

## Chapter I

### Finances of the State Government

#### Introduction

This chapter provides a broad perspective of the finances of the Government of Haryana during 2013-14 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 national capital. It is the 20<sup>th</sup> of the largest States in terms of geographical area (44,212 sq km) and 17<sup>th</sup> by population. 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 11.16 lower than the all-India average. The State's Gross State Domestic Product (GSDP) in 2013-14 at current prices was ₹ 3,83,911 crore. The State's literacy rate increased from 67.91 *per cent* (as per 2001 census) to 76.64 *per cent* (as per 2011 census) (*Appendix 1.1*). The per capita income of the State for 2013-14 issued by Economic and Statistical Analysis department is ₹ 1,35,007 as against the country's average ₹ 74,380.

#### 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	2009-10	2010-11	2011-12	2012-13	2013-14
India's GDP (₹ in crore)	61,08,903	72,48,860	83,91,691	93,88,876	1,04,72,807
Growth rate of GDP (Percentage)	15.18	18.66	15.77	11.88	11.54
State's GSDP (₹ in crore)	2,23,600	2,60,621	2,98,786	3,39,451	3,83,911
Growth rate of GSDP (Percentage)	22.51	16.56	14.64	13.61	13.10

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

### 1.1.1 Summary of Fiscal Transactions

The summary of the State Government's fiscal transactions during the current year (2013-14) *vis-à-vis* the previous year (2012-13) is given below.

**Table 1.1 : Summary of Fiscal operations in 2013-14**

(₹ in crore)

Receipts	2012-13	2013-14	Disbursements	2012-13	2013-14		
					Non Plan	Plan	Total
<b>Section-A: Revenue</b>							
Revenue receipts	33,633.53	38,012.08	Revenue expenditure	38,071.72	31,735.01	10,152.09	41,887.10
Tax revenue	23,559.00	25,566.60	General Services	11,896.75	13,505.73	91.58	13,597.31
Non-tax revenue	4,673.15	4,975.06	Social Services	14,516.35	8,167.73	7,245.68	15,413.41
Share of Union Taxes/ Duties	3,062.13	3,343.24	Economic Services	11,556.73	9,925.37	2,814.83	12,740.20
Grants from Government of India	2,339.25	4,127.18	Grants-in-aid and Contributions	101.89	136.18	-	136.18
<b>Section-B: Capital and others</b>							
Misc. Capital Receipts	10.81	9.89	Capital Outlay	5,761.84	(-)1132.12	5,066.72	3,934.60
Recoveries of Loans and Advances	349.38	261.85	Loans and Advances disbursed	521.99	282.26	493.35	775.61
Public Debt receipts	15,213.54	17,604.16	Repayment of Public Debt	5,951.37			7,968.47
Contingency Fund	-	--	Contingency Fund	-			--
Public Account receipts	22,708.90	26,548.06	Public Account disbursements	21,073.88			24,560.19
Opening Cash Balance	2,161.75	2697.11	Closing Cash Balance	2,697.11			6,007.18
<b>Total</b>	<b>74,077.91</b>	<b>85,133.15</b>	<b>Total</b>	<b>74,077.91</b>			<b>85,133.15</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 2013-14 over the previous year:

- Revenue receipts increased by ₹ 4,379 crore (13 per cent) as tax revenue increased by ₹ 2,008 crore (nine per cent) and share of Union taxes and duties from the Government of India (GOI) by ₹ 281 crore (nine per cent). Grants-in-aid from GOI increased by ₹ 1,788 crore (76 per cent) and non-tax revenue by ₹ 302 crore (six per cent) over 2012-13. The State's own tax revenue fell short by 9.01 per cent, 11.18 per cent and 3.80 per cent of targets fixed under Fiscal Correction Path (FCP) (₹ 28,099 crore), projection made in Mid-term Fiscal Policy Statement (MTFPS) (₹ 28,784 crore) and target fixed by Thirteenth Finance Commission (ThFC) (₹ 26,577 crore) respectively. The non-tax revenue (₹ 4,975 crore) fell short by 70.38 per cent, 2.74 per cent and 3.62 per cent of the target fixed by ThFC (₹ 16,796 crore), projection made in FCP (₹ 5,115 crore) and MTFPS (₹ 5,162 crore) respectively for the year 2013-14 (*Appendix 1.6*).

- Revenue expenditure increased by ₹ 3,815 crore (10 *per cent*) as a result of increase in expenditure on ‘general services’ (₹ 1,701 crore), ‘economic services’ (₹ 1,183 crore) and ‘social services’ (₹ 897 crore). The Non-Plan Revenue expenditure (NPRE) (₹ 31,735 crore) was higher by 43.35 *per cent* against the the normative assessment in ThFC (₹ 22,138 crore) (*Appendix 1.6*).
- Capital expenditure decreased by ₹ 1,827 crore (32 *per cent*) mainly on account of decrease in expenditure on ‘economic services’ due to receipt of ₹ 1,144 crore from GOI under Major Head “4408 - Capital outlay on Food Storage and Warehousing”.
- Recovery of loans and advances decreased by ₹ 88 crore (25 *per cent*) during 2013-14.
- Net Public account receipts increased from ₹ 1,635.02 crore in 2012-13 to ₹ 1,987.87 crore in 2013-14.
- The cash balance of ₹ 6,007 crore at the close of 2013-14 increased by ₹ 3,310 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 22.6 *per cent* in 2011-12, 22.7 *per cent* in 2012-13 and 22.8 *per cent* in 2013-14.

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	2013-14						
	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	(-) 2,443	(-) 2,121 (5.58 per cent of Revenue Receipts)	(-) 3,875	-	(-) 1,432 (59 per cent)	(-) 1,754 (83 per cent)
Fiscal Deficit/GSDP (In per cent)	3	2.2	2.18	2.16	(-) 0.84	(-) 0.04	0.02
Ratio of total outstanding debt to GSDP (In per cent)	22.8	16.47	16.47	15.71	(-) 7.09	(-) 0.76	(-) 0.76

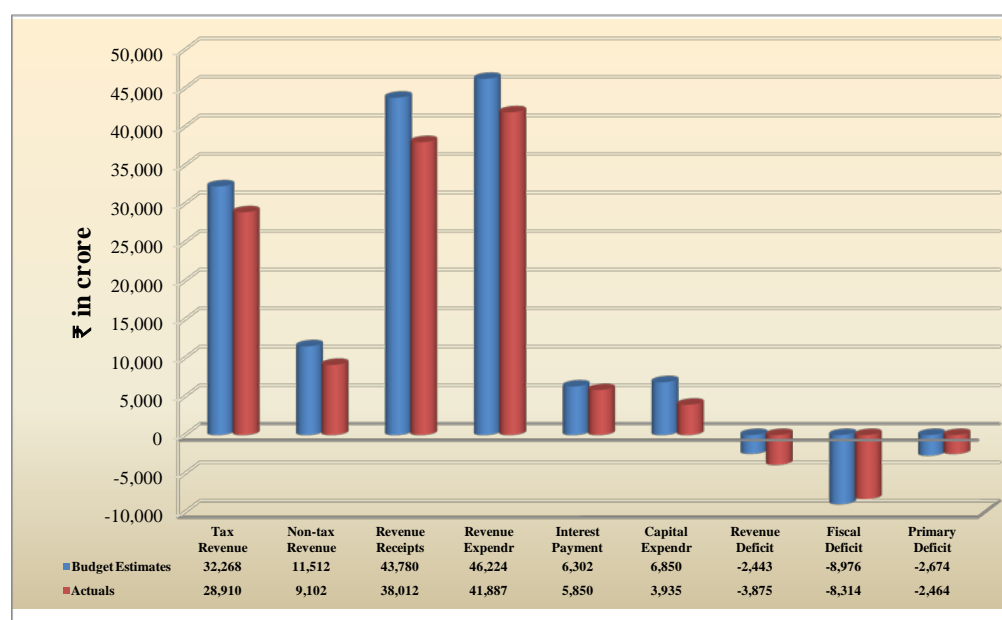
The revenue deficit (₹ 3,875 crore) for the year 2013-14 was higher than the projection made in budget and MTFPS but fiscal deficit was within projections prescribed under FRBM Act and MTFPS.

The total outstanding debt projected at 22.8 per cent of GSDP as per FRBM Act and 16.47 per cent as per budget and MTFPS targets for the year 2013-14 was within limit at 15.71 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 2013-14**



As against the targeted revenue receipt of ₹ 43,780 crore, the actual revenue receipts were ₹ 38,012 crore (87 per cent). The collection under non-tax revenue was only ₹ 9,102 crore (79 per cent) against the anticipated receipt of ₹ 11,512 crore mainly due to lesser Grants-in-Aid receipt from GOI which was only ₹ 4,127 crore (65 per cent) against the anticipation of ₹ 6,350 crore. The actual revenue expenditure (₹ 41,887 crore) was within the budget provision of ₹ 46,224 crore. The interest payments (₹ 5,850 crore) were kept within estimated projection (₹ 6,302 crore) and the capital expenditure were ₹ 3,935 crore against the budget estimate of ₹ 6,850 crore due to receipt of ₹ 1,144 crore from GOI under the Major Head “4408- Capital outlay on Food Storage and Warehousing”. The Government could not maintain the estimated revenue deficit (₹ 2,443 crore), as this increased to ₹ 3,875 crore whereas, fiscal and primary deficits were within the estimate.

#### 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 2013-14**

(₹ in crore)

Sr. No.	Scheme	Budget Estimate	Actual Expenditure
1.	Indira Gandhi Priyadarshini Vivah Shagun Yojana	66.26	66.26
2.	Ladli – Social security pension scheme for families having only girl/girls child	13.49	13.49
3.	Widow pension	470.92	470.92
4.	Insurance of anganwari workers/ helpers	4.19	4.19
5.	Apni beti apna dhan (Ladli)	50.22	50.22
6.	Adolescent girls scheme	2.80	2.80
7.	Protection of women from domestic violence - setting up of cells	0.95	0.95
8.	Home cum training centres for destitute women and widows	1.44	1.44
9.	Assistance for women co-operatives	0.70	0.70
10.	Pension to aged, physically handicapped and destitute women and widows	13.53	13.53
11.	Rajiv Gandhi scheme for empowerment of adolescent girls	12.39	12.39

(Source : State budget 2013-14 and detailed Appropriation Accounts for 2013-14)

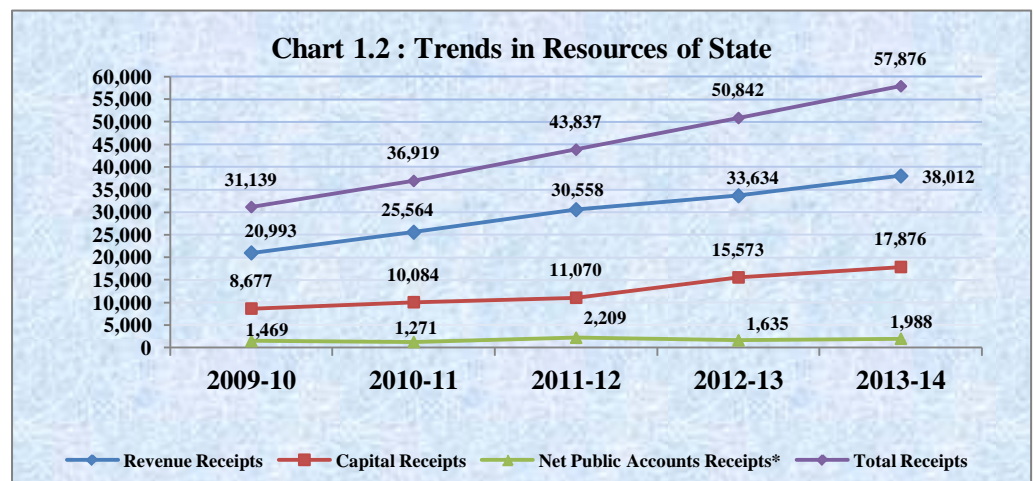
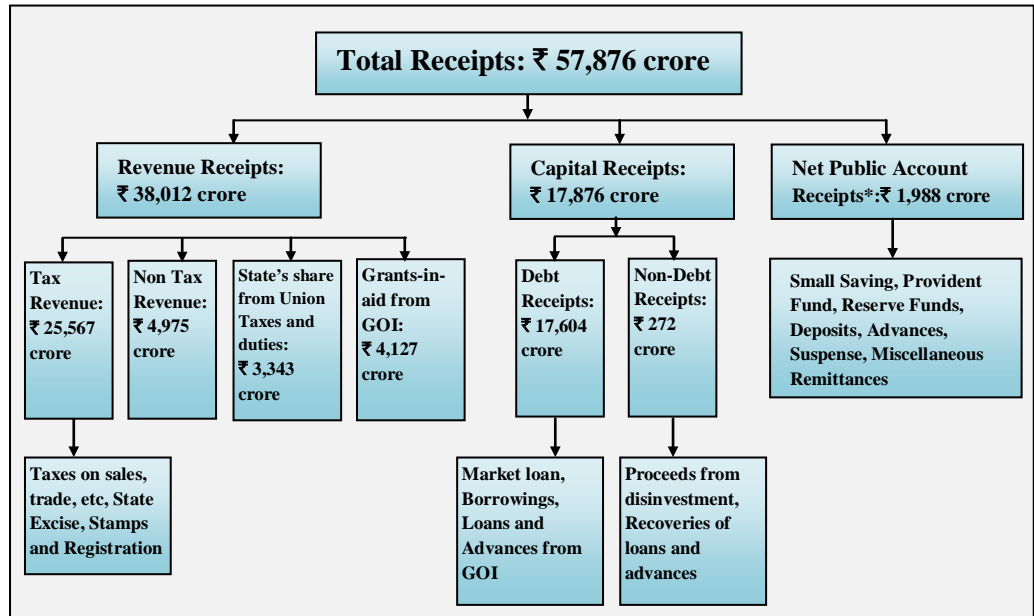
## 1.2 Resources of the State

### 1.2.1 Resources of the State as per Finance Accounts 2013-14

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

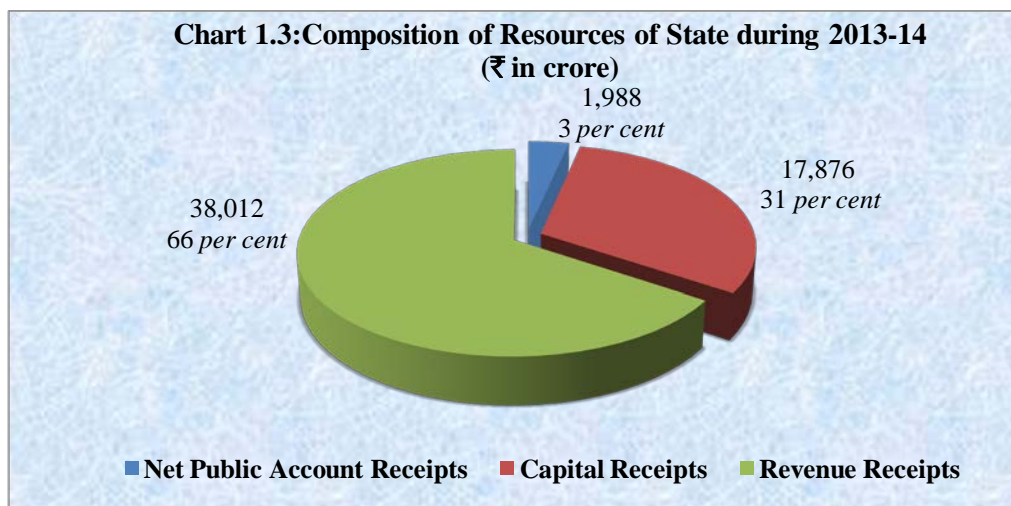
capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GOI as well as accruals from Public Account. **Table 1.1** presents the receipts 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 2009-14, 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 (₹ 1,988 crore) = Public Account Receipts (₹ 26,548 crore) less Public Accounts Disbursements (₹ 24,560 crore)



The total receipts of the Government increased by ₹ 26,737 crore, (86 per cent) from ₹ 31,139 crore in 2009-10 to ₹ 57,876 crore in 2013-14. Revenue receipts increased by ₹ 17,019 crore (81 per cent), Capital receipts, which includes recovery of loans and advances and public debt, increased by ₹ 9,199 crore (106 per cent) and Net Public Account receipts increased by ₹ 519 crore (35 per cent) during the same period. The share of revenue receipts in the total receipts remains same at 66 per cent during 2009-10 and 2013-14. The share of the Public Accounts receipts decreased from 5 to 3 per cent whereas the share of capital receipts including debt increased from 28 per cent to 31 per cent during the same period.

### 1.2.2 Funds transferred to State Implementing Agencies outside the State Budget

Government of India (GOI) has been transferring funds directly to State implementing agencies for the implementation of various schemes/programmes in the social and economic sectors. As per information captured from Central Plan Schemes Monitoring System (CPSMS) portal of Controller General of Accounts, during 2013-14 the GOI transferred ₹ 3,220.41 crore directly to various implementing agencies in the State. Out of this, ₹ 912.34 crore<sup>1</sup> were released to implementing agencies of GOI in the State. Amount released to State implementing agencies was ₹ 2,308.06 crore, out of which ₹ 2,180.68 crore was transferred for 27 programmes/schemes to State implementing agencies wherein the release in each case was ₹ 10 crore or more and ₹ 127.38 crore were released to various implementing agencies wherein release in each case was less than ₹ 10 crore (as per details given in **Table 1.4**).

<sup>1</sup> 1. National Horticulture Board, Gurgaon : ₹ 12.64 crore, 2. National Handicapped Finance and Development Corporation : ₹ 32.55 crore, 3. National Horticulture Board, Gurgaon: ₹ 202.77 crore, 4. NHPC Ltd: ₹ 628.01 crore, 5. National Horticulture Board, Gurgaon : ₹ 21.37 crore and 6. NIT Kurukshetra: ₹ 15 crore

**Table 1.4: Funds transferred directly to State Implementing Agencies**

(₹ in crore)

Sr. No.	Programme/Scheme	Implementing Agency in the State	Central Share	
			2012-13	2013-14
1	Swaran Jayanti Gram Swarojkar Yojna	Registered Societies	24.52	10.61
2	Assistance to Institutes of Hotel Management, Food Craft Institutes, etc	Food Craft Institute, Faridabad and State Institute of Hotel Management, Yamunanagar	6.00	10.19
3	Autonomous R&D Institution	Registered Societies, Statutory Bodies	79.39	79.30
4	Biotech Facilities	Registered Societies, Statutory Bodies and Local Bodies	2.97	24.06
5	Central Rural Sanitation Programme	State Sanitation Mission Haryana	--	131.18
6	DRDA Administration	District Rural Development Agency (DRDA)	12.51	12.42
7	Grand Challenge Programme	Translation Health Science and Technology Institute and Regional Centre for Biotechnology	1.45	10.41
8	Human Resources Development (ISDS)	Apparel Training & Design Centre, Moelama exports Ltd, Technopak Advisor Pvt. Ltd.	32.88	40.85
9	Integrated Watershed Management Programme (IWMP)	State Level Nodal Agency, Haryana	9.63	15.96
10	Mahatma Gandhi National Rural Employment Guarantee	MNREGA	349.36	376.88
11	Market Access Initiative	Apparel Export Promotion Council	11.78	13.00
12	MPs Local Area Development Scheme MPLADS	Deputy Commissioners	75.00	77.50
13	National AIDS Control Programme III	Haryana State AIDS Control Societies	16.13	15.14
14	National Food Security Mission	Haryana Agriculture Development Agency, Directorate Wheat Research	46.96	42.37
15	National Horticulture Mission	National Horticulture Board Gurgaon, Haryana State Horticulture Development Agency	90.88	163.43
16	National Mission on Micro Irrigation	State Micro Irrigation Committee	30.00	33.00
17	National River Conservation Plan (NRCP)	Haryana Public Health Engineering Department	28.54	10.00
18	National Rural Drinking Water Program	State Water and Sanitation Mission, Haryana	313.41	229.52
19	National Rural Health Mission Centrally Sponsored	State Health Society Haryana	192.61	229.16
20	Rashtriya Madhyamik Shiksha Abhiyan (RMSA)	Haryana School Shiksha Priyojna Parishad	94.08	72.04
21	Research and Development Department of Biotechnology	Registered Societies, Statutory Bodies, State Govt. PSUs, Govt. Autonomous Bodies, Govt. Institutions	12.28	20.02
22	Rural Housing IAY	DRDA	63.58	98.31
23	Sarva Shiksha Abhiyan (SSA)	Haryana School Shiksha Priyojna Parishad	338.10	350.88
24	Scheme for Directorate of Forensic Sciences (CFSLs)	Haryana Police Housing Corporation	--	21.32
25	Afforestation and Forest Management	State Forest Development Agency Haryana	6.41	17.94
26	Scheme for setting up of 6000 Model Schools	Haryana school shiksha priyojna parishad	5.60	62.18
27	Social Security for Unorganised Workers including RSBY	ESI Health Care Society, Haryana	--	13.01
28	Other schemes having a release below ₹ 10 crore		173.77	127.38
	<b>Total</b>		<b>2,017.84</b>	<b>2,308.06</b>

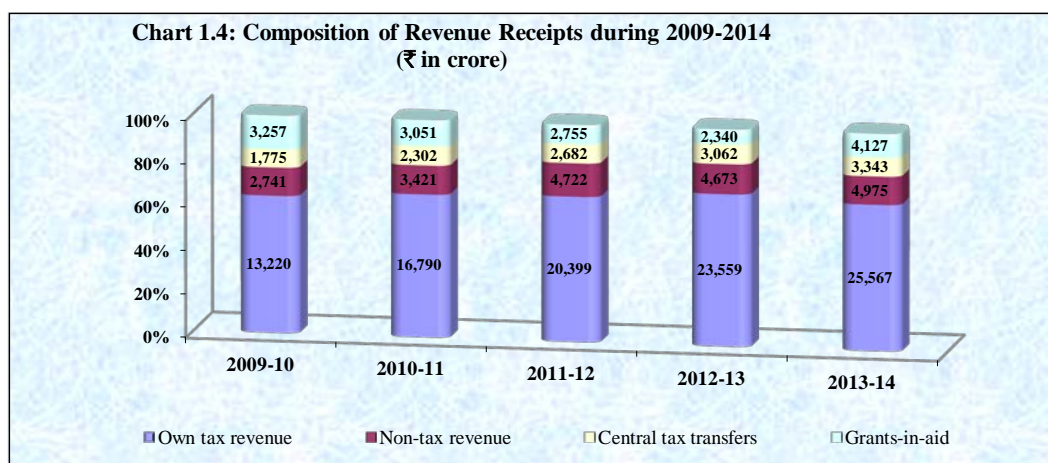
(Source: Information captured from Central Plan Schemes Monitoring System (CPSMS) portal of CGA)

On perusal of above table, it may be seen that the funds released directly to State implementing agencies increased by ₹ 290.22 crore during 2013-14 against 2012-13. The increase was mainly under Central Rural Sanitation Programme: ₹ 131.18 crore, National Horticulture Mission: ₹ 72.55 crore, Scheme for setting up of Model Schools : ₹ 56.58 crore and National Rural Health Mission : ₹ 36.55 crore.



### 1.3 Revenue Receipts

**Statement 11** 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 2009-14 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 81 *per cent* during the period from 2009-10 to 2013-14. The State's own revenue increased by 91 *per cent*, the grants-in-aid from GOI increased by 27 *per cent* and the central tax transfers increased by 88 *per cent* during the same period. The share of the State's own revenue (tax revenue and non-tax revenue) in the total revenue increased from 76 *per cent* in 2009-10 to 80 *per cent* in 2013-14. The share of grants-in-aid from GOI decreased from 16 *per cent* in 2009-10 to 11 *per cent* in 2013-14.

During 2004-05 to 2012-13, the compound annual growth rate of revenue receipts at 14.80 *per cent* was less than growth rate of the general category States (16.93 *per cent*). This growth rate for the period 2004-05 to 2013-14 was 14.59 *per cent* (*Appendix 1.1*). The trends in revenue receipts relative to GSDP are given in **Table 1.5**.

**Table 1.5: Trends in Revenue Receipts relative to GSDP**

	2009-10	2010-11	2011-12	2012-13	2013-14
<b>Revenue Receipts (RR)</b> (₹ in crore)	20,993	25,564	30,558	33,634	38,012
Rate of growth of RR ( <i>per cent</i> )	13.77	21.77	19.54	10.07	13.02
R R/GSDP ( <i>per cent</i> )	9.39	9.81	10.23	9.91	9.90
<b>Buoyancy Ratios</b>					
Revenue Buoyancy with respect to GSDP	0.753	1.315	1.334	0.740	0.994
State's Own Tax Buoyancy with respect to GSDP	0.597	1.631	1.468	1.138	0.651
Revenue Buoyancy with reference to State's own taxes	1.676	0.613	0.681	0.879	1.537
State's GSDP (₹ in crore)	2,23,600	2,60,621	2,98,786	3,39,451	3,83,911
Growth rate of GSDP (Percentage)	22.51	16.56	14.64	13.61	13.10

The growth rate of revenue receipts which was 13.77 per cent in 2009-10 increased to 21.77 per cent in 2010-11 but decreased thereafter to 13.02 per cent in 2013-14. The revenue buoyancy with reference to own tax revenue decreased from 1.676 in 2009-10 to 1.537 in 2013-14.

### 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 States actual tax and non tax receipts for the year 2013-14 vis-a-vis assessment made by ThFC and MTFPS are given in the **Table 1.6**.

**Table 1.6 : 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	26,577	28,784	28,784	25,567	(-)3.80	(-)11.18	(-)11.18
Non tax revenue	16,796	5,162	5,162	4,975	(-)70.38	(-)3.62	(-)3.62

The actual collection under State's own tax revenue fell short by 3.80 per cent of the projections made by ThFC and 11.18 per cent of budget estimates and MTFPS projection. The actual receipts under non-tax revenue fell short by 70.38 per cent of the projections made by ThFC and 3.62 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 1.7** depicts the trends in various components of own tax revenue of the State during 2009-14.

**Table 1.7: Components of State's own resources**

(₹ in crore)

Revenue Head	2009-10	2010-11	2011-12	2012-13	2013-14
Taxes on sales, trades, etc.	9,032.33 (11)	11,082.01 (23)	13,383.69 (21)	15,376.58 (15)	16,774.33 (9)
State excise	2,059.02 (45)	2,365.81 (15)	2,831.89 (20)	3,236.48 (14)	3,697.35 (14)
Taxes on vehicles	277.07 (16)	457.36 (65)	740.15 (62)	887.30 (20)	1,094.86 (23)
Stamp duty and Registration fees	1,293.56 (-2)	2,319.28 (79)	2,793.00 (20)	3,326.25 (19)	3,202.48 (-4)
Land revenue	9.45 (10)	10.02 (6)	10.95 (9)	12.98 (19)	12.42 (-4)
Taxes on goods and passengers	391.45 (6)	387.14 (-1)	429.32 (11)	470.76 (10)	497.45 (6)
Other taxes <sup>2</sup>	156.70 (14)	168.75 (3)	210.46 (31)	248.67 (18)	287.71 (16)
<b>Total</b>	<b>13,219.58 (13)</b>	<b>16,790.37 (27)</b>	<b>20,399.46 (22)</b>	<b>23,559.02 (15)</b>	<b>25,566.60 (9)</b>

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

(Source: Finance Accounts for the respective years)

<sup>2</sup> Other taxes include taxes on immovable property other than agricultural land, taxes and duties on electricity and agricultural income.

Tax revenue increased by ₹ 12,347 crore (93 per cent) during 2009-14. All the major taxes and duties recorded increase in the tax revenue except decrease in stamp duty and registration and land revenue during 2013-14. Major increase was in sales tax, state excise and taxes on vehicles.

During 2004-05 to 2012-13, the compound annual growth rate of tax revenue at 15.50 per cent was less than growth rate of the general category States (16.42 per cent). This growth rate for the period 2004-05 to 2013-14 was 14.69 per cent (*Appendix 1.1*). The State's own tax revenue was less than the projections made by the Government in its Fiscal Correction Path (FCP) (₹ 28,099 crore) and the projection in MTFPS (₹ 28,784 crore).

### 1.3.1.2 Non tax revenue

Growth of non-tax revenue during five years (2009-14) given in **Table 1.8** depicts the trends in various components of non-tax revenue of the State during 2009-14.

**Table 1.8: Growth of non-tax revenue during 2009-14**

(₹ in crore)					
Revenue Head	2009-10	2010-11	2011-12	2012-13	2013-14
Interest receipts	667.88 (-14)	689.34 (3)	864.96 (25)	1,058.21 (22)	1,090.71 (3)
Dividends and Profits	9.60 (16)	2.48 (-74)	1.64 (-34)	7.05 (330)	6.49 (-8)
Other non-tax receipts	2,063.91 (-16)	2,729.11 (32)	3,855.05 (41)	3,607.89 (-6)	3,877.86 (7)
a) Major and medium Irrigation	219	202	583	139	95
b) Road Transport	700	762	853	1,000	1,098
c) Urban Development	134	975	1039	991	1,105
d) Education	285	270	296	385	319
e) Non-ferrous mining and metallurgical industries	247	83	76	76	79
<b>Total</b>	<b>2,741.39 (-15)</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>

(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 ₹ 2234 crore (82 per cent) during 2009-14. Non Tax revenue (₹ 4,975 crore) constituted 13 per cent of the total receipt during 2013-14 registering a increase of ₹ 302 crore (6.46 per cent) over the previous year.

### 1.3.2 Grants in aid from GOI

The grants-in-aid from GOI increased by ₹ 1,787 crore in 2013-14 over the previous year as shown in **Table 1.9**.

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

(₹ in crore)					
Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Non-Plan Grants	1,617.34 (209)	1,765.98 (9)	1,246.51 (-29)	851.62 (-32)	2,256.17 (165)
Grants for State Plan Schemes	920.37 (26)	749.74 (-19)	674.54 (-10)	727.75 (8)	856.66 (18)
Grants for Central Plan Schemes	50.87 (59)	87.79 (73)	50.79 (-42)	44.32 (-13)	62.99 (42)
Grants for Centrally Sponsored Schemes	668.72 (22)	447.11 (-33)	783.09 (75)	715.56 (-9)	951.36 (33)
<b>Total</b>	<b>3,257.30 (78)</b>	<b>3,050.62 (-6)</b>	<b>2,754.93 (-10)</b>	<b>2,339.25 (-15)</b>	<b>4,127.18 (76)</b>

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

(Source: Finance Accounts for respective years.)

### 1.3.3 Central tax transfers

Central tax transfers increased from ₹ 3,062 crore in 2012-13 to ₹ 3,343 crore in 2013-14 as given in **Table 1.10**.

**Table 1.10 : Central tax transfers during 2012-13 and 2013-14**

(₹ in crore)

Name of Tax	Recommendation of ThFC	Actuals for 2012-13	Actuals for 2013-14	Variation
Corporation Tax	32 <i>per cent</i> of the sharable amount of Central taxes to states	1,100.02	1,124.46	24.44
Income Tax		658.56	740.43	81.87
Wealth Tax		1.84	3.08	1.24
Customs		508.89	545.53	36.64
Union Excise Duty		345.84	385.30	39.46
Service Tax		446.98	544.44	97.46
<b>Total</b>		<b>3,062.13</b>	<b>3,343.24</b>	<b>281.11</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 2013-14 (₹ 3,343.24 crore) was less than the projections made in the estimate (₹ 3,483.90 crore) by ₹ 140.66 crore.

### 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 the one Consolidated Fund to be entitled "the Consolidated Fund of the State". The Thirteenth Finance Commission 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 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 2011-13 the receipts under the fund were ₹ 929.53 crore and expenditure incurred was ₹ 540.02 crore. The matter was referred to Finance Department (October 2014); their reply was awaited (October 2014).

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 ThFC grants

The budget estimates made for fulfillment of ThFC recommendations and expenditure incurred during the year 2013-14 are given in **Table 1.11**.

**Table 1.11 : Detail of outlay and expenditure against ThFC recommendations**  
(₹ in crore)

Sr. No.	Name of the Department	Scheme	Approved outlay	Revised outlay	Actual expenditure	Percentage of actual expenditure to revised outlay
1.	Forests	Protection of forests	2.20	2.09	2.09	95
2.	Elementary Education	Elementary Education	49.00	49.00	49.00	100
3.	Health Services	Development of health infrastructure	50.00	50.00	50.00	100
4.	Public Health Engineering	Shiwalik and Southern Haryana	75.00	69.68	68.75	99
5.	Health (IMR)	Reduction Of Infant Mortality Rate	12.22	12.22	12.22	100
6.	Public Health	Construction of Mewat Medical college at Nalha	25.00	19.10	19.10	100
7.	ITI	Development of training Infrastructure in Mewat Region	25.00	23.39	24.23	104
8.	Health (Medical Education)	Development of Medical Facilities	40.00	25.00	25.00	100
<b>Total</b>			<b>278.42</b>	<b>250.48</b>	<b>250.39</b>	

(Source: Figures as supplied by Finance Department.)

The actual expenditure in above eight schemes was ₹ 250.39 crore during 2013-14 against the recommendation of ₹ 250.48 crore of ThFC.

### 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 (2009-14) are detailed in **Table 1.12**.

**Table 1.12 : Trends in growth and composition of receipts**  
(₹ in crore)

Sources of State's Receipts	2009-10	2010-11	2011-12	2012-13	2013-14
<b>Capital Receipts (CR)</b>	<b>8,677.60</b>	<b>10,083.78</b>	<b>11,070.19</b>	<b>15,573.73</b>	<b>17,875.90</b>
Miscellaneous Capital Receipts	9.39	8	9.24	10.81	9.89
Recovery of Loans and Advances	212.84	233.05	294.12	349.38	261.85
Public Debt Receipts	8,455.37	9,842.73	10,766.83	15,213.54	17,604.16
<b>Rate of growth over the previous year (per cent)</b>					
Of debt capital receipts	117	16	9	41	16
Of non-debt capital receipts	(-) 38	8	26	19	(-) 25
Of GSDP	22.51	18.53	16.06	14.90	13.10
of Capital Receipts	104	16	10	41	15

(Source: Finance Accounts of respective years)

#### 1.4.1 Proceeds from disinvestment

During the year 2013-14 net proceeds from capital disinvestment were ₹ 9.89 crore which is 8.51 per cent less than the previous year (₹ 10.81 crore).

#### 1.4.2 Recoveries of loans and advances

During the year loans and advances amounting to ₹ 261.85 crore were recovered. Out of this, ₹ 207.89 crore were repaid by Government servants. Out of total outstanding amount of ₹ 3,262.08 crore as on 31 March 2014 only ₹ 53.96 crore had been recovered from other institutions which showed poor efforts of State Government for recovery of outstanding loans.

#### 1.4.3 Debt receipts from internal sources

An amount of ₹ 17,262.69 crore was received as internal debt receipts during 2013-14 which was ₹ 2,100.30 crore (13.85 per cent) more than previous year. Loans of ₹ 11,446.18 crore as market loans, ₹ 5,249.91 crore from financial institutions and banks and ₹ 566.60 crore from National Small Savings Funds were raised during 2013-14.

#### 1.4.4 Loans and Advances from GOI

Total loans and Advances from GOI increased by ₹ 173.08 crore from ₹ 1,977.73 crore in 2012-13 to ₹ 2,150.81 crore in 2013-14. The loans of ₹ 341.47 crore were received from GOI and repayment of ₹ 168.39 crore was made during the year.

### 1.5 Public Accounts Receipts

Receipts and disbursements in respect of certain transactions such as small savings, provident funds, reserve funds, deposits, suspense, remittances, etc. which do not form part of the Consolidated Fund, are kept in 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 2012-13 and 2013-14**

(₹ in crore)

Sources of State's Receipts	Public Account Receipts		Disbursement from Public Accounts		Excess of receipts over disbursements	
	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14
a. Small Savings, Provident Fund etc.	2,310.94	2,498.81	1,852.98	1,777.82	457.96	720.99
b. Reserve Fund	666.68	511.50	106.01	60.20	560.67	451.30
c. Deposits	13,104.52	15,621.07	12,507.55	14,534.64	596.97	1,086.43
d. Advances	45.38	24.43	45.30	24.43	0.08	--
e. Suspense and Miscellaneous	652.76	371.03	560.82	641.64	91.94	(-) 270.61
f. Remittances	5,928.62	7,521.22	6,001.22	7,521.46	(-) 72.60	(-) 0.24
<b>Total</b>	<b>22,708.90</b>	<b>26,548.06</b>	<b>21,073.88</b>	<b>24,560.19</b>	<b>1,635.02</b>	<b>1,987.87</b>

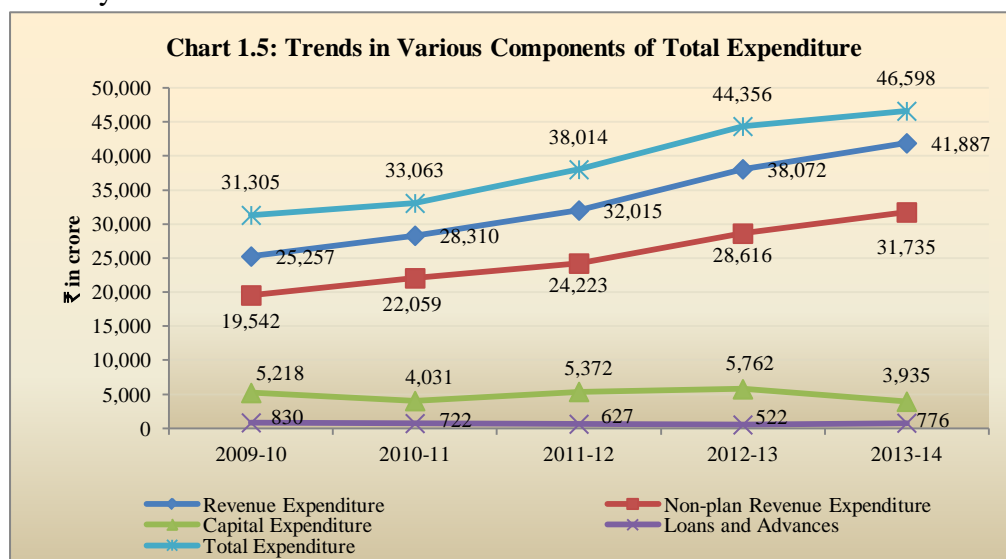
(Source: Finance accounts of respective years)

## 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.

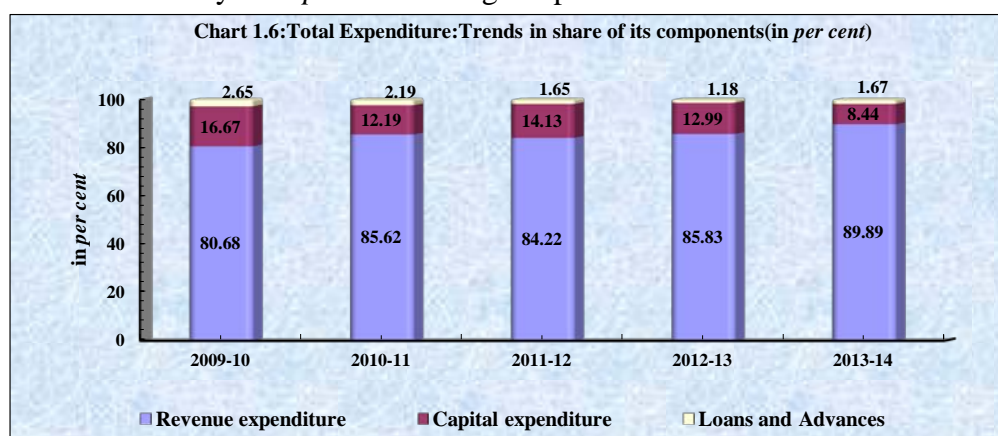
### 1.6.1 Growth and Composition of Expenditure

**Chart 1.5** presents the trends in total expenditure over a period of the last five years (2009-14) 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 2009-10 to 2013-14.



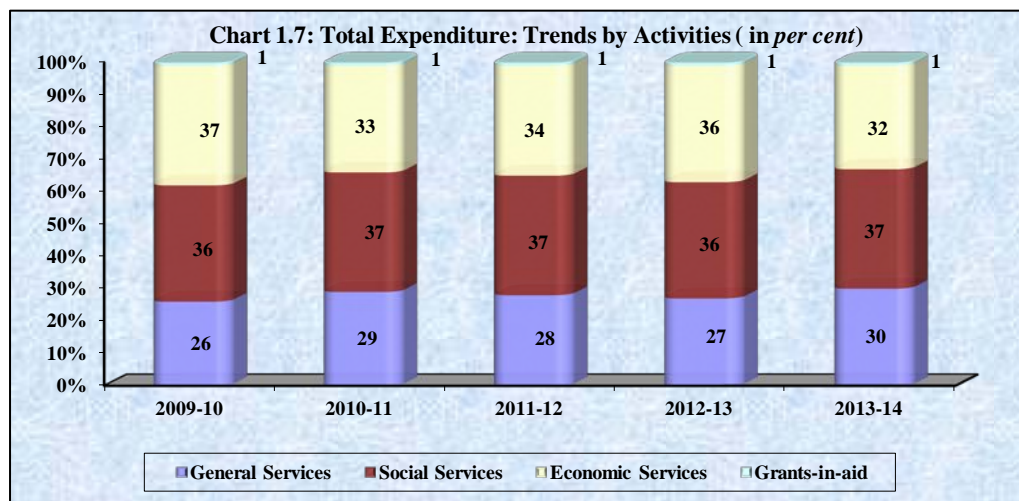
(Source: Finance accounts of respective years)

Total expenditure increased by 49 per cent over a period of five years (2009-14). It increased by 5.05 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 66 per cent and capital expenditure decreased by 25 per cent. Disbursement of Loans and advance also decreased by 6.51 per cent during the period from 2009-10 to 2013-14.



(Source: Finance Accounts of respective years)

The Share of revenue expenditure in total expenditure increased from 80.68 per cent in 2009-10 to 89.89 per cent in 2013-14, while the share of capital expenditure in total expenditure decreased from 16.67 per cent in 2009-10 to 8.44 per cent in 2013-14 and also share of Loans and Advances disbursed decreased from 2.65 per cent in 2009-10 to 1.67 per cent in 2013-14. The ratio of NPRE to total expenditure increased from 62.42 per cent in 2009-10 to 68.10 per cent in 2013-14. The ratio of NPRE to GSDP decreased from 8.74 per cent in 2009-10 to 8.26 per cent in 2013-14.



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 26 and 36 per cent in 2009-10 to 30 and 37 per cent in 2013-14 respectively, the share of economic services decreased from 37 per cent in 2009-10 to 32 per cent in 2013-14 while the share of grants-in-aid remained same for the period. The combined share of social and economic services which represented development expenditure also decreased from 73 per cent in 2009-10 to 69 per cent in 2013-14.

### 1.6.2 Revenue expenditure

Table 1.14 presents the growth of revenue expenditure over five years (2009-14):

**Table 1.14 : Growth of Revenue Expenditure**

	2009-10	2010-11	2011-12	2012-13	2013-14
<b>Revenue expenditure</b>	25,257	28,310	32,015	38,072	41,887
<b>Growth rate (per cent)</b>	23	12	13	19	10
<b>Percentage to GSDP</b>	11	11	11	11	11
<b>Non-plan Revenue expenditure (NPRE)</b>	19,542	22,059	24,223	28,616	31,735
<b>Percentage of NPRE to revenue expenditure</b>	77	78	76	75	76

Revenue expenditure during 2009-14 increased by ₹ 16,630 crore (66 per cent) with the growth rate ranged from 10 to 23 per cent but its percentage to GSDP remained almost constant at 11 during the same period.



Revenue expenditure increased by 10 per cent from ₹ 38,072 crore in 2012-13 to ₹ 41,887 crore in 2013-14. Expenditure on general services increased by ₹ 1,700 crore on account of more expenditure mainly on pensions (₹ 533 crore) and interest payments (₹ 1,106 crore). Expenditure on economic services increased by ₹ 1,183 crore mainly on Rural Development (₹ 437 crore), Transport (₹ 270 crore) and Agriculture and Irrigation (₹ 243 crore). The expenditure on social services also increased by ₹ 897 crore over the previous year due to more expenditure mainly on education, sports, art and culture (₹ 350 crore), social welfare and nutrition (₹ 270 crore) and water supply, sanitation, housing and urban development (₹ 152 crore). The break-up of revenue expenditure into NPRE (76 per cent) and Plan revenue expenditure (PRE) (24 per cent) showed that the proportionate share of NPRE was substantially higher than the PRE. The total increase of ₹ 3,815 crore in revenue expenditure comprised of ₹ 3,119 crore and ₹ 696 crore in NPRE and PRE respectively.

The NPRE in 2013-14 at ₹ 31,735 crore was higher than the normative assessment of ThFC (₹ 22,138 crore), projection made in FCP (₹ 31,135 crore) but slightly less than projection of the Government made in its MTFPS (₹ 32,420 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 2009-2014.

**Table 1.15 : Components of committed expenditure**

(₹ in crore)

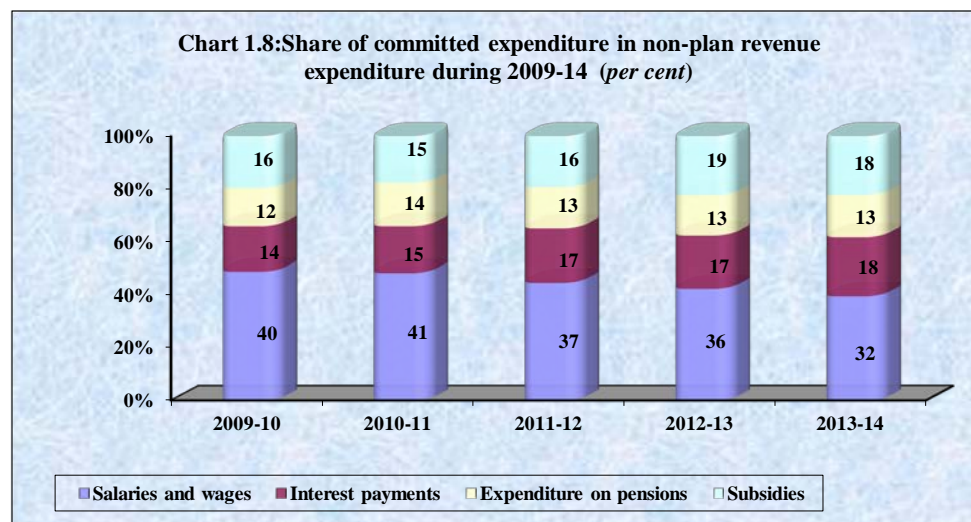
Components of Committed Expenditure	2009-10	2010-11	2011-12	2012-13	2013-14	
					Budget Estimate	Actual
Salaries and wages, Of which	8,440 (40)	9809 (38)	9,960 (33)	11,464 (34)	11,970	11,816* (31)
Non-Plan Head	7,746	8,974	9,070	10,280	10,665	10,374
Plan Head**	6,94	835	890	1,184	1,305	1,442
Interest Payments	2,737 (13)	3,319 (13)	4,001 (13)	4,744 (14)	5,992	5,850 (15)
Expenditure on Pensions	2,390 (11)	3,094 (12)	3,204 (10)	3,636 (11)	4,047	4,169 (11)
Subsidies	3,089 (15)	3,285 (13)	3,853 (13)	5,454 (16)	5,200	5,681 (15)
<b>Total</b>	<b>16,656</b>	<b>19,507</b>	<b>21,018</b>	<b>25,298</b>	<b>27,209</b>	<b>27516</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 ₹ 140.14 crore.

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



The total expenditure (₹ 21,695 crore) on salary, interest and pension payments was higher by ₹ 1,445 crore (seven *per cent*) than the projections by the Government in its FCP (₹ 20,250 crore) and consumed 57 *per cent* of the revenue receipts against 36 *per cent* projected in the ThFC. The four components, i.e. salary and wages, interest, pension payment and subsidies constituted about 87 *per cent* of the NPRE during 2013-14.

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

The expenditure on salaries and wages (₹ 11,816 crore) increased by 40 *per cent* during the period from 2009-10 to 2013-14. During 2004-05 to 2012-13 the compound annual growth rate of expenditure on salaries and wages was 15.13 *per cent* which was more than the growth rate of the general category States (14.73 *per cent*). This growth rate reduced to 13.71 *per cent* for the period 2004-05 to 2013-14 (***Appendix 1.1***). The expenditure on salaries (₹ 11,676 crore) was higher than the projections under State's own FCP (₹ 10,990 crore), assessment by ThFC (₹ 7,687 crore) but was below the projections made in MTFPS (₹ 12,792 crore) (***Appendix 1.6***).

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

Interest payments (₹ 5,850 crore) increased by 114 *per cent* over a period of five year (2009-14). During 2013-14, there was an increase of ₹ 1,106 crore (23 *per cent*) over the previous year. The percentage of interest payments to revenue receipts increased from 13 *per cent* in 2009-10 to 15.39 *per cent* in 2013-14. Interest payments during 2013-14 were higher than the projections made by the State in its FCP (₹ 5,180 crore) and the assessment made by ThFC (₹ 5,314 crore) but was within the projections in the MTFPS (₹ 6,302 crore) (***Appendix 1.6***).

### Subsidies

Payment on subsidies increased by ₹ 2,592 crore (84 per cent) from ₹ 3,089 crore in 2009-10 to ₹ 5,681 crore in 2013-14, which was 15 per cent of the revenue receipts. Out of the total subsidies of ₹ 5,681 crore, ₹ 5,206 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 (₹ 4,020 crore) (*Appendix 1.6*).

The subsidies present a partial picture as these are exclusive of the implicit subsidies. Some implicit subsidies extended during 2013-14 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
1.	Scheme for managing the micro nutrients deficiency in soil	5.83	1.62
2.	Scheme for promotion of crops diversification	11.00	4.98
3.	National project on management of soil health and fertility	3.00	0.15
4.	Scheme for providing assistance on adoption of water saving technology	12.75	7.13
5.	Scheme for integrated horticulture development in Haryana	7.50	6.74
6.	Scheme for promotion of advanced international technology in horticulture sector	4.45	2.84
7.	Micro irrigation	42.50	33.38
8.	Scheme for establishment of hi-tech dairy units	4.00	2.16
9.	Rebate on rate of interest on short term loan advanced by co-operative banks	18.00	29.21
10.	Assistance to Haryana State Co-operative Agriculture and Rural Development Banks	107.00	107.00
11.	Loan for construction of Houses under Rural Housing Scheme	3.92	2.74
12.	One time settlement of Loan to all cooperative sugar mills	150.00	150.00

(Source: Detailed Appropriation Accounts.)

### Pension payments

Pension payments (₹ 4,169 crore) increased by 74 per cent during the period from 2009-10 to 2013-14 but its percentage to revenue receipts almost remained constant during this period. The expenditure on pension payments in 2013-14 was higher than the assessments made by ThFC (₹ 2,581 crore) and projections made by the Government in its FCP at ₹ 4,080 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 2013-14.

**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 including opening balance			
1	National Rural Health Mission	98.74	313.48	101.64	10.02	523.88	423.77	81
2	Mahatma Gandhi National Rural Employment Guarantee Act	25.50	339.19	37.69	11.99	414.37	380.61	92
3	Accelerated Irrigation Benefits Programme	41.18	49.75	70.00	33.89	194.82	158.88	82
4	Indira Awas Yojana	11.96	98.31	24.81	2.44	137.52	104.55	76
5	Sarva Shiksha Abhiyan	87.00	350.88	237.94	4.80	680.62	602.37	89
6	National Rural Drinking Water Programme	82.12	215.83	355.00	--	652.95	711.78	109
7	Mid-day Meal Scheme	20.20	197.20	72.95	--	290.35	219.24	76
8	Integrated Child Development Services Scheme	29.11	285.75	88.21	--	403.07	336.16	83
9	Pradhan Mantri Gram Sadak Yojana	8.02	--	--	28.30	36.32	23.01	63
10	Jawaharlal Nehru National Urban Renewal Mission	(-) 59.60	--	74.00	135.28	149.68	101.08	68
11	Rajiv Gandhi Gramin Vidyuti Karan Yojana	10.99	3.63	--	1.84	16.46	5.57	34

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

The utilisation of available funds under Indira Awas Yojana, Mid-day Meal, Pradhan Mantri Gram Sadak Yojana and Jawaharlal Nehru National Urban Renewal Mission was between 63 and 76 per cent and in Rajiv Gandhi Gramin Vidyuti Karan Yojana the utilisation was only 34 per cent.

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

The quantum of assistance provided by way of grants and loans to local bodies and other institutions during the period 2009-10 to 2013-14 is given in Table 1.18.

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

(₹ in crore)

	2009-10	2010-11	2011-12	2012-13	2013-14		
					Budget estimate	Actual	Percentage of variation
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	446.03	741.79	648.39	1,140.09	1,215.85	783.66	(-)36
Municipal Corporations and Municipalities	306.24	291.43	894.67	1,274.01	1,125.30	1,120.80	0
Zila Parishads and Other Panchayati Raj Institutions	366.26	267.83	722.40	882.65	977.52	1,263.49	29
Development Agencies	333.48	388.23	480.96	450.65	461.89	523.36	13
Hospitals and other Charitable Institutions	125.79	211.97	357.67	580.02	610.40	518.83	(-)15
Other	368.89	322.21	201.92	320.53	426.06	329.53	(-)23
<b>Total</b>	<b>1,946.69</b>	<b>2,223.46</b>	<b>3,306.01</b>	<b>4,647.95</b>	<b>4,817.02</b>	<b>4,539.67</b>	<b>(-) 6</b>
Assistance as percentage of Revenue Expenditure	8	8	10	12		11	

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

Financial assistance to local bodies and other institutions increased from ₹ 1,946.69 crore in 2009-10 to ₹ 4,539.67 crore, constituting 11 *per cent* of the revenue expenditure during 2013-14 but decreased by ₹ 108.28 crore (2.33 *per cent*) over the previous year due to decrease in assistance to Educational institutions (₹ 356.43 crore), Municipal Corporations and Municipalities (₹ 153.21 crore) and Hospitals and other Charitable Institutions (₹ 61.19 crore). This was offset by increase of ₹ 380.84 crore to Zila Parishad and ₹ 72.71 crore to Development Agencies. Against the estimated provision of ₹ 4,817.01 crore, financial assistance of ₹ 4,539.67 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 15 and 36 *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 2013-14.

**Table 1.19: Fiscal Priority and Fiscal Capacity of the State in 2010-11 and 2013-14**

Fiscal Priority of the State	AE/GSDP	DE <sup>#</sup> /AE	SSE/AE	CE/AE	Education/AE	Health/AE
General Category States Average (Ratio) 2010-11	15.78	65.09	36.88	13.49	17.48	4.37
Haryana Average (Ratio) 2010-11	12.68	70.36	37.45	12.19	18.06	3.29
General Category States Average (Ratio) 2013-14	15.92	66.45	37.56	13.62	17.20	4.51
Haryana Average (Ratio) 2013-14	12.13	69.31	36.99	8.44	16.16	3.76

\* General Category States exclude three states i.e. Delhi, Goa and Puducherry

AE: Aggregate Expenditure DE: Development Expenditure SSE: Social Sector Expenditure, CE: Capital Expenditure.

# Development expenditure includes Development Revenue Expenditure, Development Capital Expenditure and Loans and Advances disbursed.

Source for GSDP: Information was collected from the State's Directorate of Economics and Statistics.

### **Fiscal Priority:**

- Aggregate expenditure of Haryana as a ratio of GSDP was lower in both years 2010-11 and 2013-14 as compared to general category States.

- Government gave adequate fiscal priority to DE in 2010-11 and 2013-14, as its ratio to AE was higher than the average ratio of general category States.
- The ratio of CE to AE was lower than the ratio of general category States in both years 2010-11 and 2013-14.
- The ratio of expenditure on education was lower than the general category States in 2013-14.
- The priority given to health in Haryana was lower than the general category States in 2010-11 and 2013-14.

### 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 2009-10 to 2013-14. **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	2009-10	2010-11	2011-12	2012-13	2013-14	
					Budget Estimate	Actual
<b>Development expenditure (a to c)</b>	<b>23,103</b> (74)	<b>23,266</b> (70)	<b>27,192</b> (72)	<b>31,868</b> (72)	<b>37,724</b> (71)	<b>32,300</b> (69)
<b>a. Development revenue expenditure</b>	17,432 (56)	18,901 (57)	21,696 (57)	26,073 (59)	31,563 (59)	28,154 (60)
<b>b. Development capital expenditure</b>	5,031 (16)	3,832 (12)	5,137 (14)	5,511 (12)	5,472 (10)	3,653 (8)
<b>c. Development loans and Advances</b>	640 (2)	533 (1)	359 (1)	284 (1)	689 (1)	493 (1)

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

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

Development expenditure increased by 40 *per cent* during the period from 2009-10 to 2013-14. This expenditure, which constituted 69 *per cent* of the total expenditure increased by only ₹ 432 crore (1.36 *per cent*) from ₹ 31,868 crore in 2012-13 to ₹ 32,300 crore in 2013-14. Development Revenue expenditure constituted 87 *per cent* of development expenditure whereas the share of capital expenditure including loans and advances was only 13 *per cent*. The Developmental capital expenditure decreased by 34 *per cent* over previous year. Against the provision of ₹ 37,724 crore, the actual expenditure was ₹ 32,300 crore.

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

Social/economic infrastructure	2012-13			2013-14		
	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
<b>Social Services (SS)</b>						
Education, Sports, Art and Culture	0.017	68.36	0.017	0.021	67.66	0.03
Health and Family Welfare	0.003	52.39	*	0.028	51.07	*
Water Supply, Sanitation, Housing and Urban Development	0.305	19.15	4.844	0.343	17.58	7.52
<b>Total (SS)</b>	<b>0.105</b>	<b>54.28</b>	<b>1.175</b>	<b>0.125</b>	<b>53.23</b>	<b>1.83</b>
<b>Economic Services (ES)</b>						
Agriculture and Allied Activities	0.493	40.77	1.926	(-) 1.396	36.16	2.05
Irrigation and Flood Control	0.456	44.13	9.857	0.439	7.34	7.95
Power and Energy	0.037	0.02	*	0.019	0.01	*
Transport	0.380	36.53	3.735	0.440	36.20	2.71
<b>Total (ES)</b>	<b>0.287</b>	<b>19.31</b>	<b>2.157</b>	<b>0.145</b>	<b>15.24</b>	<b>1.84</b>
<b>Total (SS + ES)</b>	<b>0.201</b>	<b>37.89</b>	<b>1.636</b>	<b>0.135</b>	<b>35.38</b>	<b>1.83</b>

(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 increased from 0.105 in 2012-13 to 0.125 in 2013-14 but for economic services it decreased from 0.287 in 2012-13 to 0.145 in 2013-14.

Under Social Services, the share of expenditure on salaries and wages slightly decreased from 54.28 *per cent* in 2012-13 to 53.23 *per cent* in 2013-14. The share of expenditure on O&M increased from 1.17 *per cent* in 2012-13 to 1.83 *per cent* in 2013-14. Under Economic Services, the share of salaries and wages decreased from 19.31 *per cent* in 2012-13 to 15.24 *per cent* in 2013-14. The share of O&M also decreased from 2.16 *per cent* in 2012-13 to 1.84 *per cent* in 2013-14. Under Social Services and Economic Services combined, the share of salary and wages decreased from 37.89 *per cent* in 2012-13 to 35.38 *per cent* in 2013-14. The share of O&M increased from 1.64 *per cent* in 2012-13 to 1.83 *per cent* in 2013-14.

## 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 2013-14 vis-à-vis the previous year.

### 1.8.1 Financial results of irrigation works

The financial results of seven irrigation projects with a capital outlay of ₹ 411.61 crore at the end of March 2014 showed that revenue realized from these projects during 2013-14 (₹ 83.60 crore) was 20 *per cent* of the capital outlay. After meeting the working and maintenance expenditure (₹ 291.03 crore) and interest charges (₹ 20.58 crore), there was loss of ₹ 228.01 crore.

### 1.8.2 Incomplete projects

Department-wise information pertaining to incomplete projects as on 31 March 2014 is given in **Table 1.22**. Only those projects where the scheduled dates for completion are already over as of 31 March 2014 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
Buildings and Roads	39	823.75	-	364.07
Irrigation	1	25.23	-	34.42
<b>Total</b>	<b>40</b>	<b>848.98</b>	<b>-</b>	<b>398.49</b>

(Source: State Finance Accounts)

The scheduled dates of completion of 40 projects of two departments were between May 2013 and March 2014, but these were incomplete as of June 2014, involving non derivation of desired benefits from the investment of ₹ 398.49 crore.

### 1.8.3 Investments and returns

The Government as of 31 March 2014, had invested ₹ 7,378.87 crore in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives (**Table 1.23**). The average return on these investments was 0.10 *per cent* in the last five years while the Government paid an average interest rate of 9.83 *per cent* on its borrowings during 2009-14.



**Table 1.23: Return on investments**

Investment/return/cost of borrowings	2009-10	2010-11	2011-12	2012-13	2013-14	
					Budget estimate	Actual
Investment at the end of the year (₹ in crore)	5,575.18	6,376.98	6,981.91	7240.02	7607.73	7378.87
Return (₹ in crore)	9.60	2.48	1.64	7.05	7.72	6.49
Return (per cent)	0.17	0.04	0.02	0.10	0.10	0.09
Average rate of interest on Government borrowings (per cent)	9.29	9.22	9.73	9.86	10.81	9.83
Difference between interest rate and return (per cent)	9.12	9.18	9.71	9.76	10.71	9.74

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

While the Government investments increased by 32 per cent over a period of five years from 2009-10 to 2013-14, the return from investments decreased from ₹ 9.60 crore (0.17 per cent) in 2009-10 to ₹ 6.49 crore (0.09 per cent) in 2013-14. The Government paid interest at an average rate of 9.22 to 9.86 per cent on its borrowings during 2009-14, whereas, the percentage of return from investments ranged between 0.02 and 0.17 during the same period. Against the budget provision (₹ 367.71 crore) the investments were ₹ 138.85 crore during 2013-14.

Nine Government Companies with an aggregate investment of ₹ 4,951.28 crore were incurring losses and their accumulated losses amounted to ₹ 24,328.51 crore as per the accounts furnished by these Companies (*Appendix 1.7*). It is pertinent to note that in 2013-14 out of total investments of ₹ 138.85 crore, ₹ 102.92 crore was made in Government Corporation and Companies. Out of this, ₹ 100 crore were invested in the equity capital of HVPNL. Losses of ₹ 23,770 crore in three<sup>3</sup> power generation and distribution companies constituted 98 per cent of the total losses of Government Companies.

State Government approved (March 2013) the Financial Restructuring Plan (FRP) and authorized the State Level Monitoring Committee (SLMC) to finalise the FRP. The State Government had taken over the liabilities amounting to ₹ 7,366.60 crore (UHBVNL : ₹ 5,164.23 crore and DHBVNL : ₹ 2,202.37 crore) and bonds for the same amount were issued to the participating lending bank which are fully backed by the State Government.

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

<sup>3</sup> Accumulated losses as on 31 March 2014 : UHBVNL (₹ 14,720 crore), DHBVNL (₹ 8,638 crore) and HPGCL (₹ 412 crore).

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 ₹ 6,137.45 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 25 years.
- The losses of three<sup>4</sup> departmental undertakings were ₹ 487.23 crore as against the total investment of ₹ 6,118.66 crore.

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

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

Fourteen PPP projects (**Appendix 1.9**) with a total estimated cost ₹ 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 2014 and interest receipts vis-à-vis interest payments during the last three years.

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<sup>4</sup> Agriculture Department (Seed Depot Scheme): ₹ 0.01 crore, Food and Supply (Grain Supply Scheme): ₹ 198.39 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	2011-12	2012-13	2013-14	
			Budget Estimate	Actual
Opening Balance	2,983	3,316		3489
Amount advanced during the year	627	522	1084	775
Amount repaid during the year	294	349	305	262
<b>Closing Balance</b>	<b>3,316</b>	<b>3,489</b>		<b>4002</b>
<i>Of which</i> Outstanding balance for which terms and conditions have been settled	3,316	3,489		4002
Net addition	333	173	779	513
Interest receipts	58	69	111	66
Interest receipts as percentage of outstanding loans and advances	1.84	2.03	2.6	1.76
Interest payments as percentage of outstanding fiscal liabilities of the State Government	7.34	7.32	8.65	7.67
Difference between interest payments and interest receipts ( <i>per cent</i> )	5.50	5.29	6.05	5.91

(Source: State Finance Accounts of the respective years)

Total outstanding loans and advances as on 31 March 2014 were ₹ 4,002 crore due to net addition of ₹ 513 crore during the year 2013-14. Loans amounting to ₹ 881.78 crore were outstanding at the beginning of the year 2013-14 against co-operative sugar mills. Further, loans totaling ₹ 150 crore were given to these sugar mills and only ₹ 2.88 crore was recovered against previous loans. Similarly, loans of ₹ 290.88 crore were given to power projects for transmission and distribution services during the year 2013-14, only ₹ 7.94 crore were recovered against previous loans of ₹ 650.52 crore outstanding on 31 March 2013.

### 1.8.7 Cash Balances and Investment of Cash Balances

Comparative figures of cash balances and investment of cash balance for the year 2012-13 and 2013-14 are given in **Table 1.25**.

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

(₹ in crore)

	Opening balance 01April 2013	Closing Balance 31March 2014
<b>(a) General Cash Balance</b>		
Deposit with Reserve Bank	164.43	(-) 652.85
Remittances in transit local	0.54	0.54
<b>Total</b>	<b>164.97</b>	<b>(-) 652.31</b>
Investment held in cash Balance Investment Account	92.46	3,774.41
<b>Total (a)</b>	<b>257.43</b>	<b>3,122.10</b>
<b>(b) Other Cash Balances and Investment</b>		
Cash with departmental officers viz. public works department officers, Forest department officers, District collectors	2.17	(-) 1.44
Permanent advances for contingent expenditure with departmental officers	0.11	0.11
Investment of earmarked funds	2,437.40	2,886.41
<b>Total (b)</b>	<b>2,439.68</b>	<b>2,885.08</b>
<b>Grand Total (a)+(b)</b>	<b>2,697.11</b>	<b>6,007.18</b>

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

Cash balances during the year increased from ₹ 2,697.11 crore to ₹ 6,007.18 crore. The investments made out of cash balances increased from ₹ 92.46 crore to ₹ 3,774.41 crore. The investment from earmarked balances increased by ₹ 449.01 crore from ₹ 2,437.40 crore on 1 April 2013 to ₹ 2,886.41 crore as on 31 March 2014, which was mainly due to increase in investments from the Sinking Fund (₹ 85.01 crore) and the State Disaster Response Fund (₹ 356.87 crore). Interest of ₹ 112.59 crore realized from investments during the year 2013-14, was increased by ₹ 76.71 crore than the interest earned (₹ 35.88 crore) during the year 2012-13.

The Government had to maintain a minimum cash balance of ₹ 1.14 crore as per its agreement with the Reserve Bank of India but during 2013-14, the minimum cash balances for four days were maintained by taking ordinary and special ways and means advances amounting to ₹ 108.79 crore, for which interest of ₹ 3.17 lakh was paid at the rate of seven to ten *per cent*.

### ***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, 2013. During the year treasury cheques and bills of ₹ 27.80 crore received and ₹ 27.69 crore disbursed leaving ₹ 0.11 crore as closing balance at the end of year 2013-14.

Government had taken loans of ₹ 11,446.18 crore from open market during the year 2013-14 at the interest rate ranging between 7.59 *per cent* to 9.89 *per cent* though there was a balance of ₹ 3,774.41 crore in cash balance investment account invested at the interest rate 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**

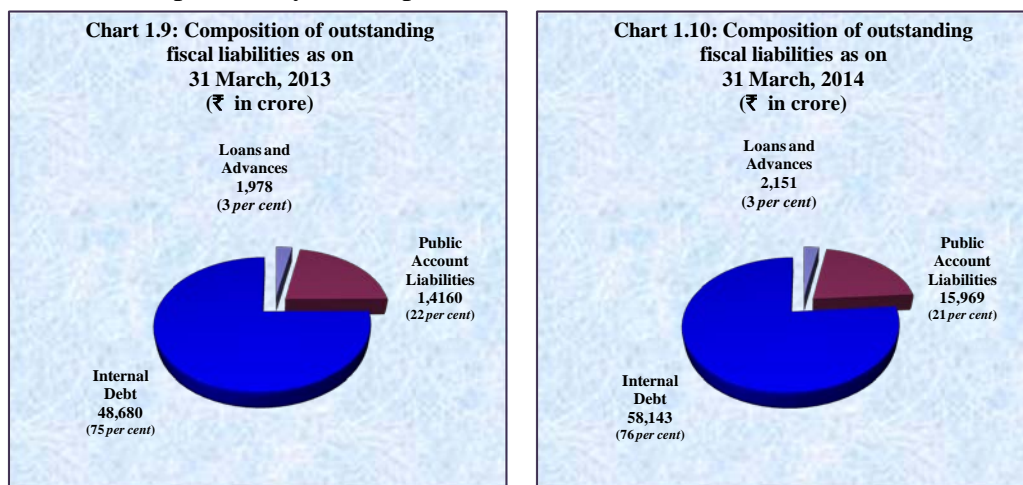
### ***1.9.1 Growth and composition of Assets and Liabilities***

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 2014, compared with the corresponding position on 31 March 2013. 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 trends in outstanding fiscal liabilities of the State are presented in **Appendix 1.5 Part B**. The compositions of fiscal liabilities during 2013-14 vis-à-vis the previous year are presented in **Charts 1.9** and **1.10**.



(Source: State Finance Accounts of the respective years)

The overall fiscal liabilities of the State increased from ₹ 64,818 crore in 2012-13 to ₹ 76,263 crore in 2013-14. The growth rate at 17.66 per cent during 2013-14 over the previous year was mainly due to increase in public debt (₹ 9,636 crore) and public account liabilities (₹ 1,809 crore). The ratio of fiscal liabilities to GSDP showed increasing trend and increased from 17.59 per cent in 2009-10 to 19.86 per cent in 2013-14. These liabilities were two times the revenue receipts and 2.50 times the State’s own resources as at the end of 2013-14. Payment of interest on the fiscal liabilities was ₹ 5,850 crore (7.67 per cent) during the year 2013-14. It is significant to note that fiscal liabilities at ₹ 76,263 crore were higher than the limit of ₹ 72,882 crore projected in the MTFPS and FCP (₹ 67,770 crore) made by the Government for the year 2013-14.

The Government set up a consolidated Sinking Fund during 2002-03. A sum equal to one per cent of the outstanding market borrowings as on 31 March of the preceding year is deposited in the fund every year. The Sinking Fund had an opening balance of ₹ 977.17 crore in 2013-14. During the year the Government had not contributed any amount in the fund, only ₹ 85.01 crore earned as interest on investment were deposited in the fund. No disbursements were made out of the fund and the fund was closed at ₹ 1,062.18 crore.

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

At the beginning of 2013-14, Reserve Fund stood at ₹ 2,712.91 crore. There was addition of ₹ 511.50 crore and disbursement of ₹ 60.20 crore during the year leading to a closing balance of ₹ 3,164.21 crore. Reserve funds mainly consist of Sinking fund, Guarantee Redemption fund and State Disaster Response Fund (SDRF).

The State Disaster Response Fund (Calamity Relief Fund) which is part of the above Reserve fund had an opening balance of ₹ 1,379.44 crore. During the year 2013-14 the GOI released an amount of ₹ 235.47 crore and State Government was required to contribute its share of ₹ 78.49 crore (in the ratio of 75:25). But the State Government contributed only ₹ 40.37 crore i.e. less contribution of ₹ 38.12 crore. Out of available opening balance of ₹ 1,379.44 crore the State Government invested ₹ 1,264.15 crore in fixed deposits at interest rates ranging between 9 per cent and 9.35 per cent. Balance ₹ 115.29 crore were deposited in saving bank account. No disbursement was made out of the fund and income of ₹ 81.03 crore on account of interest on investment received in 2013-14. But at the minimum rate of interest the income worked out to ₹ 113.77 crore on ₹ 1264.15 crore invested in fixed deposits. It shows that the Government had short credit of ₹ 32.74 crore on account of interest on invested funds. Reasons for short credit of funds had not been intimated by revenue and Disaster Management Department (August 2014).

### **1.9.4 Inoperative Reserve Funds**

There were 10 numbers of Reserve Funds earmarked for specific purposes as detailed in statement No. 18 of Finance Account. Out of which only seven 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 2013-14.

### **1.9.5 Adverse Balances**

There was adverse balance of ₹ 60.59 crore under “8342-Other Deposits, 117-Defined Contributory Pension Scheme for Government Employees” due to non-reconciliation with National Securities Depository Limited/trusty bank.

### **1.9.6 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 1.26**.

**Table 1.26: Guarantees given by the Government of Haryana**

(₹ in crore)

Guarantees	2009-10	2010-11	2011-12	2012-13	2013-14
Outstanding amount of guarantees including fee	4,536	4,528	5,608	21,124	27,309
Percentage of outstanding amount of guarantees to total revenue receipts	22	18	18	63	72

(Source: State Finance Accounts of the respective years)

No amount was paid by the Government towards guarantees during 2013-14. The outstanding amount of ₹ 27,309 crore of guarantees including guarantee fee, as on 31 March 2014, was in respect of Corporations and Boards (₹ 129 crore), Co-operative Banks and Societies (₹ 1,577 crore), Government Companies (₹ 1,026 crore) and Power (₹ 24,577 crore). Apart from guarantees, the Government issued letters of comfort to banks of ₹ 2,574 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 the total liabilities. The balance under this Fund was ₹ 87.75 crore as on 31 March 2014. The whole amount stood invested. As per the terms of the Guarantee Redemption Fund, the Government was required to contribute an amount equal to at least one fifth of the outstanding invoked guarantees plus an amount likely to be invoked as a result of the incremental guarantees during the year. No amount was contributed by the Government during 2013-14 only ₹ 7.13 crore of interest earned on investment were deposited in the fund. Total liabilities, including guarantees and letters of comfort stood at ₹ 1,06,146 crore (₹ 76,263 crore + ₹ 27,309 crore + ₹ 2,574 crore) during 2013-14 and were 27.65 per cent of the GSDP.

### 1.10 Debt Management

Table 1.27 gives a time series analysis of internal debt profile of the State Government for the last five year.

**Table 1.27 : 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 ₹
2009-10	21,054.48	8,319.96	2,576.41	26,798.03	5,743.55	27.28	10,806
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

(Source: State Finance Accounts of respective years)

Internal debt of the State Government increased by ₹ 31,345.12 crore (117 per cent) from ₹ 26,798 crore in 2009-10 to ₹ 58,143 crore in 2013-14.

### 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 1.28** analyses the debt sustainability of the State according to these indicators for the period of five years beginning from 2009-10.

**Table 1.28 : Debt sustainability: Indicators and trends**

(₹ in crore)

Indicators of Debt Sustainability	2009-10	2010-11	2011-12	2012-13	2013-14
Debt Stabilisation (Quantum Spread + Primary Deficit)	(-) 5,594	(-) 17	259	(-)2,869	(-)344
Sufficiency of non-debt receipts (Resource Gap)	(-) 3,533	2,831	105	(-)3,209	2,048
Net Availability of borrowed funds	4,682	3,564	4,642	6,138	6,045
Burden of interest payments (IP/RR Raito)	13	13	13	14	15
<b>Maturity Profile of State Debt (in Years)</b>					
0 – 1	2,542.49 (9)	3,275.07 (9)	4,970.85 (12)	6,224.90 (12)	4,948.92 (8)
1 – 3	3,603.25 (12)	4,314.32 (12)	4,585.10 (11)	4,731.52 (9)	3,904.94 (6)
3 – 5	4,024.21 (14)	4,431.02 (13)	3,645.32 (9)	2,450.62 (5)	5,308.41 (9)
5 – 7	3,149.83 (11)	2,115.30 (6)	4,714.03 (11)	8,825.02 (18)	10,725.71 (18)
7 years and above	15,377.52 (54)	20,538.33 (60)	23,480.82 (57)	28,423.90 (56)	35,405.98 (59)

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

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

Out of four indicators of debt sustainability, the State had fared well on three indicators i.e. debt stabilisation, sufficiency of non-debt receipts and net availability from borrowed funds.

The maturity profile of State debt as given in **Table 1.28** indicates that the Government will have to repay six per cent of its debt between one and three years, nine per cent between three and five years, 18 per cent between five and seven years, 59 per cent after seven years, for which the Government will have to improve its debt sustainability to generate funds for repayment of loans in the coming years.



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

### **Debt consolidation and relief facility**

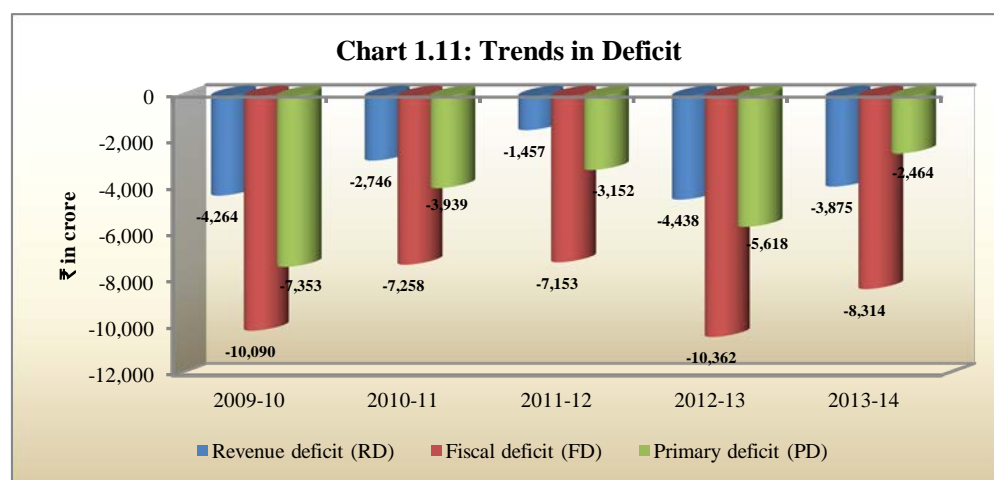
Ministry of Finance, GOI had given relief of ₹ 96.67 crore each year for the period 2008-09 to 2013-14 on repayment of consolidated loans from GOI. The GOI had also written off the central loans of ₹ 35.88 crore during 2013-14 under centrally sponsored plan schemes.

## **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 2013-14.

### **1.11.1 Trends of deficits**

**Chart 1.11** presents the trends in deficit indicators over the period 2009-14.



(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 ₹ 4,438 crore, ₹ 10,362 crore and ₹ 5,618 crore respectively during 2012-13 decreased to ₹ 3,875 crore, ₹ 8,314 crore and ₹ 2,464 crore in 2013-14. The target of zero revenue deficit fixed for the year 2013-14 could not be achieved (*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 1.29**. Receipts and disbursements under the components of financing the fiscal deficit during 2013-14 are given in **Table 1.30**.

**Table 1.29: Components of fiscal deficit and its financing pattern**

(₹ in crore)

	Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
<b>Components of fiscal deficit</b>						
		(-) 10,090	(-) 7,258	(-) 7,153	(-) 10,362	(-) 8,314
1	Revenue deficit(-)/ surplus (+)	(-) 4,264	(-) 2,746	(-) 1,457	(-) 4,438	(-) 3,875
2	Net Capital Expenditure	(-) 5,209	(-) 4,023	(-) 5,363	(-) 5,751	(-) 3,925
3	Net loans and advances	(-) 617	(-) 489	(-) 333	(-) 173	(-) 514
<b>Financing pattern of fiscal deficit</b>						
1	Market Borrowing	3,683.68	4,157.63	5,994.89	8,574.38	10,621.36
2	Loans from GOI	(-) 34.16	183.71	(-) 127.17	(-)75.54	173.08
3	Special securities issued to National Small Savings Fund	534.43	934.31	(-) 329.47	(-)91.55	28.07
4	Loans from financial institutions	1,525.45	595.99	1,191.44	854.88	(-) 1,186.82
5	Small Savings Provident Funds etc.	861.92	747.80	718.53	457.96	720.99
6	Reserve Fund	(-) 39.13	8.93	(-) 16.65	(-)39.09	2.29
7	Deposits and advances	526.64	316.66	826.54	597.05	1,086.43
8	Suspense and Miscellaneous	2,785.98	(-)635.88	406.73	370.77	(-) 3948.95
9	Remittances	(-) 282.96	305.08	214.88	(-)72.60	(-) 0.25
<b>10</b>	<b>Overall surplus (-) deficit (+)</b>	<b>9,561.85</b>	<b>6,614.23</b>	<b>8,879.72</b>	<b>10,576.26</b>	<b>7,496.20</b>
11	Increase (-) decrease (+) in cash balance*	(+) 528.81	(+) 644.20	(-)1,726.40	(-)214.43	(+) 817.28
<b>12</b>	<b>Gross Fiscal Deficit</b>	<b>10,090</b>	<b>7,258</b>	<b>7,153</b>	<b>10,362</b>	<b>8,314</b>

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

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

**Table 1.30: Receipts and Disbursements under components financing the fiscal deficit**

(₹ in crore)

	Particulars	Receipt	Disbursement	Net
1	Market Borrowing	11,446.18	824.82	10,621.36
2	Loans from GOI	341.47	168.39	173.08
3	Special securities issued to National Small Savings Fund	566.60	538.53	28.07
4	Loans from financial institutions	5,249.91	6,436.73	(-) 1,186.82
5	Small Savings, Provident Funds etc.	2,498.81	1,777.82	720.99
6	Deposits and advances	15,645.50	14,559.07	1,086.43
7	Reserve Funds	511.50	509.21	2.29
8	Suspense and Miscellaneous	42,783.95	46,732.90	(-) 3,948.95
9	Remittances	7,521.21	7,521.46	(-) 0.25
<b>10</b>	<b>Overall surplus (-) deficit (+)</b>			<b>7,496.20</b>
11	Increase (-) decrease (+) in cash balance			817.28
<b>12</b>	<b>Gross Fiscal Deficit</b>			<b>8,314</b>

(Source: State Finance Accounts.)

The market borrowings contributed ₹ 10,621 crore which was higher by ₹ 2,047 crore over ₹ 8,574 crore in 2012-13. Other major deficit financing measures taken by Government were increase in State provident fund (₹ 721 crore) and increase in deposits (₹ 1,086 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 1.31**) 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 1.31: 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)
2009-10	21,215	22,520	5,218	830	28,568	(-) 1,305	(-) 7,353
2010-11	25,805	24,991	4,031	722	29,744	814	(-)3,939
2011-12	30,861	28,014	5,372	627	34,013	2,847	(-) 3,152
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	(-) 2464

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

The primary revenue surplus showed improvement for 2013-14 as the non-debt receipts increased at higher rates than primary revenue expenditure. The non-debt receipts were enough to meet the primary revenue expenditure and part of these receipts were utilized to meet capital expenditure. However, the primary deficit indicates that the borrowed funds were utilized to cover the primary expenditure.

### 1.12 Follow up Action on Audit Report

Reports on State Finances are not being discussed in the Public Accounts Committee except para on excess over provision, requiring regularization included in Chapter 2 and para on losses and defalcations included in Chapter 3 of the report.

### 1.13 Conclusions

Revenue receipts during 2013-14 increased by 13 *per cent* over the previous year due to increase in grants-in-aid from GOI by 76 *per cent*. Tax revenue for 2013-14 fell short by 9.01 and non-tax revenue fell short by 70 *per cent* of the targets fixed by ThFC. GOI directly transferred ₹ 2,308.06 crore to State implementing agencies during the year which were not included in the State Budget and Finance Account. Revenue Receipts of ₹ 929.53 crore collected under Haryana Rural Development fund were not credited to Consolidated Fund of the State during 2011-13.

Revenue expenditure during the year constituted 90 *per cent* of the total expenditure. Its NPRES component at ₹ 31,735 crore was higher by 43 *per cent* than the projection of ThFC (₹ 22,138 crore) of which 87 *per cent* expenditure was on four components i.e. salary and wages, pension liabilities,

interest payments and subsidies. Moreover, 92 *per cent* (₹ 5,206 crore) of total subsidies (₹ 5,681 crore) were 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 0.17 *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. During 2013-14 a major portion of investments (72 *per cent*) was made in form of investment in equity shares of various Power Corporations.

The revenue deficit which was required to be brought down to zero during 2011-12 and to maintain zero upto 2014-15 slightly decreased during the year as compared to previous year. The trends in fiscal parameters, i.e. revenue, fiscal and primary deficit stood at ₹ 4,438 crore, ₹ 10,362 crore and 5,618 crore respectively in 2012-13 decreased to ₹ 3,875 crore, ₹ 8,314 crore and 2,464 crore respectively in 2013-14.

#### **1.14 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.