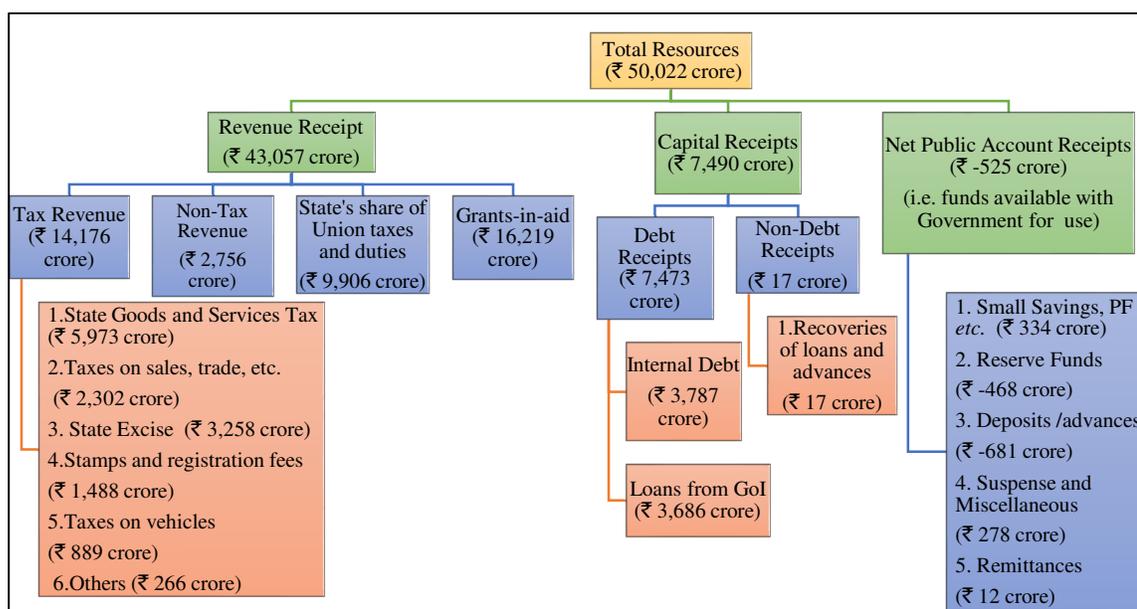
3. Net Public Accounts receipts: There are receipts and disbursements in respect of certain transactions such as small savings, provident fund, reserve funds, deposits, suspense, remittances, *etc.*, which do not form part of the Consolidated Fund.

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

2.3.1 Receipts of the State

Composition of receipts of the State during 2021-22 is given in **Chart-2.3**.

Chart-2.3: Composition of receipts of the State during 2021-22



2.3.2 State's Revenue Receipts

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 2017-22. 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: Trend in Revenue Receipts

Parameters	2017-18	2018-19	2019-20	2020-21	2021-22
Revenue Receipts (RR) (₹ in crore)	27,105	31,216	30,723	38,205	43057
Budget Estimates (BE) (₹ in crore)	31,594	35,660	38,955	42,439	44,151
Rate of growth of RR (per cent)	8.90	15.17	(-) 1.58	24.35	12.70

Parameters	2017-18	2018-19	2019-20	2020-21	2021-22
Own Tax Revenue (₹ in crore)	10,165	12,188	11,513	11,938	14176
Non-Tax Revenue (₹ in crore)	1,770	3,310	3,999	4,171	2756
Rate of growth of Own Revenue (per cent)	(-) 2.52	29.85	0.09	3.85	5.11
Gross State Domestic Product (₹ in crore)	2,20,222	2,30,327	2,36,988*	2,34,660*	2,53,832*
Rate of growth of GSDP (per cent)	12.86	4.59	2.89	(-) 0.98	8.17
RR/BE (per cent)	85.79	87.54	78.87	90.02	97.52
RR/GSDP (per cent)	12.31	13.55	12.96	16.28	16.96
Buoyancy Ratios¹					
Revenue Buoyancy w.r.t GSDP	0.69	3.31	NA	NA	1.55
State's Own Revenue Buoyancy w.r.t GSDP	NA	6.50	0.03	NA	0.63

Source: Finance Accounts, GSDP data has been obtained from www.des.uk.gov.in (Uttarakhand Statistical Department)

▲ Provisional Estimate, ♣ Revised Estimate and ♥ Advance Estimate

Chart-2.4: Trend of Revenue Receipts as percentage of GSDP

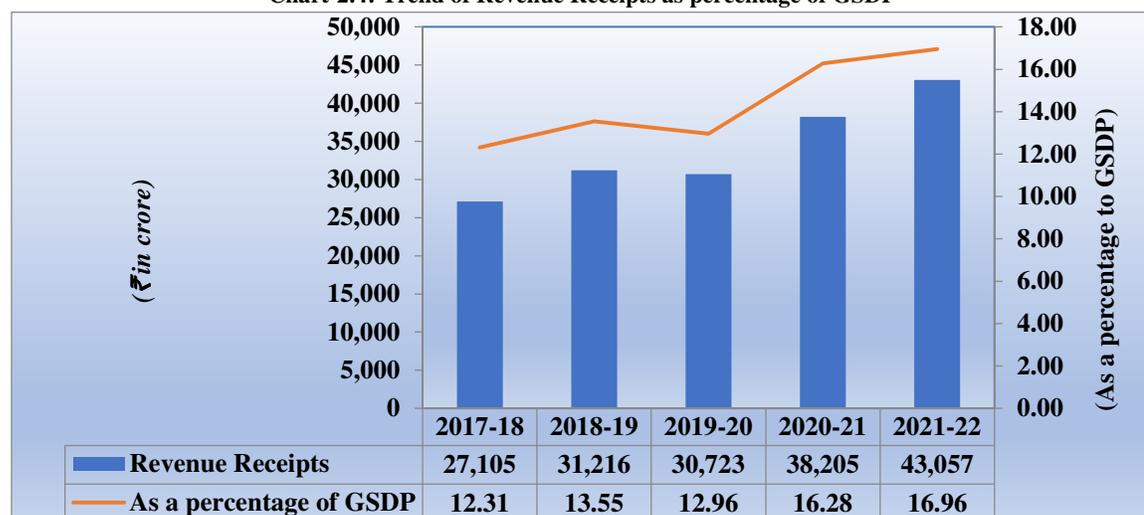
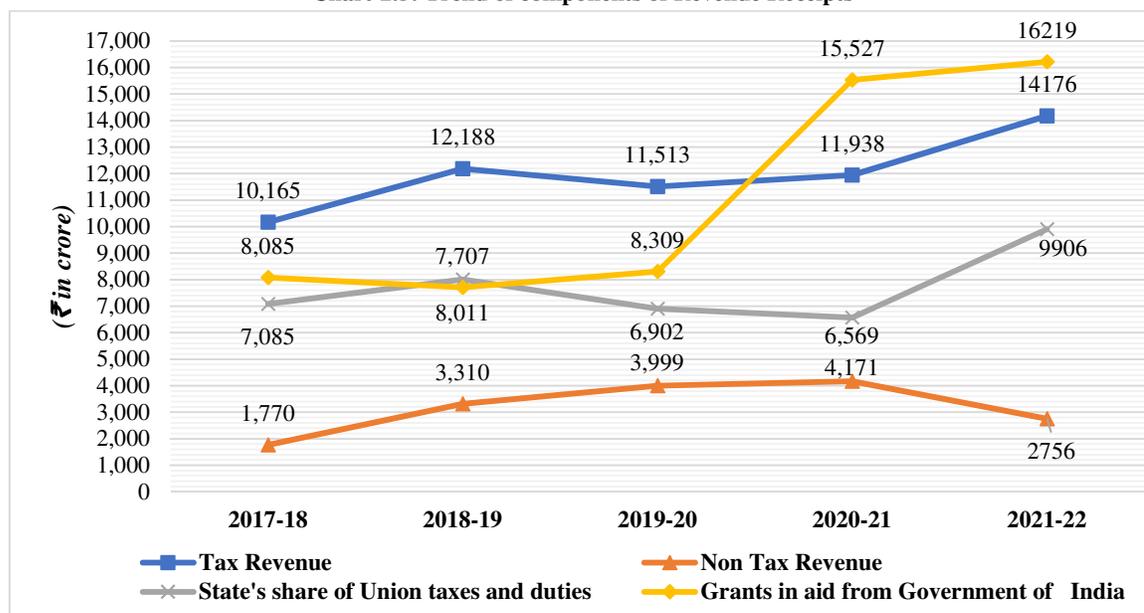


Chart-2.5: Trend of components of Revenue Receipts



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

- Revenue Receipts increased by 58.85 *per cent* from ₹ 27,105 crore in 2017-18 to ₹ 43,057 crore in 2021-22 at an annual average growth rate of 11.91 *per cent*. During 2021-22, Revenue Receipts increased by ₹ 4,852 (12.70 *per cent*) crore over the previous year, on account of increase in State's share of Union taxes and duties (₹ 3,337 crore), Own Tax Revenue (₹ 2,238 crore) and Grants-in-Aid (₹ 692.00 crore). The increase was partly counterbalanced by decrease in State's Non Tax Revenue (₹ 1,415 crore). However, Revenue Receipt as percentage of Budget Estimates increased from 85.79 *per cent* in 2017-18 to 97.52 *per cent* in 2021-22. It significantly increased by 7.50 *per cent* during 2021-22 as compared to previous year 2020-21.
- About 39.32 *per cent* of the Revenue Receipts during 2021-22 came from the State's own resources, while Central Tax Transfers and Grants-in-Aid together contributed 60.68 *per cent*. Thus, Uttarakhand's fiscal position is largely dependent upon Central transfers.
- During the current year, there was a significant increase of 12.70 *per cent* (₹ 4,852 crore) in Revenue Receipts. The Revenue Expenditure on the other hand increased only by 4.96 *per cent* (₹ 1,838 crore). This resulted in increase of Revenue surplus during the year.
- There was wide fluctuation in the revenue buoyancy w.r.t. GSDP of the State, over the period 2017-18 to 2021-22.

2.3.3 State's Own Resources

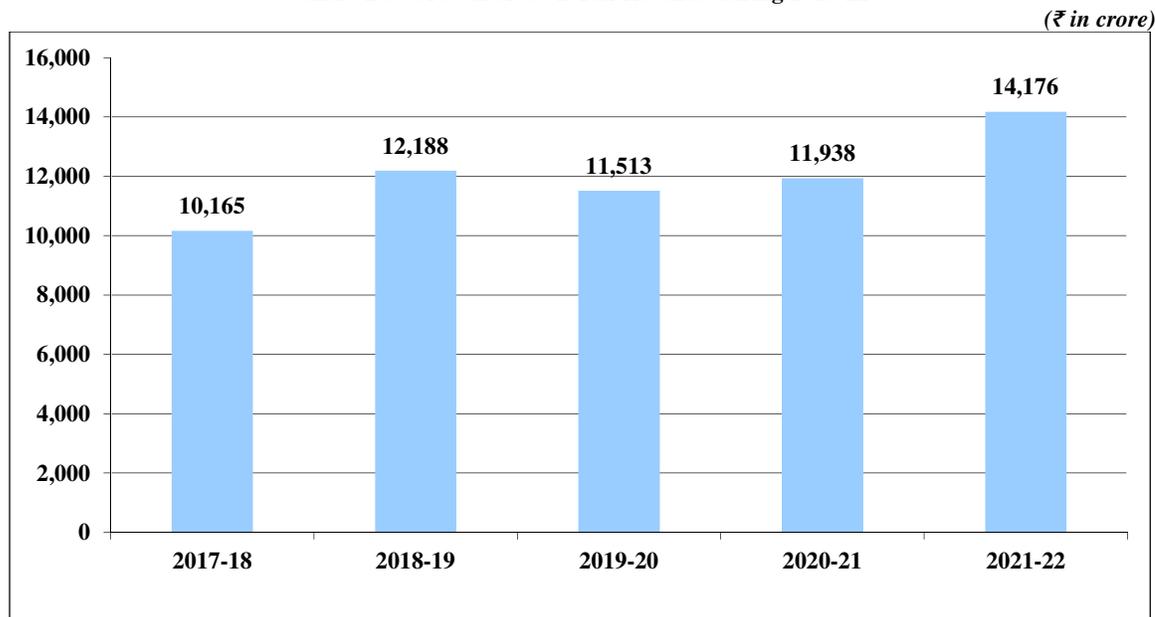
State's share in Central taxes is determined on the basis of recommendations of the Finance Commission; share of Grants-in-Aid is determined by the quantum of collection of Central tax receipts and anticipated Central assistance for schemes, *etc.* State's performance in mobilisation of additional resources is assessed in terms of its own resources comprising revenue from its own tax and non-tax sources.

The gross collections in respect of Tax Revenue and Non-Tax Revenue and their relative share in GSDP during 2017-22 are given in **Appendix-2.1**.

2.3.3.1 Own Tax Revenue

Own tax revenues of the State consist of State GST, State Excise, Taxes on Vehicles, Stamp Duty and Registration Fees, Land Revenue, Taxes on Goods and Passengers, *etc.* Figures of Own Tax Revenue of the State during the five-year period 2017-22 are given in the **Chart-2.6** below.

Chart-2.6: Growth of Own Tax Revenue during 2017-22



The component-wise details of Own Tax Revenue collected during the years 2017-22 are in the **Table-2.4** below.

Table-2.4: Component-wise Own Tax Revenue during 2017-22

(₹ in crore)

Heads	2017-18	2018-19	2019-20	2020-21	2021-22	Sparkline
Taxes on Sales, Trades, etc.	3,703	1,883	1,811	1,858	2,302	
State Goods and Services Tax	1,972	4,802	4,931	5,053	5,973	
State Excise	2,262	2,871	2,727	2,966	3,258	
Taxes on Vehicle	816	909	908	741	889	
Stamps and Registration Fees	882	1,015	1,072	1,107	1,488	
Land Revenue	24	34	24	17	40	
Other Taxes	506	674	40	196	226	
Total	10,165	12,188	11,513	11,938	14,176	
Percentage of Own Tax Revenue to State's Own Revenue	85.17	78.64	74.22	74.11	83.72	
Percentage of Own Tax Revenue to Total Revenue Receipts	37.50	39.04	37.47	31.25	32.92	

Source: Finance Accounts.

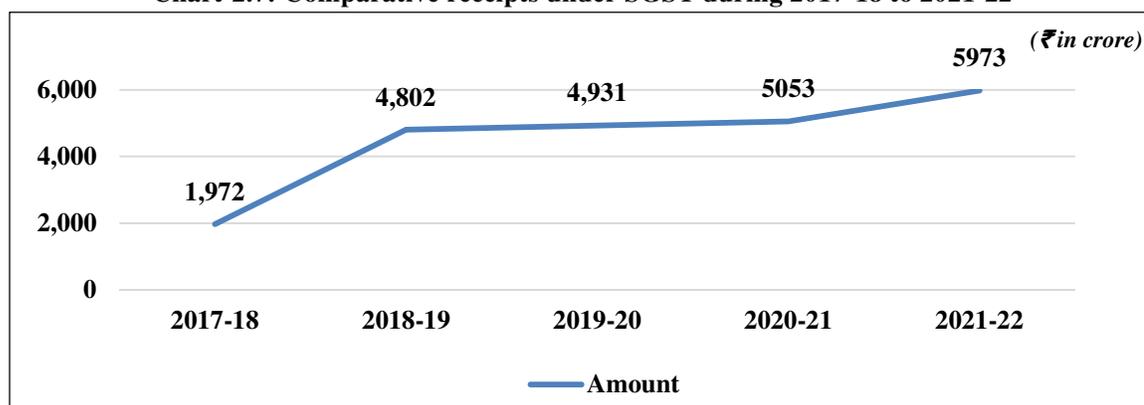
Own Tax Revenue of the State increased by ₹ 4,011 crore from ₹ 10,165 crore in 2017-18 to ₹ 14,176 crore in 2021-22 at an annual average rate of 6.02 per cent. During the current year, major contributors of Tax Revenue were Goods and Services Tax (42.13 per cent), State Excise (22.98 per cent), Taxes on Sales, Trade, etc. (16.24 per cent) and Stamp and Registration Fee (10.50 per cent). The Own Tax Revenue increased by ₹ 2,238 crore during the current year over the previous year. This increase was mainly on account of increase in State Goods and Services Tax (₹ 920 crore) and Taxes on Sales, Trade, etc. (₹ 444 crore), Stamp and Registration Fee (₹ 381 crore), State Excise

(₹ 292 crore), Taxes on Vehicles (₹ 148 crore). However, the percentage of Own Tax Revenue to Total Revenue Receipts has declined from 37.50 to 32.92 during last five years (2017-18 to 2021-22).

2.3.3.2 State Goods and Services Tax (SGST)

Twelve years after the implementation of Value Added Tax (VAT) in 2005, the Central Government rolled out the Goods and Services Tax (GST) on July 01, 2017. The Uttarakhand Goods and Services Tax (GST) Act, 2017 was passed by the State Legislature in May 2017 and came into effect from 01 July 2017.

Chart-2.7: Comparative receipts under SGST during 2017-18 to 2021-22



Actual collection of revenue under State Goods and Services Tax (SGST) during 2021-22 is given in **Table-2.5**.

Table-2.5: Pre-GST and SGST collected, provisional apportionment of IGST and compensation of IGST received from Government of India against the projected revenue of the State for the period from April 2021 to March 2022

Month	Monthly revenue to be protected	Pre-GST taxes collected	SGST collected	Advance Apportionment of IGST	Total amount received	Compen-sation received	Deficit (+)/ Surplus (-)	Remarks
	1	2	3	4	5= (2+3+4)	6	7= {1-(5+6)}	
April 2021	907.478	7.59	382.36	160.69	550.64	0.00	356.838	The State has received less revenue, after considering the compensation component, than the protected revenue.
May 2021	907.478	1.98	215.42	88.14	305.54	0.00	601.938	
June 2021	907.478	2.66	186.62	136.92	326.2	260.32	320.958	
July 2021	907.478	4.98	331.70	208.61	545.29	0.00	362.188	
August 2021	907.478	8.45	294.47	286.23	589.15	0.00	318.328	
September 2021	907.478	10.19	262.44	150.36	422.99	349.37	135.118	
October 2021	907.478	-3.57	333.61	143.34	473.38	0.00	434.098	
November 2021	907.478	3.35	323.66	190.04	517.05	270.27	120.158	
December 2021	907.478	11.13	286.15	116.75	414.03	0.00	493.448	
January 2022	907.478	17.66	344.34	395.84	757.84	288.45	-138.812	
February 2022	907.478	2.81	321.41	204.61	528.83	0.00	378.648	
March 2022	907.478	3.69	310.60	299.04	613.33	306.61	-12.462	
Total	10,889.736	70.92	3,592.78	2,380.57	6,044.27	1,475.02	3,370.446	

Source: Data provided by Office of the Accountant General (A&E).

* GST Compensation at column 6 pertains to FY 2020-21 which was received in FY 2021-22.

As per the GST (Compensation to States) Act, 2017, any shortfall in revenue of the State is required to be compensated by the Central Government. Against the protected revenue of ₹ 10,889.74 crore during 2021-22, the total collections under GST including compensation

were short by ₹ 3,370.45 crore. However, the collections under SGST appreciated by ₹ 920 crore during the current year (₹ 5,973 crore) as compared to previous year (₹ 5,053 crore). An amount of ₹ 3,333 crore was received as back to back loan in lieu of GST compensation during the year. The debt servicing of this loan would be done from collection of cess in the GST compensation fund and hence, repayment obligation will not be met from other resources of the State.

2.3.3.3 Analysis of arrears of revenue and arrears of assessment

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

Arrears of Revenue

The arrears of revenue as on 31 March 2022 under Commercial taxes/VAT and State Excise amounted to ₹ 11,618.45 crore, of which ₹ 4,609.17 crore (39.67 per cent) were outstanding for more than five years as detailed in **Table-2.6** below.

Table-2.6: Arrears of Revenue

Head of Revenue ²	Total amount outstanding as on (₹ in crore)		Amount outstanding for more than five years as on (₹ in crore)	
	31 March 2021	31 March 2022	31 March 2021	31 March 2022
Commercial Taxes/VAT	11,821.59	11,457.98	3,968.17	4,495.01
State Excise	NA	160.47	NA	114.16
Total	11,821.59	11,618.45	3,968.17	4,609.17

Source: Commercial Tax Department, Govt of Uttarakhand.

Total amount outstanding in respect of Commercial Tax/VAT (₹ 11,457.98 crore) as on 31 March 2022 was less by ₹ 363.61 crore than previous year (₹ 11,821.59 crore) whereas arrears of revenue outstanding for more than five years increased (13.28 per cent) from ₹ 3,968.17 crore in previous year to ₹ 4,495.01 crore in the current year. The amount outstanding for more than five years in respect of both departments stood at 32.51 per cent of the Tax Revenue (₹ 14,176 crore) of the State for the year 2021-22.

During the exit conference, Secretary Finance stated that a proposal for one time settlement is being placed before the Cabinet and updated position will be intimated to Audit Office.

Arrears in assessment

The details of cases pending at the beginning of the year, cases becoming due for assessment, cases disposed of during the year and the number of cases pending for finalisation at the end of the year as furnished by the State Tax Department are given in **Table-2.7** below.

² Based on information furnished by State Tax and Excise Department. Such information from Stamp and Registration Department was not made available (February 2022).

Table-2.7: Arrears in Assessment

Head of revenue	Opening balance (Nos. of Cases)	New cases due for assessment during 2021-22	Total assessment due	Cases disposed of during 2021-22	Balance at the end of the year	Percentage of disposal
Commercial Tax/VAT	68,846	11,825	80,671	79,781	890	98.90
Commercial Tax/GST	0	4175	4175	3564	611	85.36

Source: Commercial Tax Department, Govt of Uttarakhand.

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

The cases of evasion of tax detected by the Taxation Department, cases finalised and the demands for additional tax raised are important indicators of revenue collection efforts of the State Government. Promptness in disposal of refund cases is an important indicator of performance of the Department. High pendency of refund cases may indicate red tape, vested interests, prevalence of speed money, etc. The details of evasion of tax detected by the State Tax Department are given in the **Table-2.8** below.

Table-2.8: Evasion of Tax Detected

Head of revenue	Cases pending as on 31 March 2021	Cases detected during 2021-22	Total	No. of cases in which assessment/ investigation completed and additional demand with penalty etc.		No. of cases pending for finalisation as on 31 March 2022
				No. of cases	Amount of demand (₹ in crore)	
VAT	0	0	0	0	0	0
GST	0	765	765	511	138.09	254

Source: Commercial Tax Department, Govt of Uttarakhand.

Refund Cases

The details of refund cases in some principal heads of Revenue are given in the **Table-2.9** below.

Table-2.9: Details of Refund cases as on 31 March 2022

Sl. No	Particular	GST		Commercial Tax/Vat	
		No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding at the beginning of the year	65	40.78	953	2.14
2.	Claims received during the year	1247	411.62	1532	115.08
3.	Refunds made during the year	1164	419.19	1485	109.97
4.	Refunds rejected during the year	132	18.90	0	0
5.	Balance outstanding at the end of year	16	14.31	1000	7.25

Source: Commercial Tax Department, Govt of Uttarakhand.

As is evident from the table above, under GST 1,247 claims were received and 1,164 claims were settled during the year after paying ₹ 419.19 crore as refund, while under Commercial Tax/VAT 1,532 claims were received and 1,485 refund cases were settled after paying ₹ 109.97 crore as refund.

2.3.3.4 Non-Tax Revenue

Non-Tax revenue consists of interest receipts, dividends and profits, mining receipts, departmental receipts, etc. The component-wise details of Non-Tax Revenue collected during the years 2017-18 to 2021-22 are given in the **Table-2.10** below.

Table-2.10: Component-wise Non-Tax Revenue during 2017-18 to 2021-22

Heads	2017-18	2018-19	2019-20	2020-21	2021-22	Sparkline
Non-Ferrous Mining and Metallurgical Industries	439.81	480.86	396.75	506.41	575.01	
Forestry and Wild Life	312.20	368.73	410.16	512.27	511.55	
Interest receipts	85.39	55.70	47.81	98.52	403.55	
Education Sports Art and Culture	108.85	81.48	198.83	259.59	268.57	
Urban Development	1.38	1.22	35.57	15.08	190.98	
Medical and Public Health	84.14	99.57	183.84	168.75	177.85	
Power	286.21	186.67	0.30	70.35	111.23	
Contribution and Recoveries towards Pension and Other Retirement Benefits	47.97	1714.70	2492.90	2109.78	61.57	
Dividend and Profit	22.69	18.69	14.08	41.02	35.05	
Others	380.89	302.26	218.57	388.80	420.60	
Total	1769.53	3309.88	3998.81	4170.57	2755.96	
Percentage of Non-Tax Revenue to State's Own Revenue	14.83	21.36	25.78	25.89	16.28	
Percentage of Non-Tax Revenue to Total Revenue Receipts	6.53	10.60	13.02	10.92	6.40	

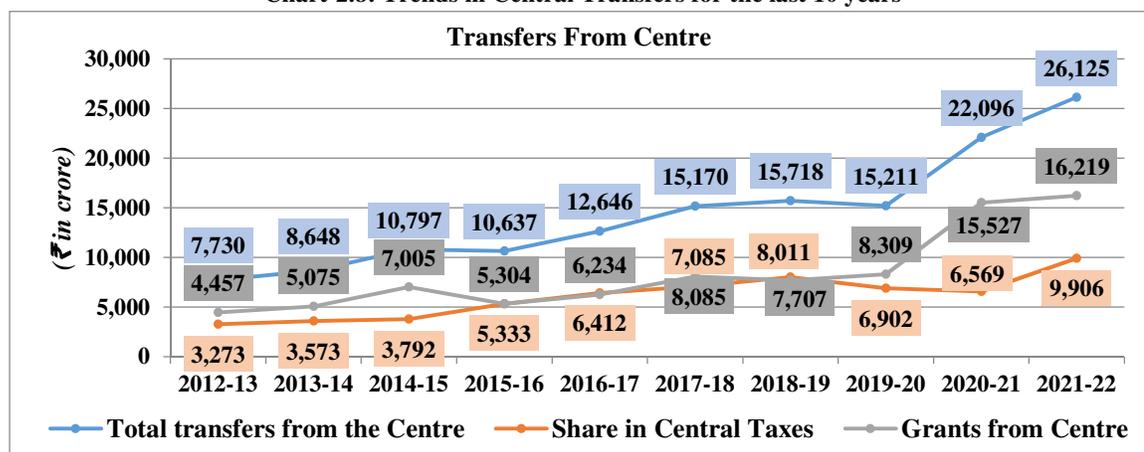
Source: Finance Accounts of respective years.

Non-Tax Revenue, ranged between six and 13 *per cent* of Total Revenue Receipts of the State during the five-year period from 2017-18 to 2021-22.

2.3.4 Central Transfers

The Central transfers mainly constitute (i) share in the net proceeds of Union Taxes and Duties and (ii) the Grants-in-aid. Consequent upon the recommendations of the Fourteenth Finance Commission, the grants for centrally sponsored schemes and centrally sponsored plan schemes are now being routed through State Budget. The transfers from Centre are dependent on Finance Commission recommendations. The trends in Central transfers for the last 10 years are shown in the **Chart-2.8** given below.

Chart-2.8: Trends in Central Transfers for the last 10 years



2.3.4.1 Central Tax Transfer

The Fourteenth Finance Commission had recommended that the States' share of central taxes be increased to 42 *per cent* from 2015-16 onwards. Further, the share of Uttarakhand in the net proceeds of Central Taxes (excluding Service Tax) had been fixed at 1.052 *per cent*. However, the share was increased to 1.104 *per cent* and to 1.118 *per cent* by the Fifteenth Finance Commission (XVFC) for the year 2020-21 and 2021-22 respectively. The actual devolution *vis-à-vis* Finance Commission projections is given in **Table-2.11** below.

Table-2.11: State's share in Union taxes and duties: Actual devolution *vis-à-vis* Finance Commission projections

(₹ in crore)				
Year	Finance Commission projections	Projections in Finance Commission Report	Actual tax devolution	Difference
1.	2.	3.	4.	5. (4-3)
2012-13	1.120 <i>per cent</i> of net proceeds of all shareable taxes excluding service tax and 1.138 <i>per cent</i> of net proceeds of shareable service tax (As per recommendations of Thirteenth FC)	3,160.00	3,272.88	112.88
2013-14		3,727.00	3,573.38	(-) 153.62
2014-15	1.052 <i>per cent</i> of net proceeds of all shareable taxes excluding service tax and 1.068 <i>per cent</i> of net proceeds of shareable service tax (As per recommendations of Fourteenth FC)	4,396.00	3,792.30	(-) 603.70
2015-16		6,112.00	5,333.19	(-) 778.81
2016-17		7,053.00	6,411.55	(-) 641.45
2017-18		8,150.00	7,084.91	(-) 1,065.09
2018-19		9,429.00	8,011.59	(-) 1,417.41
2019-20	10,921.00	6,901.54	(-) 4,019.46	
2020-21	1.104 <i>per cent</i> of net proceeds of all shareable taxes (As per recommendations of Fifteenth FC)	9,441.00	6,568.72	(-) 2,872.28
2021-22	1.118 <i>per cent</i> of net proceeds of all shareable taxes (As per recommendations of Fifteenth FC's 2021-26 report)	7,363.05 ³	9906.25	2543.20

Source: XV FC and Finance Accounts.

The details of Central tax transfers to the State during 2017-18 to 2021-22 are given in **Table-2.12**.

Table-2.12: Central Tax Transfers

(₹ in crore)					
Head	2017-18	2018-19	2019-20	2020-21	2021-22
Corporation Tax	2,169.91	2,786.13	2,353.14	1,981.20	2,985.75
Customs	715.1	567.89	437.46	349.64	676.32
Income Tax	1,832.34	2,051.86	1,843.85	2,031.05	2,938.64
Other Taxes and Duties on commodities and services	00	4.14	4.37	4.69	9.47
Service Tax	804.25	73.45	00	28.21	127.78
Wealth Tax	(-) 0.07	1.02	0.1	00	0.62
Union Excise Duties	747.5	377.39	304.15	220.89	337.81
Other Taxes on Income and Expenditure	00	14.51	00	00	0.02

³ Tax devolution to States ₹ 658591*1.118% = ₹ 7,363.05

Head	2017-18	2018-19	2019-20	2020-21	2021-22
CGST	100.52	1,977.40	1,958.47	1953.04	2,829.84
IGST	715.36	157.8	00	00	00
Total Central Tax Transfer	7,084.91	8,011.59	6,901.54	6,568.72	9,906.25
Percentage of (+) increase/ (-) decrease over previous year	10.50	13.08	(-) 13.86	(-) 4.82	50.81
Percentage of Central tax transfers to Revenue Receipts	26.14	25.67	22.46	17.19	23.01

Source: Finance Accounts of respective years.

Over the five-year period (2017-18 to 2021-22), Central tax transfers increased by 40 per cent from ₹ 7,085 crore in 2017-18 to ₹ 9,906 crore in 2021-22. During the current year, it increased by ₹ 3338 crore (50.81 per cent) from previous year, mainly due to increased receipts in Corporation Tax (₹ 1,005 crore), Customs (₹ 327 crore), Income Tax (₹ 908 crore), Service Tax (₹ 100 crore), Union Excise Duties (₹ 117 crore) and CGST (₹ 877 crore). During the year Central Tax transfer constituted 23.01 per cent of the Revenue Receipts. Further, as detailed in **Table-2.11**, the State did not receive its share of Union Taxes and Duties as per the recommendations of the Finance Commissions (XIII, XIV & XV) from the period 2013-14 to 2020-21. However, during the current year, the share in central taxes exceeded by ₹ 2,543.20 crore from the XVFC projection.

2.3.4.2 Grants-in-Aid from Government of India

Grants-in-Aid (GIA) received by the State Government from GoI during 2017-18 to 2021-22 are detailed in **Table-2.13**.

Table-2.13: Grants-in-Aid from GoI

Head	2017-18	2018-19	2019-20	2020-21	2021-22
Non-Plan Grants	714	*	*	*	*
Grants for State Plan Schemes	1,621	*	*	*	*
Grants for Central Plan Schemes	76	*	*	*	*
Grants for Centrally Sponsored Plan Schemes	4,391	*	*	*	*
Grants for Centrally Sponsored Schemes	-	4,966	4,477	6,166	5,219
Finance Commission Grants	-	485	975	6,865	9,424
Other transfers/Grants to States	1,283	2,256	2,857	2,496	1,576
Total	8,085	7,707	8,309	15,527	16,219
Percentage of increase over the previous year	30	(-) 5	8	87	4
Percentage of GIA to Revenue Receipts	30	25	27	41	38

Source: Finance Accounts of respective years.

*There are no figures since the nomenclature of plan and non-plan grants was removed with effect from the year 2018-19 and replaced by Grants for CSS, Finance Commission Grants and Other Grants to States.

Grants-in-Aid from GoI increased by ₹ 692 crore (4.46 per cent) during the year compared to the previous year. GIA constituted 37.67 per cent of Revenue Receipts during the year 2021-22. Finance Commission Grants (₹ 9,424 crore) provided during 2021-22 includes Revenue Deficit Grant (₹ 7,772 crore), grant for Local Bodies (₹ 565 crore), State Disaster Response Fund (SDRF) (₹ 750 crore) and State Disaster Mitigation Fund (₹ 187 crore).

This constituted 58.10 per cent of total grants during the year. Grants for Centrally Sponsored Schemes (₹ 5,219 crore) to the State constituted 32.18 per cent of the total grants during the year.

Other grants received by the State during the year was mainly in respect of compensation for loss of revenue arising out of implementation of GST (₹ 1,475 crore).

2.3.4.3 Fifteenth Finance Commission Grants

As mentioned in the previous paragraph, XV FC Grants were provided to the States for local bodies and State Disaster Response Fund. Details of grants provided by the GoI to the State in this regard during the year 2021-22 are given in **Table-2.14**.

Table-2.14: Grants-in-Aid released by GoI as per recommendation of XVFC

(₹ in crore)

Transfers	Recommendations of the XVFC	Actual Release from GoI during
	2021-22	2021-22
1. Local Bodies	634.00	565.00
(A) Grants to PRIs	425.00	418.70
(B) Grants to ULBs	209.00	146.30
2. Revenue Deficit Grant	7,772.00	7,772.00
3. Disaster Response Fund (Central Share)	937.00	937.00
4. Grant for Nutrition	70.00	00
5. Health Sector Grant	150.12	150.10
Grand Total	9,563.12	9,424.10

Source: Finance department, Uttarakhand.

It is clear from the above table that the State received less share than recommendations of Fifteenth FC grants in both PRIs and ULBs. However, State received its complete share of Finance Commission in Revenue Deficit Grant, Disaster Response Fund and Health Sector Grant. However, the State did not receive ₹ 70 crore grant for Nutrition during the year as recommended by the Fifteenth FC.

2.4 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. **Table-2.15** shows the trends in growth and composition of net Capital Receipts.

Table-2.15: Trends in growth and composition of net Capital Receipts

(₹ in crore)

Sources of State's Capital Receipts	2017-18	2018-19	2019-20	2020-21	2021-22
Capital Receipts	7,560	7,302	6,167	9,810	7,490
Miscellaneous Capital Receipts	00	00	00	0.20	0
Recovery of Loans and Advance	34	27	19	23	17
Net Public Debt Receipts	5,805	5,218	4,017	7,178	4,088
Internal Debt	5,731	5,157	3,994	4,178	458
<i>Growth Rate</i>	<i>8.91</i>	<i>(-) 10.02</i>	<i>(-) 22.55</i>	<i>4.61</i>	<i>-89.04</i>

Sources of State's Capital Receipts	2017-18	2018-19	2019-20	2020-21	2021-22
Loans and Advance from GoI (Net)	74	61	23	3,000	3,630
Growth Rate	(-) 33.33	(-) 17.57	(-) 62.30	12,943.48	21
Rate of growth of debt Capital Receipts	15.77	(-) 3.34	(-) 15.49	59.19	(-) 23.64
Rate of growth of non-debt capital receipts	(-) 2.86	(-) 20.59	(-) 29.63	22.11	(-) 26.72
Rate of growth of GSDP	12.86	4.59	2.89	(-) 0.98	8.17
Rate of growth of Capital Receipts (per cent)	15.67	(-) 3.41	(-) 15.54	59.08	(-) 23.65
Percentage of CR to Total Receipts	21.81	18.96	16.72	20.43	14.82

Source: Finance Accounts of respective years.

Capital Receipts decreased by ₹ 70 crore (one per cent) from ₹ 7,560 crore in 2017-18 to ₹ 7,490 crore in 2021-22. It decreased by ₹ 2,320 crore (23.65 per cent) during the current year as compared to previous year mainly due to decrease in internal debt (₹ 3,720 crore) which was counter balanced by increase in Loans and Advances from Government of India (₹ 630 crore). The increase in GoI loan was because of increase in back-to-back loan by ₹ 1,017 crore during 2021-22 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 and hence, the repayment obligation will not be met from the other resources of the State.

Public debt receipts create future repayment obligation and these are taken from Market, Financial Institutions and Central Government. During the five-year period 2017-22, 31.15 per cent of Public debt receipts (₹ 38,209 crore) taken during the period were utilised for repayment of Public Debt (₹ 11,903 crore) and the remaining 68.85 per cent was utilised for other purposes.

2.5 State's Performance in Mobilization of Resources

State's performance in mobilization of resources is assessed in terms of its own resources comprising own-tax and non-tax sources. The Fifteenth Finance Commission (FFC) projections, the BEs and the Medium-Term Fiscal Policy Statement (MTFPS) projections vis-à-vis actual in respect of State's own resources during 2021-22 are given in **Table-2.16**.

Table-2.16:- States Own resources: Projection vis-à-vis actual

States Own resources	FFC projections	Budget Estimates	MTFPS projections	Actual	Percentage variation of actual over		
					FFC projections	Budget Estimates	MTFPS projection
Own Tax Revenue	12,520	12,754	14,122	14,176	13.23	11.15	0.38
Non-Tax Revenue	3,611	3,294	2,631	2,756	(-) 23.68	(-) 16.33	4.75

Source: FFC Report, Budget Document and Finance Accounts.

As shown in table above, the State's own tax revenue during 2021-22 was higher against the FFC projections, BEs and the MTFPS by ₹ 1,656 crore, ₹ 1,422 crore and ₹ 54 crore respectively.

The Non-tax revenue (NTR) during 2021-22 was less by ₹ 855 crore and ₹ 538 crore respectively as compared to the FFC projections and the BEs. However, it was more by ₹ 125 crore against the MTFPS projections. In Own Tax Revenue thus, the State was able to achieve its own targets, projected in the MTFPS.

2.6 Application of Resources

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

Capital Expenditure: All charges for the first construction of a project as well as charges for intermediate maintenance of the work not opened for service and also charges for such further additions and improvements as may be sanctioned under the rules made by competent authority shall be classified as Capital expenditure.

Revenue Expenditure: Charges on maintenance, repair, upkeep and working expenses, which are required to maintain the assets in a running order as also all other expenses incurred for the day to day running of the organisation, including establishment and administrative expenses shall be classified as revenue expenditure

The Total Expenditure, its composition and relative share in GSDP during the years 2017-18 to 2021-22 is presented in **Table-2.17**.

Table-2.17: Total Expenditure and its composition

Parameters	(₹ in crore)				
	2017-18	2018-19	2019-20	2020-21	2021-22
Total Expenditure (TE)	35,074	38,563	38,399	43,667	46,810
Revenue Expenditure (RE)	29,083	32,196	32,859	37,091	38,929
Capital Expenditure (CE)	5,914	6,184	5,414	6,538	7,534
Loans and Advances	77	183	126	38	347
As a percentage of GSDP					
TE/GSDP	15.93	16.74	16.20	18.61	18.44
RE/GSDP	13.21	13.98	13.87	15.81	15.33
CE/GSDP	2.69	2.68	2.28	2.79	2.97
Loans and Advances/GSDP	0.03	0.08	0.05	0.02	0.14

Source: Finance Accounts.

The above table shows that Total Expenditure of the State increased by 33.46 per cent from ₹ 35,074 crore in 2017-18 to ₹ 46,810 crore in 2021-22. During the year, it increased by 7.20 per cent over the previous year. As a percentage of GSDP, the Total Expenditure remained in the range of 15.93 per cent to 16.74 per cent during 2017-18 to 2019-20 but it significantly increased to 18.61 per cent in the year 2020-21 due to increase in Revenue Expenditure (12.88 per cent) and Capital Expenditure (20.76 per cent). However, during the current year, it slightly decreased over the previous year and remained at 18.44 per cent.

Charts-2.9 depicts the trend of the share of components in Total Expenditure whereas **Chart-2.10** shows composition of total disbursement from Consolidated Fund for the year 2021-22.

Chart-2.9: Total Expenditure: Trends in share of its components (in per cent)

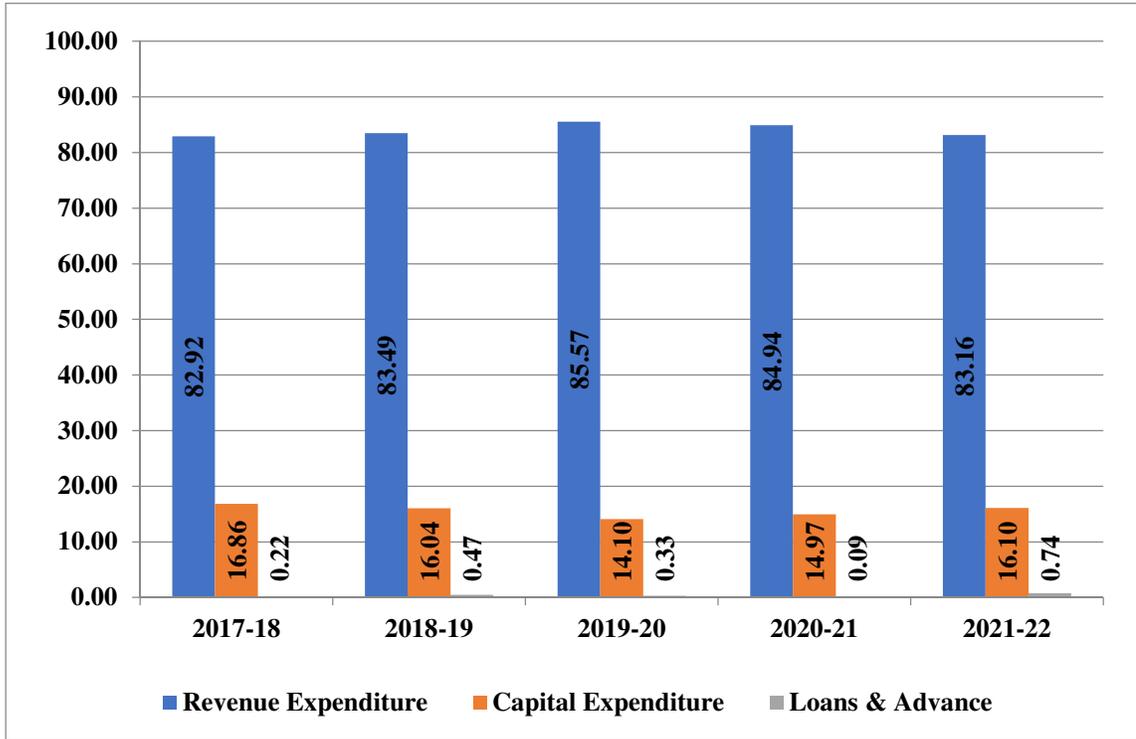
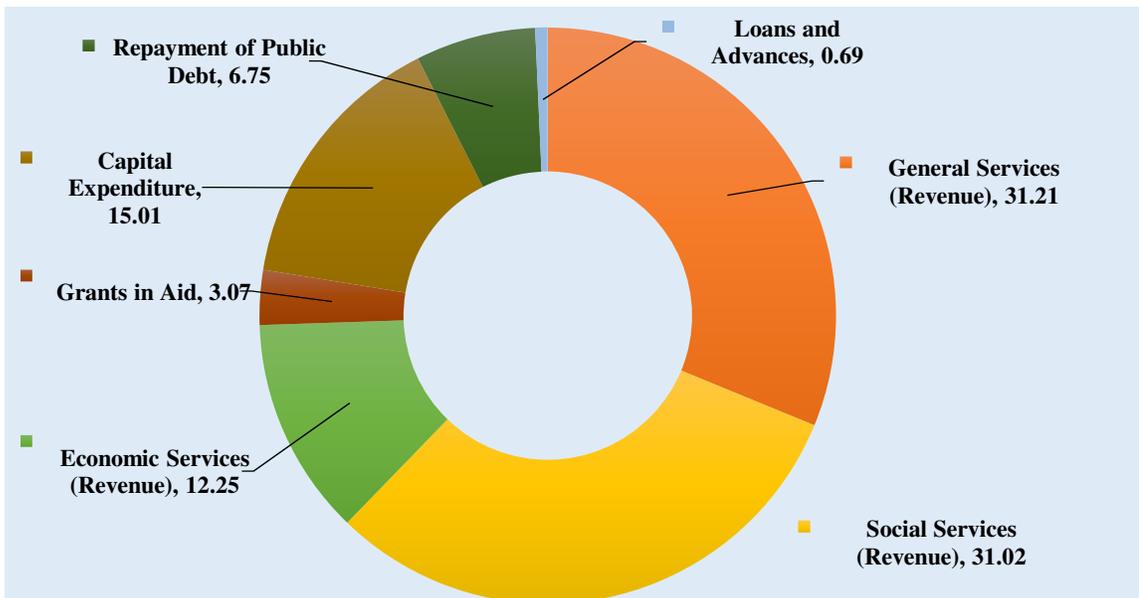


Chart-2.10: Composition of total disbursement from Consolidated Fund during 2021-22

(in per cent)



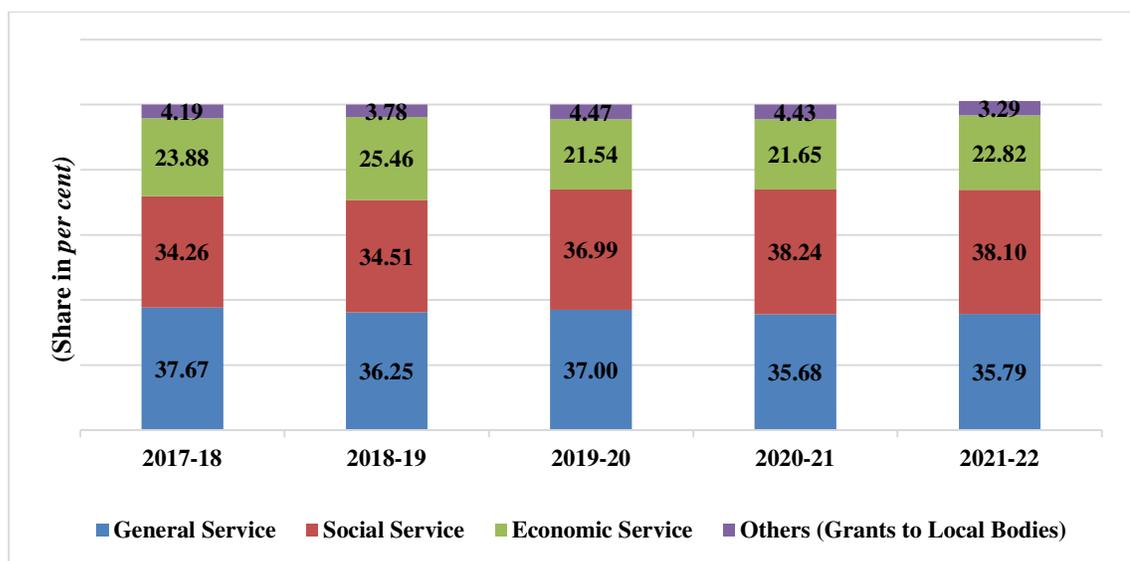
In terms of activities, the Total Expenditure is composed of expenditure on General Services including Interest Payments, Social Services, Economic Services and others. Relative share of these components in the Total Expenditure of ₹ 46,810 crore (refer *Appendix-2.1*) during 2021-22 is given in **Table-2.18**.

Table-2.18: Relative share of various sectors of expenditure

Parameters	(in percentage)				
	2017-18	2018-19	2019-20	2020-21	2021-22
General Services	37.67	36.25	37.00	35.68	35.79
Social Services	34.26	34.51	36.99	38.24	38.10
Economic Services	23.88	25.46	21.54	21.65	22.82
Others (Grants to Local Bodies and Loans and Advances to Government Servants)	4.19	3.78	4.47	4.43	3.29

Chart-2.11 depicts trends of sectoral component in Total Expenditure for the period 2017-18 to 2021-22.

Chart-2.11: Total Expenditure: Expenditure by activity



The relative share of the above components of expenditure indicates that the shares of General Services and Economic Services in the Total Expenditure were partially increased during 2021-22 over the previous year. However, the respective share of Social Services and others decreased during the current year.

2.6.1 Revenue Expenditure

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

Revenue Expenditure formed on an average 84.02 per cent (ranging from 82.92 per cent to 85.57 per cent during 2017-22) of the total expenditure during the period 2017-18 to 2021-22. Rate of growth of Revenue Expenditure has displayed fluctuating trend during the five-year period 2017-18 to 2021-22. The overall Revenue Expenditure, its rate of growth, its ratio to Total Expenditure and buoyancy *vis-à-vis* GSDP and Revenue Receipts are indicated in **Table-2.19**. Trend of Revenue Expenditure and its percentage to GSDP is shown in **Chart-2.12** whereas the sectoral distribution of Revenue Expenditure pertaining to 2021-22 is given in **Chart-2.13**.

Table-2.19: Revenue Expenditure – basic parameters

Parameters	2017-18	2018-19	2019-20	2020-21	2021-22
Total Expenditure (TE)	35,074	38,563	38,399	43,667	46,810
Revenue Expenditure (RE)	29,083	32,196	32,859	37,091	38,929
Rate of Growth of RE (per cent)	15.08	10.70	2.06	12.88	4.96
Revenue Expenditure as percentage of TE	82.92	83.49	85.57	84.94	83.16
RE/GSDP (per cent)	13.21	13.98	13.87	15.81	15.34
RE as percentage of RR	107.30	103.14	106.95	97.09	90.41
Buoyancy of Revenue Expenditure with					
GSDP (ratio)	1.17	2.33	0.71	-13.14	0.61
Revenue Receipts (ratio)	1.69	0.71	-1.30	0.53	0.39

Source: Finance Accounts.

Chart-2.12: Trend of Revenue Expenditure during 2017-18 to 2021-22

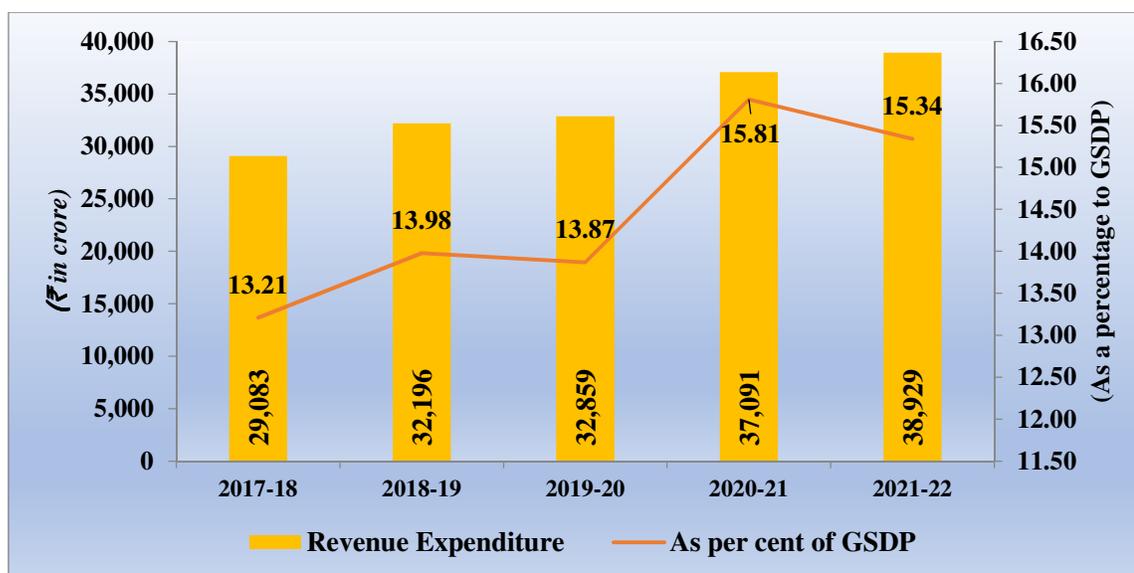
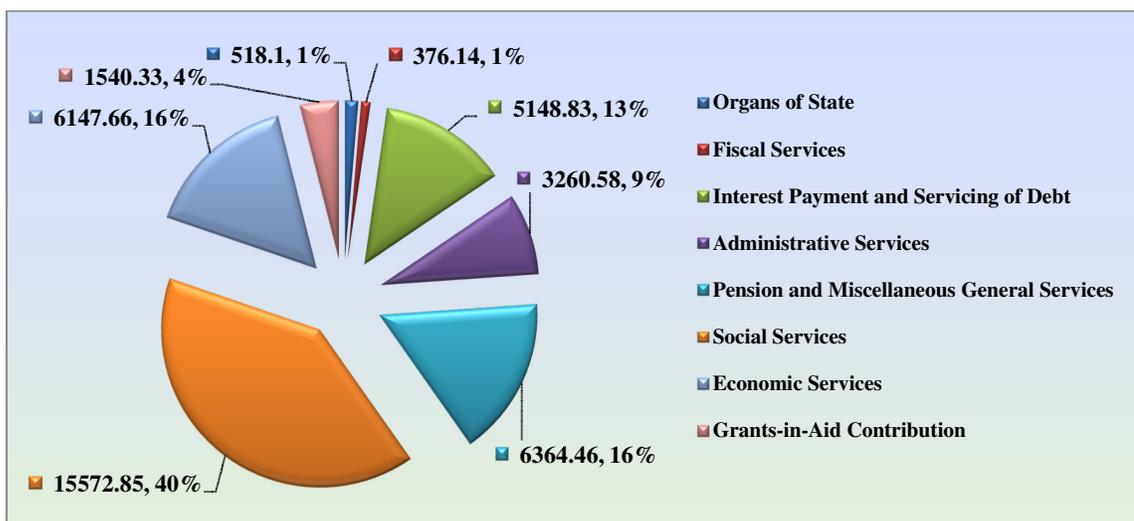


Chart-2.13: Sector wise distribution of Revenue Expenditure during 2021-22 (in per cent)



During 2021-22, Revenue Expenditure as a percentage of GSDP was lower than the previous year. It witnessed a nominal increase of ₹ 1,838 crore (4.96 *per cent*) over the previous year. Revenue Expenditure was lower by ₹ 2,537 crore from the assessment made in Medium Term Fiscal Plan (MTFP) (₹ 41,466 crore).

2.6.1.1 Major Changes in Revenue Expenditure

Table-2.20 details significant variations (more than 50 *per cent*) under various Heads of Account with regard to Revenue Expenditure of the State during the current year in comparison to the previous year. Some of the major programme/scheme with positive variations were (i) Maintenance and repairs of tube wells and short canals and maintenance of canals, lakes, drains connected with lakes under Medium Irrigation, (ii) Advertising and Visual Publicity under Information and Broadcasting, (iii) Charges for conduct of elections to State/Union Territory Legislature under Election (iv) Aerodromes (Air Ports) under Civil Aviation and (v) Civil Works (flood control) under Flood Control and Drainage.

Table-2.20: Significant Variation in Revenue Expenditure during 2021-22 as compared to 2020-21

Major Heads of Account		2020-21	2021-22	Variation (percentage)
2015	Election	37.34	114.74	77.40 (207.31)
2041	Taxes on Vehicles	0.20	0.48	0.28 (138.00)
2217	Urban Development	629.72	100.87	(-) 528.85 (-83.98)
2220	Information and Publicity	106.88	383.84	276.96 (259.14)
2701	Medium Irrigation	30.66	125.61	94.95 (309.63)
2702	Minor Irrigation	122.90	39.93	(-) 82.97 (-67.51)
2711	Flood Control and Drainage	8.00	13.72	5.72 (71.52)
2801	Power	11.38	0.15	(-) 11.23 (-98.70)
2810	New and Renewable Energy	9.17	13.81	4.64 (50.64)
3053	Civil Aviation	13.99	24.53	10.54 (75.33)

Source: Finance Accounts of respective years.

The above table indicates heads of accounts with major variation (more than 50 *per cent*). Table also indicates that Revenue Expenditure under Minor Irrigation and Power declined significantly during the year. Further, in important services like Education, Sports, Art and Culture, Health and Family Welfare, Water Supply and Sanitation, Housing, Welfare of Scheduled Castes, Scheduled Tribes Other Backward Classes and Minorities, Social Securities & Welfare and Other Rural Development Programme, no significant variation in the expenditure was noticed during the current year against the previous year. During the current year 2021-22 about 39.41 *per cent* of Revenue Expenditure was incurred on these heads against 40.20 *per cent* in 2020-21.

2.6.2 Committed Expenditure

The Committed Expenditure of the State Government on revenue account consists mainly of expenditure on salaries and wages, interest payments and pensions. It has first charge on Government resources. Upward trend in Committed Expenditure leaves the Government with lesser flexibility for overall development of various sectors. The FRBM Act of the State prescribes that there should be a Revenue Surplus; it is challenging to achieve it, given that a large proportion of Revenue Expenditure goes into committed items like salaries and wages, interest payments and pensions.

Table-2.21 presents the trends in the components of committed expenditure during 2017-18 to 2021-22. Share of Committed Expenditure in total Revenue Expenditure is depicted through **Chart-2.14** whereas percentage of Committed Expenditure to Revenue Receipts and Revenue Expenditure during 2017-22 is given in **Chart-2.15**.

Table-2.21: Components of Committed Expenditure

(₹ in crore)					
Components of Committed Expenditure	2017-18	2018-19	2019-20	2020-21	2021-22
Salaries & Wages	10,496	11,525	11,714	11,755	12,417
Interest Payments	3,987	4,475	4,504	4,773	4,939
Expenditure on Pensions	5,033	5,396	5,507	6,168	6,364
Subsidy	186	174	35	139	145
Total	19,702	21,570	21,760	22,835	23,865
As a percentage of Revenue Receipts (RR)					
Salaries & Wages	38.72	36.92	38.13	30.77	28.84
Interest Payments	14.71	14.34	14.66	12.49	11.47
Expenditure on Pensions	18.57	17.29	17.92	16.14	14.78
Subsidy	0.69	0.56	0.11	0.36	0.34
Total	72.69	69.10	70.83	59.77	55.43
As a percentage of Revenue Expenditure (RE)					
Salaries & Wages	36.09	35.80	35.65	31.69	31.90
Interest Payments	13.71	13.90	13.71	12.87	12.69
Expenditure on Pensions	17.31	16.76	16.76	16.63	16.35
Subsidy	0.64	0.54	0.11	0.37	0.37
Total	67.75	67.00	66.22	61.56	61.31
As percentage of Own Tax Revenue					
Salaries & Wages	103.26	94.56	101.75	98.47	87.59
Interest Payments	39.22	36.72	39.12	39.98	34.84
Expenditure on Pensions	49.51	44.27	47.83	51.67	44.89
Subsidy	1.83	1.43	0.30	1.16	1.02
Total	193.82	176.98	189.00	191.28	168.34

Source: Finance Accounts of respective years.

Chart-2.14: Share of Committed and non-Committed expenditure in total Revenue Expenditure

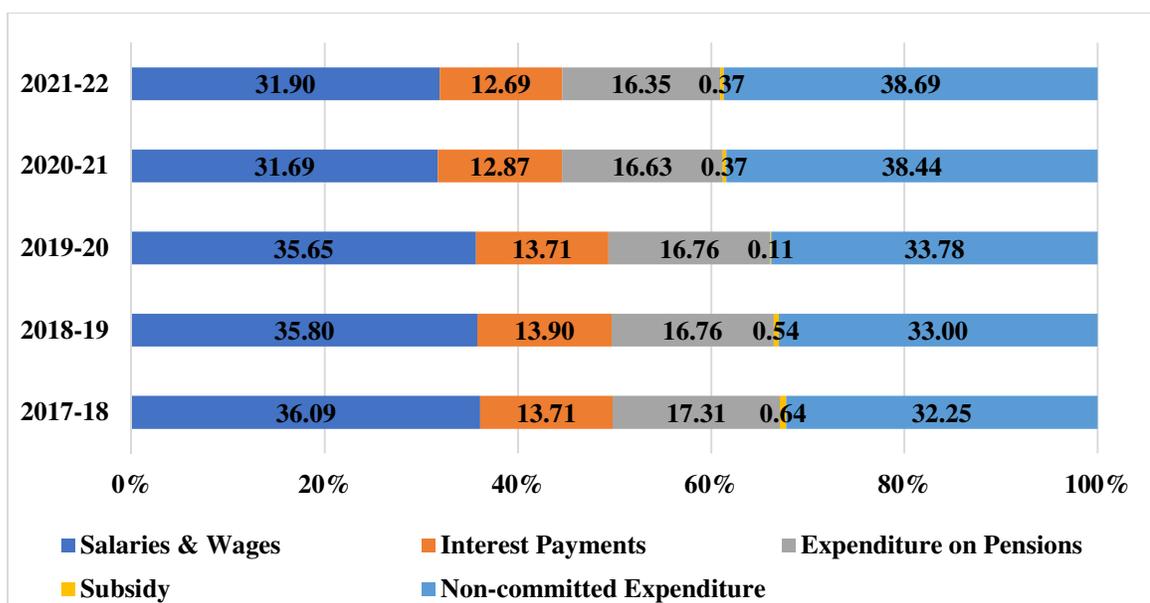
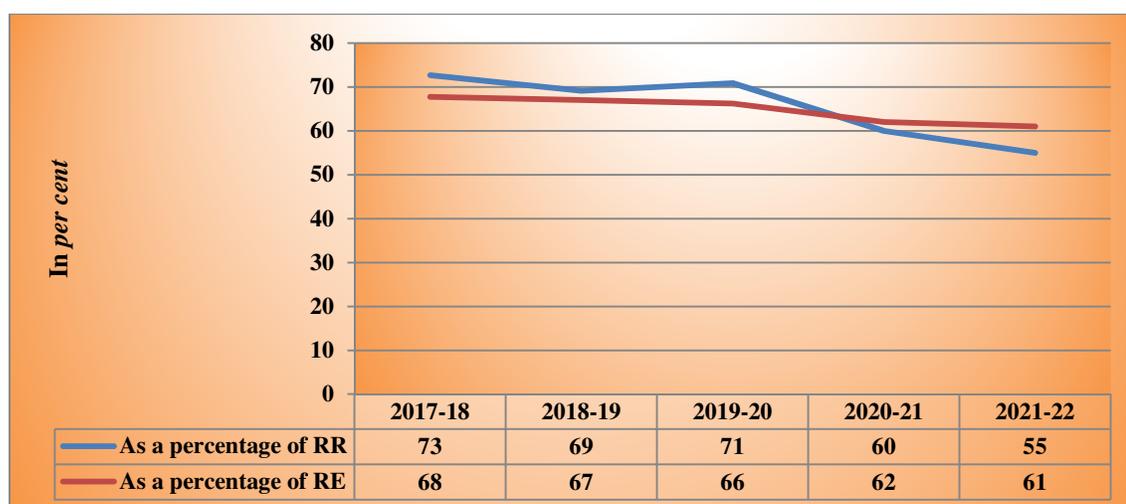


Chart-2.15: Share of Committed Expenditure in Revenue Receipts and Revenue Expenditure



The Committed Expenditure as percentage of Revenue Expenditure decreased to 61 *per cent* in 2021-22 from 68 *per cent* in 2017-18. Accordingly, more funds were available for developmental and maintenance work. Further, Committed Expenditure as percentage of Revenue Receipt decreased from 73 *per cent* in 2017-18 to 55 *per cent* in 2021-22 due to state's higher share in Union Taxes and duties.

2.6.2.1 Other Committed Expenditure

Other Committed Expenditure of the State Government, on revenue account, consists of expenditure under Social Security and Welfare schemes such as old age pension scheme, Pension under social security scheme in addition to welfare of handicapped, child, women and aged infirm and destitute etc. Further, expenditure against payment of utility bills which includes expenses on electricity, water charges and telephone charges are also other committed expenditure. The following table indicates other committed expenditure during last five years upto 2021-22.

Table 2.22: Components of other Committed Expenditure

(₹ in crore)					
Components of Other Committed Expenditure	2017-18	2018-19	2019-20	2020-21	2021-22
Social Security and Welfare	1,273.25	1,489.73	1,607.08	1,671.37	1,814.44
Utility Bill Payment	268.08	315.04	271.84	290.58	344.87
Total	1,541.33	1,804.77	1,878.92	1,961.95	2,159.31
As a percentage of Revenue Receipts (RR)					
Social Security and Welfare	4.70	4.77	5.23	4.37	4.21
Utility Bill Payment	0.99	1.01	0.88	0.76	0.80
Total	5.69	5.78	6.11	5.13	5.01
As a percentage of Revenue Expenditure (RE)					
Social Security and Welfare	4.38	4.63	4.89	4.51	4.66
Utility Bill Payment	0.92	0.98	0.83	0.78	0.89
Total	5.30	5.61	5.72	5.29	5.55
As percentage of Own Tax Revenue					
Social Security and Welfare	12.52	12.22	13.96	14.00	12.80
Utility Bill Payment	2.64	2.58	2.36	2.43	2.43
Total	15.16	14.80	16.32	16.43	15.23

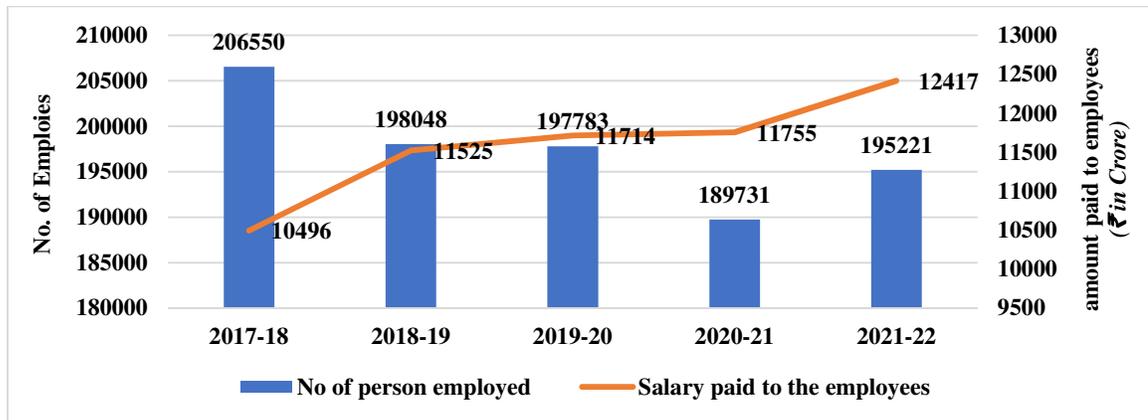
As is evident from above table that other Committed Expenditure as percentage of Revenue Receipt and Revenue Expenditure remained in the range of five *per cent* to six *per cent* during 2017-18 to 2021-22 with no significant change. Other Committed Expenditure as percentage of Own Tax revenue slightly decreased from 16.43 *per cent* in 2020-21 to 15.23 *per cent* in 2021-22. Whereas during the period 2017-22 it remained in the range of 14 *per cent* to 16 *per cent*.

2.6.2.2 Salaries and Wages

Share of salaries in the Revenue Expenditure was slightly high during the current year relative to the previous year. Expenditure on salaries and wages accounted for 31.90 *per cent* of Revenue Expenditure during 2021-22 with a slight change (0.21 *per cent*) over previous year. Over the five-year period 2017-18 to 2021-22, it increased by ₹ 1,921 crore (18 *per cent*) from ₹ 10,496 crore in 2017-18 to ₹ 12,417 crore in 2021-22. Expenditure on salaries (₹ 12,417 crore) during 2021-22 was less by ₹ 2,586 crore compared to the projection of ₹ 15,003 crore made in MTFPS. In addition to salary expenditure, the State Government incurred ₹ 102.33 crore on professional and specialized services and ₹ 1,181.65 crore was given as grants-in-aid for Pay and Allowances and Other Expenses.

Comparison of number of employees and amount of salary paid during the period 2017-18 to 2021-22 is given in the **Chart- 2.16** below

Chart-2.16: Comparison of number of employees and amount of salary paid



The number of employees in the State have increased by 5490 (2.89 *per cent*) in 2021-22 over previous year after a declining trend from 2017-18 to 2020-21. Consequently, the expenditure in salary during 2021-22 increased by ₹ 662 crore (5.63 *per cent*). At the same time salary expenditure during the period 2017-22 has shown increasing trend.

2.6.2.3 Interest Payments

Interest Payments increased by ₹ 166 crore (3.48 *per cent*) from ₹ 4,773 crore in 2020-21 to ₹ 4,939 crore in 2021-22 mainly due to increase in interest payment on Market Loans by ₹ 288 crore and State Provident Fund by ₹ 35 crore which was counterbalanced by decrease in Interest on Special Securities issued to National Small Saving Fund (NSSF)

by ₹ 75 crore, interest on other obligations by ₹ 45 crore and Interest on Other Internal Debt by ₹ 32 crore. During the current year, the Interest Payments were made on internal debt (₹ 4,124 crore), Small Savings, Provident Fund, *etc.*, (₹ 692 crore), Loans and Advances from Central Government (₹70 crore) and interest on Other Obligations (₹ 53 crore). The State government had to pay an amount of ₹ 115.58 crore as interest on GPF pertaining to Class IV employees during the current year.

Interest on Class-IV GPF accounts is being calculated notionally by the Principal Accountant General (A&E), Uttarakhand in the absence of rendition of actual interest credited in each subscriber's account by all DDOs.

Interest Payments with reference to the projections of the State Government in its Budget and MTFPS are given in **Table-2.23**.

Table-2.23: Interest Payments vis-à-vis State's Projections

(₹ in crore)

Year	Actuals	Assessment made by the State Government in			
		Budget		MTFPS	
		Projection	Variation (per cent)	Projection	Variation (per cent)
2021-22	4,939	6,053	1,114 (18.40)	5,953	1014 (17.03)

Source: FFC Report, Budget Document and Finance Accounts.

Above table indicates that the interest payments by State Government were well below its own projections made in Budget and MTFPS.

2.6.2.4 Pensions

Expenditure on pension payments was ₹ 6,364 crore in 2021-22, which constituted 14.78 *per cent* of the revenue receipts. During the current year, it increased by (₹ 196 crore) 3.18 *per cent* over the previous year 2020-21 and was below the projection made by the State Government in its Budget (₹ 6400 crore) by ₹ 36 crore and was above by ₹ 19 crore projected in MTFPS (₹ 6345 crore). Pension payments *vis-à-vis* salary increased from 47.95 *per cent* in 2017-18 to 51.25 *per cent* in 2021-22. However, it slightly decreased from 52.47 *per cent* in 2020-21 to 51.25 *per cent* in 2021-22 as given in **Table-2.24** below:

Table 2.24: Pension payments as percentage of salary

Components	2017-18	2018-19	2019-20	2020-21	2021-22
Pension payments (₹ in crore)	5033	5396	5507	6168	6364
Expenditure on Salary (₹ in crore)	10496	11525	11714	11755	12417
Percentage of pension vis-a-vis salary	47.95	46.82	47.01	52.47	51.25

Liability under National Pension System

State Government employees recruited on or after 1 October 2005 are covered under the National Pension System (NPS), which is a Defined Contribution Pension Scheme. In terms of the Scheme, the employee contributes 10 *per cent* of his basic pay and dearness allowance and the Government contributes 14 *per cent* of the basic pay and dearness allowance. The State Government is responsible to deposit both employee's and

employer's share with the designated authority *i.e.*, National Securities Depository Limited (NSDL)/trustee bank for further investment as per the guidelines of NPS.

During the year, total contribution to Defined Contribution Pension Scheme was ₹ 1,185.73 crore (Employee's contribution ₹ 478.20 crore and Government contribution ₹ 707.53 crore). The Government transferred ₹ 1,185.73 crore to the Public Account under Major Head 8342-117 Defined Contribution Pension scheme. The Government contribution to NPS was in excess by ₹ 38.05 crore, which resulted in understatement of Revenue surplus and overstatement of Fiscal deficit to that extent.

During the year, ₹ 1241.72 crore was transferred to NSDL/Trustee Bank. Against outstanding balance amount of ₹ 139.20 crore (2020-21) ₹ 83.21 crore (2021-22), is yet to be transferred to NSDL. Uncollected, unmatched and un-transferred amounts, with accrued interest, represent outstanding liabilities of the Government under the Scheme.

2.6.2.5 Subsidies

There was a nominal increase in expenditure on subsidies during the year 2021-22 as compared to previous year as can be seen from the details given in **Table-2.25**. Subsidies as a percentage of Revenue Receipts decreased significantly from 0.69 *per cent* in 2017-18 to 0.11 *per cent* in 2019-20 but again increased to 0.36 *per cent* in 2020-21. However, there was nominal increase of ₹ 6 crore (4.32 *per cent*) in 2021-22 over previous year.

Table-2.25: Expenditure on subsidies during 2017-22

Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
Subsidies (₹ in crore)	186	174	35	139	145
Subsidies as a percentage of Revenue Receipts	0.69	0.56	0.11	0.36	0.34
Subsidies as a percentage of Revenue Expenditure	0.64	0.54	0.11	0.37	0.37

During 2021-22, the major schemes in which expenditure on subsidy incurred were Deen Dayal Upadhyay Cooperative Farmer Welfare Scheme (₹ 45 crore), Food Subsidy under Food Storage and Warehousing (₹ 41 crore), Mukhya Mantri Swarojgaar Yojana (₹ 31 crore), Polly House diversification and scheme sprinkler water pump set (₹ 7 crore), Chief Minister Women Self Help Group (₹ 5 crore) and Discount on Sales of Khadi Clothes (₹ 5 crore). State Government had made a projection for subsidy of ₹ 230 crore in its Budget Estimates and ₹ 145 crore in Revised Estimates during 2021-22.

Implicit Subsidy

Table-2.26: Expenditure on implicit subsidies during 2017-22

Implicit Subsidies	2017-18	2018-19	2019-20	2020-21	2021-22
Crop Insurance	2.30	3.22	3.99	1.89	2.16
Assistance to Public Sector and other Undertakings	7.20	24.00	45.19	123.90	85.70
Total	9.50	27.22	49.18	125.79	87.86

The above **table-2.26** indicates that the State Government also provided subsidy in implicit form under Crop Husbandry for crop insurance amounting to ₹ 13.56 crore during 2017-18

to 2021-22 and ₹ 285.99 crore during 2017-22 as Assistance to Public Sector and other Undertakings under Road transport as compensation and Direct Benefit Transfer of free travel facility to senior citizens, girl students and reimbursement of loss arising due to bus operation in mountain routes.

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

Financial assistance is provided by the State Government to Local bodies and other institutions by way of grants and loans. The quantum of assistance provided by way of grants to local bodies and other institutions during the period 2017-18 to 2021-22 is presented in **Table-2.27**.

Table-2.27: Financial Assistance to Local Bodies etc.

		(₹ in crore)				
Sl. No.	Financial Assistance to Institutions	2017-18	2018-19	2019-20	2020-21	2021-22
1.	Educational Institutions (Aided Schools & Colleges, Universities)	464.93	544.70	573.62	1,531.82	901.68
2.	Municipal Corporations and Municipalities	753.33	717.07	902.05	976.91	734.27
3.	Zila Parishads and Other Panchayati Raj Institutions	715.21	742.25	814.62	955.29	655.97
4.	Development Agencies	546.93	555.82	494.84	539.27	483.71
5.	Hospitals and Other Charitable Institutions	252.98	436.19	353.03	552.66	630.04
6.	Energy (Non-conventional source of energy)	11.78	11.69	13.30	9.17	13.81
7.	Agriculture Research and Educational Institution, Land Reforms for updating land records and Wildlife Preservation	476.94	593.57	585.49	915.03	902.30
8.	Co-operatives	3.73	2.67	1.55	15.18	14.26
9.	Animal Husbandry, Dairy Development and Fisheries	38.77	41.80	51.17	55.77	70.97
10.	Secretariat Economic Services & Tourism	46.92	51.12	47.27	56.38	64.19
11.	Social Security & Welfare of Scheduled Castes, Scheduled Tribes & Other Backward Classes	232.65	216.54	238.66	250.85	178.48
12.	Other Institutions	119.64	552.36	724.60	582.44	1208.77
Total		3,663.81	4,465.78	4,800.18	6,440.77	5858.45
<i>Assistance as per percentage of RE</i>		<i>12.60</i>	<i>13.87</i>	<i>14.61</i>	<i>17.36</i>	<i>15.05</i>

Source: V.L.C. data of Accountant General (A&E), Uttarakhand.

The assistance during the current year decreased by ₹ 541.96 crore over the previous year. Municipal Corporations, Municipalities, Zila Parishads and other Panchayati Raj Institutions together accounted for 24 per cent of the total financial assistance during the current year.

The Fourth State Finance Commission had recommended 11 per cent of State's Own Tax Revenue as the devolution amount to the Local Bodies. The amount to be devolved and the actual amount devolved during 2017-18 to 2021-22 is given in **Table-2.28**.

Table-2.28: Financial Assistance to Local Bodies vis-à-vis amount to be devolved

Particulars	₹ in crore)				
	2017-18	2018-19	2019-20	2020-21	2021-22
State Own tax Revenue (OTR)	10,165	12,188	11,513	11,938	14,176
Amount to be devolved (11 per cent of OTR for 2016-17 onwards)	1,118.15	1,340.68	1,266.43	1,313.18	1,559.36
Total amount devolved to Local Bodies	1,468.54	1,459.32	1,716.67	1,932.2	1,390.24
Actual Devolution to Local Bodies as percentage of OTR	14.45	11.97	14.91	16.19	9.81

Source: V.L.C. data of Accountant General (A&E), Uttarakhand and State Finance Commission's Recommendations.

It can be seen from above table that the actual devolution to Local Bodies was in the range of 12 to 16 per cent of own tax revenue during 2017-20 which was significantly decreased to 9.81 per cent during 2021-22. The actual devolution during 2021-22 was less than the amount recommended by State Finance Commission.

2.6.3 Capital Expenditure

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

Total Capital Expenditure increase from ₹ 5,914 crore in 2017-18 to ₹ 7,534 crore in 2021-22. During the current year it increased by ₹ 996 crore (15.23 per cent). The Capital Expenditure incurred by the State during the year 2021-22 was higher than the projections made in the MTFPS targets (₹ 7,112 crore) by ₹ 422 crore but was less by ₹ 1,439 crore against budget projections (₹ 8,973 crore). Details of Capital Expenditure vis-à-vis budget during the five-year period 2017-18 to 2021-22 are given in **Chart-2.17** and Trend of Capital Expenditure as per cent of GSDP and Total Expenditure is given in **Chart-2.18**.

Chart-2.17: Trend of Capital Expenditure over the five-year period from 2017-18 to 2021-22

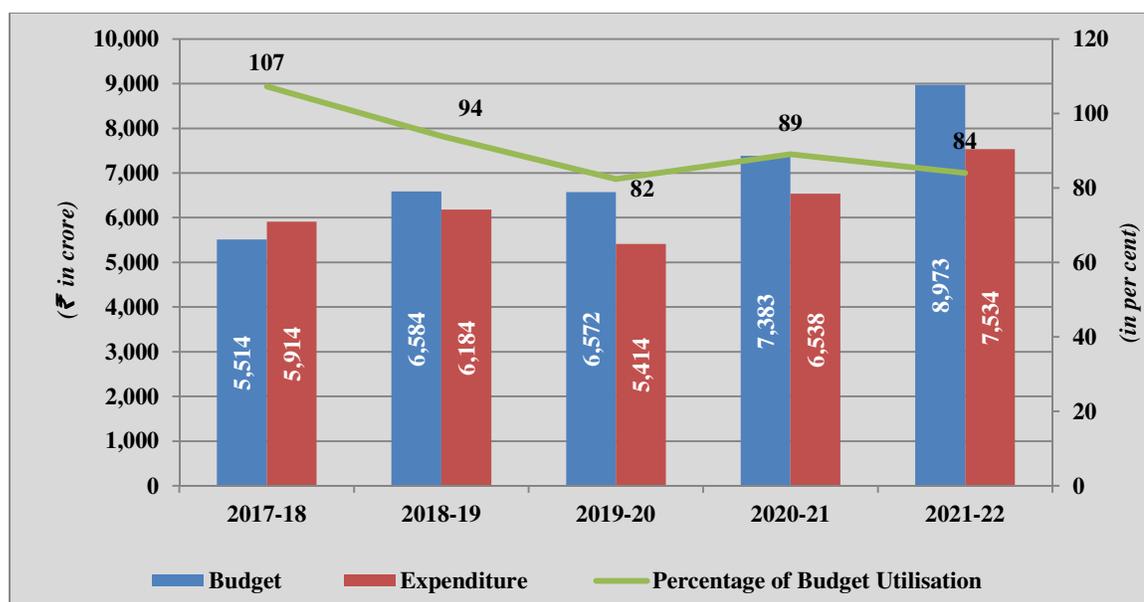
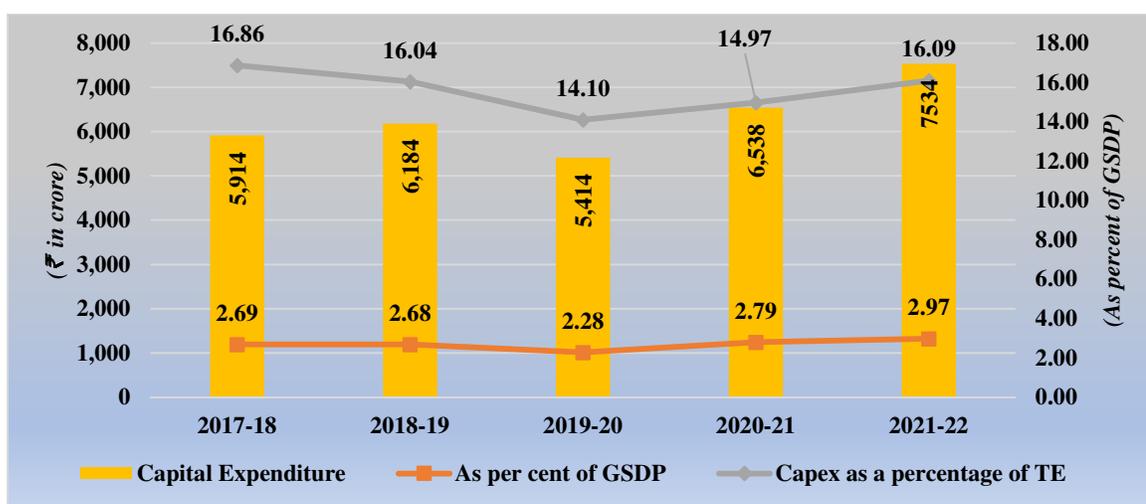


Chart-2.18: Trend of Capital Expenditure as per cent of GSDP and Total Expenditure



2.6.3.1 Major changes in Capital Expenditure

Table-2.29 highlights the cases of significant increase or decrease (more than 50 per cent) in various Heads of Account in Capital Expenditure during 2021-22 vis-à-vis the previous year.

Table-2.29: Capital Expenditure during 2021-22 as compared to 2020-21

Major Heads of Account		Capital expenditure during 2020-21	Capital expenditure during 2021-22	Increase (+) / Decrease (-) (in per cent)
4408	Capital Outlay on Food Storage and Warehousing	71.29	493.97	422.68 (592.90)
4859	Capital Outlay on Telecommunication and Electronic Industry	2.86	10.68	7.82 (273.43)
5053	Capital Outlay on Civil Aviation	3.61	12.98	9.37 (259.56)
4250	Capital outlay on Other Social Services	0.00	1.75	--
4210	Capital Outlay on Medical and Public Health	172.94	313.19	140.25 (81.10)
4216	Capital Outlay on Housing	42.09	73.80	31.71 (75.34)
4215	Capital outlay on water supply and Sanitation	648.18	1059.87	411.69 (63.51)
4403	Capital Outlay on Animal Husbandry	4.19	6.84	2.65 (63.25)
4055	Capital Outlay on Police	21.24	34.60	13.36 (62.90)
4851	Capital outlay on Village and Small Industries	7.25	3.28	-3.97 (-54.76)
4405	Capital outlay on Fisheries	4.30	1.30	-3.00 (-69.77)
4425	Capital Outlay on Cooperation	-2.65	-0.05	2.60 (98.11)

Note: Figures in parenthesis are in percentage increase/ decrease.

The major scheme where substantial increase was noticed was Procurement and Supply under Central Plan/Centrally Sponsored Schemes under Food Storage and Warehousing.

2.6.3.2 Quality of Capital Expenditure

If the State Government keeps on making investments in loss making government companies, whose net worth is completely eroded, there are limited chances of return on

investment. Similarly, experience has shown the inevitability of write off of the loans given to loss making corporations and other poorly run bodies in sectors such as sugar mills, financial corporations, etc. Requisite steps have to be taken to infuse transparency in such financial operations. This section presents an analysis of investments and other capital expenditure undertaken by the Government during the current year.

(i) Quality of investments in the companies, corporations and other bodies

Investments made and loan given to companies (e.g. Power Distribution Companies), corporations (e.g. Scheduled Caste and Scheduled Tribe Financial Corporations), and cooperatives (e.g. sugar mills), which are loss making and those where net worth is completely eroded, is not sustainable. Return on investment in share capital invested in Public Sector Undertakings and history of repayment of loans given to various bodies are important indicators of quality of capital expenditure.

As per the Finance Accounts 2021-22, Government of Uttarakhand had invested ₹ 3,818.94 crore in one Statutory Corporation and 16 Government Companies, in the State as of 31 March 2022. The State Government earned a return of ₹ 35.05 crore on these investments during 2021-22. Year-wise details of investment by Government of Uttarakhand over the five-year period 2017-18 to 2021-22 are given in the **Table-2.30** below.

Table-2.30: Details of Investment and return on Investment

	(₹ in crore)				
Investments/ Returns/Cost of borrowings	2017-18	2018-19	2019-20	2020-21	2021-22
Investment at the end of the year	3,209.24	3,402.45	3,534.95	3,683.54	3,818.94
Return on investment	22.69	18.69	14.08	40.02	35.05
Return on investment (<i>per cent</i>)	0.71	0.55	0.40	1.09	0.92
Average rate of interest on Government borrowings (<i>per cent</i>)	8.27	8.15	7.26	6.83	6.55
Difference between interest rate and return (<i>per cent</i>)	7.56	7.60	6.86	5.74	5.63
Notional loss due to difference between interest rate of Government borrowings and return on investments	242.62	258.59	242.50	211.44	215.01

The average return on Uttarakhand Government's investment was negligible and ranged from 0.40 to 1.09 *per cent* of the investment (at historical cost) during 2017-18 to 2021-22. It decreased to 0.92 *per cent* during the year from 1.09 *per cent* of previous year. However, Government paid an average interest rate of 7.41 *per cent* on its borrowings during 2017-18 to 2021-22.

(ii) Reconciliation of balances

The figures in respect of equity, loans and guarantees outstanding as per records of SPSEs should agree with that of the figures appearing in the Finance Accounts of the GoU. In case the figures do not agree, the concerned SPSEs and the Finance Department should carry out reconciliation of the differences. The differences in figures of equity, loans and guarantees as on 31 March 2022 are given below in **Table-2.31**.

Table-2.31.: Equity, Loans and Guarantees outstanding as per Finance Accounts vis-à-vis as per records of SPSEs

(₹ in crore)

Outstanding in respect of	As per Finance Accounts	As per records of SPSEs	Difference
A	B	C	(B-C)
Equity	3818.94	3,856.24	(-) 37.30
Loan	635.63	969.83	(-) 334.20
Guarantee	123.46	318.71	(-) 195.25

Source: Compilation based on information received from power sector SPSEs and Finance Accounts.

The differences between the figures are persisting since last many years. The differences have arisen primarily due to the investment transactions being booked in Government accounts based on the vouchers received in the Office of the Principal Accountant General (A&E) and the details given in the Audit Reports obtained from the individual PSUs. The differences in investments made by the State Government in these PSUs are under reconciliation.

(iii) Compliance of IGAS-2 not done

The Government of Uttarakhand continued to operate and allot funds as Grants-in-Aid (GIA) to State Government entities in the Capital Section instead of Revenue Section. During the year 2021-22 such grants of ₹ 25.57 crore was given and booked under two Capital Major Heads. This contravened the Indian Government Accounting Standards (IGAS) 2, notified by the Government of India, wherein it has been stated that, expenditure on GIA for the purpose of creating assets shall not, except in cases specifically authorized by the President on the advice of the Comptroller and Auditor General, be debited to a Capital Head of account in the financial statements of the Government. This is particularly so due to the fact that the Capital Assets are recorded in the books of the entity receiving the GIA and not the grantor, *i.e.*, Government.

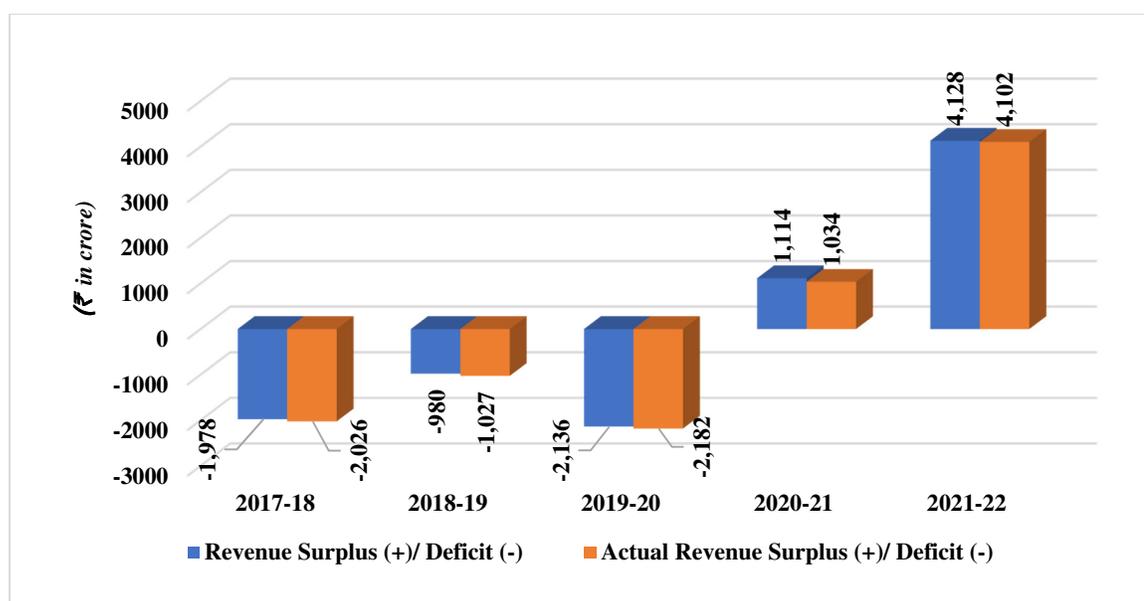
Table-2.32 highlights the extent of classification of GIA as Capital Expenditure (Capex) instead of as revenue by the State. **Chart-2.19** indicates impact of non-compliance with the provisions of IGAS-2 by the State in absolute terms during 2017-18 to 2021-22 as Revenue Deficit was understated during 2017-18 to 2019-20 while as Revenue Surplus was overstated during 2020-21 and 2021-22. During the said period Capital Expenditure was also overstated to that extent. Misclassification of expenditure resulted overstatement of Revenue Surplus by ₹ 6.36 (26.00 - 19.64) crore.

Table-2.32: Impact of non-compliance with IGAS-2

(₹ in crore)

	2017-18	2018-19	2019-20	2020-21	2021-22
Capital Expenditure	5,914	6,184	5,414	6,538	7534
Grants-in-Aid booked as Capital Expenditure	48	47	46	80	26
Percentage of booking of GIA in Capex	0.81	0.76	0.85	1.22	0.35
Revenue Deficit (-)/Surplus (+) of the State	(-) 1,978	(-) 980	(-) 2,136	(+) 1,114	(+) 4,128
Actual Revenue Deficit (-) /Revenue Surplus (+) if expenditure from GIA is treated as RE	(-) 2,026	(-) 1,027	(-) 2,182	(+) 1,034	(+) 4,102

Chart-2.19: Actual Revenue Deficit (-)/Surplus (+)



(iv) *Quantum of Loans disbursed and recovered during five years*

In addition to investments in Co-operative societies, Corporations and Companies, the State Government also provided loans and advances to many institutions/organisations. **Table-2.33** presents the outstanding loans and advances as on 31 March 2022 along with interest receipts *vis-à-vis* interest payments during the five-year period from 2017-18 to 2021-22.

Table-2.33: Details of quantum of loans disbursed and recovered during 2017-22

(₹ in crore)

Quantum of Loans/ Interest Receipts/ Cost of Borrowings	2017-18	2018-19	2019-20	2020-21	2021-22
Opening Balance of loan outstanding	1,726.65	1,769.97	1,926.54	2,033.40	2,047.91
Amount advanced during the year	76.83	183.48	125.78	37.56	347.45
Amount recovered during the year	33.51	26.91	18.92	23.05	17.08
Closing Balance of loan outstanding	1,769.97	1,926.54	2,033.40	2,047.91	2,378.28
Net Addition	43.32	156.57	106.86	14.51	330.37
Interest Received	0.08	1.13	25.65	58.78	359.22
Interest received as a percentage of outstanding Loans and Advances	0.005	0.06	1.33	2.89	17.54
Average rate of interest paid on Government borrowing (<i>per cent</i>)	8.27	8.15	7.26	6.83	6.55
Difference between Interest Payments and Interest Received (<i>per cent</i>)	8.27	8.09	5.93	3.94	-10.99

The total amount of outstanding loans and advances as on 31 March 2022 was ₹ 2,378.28 crore. The amount of loans disbursed during the current year increased by 825.05 *per cent* from ₹ 37.56 crore in 2020-21 to ₹ 347.45 crore in 2021-22. Within the Economic Services, major recipient was power sector ₹ 289.73 crore (83.39 *per cent*) followed by transport Sector ₹ 57.38 crore (16.51 *per cent*).

Recovery of loans and advances decreased by ₹ 5.97 crore from ₹ 23.05 crore in 2020-21 to ₹ 17.08 crore in 2021-22. However, interest receipts in this regard increased significantly during current year by ₹ 300.44 crore (511.13 *per cent*) from ₹ 58.78 crore during 2020-21 to ₹ 359.22 crore during 2021-22.

Scrutiny of the total outstanding loans revealed that there was no repayment by four sectors namely General Services (other Loans), Special Area Program, Water Supply, Sanitation, Housing and Urban Development and Transport sector as detailed in **Table-2.34** over last five years (up to March 2022) and in one sector (Transport), additional loans had been extended despite of any repayments. The overall outstanding balance has increased over the years.

Table-2.34: Loan and Advances rolling for a long time

(₹ in crore)						
Sl. No.	Name of the Sector	2017-18	2018-19	2019-20	2020-21	2021-22
1.	General Services (Other Loans)	19.47	19.47	19.47	19.47	19.47
2.	Water Supply, Sanitation, Housing and Urban Development	47.89	42.09	42.09	42.09	42.09
3.	Agriculture and Allied Activities	899.79	1,011.24	1,119.57	1,117.47	1116.47
4.	Special Area Programme	503.16	503.16	503.16	503.16	503.16
5.	Transport	148.53	153.80	153.80	158.09	215.47
Total		1,606.64	1,618.84	1,729.76	1,838.09	1896.55

During the period 2017-18 to 2021-22, an amount of ₹ 771.10 crore was advanced to different sectors by the Government while recoveries amounted to ₹ 119.47 crore. Recovery in each year declined from 1.86 *per cent* of the amount outstanding at the beginning of the year and amount advanced during the year in 2017-18 to 0.71 *per cent* in 2021-22. During the current year, the amount repaid was ₹ 17.08 crore which stood at 0.83 *per cent* of the outstanding loans (₹ 2,047.91 crore) as on 31 March 2021.

Since recovery of the loans has been poor, State Government may consider treating these loans and advances as grants and booking them as revenue expenditure for ensuring that accounts reflect the correct position.

(v) **Capital Blocked in Incomplete/ongoing Projects**

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

As per Finance Accounts of the State for the year 2021-22, there were 75 incomplete/ongoing projects of Public Works department as on 31 March 2022. Age profile of incomplete projects based on the year of sanction/year of start of these projects as on 31 March 2022 is given in **Table-2.35**.

Table-2.35: Age profile of incomplete projects as on 31 March 2022

(₹ in crore)

Year	No of incomplete projects	Estimated cost	Expenditure	Financial Progress (in per cent)
Sanctioned Upto 2016-17	57	455.66	327.29	71.83
2017-18	2	6.55	3.51	53.59
2018-19	7	20.56	13.94	67.80
2019-20	7	22.16	10.39	46.89
2020-21	0	0	0	0
2021-22	2	4.73	2.04	43.13
Total	75	509.66	357.17	70.08

Source: Finance Accounts.

Effective steps need to be taken to complete these projects without further delay to avoid cost overruns. During the exit conference, Secretary Finance stated that Projects worth Rupee Five crore or more including other important projects of lesser value are being monitored through PM Gati Shakti portal. The process of uploading the details in the portal is going on.

(vi) **Resource availability of the State under Public Private Partnership Projects**

Public Private Partnership is an arrangement between the government or statutory entity and a private sector entity, to provide a framework that enables them to work together to meet the rising demand of the public for infrastructure development. Details of the projects running in the State are given in the **Table-2.36** below.

Table-2.36: Sector/Department wise details of PPP Projects

(₹ in crore)

Sl. No.	Sector	Completed		Ongoing	
		No.	Estimated Cost	No.	Estimated Cost
1.	Transport	3	71.42	3	63.76
2.	Energy	0	0	2	117.50
3.	Urban	5	441.73	5	364.55
4.	Tourism	3	25.00	1	35.00
5.	Health	6	84.40	0	0
	Total	17	622.55	11	580.81

Source: Uttarakhand Public Private Partnership Cell Dashboard (<http://www.upppc.org/projects/projects>).

2.7 Expenditure Priorities

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

Table-2.37 compares the fiscal priority of the State Government with that of NE & Himalayan States with regard to development expenditure, expenditure on Social and Economic Sectors, and Capital Expenditure during 2021-22, taking 2017-18 as the base year.

Table-2.37: Fiscal Priority of the State in 2017-18 and 2021-22

(in per cent)

Fiscal Priority of the State	AE/ GSDP	SSE/ AE	ESE/ AE	DE/ AE	CE/ AE	Education/ AE	Health/ AE
Average (ratio) in 2017-18 of							
NE & Himalayan	26.07	34.98	29.17	64.15	16.10	17.56	6.22
Uttarakhand	15.93	34.26	23.66	58.14	16.86	18.85	4.28
Average (ratio) in 2021-22 of							
NE & Himalayan	27.56	35.55	27.01	62.56	17.46	15.95	7.25
Uttarakhand	18.44	38.10	22.08	60.92	16.09	18.33	6.20
<i>AE: Aggregate Expenditure; DE: Development Expenditure; SSE: Social Sector Expenditure; ESE: Economic Sector Expenditure; CE: Capital Expenditure.</i>							

A comparative study of Average Expenditure of Uttarakhand State in 2021-22 with that of 2017-18 indicates the following:

- The State Government's Aggregate Expenditure as a proportion of the GSDP in 2021-22 was higher by 2.51 percentage points as compared to 2017-18.
- Development Expenditure (DE) as a proportion of Aggregate Expenditure (AE) in 2021-22 was higher by 2.78 percentage points as compared to 2017-18.
- Social Sector Expenditure as a proportion of AE in 2021-22 was higher by 3.84 percentage points as compared to 2017-18.
- Economic Sector Expenditure as proportion of AE was lesser by 1.58 percentage points in 2021-22 as compared to 2017-18.
- The proportion of Capital Expenditure (CE) in AE decreased marginally by 0.77 percentage points in 2021-22 as compared to 2017-18.

Further comparative study of NE & Himalayan States Average and Uttarakhand's Average in 2021-22 with that of 2017-18 revealed the following:

- Aggregate Expenditure (AE) as a proportion of GSDP in the State remained well below NE & Himalayan State's average during both the years.
- Development Expenditure as a proportion of Aggregate Expenditure in the State was lower than that of the NE & Himalayan state's average during 2017-18 and 2021-22.
- Social Sector Expenditure as a proportion of Aggregate Expenditure in the State was slightly lower during 2017-18. However, it was higher by 2.55 percentage point in 2021-22 as compared to NE & Himalayan state's average.
- The Economic Sector Expenditure as a proportion of Aggregate Expenditure in the State was lower than that of NE & Himalayan state's during both the years.
- Priority was accorded by the State Government to Education Expenditure and the ratio of Education Expenditure to Aggregate Expenditure was higher than that of the NE & Himalayan state's average in both years.

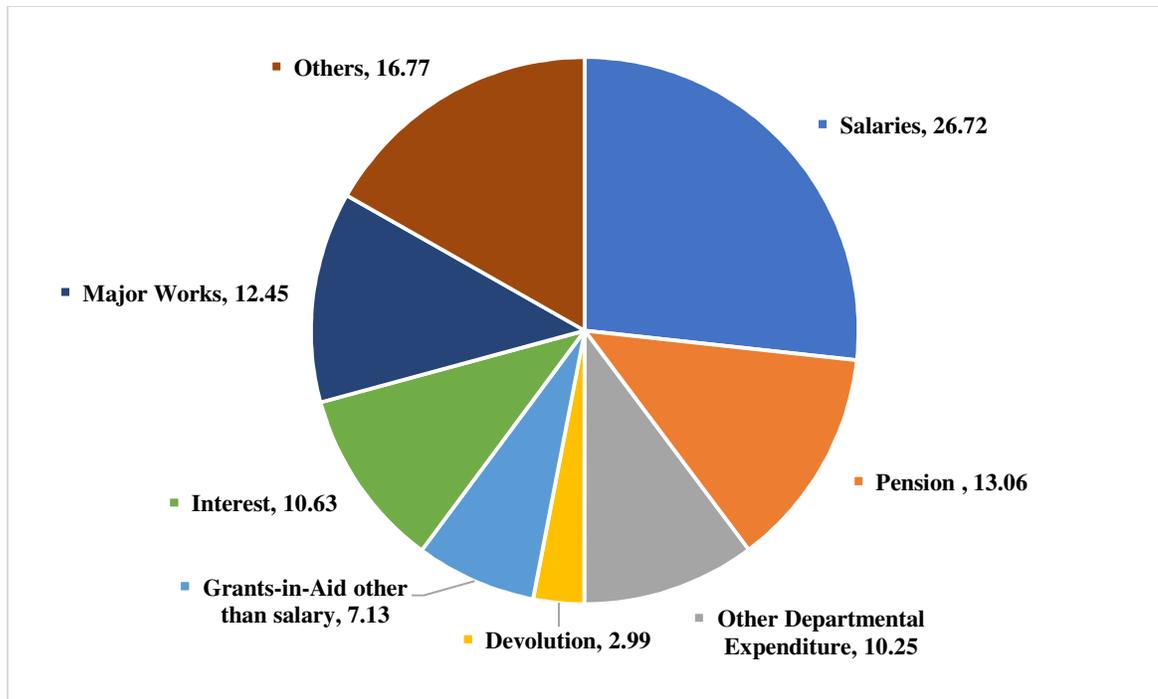
- Expenditure under Health Sector as a proportion to Aggregate Expenditure was lower than NE & Himalayan average in both the years.

During the exit conference, Secretary Finance assured that head wise analysis will be conducted to book the Expenditure under Health correctly and efforts will be made to improve the position of expenditure on Health.

Object Head wise Expenditure

Object head wise expenditure gives information about the object/purpose of the expenditure. Details of Object head wise expenditure are provided in the **Chart-2.20** below.

Chart-2.20: Details of Object Head wise expenditure



2.8 Public Account

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

2.8.1 Net Balances in Public Account

The component-wise net balances in Public Account of the State during the years (2017-18 to 2021-22) are given in **Table-2.38** below.

Table-2.38: Component-wise net balances in Public Account as of 31 March of the year

₹ in crore)

Sector	Sub Sector	2017-18	2018-19	2019-20	2020-21	2021-22
I. Small Savings, Provident Funds, etc.		619.47	889.86	665.79	431.46	333.88
J. Reserve Funds	(a) Reserve Funds bearing Interest	109.77	112.77	2,759.12	89.90	(-) 467.57
	(b) Reserve Funds not bearing Interest	(-) 4.7	(-) 1.23	149.48	150.00	210
	Investment from RF	0	0	(-) 150.00	(-) 150.00	(-) 210
	Total	105.07	111.54	2,758.60	89.90	(-) 467.57
K. Deposits and Advances	(a) Deposits bearing Interest	0.58	53.02	(-) 2.77	3.57	(-) 7.36
	(b) Deposits not bearing Interest	718.09	(-) 64.08	504.35	378.43	(-) 673.73
	(c) Advances	0	0	0	0	0
	Total	718.67	(-) 11.06	501.58	382.00	(-) 681.09
L. Suspense and Miscellaneous	(a) Suspense	122.44	102.82	(-) 124.82	(-) 103.72	285.28
	(b) Other Accounts*	607.90	70.26	(-) 1,039.63	(-) 490.83	(-) 7.46
	(c) Accounts with Governments of Foreign	(-) 0.01	(-) 0.01	0.04	0	0
	(d) Miscellaneous	0	0	0	0	0
	Total	730.33	173.07	(-) 1,164.41	(-) 594.55	277.82
M. Remittances	(a) Money Orders, and other Remittances	15.89	(-) 4.5	(-) 4.38	0	(-) 0.04
	(b) Inter- Governmental Adjustment Account	15.48	683.65	3.76	(-) 6.41	12.33
	Total	31.37	679.15	(-) 0.62	(-) 6.41	12.29
Grand Total		2,204.91	1,842.56	2,760.94	302.40	(-) 524.67

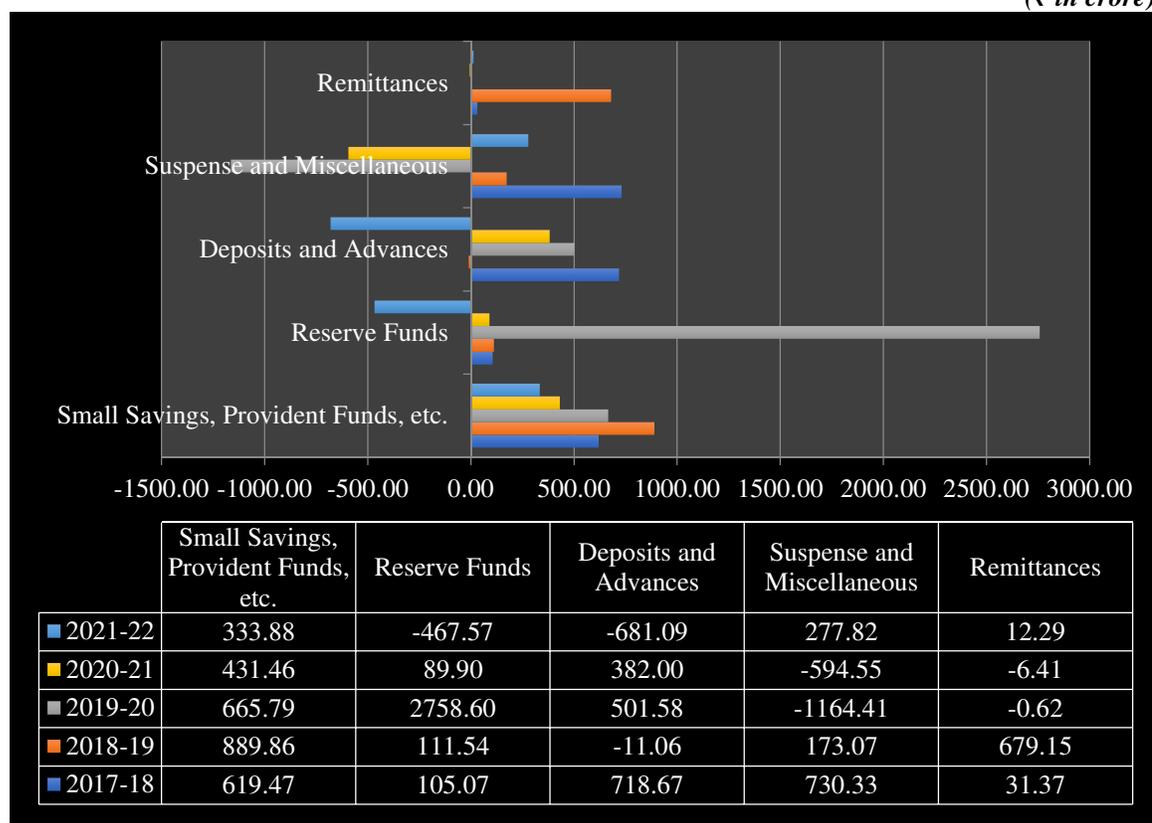
Note: -ve denotes debit balance and +ve denotes credit balances.

*Other Accounts under L. Suspense and Miscellaneous exclude Departmental Balance, Permanent Cash Imprest & Cash Balance Investment Account.

The yearly changes in composition of balances in Public Account over the five-year period 2017-22 are given in Chart-2.21.

Chart-2.21: Yearly changes in composition of Public Account balances

₹ in crore)



As has been highlighted in the **Table-2.38**, the component wise net-public account balances over the period 2017-18 to 2021-22 have shown fluctuating trend. The net public account balance decreased by ₹ 827.07 crore, from ₹ 302.40 crore in 2020-21 to ₹ (-)524.67 crore in 2021-22. This was due to decline in net Deposit and Advances (₹ 1,063.09 crore), net Reserve Funds (₹ 557.47 crore) and Net Small Savings, Provident Fund, *etc.* (₹ 97.58 crore), which was counter balanced by Increase in Suspense and Miscellaneous (₹ 872.37 crore).

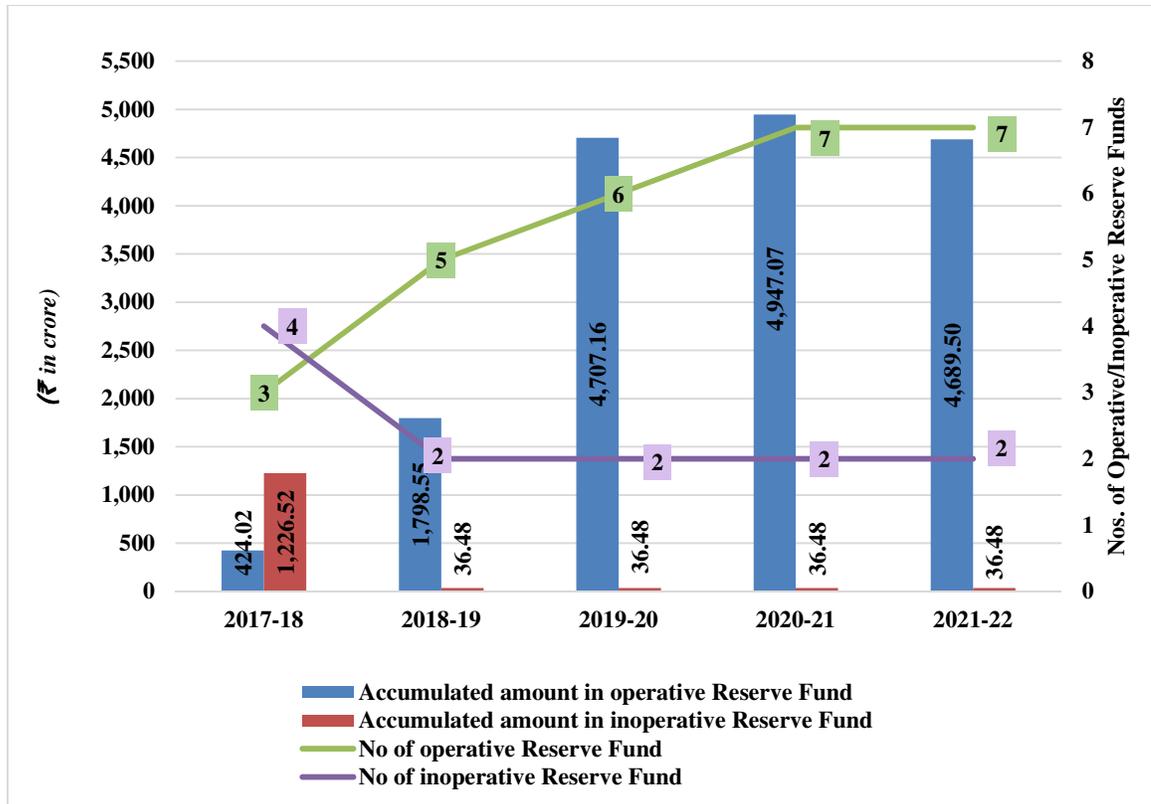
2.8.2 Reserve Funds

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

State Government operated nine Reserve Funds as on 31 March 2022 out of which two Reserve Fund are interest bearing (₹ 2,875.88 crore credit) and seven Reserve Funds are non-interest bearing funds (₹ 1,777.13 crore credit). Out of these nine funds, two funds are inoperative (balance ₹ 36.48 crore debit) and seven funds are operative (balance ₹ 4,689.50 crore credit), of which ₹ 1,698.62 crore (36.22 *per cent*) was invested.

Trend of accumulated balances under operative and inoperative Reserve funds is shown in the **Chart-2.22** below.

Chart-2.22: Trend of Operative and Inoperative reserve funds



Details of transactions during the year in the Reserve Funds (active-inactive) are discussed below.

2.8.2.1 In-operative Reserve Funds

There are two Reserve Funds, which are in-operative since long. These two funds have a balance of ₹ 36.48 crore (Debit). The details of these in-operative funds are given in **Table-2.39**.

Table-2.39: Details of inoperative Reserve Funds

Sl. No.	Name of the Fund	Amount as on 31 st March 2022 (₹ in crore)	Year of Establishment	Inoperative since
1.	Development Funds for Educational Purposes	0.01 (Cr.)	2000-01	2007-08
2.	Electricity Development Funds	36.49 (Dr.)	2005-06	2015-16
Total		36.48 (Dr.)		

2.8.2.2 State Disaster Response Fund

Government of India replaced the existing Calamity Relief Fund in 2010-11 with the State Disaster Response Fund (SDRF). In terms of the guidelines of the Fund, the Centre and Special Category States like Uttarakhand are required to contribute to the Fund in the proportion of 90:10. As per the guidelines, these contributions are to be transferred to the Public Account under Major Head 8121. Expenditure during the year is incurred by operating Major Head 2245. Expenditure incurred during the year on disaster response is adjusted by debiting the Public Account with contra deduct debit to the Expenditure Major Head 2245. Government of India provides additional assistance from the National Disaster Response Fund (NDRF) - when the balances available under SDRF are insufficient to meet the expenditure on account of natural calamities. The entire funds provided under the NDRF are incurred directly against the expenditure on natural calamities. Details of expenditure charged to SDRF for the year 2021-22 is given in the **Table-2.40** as well as details of SDRF is provided in the **Table-2.41**.

Table-2.40: Details of expenditure charged to SDRF

(₹ in crore)

Major Head of Account	Minor Head of Account	Expenditure during 2021-22
2245- Relief on Account of Natural Calamities 05- State Disaster Response Fund	101-Transfer to Reserve Funds and Deposit Accounts	2,331.69
	901- Deduct- Amount met from State Disaster Response Fund	(-) 1,498.89
	Sub Total	832.80
2245- Relief on Account of Natural Calamities 80- General	102- Management of Natural Disaster, Contingency Plans in disaster prone areas	78.73
	800-Other Expenditure	386.05
	Sub-Total	464.78
Grand Total		1297.58

Source: Finance Accounts.

Table-2.41: Details of SDRF

(₹ in crore)

Opening balance (01 April 2021)	Contribution by Centre	State Share	Total	Amount set off (MH 2245-05)	Balance in the fund (31 March 2022)	Amount invested through RBI during the year
668.36	749.60	83.20	832.80	1498.89	2.27	Nil

Source: Finance Accounts.

The State Government during the year, neither made any investment from the SDRF nor provided any interest on the fund balance, in violation of SDRF guidelines. During the exit conference, Secretary Finance intimated that rigorous efforts will be made to comply with the SDRF guideline.

2.8.2.3 Guarantee Redemption Fund

The Government of Uttarakhand constituted 'Guarantee Redemption Fund' in 2006-07 for meeting the payment obligations arising out of the guarantees issued by the Government in respect of bonds issued and other borrowings by the State Public Sector Undertakings or other Bodies and invoked by the beneficiaries. The accumulations in the Fund are to be utilised only towards payment of the guarantees issued by the Government and not paid by the institutions on whose behalf guarantee was issued.

In terms of guidelines of Uttarakhand Gazette Notification dated December 2006, the State Government is required to contribute an amount equivalent to at least 1/5th of the outstanding invoked guarantees plus amount of guarantees likely to be invoked as a result of the incremental guarantees issued during the year. The funds are invested by the Reserve Bank of India.

The State Government informed that no Guarantee was invoked during 2021-22. An amount of ₹ 10.00 crore was contributed from the Consolidated Fund to the Guarantee Redemption Fund during the current year. Further, in terms of the guidelines of the Reserve Bank of India which administers the Fund, the corpus of the Fund is to be gradually increased to the desirable level of 5 per cent of the outstanding guarantees which was fully adhered to, as the corpus of the fund was ₹ 153.92 crore (Principal ₹ 95.00 crore + Interest ₹ 58.92 crore) against outstanding guarantees of ₹ 374.34 crore. Against the receivable Guarantee commission fee of ₹ 7.17 crore, an amount of ₹ 1.87 crore was received resulting in short receipt of ₹ 5.30 crore as guarantee commission fees. Also, as per Uttarakhand Gazette Notification dated 19 December 2016, Guarantee fee received has to be deposited in Public Account under Guarantee Redemption Fund. However, State Government treated it as Revenue Receipts. This resulted in overstatement of Revenue Surplus and understatement of Fiscal Deficit to that extent. Average return from investments made out of Guarantee Redemption Fund during past five years was 8.15 per cent. Details of Guarantee Redemption Fund is provided in the **Table-2.42**.

Table-2.42: Details of Guarantee Redemption Fund

(*₹ in crore*)

Opening balance (01 April 2021)	Additions to the Fund (Contribution and interest)		Payments out of the Fund	Total balance in the Fund	Amount invested by RBI during the year	Closing balance (31 March 2022)
	Desired Level Contribution (5 per cent of outstanding guarantees as on 31 March 2021)	Actual Contribution Made				
133.64 (85.00 Principal & 48.64 Interest)	35.83 (716.59*5%)	20.28 (10.00 Principal & 10.28 Interest)	Nil	153.92 (95.00+ 58.92)	153.92	Nil

Source: Finance Accounts.

2.8.2.4 State Compensatory Afforestation Funds

The Uttarakhand State Compensatory Afforestation Fund was created in September 2018 by the Government of Uttarakhand to administer the amount received and utilize the monies collected for undertaking compensatory afforestation, assisted natural regeneration, conservation and protection of forests, infrastructure development, wildlife conservation and protection and other related activities and for matters connected therewith or incidental thereto. Detailed guidelines for accounting under this Fund have been issued vide Ministry of Environment, Forest and Climate Change, Government of India in November 2018. The State Government has not so far adopted these guidelines and not followed the accounting procedure⁴ given in the guidelines. During 2021-22, no amount was received by the State from National Compensatory Afforestation Fund, as the share of Uttarakhand. During the year, the State Government booked an amount of ₹ 198.52 crore in state Compensatory Afforestation Fund under Major Head 8121-129. The total balance in the State Compensatory Afforestation Fund as on 31st March 2022 was ₹ 2873.61 crore.

2.8.3 Interest liabilities against Reserve Funds and Deposits Bearing Interest not discharged

The interest liability of ₹ 156.49 crore in respect of Reserve Funds Bearing Interest and Deposits Bearing Interest, under sectors J and K respectively of the Public Account are annual liabilities that the State Government is required to discharge. Budget provision for the interest payable needs to be made by the State Government on balances in such Reserve Funds and Deposits. The interest due on 01 April 2021 is detailed in the **Table-2.43** below.

⁴ These guidelines inter-alia states that the monies received by the State government from the user agencies shall be credited in “State Compensatory Afforestation Deposits” at Minor Head level below Major Head 8336 Civil Deposits. Out of it 90 per cent shall be transferred to the Major Head 8121-129 in Public Account of the State and 10 per cent in the National Fund. Similarly, the expenditure shall initially be booked under Major Head-2406 and then transferred to the Major Head 8121-129 in the Public Account by deduct entry in the concerned Major Head of account 2406.

Table-2.43: Details of un-discharged liability of interest due in Reserve Funds and Deposits

(₹ in crore)

Sector	Sub-sector	Rate of interest	Balance at the beginning of 2021-22	Interest due
J-Reserve Funds	(a) Reserve Funds bearing interest (including SDRF)	4.00 per cent (average of W&M interest rate)	3,343.45	133.74
K-Deposits and Advances	(b) Deposits bearing interest (excluding CPS MH-8342-117)	4.00 per cent (average of W&M interest rate)	321.69	12.87
	Un-transferred amount under NPS (8342-117)	Interest calculated as per the rate of Interest 7.10 per cent notified by the Government / Payable to General Provident Fund	139.20	9.88
Total Interest			156.49	

The State Department should make a provision in the Budget for interest liability on Reserve Funds and Deposits.

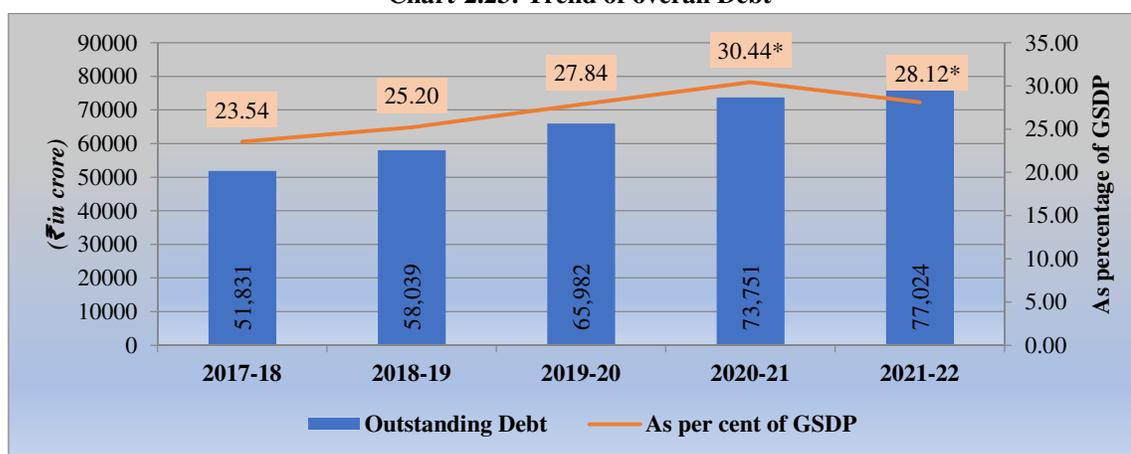
2.9 Debt Management

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.

2.9.1 Trend of overall debt

The effective outstanding debt at the end of 2021-22 would be ₹ 71,375 crore (₹ 77,024 crore - ₹ 5,649 crore) as the Department of Expenditure, GoI had decided that GST compensation of ₹ 5,649 crore given to State as back to back loan under debt receipts would not be treated as debt of the State. Year wise overall debt during 2017-18 to 2021-22 is given in **Chart-2.23** below.

Chart-2.23: Trend of overall Debt



* Back- to-back loan of ₹ 5,649 crore and ₹ 2,316 crore received from GoI till the year 2021-22 and 2020-21 respectively, in lieu of GST compensation shortfall has been excluded for computing the ratio of outstanding debt to GSDP. As per GoI clarification⁵ this borrowing would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission, etc.

⁵ Government of India, Ministry of Finance, Department of Expenditure letter no. F.No.40 (1) PF-S/2021-22 dated 10 December 2021.

2.9.2 Debt profile: Components

Total debt of the State Government typically constitutes of Internal debt of the State (market loans, ways and means advances from RBI, special securities issued to National Small Savings Fund and loans from financial institutions, etc.), loans and advances from the Central Government and Public Account Liabilities. Total Liabilities as per FRBM Act of the Uttarakhand means the liabilities under the Consolidated Fund of the State and the Public Account of the State. The component wise debt trends are shown in **Table-2.44** below.

Table-2.44: Component wise Debt Trends

		(₹ in crore)				
		2017-18	2018-19	2019-20	2020-21	2021-22
Outstanding Debt		51,831	58,039	65,982	73,751*	77,024*
Public Debt	Internal Debt	40,286	45,443	49,437	53,302	53,759
	Loans from GoI	729	790	813	3,813	7,444
Liabilities on Public Account		10,816	11,806	15,732	16,636	15,821
Rate of growth of outstanding debt (percentage)		16.26	11.98	13.69	11.77	4.44
Gross State Domestic Product (GSDP)		2,20,222	2,30,327	2,36,988	2,34,660	2,53,832
Debt/GSDP (per cent)		23.54	25.20	27.84	30.44	28.12
Total Debt Receipts		20,124	22,225	22,194	23,327	16,326
Total Debt Repayments		12,875	16,017	14,251	15,558	13,053
Total Debt Available		7,249	6,208	7,943	7,769	3,273
Debt Repayment/Debt Receipts (percentage)		63.98	72.07	64.21	66.70	79.95

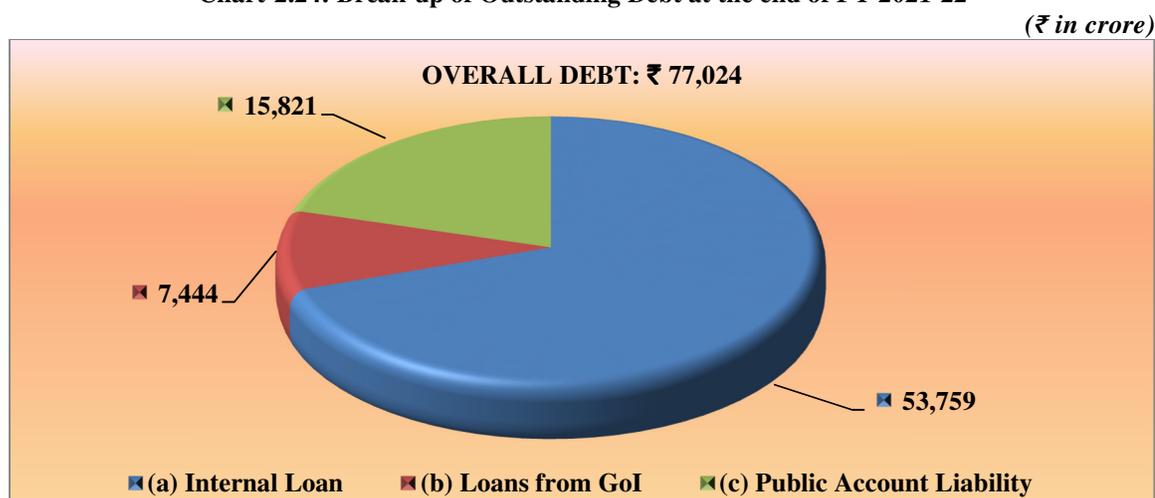
Source: Finance Accounts.

*This includes back loan of ₹ 5,649 crore and ₹ 2,316 crore received from GoI till the year 2021-22 and 2020-21 respectively, 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 and hence, the repayment obligation will not be met from the other resources of the State. After excluding this back-to-back loan, the overall debt of the State at the end of the year 2020-21 was (₹ 77,024 crore ₹ -5,649 crore = ₹ 71,375 crore).

2.9.3 Breakup of Outstanding Overall Debt at the end of 2021-22

The total outstanding debt of the State Government at the end of 2021-22 was ₹ 77,024 crore. Component-wise break-up of debt is shown below in **Chart-2.24**.

Chart-2.24: Break-up of Outstanding Debt at the end of FY 2021-22



Internal debt, which is primarily market borrowings, accounts for 69.80 per cent of the total outstanding debt.

2.9.4 Component wise debt trends

The debt trends comprising of internal debt, Loans from GoI, Public Account over the period 2017-18 to 2021-22 are highlighted in the **Table-2.45** and **Chart-2.25** below.

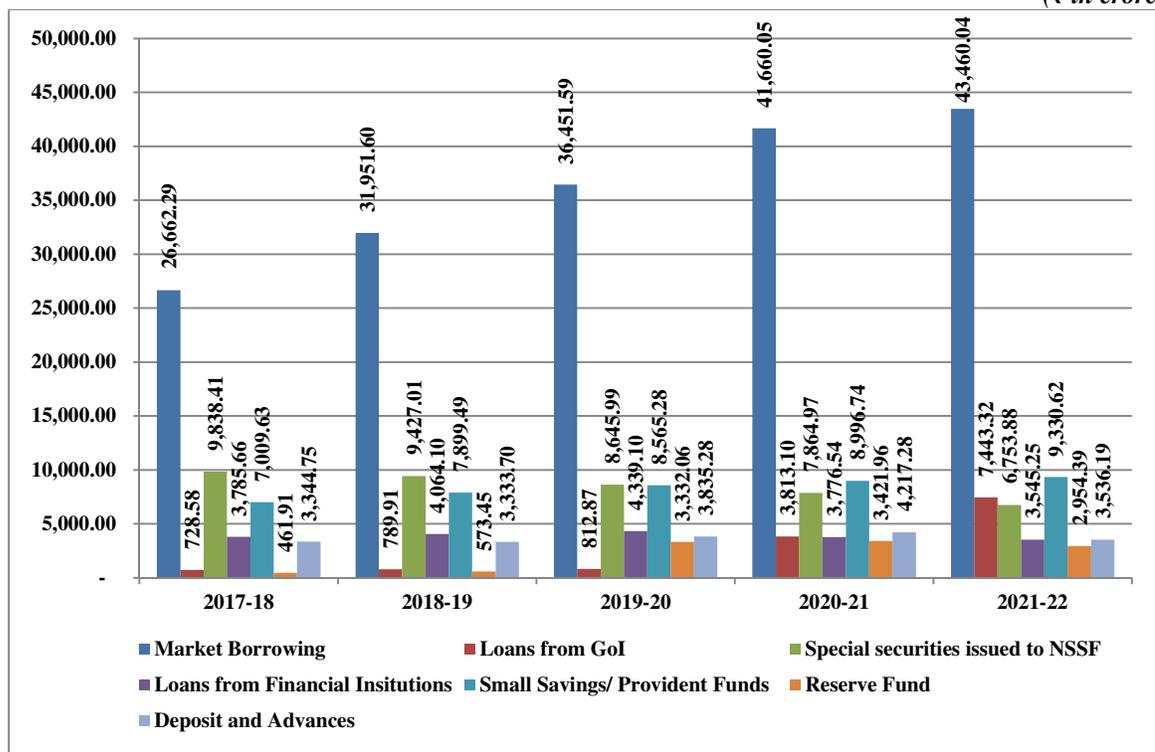
Table 2.45 Component wise debt trends

(₹ in crore)

Year	Market Borrowing	Loans from GOI	Special securities issued to NSSF	Loans from Financial Institutions	Small Savings/ Provident Funds	Reserve Fund	Deposit and Advances
2017-18	26,662.29	728.58	9,838.41	3,785.66	7,009.63	461.91	3,344.75
2018-19	31,951.60	789.91	9,427.01	4,064.10	7,899.49	573.45	3,333.70
2019-20	36,451.59	812.87	8,645.99	4,339.10	8,565.28	3,332.06	3,835.28
2020-21	41,660.05	3,813.10	7,864.97	3,776.54	8,996.74	3,421.96	4,217.28
2021-22	43,460.04	7,443.32	6,753.88	3,545.25	9,330.62	2,954.39	3,536.19

Chart-2.25: Component wise debt trends

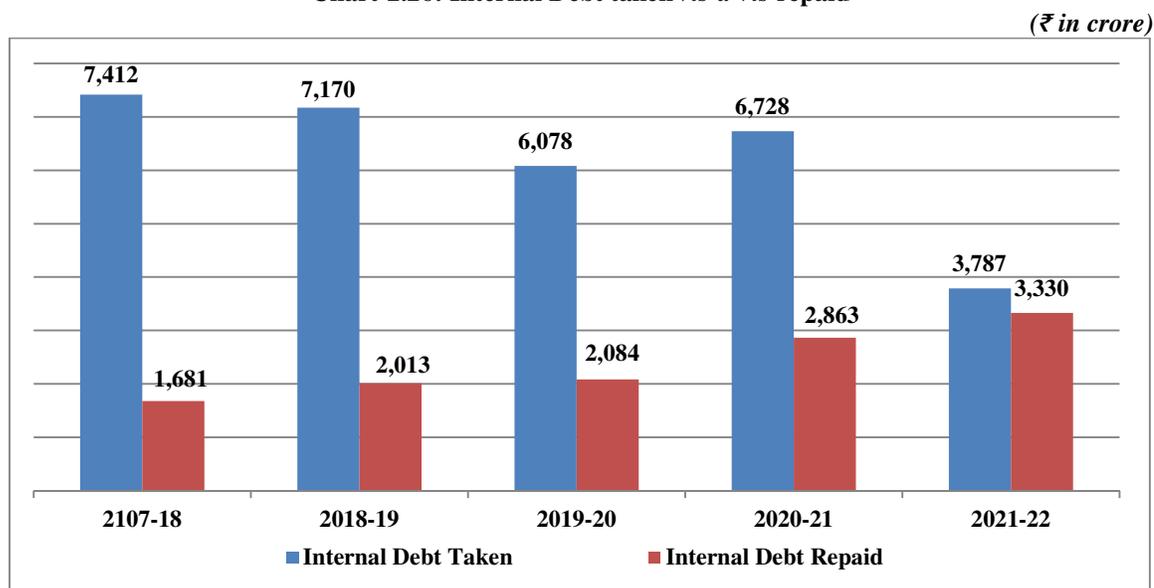
(₹ in crore)



2.9.5 Internal Debt taken vis-à-vis repaid

Composition of Internal Debt taken and repaid during 2017-18 to 2021-22 is given in the **Chart-2.26**.

Chart-2.26: Internal Debt taken vis-à-vis repaid



The financing pattern of the fiscal deficit has undergone a compositional shift as reflected in the **Table-2.46**.

Table-2.46: Components of Fiscal Deficit and its Financing Pattern

(₹ in crore)

Sl. No.	Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
A	Components of Fiscal Deficit (1 to 3)	(-) 7,935	(-) 7,320	(-) 7,657	(-) 5,439	(-) 3,736
1.	Revenue Deficit (-)/ Surplus (+)	(-) 1,978	(-) 980	(-) 2,136	(+) 1,114	(+) 4,128
2.	Net Capital Expenditure	(-) 5,914	(-) 6,184	(-) 5,414	(-) 6,538	(-) 7,534
3.	Net Loans and Advances	(-) 43	(-) 156	(-) 107	(-) 14	(-) 330
B	Financing Pattern of Fiscal Deficit					
1.	Net Public Debt	(+) 5,806	(+) 5,217	(+) 4,017	(+) 6,865	(+) 4088
a.	Net Market Borrowings	(+) 5,830	(+) 5,289	(+) 4,500	(+) 5,209	(+) 1,800
b.	Net Loans from GoI	(+) 74	(+) 61	(+) 23	(+) 3,000	(+) 3,630
c.	Net Special Securities issued to NSSF	(-) 374	(-) 411	(-) 781	(-) 781	(-) 1,111
d.	Net Loans from Financial Institutions ⁶	(+) 276	(+) 278	(+) 275	(-) 563	(-) 231
2.	Net Public Account	(+) 2,204	(+) 1,843	(+) 2,761	(+) 302	(-) 525
a.	Net Small Savings, PF, etc.	(+) 619	(+) 890	(+) 666	(+) 431	(+) 334
b.	Net Deposits and Advances	(+) 719	(-) 11	(+) 501	(+) 382	(-) 681
c.	Net Suspense and Misc.	(+) 730	(+) 173	(-) 1,164	(-) 595	(+) 278
d.	Net Remittances	(+) 31	(+) 679	(-) 01	(-) 6	(+) 12
e.	Net Reserve Fund	(+) 105	(+) 112	(+) 2,759	(+) 90	(-) 468
3.	Net Contingency Fund	(-) 127	(+) 110	(+) 68	(-) 225	(+) 224
4.	Accretion to Cash Balance	(+) 52	(+) 150	(+) 811	(-) 1,503	(-) 51

Source: Finance Accounts of Government of Uttarakhand.

The fiscal deficit in 2021-22 was largely managed by Loans from GoI (97 per cent) and market borrowings (48 per cent). This was counter balanced by decline in Special Securities issued to NSSF (30 per cent) Net Deposits and Advances (18 per cent) and Net Reserve Fund (13 per cent). Financing of Fiscal Deficit during the year is depicted in **Chart-2.27** below whereas **Table-2.47** depicts the receipts and disbursement under the

⁶ Includes Net Ways and Means Advances

components of Fiscal Deficit.

Chart-2.27: Financing of Fiscal Deficit

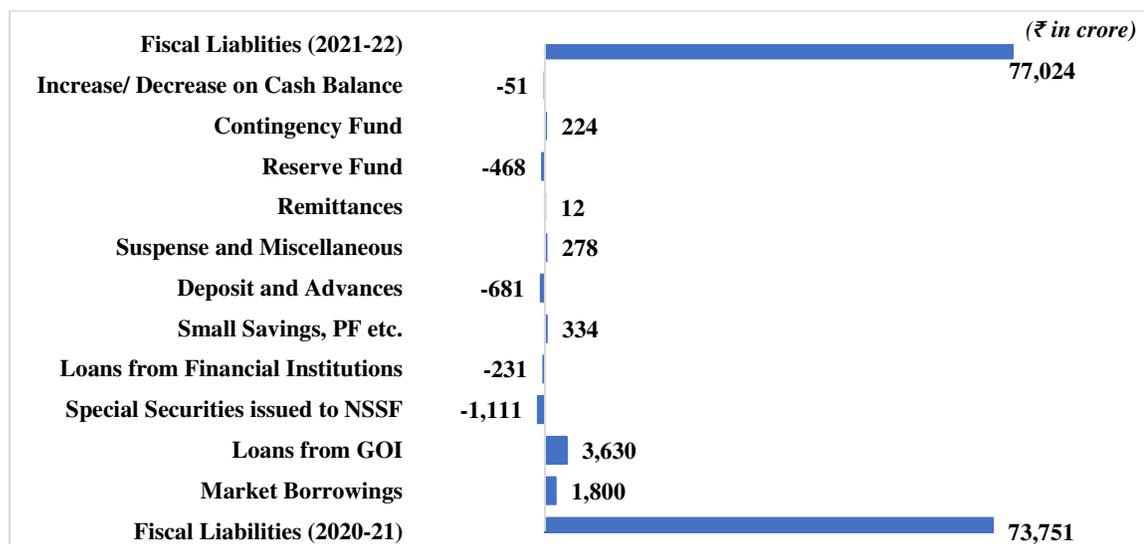


Table-2.47: Receipts and Disbursements under components financing the fiscal deficit

(₹ in crore)

Particulars		Receipt	Disbursement	Net
1.	Market Borrowings	3,200	1,400	1,800
2.	Loans from GoI	3686	56	3,630
3.	Special Securities issued to NSSF	0	1,111	(-) 1,111
4.	Loans from Financial Institutions ⁷	1,032	1,263	(-) 231
5.	Small Savings, PF, etc.	1,905	1,571	334
6.	Deposits and Advances	5,262	5,943	(-) 681
7.	Suspense and Miscellaneous	44,371	44,093	278
8.	Remittances	1	(-) 11	12
9.	Reserve Fund	1,241	1,709	(-) 468
10.	Contingency Fund	436	212	224
11.	Overall Deficit	61,133	57,137	3,787
12.	Increase/Decrease in cash balance	NA	NA	(-) 51
13.	Gross Fiscal Deficit	NA	NA	3,736

2.9.6 Debt profile: Maturity and Repayment

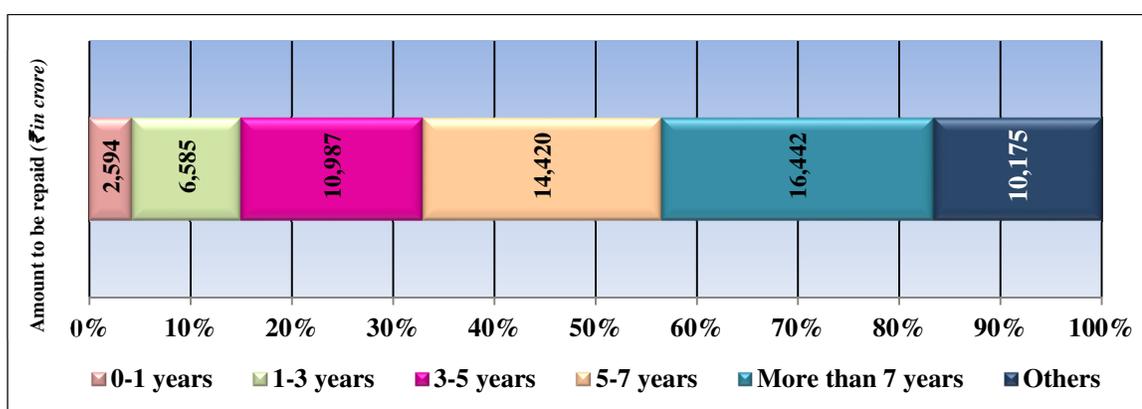
Debt maturity and repayment profile indicates commitment on the part of the Government for debt repayment or debt servicing. The maturity profile of the State's outstanding loans and advances (public debt) is given in **Table-2.48** and **Chart-2.28**.

⁷ Includes Net Ways and Means Advances

Table-2.48: Debt Maturity Profile of Repayment of Public Debt

Year of maturity	Maturity Profile	Amount			Per cent of total Public Debt
		Internal Debt	Loans & Advances from GoI	Total	
By 2022-23	0-1 year	2,531.02	62.71	2,593.73	4.24
Between 2023-24 & 2024-25	1-3 years	6,462.03	123.47	6,585.50	10.76
Between 2025-26 & 2026-27	3-5 years	10,885.21	101.39	10,986.60	17.95
Between 2027-28 & 2028-29	5-7 years	14,312.53	107.59	14,420.12	23.56
2029-30 onwards	Above 7 years	16,023.09	418.51	16,441.60	26.86
Others		3,545.26	6,629.65	10,174.91	16.63
Total		53,759.14	7,443.32	61,202.46	100

Chart-2.28: Maturity Profile of Public Debt



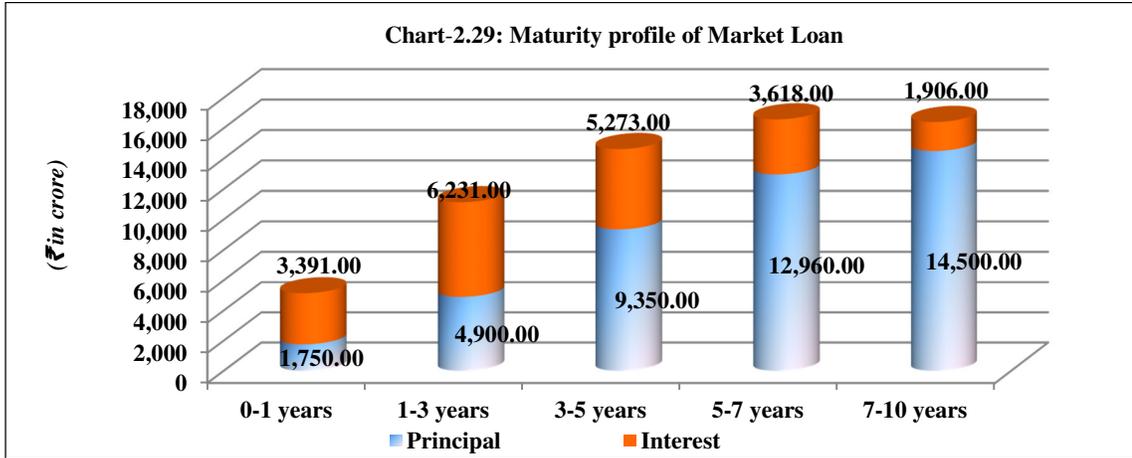
The maturity profile of outstanding stock of public debt as on 31 March 2022 indicates that out of the outstanding public debt of ₹ 61,202.46 crore, 56.51 per cent (₹ 34,585.95 crore) is payable within the next seven year while 26.86 per cent (₹ 16,441.60 crore) is in the maturity bracket of more than seven years. The maturity profile of remaining 16.63 per cent is not available. It constitutes mainly Internal loans from financial institutions (GIC, LIC, SBI, NABARD, etc.) of ₹ 3,545.26 crore (5.79 per cent) and Back-to-Back loans from GoI in lieu of GST compensation ₹ 5,649.03 crore (9.23 per cent). Of the total outstanding public debt, internal debt consisting of market borrowings, loans from NABARD and special securities issued to NSSF etc. constituted 87.84 per cent (₹ 53,759.14 crore). The amount of outstanding market loans and interest to be paid there on over the period of next 10 years is detailed in **Table-2.49** and **Chart-2.29** below:

Table-2.49: Repayment of Debt and Interest

Year	Repayment of		
	Public Debt (Market Loan) **	Interest	Total
2022-23	1750	3390.69	5140.69
2023-24	2500	3236.88	5736.88
2024-25	2400	2994.48	5394.48
2025-26	3900	2798.87	6698.87
2026-27	5450	2474.33	7924.33

Year	Repayment of		
	Public Debt (Market Loan) **	Interest	Total
2027-28	6660	2066.37	8726.37
2028-29	6300	1551.48	7851.48
2029-30	5100	1022.53	6122.53
2030-31	6200	654.56	6854.56
2031-32	3200	228.48	3428.48
Total	43460.00	20418.66	63878.66

** Calculation of interest in respect of public debt components other than market loan is not feasible given the non-availability of information i.e. maturity profile and rate of interest in Finance Account.



Note: The maturity profile has been evolved for outstanding market loans as on 31 March 2022 and interest has been calculated up to the financial year in which the loans are going to be retired.

The State will have to repay ₹ 6,650.00 crore of market loans and pay interest of ₹ 9,622.05 crore in next three financial years i.e., up to 2024-25. In next two years up to 2026-27, ₹ 9,350 crore principal and interest of ₹ 5,273.19 crore will be payable. Annual outgo in shape of loan repayment and interest will be approximately ₹ 6,179.05 crore during next five years up to 2026-27.

In the period 2027-28 to 2031-32, loans of ₹ 27,460 crore and interest of ₹ 5,523.41 crore will be payable. As such the State will have to repay approximately ₹ 6,596.68 crore annually during the period 2027-28 to 2031-32. Current year repayment of loans including interest is ₹ 4,689.35 crore.

2.9.7 Debt Sustainability Analysis

Debt sustainability is defined as the ability of the State to service its debt now and in future. It is a complex issue and escapes easy assessment because it is inherently forward looking. It is an informed judgment on a known unknown. However, the higher the level of public debt, the more likely it is that fiscal policy and public debt are unsustainable, as a higher debt requires a higher primary surplus to sustain it. A high level of debt raises a number of challenges:

- large primary fiscal surpluses are needed to service a high level of debt; such surpluses may be difficult to sustain, both economically and politically.

- a high level of debt heightens an economy's vulnerability to interest rate and growth shocks.
- a high debt level is generally associated with higher borrowing requirements, and therefore a higher risk of a rollover crisis (*i.e.*, being unable to fulfill borrowing requirements from private sources or being able to do so only at very high interest rates).
- high levels of debt may be detrimental to economic growth; while lower growth is a concern in itself, it also has a direct impact on debt dynamics and debt sustainability in the long term.

Debt vulnerability is also associated with its profile. A high share of short-term debt at original maturity, increases vulnerability to rollover (re-financing risk) and interest rate risks. Sustainability of Public debt ensures that it does not explode, and governments are not forced to significantly increase taxes, or decrease spending.

2.9.8 Trend in Debt Sustainability indicators

Table-2.50 and Chart-2.30 shows the debt sustainability of the State according to these indicators for the five-year period beginning from 2017-18.

Table-2.50: Debt Sustainability: Indicators and Trends

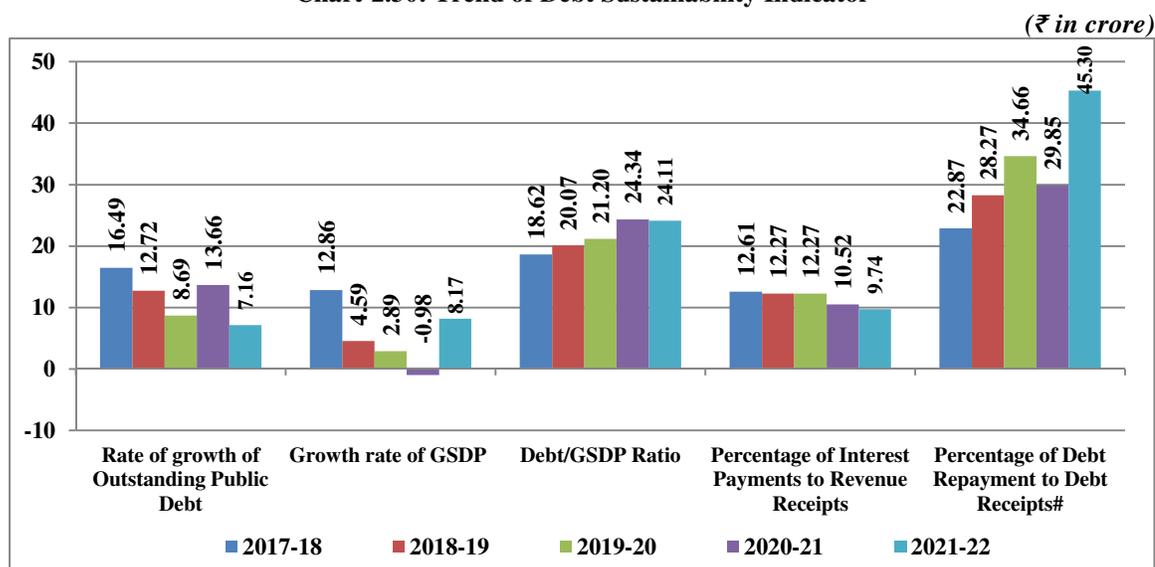
Indicators of Debt Sustainability	(₹ in crore)				
	2017-18	2018-19	2019-20	2020-21	2021-22
Outstanding Public Debt	41,015	46,233	50,250	57,115**	61,202**
Rate of growth of Outstanding Public Debt	16.49	12.72	8.69	13.66	7.16
State's GSDP	2,20,222	2,30,327	2,36,988	2,34,660	2,53,832
Growth rate of GSDP	12.86	4.59	2.89	-0.98	8.17
Debt/GSDP Ratio	18.62	20.07	21.20	24.34	24.11
Average Interest Rate of Outstanding Public Debt (<i>per cent</i>)	8.97	8.78	7.81	7.48	7.09
Interest Payments/Revenue Receipts (<i>per cent</i>)	12.61	12.27	12.27	10.52	9.74
Percentage of Debt Repayment to Debt Receipts#	22.87	28.27	34.66	29.85	45.30
Net Debt available to the State*	2388	1388	247	2848	(-) 106
Net Debt available as <i>per cent</i> to Debt Receipts	31.73	19.08	4.02	29.10	(-) 1.42
Debt Stabilisation (Quantum spread + Primary Deficit)	1,55,683	(-) 1,96,628	(-) 2,50,284	(-) 4,83,993	67,308
Percentage of Repayment of Debt & interest there on to Total Borrowed fund	68.27	80.92	95.98	70.90	101.42

* Net Debt available to the State Government is calculated as Excess of Public Debt receipts over Public Debt repayment, Interest Payment on Public Debt.

**This includes back loan of ₹ 5,649 crore and ₹ 2,316 crore received from GoI till the year 2021-22 and 2020-21 respectively, 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 and hence, the repayment obligation will not be met from the other resources of the State. After excluding this back-to-back loan, the public debt of the State at the end of the year 2021-22 was ₹ 55,553 crore (₹ 61,202 crore-₹ 5,649 crore).

Excluding Ways & Means Advances

Chart-2.30: Trend of Debt Sustainability Indicator



Excluding Ways & Means Advances.

As can be seen from **Table-2.50**, in the five-year period from 2017-18 to 2021-22, the ratio of Public Debt to GSDP of Uttarakhand was within a range of 18.62 to 24.34 *per cent*. During the current year the debt-GSDP ratio of 24.11 was below the ceiling of 24.12 *per cent* set forth in Budget. The burden of interest payment ranged from 9.74 to 12.61 *per cent* of the Revenue Receipts.

However, during the five-year period 2017-18 to 2021-22, while GSDP has grown at a CAGR of 5.40 *per cent*, the outstanding public debt has grown at a faster rate of 11.69 *per cent*.

2.9.9 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. Trend of utilisation of borrowed funds during past five years are shown in the **Table-2.51** and **Chart-2.31** below.

Table-2.51: Utilisation of borrowed funds

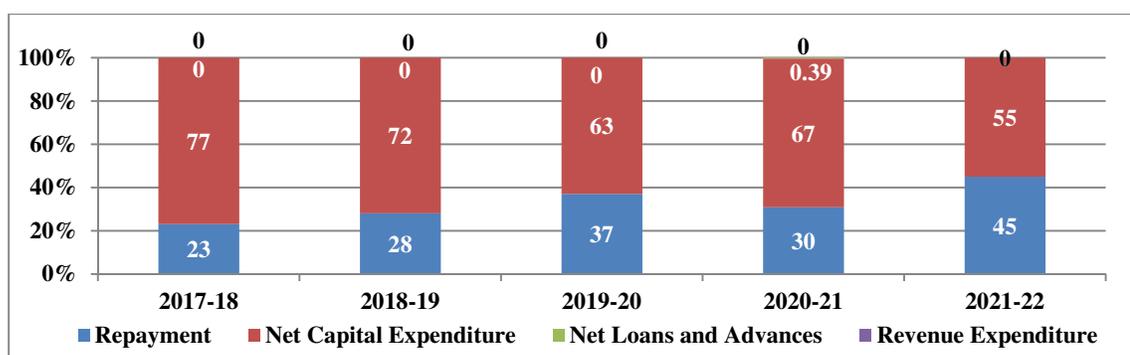
(₹ in crore)

Year	Total Borrowings	Repayment of earlier borrowings (percentage)	Net Capital expenditure* (percentage)	Net Loans and Advances disbursed (percentage)	Portion of Revenue expenditure met out of total borrowings (percentage)
2017-18	7,526	1,721 (23)	5,805 (77)	NA	NA
2018-19	7,275	2,057 (28)	5,218 (72)	NA	NA
2019-20	5,834	2,131 (37)	3,703 (63)	NA	NA
2020-21	9,787	2,921 (30)	6,538 (67)	38 (0.39)	NA ⁸
2021-22	7,473	3385 (45)	4,088 (55)	NA	NA

*Net Capital Expenditure = Total Capital Expenditure – Misc. Capital Receipts. NA- Not Applicable.

⁸ No Revenue Expenditure was met from borrowings as State had Revenue Surplus during 2020-21.

Chart-2.31: Trend of Utilisation of Borrowed Funds



In the Period 2017-22 State utilised borrowings for repayment of earlier principal and on capital expenditure.

2.10 Status of Guarantees – Contingent Liabilities

The statutory corporations, government companies, co-operatives institutions, financial institutions, autonomous bodies and authorities are distinct legal entities are responsible for their debts. Their financial obligations may be guaranteed by a government and thus the Government has a commitment to see that these are fulfilled. When these entities borrow directly from the market, it reduces a government's budgetary support to them and the magnitude of the Government borrowings. However, it adds to the level of guarantees given by the government. Thus, Guarantees normally constitute contingent liabilities of the Government and are contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee has been extended.

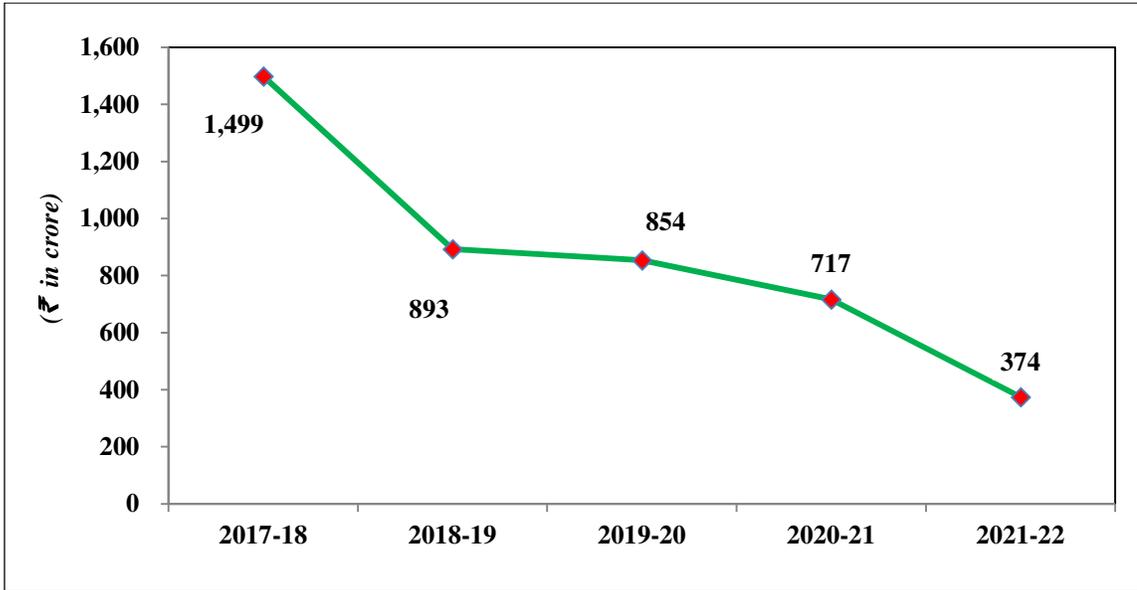
The FRBM Act, 2005 prescribed that the State Government shall not give guarantee for any amount exceeding the limit stipulated under any rule or law of the State Government existing at the time of coming into force of such rule or law. However, the State Legislature (under Article 293 of the Constitution fixing the maximum limit within which the government could give guarantees on the security of the Consolidated Fund of the State) made the relevant provision in the amended FRBM, Act only in December 2016.

As per **Statement-9** of the Finance Accounts, the maximum amount for which guarantees were given by the State and outstanding guarantees for the last five years are given in **Table-2.52** and **Chart-2.32**.

Table-2.52: Guarantees given by the Government of Uttarakhand

Guarantees	2017-18	2018-19	2019-20	2020-21	2021-22
Outstanding amount of guarantees as on 31 st March	1,499	893	854	717	374
Ceiling fixed by the State Government Act	Outstanding guarantees capped within one <i>per cent</i> of the GSDP of that particular year. New guarantees given during any year should not be more than 0.3 <i>per cent</i> of the GSDP for that year.				
Additions during the year	295	251	NIL	402	418
Deletions during the year	790	75	188	713	761

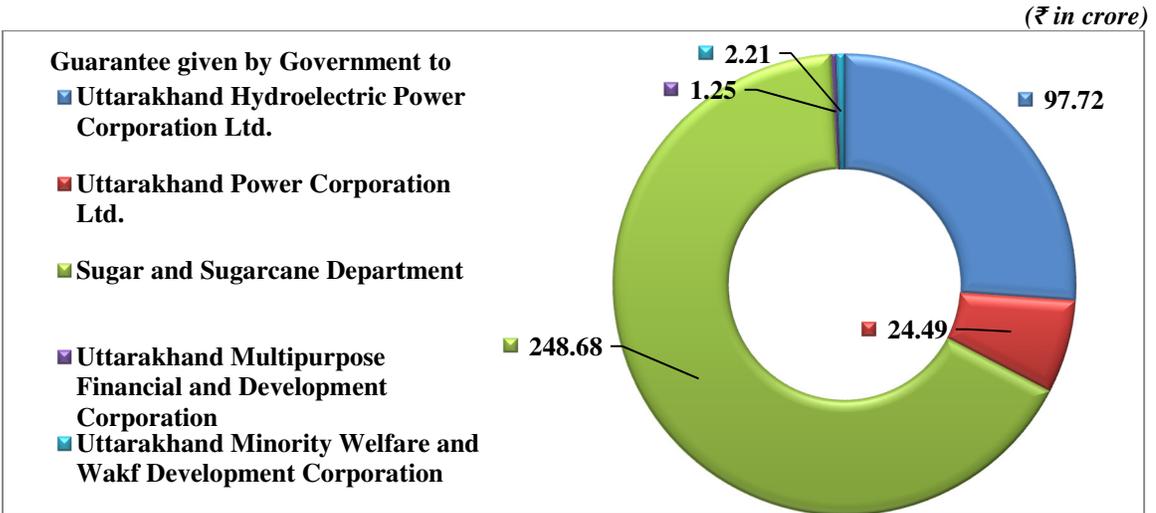
Chart-2.32: Status of Outstanding Guarantees



Source: Finance Accounts.

The amount of guarantees outstanding as on 31 March 2022 is ₹ 374 crore which comprises Power Sector (₹ 122 crore), Co-operatives (₹ 249 crore) and others (₹ 3 crore). Total outstanding guarantees as on 31 March 2022 was ₹ 374 crore which is 0.15 per cent of GSDP for the year and hence was within the FRBM ceiling. Company wise detail is given in the **Chart-2.33**.

Chart-2.33: Bodies in receipt of guarantees at the end of 31 March 2022



Source: Finance Accounts.

No guarantee was invoked during the year. The information regarding maximum amount of guarantees, has not been made available by the State Government and hence, the statement is incomplete to that extent. The requirements of IGAS-1 have not been fully met in these statements. The State Government received ₹ 1.87 crore as Guarantee

commission under Revenue Receipts instead of Guarantee Redemption Fund as per 'The Uttarakhand Ceiling on Government Guarantee Act, 2016' requiring that the guarantee commission received be taken to the corpus of the Fund.

2.11 Management of Cash Balances

As per an agreement with the Reserve Bank of India, State Governments have to maintain a minimum daily cash balance with the Bank. If the balance falls below the agreed minimum on any day, the deficiency is made good by taking ordinary Ways and Means Advances (WMA)/Special Ways and Means Advances (SWMA)/Overdrafts (OD) from time to time. The limit for ordinary WMA to the State Government is revised by the Reserve Bank of India from time to time.

As per an agreement with the Reserve Bank of India, State Government has to maintain a minimum daily cash balance of ₹ 0.16 crore with the Bank. The limit for ordinary WMA to the State Government was ₹ 808 crore with effect from 01 April 2021 and the limit of SWMA is revised by the bank from time to time. During 2021-22, on 359 days, the State Government maintained the minimum daily cash balance with the Reserve Bank of India without taking any advance and WMA and SWMA was availed on 02 days and 04 days respectively during the year.

2.11.1 Investment of Cash Balances

Table-2.53 depicts the cash balances and investments made out of these by the State Government during the year.

Table-2.53: Cash Balances and their investment

	(₹ in crore)	
	Opening balance on 01 April 2021	Closing balance on 31 March 2022
A. General Cash Balance		
Cash in treasuries	0.00	0.00
Deposits with Reserve Bank of India	167.30	112.47
Deposits with other Banks	0.00	0.00
Remittances in transit – Local	0.00	0.00
Total	167.30	112.47
Investments held in Cash Balance investment account	1,931.57	2,037.62
Total (A)	2,098.87	2,150.09
B. Other Cash Balances and Investments		
Cash with departmental officers viz., PWD, Forest Officers	(-) 10.71	(-) 10.71
Permanent advances for contingent expenditure with department officers	(-) 0.81	(-) 0.81
Investment in earmarked funds	1,488.62	1,698.62
Total (B)	1,477.10	1,687.10
Total (A + B)	3,575.97	3,837.19
Interest realised	32.01	34.23

Source: Finance Accounts.

Cash Balances of the State Government at the end of the current year increased by ₹ 261 crore (7 per cent) from ₹ 3,575.97 crore in 2020-21 to ₹ 3,837.19 crore in 2021-22. This was mainly due to increase in Investment held in Cash Balance Investment Account (₹ 106 crore)

and investment in earmarked fund (₹ 210 crore), which was partially counter balanced by decrease in Deposit with Reserve Bank (₹ 55 crore).

State Government invests its surplus cash balance in short and long-term GoI Securities and Treasury Bills. The profits derived from such investments are credited as receipts under the head '0049-Interest Receipts'. The State Government has earned an interest of ₹ 34.23 crore during 2021-22 from the investments made in GoI Securities and Treasury Bills.

Out of the investment of ₹ 1,698.62 crore in earmarked funds, ₹ 1,603.62 crore was invested in the Consolidated Sinking Fund and ₹ 95 crore in Guarantee Redemption Fund at the end of the year.

The cash balance investments of the State during the five-year period 2017-18 to 2021-22 are given in the **Table-2.54** below.

Table-2.54: Cash Balance Investment Account (Major Head-8673)

(₹ in crore)				
Year	Opening Balance	Closing Balance	Increase (+) / decrease (-)	Interest earned
2017-18	451.51	385.49	(-) 66.02	14.05
2018-19	385.49	247.48	(-) 138.01	10.49
2019-20	247.48	00	(-) 247.48	21.73
2020-21	00	1,931.57	(+) 1,931.57	32.01
2021-22	1,931.57	2,037.62	(+) 106.05	34.23

The trend analysis of the cash balance investment of the State Government during 2017-18 to 2021-22 revealed that investment increased during 2020-21 and 2021-22 after gradual decrease from 2017-18 to 2019-20. During the current year there was a closing balance of ₹ 2,037.62 crore lying under the major head Cash Balance Investment Account.

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

Chart-2.34 compares the balances available in the Average Cash Balance and the Market Loans taken by the State during the period 2017-18 to 2021-22. Market Loans were taken at higher interest rates whereas investment in Treasury Bills yielded interest at lower rates.

Chart-2.34: Market loans vis-à-vis Average Cash Balance

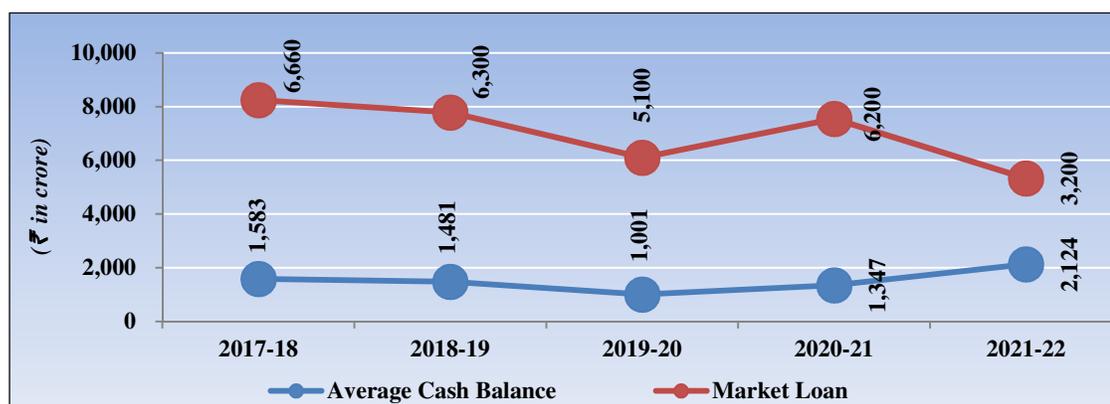
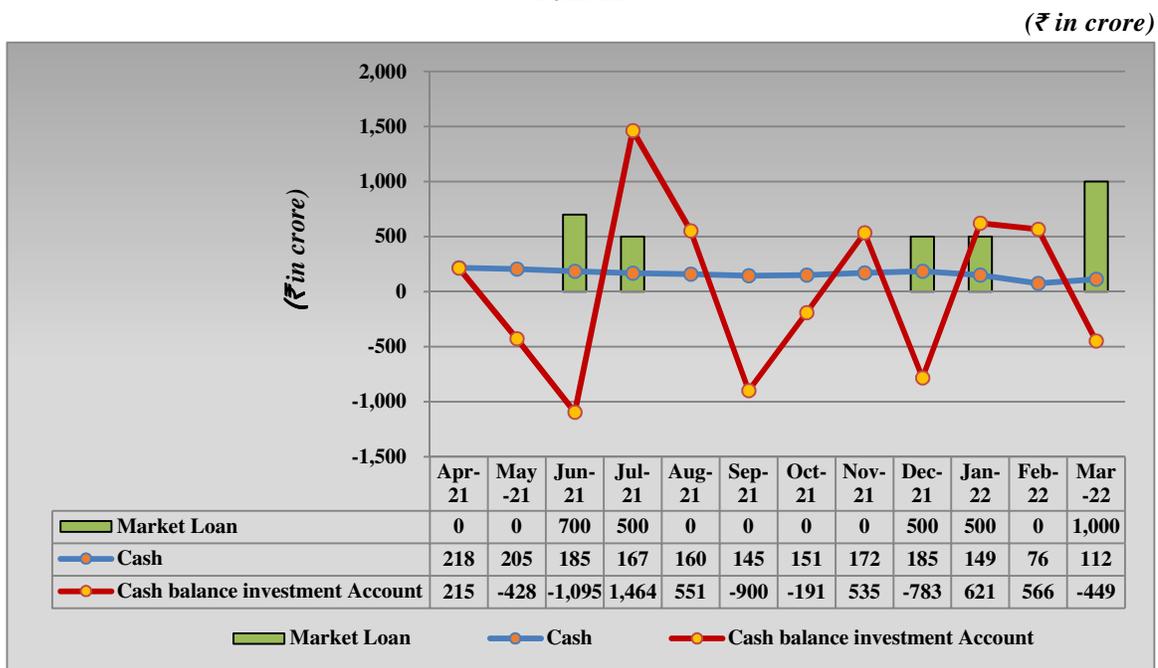


Chart-2.35 compares the month-wise Cash Balance Investment Account with the Cash Balances during 2021-22.

Chart-2.35: Month-wise movement of Cash Balances Investment Account and Cash Balance during 2021-22



The preceding chart indicates that the State Government had taken recourse to market loans on two occasions (July 2021 and January 2022) during the year despite having cash balances without putting it to productive use. During the year 2021-22, the State Government raised ₹ 3,200 crore from the market.

2.12 Conclusions

- During 2021-22, Revenue Receipts increased by ₹ 4,852 crore (12.70 per cent) over the previous year, on account of increase in Grants-in-Aid (₹ 692 crore), Own Tax Revenue (₹ 2,238 crore) and in State's Share in Union Taxes and Duties (₹ 3,337 crore). The increase was partly counterbalanced by decrease in Non-Tax Revenue (₹ 1,415 crore).
- Revenue Expenditure formed on an average 84.02 per cent (ranging from 82.92 per cent to 85.57 per cent during 2017-22) of the total expenditure during the period 2017-22. Rate of growth of Revenue Expenditure has displayed slight fluctuating trend during the five year period 2017-22. The Committed Expenditure ranged between 61 per cent and 68 per cent of Revenue Expenditure, while it accounted for 55 per cent to 73 per cent of the Revenue Receipts of the State during the five-year period 2017-22.
- Capital Expenditure increased by ₹ 996 crore (15.23 per cent) during the current year. The Capital Expenditure incurred by the State during the year 2021-22 was higher than the projections made in the MTFPS targets (₹ 7,112 crore) by ₹ 422 crore but was less by ₹ 1,439 crore against budget projections (₹ 8,973 crore).

- The average return on Government's investment was negligible. During the current year, the amount recovered against the outstanding loans was ₹ 17.08 crore which stood at 0.83 per cent of the outstanding loans (₹ 2,047.91 crore) as on 31 March 2022.
- In Education and Social Sector, expenditure as a proportion of Aggregate Expenditure in the State was higher than the NE & Himalayan States average during 2021-22 while under Health Sector it was below the NE & Himalayan States average during 2021-22.
- As per Finance Accounts for the Year 2021-22, there were 75 incomplete/ongoing projects worth ₹ 509.66 crore under various divisions of Public Works as on 31 March 2022. Out of these 75 projects, 24 projects (estimated cost ₹ 344.33 crore) have a time overrun of two to three years from their target years of completion whereas 51 projects (estimated cost ₹ 165.33 crore) which were to be completed by 31 March 2022 are still incomplete.
- Against the receivable Guarantee Commission fee of ₹ 7.17 crore, an amount of ₹ 1.87 crore was received resulting in short receipt of ₹ 5.30 crore as Guarantee Commission fees. The received Guarantee fee has to be deposited in Public Account under Guarantee Redemption Fund, while the State Government was treating it as Revenue Receipts. This resulted in overstatement of Revenue Surplus to that extent.
- The total fiscal liabilities to GSDP ratio in 2021-22 decreased by 2.32 per cent over previous year and stood at 28.12 per cent, which was above the Fiscal Responsibility and Budget Management target of 25 per cent.

2.13 Recommendations

- *The State Government needs to make more efforts for augmentation of its own tax revenue. It should settle the pending tax claims timely, settle arrears in assessment of taxes and recover the arrears of revenue and improve non-tax revenues towards better resource mobilisation.*
- *The State Government may explore ways of ensuring reasonable return on capital invested in profit making State Public Sector Undertakings in view of the substantial high cost of borrowings made by it;*
- *As recovery of loans advanced by the Government to different sectors has been poor, the State Government may consider treating the loans and advances as grants and booking them as revenue expenditure for ensuring that accounts reflect the correct position;*
- *The State may increase allocation of resources on Health sector so as to bring it at par with NE & Himalayan States average;*
- *The State Government may ensure time-bound completion of the incomplete projects and ensure that there are no further cost overruns;*
- *The State Government may ensure the recoveries of Guarantee Commission fees and deposit it in the Guarantee Redemption Fund; and*
- *The State Government may ensure provision of interest liabilities in the Budget against interest bearing Reserve Fund and Deposits.*