
Chapter-2

FINANCES OF THE STATE

CHAPTER 2

FINANCES OF THE STATE

This chapter provides a broad perspective of the finances of the State and analyses the critical changes in major fiscal aggregates relative to the previous year. It discusses the overall trends during the five-year period from 2017-18 to 2021-22, debt sustainability of the State and key Public Account transactions, based on the Finance Accounts of the State. Information was also obtained from the State Government, where necessary.

2.1 Major changes in key fiscal aggregates *vis-à-vis* 2020-21

Table 2.1 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 the previous year. Each of these indicators have been analysed in the succeeding paragraphs.

Table 2.1: Changes in key fiscal aggregates in 2021-22 compared to 2020-21

Revenue Receipts	<ul style="list-style-type: none">✓ Revenue receipts of the State increased by 24.17 <i>per cent</i>✓ Own Tax receipts of the State increased by 26.12 <i>per cent</i>✓ Own Non-tax receipts increased by 32.61 <i>per cent</i>✓ State's Share of Union Taxes and Duties increased by 40.70 <i>per cent</i>✓ Grants-in-Aid from Government of India decreased by 11.06 <i>per cent</i>
Revenue Expenditure	<ul style="list-style-type: none">✓ Revenue expenditure increased by 5.93 <i>per cent</i>✓ Revenue expenditure on General Services increased by 8.30 <i>per cent</i>✓ Revenue expenditure on Social Services increased by 5.54 <i>per cent</i>✓ Revenue expenditure on Economic Services increased by 3.55 <i>per cent</i>
Capital Expenditure	<ul style="list-style-type: none">✓ Capital expenditure increased by 10.76 <i>per cent</i>✓ Capital expenditure on General Services decreased by 4.76 <i>per cent</i>✓ Capital expenditure on Social Services increased by 6.99 <i>per cent</i>✓ Capital expenditure on Economic Services increased by 13.61 <i>per cent</i>
Loans and Advances	<ul style="list-style-type: none">✓ Disbursement of Loans and Advances decreased by ₹ 1,917.02 crore✓ Recoveries of Loans and Advances increased by ₹ 1,242.95 crore
Public Debt	<ul style="list-style-type: none">✓ Public Debt Receipts decreased by 27.36 <i>per cent</i>✓ Repayment of Public Debt increased by 54.73 <i>per cent</i>
Public Account	<ul style="list-style-type: none">✓ Public Account Receipts decreased by 13.57 <i>per cent</i>✓ Disbursement of Public Account increased by 6.77 <i>per cent</i>
Cash Balance	<ul style="list-style-type: none">✓ Cash balance increased by ₹ 1,852.38 crore (49.79 <i>per cent</i>) during 2021-22 compared to the previous year

2.2 Sources and Application of Funds

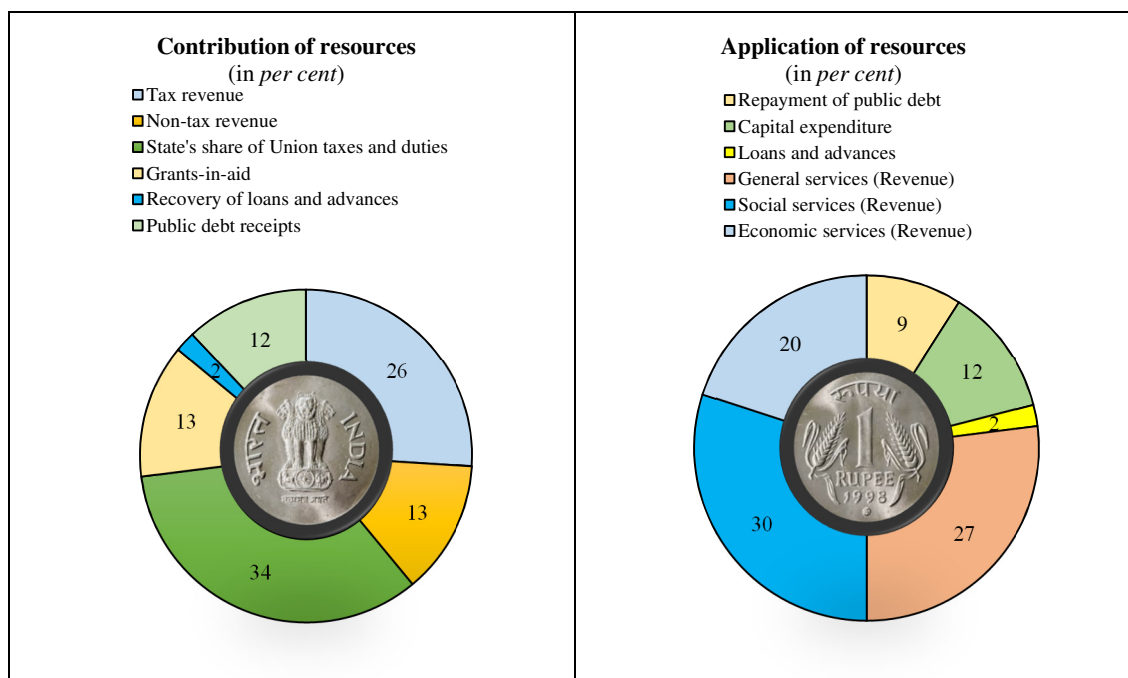
Table 2.2 compares the sources and application of funds of the State during 2021-22 with 2020-21. More details are given in **Appendix 2.1**.

Table 2.2: Details of Sources and Application of funds during 2020-21 and 2021-22
(₹ in crore)

	Particulars	2020-21	2021-22	Increase(+)/ Decrease(-)
Sources	Opening Cash Balance with RBI	-54.14	160.55	214.69
	Revenue Receipts	56,149.75	69,721.86	13,572.11
	Recoveries of Loans and Advances	48.78	1,291.73	1,242.95
	Public Debt Receipts (Net)	10,801.75	5,592.79	-5,208.96
	Public Account Receipts (Net)	4,323.44	-2,999.76	-7,323.20
	Total	71,269.58	73,767.17	2,497.59
Application	Revenue Expenditure	59,263.59	62,777.92	3,514.33
	Capital Expenditure	8,465.66	9,376.90	911.24
	Disbursement of Loans and Advances	3,379.78	1,462.98	-1,916.80
	Closing Cash Balance with RBI	160.55	149.37	-11.18
	Total	71,269.58	73,767.17	2,497.59

Chart 2.1 gives details of receipts into and expenditure from the Consolidated Fund during 2021-22 in terms of percentages.

Chart 2.1: Details of Sources and Application of funds during 2021-22



2.3 Resources of the State

This paragraph provides details of the composition of the overall receipts. Besides the Capital and Revenue Receipts, funds available in the Public Account (net of disbursement made from it) are also utilised by the Government to finance its deficit.

The resources of the State are described below:

- Revenue receipts** consist of tax revenue, non-tax revenue, State's share of Union taxes and duties and grants-in-aid from the Government of India (GoI).
- Capital receipts** comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GoI.

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

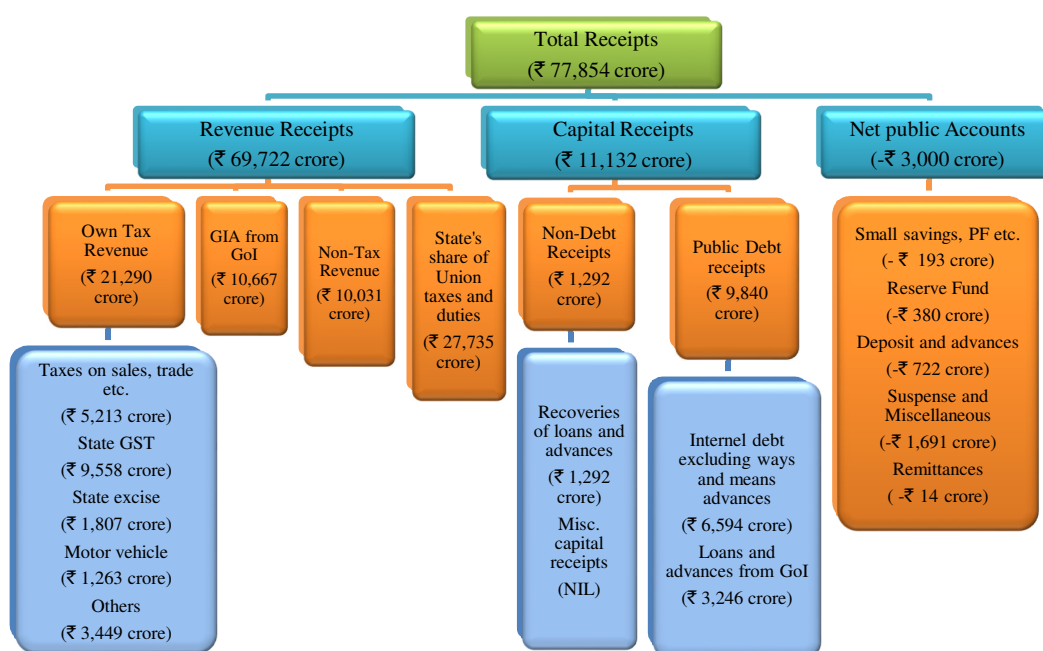
3. Net Public Accounts receipts: There are receipts and disbursements in respect of certain transactions such as small savings, provident fund, reserve funds, deposits, suspense, remittances, *etc.* which do not form part of the Consolidated Fund.

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

2.3.1 Receipts of the State

This paragraph provides details of the composition of the overall receipts. Besides, the Capital and Revenue Receipts, funds available in the Public Account (net of disbursement made from it) are also utilised by the Government to finance its deficit. Composition of receipts of the State during 2021-22 is given in **Chart 2.2**.

Chart 2.2: Composition of receipts of the State during 2021-22



2.3.2 State's 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 receipts from the Central Government and State's own receipts.

2.3.2.1 Trends and growth of Revenue Receipts

Table 2.3 shows the trends and growth of revenue receipts as well as revenue buoyancy with respect to GSDP over the five-year period. Trends in revenue receipts relative to GSDP and composition of revenue receipts are also given in **Appendix 2.2**.

Table 2.3: Trend in Revenue Receipts

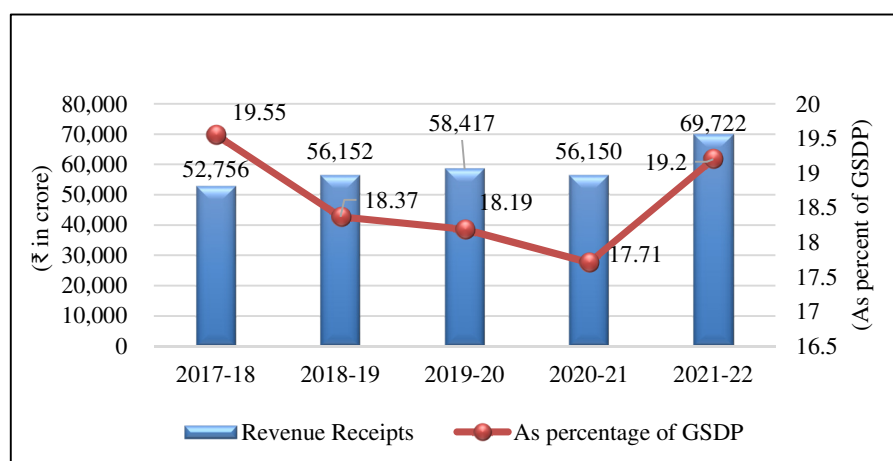
Parameters	2017-18	2018-19	2019-20	2020-21	2021-22
Revenue Receipts (RR) (₹ in crore)	52,756	56,152	58,417	56,150	69,722
Rate of growth of RR (<i>per cent</i>)	12.12	6.44	4.03	-3.88	24.17
Own Tax Revenue	12,353	14,752	16,771	16,880	21,290
Non-Tax Revenue	7,847	8,258	8,750	7,564	10,031
Rate of growth of Own Revenue (Own Tax and Non-tax Revenue) (<i>per cent</i>)	8.30	13.90	10.90	-4.20	28.13
Gross State Domestic Product (₹ in crore) (2011-12 Series)	2,69,816	3,05,695	3,21,157	3,17,079	3,63,085
Rate of growth of GSDP (<i>per cent</i>)	14.21	13.30	5.06	-1.27	14.51
RR/GSDP (<i>per cent</i>)	19.55	18.37	18.19	17.71	19.20
Buoyancy Ratios¹					
Revenue Buoyancy <i>w.r.t.</i> GSDP	0.85	0.48	0.80	*	1.67
State's Own Revenue Buoyancy <i>w.r.t.</i> GSDP	0.58	1.05	2.15	*	1.94

Source of GSDP figures: Directorate of Economics and Statistics

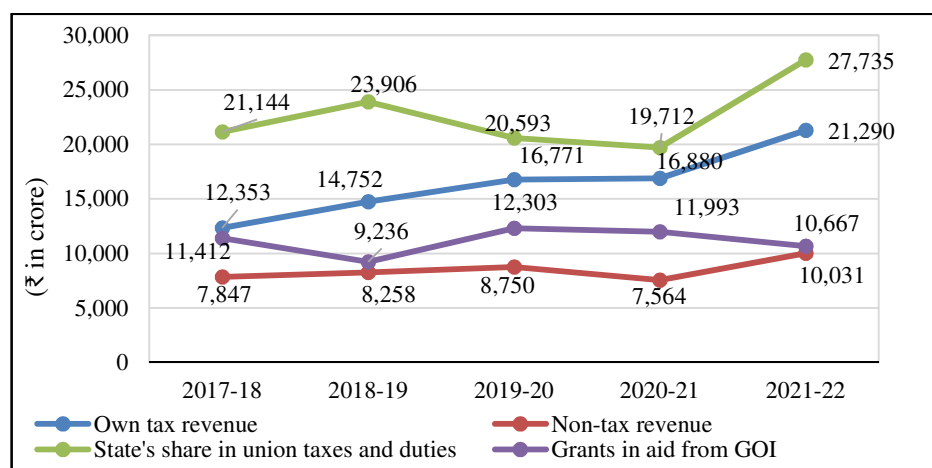
*Since growth of GSDP was negative, buoyancy was not calculated.

The rate of growth of revenue receipts of the State, which had decreased consistently from 12.12 *per cent* in 2017-18 to (-) 3.88 *per cent* in 2020-21, registered a significant increase of 24.17 *per cent* during 2021-22. Significant increase in RR during 2021-22 was due to significant increase in the own resources of the State as well as in the State's share of Union taxes and duties.

It can be seen from **Table 2.3** that revenue buoyancy *w.r.t.* GSDP improved significantly during 2021-22 due to higher growth of RR. Similarly, Own tax revenue buoyancy increased significantly during the year in comparison to the previous years.

Chart 2.3: Trend in Revenue Receipts

¹ Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable.

Chart 2.4: Trend of components of Revenue Receipts

Further, as shown in **Table 2.3** and **Charts 2.3 & 2.4**, the State's own revenues increased sharply by 28.13 *per cent* during 2021-22 against decrease of 4.20 *per cent* in the previous year. The increase in own tax revenue was mainly due to increase in collection of SGST by ₹ 1,626.84 crore, Taxes on Sales and Trade by ₹ 912.51 crore and Land Revenue by ₹ 748.28 crore. Non-tax revenue increased mainly due to increase in collection under Non-ferrous Mining by ₹ 2,522.56 crore, Forestry and Wild Life by ₹ 327.59 crore and Miscellaneous General Services by ₹ 311.57 crore.

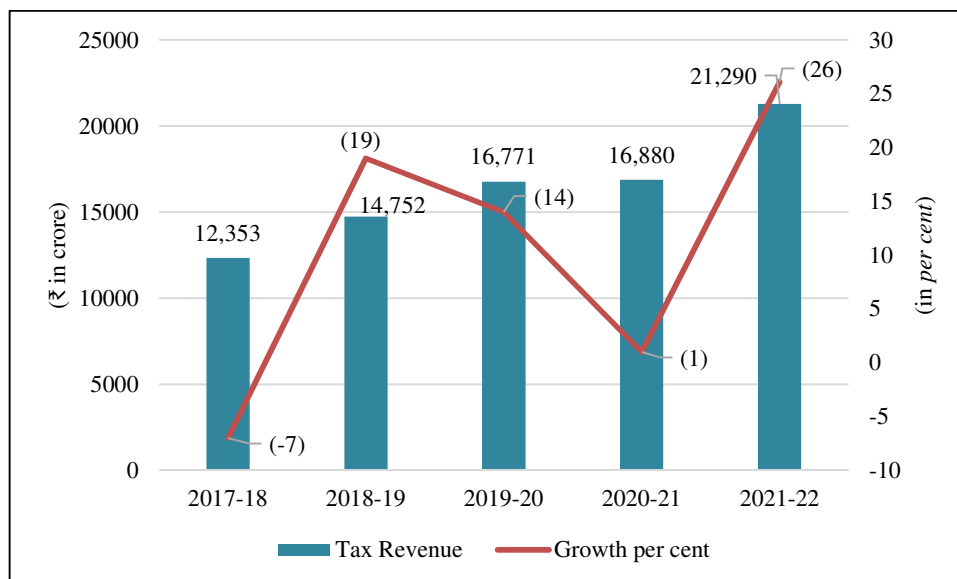
The revenue received from GoI (CTT & GIA) increased by 21.12 *per cent* during 2021-22 over the previous year. CTT increased significantly by ₹ 8,022.42 crore during the current year mainly due to huge increase in transfer of Central Taxes under each category including CGST. However, a decrease (by ₹ 1,326.56 crore) in GIA from GoI was noticed during the year.

State's Own Resources

State's share in Central taxes is determined on the basis of recommendations of the Finance Commission. Grants-in-aid from the Central Government are determined by the quantum of Central tax receipts and the anticipated Central assistance for schemes. The performance of the State in mobilisation of additional resources has been assessed in terms of its own resources comprising revenue from its own tax and non-tax sources.

A. Own Tax revenue

Own tax revenues of the State consist of State GST, State Excise, Taxes on vehicles, Sales Tax on Petroleum and Alcohol, Stamp Duty and Registration fees, Land revenue, Taxes on goods and passengers, *etc.* **Chart 2.5** shows growth of tax revenue of the State during the period 2017-18 to 2021-22.

Chart 2.5: Growth of Tax Revenue during 2017-18 to 2021-22**Table 2.4: Components of State's Own Tax Revenue**

Year	₹ in crore					Sparklines
	2017-18	2018-19	2019-20	2020-21	2021-22	
Taxes on Sales, Trade etc.	5,715	3,475	3,996	4,301	5,213	
SGST	4,124	8,201	8,418	7,931	9,557	
State excise	841	1,083	2,009	1,821	1,807	
Taxes on vehicles	779	864	1,129	976	1,263	
Stamp duty and registration fees	469	451	560	708	987	
Land revenue	156	389	338	873	1,621	
Others	270	289	321	270	842	
Total	12,354	14,752	16,771	16,880	21,290	

Source: Finance Accounts

The growth rate of own tax revenue showed wide fluctuation between (-) 7 to 26 per cent during the period 2017-18 to 2021-22. Own-tax grew significantly from one per cent in 2020-21 to 26 per cent in 2021-22 mainly due to significant increase in Taxes on Sales, Trade etc. (21 per cent), SGST (21 per cent), Taxes on vehicles (29 per cent) and Land revenue (86 per cent).

As informed by the Transport Department, increase in collection of taxes on vehicles was due to introduction of new fee structure for registration of vehicles by the State Government. Significant increase in Land revenue was due to receipt of arrears amounting to ₹ 500 crore from the Central Coalfields Limited during 2021-22. Reasons for increase in collection of the other components of State's Own taxes have not been received from the concerned departments.

State Goods and Services Tax (SGST)

As per the GST (Compensation to States) Act, 2017, States would be compensated for the shortfall in revenue arising on account of implementation of the Goods and Services Tax considering an annual growth

of 14 *per cent* from the base year (2015-16), for a period of five years (upto March 2022). The Centre levies the Integrated GST (IGST) on inter-state supply of goods and services, and apportions the State's share of tax to the State where the goods or services are consumed.

The compensation payable to the State was to be calculated for every financial year after the receipt of final revenue figures, as audited by the CAG of India. A base year (2015-16) revenue figure of taxes subsumed under GST was finalised under GST Act. In the case of Jharkhand, the revenue was ₹ 6,410.51 crore during the base year (2015-16). The projected revenue for any year in a State shall be calculated by applying the projected growth rate (14 *per cent* per annum) over the base year revenue of that State.

The projected revenue for the year 2021-22 in accordance with the base year figure was ₹ 14,070.89 crore. The revenue receipt of the State Government in respect of taxes subsumed under GST during 2021-22 was ₹ 9,557.40 crore. GoI has not provided any compensation for the year 2021-22 to protect the revenue collection of the State. However, compensation amounting to ₹ 1,525.63 crore pertaining to the period April 2020 to March 2021 was provided during 2021-22.

Advance apportionment of IGST to be adjusted against future payments of IGST

Government of India is to apportion IGST to State Governments under Section 17 of the IGST Act, 2017. The State Tax Division, Ministry of Finance, Department of Revenue (GoI) sanctioned provisional/advance settlement of apportionment of ₹ 557.12 crore with the condition that the amount will be settled from future payments of IGST. The advance apportionment of IGST decreased by 8.41 *per cent* during 2021-22 over the previous year (₹ 608.26 crore).

Audit of GST Receipts

Government of India's decision to provide access to Pan-India data at GSTN premises was conveyed on 22 June 2020. The required access to data has been provided in January 2021.

Analysis of arrears of revenue and arrears of assessment

The arrears of revenue indicate delayed realisation of revenue due to the Government. Similarly, arrears of assessment indicate potential revenue which is blocked due to delayed assessment. Both deprive the State of potential revenue receipts and ultimately affect the revenue deficit.

As on 31 March 2022, arrears in collection of revenue was ₹ 8,071.97 crore (Commercial Tax Department and Motor Vehicle Tax Department), of which ₹ 2,007.25 crore was outstanding for more than five years. Out of the total arrears in these departments, amounts held up in the Courts and other appellate authorities were ₹ 3,183.76 crore. Details of other departments were not available as of December 2022.

B. Non Tax Revenue

Non-Tax revenue (NTR) consists of interest receipts, dividends and profits, mining receipts, departmental receipts, *etc.*

Non-Tax revenue collected during 2021-22 was ₹ 10,031 crore. NTR collection was significantly lower than the budget estimates of ₹ 13,500 crore for the year. Component-wise NTR collected during 2017-18 to 2021-22 is as shown in **Table 2.5**.

Table 2.5: Non-tax revenue collected during 2017-18 to 2021-22

Revenue Head	2017-18	2018-19	2019-20	2020-21	2021-22	Sparkline
Interest receipts	169	47	310	81	96	
Dividends and profits	0	0	0	15	0	
Other non-tax receipts	7,678	8,211	8,440	7,468	9,935	
(a) Non-ferrous mining & metallurgy	5,941	5,935	5,461	5,012	7,535	
(b) Education	20	590	469	166	128	
(c) Urban Development	122	265	529	80	263	
(d) Major Irrigation	131	321	424	32	79	
(e) Civil Supplies	5	6	420	137	132	
(f) Others	1,459	1,094	1,137	2,041	1,798	
Total	7,847	8,258	8,750	7,564	10,031	

The share of NTR in revenue receipts ranged between 13.47 *per cent* and 14.98 *per cent* during the period 2017-18 to 2021-22. It increased from 13.47 *per cent* in 2020-21 to 14.39 *per cent* in 2021-22. The main source of NTR was receipts from Non-ferrous Mining and Metallurgical Industries which increased significantly from ₹ 5,012 crore in 2020-21 to ₹ 7,535 crore in 2021-22. Significant increase was also noticed in collection under Forestry and Wildlife (by ₹ 328 crore), Urban Development (by ₹ 183 crore), and Miscellaneous General Services (by ₹ 312 crore) during 2021-22.

Irregular deposit under Minor Head-913

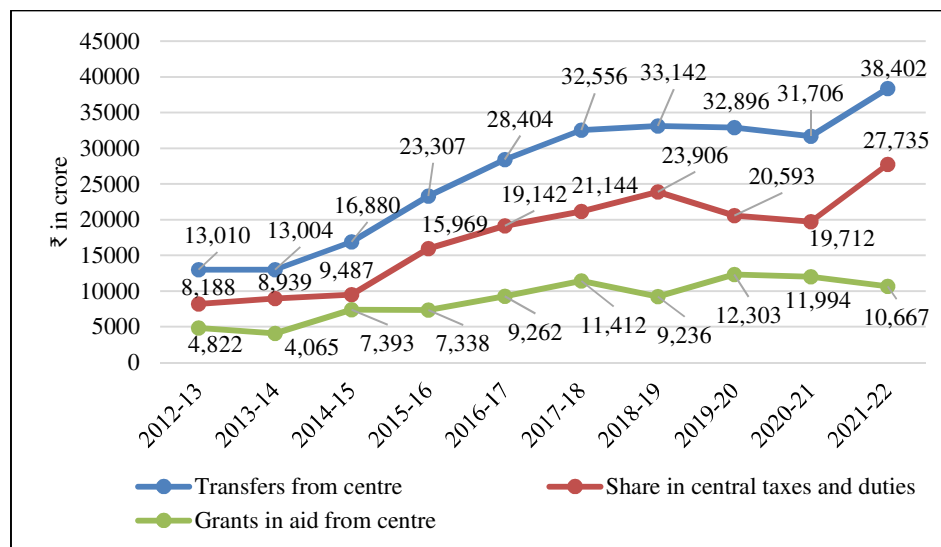
An amount of ₹ 467.05 crore, being unspent balances of Grants-in-aid and unutilised scheme funds related to previous years, has been deposited by the State Government, under Receipt Heads of Accounts by operating Minor Head '913-recovery of unspent balance of Grants-in-aid', during the financial year 2021-22, instead of being set off as reduction of expenditure under Expenditure Heads of Accounts, in contravention of accounting rules. The unspent balances could not be bifurcated between Centrally Sponsored Schemes and State Schemes, due to non-availability of details in the digital data maintained by the State Government. The deposited amount, not being actual revenue, is included in the revenue receipts resulting in overstatement of revenue receipts and understatement of revenue expenditure of the State Government to that extent.

C. Transfers from the Central Government

Transfers from the Central Government to the State in the shape of Central Tax Transfers and Grants-in-aid was more than 50 *per cent* of the total Non-debt revenue of the State during 2012-13 to 2021-22, except in 2013-14 when it was just below this mark. The ratio of central transfer to non-debt receipts was highest during 2017-18 (62 *per cent*) due to less collection of

own revenue and receipts of compensation for revenue loss arising out of implementation of GST. During 2021-22, the ratio stood at 54 *per cent*.

Chart 2.6: Transfer from Centre to the State



The devolution of taxes from the Centre to the State increased consistently from ₹ 8,188 crore in 2012-13 to ₹ 27,735 crore in 2021-22, except in 2019-20 and 2020-21, when it decreased to ₹ 20,593 crore and ₹ 19,712 crore respectively.

Central Tax Transfers

Component-wise trend of Central Tax Transfers (CTT) over the past five years are depicted in **Table 2.6**.

Table 2.6: Central Tax Transfers

Head	2017-18	2018-19	2019-20	2020-21	2021-22
Central Goods and Services Tax (CGST)	299	5,900	5,844	5,863	8,367
Integrated Goods and Services Tax (IGST)	2,134	471	0	0	0
Corporation Tax	6,475	8,313	7,021	5,944	7,139
Taxes on Income other than Corporation Tax	5,467	6,122	5,502	6,093	8,693
Customs	2,134	1,695	1,305	1,050	2,060
Union Excise Duties	2,230	1,126	908	663	1,089
Service Tax	2,404	220	0	85	356
Other Taxes ²	0	59	13	14	31
Central Tax Transfers	21,144	23,906	20,593	19,712	27,735
Percentage of increase over previous year	10	13	-14	-4	41
Percentage of Central tax transfers to Revenue Receipts	40	43	35	35	40

CTT increased in 2021-22 over the previous year by ₹ 8,023 crore due to increase in the transfer of all the taxes as shown in the above table. This resulted in increase of five *per cent* in CTT to revenue receipts over the previous year.

Grants-in-aid from GoI

The growth rate of GIA from GoI showed wide fluctuation, between (-) 19.07 *per cent* and 33.21 *per cent*, during the period 2017-18 to 2021-22. Growth

² Include Taxes on Wealth, Other Taxes on Income and Expenditure, Other Taxes and Duties on commodities and Services

rate of GIA from GoI was highest during the year 2019-20 (33.21 per cent) which decreased, over the previous year, by (-) 2.51 per cent in 2020-21 and (-) 11.06 per cent in 2021-22.

Moreover, GIA decreased from 21.36 per cent in 2020-21 to 15.30 per cent of revenue receipt in 2021-22. This was mainly due to decrease (by ₹ 1,134 crore) in the basic grants received for Rural and Urban Local Bodies of the State. Compensation for loss of revenue arising out of implementation of GST³ also decreased by ₹ 433 crore.

Table 2.7: Grants-in-aid from Government of India

(₹ in crore)

Head	2017-18	2018-19	2019-20	2020-21	2021-22
Grants for Centrally Sponsored Schemes (CSS)	7,985.24	6,996.85	7,339.05	6,838.85	6,577.16
Finance Commission Grants	1,583.03	1,059.89	3,154.60	2,990.50	2,198.30
Other transfers/ Grants to States/Union Territories with Legislature	1,844.02	1,178.78	1,809.01	2,164.06	1,891.40
Total	11,412.29	9,235.52	12,302.66	11,993.41	10,666.86
Percentage of increase over the previous year	23.23	-19.07	33.21	-2.51	-11.06
Percentage of GIA to Revenue Receipts	21.63	16.45	21.06	21.36	15.30

Source: Finance Accounts

Grants-in-aid from GoI to the State fluctuated between ₹ 9,235.52 crore to ₹ 12,302.66 crore during 2017-18 to 2021-22 and their percentage in revenue receipts ranged between 15.30 to 21.63 per cent during the period. Growth of Grants-in-aid decreased from (-) 2.51 per cent in 2020-21 to (-) 11.06 per cent in 2021-22.

Fifteenth Finance Commission Grants (FFC)

Details of grants released by the Central Government to the State Government, on the recommendation of FFC, for urban local bodies and Panchayati Raj Institutions of the State in the shape of basic and general performance grants are given in **Table 2.8**.

Table 2.8: Recommended amount, actual release and transfer of Grants-in-aid

(₹ in crore)

Transfers	Recommendation of the XV-FC	Release by GoI			Release by State Government (including release by GoI)		
		2020-21	2021-22	Total	2020-21	2021-22	Total
Local Bodies							
(i) Grants to PRIs	6,585.00	1,689.00	699.30	2,388.30	1,771.19	772.76	2,543.95
(a) General Basic Grant	NA	1,689.00	699.30	2,388.30	1,771.19	772.76	2,543.95
(b) General Performance Grants	NA	0.00	0.00	0.00			
(ii) Grants to ULBs	3,367.00	733.50	600.20	1,333.70	1,930.03	1,042.33	2,972.36
(a) General Basic Grant	NA	530.25	0.00	530.25	1,930.03	1,042.33	2,972.36
(b) General Performance Grants	NA	203.25	600.20	803.45			
Total for Local Bodies	9,952.00	2,422.50	1,299.50	3,722.00	3,701.22	1,815.09	5,516.31
State Disaster Response Fund*	0.00	568.00	454.40	1,022.40	757.00	605.60	1,362.60
Grand Total	9,952.00	2,990.50	1,753.90	4,744.40	4,458.22	2,420.69	6,878.91

* Including State share of 25 per cent of total grant

Source: XV-FC Report and Finance Accounts

³ Compensation of ₹ 1,525.63 crore received during 2021-22 pertains to the period 2020-21.

During 2020-21 and 2021-22, a total amount of ₹ 3,722 crore was released by the Central Government against ₹ 9,953 crore recommended by the XV FC for the period 2020-25 to ULBs and PRIs. Further, out of the total release of ₹ 2,420.69 crore to the ULBs, PRIs and SDRF by the State during the year 2021-22, ₹ 1,753.90 crore was received from the Central Government.

2.3.3 Capital receipts

Capital receipts comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GoI. Details of capital receipts during 2017-22 are given in **Table 2.9**.

Table 2.9: Trends in growth and composition of capital receipts

(₹ in crore)					
Sources of State's Receipts	2017-18	2018-19	2019-20	2020-21	2021-22
Capital Receipts	8,203.85	7,850.43	9,642.31	13,595.36	11,131.62
Miscellaneous Capital Receipts	25.09	0.00	0.00	0.00	0.00
Recovery of Loans and Advances	42.41	47.57	49.19	48.78	1,291.73
Net Public Debt Receipts	5,187.81	4,743.34	5,361.72	10,801.76	5,592.79
<i>Internal Debt</i>	5,117.24	4,637.10	5,109.14	8,411.43	2,581.42
<i>Growth rate (in per cent)</i>	3.86	(-9.37)	10.17	64.63	-69.31
<i>Loans and advances from GoI</i>	70.57	106.22	252.44	2,390.33*	3,011.37*
<i>Growth rate (in per cent)</i>	(-7.76)	50.52	137.66	846.89	25.98
Rate of growth of debt Capital Receipts (per cent)	14.90	(-4.10)	22.93	41.21	27.36
Rate of growth of non-debt capital receipts (per cent)	76.32	(-29.85)	4.66	(-0.83)	2,548.07
Rate of growth of GSDP (per cent)	14.21	13.30	5.06	(-1.27)	14.51
Rate of growth of Capital Receipts (per cent)	15.23	(-4.31)	22.83	41.00	(-18.12)

Source: Finance Accounts and MoSPI website

*Includes back to back loans, received from GoI, in lieu of GST compensation (₹ 1,689 crore in 2020-21 and ₹ 2,484.41 crore in 2021-22)

As depicted in the above table, rate of growth of capital receipts showed wide fluctuation between (-) 4.31 per cent and 41 per cent during 2017-18 to 2021-22. During 2021-22, capital receipts of the State decreased significantly over the previous year mainly due to less borrowings under Market loans (by ₹ 4,400 crore) which was partially offset by increase of receipts under loans & advances from GoI (by ₹ 657 crore).

Non-debt capital receipts increased significantly (by ₹ 1,243 crore) in 2021-22, compared to previous year, due to recovery of loans from power companies.

During 2021-22, loans from GoI increased by ₹ 657 crore mainly due to receipt of ₹ 2,484.41 crore from GoI as back to back loans, in lieu of shortfall in GST compensation, in comparison to ₹ 1,689 crore in 2020-21. Loans of ₹ 246 crore in the form of special assistance to States for capital expenditure, in view of the difficult fiscal environment arising from COVID-19 pandemic, was also provided by GoI during the current year. As decided by GoI, the State had no repayment liability for the back to back loans provided to the State in lieu of shortfall in GST compensation. It was also decided by the

GoI that back to back loans and special assistance for capital expenditure should not be considered for calculation of fiscal deficit and debt liability.

2.3.4 State's performance in mobilisation of resources

State's performance in mobilisation of resources is assessed in terms of its own resources comprising own-tax and non-tax sources. The mobilisation of resources with respect to projections made in the budget/MTFPS and FFC projections for 2021-22 is shown in **Table 2.10**.

Table 2.10: Tax and non-tax receipts vis-à-vis projections for 2021-22

(₹ in crore)

	MTFP projections	FFC projections	Actual	Percentage variation of actual over MTFP projection
Own Tax revenue	23,265	15,041	21,290	(-).8.49
Non-tax revenue	13,500	8,921	10,031	(-).25.70

As shown in **Table 2.10**, actual collection of Own tax revenue and Non-tax revenue during the year 2021-22 was much lower than the MTFP projections for the year. However, collection of own tax revenue and non-tax revenue was higher than the FFC projections during the year.

2.4 Application of resources

The State Government is vested with the responsibility of incurring expenditure within the framework of fiscal responsibility legislations, while at the same time ensuring that the ongoing fiscal correction and consolidation process of the State is not at the cost of expenditure directed towards development of capital infrastructure and the social sector.

Growth and composition of expenditure

Table 2.11, **Chart 2.7** and **Appendix 2.2** present the trends in Total Expenditure and its composition over the last five years (2017-18 to 2021-22).

Table 2.11: Total expenditure and its composition

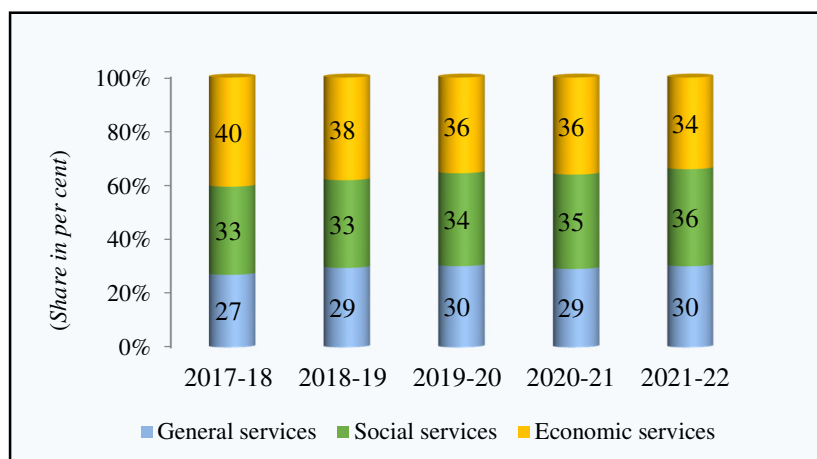
(₹ in crore)

Parameters	2017-18	2018-19	2019-20	2020-21	2021-22
Total Expenditure (TE)	64,756	62,827	66,501	71,110	73,618
Revenue Expenditure (RE)	50,952	50,631	56,457	59,264	62,778
Capital Expenditure (CE)	11,953	10,712	9,879	8,466	9,377
Loans and Advances	1,852	1,485	165	3,380	1,463
As a percentage of GSDP					
TE/GSDP	24.00	20.60	20.70	22.40	20.28
RE/GSDP	18.90	16.56	17.58	18.69	17.29
CE/GSDP	4.43	3.50	3.08	2.67	2.58
Loans and Advances/GSDP	0.69	0.49	0.05	1.07	0.40

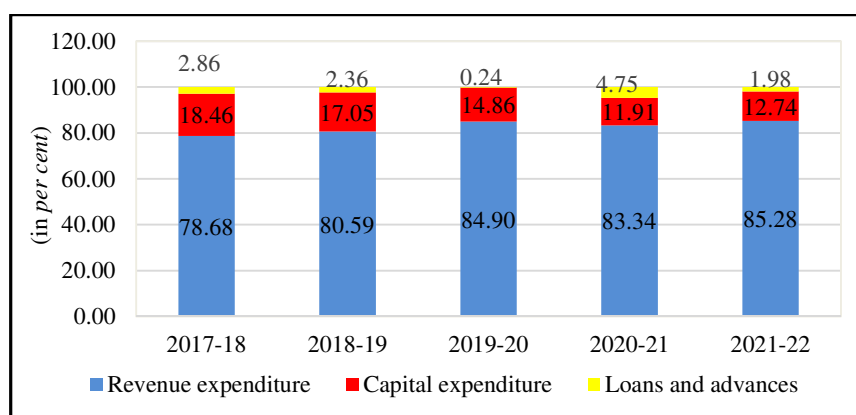
As shown in the **Table 2.11**, ratio of TE, RE, Loans & Advances *etc.* to GSDP decreased during 2021-22 in comparison to its ratio during 2020-21 whereas CE to GSDP ratio decreased consistently from 2017-18 to 2021-22. The expenditure trend in the table shows the increasing trend in Government spending. Creation of capital assets was also given priority by the State Government during the current year.

Table 2.12: Relative share of various sectors of expenditure

Parameters	(per cent)				
	2017-18	2018-19	2019-20	2020-21	2021-22
General Services	26.90	29.40	30.00	29.00	30.00
Social Services	32.60	32.50	34.50	35.00	36.00
Economic Services	40.50	38.10	35.50	36.00	34.00

Chart 2.7: Total Expenditure- Expenditure by Activities


From **Table 2.12** and **Chart 2.7**, it is evident that the share of expenditure on general services had been increasing during 2017-18 to 2021-22, except 2020-21. Share of expenditure on social services increased gradually during 2018-19 and 2021-22. It can also be seen from the above table and chart that expenditure on economic services decreased consistently from 40 *per cent* in 2017-18 to 34 *per cent* in 2021-22 which was indicative of less priority given by the State to this sector.

Chart 2.8: Total Expenditure- Trends in share of its components


As evident from **Chart 2.8**, share of revenue expenditure in total expenditure increased consistently from 78.68 *per cent* in 2017-18 to 85.28 *per cent* in 2021-22, except in 2020-21. Share of capital expenditure showed wide fluctuations between 11.91 *per cent* and 18.46 *per cent* during the period 2017-22. Share of loans and advances decreased significantly during 2021-22, over the previous year.

2.4.1 Revenue Expenditure

Revenue expenditure is incurred to maintain the current level of services and payments for past obligations. As such, it does not result in any addition to the State's infrastructure and service network.

It was observed that revenue expenditure (RE) as a percentage of total expenditure, increased significantly from 79 *per cent* in 2017-18 to 85.28 *per cent* in 2021-22. Further, revenue expenditure as a percentage of GSDP decreased by more than one *per cent* in 2021-22 over the previous year.

Out of the total revenue expenditure of ₹ 62,778 crore during 2021-22, ₹ 30,618 crore was spent on establishment and ₹ 32,160 crore on State and Central schemes. Further, the major share (36 *per cent*), of revenue expenditure, was incurred on social services, followed by economic services (34 *per cent*). The overall Revenue Expenditure, its rate of growth, its ratio to Total Expenditure and buoyancy *vis-à-vis* GSDP and Revenue Receipts are indicated in **Table 2.13**. The sectoral distribution of Revenue Expenditure pertaining to 2021-22, is given in **Chart 2.9**.

Table 2.13: Revenue Expenditure – Basic Parameters

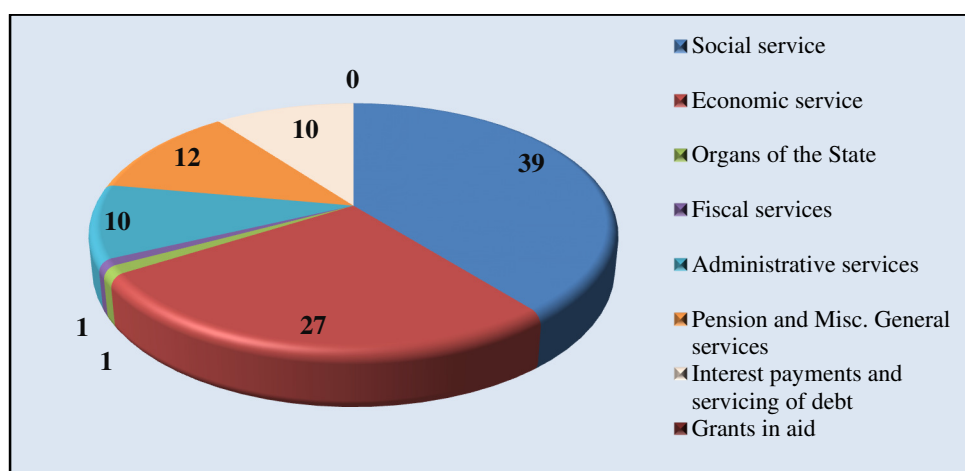
Parameters	2017-18	2018-19	2019-20	2020-21	2021-22
Total Expenditure (TE)	64,756	62,827	66,501	71,110	73,618
Revenue Expenditure (RE)	50,952	50,631	56,457	59,264	62,778
Rate of Growth of RE (<i>per cent</i>)	13.00	-0.60	11.50	5.00	5.93
Revenue Expenditure as percentage of TE	78.70	80.60	84.90	83.30	85.28
RE/GSDP (<i>per cent</i>)	18.90	16.56	17.58	18.69	17.29
RE as percentage of RR	96.60	90.20	96.60	105.50	90.00
Buoyancy of Revenue Expenditure with					
GSDP (ratio)	0.91	-0.05	2.27	-3.94	0.41
Revenue Receipts (ratio)	1.07	-0.09	2.85	-1.29	0.24

(₹ in crore)

Source: Finance Accounts of respective years

Revenue expenditure on different services, as a percentage of total revenue expenditure, during 2021-22, has been shown in **Chart 2.9**.

Chart 2.9: Sector wise distribution of Revenue Expenditure



During 2021-22, the growth rate of Revenue Expenditure increased to nearly six *per cent* in comparison to five *per cent* in 2020-21 though its percentage

in total expenditure remained almost at par with the previous year. However, as a percentage of GSDP, Revenue Expenditure had decreased by 1.40 *per cent* over the previous year. It was also noticed that Revenue Expenditure was lower by ₹ 12,977 crore *vis-à-vis* the budget estimate (₹ 75,755 crore) during 2021-22.

Major changes in Revenue Expenditure

Significant variations under various Heads of Account with regard to Revenue Expenditure of the State during the current year and the previous year are detailed in **Table 2.14**.

Table 2.14: Variation in Revenue Expenditure during 2021-22 compared to 2020-21

(₹ in crore)

Major Heads of Account	2020-21	2021-22	Increase (+)/ Decrease (-)
2049-Interest Payment	57.90	62.86	4.96
2055-Police	49.39	52.78	3.39
2071-Pension	67.96	76.14	8.18
2202-General Education	97.66	108.17	10.51
2217-Urban Development	28.61	24.21	-4.40
2235-Social Security & Welfare	35.37	39.43	4.06
2236-Nutrition	2.72	5.45	2.73
2401-Crop Husbandry	9.98	22.13	12.15
2505-Rural Employment	41.23	36.09	-5.14
2801-Power	18.72	36.58	17.86
2515-Other Rural Development Programmes	30.21	16.21	-14.00
3451-Secretariat Economic Service	8.58	1.74	-6.84

As can be seen in the above table, revenue expenditure on Other Rural Development Programmes, Urban Development and Rural Employment decreased during 2021-22, over the previous year.

Revenue expenditure on other rural development programmes decreased mainly due to less assistance to Gram Panchayats, community development, Block Panchayats *etc.*

Less expenditure on Urban Development was mainly due to less assistance to Local Bodies Corporations, Urban Development authorities and Town improvements *etc.*

Increase in revenue expenditure on Power was result of more expenditure under the heads 'Machinery and equipment in hydel generation', 'Tribal Area Sub-plan in rural electrification' *etc.* Similarly, increase in 'Crop Husbandry' was a result of more expenditure on 'Food grain crops' and 'Tribal Area Sub-plan'.

2.4.2 Committed expenditure

The committed expenditure of the State Government on revenue account consists of interest payments; expenditure on salaries and wages; and pensions. It has the first charge on Government resources. Upward trend in

committed expenditure leaves the Government with lesser flexibility for development expenditure.

Table 2.15 presents the trends in the components of committed expenditure during 2017-18 to 2021-22, and percentage of committed expenditure to Revenue Receipts and Revenue Expenditure, during the same period.

Table 2.15: Components of Committed Expenditure

(₹ in crore)

Components of Committed Expenditure	2017-18	2018-19	2019-20	2020-21	2021-22
Salaries & Wages	11,221	12,138	12,832	12,885	13,979
Expenditure on Pensions	5,913	5,991	6,005	6,797	7,614
Interest Payments	4,662	4,852	5,308	5,790	6,286
Total	21,796	22,981	24,145	25,472	27,879
As a percentage of Revenue Receipts (RR)					
Salaries & Wages	21.30	21.60	22.00	22.90	20.05
Expenditure on Pensions	11.21	10.67	10.28	12.11	10.92
Interest Payments	8.84	8.64	9.09	10.31	9.02
Total	41.34	40.91	41.37	45.32	39.99
As a percentage of Revenue Expenditure (RE)					
Salaries & Wages	22.02	23.97	22.73	21.74	22.27
Expenditure on Pensions	11.61	11.83	10.64	11.47	12.13
Interest Payments	9.15	9.58	9.40	9.77	10.01
Total	42.75	45.42	42.74	42.98	44.41

During 2021-22, Salaries & Wages, Interest Payments and Pension together accounted for 44.41 *per cent* of the revenue expenditure against 42.98 *per cent* in 2020-21 whereas, its share in revenue receipts decreased significantly to 39.99 *per cent* in 2021-22 against 45.32 *per cent* in 2020-21.

Interest payments

The growth rate of interest payments in 2021-22 was 8.60 *per cent* against 9.10 *per cent* in 2020-21. Percentage of interest payments to revenue receipts decreased to 9.02 *per cent* in 2021-22 from 10.31 *per cent* in 2020-21 due to higher growth rate of revenue receipts during the year.

Pension payments

Government of Jharkhand paid ₹ 6,793.77 crore (excluding ₹ 820.53 crore transferred to NSDL as employers contribution) as pension and other retirement benefits to its retired employees during 2021-22. The total pension and other retirement benefit including employers contribution (₹ 7,614.30 crore) stood at 10.92 *per cent* and 10.13 *per cent* of RR and RE respectively. The percentage of total pension payment, as compared with the total salary and wages paid by the Government, was 54.47 during the year 2021-22 which indicates the burden of committed liability on the Government on such payments.

Undischarged liabilities in National Pension System

State Government employees recruited on or after 1 December 2004 are covered under the National Pension System (NPS) which is a defined contributory pension scheme. In terms of the Scheme, the employee contributes 10 *per cent* of basic pay and dearness allowance, against which

14 *per cent* of basic pay and dearness allowance contributed by the State Government and the entire amount is transferred to the designated fund manager through the National Securities Depository Limited (NSDL)/ Trustee Bank.

During 2021-22, employer's contribution of ₹ 820.53 crore was transferred to NSDL. The State Government transferred ₹ 638.35 crore against receipt of ₹ 637.17 crore as employees' contribution to the designated fund manager through NSDL during 2021-22. A balance of ₹ 24.15 crore remained in the Public Account (Major Head 8342-117-Defined Contribution Pension Scheme) at the end of 2021-22.

Subsidies

As can be seen from the details given in **Table 2.16**, there was a significant increase in expenditure on subsidies, during the year 2021-22. Subsidies, as a percentage of Revenue Receipts, increased from 5.71 *per cent* in 2020-21 to 8.11 *per cent* in 2021-22. Similarly, as a percentage of Revenue Expenditure, Subsidies increased from 5.41 *per cent* in 2020-21 to 9.00 *per cent* in 2021-22.

During 2021-22, Government of Jharkhand paid subsidy mainly under Major Heads 2401-Crop Husbandry (₹ 2,025 crore), 2801-Power (₹ 2,072 crore) and 3456- Civil Supplies (₹ 1,318 crore). No subsidy was given for irrigation. The increase in subsidy during 2021-22 by ₹ 2,445 crore over the previous year was mainly due to increase in subsidy for loan waiver scheme to farmers by ₹ 1,300 crore and Tariff subsidy through JBVNL for consumers by ₹ 1,072 crore.

Table 2.16: Expenditure on subsidies during 2017-22

	2017-18	2018-19	2019-20	2020-21	2021-22
Subsidies (₹ in crore)	1,440	2,092	4,275	3,208	5,653
Subsidies as a percentage of RR	2.73	3.73	7.32	5.71	8.11
Subsidies as a percentage of RE	2.83	4.13	7.57	5.41	9.00

Source: Finance and Appropriation Accounts

Subsidies are disbursed not only explicitly but also implicitly by providing subsidised public service to the people. During scrutiny of accounts for 2021-22 it was observed that ₹ 347.72 crore (Grant no. 51, 58, 59 and 60) was provided for distribution of dress, bicycles, text books, school kit & reimbursement of examination fee to the students, distribution of blanket and cloth Scheme etc., which was fully utilized.

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 institution by way of grants. Details given in **Table 2.17**.

Table 2.17: Financial Assistance to Institutions etc.

(₹ in crore)

Financial Assistance to Institutions	2017-18	2018-19	2019-20	2020-21	2021-22
(A) Local Bodies					
Municipal Corporations and Municipalities	1,155.11	1,748.50	1,505.45	1,930.03	1,042.33
Panchayati Raj Institutions	1,270.13	2,937.69	2,497.70	1,771.20	772.76
Total (A)	2,425.24	4,686.19	4,003.15	3,701.23	1,815.09
(B) Others					
Universities	671.67	621.08	1,265.29	1,771.17	1,807.60
Development Authorities	7,447.41	3,952.30	10,771.73	8,283.26	8,751.59
Public Sector Undertakings	0.00	0.00	1,753.28	2,119.77	2,469.66
Other Institutions	10,169.67	8,716.24	1,398.01	4,202.24	4,786.01
Total (B)	18,288.75	13,289.62	15,188.31	16,376.44	17,814.86
Total (A+B)	20,713.99	17,975.81	19,191.46	20,077.67	19,629.95
Revenue Expenditure	50,952	50,631	56,457	59,264	62,777.92
Assistance as percentage of Revenue Expenditure	40.65	35.50	33.99	33.88	31.27

During 2021-22, financial assistance to ULBs decreased by ₹ 887.70 crore mainly due to less grant provided under recommendation of Finance Commission (by ₹ 292.16 crore) and Pradhan Mantri Awas Yojana (by ₹ 226.06 crore). Financial assistance to PRIs decreased due to less receipt of grants under recommendations of 15th Finance Commission by ₹ 1,064.50 crore over the previous year.

Recommendation of the State Finance Commission

Article 243Y of the Constitution stipulates that the Governor of the State shall constitute a Finance Commission, within one year from the commencement of the Act, and, thereafter, at the expiration of every fifth year, to review the financial position of the municipalities, and to make recommendations to the Governor regarding distribution of taxes, duties, fees etc., between the State and ULBs, determination of taxes, duties, fees etc., grants-in-aid to ULBs and the measures needed to improve the financial position of the ULBs.

The State Government had constituted three State Finance Commissions (SFCs). The recommendations of first SFC were only for the Urban Local Bodies (ULBs). Second and third SFCs were constituted in December 2009 and April 2015 respectively but did not submit any report. No recommendation was made by the SFCs for the Rural Local Bodies.

Notification for constitution of the fourth SFC was also issued by the State Government in July 2019 but the Chairperson of the SFC had not been appointed, as of October 2022.

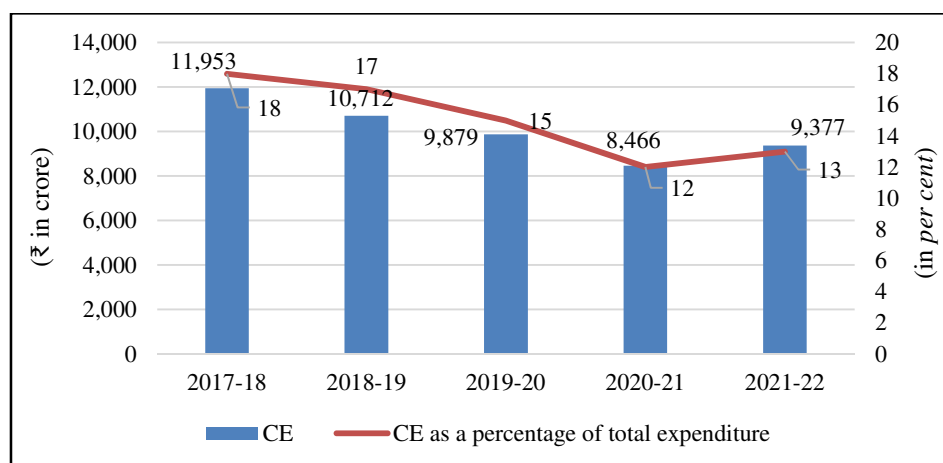
The first SFC recommended for provision of a “Core Municipal Services Provision Grants” at the rate of ₹ 375 per capita in 2009-10 with an annual increase of 10 *per cent* for the next four years in lieu of taxes not assigned/shared with ULBs by the State. However, neither was the financial condition of ULBs reviewed nor was the principle for allocation of adequate financial resources determined by the SFC.

The recommendations of first SFC were not implemented by the State Government and it was decided (October 2013) to provide 40 *per cent* loan and 30 *per cent* grants to the ULBs to meet salary of employees. All kinds of *sairats*⁴, public land, markets, ponds *etc.* were also transferred to the ULBs to generate their own revenue. Accordingly, loans and grants were released by the State Govt. Further, as per recommendations of first SFC for Jharkhand Urban Development Fund the State Government made budgetary provision for Urban Infrastructure Development Projects (UIDP) during the financial years 2016-19 but the funds were not transferred to the ULBs. Even, no provision in the budget was made by the State Government after 2018-19.

2.4.3 Capital Expenditure

Capital Expenditure (CE) is primarily expenditure on creation of fixed infrastructure assets such as roads, buildings *etc.*

Chart 2.10: Capital Expenditure in State



Major changes in Capital Expenditure

The capital expenditure decreased consistently from ₹ 11,953 crore in 2017-18 to ₹ 8,466 crore in 2020-21 which increased to ₹ 9,377 crore in 2021-22. During 2021-22, the capital expenditure increased due to more expenditure on social services by seven *per cent* and economic services by 14 *per cent* over previous year. Capital expenditure on general services, during the current year, decreased (by ₹ 37 crore) slightly in comparison to the previous year.

Capital expenditure on social services increased by ₹ 104 crore during 2021-22 mainly due to increased expenditure on ‘Capital outlay on water supply and Sanitation’ (by ₹ 67 crore), ‘Housing’ (by ₹ 43 crore), and ‘Welfare of SC, ST, OBC and minorities’ (by ₹ 95 crore) which was offset by ‘Capital outlay on Medical and public health’ (by ₹ 97 crore).

Similarly in comparison to the previous year capital expenditure on economic services increased by ₹ 844 crore in 2021-22. Priority was given to major irrigation (by ₹ 164 crore), Mining and metallurgical industries (₹ 1,000 crore) which was offset by less capital outlay on power projects (by ₹ 538 crore) during 2021-22.

⁴ *Sairats* means revenue earning municipal assets *viz.* public land, markets, ponds *etc.*

Capital expenditure of the State (₹ 9,377 crore) was nearly at par with the budget provision (₹ 9,661 crore) for the year 2021-22. However, out of budget provision for capital expenditure, ₹ 284 crore was not utilised. Decrease in capital expenditure on power projects was due to expenditure on electrification in Harijan Mohalla, rural electrification and grant for ADP during 2020-21 only. Most of the years it remains nil. Significant increase in Non-ferrous mining and metallurgical industries was due to one time investment in share capital of Jharkhand Exploration and Mining Corporation limited. Major changes in Capital Outlay during 2021-22 vis-à-vis 2020-21 have been shown in **Table 2.18**.

Table 2.18: Capital Expenditure during 2021-22 compared to 2020-21

(₹ in crore)			
Major Heads of Accounts	2020-21	2021-22	Increase (+)/ Decrease (-)
Capital outlay on			
4402-Soil & water conservation	0.00	198.81	198.81
4408-Food storage & warehousing	15.00	39.25	24.25
4425-Co-operation	47.89	91.42	43.53
4700-Major irrigation	94.85	259.27	164.42
4702-Minor irrigation	93.34	30.52	-62.82
4801-Power projects	626.00	87.52	-538.48
4853-Non-ferrous mining & metallurgical industries	0.00	1,000.00	1,000.00
5075-Other transport services	5.00	20.00	15.00

2.4.4 Quality of capital expenditure

This section presents an analysis of investments and other capital expenditure undertaken by the Government during the current year.

Quality of investments in the companies, corporations and other bodies

As per the latest finalised accounts received from 16 companies, net worth of six companies⁵ was completely eroded as their cumulative net worth was (-) ₹ 6,789.98 crore as on 31 March 2022.

Further as per their accounts, five companies were loss making and their loss during 2021-22 was ₹ 2,707.78 crore. Out of these loss making companies, two companies (JBVNL and JUSNL) received Government loans amounting to ₹ 561.87 crore during 2021-22. Since, loans to these loss-making companies were included in the capital expenditure of the State, it resulted in overestimation of assets.

It was also noticed that the total investment in these SPSEs was ₹ 24,814.74 crore, of which, total investment by the State was ₹ 22,936.66 crore as on 31 March 2022. Accumulated loss of these SPSEs was ₹ 10,859.78 crore as on 31 March 2022.

⁵ Jharkhand Bijli Vitran Nigam Ltd. (- ₹ 6,390.88 crore), Jharkhand Urja Sancharan Nigam Ltd. (- ₹ 316.56 crore), Jharkhand Silk Textile and Handicraft Development Corporation Ltd. (- ₹ 36.94 crore), Jharbhar Colliery Ltd. (- ₹ 2.99 crore), Patratu Energy Ltd. (- ₹ 16.39 crore) and Karanpura Energy Ltd. (- ₹ 26.22 crore)

Investment in equity by the Government

As per Finance Accounts of the State ending 31 March 2022, the Government had invested ₹ 2,250.22 crore in three Regional Rural Banks⁶ (₹ 45.73 crore), 20 Government companies (₹ 2,014.40 crore) and 21 co-operatives banks and societies (₹ 190.09 crore) since inception of the State in November 2000. However, verification of PSUs accounts and sanction orders of the State during 2016-17 revealed that the Government accounts had understated investment by ₹ 124.54 crore during 2000-2016, due to erroneous budgetary categorisation, viz., not providing the investment under the appropriate minor head and depicting investment in share capital as GIA. After being pointed out by Audit, Finance Department of the State had reconciled and corrected investment figures in respect of four companies amounting to ₹ 65 crore⁷ at the end of 2020-21. However, investments of ₹ 59.54 crore⁸ against five entities at the end of the current financial year still remained unsettled.

Table 2.19: Return on Investment

Investment/return/ cost of borrowings	2017-18	2018-19	2019-20	2020-21	2021-22
Investment at the end of the year (₹ in crore)	376.87	432.87	447.95	1,111.65	2,250.22
Return (₹ in crore)	0.00	0.00	0.00	15.00	0.00
Return (<i>per cent</i>)	0.00	0.00	0.00	1.35	0.00
Average rate of interest on Government Borrowings (<i>per cent</i>)	6.98	6.29	6.34	6.13	5.76
Difference between interest rate and return (<i>per cent</i>)	6.98	6.29	6.34	4.78	5.76

Source: Finance Accounts

Despite no return on its investments, the State Government made investment of ₹ 1,138.57 crore in four⁹ State PSUs and two Co-operatives (Tribal Co-operative Development Corporation - ₹ 0.05 crore and Sidho-Kanho Agriculture and Forest Produce State Co-operative Federation Limited - ₹ 29 crore) in the form of equity during 2021-22.

Investments made by the erstwhile State of Bihar in the form of equity in Damodar Valley Corporation (₹ 1,781.55 crore) and Tenughat Vidyut Nigam Limited (₹ 100 crore) up to 14 November 2000 have not yet been apportioned between the successor States of Bihar and Jharkhand.

2.4.5 Loans and Advances given by the Government

Apart from equity investments in the entities shown in **Table 2.19**, the State Government has also been providing loans and advances to many of these entities and its employees. **Table 2.20** presents the outstanding loans and

⁶ State Govt. Kshetriya Gramin Bank (₹ 18.96 crore), Jharkhand Rural Bank, Ranchi (₹ 18.37 crore) and Vananchal Rural Bank, Dumka (₹ 8.40 crore)

⁷ Jharkhand Hill Area Lift Irrigation Corporation: ₹ 5 crore; Jharkhand Urban Infrastructure Development Corporation: ₹ 35 crore; Jharkhand Silk Textile and Handicraft Development Corporation: ₹ 10 crore and Jharkhand Urban Transport Corporation Ltd.: - ₹ 15 crore.

⁸ Greater Ranchi Development Authority: ₹ 39.14 crore; Jharkhand State Agriculture Development Corporation Ltd.: ₹ 2 crore; Jharkhand Medical and Health Infrastructure Development and Procurement Corporation Ltd.: ₹ 5 crore; Jharkhand Urja Vikash Nigam Ltd.: ₹ 8.40 crore and Jharkhand State Food and Civil Supplies Corporation Ltd.: ₹ 5 crore.

⁹ Jharkhand Exploration and Mining Corporation Ltd.: ₹ 1,000 crore; Jharkhand Industrial Infrastructure Development Corporation: ₹ 2 crore; Jharkhand Central Railway Project: ₹ 20 crore; and Jharkhand Bijli Vitran Nigam Ltd.: ₹ 87.52 crore.

advances as on 31 March 2022 and interest receipts *vis-à-vis* interest payments during the last five years.

Table 2.20: Quantum of loans disbursed and recovered during five years

(₹ in crore)

Quantum of loans disbursed and recovered	2017-18	2018-19	2019-20	2020-21	2021-22
Opening Balance of loans outstanding	17,482.71	19,291.97	20,729.99	20,846.24	24,177.23
Amount advanced during the year	1,851.67	1,485.59	165.43	3,379.77	1,462.98
Amount recovered during the year	42.41	47.57	49.19	48.78	1,291.73
Closing Balance of loans outstanding	19,291.97	20,729.99	20,846.23	24,177.23	24,348.48
Net addition	1,809.26	1,438.02	116.24	3,330.99	171.25
Interest received	87.66	14.72	38.91	22.62	35.88
Interest rate on Loans and Advances given by the Government.	0.50	0.08	0.19	0.11	0.15
Rate of Interest paid on the outstanding borrowings of the Government	6.98	7.98	6.34	6.13	5.76
Difference between the rate of interest paid and interest received (<i>per cent</i>)	6.98	7.98	6.34	6.13	5.76

Note: OB in 2020-21 was increased by 0.01 crore due to rounding off in the accounts

A significant portion of the total outstanding loans at the end of March 2022 (₹ 24,348 crore) was mainly outstanding with Power Companies (₹ 23,461 crore) and Water Supply, Sanitation, Housing and Urban Development (₹ 792 crore).

Loans were given to Jharkhand Bijli Vitran Nigam Ltd. (₹ 923 crore) and Jharkhand Urja Sancharan Nigam Ltd. (₹ 490 crore) for execution of schemes and for transmission purposes. Outstanding arrears of loanee entities at the end of March 2022 amounted to ₹ 3,531.23 crore (Principal: ₹ 1,823.93 crore and interest: ₹ 1,707.30 crore).

Loan to Jharkhand State Food and Civil Supplies Corporation Ltd. (₹ 44 crore) in 2011-12 was understated in the Government accounts due to incorrect budgetary categorisation under revenue expenditure instead of capital expenditure. Loans to Jharkhand State Electricity Board (JSEB) amounting to ₹ 7,222.18 crore continue to be depicted in the government accounts as receivable from the Board, even though the Board was unbundled in January 2014 into separate companies. Thus, the assets of the State were inflated to the extent of ₹ 7,222.18 crore.

Further, loans made by the erstwhile State of Bihar to Tenughat Vidyut Nigam Limited (₹ 608 crore) before 14 November 2000 have not been apportioned between the successor States of Bihar and Jharkhand.

2.4.6 Capital locked in incomplete projects

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

Year-wise and Department-wise information pertaining to incomplete projects, which were to be completed on or before 31 March 2022, is given in **Table 2.21** and **Table 2.22** respectively.

Table 2.21: Age profile of incomplete projects as on 31 March 2022

(₹ in crore)

Completion Year	No. of incomplete projects	Estimated cost	Expenditure (as on 31 March 2022)	Revised estimates	
				No. of projects	Amount
Upto 2015	13	117.43	119.03	5	114.63
2016	10	259.65	206.63	2	104.13
2017	10	249.54	142.06	1	9.35
2018	16	325.96	249.23	2	145.37
2019	37	714.29	456.47	2	11.45
2020	69	1,763.97	998.14	2	30.09
2021	66	1,768.39	976.15	3	98.89
2022	51	1,915.49	869.97	2	120.59
Total	272	7,114.72	4,017.68	19	634.50

Table 2.22: Department-wise profile of incomplete projects as on 31 March 2022

(₹ in crore)

Department	No. of incomplete projects	Estimated cost	Expenditure	Revised estimates	
				No. of projects	Amount
Road Construction Department	94	3,344.76	1,975.19	6	194.53
Rural Development Department	70	341.15	194.98	2	23.63
Water Resources Department	71	2,847.97	1,536.50	10	407.00
Drinking Water and Sanitation	25	437.59	255.99	1	9.34
Building Construction Department	12	143.25	55.02	0	0
Total	272	7,114.72	4,017.68	19	634.50

Source: Finance Accounts

Out of 272 projects shown in the above table, revised cost of only 19 projects were provided which showed that the estimated cost of ₹ 634.50 crore in those 19 projects escalated by ₹ 81.46 crore due to non-completion of those projects in time. Since, the departments did not furnish the details of the remaining projects, their revised costs were not exhibited in the Finance Accounts and was thus not ascertainable.

2.4.7 Capital expenditure transferred to Public Account

It was observed from the Finance Accounts that ₹ 2,328.20 crore was transferred from the capital head of accounts of the consolidated fund to deposit heads in the public account. Out of total amount transferred, ₹ 283.26 crore was transferred to public works deposit head and ₹ 2,044.94 crore to deposits of other local funds. Some major items are as shown in **Table 2.23**.

Table 2.23: Transfer from Consolidated fund to Public Account

(₹ in crore)

Sl. No.	Head of Account				Amount
	From		To		
1	4515	Capital Outlay on other Rural Development Programmes	8443	Civil Deposits-108 Public works Deposits	159.51
2	4055	Capital Outlay on Police	8448	Deposits of Local Funds-120 Other Funds	147.43
3	4210	Capital Outlay on Medical and Public Health	8448	Deposits of Local Funds-120 Other Funds	393.65
4	4225	Capital Outlay on Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities	8448	Deposits of Local Funds-120 Other Funds	256.70
5	4402	Capital Outlay on Soil and Water Conservation	8448	Deposits of Local Funds-120 Other Funds	133.65
6	5054	Capital Outlay on Roads and Bridges	8448	Deposits of Local Funds-120 Other Funds	415.96
7	6801	Loans for Power Projects	8448	Deposits of Local Funds-107 State Electricity Boards Working Funds	697.55
Total					2,204.45

The book transfer of funds to the public account was mere transfer of funds from one head to another and was not actual expenditure leading to over statement of expenditure under the capital section. Expenditure of those transferred amount from the deposit heads during the financial year could not be ascertained due to non-availability of any details in the accounts of the State. It was observed that under Minor Head 108- Public Works Deposits, ₹ 1,719.02 crore was added (including the transactions shown in the above table) in the opening balance of ₹ 4,315.11 crore and ₹ 1,776.13 crore was spent leaving a balance of ₹ 4,258.01 crore at the end of March 2022. Similarly, ₹ 606.52 crore was added in the opening balance of ₹ 1,746.52 crore under the Minor Head 106- Personal Deposit and ₹ 334.91 crore was spent during the year leading to a balance of ₹ 2,018.13 crore. However, transfer from capital heads of account under Minor head 106- Personal Deposits was ₹ 1.48 crore only during the year 2021-22.

2.4.8 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.

Table 2.24: Sector-wise details of PPP Projects

(₹ in crore)

Sl. No.	Sector	Completed		Ongoing	
		No.	Estimated cost	No.	Estimated cost
1	Water Supply & Sanitation	-	-	1	150.00
2	Roads and Bridges	8	5,193.94	2	642.60
3	Sports	-	-	1	250.00
Total		8	5,193.94	4	1,042.60

Source: www.pppinindia.gov.in.

2.4.9 Expenditure priorities

Enhancing human development levels requires the States to step up their expenditure on key social services like education, health etc. Low fiscal

priority (ratio of expenditure under a category to aggregate expenditure) is attached to a particular sector, if the allocation is below the respective national average. The higher the ratio of these components to total expenditure, the quality of expenditure is considered to be better.

Table 2.25: Expenditure priority of the State with regards to Health, Education and Capital expenditure

(in per cent)

	CE/ TE	SSE/ TE	ESE/ TE	DE/TE	Education/ TE	Health/ TE
General Category States (2016-17)	19.99	35.71	35.06	70.77	14.89	4.76
Jharkhand (2016-17)	18.96	35.15	40.99	76.14	14.37	4.33
General Category States (2021-22)	14.41	38.31	28.44	66.74	14.66	6.20
Jharkhand (2021-22)	12.74	35.66	34.02	69.68	15.31	6.55

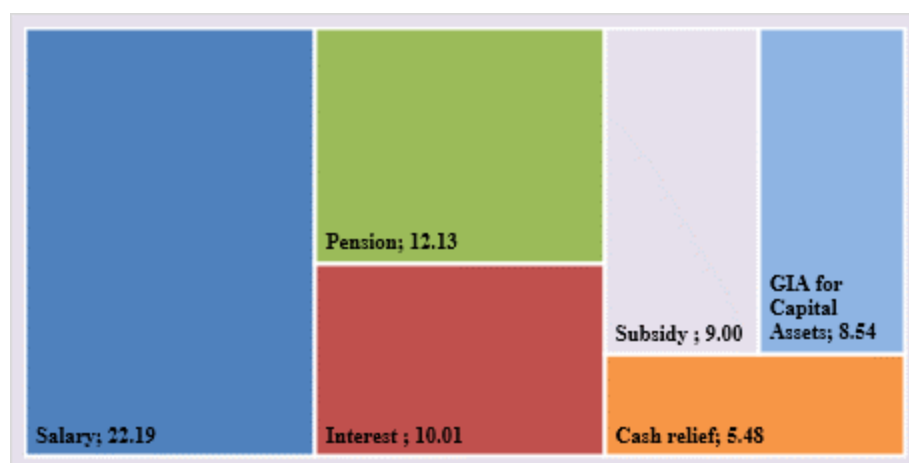
As evident from the table, during 2021-22 the ratio of capital expenditure, developmental expenditure and economic sector to total expenditure (TE) has declined in comparison to its ratio during 2016-17 whereas other sectors showed improvement during the year. Ratio of health sector expenditure to total expenditure increased significantly during the current year in comparison to 2016-17.

Further, it is evident from the table that during 2021-22, ratio of expenditure on all the sectors to total expenditure of the State was higher than the ratio of General Category States except capital expenditure and social sector expenditure which was indicative of less priority of State Government on CE and SSE. The priorities of expenditure had not changed since 2016-17 as can be seen from the above table.

2.4.10 Object head wise expenditure

The Finance Accounts, generally, depict transactions only up to the Minor Head level. Therefore, Statement four of the Finance Accounts gives a view, down to the extent of object head level. **Chart 2.11** shows the share of object/purpose of the Revenue expenditure on major items.

Chart 2.11: Revenue Expenditure on Major Items (in per cent)



As depicted in **Chart 2.11**, a major share (53.33 per cent) of Total Revenue Expenditure (TRE) was consumed by expenditure on Salaries, Pension, Interest Payments and Subsidies during the year 2021-22. Nearly nine per cent of TRE was utilised on GIA for creation of capital assets in the State, of which major portion was provided to Zila Parishads (₹ 4,207.24 crore).

2.5 Public Account

Receipts and Disbursements in respect of certain transactions such as Small Savings, Provident Funds, Reserve Funds, Deposits, Suspense, Remittances *etc.*, which do not form part of the Consolidated Fund, are kept in the Public Account set up under Article 266(2) of the Constitution and are not subject to vote by the State Legislature. The Government acts as a banker in respect of these. The balance after disbursements during the year is the fund available with the Government for use for various purposes.

2.5.1 Net Public Account Balances

The component-wise net balances in the Public Account of the State are given in **Table 2.26**.

Table 2.26: Component-wise net balances in Public Account as of 31 March 2022

(₹ in crore)						
Sector	Sub Sector	2017-18	2018-19	2019-20	2020-21	2021-22
I. Small Savings, Provident Funds <i>etc.</i>	Small Savings, Provident Funds <i>etc.</i>	(-)1,142.18	(-)1,211.11	(-)1,216.86	(-)1,194.40	(-)1,001.19
J. Reserve Funds	(a) Reserve Funds bearing Interest	(-)1,551.04	(-)1,930.09	(-)5,948.02	(-)6,320.39	(-)5,904.48
	(b) Reserve Funds not bearing Interest	0.00	0.00	0.00	0.00	0.00
K. Deposits and Advances	(a) Deposits bearing Interest	(-)13.52	(-)12.64	(-)39.55	(-)25.33	(-)24.15
	(b) Deposits not bearing Interest	(-)18,356.40	(-)19,853.80	(-)21,065.20	(-)24,331.45	(-)23,585.14
	(c) Advances	5.78	6.28	7.15	19.67	19.67
L. Suspense and Miscellaneous	(b) Suspense	132.14	5.42	(-)91.29	(-)146.35	(-)119.25
	(c) Other Accounts	392.60	207.09	3,117.62	2,855.90	4,519.46
	(d) Accounts with Governments of Foreign Countries	0.00	0.00	0.00	0.00	0.00
	(e) Miscellaneous	0.00	0.00	0.00	1.60	1.60
M. Remittances	(a) Money Orders, and other Remittances	(-)66.84	(-)118.85	(-)114.25	(-)133.68	(-)125.38
	(b) Inter- Governmental Adjustment Account	27.16	19.57	31.95	7.23	12.74
TOTAL		(-)20,572.30	(-)22,888.13	(-)25,318.45	(-)29,267.20	(-)26,206.12

Note: +ve denotes debit balance and -ve denotes credit balances

Negative trend during 2021-22 was indicative of more disbursement in Deposits and Advances mainly under Public Works Deposit (by ₹ 57 crore), Revenue Deposits (by ₹ 115 crore), Municipal Funds (by ₹ 879 crore) and State Electricity Boards working fund (by ₹ 1,647 crore) which was partially offset by more credit under other funds by ₹ 1,213 crore. Similarly, negative balance in Suspense & Miscellaneous was due to more disbursements (by ₹ 1,669 crore) under cash balance investment account.

2.5.2 Reserve Funds bearing interest

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. There were two interest bearing reserve funds in the State during the year 2021-22; (1) State Disaster Response Fund and (2) State Compensatory Afforestation Fund.

State Disaster Response Fund

As per Para 7 of SDRF guidelines 2015, the State Government is required to transfer the contribution to the SDRF received from GoI along with its share to Public Account head within 15 days of its receipt. Any delay will require the State Government to release the amount with interest (Bank Rate of RBI) for the number of days of delay.

It was noticed that during 2021-22, the State Government transferred the contribution from GoI along with its share into Public Account with a delay of 161 days (₹ 227.20 crore) and 87 days (₹ 227.20 crore) after receipt of Central share, for which the State Government was liable to pay interest of ₹ 9.26 crore, which was not paid.

As per Para 19 and 20 of SDRF guidelines 2015, the balances under the funds should be invested by the State in (a) Central Government dated securities (b) auctioned treasury bills and (c) interest earning deposits and certificates of deposits with Scheduled Commercial Banks. The Finance Department of the Government of Jharkhand, had informed (July 2019) that ₹ 400 crore was invested in Scheduled Commercial Banks during the year 2012-13.

Further, as per the guidelines, the Government was required to pay interest on the non-invested balances at the rate of interest (six *per cent*) payable on overdrafts, which is to be added to the corpus of the fund itself. However, GoJ had not paid any interest to SDRF since its creation, which works out to ₹ 870.85 crore at the applicable rates of interest for the period 2011-22. Of this, unpaid interest for 2021-22 alone amounted to ₹ 136.49 crore, resulting in overstatement of revenue surplus and understatement of fiscal deficit for the year. Consequently, the non-invested balances of ₹ 1,762 crore in the Fund as on 31 March 2022 are only book entries and do not represent actual cash balance. Such unpaid interest, since the operation of the fund represents the unaccounted liabilities of the State.

Table 2.27: Details of expenditure charged to SDRF

(₹ in crore)

Major Head of Account	Minor Head of Account	Expenditure during 2021-22
2245- Relief on Account of Natural Calamities 02- Floods, Cyclones etc.	101-Gratuitous Relief	5.57
	113-Repairs and reconstruction of houses	1.71
	114-Assistances to farmers for purchase of agriculture input	1.14
Sub-Total		8.42
2245- Relief on Account of Natural Calamities 05- State Disaster Response Fund	101-Transfer to reserve fund and deposit account- SDRF	605.60
	901- Deduct - Amount met from State Disaster Response Fund	964.40
Sub-Total		(-)358.80
2245- Relief on Account of Natural Calamities 80- General	Direction and administration, Training of disaster preparedness, management of Natural Disasters etc.	350.39
Sub-Total		350.39
Grand Total		0.01

Apart from the above, Central Government also released ₹ 200 crore as central support for cyclonic storm “Yaas” during the year and the State Government

made a budget provision under the head '2245-02-101-10-Relief assistance received from the NDRF (Centre Scheme 100 *per cent*)'. The fund was not utilised and surrendered at the end of the year by the Department. The amount had been provided by GoI in anticipation of cyclonic storm which did not occur. Thus, the amount remained unutilised in the cash balance of the State resulting in over statement of revenue surplus of the State by ₹ 200 crore.

State Compensatory Afforestation Fund

As per CAF (Accounting Procedure) Rules, 2018, all monies realised from the User Agencies are required to be credited to Minor Head '103-State Compensatory Afforestation Deposits' below the Major Head '8336-Civil Deposits' at the first instance. Thereafter, 90 *per cent* shall be transferred to Minor Head '129-State CAF' below the Major Head '8121-General and other Reserve Funds'. The balance 10 *per cent* shall be transferred to National Fund on monthly basis by crediting Minor Head '102-National Compensatory Afforestation Deposits' under the Major Head '8336-Civil Deposits-11-Jharkhand'.

Besides, on receipt of 90 *per cent* of the State's share from *ad hoc* Authority (one-time measure), the same shall also be credited to Minor Head '129-State Compensatory Afforestation Fund' below the Major Head '8121-General and other Reserve Funds'.

The opening balance in the fund was ₹ 4,199.92 crore, the receipt during 2021-22 was ₹ 220 crore and the expenditure incurred during the year was ₹ 241.12 crore, leaving a balance of ₹ 4,178.80 crore in SCAF as on 31 March 2022.

Since, the SCAF is an interest bearing reserve fund, the Government was required to pay interest of ₹ 132.62 crore as per the rate declared by the Central Government on year to year basis (3.35 *per cent* for the year 2021-22) on the opening balance (₹ 4,199.92 crore) excluding expenditure of ₹ 241.12 crore during the year. Including the unpaid interest of ₹ 100.88 crore for the year 2020-21, the total payable interest on SCAF till March 2022 was ₹ 233.50 crore. Against this, the Government paid ₹ 220 crore during 2021-22 leaving a balance of ₹ 13.50 crore as unpaid interest.

2.5.3 Reserve Funds not bearing interest

Consolidated Sinking Fund

Following the recommendations of the Twelfth Finance Commission, the State has set up (2016-17) the Consolidated Sinking Fund for amortisation of all loans including loans from banks, liabilities on account of National Small Savings Funds *etc.*

GoJ had an outstanding debt of ₹ 1,13,482.50 crore at the beginning of 2021-22. A budget provision of ₹ 200 crore was made and the amount was transferred into the Sinking Fund during the year which added in the opening balance of ₹ 303.87 crore leading to a closing balance of ₹ 503.87 crore at the end of March 2022 in the fund. During the year 2021-22, ₹ 200 crore were invested from this fund in the commercial banks.

As per guidelines of the Fund, the State may contribute a minimum of 0.50 *per cent* of their outstanding liabilities (internal debt + public account) as at the end of the previous year to the Consolidated Sinking Fund.

Guarantee Redemption Fund

The Constitution of India provides that a State may borrow, within the territory of India, upon the security of its Consolidated Fund, within such limits, as may from time to time, be fixed by the Act of its Legislature and give guarantees within such limits as may be fixed.

As per the recommendation of the Twelfth Finance Commission, ‘the State Government was to constitute a Guarantee Redemption Fund (GRF) for meeting the payment obligations arising out of the guarantees issued by the Government in respect of bonds issued and other borrowings by the State Public Sector Undertakings or other Bodies and invoked by the beneficiaries. However, the Fund has not been created.

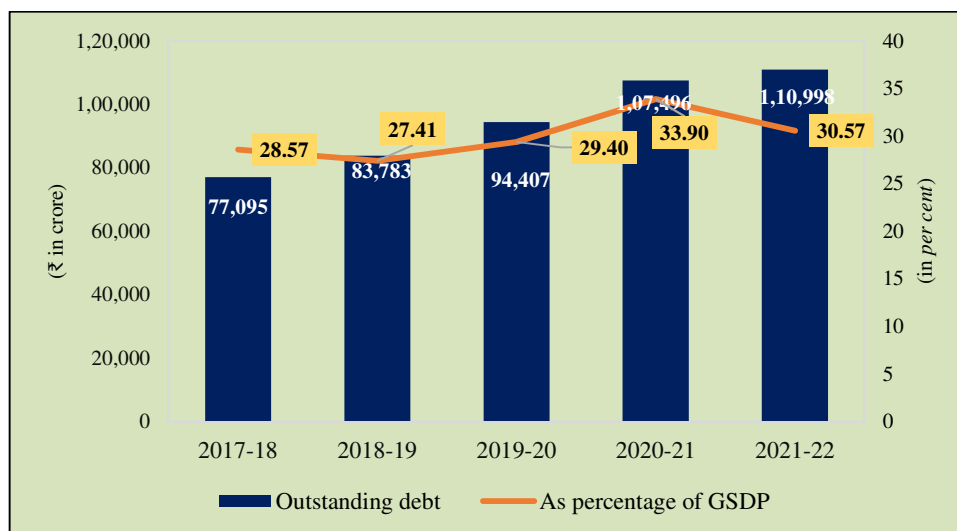
As per the Finance Accounts of the Government of Jharkhand, Guarantees amounting to ₹ 607.15 crore was given by the State as of 31 March 2022.

2.5.4 Debt management

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

Total debt of the Government and its percentage to GSDP for the period 2017-18 to 2021-22 has been shown in **Chart 2.12**. Abstract of liabilities and assets of the State as on 31 March 2022 are given in **Appendix 2.3**.

Chart 2.12: Total debt of the Government and its percentage to GSDP



Note: This does not include ₹ 1,689 crore in 2020-21 and ₹ 2,484.41 crore in 2021-22, passed on as back-to-back loans by Government of India, in lieu of shortfall in GST Compensation

2.5.4.1 Debt profile: Components

Total debt of the State Government typically constitutes internal debt of the State (market loans, ways and means advances from RBI, special securities issued to National Small Savings Fund and loans from financial institutions, etc.), loans and advances from the Central Government and Public Account liabilities.

Details of availability of funds on account of receipts and repayments under public debt and public account liabilities during 2017-22 are given in **Table 2.28**.

Table 2.28: Component wise debt trends

(₹ in crore)

	2017-18	2018-19	2019-20	2020-21	2021-22
Outstanding Overall Debt (A+B)	77,095.03	83,782.93	94,406.60	1,09,184.99	1,13,482.47
A. Public Debt	56,031.94	60,775.27	66,136.98	76,938.35	82,531.53
(i) Internal Debt	53,799.09	58,436.19	63,545.46	71,956.90	74,538.31
(ii) Loans & Advances from GoI	2,232.85	2,339.08	2,591.52	4,981.45	7,993.22
B. Liabilities on Public Account	21,063.09	23,007.66	28,269.62	32,246.24	30,950.94
C. Off Budget borrowings	NIL	NIL	NIL	NIL	NIL
Rate of growth of outstanding debt (percentage)	15.37	8.67	12.68	15.65	3.94
Gross State Domestic Product (GSDP)	2,69,816	3,05,695	3,21,157	3,17,079	3,63,085
Total Debt/GSDP (per cent)	28.57	27.41	29.40	33.90 [#]	30.57 [#]
Total Debt Receipts	25,205.53	22,223.80	30,980.35	32,562.62	25,623.42
Total Debt Repayments	14,937.47	15,535.90	20,356.68	17,784.23	21,325.90
Interest payments	4,661.68	4,851.97	5,307.71	5,790.00	6,286.05
Net availability of borrowed funds	5,606.38	1,835.93	5,315.96	8,988.39	-1,988.53
Debt Repayments/Debt Receipts (percentage)	77.76	91.74	82.84	72.40	107.76

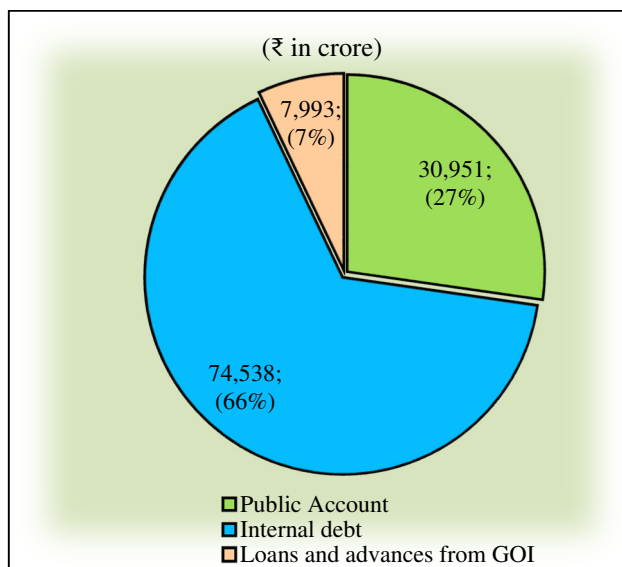
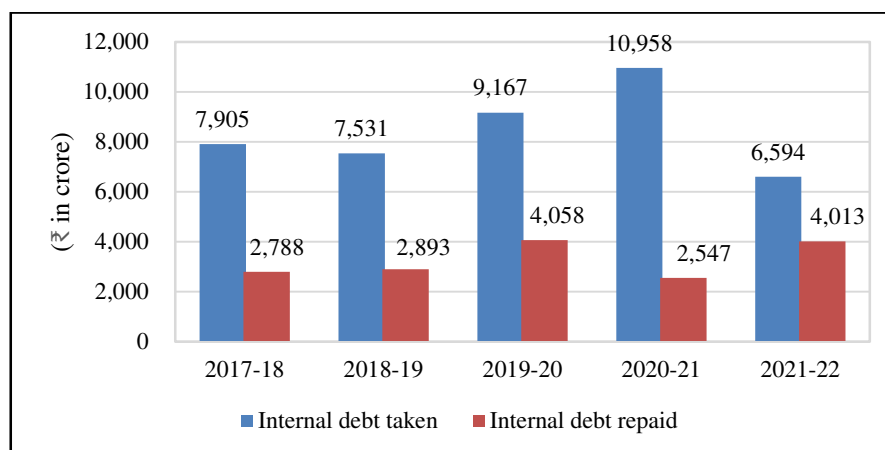
[#]Includes ₹ 1,689.00 crore in 2020-21 and ₹ 2,484.41 crore in 2021-22, passed on as back to back loans by Government of India in lieu of shortfall in GST Compensation

The effective outstanding overall debt would be ₹ 1,10,998.06 crore as the Department of Expenditure, GoI has decided that GST compensation of ₹ 2,484.41 crore given to the State as back to back loan under debt receipts would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission.

Apportionment of fiscal liabilities of the composite Bihar State between the successor States of Bihar and Jharkhand has not been done so far.

Net availability of borrowed funds showed wide fluctuations between ₹ 1,836 crore and ₹ 8,988 crore during 2017-18 to 2021-22. However, it decreased significantly to negative ₹ 1,989 crore in 2021-22 from ₹ 8,988 crore in 2020-21 mainly due to less borrowings as market loans by the Government (by ₹ 4,400 crore) and repayments of compensation & other bonds and National Small Savings Fund (NSSF) without any receipts during the year.

During 2021-22, the receipts of the State under public debt and other liabilities decreased by 21.31 per cent against 5.11 per cent increase in 2020-21. Repayment of public debt and other liabilities including interest increased by 17.13 per cent over the previous year (decrease of eight per cent) resulting in less availability of borrowed funds to the State. Major share of borrowed funds was utilised for discharging existing liabilities during 2021-22. Component wise debt trends during 2021-22 has shown in **Chart 2.13**, whereas, **Chart 2.14** shows further breakup of components of public debt and public accounts in overall debt of the State.

Chart 2.13: Break up of Total Debt at the end of 2021-22

Chart 2.14: Internal Debt taken vis-à-vis repaid


Details of financing pattern of fiscal deficit during the period 2017-22 are given in **Table 2.29**.

Table 2.29: Components of fiscal deficit and its financing pattern

		(₹ in crore)				
Particulars		2017-18	2018-19	2019-20	2020-21	2021-22
Composition of Fiscal Deficit						
1	Revenue Surplus/Revenue Deficit	1,804	5,521	1,960	-3,114	6,944
2	Net Capital Expenditure	-11,928	-10,712	-9,879	-8,466	9,377
3	Net Loans and Advances	-1,809	-1,438	-116	-3,331	171
Financing Pattern of Fiscal Deficit						
1	Market Borrowings	4,807	4,023	5,656	8,900	3,746
2	Loans from GOI	71	106	252	2,390	3,012
3	Special Securities issued to NSSF	-746	-757	-769	-769	-770
4	Loans from Financial Institutions	1,054	1,371	222	281	-395
5	Small Savings, PF, etc.	66	69	6	-23	-193
6	Deposits and Advances	4,722	1,496	1,238	3,215	-722
7	Suspense and Miscellaneous	-224	127	97	53	-27
8	Remittances	93	60	-17	44	-14
9	Reserve Fund	292	379	4,018	772	-380
10	Investment in earmarked fund	0.00	0.00	0.00	304	200
11	Overall Deficit	10,135	6,874	10,703	15,167	4,457
12	Increase/Decrease in cash balance	1,798	-245	-2,668	-256	-1,853
13	Gross Fiscal Deficit	11,933	6,629	8,035	14,911	2,604

It can be seen from **Table 2.29** that revenue expenditure and a major part of capital expenditure was met from the revenue receipts of the State. Therefore, the Fiscal Deficit (₹ 2,604 crore) occurred due to utilisation of borrowed funds on capital outlay and loans and advances.

During 2021-22, the fiscal deficit of ₹ 2,604 crore was mainly financed by Market Borrowings (₹ 3,746 crore).

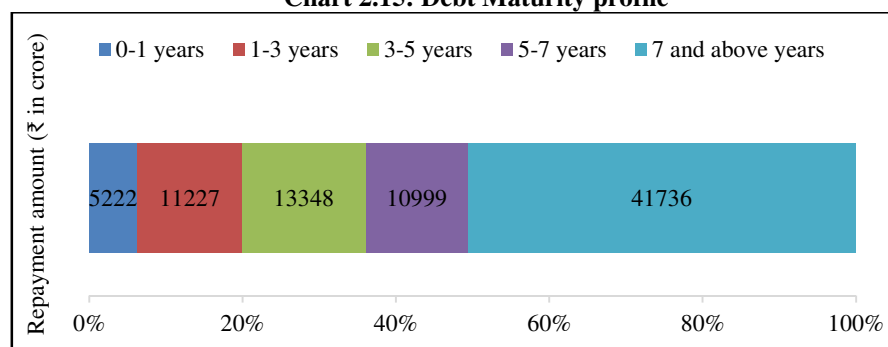
2.6 Debt Maturity Profile and Repayment

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

Table 2.30: Debt Maturity profile of repayment of State debt

Period of repayment (Years)	Amount (₹ in crore)	Percentage w.r.t. Public debt
0 – 1	5,222.16	6
1 – 3	11,226.63	14
3 – 5	13,347.58	16
5 – 7	10,999.34	13
7 and above	41,735.82	51
Total	82,531.53	100

Chart 2.15: Debt Maturity profile



As evident from **Table 2.30** depicting maturity profile of public debt, the redemption pressure will remain nearly between ₹ 5,000 crore and ₹ 6,000 crore in the coming years due to maturity of Jharkhand Government public debts. However, it will change in case of maturity of fresh borrowings of the State.

Further, analysis of debt repayment and interest payment in next 10 years of the State, on the basis of statement provided by the Finance Department, Government of Jharkhand, revealed a mixed trend, as shown in **Table 2.31**

Table 2.31: Debt repayment profile of the State in the next ten years
(₹ in crore)

Year	Repayment	Interest	Total
2021-22	4,245.34	5,805.62	10,050.96
2022-23	5,222.17	5,818.61	11,040.78
2023-24	4,613.33	5,638.97	10,252.30
2024-25	6,613.30	5,523.83	12,137.13
2025-26	6,890.56	5,254.51	12,145.07
2026-27	6,457.01	4,984.55	11,441.56
2027-28	4,270.66	4,772.13	9,042.79
2028-29	6,728.68	4,755.92	11,484.60
2029-30	3,651.94	4,539.98	8,191.92
2030-31	5,671.83	4,593.38	10,265.21

Source: Finance Department, Government of Jharkhand

As evident from the Table, the maturity profile of public debt redemption pressure of the State, as per current debt liability, will remain nearly uniform during 2022-23 to 2030-31. As per the current liability, the total repayment of principle and interest will range between ₹ 8,191.92 crore and ₹ 12,145.07 crore during the next 10 years. The payment of principle and interest will be sustainable in the light of the current financial condition of the State, which may change in case of maturity of fresh borrowings of the State in the coming years.

2.6.1 Fiscal Deficit and Debt Sustainability

In the context of fiscal sustainability, the Thirteenth Finance Commission defined debt sustainability in terms of debt-GSDP ratio and also in terms of interest payments relative to revenue receipts. The Finance Commission (FC) recommended fiscal consolidation for the Central and State Government and provided limits for fiscal deficit and debt stock as a percentage of GSDP. Government of Jharkhand in its FRBM Act, 2007 decided to maintain its fiscal deficit at not more than three *per cent* of the estimated GSDP. In view of FRBM Act, target of debt stock to GSDP percentage were given every year in the MTFP statement submitted with the budget.

The status of debt stock *vis-à-vis* the FFC targets and FRBM targets were as provided in **Table 2.32**.

Table 2.32: Debt sustainability – FRBM indicator based analysis

Year	Fiscal Deficit to GSDP (in per cent)		Debt stock to GSDP (in per cent)		Interest Payment to Revenue Receipts (in per cent)	
	Target as per MTFP prepared under FRBM Act	Actual	Target as per MTFP prepared under FRBM Act	Actual	FFC targets	Actual
2017-18	2.49	4.42	27.90	28.57	8.54	8.84
2018-19	2.61	2.17	27.20	27.41	8.32	8.64
2019-20	2.09	2.50	27.10	29.40	8.08	9.09
2020-21	5.00*	4.70	32.60	33.90 [#]	-	10.31
2021-22	4.00*	0.81	33.00	30.57 [#]	-	9.02

Source: Finance Accounts of the respective years, MTFP and FC Report

[#] This debt does not include ₹ 1,690 crore (2020-21) and ₹ 2,484.41 crore (2021-22), which was passed on as back to back loans by Government of India in lieu of shortfall in GST Compensation.

*The Fiscal Deficit target for the year 2020-21 and 2021-22 had increased by 2 per cent and 1 per cent respectively in view of the para 2(1) of the FRBM (Amendment) Act, 2020.

It can be seen from **Table 2.32** that the State Government was able to maintain the fiscal deficit well within the targets during 2021-22. Debt to GSDP ratio was higher than its targets during the period 2017-18 to 2020-21. Ratio of interest payment to revenue receipts (burden of interest payment) was not provided by the Fifteenth Finance Commission. However, it was directed by the FFC that the ratio of interest payments to revenue receipts should be kept at nine *per cent*, compared to the previous year, during the period 2020-26, which was achieved by the State except in 2020-21 when it was 10.31 *per cent*. During 2021-22, ratio of interest payments to revenue receipts was 9.02 *per cent*.

2.6.2 Utilisation of borrowed funds

Borrowed funds should ideally be used for capital creation and developmental activities. Using borrowed funds for meeting current consumption and repayment of interest on outstanding loans is not sustainable. Utilisation of borrowed funds are shown in **Table 2.33**.

Table 2.33: Utilisation of borrowed funds

(₹ in crore)

Sl. No.	Year	2017-18	2018-19	2019-20	2020-21	2021-22
1	Total Borrowings	8,136.85	7,803.43	9,593.12	13,546.58	9,839.87
2	Repayment of earlier borrowings (Principal)	2,949.50	3,060.10	4,231.40	2,744.82	4,247.08
3	Net capital expenditure	11,927.62	10,711.71	9,878.71	8,465.66	9,376.90
4	Net loans and advances	1,809.00	1,438.43	116.24	3,330.99	17.25
5	Portion of Revenue expenditure met out of net available borrowings (1-2-3-4)	-8,549.27	-7,406.81	-4,633.23	-994.89	-3,801.36

Source: Finance Accounts

The State had to repay of ₹ 4,247.08 crore for earlier borrowings during 2021-22 which was met from revenue surplus occurred during the year, leading to more availability of borrowed funds for capital expenditure and loans and advances given by the State. The part of capital expenditure not covered by the public debt was met from the public account balances.

Out of total borrowed funds, 95.29 *per cent* was utilised for capital expenditure (₹ 9,377 crore) and the balance on payment of loans and advances.

2.6.3 Status of Guarantees (Contingent Liabilities)

The Constitution of India provides that a State may borrow, within the territory of India, upon the security of its Consolidated Fund, within such limits, as may from time to time, be fixed by the Act of its Legislature and give guarantees within such limits as may be fixed. Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee has been extended.

The Government of Jharkhand has neither created the guarantee redemption fund nor made any policy in this regard. However, the government had given Letter of Comfort (LOC) amounting to ₹ 450 crore in favour of Jharkhand Bijli Vitaran Nigam Limited in December 2018. Further, LOC of ₹ 157.15 crore, given on behalf of JSEB in February 2013, was pending for clearance in the accounts of the government even after unbundling of the JSEB in January 2014.

Table 2.34: Guarantees given by the State Government

(₹ in crore)

Guarantees	2017-18	2018-19	2019-20	2020-21	2021-22
Outstanding amount of guarantees including interest	157.15	607.15	607.15	607.15	607.15

Source: Finance Accounts

2.7 Management of Cash Balances

As per an agreement with the Reserve Bank of India, State Governments have to maintain a minimum daily cash balance with the Bank. If the balance

falls below the agreed minimum on any day, the deficiency is made good by taking ordinary Ways and Means Advances (WMA)/Special Ways and Means Advances (SWMA)/Overdrafts (OD) from time to time. The limit for ordinary WMA to the State Government was revised by the RBI from time to time (₹ 1,152 crore *w.e.f.* 17 April 2020 which subsequently decreased to ₹ 1,067 crore *w.e.f.* 31 March 2022).

The State availed ordinary Ways and Means Advances for six days and special Ways and Means Advances for 10 days during 2021-22, for which the Government had to pay interest of ₹ 0.46 crore. No overdraft was taken by the State Government in the year 2021-22.

The State Government invests its surplus cash balance in short and long-term GoI Securities and Treasury Bills. The profits derived from such investments are credited as receipts under the head '0049-Interest Receipts'.

Table 2.35 shows comparative details of general cash balance and its investment during 2020-21 and 2021-22 and **Table 2.36** shows position of Cash Balance Investment Account (Major Head-8673) during the period 2017-18 to 2021-22.

Table 2.35: Cash Balances and their investment

(₹ in crore)

	Opening balance on 1 April 2021	Closing balance on 31 March 2022
A. General Cash Balance		
Cash in treasuries	0	0
Deposits with Reserve Bank of India	160.55	149.37
Deposits with other Banks	0	0
Remittances in transit – Local	0	0
Sub-total	160.55	149.37
Investments held in Cash Balance Investment Account	2,811.20	4,480.63
Total (A)	2,971.75	4,630.00
B. Other Cash Balances and Investments		
Cash with departmental officers <i>viz.</i> , Public Works, Forest Officers	44.54	38.67
Permanent advances for contingent expenditure with department officers	0.16	0.16
Investment in earmarked funds	703.87	903.87
Total (B)	748.57	942.70
Total (A + B)	3,720.32	5,572.70
Interest realised	58.59	58.63

Source: Finance Accounts

The balance in the Cash Balance Investment Account as on 31 March 2022 was ₹ 4,480.63 crore and the interest realised on investment during 2021-22 was ₹ 58.63 crore.

During 2021-22, the cash balance investment of the State increased in comparison to the previous year.

The State Government had invested ₹ 400 crore from earmarked fund of SDRF in 2012-13. The balance of ₹ 1,761.68 crore has not been invested as required in SDRF guidelines. Out of ₹ 503.87 crore transferred to Sinking Fund as on 31 March 2022, ₹ 200 crore were invested in 2020-21 in Scheduled Commercial Banks.

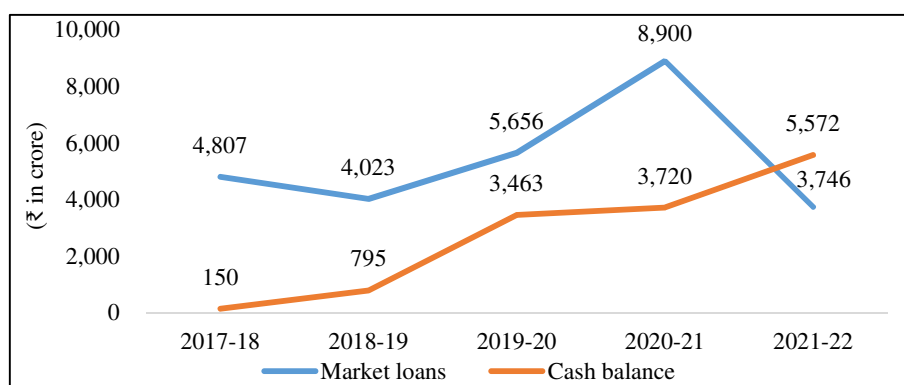
Table 2.36: Cash Balance Investment Account (Major Head-8673)

(₹ in crore)

Year	Opening Balance	Closing Balance	Increase (+) / decrease (-)	Interest earned
2017-18	1,439.09	354.56	-1,084.53	78.56
2018-19	354.56	167.90	-186.66	31.43
2019-20	167.90	3,070.62	2,902.72	147.42
2020-21	3,070.62	2,811.20	-259.42	58.59
2021-22	2,811.20	4,480.63	1,669.43	60.21

There was a difference of ₹ 162.42 crore (net debit) between the figures reflected in the accounts {₹ 149.37 crore (debit)} and that intimated by the RBI {₹ 13.05 crore (debit)}. This difference has been taken up by the Principal Accountant General (A&E), Jharkhand with RBI, Ranchi for reconciliation and necessary correction.

Chart 2.16 shows the comparative trend of market loans (net) and cash balances during the last five years.

Chart 2.16: Trend of market loans (net) and cash balances

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

During the year 2021-22, the State Government raised ₹ 3,745.95 crore from the market, while at the same time, the cash balance increased from ₹ 3,720 crore to ₹ 5,572.70 crore at the end of the year.

2.8 Conclusion

Deficit indicators, revenue augmentation and expenditure management are major yardsticks for judging the fiscal performance of the Government.

The State has achieved the target of reducing its revenue deficit to zero, much before the time line given in FRBM Act. The State had revenue surplus during the last five years, except in 2020-21. During 2018-19, 2020-21 and 2021-22, Fiscal Deficit of the State was within the targets whereas, the targets were not achieved in 2017-18 and 2019-20.

During 2021-22, revenue expenditure of the State constituted 85.28 per cent of the total expenditure of which 44.41 per cent was utilised on Salaries & Wages, Interest Payments and Pension. Salaries & Wages, Interest Payments and Pension consumed 39.99 per cent of the revenue receipts in 2021-22. During 2021-22, capital expenditure was ₹ 9,377 crore against ₹ 8,466 crore in 2020-21. Increase in capital expenditure was due to increase in

expenditure on social services by seven *per cent* and economic services by 14 *per cent* over the previous year.

In the total expenditure of the State, share of expenditure on social services and economic services remained almost same during 2020-21 and 2021-22. Expenditure on economic services decreased consistently from 40 *per cent* in 2017-18 to 34 *per cent* in 2021-22 which was indicative of less priority given by the State to this sector.

Out of total borrowings of ₹ 9,839.87 crore, 95.29 *per cent* was utilised on capital expenditure (₹ 9,378 crore) and the balance on payment of loans and advances. Repayments amounting to ₹ 4,247.08 crore during 2021-22 against earlier borrowings was met from revenue receipts during the year.

As per Finance Accounts of the State ending 31 March 2022, the Government had invested ₹ 2,250.22 crore (in government companies, rural bank and co-operative institutions) since inception of the State in November 2000. Despite no return on its investments, the State Government made investment of ₹ 1,138.57 crore in four¹⁰ State PSUs and two Co-operative (Tribal Co-operative Development) in the form of equity during 2021-22.

Apart from investments, a huge amount (₹ 24,348 crore) given by the government to its entities, in the form of loans, were outstanding at the end of March 2022.

Overall fiscal liabilities (Total Debt) increased from ₹ 1,07,496 crore in 2020-21 to ₹ 1,10,998 crore in 2021-22. The fiscal liabilities to GSDP ratio was 30.57¹¹ *per cent* against the MTFP target of 33 *per cent*. Apportionment of fiscal liabilities of the composite Bihar State between the successor States of Bihar and Jharkhand has not been done so far.

The government had not paid any interest to SDRF since its creation, which works out to ₹ 870.85 crore at applicable rates of interest for the period 2011-12 to 2021-22. Non-payment of interest had an impact on Revenue deficit and Fiscal Deficit of the State. Further, Government transferred ₹ 200 crore to Sinking Fund during the year.

2.9 Recommendations

- *The State Government should rationalise its investments in various entities, so that the return on investment and loans, at least matches, the Government borrowing costs. Otherwise, increasing fiscal liabilities accompanied by negligible rate of returns in investments might lead to a situation of unsustainable debt.*
- *The State has to put in concerted efforts to maintain its fiscal performance in respect of the targets laid down in the FRBM Act and MTFP statements.*

¹⁰ Jharkhand Exploration and Mining Corporation Ltd.: ₹ 1,000 crore; Jharkhand Industrial Infrastructure Development Corporation: ₹ 2 crore; Jharkhand Central Railway Project: ₹ 20 crore; and Jharkhand Bijli Vitran Nigam Ltd.: ₹ 87.52 crore

¹¹ Does not include ₹ 2,484.41 crore passed on as back to back loans, by Government of India in 2021-22, in lieu of shortfall in GST Compensation

