

## Executive Summary

### The Report

Based on the audited accounts of the Government of Jharkhand for the year ending 31 March 2021, this Report provides an analytical review of the finances of the State Government. The Report is structured in five Chapters.

**Chapter 1- Overview:** 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.

**Chapter 2- Finances of the State:** 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 last five years, debt profile of the State and key Public Account transactions, based on the Finance Accounts of the State.

**Chapter 3- Budgetary Management:** This chapter is based on the Appropriation Accounts of the State and reviews of the appropriations and allocative priorities of the State Government and reports on deviations from Constitutional provisions relating to budgetary management.

**Chapter 4- Quality of Accounts & Financial Reporting Practices:** This chapter comments on the quality of accounts rendered by various authorities of the State Government and issues of non-compliance with prescribed financial rules and regulations.

**Chapter 5- General Purpose Financial Reporting:** This chapter presents the summary of financial performance of Government Companies and Government controlled other Companies. In the chapter, the term State Public Sector Enterprises (SPSEs) encompasses those Government companies in which the direct holding of the State Government is 51 per cent or more and subsidiary of such Government companies.

### Audit findings

#### Fiscal Position

Deficit indicators, revenue augmentation and expenditure management are major yardsticks for judging the fiscal performance of the Government.

The State had a revenue deficit of ` 3,114 crore in 2020-21. The fiscal deficit of the State was 4.70 *per cent* of GSDP at the end of March 2021.

In order to arrive at actual figures, irregularities such as the impact of deferment of clear cut liabilities, not depositing cess/royalty to Consolidated Fund, short contribution to New Pension Scheme, sinking and redemption funds, *etc* needs to be reversed. Post audit, the revenue deficit and fiscal deficit were understated by ` 188.18 crore. Thus revenue deficit and fiscal deficit stated ` 3,113.86 crore and ` 14,910.74 crore in the Finance Accounts would actually be ` 3,302.04 crore and ` 15,098.92 crore respectively.

(Chapter 1)

## Finances of the State

During 2020-21, revenue expenditure of the State constituted 83.30 *per cent* of the total expenditure of which 42.98 *per cent* was utilised on Salaries & Wages, Interest Payments and Pension. Salaries & Wages, Interest Payments and Pension consumed 45.32 *per cent* of the revenue receipts in 2020-21.

During 2020-21, the capital expenditure decreased by ` 1,413 crore due to less expenditure on general services by 38 *per cent* and economic services by 14 *per cent* over previous year.

As per annual accounts of the State ending 31 March 2021, the Government had invested ` 1,111.65 crore (in government companies, rural bank and co-operative institutions) since inception of the State in November 2000. The returns on the investments was negligible during 2020-21 while the Government paid an average interest rate of 6.13 *per cent* on its borrowings during 2020-21.

Apart from investments, a huge amount of loans (` 24,177 crore) given by the government to its entities were outstanding at the end of March 2021.

Overall fiscal liabilities (Total Debt) increased from ` 94,407 crore in 2019-20 to ` 1,09,185 crore in 2020-21. The fiscal liabilities to GSDP ratio was 33.90 *per cent* against the MTFP target of 32.60 *per cent*. Increasing liabilities raised the issue of sustainability of State Government Finances. Apportionment of fiscal liabilities of the composite Bihar State between successor States of Bihar and Jharkhand has not been done so far.

The government had not paid any interest to SDRF since its creation, which works out to ` 797.98 crore at applicable rates of interest for the period 2011-21. Non-payment of interest had an impact on Revenue deficit and Fiscal Deficit of the State. Further, Government transferred ` 303.87 crore to Sinking Fund during the year.

(Chapter 2)

## Budgetary Management

During 2020-21, the total savings of ` 21,819.49 crore (22.66 *per cent* of the total budget) under the grants was indicative of improper budget estimation. Further, these grants had persistent total savings of at least ` 6,500.64 crore during each of the last four years.

Supplementary provisions aggregating ` 5,400.83 crore (54.51 *per cent*) obtained in 34 cases (` 0.50 crore or more in each case) during the year, proved unnecessary as the expenditure did not come up even to the level of the original provisions.

Excess disbursement over grant/appropriation amounting to ` 3,328.68 crore pertaining to the years 2001-02 to 2019-20 is yet to be regularised by the

State Legislature. Further, excess expenditure of ₹ 144.95 crore was incurred in one appropriation (13- Interest Payment) during 2020-21.

**(Chapter 3)**

### **Quality of Accounts & Financial Reporting Practices**

Labour cess amounting to ₹ 609.33 crore collected up to March 2021 was not transferred to the Labour Welfare Board Fund (October 2021) thereby overstating the revenue surplus and understating the fiscal deficit of the State during the relevant years (2008-21).

As on 31 March 2021, 34,017 Utilisation Certificates (UCs) amounting to ₹ 88,047.48 crore were outstanding in the State under different departments.

Drawal of funds on AC bills and non-submission of DC bills within the prescribed time not only breaches financial discipline but also entails risk of misappropriation of public money and unhealthy practices. As of 31 March 2021, a huge number of DC bills (18,272) amounting to ₹ 6,018.98 crore were not submitted against the AC bills drawn up to 2020-21.

**(Chapter 4)**

### **General Purpose Financial Reporting**

There were 31 State Public Sector Enterprises (SPSEs) under the audit jurisdiction of the CAG. Of these, financial performance based on updated accounts upto 2020-21 (previous three years) of 16 SPSEs (including one State Government Controlled other Company), only one finalised their accounts for the year 2020-21, eight SPSEs finalized accounts for the year 2019-20 and seven SPSEs finalised their accounts for the year 2018-19 till 31 March 2021.

The turnover of SPSEs increased from ₹ 4,433.80 crore in 2018-19 to ₹ 5,605.82 crore in 2019-20 which decreased to ₹ 5,603.41 crore in 2020-21.

Out of 16 SPSEs, there were 10 SPSEs incurred losses amounting to ₹ 1,383.36 crore as on 31 March 2021. Further, there were 10 SPSEs with accumulated loss of ₹ 8,153.02 crore of which, net worth of six SPSEs was negative ₹ 4,252.60 crore and four SPSEs was positive ₹ 232.62 crore against equity investment of ₹ 4,133.04 crore as on 31 March 2021.

ROCE of Power Sector in 2018-19 was (-) 4.66 *per cent* which decreased to (-) 6.42 *per cent* during 2019-20 and 2020-21 due to loss of ₹ 969.80 crore (2018-19) to ₹ 1,357.80 crore (2020-21) incurred by Power Sector SPSEs. During the period 2018-19 to 2020-21, the ROCE of Non-Power Sector has reduced from 1.71 *per cent* to 1.14 *per cent*.

**(Chapter 5)**