

About the Report

This Report of the CAG of India is on the State Finances for the year 2022-23. It provides an overview of the finances, budgetary management and quality of accounts, financial reporting practices and other matters relevant to State Finances.

This executive summary highlights the contents of this report and through snapshots of the important figures and aspects, provides insight into fiscal sustainability, performance against the budget intent, revenue and expenditure projection, the reasons for variations and its impact.

Gross State Domestic Product (GSDP) (at current prices) increased from ₹ 9,11,519 crore in 2018-19 to ₹ 14,13,620 crore in 2022-23 which grew at 16.04 *per cent* in 2022-23 over previous year. Total Expenditure of the State increased by 31.42 *per cent* from ₹ 1,87,524 crore in 2018-19 to ₹ 2,46,452 crore in 2022-23.

The revenue receipts grew at 6.02 *per cent* over the previous year and the percentage of revenue receipts over GSDP declined from 15.10 *per cent* in 2021-22 to 13.79 *per cent* in 2022-23. The tax revenue increased by 12.22 *per cent* during the period and the State's own tax revenue increased by 16.76 *per cent*. The total expenditure (revenue expenditure, capital expenditure and loans and advances) of the State increased from ₹ 2,34,563 crore in 2021-22 to ₹ 2,46,452 crore in 2022-23 increasing by 5.07 *per cent*. Of this, revenue expenditure showed 7.96 *per cent* increase from 2021-22. Revenue deficit increased from ₹ 25,870 crore to ₹ 31,491 crore registering 21.73 *per cent* increase over 2021-22, while fiscal deficit increased from ₹ 48,238 crore in 2021-22 to ₹ 51,028 crore in 2022-23 increasing by 5.78 *per cent*.

Receipt-Expenditure Mismatch

The continuous mismatch between receipts and expenditure indicates rising fiscal stress. The State has different sources of receipts such as State Own Tax Revenue, Non-tax Revenue, Devolution of States' share in taxes, Grants in aid and transfers from the Union Government and non-debt capital receipts. The State Government's expenditure includes expenditure on revenue account as well as capital expenditure (assets creation, loans and advances, investments, etc).

From 2018-19 to 2022-23, revenue receipts grew from ₹ 1,37,873 crore to ₹ 1,94,988 crore, with an average annual growth rate of 9.75 *per cent*. Capital receipts decreased from ₹ 36,110 crore to ₹ 35,264 crore during this period. The share of Grants-in-aid in revenue receipts rose from 14.53 *per cent* in 2018-19 to 15.31 *per cent* in 2022-23, indicating increased reliance on support from the Government of India. The State Government received ₹ 14,554 crore as Central share for the Centrally Sponsored Schemes (CSSs) in the year.

Revenue expenditure is incurred to maintain the current level of services and payment for the past obligation. As such, it does not result in any addition to the State's infrastructure and service network. Between 2018-19 and 2022-23, revenue expenditure increased from ₹ 1,66,773 crore (18.30 *per cent* of GSDP) to ₹ 2,26,479 crore (16.02 *per cent* of GSDP). It consistently made up a significant portion (88.93 to 91.90 *per cent*) of the total expenditure during this period.

Funds to Single Nodal Agency

The Government of India and the State Government have introduced system of Single Nodal Agency (SNA) for implementation and fund flow for each Centrally Sponsored Scheme (CSS). The share of the Government of India and the State Government is transferred to the Bank Account of the SNA lying outside the Government Account.

The State Government received ₹ 13,826.93 crore being Central share during 2022-23 in its Treasury Accounts. As on 31 March 2023, the Government transferred ₹ 15,483.89 crore received in Treasury Accounts (including previous balances) and State share of ₹ 11,632.42 crore to the SNAs. Out of the total transfer of ₹ 27,116.31 crore, ₹ 13,990.79 crore was transferred through Grant in Aid bills, ₹ 5,160.06 crore through Fully Vouched Contingent Bills, ₹ 325.08 crore through book transfer, ₹ 7,327.54 crore transferred through Personal Deposit Account and ₹ 312.84 crore through Works Accounting Module (WAM).

As per PFMS (Public Finance Management System) SNA-01 report ₹ 9,095.98 crore were lying unspent in the bank accounts of SNAs as on 31 March 2023 which is outside the purview of the government accounts.

Result of expenditure beyond means

The excess of revenue expenditure over revenue receipt results in revenue deficit. The revenue deficit of the State increased to ₹ 31,491 crore (2.23 *per cent* of GSDP) in the current year from ₹ 28,900 crore (3.17 *per cent* of GSDP) in the year 2018-19.

The State Government spent ₹ 19,798 crore only on capital account. This was 8.03 *per cent* of the total expenditure in the year 2022-23. Capital expenditure

was just 5.10 *per cent* of the total borrowings. Thus, the borrowed funds were being used mainly for meeting current consumption and repayment of borrowings instead of capital creation/development activities.

The gap between the total expenditure and total non-debt receipt of the State results in fiscal deficit. The fiscal deficit of the State increased to ₹ 51,028 crore (3.61 *per cent* of GSDP) in 2022-23 from ₹ 34,473 crore (3.78 *per cent* of GSDP) in 2018-19.

Under the revenue expenditure, the quantum of committed expenditure constitutes the largest share. Committed expenditure has the first charge on the resources and consists of interest payments, expenditure on salaries and wages and pensions. Committed expenditure on interest payments, salaries and pensions constituted 51-56 *per cent* of revenue expenditure during 2018-19 (55 *per cent*) and 2022- 2023 (51 *per cent*). The Committed expenditure increased from ₹ 91,881 crore in 2018-19 to ₹ 1,15,757 crore in 2022-23 {an increase of 6.58 *per cent* over 2021-22 (₹ 1,08,609 crore)}.

In addition to the committed expenditure, inflexible expenditure increased from 20.38 *per cent* to 28.49 *per cent* of revenue expenditure during 2018-19 to 2022-23, indicating a rising trend. The inflexible expenditure increased from ₹ 63,251 crore in 2021-22 to ₹ 64,525 crore in 2022-23 registering an increase of 2.01 *per cent*.

Taken together, the committed and inflexible expenditure in 2022-23 was ₹ 1,80,282 crore; 79.60 *per cent* of the revenue expenditure. Upward trend on committed and inflexible expenditure leaves the Government with lesser flexibility for other priority sectors and capital creation.

Subsidies constitute major portion of the non-committed expenditure

Within the non-committed expenditure, there is an increasing trend of subsidies, which increased from ₹ 21,540 crore in 2018 -2019 to ₹ 26,166 crore in 2022-23. Power sector subsidies constituted a significant portion, ranging from 96.20 *per cent* to 98.44 *per cent* of the total subsidies during this period.

Contingent Liabilities on account of Guarantees

The outstanding guarantees increased by 9.35 *per cent* from ₹ 95,868 crore in 2021-22 to ₹ 1,04,832 crore in 2022-23 and were 53.76 *per cent* of the Revenue Receipts (₹ 1,94,988 crore) of the Government. No guarantee was invoked during the year.

Collection of Cess/Surcharge

It was noticed that the State Government short transferred ₹ 5,664.49 crore in six Reserve funds/Deposit funds upto 31 March 2023.

Fiscal sustainability

Fiscal sustainability is examined in terms of macro-fiscal parameters such as deficits, level of debt and liabilities, commitments on account of off-budget borrowings, guarantees, subsidies, etc. So far as revenue and expenditure mismatch is concerned, one of the important constraints is committed and inflexible expenditure, which includes salaries and wages, pension payments, interests, etc. and also other inflexible expenditure such as those arising out of commitment for centrally sponsored schemes, transfer to reserve funds, transfer to local bodies, etc.

FRBM requirements and compliance with fiscal parameters

The FRBM Act / Rules prescribes certain limits within which, revenue deficit, fiscal deficit, debt as a percentage of the Gross State Domestic Product (GSDP) should be. As per the FRBM Act, the State Government was to achieve Zero Revenue Deficit from the financial year 2011-12 and thereafter maintain it or attain revenue surplus. For the tenth consecutive year, the State Government was unable to achieve its target of attaining zero revenue deficit. While the Fiscal Deficit of the State in 2022-23 (3.61 *per cent* of GSDP) was more than the target figure in the FRBM Act (3 *per cent* of GSDP), it was within the overall fiscal space allowed by the Central Government to the State (4.4 *per cent* of GSDP). Outstanding liability was 34.92 *per cent* as against limit of 38.20 *per cent* and guarantees given were 31.01 *per cent* as against the prescribed limit of 60 *per cent*.

Further, if the quantum of the off-budget borrowings is included as part of debt, the overall liability (including Public Debt and Public Account Liabilities) of the Government was 35.01 *per cent* of the GSDP. Going by the fiscal trends, the State finances are heavily stressed.

Public debt-GSDP ratio of Rajasthan has increased from 25.59 *per cent* in 2018-19 to 26.63 *per cent* in 2022-23, which indicates that debt stabilisation may be difficult in near future.

The primary deficit in all the five years remained negative and increased from ₹ 12,778 crore in 2018-19 to ₹ 20,426 crore in 2022-23. The g-r (Domar gap) was negative during 2018-19 and 2020-21, indicating that public debt as percentage of GSDP could increase indefinitely. The economic slowdown on account of the COVID-19 pandemic had resulted in a negative growth of GSDP during 2020-21. The resurgence of the economy during 2021-22 and 2022-23, resulted in positive g-r (Domar gap), thereby indicating that the public debt as a percentage of GSDP would converge to a stable level greater than zero. However, there has been a consistent increase in the Public Debt Repayment to Public Debt Receipt ratio over the last two years which suggests that economic growth is not robust enough to service the debt. Also, the state has consistently

reported a negative primary balance from the year 2018-19 to the present, it becomes evident that depending solely on economic growth (expressed as $g-r > 0$ from 2021-23) would not suffice to cover the debt obligations of the state and thus, based on two years of positive domar gap it is too early to conclude that debt is on the path of stabilisation.

Going by the analysis and results as discussed above, the finances of the State of Rajasthan are marked by increasing trend of liabilities (debt, guarantees, subsidies, etc.) which pose risk to target of debt stabilisation and debt sustainability.

Budget performance

Aggregate expenditure outturn

Budget performance in terms of budgetary intent and budget implementation is examined to assess the extent to which the aggregate expenditure outturn reflects the amount originally approved both in terms of excess and saving.

In Revenue section, deviation in outturn compared with BE was (-) 3.91 per cent. This was due to deviation between 0 and ± 25 per cent in 36 grants, between ± 25 per cent to ± 50 per cent in 11 grants, between ± 50 per cent to ± 100 per cent in four grants and equal to or more than 100 per cent in one grant. No provision was, however, made in respect of three grants of the Revenue section. In Capital section, deviation in outturn compared with BE was (+) 35.02 per cent. This was due to deviation between 0 and ± 25 per cent in nine grants, between ± 25 per cent to ± 50 per cent in 12 grants, between ± 50 per cent to ± 100 per cent in seven grants and equal to or more than 100 per cent in nine grants. No provision was, however, made in respect of 18 grants of the Capital section.

It was noticed that supplementary provisions of ₹ 6,769 crore during the year 2022-23 in 18 cases (more than ₹ 2.50 crore in each case) proved unnecessary, as the expenditure did not come up even to the level of original provisions.

Regularization of Excess over Grants/ Appropriations

The State Government has to get excesses over grants/appropriations regularised by the State Legislature as per article 204 and 205 (1) (b) of the constitution. It was observed that in 2022-23 there was excess expenditure of ₹ 21,069.61 crore under two grants which required regularization.

Incorrect disclosure of revenue expenditure as capital expenditure

The State Government had made budget provision of ₹ 614.09 crore under these heads for providing Grant-in-Aid and transferred ₹ 493.60 crore as grant in aid to Autonomous bodies and State Public Sector Undertaking. This expenditure

was irregularly booked as the Capital Expenditure instead of Revenue in contravention of the provisions of IGAS, GAR and GF&AR.

Increase of revenue receipts without substantive receipt of revenue

The Government of Rajasthan transferred ₹1,000 crore out of ₹ 3,000 crore unclaimed deposit to its revenue receipts during 2022-23. However, this amount was not transferred to the *Karmik Kalayan Kosh* as had been decided by the Government. Even during the previous year 2021-22, ₹ 1000 crore of unclaimed GPF deposits were transferred to revenue receipts without any subsequent transfer to *Karmik Kalayan Kosh*. This led to inflation of revenue receipts and under-statement of Revenue and Fiscal Deficits during 2021-22 and 2022-23.

Overall Budget reliability assessment indicates that though the deviations between the actual expenditure and original budget as well as between the actual expenditure and the final budget were less than 10 per cent, there were deviations up to 25% and even above in different grants. Moreover, it was also noticed that in several cases, there were supplementary grants where expenditure was not even up to the original grant. A reliable budget practice should need to deal with such deviations.

Quality of Accounts and Financial Reporting

Quality of accounts and financial reporting covers items, transactions and events which relate to gaps in compliance, regularity weaknesses and issues relating to delay in receipt of those accounting records or adjustment records which evidence the actual expenditure. It also highlights issues pertaining to the accounts and financial reporting such as parking of funds and non- or short – discharging of liabilities.

Off-budget borrowings

The State Government, through Public Sector Undertaking and local bodies raised borrowings which did not flow into the Consolidated Fund of the State but are required to be repaid and serviced through budget. In 2022-23, the State Government provided assistance / grants in aid of ₹1,279.39 crore for repayment and servicing of the off budget borrowings. This was in addition of the repayment and interests paid on the borrowings by the Government .

Reconciliation

As per Rule 11 (3) of GF&AR, all Budget Controlling Officers are required to reconcile the receipt and expenditure figures of the State Government with the figures accounted by the Accountant General (A&E), Rajasthan. During 2022-23, 100 per cent reconciliation of (i) total expenditure of ₹ 3,72,189.96 crore and (ii) total receipts of ₹ 3,55,989.15 crore by Controlling Officers was

accomplished. In fact, throughout the last five years, the State Government has been able to accomplish 100 *per cent* reconciliation of expenditure and receipts.

Compliance with IGAS

As against the requirements of the Indian Government Accounting Standards (IGAS), the State Government did not make disclosure of Grant-in-Aid given in kind as prescribed in IGAS-2: Accounting and Classification of Grant-in-Aid and partial disclosure regarding Loans and Advances given by State Government as prescribed in IGAS-3: Loans and Advances made by Government.

Operation of PD Accounts

Non-closure of 133 PD Accounts despite remaining inoperative for two years was in contravention of the provisions of GF&AR and Rajasthan Treasuries Rules and indicates lack of monitoring at the level of treasuries. In addition, huge balances have been lying in ZP fund, PS funds and Municipal Fund pending utilization. Further, proper status of un-utilised funds lying in accounts of GPs could not be ascertained due to keeping funds in bank account.

Utilisation Certificates against conditional grants

Despite the requirement of submitting Utilisation Certificates (UCs) against conditional grants within a stipulated time period, 895 outstanding UCs of ₹ 1,107.25 crore were pending as on 31st March 2023.

DC bills against AC bills

Similarly, despite the requirement of submitting Detailed Debit Contingency (DC) Bills against the advance money withdrawn through Abstract Contingency (AC) Bills, 85 AC bills of ₹ 21 crore were pending for submission of DC bills as on 31st March 2023, out of which 10 AC Bills amounting to ₹ 10.15 crore pertained to the period upto 2021-22.

Booking under Minor Head 800

Booking under Minor Head 800 even when appropriate minor head is available under the same Major Head adversely impacts the transparency of accounts. During 2022-23, ₹ 10,515.26 crore under 58 Major Heads of accounts, constituting 4.27 *per cent* of the total Revenue and Capital expenditure was classified under Minor Head-800-Other expenditure in the accounts. Similarly, ₹ 12,013.42 crore under 44 Major Heads of accounts, constituting 6.16 *per cent* of the total Revenue Receipts was classified under Minor Head 800-Other Receipts in the accounts.

Misappropriation, Theft and Lossess

State government reported 732 cases of misappropriation, theft and losses of Government money across various departments amounting ₹ 126.01 crore upto 31 March 2023 on which final action is pending.

Compliance with prevailing rules and codal provisions are meant to ensure control and accountability in accounting and financial reporting. Non-compliance and deviations impact the quality of accounting and financial reporting adversely. Non-timely submission of UCs against conditional grants; non-submission of DC bills against AC bills; non-compliance with IGAS-2 and IGAS-3 and non -booking the expenditure under the appropriated heads of account have impacted the quality of accounts adversely.

Working of State Public Sector Undertakings

As on 31 March 2023, there were 51 PSUs including 43 Government Companies (3 out of which are inactive companies), three Statutory Corporations and five Government Controlled Other Companies under the audit Jurisdiction of the Comptroller and Auditor General of India (CAG). Audit noticed that the prescribed timelines regarding submission of Financial Statements were not adhered to by 30 PSUs whose 62 accounts were in arrears. Out of the total profit of ₹ 1,248.15 crore earned by 27 working PSUs, 71.73 per cent was contributed by two PSUs only. Out of total loss of ₹ 18,813.91 crore incurred by 17 working PSUs, loss of ₹ 18,756.14 crore was incurred by five PSUs.

The State Government may issue necessary instructions to Administrative Departments to set targets for individual PSUs to furnish the accounts in time and to strictly monitor the clearance of arrears in finalization of accounts. The State Government may also review the functioning of all loss-making PSUs including PSUs whose net worth has been completely eroded and take necessary steps to improve their financial performance. In addition, the State Government may review the inactive Government Companies and take appropriate decision regarding their revival/winding up.
