

CHAPTER 1

FINANCES OF THE GOVERNMENT

Profile of the State of Uttar Pradesh

The State is located in the northern region of India and is the fifth largest State in terms of geographical area of 2.41 lakh square kilometer and the largest in terms of the population. The population of the State increased from 19.98 crore in 2011 to 21.67 crore in 2015. Approximately, 39.80 *per cent* of its population was living below poverty line, as compared to the All-India average of 30 *per cent* during 2011-12. The Gross State Domestic Product (GSDP) at current prices was ₹ 11,53,795 crore in 2015-16. The literacy rate in the State had increased from 56.27 *per cent* (2001 Census) to 67.68 *per cent* (2011 Census). The per capita income of the State stood at ₹ 48,520 (advanced) at the close of 2015-16.

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

Gross State Domestic Product

GSDP is the market value of all officially recognised final goods and services produced within the State in a given period of time. The growth of GSDP of the State is an important indicator of the State's economy as it indicates standard of living of the population in the State. The trends in annual growth of Gross Domestic Product (GDP) of India and GSDP of the State at current prices (Base year: 2011-12) are given in **Table 1.1**.

Table 1.1: GDP of India and GSDP of the State at current prices (Base year 2011-12)

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
GDP of India (₹ in crore)	87,36,039	99,51,344	1,12,72,764	1,24,88,205	1,35,76,086
Growth rate of GDP (in <i>per cent</i>)	NA*	13.91	13.28	10.78	8.71
GSDP of the State (₹ in crore)	7,24,049	8,22,903	9,44,146	10,43,371	11,53,795
Growth rate of GSDP (in <i>per cent</i>)	NA*	13.65	14.73	10.51	10.58

(Source: GDP/GSDP figures issued by MoSPI dated 29.07.2016)

*Not available (figures for GDP and GSDP- New series has been changed from 2011-12).

Table reveals that GSDP of the State increased in 2013-14 over 2012-13 while it decreased to 10.58 *per cent* during 2015-16.

1.1 Introduction

The State Government presented budget for financial year 2015-16 on 24 February 2015. As per the budget speech, the State Government introduced new schemes with a budget provision of ₹ 9,389 crore. The State Government also made a provision of ₹ 9,977 crore for Sarv Shiksha Abhiyan and ₹ 1,696 crore for Mid Day Meal scheme; ₹ 25,764 crore for projects of energy

sector; ₹ 5,840 crore for family welfare facilities; and ₹ 1,000 crore for *Twarit* Economic Development Programme.

State Government declared 2015-16 as “Kisan Varsh” and launched a new scheme named “Agri-junction” to attract educated youth towards agriculture and investment in this sector.

This chapter provides an audit perspective on finances of the State Government during 2015-16 and analyses changes in major fiscal aggregates relative to 2014-15 keeping in view overall trends during preceding five years. The analysis is based on Finance Accounts of the Government and information provided therein.

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

1.1.1 Summary of Fiscal Transactions in 2015-16

Table 1.2 presents a summary of fiscal transactions of the State Government during 2015-16 *vis-à-vis* 2014-15. *Appendix 1.3* provides details of the receipts and disbursements as well as the overall fiscal position during 2015-16.

Table 1.2: Summary of Fiscal Transactions in 2015-16

(₹ in crore)

Receipts			Disbursements				
	2014-15	2015-16		2014-15	2015-16		
Section A: Revenue					Non Plan	Plan	Total
Revenue Receipts	1,93,421.60	2,27,075.94	Revenue Expenditure	1,71,027.32	1,69,484.63	43,251.32	2,12,735.95
Tax Revenue	74,172.42	81,106.26	General Services	64,305.73	72,205.73	22.19	72,227.92
Non-Tax Revenue	19,934.80	23,134.65	Social Services	60,905.78	46,437.20	36,049.26	82,486.46
Share of Union Taxes/ Duties	66,622.91	90,973.69	Economic Services	34,885.24	40,701.42	7,179.87	47,881.29
Grants from GoI	32,691.47	31,861.34	Grants-in-aid and Contributions	10,930.57	10,140.28	0.00	10,140.28
Section B: Capital & Others							
Miscellaneous Capital Receipts	-	-	Capital Expenditure	53,297.28	15,377.83	49,044.89	64,422.72
Recoveries of Loans and Advances	262.48	725.63	Loans and Advances disbursed	1,872.64	9,117.91	-	9,117.91
Public Debt Receipts	35,520.28	74,513.58	Repayment of Public Debt	9,411.21	17,672.76	-	17,672.76
Contingency Fund	0.55	201.28	Contingency Fund	203.15	44.07	-	44.07
Public Account Receipts	2,30,199.19	2,65,971.96	Public Account Disbursements	2,28,014.45	2,64,293.87	-	2,64,293.87
Opening Cash Balance	4,020.63	(-) 401.32	Closing Cash Balance	(-) 401.32	(-) 200.21	-	(-) 200.21
Total	4,63,424.73	5,68,087.07	Total	4,63,424.73	4,75,790.86	92,296.21	5,68,087.07

(Source: Finance Accounts of 2014-15 & 2015-16)

Following are the significant changes in fiscal transactions during 2015-16 over 2014-15:

- **Revenue Receipts** grew by ₹ 33,654 crore (17 *per cent*) over and above 2014-15 receipts. The increase was mainly contributed by States' Share of Union Taxes and Duties (₹ 24,351 crore; 37 *per cent*), Non-tax Revenue (₹ 3,200 crore; 16 *per cent*) and Tax Revenue (₹ 6,934 crore; nine *per cent*). Revenue Receipts of ₹ 2,27,076 crore was lower (₹ 22,804 crore) than the Budget Estimates¹ of ₹ 2,49,880 crore.
- **Tax Revenue** increased by ₹ 6,934 crore (nine *per cent*) over 2014-15. The increase was mainly contributed by the Taxes on Sales, Trade etc. (₹ 4,758 crore; 11 *per cent*) and Taxes on Vehicles (₹ 613 crore; 16 *per cent*) over the previous year. The Own Tax Revenue at ₹ 81,106 crore was below the Budget Estimates of ₹ 91,915 crore as well as the normative assessment (₹ 91,806 crore) made by the Fourteenth Finance Commission.
- **Non-tax Revenue** increased by ₹ 3,200 crore (16 *per cent*) over 2014-15 and was above the Budget Estimate by ₹ 1,499 crore. It was also above the normative projection (₹ 23,036 crore) made by the Fourteenth Finance Commission.
- **Grants-in-aid** from GoI during 2015-16 (₹ 31,861 crore) decreased by ₹ 830 crore (three *per cent*) over 2014-15 (₹ 32,691 crore).
- **State's Share in Union Taxes and Duties** increased by ₹ 24,351 crore (37 *per cent*) over 2014-15 and was above (₹ 4,245 crore) over the Budget Estimates (₹ 86,729 crore).
- **Revenue Expenditure** increased by ₹ 41,709 crore (24 *per cent*) over 2014-15. However, it (₹ 2,12,736 crore) was lower (₹ 3,020 crore) than the Budget Estimates (₹ 2,15,756 crore). Within Revenue Expenditure, non-plan expenditure increased by ₹ 31,720 crore (33 *per cent*) and plan expenditure by ₹ 9,989 crore (30 *per cent*) over 2014-15.
- **Capital Expenditure** (₹ 64,423 crore) increased by ₹ 11,126 crore (21 *per cent*) over 2014-15 (₹ 53,297 crore). The increases were mainly under Roads and Bridges, Cooperation and Major Irrigations under Economic Services. It was higher (₹ 1,269 crore) than the Budget Estimates (₹ 63,154 crore).
- **Recovery of Loans and Advances** (₹ 726 crore) increased by ₹ 464 crore (177 *per cent*) over 2014-15 (₹ 262 crore). It was also higher (₹ 463 crore; 176 *per cent*) than the Budget Estimates (₹ 263 crore). Further, disbursement of loans and advances (₹ 9,118 crore) was also

¹Represents Mid Term Fiscal Restructuring Policy, 2015.

above by ₹ 6,325 crore (226 *per cent*) than the Budget Estimates (₹ 2,793 crore).

- **Public Debt Receipts** (₹ 74,514 crore) increased by ₹ 38,994 crore (110 *per cent*) over 2014-15 (₹ 35,520 crore). Within Public Debt Receipts the increases were mainly under Loans from other institutions (₹ 24,493 crore), Market loans (₹ 12,500 crore) and Ways and Means advances from the RBI (₹ 2,767 crore).
- **Public Accounts Receipts** (₹ 2,65,972 crore) increased by ₹ 35,773 crore (16 *per cent*) during 2015-16 over 2014-15 (₹ 2,30,199 crore). The increase was mainly due to increase of ₹ 5,607 crore (56 *per cent*) in receipts under Reserve Funds (₹ 15,599 crore) during 2015-16 over 2014-15 (₹ 9,992 crore) and by ₹ 315 crore (three *per cent*) in Small Savings and Provident Fund etc. (₹ 10,303 crore) in 2015-16 over 2014-15 (₹ 9,988 crore).
- **Public Accounts Disbursements** registered an increase of ₹ 36,280 crore (16 *per cent*) over 2014-15.
- **Withdrawal of ₹ 44 crore from the Contingency Fund** during 2015-16 remained un-recouped.
- **Cash Balance** of ₹ 200 crore (debit), as of March 2016, decreased (50 *per cent*) by ₹ 201 crore from debit balance of ₹ 401 crore as of March 2015.
- **Revenue Surplus and the Primary Deficit** at the close of 2015-16 decreased over the 2014-15 levels while Fiscal Deficit increased over the 2014-15. The Revenue Surplus (₹ 14,340 crore) at the close of 2015-16 declined by ₹ 8,054 crore (36 *per cent*), the Fiscal Deficit (₹ 58,475 crore) increased by ₹ 25,962 crore (80 *per cent*) and the Primary Deficit (₹ 37,027 crore) decreased by ₹ 23,379 crore (171 *per cent*). The details are given in **Paragraph 1.11.1**.

1.1.2 Review of the fiscal situation

The State Government legislated (February 2004) the Fiscal Responsibility and Budget Management Act, 2004 (FRBM) and set out a reform agenda of long-term goal of securing growth with stability for economy. The following fiscal targets were set therein to give effect to the principles of fiscal management as laid down in the Act.

- Ensure within a period of 14 financial years, beginning from 1st day of April 2004 and ending on 31 March 2018, that the total liabilities at the end of last financial year do not exceed 25 *per cent* of the estimated GSDP for that year.

- The State Government also responded (September 2011) to the recommendations of the Thirteenth Finance Commission by amending FRBM Act, 2004 and developed its own Fiscal Consolidation Path for 2011-15 with key aim to eliminate revenue deficits and to bring about gradual reductions in fiscal and debt levels by 2015-16.

The Uttar Pradesh Fiscal Responsibility and Budget Management (Amendment) Act, 2016 was passed by the Legislature (March 2016) to respond to the recommendations of the Fourteenth Finance Commission by amending FRBM Act, 2004 and develop its own Fiscal Consolidation Path for 2015-20. The details are given in **Table 1.3**.

Table 1.3: Fiscal Consolidation Path

Year	Fiscal Deficit	Total Liability (in per cent of GSDP)
2015-16	Not more than three <i>per cent</i> of GSDP	31.00
2016-17	Not more than three <i>per cent</i> of GSDP	31.00
2017-18	Not more than three <i>per cent</i> of GSDP	30.50
2018-19	Not more than three <i>per cent</i> of GSDP	30.50
2019-20	Not more than three <i>per cent</i> of GSDP	30.00

(Source: Uttar Pradesh Government Gazette Notification of March 2016)

Performance of the State during 2015-16 under major variables provided in the budget based on recommendations of last year of the Thirteenth Finance Commission, first year of the Fourteenth Finance Commission and targeted in FRBM Act, is given in **Table 1.4**.

Table 1.4: Performance of the State during 2015-16

Key fiscal indicators	Targets set by the last year of Thirteenth	Targets set by the first year of Fourteenth	Targets in Budget	Projections in Five Year Fiscal Plan/	Actuals
Revenue deficit (-) / surplus (+) (₹ in crore)	Nil deficit	Nil deficit	34,124	34,124	14,340
Fiscal deficit (-) / GSDP	Not more than three <i>per cent</i> of GSDP	Not more than three <i>per cent</i> of GSDP	2.96	2.96	5.07
Ratio of total outstanding debt to GSDP	41.90 <i>per cent</i> of GSDP	31.00 <i>per cent</i> of GSDP	27.5	27.5	31.83

(Source: Report of Thirteenth Finance Commission, Fourteenth Finance Commission and U.P. Government Gazette Notification dated 22 March 2016)

Table revealed that the Government had Revenue Surplus of ₹ 14,340 crore against the target of ₹ 34,124 crore set in the Budget Estimates. This is mainly due to only 17 *per cent* increase in Revenue Receipts whereas Revenue Expenditure increased by 24 *per cent* over 2014-15. Further, the actual Fiscal Deficit exceeded by 2.07 *per cent*, the ceiling of three *per cent* of GSDP (as set by the Fourteenth Finance Commission) and by 2.11 *per cent*, the ceiling of 2.96 *per cent* of GSDP (as set by the FRBM Act during

2015-16). However, actual Total Outstanding Debt stood at 31.83 *per cent* of GSDP at the end of 2015-16, which was above (4.33 *per cent*) the target set (27.50 *per cent*) in the Budget Estimate and FRBM Act. It was above (0.83 *per cent*) of the projections (31 *per cent*) made in the Fourteenth Finance Commission.

1.1.3 Budget Estimates and actuals

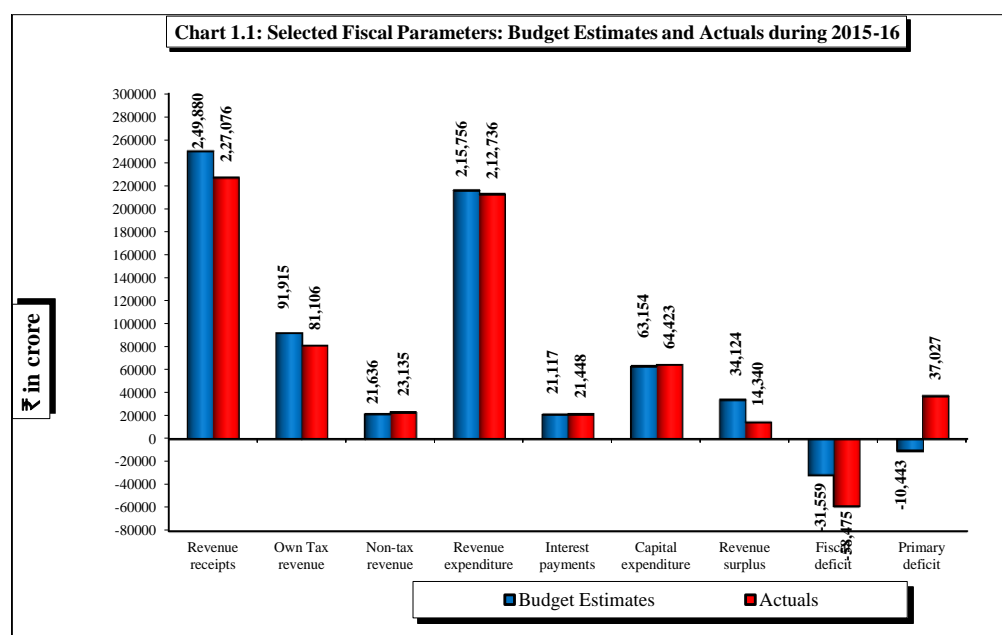
Budget Estimates

On receipt side, the Government aimed at augmenting revenues mainly from GoI under State's Share of Union Taxes and Duties (₹ 86,729 crore) and on expenditure side, focused at Social Services (Revenue expenditure: ₹ 84,970 crore; Capital expenditure: ₹ 15,278 crore) and the General Services (Revenue expenditure: ₹ 80,923 crore; Capital expenditure: ₹ 5,511 crore). On fiscal side, the Government estimated Revenue Surplus (₹ 34,124 crore), Fiscal Deficit (₹ 31,560 crore) and Primary Deficit (₹ 10,443 crore) (*Appendix 1.4*).

Budget Estimates vis-à-vis Actuals

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

Actuals *vis-à-vis* Budget Estimates of selected fiscal parameters for 2015-16 are shown in **Chart 1.1** and *Appendix 1.4*.



(Source: Budget and Finance Accounts 2015-16)

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

- **Actual Revenue Receipts** (₹ 2,27,076 crore) fell short by ₹ 22,804 crore of the Budget Estimates (₹ 2,49,880 crore). Within revenue receipts, the actual collection of **Own Tax Revenue** fell short by ₹ 10,809 crore whereas **Non-tax Revenue** was above the Budget Estimate by ₹ 1,498 crore. The shortfalls in **Own Tax Revenue** were mainly under Taxes on Sales, Trade etc. (₹ 4,981 crore) followed by State Excise (₹ 3,416 crore) and Stamps and Registration fee (₹ 2,432 crore). The increases in **Non-tax Revenue** (₹ 1,498 crore) were mainly under General Services (₹ 175 crore) and Other Non-tax Revenue (₹ 1,968 crore).
- **Revenue Expenditure** (₹ 2,12,736 crore) fell short (₹ 3,020 crore) of the Budget Estimates (₹ 2,15,756 crore). The major shortfalls were noticed in General Services and Social Services while Economic Services shows expenditure above than the Budget Estimate. The expenditure under General Services fell short by ₹ 8,695 crore, under Social Services by ₹ 2,483 crore. Under Economic Services, expenditure was over ₹ 8,195 crore by the Budget Estimate. Within **General Services**, the shortfall was mainly under Elections (43 *per cent*). Within **Social Services**, the shortfalls were under Labour Employment (50 *per cent*) while within **Economic Services**, the expenditure was above the Budget Estimate mainly under Energy (132 *per cent*) followed by Industry and Mineral (52 *per cent*) and Transport (eight *per cent*) partly counter-balanced by less expenditure under Special Area Programme (99 *per cent*) and Irrigation and Flood Control (25 *per cent*). **Interest Payments** (₹ 21,448 crore) during the year 2015-16, increased over Budget Estimates (₹ 21,117 crore) by ₹ 331 crore. **Capital Expenditure vis-à-vis Budget Estimates** increased by ₹ 1,268 crore. Increases in Capital Expenditure was mainly under Economic Services (₹ 5,092 crore).
- **Revenue Surplus** (₹ 14,340 crore) declined (by ₹ 19,784 crore) vis-à-vis the Budget Estimate (₹ 34,124 crore) and the **Fiscal Deficit** (₹ 58,475 crore) exceeded (₹ 26,915 crore) vis-à-vis the Budget Estimates (₹ 31,560 crore). The **Primary Deficit** (₹ 38,479 crore) was more than the Budget Estimates (₹ 10,443 crore) by ₹ 28,036 crore (268 *per cent*) during 2015-16.

The pattern of receipts and expenditure varied from what was envisaged at the stage of budget formulations for 2015-16 which indicates improper budget estimation.

1.1.4 Fiscal Policy Statement of the Government

With a view to increasing revenue receipts, the Government, in its budget speech, announced a growth of 13.5 *per cent* (relative to 2014-15) in Own Tax Revenue.

Table 1.5 depicts increase of Own Tax Revenue of the State Government during 2015-16 over 2014-15.

Table 1.5: Own Tax Revenue

Particulars	Amount
Actuals of Own Tax Revenue for 2014-15(₹ in crore)	74,172
Actuals of Own Tax Revenue for 2015-16 (₹ in crore)	81,106
Increase in Actuals of Own Tax Revenue in 2015-16 (₹ in crore)	6,934
Increase in Actuals of Own Tax Revenue in 2015-16 (in per cent)	9.35

Table indicates growth of only 9.35 per cent in Own Tax Revenue during 2015-16 over 2014-15 as against the estimated growth of 13.5 per cent as per the announcement made in budget speech of 2015-16.

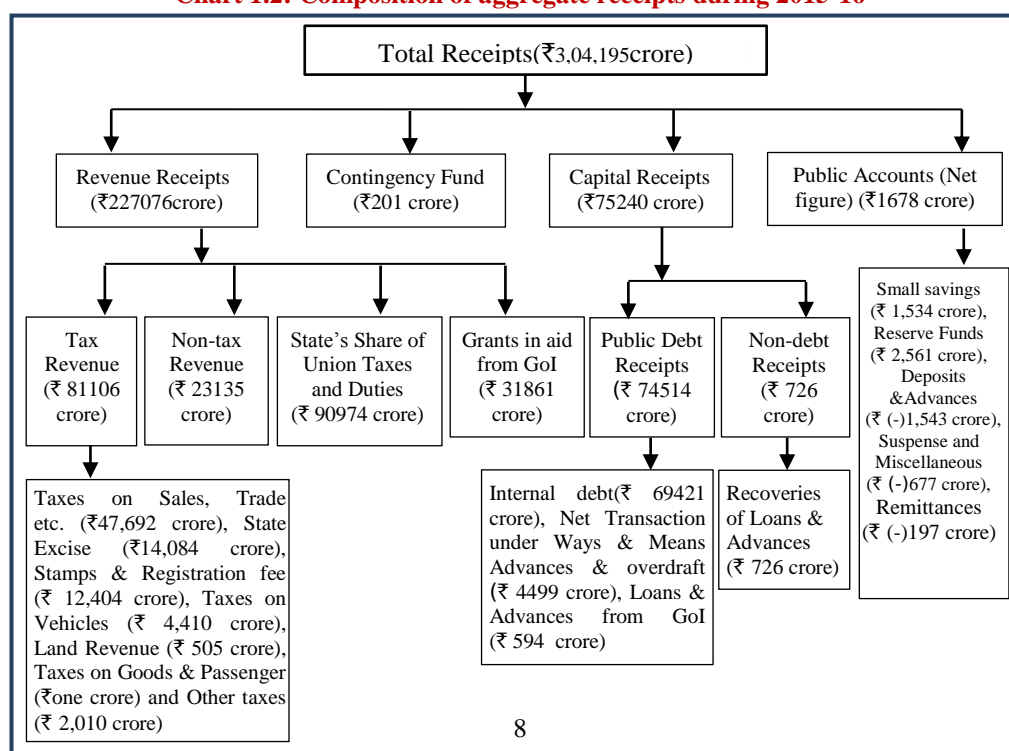
1.2 Resources of the State

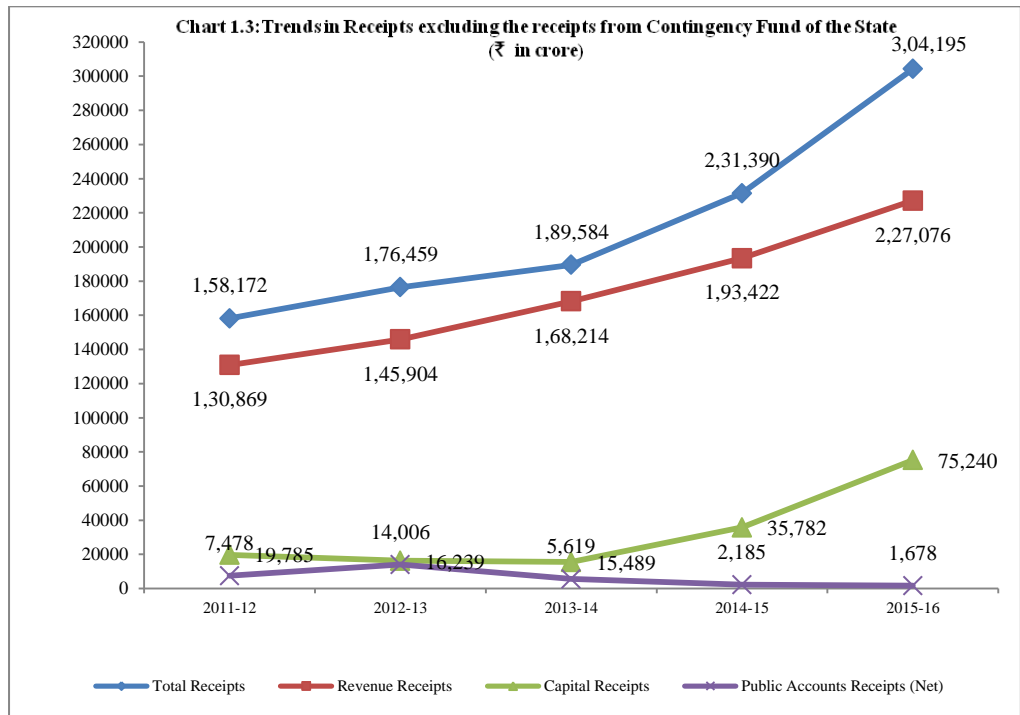
1.2.1 Resources of the State as per Annual Finance Accounts

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

Table 1.2 presents receipts and disbursements of the Government during 2015-16 as recorded in Annual Finance Accounts. **Chart 1.2** depicts composition of aggregate receipts, **Chart 1.3** the trends in various components of receipts during 2011-16 and **Chart 1.4** the composition of resources during 2015-16.

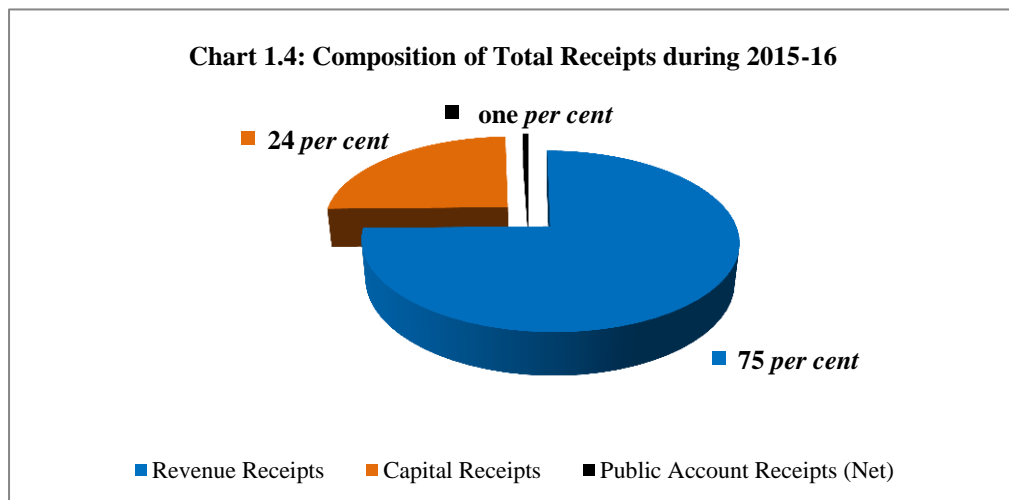
Chart 1.2: Composition of aggregate receipts during 2015-16





(Source: Finance Accounts of the respective years)

It would be seen from the above chart that the Total Receipts of the Government for 2015-16 were ₹ 3,04,195 crore. Of this, Revenue Receipts were: ₹ 2,27,076 crore, Capital Receipts: ₹ 75,240 crore, Receipts from the Contingency Fund: ₹ 201 crore and Public Accounts Receipts: ₹ 1,678 crore (*net figure*²). Further, Total Receipts increased by ₹ 1,46,023 crore (92 per cent) from the level of ₹ 1,58,172 crore in 2011-12 to ₹ 3,04,195 crore in 2015-16.



(Source: Finance Accounts 2015-16)

²Public Accounts Receipts: ₹ 2,65,972 crore minus Public Accounts Disbursements: ₹ 2,64,294 crore.

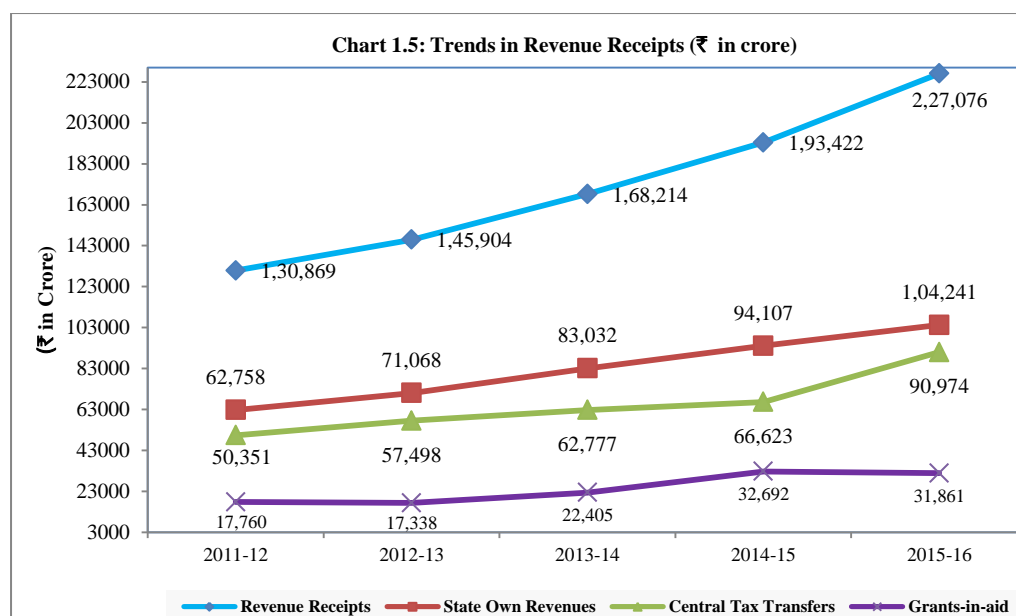
Chart 1.4 depicts that the share of Revenue Receipts to Total Receipts was 75 per cent, Capital Receipts 24 per cent and Public Accounts Receipts one per cent.

1.2.2 Funds transferred by GoI to State Implementing Agencies

Till 31 March 2014, Government of India transferred substantial funds directly to State Implementing Agencies/Non-Government Organisations (NGOs) for implementation of various schemes/ programmes. As per PFMS (Public Financial Management System) portal of the Controller General of Accounts, GoI released no amount directly to the implementing agencies during 2014-15. GoI decided to release all assistance to CSSs/ACA directly to the State Government and not to implementing agencies.

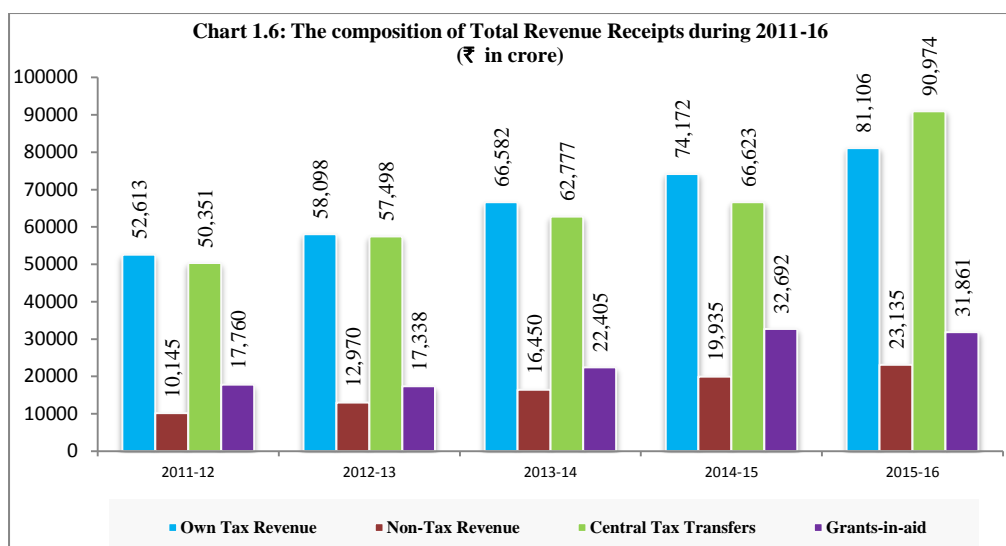
1.3 Revenue Receipts

Statement 14 of the Finance Accounts gives details of the revenue receipts of the Government. The revenue receipts consist of its own tax revenues and non-tax revenues, share of net proceed of taxes and grants-in-aid from GoI. The trends and composition of revenue receipts during 2011-16 are presented in **Appendix 1.5** and also depicted in **Chart 1.5** and **Chart 1.6** respectively.



(Source: Finance Accounts of the respective years)

Chart 1.5 depicts that during 2015-16 Revenue Receipts (₹ 2,27,076 crore) increased by ₹ 33,654 crore (17 per cent) over 2014-15. During 2011-16, it grew steadily from ₹ 1,30,869 crore to ₹ 2,27,076 crore.



(Source: Finance Accounts of the respective years)

Chart 1.6 depicts that out of Total Revenue Receipts of ₹ 2,27,076 crore during 2015-16, ₹ 1,04,241 crore came from own sources i.e. Own Tax Revenue (₹ 81,106 crore) and Non-tax Revenue (₹ 23,135 crore) and the remaining ₹ 1,22,835 crore from GoI as State's Share in Union Taxes and Duties (₹ 90,974 crore) and Grants-in-aid (₹ 31,861 crore).

The increase (₹ 33,654 crore; 17 per cent) in **Revenue Receipts** during 2015-16 were mainly due to net proceeds assigned to the State by GoI, more collection of taxes under Sales Tax Act, realisation of more revenue on account of Country Spirit, Malt Liquors, realisation of more taxes under State Motor Vehicles Taxation Act, more collection of taxes on consumption and sale of electricity partly counterbalanced by decrease due to less receipt on account of interest from public sector and other undertakings, less receipt under Panchayati Raj Act, less receipt from Land Revenue and sale proceeds of Waste Lands and redemption of Land Tax. The trends in Revenue Receipts relative to GSDP are presented in **Table 1.6**.

Table 1.6: Trends in Revenue Receipts relative to GSDP

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Revenue Receipts (₹ in crore)	1,30,869	1,45,904	1,68,214	1,93,422	2,27,076
Rate of growth of Revenue Receipts (per cent)	17.70	11.49	15.29	14.99	17.40
Revenue Receipts/GSDP (per cent)	18.07	17.73	17.82	18.54	19.68
Buoyancy Ratios³					
Revenue Buoyancy w.r.t GSDP	NA	0.842	1.038	1.426	1.645
State's Own Tax Buoyancy w.r.t GSDP	NA	0.764	0.991	1.085	0.884
Revenue Buoyancy w.r.t State's own taxes	0.633	1.100	1.047	1.315	1.861
GSDP (₹ in crore)	7,24,049	8,22,903	9,44,146	10,43,371	11,53,795
Growth rate of GSDP	NA	13.65	14.73	10.51	10.58

(Source: Finance Accounts of the respective years)

³ Buoyancy ratio is the elasticity/degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For instance, for 2012-13, revenue buoyancy at 0.8 implies that revenue receipts tend to increase by 0.8 percentage points, if the GSDP increases by one per cent.

Table reveals the followings:

- Revenue buoyancy with reference to GSDP increased by 0.219 during 2015-16 relative to 2014-15.
- The growth rate in Revenue Receipts kept pace with the growth rate in GSDP during the period 2013-16.
- During 2012-15, the buoyancy of the State's Own Taxes with reference to GSDP shows increasing trend, from 0.764 (2012-13) to 1.085 (2014-15), though it decreased during 2015-16.

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 mobilisation of resources is assessed in terms of Own Tax Revenue and Non-tax Revenue.

The gross collections of Own Tax Revenue and Non-tax Revenue for 2011-16 are presented in **Appendix 1.6**. These increased (66 per cent) from ₹ 62,758 crore in 2011-12 to ₹ 1,04,241 crore in 2015-16.

The Own Tax Revenue and Non-tax Revenue of the State for 2015-16, *vis-a-vis*, assessments made by the Thirteenth Finance Commission, Fourteenth Finance Commission and Budget Estimates are given in **Table 1.7**.

Table 1.7: Actuals of Tax and Non-tax Receipts for 2015-16 vis-à-vis assessment made by Thirteenth Finance Commission, Fourteenth Finance Commission and Budget Estimates

(₹ in crore)

Particulars	Thirteenth Finance Commission (2014-15)	Fourteenth Finance Commission (2015-16)	Budget Estimates	Actuals
Own Tax Revenue	59,619	91,806	91,915	81,106
Non-Tax Revenue	12,115	23,036	21,636	23,135
Total	71,734	1,14,842	1,13,551	1,04,241

(Source: recommendations of Thirteenth FC, Fourteenth FC, Budget document and Finance Accounts 2015-16)

State's Own Tax Revenue during 2015-16 increased by ₹ 21,487 crore (36 per cent) over the normative assessments made during the last year of the Thirteenth Finance Commission (₹ 59,619 crore). However, it was less by ₹ 10,700 crore (12 per cent) over the projections made by first year of the Fourteenth Finance Commission (₹ 91,806 crore) and it was less by ₹ 10,809 crore (12 per cent) over the projections made in Budget Estimates (₹ 91,915 crore) during 2015-16.

Non-tax Revenue during 2015-16 increased by ₹ 11,020 crore (91 per cent) over the normative assessments made during the last year of the Thirteenth Finance Commission (₹ 12,115 crore). It also increased by ₹ 99 crore over the projections made by first year of the Fourteenth Finance Commission

(₹ 23,036 crore) and by ₹ 1,499 crore over the projections made in Budget Estimates (₹ 21,636 crore) during 2015-16.

1.3.1.1 Tax Revenue

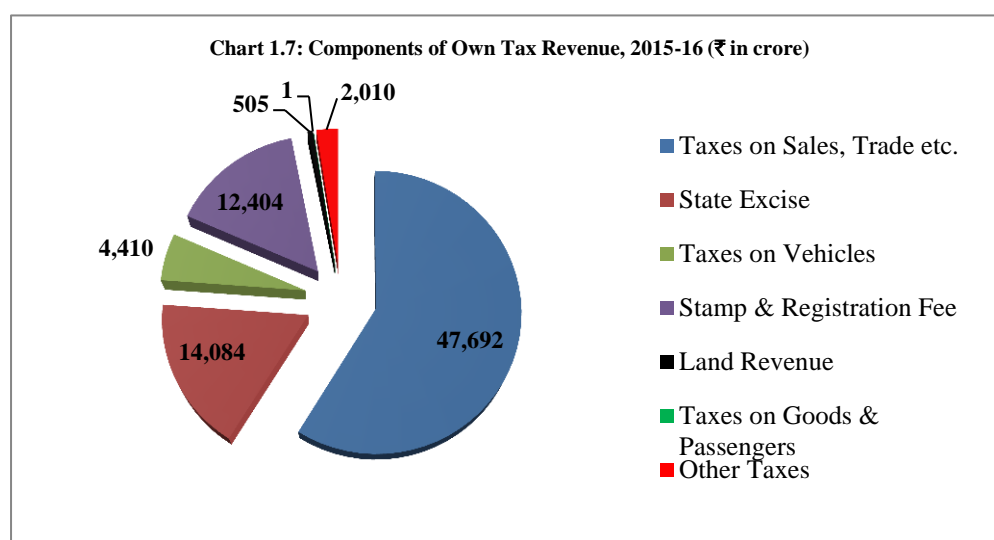
The Tax Revenue comprises Taxes on Sales and Trade, State Excise, Taxes on Vehicles, Stamps and Registration fees etc. The components of Tax Revenue during 2011-16 is given in **Table 1.8** and **Chart 1.7**.

Table 1.8: Components of Tax Revenue

(₹ in crore)

Component of Revenues	2011-12	2012-13	2013-14	2014-15	2015-16	Percentage increase(+)/decrease (-) during 2015-16 over 2014-15
Taxes on Sales, Trades etc.	33,107	34,870	39,645	42,934	47,692	11.08
State Excise	8,139	9,782	11,644	13,483	14,084	4.46
Taxes on Vehicles	2,376	2,993	3,441	3,797	4,410	16.14
Stamps and Registration Fee	7,694	8,742	9,521	11,803	12,404	5.09
Land Revenue	491	805	772	527	505	(-) 4.17
Taxes on Goods and Passengers	5	1	1	1	1	00
Other Taxes	801	905	1,558	1,627	2,010	23.54
Total	52,613	58,098	66,582	74,172	81,106	9.35

(Source: Finance Accounts of the respective years)



(Source: Finance Accounts 2015-16)

Table indicates that Own Tax Revenue increased by ₹ 6,934 crore (nine *per cent*) during 2015-16 relative to 2014-15 due to increase in realisation of Taxes on Sales, Trade, State Excise, Taxes on Vehicles and Stamp and Registration fees etc. The increase in State Excise was due to realisation of more revenue on accounts of ‘Country Spirits’ and Malt Liquor. Increase under Taxes on Vehicle was due to more realisation of taxes on sale

of vehicles and collection of taxes under State Motor Vehicle Act. However, there was reduction in collection of land revenue due to less receipt from the Land Revenue and sale proceeds of Waste Lands and redemption of Land Tax.

1.3.1.2 Non-tax Revenue

Non-tax Revenue comprises receipts mainly from education, power, interest, forestry and wild life, industries, medical and public health, irrigation, agriculture and other allied activities. The receipts of Non-tax revenue during 2015-16 is given in **Table 1.9**.

Table 1.9: Non-tax Revenue

(₹ in crore)

Revenue Head	2011-12	2012-13	2013-14	2014-15	2015-16	Percentage increase(+)/ decrease (-) during 2015-16 over 2014-15
Interest Receipts	789	1,186	1,619	2,303	633	(-) 72.51
Dividends & Profits	38	63	5	8	43	437.50
Other non-tax Receipts	9,318	11,721	14,826	17,624	22,459	27.43
Total	10,145	12,970	16,450	19,935	23,135	16.05

(Source :Finance Accounts of the respective years)

Table indicates that there was overall increase (₹ 3,200 crore) of 16 *per cent* in Non-tax Revenue receipts during 2015-16 over 2014-15. The increases were mainly due to more receipts under General and Economic Services and under Other Non-tax Revenues.

Other Non-tax Revenues increased by ₹ 4,835 crore (27 *per cent*) during 2015-16 over 2014-15. The receipts under Other Non-tax Revenue increased mainly under Education, Sports, Art and Culture, Cooperation, Labour and Employment. However, interest receipts showed a decline (73 *per cent*) from that of previous year.

1.3.2 Cost of collection

The gross collection in respect of major Revenue Receipts, expenditure incurred on collection and percentage of such expenditure to the gross collection during 2015-16 are mentioned in **Table 1.10** below:

Table 1.10: Cost of collection

Particulars	Gross collection	Expenditure on collection	Percentage of cost of collection to gross collection	All India Average of previous year
	(₹ in crore)			
Taxes on Sales, Trade etc.	47,692	541	1.13	0.91
Stamps duty and Registration fee	12,404	247	1.99	3.59
State Excise	14,084	148	1.05	2.09
Taxes on Vehicles	4,411	136	3.08	6.08

(Source: Concerned Department)

Table reveals that during 2015-16, the cost of collection of State Excise, Taxes on Vehicles and Stamps Duty and Registration fee was lower than the All India Average of preceding year, while cost of collection of Taxes on Sales, Trade etc. was higher than the All India Average of preceding year. The Government should analyse the reasons.

1.3.3 Grants- in-aid from GoI

The Government receives grants-in-aid from GoI as Non-plan Grants, Grants for State Plan Schemes, Central Plan Schemes etc. The amounts of grants-in-aid received during 2011-16 are given in **Table 1.11**.

Table 1.11: Grants-in-aid from GoI

(₹ in crore)

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Non Plan Grants	4,396.73	4,341.00	7,933.79	6,808.88	8,273.90
Grants for State plan Schemes	6,813.40	5,518.39	6,595.22	6,576.02	1,933.17
Grants for Central Plan Schemes	212.45	12.31	225.90	17.37	16.30
Grants for Centrally Sponsored Plan Schemes	6,337.44	7,466.09	7,650.26	19,289.20	21,637.97
Total Grants	17,760.02	17,337.79	22,405.17	32,691.47	31,861.34
Percentage of increase/decrease over previous year	15.07	(-)2.38	29.22	45.91	(-) 2.54
Revenue Receipts	1,30,869	1,45,904	1,68,214	1,93,422	2,27,076
Total grants as a percentage of Revenue Receipts	13.57	11.88	13.32	16.90	14.03

(Source: Finance Accounts of the respective year)

The Grants-in-aid received from GoI decreased by ₹ 830 crore (three *per cent*) from ₹ 32,691 crore in 2014-15 to ₹ 31,861 crore in 2015-16. Within the Grants-in-aid, the decreases during 2015-16 in comparison to 2014-15, was mainly under State Plan Schemes (₹ 4,643 crore). The major increases were under Non-plan Grants (₹ 1,465 crore) and Centrally Sponsored Schemes (₹ 2,349 crore) relative to 2014-15.

1.3.4 Central Tax Transfers

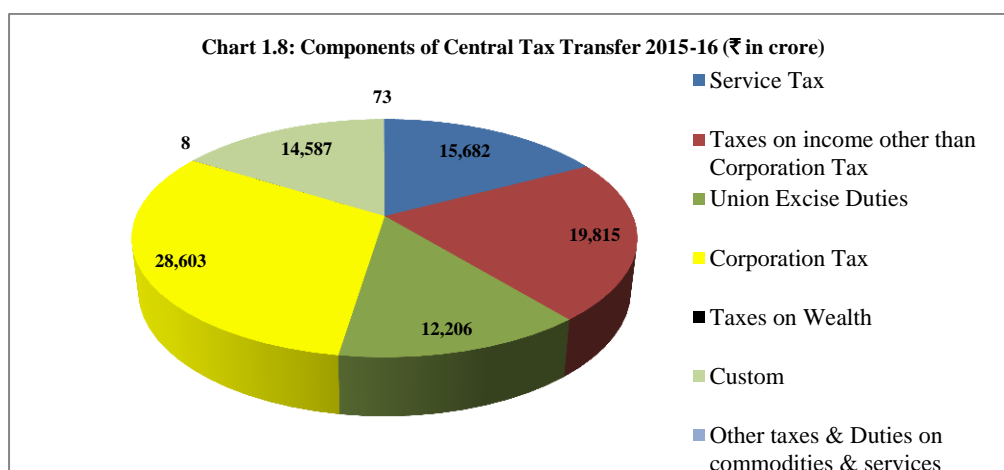
GoI transfers share of State Government in Union Taxes and Duties such as Income Tax, Service Tax, Union Excise Duties etc. The trends in these Central Tax Transfers during 2011-16 are given in **Table 1.12** and **Chart 1.8**.

Table 1.12: Trends in Central Tax Transfers

(₹ in crore)

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Total Central Tax Transfers	50,351	57,498	62,777	66,623	90,974
Service Tax	6,010	8,396	10,227	9,822	15,682
Taxes on income other than Corporation tax	10,067	12,365	13,902	16,614	19,815
Union Excise Duties	5,649	6,493	7,234	6,084	12,206
Corporation Tax	19,819	20,654	21,113	23,265	28,603
Taxes on wealth	76	35	58	63	08
Customs	8,730	9,555	10,243	10,775	14,587
Other taxes and duties on commodities and services	0	0	0	0	73

(Source: Finance Accounts of the respective year)



(Source: Finance Accounts 2015-16)

Major increase during 2015-16 was noticed in Central Tax Transfers which increased by ₹ 24,351 crore (37 per cent) from ₹ 66,623 crore (2014-15) to ₹ 90,974 crore (2015-16).

1.3.5 Recommendations of Fourteenth Finance Commission

The Fourteenth Finance Commission after considering all the factors, increased the share of tax devolution to 42 per cent in comparison to the recommendations of Thirteenth Finance Commission, which was 32 per cent of the divisible pool. The increase was to serve the twin objective of increasing the flow of unconditional transfers to the States and yet leave appropriate fiscal space for the Union to carry out specific purpose transfers to the States. The position of grants-in-aid and central tax transfers is detailed in the **Table 1.13**.

Table 1.13: Position of Grants-in-aid and Central Tax Transfers**(₹ in crore)**

Year	Grants-in-aid	Central Tax transfers	Total
2014-15	32,691	66,623	99,314
2015-16	31,861	90,974	1,22,835

(Source: Finance Accounts of the respective year)

As may be seen from the **Table**, the total transfers increased by 24 *per cent* over 2014-15, which was under the recommendations of the Fourteenth Finance Commission (42 *per cent* of the divisible pool).

1.3.6 Arrear of Revenue

The Arrear of Revenue as on 31 March 2016 on some principal heads of revenue amounted to ₹ 27,626.04 crore, of which ₹ 11,864.37 crore was outstanding for more than five years as detailed in the **Table 1.14**.

Table 1.14: Arrear of Revenue**(₹ in crore)**

Sl. No.	Head of Revenue	Total Amount outstanding as on 31 March 2016	Amount outstanding for more than five year as on 31 March 2016	Remarks
1	Taxes on Sales, Trade etc.	27,188.58	11,804.32	Out of ₹ 27,188.58 crore, demand for ₹ 4,270.19 crore had been certified for recovery as arrear of land revenue; recovery certificates for ₹ 1,195.28 crore have been sent to other states; recoveries for ₹ 4,122.26 crore had been stayed by the Hon'ble Courts/ appellate authority and Government; recoveries for ₹ 587.59 crore were outstanding against the Government/ semi Government Departments; the demand for recovery of ₹ 1,514.74 crore was likely to be written off; and ₹ 41.37 crore was outstanding from the transporters. For remaining amount of ₹ 15,457.15 crore, specific action is underway in the Department.
2	Stamps and Registration Fees	243.76	Not Available	The details of arrears outstanding for more than five years were not available with the Department. The Department could not furnish stages under which recovery is pending.
3	Taxes on Vehicles	118.11	Not Available	Out of ₹ 118.11 crore, demand for ₹ 13.98 crore had been stayed by the Hon'ble courts and Government. The details of arrears outstanding for more than five years were not available with the Department. The Department could not furnish stages under which recovery is pending.

4	State Excise	52.72	52.25	Demand for the entire outstanding amount ₹ 52.72 crore had been certified for recovery as arrears of land revenue. Out of ₹ 52.72 crore, recovery certificates for ₹ 0.06 crore have been sent to other states, demand for ₹ 16.81 crore had been stayed by the Hon'ble Courts and ₹ 5.72 crore was likely to be written off.
5	Entertainment Tax	22.87	7.80	Out of ₹ 22.87 crore, demand for ₹ 10.36 crore had been stayed by the Hon'ble Courts/ appellate authority and demand for ₹ 12.51 crore had been certified for recovery as arrears of land revenue.
Total		27,626.04	11,864.37	

(Source: Concerned Department)

The above **Table** indicates that the recovery of ₹ 11,864.37 crore was pending for more than five years.

1.4 Capital Receipts

Capital Receipts comprise Public Debt Receipts and Recoveries of Loans and Advances. The trends of Capital Receipts during 2011-16 are given in **Table 1.15**.

Table 1.15: Trends in Capital Receipts

(₹ in crore)

Sources of State's Capital Receipts	2011-12	2012-13	2013-14	2014-15	2015-16
Capital Receipts	19,785	16,239	15,489	35,782	75,240
Recovery of Loans and Advances	133	419	589	262	726
Public Debt Receipts	19,652	15,820	14,900	35,520	74,514
Rate of growth of public debt receipts	(-)8	(-)19	(-)6	138	109.78
Rate of growth of non-debt capital receipts	(-)73	215	41	(-)56	177.10
Rate of growth of GSDP	NA	13.65	14.73	10.51	10.58
Rate of growth of Capital Receipts (<i>per cent</i>)	(-)10	(-)18	(-)5	131	110.27

(Source: Finance Accounts of the respective year)

Though the Capital Receipts shows decreasing trends during 2011-14, it increased from ₹ 15,489 crore in 2013-14 to ₹ 75,240 crore in 2015-16. Within the Capital Receipts, growth rate of Public Debt Receipts increased from *minus eight per cent* in 2011-12 to *minus six per cent* in 2013-14. However, it increased (*138 per cent*) from ₹ 14,900 crore in 2013-14 to ₹ 35,520 crore in 2014-15 and it increased (*110 per cent*) from ₹ 35,520 crore in 2014-15 to ₹ 74,514 crore in 2015-16. The Recovery of Loans and Advances increased (*177 per cent*) from ₹ 262 crore in 2014-15 to ₹ 726 crore in 2015-16.

1.4.1 Recoveries of Loans and Advances

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

Table 1.16: Disbursement/ recoveries of loans and advances

(₹ in crore)

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Disbursement	976	1,003	1,473	1,873	9,118
Recoveries	133	419	589	262	726
Percentage of recoveries with respect to disbursements	14	42	40	14	08

(Source: Finance Accounts of the respective years)

Table reveals that the recoveries of loans and advances which was 42 *per cent* in 2012-13 came down to eight *per cent* during 2015-16, indicating that the mechanism to recover loans and advances was ineffective.

1.4.2 Debt Receipts from Internal Sources

The debt receipts from internal sources comprise the market borrowings and loans from the financial institutions. The amount of debt receipts from internal sources during the years 2011-12 to 2015-16 is given in **Table 1.17**.

Table 1.17: Debt receipts from internal sources

(₹ in crore)

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Market Borrowings	15,830	9,500	8,000	17,500	30,000
Loans from Financial Institutions	1,277	1,421	1,494	7,176	31,669

(Source: Finance Accounts of the respective years)

Table reveals that market borrowings increased substantially from ₹ 17,500 crore in 2014-15 to ₹ 30,000 crore during 2015-16 indicating increased dependence on borrowings from internal sources. There was a huge increase (341 *per cent*) in the Loans from Financial Institutions from ₹ 7,176 crore in 2014-15 to ₹ 31,669 crore in 2015-16.

Ujjwal Discom Assurance Yojana (UDAY)

GoI has approved UDAY on 5 November 2015. It is a scheme for financial turnaround of Power Distribution Companies (DISCOMs) and expected to improve the operational and financial efficiency of the State Discoms. UDAY is a path breaking reform for realising the Prime Minister's vision of affordable and accessible 24x7 Power for All. The DISCOMs in the country have accumulated losses of approximately ₹ 3.8 lakh crore and outstanding debt of approximately ₹ 4.3 lakh crore (as on March, 2015).

Provisions of the Yojana: Important provisions of the UDAY are detailed below:

1. State shall take over 75 *per cent* of Discom debt as on 30 September 2015 over two year – 50 *per cent* debt shall be taken in 2015-16 and 25 *per cent* in 2016-17.

2. States will issue non-SLR including State Development Loan (SDL) Bonds in the market. Proceeds realised from issuance of bonds would be transferred from State to Discoms to discharge Banks/Financial Institutions debt.
3. The 10 year State Bonds would be priced at 10 year G-Sec plus 0.5 *per cent* spread for 10 years plus 0.25 *per cent* spread for non-SLR status on semi- annual compounding basis or market determined rate.
4. Banks/Financial Institutions shall not levy and prepayment charge and waive off any unpaid overdue interest and penal interest.
5. The transfer to the Discom by the State will be as grant. In case the State is not able to absorb the entire interest burden of the grant immediately, the transfer of grant can be spread over three years (further relaxed two years) in consultation with Ministry of Power.
6. In exceptional cases, where DISCOM requires equity support, not more than 25 *per cent* this grant may be given as equity.
7. 50 *per cent* of DISCOM debt shall be counted into loan or bonds with interest rate not more than the bank base rate plus 0.1 *per cent*. The State shall guarantee repayment of principal and interest payment.
8. Debt taken over by the State under the scheme would not be counted against fiscal deficit limit of respective State in 2015-16 and 2016-17. However, interest has to be serviced within FRBM, limits.
9. Banks/Financial Institutions shall not advance short term debt to DISCOMs for financing losses.
10. For working capital, Banks/Financial Institutions shall lend to DISCOMs only upto 25 *per cent* of the DISCOM's previous year's annual revenue.

The State Government has taken steps towards improving the financial health of the Discoms by signing the MOU under UDAY and agreeing to take over the debt of the Discoms. The State Government would take over ₹ 39,900 crore of Discom debt, being 75 *per cent* of the total Discom debt of ₹ 53,200 crore, outstanding as on 30.09.2015, as envisaged in the scheme. The scheme also provides for the balance debt of ₹ 13,300 crore to be re-priced or issued as State Guaranteed Discom Bonds, at coupon rate around three *per cent* less than the average existing interest rate. The annual savings in the interest cost to the Discoms would be around ₹ 1,600 crore on account of State takeover of debt and reduction in interest rates on the balance debt.

Out of ₹ 39,900 crore of Discom debt, ₹ 26,600 crore was to be taken over by the State Government in 2015-16. However, State Government took over total ₹ 24,332 crore only, out of which ₹ 12,166 crore was grants-in-aid (received as Government Securities), ₹ 6,083 crore as Government Securities Loans to UPPCL and ₹ 6,083 crore as share capital investment in U.P. Electricity Corporation Ltd. for project UDAY. The implementation of scheme UDAY resulted into the adverse impact on the fiscal health indicators i.e. Revenue Surplus, Fiscal Deficit and Outstanding Liabilities, which has been analysed, in the next paragraph.

The Revenue Surplus for the year 2015-16 is ₹ 14,340 crore which is understated by ₹ 12,166 crore as the same amount was transferred as grants-in-aid to UPPCL. On the other hand, Fiscal Deficit has been overstated by ₹ 24,332 crore as the amount reflecting in the Finance Accounts of the State for 2015-16 under the Revenue Expenditure (₹ 12,166 crore as grants-in-aid to UPPCL), Capital Expenditure (₹ 6,083 crore as share capital investment in U.P. Electricity Corporation Ltd.) and Loans and Advances (₹ 6,083 crore as Government Securities Loans to UPPCL) are the components of Fiscal Deficit for calculating the same. This led to increase in rate of growth of fiscal deficit to 80 per cent (from ₹ 32,513 crore in 2014-15 to ₹ 58,475 crore in 2015-16). Due to meeting the conditions of implementation of UDAY, the fiscal liabilities also increased by ₹ 24,332 crore. As a result, outstanding fiscal liabilities increased by ₹ 59,363 crore (19 per cent) i.e. from ₹ 3,07,859 crore in 2014-15 to ₹ 3,67,252 crore in 2015-16.

1.4.3 Loans and Advances from GoI

The State Government receives Loans and Advances from GoI. The details of the loans and advances from GoI during 2011-16 are given in **Table 1.18**.

Table 1.18: Loans and Advances from GoI

(₹ in crore)

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Loans and Advances from GoI	316	296	390	486	594
Percentage of increase/decrease	(-)13	(-)6	32	25	22

(Source: Finance Accounts of the respective years)

Table reveals that the rate of increase in Loans and Advances from GoI shows increasing trend during 2011-14. However, it shows decreasing trend in 2014-15 and 2015-16.

1.5 Public Accounts (Net)

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

Table 1.19: Status of Public Accounts (Net)

(₹ in crore)

Resources under various heads	2011-12	2012-13	2013-14	2014-15	2015-16
Public Accounts (Net)	7,478	14,006	5,619	2,185	1,678
a. Small Savings, Provident Fund etc.	3,630	3,341	2,363	1,686	1,534
b. Reserve Funds	5,487	4,386	7,954	(-) 2,694	2,561
c. Deposits and Advances	(-) 2,038	1,753	5,037	1,050	(-) 1,543
d. Suspense and Miscellaneous	607	3,540	(-) 9,637	535	(-) 677
e. Remittances	(-) 208	986	(-) 98	1,608	(-) 197

The financial data represents net of the receipts and disbursements under the Public Account Receipts. The data pertaining 2011-13 may be at variance with those of earlier years.

(Source: Finance Accounts of the respective years)

Table reveals oscillating trends in Public Accounts (Net). It decreased from ₹ 7,478 crore at the end of 2011-12 to ₹ 1,678 crore at the close of 2015-16. The receipt and disbursement of Public Accounts are shown in *Appendix 1.3*.

1.6 Application of Resources

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

1.6.1 Growth and composition of expenditure

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

Total Expenditure steadily increased (₹ 1,39,742 crore; 95 per cent) from ₹ 1,46,435 crore in 2011-12 to ₹ 2,86,277 crore in 2015-16.

Chart 1.9 presents the trends and composition of total expenditure and **Chart 1.10** presents total expenditure activities wise during 2011-16.

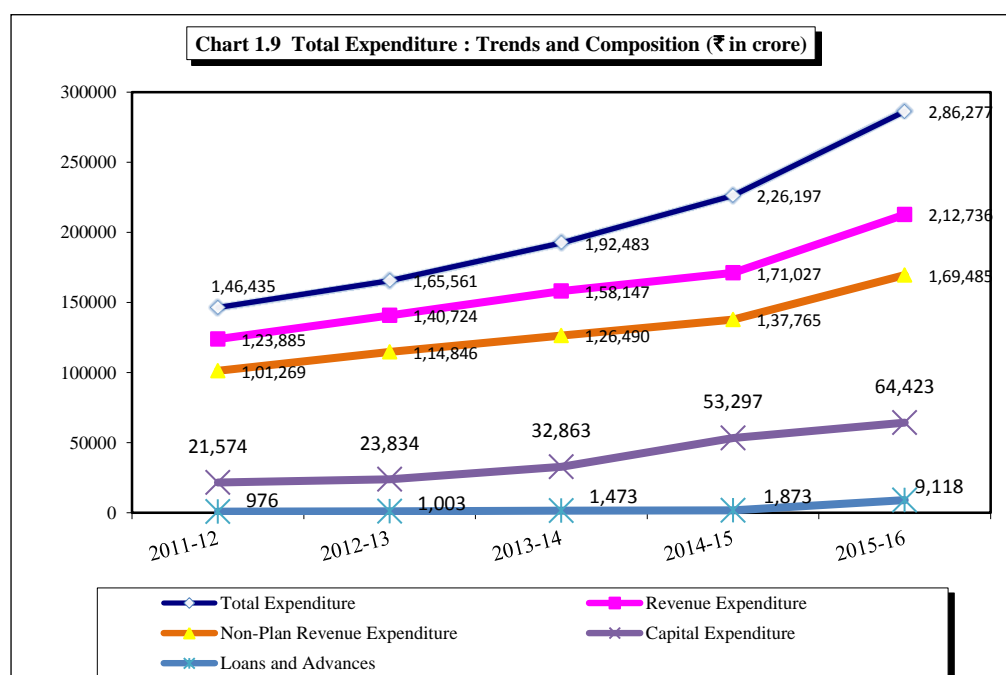
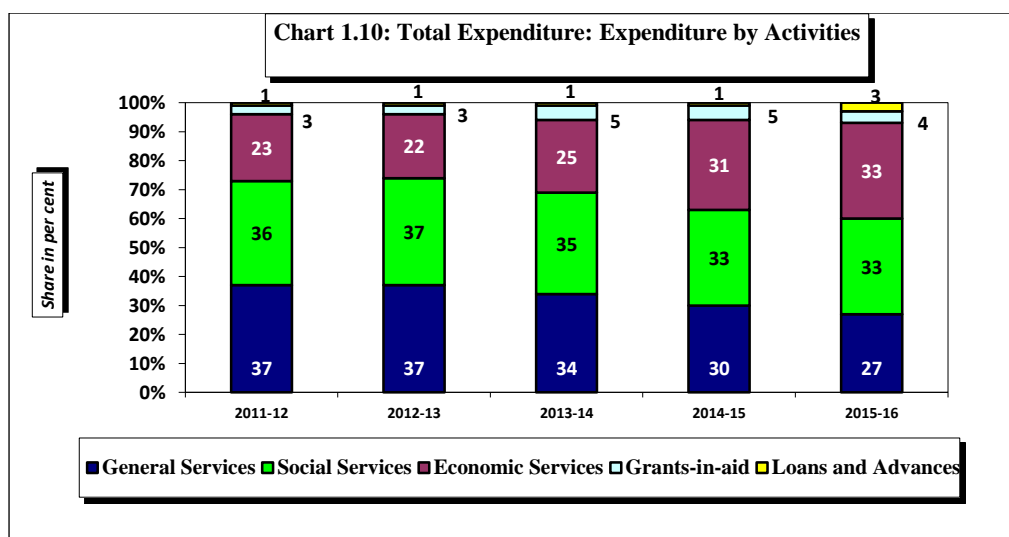


Chart 1.9 reveals increasing trends in Total Expenditure including its components during 2011-16.



(Source: Finance Accounts of the respective years)

Chart 1.10 reveals that there were marginal variations in expenditure by activities during 2011-16. Of the total expenditure during 2015-16, the expenditure under social services and economic services shared 33 *per cent* followed with general services 27 *per cent*. The remaining seven *per cent* was shared between grants-in-aid (four *per cent*) and loan and advances (three *per cent*).

There was an overall increase (partly counterbalanced by decrease) of ₹ 41,709 crore (24 *per cent*) in **Revenue Expenditure** from ₹ 1,71,027 crore in 2014-15 to ₹ 2,12,736 crore in 2015-16. The increases during 2015-16 was mainly under **Relief on account of Natural Calamity** (983 *per cent*) due to increased expenditure on natural calamities/ disasters, **Water Supply and Sanitation** (316 *per cent*) due to increased expenditure on urban water supply programmes, sewerage services and assistance to Local Bodies for the purposes, **Industries** (281 *per cent*) due to increase in payment of sugarcane price to sugarcane factories, establishment, maintenance and modernisation of the industry and **Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes** (156 *per cent*) due to more expenditure on welfare of scheduled castes on their education and special component plan compared to 2014-15.

The decreases during 2015-16 was mainly under **Rural Employment** (100 *per cent*) due to the fact that no expenditure was incurred on Rural Employment schemes e.g. Jawahar Gram Samridhi Yojna, Sampurna Rojgar Yojna etc. and **Other Special Area Programme** (97 *per cent*) due to the fact that no assistance was given to PRIs for these programmes.

Similarly, there was an increase (partly counterbalanced by decrease) of ₹ 11,126 crore (21 *per cent*) in **Capital Expenditure** from ₹ 53,297 crore in 2014-15 to ₹ 64,423 crore in 2015-16. The increases were mainly under **Cooperation** (5150 *per cent*) due to more investment in Share Capital to

non-licensed District Cooperative Banks for getting license from Reserve Bank of India under Banking Schemes, **Other Administrative Services** (245 *per cent*) due to expenditure on construction of U.P. Administration and Management Academy, Elevated approach road and flyover in Sangam Area in Allahabad and construction of jails in the State, **Urban Development** (53 *per cent*) due to investment in Share Capital in Lucknow Metro Rail Corporation.

The decreases were mainly under **Other Special Area Programme** (49 *per cent*) due to less expenditure in consolidated work scheme in various districts viz. Sonbhadra, Mirzapur, Chandauli, on special area programmes in Bundelkhand, Purvanchal Current Works etc. and **Food Storage and Warehousing** (42 *per cent*) due to less expenditure under Sugar Khandsari Scheme and interest payment on loans taken from SBI and other banks for purchase of food grains.

1.6.2 Revenue Expenditure

The trends in Revenue Expenditure compared to GSDP during 2011-16 are presented in **Table 1.20**.

Table 1.20: Trends of Revenue Expenditure relative to GSDP

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Revenue Expenditure (₹ in crore)	1,23,885	1,40,724	1,58,147	1,71,027	2,12,736
Revenue Surplus (₹ in crore)	(+)6,984	(+)5,180	(+)10,067	(+)22,394	(+)14,340
State's GSDP (₹ in crore)	7,24,049	8,22,903	9,44,146	10,43,371	11,53,795
Rate of growth of RE	15.05	13.59	12.38	8.14	24.39
RE/ GSDP	17.11	17.10	16.75	16.39	18.44
Rate of growth of GSDP	NA	13.65	14.73	10.51	10.58

(Source: Finance Accounts of the respective years)

Table indicates that the rate of growth of Revenue Expenditure was lower than the rate of growth of GSDP during 2012-13, 2013-14 and 2014-15. However, it was higher than the rate of growth of GSDP during 2015-16 indicating that rate of growth of Revenue Expenditure commensurate the rate of growth of GSDP during 2012-13, 2013-14 and 2014-15. However, it did not commensurate the rate of growth of GSDP during 2015-16.

1.6.3 Committed Expenditure

The Committed Expenditure of the Government under Revenue head mainly consists of interest payments (₹ 21,448 crore), expenditure on salaries and wages (₹ 74,439 crore), pensions (₹ 24,150 crore) and subsidies (₹ 7,691 crore). The Committed Expenditure (₹ 1,27,728 crore) constitutes a major component of revenue expenditure and consumed 75 *per cent* of the non-plan revenue expenditure (₹ 1,69,485 crore).

Table 1.21 and **Chart 1.11** present the trends under the committed expenditure during 2011-16.

Table 1.21: Trends in Components of Committed Expenditure

(₹ in crore)

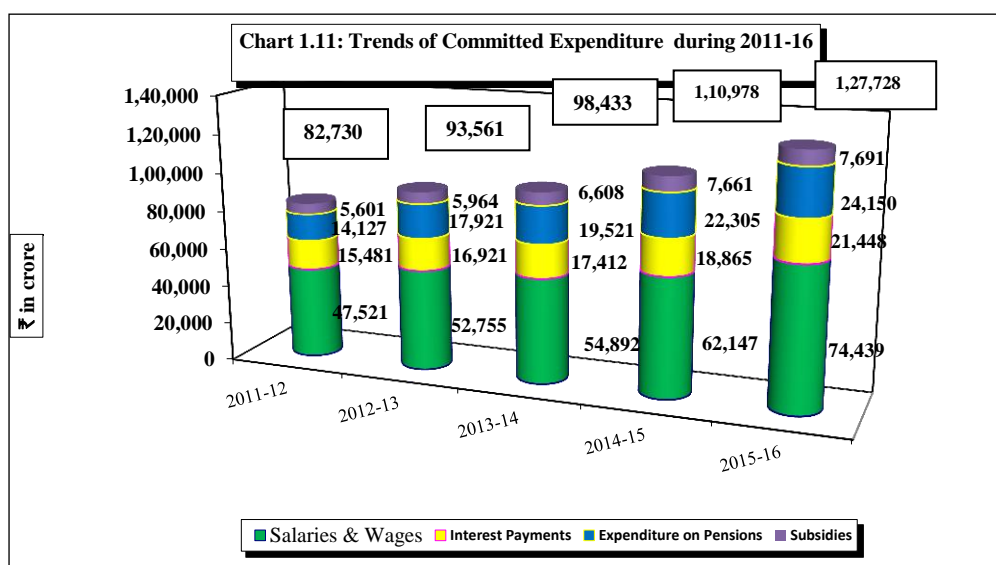
Components of Committed Expenditure	2011-12	2012-13	2013-14	2014-15	2015-16	
					BE	Actuals
Salaries* & Wages, Of which	47,521(36)	52,755 (36)	54,892 (33)	62,147 (32)	81,333	74,439 (33)
Non-Plan Head	42,244	46,007	47,654	51,195		58,537
Plan Head**	5,277	6,748	7,238	10,952		15,902
Interest Payments	15,481(12)	16,921(12)	17,412 (10)	18,865(10)	21,117	21,448 (9)
Expenditure on Pensions	14,127(11)	17,921(12)	19,521 (12)	22,305(11)	28,805	24,150 (11)
Subsidies	5,601(4)	5,964(4)	6,608 (4)	7,661(4)	8,240	7,691 (3)
Total Committed Expenditure	82,730(63)	93,561(64)	98,433 (59)	1,10,978(57)	1,39,495	1,27,728(56)

Figures in the parentheses indicate percentage to Revenue Receipts.

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

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

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



(Source: Finance Accounts and VLC Data of the respective years)

Analysis of committed expenditure indicates increasing trends in all of its constituents during 2011-16. It increased by 54 per cent from ₹ 82,730 crore in 2011-12 to ₹ 1,27,728 crore in 2015-16 and the increases were mainly under salaries & wages and pensions. The component-wise increase/decrease under various indices of committed expenditure are discussed in succeeding paragraphs.

Salaries & Wages

An analysis of **Table 1.21** indicates that expenditure on Salaries and Wages (₹ 74,439 crore) increased by 20 per cent during 2015-16 over 2014-15. It was less than the budget estimate (₹ 81,333 crore) by ₹ 6,894 crore. Further, Non-plan heads and Plan heads shows an increasing trend during 2011-16. The expenditure under Non-plan heads increased (39 per cent) from

₹ 42,244 crore in 2011-12 to ₹ 58,537 crore in 2015-16. Under Plan heads, the expenditure on salaries and wages increased (201 *per cent*) from ₹ 5,277 crore in 2011-12 to ₹ 15,902 crore in 2015-16.

Pension Payments

The expenditure on pensions indicates an increasing trend during 2011-16. It increased (71 *per cent*) from ₹ 14,127 crore in 2011-12 to ₹ 24,150 crore in 2015-16. Compared to 2014-15, it increased (eight *per cent*) by ₹ 1,845 crore. The expenditure of ₹ 24,150 crore during 2015-16 was less (₹ 4,655 crore) than the Budget provision (₹ 28,805 crore). The Government had also introduced a Contributory Pension Scheme for employees recruited on or after 1 April 2005 to mitigate impact of rising pension liabilities.

Interest Payments

Interest Payments as percentage of Revenue Receipts decreased from 12 *per cent* in 2011-12 to nine *per cent* in 2015-16. Actual Interest Payments (₹ 21,448 crore) exceeded (₹ 331 crore) the provision made in Budget Estimates (₹ 21,117 crore).

Subsidies

Finance Accounts (*Appendix II*) showed that the Government paid explicit subsidies amounting to ₹ 7,691 crore during 2015-16, which constituted three *per cent* of the Revenue Receipts. Of the total subsidy paid, ₹ 5,708 crore (74 *per cent*) was disbursed under Non-plan, ₹ 1,084 crore (14 *per cent*) under Plan and ₹ 899 crore (12 *per cent*) under Centrally Sponsored Schemes⁴. The subsidy given to major activities were under energy activities: ₹ 5,200 crore (68 *per cent*); agriculture and other allied activities: ₹ 1,880 crore (24 *per cent*), industries: ₹ 289 crore (four *per cent*) and social welfare: ₹ 178 crore (three *per cent*). The activity wise details are discussed below.

Compared to 2014-15, the expenditure on payment of subsidy under **energy sector** decreased by ₹ 97 crore (two *per cent*) during 2015-16. Maximum amount of subsidy was paid under non-plan heads to U.P. Power Corporation Limited amounting ₹ 4,200 crore as a compensatory grant and ₹ 1,000 crore as revenue compensation grant paid as Electricity Tax during 2015-16.

Compared to 2014-15, the expenditure on payment of subsidy under **agriculture sector** decreased by ₹ 43 crore (two *per cent*) during 2015-16. Maximum amount of subsidy amounting to ₹ 240 crore was paid under non-plan heads, to U.P. Electricity Corporation for electricity supply to private tubewell farmers for improvement in agricultural production. Apart from this, subsidies were also paid for loan to farmers at low interest rate through Cooperative Agricultural Loan Committees (₹ 150 crore), establishment of Solar Photovoltaic Irrigation Pump (₹ 126 crore), Integrated Water Shed Management (₹ 105 crore) and Regional Development Project of Ram Ganga and Sharda Shahyak (₹ 105 crore).

⁴Funds routed through State Budget.

Compared to 2014-15, the subsidy under **social welfare sector**, decreased by ₹ 110 crore (38 *per cent*) during 2015-16. Maximum amount of subsidies (₹ 35 crore) were paid as assistance to small and marginal farmers for agricultural production (free boring), ₹ 28 crore for National Rural Livelihood Mission and ₹ 25 crore for National Food Security Mission.

Some of the implicit subsidies during 2015-16 are detailed in **Table 1.22**.

Table 1.22: Details of some of the implicit subsidy during 2015-16

(₹ in crore)

Sl. No.	Schemes/ Subsidy	Name of Department	Amount
1	Distribution of free books to boys of General Category	Education Department (Primary Education)	24.90
2	Distribution of free books for Class 6 to 8 boys of General Category	Education Department (Primary Education)	25.84
3	Free Uniforms to children studying in primary and higher primary schools	Education Department (Primary Education)	38.56
4	<i>Kanya Vidya Dhan</i> Scheme	Education Department (Secondary Education)	235.46
5	Free Laptops to 12 th passed Boys/ Girls	Education Department (Secondary Education)	79.00
Total			403.76

(Source: Appropriation Accounts 2015-16)

Thus, the State Government made the payment of ₹ 403.76 crore on account of implicit subsidy during 2015-16.

1.7 Quality of Expenditure

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

1.7.1 Adequacy of Public Expenditure

The expenditure responsibilities relating to Social Sector and Economic Infrastructure are largely State subjects. Enhancing human development levels requires the States to step up their expenditure on key Social Services like, education and health etc. Low fiscal priority (ratio of expenditure under a category to Aggregate Expenditure) is attached to a particular sector if it is below the respective National Average. The fiscal priorities of the State Government with regard to Development Expenditure, Social Services Expenditure and Capital Expenditure during 2015-16 is analysed in **Table 1.23**.

Table 1.23: Fiscal Priorities of the State in 2012-13 and 2015-16*(in per cent)*

Fiscal Priority (percentage to GSDP)	AE/ GSDP	DE[#]/ AE	SSE/ AE	ESE/ AE	CE/ AE	Education/ AE	Health/ AE
General Category States* Average (Ratio) 2012-13	20.12	70.03	38.47	29.70	13.70	17.72	4.72
Uttar Pradesh's Average (Ratio) 2012-13	21.51	59.13	36.93	22.20	14.39	18.17	5.22
General Category States* Average (Ratio) 2015-16	16.05 [#]	70.63	36.29	34.34	14.89	15.63	4.45
Uttar Pradesh's Average (Ratio) 2015-16	24.81	69.32	33.16	36.17	22.50	16.14	4.69
* Excludes Jammu & Kashmir and Manipur AE: Aggregate Expenditure; DE: Development Expenditure; SSE: Social Services Expenditure; ESE: Economic Services Expenditure; CE: Capital Expenditure. # Development expenditure includes Development Revenue Expenditure, Development Capital Expenditure and Loans and Advances disbursed.							

Analysis revealed that:

- Aggregate expenditure of the State as a ratio to GSDP was higher in both the years 2012-13 and 2015-16 as compared to General Category States (GCS).
- The State Government has not given adequate fiscal priority to Development Expenditure in 2012-13 and 2015-16 as its ratio to Aggregate Expenditure was less than the ratio for GCS.
- The ratio of Social Services Expenditure to Aggregate Expenditure was slightly lower than the ratio for GCS in 2012-13 and 2015-16.
- The ratio of Economic Services Expenditure to Aggregate Expenditure in the State was lower than GCS in 2012-13 but slightly higher than the GCS in 2015-16.
- The ratio of Capital Expenditure to Aggregate Expenditure was higher than the ratio for GCS in 2012-13 and 2015-16.
- The ratio of expenditure on Education Sector to Aggregate Expenditure in Uttar Pradesh was slightly higher than GCS in 2012-13 and 2015-16.
- Expenditure on the Health Sector in the State was slightly higher than GCS in 2012-13 and 2015-16.

The State Government is required to give more priority to Development Expenditure and Social Services Expenditure specially Education and Health Sector.

1.7.1.1 Development and Non-Development Expenditure

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

The rate of growth of development and non-development expenditure of the Government during 2011-16 is given in **Table 1.24**.

Table 1.24: Development and Non-Development Expenditure

(₹ in crore)

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Revenue expenditure	1,23,885	1,40,724	1,58,147	1,71,027	2,12,736
Capital expenditure	21,574	23,834	32,863	53,297	64,423
Loans and advances	976	1,003	1,473	1,873	9,118
Total expenditure	1,46,435	1,65,561	1,92,483	2,26,197	2,86,277
Development expenditure	86,897	97,904	1,17,209	1,46,705	1,98,456
Rate of growth of development expenditure (in per cent)	16	13	20	25	35
Non-development expenditure	59,538	67,657	75,274	79,492	87,821
Rate of growth of non-development expenditure (in per cent)	10	14	11	6	10

(Source: Finance Accounts of the respective years)

Table indicates that the rate of growth of Non-development Expenditure increased from 10 per cent in 2011-12 to 14 per cent in 2012-13 and further decreased upto 10 per cent in 2015-16. The rate of growth of Development Expenditure exceeded in comparison to the rate of growth of Non-development Expenditure significantly in 2015-16. Though, in this increase of ₹ 51,751 crore in Development Expenditure during 2015-16, ₹ 24,332 crore is imparted due to allocation to Economic Services for meeting the condition envisaged in the Ujjwal Discom Assurance Yojna (UDAY) showing significant growth in the developmental activities.

1.7.1.2 Plan and Non-plan Revenue Expenditure

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

Table 1.25: Plan and Non-plan Revenue Expenditure

(₹ in crore)

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Total Expenditure	1,46,435	1,65,561	1,92,483	2,26,197	2,86,277
Revenue Expenditure	1,23,885	1,40,724	1,58,147	171,027	2,12,736
Non-plan Revenue Expenditure	1,01,269	1,14,846	1,26,490	1,37,765	1,69,485
Plan Expenditure	22,616	25,878	31,657	33,262	43,251
Capital Expenditure	21,574	23,834	32,863	53,297	64,423
Loans and Advances	976	1,003	1,473	1,873	9,118
Rate of Growth of Total Expenditure	14	13	16	18	27
Rate of growth of Non-plan Revenue expenditure	17	13	10	9	23
Rate of growth of plan expenditure	7	14	22	5	30

(Source: Finance Accounts of the respective years)

Table indicates that the rate of growth of Total Expenditure oscillated between 13 *per cent* and 27 *per cent* and rate of growth of Plan Expenditure also oscillated between five *per cent* and 30 *per cent* during 2011-16. The rate of growth of Non-plan Revenue Expenditure decreased from 17 *per cent* (2011-12) to nine *per cent* in 2014-15. During 2015-16, it increased to 23 *per cent*.

1.7.2 Efficiency of Expenditure use

Table 1.26 provides the details of Capital Expenditure and Revenue Expenditure incurred on maintenance of social and economic services. The ratio of capital expenditure to total expenditure during 2015-16 decreased over 2014-15 by 5.44 *per cent*.

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

Social/Economic Infrastructure	2014-15			2015-16		
	Ratio of CE to TE	Revenue expenditure (₹ in crore)		Ratio of CE to TE	Revenue expenditure (₹ in crore)	
		S&W	O&M		S&W	O&M
Total (SS)	17.14	36,883	271	11.82	47,866	347
Total (ES)	50.52	8,856	3,637	42.72	8,921	3,688
Total (SS+ES)	33.60	45,739	3,908	28.16	56,787	4,035
Major Components of Social Services						
General Education	3.97	29,603	11	2.47	39,986	24
Health and Family Welfare	15.87	5,794	106	16.77	6,238	109
WS, Sanitation & HUD	75.33	96	131	45.66	139	187
Major Components of Economic Services						
Agriculture & Allied Activities	19.78	2,396	41	28.04	2,310	46
Irrigation and Flood Control	43.35	2,491	1,541	48.74	2,514	1,223
Power & Energy	47.04	22	00	38.35	31	01
Transport	81.88	04	2,023	81.35	99	2,389
TE: Total Expenditure; CE: Capital Expenditure; S&W: Salaries and Wages; O&M: Operations & Maintenance.						

(Source: Finance Accounts and VLC data of 2014-15, 2015-16)

The share of Capital Expenditure to Total Expenditure during 2015-16 under Social Services decreased by 5.32 *per cent* and under Economic Services by 7.80 *per cent* over the previous year. Under the Social Services, the decrease in the ratio of Capital Expenditure to Total Expenditure during 2015-16 over the previous year was mainly in the area of water supply, education, sanitation and urban housing development (29.67 *per cent*). Under the Economic Services, there was decrease of 8.69 *per cent* in power and energy sector.

There was an increase of 8.26 *per cent* in agriculture and allied activities and 5.39 *per cent* in irrigation and flood control.

The share of Salaries and Wages to Total Expenditure increased by ₹ 11,048 crore in 2015-16 as compared to 2014-15 (₹ 45,739 crore). The increases in Salaries and Wages in Social Services were 30 *per cent* and in Economic Services one *per cent*. The increases were shared between Social Services (₹ 10,983 crore) and Economic Services (₹ 65 crore), though there was a decrease of ₹ 86 crore in agriculture and allied activities as compared to the year 2014-15.

The share of O&M expenditure in the Revenue Expenditure under Social Services increased by ₹ 76 crore in 2015-16 compared to 2014-15 (₹ 271 crore). Similarly, the overall share of O&M expenditure in the Revenue Expenditure under the Economic Services increased by ₹ 51 crore in 2015-16 compared to 2014-15. There was a significant decrease of ₹ 318 crore (21 *per cent*) in irrigation and flood control as compared to the year 2014-15.

1.8 Financial Analysis of Government Expenditure and Investments

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

1.8.1 Financial results of irrigation works

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

Receipts (₹ 651 crore) from the major, medium and minor irrigation projects during 2015-16 were 13 *per cent* of the expenditure of ₹ 4,891 crore on their operation and maintenance which was much below the cost recovery assessment of 35 *per cent* of the Fourteenth Finance Commission for 2015-16, indicating that the projects were commercially unviable.

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

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

Year	Revenue Expenditure	Revenue Receipts	Percentage of Revenue Receipts to Revenue Expenditure	Cost recovery assessment of 13 th FC(2010-15)/ 14 th FC (2015-20)	Gap in cost recovery
	₹ in crore		In per cent		
2011-12	3,736	232	6	35	29
2012-13	4,323	258	6	45	39
2013-14	4,472	550	12	60	48
2014-15	5,009	397	8	75	67
2015-16	4,891	651	13	35	22

(Source: Finance Accounts of the respective years and Reports of Thirteenth and Fourteenth Finance Commission)

Table indicates that the Government could not achieve norms fixed by the Thirteenth Finance Commissions as well as Fourteenth Finance Commission in respect of cost recovery rate and maintenance expenditure for major, medium and minor irrigation works. Besides, the gap in cost recovery continued to rise between 29 per cent (2011-12) and 67 per cent (2014-15) during the Thirteenth Finance Commission period. During the first year of Fourteenth Finance Commission (2015-16) the gap was 22 per cent.

1.8.2 Incomplete Projects

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

Table 1.28: Department wise profile of Incomplete Projects as on 31 March 2016

Department	No. of Incomplete projects	Initial budgeted cost	Revised cost of Projects	Cumulative Actual expenditure (March 2016)
Public Works (Roads & Bridges)	891	11,524	Not Available	4,321
Irrigation	33	3,219	16,634	10,086
Total	924	14,743	16,634	14,407

(Source: Finance Accounts 2015-16)

An expenditure of ₹ 14,407 crore (March 2016) incurred on 924 incomplete projects did not deliver envisaged benefits.

1.8.3 Investments and Returns

As of 31 March 2016, the Government had invested ₹ 84,357 crore in Statutory Corporations (₹ 755 crore), Government Companies (₹ 81,337 crore), Co-operatives (₹ 2,204 crore) and Banks (₹ 61 crore). The position of return on the investments during 2011-16 is given in **Table 1.29**.

Table 1.29: Returns on Investment

Investment⁵/return/cost of borrowings	2011-12	2012-13	2013-14	2014-15	2015-16
Investment at the end of the year (₹ in crore)	42,607.07	46,227.91	52,466.73	58,606.06	84,356.79
Returns (₹ in crore)	38.17	62.70	5.23	8.08	42.66
Returns (<i>per cent</i>)	0.09	0.14	0.01	0.01	0.05
Average rate of interest on Government borrowings (<i>per cent</i>)	6.62	6.73	6.43	6.40	6.35
Difference between interest rate and returns (<i>per cent</i>)	6.53	6.59	6.42	6.39	6.30

(Source: Finance Accounts of the respective years)

Table reveals that:

- During 2015-16, the Government mainly invested in share capitals of corporations engaged in thermal power generation, power transmission and distribution etc.
- As of 31 March 2015, the Government had invested ₹ 58,606 crore against which the return during 2014-15 was ₹ 8.08 crore only (0.01 *per cent*). However, as of 31 March 2016, the Government invested ₹ 84,357 crore against which the return during 2015-16 was ₹ 42.66 crore (0.05 *per cent*). The return was only 0.05 *per cent* while the Government paid interest at an average rate of 6.35 *per cent* on its borrowings during 2015-16, which was meagre as compared to cost of its borrowings.

1.8.4 Public Private Partnership Projects

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

The Government of Uttar Pradesh has informed the Accountant General (A&E) of details of 64 Public-Private Partnership (PPP) projects involving ₹ 1,32,786.43 crore, where developers have been selected. The Government has not intimated its financial obligation under the PPP arrangement.

⁵The figures of investments upto 2015-16 under section-1 and Major and Minor head wise investment during the year under section -2 of Statement number 19 of the Finance Accounts 2015-16 do not agree with each other. During 2015-16, the difference of ₹ 12,649.93 crore between the amount of investment as shown in section-1 (₹ 71,706.85 crore) and section-2 (₹ 84,356.79 crore) is under reconciliation.

1.8.5 Loans and Advances by State Government

In addition to investments in Co-operative Societies, Corporations and Companies, Government has also been providing loans and advances to many of these institutions/ organisations. **Table 1.30** presents outstanding Loans and Advances as on 31 March 2016 and interest receipt *vis-à-vis* interest payments during the last three years.

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

(₹ in crore)

Particulars	2013-14	2014-15	2015-16
Opening Balance	11,572	12,456	14,067
Amount advanced during the year	1,473	1,873	9,118
Amount recovered during the year	589	262	726
Closing Balance	12,456	14,067	22,459
Of outstanding balance for which terms and conditions have been settled			
Net addition	(+) 884	(+) 1,611	(+) 8,392
Interest receipts	19	14	26
Interest receipts as <i>per cent</i> to outstanding Loans and Advances	0.15	0.10	0.12
Outstanding fiscal liabilities of the State Government	2,81,709	3,07,859	3,67,252
Interest payment as <i>per cent</i> to outstanding fiscal liabilities of the State Government	6.18	6.13	5.84
Difference between interest payments and interest receipts (<i>per cent</i>)	6.03	6.03	5.72

(Source: Finance Accounts of the respective years)

The loans outstanding increased by ₹ 8,392 crore from ₹ 14,067 crore in 2014-15 to ₹ 22,459 crore in 2015-16. Major portion of loans advanced during 2015-16 was to Power (₹ 6,083 crore), Consumer Industries and Water Supply, Sanitation, Housing and Urban Development (₹ 721 crore).

1.8.6 Cash Balances and Investment of Cash Balances

The Government received interest amounting to ₹ 113.87 crore during the year 2015-16 on investments of cash balances. **Table 1.31** depicts the cash balances and investments made by the State Government out of Cash Balances during 2015-16.

Table 1.31: Cash Balances and Investment of Cash Balances

(₹ in crore)

Particulars	Opening balance as on 1 April 2015	Closing balance as on 31 March 2016
(a) General Cash Balances		
Cash in Treasuries	00.00	00.00
Deposits with Reserve Bank	(-) 1,009.27	(-) 1,409.33
Remittances in Transit- local	00.00	00.00
Total	(-) 1,009.27	(-) 1,409.33
Investment held in Cash Balance Investment Account	595.35	1,196.44
Total (a)	(-) 413.92	(-) 212.89

(b) Other Cash Balances and Investments		
Cash with Departmental Officers viz. Public Works Departmental Officers, Forest Department Officers, District Collectors	12.17	12.21
Permanent Advances for contingency expenditure with Departmental Officers	0.43	0.47
Investment of Earmarked Funds	45.20	45.20
Total (b)	57.80	57.88
Grand Total (a) + (b)	(-) 356.12	(-) 155.01

(Source: Finance Accounts 2015-16)

The Cash Balances stood at ₹ 200.21 crore (*debit*) after deducting ₹ 45.20 crore (₹ 200.21 crore *minus* ₹ 45.20 crore = ₹ 155.01 crore *debit* balance) on account of investments of the Earmarked Funds at the close of 2015-16. The cash balances at the close of March 2016 had declined by ₹ 201.11 crore relative to March 2015 (₹ 401.32 crore debit balance).

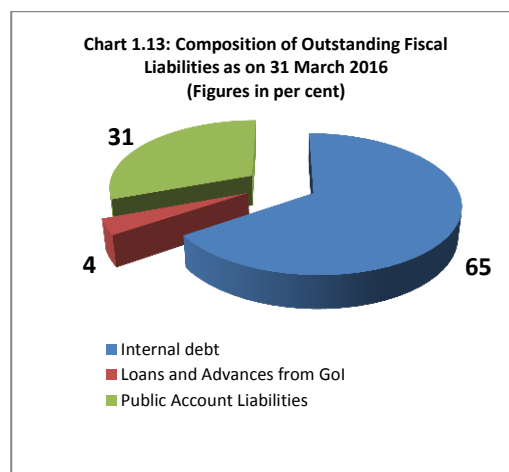
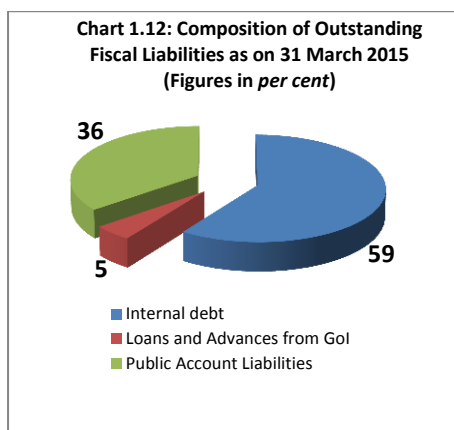
1.9 Assets and Liabilities

1.9.1 Growth and Composition of Assets and Liabilities

In the existing Government accounting system, comprehensive accounting of the fixed assets like land and buildings owned by the Government is not done. However, the Government accounts capture the financial liabilities and assets created out of expenditure incurred. *Appendix 1.7* gives an abstract of such liabilities and assets, as on 31 March 2016, compared with corresponding position on 31 March 2015. While the liabilities in *Appendix 1.7* consist mainly of Internal Borrowings, Loans and Advances from GoI, the Receipts from Public Accounts and Reserve Funds, the assets comprise mainly Capital Outlay and Loans and Advances given by the State Government and the Cash Balances.

1.9.2 Fiscal Liabilities

Trends in outstanding fiscal liabilities of the State are indicated in *Appendix 1.7* and the composition of fiscal liabilities during 2015-16, *vis-à-vis*, 2014-15 is presented in **Chart 1.12** and **1.13**.



(Source: Finance Accounts of 2014-15 and 2015-16)

Chart 1.12 and **Chart 1.13** indicate slight changes in the components of fiscal liabilities⁶ of the Government at the close of 2015-16 relative to 2014-15.

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

Table 1.32: Fiscal Liabilities- Basic Parameters

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Fiscal Liabilities (₹ in crore)	2,43,229	2,59,621	2,81,709	3,07,859	3,67,252
Rate of Growth (<i>per cent</i>)	8.21	6.74	8.51	9.28	19.29
Ratio of Fiscal Liabilities to					
GSDP (<i>per cent</i>)	35.59	31.55	29.84	29.51	31.83
Revenue Receipts (<i>per cent</i>)	185.86	177.94	167.47	159.16	161.73
Own Resources (<i>per cent</i>)	387.56	365.31	339.28	327.14	352.31
Buoyancy of Fiscal Liabilities with reference to					
GSDP (ratio)	NA	0.494	0.578	0.883	1.823
Revenue Receipts (ratio)	0.464	0.587	0.557	0.619	1.109
Own Resources (ratio)	0.410	0.509	0.506	0.696	1.791

(Source: Finance Accounts of the respective years)

Table reveals that the overall Fiscal Liabilities increased 51 *per cent* from ₹ 2,43,229 crore in 2011-12 to ₹ 3,67,252 crore in 2015-16 with growth rate of 19.29 *per cent* during 2015-16 compared to 9.28 *per cent* in 2014-15. However, the ratio of the Fiscal Liabilities to GSDP showed decreasing trend during 2011-15 though there was increase of 2.32 *per cent* during 2015-16. The buoyancy of fiscal liabilities with respect to GSDP showed increasing trend from 0.494 in 2012-13 to 1.823 in 2015-16.

1.9.3 Transactions under Reserve Funds

There exist a number of Reserve Funds in the accounts of the State Government, which have been created for specific and well defined purposes and are led by contributions of grants from the Consolidated Fund of the State or from outside agencies. The year wise details of such funds *viz.* name of funds, opening and closing balances together with receipts and disbursements for 2013-16 is given in **Appendix 1.8** and summarised in **Table 1.33**.

Particulars	₹ in crore)	
	As on 31 March 2015	As on 31 March 2016
Internal debt	1,83,191	2,40,836
Loans and advances from GoI	14,462	13,658
Public Account Liabilities	1,10,206	1,12,758
Outstanding fiscal Liabilities	3,07,859	3,67,252

Table 1.33: Position of Reserve Funds during 2013-16

(₹ in lakh)

Sl. No.	Head of Accounts	Number of Reserve Funds		Opening balance as on 1 April 2013	Receipts during 2013-16	Disbursements during 2013-16	Closing balance as on 31 March 2016
		Operative	Inoperative				
Reserve Funds bearing interest							
1	8115-Depreciation/ Renewal Reserve Fund	01	01	1,848.54	00	6,290.11	-4,441.57
2	8121-General and other Reserve Fund	01	01	126.69	00	126.69	Nil
Reserve Fund not bearing interest							
1	8222-Sinking Fund	01	Nil	34,83,444.33	19,83,102.80	11,63,282.60	43,03,264.53
2	8223-Famine Relief Fund	01	01	853.50	00	931.51	-78.01
3	8225-Roads and Bridge Fund	01	Nil	5744.65	740,000.00	7,77,891.14	-32,146.49
4	8226-Depreciation/ Renewal Reserve Funds	01	Nil	4,920.77	3,011.00	8,730.80	-799.03
5	8229-Development and Welfare funds	06	Nil	53905.26	6,00,634.93	5,86,933.01	67,607.18
6	8235-General and Other Reserve Funds	04	02	41,618.80	5,29,844.56	5,30,357.38	41,105.98
Total		16	05	35,92,462.54	38,56,593.29	30,74,543.24	43,74,512.59
Or say ₹43,745.13 crore							

(Source: Finance Accounts of the respective years)

Table reveals that five reserve funds out of 21 (with a closing balance of ₹ 43,745.13 crore) were not operated during the period 2013-16. The five reserve funds had closing balances of ₹ 0.68 crore (credit balance in three funds) and ₹ 45.20 crore (debit balance in two funds) at the end of March 2016.

1.9.3.1 Sinking Fund

The Twelfth Finance Commission recommended creation of Consolidated Sinking Fund for amortisation of outstanding liabilities by the State Governments. The guidelines of the Reserve Bank of India (RBI), which is responsible for administering the Fund stipulate a minimum annual contribution of 0.5 *per cent* of outstanding liabilities at the end of the previous financial year. Outstanding liabilities are defined as comprising of Internal Debt and Public Account liabilities of the State Government. In terms of Para 5 of the guidelines of Consolidated Sinking Fund, the State Government was required to contribute ₹ 1,539.30 crore (0.5 *per cent* of ₹ 3,07,859.13 crore the outstanding liabilities as on 31.03.2015) in the 2015-16.

The State Government, however, has not modified the already created sinking fund into the Consolidated Sinking Fund in terms of these guidelines. The Government has so far not provided any notification/legislation for setting up the State level Sinking Funds.

During the year (2015-16), it made a contribution of ₹ 6,966.78 crore. Further, since the contribution was by way of book transfer, the amount was not available for investment and was not administered by the RBI. During the year, the Fund showed a disbursement of ₹ 4,699.04 crore which was also by book transfer. The balance in this account is cleared by credit to the Head of Account 0075-Miscellaneous General Services as revenue receipt without involving any cash outflow from the Sinking Fund.

It overstates the revenue surplus of the State Government by the amount so transferred (i.e. by ₹ 4,699.04 crore this year) to the Revenue Account (under the Major Head 0075-Miscellaneous General Services).

1.9.3.2 Accident Relief Fund

As per provisions of Section 8(1) of Uttar Pradesh Motor Vehicle Taxation (UPMVT) Act, 1997 as amended in 2009 for the purpose of providing relief to the passengers or to heirs of such passengers or other persons suffering casualty in any accident in which a public service vehicle is involved the State Government shall establish a fund to be known as the Uttar Pradesh Road Transport Accident Relief Fund (UPRTARF). The amount equivalent to two *per cent* of the tax levied under Section 4 and two *per cent* of the additional tax levied under Section 6 shall be credited to the said fund.

During examination of the Monthly Statements of revenue receipts of the office of the Transport Commissioner, it was found that the Department had realised a sum of ₹ 5,453.04 crore as tax and additional tax from goods and passenger vehicles during the period between April 2012 and March 2016. Two *per cent* of this amount i.e. ₹ 109.06 crore was to be credited to the UPRTARF but could not be credited to the Fund by the Department as no such Fund had been established. It was further noticed that compensation amounting to ₹ 49.02 lakh was paid from the Budget Major Head “2235-Social Security and Welfare” during the year 2012-13 to 2015-16 to the passengers or heirs of such passengers against 334 cases of accidents from public service vehicles. The failure to create the fund, negated the very purpose of the provision of the Act and the compensation had to be paid out of revenue budget of the State.

During exit conference, the Government/Department accepted our observation and stated that process of amendment on Rules for creation of UPRTARF was in progress.

1.9.4 Contingent Liabilities – Status of Guarantees

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

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

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

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

Table 1.34: Guarantees given by the Government

(₹ in crore)			
Particulars	2013-14	2014-15	2015-16
Maximum amount guaranteed	69,752	78,023	78,826
Outstanding amount of guarantees (including interest)	62,822	70,740	57,618
Percentage of maximum amount guaranteed to total revenue receipts	41.47 (1,68,214)	40.34 (1,93,422)	34.71 (2,27,076)

(Source: Finance Accounts of the respective years: Figures in brackets indicate revenue receipts)

The maximum amount guaranteed increased (13 *per cent*) from the level of ₹ 69,752 crore in 2013-14 to ₹ 78,826 crore in 2015-16. The outstanding amount of guarantees (including interest) though increased from ₹ 62,822 crore (2013-14) to ₹ 70,740 crore (2014-15), it decreased to ₹ 57,618 crore in 2015-16. The maximum amount guaranteed was for three institutions of Power sector (₹ 72,214.23 crore), 11 institutions of Other sectors (₹ 2,730.52 crore), two banks of Co-operative sector (₹ 2,670.42 crore) and one institution of State Financial Corporation (₹ 1,210.47 crore). As a percentage of Total Revenue Receipts, the maximum amount guaranteed shows decreasing trend. It decreased from 41.47 *per cent* in 2013-14 to 34.71 *per cent* in 2015-16, The outstanding amount of guarantees, including interest, as on 31 March 2016 against State Financial Corporation was (₹ 27.46 crore - one institution), Power sector (₹ 54,428.82 crore - three institutions), Co-operative (₹ 1,895.04 crore - two institutions) and for Other Institutions (₹ 1,267.03 crore - 11 institutions).

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

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

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

Impact on Fiscal Deficit (₹ in crore)		Impact on Revenue Surplus (₹ in crore)		Particulars
Over statement	Under statement	Over statement	Under statement	
-	-	93.71	-	Under the Government Accounting Rules, expenditure on 'Minor Works' and expenditure on 'Grants-in-aid' should be booked to the Revenue Section. During 2015-16, the State Government provided and booked minor construction works amounting to ₹ 60.17 crore under various Capital heads instead of Revenue heads. Expenditure on grants-in-aid amounting to ₹ 33.54 crore has been incurred under capital section, whereas it should be expended as revenue expenditure thereby overstating the Revenue Surplus to this extent.
-	33.72	33.72	-	The expenditure during the year (2015-16) on "Pension and other Retirement Benefits" to State Government employees recruited on or before 31 March 2005 was ₹ 23,546.79 crore (including ₹ 1345.60 crore on account of leave encashment benefits) which was 11.07 per cent of the total revenue expenditure (₹ 2,12,735.95 crore). State Government employees recruited on or after 1 April 2005 are covered by the New Pension Scheme which is a defined contributory pension scheme. In terms of the Scheme, the employee contributes 10 per cent of basic pay and dearness allowances, which is matched by the State Government and the entire amount is transferred to the designated fund manager through the National Securities Depository Limited (NSDL)/ Trustee Bank. The actual amount payable by employees and the matching Government contribution has not been estimated correctly, but, against employees contribution of ₹ 636.51 crore during the year, the State Government contributed only ₹ 602.79 crore and the entire amount of ₹ 1,239.30 crore has been deposited under MH 8342-117 – Defined Contribution Pension Scheme. Out of this, an amount of ₹ 1,213.03 crore has been transferred to NSDL/Trustee Bank during 2015-16, leaving a balance of ₹ 580.11 crore in the Fund as on 31 March, 2016. The short contribution by the government was ₹ 33.72 crore (₹ 636.51 crore - ₹ 602.79 crore) by the Government under new pensioners benefits scheme overstated Revenue Surplus and understated the fiscal deficit to this extent.
-	4,699.04	4,699.04	-	The book balance equivalent to repaid amount, that is lying in the Sinking Fund, is debited and credited (contra-debit) by book transfer as revenue receipts under Head of Account 0075-Miscellaneous General Services- Receipts from Sinking Fund, without involving any cash

				outflow from the Sinking Fund. This has resulted in overstatement of the Revenue Surplus and understatement of fiscal deficit by ₹ 4,699.04 crore.
-	351.41	351.41	-	The Twelfth Finance Commission recommended that State Governments set up a Guarantee Redemption Fund. The State Government, however, has not created any Guarantee Redemption Fund. Further, no limit of Guarantee has been determined by the government. Under the guidelines, the State Government was required to make minimum annual contributions of ₹ 351.41 crore (0.5 per cent of outstanding guarantee of ₹ 70,281.15 crore at the beginning of the year 2015-16) which was not done. Thus, the Revenue Surplus was overstated and fiscal deficit was understated to that extent.
-	13.92	13.92	-	At the beginning of 2014-15, State Disaster Response Fund (SDRF) had a balance of ₹ 185.56 crore. In terms of the para 4 of guidelines of SDRF, interest on uninvested balance is to be calculated at the average interest rate of Ways and Means Advances. The interest of ₹ 13.92 crore for the year 2015-16 (at the rate of 7.5 per cent, which is the average of interest on Ways and Means Advances for 2014-15) has not been paid by the State Government, the Revenue Surplus has been overstated by ₹ 13.92 crore for 2015-16. The fact of non-investment and that the Fund continues to be non-interest bearing, has impacted the corpus.
-	5,098.09	5,191.80		Total
	₹ 5,098.09 crore	₹ 5,191.80 crore		

(Source: Finance Accounts 2015-16)

The budgeting and booking under incorrect expenditure and revenue heads of accounts has an impact upon the Revenue Surplus and Fiscal Deficit by overstating revenue surplus by ₹ 5,191.80 crore and understating fiscal deficit by ₹ 5,098.09 crore.

1.10 Debt Management

Apart from the magnitude of debt of the State Government, it is important to analyse various indicators that determine the debt sustainability of the State. This section assesses sustainability of debt of the Government in terms of debt-GSDP ratio and debt-repayment to debt-receipt ratio; net availability of borrowed funds; burden of Interest Payments (measured by interest payments to revenue receipts ratio) and maturity profile of the State Government securities.

Table 1.36 presents indicators of debt sustainability for the period of five years beginning from 2011-12.

Table 1.36: Debt Sustainability- Indicators and Trends

(₹ in crore)

Indicators of debt sustainability	2011-12	2012-13	2013-14	2014-15	2015-16
Net availability of borrowed funds	3,051	(-)463	4,741	7,352	38,011
Burden of Interest Payments (Interest Payment/Revenue Receipt ratio)	12	12	10	10	9
Revenue Receipts	1,30,869	1,45,904	1,68,214	1,93,422	2,27,076
Outstanding Debt	2,43,229	2,59,621	2,81,709	3,07,859	3,67,252
Rate of Growth of Outstanding Debt	8	7	9	9	19
GSDP	7,24,049	8,22,903	9,44,146	10,43,371	11,53,795
Rate of Growth of GSDP	NA	13.65	14.73	10.51	10.58
Outstanding Debt (Fiscal Liabilities) / GSDP	34	32	30	30	32
Interest Payment	15,481	16,921	17,412	18,865	21,448
Average interest rate of outstanding debt	10	10	10	10	9
Debt Repayment/ Debt Receipt	49	60	60	63	48

(Source: Finance Accounts of the respective years)

Ratio of interest payment to revenue receipts was 12 *per cent* during 2011-13 and decreased to 10 *per cent* during 2013-15. It again decreased to nine *per cent* during 2015-16. This indicates the sustainable level of debt of the State Government. However, the interest payment continuously shows the increasing trend during 2011-16. It increased by ₹ 2,583 crore (14 *per cent*) during 2015-16 in comparison to 2014-15 but due to continuous increase in revenue receipts during 2011-16 it counterbalanced the increase in the interest payment.

An important condition for debt sustainability is stabilisation in terms of debt/GSDP ratio. The high debt GSDP ratio will indicate unsustainable levels of public debt while low debt GSDP ratio indicates sustainable levels of public debt. The debt GSDP ratio decreased from 34 *per cent* in 2011-12 to 30 *per cent* in 2013-14 and 2014-15, which indicates the sustainable level of public debt, though it increased to 32 *per cent* in 2015-16. The ratio of debt repayment to debt receipt shows substantial decrease in 2015-16 (48 *per cent*) from 2014-15 (63 *per cent*). However, the market loans showed an increasing trend from ₹ 17,500 crore in 2014-15 to ₹ 30,000 crore in 2015-16 and also loans from financial institutions increased from ₹ 7,176 crore in 2014-15 to ₹ 31,669 crore in 2015-16.

1.10.1 Net Availability of Borrowed Funds

The net funds available on account of the Internal Debt and Loans and Advances from GoI and other obligations after providing for the interest and repayments varied between *minus 1.05 per cent* and 33.43 *per cent* during 2011-16.

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

Table 1.37: Net availability of Borrowed Funds

(₹ in crore)

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Receipts under Public Debts and Other Liabilities	49,849	44,039	55,057	71,455	1,13,502
Repayments (principal and interest) under Public Debts and other Liabilities	46,797	44,502	50,316	64,103	75,557
Net funds available	3,051	(-)463	4,741	7,352	37,945
Net fund available (in <i>per cent</i> of receipts)	6.12	(-)1.05	8.61	10.29	33.43

(Source: Finance Accounts of the respective years)

It would be seen from the **Table** that the receipts during 2015-16 were above the repayments made by the Government on account of internal debt (₹ 16,275 crore), GoI loans (₹ 1,397 crore) and also other obligations (₹ 36,437 crore) along with interest (₹ 21,448 crore) as a result of which percentage of availability of borrowed funds increased to 33.43 *per cent* at the end of 2015-16 from 10.29 *per cent* in 2014-15.

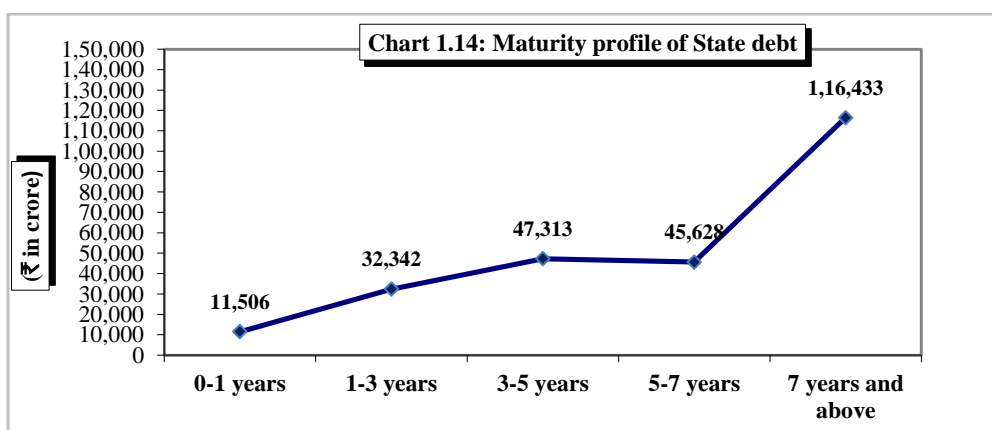
1.10.2 Maturity Profile of Market Borrowings

In terms of maturity profile, 53.75 *per cent* of the outstanding State debt belonged to the maturity category of below seven years and 45.75 *per cent* of the outstanding State debt belonged to the maturity category of seven years and above. **Table 1.38** and **Chart 1.14** presents the maturity profile of State debt.

Table 1.38: Maturity Profile of State Debt

(₹ in crore)

Maturity profile	Internal Debt	Loans & Advances from the Central Government	Total	Per cent
0 – 1 year	10,141.76	1,364.02	11,505.78	4.52
1 – 3 years	29,529.43	2,812.41	32,341.84	12.71
3 – 5 years	44,415.32	2,897.89	47,313.21	18.59
5 – 7 years	42,713.70	2,914.61	45,628.31	17.93
7 years and above	1,12,763.64	3,669.28	1,16,432.92	45.75
Under reconciliation with the State Government	1,271.94	00	1,271.94	0.50
Total	2,40,835.79	13,658.21	2,54,494.00	100.00



(Source: Finance Accounts 2015-16)

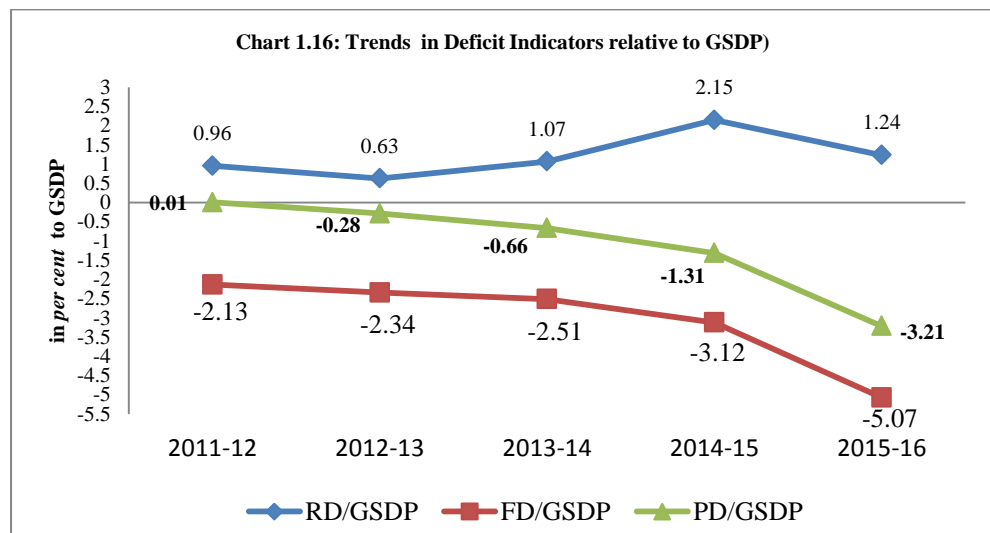
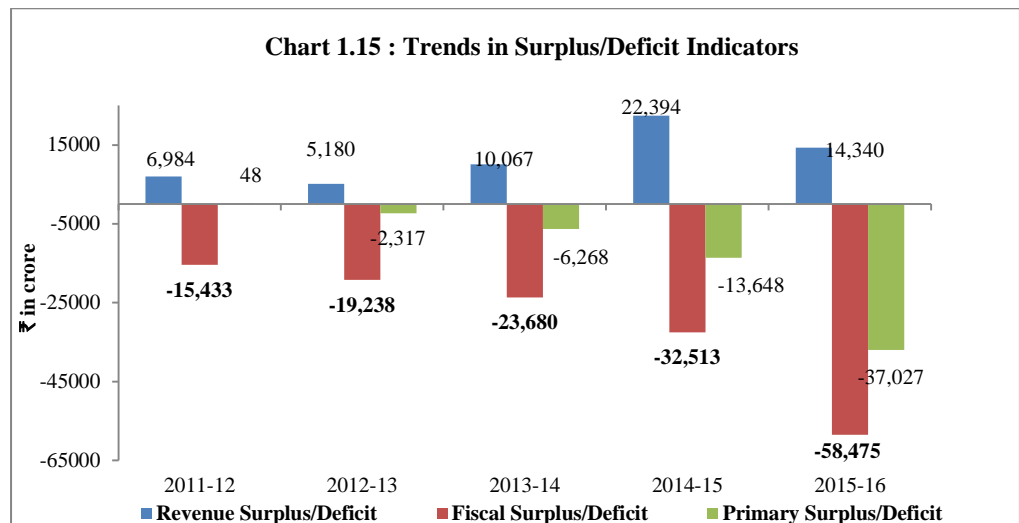
Chart 1.14 indicates bunching of repayments after one year and seven years and above, making the repayment burden critical.

1.11 Fiscal Imbalances

Three key fiscal parameters - revenue, fiscal and primary deficits - indicate the extent of overall fiscal imbalances in finances of the Government during a specified period. The deficit in Government accounts represents gap between its receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources raised are applied, are important pointers to its fiscal health. This section presents trends, nature, magnitude and the manner of financing these deficits and also the assessment of actual levels of revenue and fiscal deficits, *vis-à-vis*, targets set under FRBM Act, 2004/Rules for the financial year 2015-16.

1.11.1 Trends in Deficits

Chart 1.15 and **1.16** present the trends in deficit indicators over the period 2011-16.



(Source: Finance Accounts of the respective years)

The amendments of the FRBM Act were made in 2011 and 2016, according to which the revenue deficit was to remain nil and the fiscal deficit was to be reduced to not more than three *per cent* of GSDP during 2015-16.

The State achieved the target of reducing the revenue deficit to nil in 2006-07 itself and continued to have Revenue surplus upto 2015-16. At the end of 2015-16, the State has a Revenue surplus of ₹ 14,340 crore. The fiscal deficit showed increasing trend from the level of ₹ 15,433 crore in 2011-12 to ₹ 58,475 crore in 2015-16. It is worthwhile to mention here that the fiscal deficit has been overstated by ₹ 24,332 crore due to meeting the conditions of implementation of UDAY. At the end of the financial year 2015-16, there was a primary deficit of ₹ 37,027 crore. This was due to increase in the fiscal deficit by ₹ 25,962 crore as compared to the year 2014-15(Chart 1.15).

1.11.2 Composition of Fiscal Deficit and its Financing Pattern

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

Table 1.39: Components of Fiscal Deficit and its Financing Pattern

(₹ in crore)

Particulars		2011-12	2012-13	2013-14	2014-15	2015-16
Decomposition of Fiscal Deficit						
Fiscal deficit (1 to 3) and figures in brackets indicate <i>per cent</i> to GSDP		15,433 (2.13)	19,238 (2.34)	23,680 (2.51)	32,513 (3.12)	58,475 (5.07)
1	Revenue Deficit(+)/Surplus (-)	(-) 6,984	(-)5,180	(-)10,067	(-)22,394	(-) 14,340
2	Net Capital Expenditure	21,574	23,834	32,863	53,297	64,423
3	Net Loans and Advances	843	584	884	1,610	8,392
Financing Pattern of Fiscal Deficit*						
1	Market Borrowings	12,834	6,263	5,054	13,513	25,301
2	Loans from GoI	(-) 999	(-)1,099	(-)1,075	(-) 875	(-) 803
3	Special Securities Issued to NSSF	395	2,429	2,768	6,325	4,339
4	Loans from Financial Institutions	(-) 865	(-) 681	(-)12	7,146	28,005
5	Small Savings, PF etc.	3,630	3,342	2,363	1,686	1,534
6	Deposits and Advances	(-) 2,038	1,753	5,037	1,050	(-) 1,543
7	Suspense and miscellaneous	608	3,540	(-)9,637	535	(-) 677
8	Remittances	(-) 209	986	(-)98	1,608	(-) 197
9	Others (i.e. transactions under Contingency Fund, Reserve Fund, Cash Balances and Investment)	2,077	2,705	19,280	1,525	(-) 2,516
Fiscal deficit		15,433	19,238	23,680	32,513	58,475

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

(Source: Finance Accounts of the respective years)

Fiscal deficit shows increasing trend during 2011-16, ranging between ₹ 15,433 crore (2011-12) and ₹ 58,475 crore (2015-16). The fiscal deficit, compared to previous year, increased from ₹ 32,513 crore in 2014-15 to ₹ 58,475 crore during 2015-16 (80 *per cent*).

1.11.3 Quality of Deficit/Surplus

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

Table 1.40: Primary Deficit/Surplus – Bifurcation of Factors

(₹ in crore)

Year	Non-debt Receipts	Primary Revenue Expenditure	Capital Expenditure	Loans and Advances	Primary Expenditure	Primary Revenue surplus (+)	Primary deficit (-)/ surplus (+)
1	2	3	4	5	6 (3+4+5)	7 (2-3)	8 (2-6)
2011-12	1,31,002	1,08,404	21,574	976	1,30,954	(+)22,598	(+)48
2012-13	1,46,323	1,23,803	23,834	1,003	1,48,640	(+)22,520	(-)2,317
2013-14	1,68,803	1,40,735	32,863	1,473	1,75,071	(+)28,068	(-)6,268
2014-15	1,93,684	1,52,162	53,297	1,873	2,07,332	(+)41,522	(-)13,648
2015-16	2,27,802	1,91,288	64,423	9,118	2,64,829	(+)35,514	(-)37,027

(Source: Finance Accounts of the respective years)

- During the period 2011-16, the Non-debt Receipts increased (74 *per cent*) from ₹ 1,31,002 crore in 2011-12 to ₹ 2,27,802 crore during 2015-16.
- The primary deficit of the Government of Uttar Pradesh increased from ₹ 2,317 crore (2012-13) to ₹ 37,027 crore during 2015-16 because Non-debt Receipts were not sufficient to meet the primary revenue expenditure, capital expenditure and loans and advances altogether.

1.11.4 Financial Health of the State

The various parameters such as Fiscal Deficit and Fiscal Liabilities are the important indicators to determine financial health of the State Government. The position of these parameters together with their growth rates during 2011-16 is given in **Table 1.41**.

Table 1.41: Financial Health of the State

(₹ in crore)

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
GSDP	7,24,049	8,22,903	9,44,146	10,43,371	11,53,795
Revenue Receipts	1,30,869	1,45,904	1,68,214	1,93,422	2,27,076
Fiscal Deficit (-)	(-) 15,433	(-) 19,238	(-) 23,680	(-) 32,513	(-)58,475
Fiscal Deficit/ GSDP	(-) 2.13	(-)2.34	(-)2.51	(-) 3.12	(-) 5.07
Growth Rate of Fiscal Deficit (<i>Per cent</i>)	13 (1,23,885)	25 (1,40,724)	23 (1,58,147)	37 (1,71,027)	80 (2,12,736)
Fiscal Liabilities	2,43,229	2,59,621	2,81,709	3,07,859	3,67,252
Fiscal Liabilities/GSDP	34	32	30	30	32
Growth Rate of Fiscal Liabilities (<i>Per cent</i>)	8	7	9	9	19
Fiscal Liabilities / Revenue Receipts (<i>Per cent</i>)	186	178	167	159	162

(Source: Finance Accounts of the respective years : Figures in brackets indicate Revenue Expenditure)

The fiscal deficit during 2015-16 stood at 5.07 *per cent* of GSDP, which exceeded the target set by FRBM Act, of three *per cent* by 2.07 *per cent*. The rate of increase in fiscal deficit was 80 *per cent* in 2015-16, compared to only 13 *per cent* in 2011-12, indicating increased fiscal imbalance. The higher level of fiscal deficit is attributed to higher revenue expenditure and increase in allocation to Economic Services mainly due to meeting the liability of the UDAY scheme. The fiscal deficit of ₹ 58,475 crore was financed through increased market borrowings and loans from the financial institutions etc. The ratio of fiscal liabilities to revenue receipts, shows decreasing trend during 2011-15 from 186 *per cent* (2011-12) to 159 *per cent* (2014-15). However, it slightly increased to 162 *per cent* in 2015-16 and still indicates improved debt sustainability on account of higher revenue receipts.

1.12 Follow up

Separate Report on State Finances is being prepared from the year 2008-09 onwards and is being presented to the State Legislature. A discussion in Public Accounts Committee on this report is yet to commence.

1.13 Conclusion and Recommendations

Conclusion

- **Review of Fiscal situation**

The Revenue Surplus of Government of Uttar Pradesh decreased by ₹ 8,054 crore in 2015-16 from the level of 2014-15 which was mainly due to only 17 *per cent* increase in Revenue Receipts whereas Revenue Expenditure increased by 24 *per cent* over 2014-15. Further, the actual Fiscal Deficit exceeded the target of not more than three *per cent* of GSDP by 2.07 *per cent*, as set by the Fourteenth Finance Commission and by 2.11 *per cent*, the target of 2.96 *per cent* of GSDP as set by the FRBM Act. However, actual Total Outstanding Debt stood at 31.83 *per cent* of GSDP

at the end of 2015-16 which was above (4.33 *per cent*) the target set (27.50 *per cent*) in the Budget Estimate and FRBM Act. It was above (0.83 *per cent*) the projections made in the Fourteenth Finance Commission (31 *per cent*).

- **Budget Estimates and Actuals**

The pattern of receipts and expenditure varied from what was envisaged at the stage of budget formulations for 2015-16 which indicates improper budget estimation. The Revenue Receipts of ₹ 2,27,076 crore and Revenue Expenditure of ₹ 2,12,736 crore fell short of the Budget Estimates of Revenue Receipts (₹ 2,49,880 crore) and Revenue Expenditure (₹ 2,45,756 crore).

- **Revenue Receipts**

Revenue Receipts grew up by ₹ 33,654 crore (17 *per cent*) over 2014-15. The increase was mainly contributed by States' Share of Union Taxes and Duties (₹ 24,351 crore; 37 *per cent*), Non-tax Revenue (₹ 3,200 crore; 16 *per cent*) and Tax Revenue (₹ 6,934 crore; nine *per cent*). Within Revenue Receipts, Own Tax Revenue increased by nine *per cent* against the stated growth rate of 13.5 *per cent* (relative to 2014-15) in budget speech by the Government.

- **Revenue Expenditure**

During 2015-16, Revenue Expenditure (₹ 2,12,736 crore) increased by 24 *per cent* relative to 2014-15 and Plan Expenditure and Non-plan Expenditure increased by 30 *per cent* and 33 *per cent* respectively. The increases under Plan Expenditure show growth of infrastructure and services network of the State.

- **Capital Expenditure**

During 2015-16, Capital Expenditure increased by 21 *per cent* relative to 2014-15. The increases were mainly under Roads and Bridges, Cooperation and Major Irrigations under Economic Services.

- **Adequacy of Public Expenditure**

The State Government has not given adequate fiscal priority to the Social Services Expenditure in 2015-16 especially Education and Health Sector as its ratio to Aggregate Expenditure was less than the ratio for General Category States.

- **Incomplete Projects**

An expenditure of ₹ 14,407 crore incurred (March 2016) on 924 incomplete projects did not deliver envisaged benefits.

- **Financial Health of the State**

Rate of increase in fiscal deficit increased from 37 *per cent* in 2014-15 to 80 *per cent* in 2015-16 indicating increased fiscal imbalance. However, the declining trend in ratio of fiscal liabilities to revenue receipts indicated improved debt sustainability in the State though it slightly increased in 2015-16.

- **Impact of UDAY on Revenue surplus, Fiscal Deficit and outstanding liabilities**

The Revenue Surplus for the year 2015-16 is ₹ 14,340 crore which is understated by ₹ 12,166 crore as the same amount was incurred as grants-in-aid to UPPCL. On the other hand, Fiscal Deficit has been overstated by ₹ 24,332 crore as the amount incurred as the revenue expenditure (₹ 12,166 crore as grants-in-aid to UPPCL), capital expenditure (₹ 6,083 crore as share capital investment in U.P. Electricity Corporation Ltd.) and loans and advances (₹ 6,083 crore as Government Securities Loans to UPPCL) are the components of Fiscal Deficit. Due to meeting the conditions of implementation of UDAY, the fiscal liabilities also increased by ₹ 24,332 crore.

Recommendations

- The budget estimation process should be realistic and the system of control on expenditure should be strengthened by Chief Controlling Officer.
- The State Government should closely monitor parking of fund outside Government account.
- The State Government must prioritise the projects for sanction and must prepare annual works plan so that adequacy of funds required for execution of projects ensured.
- The physical and financial progress of execution of works to be closely monitored to minimise slippage of execution by the executing agencies i.e. private contractors and public sector undertakings.
- The State Government must ensure that the executing agencies are held accountable for delays by enforcing recovery of penalties as per terms of contracts/ agreements.

