

CHAPTER I

FINANCES OF THE UNION TERRITORY GOVERNMENT

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The Union Territory (UT) of Puducherry is located on the east coast of India and extends over an area of 490 sq.km. UT consists of four regions, namely, Puducherry, Karaikal, Mahe and Yanam, geographically separated from each other. UT is administered under the provisions of the Government of Union Territories Act, 1963. As per 2011 census, UT's population was 12.48 lakh, which recorded a decadal growth rate of 28.13 *per cent* as compared to 2001 census. The population projection as per National Commission on population was 17 lakh during 2016-17 in UT of Puducherry. The percentage of population below the poverty line was 7.7, which was lower than the all-India average of 21.9. UT's Gross State Domestic Product (GSDP) in 2016-17, at current price, was ₹ 27,586 crore. UT's literacy rate increased from 81.24 *per cent* (as per 2001 census) to 85.80 *per cent* (as per 2011 census). General data relating to UT was given in **Appendix 1.1**.

Gross State Domestic Product

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

Table 1.1: Trend of growth of GDP and GSDP

	2012-13	2013-14	2014-15	2015-16	2016-17
India's GDP (₹ in crore)	99,44,013	1,12,33,522	1,24,45,128	1,36,82,035	1,51,83,709
Growth rate of GDP (percentage)	13.82	12.97	10.79	9.94	10.98
UT's GSDP (₹ in crore)	18,875	21,870	22,574	24,701	27,586
Growth rate of GSDP (percentage)	12.23	15.87	3.22	9.42	11.68

(Source: GSDP in Puducherry-Directorate of Economics and Statistics, Puducherry; India's GDP-Information from Ministry of Statistics and Programme Implementation)

The terms and abbreviations used in this Report are listed in the Glossary at Page No.84

1.1 Introduction

This Chapter provides a broad perspective of the finances of the Government of UT of Puducherry during the current year and analyses changes in the major fiscal aggregates relative to the previous year, also keeping in view the overall trends during the last five years. The structure of Government Accounts and the layout of the Finance Accounts are shown in **Appendix 1.1 - Part B and Part C**. The methodology adopted for the assessment of the fiscal position of UT was given in **Appendix 1.2**. A time series data on UT Government finances was given in **Appendix 1.3**.

1.1.1 Summary of Current Year's Fiscal Transactions

Table 1.2 presents the summary of UT Government's fiscal transactions during the current year (2016-17) *vis-à-vis* the previous year (2015-16), while **Appendix 1.4 - Part A** provides details of receipts and disbursements as well as the overall fiscal position during the current year.

Table 1.2 : Summary of Current Year's Fiscal Operations

(₹ in crore)

Receipts	2015-16	2016-17	Disbursements	2015-16	2016-17		
					Non-Plan	Plan	Total
Section-A: Revenue							
Revenue receipts	5,088	5,383	Revenue expenditure	5,285	3,814	1,644	5,458
Tax Revenue	2,260	2,401	General services	1,469	1,582	57	1,639
Non-Tax Revenue	1,138	1,245	Social services	2,199	811	1,318	2,129
Share of Union Taxes/Duties	Nil	Nil	Economic services	1,611	1,415	269	1,684
Grants from the Government of India	1,690	1,737	Grants-in-aid and Contributions	6	6	Nil	6
Section-B: Capital							
Miscellaneous Capital Receipts	Nil	Nil	Capital expenditure	439	7	440	447
Recoveries of Loans and Advances	2	2	Loans and Advances disbursed	1	*	*	**
Public Debt receipts	741	820	Repayment of Public debt	169	224	*	224
Contingency Fund	Nil	Nil	Contingency Fund	Nil	Nil	Nil	Nil
Public Account receipts	1,015	845	Public Account disbursements	938	*	*	800
Opening Cash balance	1,235	1,249	Closing Cash balance	1,249	*	*	1,370
Total	8,081	8,299	Total	8,081			8,299

(Source: Finance Accounts of respective years)

* Bifurcation of Plan and Non-Plan not available

** ₹ 27 lakh for 2016-17

Following were the changes during 2016-17 as compared to the previous year 2015-16:

- Revenue receipts increased by ₹ 295 crore due to increase in Tax revenue by ₹ 141 crore, Non-tax revenue by ₹ 107 crore and release of additional grants by Government of India (GOI) by ₹ 47 crore.
- Revenue expenditure increased by ₹ 173 crore due to more expenditure on General Services (₹ 170 crore) and Economic Services (₹ 73 crore). However, there was less expenditure on Social Services (₹ 70 crore) compared with expenditure in 2015-16.
- Capital expenditure increased from ₹ 439 crore in 2015-16 to ₹ 447 crore in 2016-17. It was 7.57 per cent of the total expenditure, which was on lower side.
- Public Account receipts and disbursements decreased by ₹ 170 crore and ₹ 138 crore respectively during 2016-17.

1.1.2 Review of the fiscal situation

As UT of Puducherry was not covered under Finance Commission, Fiscal Responsibility and Budget Management (FRBM) Act was not enacted. However, fiscal road map based on the principles of GOI's FRBM Act was prepared (June 2012) and approved by GOI. The target prescribed in the fiscal road map and target proposed in the budget were given in **Table 1.3**.

Table 1.3: Comparison of fiscal variable with road map for 2016-17

Fiscal variables	Target proposed in the fiscal road map	Target proposed in the budget	Actuals
Revenue deficit(-)/surplus (+) (₹ in crore)	(-) 197.32	(-) 92.20	(-) 75.30
Fiscal deficit/GSDP (per cent)	(-) 1.68	(-) 2.56	(-)1.89
Ratio of total outstanding debt of the Government to GSDP (per cent)	27.60	Not available	30.08

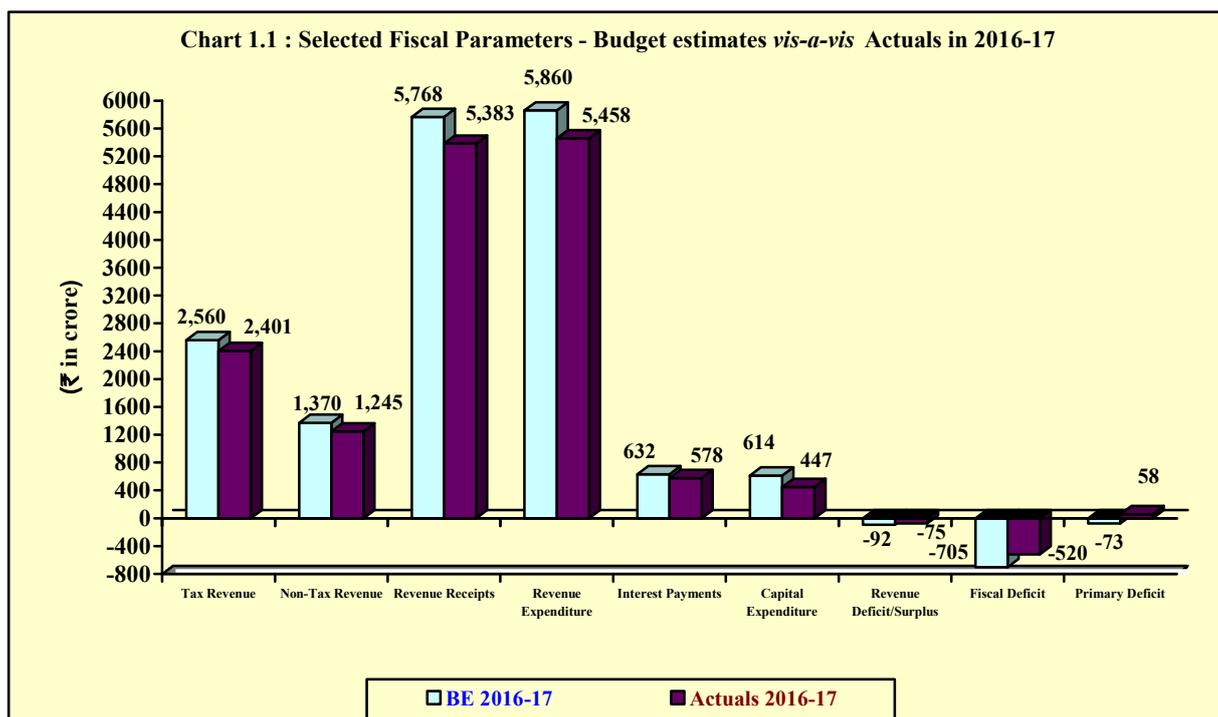
(Source: Finance Accounts, fiscal road map and budget documents)

As against the target proposed in the fiscal road map for revenue deficit of ₹ 197.32 crore, UT Government's revenue deficit was ₹ 75.30 crore, which was 0.27 per cent of GSDP. The outstanding fiscal liabilities to GSDP were 30.08 per cent as against 27.60 per cent envisaged in the fiscal road map.

1.1.3 Budget estimates and actuals

The Budget papers presented by UT Government provide description of the estimated revenue and expenditure for a particular fiscal year. The importance of accuracy in the estimation of revenue and expenditure was widely accepted in the context of effective implementation of fiscal policies for overall economic management.

Chart 1.1 presents the budget estimates and actuals for some important fiscal parameters.



(Source: Finance Accounts and budget documents)

It could be seen from the chart above, that UT witnessed shortfall in all the key fiscal parameters except primary deficit as compared to the budget estimates. The reason for shortfall in actual revenue receipts was because of less Tax revenue and Non-tax revenue receipts as compared to the budgeted projections. The revenue expenditure and capital expenditure were also less than the budget estimates. Less revenue expenditure was witnessed in all sectors other than Other Administrative Services, Social Security and Welfare, Power and Roads and Bridges. Similarly, less capital expenditure was also noticed in Health and Family Welfare, Water Supply, Sanitation, Housing and Urban Development, Social Security and Welfare etc., under Social Services and Agriculture and Allied activities, Dairy Development, Fisheries, Irrigation and Flood Control, Ports and Light Houses, Energy and Tourism under Economic Services. The variation between the budget estimates and the actuals was shown in **Table 1.4**.

Table 1.4: Variation between Budget Estimates and Actuals

(₹ in crore)

Particulars	Budget Estimate	Actuals	Variation	Increase/Decrease in per cent
Revenue Receipts	5,768	5,383	(-) 385	(-) 6.67
Tax revenue	2,560	2,401	(-) 159	(-) 6.21
Non-Tax revenue	1,370	1,245	(-) 125	(-) 9.12
Grants-in-aid from GOI	1,838	1,737	(-) 101	(-) 5.50
Revenue Expenditure	5,860	5,458	(-) 402	(-) 6.86
Capital Expenditure	614	447	(-) 167	(-) 27.20

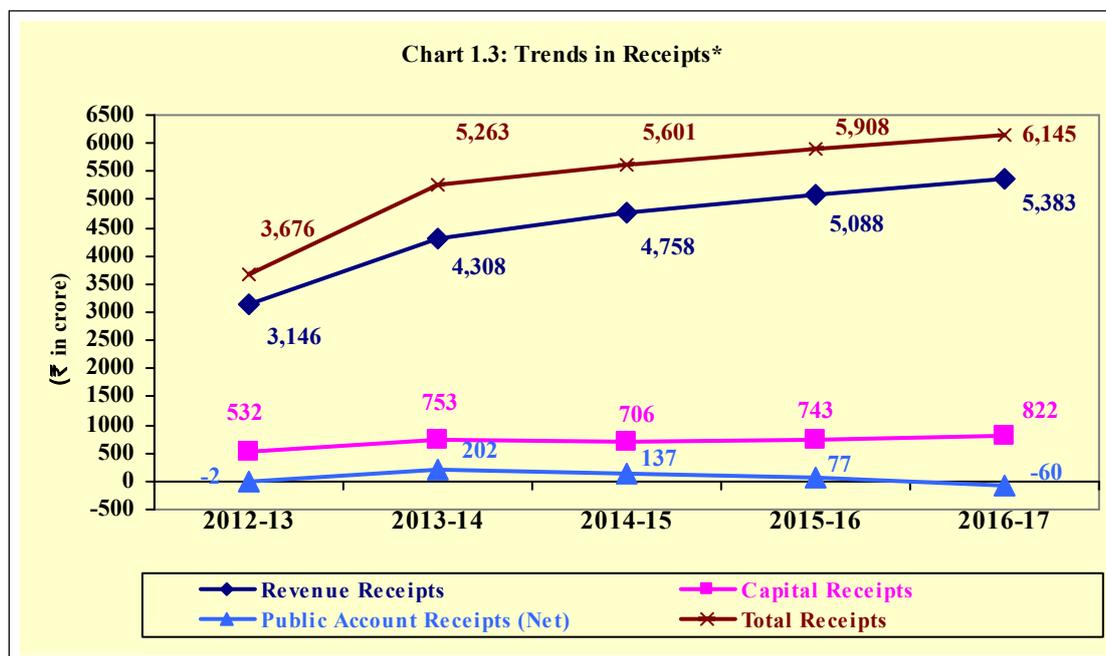
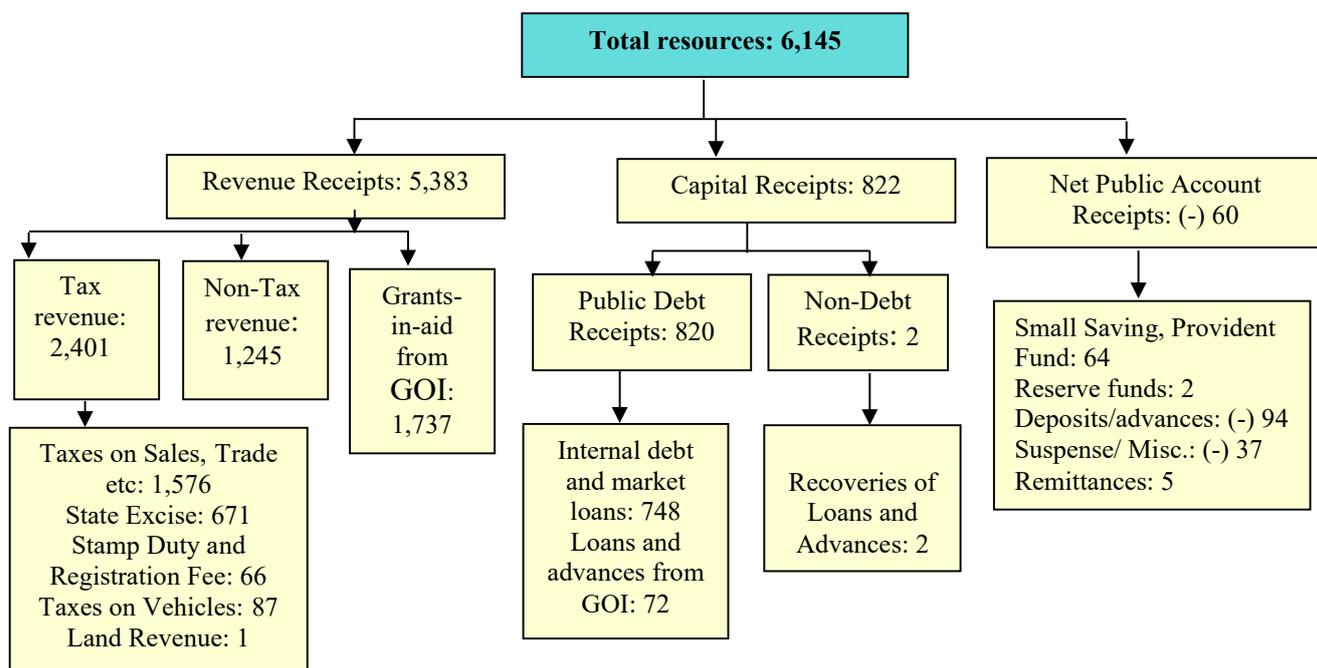
It may be seen from the table above that the gap between the estimates and actuals indicated that either the estimates were not realistic or UT Government was not able to collect the receipts as projected and could not spend especially in respect of Capital expenditure.

1.2 Resources of the Union Territory

Resources of the Union Territory as per Annual Finance Accounts

Revenue and Capital were the two streams of receipts that constitute resources of the Government. Revenue receipts consist of Tax revenues, Non-Tax revenues and Grant-in-aid (GIA) from GOI. Capital receipts comprise miscellaneous capital receipts such as recoveries of loans and advances, debt receipts from internal sources (market loans), loans and advances from GOI as well as accruals from the Public Account. **Chart 1.2** presents the receipts and disbursements of UT during the current year, as recorded in its Annual Finance Accounts, while **Chart 1.3** depicts the trends in various components of the receipts during 2012-13 to 2016-17.

Chart 1.2: Components and sub-components of resources
(All figures were ₹ in crore)

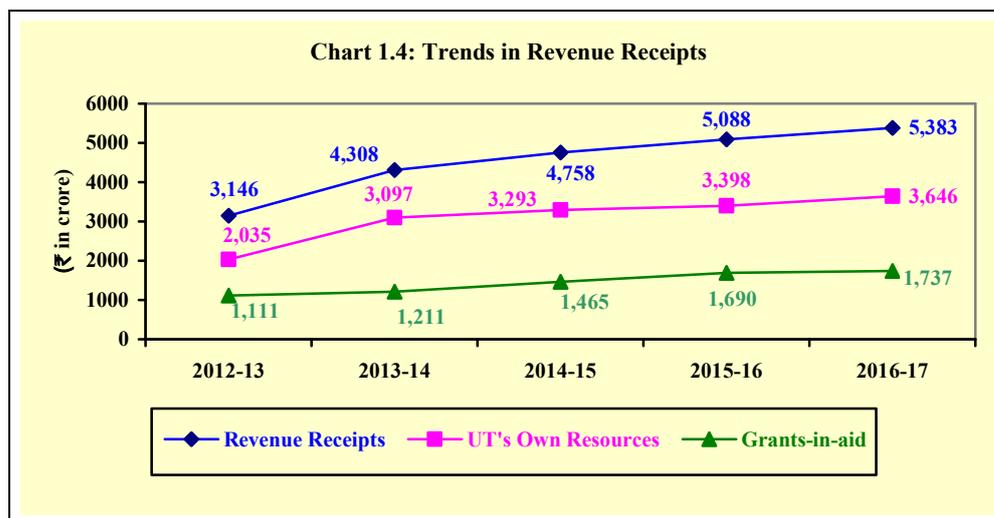


(Source: Finance Accounts of respective years)

* Total Receipts includes Net Receipts under Public Account

1.3 Revenue Receipts

Statement-14 of the Finance Accounts shows the details of revenue receipts of the Government. The revenue receipts consist of UT's own Tax and Non-tax revenues and GIA from GOI. The trends of revenue receipts over the period 2012-13 to 2016-17 were presented in **Appendix 1.3** and depicted in **Chart 1.4**.



(Source: Finance Accounts of respective years)

Revenue receipts of UT increased by ₹ 295 crore (5.80 per cent) over the previous year. Tax revenue, Non-Tax revenue and GIA from GOI increased by ₹ 141 crore, ₹ 107 crore and ₹ 47 crore respectively.

The trends of revenue receipts relative to GSDP were presented in **Table 1.5** below.

Table 1.5: Trends in Revenue Receipts relative to GSDP

	2012-13	2013-14	2014-15	2015-16	2016-17
Revenue Receipts (RR) (₹ in crore)	3,146	4,308	4,758	5,088	5,383
RR/GSDP (per cent)	16.67	19.70	19.75	19.18	19.51
Rate of growth of RR (per cent)	13.53	36.94	10.44	6.94	5.80
UT's own taxes (₹ in crore)	1,917	1,904	1,993	2,260	2,401
Rate of growth of own taxes (per cent)	44.24	(-) 0.68	4.67	13.40	6.24
GSDP growth (per cent)	12.23	15.87	3.22	9.42	11.68
Buoyancy Ratios					
Revenue buoyancy with reference to GSDP (ratio)	1.10	2.33	3.24	0.74	0.50
UT's own tax buoyancy with reference to GSDP (ratio)	3.62	(-) 0.04	1.45	1.42	0.53

(Source: Finance Accounts of respective years)

The buoyancy ratio indicates elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. As against growth rate of GSDP of 11.68 *per cent*, the growth rate of own taxes was 6.24 *per cent*, which indicated that growth of own taxes was not proportionate to the growth rate of GSDP. While the revenue buoyancy¹ with reference to GSDP decreased from 0.74 in 2015-16 to 0.50 in 2016-17, UT's own tax buoyancy with reference to GSDP declined to 0.53 during 2016-17 from 1.42 in 2015-16.

1.3.1 Union Territory's own resources

UT's performance in mobilisation of resources was assessed in terms of its own resources comprising revenue from its own Tax and Non-Tax sources. UT's actual Tax and Non-Tax revenue for the year 2016-17 *vis-à-vis* target proposed in the fiscal road map and budget estimates were given in **Table 1.6**.

Table 1.6: Tax and Non-Tax revenue *vis-à-vis* budget estimates and target proposed in the fiscal road map

(₹ in crore)

	Target proposed in the fiscal road map	Budget estimate 2016-17	Actuals
Tax revenue	4,350	2,560	2,401
Non-Tax revenue	173	1,370	1,245

(Source: Budget documents, Finance Accounts and details furnished by the Department)

The actual Tax revenue was less by ₹ 1,949 crore (44.80 *per cent*) and ₹ 159 crore (6.21 *per cent*) than target proposed in the fiscal road map and budget estimate respectively. While Non-Tax revenue was less by ₹ 125 crore (9.12 *per cent*) than budget estimates, it was more by ₹ 1,072 crore than fiscal road map target. This was indicative of the fact that the target fixed in fiscal road map was unrealistic and requires to be amended in line with the principles laid down in GOI's FRBM Act in order to project the performance of UT Government in more realistic way.

¹ Revenue Buoyancy was the Rate of Growth of Revenue Receipts with reference to the Rate of Growth of GSDP (ROG of RR: 5.80/ROG of GSDP: 11.68=0.50)

1.3.1.1 Tax revenue

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

Table 1.7: Components of UT's Tax receipts

(₹ in crore)

Revenue Head	2012-13	2013-14	2014-15	2015-16	2016-17	Percentage of increase in 2016-17 over previous year
Taxes on Sales, Trade, etc.	1,287	1,256	1,313	1,439	1,576	(+)9.52
State Excise	504	512	545	674	671	(-)0.45
Taxes on Vehicles	52	52	59	69	87	(+) 26.09
Stamp Duty and Registration fees	73	83	75	76	66	(-)13.16
Land Revenue	1	1	1	2	1	(-) 50
Total	1,917	1,904	1,993	2,260	2,401	(+) 6.24

(Source: Finance Accounts of respective years)

UT's Tax revenue increased by ₹ 141 crore (6.24 per cent) in 2016-17 over the previous year, mainly due to increase in collection under Taxes on Sales and Trade (₹ 137 crore) and Taxes on Vehicles (₹ 18 crore). However, Stamp Duty and Registration fees decreased by ₹ 10 crore (13 per cent) in 2016-17.

1.3.1.2 Non-Tax revenue

The components of Non-Tax revenue receipts were given in **Table 1.8**.

Table 1.8: Components of UT's Non-Tax receipts

(₹ in crore)

Revenue Head	2012-13	2013-14	2014-15	2015-16	2016-17	Variation in 2016-17 over previous year in percentage
Interest receipts	35	62	91	88	66	(-) 25
Dividends and Profits	1	6	2	4	--	--
Other Non-Tax receipts	82	1,125	1,207	1,046	1,179	12.72
Total	118	1,193	1,300	1,138	1,245	9.40

(Source: Finance Accounts of respective years)

The Non-Tax revenue receipts increased from ₹ 1,138 crore in 2015-16 to ₹ 1,245 crore in 2016-17. While interest receipts and dividends and profits decreased by ₹ 22 crore and ₹ four crore respectively, other Non-Tax receipts increased by ₹ 133 crore.

1.3.1.3 Grants-in-aid from GOI

The Grants-in-aid (GIA) received from GOI for the years 2012-13 to 2016-17 were given in **Table 1.9**.

Table 1.9: Grants-in-aid from GOI

	(₹ in crore)				
	2012-13	2013-14	2014-15	2015-16	2016-17
Non-Plan grants	525	514	513	807	747
Grants for UT's Plan scheme	547	664	804	699	795
Grants for Centrally Sponsored schemes	39	33	148	184	195
Total	1,111	1,211	1,465	1,690	1,737
Percentage of increase/decrease of GIA over previous year	(-13.81)	9.00	20.97	15.36	2.78
Total grants as a percentage of revenue receipts	35.31	28.10	30.79	33.21	32.27

(Source: Finance Accounts of respective years)

GIA received from GOI as a percentage over previous year increased by 2.78 during 2016-17. The total grant as a percentage of revenue receipts decreased from 33.21 in 2015-16 to 32.27 in 2016-17.

The overall GIA received during 2016-17 increased by ₹ 47 crore, due to increase of ₹ 96 crore in grants for UT's Plan schemes and ₹ 11 crore in grants for Centrally Sponsored Schemes, which was offset by decrease of ₹ 60 crore under Non-Plan grants.

1.4 Capital Receipts

Public debt receipts, recoveries of loans and advances and miscellaneous capital receipts were the capital receipts of UT Government. The trends in growth of capital receipts for the period from 2012-13 to 2016-17 were given in **Table 1.10**.

Table 1.10: Growth of capital receipts

	(₹ in crore)				
Source of receipts	2012-13	2013-14	2014-15	2015-16	2016-17
Capital receipts	532	753	706	743	822
Miscellaneous capital receipts	Nil	Nil	Nil	Nil	Nil
Recovery of loans and advances	3	3	2	2	2
Public debt receipts	529	750	704	741	820
Rate of growth of Public debt receipts (<i>per cent</i>)	(-) 32.87	41.78	(-) 6.13	5.26	10.66
Rate of growth of non-debt capital receipts (<i>per cent</i>)	(-) 25.00	Nil	(-) 33.33	Nil	Nil
Rate of growth of capital receipts (<i>per cent</i>)	(-) 32.83	41.54	(-) 6.24	5.24	10.63

(Source: Finance Accounts of respective years)

The capital receipts increased by ₹ 79 crore in 2016-17 entirely due to increase in Public Debt receipts.

1.5 Public Account 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, were kept in the Public Account and were not subject to vote by UT Legislature. For Public Account Receipts, the Government acts as a banker. The balance amount after disbursements was the fund available with the Government for use for various activities. Public Account Receipts for the period from 2012-13 to 2016-17 were given in **Table 1.11**.

Table 1.11: Trends in composition of Public Account Receipts

(₹ in crore)

Resources under various heads	2012-13	2013-14	2014-15	2015-16	2016-17
Public Account Receipts	715.17	910.80	981.76	1,015.31	844.70
(a) Small savings, Provident Fund, etc.	257.16	266.34	289.93	303.43	311.42
(b) Reserve Fund	28.53	50.00	95.56	1.00	1.83
(c) Deposits and advances	259.70	269.59	195.80	392.45	193.47
(d) Suspense and miscellaneous	(-) 143.10	5.43	(-) 2.49	(-) 95.96	15.23
(e) Remittance	312.88	319.44	402.96	414.39	322.75

(Source: Finance Accounts of respective years)

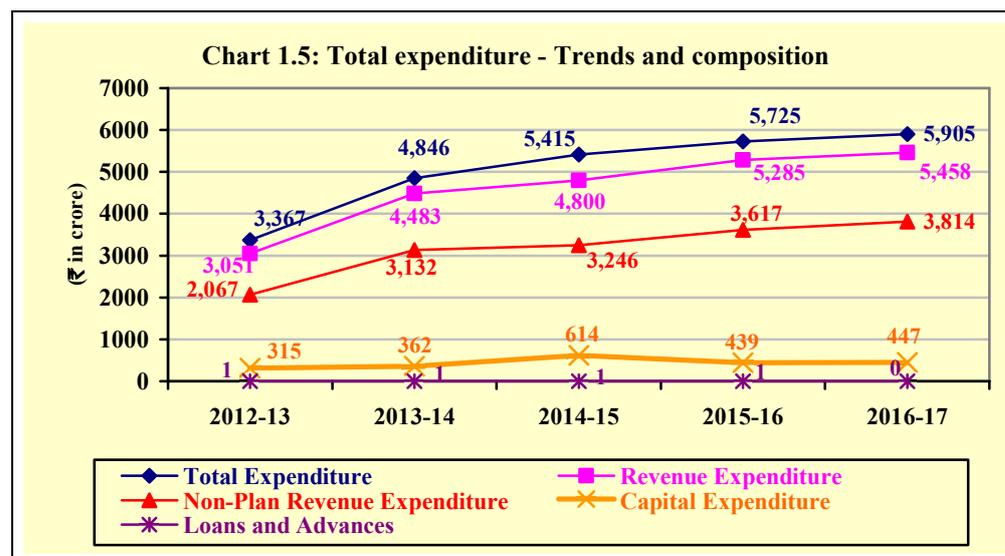
The Public Account Receipts decreased from ₹ 1,015.31 crore in 2015-16 to ₹ 844.70 crore in 2016-17.

1.6 Application of Resources

Analysis of the allocation of expenditure at UT Government level assumes significance since major expenditure responsibilities were entrusted with UT Government functionaries. In view of budgetary constraints in raising public expenditure, that too financed by deficit or borrowings, it was important to ensure that in the process of ongoing fiscal correction and consolidation process, development expenditure was encouraged more rather than concentrating more on revenue expenditure.

1.6.1 Growth and composition of expenditure

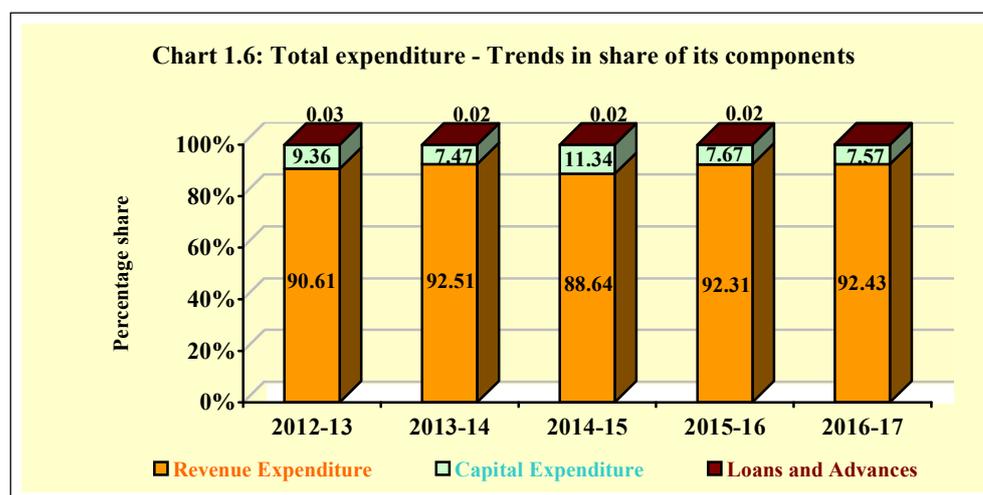
Chart 1.5 presents the trends and composition of total expenditure over a period of five years (2012-13 to 2016-17) and its composition in terms of 'economic classification' and 'expenditure by activities' was depicted respectively in **Charts 1.6 and 1.7**.



(Source: Finance Accounts of respective years)

Total expenditure² of UT increased by 3.14 per cent from ₹ 5,725 crore in 2015-16 to ₹ 5,905 crore in 2016-17. The revenue expenditure increased by ₹ 173 crore (3.27 per cent) and the capital expenditure increased by ₹ eight crore (1.82 per cent) during 2016-17 when compared to the previous year.

Revenue expenditure was 92.43 per cent of the total expenditure, of which, 69.88 per cent was the Non-Plan component. The capital expenditure accounted for 7.57 per cent of the total expenditure in 2016-17.

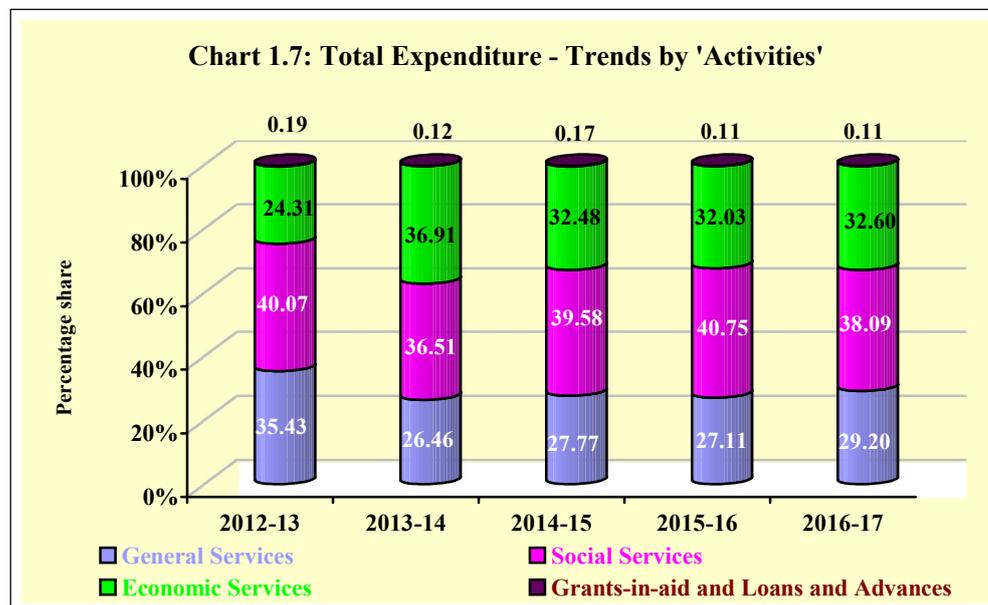


(Source: Finance Accounts of respective years)

It may be seen from **Chart 1.6** above that the Revenue expenditure as a share of total expenditure was increasing consistently over a period of five years. Only during 2014-15, UT Government could marginally contain the Revenue

² Total expenditure includes revenue expenditure, capital expenditure and disbursement of loans and advances

expenditure, which was 88.64 *per cent* in 2014-15, shot up to 92.31 *per cent* in 2015-16 and further increased to 92.43 *per cent* in 2016-17.



(Source: Finance Accounts of respective years)

During 2016-17, expenditure on General Services, Social Services and Economic Services was 29.20, 38.09 and 32.60 *per cent* of the total expenditure respectively. The expenditure on General Services and Economic Services increased by 11.10 and five *per cent* respectively over the previous year, while the expenditure on Social Services decreased by 3.56 *per cent* over the previous year.

1.6.2 Revenue expenditure

Revenue expenditure of ₹ 5,458 crore during 2016-17 increased by ₹ 173 crore as compared to previous year. It constituted 92.43 *per cent* of total expenditure of ₹ 5,905 crore during the year. Revenue deficit stood at 0.27 *per cent* of GSDP.

1.6.3 Committed expenditure

The committed expenditure of UT Government on the revenue account mainly consists of interest payments, expenditure on salaries and pensions and subsidies. **Table 1.12** presents the trends of expenditure on these components during 2012-13 to 2016-17.

Table 1.12: Components of Committed expenditure

(₹ in crore)

Components of Committed Expenditure	2012-13	2013-14	2014-15	2015-16	2016-17
Salaries, of which	1,063 (34)	1,172 (27)	1,332 (28)	1,377 (27)	1,558 (29)
Non-Plan Head	786	860	965	1,005	1,131
Plan Head**	277	312	367	372	427
Interest payments	451 (14)	477 (11)	538 (11)	552 (11)	578 (11)
Expenditure on Pension	372 (12)	384 (9)	431 (9)	540 (11)	632 (12)
Subsidies	53 (2)	129 (3)	144 (3)	154 (3)	134 (2)
Total	1,939 (62)	2,162 (50)	2,445 (51)	2,623 (52)	2,902 (54)

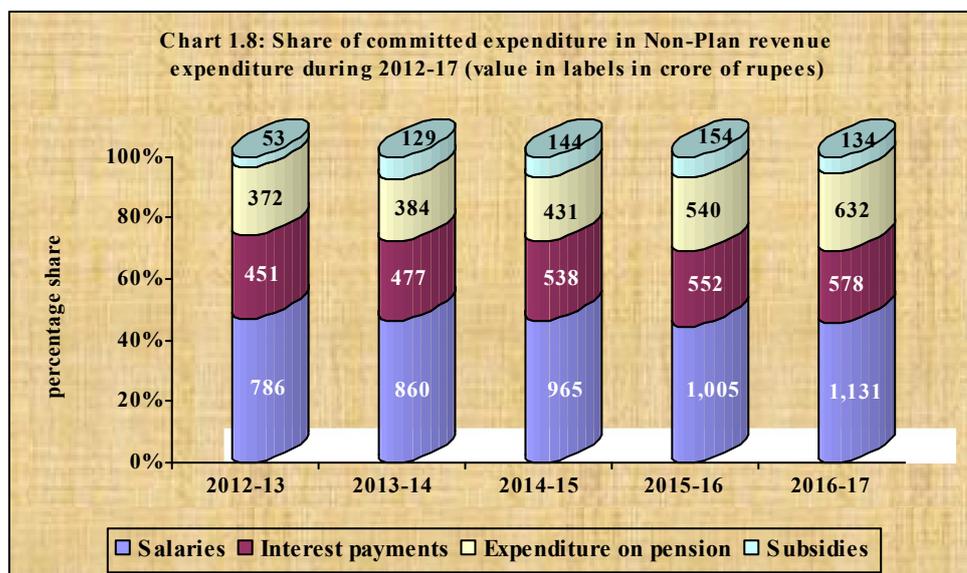
(Source: Finance Accounts of respective years)

** Plan head also includes the salaries paid under Centrally Sponsored Schemes

Figures in bracket indicate percentage to revenue receipts

It may be seen from the table above that the total committed expenditure of UT Government was increasing consistently over the period of five years but as a percentage to revenue receipts, UT Government was able to contain the percentage to 54 from 62 in 2012-13.

Chart 1.8 presents the share of committed expenditure in Non-Plan revenue expenditure on salaries, interest payments and pension during 2012-13 to 2016-17.



(Source: Finance Accounts of respective years)

The committed expenditure increased continuously from 2012-13 (₹ 1,939 crore) to 2016-17 (₹ 2,902 crore) and constituted 53 per cent of Revenue expenditure during 2016-17.

Expenditure on salaries under Non-Plan and Plan during the current year was ₹ 1,131 crore and ₹ 427 crore respectively. During 2016-17, expenditure on salary increased by ₹ 181 crore (13.14 *per cent*) over the previous year.

Pension payments increased by 17 *per cent* from ₹ 540 crore in 2015-16 to ₹ 632 crore in 2016-17 and it stood at around 12 *per cent* of both revenue receipts and revenue expenditure respectively.

Interest payments increased by ₹ 26 crore (around 5 *per cent*) in 2016-17 over the previous year mainly due to increase in internal debt, which increased from ₹ 4,811 crore in 2015-16 to ₹ 5,461 crore in 2016-17 (around 14 *per cent*). The interest payments was 11 *per cent* of the total revenue receipts for the fourth year consecutively.

Subsidies which were two *per cent* of both revenue receipts and revenue expenditure in 2016-17, represent the expenditure booked under the object head 'Subsidies' under Welfare of Scheduled Castes, Social Security and Welfare, Crop Husbandry, Animal Husbandry, Fisheries, Food Storage and Warehousing, Minor Irrigation, Village and Small Industries, Tourism and other General Economic Services.

1.6.4 Financial assistance by UT Government to Local Bodies and other Institutions

The Panchayati Raj system in Puducherry was governed by the provisions of the Pondicherry Village and Commune Panchayat Act, 1973, which has devolved several powers to Village and Commune Panchayats. The Act was further amended in 1994, so as to conform to the 73rd amendment to the Constitution. In Puducherry, there were five Municipalities, 10 Commune Panchayats and 98 Village Panchayats. The quantum of assistance provided by way of grants and loans to Local Bodies and other institutions during the current year relative to the previous years is presented in **Table 1.13**.

Table 1.13: Financial assistance to Local Bodies and other institutions

(₹ in crore)

Financial assistance to Institutions	2012-13	2013-14	2014-15	2015-16	2016-17
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	28.09	37.08	50.56	45.96	32.12
Municipalities	23.43	44.89	43.98	53.83	41.95
Panchayati Raj Institutions	3.75	18.36	12.14	1.10	3.58
Development agencies and Autonomous Bodies	263.03	348.59	459.75	433.37	504.92
Co-operatives	35.32	32.63	68.72	61.49	57.45
Other Institutions*	6.43	5.75	25.49	120.56	28.88
Total	360.05	487.30	660.64	716.31	668.90
Assistance as percentage of revenue expenditure	12	11	14	14	12

(Source: Information furnished by the Director of Accounts and Treasuries, Puducherry)

* Welfare societies and religious institutions

Financial assistance extended to Local Bodies and other institutions decreased from ₹ 716.31 crore in 2015-16 to ₹ 668.90 crore in 2016-17.

1.7 Quality of expenditure

The availability of better social and physical infrastructure in UT generally reflects the quality of its expenditure. 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 utilisation of funds and its effectiveness.

1.7.1 Adequacy of Public expenditure

The responsibilities relating to the expenditure on social and economic infrastructure were largely assigned to State/UT Governments. Enhancing human development levels requires the States/UTs to step up their expenditure on key Social Services like education, health, etc. **Table 1.14** analyses the fiscal priority (percentage of expenditure category to aggregate expenditure) of UT Government with regard to development expenditure, social sector expenditure and capital expenditure during the current year and compares the fiscal priority given to different categories of expenditure of UT of Puducherry in 2013-14 and 2016-17.

Table 1.14: Fiscal priority of UT in 2013-14 and 2016-17

Fiscal priority of UT		AE/ GSDP	DE/AE	SSE/AE	CE/AE	ESE/AE	Expenditure on Education, Sports, Art and Culture/AE	Expenditure on Health and Family Welfare/AE
Puducherry (Percentage)	2013-14	22	73	37	7	37	12	7
	2016-17	21	71	38	8	33	13	3
General Category States (Percentage)	2013-14	15	70	38	14	30	18	5
	2016-17	17	71	32	20	35	15	5
AE: Aggregate Expenditure; DE: Development Expenditure; SSE: Social Sector Expenditure; CE: Capital Expenditure; ESE: Economic Sector Expenditure Development Expenditure includes Development Revenue Expenditure, Development Capital Expenditure and Loans and Advances disbursed								

(Source: (1) Directorate of Economics and Statistics, Puducherry and (2) Finance Accounts for Expenditure figures)

It may be seen from the table above that the aggregate expenditure, as a percentage to GSDP, decreased from 22 in 2013-14 to 21 in 2016-17, which showed that UT Government of Puducherry spent lesser proportion of its GSDP on aggregate expenditure in 2016-17.

The percentage of Development expenditure to aggregate expenditure decreased from 73 in 2013-14 to 71 in 2016-17 but there was a slight increase in Education, Sports, Art and Culture, where the percentage increased from 12 in 2013-14 to 13 in 2016-17. However, in respect of Health and Family Welfare, the percentage decreased from 7 in 2013-14 to 3 in 2016-17.

Table 1.15 below analyses the fiscal priority set by UT Government in key areas of Education, Sports, Art and Culture and Health and Family Welfare.

Table 1.15: Fiscal priority of UT in 2013-14 and 2016-17

Fiscal priority of UT		Per capita expenditure on Education, Sports, Art and Culture (in ₹)	Per capita expenditure on Health and Family Welfare (in ₹)
Puducherry	2013-14	4,811	2,892
	2016-17	6,174	1,421

Per capita expenditure on Education, Sports, Art and Culture increased from ₹ 4,811 in 2013-14 to ₹ 6,174 in 2016-17, while the per capita expenditure on Health and Family Welfare decreased from ₹ 2,892 in 2013-14 to ₹ 1,421 in 2016-17.

1.7.2 Efficiency of utilisation of funds

In view of the importance of public expenditure on development heads from the point of view of social and economic development, it was important for UT Government to take appropriate expenditure rationalisation measures and lay emphasis on provision of core public and merit goods³. Apart from improving the allocation towards development expenditure, the efficiency of utilisation of funds was also reflected by the ratio of capital expenditure to total expenditure (and/or GSDP) and the proportion of revenue expenditure being incurred on operation and maintenance of the existing social and economic services. The higher the ratio of these components to total expenditure (and/or GSDP), the better would be the quality of expenditure. **Table 1.16** depicts the trends in development expenditure relative to the aggregate expenditure of UT during 2012-13 to 2016-17.

³ **Core public goods** were 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

Merit goods were commodities that the public sector provides free or at subsidised rates because an individual or society should have them on the basis of some concept of need rather than the ability and willingness to pay the Government and therefore wishes to encourage their consumption

Table 1.16: Development Expenditure

(₹ in crore)

Components of Development Expenditure	2012-13	2013-14	2014-15	2015-16	2016-17
Development Expenditure (a to c)	2,168.24 (64)	3,558.19 (73)	3,902.36 (72)	4,165.91 (73)	4,174.67 (71)
a. Development Revenue Expenditure	1,907.25 (57)	3,243.06 (67)	3,375.71 (62)	3,809.86 (67)	3,813.12 (65)
b. Development Capital Expenditure	260.99 (8)	315.13 (6)	526.65 (10)	356.05 (6)	361.55 (6)
c. Development Loans and Advances	Nil	Nil	Nil	Nil	Nil

(Source: Finance Accounts of respective years)

Figures in bracket indicate percentage of aggregate expenditure

Development expenditure increased by ₹ 8.76 crore from ₹ 4,165.91 crore in 2015-16 to ₹ 4,174.67 crore in 2016-17. The development capital expenditure, as a percentage of aggregate expenditure remained static when compared to previous year.

Table 1.17 provides the details of capital expenditure and the components of revenue expenditure incurred on the maintenance of selected social and economic services during 2015-16 and 2016-17.

Table 1.17: Efficiency of utilisation of funds in selected Social and Economic Services

(Percentage)

Social/Economic Infrastructure	2015-16		2016-17	
	Share of CE to TE	In RE, the share of S and W	Share of CE to TE	In RE, the share of S and W
Social Services (SS)				
General Education	3.10	73.58	1.89	74.06
Health and Family Welfare	1.70	57.45	0.89	59.56
Water Supply, Sanitation and Housing and Urban Development	29.96	23.25	37.28	35.76
Total (SS)	5.73	36.02	5.38	43.29
Economic Services (ES)				
Agriculture and Allied Activities	5.72	23.02	3.76	27.90
Irrigation and Flood Control	65.01	68.25	65.43	75.12
Power and Energy	3.76	6.30	7.18	8.62
Transport	72.02	58.77	68.27	55.32
Total (ES)	12.10	12.12	12.50	14.80
Total (SS+ES)	8.55	25.92	8.66	30.70
TE: Total Expenditure on the sector/services concerned; CE: Capital Expenditure; RE: Revenue Expenditure; S and W: Salaries and Wages				

(Source: Finance Accounts and figures furnished by the Director of Accounts and Treasuries for wages)

Expenditure on Social Services

The share of capital expenditure in the total expenditure under Health and Family Welfare decreased from 1.70 *per cent* in 2015-16 to 0.89 *per cent* in 2016-17 while the share of General Education decreased from 3.10 *per cent* in 2015-16 to 1.89 *per cent* in 2016-17. In respect of Water Supply, Sanitation, Housing and Urban Development, it increased from 29.96 *per cent* in 2015-16 to 37.28 *per cent* in 2016-17. The share of salaries and wages in the revenue expenditure on Social Services increased from 36.02 *per cent* in 2015-16 to 43.29 *per cent* in 2016-17.

Expenditure on Economic Services

The capital expenditure on Economic Services, as a percentage of total expenditure on Economic Services, increased marginally from 12.10 in 2015-16 to 12.50 in 2016-17. The share of salaries and wages in the revenue expenditure on Economic Services increased from 12.12 *per cent* in 2015-16 to 14.80 *per cent* in 2016-17.

1.8 Financial analysis of Government Expenditure and Investments

UT was expected to keep its fiscal deficit (and borrowings) not only at low levels but also meet its capital expenditure/investment (including loans and advances) requirements. In addition, in a transition to dependence on market based resources, it was needed by UT Government 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. This section presents information on incomplete projects and a broad financial analysis of investments by UT Government during the current year *vis-à-vis* the previous years.

1.8.1 Incomplete projects

The information pertaining to incomplete projects in the Public Works Department as on 31 March 2017 was given in **Table 1.18**.

Table 1.18: Profile of incomplete projects

(₹ in crore)

Department	No. of incomplete Projects*	Expenditure during the year	Cumulative expenditure as on 31.3.2017
Public Works Department	14	5.79	75.71

(Source: Finance Accounts)

* Only those projects which were scheduled to be completed before 31 March 2017 were included in the table

Failure to complete the projects on time led to escalation of project costs and delayed accrual of the projects' benefits to the society at large. Further, delays also resulted in postponement of revenue realisation from the projects.

1.8.2 Investment and returns

As of March 2017, Government invested ₹ 1,030.67 crore (₹ 711.23 crore in 14 Government Companies and one Statutory Corporation and ₹ 319.44 crore in 358 Co-operative Institutions) as indicated in **Table 1.19**.

Table 1.19: Return on Investment

Investment/Return/Cost of Borrowings	2012-13	2013-14	2014-15	2015-16	2016-17
Investment at the end of the year (₹ in crore)	960.09	981.85	998.93	1,018.52	1,030.67
Return (₹ in crore)	1.01	6.30	1.63	3.93	Nil
Return (<i>per cent</i>)	0.1	0.6	0.2	0.4	--
Average rate of interest on Government borrowings (<i>per cent</i>)	8.0	7.7	7.9	7.5	7.20
Difference between interest rate and return (<i>per cent</i>)	7.9	7.1	7.7	7.1	7.20

(Source: Finance Accounts of respective years)

It was seen from the above table that though the average rate of interest on UT Government's borrowings was 7.2 *per cent*, the return on investment was 'Nil' during 2016-17.

A performance based system of accountability should be put in place in the Government Companies/Statutory Corporations so as to derive profitability and improve efficiency in the service. The Government should ensure better value for money in investments by identifying the Companies/Corporations which were endowed with low financial but high socio-economic returns and justify if high cost borrowings were worth to be channelised there.

1.8.3 Loans and advances by UT Government

During 2016-17, UT Government did not provide any loan and advances to any institution/organisation. **Table 1.20** presented the outstanding loans and advances as on 31 March 2017 and interest receipts *vis-à-vis* interest payments during the last five years.

Table 1.20: Outstanding loans and interest received on loans and advances by UT Government

(₹ in crore)

Quantum of Loans/Interest Receipts/ Cost of Borrowings	2012-13	2013-14	2014-15	2015-16	2016-17
Opening Balance	16.09	14.12	12.41	11.42	10.63
Amount advanced during the year	1.45	1.30	1.45	1.31	0.27
Amount repaid during the year	3.42	3.01	2.44	2.10	1.65
Closing Balance	14.12	12.41	11.42	10.63	9.25
Net increase (+)/decrease (-)	(-) 1.97	(-) 1.71	(-) 0.99	(-) 0.79	(-) 1.38
Interest receipts	2.64	2.46	2.48	2.23	1.88
Interest receipts as percentage of outstanding loans and advances	17.47	18.55	20.81	20.22	18.91
Interest payments as percentage of outstanding fiscal liabilities of UT Government	7.67	7.28	7.65	7.12	6.96
Difference between interest payments and interest receipts (<i>per cent</i>)	9.80	11.27	13.16	13.10	11.95

(Source: Finance Accounts of respective years)

The quantum of loan advanced decreased from ₹ 1.31 crore in 2015-16 to ₹ 0.27 crore in 2016-17 and repayment of loan by the loanees decreased from ₹ 2.10 crore in 2015-16 to ₹ 1.65 crore in 2016-17. The total amount of ₹ 0.27 crore advanced during the year was only loans and advances given to Government servants.

1.8.4 Cash balance and investment of cash balances

Table 1.21 shows the cash balance and investment of cash balances for 2015-16 and 2016-17.

Table 1.21: Cash balance and investment of cash balance

(₹ in crore)

	Opening balance on 1 April 2016	Closing balance on 31 March 2017
(a) General cash balance		
(i) Cash in treasuries	Nil	Nil
(ii) Deposit with RBI	(-) 0.56	0.15
(iii) Deposits with other banks	Nil	Nil
(iv) Local remittances	Nil	Nil
Total	(-) 0.56	0.15
(v) Investment held in cash balance investment account	984.17	1,082.10
General Cash balance – Total (a)	983.61	1,082.25
(b) Other cash balances and investments		
(vi) Departmental cash balances	0.91	0.57
(vii) Permanent Imprest	1.61	1.67
(viii) Investment out of earmarked funds	263.08	285.72
Total (b)	265.60	287.96
Grand Total (a) + (b)	1,249.21	1,370.21

(Source: Finance Accounts of respective years)

The cash balance increased from ₹ 1,249.21 crore in 2015-16 to ₹ 1,370.21 crore in 2016-17. During the year, the cash balance investment⁴ was ₹ 1,082.10 crore.

1.9 Assets and Liabilities

1.9.1 Growth and composition of Assets and Liabilities

Comprehensive accounting of fixed assets like land and buildings owned by the Government was not done in the existing Government accounting system. 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 2017, compared with the corresponding position on 31 March 2016. 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 the capital outlay, loans and advances given by UT Government and cash balances. The ratio of cumulative assets to liabilities as on 31 March 2017 was 0.85, which indicated that assets were not sufficient to meet the liabilities.

1.9.2 Fiscal liabilities

Fiscal liabilities were internal debt, loans and advances from GOI and the Public Account liabilities comprising small savings and provident funds, reserve funds and deposits. The trends in outstanding fiscal liabilities of UT were presented in **Appendix 1.3**. The composition of fiscal liabilities for the period 2012-13 to 2016-17 was presented in **Chart 1.9** and the trends of fiscal liabilities relative to revenue receipts and GSDP were presented in **Table 1.22** below:

Table 1.22: Trend of fiscal liabilities

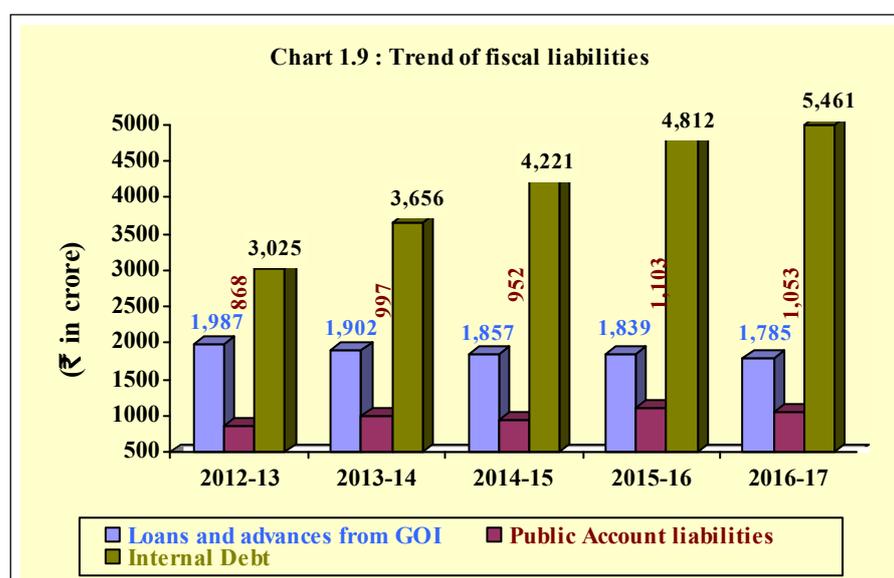
	2012-13	2013-14	2014-15	2015-16	2016-17
Fiscal liabilities (₹ in crore)	5,880	6,555	7,030	7,754	8,299
Rate of Growth of fiscal liabilities (per cent)	8.07	11.48	7.25	10.30	7.03
Fiscal liabilities as Percentage of revenue receipts	187	152	148	152	154
Fiscal liabilities as Percentage of GSDP	31	30	31	31	30

(Source: Finance Accounts of respective years)

⁴ Cash balance investment was the mandatory investment required to be done by each State/UT Government with RBI. This balance was the combined cash and cash equivalent balance of Consolidated Fund, Contingency Fund and Public Account

The outstanding fiscal liabilities showed a steady increase from ₹ 5,880 crore in 2012-13 to ₹ 8,299 crore in 2016-17. The fiscal liabilities at the end of 2016-17 represented 154 *per cent* of revenue receipts (₹ 5,383 crore) during the year. The fiscal liabilities as a percentage of revenue receipts has shown a steady increase over the last three years from 2014-15 (148 *per cent*) to 2016-17 (154 *per cent*). The fiscal liabilities represented about 30 *per cent* of GSDP during 2016-17.

It may be seen from the **Table 1.22** that the fiscal liabilities of UT Government was increasing over the period of five years and the rate of growth oscillated from 8.07 *per cent* in 2012-13 to 7.03 *per cent* in 2016-17. The fiscal liabilities as percentage to GSDP also declined from 31 in 2012-13 to 30 in 2016-17, which was indicative of a good fiscal correction path adopted by UT Government.



(Source: Finance Accounts of respective years)

While internal debts, which constituted 62 *per cent* of total fiscal liabilities in 2015-16, increased to 66 *per cent* in 2016-17, loans and advances from GOI decreased from 24 to 22 *per cent* of the fiscal liabilities during the same period. The Public Account liabilities decreased from ₹ 1,103 crore in 2015-16 to ₹ 1,053 crore in 2016-17.

1.9.3 Contingent liabilities

Status of guarantees

Guarantees were liabilities contingent on the Consolidated Fund of UT Government in case of defaults by borrowers for whom the guarantees were extended.

Guarantees for the purpose of Administration of Union Territories, prior to the amendment of the Union Territories Act on 6 September 2001, were given by GOI under Article 292 of the Constitution of India. In the event of the guarantees being invoked, the payment would initially be charged to the Consolidated Fund of India and the amount subsequently recovered from the Government of UT. Consequent to amendment of UT Act on 6 September 2001 and issue of its notification by the Government of India on 10 May 2006, the Government of UT of Puducherry was empowered to give guarantees. As per Statement No.9 of the Finance Accounts, the maximum amount for which guarantees were given by UT Government and GOI on behalf of UT and outstanding guarantees for the last three years were given in **Table 1.23**.

Table 1.23: Guarantees given by the GOI on behalf of UT of Puducherry

Guarantees	2012-13	2013-14	2014-15	2015-16	2016-17
Maximum amount guaranteed (₹ in crore)	20.98	20.98	37.50	56.18	56.18
Outstanding amount of guarantees (₹ in crore)	5.25	4.95	27.80	44.48	44.48
Percentage of maximum amount guaranteed to total Revenue receipts	0.67	0.49	0.79	1.10	1.04

(Source: Finance Accounts of respective years)

As a percentage of revenue receipts, the maximum amount guaranteed decreased from 1.10 in 2015-16 to 1.04 in 2016-17. No guarantee was invoked during any of the five years.

1.10 Debt Management

Apart from the magnitude of debt of UT Government, it was important to analyse various indicators that determine the debt sustainability of UT. This section assesses the sustainability of debt of UT Government in sufficiency of non-debt receipts, net availability of borrowed funds⁵, burden of interest payments (measured by interest payments to revenue receipts ratio) and the maturity profile of UT Government's debts.

Table 1.24 indicates the debt sustainability of UT for a period of five years beginning from 2012-13.

⁵ Defined as the ratio of the debt redemption (Principal + Interest Payments) to total debt receipts and indicates the extent to which the debt receipts were used in debt redemption, indicating the net availability of borrowed funds

Table 1.24: Debt Sustainability - Indicators and Trends

(₹ in crore)

Indicators of Debt Sustainability	2012-13	2013-14	2014-15	2015-16	2016-17
Outstanding Debt	5,012	5,558	6,078	6,651	7,246
Rate of growth of outstanding debts* (percentage)	7.29	10.91	9.36	9.43	8.95
Debt [#] /GSDP (percentage)	26.55	25.41	26.93	26.93	26.27
Rate of growth of GSDP	12.23	15.87	3.22	9.42	11.68
Average interest rate of outstanding debt	8.54	8.36	8.50	8.18	8.07
Burden of Interest Payments (IP/RR) (percentage)	14.34	11.07	11.31	10.85	10.74
Debt Repayment/Debt Receipts (percentage)	35.73	27.20	25.99	22.81	27.32
Net debt available to UT Government	(-) 72.87	104.84	25.45	51.60	35.93
Maturity profile of internal debt and GOI loans (in years)					
0 – 1	203 (4.05)	212.74 (3.83)	221.63 (3.65)	233.58 (3.51)	591.55 (8.16)
1 – 3	424 (8.46)	448.60 (8.07)	819.99 (13.49)	1,191.79 (17.92)	1,371.12 (18.92)
3 – 5	756 (15.08)	1,114.87 (20.06)	1,279.76 (21.06)	1,549.06 (23.29)	1,611.70 (22.24)
5 – 7	1,168 (23.30)	1,426.65 (25.67)	1,467.49 (24.14)	1,192.30 (17.93)	1,200.08 (16.56)
7 and above	2,461 (49.11)	2,345.40 (42.20)	2,279.63 (37.50)	2,484.28 (37.35)	2,471.83 (34.12)
		9.96* (0.17)	9.96* (0.16)	Nil*	
Outstanding Public debt as on 31 March 2017					7,246.28

(Source: Finance Accounts of respective years)

Figures in bracket represents percentage to total outstanding Public Debt

Excluding Public Account liability

* Maturity profile not available due to non-receipt of terms and conditions from Ministry of Finance, New Delhi which was included in 2016-17 under 3-5 years

The rate of growth of outstanding debt, which was at 7.29 per cent in 2012-13 increased to 8.95 per cent in 2016-17. A falling Debt-GSDP ratio can be considered as leading towards stability. UT's Debt-GSDP ratio was gradually decreasing from 2012-13 and stood at 26.27 per cent during 2016-17.

The burden of interest payment, which was 14 per cent of the Revenue receipts in 2012-13, decreased to 11 per cent in 2013-14 and remained the same during 2014-15, which further decreased to 10.74 per cent in 2016-17. The debt repayment to debt receipts, which was at 35.73 per cent during 2012-13 and thereafter, started declining and stood at 27.32 per cent during

2016-17. The net debt available to UT Government drastically reduced from ₹ 104.84 crore in 2013-14 to ₹ 35.93 crore during 2016-17.

The maturity profile of UT Government's Public debt indicates that nearly 65.88 per cent of the total Public debt was repayable within next seven years, which was very high, indicating that UT Government was leading towards debt trap.

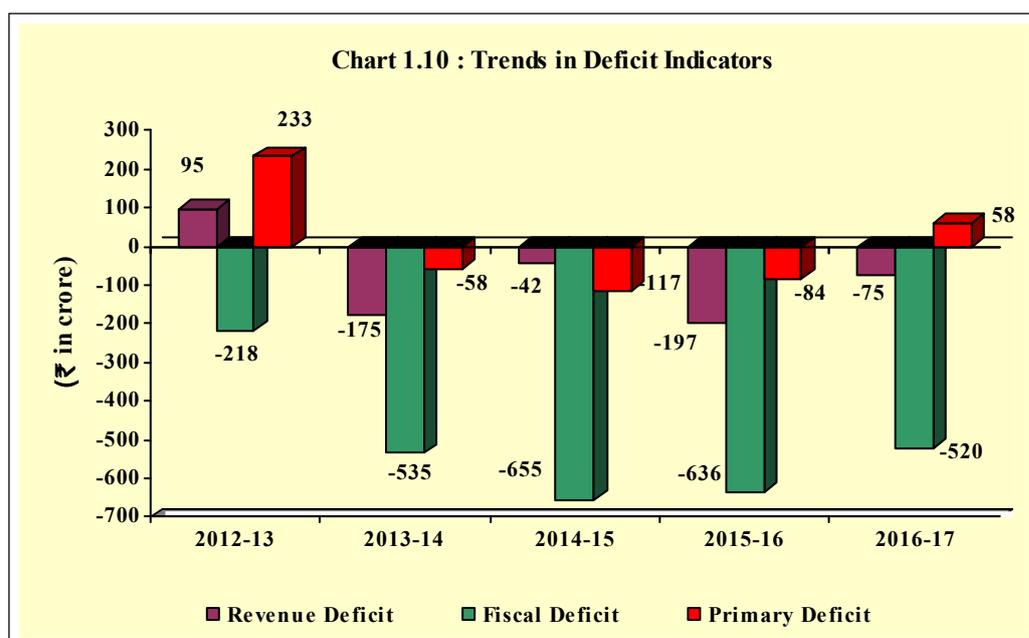
Bunching of repayments in any particular year would cause financial stress to that year's budget. The maturity profile of UT's debt indicates a year-on-year increase in its repayment burden. In UT, the greater portion of repayments would happen between the 3rd and 7th year from borrowings and beyond. Government could face challenges in order to meet the liabilities at that time.

1.11 Fiscal imbalances

Three key fiscal parameters - revenue, fiscal and primary deficits - indicate the extent of overall fiscal soundness or imbalances in the finances of UT Government during a specified period. The deficit in the Government accounts represents the gap between its receipts and expenditure. The nature of deficit was an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit was financed and the resources were applied, were important pointers to its fiscal health. This section presents the trends, nature, magnitude and manner of financing these deficits.

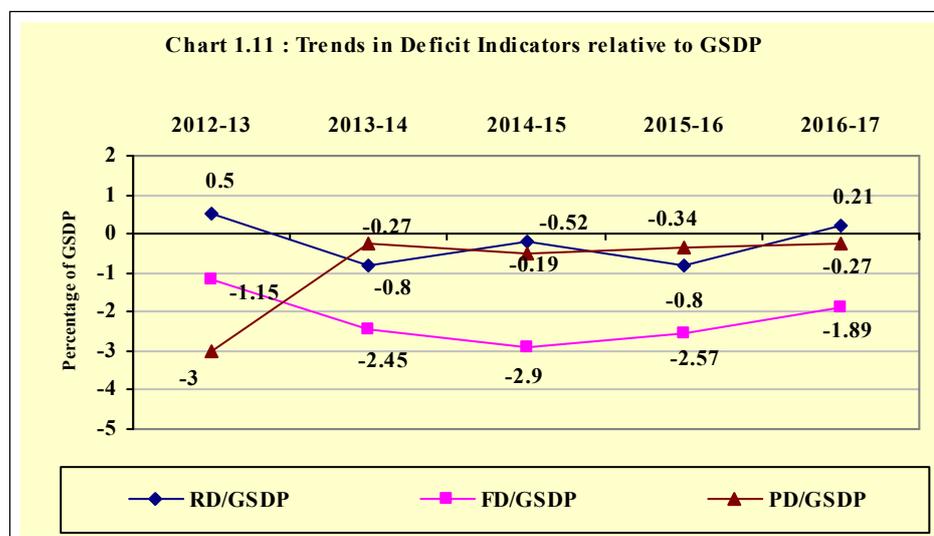
1.11.1 Trends in deficits

Charts 1.10 and 1.11 present the trends in deficit indicators over the period 2012-13 to 2016-17.



(Source: Finance Accounts of respective years)

Chart 1.11 below depicts the trends in deficit indicators relative to GSDP of UT of Puducherry for the period from 2012-13 to 2016-17.



(Source: Finance Accounts of respective years)

Revenue deficit indicates the excess of revenue expenditure over revenue receipts. The revenue deficit of ₹ 197 crore during 2015-16 decreased to ₹ 75 crore in 2016-17. The fiscal deficit decreased from ₹ 636 crore in 2015-16 to ₹ 520 crore in 2016-17. The primary deficit of ₹ 84 crore in 2015-16 became primary surplus of ₹ 58 crore in 2016-17.

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 1.25**.

Table 1.25: Components of fiscal deficit and its financing pattern

(₹ in crore)

Sl. No.	Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
Split up of Fiscal Deficit		218	535	655	636	520
1	Revenue Deficit(-)/Surplus(+)	(+) 95	(-) 175	(-) 42	(-) 197	(-) 75
2	Net Capital Expenditure	315	362	614	439	447
3	Net Loans and Advances	(+) 2	(+) 2	(+) 1	--	(+) 2
Financing Pattern of Fiscal Deficit*						
1	Market Borrowings	409	630	566	591	651
2	Loans from GOI	(-) 69	(-) 84	(-) 46	(-) 18	(-) 54
3	Small Savings, Provident Funds etc.	14	33	51	39	64
4	Deposits and Advances	71	80	(-) 34	129	(-) 94
5	Suspense and Miscellaneous	(-)132	6	(-) 25	(-) 85	(-) 37
6	Remittances	17	32	50	(-) 7	5
7	Reserve Funds	29	50	96	1	2
	Total	339	747	658	650	537
8	Overall Surplus/Deficit (cash balance)	121	212	3	14	17

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

(Source: Finance Accounts of respective years)

The fiscal deficit decreased by ₹ 115 crore during 2016-17, which was due to huge decrease in revenue deficit from ₹ 197 crore in 2015-16 to ₹ 75 crore in 2016-17. The decrease in fiscal deficit, along with marginal increase in interest payments by ₹ 26 crore, led to primary surplus of ₹ 58 crore during the year. UT was increasingly relying on market borrowings for financing its fiscal deficit.

1.11.3 Quality of Deficit/Surplus

The bifurcation of the primary deficit as shown in **Table 1.26** indicated the extent to which the deficit was on account of enhancement in capital expenditure, which was desirable to improve the productive capacity of UT's economy.

Table 1.26: Primary Deficit/Surplus - Bifurcation of Factors

(₹ in crore)

Year	Revenue Receipts	Recovery of Loans and Advances	Non-debt receipts (Revenue Receipts + Recovery of Loans and Advances)	Primary Revenue Expenditure	Capital Expenditure	Loans and Advances disbursed	Primary Expenditure	Primary Revenue Deficit (-) / Surplus (+)	Primary Deficit (-) / Surplus (+)
(1)	(2)	(3)	(4) (2+3)	(5)	(6)	(7)	(8) (5+6+7)	(9) (2-5)	(10) (4-8)
2012-13	3,146	3	3,149	2,600	315	1	2,916	546	233
2013-14	4,308	3	4,311	4,006	362	1	4,369	302	(-58)
2014-15	4,758	2	4,760	4,262	614	1	4,877	496	(-) 117
2015-16	5,088	2	5,090	4,734	439	1	5,174	354	(-) 84
2016-17	5,383	2	5,385	4,880	447	-	5,327	503	58

(Source: Finance Accounts of respective years)

As non-debt receipts increased from ₹ 5,090 crore in 2015-16 to ₹ 5,385 crore in 2016-17 which was enough to meet the primary expenditure, the primary deficit of ₹ 87 crore in 2015-16 was offset, which also led to primary surplus of ₹ 58 crore in 2016-17.

1.12 Conclusion

High proportion of Revenue Expenditure in total expenditure: The Revenue expenditure of ₹ 5,458 crore during 2016-17 constituted 92.43 *per cent* of total expenditure. The committed expenditure such as salaries, pension and interest payments constituted 53 *per cent* of Revenue expenditure.

Enhanced Development Expenditure: Development expenditure increased by ₹ nine crore from ₹ 4,166 crore in 2015-16 to ₹ 4,175 crore in 2016-17. However, Development expenditure, as a percentage of aggregate expenditure, marginally decreased from 73 in 2015-16 to 71 in 2016-17.

Low return on investments: As on 31 March 2017, Government invested ₹ 1,031 crore in Government Companies and Co-operative Institutions. Though the average rate of interest on UT Government's borrowings was 7.2 *per cent*, the average rate of return on investments was 0.26 *per cent* during 2012-13 to 2016-17.

High ratio of fiscal liabilities to GSDP: The outstanding fiscal liabilities increased from ₹ 5,880 crore in 2012-13 to ₹ 8,299 crore in 2016-17. The fiscal liabilities represented about 30 *per cent* of GSDP in 2016-17.

Maturity Profile: The maturity profile of UT Government's Public debt indicated that nearly 65.88 *per cent* of the total Public debt was repayable within the next seven years, which shows that UT Government was leading towards debt trap.