

CHAPTER-II
FINANCES OF THE STATE

Chapter 2: Finances of the State

2.1 Major Changes in Key Fiscal Aggregates

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

Revenue Receipts	<ul style="list-style-type: none">✓ Revenue receipts of the State decreased by 0.44 <i>per cent</i>✓ Own Tax receipts of the State decreased by 2.13 <i>per cent</i>✓ Own Non-tax receipts decreased by 5.93 <i>per cent</i>✓ State's Share of Union Taxes and Duties decreased by 9.46 <i>per cent</i>✓ Grants-in-Aid from Government of India increased by 16.40 <i>per cent</i>
Revenue Expenditure	<ul style="list-style-type: none">✓ Revenue expenditure increased by 6.01 <i>per cent</i>✓ Revenue expenditure on General Services increased by 8.94 <i>per cent</i>✓ Revenue expenditure on Social Services increased by 7.23 <i>per cent</i>✓ Revenue expenditure on Economic Services decreased by 0.99 <i>per cent</i>✓ No expenditure on Grants-in-Aid during 2020-21
Capital Expenditure	<ul style="list-style-type: none">✓ Capital expenditure decreased by 66.77 <i>per cent</i>✓ Capital expenditure on General Services decreased by 33.79 <i>per cent</i>✓ Capital expenditure on Social Services decreased by 7.67 <i>per cent</i>✓ Capital expenditure on Economic Services decreased by 81.97 <i>per cent</i>
Loans and Advances	<ul style="list-style-type: none">✓ Disbursement of Loans and Advances decreased by 29.26 <i>per cent</i>✓ Recoveries of Loans and Advances decreased by 91.99 <i>per cent</i>
Public Debt	<ul style="list-style-type: none">✓ Public Debt Receipts increased by 11.33 <i>per cent</i>*✓ Repayment of Public Debt increased by 86.98 <i>per cent</i>
Public Account	<ul style="list-style-type: none">✓ Public Account Receipts increased by 22.71 <i>per cent</i>✓ Disbursement of Public Account increased by 19.74 <i>per cent</i>
Cash Balance	<ul style="list-style-type: none">✓ Cash balance decreased by ₹ 851.53 crore (21.29 <i>per cent</i>) during 2020-21 compared to previous year

* Excluding GoI back-to-back loans of ₹ 4,352 crore in lieu of GST compensation shortfall which were not to be treated as debt of the State for any norms, as per the guidelines (August 2020).

2.2 Sources and Application of Funds

The summary of sources and application of funds during the current year (2020-21) vis-à-vis the previous year (2019-20) is given in **Table 2.1**.

Table 2.1: Details of sources and application of funds during 2019-20 and 2020-21

(₹ in crore)

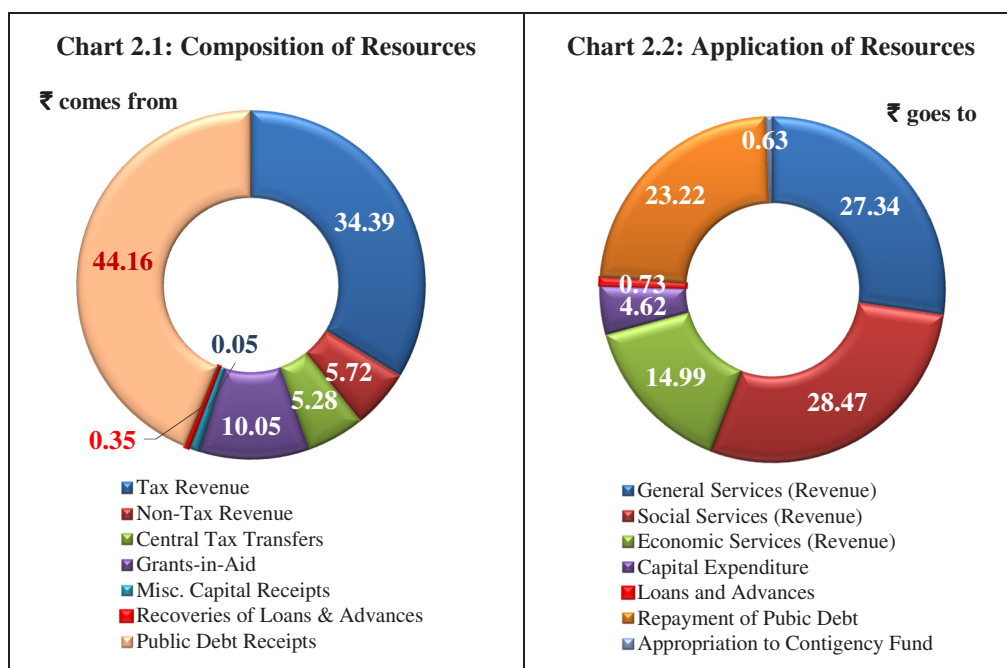
	Particulars	2019-20	2020-21	Increase/ Decrease (Percentage)
Sources	Opening Cash Balance with RBI	2,985.55	3,999.47	1,013.92 (34)
	Revenue Receipts	67,858.13	67,561.01	(-) 297.12 (0.44)
	Recoveries of Loans and Advances	5,392.63	431.95	(-) 4,960.68 (92)
	Misc. Capital Receipts	54.01	62.96	8.95 (17)
	Public Debt Receipts (Net)	28,656.31	24,319.13*	(-) 4,337.18 (15)
	Public Account Receipts (Net)	2,876.23	3,515.42	639.19 (22)
	Total	1,07,822.86	99,889.94	(-) 7,932.92 (7)
Application	Revenue Expenditure	84,848.21	89,946.60	5,098.39 (6)
	Capital Expenditure	17,665.93	5,869.70	(-) 11,796.23 (67)
	Disbursement of Loans and Advances	1,309.25	925.70	(-) 383.55 (29)
	Closing Cash Balance with RBI	3,999.47	3,147.94	(-) 851.53 (21)
	Total	1,07,822.86	99,889.94	(-) 7,932.92 (7)

Source: Finance Accounts of the respective years

* Includes ₹ 4,352 crore as back-to-back loans to State from GoI in lieu of GST compensation shortfall.

Appendix 2.1 provides details of receipts and disbursements and the overall fiscal position of the State during current year as well as previous year.

Composition of sources and application of funds in the Consolidated Fund of the State during 2020-21 is given in *Chart 2.1 and Chart 2.2*.



Source: Finance Accounts

* Includes ₹ 4,352 crore as back-to-back loans to State from GoI in lieu of GST compensation shortfall.

2.3 Resources of the State

The resources of the State are described below:

- Revenue receipts** consist of tax revenue, non-tax revenue, State's share of Union taxes and duties and grants-in-aid from the Government of India (GoI).

2. **Capital receipts** comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GoI.

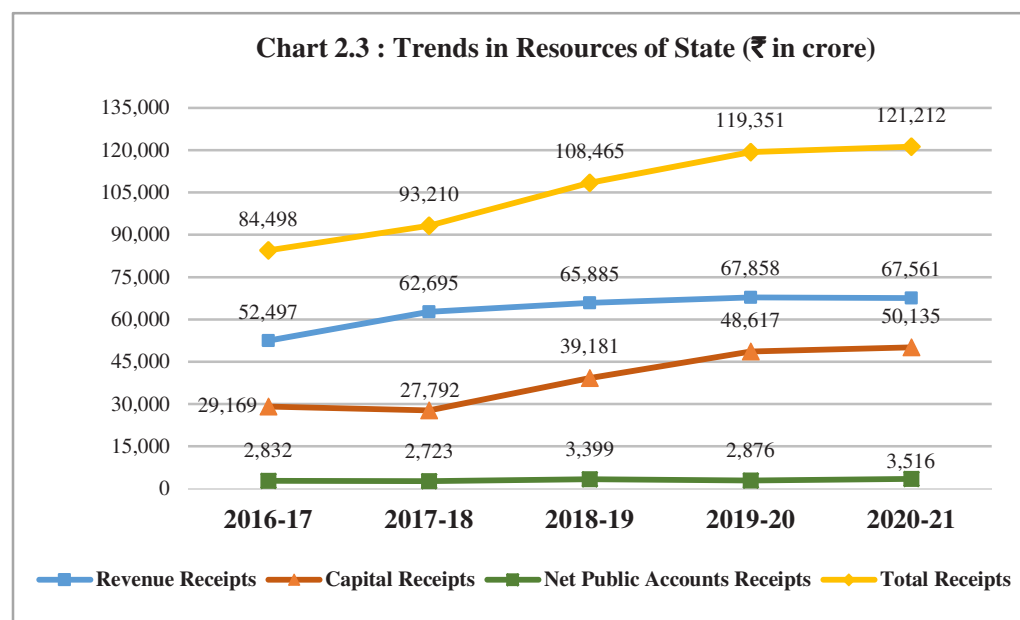
Both revenue and capital receipts form part of the Consolidated Fund of the State.

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

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

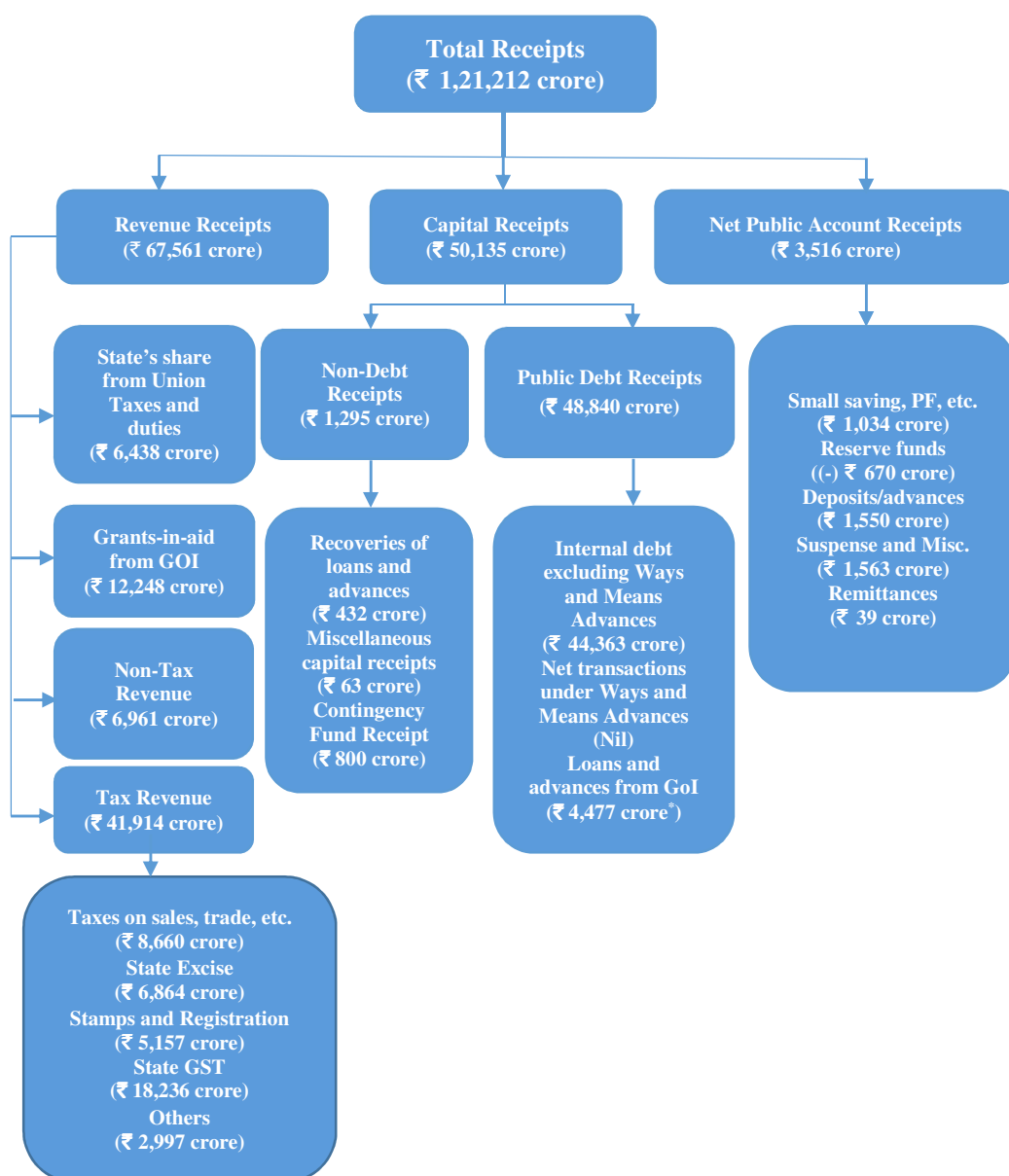
2.3.1 Receipts of the State

Trends in various components of the receipts of the State during 2016-21 is given in *Chart 2.3* while composition of receipts of the State during 2020-21 is depicted in *Chart 2.4*. In addition to revenue and capital receipts, net public account receipts are also utilised to finance the deficit of the State.



Source: Finance Accounts of the respective years.

Chart 2.4: Composition of receipts of the State during 2020-21



Source: Finance Accounts

- * Includes ₹ 4,352 crore as back-to-back loans to State from GoI in lieu of GST compensation shortfall.
- Net Public Account Receipts (₹ 3,516 crore) = Public Account Receipts (₹ 53,761 crore) less Public Accounts Disbursements (₹ 50,245 crore)
- In 2020-21, receipts of ₹ 800 crore was included as Contingency Fund Receipts to increase the present limit of the Contingency Fund of Haryana from ₹ 200 crore to ₹ 1,000 crore.

The total receipts of the Government increased by ₹ 36,714¹ crore (43.45 per cent) in 2020-21 over 2016-17. Revenue receipts increased by ₹ 15,064 crore (28.69 per cent), Capital receipts, which includes recovery of loans and advances and public debt, increased by ₹ 20,966 crore (71.88 per cent) and Net Public Account receipts increased by ₹ 684 crore (24.15 per cent) during the same period.

¹ Includes ₹ 800 crore as Contingency Fund Corpus in 2020-21.

2.3.2 Revenue Receipts

2.3.2.1 Trends and growth of Revenue Receipts

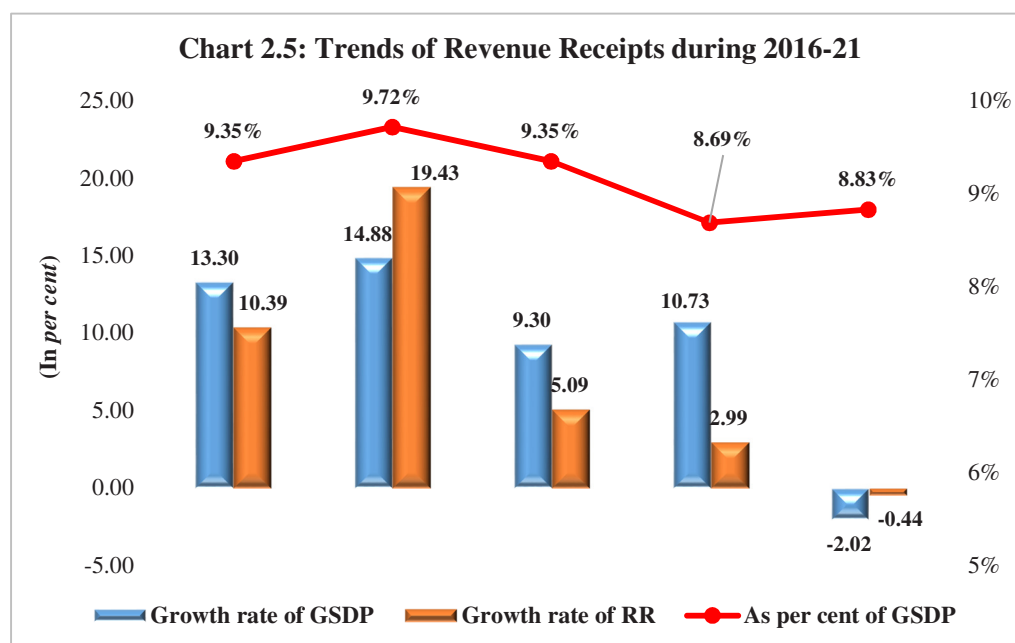
The trends and growth of revenue receipts as well as revenue buoyancy with respect to GSDP during the period 2016-17 to 2020-21 are given in **Table 2.2** and also depicted in **Chart 2.5** and **Chart 2.6**. The trends and composition of revenue receipts during the period 2016-17 to 2020-21 are presented in **Appendix 2.2**.

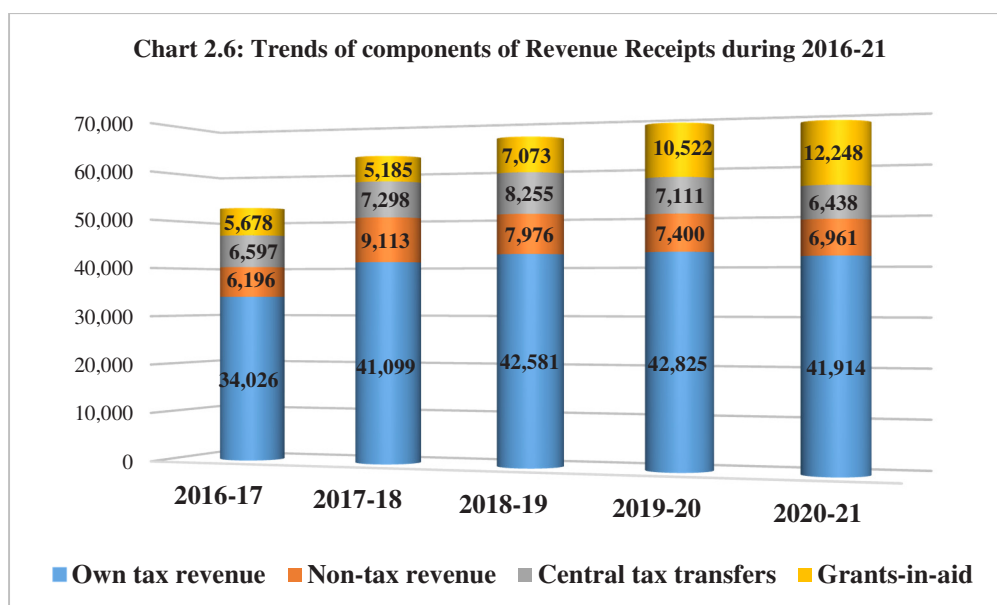
Table 2.2: Trends in Revenue Receipts

Parameters	2016-17	2017-18	2018-19	2019-20	2020-21
Revenue Receipts (RR) (₹ in crore)	52,497	62,695	65,885	67,858	67,561
Rate of growth of RR (per cent)	10.39	19.43	5.09	2.99	(-) 0.44
Own Tax Revenue	34,026	41,099	42,581	42,825	41,914
Non-Tax Revenue	6,196	9,113	7,976	7,400	6,961
Rate of growth of Own Revenue (Own Tax and Non-tax Revenue) (per cent)	12.72	24.84	0.69	(-) 0.66	(-) 2.69
Gross State Domestic Product (₹ in crore)	5,61,424	6,44,963	7,04,957	7,80,612	7,64,872
Rate of growth of GSDP (per cent)	13.30	14.88	9.30	10.73	(-) 2.02
RR/GSDP (per cent)	9.35	9.72	9.35	8.69	8.83

Source of GSDP figures: Directorate of Economics and Statistics

It can be seen that the annual growth rate of Revenue Receipts (RR) of the State decreased from 10.39 per cent in 2016-17 to 2.99 per cent in 2019-20 and becomes negative at (-)0.44 per cent as the own tax and non-tax revenues of the State Government displayed negative growth of 2.69 per cent in 2020-21. The ratio of RR to GSDP decreased from 9.35 per cent in 2016-17 to 8.83 per cent in 2020-21.





Source: Finance Accounts of the respective years

The revenue receipts of the State increased by 28.69 per cent during the period from 2016-17 to 2020-21. The State's own tax revenue increased by 23.18 per cent, the grants-in-aid from GoI increased by 115.71 per cent and the central tax transfers decreased by 2.41 per cent during the same period. The share of the State's own revenue (tax revenue and non-tax revenue) in the revenue receipt decreased from 76.62 per cent in 2016-17 to 72.34 per cent in 2020-21. The share of grants-in-aid from GoI increased from 10.82 per cent in 2016-17 to 18.13 per cent in 2020-21. The share of central tax transfers decreased from 12.57 per cent to 9.53 per cent during 2016-17 to 2020-21.

The revenue receipts of the State during the current year decreased by (-)0.44 per cent over the previous year. State's own tax and non-tax revenue decreased by ₹ 1,350 crore (2.69 per cent).

2.3.2.2 State's Own Resources

As the State's share in central taxes and grants-in-aid is determined on the basis of recommendations of the Finance Commission, the State's performance in mobilisation of resources is assessed in terms of its own resources comprising own tax and non-tax sources.

(i) Own Tax revenue

Own tax revenues of the State consist of State Goods and Services Tax (SGST), State excise, Taxes on vehicles, Stamp duty and registration fees, Land revenue, Taxes on goods and passengers, etc. The gross collection in respect of major taxes and duties are given in **Table 2.3**.

Table 2.3: Components of State's own tax revenue

(₹ in crore)

Revenue Head	2016-17	2017-18	2018-19	2019-20	2020-21	Sparkline
Taxes on sales, trades, etc.	23,488	15,609	8,998	8,398	8,660	
SGST	0	10,833	18,613	18,873	18,236	
State excise	4,613	4,966	6,042	6,323	6,864	
Taxes on vehicles	1,583	2,778	2,908	2,916	2,495	
Stamp duty and Registration fees	3,283	4,193	5,636	6,013	5,157	
Land revenue	16	18	19	20	17	
Taxes on goods and passengers	595	2,317	21	16	4	
Other taxes	448	385	344	266	481	
Total	34,026	41,099	42,581	42,825	41,914	

Source: Finance Accounts of the respective years

Tax revenue increased by ₹ 7,888 crore (23.18 per cent) in 2020-21 over 2016-17. Taxes on sales, trades, etc. and State Excise recorded increasing trend. However, the Taxes on Goods and Services Tax (GST), Taxes on vehicle, Stamp duty and Registration fees decreased in 2020-21 as compared to 2019-20.

The Own tax revenue of the State at ₹ 41,914 crore was less by ₹ 10,182 crore as compared to estimates under Budget and MTFPS and ₹ 23,371 crore against normative assessment of ₹ 65,285 crore by the 15th Finance Commission (15th FC).

(ii) State Goods and Services Tax (SGST)

As per the GST (Compensation to States) Act, 2017, States 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 five years. In case of Haryana, the finalised revenue figure was ₹ 15,230.59 crore during the base year of 2015-16.

The projected revenue in accordance with base year figure, actual revenue collected and compensation due and received from GoI during the period 2017-18 to 2020-21 is given in **Table 2.4**.

Table 2.4: Detail of collection of GST and compensation from GoI

(₹ in crore)

Year	Projected revenue amount	Revenue collected amount	Compensation due amount	Compensation received amount	Shortfall
	1	2	3 = 1-2	4	5 = 3-4
2017-18 ²	14,845.26	13,225.69	1,619.57	1,199.00	420.57
2018-19	22,564.79	18,597.93	3,966.86	2,820.00	1,146.86
2019-20	25,723.86	18,944.61	6,779.25	5,453.43	1,325.82
2020-21	29,325.20	18,240.48 ³	11,084.72	9,417.81*	1,666.91
Total	92,459.11	69,008.71	23,450.40	18,890.24	4,560.16

Source: Finance Accounts of the respective years, information obtained from PAG (Accounts and Entitlement) and Excise and Taxation Department

* Includes ₹ 4,352 crore as back-to-back loans to State from GoI in lieu of GST compensation shortfall.

The growth in GST collection in the State was lesser than projected growth and there was total shortfall of ₹ 23,450.40 crore during 2017-21 against the projected GST receipt of ₹ 92,459.11 crore. GoI has released ₹ 18,890.24 crore as compensation including ₹ 4,352 crore as back-to-back loans upto March 2021.

(iii) *Audit of GST Receipts*

The Government of India's decision to provide access to Pan-India data at GSTN premises was conveyed on 22nd June 2020. Two ID based passwords for online access (PAN-State Data) to the back-end systems had been provided (March 2021) by the State Excise and Taxation Department. The State Excise and Taxation Department also assured that remaining user ID passwords would be provided to the audit team during audit at districts level. The process of providing GSTN data to PAG (Audit) office were completed by the State Excise and Taxation Department in March 2021. Therefore, the accounts for the year 2020-21 have been certified on the basis of test audit, as was being done when records were being maintained manually.

(iv) *Analysis of arrears of revenue*

The arrears of revenue as on 31 March 2021 in some principal heads of revenue amounted to ₹ 35,166.11 crore of which ₹ 5,848.55 crore was outstanding for more than five years as depicted in **Table 2.5**. Details of status of recovery at various stages is given in **Appendix 2.3**.

² Amount for the year 2017-18 pertains to nine months period i.e. from July 2017 to March 2018.

³ Included amount of ₹ 4.22 crore of Pre-GST under Major Head 0040-Taxes on Sales, Trade, etc.

Table 2.5: Arrears of revenue as on 31st March 2021

(₹ in crore)

Sr. No.	Head of revenue	Total amount outstanding	Amount outstanding for more than five years
1	Taxes on sales, trade/VAT, etc.	32,716.78	4,907.54
2	State Excise	436.39	190.42
3	Taxes and duties on electricity	364.60	184.75
4	Tax on entry of goods into local areas (Local Area Development Tax)	206.44	197.17
5	Police	128.86	40.91
6	Other taxes and duties on commodities and services-Receipts from Entertainment duty	11.77	11.77
7	Non-ferrous mining and metallurgical industries	1,301.27	315.99
Total		35,166.11	5,848.55

Source: Information provided by various departments.

(v) Arrears in assessments

The details of cases pending at the beginning of the year, cases becoming due for assessment, cases disposed of during the year and number of cases pending for finalisation at the end of the year as furnished by the Excise and Taxation Department in respect of Sales Tax was as depicted in *Table 2.6*.

Table 2.6: Arrears in assessments

Head of revenue	Year	Opening balance	New cases due for assessment during the year	Total assessments due	Cases disposed of during the year	Balances at the end of the year	Percentage of disposal (col. 6 to 5)
1	2	3	4	5	6	7	8
Taxes on sales, Trade, etc./VAT	2018-19	3,12,411	2,19,396	5,31,807	2,35,122	2,96,685	44
	2019-20	2,96,685	31,594	3,28,279	2,92,709	35,570	89
	2020-21	35,570	3,606	39,176	34,140	5,036	87

Source: Information provided by State Excise and Taxation Department

(vi) Details of evasion of tax detected by Department

The details of cases of evasion of tax detected by the Excise and Taxation Department, cases finalised and the demands for additional tax raised as reported by the Department are given in the *Table 2.7*.

Table 2.7: Detail of cases of evasion of tax detected during the year 2020-21

Sr. No.	Head of revenue	Cases pending as on 31 March 2020	Cases detected during 2020-21	Total	Number of cases in which assessment/investigation completed and additional demand raised with penalty, etc.		Number of cases pending for finalisation as on 31 March 2021
					Number of cases	Amount of demand (₹ in crore)	
1	0039-State Excise	290	1,662	1,952	1,820	20.87	132
2	0040-Taxes on Sales, Trade, etc./VAT	1	114	115	115	0.84	Nil

Source: Information provided by State Excise and Taxation Department

(vii) Refund Cases

The number of refund cases pending at the beginning of the year 2020-21, claims received during the year, refunds allowed during the year and the cases pending at the close of the year 2020-21 as reported by the Department is given in the **Table 2.8**.

Table 2.8: Details of refund cases during the year 2020-21**(₹ in crore)**

Sr. No.	Particulars	Sales tax/VAT		State Excise	
		No. of cases	Amount	No. of cases	Amount
1	Opening balance of outstanding claims	521	187.08	51	1.98
2	Claims received	1,074	192.99	99	10.63
3	Refund made/adjusted/ rejected	1,115	260.72	111	10.38
4	Closing balance of outstanding claims	480	119.35	39	2.23

Source: Information provided by State Excise and Taxation Department

(viii) Non-Tax Revenue

Non-Tax revenue consists of interest receipts, dividends and profits, mining receipts, departmental receipts, etc. The trends in various components of non-tax revenue of the State during 2016-17 to 2020-21 are given in **Table 2.9**.

Table 2.9: Components of State's non-tax revenue**(₹ in crore)**

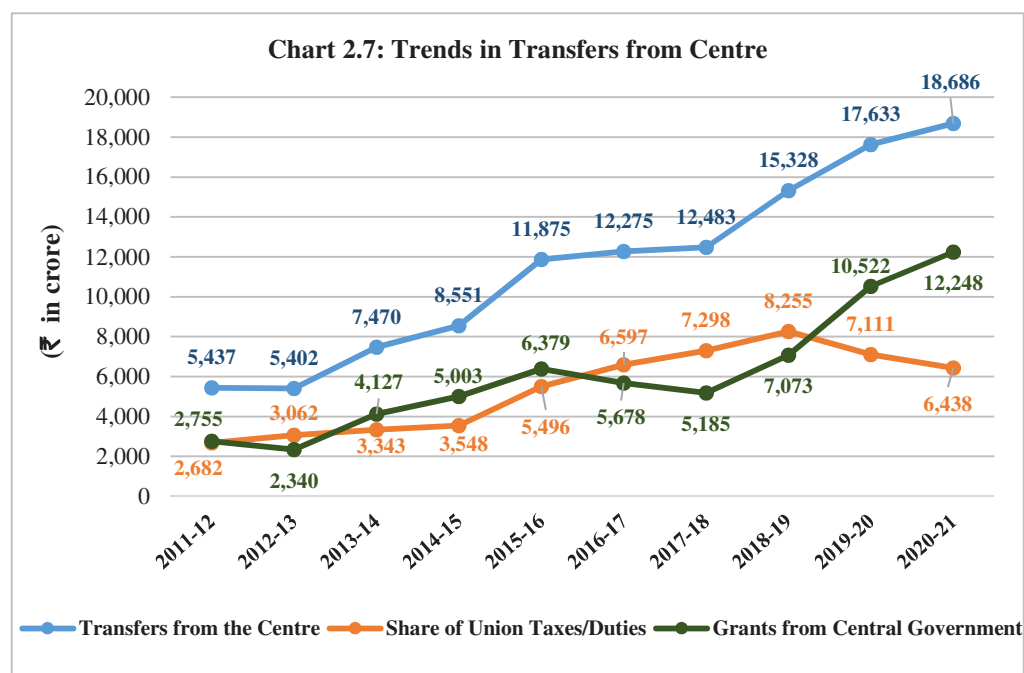
Revenue Head	2016-17	2017-18	2018-19	2019-20	2020-21	Sparkline
Interest receipts	2,310	2,228	1,954	1,975	1,562	
Dividends and Profits	6	8	57	87	163	
Other non-taxes receipts of which	3,880	6,877	5,965	5,338	5,236	
a) Major and medium Irrigation	113	132	164	172	210	
b) Road Transport	1,265	1,280	1,197	1,115	585	
c) Urban Development	599	2,861	2,316	1,855	1,954	
d) Education	640	674	272	458	595	
e) Non-ferrous mining	497	713	583	702	1,021	
f) Others	766	1,217	1,433	1,036	871	
Total	6,196	9,113	7,976	7,400	6,961	

Source: Finance Accounts of the respective years

The actual receipts under non-tax revenue increased by ₹ 765 crore (12.35 per cent) during 2016-21. Non-Tax revenue (₹ 6,961 crore) constituted 10.30 per cent of the revenue receipts during 2020-21 registering decrease of ₹ 439 crore (5.93 per cent) from the previous year mainly due to decrease under Road Transport (₹ 530 crore) off set by increase in receipt under Urban Development and Non-ferrous mining. The interest receipts of ₹ 1,562 crore includes book adjustments of ₹ 1,337 crore on irrigation projects, grain supply scheme and road transport. There is shortfall of ₹ 8,467 crore as compared to projection made in Budget and MTFPS and ₹ 2,936 crore against the normative assessment of ₹ 9,897 crore by 15th FC.

2.3.2.3 Transfers from the Centre

Trends in transfers from Centre during 2011-12 to 2020-21 are shown in *Chart 2.7*.



Source: Finance Accounts of the respective years

(i) Central tax transfer

The 13thFC recommended for increasing the States' share of Central Taxes from 30.50 to 32 *per cent*. Accordingly, the State's share in the net proceeds of Central Tax (excluding Service Tax) and net proceeds of Service Tax was fixed at 1.048 and 1.064 *per cent*, respectively. The 14thFC recommended increase in the States' share of Central Taxes from 32 to 42 *per cent*. Accordingly, the State's share in the net proceeds of Central Tax (excluding Service Tax) and net proceeds of Service Tax was fixed at 1.084 and 1.091 *per cent*, respectively. The 15th FC recommended decrease in the sharable amount of Central Taxes to State from 42 to 41 *per cent*.

State's share in Union taxes and duties has shown an increasing trend from ₹ 2,682 crore in 2011-12 to ₹ 8,255 crore in 2018-19 and thereafter decreased to ₹ 7,111 crore in 2019-20 to ₹ 6,438 crore in 2020-21 as detailed in *Table 2.10*.

**Table 2.10: State's share in Union taxes and duties:
Actual devolution vis-à-vis Budget Estimates**

Year	Finance Commission projections	Budget Estimates	Actual tax devolution	Difference
1.	2.	3.	4.	5. (4-3)
2010-11	As per 13 th FC, 32 per cent of the sharable amount of Central taxes to State	2,194	2,302	108
2011-12		2,765	2,682	(-) 83
2012-13		3,180	3,062	(-) 118
2013-14		3,484	3,343	(-) 141
2014-15		4,010	3,548	(-) 462
2015-16	As per 14 th FC, 42 per cent of the sharable amount of Central taxes to States	5,680	5,496	(-) 184
2016-17		6,189	6,597	408
2017-18		8,372	7,298	(-) 1,074
2018-19		9,300	8,255	(-) 1,045
2019-20		11,216	7,111	(-) 4,105
2020-21	As per 15 th FC, 41 per cent of the sharable amount of Central taxes to States	8,485	6,438	(-)2,047

Source: Finance Accounts of the respective years

Detail of the Central tax transfers from 2016-17 to 2020-21 are at **Table 2.11**.

Table 2.11: Details of Central Tax Transfers

(₹ in crore)

Head	2016-17	2017-18	2018-19	2019-20	2020-21
Central Goods and Services Tax (CGST)	--	104.36	2,037.54	2,018.07	1,907.46
Integrated Goods and Services Tax (IGST)	--	737.08	162.60	--	-- ⁴
Corporation Tax	2,118.57	2,235.92	2,870.86	2,424.73	1,946.54
Taxes on Income other than Corporation Tax	1,472.41	1,888.08	2,114.27	1,899.93	1,996.13
Customs	911.33	736.90	585.17	450.77	338.27
Union Excise Duties	1,040.65	770.20	388.87	313.42	215.83
Service Tax	1,049.64	825.05	75.03	--	28.52
Other Taxes ⁵	4.87	(-) 0.07	20.26	4.61	4.84
Central Tax transfers	6,597.47	7,297.52	8,254.60	7,111.53	6,437.59
Percentage of increase over previous year	20	11	13	(-) 14	(-) 9.48
Percentage of Central tax transfers to Revenue Receipts	13	12	13	10	9.53

Source: Finance Accounts of the respective years

The share of Union Taxes received during 2020-21 (₹ 6,437.59 crore) was lesser by ₹ 673.94 crore (9.48 per cent) as compared to 2019-20. It is lesser by ₹ 2,047.23 crore than the projections made in the budget estimates 2020-21 (₹ 8,484.82 crore).

(ii) Grants-in-aid from GoI (GIA)

The GIA from GoI increased by ₹ 1,726.22 crore in 2020-21 over the previous year as shown in **Table 2.12**.

⁴ Non-apportionment of share of net proceeds of Integrated Goods and Services Tax (IGST) by GoI in case of IGST on domestic supply of Goods and Services during 2020-21.

⁵ Include Taxes on Wealth, Other Taxes on Income and Expenditure, Other Taxes and Duties on commodities and Services.

Table 2.12: Grants-in-aid received from GoI

(₹ in crore)

Head	2016-17	2017-18	2018-19	2019-20	2020-21
Non-Plan Grants	3,078.49	--	--	--	--
Grants for State Plan Schemes	2,327.52	--	--	--	--
Grants for Central Plan Schemes	34.50	--	--	--	--
Grants for Centrally Sponsored Schemes	237.07	2,326.62	2,843.09	2,851.99	3,135.18
Finance Commission Grants	--	1,316.68	1,274.26	2,005.74	2,364.00
Compensation for Loss of Revenue arising out of implementation of GST	--	1,199.00	2,820.00	5,453.43	5,065.81*
Other Transfer/Grants to States	--	342.82	136.19	210.75	1,683.14
Total	5,677.58	5,185.12	7,073.54	10,521.91	12,248.13
Percentage of increase over the previous year	(-) 11	(-) 9	36	49	16
Percentage of GIA to Revenue Receipts	11	8	11	16	18

Source: Finance Accounts of the respective years

* Excludes ₹ 4,352 crore as back-to-back loan to State from GoI in lieu of GST compensation shortfall.

41.36 per cent of the GIA during 2020-21 was on account of compensation in lieu of loss of revenue arising out of implementation of GST.

(iii) Fourteenth and Fifteen Finance Commission Grants

Fourteenth Finance Commission grants and 15th Finance Commission grants were provided to the States for local bodies and State Disaster Response Fund (SDRF). Details of grants provided by the GoI are given in *Table 2.13*.

Table 2.13: Recommended amount, actual release and transfers of Grant-in-aid

(₹ in crore)

Transfers	Recommendation of the 14 th FC (2015-20) & 15 th FC (2020-21)			Actual release by GoI			Transfers made by State Government		
	2016-17 to 2019-20	2020-21	Total	2016-17 to 2019-20	2020-21	Total	2016-17 to 2019-20	2020-21	Total
Local Bodies									
(i) Grants to Panchayati Raj Institutions (PRIs)	3,883.52	1,264.00	5,147.52	3,657.50	1,264.00	4,921.50	3,657.50	1,264.00	4,921.50
(a) General Basic Grant	3,495.17	632.00	4,127.17	3,495.17	632.00	4,127.17	3,495.17	632.00	4,127.17
(b) General Performance Grants	388.35	632.00	1,020.35	162.33	632.00	794.33	162.33	632.00	794.33
(ii) Grants to Urban Local Bodies (ULBs)	2,079.94	609.00	2,688.94	1,729.18	609.00	2,338.18	1,729.18	609.00	2,338.18
(a) General Basic Grant	1,663.95	304.50	1,968.45	1,561.42	304.50	1,865.92	1,561.42	304.50	1,865.92
(b) General Performance Grants	415.99	304.50	720.49	167.76	304.50	472.26	167.76	304.50	472.26
Total for Local Bodies	5,963.46	1,873.00	7,836.46	5,386.68	1,873.00	7,259.68	5,386.68	1,873.00	7,259.68
State Disaster Response Fund	1,384.50	491.00	1,875.50	1,275.00	491.00	1,766.00	1,275.00	491.00	1,766.00
Grand Total	7,347.96	2,364.00	9,711.96	6,661.68	2,364.00	9,025.68	6,661.68	2,364.00	9,025.68

Source: Information provided by the Finance Department

2.3.3 Capital Receipts

Capital receipts comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GoI. The capital receipts during 2016-17 to 2020-21 are detailed in *Table 2.14*.

Table 2.14: Trends in growth and composition of capital receipts

(₹ in crore)

Sources of State's Receipts	2016-17	2017-18	2018-19	2019-20	2020-21
Capital Receipts	29,169.02	27,870.56	39,685.88	49,878.46	49,959.64
Miscellaneous Capital Receipts	26.27	39.87	49.01	54.01	62.96
Recovery of Loans and Advances	973.23	6,340.93	5,371.90	5,392.63	431.95
Public Debt Receipts	28,169.52	21,489.76	34,264.97	44,431.82	49,464.73
Internal Debt ⁶	28,046.26	21,348.75	34,140.14	44,329.43	49,340.05 ⁷
<i>Growth rate</i>	(-) 26.00	(-) 23.88	59.92	29.85	11.30
Loans and advances from GoI	123.26	141.01	124.83	102.39	124.68 ⁸
<i>Growth rate</i>	26.77	14.40	(-) 11.47	(-) 17.98	21.77
Rate of growth of debt Capital Receipts	(-) 25.87	(-) 23.71	59.45	29.67	11.33
Rate of growth of non-debt capital receipts	178.99	538.40	(-) 15.04	0.47	(-) 90.91
Rate of growth of GSDP	13.30	14.88	9.30	10.73	(-) 2.02
Rate of growth of Capital Receipts (per cent)	(-) 23.95	(-) 4.45	42.39	25.68	0.16

Source: Finance Accounts of the respective years

* Excluding GoI back-to-back loans of ₹ 4,352 crore in lieu of GST compensation shortfall which were not to be treated as debt of the State for any norms, as per the guidelines (August 2020).

Internal Debt receipts increased by ₹ 5,010.62 crore during 2020-21 in comparison to 2019-20. The recovery of loans and advances decreased by ₹ 4,960.68 crore due to all loans taken by State owned power companies converted into equity during 2017-18 to 2019-20. The State Government had issued Power bonds of ₹ 17,300 crore in 2015-16 and ₹ 8,650 crore in 2016-17 by taking over the loans of ₹ 25,950 crore (75 per cent of total liability of State Power Companies as on 30 September 2015 under UDAY scheme) and treated the financial package as grant-in-aid (₹ 7,785 crore), Equity Capital (₹ 2,595 crore) and Loans to DISCOMs (₹ 15,570 crore). Total loans of ₹ 15,570 crore have been converted into equity during 2017-20.

2.3.4 State's performance in mobilisation of resources

As the State's share in central taxes and grants-in-aid is determined on the basis of recommendations of the Finance Commission, the State's performance in mobilisation of resources is assessed in terms of its own resources comprising own tax and non-tax sources.

The State's actual tax and non-tax receipts for the year 2020-21 vis-à-vis assessment made by 15th FC and MTFPS are given in the **Table 2.15**.

Table 2.15: Actual tax and non-tax receipts vis-à-vis projections made by 15thFC and MTFPS

	15 th FC projection	Budget estimates	MTFPS projection	Actual	Percentage variation of actual over		
					15 th FC projection	Budget estimates	MTFPS projection
Tax revenue	65,285	52,096	52,096	41,914	(-) 35.80	(-) 19.54	(-) 19.54
Non-tax revenue	9,897	15,428	15,428	6,961	(-) 29.67	(-) 54.88	(-) 54.88

⁶ Including gross figure under Ways and Means Advances.

⁷ Including Ways and Means Advances of ₹ 4,977.33 crore.

The actual collection under State's own tax revenue fell short by 35.80 *per cent* of the projections made by 15thFC and 19.54 *per cent* of budget estimates and MTFPS projection. The actual receipts under non-tax revenue fell short by 29.67 *per cent* of the projections made by 15thFC and by 54.88 *per cent* of budget estimates and MTFPS. Thus, the State Government could not achieve even their own targets projected in the budget and MTFPS.

2.4 Application of Resources

The State Government is vested with the responsibility of incurring expenditure within the framework of fiscal responsibility legislations, while at the same time ensuring that the ongoing fiscal correction and consolidation process of the State is not at the cost of expenditure directed towards development of capital infrastructure and social sector. The application of resources are analysed under various headings such as growth and composition of expenditure, revenue expenditure, committed expenditure and financial assistance to local bodies and other institutions in the succeeding paragraphs.

2.4.1 Growth and composition of expenditure

The expenditure of State Government can be classified in two categories namely Revenue Expenditure and Capital Expenditure. **Revenue Expenditure** includes charges on maintenance, repair, upkeep and working expenses, which are required to maintain the assets in a running order as also all other expenses incurred for the day-to-day running of the organisation, including establishment and administrative expenses.

Capital Expenditure includes all charges for the first construction of a project as well as charges for intermediate maintenance of the work while not opened for service and also bears charges for such further additions and improvements as may be sanctioned under the rules made by competent authority.

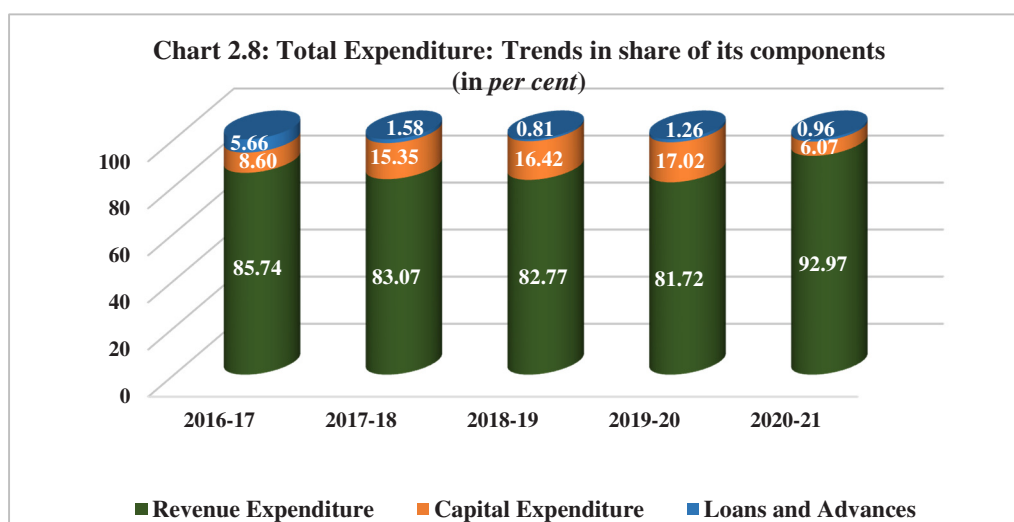
Trend and composition of total expenditure over the last five years (2016-21) are shown in *Table 2.16*.

Table 2.16: Total expenditure and its composition

(₹ in crore)

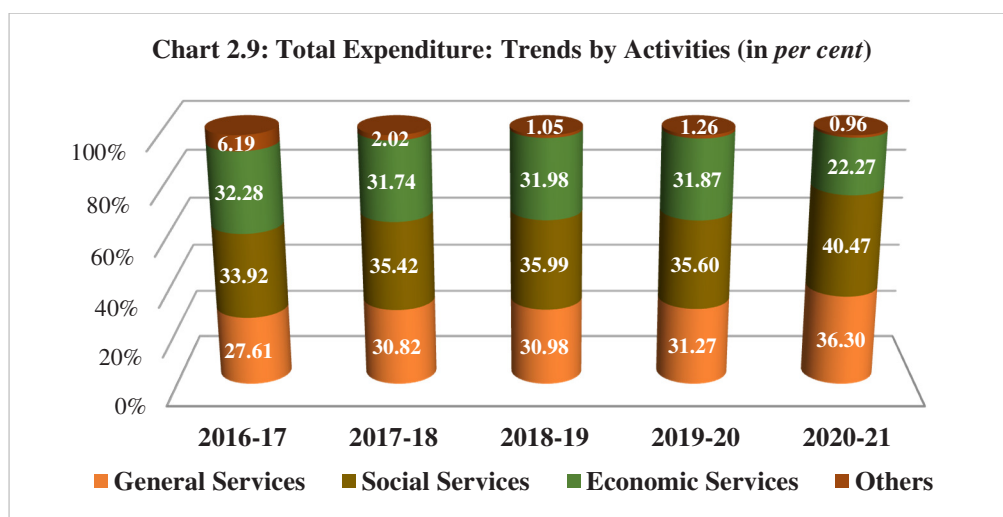
	2016-17	2017-18	2018-19	2019-20	2020-21
Total Expenditure (TE)	79,781	88,190	93,218	1,03,823	96,742⁸
Revenue Expenditure (RE)	68,403	73,257	77,155	84,848	89,946
Capital Expenditure (CE)	6,863	13,538	15,307	17,666	5,870
Loans and Advances	4,515	1,395	756	1,309	926
GSDP	5,61,424	6,44,963	7,04,957	7,80,612	7,64,872
As a percentage of GSDP					
TE/GSDP	14.21	13.67	13.22	13.30	12.65
RE/GSDP	12.18	11.36	10.94	10.87	11.76
CE/GSDP	1.22	2.10	2.17	2.26	0.77
Loans and Advances/GSDP	0.80	0.22	0.11	0.17	0.12

Total expenditure increased by 21.26 per cent over a period of five years (2016-21). The Revenue Expenditure increased by 31.49 per cent while the capital expenditure decreased by 14.47 per cent during the period 2016-17 to 2020-21.



As depicted in *Chart 2.8*, the share of revenue expenditure in total expenditure increased from 85.74 per cent in 2016-17 to 92.97 per cent in 2020-21 while the share of capital expenditure in total expenditure increased from 8.60 per cent in 2016-17 to 17.02 per cent in 2019-20 but decreased to 6.07 per cent in 2020-21. The share of loans and advances was 5.66 per cent in 2016-17 due to disbursement of loans under UDAY scheme which decreased to 0.96 per cent in 2020-21.

⁸ Excluding Appropriation to Contingency Fund of ₹ 800 crore.



As shown in **Chart 2.9**, the share of general services, which includes interest payments is showing increasing trend since 2016-17 and was 36.30 per cent in 2020-21. The share of social services also increased upto 40.47 per cent in 2020-21 and expenditure on economic services decreased from 32.28 per cent in 2016-17 to 22.27 per cent in 2020-21. The combined expenditure on social and economic services, which represent development expenditure decreased from 66.20 per cent in 2016-17 to 62.74 per cent in 2020-21. Others which include Grants to Local Bodies and Loans and Advances were 6.19 per cent of total expenditure during 2016-17 due to disbursement of loans to State Power Utilities under UDAY scheme that decreased upto 0.96 per cent during 2020-21.

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 State's infrastructure and service network. **Table 2.17** presents the growth of revenue expenditure over five years (2016-21).

Table 2.17: Growth of revenue expenditure during 2016-21

(₹ in crore)

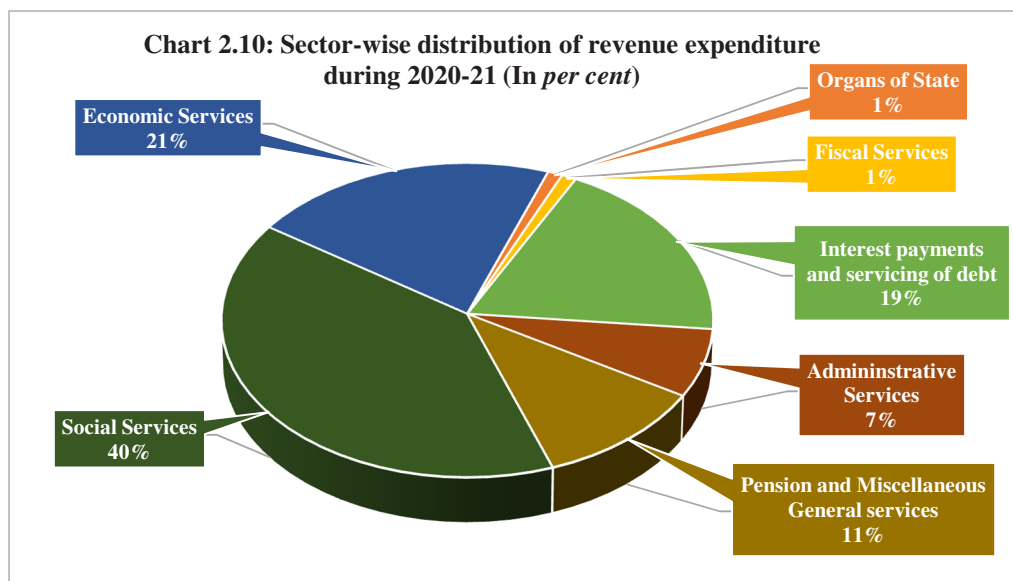
Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
Total Expenditure (TE)	79,781	88,190	93,218	1,03,823	96,742⁹
Revenue Expenditure (RE)	68,403	73,257	77,155	84,848	89,946
Rate of Growth of RE (per cent)	15.48	7.10	5.32	9.97	6.01
Revenue Expenditure as percentage of TE	85.74	83.07	82.77	81.72	92.98
RE/GSDP (per cent)	12.18	11.36	10.94	10.87	11.76
RE as percentage of RR	130.30	116.85	117.11	125.04	133.13
Revenue Receipts (RR)	52,497	62,695	65,885	67,858	67,561
Rate of growth of RR (per cent)	10.39	19.43	5.09	2.99	(-) 0.44
GSDP	5,61,424	6,44,963	7,04,957	7,80,612	7,64,872
Rate of growth of GSDP (per cent)	13.30	14.88	9.30	10.73	(-) 2.02

Source: Finance Accounts of the respective years

⁹ Excluding Appropriation to Contingency Fund of ₹ 800 crore.

Revenue expenditure during 2016-21 increased by ₹ 21,543 crore (31 per cent). Its percentage to GSDP decreased from 12.18 in 2016-17 to 10.87 in 2019-20 and increased to 11.76 per cent in 2020-21. Revenue expenditure increased by six per cent from ₹ 84,848 crore in 2019-20 to ₹ 89,946 crore in 2020-21.

Revenue expenditure in 2020-21 at ₹ 89,946 crore was less than the projections made in Budget and MTFPS (₹ 1,05,338 crore). The State could not keep the Revenue Expenditure within the normative assessment of 15thFC (₹ 78,482 crore). Sector-wise distribution of revenue expenditure is presented in **Chart 2.10**.



2.4.2.1 Major changes in Revenue Expenditure

Table 2.18: Major variations in Revenue Expenditure during 2020-21 as compared to 2019-20

(₹ in crore)

Major Heads of Account	2019-20	2020-21	Increase (+)/ Decrease (-)
General Services	31,883.95	34,734.17	2,850.22
2049-Interest Payments	15,588.01	17,114.67	1,526.66
2055-Police	4,423.72	4,618.91	195.19
2071-Pension and other Retirement Benefits	8,832.94	9,712.70	879.76
2075-Miscellaneous General Services	149.42	383.87	234.45
Social Services	33,726.48	36,163.96	2,437.48
2202-General Education	13,644.01	13,323.12	(-)320.89
2210-Medical and Public Health	4,249.85	4,857.12	607.27
2215-Water Supply & Sanitation	1,807.77	2,230.01	422.24
2217-Urban Development	3,300.80	3,616.71	315.91
2235-Social Security and Welfare	7,618.95	8,752.03	1,133.08
Economic Services	19,237.78	19,048.47	(-)189.31
2401-Crop Husbandry	969.49	1,772.37	802.88
2501-Special Programmes for Rural Development	116.13	183.67	67.54
2505-Rural Employment	110.14	313.76	203.62
2515-Other Rural Development Programmes	3,714.20	3,986.62	272.42
2700- Major Irrigation	1,156.86	1,243.78	86.92
2801-Power	6,978.40	5,565.33	(-)1,413.07
3054-Roads and Bridges	1,086.52	814.71	(-)271.81

Source: Finance Accounts of the respective years.

As given in *Table 2.18*, Revenue expenditure on General services increased by ₹ 2,850.22 crore due to increase in expenditure mainly on Pensions, Police services, interest payments and Miscellaneous General Services. Interest payments on market loans increased by ₹ 1,670.58 crore during the year. The expenditure on Social Services increased by ₹ 2,437.48 crore over the previous year due to increase in expenditure mainly on Medical and Public Health, Urban Development, Water Supply and Sanitation, Social Security and Welfare. Expenditure on Economic services decreased by ₹ 189.31 crore mainly due to decrease in expenditure on Power, Roads and Bridges offset by Crop Husbandry, Rural Employment and other Rural Development Programmes.

2.4.2.2 Committed expenditure

The committed expenditure of the State Government on revenue account consists of interest payments; expenditure on salaries and wages; and pensions. It has first charge on Government resources. Upward trend on committed expenditure leaves the Government with lesser flexibility for development sector. *Table 2.19* and *Chart 2.11* present the trends in the expenditure on these components during 2016-21.

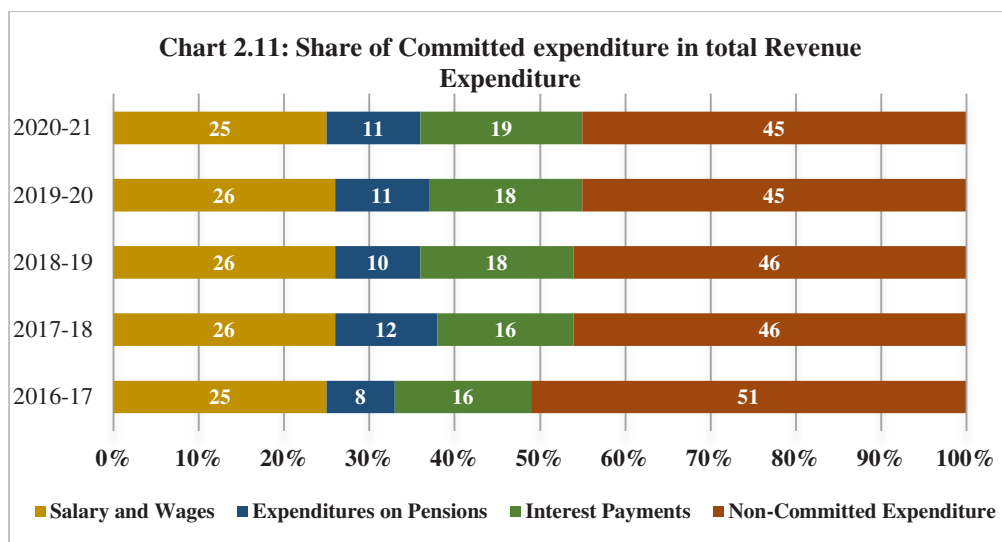
Table 2.19: Components of Committed Expenditure

(₹ in crore)

Components of Committed Expenditure	2016-17	2017-18	2018-19	2019-20	2020-21
Salaries and wages	17,321	18,632	19,763	22,365	22,595 ¹⁰
Expenditure on Pensions	5,659	8,783	8,140	8,833	9,713
Interest Payments	10,542	11,961	13,551	15,588	17,115
Total	33,522	39,376	41,454	46,786	49,423
As a percentage of Revenue Receipts (RR)					
Salaries & Wages	32.99	29.72	30.00	32.96	33.44
Expenditure on Pensions	10.78	14.01	12.35	13.02	14.38
Interest Payments	20.08	19.08	20.57	22.97	25.33
Total	63.85	62.81	62.92	68.95	73.15
As a percentage of Revenue Expenditure (RE)					
Salaries & Wages	25.32	25.43	25.62	26.36	25.12
Expenditure on Pensions	8.28	11.99	10.55	10.41	10.80
Interest Payments	15.41	16.33	17.56	18.37	19.03
Total	49.01	53.75	53.73	55.14	54.95

Source: Finance Accounts of the respective years.

¹⁰ Includes wages of ₹ 634 crore.



The total expenditure (₹ 48,789 crore) on salary, interest and pension payments was lesser by ₹ 5,361 crore (9.90 per cent) than the projections by the Government in MTFPS (₹ 54,150 crore) and consumed 72 per cent of the revenue receipts.

Committed expenditure on account of salary and wages, interest and pensions increased from 49 per cent to 55 per cent of the Revenue expenditure during 2016-17 to 2020-21.

2.4.2.3 Undischarged liabilities in National Pension System

State Government employees recruited on or after 1 January 2006 are eligible for the new pension scheme called 'Defined Contribution Pension Scheme'. In terms of the scheme, the employee contributes ten per cent of the basic pay and dearness allowance, which is matched by the State Government and the entire amount, is transferred to the designated fund manager through the National Security Depository Limited (NSDL). The actual amount payable by employees and the matching Government contribution over the years has not been estimated.

As per the Ministry of Finance, GoI, no contributions are to be parked under the Head of Account '8342-117' Other Deposits-Defined Contribution Pension Scheme even as a temporary measure. Audit noted that an amount of ₹ 43.07 crore was parked under the above Major Head as on 31st March 2021 as depicted in **Table 2.20**.

Table 2.20: Position of New Pension Scheme Contribution

(₹ in crore)

Year	Employees Contribution	Contribution by the State Government	Total	Short Contribution	Total transfer to NSDL	Short transfer to NSDL
1	2	3	4 = (2+3)	5= (2-3)	6	7= (4-6)
Balance of pension funds lying with the State Government as on 31 March 2016						19.43
2016-17	382.15	378.04	760.19	4.11	729.70	30.49
2017-18	479.94	460.44	940.38	19.50	975.76	(-)35.38
2018-19	565.88	534.30	1,100.18	31.58	1,086.16	14.02
2019-20	717.91	694.20	1,412.11	23.71	1,407.78	4.33
2020-21	778.53	766.83	1,545.36	11.70	1,535.18	10.18
Total	2,924.41	2,833.81	5,758.22	90.60	5,734.58	43.07

Source: Finance Accounts of the respective years.

As against the employees' contribution of ₹ 2,924.41 crore during 2016-17 to 2020-21, the State Government made contribution of ₹ 2,833.81 crore i.e. lesser by ₹ 90.60 crore. During 2016-21, out of total amount of ₹ 5,758.22 crore, the State Government transferred ₹ 5,734.58 crore to NSDL i.e. lesser by ₹ 23.64 crore. As on 31 March 2021, there was balance of ₹ 43.07 crore lying with the State Government. The liability of the State Government increased due to non-transfer of contribution including Government share to NSDL.

The State Government should examine the reasons and put in place a mechanism to ensure that contribution of employees and equally matched Government contribution are fully transferred to NSDL in a timely manner.

2.4.2.4 Subsidies

Expenditure on subsidies increased from ₹ 7,654 crore in 2016-17 to ₹ 8,549 crore in 2018-19 and decreased to ₹ 7,650 crore in 2020-21, which was 11.32 per cent of the revenue receipts and 8.51 per cent of revenue expenditure as detail given in **Table 2.21**. The subsidies were disbursed for Power: ₹ 5,783 crore (75.59 per cent), Agriculture and allied activities: ₹ 1,737 crore (22.71 per cent), Village and Small industries: ₹ 76 crore (0.99 per cent) and Social Services: ₹ 54 crore (0.71 per cent). The total subsidy to the rural electrification (₹ 5,565 crore) was less than the projection in MTFPS (₹ 6,360 crore).

Table 2.21: Expenditure on subsidies during 2016-21

	2016-17	2017-18	2018-19	2019-20	2020-21
Subsidies (₹ in crore)	7,654	8,446	8,549	8,105	7,650
Subsidies as a percentage of Revenue Receipts	14.58	13.47	12.98	11.94	11.32
Subsidies as a percentage of Revenue Expenditure	11.19	11.53	11.08	9.55	8.51

Source: Finance Accounts of the respective years.

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

Table 2.22: Financial assistance to local bodies and other institutions

(₹ in crore)

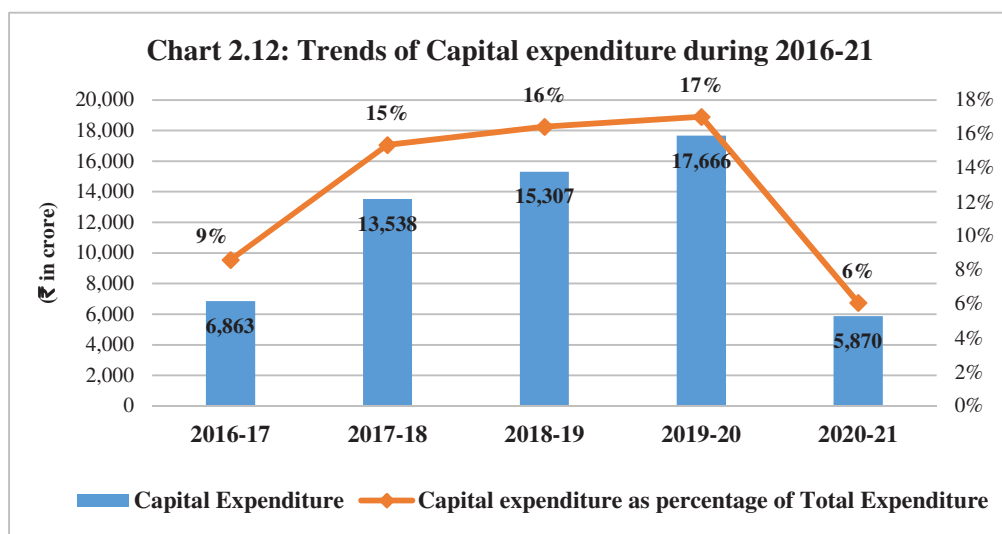
Financial Assistance to Institutions	2016-17	2017-18	2018-19	2019-20	2020-21
(A) Local Bodies					
Municipal Corporations and Municipalities	1,585.77	2,466.82	2,092.31	2,279.46	2,766.64
Panchayati Raj Institutions	2,263.80	2,283.43	2,547.17	3,098.12	3,235.92
Total (A)	3,849.57	4,750.25	4,639.48	5,377.58	6,002.56
(B) Others					
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	2,130.56	2,102.96	2,093.14	2,496.64	2,468.29
Development Authorities	757.94	868.04	865.54	812.88	1,104.22
Hospitals and Other Charitable Institutions	1,117.68	1,101.14	1,350.08	1,745.08	2,107.65
Other Institutions	4,791.39	1,021.92	1,129.59	905.17	1,329.75
Total (B)	8,797.57	5,094.06	5,438.35	5,959.77	7,009.91
Total (A+B)	12,647.14	9,844.31	10,077.83	11,337.35	13,012.47
Revenue Expenditure	68,403	73,257	77,155	84,848	89,946
Assistance as percentage of Revenue Expenditure	18.49	13.44	13.06	13.36	14.47

Source: Finance Accounts of the respective years.

Table 2.22 indicates that the financial assistance to local bodies and other institutions increased from ₹ 12,647.14 crore in 2016-17 to ₹ 13,012.47 crore, constituting 14.47 per cent of the revenue expenditure during 2020-21. It increased by ₹ 1,675.12 crore (14.78 per cent) over the previous year mainly due to increase in disbursements to Municipal Corporations and Municipalities, Development Authorities, Hospitals and other Charitable Institutions and other institutions.

2.4.3 Capital Expenditure

Capital Expenditure (capex) is primarily expenditure on creation of fixed infrastructure assets such as roads, buildings etc. Chart 2.12 shows details of capital expenditure and capital expenditure as percentage of total expenditure.



Source: Finance Accounts of the respective years

2.4.3.1 Major changes in Capital Expenditure

The Capital Expenditure during 2020-21 mainly comprises investment in equity of Power companies, Major Irrigation, Roads and Bridges under Economic Services. Capital expenditure was mainly on Education, Health & Family Welfare, Water Supply and Sanitation, Urban Development under Social Services. Major decrease in capital expenditure was due to more recovery on account of procurement of food grains activities from FCI and less expenditure on investment in energy sector, Water Supply, Sanitation, Housing and Urban Development, Roads and Bridges as compared to previous year are given in **Table 2.23**.

Table 2.23: Variation in Capital Expenditure during 2020-21 compared to 2019-20

(₹ in crore)

Major Heads of Accounts	2019-20	2020-21	Increase (+)/ Decrease (-)
Capital Expenditure	17,665.93	5,869.70	(-) 11,796.23
General Services	586.16	387.61	(-) 198.55
Social Services	3,233.56	2,986.12	(-) 247.44
Water Supply, Sanitation, Housing and Urban Development	2152.86	1,594.50	(-) 558.36
Health and Family Welfare	510.17	766.37	256.20
Economic Services	13,846.21	2,495.97	(-) 11,350.24
Food, Storage and Warehousing*	4,402.31	(-) 1,243.04	(-) 5,645.35
Energy	5,829.63	527.09	(-) 5,302.54
Roads and Bridges	1,800.07	1,372.03	(-) 428.04

Source: Finance Accounts of the respective years.

* Minus figure under this Major Head is due to more recovery received on account of procurement activities of food grains and pulses procurement from FCI by State Government.

2.4.3.2 Quality of capital expenditure

(i) Investments and Returns

The Government as of 31 March 2021 had invested ₹ 37,566.55 crore in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives (**Table 2.24**). The average return on these investments was 0.188 *per cent* in the last five years while the Government paid an average interest rate of 7.94 *per cent* on its borrowings during 2016-21.

Table 2.24: Return on Investment

Investment/return/cost of borrowings	2016-17	2017-18	2018-19	2019-20	2020-21
Investment at the end of the year (₹ in crore)	11,371.42	17,374.35	30,747.91	36,922.92	37,566.55
Return (₹ in crore)*	5.89	7.53	56.60	87.01	163.14
Return (<i>per cent</i>)*	0.05	0.04	0.18	0.24	0.43
Average rate of interest on Government borrowings (<i>per cent</i>)	8.00	8.10	8.81	8.31	6.50
Difference between interest rate and return (<i>per cent</i>)	7.95	8.06	8.63	8.07	6.07
Difference between interest on Government borrowings and return on investments (₹ in crore)#	904.03	1,400.37	2,653.54	2,979.68	2,280.29

Source: Finance Accounts (Statement No. 19) of the respective years.

* on historical cost

(Investment at the end of the year X Difference between interest rate and return)/100.

Out of total investment of ₹ 37,566.55 crore, investment of ₹ 36,027.96 crore (96 per cent) was in four power sector companies. The State Government keeps on making investments in loss making Government companies.

(ii) Reconciliation of Government Investments with Accounts of Companies

The Government investments as equity in State Public Sector Undertakings (PSUs) should agree with that of the figures appearing in the PSUs. Reconciliation of figures is necessary to figure out the differences in Accounts of PSUs and Finance Accounts. Scrutiny of both the Accounts revealed that as per Finance Accounts, Government Investment in equity of 23 PSUs was ₹ 28,348.13 crore whereas as per records of PSUs it was ₹ 36,716.34 crore. There was a difference of ₹ 8,368.21 crore as detailed in **Appendix 2.4**. Reconciliation should be carried out in time bound manner to figure out the differences.

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

With a view to provide adequate development of social and physical infrastructure, which is a pre-requisite for sustaining economic growth, the State Government adopted the Public Private Partnership (PPP) mode of infrastructure development.

Total 13 PPP projects with a total estimated cost of ₹ 7,922.24 crore were under implementation as on 31 March 2021 as shown in **Appendix 2.5**.

(iv) Implementation of Ujwal DISCOM Assurance Yojana (UDAY)

Government of India launched (November 2015) Ujwal DISCOM Assurance Yojana (UDAY) scheme for the financial turnaround of Power Distribution Companies (DISCOMs). It was a revival package for making DISCOMs financially and operationally viable for enabling them to supply adequate power at affordable rates. A tripartite Memorandum of Understanding (MoU) was signed (March 2016) between the Ministry of Power (MoP), the Government of Haryana (GoH) and State DISCOMs (i.e. UHBVNL and DHBVNL). As per provisions of the UDAY Scheme and tripartite MoU, out of the total debt ₹ 34,600 crore pertaining to the two DISCOMs as on 30th September 2015 in Haryana, the GoH took over the 75 per cent of total debt i.e. ₹ 25,950 crore. The implementation of UDAY Scheme was envisaged as shown in **Table 2.25**.

Table 2.25: Implementation of UDAY Scheme

(₹ in crore)

Year	Total debt to be taken over	Transfer to DISCOMs in form of Grant	Transfer to DISCOMs in form of loan	Transfer to DISCOMs in form of equity
2015-16	17,300	3,892.50	12,110	1,297.50
2016-17	8,650	3,892.50	3,460	1,297.50
Total (A)	25,950	7,785.00	15,570	2,595.00
Percentage to total debt of ₹ 34,600 crore	75 per cent	22.50 per cent	45 per cent	7.5 per cent

In terms of the MoU, Government provided grants of ₹ 7,785 crore (₹ 3,892.50 crore each year), equity of ₹ 2,595 crore (₹ 1,297.50 crore each year) and balance of ₹ 15,570 crore as loan to DISCOMs during 2015-16 and 2016-17. The loans of ₹ 15,570 crore were to be converted into grant of ₹ 11,677.50 crore (75 per cent) and equity of ₹ 3,892.50 crore (25 per cent) during 2017-18 to 2019-20. However, the State Government converted total loans taken-over into equity as given in *Table 2.26*.

Table 2.26: Implementation of UDAY Scheme in Haryana State

(₹ in crore)

Year	Total	Grant	Loan	Equity
2015-16	17,300.00	3,892.50	12,110.00	1,297.50
2016-17	8,650.00	3,892.50	3,460.00	1,297.50
Total	25,950.00	7,785.00	15,570.00	2,595.00
2017-18	-		(-) 5,190.00	5,190.00
2018-19	-	(-) 7,785.00	(-) 5,190.00	12,975.00
2019-20	-		(-) 5,190.00	5,190.00
Total (as on 31st March 2020)				25,950.00

Thus, the State Government converted the total debt taken over into equity of DISCOMs which was against the schemes guidelines.

As per MOU, the Government of Haryana shall take over the further losses of the DISCOMs in a graded manner and shall fund the losses as follows:

Year	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Previous year's DISCOM loss to be taken over the State	Zero per cent of the loss of 2014-15	Zero per cent of the loss of 2015-16	Five per cent of the loss of 2016-17	Ten per cent of the loss of 2017-18	25 per cent of the loss of 2018-19	50 per cent of the previous year loss

In the financial year 2018-19, the State Government had released equity of ₹ 10.25 crore on account of takeover of losses of financial year 2017-18 (Five per cent of the loss of 2016-17).

Financial Results of two DISCOMs after the implementation of the scheme was depicted in *Table 2.27*.

Table 2.27: Financial Results of DISCOMs during 2016-21

(₹ in crore)

Name of DISCOM	Profit(+) /Loss (-)	Profit (+)/Loss (-) after implementation of UDAY			
	2016-17	2017-18	2018-19	2019-20	2020-21
UHBVNL	(-)205.01	278.24	185.71	217.72	397.07
DHBVNL	11.96	134.12	95.23	113.67	239.61
Total	(-)193.05	412.36	280.94	331.39	636.68

Source: Annual accounts of DISCOMs

(v) Loans and advances by State Government

In addition to investments in co-operative societies, corporations and companies, the Government had also been providing loans and advances to many institutions/organisations. **Table 2.28** presents the outstanding loans and advances as on 31 March 2021 and interest receipts vis-à-vis interest payments during the last five years.

Table 2.28: Quantum of loans disbursed and recovered during five years

(₹ in crore)

	2016-17	2017-18	2018-19	2019-20	2020-21
Opening Balance of loans outstanding	17,494	21,036	16,090	11,474	7,390
Amount advanced during the year	4,515	1,395	756	1,309	926
Amount recovered during the year	973	6,341	5,372	5,393	432
Closing Balance of the loans outstanding	21,036	16,090	11,474	7,390	7,884
Net addition	3,542	(-) 4,946	(-) 4,616	(-) 4,084	494
Interest received	1,213	1,163	720	398	92
Interest rate on Loans and Advances given by the Government.	6.30	6.27	5.22	4.22	1.20
Rate of Interest paid on the outstanding borrowings of the Government	7.89	7.71	7.78	7.80	7.46
Difference between the rate of interest paid and interest received (<i>per cent</i>)	1.59	1.44	2.56	3.58	6.26

Outstanding loans and advances as on 31 March 2021 increased by 6.68 *per cent* due to more loans to co-operative sugar mills and Haryana State Agriculture and Marketing Board and Power Companies during the year. Loans amounting to ₹ 3,418.72 crore were outstanding at the beginning of the year 2020-21 against co-operative sugar mills. There was a recovery of ₹ 8.13 crore on account of principal with an outstanding balance ₹ 3,877.99 crore. The Government has disbursed loans to these sugar mills with terms and conditions that the loans would be repaid in five years in equal instalments after 12 months of sanctions with nine *per cent* per annum interest and no loan could be disbursed in case of failure of repayment of earlier loans. Loans of ₹ 467.40 crore were sanctioned/dispensed during 2020-21 to co-operative sugar mills including old amount of ₹ 3,418.72 crore without insuring the fulfilment of conditions of earlier loans. Thus, the violation of conditions of loans sanctioned to co-operative sugar mills is continuously persisting.

Loans amounting to ₹ 923.87 crore were outstanding at the beginning of the year 2020-21 against Haryana State Cooperative Agriculture and Rural Development Bank (HSCARDB). Further, loans of ₹ 70 crore were given to

this bank. No recovery was received during the year resulting in outstanding balance to ₹ 993.87 crore at the end of 31 March 2021. The Government has disbursed loans to this bank with terms and conditions that it would be ensured that there is no default in repayment of loan along with interest to the Government with the interest rate calculated on weighted average cost of borrowings basis to Government of Haryana during the year 2020-21. Thus, the loans during 2020-21 have been sanctioned in violation of conditions of loans sanctioned to the bank. State Government during the year have made no provision for recovery of principal and interest in the budget, which was indicative of inadequate efforts of State Government for recovery of outstanding loans against these co-operative sugar mills and Haryana State Cooperative Agriculture and Rural Development Bank.

Four new loans of ₹ 243.37¹¹ crore were given during the year 2020-21. State Government received interest of ₹ 92 crore (1.20 per cent of outstanding loans and advances) during 2020-21.

(vi) Capital blocked in incomplete projects

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

Department wise information pertaining to incomplete projects as on 31 March 2021 is given in **Table 2.29**. Only those projects where the scheduled dates for completion were already over as of 31 March 2021 have been included under incomplete projects.

Table 2.29: Department-wise profile of incomplete projects as on 31 March 2021

(₹ in crore)

Department	Number of incomplete projects	Estimated cost (₹ in crore)	Expenditure (₹ in crore)
Irrigation and Water Resources	18	197.67	104.16
Public Works (Buildings and Roads)	30	722.34	442.14
Total	48	920.01	546.30

Source: Finance Accounts

The scheduled dates of completion of 48 projects of the departments were between April 2018 and March 2021, but these were incomplete as on 31 March 2021,

¹¹ Loans for Power Projects-Transmission and Distribution: ₹ 56.15 crore and Loan to Haryana State Agriculture and Rural Bank: ₹ 70 crore and Loan to Haryana State Agriculture and Marketing Board: ₹ 89.43 crore and Warehousing Corporation: ₹ 27.79 crore.

resulting in non-attainment of desired benefits from the investment of ₹ 546.30 crore. Out of 48 incomplete works, 11 works could not be completed even after the lapse of 12 to 35 months and incurring expenditure of ₹ 115.80 crore, comprising 21 per cent of total expenditure on the incomplete works as on 31 March 2021. Delays in completion of projects not only affected the quality of the expenditure but also deprived the state of intended benefits and economic growth.

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, if the allocation is below the respective national average. The higher the ratio of these components to total expenditure, the quality of expenditure is considered to be better. **Table 2.30** analyses expenditure priority of the State with regards to Health, Education and Capital expenditure during 2020-21.

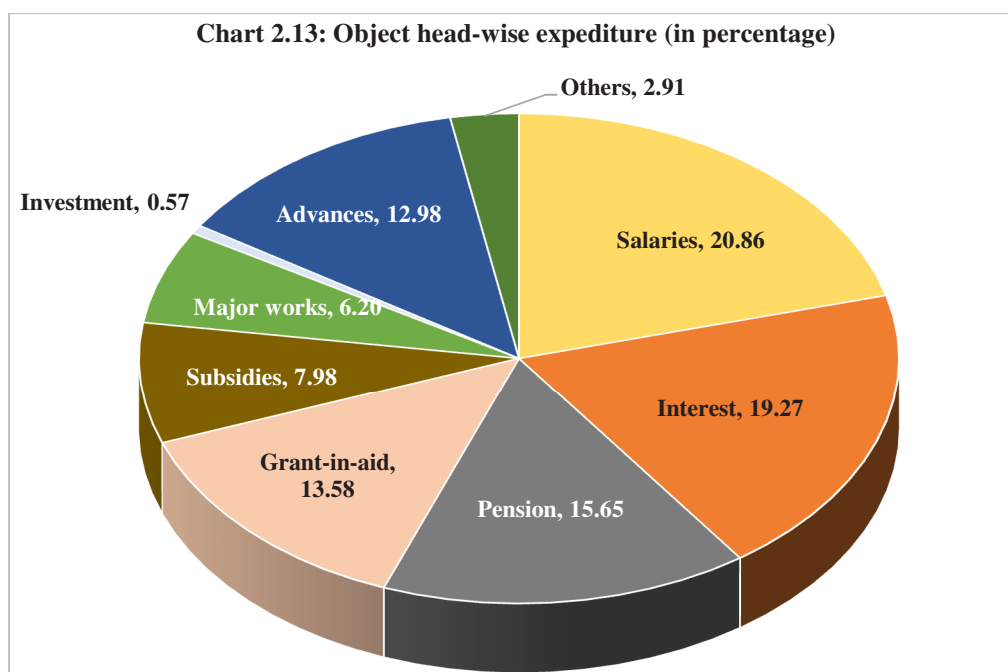
Table 2.30: Expenditure priority of the State with regards to Health, Education and Capital expenditure

Fiscal Priority of the State	TE/GSDP	CE/TE	Education/TE	Health/TE
Haryana Average (Ratio) 2016-17	14.21	14.26	13.61	3.82
States other than NE and Himalayan States (GCS) Average (Ratio) 2016-17	17.12	19.77	14.93	5.49
Haryana Average (Ratio) 2020-21	12.75	6.96	14.54	5.99
States other than NE and Himalayan States (Ratio) 2020-21	16.18	13.03	15.00	6.74
TE: Total Expenditure, CE: Capital Expenditure. Source for GSDP: Directorate of Economic and Statistical Analysis, Haryana.				

Aggregate expenditure as a ratio of GSDP in Haryana is lesser than States other than NE and Himalayan States average in 2016-17 as well as in 2020-21. The ratio of expenditure on Education and Health was lower in Haryana than States other than NE and Himalayan States average during 2016-17 and 2020-21.

2.4.5 Object head-wise expenditure

Object head-wise expenditure give information about the object/purpose of the expenditure are shown in **Chart 2.13**.



Note: The object head wise expenditure obtained from VLC data contains object head wise expenditure on Salary, Interest and Pensions in all major heads which differs from the Committed expenditure on these items (as appeared in Paragraph 2.4.2.2).

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 Article 266(2) of the Constitution and are not subject to vote by the State Legislature. The Government acts as a banker in respect of these. The balance after disbursements during the year is the fund available with the Government for use for various purposes.

2.5.1 Net Public Account Balances

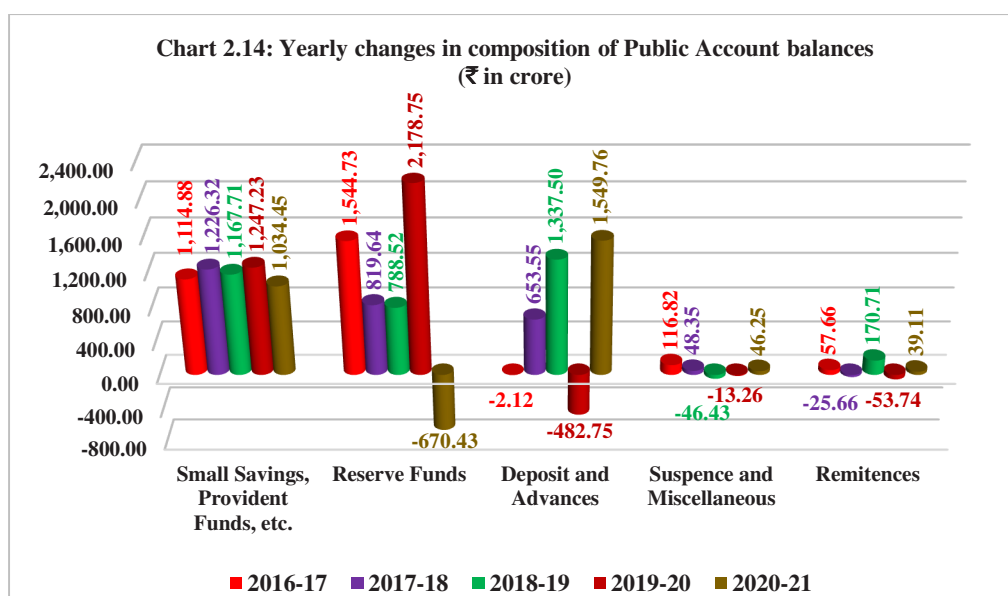
Component-wise net balances under various segments of Public Account are given in *Table 2.31* and *Chart 2.14*.

Table 2.31: Component-wise net balances in Public Account as of 31 March 2021

(₹ in crore)

Sector	Sub Sector	2016-17	2017-18	2018-19	2019-20	2020-21
I. Small Savings, Provident Funds, etc.	Small Savings, Provident Funds, etc.	13,321.20	14,547.52	15,715.23	16,962.46	17,996.91
J. Reserve Funds	(a) Reserve Funds bearing Interest	2,045.23	2,593.33	3,086.92	4,962.35	5,476.92
	(b) Reserve Funds not bearing Interest	2,662.21	2,933.75	3,228.68	3,532.00	2,347.00
	Total	4,707.44	5,527.08	6,315.60	8,494.35	7,823.92
K. Deposits and Advances	(a) Deposits bearing Interest	397.00	379.13	403.41	421.76	451.94
	(b) Deposits not bearing Interest	6,016.48	6,687.90	8,001.14	7,500.04	9,019.62
	(c) Advances	(-) 0.72	(-) 0.72	(-) 0.74	(-) 0.74	(-) 0.74
	Total	6,412.76	7,066.31	8,403.81	7,921.06	9,470.82
L. Suspense and Miscellaneous	Suspense and Miscellaneous	(-) 59.15	(-) 10.80	(-) 57.23	(-) 70.49	(-) 24.24
M. Remittances	(a) Money Orders, and other Remittances	199.55	180.34	343.72	306.84	330.58
	(b) Inter-Governmental Adjustment Account	(-) 17.69	(-) 23.57	(-) 16.24	(-) 33.10	(-) 17.73
	Total	181.86	156.77	327.48	273.74	312.85
Grand Total		24,564.11	27,286.88	30,704.89	33,581.12	35,580.26

Source: Finance Accounts of the respective years



Source: Finance Accounts of the respective years

Net public account balances in 2020-21 increased by 5.95 per cent over the previous year mainly due to increase in Small Savings, Provident Fund, etc. (₹ 1,034 crore), Deposits (₹ 1,550 crore), Remittance (₹ 39 crore) offset by decrease in Reserve Funds (₹ 670 crore).

2.5.2 Reserve Funds

Details of Reserve Funds are available in Statements 21 and 22 of the Finance Accounts. There were eleven Reserve Funds (five Reserve Funds bearing Interest and six Reserve Funds not bearing Interest) earmarked for specific purposes. The interest on balances of Reserve Funds bearing Interest is paid by the Government if the same are not invested while in case of Reserve Funds not

bearing Interest, balances are invested in Government Securities/Treasury Bills under the administration of Central Accounts Section of the Reserve Bank of India at Nagpur. The fund balances lying in various Reserve Funds (bearing Interest and not bearing Interest) as on 31 March 2021 are given in **Table 2.32**.

Table 2.32: Detail of Reserve Fund**(₹ in crore)**

Sr. No.	Name of Reserve Fund	Balance as on 31 March 2021
A	Reserve Funds bearing Interest	5,476.92
1	Depreciation Reserve Fund-Motor Transport	528.69
2	Depreciation Reserve Fund-Government Presses	14.30
3	Reserve Fund-Motor Transport Accident Reserve Fund	4.18
4	State Disaster Response Fund	3,859.99
5	State Compensatory Afforestation Fund	1,069.76
B	Reserve Funds not bearing Interest	2,347.00
1	Sinking Funds	719.39
2	Mines and Mineral Development Restoration and Rehabilitation Fund	300.75
3	Fund for Development Schemes	1.41
4	Fund for Village Reconstruction for Harijan Uplift	2.29
5	Guarantee Redemption Fund	1,323.13
6	Consumer Welfare Fund	0.03
	Grand Total	7,823.92

Out of above, two Reserve Funds not bearing interest i.e. fund for development schemes and fund for village reconstruction for harijan uplift are inoperative for more than five years. The State Government is yet to close these inoperative Reserve Funds and transfer their balances to the Consolidated Fund of the State.

2.5.2.1 Consolidated Sinking Fund

The State Government substituted the earlier Consolidated Sinking Fund (CSF) Scheme of 2002 with a new CSF scheme on 8th June 2020 for redemption of outstanding liabilities of Internal Debt and Public Account. As per guidelines, the Government was required to contribute 0.5 *per cent* of previous outstanding liabilities of internal debt and public account.

The State Government has not made any contribution during 2020-21 resulting in short contribution of ₹ 1,077.81 crore (0.5 *per cent* of outstanding liabilities of internal debt and public account of ₹ 2,15,561.64 crore as on 31 March 2020).

As on 1st April 2020 the balance under the fund was ₹ 2,084.06 crore. The fund remained invested and interest of ₹ 151.62 crore was earned during the year. An amount of ₹ 1,516.29 crore (75 *per cent* of outstanding balance as on 31 March 2020 at face value of ₹ 2,021.71 crore) has been disinvested due to Covid-19 Pandemic pursuant to relaxation allowed by Reserve Bank of India and the fund was closed at ₹ 719.39 crore, out of which, ₹ 717.26 crore was invested.

2.5.2.2 State Disaster Response Fund

The State Government replaced the Calamity Relief Fund with the State Disaster Response Fund (SDRF) in 2010-11. In terms of the guidelines of the Fund, the Centre, and the States, are required to contribute to the Fund in the proportion of 75:25. In terms of guidelines issued by Ministry of Home Affairs, Government of India on 28 September 2010 and 30 July 2015, fund balances are required to be invested as per the recommendations of the State Executive Committee (SEC) constituted for the management of the Fund.

There was opening balance of ₹ 3,172.72 crore in SDRF. During 2020-21, the Central Government released ₹ 491 crore (first and second instalment of Central share for 2020-21). As against GoI release of ₹ 491 crore, State's matching share works out to ₹ 163.66 crore. The State Government transferred an amount of ₹ 900.29 crore to the fund, which includes unspent balances of ₹ 21.37 crore and interest of ₹ 224.26 crore. An expenditure of ₹ 213.02 crore was met from the Fund during the year. There was a closing balance of ₹ 3,859.99 crore in the Fund as on 31 March 2021.

As per paragraph 18 of GoI guidelines on constitution and administration of the 'SDRF' the investments out of SDRF were to be made as per decision of SEC. However, in violation of GoI guidelines, no amount was invested by the State Government.

The SDRF shall be used only for meeting the expenditure for providing immediate relief to the victims of natural calamities. An expenditure of ₹ 213.02 crore was charged to SDRF as given in **Table 2.33**.

Table 2.33: Detail of expenditure charged to SDRF

Major Head of Account	Minor Head of Account	Expenditure during 2020-21
2245-Relief on Account of Natural Calamities 02-Floods, Cyclones, etc.	101- Gratuitous Relief	154.53
	111- Ex-gratia payments to bereaved families	0.06
	113- Assistant for repairs/reconstruction of Houses	0.02
	117- Assistance to farmers for purchase of Live Stock.	0.01
	282- Public Health	0.75
	800- Others	0.05
	Sub Total	155.42
2245-Relief on Account of Natural Calamities 80-General	800-Other Expenditure	96.12
	Sub Total	96.12
	Grand Total	251.54
05-State Disaster Response Fund	901-Deduct –Amount met from State Disaster	213.02
Expenditure charged to SDRF (admissible expenditure under SDRF guidelines)		154.53

As per the SDRF guidelines, only the amount booked under 2245-02-101 is admissible expenditure to be met from SDRF. Hence, expenditure of ₹ 58.49 crore out of ₹ 213.02 crore met from SDRF was in contravention of the guideline. This led to understatement of revenue expenditure to the extent of

₹ 58.49 crore during the year 2020-21 with consequent impact on the Revenue Deficit and Fiscal Deficit of the State.

2.5.2.3 Guarantee Redemption Fund

The State Government substituted the earlier Guarantee Redemption Fund (GRF) of 2003 with the new GRF scheme on 8th June 2020 for meeting obligation arising out of the guarantees issued on behalf of the State Public Sector Undertakings and local bodies. The fund has been set up by the Government with an initial contribution of minimum one *per cent* of outstanding guarantees at the end of previous year. As per the provisions of the fund, the State Government is required to transfer collected guarantee fee and annual or periodic contributions as estimated by the Government to the fund. The fund is administered by the Reserve Bank of India. The outstanding guarantees of the Government as on 31 March 2020 were ₹ 20,737.63 crore. RBI guidelines of 2013 indicated contribution of minimum one *per cent* outstanding guarantees at the beginning of the year and thereafter a minimum of 0.5 *per cent* every year to achieve a corpus of minimum of three *per cent* in next five years (further increasable to five *per cent*) of the outstanding guarantees of the previous year. The State Government did not contribute any amount to the fund during the year though the guarantee fees of ₹ 73.97 crore were collected during 2020-21.

The balance under the fund was ₹ 1,323.13 crore as on 31 March 2021 (which is 6.38 *per cent* of the outstanding guarantees of ₹ 20,737.63 crore) which stood invested.

2.5.2.4 Mines and Mineral Development, Restoration and Rehabilitation Fund

The Fund was established (July 2015) for environmentally sustainable growth of the mining sector, protection, preservation, rehabilitation and restoration of the mining sites in the State and to undertake other related works in the overall interest of protection and preservation of ecology and environment of the area. Though the Fund is enlisted as 'Reserve Funds not bearing interest', it bears interest at the rate of six *per cent* per annum.

As per constitution of the Fund, an amount equal to 10 *per cent* of the 'Dead Rent/Royalty/Contract Money' paid to the State is to be charged from the mineral concession holders in the nature of 'other charges' for restoration and rehabilitation works and credited to the Fund. Also, an amount equal to five *per cent* of the amount received by State Government on account of the 'Dead Rent/Royalty/Contract Money' in a financial year is to be deposited/transferred in the Fund as Government Contribution to the Fund.

A balance of ₹ 220.43 crore was in the Fund as on 1 April 2020. The State Government during the year received an amount of ₹ 782.03 crore on account of Dead Rent etc. and an amount of ₹ 72.07 crore on account of 'other charges' from the Concession Holders. The amount of ₹ 117.30 crore (Concession Holders' contribution: ₹ 78.20 crore i.e. 10 *per cent* of Dead Rent plus State share: ₹ 39.10 crore i.e. five *per cent* of Dead Rent of ₹ 782.03 crore) was required to be contributed to the Fund. However, the State Government, during the year contributed an amount of ₹ 85.50 crore (State contribution: ₹ 27.84 crore and Concession Holders' contribution: ₹ 57.66 crore against 'other charges' received of ₹ 72.07 crore). Thus, there was short contribution of ₹ 25.67 crore. The State Government, has allowed ₹ 5.13 crore as interest on the balances in the Fund during the year, thereby leading to short contribution to the Fund on account of interest to the extent of ₹ 8.10 crore (six *per cent* of ₹ 220.43 crore). An expenditure of ₹ 10.31 crore was met from the Fund during the year, thereby leaving a balance of ₹ 300.75 crore in the Fund as on 31 March 2021.

2.5.2.5 State Compensatory Afforestation Fund

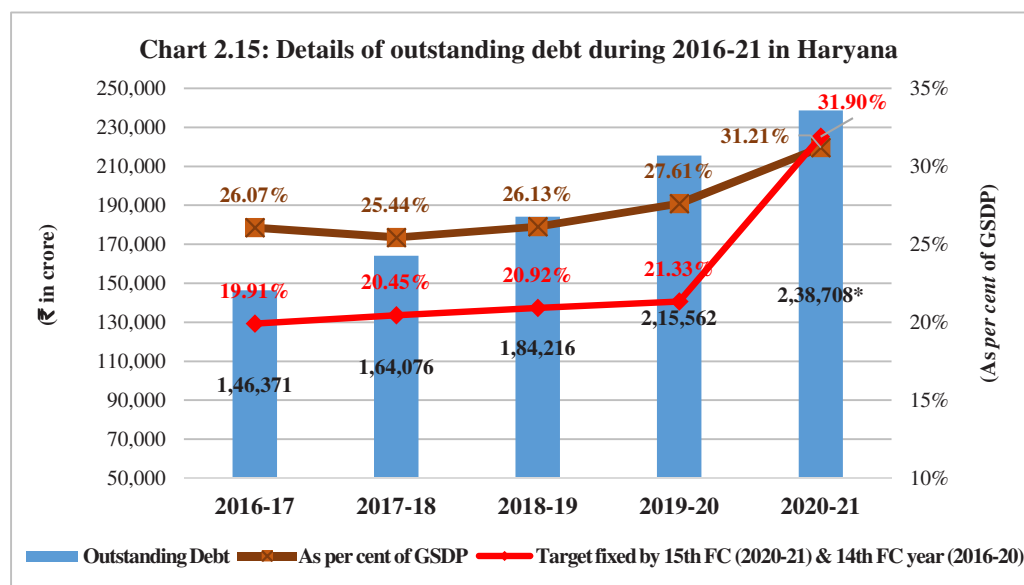
In compliance to the instructions issued by the Ministry of Environment and Forests, Government of India vide their letter No. 5-1/2009-FC dated 28th April 2009 and guidelines of 2 July 2009, the State Governments are required to establish the State Compensatory Afforestation Fund Management and Planning Authority (CAMPA). CAMPA will administer the amount received and utilise the collected amounts for undertaking compensatory afforestation, assisted natural regeneration, conservation and protection of forests, infrastructure development, wildlife conservation and protection and other related activities and for matters connected therewith or incidental thereto. The Authority will set up the State Compensatory Afforestation Fund for this purpose. It is an interest-bearing reserve fund, which is required to be invested.

The balance under the fund was ₹ 1,282.65 crore at the beginning of the year. During the year 2020-21, the State Government did not receive any amount, being State share of the CAMPA Fund, from National Compensatory Afforestation Deposits to the Fund. The State Government did not credit any interest during the year. An expenditure of ₹ 212.89 crore was incurred out of the Fund during the year. The State Government has not made any investment though there was a balance of ₹ 1,069.76 crore in the fund as on 31 March 2021.

2.6 Debt Management

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

or any other annual budget announcements. The details of outstanding debt in Haryana during 2016-21 are given in *Chart 2.15*.



* Excluding GoI back-to-back loans of ₹ 4,352 crore in lieu of GST compensation shortfall which were not to be treated as debt of the State for any norms, as per the guidelines (August 2020).

2.6.1 Debt profile: Components

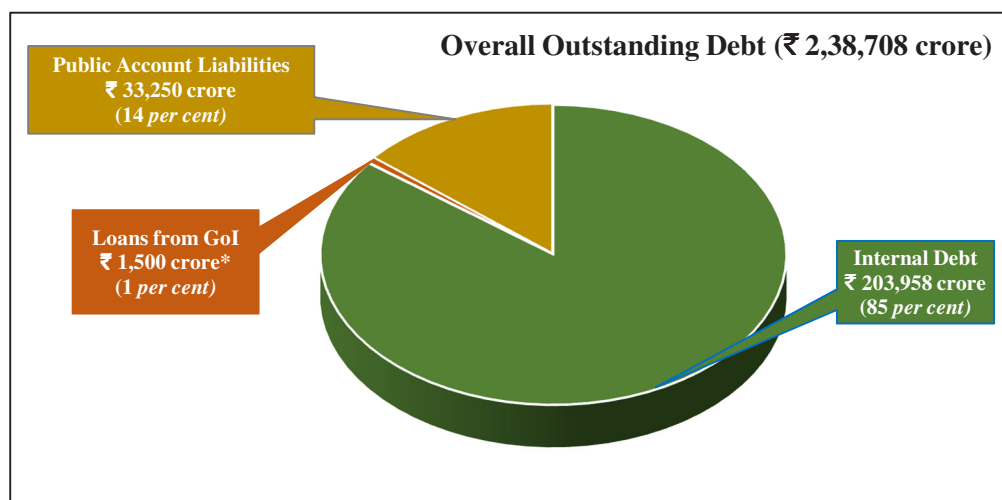
Total debt of the State Government typically constitutes of Internal debt of the State (market loans, ways and means advances from RBI, special securities issued to National Small Savings Fund and loans from financial institutions, etc.), loans and advances from the Central Government, and Public Account Liabilities. The outstanding fiscal liabilities of the State are presented in *Chart 2.16* during 2020-21. The component-wise debt trends of the State for the period of five years beginning from 2016-17 are presented in *Table 2.34*.

Table 2.34: Component-wise debt trends

		(₹ in crore)				
Components of fiscal liability		2016-17	2017-18	2018-19	2019-20	2020-21
Overall Outstanding Debt		1,46,371	1,64,076	1,84,216	2,15,562	2,38,708
Public Debt	Internal debt	1,22,617	1,37,813	1,54,968	1,83,786	2,03,958
	Loans from GoI	1,986	1,941	1,867	1,705	1,500*
Liabilities on Public Account		21,768	24,322	27,381	30,071	33,250
Rate of growth of outstanding Overall debt (percentage)		21.25	12.10	12.27	17.02	10.74
Gross State Domestic Product (GSDP)		5,61,424	6,44,963	7,04,957	7,80,612	7,64,872
Debt/GSDP (per cent)		26.07	25.44	26.13	27.61	31.21
Public Debt Receipts		28,170	21,490	34,265	44,432	49,465*
Public Debt Repayments		5,276	6,339	17,184	15,776	29,498
Public Debt Available		22,894	15,151	17,081	28,656	19,967
Public Debt Repayments/Receipts (percentage)		18.73	29.50	50.15	35.51	59.63
Net Public Account Receipts		2,759	2,554	3,059	2,690	3,179
Total Debt Available		25,653	17,705	20,140	31,346	23,146

* Excluding GoI back-to-back loans of ₹ 4,352 crore in lieu of GST compensation shortfall which are not to be repaid by the State from its sources.

Chart 2.16: Break up of Overall Outstanding Debt at the end of 31 March 2021



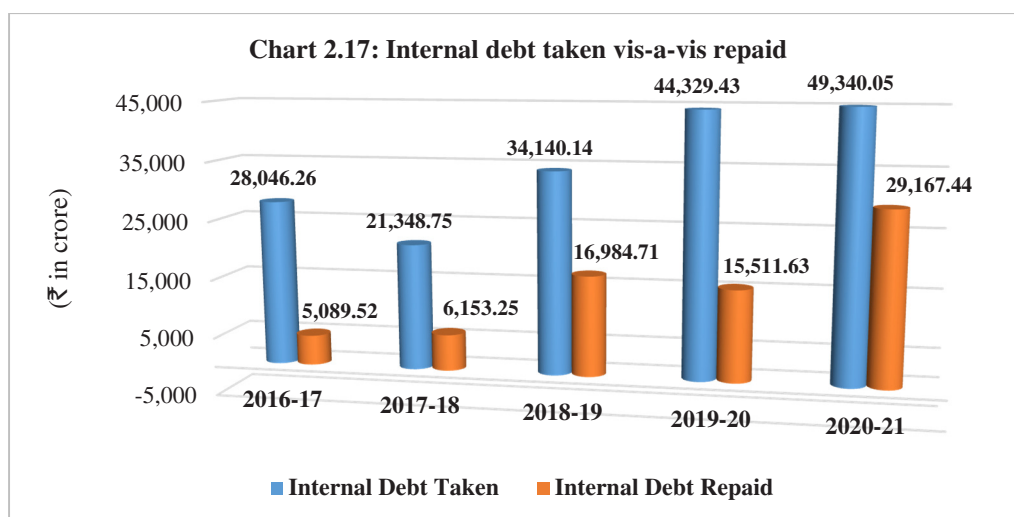
* Excluding GoI back-to-back loans of ₹ 4,352 crore in lieu of GST compensation shortfall which are not to be repaid by the State from its sources.

The overall fiscal liabilities of the State increased from ₹ 1,46,371 crore in 2016-17 to ₹ 2,38,708 crore in 2020-21 registering an increase of 63.08 per cent mainly due to increase in public debt (₹ 80,855 crore) and public account liabilities (₹ 11,482 crore). The overall fiscal liabilities increased by 10.74 per cent in 2020-21 as compared to 17.02 per cent in the previous year. The ratio of fiscal liabilities to GSDP increased from 26.07 per cent in 2016-17 to 31.21¹² per cent in 2020-21. The liabilities were 3.53 times of the revenue receipts and 4.88 times the State's own resources. It is significant to note that fiscal liabilities at ₹ 2,38,708 crore were higher than the limit of ₹ 1,98,700 crore projected in the MTFPS for the year 2020-21.

Ministry of Finance, GoI has provided the special assistance of ₹ 91 crore to State Government in the form of interest free loans for 50 years for the project Pandit Deen Dayal Upadhaya University of Health Sciences at village Kutail (Karnal).

The fiscal liabilities to GSDP ratio at 31.21 per cent was within the limit of normative assessment of 31.90 per cent under 15thFC.

¹² Excluding GoI back-to-back loans of ₹ 4,352 crore in lieu of GST compensation shortfall which are not to be repaid by the State from its sources.



Source: Finance Accounts of respective years

Internal debt of the State Government increased by ₹ 81,341 crore (66.34 per cent) from ₹ 1,22,617 crore in 2016-17 to ₹ 2,03,958 crore in 2020-21. **Chart 2.17** is showing the trends of internal debt taken vis-à-vis repaid. An interest of ₹ 15,444 crore was paid on internal debt during 2020-21.

Market borrowings form a major portion of the internal debt of the State Government, with interest rates ranging between 4.40 and 9.89 per cent. In 2020-21, out of total internal debt receipts of ₹ 49,340 crore, market loans were of ₹ 30,000 crore. Out of total internal debt re-payments of ₹ 29,167 crore, repayment of market loans was ₹ 4,450 crore. The outstanding market borrowings as of 31 March 2021 were ₹ 1,61,216 crore. The net increase of market borrowings during the year was 18.83 per cent (₹ 25,550 crore).

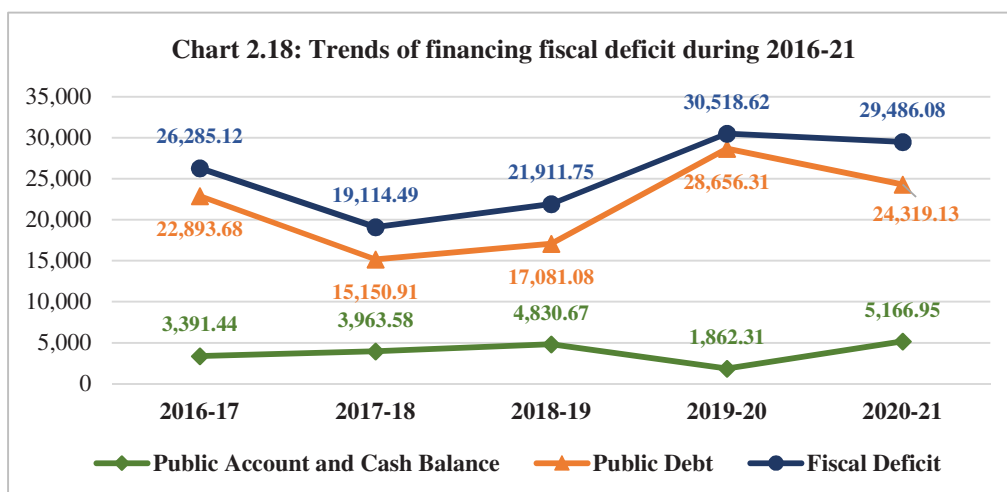
The financing pattern of the fiscal deficit has undergone a compositional shift as reflected in **Chart 2.18 and Table 2.35**. Receipts and disbursements under the components of financing the fiscal deficit during 2020-21 are given in **Table 2.36**.

Table 2.35: Components of fiscal deficit and its financing pattern

(₹ in crore)

Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
Composition of Fiscal Deficit	(-)26,285	(-)19,114	(-) 21,912	(-)30,519	(-)29,486
1 Revenue Deficit	(-)15,906	(-)10,562	(-) 11,270	(-)16,990	(-)22,385
2 Net Capital Expenditure	(-)6,837	(-)13,498	(-) 15,258	(-)17,612	(-)5,807
3 Net Loans and Advances	(-)3,542	4,946	4,616	4083	(-)494
4 Appropriation to Contingency Fund	-	-	-	-	(-)800
Financing Pattern of Fiscal Deficit					
1 Market Borrowings	15,358.98	15,839.49	17970.00	20,676.85	25,550.00
2 Loans from GOI	(-)63.06	(-)44.59	(-)74.33	(-)161.49	4,146.52
3 Special Securities issued to NSSF	(-)947.05	(-)954.14	(-) 980.58	(-)1,004.39	(-)1,004.39
4 Loans from Financial Institutions	8,544.81	310.15	165.99	9,145.34	(-)4,373.00
5 Small Savings, PF, etc.	1,114.88	1,226.32	1,167.71	1,247.23	1,034.45
6 Reserve Fund	1,646.31	673.72	553.47	1,925.34	(-)670.44
7 Deposits and Advances	(-)2.12	653.55	1,337.50	(-)482.75	1,549.76
8 Suspense and Miscellaneous	1,734.84	518.78	1,296.28	(-)1,623.60	1,562.54
9 Remittances	57.66	(-)25.09	170.72	(-)53.74	39.11
10 Appropriation to Contingency Fund	-	-	-	-	800.00
11 Overall Deficit	27,445.25	18,198.19	21,606.76	29,668.79	28,634.55
12 Increase/Decrease in cash balance	(-)1,160.13	916.30	304.99	849.83	851.53
13 Gross Fiscal Deficit	26,285.12	19,114.49	21,911.75	30,518.62	29,486.08

Source: Finance Accounts of the respective years

**Table 2.36: Receipts and Disbursements under components financing the fiscal deficit**

(₹ in crore)

Particulars	Receipt	Disbursement	Net
1 Market Borrowings	30,000.00	4,450.00	25,550.00
2 Loans from GOI	4,476.68*	330.16	4,146.52
3 Special Securities issued to NSSF	Nil	1,004.39	(-)1,004.39
4 Loans from Financial Institutions	14,362.72	18,735.72	(-)4,373.00
5 Contingency Receipts	800.00	-	800.00
6 Small Savings, PF, etc.	3,604.79	2,570.34	1,034.45
7 Deposits and Advances	37,408.58	35,858.82	1,549.76
8 Reserve Funds	1,342.32	2,012.76	(-)670.44
9 Suspense and Miscellaneous	2,610.02	1,047.48	1,562.54
10 Remittances	8,795.19	8,756.08	39.11
11 Overall Surplus (-) Deficit (+)	1,03,400.30	74,765.75	28,634.55
12 Increase (-)/decrease (+) in cash balance	3,999.47	3,147.94	851.53
13 Gross Fiscal Deficit	1,07,399.77	77,913.69	29,486.08

* Includes ₹ 4,352 crore as back-to-back loans to State from GoI in lieu of GST compensation shortfall.

As evident from above, the fiscal deficits during 2016-17 to 2020-21 were largely financed through public debt, which includes market borrowings, loans from GoI, etc.

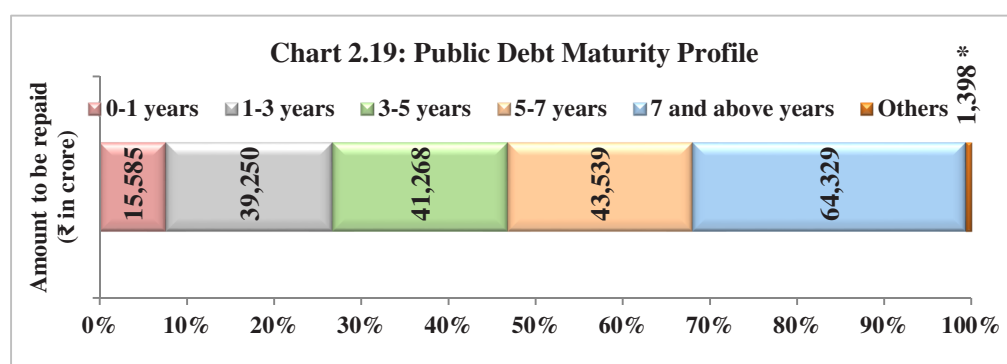
2.6.2 Debt profile: Maturity and Repayment

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

Table 2.37: Public debt maturity profile

Period of repayment (Years)	Amount (₹ in crore)	Percentage (w.r.t. Public debt)
0 – 1	15,585.20	8
1 – 3	39,250.09	19
3 – 5	41,267.62	20
5 – 7	43,539.02	21
7 and above	64,329.49	31
Others	1,397.63*	1
Total	2,05,369.05¹³	100

* Excluding GoI back-to-back loans of ₹ 4,352 crore in lieu of GST compensation shortfall which are not to be repaid by the State from its sources.

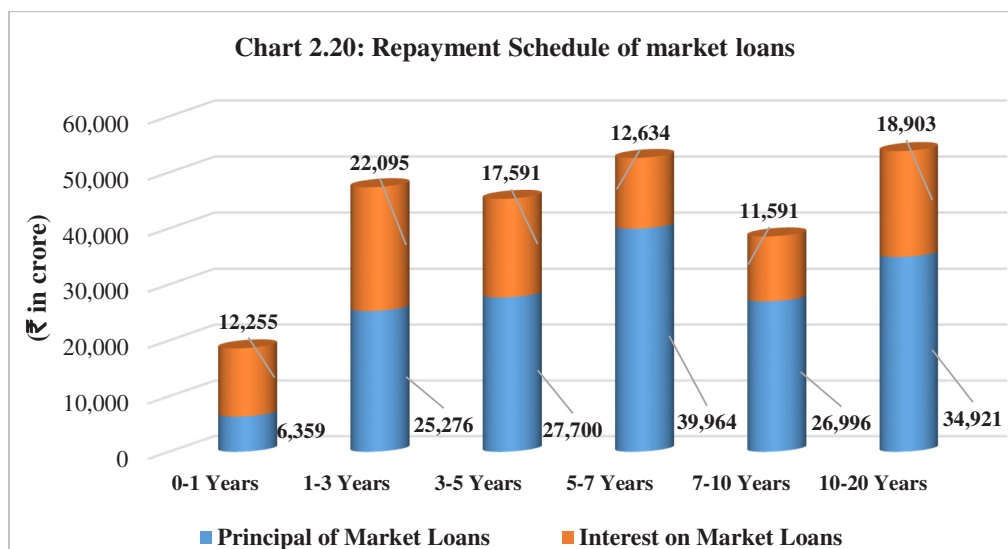


* Excluding GoI back-to-back loans of ₹ 4,352 crore in lieu of GST compensation shortfall which are not to be repaid by the State from its sources.

As of March 2021, total public outstanding debt was ₹ 2,05,369.05 crore. The maturity profile of outstanding stock of public debt as on 31 March 2021 showed that 68 per cent (₹ 1,39,641.93 crore) of the total outstanding debt was in the maturity bucket of up to seven years and the balance of ₹ 64,329.49 crore (31 per cent) from seventh year onwards as depicted in **Table 2.37** and **Chart 2.19**.

Repayment schedule of market loans alongwith interest has been given in **Chart 2.20**.

¹³ Difference of ₹ 89.13 crore between maturity profile and balances under Public Debt is under reconciliation.



Note: The maturity profile has been evolved for outstanding market loans as on 31 March 2021 and interest has been calculated upto the financial year in which the loans are going to retire.

The State will have to repay ₹ 31,635 crore of market loans and pay interest of ₹ 34,350 crore in next three financial years i.e. upto 2023-24. In next two years upto 2025-26, ₹ 27,700 crore principal and interest of ₹ 17,591 crore will be payable. Annual outgo in shape of loan repayment and interest will be approximately ₹ 22,255 crore during next five years upto 2025-26.

In the period 2026-27 to 2030-31, loans of ₹ 66,960 crore and interest of ₹ 24,225 crore will be payable. As such the State will have to repay approximately ₹ 18,237 crore annually during the period 2026-27 to 2030-31.

2.7 Debt Sustainability Analysis

Apart from the magnitude of the debt of the Government, it is important to analyse the various parameters that determine the debt sustainability of the State and indicate ability of the State to service its debt obligation in future. This section assesses the sustainability of the debt of the Government in terms of rate of growth of outstanding debt; ratio of interest payment and revenue receipt, debt repayment and debt receipt; net debt available to the State. **Table 2.38** analyses the debt sustainability of the State according to these indicators for the period of five years beginning from 2016-17.

Table 2.38: Trends in debt Sustainability indicators

(₹ in crore)

Debt Sustainability Indicators	2016-17	2017-18	2018-19	2019-20	2020-21
Outstanding Public Debt*	1,24,603	1,39,754	1,56,835	1,85,491	2,05,458*
Rate of Growth of Outstanding Public Debt	22.51	12.16	12.22	18.27	10.76
GSDP	5,61,424	6,44,963	7,04,957	7,80,612	7,64,872
Rate of Growth of GSDP	13.30	14.88	9.30	10.73	(-)2.02
Public Debt/GSDP	22.19	21.67	22.25	23.76	26.86
Debt Maturity profile of repayment of State debt—including default history, if any	2,382.11	2,561.93	5,054.18	5,840.63	12,132.69
Average interest Rate of Outstanding Public Debt (<i>per cent</i>)	8.17	8.08	8.16	8.17	7.94
Percentage of Interest payment to Revenue Receipt	17.62	17.04	18.37	20.60	22.97
Percentage of Debt Repayment to Debt Receipt	18.73	29.50	50.15	35.50	59.63
Net Debt available to the State#	13,646.26	4,469.12	4,981.11	14,677.34	4,449.26
Net Debt available as <i>per cent</i> to Debt Receipts	48.44	20.80	14.54	33.03	8.99
Debt Stabilisation (Quantum spread [§] + Primary Deficit)	(-)9,139.04	2,322.32	(-)7,592.51	(-)10,441.12	(-)29,876.02

Source: Finance Accounts of the respective years

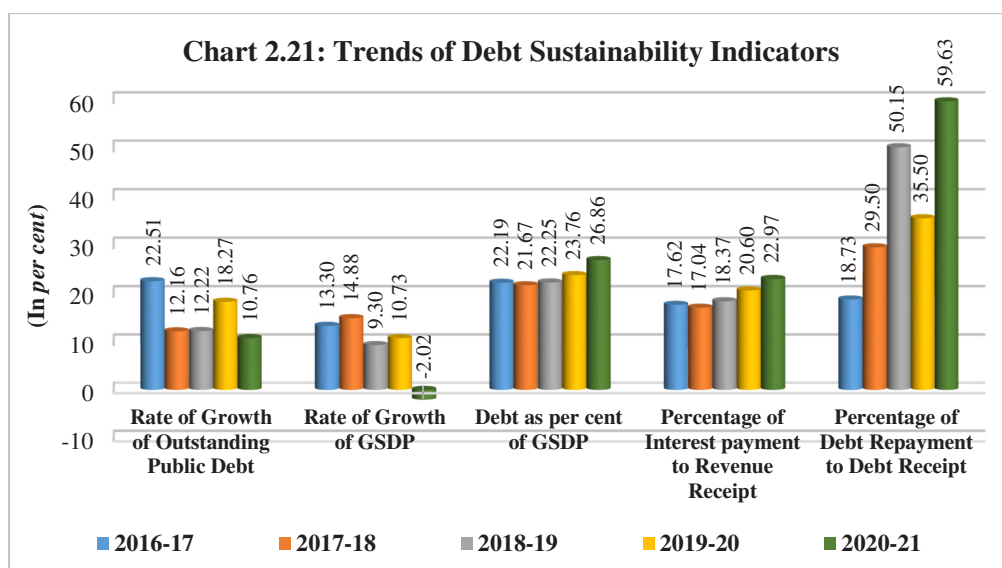
* Outstanding Public Debt is the sum of outstanding balances under the heads 6003-Internal Debt and 6004-Loans and Advances from the Central Government. During 2020-21, it excluded ₹ 4,352 crore as back-to-back loans from GoI in lieu of GST compensation shortfall, which are not to be repaid by the State from its sources.

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

§ Quantum spread = (Debt X Rate spread) where Rate spread = (GSDP growth rate-Interest rate).

A necessary condition for debt stability states that if the rate of growth of GSDP exceeds the interest rate for public debt, the debt GSDP ratio is likely to be stable provided primary balances are either zero or positive or are moderately negative. Thus, if primary deficit together with quantum spread turns out to be negative, debt GSDP ratio would be rising.

In Haryana, the debt GSDP ratio rose from 22.19 *per cent* in 2016-17 to 26.86 *per cent* in 2020-21 due to negative figure of primary deficit together with quantum spread. Trends of Debt sustainability indicators for the five years starting from 2016-17 are shown in **Chart 2.21**.



Public Debt of the State Government increased from ₹ 1,24,603 crore in 2016-17 to ₹ 2,05,458 crore in 2020-21 registering an increase of 64.89 per cent during the period 2016-21. The annual rate of increase ranged between 10.76 per cent and 22.51 per cent over the period 2016-17 to 2020-21 while growth rate of GSDP remained between 9.30 and 14.88 per cent up to 2019-20 and declined to (-) 2.02 per cent during 2020-21.

2.7.1 Utilisation of borrowed funds

Borrowed funds should ideally be used to fund capital creation and developmental activities. Using borrowed funds for meeting current consumption and repayment of interest on outstanding loans is not sustainable. The detail of utilisation of borrowed funds for repayment of earlier borrowings, capital expenditure and revenue expenditure during the period 2016-21 is given in *Table 2.39*.

Table 2.39: Utilisation of borrowed funds

(₹ in crore)

Year	2016-17	2017-18	2018-19	2019-20	2020-21
Total Borrowings	28,169.52	21,489.76	34,264.97	44,431.82	49,464.73 ¹⁴
Repayment of earlier borrowings (Principal) (percentage)	5,275.84 (19)	6,338.85 (29)	17,183.87 (50)	15,775.51 (36)	29,497.60 (60)
Net capital expenditure (Percentage)*	6,836.83 (24)	8,308.03 (39)	10,067.59 (29)	12,421.92 (28)	5,806.74 (11)
Net loans and advances*	3,541.68 (13)	243.96 (1)	573.74 (2)	1,106.62 (2)	493.75 (1)
Portion of Revenue expenditure met out of net available borrowings	12,515.17 (44)	6,598.92 (31)	6,439.77 (19)	15,127.77 (34)	13,666.64 (28)

Source: Finance Accounts of the respective years

Figures in parenthesis indicate percentage to the total borrowings

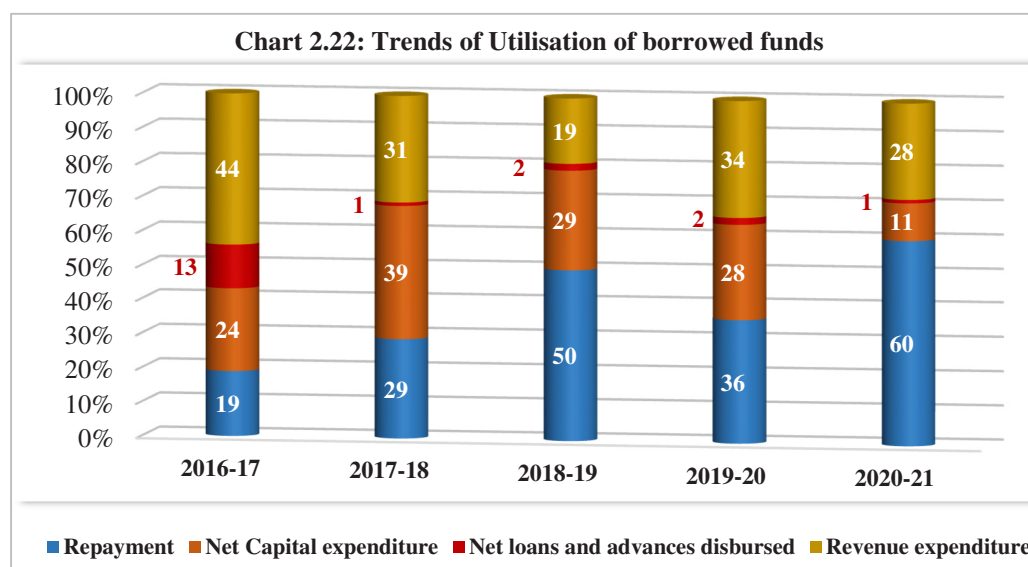
* Calculation of Net Capital Expenditure and Net loans and advances reflected in SFAR 2019-20.

¹⁴ Excluding GoI back-to-back loans of ₹ 4,352 crore in lieu of GST compensation shortfall which are not to be repaid by the State from its sources.

The Revenue Receipts of the State Government were not sufficient for meeting the Revenue Expenditure. Hence, the Government remained dependent upon borrowings for meeting Revenue Expenditure. During 2020-21, revenue expenditure of ₹ 13,667 crore (15 per cent of total revenue expenditure) was met from borrowed funds which constitutes 28 per cent of borrowed funds.

Thus, during 2016-17 to 2020-21 borrowed funds between 60 per cent and 88 per cent had been utilised for repayment of earlier loans and Revenue Expenditure. During 2020-21, 88 per cent of borrowed funds were utilised for repayment of earlier loans (60 per cent) and Revenue Expenditure (28 per cent). Hence, borrowed funds were not utilised for creation of infrastructure.

Trends of utilisation of borrowed funds during the period 2016-21 is depicted in *Chart 2.22*.

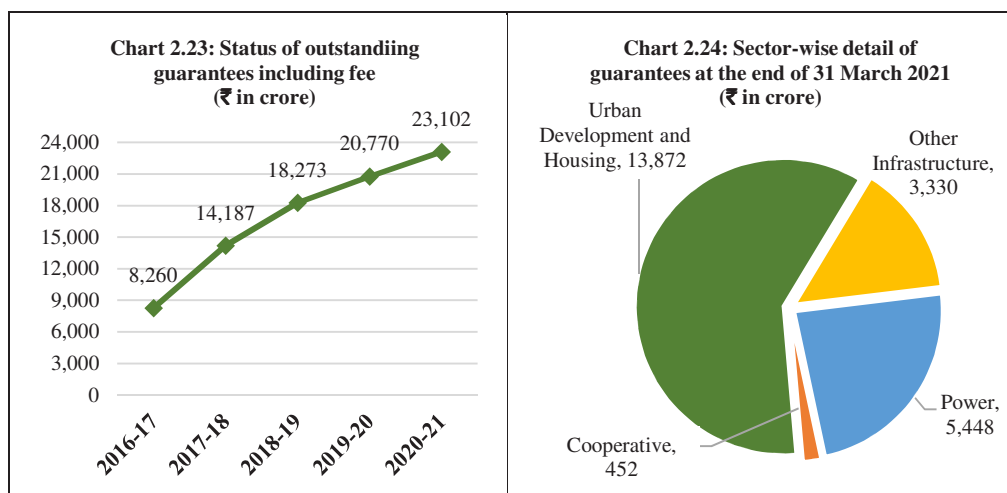


Source: Finance Accounts of the respective years

2.7.2 Status of Guarantees–Contingent Liabilities

Guarantees are liabilities contingent on the Consolidated Fund of the State in cases of defaults by borrowers for whom the guarantees have been extended. The State Government has not passed a law under Article 293 of the Constitution for laying down the limit within which the Government may give guarantees on the security of the Consolidated Fund of the State.

As per Statement No. 9 of the Finance Accounts, the outstanding guarantees and status of outstanding guarantees to total receipts for the last five years are given in *Chart 2.23* and *2.24*.



Source: Finance Accounts

No amount was paid by the Government towards guarantees during 2020-21. The details of outstanding guarantees including guarantee fee, as on 31 March 2021, was in respect of PSUs and autonomous bodies as shown in **Table 2.40**.

Table 2.40: Details of outstanding guarantees including guarantee fee given to entities (₹ in crore)

Sr. No.	Name of PSUs/Autonomous bodies	Number of Guarantees	Outstanding Guarantee including guarantee fee
1	Haryana Shehri Vikas Pradhikaran (HSVP)	10	13,151.30
2	Haryana State Industrial Infrastructure Development Corporation	5	3,130.84
3	Uttar Haryana Bijli Vitran Nigam Limited	17	3,878.07
4	Haryana Vidyut Parsaran Nigam Limited	8	778.05
5	Haryana State Co-operative Agriculture Rural Development Bank	1	264.67
6	Haryana Police Housing Corporation Limited	2	405.75
7	Housing Board, Haryana	6	314.64
8	Dakshin Haryana Bijli Vitran Nigam Limited	9	757.87
9	Haryana Backward Classes and Economically Weaker Sections Kalyan Nigam Limited	1	85.96
10	Municipal Corporation, Faridabad	2	62.20
11	Haryana State Warehousing Corporation	4	34.59
12	Haryana Power Generation Limited, Panchkula	1	33.91
13	Others	8	203.85
	Total	74	23,101.70

Source: Finance Accounts for the year 2020-21

Out of total outstanding guarantee including guarantee fee as on 31 March 2021, 93.92 per cent (₹ 21,696.13 crore) was outstanding mainly in respect of Haryana Shehri Vikas Pradhikaran (₹ 13,151.30 crore), Haryana State Industrial Infrastructure Development Corporation (₹ 3,130.84 crore), Uttar Haryana Bijli Vitran Nigam Limited (₹ 3,878.07 crore), Haryana Vidyut Parsaran Nigam Limited (₹ 778.05 crore) and Dakshin Haryana Bijli Vitran Nigam Limited (₹ 757.87 crore).

2.7.3 Management of Cash Balances

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

Comparative figures of cash balances and investment of cash balance for the years 2019-20 and 2020-21 are given in **Table 2.41**.

Table 2.41: Detail of cash balances and investment of cash balances

(₹ in crore)

	Opening balance on 1 April 2020	Closing balance on 31 March 2021
A. General Cash Balance		
Deposits with Reserve Bank of India	(-) 1,644.93	(-) 463.47
Remittances in Transit-Local	0.54	0.54
Total	(-) 1,644.39	(-) 462.93
Investments held in Cash Balance investment account	2,332.87	1,564.72
Total (A)	688.48	1,101.79
B. Other Cash Balances and Investments		
Cash with departmental officers viz., Public Works, Forest Officers	2.83	3.34
Permanent advances for contingent expenditure with department officers	0.12	0.12
Investment in earmarked funds	3,308.04	2,042.69
Total (B)	3,310.99	2,046.15
Total (A + B)	3,999.47	3,147.94
Interest realised	76.54	29.49

Source: Finance Accounts

Table 2.42: Cash Balance Investment Account (Major Head-8673)

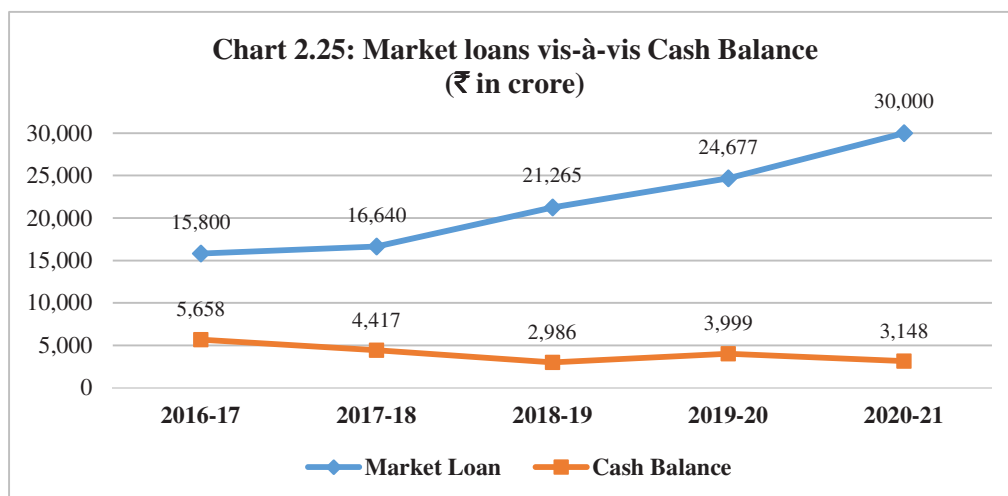
(₹ in crore)

Year	Opening Balance	Closing Balance	Increase (+)/decrease (-)	Interest earned
2016-17	4,173.12	2,554.85	(-) 1,618.27	161.32
2017-18	2,554.85	2,084.53	(-) 470.32	94.89
2018-19	2,084.53	721.57	(-) 1,362.96	91.54
2019-20	721.57	2,332.87	1,611.30	76.54
2020-21	2,332.87	1,564.72	(-) 768.15	29.49

Source: Finance Accounts of the respective years

The Cash Balance included investment of ₹ 2,042.69 crore from earmarked funds. The said investment consisting of Sinking Fund Investment Account (₹ 717.26 crore) and Guarantee Redemption Fund Investment Account (₹ 1,323.13 crore) was invested by the RBI. The Government was able to maintain a minimum cash balance of ₹ 1.14 crore for 323 days during 2020-21. The Government had maintained the minimum balance by taking special ways and means advance (WMA) for 41 days and ordinary ways and means advance for one day. The State had to pay ₹ 1.31 crore as interest on WMA during the year 2020-21.

During 2020-21, the State had an opening cash balance of ₹ 3,999 crore and Government borrowed ₹ 30,000 crore from the market for meeting its obligations. The closing cash balance was ₹ 3,148 crore.



2.8 Conclusions

The State passed FRBM Act, 2005 to ensure prudence in fiscal management and fiscal stability by progressive elimination of Revenue Deficit. However, the FRBM Act has not been amended as per the recommendations of 14th Finance Commission. The State continued to be a revenue deficit State. The revenue deficit was 33.13 *per cent* of revenue receipts during 2020-21 against the 25 *per cent* during 2019-20.

Growth of GSDP is an important indicator of the State's Economy, as it denotes the extent of changes in the level of economic development of the State over a period of time. State records a negative growth of (-) 2.02 *per cent* during the period 2020-21 in comparison to previous year.

The Revenue Deficit which was to be brought down to zero by 2011-12, increased upto ₹ 22,385 crore during 2020-21. It indicates that the State had borrowed funds for meeting current consumption. Fiscal Deficit of the State was ₹ 29,486 crore during 2020-21 which was 3.86 *per cent* of the GSDP and was within the target fixed by the State Government under FRBM Act as amended in September 2020. The Fiscal Deficit was mainly financed through market borrowings.

Out of total borrowings of ₹ 49,465¹⁵ crore during 2020-21, the State Government incurred Capital Expenditure of only ₹ 5,870 crore (11 *per cent*).

¹⁵ Excluding GoI back-to-back loans of ₹ 4,352 crore in lieu of GST compensation shortfall which are not to be repaid by the State from its sources.

Balance 89 *per cent* borrowings were utilised for repayment of earlier loans, disbursement of loans and advances and for meeting Revenue Expenditure.

Annual growth rate of Revenue Receipts decreased from 10.39 *per cent* in 2016-17 to mere 2.99 *per cent* in 2019-20 and comes to (-) 0.44 *per cent* in 2020-21, which resulted in higher dependency on borrowed funds for meeting the current consumption. Further, State's own revenue registered a negative growth of 2.69 *per cent* over the previous year, leading to a higher dependency on GoI contributions.

State incurred 55 *per cent* of the total Revenue Expenditure on Committed Liabilities like salaries and wages, pensions and interest payment, leaving only 45 *per cent* for priority sector expenditure. The percentage of total expenditure in priority sectors such as Education and Health in Haryana was lower than the average of States other than NE and Himalayan States.

There was a difference of ₹ 8,368 crore in equity investment figures as per State Accounts and as per the Accounts of 23 PSUs. The difference is mainly on account of Grant-in-aid of ₹ 7,785 crore to State Power Utilities under UDAY scheme, booked under Revenue Expenditure during 2015-16 and 2016-17, which was converted to equity during 2018-19 with retrospective effect through a re-appropriation order.

The State Government earned a meagre 0.43 *per cent* return on its total investment (₹ 37,567 crore) in Statutory Corporations, Rural Banks, Government Companies and Co-operatives up to 31 March 2021. Further, 86 *per cent* of total investment was made in 12 loss incurring Government Companies with accumulated losses of ₹ 29,638 crore, leading to erosion of Government investments to that extent.

Loans amounting to ₹ 3,418.72 crore were outstanding at the beginning of the year against co-operative sugar mills. Further, loans of ₹ 467.40 crore were given to these sugar mills without recovery of earlier loans.

Overall, fiscal liabilities including public debt and public account liabilities were 31.21 *per cent* of the GSDP (excluding GoI back-to-back loans of ₹ 4,352 crore in lieu of GST compensation shortfall which are not to be repaid by the State from its sources). The debt grew by 11 *per cent* over previous year. The State Government raised public debt of ₹ 49,465 crore and repaid ₹ 29,498 crore. During the year, outgo because of interest payments was equal to 19 *per cent* of Revenue Expenditure and 25 *per cent* of Revenue Receipts.

The State Government received ₹ 91.59 crore (1.20 *per cent*) as interest on outstanding loans during 2020-21 while paid interest at 7.46 *per cent* on

outstanding debt. The State Government raised loans during 2020-21 on an average interest rate of 6.50 *per cent* per annum.

The State Government had not invested funds of ₹ 5,230.50 crore available under SDRF, State Compensatory Afforestation Fund and Restoration and rehabilitation of mines and minerals.

2.9 Recommendations

The Government may consider:

- Reviewing the working of State PSUs, which are incurring huge losses and formulate a strategic plan for their revival or closer as the case may be;
- To evolve a system of timely recovery of outstanding loans against Co-operative Sugar Mills, Haryana State Cooperative Agriculture and Rural Development Bank and other loanee entities; and
- To invest reserve funds so that the intended purpose of these funds could be achieved for which these funds were created.