
Chapter-1

OVERVIEW

CHAPTER 1

OVERVIEW

1.1 Profile of the State

The State of Jharkhand was created in November 2000 by bifurcating the erstwhile State of Bihar. It covers a geographical area of 79,716 sq. km., of which, 29.76 *per cent* is covered by forests. It is the 16th largest State of the country and has 24 districts.

Jharkhand is endowed with a variety of mineral resources. The major mineral resources are coal, iron ore, bauxite, limestone, copper, mica, graphite, china clay and uranium. Jharkhand is the only State in the country producing coking coal and uranium. There were 121 mines of major minerals and 589 mines of minor minerals in the State during 2022-23.

As indicated in **Appendix 1.1, Part-A**, the State's population increased from 3.41 crore in 2013 to 3.95 crore in 2023, an increase of 15.84 *per cent* in the last 10 years. The population density of the State was 495.08 persons per sq. km. which was higher than the national average of 422.26 persons per sq. km. The State literacy rate was 66.40 *per cent* as per the 2011 census.

1.1.1 Gross State Domestic Product of Jharkhand

The 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 change in the level of economic development of the State, over a period of time.

Changes in the sectoral contribution to GSDP are also important to understand the changing structure of the economy. Economic activity is generally divided into the Primary, Secondary and Tertiary sectors, which correspond to the Agriculture, Industry and Service sectors.

As per the new series available, GSDP figures for the years 2019-20, 2020-21 and 2021-22 have changed. Accordingly, the percentages/ratios in relevant tables for the relevant years, published in the previous years' Audit Reports, have undergone changes. Trends in the annual growth of GSDP of Jharkhand, *vis-à-vis* that of the GDP of the country, and sectoral growth in GSDP, for the period from financial year (FY) 2018-19 to FY 2022-23, are given in **Table 1.1**.

**Table 1.1: Trends in GSDP compared to GDP
(at current prices)**

Year	2018-19	2019-20	2020-21	2021-22	2022-23
INDIA					
GDP (2011-12 Series) (₹ in crore)	1,88,99,668	2,01,03,593	1,98,29,927	2,34,71,012	2,72,40,712
GVA	1,71,75,128	1,83,81,117	1,81,88,780	2,14,38,883	2,47,42,871
Growth rate of GDP over previous year (<i>per cent</i>)	10.59	6.37	-1.36	18.36	16.06
Growth rate of GVA over previous year (<i>per cent</i>)	10.77	7.02	-1.05	17.87	15.41
Per Capita GDP (in ₹)	1,42,424	1,49,915	1,46,301	1,71,498	1,96,983

Year	2018-19	2019-20	2020-21	2021-22	2022-23
JHARKHAND					
GSDP (2011-12 Series) (₹ in crore)	3,05,695	3,10,305	2,96,664	3,58,863	3,93,722
GSVA	2,78,824	2,83,196	2,75,196	3,33,216	3,66,147
Growth rate of GSDP over previous year (<i>per cent</i>)	13.30	1.51	-4.40	20.97	9.71
Growth rate of GSVA over previous year (<i>per cent</i>)	15.03	1.57	-2.82	21.08	9.88
Per Capita GSDP (in ₹)	82,220	82,276	77,561	92,581	1,00,288

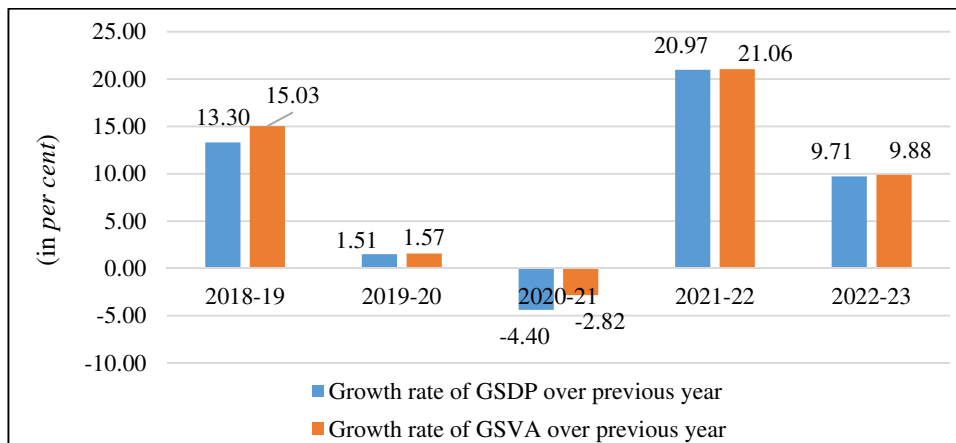
Source: Ministry of Statistics and Programme Implementation, GoI and Planning and Development Department, Government of Jharkhand

The Gross State Domestic Product (GSDP) in FY 2022-23, at current prices was ₹ 3,93,722 crore and the GDP, in FY 2022-23, at current prices, was ₹ 2,72,40,712 crore. Further, the per capita GSDP of the State, for FY 2022-23, was ₹ 1,00,288 while that of the country was ₹ 1,96,983. The growth in per Capita GSDP of the State (8.32 *per cent*), during FY 2022-23, could not keep pace with the growth in per capita GDP of the country (14.86 *per cent*) during the same year. As can be seen from **Table 1.1**, the growth rate of GSDP of Jharkhand showed wide fluctuations, during the period from FY 2018-19 to FY 2022-23.

Gross Value Added (GVA) is being used for economic analysis by GoI and international organisations like IMF and World Bank, as GVA is considered to be a better indicator of economic growth, as compared to GDP, because it ignores the impact of taxes and subsidies. Both measures are different, in so far as treatment of net taxes is concerned. From a policymaker's perspective, it is, therefore, vital to have a comparison of the GVA and Gross State Value Added (GSVA) data, for better analysis and making policy interventions.

The trends of GSDP and GSVA, for the period from FY 2018-19 to FY 2022-23, is indicated in **Chart 1.1**.

Chart 1.1 : Growth rate of GSDP vs. GSVA (FYs 2018-19 to 2022-23)

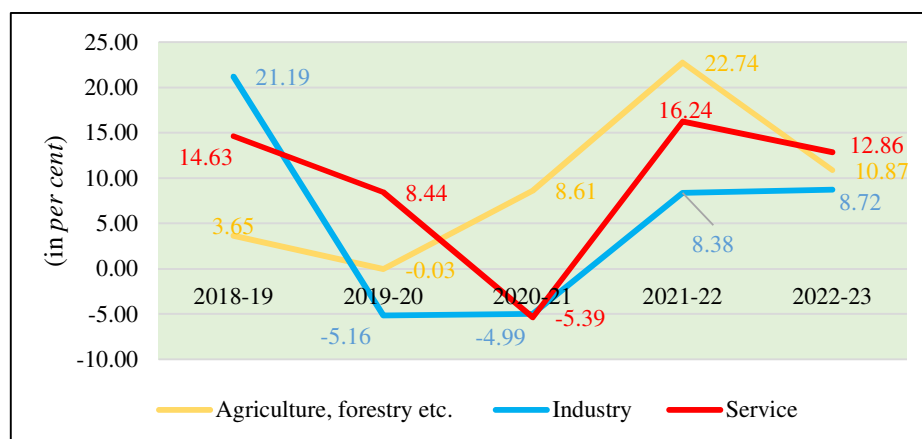


Source: Ministry of Statistics and Programme Implementation, GoI

1.1.2 Sectoral contribution to GSDP

Chart 1.2 reflects the sector-wise contribution to GSDP during the financial years 2018-19 to 2022-23. During 2022-23, the major contributor to GSDP was the Service Sector followed by the Agriculture Sector. However, in comparison to FY 2018-19, the contribution of the Industry Sector decreased significantly during FY 2022-23.

Chart 1.2: Sectoral growth in GSDP



Source: Ministry of Statistics and Programme Implementation, GoI

As can be seen from **Chart 1.2**, the contribution of all sectors to GSDP increased significantly during FY 2021-22, after dipping significantly during FYs 2019-20 and 2020-21. The contribution of the agriculture and service sectors decreased during FY 2022-23, as compared to FY 2021-22.

1.2 Basis and Approach to State Finances Audit Report

The State Finances Audit Report (SFAR) is prepared and submitted under Article 151 (2) of the Constitution of India.

The Principal Accountant General (Accounts & Entitlements) compiles the Finance Accounts and the Appropriation Accounts of the State annually, from the vouchers, challans and initial and subsidiary accounts rendered by the treasuries, offices and departments responsible for keeping of such accounts, and the statements received from the Reserve Bank of India. These accounts are audited independently by the Principal Accountant General (Audit), and reported upon by the CAG.

The Finance Accounts and the Appropriation Accounts of the State constitute the core data for this Report. Other sources include the following:

- Budget of the State for assessing the fiscal parameters and allocative priorities *vis-à-vis* projections, as well as for evaluating the effectiveness of its implementation and compliance with the relevant rules and prescribed procedures;
- Results of audit carried out by the office of the Principal Accountant General (Audit);
- Other data with Departmental Authorities and Treasuries (accounting as well as MIS);
- GSDP data and other State related statistics; and
- Various audit reports of the CAG of India.

Analysis has also been carried out in the context of recommendations of the Finance Commissions (FCs), State Financial Responsibility and Budget Management Act, best practices and guidelines of the Government of India. An entry conference was held on 21 June 2023, with the State Finance Department, wherein the audit approach was explained. An exit conference was also held on 13 September 2023. The draft Report has been forwarded (18 October 2023) to the State Government for its replies/comments, which are awaited (November 2023).

1.3 Overview of Government Account Structure and Budgetary Processes

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

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

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

Apart from the 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.

Budget Document

Annual Financial Statement: 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 expenditure.

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

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

Capital Receipts consist of:

- **Debt Receipts:** Market Loans, Bonds, Loans from financial institutions, Net transactions under Ways and Means Advances, Loans and Advances from the Central Government *etc.* and
- **Non-debt Receipts:** Proceeds from disinvestment, recoveries of loans and advances.

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

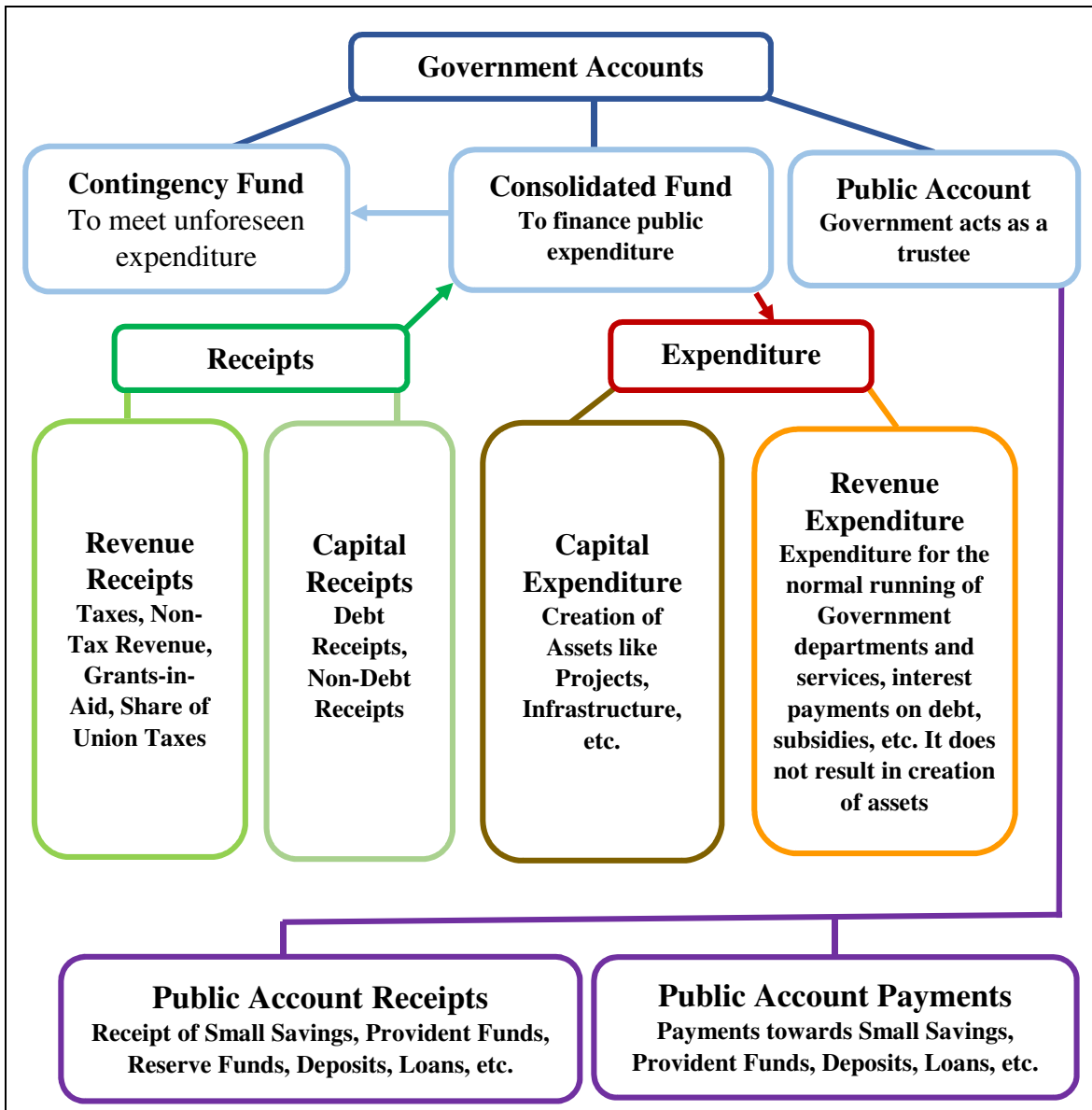
The accounting classification system in Government is both functional and economic, as shown below.

	Attribute of transaction	Classification
Standardised in LMMH* by CGA	Function: Education, Health <i>etc.</i>	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)

*List of Major and Minor Heads

The functional classification indicates the department, function, scheme or programme and object of expenditure. The economic classification helps organise these payments as revenue, capital, debt *etc.* Economic classification is achieved by the numbering logic embedded in the first digit of the 4-digit Major Heads. For instance, 0 and 1 is for revenue receipts, 2 and 3 for revenue expenditure *etc.* Economic classification is also achieved by an inherent definition and distribution of some object heads, which are the primary units of appropriation in the budget documents. For instance, generally, the object head “Salary” is revenue expenditure and the object head ‘Construction’ is capital expenditure. A pictorial depiction of the structure of Government Accounts is given in **Chart 1.3**. A detailed layout of the Finance Accounts is given in **Appendix 1.1, Part B & C**.

Chart 1.3: Structure of Government Accounts



Public Debt and Public Liability: In this Report, 'Public Debt' has been taken to comprise market borrowings, institutional loans, special securities issued to National Small Savings Fund (NSSF), loans given by Central Government *etc.* For this purpose, the major heads 6003 and 6004 - Public Debt have been taken into consideration.

Further, transactions relating to 'Small Savings, Provident Fund *etc.*', 'Reserve Funds' and 'Deposit and Advances', under the Public Account, are such that the Government incurs a liability to repay the money received or has a claim to recover the amounts paid. Transactions relating to 'Remittances' and 'Suspense', under the Public Account, include merely adjusting heads, such as remittances of cash between treasuries and currency chests and transfers between different accounting circles.

In this Report, 'Public Liability' has been taken to include transactions under the major heads 8001 to 8554, relating to 'Small Savings, Provident Fund

etc.', 'Reserve Funds' and 'Deposit and Advances', along with transactions under the major heads 6003 and 6004.

Budgetary Processes

In terms of Article 202 of the Constitution of India, the Governor of the State causes to be laid before the State Legislature, a statement of the estimated receipts and expenditure of the State, in the form of an Annual Financial Statement. In terms of Article 203, the Statement is submitted to the State Legislature in the form of Demands for Grants/ Appropriations and, after approval of these, the Appropriation Bill is passed by the Legislature, under Article 204, to provide for appropriation of the required money out of the Consolidated Fund.

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

1.3.1 Snapshot of Finances

Table 1.2 shows the details of actual financial results *vis-à-vis* Budget Estimates, for the FY 2022-23, along with the actuals of FY 2021-22.

Table: 1.2: Actual Financial Results *vis-à-vis* Budget estimates

(₹ in crore)

Sl. No.	Components	2021-22 (Actuals)	2022-23 (Budget Estimate)	2022-23 (Actual)	Percentage of Actual to B.E.	Percentage of Actual to GSDP
1	Tax Revenue	49,024.26	51,856.58	56,521.63	109.00	14.36
(i)	Own - Tax Revenue	21,289.61	35,317.75	25,117.51	71.12	6.38
(ii)	Share of Union Taxes/Duties	27,734.65	16,538.83	31,404.12	189.88	7.98
2	Non-Tax Revenue	10,030.75	13,762.84	12,830.05	93.22	3.26
3	Grants-in-aid and Contributions	10,666.85	17,405.74	10,893.54	62.59	2.77
4	Revenue Receipts (1+2+3)	69,721.86	83,025.16	80,245.22	96.65	20.38
5	Recovery of Loans and Advances	1,291.73	75.84	46.41	61.19	0.01
6	Other Receipts	0	0	0	0.00	0.00
7	Borrowings and other liabilities ^{\$}	2,604.21*	11,286.46	4,616.73 ^{&}	40.91	1.17
8	Capital Receipts (5+6+7)	3,895.94	11,362.30	4,663.14	41.04	1.18
9	Total Receipts (4+8)	73,617.80	94,387.46	84,908.36	89.96	21.57
10	Revenue Expenditure	62,777.92	76,273.30	66,681.63	87.42	16.94
11	Interest payments [#]	6,286.05	6,661.57	6,238.29	93.65	1.58
12	Capital Expenditure	9,376.90	16,606.48	14,015.59	84.40	3.56
13	Loan and advances	1,462.98	1,507.68	4,211.14	279.31	1.07
14	Total Expenditure (10+12+13)	73,617.80	94,387.46	84,908.36	89.96	21.57
15	Revenue Deficit (-)/ Surplus (+) (4-10)	6,943.94	6,751.86	13,563.59	200.89	3.44
16	Fiscal Deficit (-)/ Surplus (+) {14-(4+5+6)}	-2,604.21	-11,286.46	-4,616.73	40.91	1.17
17	Primary Deficit (-)/ Surplus (+) (16-11)	3,681.84	-4,624.89	1,621.56	35.06	0.41

Source : Finance Accounts

^{\$} Borrowings and other liabilities: Net (Receipts - Disbursements) of Public Debt + Net of Contingency Fund + Net (Receipts- Disbursement of Public Account) + Net of opening and Closing Cash Balance.

* Includes ₹ 2,484.41 crore in FY 2021-22, as back-to-back loan from GoI, in lieu of shortfall in GST Compensation.

[&] Includes ₹ 2,964.32 crore, received during FY 2022-23, as special assistance for capital expenditure.

[#] Included in Revenue Expenditure shown at Sl. No. 10.

During FY 2022-23, revenue receipts increased by 15.09 *per cent* over the receipts of the previous year, whereas they fell short of the budget estimates by 3.35 *per cent*. During FY 2022-23, growth of revenue expenditure was 6.22 *per cent* over the previous year. However, it was ₹ 9,591.67 crore less than the budget estimates. Further, there was revenue surplus of ₹ 13,563.59 crore, during the said FY.

GST compensation is the revenue of the State Government under the GST (Compensation to States) Act, 2017. The State received GST compensation of ₹ 2,064.65 crore, as revenue receipts, during FY 2022-23.

Table 1.3 indicates the trend of receipts and expenditure, on the Revenue and Capital Accounts, during FYs 2018-19 to 2022-23.

Table: 1.3: Trends of Receipts and Expenditure

(₹ in crore)

Financial Year	Revenue		Percentage of revenue expenditure to revenue receipts	Capital		Percentage of capital expenditure to capital receipts
	Receipts	Expenditure		Receipts	Expenditure	
2018-19	56,152	50,631	90.17	7,850	10,712	136.46
2019-20	58,417	56,457	96.64	9,642	9,879	102.46
2020-21	56,150	59,264	105.55	13,595	8,466	62.27
2021-22	69,722	62,778	90.04	11,132	9,377	84.23
2022-23	80,245	66,682	83.10	9,189	14,016	152.53

- The percentage of revenue expenditure to revenue receipts was minimum during FY 2022-23 (83.10 *per cent*), resulting in higher revenue surplus in FY 2022-23.
- The percentage of capital expenditure to capital receipts increased from 84.23 *per cent* in FY 2021-22, to 152.53 *per cent* in FY 2022-23, which was the highest during the period 2018-23.
- The increase in capital expenditure, in FY 2022-23 was mainly on account of increase in expenditure on 'Water Supply and Sanitation' (by ₹ 2,078 crore), 'Rural Development' (by ₹ 1,077 crore) and 'Education, Sports, Art and Culture' (by ₹ 917 crore), which was offset by less expenditure on 'Non-ferrous Mining and Metallurgical Industries' (by ₹ 999 crore). However, the capital expenditure during FY 2022-23, was significantly lower than the budget provision of ₹ 16,606 crore.

1.3.2 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 the public account and reserve funds. The assets comprise mainly the capital expenditure and loans and advances given by the State Government and cash balances. The summarised position of Assets and Liabilities, in FYs 2021-22 and 2022-23, is given in **Table 1.4**.

Table 1.4: Summarised position of Assets and Liabilities

(₹ in crore)

Liabilities					Assets				
	2021-22	2022-23	Per cent increase		2021-22	2022-23	Per cent increase		
Consolidated Fund									
A	Internal Debt	74,538.31	73,580.43	-1.29	a	Gross Capital expenditure	1,05,394.58	1,19,410.18	13.30
B	Loans and Advances from GoI*	7,993.22	11,363.95	42.17	b	Loans and Advances	24,348.48	28,513.21	17.10
Contingency Fund		500.00	500.00	0.00					
Public Account									
A	Small Savings, Provident Funds, etc.	1,001.19	1,016.98	1.58	a	Advances	19.67	17.66	-10.22
B	Deposits	23,609.29	26,955.09	14.17	b	Remittance	0.00	0.00	0.00
C	Reserve Funds	6,844.35	6,535.66	-4.51	c	Suspense and Miscellaneous	0.00	0.00	0.00
D	Remittances	112.64	76.55	-32.04		Cash balance (including investment in Earmarked Fund)	5,572.70	6,682.68	19.92
E	Suspense and Miscellaneous	117.65	412.70	250.79		Deficit in Revenue Account	-	-	-
	Cumulative excess of receipts over expenditure	20,618.78	34,182.37	65.78					
Total		1,35,335.43	1,54,623.73	14.25		Total	1,35,335.43	1,54,623.73	14.25

Source : Finance Accounts

*Includes ₹ 2,484.41 crore in 2021-22 as back-to-back loans from GoI in lieu of shortfall in GST compensation.

1.4 Fiscal Balance: Achievement of deficit and total debt targets

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

Deficits are financed by borrowing, giving rise to Government debt. The concepts of deficits and debt are closely related. Deficits can be thought of as a flow which add to the stock of debt. If Government continues to borrow year after year, it leads to accumulation of debt and Government has to pay more and more by way of interest. These interest payments themselves contribute to the debt.

By borrowing, Government transfers the burden of reduced consumption to future generations. This is because it borrows by issuing bonds to the people living at present but may decide to pay off the bonds much later, by raising taxes or reducing expenditure. Also, Government borrowing from people reduces the savings available to the private sector. To the extent that this reduces capital formation and growth, debt acts as a 'burden' on future generations.

However, if Government deficits succeed in their goal of raising production, there will be more income and, therefore, more saving. In this case, both Government and industry can borrow more. Also, if Government invests in infrastructure, future generations may be better off, provided the return on such investments is greater than the rate of interest. The actual debt could be paid off by the growth in output. The debt should not then be considered

burdensome. The growth in debt will have to be judged by the growth of the economy (State GDP) as a whole.

Government deficit can be reduced by an increase in taxes or reduction in expenditure. However, the major thrust has been towards reduction in Government expenditure. This could be achieved through making Government activities more efficient, through better planning of programmes and better administration.

The State Government passed the Fiscal Responsibility and Budget Management (FRBM) Act, 2007, in May 2003, with the objective of ensuring prudence in fiscal management, by eliminating revenue deficit, reducing fiscal deficit and overall/outstanding debt to acceptable levels, establishing improved debt management and improving transparency in a medium-term framework. In this context, the Act provides quantitative targets to be adhered to by the State, with regard to deficit measures and debt levels.

The Jharkhand FRBM Act, 2007, was amended in November 2021, in pursuance of GoI policy on State's fiscal consolidation, for the financial years 2021-22 to 2025-26.

The amended FRBM Act of November 2021 aimed to reduce fiscal deficit to 4 per cent of the estimated GSDP for the FY 2021-22, 3.5 per cent for FY 2022-23 and 3 per cent for FYs 2023-24 to 2025-26. The fiscal deficit was to be reduced by an additional 0.50 per cent of the estimated GSDP, for the FYs 2021-22 to 2024-25, subject to reforms in the power sector. Further, the borrowings under option 1 of GST Compensation and borrowings under the scheme for special assistance to states for capital expenditure, were to be beyond the purview of the above stipulations, for FY 2021-22.

1.4.1 Achievements vis-à-vis the fiscal targets prescribed in the State FRBM Act

The targets relating to key fiscal parameters, envisaged in the State Medium term Fiscal Plan (MTFP), under the FRBM Act, and achievements thereagainst, during the period from FY 2018-19 to FY 2022-23, are given in **Table 1.5**.

Table 1.5: Compliance with the provisions of the State MTFP under the FRBM Act

Fiscal Parameters	Fiscal targets set in the Act	Achievement (₹ in crore)				
		2018-19	2019-20	2020-21	2021-22	2022-23
Revenue Deficit (₹ in crore)	Zero	5,521	1,960	-3,114	6,944	13,564
		✓	✓	✗	✓	✓
Fiscal Deficit (as percentage of GSDP)	Three per cent (5 per cent for 2020-21, 4 per cent for 2021-22 & 3.5 per cent for 2022-23)	6,629 (2.17)	8,035 (2.59)	14,911 (5.03)	2,604 (0.73)	4,617 (1.17)
	Target (per cent)	3.0	3.0	5.0	4.0	3.5
		✓	✓	✗	✓	✓
Ratio of total outstanding liability to GSDP (in per cent)	Target	27.20	27.10	27.00	33.00	33.15
	Actuals	27.41	30.42	36.23 [#]	30.93 [#]	30.08
		✗	✗	✗	✓	✓

[#] Does not include ₹ 1,689.00 crore in FY 2020-21 and ₹ 2,484.41 crore in FY 2021-22, passed on as back-to-back loans by the Government of India, in lieu of shortfall in GST compensation

The State had Revenue Surplus during the period from FY 2018-19 to FY 2022-23, except in FY 2020-21. The Fiscal Deficit was also below the prescribed target during FY 2018-19 to FY 2022-23, except in FY 2020-21. The ratio of outstanding liability to GSDP had crossed the norms prescribed in the MTFP, under the Jharkhand FRBM Act and was an area of concern till FY 2020-21. It had, however, improved during FY 2021-22 and had continued to remain within the target during the current year.

The targets set by the 15th FC and those projected in the State budget *vis-à-vis* achievements in respect of major fiscal aggregates, with reference to GSDP, during FY 2022-23, are given in **Table 1.6**.

Table 1.6: Targets *vis-à-vis* achievements, in respect of major fiscal aggregates for FY 2022-23

Fiscal variables	2022-23			(in per cent)
	FFC projection for the State	Target, as prescribed in the MTFP Statement	Actuals	Actuals (post audit)
Revenue deficit (-)/ surplus (+) <i>w.r.t</i> GSDP	Zero	1.77	3.44	3.29
Fiscal deficit (-)/ surplus (+) <i>w.r.t.</i> GSDP	NA	-3.5	-1.17	-1.33
Ratio of total outstanding liability of the Government to GSDP	37.5	33.15	30.08	30.08

As per the FRBM Act, the State Government has to lay before the State Legislature, a Five-Year Fiscal Plan, along with the Annual Budget. The Medium Term Fiscal Policy (MTFP) Statement has to set forth a three-year rolling target for the prescribed fiscal indicators.

Table 1.7 indicates the variations between the projections made for FY 2022-23, in the MTFP presented to the State Legislature, along with the annual budget for FY 2022-23 and the actuals of the year.

Table 1.7: Actuals *vis-à-vis* projections, in the MTFP, for FY 2022-23

Sl. No.	Fiscal Variables	Projection as per MTFP	Actuals (2022-23)	Variation (in per cent)
1	Own Tax Revenue	24,850	25,118	1.08
2	Non-Tax Revenue	13,763	12,830	-6.78
3	Share of Central Taxes	27,007	31,404	16.28
4	Grants-in-aid from GoI	17,891	10,893	-39.12
5	Revenue Receipts (1+2+3+4)	83,511	80,245	-3.91
6	Revenue Expenditure	76,273	66,682	-12.57
7	Revenue Deficit (-)/ Surplus (+) (5-6)	7,238	13,564	87.40
8	Fiscal Deficit (-)/ Surplus (+)	-11,286	-4,617	59.09
9	Liability/GSDP ratio (<i>per cent</i>)	33.15	30.08	9.26
10	GSDP growth rate at current prices (<i>per cent</i>)	11.01	9.71	-11.81

As shown in the above table, the State's receipts were less than the MTFP targets mainly due to less receipt of GIA from GoI.

1.4.2 Trends of Deficit/Surplus

Chart 1.4 and Chart 1.5 present the trends in deficit parameters and trends relative to GSDP respectively over the period 2018-23.

Chart 1.4: Trends in surplus/deficit parameters

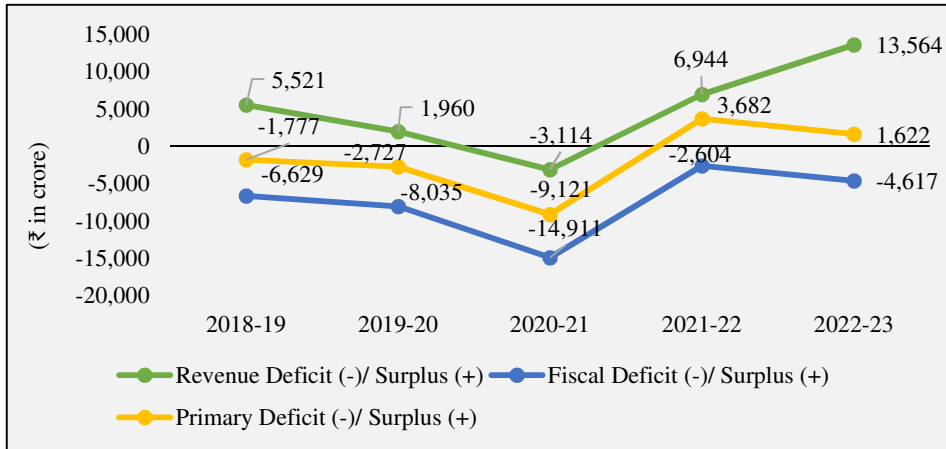
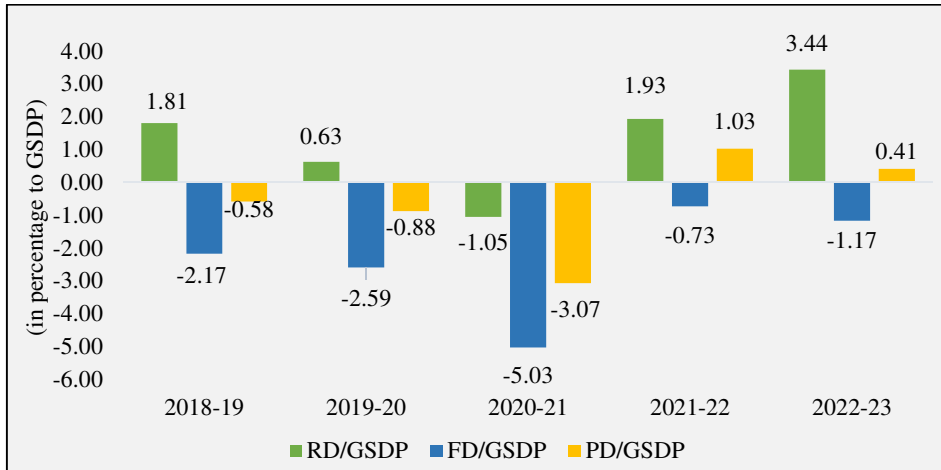


Chart 1.5: Trends in Surplus/Deficit relative to GSDP



The State was able to achieve the targets specified by the Finance Commission and as set in its FRBM Act, with regard to its key fiscal parameters. Revenue surplus of ₹ 6,944 in FY 2021-22 increased to ₹ 13,564 crore in FY 2022-23. However, Fiscal Deficit increased from ₹ 2,604 crore in FY 2021-22, to ₹ 4,617 crore in FY 2022-23, which was still under the projection for the year and was indicative of reduced dependence of the State on borrowed funds. Primary surplus of ₹ 3,682 crore in FY 2021-22, decreased to ₹ 1,622 crore in FY 2022-23.

1.5 Deficits post examination by Audit

As per the FRBM Act, the State Government must ensure compliance to the targets fixed for fiscal indicators, such as deficits, ceiling on liabilities and on guarantees *etc.* The Revenue Deficit and the Fiscal deficit, as worked out for the State, get impacted due to various circumstances, such as misclassification of revenue expenditure as capital expenditure and off-budget fiscal operations. Besides, deferment of clear cut liabilities, not depositing cess/royalty to the Consolidated Fund, short contribution to the New Pension Scheme, Sinking Fund and Guarantee Redemption Fund *etc.*,

also impacts the revenue and fiscal deficit figures. In order to arrive at the actual deficit figures, the effect of misclassification, of revenue expenditure/ capital outlay and / or any such misclassification, needs to be included and the impact of such irregularities needs to be reversed. An analysis of the deficits, after examination in audit, is given in **Table 1.8**.

Table 1.8: Revenue and Fiscal Deficit as per findings of Audit

Particulars	Impact on Revenue Surplus (Overstatement)	Impact on Fiscal Deficit (Understatement)	Para Ref.
(₹ in crore)			
Non/ Short transfer of Cess to dedicated Funds in Public Account during 2022-23	173.30	173.30	2.5.3
Non-discharge of Interest liabilities on SDRF during 2022-23	131.95	131.95	2.5.2
Non-discharge of Interest liabilities on State Compensatory Afforestation Deposits during 2022-23	161.56	161.56	2.5.2
Non-discharge of Interest liabilities on SD MF during 2022-23	151.40	151.40	2.5.2
Total	618.21	618.21	

Source: Finance Accounts and audit analysis

As can be seen from **Table 1.8**, the revenue surplus was overstated by ₹ 618.21 crore and the fiscal deficit was understated by ₹ 618.21 crore in the current year. Thus, if the above items are factored in, the State's actual revenue surplus and fiscal deficit would be ₹ 12,945.38 crore and ₹ 5,234.94 crore, respectively, instead of ₹ 13,563.59 crore and ₹ 4,616.73 crore.

1.6 Total Liabilities

As per the Fiscal Responsibility and Budget Management Act, 2007, total liabilities means the liabilities under the Consolidated Fund and the Public Account of the State. The outstanding debt/liabilities can be split into various components, as given in **Table 1.9**.

Table 1.9: Components of outstanding liabilities as on 31 March 2023

Borrowings and other liabilities as per Finance Accounts	Amount (₹ in crore)
Internal Debt (A)	73,580.43
Market Loans bearing interest	55,812.65
Market Loans not bearing interest	0.04
Compensation and other Bonds	4,447.39
Loans from other Institutions etc.	8,036.65
Special Securities issued to the National Small Savings Fund of the Central Government	5,247.91
Other Loans	35.79
Loans and Advances from Central Government (B)	11,363.94
Non-plan Loans	8.80
Loans for State Plan Schemes	11,355.14
Others	0.00
Liabilities upon Public Account (C)	33,503.85
Small Savings, Provident Funds etc.	1,016.98
Deposits & Advances	26,955.09
Reserve Funds	5,531.78
Total (A+B+C)	1,18,448.22

Thus, at the end of FY 2022-23, the major contributors in the State's outstanding liabilities were market loans bearing interest under 'Internal Debt' (₹ 55,812.65 crore) and 'Deposits and Advances' under the Public Account (₹ 26,955.09 crore).