

सत्यमेव जयते

Accounts at a Glance 2016-17



GOVERNMENT OF JAMMU AND KASHMIR

Accounts at a Glance

2016-17

Government of Jammu & Kashmir


*P*REFACE

I am happy to present 'ACCOUNTS AT A GLANCE' of the Government of Jammu and Kashmir for the year 2016-17. The purpose of this publication is to make available the voluminous and complex information on State Finances to the reader in a lucid form.

The annual accounts of the State consist of (a) Finance Accounts and (b) Appropriation Accounts. The Finance Accounts depict the Receipts and Disbursements of the Government during the year and the Assets and Liabilities of the Government as on 31 March 2017. The Appropriation Accounts record the grant-wise expenditure against the budget approved by State Legislature and offer explanations for variations between the budget and the actual expenditure. The Annual Finance and the Appropriation Accounts are placed before the State Legislature after certification by the Comptroller and Auditor General of India.

It has been our endeavour to provide a broad overview of Government activities of the State of Jammu and Kashmir in a comprehensive yet reader friendly manner by including explanations, statements, graphs and relevant analysis.

We are looking forward to comments and suggestions for improving this publication.



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Accountant General (A&E)
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Dated:-

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1.1. Introduction

The Accountant General (Accounts and Entitlements), Jammu and Kashmir compiles the accounts of receipts and expenditure of the Government of Jammu and Kashmir. This compilation is based on initial accounts rendered by 133 Treasuries including 22 District Treasuries, 158 Public Works Divisions, 52 Irrigation Division, 69 Electric Divisions, 163 Forest Divisions, Inter State transactions and advices of the Reserve Bank of India. Following such compilation, the Accountant General (A&E) prepares the Finance Accounts and Appropriation Accounts annually, which are placed before the State Legislature after audit by the Accountant General (Audit), Jammu and Kashmir and certification by the Comptroller and Auditor General of India.

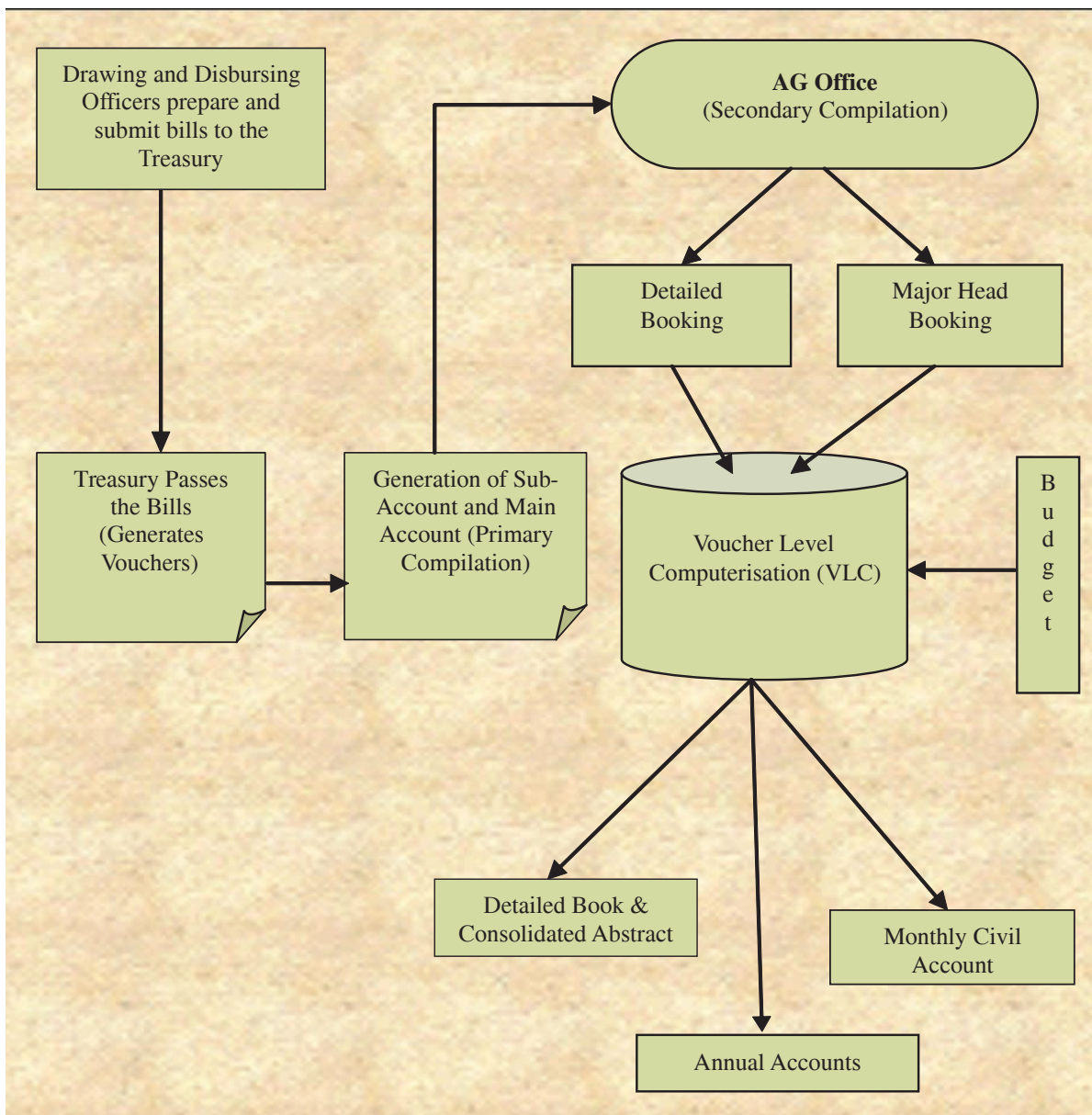
1.2. Structure of Accounts

1.2.1. *Government Accounts are maintained in the following three parts:*

Part I CONSOLIDATED FUND	Receipt and Expenditure on Revenue and Capital Account, Public Debt, and Loans and Advances.
Part II CONTINGENCY FUND	Intended to meet unforeseen expenditure not provided for in the budget. Expenditure from this Fund is recouped subsequently from the Consolidated Fund.
Part III PUBLIC ACCOUNT	Comprises of Small Saving & Provident Funds, Reserve Funds, Deposits and Advances, Remittances and Suspense transactions. Small Savings & Provident Funds and Deposits represent repayable liabilities of the Government. Advances are receivables of the Government. Reserve Funds are amounts set aside to meet certain eventualities. Remittance and Suspense transactions are adjusting entries that are required to be cleared eventually by booking to final heads of account.

1.2.2. *Compilation of Accounts:*

Figure 1 Flow Diagram for Accounts Compilation



1.3. Finance Accounts and Appropriation Accounts

1.3.1. *Finance Accounts*

The Finance Accounts depict the receipts and disbursements of the Government for the year, together with the financial results disclosed by the revenue and capital accounts, public debt and public account balances recorded in the accounts. The Finance Accounts have been prepared in two volumes to make them more comprehensive and informative. Volume I of the Finance Accounts contains the certificate of the Comptroller and Auditor General of India, summarised statements of receipts and disbursements (revenue expenditure, capital expenditure, loans and advances and public debt), investments, guarantees,

grants-in-aid and ‘Notes to Accounts’ containing summary of significant accounting policies, quality of accounts and other items; Volume II contains detailed statements (Part-I) and appendices (Part-II).

Summarised receipts and disbursements of the Government of Jammu and Kashmir as depicted in the Finance Accounts 2016-17 are presented in table 1. Details have been analysed in the following chapters:-

Table 1 Summarised Receipts and Disbursements, Government of Jammu and Kashmir

			(₹ in crore)
Receipts (Total: 48,174)	Revenue (Total: 41,979)	Tax Revenue	17,308
		Non- Tax Revenue	4,072
		Grants-in-Aid	20,599
	Capital (Total: 6,195)	Recovery of Loans and Advance	19
		Borrowing and Other Liabilities*	6,176
Disbursements (Total: 48,174)	Revenue		39,812
	Capital		8,286
	Loans and Advances		76

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

1.3.2. Appropriation Accounts

The Appropriation Accounts supplement the Finance Accounts. They depict the expenditure of the State Government against amounts ‘Charged’ on the Consolidated Fund or ‘voted’ by the State Legislature. The Budget of Jammu and Kashmir Government comprises 29 Demand for Grants reflecting *charged* Appropriation and voted Grants.

The Appropriation Account, 2016-2017, had provision for gross expenditure of ₹ 80,757 crore and reduction of expenditure (recoveries) of ₹ 421 crore. Against this, the actual gross expenditure was ₹ 65,372 crore and reduction of expenditure was ₹ 175 crore, resulting in saving of ₹ 15,385 crore and under estimation of ₹ 246 crore on reduction of expenditure.

1.4. Sources and Application of Funds

Table 2 Sources and Application of Funds

(₹ in crore)

SOURCES	PARTICULARS	AMOUNT
	Opening Cash Balances as on 1.4.2016	84
	Revenue Receipts	41,979
	Recovery of Loans & Advances	19
	Public Debt	20,749
	Small Savings Provident Fund & Others	4,626
	Reserves & Sinking Funds	452
	Deposits Received	3,794
	Civil Advances Repaid	29
	Suspense Account*	17,761
	Remittances	9,320
	Contingency Fund	-
	TOTAL	98,813
APPLICATION	PARTICULARS	AMOUNT
	Revenue Expenditure	39,812
	Capital Expenditure	8,286
	Loans Given	76
	Repayment of Public Debt	17,023
	Small Savings Provident Fund & Others	2,780
	Reserves & Sinking Funds	111
	Deposits Spent	2,845
	Civil Advances Given	29
	Suspense Account*	17,812
	Remittances	10,010
	Closing Cash Balances as on 31.3.2017	29
	TOTAL	98,813

* The Suspense account includes ₹ 14,129 crore invested in treasury bills and disbursement of departmental balances and permanent cash imprest which is shown on the "Application" side and ₹ 14,172 crore worth of treasury bills sold through the RBI (a process known as "re-discounting") and receipts in departmental balance and permanent imprest which is shown on the "Sources" side.

1.4.1. Ways and Means Advances

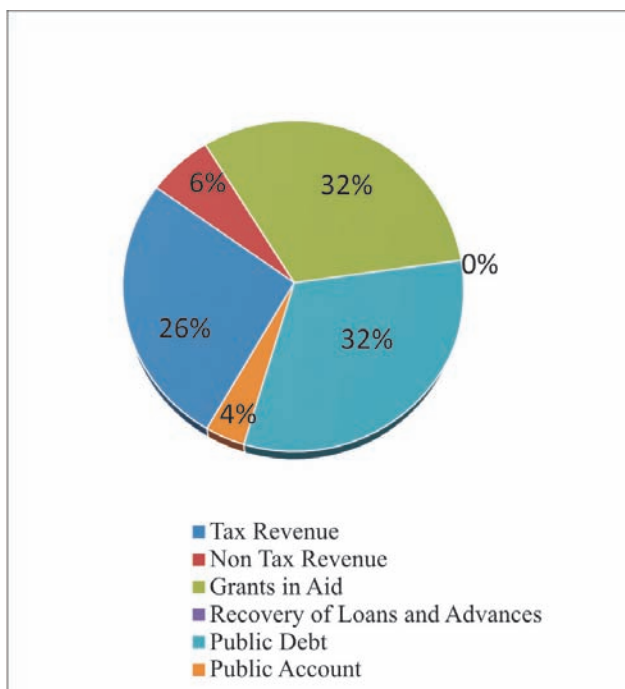
The Reserve Bank of India (RBI) extends the facility of Ways and Means Advances (WMA) to enable State Government to maintain their liquidity. Overdraft (OD) facilities are provided when there is a shortfall in the agreed minimum cash balance (₹ 1.14 crore) maintained with the RBI. During 2016-17, the total Ways and Means Advances given to J&K Government was ₹ 15,848 crore out of which State repaid ₹ 14,958 crore. Total Overdraft was ₹ 64 crore out of which State repaid ₹ 54 crore. Thus leaving a balance of ₹ 890 crore (₹ 880 crore WMA and ₹ 10 crore OD) outstanding as on 31 March 2017. The interest paid to the RBI on Ways and Means Advances during 2016-17 was ₹ 18.79 crore.

1.4.2. Funds Flow statement

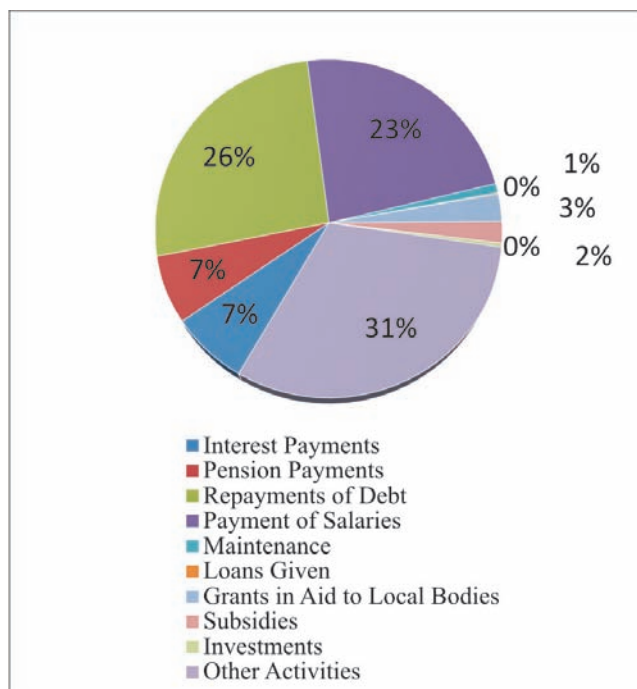
The State had a revenue surplus of ₹ 2,166 crore and a fiscal deficit of ₹ 6,176 crore (including UDAY) representing 1.87 per cent and 5.34 per cent respectively of the Gross State Domestic Product (GSDP). The fiscal deficit constituted 12.82 per cent of total expenditure. This deficit was met from Public Debt (₹ 3,725 crore), net increase in Public Account (₹ 2,396 crore) and decrease in cash balance (₹ 55 crore). Around 56.95 Per cent of the Revenue Receipts (₹ 41,979 crore) of the State Government was spent on committed expenditure like salaries (₹15,122 crore), interest payments (₹ 4,567 crore) and pension payments (₹ 4,217 crore).

Figure 2 The Rupee Trail

Where the ₹ came from (Actual Receipts)



Where the ₹ went (Actual Expenditure)



1.5. Highlights of Accounts

Table 3 Receipts and Expenditure at a glance

(₹ in crore)

No.		Budget Estimates \$ 2016-2017	Actual	Percentage of Actuals to B.E	Percentage of Actuals to GSDP@
	Receipts				
1.	Tax Revenue*	18,720	17,308	92	15
2.	Non-Tax Revenue	4,018	4,072	101	03
3.	Grants-in-Aid & Contributions	27,722	20,599	74	18
4.	Revenue Receipts (1+2+3)	50,460	41,979	83	36
5.	Recovery of Loans & Advances	05	19	380	*
6.	Other Receipts	-	-	-	-
7.	Borrowings and Other Liabilities	12,291	6,176	50	06
8.	Capital Receipts (5+6+7)	12,296	6,195	50	06
9.	Total Receipts (4+8)	62,756	48,174	77	42
	Expenditure\$				
10.	Total Expenditure (11+13)	62,756	48,174	77	42
11.	Expenditure on Revenue Account	44,975	39,812	89	34
12.	Interest Payment out of 11	4,725	4,567	97	04
13.	Expenditure on Capital Account	17,781	8,362#	47	07
14.	Revenue Surplus (+)/Deficit(-)^ (4-11)	(+)5,485	(+)2,166&	39	02
15.	Fiscal Deficit^ (4+5+6-10)	12,291	6,176&	50	05

\$ One of the important aspects of the Budgetary Reforms (2015-16 and onwards) relates to discarding the Plan and Non-Plan expenditure classification and keeping only the uni-dimensional classification viz. Current or Revenue Expenditure and Capital Expenditure (without further classification under plan and non-plan).

@ Broadly, sum of the products of all goods and services rendered by the State in monetary terms during a year before making any provision for Consumption of Fixed Capital (C.F.C) is known as Gross State Domestic Product.

* Includes Share of net proceeds assigned to State received from Government of India.

Expenditure on Capital Account includes capital expenditure (₹ 8,286 crore) and Loans and Advances (₹ 76 crore).

^ Revenue Surplus is the excess of revenue receipts over revenue expenditure. The Fiscal Deficit may be defined as the excess of revenue and capital expenditure (including loans and advances disbursed) over revenue receipts, recoveries of loans and advances and other receipts.

& Include expenditure of ₹1,397.55 crore incurred by the State Government under Ujwal DISCOM Assurance Yojana (**UDAY**).

1.6. What do the Deficits and Surpluses indicate?

Deficit	Refers to gap between Revenue and Expenditure. The kind of deficit, how the deficit is financed, and application of funds are important indicators of prudence of Financial Management.
Revenue Deficit / Surplus	Refers to gap between Revenue Receipts and Revenue Expenditure. Revenue Expenditure is required to maintain the existing establishment of Government and ideally, should be fully met from Revenue Receipts.
Fiscal Deficit / Surplus	Refers to gap between Total Receipts (excluding borrowings) and Total Expenditure. This gap, therefore, indicates the extent to which expenditure is financed by borrowing. Ideally, the Borrowings should be invested in capital projects.

Deficit indicators, revenue augmentation and expenditure management are major yardsticks for judging the fiscal performance of the Government. The Jammu and Kashmir Fiscal Responsibility and Budget Management (FRBM) Act, 2006 requires the State Government to ensure prudence in fiscal management by limiting its fiscal deficit and keeping its debt management at sustainable level. It also assumes greater transparency in fiscal operations.

The Jammu and Kashmir FRBM rules specified only the annual target for (a) revenue deficit as percentage of total revenue receipts, (b) fiscal deficit as percentage of GSDP and (c) total outstanding liabilities as percentage to GSDP.

Under the FRBM Act various targets were set for the year 2016-17. The achievements of these targets are shown in table 4.

Table 4 Targets and Achievements FRBM Act

Financial Parameter	Target	Achievement	
		With UDAY	Without UDAY
Revenue Surplus	12.60 <i>per cent</i> of total Revenue Receipts.	Revenue Surplus of 5.16 <i>per cent</i>	Revenue surplus of 8.49 <i>per cent</i>
Fiscal Deficit	3.0 percent of GSDP*	5.34 <i>per cent</i> of GSDP.	4.13 <i>per cent</i> of GSDP.
Outstanding Liabilities	49.25 <i>per cent</i> of GSDP*	53.79 <i>per cent</i> of GSDP.	50.73 <i>per cent</i> of GSDP.
Risk of outstanding Guarantees	Guarantees given by the state during the year should not exceed 75 <i>per cent</i> of total Revenue Receipts of preceding year or 7.5 <i>per cent</i> of GSDP of the preceding year, whichever is lower. This is in terms of risk weights of the guarantees.	The State Government has not yet assessed the risk of various guarantees.	

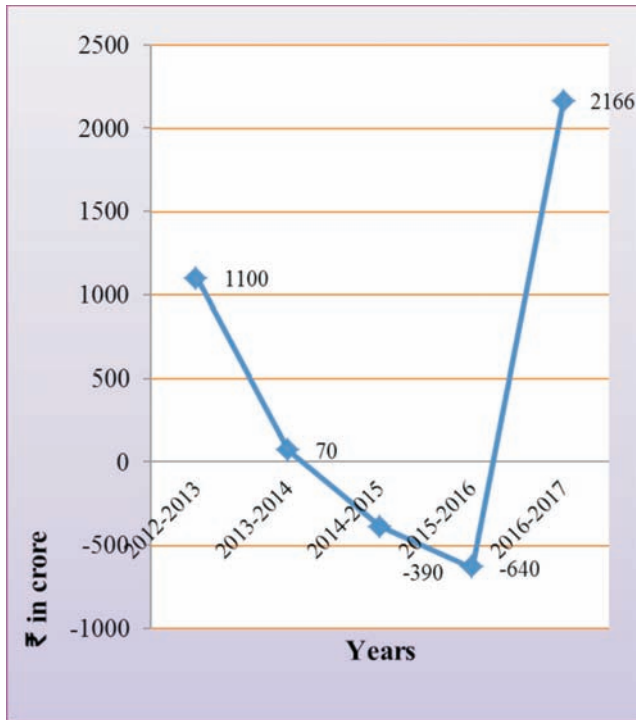
Due to understatement of revenue expenditure of ₹ 2,353 crore (₹ 2,184 crore revenue expenditure classified as Capital Expenditure and ₹ 169 crore short transfer of funds/interest), there was actually a revenue deficit of ₹ 187 crore during 2016-17 instead of revenue surplus as shown in the accounts.

There has been a steady improvement in all the three parameters as compared to 1.79 *per cent* (revenue deficit), 8.77 *per cent* (fiscal deficit) and 60.26 *per cent* (outstanding liabilities) during the last year.

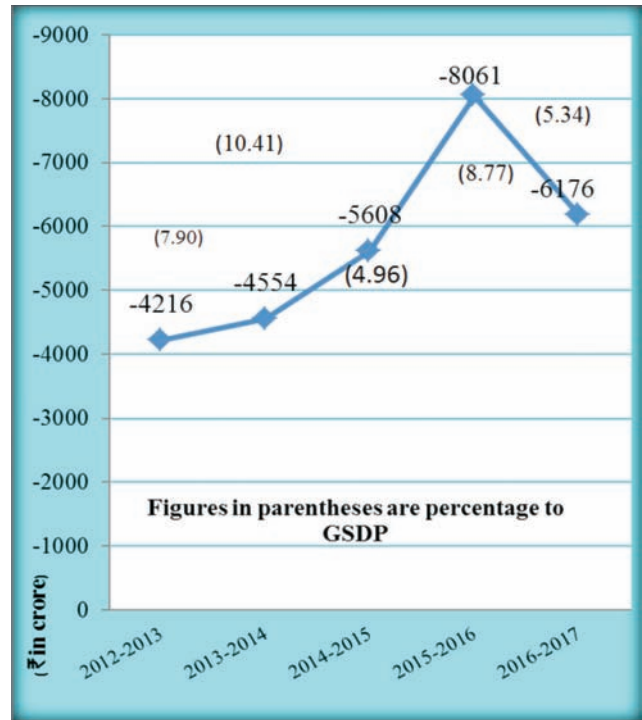
On the basis of Fiscal Deficit threshold limit of 3.00 *per cent* of GSDP estimate for 2016-17, net borrowing limit of ₹ 3,470.00 crore was fixed for Government of J&K. However, net borrowing jumped to ₹ 5,463.85 crore during 2016-17 thereby significantly increasing by 57.46 *per cent* with reference to the target.

Figure 3 Trend of Revenue and Fiscal Deficit/ Surplus

Trend of Revenue Surplus/Deficit

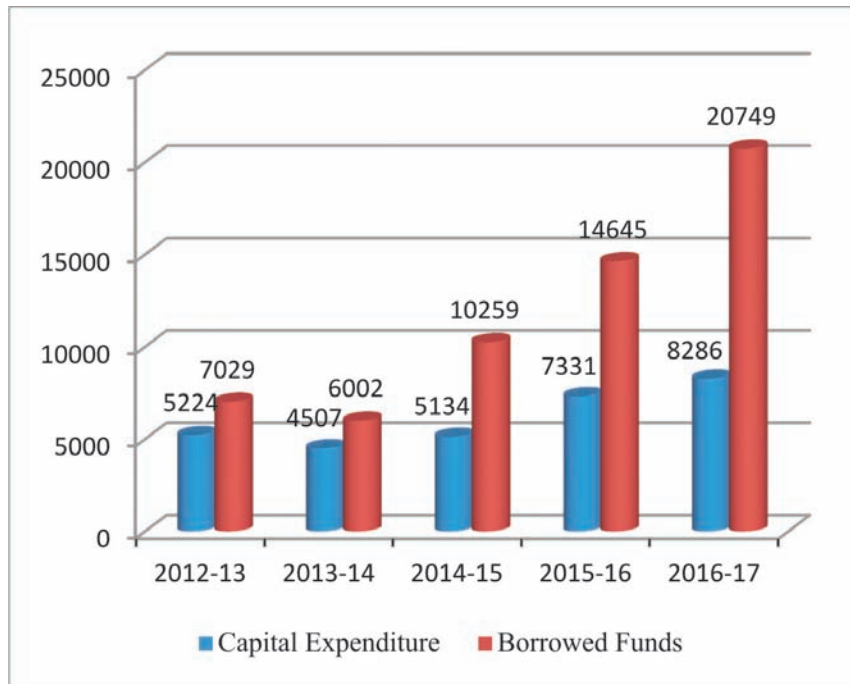


Trend of Fiscal Deficit



1.6.3. Proportion of borrowed funds spent on Capital Expenditure

Figure 4 Percentage borrowed funds spent on capital expenditure



Prudent Financial Management requires that money should be borrowed only for creation of capital assets and to use revenue receipts for repayment of principal and interest thereon. However, 60 per cent of the public debt (₹12,463 crore) was utilized on repayment of the principal and interest on public debt of previous years. The State Government spent 40 per cent of the borrowings of the current year (₹ 20,749 crore) on capital expenditure (₹ 8,286 crore). As mentioned in Para-1 below table 4, this amount includes misclassified revenue expenditure of ₹ 2,184

crore. Considering this amount the percentage of borrowings spent on capital expenditure further drops to 29 per cent.

2.1. Introduction

Receipts of the Government are classified as Revenue Receipts and Capital Receipts. Total Receipts for 2016-17 were ₹ 48,174 crore.

2.2. Revenue Receipts

Tax Revenue	Comprises taxes collected and retained by the State and State's share of Union taxes under Article 280(3) of the Constitution.
Non-Tax Revenue	Includes interest receipts, dividends, profits, royalties etc.
Grants-in-Aid	Essentially, a form of Central Assistance to the State Government from the Union Government includes "External Grant Assistance" received from Foreign sources and channelized through the Union Government. In turn, the State Government also give Grants-in-aid to institutions like Municipalities, Local Bodies, NGO's etc.

2.2.1. Components of Revenue Receipts (2016-17)

Table 5 Revenue Receipts 2016-17

Component		Actuals (₹ in crore)	Percentage to Revenue Receipts
A.	Tax Revenue*	17,308	41.23
	Taxes on Income & Expenditure	6,142	14.63
	Taxes on Property & Capital Transactions	253	0.60
	Taxes on Commodities & Services	10,913	26.00
B.	Non-Tax Revenue	4,072	9.70
	Interest Receipts, Dividends Profits	64	0.15
	General Services	219	0.52
	Social Services	115	0.27
	Economic Services	3,674	8.76
C.	Grant-in-aid & Contributions	20,599	49.07
	Total-Revenue Receipts	41,979	100.00

* Includes share of net proceeds assigned to State received from Government of India.

2.2.2. Major contributors to Tax Revenue:-

Table 6 Components of Tax Revenue

(₹ in crore)

Component	Actuals	Percentage to GSDP
Taxes on Sales, Trade etc.	6,012	5.20
Corporation Tax	3,624	3.13
Taxes on Income other than Corporation Tax	2,518	2.18
Union Excise Duties	1,780	1.54
Customs	1,559	1.35
Taxes on Goods and Passengers	748	0.65
State Excise	569	0.49
Stamps and Registration Fees	228	0.20

2.2.3. Tax Revenues: Budget vs Actuals:-

During the year, Net Tax Revenue was less than Budget Estimates by ₹ 1,412 crore. The Major (illustrative) shortfalls are presented in table 7:-

Table 7 Illustrative shortfall in tax revenue vis-a-vis budget

(₹ in crore)

Tax	Amount
Corporation Tax	803
Taxes on Sales, Trade etc.	973
Customs	278
Stamps and Registration Fees	97
Taxes on Goods and Passengers	67

2.3. Trend of Receipts

Table 8 Percentage of Revenue Receipts vis-a-vis GSDP

Component	(₹ in crore)				
	2012-13	2013-14	2014-15	2015-16	2016-17
Tax Revenue	9,703	10,415	10,812	15,139	17,308
	(12)*/(13)**	(12)*/(13)**	(12)*/(12)**	(17)*/(13)**	(17)*/(15)**
Non-Tax Revenue	2,160	2,870	1,978	3,913	4,072
	(03)*/(03)**	(03)*/(03)**	(02)*/(12)**	(04)*/(03)**	(04)*/(03)**
Grant-in-aid	14,354	13,843	16,149	16,728	20,599
	(19)*/(19)**	(16)*/(18)**	(19)*/(17)**	(18)*/(15)**	(21)*/(18)**
Total-Revenue Receipts	26,217	27,128	28,939	35,780	41,979
	(34)*/(35)**	(31)*/(34)**	(33)*/(31)**	(39)*/(31)**	(42)*/(36)**
GSDP at constant price*	76,916	8,7570	87,921	91,850	98,826
GSDP at current price**	74,623	79,055	92,773	1,14,637	1,15,654

Note: - Figures in parentheses represent percentage to GSDP

GSDP at constant price had been considered for the years 2012-13 to 2015-16 in the Accounts at a Glance, Government of Jammu and Kashmir, for the year 2015-16. Fiscal parameters had also been analyzed accordingly. From 2016-17, GSDP at current price is being considered for ensuring analysis at actual prices instead of adjusted prices.

Source:

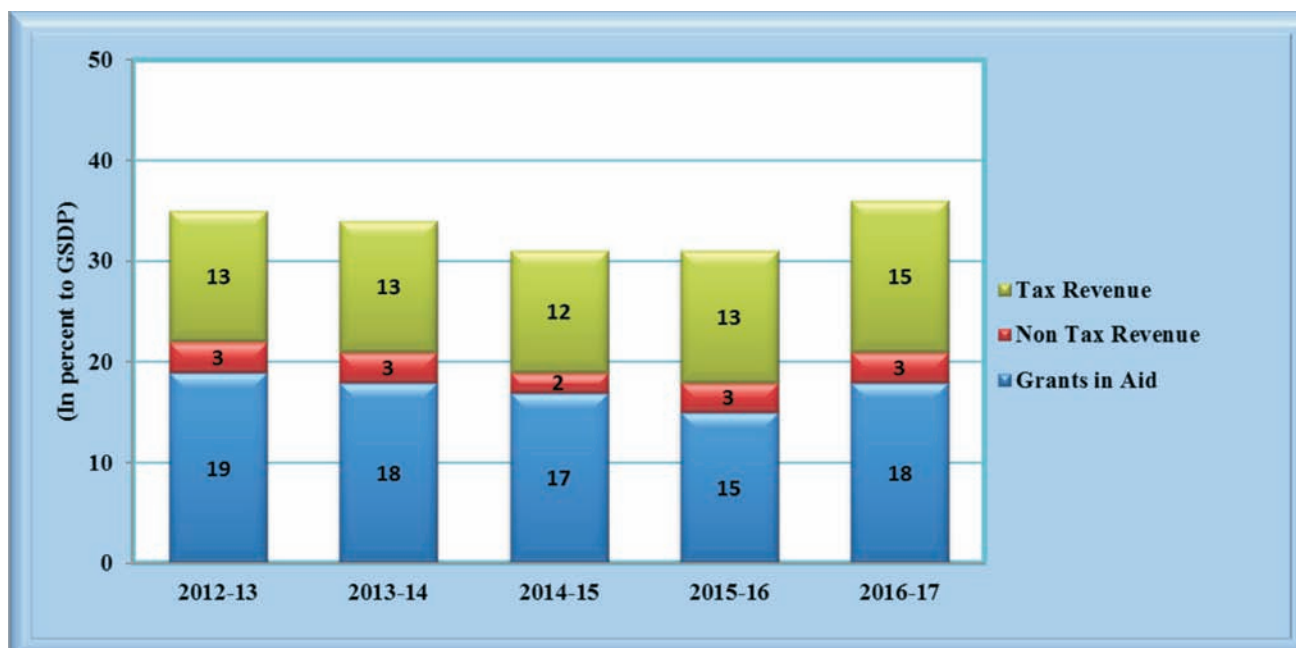
*GSDP at constant price has been sourced from State Budget Document, January 2017.

** GSDP at current price for the years 2012-13 to 2016-17 have been used as accepted by the Ministry of Finance, Government of India for evaluation of fiscal parameters of the State Government and the same have been used subsequently in this document for further analysis.

While the GSDP increased by 0.89 per cent between 2015-2016 and 2016-2017, growth in revenue collection was at 17.32 per cent. Tax Revenues increased by 14.33 per cent. Non-Tax Revenue and Grants-in-aid increased by 4.06 per cent and 23.14 per cent respectively in comparison to previous year.

Components under Revenue Receipts as proportion to GSDP

Figure 5 Revenue Receipts as proportionate to GSDP



Sector-wise Tax Revenue

Table 9 Tax Revenue as proportionate to GSDP

Component	(₹ in crore)				
	2012-13	2013-14	2014-15	2015-16	2016-17
Taxes on Income and Expenditure	2,603 (3)	2,760 (3)	3,143 (3)	5,052 (4)	6,142 (5)
Taxes on Property and capital Transactions	338 (1)	281 (1)	268 (1)	277 (N)	253 (1)
Taxes on Commodities and Services	6,762 (9)	7,374 (9)	7,401 (8)	9,810 (9)	10,913 (9)
Total Tax Revenue	9,703 (13)	10,415 (13)	10,812 (12)	15,139 (13)	17,308 (15)
GSDP*	74,623	79,055	92,773	1,14,637	1,15,654

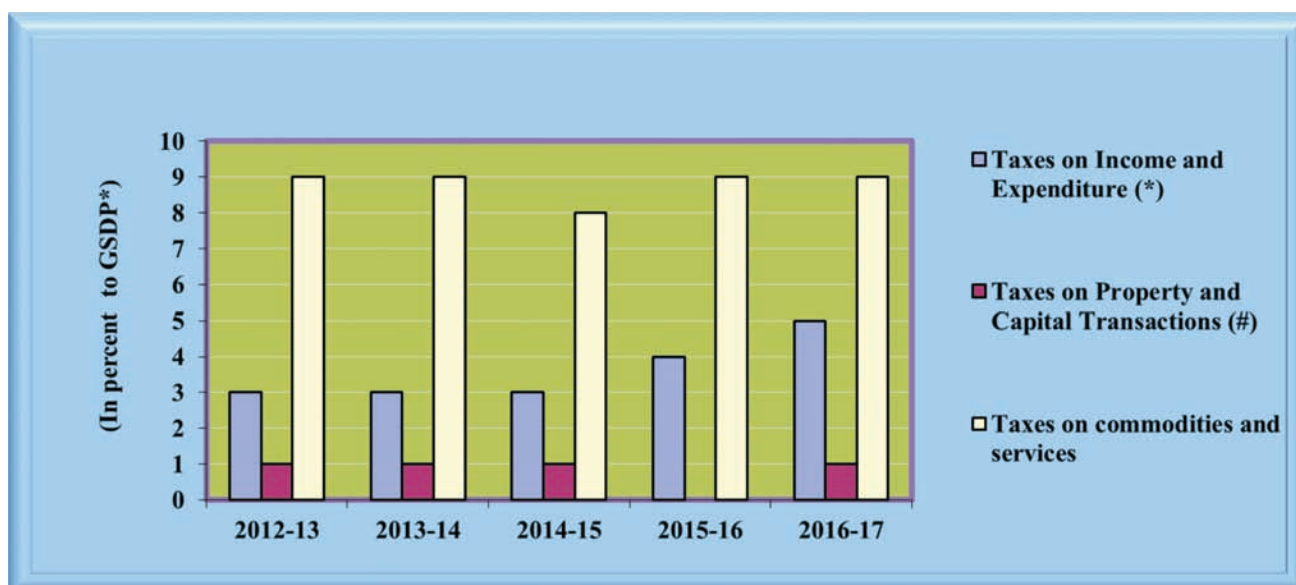
N Negligible

Note: - Figures in parentheses represent percentage to GSDP

* Please refer para below table-8 “percentage of Revenue Receipts vis-a vis GSDP” at page No. 12

Trend of Major Taxes in proportion to GSDP

Figure 6 Major Taxes in proportion to GSDP



* Please refer para below table-8 “percentage of Revenue Receipts vis-a vis GSDP” at page No. 12

2.4. Performance of State’s own tax revenue collection

Table 10 States Own Tax Revenue as proportionate to GSDP

(₹ in crore)

Year	Tax Revenue	State share of Union Taxes	State’s Own Tax Revenue	
				Percentage to GSDP*
(1)	(2)	(3)	(4)	(5)
2012-13	9,703	3,870	5,833	7.82
2013-14	10,415	4,142	6,273	7.93
2014-15	10,812	4,477	6,334	6.83
2015-16	15,139	7,813	7,326	6.39
2016-17	17,308	9,489	7,819	6.76

* Please refer para below table-8 “percentage of Revenue Receipts vis-a vis GSDP” at page No. 14

2.5. Efficiency of Tax Collection

Table 11 Taxes on Property and Capital Transactions

(₹ in crore)

Component	2012-13	2013-14	2014-15	2015-16	2016-17
Revenue Collection	338	281	268	277	253
Expenditure on Collection	88	102	95	176	172
Efficiency of Tax Collection	74	64	65	36	32

Table 12 Taxes on Commodities and Services

(₹ in crore)

Component	2012-13	2013-14	2014-15	2015-16	2016-17
Revenue Collection	6,762	7,374	7,400	9,810	10,913
Expenditure on Collection	117	70	69	88	91
Efficiency of Tax Collection	98	99	99	99	99

Taxes on commodities and services form a major chunk of tax revenue. Though the Tax collection efficiency is excellent in respect of Taxes on Commodities and Services, yet the collection efficiency of taxes on property and capital transactions needs to be improved.

2.6. Trend in State's Share of Union Taxes during the past five years

Table 13 State share of Union Taxes

(₹ in crore)

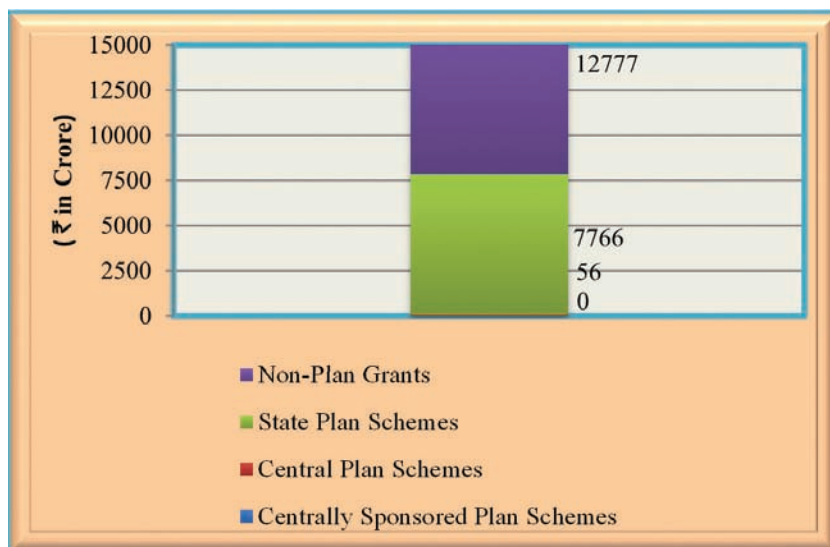
Major Head description	2012-13	2013-14	2014-15	2015-16	2016-17
Corporation Tax	1,628	1,664	1,834	2,976	3,624
Taxes on Income other than Corporation Tax	974	1,096	1,310	2,076	2,518
Taxes on Wealth	03	05	05	01	08
Customs	753	807	849	1,507	1,559
Union Excise Duties	512	570	479	1,247	1,780
Other Taxes and Duties on Commodities and Services	-	-	-	06	*
State Share of Union Taxes	3,870	4,142	4,477	7,813	9,489
Total Tax Revenue	9,703	10,415	10,812	15,139	17,308
Per cent of Union Taxes to Total Tax Revenue	40	40	41	52	55

* Negligible (₹ 0.03 crore only)

2.7. Grants-in-aid

Grants-in-aid represent assistance from Government of India and comprise grants for State Plan Schemes and Central Plan Schemes approved by the NITI Aayog and State Non-plan Grants recommended by the Finance Commission. Total receipts during 2016-17 under Grants-in-aid were ₹ 20,599 crore as shown in figure 7.

Figure 7 Grants in Aid receipts 2016-2017



In spite of the Government of India decision to release all assistance under CSS/ ACA to the State Government and not to implementing agencies, Government of India continued to release funds to the implementing agencies directly. During 2016-17, ₹ 627.98 crore (excluding ₹ 65.53 crore released to Autonomous Bodies/ other Entities of Union Government operating in the State) was released which constitute increase of 111 *per cent* over the amount released directly to the

implementing agencies in 2015-16. These transfers are exhibited in Appendix VI of Volume II of the Finance Accounts. Significant direct transfers made during 2016-17 were under Swadesh Darshan Integrated Development of Theme Based Tourism Circuits (₹ 118.63 crore) and Central Assistance for Pakul Dul HEP Chenab Valley (₹ 200.00 crore).

2.8. Public Debt

Table 14 Trend of Public Debt (net)

(₹ in crore)

Description	2012-13	2013-14	2014-15	2015-16	2016-17
Internal Debt	2,008	1,919	1,811	3,926	3,815
Central Loans	(-64)	(-64)	(-100)	(-96)	(-90)
Total Public Debt	1,944	1,855	1,711	3,830	3,725

Note: Negative figures indicate that repayment is in excess of receipts.

In 2016-17 loans totalling ₹ 20,749 crore were raised at different rates of interest from Government of India (₹ 25 crore) and various Financial Institution (₹ 20,724 crore). These loans will redeem from 2028-29 to 2038-39.

3.1. Introduction

Expenditure is classified as Revenue Expenditure and Capital Expenditure. Revenue Expenditure is used to meet the day-to-day expenditure of Government. Capital Expenditure is used to create permanent assets, or to enhance the utility of such assets, or to reduce permanent liabilities. Following are the three sectors under which Government expenditure is broadly classified.

General Services	Includes Justice, Interest Payments, Police, Jail, PWD, Pension etc
Social Services	Includes Education, Health & Family Welfare, Water Supply, Welfare of SC, ST, OBC, Social Security, Nutrition and Relief on account of Natural Calamities etc.
Economic Services	Includes Agriculture, Rural Development, Irrigation, Co-operation, Energy, Industries, Transport etc.

3.2. Revenue Expenditure

Revenue Expenditure during 2016-17 amounted to ₹ 39,812 crore against Budget Provision of ₹ 45,677 crore resulting in saving of ₹ 5,865 crore. The State needs to maintain a revenue surplus in terms of the Jammu & Kashmir FRBM Act, 2006.

The comparison of expenditure against budget provision under Revenue section during the past five years is presented in table 15:

During 2016-17, the Revenue Expenditure was less than the Budget provisions by 13 *per cent*.

Table 15 Percentage of Gap over Budget Provision

(₹ in crore)

Description	2012-13	2013-14	2014-15	2015-16	2016-17
Budget Provision	26,367	28,731	33,859	39,171	45,677
Actual	25,117	27,058	29,522	36,613	39,812
Gap Saving (-) / Excess (+)	(-1,250)	(-1,673)	(-4,337)	(-2,558)	(-5,865)
Percentage of Gap over Provision	(-05)	(-06)	(-13)	(-07)	(-13)

Around 60.05 per cent of the revenue expenditure was “committed” to Salaries (₹ 15,122 crore), Interest Payments (₹ 4,567 crore) and Pensions (₹ 4,217 crore).

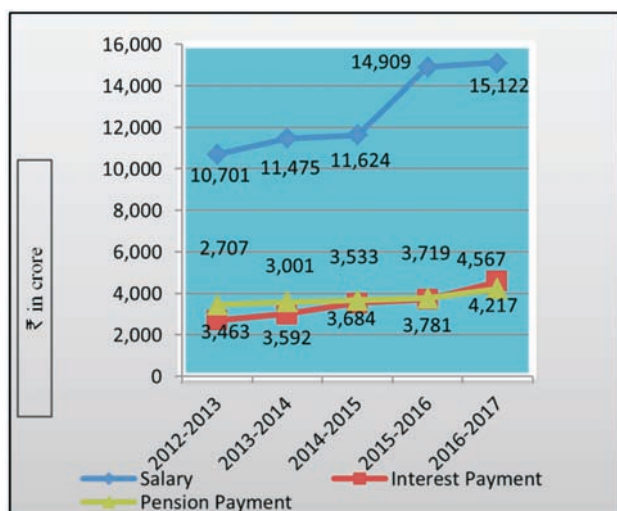
3.2.1. Committed Expenditure

Table 16 The position of committed and uncommitted revenue expenditure over the last five years

(₹ in crore)

Component	2012-13	2013-14	2014-15	2015-16	2016-17
Committed Expenditure	16,871	18,068	18,843	22,446	23,906
Uncommitted revenue expenditure	8,246	8,990	10,486	13,974	15,906
Revenue Expenditure	25,117	27,058	29,329	36,420	39,812
Percentage of committed expenditure to Revenue Receipts	64	67	65	63	57
Percentage of committed expenditure to Revenue expenditure	67	67	64	62	60

Figure 8 Trend of components of committed expenditure

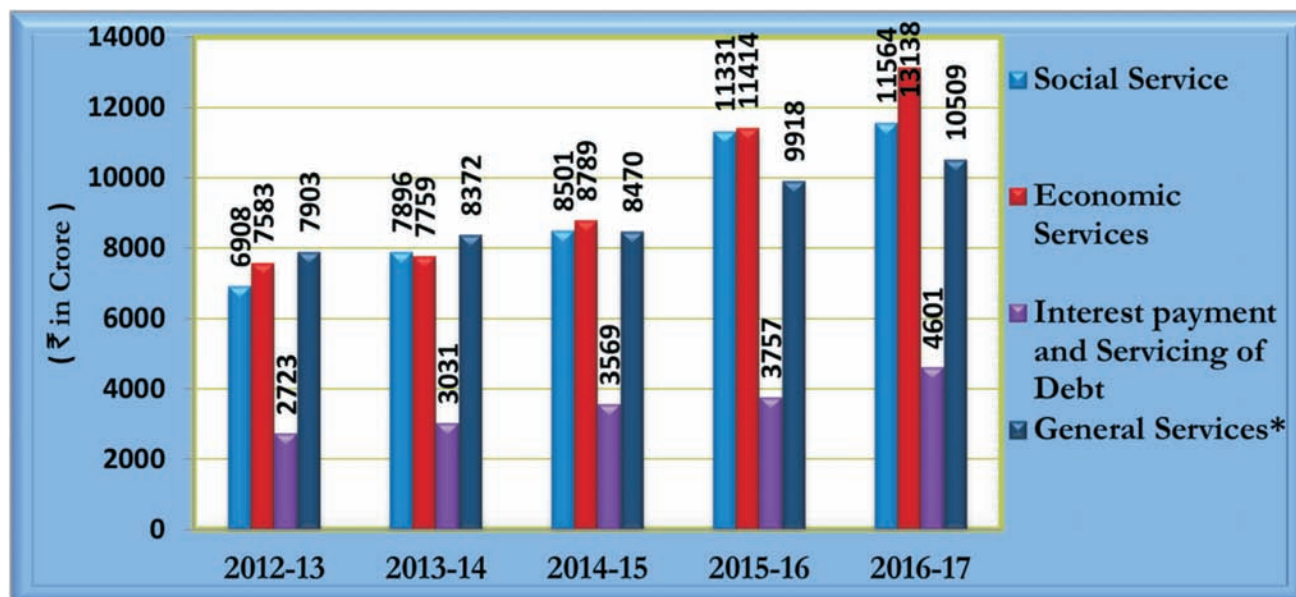


Trend of Committed Expenditure

The upward trend on committed expenditure leaves the Government with lesser flexibility for development spending. The high levels of spending on salaries during 2015-16 and 2016-17 is expected to increase further with the implementation of the recommendations of the 7th Central Pay Commission for the State Government employees.

3.2.2. Major Components of Revenue Expenditure (2012-17)

Figure 9 Major components of revenue expenditure



*General Services excludes MH 2048 (Appropriation for reduction or avoidance of debt) & MH 2049 (Interest Payments)

There has been a steady increase in revenue expenditure in regards to all the three services viz, Social Services, Economic Services and General Services during the last five years.

3.2.2. Sectoral Distribution of Revenue Expenditure

Table 17 Sectoral Distribution of Revenue Expenditure

Components	Amount (₹ in crore)	Percentage
A. Fiscal Services	263	01
Collection of Taxes on Property and Capital transactions	172	01
Collection of Taxes on Commodities and Services	91	#
Other Fiscal Services	#	#
B. Organs of State	249	01
C. Interest Payments and Servicing of debt	4,601	11
D. Administrative Services	5,776	14
E. Pensions and Miscellaneous General Services	4,221	11
F. Social Services	11,564	29
G. Economic Services	13,138	33
H. Grants-in-aid Contributions	-	-
Total Expenditure (Revenue Account)	39,812	100

Negligible

3.3. Capital Expenditure

Capital disbursements of ₹ 8,286 crore for 2016-17, at 7.16 per cent of GSDP, fell short of budget provisions by ₹ 10,922 crore. Apart from capital disbursement of ₹ 8,286 crore in 2016-17, Loans and Advances to the tune of ₹ 76 crore were also disbursed which formed part of Capital Expenditure.

3.3.1. Sectoral Distribution of Capital Expenditure

The Capital Expenditure for the year 2016-17, includes expenditure of ₹ 1,645 crore on Power Projects (₹ 699 crore), Minor Irrigation (₹ 103 crore), Flood Control Projects (₹ 300 crore), Major and Medium Irrigation (₹ 50 crore), Command Area Development (₹ 13 crore) and Water Supply and Sanitation (₹ 480 crore). The Government also invested ₹ 256 crore in various Corporations / Companies / Societies. The major portion of Government investment was in Jammu and Kashmir Bank (₹ 250 crore).

3.3.2. Sectoral distribution of capital Expenditure over the past five years

Figure 10 Trend of Major Components of Capital Expenditure

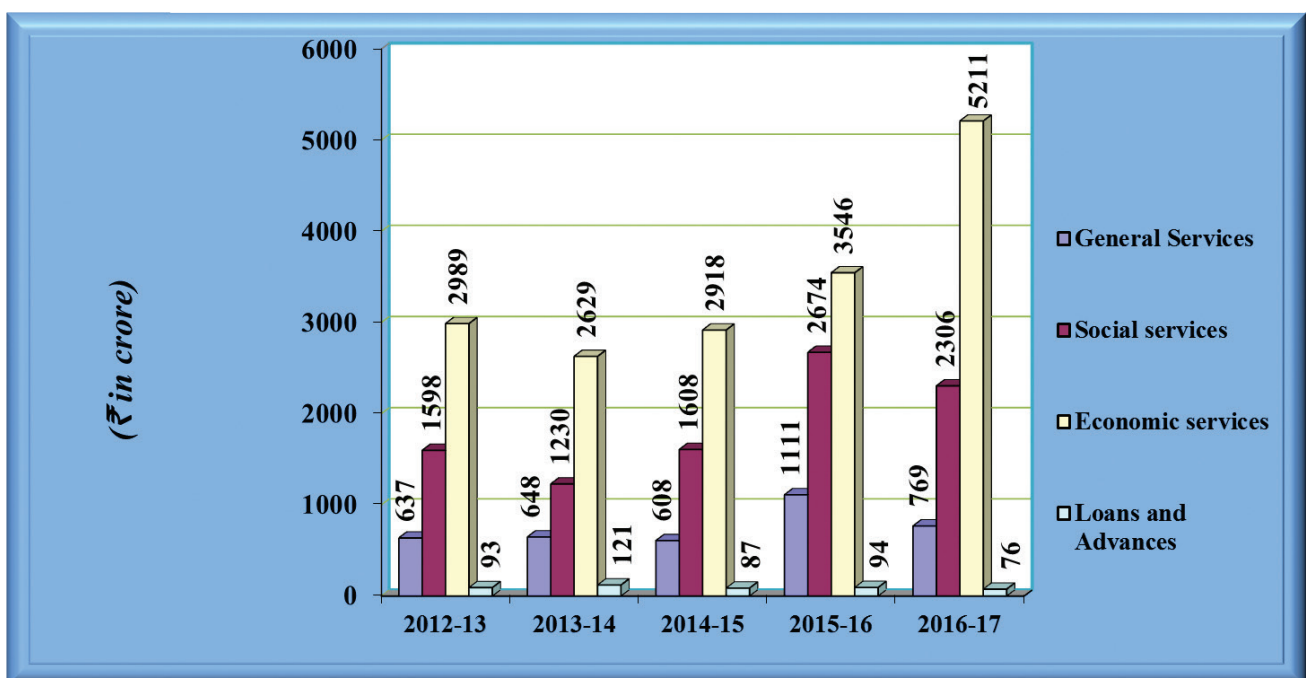


Table 18 Sector wise percentage of capital expenditure

S. No.	Sector	2012-13	2013-14	2014-15	2015-16	2016-17
1.	General Services	11.98	14.00	11.65	14.96	9.20
2.	Social services	30.05	26.58	30.80	36.01	27.58
3.	Economic services	56.22	56.81	55.89	47.76	62.32
4.	Loans and Advances	1.75	2.61	1.66	1.27	0.90

3.4. Plan and Non-Plan Expenditure

From 1 April 2015 the expenditure of the State Government is categorized as Revenue/Capital without any distinction of Plan and Non-Plan.

From 1 April 2016, the State Government switched over to civil system of accounting in respect of expenditure of revenue nature incurred by works/forest divisions, though works expenditure of capital nature incurred by works/forest divisions was through Divisional Cheque Drawing Authority (CDA) during 2016-17.

4.1. Summary of Appropriation Accounts

The Appropriation Accounts of the Government for the grants and charged appropriations show significant savings in respect of revenue and capital expenditure.

Table 19 Summary of appropriations

(₹ in crore)

S. No.	Nature of Expenditure	Original Grant	Supplementary Grant	Provision		Actual Expenditure		Saving (-)/Excess (+)	
				Gross	Net	Gross	Net	Gross	Net
1	Revenue	45,035	725	45,760	45,677	39,851	39,812	(-)5,909	(-)5,865
2	Capital	18,029	1,517	19,546	19,208	8,422	8,286	(-)11,124	(-)10,922
3	Public Debt	9,914	5,450	15,364	15,364	17,023	17,023	(+)1,659	(+)1,659
4	Loans and Advances	87	-	87	87	76	76	(-)11	(-)11
5	Total	73,065	7,692	80,757	80,336	65,372	65,197	(-)15,385	(-)15,139

4.2. Trend of Savings / Excess during the past five years

Table 20 Trend of Savings/ Excess

(₹ in crore)

Year	Savings (-) Excess (+)				Total
	Revenue	Capital	Public Debt	Loans and Advances	
2012-13	(-)982	(-)3,876	(+)3,768	(+)23	(-)1,067
2013-14	(-)1,673	(-)3,930	(+)2,916	(-)09	(-)2,696
2014-15	(-)4,337	(-)6,220	(+)187	(-)52	(-)10,422
2015-16	(-)2,558	(-)5,922	(+)2,226	(+)06	(-)6,248
2016-17	(-)5,909	(-)11,124	(+)1,659	(-)11	(-)15,385

4.3. Significant Savings

Substantial savings under a grant indicates either non-implementation or slow implementation of certain schemes / programmes.

Some grants with persistent and significant savings (in *per cent*) are given in table 21.

Table 21 Grants with significant savings (Per cent)

Grant	Nomenclature	2012-13	2013-14	2014-15	2015-16	2016-17
01	General Administration	14	27	32	26	54
03	Planning and Development	86	83	88	80	68
12	Agriculture	16	22	31	18	36
19	Housing and Urban Development	21	54	36	20	26
21	Forest	14	16	17	11	19
22	Irrigation and Flood Control	15	14	24	12	30
28	Rural Development	22	23	54	22	30

During 2016-17, supplementary grants totaling ₹ 7,692 crore (12 per cent of the total expenditure) proved to be unnecessary as in some cases there were significant savings at the end of the year even against original allocation.

A few instances are given below.

Table 22 Unnecessary supplementary grants

(₹ in crore)					
Grant	Nomenclature	Section	Original	Supplemen- tary	Actual Expenditure
07	Education Department	Revenue	6,419	66	5,133
08	Finance Department	Revenue Charged	4,725	47	4,567
10	Law Department	Revenue	320	02	166
		Capital	52	01	03
14	Revenue Department	Capital	907	1,406	104
18	Social Welfare Department	Capital	458	10	78
20	Tourism Department	Revenue	155	02	149
		Capital	342	31	178
24	Hospitality and Protocol Department	Revenue	187	12	148
26	Fisheries Department	Revenue	66	01	65

5.1. Assets

The existing form of accounts do not easily depict valuation of Government assets like land, buildings etc., except in the year of acquisition / purchase. Similarly while the accounts present the impact of liabilities arising in the current year, they do not depict the overall impact of the liabilities to future generations except to the limited extent shown by the rate of interest and period of existing loans.

5.1.1. Investments and Returns

Total investment as share capital in public sector undertakings (PSU's) stood at ₹ 803.74 crore in 38 entities at the end of 2016-17. However, dividends received during the year was ₹ 45.11 crore (5.61 per cent) on investment from one entity only and no dividend was received from other 37 entities. During 2016-17, investment increased by ₹ 256 crore and income from dividend decreased by ₹ 9.02 crore. The major investment was made in Jammu and Kashmir Bank (₹ 250 crore).

5.1.2. Cash Balance and investment of Cash Balance.

Table 23 Cash Balance Details

(₹ in crore)			
Component	As on 1st April 2016	As on 31 March 2017	Net Increase(+) / decrease (-)
Cash Balance	527	429	(-98)
i) Cash in Treasuries and Local Remittances	07	07	-
ii) Departmental Balances	05	05	-
iii) Permanent Imprest	*	*	-
iv) Deposits with RBI and Other Banks	77	22	(-55)
v) Cash Balance Investment	427	384	(-43)
vi) Investment from earmarked fund Balances	11	11	-

* Negligible (₹ 0.12 crore only).

5.1.3. Loans and Advances by the State Government

Total Loans and Advances made by the State Government at the end of 2016-17 was ₹ 1,641 crore. Of this, Loans and Advances to Government Corporations/ Companies, non-Government Institutes and Local Bodies, etc., amounted to ₹ 1,623 crore. The detailed account of all loans except for Loans under Major Head 7610- Loans to Government Servants etc., (Minor Head 201-House Building Advance and 202-Advance for purchase of Motor Conveyances amounting to ₹ 18 crore) are maintained by State Government. During 2016-17 ₹ 19 crore only was received towards repayment of loans and advances out of which ₹ 13 crore relates to repayment by Tourism Corporation and ₹ 03 crore by Industries and Commerce.

Information regarding recoveries in arrears (both Principal and Interest) is required to be furnished by the departments concerned every year to the Accountant General. During 2016-17 no such information was received.

5.2. Debt and Liabilities

Article 293 of the Constitution of India empowers the State Government to borrow on the security of the Consolidated Fund of the State within such limits, if any, as may be fixed from time to time by the State Legislature. Details of the Public Debt and other liabilities of the State Government are given in table 24:

Table 24 Debts and Liabilities as percentage of GSDP

(Figures are progressive balances to the end of year)

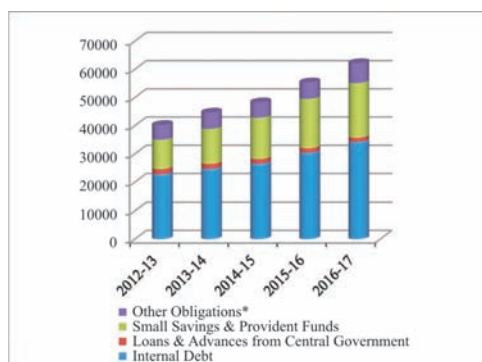
(₹ in crore)

Year	Public Debt	Percent to GSDP*	Public Account**	Percent to GSDP*	Total Liabilities	Percent to GSDP*
2012-13	24,635	33	15,620	21	40,255	54
2013-14	26,490	33	18,172	23	44,662	56
2014-15	28,201	30	20,103	22	48,304	52
2015-16	32,031	28	23,315	20	55,346	48
2016-17	35,756	31	26,451	23	62,207	54

* Please refer para below table-8 “percentage of Revenue Receipts vis-a vis GSDP” at page No. 12

** Excludes Advances, Suspense & Miscellaneous and Remittance balances.

Figure 11 Details of Liabilities (₹ in crore)



Public debt and other liabilities at the end of 2016-17 was 53.79 per cent of GSDP and was not within the FRBM target of 49.25 per cent. Public debt and other liabilities included ₹ 3,538 crore borrowed under UDAY.

* Other Obligations include Reserve Funds and Deposits (both interest bearing and non-interest bearing).

5.3. Guarantees (Contingent Liabilities)

In addition to directly raising loans, State Government also guarantee loans raised by Government companies and corporations from market and financial institutions for implementation of various plan schemes and programmes. These guarantees are projected outside the State budget. The position of Guarantees by the State Government for the repayment of loans (payment of principal and interest thereon) raised by Statutory Corporations, Governments Companies, Cooperative Society, etc., is given in table 25.

Table 25 Guarantees

(₹ in crore)

At the end of the year	Maximum Amount Guaranteed (Principal only)	Amount outstanding at the end of the year	
		Principal	Interest
2012-2013	2,649	608	02
2013-2014	4,656	2,711	03
2014-2015	4,232	2,858	02
2015-2016	4,214	2,825	02
2016-2017	4,270	2,634	02

Note: Details are available at Statement No. 20 of Finance Accounts. The figures are under reconciliation with the State Government.

During 2016-17, the State Government transferred ₹ 33.97 crore to the Guarantee Redemption Fund. No amount out of accumulated balance of ₹ 168.76 crore in the Fund was invested.

6.1. Financial assistance to local bodies and others

During the past five years, Grants in Aid to local bodies etc., increased from ₹ 766 crore in 2012-13 to ₹ 1,729 crore in 2016-17. Grants to Urban Local Bodies during 2016-17 including Municipalities (₹ 514 crore) represents 29.73 per cent of total grants given during the year.

Table 26 Details of Grant-in-Aid from last five years

(₹ in crore)

Year	Urban Local Bodies	Autonomous Bodies	PSUs	Non Govt. Organizations	Others	Total
2012-13	304	386	55	06	15	766
2013-14	330	351	65	40	25	811
2014-15	431	427	57	02	352	1,269
2015-16	491	504	68	02	458	1,523
2016-17	514	685	60	02	468	1,729

6.2. Reconciliation of accounts

Accuracy and reliability of accounts depend, among other things, on timely reconciliation of figures available with the department and figures appearing in the accounts compiled by the Accountant General (A&E). This exercise is to be conducted by respective Controlling officers. During 2016-17, 184 of the 358 Controlling Officers have reconciled an expenditure of ₹ 28,281.07 crore (58.80 per cent of total expenditure of ₹ 48,097.71 crore excluding public debt) and receipts of ₹ 36,549.12 crore (87.07 per cent of the total receipts of ₹ 41,978.47 crore excluding public debt).

6.3. Rush of expenditure

The Financial rules stipulate that rush of expenditure particularly in the closing month of the financial year shall be regarded as a breach of financial regularity and should be avoided. However, the expenditure incurred under certain selected Heads of Account during March 2017 ranging between 50 per cent and 100 per cent of the total expenditure during the year indicate a tendency to utilize the budget at the close of financial year.

The flow of expenditure during the four quarters of 2016-17 under such Heads with significant expenditure was as below:

Table 27 Quarter wise expenditure flow

	Description	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total	During March	Percentage of 3/2017 w.r.t total expenditure of 2016-17
	Head of Account	(₹ in crore)						
2225	Welfare of SC, ST and other Backward Classes	3.77	9.02	9.17	73.56	95.52	55.89	58.51
3451	Secretariat Economic Services.	19.24	18.47	31.14	182.13	250.98	147.49	58.77
4055	Capital Outlay on Police	-	15.09	15.64	62.49	93.22	60.40	64.79
4210	Capital Outlay on Medical and Public Health	3.45	25.32	85.88	320.20	434.85	262.84	60.44
4215	Capital Outlay on Water Supply and Sanitation	3.18	101.80	71.46	303.26	479.70	247.43	51.58
4217	Capital Outlay on Urban Development	-	19.28	41.15	308.10	368.53	288.04	78.16
4852	Capital Outlay on Iron and Steel Industries	0.19	0.19	-	96.92	97.30	96.92	99.61
5452	Capital Outlay on Tourism	1.91	15.18	30.74	110.13	157.96	79.60	50.39

6.4. Utilization Certificates for Grants-in-aid

Table 28 Details of outstanding Utilisation Certificates

Year *	No. of UC's awaited	Amount (₹ in crore)
Upto 2014-15	292	927.40
2015-16	235	726.91
2016-17	353	1,783.70
Total	880	3,438.01

(* The year mentioned above relates to "Due year" i.e, after 18 months of actual drawal)

In terms Para 10.19 of the Jammu and Kashmir Financial Code Vol-I, Utilization Certificate (UC's) shall be furnished within 18 months from the date of sanction of the grant in such form as may be agreed between the Accountant General and the Head of the Department concerned. UC's outstanding beyond the specified periods indicates absence of assurance on utilization of the grants for intended purposes. Outstanding position of UC's is given in table 28.

6.5. Abstract Contingent (AC) Bills and Detailed Contingent (DC) Bills

When money is required in advance or the Drawing and Disbursing Officers (DDO's) are not able to calculate the exact amount required, they are permitted to draw money without supporting documents through Abstract Contingent (AC) Bills. Such AC Bills are required to be settled within a maximum of two months through submission of Detailed Contingent (DC) Bills. At the end of 31 March 2017, 1,923 DC Bills amounting to ₹ 1,264.55 crore were outstanding. Further, 1,898 DC Bills involving (₹1,186.75crore) were pending for more than a year. To the extent of non-receipt of DC Bills, the expenditure shown during the year cannot be vouched as final.

6.6. Commitment on account of Incomplete Capital Works

A total expenditure of ₹ 393 crore was incurred up to the year 2016-17 by the State Government on various incomplete projects costing more one crore which have been taken up by the Water Works Department, Public Works Department and Public Health & Engineering Department, Power Development Department.

6.7. Inadequate budgetary provision in respect of Grants-in-Aid released by the Government of India

During 2016-17, the Government of India released ₹ 8,157.17 crore out of which ₹ 7,848.90 crore as Grants-in-Aid was routed through Reserve Bank of India to State Government for implementation of 67 Schemes (both State Plan and Central Plan). The State Government however, placed budgetary provision of only ₹ 6,488.07 crore under 22 schemes in approved Demand for Grants 2016-17.

Out of ₹ 6,488.07 crore under 22 schemes budgeted in the approved Demand for Grants, the State Government incurred an expenditure of ₹ 2,899.97 crore under 17 schemes with nil expenditure under 05 schemes.

The State Government also booked an expenditure of ₹ 114.30 crore under 6 schemes without budgetary provision.

Accordingly, the expenditure, if any, incurred by the State Government under remaining 39 schemes (67 schemes-28 schemes) for which the Grants-in-Aid was released by the Government of India could not be watched as neither the provision was placed in the Demand for Grants nor the expenditure at primary unit was booked by the State Government during 2016-17.

Further, lump sum Budgetary Grants without scheme-wise breakup was placed with the Controlling Officers in the approved Demand for Grants by the State Government and the Drawing and Disbursing Officers continued to incur expenditure without the scheme of expenditure being recorded. The total expenditure in this regard amounts to ₹ 242.09 crore.

The approved Demand for Grants proved inadequate to make any comparison of excess/saving over expenditure vis-a-vis Grants-in-Aid released by the Government of India.

6.8. Ujwal DISCOM Assurance Yojana (UDAY)

Pursuant to the revival package for operational and financial turnaround of the State's Power Development Department, the State Government of J&K was allowed to raise loan to the tune of ₹ 3,537.55 crore, as debt, through RBI by issue of non SLR bonds which would be utilized for payment of power purchase dues outstanding towards various Central Public Sector Undertakings (CPSUs).

In accordance with the MOU, The Government of J&K borrowed funds to the tune of ₹ 3,537.55 crore (₹ 2,140 crore in 2015-16 and ₹ 1,397.55 crore in 2016-17) from RBI by issue of non SLR bonds with rate of interest ranging from 7.07 per cent to 8.72 per cent.

The Agency wise details to which payment has been made is given in table 29:-

Table 29 Agency wise payments made against UDAY

S. No.	Agency to whom payment has been made	2015-16	2016-17	Total
<i>(₹ in crore)</i>				
1	National Thermal Power Corporation NTPC	528.22	344.97	873.19
2	National Hydro Power Corporation NHPC	1,057.85	690.84	1,748.69
3	Nuclear Power Corporation of India Ltd. NPCIL	124.39	81.23	205.62
4	Power Grid Corporation of India PGCIL	73.03	47.67	120.70
5	Satluj Jal Vidyut Nigam Limited SJVNL	204.41	133.50	337.91
6	Tehri Hydro Development Corporation Ltd. THDC	152.10	99.34	251.44
Total		2,140.00	1,397.55	3,537.55

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