

Chapter-II
Finances of the State

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FINANCES OF THE STATE

This chapter provides a broad perspective of the finances of the Government of Jammu and Kashmir during the financial year 2019-20 (01 April 2019 to 30 October 2019) on the basis of major fiscal aggregates and its structural profile.

2.1 Major changes in Key fiscal aggregates *vis-à-vis* 2018-19

The major key fiscal aggregates of the State for the period 01 April 2019 to 30 October 2019 were for seven months accounts, so it cannot be compared *vis-à-vis* fiscal aggregates for the complete year 2018-19.

2.2 Sources and Application of Funds

The components of the sources and application of funds of the State during the period 01 April 2019 to 30 October 2019 are as under:

Table 2.1: Details of Sources and Application of funds during 2019-20 (01 April 2019 to 30 October 2019)

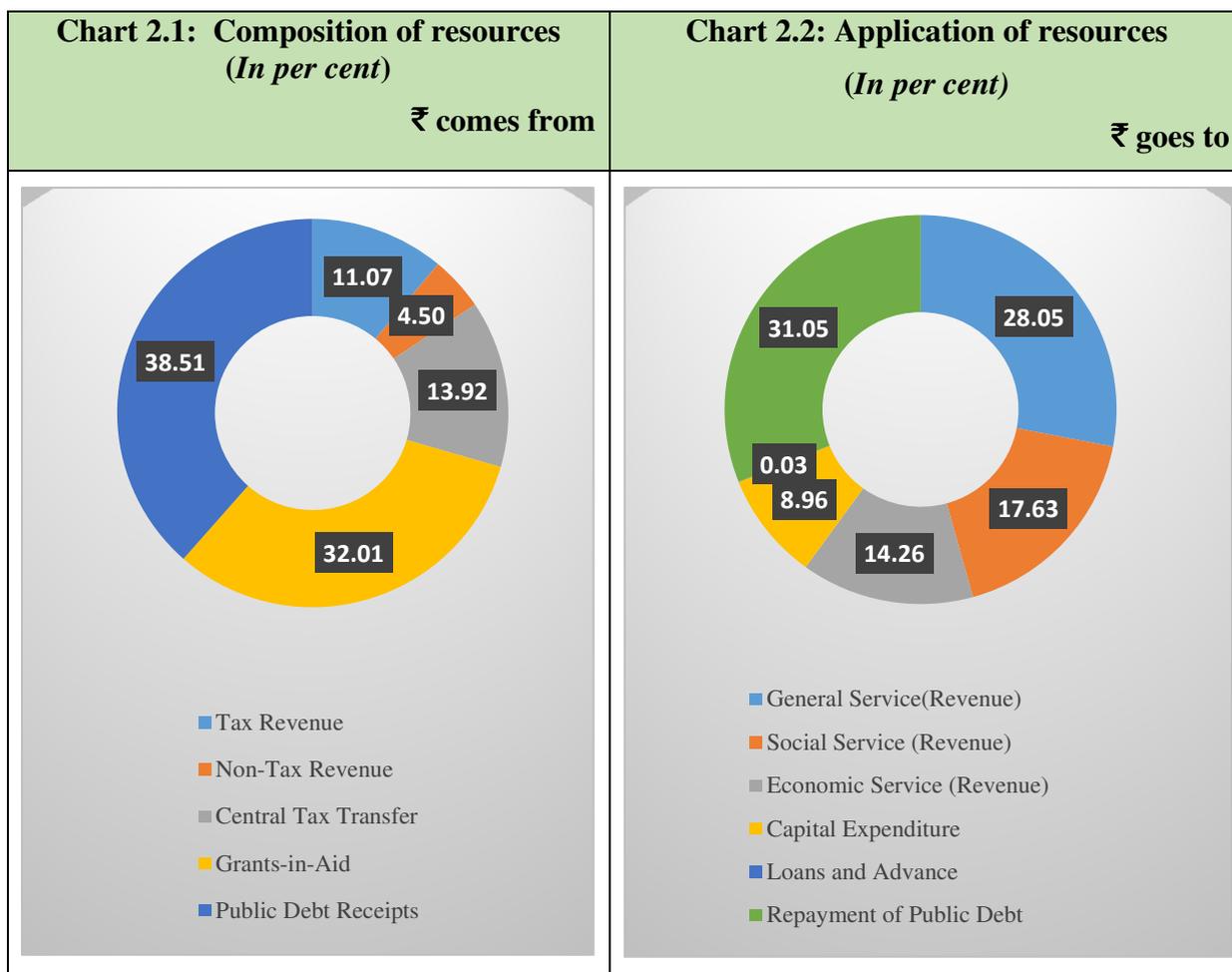
(₹ in crore)

	Particulars	2019-20 (01/04/2019 to 30/10/2019)
Sources	Opening Cash Balance with RBI and other cash balances	511
	Revenue Receipts	30,052
	Recoveries of Loans and Advances	02
	Public Debt Receipts (Net)	3,153
	Public Account Receipts (Net)	1,022
	Total	34,740
Application	Revenue Expenditure	30,244
	Capital Expenditure	4,522
	Disbursement of Loans and Advances	16
	Closing Cash Balance with RBI and other cash balances	(-)42
	Total	34,740

Source: Finance Accounts

Revenue receipt is biggest source and biggest share of resource was applied towards revenue expenditure.

The composition of sources and application of funds in the Consolidated Fund of the State during 2019-20 (01 April 2019 to 30 October 2019) is given in **Chart 2.1** and **Chart 2.2**.



Public Debt Receipts and Grant-in- Aid accounted for 70.52 *per cent* of resources of State. Repayment of Public Debt and Expenditure on General Services accounted for 59.10 *per cent* of expenditure.

2.3 Resources of the State

The resources of the State are described below:

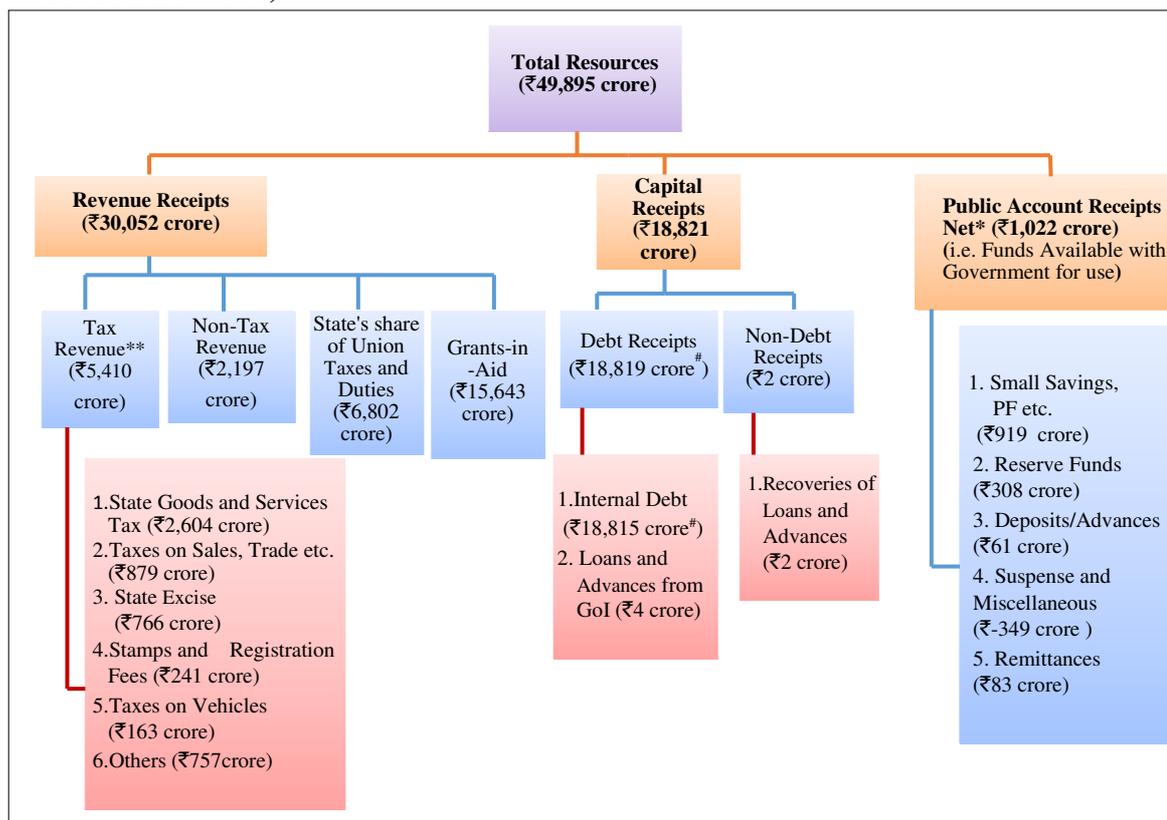
1. **Revenue receipts** consist of tax revenue, non-tax revenue, State's share of Union taxes and duties and grants-in-aid from the Government of India (GoI).
2. **Capital receipts** comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts 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 Section 115 (2) of the Constitution of erstwhile state of Jammu and Kashmir 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

Revenue and Capital are the two streams of receipts that constitute the resources of the State Government. Revenue Receipts consist of Tax Revenues, Non-Tax Revenues, State's share of Union Taxes and Duties and Grants-in-Aid from the Government of India (GoI). Capital Receipts comprise Miscellaneous Capital Receipts such as proceeds from Disinvestments, Recoveries of Loans and Advances, Debt Receipts from internal sources (Market Loans, Borrowings from financial institutions/commercial banks) and Loans and Advances from GoI as well as accruals from Public Account. **Chart 2.3** showing the composition of resources of the State during the current year are given below.

Chart 2.3: Composition of receipts of the State during 2019-20 (01 April 2019 to 30 October 2019)



*Public Accounts Receipts Net (₹1,022 crore) = Public Accounts Receipts (₹16,992.80 crore) less Public Accounts Disbursements (₹15,970.45 crore) **does not include compensation of ₹1,032 crore received due to implementation of GST (included in GIA) # Includes Ways and Means Advance (₹14,803.07 crore)

2.3.2 State's Revenue Receipts

During the period 01 April 2019 to 30 October 2019 the various components of State Revenue receipts were as shown in **Table 2.2**.

Table 2.2: Components of State's Revenue Receipts during 01 April 2019 to 30 October 2019)

(₹ in crore)

Sl. No.	Name of Components	Amount	Percentage
1	Own Tax Revenue	5,410	18
2	Own Non Tax Revenue	2,197	7
3	State's share in Union Taxes	6,802	23
4	Grants-in-Aid from Government of India	15,643	52
	Total	30,052	

Source: Finance Accounts

2.3.2.1 State's Own Resources

State's performance in mobilisation of resources should be assessed in terms of its own resources comprising revenue from its own tax and non-tax sources. Details of the own tax revenue and non-tax revenue of the State during the period 01 April 2019 to 30 October 2019 are given in the following sub-paragraphs.

2.3.2.1.1 Own Tax Revenue

Own tax revenues of the State consist of State GST, State Excise, Taxes on Vehicles, Stamp Duty and Registration fees, Land revenue, Taxes on Goods and Passengers, etc.

Table 2.3: Components of State's Own Tax Revenue

(₹ in crore)

Revenue Head	2019-20 (01/04/2019 to 30/10/2019)	Percentage to total Own Tax Revenue
SGST	2,604	48
Sales Tax	879	16
State excise	766	14
Taxes on goods and passengers	574	11
Stamp duty and Registration fees	241	4
Taxes on vehicles	162	3
Land revenue	86	2
Other taxes	98	2
Total	5,410	

Source: Finance Accounts

During 01 April 2019 to 30 October 2019, the State's Own Tax Revenue was ₹5,410 crore. The respective share of major components of Own Tax Revenue is SGST (48 per cent), Sales Tax (16 per cent), State Excise (14 per cent) and Taxes on Goods

and Passengers (11 *per cent*), which together account for 89 *per cent* of total Own Tax Revenue.

2.3.2.1.2 State Goods and Services Tax (SGST)

As per the GST (Compensation to States) Act, 2017, States will be compensated for the shortfall in revenue arising on account of implementation of the Goods and Services Tax considering an annual growth of 14 *per cent* from the base year, for a period of 5 years. 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. State Government implemented the Goods and Services Tax (GST) Act which became effective from 8th July 2017. The compensation payable to the State shall be calculated for every financial year after the receipt of final revenue figures, as audited by the CAG of India. The base year (2015-16) revenue figure was finalised under GST Act. In case of Jammu and Kashmir, the Revenue was ₹4,766.30 crore during the base year (2015-16). The protected revenue for any year in a State shall be calculated by applying the projected growth rate (14 *per cent* per annum) over the base year revenue. The protected revenue for the year 2019-20 in accordance with base year figure was ₹8,050.09 crore¹. The protected revenue for the seven month period (01 April 2019 to 30 October 2019) was ₹4,695.88 crore. Against the protected revenue, the Revenue Receipt of the State Government under GST including collection of taxes subsumed in GST during the period 2019-20 (01 April 2019 to 30 October 2019) remained at ₹2,617.81 crore as detailed in **Table 2.4**. Against the actual loss of ₹2,078.07 crore due to implementation of GST, the State Government received compensation of ₹1,032 crore during the period 01 April 2019 to 30 October 2019. It has resulted in less compensation to the extent of ₹1046.07 crore, as given below. During the year 2019-20 (01 April 2019 to 30 October 2019) the total collection under SGST was ₹2,604 crore.

¹ $4766.30 \times (1 + 14/100)^4 = ₹8,050.09$ crore for 2019-20 and for one month will be $8,050.09/12 = ₹670.84$ crore

Table 2.4: Pre-GST and SGST collected, provisional apportionment of IGST and compensation received from GoI against protected revenue

(₹ in crore)

Month	Monthly revenue to be protected	Pre-GST collected #	SGST collected *	Apportionment of IGST*	Total amount received	Compensation to be received	Compensation actually received	Surplus (+)/ Deficit(-)
	1	2	3	4	5 (2+3+4)	6 (1-5)	7	8 (7-6)
April-19	670.84	3.89	196.86	324.01	524.76	146.08	0	(-)146.08
May-19	670.84	1.51	148.18	245.37	395.06	275.78	228	(-)47.78
June-19	670.84	0.89	148.52	271.72	421.13	249.71	0	(-)249.71
July-19	670.84	6.05	151.04	89.31	246.40	424.44	334	(-)90.44
Aug-19	670.84	0.44	109.82	454.59	564.85	105.99	0	(-)105.99
Sep-19	670.84	0.42	97.23	124.22	221.87	448.97	470	(+)21.03
Oct-19	670.84	0.55	115.38	127.81	243.74	427.1	0	(-)427.1
Total	4,695.88	13.75	967.03	1,637.03	2,617.81	2,078.07	1,032.00	(-)1,046.07

Source: State Government

* Source : Finance Accounts/VLC data, (Includes Fines and Penalty)

2.3.2.1.3 Audit of GST Receipts

With automation of the collection of Goods and Services Tax (GST) having taken place, it is essential for audit to transition from sample checks to a comprehensive check of all transactions, to fulfill the CAGs constitutional mandate of certifying the accounts. The required access to data is yet to be provided. Not having access to the data pertaining to all GST transactions has come in the way of comprehensively auditing the GST receipts. The access to GST data has not been provided, and the accounts for the period 01 April 2019 to 30 October 2019 were certified, as was done when records were manually maintained.

2.3.2.1.4 Non-Tax Revenue

Non-Tax Revenue consists of interest receipts, dividends and profits, mining receipts, departmental receipts, etc. Non-Tax Revenue during the period 01 April 2019 to 30 October 2019 is given in **Table 2.5** below:

Table 2.5: Components of State's Non-Tax Revenue*(₹ in crore)*

Revenue Head	2019-20 (01/04/2019 to 30/10/2019)	Percentage
Interest Receipts	10	0.46
Dividend and Profits	-	-
Other Non-Tax Receipts	2,187	99.54
a) Power Development Department	1,693	77.06
b) Major /Medium Irrigation	216	9.83
c) Other Administrative Services	63	2.87
d) Police	39	1.78
e) Non-ferrous mining	28	1.27
f) Medical and Public Health	17	0.77
g) Water Supply and Sanitation	16	0.73
h) Others	115	5.23
Total	2,197	

Source: Finance Accounts

Non-Tax Revenue (₹2,197 crore) constituted 7.31 per cent of the Revenue Receipt (₹30,052 crore) during 2019-20 (01 April 2019 to 30 October 2019).

The receipts from the sale of Power, being a major constituent of Non-Tax Revenue constituted 77.06 per cent and receipt under Major/Medium Irrigation constituted 9.83 per cent of total Own Non-Tax Revenue for the period 01 April 2019 to 30 October 2019. Government's expenditure on Purchase of power during the period 01 April 2019 to 30 October 2019 was ₹2,715 crore, against which receipt on account of power was ₹1,693 crore. Thus, Government could not recover even the expenditure incurred on purchase of power.

2.3.2.2 Transfers from the Centre

Transfers from Centre are heavily dependent on Finance Commission recommendations. State's share in Central taxes is determined on the basis of recommendations of the Finance Commission. Grants-in-aid from Central government is determined by the quantum of collection of Central tax receipts and anticipated Central assistance for schemes.

2.3.2.2.1 Central Tax transfer

During 01 April 2019 to 30 October 2019, the erstwhile State received ₹6,802 crore as share of Central Taxes against the amount of ₹6,762 crore projected in Budget estimates. The Central tax transfers constituted 22.63 per cent of the total Revenue Receipts for this period. The breakup of the central share received with regard to the various heads is shown below:

Table 2.6: Central Tax Transfers

(₹ in crore)

Head	2019-20 (01/04/2019 to 30/10/2019)	Percentage
Central Goods and Services Tax (CGST)	1,929.04	28.36
Corporation Tax	2,315.88	34.05
Taxes on Income other than Corporation Tax	1,657.57	24.37
Customs	514.44	7.56
Union Excise Duties	384.88	5.66
Central Tax transfers	6,801.81	

Source : Finance Accounts

The Corporation Tax constitutes 34.05 per cent, CGST constitutes 28.36 per cent and Taxes on Income other than Corporation Tax constitutes 24.37 per cent of total Central Tax transfers during the period 01 April 2019 to 30 October 2019.

2.3.2.2.2 Grants-in-aid from GoI

The GoI had operated new Sub-Major Head under Major Head-1601 Grants-in-Aid (GIA) for providing GIA to States during 2017-18 and discontinued Plan and Non-Plan classification. Details of GIA received during the period 01 April 2019 to 30 October 2019 are given in Table 2.7.

Table 2.7: Grants-in-aid from Government of India

(₹ in crore)

Head	2019-20 (01/04/2019 to 30/10/2019)
Grants for Centrally Sponsored Schemes (CSS)	4,181
Finance Commission Grants	10,048
Other transfers/Grants to States/Union Territories with Legislature	1,414
Total	15,643
Percentage of GIA to Revenue Receipts	52

Source: Finance Accounts

Percentage of Grants-in-Aid to Revenue Receipts was 52 per cent during 01 April 2019 to 30 October 2019, and thus the State Government was heavily dependent on Grants-in-Aid from GoI.

2.3.2.2.3 Fourteenth Finance Commission Grants

As per 14th FC Recommendations, a total amount of ₹6,178.37 crore was projected (2015-20) as grants for Rural Local Bodies (₹3,463.73 crore), Urban Local Bodies

(₹1,305.64 crore), and State Disaster Response Fund (₹1,409 crore) respectively. Against this, an amount of ₹3,285.32 crore was released/allocated during the years 2015-20 (till 30 October 2019).

Table 2.8 Recommended amount, actual release and transfers of Grant-in-aid

(₹ in crore)

Transfers	Recommendation of the XIV-FC			Actual release by GoI			Release by State Government to Local bodies		
	2015-16 to 2018-19	2019-20	Total	2015-16 to 2018-19	2019-20 (01/04/2019 to 30/10/2019)	Total	2015-16 to 2018-19	2019-20 (01/04/2019 to 30/10/2019)	Total
Local Bodies									
(i) Grants to PRIs	2,414.24	1,049.49	3,463.73	638.31	1,219.61	1,857.92	549.22	853.11	1,402.33
(a) General Basic Grant	2,182.17	935.19	3,117.36	571.53	1,219.61	1,791.14	549.22	853.11	1,402.33
(b) General Performance Grants	232.07	114.30	346.37	66.78	-	66.78	-	-	-
(ii) Grants to ULBs	906.12	399.52	1,305.64	125.30	173.50	298.80	62.65	236.15	298.80
(a) General Basic Grant	731.16	313.35	1,044.51	125.30	173.50	298.80	62.65	236.15	298.80
(b) General Performance Grants	174.96	86.17	261.13	-	-	-	-	-	-
Total for Local Bodies	3,320.36	1,449.01	4,769.37	763.61	1,393.11	2,156.72	611.87	1,089.26	1,701.13
State Disaster Response Fund*	1,099.00	310.00	1,409	723.60	405.00	1,128.60	803.60*	405.00	1,208.60
Grand Total	4,419.36	1,759.01	6,178.37	1,487.21	1,798.11	3,285.32	1,415.47	1,494.26	2,909.73

* Including State share of total grant.

Source: XIV-FC Report, Finance Accounts and State Government

The amount of ₹3,285.32 crore includes ₹1,798.11 (₹173.50 crore for ULBs, ₹1,219.61 crore for PRIs and ₹405 crore for SDRF) received during 2019-20 (01 April 2019 to 30 October 2019).

During the 14th FC award period 2015-16 to 2019-20, the State had received an amount of ₹1,857.92 crore (till 30 October 2019) as grants for PRIs against which only an amount of ₹1,402.33 crore was released up to 30 October 2019 to PRIs, and balance amount of ₹455.59 crore remained with the State Government ending 30 October 2019.

2.3.3 State's performance in Mobilisation of Resources

State's performance in mobilisation of resources is assessed in terms of its own resources comprising Own Tax and Non-Tax sources. The State's Own Tax and Own

Non-Tax Receipts for the year 2019-20 (01 April 2019 to 30 October 2019) *vis-à-vis* budget estimates (pre- actuals) are given in **Table 2.9**:

Table 2.9: Tax and non-tax receipts *vis-à-vis* projections for the period 01 April 2019 to 30 October 2019

(₹ in crore)

	Budget Estimates*	Actual	Percentage variation of actual over Budget estimates*
Own Tax Revenue	6,427	5,410	(-)16
Non-Tax Revenue	1,036	2,197	(+)112

*Pre-actuals for the period 01 April 2019 to 30 October 2019 reflected in Budget for the year 2020-21.

The collection under State's Own Tax Revenue fell short by 16 *per cent* of Budget Estimates. The receipts under Own Non-Tax Revenue were 112 *per cent* more than the Budget Estimates. The State Government could not achieve its own targets for Own Tax revenue projected in the Budget Estimates. The State's Own Resources (Own Tax Revenue and Own Non-Tax Revenue) of ₹7,607 crore during 2019-20 (01 April 2019 to 30 October 2019), was not enough to cover its committed liabilities (salaries & wages, interest payments and pension) of ₹21,345 crore.

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 allocation of expenditure in the State.

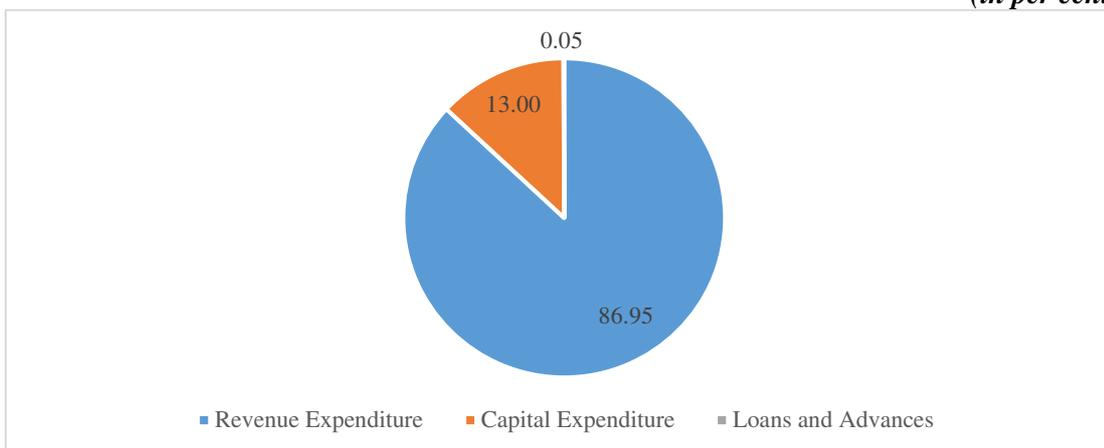
2.4.1 Composition of Expenditure

The composition of the total expenditure of ₹34,782 crore incurred during the period 01 April 2019 to 30 October 2019, is shown in **Table 2.10** below:

Table 2.10: Total expenditure and its composition

Parameters	2019-20 (01/04/2019 to 30/10/2019) (₹ in crore)	Percentage
Revenue Expenditure (RE)	30,244	86.95%
Capital Expenditure (CE)	4,522	13.00%
Loans and Advances	16	0.05%
Total Expenditure (TE)	34,782	

Source : Finance Accounts

Chart 2.4: Total Expenditure: share of its components*(in per cent)*

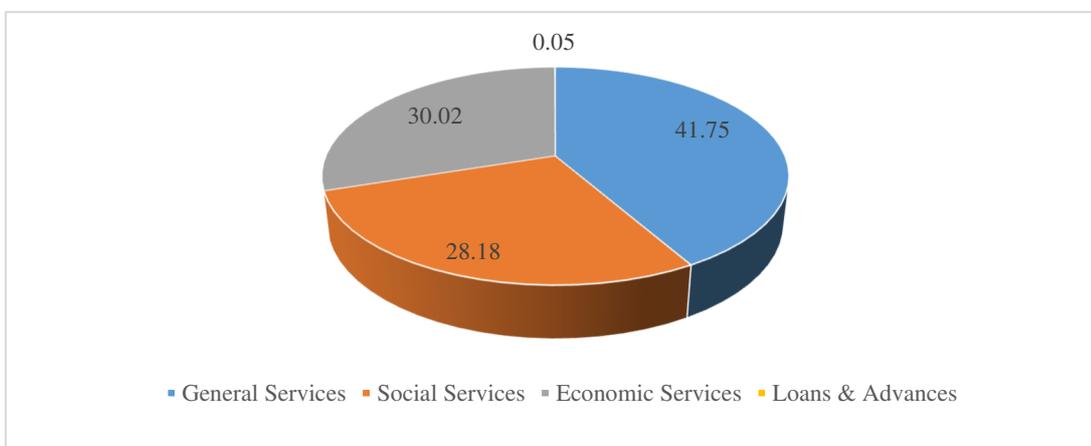
During the period 01 April 2019 to 30 October 2019, the Revenue Expenditure had a predominant share of 86.95 *per cent* of the Total Expenditure. The share of Capital Expenditure in Total Expenditure was 13.00 *per cent* during the same period. This indicates that less share of resources are being used towards development of infrastructure.

The relative share of expenditure of various sectors is given in **Table 2.11** below:

Table 2.11: Relative share of expenditure of various sectors

Parameters	2019-20 (01/04/2019 to 30/10/2019) (₹ in crore)	Percentage
General Services	14,521	41.75
Social Services	9,803	28.18
Economic Services	10,442	30.02
Others (Grants to Local Bodies and Loans and Advances)	16	0.05
Total Expenditure (TE)	34,782	100.00

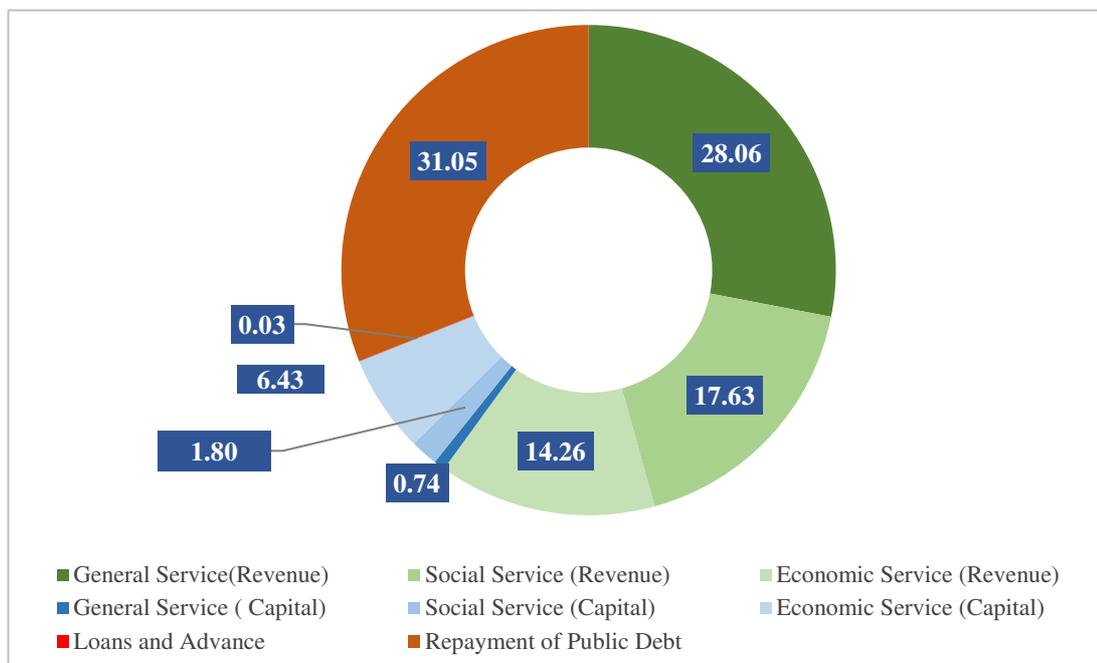
Source: Finance Accounts

Chart 2.5: Total Expenditure - Expenditure by activities*(in per cent)*

The combined share of Social and Economic Services which represented Development Expenditure was 58.20 *per cent* during 2019-20 (01 April 2019 to 30 October 2019). The share of expenditure on General Services was 41.75 *per cent* during 2019-20 (01 April 2019 to 30 October 2019).

Chart 2.6: Pie Chart for the Composition of Expenditure

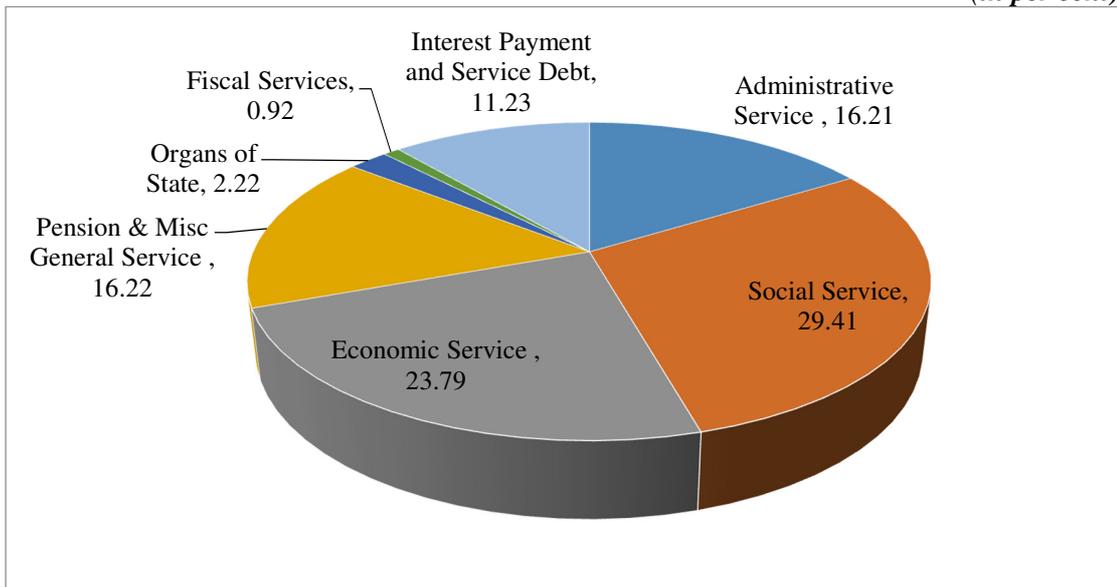
(in per cent)



It can be seen from above pie chart that Repayment of Public debt account for 31.05 *per cent* and General Services account for 28.80 *per cent* of total expenditure. Social Services and Economic Services account for 40.12 *per cent* of total expenditure.

2.4.2 Revenue Expenditure

Revenue expenditure is incurred to maintain the current level of services and payment for the past obligation. As such, it does not result in any addition to the State's infrastructure and service network. During the period 01 April 2019 to 30 October 2019, the Revenue Expenditure (₹30,244 crore) constituted 86.95 *per cent* of the Total Expenditure (₹34,782 crore), and was more than the Revenue Receipts of ₹30,052 crore during the period. The sector wise distribution of the Revenue expenditure during the period is shown in the **Chart 2.7**.

Chart 2.7: Sector-wise distribution of Revenue Expenditure*(in per cent)*

During 2019-20 (01 April 2019 to 30 October 2019), the combined share of revenue expenditure on Economic Services and Social Services accounts for 53.20 per cent and General Services accounts for 46.80 per cent of Revenue Expenditure. The expenditure on General Services includes expenditure on Administrative Services, Interest payments and Servicing of debts and Pension & Miscellaneous General Services which accounts for respectively 16.21 per cent, 11.23 per cent and 16.22 per cent of Revenue Expenditure.

2.4.2.1 Committed Expenditure

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

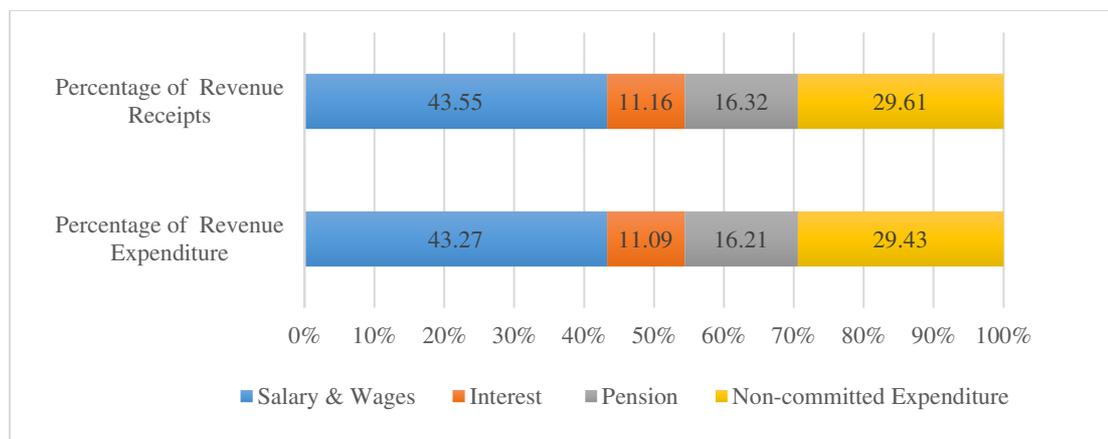
Table 2.12: Components of Committed Expenditure*(₹ in crore)*

Components of Committed Expenditure	2019-20 (01/04/2019 to 30/10/2019)	As a percentage of Revenue Receipts (RR)	As a percentage of Revenue Expenditure (RE)
Salaries & Wages	13,087	43.55	43.27
Expenditure on Pensions	4,903	16.32	16.21
Interest Payments	3,355	11.16	11.09
Total	21,345	71.03	70.57

Source: Finance Accounts

Chart 2.8: Ratio of Committed expenditure in total Revenue Expenditure and Revenue receipts during 01 April 2019 to 30 October 2019

(in per cent)



The committed expenditure constituted 70.57 per cent of Revenue Expenditure and 71.03 per cent of Revenue Receipts, during the period 01 April 2019 to 30 October 2019. State's Own Tax Revenue and Own Non Tax Revenue of ₹7,607 crore during 01 April 2019 to 30 October 2019 is not enough to meet its committed expenditure.

2.4.2.2 Undischarged liabilities in National Pension System

In terms of the Defined Contribution Pension Scheme, the State Government Employees recruited on or after 1 January 2010 who are covered by the Scheme contribute 10 per cent of basic pay and dearness allowance, which is matched by the State Government with equal amount. As per Government instructions dated 17 January 2019, all treasury officers/Drawing and Disbursing officers were advised that the pension contributions received between 1st to 18th of the month may be uploaded by 23rd of the same month and contributions received between 19th to 31st of the month may be uploaded by 10th of the following months.

During 2019-20 (01 April 2019 to 30 October 2019), the State Government contributed an amount of ₹291.03 crore as Government share and the employees also contributed their share of ₹224.44 crore. The entire amount of ₹515.47 crore was transferred to the Minor Head 117-Defined Contribution Pension Scheme (New Pension Scheme) for the Government Employees under Major Head 8342-Other Deposits. Out of ₹637.15 crore (including previous liability of ₹121.68 crore), ₹583.48 crore was transferred from this Head of Deposit Account to the designated fund manager through the National Securities Depository Limited (NSDL)/Trustee Bank.

As such, as on 30 October 2019, an amount of ₹53.67 crore was lying under the Major Head-8342 – “Other Deposits”- 117 “Defined Contribution Pension Scheme” (New Pension Scheme) for the Government Employees (which are deposits bearing interest) awaiting transfer to NSDL/Trustee Bank. Government may make efforts to expeditiously clear the untransferred amounts at the close of the accounts.

2.4.2.3 Subsidies

The amounts of subsidies paid by the State Government during the period 01 April 2019 to 30 October 2019 is shown in **Table 2.13**.

Table 2.13: Expenditure on subsidies during 01 April 2019 to 30 October 2019

	2019-20 (01/04/2019 to 30/10/2019)
Subsidies (₹ in crore)	706
Subsidies as a percentage of Revenue Receipts	2.35
Subsidies as a percentage of Revenue Expenditure	2.33

Source- Finance Accounts

Expenditure on subsidies during 2019-20 (01 April 2019 to 30 October 2019) constituted 2.35 *per cent* of the Revenue Receipts (₹30,052 crore) and 2.33 *per cent* of Revenue expenditure (₹30,244 crore). 99 *per cent* of the subsidy provided during the year was to Power Development Department (₹700 crore).

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 institutions by way of grants and loans.

Table 2.14: Financial Assistance to Local Bodies etc.

Financial Assistance to Institutions	(₹ in crore) 2019-20 (01/04/2019 to 30/10/2019)
(A) Local Bodies	
Municipal Corporations and Municipalities	150
Total (A)	150
(B) Others	
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	385
Development Authorities	28
Other Institutions	634
Total (B)	1,047
Total (A+B)	1,197
Revenue Expenditure	30,244
Assistance as percentage of Revenue Expenditure	3.96

Source: Finance Accounts

The assistance as percentage of revenue expenditure was 3.96 *per cent* in 2019-20 (01 April 2019 to 30 October 2019). During the period 01 April 2019 to 30 October 2019, the major component of assistance was to the educational institutions, which was 32.16 *per cent* of the total amount of assistance.

2.4.3 Capital Expenditure

Capital expenditure (capex) is primarily expenditure on creation of fixed infrastructure assets such as roads, buildings etc. Capex in State is met from budgetary support and extra budgetary resources/off budget.

The share of Capital expenditure in total expenditure was 13 *per cent* during the period 01 April 2019 to 30 October 2019.

2.4.3.1 Quality of Capital Expenditure

If the State Government keeps on making investments in loss making Government companies, whose net worth is completely eroded, there are no chances of return on investment. Requisite steps have to be taken to infuse transparency in such financial operations. This section details the investments and other capital expenditure undertaken by the Government during the current reporting period.

2.4.3.2 Quality of Investments in the Companies, Corporations and other Bodies

As per Statement 8 and 19 of the Finance Accounts, as on 30 October 2019, the State Government had cumulative investment of ₹3,428.03 crore in 37 Companies (₹2,959.71 crore), three Statutory Corporations (₹374.33 crore), eight Co-operative Institutions/ Local Bodies (₹47.83 crore), two Rural Banks (₹45.82 crore) and two Joint Stock Companies (₹0.34 crore).

During 01 April 2019 to 30 October 2019, the Government has drawn and booked an amount of ₹ 1.51 crore below Minor Head-190-“Investment in Public Sector and Other Undertakings” subordinate to relevant Major Heads of Account under Capital Section, but PSU concerned had not shown any investment. Government investment increased from ₹689.42 crore ending 2018-19 to ₹3,428.03 crore ending 30 October 2019. The increase of ₹2,738.61 crore as compared to figures reported last year was due to reason that 19 PSUs furnished revised Government investment figures with respect to figure reported for year 2018-19 and five PSUs reported investments for inclusion in the Annual Accounts of the Government for the period ending 30 October 2019.

Out of this increase of ₹2,738.61 crore, there was a substantial increase (₹2,588.34 crore) in only one PSU i.e Jammu & Kashmir State Power Development Corporation Ltd. (J&KSPDCL). This was due to implementation of the State Administrative Council’s decision with regard to financial restructuring of J&KSPDCL, which resulted in increase in investment of State Government. The PSU had received funds from State Government from time to time for development of capital assets and up to March 2018, the funds to the tune of ₹5,318.61 crore were received. Against this sum infused in J&KSPDCL, the State Government adjusted its power purchase liability of ₹3,668.81 crore leaving a balance amount of ₹1,649.80 Crore.

Besides this, assets transferred to J&KPDCL in 1999 along with a 4 MW Hydro Electric Power Station transferred to the Corporation in 2011, were valued at ₹916.54 crore and ₹22 crore respectively. Against these amounts aggregating to ₹2,588.34 crore (₹1,649.80 crore + ₹916.54 crore + ₹22 crore), the State Government acquired equity to the tune of ₹2,588.34 crore in the Corporation during the year 2019-20 (01 April 2019 to 30 October 2019). This has resulted in increase in investment of State Government in one entity i.e J&K State Power Development Corporation Ltd as compared to last year. Five PSUs reported investments amounting to ₹96.65 crore for inclusion in the accounts. During 2019-20 (01 April 2019 to 30 October 2019) no dividends were declared and hence no returns in the form of dividends were received.

2.4.3.3 Quantum of loans disbursed and recovered

In addition to investments in Co-operative Societies, Corporations and Companies, Government has also been providing Loans and Advances to other institutions/organisations. **Table 2.15** presents the position of Loans and Advances outstanding as on 30 October 2019, interest receipts *vis-à-vis* interest payments during the period from 01 April 2019 to 30 October 2019.

Table 2.15: Quantum of loans disbursed and recovered during 01 April 2019 to 30 October 2019

(₹ in crore)	
Quantum of loans disbursed and recovered	2019-20 (01/04/2019 to 30/10/2019)
Opening Balance of loans outstanding	1,725.77
Amount advanced during the year	16.29
Amount recovered during the year	1.62
Closing Balance of the loans outstanding	1,740.44
Net addition	14.67
Interest received on loans and Advances	0.31

Source: Finance Accounts

The total outstanding loans as on 30 October 2019 amounted to ₹1,740.44 crore, as a result of net increase of ₹14.67 crore during the period 01 April 2019 to 30 October 2019. Out of ₹1,740.44 crore, major portion of loans amounting to ₹923.96 crore² were outstanding (30 October 2019) against seven entities. Against the outstanding amount of ₹923.96 crore, only an amount of ₹0.23 crore was recovered during 2019-20

² (1) Municipalities ₹5.17 crore (Nil recovery), (2) social welfare loans to Public Sector and other undertakings ₹87.44 crore (₹0.23 crore Recovery), (3) Public Sector and other Undertakings (J&K, HPMC Ltd) – ₹12.67 crore (Nil recovery), (4) Electricity Board, JKPDC – ₹85.05 crore (Nil recovery), (5) Agro Industries – ₹44.47 crore (Nil recovery), (6) J&K Industries Ltd – ₹305.43 crore (Nil recovery), (7) Jammu and Kashmir State Road Transport Corporation Limited – ₹383.73 crore (Nil recovery)

(01 April 2019 to 30 October 2019). Recovery of loans and advances during the year was only 0.09 *per cent* of outstanding loans. The poor recovery of loan has resulted in an increase in outstanding balances from ₹1,725.77 crore on 31 March 2019 to ₹1,740.44 crore on 30 October 2019.

It is observed that out of the total loan amount of ₹16.29 crore advanced during the period 01 April 2019 to 30 October 2019, the major portion of ₹7.00 crore was advanced to J&K State Road Transport Corporation. There was outstanding loan of ₹376.73 crore against J&K State Road Transport Corporation ending March 2019. Despite poor performance of recovery, State Government disbursed new loan of ₹7.00 crore and no recovery was made during the year. As on 30 October 2019, loan amounting to ₹383.73 crore was outstanding against J&K State Road Transport Corporation which had accumulated losses of ₹1,289.66 crore as per their latest finalised accounts. Thus, loans were sanctioned by the State Government without ensuring its recovery. Since recovery has been almost negligible, the Government may review its policy with regard to the disbursement of loans and advances to loss making PSUs.

Recoveries of Loans and Advances are not forthcoming from loss making public sector undertakings. No assessment about potential recoverability of these loans has been made in the FRBM Statements presented to the Legislature.

2.4.3.4 Implementation of Ujwal Discom Assurance Yojana (UDAY)

With the objective of ensuring financial turnaround of Power Distribution Companies (DISCOM), the Ministry of Power, Government of India (GoI) introduced (November 2015) the Ujwal Discom Assurance Yojana (UDAY) to improve the operational and financial efficiency of the State DISCOM. States were to take 75 *per cent* of DISCOM debt as on September 2015 over two years i.e 50 *per cent* of DISCOM debt shall be taken in 2015-16 and 25 *per cent* in 2016-17.

In March 2016, the Ministry of Power, Government of India and Government of Jammu and Kashmir signed a Memorandum of Understanding (MOU) under the scheme UDAY-"Ujwal DISCOM Assurance Yojana" and borrowed funds to the tune of ₹3,537.55 crore (₹2,140 crore in 2015-16 and ₹1,397.55 crore in 2016-17) from RBI, by issue of Non Statutory Liquidity Ratio (SLR) bond at the rates ranging between 7.07 *per cent* to 8.72 *per cent*, with maturity date ranging from March 2022 to October 2031. The function of electricity supply to consumers was being handled departmentally in the State, so this money was utilised by the State Government to clear liabilities of the Central Public Sector Undertakings (CPSUs). State Government's annual interest liability on UDAY Bonds for the complete year 2019-20 was ₹284.12 crore. Against this, the State Government paid interest amounting ₹191.85 crore towards interest on bonds issued under UDAY Scheme during the period 01 April 2019 to 30 October 2019. Bonds amounting to ₹353.755 crore will also be maturing every year from 2021-22 to 2031-32. Consequent to the re-organistaion of the state, the Jammu & Kashmir Power Develpoment Department has been unbundled and two DISCOMs have been created vide Government Order No 191-PDD of 2019 dated 23 October 2019.

2.4.4. Expenditure Priorities

Enhancing human development levels require the States to step up their expenditure on key social services like Education, Health etc. Low fiscal priority (ratio of expenditure under a category to aggregate expenditure) is attached to a particular sector, if the allocation is below the respective national average. The higher the ratio of these components to total expenditure, the quality of expenditure is considered to be better. The ratio of capital expenditure and expenditure on health and education with respect to the aggregate expenditure for the erstwhile state has been compared to the respective averages for the special category states in **Table 2.16**.

Table 2.16: Expenditure priority of the State with regards to Health, Education and Capital expenditure

(in per cent)

	Capital Expenditure /Aggregate Expenditure	Education Expenditure/ Aggregate Expenditure	Health Expenditure/ Aggregate Expenditure
All India Average/ Special Category States Average (2015-16)	13.96	18.32	5.95
State of Jammu & Kashmir (2015-16)	16.72	15.06	5.95
All India Average/ Special Category States Average (2019-20)	14.08	17.42	6.19
State of Jammu & Kashmir (01/04/2019 to 30/10/2019)	13.00	13.11	6.02

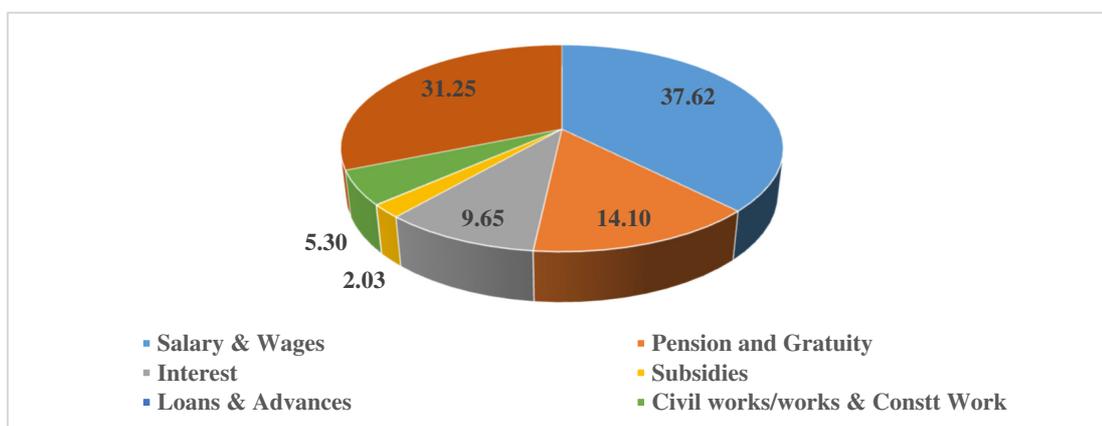
During 2019-20 (01April 2019 to 30 October 2019) the State's expenditure priority on education, health and capital expenditure is lower than the respective averages of the Special Category States.

2.4.5 Object Head wise Expenditure

Object Head wise Expenditure give information about the object/purpose of the expenditure.

Chart 2.9: Object Head wise Expenditure during 01 April 2019 to 30 October 2019

(in per cent)



The salary and wages account for 37.63 *per cent* and pension accounts for 14.10 *per cent* of total expenditure. It clearly indicates that about 52 *per cent* of expenditure is on Salary & wages and Pension.

2.5 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 115(2) of the Constitution of erstwhile State of Jammu & Kashmir and are not subject to vote by the State Legislature. The Government acts as a banker in respect of these transactions. The balance after disbursements during the year is the fund available with the Government for use for various purposes.

2.5.1 Net Public Account Balances

In respect of sums credited to the Public Accounts of the State, the Government acts as a trustee or banker and bears a fiduciary liability. Major constituents of the Public Accounts are State Provident Fund, Insurance/Pension Funds, Reserve Funds, Deposits and Advances. Besides, the Public Accounts section of the Government Accounts is also used to record transitory and pass through transactions under Suspense and Miscellaneous and Remittance heads before their final accounting to appropriate receipt or payment head of account, and also cash balance transactions. **Table 2.17** given below shows component-wise net balances in Public Account of the State.

Table 2.17: Component-wise net balances in Public Account at close of the year

(₹ in crore)

Sector	Sub Sector	2019-20 (01/04/2019 to 30/10/2019)
I. Small Savings, Provident Funds, etc.	Small Savings, Provident Funds, etc.	(-)27,162
J. Reserve Funds	(a) Reserve Funds bearing Interest	(-)1261
	(b) Reserve Funds not bearing Interest	(-)1,534
K. Deposits and Advances	(a) Deposits bearing Interest	(-)54
	(b) Deposits not bearing Interest	(-)6,860
	(c) Advances	13
L. Suspense and Miscellaneous	(a) Suspense	344
	(b) Other Accounts	389
	(c) Accounts with Governments of Foreign Countries	0
	(d) Miscellaneous	0
M. Remittances	(a) Money Orders, and other Remittances	(-)2,857
	(b) Inter- Governmental Adjustment Account	9
Total		(-)38,973

Source: Finance Accounts Note: +ve denotes debit balance and -ve denotes credit balances

The total credit balance under Public Accounts was ₹38,973 crore ending 30 October 2019. The Liabilities under Small Saving Provident Funds etc amounting to ₹27,162 crore accounts for 69.69 per cent of total Public Accounts liability.

2.5.2 Reserve Funds

Reserve Funds are created for specific and defined purposes under the Public Accounts of the State Government. These funds are met from contributions or grants from the Consolidated Fund of the State. **Table 2.18** shows the closing balances in various reserve funds as on 30 October 2019. The cumulative aggregate balance in these funds at the end of 30 October 2019 was ₹2,806 crore out of which ₹11 crore has been invested.

Table 2.18: Closing Balances under Reserve Funds

RESERVE FUNDS	(₹in crore)
	2019-20 (01/04/2019 to 30/10/2019)
Reserve Funds Bearing interest	
State Disaster Response Fund	1,272
Total - Reserve Fund Bearing Interest	1,272
Reserve Funds Not Bearing interest	
Sinking fund	356
Famine Relief Fund	9
Depreciation and Renewal Reserve Funds of Govt. Commercial Deptts./Undertakings	573
Depreciation and Renewal Reserve Funds of Govt. Non-Commercial Deptts.	73
Development Fund for Agricultural Purposes	41
Other Development and Welfare Funds	167
General Insurance Fund (Janta Insurance)	41
Guarantee Redemption Fund	20
Other Funds	118
Total - Reserve Funds Not Bearing interest	1,534
Total -Reserve Funds	2,806
Of which balances invested	
Investments from State Disaster Response Fund	11

Source: Finance Accounts

2.5.2.1 Consolidated Sinking Fund

The State Government constituted (January 2012) a Consolidated Sinking Fund with the objective to redeem its outstanding liabilities commencing from the financial year 2011-12. The State Government is required to contribute to this Fund, a minimum of 10 per cent of 0.50 per cent of the total outstanding liabilities at the end of 2010-11

every year beginning with the financial year 2011-12 up to 2021-22 to make it equal to 0.50 per cent of the outstanding liabilities as at the end of 2010-11. In addition, contribution in respect of incremental liabilities from the year thereafter shall be made at 0.50 per cent of such incremental liabilities so as to reach the level deemed sufficient to meet the objective of the scheme.

During the year 2019-20 (01 April 2019 to 30 October 2019), an amount of ₹39.27 crore was contributed to this Fund by the State Government as against required contribution of ₹31.33 crore³ and 0.50 per cent of total incremental liabilities of ₹4,442.26 crore during 01 April 2019 to 30 October 2019. However, against required contribution of ₹395.54 crore since inception of this fund, the State Government has actually contributed ₹355.87 crore till 30 October 2019, resulting in short contribution of ₹39.67 crore to the Fund ending 30 October 2019. The balance under the Fund was not invested by the State Government.

2.5.2.2 State Disaster Response Fund

(a) As on 01 April 2019, there was a credit balance of ₹903.11 crore under SDRF, out of which ₹10.86 crore had been invested, however details of the investments are awaited from Government (October 2020). During the period from 01 April 2019 to 30 October 2019, an amount of ₹405.00 crore was released by the Government of India (30 July 2019). However, out of total amount of ₹450.00 crore (₹405.00 crore Central Share and ₹45.00 crore State Share 90:10) due to be transferred, only an amount of ₹405 crore was transferred to the Fund till 30 October 2019. The State Government did not transfer the State Share of ₹45.00 crore to the Fund. State Government was also required to pay an amount of ₹29.47 crore as interest for the period 01 April 2019 to 30 October 2019, on the un-invested opening balance of ₹892.25 crore lying under SDRF. The State Government was also required to pay interest of ₹4.99 crore on account of accrued interest for delayed transfer⁴ of the SDRF Grants for the year 2019-20 (01 April 2019 to 30 October 2019). However, the State Government had paid interest of ₹34.38 crore on interest bearing Reserve Funds (SDRF), thereby resulting in short transfer of ₹0.08 crore⁵ during the period 01 April 2019 to 30 October 2019.

During the period 01 April 2019 to 30 October 2019, ₹71.01 crore was incurred on natural calamities, leaving a balance of ₹1,271.48 crore⁶ in the Fund as on 30 October 2019. Net balance of ₹1,260.62 crore (₹1,271.48 crore minus ₹10.86 crore invested amount) which was required to be invested in Central Government Securities and/or Auctioned Treasury Bills and/or in interest earning deposits and certificate of deposits with scheduled commercial banks on the recommendations of the State Executive Committee (SEC) managing the Fund, had not been invested (October 2019).

³ 10 per cent of 0.50 per cent of the total outstanding liabilities of ₹31,261.01 crore at the end of 2010-11

⁴ Delay of 76 days in transfer of central share of ₹405.00 crore and delay of 77 days in transfer of state share of ₹45.00 crore

⁵ ₹34.46 crore (₹29.47 crore + ₹4.99 crore) - ₹34.38 crore

⁶ ₹892.25 crore + ₹10.86 crore + ₹405.00 crore + ₹34.38 crore - ₹71.01 crore

2.5.2.3 Guarantee Redemption Fund

The State Government set up a Guarantee Redemption Fund (GRF) in 2005-06 to meet liabilities arising from invoking of Guarantees extended to various State Government Entities. Under the guidelines, the State Government has not specified the amount required to make minimum annual contribution to the Fund. However, the RBI guidelines of 2013 on the GRF mentions that it is desirable for the State Government to contribute a minimum of one *per cent* of outstanding Guarantees at the beginning of the year in the year of constitution of the Fund, and thereafter a minimum of 0.50 *per cent* every year to achieve a corpus of minimum three to five *per cent* of the outstanding Guarantees of the previous year.

As per guidelines, the required amount of contribution to GRF works out to ₹6.04 crore for seven months (01 April 2019 to 30 October 2019) at the rate of 0.50 *per cent* of outstanding Guarantee of ₹2,070.20 crore (excluding interest of ₹1.95 crore) at the end of the previous year. Against, minimum requirement of ₹6.04 crore, the State Government contributed ₹1.00 crore towards the Fund during 01 April 2019 to 30 October 2019, resulting in shortfall in contribution by ₹5.04 crore for the period. No amount was received by the Government as Guarantee Commission/Fee during 2019-20 (01 April 2019 to 30 October 2019). The closing balance of the Fund was ₹20.42 crore⁷ as on 30 October 2019. The State Government may ensure that contributions to Reserve Funds are made as stipulated.

2.6 Debt Management

Debt management is the process of establishing and executing a strategy for managing the Government's debt in order 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.

2.6.1 Debt profile: Components

Total debt of the State Government typically constitutes of Internal debt of the State (market loans, ways and means advances from RBI, special securities issued to National Small Savings Fund and loans from financial institutions, etc.), loans and advances from the Central Government, and Public Account Liabilities. The components of the outstanding debt are given below:

⁷ ₹12.20 crore (transferred from Major Head-2075- 'Miscellaneous General Services'-800- 'Other Expenditure') + ₹8.22 crore (Commission/ Fee realised and credited to Fund as a part of annual contribution till 31 March 2019)

Table 2.19: Components of debt as on 30 October 2019

(₹ in crore)

		2019-20 (01/04/2019 to 30/10/2019)	Percentage
Outstanding Overall Debt		83,536	
<i>Public Debt</i>	<i>Internal Debt</i>	45,429	54.38
	<i>Loans from GoI</i>	1,237	1.48
<i>Liabilities on Public Account*</i>		36,870	44.14
Total Debt Receipts		25,643	
Total Debt Repayments		21,201	
Total Debt Available		4,442	
Debt Repayments/Debt Receipts (percentage)		82.68	

Source : Finance Accounts . * Liabilities on public account is excluding liabilities under Suspense and Misc and Remittance Head

Outstanding Overall Debt as on 30 October 2019 was ₹83,536 crore. The percentage of total debt repayment was 82.68 per cent of total debt receipt during 01 April 2019 to 30 October 2019, resulting in only 17.32 per cent total debt receipt available with the State. The total debt available during the period 01 April 2019 to 30 October 2019 was ₹4,442 crore.

Chart 2.10: Break up of Outstanding Overall Debt at the end of the period 01 April 2019 to 30 October 2019

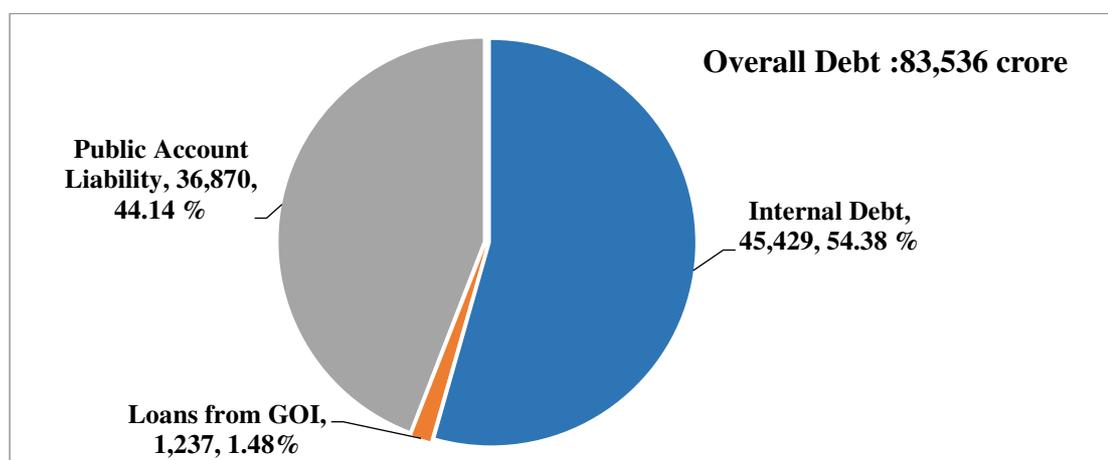
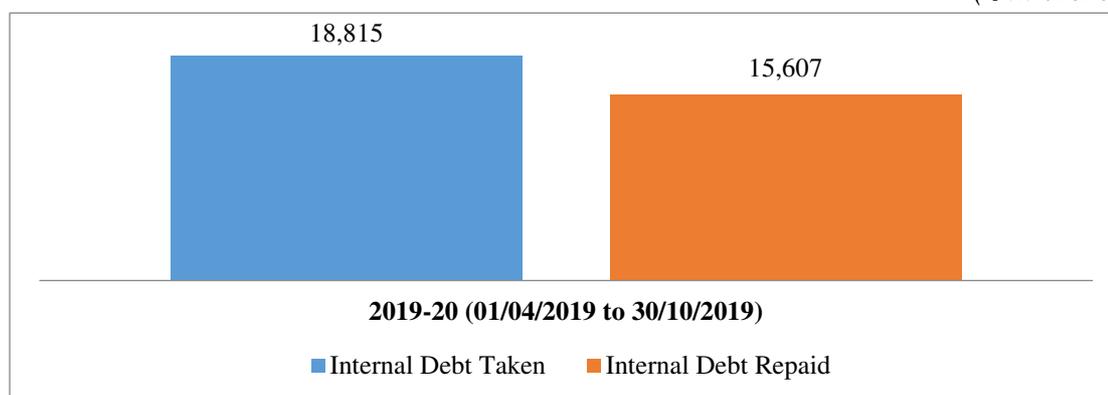


Chart 2.11: Internal debt taken vis-à-vis repaid

(₹ in crore)



The percentage of internal debt repaid to internal debt taken was 82.95 per cent during the period 2019-20 (01 April 2019 to 30 October 2019).

Table 2.20: Components of fiscal deficit and its financing pattern
(₹ in crore)

Particulars		2019-20 (01/04/2019 to 30/10/2019)
Composition of Fiscal Deficit		
1	Revenue Deficit	(-)192
2	Net Capital Expenditure	(-)4522
3	Net Loans and Advances	(-)14
Financing Pattern of Fiscal Deficit		
1	Market Borrowings	3,504
2	Loans from GOI	(-)55
3	Special Securities issued to NSSF	(-)132
4	Loans from Financial Institutions	(-)164
5	Small Savings, PF, etc.	919
6	Deposits and Advances	61
7	Suspense and Miscellaneous	(-)349
8	Remittances	83
9	Reserve Fund	308
10	Overall Deficit	4,175
11	Increase/Decrease in cash balance	(+)553
12	Gross Fiscal Deficit	(-)4,728

Source: Finance Accounts

Fiscal deficit during 01 April 2019 to 30 October 2019 was ₹4,728 crore. It can be seen from the above table that the Market borrowings and excess of receipt over payments under Small Saving Provident Fund is major contributor in meeting Fiscal deficit of the State.

Table 2.21: Receipts and Disbursements under components financing the fiscal deficit

(₹ in crore)

Particulars		Receipt	Disbursement	Net
1	Market Borrowings	18,686	15,182	3,504
2	Loans from GOI	4	59	(-)55
3	Special Securities issued to NSSF	0	132	(-)132
4	Loans from Financial Institutions	128	292	(-)164
5	Small Savings, PF, etc.	3,662	2,743	919
6	Deposits and Advances	2,659	2,598	61
7	Suspense and Miscellaneous	8,041	8,390	(-)349
8	Remittances	2,128	2,045	83
9	Reserve Fund	502	194	308
10	Overall Deficit	35,810	31,635	4,175
11	Increase/Decrease in cash balance	111	(-)442	553
12	Gross Fiscal Deficit	35,921	31,193	4,728

Source: Finance Accounts

2.7. Debt Analysis

The amount of net debt available and growth of outstanding public debt during the reporting period along with comparison of the net debt receipts available are as under:

- a) During the period 01 April 2019 to 30 October 2019 the net debt available was ₹1,089 crore. This was 5.79 per cent of public debt receipt of ₹18,819 crore during the period.
- b) Debt Repayments/Debt Receipts: During 01 April 2019 to 30 October 2019 the Debt repayment to Debt Receipts was 83.25 per cent resulting in only 16.75 per cent of debt receipts being available with the State Government.
- c) Rate of growth of outstanding debt (percentage): Outstanding Public debt at the beginning of the year 2019-20 was ₹43,513 crore which increased to ₹46,666 crore at the end of 30 October 2019 showing increase of 7.25 per cent.
- d) Percentage of Interest payment to Revenue Receipt: During 2019-20 (01 April 2019 to 30 October 2019) the percentage of Interest Payment to Revenue Receipt was 6.87 per cent.

Table 2.22: Position of outstanding Public Debt

Particulars	2019-20 (01/04/2019 to 30/10/2019)
Outstanding Public Debt* (₹ in crore)	46,666
Rate of Growth of Outstanding Public Debt	7.25
Percentage of Interest payment to Revenue Receipt	6.87
Percentage of Debt Repayment to Debt Receipt	83.25
Net Debt available to the State# (₹ in crore)	1,089
Net Debt available as per cent to Debt Receipts	5.79

Source Finance Accounts

*Outstanding Public Debt is the sum of outstanding balances under the heads 6003-Internal Debt and 6004- Loans and Advances from the Central Government.

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

2.7.1 Utilisation of borrowed funds

Borrowed funds should ideally be used to fund capital creation and developmental activities. Using borrowed funds for meeting current consumption and repayment of interest on outstanding loans is not sustainable.

Table 2.23: Utilisation of borrowed funds

(₹ in crore)

Year		2019-20 (01/04/2019 to 30/10/2019)
Total Borrowings	1	18,819
Repayment of earlier borrowings Principal (percentage)	2	15,666 (83.25)
Available Public Debt	3=1-2	3,153
Net capital expenditure (Percentage)	4	4,522 (24.03)
Net loans and advances disbursed	5	14
Portion of Revenue expenditure met out of net available borrowings	6=2-3-4-5	Nil

Source: Finance Accounts

During 2019-20 (01 April 2019 to 30 October 2019), 83.25 *per cent* of borrowed funds were utilised towards repayment of earlier loans, resulting in less availability of borrowed funds for development works.

2.7.2 Status of Guarantees – Contingent Liabilities

Guarantees are liabilities contingent on Consolidated Fund of the State in case of default by the borrower for whom the guarantee has been extended. The maximum amount for which guarantees could be extended by the State and outstanding guarantees including interest is tabulated below:

Table 2.24: Guarantees given by the State Government

Guarantees	2019-20 (01/04/2019 to 30/10/2019)
Ceiling applicable to the outstanding amount of guarantees including interest (Criteria 7.5 <i>per cent</i> of GSDP of year preceding current year)	11,697
Outstanding amount of guarantees including interest	454

(₹ in crore)

Source Finance Accounts

The FRBM Act, 2006 lays down the limits within which State Government may give Guarantees on the security of the Consolidated Fund of the State. Under the Act, State Government is required to limit the amount of the annual incremental risk weighted Guarantees to 75 *per cent* of the total Revenue Receipts in the year preceding the current year or at 7.5 *per cent* of GSDP of the year preceding the current year, whichever is lower. The total outstanding guarantee during the period 01 April 2019 to 30 October 2019 remained within that limit.

The total outstanding Guarantees given by the State Government as on 30 October 2019 aggregated to ₹452.07 crore (under reconciliation with Government) against ₹2,070.20 crore as on 31 March 2019, as the information regarding outstanding guarantees in respect of Jammu and Kashmir Power Development Corporation is awaited (October 2020). The total outstanding Guarantee at end of 30 October 2019 is 0.88 *per cent* of total Revenue Receipts of ₹51,230.71 crore in 2018-19 and 0.29 *per cent* of the GSDP ₹1,55,956 crore as available on the website of Ministry of Statistics and Programme Implementation, Government of India (07 August 2020) for 2018-19, which was well within the statutory limit.

2.7.3 Management of Cash Balances

The State Government is banking with the Reserve Bank of India with effect from 01 April 2011 for its cash/ overdraft management. The cash balance decreased by ₹553 crore during 2019-20 (01 April 2019 to 30 October 2019), from ₹511 crore as on 31 March 2019 to negative balance of 42 crore as on 30 October 2019. An amount of ₹383.92 crore was held in Cash Balance Investment Account as on 30 October 2019. State Government earned an interest of ₹1.70 crore on its Cash balance Investment during 01 April 2019 to 30 October 2019. Investment of ₹10.86 crore had also been

done out of earmarked funds, the detail of which is awaited. The State Government maintained the mandatory minimum daily cash balance of ₹1.14 crore with Reserve Bank of India on 48 days during the period 01 April 2019 to 30 October 2019 without taking Special Ways and Means Advance/ Ways and Means Advances (WMA)/ Overdrafts, and on 148 days minimum balance was maintained by obtaining Normal Ways and Means Advance. On 17 days Overdraft was taken in addition to obtaining Normal Ways and Means Advance. The balance as on 01 April 2019 was ₹532.38 crore under Normal Ways and Means Advance and 'Nil' under Overdraft. The balance on 30 October 2019 was ₹692.11 crore under Normal Ways and Means Advances and 'Nil' under Overdraft. Interest paid to the Reserve Bank of India on Normal Ways and Means Advances and Overdrafts during 01 April 2019 to 30 October 2019 was ₹15.16 crore and ₹1.27 crore respectively. Government needs to streamline its cash Management for reducing its dependence on Ways and Means Advances.

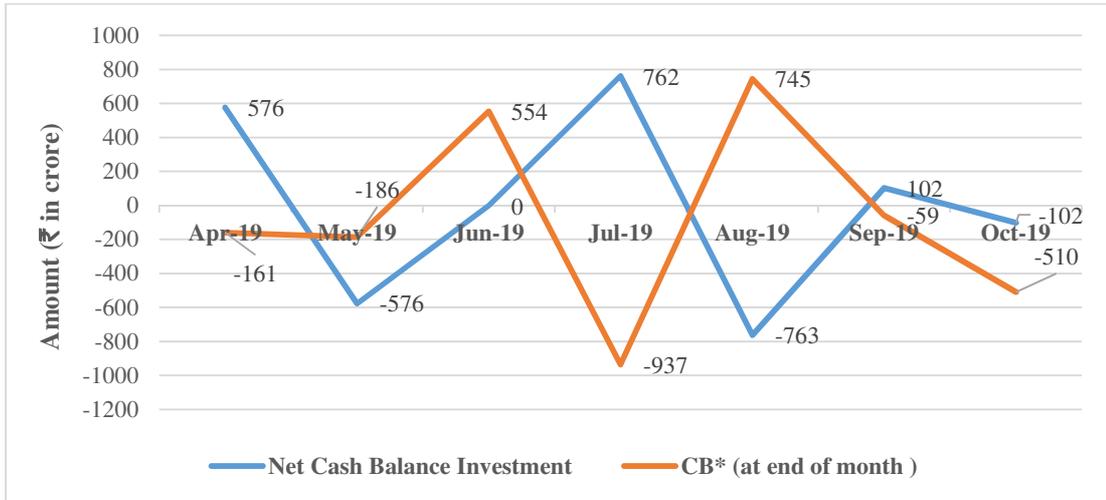
Table 2.25: Cash Balances and their investment during the period 01 April 2019 to 30 October 2019

(₹ in crore)

	Opening balance on 01 April 2019	Closing balance on 30 October 2019
A. General Cash Balance		
Cash in treasuries	6.77	6.77
Deposits with Reserve Bank of India	83.38	(-)469.74
Deposits with J&K Bank and other Banks	21.02	21.02
Remittances in transit – Local	-	-
Total	111.17	(-)441.95
Investments held in Cash Balance investment account	383.92	383.92
Total (A)	495.09	(-)58.03
B. Other Cash Balances and Investments		
Cash with departmental officers viz., Public Works, Forest Officers	4.97	4.97
Permanent advances for contingent expenditure with department officers	0.12	0.12
Investment from earmarked funds	10.86	10.86
Total (B)	15.95	15.95
Total (A + B)	511.04	(-)42.08
Interest realised		1.70

Source: Finance Accounts

Chart 2.12: Month wise movement of Cash Balances and net cash balance investments during the year



*Cash balance with RBI

The cash balance for the year 2019-20 (01 April 2019 to 30 October 2019) had negative balance of 42 crore. As on 30 October 2019, an amount of ₹383.92 crore was held in Cash Balance Investment Account. State Government earned an interest of ₹1.70 crore on its cash balance investment. An investment of ₹10.86 crore was made out of earmarked funds.

2.8 Conclusions

- During 01 April 2019 to 30 October 2019, there was Revenue Deficit of ₹192 crore.
- State Government had a Fiscal Deficit of ₹4,728 crore during 01 April 2019 to 30 October 2019.
- Revenue Expenditure constituted 86.95 per cent of Total Expenditure.
- Capital Expenditure of ₹4,522 crore constituted 13 per cent of Total Expenditure.
- Outstanding Public debt at the beginning of the year 2019-20 was ₹43,513 crore which increased to ₹46,666 crore at the end of 30 October 2019 showing increase of 7.25 per cent.
- State Government had total investment of ₹3,428.03 crore ending 30 October 2019 in Government Companies, Statutory Corporations, Cooperative Institutions/Local bodies and Rural Banks and no return in the form of dividend was received during 01 April 2019 to 30 October 2019.
- The State had total outstanding loans of ₹1,740.44 crore ending 30 October 2019. Out of ₹1,740.44 crore, major portion of loans amounting to ₹923.96 crore were outstanding (30 October 2019) against seven entities. Recovery of loans and advances during the period 01 April 2019 to 30 October 2019 was only 0.09 per cent of outstanding loans. The poor recovery

of loan has resulted in an increase in outstanding balances from ₹1,725.77 crore on 31 March 2019 to ₹1,740.44 crore on 30 October 2019.

- The cumulative aggregate balance under Reserve funds at the end of 30 October 2019 was ₹2,806 crore out of which only ₹11 crore has been invested.

2.9 Recommendation

Efforts may be made for augmentation of tax revenue, minimising committed expenditure so that more funds could be made available for development expenditure, ensuring reasonable return on capital invested in PSUs in view of the substantial high cost of borrowing and review of policy for disbursement of loans and advances to loss making PSUs.