

CHAPTER-II

FINANCES OF THE STATE

CHAPTER – II

Finances of the State

This chapter provides a broad perspective of the finances of the State and analyses the critical changes in major fiscal aggregates relative to the previous year. It discusses overall trends during the five-year period from 2015-16 to 2019-20, debt sustainability of the State and key Public Account transactions, based on the Finance Accounts of the State. Information was also obtained from the State Government, wherever necessary.

2.1 Major changes in Key fiscal aggregates in 2019-20 vis-à-vis 2018-19

This section gives a bird's eye view of the major changes in key fiscal aggregates of the State during the financial year 2019-20 as compared to the previous year. Each of these indicators have been analysed in the succeeding paragraphs.

Changes in key fiscal aggregates in 2019-20 compared to 2018-19

Revenue Receipts	<ul style="list-style-type: none">✓ Revenue receipts of the State decreased by 0.67 per cent✓ Own Tax receipts of the State increased by 0.66 per cent✓ Own Non-tax receipts decreased by 11.63 per cent✓ State's Share of Union Taxes and Duties decreased by 13.85 per cent✓ Grants-in-Aid from Government of India increased by 5.44 per cent
Revenue Expenditure	<ul style="list-style-type: none">✓ Revenue expenditure increased by 4.37 per cent✓ Revenue expenditure on General Services increased by 7.84 per cent✓ Revenue expenditure on Social Services increased by 4.92 per cent✓ Revenue expenditure on Economic Services decreased by 2.67 per cent
Capital Expenditure	<ul style="list-style-type: none">✓ Capital expenditure increased by 12.90 per cent✓ Capital expenditure on General Services decreased by 10.13 per cent✓ Capital expenditure on Social Services increased by 5.98 per cent✓ Capital expenditure on Economic Services increased by 17.13 per cent
Loans and Advances	<ul style="list-style-type: none">✓ Disbursement of Loans and Advances decreased by 2.14 per cent✓ Recoveries of Loans and Advances decreased by 4.55 per cent
Public Debt	<ul style="list-style-type: none">✓ Public Debt Receipts increased by 68.77 per cent✓ Repayment of Public Debt increased by 43.40 per cent
Public Account	<ul style="list-style-type: none">✓ Public Account Receipts increased by 40 per cent✓ Disbursement of Public Account increased by 38.76 per cent
Cash Balance	<ul style="list-style-type: none">✓ Cash balance increased by ₹ 1,007.48 crore (1,811.73 per cent) during 2019-20 compared to previous year

2.2 Sources and Application of Funds

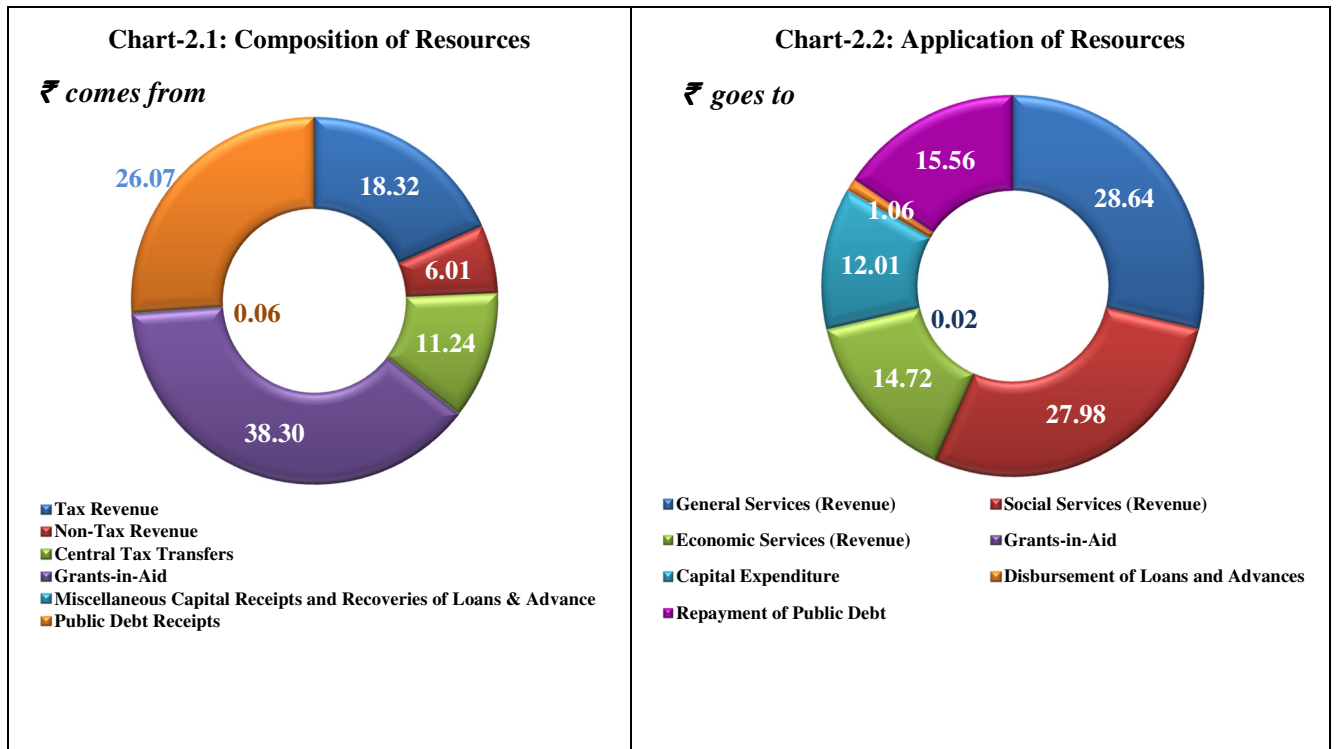
This section compares the components of the sources and application of funds of the State during the financial year 2019-20 as compared to the previous year (2018-19).

Table-2.1: Details of Sources and Application of funds during 2018-19 and 2019-20

(₹ in crore)

	Particulars	2018-19	2019-20	Increase/ Decrease (Percentage)
Sources	Opening Cash Balance	183.23	52.70	(-) 130.53 (71)
	Revenue Receipts	30,950.32	30,742.41	(-) 207.91 (1)
	Miscellaneous Capital Receipts	8.82	2.04	(-) 6.78 (77)
	Recoveries of Loans and Advances	21.83	21.04	(-) 0.79 (4)
	Public Debt Receipts (Net)	1,754.05	4,146.64	2,392.59 (136)
	Public Account Receipts (Net)	1,627.95	2,457.90	829.95 (51)
	Total	34,546.20	37,422.73	2,876.53 (8)
Application	Revenue Expenditure	29,442.11	30,730.43	1,288.32 (4)
	Capital Expenditure	4,583.41	5,173.91	590.50 (13)
	Disbursement of Loans and Advances	467.98	458.21	(-)9.77 (2)
	Closing Cash Balance	52.70	1,060.18	1,007.48 (1912)
	Total	34,546.20	37,422.73	2,876.53(8)

Percentage composition of sources and application of funds in the Consolidated Fund of the State during 2019-20 is given in **Charts 2.1 and 2.2**.



Source: Finance Accounts

2.3 Resources of the State

The resources of the State are described below:

1. **Revenue receipts** consist of tax revenue, non-tax revenue, State's share of Union taxes and duties and grants-in-aid from the Government of India (GoI).
2. **Capital receipts** comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GoI.

Both revenue and capital receipts form part of the Consolidated Fund of the State.

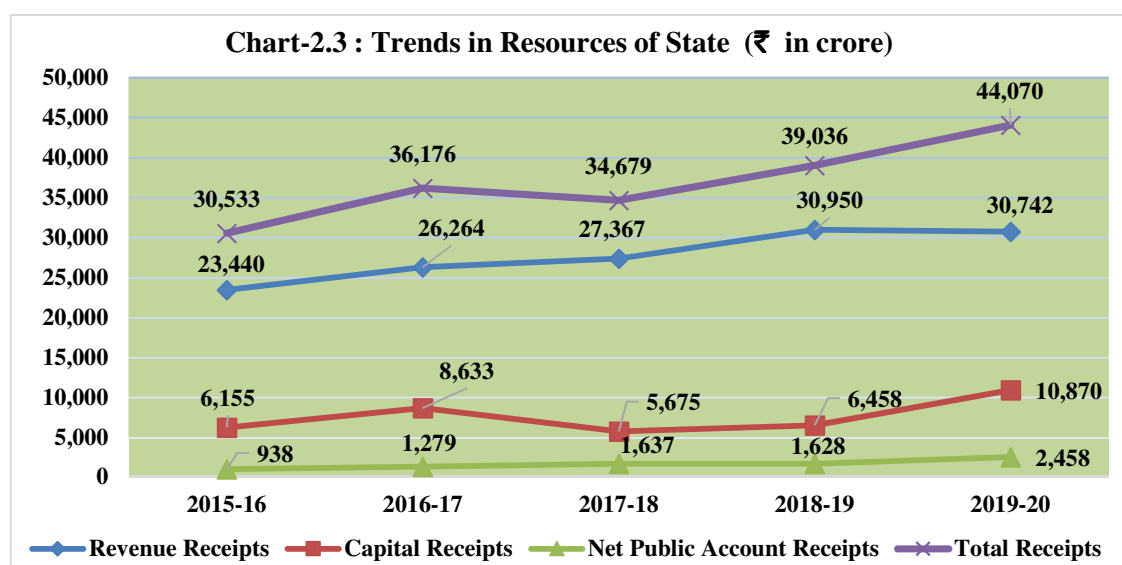
3. **Net Public Accounts receipts:** There are receipts and disbursements in respect of certain transactions such as small savings, provident fund, reserve funds, deposits, suspense, remittances, etc. which do not form part of the Consolidated Fund.

These are kept in the Public Account set up under Article 266 (2) of the Constitution and are not subject to vote by the State Legislature. Here, the Government acts as a banker. The balance after disbursements is the fund available with the Government for use.

2.3.1 Receipts of the State

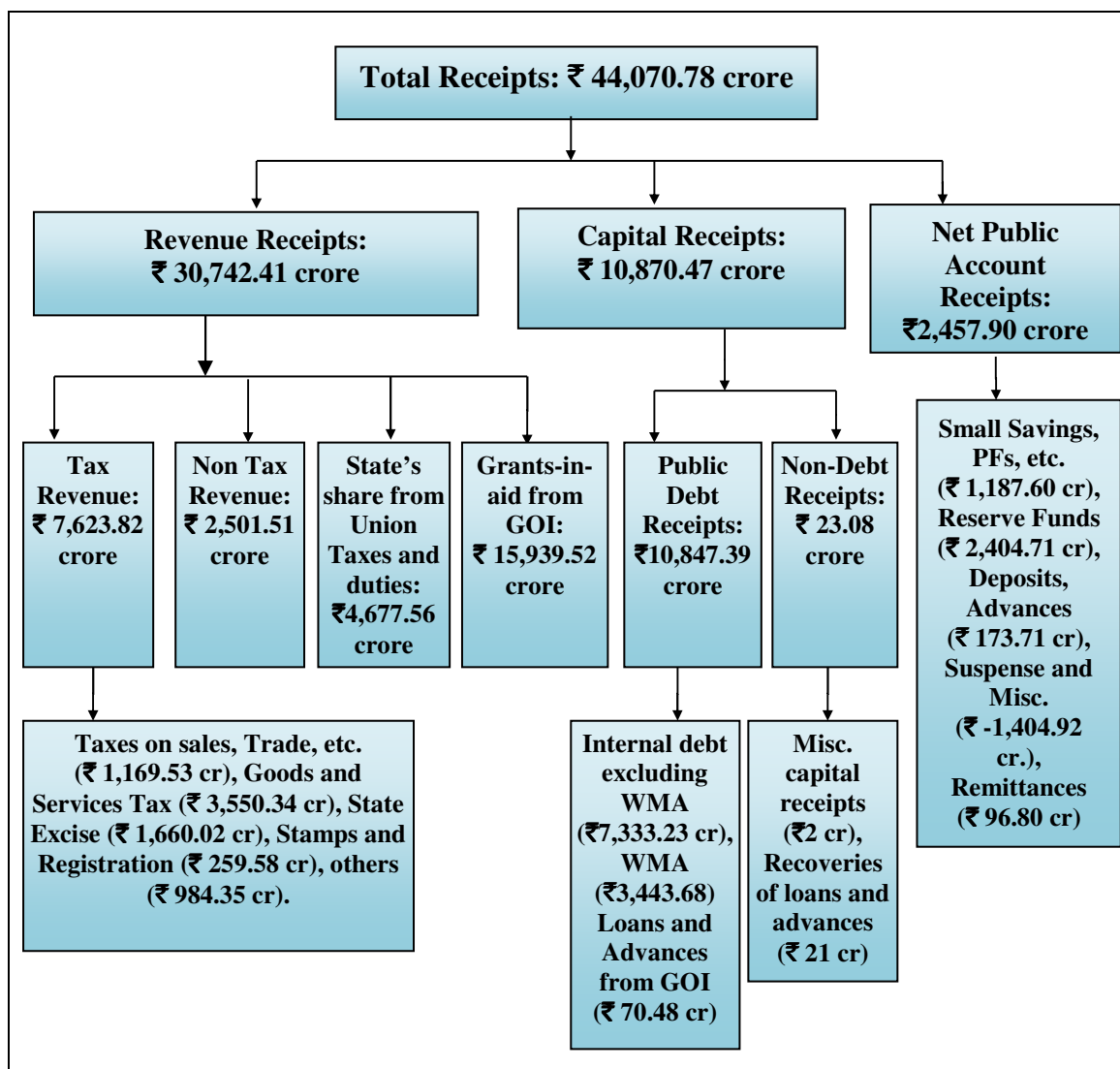
This paragraph provides the composition of the overall revenue receipts. Besides, the Capital and Revenue Receipts, funds available in the Public Account (net of disbursement made from it) are also utilised by the Government to finance its deficit.

Trends in various components of the receipts of the State during 2015-20 is given in **Chart 2.3** while composition of receipts of the State during 2019-20 is given in **Chart-2.4**.



Source: Finance Accounts of the respective years

Chart-2.4: Composition of receipts of the State during 2019-20



Source: Finance Accounts

2.3.2 State's Revenue Receipts

This paragraph gives the trends in total revenue receipts and its components. It is followed by trends in the receipts bifurcated into receipts from the Central Government and State's own receipts.

2.3.2.1 Trends and growth of Revenue Receipts

Table-2.2 provides the trends and growth of revenue receipts as well as revenue buoyancy with respect to GSDP over the five-year period 2015-20. Further, trends in revenue receipts relative to GSDP and composition of revenue receipts are given in the **Chart-2.5** and **Chart-2.5 (A)** respectively. Basic Composition of revenue receipt over past five years is detailed in **Appendix 2**.

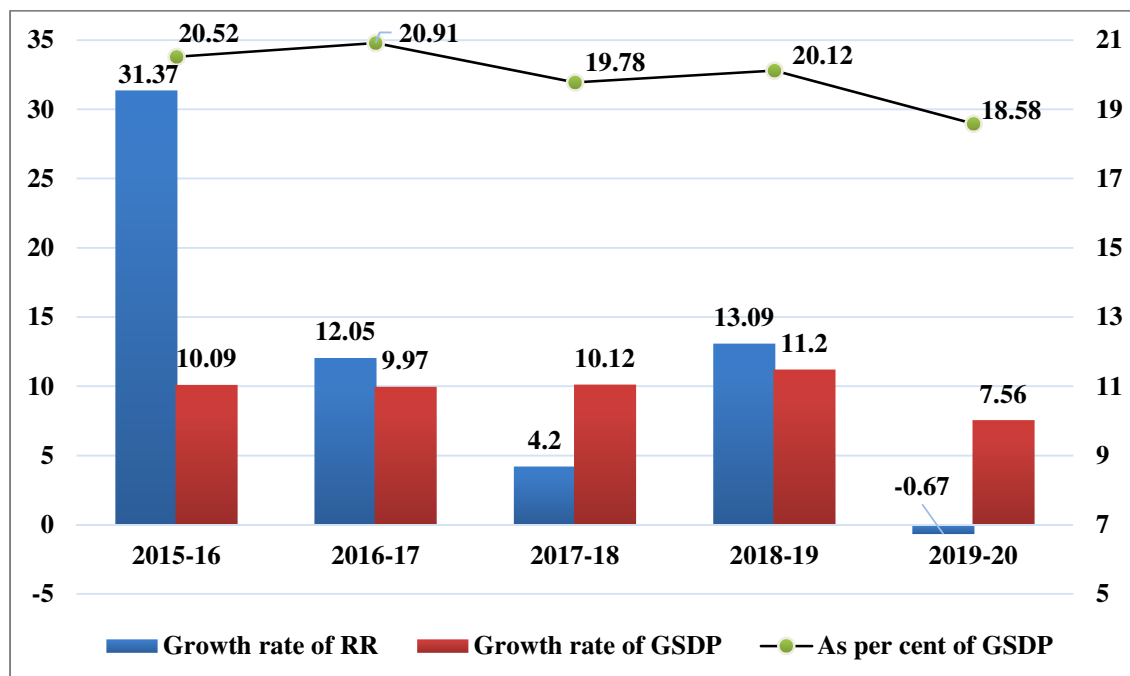
Table-2.2: Trends in Revenue Receipts and buoyancy ratio

Trends in Revenue Receipts	2015-16	2016-17	2017-18	2018-19	2019-20
Revenue Receipts (RR) (₹ in crore)	23,440.48	26,264.34	27,367.06	30,950.32	30,742.41
Rate of growth of RR (<i>per cent</i>)	31.37	12.05	4.20	13.09	-0.67
Own Tax Revenue (₹ in crore)	6,695.81	7,039.05	7,107.67	7,572.81	7,623.82
Rate of growth of TR (<i>per cent</i>)	12.73	5.13	0.97	6.54	0.66
Non-Tax Revenue	1,837.15	1,717.24	2,363.85	2,830.07	2,501.51
Rate of growth of NTR (<i>per cent</i>)	(-) 11.74	(-) 6.53	37.65	19.72	(-) 11.61
Rate of growth of State's Own Revenue (Own Tax and Non-tax Revenue) (<i>per cent</i>)	6.37	2.62	8.17	9.82	-2.68
Gross State Domestic Product (2011-12 Series) (₹ in crore)	1,14,239.41	1,25,633.65	1,38,351.06 ^a	1,53,844.80 ^b	1,65,472.39 ^c
Rate of growth of GSDP (<i>per cent</i>)	10.09	9.97	10.12	11.20	7.56
RR/GSDP (<i>per cent</i>)	20.52	20.91	19.78	20.12	18.58
Buoyancy Ratios¹					
Revenue Buoyancy w.r.t. GSDP	3.11	1.21	0.41	1.17	-0.09
State's Own Revenue Buoyancy w.r.t. GSDP	0.63	0.26	0.81	0.88	-0.35

a- Second Revised Estimate, b – First Revised Estimate, c – Advance Estimate

Source: Finance accounts and Department of Economics and Statistics, Himachal Pradesh

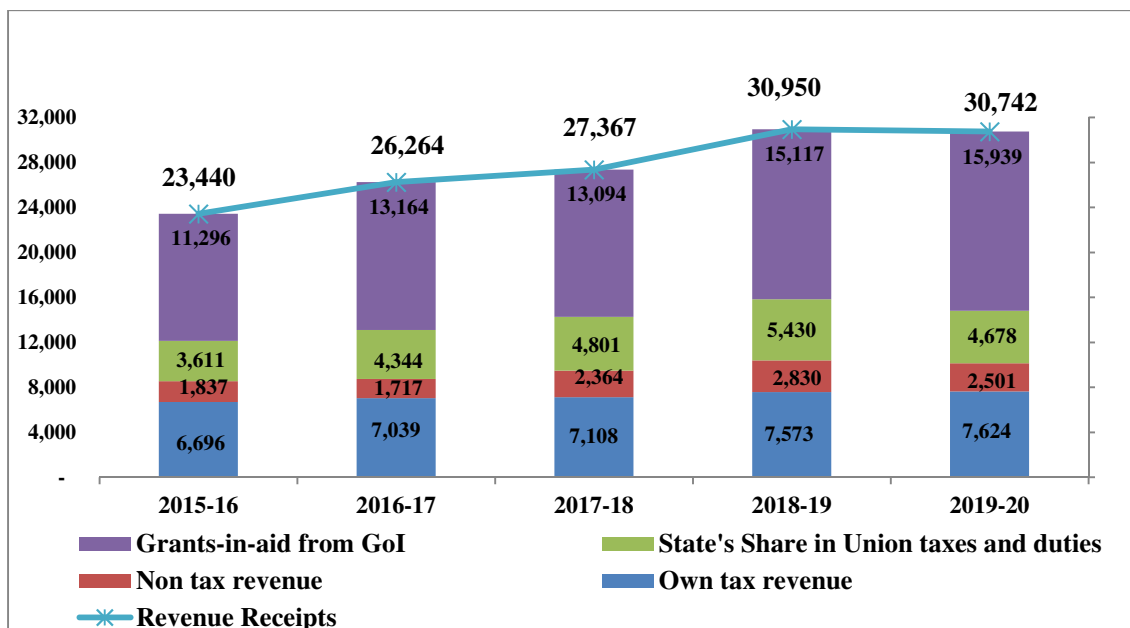
Chart-2.5: Trends in Revenue Receipts as percentage of GSDP



¹ Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For instance, revenue buoyancy with respect to GSDP at 1.85 implies that Revenue Receipts tend to increase by 1.85 percentage points, if the GSDP increases by one per cent.

Chart-2.5(A): Trend of components of Revenue Receipts during 2015-20

(₹ in crore)



- It can be seen that annual growth rate of revenue receipt decreased from 31.37 per cent to -0.67 from 2015-20. During 2019-20, revenue receipts decreased by ₹ 208 crore (0.67 per cent) over the previous year mainly due to less receipts under non-tax revenue (₹ 329 crore) and State's share of Union Taxes and Duties (₹ 752 crore). The decrease was partly counterbalanced by increase in Grants-in-aid from GoI by ₹ 822 crore (5.44 per cent) and own tax revenue (marginally) by ₹ 51 crore (0.66 per cent).
- During the year 2019-20, only 33 per cent of the revenue receipts came from the State's own resources comprising taxes and non-taxes, while the remaining 67 per cent were contributed by central transfers comprising the State's share in central taxes and duties (15 per cent) and Grants-in-Aid from GoI (52 per cent). This is indicative of the fact that the fiscal position of Himachal Pradesh is influenced/ dependent mostly by/on Central transfers.
- During the year 2019-20, there was a decrease of 0.67 per cent (₹ 208 crore) in Revenue Receipts and increase of 4.37 per cent (₹ 1,288 crore) in Revenue Expenditure, leading to decrease in revenue surplus in current year (₹ 12 crore) than that of the previous year (₹ 1,508 crore).
- There was wide fluctuation in the revenue buoyancy of the State, as extraneous factors such as Finance Commission Award (14th FC impact in 2016-17) and implementation of GST (in 2017-18), impacted the actual receipts in different components of revenue. During 2019-20, the revenue buoyancy with respect to GSDP turned negative largely due to decrease in Non-tax revenue (₹ 329 crore) and decrease in State's share in Union Taxes and Duties (₹ 752 crore) even though there was an increase in Grants-in-Aid (₹ 822 crore).

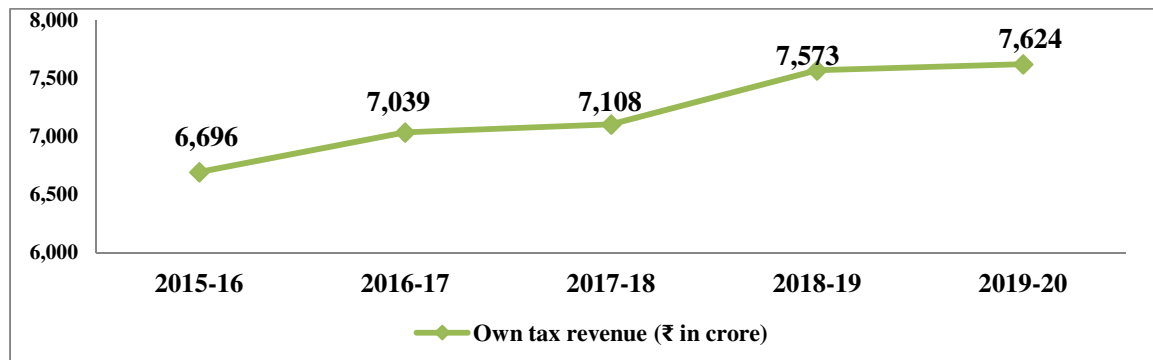
2.3.2.2 State's Own Resources

State's share in Central taxes is determined on the basis of recommendations of the Finance Commission. Grants-in-aid from Central government is determined by the quantum of collection of Central tax receipts and anticipated Central assistance for schemes. State's performance in mobilisation of additional resources should be assessed in terms of its own resources comprising revenue from its own tax and non-tax sources.

(i) Own Tax revenue

Own Tax revenues of the State consist of State GST, State excise, taxes on vehicles, stamp duty and registration fees, land revenue, taxes on goods and passengers, etc. The details of Own Tax Revenue of the State during the five-year period 2015-20 are given in the **Chart-2.6** below:

Chart-2.6: Growth of Own Tax Revenue during the period 2015-16 to 2019-20



Own tax revenue relative to GSDP of the State was 4.61 *per cent* as compared to Punjab (5.22 *per cent*) and Uttarakhand (4.54 *per cent*).

The component-wise details of Own Tax Revenue collected during the years 2015-16 to 2019-20 are given in the **Table 2.3** below:

Table-2.3: Components of State's own Tax Revenue

(₹ in crore)

Revenue Head	2015-16	2016-17	2017-18	2018-19	2019-20	Sparkline
State Goods and Services Tax (SGST)	-	-	1833.16	3342.68	3550.34	
Taxes on sales, trades, etc.	3992.99	4381.91	2525.87	1185.43	1169.53	
State excise	113.122	1307.87	1311.25	1481.63	1660.02	
Taxes on vehicles	317.05	279.58	367.16	408.01	465.52	
Stamp duty and registration fees	205.52	209.16	229.18	250.55	259.58	
Taxes and duties on electricity	551.06	371.67	360.79	487.08	100.86	
Land revenue	7.43	7.64	16.96	8.39	4.79	
Taxes on goods and passengers	115.28	121.37	111.69	104.38	104.03	
Other taxes	375.26	359.85	351.61	304.66	309.15	
Total Tax Revenue	6695.81	7039.05	7107.67	7572.81	7623.82	

Source: Finance Accounts of respective years

Own Tax Revenue of the State increased by ₹ 928.01 crore (13.86 per cent) during 2015-20. During the year 2019-20, major contributors of Tax Revenue were Goods and Services Tax (46.56 per cent), State Excise (21.77 per cent), Taxes on Sales, Trades etc. (15.35 per cent) and Taxes on Vehicles (6.11 per cent). There was a slight increase in tax revenue during 2019-20 over the previous year, under SGST: ₹ 207.66 crore, State Excise: ₹ 178.39 crore, Taxes on vehicles: ₹ 57.51 crore. However, the increase was set-off by decrease under Taxes and duties on electricity by ₹ 386.22 crore. The reason attributed by the department for the decrease was that the department used the collected taxes and duties for Board's expenses and did not deposit the money in Government account, in violation of the Himachal Pradesh Financial Rules 2009. The department also stated that the amount would be adjusted in the next financial year. The percentage of Own Tax Revenue to Total Revenue Receipts has shown steady decline from 28.57 during 2015-16 to 24.80 during 2019-20.

(ii) State Goods and Services Tax (SGST)

As per the GST (Compensation to States) Act, 2017, States will be compensated for the shortfall in the revenue arising on account of implementation of the Goods and Services tax, considering an annual growth of 14 per cent from the base year, for a period of five year. The centre levies the Integrated GST (IGST) on inter-state supply of goods and services and apportions the State's share of tax to the State where the goods or services are consumed.

In the case of Himachal Pradesh, the finalized revenue figure during the base year (2015-16) was revised from ₹ 3,634 crore to ₹ 3,678 crore in September 2020. The protected revenue in accordance with the base year figure, actual revenue collected and compensation due and received from the GoI during the period 2017-18 to 2019-20 is given in **Table- 2.3 (A)**.

Table-2.3(A): Detail of collection of GST and compensation from GoI

(₹ in crore)

Year	Projected revenue amount*	Revenue collected amount**	Compensation due amount	Compensation received amount	Shortfall
	1	2	3 = 1-2	4	5 = 3-4
2017-18	3,585	2,497	1,088	539	549
2018-19	5,450	3,367	2,083	2,037	46
2019-20	6,213	3,594	2,619	1,877	742
Total	15,248	9,458	5,790	4,453	1,337

Source: Finance Accounts of respective years and information obtained from PAG (A&E)

* Protected Revenue is to be calculated considering the revenue figures of 2015-16 as base year by adding 14 per cent per annum

** Includes VAT & CST (net of refund) and revenue from the taxes subsumed in GST by excluding VAT and CST on petroleum products and liquor.

The growth in GST collection in the State was lesser than the projected growth and there was total shortfall of ₹ 5,790 crore during the period 2017-20, against the protected GST receipt of ₹ 15,248 crore. As per the Compensation to the States Act, the GoI had to compensate for the loss of revenue. However, as is evident from the above table, GoI only released ₹ 4,453 crore upto March 2020, resulting in a shortfall of ₹ 1,337 crore. State did not receive its share of net proceeds under IGST during the year 2019-20.

However, after scrutiny of records of Excise and Taxation Department, it was observed that the actual shortfall in the compensation to be received was only ₹ 319 crore (figures as per departmental) as against ₹ 1,337 crore (figures as per Finance Accounts). Thus, there was a difference of ₹ 1,018 crore (2017-20) between the figures booked in Finance Accounts (₹ 4,453 crore) and figures available with the Department (Excise and Taxation) (₹ 5,471 crore). This was due to the fact that in the Finance Accounts, figures had been booked against the month in which amount was received irrespective of the month(s) to which it actually pertained. However, the department booked the figures against the month to which it actually pertained, irrespective of the date of receipt as shown in **Table 2.3 (B)**.

Table-2.3 (B): Difference between Departmental (Excise & Taxation) figures and Finance Account

Period to which receipt pertains	Departmental GST Compensation figures (₹ in crore)			Date of receipt	Finance Account figures (₹ in crore)		
	2017-18	2018-19	2019-20		2017-18	2018-19	2019-20
November-December	539			January	539		
January-February	336			May		336	418
March	184			June		184	
April-May		225	359	July		225	359
June-July		354	419	August		354	419
August-September		315	463	November		315	
				December			463
October-November		330	385	January		330	
				February			218.33*
December-February		293	612.47	March		293	0
March		418	238.51				
Total	1,059	1,935	2,476.98		539	2,037	1,877.33
Grand Total	5,471				4,453		
Difference	1,018						

Source: Information obtained from PAG (A&E) and Excise and Taxation Department.

(iii) Audit of GST receipts

The Government of India's decision to provide access to pan-State back-end data and systems to Audit was conveyed on 20th June 2020. The required full access to data is yet to be provided. Not having full access to the data pertaining to all GST transactions has come in the way of comprehensively auditing the GST receipts. The accounts for the year 2019-20 are, therefore, certified on the basis of test audit, as was done when records were manually maintained.

(iv) Analysis of arrears of revenue and arrears of assessment

The arrear of revenue indicates delayed realization of revenue due to the Government. Similarly, arrear of assessment indicates potential revenue which is blocked due to delayed assessment. Both deprive the State of potential revenue receipts and affect ultimately the revenue deficit.

(A) Arrears of Revenue

The arrears of revenue as on 31 March 2020 in some principal heads of revenue amounted to ₹ 4,149.63 crore, of which ₹ 2,444.70 crore (58.91 per cent) were outstanding for more than five years as detailed in **Table 2.4** below:

Table-2.4: Arrears of Revenue

(₹ in crore)

Head of Revenue	Total amount outstanding as on 31 March 2020	Amount outstanding for more than five years as on 31 March 2020
0039-State-Excise	268.03	39.76
0040-Value Added Tax	3,790.19	2,351.48
0042-Passengers and Goods Tax	7.51	6.45
0045-Other Tax and Duties	83.90	47.01
Total	4,149.63	2,444.70

Source: State Department

(B) Arrears in assessment

The details of cases pending at the beginning of the year, cases becoming due for assessment, cases disposed of during the year and the number of cases pending for finalisation at the end of the year as furnished by the State Tax Department in respect of Sales/VAT/GST are given in **Table 2.5**:

Table-2.5: Arrears in Assessment

(₹ in crore)

Head of revenue		Opening balance	New cases due for assessment during 2019-20	Total assessment due	Cases disposed of during 2019-20	Balance at the end of the year	Percentage of disposal
Taxes/VAT on sales, trade etc.	CST	1,52,169	6,147	1,58,316	36,856	1,21,460	23
	VAT	1,71,389	12,902	1,84,291	35,829	1,48,462	19
Luxury tax		3,812	553	4,365	1,419	2946	33
Tax on works contracts		1,135	0	1,135	163	972	14
Total		3,28,505	19,602	3,48,107	74,267	2,73,840	21

Source: State Department

(v) Details of evasion of tax detected by Department, refund cases, etc.

The cases of evasion of tax detected by the Excise & Taxation Department, cases finalised and the demands for additional tax raised are important indicators of revenue collection efforts of the State Government. Promptness in disposal of refund cases is an important indicator of performance of the Department. High pendency of refund cases may indicate red tape, vested interests, prevalence of speed money, etc. The details of evasion of tax detected by the State Tax Department and details of refund cases are given in the **Table 2.6(A)** and **Table 2.6(B)** below:

Table-2.6(A): Evasion of Tax Detected

Sr. No.	Head of revenue	Cases pending as on 31 March 2019	Cases detected during 2019-20	Total	No. of cases in which assessment/investigation completed and additional demand with penalty etc. raised		No. of cases pending for finalization as on 31 March 2020
					No. of cases	Amount of demand (₹ in crore)	
1.	State Excise	72	838	910	848	2.46	62
2.	Taxes on sales trade etc.	65	731	796	731	3.25	65
3.	Passengers and goods tax	36	16,571	16,607	16,586	7.23	21
4.	Other taxes and duties on commodities and services	7	1,268	1,275	1,239	5.57	36
	Total:	180	19,408	19,588	19,404	18.51	184

Table-2.6(B): Details of refund cases

(₹ in crore)

Sr. No.	Particulars	Sales Tax/VAT		State Excise	
		No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding at the beginning of the year	48	11.51	23	1.09
2.	Claims received during the year	197	59.69	54	3.42
3.	Refunds made during the year	195	48.27	71	4.31
4.	Refunds rejected during the year	--	--	--	--
5.	Balance outstanding at the end of year	50	22.93	6	0.20

(vi) Non Tax Revenue

Non-Tax revenue consists of interest receipts, dividends and profits, mining receipts, departmental receipts, etc.

Table-2.7: Components of State's non-tax revenue

(₹ in crore)

Revenue Head	2015-16	2016-17	2017-18	2018-19	2019-20	Sparkline
Interest receipts	93.84	145.56	340.54	385.88	245.36	
Dividends and profits	111.94	289.63	255.58	181.92	248.44	
Other non-tax receipts	1631.36	1282.04	1767	2262.27	2007.72	
Misc. General Services	19.37	2.35	5.46	20.76	5.17	
Education, Sports, Arts and Culture	206.37	112.22	180.76	214.59	238.59	
Forestry and Wildlife	34.47	18.5	46.87	76.32	83.61	
Other Administrative Services	32.81	42.63	40.45	51.34	49.65	
Non-ferrous Mining and Metallurgical Industries	155.08	176.22	441.46	221.05	246.30	
Power	923.68	650.93	687.61	1134.34	1021.68	
Others	259.58	279.19	364.39	543.87	362.72	
Total	1837.15	1717.24	2363.85	2830.07	2501.51	

Source: Finance Accounts

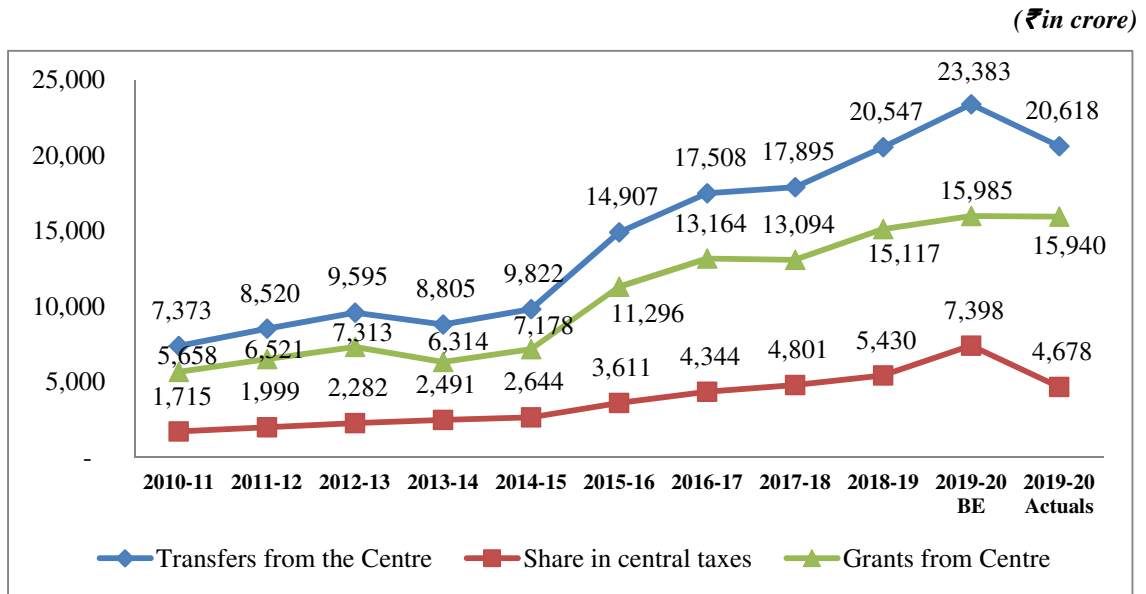
Non-Tax Revenue constituted between six and nine *per cent* of total revenue receipts of the State during the five-year period from 2015-16 to 2019-20. During 2019-20, non-tax revenue constituted 8.14 *per cent* of the revenue receipts which was less by one *per cent* over the previous year. Over the last five years, the main contributor was

Power sector which contributed between 29 and 50 *per cent* towards NTR. Non-Tax Revenue decreased by ₹ 328.56 crore (11.61 *per cent*) during 2019-20 over the previous year. The decrease was due to decrease in receipts mainly under interest receipts (₹ 140.52 crore) and power (₹ 112.66 crore).

2.3.2.3 Transfers from the Centre

Transfers from Centre are heavily dependent on Finance Commission recommendation. The trends of Central transfers for the last 10 years are shown in the **Chart 2.7**.

Chart-2.7: Trends in transfers from Centre



(i) Central tax transfer

The 14th FC had recommended that the States' share of central taxes be increased to 42 *per cent* from 2015-16 onwards. Consequently, the State's share in the net proceeds of Central Taxes (excluding Service Tax) for the period 2015-16 to 2019-20 has been fixed at 0.713 *per cent*. The actual devolution *vis-à-vis* Finance Commission projections during the period 2010-11 to 2019-20 are given in **Table 2.8** below:

Table-2.8: State's share in Union taxes and duties: Actual devolution *vis-à-vis* Finance Commission projections

(₹ in crore)

Year	Finance Commission projections	Projections in FCR	Actual tax devolution	Difference
1.	2.	3.	4.	5. (4-3)
2010-11	0.781 <i>per cent</i> of net proceeds of all shareable taxes excluding service tax and 0.793 <i>per cent</i> of net proceeds of sharable service tax (As per recommendations of 13 th FC)	1,634.82	1,715.35	80.53
2011-12		2,060.67	1,998.37	(-) 62.30
2012-13		2,362.61	2,282.02	(-) 80.59
2013-14		2,716.72	2,491.53	(-) 225.19
2014-15		2,993.17	2,644.17	(-) 349.00

Year	Finance Commission projections	Projections in FCR	Actual tax devolution	Difference
1.	2.	3.	4.	5. (4-3)
2015-16	0.713 per cent of net proceeds of all shareable taxes excluding service tax and 0.722 per cent of net proceeds of sharable service tax (As per recommendations of 14 th FC)	3,743.71	3,611.17	(-) 132.54
2016-17		4,074.67	4,343.70	269.03
2017-18		4,819.21	4,801.31	(-) 17.90
2018-19		5,619.31	5,429.77	(-) 189.54
2019-20		5,769.12	4,677.56	(-) 1,091.56

Source: Reports of the 13th FC & 14th FC, Finance Accounts and Annual Financial Statement.

The details of Central tax transfers to the State during 2015-20 are given in **Table 2.9**.

Table-2.9: Composition of Central Tax Transfers

(₹ in crore)

Components of Central Tax Transfers	2015-16	2016-17	2017-18	2018-19	2019-20	Difference over the previous year
Central Goods and Services Tax (CGST)	--	--	68.36	1,340.15	1,327.34	-12.81
Integrated Goods and Services Tax (IGST)	--	--	484.84	107.00	--	-107.00
Corporation Tax	1,135.61	1,393.48	1,470.67	1,888.31	1,594.86	-293.45
Taxes on Income other than Corporation Tax	786.68	968.47	1,241.88	1,390.66	1,249.68	-140.98
Customs	579.13	599.42	484.70	384.89	296.49	-88.40
Union Excise Duties	484.57	684.49	506.50	255.78	206.16	-49.62
Service Tax	621.90	694.64	544.40	49.66	--	-49.66
Other Taxes ²	3.28	3.20	(-) 0.04	13.32	3.03	-10.29
Central Tax transfers	3,611.17	4,343.70	4,801.31	5,429.77	4,677.56	-752.21
Percentage of increase over previous year	36.57	20.29	10.54	13.09	(-) 13.85	
Percentage of Central tax transfers to Revenue Receipts	15.41	16.54	17.54	17.54	15.22	

Source: Finance Accounts

Over the five-year period 2015-20, Central tax transfers increased by 29.53 per cent. During the current year, it decreased by ₹ 752.21 crore (13.85 per cent) over the previous year. For the year 2019-20, Central Tax transfer constituted 15.22 per cent of the Revenue Receipts which was 2.32 per cent less over the previous year. Further, as

² Includes Taxes on Wealth, Other Taxes on Income and Expenditure, Other Taxes and Duties on commodities and Services

has been tabulated above, the State did not receive its share of Union Taxes and Duties as per the recommendations of the Finance Commissions (13th FC and 14th FC) from the period 2011-12 to 2019-20 (except 2016-17). During the current year, the share was short by ₹ 1,091.56 crore.

(ii) Grants- in-aid from Government of India (GoI)

GoI discontinued Plan and Non-Plan classification and operated new Sub-Major Heads under Major Head-1601-Grants-in-Aid (GIA) for providing GIA to States from 2017-18. The position of GIA from GoI received by State Government during the period 2015-16 to 2019-20 is given in **Table 2.10**.

Table-2.10: Grants-in-aid from GoI

Particulars	(₹ in crore)				
	2015-16	2016-17	2017-18	2018-19	2019-20
Non-Plan Grants[#]	8,524.32	8,877.19	--	--	--
Grants for State Plan Schemes[#]	755.52	1,187.49	--	--	--
Grants for Central Plan Schemes[#]	37.96	44.45	--	--	--
Grants for Centrally Sponsored Plan Schemes[#]	1,978.55	3,055.23	--	--	--
Centrally Sponsored Schemes	--	--	3,590.26	4,010.49	4,915.06
Finance Commission Grants	--	--	8,889.00	8,831.25	8,617.82*
Other Transfer/Grants to State/ Union Territories with Legislatures	--	--	615.39	2,275.93	2,406.64 [@]
Total	11,296.35	13,164.35	13,094.23	15,117.66	15,939.52
Percentage increase over previous year	57.38	16.54	(-) 0.53	15.45	5.44
Percentage of Revenue Receipts	48.19	50.12	47.85	48.84	51.85

Source: Finance Accounts for the respective years

* Finance Commission Grants includes post devolution revenue deficit grant (₹7,866 crore), grants for local bodies(₹555 crore) and State Disaster Response Fund (₹197 crore) which was earlier depicted as Non-plan grants in State Accounts.

@ Includes ₹1,877.33 crore on account of compensation for loss of revenue arising out of implementation of GST.

There are no figures since the nomenclature of plan and non-plan grants was removed with effect from 2017-18 and replaced by Grants for CSS, Finance Commission Grants and Other Grants to States.

In 2019-20, GIA from GoI increased over the previous year by ₹ 821.86 crore. 49 per cent of the GIA was on account of post devolution revenue deficit grants. Share of GIA in State's revenue receipts ranged between 48 and 52 per cent during 2015-20.

(iii) Fourteenth Finance Commission Grants

As mentioned in the previous paragraph, 14th FC Grants were provided to the States for local bodies and State Disaster Response Fund. Details of grants provided by the GoI to the State during the years 2015-16 to 2019-20 are given in **Table 2.11**.

Table-2.11: Recommended amount, actual release and transfers of Grants-in-aid

(₹ in crore)

Transfers	Recommendation of the 14 th FC			Actual release by GoI			Release by State Government		
	2015-16 to 2018-19	2019-20	Total (2015-20)	2015-16 to 2018-19	2019-20	Total	2015-16 to 2018-19	2019-20	Total
1. Local Bodies	1,401.47	610.10	2,011.57	1,283.99	530.77	1,814.76	1,283.99	530.77	1,814.76
(i) Grants to PRIs	1,261.44	548.36	1,809.80	1,175.67	488.64	1,664.31	1,175.67	488.64	1,664.31
(a) General Basic Grant	1,140.18	488.64	1,628.82	1,140.18	488.64	1,628.82	1,140.18	488.64	1,628.82
(b) General Performance Grants	121.26	59.72	180.98	35.49	0	35.49	35.49	0	35.49
(ii) Grants to ULBs	140.03	61.74	201.77	108.32	42.13	150.45	108.32	42.13	150.45
(a) General Basic Grant	113.00	48.42	161.42	100.41	42.13	142.54	100.41	42.13	142.54
(b) General Performance Grants	27.03	13.32	40.35	7.91	0	7.91	7.91	0	7.91
2. State Disaster Response Fund*	1,017.00	287.00	1,304.00	915.62	197.23	1,112.85	1,024.98	28.70	1,053.68
Grand Total (1+2)	2,418.47	897.10	3,315.57	2,199.61	728.00	2,927.61	2,308.97	559.47	2,868.44

Source: 14th FC Report and information provided by State Departments

* Including State share of 25 per cent of total grant

The State could not get its complete share of 14th FC grant basically due to non-achievement of criteria for getting performance grant in both PRIs and ULBs. Further, amount of State Disaster Response Fund has not been depicted as disbursement in the Finance Accounts as the State Government did not furnish proof/sub-vouchers of the actual expenditure incurred during the year 2019-20.

2.3.3 Capital Receipts

Capital receipts comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and

advances from GoI. The trends in growth and composition of capital receipts during the past five years (2015-20) are presented in **Table 2.12**.

Table-2.12: Trends in growth and composition of capital receipts

Sources of State's Receipts	2015-16	2016-17	2017-18	2018-19	2019-20
Capital Receipts (CR)	2,207.37	4,689.97	2,174.87	1,784.70	4,169.72
Miscellaneous Capital Receipts	Nil	Nil	34.82	8.82	2.04
Recoveries of Loans and Advances	25.90	29.50	39.61	21.83	21.04
Net Public Debt Receipts	2,181.47	4,660.47	2,100.44	1,754.05	4,146.64
Internal Debt	2,203.29	4,633.10	2,097.45	1,771.71	4,164.59
Growth rate	13.88	110.28	-54.73	-15.53	135.06
Loans and advances from GoI	-21.82	27.37	2.99	-17.66	-17.95
Growth rate	-137.13	225.44	-89.08	-690.64	-1.64
Rate of growth of debt Capital Receipts	-16.64	113.64	-54.93	-16.49	136.40
Rate of growth of non-debt capital receipts	-96.25	13.90	152.31	-58.82	-24.70
Rate of growth of GSDP	10.09	9.97	10.12	11.20	7.56
Rate of growth of Capital Receipts (<i>per cent</i>)	-33.26	112.47	-53.63	-17.94	133.64

Source: Finance Accounts of the respective years.

Capital receipts decreased from ₹ 2,207.37 crore in 2015-16 to ₹ 1,784.70 crore in 2018-19 (except in 2016-17 due to inclusion of loan of ₹ 2,890.50 crore given to DISCOM on account of UDAY scheme). In 2019-20, capital receipts (₹ 4,169.72 crore) increased by ₹ 2,385.02 crore over the previous year mainly due to increase in market loans (₹ 2,370 crore).

Public debt receipts create future repayment obligation and these are taken from Market, Financial Institutions and Central Government. During the five-year period 2015-16 to 2019-20, 60.54 *per cent* of Public debt receipts were utilised for repayment of Public Debt taken during the period and the only the remaining 39.46 *per cent* was utilised for other purposes.

2.3.4 State's performance in mobilisation of resources

As the State's share in central taxes and grants-in-aid is determined on the basis of recommendations of the Finance Commission, the State's performance in mobilisation of resources is assessed in terms of its own resources comprising own-tax and non-tax sources.

The State's actual tax and non-tax receipts for the year 2019-20 vis-à-vis assessment made by 14th FC and MTFPS are given in the **Table 2.13**.

Table-2.13: States own resources: projections *vis-à-vis* actuals

(₹ in crore)

	14 th FC projections	Budget Estimates	MTFPS projection	Actual	Percentage variation of actual over		
					14 th FC projections	Budget estimates	MTFPS projection
Own Tax revenue	16,591	7,921.43	7,921.43	7,623.82	-54.05	-3.76	-3.76
Non-tax revenue	2,685	2,442.86	2,442.86	2,501.51	-6.83	Target Achieved	Target Achieved

The actual collection under State's own tax revenue fell short by 54.05 *per cent* of the projections made by 14th FC and 3.76 *per cent* of budget estimates and MTFPS projection. The actual receipts under non-tax revenue were less by 6.83 *per cent* of the projections made by 14th FC but were more than the targets set in budget estimates and MTFPS. Thus, the State Government could not achieve even their own targets projected in the budget and MTFPS in case of own tax revenue.

2.4 Application of Resources

The State Government is vested with the responsibility of incurring expenditure within the framework of fiscal responsibility legislations, while at the same time ensuring that the ongoing fiscal correction and consolidation process of the State is not at the cost of expenditure directed towards development of capital infrastructure and social sector. The application of resources is analysed under various headings such as growth and composition of expenditure, revenue expenditure, committed expenditure and financial assistance to local bodies and other institutions in the succeeding paragraphs.

2.4.1 Growth and composition of expenditure

The expenditure of State Government can be classified in two categories namely Revenue Expenditure and Capital Expenditure.

Revenue Expenditure: Charges on maintenance, repair, upkeep and working expenses, which are required to maintain the assets in a running order as also all other expenses incurred for the day to day running of the organisation, including establishment and administrative expenses shall be classified as revenue expenditure.

Capital Expenditure: All charges for the first construction of a project as well as charges for intermediate maintenance of the work while not opened for service and also bears charges for such further additions and improvements as may be sanctioned under the rules made by competent authority shall be classified as Capital expenditure.

Trend and composition of total expenditure over the last five years (2015-20) are shown in **Table 2.13(A)**.

Table-2.13(A): Total expenditure and its composition

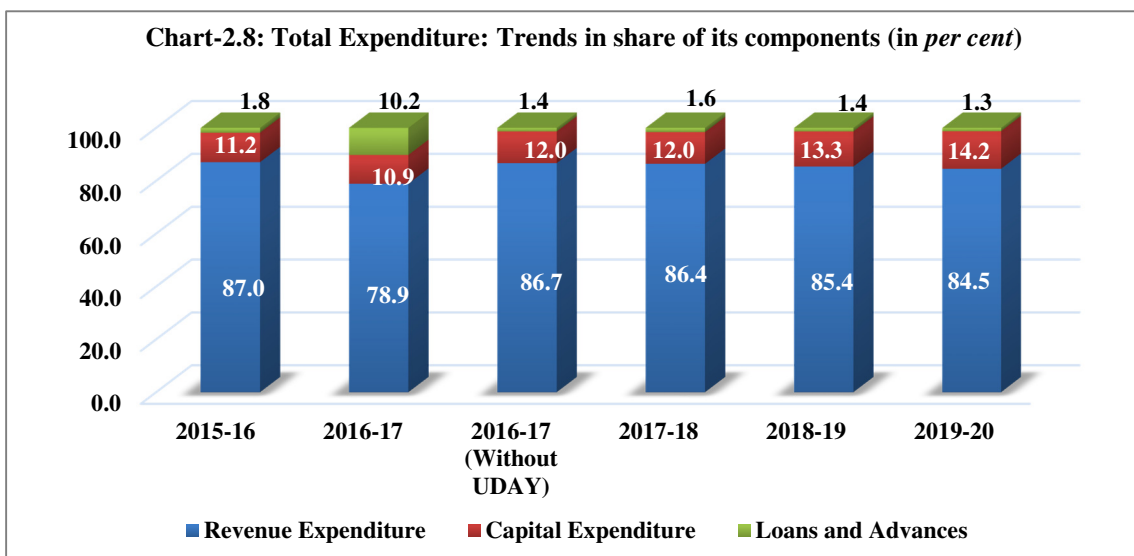
(₹ in crore)

Parameters	2015-16	2016-17	2017-18	2018-19	2019-20
Total Expenditure (TE)	25,630.47	32,132.94	31,311.36	34,493.50	36,362.55
Revenue Expenditure (RE)	22,302.81	25,344.22	27,053.16	29,442.11	30,730.43
Capital Expenditure (CE)	2,864.49	3,499.03	3,755.67	4,583.41	5,173.91
Loans and Advances disbursed	463.17	3,289.69 [@]	502.53	467.98	458.21
GSDP	114,239.41	125,633.65	138,351.06	153,844.80	165,472.39
As a percentage of GSDP					
TE/GSDP	22.44	25.58	22.63	22.42	21.97
RE/GSDP	19.52	20.17	19.55	19.14	18.57
CE/GSDP	2.51	2.79	2.71	2.98	3.13
Loans and Advances/GSDP	0.41	2.62	0.36	0.30	0.28

Source: Finance Accounts of the respective years.

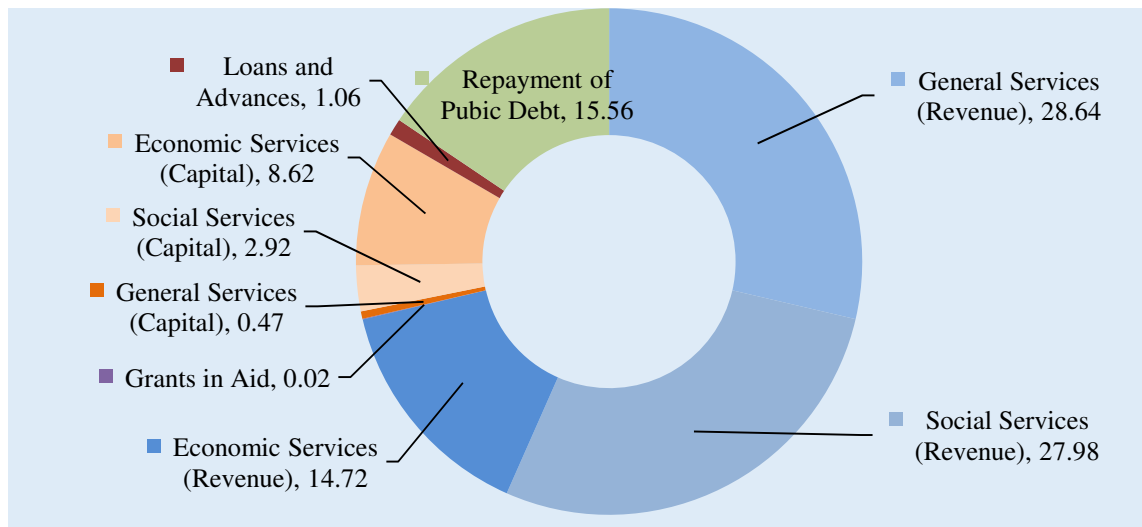
@ Loan of ₹2,890.50 crore given to DISCOM on account of UDAY scheme

Total expenditure increased by 41.87 per cent over a period of five years (2015-20). During 2019-20, it increased by ₹ 1,869 crore (five per cent) over the previous year. As a percentage of GSDP, the total expenditure remained in the range of 22.63 per cent to 25.58 per cent during 2015-20. The Revenue Expenditure increased by 37.79 per cent during 2015-20 while the capital expenditure increased by 80.62 per cent during the same period. As depicted in **Chart 2.8**, the share of revenue expenditure in total expenditure ranged from 84.5 to 87.0 per cent during 2015-20. Similarly, the share of capital expenditure in total expenditure increased slightly from 11.2 per cent in 2015-16 to 14.2 per cent in 2019-20. The share of loans and advances was 10.2 per cent in 2016-17 due to disbursement of loans under UDAY scheme which reduced to 1.3 per cent in 2019-20. The share of loans and advances disbursed remained almost static during the same period.



In terms of activities, the Total Expenditure is composed of expenditure on General Services including Interest Payments, Social Services, Economic Services and others. Relative share of these components in the Total Expenditure of ₹ 36,362 crore (refer Appendix-2) during 2019-20 is given in **Chart 2.9**.

Chart-2.9: Composition of expenditure during 2019-20 (in per cent)



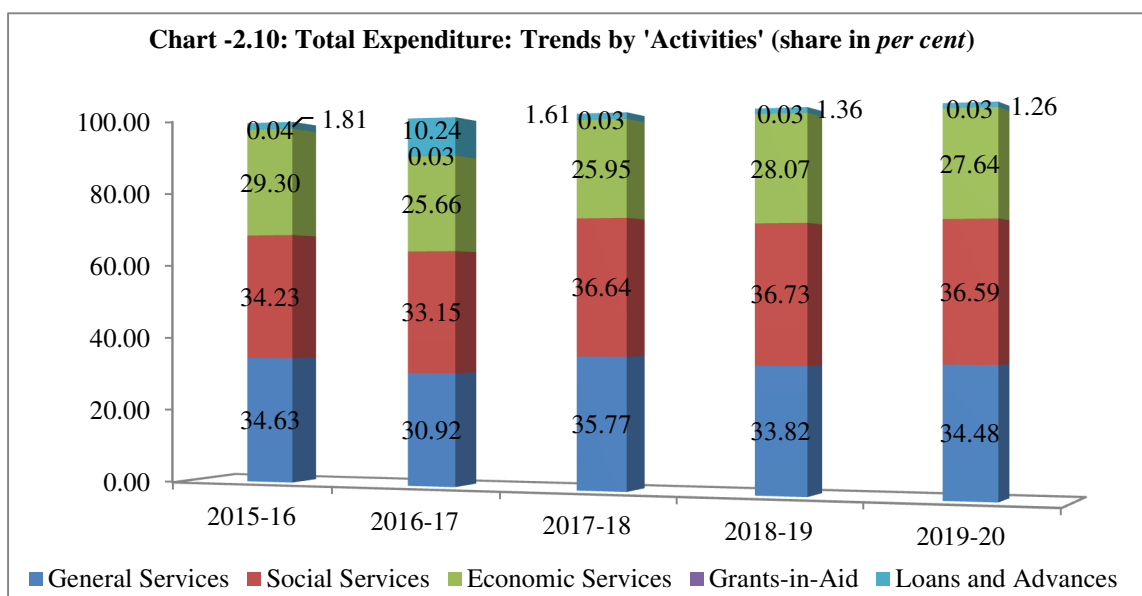
The relative shares of various sectors of expenditure during the period 2015-20 is given in **Table 2.14**.

Table-2.14: Relative share of various sectors of expenditure

(In per cent)

Parameters	2015-16	2016-17	2017-18	2018-19	2019-20
General Services	34.63	30.92	35.77	33.82	34.48
Social Services	34.23	33.15	36.64	36.73	36.59
Economic Services	29.30	25.66	25.95	28.07	27.64
Others (Grants to Local Bodies and Loans and Advances)	1.84	10.27	1.64	1.38	1.29

Chart-2.10 depicts trends of sectoral component in Total Expenditure for the period 2015-16 to 2019-20.



The movement of relative share of these components of expenditure indicates that the share of General Services, Social Services, and others in the Total Expenditure had slight inter-year variations during the period 2015-16 to 2019-20. Expenditure on General Services (including interest payments) which forms part of non-development expenditure, increased from 33.82 *per cent* in 2018-19 to 34.48 *per cent* as a percentage of total expenditure in 2019-20. Development expenditure *i.e.* expenditure on Social and Economic Services together accounted for 64.10 *per cent* in 2019-20 against 64.8 *per cent* in 2018-19. The share of loans and advances remained almost static over the past five years except in 2016-17 (10.24 *per cent*) when loan amounting to ₹ 2,890.50 crore was disbursed to DISCOM under UDAY Scheme.

2.4.2 Revenue Expenditure

Revenue expenditure is incurred to maintain the current level of services and payment for the past obligations. As such, it does not result in any addition to the State's infrastructure and service network. The overall Revenue Expenditure, its rate of growth, its ratio to Total Expenditure and buoyancy *vis-à-vis* GSDP and Revenue Receipts during the period 2015-20 are indicated in **Table 2.15**.

Table-2.15: Growth of revenue expenditure during 2015-20

(₹ in crore)

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
Total Expenditure (TE)	25,630.47	32,132.94	31,311.36	34,493.50	36,362.55
Revenue Expenditure (RE)	22,302.81	25,344.22	27,053.16	29,442.11	30,730.43
Rate of Growth of RE (per cent)	12.72	13.63	6.74	8.83	4.37
Revenue Expenditure as percentage of TE	87.02	78.87	86.40	85.36	84.51
RE/GSDP (per cent)	19.52	20.17	19.55	19.14	18.57
Revenue Receipts (RR)	23,440.48	26,264.34	27,367.06	30,950.32	30,742.41
RE as percentage of RR	95.15	96.50	98.85	95.13	99.96
Rate of Growth of RR (per cent)	31.37	12.05	4.20	13.09	-0.67
GSDP	1,14,239.41	1,25,633.65	1,38,351.06	1,53,844.80	1,65,472.39
Rate of growth of GSDP (per cent)	10.09	9.97	10.12	11.20	7.56
Buoyancy of Revenue Expenditure with					
GSDP (ratio)	1.26	1.37	0.67	0.79	0.58
Revenue Receipts (ratio)	0.41	1.13	1.61	0.67	-6.52

Source: Finance Accounts of respective years

Revenue expenditure during 2015-20 increased by ₹ 10,732 crore (41.87 per cent) at an annual growth rate ranging from four to 14 per cent. Rate of growth of Revenue Expenditure has displayed fluctuating trend over the last five-year period 2015-20. Revenue expenditure in 2019-20 (₹ 30,730 crore) increased by ₹ 1,288 crore (four per cent) over 2018-19 (₹ 29,442 crore). The increase was due to more expenditure under General services and Social Services and was set-off by decrease in Economic Services.

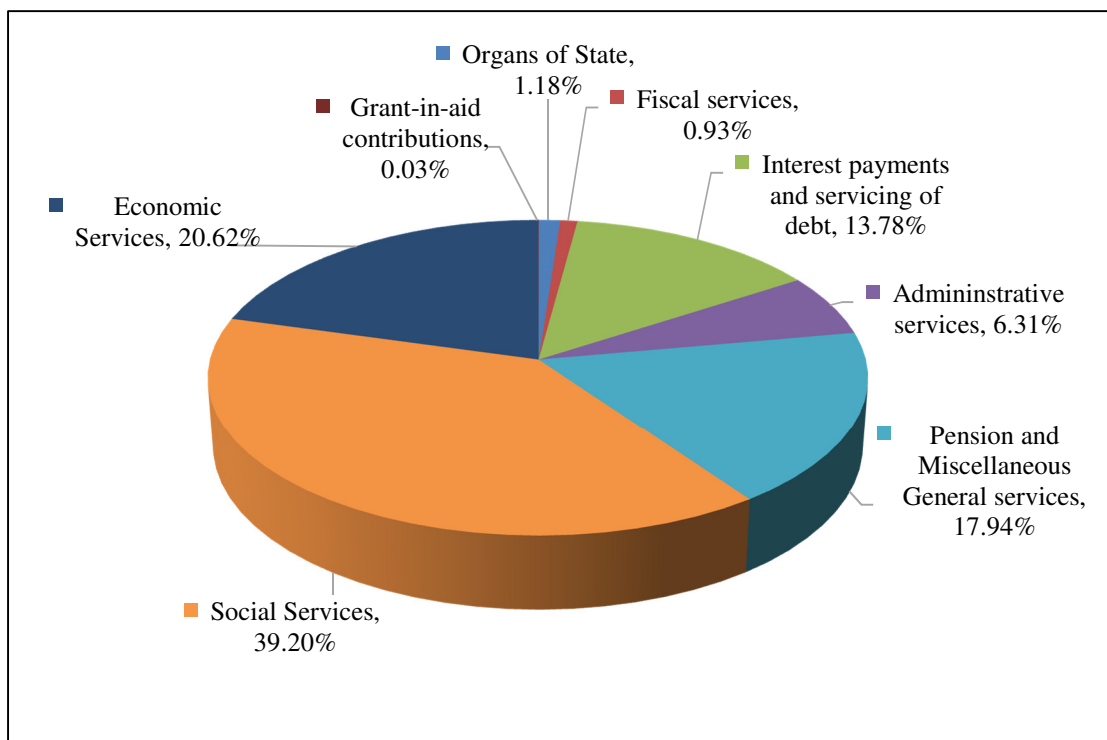
The percentage of State's revenue receipts and revenue expenditure to GSDP stood at almost same i.e., 18.58 and 18.57 per cent respectively during 2019-20. Thus, the State had revenue surplus of only ₹ 12 crore during 2019-20 which was 0.01 per cent of GSDP.

Revenue expenditure in 2019-20 at ₹ 30,730 crore was less than the projections made in Budget and MTFPS (₹ 36,089 crore) and the normative assessment of 14th FC (₹ 34,541 crore).

The sectoral distribution of Revenue Expenditure pertaining to 2019-20 is given in Chart 2.11.

Chart-2.11: Sector-wise distribution of revenue expenditure during 2019-20

(In per cent)



2.4.2.1 Major changes in Revenue Expenditure

Table 2.16 highlights the cases of significant increase or decrease in various Heads of Account in Revenue Expenditure during 2019-20 vis-à-vis the previous year.

Table-2.16: Significant variations in Revenue Expenditure during 2019-20 as compared to 2018-19(*₹in crore*)

Major Heads of Account	2018-19	2019-20	Increase (+)/ Decrease (-)
General Services	11,438.34	12,335.20	896.86
2071-Pensions and other retirement benefits	4974.77	5489.74	514.97
2049-Interest Payments	4,021.52	4,234.02	212.50
2055-Police	1,092.57	1,142.93	50.36
2015-Elections	44.87	90.77	45.90
Social Services	11,482.20	12,046.95	564.75
2202-General Education	5,691.76	6,037.87	346.11
2235-Social Security and Welfare	1,048.37	1,228.62	180.25
2515-Other Rural Development Programmes	751.63	923.64	172.01
2210-Medical and Public Health	1,529.35	1,661.55	132.20
2215-Water Supply and Sanitation	1,141.35	942.18	-199.17
2216-Housing	103.31	35.73	-67.58
Economic Services	6512.19	6338.01	-174.18
2801-Power	579.19	406.20	-172.99
2505-Rural Employment	335.48	235.72	-99.76
Grant-in-Aid and Contribution	9.39	10.27	0.88
3604-Compensation and Assignments to Local Bodies and Panchayati Raj Institutions	9.39	10.27	0.88

Source: Finance Accounts of the respective years.

Revenue expenditure on General services increased by ₹ 896.86 crore due to increase in expenditure mainly on Pension and other retirement, interest payments, police services and elections. Interest payments on market loans increased by ₹ 166.12 crore during the year. The expenditure on Social services increased by ₹ 564.75 crore over the previous year due to increase in expenditure mainly on General Education, Social Security and Welfare, Other Rural Development Programmes Medical and Public Health. The increase was partly offset by the decrease in Water Supply and Sanitation and Housing. Expenditure on economic services decreased by ₹ 174.18 crore mainly due to decrease in expenditure on Power and Rural Employment.

2.4.2.2 Committed expenditure

The committed expenditure of the State Government on revenue account consists of interest payments; expenditure on salaries and wages; and pensions. It has first charge on Government resources. Upward trend on committed expenditure leaves the Government with lesser flexibility for development sector.

Table 2.17 presents the trends in the components of committed expenditure during 2015-20, whereas percentage share of Committed Expenditure in total Revenue Expenditure is given in **Chart 2.12**.

Table-2.17: Components of Committed Expenditure

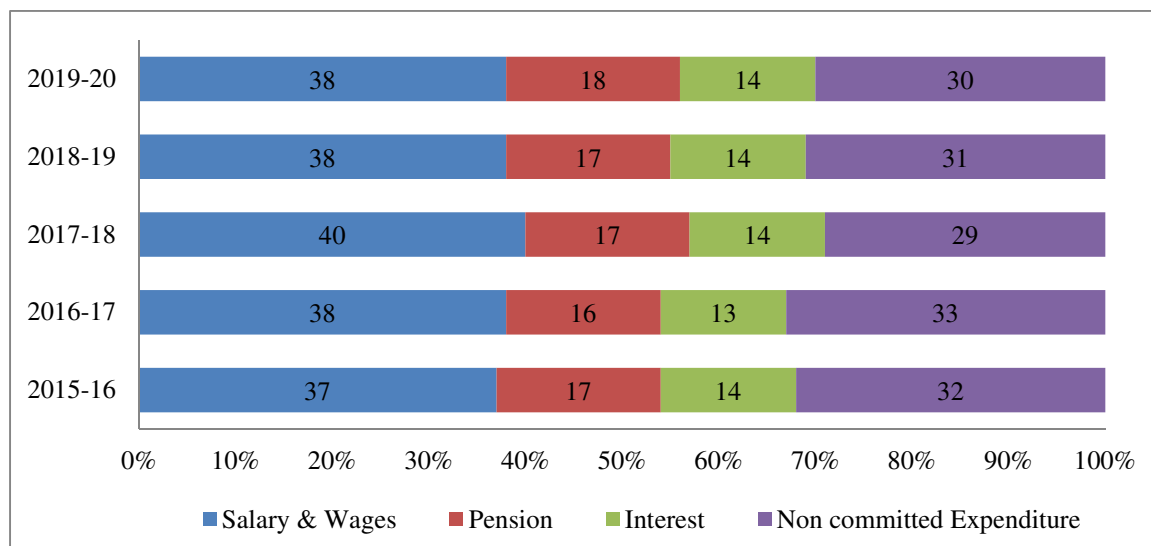
(₹ in crore)

Components of Committed Expenditure	2015-16	2016-17	2017-18	2018-19	2019-20
Salaries & Wages	8,174.13	9,681.67	10,765.83	11,210.42	11,742.23*
Expenditure on Pensions	3,836.44	4,114.17	4,708.85	4,974.77	5,489.75
Interest Payments	3,155.00	3,358.91	3,788.22	4,021.52	4,234.02
Total	15,165.57	17,154.75	19,262.90	20,206.71	21,466.00
As a percentage of Revenue Receipts (RR)					
Salaries & Wages	34.87	36.86	39.34	36.22	38.20
Expenditure on Pensions	16.37	15.66	17.21	16.07	17.86
Interest Payments	13.46	12.79	13.84	12.99	13.77
Total	64.70	65.31	70.39	65.28	69.83
As a percentage of Revenue Expenditure (RE)					
Salaries & Wages	36.65	38.20	39.80	38.08	38.21
Expenditure on Pensions	17.20	16.23	17.41	16.90	17.86
Interest Payments	14.15	13.25	14.00	13.66	13.78
Total	68.00	67.68	71.21	68.64	69.85

Source: Finance Accounts of respective years

* Salary: ₹11,477.37 crore; wages: ₹264.86 crore

Chart-2.12: Share of Committed expenditure in total Revenue Expenditure



There was a consistent rise in committed expenditure of the State. The increase in committed expenditure during 2019-20 over the previous year was ₹ 1,259 crore (six per cent). It consumed a dominant share of revenue expenditure (68-71 per cent) and revenue receipts (65-70 per cent) during the period 2015-16 to 2019-20 leaving little scope for the Government to spend on developmental activities.

Salaries and Wages: The expenditure on salaries and wages increased from ₹ 8,174 crore in 2015-16 to ₹ 11,742 crore in 2019-20. It increased by ₹ 532 crore (five per cent) during 2019-20 over the previous year and consumed 38 per cent of revenue receipts of the State during 2019-20. The expenditure on salaries in the current year (₹ 11,742 crore) was within the projections made in Medium Term Fiscal Plan Statement (MTFPS) (₹12,359 crore).

Interest Payments: Interest payments increased by 34 per cent from ₹ 3,155 crore in 2015-16 to ₹ 4,234 crore in 2019-20. The increase in 2019-20 over the previous year was ₹ 212 crore (five per cent). Interest payments consumed 14 per cent share of revenue receipts and revenue expenditure. Interest payments were within the normative assessment made by 14th FC (₹ 4,575 crore) and projections made in MTFPS (₹ 4,550 crore).

Pension Payments: The expenditure on pension payments increased from ₹ 3,836 crore in 2015-16 to ₹ 5,490 crore in 2019-20 and by ₹ 525 crore (11 per cent) during the current year over the previous year. During 2019-20, salary and pension payments together accounted for 56 per cent of revenue expenditure. It was noticed that there was significant variation (by ₹ 1,170 crore or 18 per cent) between the pension payments projected in the MTFPS (₹ 6,660 crore) and the actual expenditure (₹ 5,490 crore).

2.4.2.3 Undischarged liabilities in National Pension Scheme

Government introduced the 'National Pension System' (NPS) applicable to all new entrants joining State Government Service on or after 15 May 2003. Under this system, employees contribute 10 per cent basic pay and dearness allowance, which is matched by the State Government and both employee's and employer's contribution are initially transferred to the Public Account (Major Head '8342-Other Deposits-117-Defined Contributory Pension Scheme'). The State Government has the responsibility to deposit both employee's and employer's share with the designated authority i.e., National Securities Depository Limited (NSDL)/trustee bank for further investment as per the guidelines of NPS. The State Government opens a Current Account with the Bank for parking the funds before transfer to NSDL.

During the year 2019-20, a total amount of ₹ 821.27 crore was credited to the Major Head 8342-Other Deposits-117 Defined Contribution Pension Scheme for Government Employees (Employees' Share: ₹ 349.31 crore, Government Share: ₹ 471.91 crore and Interest: ₹0.05 crore). The Government transferred ₹ 821.51 crore to NSDL (Employees' Share: ₹ 350.29 crore and Government Share: ₹ 471.22 crore). However, adverse balances of ₹ 1.41 crore (2018-19) under the Major Head 8342-Other Deposits-117 Defined Contribution Pension Scheme for Government Employees has further gone up to ₹ 1.64 crore at the end of the year (2019-20), which needs to be reconciled with the State Government. In this regard, the NSDL confirmed a total amount of ₹ 821.41 crore was credited during the current year. The difference is under reconciliation between the State Government and NSDL.

2.4.2.4 Subsidies

The State Government has been paying subsidies to various departments/institutions/bodies/corporations.

Expenditure on subsidies decreased by ₹ 278.30 crore (20.67 per cent) from ₹ 1,346.08 crore in 2015-16 to ₹ 1,067.78 crore in 2019-20, which was 3.47 per cent of the revenue receipts as details given in **Table 2.18**.

Table-2.18: Expenditure on subsidies during 2015-20

	2015-16	2016-17	2017-18	2018-19	2019-20
Subsidies (₹ in crore)	1,346.08	763.96	906.79	1,282.60	1,067.78
Subsidies as a percentage of Revenue Receipts	5.74	2.91	3.31	4.15	3.47
Subsidies as a percentage of Revenue Expenditure	6.04	3.01	3.35	4.36	3.49

Source: Finance Accounts of respective years

During 2019-20, there was a decrease of ₹ 216 crore in expenditure on subsidies over the previous year.

During the year, subsidies of ₹ 1,067.78 crore were paid to various departments, which consumed about 3.5 per cent of both revenue receipts and revenue expenditure. Major recipients of subsidies were Energy (₹ 400 crore-37.46 per cent), Food and Supply (₹ 244.88 crore- 22.93 per cent), Transport (₹ 160 crore-14.98 per cent), Agriculture (₹ 123.65 crore-11.58 per cent) and Horticulture (₹ 109.72 crore-10.28 per cent). The total subsidy released by the Government during the year was in consonance with the projection made in the MTFPS (₹ 1,066.23 crore).

2.4.2.5 Financial assistance by the State Government to Local Bodies and Other Institutions

Financial assistance is provided by the State Government to Local bodies and other institution by way of grants and loans. The quantum of assistance provided by way of grants to local bodies and other institutions during the period 2015-16 to 2019-20 is presented in **Table 2.19**.

Table-2.19: Financial Assistance to Local Bodies etc.

(₹ in crore)

Financial Assistance to Institutions	2015-16	2016-17	2017-18	2018-19	2019-20
Local Bodies					
Municipal Corporations and Municipalities	321.63	554.49	249.31	487.99	456.22
Panchayati Raj Institutions	926.72	1,011.60	781.21	1,026.07	1,053.39
Total (A)	1,248.35	1,566.09	1,030.52	1,514.06	1,509.61
Others					

Financial Assistance to Institutions	2015-16	2016-17	2017-18	2018-19	2019-20
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	663.67	849.57	905.15	951.22	1,020.83
Development Authorities	80.53	150.37	111.07	143.68	99.16
Hospitals and Other Charitable Institutions	277.14	271.64	343.87	337.38	439.71
Other Institutions	342.58	519.31	504.85	687.61	437.17
Total (B)	1,363.92	1,790.89	1,864.94	2,119.89	1,996.87
Total (A+B)	2,612.27	3,356.98	2,895.46	3,633.95	3,506.48
Revenue Expenditure	22,302.81	25,344.22	27,053.16	29,442.11	30,730.43
Assistance as percentage of Revenue Expenditure	11.71	13.25	10.70	12.34	11.41

Source: Finance Accounts and information received from PAG (A&E)

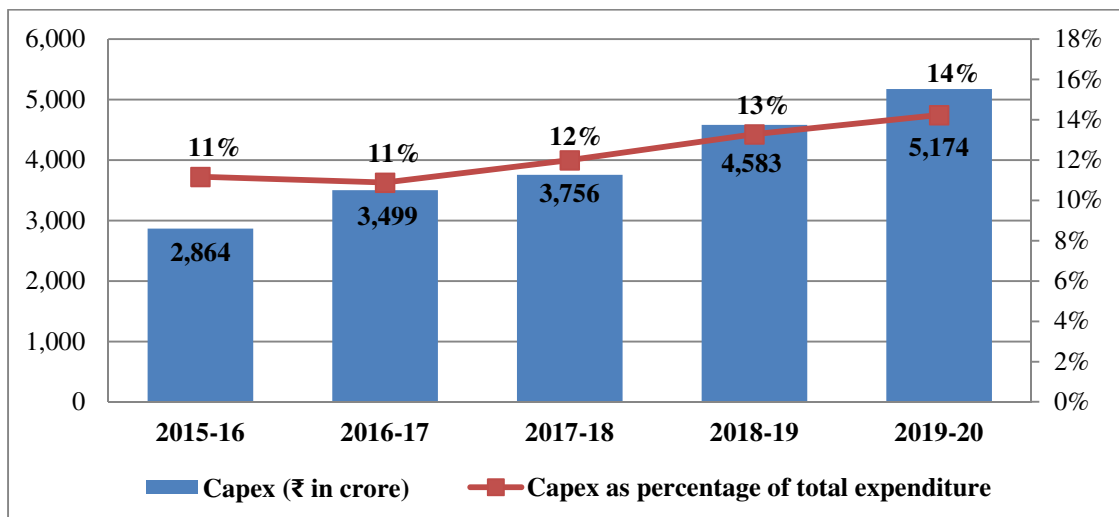
Table 2.19 indicates that the financial assistance to local bodies and other institutions increased from ₹ 2,612.27 crore in 2015-16 to ₹ 3,506.48 crore, constituting 11.41 *per cent* of the revenue expenditure during 2019-20.

Except the educational institutions and hospitals and other charitable institutions, the assistance provided by the State Government during the year 2019-20 was less than the previous year. This led to a decrease of ₹ 127.47 crore in the total quantum of assistance in the current year as compared to the previous year. Amongst the various recipients, Municipal Corporations, Municipalities and Panchayati Raj Institutions (Local Bodies) together accounted for 43.23 *per cent* of the total financial assistance during the current year.

2.4.3 Capital Expenditure

Capital Expenditure (capex) is primarily expenditure on creation of fixed infrastructure assets such as roads, buildings etc. Trend of Capital Expenditure as percentage of Total Expenditure for the period 2015-20 is given in **Chart 2.13**.

Chart-2.13: Trend of Capital Expenditure as *per cent* of Total Expenditure during 2015-20



There was a trend of sustained growth in capex for the last five years. It increased by ₹ 2,310 crore (81 per cent) during 2015-20. During 2019-20, capital expenditure (₹ 5,174 crore) increased by ₹ 591 crore (13 per cent) over the previous year 2018-19 (₹ 4,583 crore) and constituted 14 per cent in total expenditure.

2.4.3.1 Major changes in Capital Expenditure

Table 2.20 highlights the cases of significant increase or decrease in various Heads of Account in Capital Expenditure during 2019-20 vis-à-vis the previous year.

Table-2.20: Variation in Capital Expenditure during 2019-20 compared to 2018-19

(₹ in crore)

Major Heads of Accounts	2019-20	2018-19	Increase (+)/ Decrease (-)
Capital Expenditure	5,173.91	4,583.41	590.50
General Services	203.74	227.13	(-)23.39
Social Services	1,258.41	1,187.22	71.19
4215-Capital Outlay on Water Supply and Sanitation	598.92	417.69	181.23
4210-Capital Outlay on Medical and Public Health	231.78	345.61	-113.83
Economic Services	3,711.76	3,169.06	542.70
5054-Capital Outlay on Roads and Bridges	2,205.12	1,940.98	264.14
4711-Capital Outlay on Flood Control Projects	326.68	137.02	189.66
4702-Capital Outlay on Minor Irrigation	280.06	226.60	53.46

It can be seen from above table that the increase in capital expenditure was mainly due to increased expenditure by State Government on Road & Bridges, Minor Irrigation Projects, Flood Control and Water Supply and Sanitation Projects. This was partially offset by the reduction in Capital expenditure on Medical and Public Health Sector.

2.4.3.2 Quality of capital expenditure

(i) Investments and Returns

The Government as of 31 March 2020 had invested ₹ 4,261.06 crore in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives (Table 2.21). The average return on these investments was 6.05 per cent in the last five years while the Government paid an average interest rate of 7.63 per cent on its borrowings during 2015-20.

Table-2.21: Details of Investment and return on Investments

Investment/ Return/ cost of Borrowing	2015-16	2016-17	2017-18	2018-19	2019-20
Investments at the end of the year (₹ in crore)	3,040.67	3,293.54	3,532.97	3,848.83	4,261.06
Return (₹ in crore)	111.94	289.63	255.58	181.91	248.44
Return (per cent)	3.68	8.79	7.23	4.73	5.83
Average rate of interest on government borrowings (per cent)	7.95	7.60	7.71	7.64	7.27
Difference between interest rate and return (per cent)	4.27	(-)1.19	0.48	2.91	1.44
Notional loss due to difference between interest on Government borrowings and return on investment (₹ in crore) #	129.85	NA	16.96	112.01	61.36

Source: Finance Accounts

NA: Not applicable

Investment at the end of year x Difference between interest rate and return

Out of total investment of ₹ 4,261.06 crore, investment of ₹ 3,809.76 crore (89 per cent) was in five³ companies. The State Government keeps on making investments in loss making Government companies.

(ii) Quality of investments in the companies, corporations and other bodies

Capital expenditure in the companies, corporations and other bodies, which are loss making or where net worth is being eroded, is not sustainable. The State Government has made investment of ₹ 412.23 crore during 2019-20 shown in **Table 2.22**.

Table-2.22: Investments made in loss incurring companies

(₹ in crore)

Sr. No.	Government Companies	Investment (upto 2018-19)	Investment during 2019-20	Investment (upto 2019-20)	Accumulated Loss	Year of Account
		(₹ in crore)				
1.	Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited (2018-19)	31.20	0.00	31.20	87.77	2018-19
2.	Himachal Pradesh State Forest Development Corporation Limited (2016-17)	11.71	0.00	11.71	97.45	2016-17
3.	Himachal Pradesh Financial Corporation (2017-18)	92.98	0.00	92.98	166.56	2017-18
4.	Himachal Road Transport Corporation (2018-19)	762.71	79.39	842.10	1387.28	2018-19
5.	Himachal Pradesh Power Transmission Limited (2018-19)	217.75	53.75	271.50	53.06	2018-19
6.	Himachal Pradesh Power Corporation Limited (2017-18)	697.63	165.00	862.63	116	2017-18
7.	Agro-Industrial Packaging India Limited (2013-14)	16.75	0.00	16.75	11.29	2013-14
Total		1830.73	298.14	2128.87	1919.41	

Source: Finance Accounts and Annual accounts of companies

³ Satluj Jal Vidyut Nigam (₹ 1,098.14 crore), Himachal Pradesh Power Transmission Corporation Ltd. (₹ 263.50 crore), Himachal Pradesh Power Corporation (₹ 862.64 crore), Himachal Pradesh State Electricity Board Ltd. (₹ 743.87 crore) and Himachal Road Transport Corporation (₹ 841.60 crore)

Seven Government companies with an aggregate investment of ₹ 2,128.87 crore was incurring losses and their accumulated losses amounted to ₹ 1,919.41 crore as per the accounts furnished by these companies. Out of seven loss incurring Government companies, losses of ₹ 1651.29 crore in three companies (Himachal Pradesh Financial Corporation, Himachal Road Transport Corporation and Himachal Pradesh State Forest Development Corporation Limited) constituted 86 *per cent* of the total losses of Government Companies.

Out of total investment of ₹ 412.23 crore during 2019-20, the State Government invested ₹ 298.14 crore during 2019-20 in three loss incurring companies. The State Government may consider reviewing the working of State PSUs which are incurring huge losses, formulate a strategic plan for their revival or closure, as the case may be.

(iii) Erosion of net worth

Net worth means the sum total of the paid-up capital, free reserves and surplus reduced by accumulated losses and deferred revenue expenditure. Essentially, it is a measure of what an entity is worth to the owners. A negative net worth indicates that the entire investment of the owners has been eroded due to accumulated losses. As on 31 March 2020, the overall accumulated losses of the seven loss incurring companies were ₹ 1,919.41 crore as against the capital investment of ₹ 2,128.87 crore resulting in erosion of net worth of the investments to ₹ 209.46 crore. Out of this, in two loss incurring DISCOMs, the overall accumulated losses were ₹ 169.06 crore as against the capital investment of ₹ 1,134.13 crore, thus erosion of net worth to ₹ 965.07 crore.

(iv) Reconciliation of Government Investments with Accounts of Companies

The Government investments as equity in State Public Sector Undertakings (PSUs) should agree with that of the figures appearing in the PSUs. Reconciliation of figures is necessary to figure out the differences in Accounts of PSUs and Finance Accounts.

There is a difference in the details relating to the State Public Sector Undertakings (PSUs) as given in Finance Accounts and the CAG's Audit Report on the State PSUs. The differences have arisen primarily due to the reason that investment transactions in Government accounts are being booked on the basis of vouchers received in the Office of the Pr. Accountant General (A&E), whereas the details given in the Audit Reports are obtained from the individual PSUs. The differences in the number of PSUs as well as investments made by the State Government in these PSUs are under reconciliation. Reconciliation needs to be carried out in time-bound manner to figure out the differences.

(v) Implementation of Ujwal DISCOM Assurance Yojana (UDAY)

With the objective of ensuring financial turnaround of Power Distribution Companies (DISCOM), the Ministry of Power, Government of India (GoI) introduced (November 2015) the Ujwal DISCOM Assurance Yojna (UDAY) to improve the operational and financial efficiency of the State DISCOM. States were to take over 75 *per cent* of DISCOM debt as on 30 September 2015 over two years *i.e.*, 50 *per cent* of DISCOM debt shall be taken over in 2015-16 and 25 *per cent* in 2016-17.

The DISCOM shall be under obligation to discharge the liability of interest as well as repayment of principal amount to the Government of Himachal Pradesh (GoHP) (15 days before the date of payment of interest and principal by the GoHP to the bond holders under UDAY) as per repayment schedule. In case the DISCOM fails to make payment of interest/principal on due dates, then the DISCOM shall be liable to pay penal interest @ 2 per cent per annum on the defaulted amount for the period of delay.

The UDAY bonds carried an interest element of an average rate of 7.88 per cent per annum. These Bonds have a moratorium period of five years for repayment of Principal and repayment shall start from the 2022-23. The principal has to be redeemed in 10 equal installments of ₹ 289.05 crore per annum till 2031-32. Annual interest liability is ₹ 227.78 crore, payable on half yearly basis on 28 August and 28 February of every year beginning from year 2017-18.

Himachal Pradesh entered into a tripartite Memorandum of Understanding (MoU) between GoI, GoHP and Himachal Pradesh State Electricity Board Limited (DISCOM) on 8th December 2016 to take over the entire 75 per cent (₹ 2,890.50 crore) of the outstanding debt of Himachal Pradesh DISCOM (₹ 3,854 crore) as on 30 September 2015 in the year 2016-17. After signing of the Tripartite Agreement, the GoHP raised funds amounting to ₹ 2,890.50 crore through issuing of UDAY Bonds (7.88 per cent) and transferred these funds to the DISCOM during 2016-17. This outstanding debt of ₹ 2,890.50 crore given to the DISCOM, is to be converted into Grants (₹ 2,167.50 crore) and Equity (₹ 723 crore) in the year 2020-21.

The State Government disbursed ₹ 227.78 crore towards interest to bond holders and received interest of ₹ 113.89 crore from Himachal Pradesh State Electricity Board during the year 2019-20.

(vi) Resource availability of the State under Public Private Partnership Projects

Public Private Partnership (PPP) is an arrangement between the government or statutory entity and a private sector entity, to provide a framework that enables them to work together to meet the rising demand of the public for infrastructure development. Sector-wise details of completed, ongoing and planned for future PPP projects with a total estimated cost is given in **Table 2.23**.

Table-2.23: Sector-wise details of PPP Projects

(₹ in crore)

Sr. No.	Sector	Completed		Ongoing		Planned for future	
		Number	Estimated Cost	Number	Estimated Cost	Number	Estimated Cost
1.	Urban Infrastructure	7	129.00	12	1,180.00	3	-
2.	Energy*	28	3,125.99	15	3,838.60	53	2,872.60
3.	Social	4	115.00	-	-	-	-
4.	Others	-	-	2	15.50	-	-
Total		39	3,369.99	29	5,034.10	56	2,872,60

* Under Energy Sector, estimated cost included cost of 23 (out of 28) completed projects; 14 (out of 15) for ongoing projects and 25 (out of 53) for projects planned for future

(vii) Loans and advances by State Government

In addition to investments in Co-operative societies, Corporations and Companies, State Government has also provided loans and advances to many institutions/ organisations. **Table 2.24** presents the outstanding loans and advances as on 31 March 2020 along with interest receipts *vis-à-vis* interest payments during the five-year period from 2015-16 to 2019-20.

Table-2.24: Details of quantum of Loans disbursed and recovered during 2015-20
(₹ in crore)

Quantum of loans/interest receipts/ cost of borrowings	2015-16	2016-17	2017-18	2018-19	2019-20
Opening Balance of the loans outstanding *	2,346.82	2,784.08	6,044.27	6,507.18	6,953.33
Amount advanced during the year	463.16	3,289.69	502.53	467.98	458.21
Amount recovered during the year	25.90	29.50	39.62	21.83	21.03
Closing Balance of the loans outstanding*	2,784.08	6,044.27	6,507.18	6,953.33	7,390.49
Net addition	437.26	3,260.19	462.91	446.15	437.17
Interest Received	53.38	80.35	255.59	272.15	135.11
Interest rate on Loans and Advances given by the Government	2.27	2.89	4.24	4.18	1.94
Interest payment as <i>per cent</i> to outstanding fiscal liabilities of the previous year	8.26	8.15	8.02	7.88	7.79
Notional loss due to difference between the rate of interest paid and interest received (<i>per cent</i>)	5.99	5.26	3.79	3.70	5.85

Source: Finance Accounts

* From 2016-17, closing and opening balance includes ₹2,890.50 crore extended loan to DISCOM under UDAY Scheme.

The total amount of outstanding loans and advances as on 31 March 2020 was ₹ 7,390 crore. Within the Economic Services, major recipient was Power Sector ₹ 423 crore (92.36 *per cent*) followed by Co-operation ₹ 24 crore (5.24 *per cent*).

The amount of ₹ 39.62 crore recovered in 2017-18 was the highest quantum of recovery of loans and advances in the last five years. Since then, there has been a decreasing trend in the recovery of loans and advances. Even the interest receipts in this regard have decreased drastically in 2019-20, as compared to last year. This clearly highlights the need to review the recovery mechanism by the State Government.

Scrutiny of the total outstanding loans revealed that there was no repayment of loans by various public sector undertakings under Power projects and Industries and Minerals over the last five years (up to March 2020) and additional loans to Crop Husbandry had been extended despite marginal repayments. The overall outstanding balance has increased over the years.

Since recovery of the loans has been poor, State Government may consider treating these loans and advances as grants and booking them as revenue expenditure for ensuring that accounts reflect the correct position.

(viii) Capital blocked in incomplete projects

An assessment of trends in capital blocked in incomplete capital works would also indicate quality of capital expenditure. Blocking of funds on incomplete projects/ works impinges negatively on the quality of expenditure and deprives the State of the intended

benefits for prolonged periods. Further, the funds borrowed for implementation of these projects during the respective years leads to the extra burden in terms of servicing of debt and interest liabilities.

As per Finance Accounts of the State for the year 2019-20, there were 13 incomplete/ ongoing projects divisions of Public Works and Irrigation as on 31 March 2020. Age profile and department-wise profile of incomplete projects based on the year of sanction/ year of start of these projects as on 31 March 2020 is given in **Table-2.25 (A)** and **Table 2.25(B)**.

Table-2.25(A): Age profile of incomplete capital works as on 31 March 2020

(₹ in crore)

Year	No. of incomplete capital works	Estimated cost/ Revised cost	Expenditure (as on 31 March 2020)
1996-97	01	16.36	9.40
2009-10	01	-	10.98
2011-12	03	59.40	62.30
2012-13	-	-	-
2013-14	-	-	-
2014-15	03	177.15	89.19
2015-16	-	-	-
2016-17	05	76.15	96.07
2017-18	-	-	-
2018-19	-	-	-
Total	13	329.06	267.94

Source: Finance Accounts

Table-2.25(B): Department-wise profile of incomplete capital works as on 31 March 2020

(₹ in crore)

Department	No. of incomplete capital works	Estimated cost	Expenditure
Public Works (B&R)	5	186.24	149.88
Irrigation	8	126.46	118.06
Total	13	312.70	267.94

Source: Finance Accounts

Blocking of funds on incomplete projects/works impinges negatively on the quality of expenditure and deprives the State of the intended benefits for prolonged periods. Effective steps need to be taken to complete all these above projects without further delay to avoid cost overrun due to time overrun.

2.4.4 Expenditure priorities

Enhancing human development levels requires the States to step up their expenditure on key social services like education, health, etc. Low fiscal priority (ratio of expenditure under a category to aggregate expenditure) is attached to a particular sector if the allocation is below the respective national average. The higher the ratio of these components to total expenditure, the quality of expenditure is considered to be better.

Table 2.26 analyses expenditure priority of State Government with that of Special Category States (SCSs) with regard to aggregate expenditure, expenditure on Education

and Health Sectors and Capital Expenditure during 2019-20, taking 2015-16 as base year.

Table-2.26: Expenditure priority of the State in 2015-16 and 2019-20

(In per cent)

Fiscal priority of the State	AE/ GSDP	SSE/ AE	ESE/ AE	DE/ AE	CE/ AE	Education / AE	Health/ AE
Average (ratio) in 2015-16 of							
Special Category States	24.58	36.25	30.10	66.34	13.96	18.32	5.95
Himachal Pradesh	22.44	34.23	31.05	65.28	11.17	17.29	5.53
Average (ratio) in 2019-20 of							
Special Category States	23.02	35.42	28.77	64.20	14.08	17.42	6.19
Himachal Pradesh	21.97	36.59	28.88	65.47	14.23	17.66	6.34

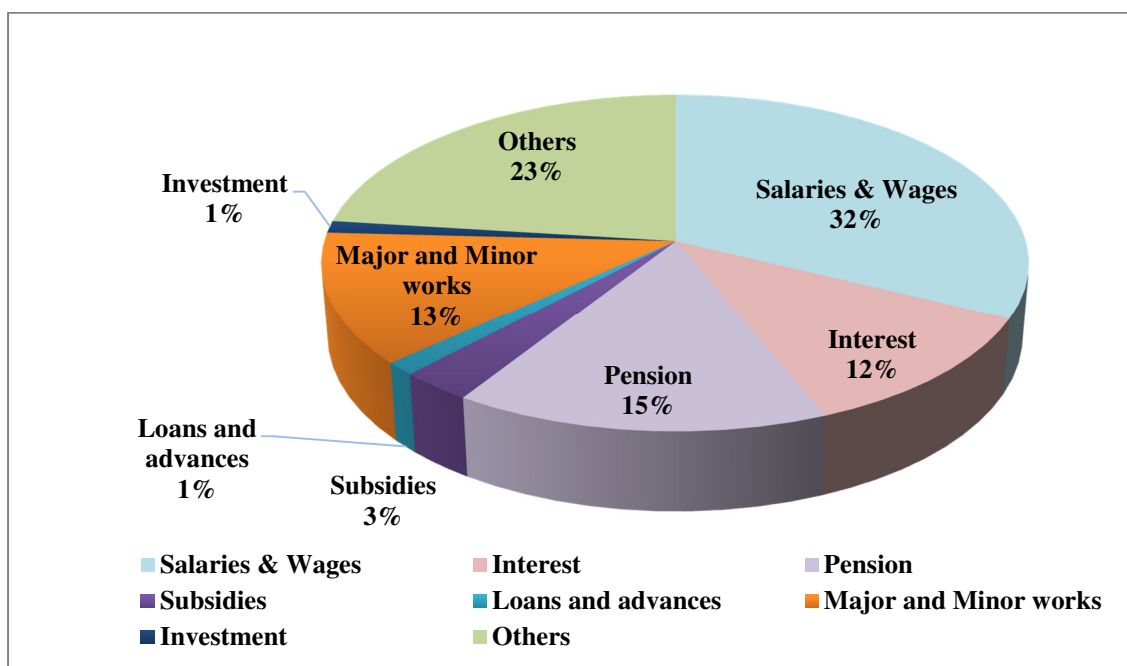
Note: AE-Aggregate expenditure, SSE-Social Sector Expenditure, ESE-Economic Sector Expenditure, DE-Development Expenditure and CE-Capital Expenditure

As can be seen from the above table that every component of fiscal priority (except ESE), as a ratio of Aggregate Expenditure of the State of Himachal Pradesh, was slightly less than that of SCS during 2015-16, however, it was above than that of SCS during 2019-20. Aggregate expenditure as a ratio of GSDP of the State was less than that of SCS during 2015-16 and 2019-20. Expenditure of the State on economic sector was more than that of SCS during 2015-16 and 2019-20.

2.4.5 Object head-wise expenditure

Object head-wise expenditure gives information about the object/ purpose of the expenditure. Details of object head-wise expenditure are provided in the **Chart 2.14**.

Chart-2.14: Object head-wise expenditure (in percentage)



2.5 Public Account

Receipts and Disbursements in respect of certain transactions such as Small Savings, Provident Funds, Reserve Funds, Deposits, Suspense, Remittances etc., which do not form part of the Consolidated Fund, are kept in the Public Account set up under Article 266(2) of the Constitution and are not subject to vote by the State Legislature. The Government acts as a banker in respect of these. The balance after disbursements during the year is the fund available with the Government for use for various purposes.

2.5.1 Net Public Account Balances

The component-wise net balances in Public Account of the State as at the end of March 2020 are given in **Table 2.27**.

Table-2.27: Component-wise net balances in Public Account as of 31 March of the year

(₹ in crore)

Sector	Sub Sector	2015-16	2016-17	2017-18	2018-19	2019-20
I.-Small Savings, Provident Funds, etc.	Small Savings, Provident Funds, etc.	10,639.90	11,844.41	13,236.38	14,349.53	15,537.13
J.-Reserve Funds	(a) Reserve Funds bearing Interest	0.71	0.95	8.48	1.00	1,887.65
	(b) Reserve Funds not bearing Interest	218.62	218.63	316.54	316.60	834.66
	Total (J):	219.33	219.58	325.02	317.60	2,722.31
K.-Deposits and Advances	(a) Deposits bearing Interest	8.39	8.07	-0.89	-1.41	-1.64
	(b) Deposits not bearing Interest	2,419.83	2,601.51	2,799.09	3,208.52	3,382.45
	(c) Advances	-0.53	-0.53	-0.53	-0.53	-0.51
	Total (K):	2,427.69	2,609.05	2,797.67	3,206.58	3,380.30
L.-Suspense and Miscellaneous	(a) Suspense	263.55	191.81	73.04	74.12	-1,330.44
	(b) Other Accounts	-556.62	-759.25	-723.54	-101.91	-982.25
	(c) Accounts with Governments of Foreign Countries	-	-	-	-	-
	(d) Miscellaneous	-	-	-	-	-
	Total (L):	-293.07	-567.44	-650.50	-27.79	-2,312.69
M.-Remittances	(a) Money Orders, and other Remittances	363.54	332.91	398.45	509.19	612.45
	(b) Inter-Governmental Adjustment Account	-0.09	-4.69	-1.21	0.31	-6.16
	Total (M):	363.45	328.22	397.24	509.50	606.29
Grand Total		13,357.30	14,433.82	16,105.81	18,355.42	19,933.34

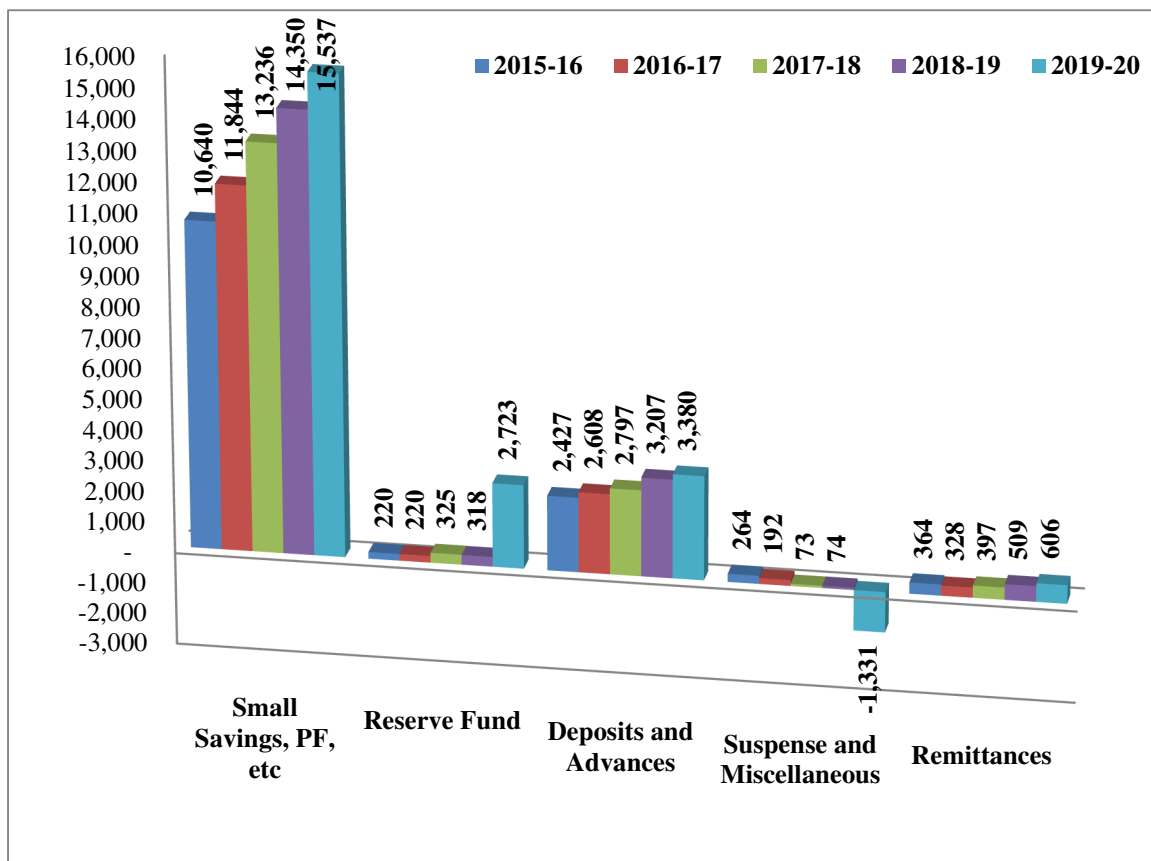
Source: Finance Accounts of the respective years

Note: -ve denotes debit balance and +ve denotes credit balances

The yearly changes in composition of balances in Public Account over the five-year period 2015-20 are given in **Chart 2.15**.

Chart-2.15: Yearly changes in composition of Public Account balances

(₹ in crore)



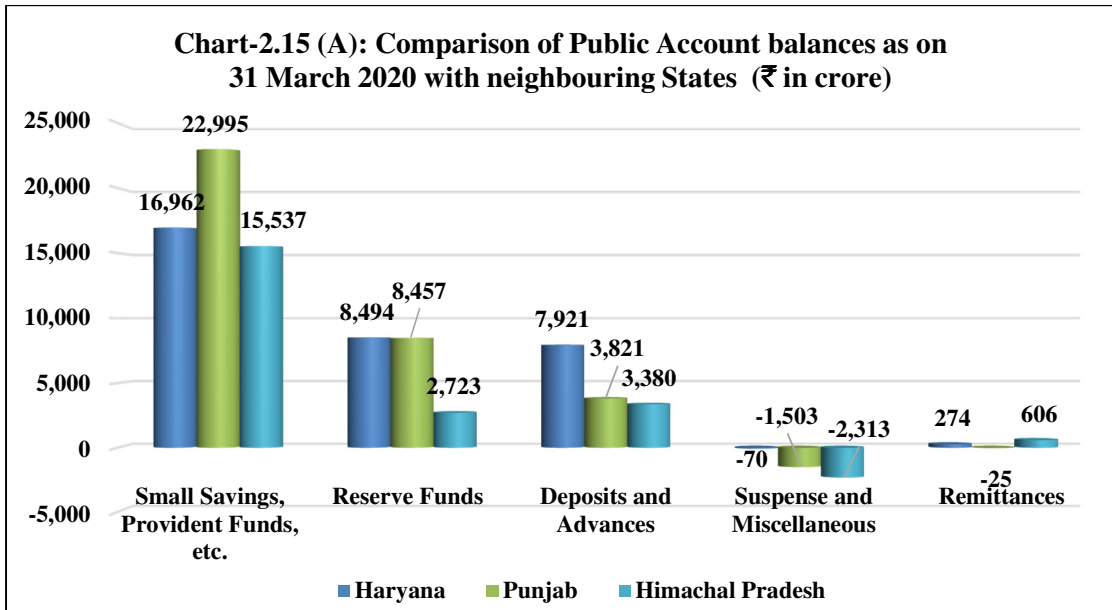
Source: Finance Accounts of respective years

Note: Suspense and Miscellaneous exclude other accounts

It can be seen from the above **Table 2.27** that net-public account balances increased consistently during the period 2015-16 to 2019-20. It increased by ₹ 6,575 crore from ₹ 13,358 crore in 2015-16 to ₹ 19,933 crore during 2019-20. The increase in the net balances during 2019-20 was mainly due to net increase in reserves and suspense heads.

Net public account balances in 2019-20 increased by 8.60 *per cent* over the previous year mainly due to increase in Small Savings, Provident Fund, etc. (₹ 1,187.60 crore), Reserve Funds (₹ 2,404.71 crore) offset by decrease in Suspense and Miscellaneous (₹ 2,284.90 crore).

Comparison of Net Public Account balances as on 31 March 2020 with neighboring States has been given in **Chart 2.15 (A)**. The comparison shows that against the public account balance of ₹ 19,933 crore in Himachal Pradesh, Haryana had the balance of ₹ 33,581 crore and Punjab had the balance of ₹ 33,745 crore.



2.5.2 Reserve Funds

Reserve Funds are created for specific and defined purposes under the Public Account of the State Government. These funds are met from contributions or grants from the Consolidated Fund of the State.

Details of Reserve Funds are available in **Statements 21 and 22** of the Finance Accounts. There were five Reserve Funds (two Reserve Funds bearing Interest and three Reserve Funds not bearing Interest) earmarked for specific purposes. The interest on balances of Reserve Funds bearing Interest is paid by the Government if the same are not invested while in case of Reserve Funds not bearing Interest, balances are invested in Government Securities/Treasury Bills under the administration of Central Accounts Section of the Reserve Bank of India at Nagpur. The fund balances lying in various Reserve Funds (bearing Interest and not bearing Interest) as on 31 March 2020 are given in **Table 2.28**.

Table-2.28: Details of Reserve Fund

(₹ in crore)

Sr. No.	Name of Reserve Fund	Balance as on 31 March 2020
A	Reserve Funds bearing Interest	1,887.65
1	State Disaster Response Fund	226.93
2	State Compensatory Afforestation Fund	1,660.72
B	Reserve Funds not bearing Interest	834.66
1	Industrial Development Funds	0.16
2	Electricity Development Funds	315.52
3	National Disaster Response Fund	518.98
	Grand Total	2,722.31

Source: Finance Accounts

Out of above, one Reserve Fund not bearing interest i.e., Industrial Development Funds inoperative since at least five years. The State Government is yet to close this inoperative Reserve Fund and transfer their balance to the Consolidated Fund of the State.

2.5.2.1 Consolidated Sinking Fund

The State Government was required to make minimum annual contribution to Consolidated Sinking Fund at 0.5 *per cent* of the outstanding liabilities at the end of the previous financial year. The State Government, however, had not created a Consolidated Sinking Fund. As of 31 March 2019, the outstanding liabilities of the State Government were ₹ 54,299 crore. Had there been a Consolidated Sinking Fund, the liability of the State Government towards the fund would have been ₹ 271.50 crore (0.5 *per cent* of outstanding liabilities in previous year) in 2019-20, indicating that the revenue surplus is overstated and the fiscal deficit is understated to that extent.

2.5.2.2 State Disaster Response Fund

As per recommendations of the Thirteenth Finance Commission (TFC) the State Disaster Response Fund (SDRF) has been constituted by the State Government for meeting the expenditure for providing immediate relief to the victims of cyclone, drought, earthquake, fire, flood, hailstorm, landslide, avalanche, cloud burst, etc.

In terms of Government of India's guidelines, the Centre and the State Government are required to contribute to the Fund in the proportion of 90:10. As per guidelines of the SDRF, the receipt of Central share is accounted for as Revenue under MH 1601-Grants-in-aid from Central Government 07-Finance Commission Grants 104-Grant-in-aid for State disaster response fund in the State Accounts. In order to enable transfer of the total amount of contribution (Central share and State share) to the SDRF, the State Government would make suitable budget provision under the head 2245-Relief on Account of Natural Calamities-05 SDRF- 101-Transfer to Reserve Fund and Deposit Accounts-SDRF. On receipt of Central share, the State would transfer the amount, along with its share to the Public Account under Reserve Fund bearing interest below the Major Head 8121- General and Other Reserve Fund. The actual expenditure on relief works will be booked only under respective Sub/Minor Head within MH 2245.

The State Governments are required to pay interest to the SDRF at the rate applicable to overdrafts under overdraft Regulation Guidelines of the RBI. The interest is to be credited on a half yearly basis. The accretions to the SDRF together with the income earned on the investment of SDRF is to be invested in Central Government dated Securities, auctioned Treasury Bills and other interest earning deposits with Scheduled Commercial Banks.

During 2019-20, no amount has been shown as expenditure in the Finance Accounts as all the amounts had been objected and kept under OB Suspense Account-8658-102 due

to lack of supporting documents/sub-vouchers/ proof of incurring actual expenditure by the State Government.

2.5.2.3 Guarantee Redemption Fund

State Government have to constitute 'Guarantee Redemption Fund' for meeting the payment obligations arising out of the guarantees issued by the Government in respect of bonds issued and other borrowings by the State Public Sector Undertakings or other Bodies and invoked by the beneficiaries. The accumulations in the Fund are to be utilised only towards payment of the guarantees issued by the Government and not paid by the institutions on whose behalf guarantee was issued.

The State Government is required to contribute an amount equivalent to at least 0.5 per cent of the outstanding guarantees at the end of the second financial year preceding the current financial year as reflected in the books of accounts maintained by the Pr. Accountant General (A&E). The funds are invested by the RBI. The State Government, however, had not set up a Guarantee Redemption Fund. Consequently, the revenue surplus was overstated and fiscal deficit was understated to the extent of ₹ 21.55 crore as of 31 March 2020.

2.5.2.4 State Compensatory Afforestation Funds

The State Compensatory Afforestation Fund was required to be created for administering the amount received and utilising the monies collected for undertaking compensatory afforestation, assisted natural regeneration, conservation and protection of forests, infrastructure development, wildlife conservation and protection and other related activities and for matters connected therewith or incidental thereto. Detailed guidelines for accounting under this Fund have been issued vide Ministry of Environment, Forest and Climate Change, Government of India in November 2018. During 2019-20, Ministry of Environment, Forest & Climate Change, Government of India has transferred an amount of ₹ 1,660.72 crore from National Compensatory Afforestation Fund, as the share of Himachal Pradesh. This amount is booked under 8121-129-State Compensatory Afforestation Fund.

2.5.3 Suspense and Miscellaneous

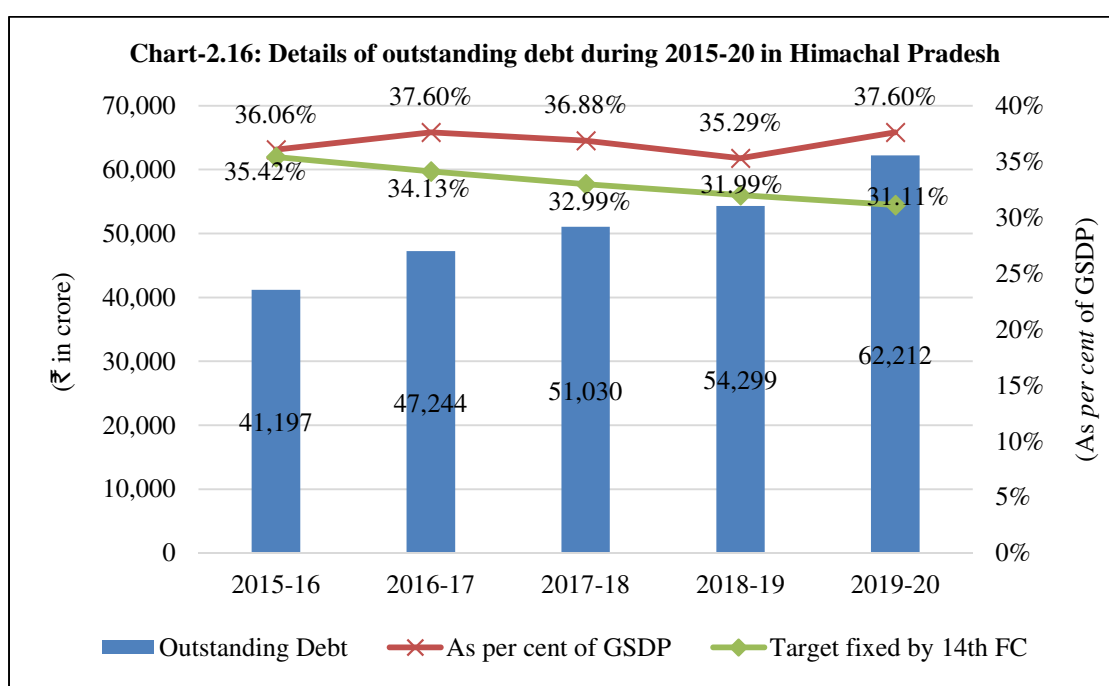
During 2019-20, balances in Suspense account increased significantly as compared to previous year 2018-19. During 2019-20, expenditure of ₹ 1,373.77 crore (Revenue Expenditure: ₹ 1,202.25 crore and Capital Expenditure: ₹ 171.52 crore) has been objected to in the Principal Accountant General (A&E) office due to non-furnishing of the proof of actual expenditure i.e., relevant bills/vouchers and kept the entire amount in abeyance under the Objection Head 8658-102-Suspense Account (Public Account). As the amounts were withdrawn merely based on sanction orders from the treasury by various DDOs and retained outside the government account in different savings bank accounts. The State Government treated the above amounts as expenditure incurred

against the budget provisions made by the State Legislative Assembly without incurring actual expenditure.

2.6 Debt management

Debt management is the process of establishing and executing a strategy for managing the Government's debt in order to raise the required amount of funding, achieve its risk and cost objectives, and to meet any other sovereign debt management goals that the Government may have set through enactment or any other annual budget announcements.

Year-wise overall debt during 2015-16 to 2019-20 is given in the **Chart 2.16** below:



2.6.1 Debt profile: Components

Total debt of the State Government constitutes of Internal debt of the State (market loans, ways and means advances from RBI, special securities issued to National Small Savings Fund and loans from financial institutions, etc.), loans and advances from the Central Government, and Public Account Liabilities. The outstanding fiscal liabilities of the State are presented in **Chart 2.17** during 2019-20. The component-wise debt trends of the State for the period of five years beginning from 2015-16 are presented in **Table 2.29**.

Table-2.29: Component-wise debt trends

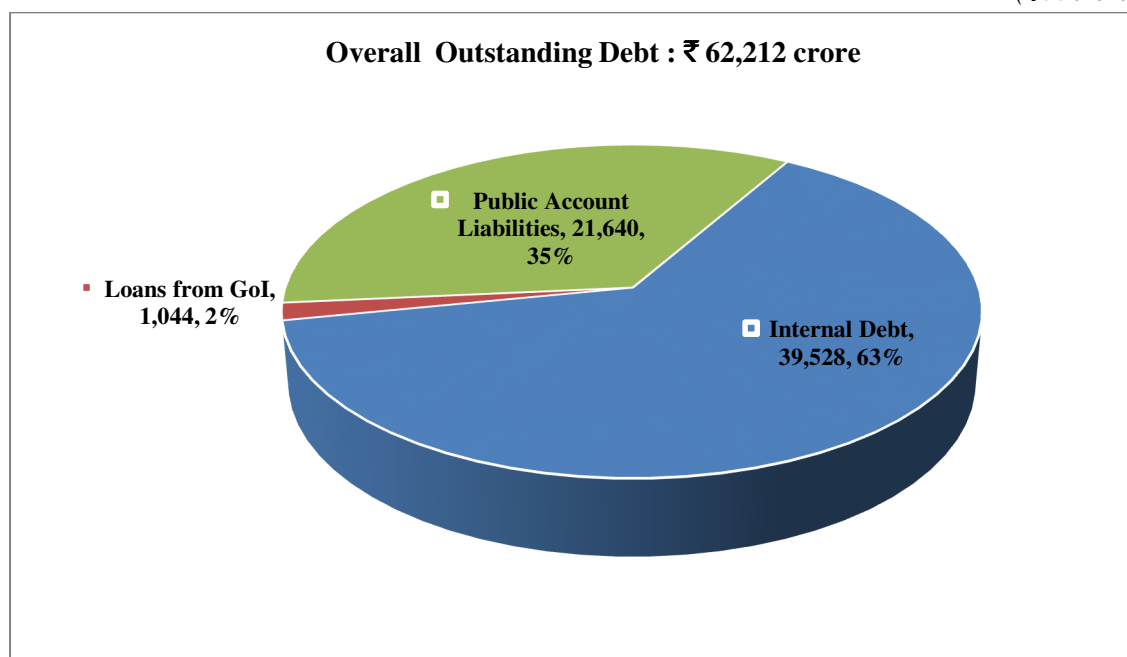
		(₹ in crore)				
		2015-16	2016-17	2017-18	2018-19	2019-20
Overall Outstanding Debt		41,197.43	47,244.02	51,030.51	54,299.19	62,211.84
Public Debt	Internal Debt	26,860.93	31,494.03	33,591.47	35,363.18	39,527.77
	Loans from GoI	1,049.05	1,076.43	1,079.43	1,061.77	1,043.81
Public Account Liabilities		13,287.45	14,673.57	16,359.61	17,874.24	21,640.25
Rate of growth of outstanding overall debt (percentage)		7.87	14.68	8.01	6.41	14.57

	2015-16	2016-17	2017-18	2018-19	2019-20
Gross State Domestic Product (GSDP)	114,239	125,634	138,351	153,845	165,472
Overall Debt/GSDP (<i>per cent</i>)	36.06	37.60	36.88	35.29	37.60
Public Debt Receipts	6,129.21	8,603.31	5,600.29	6,427.41	10,847.39
Public Debt Repayments	3,947.74	3,942.84	3,499.85	4,673.34	6,700.75
Public Debt Available	2,181.47	4,660.47	2,100.44	1,754.07	4,146.64
Public Debt Repayments/Receipts (<i>percentage</i>)	64.41	45.83	62.49	72.71	61.77
Net Public Account Receipts	824.14	1,386.11	1,686.04	1,514.64	2,457.90
Total Debt Available	3,005.61	6,046.58	3,786.48	3,268.71	6,604.54

Source: Finance Accounts of respective years

Chart-2.17: Break-up of Outstanding Debt at the end of 31 March 2020

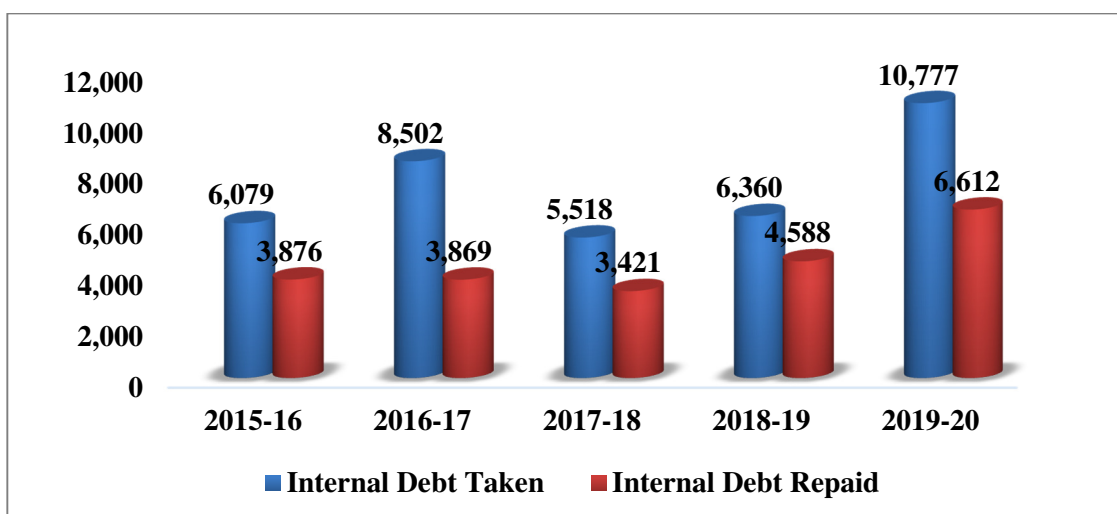
(₹ in crore)



The overall fiscal liabilities of the State increased from ₹ 41,197 crore in 2015-16 to ₹ 62,212 crore in 2019-20 registering an increase of 51.01 *per cent* mainly due to increase in internal debt (₹ 12,666.85 crore) and public account liabilities (₹ 8,352.80 crore). The overall fiscal liabilities increased by 14.57 *per cent* in 2019-20 as compared to 6.41 *per cent* in the previous year. The ratio of fiscal liabilities to GSDP increased from 36.06 *per cent* in 2015-16 to 37.60 *per cent* in 2019-20. The liabilities were 2.02 times of the revenue receipts and 6.14 times the State's own resources. It is significant to note that fiscal liabilities at ₹ 62,212 crore were higher than the target of ₹ 57,518 crore⁴ projected in the MTFPS for the year 2019-20.

The percentage of outstanding debt to GSDP remained between 35 and 38 *per cent* over the last five years (2015-20). 59 to 77 *per cent* of debt receipts were used for making repayments of past obligations during the period 2015-16 to 2019-20.

⁴ 34.04 *per cent* of projected GSDP (₹ 1,68,972 crore)

Chart-2.18: Internal Debt Taken vis-à-vis repaid(*₹ in crore*)

Source: Finance Accounts of the respective years

Internal debt of the State Government increased by ₹ 4,698 crore (77.28 per cent) from ₹ 6,079 crore in 2015-16 to ₹ 10,777 crore in 2019-20. An interest of ₹ 2,985.69 crore was paid on internal debt during 2019-20.

Market borrowings form a major portion of the internal debt of the State Government, with interest rates ranging between 6.30 and 9.75 per cent. In 2019-20, out of total internal debt receipts of ₹ 10,777 crore, market loans were of ₹ 6,580 crore. Out of total internal debt re-payments of ₹ 6,612 crore, repayment of market loans was ₹ 2,120 crore. The outstanding market borrowings as of 31 March 2020 were ₹ 28,142 crore. The net increase of market borrowings during the year was 18.83 per cent (₹ 4,460 crore). With regard to heavy borrowings in a non-pandemic year, it was stated by the State Government in the exit conference, that for 2019-20, against the estimated receipts under State's share in Central taxes and duties (₹ 7,398 crore), GoI revised the estimates downwards to ₹ 5,769 crore. However, the actual amount released to the State Government was only ₹ 4,677 crore as receipt under State's share in Central taxes and duties. This led the State Government to borrow more from the Open Market.

The financing pattern of the fiscal deficit has undergone a compositional shift as reflected in the **Table 2.30**. The debt trends comprising of internal debt, Loans from GoI, Public Account over the period 2015-16 to 2019-20 to finance the Fiscal Deficit are highlighted in the **Chart 2.19**.

Table-2.30: Components of fiscal deficit and its financing pattern(*₹ in crore*)

	Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
Composition of Fiscal Deficit		2,164.09	2,948.60	3,869.87	3,512.54	5,597.06
A	Revenue surplus	1,137.67	920.12	313.90	1,508.21	11.98
B	Net Capital Expenditure	-2,864.49	-3,499.03	-3,720.85	-4,574.59	-5,171.87
C	Net Loans and Advances	-437.27	-369.69 [#]	-462.92	-446.16	-437.17

	Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
Financing Pattern of Fiscal Deficit*						
1	Market Borrowings	1,664.45	2,162.65	2,550.99	2,108.10	4,460.00
2	Loans from GoI	(-) 21.81	27.38	3.00	(-)17.65	(-) 17.95
3	Special Securities Issued to NSSF	975.15	(-) 500.77	(-)514.71	(-)538.25	(-) 569.10
4	Loans from Financial Institutions	(-) 436.32	80.31 [#]	61.16	201.86	273.69
5	Small Savings, PF, etc.	718.43	1,204.51	1,391.97	1,113.14	1,187.60
6	Deposits and Advances	114.87	181.36	188.63	408.91	173.71
7	Suspense and Misc.	(-) 33.55	(-) 71.74	(-)118.76	1.08	(-) 1,404.92
8	Remittances	147.57	(-)35.23	69.02	112.25	96.80
9	Reserve Fund	(-) 9.15	0.25	105.45	(-) 7.43	2,404.71
10	Overall Deficit	3,119.64	3,048.72	3,736.75	3,382.01	6,604.54
11	Increase (-) Decrease (+) in cash balances	(-) 955.55	(-) 100.12	133.12	130.53	(-) 1,007.48
12	Gross Fiscal Deficit	2,164.09	2,948.60	3,869.87	3,512.54	5,597.06

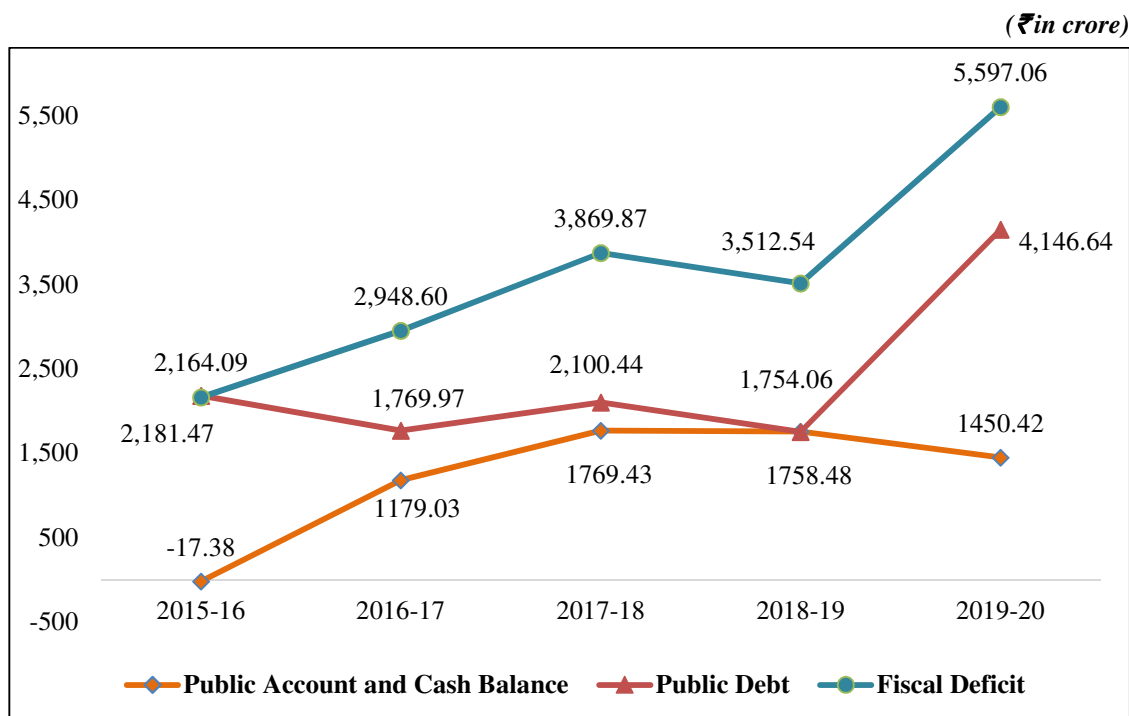
Source: Finance Accounts

* All these figures are net of disbursements/outflows during the year

Excludes an amount of ₹2,890.50 crore (loans to DISCOM)

The fiscal deficits during 2015-20 were largely financed through public debt which includes market borrowings, loans from financial institutions, etc.

Chart-2.19: Trends of financing fiscal deficit during 2015-20



The fiscal deficit (₹ 5,597 crore) in 2019-20 was largely managed by market borrowings (₹ 4,460 crore), Reserve Fund (₹ 2,405 crore) and Small Savings, Provident Fund, etc. (₹ 1,188 crore). **Table 2.31** depicts the receipts and disbursement under the components of Fiscal Deficit.

Table-2.31: Receipts and Disbursements under components financing the fiscal deficit
(₹ in crore)

Particulars	Receipt	Disbursement	Net
1 Market Borrowings	6,580.00	2,120.00	4,460.00
2 Loans from GOI	70.48	88.43	-17.95
3 Special Securities issued to NSSF	0	569.10	-569.10
4 Loans from Financial Institutions	4,196.91	3,923.22	273.69
5 Small Savings, PF, etc.	3,834.47	2,646.87	1,187.60
6 Deposits and Advances	4,060.19	3,886.48	173.71
7 Suspense and Miscellaneous	4,534.10	5,939.02	-1,404.92
8 Remittances	7,735.47	7,638.67	96.80
9 Reserve Fund	2,404.71	0	2,404.71
10 Overall Deficit	33,416.33	26,811.79	6,604.54
11 Increase/Decrease in cash balance	52.70	1,060.18	-1,007.48
12 Gross Fiscal Deficit	33,469.03	27,871.97	5,597.06

Source: Finance Accounts

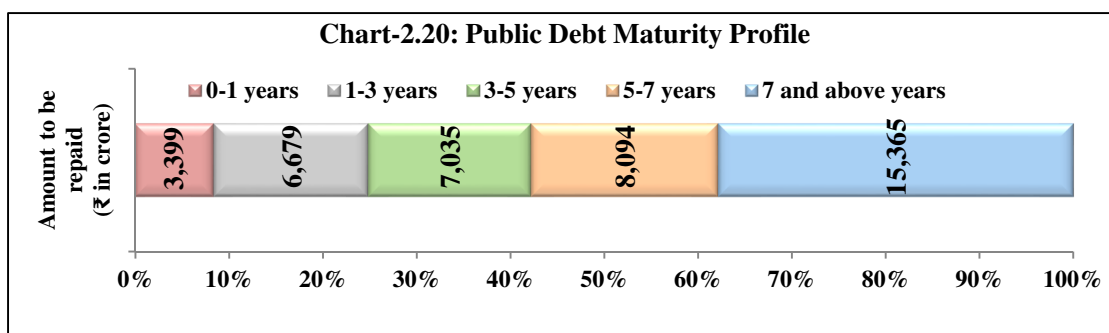
2.6.2 Debt profile: Maturity and Repayment

Debt maturity and repayment profile indicates commitment on the part of the Government for debt repayment or debt servicing. The maturity profile of the State's outstanding loans and advances (public debt) is given in **Table 2.32** and **Chart 2.20**.

Table-2.32: Debt Maturity profile of repayment of Public debt

Year of maturity	Period of repayment (Years)	Amount (₹ in crore)			Percentage (w.r.t. Public debt)
		Internal debt	Loans and advances from GoI	Total	
By 2020-21	0 – 1	3,305	94	3,399	8
Between 2021-22 & 2022-23	1 – 3	6,484	195	6,679	17
Between 2023-24 & 2024-25	3 – 5	6,865	170	7,035	17
Between 2025-26 & 2026-27	5 – 7	7,988	106	8,094	20
2027-28 onwards	7 and above	14,886	479	15,365	38
	Others ⁵	--	--	--	--
Total		39,528	1,044	40,572	100

Source: Finance Accounts

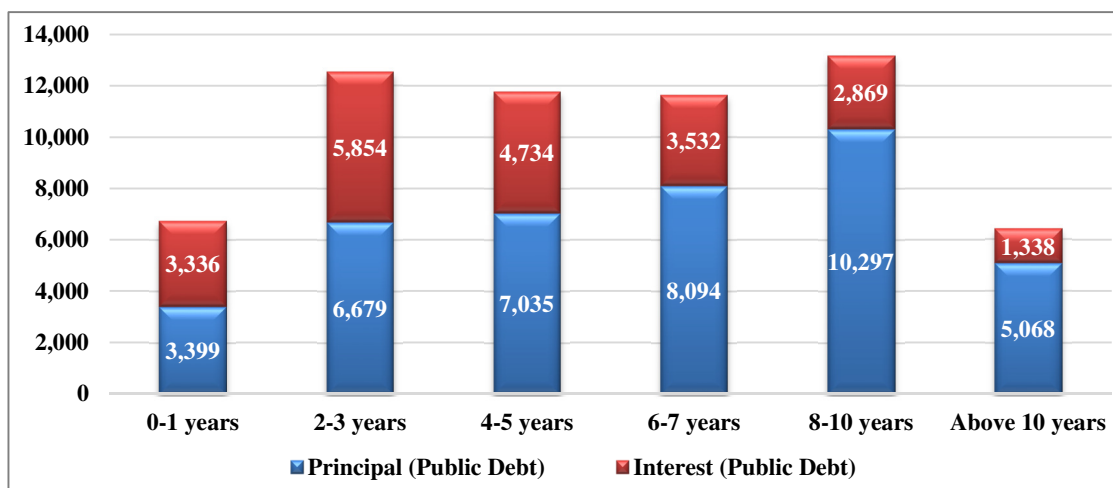


⁵ Payment schedule of this amount is not being maintained by the Pr. Accountant General (A&E).

As of March 2020, total Public outstanding debt was ₹ 40,572 crore. The maturity profile of outstanding stock of public debt as on 31 March 2020 showed that 62 per cent (₹ 25,207 crore) of the total outstanding debt was in the maturity bucket of up to seven years and the balance of ₹ 15,365 crore (38 per cent) from seventh year onwards.

Repayment schedule of the outstanding public debt along with interest has been given in **Chart 2.21**.

Chart-2.21: Repayment schedule of Public Debt (₹ in crore)

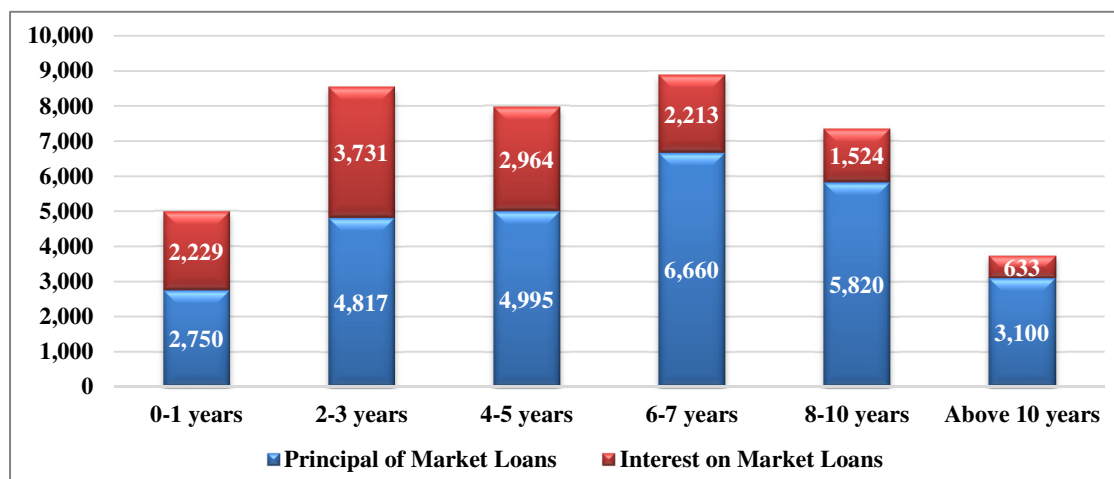


Out of total outstanding public debt along with interest ₹ 62,234 crore (principal: ₹ 40,572 crore and interest: ₹ 21,662 crore), 11 per cent (₹ 6,735 crore) is payable in the next year. Thirty nine per cent (₹ 24,302 crore) is payable in the next 1-5 years' time while the remaining 50 per cent (₹ 31,197 crore) has to be paid in more than five years' time. Annual outgo in shape of public debt repayment and interest will be approximately ₹ 6,207 crore during next five years up to 2024-25. Current annual repayment of public debt (principal) including interest is ₹ 6,327 crore (excluding ₹ 3,444 crore of WMA).

The amount of outstanding market loans and interest to be paid thereon over the period of ten years is detailed in **Chart 2.22**.

Chart-2.22: Repayment schedule of market loans

(₹ in crore)



The State will have to repay ₹ 7,567 crore of principal of market loans and pay interest of ₹ 5,960 crore in next three financial years *i.e.*, up to 2022-23. In next two years up to 2024-25, ₹ 4,995 crore principal and interest of ₹ 2,964 crore will be payable. Annual outgo in shape of loan repayment and interest will be approximately ₹ 4,297 crore during next five years up to 2024-25. Current annual repayment of loans including interest is ₹ 4,118 crore.

In the period 2025-26 to 2029-30, loans of ₹ 12,480 crore and interest of ₹ 3,737 crore will be payable. As such the State will have to repay approximately ₹ 3,243 crore annually during that period.

2.7 Debt Sustainability Analysis (DSA)

Apart from the magnitude of the debt of the Government, it is important to analyse the various parameters that determine the debt sustainability of the State and indicate ability of the State to service its debt obligation in future. This section assesses the sustainability of the debt of the Government in terms of rate of growth of outstanding debt; ratio of interest payment and revenue receipt, debt repayment and debt receipt; net debt available to the State. **Table 2.33** analyses the debt sustainability of the State according to these indicators for the period of five years beginning from 2015-16.

Table-2.33: Trends in Debt Sustainability indicators

Indicators of Debt Sustainability	2015-16	2016-17	2017-18	2018-19	2019-20
Outstanding Public Debt* (₹ in crore)	27,910	32,570	34,671	36,425	40,572
Rate of Growth of Outstanding Public Debt (in per cent)	8.48	16.70	6.45	5.06	11.39
GSDP (₹ in crore)	1,14,239	1,25,634	1,38,351	1,53,845	1,65,472
Rate of Growth of GSDP (in per cent)	10.09	9.97	10.12	11.2	7.56
Public Debt/GSDP (in per cent)	24.43	25.92	25.06	23.68	24.52
Interest payments on Public Debt (₹ in crore)	2,244	2,459	2,829	2,958	3,071
Average Interest Rate of Outstanding Public Debt (Interest paid/OB of Public Debt + CB of Public Debt/2) (in per cent)	8.37	8.13	8.41	8.32	7.97
Percentage of Interest Payments to Revenue Receipts	9.57	9.36	10.34	9.56	9.99
Percentage of Public Debt repayments to Public Debt Receipts	64.42	45.83	62.50	72.71	61.78
Net Public Debt Available to the State# (₹ in crore)	(-) 63	2,201	(-)729	(-)1,204	1,075
Net Debt available as per cent to Debt Receipts	-1.03	25.58	-13.02	-18.73	9.92
Debt Stabilisation (Quantum spread + Primary Deficit) (₹ in crore)	1,470	1,010	511	1,559	-1,529

Source: State Finance Accounts of the respective years.

Net Debt available to the State Government is calculated as excess of Public Debt receipts over Public Debt repayment and Interest payment on Public Debt.

* Outstanding Public Debt is the sum of outstanding balances under the heads 6003-Internal Debt and 6004- Loans and Advances from the Central Government.

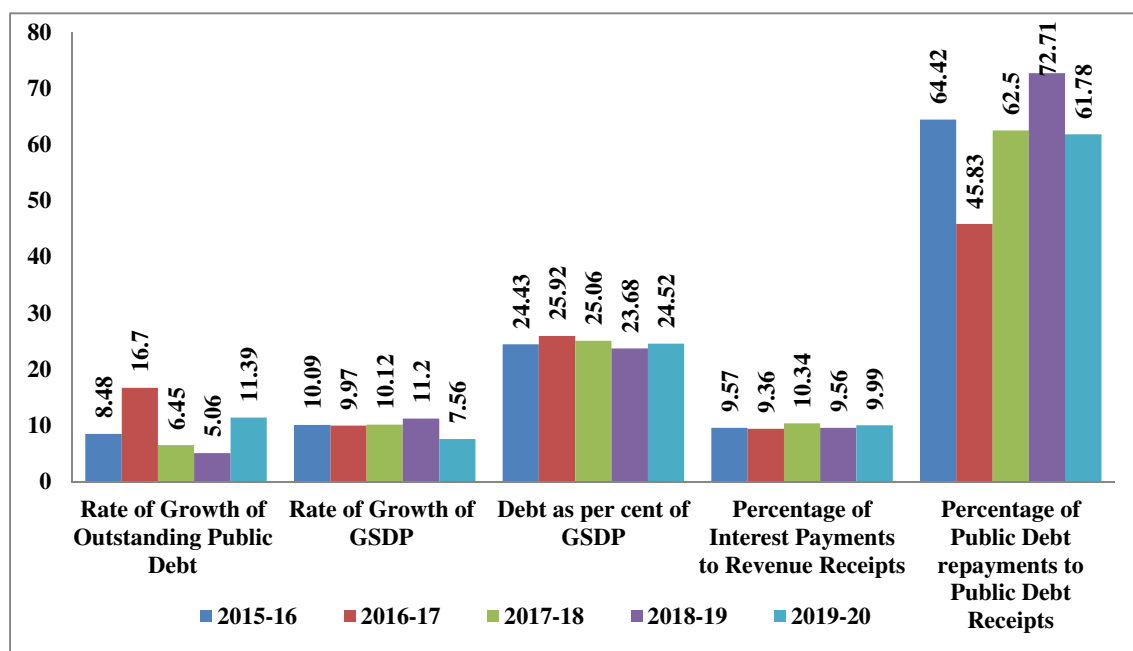
Quantum spread= Debt stock*interest spread; Interest spread= GSDP growth-average interest rate

A necessary condition for debt stability states that if the rate of growth of GSDP exceeds the interest rate for public debt, the debt GSDP ratio is likely to be stable provided primary balances are either zero or positive or are moderately negative. Thus, if primary deficit together with quantum spread turns out to be negative, debt GSDP ratio would be rising.

As can be seen, in the five-year period from 2015-16 to 2019-20, the ratio of public debt to GSDP was within a range of 24 to 26 *per cent*, and below the target ceiling for debt of 31.11 *per cent* set in Budget. The increase in the debt GSDP ratio in 2019-20 as compared to the previous year was due to negative figure of primary deficit together with quantum spread. Trends of Debt sustainability indicators for the five years starting from 2015-16 are shown in **Chart 2.23**.

Chart-2.23: Trends of Debt Sustainability indicators

(In per cent)



Public Debt of the State Government increased from ₹ 27,910 crore in 2015-16 to ₹ 40,572 crore in 2019-20 registering an increase of 45.37 *per cent* during the period 2015-20. The burden of interest payment ranged from nine to 10 *per cent* of the Revenue Receipts. During 2015-20, 45.83 to 72.71 *per cent* of debt receipts were used for discharging existing liabilities.

However, during the five-year period 2015-16 to 2019-20, while GSDP has grown at a CAGR of 7.69 *per cent*, the outstanding public debt has grown at a faster rate of 7.77 *per cent*.

2.7.1 Utilisation of borrowed funds

Borrowed funds should ideally be used to fund capital creation and developmental activities. Using borrowed funds for meeting current consumption and repayment of

interest on outstanding loans is not sustainable. Trend of utilisation of borrowed funds during past five years are shown in the **Table 2.34** and **Chart 2.24** below.

Table-2.34: Utilisation of borrowed funds

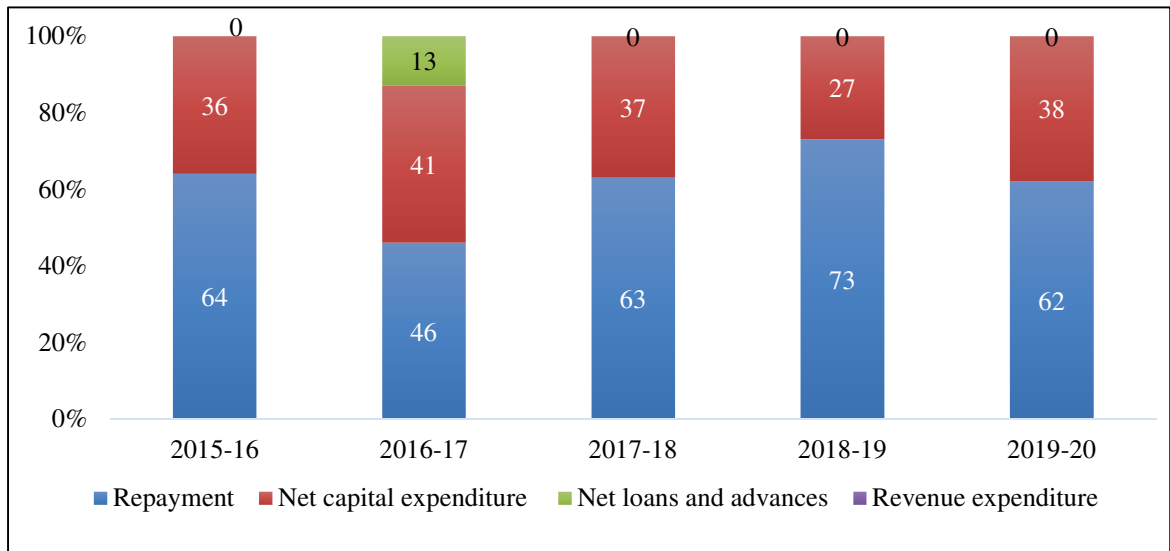
(₹ in crore)

Year	1	2015-16	2016-17	2017-18	2018-19	2019-20
Total Borrowings	2	6,129.21	8,603.31	5,600.29	6,427.40	10,847.39
Repayment of earlier borrowings (Principal)	3	3,947.73 (64.41)	3,942.84 (45.83)	3,499.85 (62.49)	4,673.35 (72.71)	6,700.75 (61.77)
Net capital expenditure*	4	2,181.48 (35.59)	3,499.03 (40.67)	2,100.44 (37.51)	1,754.05 (27.29)	4,146.64 (38.23)
Net Loans and Advances disbursed	5	-Nil-	1,161.44 (13.50)	-Nil-	-Nil-	-Nil-
Portion of total borrowings utilised towards Revenue expenditure	6 {2-(3+4+5)}	-Nil-				

* Net Capital Expenditure = Total Capital Expenditure-Misc. Capital Receipts
Figures in brackets indicate percentage utilisation of borrowed funds

Chart-2.24: Trends of Utilisation of borrowed funds

(In per cent)



During 2015-20, no portion of debt receipts was used for meeting revenue expenditure. The borrowed funds used for repayment of previous borrowings (principal) and on capital expenditure.

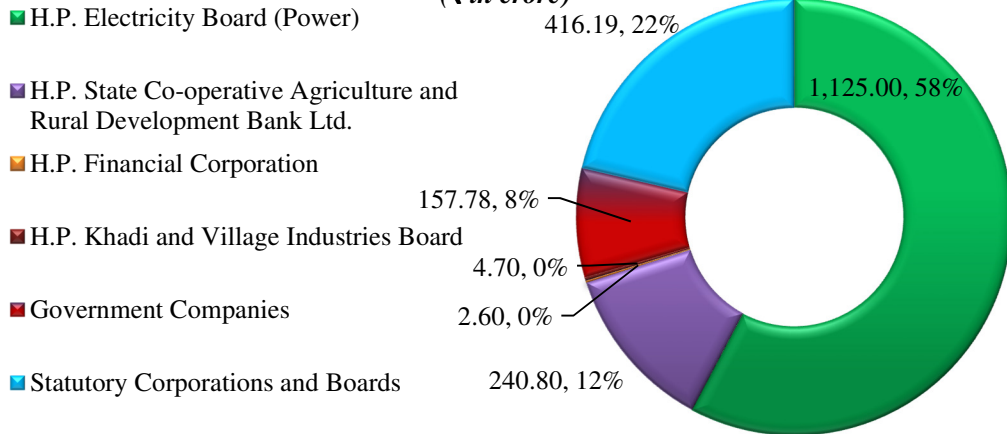
2.7.2 Status of Guarantees – Contingent Liabilities

Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee has been extended. As per **Statement-9 and 20** of the Finance Accounts, the maximum amount for which guarantees were given by the State and outstanding guarantees for the last five years are given in **Table-2.35** and detail of recipients/bodies who have received guarantees from the State Government at the end of 31 March 2020 are given in **Chart-2.25**.

Table-2.35: Guarantees given by the State Government(*₹* in crore)

Guarantees	2015-16	2016-17	2017-18	2018-19	2019-20
Outstanding amount of guarantees	3,714.39	4,550.42	4,393.66	4,309.21	1,947.07
Additions during the year	367.00	3,053.02	146.27	74.28	639.70
Deletions during the year	933.93	2,217.00	303.03	158.72	3001.84*
Invoked during the year	--	--	--	--	--
Ceiling applicable to the outstanding amount of guarantees including interest (criteria)	40 per cent of total revenue receipt in the preceding financial year.				
Percentage of outstanding amount of guarantees to total revenue receipts in the preceding financial year	21	19	17	16	6

* Includes an amount of ₹2,890.50 crore (loans to DISCOM) and ₹13.18 crore (interest charged on guaranteed amount) deleted from this years' Finance Accounts because it is shown as guarantees given by the State Government inadvertently in the previous years' Finance Accounts

Chart-2.25: Bodies in receipt of guarantees at the end of 31 March 2020
(*₹* in crore)

No amount of guarantee was invoked during 2019-20. As of 31 March 2020, outstanding amount of guarantees was ₹1,947 crore as per the Finance Accounts. However, it is to be noted that the accounts of most PSUs were not current and the PSUs and State Government had not reconciled the difference in the figures. The main recipients to whom guarantees given by the State Government during the year (₹640 crore) were Power (₹325 crore), Statutory Corporations and Boards (₹210 crore), Government Companies (₹66 crore) and Co-operative Banks (₹39 crore). The outstanding amount of guarantee (₹1,948 crore) at the close of 2019-20 accounted for six per cent of total revenue receipts of previous year of the State, which was well within the target of 40 per cent prescribed in the FRBM Act.

In addition, as per Himachal Pradesh Financial Rules, 2009 and Government instructions (6th March 1992) the guarantee fees (one per cent) and commitment charges (0.2 per cent) shall be levied from the borrowers at the time of approval of the guarantee. The State Government did not have information about the receivable/due as amount of guarantees fees and commitment charges from the bodies/entities. Over the last 10 years (up to 2018-19), no amount of guarantees fees and commitment charges has been received/levied by the State Government. However, during 2019-20, meagre

amount of ₹ 0.72 lakh was received from Himachal Pradesh Handicrafts and Handloom Corporation Limited, as guarantee commission fees.

2.7.3 Management of Cash Balances

As per an agreement with the Reserve Bank of India, State Governments have to maintain a minimum daily cash balance with the Bank. If the balance falls below the agreed minimum on any day, the deficiency is made good by taking ordinary Ways and Means Advances (WMA)/Special Ways and Means Advances (SWMA)/Overdrafts (OD) from time to time. The limit for ordinary WMA to the State Government are revised by the RBI from time to time.

The State Government has to maintain a minimum Cash balance of ₹ 0.55 crore with the Reserve Bank of India. The limit for ordinary ways and means advances to the State Government is ₹ 550 crore with effect from 1 February 2016. RBI also gives special ways and means advances against the pledge of government securities.

During 2019-20, State Government could maintain minimum daily cash balance for 327 days. The Government had to take ₹ 2,516 crore on 25 occasions in the shape of ways and means advances and overdrafts of ₹ 928 crore on 13 occasions from RBI which were repaid during the year. There were no outstanding ways and means advances and overdrafts at the end of the year 2019-20. An amount of ₹ 361 crore was paid as interest during the year. **Table 2.36** depicts the cash balances and investments made out of these by the State Government during the year.

Table-2.36: Cash Balances and their investment

(₹ in crore)

Particulars	Opening balance as on 1 April 2019	Closing balance on 31 March 2020	Increase (+)/ Decrease (-)
(a) General cash balance			
Cash in treasuries	Nil	Nil	Nil
Remittance in transit-Local	Nil	Nil	Nil
Deposits with RBI	(-) 49.58	77.93	127.51
Total	(-) 49.58	77.93	127.51
Investments held in cash balance Investment account	102.09	9,82.06	879.97
Total (a)	52.51	1,059.99	1,007.48
(b) Other cash balances and investments			
Cash with departmental officers viz., Public Works Department Officers, Forest Department Officers, District Collectors	0.16	0.16	Nil
Permanent advances for contingent expenditure with departmental officers	0.03	0.03	Nil
Investment of earmarked funds	Nil	Nil	Nil
Total (b)	0.19	0.19	Nil
Total (a+b)	52.70	1,060.18	1,007.48
Interest realised	66.90	55.02	-11.88

Cash balances of the State Government at the year-end increased significantly by ₹ 1,007.48 crore from ₹ 52.70 crore in 2018-19 to ₹ 1,060.18 crore in 2019-20. The

investments made out of cash balances also increased from ₹ 102.09 crore to ₹ 982.06 crore.

State Government invests its surplus cash balance in short and long-term GoI Securities and Treasury Bills. The profits derived from such investments are credited as receipts under the head '0049-Interest Receipts'. The State Government has earned an interest of ₹ 55.02 crore during 2019-20 from cash balance investments made in GoI Securities and Treasury Bills.

The cash balance investments of the State during the five-year period 2015-16 to 2019-20 are given in the **Table-2.37**.

Table-2.37: Cash Balance Investment Account (Major Head-8673)

(₹ in crore)

Year	Opening Balance	Closing Balance	Increase (+) / decrease (-)	Interest earned
2015-16	00	556.80	556.80	39.59
2016-17	556.80	759.43	202.63	53.30
2017-18	759.43	723.72	(-) 35.71	81.13
2018-19	723.72	102.09	(-) 621.63	66.90
2019-20	102.09	982.06	879.97	55.02

Source: Finance Accounts

The trend analysis of the cash balance investment of the State Government during the period 2015-16 to 2019-20 revealed that investments increased significantly during 2015-17 and gradually decreased thereafter for two consecutive years. During 2019-20, investments again increased by ₹ 880 crore.

It is indicative of poor monitoring that State Government had to take recourse to market loans despite having large cash balances leading to further accretion to cash balances without putting it to productive use.

Chart 2.26 compares the balances available in the Cash Balance and the Market Loans taken by the State during the period 2015-20. Market Loans were taken at higher interest rates whereas investment in Treasury Bills yielded interest at lower rates.

Chart 2.26: Market loans vis-a-vis Cash Balance

(₹ in crore)

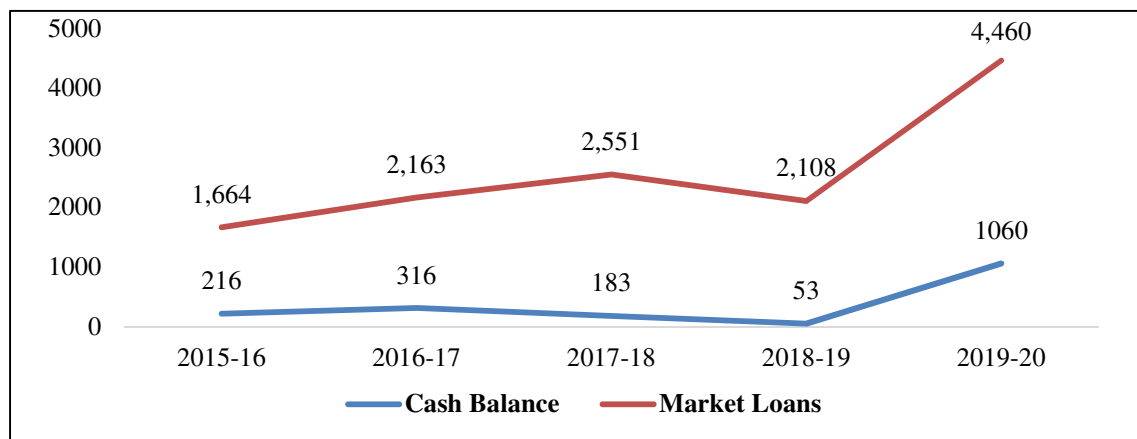
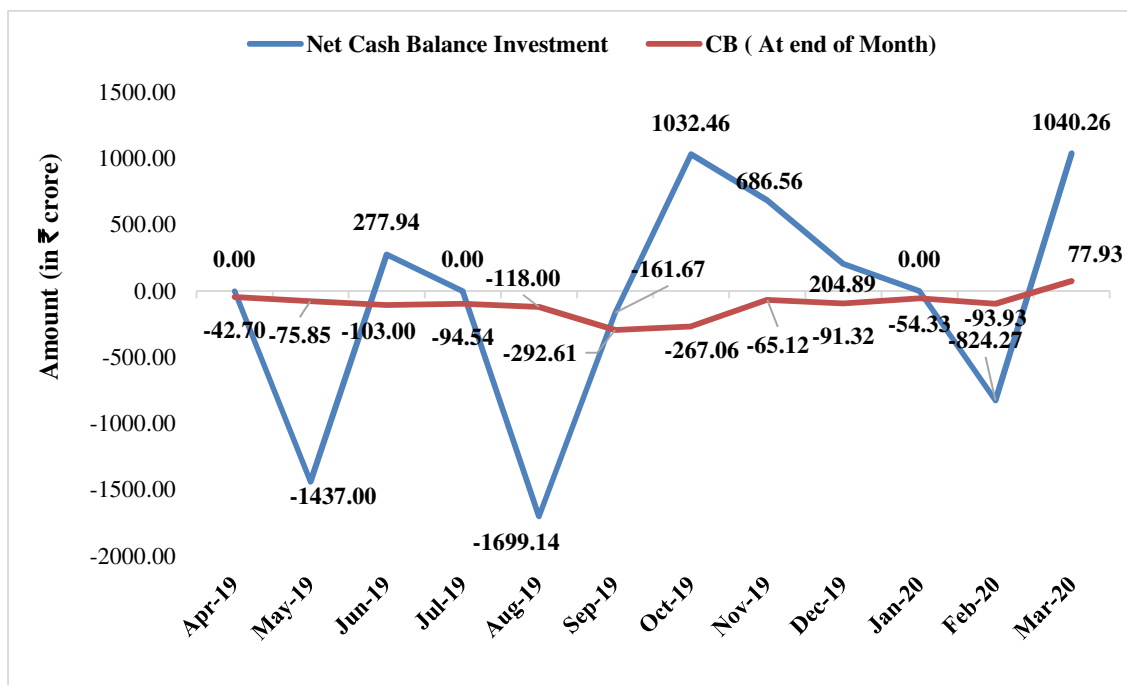


Chart 2.27 compares the month-wise Cash Balance Investment Account with the Cash Balances during 2019-20.

Chart-2.27: Month-wise movement of Cash Balances and net cash balance investments during 2019-20



Source: Monthly Civil Account

The State Government had taken recourse to market loans during the year despite having cash balances without putting it to productive use. During the year 2019-20, the State Government raised ₹ 4,660 crore from the market despite the State had adequate cash balances and the borrowing was avoidable to that extent.

2.8 Conclusions

- The State has not yet amended the FRBM Act as recommended by 14th FC. There was a significant variation between the targets projected in the Budget/MTFPS and the actual figures for revenue deficit/surplus and fiscal deficit. The targets set in the MTFPS were not in consonance with the targets fixed by the 14th FC.
- Although, the State had met the target of maintaining revenue surplus, however there was a continuous declining trend in the same. During 2016-20, the State had continuously experienced revenue surplus due to increase in Central devolutions on the recommendations of 14th Finance Commission. The revenue surplus consistently declined from 2016-17 to 2019-20 (except 2018-19): ₹ 1,137 crore (2015-16), ₹ 920 crore (2016-17), ₹ 314 crore (2017-18), ₹ 1,508 crore (2018-19) and ₹ 12 crore during 2019-20.

- The fiscal deficit (₹ 5,597 crore) was 3.38 *per cent* of GSDP which exceeded the target of three *per cent* or less during the 2019-20. The deficit was mainly managed through market borrowings.
- There has been a continuous decreasing trend in the growth of Revenue Receipts except the year 2018-19. As compared to a growth of 31.37 *per cent* in 2015-16, the revenue receipts registered a decrease of 0.67 *per cent* in 2019-20, which resulted in higher dependency on borrowed funds for meeting the current consumption. Only 33 *per cent* of the revenue receipts came from the State's own resources comprising taxes and non-taxes, while the remaining 67 *per cent* was contributed by central transfers comprising the State's share in central taxes and duties (15 *per cent*) and grants-in-aid from GoI (52 *per cent*).
- Revenue expenditure constituted an average of 84.4 *per cent* (ranging from 78.9 *per cent* to 87.0 *per cent*) of the total expenditure during the period 2015-20. Rate of growth of revenue expenditure has displayed fluctuating trend over the last five-year period 2015-20. The committed expenditure ranged between 68 and 71 *per cent* of revenue expenditure, while it accounted for 65 to 70 *per cent* of the revenue receipts of the State during the five-year period 2015-20.
- During 2019-20, capital expenditure (₹ 5,174 crore) increased by ₹ 591 crore (13 *per cent*) over the previous year 2018-19 (₹ 4,583 crore) and constituted 14 *per cent* in total expenditure.
- Overall fiscal liabilities at the end of the year were ₹ 62,212 crore with growth of 14.57 *per cent* over the previous year. The total fiscal liabilities-GSDP ratio in 2019-20 increased by 2.31 *per cent* over the previous year and stood at 37.60 *per cent*, which was above the target of 14th FC. Internal debt of the Government increased to ₹ 39,528 crore (11.78 *per cent*) during 2019-20 from ₹ 35,363 crore in 2018-19.
- The State Government earned a 5.83 *per cent* return on its total investment (₹ 4,261.06 crore) in Statutory Corporations, Rural Banks, Government Companies and Co-operatives up to 31 March 2020. However, only one company contributed more than 98 *per cent* of the total returns. Further, the State Government invested ₹ 1,772.72 crore in eight companies/ corporations whose net worth was completely eroded. This has resulted in erosion of Government investments.
- There was no repayment of loans by various public sector undertakings under Power projects and Industries and Minerals over the last five years (up to March 2020) and additional loans to Crop Husbandry had been extended despite

marginal repayments. The overall outstanding balance has increased over the years.

- State Government operated five Reserve Funds as on 31 March 2020, out of which two Reserve Funds are interest bearing (₹ 1,887.65 crore credit) and three Reserve Funds are non-interest bearing funds (₹ 834.66 crore credit). Out of these, no funds have been invested by the State Government during the year.

2.9 Recommendations

- The State Government should make efforts for augmentation of its own tax revenue. It should settle the pending tax claims timely, settle arrears in assessment of taxes and recover the arrears of revenue and improve non-tax revenues towards better resource mobilisation;
- The State Government should explore ways to minimize its committed expenditure so that more funds could be made available for development expenditure;
- The State Government should explore ways of ensuring reasonable return on capital invested in profit making State PSUs in view of the substantial high cost of borrowings made by it;
- As recovery of loans advanced by the Government to different sectors has been poor, the State Government should consider treating the loans and advances as grants and booking them as revenue expenditure for ensuring that accounts reflect the correct position;
- The State Government should ensure time-bound completion of the incomplete projects and ensure that there are no further cost overruns;
- The State Government should prioritise its revenue expenditure in order to make the State less dependent upon the borrowings to combat future liability.