

Chapter I: Overview

1.1 Profile of the State

Chhattisgarh is located in the central part of India and is spread over an area of 1,35,192 sq. km (4.11 *per cent* of geographical area of India). The State was created in November 2000 by bifurcating the composite State of Madhya Pradesh. It has 28 districts and is home to 2.55 crore population as per Census 2011. The State's population increased from 2.08 crore in 2001 to 2.55 crore in 2011, recording a decadal growth of 22.61 *per cent*. At current prices, the per capita income of the State was estimated at ₹1,18,401 during 2021-22, which was lower than the national average of ₹1,50,007. General and financial data relating to the State is given in *Appendix 1.1*.

1.1.1 Gross State Domestic Product of the State

Gross State Domestic Product (GSDP) is the value of all the goods and services produced within the boundaries of the State in a given period of time. Growth of GSDP is an important indicator of the State's economy, as it denotes the extent of changes in the level of economic development of the State over a period of time.

Trends in annual growth of Chhattisgarh's GSDP (current prices) *vis-à-vis* GDP of the country are given in **Table 1.1**.

Table 1.1: Trends in GSDP compared to the GDP

Sl. No.	Year	2017-18	2018-19	2019-20	2020-21	2021-22
1	GDP at current prices (₹ in crore)	1,70,90,042	1,88,99,668	2,00,74,856	1,98,00,914	2,36,64,637
2	Growth Rate of GDP over previous year (in <i>per cent</i>)	11.03	10.58	6.21	-1.36	19.51
3	GSDP at current prices (₹ in crore)	2,82,266	3,27,693	3,44,571 ^P	3,52,161 ^Q	4,00,061 ^A
4	Growth Rate of GSDP over previous year (in <i>per cent</i>)	7.41	16.09	5.15	2.20	13.60

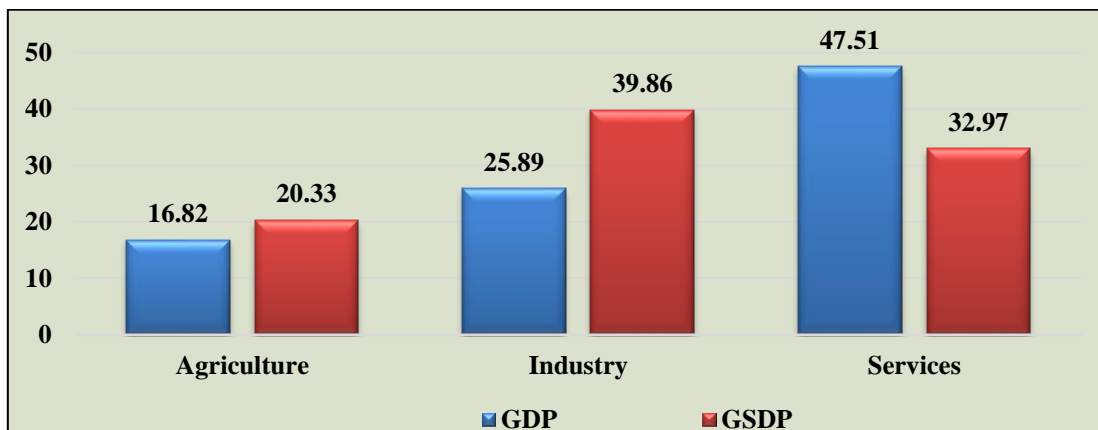
Source: GoI's Economic Survey (2021-22) and Directorate of Economics and Statistics, Chhattisgarh. A- Advanced Estimates; Q - Quick Estimates; P - Provisional Estimates

As can be seen from the table above, the growth rate of GSDP of Chhattisgarh oscillated between 2.20 and 16.09 *per cent* during the five-year period 2017-18 to 2021-22. Even though the GSDP of Chhattisgarh grew at a lower rate during 2021-22 compared to the GDP of India, it registered a higher growth rate compared to the previous year mainly due to increase in growth rate of all three Sectors that make up the GSDP - Agriculture, Industry and Services sectors, from 7.48 *per cent*, (-) 0.16 *per cent* and 2.91 *per cent* in 2020-21 to 8.93 *per cent*, 17.27 *per cent* and 11.29 *per cent* in 2021-22 respectively.

Economic activities are generally divided into Primary, Secondary and Tertiary sectors, which correspond to Agriculture, Industry, and Services Sectors. Change in sectoral contribution of the GSDP is also important to understand the changing structure of

economy. **Chart 1.1** below shows the sectoral composition of GSDP of Chhattisgarh vis-à-vis GDP of India during 2021-22. Agriculture includes Agriculture, Forestry and Fishing. Industry includes Mining & Quarrying, Manufacturing, Construction etc.

Chart 1.1: Sectoral composition of GSDP of Chhattisgarh vis-à-vis GDP of India during 2021-22



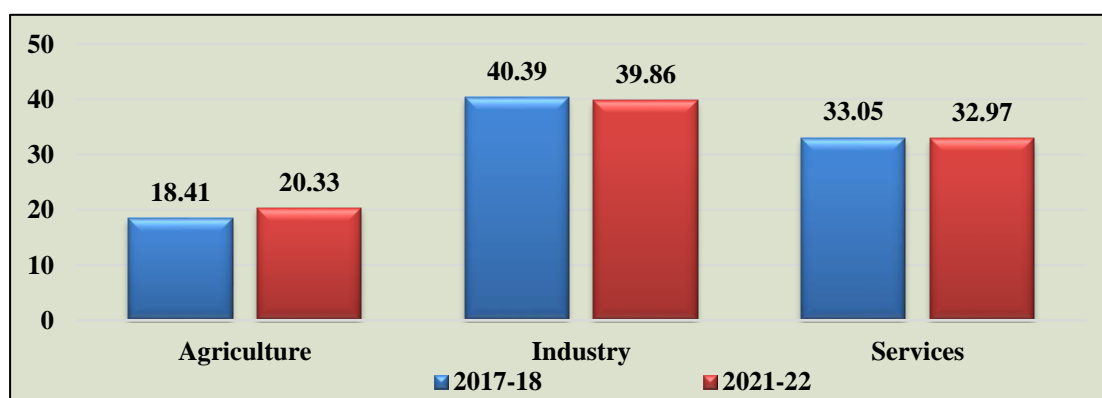
Source: GoI's Economic Survey (2021-22) and Directorate of Economics and Statistics, Chhattisgarh.

Note: Sectoral composition of GDP & GSDP is worked out after excluding the figure of Taxes & subsidies on Products. Percentage of Taxes & Subsidies w.r.t. GDP is 9.78% & GSDP is 6.84%.

As can be seen from **Chart 1.1**, during 2021-22 the major contributing factor to GSDP of Chhattisgarh was Industry sector, while for the GDP of India, it was Services sector. Percentage wise, contribution of Industry and Agriculture sectors in GSDP of Chhattisgarh was higher than that of national GDP, whereas Services sector contributed less to GSDP of the State compared to its share in GDP of India.

Chart 1.2 reveals that during the five-year period 2017-18 to 2021-22, there has been an increase in the relative share of agriculture sector in GSDP of the State from 18.41 per cent in 2017-18 to 20.33 per cent in 2021-22. During the same period, there has been a decrease in the share of industry and service sectors from 40.39 and 33.05 per cent in 2017-18 to 39.86 and 32.97 per cent in 2021-22 respectively.

Chart 1.2: Change in sectoral contribution to GSDP (2017-18 to 2021-22)

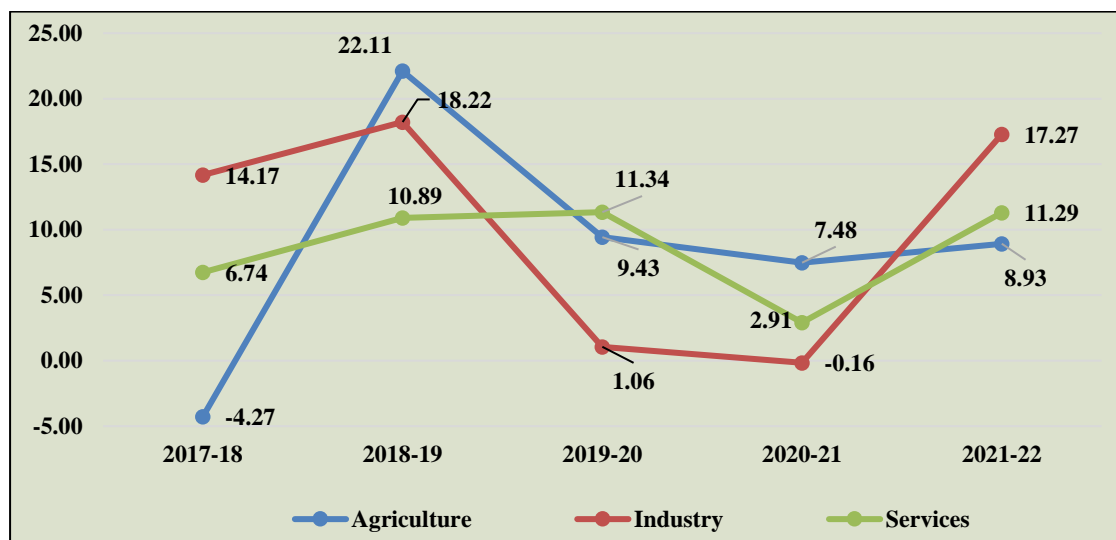


Source: Economic Survey (2021-22), Directorate of Economics and Statistics, Chhattisgarh

Note: Sectoral composition of GSDP is worked out after excluding figure of Taxes & Subsidies on Products. Percentage of Taxes & Subsidies w.r.t. GSDP in 2017-18 is 8.15% and in 2021-22 is 6.84%.

The year-on-year change in contribution of various sectors to the GSDP of the State is given below in **Chart 1.3**:

Chart 1.3: Sectoral growth in GSDP



Source: Economic Survey (2021-22), Directorate of Economics and Statistics, Chhattisgarh

1.2 Basis and Approach to State Finances Audit Report

In terms of Article 151 (2) of the Constitution of India, the reports of the Comptroller and Auditor General of India (CAG) relating to the accounts of a State are to be submitted to the Governor of the State, who shall cause them to be laid before the Legislature of the State. The State Finances Audit Report (SFAR) of Chhattisgarh for the year ending 31 March 2022 has been prepared by the CAG for submission to the Governor of Chhattisgarh under Article 151 (2) of the Constitution of India.

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

Finance Accounts and Appropriation Accounts of the State for the year 2021-22 constitute the core data for this report. Other sources include the following:

- Budget of the State for the year 2021-22 forms an important source of data – both for assessing the fiscal parameters and allocative priorities *vis-à-vis* projections, and for evaluating the effectiveness of its implementation and compliance with the relevant rules and prescribed procedures;
- Results of audit carried out by the Office of the Principal Accountant General (Audit), Chhattisgarh;
- Other data with Departmental Authorities and Treasuries (accounting as well as MIS);

- GSDP related statistics from the Directorate of Economic and Statistical Department of Chhattisgarh; and
- Various audit reports of the CAG of India during 2017-22.

The analysis has been carried out in the context of recommendations of the Fifteenth Finance Commission (XVFC), Chhattisgarh Fiscal Responsibility and Budget Management (CGFRBM) Act, Budget documents of the State and guidelines of the Government of India.

1.3 Report Structure

The SFAR is structured into the following five Chapters:

Chapter - I	<u>Overview</u> This Chapter describes the basis and approach to the Report and the underlying data, provides an overview of structure of government accounts, budgetary processes, macro-fiscal analysis of key indices, and State's fiscal position including the deficits/ surplus.
Chapter - II	<u>Finances of the State</u> This chapter provides a broad perspective of the finances of the State, the critical changes in major fiscal aggregates relative to the previous year, overall trends during the period from 2017-18 to 2021-22, debt profile of the State, and key Public Account transactions, based on the Finance Accounts of the State.
Chapter -III	<u>Budgetary Management</u> This chapter is based on the Appropriation Accounts of the State, reviews the appropriations and allocative priorities of the State Government, and reports on deviations from Constitutional provisions relating to budgetary management
Chapter -IV	<u>Quality of Accounts & Financial Reporting Practices</u> This chapter comments on the quality of accounts rendered by various authorities of the State Government, and on issues of non-compliance with prescribed financial rules and regulations by various departmental officials of the State Government.
Chapter -V	<u>Financial Performance of State Public Sector Undertakings</u> This Chapter presents the summary of financial performance of State Public Sector Enterprises (Government Companies and Statutory Corporations) of Chhattisgarh.

1.4 Overview of Government Accounts Structure

The Accounts of the Government are kept in three Parts:

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

This Fund comprises all revenues received by the State Government, all loans raised by the State Government (market loans, bonds, loans from the Central Government, loans

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

2. Contingency Fund of the State [Article 267(2) of the Constitution of India]

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

3. Public Accounts of the State [Article 266(2) of the Constitution of India]

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

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

Revenue Account receipts consists of tax revenue (own tax revenue plus share of union taxes/duties), non-tax revenue, and grants from Government of India.

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

Capital Account receipts consist of:

Debt receipts: Market Loans, Bonds, Loans from financial institutions, Net transaction under Ways and Means Advances, Loans and Advances from Central Government, *etc.*;

Non-debt receipts: Proceeds from disinvestment, Recoveries of loans and advances; **Capital Account disbursement** includes capital expenditure on the acquisition of land, building, machinery, equipment, investment in shares, and repayment of Public Debt and loans and advances by the government to PSUs and other parties.

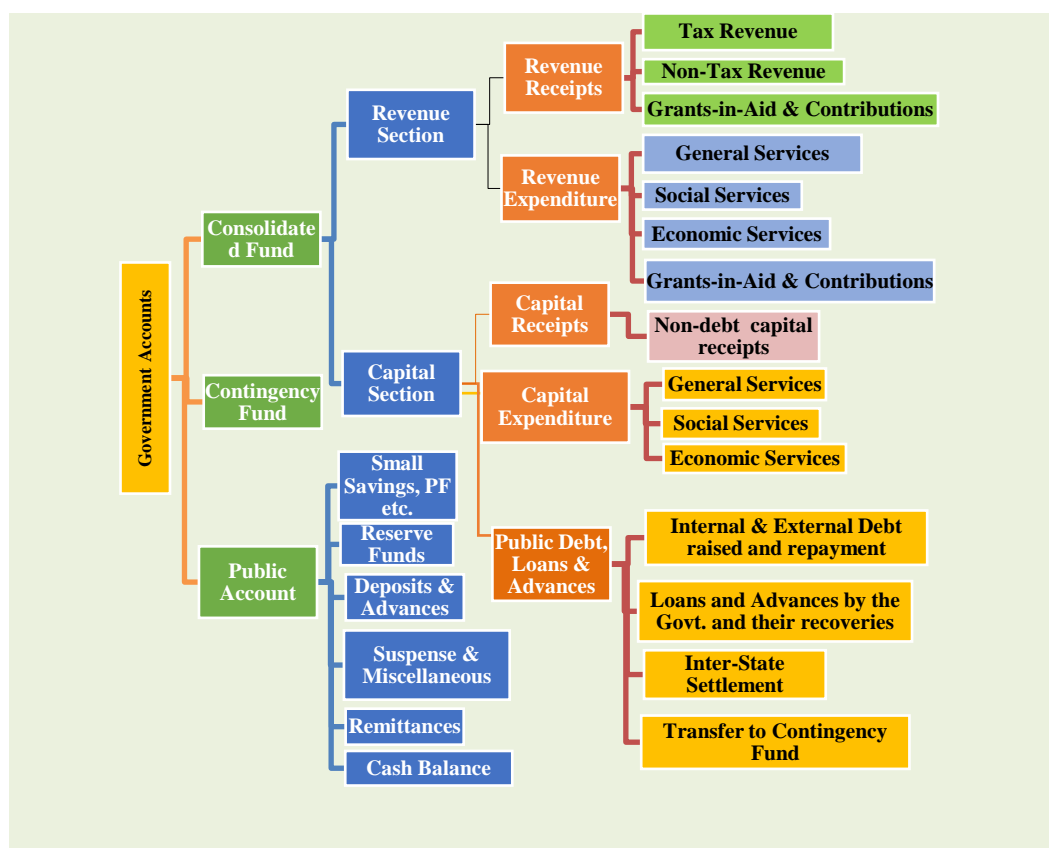
The Government accounting classification system is both functional and economic.

	Attributes of transactions	Classification
Standardised in List of Major and Minor Heads of Account by Controller General of Accounts	Function - Education, Health, <i>etc.</i> / Department	Major Head under Grants (4-digit)
	Sub-Function	Sub Major Head (2-digit)
	Programme	Minor Head (3-digit)
Flexibility left for States	Scheme	Sub-Head (2-digit)
	Sub scheme	Detailed Head (2-digit)
	Economic nature/Activity	Object Head-salary, minor works, <i>etc.</i> (2-digit)

Functional classification involves arranging the receipts and expenditure by economic categories, distinguishing the Government transactions into Sections like Revenue and Capital (including Public Debt, Loans and Advances), Sectors like Tax Revenue from other revenue and Grants-in-Aid, Sub-sectors like Taxes on Income and Expenditure, fiscal services, *etc.* On the expenditure side also, the transactions are classified into Sectors *viz.*, General Services, Economic Services, Social Services and Grants-in-Aid and contributions and sub-divided into Major Heads of account below these Sectors. Major Heads of account falling within the Consolidated Fund generally correspond to 'Functions' of Government, such as 'Education', while Minor Heads subordinate to them identify the 'Programme' undertaken to achieve the objectives of the function represented by the Major Head. A programme may consist of a number of schemes or activities and these generally, correspond to 'Sub-heads' below the Minor head. 'Detailed head' below the Sub-head, is primarily meant for itemised control over expenditure and indicates the object or nature of expenditure on a scheme or activity in terms of inputs such as 'Salaries', 'Office Expenses', 'Grants-in-Aid', *etc.*

A pictorial depiction of the structure of Government Accounts is given in **Chart 1.4**.

Chart 1.4: Pictorial depiction of the structure of Government Accounts



Source: Finance Accounts

1.5 Budgetary Processes

In terms of Article 202 of the Constitution of India, the Governor of Chhattisgarh caused to be laid before the State Legislature, a statement of the estimated receipts and expenditure of the State for the year 2021-22, in the form of an **Annual Financial Statement**. In terms of Article 203, the above was submitted to the State Legislature in the form of 71 Demands for Grants/ Appropriations and after approval of these, the Appropriation Bill was passed by the Legislature under Article 204 to provide for appropriation of the required money out of the Consolidated Fund. Finance Accounts and Appropriation Accounts encompass the core data for preparation of the SFAR. These Accounts are based on actual receipts and expenditure of the State during the year 2021-22 including various inter-governmental and other adjustments carried out by the Reserve Bank of India (RBI).

The Madhya Pradesh Budget Manual (as adopted by the Government of Chhattisgarh) details the formulation process and guides the State Government in preparing its budgetary estimates and monitoring its expenditure activities.

1.5.1 Snapshot of Finances

The following table provides the details of actual financial results *vis-a-vis* Budget Estimates for the year 2021-22, and actuals of 2020-21.

Table 1.2: Snapshot of Finances

(₹ in crore)

Sl. No	Components	2020-21	2021-22	2021-22	Percentage of Actual to B.E.	Percentage of Actuals to GSDP
		(Actuals)	(Budget Estimate)	(Actuals)		
1	Tax Revenue	43,226.74	48,425.42	55,654.52	114.92	13.91
(i)	Own Tax revenue	22,889.20	25,750.00	27,083.73	105.18	6.77
(ii)	Share of Union Taxes and duties	20,337.54	22,675.42	28,570.79	126.00	7.14
2	Non-Tax Revenue	7,136.95	9,250.00	13,851.21	149.74	3.46
3	Grants-in-aid and contributions	12,812.49	21,650.00	10,146.30	46.87	2.54
4	Revenue Receipts (1+2+3)	63,176.18	79,325.42	79,652.03	100.41	19.91
5	Recovery of Loans and Advances including Inter State Settlement	104.13	320	88.02	27.51	0.02
6	Misc. Capital Receipts	4.85	0	4.89	0	0
7	Public Debt Receipts	21,581.68	18,776.38	15,098.28	80.41	3.77
8	Capital Receipts (5+6+7)	21,690.66	19,096.38	15,191.19	79.55	3.80
9	Total Receipts (4+8)	84,866.84	98,421.80	94,843.22	96.36	23.71
10	Revenue Expenditure	70,032.84	83,027.55	75,010.01	90.34	18.75
11	Interest Payments	5,633.11	6,470.83	6,144.24	94.95	1.54
12	Capital Expenditure	9,024.19	13,839.35	10,504.22	75.90	2.63
13	Loans & Advances including Inter-state Settlement	50.51	239.55	323.81	135.17	0.08
14	Total Exp. (10+12+13)	79,107.54	97,106.45	85,838.04	88.40	21.46
15	Revenue Surplus (+)/ Deficit (-) (4-10)	(-)6,856.66	(-)3,702.13	4,642.02	(-)125.39	1.16
16	Fiscal Deficit {(4+5+6)-14}	(-)15,822.38	(-)17,461.03	(-)6,093.10	34.90	(-)1.52
17	Primary Deficit (16+11)	(-)10,189.27	(-)10,990.20	51.14	(-)0.47	0.01

Source: Finance Accounts of respective years and Budget Book 2021-22.

Though the State Government has projected revenue deficit in budget, it achieved revenue surplus due to mobilization of higher tax and non tax revenue receipts vis-a-vis budget. Fiscal deficit remained less than that estimated due to less revenue and capital expenditure than projected in the budget.

1.5.2 Snapshot of Assets and liabilities of the Government

Government accounts capture the financial liabilities of the Government and the assets created out of the expenditure incurred. The liabilities consist mainly of internal borrowings, loans and advances from GoI, receipts from public accounts, and the assets comprise mainly the capital outlay and loans and advances given by the State Government and cash balances.

Table 1.3: Summarised position of Assets and Liabilities

(₹ in crore)

Sl. No.	Liabilities				Assets			
	Particulars	2020-21	2021-22	Percentage Increase(+)/ Decrease(-)	Particulars	2020-21	2021-22	Percentage Increase(+)/ Decrease(-)
1	Internal Debt	70,538.81	71,186.62	(+)0.91	Gross Capital Outlay	1,01,913.17	1,12,412.50	(+)10.30
2	Loans and Advances from GoI	6,169.30 ¹	11,726.15 ²	(+)90.07	Loans and Advances	1,342.78	1,409.86	(+)5.00
3	Contingency Fund (corpus)	100.00	100.00	(+)0.00	Contingency fund (un-recouped)	0.00	0.00	(+)0.00
4	Small Savings, Provident Funds, etc.,	8,021.40	8,020.50	(-)0.01	Advances	1.83	7.34	(+)301.09
5	Deposits	5,985.11	5,786.49	(-)3.32	Remittance	329.28	336.22	(+)2.08
6	Reserve Funds	9,180.67	9,627.40	(+)4.87	Suspense and Miscellaneous	0.00	0.00	(+)0.00
7	Suspense and Miscellaneous	77.19	142.70	(+)84.87	Cash Balance ³	9,461.37	9,921.62	(+)4.86
					Total (1 to 7)	1,13,048.43	1,24,087.54	(+)9.76
8	Remittances	0.00	0.00	(+)0.00	Deficit on Government Account	12,975.95	17,497.68	(+)34.85
	Total (1 to 8)	1,00,072.48	1,06,589.86	(+)6.56	Total (8-9)	1,00,072.48	1,06,589.86	(+)6.51

Source: Finance Accounts of respective years

1.6 Fiscal Balance: Achievement of deficit and total debt targets

Deficit is an indicator of prudent fiscal management of the Government. Further, the ways in which the deficit is financed and the resources raised are applied, are important pointers to its fiscal health. This section presents trends, nature and magnitude of deficits and the manner of financing these deficits, and also the assessment of actual levels of revenue and fiscal deficits vis-à-vis targets set under CGFRBM Act/Rules/fiscal policy statements for the financial year 2021-22.

1.6.1 Compliance with provisions of State FRBM Act

In compliance with the recommendations of Twelfth Finance Commission (TFC), the State Government enacted the Chhattisgarh Fiscal Responsibility and Budget Management Act, 2005 (CGFRBM Act) (amended in September 2011 and 2016) to ensure prudence in fiscal management and fiscal stability by progressive elimination of revenue deficit, reduction in fiscal deficit, prudent debt management consistent with fiscal sustainability and greater transparency in fiscal operations of the Government, and conduct of fiscal policy in a Medium Term Fiscal Framework (MTFF).

As per the CGFRBM Act 2005, the State Government was to eliminate revenue deficit

¹ Includes back to back loan of ₹3,109 crore in lieu of GST compensation shortfall.

² Includes back to back loan of ₹8,074.15 crore in lieu of GST compensation shortfall. The debt servicing of this loan would be done from the collection of cess in the GST compensation Fund.

³ Including investment in earmarked fund.

and bring fiscal deficit down to 3 per cent of the GSDP by the end of 31 March 2009. During 2021-22, target for fiscal deficit was set to 4 per cent of the GSDP as per the Medium term Fiscal Policy Statement presented along with Budget 2021-22.

Major fiscal variables, as set in CGFRBM Act/ disclosures made under the Act in fiscal policy statements, and their achievement during 2017-22 are given in **Table 1.4**.

Table 1.4: Major fiscal variables for 2017-22⁴

Sl. No.	Fiscal Parameters	Fiscal Targets set in the Act/MTFPS	Achievement (₹ in crore)				
			2017-18	2018-19	2019-20	2020-21	2021-22
1	Revenue Deficit (-)/ Surplus (+)	Revenue Surplus	3,417.32	683.76	(-)9,608.61	(-)6,856.66	4,642.02
			Yes	Yes	No	No	Yes
2	Fiscal Deficit(-)/ Surplus (+) (as percentage of GSDP)	3.50 per cent of GSDP for 2017-19 and 5 per cent of GSDP for 2019-21 & 4 per cent of GSDP for 2021-22	(-)	(-)	(-)	(-)	(-)
			6,810.32 (2.41%)	8,292.23 (2.53%)	17,969.55 (5.22%)	15,822.38 (4.49%)	6,093.10 (1.52%)
			Yes	Yes	No	Yes	Yes
3	Total outstanding debt as percentage of GSDP	18.47% for 2017-18 18.06% for 2018-19 21.23% for 2019-20 21.59% for 2020-21 28.34% for 2021-22	18.74%	20.37%	22.84%	25.44% ⁵	22.77% ⁶
			No	No	No	No	Yes

Source: Finance Accounts of the respective years

The State was able to achieve the target of revenue surplus during 2021-22. During 2021-22, Revenue Surplus of the State was ₹4,642.02 crore as compared to Revenue Deficit of ₹6,856.66 crore in 2020-21. The decrease in Revenue Deficit was mainly due to increase in Revenue Receipts by ₹16,475.85 crore (26.07 per cent) as compared to 2020-21 despite increase in Revenue Expenditure by ₹4,977.17 crore (7.10 per cent). The receipts under GIA from the Government of India decreased by 20.80 per cent over the previous year.

Fiscal Deficit of the State decreased during 2021-22 (₹6,093.10 crore) by ₹9,729.28 crore from ₹15,822.38 crore in 2020-21, as the Revenue Deficit of ₹6,856.66 crore in 2020-21 turned into Revenue Surplus of ₹4,642.02 crore in 2021-22. The ratio of Fiscal Deficit to GSDP was within the target prescribed under FRBM/MTFPS during the years 2017-18 to 2021-22, except in 2019-20. Fiscal Deficit at 5.22 per cent of the GSDP exceeded the target prescribed in the FRBM Act during 2019-20.

The GST compensation is the revenue of the State Government under GST (Compensation to States) Act, 2017. However, in addition to receiving the GST compensation amounting to ₹1,216.86 crore as revenue receipts, due to inadequate balance in GST compensation fund during the year 2021-22, Chhattisgarh also received back to back loan of ₹4,965.15 crore. The debt servicing of this loan would be done

⁴ The percentages w.r.t GSDP indicated in earlier reports have been revised due revised figures of GSDP.

⁵ Debt to GSDP percentage has been calculated on the total debt of ₹89,605.22 crore after excluding the amount of back to back loan of ₹3,109 crore in lieu of GST compensation shortfall.

⁶ Debt to GSDP percentage has been calculated on the total debt of ₹91,098.74 crore after excluding the amount of back to back loan of ₹8,074.15 crore in lieu of GST compensation shortfall.

from the collection of cess in GST compensation fund and hence, repayment obligation will not be met from the other resources of the State. The revenue surplus of ₹4,642.02 crore and fiscal deficit of ₹6,093.10 crore of the State Government as depicted in the Finance Accounts 2021-22 should, therefore, be read in conjunction with debt receipt of ₹4,965.15 crore in lieu of GST compensation. Thus revenue surplus and fiscal deficit would work out as ₹9,607.17 crore and ₹1,127.95 crore respectively during the year 2021-22, keeping in view the debt receipt of ₹4,965.15 crore in lieu of GST compensation.

The percentage of total outstanding debt to GSDP during 2021-22 was (22.77 per cent) within the target prescribed in the MTFPS (28.34 per cent) by the State Government and the target recommended by the XV Finance Commission (28 per cent). The percentage of debt to GSDP has been calculated after excluding back to back loan of ₹8,074.15 crore (₹4965.15 crore in 2021-22 and ₹3109 crore in 2020-21) received by the State Government in lieu of shortfall in GST compensation, from the amount of total outstanding debt.

Under section 5(3) of the Chhattisgarh State FRBM Act, 2005, whenever the State Government undertakes to unconditionally and substantially repay the principal amount and/or pay the interest of any separate legal entity, it has to reflect such liability as borrowing of the state in such form as may be prescribed. The Chhattisgarh FRBM Rules prescribes that the State Government shall at the time of presenting the annual financial statement and demand for grant make disclosures as required under section 5 of the CGFRBM Act. However, the State Government did not disclose such off-budget borrowings (₹4,383.37 crore) in the required Form D-2 “Total outstanding liabilities of the State Government” alongwith the budget document during the year 2017-18 to 2021-22.

1.6.2 Disclosures made under CGFRBM Act during 2021-22

As per the CGFRBM Act, the State Government shall in each financial year lay before the State Legislature, fiscal policy statements such as Macroeconomic Framework Statement (MFS), Medium Term Fiscal Policy Statement (MTFPS) and Fiscal Policy Strategy Statement alongwith the annual financial statement:

The statements shall contain an overview of the State economy, an analysis of growth and sectoral composition of GSDP, an assessment related to the State Government finances and future prospects, three year rolling targets for the prescribed fiscal indicators etc.,

Table 1.5 indicates the variation between the estimates made for 2021-22 in MFS/MTFPS presented to the State Legislature and actuals of the year.

Table 1.5: Actuals vis-à-vis estimates in MFS/MTFPS under FRBM Act for 2021-22

(₹ in crore)

Sl. No	Fiscal Variables	Projection as per disclosures under FRBM act	Actuals (₹ in crore)	Per cent Increase(+)/ Decrease(-)
1	Own Tax Revenue	25,750.00	27,083.73	5.18
2	Non-Tax Revenue	9,250.00	13,851.21	49.74
3	Share of Central Taxes	22,675.42	28,570.79	26.00
4	Grants-in aid from GoI	21,650.00	10,146.30	(-)53.13
5	Revenue Receipts (1+2+3+4)	79,325.42	79,652.03	0.41
6	Revenue Expenditure	83,027.55	75,010.01	(-)9.66
7	Revenue Deficit (-)/Surplus (+) (5-6)	(-)3,702.13	4,642.02	225.38
8	Fiscal Deficit (-)/Surplus (+)	(-)17,461.03	(-)6,093.10	(-)65.10
9	Debt-GSDP ratio (per cent)	28.34	22.77 ⁷	(-)19.65
10	GSDP growth rate at current prices (per cent)	9.37	13.60	45.14

Source: Finance Accounts and FRBM disclosures 2021-22.

It is evident from above table that the projections made in the MFS/MTFPS were met during 2021-22 except for Grant-in aid from GoI and Revenue Expenditure.

1.6.3 Deficit and Surplus

When a Government spends more than it collects by way of revenue, it incurs a deficit. There are various measures that capture Government deficit.

<p>Revenue Deficit/ Surplus</p> <p>(Revenue Expenditure – Revenue Receipts)</p>	<p><i>Refers to the difference between revenue expenditure and revenue receipts.</i></p> <ul style="list-style-type: none"> When the government incurs a revenue deficit, it implies that the Government is dissaving and is using up the savings of the other sectors of the economy to finance a part of its consumption expenditure. Existence of revenue deficit is a cause of concern as revenue receipts were not able to meet even revenue expenditure. Moreover, part of capital receipts was utilized to meet revenue expenditure, reducing availability of capital resources to that extent for creation of capital assets. This situation means that the Government will have to borrow not only to finance its investment but also for its consumption requirements. This leads to a build-up of stock of debt and interest liabilities and forces the government, eventually, to cut expenditure. If major part of revenue expenditure is committed expenditure (interest liabilities, salaries, pensions), the government reduces productive expenditure or welfare expenditure. This would mean lower growth and adverse welfare implications.
<p>Fiscal Deficit/ Surplus</p>	<p><i>It is the difference between the Revenue Receipts plus Non-debt Capital Receipts (NDCR) and the total expenditure. Fiscal Deficit is reflective of the total borrowing requirements of Government.</i></p>

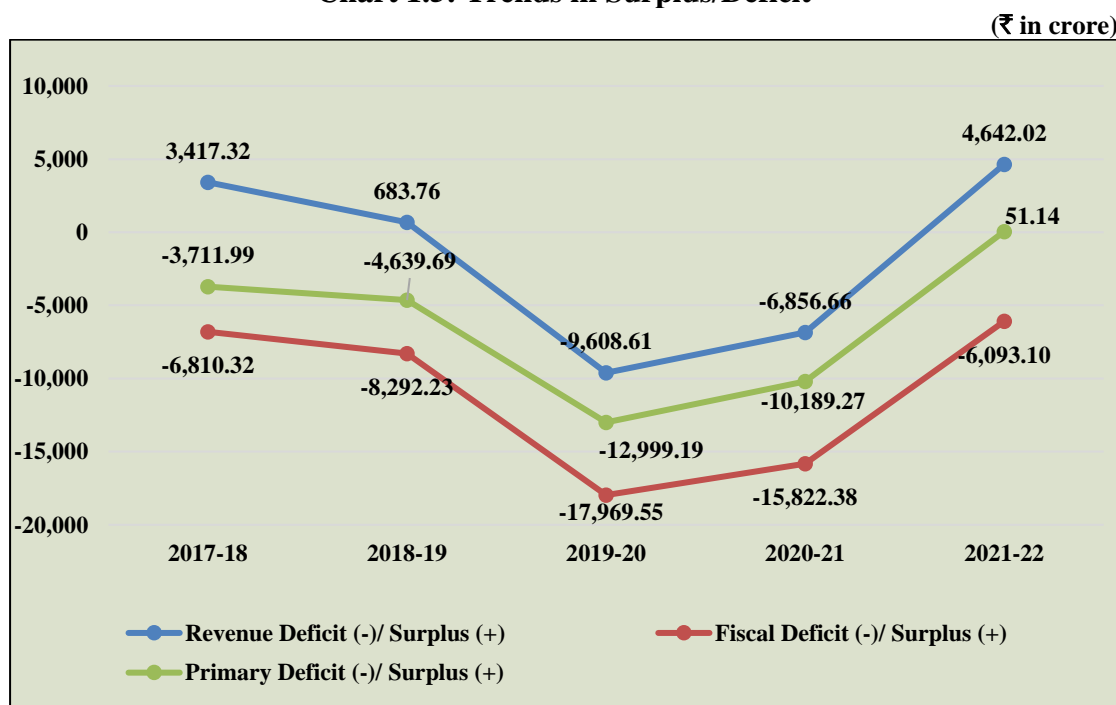
⁷ Debt/GSDP ratio calculated on outstanding debt excluding the amount of back-to-back loan of ₹8,074.15 crore.

(Total expenditure – Revenue receipts + Non-debt creating capital receipts)	<ul style="list-style-type: none"> • Fiscal deficit is the difference between the government’s total expenditure and its total receipts excluding borrowings. • Non-debt capital receipts are those receipts, which are not borrowings, and, therefore, do not give rise to debt. Examples are recovery of loans and the proceeds from the sale of PSUs. • The fiscal deficit will have to be financed through borrowing. Thus, it indicates the total borrowing requirements of the government from all sources. <p>Governments usually run fiscal deficits and borrow funds for capital/ assets formation or for creation of economic and social infrastructure, so that assets created through borrowings could pay for themselves by generating an income stream. Thus it is desirable to fully utilize borrowed funds for the creation of capital assets and to use revenue receipts for the repayment of principal and interest.</p>
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1.6.4 Trends of Deficit/Surplus

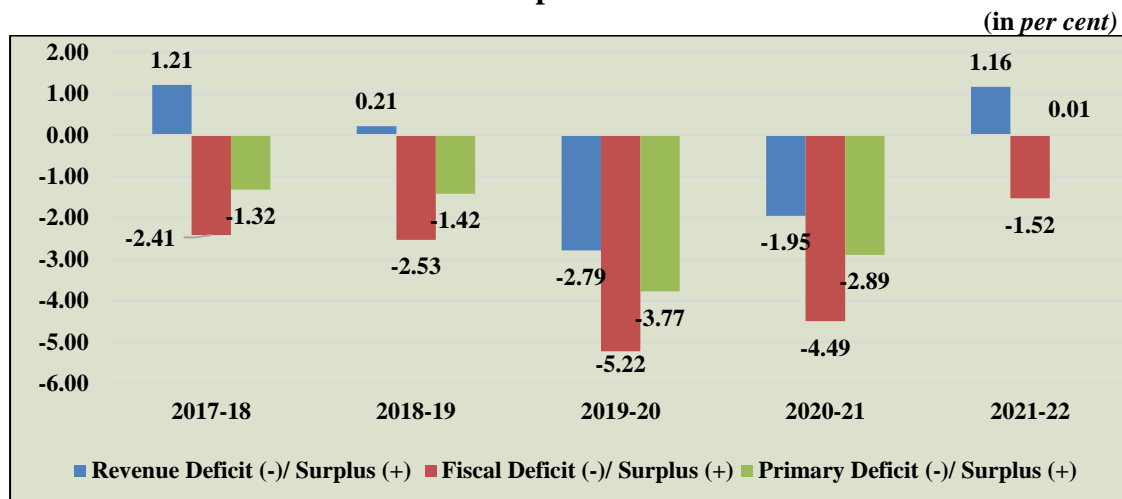
The State had a fiscal deficit of ₹6,093.10 crore during the year 2021-22, representing 1.52 *per cent* of the GSDP (₹4,00,060.80 crore) and constituting 7.09 *per cent* of Total Expenditure (₹85,838.04 crore). The Primary Deficit of ₹10,189.27 crore during 2020-21 turned into Primary Surplus of ₹51.14 crore during the current year. The Revenue Deficit of ₹6,856.66 crore during 2020-21 turned into Revenue Surplus of ₹4,642.02 crore. The trend of surplus and deficit over the five-year period 2017-18 to 2021-22 is depicted in **Chart 1.5** and trend in surplus or deficit relative to GSDP is given in **Chart 1.6**.

Chart 1.5: Trends in Surplus/Deficit



Source: Finance Accounts of the respective years

Chart 1.6: Trends in Surplus/Deficit relative to GSDP



Source: Finance Accounts of the respective years

1.7 State Finance Commission

As per article 243(I) and 243(Y) of Constitution of India the State Finance Commission(SFC), to be appointed after every five years, to recommend devolution of funds from the State Government to Local Bodies, and also suggest measures for augmenting their Own Resources.

The Government of Chhattisgarh has constituted four State Finance Commissions since the formation of state in 2000. Details of State Finance Commissions have been presented in **Table 1.6** below:

Table 1.6: Constitution of State Finance Commission

Sl. No.	State Finance Commission	To be constituted as per constitution	Actually Constituted	Date Submission of recommendation	Acceptance by the Government	Period Covered
1	First	2001-02	22.08.2003	30.05.2007	July 2009	2007-12
2	Second	2006-07	23.07.2011	31.03.2013	July 2013	2012-20
3	Third	2011-12	20.01.2016	30.09.2018	October 2019	2020-25
4	Fourth	2016-17	29.07.2021	-	-	2025-30

Source: Finance Commission reports and notification of acceptance

First State Finance Commission of Chhattisgarh was constituted on 22 August 2003. It was reconstituted on 14 July 2004 and the Commission submitted its report in May 2007. In the meantime the recommendation of first and second State Finance Commission (SFC) of Madhya Pradesh for the relevant years were applicable to the newly created state. The first SFC has made a total of 81 recommendations out of which the State Government accepted 36 while 5 others are accepted with modification.

Second State Finance Commission of Chhattisgarh was constituted on 23 July 2011 to give recommendations for the period of 2011-16. However, the State Government had extended the award period of First SFC up to March 2012 and changed the award period of Second SFC from the year 2012 to 2017. However, recommendation of Second SFC were also made applicable for the period of 2017-20. The Second SFC has made a total

of 133 recommendations out of which the State Government accepted 103.

Third State Finance Commission was constituted on 20 January 2016 and the recommendation of the third SFC were to cover a period of five years, i.e. 2017-22. The State Government had accepted the recommendation of Third SFC for the period of 2020-25 in place of 2017-22 to be in conjunction with time period of Fifteenth Finance Commission of India.

Fourth State Finance Commission was constituted on 29 July 2021 and the recommendation of the fourth SFC were to cover a period of five years, i.e. 2025-30. The Commission shall make its report available on or before 31 July 2023.

State Finance commissions were not constituted on time. The delay in constitution of State Finance Commissions and implementation of the State Finance Commission's recommendations resulted in further delay in devolution of funds to the Local Bodies.

Devolution of State Own Tax Resources (SOTR) as recommended by SFCs and modifications accepted by State government has been presented in **Table 1.7**.

Table 1.7: Devolution of SOTR accepted by the State government as per recommendation of State Finance Commissions

(in per cent)

Sl. No.	State Finance Commission	Award Period	Recommendation of Devolution by SFC			Devolution accepted by the State Government		
			PRI	ULB	Total	PRI	ULB	Total
1	First	2007-12	6.62	1.66	8.28	4.79	1.21	6.00
2	Second	2012-20	6.15	1.85	8.00	6.15	1.85	8.00
3	Third	2020-25	6.91	2.09	9.00	6.91	2.09	9.00
4	Fourth	2025-30	-	-	-	-	-	-

Source: Finance Commission reports

First SFC had recommended devolution of 8.28 per cent of the State's Own Tax Resources (SOTR) to the local bodies during its award period of 2007-12. However the state Government agreed to devolve only 6 per cent (4.79 per cent to PRIs and 1.21 per cent to ULBs). Second SFC had recommended devolution of 8 per cent of SOTR to the local bodies during its award period 2012-17, the same was accepted by the State Government. Out of devolution the share of PRIs was 6.15 per cent and the share of ULBs was 1.85 per cent. Third SFC had recommended devolution of 9 per cent of net SOTR to the local bodies during its award period 2017-22, the same was accepted by the State Government for period 2020-25. Out of devolution the share of PRIs was 6.91 per cent and the share of ULBs was 2.09 per cent.

The details of fund flow with regard to recommendation by SFC, devolution accepted and actual budget allocated and released by the State Government during 2017-18 and 2021-22 are shown in **Table 1.8**.

Table 1.8: SFC projections *vis-à-vis* Devolution accepted and Actual budget/expenditure by the State Government during 2017-22

(₹ in crore)

Sl. No.	Year	Percentage recommended by SFC			Devolution accepted By State Government			Budget Allocated By State Government			Actual Release By State Government		
		PRI	ULB	Total	PRI	ULB	Total	PRI	ULB	Total	PRI	ULB	Total
1	2017-18	(6.15)	(1.85)	(8.00)	(6.15)	(1.85)	(8.00)	901	278	1179	946	442	1388
2	2018-19	(6.15)	(1.85)	(8.00)	(6.15)	(1.85)	(8.00)	800	300	1100	839	300	1139
3	2019-20	(6.15)	(1.85)	(8.00)	(6.15)	(1.85)	(8.00)	756	321	1077	750	321	1071
4	2020-21	(6.91)	(2.09)	(9.00)	(6.91)	(2.09)	(9.00)	865	444	1309	606	442	1048
5	2021-22	(6.91)	(2.09)	(9.00)	(6.91)	(2.09)	(9.00)	858	451	1309	651	451	1102

Figures in the bracket shows the per cent of net SOTR (State's own tax revenue)

Actual fund released to ULB was as per the budget allocation during 2017-22 except in 2020-21 where marginal decline was observed. But actual fund released to PRI was less than the budget allocated during last five year except in 2017-18.

1.8 Deficits and Total Debt after examination in Audit

Deficit and debt position are two crucial fiscal indicators in assessing the financial health of the State. In order to present a true and fair picture of State Finances, various issues that came to notice of audit which have an impact on the fiscal deficit and debt position of the State Government are detailed below.

1.8.1 Post audit - Deficits/surplus

Certain issues *viz.* incorrect classification/booking of revenue expenditure as capital by the State Government in its accounts of 2021-22, non-transfer of central share of grant received to the respective funds and other issues, which are discussed in the Report in succeeding Chapters, had an impact on Revenue/ Fiscal surplus/deficit indicated in the Finance Accounts of 2021-22. In order to arrive at actual deficit figure, the impact of above issues needs to be appropriately factored in.

The impact of issues pointed out above resulted in understatement of revenue expenditure by ₹2,559.60 crore for the year 2021-22 which has been worked out in the **Table 1.9** and the assessment of revenue deficit and fiscal deficit after taking into account the above audit impact is depicted in **Table 1.10**.

Table 1.9: Impact on Revenue Expenditure, post examinations by Audit

(₹ in crore)

Sl. No.	Item	Over statement of revenue expenditure	Under statement of revenue expenditure
1	Misclassification between revenue and capital ⁸	0	2,230.14
2	National Pension Scheme	0	3.92
3	Interest liabilities on National Pension Scheme	0	2.28
4	Non transfer of Infrastructure Development Cess and Environment Cess	0	323.26
Total		0	2,559.60

Source: Finance Accounts 2021-22

Table 1.10: Result of impact computed by audit

(₹ in crore)

Sl. No.	Particular	As per Finance Accounts	Overstated/ Understated (-) by	Actual/Post audit examination
	1	2	3	(4)=(2)+(3)
1	Revenue Deficit (-) /Surplus(+)	4,642.02	2,559.60	2,082.42
2	Fiscal deficit (-)	(-)6,093.10	(-)329.46	(-)6,422.56

Source: Finance Accounts 2021-22

1.8.2 Post audit – Total Debt/ liabilities

Total liabilities as defined under the CG FRBM Act, 2005 means the liabilities included under the Consolidated Fund and the Public Account of the State and include borrowings by the public sector undertakings, special purpose vehicles and other equivalent instruments including guarantees where the principal and interest are to be serviced out of the State budget.

Audit examination revealed that during the period 2017-22, the State Government has resorted to off-budget borrowings of ₹4,383.37 crore through five PSUs out of which Government made repayment of principal of ₹510.57 crore besides servicing of interest on these off-budget borrowings through State budget. This issue has been discussed in detail in **Para 4.15** of the Report. For computing post audit liabilities, the off-budget borrowings have been added to the total liabilities.

In order to meet the shortfall in GST compensation to be paid to the State due to inadequate balance in GST Compensation Fund, the Government of India set up a special borrowing in the year 2020-21 and accordingly, released back to back loans to the State amounting to ₹3,109 crore in 2020-21 and ₹4,965.15 crore in 2021-22 (total ₹8,074.15 crore). This back to back loan has been considered over and above the yearly net borrowing ceiling of the State fixed on the basis of Finance Commission

⁸ ₹2230.14 crore includes booking of revenue exp. i.e. Grant-in-aid (₹2227.04 Crore), Maintenance works (₹0.09 crore), Office expenses (₹1.23 crore) and Payment for professional services (₹1.77 crore) as capital exp.

recommendation. Further, the debt servicing of this loan is to be done from the collection of cess in GST Compensation Fund, and hence repayment obligation will not be met from other resources of the State. For computing post audit liabilities back to back loan received in lieu of GST compensation shortfall is also excluded.

Due to off-budget borrowings and back to back loan, the total debt/liabilities has increased/decreased as a percentage of GSDP as given in **Table 1.11**.

Table 1.11: Overall liabilities, post examination in Audit

Sl. No.	Particulars	Amount (₹ in crore)	Percentage of GSDP
1	Total liabilities/Overall debt as per Accounts as on 31.03.2022 (A)	99,172.89	24.79
2	Net off-budget liabilities (₹4,383.37 - ₹510.57) as on 31.03.2022(B)	3,872.80	0.97
3	Total liabilities including off-budget liabilities (C) = (A) + (B)	1,03,045.69	25.76
4	Back to back loan in lieu of GST compensation shortfall (D)	8,074.15	2.02
5	Total liabilities (C)-(D)	94,971.54	23.74

Source: Finance Accounts 2021-22

It can be seen from the above table that the debt to GSDP percentage decreased from 24.79 per cent to 23.74 per cent after adjusting the off-budget liabilities and back to back loan.