

# **CHAPTER-I**

## **FINANCES OF THE STATE GOVERNMENT**

## Chapter I

### Finances of the State Government

#### Introduction

This chapter provides a broad perspective of the finances of the Government of Haryana during 2014-15 and analyses changes observed in the movement of major fiscal aggregates in relation to the previous year, keeping in view the overall trends during the last five years. The structure and form of Government accounts have been explained in *Appendix 1.2 Part A* and the layout of the Finance Accounts is depicted in *Appendix 1.2 Part B*. The methodologies adopted for assessment of the fiscal position are given in *Appendix 1.3*.

#### 1.1 Profile of State

Haryana is an agrarian State with 21 districts, eight of which are part of the National Capital Region. The State is located near the national capital. It is the 20<sup>th</sup> largest State in terms of geographical area (44,212 sq km) and 17<sup>th</sup> by population (as per 2011 census). The State's population increased from 2.11 crore in 2001 to 2.54 crore in 2011 recording a decadal growth of 19.9 *per cent*. The percentage of population below the poverty line was 12.5 which is lower than the all-India average of 29.50. The State's Gross State Domestic Product (GSDP) in 2014-15 at current prices was ₹ 4,35,310 crore. The State's literacy rate increased from 67.91 *per cent* (as per 2001 census) to 75.55 *per cent* (as per 2011 census) (*Appendix 1.1*). The per capita income of the State for 2014-15 is ₹ 1,47,076<sup>1</sup>.

#### Gross State Domestic Product (GSDP)

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 is an important indicator of standard of living of the State's population. The trends in the annual growth of India's GDP and GSDP of Haryana at current prices are indicated below:

Year	2010-11	2011-12	2012-13	2013-14	2014-15
India's GDP (₹ in crore)	72,48,860	83,91,691	93,88,876	104,72,807	NA
Growth rate of GDP (Percentage)	18.66	15.77	11.88	11.54	NA
State's GSDP (₹ in crore)	2,60,621	2,98,688	3,41,351	3,88,917	4,35,310
Growth rate of GSDP (Percentage)	16.56	14.61	14.28	13.93	11.93

(Source : Directorate of Economic and Statistical Analysis, Haryana and Central Statistics Office)

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<sup>1</sup> Source: Directorate of Economic and Statistical Analysis, Haryana

### 1.1.1 Summary of Fiscal Transactions

The summary of the State Government's fiscal transactions during the current year (2014-15) *vis-à-vis* the previous year (2013-14) is given below.

**Table 1.1: Summary of Fiscal operations in 2014-15**

(₹ in crore)

Receipts	2013-14	2014-15	Disbursements	2013-14	2014-15		
					Non Plan	Plan	Total
<b>Section-A: Revenue</b>							
Revenue receipts	38,012.08	40,798.66	Revenue expenditure	41,887.10	36,357.52	12,760.35	49,117.87
Tax revenue	25,566.60	27,634.57	General Services	13,597.31	16,658.80	105.93	16,764.73
Non-tax revenue	4,975.06	4,613.12	Social Services	15,413.41	9,199.59	9,920.96	19,120.55
Share of Union Taxes/ Duties	3,343.24	3,548.09	Economic Services	12,740.20	10,354.54	2,733.46	13,088.00
Grants from Government of India	4,127.18	5,002.88	Grants-in-aid and Contributions	136.18	144.59	--	144.59
<b>Section-B: Capital and others</b>							
Misc. Capital Receipts	9.89	18.74	Capital Outlay	3,934.60	(-)1,121.09	4,836.62	3,715.53
Recoveries of Loans and Advances	261.85	272.82	Loans and Advances disbursed	775.61	296.29	546.58	842.87
Public Debt receipts	17,604.16	18,858.75	Repayment of Public Debt	7,968.47			8,227.41
Contingency Fund	—	—	Contingency Fund	—			—
Public Account receipts	26,548.06	28,064.30	Public Account disbursements	24,560.19			25,609.25
Opening Cash Balance	2697.11	6,007.18	Closing Cash Balance	6,007.18			6,507.52
<b>Total</b>	<b>85,133.15</b>	<b>94,020.45</b>	<b>Total</b>	<b>85,133.15</b>			<b>94,020.45</b>

(Source: Finance Accounts for the respective years)

**Appendix 1.5 part A** provides details of receipts and disbursements as well as the overall fiscal position during the current year.

The following are the major changes in fiscal transactions during 2014-15 over the previous year:

- Revenue receipts increased by ₹ 2,786.58 crore (7.33 *per cent*) as a result of increase in tax revenue by ₹ 2,067.97 crore (8.09 *per cent*), in share of Union taxes and duties from the Government of India (GOI) by ₹ 204.85 crore (6.13 *per cent*) and in Grants-in-aid from GOI by ₹ 875.70 crore (21.22 *per cent*). However, non-tax revenue decreased by ₹ 361.94 crore (7.28 *per cent*) from 2013-14. The State's own tax revenue of ₹ 27,634.57 crore fell short by 14.19 *per cent*, 9.02 *per cent* and 9.41 *per cent* of targets fixed under Fiscal Correction Path (FCP) (₹ 32,205 crore), projection made in Mid-term Fiscal Policy Statement (MTFPS) (₹ 30,375 crore) and target fixed by Thirteenth Finance Commission (ThFC) (₹ 30,507 crore) respectively. The non-tax revenue (₹ 4,613 crore) fell short by 75.50 *per cent*, 13.45 *per cent* and 21.37 *per cent* of the target fixed by ThFC

(₹ 18,830 crore), projection made in FCP (₹ 5,330 crore) and MTFPS (₹ 5,867 crore) respectively for the year 2014-15 (*Appendix 1.6*).

- Revenue expenditure increased by ₹ 7,231 crore (17.26 *per cent*) as a result of increase in expenditure on ‘General Services’ (₹ 3,167 crore), ‘Social Services’ (₹ 3,707 crore) and ‘Economic Services’ (₹ 348 crore). The Non-Plan Revenue expenditure (NPRE) (₹36,358 crore) was higher by 50.84 *per cent* against the normative assessment in ThFC (₹ 24,103 crore) (*Appendix 1.6*).
- Capital expenditure decreased by ₹ 219.07 crore (5.57 *per cent*) mainly on account of decrease in expenditure on ‘economic services’ due to receipt of ₹ 1,127.25 crore from GOI under Major Head “4408 - Capital outlay on Food Storage and Warehousing”.
- Recovery of loans and advances increased by ₹ 10.97 crore (4.19 *per cent*) during 2014-15.
- Net Public account receipts increased from ₹ 19,87.87 crore in 2013-14 to ₹ 2,455.05 crore in 2014-15.
- The cash balance of ₹ 6,507.52 crore at the close of 2014-15 increased by ₹ 500.34 crore over the previous year.

### 1.1.2 Review of the fiscal situation

#### Fiscal reforms path in Haryana

In Haryana, fiscal reforms and consolidation were brought to the forefront with the State Government enacting the Fiscal Responsibility and Budget Management (FRBM) Act, 2005 on 6 July, 2005 as per recommendations of 12<sup>th</sup> Finance Commission with an objective to eliminate revenue deficit and reduce fiscal deficit within prescribed limit. The FRBM Act was further amended as per guidelines received from GOI, from time to time. The ThFC recommended the State Government for attaining zero revenue deficit target from 2011-12 and maintaining the same till 2014-15, limiting the fiscal deficit to three *per cent* of GSDP from 2010-11 and maintaining the same till 2014-15 and limiting the outstanding debt as percentage of GSDP by 22.4 *per cent* in 2010-11, 22.6 *per cent* in 2011-12, 22.7 *per cent* in 2012-13, 22.8 *per cent* in 2013-14 and 22.9 *per cent* in 2014-15.

Major fiscal variables provided in the budget based on recommendations of the ThFC and as targeted in the FRBM Act of the state, are shown in **Table 1.2**.



**Table 1.2 : Variations in major fiscal variables from projections**

Fiscal variables	2014-15						
	Targets as prescribed in FRBM Act	Targets proposed in the Budget	Projections made in Five Year Fiscal plan/MTFP	Actuals	Percentage variation of actuals over		
					Targets of FRBM Act	Targets of Budget	Projections of Five year fiscal plan/ MTFP
Revenue Deficit (-) / Surplus (+) (₹ in crore)	Zero	(-) 5013	(-) 5013	(-) 8319	-	(-) 3,306 (65.95 per cent)	(-) 3,306 (65.95 per cent)
Fiscal Deficit/GSDP (In per cent)	3	2.50	2.54	2.89	(-) 3.66	15.60	13.78
Ratio of total outstanding debt to GSDP (In per cent)	22.9	18.24	18.24	16.29	(-) 28.86	(-) 10.69	(-) 10.69

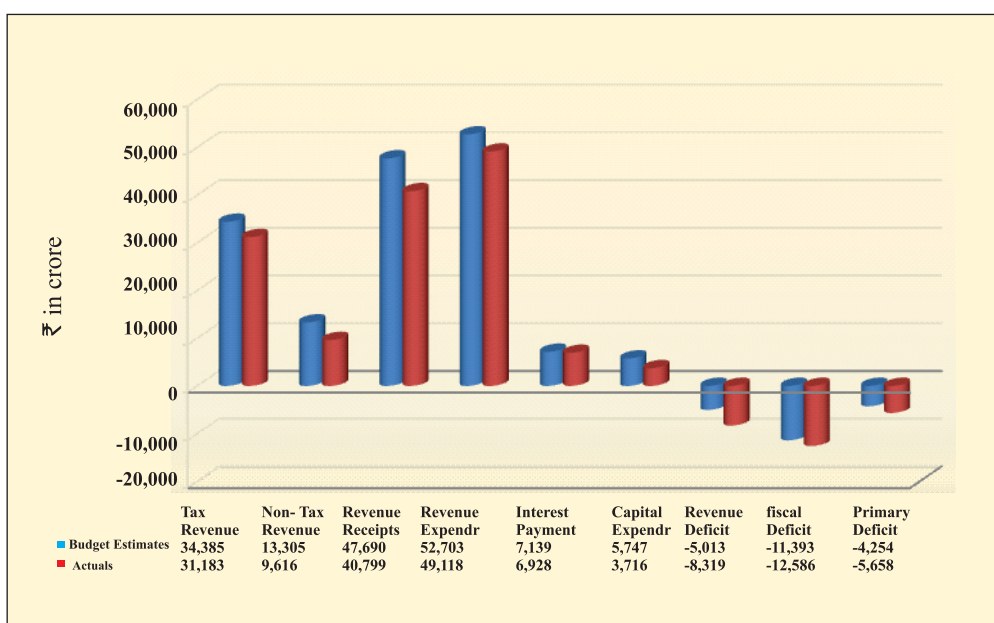
The revenue deficit (₹ 8319 crore) for the year 2014-15 was higher than the projection made in budget and MTFPS and fiscal deficit was 2.89 *per cent* of GSDP against the target of three, 2.50 and 2.54 *per cent* set out in FRBM, Budget and MTFPS respectively.

The total outstanding debt projected at 22.9 *per cent* of GSDP as per FRBM Act and 18.24 *per cent* as per budget and MTFPS targets for the year 2014-15 was within limit at 16.29 *per cent* of GSDP in the current year.

### 1.1.3 Budget estimates and actual

The budget papers provide estimates of revenue and expenditure for a particular fiscal year. The estimation of revenue and expenditure should be made as accurately as possible so that variations can be analysed to find out the genuine causes. The Budget estimates and actual for some important fiscal parameters are given in **Chart 1.1**.

**Chart 1.1: Selected Fiscal Parameters: Budget Estimates vis-a-vis Actuals for 2014-15**



As against the targeted revenue receipt of ₹ 47,690 crore, the actual revenue receipts were ₹ 40,799 crore (86 *per cent*). The collection under non-tax receipts was only ₹ 9,616 crore (72 *per cent*) against the anticipated receipt of ₹ 13,305 crore mainly due to lesser Grants-in-Aid receipt from GOI which was only ₹ 5,003 crore (67 *per cent*) against the anticipation of ₹ 7,439 crore. The actual revenue expenditure (₹ 49,118 crore) was within the budget provision of ₹ 52,703 crore. The interest payments (₹ 6,928 crore) were kept within estimated projection (₹ 7,139 crore) and the capital expenditure were ₹ 3,716 crore against the budget estimate of ₹ 5,747 crore. The Government could not maintain the estimated revenue deficit (₹ 5,013 crore), as this increased to ₹ 8,319 crore. The actual fiscal and primary deficits were also more than the anticipation.

#### 1.1.4 Gender budgeting

The State Government has introduced some schemes exclusively for women in the budget. Some of them are detailed in **Table 1.3**.

**Table 1.3: Schemes for the women – budget estimates and expenditure incurred during 2014-15**

(₹ in crore)

Sr. No.	Scheme	Budget Estimate	Actual Expenditure
1.	Indira Gandhi Priyadarshini Vivah Shagun Yojana	65.71	65.71
2.	Ladli – Social security pension scheme for families having only girl/girls child	27.18	27.18
3.	Widow pension	572.93	572.93
4.	Insurance of anganwari workers/ helpers	2.00	2.00
5.	Apni beti apna dhan (Ladli)	35.79	35.79
6.	Adolescent girls scheme	0.60	0.60
7.	Protection of women from domestic violence - setting up of cells	1.08	1.08
8.	Home cum training centres for destitute women and widows	1.52	1.52
9.	Pension to aged, physically handicapped and destitute women and widows	14.28	14.28
10.	Rajiv Gandhi scheme for empowerment of adolescent girls	1.29	1.29
11.	Scheme for Beti Bachao Beti Padhao	2.23	2.23

(Source : State budget 2014-15 and detailed Appropriation Accounts for 2014-15)

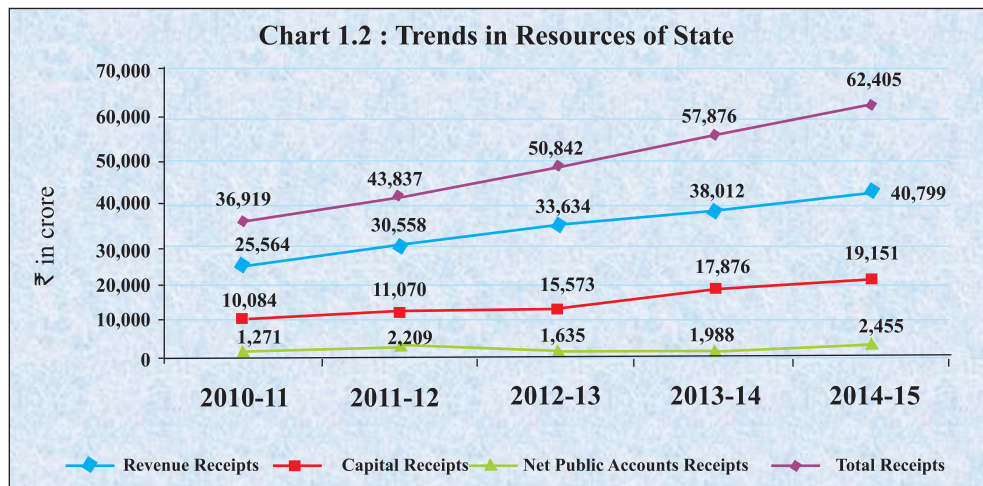
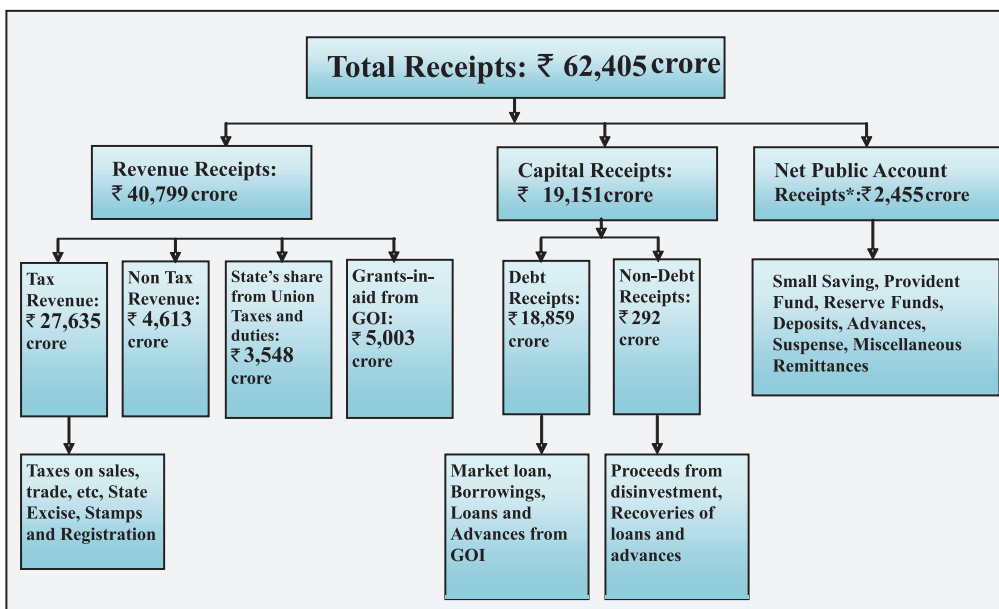
## 1.2 Resources of the State

### 1.2.1 Resources of the State as per Finance Accounts 2014-15

Revenue and capital are the 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 the Government of India (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

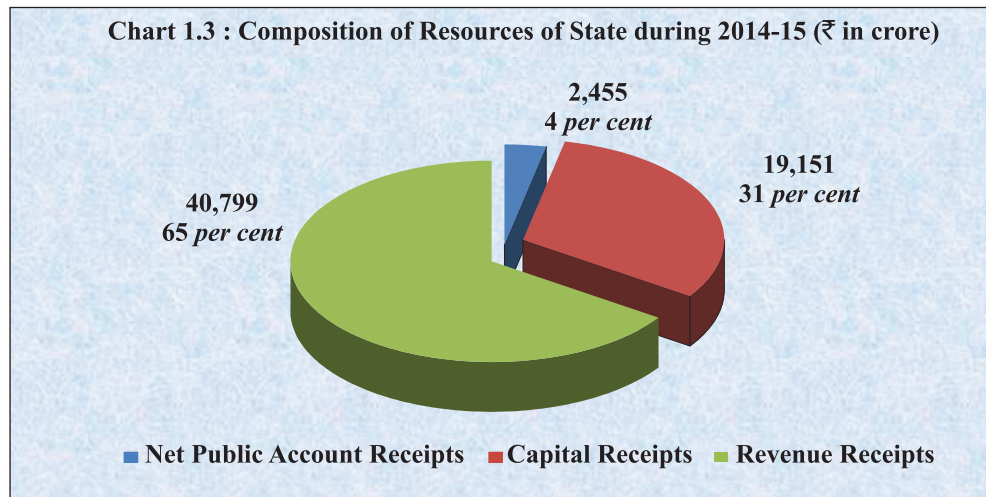
financial institutions/commercial banks) and loans and advances from GOI as well as accruals from Public Account. **Table 1.1** presents the receipts and disbursements of the State during the current year as recorded in its Annual Finance Accounts while **Chart 1.2** depicts the trends in various components of the receipts of the State during 2010-15, the **Chart 1.3** depicts the composition of resources of the State during the current year.

Following flow chart shows the components and sub component of the resources



(Source: State Finance Accounts of the respective years)

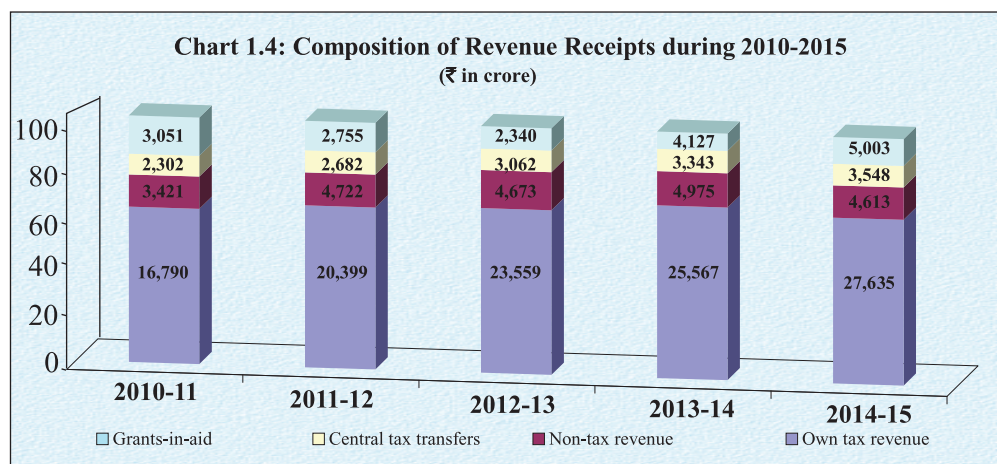
\* Net Public Account Receipts (₹ 2,455 crore) = Public Account Receipts (₹ 28,064 crore) less Public Accounts Disbursements (₹ 25,609 crore)



The total receipts of the Government increased by ₹ 25,486 crore, (69.03 *per cent*) from ₹ 36,919 crore in 2010-11 to ₹ 62,405 crore in 2014-15. Revenue receipts increased by ₹ 15,235 crore (59.60 *per cent*), Capital receipts, which includes recovery of loans and advances and public debt, increased by ₹ 9,067 crore (89.91 *per cent*) and Net Public Account receipts increased by ₹ 1,184 crore (93.15 *per cent*) during the same period. The share of revenue receipts in the total receipts decreased from 69.2 *per cent* in 2010-11 to 65.4 *per cent* in 2014-15. The share of net Public Accounts receipts increased from 3.4 to 3.9 *per cent* whereas the share of capital receipts including debt increased from 27.3 *per cent* to 30.7 *per cent* during 2010-15.

### 1.3 Revenue Receipts

**Statement 14** of the Finance Accounts details the revenue receipts of the Government. The revenue receipts consist of the State's own tax and non-tax revenues, central tax transfers and grants-in-aid from GOI. The trends and composition of revenue receipts over the period 2010-15 are presented in **Appendix 1.4** and also depicted in **Chart 1.4**.



(Source : State Finance Accounts of respective years)



The revenue receipts of the State increased by 59.60 *per cent* during the period from 2010-11 to 2014-15. The State's own revenue increased by 59.56 *per cent*, the grants-in-aid from GOI increased by 63.98 *per cent* and the central tax transfers increased by 54.13 *per cent* during the same period. The share of the State's own revenue (tax revenue and non-tax revenue) in the total revenue at 79 *per cent* was equal in 2010-11 and 2014-15. The share of grants-in-aid from GOI increased from 11.9 *per cent* in 2010-11 to 12.3 *per cent* in 2014-15.

During 2005-06 to 2013-14, the compound annual growth rate (CAGR) of revenue receipts at 13.45 *per cent* was lower than the growth rate of general category States (15.76 *per cent*). This growth rate over the previous year at 7.33 *per cent* was lower than the growth rate of 16.10 *per cent* in general category States (*Appendix 1.1*). The trends in revenue receipts relative to GSDP are given in **Table 1.4**.

**Table 1.4: Trends in Revenue Receipts relative to GSDP**

	2010-11	2011-12	2012-13	2013-14	2014-15
<b>Revenue Receipts (RR)</b> (₹ in crore)	<b>25,564</b>	<b>30,558</b>	<b>33,634</b>	<b>38,012</b>	<b>40,799</b>
Rate of growth of RR ( <i>per cent</i> )	21.77	19.54	10.07	13.02	7.33
R R/GSDP ( <i>per cent</i> )	9.81	10.23	9.85	9.77	9.37
<b>Buoyancy Ratios</b>					
Revenue Buoyancy with respect to GSDP	1.315	1.337	0.705	0.934	0.614
State's Own Tax Buoyancy with respect to GSDP	1.631	1.471	1.085	0.612	0.678
Revenue Buoyancy with reference to State's own taxes	0.806	0.909	0.650	1.527	0.906
State's GSDP (₹ in crore)	2,60,621	2,98,688	3,41,351	3,88,917	4,35,310
Growth rate of GSDP (Percentage)	16.56	14.61	14.28	13.93	11.93

The growth rate of revenue receipts which was 21.77 *per cent* in 2010-11 decreased to 7.33 *per cent* in 2014-15. The revenue buoyancy with reference to own tax revenue increased from 0.806 in 2010-11 to 1.527 in 2013-14 then declined to 0.906 in 2014-15.

### 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 performance in mobilization of resources is assessed in terms of its own resources comprising own tax and non-tax sources.

The State's actual tax and non tax receipts for the year 2014-15 vis-a-vis assessment made by ThFC and MTFPS are given in the **Table 1.5**.

**Table 1.5 : Actual tax and non-tax receipts vis-à-vis assessment made by ThFC and MTFP**

(₹ in crore)							
	ThFC projection	Budget estimates	MTFPS projection	Actual	Percentage variation of actual over		
					ThFC projection	Budget estimates	MTFPS projection
Tax revenue	30,507	30,375	30,375	27,635	(-) 9.41	(-) 9.02	(-) 9.02
Non tax revenue	18,830	5,867	5,867	4,613	(-) 75.50	(-) 21.37	(-) 21.37

The actual collection under State's own tax revenue fell short by 9.41 *per cent* of the projections made by ThFC and 9.02 *per cent* of budget estimates and MTFPS projection. The actual receipts under non-tax revenue fell short by 75.50 *per cent* of the projections made by ThFC and 21.37 *per cent* of budget estimates and MTFPS.

### 1.3.1.1 Tax revenue

The gross collection in respect of major taxes and duties are given in **Table 1.6** which also depicts the trends in various components of own tax revenue of the State during 2010-15.

**Table 1.6: Components of State's own resources**

	(₹ in crore)				
Revenue Head	2010-11	2011-12	2012-13	2013-14	2014-15
Taxes on sales, trades, etc.	11,082.01 (23)	13,383.69 (21)	15,376.58 (15)	16,774.33 (9)	18,993.25 (13)
State excise	2,365.81 (15)	2,831.89 (20)	3,236.48 (14)	3,697.35 (14)	3,470.45 (-6)
Taxes on vehicles	457.36 (65)	740.15 (62)	887.30 (20)	1,094.86 (23)	1,191.50 (9)
Stamp duty and Registration fees	2,319.28 (79)	2,793.00 (20)	3,326.25 (19)	3,202.48 (-4)	3,108.70 (-3)
Land revenue	10.02 (6)	10.95 (9)	12.98 (19)	12.42 (-4)	15.28 (23)
Taxes on goods and passengers	387.14 (-1)	429.32 (11)	470.76 (10)	497.45 (6)	527.07 (6)
Other taxes <sup>2</sup>	168.75 (3)	210.46 (31)	248.67 (18)	287.71 (16)	328.32 (14)
<b>Total</b>	<b>16,790.37 (27)</b>	<b>20,399.46 (21)</b>	<b>23,559.02 (15)</b>	<b>25,566.60 (9)</b>	<b>27,634.57 (8)</b>

(The percentage increase over previous year is shown in parenthesis)

(Source: Finance Accounts for the respective years)

Tax revenue increased by ₹ 10,844.20 crore (64.59 *per cent*) during 2010-15. All the major taxes and duties recorded increase in the tax revenue except decrease in State excise and Stamp duty and registration during 2014-15. Highest increase was noticed under land revenue which increased from 6 *per cent* in 2010-11 to 23 *per cent* in 2014-15.

During 2005-06 to 2013-14, the CAGR of tax revenue was 13.82 *per cent* which was more than growth rate of general category States (15.32 *per cent*). This growth rate over the previous year at 8.09 *per cent* was lower than the growth rate of 10.51 *per cent* in general category States (**Appendix 1.1**). The State's own tax revenue was less than the projections made by the Government in its FCP (₹ 32,205 crore) and the projection in MTFPS (₹ 30,375 crore).

### Cost of tax collection

The collection of major taxes, expenditure incurred on their collection and the percentage of such expenditure to collection during the years 2012-13 to 2014-15 are given in **Table 1.7** which shows that cost of collection is less in the State than the All India Average.

<sup>2</sup>

Other taxes include taxes on immovable property other than agricultural land, taxes and duties on electricity and agricultural income.

**Table 1.7: Cost of collection of taxes**

Head	Year	Collection	Expenditure on collection	Percentage of expenditure on collection	All India average
		(₹ in crore)			
Taxes on Sales, trades, etc.	2012-13	15,376.58	95.85	0.62	0.73
	2013-14	16,774.33	101.42	0.60	0.88
	2014-15	18,993.25	118.98	0.63	NA
Taxes on Vehicles	2012-13	887.29	14.39	1.62	4.17
	2013-14	1094.86	13.92	1.27	6.25
	2014-15	1191.50	16.76	1.41	NA
State Excise	2012-13	3,236.49	23.87	0.74	2.96
	2013-14	3,697.35	25.38	0.69	1.81
	2014-15	3,470.45	28.88	0.83	NA
Stamp and Registration	2012-13	3,326.25	11.7	0.35	3.25
	2013-14	3,202.48	9.62	0.30	3.37
	2014-15	3,108.70	10.37	0.33	NA

(Source: Finance Accounts for the respective years)

**1.3.1.2 Non tax revenue**

Growth of non-tax revenue during five years (2010-15) given in **Table 1.8** depicts the trends in various components of non-tax revenue of the State during 2010-15.

**Table 1.8: Growth of non-tax revenue during 2010-15**

(₹ in crore)					
Revenue Head	2010-11	2011-12	2012-13	2013-14	2014-15
Interest receipts	689.34 (3)	864.96 (25)	1,058.21 (22)	1,090.71 (3)	933.59 (-14)
Dividends and Profits	2.48 (-74)	1.64 (-34)	7.05 (330)	6.49 (-8)	5.80 (-11)
Other non-tax receipts	2,729.11 (32)	3,855.05 (41)	3,607.89 (-6)	3,877.86 (7)	3,673.73 (-5)
a) Major and medium Irrigation	202	583	139	95	129
b) Road Transport	762	853	1,000	1,098	1,235
c) Urban Development	975	1039	991	1,105	861
d) Education	270	296	385	319	564
e) Non-ferrous mining and metallurgical industries	83	76	76	79	43
<b>Total</b>	<b>3,420.93 (25)</b>	<b>4,721.65 (38)</b>	<b>4,673.15 (-1)</b>	<b>4,975.06 (6)</b>	<b>4,613.12 (-7)</b>

(The percentage increase over previous year is shown in parenthesis)

(Source: Finance Accounts for the respective years)

The actual receipts under non-tax revenue increased by ₹ 1,192 crore (34.84 per cent) during 2010-15. Non Tax revenue (₹ 4,613 crore) constituted 11.31 per cent of the revenue receipt during 2014-15 registering a decrease of ₹ 362 crore (7.27 per cent) over the previous year.

**Building and Other Construction Workers' Welfare Cess**

The State Government collects cess on the cost of construction incurred by employers under Building and Other Construction Workers' Welfare Cess Act, 1996. The collected cess is to be spent on welfare schemes for construction workers. For this purpose, Building and Other Construction Workers' Welfare Board has been constituted. As per accounts of the Board the total funds available with the Board as on 31 March 2014 is ₹ 1,410.43 crore. The Board spent only ₹ 12.26 crore on labour welfare schemes during 2013-14.

### 1.3.2 Grants in aid from GOI

The grants-in-aid from GOI increased by ₹ 875.70 crore in 2014-15 over the previous year as shown in **Table 1.9**.

**Table 1.9: Grants-in-aid received from GOI**

(₹ in crore)					
Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Non-Plan Grants	1,765.98 (9)	1,246.51 (-29)	851.62 (-32)	2,256.17 (165)	1,723.20 (-24)
Grants for State Plan Schemes	749.74 (-19)	674.54 (-10)	727.75 (8)	856.66 (18)	2,815.36 (229)
Grants for Central Plan Schemes	87.79 (73)	50.79 (-42)	44.32 (-13)	62.99 (42)	24.57 (-61)
Grants for Centrally Sponsored Schemes	447.11 (-33)	783.09 (75)	715.56 (-9)	951.36 (33)	439.75 (-54)
<b>Total</b>	<b>3,050.62</b> <b>(-6)</b>	<b>2,754.93</b> <b>(-10)</b>	<b>2,339.25</b> <b>(-15)</b>	<b>4,127.18</b> <b>(76)</b>	<b>5,002.88</b> <b>(21)</b>

(The percentage increase over previous year is shown in parenthesis)

(Source: Finance Accounts for respective years.)

In addition to above, GOI had been transferring sizeable funds directly to the State implementing agencies for implementation of various schemes. GOI decided to route these funds through State Budget from 2014-15 onwards. However, during 2014-15 the GOI transferred ₹ 1,285.01 crore<sup>3</sup> directly to various implementing agencies/Non-Governmental Organizations of the State.

### 1.3.3 Central tax transfers

Central tax transfers increased from ₹ 3,343 crore in 2013-14 to ₹ 3,548 crore in 2014-15 as given in **Table 1.10**.

**Table 1.10 : Central tax transfers during 2013-14 and 2014-15**

(₹ in crore)				
Name of Tax	Recommendation of ThFC	Actuals for 2013-14	Actuals for 2014-15	Variation
Corporation Tax	32 <i>per cent</i> of the sharable amount of Central taxes to states	1,124.46	1,239.11	114.65
Income Tax		740.43	884.86	144.43
Wealth Tax		3.08	3.35	0.27
Customs		545.53	573.87	28.34
Union Excise Duty		385.30	324.04	(-) 61.26
Service Tax		544.44	522.86	(-) 21.58
<b>Total</b>		<b>3,343.24</b>	<b>3,548.09</b>	<b>204.85</b>

(Source: Finance Accounts for respective years.)

The ThFC recommended for increasing the States' share of Central Taxes from 30.50 to 32 *per cent*. Accordingly, the State's share in the net proceeds of Central Tax (excluding Service Tax) and net proceeds of Service Tax was fixed at 1.048 and 1.064 *per cent*, respectively. The share of Union Taxes received during 2014-15 (₹ 3,548.09 crore) was less than the projections made in the estimate (₹ 4,009.96 crore) by ₹ 461.87 crore.

<sup>3</sup> Appendix VI of Finance Accounts of 2014-15



### **1.3.4 Non deposit of revenue receipts in the Consolidated Fund of the State**

Article 266(1) of the Constitution of India provides that all revenues received by the State Government, all loans raised by the Government by issue of treasury bills, loans or ways and means advances and all moneys received by the Government in repayment of loans shall form one Consolidated Fund to be entitled "the Consolidated Fund of the State". The ThFC also expressed concern over the tendency to divert public expenditure from the budget to nominated funds which are operated outside the authority of the legislature.

The State Government constituted the Haryana Rural Development Fund Administration Board under Haryana Rural Development Act, 1986 for augmenting agricultural production and improving its marketing and sale. Under Section 5(1) of this Act, a fee (cess) is levied on *ad-valorem* basis at the rate of two *per cent* of the sale proceeds of the agriculture produce bought or sold or brought for processing in the notified market area. The amount so collected is spent by the Board in the rural areas mainly in connection with the development of roads, establishment of dispensaries, making arrangement for water supplies and sanitation, construction of godowns, etc.

During 2011-14 the receipts under the fund were ₹ 1,520.54 crore and expenditure incurred was ₹ 1,529.82 crore. The matter was referred to Finance Department (June 2015); their reply was awaited (August 2015).

Since these funds were not included in the annual budget proposals, the legislature had no opportunity to exercise its control over such funds.

### **1.3.5 Optimization of Thirteenth Finance Commission Grants**

The budget allocation made for fulfillment of Thirteenth Finance Commission recommendation viz-a-viz actual expenditure incurred during the period 2010-2015 are given in **table 1.11**.

**Table 1.11 : Budget allocation and actual expenditure against recommendations of 13<sup>th</sup> Finance Commission during 2010-15**

(₹ in crore)

Department	Budget	Actual Expenditure	Percentage of expenditure over budget
<b>General Sector</b>	<b>2,115.91</b>	<b>1,056.28</b>	<b>49.92</b>
Economic and Statistical Analysis	14.40	2.69	18.68
Treasury and Accounts	10.00	1.52	15.20
Justice	247.00	40.98	16.59
Police (Training)	115.00	90.00	78.26
Revenue and Disaster Management	1,729.51	921.09	53.26
<b>Social Sector</b>	<b>3,024.19</b>	<b>2,422.40</b>	<b>80.10</b>
Development and Panchayat	1,193.33	1,070.97	89.75
Urban Local Bodies	654.41	465.39	71.12
Industrial Training Department	140.39	92.73	66.05
Elementary Education	229.00	229.00	100.00
Public Health Engineering	482.62	291.01	60.30
Health	324.44	273.30	84.24
<b>Economic Sector</b>	<b>555.80</b>	<b>213.91</b>	<b>38.49</b>
Forestry and Wildlife	13.20	13.20	100.00
Electronics and Information Technology	32.10	3.21	10.00
Science and Technology	31.50	10.50	33.33
Public Works	267.00	134.00	50.19
Irrigation	212.00	53.00	25.00
<b>Total</b>	<b>5,695.90</b>	<b>3,692.59</b>	<b>64.83</b>

(Source: Figures obtained from Finance Department of Haryana)

Against the budget provision of ₹ 5,695.90 crore during the period 2010-15, an expenditure of ₹ 3692.59 crore (64.83 *per cent*) was incurred. The percentage of expenditure to the budget provision in Social Sector schemes was relatively satisfactory at 80 *per cent* while it was 50 *per cent* in General Sector Schemes and only 38 *per cent* in Economic Sector Schemes.

In social sector, the shortfall was mainly under Public Health Engineering, Industrial Training, Health and Urban Local Bodies where expenditure was only 60, 66 and 71 *per cent* respectively of budget provision. In General Sector, the expenditure was less than 20 *per cent* in all schemes except Revenue and Disaster Management Department and Police (Training). It was noticed that the State Government had contributed only ₹ 921.09 crore (53 *per cent*) in the State Disaster Response Fund against the budget allocation of ₹ 1,729.51 crore. The overall expenditure under Economic Sector schemes was only 38.49 *per cent* with only the Forest Department having spent the full budgeted amount of ₹ 13.20 crore. The expenditure under Electronics and Information Technology, Science and Technology and Irrigation Departments was only 10, 33 and 25 *per cent* respectively against the budget provision.

## 1.4 Capital Receipts

Capital receipts include recoveries of loans and advances receipts through debt i.e. internal and from GOI and miscellaneous capital receipts. The capital receipts during five years (2010-15) are detailed in **Table 1.12**.

**Table 1.12 : Trends in growth and composition of receipts**

(₹ in crore)

Sources of State's Receipts	2010-11	2011-12	2012-13	2013-14	2014-15
Capital Receipts (CR)	10,083.78	11,070.19	15,573.73	17,875.90	19,150.31
Miscellaneous Capital Receipts	8	9.24	10.81	9.89	18.74
Recovery of Loans and Advances	233.05	294.12	349.38	261.85	272.82
Public Debt Receipts	9,842.73	10,766.83	15,213.54	17,604.16	18,858.75
<b>Rate of growth over the previous year (per cent)</b>					
Of debt capital receipts	16	9	41	16	7
Of non-debt capital receipts	8	26	19	(-) 25	7
Of GSDP	16.56	14.61	14.28	13.93	11.93
of Capital Receipts	16	10	41	15	7

(Source: Finance Accounts of respective years)

### 1.4.1 Proceeds from disinvestment

During the year 2014-15 net proceeds from capital disinvestment of 16 Cooperative Banks and Societies were ₹ 18.74 crore which is 89 *per cent* more than the previous year (₹ 9.89 crore).

### 1.4.2 Recoveries of loans and advances

During the year loans and advances amounting to ₹ 272.82 crore were recovered. Out of this, ₹ 217.65 crore were repaid by Government servants. Out of total outstanding amount of ₹ 4,002.24 crore as on 31 March 2014 only ₹ 55.17 crore had been recovered from other institutions which showed poor efforts of State Government for recovery of outstanding loans.

The outstanding loans against Co-operative Sugar Mills were ₹ 1,028.90 crore as on 31 March 2014. During the year 2014-15 the State Government disbursed ₹ 190 crore, total repayment received against these loans was ₹ six crore only. The loans of ₹ 1,212.90 crore were outstanding against these Co-operative Sugar Mills. The Government had disbursed loans to these sugar mills with conditions that the loan would be repaid in five years in equal instalments after twelve months of sanction with nine per cent per annum interest and no loan would be disbursed in case of failure in repayment of earlier loans. Thus the loans of ₹ 190 crore were sanctioned/dispensed to sugar mills without ensuring the fulfillment of conditions of earlier loans. Besides the principal, interest of ₹ 162.43 crore had also been accrued against these sugar mills as on 31 March 2015. On being pointed out by Audit, the Registrar, Co-operative Societies intimated (August 2015) that subsequent loans were disbursed to provide assistance from Government to ensure timely payment of cane arrears to cane growers. The reply was not tenable as the

sanctions specified that further loans would be released only after ensuring recovery of earlier loans.

#### 1.4.3 Debt receipts from internal sources

An amount of ₹ 18,727.99 crore was received as internal debt receipts during 2014-15 which was ₹ 1,465.30 crore (8.49 *per cent*) more than previous year. Loans of ₹ 13,200 crore as market loans, ₹ 4,276.68 crore from financial institutions and banks and ₹ 1,251.31 crore from National Small Savings Funds were raised during 2014-15.

#### 1.4.4 Loans and Advances from GOI

Total loans and Advances from GOI decreased by ₹ 22.98 crore from ₹ 2,150.81 crore in 2013-14 to ₹ 2,127.83 crore in 2014-15. The loans of ₹ 130.76 crore were received from GOI and repayment of ₹ 153.74 crore was made during the year.

### 1.5 Public Accounts Receipts

Receipts and disbursements in respect of transactions such as small savings, provident funds, reserve funds, deposits, suspense, remittances, etc. which do not form part of the Consolidated Fund, are kept in Public Account set up under Article 266(2) of the Constitution of India and are not subject to vote by the State Legislature. Trends of receipts and disbursements under various segments of public accounts are given in **Table 1.13**.

**Table 1.13 : Trends in public accounts receipts and disbursements during 2013-14 and 2014-15**

Sources of State's Receipts	Public Account Receipts		Disbursement from Public Accounts		Excess of receipts over disbursements	
	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15
a. Small Savings, Provident Fund etc.	2,498.81	2,747.69	1,777.82	1,706.64	720.99	1,041.05
b. Reserve Fund	511.50	1,257.10	60.20	247.79	451.30	1,009.31
c. Deposits	15,621.07	17,064.80	14,534.64	16,593.45	1,086.43	471.35
d. Advances	24.43	27.02	24.43	26.95	--	0.07
e. Suspense and Miscellaneous	371.03	453.48	641.64	506.32	(-) 270.61	(-) 52.84
f. Remittances	7,521.22	6,514.21	7,521.46	6,528.10	(-) 0.24	(-) 13.89
<b>Total</b>	<b>26,548.06</b>	<b>28,064.30</b>	<b>24,560.19</b>	<b>25,609.25</b>	<b>1,987.87</b>	<b>2,455.05</b>

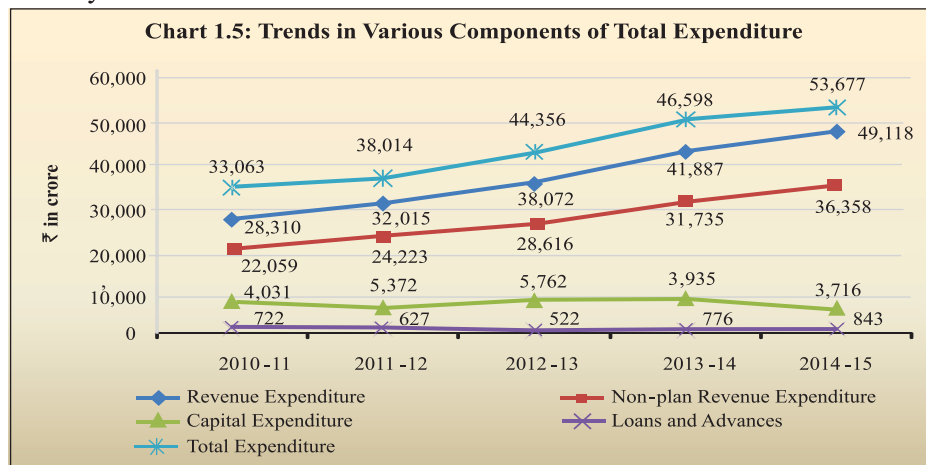
(Source: Finance accounts of respective years)

### 1.6 Application of Resources

The application of resources are analysed under various headings such as growth and composition of expenditure, revenue expenditure, committed expenditure, expenditure on salaries, interest payments, subsidies, pension payments and expenditure on flagship schemes in the succeeding paragraphs.

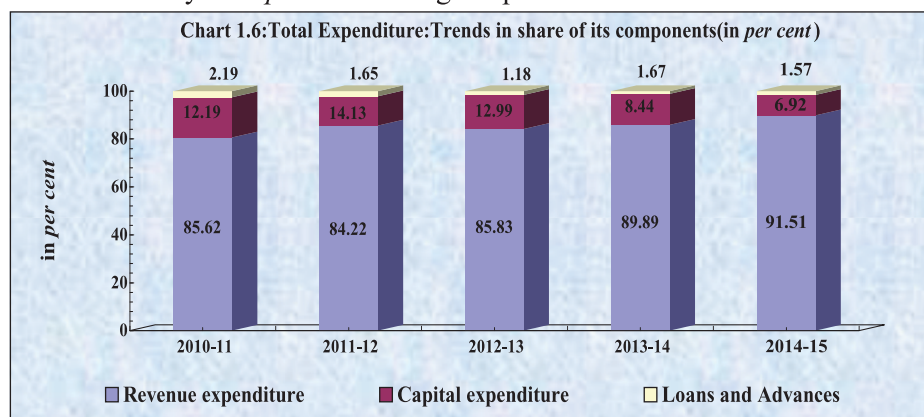
### 1.6.1 Growth and Composition of Expenditure

**Chart 1.5** presents the trends in total expenditure over a period of the last five years (2010-15) and its composition both in terms of ‘economic classification’ and ‘expenditure by activities’ is depicted respectively in **Chart 1.6 and 1.7** for the year 2010-11 to 2014-15.



(Source: Finance accounts of respective years)

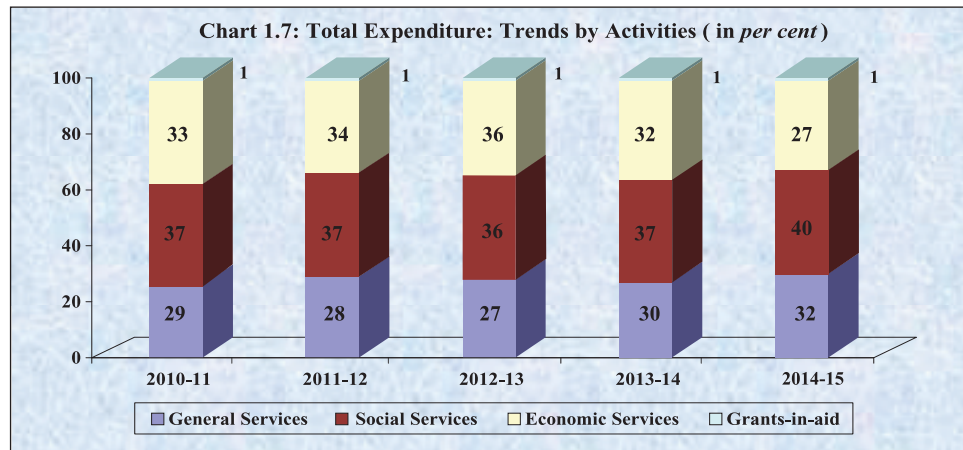
Total expenditure increased by 62.3 per cent over a period of five years (2010-15). It increased by 15.2 per cent over the previous year. The share of Plan and Non Plan expenditure was in the ratio of 34 per cent and 66 per cent. During this period, revenue expenditure increased by 73.5 per cent and capital expenditure decreased by 7.8 per cent. Disbursement of Loans and advance also increased by 16.8 per cent during the period from 2010-11 to 2014-15.



(Source: Finance Accounts of respective years)

The Share of revenue expenditure in total expenditure increased from 85.62 per cent in 2010-11 to 91.51 per cent in 2014-15, while the share of capital expenditure in total expenditure decreased from 12.19 per cent in 2010-11 to 6.92 per cent in 2014-15 which is an area of concern. Also the share of Loans and Advances disbursed decreased from 2.19 per cent in 2010-11 to 1.57 per cent in 2014-15. The ratio of NPRE to total expenditure increased from 66.72

per cent in 2010-11 to 67.73 per cent in 2014-15. The ratio of NPRE to GSDP decreased from 8.46 per cent in 2010-11 to 8.35 per cent in 2014-15.



The movement of relative shares of various components of expenditure indicated that while the share of general services including interest payments and social services increased from 29 and 37 per cent in 2010-11 to 32 and 40 per cent in 2014-15 respectively, the share of economic services decreased from 33 per cent in 2010-11 to 27 per cent in 2014-15 while the share of grants-in-aid remained same at the level of just one per cent for the same period. The combined share of social and economic services which represented development expenditure also decreased from 70 per cent in 2010-11 to 67 per cent in 2014-15.

### 1.6.2 Revenue expenditure

**Table 1.14** presents the growth of revenue expenditure over five years (2010-15):

**Table 1.14 : Growth of Revenue Expenditure**

(₹ in crore)

	2010-11	2011-12	2012-13	2013-14	2014-15
<b>Revenue expenditure</b>	28,310	32,015	38,072	41,887	49,118
<b>Growth rate (per cent)</b>	12	13	19	10	17
<b>Percentage to GSDP</b>	11	11	11	11	11
<b>Non-plan Revenue expenditure (NPRE)</b>	22,059	24,223	28,616	31,735	36,358
<b>Percentage of NPRE to revenue expenditure</b>	78	76	75	76	74

Revenue expenditure during 2010-15 increased by ₹ 20,808 crore (73.5 per cent) with the growth rate ranging from 12 to 19 per cent but its percentage to GSDP remained almost constant at 11 during the same period.

Revenue expenditure increased by 17.26 per cent from ₹ 41,887 crore in 2013-14 to ₹ 49,118 crore in 2014-15. Expenditure on general services increased by ₹ 3,168 crore on account of more expenditure mainly on pensions (₹ 432.65 crore) and interest payments (₹ 1,078.50 crore). The expenditure



on social services also increased by ₹ 3,706 crore over the previous year due to more expenditure mainly on education, sports, art and culture (₹ 1,919.68 crore), health and family welfare (₹ 471.21 crore) and social welfare and nutrition (₹ 1,167.74 crore). Expenditure on economic services increased only by ₹ 348 crore. The break-up of revenue expenditure into NPRE (74 *per cent*) and Plan revenue expenditure (PRE) (26 *per cent*) showed that the proportionate share of NPRE was substantially higher than the PRE. The total increase of ₹ 7,230.77 crore in revenue expenditure comprised of ₹ 4,622.51 crore and ₹ 2,608.26 crore in NPRE and PRE respectively.

The NPRE in 2014-15 at ₹ 36,357.52 crore was higher than the normative assessment of ThFC (₹ 24,102.58 crore), projection made in FCP (₹ 35,210 crore) but slightly less than projection of the Government made in its MTFPS (₹ 36,777.53 crore) (*Appendix 1.6*).

### 1.6.3 Committed Expenditure

The committed expenditure on revenue account mainly consists of interest payments, expenditure on salaries and wages, pensions and subsidies. **Table 1.15** and **Chart 1.8** present the trends in the expenditure on these components during 2010-15.

**Table 1.15 : Components of committed expenditure**

(₹ in crore)

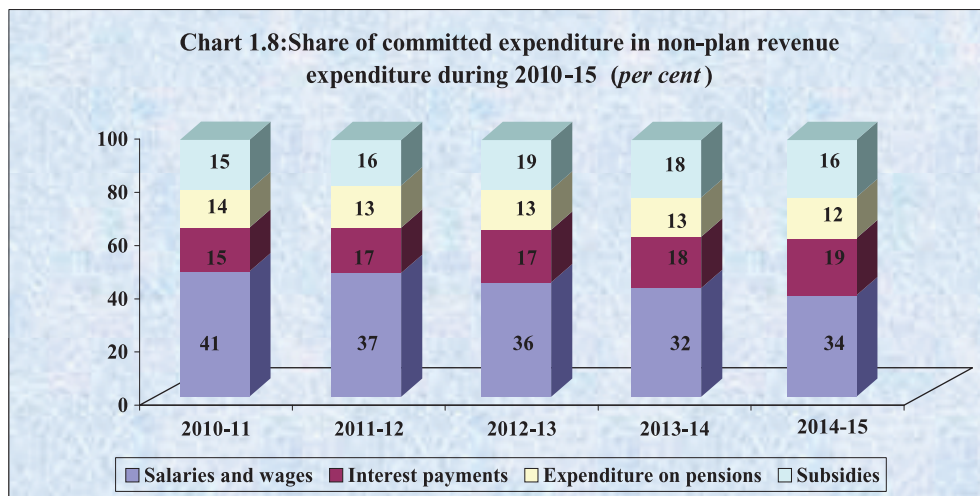
Components of Committed Expenditure	2010-11	2011-12	2012-13	2013-14	2014-15	
					Budget Estimate	Actual
<b>Salaries and wages, Of which</b>	9809 (38)	9,960 (33)	11,464 (34)	11,816 (31)	14,510	14,359* (35)
Non-Plan Head	8,974	9,070	10,280	10,374	12,592	12,250
Plan Head**	835	890	1,184	1,442	1,918	2,109
<b>Interest Payments</b>	3,319 (13)	4,001 (13)	4,744 (14)	5,850 (15)	7,015	6,928 (17)
<b>Expenditure on Pensions</b>	3,094 (12)	3,204 (10)	3,636 (11)	4,169 (11)	4,602	4,602 (11)
<b>Subsidies</b>	3,285 (13)	3,853 (13)	5,454 (16)	5,681 (15)	5,695	5,693 (14)
<b>Total</b>	<b>19,507</b>	<b>21,018</b>	<b>25,298</b>	<b>27,516</b>	<b>31,822</b>	<b>31,582</b>

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

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

\* Includes wages of ₹ 203.53 crore.

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



The total expenditure (₹ 25,686 crore) on salary, interest and pension payments was higher by ₹ 3,006 crore (13.25 *per cent*) than the projections by the Government in its FCP (₹ 22,680 crore) and consumed 63 *per cent* of the revenue receipts against 35 *per cent* projected in the ThFC. The four components, i.e. salary and wages, interest, pension payment and subsidies constituted about 81 *per cent* of the NPPE during 2014-15.

#### ***Expenditure on Salaries***

The expenditure on salaries and wages (₹ 14,359 crore) increased by 46.39 *per cent* during the period from 2010-11 to 2014-15. During 2005-06 to 2013-14 the CAGR of expenditure on salaries and wages was 14.88 *per cent* which was higher in General Category States (15.23 *per cent*). This growth rate over the previous year at 21.52 *per cent* was higher than the growth rate of 11.75 *per cent* in general category States (*Appendix 1.1*). The expenditure on salaries (₹ 14,156 crore) was higher than the projections under State's own FCP (₹ 12,310 crore), assessment by ThFC (₹ 8,148 crore) but was below the projections made in MTFPS (₹ 14,737 crore) (*Appendix 1.6*).

#### ***Interest payment***

Interest payments (₹ 6,928 crore) increased by 108.74 *per cent* over a period of five year (2010-15). During 2014-15, there was an increase of ₹ 1,078 crore (18.43 *per cent*) over the previous year. The percentage of interest payments to revenue receipts increased from 12.98 *per cent* in 2010-11 to 16.98 *per cent* in 2014-15. Interest payments during 2014-15 were higher than the projections made by the State in its FCP (₹ 5,800 crore) and the assessment made by ThFC (₹ 6,113 crore) but was within the projections in the MTFPS (₹ 7,139 crore) (*Appendix 1.6*).

#### ***Subsidies***

Payment on subsidies increased by ₹ 2,408 crore (73.3 *per cent*) from ₹ 3,285 crore in 2010-11 to ₹ 5,693 crore in 2014-15, which was 13.95 *per cent* of the



revenue receipts. Out of the total subsidies of ₹ 5,693 crore, ₹ 5,238 crore (92 *per cent*) was for the power and energy sectors. The total subsidy to the power and energy sector was higher than the projection in FCP (₹ 4,420 crore) and MTFPS (₹ 4,495 crore) (*Appendix 1.6*).

The subsidies present a partial picture as these are exclusive of the implicit subsidies. Some implicit subsidies extended during 2014-15 are detailed in the **Table 1.16**.

**Table 1.16 : Details of some of the implicit subsidy**

(₹ in crore)

Sr. No.	Scheme/Subsidy	Budget Estimate		Expenditure
		Original	Revised	
1.	Scheme for managing the micro nutrients deficiency in soil	4.00	0.09	0.09
2.	Scheme for promotion of crops diversification	8.00	4.30	4.30
3.	National project on management of soil health and fertility	2.00	0.37	0.37
4.	Scheme for providing assistance on adoption of water saving technology	10.00	8.32	8.32
5.	Scheme for integrated horticulture development in Haryana	7.50	6.25	6.25
6.	Scheme for promotion of advanced international technology in horticulture sector	7.00	5.50	5.50
7.	Micro irrigation	46.49	28.54	28.54
8.	Scheme for establishment of hi-tech dairy units	4.00	4.85	4.85
9.	Rebate on rate of interest on short term loan advanced by co-operative banks	32.16	15.16	15.16
10.	Assistance to Haryana State Co-operative Agriculture and Rural Development Banks	86.00	86.00	86.00
11.	One time settlement of Loan to all cooperative sugar mills	190.00	190.00	190.00

(Source: Detailed Appropriation Accounts.)

### **Pension payments**

Pension payments (₹4,602 crore) increased by 48.74 *per cent* during the period from 2010-11 to 2014-15 which was 11.28 *per cent* of revenue receipts. The expenditure on pension payments in 2014-15 was higher than the assessments made by ThFC (₹ 2,839 crore) and projections made by the Government in its FCP at ₹ 4,570 crore and MTFPS (₹ 4,500 crore) (*Appendix 1.6*). To meet the increasing pension liabilities, a new Contributory Pension Scheme was introduced by the State with effect from 1 January 2006.

### **Flagship schemes: Position of expenditure**

Flagship schemes are an integral and critical part of Government of India's commitment towards inclusive development of the nation. The amounts shown in **Table 1.17** were released for the flagship schemes by the Central

Government, Ministries to the Government of Haryana, their functionaries and various implementing agencies/NGOs during 2014-15.

**Table 1.17: Expenditure vis-à-vis availability of funds under flagship schemes implemented in Haryana**

(₹ in crore)

Sr. No.	Name of the scheme	Opening Balance	Funds received from			Total	Expenditure	Percentage of expenditure to available funds
			GOI	State Share	Other sources			
1	National Rural Health Mission	91.99	248.96	112.47	19.24	472.66	468.92	99.2
2	Mahatma Gandhi National Rural Employment Guarantee Act	14.57	186.75	20.75	(-) 2.83	219.24	217.82	99
3	Accelerated Irrigation Benefits Programme	54.01	18.59	59.50	0.86	132.96	121.16	91
4	Indira Awas Yojana	29.20	97.62	32.16	7.11	166.09	135.90	82
5	Sarva Shiksha Abhiyan	108.89	465.49	223.19	8.35	805.92	761.11	94
6	National Rural Drinking Water Programme	16.05	277.98	387.89	—	681.92	596.92	88
7	Mid-day Meal Scheme	52.26	163.99	111.02	—	327.27	266.21	81
8	Integrated Child Development Services Scheme	61.70	225.81	25.02	—	312.53	250.25	80
9	Pradhan Mantri Gram Sadak Yojana	13.31	244.27	81.42	36.00	375.00	373.89	100
10	Jawaharlal Nehru National Urban Renewal Mission	(-) 15.00	—	—	55.00	40.00	51.93	130
11	Rajiv Gandhi Gramin Vidyuti Karan Yojana	15.79	—	—	0.30	16.09	17.38	108
12	Rashtriya Krishi Vikas Yojana (RKVY)	73.84	—	119.42	—	193.26	166.48	86
13	Nirmal Bharat Abhiyan	139.25	5.93	-	-	145.18	85.15	59
	<b>Total</b>	<b>655.86</b>	<b>1,935.39</b>	<b>1,172.84</b>	<b>124.03</b>	<b>3,888.12</b>	<b>3,513.12</b>	<b>90</b>

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

The State received ₹ 1,935.39 crore during 2014-15 from GOI for implementation of flagship schemes. Out of total available funds of ₹ 3,888.12 crore for 2014-15 the State utilized ₹ 3,513.12 crore (90 *per cent*). The utilisation of available funds under Indira Awas Yojana, Mid-day Meal, Integrated Child Development Services Scheme, Rashtriya Krishi Vikas Yojana, Nirmal Bharat Abhiyan and National Rural Drinking Water Programme was less than 90 *per cent*.

### 1.6.4 Financial Assistance by State Government to Local Bodies and other institutions

**Table 1.18: Financial assistance to local bodies, etc.**

(₹ in crore)

	2010-11	2011-12	2012-13	2013-14	2014-15		
					Budget estimate	Actual	Percentage of variation
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	741.79	648.39	1,140.09	783.66	1,810.05	1,809.77	(-) 0.02
Municipal Corporations and Municipalities	291.43	894.67	1,274.01	1,120.80	744.63	744.63	-
Zila Parishads and Other Panchayati Raj Institutions	267.83	722.40	882.65	1,263.49	1,191.57	1,192.04	0.04
Development Agencies	388.23	480.96	450.65	523.36	745.12	723.72	(-) 2.87
Hospitals and other Charitable Institutions	211.97	357.67	580.02	518.83	986.47	979.70	(-) 0.69
Other	322.21	201.92	320.53	329.53	669.05	656.14	(-) 1.93
<b>Total</b>	<b>2,223.46</b>	<b>3,306.01</b>	<b>4,647.95</b>	<b>4,539.67</b>	<b>6,146.89</b>	<b>6,106.00</b>	<b>(-) 0.67</b>
Assistance as percentage of Revenue Expenditure	8	10	12	11		12	

(Source: Information compiled by Accountant General (A&E) Haryana)

**Table 1.18** indicates that the financial assistance to local bodies and other institutions increased from ₹ 2,223.46 crore in 2010-11 to ₹ 6,106 crore, constituting 12.43 *per cent* of the revenue expenditure during 2014-15. It increased by ₹ 1,566.33 crore (34.50 *per cent*) over the previous year due to increase in assistance to Educational institutions (₹ 1,026.11 crore) and Hospitals and other Charitable Institutions (₹ 460.87 crore). Against the estimated provision of ₹ 6,146.89 crore, financial assistance of ₹ 6,106 crore was released. The decrease in the actual release vis-à-vis the budget estimate to educational institutions, hospitals and other charitable institutions and other institutions ranged between 0.02 and 2.87 *per cent*.

## 1.7 Quality of Expenditure

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

### 1.7.1 Adequacy of Public Expenditure

To enhance human development, the State is required to step up their expenditure on key social services like education, health, etc. **Table 1.19** analyses the fiscal priority and fiscal capacity of the Government with regard to development expenditure, social sector expenditure and capital expenditure during 2014-15.

**Table 1.19: Fiscal Priority and Fiscal Capacity of the State in 2011-12 and 2014-15**

<b>Fiscal Priority of the State</b>	<b>AE/GSDP</b>	<b>DE<sup>#</sup>/AE</b>	<b>SSE/AE</b>	<b>CE/AE</b>	<b>Education/AE</b>	<b>Health/AE</b>
<b>Haryana Average (Ratio) 2011-12</b>	12.73	71.53	36.85	14.13	16.74	3.28
<b>General Category States* Average (Ratio) 2011-12</b>	15.98	65.39	36.63	13.23	17.10	4.68
<b>Haryana Average (Ratio) 2014-15</b>	12.33	67.40	39.16	6.92	17.66	4.17
<b>General Category States* Average (Ratio) 2014-15</b>	16.49 <sup>@</sup>	69.12	36.50	14.01	16.23	5.04
<p>* General Category States exclude two states i.e. Goa and Puducherry            AE: Aggregate Expenditure DE: Development Expenditure SSE: Social Sector Expenditure, CE: Capital Expenditure.            @Based on 17 States except Goa and Puducherry            # Development expenditure includes Development Revenue Expenditure, Development Capital Expenditure and Loans and Advances disbursed.            Source for GSDP: Information was collected from the State's Directorate of Economics and Statistics.</p>						

***Fiscal Priority:***

- Aggregate expenditure as a ratio of GSDP in Haryana was lower in both years i.e. 2011-12 and 2014-15 as compared to General Category States (GCS).
- Priority on Development Expenditure reduced in 2014-15 in comparison to 2011-12 as its ratio to AE reduced from 71.53 to 67.40 *per cent* while this ratio increased in GCS.
- The ratio of SSE to AE increased in Haryana in 2014-15 as compared to 2011-12 while in GCS this ratio decreased slightly.
- The ratio of CE to AE has reduced considerably in 2014-15 in comparison of 2011-12 and was very less than GCS.
- The ratio of expenditure on education was increased slightly in 2014-15 and was higher than the GCS.
- The priority given to health in Haryana and ratio increased in 2014-15 but still lower than the GCS.

***1.7.2 Efficiency of Expenditure Use***

In view of the importance of public expenditure on development heads from the point of view of social and economic development, it is important for the Government to take appropriate expenditure rationalization measures and lay emphasis on provision of core public and merit goods. Apart from improving the allocation towards development expenditure, particularly in view of the fiscal space being created on account of the decline in expenditure on debt servicing in the recent years, the efficiency of expenditure use is also reflected by the ratio of capital expenditure to total expenditure (and/or GSDP) and the proportion of revenue expenditure being made on operation and maintenance of the existing social and economic services. The higher the ratio of these components to the total expenditure (and/or GSDP), the better would be the quality of expenditure. Development expenditure comprised revenue and

capital expenditure including loans and advances in socio-economic services. **Table 1.20** presents the trends in development expenditure relative to the aggregate expenditure of the State during the period 2010-11 to 2014-15. **Table 1.21** provides the details of capital expenditure and the components of revenue expenditure incurred on the maintenance of selected social and economic services.

**Table 1.20: Development expenditure**

(₹ in crore)

Component of development expenditure	2010-11	2011-12	2012-13	2013-14	2014-15	
					Budget Estimate	Actual
<b>Development expenditure (a to c)</b>	<b>23,266 (70)</b>	<b>27,192 (72)</b>	<b>31,868 (72)</b>	<b>32,300 (69)</b>	<b>41,899 (70)</b>	<b>36,180 (67)</b>
a. Development revenue expenditure	18,901 (57)	21,696 (57)	26,073 (59)	28,154 (60)	35,870 (60)	32,208 (60)
b. Development capital expenditure	3,832 (12)	5,137 (14)	5,511 (12)	3,653 (8)	5,440 (9)	3,425 (6)
c. Development loans and Advances	533 (1)	359 (1)	284 (1)	493 (1)	589 (1)	547 (1)

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

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

Development expenditure increased by 55.5 per cent during the period from 2010-11 to 2014-15. This expenditure, which constituted 67 per cent of the total expenditure, increased by only ₹ 3,880 crore (12 per cent) from ₹ 32,300 crore in 2013-14 to ₹ 36,180 crore in 2014-15. Development Revenue expenditure constituted 89 per cent of development expenditure whereas the share of capital expenditure including loans and advances was only seven per cent. The Developmental capital expenditure decreased by 6.24 per cent over previous year. Against the provision of ₹ 41,899 crore, the actual expenditure was ₹ 36,180 crore, which is 86.35 per cent of BE.

**Table 1.21: Efficiency of expenditure use in selected Social and Economic Services**

Social/economic infrastructure	2013-14			2014-15		
	Ratio of CE to TE	In RE, the share of		Ratio of CE to TE	In RE, the share of	
		S&W	O&M		S&W	O&M
Social Services (SS)						
Education, Sports, Art and Culture	0.021	67.66	0.03	0.020	66.21	0.04
Health and Family Welfare	0.028	51.07	*	0.029	48.38	-
Water Supply, Sanitation, Housing and Urban Development	0.343	17.58	7.52	0.319	18.91	7.98
Total (SS)	0.125	53.23	1.83	0.103	53.67	1.69
Economic Services (ES)						
Agriculture and Allied Activities	(-) 1.396	36.16	2.05	(-) 1.098	38.96	1.89
Irrigation and Flood Control	0.439	7.34	7.95	0.454	6.32	8.07
Power and Energy	0.019	0.01	*	0.013	0.03	-
Transport	0.440	36.20	2.71	0.371	39.59	3.33
Total (ES)	0.145	15.24	1.84	0.120	17.07	1.98
Total (SS + ES)	0.135	35.38	1.83	0.111	37.89	1.81

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

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

The ratio of capital expenditure on Social Services with reference to the total expenditure decreased from 0.125 in 2013-14 to 0.103 in 2014-15 and for economic services from 0.145 in 2013-14 to 0.120 in 2014-15.

Under Social Services, the share of expenditure on salaries and wages slightly increased from 53.23 *per cent* in 2013-14 to 53.67 *per cent* in 2014-15. The share of expenditure on O&M decreased from 1.83 *per cent* in 2013-14 to 1.69 *per cent* in 2014-15. Under Economic Services, the share of salaries and wages increased from 15.24 *per cent* in 2013-14 to 17.07 *per cent* in 2014-15. The share of O&M also increased from 1.84 *per cent* in 2013-14 to 1.98 *per cent* in 2014-15. Under Social Services and Economic Services combined, the share of salary and wages increased from 35.38 *per cent* in 2013-14 to 37.89 *per cent* in 2014-15. The share of O&M decreased from 1.83 *per cent* in 2013-14 to 1.81 *per cent* in 2014-15.

## **1.8 Financial Analysis of Government Expenditure and Investments**

In the post-FRBM Act 2005 framework, the State is expected to keep its fiscal deficit (and borrowings) not only at low levels but also meet capital expenditure/ investment (including loans and advances) requirements. In addition, the Government needs to initiate measures to earn adequate returns on its investments, recover its cost of borrowed funds rather than bearing the same on the budget in the form of implicit subsidies and take requisite steps to infuse transparency in financial operations. This section presents a broad financial analysis of investments and other capital expenditure undertaken by the Government during 2014-15 vis-à-vis the previous year.

### **1.8.1 Financial results of irrigation works**

The financial results of eight irrigation projects with a capital outlay of ₹ 585.07 crore at the end of March 2015 showed that revenue realized from these projects during 2014-15 (₹ 111.14 crore) was 19 *per cent* of the capital outlay. After meeting the working and maintenance expenditure (₹ 294.66 crore) and interest charges (₹ 29.25 crore), there was loss of ₹ 212.77 crore.

### **1.8.2 Incomplete projects**

Department-wise information pertaining to incomplete projects as on 31 March 2015 is given in **Table 1.22**. Only those projects where the scheduled dates for completion are already over as of 31 March 2015 have been included under incomplete projects.



**Table 1.22: Department-wise profile of incomplete projects**

(₹ in crore)

Department	Number of incomplete projects	Initial budgeted cost	Revised total cost of projects	Total expenditure upto March 2014
Irrigation	8	56.60	56.60	28.78
Public Works Department (B&R)	6	53.64	53.64	33.41
	<b>14</b>	<b>110.24</b>	<b>110.24</b>	<b>62.19</b>

(Source: State Finance Accounts)

The scheduled dates of completion of 14 projects of two departments were between December 2012 and March 2015, but these were incomplete as on June 2015, involving non derivation of desired benefits from the investment of ₹ 62.19 crore.

### 1.8.3 Investments and returns

The Government as of 31 March 2015, had invested ₹ 7,500.22 crore in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives (**Table 1.23**). The average return on these investments was 0.066 *per cent* in the last five years while the Government paid an average interest rate of 9.59 *per cent* on its borrowings during 2010-15.

**Table 1.23: Return on investments**

Investment/return/cost of borrowings	2010-11	2011-12	2012-13	2013-14	2014-15	
					Budget estimate	Actual
Investment at the end of the year (₹ in crore)	6,376.98	6,981.91	7240.02	7378.87	7,757.23	7,500.22
Return (₹ in crore)	2.48	1.64	7.05	6.49	8.30	5.80
Return ( <i>per cent</i> )	0.04	0.02	0.10	0.09	0.11	0.08
Average rate of interest on Government borrowings ( <i>per cent</i> )	9.22	9.73	9.86	9.83	10.50	9.33
Difference between interest rate and return ( <i>per cent</i> )	9.18	9.71	9.76	9.74	10.39	9.25

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

While the Government investments increased by 17.61 *per cent* over a period of five years from 2010-11 to 2014-15, the return from investments increased from ₹ 2.48 crore (0.04 *per cent*) in 2010-11 to ₹ 5.80 crore (0.08 *per cent*) in 2014-15. The Government paid interest at an average rate of 9.22 to 9.86 *per cent* on its borrowings during 2010-15, whereas, the percentage of return from investments ranged between 0.02 and 0.10 during the same period. The State Government made investments of ₹ 140.09 crore during 2014-15. Out of this, ₹ 66.94 crore were invested in the equity capital of four power companies.

Ten Government Companies with an aggregate investment of ₹ 4,983.04 crore were incurring losses and their accumulated losses amounted to ₹ 25,618.85 crore as per the accounts furnished by these Companies (**Appendix 1.7**). Losses of ₹ 25,059 crore in three<sup>4</sup> power generation and

<sup>4</sup> Accumulated losses upto 2013-14 : UHBVNL (₹ 13,893.80 crore), DHBVNL (₹ 10,726.59 crore) and HPGCL (₹ 438.45 crore).

distribution companies constituted 98 *per cent* of the total losses of Government Companies.

The State Government had not taken up the exercise of disinvestment, privatisation and restructuring of non-working PSUs though it was recommended by ThFC.

#### **1.8.4 Departmentally managed Commercial Undertakings**

Activities of quasi-commercial nature are also performed by the departmental undertakings of certain Government departments. The department-wise position of the investments made by the Government up to the year for which proforma accounts were finalised, net profit/loss as well as return on capital invested in these undertakings are given in *Appendix 1.8*. The following points were observed:

- An amount of ₹ 7,030.36 crore had been invested by the Government in five undertakings at the end of the financial year upto which their accounts were finalised.
- Of the loss-making undertakings, Haryana Roadways incurred losses continuously for more than six years and Agriculture Department (Seed Depot Scheme) had not prepared its proforma accounts for the last 26 years.
- The losses of two<sup>5</sup> departmental undertakings were ₹ 288.84 crore as against the total investment of ₹ 678.74 crore.

#### **1.8.5 Investment in Public Private Partnerships**

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

Fourteen PPP projects (*Appendix 1.9*) with a total estimated cost of ₹ 58,821.70 crore were under implementation as on 31 March 2014.

#### **1.8.6 Loans and advances by State Government**

In addition to investments in co-operative societies, corporations and companies, the Government had also been providing loans and advances to many institutions/organizations. **Table 1.24** presents the outstanding loans and advances as on 31 March 2015 and interest receipts vis-à-vis interest payments during the last three years.

<sup>5</sup> Agriculture Department (Seed Depot Scheme): ₹ 0.01 crore and Haryana Roadways: ₹ 288.83 crore.



**Table 1.24: Average interest received on loans advanced by the State Government**

(₹ in crore)

Quantum of loans / interest receipts / cost of borrowings	2012-13	2013-14	2014-15	
			Budget Estimate	Actual
Opening Balance	3,316	3,489		4,002
Amount advanced during the year	522	775	1001	843
Amount repaid during the year	349	262	342	273
<b>Closing Balance</b>	<b>3,489</b>	<b>4,002</b>		<b>4,572</b>
<i>Of which</i> Outstanding balance for which terms and conditions have been settled	3,489	4,002		4,572
Net addition	173	513	659	570
Interest receipts	69	66	84	40
Interest receipts as percentage of outstanding loans and advances	2.03	1.76	1.84	0.93
Interest payments as percentage of outstanding fiscal liabilities of the State Government	7.32	7.67	8.73	7.83
Difference between interest payments and interest receipts ( <i>per cent</i> )	5.29	5.91	6.89	6.90

(Source: State Finance Accounts of the respective years)

Total outstanding loans and advances as on 31 March 2015 were ₹ 4,572 crore due to net addition of ₹ 570 crore during the year 2014-15. Loans amounting to ₹ 1,028.90 crore were outstanding at the beginning of the year 2014-15 against co-operative sugar mills. Further, loans totaling ₹ 190 crore were given to these sugar mills and only ₹ six crore was recovered against previous loans. Similarly, loans of ₹ 118.11 crore were given to power projects for transmission and distribution services during the year 2014-15, only ₹ 25.95 crore were recovered against previous loans of ₹ 933.46 crore outstanding on 31 March 2014.

### 1.8.7 Cash Balances and Investment of Cash Balances

Comparative figures of cash balances and investment of cash balance for the year 2013-14 and 2014-15 are given in Table 1.25.

**Table 1.25 : Detail of cash balances and investment of cash balances**

(₹ in crore)

	Opening balance 01 April 2014	Closing Balance 31 March 2015
<b>(a) General Cash Balance</b>		
Deposit with Reserve Bank	(-) 652.85	75.53
Remittances in transit local	0.54	0.54
<b>Total</b>	<b>(-) 652.31</b>	<b>76.07</b>
Investment held in cash Balance Investment Account	3,774.41	2,571.52
<b>Total (a)</b>	<b>3,122.10</b>	<b>2,647.59</b>
<b>(b) Other Cash Balances and Investment</b>		
Cash with departmental officers viz. public works department officers, Forest department officers, District collectors	(-) 1.44	3.07
Permanent advances for contingent expenditure with departmental officers	0.11	0.11
Investment of earmarked funds	2,886.41	3,856.75
<b>Total (b)</b>	<b>2,885.08</b>	<b>3,859.93</b>
<b>Grand Total (a)+(b)</b>	<b>6,007.18</b>	<b>6,507.52</b>

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

Cash balances during the year 2014-15 increased from ₹ 6,007.18 crore to ₹ 6,507.52 crore. The investments made out of cash balances decreased from

₹ 3,774.41 crore to ₹ 2,571.52 crore. The investment from earmarked balances increased by ₹ 970.34 crore from ₹ 2,886.41 crore on 1 April 2014 to ₹ 3,856.75 crore as on 31 March 2015, which was mainly due to increase in investments from the Sinking Fund (₹ 91.12 crore) and the State Disaster Response Fund (₹ 431.87 crore). Interest of ₹ 79.70 crore realized from investments during the year 2014-15, was decreased by ₹ 32.89 crore than the interest earned (₹ 112.59 crore) during the year 2013-14.

The Government had to maintain a minimum cash balance of ₹ 1.14 crore as per its agreement with the Reserve Bank of India and no ordinary and special ways and means advances had been taken during 2014-15 for maintaining minimum balance.

### ***Outstanding balances under the head ‘cheques and bills’***

The Major Head ‘8670’ cheques and bills represents the intermediary account head for initial record of transactions which are to be cleared eventually. An amount of ₹ 0.11 crore was outstanding as on 1 April, 2014. Due to online payment system no transaction took place during the year and closing balance remained same.

Government had taken loans of ₹ 13,200 crore from open market during the year 2014-15 at the interest rate ranging between 8.04 *per cent* to 9.07 *per cent* though the balance in the cash balance investment account ranged from ₹ 2,826.18 crore to ₹ 6,106.09 crore during 2014-15 which was invested at the interest rates ranging between five to 5.50 *per cent*. It shows that the State had not utilized its existing cash balances before resorting to fresh borrowings.

## **1.9 Assets and Liabilities**

### ***1.9.1 Growth and composition of Assets and Liabilities***

In the existing Government accounting system, comprehensive accounting of fixed assets like land and buildings owned by the Government is not done. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred. **Appendix 1.5 Parts A and B** give an abstract of such liabilities and assets as on 31 March 2015, compared with the corresponding position of last four years. While the liabilities in this Appendix mainly consist of internal borrowings, loans and advances from GOI, receipts from the Public Account and Reserve Funds, the assets mainly comprise the capital outlay and loans and advances given by the Government and cash balances.

‘Total liability’ as defined in the FRBM Act, means the liabilities under the Consolidated Fund and the Public Account of the State and also includes borrowings by Public Sector Undertakings and Special Purpose Vehicles and

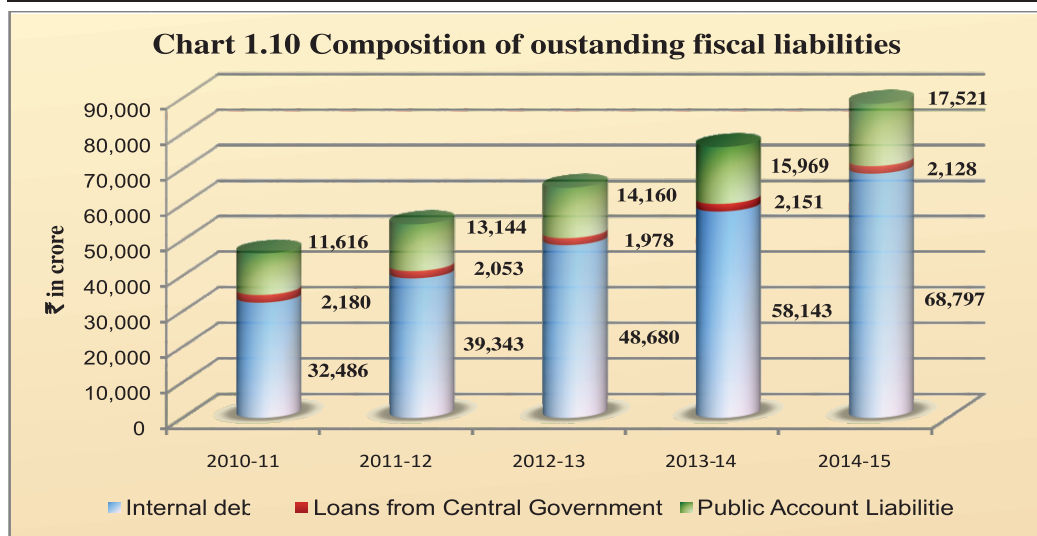
other equivalent instruments, including guarantees where the principal and/or interest are to be serviced out of the State budgets.

### 1.9.2 Fiscal Liabilities

The outstanding fiscal liabilities of the State are presented in **Appendix 1.5 Part B**. The compositions of fiscal liabilities during 2010-15 are presented in **Table 1.26**.

**Table 1.26 : Trends in fiscal liabilities from 2010-11 to 2014-15**

Components of fiscal liability	2010-11	2011-12	2012-13	2013-14	2014-15
Internal debt	32,486	39,343	48,680	58,143	68,797
Loans from Central Government	2,180	2,053	1,978	2,151	2,128
Public Account Liabilities	11,616	13,144	14,160	15,969	17,521
<b>Total</b>	<b>46,282</b>	<b>54,540</b>	<b>64,818</b>	<b>76,263</b>	<b>88,446</b>
Growth rate	17.66	17.84	18.84	17.66	15.97
Percentage of revenue receipts	181.04	178.48	192.72	200.63	216.78
Buoyancy with revenue receipt growth	0.81	0.91	1.87	1.36	2.18
Ratio to GSDP	17.76	18.26	18.99	19.61	20.32



(Source: State Finance Accounts of the respective years)

The overall fiscal liabilities of the State increased from ₹ 46,282 crore in 2010-11 to ₹ 88,446 crore in 2014-15 registering an increase of 91 *per cent* mainly due to increase in public debt (₹ 36,259 crore) and public account liabilities (₹ 5,905 crore). The ratio of fiscal liabilities to GSDP showed increasing trend and increased from 17.76 *per cent* in 2010-11 to 20.32 *per cent* in 2014-15. These liabilities were 2.17 times the revenue receipts and 2.74 times the State's own resources as at the end of 2014-15. Payment of interest on the fiscal liabilities was ₹ 6,928 crore (7.83 *per cent*) during the

year 2014-15. It is significant to note that fiscal liabilities at ₹ 88,446 crore were higher than the limit of ₹ 81,806 crore projected in the MTFPS for the year 2014-15.

The State Government constituted the Consolidated Sinking Fund in 2002 for redemption of open market loans. As per guidelines, the Government is required to contribute to the Fund, one to three *per cent* of the outstanding open market loans, as at the end of the previous year. Twelfth Finance Commission recommendations and Reserve Bank of India guidelines of 2006, however, stipulate a minimum annual contribution of 0.50 *per cent* on the total liabilities (internal debt and public account liabilities) of the Government.

The Government made a budget provision of ₹ 699.38 crore towards contribution to the Consolidated Sinking Fund for 2014-15. But no contribution had been made in the Fund during the year except ₹ 91.12 crore earned as interest on investment. No disbursements were made and the fund was closed at ₹ 1,153.30 crore.

### **1.9.3 Transactions under Reserve fund**

At the beginning of 2014-15, Reserve Fund stood at ₹ 3,164.21 crore. There was addition of ₹ 1,257.10 crore and disbursement of ₹ 247.79 crore during the year leading to a closing balance of ₹ 4,173.52 crore. Reserve funds mainly consist of Sinking fund, Guarantee Redemption fund and State Disaster Response Fund (SDRF).

The SDRF had an opening balance of ₹ 1,736.31 crore. During the year 2014-15 the GOI released ₹ 255.41 crore and State Government was required to contribute ₹ 85.14 crore as State share (in the ratio of 75:25). Hence a total ₹ 340.55 crore were to be contributed in the fund. But the State Government had contributed only ₹ 216.37 crore i.e. lesser by ₹ 124.18 crore. Thus even the funds released by GOI were not fully contributed to the SDRF.

As per GOI guidelines (September 2010) on constitution and administration of SDRF, direct expenditure from the fund is prohibited. The State Government had incurred ₹ 218.04 crore (2013-14 : ₹ 103.80 crore and 2014-15 : ₹ 114.24 crore) directly from SDRF in violation of above guidelines.

### **1.9.4 Inoperative Reserve Funds**

There were eleven numbers of Reserve Funds earmarked for specific purposes as detailed in statement No. 21 of Finance Account. Out of which only eight funds are active and three funds are dormant namely Development Funds for Agriculture purposes, Industrial Development Funds, Food Grains reserve Funds having closing balance of ₹ 12.27 crore at the end of the year 2014-15.

### 1.9.5 Status of Guarantees-Contingent Liabilities

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

As per Statement 9 of the Finance Accounts the outstanding guarantees for the last five years are given in **Table 1.27**.

**Table 1.27: Guarantees given by the Government of Haryana**

(₹ in crore)

Guarantees	2010-11	2011-12	2012-13	2013-14	2014-15
Outstanding amount of guarantees including fee	4,528	5,608	21,124	27,309	30,389
Percentage of outstanding amount of guarantees to total revenue receipts	18	18	63	72	74

(Source: State Finance Accounts of the respective years)

No amount was paid by the Government towards guarantees during 2014-15. The outstanding amount of ₹ 30,389 crore of guarantees including guarantee fee, as on 31 March 2015, was in respect of Power (₹ 28,354 crore), Co-operative Banks and Societies (₹ 1,373 crore) and Corporations, Boards and Government Companies (₹ 662 crore). Apart from guarantees, the Government issued letters of comfort to banks for ₹ 2,604 crore against liabilities of Government companies in the power sector which amounted to creation of contingent liabilities.

The Government constituted the Guarantee Redemption Fund during 2003-04 to meet the contingent liabilities arising out of guarantees issued on behalf of State Public Sector Undertakings and local bodies. Reserve Bank of India guidelines of 2013 indicate contribution of minimum one *per cent* of outstanding guarantees at the beginning of the year and thereafter a minimum of 0.5 *per cent* every year to achieve a corpus of minimum three to five *per cent* of the outstanding guarantees of the previous year. The balance under this Fund was ₹ 753.15 crore as on 31 March 2015 (2.75 *per cent* of outstanding guarantees at the end of previous year at ₹ 27,307.71 crore) which stood invested. The Government contributed ₹ 653.50 crore during 2014-15 alongwith interest of ₹ 11.90 crore earned on investment to the fund. Further, it was noticed that the funds were invested in Government securities at a premium ranging from two to seven *per cent* resulting in additional payment of ₹ 35.37 crore. Total liabilities, including guarantees and letters of comfort stood at ₹ 1,21,439 crore (₹ 88,446 crore + ₹ 30,389 crore + ₹ 2,604 crore) during 2014-15 and were 27.90 *per cent* of the GSDP.

### 1.10 Debt Management

**Table 1.28** gives a time series analysis of internal debt profile of the State Government for the last five year.

**Table 1.28 : Internal Debt profile and per capita debt of State Government**

(₹ in crore)

Year	Opening Balance	Debt Receipts	Repayment during the year	Closing Balance	Increase/ Decrease	Percentage of increase over previous year	Per Capita Debt in ₹
2010-11	26,798.03	10,204.94	4,517.00	32,485.97	5,687.94	21.23	12,790
2011-12	32,485.97	11,643.38	4,786.52	39,342.83	6,856.86	21.11	15,489
2012-13	39,342.83	15,509.16	6,171.45	48,680.54	9,337.71	23.73	19,166
2013-14	48,680.54	17,371.48	7,908.87	58,143.15	9,462.61	19.44	22,891
2014-15	58,143.15	18,727.99	8,073.67	68,797.47	10,654.32	18.32	27,086

(Source: State Finance Accounts of respective years)

Internal debt of the State Government increased by ₹ 41,999 crore (157 per cent) from ₹ 26,798 crore in 2010-11 to ₹ 68,797 crore in 2014-15. An interest of ₹ 5,887 crore was paid on internal debt during 2014-15.

### Debt Sustainability

Apart from the magnitude of the debt of the Government, it is important to analyse the various indicators that determine the debt sustainability of the State. This section assesses the sustainability of debt of the Government in terms of debt stabilization; sufficiency of non-debt receipts; net availability of borrowed funds; burden of interest payments (measured by interest payments to revenue receipts ratio) and the maturity profile of Government securities. **Table 1.29** analyses the debt sustainability of the State according to these indicators for the period of five years beginning from 2010-11.

**Table 1.29 : 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)	(-) 17	259	(-)2,869	(-)344	(-) 3,675
Sufficiency of non-debt receipts (Resource Gap)	2,831	105	(-)3,209	2,048	(-) 4,272
Net Availability of borrowed funds	3,564	4,642	6,138	6,045	5,254
Burden of interest payments (IP/RR Ratio)	13	13	14	15	17
<b>Maturity Profile of State Debt (in Years)</b>					
0 – 1	3,275.07 (9)	4,970.85 (12)	6,224.90 (12)	4,948.92 (8)	3,189.78 (4)
1 – 3	4,314.32 (12)	4,585.10 (11)	4,731.52 (9)	3,904.94 (6)	4,233.24 (6)
3 – 5	4,431.02 (13)	3,645.32 (9)	2,450.62 (5)	5,308.41 (9)	9,901.34 (14)
5 – 7	2,115.30 (6)	4,714.03 (11)	8,825.02 (18)	10,725.71 (18)	12,903.60 (18)
7 years and above	20,538.33 (60)	23,480.82 (57)	28,423.90 (56)	35,405.98 (59)	40,975.44 (58)

(Figures in parentheses indicate the percentage to total State debt)

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



The quantum spread together with primary deficit further decreased from (-) ₹ 344 crore in 2013-14 to (-) ₹ 3,675 crore in 2014-15. As a result, the debt-GSDP ratio has arisen which effects the debt sustainability of the State in the medium to long run, if no corrective measures are taken.

The resource gap remained negative during the year 2014-15 and the primary expenditure was met partially out of borrowed funds indicating that the State needed to step up its resource mobilization efforts to ensure debt stability.

The position of net funds available from borrowed funds decreased from ₹ 6,045 crore in 2013-14 to ₹ 5,254 crore in 2014-15. During 2014-15, the State Government raised market loans of ₹ 13,200 crore at interest rates ranging between 8.04 to 9.07 *per cent* as compared to ₹ 11,446 crore in 2013-14.

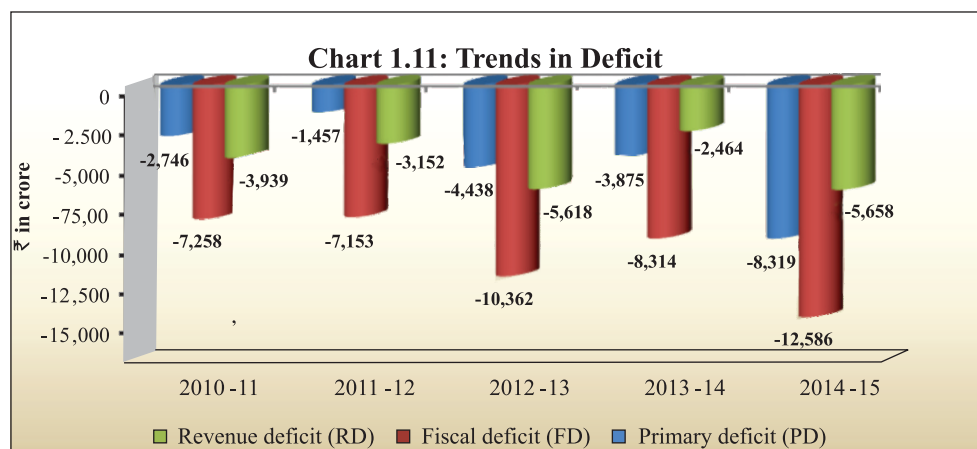
The maturity profile of State debt as given in **Table 1.29** indicates that the Government will have to repay six *per cent* of its debt between one and three years, 14 *per cent* between three and five years, 18 *per cent* between five and seven years, 58 *per cent* after seven years, for which the Government will have to improve its debt sustainability to generate funds for repayment of loans in the coming years.

## 1.11 Fiscal Imbalances

Three key fiscal parameters i.e. revenue, fiscal and primary deficits indicate the extent of overall fiscal imbalances in the finances of the Government during a specified period. This section presents trends, nature, magnitude and the manner of financing these deficits and also the assessment of actual levels of revenue and fiscal deficits vis-à-vis targets set under FRBM Act/Rules for the financial year 2014-15.

### 1.11.1 Trends of deficits

**Chart 1.11** presents the trends in deficit indicators over the period 2010-15.



(Source: State Finance Accounts of the respective years)

The revenue deficit, which indicates the excess of revenue expenditure over revenue receipts, was to be brought down to zero by 2011-12 and to be maintained at zero upto 2014-15, as per the FRBM. The revenue, fiscal and primary deficits which were ₹ 3,875 crore, ₹ 8,314 crore and ₹ 2,464 crore respectively during 2013-14 increased to ₹ 8,319 crore, ₹ 12,586 crore and ₹ 5,658 crore in 2014-15. The target of zero revenue deficit fixed for the year 2014-15 could not be achieved and fiscal deficit was 2.89 *per cent* of GSDP against the target of three and 2.54 *per cent* set out in FRBM and MTFPS respectively (*Appendix 1.6*).

### 1.11.2 Composition of Fiscal Deficit and its Financing Pattern

The financing pattern of the fiscal deficit has undergone a compositional shift as reflected in **Table 1.30**. Receipts and disbursements under the components of financing the fiscal deficit during 2014-15 are given in **Table 1.31**.

**Table 1.30 : Components of fiscal deficit and its financing pattern**

(₹ in crore)

	Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
<b>Components of fiscal deficit</b>		(-) 7,258	(-) 7,153	(-) 10,362	(-) 8,314	(-) 12,586
1	Revenue deficit(-)/ surplus (+)	(-) 2,746	(-) 1,457	(-) 4,438	(-) 3,875	(-) 8,319
2	Net Capital Expenditure	(-) 4,023	(-) 5,363	(-) 5,751	(-) 3,925	(-) 3,697
3	Net loans and advances	(-) 489	(-) 333	(-) 173	(-) 514	(-) 570
<b>Financing pattern of fiscal deficit</b>						
1	Market Borrowing	4,157.63	5,994.89	8,574.38	10,621.36	12,372.99
2	Loans from GOI	183.71	(-) 127.17	(-)75.54	173.08	(-) 22.98
3	Special securities issued to National Small Savings Fund	934.31	(-) 329.47	(-)91.55	28.07	707.45
4	Loans from financial institutions	595.99	1,191.44	854.88	(-)1,186.82	(-)2,426.12
5	Small Savings Provident Funds etc.	747.80	718.53	457.96	720.99	1,041.05
6	Reserve Fund	8.93	(-) 16.65	(-)39.09	2.29	38.97
7	Deposits and advances	316.66	826.54	597.05	1,086.43	471.42
8	Suspense and Miscellaneous	(-)635.88	406.73	370.77	(-) 3948.95	1,145.54
9	Remittances	305.08	214.88	(-)72.60	(-) 0.25	(-) 13.89
10	<b>Overall surplus (-) deficit (+)</b>	<b>6,614.23</b>	<b>8,879.72</b>	<b>10,576.26</b>	<b>7,496.20</b>	<b>13,314.43</b>
11	Increase (-) decrease (+) in cash balance*	(+) 644.20	(-)1,726.40	(-)214.43	(+) 817.28	(-) 728.38
12	<b>Gross Fiscal Deficit</b>	<b>7,258</b>	<b>7,153</b>	<b>10,362</b>	<b>8,314</b>	<b>12,586.05</b>

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

\* 8999-Cash balance (Deposits with Reserve bank and remittance in treasury).

**Table 1.31: Receipts and Disbursements under components financing the fiscal deficit**

(₹ in crore)

	Particulars	Receipt	Disbursement	Net
1	Market Borrowing	13,200.00	827.01	12,372.99
2	Loans from GOI	130.76	153.74	(-) 22.98
3	Special securities issued to National Small Savings Fund	1,251.31	543.86	707.45
4	Loans from financial institutions	4,276.68	6,702.80	(-) 2,426.12
5	Small Savings, Provident Funds etc.	2,747.69	1,706.64	1,041.05
6	Deposits and advances	17,091.82	16,620.40	471.42
7	Reserve Funds	1,475.15	1,436.18	38.97
8	Suspense and Miscellaneous	50,502.13	49,356.59	1,145.54
9	Remittances	6,514.21	6,528.10	(-) 13.89
10	<b>Overall surplus (-) deficit (+)</b>			<b>13,314.43</b>
11	Increase (-) decrease (+) in cash balance			(-) 728.38
12	<b>Gross Fiscal Deficit</b>			<b>12,586.05</b>

(Source: State Finance Accounts.)



The market borrowings contributed ₹ 12,373 crore which was higher by ₹ 1,752 crore over ₹ 10,621 crore in 2013-14. Other major deficit financing measures taken by Government were increase in State provident fund (₹ 1,041 crore) and increase in deposits (₹ 471 crore).

### 1.11.3 Quality of Deficit/Surplus

The ratio of revenue deficit to fiscal deficit and the components of primary deficit into primary revenue deficit and capital expenditure (including loans and advances) would indicate the quality of deficit in the State's finances. The bifurcation of the primary deficit (Table 1.32) would indicate the extent to which the deficit was on account of enhancement in capital expenditure, which may have been desirable to improve the productive capacity of the State's economy.

**Table 1.32: Primary deficit / surplus—bifurcation of factors**

(₹ in crore)

Year	Non-debt receipts	Primary revenue expenditure	Capital expenditure	Loans and advances	Primary expenditure	Primary revenue deficit (-)/ surplus (+)	Primary deficit(-)/ surplus (+)
1	2	3	4	5	6 (3+4+5)	7 (2-3)	8 (2-6)
2010-11	25,805	24,991	4,031	722	29,744	814	(-) 3,939
2011-12	30,861	28,014	5,372	627	34,013	2,847	(-) 3,152
2012-13	33,994	33,328	5,762	522	39,612	666	(-) 5,618
2013-14	38,284	36,037	3,935	776	40,748	2,247	(-) 2,464
2014-15	41,091	42,190	3,716	843	46,749	(-) 1,099	(-) 5,658

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

The primary revenue surplus of previous years turned into primary revenue deficit during 2014-15 as the primary revenue expenditure increased at higher rates than non-debt receipts. It shows that non-debt receipts fell short to meet even primary revenue expenditure and the primary deficit indicates that the borrowed funds were utilized to cover the primary expenditure.

### 1.12 Conclusions

Revenue receipts during 2014-15 increased by ₹ 2,786.58 crore (7.33 per cent) over the previous year mainly due to increase in tax revenue ₹ 2,067.97 crore (8.09 per cent). Tax revenue for 2014-15 fell short by 9.41 per cent and non-tax revenue fell short by 75.50 per cent of the targets fixed by ThFC. Revenue Receipts of ₹ 1,520.54 crore collected under Haryana Rural Development fund were not credited to Consolidated Fund of the State during 2011-14.

Revenue expenditure during the year constituted 91.51 per cent of the total expenditure. Its NPRES component at ₹ 36,358 crore was higher by 51 per cent than the projection of ThFC (₹ 24,103 crore) of which 81 per cent expenditure was on four components i.e. salary and wages, pension liabilities, interest payments and subsidies. Moreover, 92 per cent (₹ 5,238 crore) of total subsidies (₹ 5,693 crore) were only for the energy sector. The average return on the Government's investments in Statutory Corporations, Rural

Banks, Joint Stock Companies and Co-operatives varied between 0.02 to 0.10 *per cent* in the past five years while the Government paid an average interest of 9.22 to 9.86 *per cent* on its borrowings.

The revenue deficit which was required to be brought down to zero during 2011-12 and to be maintained at zero upto 2014-15 increased from ₹ 3,875 crore of 2013-14 to ₹ 8,319 crore in 2014-15. The trends in other fiscal parameters, i.e. fiscal and primary deficit stood at ₹ 8,314 crore and ₹ 2,464 crore respectively in 2013-14 and increased to ₹ 12,586 crore and 5,658 crore respectively in 2014-15.

Overall fiscal liabilities of the State were ₹ 88,446 crore as on 31 March 2015. Fiscal liabilities were 20.32 *per cent* of GSDP and 2.17 times of the revenue receipts.

Internal debt of the Government increased to ₹ 68,797 crore during 2014-15 from ₹ 58,143 crore in 2013-14. An interest of ₹ 5,887 crore was paid on internal debt during 2014-15. The resource gap remained negative during the year 2014-15 and the primary expenditure was met partially from the borrowed funds.

### **1.13 Recommendations**

The Government may consider:

- (i) initiating adequate measures to bring down the revenue deficit to zero as per the recommendations of ThFC and to increase the non-tax revenue receipts.
- (ii) crediting all the revenue receipts in the Consolidated Fund of the State and incurring expenditure after the authorization of State Legislature.
- (iii) reviewing the working of State PSUs which are incurring huge losses, formulate a strategic plan and ensure its implementation for their revival.