
Chapter 1
Finances of the Government

CHAPTER 1

FINANCES OF THE GOVERNMENT

Profile of the State of Uttar Pradesh

The State is located in the northern region of India and is the fifth largest State in terms of geographical area of 2.41 lakh square kilometer and the largest in terms of the population. The population of the State increased from 19.98 crore in 2011 to 21.33 crore in 2015 (projected). Approximately, 39.80 *per cent* of its population was living below poverty line, as compared to the All-India average of 30 *per cent* during 2011-12. The Gross State Domestic Product (GSDP) at current prices was ₹ 9,76,297 crore in 2014-15. The literacy rate in the State had increased from 56.27 *per cent* (2001 Census) to 67.68 *per cent* (2011 Census). The per capita income of the State stood at ₹ 45,777 at the close of 2014-15.

The general data, such as density of population, infant mortality and life expectancy etc. relating to the State of Uttar Pradesh, is given in *Appendix 1.1*.

Gross State Domestic Product

GSDP is the market value of all officially recognised final goods and services produced within the State in a given period of time. The growth of GSDP of the State is an important indicator of the State's economy as it indicates standard of living of the population in the State. The trends in annual growth of Gross Domestic Product (GDP) of India and GSDP of the State at current prices (Base year: 2004-05) are given in **Table 1.1**.

Table 1.1: GDP of India and GSDP of the State at current prices (Base year 2004-05)

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
GDP of India (₹ in crore)	72,48,860	83,91,691	93,88,876	1,04,72,807	1,15,09,810
Growth rate of GDP (in <i>per cent</i>)	18.66	15.77	11.88	11.54	9.90
GSDP of the State (₹ in crore)	5,88,467	6,87,836	7,69,729	8,90,265	9,76,297
Growth rate of GSDP (in <i>per cent</i>)	19.78	16.89	11.91	15.66	9.66

(Source: in respect of GSDP: Director, *Arthik Bodh evam Sankhya Nideshak*)

Table revealed that GSDP of the State continued to rise during 2010-15. However, the rate of growth of GSDP indicated oscillating trend.

1.1 Introduction

The State Government presented budget for financial year 2014-15 on 20 June 2014. As per the budget speech, the State Government introduced new schemes with a budget provision of ₹ 20,957 crore. The State Government also made a provision of ₹ 41,538 crore for improvement and extension of quality education; ₹ 49,108 crore for infrastructure facilities;

₹ 25,522 crore for welfare of Scheduled Castes, Scheduled Tribes, Backward Classes, Handicapped, Minorities and poor people of General Category; ₹ 7,625 crore for Agriculture and other allied activities; ₹ 14,377 crore for Improvement and extension of quality in medical, health and family welfare facilities; and ₹ 1,000 crore for *Twarit* Economic Development Programme.

This chapter provides an audit perspective on finances of the State Government during 2014-15 and analyses changes in major fiscal aggregates relative to 2013-14 keeping in view overall trends during preceding five years. The analysis is based on Finance Accounts of the Government and information provided therein.

The structure of the Government Accounts is explained in *Part A* and the layout of the Finance Accounts in *Part B* of *Appendix 1.2*.

1.1.1 Summary of Fiscal Transactions in 2014-15

Table 1.2 presents a summary of fiscal transactions of the State Government during 2014-15 *vis-à-vis* 2013-14. *Appendix 1.3* provides details of the receipts and disbursements as well as the overall fiscal position during 2014-15.

Table 1.2: Summary of Fiscal Transactions in 2014-15

(₹ in crore)

Receipts			Disbursements				
	2013-14	2014-15		2013-14	2014-15		
Section A: Revenue					Non Plan	Plan	Total
Revenue Receipts	1,68,213.75	1,93,421.60	Revenue Expenditure	1,58,146.87	1,37,764.87	33,262.45	1,71,027.32
Tax Revenue	66,582.08	74,172.42	General Services	61,983.49	64,266.13	39.60	64,305.73
Non-Tax Revenue	16,449.80	19,934.80	Social Services	60,756.28	34,032.41	26,873.37	60,905.78
Share of Union Taxes/ Duties	62,776.70	66,622.91	Economic Services	25,710.72	28,535.76	6,349.48	34,885.24
Grants from GoI	22,405.17	32,691.47	Grants-in-aid and Contributions	9,696.38	10,930.57	NIL	10,930.57
Section B: Capital & Others							
Miscellaneous Capital Receipts	-	-	Capital Expenditure	32,862.65	8,880.85	44,416.43	53,297.28
Recoveries of Loans and Advances	589.57	262.48	Loans and Advances disbursed	1,473.34	1,071.87	800.77	1,872.64
Public Debt Receipts	14,900.45	35,520.28	Repayment of Public Debt	8,166.74	9,411.21	-	9,411.21
Contingency Fund	262.32	0.55	Contingency Fund	86.55	203.15	-	203.15
Public Account Receipts	2,26,077.56	2,30,199.19	Public Account Disbursements	2,20,459.29	2,28,014.45	-	2,28,014.45
Opening Cash Balance	15,172.42	4,020.63	Closing Cash Balance	4,020.63	(-) 401.32	-	(-) 401.32
Total	4,25,216.07	4,63,424.73	Total	4,25,216.07	3,84,945.08	78,479.65	4,63,424.73

(Source: Finance Accounts for the years 2013-14 & 2014-15)

Following are the significant changes in fiscal transactions during 2014-15 over 2013-14:

- **Revenue Receipts** grew up by ₹ 25,208 crore (15 *per cent*) over 2013-14. The increase was mainly contributed by Grants from GoI (₹ 10,286 crore; 46 *per cent*), Tax Revenue (₹ 7,590 crore; 11 *per cent*) and Share of the State in Union Taxes and Duties (₹ 3,846 crore; six *per cent*). Revenue Receipts of ₹ 1,93,422 crore was lower (₹ 32,997 crore) than the Budget Estimates¹ of ₹ 2,26,419 crore.
- **Tax Revenue** increased by ₹ 7,590 crore (11 *per cent*) over 2013-14. The increase was mainly contributed by the Taxes on Sales, Trade etc. (₹ 3,289 crore; eight *per cent*), State Excise (₹ 1,839 crore; 16 *per cent*) and Stamps and Registration fee (₹ 2,282 crore; 24 *per cent*) over the previous year. The own tax revenue at ₹ 74,172 crore was below the Budget Estimates of ₹ 81,000 crore. However, it was above the normative assessment (₹ 59,619 crore) made by the Thirteenth Finance Commission.
- **Non-tax Revenue** increased by ₹ 3,485 crore (21 *per cent*) over 2013-14 and was below the Budget Estimate by ₹ 20,232 crore. It was above the normative projection (₹ 12,115 crore) made by the Thirteenth Finance Commission also.
- **Grants-in-aid** from GoI during 2014-15 (₹ 32,691 crore) increased by ₹ 10,286 crore (46 *per cent*) over 2013-14 (₹ 22,405 crore).
- **State's Share in Union Taxes and Duties** increased by ₹ 3,846 crore (six *per cent*) over 2013-14. However, it (₹ 66,623 crore) was below (₹ 9,879 crore) the Budget Estimates (₹ 76,502 crore).
- **Revenue Expenditure** increased by ₹ 12,880 crore (eight *per cent*) over 2013-14. However, it (₹ 1,71,027 crore) was lower (₹ 26,398 crore) than the Budget Estimates (₹ 1,97,425 crore).
- **Within Revenue Expenditure**, non-plan expenditure increased by ₹ 11,275 crore (nine *per cent*) and plan expenditure by ₹ 1,605 crore (five *per cent*) over 2013-14. Non-plan Revenue Expenditure (₹ 1,37,765 crore) was far ahead (56 *per cent*) of normative assessment made by the Thirteenth Finance Commission (₹ 88,219 crore).
- **Capital Expenditure** (₹ 53,297 crore) increased by ₹ 20,434 crore (62 *per cent*) over 2013-14. The increases were mainly under Roads and Bridges, Power Projects, Major Irrigations, Rural Development under Economic Services. It was lower (₹ 2,689 crore) than the Budget Estimates (₹ 55,986 crore).

¹Represents Mid Term Fiscal Restructuring Policy, 2014.

- **Recovery of Loans and Advances** (₹ 262 crore) decreased by ₹ 327 crore (55 *per cent*) over 2013-14 (₹ 589 crore) but was lower (₹ 229 crore; 47 *per cent*) than the Budget Estimates (₹ 491 crore). Disbursement of loans and advances (₹ 1,873 crore) was also lower by two *per cent* than the Budget Estimates (₹ 1,910 crore).
- **Public Debt Receipts** (₹ 35,520 crore) increased by ₹ 20,620 crore (138 *per cent*) over 2013-14 (₹ 14,900 crore). Within Public debt receipts the increases were mainly under Market loans (₹ 9,500 crore), Loans from other institutions (₹ 5,270 crore), Special Securities issued to NSSF (₹ 3,618 crore), Ways and Means advances from the RBI (₹ 1,724 crore) and Loans from the National Bank for Agriculture and Rural Development (₹ 405 crore).
- **Public Accounts Receipts** (₹ 2,30,199 crore) increased by ₹ 4,121 crore (two *per cent*) during 2014-15 over 2013-14 (₹ 2,26,078 crore). The increase was mainly due to increase of ₹ 4,178 crore (18 *per cent*) in receipts under Remittances (₹ 27,698 crore) during 2014-15 over 2013-14 (₹ 23,520 crore) and by ₹ 4,191 crore (three *per cent*) in Suspense and Miscellaneous (₹ 1,66,336 crore) in 2014-15 over 2013-14 (₹ 1,62,145 crore).
- **Public Accounts Disbursements** registered an increase of ₹ 7,555 crore (three *per cent*) over 2013-14.
- **Withdrawal of ₹ 203 crore from the Contingency Fund** during 2014-15 remained un-recouped.
- **Cash Balance** of ₹ 401 crore (debit), as of March 2015, decreased (110 *per cent*) by ₹ 4,422 crore from credit balance of ₹ 4,021 crore as of March 2014.
- **Revenue Surplus, Fiscal Deficit and the Primary Deficit** at the close of 2014-15 increased over the 2013-14 levels. The Revenue surplus of ₹ 22,394 crore at the close of 2014-15 exceeded by ₹ 12,327 crore (122 *per cent*), the Fiscal Deficit of ₹ 32,513 crore by ₹ 8,833 crore (37 *per cent*) and the Primary Deficit of ₹ 13,648 crore by ₹ 7,380 crore (118 *per cent*). The details are given in **Paragraph 1.11.1**.

1.1.2 Review of the fiscal situation

The State Government legislated (February 2004) the Fiscal Responsibility and Budget Management Act, 2004 (FRBM) and set out a reform agenda of long-term goal of securing growth with stability for economy. Under the Act, the State Government was also made responsible to lay Medium Term Fiscal Restructuring Policy along with the annual budget in the House, setting forth five year rolling targets for fiscal indicators and make rules for carrying out provisions of the Act *ibid*. The Fiscal Responsibility and Budget Management Rules were notified

by the Government in October 2006. The following fiscal targets were set therein to give effect to the principles of fiscal management as laid down in the Act.

- Reduce revenue deficit to nil within a period of five financial years beginning from 1st day of April 2004 and ending on 31st day of March 2009.
- Reduce fiscal deficit to not more than three *per cent* of estimated GSDP. However, considering overall slowdown in the economy, GoI allowed the States to increase their fiscal deficit to as much as four *per cent* of their GSDP.
- Ensure within a period of 14 financial years, beginning from 1st day of April 2004 and ending on 31 March 2018, that the total liabilities at the end of last financial year do not exceed 25 *per cent* of the estimated GSDP for that year.
- Ensure not to give guarantee for any amount exceeding the limit stipulated under any rule or law of the State Government existing at the time of the coming into force of the Act or any rules or law to be made by the State Government subsequent to coming into force of this Act.
- Further, the revenue deficit and fiscal deficit may not exceed the limits specified in the Act except on the ground(s) of unforeseen demands arising out of internal disturbances or natural calamities subject to the condition that the excess does not exceed the actual fiscal cost attributed to the calamities.

The State Government also responded (September 2011) to the recommendations of the Thirteenth Finance Commission by amending FRBM Act, 2004 and developed its own Fiscal Consolidation Path for 2011-15 with key aim to eliminate revenue deficits and to bring about gradual reductions in fiscal and debt levels by 2014-15. The details are given in **Table 1.3**.

Table 1.3: Fiscal Consolidation Path

Year	Fiscal Deficit	Total Liability (in <i>per cent</i> of GSDP)
2011-12	Not more than three <i>per cent</i> of GSDP	46.90
2012-13	Not more than three <i>per cent</i> of GSDP	45.10
2013-14	Not more than three <i>per cent</i> of GSDP	43.40
2014-15	Not more than three <i>per cent</i> of GSDP	41.90

(Source: Uttar Pradesh Government Gazette Notification of September 2011)

Performance of the State during 2014-15 under major variables provided in the budget based on recommendations of the Thirteenth Finance Commission and targeted in FRBM Act, is given in **Table 1.4**.

Table 1.4: Performance of the State during 2014-15

Key fiscal indicators	Targets set by the Thirteenth Finance Commission	Targets/ Projections set in FRBM Act	Targets in Budget Estimate	Projections in Five Year Fiscal Plan/ MTFP	Actuals
Revenue deficit (-) / surplus (+) (₹ in crore)	Nil deficit	Nil deficit	(+) 28,994	(+) 28,994	(+) 22,394
Fiscal deficit (-) / GSDP	Not more than three <i>per cent</i> of GSDP i.e., ₹ (-) 29,289 crore	Not more than three <i>per cent</i> of GSDP i.e., ₹ (-) 29,289 crore	2.97 <i>per cent</i>	2.97 <i>per cent</i>	3.33 <i>per cent</i>
Ratio of total outstanding debt to GSDP	41.90 <i>per cent</i> (₹ 4,09,068 crore) of GSDP	41.90 <i>per cent</i> (₹ 4,09,068 crore) of GSDP	27.80 <i>per cent</i>	27.80 <i>per cent</i>	31.53 <i>per cent</i>

(Source: Report of Thirteenth Finance Commission and UP Government Gazette Notification dated 1 September 2011)

Table revealed that the Government had Revenue Surplus which was mainly due to 15 *per cent* increase in Revenue Receipts whereas Revenue Expenditure increased by eight *per cent* over 2013-14. Further, the actual Fiscal Deficit exceeded by 0.33 *per cent* the target of not more than three *per cent* of GSDP, as set by the Thirteenth Finance Commission and FRBM Act. However, actual Total Outstanding Debt stood at 31.53 *per cent* of GSDP at the end of 2014-15 which was above (3.73 *per cent*) the target set (27.80 *per cent*) in the Budget Estimate but it was below (10.37 *per cent*) the projections (41.90 *per cent*) made in the Thirteenth Finance Commission and FRBM Act.

1.1.3 Budget Estimates and actuals

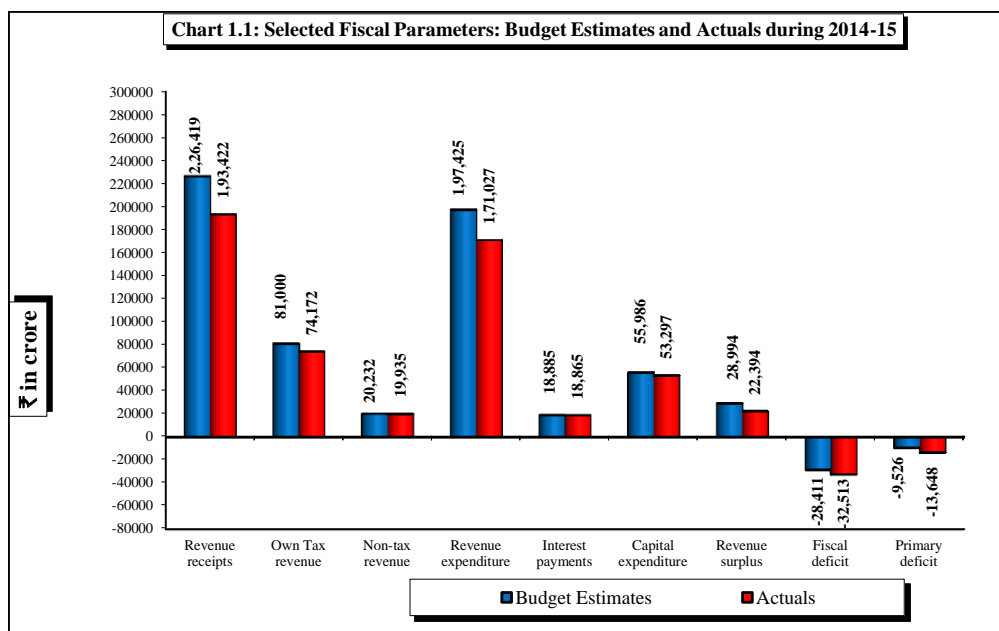
Budget Estimates

On receipt side, the Government aimed at augmenting revenues mainly from GoI under State's Share of Union Taxes and Duties (₹ 76,502 crore) and on expenditure side, focused at Social Services (Revenue expenditure: ₹ 75,479 crore; Capital expenditure: ₹ 14,210 crore) and the General Services (Revenue expenditure: ₹ 74,325 crore; Capital expenditure: ₹ 4,278 crore). On fiscal side, the Government estimated revenue surplus (₹ 28,994 crore), fiscal deficit (₹ 28,411 crore) and primary deficit (₹ 9,526 crore) (**Appendix 1.4**).

Budget Estimates *vis-à-vis* Actuals

The budget provides estimated revenue receipts and expenditure for a particular fiscal year. The importance of accuracy in estimation of revenue receipts and expenditure is accepted in the context of effective implementation of fiscal policies for overall economic management. Any deviation, either due to unanticipated and unforeseen events or under/over estimation of expenditure or revenue at the stage of budget preparation from it, indicates non-attainment and non-optimisation of the desired fiscal objectives.

Actuals *vis-à-vis* Budget Estimates of selected fiscal parameters for 2014-15 are shown in **Chart 1.1** and **Appendix 1.4**.



(Source: Budget and Finance Accounts 2014-15)

It would be seen from the **chart** given above that:

- **Actual Revenue Receipts** (₹ 1,93,422 crore) fell short by ₹ 32,997 crore of the Budget Estimates (₹ 2,26,419 crore). Within revenue receipts, the actual collection of **Own Tax Revenue** fell short by ₹ 6,828 crore whereas **Non-tax Revenue** was below the Budget Estimate by ₹ 297 crore. The shortfalls in **Own Tax Revenue** were mainly under Taxes on Sales, Trade etc. (₹ 4,566 crore) followed by Stamps and Registration fee (₹ 920 crore) and Taxes on vehicles (₹ 153 crore). The decreases in **Non-tax Revenue** (₹ 297 crore) were mainly under Social Services (₹ 1,603 crore) and Economic Services (₹ 1,798 crore).

- **Revenue Expenditure** (₹ 1,71,027 crore) fell short (₹ 26,398 crore) of the Budget Estimates (₹ 1,97,425 crore). The major shortfalls were noticed in Social Services, General Services and Economic Services. Under Social Services, the shortfalls amounted to ₹ 14,573 crore, under General Services ₹ 10,019 crore and under Economic Services ₹ 1,697 crore. Within **Social Services**, the shortfalls were mainly under Education, Sports, Art and Culture (₹ 5,855 crore) followed by Social Welfare and Nutrition (₹ 1,662 crore) and in Water Supply, Sanitation, Housing and Urban Development (₹ 2,522 crore). Within **General Services**, the shortfall was mainly under Administrative Services (₹ 2,543 crore), Pension and Miscellaneous General Services (₹ 3,502 crore) and Interest Payment and Servicing of Debt (₹ 3,220 crore). Within **Economic Services**, the shortfalls were mainly under Rural Development (₹ 2,081 crore) followed by Irrigation and Flood Control (₹ 1,129 crore) and Agriculture and Allied Services (₹ 460 crore) partly counter balanced by more expenditure under Energy (₹ 1,936 crore).

- **Interest Payments** (₹ 18,865 crore) during the year 2014-15, fell short of Budget Estimates (₹ 18,885 crore) by ₹ 20 crore.

- **Capital Expenditure vis-à-vis Budget Estimates** fell short by ₹ 2,689 crore. Decreases in Capital Expenditure was under Social Services (₹ 1,455 crore), Economic Services (₹ 965 crore) and General Services (₹ 269 crore).

- **Revenue Surplus** (₹ 22,394 crore) declined (₹ 6,600 crore) the Budget Estimate (₹ 28,994 crore) and the **Fiscal Deficit** (₹ 32,513 crore) exceeded (₹ 4,102 crore) vis-à-vis the Budget Estimates (₹ 28,411 crore). The **Primary Deficit** (₹ 13,648 crore) was more than the Budget Estimates (₹ 9,526 crore) by ₹ 4,122 crore (43 per cent) during 2014-15.

The pattern of receipts and expenditure varied from what was envisaged at the stage of budget formulations for 2014-15 which indicates improper budget estimation.

1.1.4 Fiscal Policy Statement of the Government

With a view to increasing revenue receipts, the Government, in its budget speech, announced a growth of 17 per cent (relative to 2013-14) in Own Tax Revenue.

Table 1.5 depicts increase of Own Tax Revenue of the State Government during 2014-15 over 2013-14.

Table 1.5: Own Tax Revenue

Particulars	Amount
Actuals of Own Tax Revenue for 2013-14 (₹ in crore)	66,582
Actuals of Own Tax Revenue for 2014-15 (₹ in crore)	74,172
Increase in Actuals of Own Tax Revenue in 2014-15 (₹ in crore)	7,590
Increase in Actuals of Own Tax Revenue in 2014-15 (in per cent)	11.40

Table indicates growth of 11.40 per cent in Own Tax Revenue during 2014-15 over 2013-14 as against the stated growth of 17 per cent as per the announcement made in budget speech of 2014-15.

1.2 Resources of the State

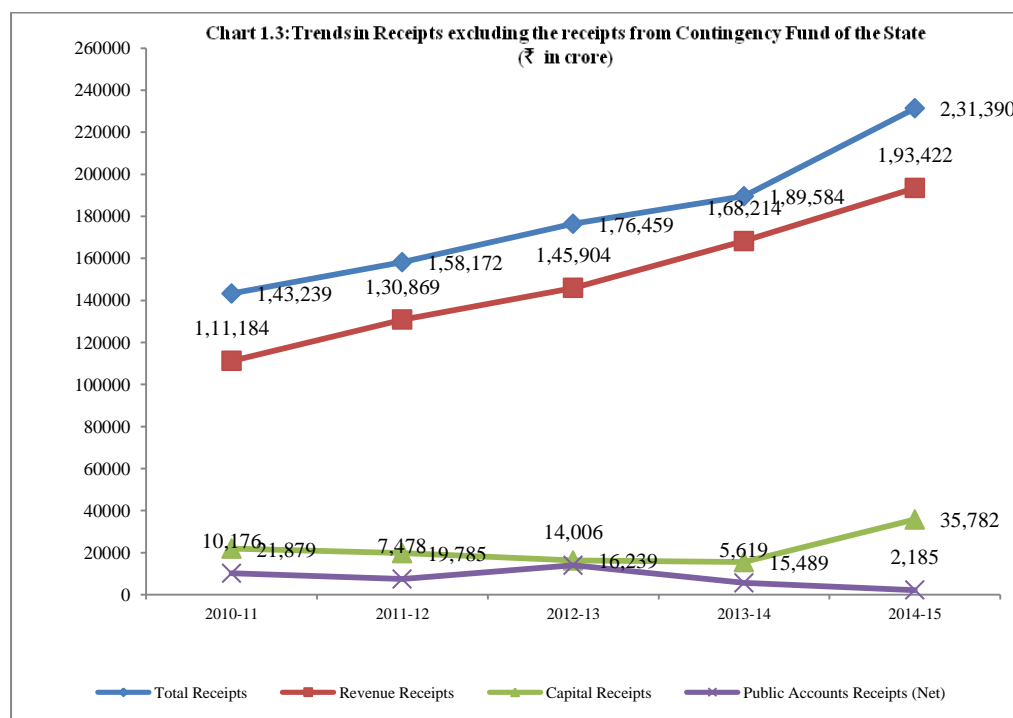
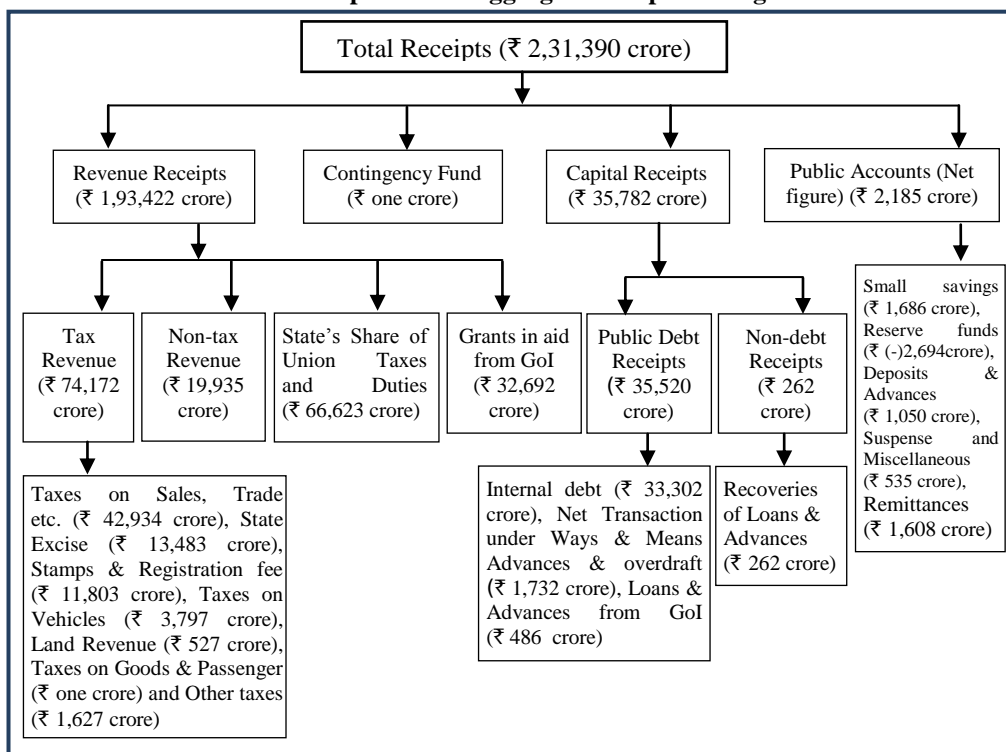
1.2.1 Resources of the State as per Annual Finance Accounts

Revenue and Capital are two streams of receipts that constitute the resources of the State Government. Revenue receipts consist of tax revenues, non-tax revenues, State's share of Union Taxes and Duties and Grants-in-aid from GoI. Capital receipts comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GoI as well as accruals from Public Accounts.

Table 1.2 presents receipts and disbursements of the Government during 2014-15 as recorded in Annual Finance Accounts. **Chart 1.2** depicts

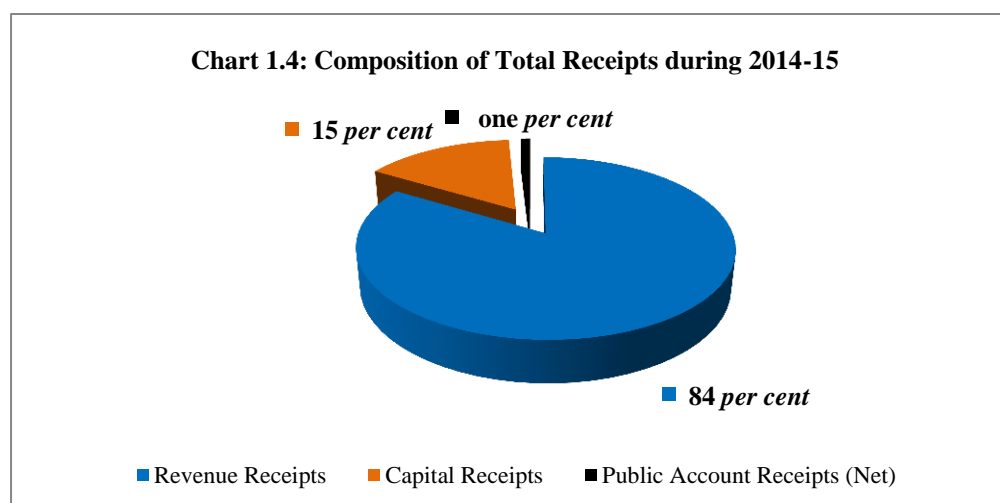
composition of aggregate receipts, **Chart 1.3** the trends in various components of receipts during 2010-15 and **Chart 1.4** the composition of resources during 2014-15.

Chart 1.2: Composition of aggregate receipts during 2014-15



(Source: Finance Accounts of the respective years)

It would be seen from the above chart that the Total Receipts of the Government for 2014-15 were ₹ 2,31,390 crore. Of this, Revenue Receipts were: ₹ 1,93,422 crore, Capital Receipts: ₹ 35,782 crore, Receipts from the Contingency Fund: ₹ one crore and Public Accounts Receipts: ₹ 2,185 crore (*net figure*²). Further, Total Receipts increased by ₹ 88,151 crore (62 per cent) from the level of ₹ 1,43,239 crore in 2010-11 to ₹ 2,31,390 crore in 2014-15.



(Source: Finance Accounts 2014-15)

Chart 1.4 depicts that the share of Revenue Receipts to Total Receipts was 84 per cent, Public Accounts Receipts one per cent and the Capital Receipts 15 per cent.

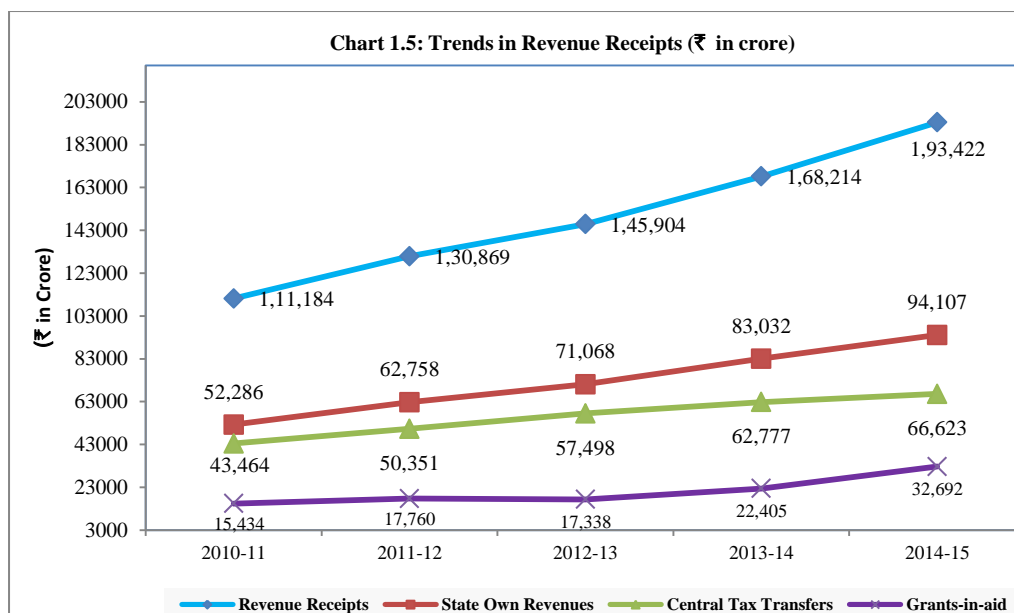
1.2.2 Funds transferred by GoI to State Implementing Agencies

Till 31 March 2014, Government of India transferred substantial funds directly to State Implementing Agencies/ Non-Government Organisations (NGOs) for implementation of various schemes/ programmes. As per PFMS (Public Financial Management System) portal of the Controller General of Accounts, GoI released no amount directly to the implementing agencies during 2014-15. GoI's decision to release all assistance to CSSs/ACA directly to the State Government and not to implementing agencies has reduced the direct transfers to implementing agencies by 100 per cent, as compared to 2013-14.

1.3 Revenue Receipts

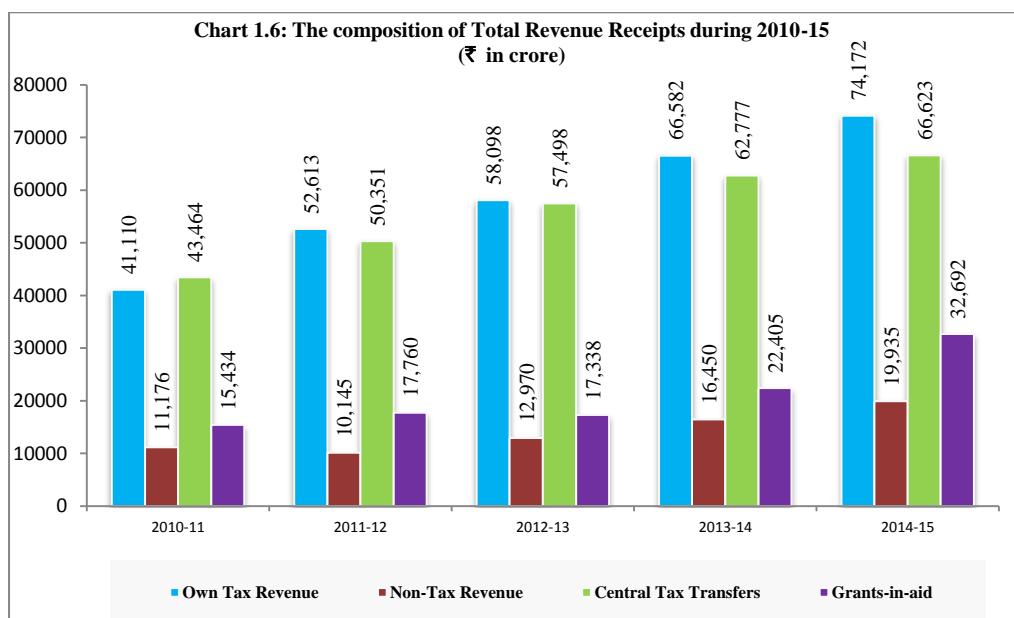
Statement 14 of the Finance Accounts gives details of the revenue receipts of the Government. The revenue receipts consist of its own tax revenues and non-tax revenues, central tax transfers and grants-in-aid from GoI. The trends and composition of revenue receipts during 2010-15 are presented in **Appendix 1.5** and also depicted in **Chart 1.5** and **Chart 1.6** respectively.

²Public Accounts Receipts: ₹ 2,30,199 crore minus Public Accounts Disbursements: ₹ 2,28,014 crore.



(Source: Finance Accounts of the respective years)

Chart 1.5 depicts that during 2014-15 Revenue Receipts (₹ 1,93,422 crore) increased by ₹ 25,208 crore (15 per cent) over 2013-14. During 2010-15, it grew steadily from ₹ 1,11,184 crore to ₹ 1,93,422 crore.



(Source: Finance Accounts of the respective years)

Chart 1.6 depicts that out of Total Revenue Receipts of ₹ 1,93,422 crore during 2014-15, ₹ 94,107 crore came from own sources of own tax revenue (₹ 74,172 crore) and non-tax revenue (₹ 19,935 crore) and the remaining ₹ 99,315 crore from GoI as State's Share in Union Taxes and Duties (₹ 66,623 crore) and Grants-in-aid (₹ 32,692 crore).

The increase (₹ 25,208 crore; 15 per cent) in **Revenue Receipts** during 2014-15 were mainly due to more allocation of grants-in-aid as well as net

proceeds assigned to the State by GoI, more collection of taxes under Sales Tax Act, realisation of more revenue on account of Country Spirit, Malt Liquors, Foreign Liquor and Spirits, realisation of more Taxes under Indian Motor Vehicle Act, more collection of receipt under Forestry and Wild Life and more collection of Taxes on consumption and sale of electricity. There was also decrease due to less receipt on account of technical education, tuition and other fees and Arts and Culture, less receipt from Land Revenue and sale proceeds of Waste Lands and redemption of Land Tax, less receipt from sale of water for irrigation purposes, less receipt from regulation of business undertakings and less receipt from tourism. The trends in Revenue Receipts relative to GSDP are presented in **Table 1.6**.

Table 1.6: Trends in Revenue Receipts relative to GSDP

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Revenue Receipts (₹ in crore)	1,11,184	1,30,869	1,45,904	1,68,214	1,93,422
Rate of growth of Revenue Receipts (<i>per cent</i>)	15.31	17.70	11.49	15.29	14.99
Revenue Receipts/GSDP (<i>per cent</i>)	18.89	19.03	18.96	18.89	19.81
Buoyancy Ratios³					
Revenue Buoyancy w.r.t GSDP	0.774	1.048	0.964	0.976	1.552
State's Own Tax Buoyancy w.r.t GSDP	1.079	1.657	0.880	0.932	1.180
Revenue Buoyancy w.r.t State's own taxes	0.717	0.633	1.100	1.047	1.315
GSDP (₹ in crore)	5,88,467	6,87,836	7,69,729	8,90,265	9,76,297
Growth rate of GSDP	19.78	16.89	11.91	15.66	9.66

(Source: Finance Accounts of the respective years)

Table revealed the followings:

- Revenue buoyancy with reference to GSDP increased by 0.576 during 2014-15 relative to 2013-14.
- During 2011-12 and 2014-15, the growth rate in revenue receipts kept pace with the growth rate in GSDP. However, during 2010-11, 2012-13 and 2013-14 the growth rate of receipts was not commensurate with the growth rate of GSDP.
- The buoyancy of the State's Own Taxes with reference to GSDP also increased from 0.932 (2013-14) to 1.180 (2014-15). During 2010-15, the ratio of State's Own Taxes with reference to GSDP ranged between 0.880 and 1.657.

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, the State's

³ Buoyancy ratio is the elasticity/degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For instance, for 2010-11, revenue buoyancy at 0.7 implies that revenue receipts tend to increase by 0.7 percentage points, if the GSDP increases by one *per cent*.

performance in mobilisation of resources is assessed in terms of own tax revenue and non-tax revenue.

The gross collections of own tax revenue and non-tax revenue for 2010-15 are presented in **Appendix 1.6**. These increased (80 per cent) from ₹ 52,286 crore in 2010-11 to ₹ 94,107 crore in 2014-15.

The own tax revenue and non-tax revenue of the State for 2014-15, *vis-a-vis*, assessments made by the Thirteenth Finance Commission and Budget Estimates are given in **Table 1.7**.

Table 1.7: Actuals of Tax and Non-tax Receipts for 2014-15 *vis-à-vis* assessment made by Thirteenth Finance Commission and Budget Estimate

(₹ in crore)

Particulars	Thirteenth Finance Commission	Budget Estimates	Actuals
Own Tax Revenue	59,618.65	81,000.00	74,172.42
Non-Tax Revenue	12,115.47	20,231.95	19,934.80
Total	71,734.12	1,01,231.95	94,107.22

(Source: Thirteenth FC's recommendations, Budget document and Finance Accounts 2014-15)

State's own tax revenue during 2014-15 increased by ₹ 14,554 crore (24 per cent) over the normative assessments made by the Thirteenth Finance Commission (₹ 59,619 crore). However, it was less by ₹ 6,828 crore (eight per cent) over the projections made in Budget Estimate during 2014-15.

Non-tax revenue during 2014-15 increased by ₹ 7,819 crore (65 per cent) over the normative assessments made by the Thirteenth Finance Commission (₹ 12,115 crore). It was decreased by ₹ 297 crore (one per cent) over the provisions made in the Budget Estimate during 2014-15.

1.3.1.1 Tax Revenue

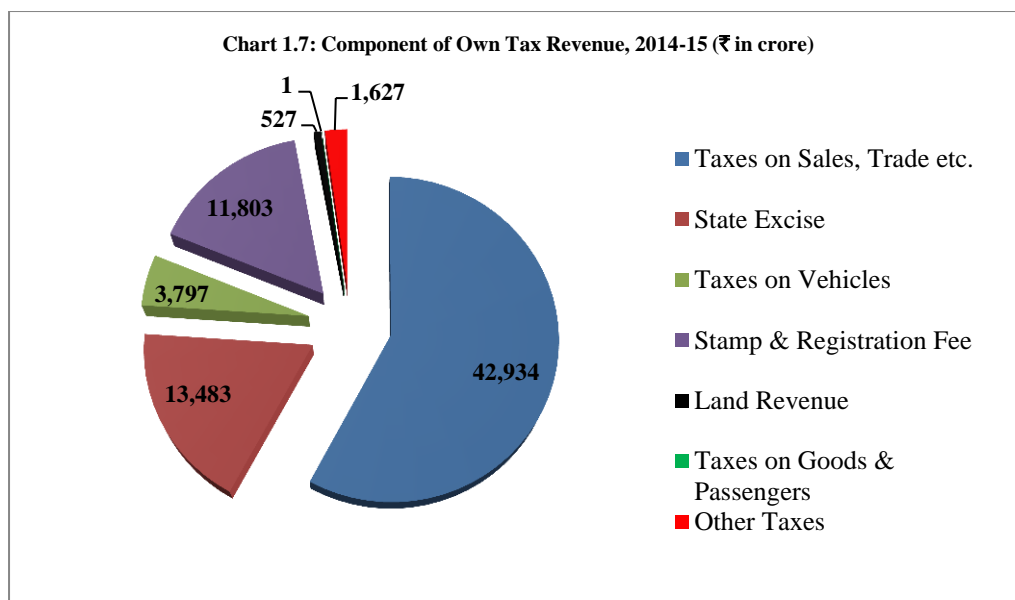
The Tax Revenue comprises Taxes on Sales and Trade etc., State Excise, Taxes on Vehicles, Stamps and Registration fee etc. The component of tax revenue during 2010-15 is given in **Table 1.8** and **Chart 1.7**.

Table 1.8: Components of Tax Revenue

(₹ in crore)

Component of Revenues	2010-11	2011-12	2012-13	2013-14	2014-15	Percentage increase(+)/ decrease (-) during 2014-15 over 2013-14
Taxes on Sales, Trades etc.	24,837	33,107	34,870	39,645	42,934	8
State Excise	6,723	8,139	9,782	11,644	13,483	16
Taxes on Vehicles	1,817	2,376	2,993	3,441	3,797	10
Stamps and Registration Fee	5,975	7,694	8,742	9,521	11,803	24
Land Revenue	1,134	491	805	772	527	(-)32
Taxes on Goods and Passengers	242	5	1	1	1	0
Other Taxes	382	801	905	1,558	1,627	4
Total	41,110	52,613	58,098	66,582	74,172	11

(Source: Finance Accounts of the respective years)



(Source: Finance Accounts of the respective years)

Table indicates that own tax revenue increased by ₹ 7,590 crore (11 per cent) during 2014-15 relative to 2013-14 due to increase in realisation of taxes on sales, trade etc., state excise, taxes on vehicles and stamp and registration fee. The increase in state excise was due to realisation of more revenue on accounts of ‘Country Spirits’, Foreign Liquor, Malt Liquor and Spirits. Increase under taxes on vehicle was due to more realisation of taxes on sale of vehicles and collection of taxes under State Motor Vehicle Act. However, there was drastic reduction in collection of land revenue due to less receipt from the Land Revenue and sale proceeds of Waste Lands and redemption of Land Tax.

1.3.1.2 Non-tax Revenue

Non-tax Revenue comprises receipts mainly from education, power, interest, forestry and wild life, industries, medical and public health, irrigation, agriculture and other allied activities. The receipts of Non-tax revenue during 2014-15 is given in **Table 1.9**.

Table 1.9: Non-tax Revenue

(₹ in crore)

Revenue Head	2010-11	2011-12	2012-13	2013-14	2014-15	Percentage increase(+)/ decrease (-) during 2014-15 over 2013-14
Interest Receipts	689	789	1,186	1,619	2,303	42
Dividends & Profits	27	38	63	5	8	60
Other non-tax Receipts	10,460	9,318	11,721	14,826	17,624	19
Total	11,176	10,145	12,970	16,450	19,935	21

(Source: Finance Accounts of the respective years)

Table indicates that there was overall increase (₹ 3,485 crore) of 21 *per cent* in Non-tax revenue receipts during 2014-15 over 2013-14. The increases were mainly due to more receipts under Interest Receipts, General and Economic Services and under other non-tax revenues.

Other non-tax revenues increased by ₹ 2,798 crore (19 *per cent*) during 2014-15 over 2013-14. The receipts under Other Non-tax Revenue increased mainly under Public Service Commission and Miscellaneous General Services.

1.3.2 Grants- in-aid from GoI

The Government receives grants-in-aid from GoI as non-plan grants, grants for State plan schemes/ Central plan schemes etc. The amounts of Grants-in-aid received during 2010-15 are given in **Table 1.10**.

Table 1.10: Grants-in-aid from GoI

(₹ in crore)					
Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Non Plan Grants	3,092.99	4,396.73	4,341.00	7,933.79	6,808.88
Grants for State plan Schemes	6,772.07	6,813.40	5,518.39	6,595.22	6,576.02
Grants for Central Plan Schemes	435.16	212.45	12.31	225.90	17.37
Grants for Centrally Sponsored Plan Schemes	5,133.43	6,337.44	7,466.09	7,650.26	19,289.20
Total Grants	15,433.65	17,760.02	17,337.79	22,405.17	32,691.47
Percentage of increase/ decrease over previous year	(-)9.96	15.07	(-)2.38	29.00	45.91
Revenue Receipts	1,11,184	1,30,869	1,45,904	1,68,214	1,93,422
Total grants as a percentage of Revenue Receipts	13.88	13.57	11.88	13.32	16.90

(Source: Finance Accounts of the respective year)

The Grants-in-aid received from GoI increased by ₹ 10,286 crore (46 *per cent*) from ₹ 22,405 crore in 2013-14 to ₹ 32,691 crore in 2014-15. Within the Grants-in-aid, the increase during 2014-15 relative to 2013-14, was under Centrally Sponsored schemes (₹ 11,640 crore) and major decreases were under Non-plan Grants (₹ 1,125 crore) and grants for Central Plan Schemes (₹ 209 crore) relative to 2013-14.

1.3.3 Central Tax Transfers

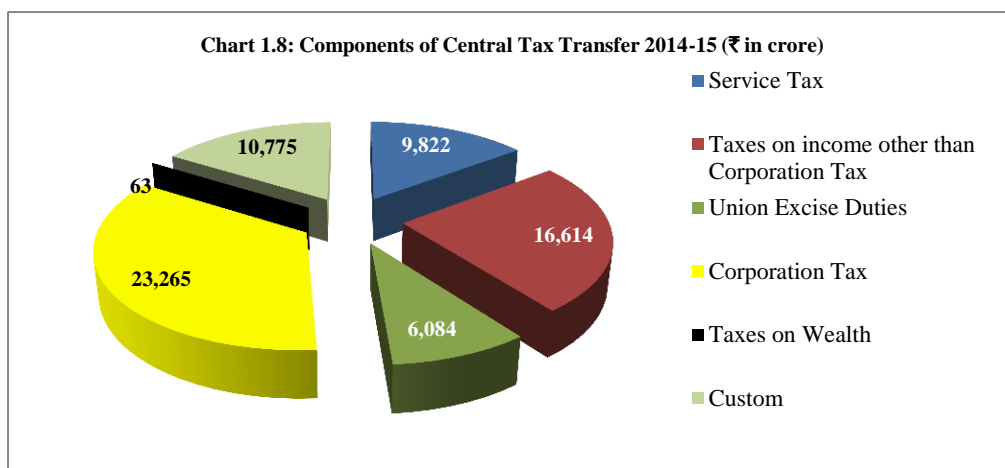
GoI transfers share of State Government in Union Taxes and Duties such as Income Tax, Service Tax, Union Excise Duties etc. The trends in these Central tax transfers during 2010-15 are given in **Table 1.11** and **Chart 1.8**.

Table 1.11: Trends in Central Tax Transfers

(₹ in crore)

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Total Central Tax Transfers	43,464	50,351	57,498	62,777	66,623
Service Tax	4,309	6,010	8,396	10,227	9,822
Taxes on income other than Corporation tax	8,927	10,067	12,365	13,902	16,614
Union Excise Duties	5,498	5,649	6,493	7,234	6,084
Corporation Tax	16,893	19,819	20,654	21,113	23,265
Taxes on wealth	35	76	35	58	63
Customs	7,557	8,730	9,555	10,243	10,775

(Source: Finance Accounts of the respective year)



(Source: Finance Accounts of the respective year)

Central tax transfers increased by ₹ 3,846 crore (six *per cent*) from ₹ 62,777 crore (2013-14) to ₹ 66,623 crore (2014-15). The increases during 2014-15 were mainly under Taxes on income other than Corporation Tax by ₹ 2,712 crore (20 *per cent*) and Corporation Tax by ₹ 2,152 crore (10 *per cent*) as compared to 2013-14.

1.3.4. Cost of collection

The gross collection in respect of major Revenue Receipts, expenditure incurred on collection and percentage of such expenditure to the gross collection during 2014-15 are mentioned in **Table 1.12** below:

Table 1.12: Cost of collection

Particulars	Gross collection	Expenditure on collection	Percentage of cost of collection to gross collection	All India Average of previous year
	(₹ in crore)			
Commercial Tax	43,127	492	1.14	0.88
State Excise	13,479	135	1.00	1.81
Taxes on Motor Vehicles, Goods and Passenger	3,797	124	3.26	6.25
Stamps duty and Registration fee	11,858	232	1.95	3.37

(Source: Concerned Department)

Table revealed that during 2014-15, the cost of collection of State Excise, Taxes on Motor Vehicles, Goods and Passenger and Stamps Duty and Registration fee was lower than the All India Average of preceding year, while cost of collection of Commercial Taxes was higher than the All India average of preceding year. The Government should analyse the reasons.

1.3.5 Grants received under recommendation of the Thirteenth Finance Commission

To improve various organs of the State Government, the Thirteenth Finance Commission recommended grants for the Government. The financial status and shortfall thereof of selected grants is given in **Table 1.13**.

Table 1.13: Financial status of the Thirteenth Finance Commission grants

(₹ in crore)

Number & Name of Grant	Particulars	2010-11	2011-12	2012-13	2013-14	2014-15	Total
13 Agriculture & other Allied Department (Rural Development)	Budgeted Amount	Nil	50.00	47.56	50.00	50.00	197.56
	Expenditure	Nil	15.64	47.39	35.18	45.55	147.76
	Savings	Nil	34.36	0.17	14.82	0.45	49.80
37 Urban Development Department	Budgeted Amount	Nil	459.10	796.66	1,301.26	494.65	3,051.67
	Expenditure	Nil	168.82	795.92	1,099.33	494.65	2,558.72
	Savings	Nil	290.28	0.74	201.93	0	492.95
40 Planning Department	Budgeted Amount	Nil	Nil	Nil	5.27	15.45	20.72
	Expenditure	Nil	Nil	Nil	5.25	15.43	20.68
	Savings	Nil	Nil	Nil	0.02	0.02	0.04
42 Judicial Department	Budgeted Amount	39.41	12.21	149.39	43.07	136.15	380.23
	Expenditure	37.71	12.03	32.50	15.53	38.24	136.01
	Savings	1.70	0.18	116.89	27.54	97.91	244.22
92 Culture Department	Budgeted Amount	Nil	25.00	29.49	25.87	28.41	108.70
	Expenditure	Nil	25.00	29.44	0.84	28.41	83.69
	Savings	Nil	Nil	0.05	25.03	Nil	25.08
94 Irrigation Department (Works)	Budgeted Amount	Nil	341.00	309.15	751.07	Nil	1,401.22
	Expenditure	Nil	14.76	254.03	69.13	Nil	337.92
	Savings	Nil	326.24	55.12	681.94	Nil	1,063.30
Grand Total	Budgeted Amount	39.41	887.31	1,332.25	2,176.54	724.66	5,160.17
	Expenditure	37.71	236.25	1,159.28	1,225.26	622.28	3,284.78
	Savings	1.70	651.06	672.97	951.28	98.38	1,875.39

(Source: Appropriation Accounts of the respective years)

Table revealed that ₹ 1,875.39 crore (36 per cent) out of total budgeted amount of ₹ 5,160.17 crore received by the Government under

recommendations of the Thirteenth Finance Commission during 2010-15 lapsed to the Government account due to short/ under utilisation of funds, indicating slippages in programme implementation.

1.3.6 Arrear of Revenue

The Arrears of Revenue as on 31 March 2015 on some principal heads of revenue amounted to ₹ 26,837.24 crore of which ₹ 11,572.73 crore was outstanding for more than five years as detailed in the **Table 1.14**.

Table 1.14: Arrears of Revenue

(₹ in crore)

Sl. No.	Head of revenue	Total Amount outstanding as on 31 March 2015	Amount outstanding for more than five year as on 31 March 2015	Remarks
1	Taxes on Sales, Trade etc.	26,347.13	11,462.56	Out of ₹ 26,347.13 crore, demand for ₹ 2,594.53 crore had been certified for recovery as arrear of land revenue; recovery certificates for ₹ 1,276.72 crore have been sent to other states; recoveries for ₹ 4,441.96 crore had been stayed by the Hon'ble courts/ appellate authority and Government; recoveries for ₹ 560.79 crore were outstanding against the Government/semi Government Departments; the demand for recovery of ₹ 1,613.14 crore was likely to be written off; and ₹ 45.02 crore was outstanding from the transporters. For remaining amount of ₹ 15,814.97 crore, specific action is underway in the Department.
2	Stamps and Registration Fee	202.77	Not available	The details of arrears outstanding for more than five years were not available with the Department. The Department could not furnish stages under which recovery is pending.
3	Taxes on Vehicles	136.82	Not available	The details of arrears outstanding for more than five years were not available with the Department. The Department could not furnish stages under which recovery is pending.
4	Non-ferrous Mining and Metallurgical Industries	77.52	51.15	The details of arrear were not available with the Department at Directorate level.
5	State Excise	53.12	52.62	Demand for the entire outstanding amount ₹ 53.12 crore had been certified for recovery as arrears of land revenue. Out of ₹ 53.12 crore, recovery certificates for ₹ 0.06 crore have been sent to other states, demand for ₹ 16.87 crore had been stayed by the Hon'ble Courts and ₹ 5.85 crore was likely to be written off.
6	Entertainment Tax	19.88	6.40	Out of ₹ 19.88 crore, demand for ₹ 9.98 crore had been stayed by the Hon'ble Courts and demand for ₹ 8.65 crore had been certified for recovery as arrears of land revenue. The remaining amount of ₹ 1.35 crore was pending before appellate authorities.
Total		26,837.24	11,572.73	

(Source: Concerned Department)

The above table indicated that the recovery of ₹ 11,572.73 crore was pending for over five years.

1.4 Capital Receipts

Capital receipts comprise Public Debt receipts and recoveries of loans and advances. The trends of Capital Receipts during 2010-15 are given in **Table 1.15**.

Table 1.15: Trends in Capital Receipts

(₹ in crore)

Sources of State's Capital Receipts	2010-11	2011-12	2012-13	2013-14	2014-15
Capital Receipts	21,879	19,785	16,239	15,489	35,782
Recovery of Loans and Advances	485	133	419	589	262
Public Debt Receipts	21,394	19,652	15,820	14,900	35,520
Rate of growth of debt capital receipts	(-5)	(-8)	(-19)	(-6)	138
Rate of growth of non-debt capital receipts	66	(-73)	215	41	(-56)
Rate of growth of GSDP	19.78	16.89	11.91	15.66	9.66
Rate of growth of Capital Receipts (<i>per cent</i>)	(-4)	(-10)	(-18)	(-5)	131

(Source: Finance Accounts of the respective year)

Table depicts decreasing trends in collection of Capital Receipts during 2010-14, though it increased from ₹ 15,489 crore in 2013-14 to ₹ 35,782 crore in 2014-15. Within the Capital Receipts, growth rate of Public Debt Receipts decreased from *minus five per cent* in 2010-11 to *minus six per cent* in 2013-14, however it increased (138 *per cent*) from ₹ 14,900 crore in 2013-14 to ₹ 35,520 crore in 2014-15. The recovery of Loans and Advances decreased (56 *per cent*) from ₹ 589 crore during 2013-14 to ₹ 262 crore in 2014-15.

1.4.1 Recoveries of Loans and Advances

The recoveries of loans and advances and percentage of recoveries against the disbursement is shown in **Table 1.16**.

Table 1.16: Disbursement/ recoveries of loans and advances

(₹ in crore)

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Disbursement	968	976	1,003	1,473	1,873
Recoveries	485	133	419	589	262
Percentage of recoveries with respect to disbursements	50	14	42	40	14

(Source: Finance Accounts of the respective years)

Table revealed that the recoveries of loans and advances ranged between 50 *per cent* and 14 *per cent* during 2010-15, indicating that the mechanism to recover loans and advances disbursed was ineffective.

1.4.2 Debt Receipts from Internal Sources

The debt receipts from internal sources comprise the market borrowings and loans from the financial institutions. The amount of debt receipts from internal sources during the years 2010-11 to 2014-15 is given in **Table 1.17**.

Table 1.17: Debt receipts from internal sources**(₹ in crore)**

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Market Borrowings	12,000	15,830	9,500	8,000	17,500
Loans from Financial Institutions	1,543	1,277	1,421	1,494	7,176

(Source: Finance Accounts of the respective years)

Table revealed that market borrowings increased substantially from ₹ 8,000 crore during 2013-14 to ₹ 17,500 crore during 2014-15 indicating increased dependence on borrowings from internal sources.

1.4.3 Loans and Advances from GoI

The State Government receives loans and advances from GoI. The details of the loans and advances from GoI during 2010-15 are given in **Table 1.18**.

Table 1.18: Loans and Advances from GoI**(₹ in crore)**

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Loans and Advances from GoI	363	316	296	390	486
Percentage of increase/decrease	28	(-13)	(-6)	32	25

(Source: Finance Accounts of the respective years)

Table revealed that there was decreasing trend in Loans and Advances from GoI during 2010-13. However, it increased by 32 *per cent* in 2013-14 as compared to 2012-13 and further by 25 *per cent* in 2014-15 as compared to 2013-14.

1.5 Public Accounts (Net)

Receipts and disbursements in respect of transactions such as small savings, provident funds and reserve funds etc. forming part of the Consolidated Fund, are kept in Public Accounts set up under Article 266(2) of the Constitution of India. These are not subject to vote by the legislature. In respect of these, the Government acts as a banker and the balances after disbursements are the funds available for use. The status of Public Accounts (Net) is given in **Table 1.19**.

Table 1.19: Status of Public Accounts (Net)**(₹ in crore)**

Resources under various heads	2010-11	2011-12	2012-13	2013-14	2014-15
Public Accounts (Net)	10,176	7,478	14,006	5,619	2,185
a.Small savings, Provident Fund etc.	4,871	3,630	3,341	2,363	1,686
b. Reserve Funds	2,339	5,487	4,386	7,954	(-) 2,694
c. Deposits and Advances	1,842	(-) 2,038	1,753	5,037	1,050
d. Suspense and Miscellaneous	757	607	3,540	(-) 9,637	535
e. Remittances	367	(-) 208	986	(-) 98	1,608

The financial data represents net of the receipts and disbursements under the Public Account Receipts. The data pertaining 2010-13 may be at variance with those of earlier years.

(Source: Finance Accounts of the respective years)

Table revealed oscillating trends in Public Accounts (Net). It decreased from ₹ 10,176 crore at the end of 2010-11 to ₹ 2,185 crore at the close of 2014-15.

1.6 Application of Resources

Analysis of the allocation of expenditure at the State Government level assumes significance since major expenditure responsibilities are entrusted with them. Within the framework of fiscal responsibility legislations, there are budgetary constraints in raising public expenditure financed by deficit or borrowings. It is, therefore, important to ensure that the ongoing fiscal consolidation path at State level is not at the cost of expenditure, especially expenditure directed towards development of social sectors.

1.6.1 Growth and composition of expenditure

Total Expenditure includes Revenue Expenditure, Capital Expenditure and Loans and Advances. The Revenue Expenditure is incurred to maintain the current level of services and make payments for the past obligations. As such, it does not result in any addition to infrastructure of the State and network of the services. On the other hand, the Capital Expenditure increases the infrastructure of the State and network of the services (tangible assets).

Total Expenditure steadily increased (₹ 97,280 crore; 75 per cent) from ₹ 1,28,917 crore in 2010-11 to ₹ 2,26,197 crore in 2014-15 and Revenue Receipts, as a ratio to Total Expenditure ranged between 86 per cent and 89 per cent during 2010-15 and relative to 2013-14, there was a marginal decrease of one per cent during 2014-15.

Chart 1.9 presents the trends and composition of total expenditure and **Chart 1.10** presents total expenditure activities wise during 2010-15.

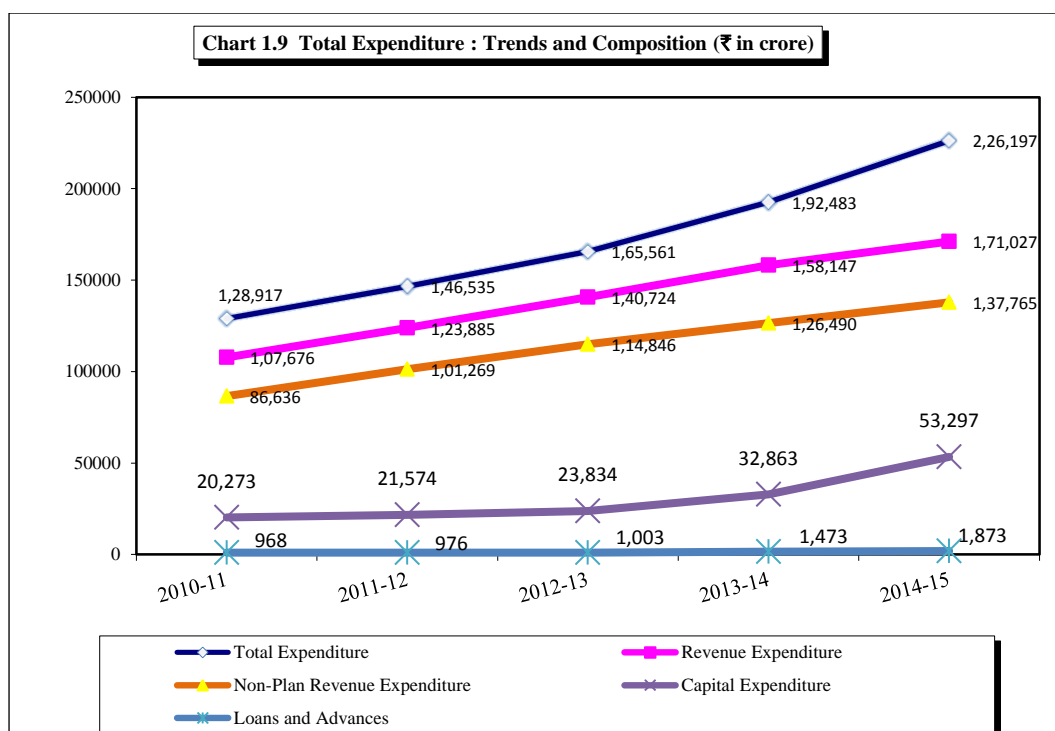
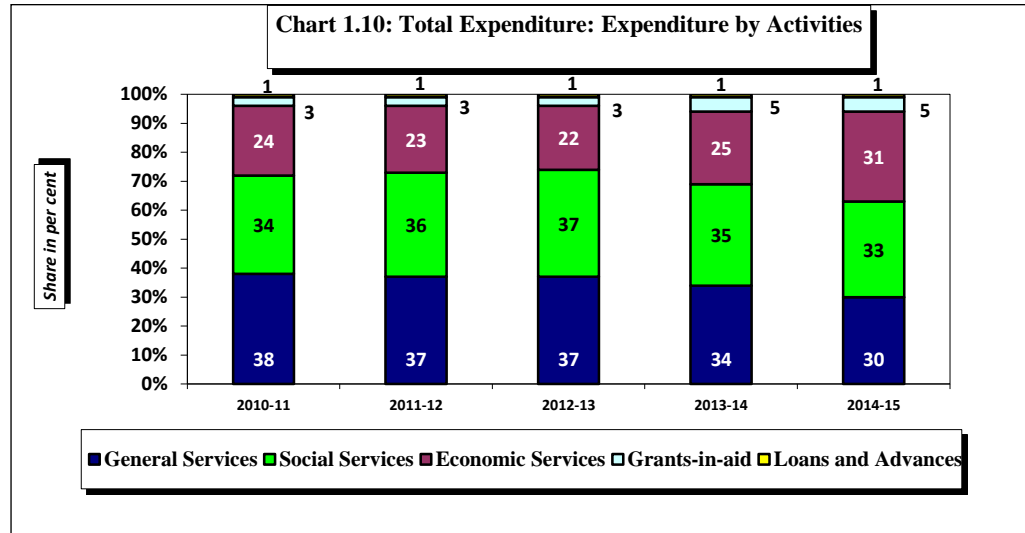


Chart 1.9 revealed increasing trends in Total Expenditure including its components during 2010-15.



(Source: Finance Accounts of the respective years)

Chart 1.10 revealed that there were marginal variations in expenditure by activities during 2010-15. Of the total expenditure during 2014-15, the expenditure under social services shared 33 per cent followed with economic services 31 per cent and general services 30 per cent. The remaining six per cent was shared between grants-in-aid (five per cent) and loan and advances (one per cent).

There was an overall increase (partly counterbalanced by decrease) of ₹ 12,880 crore (eight per cent) in **Revenue Expenditure** from ₹ 1,58,147 crore in 2013-14 to ₹ 1,71,027 crore in 2014-15. The increases during 2014-15 was mainly under **Power** (₹ 7,054 crore; 136 per cent) due to increased expenditure for Transmission and Distribution, **Family Welfare** (₹ 1,410 crore; 56 per cent) due to increased expenditure on Special Component Plan for Scheduled Castes and other expenditure and **Police** (₹ 1,273 crore; 14 per cent) due to expenses on Wireless and Computers, Forensic Science and other Expenses relative to 2013-14. The decreases during 2014-15 was mainly under less expenditure on education of students of Scheduled Castes and Scheduled Tribes, Other Backward Classes and on Special Component Plan for Scheduled Castes under **Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes** (₹ 3,782 crore; 68 per cent) and less expenses on Social Security for Labour and Special Component Plan for Scheduled Castes under **Labour and Employment** (₹ 951 crore; 48 per cent) relative to 2013-14.

Similarly, there was an increase (partly counterbalanced by decrease) of ₹ 20,434 crore (62 per cent) in **Capital Expenditure** from ₹ 32,863 crore in 2013-14 to ₹ 53,297 crore in 2014-15. The increases were mainly under

Housing (₹ 3,719 crore; 291 *per cent*) due to implementation of Lohia Gramin Awas Yojna, Asra Yojna and Central Plan and Centrally Sponsored Schemes on Rural Housing, **Other Rural Development Programme** (₹ 2,843 crore; 178 *per cent*) due to expenditure on rural developmental activities programmes and **Education, Sports, Art & Culture** (₹ 646 crore; 87 *per cent*) due to incurring expenditure on implementation of Central Plan/ Centrally Sponsored Schemes for secondary education, purchase and construction/ extension/ establishment of buildings of Government Higher Secondary Schools. The decrease was mainly due to less expenditure under Central Plan/ Centrally sponsored schemes on Social Welfare and other Social Security and Welfare programmes under **Social Security and Welfare** (₹ 349 crore; 37 *per cent*).

1.6.2 Revenue Expenditure

The trends in Revenue Expenditure relative to GSDP during 2010-15 are presented in **Table 1.20**.

Table 1.20: Trends of Revenue Expenditure relative to GSDP

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Revenue Expenditure (₹ in crore)	1,07,676	1,23,885	1,40,724	1,58,147	1,71,027
Revenue Surplus (₹ in crore)	(+)3,508	(+)6,984	(+)5,180	(+)10,067	(+)22,394
State's GSDP (₹ in crore)	5,88,467	6,87,836	7,69,729	8,90,265	9,76,297
Rate of growth of RE	20.48	15.05	13.59	12.38	8.14
RE/ GSDP	18.30	18.01	18.28	17.76	17.52
Rate of growth of GSDP	19.78	16.89	11.91	15.66	9.66

(Source: Finance Accounts of the respective years)

Table indicates that the rate of growth of Revenue Expenditure was lower than the rate of growth of GSDP during 2011-12, 2013-14 and 2014-15. However, it was higher than the rate of growth of GSDP during 2010-11 and 2012-13. It indicated that the rate of growth of Revenue Expenditure commensurate the rate of growth of GSDP during 2011-12, 2013-14 and 2014-15. However, it did not commensurate the rate of growth of GSDP during 2010-11 and 2012-13.

1.6.3 Committed Expenditure

The Committed Expenditure of the Government under Revenue Head mainly consists of interest payments (₹ 18,865 crore), expenditure on salaries and wages (₹ 62,147 crore), pensions (₹ 22,305 crore) and subsidies (₹ 7,661 crore). The Committed Expenditure (₹ 1,10,978 crore) constitutes a major component of revenue expenditure and consumed 81 *per cent* of the non-plan revenue expenditure (₹ 1,37,765 crore).

Table 1.21 and **Chart 1.11** present the trends under the committed expenditure during 2010-15.

Table 1.21: Trends in Components of Committed Expenditure

(₹ in crore)

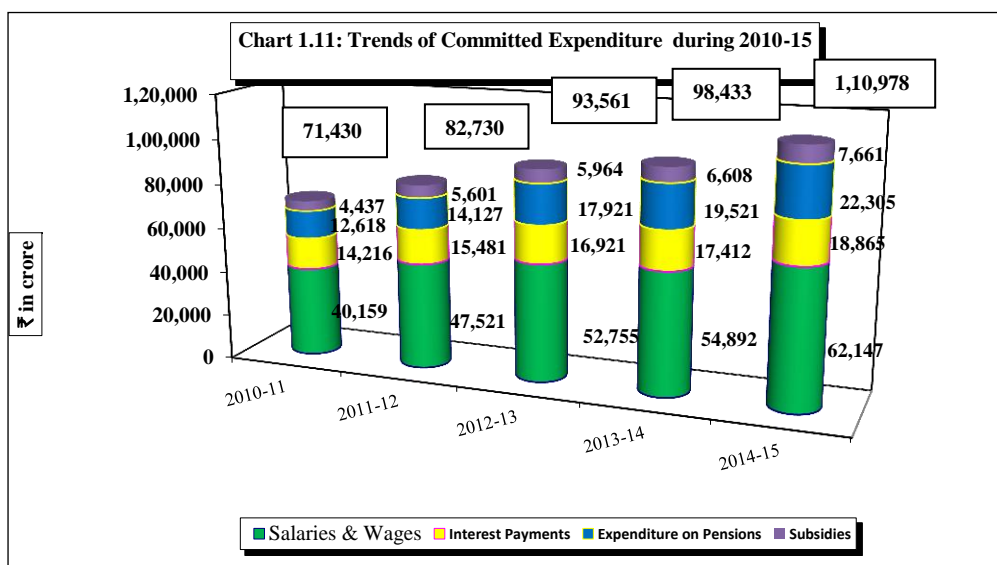
Components of Committed Expenditure	2010-11	2011-12	2012-13	2013-14	2014-15	
					BE	Actuals
Salaries* & Wages, Of which	40,159(36)	47,521(36)	52,755 (36)	54,892 (33)	72,244	62,147 (32)
Non-Plan Head	36,316	42,244	46,007	47,654	-	51,195
Plan Head**	3,843	5,277	6,748	7,238	-	10,952
Interest Payments	14,216(13)	15,481(12)	16,921(12)	17,412 (10)	18,885	18,865(10)
Expenditure on Pensions	12,618(11)	14,127(11)	17,921(12)	19,521 (12)	25,799	22,305(11)
Subsidies	4,437(4)	5,601(4)	5,964(4)	6,608 (4)	8,343	7,661(4)
Total Committed Expenditure	71,430(64)	82,730(63)	93,561(64)	98,433 (59)	1,25,315	1,10,978(57)

Figures in the parentheses indicate percentage to Revenue Receipts.

*It also includes the salaries paid out of Grants-in-aid.

**Plan Head also includes the salaries and wages paid under Centrally sponsored schemes.

(Source: Finance Accounts and VLC data of the respective year)



(Source: Finance Accounts of the respective years)

Analysis of committed expenditure indicates increasing trends in all of its constituents during 2010-15. It increased by 55 per cent from ₹ 71,430 crore in 2010-11 to ₹ 1,10,978 crore in 2014-15 and the increases were mainly under salaries & wages and pensions. The component-wise increase/decrease under various indices of committed expenditure are discussed in succeeding paragraphs.

Salaries & Wages

An analysis of **Table 1.21** indicates that expenditure on Salaries and Wages increased by 31 per cent during 2014-15 over 2013-14. Further, Non-plan heads and Plan heads shows an increasing trend during 2010-15. The expenditure under Non-plan heads increased (41 per cent) from ₹ 36,316 crore in 2010-11 to ₹ 51,195 crore in 2014-15. It was greater than

the normative assessment (₹ 19,942 crore) made by the Thirteenth Finance Commission. Under Plan heads, the expenditure on salaries and wages increased (185 *per cent*) from ₹ 3,843 crore in 2010-11 to ₹ 10,952 crore in 2014-15.

Pension Payments

The expenditure on pensions indicates an increasing trend during 2010-15. It increased (77 *per cent*) from ₹ 12,618 crore in 2010-11 to ₹ 22,305 crore in 2014-15. Relative to 2013-14, it increased (14 *per cent*) by ₹ 2,784 crore. The expenditure of ₹ 22,305 crore during 2014-15 was in excess (₹ 8,373 crore) over the projections made by the Thirteenth Finance Commission (₹ 13,932 crore). The Government had also introduced a Contributory Pension Scheme for employees recruited on or after 1 April 2005 to mitigate impact of rising pension liabilities.

Interest Payments

Interest Payments relative to Revenue Receipts decreased from 13 *per cent* in 2010-11 to 10 *per cent* in 2014-15. Actual Interest Payments (₹ 18,865 crore) declined (₹ 20 crore) the provision made in Budget Estimates (₹ 18,885 crore). However, the expenditure of ₹ 18,865 crore during 2014-15 was also short of (₹ 678 crore) over the projections made by the Thirteenth Finance Commission (₹ 19,543 crore).

Subsidies

Finance Accounts (*Appendix II*) showed that the Government paid explicit subsidies amounting to ₹ 7,661 crore during 2014-15, which constituted four *per cent* of the Revenue Receipts. Of the total subsidy paid, ₹ 5,644 crore (74 *per cent*) was disbursed under Non-plan, ₹ 1,282 crore (17 *per cent*) under Plan and ₹ 735 crore (nine *per cent*) under Centrally Sponsored Schemes⁴. The major activities given subsidy included energy activities: ₹ 5,297 crore (69 *per cent*); agriculture and other allied activities: ₹ 1,924 crore (25 *per cent*) and social welfare: ₹ 288 crore (four *per cent*). The activity wise details are discussed below.

Relative to 2013-14, the expenditure on payment of subsidy under **energy sector** increased by ₹ 108 crore (two *per cent*) during 2014-15. Maximum amount of subsidy was paid under non-plan heads to U.P. Power Corporation Limited amounting ₹ 4,327 crore as a compensatory grant and ₹ 850 crore as revenue compensation grant against amount paid as Electricity Tax during 2014-15. Apart from this, subsidies amounting to ₹ 120 crore was also paid towards compensation against rebate in Electricity rate to the powerloom weavers.

Relative to 2013-14, the expenditure on payment of subsidy under **agriculture sector** increased by ₹ 724 crore (60 *per cent*) during 2014-15. Maximum amount of subsidy amounting to ₹ 240 crore was paid under non-plan heads,

⁴ Funds routed through State Budget.

to U.P. Electricity Corporation for electricity supply to private tubewell farmers for improvement in agricultural production during 2014-15. Apart from this, subsidies were also paid for Agricultural Development Schemes (₹ 164 crore), National Crop Insurance Programme (₹ 160 crore), National Food Security Mission (₹ 146 crore), Golden Jubilee Village Self Employment scheme (₹ 124 crore) and ₹ 87 crore for Grant Scheme of establishment of solar photovoltaic irrigation pump.

Relative to 2013-14, the subsidy under **social welfare sector**, increased by ₹ 174 crore (153 *per cent*) during 2014-15. Maximum amount of subsidies were paid to *Swarn Jayanti* Rural Self Employment Scheme (₹ 118 crore), grant for implementation of Rural Cleanliness Programme (₹ 34 crore) and ₹ 30 crore for assistance to small and marginal farmers for agricultural production (free boring).

Some of the implicit subsidies during 2014-15 are detailed in **Table 1.22**.

Table 1.22: Details of some of the implicit subsidy during 2014-15

(₹ in crore)

Sl. No.	Schemes/ Subsidy	Name of Department	Amount
1	Distribution of free books to boys of General Category	Education Department (Primary Education)	22.40
2	Distribution of free books to Class 6 to 8 boys of General Category	Education Department (Primary Education)	26.38
3	Free Uniforms to children studying in primary and higher primary schools	Education Department (Primary Education)	43.50
4	<i>Kanya Vidya Dhan</i> Scheme	Education Department (Secondary Education)	0.54
5	Free Laptops to 12 th passed Boys/ Girls	Education Department (Secondary Education)	11.90
Total			104.72

(Source: Appropriation Accounts 2014-15)

Thus, the State Government made the payment of ₹ 104.72 crore on account of implicit subsidy during 2014-15.

1.7 Quality of Expenditure

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

1.7.1 Adequacy of Public Expenditure

The expenditure responsibilities relating to Social Sector and Economic Infrastructure are largely State subjects. Enhancing human development levels

requires the States to step up their expenditure on key Social Services like, education and health etc. Low fiscal priority (ratio of expenditure under a category to Aggregate Expenditure) is attached to a particular sector if it is below the respective National Average. The fiscal priorities of the State Government with regard to Development Expenditure, Social Expenditure and Capital Expenditure during 2014-15 is analysed in **Table 1.23**.

Table 1.23: Fiscal Priorities of the State in 2011-12 and 2014-15

(in per cent)

Fiscal Priority (percentage to GSDP)	AE/ GSDP	DE[^]/ AE	SSE/ AE	ESE/ AE	CE/ AE	Education/ AE	Health/ AE
General Category States* Average (Ratio) 2011-12	15.98	65.39	36.63	28.76	13.23	17.10	4.68
Uttar Pradesh's Average (Ratio) 2011-12	21.29	59.34	35.91	23.21	14.73	17.96	4.58
General Category States Average (Ratio) 2014-15	16.49 [#]	69.12	36.50	32.61	14.01	16.23	5.04
Uttar Pradesh's Average (Ratio) 2014-15	23.17	64.86	32.89	31.97	23.56	15.62	5.29
* Based on data from 18 General Category States # Based on data from 17 States except Goa and Puducherry AE: Aggregate Expenditure; DE: Development Expenditure; SSE: Social Sector Expenditure; ESE: Economic Sector Expenditure; CE: Capital Expenditure. ^ Development expenditure includes Development Revenue Expenditure, Development Capital Expenditure and Loans and Advances disbursed.							

Analysis revealed that:

- Aggregate expenditure of the State as a ratio to GSDP was higher in both the years 2011-12 and 2014-15 as compared to General Category States (GCS).
- The State Government has not given adequate fiscal priority to Development Expenditure in 2011-12 and 2014-15 as its ratio to Aggregate Expenditure was less than the ratio for GCS.
- The ratio of Social Sector Expenditure to Aggregate Expenditure was slightly lower than the ratio for GCS in 2011-12 and 2014-15.
- The ratio of Economic Sector Expenditure to Aggregate Expenditure in the State was lower than GCS in 2011-12 and 2014-15.
- The ratio of Capital Expenditure to Aggregate Expenditure was higher than the ratio for GCS in 2011-12 and 2014-15.
- The ratio of expenditure on Education Sector to Aggregate Expenditure in Uttar Pradesh was slightly higher than GCS in 2011-12 but it is slightly lower as compared to GCS in 2014-15.
- Expenditure on the Health Sector in the State was slightly lower than GCS in 2011-12 but it is slightly higher than the Average of GCS in 2014-15.

The State Government is required to give more priority to Development Expenditure and Social Sector Expenditure (including expenditure on Education).

1.7.1.1 Development and Non-Development Expenditure

All expenditure relating to Revenue head, Capital Outlay and Loans and Advances are categorised into social services, economic services and general services. Broadly, the social and economic services constitute developmental expenditure, while expenditure on general services is treated as non-developmental expenditure.

The rate of growth of development and non-development expenditure of the Government during 2010-15 is given in **Table 1.24**.

Table 1.24: Development and Non-Development Expenditure

(₹ in crore)					
Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Revenue expenditure	1,07,676	1,23,885	1,40,724	1,58,147	1,71,027
Capital expenditure	20,273	21,574	23,834	32,863	53,297
Loans and advances	968	976	1,003	1,473	1,873
Total expenditure	1,28,917	1,46,435	1,65,561	1,92,483	2,26,197
Development expenditure	75,019	86,897	97,904	1,17,209	1,46,705
Rate of growth of development expenditure (in <i>per cent</i>)	6	16	13	20	25
Non-development expenditure	53,898	59,538	67,657	75,274	79,492
Rate of growth of non-development expenditure (in <i>per cent</i>)	20	10	14	11	6

(Source: Finance Accounts of the respective years)

Table indicates that the rate of growth of non-development expenditure decreases from 20 *per cent* in 2010-11 to six *per cent* in 2014-15. The rate of growth of development expenditure exceeded rate of growth of non-development expenditure significantly in 2014-15. This indicated that the Government has given priority to developmental activities.

1.7.1.2 Plan and non-plan revenue expenditure

Total Expenditure, Revenue Expenditure (including plan and non-plan), Capital Expenditure and Loans & Advances of the State, rate of growth of Total Expenditure, rate of growth of Non-plan Revenue Expenditure and rate of growth of Plan Expenditure are given in **Table 1.25**.

Table 1.25: Plan and Non-plan Revenue Expenditure

(₹ in crore)					
Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Total Expenditure	1,28,917	1,46,435	1,65,561	1,92,483	2,26,197
Revenue Expenditure	1,07,676	1,23,885	1,40,724	1,58,147	171,027
Non-plan Revenue Expenditure	86,636	1,01,269	1,14,846	1,26,490	1,37,765
Plan Expenditure	21,040	22,616	25,878	31,657	33,262
Capital Expenditure	20,273	21,574	23,834	32,863	53,297
Loans and Advances	968	976	1,003	1,473	1,873
Rate of Growth of Total Expenditure	12	14	13	16	18
Rate of growth of Non-plan Revenue expenditure	18	17	13	10	9
Rate of growth of plan expenditure	34	7	14	22	5

(Source: Finance Accounts of the respective years)

Table indicates that the rate of growth of Total Expenditure oscillated between 12 *per cent* and 18 *per cent* and rate of growth of plan expenditure also oscillated between five *per cent* and 34 *per cent* during 2010-15. The rate of growth of non-plan revenue expenditure decreased steadily from 18 *per cent* (2010-11) to nine *per cent* in 2014-15.

1.7.2 Efficiency of Expenditure use

Table 1.26 provides the details of Capital Expenditure and the components of Revenue Expenditure incurred on maintenance of selected social and economic services. The ratio of capital expenditure to total expenditure during 2014-15 increased over 2013-14 by 8.52 *per cent*.

Table 1.26: Efficiency of Expenditure use in selected Social and Economic Services

Social/Economic Infrastructure	2013-14			2014-15		
	Ratio of CE to TE	Revenue expenditure (₹ in crore)		Ratio of CE to TE	Revenue expenditure (₹ in crore)	
		S&W	O&M		S&W	O&M
General Education	2.32	25,057	12	3.97	29,603	11
Health and Family Welfare	14.15	5,372	98	15.87	5,794	106
WS, Sanitation & HUD	50.44	93	53	75.33	96	131
Total (SS)	9.91	31,783	181	17.14	36,883	271
Agriculture & Allied Activities	10.10	2,011	31	19.78	2,396	41
Irrigation and Flood Control	38.31	2,373	1,101	43.35	2,491	1,541
Power & Energy	55.85	26	00	47.04	22	00
Transport	74.86	84	2,351	81.88	04	2,023
Total (ES)	46.21	7,915	3,510	50.52	8,856	3,637
Total (SS+ES)	25.08	39,698	3,691	33.60	45,739	3,908

TE: Total Expenditure; CE: Capital Expenditure; S&W: Salaries and Wages; O&M: Operations & Maintenance.

(Source: Finance Accounts of 2013-14, 2014-15 and VLC data)

The share of Capital Expenditure to Total Expenditure during 2014-15 under Social Services increased by 7.23 *per cent* and under Economic Services by 4.31 *per cent* over the previous year. Under the Social Services, the increase in the ratio of Capital Expenditure to Total Expenditure during 2014-15 over the previous year was 24.89 *per cent* in the area of water supply, sanitation and urban housing development. Under the Economic Services, there was increase of 9.68 *per cent* in agriculture and allied activities, 7.02 *per cent* in transport and 5.04 *per cent* in irrigation and flood control, though there was a decrease of 8.81 *per cent* in power and energy sector.

The share of Salaries and Wages to Total Expenditure increased by ₹ 6,041 crore in 2014-15 relative to 2013-14. The increases were in Social Services 16 *per cent* and in Economic Services 12 *per cent*. The increases were shared between Social Sector (₹ 5,100 crore) and Economic Sector (₹ 941 crore), though there was decrease of ₹ 80 crore in Transport as compared to the year 2013-14.

The share of O&M expenditure in the Revenue Expenditure under Social Services increased by ₹ 90 crore in 2014-15 relative to 2013-14. Similarly, the overall share of O&M expenditure in the Revenue Expenditure under the Economic Services increased by ₹ 127 crore in 2014-15 relative to 2013-14, though there was significant decrease of ₹ 328 crore (14 *per cent*) in Transport as compared to the year 2013-14.

1.8 Financial Analysis of Government Expenditure and Investments

In the post-FRBM framework, the Government is expected to keep its fiscal deficit (and borrowings) not only at low levels but also meet its requirements for capital expenditure/investment (including loans and advances). In addition, in the transition to complete dependence on market based resources, the Government needs to initiate measures to earn adequate return on its investments and recover its cost of borrowed funds rather than bearing the same on its budget in the form of implicit subsidy and to take requisite steps to infuse transparency in financial operations. This section presents financial analysis of investments and other capital expenditure undertaken during the current year, *vis-à-vis*, preceding years.

1.8.1 Financial results of irrigation works

For ensuring commercial viability of irrigation projects, the Thirteenth Finance Commission had prescribed cost recovery rates in relation to the maintenance expenditure.

Receipts (₹ 397 crore) from the major, medium and minor irrigation projects during 2014-15 were eight *per cent* of the expenditure of ₹ 5,009 crore on their operation and maintenance which was much below the cost recovery assessment of 75 *per cent* of the Thirteenth Finance Commission for 2014-15, indicating that the projects were commercially unviable.

The Cost recovery rate and Maintenance expenditure with reference to norms to Thirteenth Finance Commission is given in **Table 1.27**.

Table 1.27: Cost recovery rate and Maintenance expenditure with reference to norms to Thirteenth Finance Commission

Year	Revenue Expenditure	Revenue Receipts	Revenue Receipts to Revenue Expenditure	Cost recovery assessment of 13 th FC(2010-15)	Gap in cost recovery
	₹ in crore		In per cent		
2010-11	3,409	186	5	25	20
2011-12	3,736	232	6	35	29
2012-13	4,323	258	6	45	39
2013-14	4,472	550	12	60	48
2014-15	5,009	397	8	75	67

(Source: Finance Accounts of the respective years)

Table indicates that the Government could not achieve norms fixed by the Thirteenth Finance Commissions for 2010-15 in respect of cost recovery rate and maintenance expenditure for major, medium and minor irrigation works. Besides, the gap in cost recovery continued to rise between 20 *per cent* and 67 *per cent* during the award period (2010-15) despite the continuous increase in revenue expenditure during the same periods.

1.8.2 Incomplete Projects

Blocking of funds on incomplete works impinge negatively on the quality of expenditure. The department wise position of incomplete projects is given in **Table 1.28**.

Table 1.28: Department wise profile of Incomplete Projects as on 31 March 2015

(₹ in crore)

Department	No. of Incomplete projects	Initial budgeted cost	Revised cost of Projects	Cumulative Actual expenditure (March 2015)
Public Works (Roads & Bridges)	521	6,339	1,011	3,396
Irrigation	24	1,314	5,300	4,318
Total	545	7,653	6,311	7,714

(Source: Finance Accounts 2014-15)

An expenditure of ₹ 7,714 crore (March 2015) incurred on 545 incomplete projects did not deliver envisaged benefits.

1.8.3 Investments and Returns

As of 31 March 2015, the Government had invested ₹ 58,606 crore in Statutory Corporations (₹ 596 crore), Government companies (₹ 57,021 crore), Co-operatives (₹ 928 crore) and Banks (₹ 61 crore). The position of return on the investments during 2010-15 is given in **Table 1.29**.

Table 1.29: Returns on Investment

Investment ⁵ /return/cost of borrowings	2010-11	2011-12	2012-13	2013-14	2014-15
Investment at the end of the year (₹ in crore)	38,272.54	42,607.07	46,227.91	52,466.73	58,606.06
Returns (₹ in crore)	26.81	38.17	62.70	5.23	8.08
Returns (<i>per cent</i>)	0.07	0.09	0.14	0.01	0.01
Average rate of interest on Government borrowings (<i>per cent</i>)	6.67	6.62	6.73	6.43	6.40
Difference between interest rate and returns (<i>per cent</i>)	6.60	6.53	6.59	6.42	6.39

(Source: Finance Accounts of the respective years)

⁵ The figures of investments upto 2014-15 under section-1 and Major and Minor head wise investment during the year under section -2 of Statement number 19 of the Finance Accounts 2014-15 do not agree with each other. During 2014-15, the difference of ₹ 6,155.35 crore between the amount of investment as shown in section-1 (₹ 52,450.71 crore) and section-2 (₹ 58,606.06 crore) is under reconciliation.

Table revealed that:

- During 2014-15, the Government mainly invested in share capitals of corporations engaged in thermal power generation, power transmission and distribution etc.
- The return on these investments was only 0.01 *per cent* while the Government paid interest at an average rate of 6.40 *per cent* on its borrowings during 2014-15. Thus, return on Government investment was meager as compared to cost of its borrowings.

1.8.4 Public Private Partnership Projects

Public Private Partnership (PPP) is an arrangement between a government/ statutory entity/ government owned entity on one side and a private sector entity on the other, for provision of public assets and/or public services, through investments being made and/or management being undertaken by the private sector entity, for a specified period of time, where there is well defined allocation of risk between the private sector and the public entity and the private entity receives performance linked payments that conform (or are benchmarked) to specified and pre-determined performance standards, measurable by the public entity or its representative.

Upto 2014-15, 102 PPP projects involving ₹ 1,40,691.50 crore were undertaken. However, the financial obligations of the State Government under PPP arrangements were not intimated as of August 2015.

1.8.5 Loans and Advances by State Government

In addition to investments in Co-operative societies, Corporations and Companies, Government has also been providing loans and advances to many of these institutions/ organisations. **Table 1.30** presents outstanding Loans and Advances as on 31 March 2015 and interest receipt *vis-à-vis* interest payments during the last three years.

Table 1.30: Average interest received on Loans and Advances by State Government

(₹ in crore)

Particulars	2012-13	2013-14	2014-15
Opening Balance	10,988	11,572	12,456
Amount advanced during the year	1,003	1,473	1,873
Amount repaid during the year	419	589	262
Closing Balance	11,572	12,456	14,067
Of which outstanding balance for which terms and conditions have been settled			
Net addition	(+) 584	(+) 884	(+) 1,611
Interest receipts	26	19	14
Interest receipts as <i>per cent</i> to outstanding Loans and Advances	0.22	0.15	0.10
Outstanding fiscal liabilities of the State Government	2,59,621	2,81,709	3,07,859
Interest payment as <i>per cent</i> to outstanding fiscal liabilities of the State Government	6.52	6.18	6.13
Difference between interest payments and interest receipts (<i>per cent</i>)	6.30	6.03	6.03

(Source: Finance Accounts of the respective years)

The loans outstanding increased by ₹ 1,611 crore from ₹ 12,456 crore in 2013-14 to ₹ 14,067 crore in 2014-15. Major portion of loans advanced during 2014-15 was to Water Supply, Sanitation, Housing and Urban Development (₹ 730 crore), Industries and Minerals (₹ 816 crore) and Loans to Government Servant (₹ 103 crore).

1.8.6 Cash Balances and Investment of Cash Balances

The Government received interest amounting to ₹ 469.05 crore during the year 2014-15 on investments of cash balances. **Table 1.31** depicts the Cash Balances and Investments made by the State Government out of Cash Balances during 2014-15.

Table 1.31: Cash Balances and Investment of Cash Balances

(₹ in crore)

Particulars	Opening balance as on 1 April 2014	Closing balance as on 31 March 2015
(a) General Cash Balances		
Cash in Treasuries	#	00.00
Deposits with Reserve Bank	(-) 1,156.31	(-) 1,009.27
Remittances in Transit- local	#	00.00
Total	(-) 1,156.31	(-) 1,009.27
Investment held in Cash Balance Investment Account	5,164.46	595.35
Total (a)	4,008.15	(-) 413.92
(b) Other Cash Balances and Investments		
Cash with Departmental Officers viz. Public Works Departmental Officers, Forest Department Officers, District Collectors	12.05	12.17
Permanent Advances for contingency expenditure with Departmental Officers	0.43	0.43
Investment of Earmarked Funds	45.20	45.20
Total (b)	57.68	57.80
Grand Total (a) + (b)	4,065.83	(-) 356.12
# Amount is less than ₹ One Lakh		

(Source: Finance Accounts 2014-15)

The Cash Balances stood at ₹ 401.32 crore (*debit*) after deducting ₹ 45.20 crore (₹ 401.32 crore *minus* ₹ 45.20 crore = ₹ 356.12 crore *debit* balance) on account of investments of the Earmarked Funds at the close of 2014-15. The cash balances at the close of March 2015 had declined by ₹ 4,421.95 crore relative to March 2014 (₹ 4,021 crore).

1.9 Assets and Liabilities

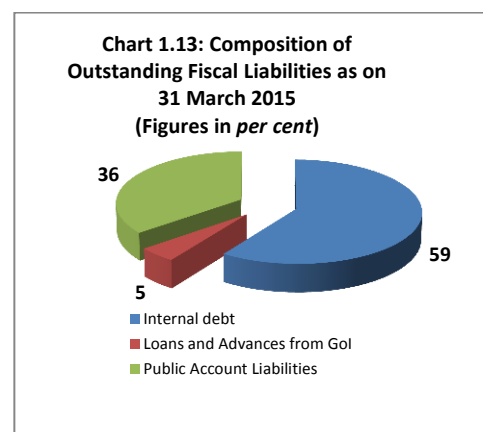
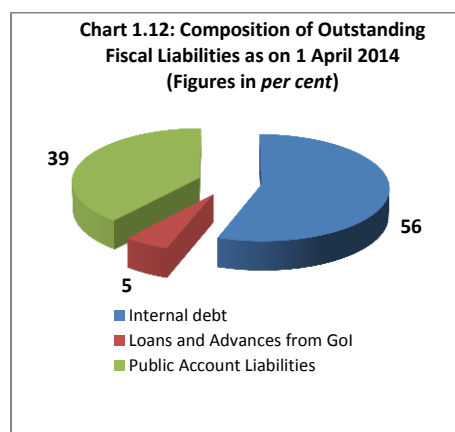
1.9.1 Growth and Composition of Assets and Liabilities

In the existing Government accounting system, comprehensive accounting of the fixed assets like land and buildings owned by the Government is not done. However, the Government accounts capture the financial liabilities and assets created out of expenditure incurred. **Appendix 1.7** gives an abstract of such liabilities and assets, as on 31 March 2015, compared with corresponding position on 31 March 2014. While the liabilities in **Appendix 1.7** consist mainly of Internal Borrowings, Loans and Advances from GoI, the Receipts from Public Accounts and Reserve Funds, the assets comprise mainly Capital

Outlay and Loans and Advances given by the State Government and the Cash Balances.

1.9.2 Fiscal Liabilities

Trends in outstanding fiscal liabilities of the State are indicated in *Appendix 1.7* and the composition of fiscal liabilities during 2014-15, *vis-à-vis*, 2013-14 is presented in **Chart 1.12** and **1.13**.



(Source: Finance Accounts of 2013-14 and 2014-15)

Chart 1.12 and **Chart 1.13** indicate slight changes in the components of fiscal liabilities⁶ of the Government at the close of 2014-15 relative to 2013-14.

The rate of growth, its ratio to GSDP, to revenue receipts and to State's own resources and buoyancy of fiscal liabilities with reference to these parameters is presented in **Table 1.32**.

Table 1.32: Fiscal Liabilities- Basic Parameters

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Fiscal Liabilities (₹ in crore)	2,24,785	2,43,229	2,59,621	2,81,709	3,07,859
Rate of Growth (<i>per cent</i>)	11.43	8.21	6.74	8.51	9.28
Ratio of Fiscal Liabilities to					
GSDP (<i>per cent</i>)	38.20	35.36	33.73	31.64	31.53
Revenue Receipts (<i>per cent</i>)	202.17	185.86	177.94	167.47	159.16
Own Resources (<i>per cent</i>)	429.91	387.56	365.31	339.28	327.14
Buoyancy of Fiscal Liabilities with reference to					
GSDP (ratio)	0.578	0.486	0.566	0.543	0.961
Revenue Receipts (ratio)	0.747	0.464	0.587	0.557	0.619
Own Resources (ratio)	1.129	0.410	0.509	0.506	0.696

(Source: Finance Accounts of the respective years)

6

(₹ in crore)

Particulars	As on 1 April 2014	As on 31 March 2015
Internal debt	1,56,208	1,83,191
Loans and advances from GoI	15,336	14,462
Public Account Liabilities	1,10,165	1,10,206
Outstanding fiscal Liabilities	2,81,709	3,07,859

Table revealed that the overall Fiscal Liabilities increased 37 per cent from ₹ 2,24,785 crore in 2010-11 to ₹ 3,07,859 crore in 2014-15 with growth rate of 9.28 per cent during 2014-15 relative to 8.51 per cent in 2013-14. However, the ratio of the Fiscal Liabilities to GSDP showed decreasing trend during 2010-15. The buoyancy of fiscal liabilities with respect to GSDP during 2014-15 was 0.961.

1.9.3 Transactions under Reserve Funds

There exist a number of Reserve Funds in the accounts of the State Government, which have been created for specific and well defined purposes and are led by contributions of Grants from the Consolidated Fund of the State or from outside agencies. The year wise details of such funds viz. name of funds, opening and closing balances together with receipts and disbursements for 2012-15 is given in *Appendix 1.8* and summarised in **Table 1.33**.

Table 1.33: Position of Reserve Funds during 2012-15

(₹ in lakh)							
Sl. No.	Head of Accounts	Number of Reserve Funds		Opening balance as on 1 April 2012	Receipts during 2012-15	Disbursements during 2012-15	Closing balance as on 31 March 2015
		Operative	Inoperative				
Reserve Funds bearing interest							
1	8115-Depreciation/ Renewal Reserve Fund	01	01	1,848.54	00	6,290.11	-4,441.57
2	8121-General and other Reserve Fund	01	01	126.69	00	126.69	Nil
Reserve Fund not bearing interest							
1	8222-Sinking Fund	01	Nil	29,80,966.95	21,12,593.24	10,17,069.86	40,76,490.33
2	8223-Famine Relief Fund	01	Nil	853.50	00	931.51	-78.01
3	8225-Roads and Bridge Fund	01	Nil	99,841.03	4,90,000.00	6,22,014.76	-32,173.73
4	8226-Depreciation/ Renewal Reserve Funds	01	Nil	4,909.77	1,022.00	1,901.80	4,029.97
5	8229-Development and Welfare funds	04	02	42,970.55	4,71,951.35	4,70,929.13	43,992.77
6	8235-General and Other Reserve Funds	03	03	22,331.92	1,84,966.71	1,76,658.66	30,639.97
Total		13	07	31,53,848.95	32,60,533.30	22,95,922.52	41,18,459.73
Or say ₹ 41,184.60 crore							

(Source: Finance Accounts of the respective years)

Table revealed that seven reserve funds out of 20 (with a closing balances of ₹ 41,184.60 crore) were not operated during the period 2012-15. The seven reserve funds had closing balances of ₹ 47.98 crore (credit balance in six funds) and 44.42 crore (debit balance in one fund) at the end of March 2015.

1.9.4 Contingent Liabilities – Status of Guarantees

Guarantees are the liabilities contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee has been extended. According to FRBM Act, 2004 the State Government should not give guarantee for any amount exceeding the limit stipulated under any rule or law of the State Government.

The Government had, however, not enacted any law or framed any rules for fixing the ceiling on the guarantees to be given by the State Government. The Government had also not set up any fund for meeting contingent liabilities, which may arise on invoking of the guarantees, as recommended by the Thirteenth Finance Commission.

Consequently, the Guarantee Fee charged by the Government on the outstanding guarantees formed a part of the Revenue Receipts rather than being kept in the designated fund to meet any outgo in the eventuality of invoking of the State guarantees.

As per **Statement 9** of the Finance Accounts, the maximum amount for which guarantees were given by the Government and those outstanding for the last three years is given in **Table 1.34**.

Table 1.34: Guarantees given by the Government

Particulars	₹ in crore)		
	2012-13	2013-14	2014-15
Maximum amount guaranteed	50,459	69,752	78,023
Outstanding amount of guarantees (including interest)	43,337	62,822	70,740
Percentage of maximum amount guaranteed to total revenue receipts	34.58	41.47	40.34

(Source: Finance Accounts of the respective years)

The maximum amount guaranteed increased significantly (55 per cent) from the level of ₹ 50,459 crore in 2012-13 to ₹ 78,023 crore in 2014-15. The outstanding amount of guarantees (including interest) also increased significantly (63 per cent) from ₹ 43,337 crore in 2012-13 to ₹ 70,740 crore in 2014-15 and the maximum increase was under Power (₹ 4,500.74 crore, three institutions) and other institutions (₹ 91.81 crore, 11 institutions). As a percentage of Total Revenue Receipts, the maximum amount guaranteed increased from 34.58 per cent in 2012-13 to 40.34 per cent in 2014-15, The outstanding amount of guarantees, including interest, as on 31 March 2015 stood against State Financial Corporation (₹ 27.46 crore, one institution), institutions engaged in the energy sector (₹ 67,530.86 crore), cooperative institutions (₹ 1,953.01 crore, two institutions) and other institutions (₹ 1,228.30 crore, 14 institutions).

1.9.5 Impact of incorrect booking/ accounting on Revenue Surplus and Fiscal Deficit

There were cases of incorrect booking/ accounting of expenditure and Revenue in Government accounts. The details are given in **Table 1.35**.

Table 1.35: Details of Impact of incorrect booking/ accounting on Revenue Surplus and Fiscal Deficit

Impact on Fiscal Deficit (₹ in crore)		Impact on Revenue Surplus (₹ in crore)		Particulars
Over statement	Under statement	Over statement	Under statement	
-	-	47.75	14.49	Under the Government Accounting Rules, expenditure on 'Major Works' should be booked to the Capital Section and expenditure on 'Minor Works' to the Revenue Section. However, the Government provided and booked minor construction works (₹ 47.75 crore) under various Capital Heads. Further ₹ 14.49 crore towards major construction works was provided and booked under the Revenue Section thereby understating the Revenue Surplus to this extent.
-	-	806.09	-	During 2014-15, the Government booked ₹ 806.09 crore (including reduction in gross expenditure on account of receipt of ₹ 638.70 crore under Sugar Khandsari Scheme) against Capital Outlay on Food Storage and Warehousing-Food (Major Head 4408-01). This consisted of ₹ 0.14 crore as expenditure on the establishment of the department, ₹ 1,025.64 crore on procurement and supply of foodgrains and ₹ 419.00 crore on interest payments against loans taken from the State Bank of India for procurement of food grains. The progressive capital expenditure (net) as of March 2015 under Food (MH 4408-01) was ₹ 17,075.49 crore {₹ 9,024.64 crore (pre-reorganisation of the State) and ₹ 8,050.85 crore (post-reorganisation)}. Such expenditure is primarily Revenue in nature. Even where elements of Capital nature exist within these, the normal accounting practice is to book entire expenditure under Revenue and thereafter transfer the specific expenditure to Capital. The Government, however, booked expenditure of ₹ 806.09 crore to Capital Head, thereby overstating Revenue Surplus.
-	98.71	98.71	-	The expenditure during 2014-15 on "Pension and other Retirement Benefits" to the employees of the State Government recruited on or before 31 March 2005 was ₹ 22,304.61 crore (including ₹ 1,132.75 crore on account of leave encashment benefits which was 13.04 per cent of the total revenue expenditure i.e. ₹ 1,71,027 crore). The State Government employees recruited on or after 1 April 2005 are eligible for the new pension schemes. In term of the scheme, the employee contributes 10 per cent of the basic pay and dearness allowances, which is matched by the State Government and the entire amount is transferred to the designated fund manager through the National Securities depository limited (NSDL)/Trustee Bank. The actual amount payable by the employees and the matching Government contribution has not been estimated correctly but against employees contribution of ₹ 604.64 crore during 2014-15, the State Government, contributed ₹ 505.93 crore, and the entire amount of ₹ 1,110.57 crore has been deposited under MH 8342-117-Defined Contribution

				Pension Scheme. An amount of ₹ 1,052.10 crore has been transferred to NSDL/Trustee Bank during 2014-15, leaving a balance of ₹ 553.83 crore in the fund as on 31 March, 2015. The short contribution of ₹ 98.71 crore (₹ 604.64 crore – ₹ 505.93 crore) by the Government under new pensioners benefits scheme overstated Revenue Surplus to this extent.
-	4.81	4.81	-	The Government is required to pay interest on uninvested balance of ₹ 64.16 crore. This has been estimated at ₹ 4.81 crore (at the rate of 7.5 per cent, which is the average of interest on Ways and Means Advances for 2014-15). This has not been done. Consequently, the Revenue Surplus for the year has been overstated. The amount of interest outstanding against these interest bearing reserve funds over the years has, however, not been estimated, but this will impact the overall liability of the State Government.
-	3,987.81	3,987.81	-	The book balance equivalent to repaid amount, that is lying in the Sinking Fund, is debited and credited (contra-debit) by book transfer as revenue receipts under Head of Account 0075-Miscellaneous General Services- Receipts from Sinking Fund, without involving any cash outflow from the Sinking Fund. This has resulted in overstatement of the Revenue Surplus by ₹ 3,987.81 crore.
-	336.75	336.75	-	The Twelfth Finance Commission recommended that the State Governments should set up Guarantee Redemption Funds. The State Government was required to make minimum annual contributions of ₹ 336.75 crore (half per cent of outstanding guarantee of ₹ 67,350.54 crore at the beginning of 2014-15). However, this was not contributed. Thus, the Revenue Surplus was overstated to that extent.
-	14.32	14.32	-	At the beginning of 2014-15, State Disaster Response Fund (SDRF) had a balance of ₹ 190.89 crore. In terms of the guidelines of SDRF, interest on uninvested balance is to be calculated at the average interest rate of Ways and Means Advances. The interest of ₹ 14.32 crore for the year 2014-15 (at the rate of 7.5 per cent, which is the average of interest on Ways and Means Advances for 2014-15) has not been paid by the State Government, the Revenue Surplus has been overstated by ₹ 14.32 crore for 2014-15. The fact of non-investment and that the Fund continues to be non-interest bearing, has impacted the corpus. Further, since all transactions in the Fund are based on book adjustments, the Fund does not represent actual cash balance.
-	4,442.40	5,296.24	14.49	Total
₹ 4,442.40 crore		₹ 5,296.24 crore minus ₹ 14.49 crore is equal to ₹ 5,281.75 crore		

(Source: Finance Accounts 2014-15)

The budgeting and booking under incorrect expenditure and revenue heads of accounts has impacted upon the Revenue Surplus and Fiscal Deficit by overstating revenue surplus by ₹ 5,281.75 crore and understating fiscal deficit by ₹ 4,442.40 crore.

1.10 Debt Management

Apart from the magnitude of debt of the State Government, it is important to analyse various indicators that determine the debt sustainability of the State. This section assesses sustainability of debt of the Government 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 maturity profile of the State Government securities.

Table 1.36 presents indicators of debt sustainability for the period of five years beginning from 2010-15.

Table 1.36: Debt Sustainability- Indicators and Trends

(₹ in crore)

Indicators of debt sustainability	2010-11	2011-12	2012-13	2013-14	2014-15
Debt stabilisation (Quantum spread + primary deficit)	23,413	23,134	10,282	17,695	(-)4,465
Sufficiency of Non-debt Receipts (resource gap)	1,445	1,815	(-)3,805	(-)4,442	(-)8,833
Net availability of borrowed funds	8,915	3,051	(-)463	4,741	7,352
Burden of Interest Payments (Interest Payment/Revenue Receipt ratio)	13	12	12	10	10
Outstanding Debt	2,24,785	2,43,229	2,59,621	2,81,709	3,07,859
GSDP	5,88,487	6,87,836	7,69,729	8,90,265	9,76,297
Outstanding Debt (Fiscal Liabilities) / GSDP	38	35	34	32	32
Resource gap: Difference of Revenue Receipts and non-debt capital receipts of 2013-14 and 2014-15 minus difference of total expenditure of 2013-14 and 2014-15.					

(Source: Finance Accounts of the respective years)

An important condition for debt sustainability is stabilisation in terms of debt/GSDP ratio. When the quantum spread and primary deficit are negative, the debt GSDP ratio will be high indicating unsustainable levels of public debt and when the quantum spread and primary deficit are positive, debt GSDP ratio will be low indicating sustainable levels of public debt.

Table revealed that the quantum spread together with primary deficit was positive during 2010-14, which indicates the sustainable level of public debt. However, the quantum spread together with primary deficit turned negative (₹ -4,465 crore) in 2014-15 which indicates that the public debt during 2014-15 were unsustainable. The Debt-GSDP ratio was 32 per cent in the State, which indicates that the State needed to step up resource mobilisation efforts to ensure debt stability.

1.10.1 Net Availability of Borrowed Funds

The net funds available on account of the Internal Debt and Loans and Advances from GoI and other obligations after providing for the interest and repayments varied between *minus* 1.05 per cent and 16.14 per cent during 2010-15.

Table 1.37 indicates receipts, repayments and net availability of borrowed funds.

Table 1.37: Net availability of Borrowed Funds

(₹ in crore)

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Receipts under Public Debts and Other Liabilities	55,236	49,849	44,039	55,057	71,455
Repayments (principal and interest) under Public Debts and other Liabilities	46,321	46,797	44,502	50,316	64,103
Net funds available	8,915	3,051	(-)463	4,741	7,352
Net fund available (in <i>per cent</i> of receipts)	16.14	6.12	(-)1.05	8.61	10.29

(Source: Finance Accounts of the respective years)

It would be seen from the **Table** that the receipts during 2014-15 were above the repayments made by the Government on account of internal debt of ₹ 8,050.64 crore, GoI loans of ₹ 1,360.57 crore and also other obligations of ₹ 35,893.10 crore along with interest of ₹ 18,865 crore as a result of which percentage of availability of borrowed funds increased to 10.29 *per cent* at the end of 2014-15 from 8.61 *per cent* in 2013-14. The trends in debt redemption ratio also varied between 84 *per cent* and 101 *per cent* during 2010-15.

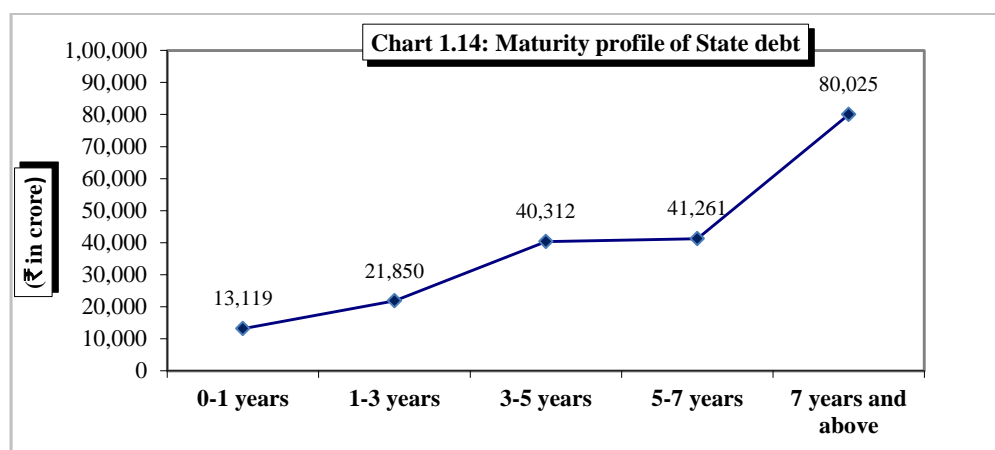
1.10.2 Maturity Profile of Market Borrowings

In terms of maturity profile, 40.49 *per cent* of the outstanding State debt belonged to the maturity category of seven years and above. **Table 1.38** and **Chart 1.14** present maturity profile of State debt.

Table 1.38: Maturity Profile of State Debt

(₹ in crore)

Maturity profile	Internal Debt	Loans & Advances from the Central Government	Total	Per cent
0 – 1 year	11,780	1,339	13,119	6.64
1 – 3 years	19,109	2,741	21,850	11.05
3 – 5 years	37,509	2,803	40,312	20.39
5 – 7 years	38,418	2,843	41,261	20.88
7 years and above	75,289	4,736	80,025	40.49
Under reconciliation with the State Government	1,086	00	1,086	0.55
Total	1,83,191	14,462	1,97,653	100



(Source: Finance Accounts 2014-15)

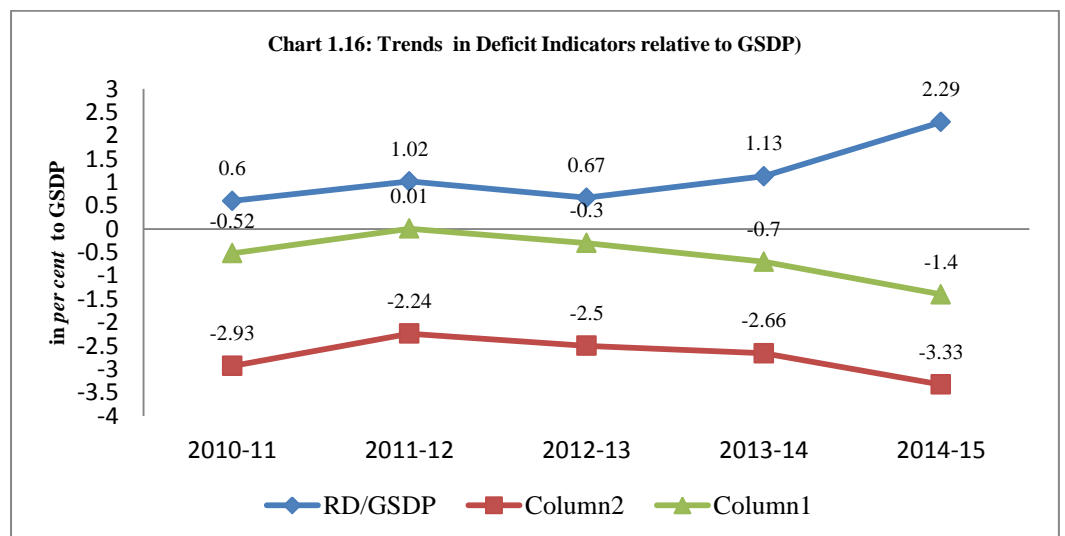
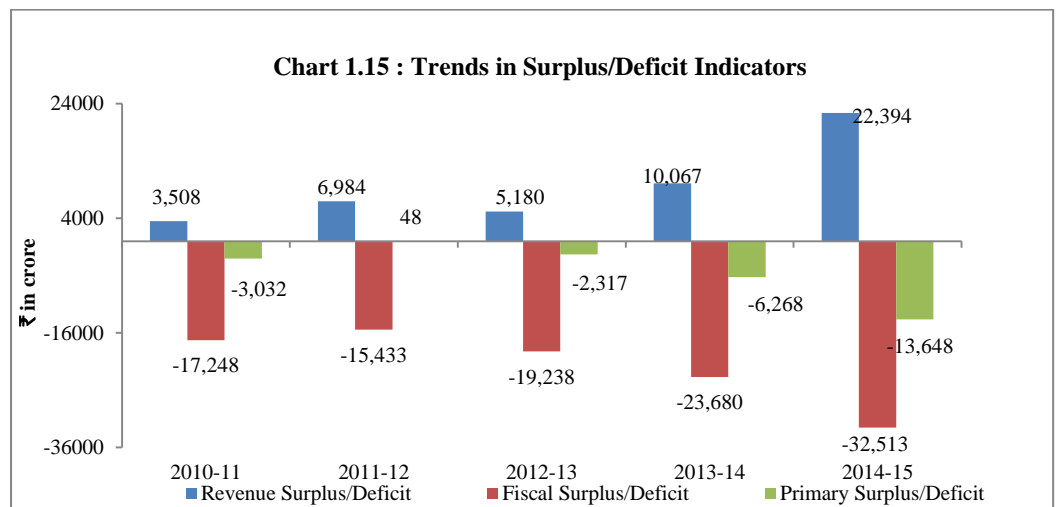
Chart 1.14 indicated bunching of repayments after one year and seven years and above, making the repayment burden critical.

1.11 Fiscal Imbalances

Three key fiscal parameters - revenue, fiscal and primary deficits - indicate the extent of overall fiscal imbalances in Finances of the Government during a specified period. The deficit in Government accounts represents gap between its receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources raised are 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, 2004/Rules for the financial year 2014-15.

1.11.1 Trends in Deficits

Chart 1.15 and **1.16** present the trends in deficit indicators over the period 2010-15.



(Source: Finance Accounts of the respective years)

As per the fiscal targets set for the Government in FRBM Act, 2004, the revenue deficit was to be reduced to nil by March 2010. FRBM Act was amended in 2011 and according to which the revenue deficit was to remain nil and the fiscal deficit was to be reduced to not more than three *per cent* of GSDP by the end of 2014-15.

The State achieved the target of reducing the revenue deficit to nil in 2006-07 itself and continued to have Revenue surplus upto 2014-15. At the end of 2014-15, the State has a Revenue surplus of ₹ 22,394 crore. The fiscal deficit declined from ₹ 17,248 crore in 2010-11 to ₹ 15,433 crore in 2011-12, but again showed increasing trend and rose upto ₹ 32,513 crore in 2014-15 mainly due to considerable increase under capital expenditure (62 *per cent*) relative to 2013-14. At the end of the financial year 2014-15, there was a primary deficit of ₹ 13,648 crore. This was due to increase in the fiscal deficit by ₹ 8,833 crore as compared to the year 2013-14 (**Chart 1.15**).

1.11.2 Composition of Fiscal Deficit and its Financing Pattern

Fiscal deficit is the total borrowing requirement of the State and is the excess of the Revenue Expenditure and Capital Expenditure including Loans and Advances over Revenue and Non-debt Capital Receipts. Composition of fiscal deficit reveals the extent of various borrowings resorted to by the State to meet its requirement of funds over and above the Revenue and Non-debt Receipts. The financing pattern of the fiscal deficit is reflected in **Table 1.39**.

Table 1.39: Components of Fiscal Deficit and its Financing Pattern

		(₹ in crore)				
Particulars		2010-11	2011-12	2012-13	2013-14	2014-15
Decomposition of Fiscal Deficit						
Fiscal deficit (1 to 3) and figures in brackets indicate <i>per cent</i> to GSDP		17,248 (2.93)	15,433 (2.24)	19,238 (2.50)	23,680 (2.66)	32,513 (3.33)
1	Revenue Deficit(+)/Surplus (-)	(-)3,508	(-) 6,984	(-)5,180	(-)10,067	(-)22,394
2	Net Capital Expenditure	20,273	21,574	23,834	32,863	53,297
3	Net Loans and Advances	483	843	584	884	1,610
Financing Pattern of Fiscal Deficit*						
1	Market Borrowings	10,074	12,834	6,263	5,054	13,513
2	Loans from GoI	(-)937	(-) 999	(-)1,099	(-)1,075	(-) 875
3	Special Securities Issued to NSSF	5,415	395	2,429	2,768	6,325
4	Loans from Financial Institutions	(-)541	(-) 865	(-) 681	(-)12	7,146
5	Small Savings, PF etc.	4,871	3,630	3,342	2,363	1,686
6	Deposits and Advances	1,843	(-) 2,038	1,753	5,037	1,050
7	Suspense and miscellaneous	757	608	3,540	(-)9,637	535
8	Remittances	367	(-) 209	986	(-)98	1,608
9	Others (i.e. transactions under Contingency Fund, Reserve Fund, Cash Balances and Investment)	(-)4,601	2,077	2,705	19,280	1,525
Fiscal deficit		17,248	15,433	19,238	23,680	32,513

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

(Source: Finance Accounts of the respective years)

Fiscal deficits, during 2010-15, ranged between ₹ 15,433 crore (2011-12) and ₹ 32,513 crore (2014-15). The fiscal deficit, relative to previous year, increased from ₹ 23,680 crore in 2013-14 to ₹ 32,513 crore during 2014-15 (37 per cent).

1.11.3 Quality of Deficit/Surplus

The ratio of revenue deficit to fiscal deficit and decomposition of primary deficit into primary revenue deficit and capital expenditure (including loans and advances) indicate the quality of deficit in the States' finances. The ratio of revenue deficit to fiscal deficit indicates the extent to which borrowed funds were used. Further, persistently high ratio of revenue deficit to fiscal deficit also indicates that the asset base of the State was continuously shrinking and a part of borrowings (fiscal liabilities) did not have any asset backup. The bifurcation of primary deficit (**Table 1.40**) indicates the extent to which deficit has been on account of enhancement in capital expenditure which may be desirable to improve productive capacity of the Government.

Table 1.40: Primary Deficit/Surplus – Bifurcation of Factors

(₹ in crore)

Year	Non-debt Receipts	Primary Revenue Expenditure	Capital Expenditure	Loans and Advances	Primary Expenditure	Primary Revenue surplus (+)	Primary deficit (-)/surplus (+)
1	2	3	4	5	6 (3+4+5)	7 (2-3)	8 (2-6)
2010-11	1,11,669	93,460	20,273	968	1,14,701	(+)18,209	(-)3,032
2011-12	1,31,002	1,08,404	21,574	976	1,30,954	(+) 22,598	(+) 48
2012-13	1,46,323	1,23,803	23,834	1,003	1,48,640	(+)22,520	(-)2,317
2013-14	1,68,803	1,40,735	32,863	1,473	1,75,071	(+)28,068	(-)6,268
2014-15	1,93,684	1,52,162	53,297	1,873	2,07,332	(+) 41,522	(-) 13,648

(Source: Finance Accounts of the respective years)

- During the period 2010-15, the Non-debt Receipts increased (73 per cent) from ₹ 1,11,669 crore in 2010-11 to ₹ 1,93,684 crore during 2014-15.
- The Government had primary deficit ranging from ₹ 2,317 crore (2012-13) to ₹ 13,648 crore during 2014-15 because Non-debt Receipts were not sufficient to meet the primary revenue expenditure, capital expenditure and loans and advances altogether.

1.11.4 Financial Health of the State

The various parameters such as Fiscal Deficit and Fiscal Liabilities are the important indicators to determine financial health of the State Government. The position of these parameters together with their growth rates during 2010-15 is given in **Table 1.41**.

Table 1.41: Financial Health of the State

(₹ in crore)

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
GSDP	5,88,467	6,87,836	7,69,729	8,90,265	9,76,297
Revenue Receipts	1,11,184	1,30,869	1,45,904	1,68,214	1,93,422
Fiscal Deficit (-)	(-) 17,248	(-) 15,433	(-) 19,238	(-) 23,680	(-) 32,513
Fiscal Deficit/ GSDP	(-)2.93	(-) 2.24	(-)2.50	(-)2.66	(-) 3.33
Growth Rate of Fiscal Deficit (Per cent)	8	13	25	23	37
Fiscal Liabilities	2,24,785	2,43,229	2,59,621	2,81,709	3,07,859
Fiscal Liabilities/GSDP	38	35	34	32	32
Growth Rate of Fiscal Liabilities (Per cent)	11	8	7	9	9
Fiscal Liabilities / Revenue Receipts (Per cent)	202	186	178	167	159

(Source: Finance Accounts of the respective years)

The fiscal deficit during 2014-15 stood at 3.33 *per cent* of GSDP which exceeded the FRBM Act target of three *per cent* by 0.33 *per cent* for the first time in last five years. The annual rate of increase in fiscal deficit also increased to 37 *per cent* in 2014-15, compared to only eight *per cent* in 2010-11, indicating increased fiscal imbalance. The higher level of fiscal deficit is attributed to higher revenue expenditure and increase in allocation to Economic Services. The fiscal deficit of ₹ 32,513 crore was financed through increased market borrowings and loans from the financial institutions etc. The ratio of fiscal liabilities to revenue receipts, however, declined during 2010-15 from 202 *per cent* to 159 *per cent* indicating improved debt sustainability on account of higher revenue receipts.

1.12 Conclusion and Recommendations

Review of Fiscal situation

- The Government had Revenue Surplus which was mainly due to 15 *per cent* increase in Revenue Receipts whereas Revenue Expenditure increased only by eight *per cent* over 2013-14. Further, the Fiscal Deficit exceeded (0.33 *per cent*) the target of not more than three *per cent* of GSDP, set by the Thirteenth Finance Commission and FRBM Act, to 3.33 *per cent*. However, Total Outstanding Debt (₹ 3,07,859 crore) to GSDP (₹ 9,76,297 crore) at the end of 2014-15 was above the target (27.80 *per cent*) set in the Budget Estimate but it was below the projections (41.90 *per cent*) made in the Thirteenth Finance Commission and FRBM Act.

Grants received under recommendation of the Thirteenth Finance Commission

- The Government received ₹ 5,160.17 crore under recommendations of the Thirteenth Finance Commission during 2010-15. However, ₹ 1,875.39 crore (36 *per cent*) out of ₹ 5,160.17 crore lapsed to the

Government account due to short/ under utilization of funds, indicating slippages in programme implementation.

Budget Estimates and Actuals

- The pattern of receipts and expenditure varied from what was envisaged at the stage of budget formulations for 2014-15 which indicates improper budget estimation. The Revenue Receipts of ₹ 1,93,422 crore and Revenue Expenditure of ₹ 1,71,027 crore fell short of the Budget Estimates of Revenue Receipts (₹ 2,26,419 crore) and Revenue Expenditure (₹ 1,97,425 crore). The Interest Payments and Servicing of Debts (₹ 23,364 crore) was below (₹ 3,220 crore) the Budget Estimate (₹ 26,584 crore).

Recommendation: In order to bridge the gap between variations in Budget Estimates and Actual Expenditure, adequate monitoring should be ensured.

Revenue Receipts

- **Revenue Receipts** grew up by ₹ 25,208 crore (15 *per cent*) over 2013-14. The increase was mainly contributed by Grants from GoI (₹ 10,286 crore; 46 *per cent*), tax revenue (₹ 7,590 crore; 11 *per cent*), and Share of the State in Union Taxes and Duties (₹ 3,846 crore; six *per cent*). Within Revenue Receipts, Own Tax Revenue increased by 11 *per cent* against the stated growth rate of 17 *per cent* (relative to 2013-14) in budget speech by the Government.

Revenue Expenditure

- During 2014-15, Revenue Expenditure (₹ 1,71,027 crore) increased by eight *per cent* relative to 2013-14 and Plan Expenditure (₹ 33,262 crore) and Non-plan Expenditure (₹ 1,37,765 crore) increased by five *per cent* and nine *per cent* respectively. The increases under Plan Expenditure show growth of infrastructure and services network of the State.

Capital Expenditure

- During 2014-15, Capital Expenditure increased by 62 *per cent* relative to 2013-14. Within the Capital Expenditure, the Plan and Non-plan Expenditure increased by 45 *per cent* and 294 *per cent* respectively over the previous year.

Recommendation: The Government should avoid unproductive expenditure and also ensure sustainable and viable service delivery.

Adequacy of Public Expenditure

- The State Government has not given adequate fiscal priority to the Development Expenditure in 2011-12 and 2014-15 as its ratio to Aggregate Expenditure was less than the ratio for General Category States.

Recommendation: The Government should accord fiscal priority to the Development Expenditure for better social and physical infrastructure.

Incomplete Projects

- An expenditure of ₹ 7,714 crore incurred (March 2015) on 545 incomplete projects did not deliver envisaged benefits.

Recommendation: Blocking of funds on incomplete works impinge negatively on the quality of expenditure.

Financial Health of the State

- Annual rate of increase in fiscal deficit increased from eight *per cent* in 2010-11 to 37 *per cent* in 2014-15 indicating increased fiscal imbalance. However, the declining trend in ratio of fiscal liabilities to revenue receipts indicated improved debt sustainability in the State.