

CHAPTER II: FINANCES OF THE UNION TERRITORY OF PUDUCHERRY

Introduction

This chapter provides a broad perspective of the finances of the Union Territory (UT) of Puducherry. It contains overall financial trends during the five-year period from 2016-17 to 2020-21, debt sustainability, key Public Account transactions and analyses the critical changes in major fiscal aggregates relative to the previous year based on the Finance Accounts of the UT. Information was also obtained from the UT Government wherever necessary.

2.1 Major changes in key fiscal aggregates during 2020-21 *vis-à-vis* 2019-20

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

Table 2.1 presents the changes in key fiscal aggregates in 2020-21 compared to 2019-20.

Table 2.1: Changes in key fiscal aggregates in 2020-21 compared to 2019-20

Revenue Receipts	<ul style="list-style-type: none"> ✓ Revenue receipts of the UT decreased by 13.14 <i>per cent</i> ✓ Own Tax receipts of the UT decreased by 21.29 <i>per cent</i> ✓ Non-tax receipts decreased by 10.87 <i>per cent</i> ✓ Grants-in-aid from Government of India decreased by 6.97 <i>per cent</i>
Revenue Expenditure	<ul style="list-style-type: none"> ✓ Revenue expenditure increased by 6.20 <i>per cent</i> ✓ Revenue expenditure on General Services increased by 5.14 <i>per cent</i> ✓ Revenue expenditure on Social Services increased by 0.41 <i>per cent</i> ✓ Revenue expenditure on Economic Services increased by 14.16 <i>per cent</i> ✓ Expenditure on Grants-in-aid was Nil
Capital Expenditure	<ul style="list-style-type: none"> ✓ Capital expenditure decreased by 26.61 <i>per cent</i> ✓ Capital expenditure on General Services increased by 85.71 <i>per cent</i> ✓ Capital expenditure on Social Services decreased by 45.63 <i>per cent</i> ✓ Capital expenditure on Economic Services decreased by 21.92 <i>per cent</i>
Loans and Advances	<ul style="list-style-type: none"> ✓ Disbursement of Loans and Advances increased from Nil to ₹ 5 crore ✓ Recoveries of Loans and Advances decreased by 35.85 <i>per cent</i>
Public Debt	<ul style="list-style-type: none"> ✓ Public Debt Receipts increased by 142.47 <i>per cent</i> ✓ Repayment of Public Debt increased by 9.97 <i>per cent</i>
Public Account	<ul style="list-style-type: none"> ✓ Public account receipts decreased by 2.37 <i>per cent</i> ✓ Disbursement of Public account increased by 17.72 <i>per cent</i>
Cash Balance	<ul style="list-style-type: none"> ✓ Cash balance increased by ₹ 33 crore (2.01 <i>per cent</i>) in 2020-21 compared to previous year

2.2 Sources and Application of funds

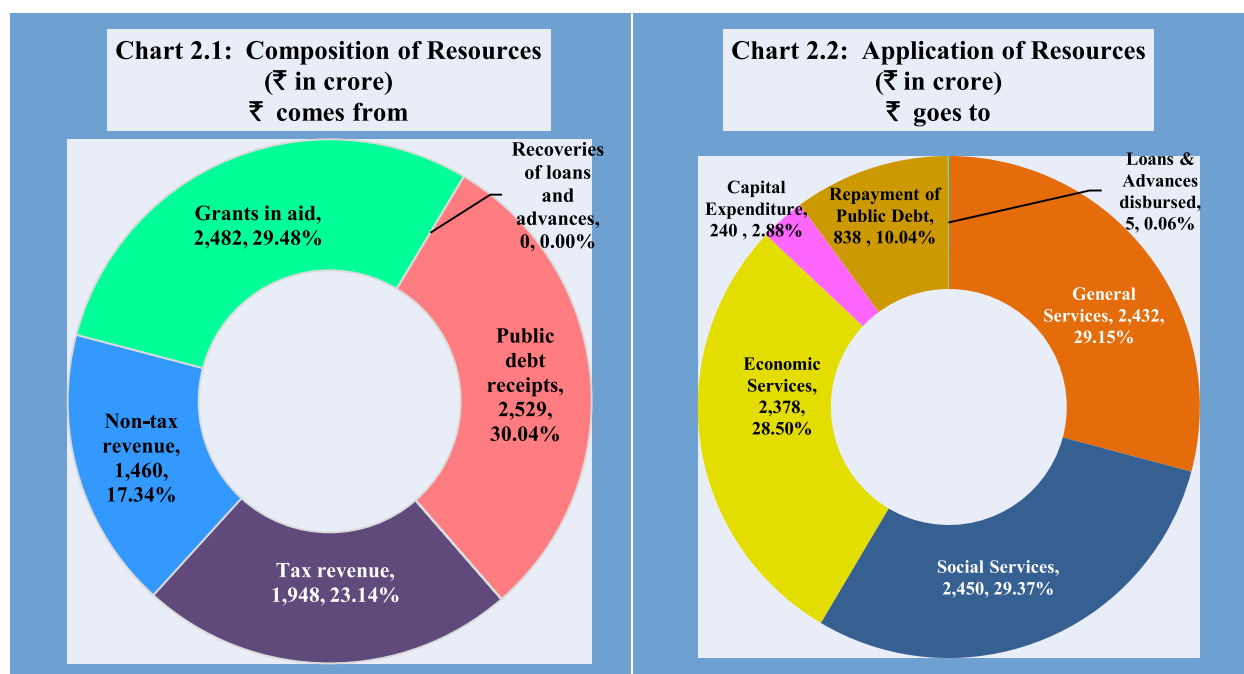
Table 2.2 compares the sources and application of funds of the UT of Puducherry during 2020-21 with 2019-20, while **Charts 2.1** and **2.2** give the details of receipts and expenditure from the Consolidated Fund during 2020-21 in terms of percentages.

Table 2.2: Details of Sources and Application of funds during 2019-20 and 2020-21

(₹ in crore)

	Particulars	2019-20	2020-21	Increase(+)/ Decrease(-)
Sources	Opening Cash Balance with RBI	1,621.28	1,642.05	20.77
	Revenue receipts	6,781.34	5,889.99	(-) 891.35
	Recoveries of Loans and Advances	0.53	0.34	(-) 0.19
	Public debt receipts (Net)	280.77	1,690.84	1,410.07
	Public Account receipts (Net)	120.68	(-) 43.66	(-) 164.34
	Total	8,804.60	9,179.56	374.96
Application	Revenue expenditure	6,835.83	7,259.58	423.75
	Capital expenditure	326.61	239.56	(-) 87.05
	Disbursement of Loans and Advances	0.11	5.03	4.92
	Closing Cash Balance with RBI	1,642.05	1,675.39	33.34
	Total	8,804.60	9,179.56	374.96

(Source: Finance Accounts 2020-21)



(Source: Finance Accounts 2020-21)

2.3 Resources of the Union Territory

The resources of the UT are described below:

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

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

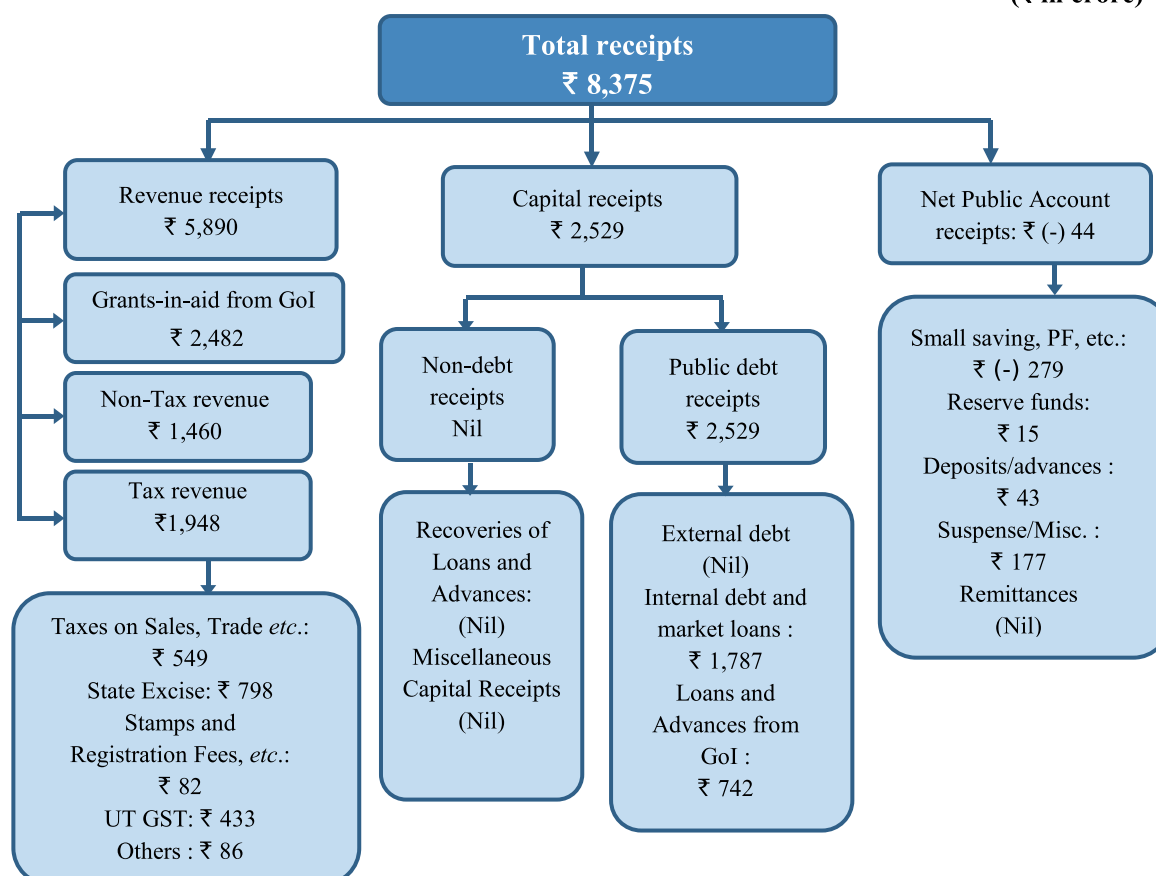
Net Public Accounts receipts: There are receipts and disbursements in respect of certain transactions such as small savings, provident fund, reserve funds, deposits, suspense, remittances, *etc.*, which do not form part of the Consolidated Fund. These are kept in the Public Account set up under Section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

2.3.1 Receipts of the UT

The **Chart 2.3** provides the composition of the overall receipts. Besides the Capital and Revenue receipts, funds available in the Public Account (net of disbursement made from it) are also utilised by the Government to finance its deficit.

Chart 2.3: Composition of receipts of the UT during 2020-21

(₹ in crore)



2.3.2 Revenue receipts

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

2.3.2.1 Trends and growth of Revenue receipts

Table 2.3 provides the trends and growth of Revenue receipts as well as revenue buoyancy with respect to GSDP over the five-year period 2016-21. Further, trends in Revenue receipts relative to GSDP and composition of Revenue receipts are given in **Charts 2.4** and **2.5** respectively.

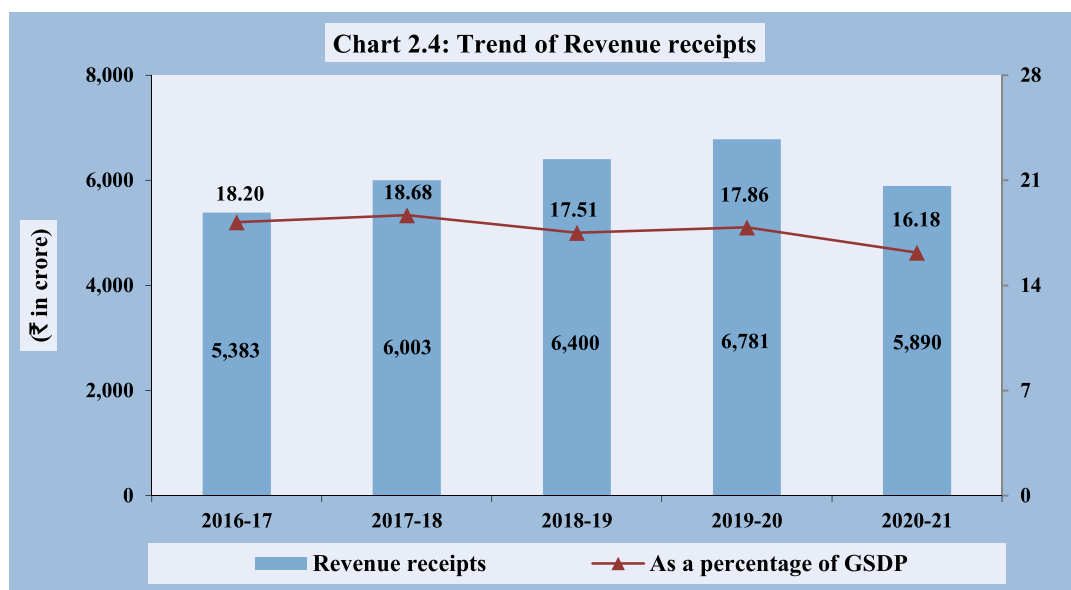
Table 2.3: Trends in Revenue receipts relative to GSDP

	2016-17	2017-18	2018-19	2019-20	2020-21
Revenue receipts (RR) (₹ in crore)	5,383	6,003	6,400	6,781	5,890
Rate of growth of RR (<i>per cent</i>)	5.80	11.52	6.61	5.95	(-) 13.14
Own tax Revenue (₹ in crore)	2,401	2,806	3,188	2,475	1,948
Non-tax Revenue (₹ in crore)	1,245	1,374	1,584	1,638	1,460
Rate of growth of Own Revenue (Own Tax and Non-tax Revenue) (<i>per cent</i>)	7.30	14.65	14.16	(-) 13.81	(-) 17.14
Gross State Domestic Product (₹ in crore) (2011-12 Series)	29,573	32,130	36,555	37,959	36,402
Rate of growth of GSDP (<i>per cent</i>)	11.11	8.64	13.78	3.84	(-) 4.10
RR/GSDP (<i>per cent</i>)	18.20	18.68	17.51	17.86	16.18
Buoyancy Ratios¹					
Revenue buoyancy with reference to GSDP (ratio)	0.52	1.33	0.48	1.55	3.20
UT's own tax buoyancy with reference to GSDP (ratio)	0.56	1.95	0.99	(-) 5.83	5.19

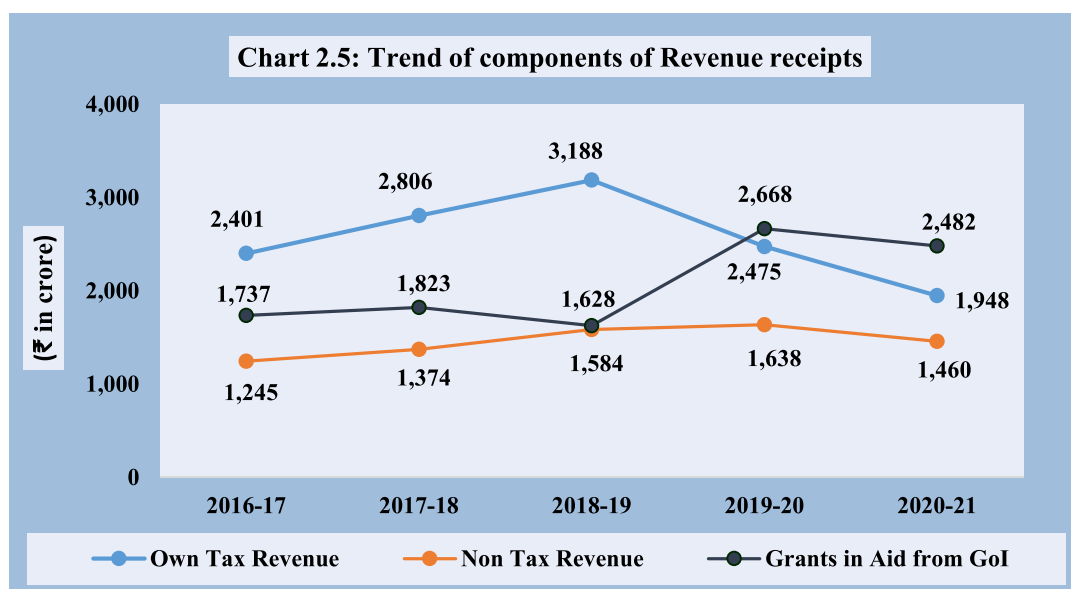
(Source: GSDP figures of Directorate of Economics and Statistics)

Revenue receipts of the UT comprising of own tax and non-tax revenue decreased by 3.19 *per cent* from ₹ 3,646 crore in 2016-17 to ₹ 3,408 crore in 2020-21. The rate of growth of own revenue decreased by 17.14 *per cent* when compared to the previous year leading to revenue deficit of ₹ 1,370 crore in 2020-21 when compared to the revenue deficit of ₹ 55 crore in the year 2019-20.

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



(Source: Finance Accounts of respective years)



(Source: Finance Accounts of respective years)

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

Revenue receipts increased by 9.42 *per cent* from ₹ 5,383 crore in 2016-17 to ₹ 5,890 crore in 2020-21. During 2020-21, the growth rate of GSDP was negative at (-) 4.10 *per cent* whereas the growth rate of revenue receipts was (-) 13.14 *per cent*, which contributed to the revenue deficit.

About 57.86 *per cent* of the Revenue receipts during 2020-21 came from the UT's own resources (₹ 3,408 crore), while Grants-in-aid (₹ 2,482 crore) contributed 42.14 *per cent*.

The decrease in the Revenue receipts of the Union Territory by ₹ 891 crore over the previous year was due to decrease in Tax Revenue (₹ 527 crore), Non-tax revenue (₹ 178 crore) and Grants-in-aid from GoI (₹ 186 crore) during the year. The decrease in own tax revenue was mainly

under SGST (₹ 348.66 crore) and State Excise (₹ 69.98 crore) due to less receipts on apportionment of Integrated Goods and Services Tax (IGST) transfer in tax component to SGST and less sale of malt liquors. Similarly, the decrease under Non-tax revenue was mainly due to less sale of power (₹ 128.72 crore).

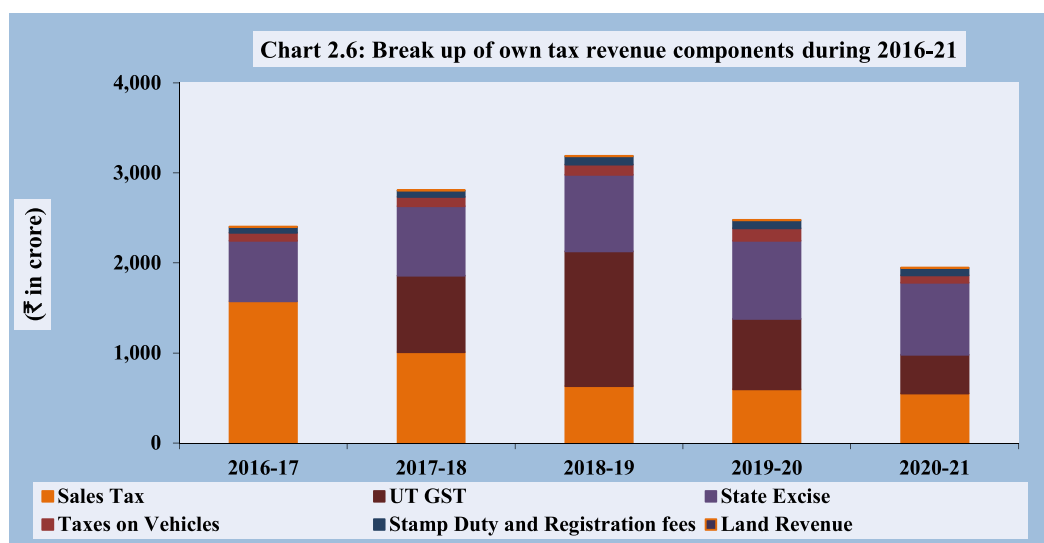
During the current year, the increase of 6.20 *per cent* (₹ 424 crore) in Revenue expenditure and the decrease of 13.14 *per cent* (₹ 891 crore) in Revenue receipts led to increase in revenue deficit from ₹ 55 crore in the year 2019-20 to ₹ 1,370 crore in 2020-21. The UT received total compensation of ₹ 1,348.79 crore on account of loss of revenue arising out of the implementation of GST during 2020-21. Out of this, ₹ 606.79 crore was received by the UT as grants under revenue receipts. However, due to inadequate balance in GST compensation fund during the year 2020-21, the UT also received back-to-back loan of ₹ 742 crore from GoI which has been classified under debt receipts of the UT Government with repayment obligations from the cess collected in GST compensation Fund and not from any other resources of the UT. Due to this arrangement, the revenue deficit of ₹ 1,370 crore and the fiscal deficit of ₹ 1,615 crore during the year 2020-21 may be read in conjunction with debt receipt of ₹ 742 crore in lieu of GST compensation.

2.3.2.2 Union Territory's own resources

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

Own Tax Revenue

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



(Source: Finance Accounts of respective years)

Table 2.4: Components of UT's own tax revenue

Revenue Head						(₹ in crore)
	2016-17	2017-18	2018-19	2019-20	2020-21	Spark line
Sales Tax	1,576	1,008	632	597	549	
UT GST	0	852	1,499	781	433	
State Excise	671	770	850	868	798	
Taxes on Vehicles	87	104	114	139	84	
Stamp Duty and Registration fees	66	71	92	88	82	
Land Revenue	1	1	1	2	2	
Total	2,401	2,806	3,188	2,475	1,948	

(Source: Finance Accounts of respective years)

UT's Tax revenue decreased from ₹ 2,475 crore in 2019-20 to ₹ 1,948 crore in 2020-21 by ₹ 527 crore (21.29 *per cent*) over the previous year. UT Goods and Services Tax (UTGST), Sales Tax, State Excise and Taxes on Vehicles decreased by ₹ 348 crore, ₹ 48 crore, ₹ 70 crore and ₹ 55 crore respectively during 2020-21. The decrease in UTGST was due to less receipts on apportionment of IGST transfer from GoI. The decrease in Sales Tax during 2020-21 was mainly due to less collection under Trade Tax, State Sales Tax and Central Sales Tax. Similarly, the decrease in respect of State Excise was due to less sale of Malt Liquors and in respect of Taxes on Vehicles, it was due to less receipts under the State Motor Vehicles Taxation Acts.

Government stated (January 2022) that due to COVID Pandemic there was decrease in collection of Tax/Non-tax revenue.

UT Goods and Services Tax (UT GST)

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

The projected revenue for the year 2020-21 is ₹ 2,109.04 crore. Revenue figure under GST for the year 2020-21 has been depicted in Finance Accounts as per nature of receipts *i.e.*, State Goods and Services Tax (SGST) and Integrated Goods and Services Tax (IGST). The projected revenue and the Revenue receipts of the UT Government including pre-GST taxes and taxes under GST during the year 2020-21 is given in **Table 2.5**.

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

(₹ in crore)

Period	Projected revenue*	Pre-GST taxes***	SGST	IGST	Total tax collected	Compensation received**	Back-to-back loan in lieu of shortfall in GST compensation	Total including compensation and loan-in-lieu of compensation	Deficit/ Excess
1	2	3	4	5	6= (3+4+5)	7	8	9= (6+7+8)	10 = (2-8)
2020-21	2,109.04	549.22	322.38	110.51	982.11	606.79	742.00	2,330.90	Yet to be finalised

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

** Compensation due to be received for the 2020-21 is under reconciliation

*** This includes non-subsumed tax components also

(Figures excluding refunds as worked out by UT Government)

(Source: Finance Accounts 2020-21)

As seen from the above table, the projected revenue for the year 2020-21 is ₹ 2,109.04 crore. The UT Government had so far received ₹ 606.79 crore as compensation and ₹ 742 crore as back-to-back loan in lieu of the shortfall in compensation. The certification of revenue for 2020-21 and excess or deficit in receipt of compensation is yet to be finalised.

Arrears of revenue

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

The arrears of revenue as on 31 March 2021 under the principal heads of revenue amounted to ₹ 1,241.99 crore, of which ₹ 552.59 crore were outstanding for more than five years as detailed in **Table 2.6**.

Table 2.6: Arrears of revenue

(₹ in crore)

Sl. No.	Departments	Total arrears	Arrears outstanding for more than five years	Remarks
1.	Electricity	822.03	258.67	Arrears were due to non-payment of electricity charges
2.	Commercial Taxes	288.94	231.05	Arrears related to collection of tax under PGST/ CST and VAT Acts, major portion is subjudice
3.	Excise	69.98	48.91	Arrears were mainly due to non-payment of <i>kist</i> by the lessees of arrack and toddy shops
4.	Public Works	48.84	12.92	Arrears in payment of water tax
5.	Transport (except RTO, Karaikal)	4.31	--	Arrears relating to collection of taxes on vehicles
6.	Higher and Technical Education	3.56	--	Arrears of tuition fee from students
7.	Accounts and Treasury	2.75	0.34	Arrears related to audit fee from Religious Institutions
8.	Revenue	0.81	0.12	Arrears due to land tax, licence fees towards mining, etc.
9.	Hindu Religious Institutions and Wakf Board	0.77	0.58	Arrears were due to shortfall in collection of dues from temples
Total		1,241.99	552.59	

(Source: Details furnished by respective Departments)

Table 2.6 further indicates that the amount of uncollected revenue as on 31 March 2021 was about 21.11 *per cent* of the total revenue (₹ 5,890 crore) raised by the Government during the year 2020-21.

Arrears in assessment

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

Table 2.7: Arrears in assessment

Head of revenue	Opening balance	New cases due for assessment during 2020-21	Total assessments due	Cases disposed of during 2020-21	Balance at the end of the year	Percentage of disposal (col. 5 to 4)
(1)	(2)	(3)	(4) = (2)+(3)	(5)	(6) = (4)-(5)	(7)
VAT Scrutiny Assessment	20,527	Nil	20,527	1,806	18,721	8.80

(Source: Details furnished by the Department)

It was seen that out of 14,388 cases pertaining to the period from 2008-09 to 2014-15, only 1,078 cases were disposed during 2020-21. Similarly, out of 6,139 cases for the period 2015-17, only 728 cases were disposed of. As the percentage of disposal was very low, the Department has to take a time bound action to complete all the pending cases as new tax regime has taken place.

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

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

Table 2.8: Evasion of Tax Detected

Sl. No.	Head of revenue	Cases pending as on 31 March 2020	Cases detected during 2020-21	Total	No. of cases in which assessment / investigation completed and additional demand with penalty, etc. raised		No. of cases pending for finalisation as on 31 March 2021
					No. of cases	Amount of demand (₹ in crore)	
1.	State Goods and Services Tax	21	47	68	42	1.01	26
2	Sales Tax / VAT	244	Nil	244	06	0.04	238
3	State Excise	Nil	140	140	140	0.33	Nil

(Source: Details furnished by the Department)

It was seen that out of 264 cases, 205 cases were pending for more than five years under Sales Tax/VAT and 41 cases² were pending for period ranging from three to five years. During the year, the Department could clear only 2.46 per cent of pending Sales Tax/VAT cases as against 244 cases pending at the beginning of the year. The Department needs to take a time bound action to complete all the cases as new tax regime has taken place and further delay in clearance may result in loss of revenue to the UT.

Government (January 2022) assured to look into the matter regarding the pendency in VAT assessment and delay in finalisation of cases of evasion of tax detected.

Pendency of refund cases

The number of refund cases pending at the beginning of the year 2020-21, claims received during the year, refunds allowed during the year and cases pending at the close of the year 2020-21 relating to CTD (UT Goods and Services Tax) is given in **Table 2.9**.

² Sales Tax/VAT: 33 cases and State Goods and Services Tax: 8 cases

Table 2.9: Details of refund cases

Sl. No.	Particulars	(₹ in crore)	
		UT GST	
		No of cases	Amount
1.	Claims outstanding at the beginning of the year	15	6.68
2.	Claims received during the year	130	42.35
3.	Refunds made during the year	124	47.93
4.	Refunds rejected during the year	18	0.28
5.	Balance outstanding at the end of year	3	0.82

(Source: Details furnished by the Department)

Non-tax revenue

Non-tax revenue consists of interest receipts, dividends and profits, mining receipts, departmental receipts, *etc.* The details of non-tax revenue pertaining to the period 2016-21 are given in **Table 2.10**.

Table 2.10: Components of non-tax revenue

Revenue Head	2016-17	2017-18	2018-19	2019-20	2020-21	(₹ in crore)
						Spark line
Interest receipts	66	99	95	99	67	
Dividends and Profits	0	2	1	3	0	
Other Non-Tax receipts, of which	1,179	1,273	1,488	1,536	1,393	
(a) Power	1,116	1,197	1,353	1,423	1,295	
(b) Medical and Public Health	13	17	26	11	17	
(c) Water Supply and Sanitation	7	15	24	21	17	
(d) Ports and Light Houses	9	12	11	12	10	
(e) Housing	1	1	7	7	7	
(f) Miscellaneous General Services	7	5	31	37	2	
(g) Education, Sports, Art and Culture	1	1	7	2	1	
(h) Others	25	25	29	23	44	
Total	1,245	1,374	1,584	1,638	1,460	

(Source: Finance Accounts of respective years)

Non-tax Revenue, which ranged between 23 and 25 *per cent* of total Revenue receipts of the UT during the five-year period from 2016-17 to 2020-21,

though increased from ₹ 1,245 crore in 2016-17 to ₹ 1,638 crore in 2019-20, it decreased to ₹ 1,460 crore in 2020-21. The decrease in sale of power from ₹ 1,423 crore in 2019-20 to ₹ 1,295 crore in 2020-21 mainly contributed to the decrease in Non-tax revenue.

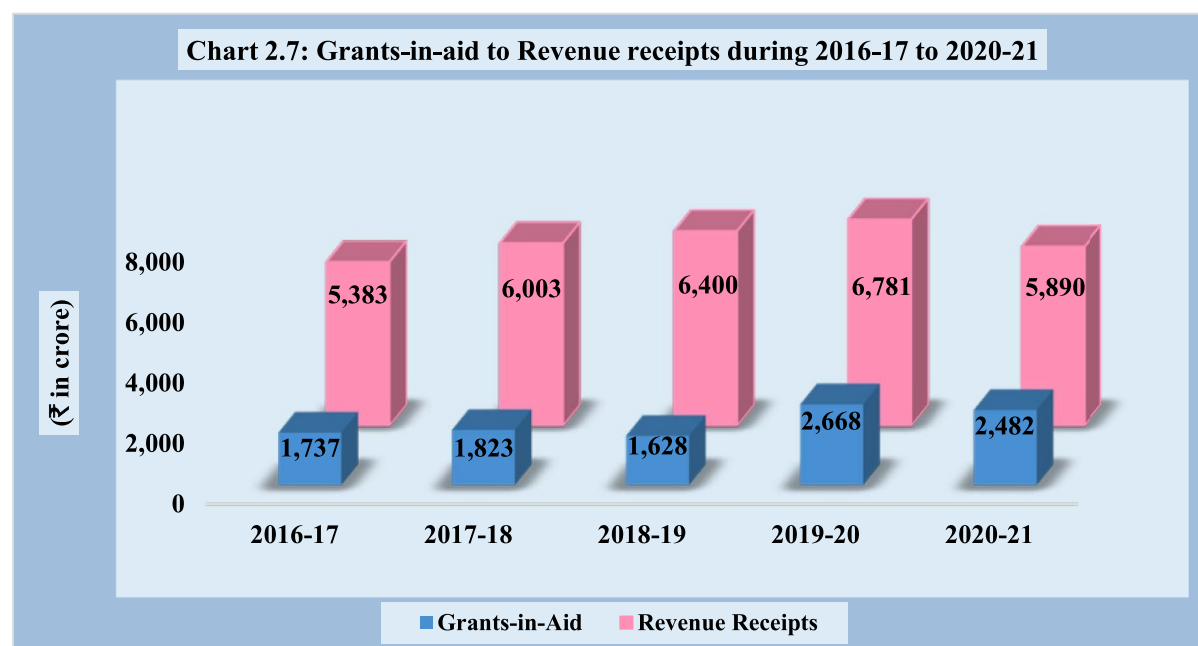
2.3.2.3 Grants-in-aid from GoI

The Grants-in-aid (GIA) received from GoI for the years 2016-17 to 2020-21 are given in **Table 2.11** and **Chart 2.7** depicts the Grants-in-aid to Revenue receipts.

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

(₹ in crore)					
Head	2016-17	2017-18	2018-19	2019-20	2020-21
Non-Plan Grants	747	28	5	--	5
Grants for State/UT Plan Schemes	795	11	--	--	--
Grants for Central Plan Schemes	--	--	--	--	--
Grants for Centrally Sponsored Schemes (CSS)	195	383	152	201	164
Other transfers/Grants to States/Union Territories with Legislature	--	1,401	1,471	2,467	2,313
Total	1,737	1,823	1,628	2,668	2,482
Percentage of increase/decrease over the previous year	2.78	4.95	(-) 10.70	63.88	(-) 6.97
Percentage of GIA to Revenue receipts	32.27	30.37	25.44	39.35	42.14

(Source: Finance Accounts of respective years)



(Source: Finance Accounts of respective years)

Grants-in-aid received from GoI decreased by ₹ 186 crore (6.97 per cent) during 2020-21. However, the total grant as a percentage of Revenue receipts

increased from 39.35 in 2019-20 to 42.14 in 2020-21. Out of the central assistance of ₹ 1,698 crore, the release during February and March 2021 was ₹ 679.20 crore (40 *per cent*).

2.3.3 Capital receipts

Capital receipts comprise miscellaneous Capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/ commercial banks) and loans and advances from GoI. The trends in growth and composition of Capital receipts during 2016-21 are given in **Table 2.12**.

Table 2.12: Trends in growth and composition of Capital receipts

	(₹ in crore)				
Source of receipts	2016-17	2017-18	2018-19	2019-20	2020-21
Capital receipts	822	1,062	1,008	1,044	2,529
Miscellaneous Capital receipts	Nil	Nil	Nil	Nil	Nil
Recovery of Loans and Advances	2	1	1	1	Nil
Net Public Debt receipts	820	1,061	1,007	1,043	2,529
<i>External Debt</i>	Nil	Nil	50	Nil	Nil
<i>Internal Debt</i>	748	989	957	1,043	1,787
<i>Growth rate</i>	16.51	32.22	(-) 3.24	8.99	71.33
<i>Loans and Advances from GoI</i>	72	72	Nil	Nil	742
<i>Growth rate</i>	(-) 27.27	--	(-) 100.00	--	742
Rate of growth of debt Capital receipts (<i>per cent</i>)	10.66	29.39	(-) 5.09	3.57	142.47
Rate of growth of non-debt Capital receipts (<i>per cent</i>)	--	(-) 50.00	--	--	(-) 100
Rate of Growth of GSDP	11.11	8.64	13.78	3.84	(-) 4.10
Rate of growth of Capital receipts (<i>per cent</i>)	10.63	29.20	(-) 5.08	3.57	142.24

(Source: Finance Accounts of respective years)

The Capital receipts increased by ₹ 1,485 crore in 2020-21 on account of increase in Public Debt receipts. The debt Capital receipts of the UT increased from ₹ 1,043 crore in 2019-20 to ₹ 2,529 crore in 2020-21. The increase was mainly due to increase in Market loans (₹ 420 crore), loan from Public Account (₹ 297 crore) and back-to-back loan in lieu of GST compensation shortfall (₹ 742 crore).

Public debt receipts create future repayment obligation and these are taken from Market, Financial Institutions and Central Government. During the five-year period 2016-21, 46.95 *per cent* of Public debt receipts were used for

repayment of Public Debt taken in earlier years and the remaining 53.05 *per cent* was utilised for other purposes.

2.3.4 UT's performance in mobilisation of resources

UT's performance in mobilisation of resources is assessed in terms of its own resources comprising own tax and non-tax sources. The targets prescribed for the year 2020-21 in the FRM, Budget Estimates and actuals are given in **Table 2.13**.

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

	FRM	Budget Estimates	Actuals	Percentage variation of actuals over	
				Budget estimates	FRM
Own Tax revenue	3,678	3,673	1,948	(-) 46.96	(-) 47.04
Non-tax revenue	1,644	1,574	1,460	(-) 7.24	(-) 11.19

(Source: Finance Accounts and Budget documents)

The own tax revenue decreased by ₹ 1,730 crore (47.04 *per cent*) and ₹ 1,725 crore (46.96 *per cent*) than the target proposed in the FRM and budget estimate respectively. Similarly, Non-tax revenue also decreased by ₹ 184 crore (11.19 *per cent*) and ₹ 114 crore (7.24 *per cent*) from the target proposed in the FRM and budget estimates respectively. The decrease in own tax revenue was mainly due to decrease in UTGST collection to the extent of ₹ 348 crore. Similarly, the decrease under Non-tax revenue was mainly due to less sale of power (₹ 128.72 crore).

The UT was, however, dependent on the Grants-in-aid from the GoI which was evident from the fact that out of the total Revenue receipts of ₹ 5,890 crore, the grants from GoI accounted for ₹ 2,482 crore which was 42.14 *per cent* of the Revenue receipts of the UT.

2.4 Application of resources

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

2.4.1 Growth and composition of expenditure

The total expenditure of UT Government, its composition and its sectoral distribution during the period 2016-21 are given in **Tables 2.14** and **2.15** and **Charts 2.8** and **2.9**.

Table 2.14: Total expenditure and its composition

(₹ in crore)

Parameters	2016-17	2017-18	2018-19	2019-20	2020-21
Total expenditure (TE)	5,905	6,201	6,703	7,163	7,505
Revenue expenditure (RE)	5,458	5,807	6,387	6,836	7,260
Capital expenditure (CE)	447	394	313	327	240
Loans and Advances	0	0	3	0	5
As a percentage of GSDP					
TE/GSDP	19.97	19.30	18.34	18.87	20.62
RE/GSDP	18.46	18.07	17.47	18.01	19.94
CE/GSDP	1.51	1.23	0.86	0.86	0.66
Loans and Advances/GSDP	0.00	0.00	0.01	0.00	0.01

(Source: Finance Accounts of respective years)

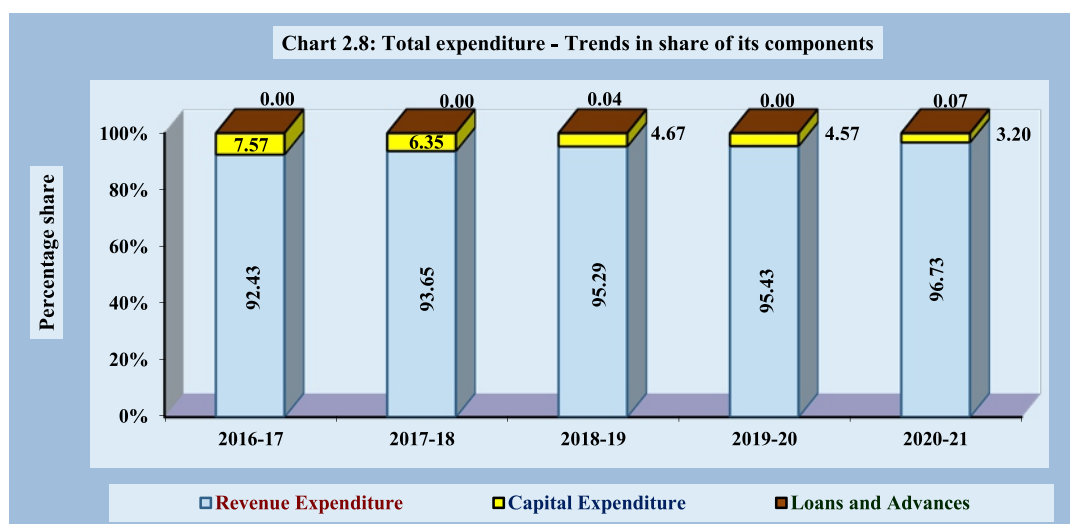
The **Table 2.14** shows that Total Expenditure of the UT increased by ₹ 1,600 crore (27.10 *per cent*) from ₹ 5,905 crore in 2016-17 to ₹ 7,505 crore in 2020-21. During the year 2020-21, it increased by 4.77 *per cent* from ₹ 7,163 crore in 2019-20 to ₹ 7,505 crore in 2020-21. As a percentage of GSDP, the total expenditure increased from 19.97 in 2016-17 to 20.62 in 2020-21. The significant increase in Revenue expenditure from ₹ 5,458 crore in 2016-17 to ₹ 7,260 crore in 2020-21 contributed to the increase in total expenditure, which resulted in revenue deficit of ₹ 1,370 crore in the year 2020-21.

Table 2.15: Relative share of various sectors of expenditure

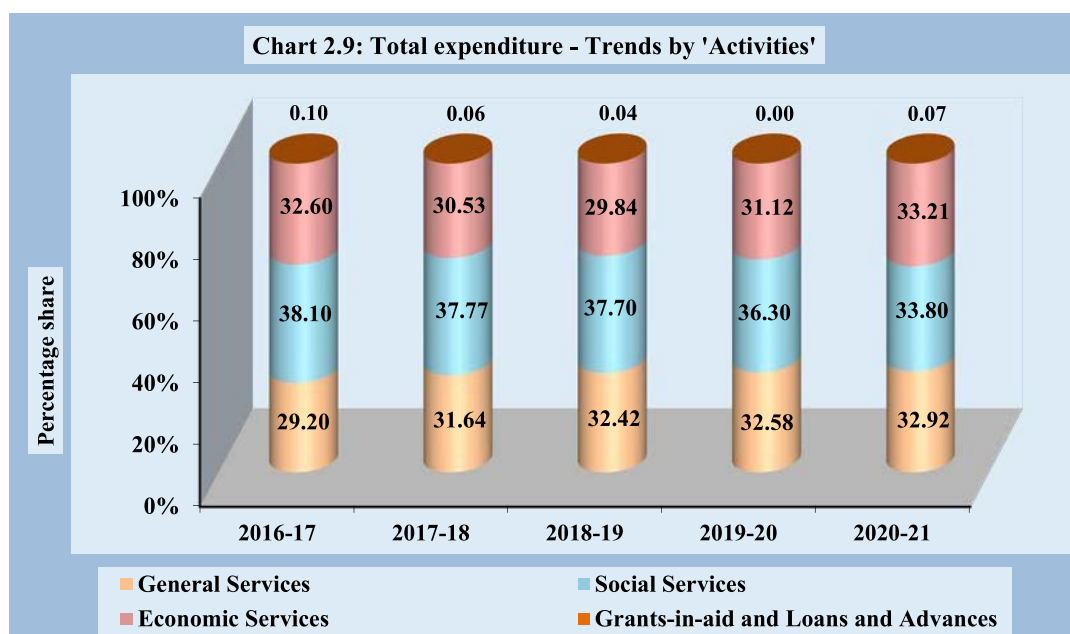
(in per cent)

Parameters	2016-17	2017-18	2018-19	2019-20	2020-21
General Services	29.20	31.64	32.42	32.58	32.92
Social Services	38.10	37.77	37.70	36.30	33.80
Economic Services	32.60	30.53	29.84	31.12	33.21
Others (Grants to Local Bodies and Loans and Advances)	0.10	0.06	0.04	0.00	0.07

(Source: Finance Accounts of respective years)



(Source: Finance Accounts of respective years)



(Source: Finance Accounts of respective years)

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

The Revenue expenditure increased by ₹ 424 crore (6.20 *per cent*) whereas Capital expenditure decreased by ₹ 87 crore (26.61 *per cent*) during 2020-21 as compared to the previous year. The Capital expenditure has significantly decreased in the last few years with its share as a percentage of GSDP decreasing from 1.51 in 2016-17 to 0.66 in 2020-21.

It could be seen from **Chart 2.8** that the Revenue expenditure as a share of total expenditure was increasing consistently over a period of five years (2016-21) and stood at 96.73 *per cent* of the total expenditure during 2020-21. Consistent increase in Revenue expenditure was due to the fact that the committed expenditure had gradually increased from ₹ 3,091 crore in 2016-17 to ₹ 4,172 crore in 2020-21. Further, as a percentage of total expenditure, the

expenditure under General Services increased from 29.20 to 32.92 during the period 2016-21, whereas the expenditure under Social Services gradually decreased from 38.10 to 33.80 during the same period.

The proportion of Capital expenditure to total expenditure decreased from 7.57 *per cent* in 2016-17 to 3.20 *per cent* in 2020-21 which indicated that lower priority was accorded to infrastructure development/creation of capital assets.

During 2020-21, the expenditure on General Services and Economic Services increased by ₹ 137 crore (5.87 *per cent*) and ₹ 263 crore (11.80 *per cent*) respectively whereas Social Services decreased by ₹ 63 crore (2.42 *per cent*) over the previous year.

2.4.2 Revenue expenditure

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

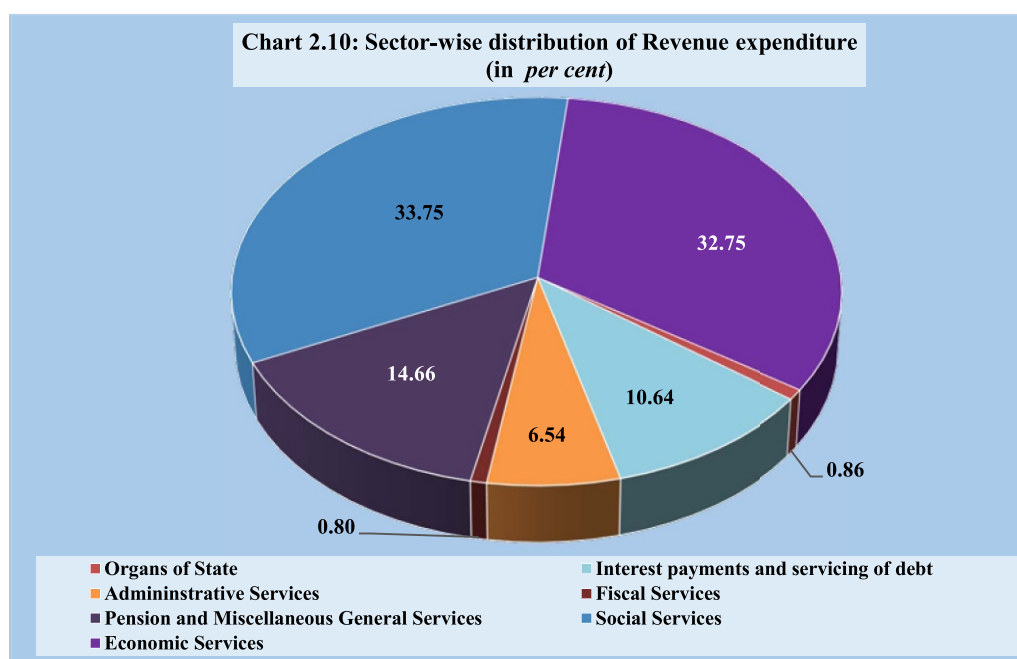
Revenue expenditure of ₹ 7,260 crore during 2020-21 increased by ₹ 424 crore as compared to ₹ 6,836 crore in 2019-20. It constituted 96.73 *per cent* of total expenditure of ₹ 7,505 crore during the year. As a percentage of GSDP also, the Revenue expenditure increased from 18.01 in 2019-20 to 19.94 in 2020-21. The buoyancy of Revenue expenditure with reference to Revenue receipts during 2020-21 stood at (-) 0.47.

The overall Revenue expenditure, its rate of growth, its ratio to Total expenditure and buoyancy *vis-à-vis* GSDP and Revenue receipts during 2016-17 to 2020-21 are given in **Table 2.16** and the sectoral distribution of Revenue expenditure pertaining to 2020-21 are given in **Chart 2.10**.

Table 2.16: Revenue expenditure - Basic Parameters

(₹ in crore)					
Parameters	2016-17	2017-18	2018-19	2019-20	2020-21
Total expenditure (TE)	5,905	6,201	6,703	7,163	7,505
Revenue expenditure (RE)	5,458	5,807	6,387	6,836	7,260
Rate of Growth of RE (<i>per cent</i>)	3.27	6.39	9.99	7.03	6.20
Revenue expenditure as percentage of TE	92.43	93.65	95.29	95.43	96.73
RE/GSDP (<i>per cent</i>)	18.46	18.07	17.47	18.01	19.94
RE as percentage of RR	101.39	96.73	99.80	100.81	123.25
Buoyancy of Revenue Expenditure with					
GSDP (ratio)	0.29	0.74	0.73	1.83	(-) 1.51
Revenue receipts (ratio)	0.56	0.56	1.51	1.18	(-) 0.47

(Source: Finance Accounts of respective years)



(Source: Finance Accounts 2020-21)

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

Revenue expenditure as a percentage of GSDP has raised from 18.01 *per cent* in 2019-20 to 19.94 *per cent* in 2020-21, although the rate of growth of GSDP was negative at (-) 4.10 *per cent* over the previous year, when compared to the rate of growth of Revenue expenditure, which stood at 6.20 *per cent* during 2020-21. As against the target of ₹ 7,300 crore fixed for Revenue expenditure in FRM, the actual Revenue expenditure was ₹ 7,260 crore.

2.4.2.1 Major changes in Revenue Expenditure

There was a net increase of ₹ 424 crore in the Revenue expenditure from ₹ 6,836 crore in 2019-20 to ₹ 7,260 crore in 2020-21. The significant variation under various heads of account with regard to Revenue expenditure of the UT during 2019-20 and 2020-21 are given in **Table 2.17**.

Table 2.17: Variation in Revenue expenditure during 2020-21 as compared to 2019-20

Major Heads and description		2019-20	2020-21	(₹ in crore)
				Increase (+)/ Decrease (-)
2015	Elections	8.69	17.30	8.61
2202	General Education	700.25	740.23	39.98
2203	Technical Education	87.82	94.24	6.42
2210	Medical and Public Health	610.15	594.72	(-) 15.43

Major Heads and description		2019-20	2020-21	Increase (+)/ Decrease (-)
2216	Housing	30.11	62.28	32.17
2217	Urban Development	64.85	107.24	42.39
2225	Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities	131.41	113.36	(-) 18.05
2235	Social Security and Welfare	531.24	507.39	(-) 23.85
2245	Relief on account of Natural Calamities	60.66	12.37	(-) 48.29
2408	Food Storage and Warehousing	182.89	235.18	52.29
2505	Rural Employment	19.74	14.40	(-) 5.34
2801	Power	1,420.39	1,711.19	290.80
2852	Industries	86.97	40.24	(-) 46.73
3055	Road Transport	14.80	24.53	9.73

(Source: Finance Accounts of respective years)

Table 2.17 indicates that Revenue expenditure under Food Storage and Warehousing and Power projects increased due to increase in the expenses on food subsidies and on transmission and distribution respectively during 2020-21. Similarly, decrease in respect of Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities was mainly due to decrease in award of various scholarship, stipend and incentive to SC students (₹ 11.70 crore). Under Social Security and Welfare, the decrease was mainly due to decrease in financial assistance to Women's Development Corporation (₹ 13.98 crore) and under Industries, it was mainly due to decrease in financial assistance to Pondicherry Textile Corporation (₹ 38.51 crore).

2.4.2.2 *Committed expenditure*

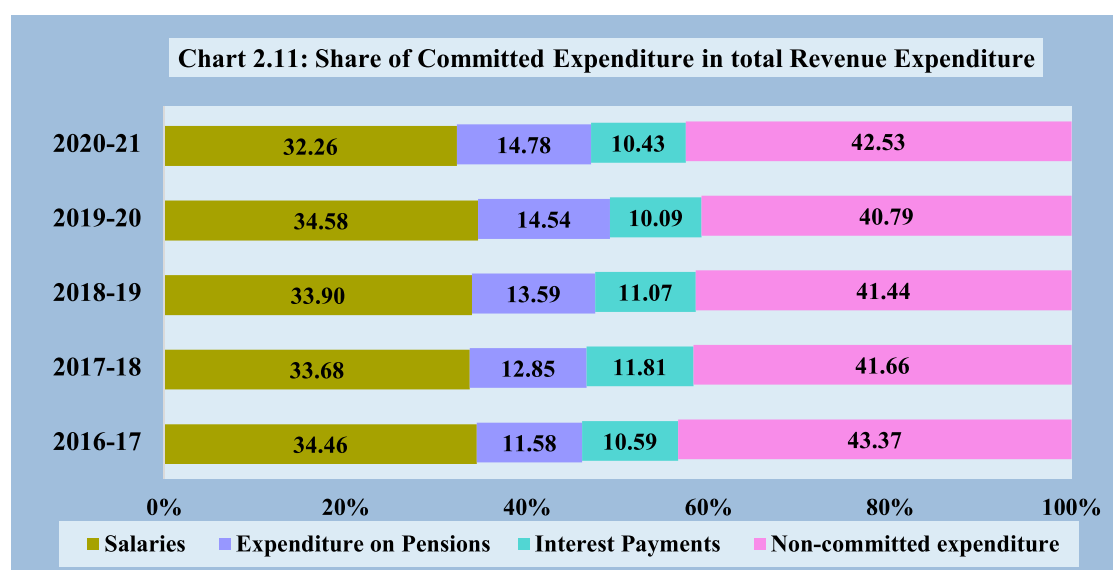
The committed expenditure of the UT Government on revenue account consists of interest payments, expenditure on salaries and pensions. It has first charge on Government resources. Upward trend in committed expenditure leaves the Government with lesser flexibility for development sector. The various components of committed expenditure and its share in total Revenue Expenditure are given in **Table 2.18** and **Chart 2.11**.

Table 2.18: Components of Committed Expenditure

(₹ in crore)

Components of Committed Expenditure	2016-17	2017-18	2018-19	2019-20	2020-21
Salaries ³	1,881	1,956	2,165	2,364	2,342
Expenditure on Pensions	632	746	868	994	1,073
Interest Payments	578	686	707	690	757
Total	3,091	3,388	3,740	4,048	4,172
As a percentage of Revenue Receipts (RR)					
Salaries	34.94	32.58	33.83	34.86	39.76
Expenditure on Pensions	11.74	12.43	13.56	14.66	18.22
Interest Payments	10.74	11.43	11.05	10.18	12.85
Total	57.42	56.44	58.44	59.70	70.83
As a percentage of Revenue Expenditure (RE)					
Salaries	34.46	33.68	33.90	34.58	32.26
Expenditure on Pensions	11.58	12.85	13.59	14.54	14.78
Interest Payments	10.59	11.81	11.07	10.09	10.43
Total	56.63	58.34	58.56	59.21	57.47

(Source: Finance Accounts of respective years)



(Source: Finance Accounts of respective years)

It could be seen from **Table 2.18** that the total committed expenditure of UT Government was increasing consistently over the period of five years. It increased from ₹ 3,091 crore in 2016-17 to ₹ 4,172 crore in 2020-21 by ₹ 1,081 crore. Further, the committed expenditure constituted 57.47 per cent of Revenue expenditure and 70.83 per cent of Revenue receipts during 2020-21. The non-committed expenditure, a portion of which is being spent on

³ Includes Grants-in-aid given for salaries.

operation and maintenance of existing social and economic services, on an average constituted only 42 *per cent* of the Revenue expenditure.

Expenditure on salaries during the current year was ₹ 2,342 crore, which declined by ₹ 22 crore (0.93 *per cent*) over the previous year and stood at 39.76 *per cent* of Revenue receipts (₹ 5,890 crore) and 32.26 *per cent* of Revenue expenditure (₹ 7,260 crore) respectively. Over the five-year period 2016-21, it increased by ₹ 461 crore (24.51 *per cent*) from ₹ 1,881 crore in 2016-17 to ₹ 2,342 crore in 2020-21.

Pension payments increased by 7.95 *per cent* from ₹ 994 crore in 2019-20 to ₹ 1,073 crore in 2020-21 and it stood at 18.22 *per cent* and 14.78 *per cent* of Revenue receipts and Revenue expenditure respectively. Over the five-year period 2016-21, it increased by ₹ 441 crore (69.78 *per cent*) from ₹ 632 crore in 2016-17 to ₹ 1,073 crore in 2020-21.

Interest payments increased by ₹ 67 crore (9.71 *per cent*) in 2020-21 over the previous year. It constituted around 12.85 *per cent* and 10.43 *per cent* of Revenue receipts and Revenue expenditure respectively. As Public Debt increased from ₹ 7,246 crore in 2016-17 to ₹ 10,070 crore in 2020-21, the interest payment also increased from ₹ 578 crore to ₹ 757 crore during the same period. The increase in interest payments contributed to the revenue deficit.

The committed expenditure constituted 57.47 *per cent* of the Revenue expenditure in 2020-21. This indicated that only 42.53 *per cent* of the Revenue expenditure was utilised for maintenance of the existing General, Social and Economic Services.

2.4.2.3 Subsidies

The amount of subsidy provided by UT Government during 2016-17 to 2020-21 are given in **Table 2.19**.

Table 2.19: Expenditure on subsidies during 2016-21

	2016-17	2017-18	2018-19	2019-20	2020-21
Subsidies (₹ in crore)	134	157	173	223	282
Subsidies as a percentage of Revenue receipts	2.49	2.62	2.70	3.29	4.79
Subsidies as a percentage of Revenue expenditure	2.46	2.70	2.71	3.26	3.88

(Source: Finance Accounts of respective years)

Subsidies as a percentage of Revenue expenditure increased from 2.46 *per cent* (₹ 134 crore) in 2016-17 to 3.88 *per cent* (₹ 282 crore) in 2020-21 which represents the expenditure booked under the object head '33-Subsidies' mainly under Revenue and Food (₹ 235 crore), Agriculture and Farmer Welfare (₹ 25 crore) and Social Welfare (₹ 16 crore). The expenditure

on subsidies during 2020-21 contributed to 20.58 *per cent* of the revenue deficit of ₹ 1,370 crore.

During the year 2020-21, UT Government provided implicit subsidy of ₹ 17 crore under Grant 17 - Education and Grant 21 - Social Welfare. These were booked under the object heads 21 - Supply and Material and 50 - Other Charges for the schemes such as free supply of kits to Artisans/Building construction workers, free supply of rice to all disabled persons.

Government stated (January 2022) that the issue regarding classification of subsidies would be examined.

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

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

Table 2.20: Financial assistance to Local Bodies and other institutions

(₹ in crore)

Financial assistance to Institutions	2016-17	2017-18	2018-19	2019-20	2020-21
(A) Local Bodies					
Municipalities	41.95	7.64	9.79	6.66	17.93
Panchayati Raj Institutions	3.58	0.77	1.44	2.41	2.20
Total (A)	45.53	8.41	11.23	9.07	20.13
(B) Others					
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	32.12	104.37	48.36	36.43	44.74
Development agencies and Autonomous Bodies	504.92	381.23	319.68	229.72	310.10
Co-operatives	57.45	14.62	10.07	36.26	14.69
Other Institutions*	28.88	150.90	359.02	467.90	390.05
Total (B)	623.37	651.12	737.13	770.31	759.58
Total (A+B)	668.90	659.53	748.36	779.38	779.71
Revenue expenditure	5,458	5,807	6,387	6,836	7,260
Assistance as a percentage of Revenue expenditure	12.26	11.36	11.72	11.40	10.74

* Welfare societies and religious institutions

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

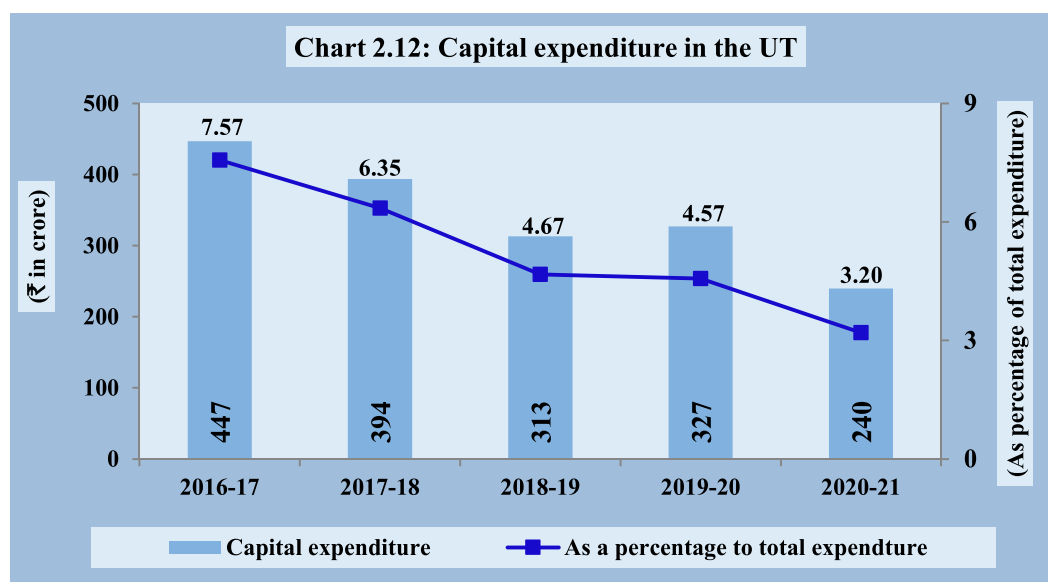
Financial assistance extended to Municipalities and Panchayati Raj Institutions increased by 121.94 *per cent* during 2020-21, whereas the overall financial assistance remained almost constant during 2019-20 and 2020-21.

2.4.3 Capital expenditure

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

Capital expenditure of the UT showed significant decrease over the period of five years from ₹ 447 crore in 2016-17 to ₹ 240 crore in 2020-21. As a percentage of total expenditure, it stood at 3.20 during 2020-21. However, the UT did not expend the budgetary allocation on creation of assets in any year during the five-year period 2016-21. During 2020-21, as against the budgetary allocation of ₹ 372 crore, only ₹ 240 crore (64.52 *per cent*) was expended.

The details of year-wise Capital expenditure during 2016-17 to 2020-21 and its percentage to total expenditure are given in **Chart 2.12**.



(Source: Finance Accounts of respective years)

It could be seen from **Chart 2.12** that the Capital expenditure was on a decreasing trend. The steep decline in Capital expenditure by ₹ 207 crore during the five-year period indicated that the UT Government was unable to spend on infrastructure and capital works, despite adequate budgetary allocations.

2.4.3.1 Major changes in Capital expenditure

There was a net decrease of ₹ 87.05 crore in the Capital expenditure from ₹ 326.61 crore in 2019-20 to ₹ 239.56 crore in 2020-21. The significant variations under various heads of account with regard to Capital expenditure of the UT during 2019-20 and 2020-21 are given in **Table 2.21**.

Table 2.21: Capital expenditure during 2020-21 compared to 2019-20

(₹ in crore)

	Major Heads of Account	2019-20	2020-21	Increase (+)/ Decrease (-)
4055	Capital Outlay on Police	3.88	5.53	1.65
4059	Capital Outlay on Public Works	15.52	30.29	14.77
4070	Capital Outlay on other Administrative Services	1.33	2.93	1.60
4202	Capital Outlay on Education, Sports, Art and Culture	17.01	54.16	37.15
4210	Capital Outlay on Medical and Public Health	108.86	7.18	(-) 101.68
4215	Capital Outlay on Water Supply and Sanitation	26.54	20.68	(-) 5.86
4702	Capital Outlay on Minor Irrigation	7.88	0.91	(-) 6.97
4711	Capital Outlay on Flood Control Projects	12.47	5.34	(-) 7.13
4801	Capital Outlay on Power Projects	32.17	14.88	(-) 17.29
4851	Capital Outlay on Village and Small Industries	9.27	0.46	(-) 8.81
5051	Capital Outlay on Ports and Light Houses	25.16	3.50	(-) 21.66
5054	Capital Outlay on Roads and Bridges	46.51	82.46	35.95
5452	Capital Outlay on Tourism	8.46	2.98	(-) 5.48

(Source: Finance Accounts of respective years)

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

Government stated (January 2022) that due to COVID Pandemic, it was stuck up with committed expenditure and assured that capital expenditure would be boosted.

2.4.3.2 *Quality of investments in Public Sector Undertakings*

As of March 2021, Government invested ₹ 1,043.54 crore (₹ 714.58 crore⁴ in 12 Government Companies and ₹ 328.96 crore in 359 Co-operative Institutions). The year-wise details of investments made, returns received and the average rate of return are given in **Table 2.22**.

⁴ It includes ₹ 712.39 crore (Investment of Government of Puducherry), ₹ 1.68 crore (Investment by Government of India) and ₹ 0.51 crore (Other investments).

Table 2.22: Return on Investment

Investment/return/cost of borrowings	2016-17	2017-18	2018-19	2019-20	2020-21
Investment at the end of the year (₹ in crore)	1,030.67	1,027.79	1,033.70	1,043.09	1,043.54
Return (₹ in crore)	Nil	0.09	0.09	0.06	0.03
Return (<i>per cent</i>)	Nil	0.01	0.01	0.01	Nil
Average rate of interest on Government Borrowings (<i>per cent</i>)	7.20	8.02	7.88	7.42	7.44
Difference between interest rate and return (<i>per cent</i>)	7.20	8.01	7.87	7.41	7.44
Difference between interest on Government borrowings and return on investment (₹ in crore)	74.21	82.34	81.37	77.34	77.61

(Source: Finance Accounts of respective years)

The average rate of return on investment was 0.01 *per cent* during 2017-18 to 2019-20 and negligible during 2020-21, while the average rate of interest paid by the UT Government during 2016-21 ranged between 7.20 and 8.02 *per cent*.

Out of the total 12 working PSUs, six PSUs earned profit of ₹ 35.07 crore and six PSUs incurred losses of ₹ 62.43 crore aggregating to overall loss of ₹ 27.36 crore during 2020-21. Out of 12 Government companies, seven have completely eroded their net worth⁵, while remaining five Government companies have positive net worth as on 31 March 2021. The UT Government has made a cumulative investment of ₹ 444.01 crore in six loss making Government companies and ₹ 482.13 crore in seven Government companies whose net worth had completely eroded. The status of UT PSUs pertaining to investments made, their net profit/loss and net worth as on 31 March 2021 are given in **Table 2.23**.

Table 2.23: Status of PSUs about investments made, their net profit/loss and net worth

Sl. No.	Company	Status of PSU	Net profit/ loss after tax		Net Worth	Investment in Share Capital during 2020-21	Cumulative investment as on 31 March 2021
			Year	Amount			
1	Puducherry Agro Service and Industries Corporation Limited (PASIC)	Loss making	2012-13	(-) 1.28	(-) 23.26	Nil	15.00
2	Puducherry Agro Products, Food and Civil Supplies Corporation Limited (PAPSCO)	-do-	2013-14	(-) 7.23	(-) 17.19	Nil	9.88

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

Sl. No.	Company	Status of PSU	Net profit/ loss after tax		Net Worth	Investment in Share Capital during 2020-21	Cumulative investment as on 31 March 2021
			Year	Amount			
3	Puducherry Adi-Dravidar Development Corporation Limited (PADCO)	-do-	2016-17	(-) 2.09	0.75	Nil	13.18
4	Puducherry Corporation for Development of Women and Differently Abled Persons Limited (PCDWDAP)	-do-	2017-18	(-) 8.81	(-) 9.68	Nil	3.82
5	Pondicherry Textiles Corporation Limited (PTC)	-do-	2015-16	(-) 27.31	(-) 206.35	Nil	367.35
6	Puducherry Road Transport Corporation Limited (PRTC)	-do-	2018-19	(-) 15.71	(-) 34.41	Nil	34.78
	Sub-total			(-) 62.43	(-) 290.14	Nil	444.01
7	Puducherry Tourism Development Corporation Limited (PTDC)	Profit making	2018-19	1.05	(-) 9.22	Nil	17.59
8	Swadeshee Bharathee Textile Mills Limited (SBTML)	-do-	2014-15	22.19	(-) 21.19	Nil	33.71
9	Puducherry Backward Classes and Minorities Development Corporation Ltd (PBCMDC)	-do-	2014-15	1.23	6.80	Nil	4.81
10	Pondicherry Industrial Promotion Development and Investment Corporation Limited (PIPDIC)	-do-	2017-18	0.00	124.41	Nil	104.04
11	Puducherry Distilleries Limited (PDL)	-do-	2016-17	0.96	57.28	Nil	8.45
12	Puducherry Power Corporation Limited (PPCL)	-do-	2019-20	9.64	141.48	Nil	99.78
	Subtotal			35.07	299.56	Nil	268.38
	Investments in 359 Co-operative Institutions						328.96
	Central Government Investment						1.68
	Other Investments ⁶						0.51
Grand Total				(-) 27.36	9.42	Nil	1,043.54

(Source: Details furnished by respective Companies)

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

Out of six loss making PSUs, five PSUs have a negative net worth, while only one PSU viz., Puducherry Adi-Dravidar Development Corporation Limited (PADCO) has a positive net worth. Similarly, out of six profit making PSUs, two PSUs viz., PTDC and SBTML have a negative net worth. No investment was made in any of these PSUs during the last five years ending 2020-21.

Considering the average cost of borrowings of 7.44 *per cent* for the year 2020-21, these companies are required to earn a minimum return of ₹ 53 crore against which these companies reported a total net loss of ₹ 27.36 crore as per their latest audited accounts.

2.4.3.3 Capital locked in incomplete projects

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

Table 2.24: Age profile of incomplete projects as on 31 March 2021

(₹ in crore)

Year of commencement	No of incomplete projects	Estimated cost	Expenditure (as on 31 March 2021)
2007	1	6.26	5.92
2009	1	8.00	6.99
2011	1	71.62	64.84
2014	1	11.00	4.17
2015	5	8.77	5.48
2016	6	90.57	57.53
2017	4	15.54	12.09
2018	5	33.56	9.95
2019	16	94.46	27.38
2020	17	64.51	18.49
2021	1	0.21	0.11
Total	58	404.50	212.95

(Source: Finance Accounts 2020-21)

Table 2.25: Department-wise profile of incomplete projects as on 31 March 2021

(₹ in crore)

Department	No of incomplete projects	Estimated cost	Expenditure
Public Work/Irrigation	54	391.91	206.85
Electricity	4	12.59	6.10
Total	58	404.50	212.95

It could be seen from **Tables 2.24** and **2.25** that as against estimated amount of ₹ 404.50 crore, an amount of ₹ 212.95 crore has been incurred. The projects, however, remained incomplete as of March 2021. It was seen that in respect of 24 projects on which an expenditure of ₹ 166.97 crore incurred remained incomplete for periods ranging from four to 14 years. Similarly, ₹ 45.98 crore incurred on 34 projects remained incomplete for period ranging from one to four years. The intended benefits have not percolated despite the high expenditure over a long period. Further, the Capital expenditure of the UT

showed significant decrease over the period of five years from ₹ 447 crore in 2016-17 to ₹ 240 crore in 2020-21. Thus, the funds borrowed for implementation of these projects during the respective years led to extra burden in term of servicing of debt and interest liabilities.

Government agreed (January 2022) that this was a matter of concern and the UT would work on this.

2.4.4 Expenditure priorities

The expenditure responsibilities relating to the social sector and economic infrastructure are largely State/UT subjects. Enhancing human development levels requires the States to step up their expenditure on key social services like education, health, etc. Low fiscal priority (ratio of expenditure category to aggregate expenditure) is attached to a particular sector, if the allocation given to that particular head of expenditure is below the General Category States' (GCS)/national average. Apart from improving the allocation towards development expenditure, the efficiency of expenditure use is also reflected by the ratio of Capital expenditure to Total expenditure and the proportion of Revenue expenditure being spent on Education and Health Sectors. The higher the ratio of these components to Total Expenditure, the quality of expenditure is considered to be better.

An analysis of fiscal priority (percentage of expenditure category to aggregate expenditure) of UT Government with regard to development expenditure, social sector expenditure and Capital expenditure during the current year and comparison of fiscal priority given to different categories of expenditure of UT of Puducherry in 2016-17 and 2020-21 are given in **Table 2.26**.

Table 2.26: Fiscal priority of UT Government in 2016-17 and 2020-21

Fiscal priority of UT		AE/ GSDP	DE/ AE	SSE/ AE	CE/ AE	ESE/ AE	Expendi- ture on Education, Sports, Art and Culture/AE	Expendi- ture on Health and Family Welfare/ AE
Puducherry (Percentage)	2016-17	19.97	70.70	38.09	7.57	32.60	13.05	8.30
	2020-21	20.62	67.01	33.81	3.20	33.21	12.20	8.20
General Category States (Percentage)	2016-17	17.12	70.97	35.81	19.97	35.16	14.93	5.49
	2020-21	16.18	66.29	37.81	13.03	28.48	15.00	6.74

AE: Aggregate Expenditure, DE: Development Expenditure, SSE: Social Sector Expenditure, CE: Capital Expenditure, ESE: Economic Sector Expenditure
(Source: Finance Accounts of respective years)

As can be seen from **Table 2.26**, Development expenditure as a ratio of aggregate expenditure of the UT of Puducherry was more than that of GCS during both the years *i.e.*, 2016-17 and 2020-21. The increase in aggregate expenditure of UT Government, as a percentage to GSDP from 19.97 in 2016-17 to 20.62 in 2020-21, indicated that UT Government spent more of its GSDP on aggregate expenditure in 2020-21. Capital expenditure of the UT was less than that of GCS during both the years and it reduced from 7.57 *per cent* in 2016-17 to 3.20 *per cent* of the aggregate expenditure in 2020-21. Expenditure on Health and Family Welfare had decreased from 8.30 *per cent* in 2016-17 to 8.20 *per cent* of the aggregate expenditure in 2020-21 and it was higher when compared to the GCS in both the years. Though the expenditure on Education, Sports, Art and Culture increased by ₹ 43.71 crore during 2020-21, as a percentage of aggregate expenditure, it decreased from 13.05 *per cent* in 2016-17 to 12.20 *per cent* in 2020-21. It was also less than the GCS in both the years.

2.5 Public Account

Receipts and Disbursements in respect of certain transactions such as Small Savings, Provident Funds, Reserve Funds, Deposits, Suspense, Remittances, *etc.*, which do not form part of the Consolidated Fund are kept in the Public Account set up under Section 47A of the UT Act, 1963 and are not subject to vote by the UT Legislature. The Government acts as a banker in respect of Public account moneys. The balance after disbursements during the year is the fund available with the Government to utilise it for various purposes.

2.5.1 Net Public Account Balances

The component-wise net balances in Public Account of the UT as on 31 March 2021 are given in **Table 2.27**.

Table 2.27: Component-wise net balances in Public Account

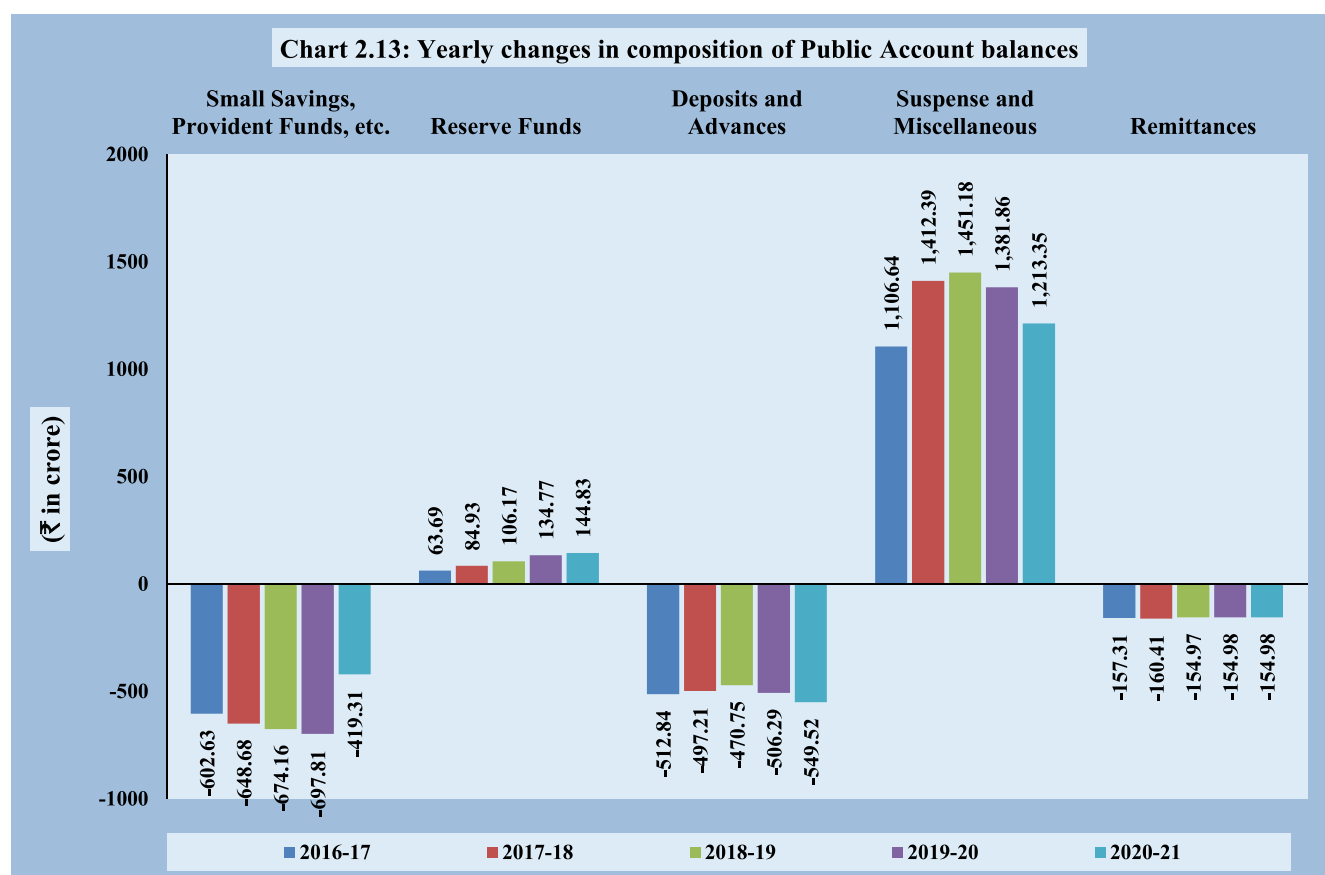
(₹ in crore)						
Sector	Sub Sector	2016-17	2017-18	2018-19	2019-20	2020-21
I. Small Savings, Provident Funds, <i>etc.</i>	Small Savings, Provident Funds, <i>etc.</i>	(-) 602.63	(-) 648.68	(-) 674.16	(-) 697.81	(-) 419.13
J. Reserve Funds	(a) Reserve Funds bearing Interest	--	--	--	--	--
	(b) Reserve Funds not bearing Interest	63.69	84.93	106.17	134.77	144.83
K. Deposits and Advances	(a) Deposits bearing Interest	(-) 97.82	(-) 116.07	(-) 135.49	(-) 165.49	(-) 161.94
	(b) Deposits not bearing Interest	(-) 415.64	(-) 381.82	(-) 335.89	(-) 341.43	(-) 388.16

Sector	Sub Sector	2016-17	2017-18	2018-19	2019-20	2020-21
	(c) Advances	0.62	0.68	0.63	0.63	0.57
L. Suspense and Miscellaneous	(b) Suspense	175.20	(-) 263.54	276.94	307.74	285.94
	(c) Other Accounts	931.44	1,675.93	1,174.24	1,074.12	927.41
	(d) Accounts with Governments of Foreign Countries	--	--	--	--	--
	(e) Miscellaneous	--	--	--	--	--
M. Remittances	(a) Money Orders and other Remittances	(-) 157.31	(-) 160.41	(-) 154.97	(-) 154.98	(-) 154.98
	(b) Inter-Governmental Adjustment Account	--	--	--	--	--
Total		(-) 102.45	191.02	257.47	157.55	234.54

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

(Source: Finance Accounts of respective years)

The yearly changes in composition of Public Account balances are depicted in **Chart 2.13**.



(Source: Finance Accounts of respective years)

The Public Account liability of the UT Government decreased from ₹ 1,070 crore in 2019-20 to ₹ 824 crore in 2020-21. This was mainly due to

decrease in Small Savings and Provident fund (₹ 278 crore) and increase in Deposits and advances (₹ 43 crore).

2.5.2 Reserve Funds

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

2.5.2.1 Consolidated Sinking Fund

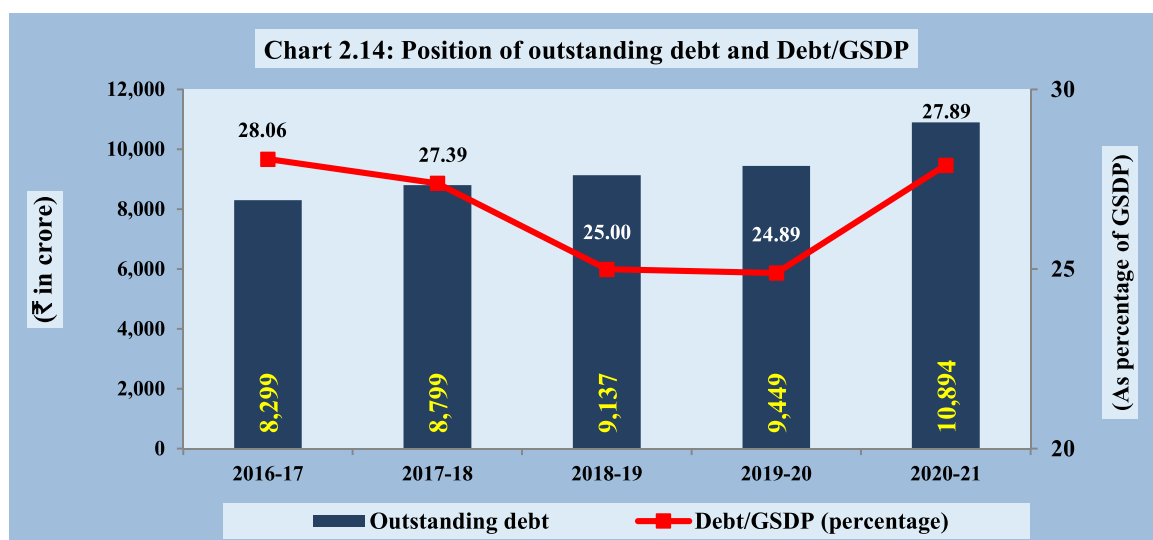
As per the request of the Reserve Bank of India, the UT Government have set up the Consolidated Sinking Fund from the financial year 2009-10. The fund is to be utilised as an Amortisation fund for redemption of the outstanding liabilities (comprise of internal debt and public account liabilities) of the Government. The Government may contribute to the Fund at least 0.5 *per cent* of the outstanding liabilities as at the end of the previous year. During the year 2020-21, the opening outstanding liabilities of the UT Government was ₹ 8,030.64 crore (Public Debt - ₹ 6,960.68 crore and Public Account - ₹ 1,069.96 crore) for which the UT Government had to contribute ₹ 40.15 crore at 0.5 *per cent* of the total outstanding liabilities for which the UT Government had contributed only ₹ 15.08 crore. This has resulted in understatement of the revenue/fiscal deficit to that extent during the current financial year and have also deferred the liability to future years. As of 31 March 2021, the UT Government had invested ₹ 1,043.54 crore.

Government stated (January 2022) that it was not viable since the UT faced revenue deficit and further stated that it was not wise to borrow from the market at seven *per cent* and invest the amount at around four *per cent*. However, the non-compliance in this regard is reiterated.

2.6 Debt management

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

The position of outstanding debt and Debt/GSDP ratio during 2016-17 to 2020-21 are given in **Chart 2.14**.



(Source: Finance Accounts of respective years)

2.6.1 Debt profile - Components

Total debt of the UT Government constitutes of External/Internal debt of the UT (market loans, ways and means advances from RBI, special securities issued to National Small Savings Fund and loans from financial institutions, etc.), and loans and advances from the Central Government. The details of component-wise debt trends are given in **Table 2.28** and **Charts 2.15, 2.16** and **2.17**.

Table 2.28: Component-wise debt trends

		(₹ in crore)				
Particulars		2016-17	2017-18	2018-19	2019-20	2020-21
Outstanding overall Debt		8,299	8,799	9,137	9,449	10,894
Public Debt		7,246	7,737	8,098	8,379	10,070
	External Debt	Nil	Nil	50	50	50
	Internal Debt	5,461	6,016	6,479	6,911	7,978
	Loans from GoI	1,785	1,721	1,569	1,418	2,042
Public Account Liabilities		1,053	1,062	1,039	1,070	824
Rate of growth of outstanding debt (<i>per cent</i>)		7.03	6.02	3.84	3.41	15.29
Gross State Domestic Product (GSDP)		29,573	32,129	36,555	37,959	36,402
Debt/GSDP (<i>per cent</i>)		28.06	27.39	25.00	24.89	27.89*
Total Debt Receipts		820	1,061	1,007	1,043	2,529
Total Debt Repayments		224	570	639	762	838
Total Debt Available		596	491	368	281	1,691
Debt Repayments/Debt Receipts (<i>per cent</i>)		27.32	53.72	63.46	73.06	33.14

* Calculated excluding the back-to-back loan of ₹ 742 crore received from GoI in lieu of GST Compensation shortfall

(Source: Finance Accounts of respective years)

Chart 2.15: Break up of Outstanding Debt at the end of 2020-21
Total Debt - ₹ 10,894 crore

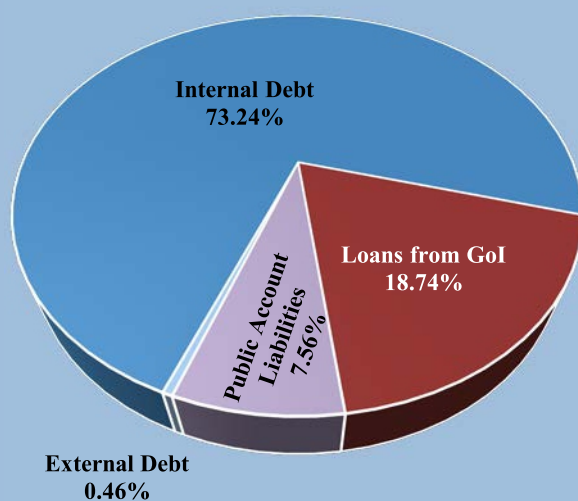
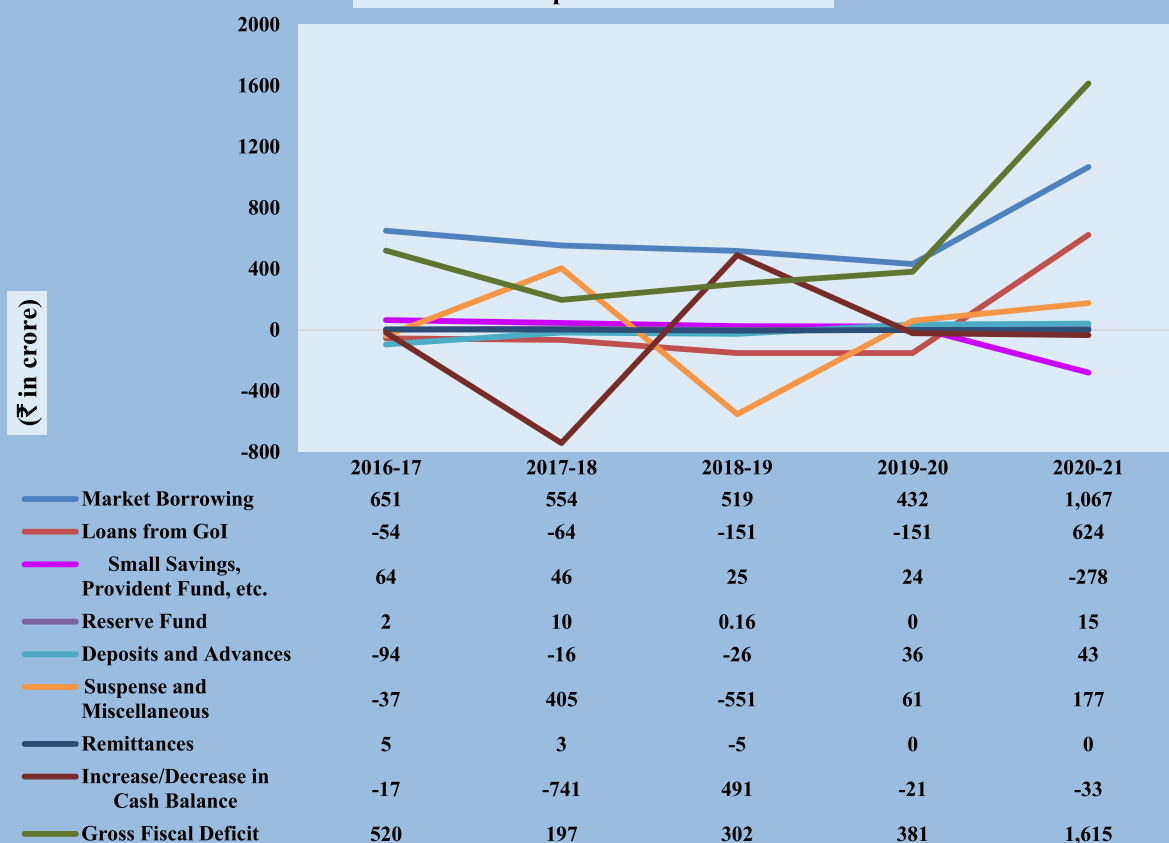
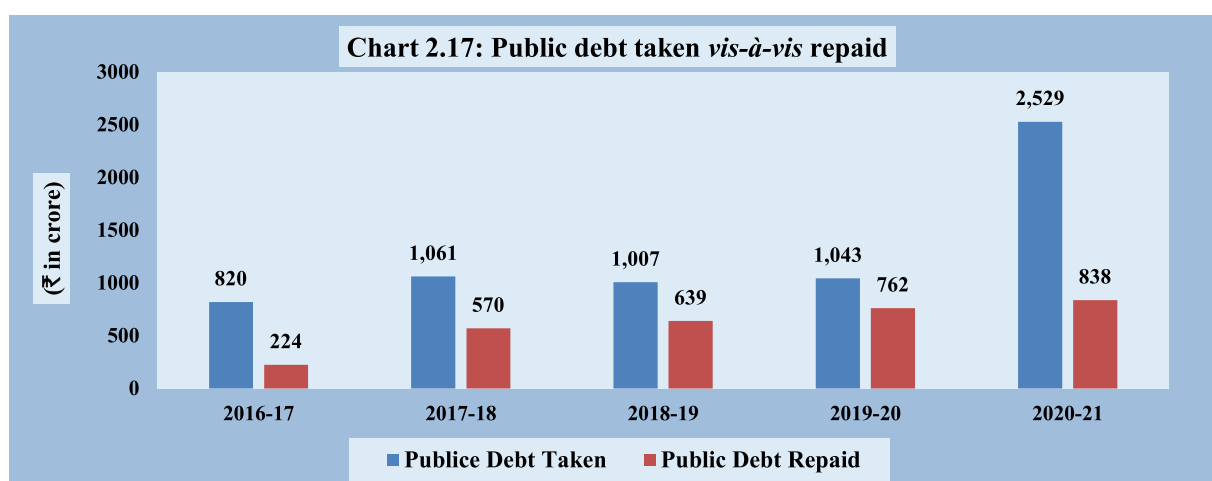


Chart 2.16: Component-wise debt trends





(Source: Finance Accounts of respective years)

It could be seen that the outstanding debt (including Public Account liabilities) increased from ₹ 8,299 crore in 2016-17 to ₹ 10,894 crore in 2020-21 and the rate of growth also increased from 7.03 per cent to 15.29 per cent during the same period. During the five-year period, the percentage of repayment of Public Debt out of Public Debt Receipts increased from 27.32 to 73.06 upto 2019-20 and steeply declined to 33.14 in 2020-21. The decline was due to classification of GST compensation shortfall of ₹ 742 crore received from GoI as Public Debt. Out of the total Debt Receipt of ₹ 2,529 crore during 2020-21, an amount of ₹ 838 crore was utilised for repayment of debt, leaving a balance of only ₹ 1,691 crore available for spending.

2.6.2 Components of fiscal deficit and its financing

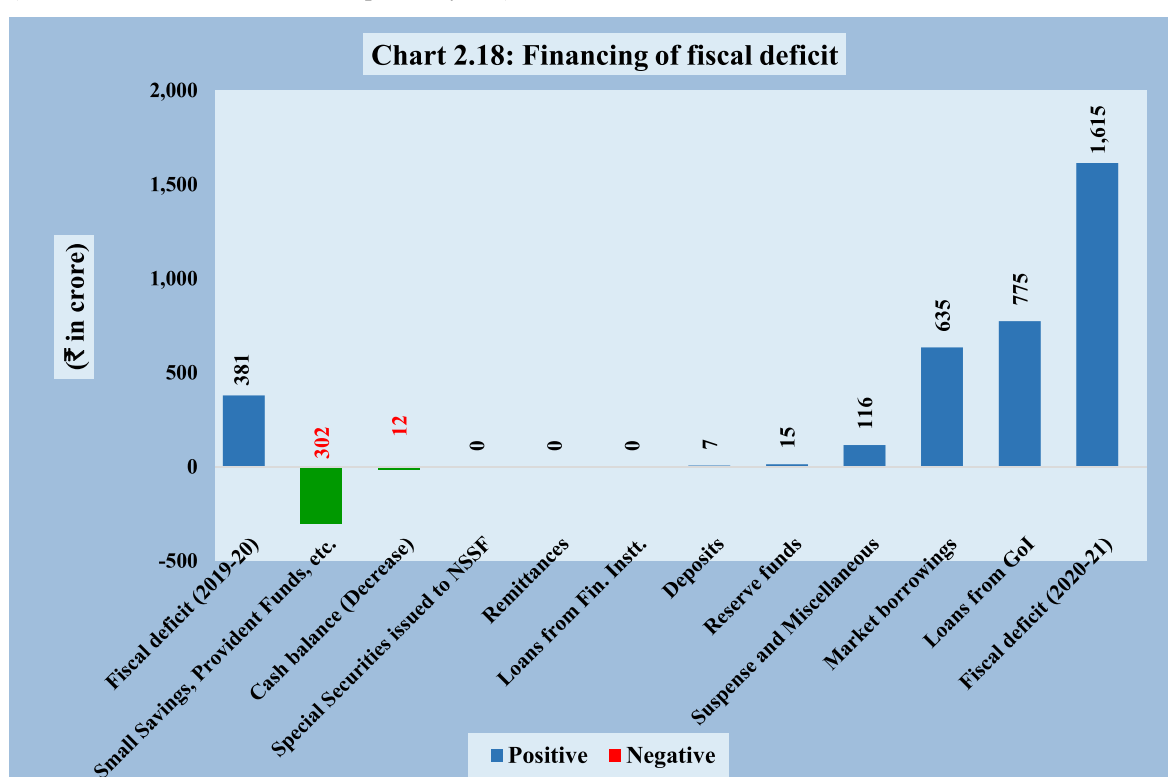
The various components of fiscal deficit and its financing pattern are detailed in **Table 2.29** and **Chart 2.18**.

Table 2.29: Components of fiscal deficit and its financing pattern

		(₹ in crore)				
Particulars		2016-17	2017-18	2018-19	2019-20	2020-21
Composition of Fiscal Deficit		(-) 520	(-) 197	(-) 302	(-) 381	(-) 1,615
1	Revenue Deficit	(-) 75	196	13	(-) 54	(-) 1,370
2	Net Capital Expenditure	(-) 447	(-) 394	(-) 313	(-) 327	(-) 240
3	Net Loans and Advances	2	1	(-) 2	0	(-) 5
Financing Pattern of Fiscal Deficit						
1	Market Borrowings	651	554	519	432	1,067
2	Loans from GoI	(-) 54	(-) 64	(-) 151	(-) 151	624
3	Special Securities issued to NSSF	--	--	--	--	--
4	Loans from Financial Institutions	--	--	--	--	--

Particulars		2016-17	2017-18	2018-19	2019-20	2020-21
5	Small Savings, PF, etc.	64	46	25	24	(-) 278
6	Deposits and Advances	(-) 94	(-) 16	(-) 26	36	43
7	Suspense and Miscellaneous	(-) 37	405	(-) 551	61	177
8	Remittances	5	3	(-) 5	0	0
9	Reserve Fund	2	10	0.16	0	15
10	Overall Deficit	537	938	(-) 189	402	1,648
11	Increase/Decrease in cash balance	17	741	(-) 491	21	33
12	Gross Fiscal Deficit	(-) 520	(-) 197	(-) 302	(-) 381	(-) 1,615

(Source: Finance Accounts of respective years)



(Source: Finance Accounts 2020-21)

The Fiscal deficit increased from ₹ 520 crore in 2016-17 to ₹ 1,615 crore in 2020-21. This was mainly due to increase in revenue deficit.

2.6.3 Debt profile - Maturity and Repayment

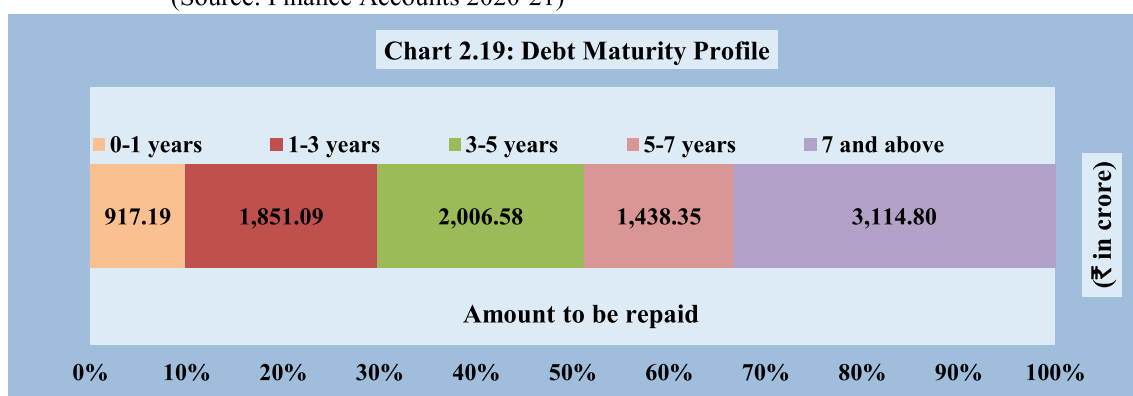
The debt maturity and repayment profile indicates commitment on the part of the Government for debt repayment or debt servicing.

The debt maturity profile of repayment of debt and repayment schedule of market loans by the UT Government are given in **Table 2.30** and **Charts 2.19** and **2.20**.

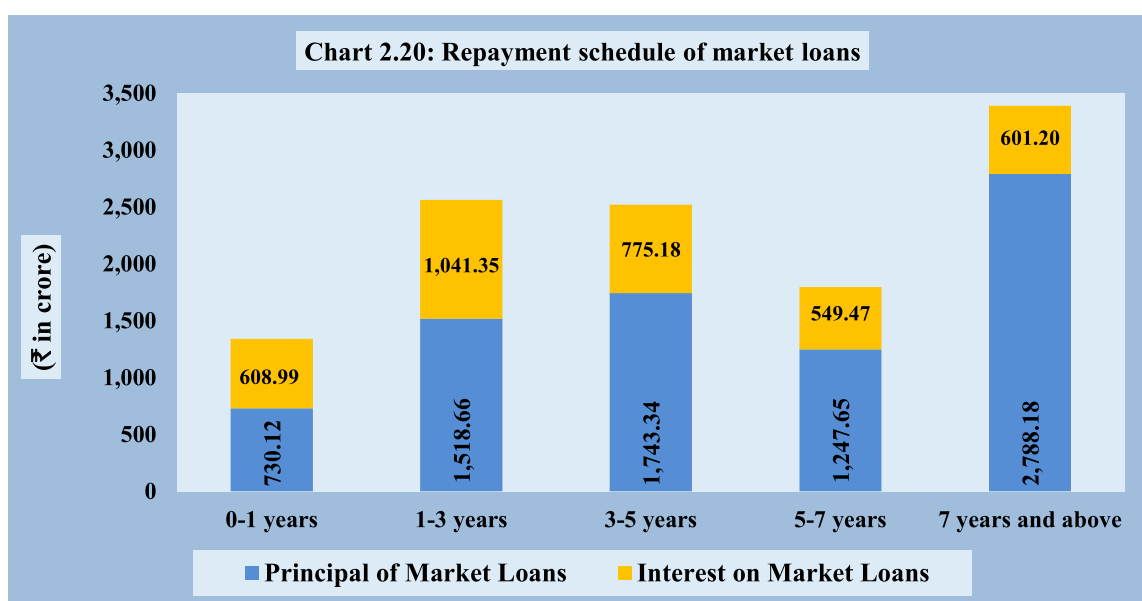
Table 2.30: Debt Maturity profile of repayment of debt

Period of repayment (Years)	Amount (₹ in crore)	Percentage to Public debt
0 – 1	917.19	9.83
1 – 3	1,851.09	19.85
3 – 5	2,006.58	21.51
5 – 7	1,438.35	15.42
7 and above	3,114.80	33.39
Total	9,328.01⁷	

(Source: Finance Accounts 2020-21)



(Source: Finance Accounts 2020-21)



(Source: Data furnished by Directorate of Accounts and Treasuries)

The maturity profile of UT Government's Public Debt indicates that nearly 66.61 *per cent* of the total Public debt was repayable within next seven years, which indicates a year-on-year increase in its repayment burden.

⁷ Does not include ₹ 742 crore released as back-to-back loan in lieu of GST Compensation shortfall, as there is no repayment obligation to UT Government.

2.7 Debt Sustainability Analysis

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

Fiscal space in general refers to the room a Government has to undertake discretionary policy relative to existing plans without undermining debt sustainability or market access. Apart from the magnitude of debt of UT Government, it was important to analyse various indicators that determine the debt sustainability of UT. This section assesses the sustainability of debt of UT Government in sufficiency of non-debt receipts, net availability of borrowed funds⁸ and burden of interest payments (measured by interest payments to revenue receipts ratio).

Table 2.31 indicates debt sustainability of the UT for a period of five years beginning from 2016-17.

Table 2.31: Trends in Debt Sustainability indicators

Debt Sustainability Indicators	₹ in crore)				
	2016-17	2017-18	2018-19	2019-20	2020-21
Outstanding Public Debt*	7,246	7,737	8,098	8,379	10,070
Rate of growth of outstanding Public Debt	8.95	6.77	4.67	3.47	20.18
GSDP	29,573	32,129	36,555	37,959	36,402
Rate of growth of GSDP	11.11	8.64	13.78	3.84	(-) 4.10
Debt/GSDP	24.50	24.08	22.15	22.07	25.62
Average interest rate of outstanding Public Debt (<i>per cent</i>)	7.73	8.25	8.55	8.22	8.21
Percentage of Interest payment to Revenue receipts	10.74	11.43	11.05	10.18	12.85
Percentage of Debt Repayment to Debt Receipts	27.32	53.72	63.46	73.06	33.14
Net Debt available to the UT [#]	35.93	(-) 127.47	(-) 265.12	(-) 396.35	1,006.57

⁸ Defined as the ratio of the debt redemption (Principal + Interest Payments) to total debt receipts and indicates the extent to which the debt receipts were used in debt redemption, indicating the net availability of borrowed funds.

Debt Sustainability Indicators	2016-17	2017-18	2018-19	2019-20	2020-21
Net Debt available as <i>per cent</i> to Debt Receipts	4.38	(-) 12.01	(-) 26.33	(-) 38.00	(-) 39.80
Debt Stabilisation (Quantum spread [@] + Primary Deficit)	260	517	341	541	(-) 1,889

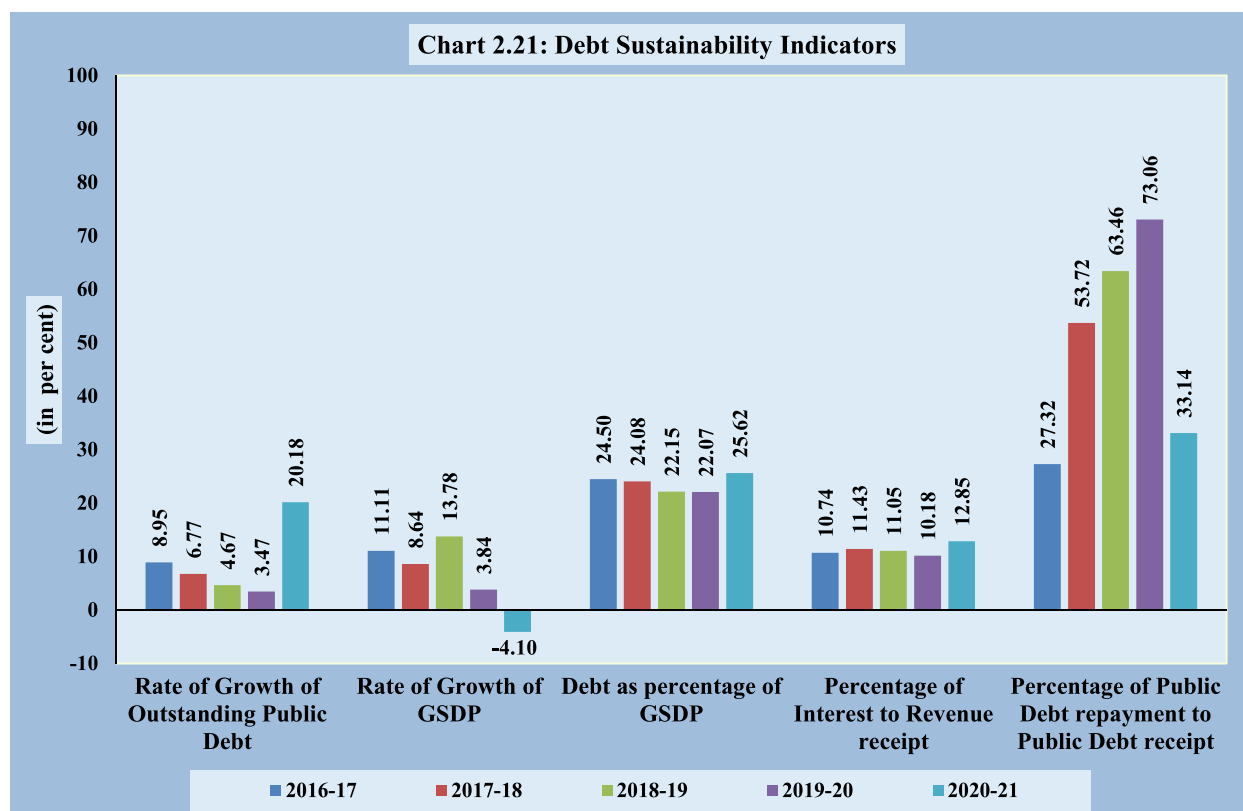
* Outstanding Public Debt is the sum of outstanding balances under the heads 6002 - External Debt, 6003 - Internal Debt and 6004 - Loans and Advances from the Central Government.

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

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

(Source: Finance Accounts of respective years)

The UT's effective Public Debt after deducting the back-to-back loan of ₹ 742 crore received from GoI in lieu of GST Compensation shortfall was ₹ 9,328 crore and the Debt-GSDP ratio was 25.62 *per cent* during 2020-21. The trends of debt sustainability indicators for the period 2016-17 to 2020-21 are indicated in **Chart 2.21**.



(Source: Finance Accounts of respective years)

- The rate of growth of outstanding debt, which was at 8.95 *per cent* in 2016-17 increased to 20.18 *per cent* in 2020-21.
- UT's Debt-GSDP ratio gradually decreased from 24.50 to 22.07 during 2016-20 and increased and stood at 25.62 *per cent* during 2020-21. An increasing Debt/GSDP ratio considered as leading towards instability and unsteadiness.

- The burden of interest payments to revenue receipts increased from 10.18 *per cent* in 2019-20 to 12.85 *per cent* during 2020-21. The increase was due to reduction in Revenue receipts from ₹ 6,781 crore in 2019-20 to ₹ 5,890 crore in 2020-21 and increase in interest payments from ₹ 690 crore in 2019-20 to ₹ 757 crore in 2020-21.
- The debt repayment to debt receipts which was 27.32 *per cent* in 2016-17 increased to 53.72 *per cent* in 2017-18 and went upto 73.06 *per cent* in 2019-20. The sudden downfall in the debt repayment to debt receipts during 2020-21 to 33.14 *per cent* was mainly due to release of ₹ 742 crore as back-to-back loan in lieu of GST compensation shortfall by GoI.
- The net debt available to UT Government increased to ₹ 1,007 crore in 2020-21. Interest paid on public debt was ₹ 684 crore which was 27.05 *per cent* of the borrowings of ₹ 2,529 crore during 2020-21. The debt repaid during the year was ₹ 838 crore. The financial outgo on account of debt servicing thus impacted the finances of UT due to increase in Revenue expenditure on account of high interest payments.
- The developmental works were also affected due to paucity of funds as seen from the actual Capital expenditure (₹ 240 crore) which was less by 35.48 *per cent* of the budget estimate of ₹ 372 crore.

2.7.1 Utilisation of borrowed funds

Borrowed funds should ideally be used to fund capital creation and developmental activities. Using borrowed funds for meeting current consumption and repayment of interest on outstanding loans is not sustainable. The trends in utilisation of borrowed funds are given in **Table 2.32** and **Chart 2.22**.

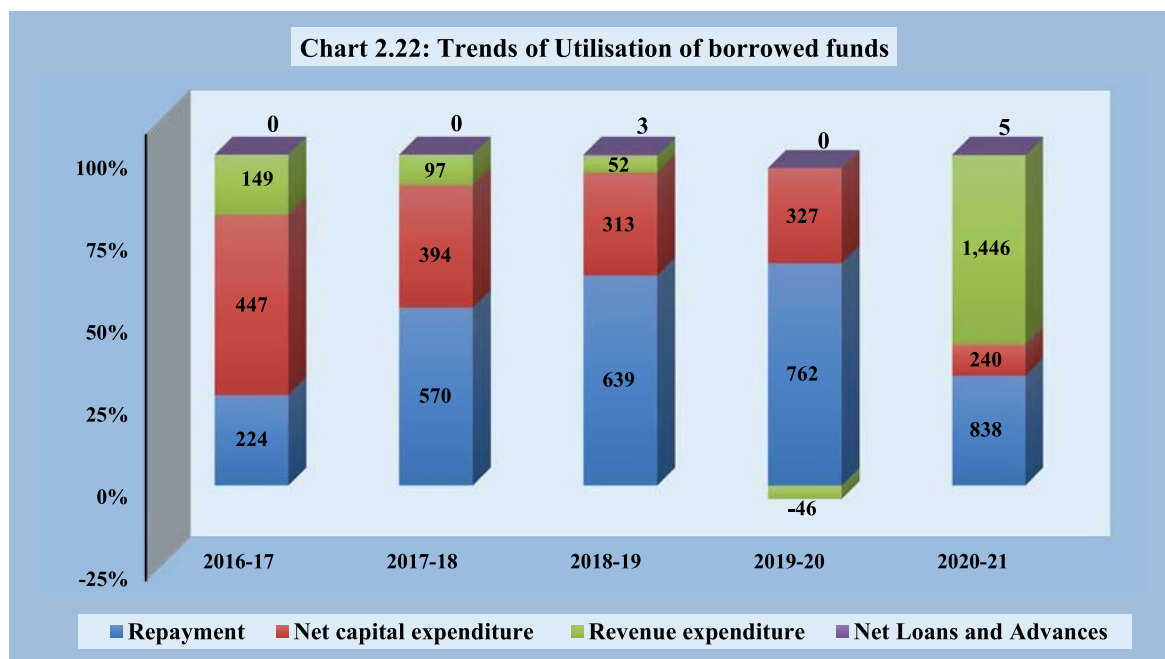
Table 2.32: Utilisation of borrowed funds

(₹ in crore)						
Year	Row No.	2016-17	2017-18	2018-19	2019-20	2020-21
Total Borrowings	1	820	1,061	1,007	1,043	2,529
Repayment of earlier borrowings (Principal)	2	224	570	639	762	838
Net Capital expenditure	3	447	394	313	327	240
Net Loans and Advances	4	0	0	3	0	5
Portion of Revenue expenditure met out of net available borrowings	5=1-2-3-4	149	97	52	(-) 46	1,446

(Source: Finance Accounts of respective years)

It could be seen from **Table 2.32** that total borrowing had increased by 208.41 *per cent* from ₹ 820 crore in 2016-17 to ₹ 2,529 crore in 2020-21,

whereas the repayment of borrowing increased by 395.86 *per cent* during the same period. During the five-year period 2016-21, 46.95 *per cent* of Public Debt receipts were utilised for repayment of Public Debt taken in earlier years.



(Source: Finance Accounts of respective years)

It could be seen from **Table 2.32** that ₹ 838 crore (33.14 *per cent*) out of the borrowing of ₹ 2,529 crore has been utilised for repayment of debt and the balance utilised for meeting Revenue expenditure leading to lesser spending on creation of capital assets.

2.7.2 Status of Guarantees

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

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

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

Guarantees	2016-17	2017-18	2018-19	2019-20	2020-21
Maximum amount guaranteed (₹ in crore)	56.18	63.18	63.18	63.18	53.68
Outstanding amount of guarantees (₹ in crore)	44.48	49.16	48.24	42.17	39.98
Percentage of maximum amount guaranteed to total Revenue receipts	1.04	1.05	0.99	0.93	0.91

(Source: Finance Accounts of respective years)

As a percentage of Revenue receipts, the maximum amount guaranteed decreased from 0.93 in 2019-20 to 0.91 in 2020-21. No guarantee was invoked during any of the five years.

2.7.3 Management of cash balances

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

State/UT Governments invests its surplus cash balance in short and long-term GoI Securities and Treasury Bills. The profits derived from such investments are credited as receipts under the head '0049-Interest Receipts'. It is not desirable that State/UT Government take recourse to market loans despite having large cash balances leading to further accretion to cash balances without putting it to productive use. The details of cash balances and their investments as at the beginning and at the end of 2020-21 are given in **Table 2.34**.

Table 2.34: Cash Balances and their investment

(₹ in crore)

	Opening balance as on 1 April 2020	Closing balance as on 31 March 2021
(A) General cash balance		
(i) Cash in treasuries	Nil	Nil
(ii) Deposits with RBI	0.15	0.16
(iii) Deposits with other banks	Nil	Nil
(iv) Local remittances	Nil	Nil
Total	0.15	0.16
(v) Investment held in cash balance investment account	1,272.48	1,279.73
Total (A)	1,272.63	1,279.89

	Opening balance as on 1 April 2020	Closing balance as on 31 March 2021
(B) Other cash balances and investments		
(vi) Departmental cash balances	0.44	0.44
(vii) Permanent Imprest	2.03	2.97
(viii) Investment in earmarked funds	366.95	392.09
Total (B)	369.42	395.50
Grand Total (A) + (B)	1,642.05	1,675.39
Interest realised	67.90	38.16

(Source: Finance Accounts 2020-21)

The cash balance increased from ₹ 1,642.05 crore in 2019-20 to ₹ 1,675.39 crore in 2020-21. During the year, the cash balance investment⁹ was ₹ 1,279.73 crore. The cash balance investment and the interest earned during the period 2016-21 are given in **Table 2.35**.

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

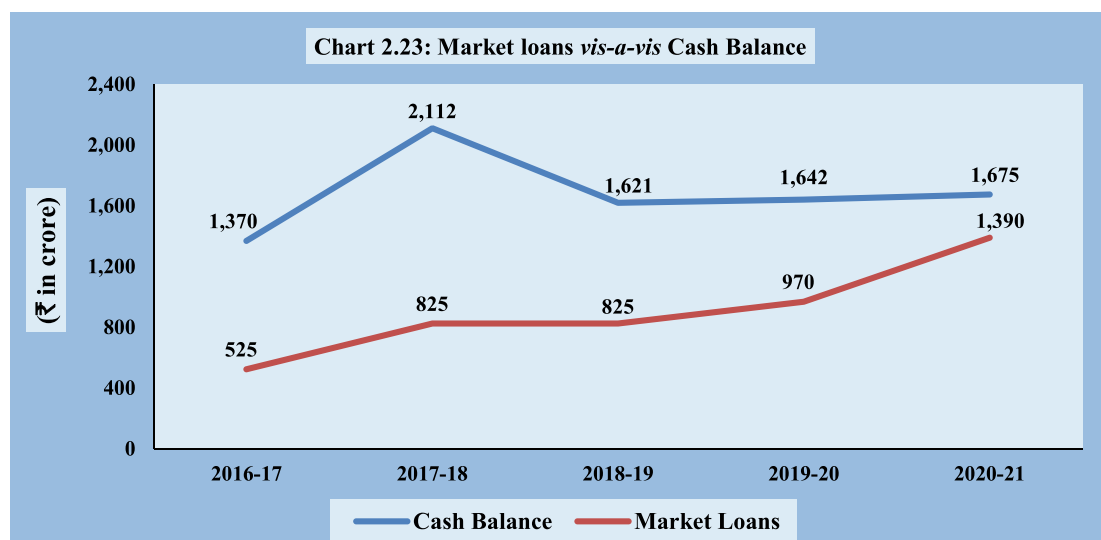
(₹ in crore)

Year	Opening Balance	Closing Balance	Increase (+) / decrease (-)	Interest earned
2016-17	984.17	1,082.10	97.93	42.66
2017-18	1,082.10	1,792.64	710.54	47.90
2018-19	1,792.64	1,280.56	(-) 512.08	68.49
2019-20	1,280.56	1,272.48	(-) 8.08	67.90
2020-21	1,272.48	1,279.73	7.25	38.16

(Source : Finance Accounts of respective years)

It could be seen from **Table 2.35** that the cash balance investment had increased by 18.26 *per cent* from ₹ 1,082.10 crore in 2016-17 to ₹ 1,279.73 crore in 2020-21. It is pertinent to point out that during the same period, the Public Debt receipts increased by 208.41 *per cent* from ₹ 820 crore in 2016-17 to ₹ 2,529 crore in 2020-21. The Cash balances and Market loans during the five-year period 2016-21 are indicated in **Chart 2.23**.

⁹ Cash balance investment was the mandatory investment required to be done by each State/UT Government with RBI. This balance was the combined cash and cash equivalent balance of Consolidated Fund, Contingency Fund and Public Account.



(Source : Finance Accounts of the respective years)

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

Table 2.36: Cash Balance Investment Account vis-à-vis borrowings

(₹ in crore)

Month and Year	Investment in Cash Balance Investment Account (Treasury bills)			Borrowings
	14 days	Less than 90 days	Total	
April 2020	457.61	893.65	1,351.26	2.11
May 2020	0.00	1,142.65	1,142.65	2.50
June 2020	118.30	1,098.62	1,216.92	--
July 2020	477.62	1,098.62	1,576.24	1.89
August 2020	482.70	924.65	1,407.35	185.94
September 2020	571.75	801.64	1,373.39	351.34
October 2020	579.21	801.63	1,380.84	125.00
November 2020	497.84	801.63	1,299.47	390.53
December 2020	607.90	801.63	1,409.53	310.28
January 2021	596.41	801.43	1,397.84	411.60
February 2021	973.92	801.43	1,775.35	348.35
March 2021	483.92	801.43	1,285.35	399.09
Total				2,528.63

(Source : Details furnished by DAT, Puducherry and Finance Accounts 2020-21)

It could be seen from **Table 2.36** above that the average monthly cash balance investment during 2020-21 was ₹ 1,384.68 crore, whereas the UT Government resorted for borrowings of ₹ 2,528.63¹⁰ crore during 2020-21. While the average interest rate on Government borrowing was 7.73 per cent,

¹⁰ Including back-to-back loan in lieu of GST compensation shortfall from GoI.

the average interest earned on cash balance investment was only 2.99 *per cent*. Thus, resorting to borrowings despite availability of huge cash balance was against the principles of financial prudence.

Government stated (January 2022) that since UT had bulk payments in February and March and if market loans were resorted during the period, the interest rates would be relatively high. The reply was not acceptable as the borrowings in February and March was ₹ 747.44 crore (29.56 *per cent*) out the total borrowings of ₹ 2,528.63 crore and specific reasons for resorting to borrowing was not furnished.

2.8 Conclusion

Revenue receipts: Revenue receipts of the UT decreased by 13.14 *per cent* over the previous year. However, the Revenue expenditure increased by 6.20 *per cent* when compared to previous year which resulted in revenue deficit of ₹ 1,370 crore. The growth rate of GSDP was negative at (-) 4.10 *per cent* whereas the growth rate of revenue receipts was (-) 13.14 *per cent*.

Revenue expenditure: Revenue expenditure increased from ₹ 6,836 crore in 2019-20 to ₹ 7,260 crore (6.20 *per cent*) in 2020-21. The proportion of Revenue expenditure to total expenditure stood at 96.73 *per cent* during the year. The committed expenditure such as salaries, pension and interest payment constituted 57.47 *per cent* of Revenue expenditure. The increase in aggregate expenditure of UT Government, as a percentage to GSDP, from 19.97 in 2016-17 to 20.62 in 2020-21, indicated that UT Government spent higher proportion of its GSDP on aggregate expenditure in 2020-21.

Capital expenditure: The Capital expenditure decreased by ₹ 87 crore over the previous year, which indicated that the UT was not prioritising on infrastructure development. As against the Capital expenditure of ₹ 447 crore incurred during 2016-17, the expenditure incurred during 2020-21 was only ₹ 240 crore which constituted only 3.20 *per cent* of the total expenditure. Besides this, an amount of ₹ 212.95 crore has been incurred on projects which remained incomplete as of March 2021 and had not yielded the intended benefits. The non-completion of projects for long periods could hinder the overall development of the UT.

Fiscal status: The Fiscal deficit increased from ₹ 381 crore in 2019-20 to ₹ 1,615 crore in 2020-21 and during the five-year period, it increased by ₹ 1,095 crore. The huge increase in Fiscal deficit during the current year was due to release of GST compensation shortfall of ₹ 742 crore as back-to-back loan by GoI and reduced Capital expenditure. UT's Debt-GSDP ratio increased from 24.50 *per cent* in 2016-17 to 25.62 *per cent* in 2020-21.

Increasing Debt/GSDP ratio is considered as leading towards instability and unsteadiness.

Arrears of revenue: As of March 2021, there was huge arrears in collection of revenue to the tune of ₹ 1,241.99 crore and out of which ₹ 552.59 crore were outstanding for more than five years.

Return on investment: The average rate of return on investment was 0.01 *per cent* during 2017-18 to 2019-20 and negligible during 2020-21. The difference in interest rate on borrowings by Government was 7.44 *per cent* when compared to the return on investment.

Fiscal liabilities: The outstanding fiscal liabilities increased from ₹ 8,299 crore in 2016-17 to ₹ 10,894 crore in 2020-21 and the rate of growth also increased from 7.03 *per cent* to 15.29 *per cent* during the same period.

Debt maturity profile: The maturity profile of public debt indicated that nearly 66.61 *per cent* of the total public debt has to be repaid within next seven years.

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

2.9 Recommendations

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