

## Chapter I: Overview

### 1.1 Profile of the State

Rajasthan with a geographical area of 3.42 lakh square kilometers is the largest state in the country. It is situated in the north-western part of the country and is surrounded by the states of Punjab, Haryana and Uttar Pradesh in the north and north-east, Madhya Pradesh in the south-east and Gujarat in the south-west. It also has a long international frontier with Pakistan. The state has varied climatic conditions ranging from semi-arid to arid. Administratively, it is divided into 7 divisions and 33 districts.

The key indicators of the State are given in **Table 1.1** and **Appendix 1.1**.

**Table 1.1: Key indicators of the State**

S. No.	Indicators	Year	Unit	Rajasthan	India
1.	Geographical Area*	2011	Lakh Sq. Km.	3.42	32.87
2.	Population <sup>^</sup>	2011	Crore	6.92	122.02
3.	Decadal Growth Rate <sup>^</sup>	2011-2021	Percentage	15.28	12.30
4.	Population Density <sup>^^</sup>	2011	Population per Sq. Km.	200	382
5.	Urban Population to total population*	2011	Percentage	24.9	31.1
6.	Sex Ratio*	2011	Females per 1,000 Males	928	943
7.	Literacy Rate <sup>&amp;</sup>	2011	Percentage	66.10	73.00
8.	Per Capita Income	2020-21	in ₹	1,09,386*	1,28,829 <sup>\$</sup>
9.	Per Capita GSDP/GDP <sup>\$</sup>	2020-21	in ₹	1,21,468	1,45,680
10.	Infant Mortality Rate <sup>&amp;&amp;</sup>		Per 1,000 live births	35.00	30.00
11.	Life Expectancy at birth <sup>&amp;&amp;&amp;</sup>	2014-2018	Years	68.70	69.40
12.	Population Below Poverty Line (BPL) <sup>\$</sup>		Percentage	14.71	21.92

\* Economic Review 2020-21, Government of Rajasthan (GoR)

<sup>^</sup> Report of the Technical Group on Population Projections for India and States (2011-2036), Office of the Registrar General and Census Commissioner.

<sup>^^</sup> Office of the Registrar General and Census Commissioner.

<sup>&</sup> Census 2011

<sup>\$</sup> Ministry of Statistics and Program Implementation, GoI

<sup>&&</sup> SRS Bulletin, October 2021

<sup>&&&</sup> SRS Abridged Life Table 2014-18 (September 2020)

It is evident from the above table that the percentage of population below the poverty line was 14.71 *per cent* which was less than the All India average of 21.92 *per cent*. The literacy rate was 6.90 percentage points below the All India average of 73 *per cent*. During 2020-21, per capita income of the State stood at ₹1,09,386, lower than the All India per capita income of ₹1,28,829.

#### 1.1.1 Gross State Domestic Product of Rajasthan

Gross State Domestic Product (GSDP) is the value of all the goods and services produced within the boundaries of the State in a given period of time. Growth of GSDP

is an important indicator of the State's economy, as it denotes the extent of changes in the level of economic development of the State over a period of time.

The trends in the annual growth rate of the GSDP as compared to Gross Domestic Product (GDP) at current prices are indicated in **Table 1.2**.

**Table 1.2: Trends in GSDP compared to the GDP at current prices**

(₹ in crore)						
S. No.	Year	2016-17	2017-18	2018-19	2019-20	2020-21
1.	GDP* (2011-12 Series)	1,53,91,669	1,70,90,042	1,88,86,957	2,03,51,012	1,97,45,670@
2.	Growth rate of GDP over previous year (in <i>per cent</i> )	11.76	11.03	10.51	7.75	(-) 2.97
3.	GSDP** (2011-12 Series)	7,60,587	8,28,661	9,21,789 <sup>Σ</sup>	9,98,999 <sup>£</sup>	9,57,912 <sup>##</sup>
4.	Growth rate of GSDP over previous year (in <i>per cent</i> )	11.61	8.95	11.24	8.38	(-) 4.11

\* Central Statistical Office (CSO), Ministry of Statistics & Programme Implementation.

\*\* Economic Review (2020-21) by Directorate of Economics and Statistics, GoR.

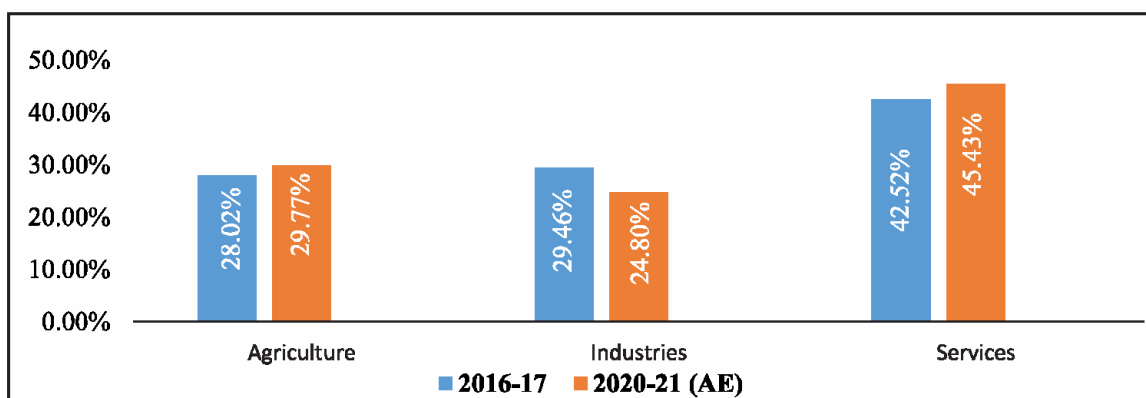
## Advance Estimates, Σ Revised Estimate-II, £ Revised Estimate-I, @ Provisional Estimate

As can be seen from the table above, during 2018-19 and 2019-20, the GSDP of Rajasthan grew at a higher rate in comparison to the GDP growth rate. During 2020-21, GSDP registered negative growth rate due to lockdown imposed in the state because of COVID-19 pandemic. The decline in GSDP was greater than the decline in GDP.

#### **Change in sectoral contribution to GSVA at current prices (2016-17 to 2020-21)**

**Chart 1.1** reveals that during the five-year period from 2016-17 to 2020-21, there has been a significant decrease in the relative share of Industries in Gross State Value Added (GSVA), reducing from 29.46 *per cent* in 2016-17 to 24.80 *per cent* in 2020-21. However, increase in the relative share of Services and Agriculture sectors was witnessed during current year in comparison to 2016-17.

**Chart 1.1: Change in sectoral contribution to GSVA at current prices (2016-17 and 2020-21)**



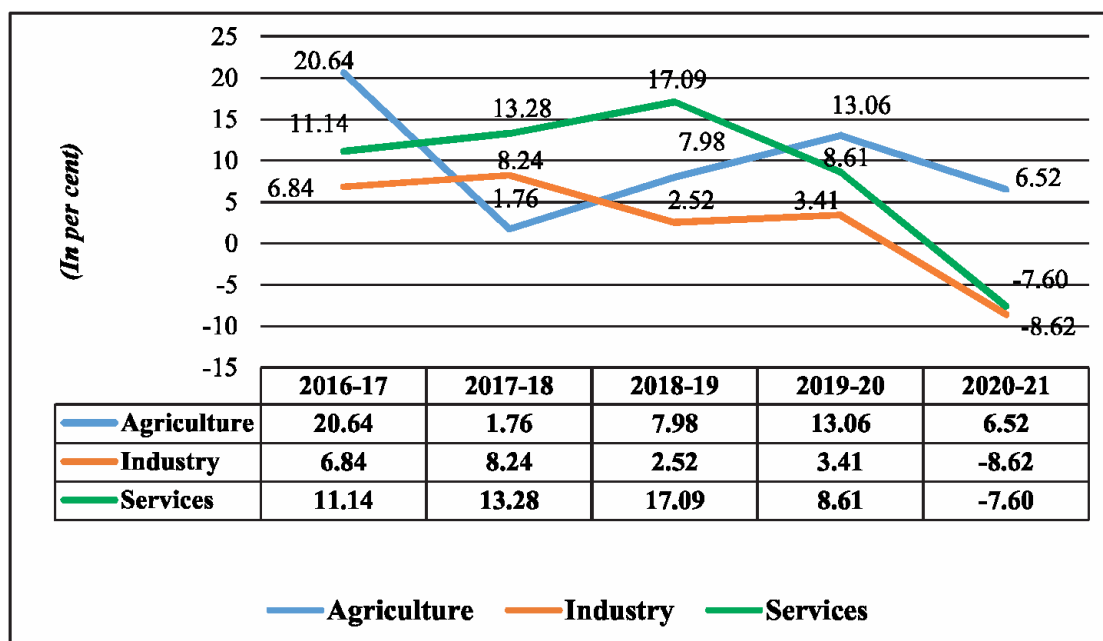
Source: Economic Review (2020-21), GoR

#### **Sectoral growth in GSVA at current prices**

During 2020-21, there was a decline in the growth rate of Agriculture, Industry and Service sectors in comparison with the previous year, as can be seen from **Chart 1.2**.

The rate of growth in Agriculture nearly halved compared to the previous year, while Industry and Services sectors registered negative growth.

**Chart 1.2: Sectoral growth in GSVA at current prices (2016-17 to 2020-21)**



## 1.2 Basis and Approach to State Finances Audit Report

In terms of Article 151 (2) of the Constitution of India, the reports of the Comptroller and Auditor General of India (CAG) relating to the accounts of a State are to be submitted to the Governor of the State, who shall cause them to be laid before the Legislature of the State.

Accountant General (Accounts & Entitlement) prepares the Finance Accounts and Appropriation Accounts of the State annually, from the vouchers, challans and initial and subsidiary accounts rendered by the treasuries, offices and departments responsible for keeping of such accounts functioning under the control of the State Government and the statements received from the Reserve Bank of India. These accounts are audited independently by the Accountant General (Audit-I) and certified by the CAG.

Finance Accounts and Appropriation Accounts of the State for the year 2020-21 constitute the core data for this State Finances Audit Report (SFAR). Other sources include the following:

- Budget of the State for the year 2020-21– both for assessing the fiscal parameters and allocative priorities *vis-à-vis* projections, as well as for evaluating

the effectiveness of its implementation and compliance with the relevant rules and prescribed procedures;

- Results of audit carried out by the Office of the Accountant General (Audit-I), Rajasthan at the State Government as well as at the field level during the year;
- Other data with Departmental Authorities and Treasuries (accounting as well as IFMS);
- GSDP data and other State related statistics from the Directorate of Economics and Statistics, GoR and
- Various audit reports of the CAG of India prepared during the period 2015-21.

The analysis is also carried out in the context of recommendations of the XV Finance Commission (FC), State Financial Responsibility and Budget Management (FRBM) Act, best practices and guidelines of the Government of India.

### 1.3 Report Structure

The SFAR is structured into the following four Chapters:

<b>Chapter - 1</b>	<b>Overview</b> This Chapter describes the basis and approach of the Report, provides an overview of the structure of government accounts, budgetary processes, macro analysis of key indices for the State's fiscal position including the deficit/surplus.
<b>Chapter - II</b>	<b>Finances of the State</b> This chapter provides a broad perspective of the finances of the State, analyses the critical changes in major fiscal aggregates relative to the previous year, overall trends during the period from 2016-17 to 2020-21, debt profile of the State and key Public Account transactions, based on the Finance Accounts of the State.
<b>Chapter - III</b>	<b>Budgetary Management</b> This chapter is based on the Appropriation Accounts of the State and reviews the appropriations and allocative priorities of the State Government and reports on deviations from Constitutional provisions relating to budgetary management.
<b>Chapter - IV</b>	<b>Quality of Accounts &amp; Financial Reporting Practices</b> This chapter comments on the quality of accounts rendered by various authorities of the State Government and issues of non-compliance with prescribed financial rules and regulations by various departmental officials of the State Government.

### 1.4 Overview of Government Accounts Structure and Budgetary Processes

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

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

This Fund comprises all revenues received by the State Government, all loans raised by the State Government (market loans, bonds, loans from the Central Government, loans from Financial Institutions, Special Securities issued to National Small Savings Fund,

etc.), Ways and Means advances extended by the Reserve Bank of India and all moneys received by the State Government as repayment of loans. No moneys can be appropriated from this Fund except in accordance with law and for the purposes and in the manner provided by the Constitution of India. Certain categories of expenditure (e.g. salaries of Constitutional authorities, loan repayments etc.) constitute a charge on the Consolidated Fund of the State (Charged expenditure) and are not subject to vote by the Legislature. All other expenditure (Voted expenditure) is voted by the Legislature.

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

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

## **3. Public Account of the State (Article 266(2) of the Constitution of India)**

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

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

**Revenue receipts** consist of tax revenue, non-tax revenue, share of Union Taxes/Duties, and grants from Government of India.

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

The **Capital receipts** consist of:

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



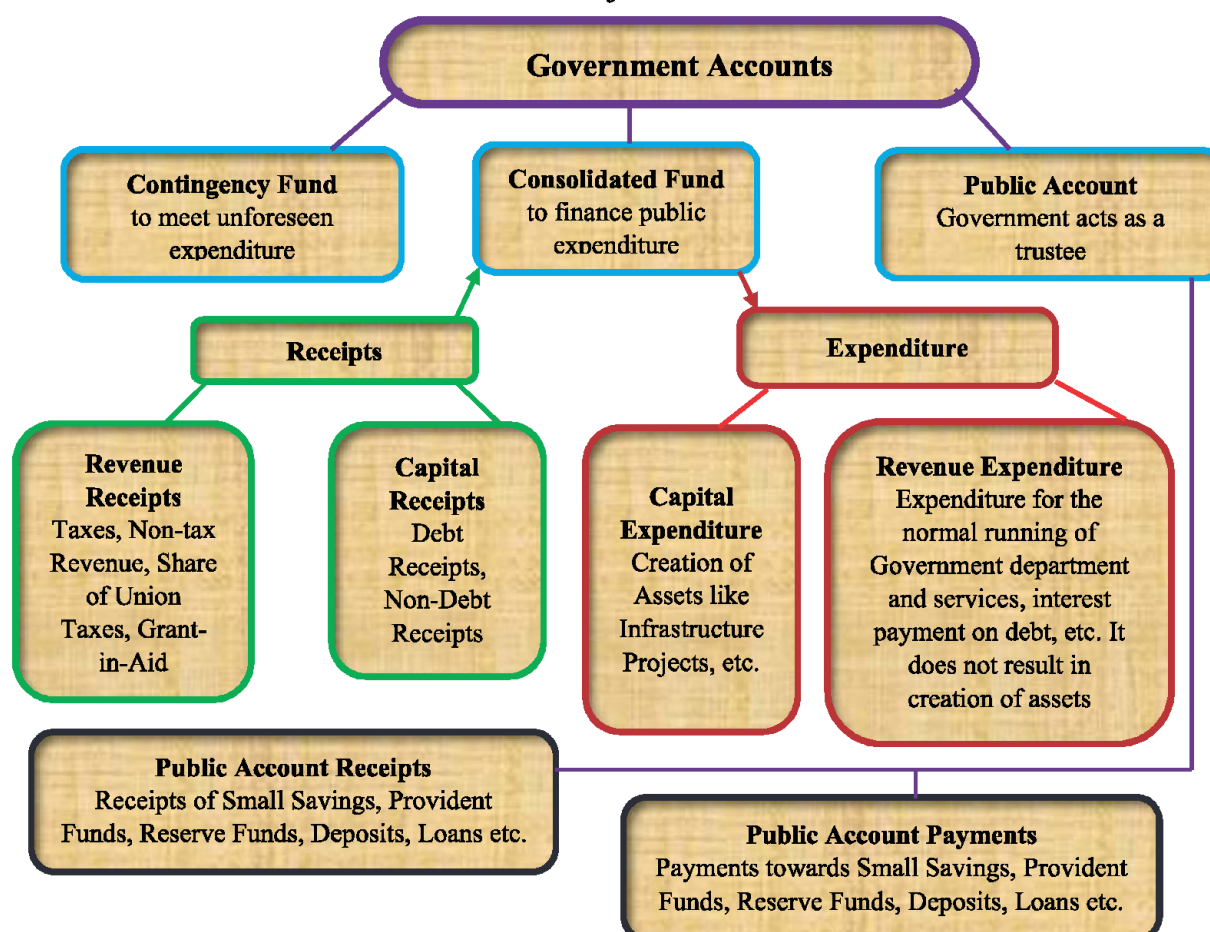
**Capital Expenditure** includes expenditure on the acquisition of land, building, machinery, equipment, investment in shares, and loans and advances by the government to PSUs and other parties.

At present, we have an accounting classification system in government that is both functional and economic.

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

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

**Chart 1.3: Structure of Government Accounts**



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

### Budgetary Processes

In terms of Article 202 of the Constitution of India, the Governor of Rajasthan caused to be laid before the State Legislature, a statement of the estimated receipts and expenditure of the State for the year 2020-21, in the form of an Annual Financial Statement (referred to as Budget) with estimates of expenditure

- charged upon the Consolidated Fund of the State;
- the sums required to meet other expenditure proposed to be made from the Consolidated Fund of the State and expenditure on Revenue Account distinguished from other expenditure.

In terms of Article 203, the above was submitted to the State Legislature in the form of 55 Demands for Grants/Appropriations and after approval of these, the Appropriation Bill was passed by the Legislature under Article 204 to provide for appropriation of the required money out of the Consolidated Fund.

As mentioned in **Paragraph 1.2**, Finance Accounts and Appropriation Accounts encompass the core data for preparation of the SFAR. These Accounts are based on actual receipts and expenditure of the State during the year 2020-21 including various inter-governmental and other adjustments carried out by the Reserve Bank of India (RBI). Considering that these receipts and expenditure are estimated in the budget and the expenditure has been approved by the State Legislature, it is important to study the budget of the State for 2020-21 closely and analyse the actual receipts and expenditure during the year with reference to the projections made in the budget.

The State Budget Manual details the budget formulation process and guides the State Government in preparing its budgetary estimates and monitoring its expenditure activities. Results of audit scrutiny of budget and implementation of other budgetary initiatives of the State Government are detailed in **Chapter 3** of this Report.

#### 1.4.1 Snapshot of Finances

The following table provides the details of actual financial results vis-a-vis Budget Estimates for the year 2020-21 vis-a-vis actuals of 2019-20.

**Table 1.3: Budget Estimates for the year 2020-21 vis a vis actuals of 2019-20 and 2020-21**

(₹ in crore)						
S. No.	Components	2019-20 Actual	2020-21 BE	2020-21 Actual	Percentage of Actuals to BE	Percentage of Actuals to GSDP
1	2	3	4	5	6	7
1	Own Tax Revenue	59,245	77,029	60,283	78.26	6.29
2	Non-Tax Revenue	15,714	19,596	13,653	69.67	1.43
3	Share of Union Taxes/ duties (a)	36,049	46,886	35,576	75.88	3.71
4	Grants-in-aid and Contributions	29,106	29,893	24,796	82.95	2.59
5	Revenue Receipts (1+2+3+4)	1,40,114	1,73,404	1,34,308	77.45	14.02
6	Recovery of Loans and Advances	15,670	752	373	49.60	0.04

S. No.	Components	2019-20 Actual	2020-21 BE	2020-21 Actual	Percentage of Actuals to BE	Percentage of Actuals to GSDP
1	2	3	4	5	6	7
7	Miscellaneous Capital Receipts	20	30	14	46.67	0.00
8	Borrowings and other Liabilities (b)	37,654	33,923	59,376	175.03	5.72 <sup>1</sup>
9	Capital Receipts (6+7+8)	53,344	34,705	59,763	172.20	6.24
10	Total Receipts (5+9)	1,93,458	2,08,109	1,94,071	93.25	20.26
11	Revenue Expenditure of which	1,76,485	1,85,750	1,78,309	95.99	18.61
12	Interest payments	23,643	25,494	25,202	98.85	2.63
13	Grant in Aid for creation of capital assets	5,198	-	990	-	0.54
14	Capital Expenditure of which (c)	16,973	22,359	15,762	70.50	1.65
15	Capital Outlay	14,718	21,619	15,271	70.64	1.59
16	Loan and Advances	2,255	740	491	66.35	0.05
17	Total Expenditure (11+14)	1,93,458	2,08,109	1,94,071	93.25	20.26
18	Revenue Deficit (5-11)	36,371	12,346	44,001	356.40	4.59
19	Effective Revenue Deficit (18-13)	31,173	-	43,011	-	3.25
20	Fiscal Deficit {17-(5+6+7)}	37,654	33,923	59,376	175.03	6.20
21	Primary Deficit (20-12)	14,011	8,429	34,174	405.43	3.57

Source: Finance Account and budget document.

- (a) Includes State's share of Union Taxes.
- (b) Borrowings and Other Liabilities: Net (Receipts-Disbursements) of Public Debt + Net of Contingency Fund + Net (Receipts - Disbursements) of Public Account + Net of Opening and Closing Cash Balance. Effective Borrowings and Other Liabilities would be ₹54,772 crore as the Department of Expenditure, GOI had decided that GST compensation of ₹4,604 crore given to the State as back to back loan under debt receipts would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission.
- (c) Expenditure on Capital Account includes Capital Expenditure and Loans and Advances disbursed.

GST Compensation is the revenue of the State Government under GST (Compensation to States) Act, 2017. However, in addition to receiving the GST compensation of ₹ 2,957.37 crore as revenue receipts, due to inadequate balance in GST compensation fund during the year 2020-21 Rajasthan also received back-to-back loan of ₹ 4,604 crore under debt receipts of the State Government, with no repayment liability for the State. Due to this arrangement, the revenue deficit of ₹ 44,001 crore and fiscal deficit of ₹59,376 crore during the year 2020-21 may be read in conjunction with debt receipt of ₹ 4,604 crore in lieu of GST compensation.

1. Arrived at after exclusion of GST compensation of ₹ 4,604 crore received as back to back loans under debt receipts from the total outstanding liabilities.



### 1.4.2 Snapshot of Assets and Liabilities of the Government

Government accounts capture the financial liabilities of the Government and the assets created out of the expenditure incurred. The liabilities consist mainly of internal borrowings, loans and advances from GoI, receipts from public account and reserve funds and the assets comprise mainly the capital outlay and loans and advances given by the State Government and cash balances. Table 1.4 and Appendix 1.2 give an abstract of such liabilities and assets as on 31 March 2021.

**Table 1.4: Summarised position of Assets and Liabilities**

(₹ in crore)

Liabilities					Assets				
		2019-20	2020-21	Per cent increase/decrease (-)			2019-20	2020-21	Per cent increase/decrease (-)
Consolidated Fund									
A	Internal Debt	2,42,077.41	2,84,788.78	17.64	a	Gross Capital Outlay	2,02,806.46	2,18,062.87	7.52
B	Loans and Advances from GoI	17,302.50	23,532.15	36.00	b	Loans and Advances	9,847.92	9,965.41	1.19
Contingency Fund									
Contingency Fund		500.00	500.00	-					
Public Account									
A	Small Savings, Provident Funds, etc.	51,468.62	56,325.69	9.44	a	Advances	3.21	3.17	(-) 1.25
B	Deposits	33,842.46	36,713.81	8.48	b	Remittance	10.37	-	(-) 100.00
C	Reserve Funds	9,881.68	11,242.77	13.77	c	Suspense and Miscellaneous	120.15	4.06	(-) 96.62
D	Remittances	-	1.50		Cash balance (including investment in Earmarked Fund)		7,704.41	6,487.51	(-) 15.79
					Total		2,20,492.52	2,34,523.02	6.36
					Deficit in Revenue Account		1,34,580.15	1,78,581.68	32.70
Total		3,55,072.67	4,13,104.70	16.34	Total		3,55,072.67	4,13,104.70	16.34

Source: Finance Accounts

It can be seen from the above table that during 2020-21, assets increased by 6.36 *per cent*, while liabilities increased by 16.34 *per cent* over the previous year.

### 1.5 Fiscal Balance: Achievement of deficit and total debt targets

Nature of deficit is an indicator of the prudence of the fiscal management of the Government. Further, the ways in which the deficits are financed and the application of the resources raised are important pointers to the fiscal health of the state. This Section presents trends, nature, magnitude and the manner of financing these deficits and also the assessment of actual levels of revenue and fiscal deficits *vis-à-vis* targets set under Rajasthan FRBM Act/Rules for the financial year 2020-21.

In pursuance of recommendations of the Twelfth Finance Commission, the State Government had enacted its 'Fiscal Responsibility and Budgetary Management Act 2005', with a view to ensure prudence in fiscal management and to maintain fiscal stability in the State. It was amended in the years 2011, 2016 and 2021. The Fourteenth Finance Commission (XIV-FC) had also suggested fiscal consolidation roadmap for the state. Further, the Fifteenth Finance Commission (XV-FC) stated that the State Governments should comply with the recommended path of debt consolidation and in doing so, they must abide by the definition of both debt and fiscal deficit as contained in the FRBM Act, which recognises issues connected with off-budget borrowings, contingent liabilities and guarantees.

Review of fiscal situation of the state revealed the following:

(i) As per provisions contained in Section 6(a) of FRBM Act, the state government was to achieve Zero Revenue Deficit from the financial year 2011-12 and thereafter maintain it or attain revenue surplus. However, the State Government could maintain the revenue surplus only during the years 2011-12 and 2012-13 and thereafter there has been revenue deficit during last eight consecutive years upto 2020-21.

The Budget Estimates (BE), Revised Estimates (RE) and Actual figures in respect of Revenue Deficit/Surplus during the last six years are summarised below:

**Table 1.5: Position of Revenue deficits/surplus in the context of BE/RE and Actual**

(₹ in crore)							
S.No.	Particulars	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
1.	Budget Estimates	(+) 557	(-) 8,802	(-)13,528	(-)17,455	(-) 27,015	(-) 12,346
2.	Revised Estimates	(-) 5232	(-)17,838	(-)20,166	(-)24,825	(-) 28,041	(-) 41,722
3.	Actual	(-) 5,954	(-)18,114	(-)18,535	(-)28,900	(-)36,371	(-) 44,001

Source: Finance Accounts and budget document.

*Note: Deficit/surplus have been shown including the impact of UDAY<sup>2</sup> during the years 2016-17 to 2019-20.*

It is seen from the above table that the revenue deficit stood at ₹44,001 crore which was more than three times the projection made in BE (₹ 12,346 crore) and higher than RE (₹ 41,722 crore). The above table also indicates that the formulation of BE for this was deficient as there was regular and significant fall in RE and actual in comparison to BE during these years.

State Government was unable to contain revenue deficit to budgeted estimates during 2020-21 as the actual revenue receipt declined to ₹ 1,34,308 crore (including ₹ 5,633 crore received from Government of India on account of compensation for loss of revenue arising out of implementation of GST) against ₹ 1,73,404 crore in BE i.e. 22.55 per cent (₹ 39,096 crore) whereas the actual revenue expenditure decreased to ₹ 1,78,309 crore against ₹ 1,85,750 crore in BE i.e 4.01 per cent only (₹ 7,441 crore).

Thus greater fall in revenue receipt than budgeted and relatively less control over expenditure led to increase in revenue deficit.

2. Ujwal DISCOM Assurance Yojana (UDAY) is the financial turnaround and revival package for electricity distribution companies (DISCOMs) initiated by the Government of India with the intent to find a permanent solution to the financial mismanagement.

(ii) Section 6 (b) of the FRBM Act (as amended in 2011), envisaged achieving fiscal deficit of 3 *per cent* of GSDP by the financial year 2011-12 and thereafter to maintain the said ratio or reduce it.

The following table shows the trend of fiscal deficit-GSDP ratio during the last three years:

**Table 1.6: Position of Fiscal deficit in the context of BE/RE and Actual**

(In *per cent*)

S. No.	Years	Budget Estimates	Revised Estimates	Actual
1.	2018-19	2.98	3.39	3.74
2.	2019-20	3.19	3.16	3.77
3.	2020-21	2.99	6.12	6.20

Source: BE and RE from Budget documents

Thus, it is observed that fiscal deficit as percentage of GSDP during 2020-21 was much higher than the target of 3 *per cent* prescribed under the FRBM Act. The fiscal deficit stood at ₹59,376 crore which was higher than the projections in BE (₹ 33,923 crore) and RE (₹ 58,608 crore).

Further, considering the unprecedented COVID-19 pandemic, Government of India, in order to strengthen the resources in the hands of State Governments, decided (May 2020) to provide additional Borrowing Limit of upto 2 *per cent* of GSDP for the year 2020-21.

Though the FRBM Act was amended (March 2021) to increase the target of debt-GSDP ratio, the target for Fiscal Deficit remained unchanged.

(iii) The State Government amended (March 2021) the provisions of Section 6(c) of the FRBM Act and prescribed the limit of total outstanding debt up to 38.20 *per cent* of GSDP within a period of six years beginning from 1 April 2020 and thereafter to maintain the said ratio or reduce it. However, the Debt-GSDP ratio during 2020-21 was 42.37 *per cent*<sup>3</sup>.

**Table 1.7: Compliance with provisions of FRBM Act**

(₹ in crore)

S. No.	Fiscal Parameters	Fiscal targets set in the Act	Achievement				
			2016-17	2017-18	2018-19	2019-20	2020-21
1.	Revenue Deficit (-) / Surplus (+)	Revenue Surplus	(-)18,114 ×	(-)18,535 ×	(-)28,900 ×	(-)36,371 ×	(-)44,001 ×
2.	Fiscal Deficit (-)/ Surplus (+) (as percentage of GSDP)	Three <i>per cent</i>	(-)46,318 (6.09) ×	(-)25,342 (3.06) ×	(-)34,473 (3.74) ×	(-)37,654 (3.77) ×	(-)59,376 (6.20) ×
3.	Ratio of total outstanding debt to GSDP (in <i>per cent</i> )	Target	36.50	35.50	35.00	34.00	38.20
		Achievement	33.53	33.93	33.78	35.31	42.37 <sup>3</sup>
			✓	✓	✓	×	×

3. Arrived at after exclusion of GST compensation of ₹ 4,604 crore received as back to back loans under debt receipts from the total outstanding liabilities.

The ratio of total outstanding debt to GSDP as per the Finance Accounts is 42.85 *per cent*. However, the effective debt to GSDP ratio (42.37 *per cent*) has been arrived at after excluding GST compensation of ₹ 4,604 crore received as back to back loan under debt receipts from the total outstanding liabilities as the Department of Expenditure, GoI has decided that it will not be treated as debt of the State for any norms which may be prescribed by the Finance Commission.

Comparison of targets for fiscal parameters projected in Medium Term Fiscal Plan (MTFP) presented to the State Legislature with actuals for the current year is provided in the table below:

**Table 1.8: Actuals vis-à-vis projection in MTFP for 2020-21**

(₹ in crore)				
S. No.	Fiscal Variables	Projection as per MTFP	Actuals (2020-21)	Variation (in <i>per cent</i> )
1	Own Tax Revenue	77,029	60,283	(-)21.74
2	Non-Tax Revenue	19,596	13,653	(-)30.33
3	Share of Central Taxes	46,886	35,576	(-)24.12
4	Grants -in-aid from GoI	29,893	24,796	(-) 17.05
5	Revenue Receipts (1+2+3+4)	1,73,404	1,34,308	(-) 22.55
6	Revenue Expenditure	1,85,750	1,78,309	(-) 4.01
7	Revenue Deficit (-)/Surplus (+) (5-6)	(-) 12,346	(-) 44,001	256.40
8	Fiscal Deficit (-)/ Surplus (+)	(-) 33,923	(-)59,376	75.03
9	Debt-GSDP ratio ( <i>per cent</i> )	33.12	42.37 <sup>4</sup>	27.92
10	GSDP growth rate at current prices ( <i>per cent</i> )	11.00	(-) 4.11	(-)137.36

Source: Finance Accounts and budget document.

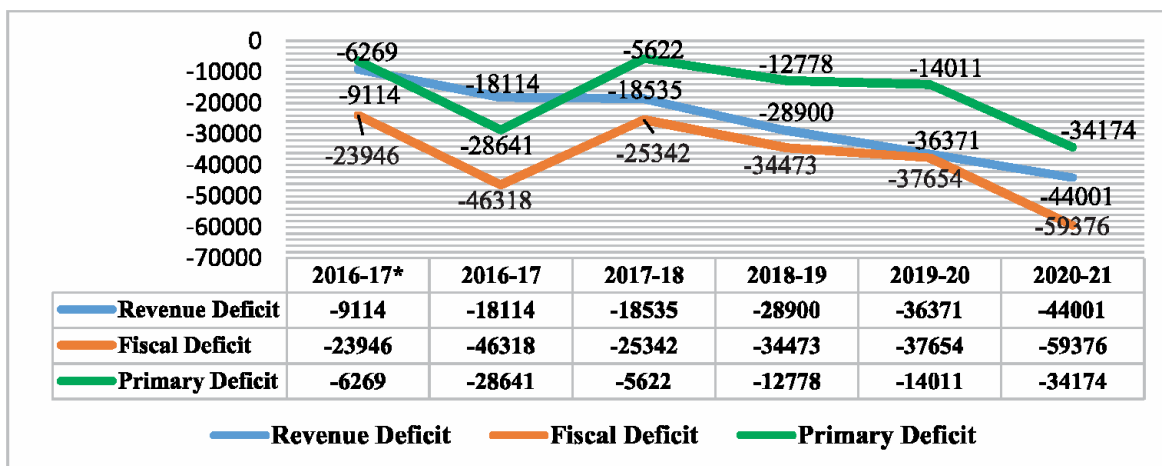
As can be seen from the table, the actuals in relation to two key fiscal parameters i.e., Revenue Deficit and Fiscal Deficit exceeded the projections of MTFP and projections relating to Debt-GSDP ratio and growth rate of GSDP were also not met, with the year ending with a higher Debt to GSDP ratio and lower growth in GSDP than was projected in the MTFP.

**Charts 1.4 and 1.5** present the trends in deficit indicators over the period 2016-21.

4. Arrived at after exclusion of GST compensation of ₹ 4,604 crore received as back to back loan under debt receipts from the total outstanding liabilities.

Chart 1.4: Trends in deficit parameters

('₹ in crore)



\* Without UDAY.

Chart 1.5: Trends in Deficit Indicators (with UDAY) Relative to GSDP

(In per cent to GSDP)

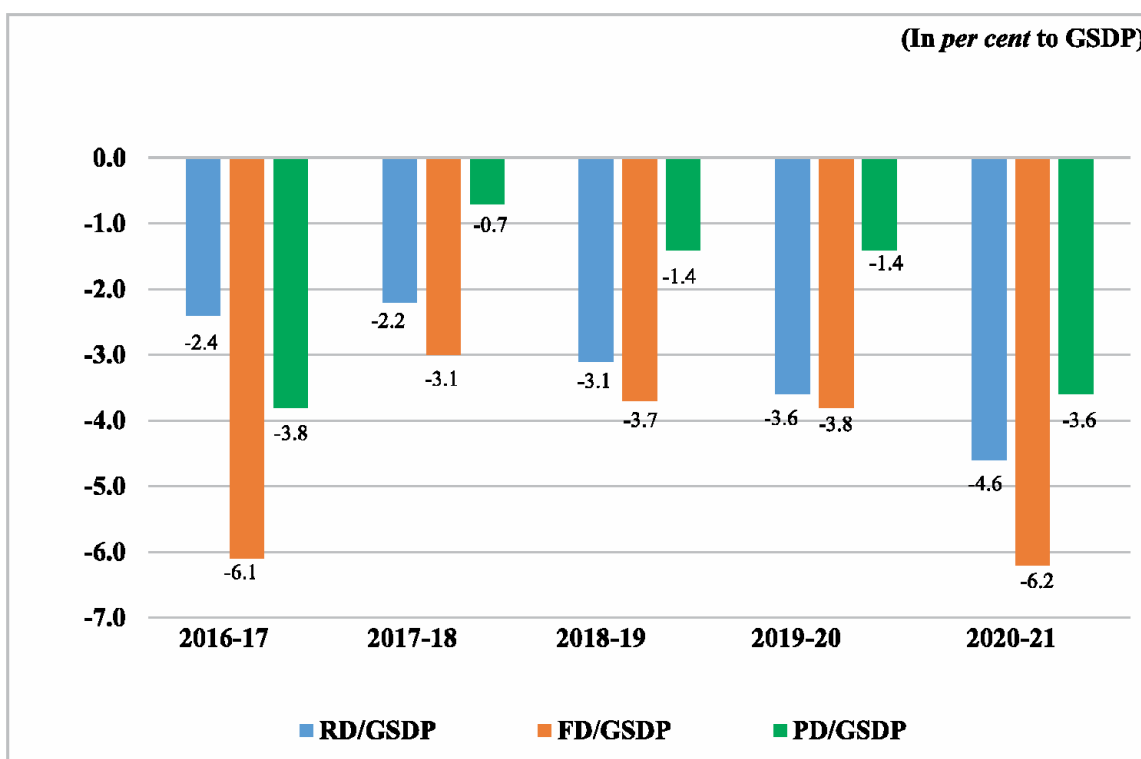
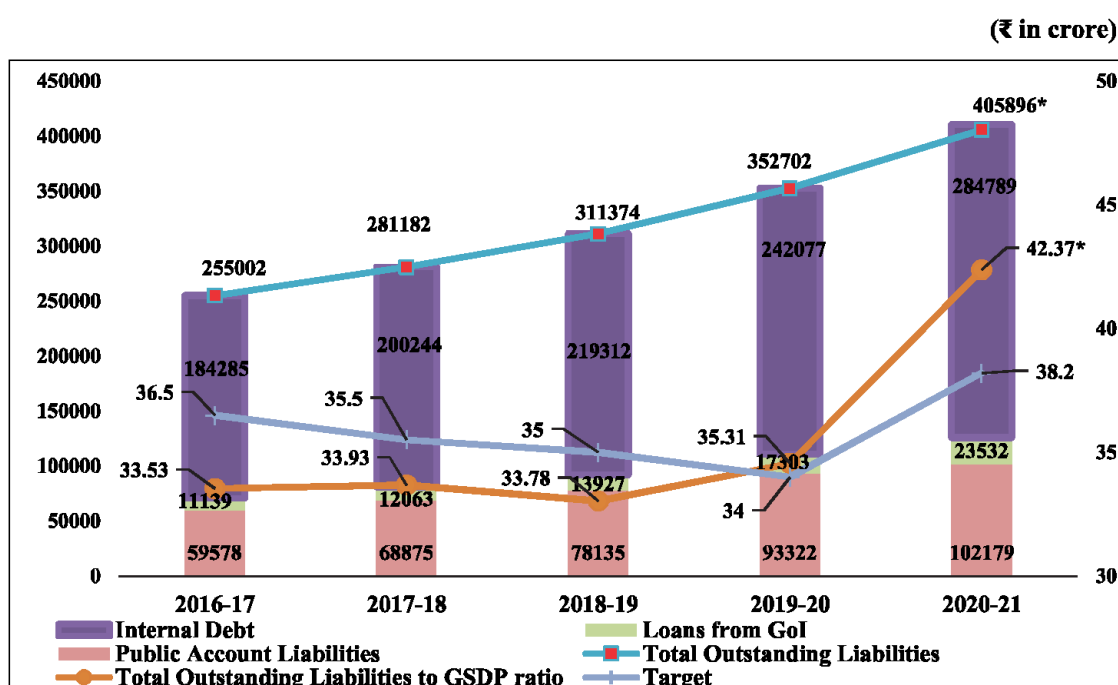




Chart 1.6: Trends in Fiscal Liabilities and GSDP



\* Arrived at after exclusion of GST compensation of ₹ 4,604 crore received as back to back loan under debt receipts from the total outstanding liabilities.

During 2020-21, fiscal liabilities increased by 16.39 per cent (₹57,798 crore) over the previous year due to increase in Internal Debt by 17.64 per cent (₹42,712 crore), Public Account Liabilities by 9.49 per cent (₹ 8,857 crore) and Loans and Advances from GoI by 36.00 per cent (₹ 6,229 crore). Increase in Loans and Advances from GoI from ₹ 17,303 crore in 2019-20 to ₹ 23,532 crore in 2020-21 was due to receipt of ₹ 4,604 crore under “back to back loan to states in lieu of GST compensation shortfall”.

The fiscal liabilities of ₹ 4,05,896 crore<sup>5</sup> existing on 31 March 2021, included outstanding borrowings of ₹ 37,825 crore under UDAY, on account of the issue of Non-Statutory Liquidity Ratio (SLR) Bonds and forfeited Bonds which constituted Internal Debt of the State Government.

During 2020-21, the fiscal liability (total outstanding debt) to GSDP ratio (42.37 per cent<sup>6</sup>) was higher than the FRBM target (38.2 per cent), as well as the MTFP target (33.12 per cent) of the State Government.

## 1.6 Deficits and Total Debt after examination in audit

In order to present a better picture of State Finances, there is a tendency to classify revenue expenditure as capital expenditure and to conduct off-budget fiscal operations.

5. After excluding GST compensation of ₹ 4,604 crore received as back to back loans under debt receipts.
6. Arrived at after exclusion of GST compensation of ₹ 4,604 crore received as back to back loan under debt receipts from the total outstanding liabilities.

### 1.6.1 Post audit - Deficits

Misclassification of revenue expenditure as capital and off budget fiscal operations impact deficit figures. Besides, deferment of clear-cut liabilities, not depositing cess/royalty to Consolidated Fund, short contribution to New Contributory Pension Scheme (NPS), sinking and redemption funds, etc. also impact the revenue and fiscal deficits. In order to arrive at actual deficit figures, the impact of such irregularities need to be reversed.

**Table 1.9: Revenue and Fiscal Deficit, post examination by Audit**

(₹ in crore)

S. No.	Particulars	Impact on Revenue		Impact on Fiscal Deficit	
		Overstated	Understated	Overstated	Understated
1.	Non-credit of interest on interest bearing Reserve Funds and Deposits	-	8.61	-	8.61
2.	Short transfer of employees and Government contribution to NSDL under Defined Contribution Pension Scheme	-	40.29	-	40.29
3.	Non-transfer of Central Road Fund	-	141.81	-	141.81
4.	Short transfer of Cess on Petrol and Diesel	-	165.16	-	165.16
5.	Transfer of Water Conservation Cess	72.47	-	72.47	-
6.	Excess transfer of Labour Cess	45.27	-	45.27	-
7.	Short transfer of surcharge to Rajasthan Cow Protection and Promotion Fund	-	480.18	-	480.18
8.	Non-transfer of grant to Urban Local Bodies (ULBs)	-	281.00	-	281.00
9.	Off budget operations: Additional guarantee given to Zila Parishads	-	-	-	50.41
	<b>Total (net) understatement</b>		<b>999.31</b>		<b>1,049.72</b>

Source: Finance Accounts and audit analysis

It is evident that the State Government short transferred ₹ 999.31 crore during the year 2020-21 and also resorted to off-budget fiscal operations by adding guarantee of ₹ 50.41 crore to the outstanding balances of guarantees given to Zila Parishads, thus, understating the revenue deficit by ₹ 999.31 crore and fiscal deficit by ₹ 1,049.72 crore.

### 1.6.2 Post Audit - Total Public Debt

According to Rajasthan FRBM Act, 2005, the total liability means the explicit liabilities under Consolidated Fund of the State and the Public Account of the State including General Provident Fund.

**Table 1.10: Overall debt, post examination by Audit**

1.		Overall Debt (₹ 4,05,895.46 crore <sup>7</sup> )	as a percentage of GSDP (42.37 per cent <sup>8</sup> )
2.	Impact on overall Debt (Understated) due to: (₹ in crore)		
a.	Off budget fiscal operations such as borrowings by 'Various <i>Zila Parishads</i> on behalf of the State Government where the principal and/ or interest are to be serviced out of the State budgets.	1,804.41	0.19
	<b>Total of 2</b>	<b>1,804.41</b>	<b>0.19</b>
	<b>Total of (1 + 2)</b>	<b>4,07,699.87</b>	<b>42.56<sup>8</sup></b>

Thus, taking into account the off-budget borrowings of the State, the total outstanding debt at the end of March 2021 worked out to ₹ 4,07,699.87 crore against ₹ 4,05,895.46 crore<sup>7</sup>. Consequently, the overall debt as a percentage of GSDP at the end of the year was understated by 0.19 per cent.

7. After excluding GST compensation of ₹ 4,604 crore received as back to back loans under debt receipts.

8. Arrived at after exclusion of GST compensation of ₹ 4,604 crore received as back to back loan under debt receipts from the total outstanding liabilities.