

Chapter I

Overview

1.1 Profile of the State

Gujarat is situated on the west coast of India, bounded by the Arabian Sea in the west and the States of Rajasthan in the north, Madhya Pradesh in the east and Maharashtra in the south. The State also shares an international border with Pakistan on the north-western fringe. It has a coastline of about 1,600 km., which is one third of India's mainland coastline. It is the seventh largest State in terms of geographical area (1,96,244 sq. km.) and the ninth largest by population. The State's population increased from 6.14 crore in 2012 to 7.06 crore in 2022, recording a decadal growth of 15.09 *per cent*. The percentage of population below poverty line was 16.6 *per cent* in 2011-12 as compared to the all-India average of 21.9 *per cent*. The State has 33 districts and 251 *talukas*.

The Gross State Domestic Product (GSDP) in 2021-22 at current prices was ₹ 19,44,107 crore. The per capita GSDP of the State at ₹ 2,76,588 during 2021-22 was higher than all India average of ₹ 1,72,913 during the same period. The State's literacy rate was 78 *per cent* (as per 2011 census). The profile of the State is shown in **Appendix 1.1**.

1.1.1 Gross State Domestic Product of Gujarat

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

Trends in annual growth of Gujarat's GSDP (nominal) *vis-à-vis* that of the Nation are given in **Table 1.1**.

Table 1.1: Trends in growth of GDP and GSDP

	(₹ in crore)				
Year	2017-18	2018-19	2019-20	2020-21	2021-22
GDP (Base year 2011-12)	1,70,90,042	1,88,99,668	2,00,74,856 (2nd RE)	1,98,00,914 (1st RE)	2,36,64,637 (P)
Growth rate of GDP over previous year at current prices (<i>per cent</i>)	11.03	10.59	6.22	(-) 1.36	19.51
GSDP (Base year 2011-12)	13,29,095	14,92,156	16,29,638 (P)	16,55,917 (Q)	19,44,107 (A)
Growth rate of GSDP over previous year at current prices (<i>per cent</i>)	13.87	12.27	9.21	1.61	17.40

Source: Central Statistical Office (CSO), Ministry of Statistics and Programme Implementation Gujarat (Budget Publication 30, 2022-23)

RE: Revised Estimates; (P) Provisional Estimates; (Q): Quick Estimates; (A): Advance Estimates

As can be seen from the details tabulated above, compared to the National growth rate, GSDP of Gujarat grew at a higher rate during the period 2017-18 to 2020-21 but it grew at a rate lower than the national growth rate during 2021-22. During 2021-22, India and Gujarat registered their highest growth rate in five years.

Change in sectoral contribution to Gross State Value Added (GSVA) at current prices

Chart 1.1 indicates the sectoral contribution to GSVA during last five years¹ (2016-21). As may be seen, there has been a decrease in the relative share of Agriculture in GSVA from 21.1 per cent in 2016-17 to 19.8 per cent in 2020-21. Similarly, decrease was seen in Industry sector also. However, the relative share of Services in GSVA increased during the same period.

Chart 1.1: Change in sectoral contribution to GSVA (2016-17 to 2020-21)



Source of data: Budget Publication No. 34 (Socio-Economic Review, Gujarat State, 2021-22)

1.2 Basis and Approach to State Finances Audit Report

In terms of Article 151 (2) of the Constitution of India, the Reports of the Comptroller and Auditor General of India (CAG) relating to the Accounts of a State are to be submitted to the Governor of the State, who shall cause them to be laid before the Legislature of the State. The State Finances Audit Report (SFAR) of Gujarat for the year ending 31 March 2022 has been prepared by the CAG for submission to the Governor of Gujarat under Article 151 (2) of the Constitution of India.

Principal Accountant General (Accounts & Entitlements) prepares the Finance Accounts and Appropriation Accounts of the State annually. The Accounts are prepared from the vouchers, challans and initial and subsidiary Accounts rendered by the Treasuries, Offices and Departments responsible for keeping of such Accounts functioning under the control of the State Government, and the Statements received from the Reserve Bank of India (RBI). These Accounts

¹ Directorate of Economics and Statistics, Gujarat has stated that sector wise details of 2021-22 will be available in March 2023.

are audited independently by the Accountant General (Audit-II), Gujarat and certified by the CAG.

Finance Accounts and Appropriation Accounts of the State constitute the core data for this Report. Other sources include the following:

- Budget of the State forms an important source of data – both for assessing the fiscal parameters and allocative priorities *vis-à-vis* projections, as well as for evaluating the effectiveness of its implementation and compliance with the relevant rules and prescribed procedures;
- Results of audit carried out by the Offices of the Principal Accountant General (Audit-I) and Accountant General (Audit-II), Gujarat at the State Secretariat as well as at the field level during the year;
- Other data with Departmental Authorities and Treasuries (accounting as well as MIS);
- GSDP data and other State related statistics from the Directorate of Economics and Statistics, Gujarat; and
- Various Audit Reports of the CAG.

The analysis in the report has been carried out in the context of recommendations of the Fourteenth Finance Commission (14th FC), Fifteenth Finance Commission (15th FC), Gujarat Fiscal Responsibility Act, 2005, best practices and guidelines of the Government of India. Replies of the Government, where received, have been incorporated in this Report at appropriate places.

1.3 Report Structure

The SFAR is structured into the following five Chapters:

Chapter - I	Overview <i>This Chapter describes the basis and approach to the Report, and the underlying data, provides an overview of structure of Government Accounts, budgetary processes, macro-fiscal analysis of key indices and State's fiscal position including the deficits/surplus.</i>
Chapter -II	Finances of the State <i>This chapter provides a broad perspective of the finances of the State, analyses the critical changes in major fiscal aggregates relative to the previous year, overall trends during the period from 2017-18 to 2021-22, debt profile of the State and key Public Account transactions, based on the Finance Accounts of the State.</i>
Chapter - III	Budgetary Management <i>This chapter is based on the Appropriation Accounts of the State and reviews the appropriations and allocative priorities of the State Government and reports on deviations from Constitutional provisions relating to budgetary management.</i>

Chapter - IV	<i>Quality of Accounts and Financial Reporting Practices</i> <i>This chapter discusses about the quality of Accounts rendered by various authorities of the State Government and issues of non-compliance with prescribed financial rules and regulations by various departmental officials of the State Government.</i>
Chapter - V	<i>Financial Performance of State Public Sector Undertakings</i> <i>This chapter discusses financial performance of Government Companies, Statutory Corporations and Government Controlled Other Companies as revealed from their accounts.</i>

1.4 Overview of Government Account Structure and Budgetary Processes

The Accounts of the State Government are kept in three parts:

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

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

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

This Fund is in the nature of an imprest which is established by the State Legislature by law, and is placed at the disposal of the Governor to enable advances to be made for meeting unforeseen expenditure pending authorization of such expenditure by the State Legislature. The fund is recouped by debiting the expenditure to the concerned functional major head relating to the Consolidated Fund of the State.

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

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

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

Revenue receipts consist of tax revenue (Own Tax revenue plus share of Union Taxes/Duties), non-tax revenue and grants from Government of India (GoI).

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

The **Capital Receipts** consist of:

- **Debt receipts:** Market Loans, Bonds, Loans from financial institutions, Net transaction under Ways and Means Advances, Loans and Advances from Central Government *etc.*; and
- **Non-debt receipts:** Proceeds from disinvestment, Recoveries of loans and advances.

Capital Expenditure includes expenditure on the acquisition of land, building, machinery, equipment, investment in shares, and loans and advances by the Government to the Public Sector Undertakings (PSUs) and other parties.

At present, there is an accounting classification system in Government that is both functional and economic.

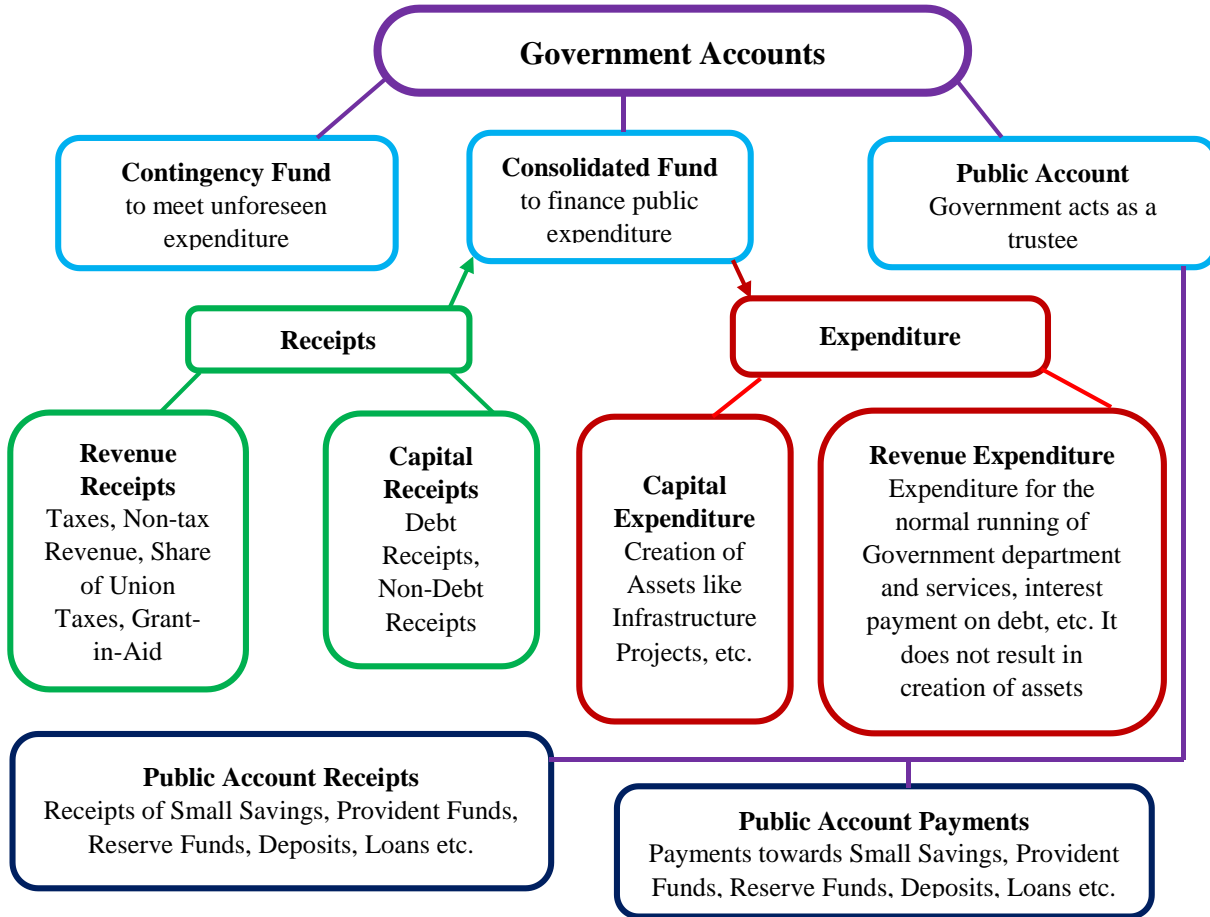
	Attribute of transaction	Classification
Standardized in LMMH² by CGA	Function- Education, Health, <i>etc.</i> /Department	Major Head under Grants (4-digit)
	Sub-Function	Sub Major head (2-digit)
	Programme	Minor Head (3-digit)
Flexibility left for States	Scheme	Sub-Head (2-digit)
	Sub scheme	Detailed Head (2-digit)
	Economic nature/Activity	Object Head-salary, minor works, <i>etc.</i> (2-digit)

The functional classification lets us know the Department, function, scheme or programme, and object of the expenditure. Economic classification helps organize these payments as revenue, capital, debt, *etc.* Economic classification is achieved by the numbering logic embedded in the first digit of 4-digit Major Heads. For instance, 0 and 1 is for revenue receipts, 2 and 3 for revenue expenditure *etc.* Economic classification is also achieved by an inherent definition and distribution of some object heads. For instance, while “salary”

² List of Major and Minor Heads of Account of Union and States

object head is revenue expenditure, “construction” object head is capital expenditure. Object head is the primary unit of appropriation in the budget documents.

Chart 1.2: Structure of Government Accounts



Functional classification involves arranging the receipts and expenditure by economic categories, distinguishing the Government transactions into Sections like Revenue and Capital (including Public Debt, Loans and Advances), Sectors like Tax Revenue from other revenue and Grants-in-Aid, Sub-sectors like Taxes on Income and Expenditure, fiscal services, etc. On the expenditure side also, the transactions are classified into Sectors viz., General Services, Economic Services, Social Services and Grants-in-Aid and contributions and sub-divided into Major Heads of account below these Sectors.

Major Heads of account falling within the Consolidated Fund generally correspond to 'Functions' of Government, such as 'Health', while Minor Heads subordinate to them identify the 'Programme' undertaken to achieve the objectives of the function represented by the Major Head. A programme may consist of a number of schemes or activities and these generally, correspond to 'Sub-heads' below the Minor head. 'Detailed head' below the Sub-head, is primarily meant for itemised control over expenditure and indicates the object or nature of expenditure on a scheme or activity in terms of inputs such as 'Salaries', 'Office Expenses', 'Grants-in-Aid', etc.

Fund-based Government accounting coupled with functional and economic classification of transactions facilitates an in-depth analysis of Government activities/transactions and enables Legislative oversight over public finances.

Budgetary Processes

In terms of Article 202 of the Constitution of India, the Governor of the State causes to be laid before the State Legislature, a statement of the estimated receipts and expenditure of the State for the financial year, in the form of an **Annual Financial Statement** (referred to as Budget).

In terms of Article 203, the Statement is submitted to the State Legislature in the form of Demands for Grants/Appropriations and after approval of these, the Appropriation Bill is passed by the Legislature under Article 204 to provide for appropriation of the required money out of the Consolidated Fund.

As mentioned in **Paragraph 1.2**, Finance Accounts and Appropriation Accounts encompass the core data for preparation of the SFAR. These Accounts are based on actual receipts and expenditure of the State during the year 2021-22 including various inter-governmental and other adjustments carried out by the RBI. Considering that these receipts and expenditure are estimated in the budget and the expenditure has been approved by the State Legislature, it is important to study the budget of the State for 2021-22 closely and analyse the actual receipts and expenditure during the year with reference to the projections made in the budget.

The Gujarat Budget Manual prescribes the budget formulation process and guides the State Government in preparing its budgetary estimates and monitoring its expenditure activities. While formulating its Budget for 2021-22, the State Government continued the focus on identifying budgetary interventions in priority areas with an emphasis on ‘Outcome budget’ (aligned to sustainable development goals set by the UN) and ‘Gender budget’.

Although the State has been preparing an ‘Outcome budget’ since 2014-15, it is yet to map the actual outcomes of various budgetary interventions with the corresponding projections made in the relevant budget. The achievement of actual outcomes as against those projected in Budget 2020-21 were thus, not placed before the Legislature as of March 2022.

Results of audit scrutiny of the budget and implementation of other budgetary initiatives of the State Government are detailed in **Chapter III** of this Report.

1.4.1 Snapshot of Finances

Table 1.2 provides a snapshot of actual financial results for the year 2020-21 and 2021-22 *vis-à-vis* Budget Estimates (BE) for the year 2021-22.

Table 1.2: Snapshot of actual financial results vis-à-vis Budget Estimates

(₹ in crore)

Sr. No	Components	2020-21	2021-22	2021-22	Percentage of Actuals to BE	Percentage of Actual to GSDP
		Actuals	Actuals	BE	2021-22	
1	Tax Revenue	90,484.71	1,28,783.85	1,34,854.27	95.50	6.62
	(i) Own Tax Revenue	70,266.18	97,678.07	1,11,692.60	87.45	5.02
	(ii) Share of Union taxes/duties	20,218.53	31,105.78	23,161.67	134.30	1.60
2	Non-Tax Revenue	10,492.66	14,018.26	16,801.51	83.43	0.72
3	Grants-in-aid and Contributions	27,178.29	24,027.59	16,313.62	147.29	1.24
4	Revenue Receipts (1+2+3)	1,28,155.66	1,66,829.70	1,67,969.40	99.32	8.58
5	Recovery of Loans and Advances	155.61	155.34	250.00	62.14	0.01
6	Other Receipts	9,967.85	0.00	0.00	-	0.00
7	Borrowings and other Liabilities ³	40,438.35	22,692.31	30,783.10	73.72	1.17 ⁴
8	Capital Receipts (5+6+7)	50,561.81	22,847.65	31,033.10	73.62	1.18
9	Total Receipts (4+8)	1,78,717.47	1,89,677.35	1,99,002.50	95.31	9.76
10	Revenue Expenditure, of which	1,50,703.58	1,60,421.27	1,66,760.80	96.20	8.25
11	Interest payments	24,203.19	25,187.78	25,921.97	97.17	1.30
12	Capital Expenditure, of which	28,013.89	29,256.08	32,241.70	90.74	1.50
13	Capital Expenditure	26,780.46	28,185.04	30,815.67	91.46	1.45
14	Loan and advances	1,233.43	1,071.04	1,426.03	75.11	0.06
15	Total Expenditure (10+12)	1,78,717.47	1,89,677.35	1,99,002.50	95.31	9.76
16	Revenue Deficit (-)/Surplus (+) (4-10)	(-)22,547.92	(+)6,408.43	(+)1,208.60	530.24	0.33
17	Fiscal Deficit {(4+5+6)-15}	(-)40,438.35	(-)22,692.31	(-)30,783.10	73.72	(-)1.17
18	Primary Deficit (17-11)	(-)16,235.16	2,495.47	(-)4,861.13	(-)51.34	0.13

Source: Budget Publication No. 1 for 2021-22 and Finance Accounts of respective years.

GST Compensation is the revenue of the State Government under GST (Compensation to States) Act, 2017. However, in addition to receiving the GST compensation of ₹ 8,328.55 crore (₹ 121.34 crore for Financial Year 2017-18 and ₹ 8,207.21 crore for Financial Year 2020-21) as revenue receipts, due to inadequate balance in GST compensation fund during the year 2021-22 Gujarat also received back-to-back loan of ₹ 13,040.21 crore under public debt receipts of the State Government, with no repayment liability for the State. Due to this arrangement, the revenue surplus of ₹ 6,408.43 crore and fiscal deficit of ₹ 22,692.31 crore during the year 2021-22 may be read in conjunction with debt receipt of ₹ 13,040.21 crore in lieu of GST compensation.

³ Borrowings and other Liabilities = Net (Receipts-Disbursements) of Public Debt + Net of Contingency Fund + Net (Receipts - Disbursements) of Public Account + Net of Opening and Closing Cash Balance.

⁴ As per Department of Expenditure, GoI, the borrowings under the special window will not be treated as debt of the State for any norms which may be prescribed by the Finance Commission, etc. Hence the back to back loans in lieu of shortfall of GST compensation of ₹ 9,222 crore given in 2020-21 and ₹ 13,040 crore given in 2021-22 have not been considered as public debt here.

1.4.2 Snapshots of Assets and Liabilities of the Government

Government Accounts capture the financial liabilities of the Government and the assets created out of the expenditure incurred. The liabilities consist mainly of internal borrowings, loans and advances from GoI, receipts from public account and reserve funds. The assets comprise mainly the capital outlay and loans and advances given by the State Government and cash balances. **Table 1.3** gives summarised position of assets and liabilities of the Government.

Table 1.3: Summarised position of assets and liabilities

(₹ in crore)

Liabilities					Assets				
	2020-21	2021-22	Per cent increase		2020-21	2021-22	Per cent increase		
Consolidated Fund									
A	Internal Debt	2,90,030.39*	2,99,805.60	3.37	a	Gross Capital Outlay	3,05,217.56*	3,33,402.60	9.23
B	Loans and Advances from GoI	17,998.91*	30,756.10	70.88	b	Loans and Advances	12,235.46*	13,151.16	7.48
Contingency Fund									
	Contingency Fund	200.00	200.00	0.00		Contingency Fund	0.00	0.00	0.00
Public Account									
A	Small Savings, Provident Funds, etc.	10,445.80	10,179.77	(-)2.55	a	Advances	0.70	0.70	0.00
B	Deposits	36,955.05	36,892.11	(-)0.17	b	Suspense and Miscellaneous	4,031.51*	564.65	(-)85.99
C	Reserve Funds	7,984.33*	10,744.87	34.57	Cash balance (including investment in Earmarked Fund)		15,847.93*	20,676.21	30.47
D	Remittances	866.65	961.12	10.90					
Total							3,37,333.16*	3,67,795.32	9.03
Cumulative excess of expenditure over receipts⁵							27,147.97*	21,744.25	(-)19.90
Total		3,64,481.13*	3,89,539.57	6.88	Total		3,64,481.13*	3,89,539.57	6.88

Source: Finance Accounts of respective years.

* Changes in figures are due to Proforma Corrections.

1.5 Fiscal Balance: Achievement of deficit and total debt targets

In pursuance of recommendations of the Twelfth Finance Commission, the State Government enacted the Gujarat Fiscal Responsibility Act, 2005 (GFR Act) in line with the Union Fiscal Responsibility and Budget Management Act, 2003 (FRBM Act) to ensure fiscal stability and sustainability, improve efficiency and transparency in management of public finances, enhance the availability of resources by achieving sufficient revenue surplus, reduce fiscal deficit and remove the impediments to effective conduct of fiscal policy and prudent debt management.

⁵ Cumulative excess of expenditure over receipts = Cumulative excess of expenditure over receipts of previous year + Adjustment to clear old outstanding balances – Revenue surplus

The GFR Act was amended in 2009, 2011 and 2021. In 2011, it was amended to include the recommendations of the 13th Finance Commission (FC). The 14th FC recommended that the targeted limit of fiscal deficit to GSDP of three *per cent* could be increased to 3.5 *per cent* on meeting certain criteria. However, as the State Government was well within the limits of three *per cent*, it did not make any amendments in GFR Act of 2011. In 2021, the target for Fiscal deficit to GSDP was revised to five *per cent* for 2020-21 but the remaining targets set in GFR Act, 2011 were continued as such. In subsequent years, the targeted limit for Fiscal deficit to GSDP remained at three *per cent*.

1.5.1 Trends analysis of achievements against fiscal targets

As per Gujarat Fiscal Responsibility Act, 2005, the State Government was required to eliminate revenue deficit by 2007-08 and maintain revenue surplus thereafter; reduce fiscal deficit to three *per cent* of the estimated GSDP by 2008-09 and maintain the same level thereafter. This was increased to five *per cent* in January 2021 for the fiscal year 2020-21. In subsequent years, the targeted limit for Fiscal deficit to GSDP remained at three *per cent*. The Act further envisaged that the State Government would limit the ratio of public debt to GSDP to 27.10 *per cent* by 2011-12 and maintain it thereafter. Furthermore, the State Government was expected to limit the outstanding guarantees to ₹ 16,000 crore by 2007-08.

A trend analysis of key fiscal parameters prescribed in Gujarat Fiscal Responsibility Act *vis-à-vis* achievements during the last five year (2017-22) is given in **Table 1.4**.

Table 1.4: Compliance with the provisions of FRBM Act

Fiscal Parameters	Fiscal targets set in the Act	Achievement (₹ in crore)				
		2017-18	2018-19	2019-20	2020-21	2021-22
Revenue Deficit (-) / Surplus (+) (₹ in crore)	Revenue Surplus	5,231.61	3,211.97	1,944.85	(-)22,547.92	6,408.43
		✓	✓	✓	✗	✓
Fiscal Deficit (-) / Surplus (+) (as percentage of GSDP)	Three <i>per cent</i> ⁶	(-)21,366.43 (-1.61)	(-)26,365.03 (-1.77)	(-)24,581.45 (-1.51)	(-)40,438.35 (-2.44)	(-)22,692.31 (-1.17)
		✓	✓	✓	✓	✓
Ratio of total Public Debt to GSDP (<i>per cent</i>)	27.10 <i>per cent</i>	16.00	16.10	16.39	18.04 ⁷	15.86 ⁸
		✓	✓	✓	✓	✓

⁶ Five *per cent* for 2020-21

⁷ As per Department of Expenditure, GoI, the borrowings under the special window will not be treated as debt of the State for any norms which may be prescribed by the Finance Commission, etc. Hence the back to back loans in lieu of shortfall of GST compensation of ₹ 9,222 crore has not been considered as public debt here.

⁸ As per Department of Expenditure, GoI, the borrowings under the special window will not be treated as debt of the State for any norms which may be prescribed by the Finance Commission, etc. Hence the back to back loans in lieu of shortfall of GST compensation of ₹ 9,222 crore in 2020-21 and ₹ 13,040 crore in 2021-22 have not been considered as public debt here.

Fiscal Parameters	Fiscal targets set in the Act	Achievement (₹ in crore)				
		2017-18	2018-19	2019-20	2020-21	2021-22
Outstanding Guarantees	Below ₹ 16,000 crore	4,834	4,699	4,462	3,656	3,044
		✓	✓	✓	✓	✓

Source: Budget Publication and Finance Accounts of respective years.

As can be seen above, the State Government successfully achieved all the four key fiscal parameters envisaged in Gujarat Fiscal Responsibility Act during the last five years, except Revenue Surplus during 2020-21.

The public debt to GSDP ratio (15.86 *per cent*) has been arrived at after excluding GST compensation of ₹ 9,222 crore and ₹ 13,040 received during 2020-21 and 2021-22 respectively as back to back loan under debt receipts from the total public debt as the Department of Expenditure, GoI has decided that it will not be treated as debt of the State for any norms which may be prescribed by the Finance Commission.

1.5.2 Comparison of targets of fiscal parameters projected in MTFPS with actuals for the current year

Comparison of targets of fiscal parameters projected in MTFPS presented to the State Legislature in 2021-22 with actuals, and the extent of variation is shown in **Table 1.5**.

Table 1.5: Actuals vis-à-vis projections made in MTFPS during 2021-22

(₹ in crore)				
Sr. No.	Fiscal Variables	Projection as per MTFPS	Actuals (2021-22)	Variation (in <i>per cent</i>)
1	Own Tax Revenue	1,11,692.60	97,678.07	(-)12.55
2	Non-Tax Revenue	16,801.51	14,018.26	(-)16.57
3	Share of Central Taxes	23,161.67	31,105.78	34.30
4	Grants-in-Aid from GoI	16,313.62	24,027.59	47.29
5	Revenue Receipts (1+2+3+4)	1,67,969.40	1,66,829.70	(-)0.68
6	Capital Receipts ⁹	50,751.00	47,123.76	(-)7.15
7	Revenue Expenditure	1,66,760.80	1,60,421.27	(-)3.80
8	Revenue Deficit (-)/ Surplus (+) (5-7)	1,208.60	6,408.43	430.24
9	Fiscal Deficit (-)/ Surplus (+)	(-)30,783.10	(-)22,692.31	(-)26.28
10	Primary Deficit (-)/Surplus (+)	(-)4,861.13	2,495.47	(-)151.34
11	Public debt-GSDP ratio (<i>per cent</i>)	17.40	15.86*	(-)8.85
12	GSDP growth rate at current prices (<i>per cent</i>)	(-)0.27	17.40	(-)6537.31

Source: Budget Publication No. 1 and 30 for 2021-22 and Finance Accounts

* Arrived at after exclusion of GST compensation loan of ₹ 9,222 crore received in 2020-21 and ₹ 13,040.21 crore received in 2021-22 as back to back loan under debt receipts from the total outstanding liabilities.

⁹ Capital Receipts = Public Debt Receipts + Miscellaneous Capital Receipts + Recovery of Loans and Advances

As may be seen from the table above, grants-in-aid from GoI, Share of Central Taxes, revenue surplus, Public debt-GSDP ratio and growth rate of GSDP improved significantly during 2021-22 *vis-à-vis* the projections made in MTFPS. The targets for own tax revenue, non-tax revenue and Capital receipts were not met in 2021-22.

The trends in surplus/deficits over the five-year period (2017-22) are depicted in **Chart 1.3**; trends in surplus/deficit relative to GSDP are given in **Chart 1.4**; and trends of fiscal liabilities and GSDP are given in **Chart 1.5**.

Chart 1.3: Trends in Surplus/ Deficit

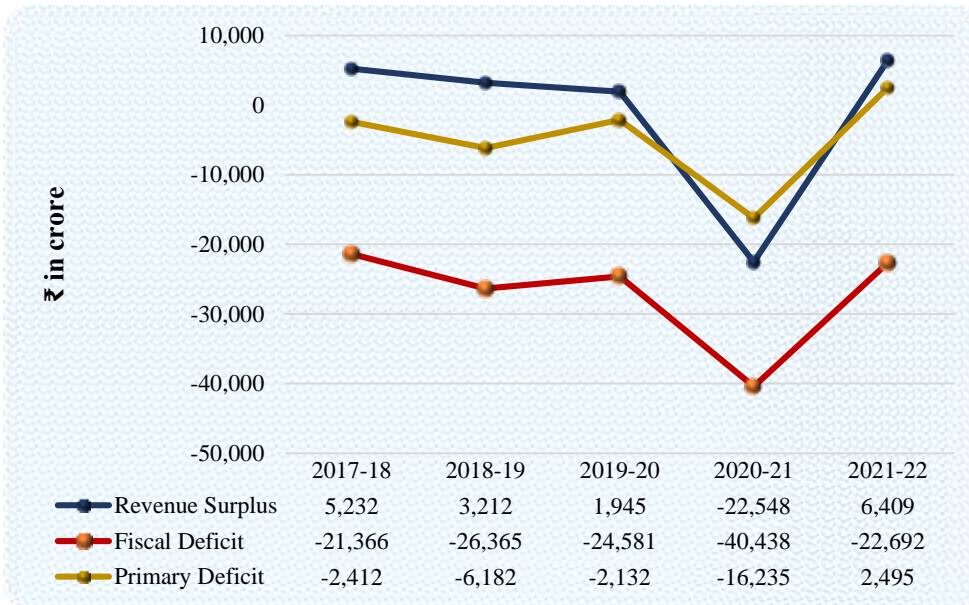


Chart 1.4: Trends in Surplus/Deficit relative to GSDP

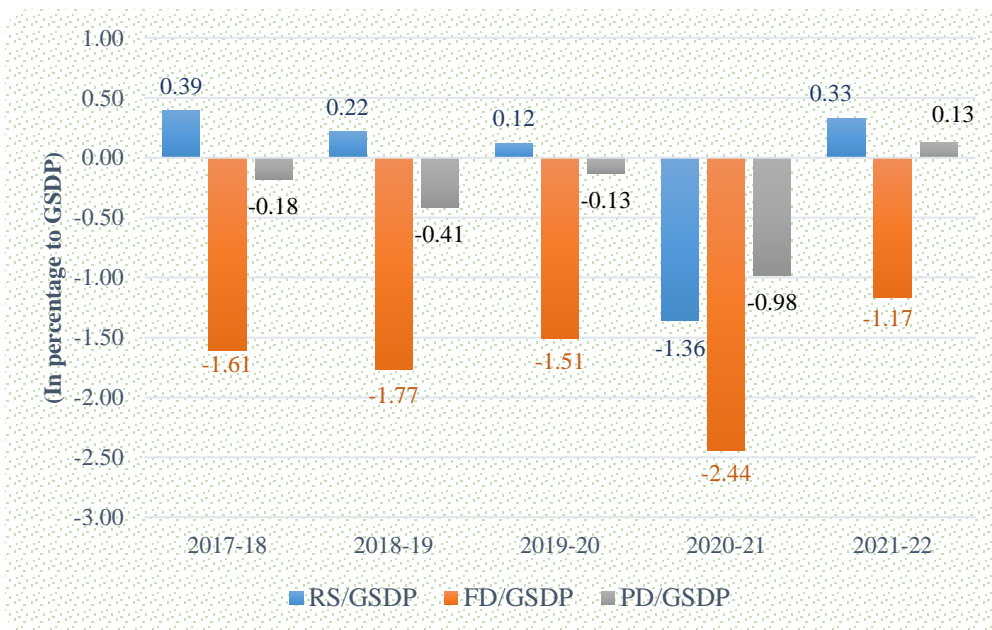
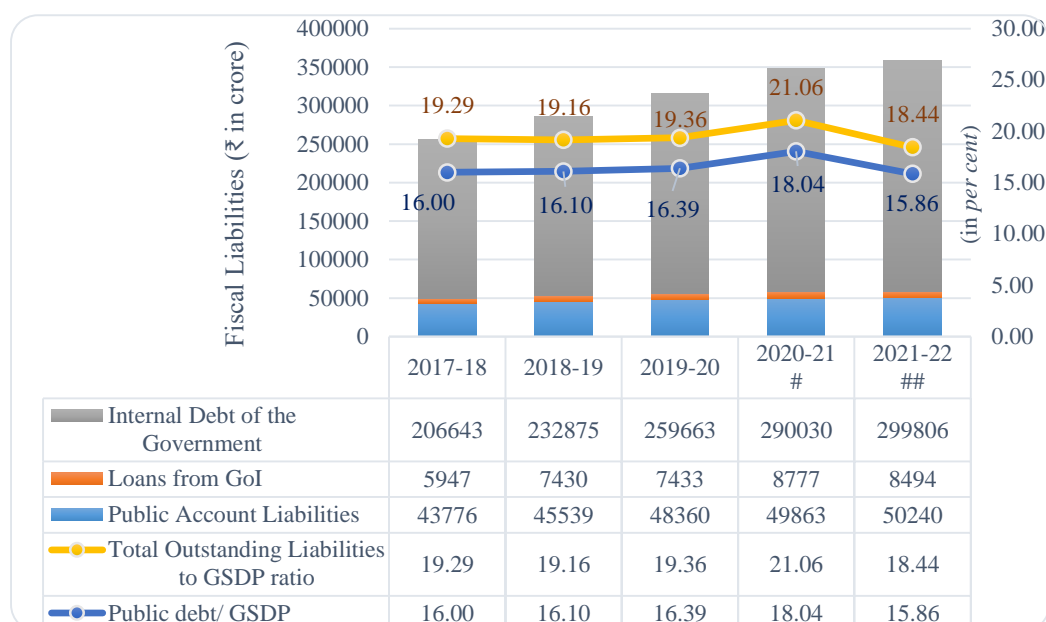


Chart 1.5: Trends in fiscal liabilities and GSDP



As per Department of Expenditure, GoI, the borrowings under the special window will not be treated as debt of the State for any norms which may be prescribed by the Finance Commission, etc. Hence the back to back loans in lieu of shortfall of GST compensation of ₹ 9,222 crore has not been considered as public debt and outstanding liabilities here.

As per Department of Expenditure, GoI, the borrowings under the special window will not be treated as debt of the State for any norms which may be prescribed by the Finance Commission, etc. Hence the back to back loans in lieu of shortfall of GST compensation of ₹ 9,222 crore during 2020-21 and ₹ 13,040 crore during 2021-22 has not been considered as public debt and outstanding liabilities here.

1.6 Deficit and Total Debt after examination in Audit

Audit examination has revealed misclassification in accounts and off-budget fiscal operations which impact the total deficit and debt figures. The debt figures after examination by audit are explained below:

1.6.1 Post Audit – Deficits

Misclassification of revenue expenditure as capital and off budget operations impact deficit figures. Besides, deferment of liabilities, non-deposit of cess/royalty to Consolidated Fund, short-contribution to New Pension Scheme, sinking and redemption funds *etc.* also impact the revenue and fiscal deficit figures. In order to arrive at actual deficit figures, the impact of such irregularities need to be reversed.

Table 1.6 assesses actual surplus/deficit after taking into account short/non- contribution to funds and incorrect classifications/booking by the State Government during 2021-22.

Table 1.6: Actual Revenue and Fiscal Deficit

Particulars	Impact on Revenue Surplus [Understated(-)/ Overstated(+)] (₹ in crore)	Impact on Fiscal Deficit (Understated) (₹ in crore)
Non-discharge of Interest liabilities	(+) 45.35	(+) 45.35
Less Government Contribution to NPS	(+)7.44	(+)7.44
Non-transfer of Labour Cess	(+) 363.00	(+) 363.00
Shortfall in State Government contribution to Consolidated Sinking Fund ¹⁰	(+) 10,531.38	(+) 10,531.38
Misclassification of Capital Expenditure as Revenue Expenditure in Budget	(-) 30.08	-
Improper classification of Object head 6000 “Other Capital Expenditure” under Capital Section	(+) 4.70	-
Total	(+) 10,921.79	(+) 10,947.17

Source: Finance Account for the year 2021-22 and audit analysis

As may be seen from the table above, there was an overstatement of revenue surplus by ₹ 10,921.79 crore during the year. Also, fiscal deficit was understated by ₹ 10,947.17 crore in 2021-22. Thus, the State’s revenue surplus would turn in to revenue deficit¹¹ of ₹ 4,513.36 crore during 2021-22, if the items of non-contribution/short-contribution, non-discharge of liabilities and incorrect classification are factored in.

1.6.2 Post Audit – Total Public Debt

The State of Gujarat defines “total outstanding debt/ liabilities” to include only liabilities upon the Consolidated Fund and Public Account of the State. However, borrowings by the public sector undertakings and special purpose vehicles where the principal and/or interest are to be serviced out of the State budget also are liabilities under the Consolidated Fund of the State and the Public Account of the State.

It was observed that Gujarat State Investments Limited (GSIL) has taken over listed Non-Convertible Debentures (NCDs) of Gujarat State Petroleum Corporation Limited (GSPC) amounting to ₹ 6,000 crore as per the directions (July 2018) of the State Government. Further the State Government has resolved to support GSIL for payment towards interest and principal repayment on these NCDs. Accordingly, during 2019-20, 2020-21 and 2021-22 an expenditure of ₹ 564.69 crore, ₹ 533.55 crore and ₹ 464.10 crore respectively, was booked by Energy and Petrochemicals Department for payment towards interest on these NCDs. The payment of annual interest on these NCDs has increased the committed revenue expenditure of the State.

¹⁰ ₹ 10,531.38 crore = ₹ 17,894.60 crore (5% of State Liabilities of ₹ 3,57,891.98 crore for the year 2020-21) [-] ₹ 7,363.22 crore closing Balance of Consolidated Sinking Fund

¹¹ ₹ 6,408.43 crore plus (-) ₹ 10,921.79 crore