Chapter 1: Overview

1.1 Profile of the State

Haryana is located near the National Capital. Out of 22 districts of Haryana, 14 are part of the National Capital Region. It is spread over a geographical area of 44,212 sq. km. and ranks 21st among State/UTs in terms of area. As per population projections by National Commission on Population, Ministry of Health and Family Welfare, Government of India (GoI) the State's population was 3.02 crore which accounts for 2.18 *per cent* of the country's population and ranks 17th among States in terms of population. The population density of the State at 683.28 persons per sq. km. was higher than the national average of 422.26 persons per sq. km. The percentage of population below the poverty line was 11.16 which is lower than the all-India average of 21.92. The State's literacy rate increased from 67.91 *per cent* (as per 2001 census) to 75.60 *per cent* (as per 2011 census) ***(Appendix 1.1)***.

1.1.1 Gross State Domestic Product of the State

The Gross State Domestic Product (GSDP) is the value of all 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.

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

Trends in GSDP compared to Gross Domestic Product (GDP) are shown in ***Table 1.1***; and sectoral contribution and sectoral growth in GSDP during the period 2018-19 to 2022-23 are depicted in ***Chart 1.1*** and ***Chart 1.2*** respectively.

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

(₹ in crore)

Year	2018-19	2019-20	2020-21	2021-22	2022-23
GDP (2011-12 Series)	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 *per cent)*	10.59	6.37	(-) 1.36	18.36	16.06
Growth rate of GVA over previous year (in *per cent)*	11.03	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
GSDP (2011-12 Series)	6,98,940	7,32,195	7,41,850	8,70,665	9,94,154
GSVA	6,23,848	6,51,152	6,45,241	7,60,935	8,70,227
Growth rate of GSDP over previous year (in *per cent)*	9.41	4.76	1.32	17.36	14.18
Growth rate of GSVA over previous year (in *per cent)*	14.42	4.38	(-) 0.91	17.93	14.36
Per Capita GSDP (in ₹)	2,47,798	2,55,958	2,55,713	2,95,923	3,33,162

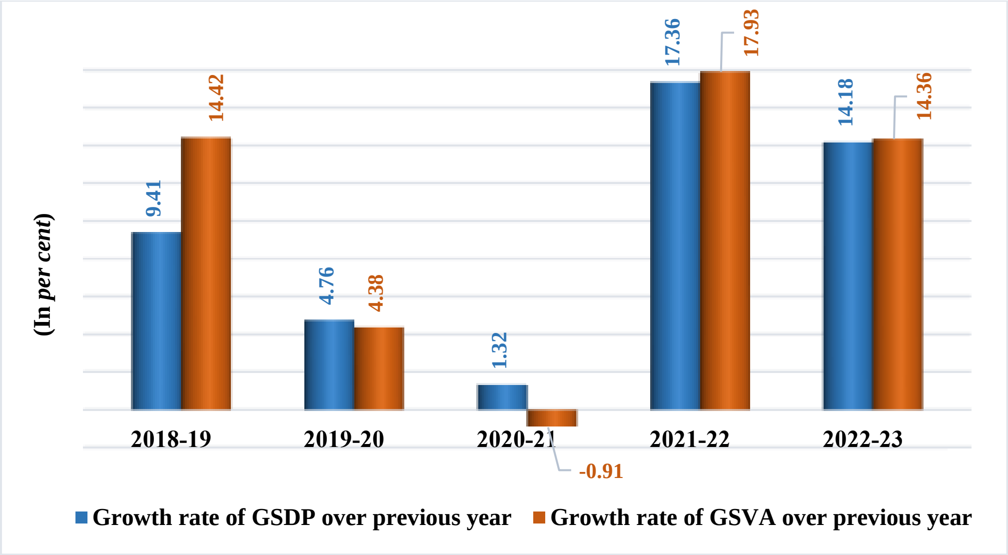
Source: Ministry of Statistics and Programme Implementation, GoI.

The Gross State Domestic Product (GSDP) in 2022-23 at current prices was ₹ 9,94,154 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 ₹ 3,33,162 while that of the country was ₹ 1,96,983. The growth in per capita GSDP of the State was 34.45 *per cent* during the period 2018-19 to 2022-23 whereas growth in per capita GDP of the country was 38.31 *per cent* during the same period. The percentage of per capita GSDP of the State which was 73.99 *per cent* more than the per capita GDP of the country in 2018-19 had decreased to 69.13 *per cent* of the per capita GDP as at the end of the year 2022-23.

Gross Value Added (GVA) is being used for economic analysis by GoI and International organisations like IMF and World Bank. GVA is considered a 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 of 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 conditions 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 GVA and GSVA data for better analysis and making policy interventions.

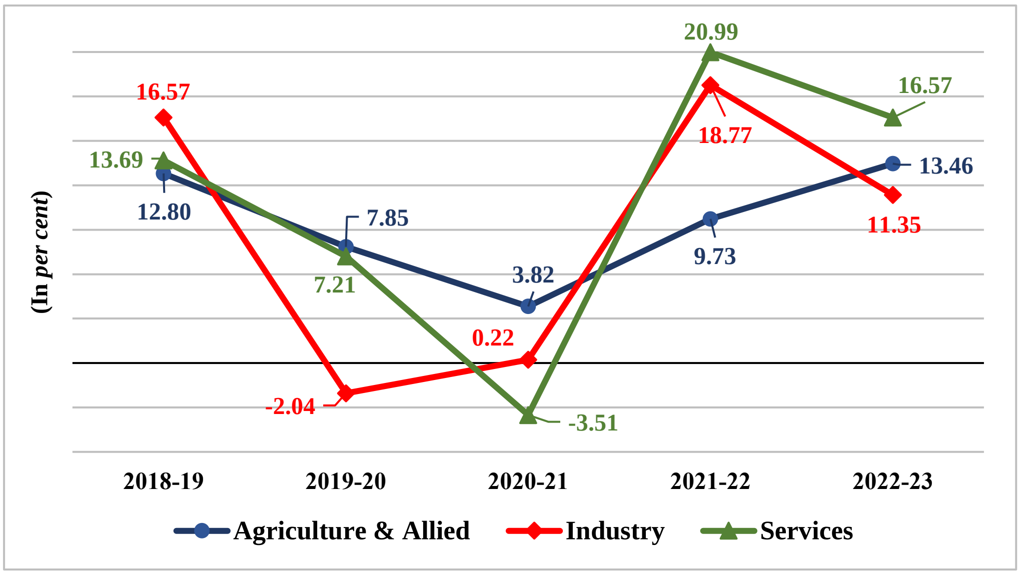
The trends of GSDP and GSVA for the period from 2018-19 to 2022-23 are indicated in ***Chart 1.1***.

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



Source: Ministry of Statistics and Programme Implementation, GoI.

Chart 1.2: Sectoral growth in GSDP



Source: Ministry of Statistics and Programme Implementation, GoI.

The sectoral growth in GSDP showed a declining trend during 2018-19 to 2020-21 in all the three sectors and thereafter significant increases in growth in Industry and Service sectors was noticed in 2021-22. In 2022-23, the growth in Industry and Service Sectors declined due to decrease in the growth rate of sub-activities i.e. manufacturing, construction, railways, road transport, services incidental to transport, etc as compared to the previous year 2021-22. Further, the increase in growth rate of Agriculture & Allied sector was seen mainly due to increase in the growth rate in crops, livestock, fishing and aquaculture during 2020-21 to 2022-23.

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) is prepared and submitted under the Article *ibid* of the Constitution of India.

Principal Accountant General (Accounts and Entitlement) prepares the Finance Accounts and Appropriation Accounts of the State annually, from the vouchers, challans, initial and subsidiary accounts rendered by the treasuries, offices and departments responsible for keeping 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 Comptroller and Auditor General of India (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: 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 available with departmental authorities and treasuries;
- GSDP data and other State related statistics; and
- Various audit reports of the CAG of India.

The analysis has also been carried out in the context of recommendations of the Fifteenth Finance Commission (15th FC), State Fiscal Responsibility and Budget Management (FRBM) Act, 2005 and best practices and guidelines of the Government of India (GoI).

1.3 Overview of Government Accounts Structure and Budgetary Processes

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

Part I: 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.

Part II: 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 relevant functional major head in the Consolidated Fund of the State.

Part III: Public Accounts of the State (Article 266(2) of the Constitution of India)

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

There is a constitutional requirement in India (Article 202) to present before the House 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 receipts consist of tax revenue (Own Tax revenue plus share of Union taxes/duties), non-tax revenue and grants from Government of India.

Revenue 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 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.; 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, loans and advances by the Government to Public Sector Undertakings **(**PSUs) and other parties.

At present, there is an accounting classification system in Government that is both functional and economic.

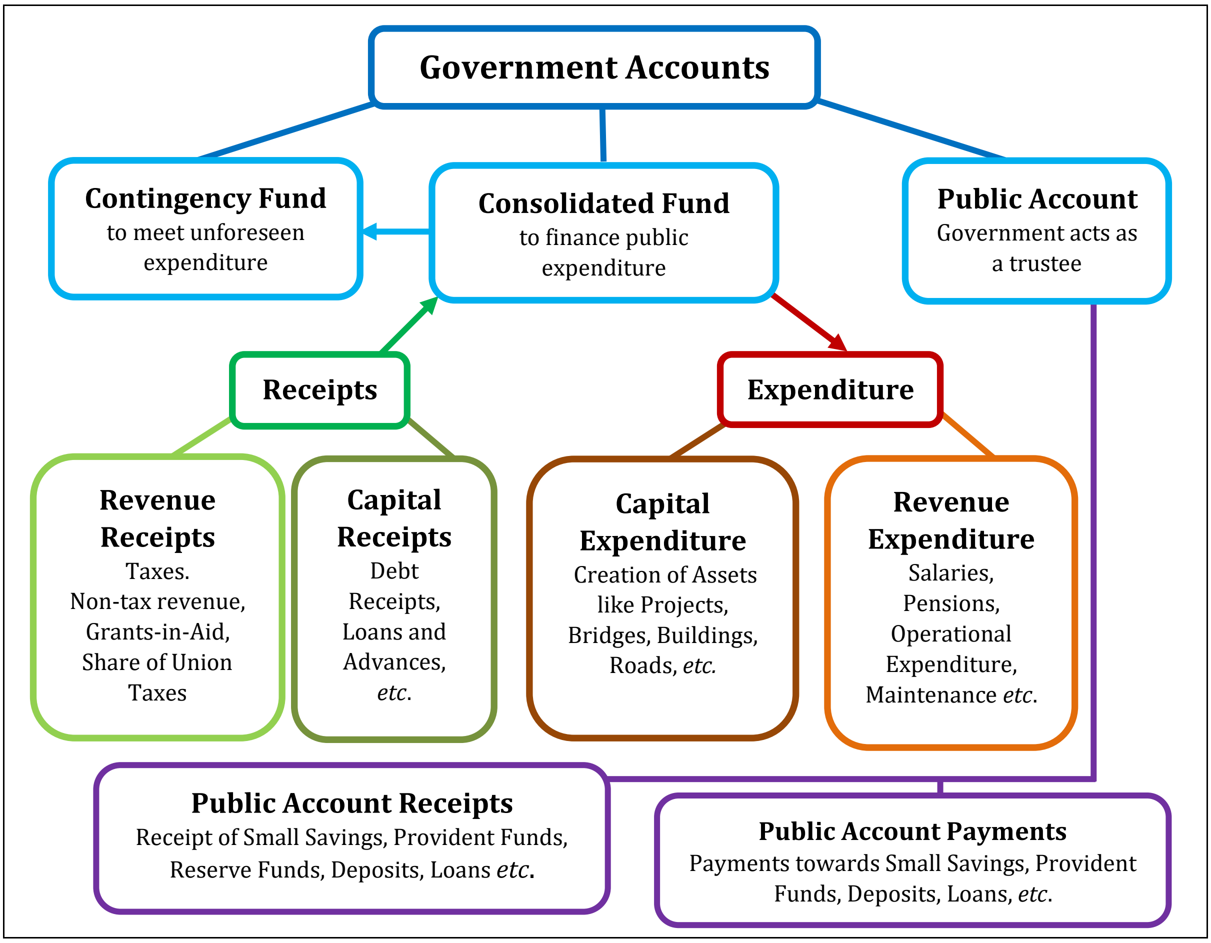
	Attribute of transaction	**Classification**
Standardised in List of Major and Minor Heads by Controller General of Accounts (CGA)	Function- Education, Health, etc. /Department	Major Head under Grants (4-digit)
	Sub-Function	Sub Major Head (2-digit)
	Programme	Minor Head (3-digit)
Flexibility left for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

The functional classification lets one know the department, function, scheme or programme**,** and object of the expenditure. 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 4-digit Major

Heads. For instance**,** 0 and 1 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. For instance, generally "salary" object head is revenue expenditure, "Construction" object head is capital expenditure. Object head is the primary unit of appropriation in the budget documents.

Structure of Government Accounts

Chart 1.3: Structure of Government Accounts



Source: Based on Budget Manual

Public Debt and Public Liability: In this report, 'Public Debt' has been taken to comprise market borrowing, 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, the transactions relating to 'Small Savings, Provident Fund, etc.'**,** 'Reserve Funds' and 'Deposit and Advances' under Public Account are such that the Government incurs a liability to repay the money received or has a claim to recover the amounts paid. The transaction relating the '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 Liability' has been taken to include the transactions under Major Heads 8001 to 8554 relating to 'Small Savings, Provident Fund, etc.', 'Reserve Funds' and 'Deposit and Advances' along with the transactions under major head 6003 and 6004.

Budgetary Processes

In terms of Article 202 of the Constitution of India, the Governor of a State cause to be laid before the State Legislature, a statement of the estimated receipts and expenditure of the State for the year 2022-23, 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 Punjab Budget Manual as applicable in Haryana 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 for the years 2021-22 and 2022-23 vis-à-vis Budget Estimates (B.E) and GSDP for the year 2022-23.

Table 1.2: Details of actual financial results vis-à-vis Budget Estimates

(₹ in crore)

Sr. No.	Components	2021-22 (Actuals)	2022-23 (B.E.)	2022-23 (Actuals)	Percentage of Actuals to B.E.	Percentage of Actuals to GSDP
1	Tax Revenue	63,099.32	82,653.48	73,338.80	88.73	7.38
	(i) Own Tax Revenue	53,377.16	73,727.50	62,960.80	85.40	6.33
	(ii) Share of Union taxes/ duties	9,722.16	8,925.98	10,378.00	116.27	1.04
2	Non-Tax Revenue	7,394.13	12,205.36	8,742.63	71.63	0.88
3	Grants-in-aid and Contributions	7,598.24	11,565.86	7,113.26	61.50	0.72
4	**Revenue Receipts (1+2+3)**	**78,091.69**	**1,06,424.70**	**89,194.69**	**83.81**	**8.97**
5	Recovery of Loans and Advances	500.24	766.87	237.75	31.00	0.02
6	Other Receipts	67.15	5,393.89	73.91	1.37	0.01
7	Borrowings and other Liabilities (a)	31,777.78	29,618.32	31,026.88	104.76	3.12
8	**Capital Receipts (5+6+7)**	**32,345.17***	**35,779.08**	**31,338.54**	**87.59**	**3.15**
9	**Total Receipts (4+8)**	**1,10,436.86**	**1,42,203.78**	**1,20,533.23**	**84.76**	**12.12**
10	**Revenue Expenditure (b)**	**98,425.03**	**1,16,198.63**	**1,06,406.21**	**91.57**	**10.70**
11	Interest payments	18,361.60	20,994.48	20,095.57	95.72	2.02
12	**Capital Expenditure**	**12,011.83**	**26,005.15**	**14,127.02**	**54.32**	**1.42**
	(i) Capital outlay	11,045.56	22,343.56	11,664.95	52.21	1.17
	(ii) Loans and advances disbursed	966.27	3,661.59	2,462.07	67.24	0.25
13	**Appropriation to Contingency Fund**	**0.00**	**0**	**0.00**	**0.00**	**0.00**
14	**Total Expenditure (10+12+13)**	**1,10,436.86**	**1,42,203.78**	**1,20,533.23**	**84.76**	**12.12**
15	**Revenue Deficit (-)/ Surplus (+) (4-10)**	**(-) 20,333.34**	**(-) 9,773.93**	**(-) 17,211.52**	**176.10**	**1.73**
16	**Fiscal Deficit (-)/ Surplus (+){(4+5+6)-14}**	**(-) 31,777.78**	**(-) 29,618.32**	**(-) 31,026.88**	**104.76**	**3.12**
17	**Primary Deficit (-)/ Surplus (+) (16-11)**	**(-) 13,416.18**	**(-) 8,623.84**	**(-) 10,931.31**	**126.76**	**1.10**

Source: Finance Accounts of the respective years and Budget at a Glance

(a) Borrowings and other Liabilities: Net (Receipts-Disbursements) of Public Debt + Net of Contingency Fund + Net (Receipts - Disbursements) of Public Account + Net of Opening and Closing Cash Balance.

(b) Expenditure on Revenue Account includes interest payments.

*** Includes ₹ 7,393.79 crore as back-to-back loans to State from GoI in lieu of GST compensation shortfall during the year 2021-22.**

During the year 2022-23, though the revenue receipts of the State increased by 14.22 *per cent* over the previous year, they fell short by 16.19 *per cent* of the budget estimates. During the current year, there was excess of revenue expenditure (₹ 1,06,406.21 crore) over revenue receipts (₹ 89,194.69 crore), thereby resulting in revenue deficit of ₹ 17,211.52 crore.

The increase in revenue receipts was mainly due to increase in receipts under State Goods and Services Tax (SGST) ₹ 5,654.41 crore, State excise ₹ 1,739.95 crore, Taxes on vehicles ₹ 966.58 crore, Stamps and registration ₹ 1,008.75 crore and non-tax revenue (₹ 1,348.50 crore). Besides this, devolution of Share of net proceeds of Central taxes also increased by ₹ 655.84 crore during the year 2022-23.

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. ***Appendix 1.2*** gives an abstract of such liabilities and assets as on 31 March 2023, compared with the corresponding position of the previous year. The liabilities consist mainly of internal borrowings, loans and advances from GoI, receipts from public account and reserve funds, and the assets comprise mainly of the capital outlay and loans and advances given by the State Government and cash balances. Summarised position of assets and liabilities is depicted in ***Table 1.3***.

Table 1.3: Summarised position of Assets and Liabilities

(₹ in crore)

Liabilities					**Assets**				
		As on 31 March 2022	**As on 31 March 2023**	***Per cent* increase**			**As on 31 March 2022**	**As on 31 March 2023**	***Per cent* increase**
Consolidated Fund									
A	Internal Debt	2,26,208.23	2,52,780.77	11.75	a	Gross Capital Outlay	1,29,013.56	1,40,604.60	8.98
B	Loans and Advances from GoI	13,234.58*	14,290.07	7.98	b	Loans and Advances	8,350.07	10,574.39	26.64
Contingency Fund		**1,000.00**	**1,000.00**	**0.00**					
Public Account									
A	Small Savings, Provident Funds, etc.	18,394.45	18,663.82	1.46	a	Advances	0.74	0.74	0.00
B	Deposits	11,724.95	12,110.24	3.29	b	Remittance	-	-	-
C	Reserve Funds	8,848.92	10,258.96	15.93	c	Suspense and Miscellaneous	-	-	-
D	Suspense and Misc. Balances	241.40	425.44	76.24	**Cash balance (including investment in Earmarked Fund)**		**4,946.11**	**3,833.55**	**-22.49**
E	Remittances	314.60	352.16	11.94	**Total**		**1,42,310.48**	**1,55,013.28**	**8.93**
					Deficit in Revenue Account		**1,37,656.65**	**1,54,868.18**[1]	**12.50**
Total		**2,79,967.13**	**3,09,881.46**	**10.68**	**Total**		**2,79,967.13**	**3,09,881.46**	**10.68**

Source: Finance Accounts of the respective years

* **Includes ₹ 4,352 crore and ₹ 7,393.79 crore as back-to-back loans to State from GoI in lieu of GST compensation shortfall during the year 2020-21 and 2021-22 respectively which are not to be repaid by the State Government from its resources.**

1.4 Fiscal Balance: Achievement of Deficit and Total Debt Targets

When a 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 borrowings 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 the Government continues to borrow year after year, it leads to accumulation of debt and the Government has to pay more and more by way of interest. These interest payments themselves contribute to the debt.

[1] Includes ₹ 0.02 crore on account of rounding off the figures.

By borrowing, the Government entails the burden of reduced consumption on future generations. This is because it borrows by issuing bonds to the people living at present but may decide to pay off the bonds some twenty years later by raising taxes or reducing expenditure. Also, Government borrowing from the 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 the 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 Central and individual State Governments have passed the Fiscal Responsibility and Budget Management (FRBM) Acts 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, these Acts provide quantitative targets to be adhered by the State with regard to deficit measures and debt level.

In Haryana, fiscal reforms and consolidation were brought to the forefront with the State Government enacting the Fiscal Responsibility and Budget Management (FRBM) Act on 06 July 2005 as per recommendations of the 12^{th} Finance Commission with the objective of eliminating revenue deficit and reducing fiscal deficit within the prescribed limit. In order to align the State FRBM Act with the fiscal parameters in vogue in a particular year as recommended by the 15^{th} Finance Commission and approved by Government of India for its award period 2021-22 to 2025-26, the amendment in the Haryana FRBM Act, 2005 was made by the State Government on 30 March 2022.

Major fiscal variables provided in the budget, based on the recommendations of the 15^{th} FC and as projected by the State in Medium Term Fiscal Policy Statement (MTFPS) are shown in ***Table 1.4*** and ***Table 1.5***.

Table 1.4: Variations in major fiscal variables from projections (percentage of GSDP)

Fiscal variables	2022-23						
	Targets as prescribed by 15th FC	Targets proposed in the Budget	Projections made in Five Year Fiscal plan/MTFP	Actuals	Variation of actuals from projections		
					Targets prescribed by 15th FC	Targets of Budget	Projections of Five-year fiscal plan/ MTFP
Revenue Deficit (-)/ Surplus (+)	0.80	(-) 0.98	(-) 0.98	(-) 1.73	(-) 2.53	(-) 0.75	(-) 0.75
Fiscal Deficit/GSDP	(-) 3.50	(-) 2.98	(-) 2.98	(-) 3.12	0.38	(-) 0.14	(-) 0.14
Ratio of total outstanding liability to GSDP*	31.40	24.52	24.52	29.48	(-) 1.92	4.96	4.96

* **Excluding back-to-back loans of ₹ 4,352 crore and ₹ 7,393.79 crore to State from GoI in lieu of GST compensation shortfall during the year 2020-21 and 2021-22 respectively which were not to be treated as debt of the State for any norms, as per the guidelines (August 2020/December 2021).**

The ratio of total outstanding liability to GSDP ratio as per the Finance Accounts is 30.67 *per cent*. The liability to GSDP ratio (29.48 *per cent*) has been arrived at after excluding GST compensation of ₹ 11,745.79 crore received as back-to-back loan under debt receipts from the total outstanding liabilities as the Department of Expenditure, GoI has decided that it will not be treated as debt of the State Government for any norms which may be prescribed by the Finance Commission.

Further, if we take understatement of ₹ 1,013.64 crore on account of short contribution to Consolidated Sinking Fund and non-payment of interest in balances under Defined Contribution Pension Scheme (as depicted in Paragraph 1.5.1) the revenue deficit and fiscal deficit would exceed by 0.10 percentage points.

Table 1.5: Actuals vis-à-vis projection in MTFP for 2022-23

(₹ in crore)

Sr. No.	Fiscal Variables	Projection as per MTFP	Actuals (2022-23)	Variation (in *per cent*)
1	Own Tax Revenue	73,727.50	62,960.80	(-) 14.60
2	Non-Tax Revenue	12,205.36	8,742.63	(-) 28.37
3	Share of Central Taxes and Duties	8,925.98	10,378.00	16.27
4	Grants -in-aid from GoI	11,565.86	7,113.26	(-) 38.50
5	Revenue Receipts (1+2+3+4)	1,06,424.70	89,194.69	(-) 16.19
6	Revenue Expenditure	1,16,198.63	1,06,406.21	(-) 8.43
7	Revenue Deficit (-)/ Surplus (+) (5-6)	(-) 9,773.93	(-) 17,211.52	(-) 76.10
8	Fiscal Deficit (-)/ Surplus (+)	(-) 29,618.32	(-) 31,026.88	(-) 4.76
9	Debt-GSDP ratio (*per cent*)	24.52	29.48*	20.23
10	GSDP growth rate at current prices (*per cent*)	11	14.18	28.91

* **Excluding back-to-back loans of ₹ 11,745.79 crore to State from GoI in lieu of GST compensation shortfall during the year 2020-21 and 2021-22 which were not to be treated as debt of the State for any norms, as per the guidelines (August 2020/ December 2021).**

During the year 2022-23, the Government was unable to contain the revenue deficit within the level projected in the MTFP due to shortfall ranging between 14.60 *per cent* and 38.50 *per cent* in all components of revenue receipts except in Share of Central Taxes and Duties which registered an increase of 16.27 *per* *cent*. Consequently, the fiscal deficit also exceeded the target projected in the MTFP by 4.76 *per cent*.

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

Chart 1.4: Trends in Deficit (₹ in crore)

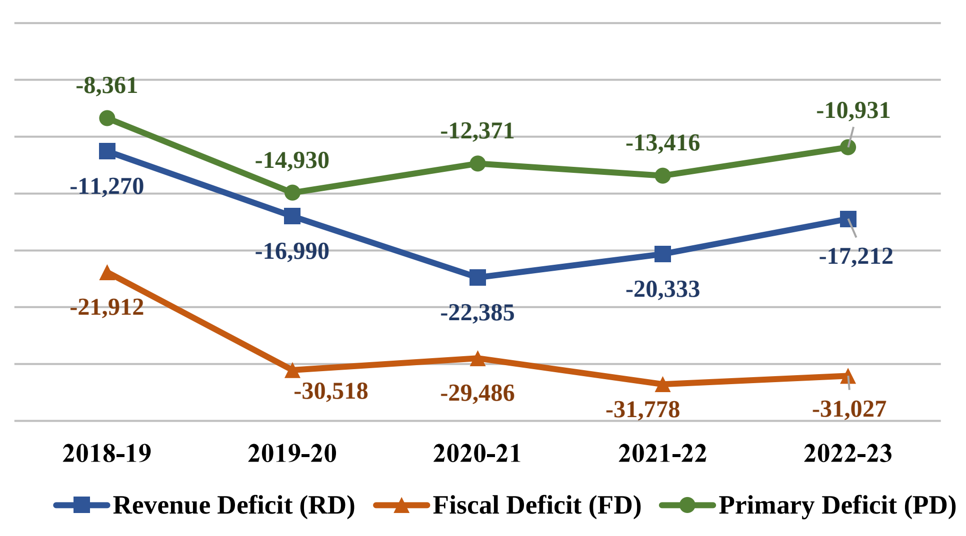
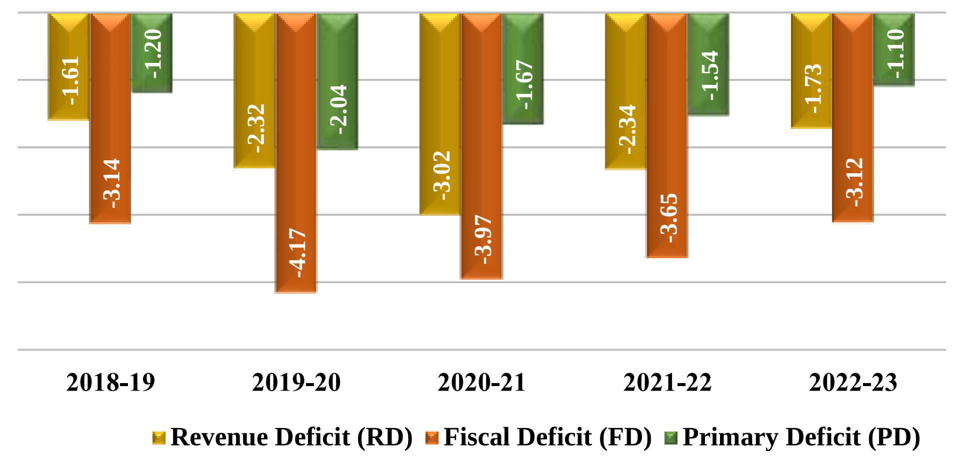


Chart 1.5: Trends in deficit (in percentage of GSDP)



- **Revenue deficit**, which indicates excess of revenue expenditure over revenue receipts, was ₹ 20,333 crore during 2021-22 but decreased to ₹ 17,212 crore in 2022-23, which was more than the budget projections of ₹ 9,774 crore. The 15th Finance Commission in its report had projected Haryana State as revenue surplus State for the year 2022-23, but this could not be achieved.

  The revenue deficit of ₹ 17,212 crore indicates that revenue receipts of the State Government were not sufficient for meeting the revenue expenditure and borrowed funds were used for meeting current consumption instead of capital creation.

- **Fiscal deficit**, which represents total borrowings of the State, i.e. its total resource gap, was ₹ 31,778 crore in 2021-22 but decreased to ₹ 31,027 crore during 2022-23. Fiscal deficit was 3.12 *per cent* of GSDP against the target of 2.98 *per cent* in MTFP and budget projections but was within target of 3.5 *per cent* fixed under 15th Finance Commission.

- **Primary deficit**, which indicates the excess of primary expenditure (total expenditure net of interest payments) over non-debt receipts, decreased from ₹ 13,416 crore in 2021-22 to ₹ 10,931 crore in 2022-23. Existence of primary deficit indicates that the State would need to borrow money even for making interest payments on its borrowed funds.

1.5 Deficits and total debt after examination in audit

1.5.1 Impact on Revenue and Fiscal Deficit

Revenue and fiscal deficits as worked out for the State gets impacted due to various circumstances such as short contribution to Sinking Fund, deferment of clear cut liabilities, etc. In order to arrive at actual deficit figures, the impact of not depositing cess/royalty to Consolidated Fund, Sinking and Redemption funds, etc. need to be reviewed.

Audit observed that the revenue and fiscal deficit was understated by ₹ 1,013.64 crore on account of short contribution to Consolidated Sinking Fund and non-adjustment of interest in balances under Defined Contribution Pension Scheme for Government Employees as shown in ***Table 1.6***.

Table 1.6: Impact on Revenue and Fiscal Deficit

Particulars	Impact on Revenue Deficit (Understated) (₹ in crore)	Impact on Fiscal Deficit (Understated) (₹ in crore)	Ratio before taking the net impact (in *per cent*)		Ratio after taking the net impact (in *per cent*)	
			RD/GSDP	FD/GSDP	RD/GSDP	FD/GSDP
Short contribution to Consolidated Sinking Fund	1,012.31	1,012.31	(-) 1.73	(-) 3.12	(-) 1.83	(-) 3.22
Non-payment of interest in Defined Contribution Pension Scheme for Govt. Employees	1.33	1.33				
Total	**1,013.64**	**1,013.64**				

Source: Finance Accounts

During 2022-23, the revenue deficit and fiscal deficit was ₹ 17,211.52 crore (1.73 *per cent* of GSDP) and ₹ 31,026.88 crore (3.12 *per cent* of GSDP) respectively, as shown in Charts 1.4 and 1.5. If the above transactions were taken into account, the actual revenue deficit and fiscal deficit would work out to ₹ 18,225.16 crore (1.83 *per cent* of GSDP) and ₹ 32,040.52 crore (3.22 *per cent* of GSDP) respectively and the actual revenue deficit and fiscal deficit would have exceeded the MTFP targets by ₹ 8,451.23 crore (86.47 *per cent*) and ₹ 2,422.20 crore (8.18 *per cent*) respectively. Thus, the revenue deficit to GSDP as well as fiscal deficit to GSDP ratio has been understated by 0.10 percentage points.

1.5.2 Post Audit – Total Public Debt

As per the Haryana Fiscal Responsibility and Budget Management Act, 2005 total liabilities means the liabilities under the Consolidated Fund of the State and the Public Account of the State and shall also include borrowings by the Public Sector Undertakings and the special purpose vehicles and other equivalent instruments including guarantee where the principal and/or interest are to be serviced out of the State Budget. The outstanding debt/liabilities can be split into various components as given in ***Table 1.7***.

Table 1.7: Components of outstanding debt/liabilities

(₹ in crore)

Liabilities upon the Consolidated Fund (Public Debt)	**Amount**
Internal Debt (A)	**2,52,780.77**
Market Loans bearing interest	219,185.53
Market Loans not bearing interest	0.02
Compensation and other Bonds	17,300.00
Loans from banks and other Institutions, etc.	9,266.97
Special Securities issued to the National Small Saving Fund of the Central Government	6,356.48
Others	671.77
Loans and Advances from Central Government (B)	**14,290.07***
Non-plan Loans	5.99
Loans for State Plan Schemes	631.48
Others	13,652.60
Liabilities upon Public Accounts (C)	**37,797.53**
Small Savings, Provident Funds, etc.	18,663.82
Deposits	12,110.25
Reserve Funds	7,023.46
Total (A+B+C)	**3,04,868.37**

Source: Finance Accounts

* **Includes back-to-back loans of ₹ 11,745.79 crore to State from GoI in lieu of GST compensation shortfall during the year 2020-21 and 2021-22 which were not to be treated as debt of the State for any norms, as per the guidelines (August 2020/ December 2021).**

Total liabilities to GSDP ratio was higher at 29.48 *per cent* against the normative assessment of 24.52 *per cent* under MTFPS and Budget but within the targets prescribed under 15th Finance Commission.

Besides this, Haryana Police Housing Corporation Limited (HPHCL) raised two loans amounting to ₹ 550 crore (October 2015) and ₹ 300 crore (January 2011) from Housing and Urban Development Corporation Limited (HUDCO) against the State Government guarantee for these loans. As per the condition of the sanctions issued by Home Department, Government of Haryana, the repayment of the principal as well as interest will be made as per loan agreement and the

State Government will make annual allocation of funds in the budget to the tune earmarked in the loan agreements along with interest for making repayment to HUDCO. The Finance Department stands committed to provide required funds to HPHCL for repayment of both principal and interest. As per para 10(3) of Haryana FRBM Act, 2005, when the State Government undertakes to repay liabilities unconditionally and substantially of any separate legal entity, it has to reflect such liability as borrowings of the State. The Government of Haryana's liability for repayment of loan raised by Haryana Police Housing Corporation Limited (₹ 845.35 crore, of which ₹ 22.05 crore was raised during 2022-23) was not reflected as debt of the Government of Haryana in the accounts.

During the year 2022-23, HPHCL repaid amount of ₹ 85 crore (₹ 55 crore plus ₹ 30 crore) towards these loans to HUDCO against the outstanding loans amounting to ₹ 342.05 crore at the beginning of the year i.e. 1 April 2022. Loans of ₹ 22.05 crore have been raised during the year leaving balance of ₹ 279.10 crore at the end of the year i.e. 31 March 2023. Thus, understatement of borrowings to that extent resulted in 0.01 *per cent* understatement of fiscal deficit.