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**Chapter-1**  
**FINANCES OF THE STATE**  
**GOVERNMENT**

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## CHAPTER 1

### FINANCES OF THE STATE GOVERNMENT

#### Profile of Jharkhand

The State of Jharkhand, which was created in November 2000 by dividing the State of Bihar, has an area of 79,714 Sq. km. It is the 16<sup>th</sup> largest State of the country in terms of geographical area. As indicated in **Appendix 1.1 Part-A** the State's population increased from 2.69 crore in 2001 to 3.30 crore in 2011 an increase of 22.68 *per cent* between the two census data. The percentage of population below the poverty line was 42.4 as compared to the all-India average of 30. The State's Gross State Domestic Product (GSDP) in 2015-16 at current prices was ₹ 2,41,955 crore. The State's literacy rate increased from 44 *per cent* (as per 2001 census) to 66.41 *per cent* (as per 2011 census). At current prices, the per capita income of the State stood at ₹ 72,307 during 2015-16.

#### Gross State Domestic Product (GSDP)

GSDP is the market value of all officially recognised final goods and services produced within the State in a given period of time. The growth of GSDP of the State is an important indicator of the State's economy as it indicates the standard of living of the State's population. The new GSDP figure published with 2011-12 as base year has been used. As such, the percentages/ratios in relevant table for the years 2011-12, 2012-13, 2013-14, 2014-15 and 2015-16 as published in the previous Audit Reports have undergone changes. The comparative trend in the State with annual growth of India's GDP at current prices is indicated **Table 1.1**:

**Table 1.1: Trends in Gross State Domestic Product**

| Year                             | 2011-12   | 2012-13   | 2013-14     | 2014-15     | 2015-16     |
|----------------------------------|-----------|-----------|-------------|-------------|-------------|
| India's GDP (₹ in crore)         | 87,36,039 | 99,51,344 | 1,12,72,764 | 1,24,88,205 | 1,35,76,086 |
| Growth rate of GDP (percentage)  | 20.5      | 13.9      | 13.3        | 10.8        | 8.7         |
| State's GSDP* (₹ in crore)       | 1,50,918  | 1,74,724  | 1,88,567    | 2,17,107    | 2,41,955    |
| Growth rate of GSDP (percentage) | 18.6      | 15.8      | 7.9         | 15.1        | 11.4        |

\*Source: Website of Ministry of Statistics and Programme Implementation, Government of India.  
Rates of growth represents growth at current prices.

The GSDP of Jharkhand State grew at the rate of 11.4 *per cent* during 2015-16 against the Fourteenth Finance Commission (14<sup>th</sup> FC) projection of 11.73 *per cent* for the year which was better than the growth rate of India's GDP 8.7 *per cent*. The Compound Annual Growth Rate (CAGR) of GSDP of the Jharkhand was 12.52 *per cent* during 2011-16.

The increase in GSDP of the State was mainly due to increase in the value of State Domestic Product in Primary Sector (17 *per cent*) in Agriculture and Mining & Quarrying.

Against the per capita GSDP of ₹ 1,08,369 of General Category States, the per capita GSDP of Jharkhand was just ₹ 72,307.

#### 1.1 Introduction

This Chapter provides a broad perspective of the finances of the Government of Jharkhand during the year 2015-16 and analyses critical changes in the major

fiscal aggregates in relation to the previous year, keeping in view the overall trend during the last five years. The analysis has been based on audit of the State Finance Accounts 2015-16 and information obtained from the State Government. The structure and form of Government accounts have been explained in **Appendix 1.1 Part B** and the layout of the Finance Accounts is depicted in **Appendix 1.1 Part C**.

The methodology adopted for assessment of the fiscal position of the State is given in **Appendix 1.2**. Time series data on State Government finances for last five years is given in **Appendix 1.3**.

### 1.1.1 Summary of fiscal transactions in 2015-16

**Table 1.2** presents the summary of the State Government's fiscal transactions during the current year (2015-16) *vis-à-vis* the previous year (2014-15) while **Appendix 1.4 Part A** provides an abstract of receipts and disbursements as well as the overall fiscal position during the year 2015-16.

**Table 1.2: Summary of fiscal operations in 2015-16**

(₹ in crore)

| Receipts                                | 2014-15         | 2015-16         | Disbursements                            | 2014-15         | 2015-16         |                 |                 |
|---|-----------------|-----------------|--|-----------------|-----------------|-----------------|-----------------|
| Section-A: Revenue                      |                 |                 |  |                 | Non-plan        | Plan            | Total           |
| <b>Revenue Receipts</b>                 | <b>31564.56</b> | <b>40638.35</b> | <b>Revenue Expenditure</b>               | <b>31794.90</b> | <b>20759.81</b> | <b>15793.02</b> | <b>36552.83</b> |
| Own Tax revenue                         | 10349.81        | 11478.95        | General Services                         | 10623.45        | 11466.21        | 536.22          | <b>12002.43</b> |
| Non-Tax revenue                         | 4335.06         | 5853.01         | Social Services                          | 11915.34        | 5474.94         | 9368.87         | <b>14843.81</b> |
| Union Taxes and Duties                  | 9487.01         | 15968.75        | Economic Services                        | 9256.11         | 3818.66         | 5887.93         | <b>9706.59</b>  |
| Grants from GoI                         | 7392.68         | 7337.64         | GIA Contributions                        | 0.00            | 0.00            | 0.00            | 0.00            |
| Section -B: Capital                     |                 |                 |  |                 |                 |                 |                 |
| <b>Misc. Capital Receipts</b>           | <b>0.00</b>     | <b>0.00</b>     | <b>Capital Outlay</b>                    | <b>5542.94</b>  | <b>72.23</b>    | <b>8086.28</b>  | <b>8158.51</b>  |
| <b>Recoveries of Loans and Advances</b> | <b>33.06</b>    | <b>31.06</b>    | <b>Loans and Advances disbursed</b>      | <b>823.78</b>   | <b>72.23</b>    | <b>7407.77</b>  | <b>7480.00</b>  |
| <b>Inter State Settlement</b>           | <b>0.00</b>     | <b>0.00</b>     | <b>Inter State Settlement</b>            | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     |
| <b>Public Debt Receipts*</b>            | <b>6690.12</b>  | <b>13244.65</b> | <b>Repayment of Public Debt</b>          | <b>1879.88</b>  | <b>2245.93</b>  | <b>0.00</b>     | <b>2245.93</b>  |
| <b>Transfers to Contingency Fund</b>    | <b>0.00</b>     | <b>0.00</b>     | <b>Expenditure from Contingency Fund</b> | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     |
| <b>Public Account Receipts#</b>         | <b>20189.17</b> | <b>29036.72</b> | <b>Public Account Disbursements #</b>    | <b>19276.68</b> | <b>27053.00</b> |                 | <b>27053.00</b> |
| <b>Opening Cash Balance</b>             | <b>1285.48</b>  | <b>444.21</b>   | <b>Closing Cash Balance</b>              | <b>444.21</b>   | <b>1904.72</b>  |                 | <b>1904.72</b>  |
| <b>Total</b>                            | <b>59762.39</b> | <b>83394.99</b> | <b>Total</b>                             | <b>59762.39</b> |                 |                 | <b>83394.99</b> |

Source: Finance Accounts for the year 2014-15 and 2015-16

\* Excluding net transactions under Ways and Means advances and overdraft.

# Figures do not include transactions under 'Other Accounts' i.e. Departmental Cash Balance, Permanent Imprest and Cash Balance Investment.

The significant changes during 2015-16 as compared to the previous year are as under:

- Revenue Receipts (₹ 40,638.35 crore) increased by ₹ 9,073.79 crore (29 per cent) over that of the previous year (₹ 31,564.56 crore) mainly due to an increase in share of Union Taxes from Government of India (GOI) by ₹ 6,482 crore (68 per cent) over the previous year and also due to increase in Non-Tax Revenue by ₹ 1,518 crore (35 per cent) and Own Tax Revenue by ₹ 1,129 crore (11 per cent).

- Against the normative assessment of Own Tax Revenue (₹ 13,644 crore) and Non-Tax Revenue (₹ 4,759 crore) made by the Fourteenth Finance Commission, the actuals were ₹ 11,479 crore (84 *per cent*) and ₹ 5,853 crore (123 *per cent*), respectively. Thus, Own Tax Revenue fell significantly below the normative projections made by the 14<sup>th</sup> FC while collection of Non-Tax was more than the 14<sup>th</sup>FC Projection.
- Revenue Expenditure (RE) increased sharply from ₹ 31,795 crore in 2014-15 to ₹ 36,553 crore in 2015-16 due to increase in General Services and Social Services by ₹ 1,378 crore and ₹ 2,929 crore, respectively over the previous year. However, RE was 16 *per cent* lower than the budget estimate of ₹ 43,343 crore.
- Capital Expenditure increased by ₹ 2,616 crore (47 *per cent*) in 2015-16 over the previous year, which was mainly under Transport (₹ 1,016 crore), Irrigation and Flood Control (₹ 778 crore) and Rural Development (₹ 392 crore) departments.
- Public Debt receipts increased by ₹ 6,555 crore (98 *per cent*) in 2015-16 against increase of ₹ 1,987 crore (42 *per cent*) in 2014-15 over the previous year.
- Public Account receipts and Public Account disbursement increased by ₹ 8,848 crore (44 *per cent*) and ₹ 7,776 crore (40 *per cent*) respectively.
- The net impact of the above transactions was an increase of ₹ 1,460.51 crore in the cash balance at the end of 2015-16 over the previous year.

### 1.1.2 Review of the fiscal situation

The Government of Jharkhand enacted the Jharkhand Fiscal Responsibility and Budget Management (FRBM) Act, 2007 for ensuring fiscal stability, debt sustainability and greater transparency in the fiscal operation of the Government. Under the Act, the State Government was to eliminate the Revenue Deficit by the end of March 2009 and restrict the Fiscal Deficit up to three *per cent* of the estimated Gross State Domestic Product (GSDP). The 14<sup>th</sup>FC recommended a new and revised road map for fiscal consolidation thereby linking all grants and debt relief facilities for achievement of the targets.

Targets regarding major fiscal variables for the year 2015-16 as set in MTFP (Medium Term Fiscal Policy) Statement, 14<sup>th</sup>FC and in budget documents of the State are shown in **Table 1.3**.

**Table 1.3: Major fiscal variables**

(in *per cent*)

| Fiscal variables  | 2015-16                                  |                                  |                      |                     |
|---|--|----------------------------------|----------------------|---------------------|
|   | 14 <sup>th</sup> FC target for the State | Target as prescribed in MTFP Act | Target as per Budget | Actuals             |
| Revenue Deficit (-)/Surplus (+) w.r.t GSDP                | (+)6.8                                   | (+)4.36                          | (+)2.07              | (+)1.7              |
| Fiscal Deficit w.r.t. GSDP                                | (-)3.50                                  | (-)2.8                           | (-)2.28              | (-)4.8 <sup>1</sup> |
| Ratio of total outstanding debt of the Government to GSDP | 24.20                                    | 21.55                            | NA                   | 23.4                |

<sup>1</sup> Fiscal Deficit to GSDP will decrease to 2.5 *per cent* if the loan to Bijli Companies made out of borrowings on UDAY Bond is not considered for calculation of Fiscal Deficit as informed by the State Government in the light of tripartite agreement.

The State achieved the targets set in the FRBM Act by eliminating the Revenue Deficit in 2006-07 and turning the deficit into a Revenue Surplus of ₹ 946 crore which consistently improved to ₹ 2,665 crore in 2013-14, except in 2009-10 and 2014-15 when there was a Revenue Deficit of ₹ 10 crore and ₹ 230 crore respectively. However, in 2015-16 the State had a revenue surplus of ₹ 4,085 crore due to less expenditure in Social Services (by ₹ 6,790 crore) and Economic Services (by ₹ 1,578 crore) against the BE.

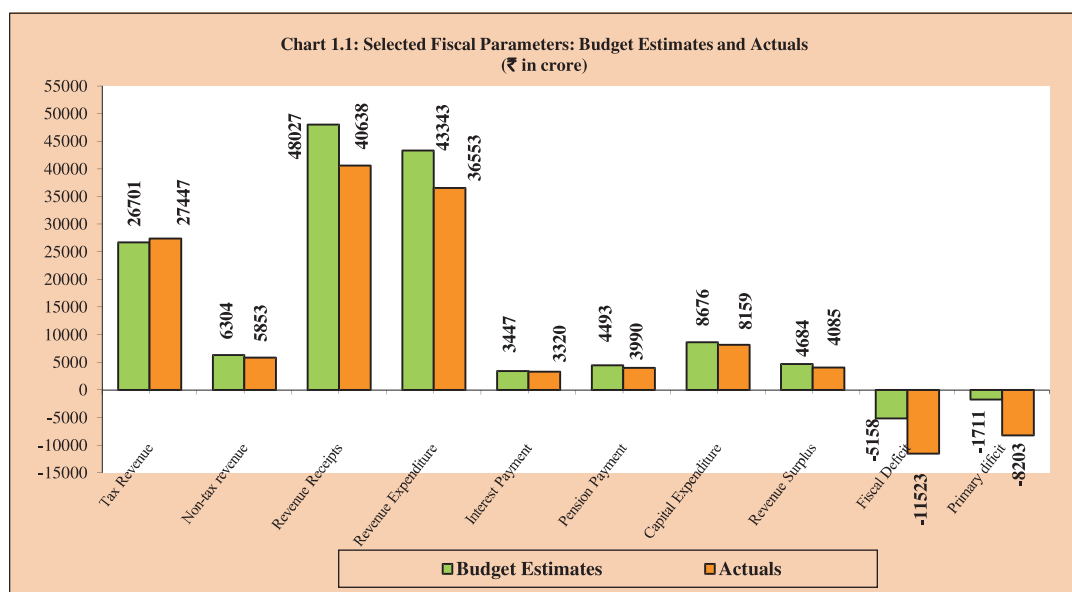
During 2015-16, the Fiscal Deficit (₹ 11,523 crore) was 4.8 per cent of GSDP which was much beyond the recommended ceiling 3.5 per cent by the 14<sup>th</sup>FC.

The Debt-GSDP ratio of the State was 23.4 per cent during 2015-16 which was beyond the budget estimate of 21.55 per cent and 24.20 per cent of 14<sup>th</sup>FC.

### 1.1.3 Budget estimates and actuals

The budget papers presented by the State Government provide descriptions of projections or estimations of revenue and expenditure for a particular fiscal year. The importance of accuracy in the estimation of revenue and expenditure is widely accepted in the context of effective implementation of fiscal policies for overall economic management. Deviations from the Budget Estimates are indicative of non-attainment and non-optimisation of the desired fiscal objectives due to a variety of causes, some within the control of the Government and some beyond the control of the Government.

**Chart 1.1** presents a comparative analysis of the budget estimates and actuals for some important fiscal parameters for 2015-16.



The above chart shows that both actual Revenue Receipts and Revenue Expenditure was much less than the budget prepared by the State Government for 2015-16. The shortfall in actual Revenue Receipts (by ₹ 7,389 crore) was mainly due to short receipt of Grants-in-aid from GOI (by ₹ 7,685 crore) as against the budget estimates. However, collection of Tax Revenue was more than the budget estimate.

The decrease in actual Revenue Expenditure (by ₹ 6,790 crore) was mainly due to decrease in actual expenditure incurred on Social Services (by ₹ 3,904 crore) and Economic Services (₹ 1,578 crore) during 2015-16.

The Capital Expenditure of the State was less than the Budget Estimates by ₹ 517 crore due to less expenditure on Social Services (by ₹ 598 crore) against what was budgeted, which is a matter of concern for the State.

### 1.1.4 Gender Budgeting

As per budget document it was observed that gender budgeting was not introduced in the State budget. However, we noticed in budget speech and Appropriation Accounts of the State that State Government made provisions for welfare of women and girls during 2015-16 in State budget, as shown below:

**Table 1.4: Budget provision and expenditure for women**

(₹ in crore)

| Scheme   | Budget Provision | Expenditure   | Savings      |
|--|------------------|---------------|--------------|
| Rajiv Gandhi Scheme for Empowerment of Adolescent Girls    | 66.03            | 20.72         | 45.31        |
| Kishori Shakti Yojna                                       | 2.14             | 0.90          | 1.24         |
| Indira Gandhi Matritwa Sahyog Yojna                        | 15.74            | 3.82          | 11.92        |
| Mukhyamantri Kanyadan Yojna                                | 40.00            | 33.43         | 6.57         |
| Skill Development Programme for Women and Adolescent Girls | 10.00            | 0.00          | 10.00        |
| Nari Utthan Kosh   | 2.00             | 0.00          | 2.00         |
| Tejaswani Yojna  | 0.50             | 0.50          | 0.00         |
| State Resource Centre for Women                            | 0.22             | 0.00          | 0.22         |
| Lakshmi Ladly Yojna  | 100.00           | 96.49         | 3.51         |
| Beti Bachao Beti Padhao                                    | 0.90             | 0.05          | 0.85         |
| Self Employment for Day care women                         | 0.30             | 0.20          | 0.10         |
| Widow Welfare  | 0.50             | 0.21          | 0.29         |
| Jeevan Aasha   | 4.44             | 0.00          | 4.44         |
| <b>Total</b>   | <b>242.77</b>    | <b>156.32</b> | <b>86.45</b> |

Source: Detailed Appropriation Accounts

From the **Table 1.4** it would be seen that out of ₹ 242.77 crore provided for the schemes made for upliftment of women/girls in the State during 2015-16, ₹ 86.45 crore (36 *per cent*) remained unutilized which defeated the very purpose of the provision of fund by the State Government. Expenditure in (1) Skill Development Programme for Women and Adolescent Girls (2) Nari Utthan was nil, while (1) Rajiv Gandhi Scheme for Empowerment of Adolescent Girls (2) Indira Gandhi Matritwa Sahyog Yojna and (3) Beti Bachao Beti Padhao yojna was very low with respect to the budget provisions in these schemes leading to non- achievement of the intended benefit during the period.

## 1.2 Resources of the State

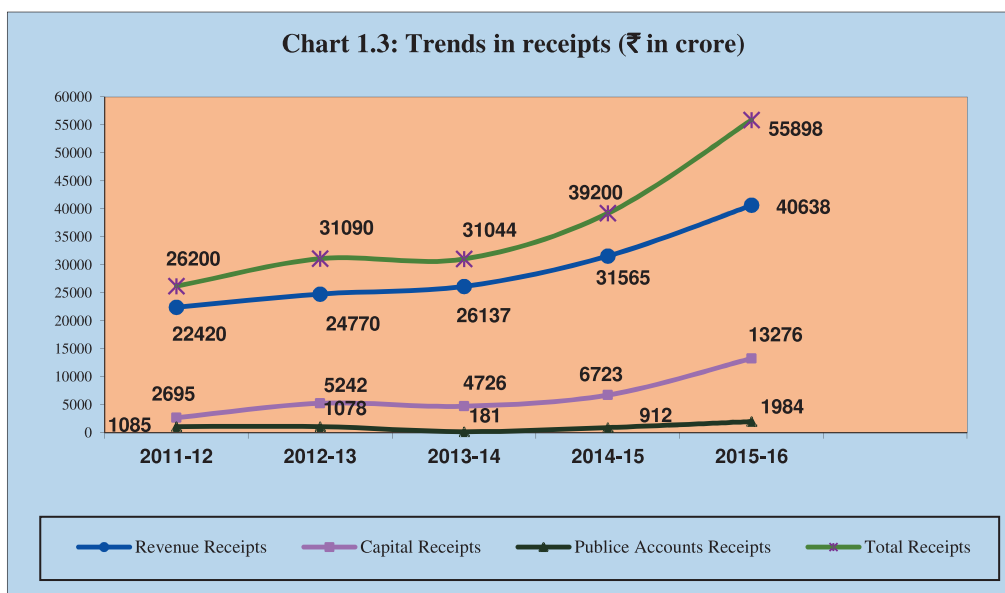
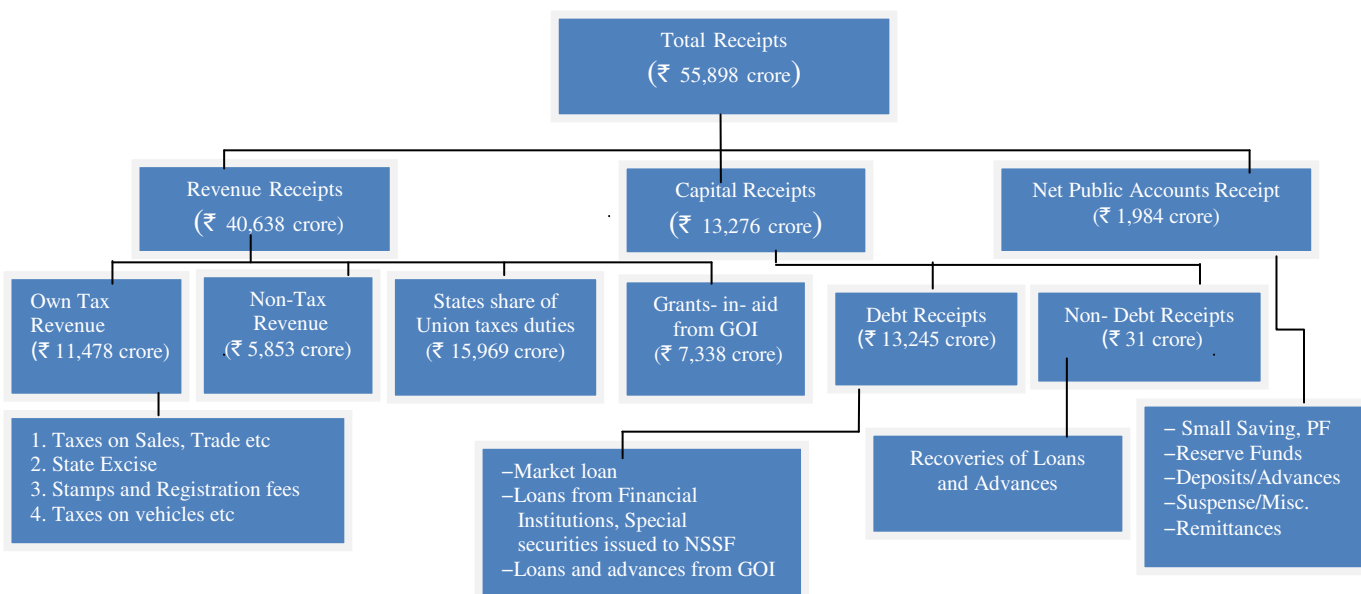
### 1.2.1 Resources of the State as per Annual Finance Accounts

Revenue and Capital are the two streams of receipts that constitute the resources of the State Government. Revenue Receipts consist of Own Tax Revenues, Non-Tax Revenues, State's Share of Union Taxes and Duties and Grants-in-aid from the 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. Besides, funds available in Public Accounts after disbursement is also utilised

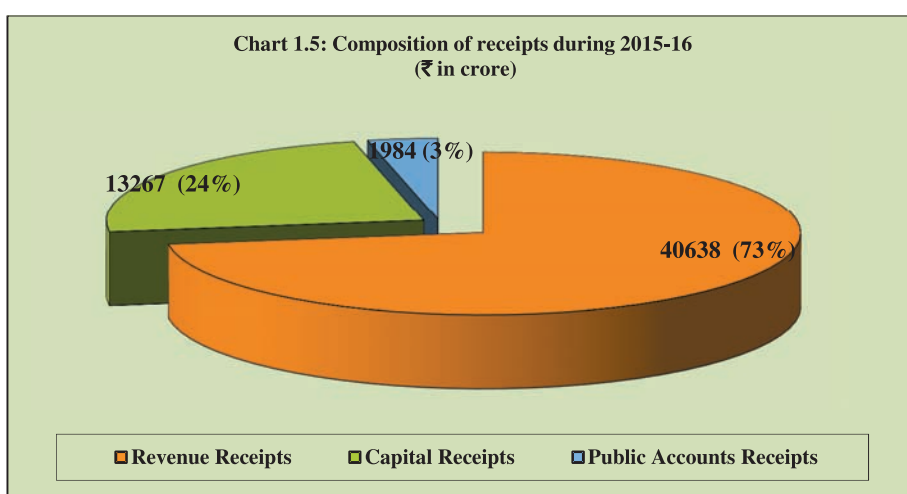
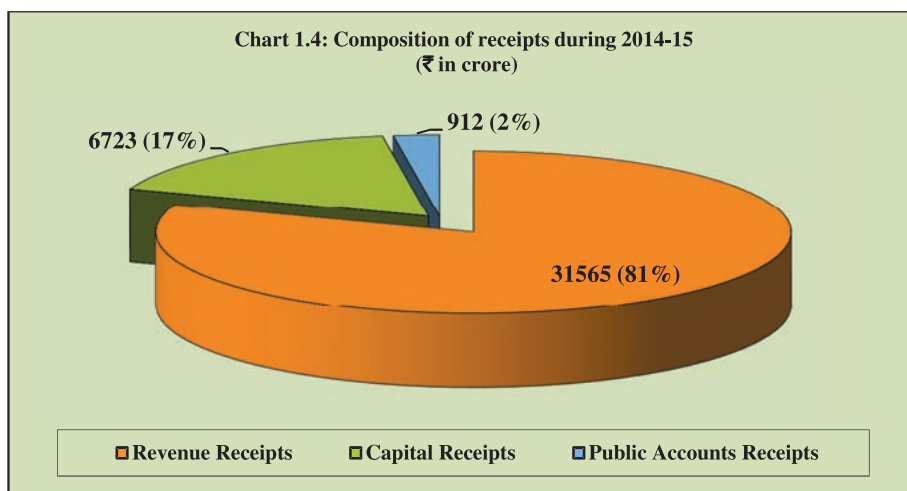
by the Government to finance its deficit. **Table 1.2** (at page 2) presents the receipts and disbursements of the State during the current year 2015-16 as recorded in its Annual Finance Accounts. Flow chart showing the components and sub-components of resources during the year 2015-16 is given in **Chart 1.2**, whereas, trends in various components of the receipts of the State during the period 2011-12 to 2015-16 is given in **Chart 1.3**.

Further, **Charts 1.4 and 1.5** depict the composition of resources of the State during 2014-15 and 2015-16 respectively.

**Chart 1.2: Components and sub-components of resources**







It may be seen from **Chart 1.2** to **Chart 1.5** that:

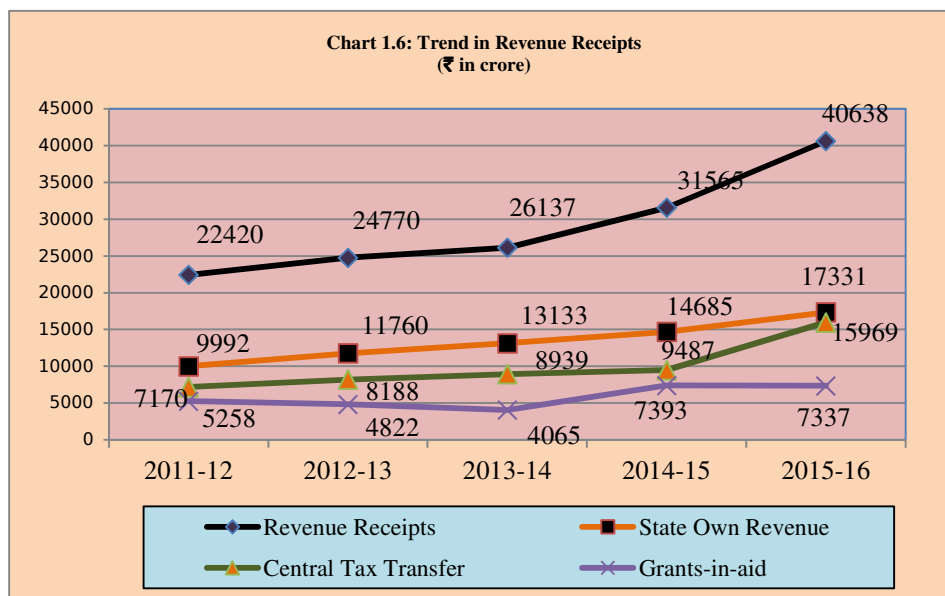
- The Total Receipts (including net Public Account) of the State increased from ₹ 26,200 crore in 2011-12 to ₹ 55,898 crore in 2015-16 and increased by ₹ 16,698 crore during 2015-16 over the previous year (2014-15).
- Share of Revenue Receipts to Total Receipts (RR/TR) decreased steadily from 86 *per cent* in 2011-12 to 73 *per cent* in 2015-16, except 80 *per cent* in 2012-13. During 2015-16 RR to TR percentage decreased due to increase in Public Debt Receipts.
- The Capital Receipts significantly increased from 10 *per cent* in 2011-12 to 24 *per cent* in 2015-16. During 2015-16, it increased to 24 *per cent* against 17 *per cent* in 2014-15 was mainly due to significant increase in borrowings from Bonds (₹ 5,553.37 crore) in the current year. The CAGR of Capital Receipts was 48.98 *per cent* during the period 2011-16.
- Net Public Account receipts increased from ₹ 912 crore (two *per cent* of Total Receipts) in 2014-15 to ₹ 1,984 crore (three *per cent* of Total Receipts) in 2015-16.

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

Till 31 March 2015, the Central Government had been transferring a sizeable quantum of funds directly to the State Implementing Agencies for implementing various schemes/programmes in social and economic sectors, which were recognised as critical and these funds were not routed through the State Budget/State Treasury System. Hence, expenditure of these funds was not mentioned in the Finance Accounts of the State. As such, the Annual Finance Accounts did not provide a complete picture of the resources of the State. However, GOI's decision to release all assistance pertaining to Centrally Sponsored Schemes/Additional Central Assistance directly to the State Government and not to implementing agencies had sharply reduced the direct transfer to implementing agencies in 2014-15. However, direct transfer increase from ₹ 130.92 crore in 2014-15 to ₹ 258.32 crore in 2015-16.

### 1.3 Revenue Receipts

Statement-14 of the Finance Accounts details the Revenue Receipts of the Government. The Revenue Receipts consist of its Own Tax Revenue, Non-Tax Revenue, Central Tax transfers and Grants-in-aid contribution from GOI. The trends and composition of Revenue Receipts over the period 2011-16 are presented in **Appendix 1.3** and also depicted in **Chart 1.6**.



An analysis of Revenue Receipts of the State revealed that:

- During 2015-16, the Revenue Receipts grew at 28.7 per cent over the previous year against a corresponding 20.8 per cent growth during 2014-15. However, in comparison to the budget estimate, the Revenue Receipts were less by ₹ 7,389 crore during 2015-16 mainly due to less receipt of GIA from Government of India (by ₹ 7,685 crore) against budget estimate (BE) offset by more CTT against BE. The CAGR of Revenue Receipts during 2011-16 was 16.03 per cent.

- Own Tax Revenue was about two times of Non-Tax Revenue during the period 2011-16.
- During 2015-16, 57 per cent of total Revenue Receipts came from Central Transfer and GOI grants, while State's Own Resources contributed the balance. Central contribution to Total Revenue Receipts was 53 per cent during 2014-15.
- During the current year, total Revenue Receipts (₹ 40,638 crore) comprised of State's Own Tax Revenue (OTR) ₹ 11,479 crore (28 per cent), Non-Tax Revenue (NTR) ₹ 5,853 crore (15 per cent), Central Tax Transfer (CTT) ₹ 15,969 crore (39 per cent) and Grants-in-aid from GOI ₹ 7,337 crore (18 per cent). However, during 2014-15 share of CTT and Grants-in-Aid from GOI in Total Receipts had slightly increased in comparison to the previous year.

The trend of Revenue Receipts relative to GSDP is presented in **Table 1.5**.

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

|   | 2011-12      | 2012-13      | 2013-14      | 2014-15      | 2015-16      |
|---|--------------|--------------|--------------|--------------|--------------|
| <b>Revenue Receipts (RR) (₹ in crore)</b> | <b>22420</b> | <b>24770</b> | <b>26137</b> | <b>31565</b> | <b>40638</b> |
| Rate of growth of RR ( <i>per cent</i> )  | 19.4         | 10.5         | 5.5          | 20.8         | 28.7         |
| RR/GSDP ( <i>per cent</i> )               | 14.9         | 14.2         | 13.9         | 14.5         | 16.8         |
| State's Own Tax / GSDP                    | 4.6          | 4.7          | 5.0          | 4.8          | 4.7          |
| Growth rate of GSDP                       | 18.6         | 15.8         | 7.9          | 15.1         | 11.4         |
| <b>Buoyancy Ratios<sup>2</sup></b>        |              |              |              |              |              |
| Revenue Buoyancy w.r.t GSDP               | 1.04         | 0.66         | 0.70         | 1.38         | 2.52         |
| State's Own Tax Buoyancy w.r.t GSDP       | 1.16         | 1.16         | 1.78         | 0.68         | 0.96         |
| Revenue Buoyancy w.r.t. State's own taxes | 0.90         | 0.57         | 0.39         | 2.02         | 2.63         |

- The growth rate of Revenue Receipts increased sharply from 20.8 per cent in 2014-15 to 28.7 per cent in 2015-16.
- Revenue buoyancy with respect to GSDP showed wide fluctuations ranging between 0.66 and 2.52 during the years 2011-12 to 2015-16. In 2015-16, it was highest (2.52) due to high growth rate of Revenue Receipts (28.7 per cent) and low growth rate of GSDP (11.4 per cent). During 2013-14, growth rate of Revenue Receipts was 5.5 per cent while the growth rate of GSDP was 7.9 per cent leading to fall in revenue buoyancy to 0.70 which later increased to 1.38 and 2.52 in 2014-15 and 2015-16 respectively.
- The State's Own Tax buoyancy with respect to GSDP showed wide variations between 0.68 and 1.16 during 2011-16, due to fluctuations in the growth rate of both GSDP and Own Tax Revenue. It was lowest during 2014-15 (0.68).
- The growth rate of GSDP of the Jharkhand recorded wide variation from 7.9 per cent to 18.6 per cent during the years 2011-12 to 2015-16. The GSDP grew by 11.4 per cent in 2015-16 at a CAGR of 12.52 per cent during 2011-16.

### 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

<sup>2</sup> Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For instance, revenue buoyancy at 0.6 implies that Revenue Receipts tend to increase by 0.6 percentage points, if the GSDP increases by one per cent.

in mobilisation of resources was assessed in terms of its own resources comprising own tax and other non-tax sources.

The State's actual Own Tax and Non-Tax Receipts for the year 2015-16 vis-à-vis assessment made by Fourteenth Finance Commission and budget estimates are given in the **Table 1.6**.

**Table 1.6: Tax and Non-Tax receipts**

(₹ in crore)

|                 | 14 <sup>th</sup> FC projections | Budget estimates | Actual |
|-----------------|---------------------------------|------------------|--------|
| Own Tax Revenue | 13644                           | 14586            | 11479  |
| Non-Tax Revenue | 4759                            | 6304             | 5853   |

Source: 14<sup>th</sup>FC report, Budget document and Finance Accounts of the State 2015-16

During 2015-16, the collection of State's Own Tax Revenue was ₹ 11,479 crore against the normative projection made by 14<sup>th</sup> FC of ₹ 13,644 crore and budget of ₹ 14,586 crore. The short achievement was mainly due to lesser collection of Sales Tax, State Excise and Taxes on Vehicles than estimated. The actual collection under these heads was ₹ 8,999 crore, ₹ 912 crore and ₹ 633 crore against the budget estimate of ₹ 11,180 crore, ₹ 1,200 crore and ₹ 901 crore respectively during the year.

The Own Tax to GSDP ratio in 2015-16 (4.7 *per cent*) was significantly less than the 14<sup>th</sup>FC norms of 6.32 *per cent*.

The Non-tax revenue of the State (₹ 5,853 crore) was slightly less than 14<sup>th</sup>FC projection of ₹ 6,304 crore for the year 2015-16.

### 1.3.1.1 Tax Revenue

The gross collection in respect of major taxes and duties are given in **Table 1.7**.

**Table 1.7: Components of Tax Revenue**

(₹ in crore)

| Revenue Head                 | 2011-12     | 2012-13     | 2013-14     | 2014-15      | 2015-16      | CAGR         | Cost of collection (2015-16) <i>per cent</i> | Cost of collection (2014-15) <i>per cent</i> | All India Average of cost of collection |
|------------------------------|-------------|-------------|-------------|--------------|--------------|--------------|--|--|---|
| Taxes on Sales, Trade, etc.  | 5522        | 6422        | 7305        | 8070         | 8999         | 12.99        | 0.53   | 0.59   | 0.91                                    |
| State Excise                 | 457         | 578         | 628         | 740          | 912          | 18.86        | 2.08   | 1.92   | 2.09                                    |
| Taxes on Vehicles            | 392         | 465         | 495         | 660          | 633          | 12.73        | 0.97   | 0.94   | 6.08                                    |
| Stamps and Registration Fees | 401         | 492         | 502         | 531          | 532          | 7.32         | 2.43   | 2.75   | 3.59                                    |
| Land Revenue                 | 53          | 96          | 230         | 84           | 164          | 32.63        | NA   | NA   |   |
| Taxes on Goods & Passengers  | 41          | 1           | 1           | 1            | 0            | -60.48       | NA   | NA   |   |
| Other Taxes                  | 88          | 170         | 219         | 264          | 239          | 28.11        | NA   | NA   |   |
| <b>Total Tax Revenue</b>     | <b>6954</b> | <b>8224</b> | <b>9380</b> | <b>10350</b> | <b>11479</b> | <b>13.35</b> |  |  |   |

Source: Finance Accounts for the respective years

Out of the total Tax Revenue in 2015-16, Sales Tax contributed 78 *per cent* followed by State Excise (eight *per cent*), Taxes on vehicles (six *per cent*) and other taxes shared the balance. The Tax Revenue of the State increased from ₹ 6,954 crore in 2011-12 to ₹ 11,479 crore in 2015-16. Growth rate of Tax Revenue decreased steadily from 21.6 *per cent* in 2011-12 to 10.30 *per cent* in 2014-15. However, it grew by 10.90 *per cent* in 2015-16 over the previous

year. The CAGR of Tax Revenue of the State was 13.35 *per cent* during the period 2011-16.

Commercial Tax Department attributed the increase in tax revenue during 2015-16 to better and effective tax administration as well as recovery of substantial dues. According to the Department, State Excise collections increased due to increase in rate of duty of Indian Made Foreign Liquor.

During 2015-16, collection of Land Revenue was doubled as compared to the previous year's collection. As per reason provided by the department the increase of 96.73 *per cent* was attributed to deposit of old dues and capitalised value of land from the lessees.

The cost of collection decreased in respect of all the taxes except on State Excise and Taxes on Vehicles where it increased from 1.92 and 0.94 *per cent* to 2.08 and 0.97 *per cent* respectively during 2015-16.

### 1.3.1.2 Non-Tax Revenue

Non-Tax Revenue (NTR) collected during 2015-16 was ₹ 5,853 crore against the normative projection of ₹ 4,759 crore by the 14<sup>th</sup>FC for the year.

Component-wise position of Non-Tax Revenue during 2011-16 is given in **Table 1.8**.

**Table 1.8: Component-wise Non-Tax Revenue**

(₹ in crore)

| Revenue Head           | 2011-12        | 2012-13        | 2013-14        | 2014-15        | 2015-16        |
|------------------------|----------------|----------------|----------------|----------------|----------------|
| Interest receipts      | 44.16          | 72.23          | 69.48          | 143.04         | 122.44         |
| Dividends & Profits    | 1.17           | 15.00          | 18.00          | 0.00           | 0.47           |
| Other non-tax receipts | 2992.89        | 3448.40        | 3665.23        | 4192.02        | 5730.11        |
| <b>Total</b>           | <b>3038.22</b> | <b>3535.63</b> | <b>3752.71</b> | <b>4335.06</b> | <b>5853.02</b> |

Source: Finance Accounts for the respective years

The share of NTR in Revenue Receipts increased from 13.73 *per cent* in 2014-15 to 14.40 *per cent* in 2015-16. In comparison to 16 *per cent* growth during 2014-15 the NTR increased significantly by 35 *per cent* in 2015-16 over the previous year mainly due to increased collections in Mining and Metallurgical Industries (by ₹ 911 crore), Other Administrative Service (by ₹ 507 crore) and receipts under Urban Development (by ₹ 231 crore) Departments. The CAGR of Non-Tax Revenue was 17.81 *per cent* during 2011-16.

### 1.3.2 Grants-in-Aid from Government of India

The trend of release of Grants-in-Aid by GOI under Non-Plan, State Plan, Centrally Sponsored and Central Plan Schemes is shown in the **Table 1.9**.

**Table 1.9: Component-wise grants released by GOI**

(₹ in crore)

| Particulars                                      | 2011-12        | 2012-13        | 2013-14        | 2014-15        | 2015-16        |
|--|----------------|----------------|----------------|----------------|----------------|
| Non-Plan Grants                                  | 1550.77        | 1483.41        | 1319.91        | 1780.26        | 1685.82        |
| Grants for State Plan Schemes                    | 2404.61        | 2393.94        | 1565.83        | 4914.69        | 4950.18        |
| Grants for Central Plan Scheme                   | 66.87          | 30.81          | 28.28          | 83.56          | 50.90          |
| Grants for Centrally Sponsored Schemes           | 1235.16        | 914.05         | 1150.96        | 614.17         | 650.74         |
| <b>Total</b>                                     | <b>5257.41</b> | <b>4822.21</b> | <b>4064.98</b> | <b>7392.68</b> | <b>7337.64</b> |
| Percentage of increase over previous year        | 28             | (-8)           | (-16)          | 82             | (-0.74)        |
| Total grants as a percentage of Revenue Receipts | 23.45          | 19.47          | 15.55          | 23.42          | 18.06          |

Source: Finance Accounts of Government of Jharkhand

- During 2015-16, Grants-in-aid from GOI stood at ₹ 7,337.64 crore, which decreased (by (-) 0.74 *per cent*) from ₹ 7,392.68 crore in 2014-15.
- Non-Plan grants from GOI decreased from ₹ 1,780.26 crore in 2014-15 to ₹ 1,685.82 crore in 2015-16 mainly due to decrease in grants for Elementary Education and Grants for State Specific Needs.

### 1.3.3 Central Tax transfer

During 2015-16, the Central Tax transfers (CTT) were ₹ 15,969 crore against ₹ 9,487 crore in 2014-15. The CTT of the State increased by ₹ 6,482 crore (68 *per cent*) during 2015-16 over the previous year. The increase was mainly under Corporation Tax (₹ 1,718 crore), Taxes on Income other than Corporation Tax (₹ 1,138 crore), Union Taxes and Duties (₹ 1,251 crore) and Service tax (₹ 1,356 crore). The CTT constituted 39.30 *per cent* of Revenue Receipts of the State during 2015-16 against 30.06 *per cent* in 2014-15.

**Table 1.10: Central Tax Transfer**

|                            | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | CAGR  |
|----------------------------|---------|---------|---------|---------|---------|-------|
| Central Tax Transfer (CTT) | 7170    | 8188    | 8939    | 9487    | 15969   | 22.16 |
| CTT as share of RR         | 31.98   | 30.06   | 34.20   | 30.06   | 39.30   |       |

### 1.3.4 Forgone Revenue

#### 1.3.4.1 Under-assessment, non-levy, short levy of taxes

During 2015-16, test check of the records of 123 units relating to Taxes on Trade etc., State Excise, Taxes on Vehicles, Land Revenue, Stamps and Registration Fees, Taxes and Duties on Electricity and Mines Receipts revealed under-assessment/short levy/loss of revenue aggregating ₹ 12,737.35 crore in 45,954 cases. During the year 2015-16, the departments concerned accepted under-assessment and other deficiencies of ₹ 12,120.88 crore in 40,355 cases pointed out by audit, of which ₹ 11,774.37 crore involved in 40,265 cases were pointed out during 2015-16 and the rest in the earlier year. The Departments recovered ₹ 362.23 crore in 804 cases during the year 2015-16.

#### 1.3.4.2 Revenue arrears

As on 31 March 2016, revenue arrears amounted to ₹ 3,237.28 crore in three Departments (Commercial Taxes, Transport and State Excise) out of which ₹ 2,608.99 crore was outstanding for more than five years. The major portion of the revenue arrears related to Commercial Taxes Department (₹ 2,936.44 crore) and Transport Department (₹ 270.27 crore). Information regarding revenue arrears from other departments was not furnished (August 2016).

The total revenue arrears as on 31 March 2016 were 19 *per cent* of own resources of the State against 23 *per cent* during 2014-15.

## 1.4 Capital Receipts

Apart from revenue receipts of the State, the State also received capital receipts, which comprise of proceeds from disinvestments, recovery of loans and advances given by the government, internal borrowings of the government



from financial institutions and Loans and Advances from Government of India (GOI). Details of capital receipts during 2011-16 are given in **Table 1.11**.

**Table 1.11: Trends in growth and composition of receipts**

| (₹ in crore)  |         |         |         |         |         |
|---|---------|---------|---------|---------|---------|
| Source of State's Receipts                                      | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 |
| Capital Receipts (CR)   | 2695    | 5242    | 4726    | 6723    | 13276   |
| Miscellaneous Capital Receipts                                  | 0       | 0       | 0       | 0       | 0       |
| Recovery of Loans and Advances                                  | 24      | 43      | 23      | 33      | 31      |
| Public Debt Receipts  | 2671    | 5199    | 4703    | 6690    | 13245   |
| Rate of growth of debt capital receipts ( <i>per cent</i> )     | 9.2     | 94.6    | -9.5    | 42.3    | 98.0    |
| Rate of growth of non-debt capital receipts ( <i>per cent</i> ) | 0.0     | 79.2    | -46.51  | 43.48   | -6.06   |
| Rate of growth of GSDP  | 18.6    | 15.8    | 7.9     | 15.1    | 11.4    |
| Rate of growth of CR ( <i>per cent</i> )                        | 9.1     | 94.5    | -9.8    | 42.3    | 97.5    |

Source: Finance Accounts of Government of Jharkhand for the respective years

During 2015-16, Capital Receipts increased to ₹ 13,276 crore against ₹ 6,723 crore in 2014-15 mainly due to significant receipt of ₹ 5,553.37 crore against Ujwal DISCOM Assurance Yojana (UDAY) bonds in 2015-16. The CAGR of Capital Receipts of the State was 48.98 *per cent*.

During 2015-16, the State borrowed ₹ 5,553.37 crore in shape of 10 Jharkhand Special Bonds (UDAY Bond) at an average rate of interest 8.51 *per cent* for providing funds to Power Sector Companies which resulted in sharp increase of Fiscal Liabilities (29.7 *per cent*) during 2015-16.

As per Finance Accounts, proceed from disinvestments was 'nil' during 2015-16.

#### 1.4.1 Recoveries from loans and advances

The recovery against the loans and advances given was very low. Details of loans given and recovery made during last five years are given below:

**Table 1.12: Loans and Advances**

| (₹ in crore)             |         |         |         |         |         |
|--------------------------|---------|---------|---------|---------|---------|
| Years                    | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 |
| Opening balance of Loans | 6997    | 7190    | 7748    | 7947    | 8738    |
| Loans given              | 21      | 601     | 222     | 824     | 7480    |
| Recovery made            | 24      | 43      | 23      | 33      | 31      |
| Closing balance of loans | 7190    | 7748    | 7947    | 8738    | 16,187  |

Jharkhand State Electricity Board (JSEB), which was divided into four companies during 2013, was the major recipient of loans and advances given every year but no repayment was made against the same, leading to outstanding balance of ₹ 15,455 crore as loans to Power sector at the end of 31 March 2016. During 2015-16, a loan of ₹ 7,375 crore was given for power projects. Repayments received were mainly against the loans and advances given to the Government servants. The CAGR of the loans given and closing balance of loans were 142.30 and 27.81 *per cent* respectively for the period 2011-16.

### 1.4.2 Debt receipts from internal sources

To fulfil its resource gap and to meet the capital expenditure, the State raises funds from the internal market. The internal market borrowings increased from ₹ 2,409 crore in 2011-12 to ₹ 13,080 crore in 2015-16 with a CAGR of 53.31 *per cent*. During 2015-16, the major contributor in internal debt was Uday Bond under head Compensation and other Bonds (₹ 5,553 crore) and Market Loans (₹ 5,350 crore).

### 1.4.3 Loans and advances from Government of India (GOI)

Loans and advances from GOI were received for State Plan schemes and fluctuated between ₹ 33 crore and ₹ 239 crore during 2011-16. It increased from ₹ 153 crore in 2014-15 to ₹ 165 crore in 2015-16.

## 1.5 Public Accounts Receipts

Receipts and disbursements in respect of certain transactions such as small savings, provident funds, reserve funds, deposits, suspense, remittances etc. which do not form part of the Consolidated Fund under Article 266 (2) of the Constitution and not subjected to vote by the State legislature, are kept in Public accounts. The balance after disbursements is the fund available with the government for use. Trend in Public Accounts Receipts are given in **Table 1.13**.

**Table 1.13: Trends in Public Accounts Receipts**

|                                    | (₹ in crore) |              |              |              |              |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Resources under various heads      | 2011-12      | 2012-13      | 2013-14      | 2014-15      | 2015-16      |
| <b>Public Accounts Receipts</b>    | <b>10813</b> | <b>14495</b> | <b>14275</b> | <b>20189</b> | <b>29037</b> |
| Small Savings, Provident Fund etc. | 613          | 668          | 760          | 843          | 830          |
| Reserve Fund                       | 138          | 280          | 293          | 308          | 522          |
| Deposits and Advances              | 5236         | 8706         | 7204         | 12182        | 19499        |
| Suspense and Miscellaneous         | 306          | 199          | -59          | 18           | 161          |
| Remittances                        | 4520         | 4642         | 6077         | 6838         | 8025         |

Source: Finance Accounts of Government of Jharkhand for the respective years

Public Accounts Receipts increased significantly from ₹ 20,189 crore in 2014-15 to ₹ 29,037 crore in 2015-16 due to increase in Deposits and Advances from ₹ 12,182 crore in 2014-15 to ₹ 19,499 crore in 2015-16. Deposits and Advances increased mainly under State Electricity Board Working Funds by ₹ 6,421 crore and Other Funds by ₹ 226 crore. The CAGR of Public Accounts Receipts was 28.01 *per cent* during the period 2011-16.

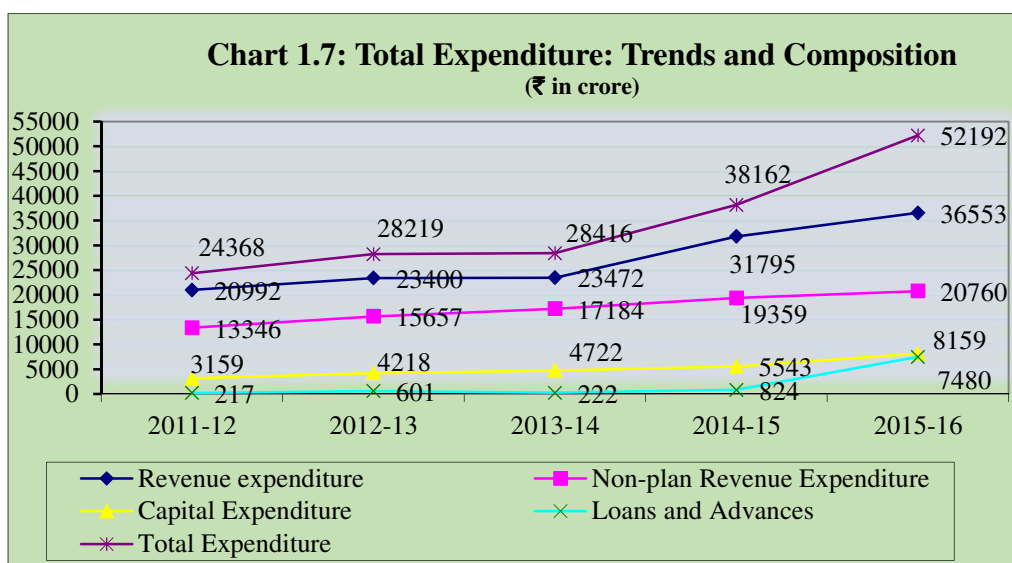
## 1.6 Application of resources

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 tightening and consolidation process at State level is not at the cost of expenditure directed towards development of social sector.



### 1.6.1 Growth and Composition of Expenditure

**Chart 1.7** presents the trends in Total Expenditure and its composition over a period of the last five years (2011-16).



Over the last five years, CAGR of Total Expenditure (TE) was 20.98 *per cent*. During 2015-16 the amount of Total Expenditure of the State was higher by (₹ 14,030 crore) over 2014-15.

- Of the TE, Revenue Expenditure constituted 70 *per cent* while Capital Expenditure constituted 16 *per cent*. Loans and Advances disbursed constituted 14 *per cent* of the TE.

#### 1.6.1.1 Capital Expenditure

During 2015-16, Capital Expenditure (CE) increased to ₹ 8,159 crore against ₹ 5,543 crore in 2014-15. The percentage of CE to Total Expenditure stood at 16 *per cent* during 2015-16 against 15 *per cent* in 2014-15. The percentage of CE to GSDP was 3.4 *per cent* during 2015-16 against 2.6 *per cent* during 2014-15.

#### 1.6.2 Revenue Expenditure (RE)

Revenue Expenditure (RE) was 70 *per cent* of the Total Expenditure (₹ 52,192 crore) during 2015-16 against 83 *per cent* in 2014-15. The RE increased steadily (by 74 *per cent*) from ₹ 20,992 crore in 2011-12 to ₹ 36,553 crore in 2015-16. During 2015-16, Revenue Expenditure was 15.1 *per cent* of GSDP. The CAGR of RE was 14.87 *per cent* during the period.

##### 1.6.2.1 Plan Revenue Expenditure (PRE)

The Plan Revenue Expenditure (PRE) increased from ₹ 12,436 crore in 2014-15 to ₹ 15,793 crore in 2015-16. PRE was less than its budget estimate by ₹ 6,563 crore during the year. The share of PRE in total RE increased from 39 *per cent* in 2014-15 to 43 *per cent* in 2015-16. The increase in PRE was due to increase in General Services (by ₹ 259 crore), Social Services (by ₹ 2,197 crore) and Economic Services (by ₹ 900 crore). The CAGR of PRE during 2011-16 was 19.88 *per cent*.

### 1.6.2.2 Non-Plan Revenue Expenditure (NPRE)

During 2015-16, the NPRE was ₹ 20,760 crore as against its budget estimate of ₹ 20,987 crore. The growth rate of NPRE decreased from 13 *per cent* in 2014-15 to seven *per cent* in 2015-16. The percentage of NPRE to the Total Revenue Expenditure varied between 57 and 73 during the period 2011-16. During 2015-16, the NPRE was 57 *per cent* of Revenue Expenditure. The CAGR of NPRE of the State during 2011-16 was 11.68 *per cent*.

During 2015-16, under Social Services the NPRE was mainly incurred on Education (₹ 3,228 crore), Health and Family Welfare (₹ 1,063 crore), Water Supply, Sanitation, Housing and Urban Development (₹ 1,780 crore), Social Welfare and Nutrition (₹ 2,126 crore) and Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes (₹ 1,061 crore). Under Economic Services, NPRE was incurred mainly on Rural Development (₹ 3,146 crore), Agriculture & Allied Activities (₹ 982 crore).

### 1.6.3 Committed Expenditure

The committed expenditure of the State Government on revenue account mainly consists of expenditure on salaries and wages, subsidies, pension and interest payments. **Table 1.14**, **Chart 1.8** and **Chart 1.9** present the trend in the expenditure on these components during 2011-16.

**Table 1.14: Components of Expenditure on Salaries and Wages, Subsidies, Pension and Interest Payments**

(₹ in crore)

| Components of Committed Expenditure | 2011-12          | 2012-13          | 2013-14          | 2014-15          | 2015-16                       |                  |
|-------------------------------------|------------------|------------------|------------------|------------------|-------------------------------|------------------|
|                                     |                  |                  |                  |                  | Budget Estimates <sup>#</sup> | Actual           |
| Salaries* and Wages, of which       | 6352(28)         | 6446(26)         | 6934(27)         | 7417(24)         | 9686                          | 8218(20)         |
| <i>Non-Plan heads</i>               | <i>6150(27)</i>  | <i>6270(25)</i>  | <i>6766(26)</i>  | <i>7193(23)</i>  | <i>9196</i>                   | <i>7943(19)</i>  |
| <i>Plan heads</i>                   | <i>202(1)</i>    | <i>176(1)</i>    | <i>168(1)</i>    | <i>224(1)</i>    | <i>490</i>                    | <i>275(1)</i>    |
| Interest Payments                   | 2267(10)         | 2391(10)         | 2614(10)         | 2929(9)          | 3447                          | 3320(8)          |
| Pension                             | 2297(10)         | 2931(12)         | 3484(13)         | 3463(11)         | 4493                          | 3990(10)         |
| Subsidies                           | 286(2)           | 270(1)           | 187(1)           | 246(1)           | ¥                             | 522(1)           |
| <b>Total</b>                        | <b>11202(50)</b> | <b>12054(49)</b> | <b>13219(51)</b> | <b>14055(45)</b> |                               | <b>16050(39)</b> |

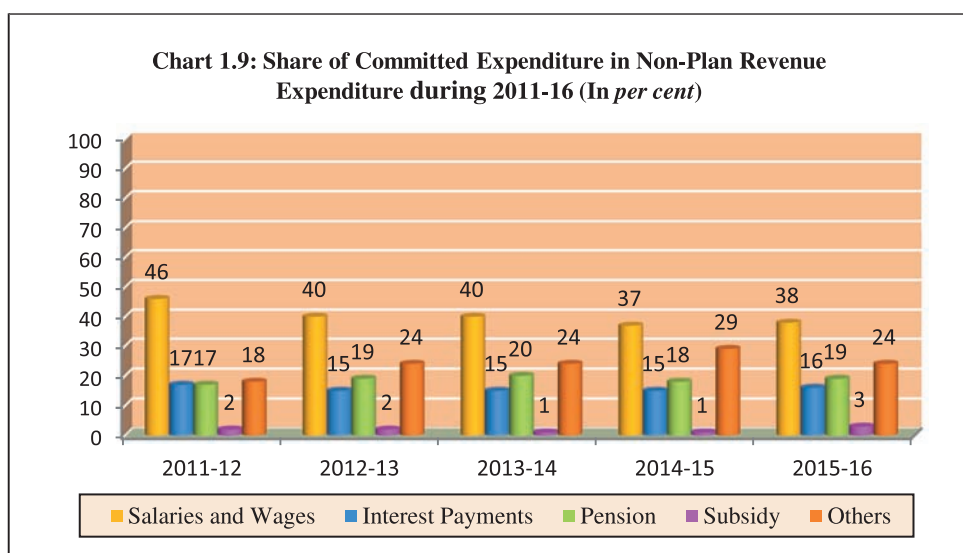
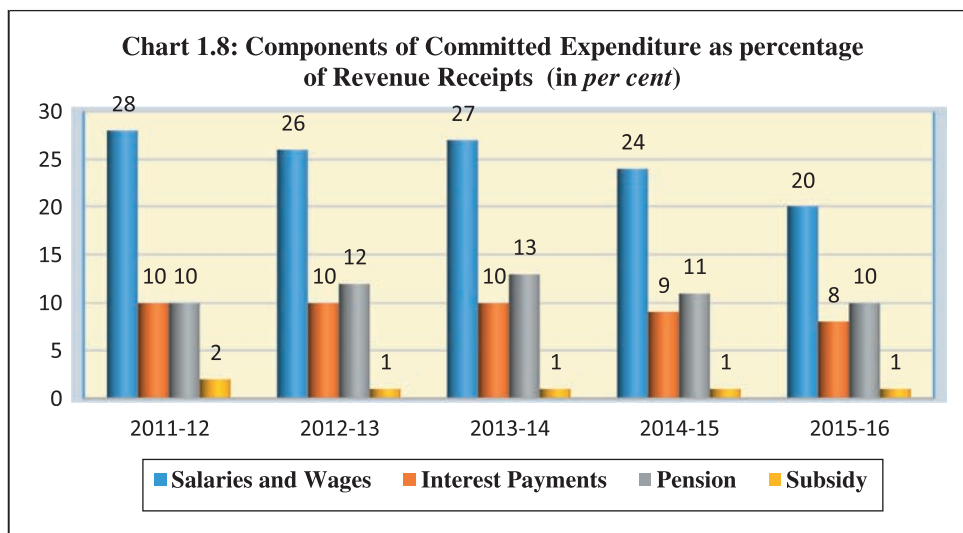
Source: Finance Accounts of Government of Jharkhand

Figures in parentheses indicate percentage of Revenue Receipts

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

# Budget Estimates are gross figures while the actuals are net figures.

¥ Budget not available



Salaries & Wages (₹ 8,218 crore), Interest Payments (₹ 3,320 crore) and Pension (₹ 3,990 crore) together accounted for 42 *per cent* of the Revenue Expenditure against 43 *per cent* during 2014-15 and consumed 38 *per cent* of the Revenue Receipts during 2015-16 against 44 *per cent* during 2014-15. The Total Non-plan expenditure on Salaries, Pension and Interest Payments together accounted for 73 *per cent* of NPRE during 2015-16.

- The percentage of Salaries and Wages to Revenue Receipts decreased from 24 in 2014-15 to 20 in 2015-16. The CAGR of Salaries and Wages during the period 2011-16 was 6.65 *per cent*.
- Expenditure on Salaries and Wages under the Non-Plan heads during 2015-16 (₹ 7,943 crore) increased by ₹ 750 crore (10 *per cent*) over the previous year.

### Pension

- The expenditure on Pension increased from ₹ 2,297 crore in 2011-12 to ₹ 3,990 crore in 2015-16, at a CAGR of 14.80 *per cent*. During 2015-16, the expenditure on pension increased by ₹ 527 crore over the previous year. The

growth rate on Pension during 2015-16 was 15 *per cent* against (-) 0.6 *per cent* growth in the previous year. Pension payment was less than the budget estimate (₹ 4,493 crore) for 2015-16 by ₹ 503 crore (11 *per cent*).

- The State adopted Contributory Pension Scheme from 01 January 2004 to reduce future burden of pension. The State Government had entered into an agreement with New Pension System Trust on 20 March 2009.

### Interest Payments

- Interest Payments during 2015-16 were ₹ 3,320 crore against the normative projection of ₹ 3,623 crore by the 14<sup>th</sup>FC. The growth rate of Interest Payments was 13 *per cent* over the previous year. As a percentage of Revenue Receipts, the Interest Payments were eight *per cent* during 2015-16. The CAGR of Interest paid by the State during 2011-16 was 10.01 *per cent*.
- Major components of Interest Payments during 2014-15 and 2015-16 are given in **Table 1.15** below:

**Table 1.15: Components of Interest Payments**

(₹ in crore)

| Interest paid for                  | 2014-15        | Average interest rate | 2015-16        | Average interest rate |
|------------------------------------|----------------|-----------------------|----------------|-----------------------|
| Internal debt                      | 2530.62        | 8.34                  | 2968.19        | 7.76                  |
| Loans and Advances from GOI        | 131.94         | 6.31                  | 122.93         | 5.89                  |
| Small Savings, Provident fund etc. | 262.93         | 18.04                 | 221.79         | 17.37                 |
| Others                             | 3.66           | 0.05                  | 7.18           | 0.09                  |
| <b>Total</b>                       | <b>2929.15</b> | <b>7.22</b>           | <b>3320.09</b> | <b>6.63</b>           |

### Subsidy

- During 2015-16, Government of Jharkhand paid ₹ 522 crore<sup>3</sup> as subsidy mainly under the head 2401-Crop Husbandry (₹ 326 crore), 2852-Industries (₹ 97 crore) and 2404-Dairy Development (₹ 68 crore) and 2403-Animal Husbandry (₹ 14 crore) which was specifically booked under the sub-head meant for subsidy. The amount of subsidy increased from ₹ 246 crore in 2014-15 to ₹ 522 crore in 2015-16.
- As per Appendix II of the Finance Accounts for the year 2015-16, no subsidy was given for food, power and irrigation purposes.

#### 1.6.4 Major programmes

Under Social Sector and Economic Sector many flagship programmes were implemented in the State for which funds were provided in the budget under State Plan (SP) and Central Plan (CP). During 2015-16, ₹ 15,622 crore was budgeted for 21 major flagship programmes under the State plan of which ₹ 15,548 crore was utilized. Under the Central Plan, ₹ 31,287.11 crore was utilised against ₹ 36,722.52 crore budgeted for the year.

The budget provisions and actual expenditure incurred on some major programmes during 2015-16, under SP and CP are shown in **Table 1.16**.

<sup>3</sup>Appendix II of Finance Accounts

**Table 1.16: Expenditure on major programmes**

(₹ in crore)

| Sl. No.             | Name of programmes   | Budget Provision | Expenditure |
|---------------------|--|------------------|-------------|
| <b>State Plan</b>   |  |                  |             |
| 1                   | Loan to Jharkhand Bijli Vitran Nigam Ltd.  | 6136.37          | 6136.37     |
| 2                   | Major Roads  | 2728.12          | 2653.24     |
| 3                   | Minimum Need Programmes-Construction of Rural Roads                              | 1015.91          | 1013.01     |
| 4                   | Jharkhand Urja Sancharan Nigam Ltd. For Transmission                             | 576.29           | 576.29      |
| 5                   | Sarva Siksha Abhiyan   | 477.17           | 477.17      |
| 6                   | Chief Minister Village Scheme  | 443.51           | 444.50      |
| 7                   | Patra Grihast Yojna/ Mukhyamantri Kanyadan Sahayata Yojna                        | 385.60           | 385.49      |
| 8                   | Swarnrekha Project   | 391.33           | 371.83      |
| <b>Central Plan</b> |  |                  |             |
| 1                   | Integrated Child Development Scheme  | 971.59           | 966.72      |
| 2                   | Sardar Patel Urban Housing Scheme  | 82.00            | 71.89       |
| 3                   | Development of Infrastructure facilities for Judiciary including GRAM Nyayalayas | 50.83            | 46.61       |
| 4                   | National Mission on Agriculture extention and Technology                         | 54.28            | 36.40       |

As evident from **Table 1.16**, expenditure on the schemes mentioned above were nearly at par with the budget allocations made for these schemes during 2015-16.

### **Financial assistance given by the State Government to Local Bodies and other Institutions**

The quantum of assistance given as grants and loans to Local Bodies and other institutions during 2015-16 as compared to the last three years is presented in **Table 1.17**.

**Table 1.17: Financial assistance to Local Bodies and other Institutions**

(₹ in crore)

| Financial Assistance to Institutions        | 2011-12        | 2012-13        | 2013-14        | 2014-15         | 2015-16         |
|---|----------------|----------------|----------------|-----------------|-----------------|
| Panchayati Raj Institutions (PRIs)          | 581.06         | 3078.86        | 910.68         | 3378.42         | 3407.48         |
| Urban Local Bodies (ULBs)                   | 25.34          | 330.54         | 88.38          | 1619.77         | 1830.77         |
| Public Sector Undertakings                  | 777.00         | 450.02         | 1528.89        | 3643.86         | 3987.54         |
| Autonomous Bodies                           | 677.85         | 1837.02        | 2451.34        | 2512.95         | 5480.60         |
| Non-Government Organisation                 | 209.68         | 199.40         | 106.65         | 684.99          | 0.00            |
| Others                                      | 2259.30        | 1054.48        | 1335.91        | 564.03          | 184.53          |
| <b>Total</b>                                | <b>4530.23</b> | <b>6950.32</b> | <b>6421.85</b> | <b>12404.02</b> | <b>14890.92</b> |
| <b>As percentage of Revenue Expenditure</b> | <b>21.58</b>   | <b>29.70</b>   | <b>27.36</b>   | <b>39.01</b>    | <b>40.74</b>    |

Source: Statement 8 of Finance Accounts

Financial assistance given to Local Bodies increased steadily from ₹ 4,530.23 crore in 2011-12 to ₹ 14,890.92 crore in 2015-16 at a CAGR of 34.65 per cent. The growth rate of the financial assistance increased sharply from (-) eight per cent in 2013-14 to 93 per cent in 2014-15 which further decreased to 20 per cent in 2015-16. Financial assistance to the ULBs and PRIs was provided through regular service heads of Urban Development Department and Rural Development Department instead of under head 3604-Financial assistance to ULBs and PRIs specified for the purpose. The amounts of assistance to PRIs and ULBs shown in the above table do not include amounts provided (₹ 708 crore) to Panchayati Raj Institutions and Urban Local Bodies under the minor heads 191, 192, 193, 196, 197 and 198

under respective departmental expenditure heads of accounts.

### 1.6.5 Devolution of funds and functions to Urban Local Bodies and Panchayati Raj Institutions

#### Urban Local Bodies (ULBs)

The 74<sup>th</sup> Constitutional Amendment Act envisaged (1992) establishment of Local Self-Government for urban areas wherein the Municipalities were provided with Constitutional status for governance. Accordingly, 18 functions such as town planning, land use regulation, water supply, etc. were to be assigned to the ULBs. Further, as per the recommendations of the Eleventh Finance Commission (EFC), the funds for the ULBs are to be allocated under the specific Minor Heads 191-Assistance to Municipal Corporation, 192-Assistance to Municipalities/Councils and 193-Assistance to Nagar Panchayats. The State Government framed the 'Jharkhand Municipal Act, 2011 incorporating the 18 functions in the Act as indicated in **Appendix 1.5 Part-A** only in February 2012. There are 39 ULBs (Nagar Nigam-3, Nagar Parishad-14, Nagar Panchayat-19, Nagar Palika-1 and Notified Area Committee-2) in the State.

It could be seen from **Table 1.18** below that the State Government provided financial assistances of ₹ 3,895 crore to the ULBs during the period 2011-16. There was wide fluctuation in financial assistance to ULBs during the period 2011-16. However, it increased to ₹ 1,831 crore in 2015-16.

Details of funds provided to ULBs are as follows:

**Table 1.18: Funds made available to Urban Local Bodies**

(₹ in crore)

| Particulars                              | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | Total  |
|--|---------|---------|---------|---------|---------|--------|
| Revenue Receipt (RR) of the State        | 22420   | 24770   | 26137   | 31565   | 36553   | 141445 |
| Revenue Expenditure (RE) of the State    | 20992   | 23400   | 23472   | 31795   | 40638   | 140297 |
| Financial Assistance given to ULBs       | 25      | 331     | 88      | 1620    | 1831    | 3895   |
| Financial Assistance as percentage to RR | 0.11    | 1.34    | 0.34    | 5.13    | 4.51    | 2.75   |
| Financial Assistance as percentage to RE | 0.12    | 1.41    | 0.37    | 5.10    | 5.01    | 2.78   |
| Own collection <sup>4</sup>              | 46.33   | 88.03   | 45.54   | 8.96    | 14.99   | 203.85 |

The Second State Finance Commission has not recommended in respect of devolution of funds to ULBs, neither the Third State Finance Commission, constituted vide Notification No. 1012/fo0 dated. 08.04.2015 of Finance Department, recommended in this regard till September 2016.

Further, information regarding transfer of functions and funds to the ULBs, was called for (September 2012, September 2013 and November 2013, June 2015, September 2015 and September 16) from the Urban Development Department. Their reply has not been received (October 2016).

In Jharkhand, the State Government has entrusted Technical Guidance and Supervision (TGS) over audit of Local Bodies (Urban Local Bodies and Panchayati Raj Institution) to Comptroller & Auditor General of India (C&AG) in October 2011. Accordingly, Bihar and Orissa Local Fund Audit Act, 1925 was amended in March 2012 providing for audit by Director of Local Fund

<sup>4</sup> Information regarding funds collected by the ULBs from own sources has not been furnished by the Urban Development Department. However, information obtained during audit of various ULBs.



Audit (DLFA) at the State level to whom the C&AG had to provide TGS. The State Government created 22 posts (March 2013) to make DLFA functional and appointed DLFA in November 2014. The DLFA informed in August 2016 that three Deputy Controller of Accounts and 14 Audit Offices have been appointed and efforts are being made for practical operationalisation. However, Accountant General (Audit) is conducting Audit of local bodies on test check basis as per TGS arrangement since April 2012.

### Panchayati Raj Institutions

The State Government enacted the Jharkhand Panchayati Raj Act in 2001 to establish a three-tier PRI system i.e. Zila Panchayat (ZP) at district level, Panchayat Samiti at block level and Gram Panchayat at the village level. The rules were framed to enable PRIs to function as institutions of Local Self-Government. As recommended by the Eleventh Finance Commission the classification of the funds transferred to PRIs is made under the minor heads 196-Assistance to Zila Parishad, 197-Assistance to Block Panchayat and 198-Assistance to Gram Panchayat within the major heads 2215-Water Supply and Sanitation and 2217- Urban Development.

According to the Jharkhand Panchayati Raj Act, 2001, funds released by the Central and State Governments were to be utilised by the PRIs for execution of various development programmes relating to provision of civic amenities to the rural people. At present, there are 4706 PRIs<sup>5</sup> in the State. During the period 2011-16, a total amount of ₹ 11,356 crore was paid to the PRIs, as shown below:

**Table 1.19: Funds available to Panchayati Raj Institutions**

| Particulars                              | (₹ in crore) |         |         |         |         |        |
|--|--------------|---------|---------|---------|---------|--------|
|  | 2011-12      | 2012-13 | 2013-14 | 2014-15 | 2015-16 | Total  |
| Revenue Receipt (RR) of the State        | 22420        | 24770   | 26137   | 31565   | 40638   | 145530 |
| Revenue Expenditure (RE) of the State    | 20992        | 23400   | 23472   | 31795   | 36553   | 136212 |
| Financial Assistance to PRIs             | 581          | 3079    | 911     | 3378    | 3407    | 11356  |
| Financial Assistance as percentage to RR | 2.59         | 1.96    | 3.49    | 10.70   | 8.38    | 7.80   |
| Financial Assistance as percentage to RE | 2.77         | 2.08    | 3.88    | 10.62   | 9.32    | 8.34   |

The Second State Finance Commission has not recommended in respect of devolution of funds to PRIs, neither the Third State Finance Commission, constituted vide Notification No 1. 1012/fo0 dated. 08.04.2015 of Finance Department, has recommended in this regard till January 2016.

The State Government issued orders of transfer of funds to Panchayats in October 2012. As depicted in **Appendix 1.5 Part-B** out of stipulated 29 functions, 16 functions have been devolved to PRIs either completely or partially as of August 2015. In this regard latest position has been called for in June 2015, September 2015 and September 2016 of which reply is awaited (October 2016).

As per the recommendations of the Eleventh Finance Commission, the Government notified (March 2011) the 'Jharkhand Panchayati Raj (Budget & Accounts) Regulation 2010' and the accounting in PRIs is done accordingly.

The DLFA informed in August 2016 that three Deputy Controller of Accounts and 14 Audit Officers have been appointed and efforts are being made for

<sup>5</sup> 24 Zila Parishad, 259 Panchayat Samities and 4,423 Gram Panchayats

practical operationalisation. However, Accountant General (Audit) is conducting Audit of local bodies on test check basis as per TGS arrangement since April 2012.

## 1.7 Quality of Expenditure

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

Growth rate of total expenditure of the State during 2015-16 was 36.8 *per cent* against 34.3 *per cent* during 2014-15 over the corresponding previous year.

The developmental expenditure (expenditure on social and economic services) constituted 86 *per cent* of Total Expenditure, while non-developmental expenditure constituted 14 *per cent* during 2015-16. During 2015-16, developmental expenditure increased by 46 *per cent* over previous year, while non-developmental expenditure grew at 15 *per cent*.

### 1.7.1 Adequacy of Public Expenditure

The responsibilities relating to the social and economic sector assigned to the State Governments are largely State subjects. To enhance human development levels it requires the State to step up its expenditure on key social services like education, 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.

**Table 1.20** analyses the fiscal priority of the State Government with regard to Development Expenditure, Social Sector Expenditure and Capital Expenditure during 2015-16, taking 2012-13 as the base year.

**Table 1.20: Fiscal Priority of the State in 2012-13 and 2015-16**

| Fiscal Priority by the State*                   | AE/GSDP | DE <sup>#</sup> /AE | SSE/AE | CE/AE | Education/AE | Health/AE |
|---|---------|---------------------|--------|-------|--------------|-----------|
| General Category States Average (Ratio) 2012-13 | 14.14   | 70.03               | 38.47  | 13.70 | 17.72        | 4.72      |
| Jharkhand State's Average (Ratio) 2012-13       | 16.15   | 68.49               | 33.16  | 14.95 | 15.95        | 3.10      |
| General Category States Average (Ratio) 2015-16 | 16.05   | 70.63               | 36.29  | 14.89 | 15.63        | 4.45      |
| Jharkhand State's Average (Ratio) 2015-16       | 21.57   | 75.82               | 30.49  | 15.63 | 12.73        | 4.16      |

Notes: GCS average excludes both Jammu and Kashmir and Manipur in AE, while Jammu and Kashmir was excluded in other expenditures

\*As *per cent* to GSDP

AE: Aggregate Expenditure (Total Expenditure), DE: Development Expenditure, SSE: Social Sector Expenditure, CE: Capital Expenditure

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

Source: Website of Ministry of Statistics and Programme Implementation, Government of India.

The State of Jharkhand spent higher proportion of its GSDP as Aggregate Expenditure in 2015-16 in comparison to 2012-13. Further, in both the years the AE to GSDP was higher than the General Category States (GCS) average.



Development Expenditure as a proportion of Aggregate Expenditure in Jharkhand during 2015-16 was much higher than its proportion in 2012-13, while proportion of SSE to AE during 2015-16 was much less than its corresponding proportion 2012-13. The Capital Expenditure to AE in Jharkhand was high during 2015-16.

During the year 2015-16, the State has given high priority to Development Expenditure and Capital Expenditure in comparison to the GCS, while significantly less priority was given by the State to Education Sector Expenditure and Health Sector Expenditure.

### 1.7.2 Efficiency of expenditure use

Expenditure incurred on creation of assets to provide social and economic services in the State is categorised under Development Capital Expenditure while Development Revenue Expenditure is the expenditure incurred on the maintenance of selected Social and Economic services.

Further, in view of the importance of public expenditure on development heads from the point of view of social and economic development, it is important for the State Governments to take appropriate expenditure rationalisation measures and lay emphasis on provision of core public goods<sup>6</sup>. Apart from improving the allocation towards Development Expenditure<sup>7</sup>, the efficiency of expenditure use is also reflected by the ratio of Capital Expenditure to Total Expenditure (and GSDP) and the proportion of Revenue Expenditure being spent on operation and maintenance of the existing Social and Economic Services. The higher the ratio of these components to Total Expenditure (and GSDP) the better would be the quality of expenditure. A review of Annual Accounts of the State revealed that:

- Capital expenditure in Education sector increased from ₹ 82.97 crore in 2014-15 to ₹ 103.38 crore in 2015-16 which was considerably less than the CE budgeted at ₹ 202.40 crore for the year 2015-16.
- In respect of Health and Family Welfare sector, the CE increased from ₹ 260.97 crore in 2014-15 to ₹ 339.87 crore in 2015-16. However, the expenditure in this sector during 2015-16 was much less than the budgeted CE of ₹ 429.03 crore for the sector.
- The CE on Water Supply, Sanitation, Housing and Urban Development increased from ₹ 188.90 crore in 2014-15 to ₹ 247.02 crore in 2015-16. The budget for water supply, sanitation housing and urban development for the year was ₹ 354.79 crore.

**Table 1.21** presents the trends in Development Expenditure relative to the Aggregate Expenditure of the State during 2015-16 *vis-à-vis* the budgeted amounts and the expenditure during the previous years.

<sup>6</sup> Core public goods are goods which all citizens enjoy in common in the sense that each individual's consumption of such a good leads to no subtractions from any other individual's consumption of that good, e.g. enforcement of law and order, security and protection of our rights; pollution free air and other environmental goods and road infrastructure etc.

<sup>7</sup> The analysis of expenditure data is disaggregated into development and non development expenditure. All expenditure relating to Revenue Account, Capital Outlay and Loans and Advances is categorised into social services, economic services and general services. The social and economic services constitute development expenditure, while expenditure on General Services is treated as non-development expenditure in our figures.

**Table 1.21: Development Expenditure**

(₹ in crore)

| Components of Development Expenditure | 2011-12      | 2012-13      | 2013-14      | 2014-15      | 2015-16      |              |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                                       |              |              |              |              | BE*          | Actuals      |
| <b>Development Expenditure</b>        |              |              |              |              |              |              |
| Development Revenue Expenditure       | 13146(54)    | 14704(52)    | 13512(48)    | 21171(55)    | 30033        | 24551(47)    |
| Development Capital Expenditure       | 3003(12)     | 4042(14)     | 4554(16)     | 5217(14)     | 8156         | 7588(15)     |
| Development Loans and Advances        | 199(1)       | 582(2)       | 209(1)       | 807(2)       | 1154         | 7431(14)     |
| <b>Total</b>                          | <b>16348</b> | <b>19328</b> | <b>18275</b> | <b>27195</b> | <b>39343</b> | <b>39570</b> |

Figures in parentheses indicate percentage to aggregate expenditure (RE + CE + L&amp;A)

\* Budget estimates are gross figures while actuals are net figures.

Source: Finance Accounts of Government of Jharkhand and budget publication

- The development expenditure of the State comprised of Revenue Expenditure and Capital Expenditure including Loans and Advances on Social Services and Economic Services. During 2015-16, the growth of development expenditure improved from negative five *per cent* in 2013-14 to 49 *per cent* in 2014-15 and 46 *per cent* 2015-16 over the previous year mainly due to expenditure on Education, Sports, Art and Culture, Health and Family Welfare, Water Supply, Sanitation, Housing and Urban Development and Rural Development under revenue heads Transport and Irrigation and Flood Control under Capital heads. As seen from the **Table 1.21**, the total Development Expenditure was more than the budget estimates of 2015-16.
- During 2011-16, the share of Development Revenue Expenditure in Total Expenditure ranged between 47 *per cent* and 55 *per cent*. The CAGR of Development Revenue Expenditure was 16.90 *per cent* during 2011-16.
- The share of Development Capital Expenditure (including Development Loans and Advances) in Total Expenditure increased from 16 *per cent* in 2014-15 to 29 *per cent* in 2015-16. The CAGR of Development Capital Expenditure during 2011-16 was 26.08 *per cent*, higher than that of Development revenue expenditure.
- The actual Development Capital Expenditure and Development Loans and Advances were ₹ 7,588 crore and ₹ 7,431 crore against budget estimate of ₹ 8,156 crore and ₹ 1,154 crore during 2015-16.

### Expenditure on selected Social and Economic Services

**Table 1.22** provide the comparative details of two years of Capital Expenditure and the components of Revenue Expenditure of some major Social and Economic Services performed by the State.

**Table 1.22: Efficiency of Expenditure use in Selected Social and Economic Services***(In per cent)*

| Social/Economic Infrastructure  | 2014-15           |                     |             | 2015-16           |                     |             |
|---|-------------------|---------------------|-------------|-------------------|---------------------|-------------|
|   | Ratio of CE to TE | In RE, the share of |             | Ratio of CE to TE | In RE, the share of |             |
|   |                   | S & W               | O&M*        |                   | S&W                 | O &M        |
| <b>Social Services (SS)</b>   |                   |                     |             |                   |                     |             |
| General Education   | 0.12              | 51.47               | 0.01        | 0.10              | 33.53               | 0.01        |
| Health and Family Welfare   | 16.97             | 43.45               | 0.01        | 15.65             | 32.19               | 0.01        |
| WS, Sanitation and HUD  | 9.80              | 7.71                | 1.67        | 9.37              | 5.61                | 0.59        |
| <b>Total (SS)</b>   | <b>7.08</b>       | <b>26.18</b>        | <b>0.31</b> | <b>6.44</b>       | <b>21.01</b>        | <b>0.22</b> |
| <b>Economic Services (ES)</b>   |                   |                     |             |                   |                     |             |
| Agriculture & Allied Activities   | 7.86              | 32.94               | 0.07        | 7.23              | 24.34               | 0.00        |
| Irrigation and Flood Control  | 53.46             | 95.45               | 22.39       | 78.33             | 98.44               | 0.18        |
| Power & Energy  | 0.00              | 0.00                | 0.00        | 0.00              | 0.00                | 0.00        |
| Transport   | 74.64             | 15.07               | 31.57       | 90.90             | 36.21               | 75.84       |
| <b>Total (ES)</b>   | <b>27.64</b>      | <b>13.69</b>        | <b>4.06</b> | <b>27.74</b>      | <b>13.05</b>        | <b>1.34</b> |
| <b>Total (SS+ES)</b>  | <b>18.35</b>      | <b>20.72</b>        | <b>1.95</b> | <b>19.18</b>      | <b>17.86</b>        | <b>0.66</b> |
| TE: Total Expenditure of that sector; CE: Capital Expenditure; RE: Revenue Expenditure; S&W: Salaries and Wages; O&M: Operations & Maintenance, as per Finance Accounts it represents actual expenditure booked under detailed head -05- Maintenance and Repairs. |                   |                     |             |                   |                     |             |

Source: Finance Accounts of Government of Jharkhand

- On the services mentioned in the table the Development Capital Expenditure as a percentage of total Development Expenditure slightly increased from 18.35 *per cent* in 2014-15 to 19.18 *per cent* in 2015-16.
- Salary component in Social Services and Economic Services decreased from 26.18 *per cent* and 13.69 *per cent* during 2014-15 to 21.01 *per cent* and 13.05 *per cent* during 2015-16 respectively.
- In Social Services, the share of Operation and Maintenance expenditure to Revenue Expenditure in General Education and Health and Family Welfare remained same during 2014-15 and 2015-16 while share of Water Supply, Sanitation and Housing & Urban Development declined from 1.67 *per cent* in 2014-15 to 0.59 *per cent* in 2015-16.
- In Economic Services, the share of Operation and Maintenance expenditure to Revenue Expenditure in Irrigation and Flood Control decreased sharply from 22.39 *per cent* in 2014-15 to 0.18 *per cent* in 2015-16, while share in Transport increased sharply from 31.57 *per cent* in 2014-15 to 75.84 *per cent* in 2015-16.

## 1.8 Financial analysis of Government expenditure and investments

In the post-FRBM framework, the State is expected to keep its Fiscal Deficit (and borrowings) not only at low level but also to meet its Capital Expenditure/investment (including Loans and Advances) requirements. In addition, in a transition to total dependence on market-based resources, the State Government needs to initiate measures to earn adequate returns on its investments and recover its cost of borrowed funds rather than bearing the same on its budget in the form of implicit subsidies and take requisite steps to infuse transparency in financial operations. This section presents the broad financial analysis of investments and other Capital Expenditure undertaken by the Government during the current year *vis-à-vis* the previous years.

### 1.8.1 Financial results of completed Irrigation projects

The financial results of irrigation projects of the State are presented in Appendix VIII (i) of the Finance Accounts, based on information furnished by the State Government. As per the Appendix-VIII (i) of the Finance Accounts for the year 2015-16, there are 42 Irrigation projects in Jharkhand. On these projects the total capital outlay at the end of 2015-16 was ₹ 1,353.75 crore during the year 2015-16 of which ₹ 1,154.29 crore spent on the working expenses and maintenance charges on these project during 2015-16. During 2015-16, ₹ 60.64 crore received as revenue from these projects.

### 1.8.2 Incomplete Projects

The department wise information pertaining to incomplete projects which was to be completed on or before 31 March 2016, is given in **Table 1.23**.

**Table 1.23: Department-wise profile of Incomplete Projects**

| (₹ in crore)                   |                            |                                |  |
|--------------------------------|----------------------------|--------------------------------|--|
| Department                     | No. of Incomplete Projects | Estimated cost of the Projects | Cumulative expenditure as on 31.3.2016 |
| Road Construction              | 119                        | 1233.85                        | 1279.76                                |
| Rural Engineering Organisation | 13                         | 146.27                         | 163.93                                 |
| Building Construction          | 18                         | 147.68                         | 75.58                                  |
| Waterways Department           | 45                         | 11208.72                       | 569.58                                 |
| <b>Total</b>                   | <b>195</b>                 | <b>12736.52</b>                | <b>2088.85</b>                         |

Source: Appendix X of Finance Accounts 2015-16

The blocking of funds on incomplete works impinges negatively on the quality of expenditure. All the 195 projects (estimated cost ₹ 12,736.52 crore) shown in the table above were due for completion up to 31 March 2016, but remained incomplete resulting in blocking of ₹ 2,088.85 crore spent on these projects till the end of 2015-16. Delay in completion of project works invites the risk of cost escalation. Besides, due to delay in completion of these projects the intended benefits from the same could not be achieved.

### 1.8.3 Investment and returns

As on 31 March 2016, the Government had invested ₹ 267 crore in one Regional Rural Bank (₹ 45.73 crore), 12 Government Companies (₹ 97.55 crore) and 18 Co-operatives, Corporations, and Societies (₹ 124.18 crore) since inception of the State in November 2000 (**Table 1.24**). The return was ₹ 0.47 crore during 2015-16. However, the Government paid interest at an average rate of 6.63 *per cent* on its borrowings during the year 2015-16.

**Table 1.24: Returns on investments**

| Investment/Return/Cost of Borrowings                            | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 |
|---|---------|---------|---------|---------|---------|
| Investment at the end of the year (₹ in crore)                  | 182.57  | 187.82  | 231.97  | 247.00  | 267.46  |
| Returns (₹ in crore)  | 1.17    | 15.00   | 18      | Nil     | 0.47    |
| Returns ( <i>per cent</i> )                                     | 0.64    | 7.99    | 7.76    | Nil     | 0.18    |
| Average rate of interest on Govt. borrowing ( <i>per cent</i> ) | 7.64    | 8.76    | 7.22    | 7.22    | 6.63    |
| Difference between interest rate and return ( <i>per cent</i> ) | 7.00    | 0.77    | 0.54    | 7.22    | 6.45    |

Source: Finance Accounts of Government of Jharkhand-Statement 19

Investment of ₹ 20.46 crore (eight *per cent*) was made during 2015-16 in Government Companies (₹ 12.50 crore) and Co-operative Institutions and Local Bodies (₹ 7.96 crore).

Further, investments in these institutions as well as Statutory Corporations and Joint Stock Companies up to 14 November 2000 by the composite Bihar State had not been apportioned between the States of Bihar and Jharkhand.

#### 1.8.4 Loans and Advances given by State Government

In addition to investments in Co-operative Societies, Corporations and Companies, the Government has also been providing Loans and Advances to many of these institutions/organisations. **Table 1.25** presents the outstanding Loans and Advances as on 31 March 2016 and interest receipts *vis-à-vis* interest payments during the last five years.

**Table 1.25: Loans and advances given by the State Government**

|   | (₹ in crore) |             |             |             |              |
|---|--------------|-------------|-------------|-------------|--------------|
| Quantum of Loans/Interest Receipts/<br>Cost of Borrowings           | 2011-12      | 2012-13     | 2013-14     | 2014-15     | 2015-16      |
| Opening Balance of Loans (₹ in crore)                               | 6997         | 7190        | 7748        | 7947        | 8738         |
| Amount advanced during the year (₹ in crore)                        | 217          | 601         | 222         | 824         | 7480         |
| Amount recovered during the year (₹ in crore)                       | 24           | 43          | 23          | 33          | 31           |
| Recovery as percentage of outstanding Loans and Advances            | 0.3          | 0.6         | 0.3         | 0.4         | 0.4          |
| <b>Closing Balance</b>  | <b>7190</b>  | <b>7748</b> | <b>7947</b> | <b>8738</b> | <b>16187</b> |
| Net addition (₹ in crore)   | 193          | 558         | 199         | 791         | 7449         |
| Total Interest Receipts (₹ in crore)                                | 2.12         | 0.95        | 2.74        | 15.72       | 4.33         |
| Interest Receipts as a percentage of outstanding Loans and Advances | *            | 0.01        | 0.03        | 0.20        | 0.05         |

Source: Finance Accounts of Government of Jharkhand

\*Negligible

- The quantum of loans advanced to Co-operative Societies, Companies etc. by the State gradually increased from ₹ 217 crore in 2011-12 to ₹ 7,480 crore in 2015-16. However, it decreased from ₹ 601 crore in 2012-13 to ₹ 222 crore in 2013-14 which again increased to ₹ 824 crore in 2014-15 and ₹ 7,480 crore in 2015-16 due to increase of loans by ₹ 6,596 crore to power projects for resources gap, better Generation, Transmission and Distribution.
- The outstanding Loans and Advances increased during 2015-16 by 85.25 *per cent* over the previous year against 9.95 *per cent* in 2014-15. Major share of total outstanding loans of ₹ 16,187 crore at the end of March 2016 pertained to Loans for Energy (₹ 15,455 crore) and Urban Local Bodies (₹ 628 crore).
- Every year a huge amount of loans was given by the Government to different institutions/organizations of the State but its recovery was negligible leading to a huge balance of ₹ 16,187 crore at the end of March 2016 of which ₹ 1,340.46 crore was repayment in arrears from Loanee entities (₹ 346.48 crore as principal and ₹ 903.98 crore as interest).

#### 1.8.5 Cash Balances and Investment of Cash Balances

Details of cash balances and investments made by the State Government during the year are shown in **Table 1.26**.

**Table 1.26: Cash balances and Investment of Cash balances**

(₹ in crore)

| Particulars                             | As on<br>31 <sup>st</sup> March 2015 | As on<br>31 <sup>st</sup> March 2016 |
|---|--------------------------------------|--------------------------------------|
| Cash Balances                           | 444.21                               | 1904.72                              |
| Investments from Cash Balances (a to c) | 666.13                               | 2102.24                              |
| a. GOI Treasury Bills                   | 666.13                               | 2102.24                              |
| b. GOI Securities                       | Nil                                  | Nil                                  |
| c. Other Investments                    | Nil                                  | Nil                                  |
| Interest realized on investment         | 126.98                               | 117.27                               |
| Deposit with Reserve Bank               | -224.13                              | -203.93                              |
| Departmental Cash Balance               | 2.21                                 | 6.41                                 |

Source: Finance Accounts of Government of Jharkhand

The cash balance of the State at the end of 31 March 2016 was ₹ 1,904.72 crore against the cash balance of ₹ 444.21 crore in the previous year.

The State had a cash balance investment of ₹ 2,102.24 crore at the end of March 2016 against cash balance investment of ₹ 666.13 crore at the end of March 2015. Total cash balance at the end March 2016 was invested in GOI Treasury Bills.

## 1.9 Assets and Liabilities

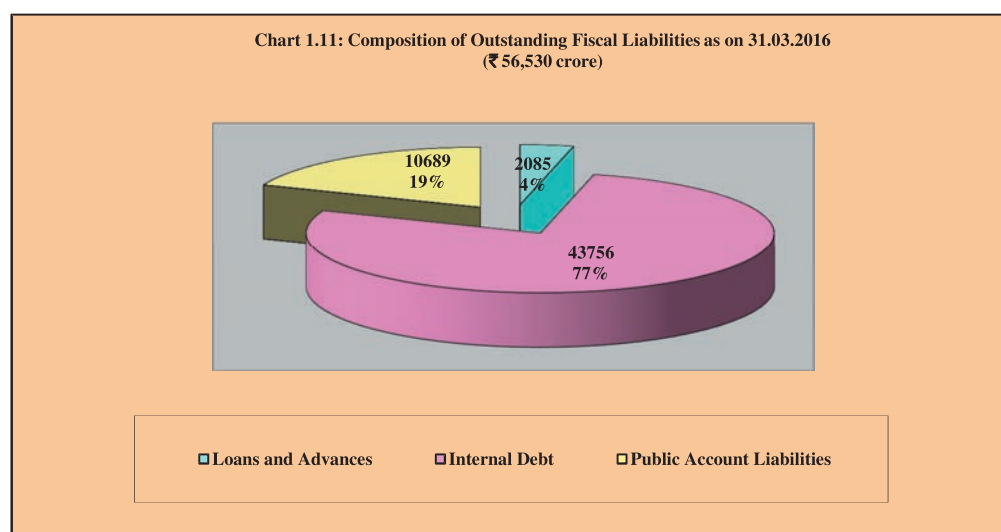
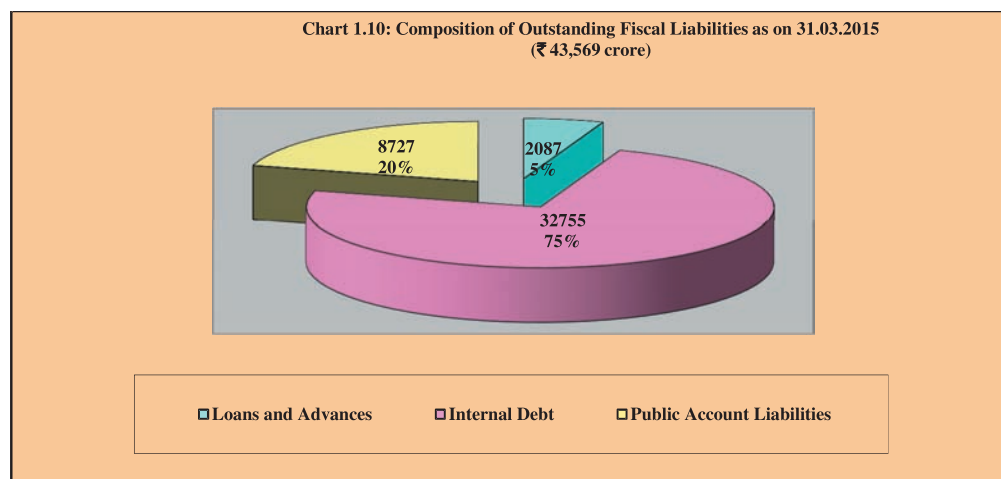
### 1.9.1 Growth and Composition of Assets and Liabilities

In the existing Government accounting system, comprehensive accounting of fixed assets like land and buildings owned by the Government is not done. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred. **Appendix 1.4 Part B** gives an abstract of such liabilities and assets as on 31 March 2016, compared with the corresponding position on 31 March 2015. While the liabilities consist mainly of internal borrowings, Loans and Advances from the GOI, receipts from the Public Account and Reserve Funds, the assets comprise mainly of Capital Outlay, Loans and Advances given by the State Government and the cash balances.

The Jharkhand FRBM Act, 2007 defines the total liabilities of the State as the liabilities under the Consolidated Fund of the State and the Public Account of the State which includes Loans and Advances from the Central Government, open market borrowings, loans from financial institutions, Public Account balances of Small Savings, Reserve Funds, Deposits etc.

### 1.9.2 Fiscal Liabilities

The trends of outstanding fiscal liabilities of the State are presented in **Appendix 1.3**. However, the composition of fiscal liabilities during the years 2014-15 and 2015-16 is presented in **Chart 1.10** and **Chart 1.11** respectively.



**Table 1.27: Trends in Fiscal Liabilities: basic parameters**

(₹ in crore)

| Components   | 2011-12      | 2012-13      | 2013-14      | 2014-15      | 2015-16      | CAGR         |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| Internal Debt  | 22,286       | 25,202       | 27,940       | 32755        | 43756        | 18.37        |
| Loans and Advances from GOI                          | 2024         | 2124         | 2092         | 2087         | 2085         | 0.75         |
| Public Account Liabilities                           | 6354         | 7543         | 7562         | 8727         | 10689        | 13.89        |
| <b>Total Fiscal Liabilities</b>                      | <b>30664</b> | <b>34869</b> | <b>37594</b> | <b>43569</b> | <b>56530</b> | <b>16.52</b> |
| Growth of Fiscal Liabilities ( <i>per cent</i> )     | 7.0          | 13.7         | 7.8          | 15.9         | 29.7         |              |
| Fiscal Liability to GSDP ( <i>per cent</i> )         | 20.3         | 20.0         | 19.9         | 20.1         | 23.4         |              |
| Fiscal Liabilities as percentage to Revenue Receipts | 136.77       | 140.77       | 143.83       | 138.03       | 139.10       |              |
| Buoyancy w.r.t. Revenue Receipts                     | 0.36         | 1.30         | 1.42         | 0.76         | 1.03         |              |

NA- Not applicable

- As depicted in **Table 1.27** the overall fiscal liabilities of the State increased by 84.35 *per cent* from ₹ 30,664 crore in 2011-12 to ₹ 56,530 crore in 2015-16. The growth rate of fiscal liabilities increased from 15.9 *per cent* in 2014-15 to 29.7 *per cent* in 2015-16. The CAGR of Fiscal Liabilities was 16.52 *per cent* during the period 2011-16.



- Among others the Fiscal Liabilities of the State comprises ₹ 1,197.17 crore in shape of Small Savings, Provident Funds, etc. and ₹ 9,492.25 crore in shape of Reserve Fund (State Disaster Response Fund).
- The ratio of Fiscal Liabilities to GSDP increased gradually from 20.1 per cent in 2014-15 to 23.4 per cent in 2015-16.
- The Twelfth Finance Commission had recommended setting up of a Sinking Fund, to be maintained outside the Consolidated Fund of the State and the Public Account, for amortisation of all loans including loans from banks, liabilities on account of National Small Savings Funds etc. However, no such Fund had been set up as of August 2016.
- Apportionment of Fiscal Liabilities of undivided Bihar between the successor States of Bihar and Jharkhand had not been done so far (August 2016).

### **1.9.3 Transaction under Reserve Fund**

As per recommendation of the Thirteenth Finance Commission, Government constituted a State Disaster Response Fund (SDRF) in 2010-11 and balance under the Calamity Relief Fund was transferred to SDRF.

During 2015-16, the opening balance in the SDRF was ₹ 866.79 crore. During the year there were receipts and disbursements of ₹ 521.68 crore and ₹ 512.01 crore respectively from the Fund, leading to a closing balance of ₹ 876.46 crore at the end of March 2016.

### **1.9.4 Status of Guarantees – Contingent liabilities**

Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by borrowers for whom the guarantees are extended.

The Constitution of India provides that a State may borrow, within the territory of India, upon the security of its Consolidated Fund, within such limits, as may from time to time, be fixed by the Act of its Legislature and give guarantees within such limits as may be fixed. However, no such law was passed by the State Legislature of Jharkhand and no limit was fixed for guarantees given on the security of the Consolidated Fund of the State.

As recorded in Statement 9 of the Finance Accounts, guarantees of ₹ 157.15 crore were outstanding at the end of March 2016. No guarantee has been given or revoked during 2015-16.

## **1.10 Debt Management**

### **1.10.1 Debt profile**

Apart from the magnitude of debt of the State Government, it is important to analyse the various indicators that determine the debt sustainability<sup>8</sup> of the State. This section assesses the sustainability of debt of the State Government

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<sup>8</sup> Debt sustainability is defined as the ability of the State to maintain a constant debt-GDP ratio over a period of time. It also embodies the concern about the ability to service its debt. Sustainability of debt therefore also refers to sufficiency of liquid assets to meet current or committed obligations and the capacity to keep a balance between costs of additional borrowings and returns from such borrowings. It means that a rise in fiscal deficit should match the increase in capacity to service the debt.



in terms of debt stabilisation<sup>9</sup>; sufficiency of non-debt receipts<sup>10</sup>; net availability of borrowed funds<sup>11</sup>; burden of interest payments (measured by interest payments to Revenue Receipts ratio) and the maturity profile of State Government securities.

### 1.10.2 Debt Sustainability

**Table 1.28** analyses the debt sustainability of the State according to these indicators for a period of five years beginning from 2011-12.

**Table 1.28: Debt Sustainability: Indicators and Trends**

(₹ in crore)

| Indicators of Debt Sustainability                            | 2011-12      | 2012-13      | 2013-14      | 2014-15      | 2015-16      |
|--|--------------|--------------|--------------|--------------|--------------|
| Debt-GSDP ratio  | 20.3         | 20.0         | 19.9         | 20.1         | 23.4         |
| Sufficiency of Incremental Non-debt Receipts (Resource Gap)* | 188          | (-39)        | 1275         | (-)2885      | 4313         |
| Net Availability of Borrowed Funds                           | (-)238       | 1814         | 110          | 3313         | 9641         |
| Burden of Interest Payments (IP/RR Ratio)                    | 10           | 10           | 10           | 9.28         | 8.17         |
| Maturity Profile of State Debt (In Years)                    |              |              |              |              |              |
| 0 – 1  | 1449(6)      | 1381(5)      | 1453(5)      | 1590(4)      | 1338(3)      |
| 1 – 3  | 3080(13)     | 3031(11)     | 2916(10)     | 3368(10)     | 4535(10)     |
| 3 – 5  | 2623(11)     | 3358(12)     | 4373(14)     | 5032(14)     | 4236(9)      |
| 5 – 7  | 4302(17)     | 5009(19)     | 4160(14)     | 3723(11)     | 7857(17)     |
| 7 and above  | 12856(53)    | 14547(53)    | 17131(57)    | 21129(61)    | 27875(61)    |
| <b>Total</b>   | <b>24310</b> | <b>27326</b> | <b>30033</b> | <b>34842</b> | <b>45841</b> |

Percentage to total are shown in brackets.

\*Formula in Appendix 1.2

During 2015-16, the Debt-GSDP ratio at 23.4 *per cent* was less than 24.20 *per cent* fixed as normative projection by 14<sup>th</sup> FC while it was significantly higher than target fixed in the budget document (21.55 *per cent*).

- After inter-year fluctuation during 2011-16 the sufficiency of incremental non-debt receipts (resources gap) increased from (-) ₹ 2,885 crore in 2014-15 to ₹ 4,313 crore in 2015-16 which was indicative of improvement in fiscal position of the State during the current year.
- Net availability of borrowed funds increased from ₹ 3,313 crore in 2014-15 to ₹ 9,641 crore in 2015-16. During 2015-16, net availability of borrowed funds increased by 191 *per cent* over the previous year due to borrowings of ₹ 5,553 crore on UDAY Bond. However, during 2011-12 the resource gap was negative (₹ 238 crore).
- The ratio of Interest Payments to Revenue Receipts showed significant improvement in Debt Sustainability as it declined steadily from 10 *per cent* in 2011-12 to 8.17 *per cent* in 2015-16. It remained constant at 10 *per cent* during 2011-12 to 2013-14.
- Maturity profile of the State debt indicates that State has to repay less than 50 *per cent* of its debt within seven years. It, therefore, showed a positive trend

<sup>9</sup> A necessary condition for stability states that if the rate of growth of the economy exceeds the interest rate or the cost of public borrowings, the debt-GDP ratio is likely to be stable provided the primary balances are either zero or positive or are moderately negative.

<sup>10</sup> Adequacy of incremental non-debt receipts of the State to cover the incremental interest liabilities and incremental primary expenditure. Debt sustainability could be significantly facilitated if the incremental non-debt receipts could meet the incremental interest burden and the incremental primary expenditure.

<sup>11</sup> Defined as the ratio of debt redemption (Principal + Interest Payments) to total debt receipts and indicates the extent to which debt receipts are used in debt redemption indicating the net availability of borrowed funds.

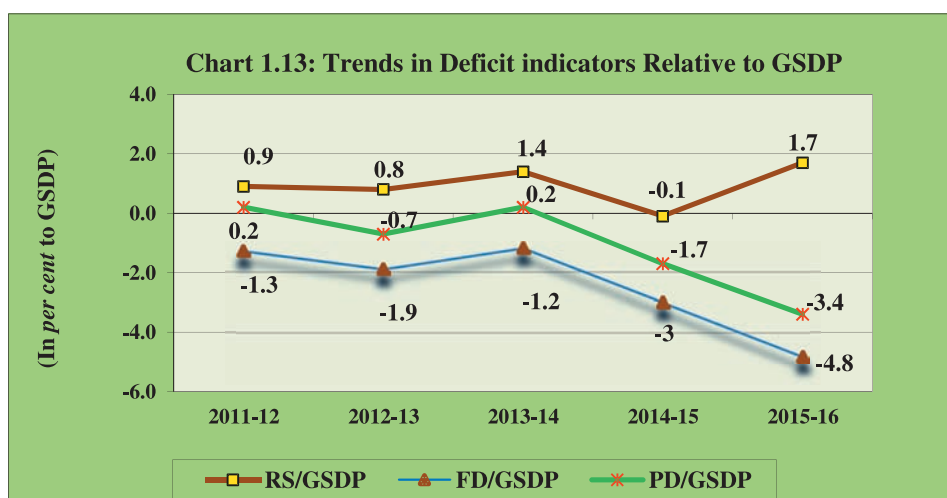
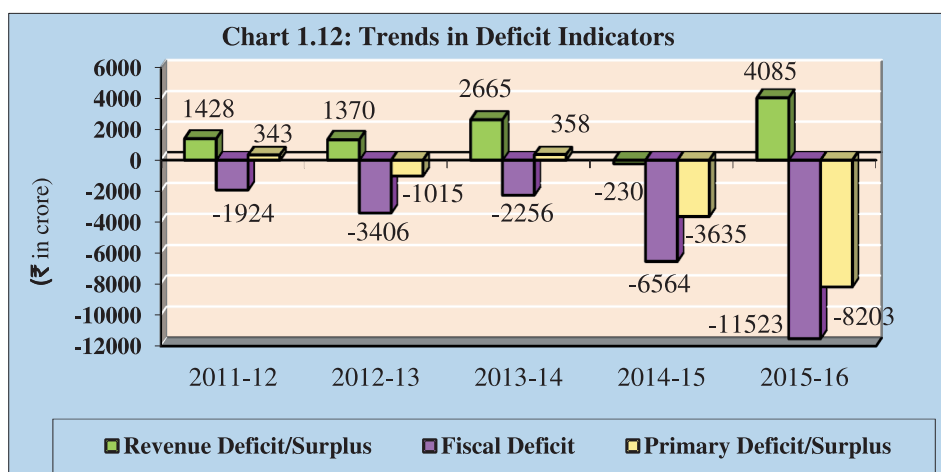
towards a longer maturity during the different block period as discussed in the table above.

### 1.11 Fiscal Imbalances

Three key fiscal parameters - Revenue Deficit, Fiscal Deficit and Primary Deficit-indicate the extent of the overall fiscal imbalances in the finances of the State during a specified period. The deficit in the Government accounts represents the 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 resources raised are applied are important pointers to its fiscal health. This section presents the trends, nature, magnitude and the manner of financing of these deficits and also the assessment of actual levels of Revenue Deficit and Fiscal Deficits *vis-à-vis* the targets set in the budget documents and by the 14<sup>th</sup> FC for the financial year 2015-16.

#### 1.11.1 Trends in deficits

Chart 1.12 and Chart 1.13 present the trends of deficit indicators over the period 2011-16.



- The State had a Revenue Surplus during the period 2011-16 except during 2014-15 when it was negative. Further, revenue surplus increased steadily from ₹ 1,428 crore in 2011-12 to ₹ 4,085 crore in 2015-16 except during 2014-15

when it turned to Revenue Deficit of ₹ 230 crore. During 2015-16, the State had a revenue surplus due to less Revenue Expenditure under Social Services (₹ 3,904 crore) and Economic Expenditure (₹ 1,578 crore) against the BE.

- As targeted in FRBM Act of the State and in the Finance Commissions the State had achieved the target of reducing the Revenue Deficit to 'zero' during 2011-16, except 2014-15. However, the State failed to abide by its own target (RS/GSDP, 2.07 per cent) as its RS/GSDP ratio was 1.7 per cent during the year 2015-16.
- The Fiscal Deficit of the State increased steadily from ₹ 1,924 crore in 2011-12 to ₹ 11,523 crore during 2015-16. In between, Fiscal Deficit increased sharply from ₹ 2,256 crore in 2013-14 to ₹ 6,564 crore in 2014-15 and to ₹ 11,523 crore in 2015-16.
- After inter-year fluctuation the percentage of Fiscal Deficit to GSDP increased from 1.2 per cent at the end of March 2014 to 3.0 per cent in 2014-15 which further increased to 4.8<sup>12</sup> per cent at the end of March 2016. The State failed to achieve its own target of 2.28 per cent fixed in the budget document and the 14<sup>th</sup> FC norms of 3.50 per cent.
- Primary Deficit (PD) showed wide fluctuation during 2011-16 mainly because of fluctuation in Revenue Deficit/Surplus. The Primary Surplus (PS) of ₹ 358 crore in 2013-14 turned to Primary Deficit of ₹ 3,635 crore in 2014-15 and ₹ 8,203 crore in 2015-16. After inter year fluctuation Primary Deficit was (-) 3.4 per cent of GSDP in 2015-16.

### 1.11.2 Composition of Fiscal Deficit and its financing pattern

The financing pattern of the Fiscal Deficit has undergone a compositional shift as reflected in Table 1.29.

**Table 1.29: Components of Fiscal Deficit and its financing pattern**

|   |   | (₹ in crore) |             |             |             |                |                     |            |  |
|---|---|--------------|-------------|-------------|-------------|----------------|---------------------|------------|--|
| Sl. No.                                     | Particulars                               | 2011-12      | 2012-13     | 2013-14     | 2014-15     | 2015-16        |                     |            |  |
| <b>Composition of Fiscal Deficit</b>        |   | <b>1924</b>  | <b>3406</b> | <b>2256</b> | <b>6564</b> | <b>11523</b>   |                     |            |  |
| 1   | Revenue Deficit (-)/Surplus (+)           | 1428         | 1370        | 2665        | -230        | 4085           |                     |            |  |
| 2   | Net Capital expenditure                   | 3159         | 4218        | 4722        | 5543        | 8159           |                     |            |  |
| 3   | Net Loans and Advances                    | 193          | 558         | 199         | 791         | 7449           |                     |            |  |
| <b>Financing Pattern of Fiscal Deficit*</b> |   |              |             |             |             | <b>Receipt</b> | <b>Disbursement</b> | <b>Net</b> |  |
| 1   | Market Borrowings                         | 785          | 3145        | 2535        | 4488        | 5350           | 595                 | 4755       |  |
| 2   | Loans from GOI                            | (-)122       | 100         | -33         | (-)5        | 165            | 167                 | -2         |  |
| 3   | Special Securities issued to NSSF         | (-)73        | (-)200      | 129         | 335         | 1132           | 559                 | 573        |  |
| 4   | Loans from Financial Institutions         | 442          | (-)30       | 455         | (-)8        | 6598           | 925                 | 5673       |  |
| 5   | Small Savings, PF, etc.                   | 70           | 22          | 9           | (-)202      | 830            | 989                 | -159       |  |
| 6   | Reserve Fund                              | (-)105       | (-)123      | 271         | 275         | 522            | 512                 | 10         |  |
| 7   | Deposits and Advances                     | 1030         | 1290        | -254        | 1093        | 19499          | 17388               | 2111       |  |
| 8   | Suspense and Miscellaneous                | 74           | 31          | -1          | -13         | 296            | 279                 | 17         |  |
| 9   | Remittances                               | (-)17        | (-)141      | 157         | -238        | 8025           | 8024                | 1          |  |
| 10  | Inter-State Settlement                    | (-)76        | (-)100      | -50         | -           | -              | -                   | -          |  |
| 11  | Cash balance increase (+)/<br>Decrease(-) | 117          | 588         | 580         | 841         | 444            | 1905                | -1461      |  |

\*All these figures are net of disbursements/outflows during the year except for 2015-16

Source: Finance Accounts of Government of Jharkhand for the respective years.

<sup>12</sup> Fiscal Deficit to GSDP will be decreased to 2.5 per cent if the loan to Bijli Companies made out of borrowings on UDAY Bond is not considered for calculation of Fiscal Deficit as informed by the State Government in the light of tripartite agreement.

During 2015-16, the Fiscal Deficit of ₹ 11,523 crore was mainly met from Market Borrowings (₹ 4,755 crore) and Uday Bonds (₹ 5,553 crore) under Loans from Financial Institutions.

### 1.11.3 Quality of Deficit/Surplus

Ideally, the Revenue Receipts should cover the Revenue Expenditure (including interest payments) of the State. While Revenue Deficit is made up from the borrowings (Fiscal Deficit), the Revenue Surplus can be used for Capital Expenditure thereby reducing the borrowings. Further, if the Non-Debt receipts can meet the Primary Expenditure<sup>13</sup>, there will be no Primary Deficit, to be financed by borrowings. Thus, a necessary condition for stability in finances of the State is that Non-Debt receipts should be adequate enough to cover the incremental primary expenditure and incremental interest payments. The bifurcation of the Primary Deficit indicates the extent to which the deficit has been on account of enhancement in Capital Expenditure which may be desirable for improving the productive capacity of the State's economy. Bifurcation of factors is given **Table 1.30**.

**Table 1.30: Primary Deficit/Surplus in the State- bifurcation of factors**

(₹ in crore)

| Year    | Non-debt Receipts | Primary Revenue Expenditure | Capital Expenditure | Loans and Advances | Primary Expenditure | Primary Revenue Deficit (-) / Surplus (+) | Primary Deficit (-)/ Surplus (+) |
|---------|-------------------|-----------------------------|---------------------|--------------------|---------------------|---|----------------------------------|
| 1       | 2                 | 3                           | 4                   | 5                  | 6 (3+4+5)           | 7 (2-3)                                   | 8 (2-6)                          |
| 2011-12 | 22444             | 18725                       | 3159                | 217                | 22101               | (+)3719                                   | (+)343                           |
| 2012-13 | 24813             | 21009                       | 4218                | 601                | 25828               | (+)3804                                   | (-)1015                          |
| 2013-14 | 26160             | 20858                       | 4722                | 222                | 25802               | (+)5302                                   | (+)358                           |
| 2014-15 | 31598             | 28866                       | 5543                | 824                | 35233               | (+)2732                                   | (-)3635                          |
| 2015-16 | 40669             | 33233                       | 8159                | 7480               | 48872               | (+)7436                                   | (-)8203                          |

Source: Finance Accounts of Government of Jharkhand

- During 2011-12 to 2015-16, the Non-Debt Receipts of the State increased from ₹ 22,444 crore to ₹ 40,669 crore against a corresponding increase in Primary Revenue Expenditure and Primary Expenditure. The Capital Expenditure increased from ₹ 3,159 crore in 2011-12 to ₹ 8,159 crore in 2015-16.
- During 2015-16 non-debt receipts of the State increased by 29 *per cent* over previous year while the primary revenue expenditure increased by 15 *per cent* during 2015-16. However, a primary deficit of ₹ 8,203 crore occurred during 2015-16.

## 1.12 Conclusion and Recommendations

### Review of fiscal situation

- The growth of GSDP during 2015-16 was 11.4 *per cent*, against the 14<sup>th</sup> FC norm of 11.73 *per cent* for the year.
- The State had a Revenue Surplus of ₹ 4,085 crore during 2015-16. During the current year Fiscal Deficit increased to ₹ 11,523 crore. It was 4.8 *per cent*

<sup>13</sup> Expenditure on Revenue, Capital and Loans and Advances, but not interest payments

of GSDP, beyond the recommended ceiling (3.5 *per cent*) by the 14<sup>th</sup> FC and target set in budget document.

The Government should ensure achievement of target fixed by 14<sup>th</sup> FC.

### **Resources mobilization**

- While the Revenue Receipts (₹ 40,638 crore) of the State grew at 28.7 *per cent* during 2015-16 over the previous year, these were less than the Budget Estimate by ₹ 7,389 crore.

The Government should make efforts to achieve its own target of receipts given in the Budget document.

### **Quality of expenditure**

- During the year 2015-16, the State has given high priority to Development Expenditure and Capital Expenditure in comparison to the GCS, while significantly less priority was given by the State to Education Sector Expenditure and Health Sector Expenditure.

- The Capital Expenditure (CE) increased from ₹ 5,543 crore in 2014-15 to ₹ 8,159 crore in 2015-16. The percentage of CE to Total Expenditure stood at 18 *per cent* during 2015-16 against 15 *per cent* in 2014-15. The percentage of CE to GSDP was 3.4 *per cent* during 2015-16 against 2.8 *per cent* during 2014-15.

Government should maintain its priority to Development Expenditure with emphasis on Education and Health Sectors.

- Every year a huge amount of loans was given by the Government to different institutions/organizations of the State but its recovery was negligible leading to a huge balance of ₹ 16,187 crore at the end of March 2016 of which ₹ 1,340.46 crore was repayment in arrears from Loanee entities (₹ 436.48 crore as principal and ₹ 903.98 crore as interest).

Government should take steps to recover the outstanding loans from the institutions/organizations not repaying the principal and interest on the loans.

### **Fiscal Liabilities**

- Fiscal Liabilities of the State (₹ 56,530 crore) grew at 29.7 *per cent* over the previous year. The Fiscal Liabilities at 25 *per cent* of GSDP were beyond the limit of 21.73 *per cent* recommended by 14<sup>th</sup> FC for the year. Government has not set up Sinking Fund for amortization of all loans.

The State should ensure to achieve the projection of 14<sup>th</sup> FC regarding the Fiscal Liabilities of the State. Further, the State should take steps to set up Sinking Fund for amortisation of loans.

