

# 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 2018-19 in UT of Puducherry. The percentage of population below the poverty line was 7.70, which was lower than the all-India average of 21.90. UT's Gross State Domestic Product (GSDP) in 2018-19, at current price, was ₹ 36,656 crore. UT's literacy rate increased from 81.24 *per cent* (as per 2001 census) to 85.85 *per cent* (as per 2011 census). General data relating to UT is given in **Appendix 1.1 - Part A**.

#### *Gross State Domestic Product*

Gross State Domestic Product is the market value of all officially recognised final goods and services produced/supplied within UT in a given period of time. The growth of GSDP is an important indicator of the economy as it indicates the standard of living of its 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**

	2014-15	2015-16	2016-17	2017-18	2018-19
India's GDP (₹ in crore)	1,24,67,959	1,37,71,874	1,53,62,386	1,70,95,005	1,90,10,164
Growth rate of GDP (percentage)	10.99	10.46	11.55	11.28	11.20
UT's GSDP (₹ in crore)	22,574	26,617	29,573	32,962	36,656
Growth rate of GSDP (percentage)	3.22	17.91	11.11	11.46	11.21

(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 is given in **Appendix 1.2**. A time series data on UT Government finances is 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 (2018-19) *vis-à-vis* the previous year (2017-18). **Appendix 1.4 - Part A** provides details of receipts and disbursements as well as the overall fiscal position during the current year and previous year.

**Table 1.2 : Summary of current year's and previous year's fiscal operations**

(₹ in crore)					
Receipts	2017-18	2018-19	Disbursements	2017-18	2018-19
<b>Section-A: Revenue</b>					
Revenue receipts	6,003	6,400	Revenue expenditure	5,807	6,387
Tax revenue	2,806	3,188*	General services	1,874	2,154
Non-tax revenue	1,374	1,584	Social services	2,235	2,401
Share of Union taxes/duties	Nil	Nil	Economic services	1,694	1,832
Grants from the Government of India	1,823	1,628	Grants-in-aid and contributions	4	Nil
<b>Section-B: Capital</b>					
Miscellaneous capital receipts	Nil	Nil	Capital expenditure	394	313
Recoveries of loans and advances	1	1	Loans and advances disbursed	Nil**	3
Public debt receipts	1,061	1,007	Repayment of public debt	570	639
Contingency fund	Nil	Nil	Contingency fund	Nil	Nil
Public account receipts	717	778	Public account disbursements	269	1,335
Opening cash balance	1,370	2,112	Closing cash balance	2,112	1,621
<b>Total</b>	<b>9,152</b>	<b>10,298</b>	<b>Total</b>	<b>9,152</b>	<b>10,298</b>

\* Includes compensation for loss of revenue arising due to rollout of GST received from Government of India.

\*\* ₹ 21 lakh for 2017-18

(Source: Finance Accounts of respective years)



Analysis of receipts and expenditure of 2018-19, as compared to the previous year 2017-18, revealed the following:

- The increase of ₹ 397 crore in Revenue receipts was due to the increase in Tax (₹ 382 crore) and Non-tax (₹ 210 crore) revenue offset by decrease (₹ 195 crore) in grants from Government of India (GOI).
- Revenue expenditure increased by ₹ 580 crore due to increased expenditure on General services (₹ 280 crore), Social services (₹ 166 crore) and Economic services (₹ 138 crore). However, as against the release of ₹ four crore in 2017-18, no Grants-in-aid was released during 2018-19.
- Capital expenditure decreased (by ₹ 81 crore) from ₹ 394 crore in 2017-18 to ₹ 313 crore in 2018-19 and as a percentage of the total expenditure it decreased from 6.35 in 2017-18 to 4.67 in 2018-19.
- Public Account receipts and disbursements increased by ₹ 61 crore and ₹ 1,066 crore respectively during 2018-19.

### 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 are given in **Table 1.3**.

**Table 1.3: Comparison of fiscal variable with road map for 2018-19**

Fiscal variables	Target proposed in the fiscal road map	Target proposed in the budget	Actuals
Revenue deficit (-) / surplus (+) (₹ in crore)	(-) 2.00	(-) 2.00	(+) 13.54
Fiscal deficit/GSDP ( <i>per cent</i> )	(-) 1.28	(-) 1.20	(-) 0.82
Ratio of total outstanding debt of the Government to GSDP ( <i>per cent</i> )	23.90	Not available	24.95

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

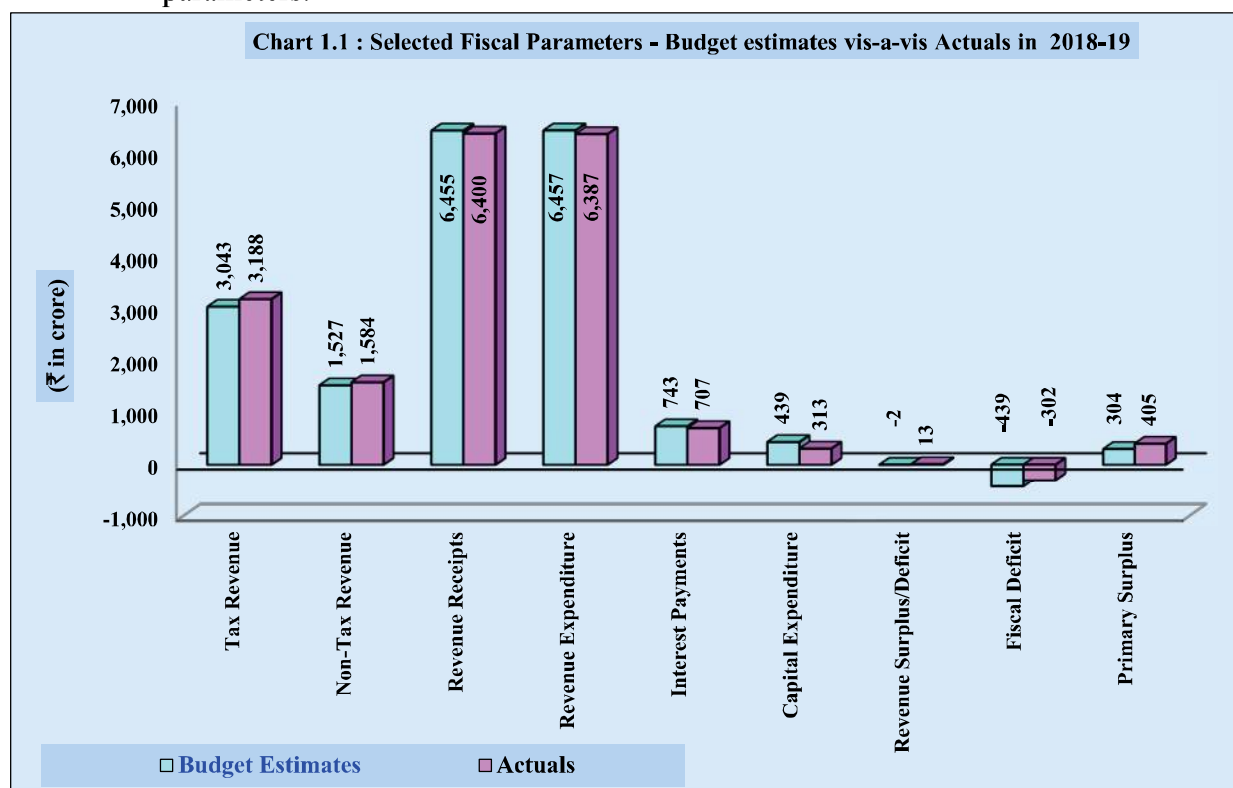
As against the target proposed in the fiscal road map for revenue deficit of ₹ two crore, UT Government ended up with revenue surplus of ₹ 13.54 crore. Further, the UT was able to contain the fiscal deficit to GSDP as 0.82 *per cent* as against the target of 1.28 proposed in fiscal roadmap. The outstanding fiscal liability to GSDP was 24.95 *per cent* as against 23.90 *per cent* envisaged in the fiscal road map.

### 1.1.3 Budget estimates and actuals

The Budget provides description of the estimated revenue and expenditure for a particular fiscal year. The difference in actual receipts and expenditure against budget estimates either due to unforeseen events or under/over

estimation of revenue or expenditure at the stage of budget preparation, adversely impacts the desired fiscal objectives.

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



(Source: Finance Accounts and budget documents)

- Revenue receipts decreased in 2018-19 though there was increase in tax revenue and non-tax revenue compared to actuals and budget estimates.
- Tax revenue surpassed the budget estimates by ₹ 145 crore mainly due to increase in Goods and Services Tax.
- While the revenue expenditure fell marginally short (1.08 *per cent*) of the budget estimates by ₹ 70 crore, it had increased in respect of General (14.94 *per cent*), Social (7.42 *per cent*) and Economic (8.14 *per cent*) Services during 2018-19 compared to the previous year.
- Similarly, capital expenditure also registered a significant decrease (28.70 *per cent*) when compared to the budget estimates. The corresponding decrease in capital expenditure was noticed under General services (68.77 *per cent*), medical and public health, water supply and sanitation under Social services (2.29 *per cent*) and in flood control, roads and bridges under Economic Services (32.56 *per cent*) during 2018-19 compared to the previous year.

The variation between the budget estimates and the actuals is 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	6,455	6,400	-55	-0.85
Tax revenue	3,043	3,188	145	4.77
Non-Tax revenue	1,527	1,584	57	3.73
Grants-in-aid from GOI	1,885	1,628	-257	-13.63
Revenue expenditure	6,457	6,387	-70	-1.08
Capital expenditure	439	313	-126	-28.70

(Source: Finance Accounts and budget documents)

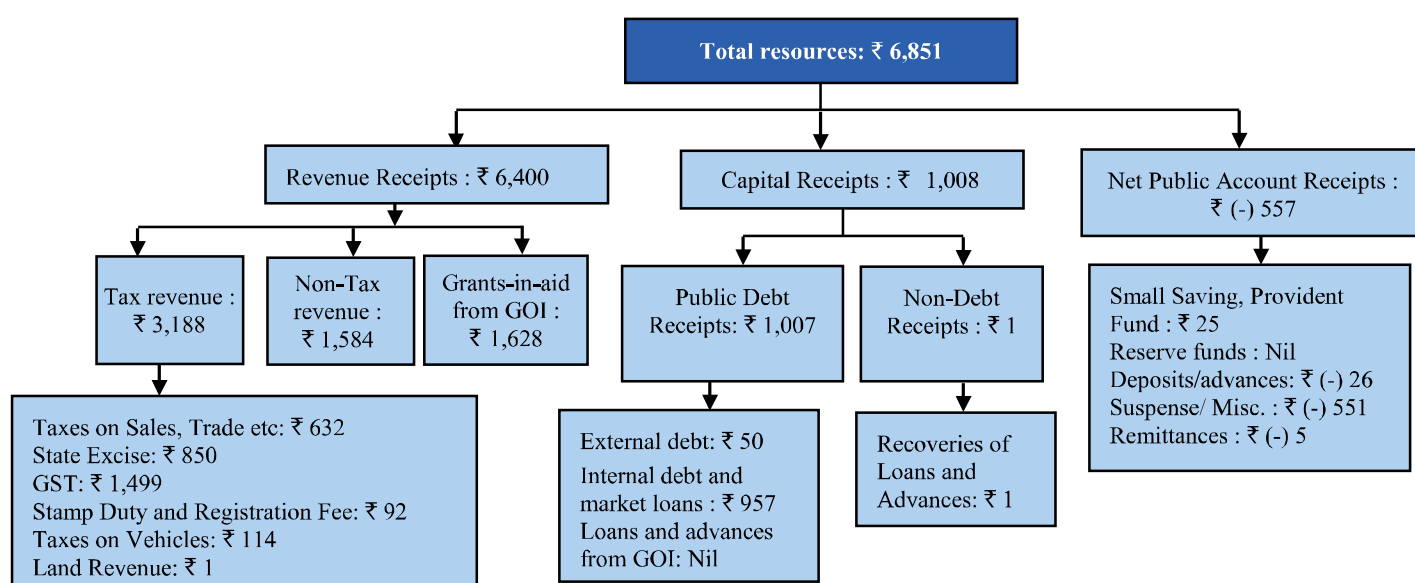
UT Government has received ₹ 55 crore less than the projected Revenue receipts. The Capital expenditure was curtailed resulting in non-creation of planned infrastructure.

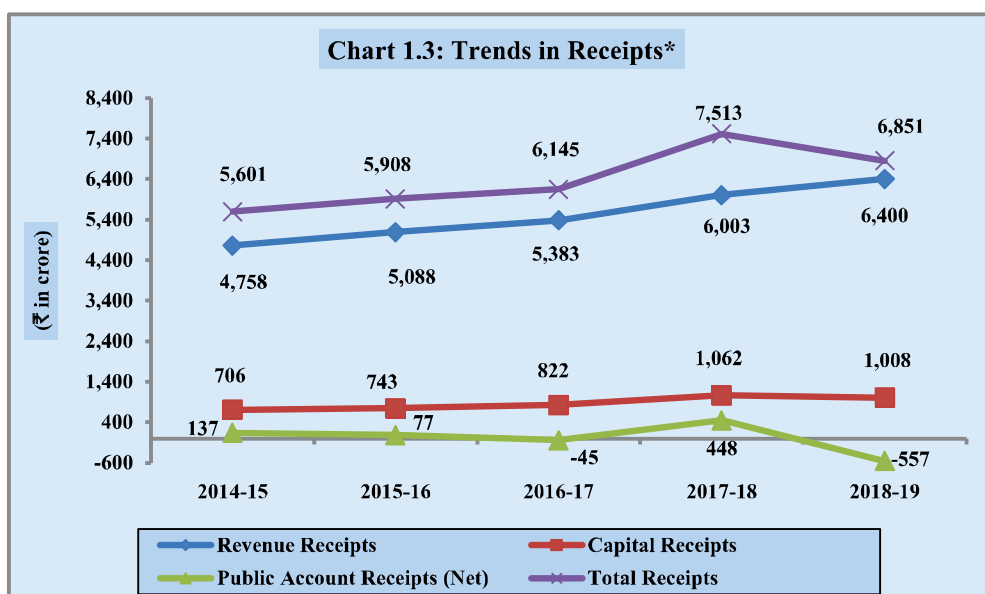
## 1.2 Resources of the Union Territory

### *Resources of the Union Territory as per Annual Finance Accounts*

Revenue and Capital are the two streams of receipts that constitute resources of the Government. **Chart 1.2** presents the receipts 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 2014-19.

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



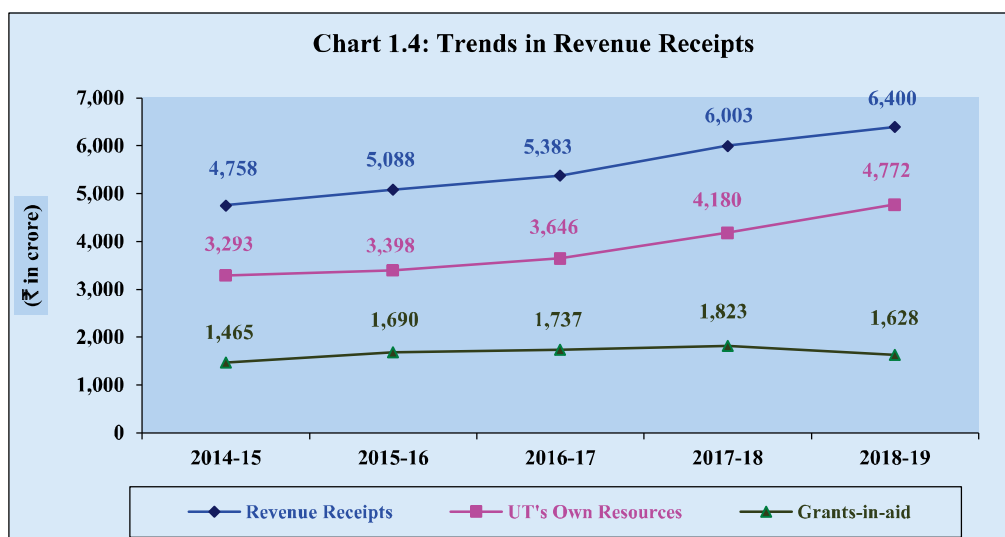


\* Total Receipts includes Net Receipts under Public Account

(Source: Finance Accounts of respective years)

### 1.3 Revenue receipts

The revenue receipts consist of UT's own Tax and Non-tax revenues and Grants-in-Aid (GIA) from GOI. The trends of revenue receipts over the period 2014-15 to 2018-19 were presented in **Appendix 1.3** and depicted in **Chart 1.4**.



(Source: Finance Accounts of respective years)

The increase in the revenue receipts of the Union Territory by ₹ 397 crore (6.61 per cent) over the previous year was due to increase in Tax (₹ 382 crore) and Non-Tax revenue (₹ 210 crore) during the year which was offset by decrease in GIA from GOI (₹ 195 crore).

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

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

	2014-15	2015-16	2016-17	2017-18	2018-19
Revenue receipts (RR) (₹ in crore)	4,758	5,088	5,383	6,003	6,400
GSDP (₹ in crore)	22,574	26,617	29,573	32,962	36,656
RR/GSDP ( <i>per cent</i> )	21.08	19.12	18.20	18.21	17.46
Rate of growth of RR ( <i>per cent</i> )	10.44	6.94	5.80	11.52	6.61
UT's own taxes (₹ in crore)	1,993	2,260	2,401	2,806	3,188
Rate of growth of own taxes ( <i>per cent</i> )	4.67	13.40	6.24	16.87	13.61
Non-Tax Revenue	1,300	1,138	1,245	1,374	1,584
UT's own taxes/Revenue expenditure ( <i>per cent</i> )	41.52	42.76	43.99	48.32	49.91
UT's own taxes/GSDP	8.83	8.49	8.12	8.51	8.70
Revenue expenditure / Revenue receipts ( <i>per cent</i> )	100.88	103.87	101.39	96.73	99.80
GSDP growth ( <i>per cent</i> )	3.22	17.91	11.11	11.46	11.21
<b>Buoyancy ratios</b>					
Revenue buoyancy with reference to GSDP (ratio)	3.24	0.39	0.52	1.01	0.59
UT's own tax buoyancy with reference to GSDP (ratio)	1.45	0.75	0.56	1.47	1.21

(Source: Finance Accounts of respective years)

It is evident from **Table 1.5** that the Own Tax Revenue increased by 13.61 *per cent* over the previous year, which was higher than the growth rate of GSDP of 11.21 *per cent*. The Own Tax Revenue as a percentage to GSDP had been largely constant during the last five years and hovered between 0.08 and 0.09.

Though the revenue expenditure as a percentage to revenue receipts was nearly 100, the Union Territory Government witnessed revenue surplus during 2018-19 as the revenue receipts marginally overtook the revenue expenditure in terms of numeric value.

The revenue buoyancy with reference to GSDP slowly increased during 2015-18, but again declined during 2018-19. The UT's own tax buoyancy with reference to GSDP, however, was in a fluctuating trend during 2015-18 as increase noticed in 2017-18 and decreased in 2018-19. The decrease indicated the inability of rate of growth of revenue receipts and UT's own taxes to keep pace with the growth of GSDP.

### 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 2018-19 *vis-à-vis* target proposed in the fiscal road map and budget estimates are 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 2018-19	Actuals
Tax revenue	3,043	3,043	3,188
Non-Tax revenue	1,527	1,527	1,584

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

The actual Tax revenue increased by ₹ 145 crore (4.77 *per cent*) than target proposed in the fiscal road map and budget estimate respectively. Non-Tax revenue increased by ₹ 57 crore (3.73 *per cent*) from the target proposed in fiscal road map and budget estimates respectively.

#### 1.3.1.1 Tax revenue

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

**Table 1.7: Components of UT's Tax receipts**

(₹ in crore)						
Revenue Head	2014-15	2015-16	2016-17	2017-18	2018-19	Percentage of increase in 2018-19 over previous year
Taxes on Sales, Trade, etc.	1,313	1,439	1,576	1,008	632	(-) 37.30
Goods and Services Tax (GST) <sup>1</sup>	--	--	--	852	1,499	(+) 75.94
State Excise	545	674	671	770	850	(+) 10.39
Taxes on Vehicles	59	69	87	104	114	(+) 9.62
Stamp Duty and Registration fees	75	76	66	71	92	(+) 29.58
Land Revenue	1	2	1	1	1	..
<b>Total</b>	<b>1,993</b>	<b>2,260</b>	<b>2,401</b>	<b>2,806</b>	<b>3,188</b>	<b>(+) 13.61</b>

(Source: Finance Accounts of respective years)

UT's Tax revenue increased from ₹ 2,806 crore in 2017-18 to ₹ 3,188 crore in 2018-19 by ₹ 382 crore (13.61 *per cent*) over the previous year. It was mainly due to increase in collection under Goods and Services Tax (₹ 647 crore), State Excise (₹ 80 crore), Taxes on Vehicles (₹ 10 crore). However, Taxes on Sales, Trade etc. decreased by ₹ 376 crore (37.30 *per cent*) in 2018-19.

<sup>1</sup> Includes UT GST ₹ 355 crore, IGST ₹ 552 crore and GST Compensation Cess ₹ 592 crore.

### Goods and Services Tax

In pursuance of the provisions of the Constitution Amendment (One Hundred and First) Act, 2016, State/UT are entitled for compensation for the loss of revenue arising on account of implementation of the Goods and Services Tax. According to GST (Compensation to the States) Act, 2017, Central Government will compensate the States for loss of revenue arising on account of implementation of GST for a period of five years. The compensation payable to the UT shall be calculated for every financial year after the receipt of revenue figure, as audited by the CAG of India. A base year (2015-16) revenue figure of taxes subsumed under GST was finalised under GST Act. In UT of Puducherry, the revenue realised through the taxes since now subsumed into GST was ₹ 1,095.37 crore during the base year (2015-16). The revenue to be protected for any year was to be calculated by applying a growth rate of 14 *per cent* per annum.

The projected revenue for the year 2018-19 in accordance with the base year figure was ₹ 1,622.84 crore. Revenue figure under GST for the year 2018-19 has been depicted in Finance Accounts as per nature of receipts *i.e.*, State Goods and Services Tax (SGST) and Integrated Goods and Services Tax (IGST). The projected revenue and the revenue receipts of the UT Government including pre-GST taxes and taxes under GST during the year 2018-19 is given in **Table 1.8**.

**Table 1.8: Projected revenue and the revenue receipts of the UT Government including pre GST taxes and taxes under GST**

(₹ in crore)

Period	Projected revenue *	Pre-GST taxes	SGST	IGST	Total tax collected	Compensation	Total including compensation	Deficit
1	2	3	4	5	6 =(3+4+5)	7	8 =(6+7)	9 =(2-8)
2018-19	1,622.84	632.01	354.80	552.24	1,539.05	592.00**	2,131.05	Yet to be finalised

\* Projected based on a growth rate of 14 *per cent* for every year from the base year revenue (2015-16)

\*\* Compensation due to be received for the 2018-19 is under reconciliation

\*\*\* This includes non-subsumed tax components also

(Figures excluding refunds, as worked out by UT Government)

(Source: Finance Accounts of 2018-19)

As seen from **Table 1.8**, the projected revenue for the year 2018-19 is ₹ 1622.84 crore. The UT Government had so far received compensation of ₹ 592 crore. The excess or deficit in receipt of compensation is yet to be finalised and the certification of revenue for 2018-19 is under progress.

With automation of the collection of GST having taken place, it is essential for Audit, to transition from sample checks to a comprehensive check of all transactions to fulfill the CAG's Constitutional mandate of certifying the

Accounts. The required access to data is yet to be provided. Not having access to the data pertaining to all GST transactions has come in the way of comprehensively auditing the GST Receipts. The accounts for the year 2018-19, therefore, was certified on the basis of test audit, as was done when records were manually maintained, as a one-time exception.

### 1.3.1.2 Non-Tax revenue

The components of Non-Tax revenue receipts are given in **Table 1.9**.

**Table 1.9: Components of UT's Non-Tax receipts**

						(₹ in crore)
Revenue Head	2014-15	2015-16	2016-17	2017-18	2018-19	Variation in 2018-19 over previous year in percentage
Interest receipts	91	88	66	99	95	(-) 4.04
Dividends and Profits	2	4	--	2	--	--
Other Non-Tax receipts	1,207	1,046	1,179	1,273	1,489	16.97
<b>Total</b>	<b>1,300</b>	<b>1,138</b>	<b>1,245</b>	<b>1,374</b>	<b>1,584</b>	<b>15.28</b>

(Source: Finance Accounts of respective years)

The Non-Tax revenue receipts increased from ₹ 1,374 crore in 2017-18 to ₹ 1,584 crore in 2018-19. The increase was mainly due to increase in other Non-Tax<sup>2</sup> receipts of ₹ 216 crore.

### 1.3.1.3 Grants-in-aid from GOI

The Grants-in-aid (GIA) received from GOI for the years 2014-15 to 2018-19 are given in **Table 1.10**.

**Table 1.10: Grants-in-aid from GOI**

						(₹ in crore)
	2014-15	2015-16	2016-17	2017-18	2018-19	
Non-Plan grants	513	807	747	28	5	
Grants for UT's Plan scheme	804	699	795	11	..	
Grants for Centrally Sponsored Schemes	148	184	195	383	152	
Other transfers/Grants to State/Union Territories with Legislature	--	--	--	1,401	1,471	
<b>Total</b>	<b>1,465</b>	<b>1,690</b>	<b>1,737</b>	<b>1,823</b>	<b>1,628</b>	
Percentage of increase/decrease of GIA over previous year	20.97	15.36	2.78	4.95	(-) 10.70	
Total grants as a percentage of revenue receipts	30.79	33.21	32.27	30.37	25.44	

(Source: Finance Accounts of respective years)

As a percentage over previous year, Grants-in-Aid received from GOI, decreased by 10.70 *per cent* during 2018-19. The total grant as a percentage

<sup>2</sup> Components under Non Tax revenue include power, interest receipts, medical and public health, water supply and sanitation etc.



of revenue receipts decreased from 30.37 *per cent* in 2017-18 to 25.44 *per cent* in 2018-19.

The overall GIA received during 2018-19 decreased by ₹ 195 crore, due to decrease of ₹ 231 crore in grants for Centrally Sponsored Schemes and ₹ 23 crore under Non-Plan grants which was offset by increase of ₹ 70 crore in other transfers/Grants to States/Union Territories with Legislature. However, as against the release of ₹ 11 crore in 2017-18, no grants were released for UT Plan schemes during the year

## 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 2014-15 to 2018-19 are given in Table 1.11.

Table 1.11: Growth of capital receipts

Source of receipts	(₹ in crore)				
	2014-15	2015-16	2016-17	2017-18	2018-19
Capital receipts	706	743	822	1,062	1,008
Miscellaneous capital receipts	Nil	Nil	Nil	Nil	Nil
Recovery of loans and advances	2	2	2	1	1
Public debt receipts	704	741	820	1,061	1,007
Rate of growth of Public debt receipts ( <i>per cent</i> )	(-) 6.13	5.26	10.66	29.39	(-) 5.09
Rate of growth of non-debt capital receipts ( <i>per cent</i> )	(-) 33.33	Nil	Nil	(-) 50.00	Nil
Rate of growth of capital receipts ( <i>per cent</i> )	(-) 6.24	5.24	10.63	29.20	(-) 5.08

(Source: Finance Accounts of respective years)

The capital receipts decreased by ₹ 54 crore in 2018-19 entirely due to decrease 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. Public Account receipts for the period from 2014-15 to 2018-19 are given in **Table 1.12**.

**Table 1.12: Trends in composition of Public Account Receipts**

Resources under various heads	(₹ in crore)				
	2014-15	2015-16	2016-17	2017-18	2018-19
Public Account receipts	981.76	1,015.31	844.70	717.32	777.92
(a) Small savings, Provident Fund, etc.	289.93	303.43	311.42	328.36	320.08
(b) Reserve Fund	95.56	1.00	1.83	10.00	30.00
(c) Deposits and advances	195.80	392.45	193.47	153.18	127.06
(d) Suspense and miscellaneous	(-) 2.49	(-) 95.96	15.23	(-) 63.59	(-) 31.96
(e) Remittance	402.96	414.39	322.75	289.37	332.74

(Source: Finance Accounts of respective years)

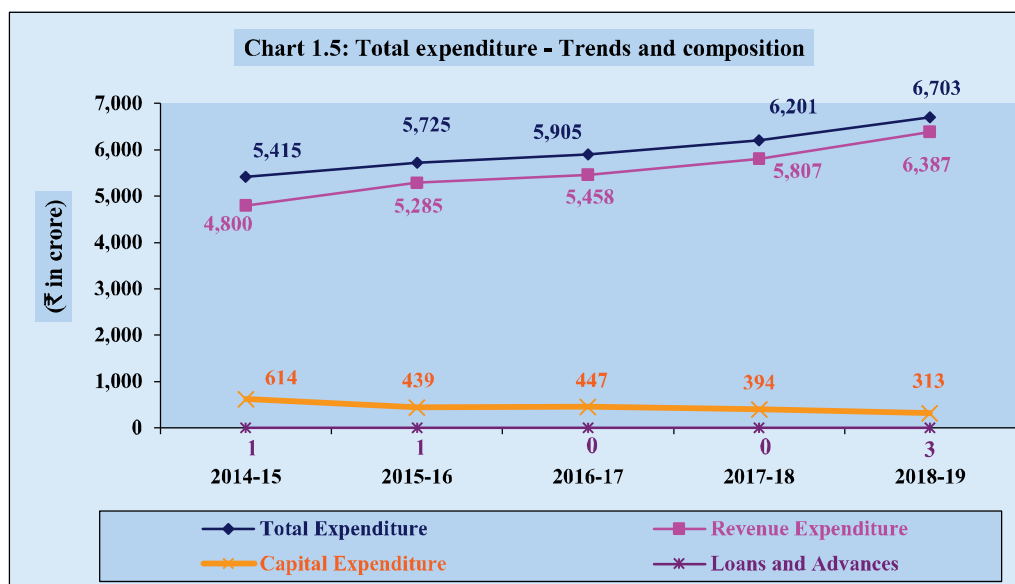
The Public Account receipts increased from ₹ 717.32 crore in 2017-18 to ₹ 777.92 crore in 2018-19.

## 1.6 Application of Resources

In view of budgetary constraints in raising public expenditure, which is financed by deficit or borrowings, it is important to ensure that in the process of ongoing fiscal correction and consolidation process, development expenditure was prioritised over revenue expenditure.

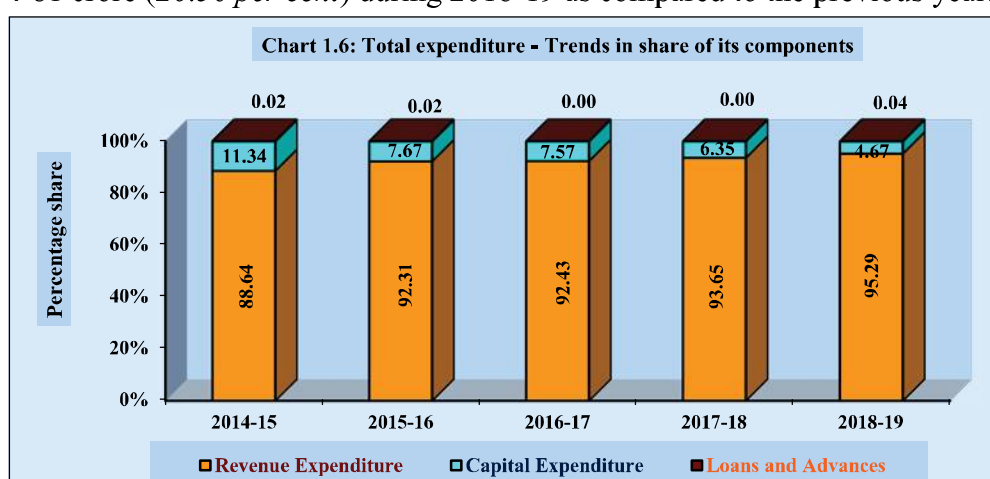
### 1.6.1 Growth and composition of expenditure

**Chart 1.5** presents the trends and composition of total expenditure over a period of five years (2014-15 to 2018-19) and its composition in terms of 'economic classification' and 'expenditure by activities' is depicted respectively in **Charts 1.6** and **1.7**.



(Source: Finance Accounts of respective years)

Total expenditure<sup>3</sup> of UT increased by 8.10 *per cent* from ₹ 6,201 crore in 2017-18 to ₹ 6,703 crore in 2018-19. The revenue expenditure increased by ₹ 580 crore (10 *per cent*) and the capital expenditure decreased by ₹ 81 crore (20.56 *per cent*) during 2018-19 as compared to the previous year.



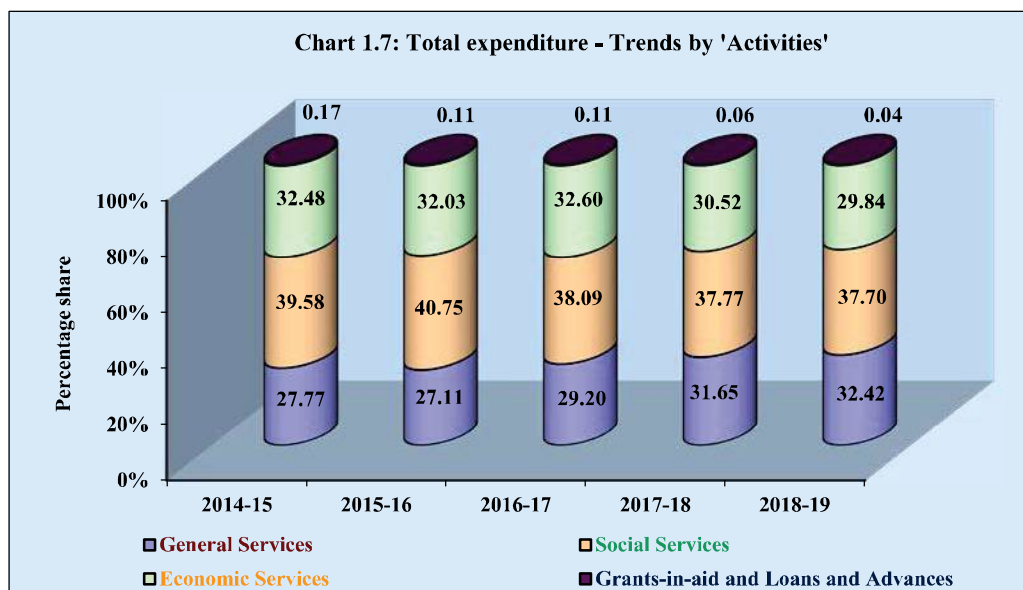
(Source: Finance Accounts of respective years)

Revenue expenditure was 95.29 *per cent* of the total expenditure. The proportion of capital expenditure to aggregate expenditure decreased from 6.35 *per cent* in 2017-18 to 4.67 *per cent* in 2018-19.

It may be seen from **Chart 1.6** that the revenue expenditure as a share of total expenditure was increasing consistently over a period of five years. Though the UT Government could cap the revenue expenditure to 88.64 *per cent* in 2014-15, it steadily increased during 2015-16 to 2017-18 and stood at 95.29 *per cent* in 2018-19.

<sup>3</sup> Total expenditure includes revenue expenditure, capital expenditure and disbursement of loans and advances.

During the current year, against the Budget Estimate (BE) of ₹ 439 crore, an amount of only ₹ 313 crore was spent under the Capital Expenditure. The decline was mainly under General Services where, against the BE of ₹ 61 crore, only ₹ 19 crore was incurred, mainly due to slow progress under Public works. Similarly, under Economic Services, against the Budget Estimate (BE) of ₹ 248 crore, only ₹ 168 crore was spent due to the lower requirement of funds, mainly under power projects. There was a reduction of 20.56 *per cent* over the previous year's actual of ₹ 394 crore.



(Source: Finance Accounts of respective years)

During 2018-19, the expenditure on General Services, Social Services and Economic Services increased by 10.75 *per cent*, 7.90 *per cent* and 5.65 *per cent* respectively over the previous year.

### 1.6.2 Revenue expenditure

Revenue expenditure of ₹ 6,387 crore during 2018-19 increased by ₹ 580 crore as compared to ₹ 5,807 crore in 2017-18. It constituted 95.29 *per cent* of total expenditure of ₹ 6,703 crore during the year. However, as a percentage of GSDP, the revenue expenditure declined marginally from 17.62 in 2017-18 to 17.42 in 2018-19. The buoyancy of revenue expenditure with reference to revenue receipts during 2018-19 stood at 1.51. The ratio of revenue surplus to GSDP decreased from 0.59 *per cent* in 2017-18 to 0.04 *per cent* in 2018-19.

### 1.6.3 Committed expenditure

The committed expenditure of UT Government on the revenue account mainly consists of interest payments, expenditure on salaries, pension and subsidies. **Table 1.13** presents the trends of expenditure on these components during 2014-19.

Table 1.13: Components of committed expenditure

	(₹ in crore)				
Components of Committed expenditure	2014-15	2015-16	2016-17	2017-18	2018-19
Salaries	1,332 (28)	1,377 (27)	1,558 (29)	1,645 (27)	1,774 (28)
Interest payments	538 (11)	552 (11)	578 (11)	686 (11)	707 (11)
Expenditure on Pension	431 (9)	540 (11)	632 (12)	746 (12)	868 (14)
Subsidies	144 (3)	154 (3)	134 (2)	157 (3)	173 (3)
<b>Total</b>	<b>2,445 (51)</b>	<b>2,623 (52)</b>	<b>2,902 (54)</b>	<b>3,234 (54)</b>	<b>3,522 (55)</b>

Figures in bracket indicate percentage to revenue receipts

(Source: Finance Accounts of respective years)

The total committed expenditure of UT Government was increasing consistently over the period of five years. It increased from ₹ 3,234 crore in 2017-18 to ₹ 3,522 crore in 2018-19 by ₹ 288 crore. However, as a percentage to revenue receipts, it was in the range of 54 to 55 during 2016-19.

**Expenditure on salaries** during the current year was ₹ 1,774 crore, which increased by ₹ 129 crore (7.84 *per cent*) over the previous year and stood at 27.70 *per cent* of revenue receipts and revenue expenditure respectively.

**Pension payments** increased by 16.35 *per cent* from ₹ 746 crore in 2017-18 to ₹ 868 crore in 2018-19 and it stood at around 14 *per cent* of revenue receipts and revenue expenditure respectively.

**Interest payments** increased by ₹ 21 crore (3.06 *per cent*) in 2018-19 over the previous year mainly due to increase in internal debt, which increased from ₹ 6,016 crore in 2017-18 to ₹ 6,486 crore in 2018-19 (7.81 *per cent*). The interest payments was 11.00 *per cent* of the total revenue receipts for the fifth consecutive year.

**Subsidies** at three *per cent* of both revenue receipts and revenue expenditure in 2018-19, represents 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 73<sup>rd</sup> 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 are presented in **Table 1.14**.

**Table 1.14: Financial assistance to Local Bodies and other institutions**

	(₹ in crore)				
Financial assistance to Institutions	2014-15	2015-16	2016-17	2017-18	2018-19
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	50.56	45.96	32.12	104.37	48.36
Municipalities	43.98	53.83	41.95	7.64	9.79
Panchayati Raj Institutions	12.14	1.10	3.58	0.77	1.44
Development agencies and Autonomous Bodies	459.75	433.37	504.92	381.23	319.68
Co-operatives	68.72	61.49	57.45	14.62	10.07
Other Institutions*	25.49	120.56	28.88	150.90	359.02
<b>Total</b>	<b>660.64</b>	<b>716.31</b>	<b>668.90</b>	<b>659.53</b>	<b>748.36</b>
Assistance as a percentage of revenue expenditure	13.76	13.55	12.26	11.36	11.72

\* Welfare societies and religious institutions

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

Financial assistance extended to Local Bodies and other institutions increased (13.47 *per cent*) from ₹ 659.53 crore in 2017-18 to ₹ 748.36 crore in 2018-19.

## 1.7 Quality of expenditure

Quality of expenditure 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

An analysis of 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 comparison of fiscal priority given to different categories of expenditure of UT of Puducherry in 2014-15 and 2018-19 is given in **Table 1.15**.

**Table 1.15: Fiscal priority of UT Government in 2014-15 and 2018-19**

Fiscal priority of UT		AE/ GSDP	DE/ AE	SSE/ AE	CE/ AE	ESE/ AE	Expenditure on Education, Sports, Art and Culture/AE	Expenditu re on Health and Family Welfare /AE
Puducherry (Percentage)	2014-15	24	72	40	11	32	12	8
	2018-19	18	68	38	5	30	13	9
General Category States (Percentage)	2014-15	16	69	36	14	32	17	5
	2018-19	16	67	37	14	30	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: Directorate of Economics and Statistics, Puducherry and Finance Accounts for Expenditure figures)

The decrease in aggregate expenditure of UT Government, as a percentage to GSDP, from 24 in 2014-15 to 18 in 2018-19, indicated that UT Government of Puducherry spent lesser proportion of its GSDP on aggregate expenditure in 2018-19.

The percentage of development expenditure to aggregate expenditure decreased from 72 in 2014-15 to 68 in 2018-19. However, the percentage of Education, Sports, Art and Culture to aggregate expenditure improved marginally from 12 in 2014-15 to 13 in 2018-19. Similarly, in respect of Health and Family Welfare also there was a marginal increase from 8 *per cent* in 2014-15 to 9 *per cent* in 2018-19. The proportion of capital expenditure to aggregate expenditure stood at 5 *per cent* during 2018-19 which was very much lesser than 11 *per cent* in 2014-15.

**Table 1.16** analyses the fiscal priority set by UT Government in key areas of Education, Sports, Art and Culture and Health and Family Welfare.

**Table 1.16: Fiscal priority of UT Government in 2015-16 and 2018-19**

Fiscal priority of UT		Per capita expenditure on Education, Sports, Art and Culture (in ₹)	Per capita expenditure on Health and Family Welfare (in ₹)
Puducherry	2015-16	5,538	3,905
	2018-19	6,842	4,643

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

Per capita expenditure on Education, Sports, Art and Culture increased from ₹ 5,538 in 2015-16 to ₹ 6,842 in 2018-19 and also on Health and Family Welfare from ₹ 3,905 in 2015-16 to ₹ 4,643 in 2018-19.

### 1.7.2 Efficiency of utilisation of funds

UT Government should take appropriate expenditure rationalisation measures and lay emphasis on provision of core public and merit goods<sup>4</sup>. Apart from improving the allocation towards development expenditure, the efficiency of utilisation of funds was reflected by the ratio of capital expenditure to total expenditure. The higher the ratio of total expenditure the better would be the quality of expenditure. **Table 1.17** depicts the trends in development expenditure relative to the aggregate expenditure of UT during 2014-15 to 2018-19.

**Table 1.17: Development expenditure**

Components of Development Expenditure	₹ in crore)				
	2014-15	2015-16	2016-17	2017-18	2018-19
Development expenditure (a to c)	3,902.36 (72)	4,165.91 (73)	4,174.67 (71)	4,234.64 (68)	4,526.89 (68)
a. Development revenue expenditure	3,375.71 (62)	3,809.86 (67)	3,813.12 (65)	3,928.39 (63)	4,232.76 (63)
b. Development capital expenditure	526.65 (10)	356.05 (6)	361.55 (6)	306.25 (5)	294.13 (5)
c. Development loans and advances	Nil	Nil	Nil	Nil	Nil

Figures in bracket indicate percentage of aggregate expenditure

(Source: Finance Accounts of respective years)

Development expenditure increased by ₹ 292.25 crore from ₹ 4,234.64 crore in 2017-18 to ₹ 4,526.89 crore in 2018-19. However, the percentage of development expenditure to aggregate expenditure remained constant at 68 *per cent* during 2017-18 and 2018-19. Similarly, the development capital expenditure, as a percentage of aggregate expenditure also remained constant at five during 2017-18 and 2018-19.

**Table 1.18** provides the details of capital expenditure and the components of revenue expenditure incurred on the maintenance of selected social and economic services during 2017-18 and 2018-19.

<sup>4</sup> **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 1.18: Efficiency of utilisation of funds in selected Social and Economic Services**

Social/Economic Infrastructure	(in percentage)			
	2017-18		2018-19	
	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
<b>Social Services (SS)</b>				
General Education	1.65	80.36	1.23	75.93
Health and Family Welfare	1.61	62.67	2.95	59.32
Water Supply, Sanitation and Housing and Urban Development	23.10	24.09	25.55	25.52
<b>Total (SS)</b>	<b>12.35</b>	<b>43.86</b>	<b>13.31</b>	<b>39.70</b>
<b>Economic Services (ES)</b>				
Agriculture and Allied Activities	1.85	25.04	0.72	24.51
Irrigation and Flood Control	55.53	69.26	46.78	76.05
Power and Energy	5.64	9.19	2.89	9.58
Transport	70.52	72.21	64.59	68.79
<b>Total (ES)</b>	<b>10.51</b>	<b>15.54</b>	<b>8.38</b>	<b>13.35</b>
<b>Total (SS+ES)</b>	<b>7.23</b>	<b>31.65</b>	<b>6.50</b>	<b>28.30</b>

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 increased from 1.61 *per cent* in 2017-18 to 2.95 *per cent* in 2018-19, while the share of General Education decreased from 1.65 *per cent* in 2017-18 to 1.23 *per cent* in 2018-19. In respect of Water Supply, Sanitation, Housing and Urban Development, it increased from 23.10 *per cent* in 2017-18 to 25.55 *per cent* in 2018-19. The share of salaries and wages in the revenue expenditure on Social Services decreased from 43.86 *per cent* in 2017-18 to 39.70 *per cent* in 2018-19.

### ***Expenditure on Economic Services***

The capital expenditure on Economic Services, as a percentage of total expenditure on Economic Services, decreased steeply from 10.51 in 2017-18 to 8.38 in 2018-19. The share of salaries and wages in the revenue expenditure on Economic Services decreased from 15.54 *per cent* in 2017-18 to 13.35 *per cent* in 2018-19.

## 1.8 Financial analysis of Government expenditure and investments

The UT Government should 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 since 2014 in the Public Works Department as on 31 March 2019 is given in **Table 1.19**.

**Table 1.19: Profile of incomplete projects**

(₹ in crore)

Department	No. of incomplete Projects	Expenditure during the year	Cumulative expenditure as on 31.3.2019
Public Works Department	30	40.25	184.49

(Source: Finance Accounts)

Failure to complete the projects on time, leads to escalation of project costs and postponement of revenue realisation from the projects, impacting the accrual of the projects' benefits to the society at large.

### 1.8.2 Investment and returns

As of March 2019, Government invested ₹ 1,033.70 crore (₹ 714.58 crore in 11<sup>5</sup> Government Companies and one Statutory Corporation and ₹ 319.12 crore in 359 Co-operative Institutions) as indicated in **Table 1.20**.

**Table 1.20: Return on Investment**

Investment/Return/Cost of Borrowings	2014-15	2015-16	2016-17	2017-18	2018-19
Investment at the end of the year (₹ in crore)	998.93	1,018.52	1,030.67	1,027.79	1,033.70
Return (₹ in crore)	1.63	3.93	Nil	0.09	0.09
Return ( <i>per cent</i> )	0.16	0.39	Nil	0.01	0.01
Average rate of interest on Government borrowings ( <i>per cent</i> )	7.92	7.47	7.20	8.02	7.88
Difference between interest rate and return ( <i>per cent</i> )	7.76	7.08	7.20	8.01	7.87

(Source: Finance Accounts of respective years)

<sup>5</sup> There are 14 PSUs as per Finance Accounts 2018-19. Out of which, 3 PSUs viz., Tamil Nadu Industrial Investment Corporation Limited, Chennai; National Minorities Development and Finance Corporation Limited; and Cannanore Spinning and Weaving Mill, Mahe are not owned by UT of Puducherry.

It was seen from **Table 1.20** that though the average rate of interest on UT Government's borrowings in 2017-18 and 2018-19 was 8.02 and 7.88 *per cent* respectively, the return on investment was only 0.01 *per cent* in both the years.

*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 it was worth channelising high cost borrowings there.*

The Government of UT of Puducherry had made an investment of ₹ 714.12 crore in form of equity and loans in 12 Public Sector Undertakings (11 Government Companies and one Statutory Corporation). These companies did not finalise their respective accounts (for periods ranging between one and eight years) at the end of 31 March 2019, which is in violation of the provisions of the Companies Act, 2013. The Government of UT of Puducherry continued to invest in these PSUs despite the low return on investment (0.01 *per cent*), indicative of poor quality of investment decisions. The Government investments are thus at an increased risk of being utilised for objectives other than the intended one. This would hamper audit in assuring the Legislature that the funds were being utilised for the purpose that they were sanctioned.

### 1.8.3 Loans and advances by UT Government

During 2018-19, UT Government did not provide any loans and advances to any institution/organisation. **Table 1.21** presents the outstanding loans and advances as on 31 March 2019 and interest receipts *vis-à-vis* interest payments during the last five years.

**Table 1.21: Outstanding loans and advances and interest received on loans and advances by UT Government**

	(₹ in crore)				
Quantum of Loans/Interest Receipts/ Cost of Borrowings	2014-15	2015-16	2016-17	2017-18	2018-19
<b>Opening balance</b>	<b>12.41</b>	<b>11.42</b>	<b>10.63</b>	<b>9.25</b>	<b>8.12<sup>6</sup></b>
Amount advanced during the year	1.45	1.31	0.27	0.21	3.08
Amount repaid during the year	2.44	2.10	1.65	1.35	0.91
<b>Closing balance</b>	<b>11.42</b>	<b>10.63</b>	<b>9.25</b>	<b>8.11</b>	<b>10.29</b>
Net increase (+)/decrease (-)	(-) 0.99	(-) 0.79	(-) 1.38	(-)1.14	2.18
Interest receipts	2.48	2.23	1.88	1.55	1.20

<sup>6</sup> Differs from the previous year's Closing balance due to rounding off.

Quantum of Loans/Interest Receipts/ Cost of Borrowings	2014-15	2015-16	2016-17	2017-18	2018-19
Interest receipts as percentage of outstanding loans and advances	20.81	20.22	18.91	17.86	13.04
Interest payments as percentage of outstanding fiscal liabilities of UT Government	7.92	7.47	7.20	8.02	7.88
Difference between interest payments and interest receipts ( <i>per cent</i> )	13.16	13.10	11.95	11.31	3.93

(Source: Finance Accounts of respective years)

The quantum of loan advanced increased from ₹ 0.21 crore in 2017-18 to ₹ 3.08 crore in 2018-19 and repayment of loan by the loanees decreased from ₹ 1.35 crore in 2017-18 to ₹ 0.91 crore in 2018-19. The total amount of ₹ 3.08 crore advanced during the year was loans and advances given to Welfare of Scheduled Castes (₹ 3 crore) and Government servants (₹ 0.08 crore).

#### 1.8.4 Cash balance and investment of cash balances

**Table 1.22** shows the cash balance and investment of cash balances for 2017-18 and 2018-19.

**Table 1.22: Cash balance and investment of cash balances**

(₹ in crore)

	Opening balance as on 1 April 2018	Closing balance as on 31 March 2019
<b>(a) General cash balance</b>		
(i) Cash in treasuries	Nil	Nil
(ii) Deposits with RBI	0.15	0.15
(iii) Deposits with other banks	Nil	Nil
(iv) Local remittances	Nil	Nil
<b>Total</b>	<b>0.15</b>	<b>0.15</b>
(v) Investment held in cash balance investment account	1,792.64	1,280.56
<b>Total (a)</b>	<b>1,792.79</b>	<b>1,280.71</b>
<b>(b) Other cash balances and investments</b>		
(vi) Departmental cash balances	0.46	0.46
(vii) Permanent Imprest	1.69	1.76
(viii) Investment out of earmarked funds	316.95	338.35
<b>Total (b)</b>	<b>319.10</b>	<b>340.57</b>
<b>Grand Total (a) + (b)</b>	<b>2,111.89</b>	<b>1,621.28</b>

(Source: Finance Accounts of respective years)

The cash balance decreased from ₹ 2,111.89 crore in 2017-18 to ₹ 1,621.28 crore in 2018-19. During the year, the cash balance investment<sup>7</sup> was ₹ 1,280.56 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 2019, compared with the corresponding position on 31 March 2018. 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 2019 was 0.89, 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 outstanding fiscal liabilities for the period 2014-15 to 2018-19 was presented in **Chart 1.9** and the trends of fiscal liabilities relative to revenue receipts and GSDP are presented in **Table 1.23**.

**Table 1.23: Trend of outstanding fiscal liabilities**

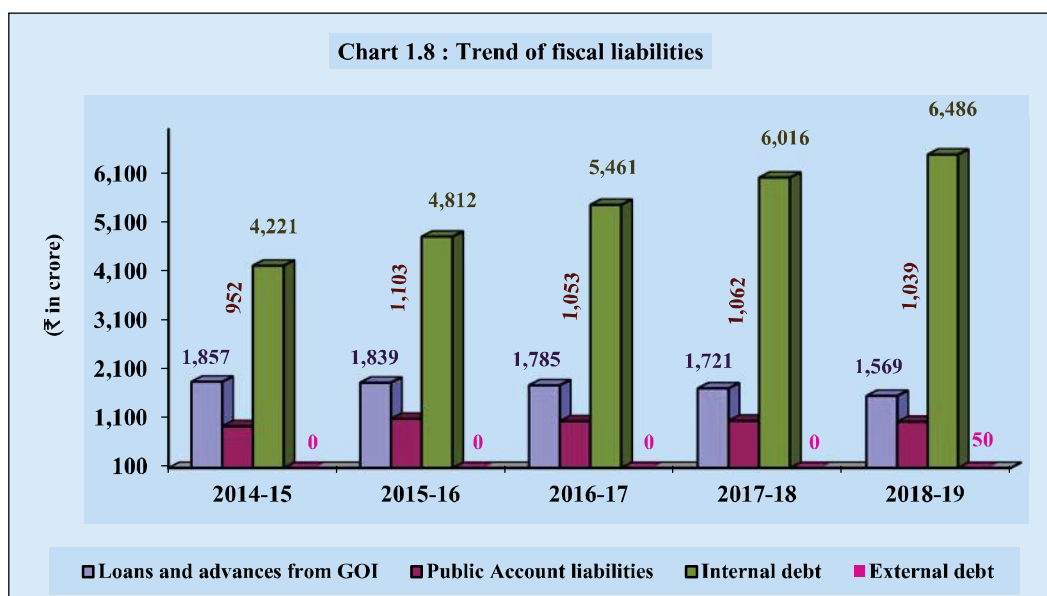
	2014-15	2015-16	2016-17	2017-18	2018-19
Outstanding fiscal liabilities (₹ in crore)	7,030	7,754	8,299	8,799	9,144
Rate of growth of outstanding fiscal liabilities (per cent)	7.25	10.30	7.03	6.02	3.92
Outstanding fiscal liabilities as percentage of revenue receipts	147.75	152.40	154.17	146.58	142.88
Outstanding fiscal liabilities as percentage of GSDP	31.14	29.13	28.06	26.69	24.95

(Source: Finance Accounts of respective years)

<sup>7</sup> 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 ₹ 7,030 crore in 2014-15 to ₹ 9,144 crore in 2018-19. The fiscal liabilities at the end of 2018-19 represented 143 *per cent* of revenue receipts (₹ 6,400 crore) during the year. The fiscal liabilities as a percentage of revenue receipts which had shown a steady increase during the three year period from 2014-15 (147.75 *per cent*) to 2016-17 (154.17 *per cent*), decreased to 146.58 *per cent* in 2017-18 and stood at 142.88 *per cent* in 2018-19. The fiscal liabilities represented about 24.95 *per cent* of GSDP during 2018-19, which was a marked reduction from the previous years.

It may be seen from the **Table 1.23** that the fiscal liabilities of UT Government was increasing over the period of five years and the rate of growth oscillated between 3.92 *per cent* and 10.30 *per cent* during 2014-19. The fiscal liabilities as percentage to GSDP also declined from 31.14 *per cent* in 2014-15 to 24.95 *per cent* in 2018-19. This was indicative of a good fiscal correction path adopted by UT Government.



(Source: Finance Accounts of respective years)

While internal debt, which constituted 68.37 *per cent* of total fiscal liabilities in 2017-18, increased to 70.93 *per cent* in 2018-19, loans and advances from GOI decreased from 20 to 17 *per cent* of the fiscal liabilities during the same period as indicated in **Chart 1.8**. The Public Account liabilities decreased from ₹ 1,062 crore in 2017-18 to ₹ 1,039 crore in 2018-19.

#### **Short contribution to Sinking Fund**

The Government of UT of Puducherry's contribution towards Reserve Fund (Sinking Fund) is required to be at least 0.5 *per cent* of outstanding liabilities at the end of 31 March 2018 i.e. ₹ 7,078 crore (Internal Debt: ₹ 6,016 crore + Public Accounts Liability: ₹ 1,062 crore), which amounts to ₹ 35.39 crore

during the financial year 2018-19. The Government of UT of Puducherry, however, contributed only ₹ 30 crore, a short contribution of 15.23 *per cent* of the required contribution of ₹ 35.39 crore. Thus, the Government of UT of Puducherry was not able to discharge its liability during the current fiscal year and has deferred its liability to future years. The fiscal deficit is understated to that extent.

### 1.9.3 *Contingent liabilities*

#### *Status of Guarantees*

Guarantees for the purpose of Administration of Union Territories, prior to the amendment of the Union Territories Act on 06 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 of Puducherry. Consequent to amendment of Union Territories Act on 06 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.

The maximum amount for which guarantees were given by UT Government and GOI on behalf of UT and outstanding guarantees for the last five years is given in **Table 1.24**.

**Table 1.24: Guarantees given by UT and GOI on behalf of UT of Puducherry**

Guarantees	2014-15	2015-16	2016-17	2017-18	2018-19
Maximum amount guaranteed (₹ in crore)	37.50	56.18	56.18	63.18	63.18
Outstanding amount of guarantees (₹ in crore)	27.80	44.48	44.48	49.16	48.24
Percentage of maximum amount guaranteed to total Revenue receipts	0.79	1.10	1.04	1.05	0.99

(Source: Finance Accounts of respective years)

As a percentage of revenue receipts, the maximum amount guaranteed decreased from 1.05 in 2017-18 to 0.99 in 2018-19. 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 funds<sup>8</sup>, burden of interest payments (measured by interest payments to revenue receipts ratio) and the maturity profile of UT Government's debts.

**Table 1.25** indicates the debt sustainability of UT for a period of five years beginning from 2014-15.

**Table 1.25: Debt Sustainability - Indicators and Trends**

(₹ in crore)					
Indicators of Debt Sustainability	2014-15	2015-16	2016-17	2017-18	2018-19
Outstanding debt	6,078	6,651	7,246	7,737	8,105
Rate of growth of outstanding debts* (percentage)	9.36	9.43	8.95	6.78	4.76
Debt/GSDP (percentage)	26.92	24.99	24.50	23.47	22.11
Rate of growth of GSDP (percentage)	3.22	17.91	11.11	11.46	11.21
Average interest rate of outstanding debt (percentage)	8.50	8.18	8.07	8.25	7.99
Burden of interest payments (IP/RR) (percentage)	11.31	10.85	10.74	11.43	11.05
Debt repayment/Debt receipts (percentage)	25.99	22.81	27.32	53.72	63.46
Net debt available to UT Government	25.45	51.60	35.93	(-) 127.47	(-) 265.12
<b>Maturity profile of internal debt and GOI loans (in years)</b>					
0 – 1	221.63 (3.65)	233.58 (3.51)	591.55 (8.16)	619.21 (8.00)	806.31 (9.95)
1 – 3	819.99 (13.49)	1,191.79 (17.92)	1,371.12 (18.92)	1,672.86 (21.62)	2,251.52 (27.78)
3 – 5	1,279.76 (21.06)	1,549.06 (23.29)	1,611.70 (22.24)	1,321.62 (17.08)	1,377.57 (17.00)
5 – 7	1,467.49 (24.14)	1,192.30 (17.93)	1,200.08 (16.56)	1,370.19 (17.71)	1,465.08 (18.08)
7 and above	2,279.63 (37.51)	2,484.28 (37.35)	2,471.83 (34.11)	2,753.10 (35.58)	2,204.63 (27.20)
	9.96* (0.16)	Nil	Nil	Nil	Nil
<b>Outstanding Public debt as on 31 March 2019</b>					<b>8,105.11</b>

Figures in bracket represents percentage to total outstanding Public Debt

\* 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

(Source: Finance Accounts of respective years)

<sup>8</sup> 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.



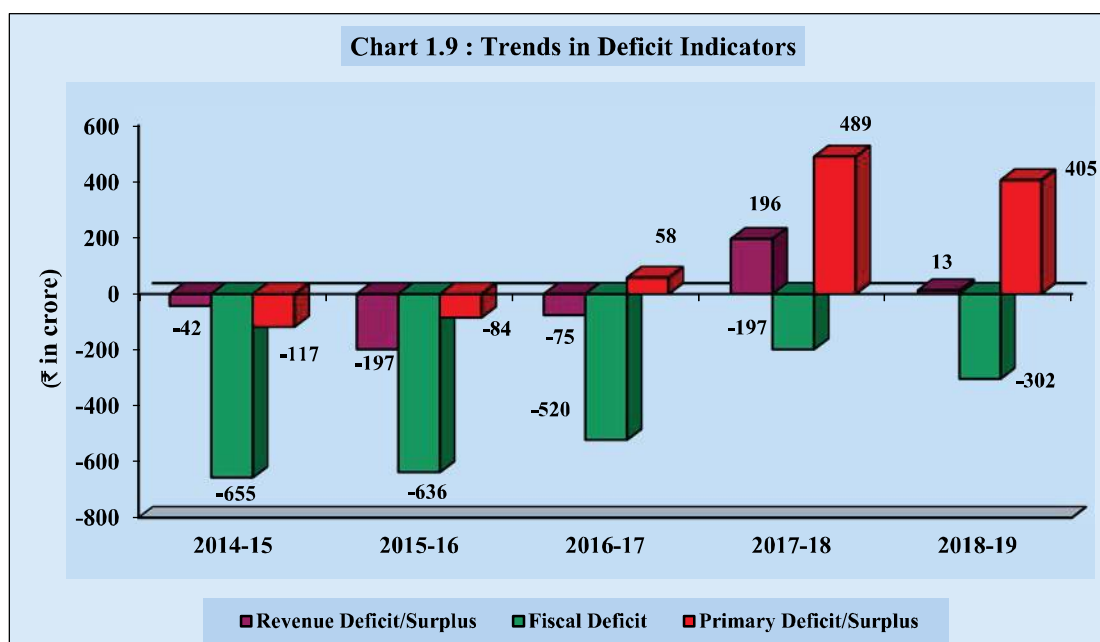
- The rate of growth of outstanding debt, which was at 9.36 *per cent* in 2014-15 decreased to 4.76 *per cent* in 2018-19.
- A declining trend in Debt-GSDP ratio can be considered as leading towards stability. UT's Debt-GSDP ratio was gradually decreasing from 2014-15 and stood at 22.11 *per cent* during 2018-19.
- The burden of interest payments which showed a declining trend during 2015-16 and 2016-17 after registering a spike (11.43 *per cent*) in 2017-18 again decreased and stood at 11.05 *per cent* of revenue receipts during 2018-19.
- The debt repayment to debt receipts which was 27.32 *per cent* in 2016-17 steeply increased to 53.72 *per cent* in 2017-18 and further increased to 63.46 *per cent* in 2018-19.
- The net debt available to UT Government steeply decreased to (-) ₹ 265.12 crore in 2018-19. This was mainly due to repayment of ₹ 633 crore as interest on public debt which was 62.86 *per cent* of ₹ 1,007 crore borrowings received during the year. The debt repaid during the year was ₹ 639 crore. The financial outgo on account of debt servicing thus impacted the finances of UT by increasing revenue expenditure due to high interest payments.
- The developmental works were also affected due to paucity of funds as seen from the actual capital expenditure (₹ 313 crore) which was lesser than the budget estimate of ₹ 439 crore by 28.70 *per cent*.
- The maturity profile of UT Government's Public debt indicates that nearly 72.80 *per cent* of the total Public debt was repayable within next seven years, which indicates a year-on-year increase in its repayment burden.

## 1.11 Fiscal imbalances

Three key fiscal parameters - revenue, fiscal and primary deficits - indicate the extent of overall fiscal soundness or the 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.

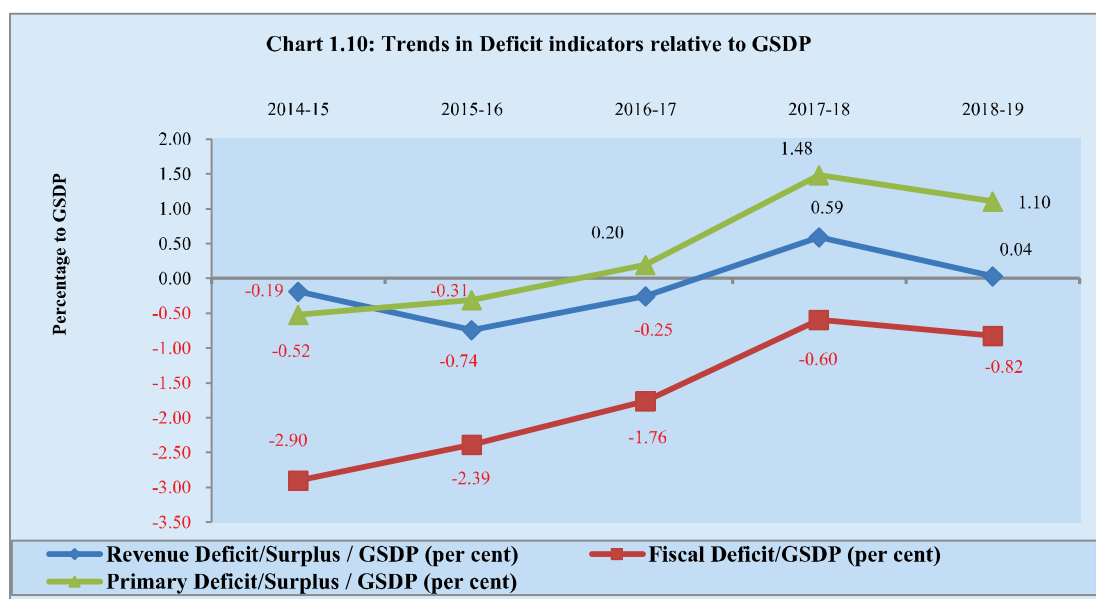
### 1.11.1 Trends in deficits

**Charts 1.9 and 1.10** present the trends in deficit indicators over the period 2014-15 to 2018-19.



(Source: Finance Accounts of respective years)

**Chart 1.10** below depicts the trends in deficit indicators relative to GSDP of UT of Puducherry for the period from 2014-15 to 2018-19.



(Source: Finance Accounts of respective years)

Revenue deficit indicates the excess of revenue expenditure over revenue receipts. The revenue surplus of ₹ 196 crore during 2017-18, decreased to a revenue surplus of ₹ 13 crore in 2018-19. The fiscal deficit increased from ₹ 197 crore in 2017-18 to ₹ 302 crore in 2018-19. The primary surplus of ₹ 489 crore in 2017-18 decreased to ₹ 405 crore in 2018-19.

### 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 1.26**.

**Table 1.26: Components of fiscal deficit and its financing pattern**

(₹ in crore)

Sl. No.	Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
<b>Split up of fiscal deficit</b>		<b>655</b>	<b>636</b>	<b>520</b>	<b>197</b>	<b>302</b>
1	Revenue Deficit(-)/ Surplus(+)	(-) 42	(-) 197	(-) 75	(+) 196	(+) 13
2	Net Capital Expenditure	614	439	447	394	313
3	Net Loans and Advances	1	--	2	1	2
<b>Financing pattern of fiscal deficit*</b>						
1	Market Borrowings	566	591	651	554	519
2	Loans from GOI	(-) 46	(-) 18	(-) 54	(-) 64	(-) 151
3	Small Savings, Provident Funds etc.	51	39	64	46	25
4	Deposits and Advances	(-) 34	129	(-) 94	(-) 16	(-) 26
5	Suspense and Miscellaneous	(-) 25	(-) 85	(-) 37	405	(-) 551
6	Remittances	50	(-) 7	5	3	(-) 5
7	Reserve Funds	96	1	2	10	Nil
	<b>Total</b>	<b>658</b>	<b>650</b>	<b>537</b>	<b>938</b>	<b>(-) 189</b>
8	Overall Surplus/Deficit (cash balance)	3	14	17	741	(-) 491

\* All these figures were net of disbursements/outflows during the year  
(Source: Finance Accounts of respective years)

The fiscal deficit increased by ₹ 105 crore during 2018-19, which was due to decrease in revenue surplus by ₹ 183 crore. The increase in fiscal deficit, along with marginal increase (₹ 21 crore) in interest payments, led to a drop in the primary surplus of ₹ 405 crore during 2018-19 when compared to the previous year's primary surplus of ₹ 489 crore.

### 1.11.3 Quality of Deficit/Surplus

The bifurcation of the primary deficit/surplus as shown in **Table 1.27** indicated the extent to which the deficit/surplus was on account of either enhancement in capital expenditure which was desirable or reduction in capital expenditure which was an obstacle to improve the productive capacity of UT's economy.

Table 1.27: 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)
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
2017-18	6,003	1	6,004	5,121	394	0	5,515	882	489
2018-19	6,400	1	6,401	5,680	313	3	5,996	720	405

(Source: Finance Accounts of respective years)

The non-debt receipts increased by ₹ 397 crore from ₹ 6,004 crore in 2017-18 to ₹ 6,401 crore in 2018-19, and was sufficient to meet the primary expenditure.

## 1.12 Follow up

Separate Report on UT Finances is being prepared from the year 2008-09 onwards and presented to UT Legislature. The Public Accounts Committee had discussed the reports till the year 2013-14.

## 1.13 Conclusion

**Fiscal status:** Union Territory of Puducherry had achieved revenue surplus (₹ 13 crore) during 2018-19 as against the target of revenue deficit of (₹ 2 crore) in the fiscal roadmap which was due to increase in tax revenue under Goods and Services Tax. The ratio of fiscal deficit to GSDP (0.82 *per cent*) is above the targets of fiscal roadmap (1.28 *per cent*) and budget estimates of 2018-19 (1.20 *per cent*). UT's Debt-GSDP ratio decreased from 23.47 *per cent* in 2017-18 to 22.11 *per cent* in 2018-19.

**Revenue receipts:** Revenue receipts increased by 6.61 *per cent* in 2018-19 over the previous year. Buoyancy of revenue receipts with reference to GSDP decreased from 1.01 in 2017-18 to 0.59 in 2018-19.

**High proportion of Revenue expenditure in total expenditure:** The Revenue expenditure of ₹ 6,387 crore during 2018-19 constituted 95.29 *per cent* of total expenditure. The committed expenditure such as salaries, pension and interest payments constituted 55 *per cent* of revenue expenditure.

**Enhanced development expenditure:** Development expenditure increased by ₹ 292 crore from ₹ 4,235 crore in 2017-18 to ₹ 4,527 crore in 2018-19. However, development expenditure, as a percentage of aggregate expenditure, remained constant at 68 when compared to previous year.

**Adequacy of expenditure:** The ratio of aggregate expenditure as a percentage of GSDP declined from 24 in 2014-15 to 18 in 2018-19. However, in respect of General Category States, it remained constant at 16 *per cent* in 2014-15 and 2018-19.

**Low return on investments:** As on 31 March 2019, Government invested ₹ 1,034 crore in 12 PSUs and 359 Co-operative Institutions. Though the average rate of interest on UT Government's borrowings was 7.88 *per cent*, the average rate of return on investments was 0.01 *per cent* during 2018-19. The PSUs did not finalise their accounts, which ranged between one and eight years as at the end of 31 March 2019.

**High ratio of fiscal liabilities to GSDP:** The outstanding fiscal liabilities increased from ₹ 7,030 crore in 2014-15 to ₹ 9,144 crore in 2018-19. The fiscal liabilities represented about 24.95 *per cent* of GSDP in 2018-19.

**Maturity Profile:** The maturity profile of UT Government's Public debt indicated that nearly 72.80 *per cent* of the total Public debt was repayable within the next seven years.