

## CHAPTER I

### FINANCES OF THE STATE GOVERNMENT

#### Summary

Haryana State had a relatively comfortable financial year. There had been revenue surplus of Rs 1,213 crore during the year 2005-06 as compared to revenue deficit of Rs 258 crore during the year 2004-05. Fiscal deficit was decreased from Rs 1,206 crore to Rs 286 crore during the year.

Substantial growth in revenue receipts during the year was due to increase in collection of more receipts under Sales Tax (Rs 844 crore), Stamps and Registration Fee (Rs 613 crore), Urban Development (Rs 396 crore), State Excise (Rs 94 crore), Grants-in-aid from Central Government (Rs 570 crore) and from state share of union taxes and duties. Around 83 *per cent* of the revenue had come from the State's own resources. Sales tax was the major source of the State's own tax revenue and contributed 62 *per cent*. Of non-tax revenue, Urban Development (29 *per cent*), Road Transport (22 *per cent*) and Interest Receipts (18 *per cent*) were the principal contributors.

Overall expenditure of the State increased from Rs 10,424 crore in 2001-02 to Rs 14,429 crore in 2005-06. Revenue expenditure constituted 88 *per cent* of the total expenditure. Revenue expenditure increased during the year mainly due to increase in expenditure on General Education (Rs 267 crore), Power (Rs 209 crore), Social Security and Welfare (Rs 199 crore), Compensation and Assignments to Local Bodies and Panchayati Raj Institutions (Rs 158 crore) and Pensions and other retirement benefits (Rs 131 crore). Capital expenditure increased from Rs 897 crore during 2004-05 to Rs 1,612 crore during 2005-06 mainly due to increase in the expenditure under Major and Medium Irrigation (Rs 185 crore) and Water Supply and Sanitation (Rs 121 crore) apart from less realisation of recoveries under Procurement and Supply of Foodgrains (Rs 207 crore) and Agriculture and Allied activities (Rs 214 crore) as compared to the previous year.

Salaries (Rs 3,893 crore), Interest payments (Rs 2,100 crore), Pensions (Rs 1,033 crore) and Subsidies (Rs 1,466 crore) alone consumed 61 *per cent* of the revenue receipts of the State during the year. The overall fiscal liabilities of the State increased by 59 *per cent* from Rs 17,004 crore in 2001-02 to Rs 27,023 crore in 2005-06. These liabilities as a ratio to GSDP increased from 28 *per cent* in 2001-02 to 29 *per cent* in 2005-06 and stood at 1.95 times its revenue receipts.

#### 1.1 Introduction

**1.1.1** This Chapter discusses the financial position of the Government of Haryana based on the analysis of the information contained in the Finance

Accounts. The analysis is based on the trends in receipts and expenditure, the quality of expenditure and the financial management of the State Government.

The Finance Accounts of the Government of Haryana are laid out in nineteen statements, presenting receipts and expenditure, revenue as well as capital, in the Consolidated Fund, Contingency Fund and the Public Account of the State Government. The lay out of the Finance Accounts is depicted in Box 1.

**Box 1**

**Lay out of Finance Accounts**

Statement No. 1 presents the summary of transactions of the State Government –receipts and expenditure, revenue and capital, public debt receipts and disbursements, etc. in the consolidated fund, contingency fund and public account of the State.

Statement No. 2 contains the summarised statement of capital outlay showing progressive expenditure to the end of 2005-06.

Statement No. 3 gives financial results of irrigation works, their revenue receipts, working expenses and maintenance charges, capital outlay, net profit or loss, etc.

Statement No. 4 indicates the summary of debt position of the State, which includes borrowings from internal debt, Government of India, other obligations and servicing of debt.

Statement No. 5 gives the summary of loans and advances given by the State Government during the year, repayments made, recoveries in arrears, etc.

Statement No. 6 gives the summary of guarantees given by the Government for repayment of loans, etc. raised by the statutory corporations, Government companies, local bodies and other institutions.

Statement No. 7 gives the summary of cash balances and investments made out of such balances.

Statement No. 8 depicts the summary of balances under consolidated fund, contingency fund and public account as on 31 March 2006.

Statement No. 9 shows the revenue and expenditure under different heads for the year 2005-06 as a percentage of total revenue/expenditure.

Statement No. 10 indicates the distribution between charged and voted expenditure incurred during the year.

Statement No. 11 indicates the detailed account of revenue receipts by minor heads.

Statement No. 12 provides detailed account of revenue expenditure by minor heads under non-plan, State plan and centrally sponsored schemes separately and capital expenditure major head wise.

Statement No. 13 depicts the detailed capital expenditure incurred during and to the end of 2005-06.

Statement No. 14 shows the details of investments of the State Government in statutory corporations, Government companies, other joint stock companies, co-operative banks and societies, etc. up to the end of 2005-06.

Statement No. 15 depicts the capital and other expenditure to the end of 2005-06 and the principal sources from which the funds were provided for that expenditure.

Statement No. 16 gives the detailed account of receipts, disbursements and balances under heads of account relating to debt, contingency fund and public account.

Statement No. 17 presents detailed account of debt and other interest bearing obligations of the Government of Haryana.

Statement No. 18 provides the detailed account of loans and advances given by the Government of Haryana, the amount of loan repaid during the year, the balance as on 31 March 2006 and the amount of interest received during the year.

Statement No. 19 gives the details of earmarked balances of reserve funds.

## 1.2 Trend of finances with reference to the previous year

1.2.1 Finances of the State Government during the current year compared to the previous year were as under:

(Rupees in crore)			
2004-05	Sr. No	Major Aggregates	2005-06
<b>11,149</b>	<b>1</b>	<b>Revenue Receipts (2+3+4)</b>	<b>13,853</b>
7,440	2	Tax Revenue	9,079
2,545	3	Non-Tax Revenue	2,458
1,164	4	Other Receipts	2,316
<b>157</b>	<b>5</b>	<b>Non-Debt Capital Receipts</b>	<b>290</b>
157	6	Of which Recovery of Loans	290
<b>11,306</b>	<b>7</b>	<b>Total Receipts (1+5)</b>	<b>14,143</b>
<b>9,806</b>	<b>8</b>	<b>Non-Plan Expenditure (9+11)</b>	<b>10,722</b>
9,954	9	On Revenue Account	10,625
2,235	10	Of which, Interest Payments	2,100
-148	11	On Capital Account	97
97	12	Of which Loans disbursed	137*
<b>2,706</b>	<b>13</b>	<b>Plan Expenditure (14+15)</b>	<b>3,707</b>
1,453	14	On Revenue Account	2,015
1,253	15	On Capital Account	1,692
111	16	Of which Loans disbursed	40
<b>12,512</b>	<b>17</b>	<b>Total Expenditure (8+13)</b>	<b>14,429</b>
<b>1,206</b>	<b>18</b>	<b>Fiscal Deficit (17-1-5)</b>	<b>286</b>
<b>258</b>	<b>19</b>	<b>Revenue Surplus [1-(14+9)]</b>	<b>1,213</b>
<b>1,029</b>	<b>20</b>	<b>Primary Surplus (10-18)</b>	<b>1,814</b>

\* Non-plan capital expenditure is negative due to realization of recoveries more than non-plan capital expenditure.

### 1.3 Summary of receipts and disbursements

1.3.1 Table 1 summarises the finances of the State Government of Haryana for the year 2005-06 covering revenue receipts and expenditure, capital receipts and expenditure, public debt receipts and disbursements and public account receipts and disbursements made during the year as emerging from Statement-1 of Finance Accounts and other detailed statements.

Table 1 SUMMARY OF RECEIPTS AND DISBURSEMENTS FOR THE YEAR 2005-06 (Rupees in crore)

2004-05	Receipts	2005-06	2004-05	Disbursements	2005-06		
<b>Section-A: Revenue</b>							
					<b>Non-Plan</b>	<b>Plan</b>	<b>Total</b>
<b>11,149.06</b>	<b>I. Revenue receipts</b>	<b>13,853.31</b>	<b>11,407.10</b>	<b>I. Revenue expenditure</b>	<b>10,625.08</b>	<b>2,014.81</b>	<b>12,639.89</b>
7,440.27	Tax revenue	9,078.65	4,898.10	General Services	4,541.08	38.59	4,579.67
2,544.37	Non-tax revenue	2,458.56	3,218.21	Social Services	2,705.80	1,289.80	3,995.60
619.26	Share of Union Taxes/Duties	1,200.97	3,199.08	Economic Services	3,128.34	686.42	3,814.76
545.16	Grants from Government of India	1,115.13	91.71	Grants-in-aid / Contributions	249.86	-	249.86
<b>Section-B: Capital</b>							
-	<b>II. Misc. Capital Receipts</b>	--	<b>896.92</b>	<b>II. Capital Outlay</b>	<b>- 39.55</b>	<b>1,651.85</b>	<b>1,612.30</b>
<b>157.10</b>	<b>III. Recoveries of Loans and Advances</b>	<b>289.90</b>	<b>208.06</b>	<b>III. Loans and Advances disbursed</b>	<b>136.36</b>	<b>40.31</b>	<b>176.67</b>
<b>4,474.49</b>	<b>IV. Public Debt receipts</b>	<b>3,348.75</b>	<b>3,014.27</b>	<b>IV. Repayment of Public Debt</b>	<b>1,107.51</b>	<b>-</b>	<b>1,107.51</b>
<b>5,973.44</b>	<b>V. Public account receipts</b>	<b>5,460.57</b>	<b>5,031.24</b>	<b>V. Public account disbursements</b>	<b>5,564.32</b>	<b>-</b>	<b>5,564.32</b>
<b>684.36</b>	<b>Opening Balance</b>	<b>1,880.86</b>	<b>1,880.86</b>	<b>Closing Balance</b>	<b>3,732.70</b>	<b>-</b>	<b>3,732.70</b>
<b>22,438.45</b>	<b>Total</b>	<b>24,833.39</b>	<b>22,438.45</b>	<b>Total</b>	<b>21,126.42</b>	<b>3,706.97</b>	<b>24,833.39</b>

Note: Minus expenditure is because of recoveries on capital account.

### 1.4 Audit methodology

1.4.1 Audit observations on the Finance Accounts bring out the trends in the major fiscal aggregates of receipts and expenditure and from the statements of the Finance Accounts for the year 2005-06 and wherever necessary, show these in the light of time series data and periodic comparisons. Major fiscal aggregates like tax and non-tax revenue, revenue and capital expenditure, internal debt and loans and advances, etc. have been presented as percentages to the State's Gross Domestic Product (GSDP) at current market prices. For tax revenues, non-tax revenues, revenue expenditure, etc. buoyancy projections have also been provided for a further estimation of the range of fluctuations with reference to the base represented by GSDP. The key indicators adopted for the purpose are (i) Resources by volumes and sources, (ii) Application of resources, (iii) Assets and liabilities and (iv) Management of deficits. Audit observations have also taken into account the cumulative

impact of resource mobilization efforts, debt servicing and corrective fiscal measures. Overall financial performance of the State Government as a body corporate has been presented by the application of a set of ratios commonly adopted for the relational interpretation of fiscal aggregates.

In addition, the section also contains a paragraph on indicators of financial performance of the Government. Some of the terms used here are explained in *Appendix I*.

## 1.5 State finances by key indicators

### 1.5.1 Resources by volumes and sources

Resources of the State Government consist of revenue receipts and capital receipts. Revenue receipts consist of tax revenue, non-tax revenue, State's share of union taxes and duties and grants-in-aid from the Central Government. Capital receipts comprise of miscellaneous capital receipts such as proceeds from disinvestment, if any, recoveries of loans and advances, debt receipts from internal sources viz. market loans, borrowings from financial institutions/commercial banks, etc. and loans and advances from Government of India as well as accruals from Public Account.

Table 2 shows that the total receipts of the State Government for the year 2005-06 were Rs 22,953 crore. Of these, revenue receipts of the State Government were only Rs 13,853 crore, constituting 60 *per cent* of the total receipts. The balance of receipts came from borrowings and public account receipts.

**Table 2 – Resources of Haryana**

		(Rupees in crore)
<b>I. Revenue Receipts</b>		<b>13,853</b>
<b>II. Capital Receipts</b>		<b>3,639</b>
<i>a</i>	<i>Miscellaneous Receipts</i>	-
<i>b</i>	<i>Recovery of Loans and Advances</i>	290
<i>c</i>	<i>Public Debt Receipts</i>	3,349
<b>III. Public Account Receipts</b>		<b>5,461</b>
<i>a</i>	<i>Small Savings, Provident Funds, etc.</i>	1,166
<i>b</i>	<i>Reserve Funds</i>	244
<i>c</i>	<i>Deposits and Advances</i>	1,893
<i>d</i>	<i>Suspense and Miscellaneous</i>	- 349
<i>e</i>	<i>Remittances</i>	2,507
<b>Total Receipts</b>		<b>22,953</b>

### 1.5.2 Revenue receipts

Statement 11 of the Finance Accounts details the Revenue Receipts of the Government. The Revenue Receipts of the State consist mainly of its own

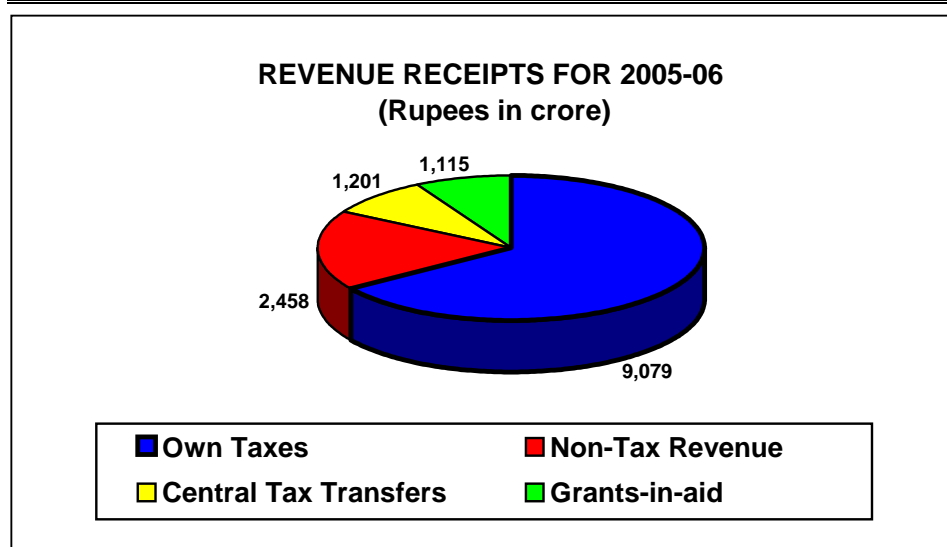
taxes and non-tax revenues, central tax transfers and grants-in-aid from Government of India. Overall revenue receipts, their annual rate of growth, ratio of these receipts to the State's Gross Domestic Product and their buoyancy are indicated in Table 3.

**Table 3: Revenue Receipts – Basic Parameters (Values: Rupees in crore and others in per cent)**

	2001-02	2002-03	2003-04	2004-05	2005-06
Revenue Receipts	7,600	8,657	9,843	11,149	13,853
Own taxes	4,971(65)	5,550(64)	6,348(64)	7,440(67)	9,079(65)
Non-Tax Revenue	1,666(22)	1,808(21)	2,223(23)	2,544(23)	2,458(18)
Central Tax Transfers	450(6)	756(9)	601(6)	619(5)	1,201(9)
Grants-in-aid	513(7)	543(6)	671(7)	545(5)	1,115(8)
Rate of Growth	15.61	13.91	13.70	13.27	24.25
Rate of Growth of own taxes	15.31	11.65	14.38	17.20	22.03
Revenue Receipts/GSDP	12.55	13.08	13.21	13.43	14.83
Revenue Buoyancy	1.561	1.500	1.164	1.085	1.928
Own Tax Buoyancy	1.531	1.257	1.126	1.406	1.751
GSDP Growth	10.00	9.27	11.77	12.23	12.58

Revenue receipts of the State increased by 82 per cent from Rs 7,600 crore in 2001-02 to Rs 13,853 crore in 2005-06. The increase in revenue receipts during the year from Rs 11,149 crore to Rs 13,853 crore was mainly due to increased collection on account of Sales Tax (Rs 844 crore), Stamps and Registration Fee (Rs 613 crore), Grants-in-aid from Central Government (Rs 570 crore), Urban Development (Rs 396 crore) and from state share in union taxes and duties.

**While around 83 per cent of the revenue came from the State's own resources, central tax transfers and grants-in-aid as per the Twelfth Finance Commission recommendations together contributed nearly 17 per cent of the total revenue. The increase in the Central Tax transfer was mainly due to (i) increase in the Union Tax under 0021 Taxes on income other than corporation tax and (ii) adjustment of Rs 185 crore of previous year during the year 2005-06 under "share of net proceeds assigned to State".** Sales tax was the major source of State's own tax revenue having contributed 62 per cent of the tax revenue followed by stamp duty and registration fee (15 per cent), State excise (12 per cent), taxes on goods and passengers, etc. (8 per cent). Of non-tax revenue sources, Urban Development (29 per cent), Road Transport (22 per cent) and Interest Receipts (18 per cent) were the principal contributors. The high receipts of Rs 548.44 crore under transport during the year were offset by equally high expenditure of Rs 669.75 crore under Transport as Haryana does not have a Road Transport Corporation and the State buses are being run under the Department of Transport directly.



The arrears of revenue increased by 178 *per cent* from Rs 516 crore in 2001-02 to Rs 1,432 crore<sup>1</sup> at the end of 2005-06. Of these, Rs 279<sup>1</sup> crore (19 *per cent*) were outstanding for a period of more than five years. Arrears were mainly in respect of taxes on sales, trade, etc. (Rs 1,142 crore), tax on entry of goods into local areas (Rs 110 crore), taxes and duties on electricity (Rs 80 crore) and State excise (Rs 40 crore). The deterioration in the position of arrears of revenue would need to be addressed.

The source of receipts under different heads and GSDP during 2001-06 is indicated in Table 4.

**Table 4 – Sources of receipts: Trends**

(Rupees in crore)

Year	Revenue Receipts	Capital Receipts			Total Receipts	Gross State Domestic Product
		Non-Debt Receipts	Debt Receipts	Accruals in Public Account		
2001-02	7,600	85	3,359	4,914	15,958	60,561
2002-03	8,657	106	3,649	4,921	17,333	66,175
2003-04	9,843	156	6,285	7,662	23,946	73,961
2004-05	11,149	157	4,475	5,973	21,754	83,003
2005-06	13,853	290	3,349	5,461	22,953	93,441

Note: Revised figures of GSDP for the period 2001-02 to 2004-05 and those for 2005-06 adopted as provided by Economic and Statistical Advisor to Government Haryana.

The receipts from Public Debt and Public Account increased by 6 *per cent* from Rs 8,273 crore in 2001-02 to Rs 8,810 crore in 2005-06. While non debt receipts increased by 241 *per cent*, the Public Accounts receipts increased by 11 *per cent* during the above period.

<sup>1</sup> Figures are provisional as supplied by the departments.

## 1.6 Application of resources

### 1.6.1 Trend of Growth

Statement 12 of the Finance Accounts depicts the detailed revenue expenditure by minor heads and capital expenditure by major heads. The total expenditure of the State increased by 38 per cent from Rs 10,424 crore in 2001-02 to Rs 14,429 crore in 2005-06.

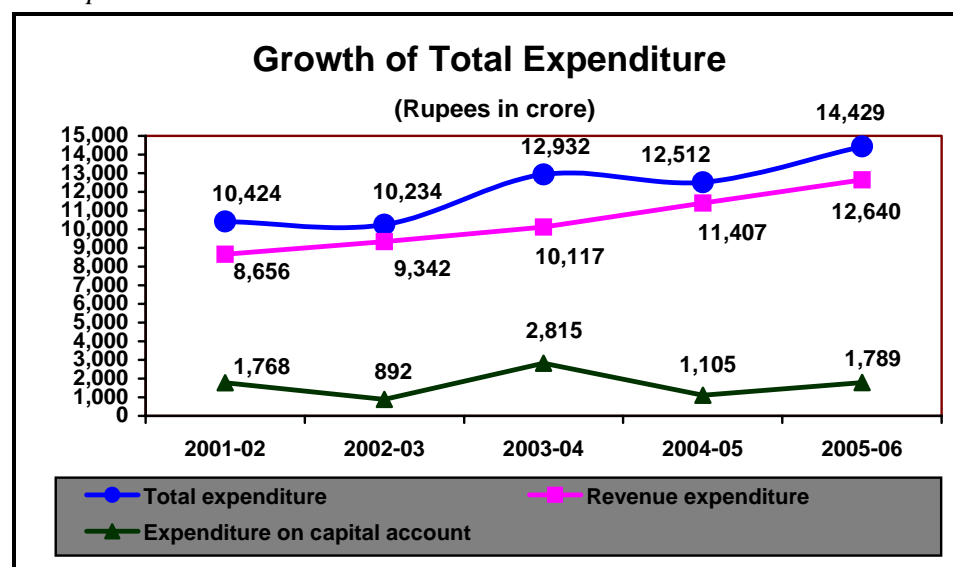
Total expenditure of the State, its annual growth, ratio of expenditure to GSDP and revenue receipts and its buoyancy with regard to GSDP and revenue receipts are indicated in Table-5 below:

**Table 5: Total Expenditure – Basic Parameters (Value: Rupees in crore and others in per cent)**

	2001-02	2002-03	2003-04	2004-05	2005-06
Total Expenditure (TE)	10,424	10,234	12,932	12,512	14,429
Rate of Growth	17.02	-*	26.36	-*	15.32
TE/GSDP	17.21	15.46	17.48	15.07	15.44
Revenue Receipts/TE	72.91	84.59	76.11	89.11	96.00
<b>Buoyancy of total expenditure with reference to</b>					
GSDP	1.702	-	2.064	-	1.218
Revenue Receipts	1.090	-	1.924	-	0.632

\* Rate of growth of total expenditure was negative in 2002-03 and 2004-05.

The increase in total expenditure in the current year was due to increase of Rs 1,233 crore in revenue expenditure and Rs 715 crore in capital expenditure. There was an upward trend in the ratio of revenue receipts to total expenditure from 73 per cent in 2001-02 to 96 per cent in 2005-06. The ratio of this year indicate that only four per cent of the State's total expenditure was being financed from borrowings. On the other hand ratio of total expenditure with GSDP indicated the downward trend from 17.21 per cent in 2001-02 to 15.44 per cent in 2005-06.



Note: Expenditure on capital account = Capital Expenditure + Disbursement of Loans and Advances.

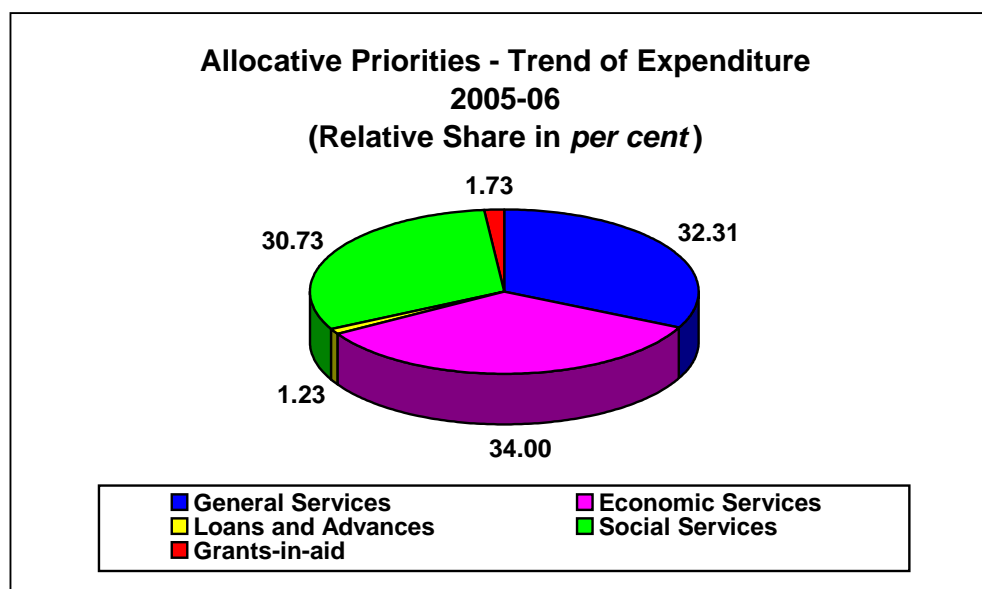


In terms of the activities, total expenditure could be considered as being composed of expenditure on general services including interest payments, social and economic services and loans and advances. The relative share of these components in total expenditure is indicated in Table 6.

**Table 6: Components of expenditure – Relative Share (in per cent)**

	2001-02	2002-03	2003-04	2004-05	2005-06
General Services	33.93	39.47	34.29	39.61	32.31
Social Services	27.97	29.55	25.43	28.01	30.73
Economic Services	34.92	26.46	21.13	29.98	34.00
Grants-in-aid	0.29	0.06	0.37	0.73	1.73
Loans and Advances	2.89	4.46	18.78	1.67	1.23

The movement of relative share of these components of expenditure indicated that while the shares of economic services, and general services in total expenditure declined from 35 and 34 per cent in 2001-02 to 34 and 32 per cent respectively in 2005-06, the relative share of social services increased from 28 per cent in 2001-02 to 31 per cent in 2005-06.



### 1.6.2 Incidence of revenue expenditure

Revenue expenditure had the predominant share in total expenditure. Revenue expenditure is usually incurred to maintain the current level of assets and services. Over all revenue expenditure, its rate of growth, ratio of revenue expenditure to GSDP and revenue receipts and their buoyancy with both GSDP and revenue receipts are indicated in Table 7.

**Table 7: Revenue Expenditure – Basic Parameters (Value: Rupees in crore and others in per cent)**

	2001-02	2002-03	2003-04	2004-05	2005-06
Revenue Expenditure (RE)	8,656	9,342	10,117	11,407	12,640
Rate of Growth	20.54	7.93	8.30	12.75	10.81
RE/ GSDP	14.29	14.12	13.68	13.74	13.53
RE as per cent of TE	83.04	91.28	78.23	91.17	87.60
RE as per cent to Revenue Receipts	113.89	107.91	102.78	102.31	91.24
<b>Buoyancy of Revenue expenditure with reference to</b>					
GSDP	2.054	0.855	0.650	1.042	0.859
Revenue Receipts	1.316	0.570	0.606	0.961	0.445

Revenue expenditure of the State increased by 46 per cent from Rs 8,656 crore in 2001-02 to Rs 12,640 crore in 2005-06. During the year 2005-06 the revenue expenditure increased by Rs 1,233 crore (11 per cent) over previous year mainly due to more expenditure on general education (Rs 267 crore), power (Rs 209 crore), social security and welfare (Rs 199 crore), compensation and assignments to local bodies and Panchayati Raj Institutions (Rs 158 crore) and pensions and other retirement benefits (Rs 131 crore).

Though the ratio of revenue expenditure to revenue receipts declined during 2001-06, the revenue expenditure continued to grow primarily due to the fact that salaries (Rs 3,893 crore), interest payments (Rs 2,100 crore), pensions (Rs 1,033 crore) and subsidy (Rs 1,466 crore) alone consumed 61 per cent of total revenue receipts of the State during the year.

### 1.6.3 High salary expenditure

Twelfth Finance Commission had recommended that total salary bill relative to revenue expenditure net of interest payments and pension was to be contained at 35 per cent against which it was above 40 per cent. However, salaries alone accounted for nearly 28 per cent of the revenue receipts of the State. The expenditure on salaries increased by 28 per cent from Rs 3,032 crore in 2001-02 to Rs 3,893 crore in 2005-06 as indicated in the Table 8.

**Table 8**

(Rupees in crore)

Heads	2001-02	2002-03	2003-04	2004-05	2005-06
Salary expenditure	3,032.18	3,008.46	3,255.96	3,714.10	3,893.35
As percentage of GSDPs	5.01	4.55	4.40	4.47	4.17
As percentage of Revenue Receipts	39.90	34.75	33.07	33.31	28.10

### 1.6.4 Huge expenditure on pension payments

Pension payments have increased by 57 per cent from Rs 657.05 crore in 2001-02 to Rs 1,033.13 crore in 2005-06. Year-wise break-up of expenditure incurred on pension payments during the years 2001-06 as indicated in Table 9.

Table 9

Year	Expenditure	Percentage of growth over previous year	Percentage to total revenue receipts
	(Rupees in crore)		
2001-02	657.05	15.10	8
2002-03	745.91	13.52	8
2003-04	765.70	2.65	8
2004-05	901.93	17.79	8
2005-06	1,033.13	14.55	7

With the increase in the number of retirees, the pension liabilities were likely to increase further in future. The State Government had not constituted any fund to meet the fast rising pension liabilities of the retired State employees. Considering the rate at which pension liabilities are increasing, reforms in the existing pension schemes assume critical importance.

### 1.6.5 Interest payments

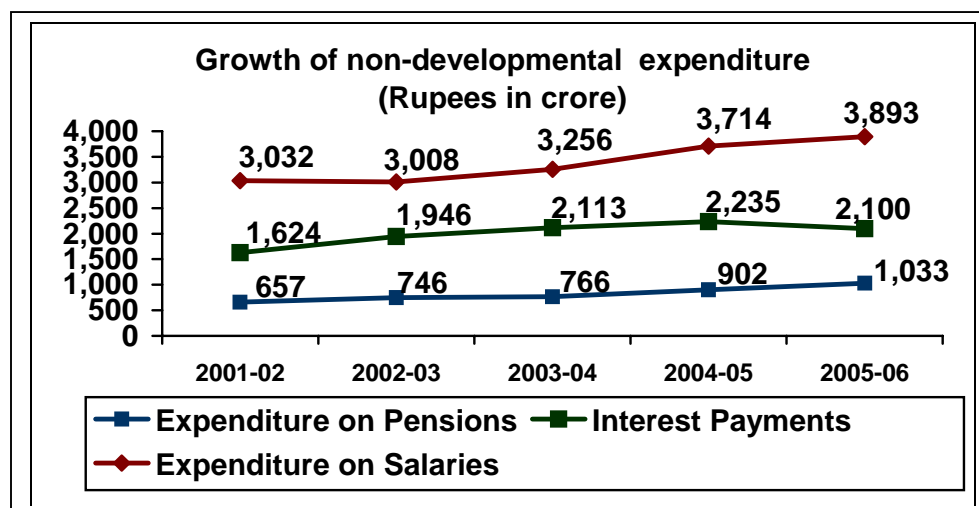
The Twelfth Finance Commission recommended that as a medium term objective, States should endeavour to keep interest payments as a ratio to revenue receipts to 15 per cent by 2009-10. It was, however, observed that interest payments as a percentage of revenue receipts ranged between 15 and 22 during the last five years.

Table 10

Year	Interest Payments	Percentage of interest payment with reference to	
	(Rupees in crore)	Revenue Receipts	Revenue Expenditure
2001-02	1,624	21	19
2002-03	1,946	22	21
2003-04	2,113	21	21
2004-05	2,235	20	20
2005-06	2,100	15	17

In absolute terms, interest payments increased by 29 per cent from Rs 1,624 crore in 2001-02 to Rs 2,100 crore in 2005-06. However, interest payment decreased by six per cent (Rs 135 crore) during the year over previous year due mainly to decrease in the payment of interest on Loans and Advances from Government of India due to consolidation of debt as per the recommendations of Twelfth Finance Commission and implementation of debt swap scheme.

The graph given below indicates the growth of non-development expenditure on salaries, interest and pensions during 2001-02 to 2005-06.



### 1.6.6 Subsidies by the Government

Though the finances of the State are under strain, State Government has been paying subsidies to the various Nigams, Corporations, etc. During last five years, State Government paid the subsidies under various schemes as under:

Table 11

		(Rupees in crore)				
Sr. No.	Particulars	2001-02	2002-03	2003-04	2004-05	2005-06
1.	Haryana Vidyut Prasaran Nigam Limited	763.54	829.10	923.88	1,102.00	1,392.10
2.	Haryana State Minor Irrigation (Tubewells) Corporation*	85.15	39.31	-	-	-
3.	Others	11.04	15.11	33.56	54.97	73.64
	<b>Total</b>	<b>859.73</b>	<b>883.52</b>	<b>957.44</b>	<b>1,156.97</b>	<b>1,465.74</b>
1.	Percentage Increases (+)/ Decreases (-) over previous years	281	3	8	21	27
2.	Percentage of subsidy with total expenditure	8	9	7	9	10

\* Corporation closed in July 2002.

During the current year, subsidies constituted 10 per cent of the total expenditure out of which 95 per cent was paid to Haryana Vidyut Prasaran Nigam Limited alone.

## 1.7 Expenditure by allocative priorities

### 1.7.1 Sector-wise analysis of expenditure

The actual expenditure of the State in the nature of plan expenditure, capital expenditure and developmental expenditure emerging from Statements 12 and

13 of Finance Accounts reflects the allocative priorities of the State. Higher the ratio of these components to total expenditure, better is deemed to be the quality of expenditure. Table 12 below gives the percentage share of these components of expenditure in State's total expenditure.

**Table 12: Quality of expenditure (per cent to total expenditure)**

	2001-02	2002-03	2003-04	2004-05	2005-06
Plan Expenditure	20.14	18.52	16.84	21.62	25.69
Capital Expenditure	14.07	4.26	2.98	7.17	11.17
Developmental Expenditure	62.89	56.01	46.56	57.99	64.73

Expenditure on capital component, which increased by 80 per cent during the year 2005-06, declined from 14 per cent of total expenditure in 2001-02 to 11 per cent in 2005-06. The reason for increase in capital expenditure during the year was mainly due to increase in the expenditure under Major and Medium Irrigation (Rs 185 crore) and Water Supply and Sanitation (Rs 121 crore) apart from less realisation (Rs 40 crore) of recoveries under Procurement and Supply of Foodgrains and Agriculture and Allied activities (Rs 30 crore) as compared to the previous year (Rs 247 crore and Rs 244 crore respectively). Development expenditure increased from 58 per cent in 2004-05 to 65 per cent in 2005-06.

Out of the developmental expenditure (Rs 9,340 crore), Social Services (Rs 4,434 crore) accounted for 47 per cent during the year. "Education, Sports, Art and Cultural", "Health and Family Welfare", "Water Supply, Sanitation, Housing and Urban Development" and "Social Welfare and Nutrition" consumed nearly 95 per cent of the expenditure on social sector.

**Table 13: Social Sector expenditure**

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06
Education, Sports, Art and Cultural	1,480 (2.46)	1,455 (2.21)	1,541 (2.11)	1,681 (2.08)	1,993 (2.13)
Health and Family Welfare	322 (0.53)	351 (0.53)	359 (0.49)	392 (0.48)	467 (0.50)
Water Supply, Sanitation, Housing and Urban Development	488 (0.81)	562 (0.85)	691 (0.95)	644 (0.79)	865 (0.93)
Social Welfare & Nutrition	513 (0.85)	534 (0.81)	572 (0.78)	642 (0.79)	889 (0.95)

\* Percentage of GSDP in brackets.

Similarly, the expenditure on Economic Services (Rs 4,906 crore) accounted for 53 per cent of the developmental expenditure. Of this, Energy (Rs 1,693 crore), Irrigation and Flood Control (Rs 966 crore) and Transport (Rs 1,276 crore) accounted for 80 per cent of the expenditure on Economic sector.

**Table 14: Economic Sector expenditure**

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06
Energy	829.54	984.48	1,145.24	1,439.15	1,693.43
Irrigation and flood control	779.44	702.78	640.98	708.22	965.99
Transport	877.67	808.44	993.50	1,132.72	1,275.87

### 1.7.2 Financial assistance to local bodies and other institutions

Autonomous bodies and authorities perform non-commercial functions of public utility services. These bodies/authorities receive substantial financial assistance from Government. Government also provides substantial financial assistance to other institutions such as those registered under the respective State Co-operative Societies Act, Companies Act, 1956, etc. to implement various programmes of Government. The grants are given by Government mainly for maintenance of educational institutions, hospitals, charitable institutions, construction and maintenance of schools and hospital buildings, improvement of roads and other communication facilities under municipalities and local bodies.

The quantum of assistance provided to different Bodies, etc. during the period of five years ending 2005-06 was as follows:

Table 15

(Rupees in crore)

Sl. No.	Bodies/authorities, etc.	2001-02	2002-03	2003-04	2004-05	2005-06
1.	Universities and Educational Institutions	215.59	190.14	242.31	72.91	244.06
2.	Municipal Corporations and Municipalities	144.03	158.95	175.96	180.00	Nil*
3.	Zila Parishads and Panchayati Raj Institutions	35.77	5.02	59.25	29.42	73.12
4.	Development Agencies	128.32	116.82	114.68	121.28	303.31
5.	Hospitals and other Charitable Institutions	16.04	16.26	10.55	22.32	25.28
6.	Other Institutions (including statutory bodies)	128.71	120.61	124.46	92.19	196.29
	<b>Total</b>	<b>668.46</b>	<b>607.80</b>	<b>727.21</b>	<b>518.12</b>	<b>842.06</b>
	Percentage increase(+)/ decrease (-) over previous year	31	(-) 9	20	(-) 29	63
	Assistance as a percentage of revenue receipts	9	7	7	5	6
	Percentage of assistance to revenue expenditure	8	7	7	5	7

\* No grant-in-aid was given under Capital outlay on water supply and sanitation.

### 1.7.3 Delay in furnishing utilisation certificates

The financial rules require that where grants are given for specific purposes, certificates of utilisation are to be obtained by the departmental officers from the grantees and after verification, these should be forwarded to Accountant General (AG) within 15 months from the date of sanction of the grant unless specified otherwise.

Of 3,486 utilisation certificates due in respect of grants-in-aid of Rs 1,310.93 crore paid during 1991-92 to 2004-05, only 651 utilisation certificates for Rs 326.98 crore were furnished to AG by 30 June 2006 and

2,835 certificates for Rs 983.95 crore were in arrears. Department-wise and age-wise break-up is given in **Appendix II**.

#### **1.7.4 Delay in submission of accounts by Autonomous Bodies**

The status of submission of accounts by the autonomous bodies and submission of separate Audit Reports thereon to the State Legislature as of June 2006 is given in **Appendix III**.

#### **1.7.5 Audit arrangements**

The audit of local bodies (Zila Parishads, Nagar Palikas and Town Area/Notified Area Committees), Educational Institutions, Panchayati Raj Institutions and others was conducted by the Director, Local Fund Audit, Haryana. Audit of Co-operative Societies is conducted by the Registrar, Co-operative Societies, Haryana.

The accounts of 70 bodies/authorities, which were received for the year 2004-05, attracted audit by Comptroller and Auditor General of India. All of these, 70 bodies/authorities, audit of which was due, were audited during 2005-06.

Three hundred and forty annual accounts of 103 autonomous bodies/authorities for 2005-06 and earlier years had not been received as of July 2006 by the Accountant General (Audit). The details are given in **Appendix IV**. Of these bodies/authorities, 20<sup>2</sup> Municipal Committees and five<sup>3</sup> Aided Colleges did not submit their accounts for five years or more.

#### **1.7.6 Non-furnishing of accounts of utilisation of grants**

Out of 225 autonomous bodies to whom various Government departments released grants-in-aid of Rs 339.24 crore during the year 2004-05, as detailed in **Appendix V**, 190 did not render the accounts for the utilisation of grants to the concerned departments as of July 2006.

#### **1.7.7 Misappropriations, defalcations, etc.**

The State Government reported 257 cases involving Rs 1.69 crore on account of misappropriations, defalcations, etc. of Government money. These cases pertained to the period from 1971-72 to the end of March 2006 on which final action was pending at the end of June 2006. The department-wise/year-wise and category-wise break-up of pending cases is given in **Appendix VI and VII** respectively.

#### **1.7.8 Write off of losses, etc.**

During 2005-06, Rs 2.87 lakh representing losses due to theft, fire and irrecoverable revenue, etc. were written off in two cases by competent authorities as reported to audit. The relevant details are given in Table 16.

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<sup>2</sup> Sr. No. 1 to 7, 9 to 17, 20, 28, 43 and 45 of **Appendix IV**.  
<sup>3</sup> Sr. No. 70, 73 and 85 to 87 of **Appendix IV**.

Table 16

Sl. No.	Department	Number of cases	Amount (Rupees in lakh)
1.	Education	1	0.08
2.	Finance	1	2.79
	<b>Total</b>	<b>2</b>	<b>2.87</b>

## 1.8 Assets and liabilities

### 1.8.1 Financial assets and liabilities

The Government accounting system does not attempt a comprehensive accounting of fixed assets, i.e. land, buildings, etc., owned by the Government. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure. Statement 16 read with details in Statement 17 of Finance Accounts shows the year-end balances under the Debt, Deposit and Remittance heads from which the liabilities and assets are worked out. **Statement-I** presents an abstract of such liabilities and the assets as on 31 March 2006 compared with the corresponding position on 31 March 2005. While the liabilities in this statement consist mainly of money owed by the State Government such as internal borrowings, loans and advances from the Government of India, small savings, provident funds, deposits and Reserve Fund, etc. the assets are comprised mainly of the capital expenditure and loans and advances given by the State Government. The liabilities of Government of Haryana depicted in the Finance Accounts, however, do not include the pension and other retirement benefits payable to serving and retired State employees. While the financial liabilities of the State Government increased to Rs 27,063.11 crore, the assets declined to Rs 21,396.80 crore during 2005-06. The ratio of assets to liabilities which is 0.79, indicates that about 21 *per cent* of the liabilities are without assets backup. **Statement-IV** depicts the Time Series Data on State Government Finances for the period 2001-06.

### 1.8.2 Financial results of irrigation works

The financial results of seven major irrigation projects with a capital outlay of Rs 337.89 crore at the end of March 2006 showed that revenue realised from these projects during 2005-06 (Rs 56.29 crore) was 17 *per cent* of the capital outlay. After meeting the working and maintenance expenditure (Rs 78.58 crore) and interest charges (Rs 17.16 crore), there was a loss of Rs 39.45 crore, which was 12 *per cent* of capital outlay on these projects.

### 1.8.3 Incomplete projects

As per information received from the State Government, as of 31 March 2006, there were 22 incomplete projects in which Rs 43.65 crore were blocked (Details in **Appendix IV** of Finance Accounts).



### 1.8.4 Investments and returns

As on 31 March 2006, Government had invested Rs 2,261 crore in Statutory Corporations, Joint Stock Companies and Co-operatives. Government's return on this investment was meagre (less than one *per cent*) as indicated in Table 17 below. Of these, one Statutory Corporation and 14 Government Companies with an aggregate investment of Rs 1,832.69 crore upto 2005-06 were incurring losses and their accumulated losses amounted to Rs 1,504.81 crore as per the accounts furnished by these companies upto 2005-06 (*Appendix VIII*). While the investments increased by 21 *per cent*, their returns declined by 18 *per cent* during the year 2005-06. Thus, Government needs not only to invest the high cost borrowings more judiciously to get better results, but also address the losses on account of such units by their disinvestment.

**Table 17: Return on Investment (Rupees in crore)**

Year	Investment at the end of the year	Return	Percentage of return	Rate of interest on Government borrowing ( <i>per cent</i> )
2001-02	2,905.97	0.40	0.01	8.8,30,9.45 and 10.35
2002-03	3,067.25	1.73	0.06	6.75, 6.80, 6.95 and 7.80
2003-04	1,689.51	4.11	0.24	5.85,5.90,6.20,6.35 and 6.40
2004-05	1,861.34	2.35	0.13	5.60,5.70,6.35,7.02,7.32 and 7.36
2005-06	2,261.44	1.92	0.09	7.33,7.53 and 7.77

### 1.8.5 Loans and Advances by State Government

In addition to its investment, Government has also been providing loans and advances to many of these bodies. Total outstanding balance of the loans advanced was Rs 3,841 crore as on 31 March 2006 (Table 18). Overall, interest received against these advances was only one *per cent* in 2005-06, which was less than the average rate of interest paid by the State Government for borrowings. Further, in most cases, Government orders sanctioning the loans did not specify the terms and conditions for these loans.

**Table 18: Average Interest Received on Loans Advanced by the State Government (Rupees in crore)**

	2001-02	2002-03	2003-04	2004-05	2005-06
Opening Balance	1,063	1,279	1,630	3,903	3,954
Amount advanced during the year	301	457	2,429	208	177
Amount repaid during the year	85	106	156	1,57	290
<b>Closing Balance</b>	<b>1,279</b>	<b>1,630</b>	<b>3,903</b>	<b>3,954</b>	<b>3,841</b>
Net Addition (+) / Reduction (-)	216	350	2,273	51	(-) 113
Interest received (Rupees in crore)	8	7	95	206	47
Interest received as <i>per cent</i> to outstanding Loans and Advances	0.63	0.43	2.43	5.21	1.22
Average rate of interest paid by the State	10.50	10.74	10.20	9.62	8.19
Difference between rate of interest paid and received	(-) 9.87	(-) 10.31	(-) 7.77	(-) 1.35	(-) 6.97

**Commercial activities**

**1.8.6 Lack of accountability for the use of public funds in departmental commercial undertakings**

Activities of quasi-commercial nature are performed by the departmental undertakings of certain Government departments. These undertakings are to prepare *proforma* accounts in the prescribed format annually showing the results of financial operation so that the Government can assess the results of their working. The Heads of Departments in the Government are to ensure that the undertakings, which are funded by the budgetary release, prepare the accounts on a timely basis and submit the same to Accountant General for audit.

As of March 2006, there were six undertakings/schemes in which Government of Haryana had invested Rs 2,014.05 crore at the end of the financial year up to which their accounts were completed. The department-wise position of preparation of accounts in respect of these undertakings was as per Table 19 below:

**Table 19**

Department	No. of undertakings/schemes under the department	Accounts not finalised (name of undertakings/schemes)	Year upto which accounts finalised	Investment as per last accounts (Rupees in crore)
Agriculture	2	(i) Purchase and Distribution of Pesticides <sup>4</sup>	1985-86	2.53
		(ii) Seed Depot Scheme <sup>4</sup>	1986-87	NA
Printing and Stationery	1	Text Book Organisation	2003-04	4.14
Transport	1	Haryana Roadways	2001-02	344.44
Animal Husbandry	1	Veterinary Vaccine Institute, Hisar	2002-03	*
Food and Supplies	1	Grain Supply Scheme	2003-04	1,662.94
<b>Total</b>				<b>2,014.05</b>

\* Less than Rs 1.00 crore (Rs 0.19lakh).

It would be seen that the two undertakings relating to Agriculture Department had not prepared their accounts for more than 19 years. Accounts of one undertaking each of Transport, Animal Husbandry, Printing and Stationery and Food and Supplies Departments were in arrears by four years, three years and two years respectively.

**1.8.7 Management of cash balances**

It is generally desirable that State's flow of resources should match its expenditure obligations. However, to take care of any temporary mis-matches in the flow of resources and the expenditure obligations, a mechanism of Ways and Means Advances (WMA) from Reserve Bank of India has been put

<sup>4</sup> These schemes are defunct since 1986-87 (Purchase and distribution of pesticides) and 1984-85 (Seed Depot scheme).

in place. Government of Haryana had the WMA limit of Rs 280 crore from 1 April 2005 to 31 March 2006. Details of WMA and overdraft availed by the Government during the last five years are given in Table-20 below. During last two years, the State did not use this mechanism. In a nutshell, the State's cash management in the current year was more prudent. However, the Government raised market loans of Rs 520.81 crore on three occasions.

**Table 20: Ways and Means and Overdrafts of the State and Interest paid thereon**

(Rupees in crore)

Ways and Means Advances	2001-02	2002-03	2003-04	2004-05	2005-06
Taken in the Year	2,642.96	633.97	238.98	-	-
Outstanding	178.01	--	--	-	-
Interest Paid	6.35	3.04	0.26	-	-
<b>Overdraft</b>					
Taken in the Year	964.01	177.42	--	-	-
Outstanding	406.65	--	--	-	-
Interest Paid	0.80	0.79	--	-	-
Number of Days State was in Overdraft	69	21	--	-	-

## Undischarged liabilities

### 1.8.8 Fiscal liabilities—public debt and guarantees

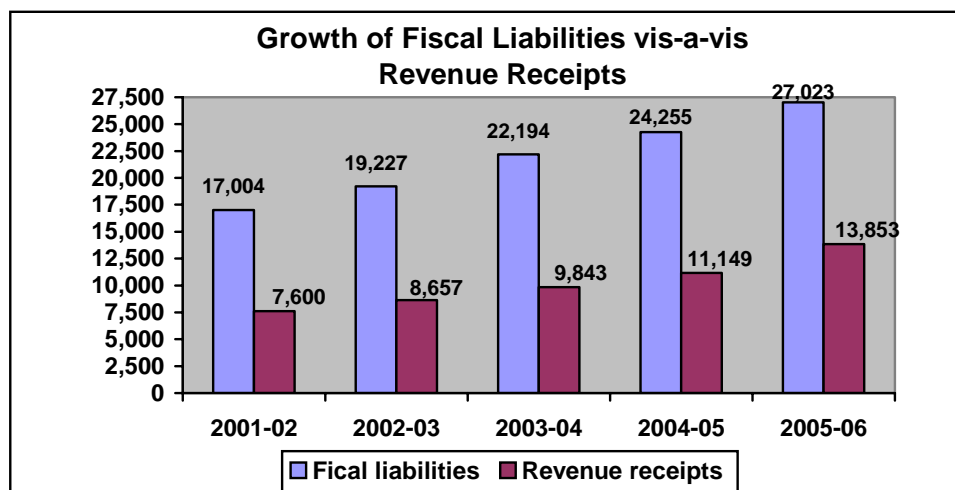
The Constitution of India provides that a State may borrow within the territory of India, upon the security of its consolidated fund, within such limits, as may from time to time, be fixed by an Act of Legislature. However, no such law was passed from the State to lay down any such limit. Statement 4, read with Statements 16 and 17 of Finance Accounts, shows the year-end balances under Debt, Deposit and Remittances heads from which the liabilities are worked out.

It would be observed that the overall fiscal liabilities of the State increased by 59 *per cent* from Rs 17,004 crore in 2001-02 to Rs 27,023 crore in 2005-06. These liabilities as ratio to GSDP increased from 28 *per cent* in 2001-02 to 29 *per cent* in 2005-06 and stood at 1.95 times of its revenue receipts and 2.34 times of its own resources comprised of its own tax and non-tax revenue. Table 21 below gives the fiscal liabilities of the State, its rate of growth, ratio of these liabilities to GSDP revenue receipts and own resources and buoyancy of these liabilities with respect to these parameters.

**Table 21: Fiscal Imbalances–Basic Parameters (Rupees in crore and Ratios in per cent)**

	2001-02	2002-03	2003-04	2004-05	2005-06
Fiscal Liabilities	17,004	19,227	22,194	24,255	27,023
Rate of Growth	22.09	13.07	15.43	9.29	11.41
<b>Ratio of Fiscal Liabilities to</b>					
GSDP	28.1	29.1	30.0	29.2	28.9
Revenue Receipts	223.7	222.1	225.5	217.6	195.1
Own Resources	256.2	261.3	258.9	242.9	234.2
<b>Buoyancy of Fiscal Liabilities to</b>					
GSDP	2.209	1.410	1.311	0.760	0.907
Revenue Receipts	1.415	0.940	0.538	0.70	0.470
Own Resources	1.432	1.203	0.936	0.563	0.733

In addition to these liabilities, Government had guaranteed loans of its various Corporations and others, which as of 31 March 2006 stood at Rs 5,644 crore. The guarantees are in the nature of contingent liabilities of the State and in the event of non-payment of loans, there may be an obligation on the State to honour these commitments. Currently, the fiscal liabilities including the contingent liabilities considered their ratio to the revenue receipts of the State comes to 2.36. The direct fiscal liabilities of the State have grown much faster as if compared to its rate of growth of GSDP.



Increasing liabilities had raised the issue of sustainability of the finances of the State Government. Fiscal liabilities are considered sustainable if the weighted interest paid on these liabilities is lower than the rate of growth of GSDP.

Debt sustainability with reference to weighted interest rate, GDSP growth rate and interest spread is indicated in Table 22.

**Table 22: Debt Sustainability – Interest Rate and GSDP Growth (in per cent)**

	2001-02	2002-03	2003-04	2004-05	2005-06
Weighted Interest Rate	10.50	10.74	10.20	9.62	8.19
GSDP Growth	10.00	9.27	11.77	12.23	12.58
Interest spread	(-) 0.50	(-) 1.47	1.57	2.61	4.39

Another important indication of debt sustainability is net availability of the funds after payment of the principal on account of the earlier contracted

liabilities and interest. Table 23 below gives the position of the receipts and repayments of internal debt over the last five years.

**Table 23: Net Availability of Borrowed Funds (Rupees in crore)**

<b>Internal Debt</b>	<b>2001-02</b>	<b>2002-03</b>	<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>
Receipts	2,459	3,400	5,864	4,178	3,309
Repayments (Principal + Interest)	1,252	1,935	2,820	2,687	2,462
Net Funds Available	1,207	1,465	3,044	1,491	847
Net Funds Available ( <i>per cent</i> )	49	43	52	36	26
<b>Loans and Advances from Government of India</b>					
Receipts	339	249	421	296	40
Repayments (Principal + Interest)	913	947	2,684	2,163	310
Net Funds Available	(-) 574	(-) 698	(-) 2,263	(-) 1,867	(-) 270
Net Funds Available ( <i>per cent</i> )	(-) 169	(-) 280	(-) 538	(-) 631	(-) 675
<b>Total Public Debt</b>					
Receipts	2,798	3,649	6,285	4,474	3,349
Repayments (Principal + Interest)	2,165	2,882	5,504	4,850	2,772
Net Funds Available	633	767	781	(-) 376	577
Net Funds Available ( <i>per cent</i> )	23	21	12	(-) 8	17

The net funds available on account of the internal debt and loans and advances from Government of India after providing for the interest and repayment declined from 23 *per cent* in 2001-02 to 17 *per cent* in 2005-06. However, increase in the availability of funds during the year to 17 *per cent* was because of reduction in repayment of loans and advances from Government of India as a result of consolidation of loans and implementation of debt swapping scheme on the recommendations of Twelfth Finance Commission.

The State Government raised market loans of Rs 521 crore during the year. The average rate of interest on market borrowings during the year was 8.19 *per cent*. The State Government did not use the option of raising the market borrowings at competitive rates through auctions. As on 31 March 2006, 29 *per cent* of the existing market loans of the State Government carried an interest rate exceeding 10 *per cent*. Thus, the effective cost of borrowings on their past loans is much higher than the rate at which they are able to raise resources at present from the market. The maturity profile of the State Government market loans indicate that nearly 27 *per cent* of the total market loans are repayable within next five years while remaining 73 *per cent* loans are required to be repaid within 5 to 10 years.

## **1.9 Management of deficits**

### **1.9.1 Fiscal imbalances**

The deficits in Government accounts represent the gap between its receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources so raised are applied are important pointers to the fiscal health.

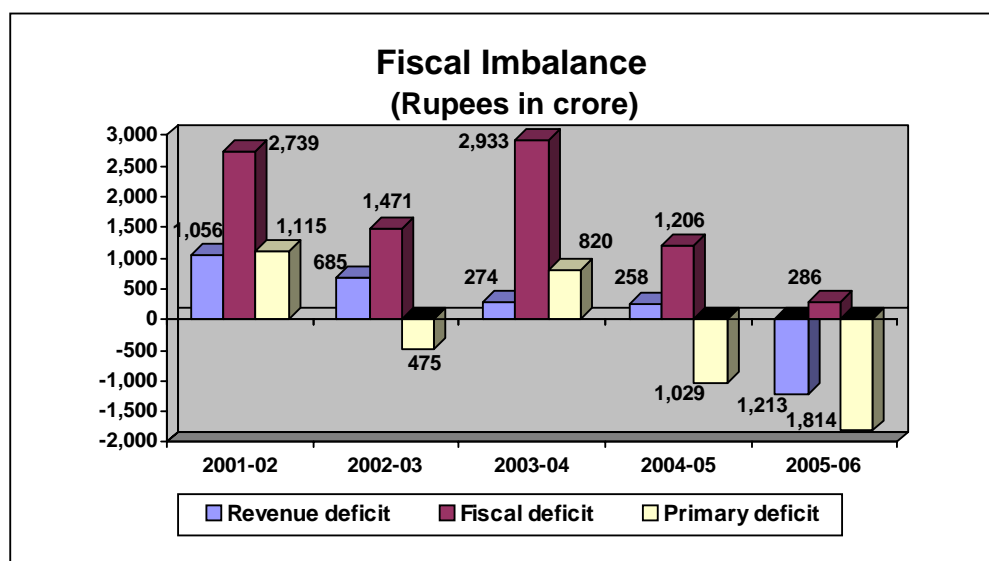
The revenue deficit (Statement 1 of Finance Account) of the State, which is the excess of its revenue expenditure over revenue receipts, decreased from Rs 1,056 crore in 2001-02 to Rs 258 crore in 2004-05. However, during 2005-06 the State Government achieved revenue surplus of Rs 1,213 crore due to increase in the revenue receipts by Rs 2,704 crore. The fiscal deficit, which represents the total borrowings of the Government and its total resource gap, also decreased from Rs 2,739 crore in 2001-02 to Rs 286 crore in 2005-06 as a result of wiping of revenue deficit and achieving revenue surplus as indicated in Table 24.

**Table 24: Fiscal Imbalances – Basic Parameters (Value: Rupees in crore and Ratios in per cent)**

	2001-02	2002-03	2003-04	2004-05	2005-06
Revenue Deficit (RD)(-)/ Revenue surplus (+)	(-) 1,056	(-) 685	(-) 274	(-) 258	(+) 1,213
Fiscal Deficit (FD)	(-) 2,739	(-) 1,471	(-) 2,933	(-) 1,206	(-) 286
Primary Deficit (PD) (-)/ Surplus (+)	(-) 1,115	(+) 475*	(-) 820	(+) 1,029*	(+) 1,814*
RD/GSDP	(-) 1.74	(-) 1.04	(-) 0.37	(-) 0.31	(+) 1.30
FD/GSDP	(-) 4.52	(-) 2.22	(-) 3.97	(-) 1.45	(-) 0.31
PD/GSDP	(-) 1.84	(+) 0.72*	(-) 1.11	(+) 1.24*	(+) 1.94
RD/FD	(+) 38.55	(+) 46.57	(+) 9.34	(+) 21.39	#

\* Interest payments were more than fiscal deficit.

# Not given on account of revenue surplus.



As proportion to GSDP, fiscal deficit had decreased from 4.52 per cent in 2001-02 to 0.31 per cent in 2005-06.

### 1.9.2 The Haryana Fiscal Responsibility and Budget Management (FRBM) Act, 2005

The State Government has enacted the Fiscal Responsibility and Budget Management (FRBM) Act, 2005 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, greater fiscal transparency in fiscal operations of the Government and conduct of fiscal policy in a medium term framework. To give effect to the fiscal management principles as laid down in the Act, and/or the rules framed thereunder prescribed the fiscal targets for the State Government which are as follows:

- i) to reduce revenue deficit by 4.77 *per cent* of the estimated revenue receipt of the financial year 2005-06 so as to eliminate it by 31<sup>st</sup> March 2009 and generate revenue surplus thereafter;
- ii) to reduce fiscal deficit by two *per cent* of the GSDP of the financial year 2005-06 so as to bring it down to not more than three *per cent* of GSDP by 31<sup>st</sup> March 2009;
- iii) to ensure within a period of 10 years, that is as on the 31<sup>st</sup> March 2015, total liabilities do not exceed 40 *per cent* of the estimated GSDP for that year; and
- iv) to bring down the State Debt including contingent liabilities on account of guarantees at 28 *per cent* of GSDP by 2009-10.

The State Government has drawn fiscal correction path for the year 2005-06. Targets and achievements of fiscal correction during 2005-06 are given in table 25:

Table 25

Item	Targets	Achievements
	(Rupees in crore)	
Revenue Deficit (-)/ Revenue Surplus (+)	(-) 603.33	(+) 1,213.42
Fiscal Deficit	1,872.54	286
Consolidated Debt including Guarantees	29,740.75	32,667
Interest Payments	2,187.13	2,100
Expenditure on Salaries	3,945.52	3,893.25

Though State Government succeeded in achieving the Revenue Surplus, decreased the Fiscal Deficit and also reduced the rate of growth of revenue expenditure during the year 2005-06 itself, consolidated debt including guarantees still stood at Rs 32,667 crore (34.96 *per cent* of GSDP) against the target of Rs 29,740.75 crore (31.83 *per cent* of GSDP) fixed for 2005-06. Thus, out of five parameters as of 2005-06 achievement has been assessed in case of three parameters i.e. reduction of revenue deficit, fiscal deficit and interest payments. The target sets, though were not achieved in respect of two other parameters i.e. reduction of consolidated debt including guarantees and expenditure on salaries.

## 1.10 Fiscal ratios

**1.10.1** The finances of a State should be sustainable, flexible and non-vulnerable. Table 25 below presents a summarised position of Government Finances over 2001-06, with reference to certain key indicators that help to assesses the adequacy and effectiveness of available resources and their applications, highlight areas of concern and capture its important facets.

The ratios of revenue receipts and State's own taxes to GSDP indicate the adequacy of the resources. The buoyancy of the revenue receipts indicates the nature of the tax regime and the State's increasing access to resources with increase in GSDP. Revenue receipts comprise not only of the tax and non-tax resources of the State but also the transfers from Union Government. These ratios showed a continuous improvement during 2001-06 indicating mobilization of resources and its sustainability.

Various ratios concerning expenditure management of the State indicate the quality of its expenditure and sustainability of these in relation to its resources mobilization. The ratio of revenue expenditure to total expenditure increased from 83 in 2001-02 to 88 in 2005-06 and development expenditure increased from 63 in 2001-02 to 65 in 2005-06. The decline in development expenditure is indicative of State's inadequate ability to sustain the servicing of borrowings and inadequate expansion of development activities.

**Table 26: Ratios of Fiscal Efficiency (in per cent)**

<b>Fiscal Ratios</b>	<b>2001-02</b>	<b>2002-03</b>	<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>
Revenue Receipts/GSDP	12.55	13.08	13.31	13.43	14.83
Revenue Buoyancy	1.561	1.500	1.164	1.085	1.928
Own Tax/GSDP	8.21	8.39	8.58	8.96	9.72
Own Tax Buoyancy	1.531	1.257	1.126	1.406	1.751
<b>Expenditure Management</b>					
Total Expenditure/GSDP	17.21	15.46	17.48	15.07	15.44
Revenue Receipts/ Total Expenditure	72.91	84.59	76.11	89.11	96.00
Revenue Expenditure/Total Expenditure	83.04	91.28	78.23	91.17	87.60
Capital Expenditure/Total Expenditure	14.07	4.26	2.98	7.17	11.17
Development Expenditure/Total Expenditure	62.89	56.01	46.56	57.99	64.73
Buoyancy of TE with RR	1.090	(-) 0.131	1.924	(-) 0.245	0.632
Buoyancy of RE with RR	1.316	0.570	0.606	0.961	0.445
<b>Management of Fiscal Imbalance</b>					
Revenue deficit (-)/Surplus (+) (Rs in crore)	(-) 1,056	(-) 685	(-) 274	(-) 258	(+) 1,213
Fiscal deficit (-)/Surplus (+) (Rs in crore)	(-) 2,739	(-) 1,471	(-) 2,933	(-) 1,206	(-) 286
Primary Deficit (-)/Surplus (+) (Rs in crore)	(-) 1,115	(+) 475	(-) 820	(+) 1,029*	(+) 1,814
Revenue Deficit/Fiscal Deficit	(-) 38.55	(-) 46.57	(-) 9.34	(-) 21.39	**
<b>Management of Fiscal Liabilities</b>					
Fiscal Liabilities/GSDP	28.1	29.1	30.00	29.2	28.9
Fiscal Liabilities/RR	223.7	222.1	225.5	217.6	195.1
Buoyancy of FL with RR	1.415	0.940	0.538	0.70	0.470
Buoyancy of FL with own resources	1.432	1.203	0.936	0.563	0.736
Interest Spread	(-) 0.50	(-) 1.47	1.57	2.61	4.39
Net Fund Available	23	21	12	(-) 8	17
<b>Other Fiscal Health Indicators</b>					
Return on Investment	0.40	1.73	4.11	2.35	1.92
BCR (Rs in crore)	213	70	326	786	2,424
Financial Assets/Liabilities	0.68	0.67	0.71	0.72	0.79

\* Interest payments were more than fiscal deficit.

\*\* There was revenue surplus during the year 2005-06.



State Government continued to spend high cost borrowings on lower return investments. While investments in statutory corporations, joint stock companies and co-operatives increased by 21 *per cent*, the returns on these investments declined by 18 *per cent* and was only 0.09 *per cent* of investments. Only 48 *per cent* of the borrowings were used for capital formation inspite of revenue surplus. The fiscal deficit decreased by 76 *per cent* as a result of increase in the revenue collection by 24 *per cent*. Fiscal deficit could have been further reduced, had there not been 32 *per cent* increase in arrears of revenue. Though the State Government was able to wipe of the revenue deficit and achieved revenue surplus of Rs 1,213 crore, the expenditure on salaries continued to increase (28 *per cent*) and about 28 *per cent* of the revenue receipts were consumed on payment of salary bills.

**STATEMENT-I**  
**SUMMARISED FINANCIAL POSITION OF THE GOVERNMENT OF**  
**HARYANA**

(Rupees in crore)

As on 31 March 2005	Liabilities		As on 31 March 2006
<b>15,063.28</b>		<b>Internal Debt</b>	<b>17,374.88</b>
	4,754.85	Market Loans bearing interest	5,141.77
	2.71	Market Loans not bearing interest	2.73
	28.60	Loans from LIC	25.40
	10,277.12	Loans from other Institutions, etc.	12,204.98
<b>2,283.90</b>		<b>Loans and Advances from Central Government</b>	<b>2,213.54</b>
	70.43	Pre 1984-85 Loans	66.96
	246.77	Non-plan Loans	237.90
	1,920.78	Loans for State Plan Schemes	1,863.11
	22.93	Loans for Central Plan Schemes	21.01
	22.99	Loans for Centrally Sponsored Plan Schemes	24.56
<b>10.00</b>		<b>Contingency Fund</b>	<b>10.00</b>
<b>5,238.16</b>		<b>Small Savings, Provident Funds, etc.</b>	<b>5,592.91</b>
<b>1,284.62</b>		<b>Deposits</b>	<b>1,442.64</b>
<b>686.10</b>		<b>Reserve Funds</b>	<b>849.99</b>
<b>403.17</b>		<b>Suspense and Miscellaneous Balances</b>	<b>(-) 420.85</b>
<b>24,969.23</b>			<b>27,063.11</b>
As on 31 March 2005	Assets		As on 31 March 2006
<b>12,230.95</b>		<b>Gross Capital Outlay</b>	<b>13,843.25</b>
	1,861.34	Investments in shares of Companies, Corporations, etc.	2,160.14
	10,369.61	Other Capital Outlay	11,683.11
<b>3,954.29</b>		<b>Loans and Advances</b>	<b>3,841.06</b>
	2,406.08	Loans for Power Projects	2,291.35
	1,303.94	Other Development Loans	1,247.08
	244.27	Loans to Government Servants, etc.	302.63
<b>0.83</b>		<b>Advances</b>	<b>0.84</b>
<b>22.57</b>		<b>Remittance Balances</b>	<b>(-) 21.05</b>
<b>1,880.86</b>		<b>Cash</b>	<b>3,732.70</b>
	0.46	Cash in Treasuries and Local Remittances	0.46
	6.95	Departmental Balances	11.99
	0.09	Permanent Cash Imprest	0.09
	1,912.52	Cash Balance Investment and other Reserve Fund Investment	3,978.71
	(-) 39.16	Deposits with Reserve Bank	(-) 258.55
<b>6,879.73</b>		<b>Deficit on Government Accounts</b>	<b>5,666.31</b>
	258.04	(i) Revenue Surplus of the Current Year	(-) 1,213.42
	6,621.69	(ii) Accumulated deficit up to preceding year	6,879.73
<b>24,969.23</b>		<b>Total</b>	<b>2,7063.11</b>

**STATEMENT-II**  
**ABSTRACT OF RECEIPTS AND DISBURSEMENTS FOR THE**  
**YEAR 2005-06**

(Rupees in crore)

Receipts			Disbursements				
2004-05		2005-06	2004-05		Non-Plan	Plan	Total
11,149.06	<b>Section A : Revenue</b>		11,407.10	<b>I. Revenue Expenditure</b>	10,625.08	2,014.81	12,639.89
	<b>I. Revenue Receipts</b>	13,853.31					
7,440.27	Tax Revenue	9,078.65	4,898.10	<b>General Services</b>	4,541.08	38.59	4,579.67
2,544.37	Non-Tax Revenue	2,458.56	3,218.21	<b>Social Services</b>	2,705.80	1,289.80	3,995.60
619.26	State's share of Union Taxes and Duties	1,200.97	1,675.04	Education, Sports, Art and Culture	1,638.12	331.65	1,969.77
84.23	Non-Plan Grants	268.90	380.73	Health and Family Welfare	288.53	160.75	449.28
200.81	Grants for State Plan Schemes	510.87	384.97	Water Supply, Sanitation, Housing and Urban Development	427.32	56.83	484.15
260.12	Grants for Central Plan and Centrally Sponsored Plan Schemes	335.36	17.48	Information and Broadcasting	17.05	5.16	22.21
			49.11	Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	23.10	63.60	86.70
			73.04	Labour and Labour Welfare	75.57	24.52	100.09
			634.32	Social Welfare and Nutrition	229.79	647.29	877.08
			3.52	Others	6.32	-	6.32
			<b>3,199.08</b>	<b>Economic Services</b>	<b>3,128.34</b>	<b>686.42</b>	<b>3,814.76</b>
			463.34	Agriculture and allied activities	363.61	173.24	536.85
			164.24	Rural Development	109.28	171.83	281.11
			445.68	Irrigation and Flood Control	342.04	154.80	496.84
			1,205.80	Energy	1,395.24	22.74	1,417.98
			42.98	Industry and Minerals	13.84	105.28	119.12
			840.43	Transport	888.13	27.24	915.37
			5.95	Science, Technology and Environment	0.46	8.42	8.88
			30.65	General Economic Services	15.74	22.87	38.61
			91.71	Grants-in-aid and Contributions	249.86	-	249.86
258.04	<b>II. Revenue Deficit carried over to Section B</b>	-		<b>Revenue surplus carried over to Section B</b>	1,213.42	-	1,213.42
11,407.10	<b>Total Section A</b>	13,853.31	11,407.10		11,838.50	2,014.81	13,853.31
	<b>Section B - Others</b>			<b>II. Capital Outlay</b>	(-)39.55	1,651.85	1612.30
684.36	<b>III. Opening Cash Balance including Permanent Advances and Cash Balance investment</b>	1,880.86	896.92	<b>General Services</b>	-	82.17	82.17
			58.13	<b>Social Services</b>	-	439.11	439.11
			286.95	Education, Sports, Art and Culture	-	23.00	23.00
			6.10	Health and Family Welfare	-	17.84	17.84
			11.40	Water Supply, Sanitation, Housing and Urban Development	-	380.69	380.69
			258.68	Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	-	2.40	2.40
			0.75	Social Welfare and Nutrition	-	12.12	12.12
			7.43	Others	-	3.06	3.06
			2.59	<b>Economic Services</b>	(-)39.55	1,130.57	1091.02
			551.84	Agriculture and allied activities	(-)39.98	10.31	(-)29.67
			(-) 244.08	Irrigation and Flood Control	-	469.15	469.15
			262.54	Energy	-	275.45	275.45
			233.35	Industry and Minerals	-	5.59	5.59
			2.23	Transport	0.43	360.07	360.50
			292.29	General Economic Services	-	10.00	10.00
			5.50				

*Audit Report (Civil) for the year ended 31 March 2006*

Receipts				Disbursements			
2004-05			2005-06	2004-05			2005-06
157.10	IV. Recoveries of Loans and Advances		289.90	208.06	III. Loans and Advances Disbursed		176.67
7.59	From Power Projects	119.72		22.43	For Power Projects	4.99	
68.73	From Government Servants	83.19		101.10	To Government Servants	141.56	
80.78	From others	86.99		84.53	To others	30.12	
				258.04	IV. Revenue Deficit brought down	--	--
4,474.49	V. Public Debt Receipts		3,348.75	3,014.27	V. Repayment of Public Debt		1,107.51
4,178.37	Internal Debt other than Ways and Means Advances and Overdraft	3,308.60		1,306.54	Internal Debt other than Ways and Means Advances and Overdraft	997.00	
-	Net transaction under Ways and Means Advances and Overdraft	-			Net transaction under Ways and Means Advances and Overdraft	--	--
296.12	Loans and Advances from Central Government	40.15		1,707.73	Repayment of Loans and Advances to Central Government	110.51	
5,973.44	VI. Public Accounts Receipts		5,460.57	5,031.24	VI. Public Account Disbursements		5,564.32
1,040.22	Small Savings, Provident Fund, etc.	1,165.61		756.01	Small Savings, Provident Fund, etc.	810.85	
196.04	Reserve Funds	243.93		69.05	Reserve Funds	80.04	
2,277.84	Deposits and Advances	1,893.21		2,034.97	Deposits and Advances	1,735.19	
628.60	Suspense and Miscellaneous	(-) 349.11		325.90	Suspense and Miscellaneous	474.93	
1,830.74	Remittances	2,506.93		1,845.31	Remittances	2,463.31	
	VII Revenue Surplus brought down		1,213.42	1,880.86	VII. Cash Balance at end		3,732.70
				0.46	Cash in Treasuries and Local Remittances	0.46	
				(-) 39.16	Deposits with Reserve Bank	(-) 258.55	
				7.04	Departmental Cash Balance including Permanent Advances, etc.	12.08	
				1,912.51	Cash Balance Investment	3,978.71	
11,289.39	Total - Section B		12,193.50	11,289.39	Total		12,193.50

**STATEMENT-III**  
**SOURCES AND APPLICATION OF FUNDS**

(Rupees in crore)

2004-05	Sources	2005-06
11,149.06	<b>Revenue Receipts</b>	13,853.31
157.10	<b>Recoveries of Loans and Advances</b>	289.90
1,460.22	<b>Increase in Public debt</b>	2,241.24
942.20	<b>Net Receipts from Public Account -</b>	- 103.75
	284.21 Increase in Small Savings, Provident Funds, etc.	354.76
	242.87 Increase in Deposits and Advances	158.02
	126.99 Increase in Reserve funds	163.89
	302.70 Net effect of Suspense and Miscellaneous transactions	- 824.04
	(-) 14.57 Net effect of Remittance transactions	43.62
<b>13,708.58</b>	<b>Total</b>	<b>16,280.70</b>
2004-05	Application	2005-06
11,407.10	<b>Revenue expenditure</b>	12,639.89
208.06	<b>Lending for development and other purposes</b>	176.67
896.92	<b>Capital expenditure</b>	1,612.30
1,196.50	<b>Increase in cash balance</b>	1,851.84
<b>13,708.58</b>	<b>Total</b>	<b>16,280.70</b>

## Explanatory Notes for Statements I, II and III:

1. The abridged accounts in the foregoing Statements have to be read with comments and explanations in the Finance Accounts.
2. Government accounts being mainly on cash basis, the Deficit on Government accounts, as shown in Statement-I, indicates the position on cash basis, as opposed to accrual basis in commercial accounting. Consequently, items payable or receivable or items like depreciation or variation in stock figures etc., do not figure in the accounts.
3. Suspense and Miscellaneous balances include cheques issued but not paid, payments made on behalf of the State and other pending settlement, etc.
4. There was a difference of Rs 21.94 crore (credit) between the figures reflected in the accounts and that intimated by the RBI under "Deposits with Reserve Bank" (July 2006).

**STATEMENT-IV**  
**TIME SERIES DATA ON STATE GOVERNMENT FINANCES**

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06
<b>Part A. Receipts</b>					
<b>1. Revenue Receipts</b>	7,600	8,657	9,843	11,149	13,853
<b>(i) Tax Revenue</b>	4,971 (65)	5,550 (64)	6,348 (64)	7,440(67)	9,079(65)
Taxes on Sales, Trade, etc.	2,945 (59)	3,337 (60)	3,838 (61)	4,761(64)	5,604(62)
State Excise	875 (18)	879 (16)	923 (15)	1,013(14)	1,107(12)
Taxes on Vehicles	104 (2)	114 (2)	132 (2)	140(2)	172(2)
Stamps duty and Registration fees	488 (10)	541 (10)	696(11)	727(10)	1,340(15)
Land Revenue	19	10	20	12	13
Taxes on goods and passengers	499 (10)	653 (12)	660 (10)	705(10)	758(8)
Taxes and duties on Electricity	29 (1)	1	59 (1)	62(1)	62(1)
Other Taxes	12	15	20	20	23
<b>(ii) Non-Tax Revenue</b>	1,666 (22)	1,808 (21)	2,223 (23)	2,544(23)	2,458(18)
<b>(iii) State's share in Union taxes and duties</b>	450(6)	756 (9)	601 (6)	619(6)	1,201(9)
<b>(iv) Grants-in-aid from Government of India</b>	513 (7)	543 (6)	671 (7)	545(5)	1,115(8)
<b>2. Misc. Capital Receipts</b>	-	-	-	-	-
<b>3. Total Revenue and Non debt capital receipt (1+2)</b>	7,600	8,657	9,843	11,149	13,853
<b>4. Recoveries of Loans and Advances</b>	85	106	156	157	290
<b>5. Public Debt Receipts</b>	3,359	3,649	6,285	4,474	3,349
Internal Debt (excluding Ways & Means Advances and Overdrafts)	2,459(73)	3,400 (93)	5,864 (93)	4,178(93)	3,309(99)
Net transactions under Ways and Means Advances and Overdraft	561 (17)	-	-	-	-
Loans and Advances from Government of India <sup>5</sup>	339 (10)	249 (7)	421 (7)	296(7)	40(1)
<b>6. Total Receipts in the Consolidated Fund (3+4+5)</b>	11,044	12,412	16,284	15,780	17,492
<b>7. Contingency Fund Receipts</b>	-	-	-	-	-
<b>8. Public Accounts receipts</b>	4,914	4,921	7,662	5,973	5,461
<b>9. Total receipts of the State (6+7+8)</b>	15,958	17,303	23,946	21,754	22,953
<b>Part B. Expenditure</b>					
<b>10. Revenue Expenditure</b>	8,656	9,342	10,117	11,407	12,640
Plan	1,197 (14)	1,049 (11)	1,124 (11)	1,453(13)	2,015(16)
Non-plan	7,459 (86)	8,293 (89)	8,993 (89)	9,954(87)	10,625(84)
General Services (including Interests payments)	3,486 (40)	3,995 (43)	4,368 (43)	4,898(43)	4,580(36)
Economic Services	2,415 (28)	2,532 (27)	2,706(27)	3,199(28)	3,815(31)
Social Services	2,725 (32)	2,809 (30)	2,995 (30)	3,218(28)	3,995(32)
Grants-in-aid and contributions	30	6	48	92(1)	250(1)
<b>11. Capital Expenditure</b>	1,467	436	386	897	1,612
Plan	902 (61)	846 (194)	1,054 (273)	1,142(127)	1,652(102)
Non-plan	565 (39)	(-) 410 (-)	(-) 668 (-)	(-) 245 (-)	(-)40 (-) (2)
General Services	51 (3)	45 (10)	66 (17)	58(6)	82(5)
Economic Services	1,225 (84)	176 (41)	26 (7)	552(62)	1,091(68)
Social Services	191 (13)	215 (49)	294 (76)	287(32)	439(27)
<b>12. Disbursement of Loans and Advances</b>	301	456	2429	208	177
<b>13. Total (10+11+12)</b>	10,424	10,234	12,932	12,512	14,429
<b>14. Repayments of Public Debt</b>	961	1,932	3,790	3,014	1,107
Internal Debt (excluding Ways and Means Advances and Overdrafts)	737(77)	1,096 (57)	1,733 (46)	1,307(43)	997(90)
Net transactions under Ways and Means Advances and Overdraft	-	585 (30)	-	-	-
Loans and Advances from Government of India	224 (23)	251 (13)	2,057 (54)	1,707(57)	110(10)
<b>15. Appropriation to Contingency Fund</b>	-	-	-	-	-
<b>16. Total disbursement out of Consolidated Fund (13+14+15)</b>	11,385	12,166	16,722	15,526	15,536
<b>17. Contingency Fund disbursements</b>	-	-	-	-	-
<b>18. Public Accounts disbursements</b>	4,243	5,289	6,573	5,031	5,564
<b>19. Total disbursement by the State (16+17+18)</b>	15,628	17,425	23,295	20,557	21,100
<b>Part C. Deficits</b>					
<b>20. Revenue Deficit (-)/Surplus (+) (1-10)</b>	(-)1,056	(-)685	(-) 274	(-) 258	(+) 1,213
<b>21. Fiscal Deficit (3+4-13)</b>	(-)2,739	(-)1,471	(-) 2,933	(-) 1,206	(-) 286
<b>22. Primary Deficit (-)/surplus (+) (21-23)</b>	(-)1,115	(+)475	(-) 820	1,029	1,814
<b>Part D. Other data</b>					
<b>23. Interest Payments (included in revenue expenditure)</b>	1,624	1,946	2,113	2,235	2,100
<b>24. Arrears of Revenue(Percentage of Tax &amp; non-tax Revenue Receipts)</b>	516(8)	577(8)	851 (6)	1,087 (11)	1,247 (12)
<b>25. Financial Assistance to local bodies etc.</b>	668	608	727	518	842
<b>26. Ways and Means Advances (WMA)/Overdraft availed (days)</b>	299	71	27	-	-
<b>27. Interest on WMA/Overdraft</b>	7.15	3.83	0.26	-	-
<b>28. Gross State Domestic Product (GSDP)<sup>6</sup></b>	60,561	66,175	73,961	83,003	93,441
<b>29. Outstanding Debt (year end)</b>	17,004	19,227	22,194	24,255	27,023
<b>30. Outstanding guarantees including interest (year end)</b>	8,606	7,690	5,907	4,249	5,644
<b>31. Maximum amount guaranteed (year end)</b>	12,222	12,461	9,457	6,742	8,448
<b>32. Number of incomplete projects</b>	3	6	5	25	22
<b>33. Capital blocked in incomplete projects</b>	2.50	9.50	35.25	105.75	43.65

Note: Figures in brackets represent percentages (rounded) to total of each sub heading.

<sup>5</sup> Includes Ways and Means Advances from GOI.

<sup>6</sup> Revised figures of GSDP for the period 2001-02 to 2004-05 and those for 2005-06 adopted as provided by Economic and Statistical Advisor to Government Haryana.