

Profile of Haryana

Haryana is a State with 21 districts, of which eight districts are part of the National Capital Region of Delhi. As indicated in *Appendix 1.1*, Haryana has lower poverty levels as compared to other Indian States. The density of population (573 persons per sq km) as per the 2011 census was higher than the all-India average (382 persons per sq km). The State has achieved considerable economic growth in the last decade and its compound annual growth rate of Gross State Domestic Product (GSDP) for the period 2002-03 to 2011-12 has been 17.47 *per cent* as compared to 14.46 *per cent* in other general category States. Its population grew by 19.90 *per cent* from 2.11 crore in 2001 to 2.54 crore in 2011 against 13.90 *per cent* in other general category States during the same period.

Higher growth rate of GSDP accompanied by lower growth rate of population, resulted in higher growth rate of per capita income in Haryana. It fared better than other General Category States in the current decade.

1.1 Introduction

This chapter provides a broad perspective of the finances of the Government of Haryana during 2011-12 and analyses critical changes in the major fiscal aggregates in relation to the previous year, keeping in view the overall trends during the last five years. The structure and form of Government accounts have been explained in *Appendix 1.2 Part A* and the layout of the Finance Accounts is depicted in *Appendix 1.2 Part B*. The methodology adopted for assessment of the fiscal position and norms/ceilings prescribed by the Fiscal Responsibility and Budgetary Management (FRBM) Act, 2005 are given in *Appendix 1.3 Part A and B*.

1.1.1 Summary of Current Year's Fiscal Transactions

A summary of the State Government's fiscal transactions during 2011-12 as compared to 2010-11 is presented in **Table 1.1**. *Appendix 1.5 Part A and B* provides details of receipts and disbursements as well as the overall fiscal position during 2011-12. Projections of the Thirteenth Finance Commission (ThFC), the Fiscal Correction Path (FCP) and the Mid-Term Fiscal Policy Statement (MTFPS) for the year 2011-12 are given in *Appendix 1.6*.

Finances of State Government

Table 1.1: Summary of the current year's fiscal transactions

(₹ in crore)

	Receipts			Disbursements			
	2010-11	2011-12		2010-11	2011-12		
				Non-Plan	Plan	Total	
Section A: Revenue							
Revenue Receipts	25,563.67	30,557.59	Revenue Expenditure	28,310.19	24,222.90	7,791.99	32,014.89
Tax revenue	16,790.37	20,399.46	General Services	9,328.14	10,155.47	64.36	10,219.83
Non-tax revenue	3,420.93	4,721.65	Social Services	10,904.08	7,092.54	5,549.13	12,641.67
Share of Union Taxes/Duties	2,301.75	2,681.55	Economic Services	7,996.73	6,875.47	2,178.50	9,053.97
Grants from Government of India	3,050.62	2,754.93	Grants-in-aid and Contributions*	81.24	99.42	-	99.42
Section B : Capital							
Miscellaneous Capital Receipts	8.00	9.24	Capital Outlay	4,031.10	1,018.17	4,354.17	5,372.34
Recoveries of Loans and Advances	233.05	294.12	Loans And Advances Disbursed	721.87	262.86	364.21	627.07
Public Debt Receipts**	9,842.73	10,766.83	Repayment of Public Debt**	3,971.08	-	-	4,037.14
Contingency Fund	192.83	167.52	Contingency Fund	192.83	-	-	167.52
Public Account Receipts	16,594.62	19,259.75	Public Account Disbursements	15,324.41	-	-	17,051.18
Opening Cash Balance	493.42	376.84	Closing Cash Balance	376.84	-	-	2,161.75
Total	53,928.32	61,431.89	Total	53,928.32			61,431.89

(Source: State Finance Accounts of the respective years.)

* Compensation and assignment to local bodies and Panchayati Raj Institutions.

** Excluding transactions of Ways and Means Advances i.e. ₹ 974.27 crore receipt and ₹ 974.27 crore payment.

The following are the major changes in fiscal transactions during 2011-12 over the previous year:

- Increase in revenue receipts by ₹ 4,994 crore (20 per cent) was contributed by increase in tax revenue by ₹ 3,609 crore (22 per cent) and non-tax revenue by ₹ 1,301 crore (38 per cent). Share of Union taxes and duties from the Government of India (GOI) increased by ₹ 380 crore (17 per cent). Grants-in-aid from GOI decreased by ₹ 296 crore (10 per cent). The State's own tax revenue was lower by 1.70 per cent of FCP (₹ 20,752 crore) but was higher by 1.13 per cent of the target fixed by Thirteenth Finance Commission (ThFC) (₹ 20,171 crore) and higher by 1.96 per cent of the projection in Mid-term Fiscal Policy Statement (MTFPS) (₹ 20,007 crore). The State's own nontax revenue (₹ 4,722 crore) was lower by 65 per cent than the target fixed by ThFC (₹ 13,397 crore), but was higher by three per cent and 10 per cent than the projection made in

Fiscal Correction Path (FCP) (₹ 4,577 crore) and MTFPS (₹ 4,287 crore) respectively for the year 2011-12 (*Appendix 1.6*).

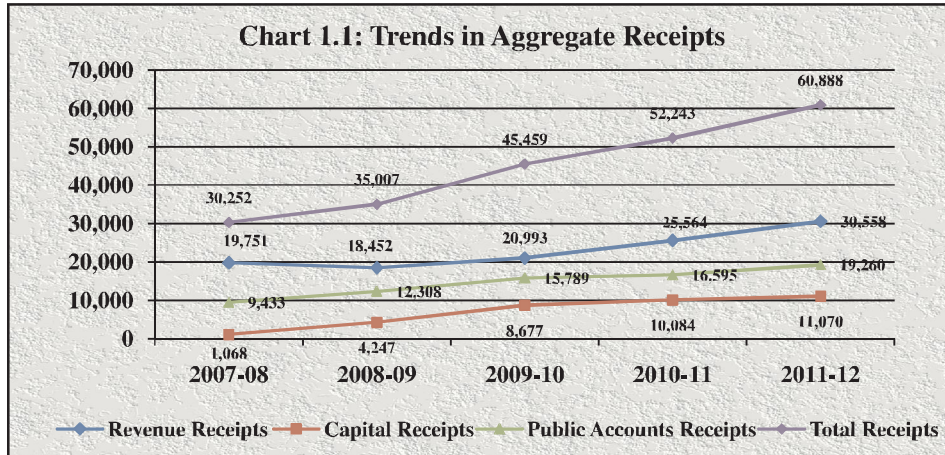
- Revenue expenditure increased by ₹ 3,705 crore (13 *per cent*) as a result of increase in expenditure on social services (₹ 1,738 crore), economic services (₹ 1,057 crore) and general services (₹ 892 crore). The Non-Plan Revenue expenditure (NPRE) (₹ 24,223 crore) was lesser by ₹ 638 crore (three *per cent*) than the projections made by the Government in MTFPS (₹ 24,861 crore) but was higher by ₹ 733 crore (three *per cent*) and ₹ 7,049 crore (41 *per cent*) than the projections made in FCP (₹ 23,490 crore) and the normative assessment in ThFC (₹ 17,174 crore) respectively (*Appendix 1.6*).
- Capital expenditure increased by ₹ 1,341 crore (33 *per cent*) mainly on account of increase in economic services (₹ 1,168 crore) and social services (₹ 137 crore).
- Recovery of loans and advances increased by ₹ 61 crore (26 *per cent*) during 2011-12.
- Public debt receipts and repayment of public debt increased by ₹ 924 crore (nine *per cent*) and by ₹ 66 crore (two *per cent*) respectively resulting in net increase of ₹ 858 crore in public debt receipts.
- While Public Account receipts increased from ₹ 16,595 crore in 2010-11 to ₹ 19,260 crore in 2011-12 and their disbursements increased from ₹ 15,324 crore in 2010-11 to ₹ 17,051 crore in 2011-12.
- The cash balance of the Government at the close of 2011-12 increased by ₹ 1,785 crore over the previous year and stood at ₹ 2,162 crore.

▶ 1.2 Resources of the State

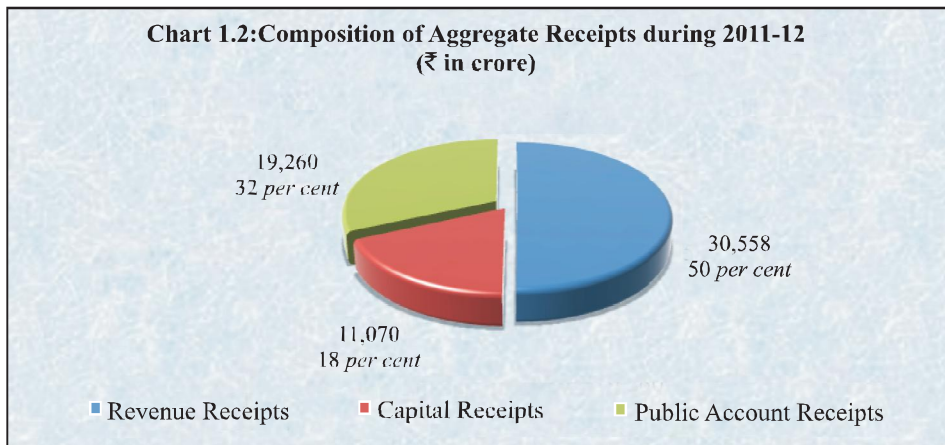
1.2.1 Resources of the State as per Finance Accounts 2011-12

Revenue receipts and capital receipts are the resources of the Government. **Table 1.1** presents the receipts and disbursements of the Government during 2011-12 as per Finance Accounts 2011-12 while **Chart 1.1** depicts the trends of various components of the receipts of the Government during 2007-12. **Chart 1.2** depicts the composition of resources of the Government during 2011-12.

Finances of the State Government



(Source: State Finance Accounts of the respective years.)



(Source: State Finance Accounts of the respective years)

The total receipts of the Government increased by ₹ 30,636 crore, (101 per cent) from ₹ 30,252 crore in 2007-08 to ₹ 60,888 crore in 2011-12. While Revenue receipts increased by ₹ 10,807 crore (55 per cent), Capital receipts including recovery of loans and advances and public debt increased by ₹ 10,002 crore (937 per cent) and Public Account receipts increased by ₹ 9,827 crore (104 per cent) during the same period. The share of revenue receipts in the total receipts decreased from 65 per cent in 2007-08 to 50 per cent in 2011-12. The share of the Public Account in the total receipt registered moderate increase from 31 to 32 per cent whereas the share of capital receipts including debt increased from 4 per cent to 18 per cent during the same period.

1.2.2 Funds transferred to State Implementing Agencies outside the State Budget

GOI has been transferring a sizeable quantum of funds directly to State agencies for the implementation of various flagship schemes/programmes in the social and economic sectors. As these funds are not routed through the State Budget/State Treasury System, the Annual Accounts do not capture the flow of these funds and to that extent, the State's receipts and expenditure as well as other fiscal variables/ parameters derived from them are understated. To have a holistic picture on the availability of aggregate resources, funds directly transferred to State implementing agencies during 2010-11 and 2011-12 are presented in **Table 1.2**.

Table-1.2: Funds transferred directly to State Implementing Agencies

(₹ in crore)

Sr. No.	Programme/Scheme	Implementing Agency in the State	Central Share	
			2010-11	2011-12
1.	Members of Parliament Local Area Development Scheme	District Rural Development Agency (DRDA)	23.09	35.86
2.	National Rural Employment Guarantee Scheme	DRDA	141.12	316.74
3.	Indira Awas Yojana	DRDA	59.75	80.61
4.	Swaranjayanti Gram Swarojgar Yojana	DRDA	28.04	34.94
5.	Desert Development Programme	DRDA	22.51	33.26
6.	Integrated Wasteland Development Programme	DRDA	3.06	5.87
7.	District Rural Development Agency (Administration)	DRDA	18.31	23.08
8.	Backward Region Grant Fund	DRDA	26.75	26.60
9.	Sarva Shiksha Abhiyan	Shiksha Sadan Society	419.52	767.96
10.	National Programme for Education of Girls at Elementary Level	Shiksha Sadan Society	1.72	1.72
11.	Kasturba Gandhi Bal Vidyalya	KGBV	0.85	2.26
12.	National Rural Health Mission	Haryana State Health and Family Welfare Society	250.91	276.10
13.	National Horticulture Mission	NA	51.50	76.39
14.	Pradhan Mantri Gram Sadak Yojana	NA	157.75	61.00
15.	Mid Day Meal		103.96	267.32
	Total		1,308.84	2,009.71

(Source: Information supplied by concerned departments.)

Table 1.2 shows that the funds transferred directly to the State implementing agencies (Central share) increased by 54 per cent during 2011-12. The increase was observed mainly in Sarva Shiksha Abhiyan: ₹ 348.44 crore (83 per cent), National Rural Employment Guarantee Scheme: ₹ 175.62 crore (124 per cent) and Mid Day Meal: ₹ 163.36 crore (157 per cent). However, the transfer of funds decreased by

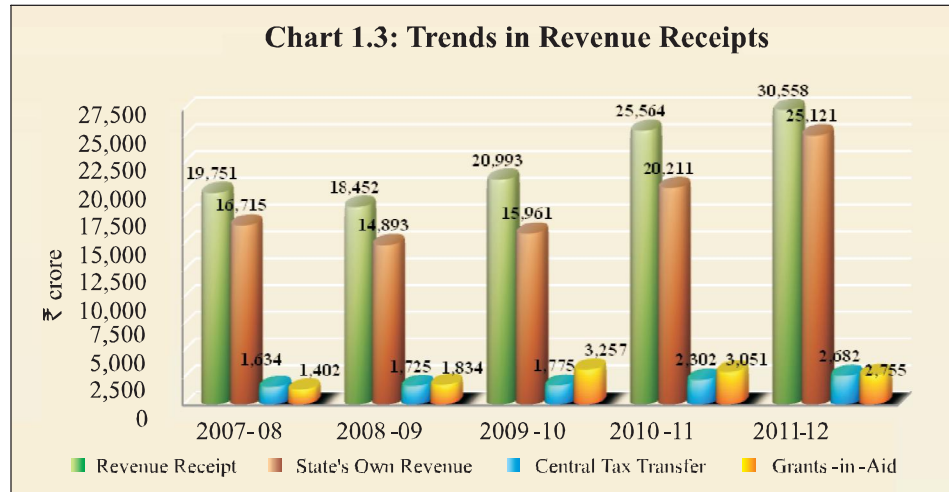
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₹96.75 crore (61 per cent) under Pradhan Mantri Gram Sadak Yojana.

As the funds are not routed through the Government accounts, the direct transfer of funds from GOI to the State implementing agencies runs the risk of oversight of maintenance of accounts and utilisation of funds by these agencies. Uniform accounting practices are not being followed by all these agencies, and proper documentation was not in place and as a result timely reporting about the status of expenditure by these implementing agencies was not being done. The expenditure in the Finance Accounts was understated to that extent.

1.3 Revenue Receipts

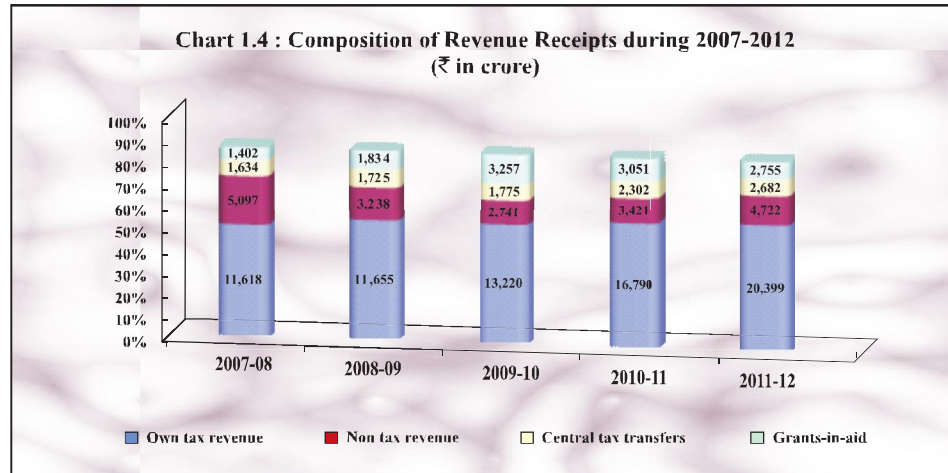
Statement 11 of the Finance Accounts provides details of revenue receipts of the Government. The revenue receipts consist of the State's own tax and non-tax revenues, Central tax transfers and grants-in-aid from GOI. The trends and composition of revenue receipts over the period 2007-12 are presented in *Appendix 1.4* and also depicted in **Charts 1.3 and 1.4** respectively.



(Source: State Finance Accounts of the respective years.)

The Revenue Receipts of the State increased by 55 per cent during the period from 2007-08 to 2011-12. The State's own revenue, grants-in-aid from GOI and the central tax transfers increased by 50 per cent, 97 per cent and 64 per cent respectively during the same period. The share of the State's own revenue (tax revenue and non-tax revenue) in the total revenue decreased from 85 per cent in 2007-08 to 82 per cent in 2011-12, mainly due to decrease in non-tax revenue from ₹ 5,097 crore in 2007-08 to ₹ 4,722 crore in 2011-12. The share of grants-in-aid from GOI and central tax transfers increased from seven and eight per cent in 2007-08 to nine per cent each in 2011-12.

The compound annual growth rate of revenue receipts at 14.49 per cent during 2002-03 to 2010-11 was less than the growth rate of other general category states (16.86 per cent). This increased to 15.03 per cent during 2002-03 to 2011-12 (*Appendix 1.1*).



(Source: State Finance Accounts of the respective years.)

The trends in revenue receipts relative to GSDP at current prices are presented in **Table 1.3**.

Table 1.3: Trends in Revenue Receipts relative to GSDP

	2007-08	2008-09	2009-10	2010-11	2011-12
Revenue receipts (RR) (₹ in crore)	19,751	18,452	20,993	25,564	30,558
Rate of growth of RR (<i>per cent</i>)	10.02	(-6.58)	13.77	21.77	19.54
RR/GSDP (<i>per cent</i>)	13.03	10.11	9.45	9.68	9.88
Buoyancy ratios					
Revenue buoyancy with reference to GSDP	0.564	(-)0.323	0.636	1.148	1.142
State's Own Tax Buoyancy with reference to GSDP	0.355	0.016	0.620	1.424	1.257
GSDP (₹ in crore)	1,51,607	1,82,502	2,22,031	2,64,149	3,09,326
Growth rate of GSDP	17.76	20.38	21.66	18.97	17.10

(Source: State Finance Accounts of the respective years.)

The growth rate of revenue receipts which declined from 10.02 per cent in 2007-08 to (-) 6.58 per cent in 2008-09 has shown some improvement during 2009-10 and 2010-11 by rising to 21.77 per cent but it again decreased to 19.54 per cent during 2011-12. The percentage ratio of revenue receipts to GSDP has also decreased from 13.03 per cent in 2007-09 to 9.88 in 2011-12. The State's own tax buoyancy with reference to GSDP which increased from 0.355 in 2007-08 to 1.424 in 2010-11, decreased to 1.257 in 2011-12 and the revenue buoyancy with reference to the GSDP which also increased from 0.564 in 2007-08 to 1.148 in 2010-11 decreased to 1.142 in 2011-12.

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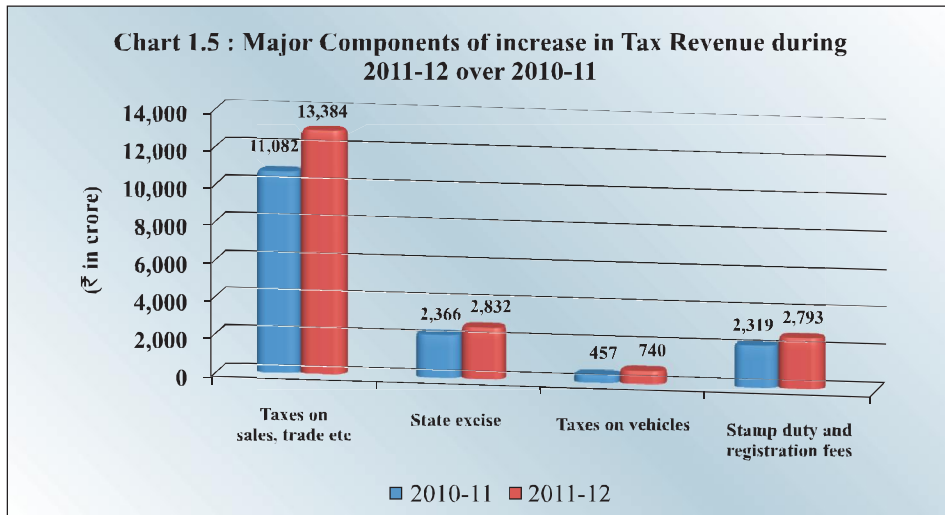
The growth rate of GSDP witnessed increasing trends upto 2009-10 but has declined from 21.66 *per cent* in 2009-10 to 18.97 *per cent* in 2010-11 and further declined to 17.10 *per cent* in 2011-12. The decline in growth rate was attributed to declining growth rate of Secondary Sector GSDP (22.4 *per cent* in 2009-10 to 14.5 *per cent* in 2011-12) and Tertiary Sector GSDP (26.5 *per cent* in 2009-10 to 19 *per cent* in 2011-12).

1.3.1 State's Own Resources

As the State's share in central taxes and grants-in-aid is determined on the basis of recommendations of the Finance Commission, collection of central tax receipts, central assistance for plan schemes, etc. The 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. The gross collection in respect of major taxes and duties as well as the components of non-tax receipts vis-à-vis expenditure incurred on their collection and the percentage of such expenditure to the gross collection during the year 2007-08 to 2011-12 along with the respective all-India average are presented in *Appendix 1.7*.

Tax Revenue

The tax revenue increased by 22 *per cent* during 2011-12 (₹ 20,399 crore) over the previous year (₹ 16,790 crore). Component wise increase is indicated in **Chart 1.5**.



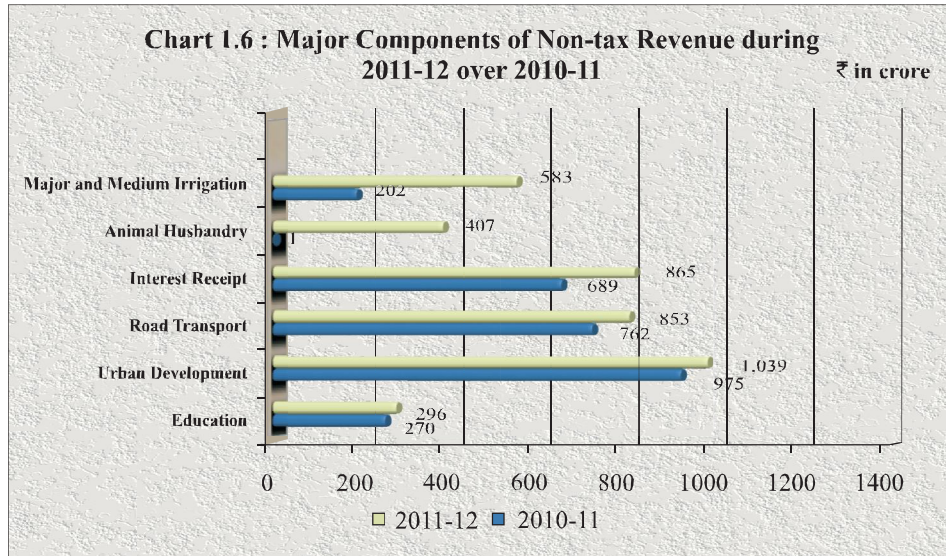
(Source: State Finance Accounts of the respective years.)

The revenue from taxes on sales, trade, etc. comprised the major share of tax revenue (66 *per cent*) and the same increased by 21 *per cent* in 2011-12 over the previous year. Receipts under stamps and registration fees and State excise increased in 2011-12 by 20 *per cent* each while taxes on vehicles increased by 62 *per cent* over 2010-11. During

2002-03 to 2010-11, the compound annual growth rate of tax revenue was 16.43 per cent was less than the growth rate of other general category States (16.74 per cent). This growth rate for the period 2002-03 to 2011-12 increased to 16.97 per cent (*Appendix 1.1*). The State's own tax revenue was lower than the projections of FCP (₹ 20,752 crore) but was higher than the projection in MTFPS (₹ 20,007 crore) the assessment by ThFC (₹ 20,171 crore).

Non-tax Revenue

Non-tax revenue (₹ 4,722 crore) constituted 15 per cent of the total revenue receipts during 2011-12, registering an increase of ₹ 1,301 crore (38 per cent) over the previous year.



(Source: State Finance Accounts of the respective years.)

Non-tax revenue relating to animal husbandry increased by ₹ 406 crore, major and medium irrigation by ₹ 381 crore and interest by ₹ 176 crore. The compound annual growth rate of non-tax revenue 8.30 per cent in 2002-03 to 2010-11 was less than the growth of other general category States (12.84 per cent). This growth rate for the period 2002-03 to 2011-12 increased to 11.24 per cent (*Appendix 1.1*). However, non-tax revenue of ₹ 4,722 crore in 2011-12 was lower than the projections of ThFC (₹ 13,397 crore) but was higher than the projection of FCP (₹ 4,577 crore) and MTFPS (₹ 4,287 crore) (*Appendix 1.6*).

Expenditure on tax collection

The expenditure on collection of tax revenue 2007-12 ranged between 0.65 and 0.86 per cent for taxes on sales, trades, etc., 1.77 and 4.09 per cent for taxes on vehicles, 0.79 and

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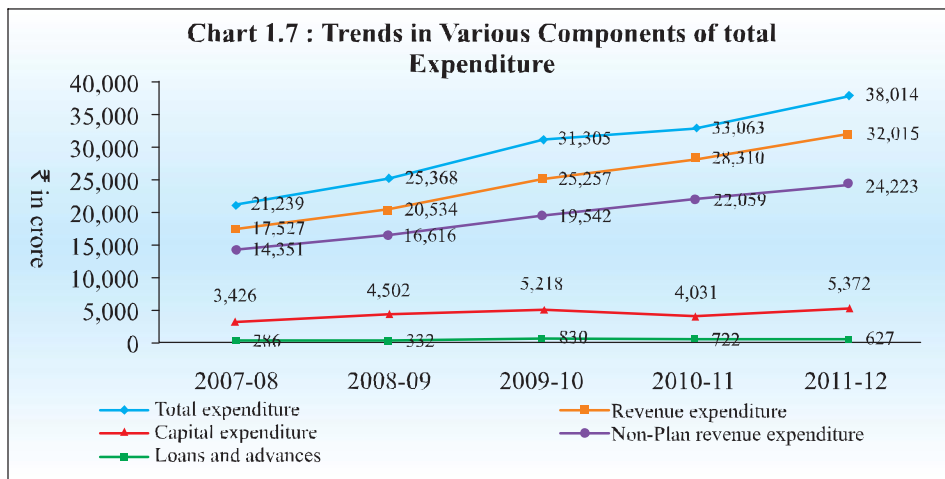
1.30 per cent for state excise, 0.20 and 1.23 per cent for stamp duty and registration fees and 0.30 and 0.50 per cent for taxes on goods and passengers (*Appendix 1.7*). The percentage of expenditure on collection charges in 2010-11 was lower than the All India Average except in case of taxes on sales, trades, etc.

1.4 Application of Resources

Analysis of the allocation of expenditure at the State Government's level assumes significance since responsibilities for incurring expenditures are entrusted with them. Within the framework of fiscal responsibility legislations, there are budgetary constraints in raising public expenditure financed by borrowings. It is, therefore, important to ensure that the ongoing fiscal correction and consolidation process at the State level is not at the cost of development expenditure or expenditures of social sectors.

1.4.1 Growth and Composition of Expenditure

Trends observed in total expenditure over a period of five years (2007-2012) are shown in **Chart 1.7**. Expenditure composition both in terms of 'economic classification' and 'activities' is depicted in **Charts 1.8 and 1.9** respectively.



(Source: State Finance Accounts of the respective years)

Table 1.4 presents the growth of capital expenditure over five years (2007-12):

Table 1.4: Growth of Capital Expenditure

(₹ in crore)

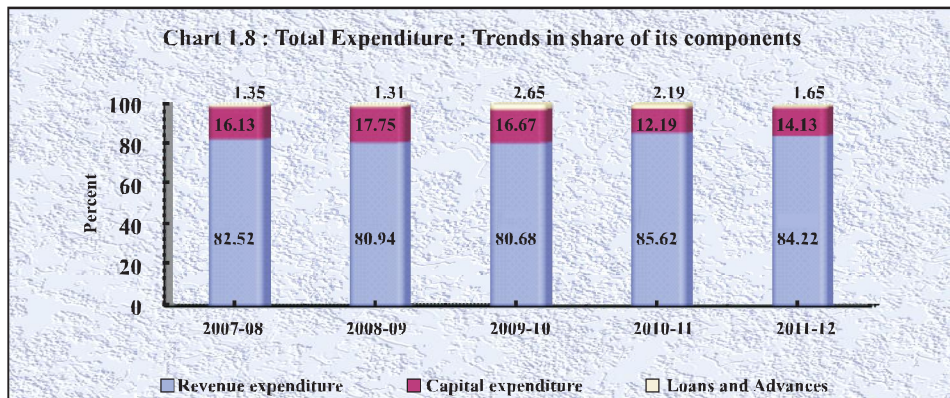
	2007-08	2008-09	2009-10	2010-11	2011-12
Capital expenditure	3,426	4,502	5,218	4,031	5,372
Growth rate (per cent)	41	31	16	(-)23	33
Percentage of total expenditure	16.13	17.75	16.67	12.19	14.13

(Source: State Finance Accounts of the respective years.)

Total expenditure increased by 79 per cent over a period of five years (2007-12). During this period, revenue expenditure increased by 83 per cent and capital expenditure by 57 per cent. The compound annual growth rate of capital expenditure of 32.05 per cent in 2002-03 to 2010-11 was more than the growth of other general category States (21.25 per cent). This growth rate for the period 2002-03 to 2011-12 increased to 32.15 per cent (Appendix 1.1).

Disbursement of loans and advances also increased by 119 per cent during the period from 2007-08 to 2011-12. However, the share of NPRE in total expenditure decreased from 68 per cent in 2007-08 to 64 per cent in 2011-12.

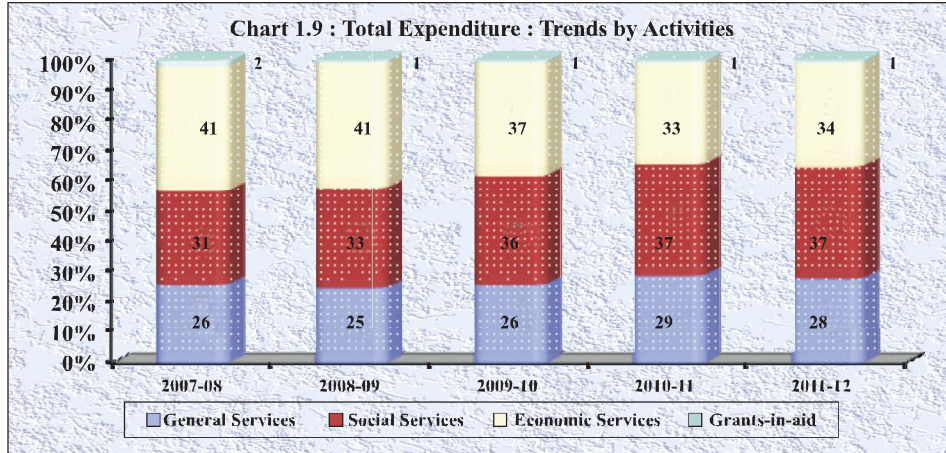
The compound annual growth rate of total expenditure of 15.79 per cent in 2002-03 to 2010-11 was more than the growth of other general category States (14.58 per cent). This growth rate for the period 2002-03 to 2011-12 decreased to 15.68 per cent. The total expenditure ₹ 38,014 crore during 2011-12 was increased by 15 per cent over the previous year. The bifurcation of total expenditure into Plan and Non-Plan expenditure revealed that the share of Plan and Non-Plan expenditure was in the ratio of 33 and 67 per cent.



(Source: State Finance Accounts of the respective years)

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The share of revenue expenditure in total expenditure increased from 82.52 per cent in 2007-08 to 84.22 per cent in 2011-12, while the share of capital expenditure in total expenditure decreased from 16.13 per cent in 2007-08 to 14.13 per cent in 2011-12. The share of loans and advances disbursed increased from 1.35 per cent in 2007-08 to 1.65 per cent in 2011-12. The ratio of NPRE to total expenditure decreased from 67.57 per cent to 63.72 per cent over the year 2010-11. The ratio of NPRE to GSDP decreased from 9.47 per cent to 7.83 per cent.



(Source: State Finance Accounts of the respective years.)

The movement of relative shares of various components of expenditure indicated that while the share of general services including interest payments increased from 26 per cent in 2007-08 to 28 per cent in 2011-12, the share of economic services decreased from 41 per cent in 2007-08 to 34 per cent in 2011-12. The combined share of social and economic services which represented development expenditure also decreased from 72 per cent in 2007-08 to 71 per cent in 2011-12.

Revenue expenditure of the State increased by 13 per cent from ₹ 28,310 crore in 2010-11 to ₹ 32,015 crore in 2011-12, mainly due to increase in expenditure on general services (₹ 892 crore). More expenditure was incurred mainly on pension (₹ 110 crore) and interest payments (₹ 682 crore). The expenditure on social services also increased by ₹ 1,738 crore over the previous year due to more expenditure mainly on education, sports, art and culture (₹ 392 crore) water supply, sanitation, housing and urban development (₹ 1,101 crore). The break-up of revenue expenditure into NPRE (76 per cent) and Plan revenue expenditure (PRE) (24 per cent) showed that the proportionate share of NPRE was substantially higher than the PRE. The total increase of ₹ 3,705 crore in revenue expenditure comprised of ₹ 2,164 crore and ₹ 1541 crore in NPRE and PRE respectively.

The NPRE in 2011-12 at ₹ 24,223 crore was higher than the normative assessment of ThFC (₹ 20,360 crore) and the projection of FCP (₹ 23,490 crore) but was within the projection of MTFPS (₹ 24,861 crore) (*Appendix 1.6*).

1.4.2 Committed Expenditure

The committed expenditure of the Government on its revenue account mainly consists of interest payments, salaries and wages, pensions and subsidies. The trends of expenditure on these components during 2007-12 are presented in **Table 1.5** and **Chart 1.10**.

Table 1.5: Components of committed expenditure

(₹ in crore)

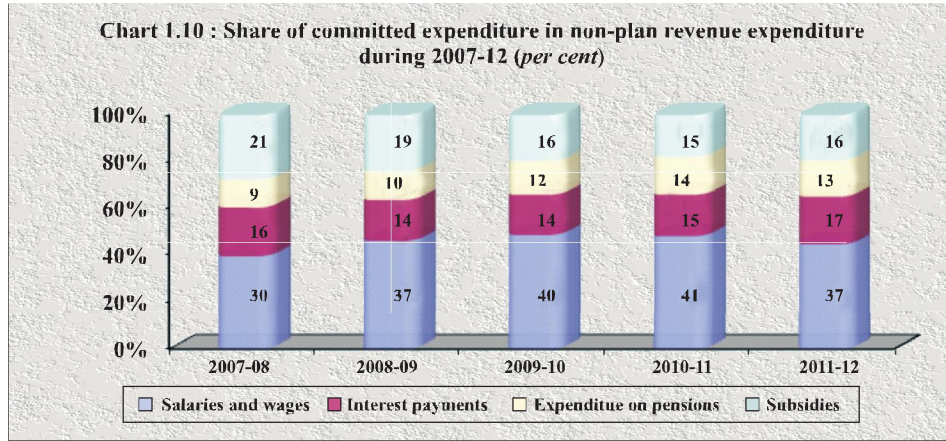
Component of committed Expenditure	2007-08	2008-09	2009-10	2010-11	2011-12	
					Budget estimates	Actual
Salaries and wages, of which	4,566 (23)	6,546 (35)	8,440 (40)	9,809 (38)	10,163 (32)	9,960* (33)
Non-Plan Head	4,292	6,069	7,746	8,974	9,283	9,070
Plan Head **	274	477	694	835	880	890
Interest Payments	2,346 (12)	2,339 (13)	2,737 (13)	3,319 (13)	4,380 (14)	4,001 (13)
Expenditure of pension	1,298 (7)	1,614 (9)	2,390 (11)	3,094 (12)	3,250 (10)	3,204 (10)
Subsidies	3,057 (15)	3,190 (17)	3,089 (15)	3,285 (13)	3,849 (12)	3,853 (13)
Total	11,267	13,689	16,656	19,507	21,642	21,018

(Source: State Finance Accounts of the respective years and information supplied by office of Principal Accountant General (Accounts and Entitlement).

Note: Figures in parentheses indicate a percentage to revenue receipts.

* Includes wages of ₹ 80.84 crore.

** Plan head also includes the salaries and wages paid under centrally sponsored schemes.



(Source: State Finance Accounts of the respective years.)

Salaries and wages

Salaries and wages (₹ 9,960 crore) increased by 118 *per cent* during the period from 2007-08 to 2011-12. The compound annual growth rate of expenditure on salaries and wages at 15.92 *per cent* in 2002-03 to 2010-11 was more than the growth of other general category States (13.43 *per cent*). This growth rate for the period 2002-03 to 2011-12 decreased to 14.21 *per cent* (*Appendix 1.1*). The expenditure on salaries and wages was higher than the State's own FCP (₹ 8,760 crore) and projection of ThFC (₹ 6,843 crore) but was within the projections of MTFPS of the Government (₹ 10,280 crore) (*Appendix 1.6*).

Interest payments

Interest payments (₹ 4,001 crore) increased by 71 *per cent* over a period of five year (2007-12). During 2011-12, there was an increase of ₹ 682 crore (21 *per cent*) over the previous year. The percentage of interest payments to revenue receipts remained almost constant during 2007-12. Interest payments during 2011-12 were within the projections of FCP (₹ 4,125 crore), the projections of MTFPS (₹ 4,345 crore) and the assessment of ThFC (₹ 4,007 crore) for the year 2011-12 (*Appendix 1.6*).

Pension payments

Pension payments (₹ 3,204 crore) increased by 147 *per cent* during the period from 2007-08 to 2011-12 but its percentage to revenue receipts increased from seven in 2007-08 to 10 in 2011-12. The compound annual growth rate of expenditure on pension at 19.46 *per cent* in 2002-03 to 2010-11 was more than the growth of other general category States (16.89 *per cent*). This growth rate for the period 2002-03 to 2011-12 decreased to 17.56 *per cent* (*Appendix 1.1*). The expenditure on pension payments in

2011-12 was higher than the assessments of ThFC (₹ 2,133 crore) but was less than the projections of FCP at ₹ 3250 crore (*Appendix 1.6*). To meet the increasing pension liabilities, a new Contributory Pension Scheme was introduced by the State with effect from 1 January 2006.

Subsidies

Payment on subsidies increased by ₹ 796 crore (26 per cent) from ₹ 3,057 crore in 2007-08 to ₹ 3,853 crore in 2011-12, which was 13 per cent of the revenue receipts. Out of the total subsidies of ₹ 3,853 crore, ₹ 3,585 crore (93 per cent) was for the power and energy sectors. The actual total subsidy to the power and energy sector was higher than the projection in FCP (₹ 3,321 crore). The balance subsidy at ₹ 268 crore was within the projections made in MTFPS (₹ 449 crore) (*Appendix 1.6*).

Total committed expenditure

The total expenditure (₹ 17,084 crore) on salary, interest and pension payments was higher by ₹ 949 crore (six per cent) than the projections of FCP (₹ 16,135 crore) and accounted for 56 per cent of the revenue receipts as against 52 per cent projected in the FCP. The four components, i.e. salary and wages, interest, pension payment and subsidies constituted about 83 per cent of the NPPE during 2011-12.

1.4.3 Financial Assistance by State Government to Local Bodies and other institutions

The quantum of assistance provided by way of grants and loans to local bodies and other institutions during the period 2007-08 to 2011-12 is given in **Table 1.6**.

Table 1.6: Financial assistance to local bodies, etc.

(₹ in crore)

	2007-08	2008-09	2009-10	2010-11	2011-12		
					Budget estimate	Actual	Percentage of variation
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	459.65	538.49	446.03	741.79	1,120.75	648.39	(-)42
Municipal Corporations and Municipalities	103.22	464.45	306.24	291.43	897.89	894.67	
Zila Parishads and Other Panchayati Raj Institutions	93.88	412.16	366.26	267.83	842.25	722.40	(-)14
Development Agencies	520.33	268.75	333.48	388.23	501.32	480.96	(-)4
Hospitals and other Charitable Institutions	49.46	46.80	125.79	211.97	376.10	357.67	(-)5
Other Institutions	345.05	322.72	368.89	322.21	245.59	201.92	(-)18
Total	1,571.59	2,053.37	1,946.69	2,223.46	3,983.90	3,306.01	(-) 17
Assistance as percentage of Revenue Expenditure	9	10	8	8		10	

(Source: Information supplied by Principal Accountant General (Accounts and Entitlement).)

Finances of the State Government

Financial assistance to local bodies and other institutions increased from ₹ 1,571.59 crore in 2007-08 to ₹ 3,306.01 crore, constituting 10 per cent of the revenue expenditure during 2011-12. The increase of ₹ 1082.55 crore (49 per cent) over the previous year was mainly due to increase in assistance to Municipal Corporations and Municipalities (₹ 603.24 crore), Zila Parishads and Other Panchayati Raj Institutions (₹ 454.57 crore), Hospitals and other Charitable Institutions (₹ 145.70 crore) and Development Agencies (₹ 92.73 crore). The assistance to Educational institutions and other institutions decreased by ₹ 93.40 crore and ₹ 120.29 crore respectively. Against the estimated release of ₹ 3,983.90 crore, ₹ 3,306.01 crore was released. The decrease in the actual release to development agencies, educational institutions, hospitals and other charitable institutions and *Zila Parishads* and other *Panchayati Raj* institutions as against the budget estimate ranged between 4 and 42 per cent.

Devolution of functions, funds and accounting, auditing and reporting arrangements in local bodies

Panchayati Raj Institutions

In order to ameliorate the conditions of people living in the rural areas and in pursuance of 73rd Constitutional Amendment Act, 1992, the Government of Haryana has enacted the Haryana Panchayati Raj Act, 1994 with a view to decentralize powers and strengthen the three tier structures of local governing bodies at the district, block and village levels. As on 31 March 2011, there were 21 Zila Parishads (ZPs), 119 Panchayat Samitis (PSs) and 6,155 Gram Panchayats (GPs) functioning in the State. Elections of Gram panchayats were held in June-July 2010.

Devolution of Functions

The 73rd Constitutional Amendment Act, 1992 envisaged devolution of funds, functions and functionaries to the Panchayati Raj Institutions (PRIs) to make them fiscally capable and autonomous. The State has devolved all 29 functions included in the Eleventh Schedule of the Constitution, to the three levels of Panchayats through inclusion in the schedules to the Panchayati Raj Act, 1994. Out of 29 functions, 10 functions are being performed by the PRIs as detailed below:

Sr. No.	Functions entrusted and transferred to PRIs
1.	Distribution of Essential Commodities (PDS)
2.	Health, Planning, Social monitoring
3.	Development of water supply system
4.	Welfare of the disabled, financial assistance to orphans, children suffering from destitution, welfare of the aged, widow pension
5.	Irrigation
6.	Development of live stocks, veterinary services, feeding and fodder including support during natural calamities
7.	Construction, repair, maintenance of school buildings
8.	Integrated Child Development Scheme, Immunization, Nutrition Programme, Health checkup camps, Reference service, Women empowerment and other schemes
9.	Agriculture extension services
10.	Plantation

Funds and accounting

For execution of various development works, the PRIs mainly receive funds from GOI and the State Government in the form of grants. The GOI grants include grants assigned under the recommendations of Twelfth and Thirteenth Finance Commission. The State Government grants are received under the recommendations of State Finance Commission (SFC). During the year 2010-11 for implementation of 10 schemes PRIs incurred expenditure of ₹ 549.90 crore out of total available funds of ₹ 680.21 crore. State Government is yet to adopt Model Accounting Structure 2009, developed by Ministry of Panchayati Raj (MOPR) in consultation with CAG.

Auditing and reporting

Directorate, Local Fund Audit, Haryana is responsible for conducting the audit of PRI units. After conducting audit, inspection reports (IRs) are issued to the concerned PRIs which furnish the replies to the IRs. As per request of the State Government, audit of PRIs is being conducted by the Principal Accountant General (Audit), Haryana, Chandigarh since October 2009, under Section 20 (1) of the Comptroller and Auditor General's (Duties, Powers and Condition of service) Act, 1971 with a view to provide technical guidance and support.

The records of accounts of six ZPs, 31 PSs and 731 GPs for the year 2009-10 were test-checked during 2010-11. The work of Certification of Accounts of PRIs has not been entrusted to the Principal Accountant General (Audit) Haryana.

Urban Local Bodies

Seventy fourth amendment of the Constitution envisaged three levels of Urban Local Bodies (ULBs) (Municipal Corporations, Municipal Councils and Municipal Committees). The State Government entrusted 18 functions to local bodies for ensuring proper and planned growth of cities and towns with adequate infrastructure and basic amenities. The latest elections of ULBs in Haryana were held in May 2010. There are eight Municipal Corporations, 15 Municipal Councils and 55 Municipal Committees in the State. The Government of Haryana has entrusted 18 functions to ULBs. Out of these, 12 functions have been transferred to ULBs as per list given below and six functions could not be transferred due to administrative and technical reasons.

Finances of the State Government

Details of functions entrusted to ULBs

Sr. No.	Functions entrusted and transferred to ULBs
1.	Regulation of land use and construction of buildings
2.	Roads and bridges
3.	Water supply- Domestic, Industrial and commercial
4.	Public health sanitation, conservancy and Sewerage Water Maintenance
5.	Fire services
6.	Slum improvement and upgradation
7.	Provision of urban amenities and facilities-parks, gardens and play grounds
8.	Burials and burial grounds, cremations, cremation grounds and electric crematoriums
9.	Cattle Ponds, prevention of cruelty to animals
10.	Vital statistics including registration of births and deaths
11.	Public amenities including street lighting, parking lots, bus stops and public conveniences
12.	Regulation of slaughter houses and tannery

Funds and Accounting

For execution of various development works, the ULBs receive funds from the GOI and the State Government in the form of grants. The GOI grants include grants assigned under the recommendations of 12th Finance Commission. The State Government grants are received through devolution of net proceeds of the total tax revenue under the recommendation of (State Finance Commission) SFC. Besides, ULBs mobilize funds in the form of taxes, rent, fees, issue of licenses, etc. The maintenance of accounts of Municipal Committees, Municipal Councils and Municipal Corporations is governed by the Municipal Account Code, 1930.

Auditing and Reporting

Director, Local Audit, Haryana is a statutory Auditor and conducts Internal Audit of all Municipal Corporations, Municipal Councils and Municipal Committees. The Eleventh Finance Commission (EFC) recommended that the CAG should be entrusted with the responsibility of exercising control and supervision over the proper maintenance of accounts and audit for all the three tiers of ULBs. Based on the recommendations of EFC, the State Government entrusted (August 2008) the test audit of ULBs to Comptroller and Auditor General of India under Section 20(I) of the Comptroller and Auditor General's (Duties, Powers and Conditions of service) Act, 1971. The work of Certification of Accounts of ULBs has not been entrusted to the Principal Accountant General (Audit) Haryana.

1.5 Quality of Expenditure

The availability of better social and physical infrastructure in the State generally reflects the quality of its expenditure. The improvement in the quality of expenditure basically involves three aspects, viz., adequacy of the expenditure (i.e. adequate provision for providing public services); efficiency of expenditure and use and effectiveness of expenditure (assessment of outlay-outcome relationships for selected services).

1.5.1 Adequacy of Public Expenditure

The responsibilities to incur expenditure on social sector and the economic infrastructures are assigned to the State Governments. Enhancing human development levels require States to step up their expenditure on key social services like education, health, etc. Low fiscal priority (ratio of expenditure category to aggregate expenditure) is attached to a particular sector, if it is below the respective national average. **Table 1.7** analyses the fiscal priority and fiscal capacity of the Government with regard to development expenditure, social sector expenditure and capital expenditure during 2011-12.

Table-1.7: Fiscal Priority and Fiscal Capacity of the State in 2008-09 and 2011-12

Fiscal Priority of the State	AE/GSDP [#]	DE#/AE	SSE/AE	CE/AE	Education/AE	Health/AE
*General Category States' Average (Ratio) 2008-09	17.00	67.09	34.28	16.47	15.41	3.97
Haryana's Average (Ratio) 2008-09	13.90	73.89	32.99	17.74	15.55	3.03
General Category States Average (Ratio) 2011-12	16.09	66.44	36.57	13.25	17.18	4.30
Haryana Average (Ratio)* 2011-12	12.29	71.53	36.85	14.13	16.74	3.28

* General Category States exclude three states i.e. Delhi, Goa and Puducherry.
 @As per cent of GSDP
 AE: Aggregate Expenditure DE: Development Expenditure SSE: Social Sector Expenditure, CE: Capital Expenditure.
 # Development expenditure includes Development Revenue Expenditure, Development Capital Expenditure and Loans and Advances disbursed.
 Source for GSDP: Information was collected from the State's Directorate of Economics and Statistics.

Table 1.7 shows the comparison of fiscal priorities given to different categories of expenditure of the State in 2008-09 and the current year i.e. 2011-12.

Fiscal Priority:

- Aggregate expenditure of Haryana as a ratio of GSDP was lower in both years 2008-09 and 2011-12 as compared to general category States.

¹. General Category States States other than 11 States termed as Special Category States (Arunachal Pradesh, Assam, Jammu and Kashmir, Himachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura and Utrakhand)

Finances of the State Government

- Government gave adequate fiscal priority to DE in 2008-09 and 2011-12, as its ratio to AE was higher than the average ratio of other general category States.
- The ratio of SSE to AE in 2008-09 was lower than the corresponding ratio for other general category States, but the Government gave due priority to this sector in 2011-12 as its ratio to AE was higher than the ratio of other general category States.
- The ratio of CE to AE was higher than the ratio of other general category States in 2008-09 and 2011-12.
- The ratio of expenditure on education expenditure to AE was lower than other general category States in 2011-12.
- The priority given to health in Haryana was lower than in other general category States in 2008-09 and 2011-12. General fiscal priority needs to be given to health by the Government.

1.5.2 Efficiency of Expenditure

In view of the importance of public expenditure on development heads, it is important for the Government to take appropriate expenditure rationalisation measures and lay emphasis on provision of funds for core public and merit goods apart from improving the allocation towards development expenditure, the efficiency of expenditure is reflected by the ratio of capital expenditure to total expenditure (and/or GSDP) and the proportion of revenue expenditure being spent on operation and maintenance of the existing social and economic services. The higher the ratio of these components to the total expenditure (and/or GSDP), the better would be the quality of expenditure. **Table 1.8** presents the trends in development expenditure relative to the aggregate expenditure of the State during the period 2007-08 to 2011-12.

Table 1.8: Development expenditure

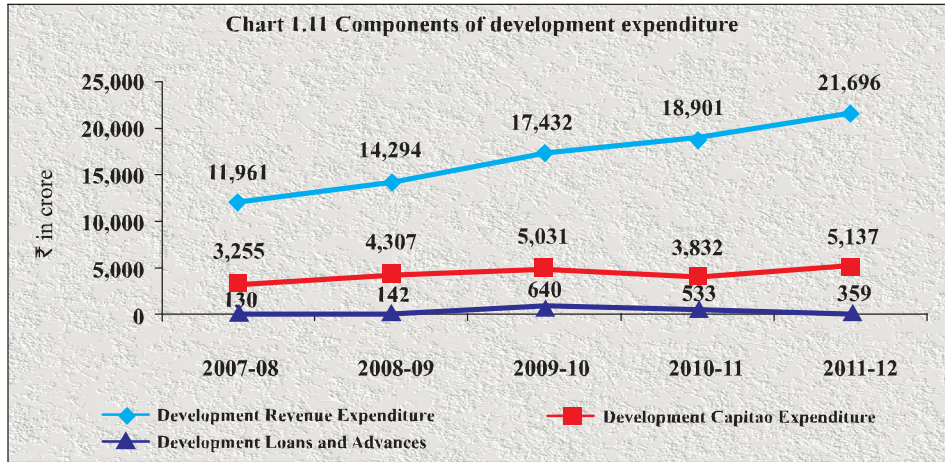
(₹ in crore)

Component of development expenditure	2007-08	2008-09	2009-10	2010-11	2011-12	
					Budget Estimate	Actual
Development expenditure (a to c)	15,346(72)	18,743(74)	23,103(74)	23,266(70)	29,037(72)	27,192(72)
a. Development revenue expenditure	11,961(56)	14,294(56)	17,432(56)	18,901(57)	23,892(59)	21,696(57)
b. Development capital expenditure	3,255(15)	4,307(17)	5,031(16)	3,832 (12)	4,451(11)	5,137(14)
c. Development loans and Advances	130(0.61)	142(0.56)	640(2)	533 (1)	694(2)	359(1)

(Source: State Finance Accounts of the respective years.)

(Note: Figures in parentheses indicate percentage of aggregate expenditure.)

Chart 1.11 presents component-wise development expenditure during 2007-12



(Source: State Finance Accounts of the respective years.)

Development expenditure increased by 77 per cent during the period from 2007-08 to 2011-12. This expenditure, which constituted 72 per cent of the total expenditure increased by only ₹ 3,926 crore (17 per cent) from ₹ 23,266 crore in 2010-11 to ₹ 27,192 crore in 2011-12. Revenue expenditure constituted 80 per cent of development expenditure whereas the share of capital expenditure including loans and advances was 20 per cent. The developmental capital expenditure during the year increased by 34 per cent over previous year. Against the provision of ₹ 29,037 crore, the actual expenditure was ₹ 27,192 crore. Table 1.9 provides the details of capital expenditure and the components of revenue expenditure incurred on the maintenance of selected social and economic services.

Table 1.9 Efficiency of expenditure use in selected Social and Economic Services

Social/economic infrastructure	2010-11			2011-12		
	Ratio of	In RE, the share of		Ratio of	In RE, the share of	
	CE to TE	CE to TE	S&W	O&M	S&W	O&M
Social Services (SS)						
Education, Sports, Art and Culture	0.013	67.61	0.69	0.012	66.25	0.02
Health and Family Welfare	0.017	74.46	- ²	0.040	62.57	- ²
Water Supply, Sanitation, Housing and Urban Development	0.463	36.63	7.08	0.337	19.80	5.52
Total (SS)	0.122	63.91	1.55	0.117	54.84	1.31
Economic Services (ES)						
Agriculture and Allied Activities	0.126	46.81	1.61	0.420	43.99	2.01
Irrigation and Flood Control	0.458	49.86	7.43	0.471	44.04	8.62
Power and Energy	0.181	0.03	-	0.182	0.03	-
Transport	0.392	44.37	19.89	0.388	41.38	3.65
Total (ES)	0.278	26.10	5.78	0.329	22.68	2.27
Total (SS + ES)	0.200	46.85	3.46	0.224	40.79	1.73

(Source: State Finance Accounts of the respective years.)

TE: Total expenditure; CE: Capital expenditure; RE: Revenue expenditure; S&W: Salaries and wages; O&M: Operations and maintenance

² Less than 0.01.

Finances of the State Government

The ratio of capital expenditure on Social Services to the total expenditure decreased from 0.122 in 2010-11 to 0.117 in 2011-12, whereas the ratio of capital expenditure on Economic Services increased from 0.278 in 2010-11 to 0.329 in 2011-12.

Under Social Services, the share of expenditure on salaries and wages decreased from 63.91 *per cent* in 2010-11 to 54.84 *per cent* in 2011-12. The share of expenditure on O&M decreased from 1.55 to 1.31 *per cent* in 2011-12. Under Economic Services, the share of salaries and wages decreased from 26.10 *per cent* in 2010-11 to 22.68 *per cent* in 2011-12. The share of O&M also decreased from 5.78 *per cent* in 2010-11 to 2.27 *per cent* in 2011-12. Under Social Services and Economic Services combined, the share of salary and wages decreased from 46.85 *per cent* in 2010-11 to 40.79 *per cent* in 2011-12. The share of O&M also decreased from 3.46 *per cent* in 2010-11 to 1.73 *per cent* in 2011-12.

1.5.3 Flagship schemes: Position of expenditure

The release of money by the GOI and the Government of Haryana towards various flagship programmes on social sector, the quantum of expenditure incurred and the balance available at the end of 2011-12 are given in the **Table 1.10**

Table 1.10: Expenditure vis-à-vis availability of funds under flagship schemes implemented in Haryana

(₹ in crore)

Sr. No.	Name of the scheme	Funds received from			Total	Expenditure	Percentage of expenditure to available funds
		GOI	State Share	Other sources including opening balance			
1	National Rural Health Mission	276.10	35.00	19.73	330.83	286.01	77
2	Integrated Watershed Management Programme (Desert Development Programme)	5.84	1.52	66.35	73.71	28.74	39
3	National Rural Employment Guarantee Act	277.88	36.06	16.30	330.24	316.60	95
4	Accelerated Irrigation Benefits Programme	0.00	20.00	-	20.00	19.62	98
5	Backward Regions Grant Fund	18.67	44.51	-	63.18	32.36	51
6	Indira Awas Yojana	58.12	20.25	5.98	84.35	80.61	96
7	Sarva Shiksha Abhiyan	404.61	273	159.41	837.02	670.19	80
8	Rural Water Supply Schemes (A) Accelerated Rural Water Supply Scheme	237.74	0	145.75	383.49	345.59	93
	(B) Desert Development Programme	100.14	-	49.00	149.14	133.97	89
9	Mid-day Meal Scheme	220.14	52	43.74	315.88	311.06	88
10	Integrated Child Development Services Scheme	123.92	21.00	-	144.92	186.78	129
11	National Horticulture Mission	76.39	14.76	3.21	94.36	75.84	80
12	Pradhan Mantri Gram Sadak Yojana	60	--	55.71	115.71	60.81	52
13	Macro-Management of Agriculture including National Watershed Development Project for Rainfed Area and Extension Service	15.77	0.98	0.61	17.36	11.37	65
14	Jawahar Lal Nehru National Urban Renewal Mission		38.19	77.03	115.22	109.81	95
15	Rajiv Gandhi Gramin Vidyuti Karan Yojana	20.97	-	114.63	135.60	104.30	77
16	Accelerated Power Development and Reform Programme	-	-	65.47	65.47	9.00	14
17	National Social Assistance Programme	50.06	-	4.74	54.80	47.61	87

(Source: Finance Accounts and information collected from concerned departments.)

While utilisation of available funds under the Accelerated Power Development and Reform Programme was only 14 *per cent*, it ranged between 51 and 77 *per cent* in the case of National Rural Health Mission, Rajiv Gandhi Gramin Vidyuti Karan Yojana, Pradhan Mantri Gram Sadak Yojana, Backward Regions Grant Fund and Integrated Watershed Management Programme .

1.6 Financial Analysis of Government Expenditure and Investments

In the post-FRBM Act 2005 framework, the State is expected to keep its fiscal deficit (and borrowings) not only at low levels but also meet capital expenditure/ investment (including loans and advances) requirements. In addition, the Government needs to initiate measures to earn adequate returns on its investments, recover its cost of borrowed funds rather than bearing the same on the budget in the form of implicit subsidies and take requisite steps to infuse transparency in financial operations. This section presents a broad financial analysis of investments and other capital expenditure works undertaken by the Government during 2011-12 vis-à-vis the previous year.

1.6.1 Financial results of irrigation works

The financial results of seven irrigation projects with a capital outlay of ₹ 411.61 crore as of March 2012 showed that revenue realised from these projects during 2011-12 (₹ 573.39 crore) was 139 *per cent* of the capital outlay. After meeting the expenditures on operation and maintenance (₹ 226.27 crore) and interest charges (₹ 20.58 crore), it earned a profit of ₹ 326.54 crore, which worked out to 79 *per cent* of the capital outlay on these projects.

1.6.2 Incomplete projects

Department-wise information pertaining to incomplete projects as on 31 March 2012 is given in **Table 1.11**. Only those projects where the scheduled dates for completion are already over as of 31 March 2012 have been included under incomplete projects.

Table 1.11: Department-wise profile of incomplete projects

(₹ in crore)

Department	Number of incomplete projects	Initial budgeted cost	Revised total cost of projects	Total expenditure upto March 2012
Buildings and Roads	3	51.44	-	39.22
Irrigation	3	133.49	-	96.67
Public Health Engineering	2	49.87		49.71
Total	8	234.80	-	185.60

(Source: State Finance Accounts for 2010-11.)

The scheduled dates of completion of these projects were between April 2007 and September 2011, but these were incomplete, involving time overruns varying from six months to five years. Reasons for delay in completion of these projects were not intimated by the department.

1.6.3 Investments and returns

The Government as of 31 March 2012, had invested ₹ 6,981.91 crore in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operative societies (Table 1.12). The average return on these investments was 0.11 per cent in the last five years while the Government paid an average interest rate of 8.70 per cent on its borrowings during 2007-12.

Table 1.12: Return on investments

Investment/return/cost of borrowings	2007-08	2008-09	2009-10	2010-11	2011-12	
					Budget estimate	Actual
Investment at the end of the year (₹ in crore)	3,988.43	5,031.32	5,575.18	6,376.98	727.85	6,981.91
Return (₹ in crore)	6.05	8.27	9.60	2.48	10.70	1.64
Return (per cent)	0.15	0.16	0.17	0.04	0.15	0.02
Average rate of interest on Government borrowings (per cent)	7.43	7.82	9.29	9.22	8.49	9.73
Difference between interest rate and return (per cent)	7.28	7.66	9.12	9.18	8.34	9.71

(Source: State Finance Accounts of the respective years.)

While the Government investments increased by 75 per cent over a period of five years from 2007-08 to 2011-12, the return from investments decreased from ₹ 6.05 crore (0.15 per cent) in 2007-08 to ₹ 1.64 crore (0.02 per cent) in 2011-12. The Government paid interest at an average rate of 7.43 to 9.73 per cent on its borrowings during 2007-12, whereas, the percentage of return from investments ranged between 0.02 and 0.17 during the same period. Against the budget provision (₹ 727.97 crore) the investments were ₹ 604.93 crore during 2011-12.

Twelve Government Companies with an aggregate investment of ₹ 6,558 crore up to 2011-12 were incurring losses and their accumulated losses amounted to ₹ 7,203 crore as per the accounts furnished by these Companies upto 2011-12 (Appendix 1.8). It is pertinent to note that in 2011-12 investment of ₹ 579 crore (96 per cent) was made by the Government in the equity capital of UHBVNL (₹ 96 crore), HPGCL (₹ 183 crore) and HVPNL (₹ 300 crore). Losses of ₹ 6,632 crore in four³ power generation and distribution

³ Losses: UHBVNL (₹ 3,820 crore), DHBVNL (₹ 2,686 crore), HPGC (₹ 104 crore) and HVPN (₹ 22 crore).

companies constituted 92 *per cent* of the total losses (₹ 7,203 crore) of Government Companies during the year. The losses were mainly attributable to deficiencies in financial management, planning, implementation of projects, operations and monitoring. Thus, the Government not only needs to invest its high-cost borrowings more judiciously to get better returns, but also consider disinvesting its equity in loss making units.

ThFC had recommended that the State Government should draw up a roadmap by March 2011 for closure of non-working Public Sector Undertakings (PSUs) as well as to consider their disinvestment and privatisation. There were seven¹ non-working PSUs (all companies) as on 31 March 2012. Of these, two² PSUs were under closure but their liquidation process had not been started. The State Government had also not taken up the exercise of disinvestment, privatisation and restructuring of non-working PSUs.

1.6.4 Departmentally managed Commercial Undertakings

Activities of quasi-commercial nature are also performed by the departmental undertakings of certain Government departments. The department-wise position of the investments made by the Government up to the year for which proforma accounts were finalised, net profit/loss as well as return on capital invested in these undertakings are given in *Appendix 1.9*. The following points were observed:

- An amount of ₹ 4,269.96 crore had been invested by the Government in five undertakings at the end of the financial year upto which their accounts were finalised.
- Three undertakings earned net profit of ₹ 14.59 crore against the invested capital of ₹ 3,747.22 crore, yielding a rate of return of 0.39 *per cent*.
- Of the loss-making undertakings, Haryana Roadways incurred losses continuously for more than five years and Agriculture Department (Seed Depot Scheme) had not prepared its proforma accounts for the last 24 years.
- The accumulated losses of two³ departmental undertakings were ₹ 115.40 crore as against the total investment of ₹ 522.74 crore.

¹ (i) Haryana State Minor Irrigation (Tubewells) Corporation, (ii) Haryana State Housing Finance Corporation limited, (iii) Haryana Concast Limited, (iv) Haryana Tanneries Limited, (v) Haryana State Handloom and Handicrafts Corporation, (vi) Haryana State Small Industries and Export Corporation Limited and (vii) Haryana Minerals Limited.

² (i) Haryana State Housing Finance Corporation Limited and (ii) Haryana Concast Limited.

³ Agriculture Department (Seed Depot Scheme): ₹ 0.10 crore and Haryana Roadways: ₹ 115.30 crore.

1.6.5 Loans and advances by State Government

In addition to investments in co-operative societies, corporations and companies, the Government had also been providing loans and advances to many institutions/organisations. **Table 1.13** presents the outstanding loans and advances as on 31 March 2012 and interest receipts vis-à-vis interest payments during the last three years.

Table 1.13: Average interest received on loans and advanced by the State Government

(₹ in crore)

Quantum of loans / interest receipts / cost of borrowings	2009-10	2010-11	2011-12	
			Budget Estimate	Actual
Opening Balance	1,877	2,494		2,983
Amount advanced during the year	830	722	957	627
Amount repaid during the year	213	233	233	294
Closing Balance	2,494	2,983		3,316
<i>Of which</i> Outstanding balance for which terms and conditions have been settled	2,494	2,983		3,316
Net addition	617	489	724	333
Interest receipts	73	54	109	58
Interest receipts as percentage of outstanding Loans and advances	3.34	1.97	3.26	1.84
Interest payments as percentage of outstanding fiscal liabilities of the State Government	6.96	7.17	8.31	7.34
Difference between interest payments and interest receipts (<i>per cent</i>)	3.62	5.20		5.5

(Source: State Finance Accounts of the respective years.)

Total outstanding loans and advances as on 31 March 2012 were ₹ 3,316 crore. While the rate of interest received on the loans and advanced was 1.84 *per cent* in 2011-12 as against the weighted rate of interest of 9.73 *per cent* paid on Government borrowings during 2011-12. Interest of ₹ 58 crore received during the year on loans and advances was below the budgeted projections (₹ 109 crore). Loans amounting to ₹ 1.76 crore were outstanding against the Haryana State Minor Irrigation (Tubewells) Corporation Limited, Chandigarh which was wound up in July 2002. Further, loans totaling ₹ 88.88 crore were given to co-operative sugar mills without any recovery against previous loans.

Loans and advances (₹ 40.72 crore), given to Municipal Corporations/Improvement Trusts for providing water supply and sanitation facilities and interest of ₹ 78.14 crore as detailed in **Table 1.14** were overdue for recovery at the end of 2011-12.

Table 1.14: Overdue loans and advances and interest thereon

(₹ in crore)		
Year	Principal	Interest
Upto 2008	32.86	66.68
2009-10	2.62	3.82
2010-11	2.62	3.82
2011-12	2.62	3.82
Total	40.72	78.14

(Source: State Finance Accounts.)

Acceptances of loans of ₹ 15.38 crore in 4,139 cases were awaited from Government departments/institutions. Acceptances in 136 cases involving loans of ₹ 12.55 crore are awaited for more than 15 years while the acceptances in the remaining cases were awaited for 10 to 15 years.

The administrative departments are required to intimate to the PAG (A&E), by July each year, the arrears in recovery of principal and interest of loans for which detailed accounts are maintained by departmental officers. During 2011-12, 225 statements from 14 departmental officers were due, of which only one statement from one department was received.

1.6.6 Cash Balances and Investment of Cash Balances

Table 1.15 depicts the cash balances and investments made by the Government out of the cash balances during the year.

Table 1.15: Cash balances and Investment of Cash Balances

(₹ in crore)			
Particulars	As on 1 April 2011	As on 31 March 2012	Increase(+)/ decrease(-)
Cash balances	376.84	2,161.75	(+) 1,784.91
Investment from cash balances (a to d)	683.53	370.74	(-) 312.79
a. GOI Treasury Bills	683.53	370.74	(-) 312.79
b. GOI securities			
c. Other securities			
d. Other investments			
Fund-wise break-up of investment from earmarked balances (a to e)	1,455.13	1,837.64	(+) 382.51
a. Sinking Fund	523.85	714.97	(+) 191.12
b. Funds for developmental schemes	0.11	0.11	-
c. Funds for village reconstruction for <i>Harijan</i> uplift	2.19	2.19	-
d. State Disaster Response Fund (Calamity Relief Fund)	864.74	1,050.50	(+) 185.76
e. Guarantee Redemption Fund	64.24	69.87	(+) 5.63
Interest realised	40.59	40.64	(+) 0.05

(Source: State Finance Accounts of the respective years.)

Cash balances during the year increased from ₹ 376.84 crore to ₹ 2,161.75 crore. The investments out of cash balances decreased from ₹ 683.53 crore to ₹ 370.74 crore. The investment from earmarked balances increased by ₹ 382.51 crore from ₹ 1,455.13 crore on 1 April 2011 to ₹ 1,837.64 crore as on 31 March 2012.

The Government had to maintain a minimum cash balance of ₹ 1.14 crore as per its agreement with the Reserve Bank of India but during 2011-12, the minimum cash balances for eleven days were maintained by taking ordinary and special ways and means advances amounting to ₹ 974.27 crore, for which interest of ₹ 1.51 crore at the rate of 5.25 to 11.25 per cent was paid.

1.7 **Assets and Liabilities**

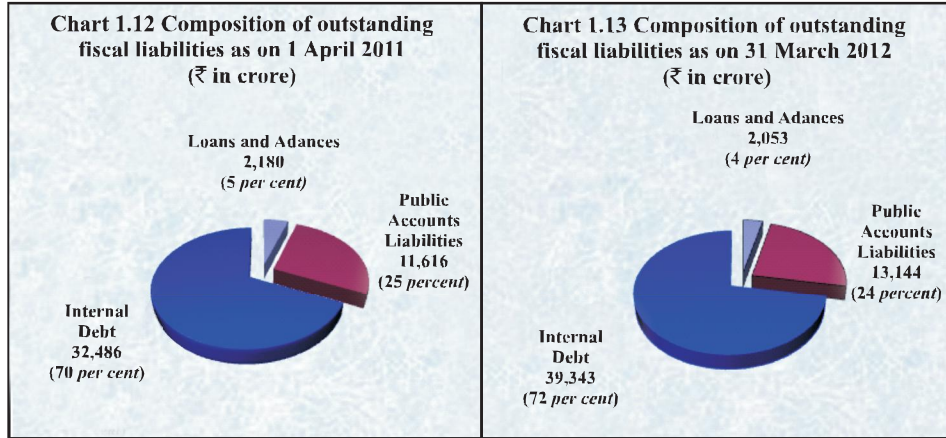
1.7.1 Growth and composition of Assets and Liabilities

In the existing Government accounting system, comprehensive accounting of fixed assets like land and buildings owned by the Government is not done. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred. *Appendix 1.5 Parts A and B* give an abstract of such liabilities and assets as on 31 March 2012, compared with the corresponding position on 31 March 2011. While the liabilities in this Appendix mainly consist of internal borrowings, loans and advances from GOI, receipts from the Public Account and Reserve Funds, the assets mainly comprise the capital outlay and loans and advances given by the Government and cash balances.

'Total liability' as defined in the FRBM Act, means the liabilities under the Consolidated Fund and the Public Account of the State and also includes borrowings by Public Sector Undertakings and special purpose vehicles and other equivalent instruments, including guarantees where the principal and/or interest are to be serviced out of the State budgets.

1.7.2 Fiscal Liabilities

The trends in outstanding fiscal liabilities of the State are presented in *Appendix 1.5 Part B*. The compositions of fiscal liabilities during 2011-12 vis-à-vis the previous year are presented in **Charts 1.12** and **1.13**.



(Source: State Finance Accounts of the respective years.)

The overall fiscal liabilities of the State increased from ₹ 46,282 crore in 2010-11 to ₹ 54,540 crore in 2011-12. The growth rate was 17.84 per cent during 2011-12 over the previous year due to increase in public debt (₹ 6,730 crore) and public account liabilities (₹ 1,528 crore). The ratio of fiscal liabilities to GSDP showed consistently decreasing trend and decreased from 0.192 per cent in 2007-08 to 0.176 per cent in 2011-12. These liabilities were 1.78 times the revenue receipts and 2.17 times the State's own resources as at the end of 2011-12. Payment of interest on the fiscal liabilities was ₹ 4,001 crore (7.34 per cent) during the year 2011-12. It is significant to note that fiscal liabilities at ₹ 54,540 crore were higher than the limit of ₹ 52,702 crore projected in the MTFPS but within the projection in FCP (₹ 54,319 crore) made by the Government for the year 2011-12.

The Government set up a consolidated Sinking Fund during 2002-03. A sum equal to one per cent of the outstanding market borrowings as on 31 March of the preceding year is deposited in the Fund every year. As on 31 March 2012, the closing balance in the Sinking Fund was ₹ 717.10 crore.

1.7.3 Status of Guarantees-Contingent Liabilities

Guarantees are liabilities contingent on the Consolidated Fund of the State in cases of defaults by borrowers for whom the guarantees have been extended. No law under Article 293 of the Constitution has been passed by the State legislature laying down the limit within which the Government may give guarantees on the security of the Consolidated Fund of the State.

As per Statement 9 of the Finance Accounts, the maximum amount for which guarantees were given by the State and outstanding guarantees for the last three years is given in **Table 1.16**.

Table 1.16: Guarantees given by the Government of Haryana

(₹ in crore)

Guarantees	2009-10	2010-11	2011-12	
			Budget Estimate	Actual
Maximum amount guaranteed	4,757	5,515	3,675	10,690
Outstanding amount of guarantees including fee	4,565	4,528	3,675	5,608
Percentage of maximum amount guaranteed to total revenue receipts	23	22	11	35

(Source: State Finance Accounts of the respective years.)

No amount was paid by the Government towards guarantees during 2011-12. As on 31 March 2012, the outstanding amount of ₹ 5,608 crore of guarantees includes guarantee fee were in respect of Corporations and Boards (₹ 590 crore), Co-operative Banks and Societies (₹ 2,005 crore), Government Companies (₹ 936 crore) and Power (₹ 2,077 crore).

The Government constituted the Guarantee Redemption Fund during 2003-04 to meet the contingent liabilities arising out of the invoking of guarantees. As on 31 March 2012, the balance in the Fund was ₹ 69.87 crore. The whole amount stood invested. As per the terms of the Guarantee Redemption Fund, the Government was required to contribute an amount equal to at least one fifth of the outstanding invoked guarantees plus an amount likely to be invoked as a result of the incremental guarantees during the year. The Government contributed ₹ 5.63 crore, which was only 0.10 per cent of the outstanding guarantees. However, the outstanding guarantee of ₹ 5,608 crore as on 31 March 2012 was higher than the Budget Estimates of ₹ 3,675 crore.

Apart from guarantees, the Government issued letters of comfort to banks for raising loans totaling ₹ 900 crore in favour of Government companies in the power sector. Rupees 692 crore was outstanding on this account as of 31 March 2012. This amount, if included in the outstanding liabilities (₹ 60,840 crore), would be 19.67 per cent of GSDP.

Investment of pension fund

Employees' contribution and employers' share of contribution amounting to ₹ 183 crore had been deposited with National Security Depository Limited (NSDL) during the year

2011-12. The State Government had a liability of ₹ 17.41 crore on this account as of 31 March 2012.

1.7.4 Investment in Public Private Partnerships

With a view to provide adequate development of social and physical infrastructure which is pre-requisite for sustaining economic growth, the State Government adopted the Public Private Partnership (PPP) mode of infrastructure development.

Under this, the State Government completed 20 projects with a total estimated cost of ₹ 572.92 crore (*Appendix 1.10*). Fifteen PPP projects (*Appendix 1.11*) with a total estimated cost ₹ 57,875.50 crore were under implementation as on 31 March 2012.

1.7.5 Balances under the Reserve Fund

At the beginning of 2011-12, the opening balance under Reserve Fund was ₹ 1,786.37 crore. After addition of ₹ 442.61 crore and disbursement of ₹ 76.75 crore, the fund was closed with a balance of ₹ 2,152.24 crore. Of this, the State Disaster Response Fund (Calamity Relief Fund) was opened on 1 April 2011 with a balance of ₹ 924.71 crore and closed at ₹ 1,092.87 crore on 31 March 2012 after receipt of ₹ 185.76 crore and disbursement of ₹ 17.60 crore. The Sinking Fund had a closing balance of ₹ 525.98 crore in 2010-11. During the year, ₹ 191.12 crore (₹ 150.89 crore: contribution and ₹ 40.23 crore: income on investment) was received but no disbursements were made out of the fund. The fund was closed at ₹ 717.10 crore.

1.8 Debt Sustainability

Apart from the magnitude of the debt of the Government, it is important to analyse the various indicators that determine the debt sustainability of the State. Sustainability of debt of the Government can be measured in terms of debt stabilisation; sufficiency of non-debt receipts; net availability of borrowed funds burden of interest payments (measured by interest payments to revenue receipts ratio) and the maturity profile of Government debt. **Table 1.17 and 1.18** analyse the debt sustainability of the State according to these indicators for the period of five years beginning from 2007-08.

Table 1.17: Debt sustainability: Indicators and trends

(₹ in crore)

Indicators of Debt Sustainability	2007-08	2008-09	2009-10	2010-11	2011-12
Debt Stabilisation (Quantum Spread + Primary Deficit)	4,027	(-) 1,283	(-) 5,594	(-) 17	259
Sufficiency of non-debt receipts (Resource Gap)	(-) 2,443	(-) 5,293	(-) 3,533	2,831	105
Net Availability of borrowed funds	(-) 1,709	1,113	4,682	3,564	4,642
Burden of interest payments (IP/RR Ratio)	12	13	13	13	13

(Source: State Finance Accounts of the respective years.)

Audit analysis revealed the following:

- If the quantum spread together with primary deficit is zero, the debt-GSDP ratio would be constant or debt would be stabilised eventually. The quantum spread together with the primary deficit turned positive from (-) 17 in 2010-11 to 259 in 2011-12, the debt-GSDP ratio would eventually be falling.
- The positive resource gap between the non-debt receipts and the total expenditure of the State indicate the enhancement in the capacity of the Government to sustain the debt.
- The position of net funds available from borrowed funds improved from ₹ 1,113 crore in 2008-09 to ₹ 4,642 crore in 2011-12. During 2011-12, the Government raised market loans of ₹ 6,357 crore (₹ 362 crore at the rate of 9.39 per cent interest, ₹ 500 crore at the rate of 8.93 per cent interest, ₹ 445 crore at the rate of 8.88 per cent, ₹ 750 crore at the rate of 8.71 per cent, ₹ 500 crore at the rate of 9.22 per cent, ₹ 500 crore at the rate of 9.03 per cent, ₹ 500 crore at the rate of 8.59 per cent, ₹ 1,000 crore at the rate of 8.65 per cent and ₹ 1,800 crore at the rate of 8.36 per cent respectively).

Table 1.18: Maturity Profile of State Debt (In Years)

(₹ in crore)

No. of years	2008-09	2009-10	2010-11	2011-12
0-1	1,153.46 (5)	14,930.27 (6)	3,275.07(9)	4,970.85(12)
1-3	2,790.89 (12)	28,167.40(12)	4,314.32(12)	4,585.10(11)
3-5	3,892.16 (17)	29,221.95(13)	4,431.02(13)	3,645.32(9)
5-7	3,871.19 (17)	28,592.97(13)	2,115.30(6)	4,714.03(11)
7 and above		1,25,357.14(56)	20,528.33(60)	23,480.82(57)

(Source: State Finance Accounts of the respective years.)

The maturity profile of State debt indicates that the Government will have to repay 11 per cent of its debt between one and three years, nine per cent between three and five years, 11 per cent between five and seven years and 57 per cent after seven years, for which the Government will have to improve its debt sustainability to generate funds for repayment of loans in the coming years.

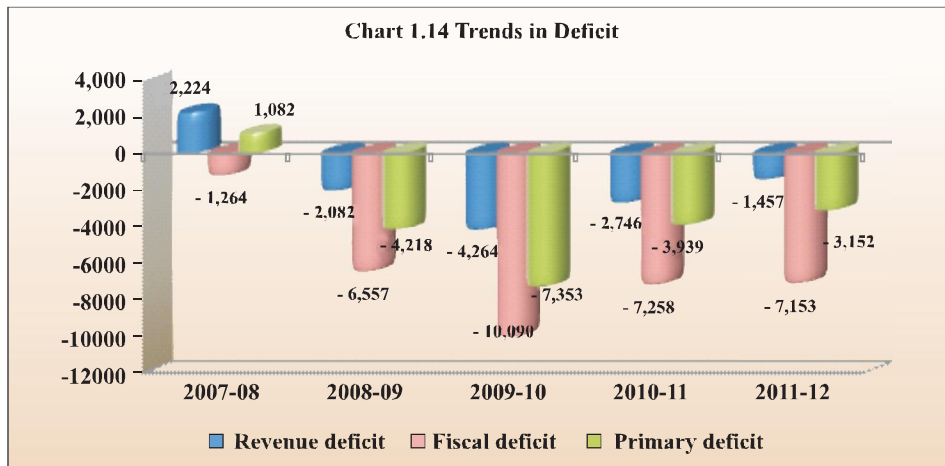
A well thought out debt repayment strategy will have to be worked out by the Government to ensure that no additional borrowings, which mature in these critical years, are made. Unless borrowings are restricted, the State will have serious problem in debt servicing.

1.9 Fiscal Imbalances

Three key fiscal parameters i.e. revenue, fiscal and primary deficits indicate the extent of overall fiscal imbalances in the finances of the Government during a specified period. The deficit in the Government accounts represents the gap between its revenue and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the way in which the deficit is financed and the resources are raised and applied are important pointers to its fiscal health. 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 FRBM Act/Rules for the financial year 2011-12.

1.9.1 Trends of deficits

Chart 1.14 present the trends in deficit indicators over the period 2007-12



(Source: State Finance Accounts of the respective years)

Table 1.18: Trends in deficit indicators over the period 2006-11

Year	2007-08	2008-09	2009-10	2010-11	2011-12
RD/GSDP	0.015	(-) 0.011	(-) 0.019	(-) 0.010	(-) 0.005
FD/GSDP	(-) 0.008	(-) 0.036	(-) 0.045	(-) 0.027	(-) 0.023
PD/GSDP	0.007	(-) 0.023	(-) 0.033	(-) 0.015	(-) 0.010

The revenue deficit indicating the excess of revenue expenditure over revenue receipts was to be brought down to zero by 2011-12 and to be maintained at zero upto 2014-15, as per the FRBM. The revenue, fiscal and primary deficits increased to ₹ 4,264 crore, ₹ 10,090 crore and ₹ 7,353 crore in 2009-10 respectively and after showing some

decreasing trend stood at ₹ 1,457 crore, ₹ 7,153 crore and ₹ 3,152 crore respectively at the end of 2011-12.

During the year, the revenue deficit decreased (₹ 1,289 crore) due to the increase of ₹ 4,994 crore in revenue receipts. Whereas, the fiscal deficit at ₹ 7,153 crore decreased by ₹ 105 crore only over 2010-11 due to increase in capital expenditure. It was 2.31 per cent of GSDP well within the limit of three per cent projected in FCP for the year. The primary deficit decreased from ₹ 3,939 crore in 2010-11 to ₹ 3,152 crore in 2011-12 due to increase in primary revenue surplus.

The target of zero revenue deficit fixed for the year 2011-12 could not be achieved (*Appendix 1.6*). The State Government has classified the receipt of ₹ 406.33 crore on account of sale of land (assets) as revenue receipts instead of capital receipts. The correct classification would have increased the revenue deficit by ₹ 406.33 crore.

1.9.2 Components of Fiscal Deficit and its Financing Pattern

The financing pattern of the fiscal deficit has undergone a compositional shift as reflected in **Table 1.19**. Receipts and disbursements under the components of financing the fiscal deficit during 2011-12 are given in **Table 1.20**.

Table 1.19: Components of fiscal deficit and its financing pattern

(₹ in crore)

	Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
Decomposition of fiscal deficit						
		(-) 1,264	(-) 6,557	(-) 10,090	(-) 7,258	(-) 7,153
1	Revenue deficit(-) surplus (+)	(+) 2,224	(-) 2,082	(-) 4,264	(-) 2,746	(-) 1,457
2	Net Capital Expenditure	(-) 3,416	(-) 4,495	(-) 5,209	(-) 4,023	(-) 5,363
3	Net loans and advances	(-) 72	20	(-) 617	(-) 489	(-) 333
Financing pattern of fiscal deficit						
1	Market Borrowing	(-) 253.73	2,504.54	3,683.68	4,157.63	5,994.89
2	Loans from GOI	(-) 44.98	(-) 47.46	(-) 34.16	183.71	(-) 127.17
3	Special securities issued to National Small Savings Fund	50.56	(-) 79.73	534.43	934.31	(-) 329.47
4	Loans from financial institutions	250.75	218.88	1,525.45	595.99	1,191.44
5	Small Savings Provident Funds etc.	299.32	352.38	861.92	747.80	718.53
6	Reserve Fund	15.23	(-) 4.81	(-) 39.13	8.93	(-) 16.65
7	Deposits and advances	184.72	216.62	526.64	316.66	826.54
8	Suspense and Miscellaneous	21.69	3,546.38	2,785.98	(-)635.88	406.73
9	Remittances	14.28	(-) 26.63	(-) 282.96	305.08	214.88
10	Overall surplus (-) deficit (+)	537.84	6,680.17	9,561.85	6,614.23	8,879.72
11	Increase (-) decrease (+) in cash balance*	(+) 726.03	(-) 122.37	(+) 528.81	(+) 644.20	(-) 1,726.40
12	Gross Fiscal Deficit	1,264	6,557	10,090	7,258	7,153

(Source: State Finance Accounts of the respective years.)

* 8999-Cash balance (Deposits with Reserve Bank and remittance in Treasury).

Table 1.20: Receipts and Disbursements under components financing the fiscal deficit

(₹ in crore)

	Particulars	Receipt	Disbursement	Net
1	Market Borrowing	6,356.65	361.76	5,994.89
2	Loans from GOI	97.72	224.89	(-) 127.17
3	Special securities issued to National Small Savings Fund	141.69	471.16	(-) 329.47
4	Loans from financial institutions	4,170.77	2,979.33	1,191.44
5	Small Savings, Provident Funds etc.	2,198.62	1,480.09	718.53
6	Deposits and advances	10,115.38	9,288.84	826.54
7	Reserve Funds	442.61	459.26	(-) 16.65
8	Suspense and Miscellaneous	26,586.66	26,179.93	406.73
9	Remittances	5,657.68	5,442.80	214.88
10	Overall surplus (-) deficit (+)			8,879.72
11	Increase (-) decrease (+) in cash balance			(-) 1,726.40
12	Gross Fiscal Deficit			7,153

(Source: State Finance Accounts.)

The fiscal deficit, which represents the borrowings of the Government and its resource gap decreased from ₹ 7,258 crore in 2010-11 to ₹ 7,153 crore in 2011-12. The market borrowings contributed ₹ 5,995 crore which was higher by ₹ 1,837 crore over ₹ 4,158 crore in 2010-11. Other major deficit financing measures taken by Government were loans from financial institutions (₹ 1,191 crore), increase in State provident fund (₹ 719 crore) and increase in deposits (₹ 827 crore).

The analysis of balances under small savings, provident funds, etc. revealed that there were adverse balances under, “8011-Insurance and Pension Fund, 107-State Government Employees Insurance Scheme” of ₹ 21.72 crore. This was due to non-adjustment of interest on these funds by the State Government.

1.9.3 Quality of Deficit/Surplus

The ratio of revenue deficit to fiscal deficit and the decomposition of primary deficit into primary revenue deficit and capital expenditure (including loans and advances) would indicate the quality of deficit in the State's finances. The ratio of revenue deficit to fiscal deficit indicates the extent to which borrowed funds were used for current consumption. Further, persistently high ratios of revenue deficit to fiscal deficit also indicate that the asset base of the State was continuously shrinking and a part of the borrowings (fiscal liabilities) did not have any asset backup. The bifurcation of the primary deficit (Table 1.21) would indicate the extent to which the deficit was on account of enhancement in capital expenditure, which may have been desirable to improve the productive capacity of the State's economy.

Table 1.21: Primary deficit / surplus bifurcation of factors

(₹ in crore)

Year	Non-debt receipts	Primary revenue expenditure	Capital expenditure	Loans and advances	Primary expenditure	Primary revenue deficit (-)/surplus (+)	Primary deficit (-)/ surplus (+)
1	2	3	4	5	6 (3+4+5)	7 (2-3)	8 (2-6)
2007-08	19,975	15,181	3,426	286	18,893	4,794	1,082
2008-09	18,811	18,195	4,502	332	23,029	616	(-) 4,218
2009-10	21,215	22,520	5,218	830	28,568	(-) 1,305	(-) 7,353
2010-11	25,805	24,991	4,031	722	29,744	814	(-)3,939
2011-12	30,861	28,014	5,372	627	34,013	2,847	(-) 3,152

Source: State Finance Accounts of the respective years.)

The primary revenue surplus showed improvement in last two years. The deficit of ₹ 1,305 crore in 2009-10 improved in 2010-11 by surplus of ₹ 814 crore which further showed an increase upto ₹ 2,847 crore in 2011-12. But it was still at lower side from the mark of ₹ 4,794 crore achieved in 2007-08. This was due to the fact that primary revenue expenditure was increasing at higher rates than the non-debt receipts. During the period 2007-08 to 2011-12, the increase in non-debt receipts was 55 per cent while primary expenditure increased by 80 per cent during this period. However, the details indicate that non-debt receipts were enough to meet the primary revenue expenditure and part of these receipts were utilised to meet capital expenditure. The State was experiencing primary deficit since 2008-09 which stood at ₹ 3,152 crore at the end of 2011-12. This indicates that the borrowed funds were utilised to cover the primary expenditure.

1.10 Conclusion

Pattern of Revenue and expenditure: Revenue receipts increased by 20 per cent during the year over the previous year due to increase in tax revenue by 21 per cent. Tax revenue for 2011-12 fell short by 1.70 per cent as compared to the projections made by the Government in FCP but was higher by 1.96 per cent and 1.13 per cent than the projections made in MTFPS and by the ThFC respectively. The non-tax revenue was 65 per cent less than the projection made by ThFC but was higher by 3 per cent and 10 per cent than the projection made by the Government in FCP and MTFPS respectively for the year 2011-12.

Revenue expenditure during the year increased by 13 per cent over that of previous year and constituted 84 per cent of the total expenditure. Its NPRES component at ₹ 24,223 crore was higher by 19 per cent and three per cent than the projection of ThFC (₹ 20,360 crore) and FCP (₹ 23,490 crore) respectively, but was lesser by three per cent than the State's projection in its MTFPS (₹ 24,861 crore). Under Non-Plan revenue

expenditure, four components viz: salaries and wages, pension liabilities, interest payments and subsidies constituted about 83 *per cent* during 2011-12. Moreover, 93 *per cent* (₹ 3,585 crore) of total subsidies (₹ 3,853 crore) were for the energy sector and were higher than the projection in FCP (₹ 3,321 crore).

Capital expenditure, constituted 14 *per cent* of the total expenditure and increased during 2011-12 by 33 *per cent* over 2010-11.

Financial assistance to local bodies and other institutions (₹ 3,306.01 crore) constituted 10 *per cent* of revenue expenditure during 2011-12 and increased by 49 *per cent* over 2010-11.

Fiscal correction: Haryana is one of the States to have passed the Fiscal Responsibility and Budget Management Act early. The fiscal parameters, i.e. revenue, fiscal and primary deficit increased to ₹ 4,264 crore, ₹ 10,090 crore and ₹ 7,353 crore in 2009-10 respectively and after showing some decreasing trend in 2010-11 stood at ₹ 1,457 crore, ₹ 7,153 crore and ₹ 3,152 crore respectively in 2011-12.

Debt sustainability: As per the FRBM Act, total debt including contingent liabilities should not exceed 22.6 *per cent* of the estimated GSDP for the year. Total liabilities including guarantees and letters of comfort aggregating ₹ 60,840 crore during 2011-12, stood at 19.67 *per cent* of the GSDP, which was well within the limit of the FRBM Act.

Review of Government investments: The average return on the Government's investments in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives varied between 0.02 to 0.17 *per cent* in the past five years while the Government paid an average interest of 7.43 to 9.73 *per cent* on these investments (Para 1.6.3). During 2011-12 a major portion of investments (96 *per cent*) was made in form of investment in equity shares of various Power Corporations.

There were seven non-working PSUs, including two under closure. The action for disinvestment, privatisation and restructuring of non-working PSUs was not taken.

Incomplete projects: Eight projects scheduled for completion between April 2007 and September 2011 were incomplete as on 2011-12.

Oversight of funds transferred directly from the GOI to the State implementing agencies: GOI directly transferred ₹ 2,009.71 crore to State implementing agencies during the year and the direct transfers increased by ₹ 700.87 crore (54 *per cent*) over the previous year. As the funds were not routed through the Government accounts, the

direct transfer of funds from the GOI to the State implementing agencies runs the risk of oversight of maintenance of accounts and utilisation of funds by these agencies. In the absence of uniform accounting practices followed by all these agencies, proper documentation was not in place and timely reporting about the status of expenditure by these implementing agencies was not being done.

1.11 Recommendations

- As per the recommendations of ThFC, the revenue deficit was required to be brought down to zero by 2011-12 for which efforts have to be made to increase tax compliance, reduce administration costs and prune unproductive expenditure.
- Borrowed funds should be used as far as possible only for infrastructure development and revenue expenditure should be met fully from revenue receipts. Efforts should be made to return to the state of primary surpluses and zero revenue deficit as soon as possible. Maintaining a calendar of borrowings to avoid bunching at the end of the fiscal year and a clear understanding of the maturity profile of debt payments will go a long way in prudent debt management.
- It would be advisable for the Government to ensure better value for money in investments as otherwise, high-cost borrowed funds will continue to be invested in projects with low financial returns. Projects which are justified on account of low financial but high socio-economic returns may be identified and prioritized with full justification on why high-cost borrowings should be invested therein. It would also be prudent to review the working of State PSUs which are incurring huge losses (Para 1.6.3) and work out either a revival strategy for those that are strategic in nature and can be made viable or close down the sick units by disinvesting their equity.
- A system has to be put in place to ensure proper accounting of GOI funds that are transferred directly to the State implementing agencies and the updated information should be validated by the State Government as well as the Principal Accountant General (A&E) Haryana.