

**Chapter-II**  
**Finances of the Union Territory**



## CHAPTER-II

### FINANCES OF THE UNION TERRITORY

This chapter provides a broad perspective of the finances of the Government of Jammu and Kashmir (UT) during the year 2020-21.

#### 2.1 Major changes in Key Fiscal Aggregates *vis-à-vis* 2019-20

The major key fiscal aggregates of the UT for the year 2020-21 cannot be compared *vis-à-vis* fiscal aggregates for the period 31 October 2019 to 31 March 2020.

#### 2.2 Sources and Application of Funds

The summary of components of the sources and application of funds of the Union Territory during the year 2020-21 is as under.

**Table 2.1: Details of Sources and Application of funds during 2020-21**

(₹ in crore)

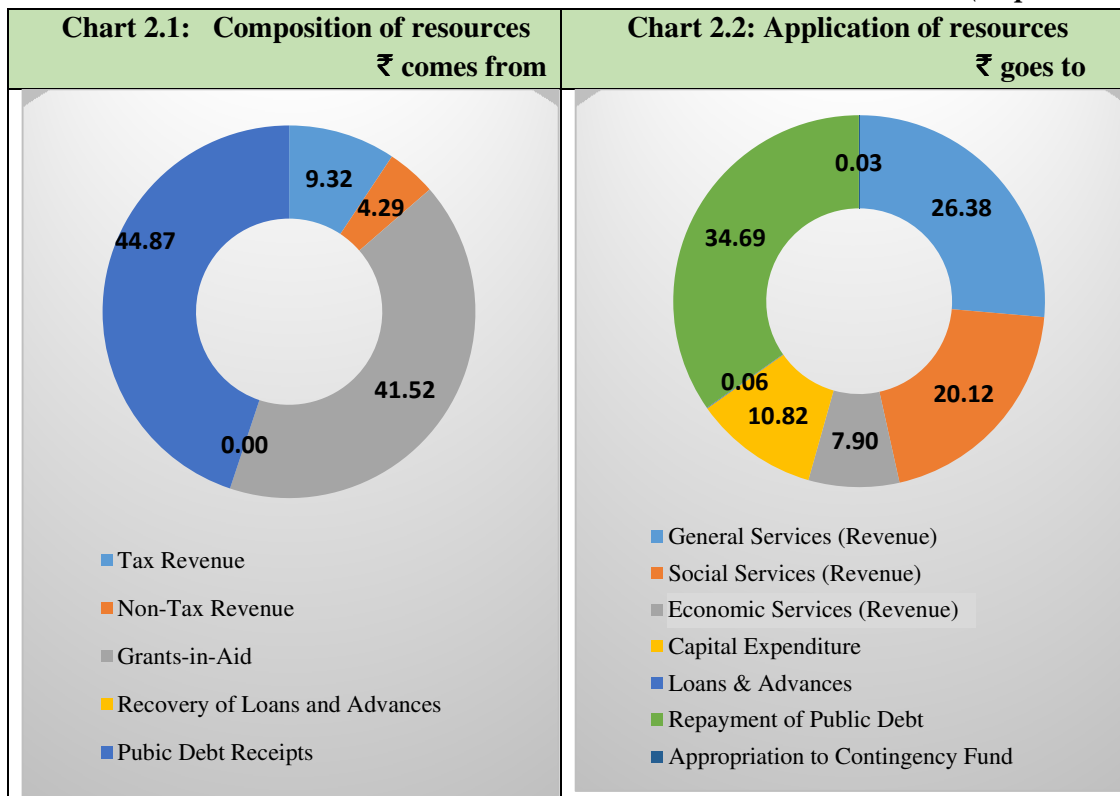
	Particulars	2020-21
<b>Sources</b>	Opening Cash Balance with RBI and other cash balances.	1,482.28
	Revenue Receipts	52,495.48
	Recoveries of Loans and Advances	1.93
	Public Debt Receipts (Net)	9,169.61
	Public Account Receipts (Net)	1,464.16
	<b>Total</b>	<b>64,613.46</b>
<b>Application</b>	Revenue Expenditure	52,633.75
	Capital Expenditure	10,470.38
	Disbursement of Loans and Advances	61.64
	Closing Cash Balance with RBI and other cash balances.	1,447.69
	<b>Total</b>	<b>64,613.46</b>

Source: Finance Accounts

Revenue receipts is the biggest source of revenue and majority of resources are utilised towards Revenue Expenditure.

The Composition of sources and application of funds in the Consolidated Fund of the Union Territory of Jammu and Kashmir during 2020-21 is given in **Chart 2.1** and **Chart 2.2**.

(In per cent)



Public Debt Receipts and Grants-in-Aid accounted for 86.39 *per cent* of resources of UT of Jammu and Kashmir. Repayment of Public Debt and Expenditure on General Services (Revenue) together accounted for 61.07 *per cent* of total expenditure.

### 2.3 Resources of the Union Territory (UT) of Jammu and Kashmir

The resources of the Union Territory are described below:

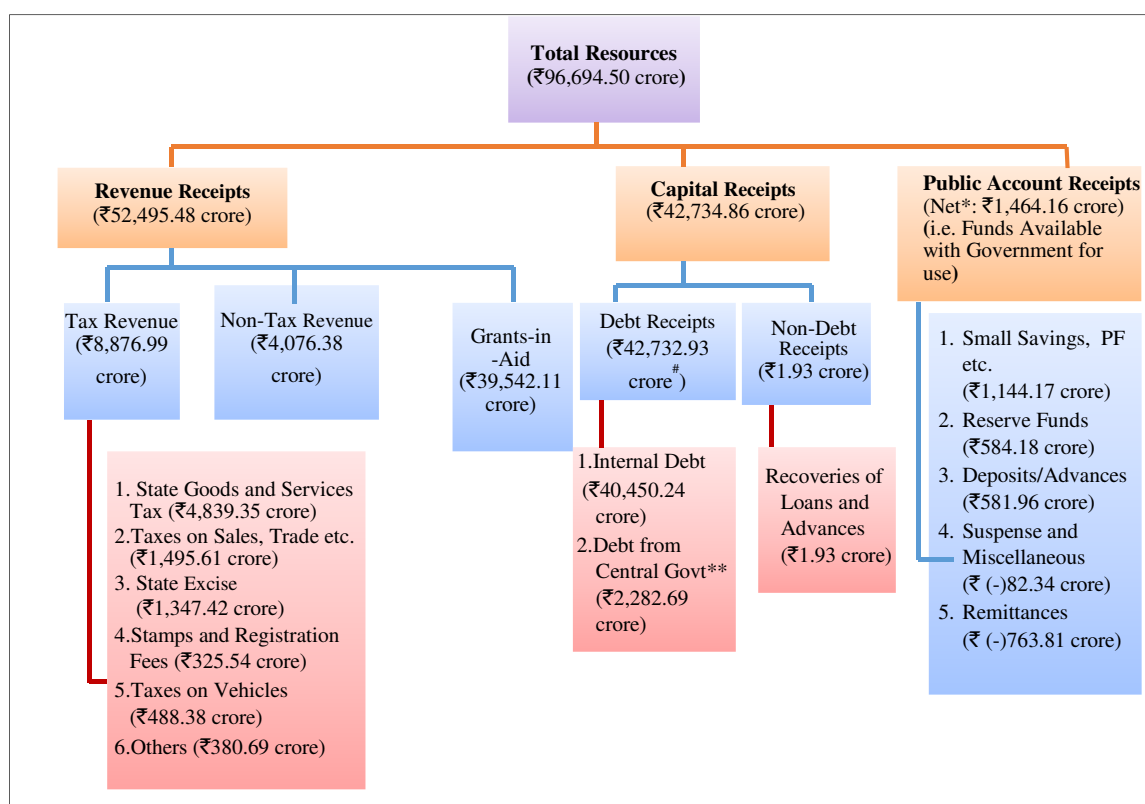
1. **Revenue Receipts** consist of tax revenue, non-tax revenue, and grants-in-aid from the Government of India (GoI).
2. **Capital Receipts** comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GoI. Both revenue and capital receipts form part of the Consolidated Fund of the UT.
3. **Net Public Accounts Receipts:** There are receipts and disbursements in respect of certain transactions such as small savings, provident fund, reserve funds, deposits, suspense, remittances, etc. which do not form part of the Consolidated Fund.

These are kept in the Public Account set up under Section 68(1) of the Jammu & Kashmir Reorganisation Act 2019 and are not subject to vote by the Union Territory's 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 Union Territory

Revenue and Capital are the two streams of receipts that constitute the resources of the Union Territory Government. Revenue Receipts consist of Tax Revenues, Non-Tax Revenues, 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 as well as accruals from Public Account. **Chart 2.3** showing the composition of resources of the Union Territory during the current year are given below.

**Chart 2.3: Composition of receipts of the UT of Jammu and Kashmir during 2020-21**



Source: Finance Accounts \*Public Accounts Receipts Net (₹1,464.16 crore) = Public Accounts Receipts (₹24,833.82 crore) less Public Accounts Disbursements (₹23,369.66 crore) \*\* Includes ₹2,099.80 crore as back-to-back loans from GoI in lieu of GST Compensation shortfall. # Includes Ways and Means Advance.

### 2.3.2 Union Territory's Revenue Receipts

During 2020-21, various components of revenue receipts of Union Territory of Jammu and Kashmir are as shown in **Table 2.2**.

**Table 2.2: Components of Revenue Receipts**

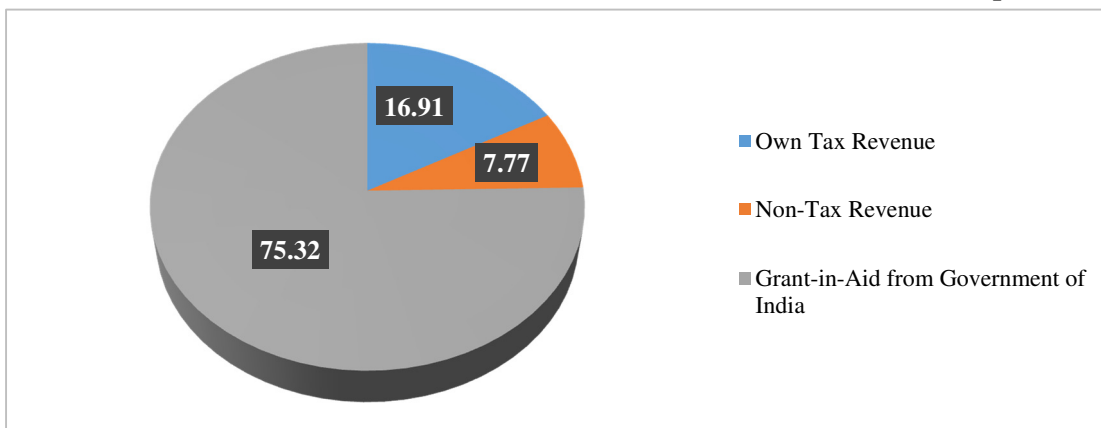
Parameters	2020-21	Percentage
Revenue Receipts (RR)	52,495.48	
Own Tax Revenue	8,876.99	16.91

Parameters	2020-21	Percentage
Non-Tax Revenue	4,076.38	7.77
Grants in Aid from Government of India	39,542.11	75.32
GSDP	1,76,282	
Revenue Receipts to GSDP (percentage)	29.78	

Source of GSDP figures: website MOSPI GoI,

**Chart 2.4 Components of Revenue Receipts**

(in per cent)



Out of total Revenue Receipts of ₹52,495.48 crore during 2020-21, the Grants-in-Aid from GoI (₹39,542.11 crore) constituted 75.32 per cent of total revenue receipts.

### 2.3.2.1 Own Resources of UT of Jammu and Kashmir

Government's performance in mobilisation of resources is assessed in term of its own tax resources comprising revenue from its own tax and non-tax sources. Details of own tax revenue, own non tax revenue and its components are shown in following sub paragraphs.

#### (A) Own Tax revenue

Own tax revenues of the UT consist of Goods and Services Tax (GST), UT Excise, Taxes on Vehicles, Stamp Duty and Registration fees, Land revenue, Taxes on Goods and Passengers, etc. Component wise breakup of Own tax revenue is shown in the table below.

**Table 2.3: Components of Own Tax Revenue**

(₹ in crore)

Revenue Head	2020-21	Percentage
Taxes on Sales, Trade etc.	1,495.61	16.85
SGST	4,839.35	54.51
State Excise	1,347.42	15.18
Taxes on Vehicles	488.38	5.50
Stamp duty and Registration fees	325.54	3.67
Land Revenue	60.57	0.68
Taxes on Goods and Passengers	0.90	0.01
Other Taxes	319.22	3.60
<b>Total</b>	<b>8,876.99</b>	<b>100.00</b>

Source: Finance Accounts

During 2020-21 Taxes on Sales, Trade etc. and SGST together constituted 71.36 per cent of Own Tax Revenue of U.T of Jammu and Kashmir and State Excise constituted 15.18 per cent of Own Tax revenue. Own Tax Revenue during the year 2020-21 was less than the projection made in the budget 2020-21 (₹13,241 crore).

**(B) State Goods and Services Tax (SGST)**

As per the GST (Compensation to States) Act, 2017, States/UT will be compensated for the shortfall in revenue arising on account of implementation of the goods and services tax considering an annual growth of 14 per cent from the base year, for a period of 5 years. The centre levies the Integrated GST (IGST) on inter-state supply of goods and services, and apportions the State's share of tax to the State where the goods or services are consumed. State Government implemented the Goods and Services Tax (GST) Act which became effective from 8<sup>th</sup> July 2017. According to GST (Compensation to the States) Act 2017, Central Government will compensate the States/UT for loss of revenue arising on account of implementation of GST for a period of five years. The compensation payable to the State/UT shall be calculated for every financial year after the receipt of final revenue figures, as audited by the CAG of India. The base year (2015-16) revenue figure was finalised under GST Act. In case of Jammu and Kashmir, the Revenue was ₹4,766.30 crore during the base year (2015-16). The protected revenue for any year in a State/UT shall be calculated by applying the projected growth rate (14 per cent per annum) over the base year revenue of that State/UT. The protected revenue for the year 2020-21 in accordance with base year figure was ₹9,177.10 crore<sup>1</sup>. Against the protected revenue, the Revenue Receipt of the UT Government under GST including collection of taxes subsumed in GST during the year 2020-21 was ₹4,861.71 crore as detailed in **Table 2.4**. Against the actual loss of ₹4,315.39 crore due to implementation of GST, GoI has released compensation of ₹4,271.02 crore as compensation including release of back to back loans amounting to ₹2,099.80 crore to the Union Territory in lieu of GST Compensation shortfall. It has resulted in less compensation to the extent of ₹44.37 crore during the year, as given below.

**Table 2.4: Pre-GST and SGST collected, provisional apportionment of IGST and compensation received from GOI against protected revenue**

(₹ in crore)

Year	Revenue to be protected	Pre-GST collected #	SGST collected *	Apportionment of IGST	Total amount received	Compensation received	Total	Surplus (+)/ Deficit(-)
2020-21	1	2	3	4	5=(2+3+4)	6	7=(5+6)	8=1-7
<b>Total</b>	<b>9,177.10</b>	<b>22.36</b>	<b>1,528.36</b>	<b>3,310.99</b>	<b>4,861.71</b>	<b>4,271.02<sup>^</sup></b>	<b>9,132.73</b>	<b>(-)44.37</b>

# Source: State Government \* Source : Finance Accounts. ^ Includes ₹2,099.80 crore as back-to-back loans from GoI in lieu of GST Compensation shortfall.

**(C) Audit of GST Receipts**

With automation of the collection of Goods and Services Tax (GST) having taken place, it is essential for audit to transition from sample checks to a comprehensive check of

<sup>1</sup> 4,766.30x(1+14/100)<sup>5</sup>=9,177.10 for 2020-21

all transactions, to fulfill the CAGs constitutional mandate of certifying the accounts. The Government of India's decision to provide access to Pan-India data at GSTN premises was conveyed on 22 June 2020. The Government of Jammu and Kashmir conveyed its decision to provide access to GST back-end system and Audit has been provided ID based passwords to access GSTN back end system since November 2020.

#### (D) Non-Tax Revenue

Non-Tax revenue consists of interest receipts, dividends and profits, mining receipts, departmental receipts, etc. **Table 2.5** depicts components of Non-Tax Revenue of the Union Territory during 2020-21.

**Table 2.5: Components of UT's Non-Tax Revenue**

(₹ in crore)

Revenue Head	2020-21	Percentage
Interest Receipts	17.86	0.44
Dividend and Profits	0.00	0.00
Other Non-Tax Receipts	4,058.52	-
a) Power Development Department	2,349.74	57.64
b) Medium Irrigation	996.66	24.45
c) Non-Ferrous Mining and Metallurgical Industries	227.91	5.59
d) Water Supply and Sanitation	93.89	2.30
e) Education, Sports , Art and Culture	41.33	1.01
f) Police	39.91	0.98
g) other Misc.	309.08	7.59
<b>Total</b>	<b>4,076.38</b>	<b>100.00</b>

Source: Finance Accounts

The receipts from sale of Power, being a major constituent of Non-Tax Revenue, constituted 57.64 per cent and revenue from Medium Irrigation constituted 24.45 per cent of the Total Non-Tax Revenue during the year 2020-21.

#### 2.3.2.2 Transfers from the Centre

Transfers from the Centre is constituted of Grants in Aid and devolution under Finance Commission Award.

#### (A) Grants-in-aid from GoI

The details of Grants-in-aid from Government of India are shown below.

**Table 2.6: Grants-in-aid from Government of India**

(₹ in crore)

Head	2020-21
Grants for Centrally Sponsored Schemes (CSS)	6,533.49
Finance Commission Grants	0.00
Other transfers/Grants to States/Union Territories with Legislature	33,008.62
<b>Total</b>	<b>39,542.11</b>
Percentage of GIA to Revenue Receipts	75.32

Source: Finance Accounts



Grants-in-Aid from GoI (₹39,542.11 crore) constituted 75.32 per cent of the total revenue receipts of ₹52,495.48 crore for 2020-21.

**(B) 15<sup>th</sup> Finance Commission Grants**

There is no devolution of share of taxes to Union Territory under 15<sup>th</sup> Finance Commission Award.

**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.

**Table 2.7: Composition of Capital Receipts**

(₹ in crore)	
Sources of UT's Receipts	2020-21
<b>Capital Receipts</b>	<b>42,734.86</b>
Miscellaneous Capital Receipts	0.00
Recovery of Loans and Advances	1.93
<b>Public Debt Receipts</b>	<b>42,732.93</b>
<i>Internal Debt</i>	40,450.24
<i>Loans and advances from GoI</i>	2,282.69*

Source: Finance Accounts. \* Includes ₹2,099.80 crore as back-to-back loans from GoI in lieu of GST Compensation shortfall.

Capital receipts of Union Territory of Jammu and Kashmir was ₹42,734.86 crore and major portion amounting to ₹40,450.24 crore of total capital receipts was in the shape of Internal debt. Government of Union Territory of Jammu and Kashmir received loans and advances from Government of India amounting to ₹2,282.69 crore which includes an amount of ₹2,099.80 crore as back to back loans from GoI in lieu of GST compensation shortfall and ₹1.93 crore on account of recovery of loans and advances.

**2.3.4 UT's Performance in Mobilisation of Resources**

The UT's performance in mobilisation of resources is assessed in terms of its own resources comprising Own Tax and Non-Tax sources. The Union Territory of Jammu and Kashmir's Own Tax and Own Non-Tax Receipts for the year 2020-21 vis-à-vis budget estimates are given below:

**Table 2.8: Tax and Non-Tax Receipts vis-à-vis projections**

(₹ in crore)			
	Budget Estimates	Actual	Percentage of actual over Budget estimates
Own Tax Revenue	13,241	8,876.99	67.04
Non-Tax Revenue	4,065	4,076.38	100.28
<b>Total</b>	<b>17,306</b>	<b>12,953.37</b>	<b>74.85</b>

Source: Budget document and Finance Accounts

The collection under Own Tax Revenue fell short by 32.96 per cent of Budget Estimates. The UT Government could not achieve its own targets for Own Tax Revenue in the Budget Estimates. The UT's Own Resources (Own Tax Revenue and Own Non-

Tax Revenue) of ₹12,953 crore during the year 2020-21 was not enough to cover its committed liabilities (salaries & wages, interest payments and pension) of ₹39,302.27 crore for the year 2020-21.

## 2.4 Application of Resources

The Government is vested with the responsibility of incurring expenditure within the framework of fiscal responsibility legislations, while at the same time ensuring that the ongoing fiscal correction and consolidation process of the UT is not at the cost of expenditure directed towards development of capital infrastructure and social sector. The sub-paragraphs give the analysis of allocation of expenditure in the Union Territory of Jammu and Kashmir.

### 2.4.1 Composition of Expenditure

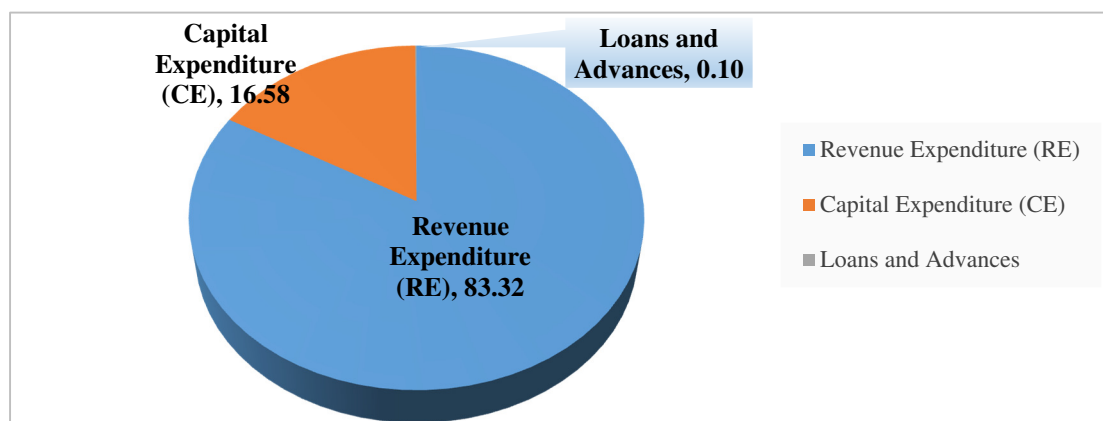
**Table 2.9: Total expenditure and its composition**

Parameters	2020-21	Percentage
Revenue Expenditure (RE)	52,633.75	83.32
Capital Expenditure (CE)	10,470.38	16.58
Loans and Advances	61.64	0.10
<b>Total Expenditure (TE)</b>	<b>63,165.77</b>	<b>100</b>
TE/GSDP	35.83	
RE/GSDP	29.86	
CE/GSDP	5.94	
Loans and Advances/GSDP	0.03	

Source: Finance Accounts

**Chart 2.5 Total Expenditure: Share of its components**

(In per cent)



During the year 2020-21, the share of Capital Expenditure was 16.58 per cent and Revenue Expenditure was 83.32 per cent of total expenditure. Percentage of Revenue Expenditure and Capital Expenditure to GSDP during the year 2020-21 was 29.86 and 5.94 respectively.

**Table 2.10: Relative share of various sectors of expenditure**

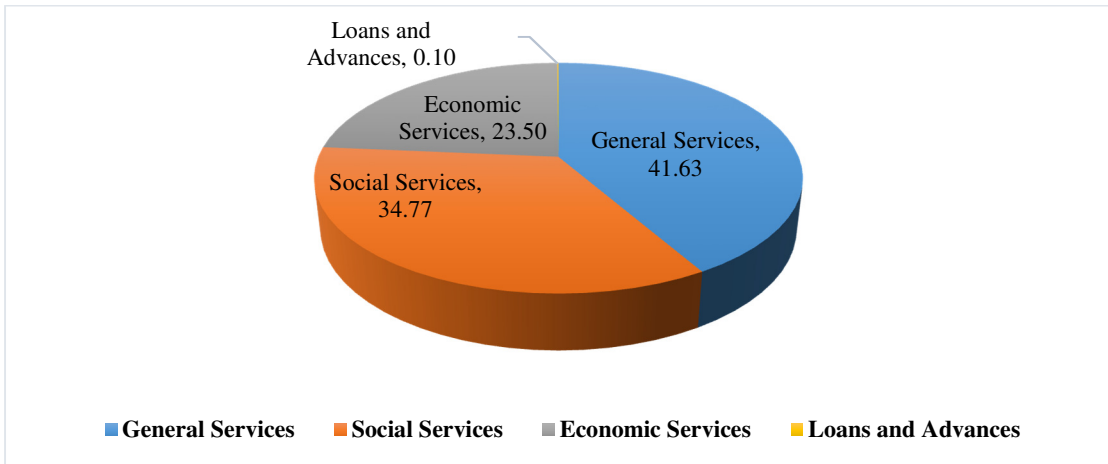
(₹ in crore)

Parameters	2020-21	Percentage
General Services	26,297.40	41.63
Social Services	21,964.27	34.77
Economic Services	14,842.46	23.50
Loans and Advances	61.64	0.10

Source: Finance Accounts

**Chart 2.6: Total expenditure - Expenditure by activities**

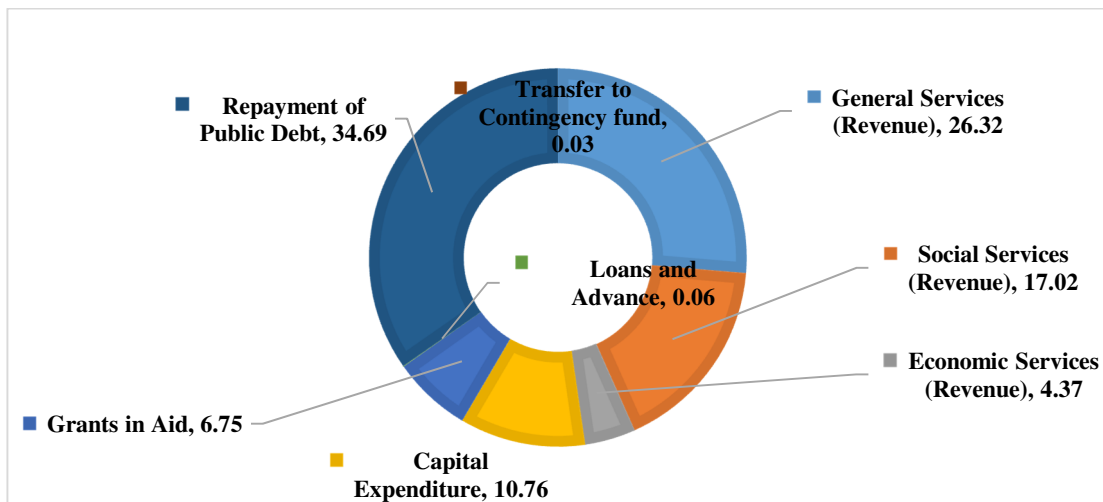
(In per cent)



The combined share of Social and Economic Services which represented Development Expenditure was 58.27 per cent of total expenditure during 2020-21 and 41.63 per cent of total expenditure was incurred on General Services.

**Chart 2.7: Composition of expenditure by function during 2020-21**

(In per cent)



It can be seen from above that Repayment of Public debt accounted for 34.69 per cent and General Services (Revenue) accounts for 26.32 per cent of total

expenditure and expenditure on Social and Economic Service (Revenue) accounts for 21.39 per cent and Grants in Aid accounts for 6.75 per cent of total disbursement from the Consolidated Fund during the 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. **Table 2.11** presents Revenue Expenditure and basic parameters of Union Territory of Jammu and Kashmir.

**Table 2.11: Revenue Expenditure – Basic Parameters**

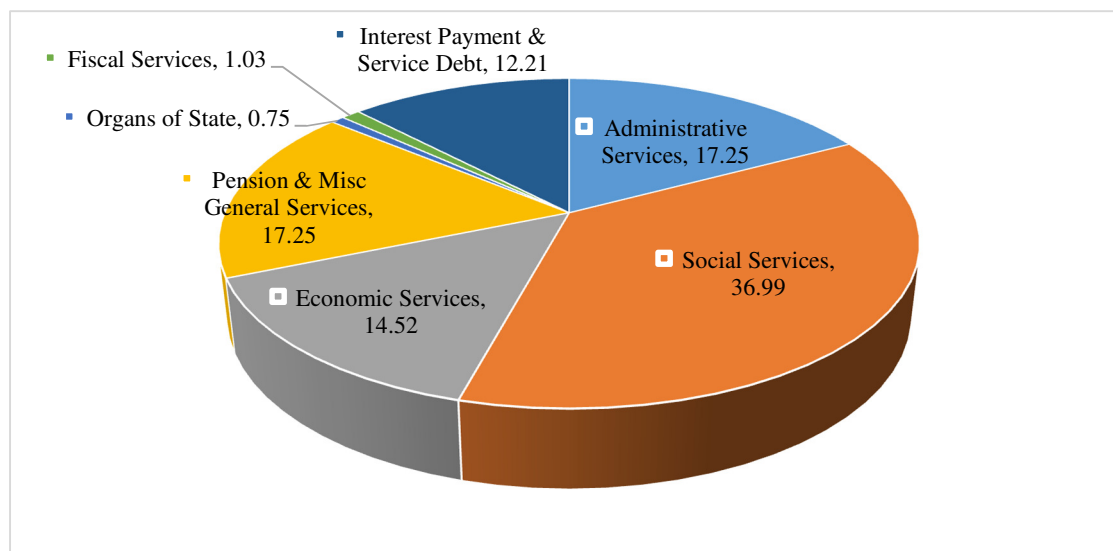
(₹ in crore)

Parameters	2020-21
<b>Total Expenditure (TE)</b>	63,165.77
<b>Revenue Expenditure (RE)</b>	52,633.75
<b>Revenue Expenditure as percentage of TE</b>	83.33
<b>RE/GSDP (per cent)</b>	29.86
<b>RE as percentage of RR</b>	100.26

Source: Finance Accounts

**Chart 2.8: Sector wise distribution of Revenue Expenditure during 2020-21**

(In per cent)



During 2020-21, the combined share of Revenue Expenditure on Economic Services and Social services accounted for 51.51 per cent and General Services accounted for 48.49 per cent of Revenue Expenditure. The expenditure on Administrative Services (17.25 per cent), Interest payments & Servicing of debts (12.21 per cent), Pension & Miscellaneous General Services (17.25 per cent) were the major components of expenditure on General Services.

**2.4.2.1 Committed Expenditure**

The committed expenditure of the UT Government on revenue account consists of interest payments, expenditure on salaries and wages and pensions. It has first charge on Government resources. Heavy Committed expenditure leaves the Government with lesser flexibility for development sector.

**Table 2.12: Components of Committed Expenditure***(₹ in crore)*

Components of Committed Expenditure	2020-21	Percentage with respect to Revenue Expenditure	Percentage with respect to Revenue Receipts
Salaries & Wages	23,851.70	45.31	45.44
Interest Payments	6,372.46	12.11	12.14
Expenditure on Pensions	9,078.11	17.25	17.29
<b>Total</b>	<b>39,302.27</b>	<b>74.67</b>	<b>74.87</b>
<b>Non- Committed Expenditure</b>	13,331.48	25.33	
Subsidy	128.24		
<b>Subsidy as percentage of Non-Committed Expenditure</b>	0.96		

Source: Finance Accounts

The total committed expenditure accounted for 74.67 per cent and Salary and Wages accounted for 45.31 per cent of Revenue Expenditure during 2020-21. Committed expenditure was equal to 74.87 per cent of revenue receipts during 2020-21. It shows that major portion of revenue receipts was exhausted to meet committed expenditures and Government was left with about 25 per cent of its revenue receipts for other expenditure. Further, the pending power bill payments as at the end of 31 March 2021 was ₹ 10,568.12 crore.

**2.4.2.2 Undischarged liabilities in National Pension System**

In terms of the Defined Contribution Pension Scheme, the State Government Employees recruited on or after 1 January 2010 who are covered under the Scheme, the employee contributes 10 per cent of basic pay and dearness allowance, which is matched by the Government with equal amount.

During the year 2020-21, total contribution to Defined Contribution Pension Scheme was ₹1,037.66 crore (Employee's contribution ₹537.25 crore and Government of Union Territory contribution ₹500.41 crore). The Government of Union Territory transferred ₹1,037.66 crore to the Public Account under Major Head 8342-117 Defined Contribution Pension scheme. The Government of Union Territory contribution to NPS was less by ₹36.84 crore which resulted in understatement of Revenue Deficit and Fiscal Deficit to that extent.

During the year 2020-21, ₹1,055.47 crore was transferred to NSDL/Trustee Bank (with previous outstanding balance of ₹17.29 crore) leaving a debit balance of ₹0.52 crore under the Fund as on 31 March 2021. The Debit balance as on 31 March 2021 was due

to non-apportionment of available balance under the Fund as on 30 October 2019 between the successor Union Territory of Jammu & Kashmir and Union Territory of Ladakh.

### 2.4.2.3 Subsidies

Amounts being booked under the object head 'subsidies' have been shown below.

**Table 2.13: Expenditure on subsidies during 2020-21**

	2020-21
<b>Subsidies (₹ in crore)</b>	128.24
<b>Subsidies as a percentage of Revenue Receipts</b>	0.24
<b>Subsidies as a percentage of Revenue Expenditure</b>	0.24

Source: Finance Accounts

The expenditure on subsidies by Union Territory of J&K during 2020-21 constituted 0.24 per cent of Revenue Receipts (₹52,495.48 crore) and Revenue Expenditure (₹52,633.75 crore). Horticulture Department was provided maximum subsidy (₹104.93 crore) which was 81.82 per cent of total expenditure on subsidy during the year.

### 2.4.2.4 Financial Assistance by the UT Government to Local Bodies and other Institutions

Financial assistance is provided by the Union Territory Government to Local bodies and other institutions by way of grants and loans. The quantum of assistance provided by way of Grants to local bodies and other institutions is presented in **Table 2.14**.

**Table 2.14: Financial Assistance to Local Bodies etc.**

(₹ in crore)

<b>Financial Assistance to Institutions</b>	<b>2020-21</b>
<b>(A) Local Bodies</b>	
Municipal Corporations and Municipalities	502.15
Others	399.37
<b>Total (A)</b>	<b>901.52</b>
<b>(B) Others</b>	
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	2,256.56
Development Authorities	68.43
Jammu and Kashmir, Power Corporation	2,759.98
Other Institutions	545.37
<b>Total (B)</b>	<b>5,630.34</b>
<b>Total (A+B)</b>	<b>6,531.86</b>
Revenue Expenditure	<b>52,633.75</b>
Assistance as percentage of Revenue Expenditure	12.41

Source: Finance Accounts

Jammu and Kashmir, Power Corporation was the major beneficiary of assistance which received financial assistance of ₹2,759.98 crore, which was 42.25 per cent of total financial assistance disbursed during 2020-21.

### 2.4.3 Capital Expenditure

Capital Expenditure (capex) is primarily expenditure on creation of fixed infrastructure assets such as roads, buildings etc. Capex is being met from budgetary support and extra budgetary resources/off budget. The share of capital expenditure in total expenditure was 16.58 per cent during 2020-21.

#### 2.4.3.1 Quality of Capital Expenditure

If the Union Territory Government keeps on making investments in loss making government companies, whose net worth is completely eroded, there are no chances of return on investment. Requisite steps have to be taken to infuse transparency in such financial operations. This section presents an analysis of investments and other capital expenditure undertaken by the Government during the current year.

#### 2.4.3.2 Quality of Investments in the Companies, Corporations and other bodies

During 2020-21, Government of UT of Jammu and Kashmir booked ₹99.25 crore as investment. However, against the booked amount, PSUs concerned had shown an investment of ₹83.27 crore, thereby resulting in variation of ₹15.98 crore.

Investment of ₹83.27 crore was made in three entities which had incurred loss as per their last audited accounts. Out of ₹83.27 crore, an amount of ₹81.27 crore has been invested in J&K State Road Transport Corporation, which had reported loss of ₹92.90 crore as per its last audited accounts for the year 2013-14.

UT of Jammu and Kashmir had total investment of ₹162.39 crore as on 31 March 2021 in one corporation (₹138.78 crore), one rural bank (₹2.35 crore), three companies (₹17.91 crore) and investment of (₹3.35 crore) communicated by Registrar Co-operative Societies, J&K Government. In addition to above, erstwhile J&K State Government had cumulative investment of ₹4,617.16 crore in 38 Companies (₹4,148.83 crore), three Statutory Corporations (₹374.34 crore), eight Co-operative Institutions/ Local Bodies (₹47.83 crore), two Rural Banks (₹45.82 crore) and two Joint Stock Companies (₹0.34 crore) ending 30 October 2019 which had not been divided between Union Territory of Jammu and Kashmir and Union Territory of Ladakh. No dividend was received and credited to Government accounts during the year. **Table 2.15** gives overall picture of return on investment *vis-à-vis* the average cost of Government borrowing.

**Table 2.15: Return on Investment**

Investment/return/ cost of borrowings	2020-21
Investment at the end of the year (₹ in crore)	162.39 (4,617.16)
Return (₹ in crore)	Nil
Return (per cent)	Nil
Weighted average rate of interest on Government Borrowings (per cent)	6.91



Investment/return/ cost of borrowings	2020-21
Difference between interest rate and return ( <i>per cent</i> )	6.91
Difference between cost of Government borrowings and return on investment (₹ in crore) <sup>#</sup>	11.22 (330.27)

Figures in bracket shows position of erstwhile State which has to be apportioned between UT of J&K and UT of Ladakh

#  $\text{Investment at the end of the year} \times \frac{\text{Difference between interest rate and return}}{100}$

100

Source: Finance Accounts.

Government paid an average rate of 6.91 *per cent* on its borrowing during 2020-21 against which Nil return on investment was received by the Government.

### 2.4.3.3 Quantum of loans disbursed and recovered during the year 2020-21

In addition to investments in Co-operative Societies, Corporations and Companies, Government has also been providing Loans and Advances to many of these institutions/organisations. **Table 2.16** presents the position of Loans and Advances outstanding as on 31 March 2021, interest receipts *vis-à-vis* interest payments during the year 2020-21.

**Table 2.16: Quantum of loans disbursed and recovered during the year 2020-21.**  
(₹ in crore)

Quantum of loans disbursed and recovered	2020-21
Opening Balance of loans outstanding	35.80 (1,740.44)
Amount advanced during the year	61.64
Amount recovered during the year	1.93
Closing Balance of the loans outstanding	95.51 (1,740.44)
Net addition	59.71
Interest received on loans and Advances	Nil (0.31)
Interest rate on Loans and Advances given by the Government.	Nil (0.02)
Average Rate of Interest paid on the outstanding borrowings* of the Government	6.72
Difference between the rate of interest paid and interest received ( <i>per cent</i> )	6.72

Figures in bracket shows position of erstwhile State which has to be apportioned between UT of J&K and UT of Ladakh

Source: Finance Accounts. \* Includes Outstanding borrowing of erstwhile State which is to be apportioned between successor UTs.

During the year 2020-21, the Government of Union Territory Jammu and Kashmir disbursed loans and advances of ₹61.64 crore and recovered loans and advances amounting to ₹1.93 crore. Government of Union Territory of Jammu and Kashmir granted loan of ₹32.50 crore to J&K State Road Transport Corporation Limited which already had outstanding loans of ₹406.73 crore ending 31 March 2020 (₹383.73 crore received from erstwhile State and ₹23 crore from UT of J&K). Recoveries of Loans and Advances are not forthcoming from loss making public sector undertakings. No assessment about potential recoverability of these loans has been made in the FRBM Statements. The Government of UT of Jammu and Kashmir had total outstanding loans and advances of ₹95.51 crore ending 31 March 2021. In addition, there were Loans and



Advances of ₹1,740.44 crore made by the Government of erstwhile State which were outstanding ending 30 October 2019 and were yet to be divided between Union Territory of Jammu and Kashmir and Union Territory of Ladakh.

#### 2.4.3.4 Capital blocked in incomplete works

164 Capital Works having original estimated cost of ₹633.09 crore, taken up by two Departments (viz. Irrigation and Flood Control Department, Jammu (61 works) and Jal Shakti (PHE) Department Jammu (103 Works) targeted to be completed during the period 2012-13, 2017-18 to 2020-21 were incomplete at the end of the year 2020-21. Cumulative expenditure of ₹464.91 crore incurred on these incomplete works got blocked.

**Table 2.17: Age Profile of incomplete projects as on 31 March 2021**

(₹ in crore)

Target year of completion	No of incomplete works	Estimated Cost	Expenditure ending 31/03/2021
2012-13	01	1.57	3.52
2017-18	02	3.89	3.71
2018-19	05	8.87	8.04
2019-20	95	222.56	182.04
2020-21	61	396.20	267.60
<b>Total</b>	<b>164</b>	<b>633.09</b>	<b>464.91</b>

Source: Finance Accounts.

#### 2.4.3.5 Implementation of Ujwal Discom Assurance Yojana (UDAY)

With the objective of ensuring financial turnaround of Power Distribution Companies (DISCOM), the Ministry of Power, Government of India (GoI) introduced (November 2015) the Ujwal Discom Assurance Yojana (UDAY) to improve the operational and financial efficiency of the State DISCOM. States were to take over 75 per cent of DISCOM debt as on September 2015 over two years i.e. 50 per cent of DISCOM debt was to be taken over in 2015-16 and 25 per cent in 2016-17. In March 2016, the Ministry of Power, Government of India and Government of Jammu and Kashmir signed a Memorandum of Understanding (MOU) under the scheme UDAY-"Ujwal DISCOM Assurance Yojana" and borrowed ₹3,537.55 crore (₹2,140 crore in 2015-16 and ₹1,397.55 crore in 2016-17) from RBI by issue of Non Statutory Liquidity Ratio (SLR) bond at rates ranging between 7.07 per cent to 8.72 per cent with maturity date from March 2022 to October 2031. The function of electricity supply to consumers was being handled departmentally in the State so the money was utilised by the State Government to clear liabilities towards the Central Public Sector Undertakings (CPSU). The State Government has to pay interest on the bonds and bonds amounting ₹353.75 crore will also be maturing every year from 2021-22 to 2031-32. During the year 2020-21, UT Government paid ₹284.12 crore towards interest on bonds issued under UDAY Scheme.

#### 2.4.4 Expenditure priorities

Enhancing human development levels requires the States to step up their expenditure on key social services like education, health etc. Low fiscal priority (ratio of expenditure under a category to aggregate expenditure) is attached to a particular sector. The higher the ratio of these components to total expenditure, the quality of expenditure is considered to be better. The comparison of expenditure priority of Government of UT of Jammu and Kashmir during 2020-21 with the average expenditure priority of North Eastern and Himalayan States during the year is shown in **Table 2.18**.

**Table 2.18: Expenditure priority of the UT Government with regard to Health, Education, Capital expenditure etc.**

*(In per cent)*

	TE/ GSDP	RE/ TE	CE/ TE	SSE/ TE	ESE/ TE	DE/ TE	Educ ation/ TE	Health &FW/ TE
<b>NE and Himalayan State Average (2020-21)</b>	26.92	84.33	15.83	36.74	27.14	63.34	16.95	7.04
<b>UT of Jammu and Kashmir</b>	35.83	83.33	16.67	34.77	23.59	58.37	16.28	7.85

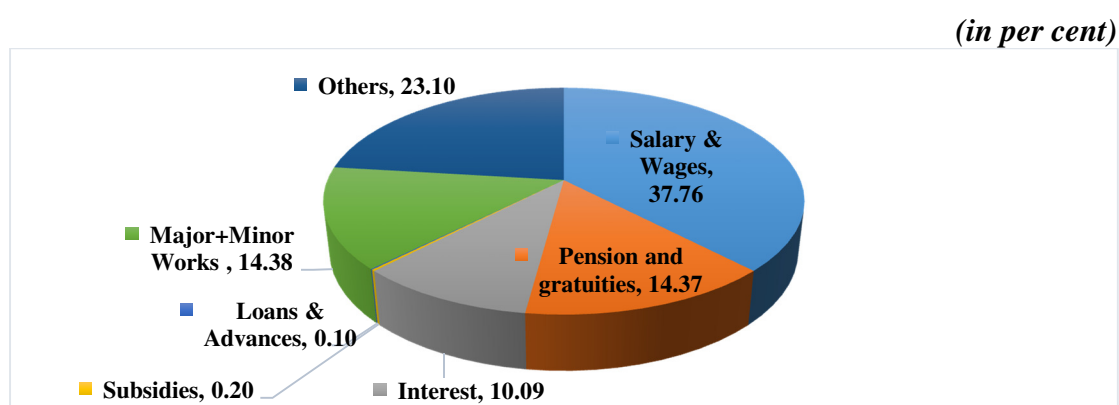
T.E; Total expenditure, RE: Revenue Expenditure, CE: Capital Outlay + Loans and Advances, SSE: Social Sector Expenditure, ESE: Economic Sector Expenditure, DE: Development Expenditure.

During the year 2020-21 the UTs expenditure priority on Health Sector, Capital Expenditure, and Total Expenditure was more than average of North Eastern and Himalayan States and expenditure priority on Revenue Expenditure, Social Sector Expenditure, Economic Sector Expenditure, Development Sector Expenditure and Education Sector was less than the average of North Eastern and Himalayan States.

#### 2.4.5 Object head wise Expenditure

Object head wise expenditure give information about the object/ purpose of the expenditure.

**Chart 2.9: Object head wise Expenditure**



Salary and wages of UT of Jammu and Kashmir accounted for 37.76 per cent and pension and gratuities accounted for 14.37 per cent of total expenditure. It indicates that more than 52 per cent of total expenditure was on Salary & Wages and Pension & gratuities. Major, Minor Works accounted for 14.38 per cent of total expenditure.

## 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 68(1) of the Jammu & Kashmir Reorganisation Act 2019 and are not subject to vote by the Legislature. The Government acts as a banker in respect of these transactions. The balance after disbursements during the year is the fund available with the Government for use for various purposes.

### 2.5.1 Net Public Account Balances

In respect of sums credited to the Public Accounts of the Union Territory of Jammu and Kashmir, the UT Government acts as a trustee or banker and bears a fiduciary liability. Major constituents of the Public Accounts are State Provident Fund, Insurance/Pension Funds, Reserve Funds, Deposits and Advances. Besides, the Public Accounts section of the Government Accounts is also used to record transitory and pass through transactions under Suspense and Miscellaneous and Remittance heads before their final accounting to appropriate receipt or payment head of account, and also cash balance transactions.

**Table 2.19** given below shows component-wise net balances in Public Account of the State/UT.

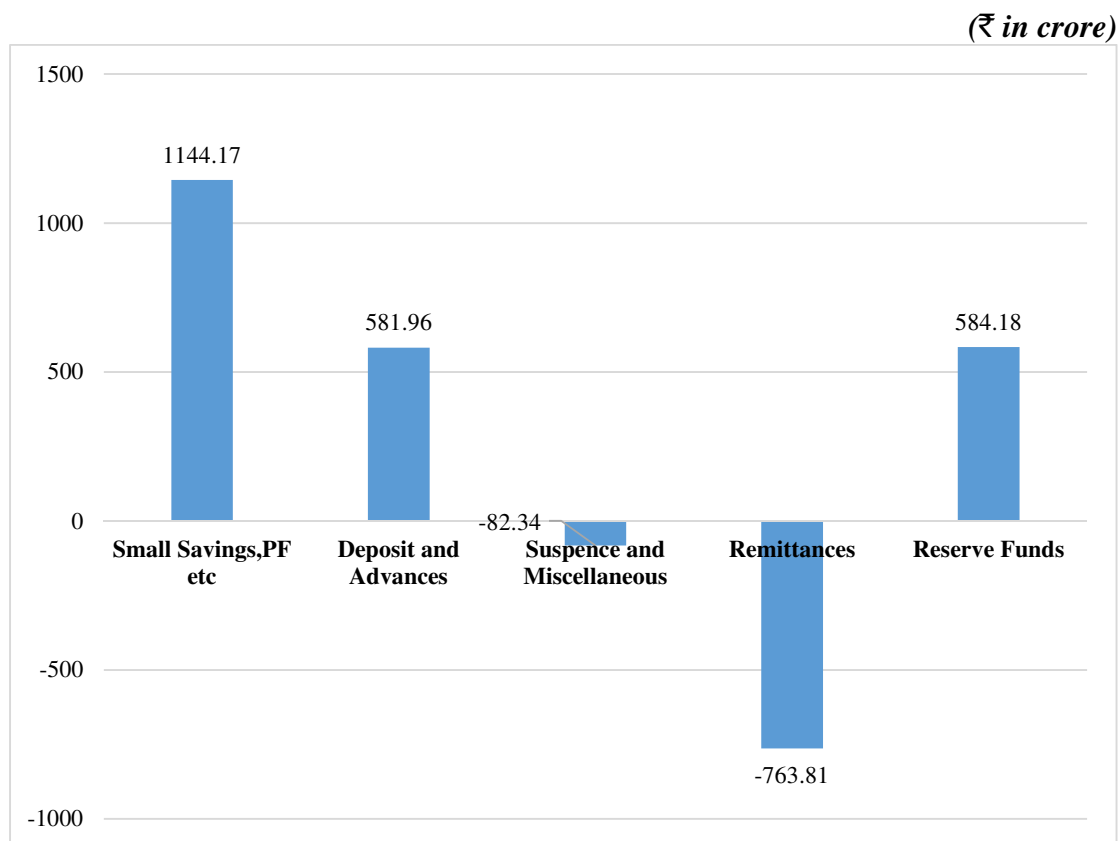
**Table 2.19: Component-wise net balances in Public Account at close of the year 2020-21**

		(₹ in crore)
Sector	Sub Sector	2020-21
I. Small Savings, Provident Funds, etc.	Small Savings, Provident Funds, etc.	-2,185.97 (-27,161.62)
J. Reserve Funds	(a) Reserve Funds bearing Interest	-780.89 (-1,260.62)
	(b) Reserve Funds not bearing Interest	9.76 (-1,533.95)
K. Deposits and Advances	(a) Deposits bearing Interest	-474.74 (-53.67)
	(b) Deposits not bearing Interest	-880.79 (-6,860.56)
	(c) Advances	0.00 (12.69)
L. Suspense and Miscellaneous	(b) Suspense	-121.14 (344.15)
	(c) Other Accounts	-0.0002 (389.01)
M. Remittances	(a) Money Orders, and other Remittances	-632.57 (-2,856.74)
	(b) Inter-Governmental Adjustment Account	-1.93 (9.26)
<b>Total</b>		<b>-5,068.27</b> <b>(-38,973)</b>

Source: Finance Accounts Note: +ve denotes debit balance and -ve denotes credit balances

The total credit balance under Public Accounts of UT of Jammu and Kashmir was ₹5,068.27 crore ending 31 March 2021. There was also a credit balance of ₹38,973 crore ending 30 October 2019 under Public Account of erstwhile State of Jammu and Kashmir which is yet to be bifurcated between Union Territory of Jammu and Kashmir and UT of Ladakh.

**Chart 2.10: Net Balances in Public Account of UT of J&K during 2020-21**



During the year 2020-21, major change occurred in Small Savings, PF etc and Remittances components of Public Account.

### 2.5.2 Reserve Funds

Reserve Funds are created for specific and defined purposes under the Public Accounts of the Government. These funds get contributions or grants from the Consolidated Fund of the UT of Jammu and Kashmir. The position of reserve funds in the accounts of Union Territory of Jammu and Kashmir is shown in the Table below. The total accumulated balance at the end of 31 March 2021 in these funds was ₹771.13 crore. Out of which ₹780.89 crore (Credit) was under interest bearing Reserve Fund and ₹9.76 crore (Debit) under Non-Interest bearing Reserve Fund. The Debit balance of ₹9.76 crore as on 31 March 2021 under Non-Interest bearing Reserve Fund is due to total accumulated net balance (Non-Interest bearing) in Reserve Funds as at the end of 30 October 2019, yet to be apportioned between successor Union Territories. The cumulative aggregate balance in these funds at the end of 30 October 2019 was ₹2,806 crore which is yet to be bifurcated between two UTs.

Table 2.20: Closing Balances under Reserve Funds

(₹ in crore)

RESERVE FUNDS	2020-21
<b>Reserve Funds Bearing interest</b>	
State Disaster Response Fund	16.32
State Compensatory Afforestation Fund	764.57
<b>Total - Reserve Fund Bearing Interest</b>	<b>780.89</b>
<b>Reserve Funds Not Bearing interest</b>	
Sinking fund	55.63
Other Development and Welfare Funds	-90.38
General Insurance Fund (Janta Insurance)	20.12
Guarantee Redemption Fund	2.00
Other Funds	2.87
<b>Total - Reserve Funds Not Bearing interest</b>	<b>(-9.76)</b>
<b>Total - Reserve Funds</b>	<b>771.13</b>

Source: Finance Accounts

### 2.5.2.1 Consolidated Sinking Fund

The Government of erstwhile Jammu & Kashmir State constituted (January 2012) a Consolidated Sinking Fund for amortisation of loans in 2012. This has been continued by the successor Union Territory of Jammu and Kashmir. As per guidelines of the Fund, Government may contribute 0.50 *per cent* of the outstanding liabilities {public debt + public account (excluding Suspense and Remittances)} as at the end of previous year. During the year 2020-21, an amount of ₹55.63 crore was contributed to this Fund by the Union Territory Government as against required contribution of ₹27.50 crore i.e. 0.50 *per cent* of total outstanding liabilities of ₹5,500.35 crore during the year 2020-21. The Contribution of ₹355.87 crore since inception of this fund by erstwhile State of Jammu and Kashmir to the Fund up to ending 30 October 2019 is yet to be apportioned between the successor Union Territory of Jammu & Kashmir and Union Territory of Ladakh.

### 2.5.2.2 State Disaster Response Fund

In terms of guidelines on constitution and administration of the State Disaster Response Fund (under Major Head '8121- General & Other Reserve Funds' which is under interest bearing section), the Central and State Governments are required to contribute to the fund in the proportion of 90:10. On Re-organisation of the State of Jammu and Kashmir into two new Union Territories, the Union Territory of Jammu and Kashmir continued with the Fund. During the year 2020-21, an amount of ₹279.00 crore on account of 'Grants towards contribution to Union Territory Disaster Response Fund' was released by the Ministry of Home Affairs, Government of India. The Government of Union Territory of Jammu and Kashmir transferred ₹357.57 crore (Central share ₹279.00 crore, Union Territory share ₹31.00 crore, interest ₹43.89 crore and previous unspent balance of ₹3.68 crore credited) to the Fund under Major Head 8121-122

SDRF. The contributions to the Fund, expenditure and the balance therein relating to Union Territory of Jammu and Kashmir during the year 2020-21 are as under:

**Table 2.21: Receipts and Expenditure under State Disaster Response Fund**  
(₹ in crore)

Opening balance (1 April 2020)	Contribution by Centre	UT Share	Receipts under NDRF	Total receipts during the	Amount set off (MH 2245-05)	Balance in the fund
(-)176.90	279.00	31.00	Nil	357.57*	164.35	16.32

\*Includes interest ₹43.89 crore and unspent balance ₹3.68 crore

There was minus balance of ₹176.90 crore under the Fund as on 1 April 2020 and during the year 2020-21, Government of Union territory of Jammu and Kashmir transferred ₹357.57 crore (Central Share ₹279 crore, Union Territory share ₹31.00 crore, interest ₹43.89 crore and previous unspent balance of ₹3.68 crore) and credited to the Fund. Expenditure of ₹164.35 crore was incurred during the year 2020-21 on natural calamities, leaving a balance of ₹16.32 crore as on 31 March 2021. The balance under the Fund has not been invested by the Government of UT of Jammu and Kashmir.

There was Gross balance of ₹1,271.48 crore under State Disaster Response Fund (SDRF) as on 30 October 2019 which is yet to be apportioned between the two new successor Union Territories viz Union Territory of Jammu and Kashmir and Union Territory of Ladakh. An amount of ₹10.86 crore stood invested from the Fund leaving net un-apportioned balance of ₹1,260.62 crore.

### 2.5.2.3 Guarantee Redemption Fund

The RBI guidelines of 2013 on the Guarantee Redemption Fund (GRF) mentions that it is desirable for the Government to contribute a minimum of one *per cent* of outstanding Guarantees at the beginning of the year in the year of constitution of the Fund, and thereafter a minimum of 0.50 *per cent* every year to achieve a corpus of minimum three to five *per cent* of the outstanding Guarantees of the previous year. The Government of Union Territory of Jammu and Kashmir has not framed Guarantee Redemption Act as on 31 March 2021. Further, the Guarantee Redemption Fund Scheme of erstwhile State of Jammu and Kashmir didn't have any target for contribution to the Fund.

During the year 2020-21, the Government of Union Territory of Jammu and Kashmir contributed rupees one crore towards the Fund. The closing balance of the Fund as on 31 March 2021 was two crore. There was also balance of ₹20.42 crore in the Fund as on 30 October 2019 yet to be apportioned between the Union Territory of Jammu & Kashmir and Union Territory of Ladakh. The entire amount of ₹22.42 crore (two crore relating to Union Territory of Jammu and Kashmir (31 October 2019 to 31 March 2021 and ₹20.42 crore relating to undivided State of Jammu and Kashmir up to 30 October 2019) has not been invested by the Government. Three *per cent* of outstanding guarantee of previous year (₹1,324.54 crore + ₹452.07 crore) amounts to ₹53.30 crore whereas total contribution made to fund is ₹22.42 crore, Government of Union

Territory needs to increase its contribution to the fund to achieve minimum corpus of three *per cent* of outstanding Guarantees.

#### 2.5.2.4 Central Road Fund (CRF)

Government of India provides annual grants under the Central Road Fund (CRF) to the Government of Union Territory to incur expenditure on specific road projects. During the year 2020-21, the Government of Union Territory received grants of ₹79.40 crore towards CRF and transferred the entire amount to the Deposit Head- 8449 through expenditure Head-3054. The Government of Union Territory incurred expenditure of ₹27.36 crore from the Fund during the year leaving closing balance of ₹77.34 crore in the Fund as on 31 March 2021 which includes previous unspent balance of ₹25.30 crore at the end of 31 March 2020 (31 October 2019 to 31 March 2020).

There was also a balance of ₹573.33 crore as on 30 October 2019 (pre-reorganisation) under the Fund, which is yet to be apportioned between the Union Territories viz. Union Territory of Jammu and Kashmir and Union Territory of Ladakh.

## 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.

### 2.6.1 Debt profile: Components

Total debt of the State/UT Government typically constitutes of Internal debt of the State/UT (market loans, ways and means advances from RBI, special securities issued to National Small Savings Fund and loans from financial institutions, etc.), loans and advances from the Central Government, and Public Account Liabilities. The components of the Outstanding debt are given below.

**Table 2.22: Component wise outstanding debt**

		(₹ in crore)
		2020-21
<b>Outstanding Overall Debt</b>		<b>16,980.28</b>
<b>Public Debt</b>	<b>Internal debt</b>	<b>10,562.21</b>
	<b>Debt from GoI</b>	<b>2,105.44*</b>
<b>Liabilities on Public Account</b>		<b>4,312.63</b>
<b>Gross State Domestic Product (GSDP)</b>		<b>1,76,282</b>
<b>Debt/GSDP (per cent)</b>		<b>8.44**</b>
<b>Total Debt Receipts</b>		<b>52,919.18</b>
<b>Total Debt Repayments</b>		<b>41,439.26</b>
<b>Total Debt Available</b>		<b>11,479.92</b>
<b>Debt Repayments/Debt Receipts (percentage)</b>		<b>78.31</b>

Source: Finance Accounts

\* Includes ₹2,099.80 crore as back-to-back loans from GoI in lieu of GST Compensation shortfall.

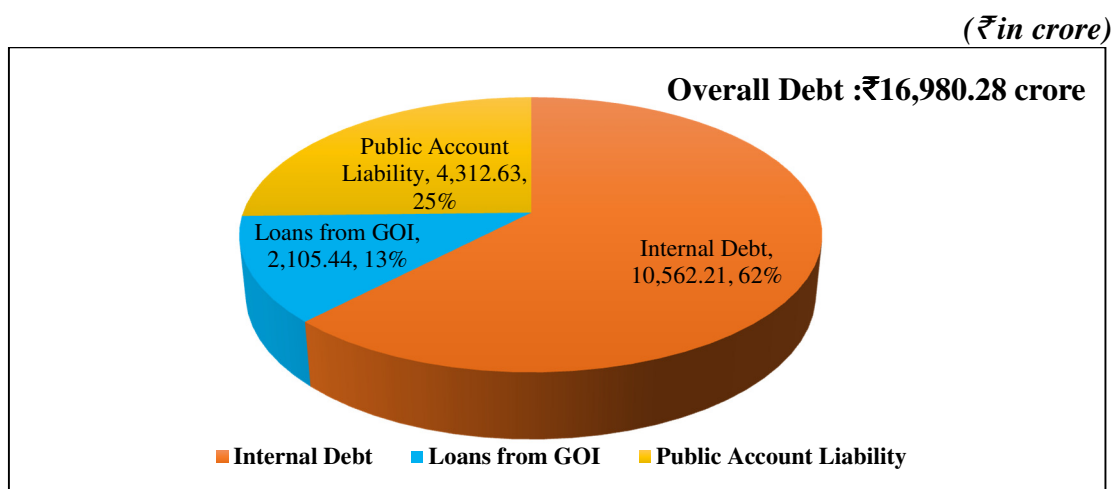
\*\* The ratio of 8.44 has been arrived at after exclusion of GST compensation of ₹2,099.80 crore received as back-to-back loans without repayment liability from GoI under debt receipts from the outstanding overall debt.

Note: Liabilities on Public Account is excluding liabilities under Suspense and Misc. and Remittance Head

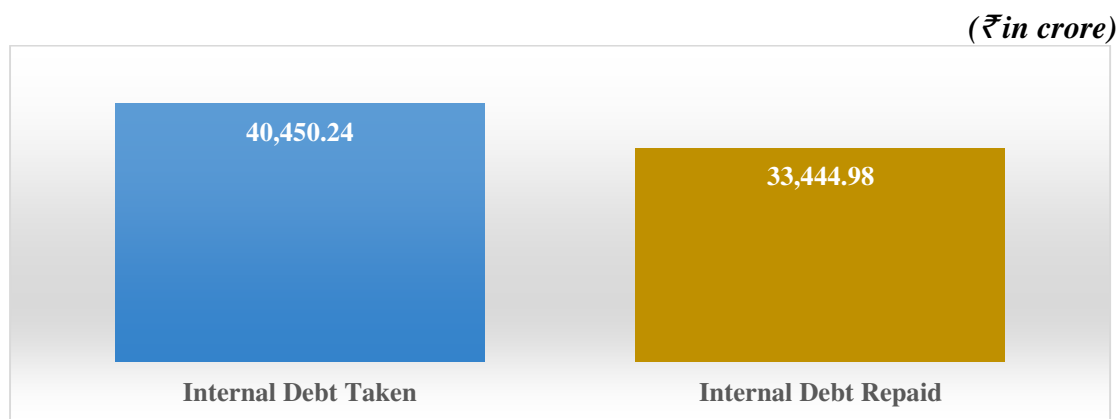


The overall outstanding debt with repayment liability is ₹14,880.48 crore as the Department of Expenditure, GoI has decided that GST compensation of ₹2,099.80 crore given to the Union Territory as back-to-back loans under debt receipts would not be treated as debt of the UT for any norms which may be prescribed by the Finance Commission, etc. During the year 2020-21, total debt repayment was 78.31 per cent to debt receipts resulting in only 21.69 per cent of total debt receipts was available with the Government. The total debt available after adjusting debt repayment was ₹11,479.92 crore during the year.

**Chart 2.11: Breakup of Outstanding Overall Debt of UT of Jammu and Kashmir at the end of the year 2020-21.**



**Chart 2.12: Internal debt taken vis-à-vis repaid**



The percentage of internal debt repaid to internal debt taken was 82.68 per cent during the year 2020-21.

**Table 2.23: Components of fiscal deficit and its financing pattern**

(₹ in crore)

Particulars		2020-21
<b>Composition of Fiscal Deficit</b>		10,693.36
1	Revenue Deficit	-138.27
2	Net Capital Expenditure	-10,470.38



Particulars		2020-21
3	Net Loans and Advances	-59.71
4	Appropriation to Contingency Fund	-25.00
<b>Financing Pattern of Fiscal Deficit</b>		
1	Market Borrowings	7,508.66
2	Loans from GoI*	2,164.35
3	Special Securities issued to NSSF	-348.65
4	Loans from Financial Institutions	-154.75
5	Small Savings, PF, etc.	1,144.17
6	Deposits and Advances	581.96
7	Suspense and Miscellaneous	-82.34
8	Remittances	-763.81
9	Reserve Fund	584.18
10	Contingency Fund	25.00
<b>11</b>	<b>Overall Deficit</b>	<b>10,658.77</b>
12	Increase/Decrease in cash balance	34.59
<b>13</b>	<b>Gross Fiscal Deficit</b>	<b>10,693.36</b>

Source: Finance Accounts

\*Includes ₹2,099.80 crore as back-to-back loans from GoI in lieu of GST Compensation shortfall.

During 2020-21 Union Territory of Jammu and Kashmir has fiscal deficit of ₹10,693.36 crore. Market borrowings, Small Savings, Provident Fund etc. were major sources to finance fiscal deficit.

**Table 2.24: Receipts and Disbursements under components financing the fiscal deficit (2020-21)**

(₹ in crore)

Particulars		Receipt	Disbursement	Net
1	Market Borrowings	40,128.28	32,619.62	7,508.66
2	Loans from GOI*	2,282.69	118.34	2,164.35
3	Special Securities issued to NSSF	0.00	348.65	-348.65
4	Loans from Financial Institutions	321.96	476.71	-154.75
5	Small Savings, PF, etc.	5,968.29	4,824.12	1,144.17
6	Deposits and Advances	3,427.29	2,845.33	581.96
7	Suspense and Miscellaneous	12,655.15	12,737.49	-82.34
8	Remittances	1,992.42	2,756.23	-763.81
9	Reserve Fund	790.67	206.49	584.18
10	Contingency Fund	25.00	0	25.00
<b>11</b>	<b>Overall Deficit</b>	<b>67,591.75</b>	<b>56,932.98</b>	<b>10,658.77</b>
12	Increase/Decrease in cash balance	1,482.28	1,447.69	34.59
<b>13</b>	<b>Gross Fiscal Deficit</b>	<b>69,074.03</b>	<b>58,380.67</b>	<b>10,693.36</b>

Source: Finance Accounts

\* Includes ₹2,099.80 crore as back-to-back loans from GoI in lieu of GST Compensation shortfall.

## 2.7 Debt Analysis

The position of outstanding public debt and its comparison with other fiscal aggregates are shown below.

**Table 2.25: Position of Outstanding Public debt**

Debt Sustainability Indicators	2020-21
Outstanding Public Debt* (₹ in crore)	10,567.84 (46,666.22)
GSDP (₹ in crore)	1,76,282
Rate of Growth of GSDP	3.46
Public Debt/GSDP	5.99 (32.47) <sup>@</sup>
Average interest Rate of Outstanding Public Debt ( <i>per cent</i> ) (interest paid/OB of Public Debt + CB of Public Debt/2)	7.82
Percentage of Interest payment to Revenue Receipt	8.16
Percentage of Public Debt Repayment to Public Debt Receipt	78.54
Net Public Debt available to the UT <sup>#</sup> ( in crore)	4,887.23
Net Public Debt available as <i>per cent</i> to Public Debt Receipts	11.44

Source: Finance Accounts

\*Outstanding Public Debt is the sum of outstanding balances under the heads 6003-Internal Debt and 6004- Loans and Advances from the Central Government. It excludes GST compensation of ₹2,099.80 crore received as back-to-back loans under debt receipts from Department of Expenditure, GoI. The back-to-back loans would not be treated as debt of the UT for any norms which may be prescribed by the Finance Commission, etc.

<sup>#</sup>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.

<sup>@</sup> Public debt (including outstanding public debt of erstwhile State) to GSDP.

Some of the indicators of debt sustainability are as under.

- Net Public Debt available during the year 2020-21 was ₹4,887.23 crore which was just 11.44 *per cent* of debt receipt during the year.
- Public Debt Repayments/Public Debt Receipts: During the year 2020-21 public debt repayment was 78.54 *per cent* of debt receipt resulting in only 21.46 *per cent* of public debt receipt was available with the Government.
- Percentage of Interest payment on Public debt to total Revenue Receipts during the year 2020-21 was 8.16 *per cent*.

### 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.

**Table 2.26: Utilisation of borrowed funds during 2020-21**

Year	1	2020-21
<b>Total Borrowings</b>	<b>2</b>	42,732.93*
<b>Repayment of earlier borrowings (Principal) (percentage)</b>	<b>3</b>	33,563.32
<b>Balance borrowings for capital expenditure (percentage)</b>	<b>4</b>	9,169.61 (21.46)
<b>Balance of borrowing for disbursement of loans and advances</b>	<b>5</b>	NA
<b>Portion of Revenue Expenditure met out of net available borrowings</b>	<b>6=2-3-4-5</b>	NA

Source: Finance Accounts

\* Includes ₹2,099.80 crore as back-to-back loans from GoI in lieu of GST Compensation shortfall.

During 2020-21, 78.54 per cent of borrowed funds were utilised towards repayment of earlier loans/ borrowed funds resulting just 21.46 per cent of borrowed funds remained available for development works.

### 2.7.2 Status of Guarantees – Contingent Liabilities

The total outstanding Guarantees given by the Union Territory Government as on 31 March 2021 aggregated to ₹1,486.07 crore. There was also outstanding Guarantees of ₹452.07 crore as on 30 October 2019 which is yet to be apportioned. No Guarantee Commission/ fee was received by Government of Union Territory of Jammu and Kashmir during 2020-21.

### 2.7.3 Management of Cash Balances

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

The Government of Union Territory of Jammu and Kashmir maintained minimum cash balance of ₹1.14 crore on 47 days without resorting to Normal Ways and Advances and Overdraft and availed Normal Ways and Means Advances on 260 days and on 58 days it had to avail Overdraft too from RBI. The balance at the end of 31 March 2021 was ₹1,784.54 crore (₹715.89 crore under Normal Ways and Means Advances and ₹1,068.65 crore under overdraft).

There was also a balance of ₹692.11 crore under Normal Ways and Means Advances as on 30 October 2019 which is yet to be apportioned between the successor Union Territories viz Union Territory of Jammu & Kashmir and Union Territory of Ladakh.

Union Territory Government invests its surplus cash balance in short and long-term GoI Securities and Treasury Bills. The profits derived from such investments are to be credited as receipts under the head '0049-Interest Receipts'. Position of cash balance and their investment is as under.

**Table 2.27: Cash Balances and their investment**

(₹ in crore)

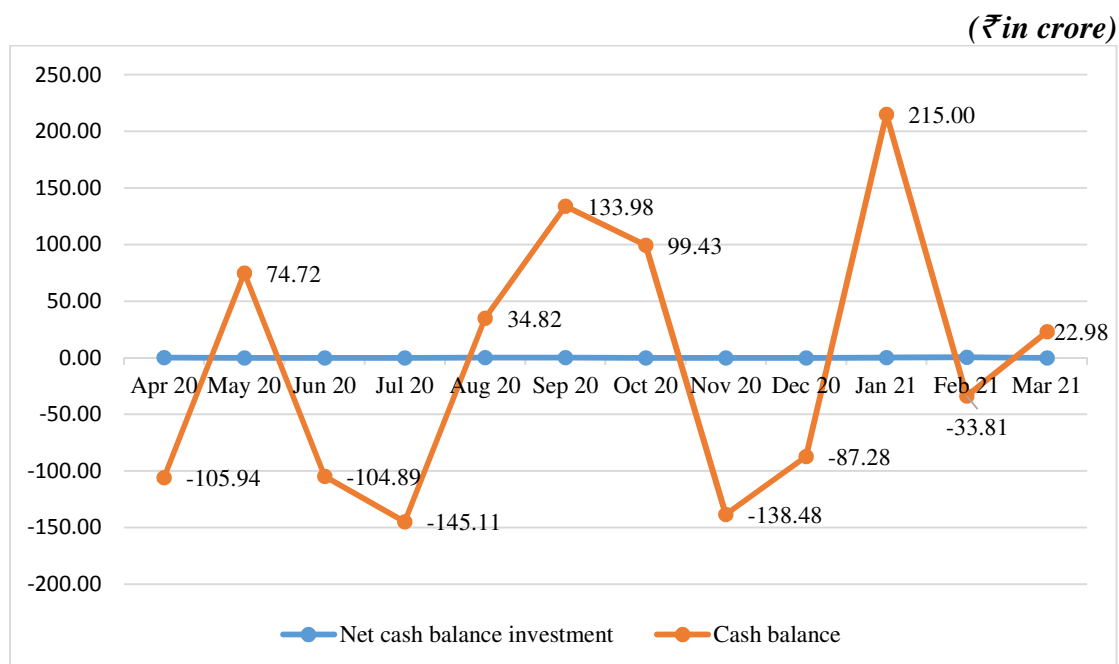
	Opening balance on 31 March 2020	Closing balance on 31 March 2021
<b>A. General Cash Balance</b>		
Cash in treasuries	0.00	0.00
Deposits with Reserve Bank of India	1,482.28	1,447.69
Deposits with J&K Bank and other Banks	0.00	0.00
Remittances in transit – Local	0.00	0.00
<b>Total</b>	<b>1,482.28</b>	<b>1,447.69</b>

	Opening balance on 31 March 2020	Closing balance on 31 March 2021
Investments held in Cash Balance investment account	0.00	0.00
<b>Total (A)</b>	<b>1,482.28</b>	<b>1,447.69</b>
<b>B. Other Cash Balances and Investments</b>		
Cash with departmental officers viz., Public Works, Forest Officers	0.00	0.00
Permanent advances for contingent expenditure with department officers	0.00	0.00
Investment in earmarked funds	0.00	0.00
<b>Total (B)</b>	<b>0.00</b>	<b>0.00</b>
<b>Total (A + B)</b>	<b>1,482.28</b>	<b>1,447.69</b>
<b>Interest realised</b>	<b>Nil</b>	<b>0.11</b>

Source: Finance Accounts

No amount was held in Cash Balance Investment Account by the Government of UT of Jammu and Kashmir at the close of the year 2020-21. However, an amount of ₹383.92 crore was held in the Cash Balance Investment Account at the end of 30 October 2019, is yet to be to be apportioned between UT of J&K and UT of Ladakh. Government earned an interest of ₹0.11 crore on cash balance investment during 2020-21.

**Chart 2.13: Month wise movement of Cash Balances and net cash balance investments during the year**



Source: Finance Accounts

## 2.8 Conclusions

- Revenue Expenditure constituted of 83.32 *per cent* of Total Expenditure.
- Capital Expenditure of ₹10,470.38 crore constituted 16.58 *per cent* of Total expenditure.
- Outstanding Public debt of UT of Jammu and Kashmir at the end of 31 March 2021 was ₹10,567.84 crore and there is also an amount of ₹46,666 crore at the end of 30 October 2019 which is to be bifurcated between two Union Territories.
- Union Territory of Jammu and Kashmir had total investment of ₹162.39 crore ending 31 March 2021 in Government Companies, Statutory Corporations Cooperative Institutions/Local bodies and Rural Banks and no return in the form of dividend was received during 2020-21. In addition to above there is also an investment of ₹4,617.16 crore made by the erstwhile State of Jammu and Kashmir which is yet to be bifurcated between two Union Territories.
- The Union Territory of Jammu and Kashmir had outstanding loans of ₹95.51 crore disbursed up to ending 31 March 2021. In addition to above, the Erstwhile State had outstanding loans amounting ₹1,740.44 crore disbursed up to ending 30 October 2019 which are to be distributed between two Union Territories.
- During 2020-21, the balance under reserve funds of UT of Jammu and Kashmir was ₹771.13 crore. There was also balance under Reserve funds at the end of 30 October 2019 amounting to ₹2,806 crore, which is to be bifurcated between two Union Territories.

## 2.9 Recommendations

1. The Government should make efforts for augmentation of its own tax revenue.
2. The Government should explore ways to minimize its committed expenditure so that more funds could be made available for development expenditure.
3. The Government should explore ways of ensuring reasonable return on capital invested in PSUs in view of the substantial high cost of borrowing made by it.
4. As recovery of loans advanced by the Government has been poor, the Government should consider treating loans and advances as grants and booking them as Revenue Expenditure for ensuring that accounts reflects the correct position.

