

CHAPTER - II

Finances of the State

CHAPTER-II

FINANCES OF THE STATE

2.1 Major changes in Key fiscal aggregates of the State

This section gives a bird's eye view of the major changes in key fiscal aggregates of the State during the financial year 2020-21, compared to 2019-20. The analysis of the following indicators is discussed in the succeeding paragraphs.

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

Revenue Receipts	<ul style="list-style-type: none">✓ Revenue receipts of the State decreased by 19.16 <i>per cent</i>✓ Own Tax receipts of the State decreased by 2.38 <i>per cent</i>✓ Non-tax receipts decreased by 85.50 <i>per cent</i>✓ State's Share of Union Taxes and Duties decreased by 9.45 <i>per cent</i>✓ Grants-in-Aid from Government of India increased by 31.11 <i>per cent</i>
Revenue Expenditure	<ul style="list-style-type: none">✓ Revenue expenditure decreased by 0.10 <i>per cent</i>✓ Revenue expenditure on General Services increased by 1.17 <i>per cent</i>✓ Revenue expenditure on Social Services increased by 5.66 <i>per cent</i>✓ Revenue expenditure on Economic Services decreased by 11.56 <i>per cent</i>✓ Expenditure on Grants-in-Aid decreased by 2.01 <i>per cent</i>
Capital Expenditure	<ul style="list-style-type: none">✓ Capital expenditure decreased by 12.94 <i>per cent</i>✓ Capital expenditure on General Services decreased by 38.96 <i>per cent</i>✓ Capital expenditure on Social Services increased by 17.80 <i>per cent</i>✓ Capital expenditure on Economic Services decreased by 18.43 <i>per cent</i>
Loans and Advances	<ul style="list-style-type: none">✓ Disbursement of Loans and Advances decreased by 45.61 <i>per cent</i>✓ Recoveries of Loans and Advances decreased by 79.88 <i>per cent</i>
Public Debt	<ul style="list-style-type: none">✓ Public Debt Receipts increased by 17.68 <i>per cent</i>✓ Repayment of Public Debt increased by 19.54 <i>per cent</i>
Public Account	<ul style="list-style-type: none">✓ Public Account Receipts decreased by 1.67 <i>per cent</i>✓ Disbursements from Public Account decreased by 18.13 <i>per cent</i>
Cash Balance and Investment	<ul style="list-style-type: none">✓ Cash balance and Investment increased by ₹ 10,209.41 crore (47.61 <i>per cent</i>) as on 31 March 2021 as compared to 31 March 2020.

2.2 Sources and Application of Funds

Receipts of the State Government can be divided into two categories namely Revenue Receipts and Capital Receipts. Besides, the funds available in the Public Account net of disbursement made from it are also utilised by the Government to finance its deficit. Thus, resources of the State are:

- i. **Revenue receipts** consist of own tax revenue, non-tax revenue, State's share of Union taxes and duties and grants-in-aid from GoI.
- ii. **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.

- iii. **Net Public Account receipts:** There are receipts and disbursements in respect of 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.

A time series data on the State Government finances for the period 2016-21 has been given in *Appendix-2.1. Table 2.1* depicts the components and sub-components of the State's financial resources and application of funds during the year 2020-21 as compared to the year 2019-20.

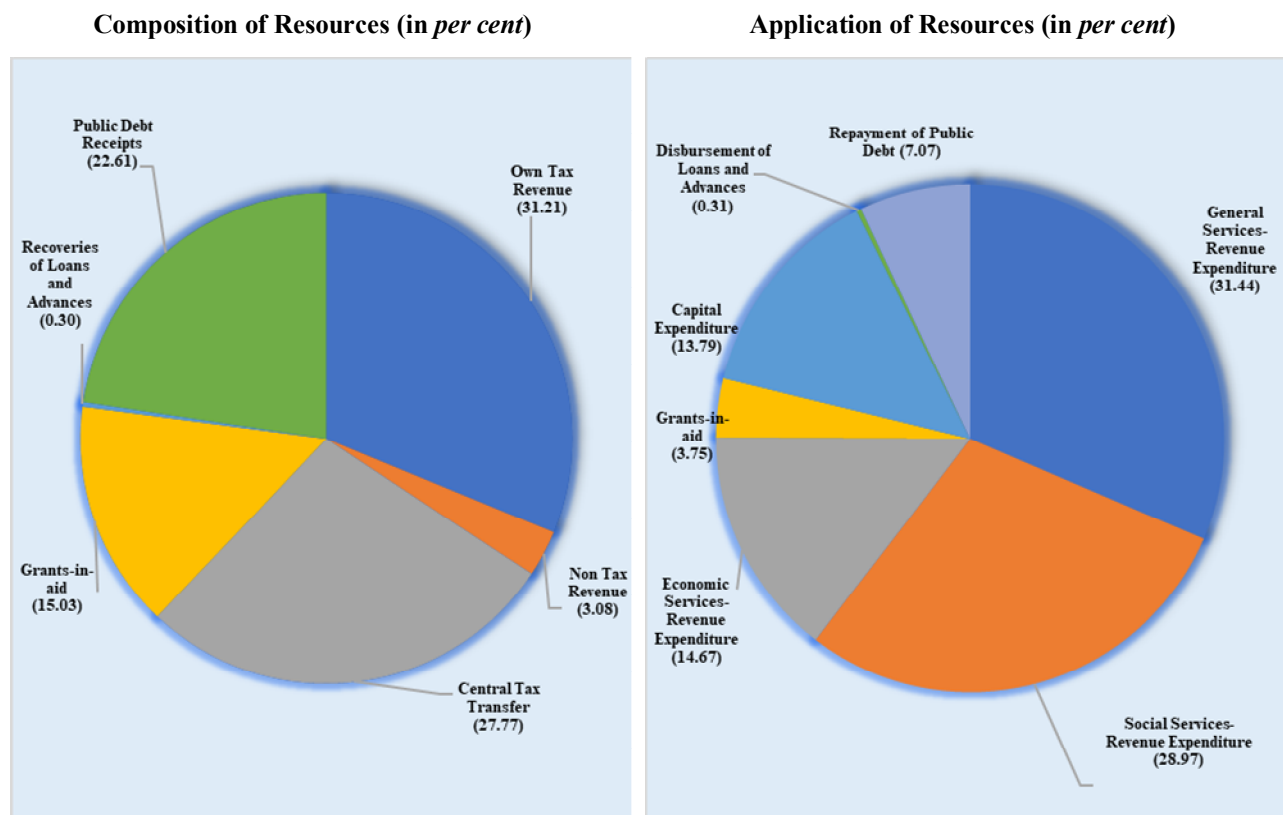
Table 2.1: Comparison of Sources and Application of funds during the years 2019-20 and 2020-21

	Particulars	2019-20 (₹ in crore)	2020-21 (₹ in crore)	Increase/ Decrease (in percentage)
Sources	Opening Cash Balance and Investment	26,912	21,443	(-) 20.32
	Revenue Receipts	3,66,393	2,96,176	(-) 19.16
	Recoveries of Loans and Advances	5,641	1,135	(-) 79.88
	Public Debt Receipts (Net)	51,408	60,082	16.87
	Miscellaneous Capital Receipts	0	0	-
	Public Account Receipts (Net)	(-) 68,590	4,850	107.07
	Contingency Fund	662	0	(-) 100.00
	Total	3,82,426	3,83,686	0.33
Application	Revenue Expenditure	2,98,833	2,98,543	(-) 0.10
	Capital Expenditure	59,998	52,237	(-) 12.94
	Disbursement of Loans and Advances	2,120	1,153	(-) 45.61
	Contingency Fund	32	100	212.50
	Closing Cash Balance and Investment	21,443	31,653	47.61
	Total	3,82,426	3,83,686	0.33

Source: Finance Accounts of the respective years

2.2.1 Component wise sources and applications of funds under Consolidated Fund of the State during the year 2020-21 have been depicted in **Chart 2.1**.

Chart 2.1: Composition and Application of Resources during the year 2020-21



Source: Finance Accounts 2020-21

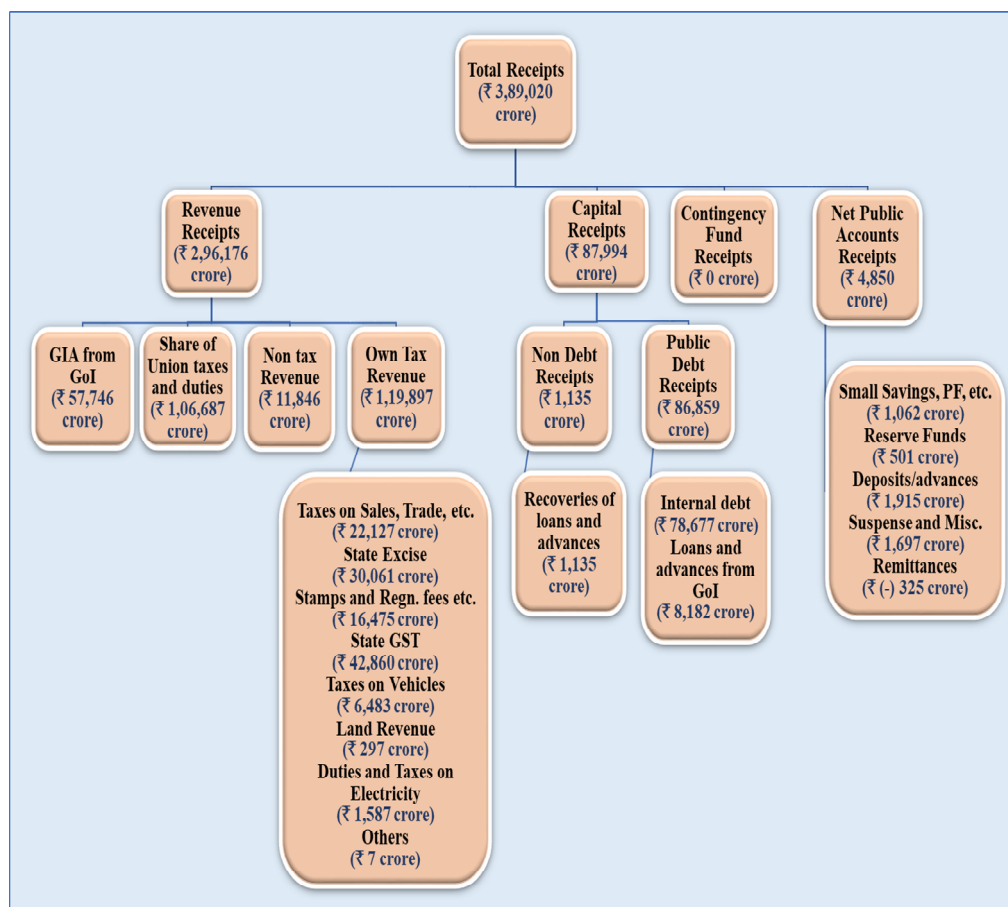
2.3 Resources of the State

This section analyses resources of the State and their trends during the years 2016-17 to 2020-21.

2.3.1 Receipts of the State

The composition of receipts of the State during the year 2020-21 is shown in **Chart 2.2**.

Chart 2.2: Details of composition of receipts during the year 2020-21



Source: Finance Accounts 2020-21

The total receipts of the State during the year 2020-21 was ₹ 3,89,020 crore. It constitutes of Revenue Receipts of ₹ 2,96,176 crore, Capital Receipts of ₹ 87,994 crore and Net Public Account Receipt¹⁵ of ₹ 4,850 crore. Revenue Receipts consists of Own Tax Revenue of ₹ 1,19,897 crore, Non-Tax Revenue of ₹ 11,846 crore, Share of Union Taxes and Duties of ₹ 1,06,687 crore and Grants-in-Aid (GIA) from GOI of ₹ 57,746 crore. Capital Receipts constitutes of Non-debt Receipts of ₹ 1,135 crore and Public Debt Receipts of ₹ 86,859 crore.

2.4 Revenue Receipts

This paragraph analyses trends in total revenue receipts and its components. It is followed by analysis of trends in the receipts bifurcated into State's own receipts and receipts from the Central Government.

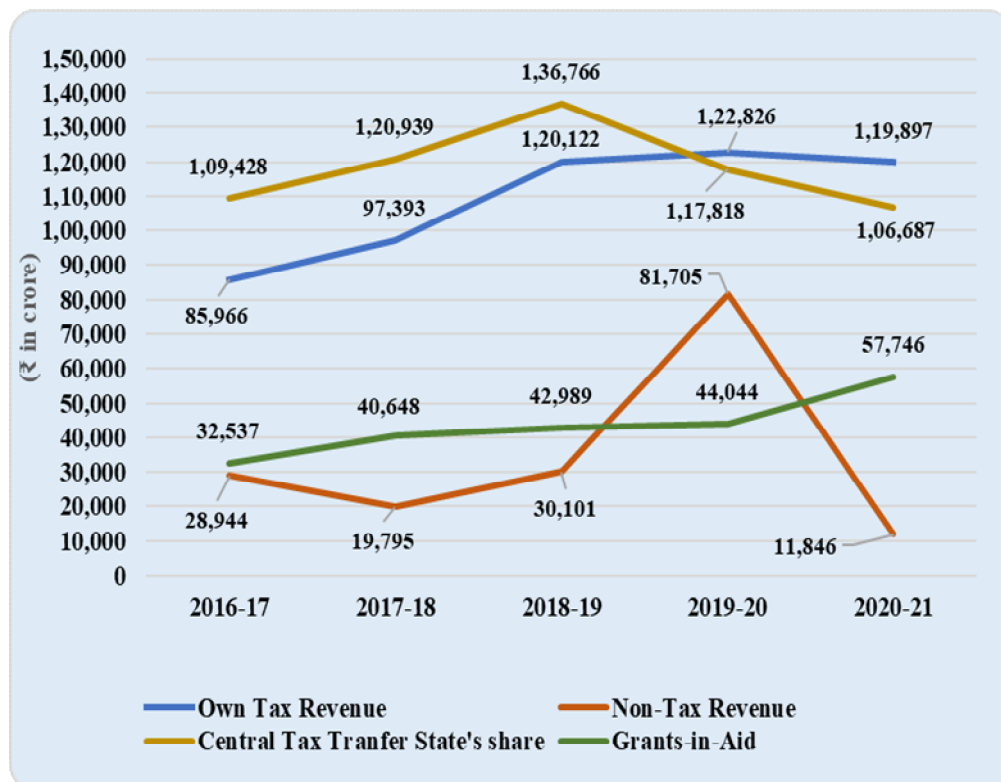
2.4.1 Trends and growth of Revenue Receipts

Statement 14 of the Finance Accounts gives details of the Revenue Receipts of the Government. The trends and composition of Revenue Receipts as per

¹⁵ Net Public Account Receipts is the net balance at the end of the financial year of Small Savings & Provident Fund, Reserve Funds, Deposit/Advances, Suspense & Miscellaneous and Remittances.

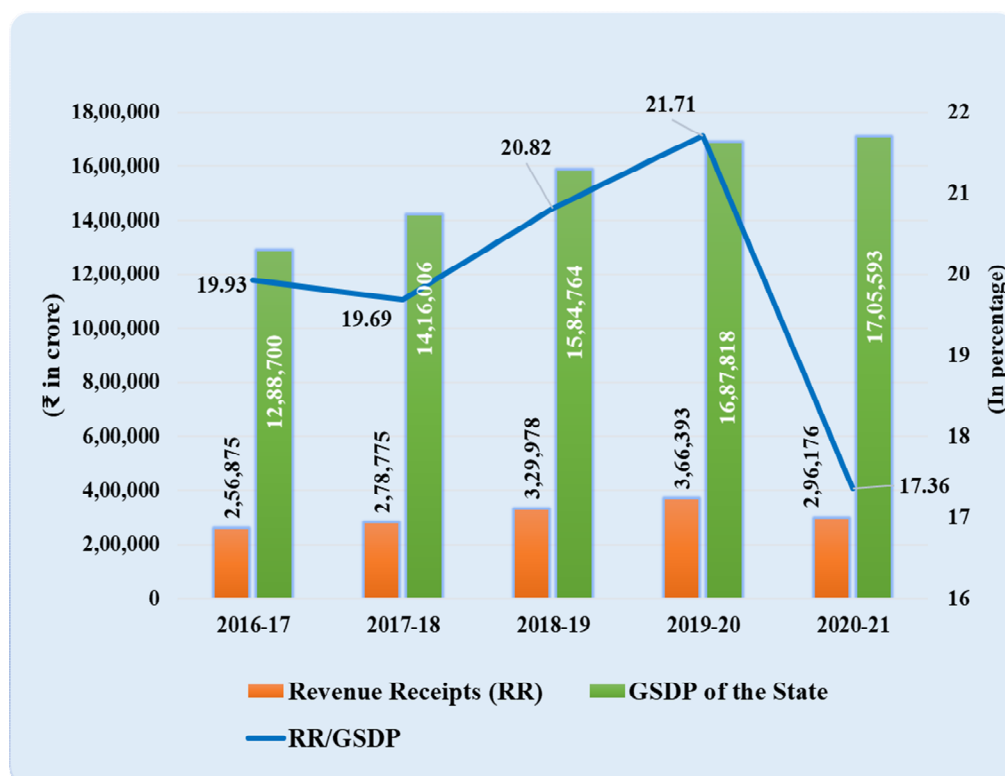
Finance Accounts during the period 2016-21 are depicted in **Chart 2.3**, **Chart 2.4** and **Table 2.2**.

Chart 2.3: Trend of Revenue Receipts during the period 2016-21



Source: Finance Accounts of the respective years

Chart 2.4: Revenue Receipts as a percentage of GSDP during the period 2016-21



Source: Finance Accounts of the respective years and Ministry of Statistics and Programme Implementation, Government of India

Table 2.2: Trend in Revenue Receipts, Own Tax and Non-Tax Revenues of the State

Parameters	2016-17	2017-18	2018-19	2019-20	2020-21
Revenue Receipts (RR) (₹ in crore)	2,56,875	2,78,775	3,29,978	3,66,393	2,96,176
Rate of growth of RR (per cent)	13.12	8.53	18.37	11.04	(-)19.16
Own Revenue (₹ in crore) of which	1,14,910	1,17,188	1,50,223	2,04,531	1,31,743
Own Tax Revenue (₹ in crore)	85,966	97,393	1,20,122	1,22,826	1,19,897
Non-Tax Revenue (₹ in crore)	28,944	19,795	30,101	81,705	11,846
Rate of growth of Own Revenue (per cent)	10.23	1.98	28.19	36.15	(-)35.59
Rate of growth of Own Tax Revenue (per cent)	5.99	13.29	23.34	2.25	(-)2.38
Gross State Domestic Product (₹ in crore) (2011-12 Series at current price)	12,88,700	14,16,006	15,84,764	16,87,818	17,05,593
Rate of growth of GSDP (per cent)	13.26	9.88	11.92	6.50	1.05
Buoyancy Ratio¹⁶					
Revenue Buoyancy with respect to (w.r.t.) GSDP	0.99	0.86	1.54	1.70	(-)18.25
State's Own Revenue Buoyancy w.r.t GSDP	0.77	0.20	2.36	5.56	(-)33.90
States Own Tax Revenue Buoyancy w.r.t GSDP	0.45	1.35	1.96	0.35	(-)2.27

Source: Finance Accounts of the respective years and Ministry of Statistics and Programme Implementation, Government of India

Analysis based on Figures of Finance Accounts as detailed in Table 2.2 revealed that:

- Revenue Receipts of the State of Uttar Pradesh during the year 2020-21 was ₹ 2,96,176 crore. The compound annual growth rate was 3.62 per cent during the period 2016-21. It declined by 19.16 per cent in the year 2020-21 as compared to previous year (2019-20).

As reported in the State Finances Audit Report for the year ended 31 March 2020-Government of Uttar Pradesh (Report No. 4 of the year 2021), during the year 2019-20, Revenue Receipts (₹ 3,66,393 crore) were substantially higher due to transfer of ₹ 71,180 crore from Sinking Fund under Public Account to Revenue Receipts under Consolidated Fund without actual cash receipts. After excluding this book transfer of Sinking Fund, the actual Revenue Receipts of the State was ₹ 2,95,213 crore during the year 2019-20 recording a decline of 10.54 per cent as compared to the year 2018-19.

Thus, Revenue Receipts of the State during the year 2020-21 (₹ 2,96,176 crore) was a shade higher (0.33 per cent) than the year 2019-20 (excluding Sinking Fund transfer). This was on account of higher receipts (31 per cent) of grants-in-aid from GoI, despite a decline in own tax revenue (2.38 per cent) and central tax transfers (9.45 per cent) as compared to the year 2019-20 due to adverse effect of COVID-19 pandemic on economic scenario.

- The financial year 2020-21 started with the onset of COVID-19 pandemic and strict lockdown restrictions. This adversely impacted State's Revenue Receipts during the year 2020-21. State Government had projected Revenue Receipts of ₹ 4,22,568 crore in Budget Estimates 2020-21 which

¹⁶ Buoyancy ratio indicates the degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For example, revenue buoyancy with respect to GSDP at 1.85 implies that Revenue receipts tend to increase by 1.85 per cent, if the GSDP increases by one per cent.

was reduced to ₹ 3,06,802 crore in Revised Estimates 2020-21. As compared to Budget Estimates 2020-21, there were shortfall in actual receipts by 27.78 *per cent* in Own Tax Revenue, 62.01 *per cent* in Non-Tax Revenue, 30.21 *per cent* in Central Transfer of Taxes and 20.35 *per cent* in Grants-in-aid from GoI. State could also not meet Revised Estimates projections due to shortfall of 3.98 *per cent* in Own Tax Revenue and 20.35 *per cent* in Grants-in-aid from GoI from Revised Estimates 2020-21.

- Revenue buoyancy measures the percentage change in the revenue receipts to the percentage change in GSDP. As can be seen from **Table 2.2**, Revenue buoyancy which was 1.70 during the year 2019-20 has decreased to (-)18.25 in the year 2020-21, this shows that during the year 2020-21 when GSDP has grown by one basis point, Revenue Receipts of the State showed a negative growth of 18.25 basis points. Further, Own Tax Revenue buoyancy was (-) 2.27 during the year 2020-21 which implies that during the year 2020-21 when GSDP of the State has grown by 1 basis point, Own Tax Revenue showed a negative growth by 2.27 basis points.

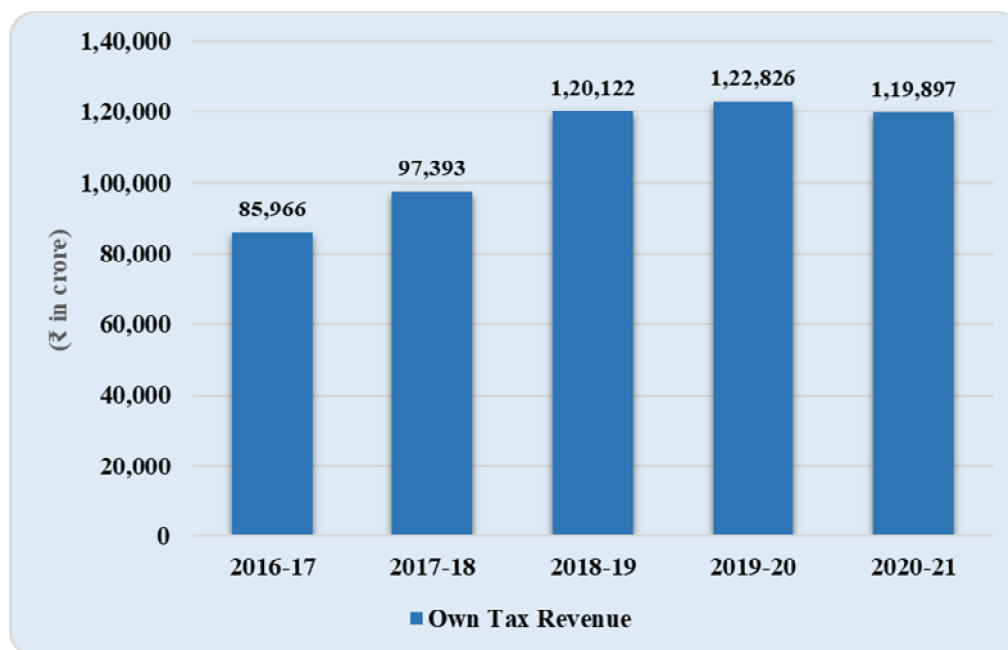
2.4.2 State's Own Resources

State's Own Resources comprises of Own Tax Revenue and Non-Tax Revenue. Components of Own Tax Revenue of the State of Uttar Pradesh are State GST (SGST), State Excise, Taxes on Vehicles, Stamps and Registration Fees, Land Revenue, Taxes and Duties on Electricity, Taxes on Goods and Passengers, etc. The sources of Non-Tax Revenue include receipts from fiscal services like interest receipts from outstanding loans and advances given by Government and investment of cash balance, dividends and profits from equity investments, royalty fees for allowing use of assets held as custodian like minerals, forests and wild life, or other such services and user charges for various social and economic services provided through the apparatus of the Government. The details of collection of Own Tax / Non-Tax Revenue during the period 2016-21 is given in **Appendix-2.2**.

2.4.2.1 Own Tax revenue

Own tax revenue of the State was ₹ 1,19,897 crore during the year 2020-21. During the period 2016-21, it increased by 39.47 *per cent* (₹ 33,931 crore) from ₹ 85,966 crore in 2016-17 to ₹ 1,19,897 crore in 2020-21. Major trends of growth of Own Tax Revenue are given in **Chart 2.5**.

Chart 2.5: Own Tax Revenue during the period 2016-21



Source: Finance Accounts of the respective year

During the period 2016-21, receipts under components of State's Own Tax Revenue are given in Table 2.3.

Table 2.3: Receipts of Tax Revenue during the period 2016-21

							(₹ in crore)
Sl. No.	Revenue Head	2016-17	2017-18	2018-19	2019-20	2020-21	Sparkline
1	Taxes on Sales, Trade, etc.	51,883	31,113	23,798	20,517	22,127	
2	State Goods and Service Tax (SGST)	-	25,374	46,108	47,232	42,860	
3	State Excise	14,274	17,320	23,927	27,325	30,061	
4	Taxes on Vehicles	5,148	6,404	6,929	7,715	6,483	
5	Stamps and Registration fees	11,564	13,398	15,733	16,070	16,475	
6	Land Revenue	760	1,336	631	504	297	
7	Taxes and duties on Electricity	1,556	2,124	2,978	3,453	1,587	
8	Other Taxes	781	324	18	10	7	
	Total	85,966	97,393	1,20,122	1,22,826	1,19,897	

Source: Finance Accounts of the respective year

It is evident from Table 2.3 that:

- The overall decrease of 2.38 per cent in Own Tax Revenue during 2020-21 over previous year was mainly due to decrease in receipts of State Goods and Services Tax (₹ 4,372 crore), Taxes and Duties on Electricity (₹ 1,866 crore), Taxes on Vehicles (₹ 1,232 crore) and Land Revenue (₹ 207 crore). However, there were higher receipts in Taxes on Sales, Trade (₹ 1,610 crore), State Excise (₹ 2,736 crore) and Stamps and Registration Fees (₹ 405 crore) as compared to the year 2019-20.
- State Goods and Services Tax (SGST) which is the largest component of tax revenue of the State comprised 35.75 per cent of the own tax revenue

receipts for the year 2020-21. During the year 2020-21, the estimated SGST was ₹ 63,281 crore against which actual collection was ₹ 42,860 crore which was 32.27 *per cent* below the estimation. Less receipts under SGST was mainly due to less receipt under the minor heads 'input tax credit gross utilization of SGST and IGST' (₹ 4,879.95 crore) and 'receipt awaiting transfer to other minor heads' (₹ 4,504.63 crore).

- Less receipts under Taxes and duties on Electricity was due to less receipts from taxes on consumption and sale of electricity (₹ 1,796.83 crore) and fees (₹ 83.03 crore).
- Collection under Taxes on Sales, Trade, etc., increased due to more receipt under Central Sales Tax Act (₹ 42.71 crore) and Value Added Tax (₹ 1,303.56 crore). Increase in State Excise was mainly due to increase in receipts on account of sale of country spirits (₹ 2,226.14 crore) and foreign liquors and spirits (₹ 978.64 crore) and other receipt (₹ 188.50 crore). The receipts under Stamp and Registration fee increased mainly due to higher receipts on account of court fees realised in judicial stamps (₹ 106.56 crore) and sales of non-judicial stamps (₹ 714.64 crore).
- Other Taxes include Taxes on Goods and Passengers, Taxes on Hotel Receipt, Entertainment Tax, Betting Tax, Taxes on Advertisement exhibited in cinema theaters, etc. The reduction is mainly on account of subsuming of these taxes under Goods and Service Tax since July 2017.

2.4.2.2 State Goods and Services Tax (SGST)

The State Government implemented the Goods and Services Tax (GST) Act, which became effective from 1 July 2017. Under GST (Compensation to States) Act, 2017 the Central Government will compensate the States for loss of revenue arising on account of implementation of GST for a period of five years. A base year (2015-16) revenue figures of taxes subsumed under GST was finalized under GST Act. The projected revenue for any year in a State was to be calculated by applying the projected growth rate (14 *per cent* per annum) over the base year revenue of the State.

Revenue figure under GST for the year 2020-21 has been depicted in the Finance Accounts as per nature of receipts i.e. State Goods and Services Tax (SGST), Input Tax Credit Cross Utilization of SGST and Integrated Goods and Services Tax (IGST), apportionment of IGST-transfer-in of Tax Component to SGST and advance apportionment from IGST. In case of Uttar Pradesh, the revenue from subsumed taxes was ₹ 33,359 crore during the base year (2015-16). Thus, projected revenue for the year 2020-21 in accordance with the base year figure was ₹ 64,230 crore against which SGST amounting to ₹ 42,860 crore was collected. This includes ₹ 3,168 crore as State's share in advance apportionment of IGST. The State received ₹ 31,611 crore as its share of net proceeds assigned to the State under Central Goods and Services Tax. The total receipts under GST were ₹ 74,471 crore. State Government also received compensation of ₹ 9,324 crore from GoI for loss of revenue arising out of implementation of GST. Besides, due to inadequate balance in GST compensation fund, State Government also received back-to-back loan (debt receipts) of ₹ 6,007 crore from GoI in lieu of GST compensation shortfall.

2.4.2.3 Non-Tax Revenue

Major sources of Non-Tax revenue and their trend analysis during the period 2016-21 is given in Table 2.4:

Table 2.4: Trends of Non-Tax Revenue during the period 2016-21.

Particulars	(₹ in crore)					Sparkline
	2016-17	2017-18	2018-19	2019-20	2020-21	
(i) Interest receipts	1,165	1,093	1,712	1,469	1,116	
(ii) Dividends and Profits	86	31	175	39	105	
(iii) Other Non-tax Receipts:						
(a) Miscellaneous General Services	4,460	4,841	13,678	72,044	572	
(b) Non-ferrous Mining and Metallurgical Industries	1,548	3,259	3,165	2,181	3,113	
(c) Power	2,939	4,696	5,735	1,044	1,309	
(d) Irrigation (Major, Medium and Minor)	783	953	908	1,024	1,174	
(e) Roads and Bridges	929	366	932	707	997	
(f) Education, Sports, Art and Culture	14,092	432	381	480	505	
(g) Others and Miscellaneous	2,942	4,124	3,415	2,717	2,955	
Total	27,693	18,671	28,214	80,197	10,625	
Grand Total [(i), (ii) and (iii)]	28,944	19,795	30,101	81,705	11,846	

Source: Finance Accounts of the respective years.

The total receipts under Non-Tax Revenue were ₹ 11,846 crore in 2020-21, representing a decrease of 85.50 per cent over the previous year. Significant decrease in the Non-Tax revenue during 2020-21 in comparison to 2019-20 was due to the fact that in the year 2019-20, a sum of ₹ 71,180.23 crore was transferred from the Sinking Fund Reserve to Non-Tax revenue without any cash receipt. After excluding this transfer, the Non-Tax Revenue was ₹ 10,525 crore during the year 2019-20. With comparison to it, Non-Tax Revenue during the year 2020-21 was ₹ 11,846 crore representing an increase of 12.55 per cent. During the year 2020-21, increase in the Non-Tax Revenue was mainly due to higher receipts in Non-Ferrous Mining and Metallurgical Industries by ₹ 932 crore (42.73 per cent), Road and Bridges by ₹ 290 crore (41.02 per cent), Power by ₹ 265 crore (25.38 per cent) and Irrigation by ₹ 150 crore (14.65 per cent).

2.4.3 Transfers from the Union Government

The two main components of transfers from the GoI are Central tax transfers, i.e., State's share in Union taxes and duties and Grants-in-aid. During the year 2020-21, transfers from GoI (Tax Devolution and Grants-in-aid) constituted 55.52 per cent of Revenue Receipts of the State, which was 1.59 per cent (₹ 2,571 crore) higher as compared to the year 2019-20.

2.4.3.1 Central Tax Transfers

Components of the State's share of the State Government in Union taxes and duties are Corporation Tax, Taxes on Income other than Corporation Tax, Service Tax, Union Excise Duties, Central Goods and Service Tax and Integrated Goods and Service Tax, etc. XIV Finance Commission (2015-20) had recommended tax devolution of 42 per cent of the divisible pool of net

proceeds of Union taxes and duties for sharing with the States, out of which State of Uttar Pradesh was given 17.959 *per cent* share. XV Finance Commission had recommended for an aggregate share of 41 *per cent* of the net proceeds of Union taxes (divisible pool) to be devolved to States in the year 2020-21, of which 17.931 *per cent* share was recommended for Uttar Pradesh. The trend of receipts under Uttar Pradesh's share in Union Taxes and Duties during the five-year period 2016-21 is given in **Table 2.5**.

Table 2.5: Central Tax Transfers during the period 2016-21

(₹ in crore)					
Head	2016-17	2017-18	2018-19	2019-20	2020-21
Central Goods and Services Tax (CGST)	-	1,718	33,757	33,434	31,611
Integrated Goods and Services Tax (IGST)	-	12,212	2,694	0	0
Corporation Tax	35,099	37,043	47,563	40,171	32,258
Taxes on Income other than Corporation Tax	24,394	31,280	35,028	31,477	33,080
Customs	15,098	12,208	9,695	7,468	5,606
Union Excise Duties	17,241	12,761	6,442	5,192	3,577
Service Tax	17,515	13,719	1,252	0	475
Other Taxes ¹⁷	81	(-)2*	335	76	80
Central Tax transfers	1,09,428	1,20,939	1,36,766	1,17,818	1,06,687
Percentage of increase over previous year	20.28	10.52	13.09	(-)13.85	(-)9.45
Percentage of Central tax transfers to total Revenue Receipts of State	42.60	43.38	41.45	32.16	36.02

Source: Finance Accounts of the respective years.

*During the year 2017-18, minus figure under the head 'Other Taxes' was due to refunds.

Table 2.5 shows that during the year 2020-21, the receipts under State's share of Union taxes and duties decreased by ₹ 11,131 crore (9.45 *per cent*) as compared to year 2019-20. State's share of Union taxes and duties constituted 36.02 *per cent* of total revenue receipts of the State Government.

2.4.3.2 Grants-in-aid from Government of India

The State Government received Grants-in-aid from GoI under sub major heads such as Grants for Centrally Sponsored Schemes (CSS), Finance Commission Grants and other transfers from GoI. During the period 2016-21, position of grants-in-aid from GoI are depicted in **Table 2.6**.

Table 2.6: Grants-in-aid from Government of India during the period 2016-21

(₹ in crore)					
Head	2016-17	2017-18	2018-19	2019-20	2020-21
Non-Plan Grants ¹⁸	9,335	-	-	-	-
Grants for State Plan Schemes ¹⁸	232	-	-	-	-

¹⁷ Include Taxes on Wealth, Other Taxes on Income and Expenditure, Other Taxes and Duties on commodities and Services.

¹⁸ There are no figures in 2017-18 onwards under this head, since the nomenclature of plan and non-plan grants was removed with effect from the year 2017-18 and replaced by Grants for CSS, Finance Commission Grants and Other Transfer/Grants to States.

Head	2016-17	2017-18	2018-19	2019-20	2020-21
Grants for Central Plan Schemes ¹⁸	56	-	-	-	-
Grants for Centrally Sponsored Plan Schemes ¹⁸	22,914	-	-	-	-
Grants for Centrally Sponsored Schemes (CSS)	-	27,731	31,250	25,824	32,342
Finance Commission Grants	-	8,849	9,318	12,965	16,023
Other Transfers/Grants to States/Union Territories with Legislature	-	4,068	2,421	5,255	9,381
Total	32,537	40,648	42,989	44,044	57,746
Percentage of increase over the previous year	2.12	24.93	5.76	2.45	31.11
Percentage of GIA to Revenue Receipts	12.67	14.58	13.03	12.02	19.50

Source: Finance Accounts of respective years

It is evident from **Table 2.6** that overall increase during the period 2016-21 under different components of Grants-in-aid from GoI was 77.48 per cent from ₹ 32,537 crore in 2016-17 to ₹ 57,746 crore in 2020-21. Further, in the year 2020-21, there was a increase of 31.11 per cent (₹ 13,702 crore) in Grants-in-aid over the previous year. The State Government received ₹ 32,342 crore under Centrally Sponsored Schemes which was 25.24 per cent higher in comparison to the year 2019-20. There was also an increase of ₹ 3,058 crore (23.59 per cent) and ₹ 4,126 crore (78.52 per cent) in Finance Commission Grants and in other transfers respectively compared to the year 2019-20.

2.4.3.3 Fourteenth/Fifteenth Finance Commission Grants

XIV FC and XV FC recommended for grants-in-aid to State Government for Local Bodies and State Disaster Response Fund. The details of amounts awarded and received during the period 2016-21 are shown in **Table 2.7**.

Table 2.7: Grants from GoI during the period 2016-21

(₹ in crore)

Particulars	Recommendation of			Grant received from GoI			Grants transferred by State Government		
	XIV-FC	XV-FC	Total	2016-17 to 2019-20	2020-21	Total	2016-17 to 2019-20	2020-21	Total
	2016-17 to 2019-20	2020-21							
Local Bodies (Basic and Performance Grants)									
(i) Grants to PRIs	31,913.97	9,752.00	41,665.97	37075.01	9,752.00	51,165.01	35,662.66	9,752.00	49,752.66
(ii) Grants to ULBs	9,265.62	4,695.00	13,960.62		4,338.00			4,338.00	
Total for Local Bodies	41,179.59	14,447.00	55,626.59	37,075.01	14,090.00	51,165.01	35,662.66	14,090.00	49,752.66
State Disaster Response Fund	3,054.00	2,578.00	5,632 ¹⁹	2,290.51	1,933.00	4,223.51	2,290.51	966.50	3,257.01
Grand Total	44,233.59	17,025.00	61,258.59	39,365.52	16,023.00	55,388.52	37,953.17	15,056.50	53,009.67

Source: Finance Accounts of respective years and XIV/XV Finance Commission Reports

¹⁹ Including State share of 25 per cent of total grant.

During the period 2016-21, against the total grants of ₹ 55,626.59 crore recommended by XIV/XV Finance Commission under grants-in-aid for Local Bodies, the State Government received ₹ 51,165.01 crore from the GoI. Out of this, the State Government released ₹ 49,752.66 crore to Urban and Rural Local Bodies during the period 2016-21. Thus, the State Government short released ₹ 1,412.35 crore, which pertains to the years 2016-17 and 2017-18. During the years 2018-19 to 2020-21, the State Government released entire amount of grants-in-aid received from GoI to Urban/Rural Local Bodies.

Further, during the period 2016-17 to 2020-21, the State Government was eligible for grants-in-aid of ₹ 4,223.50 crore from GoI for State Disaster Response Fund under sharing pattern of 75:25 ratio between Central and State shares. During the period 2016-21, the State Government received ₹ 4,223.51 crore as Central share for SDRF, out of which State Government transferred ₹ 3,257.01 crore to SDRF. Thus, there was a short transfer of ₹ 966.50 crore which pertains to the year 2020-21. In addition, the State Government also deposited its share of ₹ 1,072.34 crore in the Fund during the period 2016-21.

2.5 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, etc.) and loans and advances from GoI. Trends in growth and composition of Capital Receipts are shown in **Table 2.8**.

Table 2.8: Trends in growth and composition of capital receipts during the period 2016-21

Sources of State's Receipts	2016-17	2017-18	2018-19	2019-20	2020-21
Capital Receipts	67,944	47,653	56,908	79,450	87,994
(i) Miscellaneous Capital Receipts	0	0	0	0	0
(ii) Recovery of Loans and Advances (Non Debt Receipt)	259	236	5,313	5,641	1,135
(iii) Public Debt Receipts of which	67,685	47,417	51,595	73,809	86,859
Internal Debt	66,654	46,314	50,791	72,554	78,677
Growth rate of Internal Debt (in percentage)	(-)9.83	(-)30.52	9.67	42.85	8.44
Loans and advances from GoI	1,031	1,103	804	1,255	8,182
Growth rate of Loans and advances from GoI (in percentage)	73.57	6.98	(-)27.11	56.09	551.95*
Growth rate of debt Capital Receipts	(-)9.16	(-)29.94	8.81	43.05	17.68
Growth rate of non-debt Capital Receipts	(-)64.33	(-)8.88	2,151.27	6.17	(-)79.88
Growth rate of GSDP	13.26	9.88	11.92	6.50	1.05
Growth rate of Capital Receipts (per cent)	(-)9.70	(-)29.86	19.42	39.61	10.75

Source: Finance Accounts of respective years

*The increase in Loans and advances from GoI included back-to-back loan of ₹ 6,007 crore in lieu of GST compensation shortfall, with no repayment liability to the State.

As evident from **Table 2.8** that Capital Receipts of the State increased by ₹ 8,544 crore in the year 2020-21 representing a growth rate of 10.75 per cent in comparison to the year 2019-20.

During the year 2020-21, receipts under internal debt had increased by 8.44 per cent (₹ 6,123 crore) over the previous year. Trend of internal debt receipts fluctuated during the period 2016-21 and were highest at ₹ 78,677 crore in the year 2020-21 and lowest at ₹ 46,314 crore in the year 2017-18. Loans and advances from GoI also fluctuated during the period 2016-21 and during 2020-21, it was highest at ₹ 8,182 crore due to back-to-back loan of ₹ 6,007 crore in lieu of GST compensation shortfall with no repayment liability to the State as it is to be repaid from the collection of cess in the GST Compensation Fund.

The recovery of loans and advances showed an increasing trend during 2017-20 and downward trend in 2020-21. During the year 2020-21, it decreased by 79.88 per cent (₹ 1,135 crore) over the previous year (₹ 5,641 crore). However, higher recoveries of loans and advances during the years 2018-19 and 2019-20 was mainly on account of conversion of loan amounting to ₹ 4,891.72 crore in each year under UDAY scheme to grants-in-aid to PSUs.

2.6 State's performance in mobilisation of resources

State's performance in mobilisation of resources is assessed in terms of own tax revenue and non-tax revenue, without including State's share in Central taxes and grants-in-aid from GoI. During the year 2020-21, the realisation of State's own tax revenue was lower than the projection made by the Medium Term Fiscal Restructuring Policy (MTFRP) 2020 and XV FC by 27.78 and 21.09 per cent respectively as presented in **Table 2.9**.

Table 2.9: Tax and non-tax receipts vis-à-vis projections in the year 2020-21

Particulars	XV Finance Commission projections	Budget Estimates /MTFRP	Actual	Percentage variation of actual over	
				FC projections	Budget estimates/ MTFRP
Own tax revenue	1,51,941	1,66,021	1,19,897	(-)21.09	(-)27.78
Non-tax revenue	19,851	31,179	11,846	(-)40.33	(-)62.01

Source: XV Finance Commission Report, Budget documents 2020-21 of the State Government and Finance Accounts 2020-21

The Own tax revenue of the State in 2020-21 stood significantly lower than the projections made in the XV FC and budget estimates/MTFRP 2020. This was mainly due to less collection of SGST (₹ 20,421 crore), State Excise (₹ 7,439 crore), Stamps and Registration fees (₹ 6,722 crore) and Taxes on sales, trade, etc. (₹ 6,160 crore) as compared to MTFRP 2020 projections. Non-tax revenue witnessed less receipts as compared to the budget estimates/MTFRP 2020 projections mainly under Miscellaneous General Services (₹ 12,013 crore), Power (₹ 2,228 crore), Interest receipts (₹ 984 crore), Major Irrigation (₹ 592 crore), etc. In MTFRP 2021, the State Government has attributed the lower receipts of own tax revenue during the year 2020-21 to revenue affected by the lockdown due to COVID-19 pandemic.

2.7 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. This paragraph along with sub-paragraphs analyses allocation of expenditure in the State.

2.7.1 Growth and composition of expenditure

Expenditure relating to Revenue heads, Capital Outlay and Loans and Advances constitutes total expenditure of the State Government. During the period 2016-21, total expenditure of the State increased by 12.39 *per cent* from ₹ 3,13,122 crore in 2016-17 to ₹ 3,51,933 crore in 2020-21. The increase was mainly due to increase in revenue expenditure (₹ 61,951 crore), which was counterbalanced by less expenditure under Capital outlay (₹ 17,552 crore) and disbursement of Loan and Advances (₹ 5,588 crore). During the period 2016-21, revenue expenditure stood at an average of 82.31 *per cent* of the total expenditure and capital expenditure including disbursement of loan and advances was 17.69 *per cent*. During the year 2020-21, of the total expenditure, Revenue Expenditure was 84.83 *per cent* and Capital Expenditure including loans and advances was 15.17 *per cent*. Thus, Revenue expenditure had a predominant share in total expenditure.

Total expenditure and its composition under revenue, capital and loan and advances during the period 2016-21 have been summarised in **Table 2.10** and also depicted in the **Chart 2.6**.

Table 2.10: Total expenditure and its composition during the period 2016-21

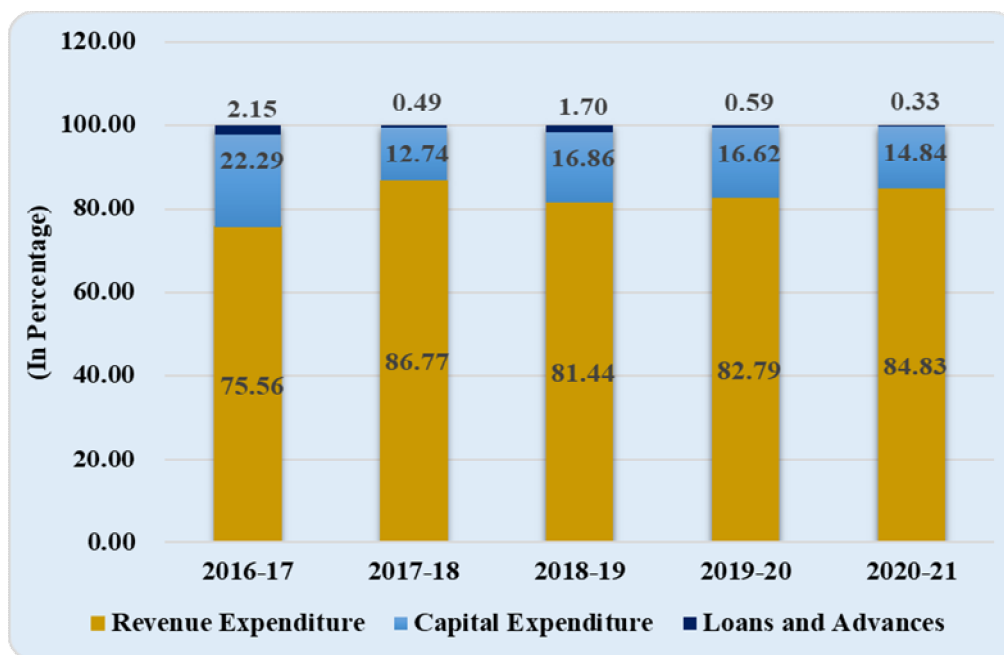
(₹ in crore)

Parameters	2016-17	2017-18	2018-19	2019-20	2020-21
Total Expenditure (TE)	3,13,122	3,06,821	3,70,494	3,60,951	3,51,933
Revenue Expenditure (RE)	2,36,592	2,66,224	3,01,728	2,98,833	2,98,543
Capital Expenditure (CE)²⁰	69,789	39,088	62,463	59,998	52,237
Capital Expenditure (without UDAY)	66,089	39,088	62,463	59,998	52,237
Loans and Advances	6,741	1,509	6,303	2,120	1,153
As a percentage of GSDP					
TE/GSDP	24.30	21.67	23.38	21.39	20.63
RE/GSDP	18.36	18.80	19.04	17.71	17.50
CE/GSDP	5.42	2.76	3.94	3.55	3.06
Loans and Advances/GSDP	0.52	0.11	0.40	0.13	0.07

Source: Finance Accounts of respective years

²⁰ Capital expenditure during the year 2016-17 included capital expenditure under UDAY to the tune of ₹ 3,700 crore. During the year 2017-18, UP Government made substantial budget provision of ₹ 36,000 crore for farm loan waiver schemes for small/marginal farmers. As a result, the capital expenditure was reduced during the year 2017-18 with compared to 2016-17.

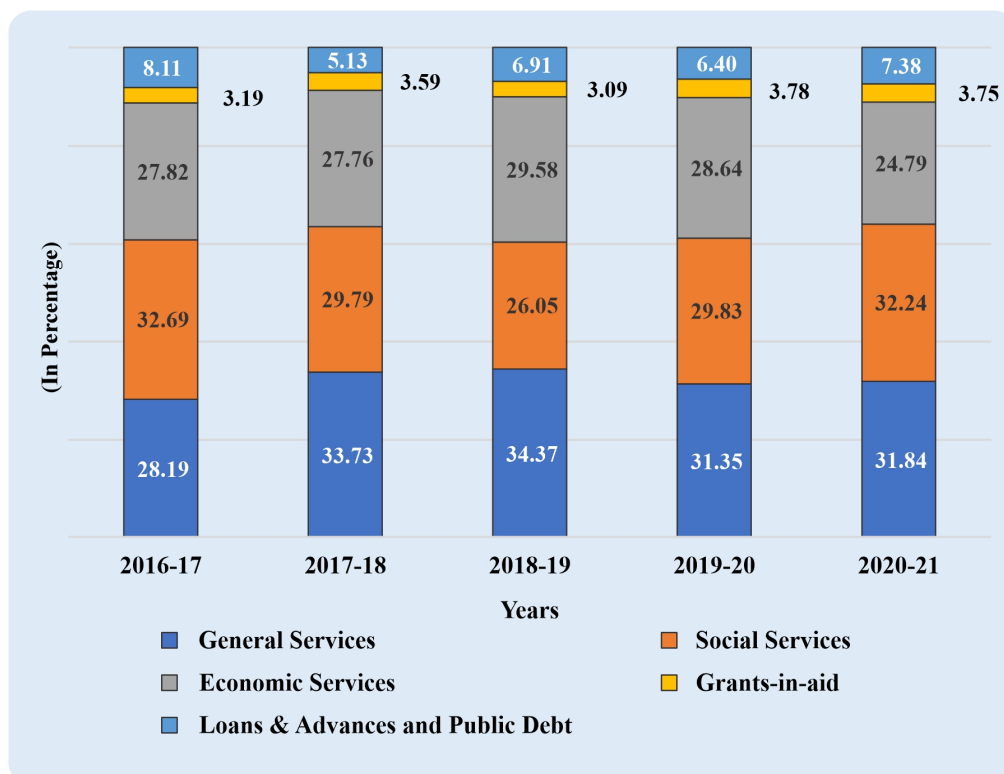
Chart 2.6: Trends in components wise expenditure during the period 2016-21



Source: Finance Accounts of respective years

The expenditure under Consolidated Fund are grouped into sectors according to specific functions or services, such as ‘General Services’, ‘Social Services’, ‘Economic Services’, ‘Grants-in-Aid and contributions’, ‘Public Debt’ and ‘Loans and Advances’. The trends of category wise expenditure from Consolidated Fund of the State under General Services, Social Services, Economic Services, Loans and Advances and Grants-in-aid are presented in Chart 2.7.

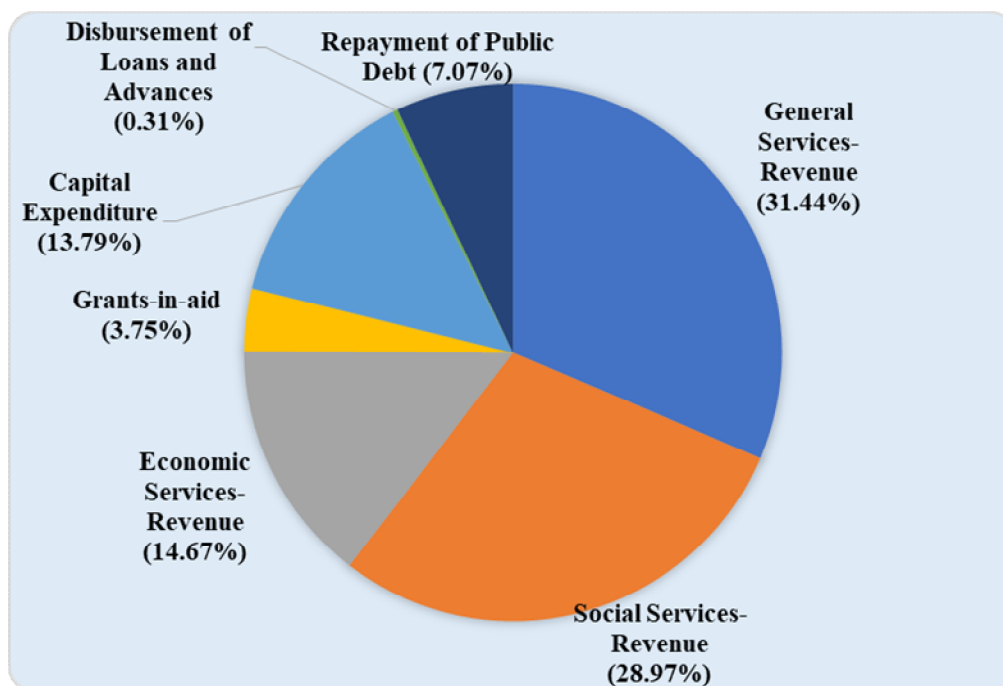
Chart 2.7: Percentage of sector wise expenditure during the period 2016-21



Source: Finance Accounts of respective years

The component wise expenditure under Consolidated Fund of the State during 2020-21 is depicted in **Chart 2.8**.

Chart 2.8: Component wise expenditure during the year 2020-21

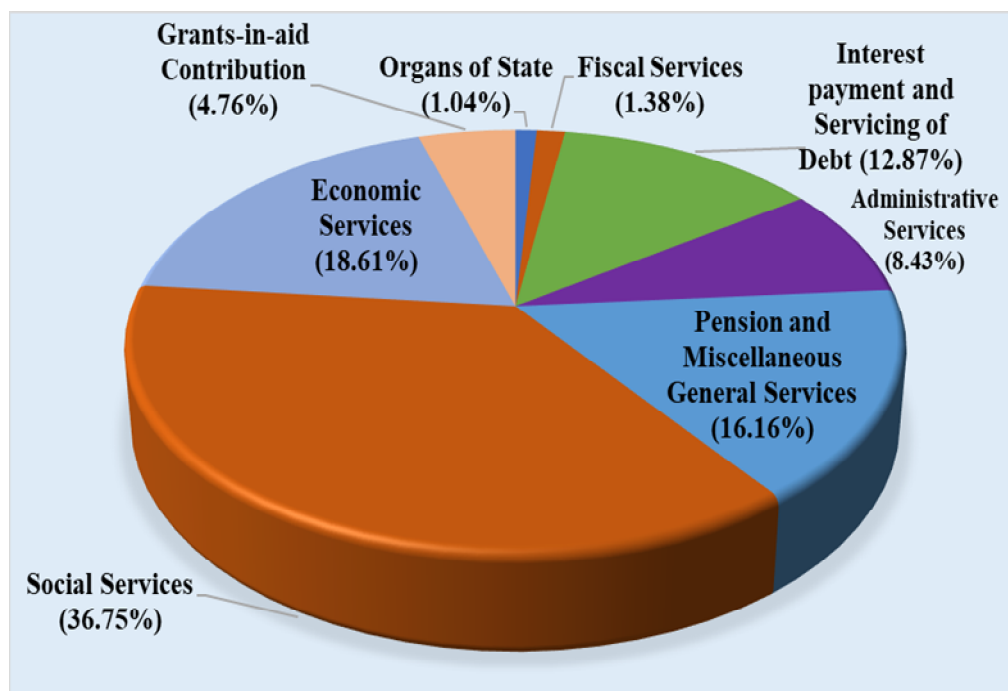


Source: Finance Accounts 2020-21

Chart 2.8 presents that during the year 2020-21, the revenue expenditure under General Services was highest at 31.44 *per cent* of total expenditure which includes expenditure on Organs of State, Fiscal Services, Interest Payment, Administrative Services and Pensions. The revenue expenditure on Social Services was 28.97 *per cent* of the total expenditure which includes expenditure on Education, Sports, Art and Culture, Health and Family Welfare, Social Welfare and Nutrition, Water Supply and Sanitation, Urban Development, etc. The revenue expenditure on Economic Services was 14.67 *per cent* which includes expenditure on Agriculture and allied services, Rural Development, Irrigation and Flood Control, Energy, Industry and Minerals, Transport, etc. The Capital expenditure (excluding debt servicing) was 13.79 *per cent* of the total expenditure.

Component of General Services and Social as well Economic Service wise revenue expenditure during year 2020-21 is presented in **Chart 2.9**.

Chart 2.9: Sector-wise distribution of revenue expenditure during year 2020-21



Source: Finance Accounts 2020-21

2.7.2 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. Revenue expenditure comprises wages and salaries, interest payments, pensions, expenditure on operation and maintenance of capital works, subsidies and transfers to local bodies, co-operatives, non-government organisations (NGOs) and others. Basic parameters of Revenue Expenditure are given in **Table 2.11**.

Table 2.11: Basic parameters of Revenue Expenditure during the period 2016-21

(₹ in crore)

Parameters	2016-17	2017-18	2018-19	2019-20	2020-21
Total Expenditure (TE)	3,13,122	3,06,821	3,70,494	3,60,951	3,51,933
Revenue Expenditure (RE)	2,36,592	2,66,224	3,01,728	2,98,833	2,98,543
Rate of Growth of RE (per cent)	11.21	12.52	13.34	(-)0.96	(-)0.10
Revenue Expenditure as percentage of TE	75.56	86.77	81.44	82.79	84.83
RE/GSDP (per cent)	18.36	18.80	19.04	17.71	17.50
RE as percentage of RR	92.10	95.50	91.44	81.56	100.80
Buoyancy of Revenue Expenditure with					
GSDP (ratio)	0.85	1.27	1.12	(-)0.15	(-)0.10
Revenue Receipts (ratio)	0.85	1.47	0.73	(-)0.09	0.01

Source: Finance Accounts of respective years

Revenue expenditure continued to be the dominant component of the total expenditure and its share increased from 75.56 per cent in the year 2016-17 to 84.83 per cent in the year 2020-21. The rate of growth of revenue expenditure fluctuated widely between (-) 0.10 per cent in the year 2020-21 to a high of 13.34 per cent in the year 2018-19. The decreases in the revenue expenditure during the year 2020-21 were mainly on Pension and other Retirement

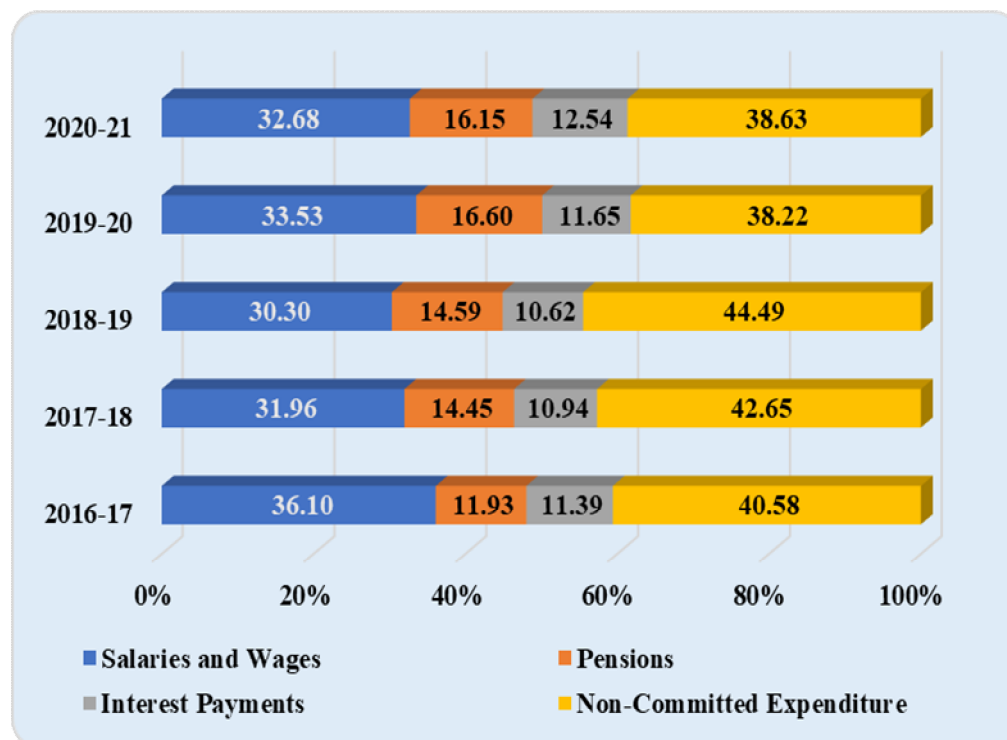
benefits (₹ 1,384.09 crore) under General Services, General Education (₹ 862.62 crore), Welfare of Scheduled Caste, Scheduled Tribes and Other Backward Classes (₹ 1,353.83 crore) under Social Services, Power (₹ 8,499.84 crore) and Other Rural Development Programme (₹ 1,842.92 crore) under the Economic Services, the less expenditure was counterbalanced by increased expenditure mainly under Interest payment (₹ 2,615.46 crore) under General Services, Urban Development (₹ 6,116.56 crore) under Social Services and Roads and Bridges (₹ 4343.85 crore) under Economic Services.

Revenue expenditure as a percentage of GSDP showed a fluctuating trend during the period 2016-21. It was highest (19.04 *per cent*) in the year 2018-19 and lowest (17.50 *per cent*) in the year 2020-21. Revenue Expenditure buoyancy with GSDP measures the percentage change in the revenue expenditure to the percentage change in GSDP. As can be seen from **Table 2.11**, revenue expenditure buoyancy was negative during the years 2019-20 and 2020-21 due to contraction in revenue expenditure as compared to previous year.

2.7.3 Committed and Non-Committed Expenditure

Expenditure of the State Government on revenue account can be classified into committed and non-committed expenditure. The committed expenditure of the State Government on revenue account mainly consists of expenditure on salaries and wages, pension payments and interest payments on which the present executive has limited control. Expenditure other than committed expenditure can be classified into non-committed expenditure. Trend of share of committed and non-committed expenditure during the period 2016-21 is depicted in **Chart 2.10**.

Chart 2.10: Share of committed and non-committed expenditure in Revenue Expenditure



Source: Finance Accounts of respective years

2.7.4 Committed Expenditure

Component-wise Committed Expenditure during the period 2016-21 is given in the **Table 2.12**.

Table 2.12: Component-wise expenditure on Committed Expenditure during the period 2016-21

(₹ in crore)					
Components of Committed Expenditure	2016-17	2017-18	2018-19	2019-20	2020-21
Salaries	85,416	85,076	91,413	1,00,188	97,576
(i) Salary	37,547	43,490	50,471	53,508	50,333
(ii) Wages	824	921	1,062	1,357	2,363
(iii) Grants-in-aid (Salary)	47,045	40,665	39,880	45,323	44,880
Pensions	28,227	38,476	44,024	49,603	48,219
Interest Payments	26,936	29,136	32,042	34,813	37,428
Total	1,40,579	1,52,688	1,67,479	1,84,604	1,83,223
As a percentage of Revenue Receipts (RR)					
<i>Salaries</i>	33.25	30.52	27.70	27.34	32.95
<i>Pensions</i>	10.99	13.80	13.34	13.54	16.28
<i>Interest Payments</i>	10.49	10.45	9.71	9.50	12.64
Total	54.73	54.77	50.75	50.38	61.87
As a percentage of Revenue Expenditure (RE)					
<i>Salaries</i>	36.10	31.96	30.30	33.53	32.68
<i>Pensions</i>	11.93	14.45	14.59	16.60	16.15
<i>Interest Payments</i>	11.39	10.94	10.62	11.65	12.54
Total	59.42	57.35	55.51	61.78	61.37

Source: Finance Accounts of respective years

The committed expenditure affects the State in prioritising expenditure and in meeting capital investments to meet growing needs of social and economic infrastructure. The high proportion of committed expenditure to revenue receipts and revenue expenditure indicates that the State has limited flexibility in allocation of its resources for new schemes. **Table 2.12** shows that committed expenditure has increasing trend during the period 2016-20 but it is decreased by 0.75 per cent (₹ 1,381 crore) in the year 2020-21 over the year 2019-20. The component-wise details of committed expenditure are discussed below.

2.7.4.1 Expenditure on Salaries

There were 12,76,375 sanctioned post in State Government on 31 March 2020. During the year 2020-21, expenditure on salaries with respect to the employees of the State Government was ₹ 50,333 crore. This was 16.99 per cent of the Revenue Receipts (₹ 2,96,176 crore) and 16.86 per cent of the Revenue Expenditure (₹ 2,98,543 crore). However, taking into account the expenditure under the object heads 'Subsidiary Grant-General (Salary)',

‘Arrear of revised salary (State Aid)’²¹ and ‘Wages’ amounting to ₹ 44,844 crore, ₹ 36 crore and ₹ 2,363 crore respectively, total expenditure on salary was ₹ 97,576 crore representing 32.95 *per cent* of Revenue Receipts and 32.68 *per cent* of Revenue Expenditure.

The total expenditure on salary has decreased by 2.61 *per cent* (₹ 2,612 crore) over the previous year 2019-20 mainly due to less disbursement of arrears of salary (₹ 5,647 crore) which was counterbalanced by higher disbursements on account of pay, dearness allowance, non-practicing allowance, etc.

2.7.4.2 Interest payments

The interest payments by the State Government on internal debt, small savings, provident funds, loans and advances from Central Government, etc., are accounted under Major Head 2049-Interest Payments. During the period 2016-21, expenditure on account of payment of interest increased from ₹ 26,936 crore to ₹ 37,428 crore with compound annual growth rate of 8.57 *per cent*. As compared to 2019-20, interest payments increased by 7.51 *per cent* in 2020-21 mainly due to increased interest payment on market loans (by ₹ 3,625 crore).

Further the State Government paid interest of ₹ 11.35 crore under the head ‘2071-01-117-09-payment of interest on late depositing subscriber contribution’ under Defined Contribution Pension Scheme (DCPS). Besides, expenditure of ₹ 150.81 crore was incurred under the head ‘2071-01-117-08-interest on due residual employer contribution up to 31.03.2019/late deposited employer contribution’. As per the List of Major and Minor Heads of Account of Union and States (LMMH), interest on DCPS is required to be booked under the head 2049-03-117. Budgeting and payment of interest on DCPS under Major Head 2071 was in violation of LMMH, besides it understated interest expenditure under Major Head 2049.

In addition, State Government had provided financial assistance (Grants-in-aid) of ₹ 536.27 crore to State PSUs during the year 2020-21 for the payment of interest on servicing of extra-budget borrowings taken by PSUs as discussed in **Paragraph 4.2**.

2.7.4.3 Pension payments

There were 11.32 lakh pensioners in the State as of 31 March 2021. During the period 2016-21, yearly expenditure on account of pension payment ranged between ₹ 28,227 crore and ₹ 49,603 crore. In the year 2020-21, expenditure on pension was ₹ 48,219 crore, which was 2.79 *per cent* lower than the previous year (₹ 49,603 crore). The decreases were mainly under the heads ‘pension to employees of state aided educational institutions’ (₹ 1,021.06 crore), ‘superannuation and retirement allowances’ (₹ 533.55 crore) ‘commuted value of pensions’ (₹ 323.65 crore), ‘family pensions’ (₹ 242.67 crore), ‘gratuities’ (₹ 222.97 crore) though there was more expenditure under ‘Government contribution for Defined Contribution Pension Scheme’ (₹ 1,653.32 crore) as compared to previous year 2019-20. Expenditure on pension in the year 2020-21 accounted for 16.28 *per cent* of the total revenue receipts and 16.15 *per cent* of the total revenue expenditure.

²¹ Related to the employees of Primary Education, Secondary Education, Aided Institutes, Autonomous Bodies, etc.

2.7.4.4 Subsidies

State Government provides subsidy under various schemes implemented by Agriculture and Other Allied Departments, Industries Department, Power Department, Science and Technology Department and Social Welfare Department, which is detailed in Appendix II of Finance Accounts. The details of subsidies provided during the period 2016-21 are given in **Table 2.13**.

Table 2.13: Expenditure on subsidies during the period 2016-21

Particular	2016-17	2017-18	2018-19	2019-20	2020-21
Subsidies (₹ in crore)	8,045	9,284	14,053	14,092	11,677
<i>Subsidies as a percentage of Revenue Receipts</i>	3.13	3.33	4.26	3.85	3.94
<i>Subsidies as a percentage of Revenue Expenditure</i>	3.40	3.49	4.66	4.72	3.91

Source: Finance Accounts of respective years

Expenditure on subsidy increased from ₹ 8,045 crore in the year 2016-17 to ₹ 11,677 crore in the year 2020-21. During the year 2020-21, subsidy of ₹ 11,677 crore was 3.94 per cent and 3.91 per cent of revenue receipts and revenue expenditure respectively. It also includes central assistance of ₹ 2,032.05 crore for subsidy under Centrally Sponsored Schemes. The overall decrease (₹ 2,415.41 crore) during the year 2020-21 as compared to previous year 2019-20 was mainly due to less subsidies under 'Revenue compensatory grant against amount paid on electricity tax to Uttar Pradesh Power Corporation Limited (₹ 1,880 crore)', 'Subsidiary Grant to UP Power Corporation Limited (₹ 1,010 crore)' and 'Implementation of Infrastructure and Industrial Investment Policy, 2012 (₹ 323.45 crore)', which was counterbalanced by increased subsidies under 'National Crop Insurance Programme (₹ 197.01 crore)' 'Swarn Jayanti Gram Swarajgar Yojana (₹ 142.35 crore)', Grants for providing Agriculture Loan at low interest rate through Primary Cooperative Agricultural Loan Committee (₹ 133.97 crore).

The departments with major portion of subsidy during the year 2020-21 are given in **Table 2.14**.

Table 2.14: Departments with major portion of subsidy during 2020-21

Grant No	Name of the Recipient Department	Amount of Subsidy (₹ in crore)	Percentage of total Subsidy	Main Purpose
09	Power	6,057.35	51.87	Compensatory grant to UP Power Corporation Ltd. (₹ 4,817.35 crore) and Revenue Compensatory Grant against amount paid for electric tax to UPPCL (₹ 1,240 crore).
83	Social Welfare	966.71	8.28	Special component Plan for Scheduled Caste (₹ 717.13 crore) and Schedule Tribes (₹ 249.58 crore)
11	Agriculture	2,365.97	20.26	On account of grant to UP Power Corporation Ltd for electricity supply to private tube-wells of farmers for improvement in agriculture production (₹ 1,200 crore) and National Crop Insurance Programme (₹ 610 crore).

Source: Finance Accounts 2020-21

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

Financial assistance is provided by the State Government to Local Bodies and other institutions by way of grants and loans. The quantum of assistance provided by way of grants to local bodies and other institutions during the period 2016-21 is presented in **Table 2.15**.

Table 2.15: Financial Assistance to Local Bodies and other institutions during 2016-21
(₹ in crore)

Financial Assistance to Institutions	2016-17	2017-18	2018-19	2019-20	2020-21
(A) Panchayati Raj Institution (Zila Parishads and Gram Panchayats)	7,572.31	10,096.44	16,209.80	12,517.71	10,412.00
(B) Urban Local Bodies (Municipal Corporations and Municipalities)	1,002.05	1,208.46	3,081.35	9,059.97	15,115.15
Total (A+B)	8,574.36	11,304.90	19,291.15	21,577.68	25,527.15
(C) Public Sector Undertakings (Government Companies and Statutory Corporations)	8,440.26	133.41	7,053.03	8,940.17	7,018.39
(D) Autonomous Bodies (Universities, Development Authorities, Cooperative Institutions & Others)	2,295.33	5,405.83	6,436.96	37,393.78	35,251.87
(E) Non-Government Organisations	30,260.69	26,038.26	181.61	7,140.75	7,040.51
(F) Miscellaneous	32,806.92	49,338.56	58,801.38	18,282.08	24,050.46
Total (C+D+ E+ F)	73,803.20	80,916.06	72,472.98	71,756.78	73,361.23
Grand Total (A+B + C+D+ E+ F)	82,377.56	92,220.96	91,764.13	93,334.46	98,888.38
Revenue Expenditure	2,36,592	2,66,224	3,01,728	2,98,833	2,98,543
<i>Assistance as percentage of Revenue Expenditure</i>	<i>34.82</i>	<i>34.64</i>	<i>30.41</i>	<i>31.23</i>	<i>33.12</i>

Source: Finance Accounts of respective years

Financial assistance of ₹ 98,888.38 crore was provided by the State Government to Local bodies and other grantee institutions by way of grants-in-aid during the year 2020-21, which was 5.95 per cent (₹ 5,553.92 crore) higher as compared to the year 2019-20. It increased by ₹ 16,510.82 crore (20.04 per cent) during the year 2020-21 as compared to the year 2016-17. However, as a percentage of revenue expenditure it decreased from 34.82 per cent in the year 2016-17 to 33.12 per cent in the year 2020-21.

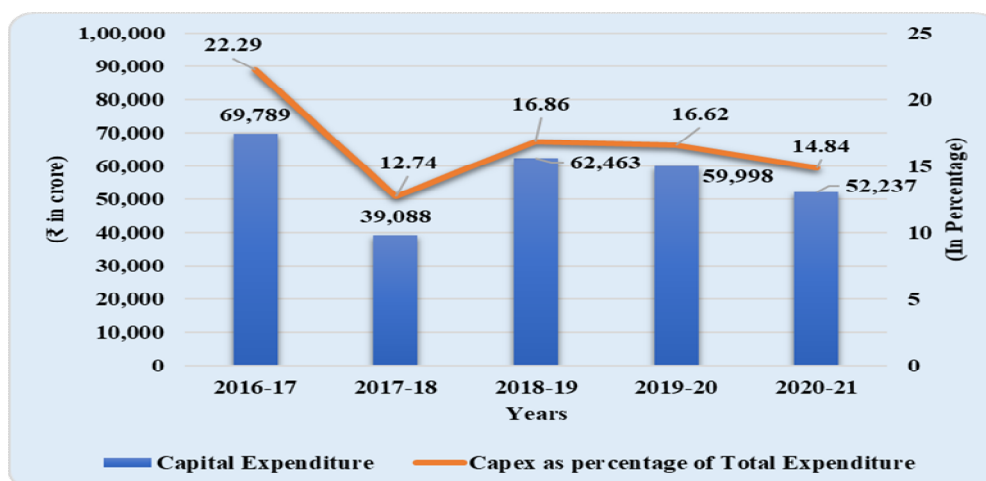
The assistance to PRIs increased from ₹ 7,572.31 crore in the year 2016-17 to ₹ 10,412.00 crore in the year 2020-21. However, as compared to the year 2019-20, it decreased by 16.82 per cent (₹ 2,105.71 crore) during the year 2020-21. Grants-in-aid released to PRIs by the State Government during the year 2020-21 was mainly transfers of grants-in-aid received from GoI under XV FC grants for Rural Local Bodies (₹ 9,752 crore) and Central assistance for Centrally Sponsored Schemes (₹ 660 crore). The grants-in-aid released to PRIs under Centrally Sponsored Schemes decreased by ₹ 2,072.44 crore during the year 2020-21 as compared to the year 2019-20 mainly due to lower grants-in-aid under Swachh Bharat Mission (Rural).

Financial assistance to Urban Local Bodies increased from ₹ 1,002.05 crore in 2016-17 to ₹ 15,115.15 crore in 2020-21. During the year 2020-21, it increased by ₹ 6,055.18 crore (66.83 per cent) as compared to grants-in-aid released during the year 2019-20. The increases were mainly due to grants-in-aid of ₹ 6,075.12 crore under PM Awas Yojna (under Normal and Scheduled Caste Sub Plan) and ₹ 1,380.63 crore under Smart City Mission Programme. The assistance to ULBs included ₹ 10,840.64 crore towards creation of capital assets.

2.7.5 Capital Expenditure

Capital expenditure (capex) is primarily expenditure on creation of fixed infrastructure assets such as roads, buildings, etc. The State Government needs to initiate measures to earn adequate return on its investments, recover cost of borrowed funds and take requisite steps to infuse transparency in financial operations. Capital expenditure and its percentage to total expenditure during the period 2016-21 is presented in the **Chart 2.11**.

Chart 2.11: Capital expenditure in the State during the period 2016-21



Source: Finance Accounts of respective years

As evident from **Chart 2.11**, the capital expenditure as a percentage of total expenditure ranged between 12.74 per cent and 22.29 per cent during the period 2016-21. Some of the Major Heads where Capital expenditure was significantly high during the year 2020-21 are depicted in **Table 2.16**.

Table 2.16 : Major Head wise capital expenditure during the year 2020-21

Sl.No.	Major Head and its Nomenclature	Major Activity/Scheme	Amount (₹ in crore)
1	5054-Capital Outlay on Roads and Bridges	Ganga Expressway (₹ 1,635 crore), transfer to State Road Fund (₹ 1,500 crore), Purvanchal Expressway (₹ 1,319 crore), construction of rural roads (₹ 1,244 crore) and Railway overhead bridges (₹ 880 crore)	18,021
2	4801-Capital Outlay on Power Projects	Share capital to U.P. Power Transmission Corporation for Transmission work (₹ 1,423 crore) and for Distribution activities (₹ 4,932 crore), and investment in Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited (₹ 1,345 crore)	10,570

Sl.No.	Major Head and its Nomenclature	Major Activity/Scheme	Amount (₹ in crore)
3	4515-Capital Outlay on other Rural Development Programmes	National Rural Employment Guarantee Programme (₹ 4,958 crore)	5,164
4	4216-Capital Outlay on Housing	Rural Housing - Special Component Plan Schedule Castes (₹ 2,247 crore) and PM Awas Yojna-Rural (₹ 1,597 crore)	4,360
5	4700-Capital Outlay on Major Irrigation	Saryu canal project (₹ 1,114 crore) and Middle Ganaga canal project (₹ 767 crore)	3,142
6	4215- Capital Outlay on Water Supply and Sanitation	National Rural Drinking Water Programme (₹ 1,956 crore)	2,473
7	4210-Capital Outlay on Medical and Public Health	Medical Education, Training and Research (₹ 1,399 crore)	1,813

Source: Finance Accounts 2020-21

During the year 2020-21, capital expenditure was ₹ 52,237 crore against the capital expenditure of ₹ 59,998 crore in the year 2019-20. The decrease of ₹ 7,761 crore (12.94 per cent) during the year 2020-21 in comparison with the year 2019-20 was mainly in General Services Sector by ₹ 972.20 crore (38.96 per cent) and Economic Services Sector by ₹ 8,660.32 crore (18.43 per cent) counterbalanced by increase in capital expenditure of ₹ 1,871.59 crore (17.80 per cent) in Social Services Sector.

2.7.5.1 Major changes in Capital Expenditure

The details of major changes in the Capital Expenditure under various Major Heads for the year 2020-21 as compared to 2019-20 are given in **Table 2.17**.

Table 2.17: Major changes in Capital Expenditure during the year 2020-21 under various Major Heads

Major Heads of Accounts	(₹ in crore)		
	2019-20	2020-21	Increase (+)/ Decrease (-)
5054-Capital Outlay on Roads and Bridges	21,376.18	18,020.63	(-)15.70
5053-Capital Outlay on Civil Aviation	1,328.79	528.26	(-)60.25
4408-Capital Outlay on Food Storage and Warehousing	3,890.04	(-)2,539.95	(-)165.29
4801-Capital Outlay on Power Projects	8,248.83	10,570.01	28.14
4216-Capital Outlay on Housing	2,111.56	4,359.78	106.47
4515-Capital Outlay on other Rural Development Programmes	3,706.35	5,163.71	39.32

Source: Finance Accounts of respective years

The main reason for increase/decrease under Major Heads is given below:

Major Head 5054 (Capital Outlay on Roads and Bridges): Expenditure decreased during the year 2020-21, on road works, viz., Agra to Lucknow Expressway project (by ₹ 100 crore), State Highways (by ₹ 594.92 crore), Purvanchal Expressway (₹ 1,480.02 crore) and Bundelkhand Expressway (by ₹ 1,235 crore). However, there was increase in expenditure on Ganga Expressway Project- Prayagraj to Meerut (by ₹ 1,628.33 crore) and for development of industrial corridor on both sides of Gorakhpur Link Expressway (by ₹ 200 crore).

Major Head 5053 (Capital Outlay on Civil Aviation): Decrease in expenditure was mainly due to refunds of ₹ 1,200.02 crore under the head. However, more expenditure incurred on establishment of International Airport

at Jewar in Gautam Buddha Nagar (by ₹ 273.35 crore) and Airport in Ayodhya (by ₹ 149.94 crore).

Major Head 4408 (Capital outlay on Food Storage and Warehousing): Decrease was mainly due to recovery of ₹ 8,106.21 crore against expenditure of ₹ 5,486.43 crore in Food Grains Supply Scheme under the head 4408-01-101-03, which resulted in net expenditure of (-) ₹ 2,619.78 crore during the year 2020-21 as against net expenditure of ₹ 3,889.48 crore during the year 2019-20.

Major Head 4801 (Capital Outlay on Power Projects): Increase was mainly due to investment in Public Sector and other undertaking (by ₹ 3,816.29 crore), viz., share capital for work under Integrated Power Development Scheme (by ₹ 143.68 crore), share capital to UPPCL for various works, i.e., transmission strengthening of distribution network, etc. (by ₹ 3,672.61 crore). However, there was less (₹ 1,550.05 crore) investment during the year 2020-21 in Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited as compared to the previous year.

Major Head 4216 (Capital Outlay on Housing): Increases were mainly due to increase in expenditure on Centrally Sponsored Schemes under urban and rural housing sector (by ₹ 2,380.43 crore) and Prime Minister Awas Yojana (by ₹ 51.14 crore). However, there was less expenditure of ₹ 120.57 crore under C.M. Housing Scheme (Rural).

Major Head 4515 (Capital Outlay on other Rural Development Programmes): Increase was mainly due to increase of ₹ 2,697.55 crore in expenditure under National Rural Employment Guarantee Scheme.

2.7.5.2 Quality of capital expenditure

This section presents an analysis of quality of capital expenditure by the State Government.

Quality of investments in PSUs

Capital expenditure, investments made and loan given to PSUs which are loss making or where net worth is completely eroded is not sustainable and affected the quality of capital expenditure. Return on investment in share capital invested in PSUs is an important determinant of quality of capital expenditure. Issues related to quality of investments in PSUs, viz., budgetary support to PSUs, return on equity, return on capital employed, erosion of net worth, etc., have been discussed in detail under various paragraphs in **Chapter V** of the Report.

Capital blocked in incomplete projects

Appendix IX of the Finance Accounts presents the overall status of incomplete works. The Appendix includes the list of incomplete works in Public Works Department and Irrigation Department of U.P. Government, though the list is not inclusive of all the incomplete works of the State Government of other Departments. 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. As per the Appendix IX, the status of Department-wise incomplete works and capital blocked therein as of 31 March 2021 are given in **Table 2.18**.

Table 2.18: Department-wise incomplete projects as on 31 March 2021

(₹ in crore)

Department	No. of incomplete projects	Expenditure
Public Works	572	5,789.98
Irrigation	15	3,415.27
Total	587	9,205.25

Source: Finance Accounts 2020-21

From **Table 2.18**, it could be seen that in two major Departments (PWD and Irrigation) of the State Government, 587 projects (572 projects in PWD and 15 projects in Irrigation) were incomplete. Thus, expenditure of ₹ 9,205.25 crore, which had been incurred on these 587 projects as on 31 March 2021, did not yield any return in terms of amenities to the people of the State and as an aid towards the economic growth of the State.

2.7.5.3 Implementation of Ujwal DISCOM Assurance Yojana (UDAY)

The Ministry of Power, Government of India (GoI) had launched (November 2015) the Ujwal DISCOM Assurance Yojana (UDAY) Scheme for the financial turnaround of State owned Power Distribution Companies (DISCOMs) which were reeling under severe financial stress.

With an objective to improve the operational and financial efficiency of the State DISCOMs, a tripartite Memorandum of Undertaking (MoU) was executed between Ministry of Power (GoI), Government of Uttar Pradesh and UP Power Corporation Limited, for and on behalf of UP DISCOMs. This scheme provides State Governments to take over 75 per cent of DISCOM's outstanding debt as on 30 September 2015 over a period of two years (50 per cent in 2015-16 and 25 per cent in FY 2016-17). Accordingly, outstanding debt of the DISCOMs amounting to ₹ 44,403 crore²² was taken over by the State Government in the form of equity, loan and grant/subsidy. The debt taken over by the State Government were transferred to DISCOMs as a mix of grant, loan and equity, as detailed in **Table 2.19**.

Table 2.19: Status of Equity/Loan/ Subsidy under UDAY as of 31 March 2021

(₹ in crore)

Year	Equity Investment	Loan	Grant	Total
2015-16	11,353 ²³	6,083	12,166	29,602
2016-17	3,700	3,700	7,401	14,801
Total	15,053	9,783	19,567	44,403

Source: Finance Accounts of respective years

Further, as per MoU, the State Government shall takeover future losses, if any, of the DISCOMs in a graded manner as follows:

Year	2017-18	2018-19	2019-20	2020-21
Loss to be taken over by State	5% of loss of 2016-17	10% of loss of 2017-18	25% of loss of 2018-19	50% of loss of previous year

²² The effective outstanding debt of DISCOMs as on 30 September 2015 was ₹ 59,205 crore, which consisted of outstanding debt of ₹ 53,935 crore as on 30 September 2015 and bond of ₹ 5,270 crore issued under Financial Restructuring Plan 2012 issued by the State Government during 2015-16 (before 30 September 2015).

²³ ₹ 5,270 crore issued under Financial Restructuring Plan 2012 issued by the State Government during 2015-16 (before 30 September 2015).

During the year 2020-21, the State Government took over the losses of ₹ 2,200 crore in power distribution companies under UDAY Scheme as per the MoU.

2.7.5.4 Resource availability of the State under Public Private Partnership Projects

Public Private Partnership (PPP) is an arrangement between the government or statutory entity and a private sector entity, to provide a framework that enables them to work together to meet the rising demand of the public for infrastructure development.

As per information furnished (October 2021) by Pradeshiya Industrial & Investment Corporation of UP Ltd. (PICUP), a government financial institution, the sector/department-wise detail of projects under PPP mode are given in *Appendix-2.3* and summarised in **Table 2.20**.

Table 2.20: Sector/department-wise details of PPP projects up-to 2020-21

(₹ in crore)

Sl. No.	Sector/Department	Completed/ongoing	
		No.	Estimated Cost
1.	Energy	18	68,910.03
2.	Civil Aviation	1	29,561.00
3.	Industrial Development	1	13,782.00
4.	Transport	2	3,869.00
5.	Medical & Health	10	2,541.28
6.	Public Works	3	2,319.84
7.	Information Technology	1	1,500.00
8.	Urban Development	22	367.55
9.	Housing and Urban Planning	1	360.00
10.	Tourism	2	123.36
	Total	61	1,23,334.06

Source: Information provided by PICUP

2.7.6 Expenditure priorities

Low fiscal priority (ratio of expenditure under a category to aggregate expenditure) is stated to be 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. Expenditure priority of the State is presented in **Table 2.21**.

Table 2.21: Expenditure priority of the State with regards to Health, Education and Capital expenditure

(In percentage)

Particulars	Health/AE	Education/AE	CE/AE
All India Average of General Category States ²⁴ (2016-17)	5.49	14.93	19.77
Uttar Pradesh	5.15	17.39	22.78
All India Average of General Category States (2020-21)	6.74	15.00	13.03
Uttar Pradesh	6.14	15.53	14.89

(AE – Aggregate Expenditure, CE- Capital Expenditure)

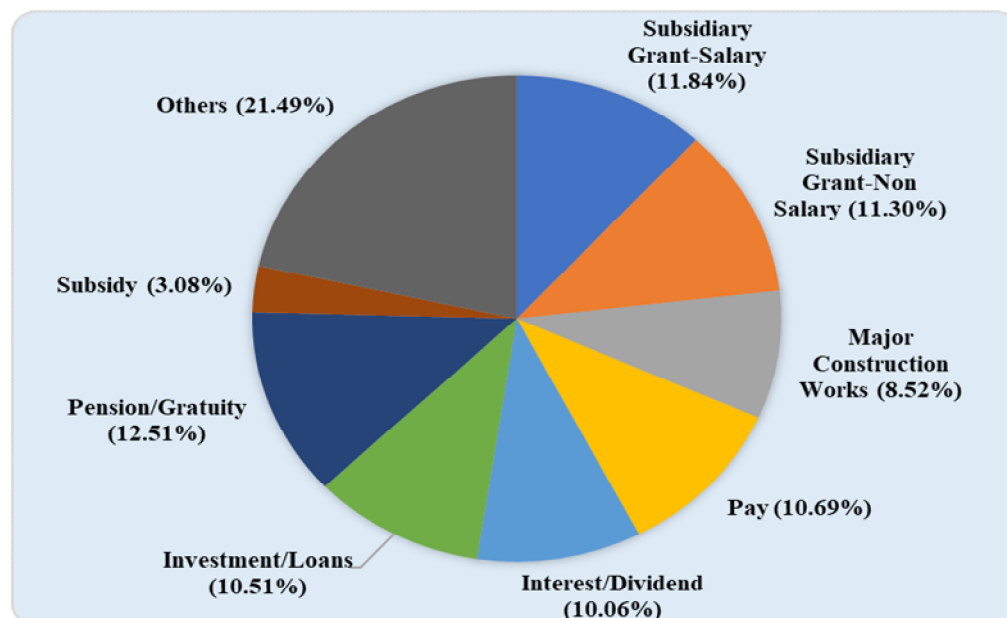
²⁴ States other than North Eastern (NE) and Himalayan States

It is evident from **Table 2.21** that though the percentage of State's capital expenditure as well as expenditure on Education to Aggregate Expenditure declined in the year 2020-21 as compared to the year 2016-17 but it was higher than All India average of General Category States during the year 2020-21. Further, the percentage of expenditure on health to Aggregate Expenditure has improved in the year 2020-21 as compared to the year 2016-17. However, it was lower than all India average of General Category States during the year 2020-21.

2.7.7 Object head wise expenditure

Object Heads are the primary units of appropriation showing the economic nature of expenditure such as pay and wages, office expenses, travel expenses, professional services, grants-in-aid, etc. Object head wise expenditure during the year 2020-21 is depicted in the **Chart 2.12**.

Chart 2.12: Object Head wise expenditure (in per cent) during the year 2020-21



Source: Finance Accounts 2020-21

As evident from **Chart 2.12**, the expenditure under object heads pay, grants-in-aid for salary and pension & retirement benefits constituted 35.04 per cent of overall expenditure (₹ 3,78,711 crore) under Consolidated Fund of the State. Besides, grants-in-aid (non-salary), interest/dividend and subsidy constituted 11.30 per cent, 10.06 per cent and 3.08 per cent of the Consolidated Fund expenditure respectively. Expenditure on account of investment and loans and major construction works, which are capital in nature, constituted 10.51 per cent and 8.52 per cent of the Consolidated Fund expenditure respectively.

2.8 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.

2.8.1 Net Public Account Transactions

The status of receipts and disbursement under Public Accounts are shown in Statement-21 of the Finance Accounts and the details of Public Account (Net) transactions during the period 2016-21 are given in **Table 2.22**.

Table 2.22: Component-wise Public Account (Net) transactions during the period 2016-21

(₹ in crore)

Sector	Sub Sector	2016-17	2017-18	2018-19	2019-20	2020-21
Small Savings, Provident Funds, etc.	Small Savings, Provident Funds, etc.	1,619	2,530	3,646	3,314	1,062
Reserve Funds	(a) Reserve Funds bearing Interest	0	0	0	1757	(-)252
	(b) Reserve Funds not bearing Interest	7,225	8,265	13,545	(-)70,056	(-) 247
Deposits and Advances	(a) Deposits bearing Interest	187	220	184	883	607
	(b) Deposits not bearing Interest	(-)405	1,189	2,000	(-)2,990	1,308
	(c) Advances	(-)83	4	12	17	(-) 0.15
Suspense and Miscellaneous	(a) Suspense	152	(-)1,436	(-)236	(-)1,743	1,859
	(b) Other Accounts	440	(-)778	459	(-)85	(-)162
	(c) Accounts with Governments of Foreign Countries	0	0	0	0	0
	(d) Miscellaneous	0	0	0	0	0
Remittances	(a) Money Orders and other Remittances	750	(-)3,910	329	308	(-)323
	(b) Inter-Governmental Adjustment Account	(-)2	4	(-)16	5	(-)2
Total		9,883	6,088	19,923	(-)68,590	4,850

Note: Positive denotes receipts are more than disbursements and negative denotes vice versa.

2.8.2 Reserve Funds

Reserve Funds are created for specific and defined purposes under the Public Account of the State Government. These funds are met from contributions or grants from the Consolidated Fund of the State as well as GoI. Detailed information on Reserve Funds and the investment from the earmarked funds is available in Statements 21 and 22 of the Finance Accounts, which is summarised in **Appendix-2.4**.

As on 31 March 2021, there were 17 Reserve Funds with total accumulated balance of ₹ 5,027.19 crore. Out of these, ₹ 1,505.26 crore was under one Reserve Fund bearing interest²⁵, viz., State Compensatory Afforestation Fund and ₹ 3,521.93 crore under 16 Reserve Funds not bearing interest which

²⁵ A Fund where the State Government is required to pay interest on deposits in the Fund on such rate as may be fixed by the Government.

included two inoperative funds with a balance of ₹ 9.92 crore. Further, State Government had invested ₹ 1,045.20 crore of Reserve Fund balances in GoI securities. Detail of some of the major reserve funds are discussed below:

2.8.2.1 Consolidated Sinking Fund

The Twelfth Finance Commission (2005-10) recommended (November 2004) that all States should set up sinking funds for amortization of all loans including loans from banks, liabilities on account of NSSF, etc. The fund should be maintained outside the Consolidated Fund of the States and the Public Account and should not be used for any other purpose, except for redemption of loans. Reserve Bank of India (RBI) maintains Consolidated Sinking Fund (CSF) on behalf of the State Governments to provide a cushion for amortisation of market borrowings/liabilities.

In accordance with the recommendations of the Twelfth Finance Commission, State Government created the ‘Consolidated Sinking Fund of Government of Uttar Pradesh’ in March 2020, which was to come into force with effect from financial year 2020-21. The Fund was to be utilised as an amortisation fund for redemption of outstanding liabilities of the Government commencing from the financial year 2020-21. As per the State Government notification (17 March 2020), the Government may contribute to the Fund at least 0.50 *per cent* of the outstanding liabilities, i.e., internal debt and public account liabilities, of the Government as at the end of the previous year. The corpus of the Fund comprising of periodic contributions as well as the income accruing to the Fund shall be kept outside the general revenue of the Government. The Fund shall be administered by RBI subject to directions/instructions as the Government may issue from time to time. The accretions to the Fund shall be invested in GoI dated Securities, Treasury bill, Special Securities of GoI and State Development Loans of other States of such maturities as the Bank may determine from time to time in consultation with the Government.

Prior to operation of ‘Consolidated Sinking Fund of Government of Uttar Pradesh’ with RBI, the State Government was maintaining another Sinking Fund in Public Account of the State. As per the State Government notification (17 March 2020), the outstanding balance under the existing Sinking Fund at end-March 2020 was to be transferred to the Consolidated Sinking Fund. However, the State Government transferred (30 March 2020) the entire balance of the existing Sinking Fund under Public Account amounting to ₹ 71,180.23 crore to the Consolidated Fund of the State. As a result, the opening balance of ‘Consolidated Sinking Fund of Government of Uttar Pradesh’ as on 1 April 2021 was nil.

During the year 2020-21, State Government appropriated only ₹ 1,000.00 crore (under the head 2048-00-101- Appropriation for reduction or avoidance of debt) and transferred the same amount to the head 8222-01-101-Sinking Fund. RBI invested this amount in government securities and earned an accrued income of ₹ 32.93 crore on it.

In view of guidelines of Consolidated Sinking Fund, Government was required to contribute at least ₹ 2,454.42 crore (0.50 *per cent* of internal debt and public account liabilities of ₹ 4,90,883.27 crore at the end of the year 2019-20) in the consolidated Sinking fund. Thus, there was short contribution

of ₹ 1,454.42 crore (₹ 2,454.42 crore - ₹ 1,000.00 crore) which could not become the part of sinking fund investment during the year 2020-21.

2.8.2.2 Depreciation Reserve Fund

The State Government created (March 2005) the Uttar Pradesh Public Works Department (PWD) Depreciation Reserve Fund (DRF) to purchase plant and machineries for renewal and replacement of unserviceable plant and machinery, carrying out special repair of plant and machineries and purchase of plant and machineries with latest technology. DRF is maintained in the Public Account under head 8226-102. During the year 2020-21, the fund had opening balance of (-) ₹ 7.99 crore and an amount of ₹ 9.21 crore was disbursed from it, as a result, the closing balance of DRF was (-) ₹ 17.20 crore.

The Government prescribed that 1.50 *per cent* amount on account of DRF would be debited to work and credited to receipt head 1054-800-04. This amount would be transferred to DRF under Public Account for intended purposes. Audit noticed that during the period 2016-21, State Government had transferred ₹ 216.31 crore²⁶ as non-tax revenue under the head 1054-800-04 in respect of DRF. However, no amount was transferred to DRF (head 8226-102). Thus, the Government had increased its revenue receipts by increasing the cost of work.

On being pointed out in Audit, Engineer-in-Chief, PWD stated (October 2021) that the transfer/adjustment of amount received towards DRF was under process at the Government level.

2.8.2.3 State Disaster Response Fund

The State Disaster Response Fund (SDRF) is a fund constituted under Section 48 (1) (a) of the Disaster Management Act, 2005. SDRF replaced the erstwhile Calamity Relief Fund with effect from 1 April 2010. As per the guidelines issued (September 2010 and July 2015) by GoI under the Act, SDRF is to be used only for meeting the expenditure for providing immediate relief to the victims of notified disasters, viz., cyclone, drought, earthquake, fire, flood, tsunami, hailstorm, landslide, avalanche, cloudburst, pest attack and cold waves/frost. The guidelines of SDRF further stipulate the following:

- The Fund will be constituted in the Public Account under the 'Reserve Funds bearing Interest' below Major Head-8121-General and Other Reserve Funds-122- State Disaster Response Fund in the accounts of the State Governments concerned.
- The amount of annual contribution to SDRF of each State would be as recommended by the Finance Commission. Of the total size of SDRF indicated, GoI will contribute 75 *per cent* for general category States of the total yearly allocation in the form of a non-plan grant and the balance 25 *per cent* will be contributed by the State Government concerned.
- The State Government shall pay interest to the SDRF at the interest applicable to overdrafts under Overdraft Regulation Guidelines of the RBI. The interest is to be credited on a half yearly basis. The accretions to the

²⁶ ₹ 2.98 crore during 2016-17, ₹ 6.32 crore during 2017-18, ₹ 72.03 crore during 2018-19, ₹ 55.07 crore during 2019-20 and ₹ 79.91 crore during 2020-21

SDRF together with the income earned on the investment of SDRF is to be invested in Central Government dated Securities, auctioned Treasury Bills and other interest earning deposits with scheduled commercial banks.

However, the State Government operates SDRF under the category 'Reserve Funds not bearing Interest' below Major Head 8235- General and Other Reserve Funds-111- State Disaster Response Fund. The balances in the Fund are also not invested in the manner specified by GoI.

The Disaster Management Act, 2005 further stipulates the constitution of mitigation funds in addition to disaster response funds. In this context, XV Finance Commission recommended to set up State Disaster Mitigation Fund (SDMF) in accordance with the Disaster Management Act, 2005. These mitigation funds shall be used for those local level and community-based interventions which reduce the risks and promote environment-friendly settlements and livelihood practices. The funds for disaster mitigation along with disaster response has been called as State Disaster Risk Management Funds (SDRMF). For the year 2020-21, ₹ 2,578 crore was allocated for Uttar Pradesh under SDRMF, out of which, share of SDRF was 80 *per cent* and the share of SDMF was 20 *per cent*. The funding window of SDRF and SDMF are not inter-changeable.

Audit noticed that State Government received ₹ 1,933.00 crore from GoI towards SDRMF. However, entire receipt has been booked under the head 1601-07-104-SDRF. The accounting heads for SDMF²⁷ were not operated in Consolidated Fund (heads 1601-07 and 2245-08) and in Public Account (Head 8121-130) of the State during the year 2020-21.

Audit further noticed that State Government transferred ₹ 1,289.00 crore (₹ 966.50 crore Central share and ₹ 322.50 crore State share) to SDRF under the head 8235-111. Thus, State Government did not transfer ₹ 966.50 crore (i.e., ₹ 1,933.00 crore - ₹ 966.50 crore) of Central share received by it during the year 2020-21. As a result, there was a short transfer of ₹ 1,288.33 crore to the fund including short transfer of State share amounting to ₹ 321.83 crore in the ratio of 75:25.

At the beginning of 2020-21, the SDRF had a balance of ₹ 1,527.00 crore and received ₹ 1,305.62 crore during the year 2020-21 including NDRF/ Miscellaneous receipts. The expenditure of ₹ 1,601.61 crore incurred on natural calamities was set off (Major Head 2245-05-901) against the fund balances. Thus, the balance at the end of 31 March 2021 was ₹ 1,231.01 crore. However, State Government did not credit interest of ₹ 91.91 crore (computed on six monthly basis at the average rate of interest on overdraft as applicable in the year 2020-21) on the balances available under SDRF.

Due to short transfer to SDRF (₹ 1,288.33 crore) and not crediting interest (₹ 91.91 crore) to SDRF, State's Revenue as well as Fiscal Deficit during the year 2020-21 was understated by ₹ 1,380.24 crore.

²⁷ The new accounting heads for SDMF were opened by the Controller General of Accounts, Ministry of Finance vide correction slip numbers 958, 959 and 962 dated 01.06.2021 to List of Major and Minor Heads of Accounts of Union and States.

2.8.2.4 Guarantee Redemption Fund

Twelfth Finance Commission recommended (November 2004) that States should constitute Guarantee Redemption Fund through earmarked guarantee fees in order to provide for sudden discharge of State's obligations on guarantees. It further recommended for a ceiling on guarantees through the mechanism of fiscal responsibility legislation. However, GoUP has not constituted the Guarantee Redemption Fund. Further, State Government has also not fixed any limit for giving guarantees.

The position of guarantees given by the State Government on the loans availed by various institutions is given in Statement 9 and 20 of Finance Accounts, which is based on information received from the State Government. As per Finance Accounts 2020-21, outstanding guarantees executed by the State Government at the end of the year 2020-21 was ₹ 1,50,554 crore to 25 entities, viz., statutory corporations, Government companies and other institutions. This included net increase of guarantees of ₹ 36,131.84 crore in the year 2020-21, which was 2.12 *per cent* of GSDP. Further, no guarantee fee was received during the year 2020-21.

2.8.2.5 State Compensatory Afforestation Fund

State Compensatory Afforestation Fund (SCAF) was established under the Compensatory Afforestation Fund Act, 2016. Compensatory Afforestation Fund (Accounting Procedure) Rules, 2018 provides that the monies realised by the State Governments from the user agencies²⁸ are to be credited in 'State Compensatory Afforestation Deposits' under interest bearing section in Public Account of the State at Minor head-103 below Major Head 8336-Civil Deposits. Out of this, 90 *per cent* shall be transferred to Minor Head 129-SCAF below Major Head 8121-General and Other Reserve Funds in Public Account of State and balance 10 *per cent* shall be credited into the National Fund on yearly basis as per Section 3 (4) of the Compensatory Afforestation Fund Act, 2016.

During the year 2020-21, the State Government did not receive any amount from the user agencies. Hence, no amount was credited to SCAF. As on 31 March 2021, the balance in the Fund was ₹ 1,505.26 crore.

The interest on balances available under State Compensatory Afforestation Deposits under the head 8336-Civil Deposits and SCAF under the head 8121-General and other Reserve Funds is to be paid as per the applicable rate declared by the Central Government on year-to-year basis. During the year 2020-21, the State Government was required to pay interest at the rate of 3.40 *per cent*²⁹ per annum. However, the State Government did not pay interest of ₹ 59.75 crore on the opening balance of the Fund amounting to ₹ 1,757.31 crore for the year 2020-21. This understated the Revenue Deficit as well as Fiscal Deficit of the State Government by ₹ 59.75 crore during the year 2020-21.

²⁸ 'user agency' means any person, organisation or company or department of the Central Government or State Government making a request for diversion or de-notification of forest land for non-forest purpose or using forest land for non-forest purpose in accordance with the provisions contained in the Forest (Conservation) Act, 1980 and the rules made and guidelines issued, thereunder.

²⁹ As notified by Ministry of Environment, Forest and Climate Change

2.9 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, manage its risk and cost objectives, and to meet any other sovereign debt management goals that the Government may have set through enactment or any other annual budget announcements.

2.9.1 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. Statement 6 of the Finance Accounts gives the status of outstanding liabilities of the State Government which is presented in **Table 2.23**.

Table 2.23: Component wise debt trends during the period 2016-21

		(₹ in crore)				
		2016-17	2017-18	2018-19	2019-20	2020-21
Outstanding Overall Debt		4,23,224	4,67,842	5,18,095	5,02,412	5,64,972*
Public Debt	Internal Debt	2,88,627	3,21,479	3,53,190	4,05,049	4,58,552
	Loans from GoI	13,250	12,812	11,980	11,529	18,107*
Liabilities on Public Account		1,21,347	1,33,551	1,52,925	85,834 ³⁰	88,313
Rate of growth of outstanding Overall debt (percentage)		15.24	10.54	10.74	(-)3.03	12.45
Gross State Domestic Product (GSDP)		12,88,700	14,16,006	15,84,764	16,87,818	17,05,593
Debt/GSDP (per cent)		32.84	33.04	32.69	29.77	32.77*
Receipts under Public Debt and Other Liabilities		1,13,172	90,052	1,13,504	1,12,696	1,23,555
Repayments (Principal and interest) under Public Debt and Other Liabilities		84,099	74,570	95,293	1,63,192	98,424
Net Fund available		29,073	15,482	18,211	(-)50,496	25,131
Percentage of net funds available to receipts under public debt & other liabilities		25.69	17.19	16.04	(-) 44.81	20.34

Source: Finance Accounts of respective years

* This includes back-to-back loan of ₹ 6,007 crore received from GoI during the year 2020-21 in lieu of GST compensation shortfall. The debt servicing of this loan would be done from the collection of cess in the GST compensation fund and hence, the repayment obligation will not be met from the other resources of the State. As per GoI clarification, this borrowing would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission, etc. After excluding this back-to-back loan, effective overall outstanding debt of the State at the end of the year 2020-21 was ₹ 5,58,965 crore, which included ₹ 12,100 crore of Loans from GoI. Thus, debt-GSDP ratio during the year 2020-21 was 32.77 per cent.

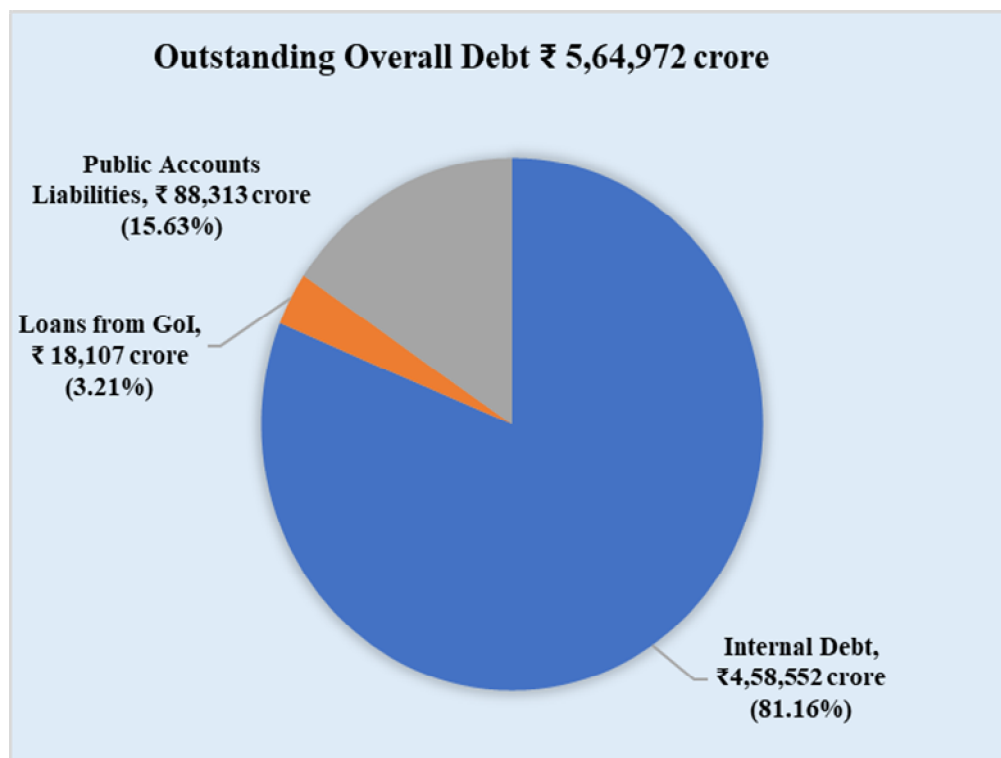
³⁰ Decrease in 2019-20 was primarily due to transfer of outstanding book balance of ₹ 71,180.23 crore of Sinking Fund in March 2020 to Non Tax Revenue.

As shown in **Table 2.23**, during the period 2016-21, the Internal Debt under overall Debt of the State Government increased by 58.87 *per cent* from ₹ 2,88,627 crore in 2016-17 to ₹ 4,58,552 crore in 2020-21. During the year 2020-21, it increased by 13.21 *per cent* over the previous year which was necessitated to finance the fiscal deficit of ₹ 54,622 crore as detailed in **Paragraph 2.9.2**. Loans and advances from the Central Government have shown a decreasing trend during the period 2016-20 but in the year 2020-21, it increased by ₹ 6,578 crore primarily due to back-to-back loan of ₹ 6,007 crore received from GoI in lieu of GST compensation shortfall, with no repayment liability of the State. As a result, overall debt of the State increased by 12.45 *per cent* during 2020-21 over the previous year 2019-20.

The percentage of net fund available under Public Debt and other liabilities to their receipts had a fluctuating trend during the year 2016-17 (25.69 *per cent*) to the year 2020-21 (20.34 *per cent*). The net fund available under Public Debt and other liabilities became negative, i.e., (-) ₹ 50,496 crore during the year 2019-20 mainly due to book transfer of Sinking Fund balance to Revenue Receipts without actual cash receipts.

Chart 2.13 presents the status of Outstanding Overall debt of the State Government at the end of the year 2020-21.

Chart 2.13: Break up of Outstanding Overall Debt at the end of the year 2020-21

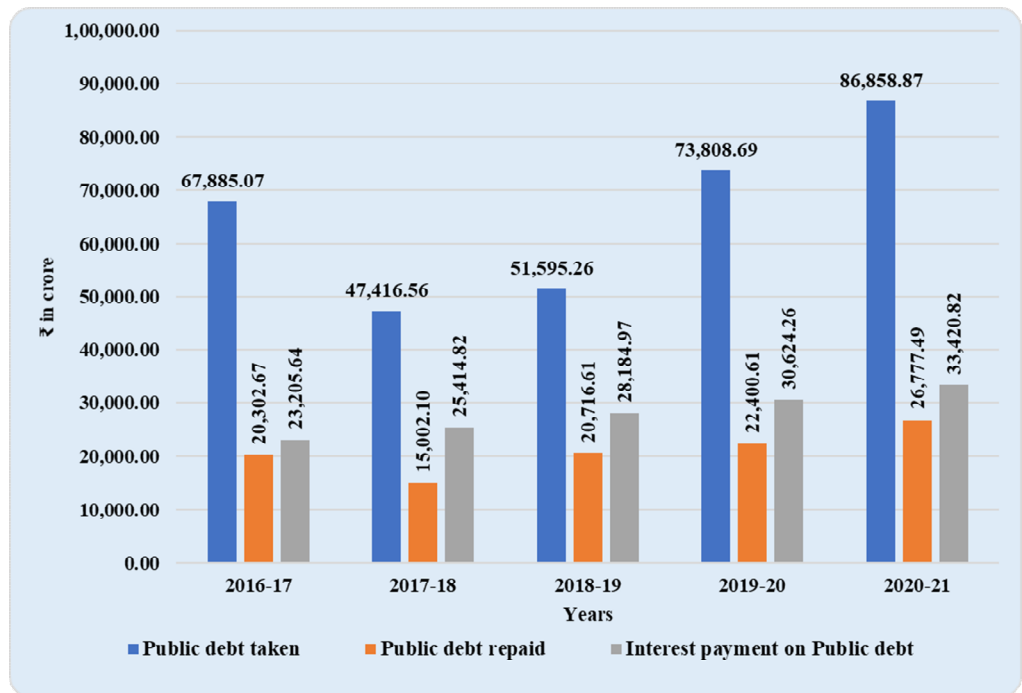


Source: Finance Accounts 2020-21

Trends of Public debts taken and its repayment during the period 2016-21 is depicted in **Chart 2.14**.

Chart 2.14: Public debt taken *vis-à-vis* repaid during the period 2016-21

(₹ in crore)



Source: Finance Accounts of respective years

It is evident from **Chart 2.14** that during the period 2016-17 to 2020-21, the State Government utilised 64 *per cent* to 95 *per cent* of its Public debt receipt amount in repayment of previous debts and interest liabilities, resultantly, only 5 *per cent* to 36 *per cent* of public debt was available for capital expenditure. This availability was lowest in the year 2018-19 and maximum in the year 2016-17. In the year 2020-21, the State Government utilised 69 *per cent* of its debt receipt amount in re-payment of previous debts and interest payment resultantly, only 31 *per cent* was available for capital expenditure.

2.9.2 Components of fiscal deficit and its financing pattern

Three key fiscal parameters- Revenue Deficit/Surplus, Fiscal Deficit/Surplus and Primary Deficit/Surplus - indicate the extent of overall fiscal imbalances in the finances of the State Government during a specified period. The deficit in the Government Accounts represents the gap between its receipts and expenditure.

Revenue Surplus represents the difference between revenue receipts and revenue expenditure. Revenue surplus helps to decrease the borrowings. Fiscal Deficit is the excess of Revenue and Capital Expenditure including loans and advances, over revenue and non-debt capital receipts. Fiscal Deficit represents the net incremental liabilities of the Government or its additional borrowings. Break-up of Fiscal Deficit reveals the extent of various borrowings resorted to by the State to meet its requirement of funds over and above revenue and non-debt receipts. Further, the manner in which the deficit is financed and the resources are applied, are important pointers to its fiscal health. This section presents trends, nature, magnitude and the manner of financing these deficits. The overall position of key fiscal parameters is given in **Table 2.24**.

Table 2.24: 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 (-)/ Surplus (+)*		(-) 55,988	(-) 27,810	(-)35,203	(+) 11,083	(-) 54,622
1	Revenue Deficit(-) / Surplus(+)	(+) 20,283	(+) 12,552	(+)28,250	(+)67,560	(-)2,367
2	Net Capital Expenditure ³¹	(-) 69,789	(-) 39,088	(-) 62,463	(-) 59,998	(-) 52,237
3	Net Loans and Advances ³²	(-) 6,482	(-) 1,274	(-) 990	(+) 3,521	(-)18
Financing Pattern of Fiscal Deficit (Net)						
1	Market Borrowings	36,904.42	37,178.00	33,306.67	55,825.80	63,499.68
2	Loans from GOI	(-) 408.59	(-) 437.81	(-) 832.22	(-) 450.84	6,577.99
3	Special Securities issued to NSSF	(-) 4,531.58	(-) 4,643.05	(-) 4,871.64	(-) 5,122.07	(-) 5,122.07
4	Loans from Financial Institutions	15,418.15	317.32	3,275.84	1,155.20	(-) 4,874.22
5	Small Savings, PF, etc.	1,619.10	2,530.12	3,645.59	3,313.67	1,062.40
6	Deposits and Advances	(-) 300.62	1,413.38	2,196.34	(-) 2,089.80	1,914.78
7	Suspense and Miscellaneous	591.36	(-) 2,214.62	222.67	(-) 1,828.11	1,697.48
8	Remittances	747.79	(-) 3,906.31	312.67	313.50	(-)325.46
9	Reserve Fund	7,225.02	8,264.72	13,544.71	(-) 68,298.52	500.94
10	Contingency Fund	(-) 176.04	(-) 154.96	(-) 166.65	629.73	(-) 100.00
11	Overall Deficit	57,089.01	38,346.79	50,633.98	(-) 16,551.44	64,831.52
12	Increase (-) / Decrease (+) in cash balance	(-) 1,100.99	(-) 10,537.00	(-) 15,431.00	5,468.75	(-)10,209.41
13	Gross Fiscal Deficit	55,988.02	27,809.79	35,202.98	(-) 11,082.69	54,622.11

Source: Finance Accounts of respective years

*The fiscal deficit figures are based on the Finance Accounts of the respective years. It is inclusive of UDAY expenditure during 2016-17. The fiscal deficit after excluding UDAY expenditure was ₹ 41,187 crore during 2016-17.

During the period 2016-20, the Revenue Surplus of the State had fluctuating trend. It was minimum ₹ 12,552 crore in 2017-18 and maximum ₹ 67,560 crore in the year 2019-20. However, the State could not maintain Revenue Surplus during 2020-21 and it registered Revenue Deficit of ₹ 2,367 crore.

Fiscal Deficit had also shown a volatile trend during the period 2016-21. It decreased from ₹ 55,988 crore in the year 2016-17 to ₹ 27,810 crore in 2017-18 then increased to ₹ 35,203 crore in 2018-19. State's revenue surplus (₹ 67,560 crore) and fiscal surplus (₹ 11,083 crore) during 2019-20 was mainly due to transfer of book balance of ₹ 71,180 crore of Sinking Fund to revenue receipt account without any actual cash receipt to State exchequer. If this transfer of Sinking Fund balance is excluded from revenue receipt, in reality, there was revenue deficit of ₹ 3,620 crore and fiscal Deficit of ₹ 60,097 crore during 2019-20.

³¹ Net Capital Expenditure = Miscellaneous Capital Receipts *minus* Capital Expenditure; minus figure indicate that the capital expenditure was more than the capital receipt during the year.

³² Net Loans and advances = Recoveries of Loans and Advances *minus* disbursement of loans and advances; minus figure indicate that disbursement of loans and advances was more than the recovery during the year.

During the year 2020-21, State registered Fiscal Deficit of ₹ 54,622 crore. However, as detailed in **Paragraph 1.4.1**, State's Fiscal Deficit and Revenue Deficit during the year 2020-21 should be read in conjunction with debt receipt of ₹ 6,007.00 crore in lieu of GST compensation due to inadequate balance in GST compensation fund.

2.9.3 Debt profile: Maturity and Repayment

Debt maturity and repayment profile indicates commitment on the part of the Government for debt repayment or debt servicing. Out of the outstanding overall debt/total outstanding Fiscal Liabilities of ₹ 5,64,972 crore as on 31 March 2021, ₹ 88,313 crore pertained to Liabilities on Public Account/Other Liabilities. The maturity profile of the remaining public debt (₹ 4,76,659 crore) is shown in **Table 2.25** and **Chart 2.15**.

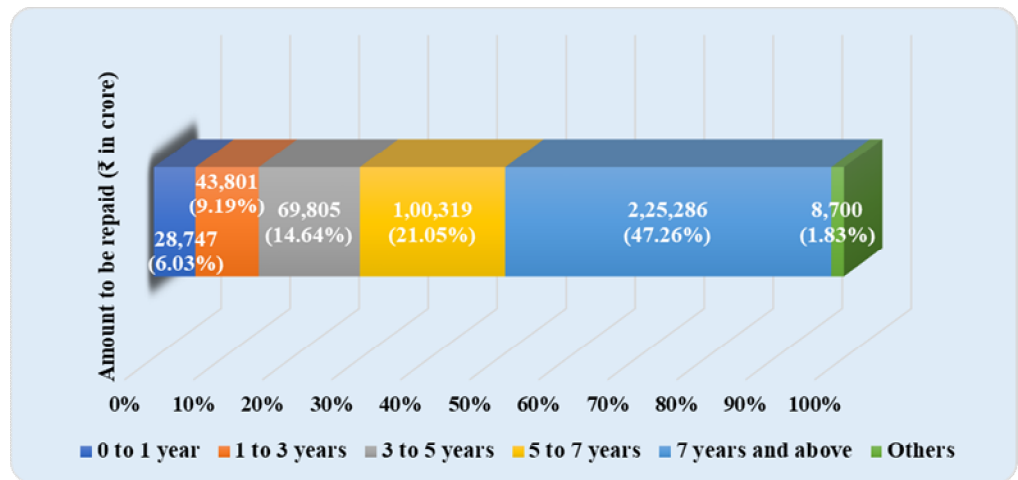
Table 2.25: Debt Maturity profile of repayment of State debt

Period of repayment (Years)	Amount (₹ in crore)	Percentage (w.r.t. Public debt)
0 – 1	28,747.42	6.03
1 – 3	43,801.18	9.19
3 – 5	69,805.38	14.64
5 – 7	1,00,319.25	21.05
7 and above	2,25,285.64	47.26
Others (Under reconciliation with the State Government/ loan repayment details awaited)	8,700.10*	1.83
Total	4,76,658.97	100.00

Source: Finance Accounts 2020-21

*This includes ₹ 6,007 crore received as back-to-back loan from GoI in lieu of GST compensation shortfall. The debt servicing of this loan would be done from the collection of cess in the GST compensation fund and hence, the repayment obligation will not be met from the other resources of the State.

Chart 2.15: Debt Maturity Profile



Source: Finance Accounts 2020-21

The maturity profile of public debt indicates that the liability of the State to repay the debt during the periods 2021-22, 2022-24, 2024-26 and 2026-28 would be ₹ 28,747.42 crore (6.03 per cent), ₹ 43,801.18 crore (9.19 per cent), ₹ 69,805.38 crore (14.64 per cent) and ₹ 1,00,319.25 (21.05 per cent) respectively. Further, ₹ 2,25,285.64 crore (47.26 per cent) of the total public debt would be repayable after seven years.

2.9.4 Debt sustainability

Debt sustainability is defined as the ability of the State to service its debt liability in the future. Sustainability of debt therefore also refers to sufficiency of liquid assets to meet current or committed obligations and the capacity to keep balance between costs of additional borrowings with returns from such borrowings. It means that increase in fiscal deficit should match with the increase in capacity to service the debt. Debt sustainability also depends on the ratio of debt redemption (principal plus interest payments) to total debt receipts and application of available borrowed funds. The ratio of debt redemption to debt receipts indicates the extent to which the debt receipts were used in debt redemption indicating the net availability of borrowed funds for capital spending.

Debts Sustainability indicators of State's Public Debt are depicted in **Table 2.26** and **Chart 2.16**.

Table 2.26: Trend in Debt Sustainability Indicators

Debt Sustainability Indicators	2016-17	2017-18	2018-19	2019-20	2020-21
Outstanding Public Debt³³ (in ₹ crore)	3,01,877	3,34,291	3,65,170	4,16,578	4,76,659*
Rate of Growth of Outstanding Public Debt (in per cent)	18.62	10.74	9.24	14.08	14.42
GSDP (in ₹ crore)	12,88,700	14,16,006	15,84,764	16,87,818	17,05,593
Rate of Growth of GSDP (in per cent)	13.26	9.88	11.92	6.50	1.05
Public Debt/GSDP	23.42	23.61	23.04	24.68	27.59
Average interest Rate of Outstanding Public Debt (in per cent)	8.34	7.99	8.06	7.83	7.48
Percentage of Interest payment on Public Debt to Revenue Receipt	9.03	9.12	8.54	8.36	11.28
Percentage of Public Debt Repayment to Public Debt Receipt	30.00	31.64	40.15	30.35	30.83
Net Public Debt available to the State³⁴	24,177	7,000	2,694	20,784	26,661
Net Public Debt available as per cent to Public Debt Receipts	35.72	14.76	5.22	28.16	30.69
Primary Deficit (-)/Surplus (+)	(-)29,052**	1,326	(-)3,161	45,896	(-)17,194
Debt Stabilisation (in ₹ crore)* (Quantum spread ³⁵ + Primary Deficit)	14,56,183	6,33,136	14,06,395	(-)5,08,153	(-)30,67,019

Source: Finance Accounts of respective years

* Public Debt stabilisation has been worked out after excluding ₹ 6,007 crore received from GoI during the year 2020-21 as back-to-back loan for GST compensation shortfall with no repayment liability for the State. Thus, at the end of year 2020-21, the effective Public Debt was ₹ 4,70,652 crore with growth rate of 12.98 per cent over previous year, Public Debt to GSDP was 27.59 and average interest rate of public debt was 7.53.

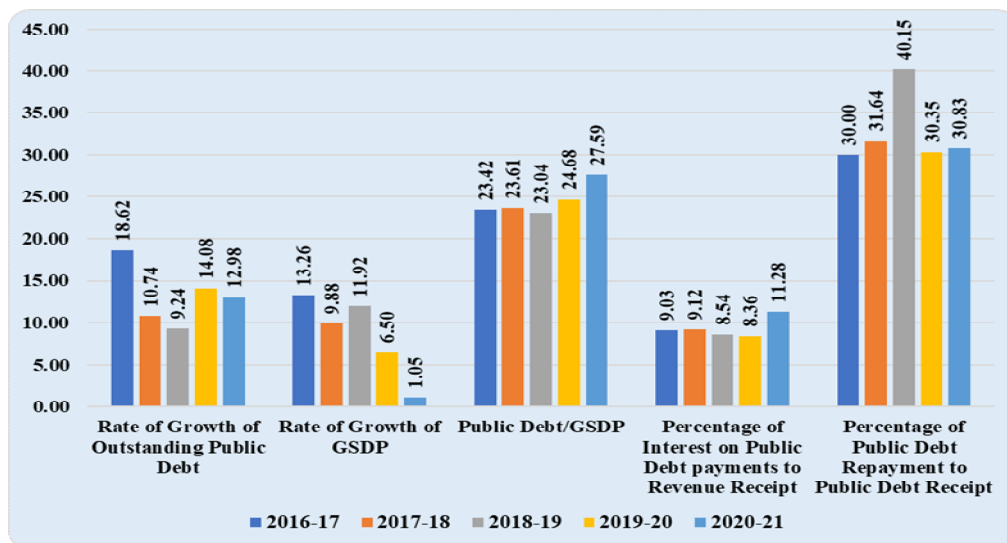
**Primary Deficit during the year 2016-17 includes expenditure on UDAY so as to match figures in Finance Accounts.

³³ Outstanding Public Debt is the sum of outstanding balances under the Major heads 6003-Internal Debt and 6004- Loans and Advances from the Central Government.

³⁴ 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.

³⁵ Quantum spread= (Debt stock x Interest spread) and Interest Spread= (GSDP Growth Rate – Average Interest Rate)

Chart 2.16: Debt Sustainability indicators



Source: Finance Accounts of respective years

Analysis of **Table 2.26** and **Chart 2.16** indicates the following:

- The total outstanding Public Debt of the State grew from ₹ 3,01,877 crore in the year 2016-17 to ₹ 4,76,659 crore in the year 2020-21. It grew at 14.42 *per cent* in the year 2020-21 over the previous year. However, outstanding Public Debt during 2020-21 also includes ₹ 6,007 crore received as back-to-back loan from GoI in lieu of GST compensation shortfall with no repayment liability for the State. Excluding this back-to-back loan, the State's Public Debt growth rate during 2020-21 was 12.98 *per cent*, which was lower than the previous year's growth rate of 14.08 *per cent* in Public Debt.
- Debt sustainability condition states that if quantum spread together with primary deficit is zero, debt-GSDP ratio would tend to be constant or debt would stabilise eventually. In case it is positive, debt-GSDP ratio would eventually be falling and on the other hand, if primary deficit together with quantum spread turns out to be negative, debt-GSDP ratio would be rising. As computed in **Table 2.26**, Debt Stabilisation was negative during the years 2019-20 and 2020-21, while it was positive during the year 2016-17 to 2018-19. This was due to the higher average interest rate on public debt as compared to State's GSDP growth rate during the year 2019-20 and 2020-21.
- Higher percentage of interest payments leaves less funds for priority areas. Percentage of interest payments to revenue receipt measures the margin of safety a government has for paying interest on its debt during a given period. There was increasing trend in the percentage of interest payment on public debt to revenue receipt since the year 2018-19. During the year 2020-21, the interest payments on public debt increased by 9.37 *per cent* over the previous year and it constituted 11.28 *per cent* of revenue receipt of the State.
- The net fund available from borrowings for current operations after providing for interest and repayment of Public Debt decreased continuously from ₹ 24,177 crore in 2016-17 to ₹ 2,694 crore in 2018-19,

but it increased in the year 2019-20 to ₹ 20,784 crore and in the year 2020-21 to ₹ 26,661 crore. However, the net Public Debt available to the State was only 30.69 per cent of total public debt taken during the year 2020-21.

- The average expenditure on debt servicing during the period 2016-21 was ₹ 49,176.13 crore, which accounted for 75.11 per cent of average public debt receipts (₹ 65,472.89 crore) during the same period, implying that a large percentage of debt was being used for debt servicing.

2.9.4.1 Utilisation of borrowed funds

Borrowed funds should ideally be used to fund capital creation and developmental activities. The status of utilisation of borrowed fund is given in the **Table 2.27**.

Table 2.27: Utilisation of borrowed funds

Sl. No	Year	₹ in crore)				
		2016-17	2017-18	2018-19	2019-20	2020-21
1	Public Debt receipt	67,685	47,417	51,595	73,809	86,859
2	Repayment of earlier Public Debt (Principal) (percentage of Public Debt receipt)	20,303 (30.00)	15,002 (31.64)	20,717 (40.15)	22,401 (30.35)	26,778 (30.83)
3	Net Capital Expenditure (percentage of Public Debt receipt)	69,789 (103.11)	39,088 (82.43)	62,463 (121.06)	59,998 (81.29)	52,237 (60.14)
4	Net Loans and Advances disbursed (percentage of Public Debt receipt)	6,482 (9.58)	1,274 (2.69)	990 (1.92)	(-3,521) (-4.77)	18 (0.02)
5	Portion of revenue expenditure met out of net available borrowings Sl. No. 5 = Sl. No. (1-2-3-4) (percentage of Public Debt receipt)	(-28,889) (-42.68)	(-7,947) (-16.76)	(-32,575) (-63.14)	(-5,069) (-6.87)	7,826 (9.01)

Source: Finance Accounts of respective years

Table 2.27 shows that borrowings (Public Debt) during 2016-17 to 2019-20 was less than the expenditure on capital account, i.e., repayment of public debt, capital expenditure and loans and advances disbursed, thereby, implying that a portion of expenditure on capital account were met from revenue surplus of the State during the years 2016-17 to 2019-20. However, State had utilised ₹ 7,826 crore of borrowings to meet its revenue expenditure in the year 2020-21, since the revenue receipts of the State was not sufficient to meet its revenue expenditure. Using borrowed funds for meeting current consumption and repayment of interest on outstanding loans is not sustainable.

2.9.5 Status of Guarantees – Contingent Liabilities

The State Government issues guarantees in respect of bonds issued and other borrowings by the State Public Sector Undertakings or other Bodies. Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee had been extended.

Statement No. 9 and 20 of the Finance Accounts gives details of guarantees given by the State Government. Details in this compilation are prepared directly from the information furnished by the State Government. The maximum amount for which guarantees were given by State Government and outstanding guarantees for the last five years are given in **Table 2.28**.

Table 2.28: Status of Guarantees given by the State Government**(₹ in crore)**

Guarantees	2016-17	2017-18	2018-19	2019-20	2020-21
Maximum amount of guarantee	66,702.20	74,303.03	90,662.48	1,32,499.27	1,75,469.24
Outstanding amount of guarantee	55,825.49	74,841.22	1,10,032.12	1,18,696.49	1,50,554.00

Source: Finance Accounts of respective years

The outstanding guarantees increased by 26.84 per cent from ₹ 1,18,696.49 crore in the year 2019-20 to ₹ 1,50,554 crore in the year 2020-21 and these were 50.83 per cent of the Revenue Receipts (₹ 2,96,176 crore) and 8.83 per cent of GSDP of the State Government during the year. The outstanding guarantee as on 31 March 2021 were mainly pertained to four power sector companies (₹ 1,16,312 crore), Infrastructure and Industrial Development Department (₹ 24,381 crore), Sugar Industries Department (₹ 3,356 crore) and Food & Supply Department (₹ 3,000 crore).

The outstanding guarantees included ₹ 474.17 crore for U.P. Co-operative Rural Development Bank Ltd., which was more than the maximum amount guaranteed (₹ 45 crore) to the entity by the State Government during the year. As disclosed in the Finance Accounts 2020-21, the State Government did not furnish the reason for this inconsistency. Further, there was a difference to ₹ 4,274.33 crore between outstanding guarantees at the beginning of the year 2020-21 and that at the end of the year 2019-20 which was under reconciliation between the Accountant General (Accounts & Entitlements) Uttar Pradesh and the State Government.

2.10 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. The limit for ordinary WMA to the State Government are revised by the RBI from time to time.

The State Government invests its surplus cash balance in short and long-term GoI Securities and Treasury Bills. The yield derived from such investments are credited as receipts under the Major Head '0049-Interest Receipts'. The cash balances are invested in the Consolidated Sinking Fund and other earmarked funds.

It is not desirable that State Government take recourse to market loans despite having large cash balances since it leads to further accretion to cash balances without putting it to productive use.

During the year 2020-21 the cash balances and investments made by the State Government out of cash balances is presented in **Table 2.29**.

Table 2.29: Cash Balances and their investment during the year 2020-21

(₹ in crore)

	Opening balance on 1 April 2020	Closing balance on 31 March 2021
A. General Cash Balance		
Cash in Treasuries	0.00	0.00
Deposits with Reserve Bank of India	236.04	137.10
Deposits with other Banks	0.00	0.00
Remittances in transit – Local	0.00	0.00
Investments held in Cash Balance investment account	21,150.71	30,459.45
Total (A)	21,386.75	30,596.55
B. Other Cash Balances and Investments		
Cash with departmental officers viz., Public Works, Forest Officers	10.91	10.52
Permanent advances for contingent expenditure with department officers	0.50	0.50
Investment in earmarked funds	45.20	1,045.20
Total (B)	56.61	1,056.22
Total (A + B)	21,443.36	31,652.77

Source: Finance Accounts 2020-21

The State Government's cash balances at the end of the current year amounted to ₹ 31,652.77 crore. This has increased by ₹ 10,209.41 crore (47.61 per cent) when compared with balances at the end of the year 2019-20. During 2020-21, the opening balance of investment held in Cash Balance Investment Account was ₹ 21,150.71 crore. Treasury Bills amounting to ₹ 4,64,321.11 crore were purchased and these instruments amounting to ₹ 4,55,012.37 crore were sold, leaving a balance of ₹ 30,459.45 crore in the account at the end of the year. The amounts of ₹ 235.75 crore and ₹ 13.92 crore were received as interest on investment under Treasury Bills and Long-Term Government of India's Securities respectively.

Under the Cash Balance Investment Account, the transactions of the State Government in investing in Treasury bills had consistently increased from ₹1,93,630 crore during 2016-17 to ₹ 5,44,061 crore during 2018-19 but decreased to ₹ 4,93,843 crore during the year 2019-20 and ₹ 4,64,321 crore in the year 2020-21. Corresponding to Cash Balance Investment Account, the cash surplus (General Cash Balances) increased during the period 2016-17 to 2018-19 from ₹ 887.58 crore (31 March 2017) to ₹ 26,855 crore (31 March 2019) which decreased to ₹ 21,387 crore in the year 2019-20 (31 March 2020) and again increased to ₹ 30,597 crore in the year 2020-21 (31 March 2021). Status of Cash Balance Investment Account and interest earned thereon for the period 2016-21 is shown in Table 2.30.

Table 2.30: Cash Balance Investment Account (Major Head 8673)

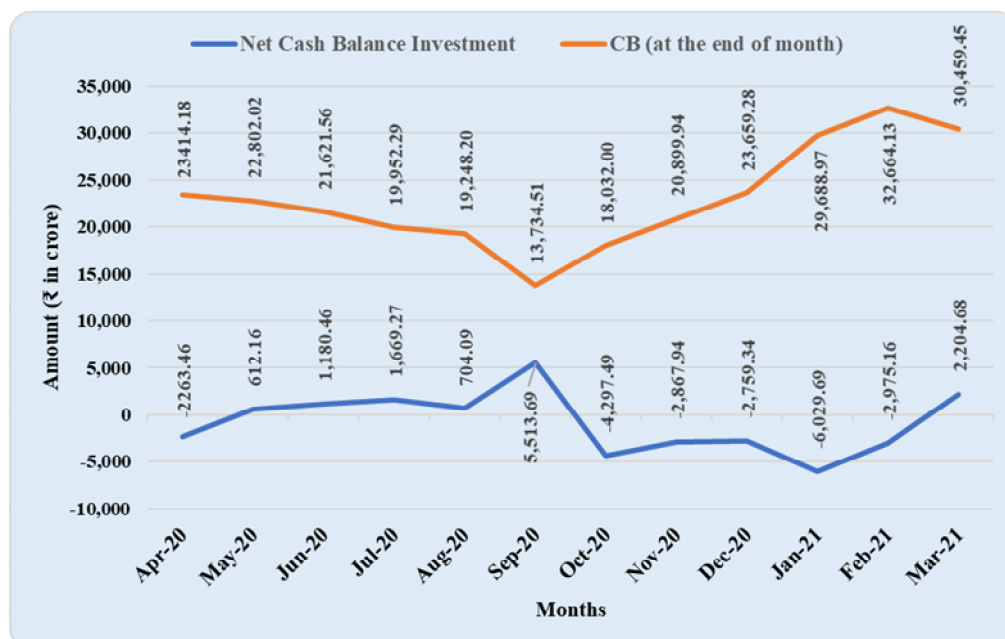
(₹ in crore)

Year	Opening Balance	Closing Balance	Increase (+) / decrease (-) (CB-OB)	Interest earned
2016-17	1,196.44	2,168.23	971.79	578.36
2017-18	2,168.23	11,159.38	8,991.15	486.61
2018-19	11,159.38	26,684.36	15,524.98	1,088.56
2019-20	26,684.36	21,150.71	(-),5,533.65	596.15
2020-21	21,150.71	30,459.45	9,308.74	249.67

Source: Finance Accounts of respective years

Month wise movement of Cash Balances and Net Cash Balance Investments during the year 2020-21 is presented in **Chart 2.17**.

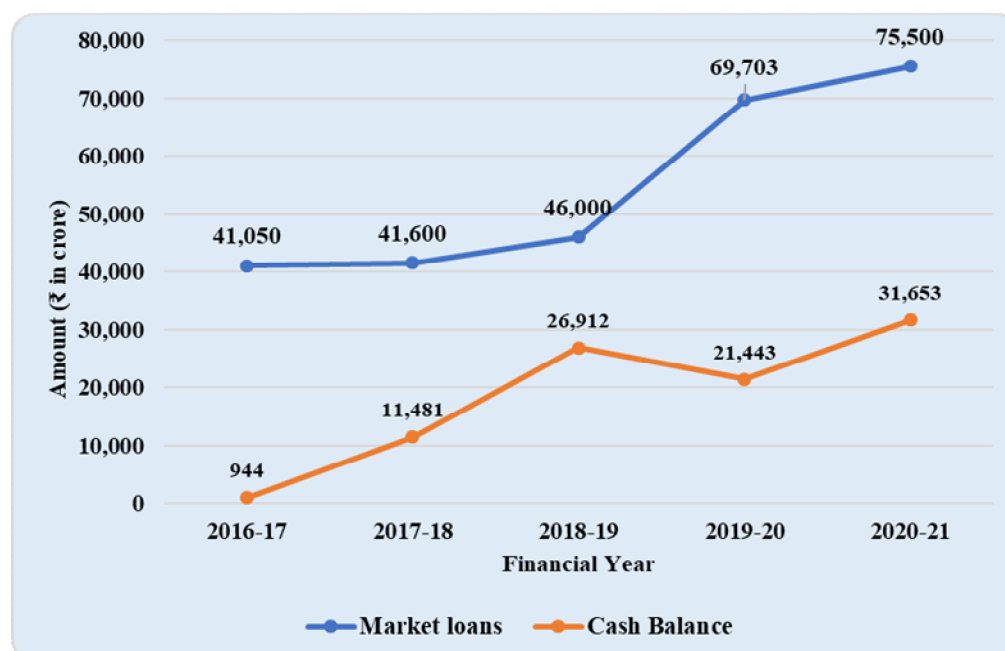
Chart 2.17: Month wise movement of Cash Balances and net cash balance investments during the year 2020-21



Source: Data maintained by the office of Accountant General (A&E) Uttar Pradesh

The status of Market loan taken by the State Government and Cash balance available with the State Government is presented in **Chart 2.18**.

Chart 2.18: Market Loan vis-à-vis Cash Balance during the period 2016-21



Source: Finance Accounts of respective years

The XIII Finance Commission had recommended for a directed effort by States with large cash balances towards utilising their existing cash balances before resorting to fresh borrowings. Reserve Bank of India had also reiterated

the fact that build-up of large surplus cash balances increases the interest cost burden for State Governments, if it is built up from borrowed resources³⁶.

2.10.1 Variation in Cash Balance

As per the Certificate of confirmation of balances issued by the Reserve Bank of India, the State had a credit balance of ₹ 81.41 crore while the closing cash balance (debit) of the State for the month of 31 March 2021 as certified by the Accountant General (A&E) was ₹ 137.10 crore. Thus, there was a difference of ₹ 55.69 crore between the cash balance of the State Government, as worked out by the Accountant General (A&E) and as reported by the Reserve Bank of India (as on 31 March 2021), which was under reconciliation.

2.11 Conclusion

Positive Indicators

- Fiscal Deficit (₹ 54,622 crore) was 3.20 *per cent* of GSDP, which was within the fiscal target of five *per cent* set in the UPFRBM (Second Amendment) Act, 2020.
- Committed Expenditure to Revenue Expenditure in the year 2020-21 decreased to 61.37 *per cent* from 61.78 *per cent* in the year 2019-20.

Parameters requiring close watch

- State was revenue surplus since 2006-07, however, it registered revenue deficit of ₹ 2,367 crore during the year 2020-21. The Fiscal Surplus of ₹ 11,083 crore during the year 2019-20 turned into Fiscal Deficit of ₹ 54,622 crore during the year 2020-21.
- Debt-GSDP ratio of the State increased from 29.77 *per cent* in the year 2019-20 to 32.77 *per cent* in the year 2020-21 against the target of 32 *per cent* under the UPFRBM (Second Amendment) Act, 2020.
- State's Own tax revenue decreased by 2.38 *per cent* during the year 2020-21 as compared to the year 2019-20.
- Debt Stabilisation decreased during the year 2020-21 due to the higher average interest rate on public debt as compared to State's GSDP growth rate. The percentage of Interest Payment on Public Debt to Revenue Receipts also increased to 11.28 *per cent* in the year 2020-21 from 8.36 *per cent* in the year 2019-20.
- During the year 2020-21, State Government transferred less contribution to the Consolidated Sinking Fund, which was 0.20 *per cent* of the outstanding internal debt and public account liabilities as against its guidelines for contribution of at least 0.50 *per cent*.
- State Government did not transfer the amount charged for Depreciation Reserve Fund to this Fund instead it was kept as revenue receipts of the State Government. The Fund had a negative balance of ₹ 17.20 crore at the end of the year 2020-21 due to disbursement from the Fund without any contribution to it.

³⁶ Paragraphs 4.40 and 4.41 of XIV FC Report

- State Government did not transfer ₹ 966.50 of Central share received by it to State Disaster Response Fund during the year 2020-21. The State Government had also not credited interest of ₹ 91.91 crore for the year 2020-21 on un-invested balances of the Fund. Further, the accounting heads for State Disaster Mitigation Fund were not operated and required contribution was not transferred to State Disaster Mitigation Fund as per recommendations of XV Finance Commission and Disaster Management Act, 2005.
- State Government has not constituted Guarantee Redemption Fund for meeting the debt servicing obligation arising in the event of default by the borrowing agency out of guarantees issued by the Government.

2.12 Recommendations

- *The State Government should ensure that annual contribution to the Consolidated Sinking Fund is at least 0.50 per cent of the outstanding liabilities at the end of the previous year as provided under the Consolidated Sinking Fund Scheme, so that adequate balance should be available in the Fund for its further investment by the Reserve Bank of India and for future redemption of outstanding liabilities.*
- *Instead of keeping the amount charged on works for Depreciation Reserve Fund as revenue receipts, the State Government should transfer it to this Fund since the present accounting of the Fund only increases the revenue receipts and revenue expenditure of the State. Further, State should immediately regularise the negative balance under Depreciation Reserve Fund.*
- *The State Government should transfer the SDRF balances to MH 8121-General and Other Reserve Funds under the category “Reserve Funds bearing Interest” and remit to the Fund accrued interest as per SDRF guidelines. The State Government is also required to invest the fund balances in the manner prescribed in the SDRF guidelines. State Government should also operate State Disaster Mitigation Fund as per recommendations of XV Finance Commission and the Disaster Management Act, 2005.*
- *The State Government should create the Guarantee Redemption Fund as per the recommendations of XII Finance Commission.*

