

CHAPTER-I

OVERVIEW

1.1 Profile of the State

Uttar Pradesh is the most populous State with about 17 per cent of India's population and fourth largest State in terms of geographical area (2,40,928 sq. km.). Administratively, Uttar Pradesh is divided into 75 districts. The State has a population density¹ of 978 persons per sq. km. as against the all-India average of 422 persons per sq. km. In terms of Gross State Domestic Product, Uttar Pradesh was the fourth largest State economy in the country during 2022-23. The General Data relating to the State is given in **Appendix 1.1**.

1.1.1 Gross State Domestic Product of the State

Gross State Domestic Product (GSDP) is the value of all goods and services produced within the boundaries of the State in a given time period. 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. The trends in annual growth of Gross Domestic Product (GDP) of India and GSDP of the State at current prices are given in **Table 1.1**.

Table 1.1: GDP of India and GSDP of the State at current prices (2011-12 series)²

	(₹ in crore)				
Year	2018-19	2019-20	2020-21	2021-22	2022-23
INDIA					
GDP (2011-12 Series)	18899668	20103593	19829927	23471012	27240712
GVA	17175128	18381117	18188780	21438883	24742871
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)	10.77	7.02	(-)-1.05	17.87	15.41
Per Capita GDP (in ₹)	142424	149915	146301	171498	196983
STATE OF UTTAR PRADESH					
GSDP	1582180	1700062	1645317	1974532	2257575
GSVA	1442854	1555213	1513794	1807296	2066139
Growth rate of GSDP over previous year (in per cent)	9.88	7.45	(-)-3.22	20.01	14.33

¹ Population Projections for India and States 2011-2036 by National Commission of Population, Ministry of Health & Family Welfare.

² GDP and GSDP at current prices for the years 2019-20 to 2021-22 are revised by the Central/State Government, hence, percentage ratio/buoyancies of various parameters with reference to GDP/GSDP for 2019-20 to 2021-22 indicated in earlier State Finances Audit Reports have also been revised.

Year	2018-19	2019-20	2020-21	2021-22	2022-23
Growth rate of GSVA over previous year (in per cent)	9.00	7.79	(-)2.66	19.39	14.32
Per Capita GSDP (in ₹)	70565	74679	71184	84139	96193

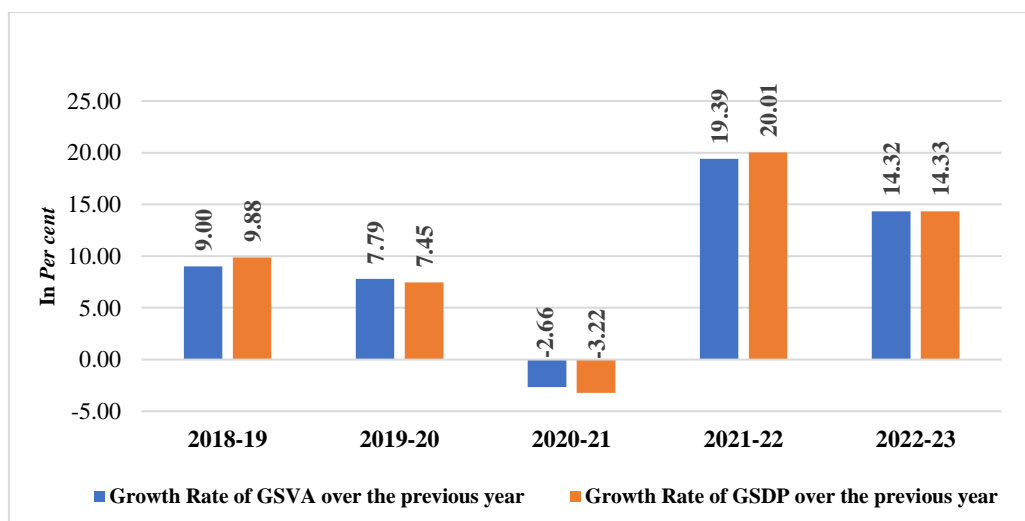
Source: Ministry of Statistics and Programme Implementation, Government of India (GoI)

As detailed in **Table 1.1**, GSDP of Uttar Pradesh was ₹ 22,57,575 crore in the year 2022-23 with a growth rate of 14.33 per cent over the previous year 2021-22. GSDP of the State witnessed a comparatively negative growth rate of 3.22 per cent in the COVID-19 pandemic-hit year 2020-21. However, State's GSDP subsequently grew by 20.01 per cent in the year 2021-22 as compared to the previous year. However, during 2022-23, the GSDP growth rate (14.33 per cent) was lower than the GDP growth rate (16.06 per cent). Further, the per capita GSDP of the State (₹ 96,193) was less than per capita GDP (₹ 1,96,983).

Gross Value Added (GVA) is being used for economic analysis by Government of India and international organisations like International Monetary Fund 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 of the various expenditure 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 the GVA and GSVA data for better analysis and making policy interventions.

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

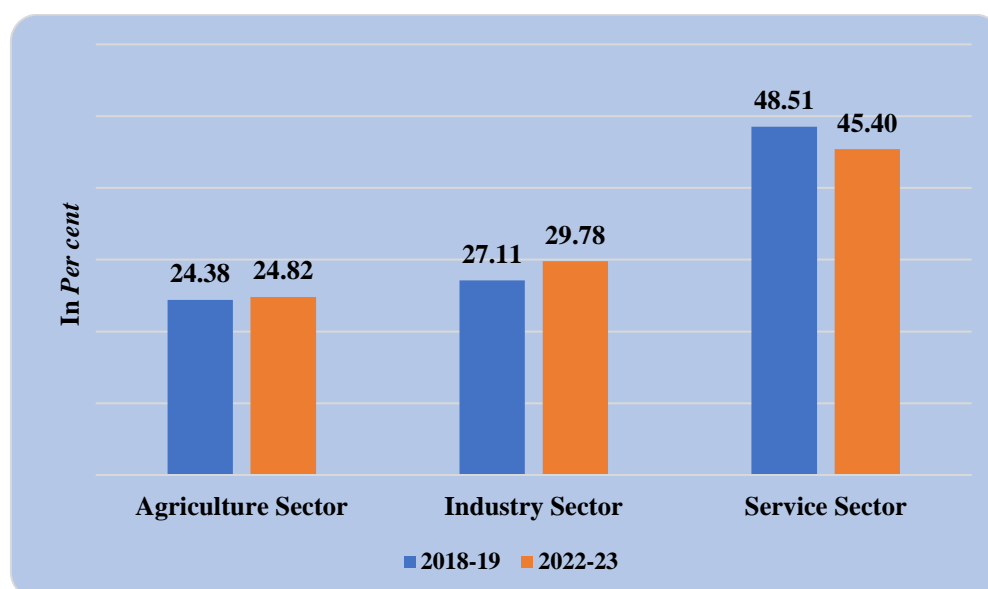
Chart 1.1: Growth rate of GSDP vs GSVA (2018-19 to 2022-23)



Source: Ministry of Statistics and Programme Implementation GoI.

Changes in sectoral contribution to the GSDP is important to understand the changing structure of the economy. Economic activity is generally divided into Primary, Secondary and Tertiary sectors, which correspond to Agriculture, Industry and Service sectors respectively. Comparative position of sectoral contribution to GSDP in 2022-23 with that of 2018-19 and sectoral growth rates during this period are given in **Chart 1.2** and **Chart 1.3** respectively.

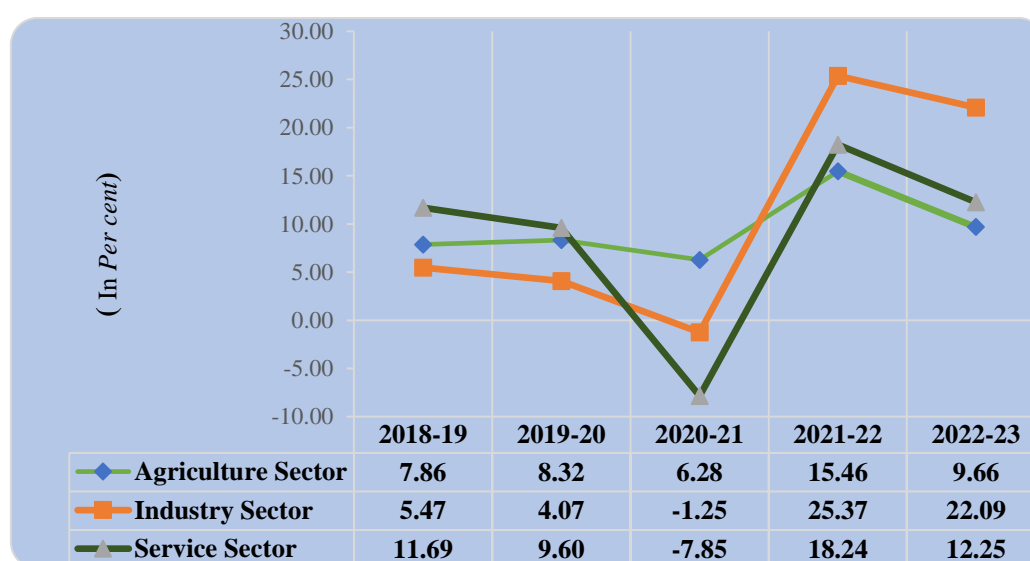
Chart 1.2: Change in sectoral contribution to GSVA during the period 2022-23 as compared to 2018-19



Source: Ministry of Statistics and Programme Implementation, GoI

Note: **Agriculture (Primary) Sector** includes Crop, Livestock, Forestry, Fishing and aquaculture; **Industry (Secondary) Sector** includes Mining and quarrying, Manufacturing, Electricity, Gas, Water supply & other utility services and Construction and **Service (Tertiary) Sector** includes Trade, Repair, Hotels and restaurants, Transport, Storage, Communication & services related to broadcasting, Financial services, Real estate, Public administration and Other services.

Chart 1.3: Sectoral growth rate of GSVA during the period 2018-23



Source: Ministry of Statistics and Programme Implementation, GoI

It is evident from **Chart 1.2** that Service sector was the largest contributor to State's GSVA during 2022-23 followed by Industry sector and Agriculture sector. **Chart 1.3** presents that there was a decrease in sectoral growth of all the three sectors, *viz.*, Agriculture sector, Industry sector and Service sector in the year 2022-23 with comparison to the year 2021-22.

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 Article 151(2) of the Constitution of India.

Accountant General (Accounts & Entitlements) prepares the Finance Accounts and Appropriation Accounts of the State annually, from the vouchers, challans and initial and subsidiary accounts 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 Accountant General (Audit) and certified by the CAG.

Finance Accounts and Appropriation Accounts of the State together with the Budget document of the State constitute the core data for this Report. Other sources include the following:

- Results of audit carried out by the Office of the Accountant General (Audit);
- Other data with Departmental Authorities and Treasuries (accounting as well as MIS); and
- GSDP data and other State related statistics.

The analysis was also carried out in the context of recommendations of the Finance Commissions, Uttar Pradesh Fiscal Responsibility and Budget Management (UPFRBM) Act, 2004 as amended from time to time, Budget Estimates along with Medium Term Fiscal Restructuring Policy (MTFRP), best practices and guidelines of the Government of India (GoI). The draft SFAR was forwarded (November 2023 and January 2024) to the State Government for comments. Replies of the State Government were awaited.

1.3 Overview of Government Accounts Structure and Budgetary Processes

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

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 upon 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.

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 concerned functional major head relating to the Consolidated Fund of the State.

iii. Public Account 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 repayable 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 balance after disbursement is the fund available with the Government for use. 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 (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 receipts consist of tax revenues (own tax revenue and share of Union Taxes/ Duties), non-tax revenues and grants-in-aid from GoI.

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-in-aid 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, Ways and Means Advances, Loans and Advances from Central Government, *etc.*
- **Non-debt receipts:** Proceeds from disinvestment, Recoveries of loans and advances, *etc.*

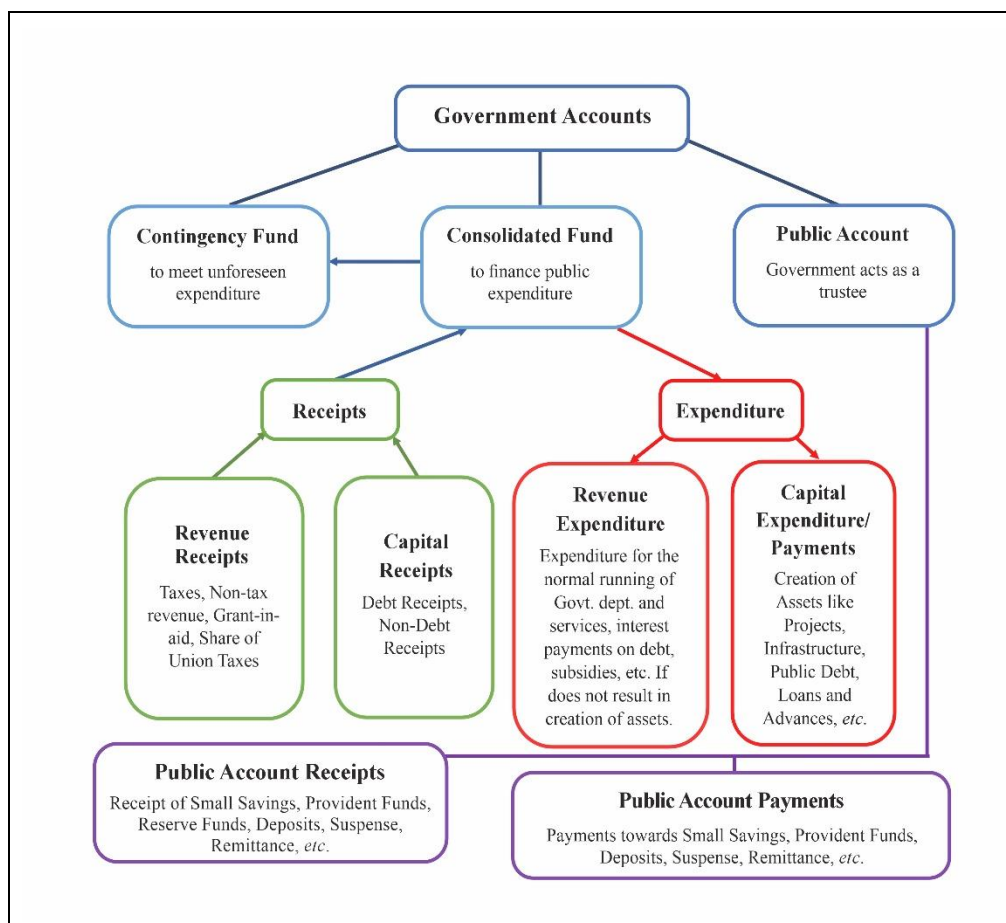
Capital Expenditure is broadly defined as expenditure incurred with the object of increasing concrete assets of a material and permanent character. It includes expenditure on the acquisition of land, building, machinery, equipment, investment in PSEs.

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 (LMMH) of Account of Union and States, issued by Controller General of Accounts (CGA)	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)

The functional classification helps in identifying 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. Object head is the primary unit of appropriation in the budget documents.

Chart 1.4: 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), 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 Savings, Provident Fund, *etc.*’, ‘Reserve Funds’ and ‘Deposit and Advances’ under Public Accounts 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 Liability’ has been taken to include the transactions relating to ‘Small Savings, Provident Fund, *etc.*’, ‘Reserve Funds’ and ‘Deposits’ along with the transactions under major heads 6003 and 6004.

Finance Accounts and Appropriation Accounts

The transactions of the State Government are captured in Finance Accounts and Appropriation Accounts, which are prepared by the office of the Accountant General (Accounts & Entitlement), Uttar Pradesh.

Finance Accounts of the State present the accounts of receipts and outgoings of the Government for the year, together with the financial results disclosed by the Revenue and Capital accounts, the accounts of the Public Debt and the liabilities and assets of the State Government as worked out from the balances recorded in the accounts. The figures in the Finance Accounts are depicted at net level, *i.e.*, after accounting for recoveries as reduction of expenditure.

Appropriation Accounts are accounts of the expenditure of the Government for each financial year, compared with the amounts of Grants voted and Appropriations charged for different purposes as specified in the schedules appended to the Appropriation Act passed under Articles 204 and 205 of the Constitution of India. Appropriation Accounts are on gross basis. These Accounts facilitate understanding of utilisation of funds, the management of finances and monitoring of budgetary provisions and are, therefore, complementary to the Finance Accounts.

Budgetary Processes

In terms of Article 202 of the Constitution of India, the Governor of the State shall cause to be laid before the State Legislature, a statement of the estimated receipts and expenditure of the State for the year, referred to as the **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 Uttar Pradesh 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 budget and implementation of other budgetary initiatives of the State Government are detailed in **Chapter III** of this Report.

1.4 Snapshot of Finances

Table 1.2 provides the details of actual financial results *vis-à-vis* Budget Estimates for the year 2022-23 *vis-à-vis* actuals of 2021-22.

Table 1.2: Budget Estimates vis-à-vis actuals of 2022-23 as compared to actuals of 2021-22

(₹ in crore)

Sl. No.	Components	2021-22 (Actuals)	2022-23 (Budget Estimates)	2022-23 (Actuals)	2022-23 Percentage of Actuals to Budget Estimates	2022-23 Percentage of Actuals to GSDP
1.	Tax Revenue of which	307725.79	367153.76	343832.45	93.65	15.23
(i)	Own Tax Revenue	147367.74	220655.00	174087.15	78.90	7.71
(ii)	Share of Union taxes/duties	160358.05	146498.76	169745.30	115.87	7.52
2.	Non-Tax Revenue	11435.97	23406.48	13489.46	57.63	0.60
3.	Grants-in-aid from GoI	51849.68	108652.47	59919.59	55.15	2.65
4.	Revenue Receipts (1+2+3)	371011.44	499212.71	417241.50	83.58	18.48
5.	Recovery of Loans and Advances (Non-Debt Capital Receipt)	939.43	2565.00	1337.32	52.14	0.06
6.	Miscellaneous Capital Receipts	0	0	0	-	0
7.	Borrowings and Other Liabilities*	39286.42	81177.98	64636.26	79.62	2.86
8.	Capital Receipts (5+6+7)	40575.69	83742.98	65973.58	78.78	2.92
9.	Total Receipts (4+8)	411587.13	582955.69	483215.08	82.89	21.40
10.	Revenue Expenditure of which	337581.38	456089.06	379978.06	83.31	16.83
11.	Interest payments	42875.56	45987.46	43007.98	93.52	1.91
12.	Capital Expenditure	71442.55	123919.85	93028.39	75.07	4.12
13.	Disbursement of Loans and advances	1613.36	2946.78	10208.63	346.43	0.45
14.	Appropriation to the Contingency Fund	600	0	0	-	0.00
15.	Total Expenditure (10+12+13+14)	411237.29	582955.69	483215.08	82.89	21.40
16.	Revenue Deficit (-)/ Surplus (+) (4-10)	33430.06	43123.65	37263.44	86.41	1.65
17.	Fiscal Deficit (-)/ Surplus (+) (4+5+6-15)	(-)39286.42	(-)81177.98	(-)64636.26	79.62	2.86
18.	Primary Deficit (-)/ Surplus {(4+5+6)-(15-11)}	3589.14	(-)35190.52	(-)21628.28	61.46	0.96

Source: Finance Accounts of the respective years and budget documents of the State Government

* 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

During the year 2022-23, Tax Revenue of the State was 6.35 per cent below the projections made in the budget estimates. The State had registered revenue surplus of ₹ 37,263.44 crore during the year 2022-23 which was 13.59 per cent below the projections made in the Budget 2022-23. Further, fiscal deficit for the year 2022-23 was ₹ 64,636.26 crore which was 20.38 per cent below the budget projections and it was 2.86 per cent of the GSDP.

1.4.1 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 account and reserve funds and the assets comprise mainly the capital outlay and loans and advances given by the State Government and cash balances.

An abstract of liabilities and the assets as on 31 March 2023 compared with the corresponding position on 31 March 2022, as depicted in Statement 1 of Finance Accounts 2022-23 of the State, is given in **Table 1.3**.

Table 1.3: Summarised position of Assets and Liabilities

(₹ in crore)

Liabilities				Assets			
Particulars	As on 31 March 2022	As on 31 March 2023	Per cent increase/decrease	Particulars	As on 31 March 2022	As on 31 March 2023	Per cent increase/decrease
Consolidated Fund							
A Internal Debt	496422.89	533476.54	7.46	A Gross Capital Outlay	705544.77	798573.16	13.19
B Loans and Advances from GoI	27261.33*	34364.15*	26.05	B Loans and Advances	27880.79	36752.10	31.82
Contingency Fund							
Contingency Fund (Corpus)	1200.00	1200.00	0.0	Contingency Fund (unrecouped)	600.00**	0.06	-99.99
Public Account							
A Small Savings, Provident Funds, etc.	59314.53	59727.44	0.70	A Advances	58.58	58.58	0.00
B Deposits	24037.36	27636.11	14.97	B Remittance	103.99	0	-100
C Reserve Funds	8920.20	12611.99	41.39	C Suspense and Miscellaneous Balances	1750.95	1716.13	-1.99
D Remittances	0.00	952.62	952.62	Cash balance (including investment from Earmarked Fund)	44533.16	32848.19	-26.24
E Cumulative Excess of Receipt over expenditure	163315.93	199979.37	22.45	Cumulative Excess of Expenditure over Receipts	0.00	0.00	0.00
Total	780472.24	869948.22	11.46	Total	780472.24	869948.22	11.46

Source: Finance Accounts 2022-23

*This includes back to back loan received during 2020-21 (₹ 6,007 crore) and 2021-22 (₹8,139.94 crore) in lieu of GST compensation shortfall with no repayment liability to the State.

** This is transfer to Contingency Fund for increasing the corpus of the Fund during 2021-22

According to UPFRBM Act, 2004, the total liabilities means the liabilities under the Consolidated Fund of the State and the Public Account of the State. Statement 6 of the Finance Accounts 2022-23 depicts the total liabilities of the State. As on 31 March 2023, the total liabilities of the State stood at ₹ 6,62,316.24 crore which included internal debt of the State Government (₹ 5,33,476.54 crore), loans and advances from GoI (₹ 34,364.15 crore) and other Public Account liabilities (₹ 94,475.55 crore). Net increase in internal debt by 7.46 per cent (₹ 37,053.65 crore) and Loans and Advances from GoI by 26.05 per cent (₹ 7,102.82 crore) over the previous year were the main contributing factors for increase (₹ 49,359.91 crore) in total liabilities from ₹ 6,12,956.33 crore as on 31 March 2022. Debt management of the State Government is detailed in **Chapter II** of this report.

1.5 Fiscal Balance: Achievement of deficit and total debt targets

The Government of Uttar Pradesh enacted the Uttar Pradesh Fiscal Responsibility and Budget Management (UPFRBM) Act, 2004 with the objective of ensuring prudence in fiscal management by achieving sufficient revenue surplus, reducing fiscal deficit, establishing improved debt management, improving transparency in fiscal operations of the State Government and using a medium term fiscal framework. In this context, the Act provides quantitative targets to be adhered by the State with regard to deficit measures and debt level.

The performance of the State during the period 2018-23 under key fiscal indicators provided in the UPFRBM Act as amended from time to time is depicted in **Table 1.4**.

Table 1.4: Compliance with provisions of UPFRBM Act

Parameters	Fiscal targets set in the Act	Achievement				
		2018-19	2019-20	2020-21	2021-22	2022-23
Revenue Deficit (-)/ Surplus (+) (₹ in crore)	Reduce Revenue Deficit to Nil by year ending on 31 March 2009	28250	67560	(-) 2367	33430	37263
		✓	✓	✗	✓	✓
Fiscal Deficit (-)/ Surplus (+) (as percentage of GSDP)	Not more than three per cent of GSDP in 2018-19 and 2019-20, five per cent for 2020-21 and four per cent for 2021-22 and 3.5 per cent for 2022-23.	(-) 35203	11083	(-) 54622	(-) 39286	(-) 64636
		(-) 2.22	0.65	(-) 3.32	(-) 1.99	(-) 2.86
		✓	✓	✓	✓	✓
Ratio of total outstanding liability* to GSDP (in per cent)	Not more than 30.50 per cent during 2018-19 and 30.00 per cent during 2019-20.	32.75	29.55	33.97	30.33	28.71
		✗	✓	Targets of debt stock to GSDP under FRBM Act was not fixed for the year 2020-21, 2021-22 and 2022-23.		

Source: Budget documents of the State Government, UPFRBM Act, 2004 as amended from time to time and Finance Accounts of the respective years

*Total outstanding liabilities to GSDP per cent has been calculated excluding back to back loan received during 2020-21 (₹ 6,007 crore) and 2021-22 (₹ 8,139.94 crore) in lieu of GST compensation shortfall with no repayment liability to the State.

As indicated in **Table 1.4**, the ratio of fiscal deficit to GSDP was within the targets of set out in the UPFRBM (Amendment) Act during the period 2018-19 to 2022-23. Further, the State Government informed (August 2023) that the action on fixing the targets for debt stock to GSDP would be taken after receiving the directions of Government of India on the recommendations of Fifteenth Finance Commission regarding fiscal road map of the States. However, the ratio of total outstanding debt to GSDP (28.71 per cent) was within the limit (40.50 per cent of GSDP) recommended by 15th Finance Commission as indicative debt path for the year 2022-23.

1.5.1 Medium Term Fiscal Restructuring Policy (MTFRP)

UPFRBM Act, 2004 lays down that the State Government shall in each financial year lay before both Houses of the Legislature a Medium-Term Fiscal Restructuring Policy (MTFRP) along with the annual budget. The MTFRP shall set forth a five-year rolling targets for the prescribed fiscal indicators with specification of underlying assumptions.

1.5.2 Comparative position of fiscal parameters: Projected in MTFRP with Actuals

Comparison of targets for fiscal parameters projected in MTFRP 2022 presented to the State Legislature with actuals for the year 2022-23 are depicted in **Table 1.5**.

Table 1.5: Projection in MTFRP vis-à-vis Actuals for 2022-23

(₹ in crore)				
Sl. No.	Fiscal Variables	Projection as per MTFRP	Actuals (2022-23)	Variation (in per cent)
1	Own Tax Revenue	220655	174087	-21.10
2	Non-Tax Revenue	23406	13489	-42.37
3	Share of Union taxes/duties	146499	169745	15.87
4	Grants -in-aid from GoI	108652	59920	-44.85
5	Revenue Receipts (1+2+3+4)	499213	417241	-16.42
6	Revenue Expenditure	456089	379978	-16.69
7	Revenue Deficit (-)/ Surplus (+)	43124	37263	-13.59
8	Fiscal Deficit (-)/ Surplus (+)	(-)81178	(-)64636	-20.38
9	Primary Deficit (-)/ Surplus (+)	(-)35191	(-)21628	-38.54
10	Debt stock-GSDP ratio (per cent)	32.5	28.71*	-11.66
11	GSDP growth rate at current prices (per cent) ³	17.08	14.33	-16.10

Source: Finance Accounts 2022-23 and budget documents of State Government.

*Debt Stock to GSDP per cent has been calculated excluding back to back loan received during 2020-21 (₹6,007 crore) and 2021-22 (₹8,139.94 crore) in lieu of GST compensation shortfall with no repayment liability to the State

As detailed in **Table 1.5**, against the projection for Revenue Surplus of ₹ 43,124 crore in MTFRP for 2022-23, State has registered Revenue surplus of ₹ 37,263 crore during the year mainly due to shortfall of Revenue Receipts by

³ In MTFRP 2022, the State Government had projected GSDP of ₹ 17,49,469 crore and ₹ 20,48,234 crore for the year 2021-22 and 2022-23 respectively.

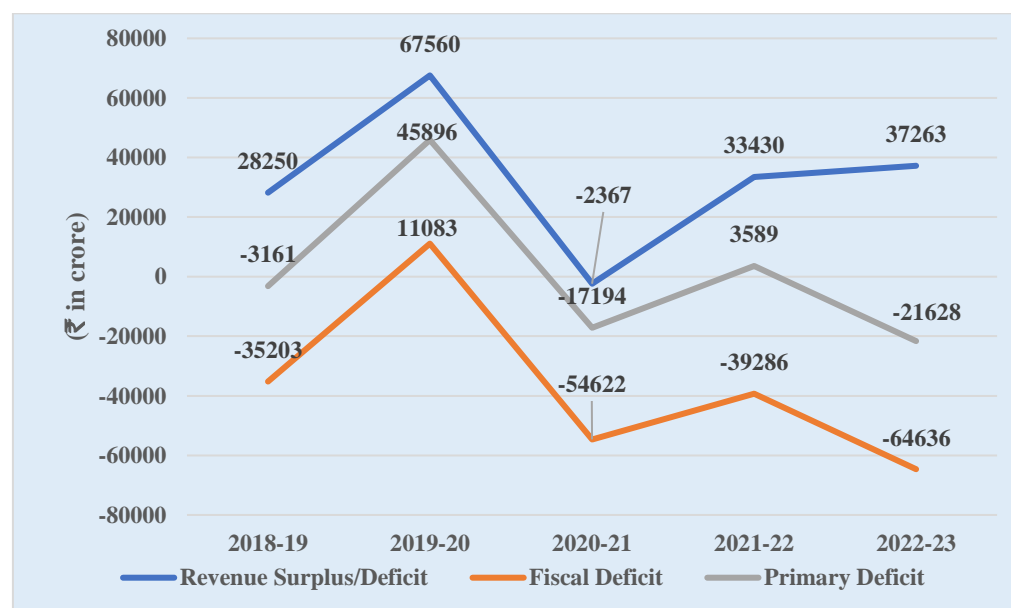
₹ 81,972 crore (16.42 per cent) from MTFRP projections, which was due to less receipts of Own Tax Revenue (₹ 46,568 crore), Non-Tax Revenue (₹ 9,917 crore) and Grants-in-aid from GoI (₹ 48,732 crore) as compared to MTFRP projections. However, there was increase of ₹ 23,246 crore in share of union taxes/duties as compared to MTFRP projection. Further analysis revealed that shortfalls in Own Tax Revenue *vis-à-vis* budget projections were mainly under State Goods and Services Taxes (₹ 24,123 crore) followed by State excise (₹ 7,900 crore), Stamps and Registration fee (₹ 4,848 crore), Taxes on sales, trade *etc.* (₹ 4,234 crore) and Taxes on vehicles (₹ 1,828 crore).

Less revenue expenditure (₹ 76,111 crore) as compared to MTFRP projections were due to lower expenditure under General Services (₹ 32,982 crore), Social Services (₹ 30,190 crore), Economic Services (₹ 12,938 crore) Sectors. The trend of State Government's receipts and expenditure has been analysed in **Chapter II** of the Report.

1.5.3 Trend analysis of Key Fiscal Indicators

Trend analysis for the period 2018-23 of key fiscal indicators *viz.* deficit parameters (fiscal deficit/surplus, revenue deficit/surplus and primary deficit/surplus), ratio of surplus/deficit to GSDP and fiscal liabilities to GSDP are depicted in the following **Charts 1.5, 1.6 and 1.7**.

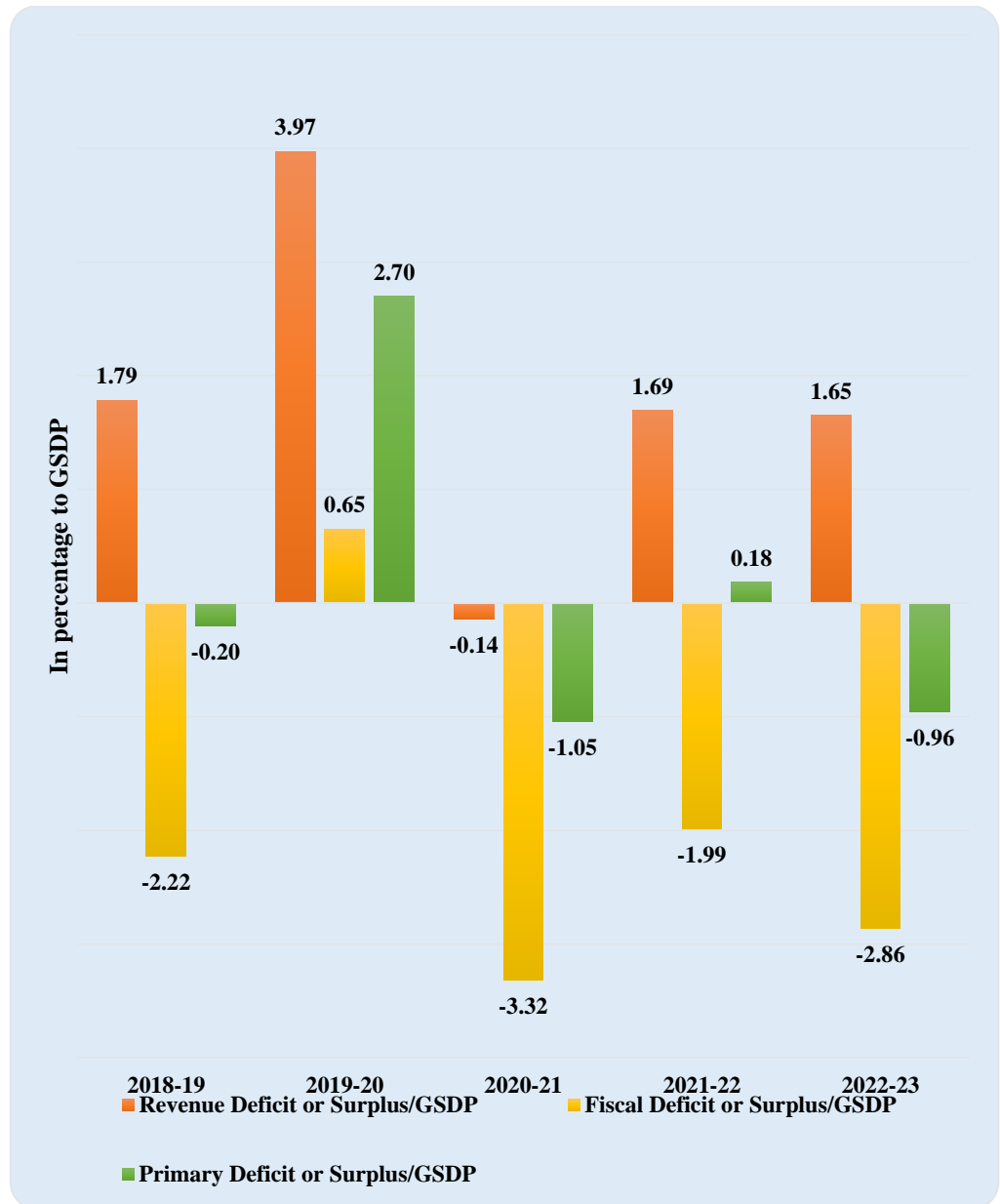
Chart 1.5: Trends in Surplus/Deficit Parameters



Source: Finance Accounts of the respective years

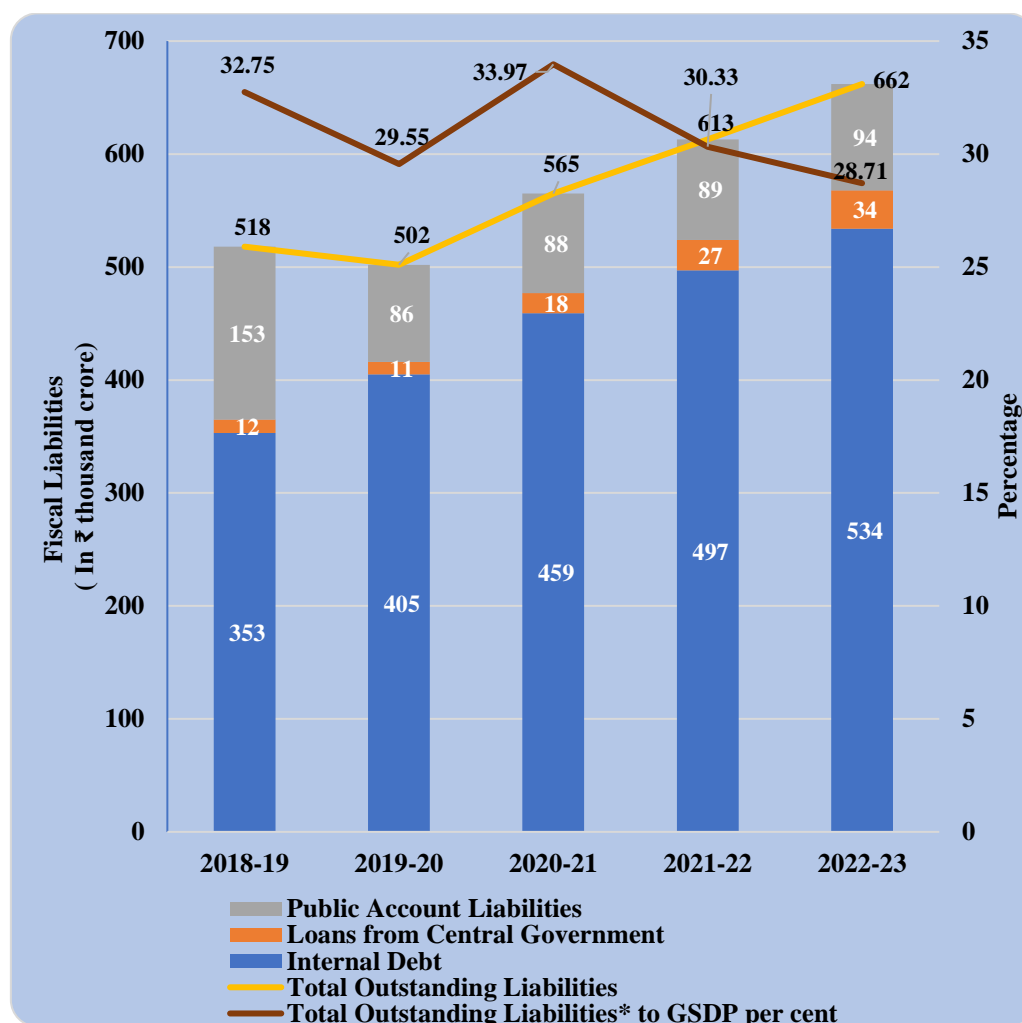
Note: Revenue Surplus, primary surplus and Fiscal Surplus during the year 2019-20 were mainly due to transfer of book balance of ₹ 71,180 crore of Sinking Fund in March 2020 to Non Tax Revenue without actual cash receipt.

Chart 1.6: Trends in Surplus/Deficit relative to GSDP



Source: Finance Accounts of the respective years and Ministry of Statistics and Programme Implementation, GoI

Chart 1.7: Trends in Fiscal Liabilities and GSDP



Source: Finance Accounts of the respective years and Ministry of Statistics and Programme Implementation, GoI

* Total outstanding liabilities to GSDP per cent has been calculated excluding back to back loan received during 2020-21 (₹ 6,007 crore) and 2021-22 (₹ 8,139.94 crore) in lieu of GST compensation shortfall with no repayment liability to the State.

Total outstanding liabilities of the State has consistently risen during 2018-19 to 2022-23, except in 2019-20 when Public Accounts liability was reduced due to transfer of sinking fund of ₹ 71,180 crore as Non Tax Revenue. Internal Debt increased from ₹ 3,53,190 crore in the year 2018-19 to ₹ 5,33,477 crore in the year 2022-23. Though during 2022-23, outstanding fiscal liabilities of the State increased by ₹ 49,360 crore (8.05 per cent) over the previous year, the total debt to GSDP per cent had showed a declining trend during the period 2020-21 (33.97 per cent) to 2022-23 (28.71 per cent).

1.6 Deficits and Total Debt after examination in audit

Deficits and debt position are two important fiscal indicators in assessing the financial health of the State. These indicators are also critically viewed by other stakeholders, viz., Union Government, Financial Institutions, Banks, etc., while offering any further financial support by way of grant/loan, etc. In order to

present a better picture of State Finances, classification of revenue expenditure as capital expenditure and conducting extra budget fiscal operations which came to notice of Audit are detailed in the following paragraphs.

1.6.1 Post audit – Deficits/surplus

As per the FRBM Act, the State Government must ensure compliance to the targets fixed for the fiscal indicators. The Revenue Deficit and the Fiscal deficit as worked out for the State gets impacted due to various circumstances such as, misclassification of revenue expenditure as capital and *vice versa*, interest not credited in interest-bearing reserves, *etc.*, which are discussed in the Report in succeeding Chapters. In order to arrive at actual deficit/surplus figures, the effect of misclassification of revenue expenditure/capital outlay and/or any such misclassification needs to be included and the impact of the aforesaid issues needs to be addressed and appropriately factored into.

The impact of the above issues has resulted in overstatement of state revenue surplus and understatement of fiscal deficit by ₹ 3,356.11 crore and ₹ 3,326.58 crore respectively during the year 2022-23 which has been worked out in **Table 1.6** and result of audit impact has been depicted in **Table 1.7**.

Table 1.6: Revenue and Fiscal Deficits post examination by Audit

(₹ in crore)

Particulars	Impact on Revenue Surplus		Impact on Fiscal Deficit	
	Over-statement	Under-statement	Over-statement	Under-statement
(1)	(2)	(3)	(4)	(5)
Short contribution to Consolidated Sinking Fund (Refer to Paragraph 2.5.2.1)	428.48	-	-	428.48
Interest not credited to the State Disaster Response Fund (Refer to Paragraph 2.5.2.3)	266.56	-	-	266.56
Interest not credited to the State Compensatory Afforestation Fund (Refer to Paragraph 2.5.2.6)	37.02			37.02
Misclassification of expenditure between Revenue to Capital and vice-versa (Refer to Paragraphs 3.2.2 and 3.4.2.4)	29.53	-	-	-
Interest not credited on balances of Defined Contributory Pension scheme (Refer to Paragraph 4.2)	30.75	-	-	30.75
Short contribution to Guarantee Redemption Fund (Refer to Paragraph 2.5.2.5)	1742.18			1742.18
Short contribution to Central Road and Infrastructure Fund (Refer to Paragraph 2.5.2.7)	658.75			658.75
Short contribution to Building and other Construction Workers Welfare Cess (Refer to Paragraph 2.5.3.1)	7.23			7.23
Non-transfer of fund to Uttar Pradesh Road Transport Accident Relief Fund (Refer to Paragraph 4.3)	155.61			155.61
Net Impact	₹ 3356.11 crore (Overstatement of revenue surplus)		₹ 3326.58 crore (Understatement of fiscal deficit)	

Source: Finance Accounts 2022-23 and audit analysis.

Table 1.7: Result of audit impact

(₹ in crore)

Sl. No.	Particular	As per Accounts	Understated (-)/ Overstated (+) by	Actual/ Post audit examination
1	2	3	4	5 = 3-4
1	Revenue Surplus	37263.44	3356.11	33907.33
2	Fiscal Deficit	64636.26	(-)3326.58	67962.84

Source: Audit analysis

1.7 Post audit – Total Public Debt

Apart from usual components of debts, viz., market borrowings, borrowings from Financial Institutions/Banks, etc., the broader definition of ‘total outstanding public debt’ also includes the extra-budget borrowings. Extra-budget borrowings or extra-budget financing generally refer to use of those financial resources by the Government for meeting expenditure requirements in a particular year or years, which are not reflected in the budget for that year/those years for seeking grant/appropriation, and hence remaining outside legislative control. These are financed through Government owned or controlled public sector enterprises or departmental commercial undertakings, which raise the resources through market borrowings on behalf of the Government. However, the Government has to repay the debt and/or service the debt from its budget.

The State Government, may bypass the stipulated Net Borrowing Ceiling by routing loans outside the budget through various State Government PSUs/Corporations/other Bodies despite being responsible for repayment of such loans. Creating such liabilities, without disclosing them in the budget, raises questions both of transparency and of inter-generational equity. Such extra-budget borrowings are not taken in the disclosure statements in the budget documents or in the accounts, nor do these have legislative approval.

Examination of Audit revealed that during the year 2022-23, the State Government resorted to extra-budget borrowings which is discussed in detail in **Paragraph 4.1** of the Report. As on 31 March 2023, extra-budget borrowings of ₹ 24,314.36 crore was outstanding, which has impact on the overall debt stock of the State as given in **Table 1.8**.

Table 1.8: Component of outstanding debt/liabilities as on 31 March 2023

(₹ in crore)

Borrowings and other liabilities as per Finance Accounts 2022-23	Amount
Internal Debt (A)	533476.54
Market Loans	447467.50
Loans from Financial Institutions	50638.47
Special Securities issued to National Small Savings Fund	35248.39
Other Loans	122.18
Loans and Advances from the Central Government(B)	34364.15

Borrowings and other liabilities as per Finance Accounts 2022-23	Amount
Ways and Means Advances	1.43
Pre 1984-85 Loans	9.94
Loans to cover gap in resources	14146.94
Block Loans	877.00
Special Assistance	1134.62
Other Loans	18194.22
Liabilities upon Public Accounts (C)	94475.55
Small Savings Provident Funds <i>etc.</i>	59727.44
Reserve Funds	7111.99
Deposits	18867.27
Deposits, yet to be apportioned between UP and Uttaranchal	8768.85
Total (A+B+C)	662316.24
Extra-budget borrowings	
Extra budget borrowing during 2022-23	3488.00
Extra-budget borrowings as on 31.03.2023	24314.36
Grand Total	686630.60

Source: Finance Accounts 2022-23 and information provided by Department of Finance

Thus, after including the extra budget borrowings the overall debt/liabilities of the State as on 31.03.2023 was ₹ 6,86,630.60 crore as against ₹ 6,62,316.24 crore as per Accounts. However, the borrowing and other liabilities of the State was ₹ 6,72,483.66 crore after excluding back to back loan received during 2020-21 (₹ 6,007 crore) and 2021-22 (₹ 8,139.94 crore) in lieu of GST compensation shortfall with no repayment liability to the State. The outstanding liabilities as a percentage of GSDP was 29.79 *per cent* after including extra budget borrowings but excluding back to back loan in lieu of GST compensation shortfall.