

## 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 33 districts<sup>1</sup> and is home to 3.02 crore population as per Population Projection for India and States 2011-2036 by National Commission on Population, Ministry of Health & Family Welfare. The State's projected population increased from 2.64 crore in 2013 to 3.02 crore in 2023, recording a decadal growth of 14.51 *per cent*. General and financial data relating to the State is given in *Appendix 1.1*.

#### 1.1.1 Gross State Domestic Product & Gross State Value Added 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.

Gross State Value Added (GSVA) is the value of output minus the value of its intermediary inputs.

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**

Year	2018-19	2019-20	2020-21	2021-22	2022-23
(₹ in crore)					
<b>INDIA</b>					
GDP	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 (in <i>per cent</i> )	10.59	6.37	-1.36	18.36	16.06
Growth Rate of GVA over previous year (in <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
<b>STATE</b>					
GSDP	3,27,107	3,44,648	3,47,752 <sup>P</sup>	4,06,416 <sup>Q</sup>	4,57,608 <sup>A</sup>
GSVA	3,01,106	3,24,951	3,31,957 <sup>P</sup>	3,85,436 <sup>Q</sup>	4,34,216 <sup>A</sup>
Growth Rate of GSDP over previous year (in <i>per cent</i> )	15.69	5.36	0.90	16.87	12.60
Growth Rate of GSVA over previous year (in <i>per cent</i> )	15.93	7.92	2.16	16.11	12.66
Per Capita GSDP (in ₹)	1,13,413	1,19,058	1,18,553 <sup>P</sup>	1,36,873 <sup>Q</sup>	1,52,348 <sup>A</sup>

Source: MoSPI Press note dated 31 May 2023 and Directorate of Economics and Statistics, Chhattisgarh. A- Advanced Estimates; Q - Quick Estimates; P - Provisional Estimates

<sup>1</sup> As of 31 March 2023

The Gross State Domestic Product (GSDP) in 2022-23 at current prices was ₹4,57,608 crore and the GDP in 2022-23 at current prices was ₹2,72,40,712 crore. Further, the per capita GSDP of the State for the year 2022-23 was ₹1,52,348 while that of country was ₹1,96,983. The growth in Per Capita GSDP of the State (34.33 per cent) during the period 2018-19 to 2022-23 was lower than the growth in Per Capita GDP of the country (38.31 per cent) during the same period.

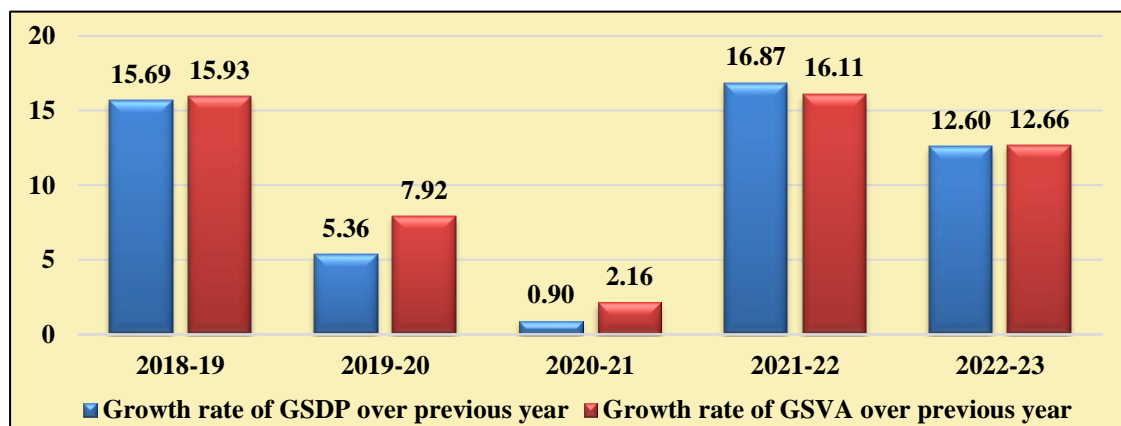
Gross Value Added (GVA) is being used for economic analysis by GoI and international organizations like IMF and World Bank as GVA is considered better indicator of economic growth compared to GDP, as it ignores the impact of taxes and subsidies. While GDP can be and is also computed as the sum total of the various expenditures incurred in the economy including private consumption spending, government consumption spending and gross fixed capital formation or investment spending, reflecting essentially on the demand condition in the economy. Both measures have difference in treatment of net taxes as a result of which the inclusion of taxes in GDP may differ from the real output situation. From a policymaker's perspective, it is therefore vital to have a comparison of the GVA and GSVA data for better analysis and making policy interventions.

Growth rate of GSVA was more than the growth rate of GVA during the period 2018-19 to 2020-21 but it was not able to keep pace with growth rate of GVA during the period 2021-22 to 2022-23.

The trends of GSDP and GSVA for the period from 2018-19 to 2022-23 is indicated in the chart below:

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

(in per cent)

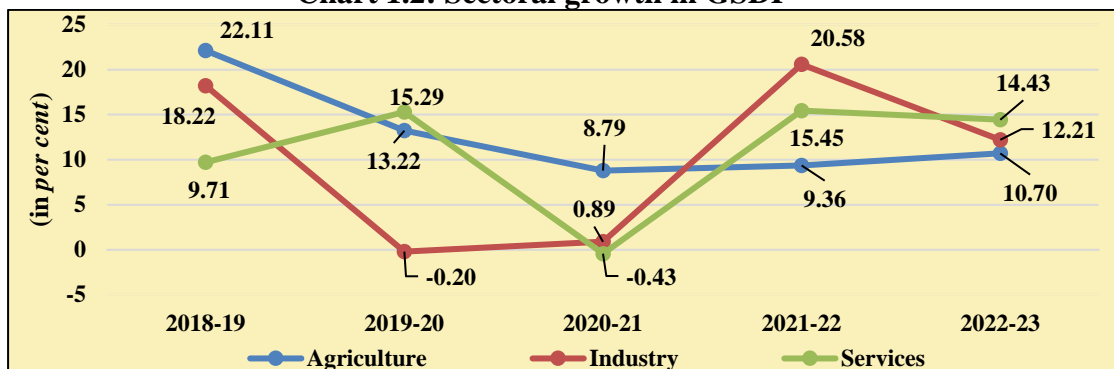


Source: Economic Survey (2022-23), Directorate of Economics and Statistics, Chhattisgarh.

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

The year-on-year change in contribution of various sectors to the GSDP of the State is given below in **Chart 1.2:**

Chart 1.2: Sectoral growth in GSDP



Source: Economic Survey (2022-23), Directorate of Economics and Statistics, Chhattisgarh.

**Chart 1.2** shows the sectoral growth rate of GSDP which shows a fluctuating trend in growth rate of all three sectors in five years period of 2018-23. The growth rate of Industry and Services decreased whereas the Agriculture sector increased marginally in the year 2022-23 over the previous year.

## 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 the State is prepared by the CAG for submission to the Governor of Chhattisgarh under Article 151 (2) of the Constitution of India.

Principal 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 Principal Accountant General (Audit) and certified by the CAG.

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

- Budget of the State 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.

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 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.

### **Budget Document**

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 disbursement of loans and advances by the government to PSUs and other parties.

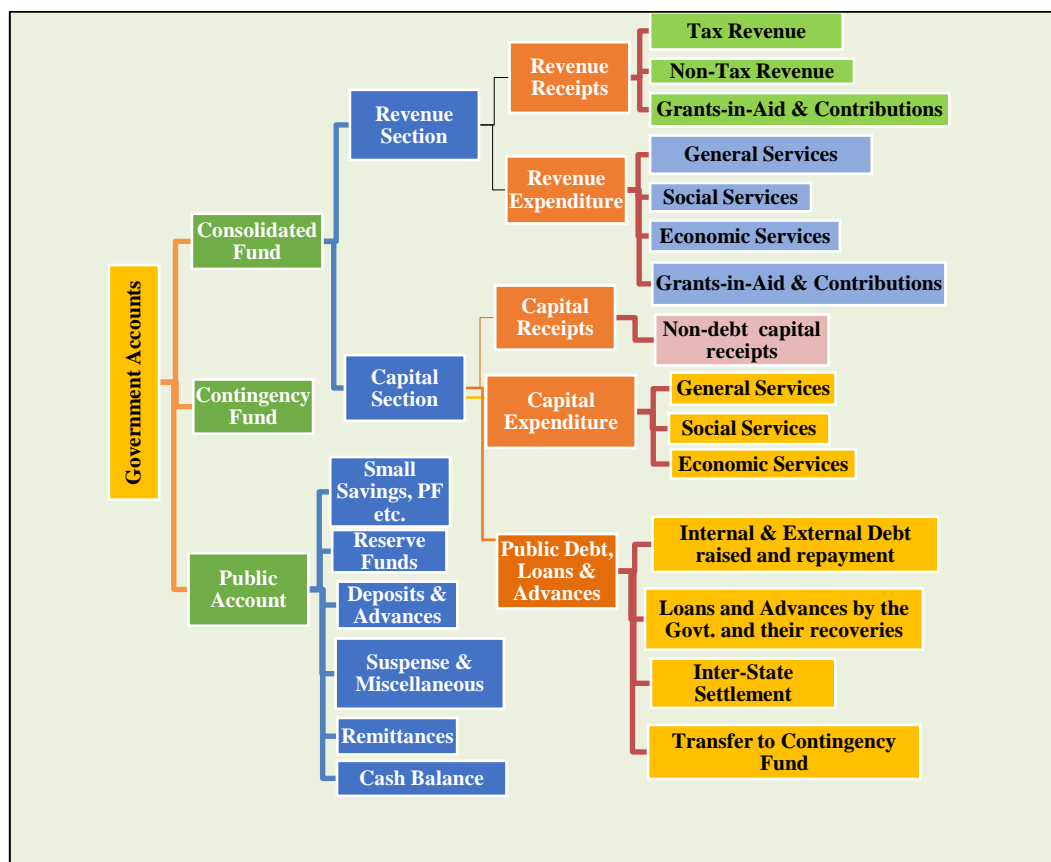
The Government accounting classification system is both functional and economic.

	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 1.3**.

**Chart 1.3: Pictorial depiction of the structure of Government Accounts**



Source: Finance Accounts

**Public Debt and Public Account Liability:** In this Report, ‘Public Debt’ has been taken to comprise market borrowings, institutional loans, special securities issued to National Small Saving Fund (NSSF), loan given by central Government etc. For this purpose, the major heads 6003 and 6004 – Public Debt have been taken into consideration.

Further, the transactions relating to ‘Small Saving, Provident Fund, etc.’, ‘Reserve Funds’ and ‘Deposit and Advances’ under Public Account are such that the Government incurs a liability to repay the moneys received or has a claim to recover the amounts paid. The transactions relating to ‘Remittances’ and ‘Suspense’ under Public Account, includes merely adjusting heads such as transactions as remittances of cash between treasuries and currency chests and transfer between different accounting circles.

In this report, ‘Public Account liability’ has been taken to include the transactions under ‘Small Saving, Provident Fund, etc.’, ‘Reserve Funds’ and ‘Deposit’ along with the transactions under major heads 6003 and 6004.

## 1.4 Budgetary Processes

In terms of Article 202 of the Constitution of India, the Governor of the State caused 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 above 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. 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 2022-23 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.

### 1.4.1 Snapshot of Finances

The following table provides the details of actual financial results *vis-a-vis* Budget Estimates (BE) for the year 2022-23, and actuals of 2021-22.

**Table 1.2: Snapshot of Finances**

Sl. No	Components	(₹ in crore)				
		2021-22 (Actuals)	2022-23 (Budget Estimate)	2022-23 (Actuals)	Percentage of Actuals to BE	Percentage of Actuals to GSDP
1	Tax Revenue	55,654.52	56,823.25	65,480.57	115.24	14.31
(i)	Own Tax Revenue	27,083.73	29,000.00	33,122.31	114.21	7.24
(ii)	Share of Union Taxes and duties	28,570.79	27,823.25	32,358.26	116.30	7.07
2	Non-Tax Revenue	13,851.21	15,500.00	15,248.24	98.38	3.33
3	Grants-in-aid and contributions	10,146.30	16,750.00	13,148.33	78.50	2.87
4	<b>Revenue Receipts (1+2+3)</b>	<b>79,652.03</b>	<b>89,073.25</b>	<b>93,877.14</b>	<b>105.39</b>	<b>20.51</b>
5	Recovery of Loans and Advances including Inter State Settlement	88.02	327.00	117.24	35.85	0.03
6	Misc. Capital Receipts	4.89	0.00	5.60	0.00	0.00
7	Public Debt Receipts	15,098.28	16,511.90	10,638.74	64.43	2.32
8	<b>Capital Receipts (5+6+7)</b>	<b>15,191.19</b>	<b>16,838.90</b>	<b>10,761.58</b>	<b>63.91</b>	<b>2.35</b>
9	<b>Total Receipts (4+8)</b>	<b>94,843.22</b>	<b>1,05,912.15</b>	<b>1,04,638.72</b>	98.80	<b>22.87</b>
10	<b>Revenue Expenditure</b>	<b>75,010.01</b>	<b>88,371.61</b>	<b>85,285.03</b>	<b>96.51</b>	<b>18.64</b>
11	Interest Payments	6,144.24	7,222.05	6,382.08	88.37	1.39
12	Capital Expenditure	10,504.22	15,240.69	13,320.30	87.40	2.91
13	<i>Loans and Advances including Inter-state Settlement</i>	323.81	387.73	85.86	22.14	0.02
14	<b>Total Expenditure (10+12+13)</b>	<b>85,838.04</b>	<b>1,04,000.03</b>	<b>98,691.19</b>	<b>94.90</b>	<b>21.57</b>



15	Revenue Surplus (+) /Deficit (-) (4-10)	(+)4,642.02	(+)701.64	(+)8,592.11	1,224.58	1.88
16	Fiscal Deficit {(4+5+6)-14}	(-)6,093.10	(-)14,599.78	(-)4,691.21	32.13	1.03
17	Primary Surplus (+) /Deficit (-) (16-11)	(+)51.14	(-)7,377.73	(+)1,690.87	22.92	0.37

Source: Finance Accounts of respective year and Budget Book 2022-23

Revenue Surplus remained more than estimated due to mobilization of higher tax revenue receipts and less revenue expenditure vis-a-vis budget. Fiscal deficit remained less than that estimated due to more revenue surplus and less capital expenditure than projected in the budget.

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

Government accounts capture the financial liabilities of the Government and the assets created out of the expenditure incurred. The liabilities consist mainly of internal borrowings, loans and advances from GoI, receipts from public 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	2021-22	2022-23	Percentage Increase (+)/ Decrease (-)	Particulars	2021-22	2022-23	Percentage Increase (+)/ Decrease (-)
1	Internal Debt	71,186.62	68,754.84	(-)3.42	Gross Capital Outlay	1,12,412.50	1,25,727.20	(+)11.84
2	Loans and Advances from GoI	11,726.15	15,195.95 <sup>2</sup>	(+)29.59	Loans and Advances	1,409.86	1,378.31	(-)2.24
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.,	8,020.50	9,326.98	(+)16.29	Advances	7.34	7.00	(-)4.63
5	Deposits	5,786.49	6,146.92	(+)6.23	Remittance	336.22	298.66	(-)11.17
6	Reserve Funds	9,627.40	9,606.04	(-)0.22	Suspense and Miscellaneous	0.00	0.00	0.00
7	Suspense and Miscellaneous	142.70	238.80	(+)67.34	Cash Balance <sup>3</sup>	9,921.62	8,047.97	(-)18.88
8	Remittances	0.00	0.00	0.00	<b>Total (1 to 7)</b>	<b>1,24,087.54</b>	<b>1,35,459.14</b>	<b>(+)9.16</b>
					Deficit on Government Account	17,497.68	26,089.61	(+)49.10
<b>Total (1 to 8)</b>		<b>1,06,589.86</b>	<b>1,09,369.53</b>	<b>(+)2.61</b>	<b>Total (8-9)</b>	<b>1,06,589.86</b>	<b>1,09,369.53</b>	<b>(+)2.61</b>

Source: Finance Accounts of respective years

<sup>2</sup> 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.

<sup>3</sup> Including investment in earmarked fund.



## 1.5 Fiscal Balance: Targets and achievement of deficit and total debt

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 Chhattisgarh Fiscal Responsibility and Budget Management Act, 2005 (CGFRBM Act)/Rules/fiscal policy statements for the financial year 2022-23.

### 1.5.1 Compliance with provisions of State FRBM Act

In compliance with the recommendations of Twelfth Finance Commission (TFC), the State Government enacted the CGFRBM Act, 2005 (amended in September 2011, 2016 and March 2021) 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 and bring fiscal deficit down to 3 *per cent* of the GSDP by the end of 31 March 2009. During 2022-23, target for fiscal deficit was set to 3.33 *per cent* of the GSDP as per the Medium-Term Fiscal Policy Statement presented along with Budget 2022-23. Fiscal Deficit at 1.03 *per cent* of the GSDP was within the target prescribed in the FRBM Act/MTFPS during 2022-23.

Major fiscal variables, as set in CGFRBM Act/ disclosures made under the Act in fiscal policy statements, and their achievement during 2018-23 are given in **Table 1.4**.

**Table 1.4: Major fiscal variables for 2018-23<sup>4</sup>**

Fiscal Parameters	Fiscal Targets set in the Act/MTFPS	ACHIEVEMENT (₹ in crore)				
		2018-19	2019-20	2020-21	2021-22	2022-23
Revenue Deficit (-)/ Surplus (+)	Revenue Surplus	(+)683.76	(-)9,608.61	(-)6,856.66	(+)4,642.02	(+)8,592.11
		<b>Yes</b>	<b>No</b>	<b>No</b>	<b>Yes</b>	<b>Yes</b>
Fiscal Deficit (-)/ Surplus (+) (as percentage of GSDP)	3.50% of GSDP for 2018-19 and 5.00 % of GSDP for 2019-21 & 4.56% of GSDP for 2021-22 and 3.33% of GSDP for 2022-23	(-) 8,292.23 (2.54%)	(-)17,969.55 (5.21%)	(-)15,822.38 (4.55%)	(-)6,093.10 (1.50%)	(-)4,691.21 (1.03%)
		<b>Yes</b>	<b>No</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>

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

Ratio of Overall outstanding liabilities to GSDP (in per cent)	18.06% for 2018-19	20.41%	22.84%	25.75% <sup>5</sup>	22.42% <sup>6</sup>	20.46% <sup>7</sup>
	21.23% for 2019-20 21.59% for 2020-21 28.34% for 2021-22 26.41% for 2022-23	No	No	No	Yes	Yes

**Source: Finance Accounts of the respective years**

The State was able to achieve the target of revenue surplus during 2022-23. During 2022-23, Revenue Surplus of the State was ₹8,592.11 crore as compared to ₹4,642.02 crore in 2021-22. The increase in Revenue Surplus was mainly due to increase in Revenue Receipts by ₹14,225.11 crore (17.86 per cent) as compared to 2021-22 despite increase in Revenue Expenditure by ₹10,275.02 crore (13.70 per cent). The receipts under GIA from the Government of India increased by 29.59 per cent over the previous year.

Fiscal Deficit of the State decreased during 2022-23 (₹4,691.21 crore) by ₹1,401.89 crore from ₹6,093.10 crore in 2021-22 as the Revenue Surplus of the State increased from ₹4,642.02 crore in 2021-22 to ₹8,592.11 crore in 2022-23. However, the actual Revenue surplus would have been ₹4,773.30 crore and the actual Fiscal Deficit would have been ₹5,615.80 crore after adjustment of non-contribution to reserve fund/misclassification etc. as detailed in **Para 1.7**. The ratio of Fiscal Deficit to GSDP was within the target prescribed under FRBM/MTFPS during the years 2018-19 to 2022-23, except in 2019-20. Fiscal Deficit at 5.21 per cent of the GSDP exceeded the target prescribed in the FRBM Act/MTFPS during 2019-20.

The percentage of Overall outstanding liabilities to GSDP during 2022-23 was (20.46 per cent) within the target prescribed in the MTFPS (26.41 per cent) by the State Government and the target recommended by the XV Finance Commission (30.2 per cent). The percentage of liabilities to GSDP has been calculated after excluding back-to-back loan of ₹8,074.15 crore (₹4,965.15 crore in 2021-22 and ₹3,109 crore in 2020-21) received by the State Government in lieu of shortfall in GST compensation.

Under section 5(3) of the CGFRBM Act, 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

<sup>5</sup> Debt to GSDP percentage has been calculated on the total debt of ₹89,556.90 crore after excluding the amount of back-to-back loan of ₹3,109 crore in lieu of GST compensation shortfall.

<sup>6</sup> 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.

<sup>7</sup> Debt to GSDP percentage has been calculated on the total debt of ₹93,622.28 crore after excluding the amount of back-to-back loan of ₹8,074.15 crore in lieu of GST compensation shortfall.

(₹7,161.32 crore)<sup>8</sup> in the required Form D-2 “Overall outstanding liabilities of the State Government” alongwith the budget document. Liabilities to GSDP ratio has increased to 22.02 *per cent* after incorporating off budget borrowings into outstanding liabilities as detailed in **Para 1.7**.

### 1.5.2 Disclosures made under CGFRBM Act during 2022-23

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 2022-23 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 2022-23**

(₹ in crore)				
Sl. No.	Fiscal Variables	Projection as per disclosures under FRBM act	Actuals (₹ in crore)	% Increase (+)/ Decrease (-)
1	Own Tax Revenue	29,000.00	33,122.31	(+)14.21
2	Non-Tax Revenue	15,500.00	15,248.24	(-)-1.62
3	Share of Central Taxes	27,823.25	32,358.26	(+)16.30
4	Grants-in aid from GoI	16,750.00	13,148.33	(-)-21.50
5	Revenue Receipts (1+2+3+4)	89,073.25	93,877.14	(+)5.39
6	Revenue Expenditure	88,371.61	85,285.03	(-)-3.49
7	Revenue Deficit (-)/Surplus (+) (5-6)	(+)701.64	(+)8,592.11	(+)1,124.58
8	Fiscal Deficit (-)/Surplus (+)	(-)-14,599.78	(-)-4,691.21	(+)67.87
9	Debt-GSDP ratio ( <i>per cent</i> )	26.41	20.46 <sup>9</sup>	(+)22.53
10	GSDP growth rate at current prices ( <i>per cent</i> )	9.60	12.60	(+)31.25

Source: Finance Accounts and FRBM disclosures 2022-23

It is evident from the above table that the projections made in the MFS/MTFPS were met during 2022-23 except for Non-Tax Revenue and Grants-in aid from GoI. The decrease of ₹251.76 crore in non-tax revenue was mainly due to less receipts under Major Irrigation by ₹275.20 crore and interest receipts by ₹61.91 crore than projections made in the budget.

<sup>8</sup> Amount of ₹7,161.32 crore net off budget borrowings has been worked out after subtracting Repayment of principal amount (₹922.92 crore) from Total Off Budget borrowings (₹8,084.24 crore).

<sup>9</sup> Debt to GSDP percentage has been calculated on the total debt of ₹93,622.28 crore after excluding the amount of back-to-back loan of ₹8,074.15 crore in lieu of GST compensation shortfall.

### 1.5.3 Deficit and Surplus

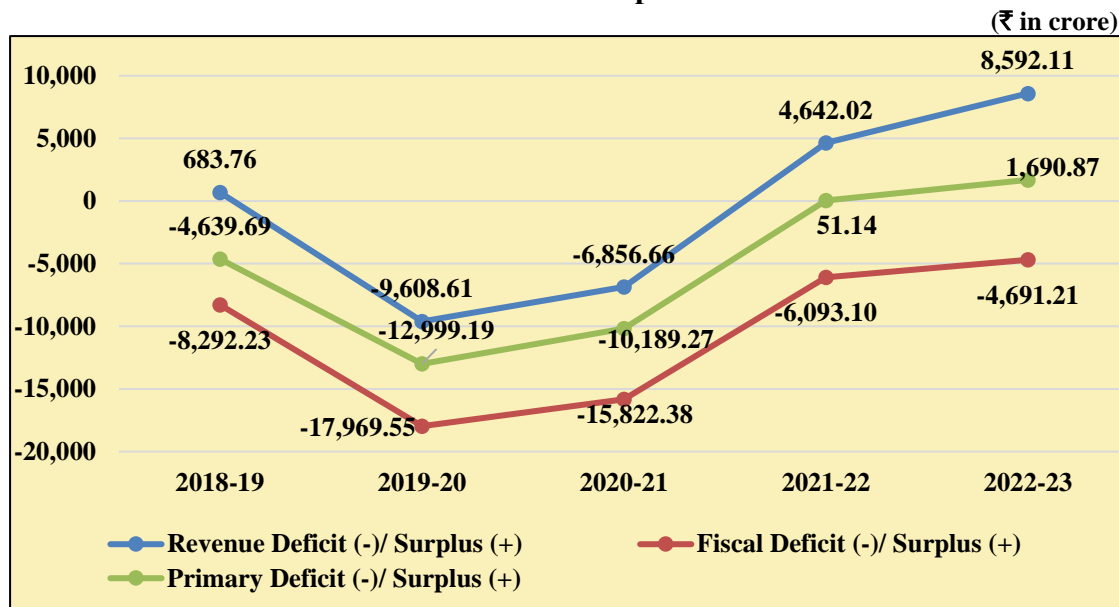
When a Government spends more than it collects by way of revenue, it incurs a deficit. There are various measures that capture Government deficit.

<p><b>Revenue Deficit/ Surplus</b></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"> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> </ul>
<p><b>Fiscal Deficit/ Surplus</b></p> <p>(Total expenditure – (Revenue receipts + Non-debt creating capital receipts))</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> <ul style="list-style-type: none"> <li>• Fiscal deficit is the difference between the government’s total expenditure and its total receipts excluding borrowings.</li> <li>• 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.</li> <li>• The fiscal deficit will have to be financed through borrowing. Thus, it indicates the total borrowing requirements of the government from all sources.</li> </ul> <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>

### 1.5.4 Trends of Deficit/Surplus

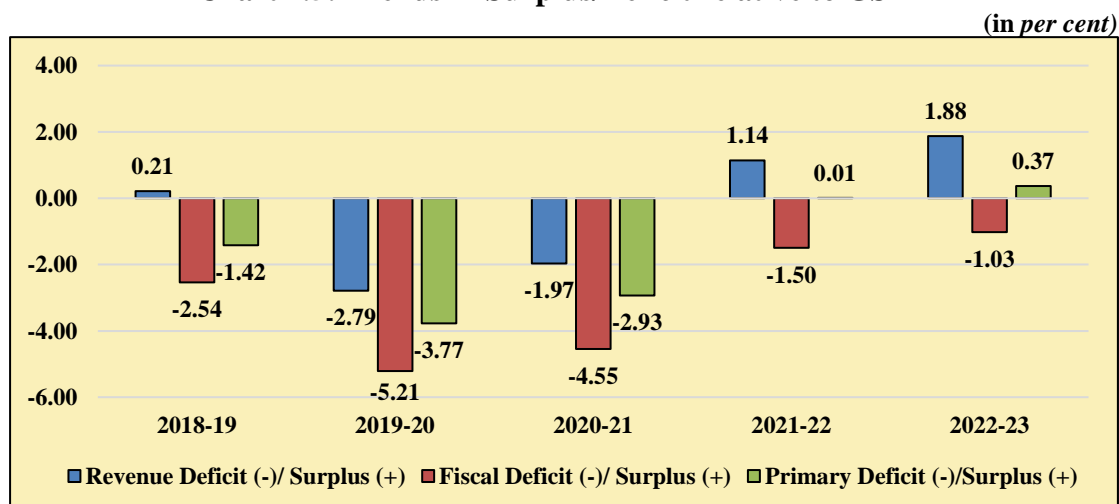
The State had a fiscal deficit of ₹4,691.21 crore during the year 2022-23, representing 1.03 per cent of the GSDP (₹4,57,608 crore) and constituting 4.75 per cent of Total Expenditure (₹98,691.19 crore). The Primary Surplus increased from ₹51.14 crore during 2021-22 to ₹1,690.87 crore during the current year. The Revenue Surplus increased from ₹4,642.02 crore during 2021-22 to ₹8,592.11 crore during the current year. The trend of surplus and deficit over the five-year period 2018-19 to 2022-23 is depicted in **Chart 1.4** and trend in surplus or deficit relative to GSDP is given in **Chart 1.5**.

Chart 1.4: Trends in Surplus/Deficit



Source: Finance Accounts of the respective years

Chart 1.5: Trends in Surplus/Deficit relative to GSDP



Source: Finance Accounts of the respective years

## 1.6 State Finance Commission

As per article 243(I) and 243(Y) of Constitution of India, the State Finance Commission (SFC) is 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 of Submission of recommendation	Acceptance by the Government	Period Covered
1	<b>First</b>	2001-02	22.08.2003/ 14.07.2004	30.05.2007	July 2009	2007-12
2	<b>Second</b>	2006-07	23.07.2011	31.03.2013	July 2013	2012-20
3	<b>Third</b>	2011-12	20.01.2016	30.09.2018	October 2019	2020-25
4	<b>Fourth</b>	2016-17	29.07.2021	-	-	2025-30

**Source: Finance Commission reports and Notification of acceptance**

First State Finance Commission of Chhattisgarh has made a total of 81 recommendations out of which the State Government accepted 36 while 5 others were accepted with modification.

Second State Finance Commission of Chhattisgarh was constituted on 23 July 2011 to cover 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 had made a total of 133 recommendations out of which the State Government accepted 103.

Third State Finance Commission was constituted on 20 January 2016 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.

There was delay in constitution of State Finance Commissions and implementation of the State Finance Commission's recommendations which 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 of SOTR by SFC			Devolution accepted by the State Government		
			PRI	ULB	Total	PRI	ULB	Total
1	<b>First</b>	2007-12	6.62	1.66	8.28	4.79	1.21	6.00
2	<b>Second</b>	2012-20	6.15	1.85	8.00	6.15	1.85	8.00
3	<b>Third</b>	2020-25	6.91	2.09	9.00	6.91	2.09	9.00
4	<b>Fourth</b>	2025-30	-	-	-	-	-	-

**Source: Finance Commission reports**

The percentage of SOTR devolved to local bodies (6.00 *per cent*) was less than the recommended percentage (8.28 *per cent*) during First SFC.

The details of fund flow with regard to recommendation by SFC, devolution accepted and actual budget allocated and released by the State Government during 2018-19 and 2022-23 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 2018-23**

(₹ in crore)

Sl. No.	Year	Devolution % recommended by SFC and accepted By State Government			Budget Allocated By State Government#			Actual Release By State Government		
		PRI	ULB	Total	PRI	ULB	Total	PRI	ULB	Total
1	2018-19	(6.15)	(1.85)	(8.00)	800	300	1100	839	300	1139
2	2019-20	(6.15)	(1.85)	(8.00)	756	321	1077	750	321	1071
3	2020-21	(6.91)	(2.09)	(9.00)	865	444	1309	606	442	1048
4	2021-22	(6.91)	(2.09)	(9.00)	858	451	1309	651	451	1102
5	2022-23	(6.91)	(2.09)	(9.00)	1644	423	2067	1209	423	1632

(# Assistance to Panchayats/Local Bodies/Municipalities -- Recommendation of SFC below MH 2217, 2515, 4217 and 4515)

Actual fund released to ULB was as per the budget allocation during 2018-23 except in 2020-21 where marginal decline was observed. But actual fund released to PRI was less than the budget allocated during last five years except in 2018-19. During 2022-23 against the budget allocation of ₹2,067 crore to PRIs and ULBs, the State Government has released only ₹1,632 crore.

## 1.7 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.

### 1.7.1 Post audit - Deficits/surplus

As per the FRBM Act, the State Government must ensure compliance to the targets fixed for the fiscal indicators such as deficits, ceiling on debt 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, certain issues such as non transfer of central share of grant, cess and interest liabilities on interest bearing Reserve Funds etc. to the respective fund, also impacts the revenue and fiscal deficit figures. In order to arrive at actual deficit figures, the effect of misclassification of revenue expenditure/capital outlay and/or any such misclassification needs to be included.

The impact of issues pointed out above resulted in understatement of revenue expenditure by ₹3,796.01 crore and overstatement of Revenue Receipt by ₹22.80 crore for the year 2022-23 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 Receipt and Expenditure, post examinations by Audit**

(₹ in crore)

Sl. No.	Item	Paragraph Reference	Over statement of Revenue Receipt	Under statement of revenue expenditure
1	Misclassification between revenue and capital	3.5.1 & 4.11	--	2,894.22
2	Interest liabilities on National Pension Scheme	2.4.2.3	--	0.65
3	Interest liabilities on State Disaster Mitigation Fund	2.5.2.2 (b)	--	8.18
4	Interest earned on Central share of unspent balances of funds to Single Nodal Agency (SNA)	2.3.2.3 (ii)	22.80	0.00
5	Non transfer of Central Share of Grants-in-aid to State Disaster Response Fund	2.5.2.2 (a)	--	181.60
6	Non transfer of State Share of Grants-in-aid to State Disaster Response Fund	2.5.2.2 (a)	--	60.53
7	Short transfer to Mineral Development Fund	2.5.2.5 (iii)	--	184.92
8	Short contribution of Consolidated Sinking Fund	2.5.2.1	--	37.23
9	Non transfer of Grants-in-aid of Central Road and Infrastructure Fund	4.7	--	86.92
10	Non transfer of Infrastructure Development and Environment Cess to the designated Reserve Funds	2.5.2.5 (i) & 2.5.2.5 (ii)	--	341.76
<b>Total</b>			<b>22.80</b>	<b>3,796.01</b>

Source: Finance Accounts 2022-23

**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	Revenue Surplus	8,592.11	(+)3,818.81	4,773.30
2	Fiscal deficit	4,691.21	(-)924.59	5,615.80

Source: Finance Accounts 2022-23

### 1.7.2 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 2017-23, the State Government has resorted to off-budget borrowings of ₹8,084.24 crore through five PSUs out of which

Government made repayment of principal of ₹922.92 crore besides servicing of interest on these off-budget borrowings through State budget. This issue has been discussed in detail in **Para 4.14** of the Report. For computing post audit liabilities, the off-budget borrowings have been added to the total liabilities.

The Government of India 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 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 have 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 31.03.2023 (A)	1,01,696.43	22.22
2	Back-to-back loan in lieu of GST compensation shortfall (B)	8,074.15	1.76
3	Total liabilities excluding Back-to-back loan (C) = (A) - (B)	93,622.28	20.46
4	Net off-budget liabilities (₹8,084.24 - ₹922.92) as on 31.03.2023(D)	7,161.32	1.56
5	<b>Total liabilities (C)+(D)</b>	<b>1,00,783.60</b>	<b>22.02</b>

Source: Finance Accounts 2022-23

It can be seen from the above table that the liabilities to GSDP percentage decreased from 22.22 *per cent* to 22.02 *per cent* after adjusting the back-to-back loan and off-budget liabilities.