

This chapter provides a broad perspective on the finances of the State, analyses the critical changes in major fiscal aggregates relative to the previous year, overall trends during the five-year period from 2016-17 to 2020-21, debt sustainability of the State and key Public Account transactions, based on the Finance Accounts of the State.

2.1 Major changes in key fiscal aggregates during 2020-21 compared to 2019-20

Table 2.1 gives a bird's eye view of the major changes in key fiscal aggregates of the State during 2020-21 compared to previous year.

Table 2.1: Changes in key fiscal aggregates in 2020-21 compared to 2019-20

Revenue Receipts	<ul style="list-style-type: none"> ➤ Revenue Receipts of the State decreased by 10.28 per cent ➤ Own Tax Receipts of the State decreased by 11.06 per cent ➤ Own Non-Tax Receipts decreased by 42.04 per cent ➤ State's Share of Union Taxes and Duties decreased by 0.06 per cent ➤ Grants-in-Aid from Government of India increased by 6.58 per cent
Revenue Expenditure	<ul style="list-style-type: none"> ➤ Revenue Expenditure increased by 6.96 per cent ➤ Revenue Expenditure on General Services increased by 5.90 per cent ➤ Revenue Expenditure on Social Services increased by 2.73 per cent ➤ Revenue Expenditure on Economic Services increased by 16.53 per cent ➤ Expenditure on Grants-in-Aid decreased by 6.02 per cent
Capital Expenditure	<ul style="list-style-type: none"> ➤ Capital Expenditure increased by 4.41 per cent ➤ Capital Expenditure on General Services decreased by 29.81 per cent ➤ Capital Expenditure on Social Services increased by 14.01 per cent ➤ Capital Expenditure on Economic Services increased by 2.51 per cent
Loans and Advances	<ul style="list-style-type: none"> ➤ Disbursements of Loans and Advances decreased by 6.02 per cent ➤ Recoveries of Loans and Advances decreased by 52.73 per cent
Public Debt	<ul style="list-style-type: none"> ➤ Public Debt Receipts increased by 35.33 per cent ➤ Repayment of Public Debt increased by 7.30 per cent
Public Account	<ul style="list-style-type: none"> ➤ Public Account Receipts decreased by 4.43 per cent ➤ Public Account Disbursements increased by 5.12 per cent

Each of the above indicators is analysed in the succeeding paragraphs.

2.2 Sources and Application of Funds

Table 2.2 compares the sources and application of funds of the State during 2020-21 with 2019-20, while **Charts 2.1** and **2.2** give the details of receipts into and expenditure from the Consolidated Fund during 2020-21 in terms of percentages.

Table 2.2: Details of Sources and Application of funds during 2019-20 and 2020-21

		(₹ in crore)		
	Particulars	2019-20	2020-21	Increase/ Decrease
Sources	Opening Cash Balance with RBI	19,601	24,036	4,435
	Revenue Receipts	1,42,844	1,28,156	(-)14,688
	Recoveries of Loans & Advances	330	155	(-)174
	Public Debt Receipts (Net)	26,789	40,935	14,145
	Public Account Receipts (Net)	2,227	(-)7,679	(-)9,906
	Capital Receipts	106	9,968	9,862
	Total		1,91,897	1,95,571
Application	Revenue Expenditure	1,40,899	1,50,704	9,805
	Capital Expenditure	25,650	26,781	1,131
	Disbursements of Loans & Advances	1,312	1,233	(-)79
	Closing Cash Balance with RBI	24,036	16,853	(-)7,183
	Total		1,91,897	1,95,571

Source: Finance Accounts of the State Government of respective years.

Chart 2.1: Composition of Resources
(₹ in crore)

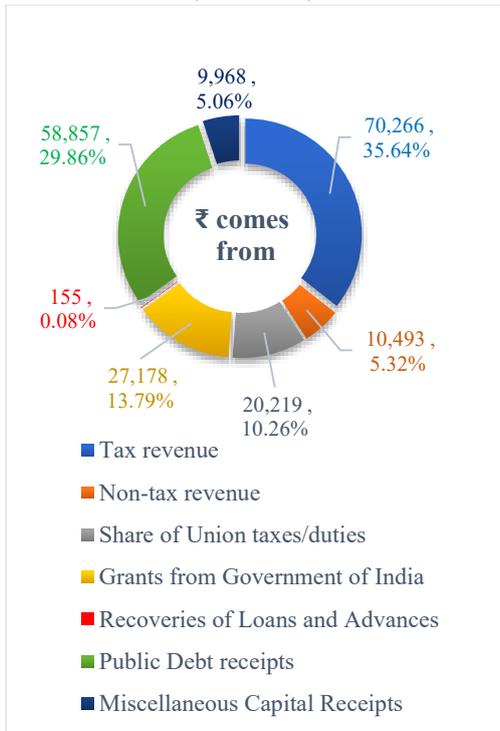
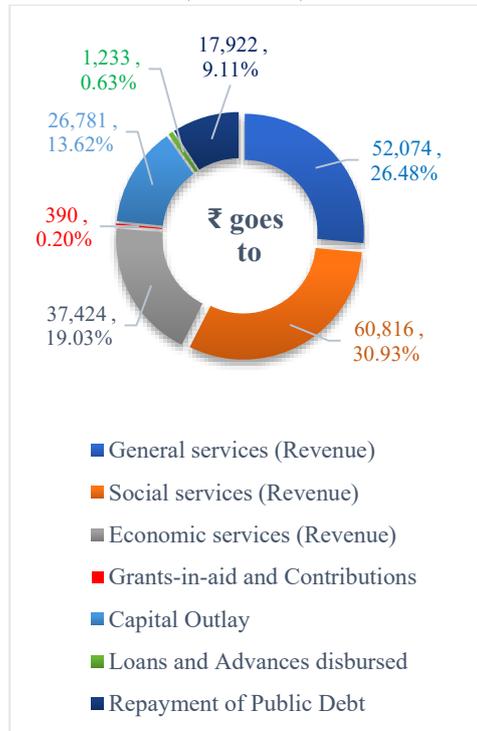


Chart 2.2: Application of Resources
(₹ in crore)



A time series data on the State Government finances for five-year period (2016-21) is given in **Appendix 2.1**.

2.3 Resources of the State

The resources of the State are described below:

1. **Revenue receipts** consist of tax revenue, non-tax revenue, State's share of Union taxes and duties and grants-in-aid from the Government of India (GoI).
2. **Capital receipts** comprise miscellaneous capital receipts, such as, proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GoI.

Both revenue and capital receipts form part of the Consolidated Fund of the State.

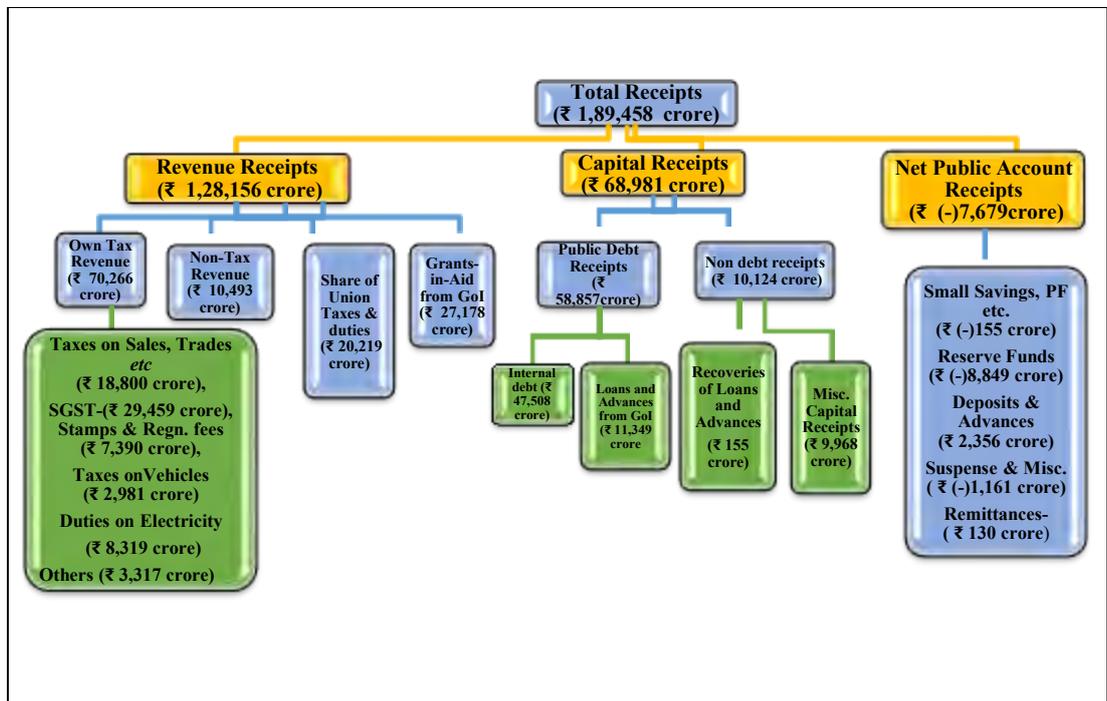
3. **Net Public Accounts receipts:** There are receipts and disbursements in respect of certain transactions, such, as small savings, provident fund, reserve funds, deposits, suspense, remittances, *etc.* which do not form part of the Consolidated Fund.

These are kept in the Public Account set up under Article 266 (2) of the Constitution and are not subject to vote by the State Legislature. Here, the Government acts as a banker. The balance after disbursements is the fund available with the Government for use.

2.3.1 Receipts of the State

Composition of receipts of the State during 2020-21 is as given in **Chart 2.3**.

Chart 2.3 Composition of Receipts of the State during 2020-21



2.3.2 State's Revenue Receipts

This paragraph gives the trends in total revenue receipts and its components. It is followed by trends in the receipts bifurcated into State's own receipts and receipts from the Central Government.

2.3.2.1 Trends and Growth of Revenue Receipts

Table 2.3 provides the trends and growth of revenue receipts as well as revenue buoyancy with respect to GSDP over the five-year period (2016-21). Further, trends in revenue receipts relative to GSDP, components of revenue receipts and monthly trend of components of revenue receipts are given in **Charts 2.4, 2.5** and **2.6** respectively.

Table 2.3: Trend in Revenue Receipts

Parameters	2016-17	2017-18	2018-19	2019-20	2020-21
Revenue Receipts (RR) (₹ in crore)	1,09,842	1,23,291	1,36,002	1,42,844	1,28,156
Rate of growth of RR (<i>per cent</i>)	12.68	12.24	10.31	5.03	(-) 10.28
Tax Revenue (₹ in crore)	64,443	71,549	80,103	79,008	70,266
Non-Tax Revenue (₹ in crore)	13,346	15,074	13,417	18,104	10,493
Own Revenue (Tax and Non-tax Revenue) (₹ in crore)	77,789	86,623	93,520	97,112	80,759
Rate of growth of Own Revenue (Tax and Non-tax Revenue) (<i>per cent</i>)	6.79	11.36	7.96	3.84	(-) 16.84
Gross State Domestic Product (₹ in crore) (2011-12 Series)	11,67,156	13,29,095	15,02,899 (P)	16,49,505 (Q)	16,58,865 (A)
Rate of growth of GSDP (<i>per cent</i>)	13.43	13.87	13.08	9.75	0.57
RR/GSDP (<i>per cent</i>)	9.41	9.28	9.05	8.66	7.73
Buoyancy Ratios¹					
Revenue Buoyancy w.r.t GSDP	0.94	0.88	0.79	0.52	-*
State's Own Revenue Buoyancy w.r.t GSDP	0.51	0.82	0.61	0.39	-*

Source: Finance Accounts of the State Government of respective years.

Source (GSDP figures): Statement under Gujarat Fiscal Responsibility Act, 2005 (Budget Publication No. 30 of 2021-22)

(P): Provisional Estimates; (Q): Quick Estimates, (A): Advance Estimates

* Revenue receipts and State's Own Revenue receipts growth in 2020-21 being negative, buoyancy cannot be calculated

¹ Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For instance, revenue buoyancy with respect to GSDP at 18.12 implies that revenue receipts tend to increase by 18.12 percentage points, if the GSDP increases by one *per cent*.

Chart 2.4: Trend of Revenue Receipts

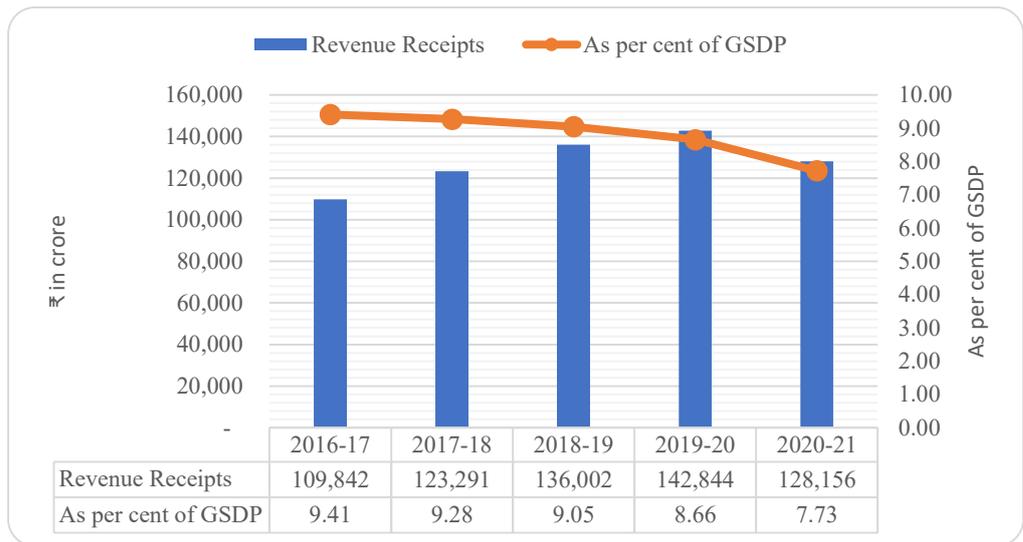


Chart 2.5: Trend of components of Revenue Receipts

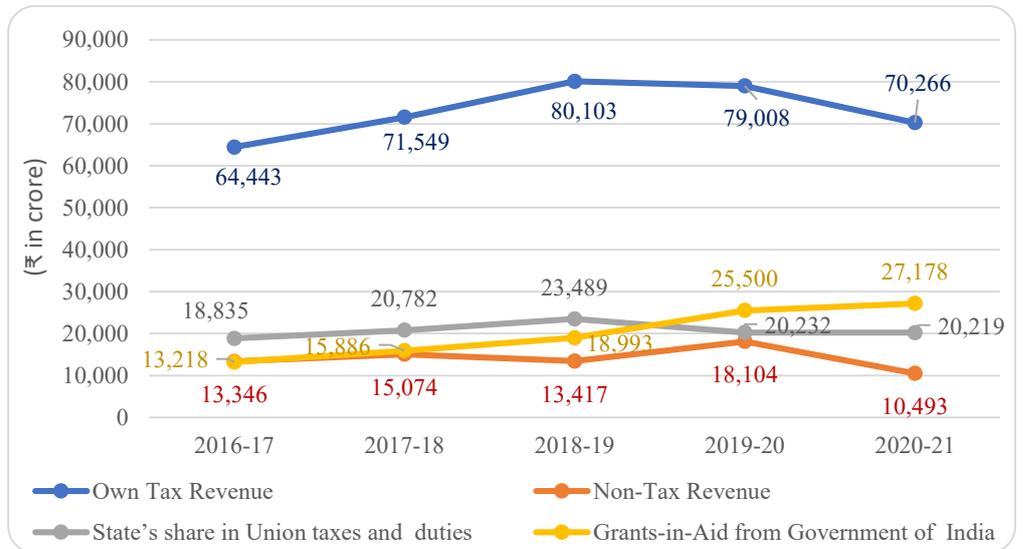
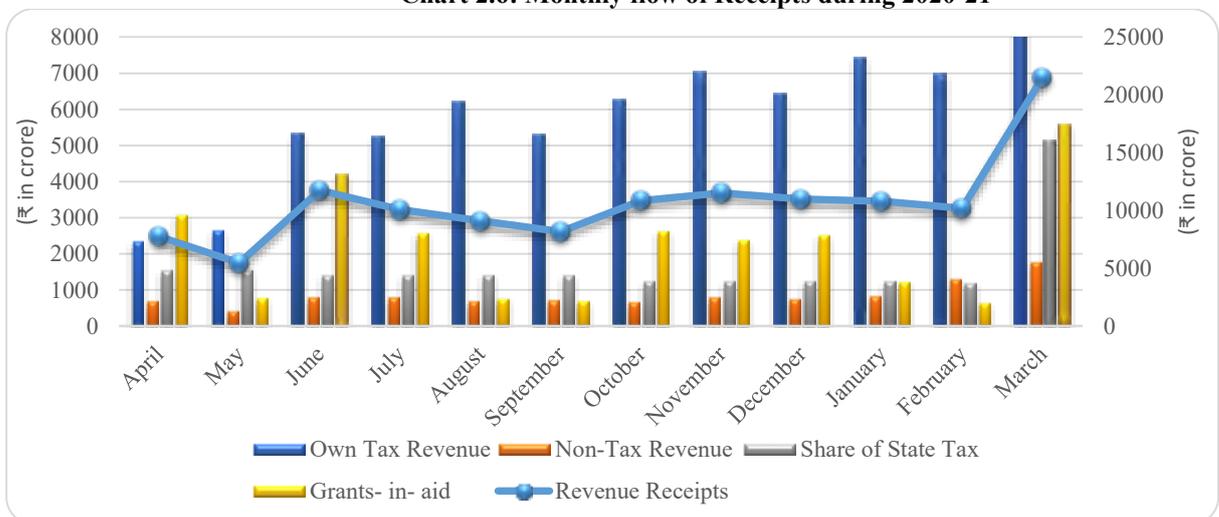


Chart 2.6: Monthly flow of Receipts during 2020-21



The trends in revenue receipts during 2016-21 revealed as follows:

- Revenue receipts increased by 16.67 *per cent* from ₹ 1,09,842 crore in 2016-17 to ₹ 1,28,156 crore in 2020-21 at Compound Annual Growth Rate (CAGR) of 3.93 *per cent*. During 2020-21, revenue receipts decreased by ₹ 14,688 crore (10.28 *per cent*) over the previous year.
- A significant portion of revenue receipts (63.02 *per cent*) during 2020-21 came from the State's own resources, while central tax transfers and grants-in-aid together contributed 36.98 *per cent*.
- **Table 2.3** shows that the percentage of revenue receipts to GSDP continuously decreased from 9.41 *per cent* in 2016-17 to 7.73 *per cent* in 2020-21, indicating that revenue receipts have not kept pace with the rate at which GSDP grew during 2016-21.

2.3.2.2 State's Own Resources

State's share in Central taxes is determined based on recommendations of the Finance Commission. Grants-in-aid from Central Government are determined by the quantum of collection of Central tax receipts and anticipated Central assistance for schemes, *etc.*

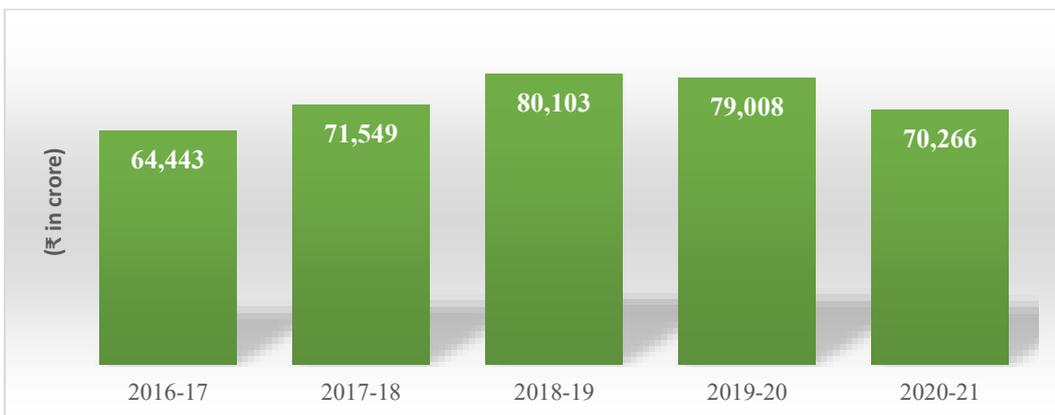
State's performance in mobilisation of additional resources is to be assessed in terms of its own resources comprising revenue from its own tax and non-tax sources.

State's Own Tax Revenue

Own tax revenue of the State consists of State Goods and Services Tax (SGST), Sales tax/VAT, Taxes and duties on electricity, stamp duty and registration fee, taxes on vehicles and taxes on goods and passengers, land revenue, *etc.*

The growth of State's own tax revenue during the last five years (2016-21) is shown in **Chart 2.7**.

Chart 2.7: Growth of Own Tax Revenue during 2016-21



The components of State's own tax revenue during 2016-21 are shown in **Table 2.4**.

Table 2.4: Components of State's own tax revenue during 2016-21

(₹ in crore)

Revenue Head	2016-17	2017-18	2018-19	2019-20	2020-21	
					Budget Estimates	Actuals
SGST	Nil	21,250.85	34,888.71	34,106.67	55,560.00	29,458.54
Sales tax/VAT	46,313.78	29,638.88	22,414.25	21,071.72	23,230.00	18,800.34
Taxes and duties on electricity	5,833.10	6,484.29	7,347.79	8,774.35	8,700.00	8,318.87
Stamp duty and registration fees	5,782.93	7,254.75	7,780.77	7,701.17	8,700.00	7,390.18
Taxes on vehicles and taxes on goods and passengers	3,279.35	4,016.72	4,235.33	3,895.29	4,683.00	3,085.35
Land revenue	1,998.52	1,859.04	2,407.51	2,358.74	3,000.00	2,133.55
State excise	151.53	84.75	130.59	138.26	144.00	133.65
Entertainment tax and luxury tax	223.57	85.41	3.32	3.69	4.03	4.47
Other taxes	859.93	874.72	894.47	957.61	1,072.37	941.23
Own Tax Revenue	64442.71	71,549.41	80,102.74	79,007.50	1,05,093.40	70,266.18
Tax revenue as a percentage of GSDP	5.52	5.38	5.33	4.79	5.58	4.24
Tax revenue as a percentage of revenue receipts	58.67	58.03	58.90	55.31	64.69	54.83

Source: Finance Accounts of the State Government of respective years and Budget Publication No.1 of the Government of Gujarat for the 2020-21

State's own tax revenue increased by ₹ 5,823.47 crore from ₹ 64,442.71 crore in 2016-17 to ₹ 70,266.18 crore in 2020-21 at CAGR of 2.19 *per cent*. During 2020-21, State's own tax revenue decreased by ₹ 8,741.32 crore (11.06 *per cent*) over the previous year. During the current year, major contributors to tax revenue were SGST (41.92 *per cent*), sales tax/VAT (26.76 *per cent*), taxes and duties on electricity (11.84 *per cent*) and stamp duty and registration fees (10.52 *per cent*).

State Goods and Services Tax (SGST)

The Gujarat Goods and Services Tax Act, 2017 was passed by the State Legislature in May 2017 and came into effect from 01 July 2017.

GST is levied on *intra-State* supply of goods or services (except alcohol for human consumption and five specified petroleum products²) and its components are shared by the Centre (CGST) and the State (SGST). Further, the Centre levies the Integrated GST (IGST) on *inter-State* supply of goods and services and apportions the State's share of tax to the State where the goods or services are consumed.

The GoI enacted the Goods and Services Tax (Compensation to States) Act, 2017 to compensate the States for the shortfall in revenue arising on account of implementation of GST, considering an annual growth of 14 *per cent* from the base year (2015-16), for a period of five years.

For the State of Gujarat, the audited base year (2015-16) revenue to be subsumed³ by the GST regime was fixed by GoI at ₹ 28,856.39 crore. Thus, the protected revenue⁴ for Gujarat for the year 2020-21 worked out to ₹ 55,560.51 crore.

Trends in SGST collection during the four-year period 2017-21 are given in **Table 2.5**.

Table 2.5: SGST receipts of Government of Gujarat

State Goods and Services Tax (SGST)	(₹ in crore)				
	2017-18 ⁵	2018-19	2019-20	2020-21	Increase/decrease in 2020-21 over 2019-20 (in <i>per cent</i>)
Tax	14,882.77	23,160.01	25,169.82	24,403.73	(-)3.04
Apportionment of Taxes from IGST	615.60	806.74	962.08	1,391.97	44.68
Others	5,752.48	10,921.96	7,974.77	3,662.84	(-)54.07
SGST collection	21,250.85	34,888.71	34,106.67	29,458.54	(-)13.63

Source: Finance Accounts of the State Government of respective years.

² Crude, high-speed diesel, petrol, aviation turbine fuel and natural gas

³ Taxes that have been subsumed under GST are; Value Added Tax, Central Sales Tax, Entertainment Tax, Luxury Tax, Entry tax, Cesses & Surcharges, Duties on Excise on medicinal and toilet preparations excluding VAT and CST on alcohol for human consumption and five specified petroleum products.

⁴ Base year revenue of ₹ 28,856.39 crore escalated at compound rate of 14 *per cent* annually for five years (2016-17, 2017-18, 2018-19, 2019-20 and 2020-21) worked out to ₹ 55,560.51 crore for 2020-21.

⁵ For the period with effect from 01 July 2017 to 31 March 2018.

Against the protected revenue of ₹ 55,560.51 crore, the State Government earned a revenue⁶ of ₹ 28,627.03 crore during 2020-21 and therefore, was entitled to a compensation of ₹ 26,933.48 crore.

However, the State Government received grants-in-aid of ₹ 11,334.51 crore from GoI towards compensation till March 2021, which included ₹ 5,822.48 crore relating to the previous year. Therefore, the deficit⁷ in compensation stood at ₹ 21,421.45 crore. Of the deficit of ₹ 21,421.45 crore, State Government received ₹ 1,788.26 crore (till August 2021) from GoI, leaving a net deficit of ₹ 19,633.19 crore for 2020-21 (August 2021).

To bridge the GST revenue shortfall compensation, the GoI has implemented the scheme of “back-to-back loan to States in lieu of GST Compensation shortfall”. During 2020-21, ₹ 9,222 crore was received by Gujarat. The debt servicing of this loan is to be done from the collection of the cess in GST compensation Fund, and hence the repayment obligation will not be met from any other resources of the State⁸.

Analysis of Arrears of Revenue

The arrears of revenue indicate delayed realization of revenue due to the Government.

The arrears of revenue as on 31 March 2021 on VAT/sales tax; stamp duty and registration fees; and taxes and duties on electricity amounted to ₹ 60,712.61 crore of which, ₹ 23,079.77 crore was outstanding for more than five years, as detailed in the **Table 2.6**.

Table 2.6: Arrears of revenue

(₹ in crore)

Sr. No.	Head of Revenue	Total outstanding amount as on 31 March 2021	Amount outstanding for more than five years as on 31 March 2021	Remarks
1.	GST/VAT/ Sales tax	60,214.69	22,782.83	Recovery certificates issued: ₹ 2,277.55 crore; recoveries stayed by High Court and other judicial authorities: ₹ 9,968.23 crore; recoveries stayed by Government-Department Authority: ₹ 4,899.25 crore; Dealers being insolvent: ₹ 4,067.65 crore; amount likely to be written off: ₹ 273.81 crore; Reason of remaining

⁶ ₹ 29,458.54 crore (SGST) and (-) ₹ 831.51 crore (Net of subsumed VAT). Figure of net subsumed VAT is unaudited and has been provided by State Government, which is subject to audit certification.

⁷ ₹ 26,933.48 crore – (₹ 11,334.51 crore – ₹ 5822.48 crore)

⁸ As per Department of Expenditure, GoI, the borrowings under the special window will not be treated as debt of the State for any norms which may be prescribed by the Finance Commission, etc. Hence the back to back loans in lieu of shortfall of GST compensation of ₹ 9,222 crore has not been considered as public debt here.

Sr. No.	Head of Revenue	Total outstanding amount as on 31 March 2021	Amount outstanding for more than five years as on 31 March 2021	Remarks
				outstanding arrears of ₹ 38,728.20 crore was not furnished.
2.	Taxes and duties on electricity	161.45	155.17	Recovery certificates issued: ₹ 45.47 crore; and stayed by Court: ₹ 115.98 crore;
3.	Stamp duty and registration fees	336.47	141.77	Recovery certificates issued: ₹ 28.86 crore; and stayed by Court: ₹ 24.30 crore; Recovery held up due to Rectification/review of application ₹ 0.16 crore; Reason of remaining outstanding arrears of ₹ 283.15 crore was not furnished.
	Total	60,712.61	23,079.77	

Source: Information furnished by the Departments

Arrears of revenue in respect of taxes on vehicles and taxes on goods and passengers; and oil and natural gas receipts (Director of Petroleum) have not been provided by the concerned Departments despite being requested by Audit in September 2021. Further, Director of Prohibition and Excise has furnished Nil Arrears of Revenue.

Analysis of Arrears of Assessments

The arrears of assessment indicate the potential revenue which is blocked due to delayed assessment. The details of cases pending at the beginning of the year, cases becoming due for assessment, cases disposed of during the year and number of cases pending for finalisation at the end of the year, as furnished by the State GST Department in respect of VAT/ sales tax and professional tax are as shown in **Table 2.7**. Collector of Electricity Duty and Director of Prohibition and Excise have furnished Nil cases pending for assessments.

Table 2.7: Arrears of assessments

(in numbers)

Head of Revenue	Opening balance	New cases due for assessment during 2020-21	Total assessments due	Cases disposed of during 2020-21	Balance at the end of the year as on 31 March 2021	Percentage of disposal (col.5 to 4)
1	2	3	4	5	6	7
GST/VAT/ Sales tax	3,63,708	4,458	3,68,166	3,55,187	12,979	96.47
Professional Tax	32,970	1,073	34,043	969	33,074	2.85

Source: Information furnished by the Departments

It can be seen from the above table that disposal of the GST/VAT/ Sales tax assessments during 2020-21 was 96.47 *per cent* while it was meagre 1.67 *per cent* in 2019-20. In case of Professional tax, the disposal of assessments was 2.85 *per cent* during 2020-21 while it was 0.98 *per cent* during 2019-20. The

Department needs to make efforts to dispose of the Professional Tax cases expeditiously.

Evasion of tax detected by the Departments

The cases of evasion of tax detected by the Departments, cases finalised and the demands for additional tax raised are important indicators of revenue collection efforts of the State Government.

The cases of evasion of tax detected by two Departments (Finance and Revenue), cases finalised and demands for additional tax raised, as reported by these Departments, are given in **Table 2.8**:

Table 2.8: Cases of tax evasion

Sr. no.	Head of Revenue	Number of cases pending as on 01 April 2020	Number of cases detected during 2020-21	Total	Number of cases in which assessment/ investigation was completed and additional demand with penalty <i>etc.</i> was raised		Number of cases pending for finalisation as on 31 March 2021
					Number of cases	Amount of demand (₹ in crore)	
1	GST/VAT/ Sales tax	354	216	570	292	511.79	278
2.	Stamp duty and registration fees	79,764	2,058	81,822	29,366	6,576.74	52,456
Total		80,118	2,274	82,392	29,658	7,088.53	52,734

Source: Information furnished by the Departments

As can be seen, 64 *per cent* of total cases were pending finalisation at the end of March 2021.

Other Departments *viz.*, Ports and Transport, Revenue (in respect of land revenue), Industries and Mines, *etc.* did not furnish the details regarding evasion of tax/ revenue, despite being requested by Audit in September 2021. Further, Collector of Electricity Duty and Director of Prohibition and Excise have reported Nil Cases pending for finalisation.

Pendency of Refund Cases

Promptness in disposal of refund cases is an important indicator of performance of the Departments.

The number of refund cases pending at the beginning of the year, claims received during the year, refunds allowed during the year and the cases pending at the close of the year, as reported by the Departments are given in **Table 2.9**:

Table 2.9: Refund cases

(₹ in crore)

Sr. No.	Particulars	GST		VAT/Sales tax		Stamp duty and registration fees	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding as on 01 April 2020	4,719	769.50	758	440.79	65	2.09
2.	Claims received during the year	39,638	5,976.54	27,402	2,346.62	1,365	11.98
3.	Refunds made during the year	40,185	4,770.04	24,488	2,414.77	1,335	13.58
4.	Refunds rejected during the year	-	1,393.38	-	-	-	-
5.	Balance outstanding as on 31 March 2021	4,172	582.62	3,672	372.64	95	0.49

Sources: Information furnished by the Departments

The Revenue Department (in respect of land revenue), Transport Department and Industries and Mines Department did not furnish the details of pendency of refund cases at the end of March 2021, despite being requested in September 2021. Further, Collector of Electricity Duty and Director of Prohibition and Excise have reported Nil pendency.

Non-Tax Revenue

Non-tax revenue consists of interest receipts, dividends and profits, mining receipts, departmental receipts *etc.*

The major sources of non-tax revenue and their trend analysis for the last five years (2016-21) are indicated in **Table 2.10**.

Table 2.10: Main components of State's non-tax revenue during 2016-21

(₹ in crore)

Revenue Head	2016-17	2017-18	2018-19	2019-20	2020-21	
					Budget Estimates	Actuals
Interest receipts	2,580.10	1,081.44	1,611.71	2,331.15	1,596.00	847.64
Non-ferrous mining and metallurgical industries	3,746.50	8,988.62	4,863.00	4,147.91	4,328.00	2,906.79
Major and medium irrigation projects	1,086.10	1,211.52	1,326.95	1,365.02	1,594.83	1,644.26
Ports and light houses	933.49	967.59	1,153.35	1,361.26	1,600.00	1,263.75
Medical and public health	981.98	173.81	271.59	1,473.06	391.00	342.46
Police	248.88	318.01	312.19	467.53	524.30	484.43
Dividends & profits	110.10	96.29	120.03	89.00	141.49	131.04
Others ⁹	3,658.51	2,236.69	3,758.17	6,869.22	4,424.38	2,872.29
Non-tax revenue	13,345.66	15,073.97	13,416.99	18,104.15	14,600.00	10,492.66
Non-tax revenue as a percentage of GSDP	1.14	1.13	0.89	1.10	0.77	0.63
Non-tax revenue as a percentage of RR	12.15	12.23	9.87	12.67	8.99	8.19

Source: Finance Accounts of the State Government for the respective years and Budget Publication No.1 of the Government of Gujarat for the 2020-21.

⁹ 'Others' includes revenue from urban development; and education, sports, art and culture.

The non-tax revenue ranged between 8.19 *per cent* and 12.67 *per cent* of revenue receipts of the State during the last five years and decreased significantly by ₹ 7,611.49 crore (42.04 *per cent*) during 2020-21 over the previous year. The decrease in non-tax revenue in 2020-21 over previous year was mainly due to decrease in interest receipts by ₹ 1,483.51 crore; non-ferrous mining and metallurgical industries by ₹ 1,241.12 crore; medical and public health by ₹ 1,130.60 crore and Others (urban development by ₹ 986.13 crore and education, sports, art and culture by ₹ 848.04 crore). The interest receipts were real accruals and not book adjustments.

2.3.2.3 Transfers from Centre

The two main components of transfers from the GoI are Central tax transfers (*i.e.*, State's share in Union taxes and duties) and Grants-in-aid. A trend analysis of transfers from the Centre during the last 10 years (2011-21) is shown in **Table 2.11**.

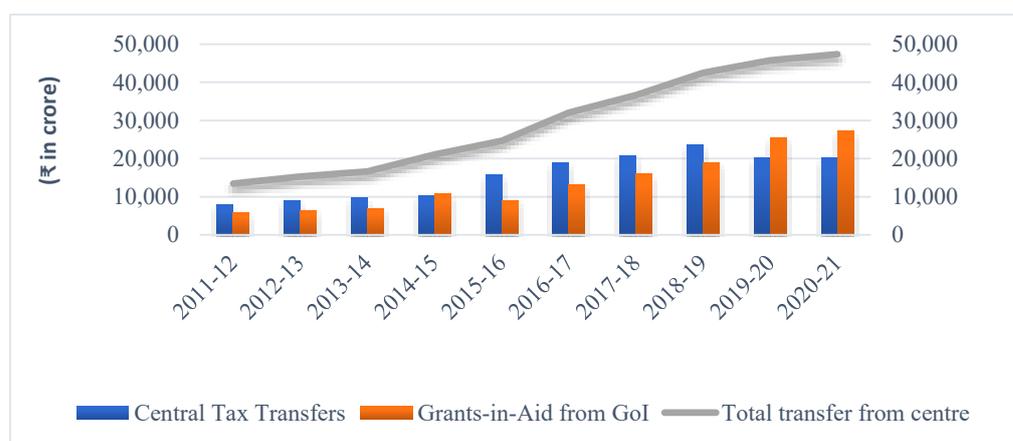
Table 2.11: Transfers from Centre

Particulars	(₹ in crore)									
	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Central Tax Transfers	7,780.31	8,869.04	9,701.93	10,296.35	15,690.43	18,835.39	20,782.29	23,489.33	20,232.09	20,218.53
Grants-in-Aid	5,649.86	6,445.80	6,883.13	10,799.01	8,949.22	13,218.05	15,885.60	18,992.48	25,500.02	27,178.29
Total	13,430.17	15,314.84	16,585.06	21,095.36	24,639.65	32,053.44	36,667.89	42,481.81	45,732.11	47,396.82
Percentage increase over previous year	20.88	14.03	8.29	27.19	16.80	30.09	14.40	15.86	7.65	3.64
Total transfers from Centre as percentage of revenue receipts	21.33	20.36	20.74	22.94	25.28	29.18	29.74	31.24	32.02	36.98

Source: Finance Accounts of the State Government of respective years.

The transfers from Centre increased by 252.91 *per cent* from ₹ 13,430.17 crore in 2011-12 to ₹ 47,396.82 crore in 2020-21. The percentage increase over the previous year was least at 3.64 *per cent* in 2020-21 and maximum at 30.09 *per cent* in 2016-17 during the ten-year period.

Chart 2.8: Trends in transfers from Centre



Central tax transfers

As per the Fifteenth Finance Commission (15th FC) for the year 2020-21, the States' share of Central taxes was 41 *per cent* of Tax revenue of Union Government and Gujarat's share in the net proceeds of Central Tax was fixed at 3.398 *per cent* for the period 2020-21.

Earlier, the Fourteenth Finance Commission (14th FC) had recommended that the States' share of Central taxes is to be increased to 42 *per cent* from 32 *per cent* recommended by the Thirteenth Finance Commission (13th FC). Gujarat's share in the net proceeds of Central tax and Service tax was fixed at 3.084 *per cent* and 3.172 *per cent* respectively by the 14th FC for the award period 2015-20. Actual devolution *vis-à-vis* Finance Commissions' projections for the period 2010-21 is shown in **Table 2.12**.

Table 2.12: State's share in Union taxes and duties: Actual devolution *vis-à-vis* Finance Commission projections

(₹ in crore)

Year	Finance Commission projections	Projections in Finance Commission Report	Actual tax devolution	Difference
2010-11	Other than Service tax- 3.041 <i>per cent</i> & Service tax- 3.089 <i>per cent</i> (13 th FC)	9,541	6,679	2,862
2011-12		11,190	7,780	3,410
2012-13		13,199	8,869	4,330
2013-14		15,569	9,702	5,867
2014-15		18,365	10,296	8,069
2015-16	Other than Service tax- 3.084 <i>per cent</i> & Service tax- 3.172 <i>per cent</i> (14 th FC)	17,865	15,691	2,174
2016-17		20,614	18,835	1,779
2017-18		23,818	20,782	3,036
2018-19		27,553	23,489	4,064
2019-20		31,912	20,232	11,680
2020-21	3.398 <i>per cent</i> (15 th FC for 2020-21)	29,059	20,219	8,840

Source: Respective Finance Commission Reports and Finance Accounts of the State Government for the respective years.

The main components of Central tax transfers during 2016-21 are shown in **Table 2.13**.

Table 2.13: Components of Central tax transfers

(₹ in crore)

Particulars	2016-17	2017-18	2018-19	2019-20	2020-21	Percentage change over previous year
Direct Taxes						
Corporation Tax	6,027.35	6,361.23	8,167.69	6,898.37	6,083.86	(-)/11.81
Taxes on income other than Corporation Tax	4,189.02	5,371.41	6,015.16	5,405.35	6,235.13	15.35
Taxes on Wealth	13.80	0	2.99	0.30	0.00	(-)/100.00
Sub-total	10,230.17	11,732.64	14,185.84	12,304.02	12,318.99	0.12

Particulars	2016-17	2017-18	2018-19	2019-20	2020-21	Percentage change over previous year
Indirect Taxes						
Central Goods and Services Tax	GST was implemented with effect from 01 July 2017	291.72	5,796.85	5,741.16	6,030.60	5.04
Integrated Goods and Services Tax		2,097.04 ¹⁰	462.60	0	0	-
Customs	2,592.73	2,096.40	1,664.83	1,282.45	1,088.95	(-)15.09
Union Excise	2,960.67	2,191.29	1,106.37	891.64	681.76	(-)23.54
Service Tax	3,051.76	2,373.20	218.18	0	84.49	-
Others	0.06	0	54.66	12.82	13.74	7.18
Sub-total	8,605.22	9,049.65	9,303.49	7,928.07	7,899.54	(-)0.36
Total	18,835.39	20,782.29	23,489.33	20,232.09	20,218.53	(-)0.07
Percentage increase over the previous year	20.04	10.34	13.03	(-)13.87	(-)0.07	
Central tax transfers as percentage of revenue receipts	17.15	16.86	17.27	14.16	15.78	

Source: Finance Accounts of the State Government of respective years.

The Central tax transfers at ₹ 20,218.53 crore in 2020-21 registered a decrease of 0.07 *per cent* over the previous year. Direct taxes increased by 0.12 *per cent* and Indirect taxes decreased by 0.36 *per cent* over the previous year.

Grants-in-Aid from GoI

The components of grants-in-aid received from GoI during 2016-21 are shown in Table 2.14.

Table 2.14: Grants-in-Aid from GoI

Particulars ¹¹	(₹ in crore)				
	2016-17	2017-18	2018-19	2019-20	2020-21
Non-Plan Grants	3,192.93	0.00	0.00	0.00	0.00
Grants for State/Union Territory Plan Schemes	8,505.95	0.00	0.00	0.00	0.00
Grants for Central Plan Schemes	53.41	0.00	0.00	0.00	0.00
Grants for Centrally Sponsored plan schemes	1,465.76	0.00	0.00	0.00	0.00
Centrally Sponsored Schemes	0.00	8,942.08	8,784.58	8,724.64	8,166.58
Finance Commission grants	0.00	3,166.85	3,313.36	5,040.24	5,672.50
Other grants (including GST compensation)	0.00	3,776.67	6,894.54	11,735.14	13,339.21
Total	13,218.05	15,885.60	18,992.48	25,500.02	27,178.29
Percentage increase over previous year	47.70	20.18	19.56	34.26	6.58
Total grants-in-aid as percentage of revenue receipts	12.03	12.88	13.96	17.85	21.21

Source: Finance Accounts of the State Government of respective years.

¹⁰ This includes advance apportionment of unsettled IGST on ad hoc basis (₹ 1,062 crore).

¹¹ The Controller General of Accounts revised the classification of grants-in-aid with effect from financial year 2017-18.

The grants-in-aid from GoI increased from ₹ 13,218 crore in 2016-17 to ₹ 27,178 crore in 2020-21. The nomenclature of plan and non-plan grants was removed with effect from the year 2017-18 and replaced by grants for Centrally Sponsored Schemes, Finance Commission grants and Other grants to States.

The grants-in-aid from GoI in 2020-21 increased by ₹ 1,678.27 crore (6.58 per cent) over the previous year. The increase was mainly due to increase in grants for rural local bodies by ₹ 863.67 crore, GST compensation by ₹ 687.99 crore and grants for State Disaster Response Fund by ₹ 437.20 crore.

Grants awarded by the Fifteenth Finance Commission

The 15th FC recommended transfers of funds to the States in respect of three types of grants-in-aid viz., empowering local bodies, disaster risk management and post-devolution revenue deficit and special grants.

During 2020-21, Government of Gujarat received two types of grants from GoI i.e., grants for empowering local bodies and disaster risk management totalling ₹ 5,673 crore, against awarded amount of ₹ 6,057 crore. Being a revenue surplus State, the State Government was not eligible for post-devolution revenue deficit grants.

The details of amounts awarded and received during 2020-21 are shown in **Table 2.15**.

Table 2.15: Details of amounts awarded and received as per recommendation of 15thFC

(₹ in crore)				
	Recommendation of 15 th FC	Actual release by GoI	Release by State Government	Pending Amount
	2020-21	2020-21	2020-21	2020-21
Grants to Rural Local Bodies	3,195.00	3,195.00	3,195.00	0.00
(a) General Basic (Untied) Grant	1,597.50	1,597.50	1,597.50	0.00
(b) Tied Grants	1,597.50	1,597.50	1,597.50	0.00
Grants to Urban Local Bodies	1,538.00	1,153.50	1,153.50	384.50
(a) Million plus cities- Air Quality Grant	405.00	405.00	405.00	0.00
(b) Million plus cities- Service Level Benchmark Grant	405.00	202.50	202.50	202.50
(c) Other than Million plus cities- Basic Grant	364.00	364.00	364.00	0.00
(d) Other than Million plus cities- Tied Grant	364.00	182.00	182.00	182.00
Total for Local Bodies	4,733.00	4,348.50	4,348.50	384.50
Disaster Risk Management	1,324.00	1,324.00	1,324.00	0.00
Grand Total	6,057.00	5,672.50	5,672.50	384.50

Source: Finance Department of Government of Gujarat

It may be seen from the table above that while the State Government received grants for Rural Local Bodies and Disaster Risk Management, it received only

50 per cent of the allocation for Service Level Benchmark Grant under ‘Million plus cities’ and Tied grants under ‘Other than million plus cities’. Finance Department stated (August 2021) that short receipt was due to non-submission of utilisation certificates by Urban Development and Urban Housing Department to Ministry of Finance, GoI. It is pertinent to mention that the State Government had not received Fourteenth Finance Commission grants amounting to ₹ 1,247 crore due to non-compliance of conditions associated with Performance grants under Rural and Urban Local bodies for the period 2015-20.

The concerned Departments need to comply with the conditions attached with these grants and make sure that there is no loss of revenue/grants on this account.

2.3.3 Capital Receipts

Capital receipts comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GoI. The net public debt receipts after discharging public debt plus other capital receipts are the net capital receipts.

The following table shows the trends in growth and composition of net capital receipts.

Table 2.16: Trends in growth and composition of net capital receipts

(₹ in crore)					
Sources of State's capital receipts	2016-17	2017-18	2018-19	2019-20	2020-21
Capital receipts	28,074	27,299	43,362	43,927	68,981
Public debt receipts	27,668	26,953	43,146	43,491	58,857
Public debt repayment	9,073	13,700	15,432	16,702	17,922
Net Public Debt Receipts	18,595	13,253	27,714	26,789	40,935
Miscellaneous capital receipts	240	0	65	106	9,968
Recovery of loans and advances	166	346	151	330	155
Non-debt capital receipts	406	346	216	436	10,124
Net capital receipts	19,001	13,599	27,930	27,225	51,059
Net internal debt	19,091	13,872	26,231	26,786	30,369
Growth rate of Net internal debt (<i>per cent</i>)	7.86	(-)27.34	89.09	2.12	13.38
Net loans and advances from GoI	(-)496	(-)619	1,483	3	10,566
Growth rate (<i>per cent</i>)	21.87	24.80	(-) 339.58	(-)99.80	- ¹²
Rate of growth of debt capital receipts (<i>per cent</i>)	7.54	(-)28.73	109.11	(-)3.34	52.81
Rate of growth of non-debt capital receipts (<i>per cent</i>)	224.80	(-)14.78	(-)37.57	101.85	- ¹²
Rate of growth of GSDP (<i>per cent</i>)	13.43	13.87	13.08	9.75	0.57
Rate of growth of net capital receipts (<i>per cent</i>)	9.09	(-)28.43	105.38	(-)2.52	87.54

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

¹² Due to abnormal increase (variation) in Miscellaneous capital receipts and Net loans and advances from GoI as compared to previous year, the growth rate in percentage terms has not been shown here.

The increase in Miscellaneous capital receipts during 2020-21 was due to disinvestment of ₹ 9,957.85 crore from Consolidated Sinking fund. Further, receipts on account of Loans and advances also increased during the year by ₹ 9,222 crore due to implementation of the scheme of “back-to-back loan to States in lieu of GST Compensation shortfall”¹³. Thus, the State Government financed its capital expenditure during the year through borrowings, disinvestment of Consolidated Sinking fund and special loans from GoI.

Public debt receipts create future repayment obligations. During the last five years (2016-21), 36.39 *per cent* of public debt receipts were used for repayment of public debts raised in earlier years while the remaining 63.61 *per cent* were used for creation of assets.

2.3.4 State’s performance in mobilization of resources

State’s performance in mobilization of resources is assessed in terms of its own resources comprising own-tax and non-tax revenue.

Table 2.17: Tax and non-tax receipts *vis-à-vis* projections

(₹ in crore)

	Budget estimates	15 th FC projections	Actual	Percentage variation of actual over	
				Budget estimates	15 th FC projections
Tax revenue	1,05,093	1,13,732	70,266	(-)33.14	(-) 38.22
Non-tax revenue	14,600	20,464	10,493	(-)28.13	(-) 48.72

As can be seen, the State Government fell short of achieving the targets for own tax revenue and non-tax revenue set in the budget estimates and 15th FC.

2.4 Application of Resources

The State Government is vested with the responsibility of incurring expenditure within the framework of fiscal responsibility legislations, while at the same time ensuring that the ongoing fiscal correction and consolidation process of the State is not at the cost of expenditure directed towards development of capital infrastructure and social sector. This paragraph along with sub-paragraphs gives the analysis of allocation of expenditure in the State.

2.4.1 Growth and composition of expenditure

The total expenditure, its composition and relative share in GSDP during the last five years (2016-21) is presented in **Table 2.18**.

¹³ As per Department of Expenditure, GoI, the borrowings under the special window will not be treated as debt of the State for any norms which may be prescribed by the Finance Commission, etc. Hence the back to back loans in lieu of shortfall of GST compensation of ₹ 9,222 crore has not been considered as public debt here.

Table 2.18: Total expenditure and its composition

(₹ in crore)					
Parameters	2016-17	2017-18	2018-19	2019-20	2020-21
Total expenditure (TE)	1,26,728	1,45,004	1,62,583	1,67,861	1,78,718
Revenue expenditure (RE)	1,03,895	1,18,060	1,32,790	1,40,899	1,50,704
Capital expenditure (CE)	22,355	26,313	28,062	25,650	26,781
Loans and advances	478	631	1,731	1,312	1,233
As a percentage of GSDP					
TE/GSDP	10.86	10.91	10.82	10.18	10.77
RE/GSDP	8.90	8.88	8.84	8.54	9.09
CE/GSDP	1.92	1.98	1.86	1.56	1.61
Loans and advances/GSDP	0.04	0.05	0.12	0.08	0.07

Source: Finance Accounts of the State Government of respective years.

The above table shows that total expenditure of the State increased by 41.02 *per cent* from ₹ 1,26,728 crore in 2016-17 to ₹ 1,78,718 crore in 2020-21. During the year, it increased by 6.47 *per cent* over the previous year. As percentage of GSDP, total expenditure remained the lowest at 10.18 *per cent* in 2019-20 during the five-year period (2016-21).

Charts 2.9 and 2.10 present the trends in revenue expenditure and capital expenditure respectively over a period of five years (2016-21) whereas Chart 2.11 depicts the trend in the share of the components of total expenditure.

Chart 2.9: Trend of revenue expenditure during 2016--21

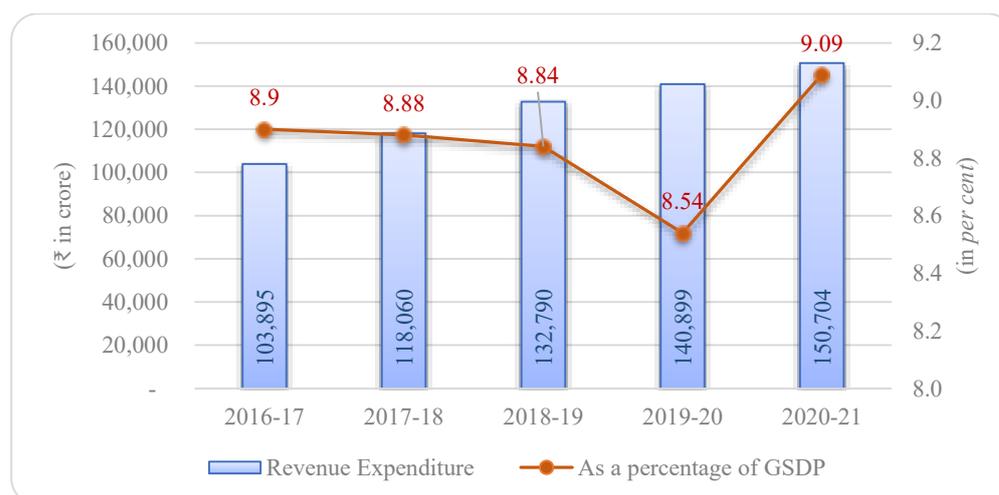
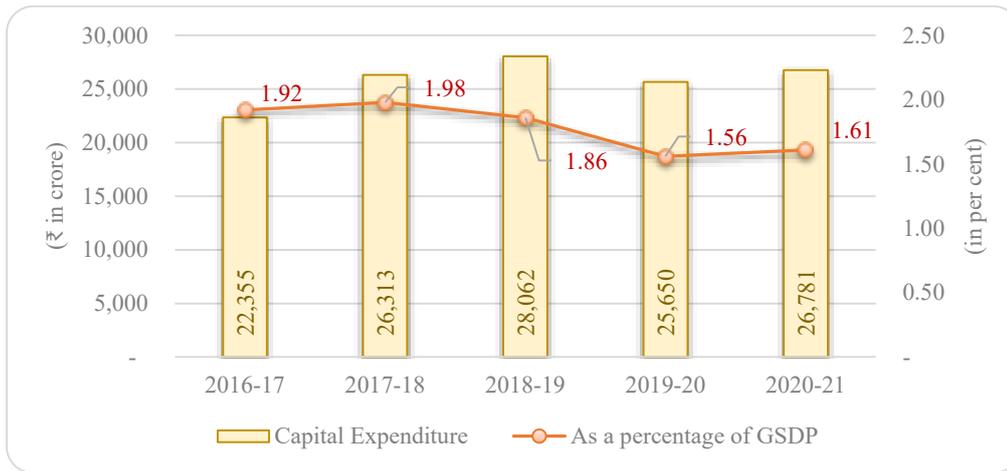
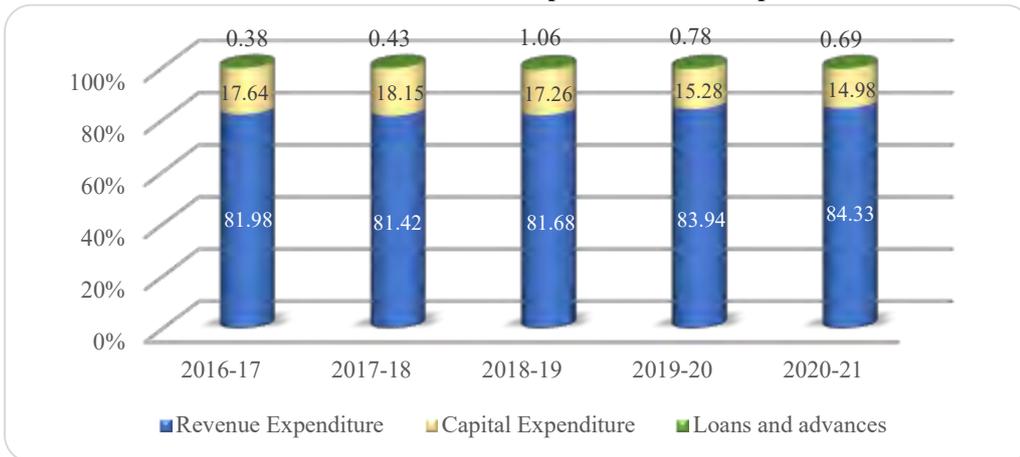


Chart 2.10: Trend of capital expenditure during 2016-21**Chart 2.11: Trend in share of components of total expenditure**

The above charts indicate that revenue expenditure was a major component of total expenditure during 2016-21 and stood at 84.33 *per cent* in 2020-21. Revenue expenditure as percentage of GSDP increased from 8.90 *per cent* in 2016-17 to 9.08 *per cent* in 2020-21.

Trends in total expenditure in terms of activities namely, general services, social services, economic services, grants-in-aid and loans and advances during 2016-21 are as shown in **Table 2.19**.

Table 2.19: Trends in total expenditure in terms of activities

Activities	(Share in <i>per cent</i>)				
	2016-17	2017-18	2018-19	2019-20	2020-21
General services	28.74	29.15	29.79	29.71	29.41
Social services	40.35	38.51	37.51	38.94	37.97
Economic services	30.20	31.57	31.41	30.32	31.71
Loans and advances	0.38	0.44	1.06	0.78	0.69
Grants-in-aid and contributions to local bodies & PRIs	0.33	0.33	0.23	0.25	0.22

Source: Finance Accounts of the State Government of respective years.

Chart 2.12 presents the trend of total expenditure in terms of activities during last five years (2016-21) and **Chart 2.13** presents the total expenditure in terms of activities during the current year (2020-21).

Chart 2.12: Trend of total expenditure in terms of activities during 2016-21

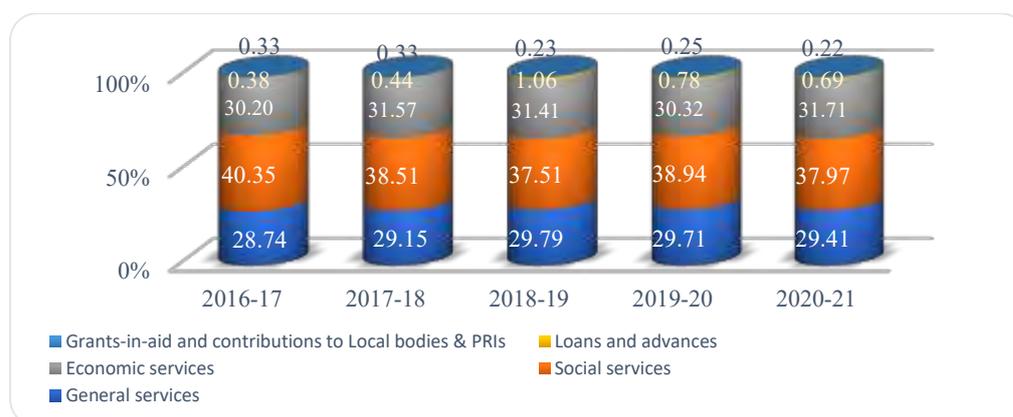
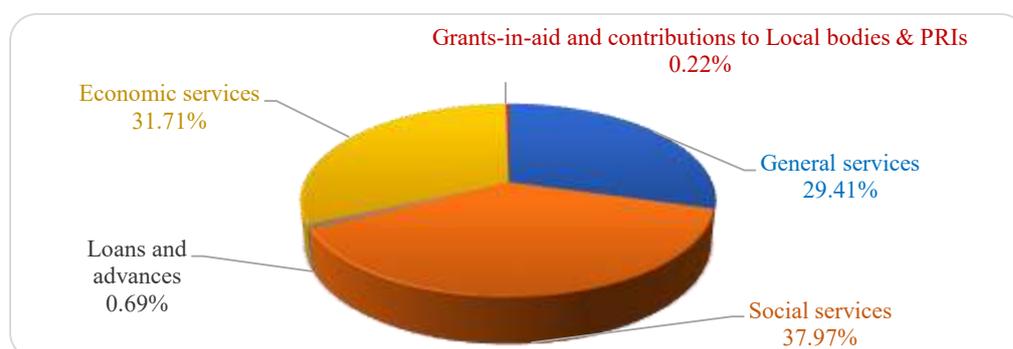


Chart 2.13: Total expenditure in terms of activities during 2020-21



The movement of the relative share of general, social and economic services exhibited stability during 2016-21, with marginal inter-year variations. As compared to 2016-17, the share of social services decreased by 2.38 *per cent* and the share of economic services increased by 1.51 *per cent* during 2020-21.

2.4.2 Revenue Expenditure

Revenue expenditure is incurred to maintain the current level of services and payments for past obligations. As such, it does not result in any addition to State's infrastructure and service network.

The overall revenue expenditure, its rate of growth, its ratio to total expenditure and buoyancy *vis-à-vis* GSDP and revenue receipts during 2016-21 are as indicated in **Table 2.20**.

Table 2.20: Trends of revenue expenditure

	2016-17	2017-18	2018-19	2019-20	2020-21
Total expenditure (TE) (₹ in crore)	1,26,728	1,45,004	1,62,583	1,67,861	1,78,718
Revenue expenditure (RE) (₹ in crore)	1,03,895	1,18,060	1,32,790	1,40,899	1,50,704
Growth of RE over previous year (<i>per cent</i>)	8.47	13.63	12.48	6.11	6.96

	2016-17	2017-18	2018-19	2019-20	2020-21
RE/TE (<i>per cent</i>)	81.98	81.42	81.68	83.94	84.33
RE/GSDP (<i>per cent</i>)	8.90	8.88	8.84	8.54	9.08
RE/RR (<i>per cent</i>)	94.59	95.76	97.64	98.64	117.59
Buoyancy of revenue expenditure with					
GSDP	0.63	0.98	0.95	0.63	12.21
Revenue receipts	0.67	1.11	1.21	1.21	-*

Source: Finance Accounts of State Government of respective years.

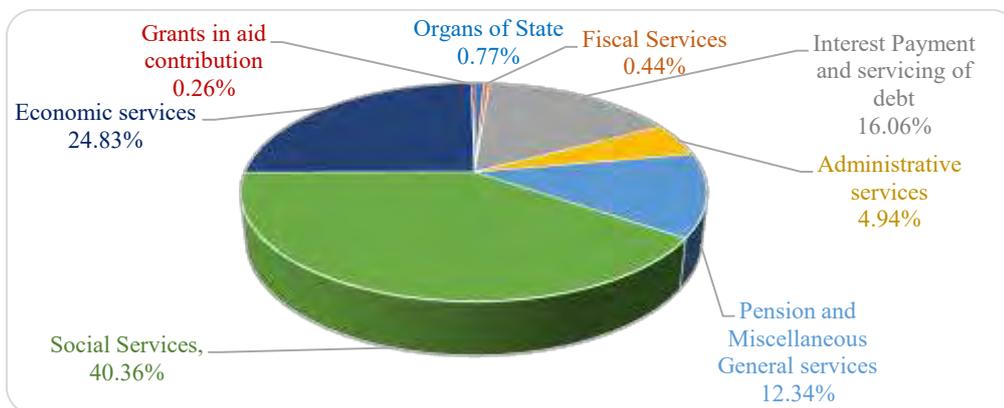
* Revenue receipts growth in 2020-21 being negative, buoyancy cannot be calculated

Revenue expenditure increased continuously from ₹ 1,03,895 crore in 2016-17 to ₹ 1,50,704 crore in 2020-21. The increase in revenue expenditure in 2020-21 over the previous year was mainly due to more expenditure on interest payments by ₹ 1,754 crore, village and small industries by ₹ 1,616 crore, other rural development programmes by ₹ 1,392 crore, general education ₹ 1,369 crore, medical and public health by ₹ 1,163 crore and social security and welfare by ₹ 1,098 crore.

The rate of growth of revenue expenditure varied from 6.11 *per cent* in 2019-20 to 13.63 *per cent* in 2017-18 during the previous five years. Revenue expenditure as percentage of GSDP continuously decreased over the period 2016-20 but it increased during 2020-21 and stood at 9.08 *per cent*. Revenue expenditure as percentage of revenue receipts was 117.59 *per cent* during 2020-21.

The sector-wise distribution of revenue expenditure during 2020-21 is shown in **Chart 2.14**.

Chart 2.14: Sector-wise distribution of revenue expenditure during 2020-21 (in *per cent*)



2.4.2.1 Major changes in revenue expenditure

Table 2.21 details the significant variations under various Heads of Account regarding revenue expenditure of the State during the current year and the previous year.

Table 2.21: Variations in revenue expenditure during 2020-21 compared to 2019-20

(₹ in crore)

Major Heads of Account	2019-20	2020-21	Variation	
			Amount	Per cent
2049- Interest Payment	22,448.66	24,203.19	1,754.53	7.82
2851- Village and Small Industries	1,335.56	2,951.27	1,615.71	120.98
2515- Other Rural Development Programmes	3,109.47	4,501.61	1,392.14	44.77
2202- General Education	23,330.82	24,699.39	1,368.57	5.87
2210- Medical and Public Health	6,697.38	7,860.11	1,162.73	17.36
2235-Social Security and Welfare	1,897.49	2,995.00	1,097.51	57.84
2071- Pensions and Other Retirement Benefits	17,662.59	18,569.75	907.16	5.14
3456- Civil Supplies	422.56	1,247.62	825.06	195.25
2801- Power	8,134.79	8,949.40	814.61	10.01
2408- Food, Storage and Warehousing	56.69	769.48	712.79	1,257.35
2236-Nutrition	3,078.59	3,652.72	574.13	18.65
2852- Industries	3,351.09	2,830.56	(-)520.53	-15.53
2225- Welfare of Schedule Castes, Schedule Tribes, Other Backward Classes and Minorities	3,998.08	3,418.52	(-)579.56	-14.50
2217- Urban Development	11,687.84	8,988.92	(-)2698.92	-23.09

Source: Finance Accounts of the State Government of respective years.

The table above indicates that revenue expenditure under village and small industries, civil supplies and food, storage and warehousing increased during the year, primarily due to the increase in expenditure on subsidies to small scale industries, assistance to civil supplies corporation and procurement and supply, respectively. Urban Development recorded a decrease in revenue expenditure during 2020-21 compared to the previous year due to decline in assistance to urban local bodies.

2.4.2.2 Committed expenditure

The committed expenditure of the State Government on revenue account mainly consists of interest payments; expenditure on salaries and wages; and pensions. It has first charge on Government resources. Higher committed expenditure leaves the Government with lesser flexibility for development sector.

Table 2.22 presents the trend of committed expenditure and its components during 2016-21.

Table 2.22: Trend of committed expenditure and its components

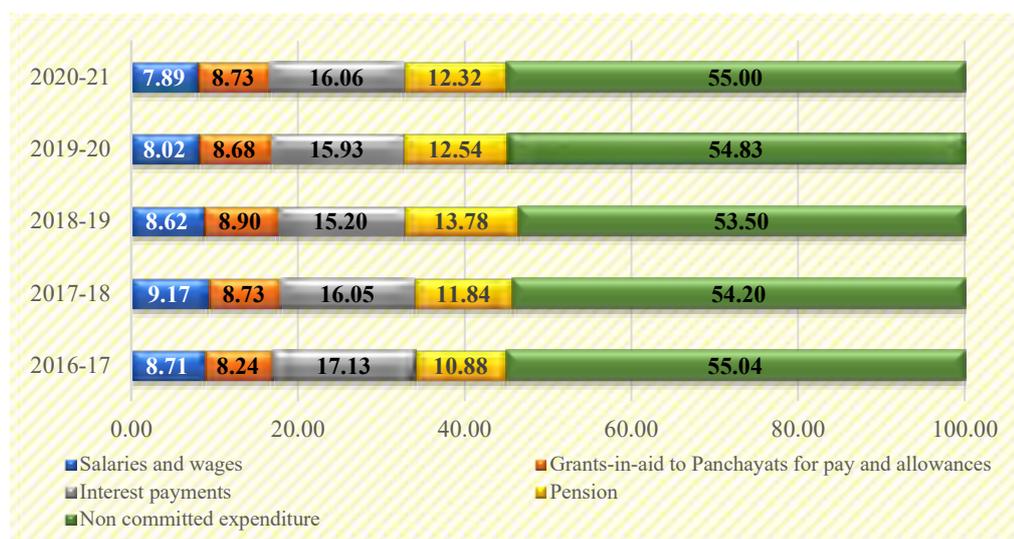
(₹ in crore)

Components of committed expenditure	2016-17	2017-18	2018-19	2019-20	2020-21
Salaries and wages	9,050	10,832	11,448	11,301	11,895
Grants-in-aid to Panchayats for pay and allowances	8,559	10,302	11,821	12,235	13,151
Interest payments	17,797	18,954	20,183	22,449	24,203
Pension	11,303	13,979	18,295	17,663	18,570
Total committed expenditure	46,709	54,067	61,747	63,648	67,819

Components of committed expenditure	2016-17	2017-18	2018-19	2019-20	2020-21
As a percentage of Revenue Receipts (RR)					
Revenue Receipts	1,09,842	1,23,291	1,36,002	1,42,844	1,28,156
Salaries and wages	8.24	8.79	8.42	7.91	9.28
Grants-in-aid to Panchayats for pay and allowances	7.79	8.36	8.69	8.57	10.26
Interest payments	16.21	15.37	14.84	15.72	18.89
Pension	10.29	11.34	13.45	12.37	14.49
Total	42.52	43.85	45.40	44.56	52.92
As a percentage of Revenue Expenditure (RE)					
Revenue Expenditure	1,03,895	1,18,060	1,32,790	1,40,899	1,50,704
Salaries and wages	8.71	9.17	8.62	8.02	7.89
Grants-in-aid to Panchayats for pay and allowances	8.24	8.73	8.90	8.68	8.73
Interest payments	17.13	16.05	15.20	15.93	16.06
Pension	10.88	11.84	13.78	12.54	12.32
Total	44.96	45.80	46.50	45.17	45.00

Source: Finance Accounts of the State Government of respective years.

Chart 2.15: Share of committed expenditure in total revenue expenditure (in per cent)



As percentage of revenue expenditure, committed expenditure remained around 45 to 47 per cent during 2016-21. After an initial increase from 44.96 per cent in 2016-17 to 46.50 per cent in 2018-19, it marginally decreased to 45.17 per cent in 2019-20 and further decreased to 45.00 per cent in 2020-21. As percentage of revenue receipts, committed expenditure increased from 42.52 per cent in 2016-17 to 52.92 per cent in 2020-21. The share of non-committed revenue expenditure in total revenue expenditure increased marginally by 0.17 per cent in 2020-21 over 2019-20.

The components of committed expenditure are discussed in the succeeding paragraphs.

Salaries and wages

Expenditure on salaries and wages increased by ₹ 2,845 crore (31 *per cent*) from ₹ 9,050 crore in 2016-17 to ₹ 11,895 crore in 2020-21 (against the projection of ₹ 13,612 crore made in MTFPS). It accounted for 9.28 *per cent* of revenue receipts and 7.89 *per cent* of revenue expenditure during 2020-21.

Grants-in-aid to Panchayats for pay and allowances

Grants-in-aid to Panchayats for pay and allowances increased by ₹ 4,592 crore (54 *per cent*) from ₹ 8,559 crore in 2016-17 to ₹ 13,151 crore in 2020-21. Grants-in-aid as a percentage of the revenue receipts, increased slightly from 7.79 *per cent* in 2016-17 to 10.26 *per cent* in 2020-21. It accounted for 8.73 *per cent* of revenue expenditure during 2020-21.

Interest payments

Interest payments increased from ₹ 17,797 crore in 2016-17 to ₹ 24,203 crore in 2020-21. Interest payments increased by 7.81 *per cent* in 2020-21 over the previous year due to increased interest liability of ₹ 2,167 crore on market loans. During 2020-21, interest payments on market loans stood at 71.99 *per cent* of the total interest payments while interest payments on special securities issued to National Small Savings Fund accounted for 14.24 *per cent* of the total interest payments. As a percentage of the revenue receipts, expenditure on interest payments increased from 15.72 *per cent* in 2019-20 to 18.89 *per cent* in 2020-21. Also, the share of interest payment in revenue expenditure increased from 15.93 *per cent* in 2019-20 to 16.06 *per cent* in 2020-21.

Pension payments

There were 4.84 lakh pensioners¹⁴ in Gujarat State (February 2020). Expenditure on pension continuously increased during 2016-21 except in 2019-20.

In its disclosures made under Gujarat Fiscal Responsibility Act, 2005, the State Government estimated (February 2020) the pension payments as percentage of revenue receipts at 11.55 *per cent*. However, it stood higher at 14.49 *per cent* in 2020-21.

Undischarged liabilities under National Pension System

The State Government introduced the ‘Defined Contribution Pension Scheme (National Pension System)’ with effect from 01 April 2005. As per the guidelines of the Scheme, the employee contributes 10 *per cent* of his basic pay and dearness allowance every month which is matched by the State Government and the entire amount is transferred to the designated fund manager through National Securities Depository Limited (NSDL)/Trustee Bank. The State Government signed (January 2009) agreements with the NPS trust for fund

¹⁴ As per Fiscal Policy Strategy Statement under Gujarat Fiscal Responsibility Act, 2005 for 2020-21 (February 2020), there were 4.84 lakh pensioners in the State. These are pensioners of Gujarat Government and aided institutions and do not include Social Security Pensioners.

management of the Scheme and adopted (May 2009) the Central framework for implementation of the Scheme.

The employees' contribution and the State share is credited to the Public Account¹⁵ and then transferred to the NSDL. During the year 2020-21, the State Government collected ₹ 990.76 crore from the employees as contribution towards NPS and contributed ₹ 976.61 crore as its share towards the Scheme. Further, against the total collected funds of ₹ 1,988.00 crore (including previous years' balance of ₹ 20.63 crore), the State Government transferred ₹ 1,941.03 crore to NSDL, leaving a balance of ₹ 46.97 crore. The entire balance of ₹ 46.97 crore was transferred to NSDL on 13 April 2021. During 2020-21, the Government also paid an interest of ₹ 1.30 crore to the fund manager for late/delayed transfer of funds.

2.4.2.3 Expenditure on subsidies

Revenue Expenditure on subsidies increased by 20.20 *per cent* from ₹ 18,420 crore in 2019-20 to ₹ 22,141 crore in 2020-21. The major beneficiary Departments of subsidy during 2020-21 were: Energy and Petrochemicals; Industries and Mines; Agriculture, Farmer's Welfare and Co-operation; and Social Justice and Empowerment.

Energy and Petrochemicals Department received a subsidy of ₹ 9,178 crore (41 *per cent* of total expenditure on subsidy) of which, a major portion of ₹ 4,430 crore was on account of fuel price and power purchase adjustment charges, ₹ 1,885 crore for compensation in agriculture tariff and ₹ 1,192 crore for horse power based tariff to agriculturists.

In Industries and Mines Department, of the total subsidy of ₹ 5,443 crore (25 *per cent* of total expenditure on subsidy), ₹ 2,365 crore was given as assistance to industries and ₹ 1,705 crore for development of textile industry.

Of ₹ 2,265 crore (10 *per cent* of total expenditure on subsidy) received as subsidy by Agriculture, Farmer's Welfare and Co-operation Department, ₹ 1,130 crore was given as financial assistance to farmers for subvention of interest.

The Gujarat State Road Transport Corporation was also given a subsidy of ₹ 404 crore to compensate for operations in uneconomic routes, student concessions *etc.*

Further, ₹ 36.38 crore of subsidy was wrongly booked as capital expenditure under Agriculture, Farmer's Welfare and Co-operation Department. Therefore, actual total subsidy worked out to ₹ 22,178 crore.

¹⁵ Major Head 8342-117 (Other Deposits- Defined Contribution Pension Scheme for Government Employees)

Table 2.23: Expenditure trend of subsidies

		(₹ in crore)				
Components of committed expenditure	2016-17	2017-18	2018-19	2019-20	2020-21	
Subsidies	11,082	13,621	17,269	18,420	22,141	
Total revenue receipts	1,09,842	1,23,291	1,36,002	1,42,844	1,28,156	
Subsidies as a percentage of revenue receipts	10.09	11.05	12.70	12.90	17.28	
Total revenue expenditure	1,03,895	1,18,060	1,32,790	1,40,899	1,50,704	
Subsidies as a percentage of revenue expenditure	10.67	11.54	13.00	13.07	14.69	

Source: Finance Accounts of the State Government of respective years.

2.4.2.4 Financial assistance by the State Government to local bodies and other institutions

Financial assistance is provided by the State Government to local bodies and other institution by way of grants-in-aid to meet expenses on pay and allowances, other miscellaneous expenses and creation of capital assets.

Table 2.24: Trend of financial assistance to local bodies

		(₹ in crore)				
Financial assistance to institutions	2016-17	2017-18	2018-19	2019-20	2020-21	
Panchayati raj institutions	16,124	19,686	19,645	22,034	24,323	
Urban local bodies	7,336	7,791	8,747	9,345	8,719	
Public sector undertakings	77	74	79	84	95	
Autonomous bodies	4,720	5,308	6,388	6,259	6,211	
Non-Governmental organisations	990	1,091	1,096	1,197	1,597	
Others	18,808	20,857	23,656	25,343	23,692	
Total	48,055	54,807	59,611	64,262	64,637	
Revenue expenditure	1,03,895	1,18,060	1,32,790	1,40,899	1,50,704	
Assistance as percentage of revenue expenditure	46.25	46.42	44.89	45.61	42.89	

Source: Finance Accounts of the State Government of respective years.

As can be seen from table above, financial assistance to local bodies and other institutions has continuously increased over the five-year period from ₹ 48,055 crore in 2016-17 to ₹ 64,637 crore in 2020-21.

The State Government received ₹ 3,195 crore and ₹ 1,153 crore as Finance Commission grants from Central Government for onward transmission to Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs), respectively. Out of this, the State Government released ₹ 3,178.87 crore to PRIs and ₹ 826.19 crore to ULBs. In addition, the PRIs also received ₹ 2,283.82 crore as other Central assistance. Further, during 2020-21, the State Government also provided financial assistance of ₹ 18,860.17 crore to PRIs and ₹ 7,892.91 crore to ULBs from State Fund expenditure by way of Grants-in-aid.

Further, grantee institutions under 'Others' category received substantial financial assistance from the State Government (about 39 *per cent*) during the last five years (2016-21). However, recording of grantee institutions *en masse* under 'Others' category together with absence of details of assets created with the concerned grant-releasing Departments of the State Government was a matter of concern, as it rendered such transactions opaque. In this regard, observations of Audit may kindly be referred to in paragraph 4.4.1 (Chapter 4).

2.4.3 Capital Expenditure

Capital expenditure is the money spent on the acquisition of assets like land, buildings, machinery, equipment, as well as investment in shares. The overall capital expenditure, its growth over previous year and its percentage to GSDP during the last five years (2016-21) are indicated in **Table 2.25**.

Table 2.25: Trend of capital expenditure during 2016-21

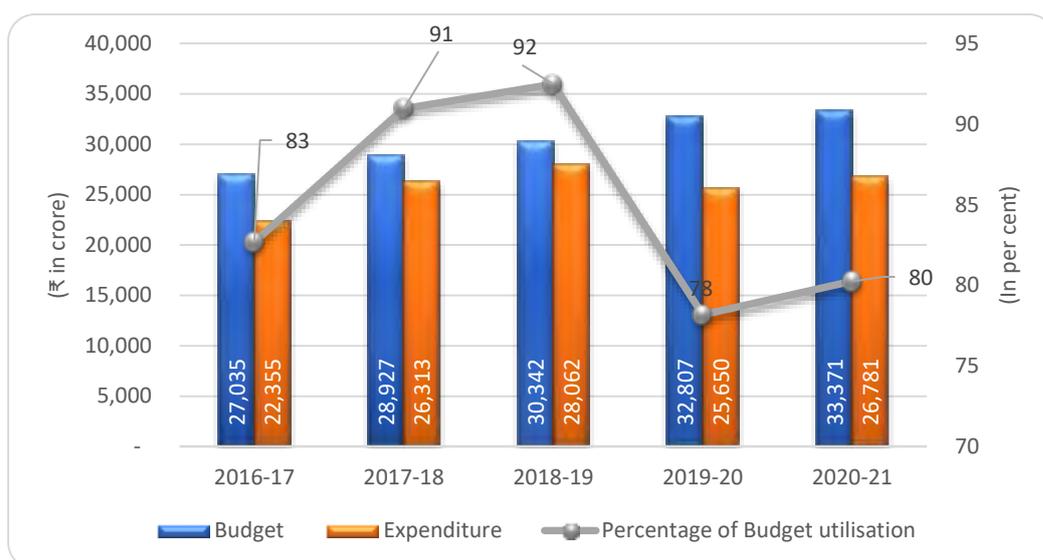
	2016-17	2017-18	2018-19	2019-20	2020-21
Total expenditure (TE) (₹ in crore)	1,26,728	1,45,004	1,62,583	1,67,861	1,78,718
Capital expenditure (CE) (₹ in crore)	22,355	26,313	28,062	25,650	26,781
Growth of CE over previous year (<i>per cent</i>)	(-7.51)	17.71	6.65	(-8.60)	4.41
CE/TE (<i>per cent</i>)	17.64	18.15	17.26	15.28	14.99
CE/GSDP (<i>per cent</i>)	1.92	1.98	1.87	1.56	1.61

Source: Finance Accounts of the State Government of respective years.

Capital expenditure increased from ₹ 22,355 crore in 2016-17 to ₹ 26,781 crore in 2020-21. Of the total capital expenditure of ₹ 26,781 crore incurred in 2020-21, ₹ 5,811 crore (22 *per cent*) was spent on irrigation projects (major, medium and minor) followed by ₹ 5,452 crore (20 *per cent*) on roads and bridges, ₹ 3,888 crore (15 *per cent*) on water supply and sanitation and ₹ 3,172 crore (12 *per cent*) on power projects.

Increase in capital expenditure by ₹ 1,131 crore during 2020-21 over the previous year was mainly on account of increase in expenditure on Roads and Bridges by ₹ 2,123 crore, Petrochemical Industries by ₹ 1,037 crore, water supply and sanitation by ₹ 651 crore, Urban development by ₹ 499 crore, which was offset by decrease in expenditure on Medium Irrigation by ₹ 1,441 crore, Major Irrigation by ₹ 1,310 crore, and Rural Development Programmes by ₹ 363 crore.

The State Government could not meet the budgetary allocation for capital expenditure in any year during the five-year period (2016-21). The trend of actual capital expenditure *vis-à-vis* budgetary allocation during 2016-21 are given in **Chart 2.16**.

Chart 2.16: Trend of capital expenditure vis-à-vis budgetary allocation during 2016-21

2.4.3.1 Major changes in capital expenditure

Table 2.26 highlights significant variations under various Heads of Account regarding capital expenditure of the State during 2019-20 and 2020-21.

Table 2.26: Capital expenditure during 2020-21 compared to 2019-20

Major Heads of Accounts	(₹ in crore)			
	2019-20	2020-21	Variation	Variation (percentage)
5054- Capital Outlay on Roads and Bridges	3,328.67	5,451.70	2,123.03	63.78
4856- Capital Outlay on Petrochemical Industries	50.00	1,087.50	1,037.50	2,075.00
4215- Capital Outlay on Water Supply and Sanitation	3,236.52	3,887.74	651.22	20.12
4217- Capital Outlay on Urban Development	213.89	712.61	498.72	233.17
4810- Capital Outlay on New and Renewable Energy	10.00	350.00	340.00	3,400.00
5452- Capital Outlay on Tourism	483.05	812.80	329.75	68.26
5055- Capital Outlay on Road Transport	259.92	469.00	209.08	80.44
4250- Capital Outlay on other Social Services	216.24	420.24	204.00	94.34
4216- Capital Outlay on Housing	569.37	468.49	(-)100.88	(-)17.72
4055- Capital Outlay on Police	370.85	228.49	(-)142.36	(-)38.39
4801-Capital Outlay on Power Projects	3,399.46	3,172.22	(-)227.24	(-)6.68
5053-Capital Outlay on Civil Aviation	378.44	53.28	(-)325.16	(-)85.92
4210- Capital Outlay on Medical and Public Health	1,057.38	721.39	(-)335.99	(-)31.78
4515- Capital Outlay on other Rural Development Programmes	1,297.89	934.75	(-)363.14	(-)27.98
4700- Capital Outlay on Major Irrigation	3,423.94	2,114.07	(-)1,309.87	(-)38.26
4701- Capital Outlay on Medium Irrigation	3,603.21	2,162.05	(-)1,441.16	(-)40.00

Source: Finance Accounts of the State Government of respective years.

Increase in capital expenditure was mainly due to increase of ₹ 2,123.03 crore under Capital Outlay on Roads and Bridges and increase of ₹ 1,037.50 under Capital Outlay on Petrochemical Industries.

2.4.3.2 Investment in State Public Sector Undertakings

The State Public Sector Undertakings (SPSUs) include State Government Companies and Statutory Corporations. There were 97 Government Companies and Statutory Corporations in the State as at the end of 31 March 2021. This included 64 Government Companies, 29 Government Controlled Other Companies and four Statutory Corporations.

The term Government Company is defined in Section 2(45) of the Companies Act, 2013 as a Company in which not less than fifty-one *per cent* of the paid-up share capital is held by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments and includes a Company which is a subsidiary of a Government Company.

Besides, any other Company owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments are referred to as Government Controlled Other Companies.

The quantum of investment (in terms of equity and long-term loans) made in 97 Government Companies and Corporations at the end of 31 March 2021 was as indicated in **Table 2.27**.

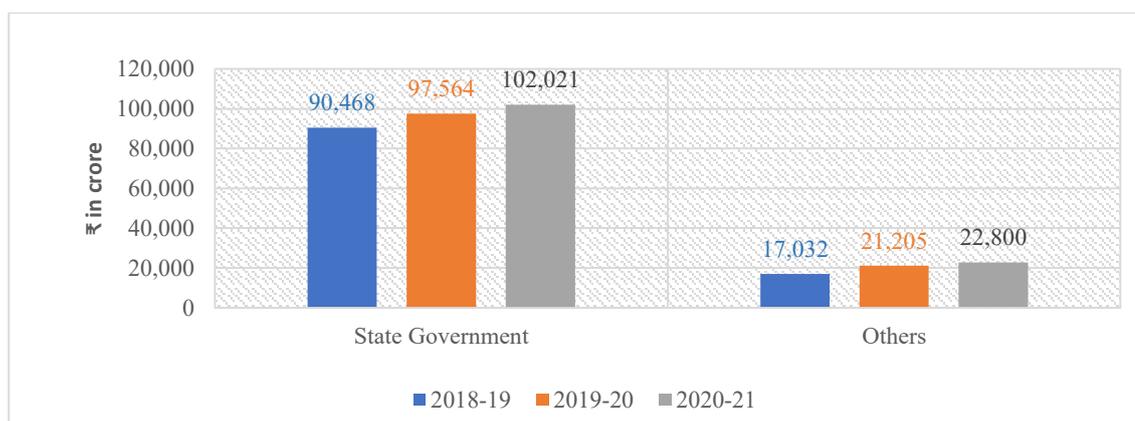
Table 2.27: Equity and loans in Government Companies and Corporations

Source of Investment	(₹ in crore)					
	As on 31 March 2020			As on 31 March 2021		
	Equity	Long-Term Loans	Total	Equity	Long-Term Loans	Total
State Government	97,563.66	8,170.96	1,05,734.62	1,02,020.85	8,371.55	1,10,392.40
Central Government	3,509.61	3,940.61	7,450.22	4,108.10	4,838.96	8,947.06
Financial Institutions and Others	17,695.60	31,808.25	49,503.85	18,692.34	26,798.64	45,490.98
Total Investment	1,18,768.87	43,919.82	1,62,688.69	1,24,821.29	40,009.15	1,64,830.44
Percentage of investment of State Government to Total Investment	82.15	18.60	64.99	81.73	20.92	66.97

Source: Compiled based on information received from SPSUs.

As could be seen, the total equity investment in 97 SPSUs registered a net increase of ₹ 6,052.42 crore in 2020-21. The net increase was largely due to additional equity investment by State Government of ₹ 4,431.53 crore in nine SPSUs during 2020-21.

Investment in equity by State Government and others in Government Companies and Corporations during last three years (2018-21) is depicted in **Chart 2.17**.

Chart 2.17: Investment in Equity in Government Companies and Corporations

Details of significant investments (investment of more than ₹ 200 crore) made by the State Government during 2020-21 in the paid-up capital of the SPSUs are given in **Table 2.28**.

Table 2.28: Significant investments made by the State Government

(₹ in crore)		
Name of SPSUs	Name of Department	Amount
Government Companies		
Gujarat Metro Rail Corporation Limited	Urban Development and Urban Housing	302.00
Gujarat Urja Vikas Nigam Limited	Energy and Petrochemicals	3,326.37
Dholera Industrial City Development Limited	Industries and Mines	579.12

Source: Compiled based on information received from SPSUs.

Out of 97 SPSUs, there were 51 SPSUs (including two Statutory Corporations¹⁶) which did not have any outstanding long-term loans.

The total long-term loans from all sources outstanding against 46 SPSUs as on 31 March 2021 was ₹ 40,009.15 crore. Compared to 31 March 2020, the long-term loans from all sources decreased by ₹ 3,910.67 crore as on 31 March 2021. Of the total loans of SPSUs (₹ 40,009.15 crore) as on 31 March 2021, loans from Central Government were ₹ 4,838.96 crore.

2.4.3.3 Budgetary support to State Public Sector Undertakings

The State Government provides financial support to SPSUs in various forms through annual budget. The summarized details of budgetary outgo towards equity, loans, grants/subsidies, guarantee issued and guarantee commitment outstanding in respect of active SPSUs for the last three years ending March 2021 are given in **Table 2.29**.

¹⁶ Gujarat State Warehousing Corporation and Gujarat Industrial Development Corporation

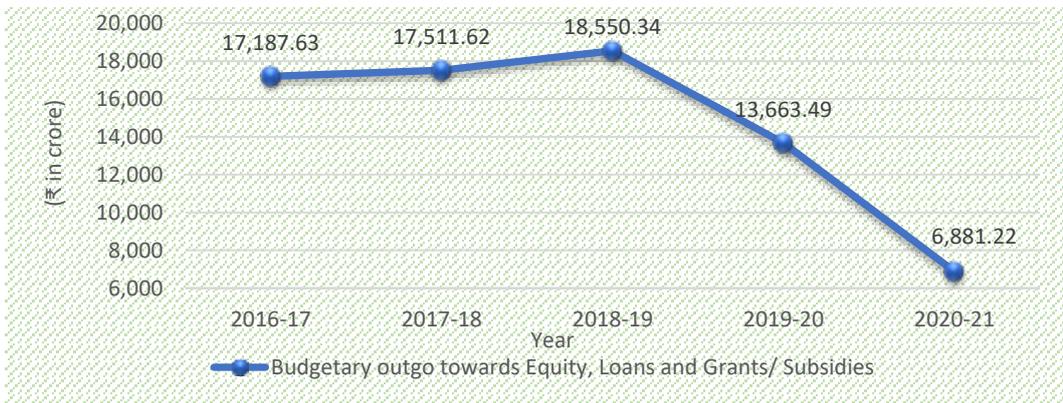
Table 2.29: Details of budgetary support to SPSUs during last three years

Sl. No.	Particulars	(₹ in crore)					
		2018-19		2019-20		2020-21	
		No. of SPSUs	Amount	No. of SPSUs	Amount	No. of SPSUs	Amount
1.	Equity Capital outgo from budget	12	6,826.14	10	7,275.23	9	4,431.53
2.	Loans given from budget	7	1,109.70	5	889.94	7	161.56
3.	Grants/Subsidy from budget	27	10,614.50	27	5,498.32	14	2,288.13
4.	Total Outgo (1+2+3)	-	18,550.34	-	13,663.49	-	6,881.22
5.	Guarantees issued during the year	2	57.32	-	-	-	-
6.	Guarantee Commitment outstanding at the end of the year	4	75.03	3	69.33	2	37.85

Source: Compiled based on information received from SPSUs.

The budgetary outgo towards equity, loans and grants/subsidies for past five years are shown in **Chart 2.18**.

Chart 2.18: Budgetary outgo towards Equity, Loans and Grants/Subsidies



It could be seen that the budgetary assistance to SPSUs decreased from ₹ 17,187.63 crore in 2016-17 to ₹ 6,881.22 crore in 2020-21. The budgetary assistance of ₹ 6,881.22 crore provided during 2020-21 included loans, grants/subsidy and equity of ₹ 161.56 crore, ₹ 2,288.13 crore and ₹ 4,431.53 crore respectively. Gujarat Urja Vikas Nigam Limited received the major share of equity funds (₹ 3,326.37 crore) from the budgetary outgo for acquisition of capital assets.

To enable the SPSUs to secure financial assistance from Banks and Financial Institutions, the State Government provides guarantee under the Gujarat State Guarantees Act, 1963. Such guarantees are given subject to the limits prescribed by the Constitution of India, for which guarantee fee is being charged. This fee varies from 0.25 to one *per cent per annum* as decided (31 December 1988) by the State Government. The guaranteed commitment decreased from ₹ 69.33 crore in 2019-20 to ₹ 37.85 crore in 2020-21.

2.4.3.4 Quality of Capital Expenditure

The chances of realizing return on investment become remote, if the State Government continues to make investments in loss-making Government Companies whose net worth are completely eroded. Similarly, experience has

shown the inevitability of writing-off the loans given to loss-making Corporations and other bodies such as sugar mills, financial corporations *etc.* Requisite steps need to be taken to maintain transparency in such financial operations.

This section presents an analysis of investments and other capital expenditure undertaken by the State Government during the current year.

Quality of investments in the companies, corporations and other bodies

Statement No. 19 of Annual Finance Accounts of the State Government contains the details of investments made by the State Government in statutory corporations, Government companies, rural banks, joint stock companies, co-operative institutions and local bodies. As of 31 March 2021, the State Government invested ₹ 1,07,518 crore in these companies/corporations/institutions (**Table 2.30**).

Table 2.30: Trend of returns on investments

Details of Investments/Returns	(₹ in crore)				
	2016-17	2017-18	2018-19	2019-20	2020-21
Statutory Corporations	2,656	3,249	3,488	3,752	4,221
Rural Banks	14	14	14	14	14
Government Companies	74,730	82,416	88,865	95,702	1,02,832
Municipalities Port Trusts	00	00	00	00	00
Co-operative institutions and Local Bodies	400	402	404	418	418
Other Joint Stock Companies and Partnerships	33	33	33	33	33
Investments at the end of the year	77,833	86,114	92,804	99,919	1,07,518
Returns/Dividend earned (₹ in crore)	110.10	96.30	120.03	88.99	131.04
Return on Investment (<i>per cent</i>)	0.14	0.11	0.13	0.09	0.12
Average rate of interest on Government borrowings (<i>per cent</i>)	7.67	7.59	7.44	7.47	7.19
Difference between average interest rate on Government borrowings and rate of return (<i>per cent</i>)	7.53	7.48	7.31	7.38	7.07

Source: Finance Accounts of the State Government of respective years.

Table 2.30 shows that the State Government's investments increased by ₹ 29,685 crore during 2016-21. During 2020-21, the State Government made an additional investment of ₹ 7,599 crore over the previous year which largely included ₹ 7,130 crore in Government Companies and ₹ 469 crore in Statutory Corporations. Of the ₹ 7,130 crore invested in Government Companies during 2020-21, ₹ 3,326 crore (47 *per cent*) was invested in Gujarat Urja Vikas Nigam Limited, ₹ 2,117 crore (30 *per cent*) in Sardar Sarovar Narmada Nigam Limited and ₹ 1,000 crore (14 *per cent*) in Gujarat State Petroleum Corporation Limited.

The **Table 2.30** also shows that the average return¹⁷ on investments in these companies/corporations/institutions was 0.12 *per cent* during 2020-21 while the Government paid an average interest of 7.19 *per cent* on its borrowings during the same period.

There were differences regarding investment figures as per records of SPSUs and those appearing in the Finance Accounts. The State Government was requested several times during 2020-21 to reconcile the differences, however, action regarding reconciliation is yet to be taken (November 2021).

Investments during the year in loss-making companies and companies whose net worth has completely eroded are given in **Table 2.31** and **Table 2.32**.

Table 2.31: Investments made in loss-making companies

(₹ in crore)

Sr. No.	Company/ Corporation	Loss during 2019-20 #	Accumulated Loss up to 2019-20 #	Investment made during the year 2020-21 *	Cumulative investment as on 31 March 2021 *
1.	Sardar Sarovar Narmada Nigam Limited (SSNNL)	977.45	6,105.45	2,117.10	65,556.28
2.	Gujarat State Petroleum Corporation LNG Limited	35.26	55.78	87.50	437.50

Source: # Information furnished by SPSUs and

* Information from Finance Accounts of the State Government for the year 2020-21

Table 2.32: Investments made in companies whose net worth has completely eroded

(₹ in crore)

Sr. No.	Company/ Corporation	Net worth as on 31 March of (Year) #	Investment made during the year 2020-21 *	Cumulative investment as on 31 March 2021 *
1.	Gujarat State Road Transport Corporation (GSRTC)	(-)447.35 (2018)	469.00	4,022.38
2.	Gujarat State Petroleum Corporation Limited	(-)288.42 (2021)	1,000.00	3,654.62
3.	Diamond Research and Mercantile City Company Limited	(-)281.35 (2020)	35.00	75.00

Source: # Information furnished by SPSUs and

* Information from Finance Accounts of the State Government for the year 2020-21

The additional investment of ₹ 7,598.86 crore made by the State Government during 2020-21 accounted for 28.37 *per cent* of the total capital expenditure (₹ 26,781 crore). This additional investment of ₹ 7,598.86 crore included an investment of ₹ 2,117.10 crore in SSNNL which had been booking losses since

¹⁷ It is dividend earned on investments made by the State Government in statutory corporations, Government companies, rural banks, joint stock companies, co-operative institutions and local bodies.

2015-16 and ₹ 469.00 crore in GSRTC which had been booking losses since 1973-74. The SSNNL had accumulated losses of ₹ 6,105.45 crore at the end of 2019-20 while GSRTC had accumulated losses of ₹ 3,657.09 crore at the end of 2017-18. The GSRTC, GSPC and Diamond Research and Mercantile City Company Limited reported negative net worth as per their last balance sheet.

The chance of earning Return on Investment in companies incurring losses and the in companies whose net-worth has completely eroded due to accumulated losses, are remote.

Profits earned by Government Companies/Corporations

Forty out of 68 Government Companies/Corporations reported profits of ₹ 3,845.82 crore in 2020-21 *vis-à-vis* ₹ 2,615.20 crore reported by 43 Companies/Corporations in 2019-20. Of the 40 Companies, two Companies¹⁸ reported profits in 2020-21, after incurring net losses in the previous year. Of the 29 Government Controlled Other Companies, 16 Companies reported profits of ₹ 2,709.03 crore in 2020-21. The overall profit earned by 56 SPSUs was ₹ 6,554.85 crore.

Losses incurred by Government Companies/Corporations

Eighteen out of 68 Government Companies/Corporations reported losses of ₹ 1,766.31 crore in 2020-21 *vis-à-vis* ₹ 2,354.63 crore reported by 13 Companies/Corporations in 2019-20. Of the 29 Government Controlled Other Companies, 11 Companies incurred losses of ₹ 152.38 crore during the year ended 31 March 2021. During 2019-20, ten Government Controlled Other Companies incurred losses of ₹ 211.49 crore.

Eight Government Companies/Corporations and two Government Controlled Other Companies did not report either profit or loss as per their latest finalized financial statements in 2020-21. First accounts of two Government Companies¹⁹ have not been received.

Rate of Real Return on Government Investment

In view of the significant investment by Government in the SPSUs, Rate of Real Return or RORR on such investment is essential from the perspective of State Government. Traditional calculation of Return on Investment (ROI) is based on historical cost of investment, which may not be a correct indicator of the adequacy of the return on the investment since such calculations ignore the present value (PV) of money. Therefore, in addition, RORR is calculated considering the PV of historical cost of investment. PV of the State Government investment was computed where funds had been infused by the State Government as equity, grants/subsidies and interest free loans since inception of these Companies till 31 March 2021.

¹⁸ Gujarat Minorities Finance and Development Corporation Limited and Gujarat Water Resources Development Corporation Limited

¹⁹ Gujarat Unreserved Educational & Economical Development Corporation and Gujarat State Handicapped (Divyang) Finance and Development Corporation

The RORR of State Government investment in the SPSUs was computed based on following assumptions:

- Interest free loans (IFL) have been considered as investment infusion by the State Government. However, in case of repayment of loans by SPSUs, the PV was calculated on the reduced balances of IFLs over the period
- The average rate of interest on State Government borrowings for the relevant financial year²⁰ was adopted as compound rate for arriving at PV since they represent the cost incurred by the Government towards investment of funds for the year.

Of the 97 SPSUs, the State Government has made direct investment in form of equity, long term loans, grants and subsidies in 65 SPSUs. **Table 2.33** shows the RORR calculation of State Government investment in these 65 SPSUs considering the PV of historical cost of investments, since their inception till 2020-21.

Table 2.33: Year-wise details of investments made by the State Government in SPSUs and their present value till 2020-21

(₹ in crore)

Financial year	Present Value of investment at beginning of year	Amount infused by State Government during the year				Investment at the end of the year	Avg. rate of interest on Government borrowings (in percent)	Present value of total investment at the end of the year	Minimum expected return to recover cost of funds for the year	Total Earnings (+)/ losses (-) for the year	RoRR in percentage
		Equity	Interest free loan/ (Net repayment)	Grants/ Subsidies for operation and administrative Expenditure	Total Investment						
1	2	3	4	5	6=3+4+5	7=2+6	8	9=7× [1+(8÷100)]	10= [7× (8÷100)]	11	12=11/100/10
Up to 2004-05	-	14,107.20	21.15	2,143.43	16,271.78	16,271.78	9.08	17,749.26	1,477.48	-	0.00
2005-06	17,749.26	3,124.54	0.05	2,432.36	5,556.95	23,306.21	8.06	25,184.69	1,878.48	405.37	1.61
2006-07	25,184.69	3,321.00	77.34 ²¹	2,966.28	6,364.62	31,549.31	8.19	34,133.20	2,583.89	238.87	0.70
2007-08	34,133.20	3,218.23	-0.43	3,402.59	6,620.39	40,753.59	8.12	44,062.78	3,309.19	783.6	1.78
2008-09	44,062.78	5,524.94	-11.04	4,955.36	10,469.26	54,532.04	7.80	58,785.54	4,253.50	736.39	1.25
2009-10	58,785.54	2,326.56	15.73	5,430.18	7,772.47	66,558.01	7.64	71,643.04	5,085.03	684.98	0.96
2010-11	71,643.04	2,922.52	497.84	5,349.56	8,769.92	80,412.96	7.56	86,492.18	6,079.22	1,089.45	1.26
2011-12	86,492.19	3,824.42	130.67	4,517.76	8,472.85	94,965.04	7.63	1,02,210.87	7,245.83	1,636.27	1.60
2012-13	1,02,210.87	7,076.43	-8.74	6,777.61	13,845.30	1,16,056.17	7.66	1,24,946.07	8,889.90	1,823.74	1.46
2013-14	1,24,946.08	6,709.97	27.11	7,142.97	13,880.05	1,38,826.13	7.62	1,49,404.68	10,578.55	1,187.35	0.79
2014-15	1,49,404.68	6,713.58	333.35	7,752.47	14,799.40	1,64,204.08	7.76	1,76,946.32	12,742.24	873.79	0.49
2015-16	1,76,946.32	7,675.04	323.82	7,547.66	15,546.52	1,92,492.84	7.69	2,07,295.54	14,802.70	(-)1,105.34	(-)0.53
2016-17	2,07,295.54	8,357.37	-84.3	8,635.57	16,908.64	2,24,204.18	7.67	2,41,400.64	17,196.46	(-)16,371.63	(-)6.78
2017-18	2,41,400.63	8,739.64	41.25	8,556.16	17,337.05	2,58,737.68	7.59	2,78,375.87	19,638.19	(-)1,443.64	(-)0.52
2018-19	2,78,375.88	6,826.14	926.03	10,614.50	18,366.67	2,96,742.55	7.44	3,18,820.20	22,077.65	(-)530.42	(-)0.17
2019-20	3,18,820.20	7,275.23	512.10	5,498.32	13,285.65	3,32,105.85	7.47	3,56,914.15	24,808.31	(-)741.29	(-)0.21
2020-21	3,56,914.15	4,431.53	103.21	2,288.13	6,822.87	3,63,737.03	7.19	3,89,889.71	26,152.69	2,117.19	0.54
	Total	1,02,174.34	2,905.14	96,010.91	2,01,090.39						

Source: Information provided by SPSUs and latest finalised FSs received upto 15 December 2021.

²⁰ The average rate of interest on Government borrowings was adopted from the Reports of the C&AG of India on State Finances for the relevant year.
Average rate for interest paid = Interest Payment ÷ [(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities) ÷ 2] × 100

²¹ This represents net interest free loan out of total investment of ₹ 227.34 crore, the remaining amount of ₹ 150 crore was converted to equity in 2006-07.

It can be observed from the above table that the SPSUs with investment of GoG suffered losses continuously during 2015-16 to 2019-20. However, during 2020-21, they earned profit, but it was significantly lower than the minimum expected rate of return of ₹ 26,152.69 crore in that year. The RoRR of the State Government improved from (-)0.53 to 0.54, which indicated improved performance of the SPSUs.

Return on Equity of SPSUs

Return on Equity or ROE²² is a measure of financial performance of Companies calculated by dividing net income by shareholders' equity. The consolidated ROE of 97 Government Companies and Corporations during last three years from 2018-19 to 2020-21 is given in **Table 2.34**.

Table 2.34: Return on Equity

Year	Net Profit after Tax (₹ in crore)	Shareholder fund (₹ in crore)	ROE (in percentage)
2018-19	975.39	1,13,291.01	0.86
2019-20	2,584.33	1,27,069.45	2.03
2020-21	4,636.16	1,46,121.06	3.17

Source: Information provided by SPSUs

As can be seen, ROE of 97 SPSUs increased from 0.86 *per cent* in 2018-19 to 3.17 *per cent* in 2020-21.

The ROE of 40 profit-making Companies was 5.62 *per cent* in 2020-21 as compared to 4.22 *per cent* in respect of 43 profit-making Companies in 2019-20. However, ROE of all the 68 Government Companies (including 18 loss-making and eight zero-profit/loss Companies) was 1.61 *per cent* in 2020-21.

At the end of March 2021, ROE of 16 profit-making Government Controlled Other Companies was 17.50 *per cent* while it was 15.23 *per cent* in respect of all the 29 Government Controlled Other companies.

Erosion of capital in Government Companies

As on 31 March 2021, the aggregate net worth of all the 97 SPSUs was ₹ 1,46,121.06 crore against their paid-up capital²³ of ₹ 1,26,186.81 crore.

As on 31 March 2021, 44 SPSUs registered accumulated losses of ₹ 30,435.51 crore. Of the 44 SPSUs, 25 SPSUs incurred losses of ₹ 1,868.53 crore in 2020-21 while 19 SPSUs, did not incur any losses in 2020-21 but had accumulated losses of ₹ 15,252.87 crore till March 2021. Eleven out of 44 SPSUs were under winding-up/closure/liquidation.

²² Return on Equity = (Net Profit after Tax and preference Dividend/Equity) × 100; Where Equity = Paid up Capital + Free Reserves – Accumulated Losses – Deferred Revenue Expenditure

²³ This amount will not tally with Table 2.27 which is prepared based on information furnished by the SPSUs, which included additions subsequent to the latest finalised accounts. Here amount is based on latest finalised accounts.

As on 31 March 2021, 24 out of 44 SPSUs reported negative net worth of ₹ 5,421.14 crore against equity investment of ₹ 4,884.82 crore. Of the 24 SPSUs with negative net worth, five SPSUs²⁴ earned profit of ₹ 894.35 crore in 2020-21. These 24 SPSUs, whose capital had been completely eroded, had an outstanding loan from Government of Gujarat amounting to ₹ 4,281.15 crore as on 31 March 2021.

Quantum of loans and advances disbursed and recovered

In addition to investments in Co-operative societies, Corporations and Companies, State Government has also provided loans and advances to many of these institutions/organisations.

Table 2.35 presents the trend of outstanding loans and advances as on 31 March 2021 along with interest receipts *vis-à-vis* interest payments for the five-year period from 2016-17 to 2020-21.

Table 2.35: Quantum of loans disbursed and recovered during 2016-21

	(₹ in crore)				
Quantum of Loans/ Interest Receipts/ Cost of Borrowings	2016-17	2017-18	2018-19	2019-20	2020-21
Opening Balance	7,327	7,638	7,923	9,503	10,485
Amount advanced during the year	477	631	1,731	1,312	1,233
Amount recovered during the year	166	346	151	330	155
Closing Balance	7,638	7,923	9,503	10,485	11,563
Loans for which terms and conditions have not been settled	373	521	1,296	905	632
Net addition during the year	311	285	1,580	982	1,078
Interest Receipts on loans advanced	117	88	74	62	63
Interest receipts as a <i>percentage</i> of outstanding Loans and Advances	1.53	1.13	0.85	0.62	0.57
Interest payments	17,797	18,954	20,183	22,449	24,203
Average Rate of Interest paid on the outstanding borrowings of the Government (<i>per cent</i>)	7.67	7.59	7.44	7.47	7.19
Difference between the rate of interest paid and rate of interest received (<i>per cent</i>)	6.14	6.46	6.59	6.85	6.62

Source: Finance Accounts of the State Government of respective years.

The table shows that the total outstanding loans and advances increased from ₹ 10,485 crore in 2019-20 to ₹ 11,563 crore in 2020-21. Of the total loans advanced disbursed during the year (₹ 1,233 crore), ₹ 708 crore were advanced for social services, ₹ 477 crore for economic services and ₹ 48 crore were advanced for Government Servants and Miscellaneous purposes. Loans

²⁴ Gujarat State Land Development Corporation Limited, Gujarat State Handloom and Handicrafts Development Corporation Limited, Gujarat State Petroleum Corporation Limited, Gujarat Small Industries Corporation Limited and Diamond Research and Mercantile City Limited

advanced under social services were used for urban development and welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes and Minorities. Major portion of the loans advanced under economic services went to power sector (₹ 350 crore) and transport sector (₹ 102 crore).

Recovery of loans and advances decreased by ₹ 175 crore from ₹ 330 crore in 2019-20 to ₹ 155 crore in 2020-21. However, interest receipts on loans and advances disbursed during the year increased by ₹ one crore.

Further, of the total loans advanced during the year (₹ 1,233 crore), loans amounting to ₹ 632 crore were disbursed by the Administrative Departments or Finance Department without setting terms and conditions for repayments of loans and rate of interest payable.

Audit observed that due to poor financial condition, the GSRTC had not been able to deposit the passenger tax collected by it over the years to Government Account as well as pay the arrears of Seventh Pay commission to its employees. The passenger tax was being used by GSRTC to meet its expenses. The Administrative Department (Ports and Transport), with the approval of Finance Department, treated the outstanding passenger tax (for the year 2020-21) as loans advanced (₹ 102 crore) to GSRTC. However, the relevant sanction orders do not prescribe repayment schedule and rate of interest payable by GSRTC. As of 31 March 2021, GSRTC had an outstanding loan balance of ₹ 3,755 crore, which included ₹ 770.88 crore advanced during 2016-21.

Inoperative loan accounts

Under the following Major Heads, outstanding balances of loans amounting to ₹ 833.30 crore disbursed in previous years to various bodies/authorities had remained inoperative where neither principal was repaid, nor any interest was paid for the last 12 years (2009-21).

Table 2.36: Inoperative loan accounts

Major Head		(₹ in crore)
		2009-21
6075	Loans for Miscellaneous General Services	11.51
6202	Loans for Education, Sports, Art and Culture	20.43
6215	Loans for Water Supply and Sanitation	323.73
6404	Loans for Dairy Development	63.00
6702	Loans for Minor Irrigation	25.79
6855	Loans for Fertilizer Industries	12.15
6859	Loans for Telecommunication and Electronics Industries	5.90
6860	Loans for Consumer Industries	358.76
7052	Loans for Shipping	9.41
7452	Loans for Tourism	2.62
Total outstanding balances		833.30

Source: Finance Accounts of respective years

These outstanding loans may be reviewed at appropriate level and steps for recovery or write-off, if required, may be taken.

Capital locked in incomplete projects

Blocking of funds in incomplete projects/works impinges negatively on the quality of expenditure and deprives the State of the intended benefits for prolonged periods.

At the end of March 2021, 158 capital works, each valuing ₹ 10 crore or more and completion date of which was on or before 31 March 2021, were incomplete on which an expenditure of ₹ 6,928.97 crore had been incurred. Year-wise and Department-wise details of incomplete projects are given in **Table 2.37** and **Table 2.38** respectively.

Table 2.37: Age profile of incomplete projects as on 31 March 2021				Table 2.38: Department-wise profile of incomplete projects as on 31 March 2021			
Year	No of incomplete projects	Estimated cost	Expenditure (as on 31 March 2021)	Department	No. of incomplete projects	Estimated cost	Expenditure
					(number)	(₹ in crore)	
2013-14	1	30.11	16.91	Roads& Buildings	140	5,417.37	3,198.63
2015-16	2	437.22	465.52	Narmada, Water Resources, Water Supply and Kalpsar	18	4,409.95	3,730.34
2016-17	10	619.11	386.89	Total	158	9,827.32	6,928.97
2017-18	28	2,977.95	2,824.22				
2018-19	43	2,846.94	1,876.78				
2019-20	73	2,903.42	1,348.82				
2020-21	1	12.57	9.83				
Total	158	9,827.32	6,928.97				

Source: Appendix IX of Finance Accounts of the State Government for the year 2020-21.

It may be seen that with reference to the initial budgeted cost, as on 31 March 2021, the Roads and Buildings Department incurred 59.04 *per cent* on 140 incomplete projects while Narmada, Water Resources, Water Supply and Kalpsar Department spent 84.59 *per cent* on 18 incomplete projects.

The Health and Family Welfare Department, Women and Child Development Department get their capital works done through Project Implementation Units (PIU) while Home Department gets its capital works done through Police Housing Corporation Limited. Similarly, some of the irrigation works relating to Narmada, Water Resources, Water Supply and Kalpsar Department are carried out by SSNNL. The depiction of capital works to this extent does not get reflected in the Finance accounts.

Implementation of Ujwal DISCOM Assurance Yojana

Ujwal DISCOM Assurance Yojana (UDAY) was launched by the GoI in November 2015 for operational and financial turnaround of State-owned power distribution companies (DISCOMs). UDAY envisaged signing of an agreement between State Governments, DISCOMs and GoI for stipulating the respective responsibilities of the parties for achieving operational and financial milestones

as described in the Scheme, after which, the State Governments were to take over 75 per cent of outstanding debts of DISCOMs as on 30 September 2015 over two years i.e., 50 per cent in 2016-17 and 25 per cent in 2017-18.

The Government of Gujarat entered (February 2016) into a tripartite Memorandum of Understanding with four State-owned DISCOMs and GoI, but without the component of financial turnaround and financing of future losses and working capital, all the four DISCOMs had already achieved financial turnaround in 2005-06. In view of this, no financial assistance had been provided by the State Government to the State DISCOMs during 2020-21 under UDAY Scheme.

2.4.3.5 Resource availability of the State under Public Private Partnership projects

Public Private Partnership (PPPs) is an arrangement between the Government or statutory entity and a private sector entity to provide a framework that enables them to work together to meet the rising demand of the public for infrastructure development.

As on 31 March 2021, the status of PPP projects in infrastructure sector was as indicated in **Table 2.39**.

Table 2.39: Status of PPP projects in infrastructure sector

(₹ in crore)

Sr. No.	Sector	Projects completed/ Operational		Projects under implementation		Planned for future	
		No.	Total investment	No.	Expenditure incurred	No.	Estimated cost
1.	Ports	73	82,944.63	23	29,888.75	8	4,585.56
2.	Power	2	36.50	1	43.30	0	0.00
3.	Roads	10	3,249.93	3	1,911.15	0	0.00
4.	Road Transport	9	720.63	9	818.65	0	0.00
5.	Railways	1	520.00	1	2,538.01	0	0.00
6.	Urban Infrastructure	66	1,851.25	73	4,767.31	16	768.98
7.	Water	0	0.00	7	2,361.27	0	0.00
8.	Education	167	377.50	1	8,206.65	0	0.00
9.	Health	1	22.64	0	0.00	0	0.00
10.	IT, ITES and Biotech	0	0.00	1	89.55	0	0.00
11.	Agriculture	1	31.15	0	0.00	1	7.00
	Total	330	89,754.23	119	50,624.64	25	5,361.54

Source: Information provided by Gujarat Infrastructure Development Board

Table 2.39 shows that out of 449 PPP projects valuing ₹ 1,40,379 crore in the infrastructure sector in Gujarat, 330 projects valuing ₹ 89,754 crore had been completed/operational by March 2021. Major investments were in Ports sector where 73 projects valuing ₹ 82,945 crore have been completed and 23 projects valuing ₹ 29,889 crore were under implementation. Under the Urban Infrastructure, 66 projects valuing ₹ 1,851 crore have been completed and 73

projects with investment of ₹ 4,767 crore were in progress. Further, under the Education sector, 167 projects valuing ₹ 378 crore have been completed and one project with investment of ₹ 8,207 crore was in progress.

2.4.4 Expenditure Priorities of the State

Availability of better social and physical infrastructure in the State generally reflects the quality of its expenditure. It is important for the State Government to take appropriate expenditure rationalisation by focusing more on development expenditure, which is expenditure on Social and Economic Services. Apart from improving the allocation towards development expenditure, the efficiency of expenditure is also reflected by the ratio of capital expenditure to total expenditure and the proportion of revenue expenditure on Education and Health Sectors. The higher the ratio of these components to total expenditure, the quality of expenditure is considered to be better.

Table 2.40 compares the fiscal priorities of the State Government with that of States other than North-Eastern (NE) and Himalayan States regarding development expenditure, expenditure on Social and Economic Sectors, and capital expenditure during 2020-21, taking 2016-17 as the base year.

Table 2.40: Expenditure Priority of the State in 2016-17 and 2020-21

Fiscal Priority of the State	AE/ GSDP	SSE/ AE	ESE/ AE	DE/ AE	CE/ AE	Education/ AE	Health/ AE
Percentage in 2016-17, of							
States other than NE and Himalayan States	17.12	35.81	35.16	70.97	19.77	14.93	5.49
Gujarat	10.86	40.53	30.35	70.88	18.02	15.26	6.08
Percentage in 2020-21, of							
States other than NE and Himalayan States	16.18	37.81	28.48	66.29	13.03	15.00	6.74
Gujarat	10.77	38.36	31.98	70.35	15.67	14.71	6.15
AE: Aggregate Expenditure (it is the Total Expenditure); DE: Development Expenditure; SSE: Social Sector Expenditure; ESE: Economic Sector Expenditure; CE: Capital Expenditure.							

Source: Details provided by Economic Advisor Finance Accounts of the State Government of respective years.

Table 2.40 reveals the following:

- The percentage of total expenditure to GSDP in Gujarat at 10.77 *per cent* was lower than the States other than NE and Himalayan States during 2016-17 and 2020-21 which indicates more private sector participation in the economy of the State.
- Development expenditure consists of economic services expenditure and social services expenditure. Development expenditure as percentage of total expenditure in Gujarat was lower than States other than NE and Himalayan States during 2016-17, but higher than States other than NE and Himalayan States during 2020-21.

- The expenditure on social services as percentage of total expenditure in Gujarat was higher than States other than NE and Himalayan States during 2016-17 and 2020-21.
- The expenditure on economic services as percentage of total expenditure in Gujarat was lower than States other than NE and Himalayan States during 2016-17 but higher than States other than NE and Himalayan States during 2020-21.
- Gujarat had a higher ratio of capital expenditure to total expenditure during 2020-21, as compared to States other than NE and Himalayan States. However, capital expenditure as percentage of total expenditure in the State declined from 18.02 *per cent* in 2016-17 to 15.67 *per cent* in 2020-21.
- The ratio of expenditure on health and education to total expenditure in Gujarat was better than States other than NE and Himalayan States in 2016-17, but it fell below the States other than NE and Himalayan States in 2020-21.

2.4.5 Object Head-wise Expenditure

Finance Accounts depict transactions only up to the Minor Head level. Therefore, a drill-down view of budgetary allocations and the extent of expenditure incurred at the Object Head level is given in **Table 2.41**.

Table 2.41: Object Head-wise expenditure *vis-à-vis* budget authorisation

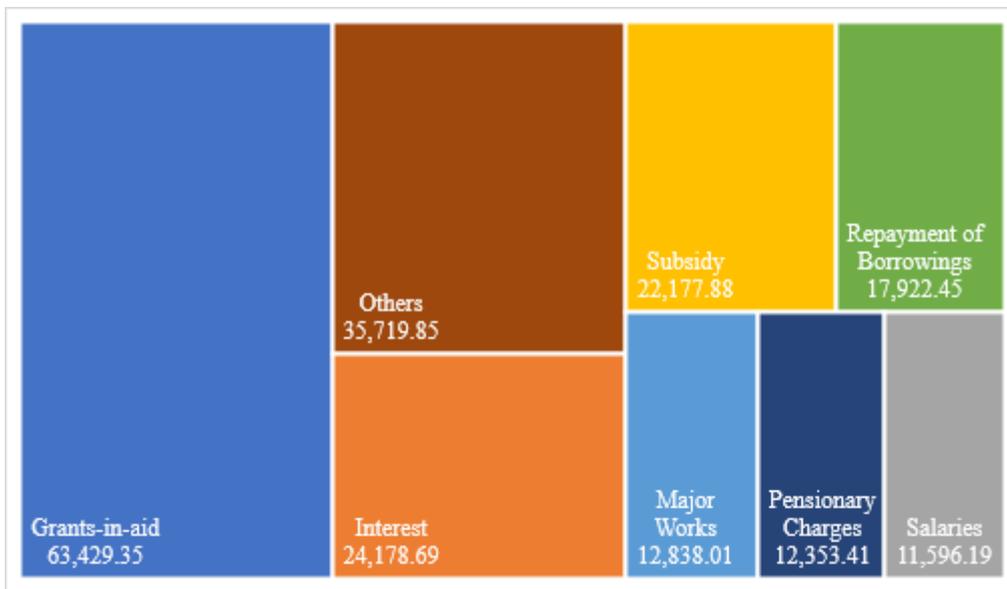
(₹ in crore)			
Head	Budget	Expenditure	Utilisation percentage
Grants-in-aid	68,568.65	63,429.35	92.50
Interest	24,421.38	24,178.69	99.01
Salaries	22,578.10	11,596.19	51.36
Subsidy	19,923.76	22,177.88	111.31
Major Works	18,165.74	12,838.01	70.67
Repayment of Borrowings	17,919.27	17,922.45	100.02
Pensionary Charges	12,905.48	12,353.41	95.72
Investments	9,509.53	7,431.31	78.15
Other Capital Expenditure	7,789.65	6,611.00	84.87
Grants to Local Bodies for creation of Capital Assets	6,032.03	1,208.22	20.03
Other Charges	5,063.18	4,115.58	81.28
Minor Works	2,807.21	2,378.83	84.74
Scholarships/Stipend	2,107.33	1,928.48	91.51
Supplies and Materials	1,755.42	1,626.73	92.67
Inter-Account Transfer	1,645.00	540.74	32.87
Loans and Advances	1,237.92	1,233.43	99.64
Office Expenses	1,044.46	682.06	65.30
Machinery and Equipment	939.66	649.90	69.16
Other Contractual Services	937.34	969.16	103.39
Over Time Allowances	538.82	464.05	86.12
Cost of Ration (Diet Charges)	405.71	174.02	42.89
Wages	391.50	456.58	116.62

Head	Budget	Expenditure	Utilisation percentage
Motor Vehicles	379.01	263.24	69.45
Contributions to Panchayats	334.02	4,136.17	1238.30
Advertising and publicity	227.39	164.87	72.51
Professional Services	209.25	119.60	57.16
Domestic Travel Expenses	208.91	163.80	78.41
Petrol, Oil and Lubricants	129.63	109.89	84.77
Rent, Rates and Taxes	115.77	104.27	90.07
Arms and Ammunition	38.46	25.77	67.00
Ad hoc Financial Assistance	37.97	51.20	134.84
Clothing and Tentage	31.51	44.08	139.89
Other Administrative Expenses	30.64	3.08	10.05
Publication	19.82	11.70	59.03
Secret Service Expenditure	6.08	9.34	153.62
Depreciation	2.80	2.80	100.00
Rewards	1.95	1.32	67.69
Foreign Travel Expenses	0.59	0.02	3.39
Others	315.45	38.61	12.24
Total	2,28,776.39	2,00,215.83	87.52

Source: Information provided by Office of the Principal Accountant General (A & E)

It may be seen that of the total budgetary allocation of ₹ 2,28,776.39 crore, the actual expenditure on various Object Heads during 2020-21 was ₹ 2,00,215.83 crore (87.52 per cent). Of the 39 Object heads mentioned above, expenditure under eight Heads was more than 100 per cent of budgetary allocation. Under 16 Object Heads, expenditure incurred was between 70 per cent and 100 per cent of budgetary allocation, while in the remaining 15 Object Heads, expenditure incurred was below 70 per cent of budgetary allocation. A Tree Map of top seven Object Heads is shown below in **Chart 2.19**.

Chart 2.19: Object Head-wise expenditure



2.5 Contingency Fund

The Contingency Fund is an Imprest which is established by the State Legislature by law and is placed at the disposal of the Governor to enable advances to be made for meeting unforeseen expenditure pending authorisation of such expenditure by the State Legislature. The fund is recouped by debiting the expenditure to the concerned functional major head relating to the Consolidated Fund of the State. The Contingency Fund of the Government of Gujarat has a corpus of ₹ 200 crore. During 2020-21, an amount of ₹ 38.68 crore was drawn out of the Contingency Fund and spent for meeting unforeseen expenditure. The entire amount was recouped before the closure of financial year.

2.6 Public Account

Receipts and Disbursements in respect of certain transactions such as Small Savings, Provident Funds, Reserve Funds, Deposits, Suspense, Remittances, etc., which do not form part of the Consolidated Fund, are kept in the Public Account set up under Article 266 (2) of the Constitution and are not subject to vote by the State Legislature. The Government acts as a banker in respect of these. The balance after disbursements during the year is the fund available with the Government for use for various purposes.

2.6.1 Net Balances in Public Account

The component-wise net balances in Public Account of the State at the end of March 2021 were as follows:

Table 2.42: Component-wise net balances in Public Account as of 31 March of the year

(₹ in crore)

Sector	Sub-Sector	2016-17	2017-18	2018-19	2019-20	2020-21
I. Small Savings, Provident Funds, etc.	Small Savings, Provident Funds, etc.	10,059.86	10,400.17	10,608.63	10,601.21	10,445.80
J. Reserve Funds	(a) Reserve Funds bearing Interest	3,493.43	2,355.14	1,504.58	1,818.03	1,073.02
	(b) Reserve Funds not bearing Interest	12,186.10	12,576.73	13,998.70	15,014.72	6,911.30
K. Deposits and Advances	(a) Deposits bearing Interest	12,087.51	12,954.29	13,677.83	14,073.56	14,476.68
	(b) Deposits not bearing Interest	16,946.97	17,175.71	18,454.00	20,525.16	22,478.03
	(c) Advances	(-)0.81	(-)0.79	(-)0.73	(-)0.71	(-)0.70
	(a) Suspense	(-)434.57	(-)447.98	(-)516.66	(-)303.87	(-)321.72

Sector	Sub-Sector	2016-17	2017-18	2018-19	2019-20	2020-21
L. Suspense and Miscellaneous	(b) Other Accounts ²⁵	460.99	972.81	314.30	(-1,561.23)	(-2,704.49)
	(c) Accounts with Governments of Foreign Countries	(-)0.59	(-)0.59	(-)0.59	(-)0.59	(-)0.59
	(d) Miscellaneous	0.00	0.00	0.00	0.00	0.00
M. Remittances	(a) Money Orders, and other Remittances	763.28	969.48	637.47	738.56	868.58
	(b) Inter-Governmental Adjustment Account	(-)2.66	(-)1.26	(-)1.26	(-)1.64	(-)1.94
TOTAL		55,559.51	56,953.71	58,676.27	60,903.20	53,223.97

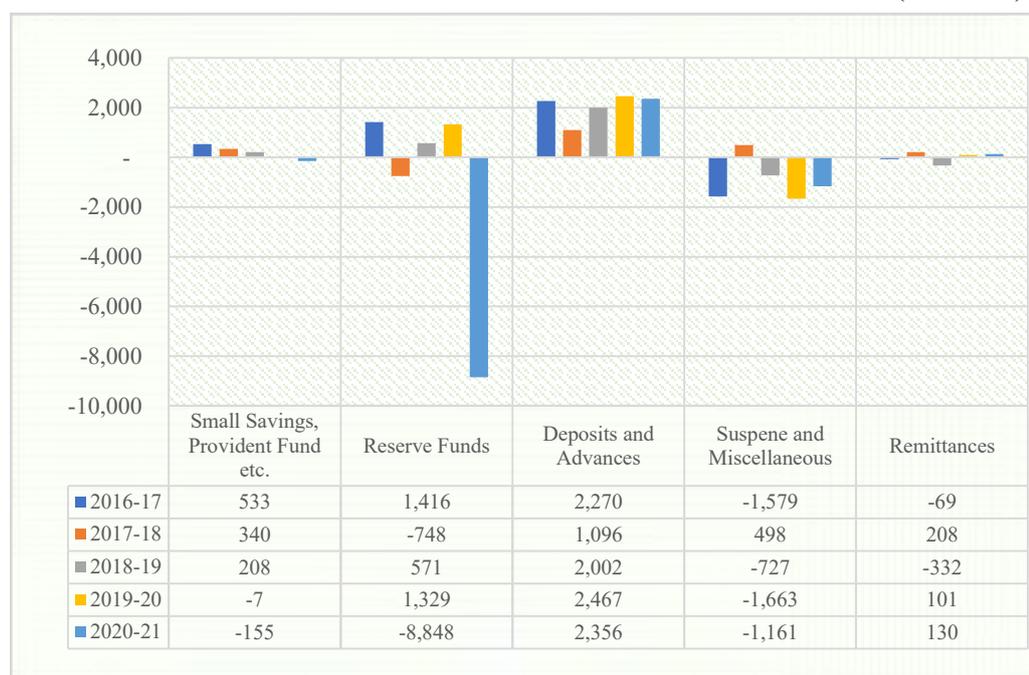
Source: Finance Accounts of the State Government of respective years.

Note: +ve denotes debit balance and -ve denotes credit balances

The yearly changes in composition of Public Account balances over the five-year period (2016-21) are given in **Chart 2.20**.

Chart 2.20: Yearly changes in composition of Public Account balances

(₹ in crore)



2.6.2 Reserve Funds

Reserve Funds are created for specific and defined purposes under the Public Account of the State Government. These funds are met from contributions or grants from the Consolidated Fund of the State.

²⁵ Other Accounts under L - Suspense and Miscellaneous does not include Cash Balance Investment Account, Permanent Cash Imprest & Departmental Balances.

There were 17 Reserve Funds earmarked for specific purposes during 2020-21, of which, four Reserve Funds bearing interest, were having a balance of ₹ 1,073.02 crore, and 13 Funds not bearing interest, were having balance of ₹ 6,911.30 crore. The total accumulated balance in these funds as on 31 March 2021 was ₹ 7,984.32 crore of which, ₹ 5,522.16 crore was invested.

Of the 17 Reserve Funds, five Reserve Funds having a balance of ₹ 2.11 crore were inoperative, of which, four Reserve Funds (₹ 2.10 crore) were inoperative since 1999-2000 while one Reserve Fund (₹ 0.01 crore) was inoperative since 2014-15.

2.6.2.1 Consolidated Sinking Fund

The State Government constituted a Consolidated Sinking Fund (CSF) in 2003-04 for amortisation of outstanding liabilities. The RBI, which is responsible for administering the fund, issued guidelines enlarging the scope of CSF for including liabilities (Internal debt + Public Account Liabilities) of the Government from the financial year 2007-08. Further, as per latest guidelines (2017-18) for CSF issued by the State Government, the minimum corpus of the fund should be five *per cent* of State's outstanding liabilities from the year 2018-19 and thereafter to maintain it on rolling basis.

There was short contribution in the CSF by ₹ 10,433.73 crore during 2020-21, as the closing balance in the fund was ₹ 5,339.07 crore against the minimum corpus of ₹ 15,772.80 crore. The State Government disinvested ₹ 9,957.85 crore from the fund during 2020-21 for repayment of Market Loan.

2.6.2.2 Funds for Disaster Risk Management

As per recommendations of 13th FC, the State Government had been operating the State Disaster Response Fund (SDRF) since 2011-12. It is an interest-bearing Reserve Fund. In terms of GoI guidelines (September 2010), the Central and State Governments were required to contribute to the fund in the ratio of 75:25. The 15th Finance Commission has recommended break up of central allocation to the States under Disaster Risk Management for the year 2020-21. Out of 75 *per cent* central allocation, the share of State Disaster Response Fund (SDRF) shall be 80 *per cent* and the share of State Disaster Mitigation Fund (SDMF) 20 *per cent*. Within the SDRF allocation of 80 *per cent*, there would be three sub-allocations (a) Response and Relief (40 *per cent*), (b) Recovery and Reconstruction (30 *per cent*) and (c) Preparedness and Capacity-Building (10 *per cent*). While the funding windows of SDRF and SDMF are not inter-changeable, there could be flexibility for re-allocation within the three sub-windows of the respective Funds and such re-allocation shall not exceed 10 *per cent* of the allotted amount of that sub-window for 2020-21. Separate accounts were to be operated for each fund.

As on 01 April 2020, the SDRF had an opening balance of ₹ 333.38 crore. During 2020-21, the State Government transferred ₹ 1,765.00 crore (₹ 1,324.00 crore Central share and ₹ 441.00 crore State share) to the fund. Of the total available balance of ₹ 2,098.38 crore, ₹ 2,340.17 crore was incurred on

natural calamities²⁶ during the year from the fund balance, leaving minus balance of ₹ 241.79 crore in the fund at end of March 2021.

Details of expenditure charged to SDRF during the year are given in **Table 2.43**.

Table 2.43: Details of expenditure charged to SDRF

(₹ in crore)

Major Head of Account	Minor Head of Account	Expenditure during 2020-21
2245- Relief on Account of Natural Calamities 01- Drought	102-Drinking Water Supply	0.00
	104-Supply of Fodder	8.69
Subtotal 01		8.69
2245- Relief on Account of Natural Calamities 02- Floods, Cyclones etc.	101-Gratuitous Relief	32.68
	104- Supply of Fodder	0.09
	105-Veterinary care	2.95
	111-Ex-gratia payments to bereaved families	10.45
	112- Evacuation of population	7.26
	113- Assistance for repairs/reconstruction of Houses	5.26
	122-Repairs and Restoration of Damaged Irrigation	0.00
	282- Public Health	189.20
	800-Other Expenditure	2,089.41
	911- Deduct Recovery of Overpayments	(-)36.52
Subtotal 02		2,300.78
2245- Relief on Account of Natural Calamities 05-State Disaster Response Fund	101- Transfer to Reserve funds/ Deposit Accounts-State Disaster Response Fund	1,765.00
	901- Deduct - Amount met from State Disaster Response Fund	(-)2,340.16
Subtotal 05		(-)575.16
2245- Relief on Account of Natural Calamities 80- General	001-Direction and Administration	2.00
	102-Management of Natural Disasters, Contingency Plans in disaster prone areas	4.50
	800-Other Expenditure	20.01
	911- Deduct-Recoveries of Overpayments	0.00
Subtotal 80		26.51
Total 2245		1,760.82
Expenditure incurred in conformity with items and norms of SDRF approved by SEC (Only the amount booked under 2245-01 and 2245-02 is admissible expenditure under SDRF)		2,300.78

Source: Finance Accounts of the State Government for the year 2020-21

²⁶ Major Head 2245-05 (Relief on account of natural calamities-SDRF)

In terms of the GoI guidelines, balances lying in the fund were required to be invested²⁷, which was not done. The interest to be credited to the fund on the balances of earlier years had also not been estimated and credited by the State Government.

The fund guidelines state that any excess expenditure should be borne by State Government. Expenditure of ₹ 241.79 crore incurred in excess of the balance available in the fund should have been met from State Consolidated Fund. However, this amount was also charged to the fund, leaving the fund with a negative balance of ₹241.79 crore. Further, the revenue deficit would have increased by the same amount. It was also noticed that separate accounting heads for SDRF and SD MF have not been opened as yet (November 2021).

2.6.2.3 Guarantee Redemption Fund

The Twelfth Finance Commission recommended setting up of a Guarantee Redemption Fund (GRF) to meet the contingent liabilities arising from the guarantees given by the Government. The Government of Gujarat has created a GRF for guarantees extended by it on loans taken by various entities like State Public Sector Undertakings, State Co-operative Societies *etc.* In terms of the guidelines of the RBI, which administers the Fund, the corpus of the Fund is to be gradually increased to the desirable level of five *per cent* of outstanding guarantees.

During 2020-21, the closing balance in the Fund was ₹ 773.12 crore against the minimum required corpus²⁸ of ₹ 182.82 crore. The State Government credited an accrued interest of ₹ 36.87 crore to the Fund during 2020-21.

As on 31 March 2021, out of the total Fund of ₹ 773.12 crore, ₹ 509.40 crore was invested by the RBI.

2.6.3 Deposits and Advances

2.6.3.1 Accounting of transactions relating to Central Road Fund

The GoI provides annual grants under the Central Road Fund (CRF) to the State Governments to incur expenditure on specific road projects. In terms of the extant accounting procedure, the grants are to be initially booked as Revenue Receipts under Major Head “1601 Grants-in-Aid”, and an equivalent amount is transferred to the Public Account under Major Head “8449- Other Deposits 103 Subvention from Central Road Fund” by debiting the Revenue expenditure Major Head “3054 Roads and Bridges”. This process ensures that receipt of the grants does not result in overstatement of revenue surplus (or understatement of revenue deficit) in the Accounts. Expenditure on specific road works initially

²⁷ The accretions to the SDRF are to be invested through RBI in Central Government dated securities; auctioned treasury bills; and interest earning deposits and certificates of deposits with scheduled commercial banks.

²⁸ ₹ 182.82 crore = 5 *per cent* of outstanding guarantee at the end of the year 2020-21 (₹ 3,656.33 crore)

booked under the relevant revenue or capital Major Head (Major Head 3054 or 5054) is to be subsequently adjusted from the Fund balance by way of minus debit under Major Heads 3054/5054 by corresponding debit to the Fund (Major Head 8449-103).

During 2020-21, the State Government received a grant of ₹ 430.74 crore from GoI under CRF which was accounted for in State's Accounts under Major Head-1601 by following the extant accounting procedure. An expenditure of ₹ 430.74 crore was incurred on specific road works during the year, leaving a balance of ₹ 27.25 crore (including previous years' balances) under the Deposit Head as on 31 March 2021.

2.6.3.2 Non-transfer of Labour Cess to Labour Welfare Board

Under Section 3 of the Building and Other Construction Workers' Welfare Cess Act, 1996, there shall be levied and collected a cess at such rate not exceeding two *per cent*, but not less than one *per cent* of the cost of construction incurred by an employer, as the Government may, by notification in the Official Gazette, from time to time, specify. As per Rule 5(3) of the Building and Other Construction Workers' Welfare Cess Rules, 1998, the cess so collected is to be transferred to the Building and Other Construction Workers' Welfare Board (Board) within 30 days of its collection.

Audit observed that in terms of the Building and Other Construction Workers' Welfare Cess Act, 1996, the State Government levied and collected cess amounting to ₹ 3,466.87 crore during the period 2006-07 to 2020-21 and transferred ₹ 2,129.69 crore to Gujarat Building and Other Construction Workers' Welfare Board as grants-in-aid, leaving a balance of ₹ 1,337.18 crore which had not been transferred as of 31 March 2021. Further, of ₹ 452.92 crore collected during 2020-21 as cess, only ₹ 115.84 crore was transferred to the Board, leaving a balance of ₹ 337.08 crore which was not transferred to the Board, in violation of the Building and Other Construction Workers' Welfare Cess Rules, 1998.

2.6.3.3 Non-transfer of fines to Personal Ledger Account

The Government of Gujarat *vide* Resolution dated 01 July 2000 decided that a specified percentage of the income received during the year from the State urban areas through penalties under section 200 (1) of the Motor Vehicle Act shall be deposited in a Budget Head namely, Gujarat State Marg Suraksha Nidhi (GSMSN). The funds available under GSMSN were to be utilised for traffic management purposes.

For smooth functioning of GSMSN, a Personal Ledger Account (PLA) was opened in the name of the Director General and Inspector General of Police (DG & IGP), Gandhinagar with effect from March 2004. The DG & IGP was to collect various proposals for traffic management from different implementing authorities and incur expenditure from the PLA, after taking approval of Traffic

Management Committee. In July 2006, the State Government decided to transfer 100 *per cent* fines to the PLA for better administration of GSMSN.

Scrutiny of the budget estimates and Appropriation Accounts for the years 2012-13 to 2020-21, however, revealed a shortfall of 26 *per cent* between actual traffic fines collected and that transferred to the PLA during the last eight years, as detailed in **Table 2.44**.

Table 2.44: Shortfalls in transferring traffic fines to PLA

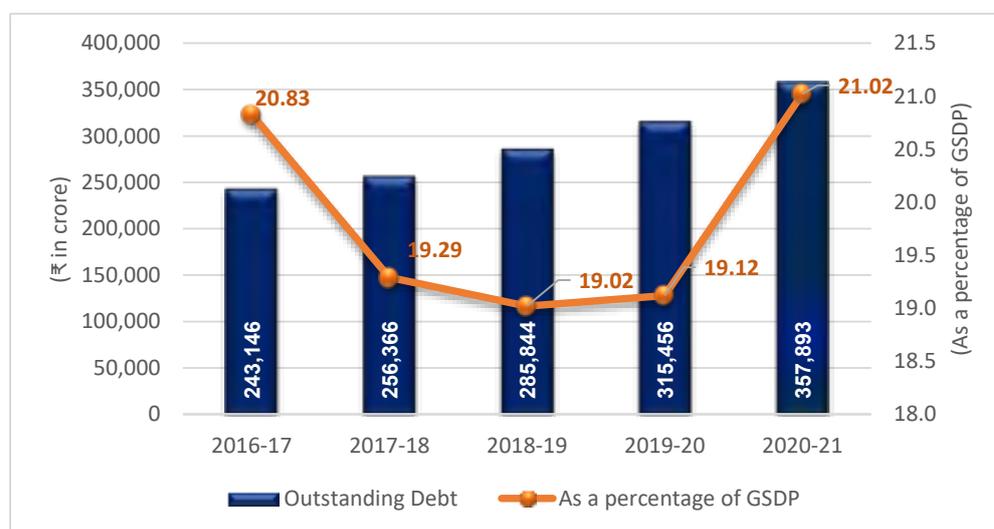
Year	Revenue from traffic fines (₹ in crore)		Provision for PLA (₹ in crore)		
	BE	Actual collection	BE	Actual transfer	As percentage of actual collection
2012-13	45.00	52.82	20.50	17.88	33.85
2013-14	62.22	48.40	20.00	20.00	41.32
2014-15	56.40	75.71	25.00	25.00	33.02
2015-16	72.95	73.20	35.00	35.00	47.81
2016-17	85.65	84.17	40.00	25.00	29.70
2017-18	77.35	63.06	35.00	48.57	77.02
2018-19	113.78	109.62	200.00	98.00	89.40
2019-20	75.60	173.33	63.06	260.00	150.00
2020-21	183.84	145.97	78.62	78.62	53.86
Total	772.79	826.28	517.18	608.07	73.59

Source: Budget Estimates and Appropriation Accounts of respective years.

2.7 Debt Management

Debt management is the process of establishing and executing a strategy for managing the Government's debt to raise the required amount of funding, achieve its risk and cost objectives, and to meet any other sovereign debt management goals that the Government may have set through enactment or any other annual budget announcements.

Chart 2.21: Trend of outstanding debt



2.7.1 Debt Profile: Components

Total debt of the State Government typically constitutes the internal debt of the State²⁹, loans and advances from the Central Government, and public account liabilities. The trend of total debt receipts, repayment of debt, ratio of debt to GSDP and the actual quantum of debt available to the State during the five-year period (2016-21) is given in **Table 2.45**.

Table 2.45: Component-wise trend of debt during 2016-21

(₹ in crore)

	2016-17	2017-18	2018-19	2019-20	2020-21	
Total Outstanding Debt	2,43,146	2,56,366	2,85,844	3,15,456	3,57,893	
Public Debt	Internal Debt	1,92,772	2,06,643	2,32,875	2,59,662 ³⁰	2,90,031
	Loans from GoI	6,566	5,947	7,430	7,433	17,999
Public Account Liabilities	43,808	43,776	45,539	48,361	49,863	
Rate of growth of total outstanding debt (percentage)	9.98	5.44	11.50	10.36	13.45	
Gross State Domestic Product (GSDP)	11,67,156	13,29,095	15,02,899	16,49,505	16,58,865	
Debt/GSDP (<i>per cent</i>)	20.83	19.29	19.02	19.12	21.02 ³¹	
Interest payments	17,797	18,954	20,183	22,449	24,203	
Burden of interest payments (IP/RR)	16.20	15.37	14.84	15.72	18.89	
Total Debt Receipts	72,224	81,158	1,02,963	1,02,300	1,23,325	
Total Debt Repayments (Debt redemption)	50,168	67,938	73,486	72,689	80,888	
Total Debt Available	22,056	13,220	29,477	29,611	19,889³²	
Debt Repayments/ Debt Receipts (<i>per cent</i>)	69.46	83.71	71.37	71.05	65.59	

Source: Finance Accounts of the State Government of respective years.

Table 2.45 shows that the total outstanding debt of the State Government increased from ₹ 3,15,456 crore in 2019-20 to ₹ 3,57,893 crore in 2020-21. The effective total outstanding debt would be ₹ 3,48,671 crore as the Department of Expenditure, GoI has decided that GST compensation of ₹ 9,222 given to the State as back to back loan under debt receipts would not be treated as debt of

²⁹ Market loans, ways and means advances from RBI, special securities issued to National Small Savings Fund and loans from financial institutions *etc.*

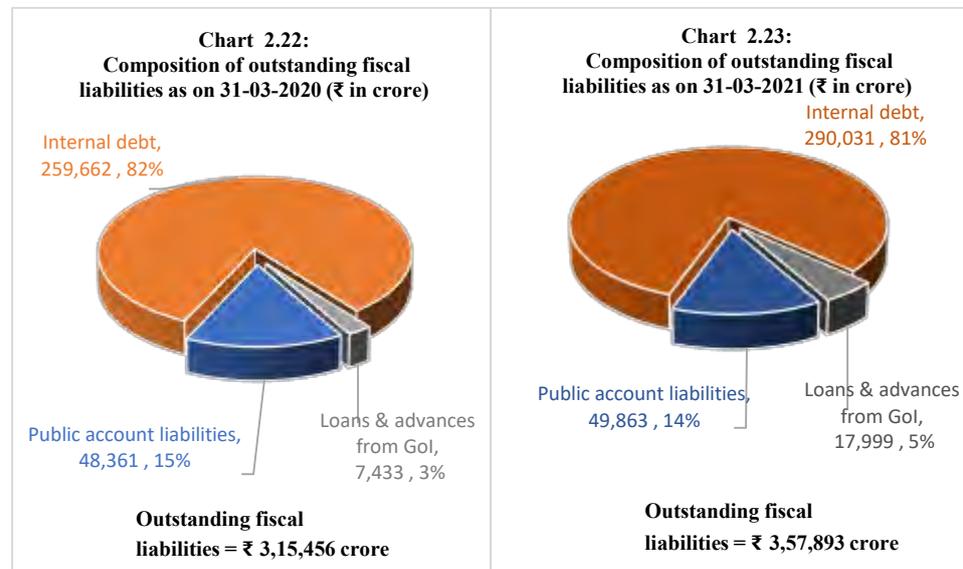
³⁰ Difference was due to Performa correction of ₹ 1.49 crore under MH 6003-105 Loans from the National Bank for Agricultural and Rural Development (Statement 6 of Finance Accounts).

³¹ As per Department of Expenditure, GoI, the borrowings under the special window will not be treated as debt of the State for any norms which may be prescribed by the Finance Commission, etc. Hence the back to back loans in lieu of shortfall of GST compensation of ₹ 9,222 crore has not been considered as public debt here.

³² Total debt available is calculated as ₹ 42,437 crore. During the year 2020-21, Gujarat has Revenue Deficit of ₹ 22,548 crore. Out of interest payments of ₹ 24,203 crore, only ₹ 1,655 crore was paid from Revenue Receipts. Further interest of ₹ 22,548 crore was paid from Market Borrowings. Hence, total debt available is decreased as ₹ 19,889 crore (₹ 42,437 crore-₹ 22,548 crore)

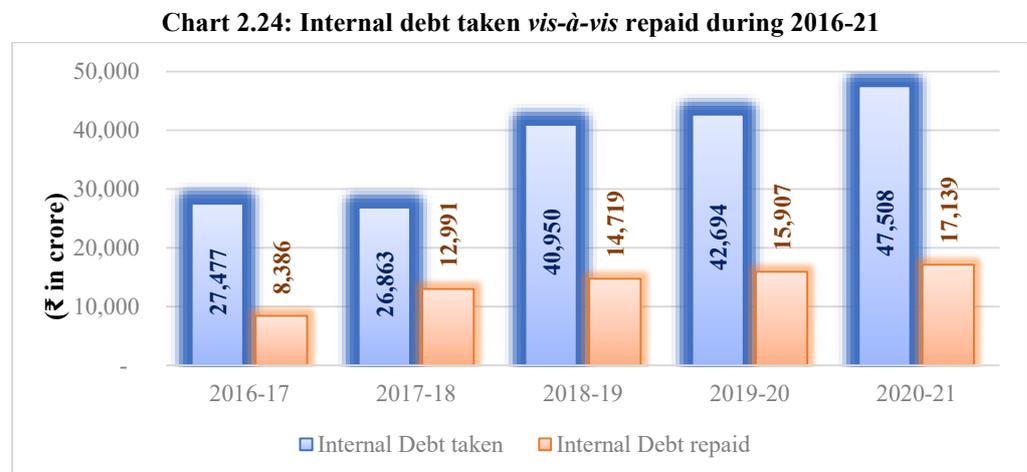
the State for any norms which may be prescribed by the Finance Commission. Debt to GSDP ratio ranged from 19.02 *per cent* to 21.02 *per cent* over the period of five years and stood maximum at 21.02 *per cent* in 2020-21.

Component-wise break-up of outstanding debt or fiscal liabilities of the State Government at the end of March 2020 and March 2021 are shown in **Chart 2.22** and **Chart 2.23** respectively.



The charts above show that the internal debt of the State Government, which is primarily market borrowings through issue of State Development Loans, accounted for 82 *per cent* and 81 *per cent* of the total outstanding debt during 2019-20 and 2020-21 respectively.

Chart 2.24 below shows the trend of internal debt taken by the State Government and repaid during the last five year (2016-21).



2.7.1.1 Components of fiscal deficit and its financing pattern

The share of revenue deficit in fiscal deficit indicates the extent to which borrowed funds were used for current consumption. Persistently high ratio of revenue deficit to fiscal deficit indicates that the asset base of the State

Government is continuously getting eroded, and a part of the borrowing (fiscal liabilities) does not have any asset backup. Since Gujarat has turned revenue deficit for the first time since 2011-12, this year borrowed funds were used for revenue expenditure as well as capital expenditure and repayment of debt. As such, the fiscal deficit has increased in absolute terms and the fiscal deficit-GSDP ratio worsened from (-) 1.41 in 2016-17 to (-) 2.44 in 2020-21.

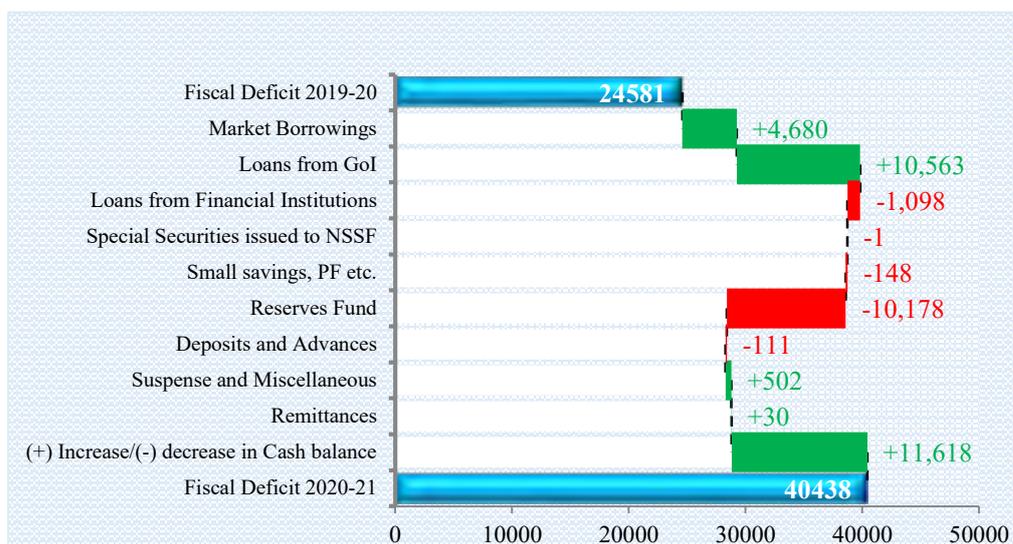
The financing pattern of fiscal deficit has undergone a compositional shift as reflected below in **Table 2.46**.

Table 2.46: Components of fiscal deficit and its financing pattern

(₹ in crore)

Particulars		2016-17	2017-18	2018-19	2019-20	2020-21
Fiscal Deficit (-)/Surplus (+)		(-16,480)	(-21,366)	(-26,365)	(-24,581)	(-40,438)
FD/GSDP (<i>per cent</i>)		(-1.41)	(-1.61)	(-1.75)	(-1.49)	(-2.44)
Composition of Fiscal Deficit/Surplus						
1	Revenue Deficit (-) /Surplus (+)	5,947	5,232	3,212	1,945	(-22,548)
2	Net Capital Expenditure	(-22,115)	(-26,313)	(-27,997)	(-25,544)	(-16,813)
3	Net Loans & Advances	(-312)	(-285)	(-1,580)	(-982)	(-1,077)
Financing Pattern of Fiscal Deficit*						
1	Market Borrowings	20,944	15,785	27,437	28,600	33,280
2	Special Securities issued to NSSF	(-3,447)	(-3,451)	(-3,534)	(-3,629)	(-3,630)
3	Loans from Financial Institutions	1,594	1,538	2,328	1,816	718
4	Loans from GoI	(-496)	(-619)	1,483	3	1,05,66
5	Small savings, PF <i>etc.</i>	533	340	208	(-7)	(-155)
6	Deposits and Advances	2,270	1,096	2,002	2,467	2,356
7	Suspense and Miscellaneous	(-1,579)	497	(-727)	(-1,663)	(-1,161)
8	Remittances	(-69)	208	(-332)	100	130
9	Reserves Fund	1,416	(-748)	571	1,329	(-8,849)
10	Contingency Fund	4	0	0	0	0
Total		21,170	14,646	29,436	29,016	33,255
Increase (+)/Decrease (-) in Cash Balance		(+4,690)	(-6,720)	(+3,071)	(+4,435)	(-7,183)
*All the figures are net of disbursements outflows during the year						

Source: Finance Accounts of the respective years.

Chart 2.25: Financing of fiscal deficit expressed through a water flow chart (₹ in crore)

The financing pattern of fiscal deficit (net of disbursements/outflows) during the year is shown in **Table 2.47**.

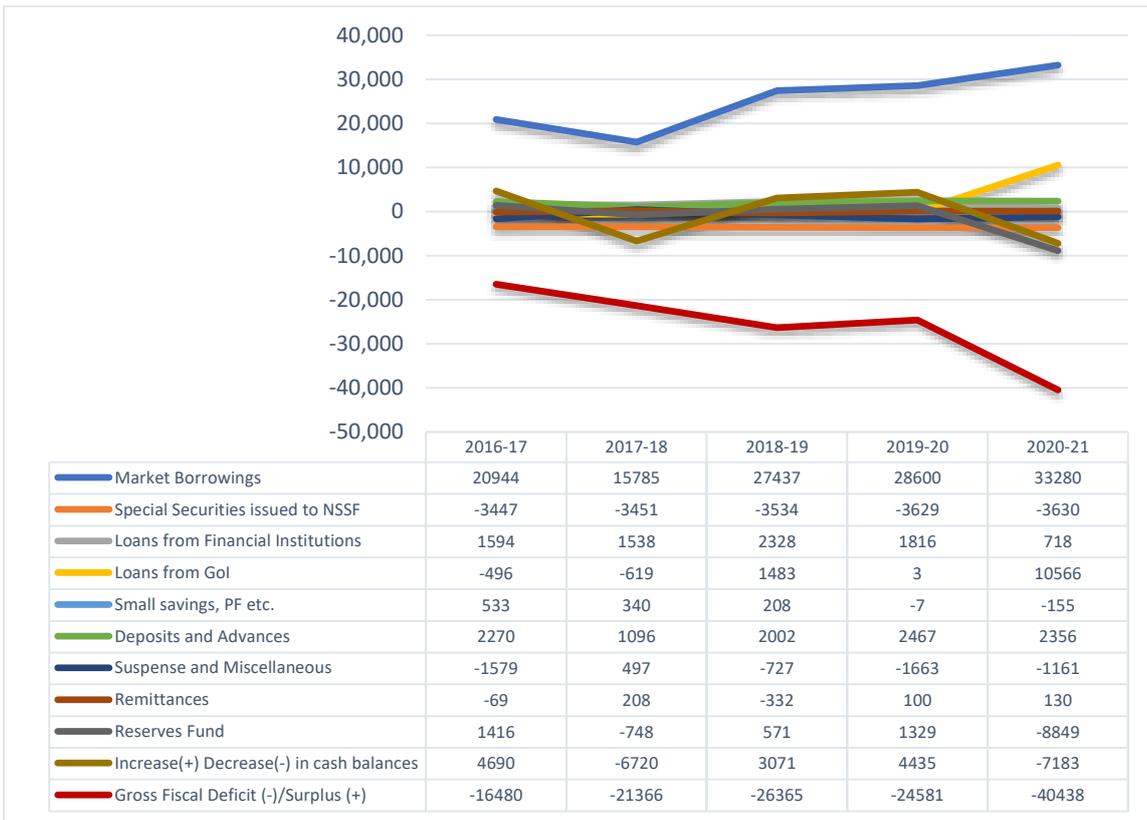
Table 2.47: Receipts and disbursements of components financing the fiscal deficit (₹ in crore)

Particulars		Receipt	Disbursement	Net
1	Market Borrowings	44,780	11,500	33,280
2	Special Securities issued to NSSF	0	3,630	(-)3,630
3	Loans from Financial Institutions	2,728	2,010	718
4	Loans from GOI	11,349	783	10,566
5	Small Savings, PF, etc.	2,065	2,220	(-)155
6	Deposits and Advances	52,126	49,770	2,356
7	Suspense and Miscellaneous	24,055	25,216	(-)1,161
8	Remittances	19,878	19,748	130
9	Reserve Fund	2,090	10,939	(-)8,849
10	Overall Deficit	1,59,071	1,25,816	33,255
11	Increase (+)/Decrease (-) in cash balance	1,93,403	1,86,220	7,183
12	Gross Fiscal Deficit	3,52,474	3,12,036	40,438

Source: Finance Accounts of the year 2020-21.

Chart 2.26 below captures the trend of various sub-components of outstanding debt of the State Government during 2016-21 *i.e.*, internal debt, loans and advances from Central Government and public account liabilities.

Chart 2.26: Components-wise debt trend



2.7.2 Debt Profile: Maturity and Repayment

Debt maturity and repayment profile indicates commitment on the part of the Government for debt repayment or debt servicing.

Public Debt consists of internal debt, and loans and advances received from GoI. The maturity profile of public debt of ₹ 3,08,030 crore comprising internal debt (₹ 2,90,031 crore) and loans and advances from GoI (₹ 17,999 crore), as per Statement No. 17 of the Finance Accounts for the year 2020-21, is as shown in Table 2.48.

Table 2.48: Maturity profile of Public Debt

Year of maturity	Maturity Profile	Amount			Maturity profile of outstanding Public Debt (in %)
		Internal Debt	Loans & Advances from GoI	Total outstanding Public Debt	
By 2021-22	0-1 year	23,518.36	937.14	24,455.50	7.94
Between 2022-23 & 2023-24	2-3 years	44,578.97	2,468.74	47,047.71	15.27
Between 2024-25 & 2025-26	4-5 years	52,565.99	1,664.12	54,230.11	17.60
Between 2026-27 & 2027-28	6-7 years	60,995.45	1,244.40	62,239.85	20.21
2028-29 onwards	Above 7 years	108372.30	11,684.52	1,20,056.82	38.98
Total		2,90,031.07	17,998.92	3,08,029.99	100.00

Source: Finance Accounts of the State Government for the year 2020-21

The maturity profile of outstanding stock of public debt as on 31 March 2021 indicates that 61 *per cent* of the total public debt (₹ 1,87,973.17 crore) would be repayable within the next seven years which may put a strain on the Government budget during that period. Remaining 39 *per cent* (₹ 1,20,056.82 crore) would become due for servicing after seven years. In view of the increasing committed expenditure on one hand and revenue deficit on the other, the State Government would have to work out a well-thought-out borrowing-repayment strategy to avoid falling into a debt trap.

Chart 2.27 shows the maturity profile of public debt and **Chart 2.28** the repayment schedule of market loans³³ in the ensuing years.

Chart 2.27: Maturity profile of Public Debt

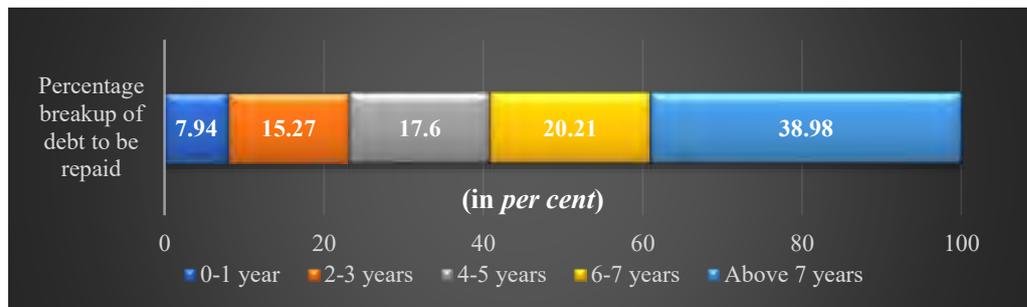


Chart 2.28: Repayment schedule of market loans



Source: Information received from Finance Department of Government of Gujarat

2.8 Debt Sustainability Analysis

2.8.1 Debt Sustainability

Debt is considered sustainable if the borrower, in this case the State, can service its debt now, and in future. Debt sustainability indicators accordingly seek to assess the credit worthiness and the liquidity position of the borrower by examining their ability to service the debt through timely interest payments and repay debt out of current and regular sources of revenue.

³³ Figures of Principal repayment in Chart 2.28 do not match with Table 2.48 as the details furnished by Finance Department do not match with Finance Accounts, 2020-21.

This section assesses the sustainability of debt of the State Government in terms of debt/GSDP ratio, fiscal deficit, burden of interest payments (measured by ratio of interest payments to revenue receipts) and maturity profile of the State Government debt.

2.8.1.1 Trend in debt sustainability indicators

Table 2.49 shows the debt sustainability of the State for the five-year period beginning from 2016-17.

Table 2.49: Debt Sustainability: Indicators and Trends

(₹ in crore)					
Indicators of Debt sustainability	2016-17	2017-18	2018-19	2019-20	2020-21
Outstanding Public Debt	1,99,338	2,12,590	2,40,305	2,67,094	3,08,030
Rate of growth of outstanding public debt (<i>per cent</i>)	10.29	6.65	13.04	11.15	15.33
Gross State Domestic Product (GSDP)	11,67,156	13,29,095	15,02,899	16,49,505	16,58,865
Rate of growth of GSDP (<i>per cent</i>)	13.43	13.87	13.08	9.75	0.57
Public Debt/GSDP (<i>per cent</i>)	17.08	16.00	15.99	16.19	18.01 ³⁴
Public Debt Receipts	27,668	26,953	43,146	43,491	58,857
Public Debt Repayment	9,073	13,700	15,432	16,702	17,922
Interest payments on Public Debt	16,117	17,178	18,215	20,338	22,073
Average interest rate on Outstanding Public debt ³⁵ (<i>per cent</i>)	8.48	8.34	8.04	8.02	7.68
Percentage of Interest Payment on Public Debt to Revenue Receipts	14.67	13.93	13.39	14.24	17.22
Percentage of Public Debt Repayment to Public Debt Receipts	32.79	50.83	35.77	38.40	30.45
Net Public Debt³⁶ available to the State (₹ crore)	2,478	-3,925	9,499	6,451	18,862
Available Public Debt as a percentage of Public Debt Receipts (<i>per cent</i>)	8.96	-14.56	22.02	14.83	32.05

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

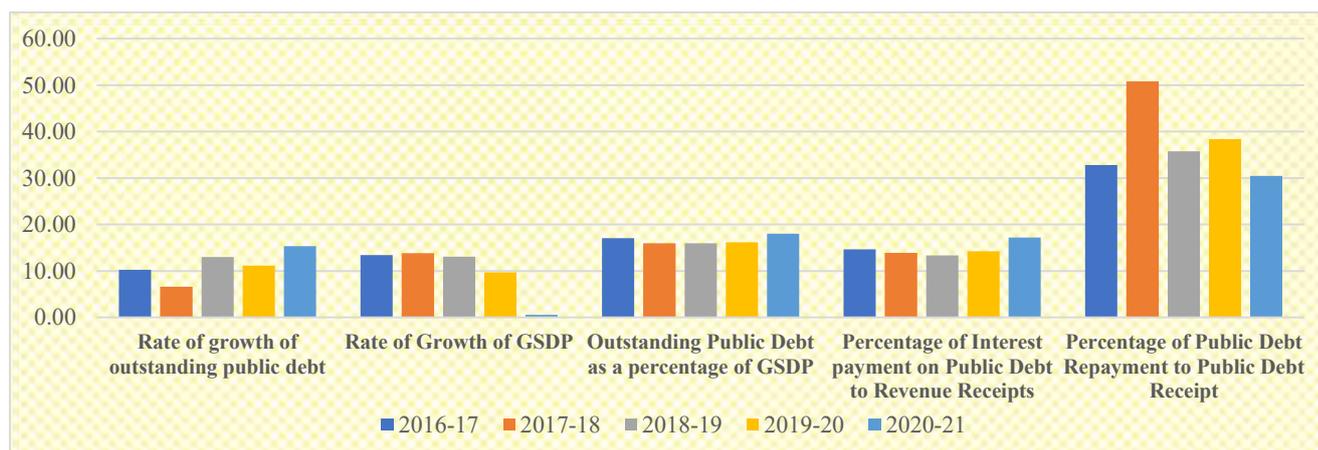
The effective outstanding public debt would be ₹ 2,98,808 crore as the Department of Expenditure, GoI has decided that GST compensation of ₹ 9,222 crore given to the State as back to back loan under public debt receipts would not be treated as public debt of the State for any norms which may be prescribed by the Finance Commission.

³⁴ As per Department of Expenditure, GoI, the borrowings under the special window will not be treated as debt of the State for any norms which may be prescribed by the Finance Commission, etc. Hence the back to back loans in lieu of shortfall of GST compensation of ₹ 9,222 crore has not been considered as public debt here.

³⁵ Interest paid *100/(OB of Public debt + CB of Public debt)/2

³⁶ Net Public Debt available to the State Government is calculated as excess of Public Debt receipts over Public Debt repayment and interest payment on Public Debt

Chart 2.29: Trends of Debt Sustainability indication



As can be seen from **Table 2.49**, the ratio of public debt to GSDP was within a range of 15.99 *per cent* to 18.01 *per cent* during 2018-21. During this period, the burden of interest payment on public debt ranged from 13.39 *per cent* to 17.22 *per cent* of the revenue receipts. The percentage of public debt repayment to public debt receipts decreased sharply over the previous year. Further, during 2016-21, while GSDP grew at a CAGR of 9.19 *per cent*, the outstanding Public Debt has grown at a CAGR of 11.49 *per cent*. The above indicators show that there is a need to review sustainability of debt of the State.

2.8.2 Status of Guarantees – Contingent Liabilities

Guarantees are liabilities having encumbrance on the Consolidated Fund of the State in cases of defaults by borrowers for whom guarantees have been extended by the State Government. Statement No. 20 of the Finance Accounts gives details of guarantees given by the State Government. Details in this compilation are prepared from the information furnished by State Government. The maximum amount for which guarantees were given by State Government and outstanding guarantees for the last five years is given in **Table 2.50**.

Table 2.50: Guarantees given by the Government of Gujarat

Guarantees	2016-17	2017-18	2018-19	2019-20	2020-21
Ceiling limit on Government Guarantees under Gujarat State Guarantees Act, 1963	20,000	20,000	20,000	20,000	20,000
Maximum amount guaranteed	11,333	11,796	11,796	11,747	11,751
Outstanding amount of guarantees	4,804	4,834	4,699	4,462	3,656
Percentage of outstanding amount of guarantees to total revenue receipts	4.37	3.92	3.46	3.12	2.85

Source: Finance Accounts of the State Government of respective years.

The Gujarat State Guarantees Act, 1963 prescribes capping of outstanding guarantees within the limit of ₹ 20,000 crore. During 2020-21, State Government extended guarantees amounting to ₹ 60 crore. Of the total outstanding guarantees of ₹ 3,656 crore, 35 *per cent* (₹ 1,262 crore) were in respect of Sardar Sarovar Narmada Nigam Limited and 12 *per cent* (₹ 433 crore)

were in respect of Gujarat State Financial Corporation. The outstanding guarantees (₹ 3,656 crore) accounted for 2.85 per cent of the total revenue receipts of the State Government (₹ 1,28,156 crore). These were well within the limit of ₹ 16,000 crore prescribed under the Gujarat Fiscal Responsibility Act, 2005.

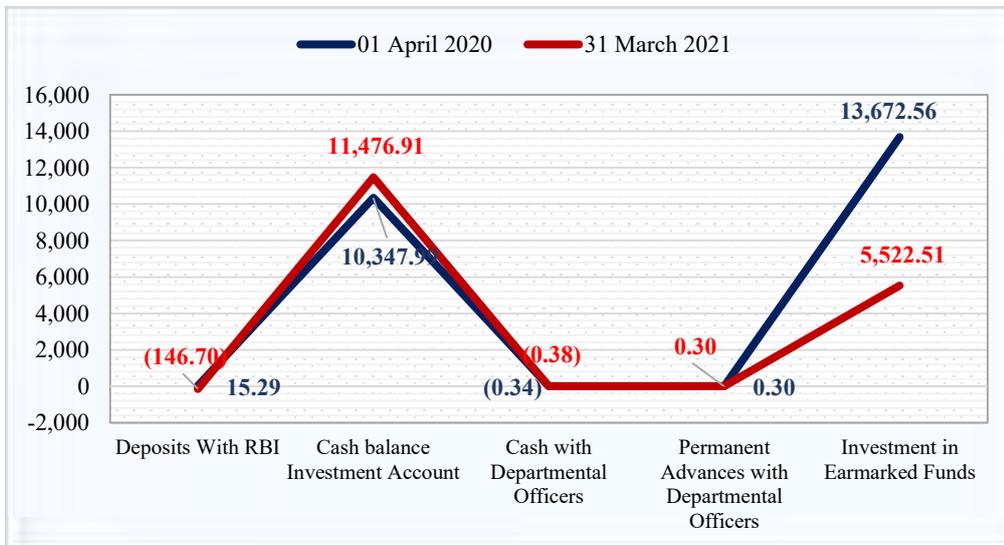
During 2020-21, State Government received ₹ 0.25 crore as guarantee fees from State level bodies, against the budget estimates of ₹ 1.62 crore. Further, no amount was paid by the State Government on account of invocation of guarantees during 2020-21.

2.8.3 Management of Cash Balances

The details of opening and closing cash balances with Government of Gujarat as of 01 April 2020 and 31 March 2021 are shown in **Chart 2.30**.

Chart 2.30: Opening and closing cash balances of financial year 2020-21

(₹ in crore)



As per an agreement with the RBI, the State Government must maintain a minimum daily cash balance of ₹ 2.80 crore with the Bank. If the balance falls below the agreed minimum on any day, the deficiency is made good by taking ordinary Ways and Means Advances (WMA)/ Special Ways and Means Advances (SWMA)/Overdrafts (OD) from time to time. The limit for ordinary WMA to the State Government is ₹ 19.15 crore with effect from 01 February 2016 and the limit of SWMA is revised by the Bank from time to time.

The State Government maintained the minimum daily cash balance with the RBI during 2020-21 and no WMA/SWMA/OD was availed of during the year.

2.8.3.1 Investment of Cash Balances

Details of cash balances and investment made by the State Government out of cash balances during 2020-21 are shown in **Table 2.51**.

Table 2.51: Cash balances and investment of cash balances

(₹ in crore)			
Cash balances and investment of cash balances	Opening balance on 01/04/2020	Closing balance on 31/03/2021	Increase (+)/Decrease (-)
(A) General cash balance			
Cash in Treasuries	0.00	0.00	0.00
Deposits with Reserve Bank of India	15.29	(-)146.70	(-)161.99
Remittances in Transit – Local	0.00	0.00	0.00
Investments held in Cash Balance Investment Account (Treasury Bills)	10,347.99	11,476.91	1,128.92
Total (A)	10,363.28	11,330.21	966.93
(B) Other Cash balances and investments			
Cash with Departmental Officers viz. Public Works, Forest, District Collectors etc.	(-)0.34	(-)0.38	(-)0.04
Permanent advances with Departmental Officers for contingent expenditure	0.30	0.30	0.00
Investment in earmarked funds	13,672.56	5,522.51	(-) 8,150.05
Total (B)	13,672.52	5,522.43	(-) 8,150.09
Total Cash Balances (A)+ (B)	24,035.80	16,852.64	(-) 7,183.16
Interest realised³⁷	1,142	778	364

Source: Finance Accounts of the State Government for the year 2020-21.

The State Government's cash balances of ₹ 16,852.64 crore at the end of the current year showed a decrease of ₹ 7,183.16 crore (29.89 per cent) over the previous year. Of the cash balance of ₹ 16,852.64 crore, ₹ 11,476.91 crore was invested in GoI Treasury Bills which earned an interest of ₹ 96.86 crore during the year. Further, ₹ 5,522.51 crore was invested in earmarked funds which earned an interest of ₹ 681 crore.

Due to adequate cash balance during 2020-21, the State Government did not avail of any Ways and Means Advance from the RBI for maintenance of its minimum cash balance.

The cash balance investments of the State during the five-year period (2016-21) are given below.

Table 2.52: Cash Balance Investment Account (Major Head-8673)

(₹ in crore)				
Year	Opening Balance	Closing Balance	Increase (+)/decrease (-)	Interest earned
2016-17	8,945.52	12,749.99	3,804.47	509.52
2017-18	12,749.99	5,198.09	(-)7,551.90	553.79
2018-19	5,198.09	6,895.90	1,697.81	234.24
2019-20	6,895.90	10,347.99	3,452.09	211.33
2020-21	10,347.99	11,476.91	1,128.92	96.86

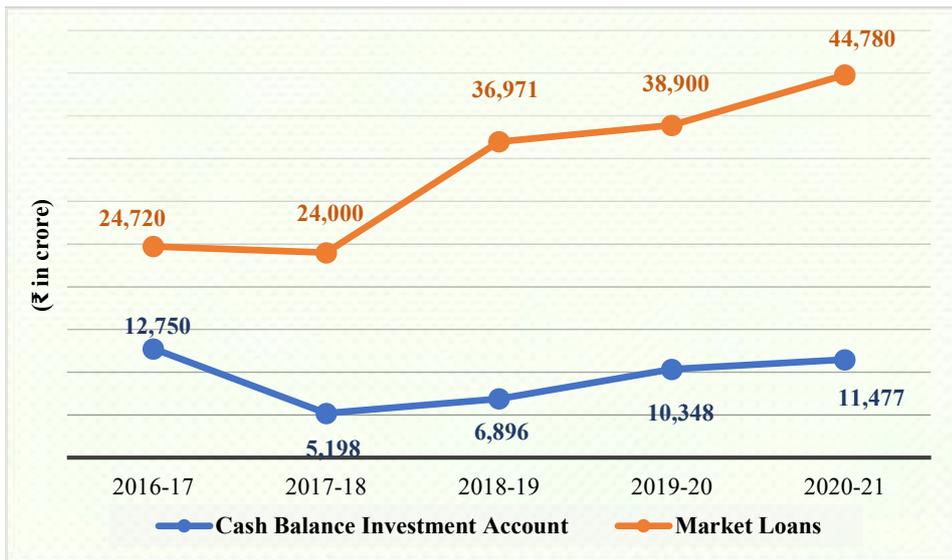
Source: Finance Accounts of the State Government for respective years

³⁷ Interest of ₹ 681 crore and ₹ 931 crore realized during 2020-21 and 2019-20 respectively on Sinking fund Investment (realized along with regular investment); hence, not included under MH 0049 plus interest on Cash Investment ₹ 97 crore and ₹ 211 crore.

The trend analysis of the cash balance investment of the State Government during 2016-21 revealed that investment increased significantly during 2018-21. During the current year, investments held in cash balance investment account stood at 5.28 per cent of the annual budget estimates of the State (₹ 2,17,287 crore).

Chart 2.31 compares the balances available in the cash balance investment account and the market loans raised by the State Government during the period 2016-21. Market Loans were taken at higher interest rates whereas, investment in Treasury Bills yielded interest at lower rates.

Chart 2.31: Market loans raised vis-a-vis Investments held in Cash Balance Investment Account



During 2020-21, the State Government raised ₹ 44,780 crore from the market, while at the same time, the balances available in cash balance investment account increased from ₹ 10,348 crore in 2019-20 to ₹ 11,477 crore in 2020-21, indicating that Government could have avoided the borrowings to that extent.

Chart 2.32 shows the daily cash balance held in cash balance investment account during 2020-21 and **Chart 2.33** shows the month-wise movement of cash balance at the end of the month and net cash balance investments during 2020-21.

Chart 2.32: Daily Cash balance held in cash balance investment accounts during 2020-21
(₹ in crore)

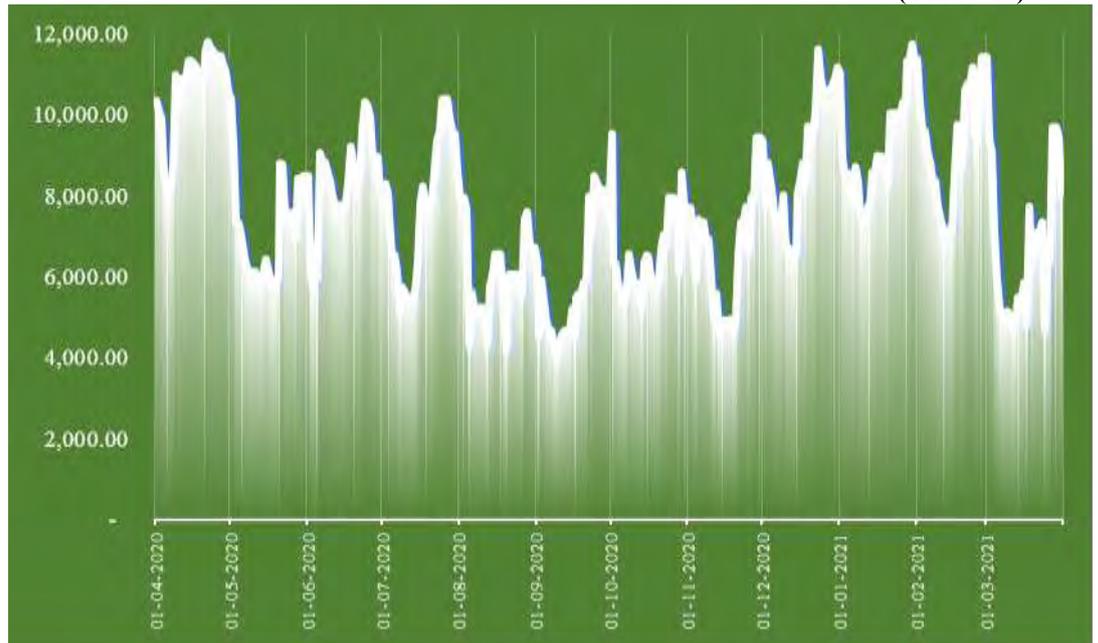
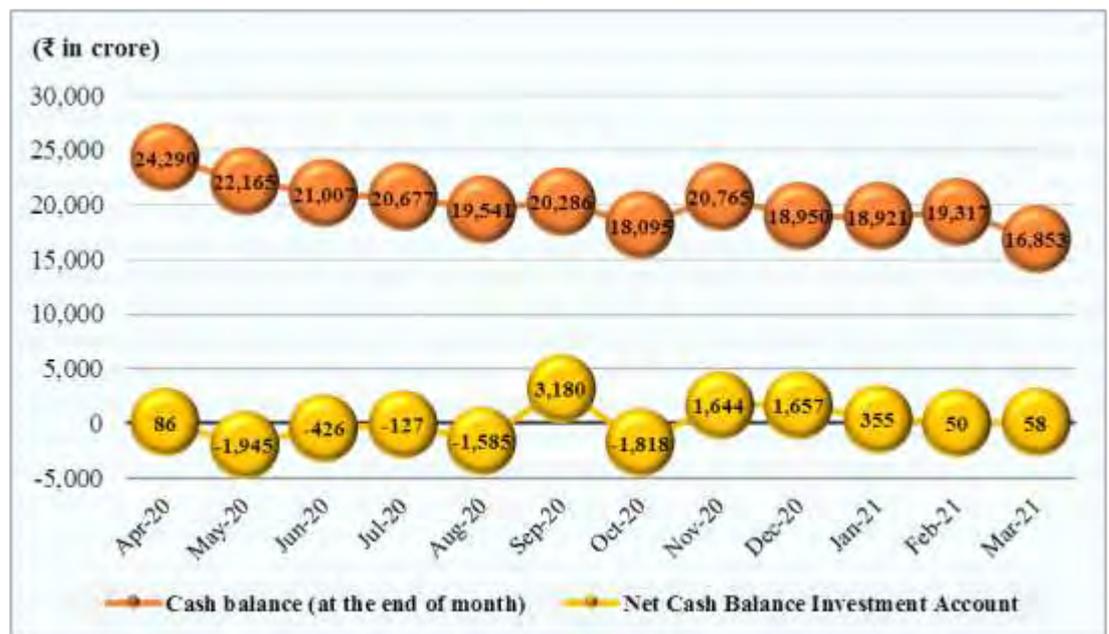


Chart 2.33: Month-wise movement of Cash Balance (at the end of month) and net Cash Balance Investments during 2020-21



Further, borrowings are normally resorted to, to invest in capital projects and creation of assets. The increase in Capital Expenditure of the State during 2020-21 compared to the previous years, as brought out in Paragraph 2.4.3 has been minimal. Therefore, there appears to be no rationale for borrowing at a higher rate of interest, while the cash balances were adequate throughout the year. Further, at the end of the year, the Government had invested about 33 per cent of the cash balance in the earmarked funds including those at RBI (Table 2.51) as against 57 per cent at the end of 2019-20. Even to maintain investment of cash balance in the earmarked funds at 57 per cent, the State

Government's monthly cash balance was sufficient and there was no need for additional borrowings. Thus, the borrowings especially the market loans could have been avoided to that extent and the resultant interest burden could also be averted.

This has been brought to the notice of Finance Department (December 2021). The reply of the department is awaited.

2.9 Conclusion

The State Government registered a decrease of 10.28 *per cent* in its revenue receipts during 2020-21 compared to the previous year. There was a significant decrease of 42.04 *per cent* in State's non-tax revenue during 2020-21 over 2019-20. The State was largely financed from its own resources, with 63 *per cent* of the revenue coming from its own sources.

Capital expenditure as a percentage of total expenditure decreased continuously over the last three years.

As compared to the States other than North Eastern and Himalayan states, development expenditure of the State during 2020-21 was more while it was less in education and health sector.

The State Government had been able to control its committed expenditure but, expenditure on subsidy was increasing.

The State Government resorted to market borrowings, despite having adequate cash balance, resulting in increase in Investments held in Cash Balance Investment Account.

2.10 Recommendations

- The State Government may consider developing a debt sustainability framework for achieving improved long-term sustainability in fiscal deficit management and to guide the borrowing decisions of the State in a way that matches their financing needs with current and prospective repayment.
- The State Government may reconcile/review inoperative loan accounts and take steps for recovery or write off, if required.
- State Government may take steps to operate the funds for Disaster Risk Management as per recommendation of 15th FC as well as guidelines of the funds.
- State Government may develop a mechanism to transfer entire receipts on account of cess and penalties to respective funds in prescribed time schedule so that the activities under those funds are not hindered.
- The State Government may work out a well-thought-out borrowing-repayment strategy because around 61 per cent of the total public debt would be repayable within the next seven years.