

Executive Summary

Background

This State Finances Audit Report of the Government of Gujarat is being brought out with a view to objectively assess the financial performance of the State Government during 2021-22 and to provide the State Government and State Legislature with inputs, based on analysis of the financial data. To provide a perspective to the analysis, an effort has been made to compare the achievements with the targets envisaged in the Gujarat Fiscal Responsibility Act, 2005, Finance Commission Recommendations and the Budget Estimates of 2021-22 and other financial data obtained from various Government Departments.

The Report

Based on the audited Accounts of the Government of Gujarat for the year ending March 2022, this Report provides an analytical review of the Annual Accounts of the State Government. The Report is structured in five Chapters.

Chapter I describes the basis and approach to the Report and the underlying data provides an overview of structure of Government Accounts, budgetary processes, macro-fiscal analysis of key indices and State's fiscal position including the deficits/surpluses.

Chapter II provides a broad perspective of the finances of the State, analyses the critical changes in major fiscal aggregates relative to the previous year, overall trends during the last five years, debt profile of the State and key Public Account transactions, based mainly on the Finance Accounts of the State.

Chapter III is based on the Appropriation Accounts and gives a Grant-wise description of Appropriations and the way the allocated resources were managed by the service delivery Departments.

Chapter IV is an inventory of the Government's compliance with various reporting requirements and financial rules.

Chapter V discusses financial performance of Government Companies, Statutory Corporations and Government Controlled Other Companies as revealed from their accounts.

The Report also has additional data collated from several other sources in support of the findings.

Achievements of the State Government: A Brief Summary

The per capita income of Gujarat at ₹ 2,76,588 during 2021-22 was higher than the all-India average of ₹ 1,72,913.

During the year, the State achieved all the targets of major fiscal variables set under the Gujarat Fiscal Responsibility Act, 2005. The percentage of fiscal deficit to Gross State Domestic Product (GSDP) at 1.17 *per cent* and to public debt at 15.86 *per cent* were within the targets set under the Gujarat Fiscal Responsibility Act, 2005.

Outstanding guarantees of the State at ₹ 3,044 crore during 2021-22 were much lower than the ceiling of ₹ 20,000 crore prescribed under the Gujarat State Guarantees Act, 1963.

The State has taken initiatives for better fiscal management by setting up of the Consolidated Sinking Fund to provide a cushion for repaying market loans and the Guarantee Redemption Fund to provide a cushion for servicing contingent liabilities.

The State Government, improved its revenue receipts-GSDP ratio (8.58 *per cent*) which was higher than 7.74 *per cent* achieved during previous year.

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Chapter I

Overview

Fiscal Position

The State achieved the target of elimination of revenue deficit from 2011-12 to 2019-20. The revenue deficit at ₹ 22,548 crore during 2020-21 turned revenue surplus at ₹ 6,409 crore in 2021-22.

At the end of 2021-22, fiscal deficit as percentage to GSDP stood at 1.17 *per cent*, which was within the limit of three *per cent* target set in Gujarat Fiscal Responsibility Act by State Government.

In the fiscal consolidation roadmap, the State Government could maintain the percentage of public debt to GSDP at 15.86 *per cent* during 2021-22 against the target of 17.40 *per cent* set out in MTFPS.

(Paragraph 1.5.1 and 1.5.2)

Trends in Deficits

During 2021-22, fiscal deficit decreased by ₹ 17,746 crore (43.88 *per cent*) from ₹ 40,438 crore in 2020-21 to ₹ 22,692 crore in 2021-22.

During 2021-22, primary surplus increased by ₹ 18,730 crore from primary deficit of ₹ 16,235 crore in 2020-21 to primary surplus of ₹ 2,495 crore in 2021-22.

(Paragraph 1.5.2)

The State Government did not discharge interest liabilities of ₹ 45 crore on Other than Contributory Pension Scheme and State Compensatory Afforestation Deposit and there was a shortfall of ₹ 10,531 crore in the State Government contribution to Consolidated Sinking Fund, non-transfer of Labour Cess of ₹ 363 crore and less Government contribution to NPS of ₹ 7 crore. This resulted in overstatement of revenue Surplus by ₹ 10,921 crore and understatement of Fiscal deficit by ₹ 10,947 crore.

(Paragraph 1.6.1)

Chapter II

Finances of the State Government

State's Own Resources

During 2021-22, 67 per cent of revenue receipts came from State's own resources. The State's own tax revenue increased by ₹ 27,412 crore (39.01 per cent) in 2021-22 over the previous year, and non-tax revenue increased by ₹ 3,526 crore (33.60 per cent) over the previous year. The own tax revenue as well as non-tax revenue in 2021-22 were lower than the budget estimates. The State Government was entitled for Goods and Services Tax compensation of ₹ 20,033 crore during the year 2021-22 for loss of revenue on implementation of Goods and Services Tax Act, 2017.

(Paragraphs 2.3.2.1 and 2.3.2.2)

Share of Union Taxes and Duties and Grants-in-Aid

The State's share of union taxes stood at ₹ 31,106 crore in 2021-22, registering increase of 53.85 per cent over the previous year. Grants-in-aid from GoI in 2021-22 decreased by ₹ 3,150 crore (11.59 per cent) over the previous year. During 2021-22, 33 per cent of revenue receipts of the State came from GoI in the form of State's share of union taxes and grants-in-aid.

(Paragraphs 2.3.2.1 and 2.3.2.3)

Revenue Expenditure

Revenue expenditure continuously increased from ₹ 1,18,060 crore in 2017-18 to ₹ 1,60,421 crore in 2021-22, with an increase of ₹ 9,717 crore (6.45 per cent) during 2021-22 over the previous year. During 2021-22, revenue expenditure as percentage of GSDP stood lowest at 8.25 per cent over the period 2017-22.

The share of revenue expenditure in total expenditure increased from 81.42 per cent in 2017-18 to 84.58 per cent in 2021-22.

(Paragraph 2.4.2)

Capital Expenditure

Capital expenditure increased from ₹ 26,313 crore in 2017-18 to ₹ 28,185 crore in 2021-22.

The share of capital expenditure in total expenditure decreased from 18.15 per cent in 2017-18 to 14.86 per cent in 2021-22.

(Paragraph 2.4.3)

Investment and Returns

As of 31 March 2022, the State Government had invested ₹ 1,16,485 crore in statutory corporations, Government companies, rural banks, joint stock companies, co-operative institutions, and local bodies. Return on investments in these companies/corporations/institutions was 0.12 *per cent* during 2021-22 while the Government paid an average interest of 7.12 *per cent* on its borrowings during the same period.

(Paragraph 2.4.3.2)

Debt Profile: Components

Total outstanding liabilities of the State grew from ₹ 2,56,366 crore in 2017-18 to ₹ 3,80,802 crore in 2021-22. In 2021-22, the outstanding liabilities grew at 6.40 *per cent* over the previous year. It comprised internal debt of ₹ 2,99,806 crore (78.73 *per cent*), public account liabilities of ₹ 50,240 crore (13.19 *per cent*) and loans and advances from GoI of ₹ 30,756 crore (8.08 *per cent*).

The percentage of total outstanding liabilities to GSDP decreased from 19.29 *per cent* (2017-18) to 18.44 *per cent* (2021-22). The net availability of borrowed funds for current operations after debt redemption (principal and interest payments) was ₹ 22,910 crore during 2021-22.

(Paragraph 2.7.1)

Debt Sustainability

Public Debt receipts increased from ₹ 26,953 crore in 2017-18 to ₹ 46,968 crore in 2021-22 and Public Debt repayments increased from ₹ 13,700 crore in 2017-18 to ₹ 24,436 crore in 2021-22. The ratio of public debt to GSDP ranged between 15.86 *per cent* and 18.04 *per cent* during 2017-22. However, 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 increased over the previous year. The above indicators show that there is a need to review sustainability of debt of the State.

(Paragraph 2.8.1.1)

Chapter III

Budgetary Management

Against total budgetary provision of ₹ 2,39,389 crore during 2021-22, an expenditure of ₹ 2,17,355 crore was incurred. This resulted in net savings of ₹ 22,034 crore (savings of ₹ 25,545 crore offset by an excess of ₹ 3,511 crore).

(Paragraphs 3.1)

Excess expenditure of ₹ 14,367 crore pertaining to the period from 2007-08 to 2011-12 and 2013-14 to 2021-22 had escaped legislative oversight, as it was pending regularisation as per Article 205 of the Constitution of India.

(Paragraphs 3.3.5.1 and 3.3.5.3)

Of the overall savings of ₹ 25,545 crore in 159 out of 191 Grants/Appropriations during 2021-22, 96.11 *per cent* savings amounting to ₹ 24,552 crore occurred in 43 Grants/Appropriations (₹ 50 crore and above in each case). During 2021-22, Supplementary provisions (₹ 5 crore or more in each case) aggregating ₹ 366 crore were made in five Grants/Appropriations, which proved unnecessary.

(Paragraphs 3.3.4.1 and 3.3.2)

Substantial surrenders (exceeding ₹ 50 crore) were made in 45 out of 191 Grants/Appropriations. Against the total provision of ₹ 1,67,861 crore made under these 45 Grants/Appropriations, ₹ 33,081 crore were surrendered.

(Paragraph 3.3.4.2)

Chapter IV

Quality of Accounts and Financial Reporting Practices

As on March 2022, 4,563 utilisation certificates aggregating ₹ 10,309 crore in respect of grants disbursed up to 31 March 2021 remained outstanding, indicating lack of proper monitoring by the Departments in utilisation of grants given for specific purposes.

As on March 2022, there was pendency in submission of 3,167 detailed contingent bills amounting to ₹ 273 crore drawn on abstract contingent bills by various Departmental authorities.

Pendency of utilisation certificates and detailed contingent bills for long periods was fraught with the risk of fraud and misappropriation.

(Paragraphs 4.5 and 4.6)

There were 471 personal deposit accounts in operation in district treasuries with a closing balance of ₹ 990 crore as of 31 March 2022.

(Paragraph 4.7)

During 2021-22, expenditure aggregating ₹ 12,882 crore constituting 6.02 *per cent* of the total expenditure of the State was classified under Minor Head '800-Other Expenditure'. Similarly, revenue receipts aggregating ₹ 4,261 crore constituting 1.99 *per cent* of total receipts of the State were classified under omnibus Minor Head '800 – Other Receipts'.

Accounting of large items of expenditure and receipts under the omnibus Minor Head - 800 affects transparency in financial reporting and distorts proper analysis of allocative priorities and quality of expenditure.

(Paragraph 4.8)

Chapter V

Financial Performance of State Public Sector Undertakings

As on 31 March 2022, there were 100 SPSUs including 64 Government Companies (12 inactive companies), four Statutory Corporations and 32 Government Controlled Other Companies.

(Paragraphs 5.1.2)

During 2021-22, Government Companies and Statutory Corporations registered an annual turnover of ₹ 1,62,392.00 crore, which was equal to 8.35 per cent of the GSDP of Gujarat.

(Paragraphs 5.2)

The investment of the State Government in equity and long-term loans in these SPSUs was ₹ 1,04,709.07 crore against total investment of ₹ 1,39,756.58 crore at the end of 31 March 2022.

(Paragraph 5.2.1)

Out of the 67 Government Companies, 43 SPSUs earned profit after tax (₹ 4,211.26 crore), while 16 SPSUs incurred losses (₹ 1,487.59 crore) and eight SPSUs neither reported profit nor loss. As on 31 March 2022, 22 SPSUs had accumulated losses of ₹ 29,312.55 crore. Out of 32 Government controlled other Companies 18 SPSUs made profit of ₹ 2,845.33 crore and 14 SPSUs incurred losses of ₹ 264.04 crore.

(Paragraph 5.3.1 to 5.3.3)

Further, One hundred fifty seven financial statements of 55 SPSUs including three Statutory Corporation were in arrears.

(Paragraph 5.4.2.2)