Chapter I: Overview

1.1 Profile of the State

Rajasthan with a geographical area of 3.42 lakh square kilometers is the largest state in the country. It is situated in the north-western part of the country and is surrounded by the states of Punjab, Haryana and Uttar Pradesh in the north and north-east, Madhya Pradesh in the south-east and Gujarat in the south-west. It also has a long international frontier with Pakistan. The state has varied climatic conditions ranging from semi-arid to arid. Administratively, it is divided into 7 divisions and 33 districts.

The key indicators of the State are given in **Table 1.1** and ***Appendix 1.1.***

Table 1.1: Key indicators of the State

Indicators	Year	Unit	Rajasthan	India
Geographical Area*	2011	Lakh Sq. Km.	3.42	32.87
Population*	2011	Crore	6.85	121.09
Decadal Growth Rate*	2001-2011	Percentage	21.3	17.7
Population Density*	2011	Population per Sq. Km.	200	382
Urban Population to total population*	2011	Percentage	24.9	31.1
Sex Ratio*	2011	Females per 1,000 Males	928	943
Literacy Rate*	2011	Percentage	66.1	73.0
Per Capita Income*	2019-20	in ₹	1,18,159	1,35,050
Infant Mortality Rate#	2017	Per 1,000 live births	38	33
Life Expectancy at birth#	2013-2017	Years	68.5	69.0
Population Below Poverty Line (BPL)#	2011-12	Percentage	14.7	21.9

* Economic Review 2019-20, Government of Rajasthan (GoR).
# Economic Survey 2019-20, Government of India (GoI).

It is evident from the above table that the percentage of population below the poverty line was 14.7 *per cent* which was less than the All India average of 21.9 *per cent*. The literacy rate was 6.9 percentage points below the All India average of 73 *per cent*. During 2019-20, per capita income of the State stood at ₹ 1,18,159, lower than the All India per capita income of ₹ 1,35,050.

1.1.1 Gross State Domestic Product of Rajasthan

Gross State Domestic Product (GSDP) is the value of all the goods and services produced within the boundaries of the State in a given period of time. Growth of GSDP is an important indicator of the State's economy, as it denotes the extent of changes in the level of economic development of the State over a period of time.

The trends in the annual growth rate of the State's GSDP as compared to National Gross Domestic Product (GDP) at current prices are indicated in **Table 1.2**.

Table 1.2: Trends in GSDP compared to the national GDP at current prices

(₹ in crore)

Year	2015-16	2016-17	2017-18	2018-19	2019-20
National GDP (2011-12 Series)	1,37,71,874	1,53,62,386	1,70,95,005	1,90,10,164#	2,04,42,233##
Growth rate of GDP over previous year (in *per cent*)	10.46	11.55	11.28	11.20	7.53
State's GSDP (2011-12 Series)	6,81,482	7,60,750	8,35,170Σ	9,42,586£	10,20,989##
Growth rate of GSDP over previous year (in *per cent*)	10.69	11.63	9.78	12.86	8.32

Source: GoI's Economic Survey (2019-20) and Economic Review (2019-20) by Directorate of Economics and Statistics, GoR.

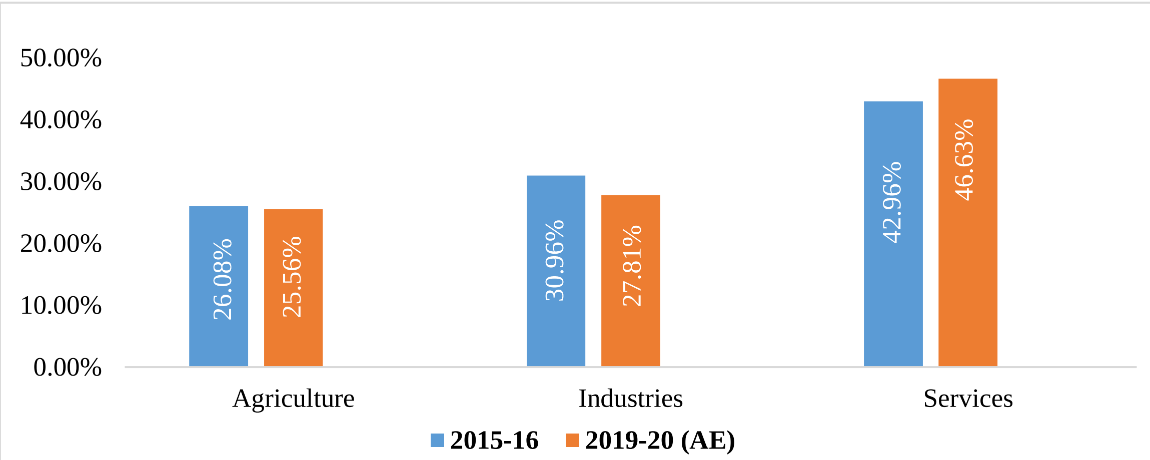
 # Provisional Estimate, ## Advance Estimate, Σ Revised Estimate-III, £ Revised Estimate-I

As can be seen from the table above, during 2015-16, 2016-17, 2018-19 and 2019-20, the GSDP of Rajasthan grew at a higher rate in comparison to the national GDP growth rate. However, during 2019-20, state's GSDP registered the lowest growth rate in five years.

Change in sectoral contribution to GSVA at current prices (2015-16 to 2019-20)

Chart 1.1 reveals that during the five-year period from 2015-16 to 2019-20, there has been a significant decrease in the relative share of Industries in Gross State Value Added (GSVA), reducing from 30.96 *per cent* in 2015-16 to 27.81 *per cent* in 2019-20. An increase was witnessed in the Services sector, with a marginal decline in the relative share of Agriculture sector.

Chart 1.1: Change in sectoral contribution to GSVA at current prices (2015-16 and 2019-20)

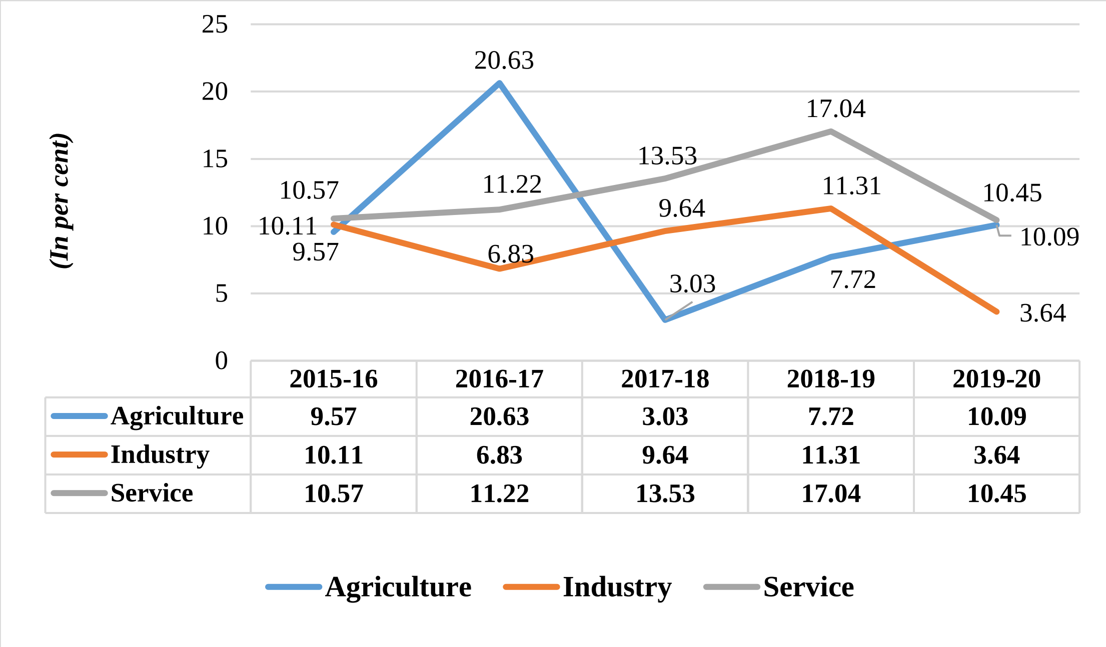


Source: Directorate of Economics and Statistics, GoR

Sectoral growth in GSVA at current prices

During 2019-20, there was a decline in the growth rate of Industry and Service sectors in comparison with the previous year. However, Agriculture sector growth rate increased over the previous year as can be seen from **Chart 1.2**.

Chart 1.2: Sectoral growth in GSVA at current prices (2015-16 to 2019-20)



	2015-16	2016-17	2017-18	2018-19	2019-20
Agriculture	**9.57**	**20.63**	**3.03**	**7.72**	**10.09**
Industry	**10.11**	**6.83**	**9.64**	**11.31**	**3.64**
Service	**10.57**	**11.22**	**13.53**	**17.04**	**10.45**

1.2 Basis and Approach to State Finances Audit Report

In terms of Article 151 (2) of the Constitution of India, the reports of the Comptroller and Auditor General of India (CAG) relating to the accounts of a State are to be submitted to the Governor of the State, who shall cause them to be laid before the Legislature of the State.

Principal Accountant General (Accounts & Entitlement) prepares the Finance Accounts and Appropriation Accounts of the State annually, from the vouchers, challans and initial and subsidiary accounts rendered by the treasuries, offices and departments responsible for keeping of such accounts functioning under the control of the State Government and the statements received from the Reserve Bank of India. These accounts are audited independently by the Accountant General (Audit-I), and certified by the CAG.

Finance Accounts and Appropriation Accounts of the State for the year 2019-20 constitute the core data for this report. Other sources include the following:

- Budget of the State for the year 2019-20– both for assessing the fiscal parameters and allocative priorities *vis-à-vis* projections, as well as for evaluating the effectiveness of its implementation and compliance with the relevant rules and prescribed procedures;
- Results of audit carried out by the Office of the Accountant General (Audit-I), Rajasthan at the State Government as well as at the field level during the year;
- Other data with Departmental Authorities and Treasuries (accounting as well as IFMS);
- GSDP data and other State related statistics from the Directorate of Economics and Statistics, GoR and
- Various audit reports of the CAG of India prepared during 2014-20.

The analysis is also carried out in the context of recommendations of the XIV Finance Commission (FC), State Financial Responsibility and Budget Management Act, best practices and guidelines of the Government of India.

1.3 Report Structure

The SFAR is structured into the following four Chapters:

Chapter - 1	**Overview** This Chapter describes the basis and approach of the Report, provides an overview of the structure of government accounts, budgetary processes, macro analysis of key indices for the State's fiscal position including the deficit/surplus.
Chapter - II	**Finances of the State** This chapter provides a broad perspective of the finances of the State, analyses the critical changes in major fiscal aggregates relative to the previous year, overall trends during the period from 2015-16 to 2019-20, debt profile of the State and key Public Account transactions, based on the Finance Accounts of the State.
Chapter - III	**Budgetary Management** This chapter is based on the Appropriation Accounts of the State and reviews the appropriations and allocative priorities of the State Government and reports on deviations from Constitutional provisions relating to budgetary management.
Chapter - IV	**Quality of Accounts & Financial Reporting Practices** This chapter comments on the quality of accounts rendered by various authorities of the State Government and issues of non-compliance with prescribed financial rules and regulations by various departmental officials of the State Government.

1.4 Overview of Government Accounts Structure and Budgetary Processes

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

1. Consolidated Fund of the State (Article 266(1) of the Constitution of India)

This Fund comprises all revenues received by the State Government, all loans raised by the State Government (market loans, bonds, loans from the Central Government, loans from Financial Institutions, Special Securities issued to National Small Savings Fund, etc.), Ways and Means advances extended by the Reserve Bank of India and all moneys received by the State Government as repayment of loans. No moneys can be appropriated from this Fund except in accordance with law and for the purposes and in the manner provided by the Constitution of India. Certain categories of expenditure (e.g. salaries of Constitutional authorities, loan repayments etc.), constitute a charge on the Consolidated Fund of the State (Charged expenditure) and are not subject to vote by the Legislature. All other expenditure (Voted expenditure) is voted by the Legislature.

2. Contingency Fund of the State (Article 267(2) of the Constitution of India)

This Fund is in the nature of an imprest which is established by the State Legislature by law and is placed at the disposal of the Governor to enable advances to be made for meeting unforeseen expenditure pending authorisation of such expenditure by the State Legislature. The fund is recouped by debiting the expenditure to the concerned functional major head relating to the Consolidated Fund of the State.

3. Public Accounts of the State (Article 266(2) of the Constitution of India)

Apart from above, all other public moneys received by or on behalf of the Government, where the Government acts as a banker or trustee, are credited to the Public Account. The Public Account includes repayables like Small Savings and Provident Funds, Deposits (bearing interest and not bearing interest), Advances, Reserve Funds (bearing interest and not bearing interest), Remittances and Suspense heads (both of which are transitory heads, pending final booking). The net cash balance available with the Government is also included under the Public Account. The Public Account is not subject to the vote of the Legislature.

There is a constitutional requirement in India (Article 202) to present before the House or Houses of the Legislature of the State, a statement of estimated receipts and expenditures of the government in respect of every financial year. This 'Annual Financial Statement' constitutes the main budget document. Further, the budget must distinguish expenditure on the revenue account from other expenditures.

Revenue receipts consist of tax revenue, non-tax revenue, share of Union Taxes/ Duties, and grants from Government of India.

Revenue expenditure consists of all those expenditures of the government which do not result in creation of physical or financial assets. It relates to those expenses incurred for the normal functioning of the government departments and various services, interest payments on debt incurred by the government, and grants given to various institutions (even though some of the grants may be meant for creation of assets).

The **Capital receipts** consist of:

- **Debt receipts:** Market Loans, Bonds, Loans from financial institutions, Net transaction under Ways and Means Advances, Loans and Advances from Central Government, etc.;
- **Non-debt receipts:** Proceeds from disinvestment, Recoveries of loans and advances;

Capital Expenditure includes expenditure on the acquisition of land, building, machinery, equipment, investment in shares, and loans and advances by the government to PSUs and other parties.

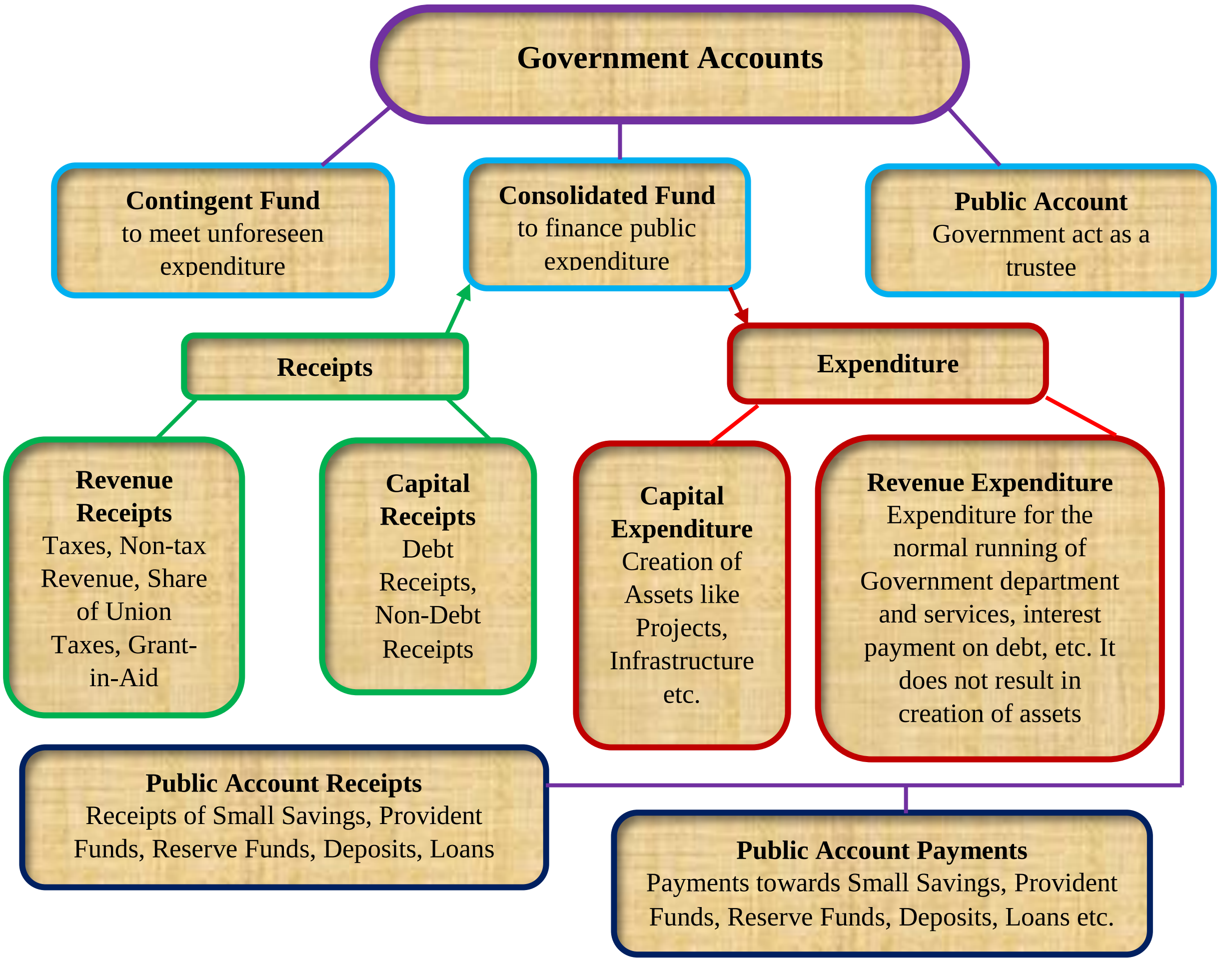
At present, we have an accounting classification system in government that is both functional and economic.

	Attribute of transaction	Classification
Standardized in LMMH by CGA	Function- Education, Health, etc./Department	Major Head under Grants (4-digit)
	Sub-Function	Sub-Major head (2-digit)
	Programme	Minor Head (3-digit)

	Attribute of transaction	Classification
Flexibility left for States	Scheme	Sub-Head (2-digit)
	Sub scheme	Detailed Head (2-digit)
	Economic nature/ Activity	Object Head-salary, minor works, etc. (2-digit)

The functional classification lets us know the department, function, scheme or programme and object of the expenditure. Economic classification helps organize these payments as revenue, capital, debt, etc. Economic classification is achieved by the numbering logic embedded in the first digit of 4-digit Major Heads. For instance, 0 and 1 for revenue receipts, 2 and 3 for revenue expenditure, etc. Economic classification is also achieved by an inherent definition and distribution of some object heads. For instance, generally "salary" object head is revenue expenditure, "construction" object head is capital expenditure. Object head is the primary unit of appropriation in the budget documents.

Chart 1.3: Structure of Government Accounts



Fund based accounting coupled with functional and economic classification of transactions facilitates in-depth analysis of Government activities/transactions and enables Legislative oversight over public finances.

Budgetary Processes

In terms of Article 202 of the Constitution of India, the Governor of Rajasthan caused to be laid before the State Legislature, a statement of the estimated receipts and expenditure of the State for the year 2019-20, in the form of an Annual Financial Statement (referred to as Budget) with estimates of expenditure,

- charged upon the Consolidated Fund of the State;
- the sums required to meet other expenditure proposed to be made from the Consolidated Fund of the State and shall distinguish expenditure on Revenue Account from other expenditure.

In terms of Article 203, the above was submitted to the State Legislature in the form of 55 Demands for Grants/Appropriations and after approval of these, the Appropriation Bill was passed by the Legislature under Article 204 to provide for appropriation of the required money out of the Consolidated Fund.

As mentioned in **Paragraph 1.2**, Finance Accounts and Appropriation Accounts encompass the core data for preparation of the SFAR. These Accounts are based on actual receipts and expenditure of the State during the year 2019-20 including various inter-governmental and other adjustments carried out by the Reserve Bank of India (RBI). Considering that these receipts and expenditure are estimated in the budget and the expenditure has been approved by the State Legislature, it is important to study the budget of the State for 2019-20 closely and analyse the actual receipts and expenditure during the year with reference to the projections made in the budget.

The State Budget Manual details the budget formulation process and guides the State Government in preparing its budgetary estimates and monitoring its expenditure activities. Results of audit scrutiny of budget and implementation of other budgetary initiatives of the State Government are detailed in **Chapter 3** of this Report.

1.4.1 Snapshot of Finances

The following table provides the details of actual financial results vis-a-vis Budget Estimates for the year 2019-20 vis-a-vis actuals of 2018-19.

Table 1.3: Budget Estimates for the year 2019-20 *vis a vis* actual of 2018-19 and 2019-20

(₹ in crore)

S. No.	Components	2018-19 Actual	2019-20 BE	2019-20 Actual	Percentage of Actuals to BE	Percentage of Actuals to GSDP
1	2	3	4	5	6	7
1	Tax Revenue	57,380	73,743	59,245	80.33	5.8
2	Non-Tax Revenue	18,603	19,124	15,714	82.17	1.5
3	Share of Union Taxes/ duties (a)	41,853	44,462	36,049	81.08	3.5
4	Grants-in-aid and Contributions	20,037	26,676	29,106	109.11	2.9
5	**Revenue Receipts (1+2+3+4)**	**1,37,873**	**1,64,005**	**1,40,114**	85.43	**13.7**
6	Recovery of Loans and Advances	15,158	16,192	15,670	96.78	1.5
7	Miscellaneous Capital Receipts	20	25	20	80.00	0.0
8	Borrowings and other Liabilities (b)	34,473	32,679	37,654	115.22	3.7

S. No.	Components	2018-19 Actual	2019-20 BE	2019-20 Actual	Percentage of Actuals to BE	Percentage of Actuals to GSDP
1	2	3	4	5	6	7
9	**Capital Receipts (6+7+8)**	**49,651**	**48,896**	**53,344**	109.10	**5.2**
10	**Total Receipts (5+9)**	**1,87,524**	**2,12,901**	**1,93,458**	90.87	**18.9**
11	**Revenue Expenditure of which**	**1,66,773**	**1,91,020**	**1,76,485**	92.39	**17.3**
12	Interest payments	21,695	23,133	23,643	102.20	2.3
13	Grant in Aid for creation of capital assets	799	-	5,198	-	0.5
14	**Capital Expenditure of which (c)**	**20,751**	**21,881**	**16,973**	**77.57**	**1.7**
15	Capital Outlay	19,638	19,472	14,718	75.59	1.4
16	Loan and Advances	1,113	2,409	2,255	93.61	0.2
17	**Total Expenditure (11+14)**	**1,87,524**	**2,12,901**	**1,93,458**	90.87	**18.9**
18	**Revenue Deficit (5-11)**	**28,900**	**27,015**	**36,371**	134.63	**3.6**
19	**Effective Revenue Deficit (18-13)**	**28,101**	**-**	**31,173**	-	**3.1**
20	**Fiscal Deficit {17-(5+6+7)}**	**34,473**	**32,679**	**37,654**	115.22	**3.7**
21	**Primary Deficit (20-12)**	**12,778**	**9,546**	**14,011**	146.77	**1.4**

(a) Includes State's share of Union Taxes.

(b) Borrowings and Other Liabilities: Net (Receipts-Disbursements) of Public Debt + Net of Contingency Fund + Net (Receipts - Disbursements) of Public Account + Net of Opening and Closing Cash Balance.

(c) Expenditure on Capital Account includes Capital Expenditure and Loans and Advances disbursed.

1.4.2 Snapshot of Assets and Liabilities of the Government

Government accounts capture the financial liabilities of the Government and the assets created out of the expenditure incurred. The liabilities consist mainly of internal borrowings, loans and advances from GoI, receipts from public account and reserve funds and the assets comprise mainly the capital outlay and loans and advances given by the State Government and cash balances. **Table 1.4** and ***Appendix 1.2*** give an abstract of such liabilities and the assets as on 31 March 2020.

Table 1.4: Summarised position of Assets and Liabilities

(₹ in crore)

Liabilities					Assets				
		2018-19	**2019-20**	***Per cent increase***			**2018-19**	**2019-20**	***Per cent increase***
Consolidated Fund									
A	Internal Debt	2,19,311.48	2,42,077.41	10.4	a	Gross Capital Outlay	1,88,108.83	2,02,806.46	7.8
B	Loans and Advances from GoI	13,927.40	17,302.50	24.2	b	Loans and Advances	23,262.49	9,847.92	(-) 57.7

Liabilities					Assets				
		2018-19	2019-20	*Per cent* increase			2018-19	2019-20	*Per cent* increase
Contingency Fund									
Contingency Fund		**500.00**	**500.00**	**-**					
Public Account									
A	Small Savings, Provident Funds, etc.	47,478.08	51,468.62	8.4	a	Advances	3.21	3.21	-
B	Deposits	28,817.51	33,842.46	17.4	b	Remittance	2.05	10.37	405.9
C	Reserve Funds	5,551.37	9,881.68	78.0	c	Suspense and Miscellaneous	206.65	120.15	(-) 41.9
D	Remittanc -es	-	-		**Cash balance (including investment in Earmarked Fund)**		**5,793.75**	**7,704.41**	33.0
					Total		**2,17,376.98**	**2,20,492.52**	**1.4**
					Deficit in Revenue Account		**98,208.86**	**1,34,580.15**	37.0
Total		**3,15,585.84**	**3,55,072.67**	**12.5**	**Total**		**3,15,585.84**	**3,55,072.67**	**12.5**

Source: Finance Accounts

During 2019-20, the assets increased by 1.4 *per cent*, while the liabilities increased by 12.5 *per cent* over the previous year.

1.5 Fiscal Balance: Achievement of deficit and total debt targets

Nature of deficit is an indicator of the prudence of the fiscal management of the Government. Further, the ways in which the deficits are financed and the application of the resources raised are important pointers to the fiscal health of the state. This Section presents trends, nature, magnitude and the manner of financing these deficits and also the assessment of actual levels of revenue and fiscal deficits *vis-à-vis* targets set under Rajasthan FRBM Act/Rules for the financial year 2019-20.

In pursuance of recommendations of the Twelfth Finance Commission, the State Government had enacted its 'Fiscal Responsibility and Budgetary Management (FRBM) Act 2005', with a view to ensure prudence in fiscal management and to maintain fiscal stability in the State. It was amended in the years 2011 and 2016. Besides this, the Fourteenth Finance Commission (XIV-FC) had also suggested fiscal consolidation roadmap for the state.

Review of fiscal situation of the state revealed the following:

(i) As per the provisions contained in Section 6(a) of FRBM Act, the State Government was to achieve Zero Revenue Deficit from the financial year 2011-12 and thereafter maintain it or attain revenue surplus. However, the State Government could maintain the revenue surplus only during the years 2011-12 and 2012-13 and thereafter there has been revenue deficit during last seven years up to 2019-20.

The Budget Estimates (BE), Revised Estimates (RE) and Actual figures in respect of Revenue Deficit/Surplus during the last six years are summarised below:

Table 1.5: Position of Revenue deficits/surplus in the context of BE/RE and Actual

(₹ in crore)

	2014-15	2015-16*	2016-17*	2017-18*	2018-19		2019-20	
					With UDAY	Without UDAY	With UDAY	Without UDAY
Budget Estimates	(+)738	(+) 557	(-) 8,802	(-)13,528	(-)17,455	**(-)5,455**	(-) 27,015	(-)13,199
Revised Estimates	(-)4,220	(-)5232	(-)17,838	(-)20,166	(-)24,825	**(-)12,825**	(-) 28,041	(-)14,225
Actual	(-)3,215	(-) 5,954	(-)18,114	(-)18,535	(-)28,900	**(-)16,900**	(-)36,371	(-) 22,555

*with the impact of UDAY[1]

It is seen from the above table that the revenue deficit stood at ₹ 36,371 crore which was higher than the projections made in BE (₹ 27,015 crore) and RE (₹ 28,041 crore). The above table also indicates that the formulation of BE for 2014-15 to 2019-20 was deficient as there was regular and significant fall in RE and Actuals in comparison to BE during these years.

State Government was unable to contain revenue deficit to the budgeted estimates during 2019-20 as the actual revenue receipt declined to ₹ 1,40,114 crore (including ₹ 4,440 crore received from Government of India on account of compensation for loss of revenue arising out of implementation of GST) against ₹ 1,64,005 crore in BE i.e. 14.57 *per cent* (₹ 23,891 crore) whereas the actual revenue expenditure decreased to ₹ 1,76,485 crore against ₹ 1,91,020 crore in BE i.e. 7.61 *per cent* only (₹ 14,535 crore).

Thus, greater fall in revenue receipts than budgeted and relatively less control over expenditure was the reason for the increase in revenue deficit which indicates that the state requires more realistic estimates of receipts and expenditure while preparing the budget of the State.

The Department accepted the facts and stated (December 2020) that the target of Revenue Receipts could not be met due to recession in the State's economy. In addition, the greater decline in revenue receipts than revenue expenditure was mainly due to committed expenditure including salaries, pensions, etc. which could not be reduced.

(ii) Section 6 (b) of the FRBM Act, envisaged (as amended in 2011) to achieve fiscal deficit of 3 *per cent* of GSDP by the financial year 2011-12 and thereafter to maintain the said ratio or reduce it. The XIV–FC also recommended maintaining the fiscal deficit within 3 *per cent* of the GSDP.

The following table shows the trend of fiscal deficit-GSDP ratio during the last three years:

1. Ujwal DISCOM Assurance Yojana (UDAY) is the financial turnaround and revival package for electricity distribution companies (DISCOMs) initiated by the Government of India with the intent to find a permanent solution to the financial mismanagement.

Table 1.6: Position of Fiscal deficit in the context of BE/RE and Actual

Years	Budget Estimates	Revised Estimates	Actual
2017-18	2.99	3.46	3.03
2018-19	2.98	3.39	3.66
2019-20	3.19	3.16	3.69

It is observed that the fiscal deficit as a percentage of GSDP during 2019-20 is higher than the target of 3 *per cent* prescribed under the FRBM Act and XIV-Finance Commission recommendation. The fiscal deficit stood at ₹ 37,654 crore which was higher than the projection in BE (₹ 32,679 crore) and RE (₹ 32,214 crore).

The Department accepted the facts and stated (December 2020) that the deficit targets could not be met due to recession in the State's economy.

(iii) The State Government amended (April 2016) the provisions of Section 6(c) of the FRBM Act to prescribe the limit of total outstanding debt up to 34.0 *per cent* of GSDP for the financial year 2019-20. However, the Debt-GSDP ratio was 34.55 during 2019-20, which was higher than the limit fixed in FRBM Act.

Table 1.7: Compliance with provisions of FRBM Act

(₹ in crore)

Fiscal Parameters	Fiscal targets set in the Act	Achievement				
		2015-16	2016-17	2017-18	2018-19	2019-20
Revenue Deficit (-) / Surplus (+)	Revenue Surplus	-5,954	-18,114	-18,535	-28,900	-36,371
		✗	✗	✗	✗	✗
Fiscal Deficit (-)/ Surplus (+) (as *percentage of GSDP*)	Three *per cent*	-63,070 (-9.25)	-46,318 (-6.09)	-25,342 (-3.03)	-34,473 (-3.66)	-37,654 (-3.69)
		✗	✗	✗	✗	✗
Ratio of total outstanding debt to GSDP (in *per cent*)	Target	36.50	36.50	35.50	35.00	34.00
	Achievement	30.73	33.52	33.67	33.03	34.55
		✓	✓	✓	✓	✗

The XIV-FC inter-alia recommended *Fiscal Environment and Fiscal Consolidation Roadmap* for the States. This included (a) providing statutory ceiling on the sanction of new capital works to an appropriate multiple of the annual budget provision, (b) replacing the existing FRBM Act with a debt ceiling and Fiscal Responsibility Legislation under Article 293(1).

The Department stated (December 2020) that the recommendation regarding statutory ceiling on sanction of new capital works has not been implemented by the state as it was not found feasible. In addition, recommendation related to debt ceiling and Fiscal Responsibility Legislation was implemented by amending the existing FRBM Act.

Comparison of targets for fiscal parameters projected in Medium Term Fiscal Plan (MTFP) presented to the State Legislature with actuals for the current year is provided in the table below:

Table 1.8: Actuals vis-à-vis projection in MTFP for 2019-20

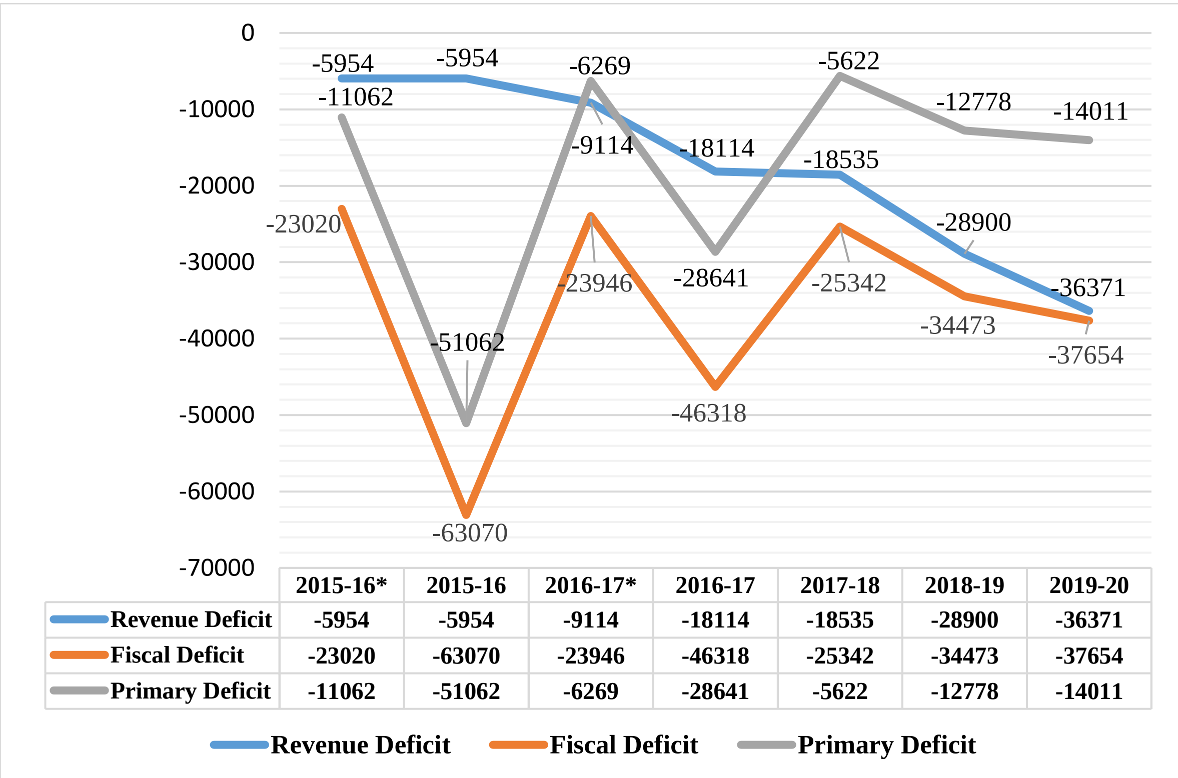
(₹ in crore)

S. No.	Fiscal Variables	Projection as per MTFP	Actuals (2019-20)	Variation (in *per cent*)
1	Own Tax Revenue	73,743	59,245	(-) 19.67
2	Non-Tax Revenue	19,124	15,714	(-) 17.83
3	Share of Central Taxes	44,462	36,049	(-) 18.92
4	Grants -in-aid from GoI	26,676	29,106	9.11
5	Revenue Receipts (1+2+3+4)	1,64,005	1,40,114	(-) 14.57
6	Revenue Expenditure	1,91,020	1,76,485	(-) 7.61
7	Revenue Deficit (-)/Surplus (+) (5-6)	(-) 27,015	(-) 36,371	34.63
8	Fiscal Deficit (-)/ Surplus (+)	(-) 32,678	(-) 37,654	15.23
9	Debt-GSDP ratio (*per cent*)	33.19	34.55	4.10
10	GSDP growth rate at current prices (*per cent*)	10.24	8.32	(-) 18.75

As can be seen from the table, the actuals in relation to two key fiscal parameters i.e., Revenue Deficit and Fiscal Deficit exceeded the projections of MTFP and projections relating to Debt-GSDP ratio and growth rate of GSDP were not met, with the year ending with a higher Debt to GSDP ratio and with lower growth in GSDP than was projected in the MTFP.

Charts 1.4 and **1.5** present the trends in deficit indicators over the period 2015-20.

Chart 1.4: Trends in deficit parameters



* *Without UDAY.*

Chart 1.5: Trends in Deficit Indicators (with UDAY) Relative to GSDP

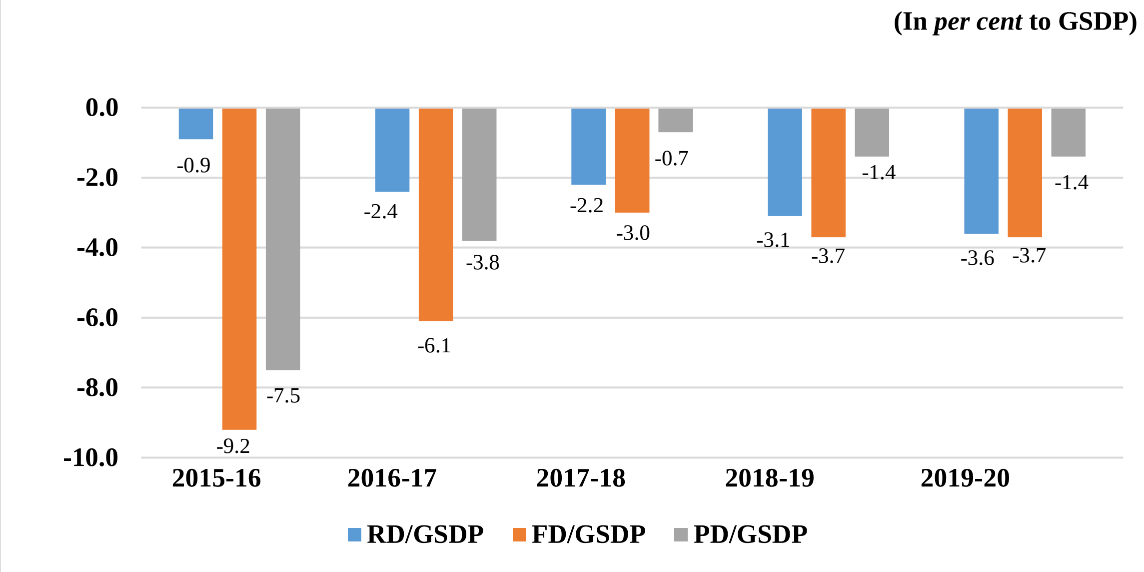
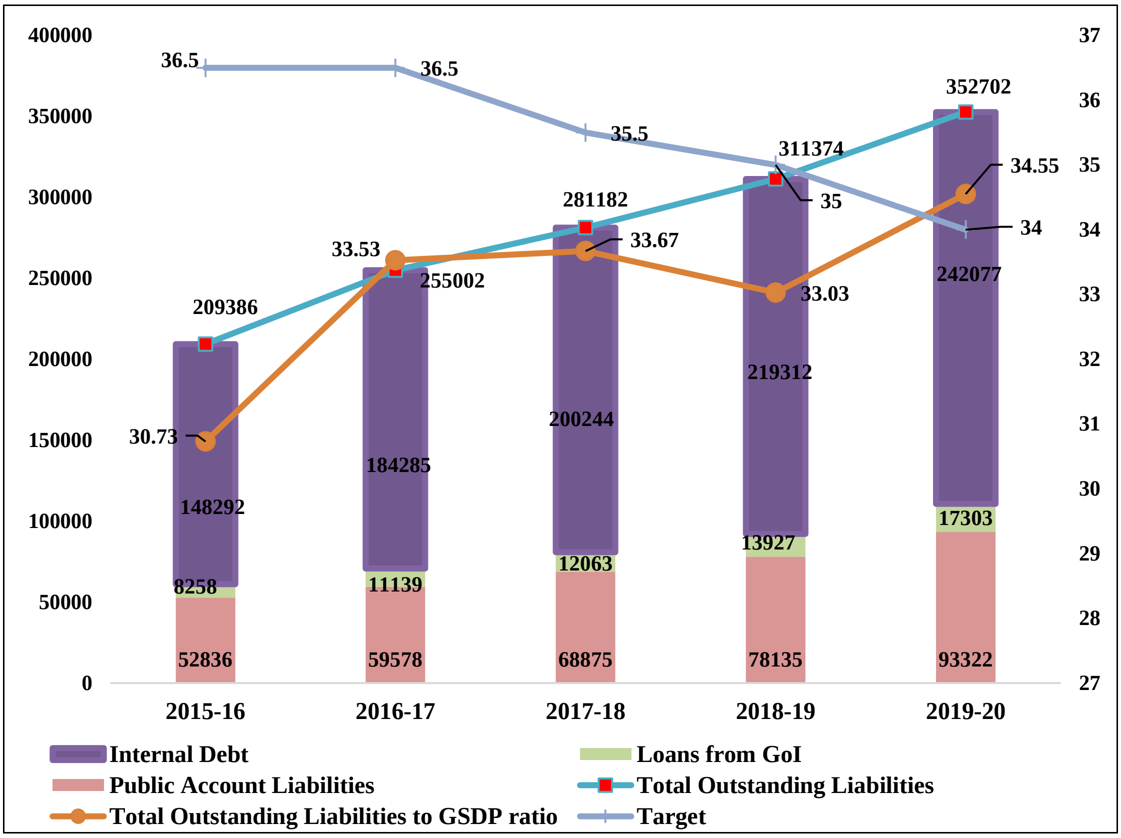


Chart 1.6: Trends in Fiscal Liabilities and GSDP

(₹ in crore)



During 2019-20, fiscal liabilities increased by 13.27 *per cent* (₹ 41,328 crore) over the previous year due to increase in Internal Debt by 10.38 *per cent* (₹ 22,765 crore), Public Account Liabilities by 19.44 *per cent* (₹ 15,187 crore) and Loans and Advances from GoI by 24.24 *per cent* (₹ 3,376 crore).

The fiscal liabilities of ₹ 3,52,702 crore existing on 31 March 2020, included outstanding borrowings of ₹ 44,730 crore under UDAY, on account of the issue of Non-Statutory Liquidity Ratio (SLR) Bonds and forfeited Bonds which constituted Internal Debt of the State Government.

During 2019-20, the fiscal liability (total outstanding debt) to GSDP ratio (34.55 *per cent*) was higher than the FRBM target (34.0 *per cent*), the limit (24.4 *per cent*) recommended by the XIV-FC as well as the MTFP target (33.13 *per cent*) of the State Government. Further, the State Government's annual incremental borrowings[2] (₹ 41,328 crore) were higher than the ceilings for annual borrowings fixed by the GoI (₹ 33,216 crore) as per the recommendations of XIV-FC.

The Department accepted the facts and stated (December 2020) that the debt-GSDP ratio was marginally higher due to additional borrowing allowed by Central Government.

1.6 Deficits and Total Debt after examination in audit

In order to present a better picture of State Finances, there is a tendency to classify revenue expenditure as capital expenditure and to conduct off-budget fiscal operations.

1.6.1 Post audit - Deficits

Misclassification of revenue expenditure as capital and off budget fiscal operations impact deficit figures. Besides, deferment of clear-cut liabilities, not depositing cess/ royalty to Consolidated Fund, short contribution to New Contributory Pension Scheme (NPS), sinking and redemption funds, etc. also impact the revenue and fiscal deficits. In order to arrive at actual deficit figures, the impact of such irregularities need to be reversed.

Table 1.9: Revenue and Fiscal Deficit, post examination by Audit

Particulars	Impact on Revenue Deficit (Understated) (₹ in crore)	Impact on Fiscal Deficit (Understated) (₹ in crore)
Short transfer of employees and Government contribution to NSDL under Defined Contribution Pension Scheme	83.27	83.27
Non-transfer of funds to State Disaster Response Fund received from the Government of India under National Disaster Response Fund	784.60	784.60
Non-credit of interest on available balance in State Compensatory Afforestation Fund	55.95	55.95
Non-transfer of cess on diesel and petrol to Rajasthan State Road Development Fund	252.51	252.51
Non-transfer of Environmental and Health cess to Environmental Reforms and Health Fund	0.85	0.85
Non-transfer of Water Conservation Cess to Fund	86.17	86.17
Non-transfer of Surcharge on Stamp Duty for the conservation and propagation of Cow and its progeny	227.52	227.52

2. It includes Open Market Borrowings, Negotiated Loans from financial institutions, National Small Savings Fund loans, Central Government loans including EAPs, any loans for State Plan Schemes and Centrally Sponsored Schemes, other liabilities arising out of Public Account transfers under Small Savings, Provident Funds, Reserve Funds, Deposits, etc.

Particulars	Impact on Revenue Deficit (Understated) (₹ in crore)	Impact on Fiscal Deficit (Understated) (₹ in crore)
Non-credit of interest on interest-bearing Reserve Funds and Deposits	13.42	13.42
Non-transfer of labour cess to Rajasthan Building and Other Construction Workers Welfare Board	30.23	30.23
Total	**1,534.52**	**1,534.52**

Source: Finance Accounts and audit analysis

It is evident that the State Government short transferred ₹ 1,534.52 crore during the financial year 2019-20, thus, understating the revenue deficit and fiscal deficit to that extent.

1.6.2 Post Audit - Total Public Debt

According to Rajasthan FRBM Act, 2005, the total liability means the explicit liabilities under Consolidated Fund of the State and the Public Account of the State including General Provident Fund.

Table 1.10: Overall debt, post examination by Audit

1.		**Overall Debt as per Accounts (₹ 3,52,701.80 crore)**	**as a percentage of GSDP (34.55 *per cent*)**
2.	**Impact on overall Debt (Understated) due to: (₹ in crore)**		
a.	(i) Off budget fiscal operations such as borrowings by 'Various ***'Zila Parishads'*** on behalf of the State Government where the principal and/ or interest are to be serviced out of the State budgets.	1,901.54	0.18
	(ii) Off budget fiscal operations such as borrowings by ***'Rajasthan Agriculture Marketing Board'*** on behalf of the State Government where the principal and/or interest are to be serviced out of the State budgets	1,000.00	0.10
b.	Deployment of the own funds by the State Public Sector Companies/Corporations, SPVs etc. for the execution of the Deposit work of the State Government which was to be financed by the State Government through borrowings.	-	-
c.	Non-reimbursement of the Principal/interest component by the State Government to State Public Sector Companies/ Corporations, SPVs etc. of the loan taken by them on the behalf of the State Government: i. for 2019-20 ii. of the previous years	- - -	- - -
	Total of 2 (a+b+c)	**2,901.54**	**0.28**
	Total of (1 + 2)	**3,55,603.34**	**34.83**

Thus, the off budget fiscal operations amounting to ₹ 2,901.54 crore during the financial year 2019-20 resulted in understating of the overall debt by 0.28 *per cent* of GSDP.