

## **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 2021-22, compared to 2020-21. The analysis of the following indicators is discussed in the succeeding paragraphs.

##### Changes in key fiscal aggregates in 2021-22 compared to the year 2020-21

<b>Revenue Receipts</b>	<ul style="list-style-type: none"><li>✓ Revenue receipts of the State increased by 25.27 per cent</li><li>✓ Own Tax receipts of the State increased by 22.91 per cent</li><li>✓ Non-tax receipts decreased by 3.46 per cent</li><li>✓ State's Share of Union Taxes and Duties increased by 50.31 per cent</li><li>✓ Grants-in-Aid from Government of India decreased by 10.21 per cent</li></ul>
<b>Revenue Expenditure</b>	<ul style="list-style-type: none"><li>✓ Revenue expenditure increased by 13.08 per cent</li><li>✓ Revenue expenditure on General Services increased by 12.15 per cent</li><li>✓ Revenue expenditure on Social Services increased by 10.26 per cent</li><li>✓ Revenue expenditure on Economic Services increased by 19.84 per cent</li><li>✓ Expenditure on Grants-in-Aid increased by 16.13 per cent</li></ul>
<b>Capital Expenditure</b>	<ul style="list-style-type: none"><li>✓ Capital expenditure increased by 36.77 per cent</li><li>✓ Capital expenditure on General Services increased by 54.76 per cent</li><li>✓ Capital expenditure on Social Services increased by 49.92 per cent</li><li>✓ Capital expenditure on Economic Services increased by 31.80 per cent</li></ul>
<b>Loans and Advances</b>	<ul style="list-style-type: none"><li>✓ Disbursement of Loans and Advances increased by 39.90 per cent</li><li>✓ Recoveries of Loans and Advances decreased by 17.27 per cent</li></ul>
<b>Public Debt</b>	<ul style="list-style-type: none"><li>✓ Public Debt Receipts decreased by 12.79 per cent</li><li>✓ Repayment of Public Debt increased by 7.27 per cent</li></ul>
<b>Public Account</b>	<ul style="list-style-type: none"><li>✓ Public Account Receipts increased by 17.27 per cent</li><li>✓ Disbursements from Public Account increased by 17.62 per cent</li></ul>
<b>Cash Balance and Investment</b>	<ul style="list-style-type: none"><li>✓ Cash balance and Investment increased by ₹ 12,880 crore (40.69 per cent) as on 31 March 2022 with compared to 31 March 2021.</li></ul>

## 2.2 Sources and Application of Funds

A time series data on the State Government finances for the period 2017-22 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 2021-22 as compared to the year 2020-21.

**Table 2.1: Comparison of Sources and Application of funds during the years 2020-21 and 2021-22**

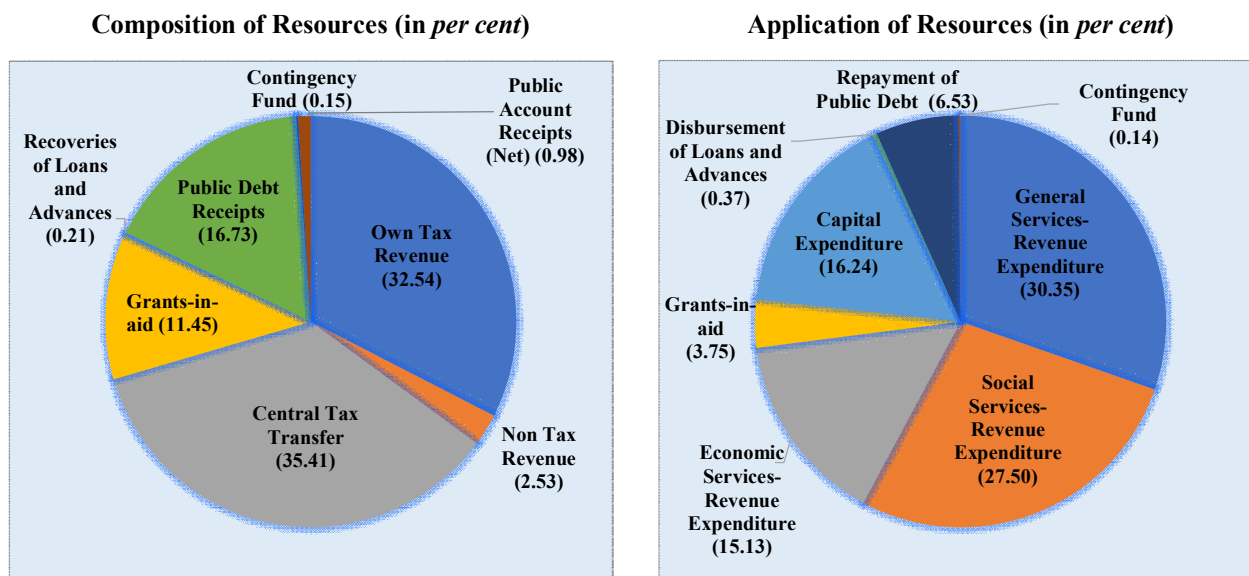
	Particulars	2020-21 (₹ in crore)	2021-22 (₹ in crore)	Increase/ Decrease (in percentage)
<b>Sources</b>	Opening Cash Balance and Investment	21,443	31,653	47.61
	Revenue Receipts	2,96,176	3,71,011	25.27
	Recoveries of Loans and Advances	1,135	939	(-) 17.27
	Public Debt Receipts (Net)	60,082	47,025	(-) 21.73
	Miscellaneous Capital Receipts	0	0	-
	Public Account Receipts (Net)*	4,850	4,442	(-) 8.41
	Contingency Fund Receipts	0	700	-
	<b>Total</b>	<b>3,83,686</b>	<b>4,55,770</b>	<b>18.79</b>
<b>Application</b>	Revenue Expenditure	2,98,543	3,37,581	13.08
	Capital Expenditure	52,237	71,443	36.77
	Disbursement of Loans and Advances	1,153	1,613	39.90
	Appropriation to Contingency Fund	0	600	-
	Disbursements under Contingency Fund	100	0	(-) 100
	Closing Cash Balance and Investment	31,653	44,533	40.69
	<b>Total</b>	<b>3,83,686</b>	<b>*4,55,770</b>	<b>18.79</b>

Source: Finance Accounts of the respective years.

\* Excluding transactions under Major Heads 8671-Departmental Balances, 8672-Permanent Cash Imprest and 8673-Cash Balance Investment Account and investments in Reserve Funds which are part of opening and closing cash balances.

2.2.1 Component wise sources and applications of funds during the year 2021-22 have been depicted in **Chart 2.1**.

**Chart 2.1: Composition and Application of Resources during the year 2021-22**



Source: Finance Accounts 2021-22

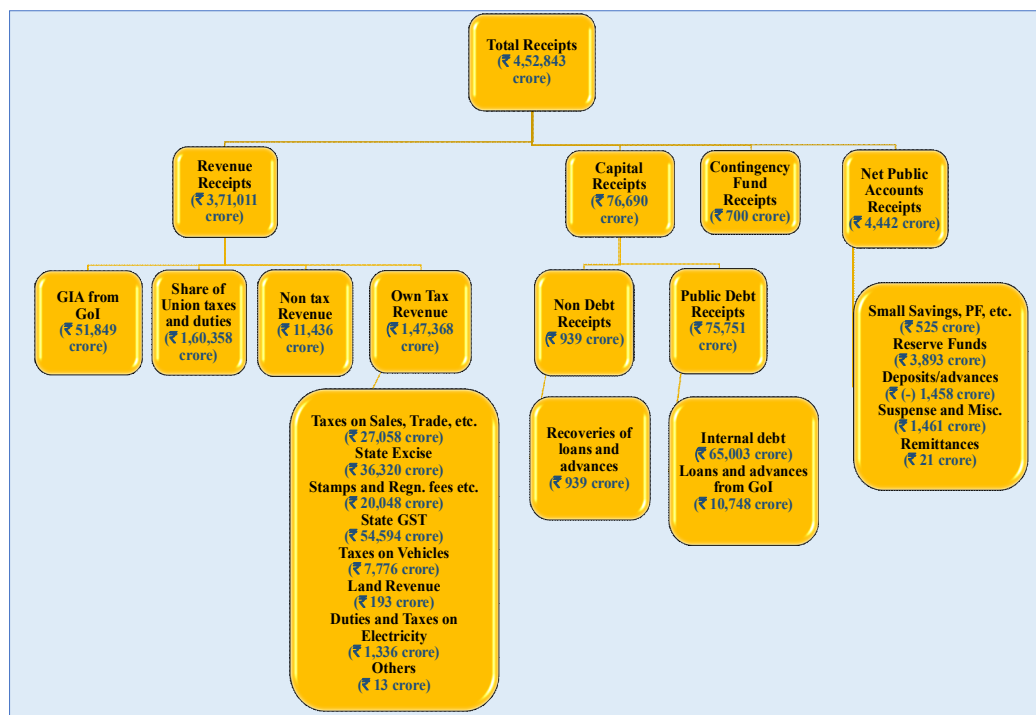
## 2.3 Resources of the State

This section analyses resources of the State and their trends during the years 2017-18 to 2021-22.

### 2.3.1 Receipts of the State

The composition of receipts of the State during the year 2021-22 is shown in Chart 2.2.

Chart 2.2: Details of composition of receipts during the year 2021-22



Source: Finance Accounts 2021-22

The total receipts of the State during the year 2021-22 was ₹ 4,52,843 crore. It constitutes of Revenue Receipts of ₹ 3,71,011 crore, Capital Receipts of ₹ 76,690 crore, Contingency Fund Receipts of ₹ 700 crore and Net Public Account Receipt<sup>10</sup> of ₹ 4,442 crore. Revenue Receipts consists of Own Tax Revenue of ₹ 1,47,368 crore, Non-Tax Revenue of ₹ 11,436 crore, Share of Union Taxes and Duties of ₹ 1,60,358 crore and Grants-in-Aid (GIA) from GOI of ₹ 51,849 crore. Capital Receipts constitutes of Non-debt Receipts of ₹ 939 crore and Public Debt Receipts of ₹ 75,751 crore.

## 2.4 Revenue Receipts

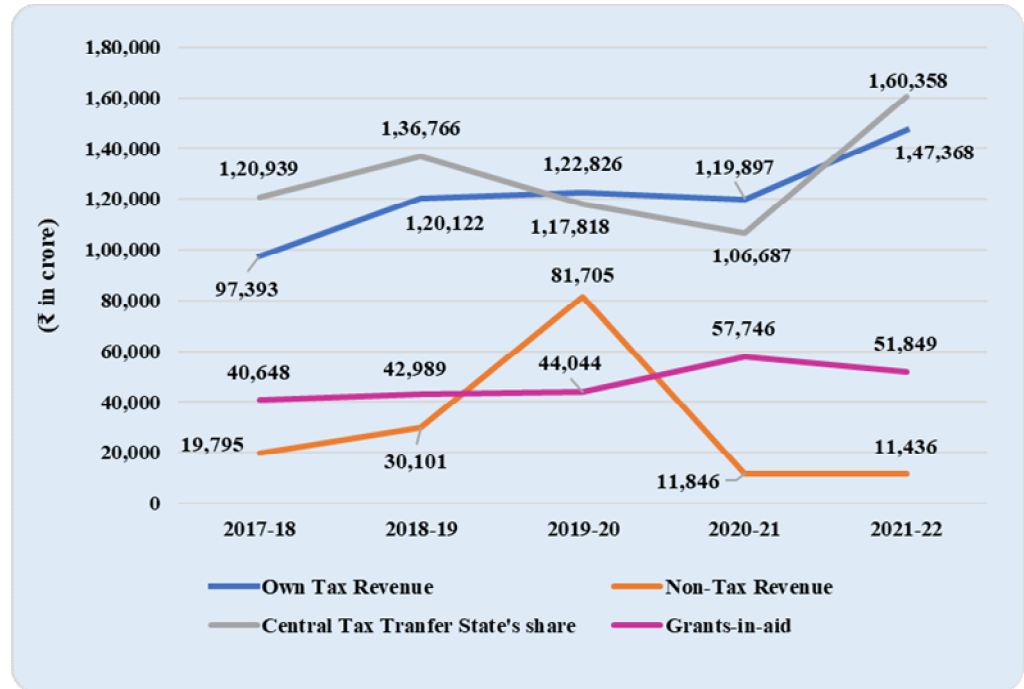
This paragraph analyses trends in total revenue receipts and its components. It is followed by analysis of trends in the receipts bifurcated into State's own receipts and receipts from the Central Government.

<sup>10</sup> 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.

### 2.4.1 Trends and growth of Revenue Receipts

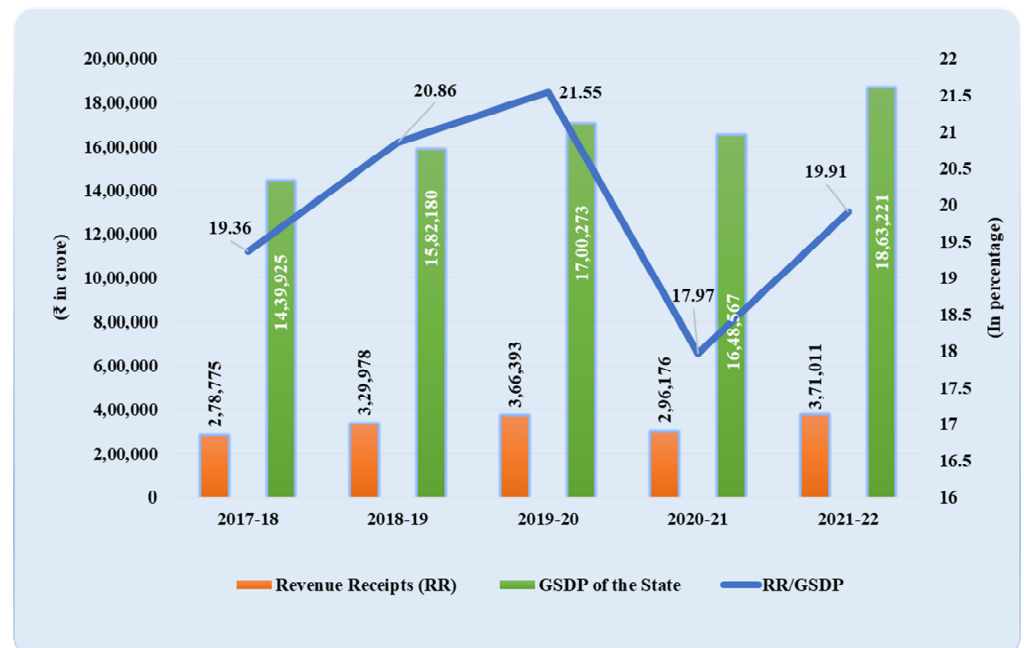
Statement 14 of the Finance Accounts gives details of the Revenue Receipts of the Government. The trends and composition of Revenue Receipts as per Finance Accounts during the period 2017-22 are depicted in **Chart 2.3**, **Chart 2.4** and **Table 2.2**.

Chart 2.3: Trend of Revenue Receipts during the period 2017-22



Source: Finance Accounts of the respective years

Chart 2.4: Revenue Receipts as a percentage of GSDP during the period 2017-22



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	2017-18	2018-19	2019-20	2020-21	2021-22
Revenue Receipts (RR) (₹ in crore)	2,78,775	3,29,978	3,66,393	2,96,176	3,71,011
Rate of growth of RR (per cent)	8.53	18.37	11.04	(-)19.16	25.27
Own Revenue (₹ in crore) of which	1,17,188	1,50,223	2,04,531	1,31,743	1,58,804
Own Tax Revenue (₹ in crore)	97,393	1,20,122	1,22,826	1,19,897	1,47,368
Non-Tax Revenue (₹ in crore)	19,795	30,101	81,705	11,846	11,436
Rate of growth of Own Revenue (per cent)	1.98	28.19	36.15	(-)35.59	20.54
Rate of growth of Own Tax Revenue (per cent)	13.29	23.34	2.25	(-)2.38	22.91
Gross State Domestic Product (₹ in crore) (2011-12 Series at current price)	14,39,925	15,82,180	17,00,273	16,48,567	18,63,221
Rate of growth of GSDP (per cent)	11.73	9.88	7.46	(-)3.04	13.02
<b>Buoyancy Ratio<sup>11</sup></b>					
Revenue Buoyancy with respect to (w.r.t.) GSDP	0.73	1.86	1.48	*	1.94
State's Own Revenue Buoyancy w.r.t GSDP	0.17	2.85	4.85	*	1.58
States Own Tax Revenue Buoyancy w.r.t GSDP	1.13	2.36	0.30	*	1.76

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

\*Since growth of GSDP was negative hence buoyancy was not calculated.

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 2021-22 was ₹ 3,71,011 crore. The compound annual growth rate was 7.41 per cent during the period 2017-22. It increased by 25.27 per cent in the year 2021-22 as compared to previous year (2020-21). The increase in Revenue Receipts was mainly due to higher receipts of Central Tax Transfers (50.31 per cent) and Own Tax Revenue (22.91 per cent) as compared to the year 2020-21.
- State Government had projected Revenue Receipts of ₹ 4,18,340 crore in Budget Estimates 2021-22 which was reduced to ₹ 3,78,731 crore in Revised Estimates 2021-22. As compared to Budget Estimates 2021-22, there were shortfall in actual receipts by 20.92 per cent in Own Tax Revenue, 55.01 per cent in Non-Tax Revenue and 40.52 per cent in Grants-in-aid from GoI. State could also not achieve Revised Estimates projections due to shortfall of 8.10 per cent in Own Tax Revenue, 26.33 per cent in Non-Tax Revenue and 41.06 per cent in Grants-in-aid from GoI. However, Central Transfer of Taxes during 2021-22 was more than Budget Estimates (by 34.31 per cent) and Revised Estimates (by 39.57 per cent).
- State's own tax revenue buoyancy was 1.76 during the year 2021-22 which was indicative of recovery in economy after adverse impact of Covid-19 on the State's economy that led to negative growth rates of GSDP as well as own tax revenue during the year 2020-21.

<sup>11</sup> 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.

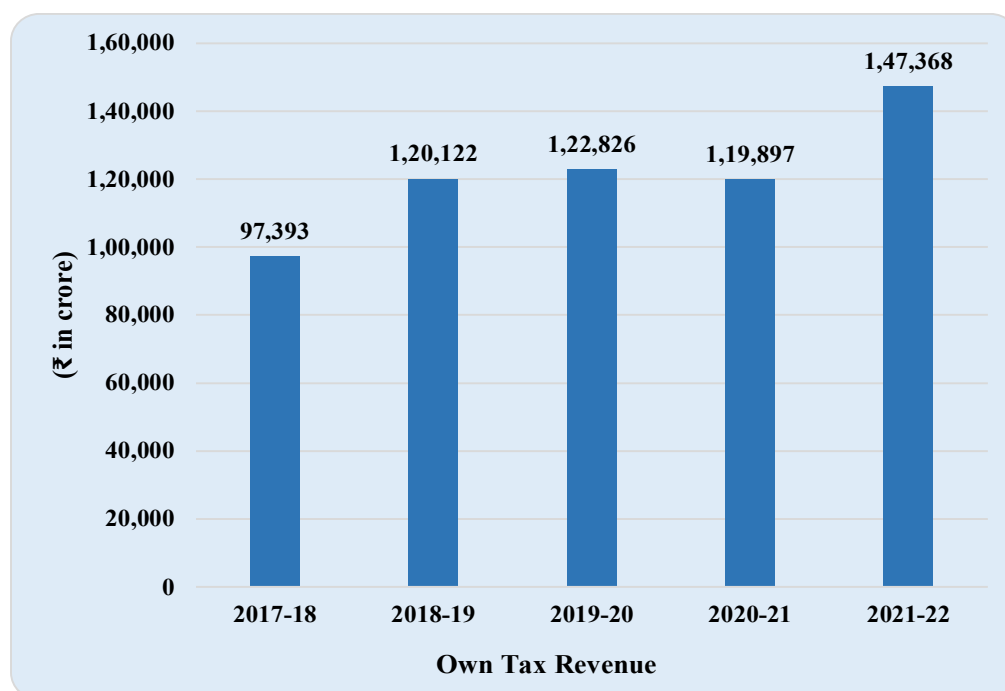
## 2.4.2 State's Own Resources

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 2017-22 is given in **Appendix-2.2**.

### 2.4.2.1 Own Tax revenue

Own tax revenue of the State was ₹ 1,47,368 crore during the year 2021-22. During the period 2017-22, it increased by 51.31 *per cent* (₹ 49,975 crore) from ₹ 97,393 crore in 2017-18 to ₹ 1,47,368 crore in 2021-22. Major trends of growth of Own Tax Revenue are given in **Chart 2.5**.

**Chart 2.5: Own Tax Revenue during the period 2017-22**



Source: Finance Accounts of the respective year

During the period 2017-22, 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 2017-22

Sl. No.	Revenue Head	2017-18	2018-19	2019-20	2020-21	2021-22	Sparkline
1.	Taxes on Sales, Trade, etc.	31,113	23,798	20,517	22,127	27,058	
2.	State Goods and Service Tax (SGST)	25,374	46,108	47,232	42,860	54,594	
3.	State Excise	17,320	23,927	27,325	30,061	36,320	
4.	Taxes on Vehicles	6,404	6,929	7,715	6,483	7,776	
5.	Stamps and Registration fees	13,398	15,733	16,070	16,475	20,048	
6.	Land Revenue	1,336	631	504	297	193	
7.	Taxes and duties on Electricity	2,124	2,978	3,453	1,587	1,366	
8.	Other Taxes	324	18	10	7	13	
	<b>Total</b>	<b>97,393</b>	<b>1,20,122</b>	<b>1,22,826</b>	<b>1,19,897</b>	<b>1,47,368</b>	

Source: Finance Accounts of the respective year

It is evident from **Table 2.3** that:

- The overall increase of 22.91 *per cent* in Own Tax Revenue during 2021-22 over previous year was mainly due to increase in receipts of State Goods and Services Tax (₹ 11,734 crore), State Excise (₹ 6,259 crore), Taxes on Sales, Trade (₹ 4,931 crore), Stamps and Registration Fees (₹ 3,573 crore) and Taxes on Vehicles (₹ 1,293 crore). However, there were less receipts in Taxes and Duties on Electricity (₹ 221 crore) and Land Revenue (₹ 104 crore) as compared to the year 2020-21.
- State Goods and Services Tax (SGST) which is the largest component of tax revenue of the State comprised 37.05 *per cent* of the own tax revenue receipts for the year 2021-22. During the year 2021-22, the estimated SGST was ₹ 73,285 crore against which actual collection was ₹ 54,594 crore which was 25.50 *per cent* below the estimation.
- Collection under Taxes on Sales, Trade, etc., increased due to more receipt under Central Sales Tax Act (₹ 515.34 crore) and Value Added Tax (₹ 4,328.76 crore). Increase in State Excise was mainly due to increase in receipts on account of sale of country spirits (₹ 3,633.94 crore) and foreign liquors (₹ 1,724.49 crore) and malt liquors (₹ 827.97 crore). Increase in Taxes on Vehicles mainly due to more receipts of ₹ 1,689.47 crore under State Motor Vehicles Taxation Acts.
- 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 in other taxes as compared to 2017-18 is mainly on account of subsuming of 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 finalised 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 2021-22 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 2021-22 in accordance with the base year figure was ₹ 73,222 crore against which SGST amounting to ₹ 54,594 crore was collected. This includes ₹ 2,708 crore as State's share in advance apportionment of IGST.

The State also received ₹ 45,919 crore as its share of net proceeds assigned to the State under Central Goods and Services Tax. Thus, the total receipts under GST were ₹ 1,00,513 crore. State Government also received compensation of ₹ 8,299 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 ₹ 8,140 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 2017-22 is given in Table 2.4:

Table 2.4: Trends of Non-Tax Revenue during the period 2017-22.

Particulars	₹ in crore)					Sparkline
	2017-18	2018-19	2019-20	2020-21	2021-22	
(i) Interest receipts	1,093	1,712	1,469	1,116	1,250	
(ii) Dividends and Profits	31	175	39	105	213	
<b>(iii) Other Non-tax Receipts:</b>						
(a) Miscellaneous General Services	4,841	13,678	72,044	572	295	
(b) Non-ferrous Mining and Metallurgical Industries	3,259	3,165	2,181	3,113	2,655	
(c) Power	4,696	5,735	1,044	1,309	1,769	
(d) Irrigation (Major, Medium and Minor)	953	908	1,024	1,174	1,120	
(e) Roads and Bridges	366	932	707	997	640	
(f) Education, Sports, Art and Culture	432	381	480	505	452	
(g) Others and Miscellaneous	4,124	3,415	2,717	2,955	3,042	
<b>Total</b>	<b>18,671</b>	<b>28,214</b>	<b>80,197</b>	<b>10,625</b>	<b>9,973</b>	
<b>Grand Total [(i), (ii) and (iii)]</b>	<b>19,795</b>	<b>30,101</b>	<b>81,705</b>	<b>11,846</b>	<b>11,436</b>	

Source: Finance Accounts of the respective years.

Non-Tax receipts of the State was highest during 2019-20. However, the higher Non-Tax receipts during 2017-18, 2018-19 and 2019-20 was mainly due to book transfers of balances from Sinking Fund amounting to ₹ 4,422 crore (2017-18), ₹ 12,693 crore (2018-19) and ₹ 71,180 crore (2019-20) to the head 'Miscellaneous General Services' without actual cash receipts. During 2021-22, the total receipts under Non-Tax Revenue were ₹ 11,436 crore in 2021-22, representing a decrease of 3.46 per cent over the previous year. There was decrease in receipts of Non-Ferrous Mining and Metallurgical Industries by ₹ 458 crore (14.69 per cent) mainly due to less receipts

(₹ 372.31 crore) of mineral concession fees, rents and royalties, Road and Bridges by ₹ 357 crore (35.80 per cent) due to less receipts (₹ 360.97 crore) from other receipts, viz. receipts from government ferries, receipts of establishment expenses, etc., Miscellaneous General Services by ₹ 277 crore (48.42 per cent) less receipts from unclaimed deposits (₹ 113.36 crore) and from other receipts (₹ 106.58 crore) as compared to previous year (2020-21).

### 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 2021-22, transfers from GoI (Tax Devolution and Grants-in-aid) constituted 57.20 per cent of Revenue Receipts of the State, which was 29.05 per cent (₹ 47,774 crore) higher as compared to the year 2020-21.

#### 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 (2021-26) had recommended for an aggregate share of 41 per cent of the net proceeds of Union taxes (divisible pool) to be devolved to States 2021-22 to 2025-26, of which 17.939 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 2017-22 is given in **Table 2.5**.

**Table 2.5: Central Tax Transfers during the period 2017-22**

(₹ in crore)

Head	2017-18	2018-19	2019-20	2020-21	2021-22
Central Goods and Services Tax (CGST)	1,718	33,757	33,434	31,611	45,919
Integrated Goods and Services Tax (IGST)	12,212	2,694	0	0	0
Corporation Tax	37,043	47,563	40,171	32,258	45,807
Taxes on Income other than Corporation Tax	31,280	35,028	31,477	33,080	47,482
Customs	12,208	9,695	7,468	5,606	11,922
Union Excise Duties	12,761	6,442	5,192	3,577	6,693
Service Tax	13,719	1,252	0	475	2,360
Other Taxes <sup>12</sup>	(-) <sup>2</sup> *	335	76	80	175
Central Tax transfers	1,20,939	1,36,766	1,17,818	1,06,687	1,60,358
Percentage of increase over previous year	10.52	13.09	(-) <sup>13.85</sup>	(-) <sup>9.45</sup>	50.31
Percentage of Central tax transfers to total Revenue Receipts of State	43.38	41.45	32.16	36.02	43.22

Source: Finance Accounts of the respective years.

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

<sup>12</sup> Include Taxes on Wealth, Other Taxes on Income and Expenditure, Other Taxes and Duties on commodities and Services.

**Table 2.5** shows that during the year 2021-22, the receipts under State's share of Union taxes and duties increased by ₹ 53,671 crore (50.31 *per cent*) as compared to year 2020-21. State's share of Union taxes and duties constituted 43.22 *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 2017-22, 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 2017-22**

(₹ in crore)					
Head	2017-18	2018-19	2019-20	2020-21	2021-22
Grants for Centrally Sponsored Schemes (CSS)	27,731	31,250	25,824	32,342	31,227
Finance Commission Grants	8,849	9,318	12,965	16,023	12,306
Other Transfers/Grants to States/Union Territories with Legislature	4,068	2,421	5,255	9,381	8,316
<b>Total</b>	<b>40,648</b>	<b>42,989</b>	<b>44,044</b>	<b>57,746</b>	<b>51,849</b>
Percentage of increase over the previous year	24.93	5.76	2.45	31.11	(-)10.21
Percentage of GIA to Revenue Receipts	14.58	13.03	12.02	19.50	13.98

Source: Finance Accounts of respective years

It is evident from **Table 2.6** that overall increase during the period 2017-21 under different components of Grants-in-aid from GoI was 27.56 *per cent* from ₹ 40,648 crore in 2017-18 to ₹ 51,849 crore in 2021-22. However, in the year 2021-22, there was a decrease of 10.21 *per cent* (₹ 5,897 crore) in Grants-in-aid over the previous year. The State Government received ₹ 31,227 crore under Centrally Sponsored Schemes which was 3.45 *per cent* lower in comparison to the year 2020-21 mainly due to less receipts under Rural Development, Primary Education and Social Welfare Development (Special Component Plan of Scheduled Castes), *etc.* However, there was increased grants-in-aid under Centrally Sponsored Schemes for Family Welfare Department and Urban Development. Finance Commission Grants also decreased by ₹ 3,717 crore (23.20 *per cent*) as compared to 2020-21 due to less receipts for Panchayati Raj (₹ 2,544 crore), Urban Development (₹ 2,577 crore), State Disaster Response Fund (₹ 387 crore), though there was increase in receipts under Finance Commission Grants for Medical Department (₹ 1,791 crore). Further, decrease of ₹ 1,065 crore (11.35 *per cent*) in grants-in-aid under 'Other transfers/Grants to States/Union Territories with Legislature' in comparison to the year 2020-21 was mainly on account of less receipts of ₹ 1,024.56 crore towards compensation for loss of revenue arising out of implementation of GST.

#### 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 (XIV FC)/State Disaster Risk Management Fund (XV FC). The details of amounts recommended and grants-in-aid received during the period 2017-22 are shown in **Table 2.7**.

Table 2.7: Finance Commission Grants from GoI during the period 2017-22

(₹ in crore)

Particulars	Recommendation of			Grant received from GoI			Grants transferred by State Government		
	XIV/XV-FC	XV-FC	Total	2017-18 to 2020-21	2021-22	Total	2017-18 to 2020-21	2021-22	Total
	2017-18 to 2020-21	2021-22							
<b>Local Bodies (Basic and Performance Grants)</b>									
(i) Grants to PRIs	35,615.95	7,208.00	<b>42,823.95</b>	32,739.86	7,208.00	39,947.86	33,136.71	7,208.00	40,344.71
(ii) Grants to ULBs	12,196.68	3,550.00	<b>15,746.68</b>	10,723.19	1,761.25	12,484.44	9,054.36	1,761.25	10,815.61
<b>Total for Local Bodies</b>	<b>47,812.63</b>	<b>10,758.00</b>	<b>58,570.63</b>	<b>43,463.05</b>	<b>8,969.25</b>	<b>52,432.30</b>	<b>42,191.07</b>	<b>8,969.25</b>	<b>51,160.32</b>
SDRF/SDRMF*	4,923.00	2578.00*	<b>7,501.00<sup>13</sup></b>	3,691.75	1,546.40	<b>5,238.15</b>	2,725.25	2,512.90	<b>5,238.15</b>
<b>Grand Total</b>	<b>52,735.63</b>	<b>13,336.00</b>	<b>66,071.63</b>	<b>47,154.80</b>	<b>10,515.65</b>	<b>57,670.45</b>	<b>44,916.32</b>	<b>11,482.15</b>	<b>56,398.47</b>

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

\* State Disaster Response Fund (SDRF)/State Disaster Risk Management Fund (SDRMF)

During the period 2017-22, against the total grants of ₹ 58,570.63 crore recommended by XIV/XV Finance Commission under grants-in-aid for Local Bodies, the State Government received ₹ 52,432.30 crore from the GoI. Out of this, the State Government released ₹ 51,160.32 crore to Urban and Rural Local Bodies during the period 2017-22. Thus, the State Government short released ₹ 1,271.98 crore, which pertains to the year 2017-18. During the years 2018-19 to 2021-22, the State Government released entire amount of grants-in-aid received from GoI to Urban/Rural Local Bodies.

During the period 2017-20, the State Government received ₹ 1,758.75 crore as Central share for SDRF as per recommendations of XIV FC, which was transferred by the State Government to the Fund. In addition, the State Government also deposited its share of ₹ 572.58 crore in the Fund during the period 2017-20.

Further, XV Finance Commission allocated ₹ 5,156 crore to Uttar Pradesh for State Disaster Risk Management Fund (SDRMF) during the period 2020-21 (₹ 2,578 crore) and 2021-22 (₹ 2,578 crore). Out of ₹ 2,578 crore for SDRMF (GoI share: 1,933 crore and State share: 645 crore), ₹ 2,062.40 crore (80 per cent) was for SDRF (GoI share: ₹ 1,546.40 crore and State Government share: ₹ 516 crore) and ₹ 515.60 crore (20 per cent) was for State Disaster Mitigation Fund (GoI Share: ₹ 386.60 crore and State Government share: ₹ 129 crore). During the year 2020-21, GoI released its share of ₹ 1,933 crore for SDRMF whereas GoI release for the year 2021-22 was ₹ 1,546.40 crore. The short release (₹ 386.60 crore) during the year 2021-22 was due to non-release of GoI share for State Disaster Mitigation Fund (SDMF). Further, State Government transferred entire GoI release of ₹ 3,479.40 crore during the period 2020-22 to SDRF instead of transferring ₹ 386.60 crore pertaining to the year 2020-21 to SDMF. In addition, State Government also transferred its share of ₹ 1,160.33 crore to SDRF during the period 2020-22.

<sup>13</sup> Including State share of 25 per cent of total grant.

## 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 of capital receipts during the period 2017-22**

(₹ in crore)

Sources of State's Receipts	2017-18	2018-19	2019-20	2020-21	2021-22
<b>Capital Receipts</b>	<b>47,653</b>	<b>56,908</b>	<b>79,450</b>	<b>87,994</b>	<b>76,690</b>
(i) Miscellaneous Capital Receipts	0	0	0	0	0
(ii) Recovery of Loans and Advances (Non Debt Receipt)	236	5,313	5,641	1,135	939
(iii) Public Debt Receipts of which	47,417	51,595	73,809	86,859	75,751
Internal Debt	46,314	50,791	72,554	78,677	65,003
Growth rate of Internal Debt (in percentage)	(-)30.52	9.67	42.85	8.44	(-)17.38
Loans and advances from GoI	1,103	804	1,255	8,182	10,748
Growth rate of Loans and advances from GoI (in percentage)	6.98	(-)27.11	56.09	551.95*	31.36*
Growth rate of debt Capital Receipts	(-)29.94	8.81	43.05	17.68	(-)12.79
Growth rate of non-debt Capital Receipts	(-)8.88	2,151.27	6.17	(-)79.88	(-)17.27
Growth rate of GSDP	11.73	9.88	7.46	(-)3.04	13.02
Growth rate of Capital Receipts (per cent)	(-)29.86	19.42	39.61	10.75	(-)12.85

Source: Finance Accounts of respective years

\*The increase in Loans and advances from GoI included back-to-back loan of ₹ 6,007 crore and ₹ 8,140 crore in the years 2020-21 and 2021-22 respectively 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 decreased by ₹ 11,304 crore in the year 2021-22 representing a decline of 12.85 per cent in comparison to the year 2020-21 due to less receipts (17.38 per cent) under internal debt over the previous year. Internal debt receipts had increasing trend during the period 2017-21 but it had downward trend in 2021-22. Receipts under Loans and advances from GoI fluctuated during the period 2017-22 and during 2021-22, it was highest at ₹ 10,748 crore in the year 2021-22 mainly due to back-to-back loan of ₹ 8,140 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.

During the year 2021-22, the recovery of loans and advances (₹ 939 crore) decreased by 17.27 per cent over the previous year (₹ 1,135 crore). The recovery of loans and advances was higher during the years 2018-19 and 2019-20 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 2021-22, the realisation of State's own tax revenue was lower than the projection made by the Medium

Term Fiscal Restructuring Policy (MTFRP) 2021 by 20.92 *per cent* and higher than by the XV FC 18.73 *per cent* respectively as presented in **Table 2.9**.

**Table 2.9: Tax and non-tax receipts vis-à-vis projections in the year 2021-22**

Particulars	XV Finance Commission projections	Budget Estimates /MTFRP	Actual	Percentage variation of actual over	
				FC projections	Budget estimates/ MTFRP
<b>Own tax revenue</b>	1,24,116	1,86,345	1,47,368	18.73	(-)20.92
<b>Non-tax revenue</b>	32,470	25,422	11,436	(-)64.78	(-)55.01

(₹ in crore)

Source: XV Finance Commission Report, Budget documents 2022-23 of the State Government and Finance Accounts 2021-22

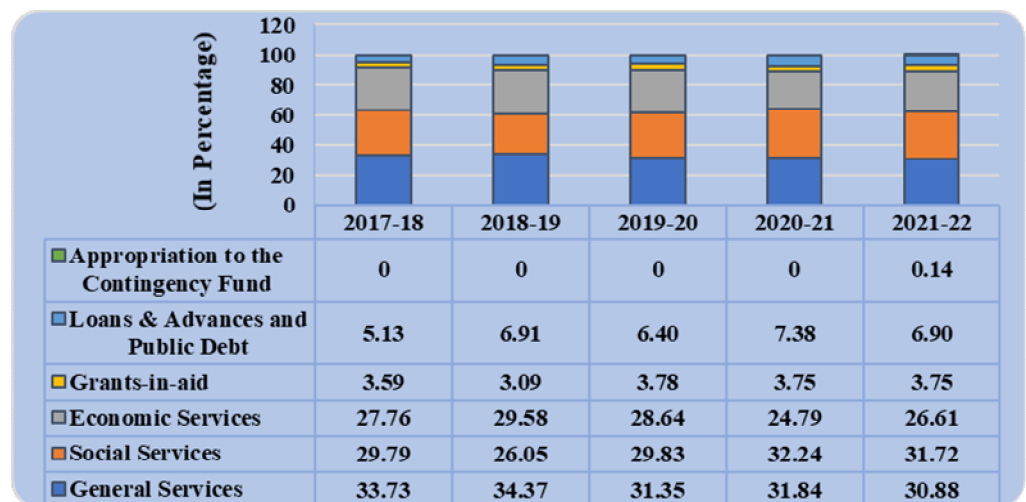
The Own tax revenue of the State in 2021-22 stood significantly lower than the projections made in the budget estimates/MTFRP 2021. This was mainly due to less collection of SGST (₹ 18,691 crore), Stamps and Registration fees (₹ 5,452 crore), State Excise (₹ 5,180 crore) and Taxes on sales, trade, etc. (₹ 4,042 crore) as compared to MTFRP 2021 projections. However, State's performance in mobilisation of own tax revenue was better than XV Finance Commission projections.

## 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.

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 are presented in **Chart 2.6**.

**Chart 2.6: Percentage of sector wise expenditure during the period 2017-22**



Source: Finance Accounts of respective years

### 2.7.1 Growth and composition of expenditure

Total expenditure under Consolidated Fund of the State and its composition during the period 2017-22 are summarised in **Table 2.10** and also depicted in the **Chart 2.7**.

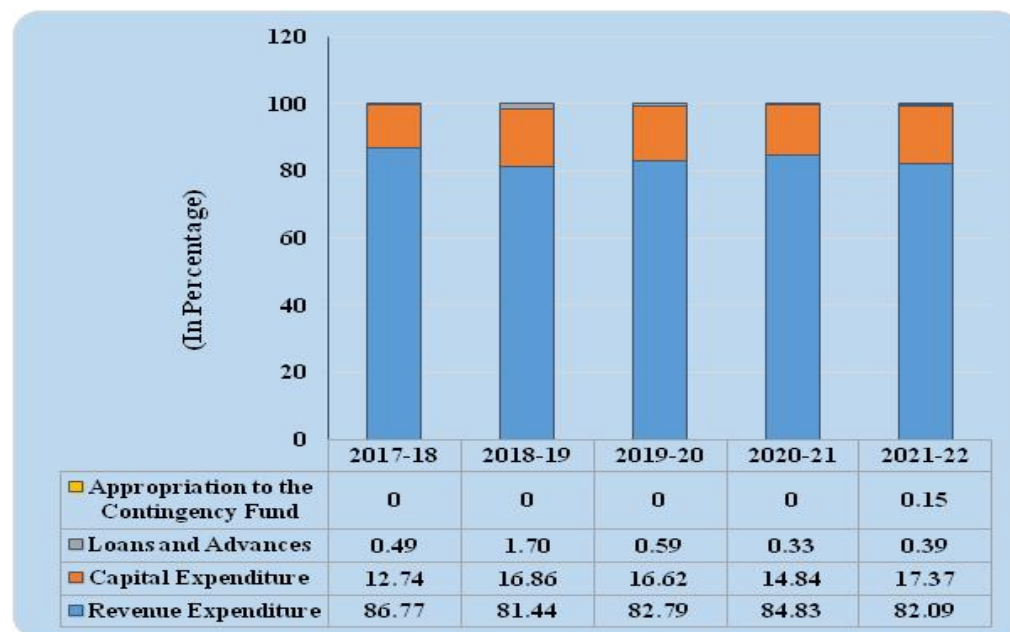
**Table 2.10: Total expenditure and its composition during the period 2017-22**

(₹ in crore)

Parameters	2017-18	2018-19	2019-20	2020-21	2021-22
<b>Total Expenditure (TE)</b>	3,06,821	3,70,494	3,60,951	3,51,933	4,11,237
<b>Revenue Expenditure (RE)</b>	2,66,224	3,01,728	2,98,833	2,98,543	3,37,581
<b>Capital Expenditure(CE)</b>	39,088	62,463	59,998	52,237	71,443
<b>Loans and Advances</b>	1,509	6,303	2,120	1,153	1,613
<b>Appropriation to the Contingency Fund</b>	0	0	0	0	600
<b>As a percentage of GSDP</b>					
<b>TE/GSDP</b>	21.31	23.42	21.23	21.35	22.07
<b>RE/GSDP</b>	18.49	19.07	17.58	18.11	18.12
<b>CE/GSDP</b>	2.71	3.95	3.53	3.17	3.83
<b>Loans and Advances/GSDP</b>	0.10	0.40	0.12	0.07	0.09

Source: Finance Accounts of respective years

**Chart 2.7: Trends in components wise expenditure during the period 2017-22**



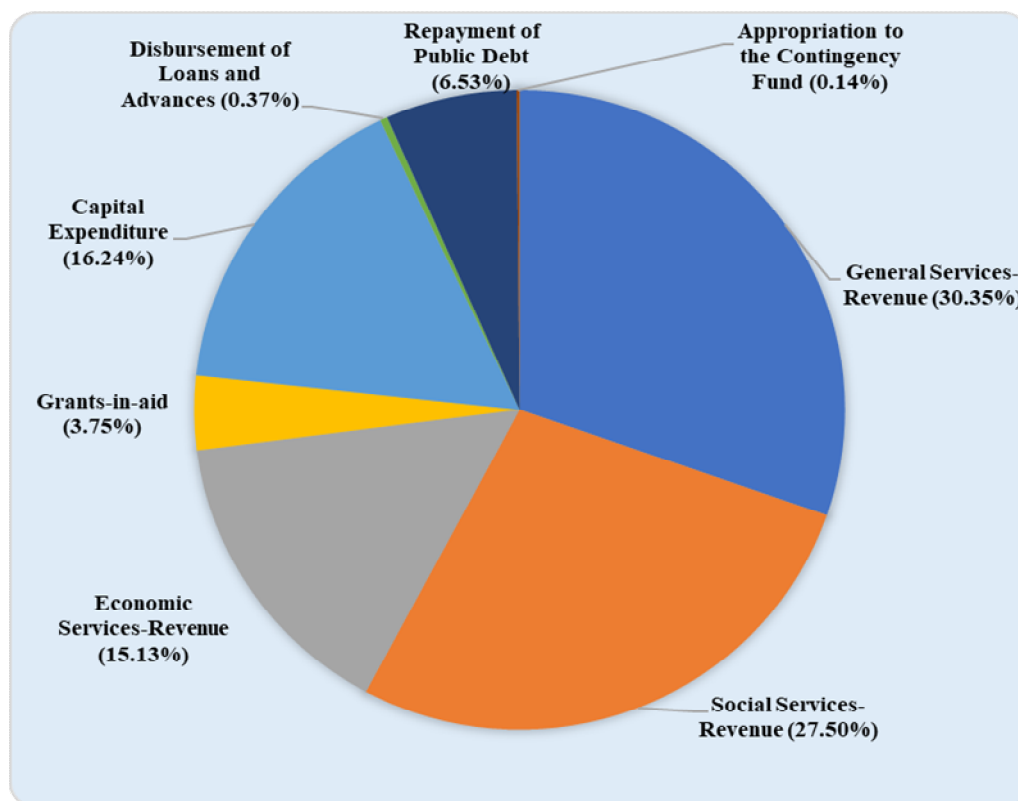
Source: Finance Accounts of respective years

During the period 2017-22, total expenditure of the State increased by 34.03 per cent from ₹ 3,06,821 crore in 2017-18 to ₹ 4,11,237 crore in 2021-22. The increase was due to increase in revenue expenditure (₹ 71,357 crore), capital expenditure (₹ 32,355 crore), disbursement of Loan and Advances (₹ 104 crore) and appropriation to the contingency fund (₹ 600 crore). During the period 2017-22, revenue expenditure stood at an average of 83.43 per cent of the total expenditure and capital expenditure was 15.83 per cent of total expenditure. Thus, Revenue expenditure had a predominant share in total expenditure.



The component wise expenditure under Consolidated Fund of the State during 2021-22 is depicted in **Chart 2.8**.

**Chart 2.8: Component wise expenditure during the year 2021-22**



Source: Finance Accounts 2021-22

**Chart 2.8** presents that during the year 2021-22, the revenue expenditure under General Services was highest at 30.35 *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 27.50 *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 15.13 *per cent* which includes expenditure on Agriculture and allied services, Rural Development, Irrigation and Flood Control, Energy, Industry and Minerals, Transport, etc.

### 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 2017-22**  
(₹ in crore)

Parameters	2017-18	2018-19	2019-20	2020-21	2021-22
<b>Total Expenditure (TE)</b>	3,06,821	3,70,494	3,60,951	3,51,933	4,11,237
<b>Revenue Expenditure (RE)</b>	2,66,224	3,01,728	2,98,833	2,98,543	3,37,581
<b>Rate of Growth of RE (per cent)</b>	12.52	13.34	(-)0.96	(-)0.10	13.08
<b>Revenue Expenditure as percentage of TE</b>	86.77	81.44	82.79	84.83	82.09
<b>GSDP (₹ in crore)</b>	14,39,925	15,82,180	17,00,273	16,48,567	18,63,221
<b>Rate of growth of GSDP (per cent)</b>	11.73	9.88	7.46	(-)3.04	13.02
<b>RE/GSDP (per cent)</b>	18.49	19.07	17.58	18.11	18.12
<b>RE as percentage of RR</b>	95.50	91.44	81.56	100.80	90.99
<b>Buoyancy of Revenue Expenditure with</b>					
<b>GSDP (ratio)</b>	1.07	1.35	(-)0.13	*	1.01
<b>Revenue Receipts (ratio)</b>	1.47	0.73	(-)0.09	*	0.52

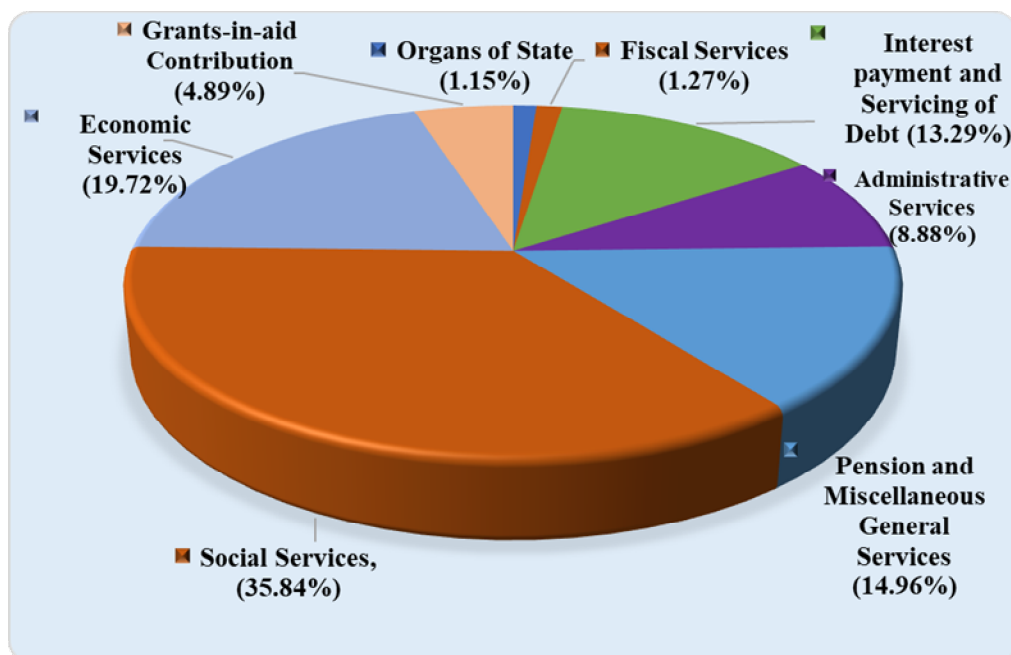
Source: Finance Accounts of respective years

\*Since growth of GSDP and Revenue Receipts were negative hence buoyancy not calculated.

Revenue expenditure continued to be the dominant component of the total expenditure, however, its share decreased from 86.77 per cent in the year 2017-18 to 82.09 per cent in the year 2021-22. The rate of growth of revenue expenditure fluctuated widely between (-)0.96 per cent in the year 2019-20 to 13.34 per cent in the year 2018-19. Revenue expenditure as a percentage of GSDP showed a fluctuating trend during the period 2017-22. It was highest (19.07 per cent) in the year 2018-19 and lowest (17.58 per cent) in the year 2019-20. 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 during the year 2021-22 was 1.01 indicating marginally higher growth rate of revenue expenditure as compared to growth in State's economy.

The increases in the revenue expenditure during the year 2021-22 were mainly on Pension and other Retirement benefits (₹ 2,255.73 crore), Police (₹ 3,752.18 crore), Public works (₹ 560.01 crore) and Interest payments (₹ 5,447.08 crore) under General Services, General Education (₹ 4,509.10 crore) under Social Services, Power (₹ 11,683.80 crore) under the Economic Services, which was counterbalanced by less expenditure mainly under Urban Development (₹ 1,679.08 crore) under Social Services and Roads and Bridges (₹ 4,483.65 crore), Other Rural Development Programme (₹ 1,698.33 crore) under Economic Services. Component of General Services and Social as well Economic Service wise revenue expenditure during year 2021-22 is presented in **Chart 2.9**.

Chart 2.9: Sector-wise distribution of revenue expenditure during year 2021-22

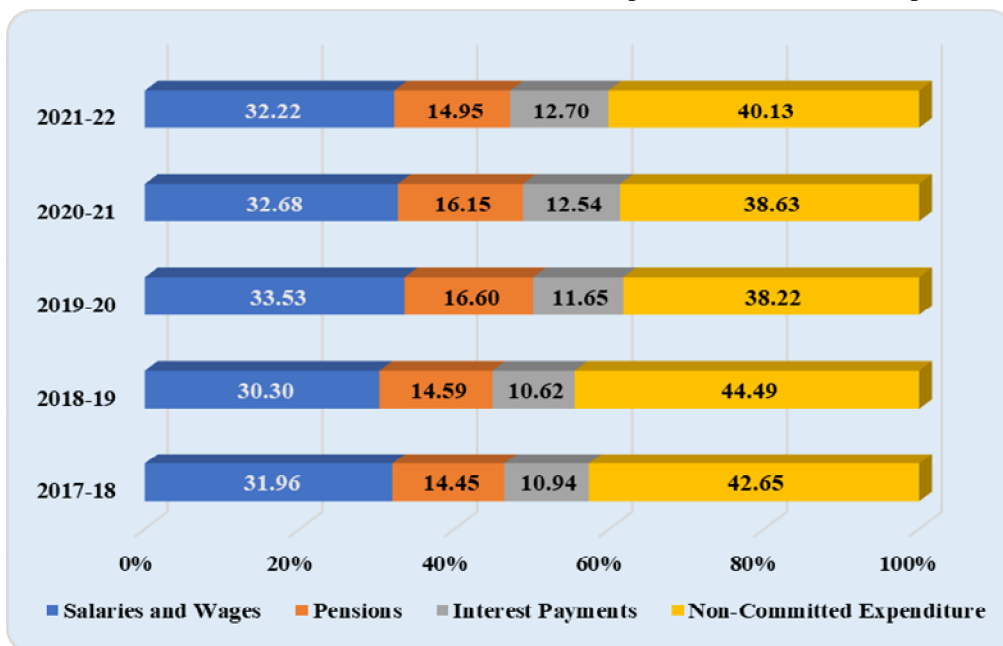


Source: Finance Accounts 2021-22

### 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 2017-22 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 2017-22 is given in the **Table 2.12**.

**Table 2.12: Component-wise expenditure on Committed Expenditure during the period 2017-22**

(₹ in crore)					
Components of Committed Expenditure	2017-18	2018-19	2019-20	2020-21	2021-22
<b>Salaries and Wages</b>	85,076	91,413	1,00,188	97,576	1,08,775
(i) Salary	43,490	50,471	53,508	50,333	54,727
(ii) Wages	921	1,062	1,357	2,363	2,500
(iii) Grants-in-aid (Salary)	40,665	39,880	45,323	44,880	51,548
<b>Pensions</b>	38,476	44,024	49,603	48,219	50,475
<b>Interest Payments</b>	29,136	32,042	34,813	37,428	42,876
<b>Total</b>	<b>1,52,688</b>	<b>1,67,479</b>	<b>1,84,604</b>	<b>1,83,223</b>	<b>2,02,126</b>
<b>As a percentage of Revenue Receipts (RR)</b>					
<i>Salaries and wages</i>	30.52	27.70	27.34	32.95	29.32
<i>Pensions</i>	13.80	13.34	13.54	16.28	13.60
<i>Interest Payments</i>	10.45	9.71	9.50	12.64	11.56
<i>Total</i>	<i>54.77</i>	<i>50.75</i>	<i>50.38</i>	<i>61.87</i>	<i>54.48</i>
<b>As a percentage of Revenue Expenditure (RE)</b>					
<i>Salaries and wages</i>	31.96	30.30	33.53	32.68	32.22
<i>Pensions</i>	14.45	14.59	16.60	16.15	14.95
<i>Interest Payments</i>	10.94	10.62	11.65	12.54	12.70
<i>Total</i>	<i>57.35</i>	<i>55.51</i>	<i>61.78</i>	<i>61.37</i>	<i>59.87</i>

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 2017-22, except in the year 2020-21 there was decline by 0.75 per cent (₹ 1,381 crore) over the year 2019-20. The component-wise details of committed expenditure are discussed below.

### 2.7.4.1 Expenditure on salaries and wages

There were 12,65,590 sanctioned post in State Government on 31 March 2021. During the year 2021-22, expenditure on salaries with respect to the employees of the State Government was ₹ 54,727 crore. This was 14.75 per cent of the Revenue Receipts (₹ 3,71,011 crore) and 16.21 per cent of the Revenue Expenditure (₹ 3,37,581 crore). However, taking into account the expenditure under the object heads 'Subsidiary Grant-General (Salary)',

‘Arrear of revised salary (State Aid)’<sup>14</sup> and ‘Wages’, total expenditure on salary was ₹ 1,08,775 crore representing 29.32 *per cent* of Revenue Receipts and 32.22 *per cent* of Revenue Expenditure.

The total expenditure on salaries and wages increased by 11.48 *per cent* (₹ 11,199 crore) over the previous year 2020-21 mainly due to higher disbursement of dearness allowance (₹ 3,693 crore) and subsidiary grant-general (Salary) (₹ 6,703 crore).

#### 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 2017-22, expenditure on account of payment of interest increased from ₹ 29,136 crore to ₹ 42,876 crore with compound annual growth rate of 10.14 *per cent*. As compared to 2020-21, interest payments increased by 14.56 *per cent* in 2021-22 mainly due to increased interest payment on market loans (by ₹ 5,087 crore), other internal debt (₹ 504.50 crore) and state provident fund (₹ 446.65 crore).

Further the State Government paid interest of ₹ 8.34 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 ₹ 22.99 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 ₹ 92.43 crore to State PSUs during the year 2021-22 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 11.37 lakh pensioners in the State as of 31 March 2022. During the period 2017-22, yearly expenditure on account of pension payment ranged between ₹ 38,476 crore and ₹ 50,475 crore. In the year 2021-22, expenditure on pension was ₹ 50,475 crore, which was 4.68 *per cent* higher than the previous year (₹ 48,219 crore). The increases were mainly under the heads of gratuities (by ₹ 391.53 crore), family pension (by ₹ 752.60 crore), pension to employees of state aided educational institutions (by ₹ 1,155.86 crore), leave encashment benefits (by ₹ 325.21 crore), government contribution for defined contribution pension scheme (by ₹ 144.02 crore) and other pensions (by ₹ 593.81 crore). However, there was decrease in expenditure on payment of superannuation and retirement allowances (by ₹ 1,135.90 crore) as compared

<sup>14</sup> Related to the employees of Primary Education, Secondary Education, Aided Institutes, Autonomous Bodies, etc.

to previous year 2020-21. Expenditure on pension in the year 2021-22 was 13.60 per cent of the total revenue receipts, 14.95 per cent of the total revenue expenditure and 46.40 per cent of expenditure on salaries.

### 2.7.5 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 2017-22 are given in **Table 2.13**.

**Table 2.13: Expenditure on subsidies during the period 2017-22**

Particular	2017-18	2018-19	2019-20	2020-21	2021-22
<b>Subsidies (₹ in crore)</b>	9,284	14,053	14,092	11,677	20,145
<i>Subsidies as a percentage of Revenue Receipts</i>	3.33	4.26	3.85	3.94	5.43
<i>Subsidies as a percentage of Revenue Expenditure</i>	3.49	4.66	4.72	3.91	5.97

Source: Finance Accounts of respective years

Expenditure on subsidy increased from ₹ 9,284 crore in the year 2017-18 to ₹ 20,145 crore in the year 2021-22. During the year 2021-22, subsidy of ₹ 20,145 crore was 5.43 per cent and 5.97 per cent of revenue receipts and revenue expenditure respectively. It also includes central assistance of ₹ 2,521.08 crore for subsidy under Centrally Sponsored Schemes. The overall increase (₹ 8,468 crore) during the year 2021-22 as compared to previous year 2020-21 was mainly due to higher subsidies under ‘Compensatory Grant to U.P. Power Corporation Limited (by ₹ 7,148.31 crore)’, ‘National Rural Livelihood Mission (Special Component Plan for Scheduled castes) (by ₹ 492.87 crore)’, ‘Swarnajayanti Gram Swarajgar Yojana (by ₹ 435.60 crore)’, ‘Grant to U.P. Electricity Corporation for electricity supply to private tube wells of farmers for improvement in agricultural production (by ₹ 300 crore)’ and ‘Additional power source through non-conventional private development agency programs implementation (by ₹ 201.04 crore)’, which was counterbalanced by decreased subsidies under ‘Implementation of Establishment and Industrial Investment Policy-2012 (by ₹ 86.35 crore)’ ‘Grants for providing Agriculture Loan at low interest rate through Primary Cooperative Agricultural Loan Committee (by ₹ 33.97 crore)’.

The departments with major portion of subsidy during the year 2021-22 are given in **Table 2.14**.

**Table 2.14: Departments with major portion of subsidy during 2021-22**

Grant No	Name of the Recipient Department	Amount of Subsidy (₹ in crore)	Percentage of total Subsidy	Main Purpose
09	Power	13,388.16	66.46	Compensatory grant to UP Power Corporation Ltd. (₹ 11,965.66 crore) and Revenue Compensatory Grant against amount paid for electric tax to UPPCL (₹ 1,050 crore).
83	Social Welfare (Special Component)	1,251.23	6.21	On account of grant to National Rural Livelihood Mission (₹ 1,009.52 crore)

Grant No	Name of the Recipient Department	Amount of Subsidy (₹ in crore)	Percentage of total Subsidy	Main Purpose
	<b>Plan for Scheduled Castes)</b>			
11	Agriculture	2,578.92	12.80	On account of grant to UP Power Corporation Ltd for electricity supply to private tube-wells of farmers for improvement in agriculture production (₹ 1,500 crore) and National Crop Insurance Programme (₹ 600 crore).

Source: Finance Accounts 2021-22

### 2.7.6 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 2017-22 is presented in **Table 2.15**.

**Table 2.15: Financial Assistance to Local Bodies and other institutions during 2017-22**  
(₹ in crore)

Financial Assistance to Institutions	2017-18	2018-19	2019-20	2020-21	2021-22
(A) Panchayati Raj Institution (Zila Parishads and Gram Panchayats)	10,096.44	16,209.80	12,517.71	10,412.00	7,635.03
(B) Urban Local Bodies (Municipal Corporations and Municipalities)	1,208.46	3,081.35	9,059.97	15,115.15	13,610.89
<b>Total (A +B)</b>	<b>11,304.90</b>	<b>19,291.15</b>	<b>21,577.68</b>	<b>25,527.15</b>	<b>21,245.92</b>
(C) Public Sector Undertakings (Government Companies and Statutory Corporations)	133.41	7,053.03	8,940.17	7,018.39	7,391.59
(D)Autonomous Bodies (Universities, Development Authorities, Cooperative Institutions & Others)	5,405.83	6,436.96	37,393.78	35,251.87	44,342.71
(E)Non-Government Organisations	26,038.26	181.61	7,140.75	7,040.51	7,924.10
(F) Miscellaneous	49,338.56	58,801.38	18,282.08	24,050.46	19,941.12
<b>Total (C +D+ E+ F)</b>	<b>80,916.06</b>	<b>72,472.98</b>	<b>71,756.78</b>	<b>73,361.23</b>	<b>79,599.52</b>
<b>Grand Total (A+B + C +D+ E+ F)</b>	<b>92,220.96</b>	<b>91,764.13</b>	<b>93,334.46</b>	<b>98,888.38</b>	<b>1,00,845.44</b>
Revenue Expenditure	2,66,224	3,01,728	2,98,833	2,98,543	3,37,581
<i>Assistance as percentage of Revenue Expenditure</i>	<i>34.64</i>	<i>30.41</i>	<i>31.23</i>	<i>33.12</i>	<i>29.87</i>

Source: Finance Accounts of respective years

Financial assistance of ₹ 1,00,845.44 crore was provided by the State Government to Local bodies and other grantee institutions by way of grants-in-aid during the year 2021-22, which was 1.98 per cent (₹ 1,957.06 crore) higher as compared to the year 2020-21. It increased by ₹ 8,624.48 crore (9.35 per cent) during the year 2021-22 as compared to the year 2017-18. However, as a percentage of revenue expenditure it decreased from 34.64 per cent in the year 2017-18 to 29.87 per cent in the year 2021-22.

The assistance to PRIs had decreasing trend from ₹ 16,209.80 crore in the year 2018-19 to ₹ 7,635.03 crore in the year 2021-22. Grants-in-aid released to PRIs by the State Government during the year 2021-22 was on account of transfers of grants-in-aid received from GoI under XV FC grants for Rural Local Bodies (₹ 7,208 crore) and Central assistance for Centrally Sponsored Schemes (₹ 427.03 crore). The grants-in-aid released to PRIs under 'Finance Commission Grants' decreased by ₹ 2,544 crore and 'Centrally Sponsored Schemes, decreased by ₹ 233 crore during the year 2021-22 as compared to the year 2020-21.

Financial assistance to Urban Local Bodies increased from ₹ 1,208.46 crore in 2017-18 to ₹ 13,610.89 crore in 2021-22. However, during the year 2021-22, it decreased by ₹ 1,504.26 crore (9.95 per cent) as compared to grants-in-aid released during the year 2020-21. The decreases were mainly under 'Finance Commission Grants' (₹ 2,576.75 crore). The assistance to ULBs included ₹ 10,051.24 crore towards creation of capital assets.

### 2.7.7 State Finance Commission Grants to Local Bodies

Article 243 I (read with Article 243 Y) of the Constitution makes it mandatory for the State Government to constitute State Finance Commission (SFC) after expiration of every fifth year to review financial position of PRIs and ULBs and *inter alia* recommend the distribution between the State and the PRIs/ULBs of the net proceeds of the taxes, duties, tolls and fees leviable by the State.

State Government constituted Fourth and Fifth SFCs in December 2011 and October 2015 respectively and their reports were submitted to the Governor in December 2014 and October 2018 and their recommendations were implemented in April 2015 and April 2020 respectively. As per the accepted recommendations, State Government was to devolve 12.5 per cent of the net proceeds of Own Tax Revenue of the State and share it between ULBs and PRIs in the ratio of 60:40. The devolution of SFC grants to ULBs and PRIs during 2017-18 to 2021-22 was as detailed in **Table 2.16**.

**Table 2.16: Devolution of funds to PRIs and ULBs during 2017-22**

(₹ in crore)

Particulars	Fourth SFC devolution			Fifth SFC devolution	
	2017-18	2018-19	2019-20	2020-21	2021-22
ULBs	6,939.92	7,312.50	8,700.00	8,525.00	9,900.00
PRIs	4,631.25	4,875.00	5,800.00	5,683.37	6,600.00
<b>Total</b>	<b>11,571.17</b>	<b>12,187.50</b>	<b>14,500.00</b>	<b>14,208.37</b>	<b>16,500.00</b>

Source: Urban Local Bodies Directorate and Panchayati Raj Directorate

The devolution of SFC grants to ULBs and PRIs consistently increased during 2017-18 to 2021-22, except in the year 2020-21. There was 16.13 per cent increase in the devolution to Local Bodies during 2021-22 as compared to 2020-21.

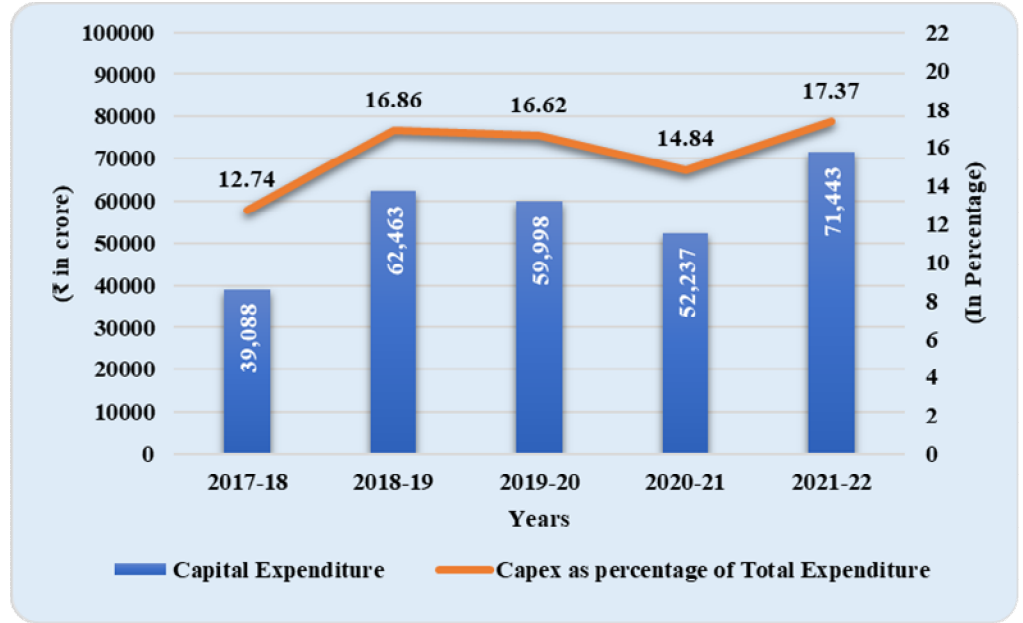
### 2.7.8 Capital Expenditure

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 2017-22 is presented in the **Chart 2.11**.

**Chart 2.11: Capital expenditure in the State during the period 2017-22**



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 17.37 *per cent* during the period 2017-22. Some of the Major Heads where Capital expenditure was significantly high during the year 2021-22 are depicted in **Table 2.17**.

**Table 2.17 : Major Head wise capital expenditure during the year 2021-22**

Sl. No.	Major Head and its Nomenclature	Major Activity/Scheme	Amount (₹ in crore)
1	5054-Capital Outlay on Roads and Bridges	Ganga Expressway project (₹ 2,689 crore), Bundelkhand Expressway project (₹ 1,548 crore), Purvanchal Expressway (₹ 1,127 crore), Construction work of State Highways (₹ 1,153 crore), Prime Minister Rural Road Scheme (P.M.G.S.Y) (₹ 2,369 crore), Accelerated Economic Development Scheme (₹ 1,178 crore), and construction of rural roads (₹ 2,618 crore)	22,749
2	4801-Capital Outlay on Power Projects	Share Capital to U.P. Power Corporation Ltd. For strengthening of distribution network (₹ 2,508 crore), Additional infra for Deendayal Upadhyay gram jyoti yojana/saubhagya yojana (₹ 1,261 crore), and investment in Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited (₹ 2,035 crore)	10,875
3	4408-Capital Outlay on Food Storage and Warehousing	Food Grains Supply Project (₹ 7,314 crore) under Procurement and Supply	7,482
4	4216-Capital Outlay on Housing	Rural Housing - Special Component Plan Schedule Castes (₹ 4,764 crore) and PM Awas Yojna-Rural (₹ 2,189 crore)	7,277

Sl. No.	Major Head and its Nomenclature	Major Activity/Scheme	Amount (₹ in crore)
5	4215- Capital Outlay on Water Supply and Sanitation	Water Supply- Special Component Plan Schedule Castes (₹ 1,505 crore) and Rural Water Supply- Jal Jeevan Mission (₹ 2,381 crore)	3,966
6	4515-Capital Outlay on other Rural Development Programmes	Development relating work as per recommendations of members of Legislature (₹ 1,490 crore) and National Rural Employment Guarantee Scheme (₹ 2,178 crore)	3,752
7	4210-Capital Outlay on Medical and Public Health	Medical Education, Training and Research (₹ 2,541 crore)	3,144

Source: Finance Accounts 2021-22

During the year 2021-22, capital expenditure was ₹ 71,443 crore against the capital expenditure of ₹ 52,237 crore in the year 2020-21. The increase of ₹ 19,206 crore (36.77 per cent) during the year 2021-22 in comparison with the year 2020-21 was in General Services Sector by ₹ 834 crore (54.76 per cent) mainly under Police and Public Works, ₹ 6,183 crore (49.92 per cent) in Social Services Sector mainly under Medical and Public Health, Water Supply and Sanitation and Housing and ₹ 12,189 crore (31.80 per cent) in Economic Services Sector mainly under Food Storage and Warehousing and Roads and Bridges.

### 2.7.8.1 Major changes in Capital Expenditure

The details of major changes in the Capital Expenditure under various Major Heads for the year 2021-22 as compared to 2020-21 are given in **Table 2.18**.

**Table 2.18: Major changes in Capital Expenditure during the year 2021-22 under various Major Heads**

Major Heads of Accounts	(₹ in crore)		
	2020-21	2021-22	Increase (+)/ Decrease (-)
4408-Capital Outlay on Food Storage and Warehousing	(-) 2,539.95	7,481.74	394.56
4250-Capital Outlay on Other Social Services	252.36	634.02	151.24
4055-Capital Outlay on Police	903.29	1599.85	77.11
4216-Capital Outlay on Housing	4,359.78	7,276.62	66.90
5053-Capital Outlay on Civil Aviation	528.26	105.02	(-)80.12
4401-Capital Outlay on Crop Husbandry	267.71	104.04	(-)61.14
4711-Capital Outlay on Flood Control	1446.17	763.89	(-)47.18

Source: Finance Accounts of respective years

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

**Major Head 4408 (Capital outlay on Food Storage and Warehousing):** Increase was mainly due to more procurement of food grains (expenditure ₹ 7,314.14 crore) under Food Grains Supply Project.

**Major Head 4250 (Capital Outlay on Other Social Services):** Increase was mainly due to expenditure of ₹ 87.59 crore on Rapid Financial Development Scheme for employment, ₹ 275.52 crore on extension/beautification of road from river Ganga to Vishwanath temple in Varanasi and ₹ 52.27 crore on

construction of access road to Shri Ram Janam Bhumi Mandir, Ayodhya Dham.

**Major Head 4055 (Capital Outlay on Police):** Increase was mainly due to expenditure of ₹ 1,093.79 crore on construction of non-residential and residential buildings of police department and ₹ 234.33 crore on construction of non-residential and residential buildings of Fire Brigade Centres.

**Major Head 4216 (Capital Outlay on Housing):** Increases were mainly due to increase in expenditure on Centrally Sponsored Schemes under Special Component Plan for Scheduled Castes in rural housing (by ₹ 2,277.23 crore) and Prime Minister Awas Yojana (Rural) (by ₹ 591.98 crore).

**Major Head 5053 (Capital Outlay on Civil Aviation):** Decrease in expenditure was mainly due to less expenditure on establishment of international airport at Jewar in Gautam Buddha Nagar (by ₹ 1,131.04 crore), Airport in Ayodhya (by ₹ 468.86 crore).

**Major Head 4401 (Capital Outlay on Crop Husbandry):** Decrease in expenditure by ₹ 161.54 crore was on National Agricultural Development Scheme including expenditure on the scheme under Special Component Plan for Scheduled Castes and Tribal Area Sub Plan.

**Major Head 4711 (Capital Outlay on Flood Control):** It was mainly due to decrease of ₹ 313.74 crore on construction of embankment, ₹ 313.01 crore on anti-erosion schemes in rivers and ₹ 51.88 crore on work on account of unexpected emergencies caused by flood control.

### 2.7.8.2 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 State Public Sector Undertakings (PSUs) which are loss making or where net worth is completely eroded is not sustainable and affected the quality of capital expenditure. Issues related to quality of investments in PSUs, viz., investment in non-functional PSUs, arrears in submission of annual accounts, budgetary support to PSUs, 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 capital works. The Appendix includes the list of incomplete works in Public Works 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 Appendix IX of the Finance Accounts 2021-22, there were 255 incomplete capital projects as on 31 March 2022, on which an amount of ₹ 2,587.98 crore had been incurred and payments of ₹ 1,467.77 crore were

pending. Out of these 255 projects, the status of Department-wise incomplete works which were to be completed by 31 March 2022 and capital blocked therein as of 31 March 2022 are given in **Table 2.19**.

**Table 2.19: Department-wise incomplete projects as on 31 March 2022**

(₹ in crore)

Department	No. of incomplete projects	Estimated cost	Expenditure
Public Works	61	1,296.43	889.38
Irrigation	17	880.34	797.28
<b>Total</b>	<b>78</b>	<b>2,176.77</b>	<b>1,686.66</b>

Source: Finance Accounts 2021-22

As a result of these incomplete projects, expenditure of ₹ 1,686.66 crore incurred on 78 projects, though expected to be completed by 31 March 2022, 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.

### 2.7.8.3 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 (February 2023) 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 2021-22**

(₹ 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
	<b>Total</b>	<b>61</b>	<b>1,23,334.06</b>

Source: Information provided by PICUP

### 2.7.9 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 Government with regards to Health, Education and Capital expenditure**

(In percentage)

Particulars	Health & Family Welfare /TE	Education/TE	CE/TE
All India Average of General States <sup>15</sup> (2017-18)	5.09	15.17	15.56
Uttar Pradesh	5.51	15.21	13.23
All India Average of General States (2021-22)	6.20	14.66	14.41
Uttar Pradesh	5.68	14.42	17.76

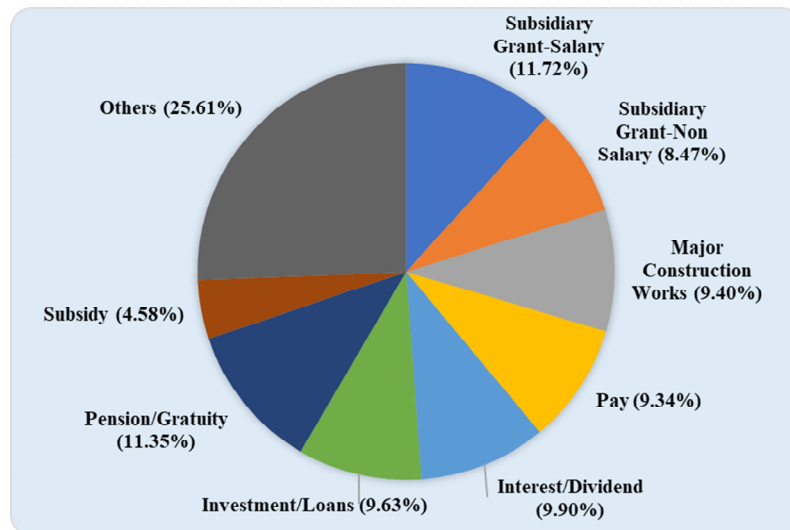
(TE – Total Expenditure, CE- Capital Expenditure and disbursement of loans and advances)

It is evident from **Table 2.21** that the percentage of State’s total expenditure on education declined in the year 2021-22 as compared to the year 2017-18 and it also remained lower than All India average of General Category States during the year 2021-22. The percentage of expenditure on health and family welfare as well as capital expenditure and disbursement of loans and advances to total expenditure have improved in the year 2021-22 as compared to the year 2017-18. Further, during the year 2021-22, capital expenditure and disbursement of loans and advances as a percentage of total expenditure was higher than All India average of General Category States whereas expenditure on health and family welfare was lower than All India average of General Category States.

**2.7.10 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 2021-22 is depicted in the **Chart 2.12**.

**Chart 2.12: Object Head wise expenditure (in per cent) during the year 2021-22**



Source: Finance Accounts 2021-22

<sup>15</sup> States other than North Eastern (NE) and Himalayan States

As evident from **Chart 2.12**, the expenditure under object heads pay, grants-in-aid for salary and pension & retirement benefits constituted 32.41 per cent of overall expenditure (₹ 4,39,963.23 crore) under Consolidated Fund of the State. Besides, grants-in-aid (non-salary), interest/dividend and subsidy constituted 8.47 per cent, 9.90 per cent and 4.58 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 9.63 per cent and 9.40 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 2017-22 are given in **Table 2.22**.

**Table 2.22: Component-wise Public Account (Net) transactions during the period 2017-22**

(₹ in crore)						
Sector	Sub Sector	2017-18	2018-19	2019-20	2020-21	2021-22
<b>Small Savings, Provident Funds, etc.</b>	Small Savings, Provident Funds, etc.	2,530	3,646	3,314	1,062	525
<b>Reserve Funds</b>	(a) Reserve Funds bearing Interest	0	0	1757	(-)252	2,693
	(b) Reserve Funds not bearing Interest*	8,265	13,545	(-)70,056	753	1200
<b>Deposits and Advances</b>	(a) Deposits bearing Interest	220	184	883	607	(-) 717
	(b) Deposits not bearing Interest	1,189	2,000	(-)2,990	1,308	(-) 741
	(c) Advances	4	12	17	(-) 0.15	(-) 0.12
<b>Suspense and Miscellaneous</b>	(a) Suspense	(-)1,436	(-)236	(-)1,743	1,859	1,444
	(b) Other Accounts**	(-)778	459	(-)85	(-)162	17
	(c) Accounts with Governments of Foreign Countries	0	0	0	0	0
<b>Remittances</b>	(a) Money Orders and other Remittances	(-)3,910	329	308	(-)323	25
	(b) Inter-Governmental Adjustment Account	4	(-)16	5	(-)2	(-)4
<b>TOTAL</b>		<b>6,088</b>	<b>19,923</b>	<b>(-)68,590</b>	<b>4,850*</b>	<b>4,442*</b>

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

\* Excluding investments in Reserve Funds which are part of opening and closing cash balances.

\*\* Excluding transactions under Major Heads 8671-Departmental Balances, 8672-Permanent Cash Imprest and 8673-Cash Balance Investment Account, which are part of opening and closing cash balances.

## 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 2022, there was total accumulated balance of ₹ 8,920.20 crore with Reserve Funds. Out of these, ₹ 4,198.45 crore was under Reserve Funds bearing interest<sup>16</sup> and ₹ 4,721.75 crore under Reserve Funds not bearing interest. Further, State Government had invested ₹ 3,045.20 crore of Reserve Fund balances in government securities. Detail of some of the significant Reserve Funds are discussed below:

### 2.8.2.1 Consolidated Sinking Fund

State Government created the ‘Consolidated Sinking Fund of Government of Uttar Pradesh’ in March 2020, which came into force with effect from financial year 2020-21. The Fund is 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 0.5 *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.

Consolidated Sinking Fund had opening balance of ₹ 1,000 crore as on 1 April 2021 which is maintained in Public Account under the head 8222-01-101-Sinking Fund. During the year 2021-22, State Government transferred ₹ 2,000 crore to the Fund from the head 2048-00-101-Appropriation for reduction or avoidance of debt under Consolidated Fund of the State. Further, there was no disbursement from the Fund during the year 2021-22. Thus, as on 31 March 2022, Consolidated Sinking Fund had a balance of ₹ 3,000 crore (excluding accrued interest of ₹ 79.49 crore).

In view of guidelines of Consolidated Sinking Fund, Government was required to contribute at least ₹ 2,734.32 crore (0.50 *per cent* of internal debt and public account liabilities of ₹ 5,46,864.94 crore at the end of the year 2020-21) in the consolidated Sinking fund. Thus, there was short contribution of ₹ 734.32 crore (₹ 2,734.32 crore - ₹ 2,000.00 crore) which could not become the part of sinking fund investment during the year 2021-22. Due to short transfer to Consolidated Sinking Fund State’s Revenue Surplus was

<sup>16</sup> 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.

overstated and Fiscal Deficit was understated by ₹ 734.32 crore during the year 2021-22.

### 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 2021-22, the Fund had opening balance of (-) ₹ 17.20 crore and an amount of ₹ 20.00 crore was transferred to the Fund from the head 3054-80-797 and an amount of ₹ 8.91 crore disbursed from it which was transferred to the head 5054-80-800. As a result, the closing balance of DRF was (-) ₹ 6.11 crore as on 31 March 2022. The negative balance under the Fund indicates excess of disbursement over available balances. This negative balance has been appearing from the accounts of 2015-16 onwards. The negative balance is to be regularised by appropriation from the Consolidated Fund.

The Government prescribed that 1.5 *per cent* amount on account of DRF would be debited to work and credited to receipt head 1054-800-04. Under the provisions of Uttar Pradesh PWD DRF Rules, 2005, this amount would be transferred to DRF under Public Account for intended purposes. Audit noticed that during the period 2021-22, State Government had transferred ₹ 68.84 crore as non-tax revenue under the head 1054-800-04 in respect of DRF against which only ₹ 20.00 crore was transferred to DRF under the head 8226-102. Thus, the Government had increased its revenue receipts by increasing the cost of work.

The matter was also highlighted in Paragraph 2.8.2.2 of the State Finances Audit Report for the year ended 31 March 2021 but receipt received in respect of DRF was not being transferred to the Fund in entirety. The matter was again reported to the department (September 2022); their reply was awaited (December 2022).

### 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. As per the guidelines issued (January 2022) 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 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 annual allocation 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 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.

During the year 2021-22, State Government maintained SDRF under the head 8121-122-SDRF. Prior to this, SDRF was being maintained as Reserve Funds not bearing interest under the head 8235-111-SDRF. Thus, the opening balance of SDRF under the head 8121-122-SDRF was nil, however, the opening balance of SDRF (₹ 1,231.01 crore) under the head 8235-111-SDRF as on 1 April 2021 was transferred during 2021-22 to the head 8121-122-SDRF.

XV Finance Commission had allocated ₹ 2,578 crore for the year 2021-22 to Uttar Pradesh for disaster management, out of which ₹ 2,062.40 crore (i.e., 80 *per cent* of total allocation) was for SDRF which consisted of contribution from GoI (₹ 1,546.40 crore) and State Government (₹ 516.00 crore). Against this, State Government received ₹ 1,546.40 crore from GoI and transferred ₹ 2,062.40 crore (including State's share) to SDRF. Besides, the State Government also transferred balances of previous year's ₹ 1,288.33 crore to SDRF (GoI share ₹ 966.50 crore and State share ₹ 321.83 crore). Thus, State Government transferred contribution of ₹ 3,350.73 crore to SDRF.

During the year 2021-22, SDRF under the head 8235-111-SDRF received ₹ 4,665.25 crore, which included ₹ 1,231.01 crore towards opening balance transferred from the head 8235-111-SDRF, ₹ 3,350.73 crore towards GoI/State Government contributions, ₹ 1.52 crore credited from NDRF and ₹ 81.99 crore of miscellaneous receipts. Further, expenditure of ₹ 1,659.66 crore incurred on natural calamities was set off (Major Head 2245-05-901) against the fund balances. Thus, the closing balance of SDRF at the end of 31 March 2022 was ₹ 3,005.59 crore. However, State Government did not credit interest of ₹ 74.99 crore (computed on six monthly basis at the average rate of interest on overdraft as applicable in the year 2021-22) on the balances available under SDRF. Further, State Government had not invested the accretion to the Fund in the manner as laid down in the SDRF guidelines.

Due to not crediting interest (₹ 74.99 crore) to SDRF, State's Revenue Surplus was overstated and Fiscal Deficit was understated by ₹ 74.99 crore during the year 2021-22.

#### **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 2021-22, outstanding guarantees executed by the State Government at the end of the year 2021-22 was ₹ 1,74,218.42 crore to 28 entities, viz., statutory corporations, Government companies and other institutions. This included net increase of guarantees of ₹ 20,382.68 crore in the year 2021-22, which was 1.09 *per cent* of GSDP. No guarantee fee was received during the year 2021-22.

### 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 agencies<sup>17</sup> 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.

As on 1 April 2021, SCAF had opening balance of ₹ 1,505.25 crore. During 2021-22, State Government received ₹ 36.46 crore for SCAF from National Compensatory Afforestation Deposit. There was no receipt from the user agencies. The expenditure incurred out of the Fund during the year 2021-22 was ₹ 358.95 crore leaving a balance of ₹ 1,182.76 crore in SCAF.

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 2021-22, the State Government was required to pay interest at the rate of 3.35 *per cent* per annum<sup>18</sup>. However, the State Government did not pay ₹ 50.43 crore as interest due on SCAF. Thus the Revenue Surplus was overstated and Fiscal Deficit was understated by ₹ 50.43 crore during the year 2021-22.

## 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

<sup>17</sup> '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, there under.

<sup>18</sup> As notified by Ministry of Environment, Forest and Climate Change

issued to National Small Savings Fund and loans from financial institutions, etc.), loans and advances from the Central Government and Public Account Liabilities. The broader definition of total outstanding public debt also includes extra-budget borrowings by State Public Sector Undertakings and other bodies where the principal and/or interest are to be serviced out of the State Budget.

Statement 6 of the Finance Accounts gives the status of outstanding liabilities of the State Government. The State Government did not disclose the extra-budget liabilities in budget documents and as disclosed in the Finance Accounts, the details for such liabilities were also not intimated by the State Government. **Table 2.23** presents the component wise debt trends during 2017-18 to 2021-22.

**Table 2.23: Component wise debt trends during the period 2017-22**

		(₹ in crore)				
		2017-18	2018-19	2019-20	2020-21	2021-22
<b>(A) Outstanding Overall Debt as per Finance Accounts</b>		<b>4,67,842</b>	<b>5,18,095</b>	<b>5,02,412</b>	<b>5,64,972*</b>	<b>6,12,956*</b>
<b>Public Debt</b>	Internal Debt	3,21,479	3,53,190	4,05,049	4,58,552	4,96,423
	Loans from GoI	12,812	11,980	11,529	18,107*	27,261*
<b>Liabilities on Public Account</b>		1,33,551	1,52,925	85,834 <sup>19</sup>	88,313	89,272
<b>Rate of growth of outstanding Overall debt (percentage)</b>		<b>10.54</b>	<b>10.74</b>	<b>(-)3.03</b>	<b>12.45</b>	<b>8.49</b>
<b>Gross State Domestic Product (GSDP)</b>		14,39,925	15,82,180	17,00,273	16,48,567	18,63,221
<b>Debt/GSDP (per cent)</b>		<b>32.49</b>	<b>32.75</b>	<b>29.55</b>	<b>34.27*</b>	<b>32.90*</b>
<b>Receipts under Public Debt and Other Liabilities</b>		90,052	1,13,504	1,12,696	1,23,555	1,21,852
<b>Repayments (Principal and interest) under Public Debt and Other Liabilities</b>		74,570	95,293	1,63,192	98,424	1,16,743
<b>Net Fund available</b>		<b>15,482</b>	<b>18,211</b>	<b>(-)50,496</b>	<b>25,131</b>	<b>5,109</b>
<b>Percentage of net funds available to receipts under public debt &amp; other liabilities</b>		<b>17.19</b>	<b>16.04</b>	<b>(-) 44.81</b>	<b>20.34</b>	<b>4.19</b>
<b>(B) Extra-budget borrowings routed through PSUs/Authorities (as noticed in Audit)</b>		8,482	234	0	20,940	0

Source: Finance Accounts of respective years and information from PSUs/Authorities

\* The increase in Loans and advances from GoI included back-to-back loan of ₹ 6,007 crore and ₹ 8,140 crore in the years 2020-21 and 2021-22 respectively in lieu of GST compensation shortfall, with no repayment liability to the State. 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 and ₹ 5,98,809 crore in the year 2021-22. Thus, debt-GSDP ratio during the year 2020-21 and 2021-22 was 33.91 and 32.14 per cent respectively.

<sup>19</sup> 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.

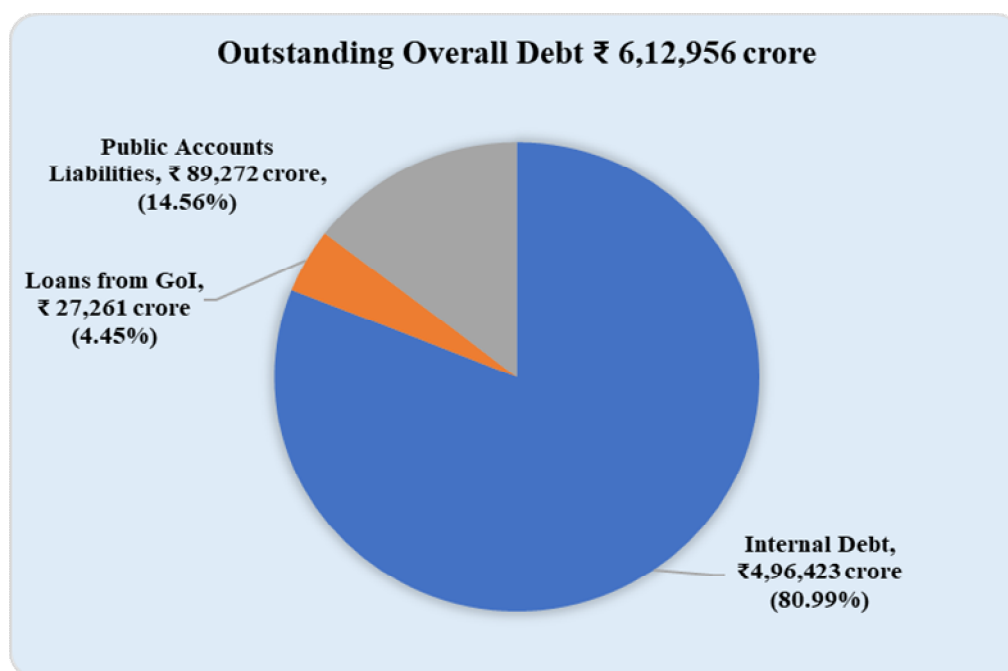
As shown in **Table 2.23**, during the period 2017-22, the Internal Debt under overall Debt of the State Government increased by 54.42 *per cent* from ₹ 3,21,479 crore in 2017-18 to ₹ 4,96,423 crore in 2021-22. During the year 2021-22, it increased by 8.26 *per cent* over the previous year which was necessitated to finance the fiscal deficit of ₹ 39,286 crore as detailed in **Paragraph 2.9.2**. As on 31 March 2022, Internal Debt (₹ 4,96,423 crore) consisted of market loan (₹ 4,01,356 crore), loan from financial institutions (₹ 54,575 crore), special securities issued to National Small Savings Fund (₹ 40,370 crore) and other loans (₹ 122 crore). Thus, open market loan constituted 65.48 *per cent* of total fiscal liabilities (₹ 6,12,956 crore) of the State Government.

Loans and advances from the Central Government have shown a decreasing trend during the period 2017-20 and increasing trend during 2020-22 primarily due to back-to-back loan of ₹ 14,147 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 8.49 *per cent* during 2021-22 over the previous year 2020-21.

The percentage of net fund available under Public Debt and other liabilities to their receipts had a fluctuating trend during the year 2017-18 (17.19 *per cent*) to the year 2021-22 (4.19 *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. Further, as discussed in **Paragraph 4.2**, State Government had also resorted to extra budget borrowings and the outstanding liability on this account as on 31 March 2022 was ₹ 19,496 crore.

**Chart 2.13** presents the status of Outstanding Overall debt of the State Government as per Finance Accounts at the end of the year 2021-22.

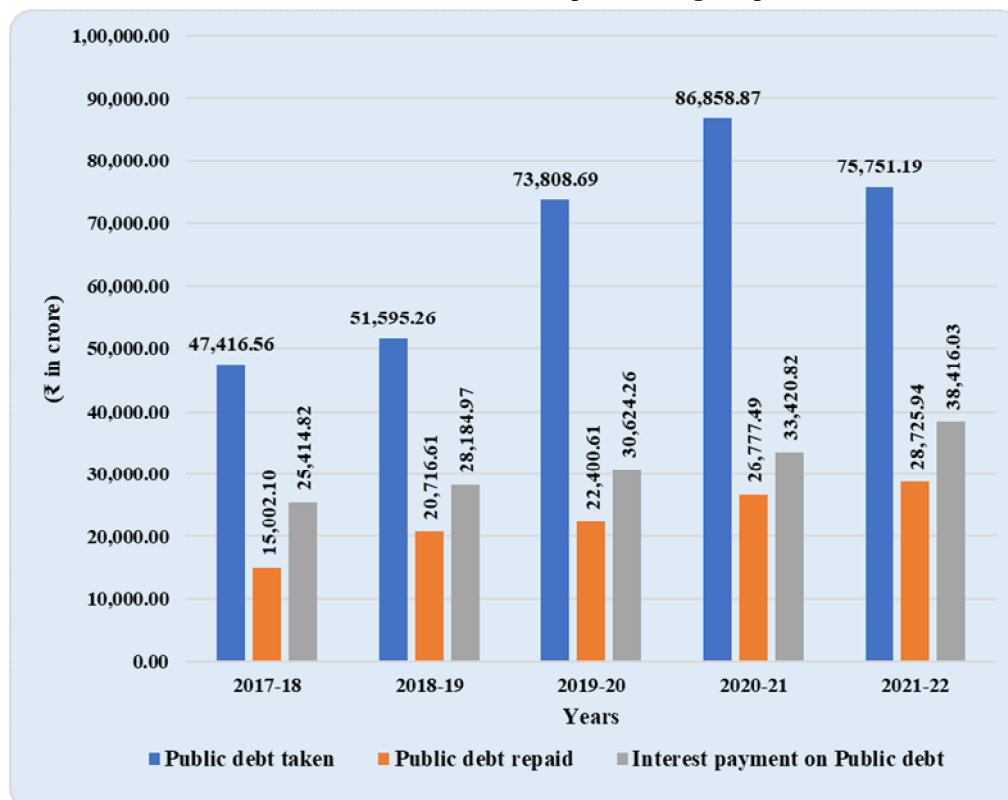
**Chart 2.13: Break-up of Outstanding Overall Debt at the end of the year 2021-22**



Source: Finance Accounts 2021-22

Trends of Public debts taken and its repayment during the period 2017-22 is depicted in **Chart 2.14**.

**Chart 2.14: Public debt taken vis-à-vis repaid during the period 2017-22**



Source: Finance Accounts of respective years

It is evident from **Chart 2.14** that during the period 2017-18 to 2021-22, the State Government utilised 69 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 31 per cent of public debt was available for capital expenditure. This availability was lowest in the year 2018-19 and maximum in the year 2020-21. In the year 2021-22, the State Government utilised 89 per cent of its debt receipt amount in re-payment of previous debts and interest payment resultantly, only 11 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		2017-18	2018-19	2019-20	2020-21	2021-22
<b>Composition of Fiscal Deficit (-)/ Surplus (+)</b>		<b>(-27,810)</b>	<b>(-35,203)</b>	<b>11,083</b>	<b>(-54,622)</b>	<b>(-39,286)</b>
<b>1</b>	Revenue Deficit(-) / Surplus(+)	(+)12,552	(+)28,250	(+)67,560	(-)2,367	(+)33,430
<b>2</b>	Net Capital Expenditure <sup>20</sup>	(-)39,088	(-)62,463	(-)59,998	(-)52,237	(-)71,443
<b>3</b>	Net Loans and Advances <sup>21</sup>	(-)1,274	(-)990	(+)3,521	(-)18	(-)1,273
<b>Financing Pattern of Fiscal Deficit (Net)</b>						
<b>1</b>	Market Borrowings	37,178.00	33,306.67	55,825.80	63,499.68	46,670.00
<b>2</b>	Loans from GOI	(-) 437.81	(-) 832.22	(-) 450.84	6,577.99	9,154.59
<b>3</b>	Special Securities issued to NSSF	(-) 4,643.05	(-) 4,871.64	(-) 5,122.07	(-) 5,122.07	(-)5,122.07
<b>4</b>	Loans from Financial Institutions	317.32	3,275.84	1,155.20	(-) 4,874.22	(-)3,677.27
<b>5</b>	Small Savings, Provident Funds, etc.	2,530.12	3,645.59	3,313.67	1,062.40	525.12
<b>6</b>	Deposits and Advances	1,413.38	2,196.34	(-) 2,089.80	1,914.78	(-)1,458.73
<b>7</b>	Suspense and Miscellaneous	(-) 2,214.62	222.67	(-) 1,828.11	1,697.48	1,461.10
<b>8</b>	Remittances	(-) 3,906.31	312.67	313.50	(-)325.46	21.06
<b>9</b>	Reserve Fund	8,264.72	13,544.71	(-) 68,298.52	500.94	3,893.01
<b>10</b>	Contingency Fund	(-) 154.96	(-) 166.65	629.73	(-) 100.00	700.00
<b>11</b>	<b>Overall Deficit</b>	<b>38,346.79</b>	<b>50,633.98</b>	<b>(-) 16,551.44</b>	<b>64,831.52</b>	<b>52,166.81</b>
<b>12</b>	<b>Increase (-) / Decrease (+) in cash balance</b>	<b>(-) 10,537.00</b>	<b>(-) 15,431.00</b>	<b>5,468.75</b>	<b>(-)10,209.41</b>	<b>(-)12,880.39</b>
<b>13</b>	<b>Gross Fiscal Deficit</b>	<b>27,809.79</b>	<b>35,202.98</b>	<b>(-) 11,082.69</b>	<b>54,622.11</b>	<b>39,286.42</b>

Source: Finance Accounts of respective years

Revenue Deficit and Fiscal Deficit had fluctuating trend during the period 2017-22. 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. During the year 2021-22, State registered Fiscal Deficit of ₹ 39,286 crore which was mainly financed through market borrowings and loans from GoI. However, as detailed in **Paragraph 1.4.1**, State's Fiscal Deficit and Revenue Surplus during the year 2021-22 should be read in conjunction with debt receipt of ₹ 8,140 crore in lieu of GST compensation due to inadequate balance in GST compensation fund.

<sup>20</sup> 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.

<sup>21</sup> 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. In the year 2021-22, this also includes transfer of ₹ 600 crore from Consolidated Fund to Contingency Fund which was budgeted by the State Government under Loans and Advances.

### 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 ₹ 6,12,956 crore as on 31 March 2022, ₹ 89,272 crore pertained to Liabilities on Public Account. The maturity profile of public debt (₹ 5,23,684 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	Repayment of Public Debt		Total	Per cent
	Internal Debt	Loans and Advances from GoI		
2022-23	20,869.41	1,741.77	22,611.18	4.32
2023-24	19,485.70	1,767.36	21,253.06	4.06
2024-25	29,007.44	704.64	29,712.08	5.67
2025-26	40,260.05	589.32	40,849.37	7.80
2026-27	49,955.51	600.59	50,556.10	9.65
2027-28	50,051.27	598.25	50,649.52	9.67
2028-29	53,850.84	579.05	54,429.89	10.39
2029-30	75,897.86	556.52	76,454.38	14.60
2030-31	81,335.73	494.63	81,830.36	15.63
2031-32 onwards	73,591.48	3,256.02	76,847.50	14.67
Under reconciliation with the State Government	2,117.60	16373.18*	18,490.77	3.53
<b>Total</b>	<b>4,96,422.89</b>	<b>27,261.33**</b>	<b>5,23,684.22</b>	<b>100</b>

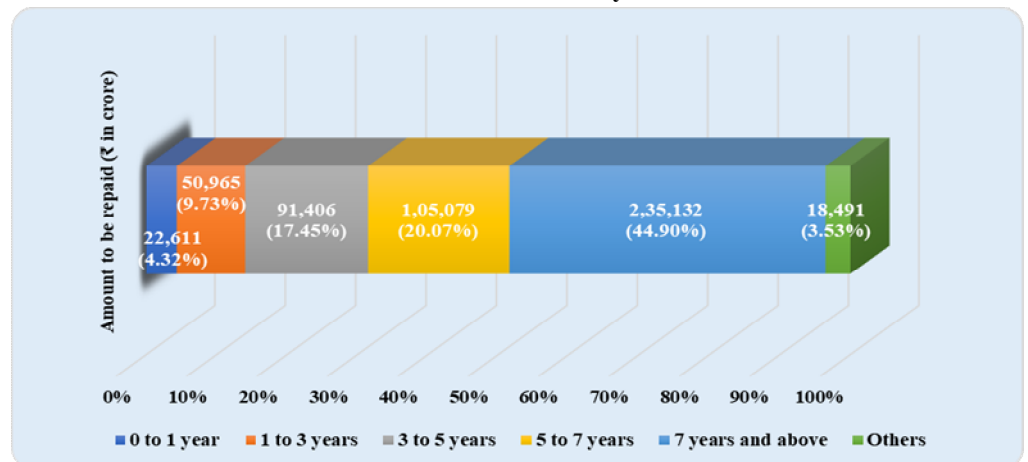
Source: Finance Accounts 2021-22

Note: Interest payable on outstanding debt stock has not been included in Table 2.24 as the State Government did not provide the same.

\* This includes ₹ 10.19 crore to be written off by GoI, ₹ 16,605.94 crore for which terms of repayment of loans were awaited from GoI and ₹ 254.32 crore of back-to-back loan repaid by GoI for which loan wise details were awaited.

\*\*This includes ₹ 14,146.94 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 2021-22

The maturity profile of public debt indicates that the liability of the State to repay the debt during the periods 2022-23, 2023-25, 2025-27 and 2027-29 would be ₹ 22,611.18 crore (4.32 per cent), ₹ 50,965.14 crore (9.73 per cent),

₹ 91,405.47 crore (17.45 per cent) and ₹ 1,05,079.41 (20.07 per cent) respectively. Further, ₹ 2,35,132.24 crore (44.90 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	2017-18	2018-19	2019-20	2020-21	2021-22
<b>Outstanding Public Debt<sup>22</sup></b> (in ₹ crore)	3,34,291	3,65,170	4,16,578	4,76,659	5,23,684
<b>Rate of Growth of Outstanding Public Debt (in per cent)</b>	10.74	9.24	14.08	14.42	9.87
<b>GSDP (in ₹ crore)</b>	<b>14,39,925</b>	<b>15,82,180</b>	<b>17,00,273</b>	<b>16,48,567</b>	<b>18,63,221</b>
<b>Rate of Growth of GSDP (in per cent)</b>	11.73	9.88	7.46	(-)3.04	13.02
<b>Public Debt/GSDP</b>	23.22	23.08	24.50	28.91	28.11
<b>Average interest Rate of Outstanding Public Debt (in per cent)</b>	7.99	8.06	7.83	7.48	7.68
<b>Percentage of Interest payment on Public Debt to Revenue Receipt</b>	9.12	8.54	8.36	11.28	10.35
<b>Percentage of Public Debt Repayment to Public Debt Receipt</b>	31.64	40.15	30.35	30.83	37.92
<b>Net Public Debt available to the State<sup>23</sup></b>	7,000	2,694	20,784	26,661	8609
<b>Net Public Debt available as per cent to Public Debt Receipts</b>	14.76	5.22	28.16	30.69	11.37
<b>Primary Deficit (-)/Surplus (+)</b>	1,326	(-) 3,161	45,896	(-) 17,194	3,589
<b>Debt Stabilisation (in ₹ crore)*</b> (Quantum spread <sup>24</sup> + Primary Deficit)	12,51,574	6,61,448	(-)1,08,238	(-)49,91,986	26,68,468

Source: Finance Accounts of respective years

\* Public Debt stabilisation has been worked out after excluding ₹ 6,007 crore received during the year 2020-21 and ₹ 8,140 crore during 2021-22 from GoI 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 28.55 and average

<sup>22</sup> 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.

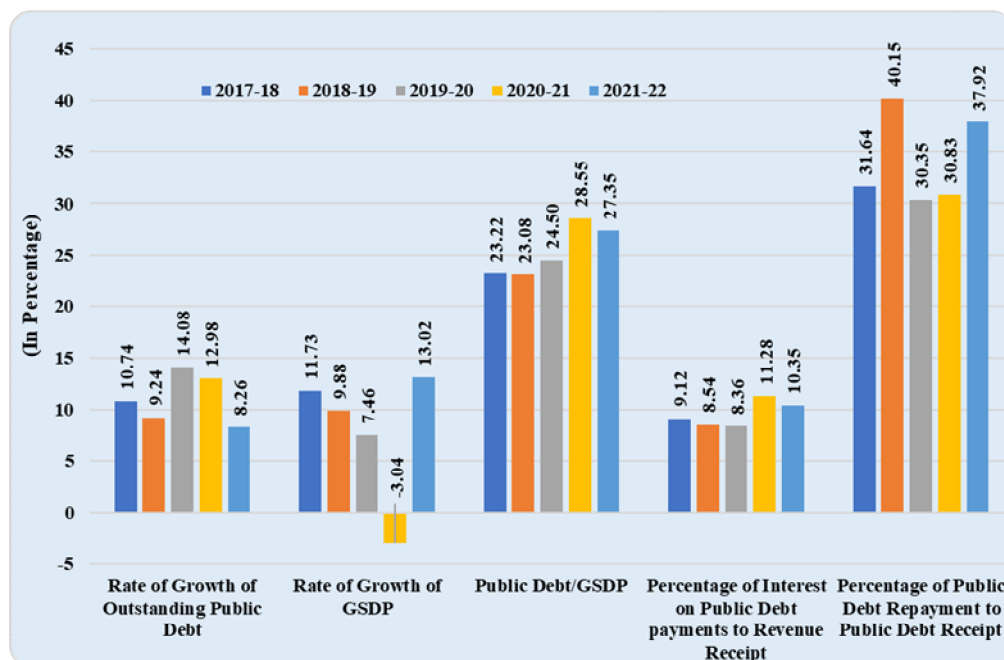
<sup>23</sup> Net debt available to the State Government is calculated as excess of Public debt receipts over Public debt repayment and interest payment on Public Debt.

<sup>24</sup> Quantum spread= (Debt stock x Interest spread) and Interest Spread= (GSDP Growth Rate – Average Interest Rate)



interest rate of public debt was 7.53. Similarly, during 2021-22, the effective Public Debt was ₹ 5,09,537 crore with growth rate of 8.26 *per cent* over previous year, Public Debt to GSDP was 27.35 and average interest rate of public debt was 7.79.

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 ₹ 3,34,291 crore in the year 2017-18 to ₹ 5,23,684 crore in the year 2021-22. It grew at 9.87 *per cent* in the year 2021-22 over the previous year. However, outstanding Public Debt at the end of 2020-21 and 2021-22 also includes ₹ 6,007 crore and ₹ 14,147 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* and 8.26 *per cent* in 2021-22, indicating downward trend in the growth rate of 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 2019-21. However, it was positive during 2021-22 due to the higher growth rate of GSDP as compared to average interest rate on public debt.
- 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. The percentage of interest payment on public debt to revenue receipt decreased from 11.28 *per cent* during 2020-21 to 10.35 *per cent* during 2021-22. The net fund available from borrowings for current operations after providing for interest and repayment of Public Debt had

fluctuating trend during 2017-22 and it was only 11.37 per cent of total public debt taken during the year 2021-22.

- The average expenditure on debt servicing during the period 2017-22 was ₹ 53,937 crore, which accounted for 80.39 per cent of average public debt receipts (₹ 67,086 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)				
		2017-18	2018-19	2019-20	2020-21	2021-22
<b>1</b>	<b>Public Debt receipt</b>	<b>47,417</b>	<b>51,595</b>	<b>73,809</b>	<b>86,859</b>	<b>75,751</b>
<b>2</b>	Repayment of earlier Public Debt (Principal) (percentage of Public Debt receipt)	15,002 (31.64)	20,717 (40.15)	22,401 (30.35)	26,778 (30.83)	28,726 (37.92)
<b>3</b>	Net Capital Expenditure (percentage of Public Debt receipt)	39,088 (82.43)	62,463 (121.06)	59,998 (81.29)	52,237 (60.14)	71,443 (94.31)
<b>4</b>	Net Loans and Advances disbursed (percentage of Public Debt receipt)	1,274 (2.69)	990 (1.92)	(-)3,521 (-4.77)	18 (0.02)	674 (0.89)
<b>5</b>	Portion of revenue expenditure met out of net available borrowings Sl. No. 5 = Sl. No. (1-2-3-4) (percentage of Public Debt receipt)	(-)7,947 (-16.76)	(-)32,575 (-63.14)	(-)5,069 (-6.87)	7,826 (9.01)	(-)25,092 (-33.12)

Source: Finance Accounts of respective years

**Table 2.27** shows that borrowings (Public Debt) during 2017-18 to 2019-20 and 2021-22 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 2017-18 to 2019-20 and 2021-22.

#### 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	2017-18	2018-19	2019-20	2020-21	2021-22
<b>Maximum amount of guarantee</b>	74,303.03	90,662.48	1,32,499.27	1,75,469.24	2,06,431.78
<b>Outstanding amount of guarantee</b>	74,841.22	1,10,032.12	1,18,696.49	1,50,554.00	1,74,218.42

Source: Finance Accounts of respective years

The outstanding guarantees increased by 15.72 per cent from ₹ 1,50,554 crore in the year 2020-21 to ₹ 1,74,218.42 crore in the year 2021-22 and these were 46.96 per cent of the Revenue Receipts (₹ 3,71,011 crore) and 9.35 per cent of GSDP of the State Government during the year. The outstanding guarantee as on 31 March 2022 mainly pertained to four power sector companies (₹ 1,29,374 crore), Infrastructure and Industrial Development Department (₹ 27,950 crore), Co-operative Department (₹ 9,313 crore) and Sugar Industry Department (₹ 5,040 crore). Further, no guarantee was invoked during the year 2021-22.

The outstanding guarantees included ₹ 93,037 crore for UP Power Corporation Limited, which was more than the maximum amount guaranteed (₹ 92,994 crore) to the entity by the State Government during the year. As disclosed in the Finance Accounts 2021-22, the State Government did not furnish the reason for this inconsistency. Further, there was a difference to ₹ 3,281.74 crore between outstanding guarantees at the beginning of the year 2021-22 and that at the end of the year 2020-21 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 /Overdrafts 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 include government securities investments of the Consolidated Sinking Fund.

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 2021-22 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 2021-22

(₹ in crore)

	Opening balance on 1 April 2021	Closing balance on 31 March 2022
<b>A. General Cash Balance</b>		
Cash in Treasuries	0.00	0.00
Deposits with Reserve Bank of India	137.10	(-)348.47
Remittances in transit	0.00	0.00
Investments held in Cash Balance Investment Account	30,459.45	41,825.24
<b>Total (A)</b>	<b>30,596.55</b>	<b>41,476.77</b>
<b>B. Other Cash Balances and Investments</b>		
Cash with departmental officers viz., Public Works, Forest Officers	10.52	10.69
Permanent advances for contingent expenditure with department officers	0.50	0.50
Investment in earmarked funds	1,045.20	3,045.20
<b>Total (B)</b>	<b>1,056.22</b>	<b>3,056.39</b>
<b>Total (A + B)</b>	<b>31,652.77</b>	<b>44,533.16</b>

Source: Finance Accounts 2021-22

The State Government's cash balances at the end of the current year amounted to ₹ 44,533.16 crore. This has increased by ₹ 12,880.39 crore (40.69 per cent) when compared with balances at the end of the year 2020-21. During 2021-22, the opening balance of investment held in Cash Balance Investment Account was ₹ 30,459.45 crore. Treasury Bills amounting to ₹ 6,91,372.52 crore were purchased and these instruments amounting to ₹ 6,80,006.73 crore were sold, leaving a balance of ₹ 41,825.24 crore in the account at the end of the year. The amounts of ₹ 333.07 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 ₹ 3,52,908 crore during 2017-18 to ₹ 5,44,061 crore during 2018-19 but decreased to ₹ 4,93,843 crore during the year 2019-20, ₹ 4,64,321 crore in the year 2020-21 and again increased to ₹ 6,91,372.52 crore during the year 2021-22. Corresponding to Cash Balance Investment Account, the cash surplus (General Cash Balances) increased during the period 2017-18 to 2018-19 from ₹ 11,425 crore (31 March 2018) 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) and ₹ 41,477 crore in the year 2021-22 (31 March 2022). Status of Cash Balance Investment Account and interest earned thereon for the period 2017-22 is shown in Table 2.30.

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

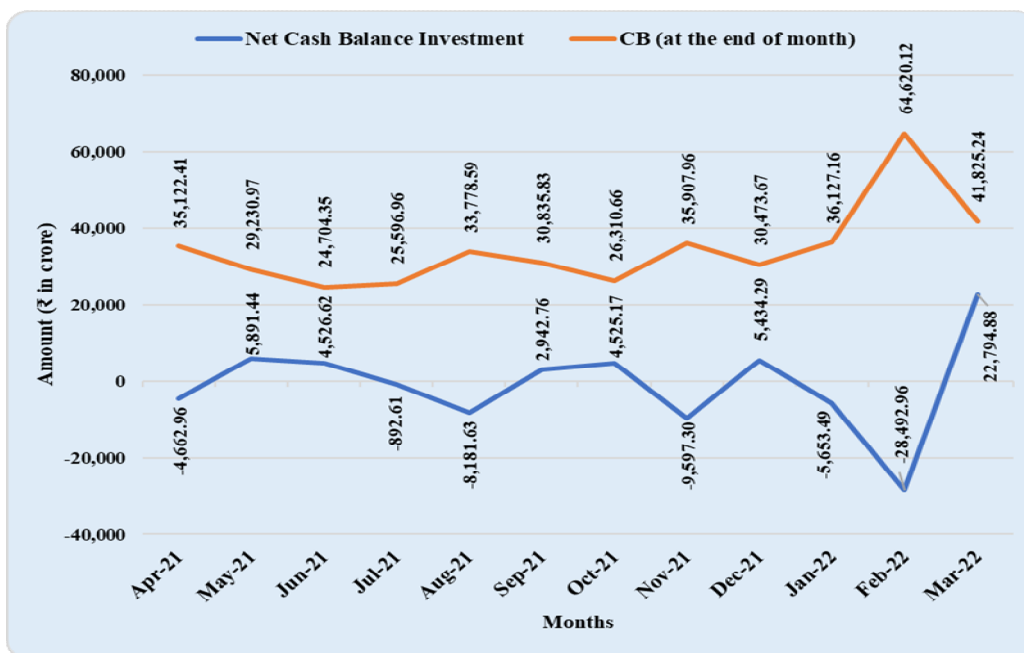
(₹ in crore)

Year	Opening Balance	Closing Balance	Increase (+) / decrease (-) (CB-OB)	Interest earned
2017-18	2,168.23	11,159.38	8,991.15	486.61
2018-19	11,159.38	26,684.36	15,524.98	1088.56
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
2021-22	30,459.45	41,825.24	11,365.79	346.99

Source: Finance Accounts of respective years

Month wise movement of Cash Balances and Net Cash Balance Investments during the year 2021-22 is presented in **Chart 2.17**.

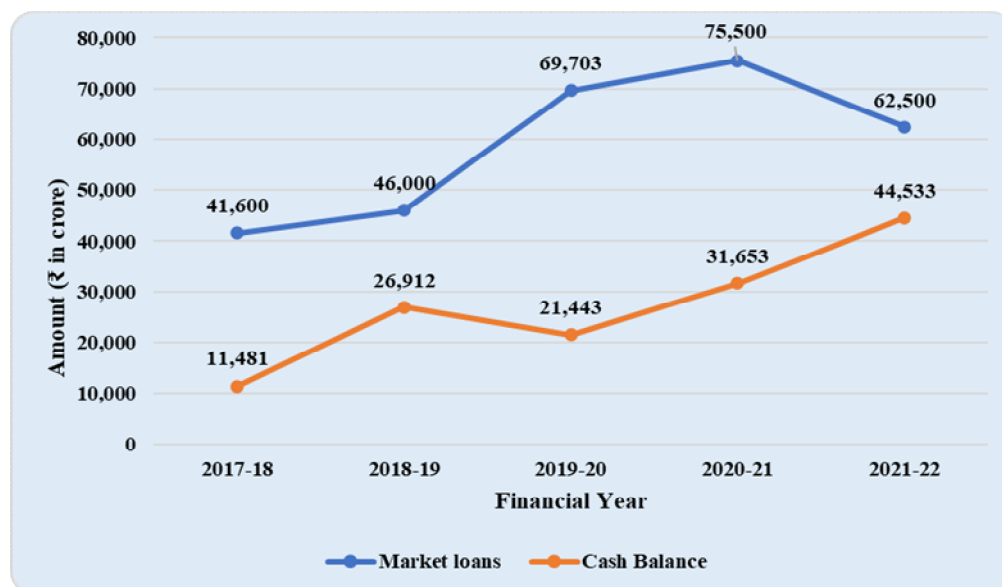
**Chart 2.17: Month wise movement of Cash Balances and net cash balance investments during the year 2021-22**



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 2017-22**



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 resources<sup>25</sup>.

<sup>25</sup> Paragraphs 4.40 and 4.41 of XIV FC Report.

### 2.10.1 Variation in Cash Balance

The Cash balance as on 31 March 2022 as per the record of Accountant General was ₹ 348.47 crore (Credit) and that reported by the RBI was ₹ 353.70 crore (Debit). There was a net difference of ₹ 5.23 crore, mainly due to difference in figures intimated by the Treasuries/Agency Banks. The difference was under reconciliation.

### 2.11 Conclusion

#### Positive Indicators

- Fiscal Deficit (₹ 39,286 crore) was 2.11 *per cent* of GSDP, which was within the fiscal target of four *per cent* set in the UPFRMB (Amendment) Bill, 2021.
- Revenue Receipt in the year 2021-22 increased by 25.27 *per cent* over the year 2020-21.
- State had registered revenue surplus of ₹ 33,430 crore during the year 2021-22 after recording revenue deficit of ₹ 2,367 crore during the year 2020-21. As a result, the Fiscal Deficit decreased from ₹ 54,622 crore during the year 2020-21 to ₹ 39,286 crore during the year 2021-22 despite increase in Capital Expenditure during 2021-22. The Primary Deficit of ₹ 17,194 crore during the year 2020-21 also turned into Primary Surplus of ₹ 3,589 crore during the year 2021-22.
- Committed Expenditure to Revenue Expenditure in the year 2021-22 decreased to 59.87 *per cent* from 61.37 *per cent* in the year 2020-21.
- Debt-GSDP ratio of the State decreased from 33.91 *per cent* in the year 2020-21 to 32.14 *per cent* in the year 2021-22.
- Debt Stabilisation increased during the year 2021-22 due to higher GSDP growth rate as compared to average interest rate on public debt. The percentage of interest payment on Public Debt to Revenue Receipts decreased to 10.35 *per cent* in the year 2021-22 from 11.28 *per cent* in the year 2020-21.

#### Parameters requiring close watch

- During the year 2021-22, State Government transferred less contribution of ₹ 734.32 crore to the Consolidated Sinking Fund, which was to be utilised for amortization of redemption of outstanding liabilities of State Government.
- 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 ₹ 6.11 crore at the end of the year 2021-22 due to excess disbursement over available balances.
- The State Government had not credited interest of ₹ 74.99 crore for the year 2021-22 on uninvested balances of the State Disaster Response Fund. The balance of the Fund was not being invested in the manner specified in the SDRF guidelines.

- 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 would be available in the Fund for its further investment by the Reserve Bank of India and for future redemption of outstanding liabilities.*
- *The State Government should transfer the full amount charged on works for Depreciation Reserve Fund to this Fund. Further, State Government should immediately regularise the negative balance under Depreciation Reserve Fund.*
- *The State Government should invest the balances under SDRF in the manner prescribed in the SDRF guidelines and also remit the accrued interest to the Fund.*
- *The State Government should create the Guarantee Redemption Fund as per the recommendations of XII Finance Commission.*

