

Chapter II Finances of the State

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 2017-18 to 2021-22, 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 2021-22 compared to 2020-21

Table 2.1 gives a bird's eye view of the major changes in key fiscal aggregates of the State during 2021-22 compared to previous year.

Table 2.1: Changes in key fiscal aggregates in 2021-22 compared to 2020-21

Revenue Receipts	<ul style="list-style-type: none"> ➤ Revenue Receipts of the State increased by 30.18 <i>per cent</i> ➤ Own Tax Receipts of the State increased by 39.01 <i>per cent</i> ➤ Own Non-Tax Receipts increased by 33.60 <i>per cent</i> ➤ State's Share of Union Taxes and Duties increased by 53.85 <i>per cent</i> ➤ Grants-in-Aid from Government of India decreased by 11.59 <i>per cent</i>
Revenue Expenditure	<ul style="list-style-type: none"> ➤ Revenue Expenditure increased by 6.45 <i>per cent</i> ➤ Revenue Expenditure on General Services increased by 8.35 <i>per cent</i> ➤ Revenue Expenditure on Social Services increased by 12.23 <i>per cent</i> ➤ Revenue Expenditure on Economic Services decreased by 5.59 <i>per cent</i> ➤ Expenditure on Grants-in-Aid increased by 5.64 <i>per cent</i>
Capital Expenditure	<ul style="list-style-type: none"> ➤ Capital Expenditure increased by 5.24 <i>per cent</i> ➤ Capital Expenditure on General Services increased by 13.40 <i>per cent</i> ➤ Capital Expenditure on Social Services increased by 18.93 <i>per cent</i> ➤ Capital Expenditure on Economic Services increased by 0.03 <i>per cent</i>
Loans and Advances	<ul style="list-style-type: none"> ➤ Disbursements of Loans and Advances decreased by 13.14 <i>per cent</i> ➤ Recoveries of Loans and Advances decreased by 0.64 <i>per cent</i>
Public Debt	<ul style="list-style-type: none"> ➤ Public Debt Receipts decreased by 20.20 <i>per cent</i> ➤ Repayment of Public Debt increased by 36.35 <i>per cent</i>
Public Account	<ul style="list-style-type: none"> ➤ Public Account Receipts increased by 18.34 <i>per cent</i> ➤ Public Account Disbursements increased by 5.30 <i>per cent</i>

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 2021-22 with 2020-21, while **Charts 2.1** and **2.2** give the details of receipts into and expenditure from the Consolidated Fund during 2021-22 in terms of percentages.

Table 2.2: Details of Sources and Application of funds during 2020-21 and 2021-22

(₹ in crore)

	Particulars	2020-21	2021-22	Increase/Decrease
Sources	Opening Cash Balance with RBI	24,036	15,848 ¹	(-) 8,188
	Revenue Receipts	1,28,156	1,66,830	38,674
	Recoveries of Loans & Advances	155	155	0
	Public Debt Receipts (Net)	40,935	22,532	(-) 18,403
	Public Account Receipts (Net)	(-)7,679	4,988	12,667
	Capital Receipts	9,968	0	(-) 9,968
	Total	1,95,571	2,10,353	14,782
Application	Revenue Expenditure	1,50,704	1,60,421	9,717
	Capital Expenditure	26,781	28,185	1,404
	Disbursements of Loans & Advances	1,233	1,071	(-)162
	Closing Cash Balance with RBI	16,853	20,676	3,823
	Total	1,95,571	2,10,353	14,782

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

Chart 2.1: Composition of Resources
(₹ in crore)

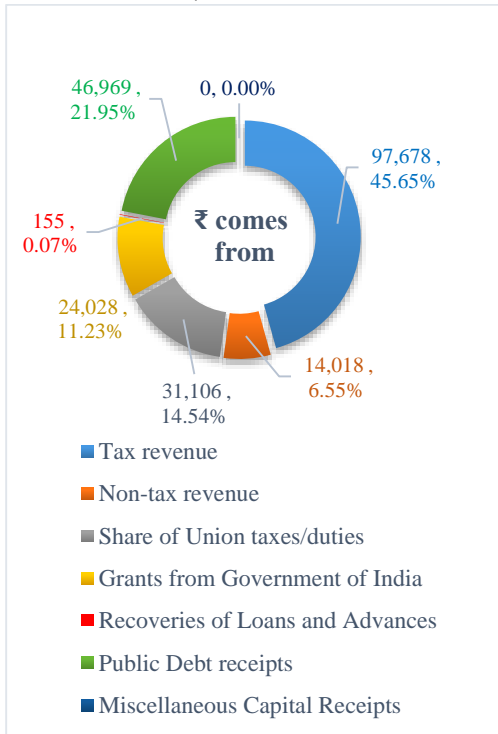
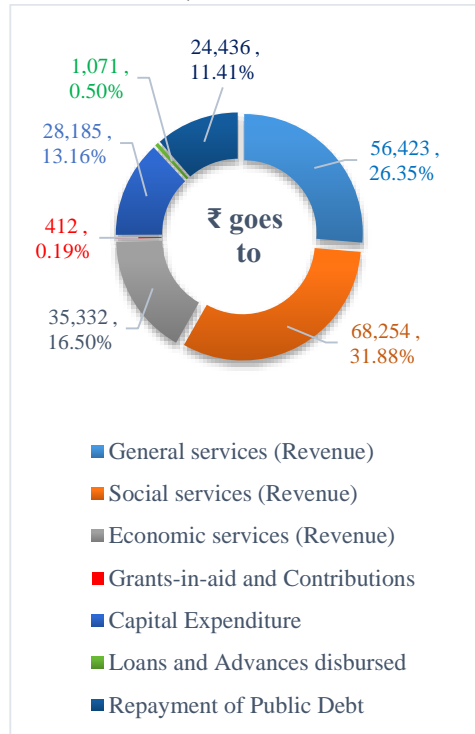


Chart 2.2: Application of Resources
(₹ in crore)



A time series data on the State Government finances for the five-year period (2017-22) is given in **Appendix 2.1**.

¹ Decreased by ₹ 1,005 crore from previous years' figure due to proforma correction.

2.3 Resources of the State

The resources of the State are described below:

1. **Revenue receipts** consist of tax revenue (Own Tax revenue plus share of Union taxes/Duties), non-tax revenue 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.

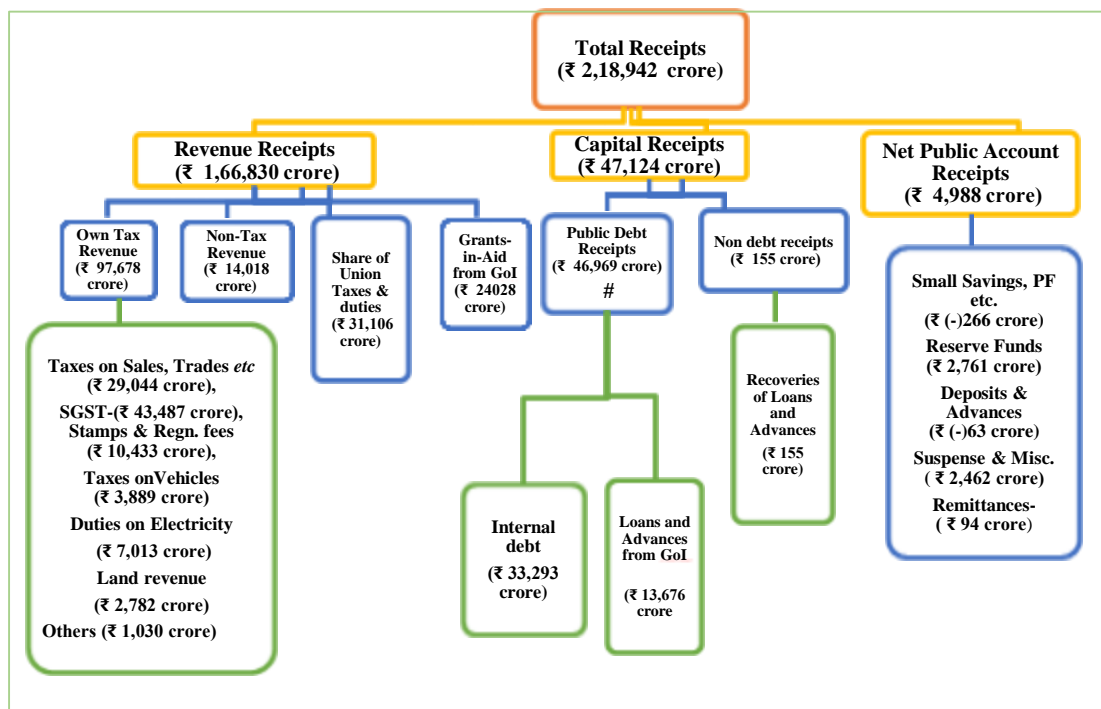
3. **Net Public Accounts receipts:** There are receipts and disbursements in respect of certain transactions, such, as small savings, provident fund, reserve funds, deposits, suspense, remittances, *etc.* which do not form part of the Consolidated Fund.

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 2021-22 is as given in **Chart 2.3**.

Chart 2.3 Composition of Receipts of the State during 2021-22



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 ₹ 13,040 crore received in 2021-22 have not been considered as public debt. Effective Public debt receipt will be ₹ 33,929 crore.

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 (2017-22). Further, trends in revenue receipts relative to GSDP and components of revenue receipts are given in **Charts 2.4** and **2.5** respectively.

Table 2.3: Trend in Revenue Receipts

Parameters	2017-18	2018-19	2019-20	2020-21	2021-22
Revenue Receipts (RR) (₹ in crore)	1,23,291	1,36,002	1,42,844	1,28,156	1,66,830
Rate of growth of RR (<i>per cent</i>)	12.24	10.31	5.03	(-)10.28	30.18
Own Tax Revenue (₹ in crore)	71,549	80,103	79,008	70,266	97,678
Non-Tax Revenue (₹ in crore)	15,074	13,417	18,104	10,493	14,018
Own Revenue (Tax and Non-tax Revenue) (₹ in crore)	86,623	93,520	97,112	80,759	1,11,696
Rate of growth of Own Revenue (Tax and Non-tax Revenue) (<i>per cent</i>)	11.36	7.96	3.84	(-)16.84	38.31
Gross State Domestic Product (₹ in crore) (2011-12 Series)	13,29,095	14,92,156	16,29,638 (P)	16,55,917 (Q)	19,44,107 (A)
Rate of growth of GSDP (<i>per cent</i>)	13.87	12.27	9.21	1.61	17.40
RR/GSDP (<i>per cent</i>)	9.28	9.11	8.77	7.74	8.58
Buoyancy Ratios²					
Revenue Buoyancy w.r.t GSDP	0.88	0.84	0.55	-*	1.73
State's Own Revenue Buoyancy w.r.t GSDP	0.82	0.65	0.42	-*	2.20

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 2022-23)

(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

² 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 1.73 implies that revenue receipts tend to increase by 1.73 percentage points, if the GSDP increases by one *per cent*.

Chart 2.4: Trend of Revenue Receipts

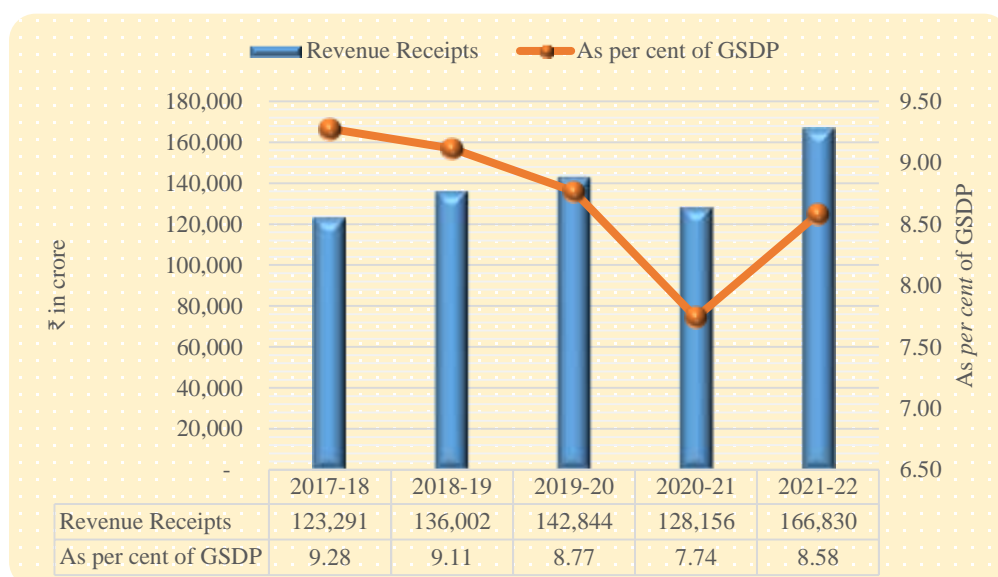
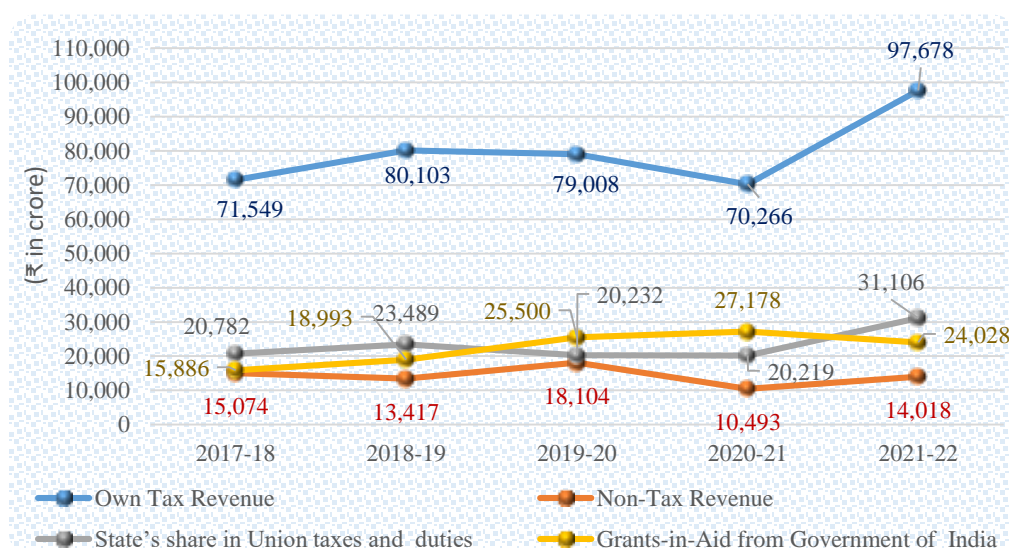


Chart 2.5: Trend of components of Revenue Receipts



The trends in revenue receipts during 2017-22 revealed as follows:

- Revenue receipts increased by 35.31 per cent from ₹ 1,23,291 crore in 2017-18 to ₹ 1,66,830 crore in 2021-22 at Compound Annual Growth Rate (CAGR) of 7.85 per cent. During 2021-22, revenue receipts increased by ₹ 38,674 crore (30.18 per cent) over the previous year.
- A significant portion of revenue receipts (66.95 per cent) during 2021-22 came from the State's own resources, while central tax transfers and grants-in-aid together contributed 33.05 per cent.
- Table 2.3** shows that the percentage of revenue receipts to GSDP continuously decreased from 9.28 per cent in 2017-18 to 7.74 per cent in 2020-21, and then increased to 8.58 per cent in 2021-22 indicating that revenue receipts did not kept pace with the rate at which GSDP grew

during 2017-21. However, during 2021-22, Revenue receipts grew at faster rate than GSDP.

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.*

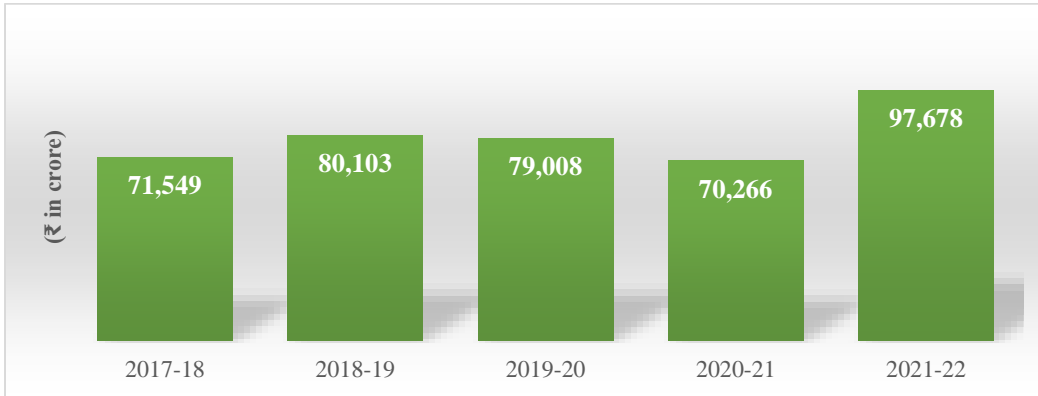
State’s performance in mobilisation of additional resources is to be assessed in terms of its own resources comprising revenue from its own tax and non-tax sources.

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 (2017-22) is shown in **Chart 2.6**.

Chart 2.6: Growth of Own Tax Revenue during 2017-22



The components of State’s own tax revenue during 2017-22 are shown in **Table 2.4**.

Table 2.4: Components of State's own tax revenue during 2017-22

(₹ in crore)

Revenue Head	2017-18	2018-19	2019-20	2020-21	2021-22	
					Budget Estimates	Actuals
SGST	21,250.85	34,888.71	34,106.67	29,458.54	62,278.40	43,486.98
Sales tax/VAT	29,638.88	22,414.25	21,071.72	18,800.34	23,230.00	29,044.45
Taxes and duties on electricity	6,484.29	7,347.79	8,774.35	8,318.87	8,700.00	7,012.72
Stamp duty and registration fees	7,254.75	7,780.77	7,701.17	7,390.18	8,700.00	10,432.57
Taxes on vehicles and taxes on goods and passengers	4,016.72	4,235.33	3,895.29	3,085.35	4,683.00	3,900.06
Land revenue	1,859.04	2,407.51	2,358.74	2,133.55	2,840.60	2,782.52
State excise	84.75	130.59	138.26	133.65	144.00	154.82
Entertainment tax and luxury tax	85.41	3.32	3.69	4.47	4.03	3.16
Other taxes	874.72	894.47	957.61	941.23	1,112.57	860.79
Own Tax Revenue	71,549.41	80,102.74	79,007.50	70,266.18	1,11,692.60	97,678.07
Tax revenue as a percentage of GSDP	5.38	5.37	4.85	4.24	5.94	5.02
Tax revenue as a percentage of revenue receipts	58.03	58.90	55.31	54.83	66.50	58.55

Source: Finance Accounts of the State Government of respective years and Budget Publication No.1 of the Government of Gujarat for the 2021-22

State's own tax revenue increased by ₹ 26,128.66 crore from ₹ 71,549.41 crore in 2017-18 to ₹ 97,678.07 crore in 2021-22 at CAGR of 8.09 per cent. During 2021-22, State's own tax revenue increased by ₹ 27,411.89 crore (39.01 per cent) over the previous year. During the current year, major contributors to tax revenue were SGST (44.52 per cent), sales tax/VAT (29.73 per cent) and stamp duty and registration fees (10.68 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 products³) 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. The five year period ends on 30 June 2022.

For the State of Gujarat, the audited base year (2015-16) revenue to be subsumed⁴ by the GST regime was fixed by GoI at ₹ 28,856.39 crore. Thus, the protected revenue⁵ for Gujarat for the year 2021-22 worked out to ₹ 63,338.99 crore.

Against the protected revenue of ₹ 63,338.99 crore for 2021-22, the State Government earned a revenue⁶ of ₹ 43,305.63 crore during 2021-22 and therefore, was entitled to a compensation of ₹ 20,033.36 crore. The State Government received grants-in-aid of ₹ 8,328.55 crore in 2021-22 from GoI towards GST compensation relating to the previous years. 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". For 2021-22, Gujarat received the back-to-back loan of ₹ 13,040 crore in lieu of GST compensation. 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 State⁷.

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 2022 on GST/VAT/sales tax; stamp duty and registration fees; and taxes and duties on electricity amounted to

³ Crude, high-speed diesel, petrol, aviation turbine fuel and natural gas

⁴ 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.

⁵ 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, 2020-21 and 2021-22) worked out to ₹ 63,338.99 crore for 2021-22.

⁶ ₹ 43,486.98 crore (SGST) and (-) ₹ 181.35 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 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 received in 2020-21 and ₹ 13,040 crore received in 2021-22 have not been considered as public debt.

₹ 58,027.34 crore of which, ₹ 28,531.58 crore was outstanding for more than five years, as detailed in the **Table 2.5**.

Table 2.5: Arrears of revenue

(₹ in crore)

Sr. No.	Head of Revenue	Total outstanding amount as on 31 March 2022	Amount outstanding for more than five years as on 31 March 2022	Remarks
1.	GST/VAT/ Sales tax	57,614.13	28,313.96	Recovery certificates issued: ₹ 2,107.96 crore; recoveries stayed by High Court and other judicial authorities: ₹ 10,120.33 crore; recoveries stayed by Government-Department Authority: ₹ 4,813.61 crore; Dealers being insolvent: ₹ 166.65 crore; amount likely to be written off: ₹ 233.73 crore; Reasons of remaining outstanding arrears of ₹ 40,171.85 crore was not furnished.
2.	Taxes and duties on electricity	161.05	152.41	Recovery certificates issued: ₹ 45.47 crore; and Pending in Court cases: ₹ 115.58 crore;
3.	Stamp duty and registration fees	252.16	65.21	Recovery certificates issued: ₹ 26.67 crore; and stayed by Court: ₹ 31.16 crore; Recoveries stayed by Government:- ₹ 1.48 crore; Recovery held up due to Rectification/review of application ₹ 0.16 crore; Reasons of remaining outstanding arrears of ₹ 192.69 crore was not furnished.
Total		58,027.34	28,531.58	

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 October 2022. Further, Director of Prohibition and Excise, has furnished Nil Arrears of Revenue.

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 are as shown in **Table 2.6**. Collector of Electricity Duty and Director of Prohibition and Excise have furnished Nil cases pending for assessments.

Table 2.6: Arrears of assessments

(in numbers)

Head of Revenue	Opening balance	New cases due for assessment during 2021-22	Total assessments due	Cases disposed of during 2021-22	Balance at the end of the year as on 31 March 2022	Percentage of disposal (col.5 to 4)
1	2	3	4	5	6	7
GST/VAT/ Sales tax	12,979	4,387	17,366	12,784	4,582	73.62

Source: Information furnished by the Departments

It can be seen from the above table that disposal of the GST/VAT/ Sales tax assessments during 2021-22 was 73.62 *per cent* while it was 96.47 *per cent* in 2020-21. In case of Professional tax, the details have not been provided by the SGST department (December 2022).

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 2.7**:

Table 2.7: Cases of tax evasion

Sr. no.	Head of Revenue	Number of cases pending as on 01 April 2021	Number of cases detected during 2021-22	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 2022
					Number of cases	Amount of demand (₹ in crore)	
1	GST/VAT/ Sales tax	278	344	622	103	59.80	519
2.	Stamp duty and registration fees	52,456	2,795	55,251	30,579	91.67	24,672
Total		52,734	3,139	55,873	30,682	151.47	25,191

Source: Information furnished by the Departments

As can be seen, 45.09 *per cent* of total cases were pending for finalisation at the end of March 2022.

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 October 2022.

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 2.8**:

Table 2.8: 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 2021	4,172	582.62	3,672	372.64	95	1.39 ⁸
2.	Claims received during the year	40,234	8,798.98	11,898	732.34	558	8.25
3.	Refunds made during the year	35,777	6,627.59	12,986	1,009.28	556	9.61
4.	Refunds rejected during the year	5,316	1,787.81	0	0.00	0	0.00
5.	Balance outstanding as on 31 March 2022	3,313	966.20	2,584	95.70	97	0.03

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 2022, despite being requested in December 2022.

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 (2017-22) are indicated in **Table 2.9**.

Table 2.9: Main components of State's non-tax revenue during 2017-22

(₹ in crore)

Revenue Head	2017-18	2018-19	2019-20	2020-21	2021-22	
					Budget Estimates	Actuals
Interest receipts	1,081.44	1,611.71	2,331.15	847.64	1,728.25	991.90
Non-ferrous mining and metallurgical industries	8,988.62	4,863.00	4,147.91	2,906.79	4,634.85	4,321.37
Major and medium irrigation projects	1,211.52	1,326.95	1,365.02	1,644.26	2,612.84	1707.14
Ports and light houses	967.59	1,153.35	1,361.26	1,263.75	1,652.88	1,308.61
Medical and public health	173.81	271.59	1,473.06	342.46	398.06	1,601.17

⁸ Figures have been updated by department.

Revenue Head	2017-18	2018-19	2019-20	2020-21	2021-22	
					Budget Estimates	Actuals
Police	318.01	312.19	467.53	484.43	602.96	490.80
Dividends & profits	96.29	120.03	89.00	131.04	210.11	134.25
Others	2,236.69	3,758.17	6,869.22	2,872.29	4,961.56	3,463.02
Non-tax revenue	15,073.97	13,416.99	18,104.15	10,492.66	16,801.51	14,018.26
Non-tax revenue as a percentage of GSDP	1.13	0.90	1.11	0.63	0.89	0.72
Non-tax revenue as a percentage of RR	12.23	9.87	12.67	8.19	10.00	8.40

Source: Finance Accounts of the State Government for the respective years and Budget Publication No.1 of the Government of Gujarat for the 2021-22.

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 increased significantly by ₹ 3,525.60 crore (33.60 *per cent*) during 2021-22 over the previous year. The increase in non-tax revenue in 2021-22 over previous year was mainly due to increase in non-ferrous mining and metallurgical industries by ₹ 1,414.58 crore; medical and public health by ₹ 1,258.71 crore and Others (water supply and sanitation by ₹ 326.51 crore; education, sports, art and culture by ₹ 290.10 crore and other social services by ₹ 129.29 crore).

Unspent Balances of previous years incorrectly credited as Revenue Receipts/ Credit of unutilized funds as Revenue receipts

As per guidelines prescribed under Section 3.10 of List of Major and Minor Heads of Accounts, Recoveries of overpayments whether made in cash or by short drawl from a bill, during the same financial year in which such overpayments were made, shall be recorded as reduction of expenditure under the concerned Service Heads. It also prescribes that Recoveries of overpayments pertaining to previous year(s) shall be recorded under distinct minor head ‘Deduct-Recoveries of Overpayments’ (code ‘911’) below the concerned Major Head of account. Further, Government Accounting Rules, 1990 also states that “Recoveries of overpayments whether made in cash or by deduction from payment vouchers shall always be taken as reduction of expenditure under the appropriate expenditure head concerned irrespective of the year to which such recoveries relate.”

Audit noticed (October 2021) that the unutilised grants/appropriations are not booked properly during the accounting year as well as the previous years. Further, there is no provision to book unutilised grants/appropriations in the existing IFMS which is being used by treasuries in the State. The above fact was apprised to the Directorate of Accounts and Treasuries and State Government. The Directorate of Accounts and Treasuries stated that the matter would be taken up with the Finance Department of the State Government and necessary action would be taken to resolve the same at the earliest. It was also assured that proper accounting system would be developed in IFMS-II which is under development.

However, it was observed during test check in Audit in June/ July 2022 of 125 challans amounting to ₹ 461.30 crore credited to Government account as revenue receipts that, ₹ 89.44 crore of unutilised amounts of various schemes received by implementing agency/nodal agency into bank account or Personal Ledger Account (PLA) in Public Account, during previous years were still credited in Government Accounts as Revenue Receipts during 2021-22. Further, it was observed that ₹ 14.91 crore of unutilised amounts of various schemes (principal amount of these schemes was deposited in Gujarat State Financial Services (GSFS)) received by the entities/agencies during previous years was credited in Government Accounts as Revenue Receipts during 2021-22. Yearly interest earned from the deposits was being credited to relevant account head as per the instructions of Finance Department. The DDO-wise details are shown in **Appendix 2.2**.

Thus, the State Government has not been able to rectify the erroneous booking of the unspent balance receipts of grants/appropriations in the State Accounts and continues to book these amounts as revenue receipts.

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 (2012-22) is shown in **Table 2.10**.

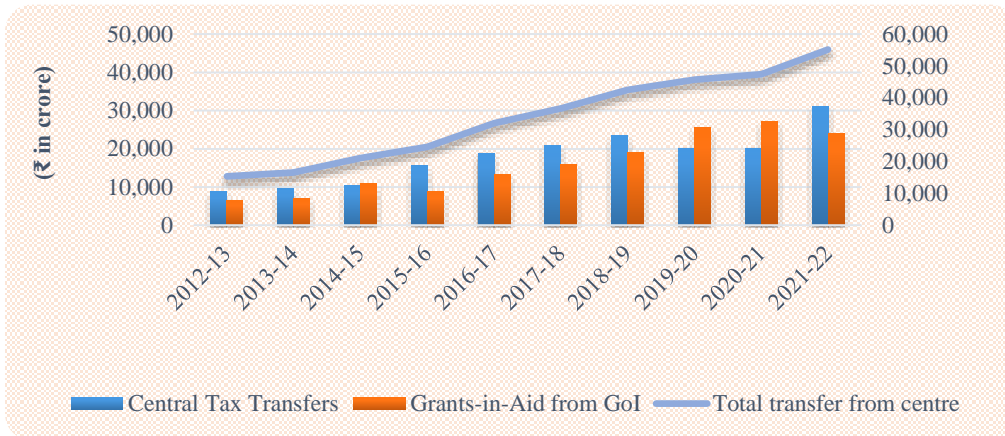
Table 2.10: Transfers from Centre

Particulars	(₹ in crore)									
	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Central Tax Transfers	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	31,105.78
Grants-in-Aid	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	24,027.59
Total	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	55,133.37
Percentage increase over previous year	14.03	8.29	27.19	16.80	30.09	14.40	15.86	7.65	3.64	16.32
Total transfers from Centre as percentage of revenue receipts	20.36	20.74	22.94	25.28	29.18	29.74	31.24	32.02	36.98	33.05

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

The transfers from Centre increased by 260 *per cent* from ₹ 15,314.84 crore in 2012-13 to ₹ 55,133.37 crore in 2021-22. 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 2.7: Trends in transfers from Centre



Central tax transfers

As per the Fifteenth Finance Commission (15th FC) for the year 2021-22 to 2025-26, 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 3.478 *per cent* for the period 2021-22.

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 2010-22 is shown in **Table 2.11**.

Table 2.11: 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)	6,201	6,679	(-)478
2011-12		7,273	7,780	(-)507
2012-13		8,578	8,869	(-)291
2013-14		10,119	9,702	417
2014-15		11,936	10,296	1,640
2015-16	Other than Service tax- 3.084 <i>per cent</i> & Service tax- 3.172 <i>per cent</i> (14 th FC)	17,960	15,691	2,269
2016-17		20,728	18,835	1,893
2017-18		23,953	20,782	3,171
2018-19		27,712	23,489	4,223
2019-20		32,100	20,232	11,868
2020-21	3.398 <i>per cent</i> (15 th FC for 2020-21)	29,059	20,219	8,840

Year	Finance Commission projections	Projections in Finance Commission Report	Actual tax devolution	Difference
2021-22	3.478 per cent (15 th FC for 2021-26)	22,906	31,106	(-) <i>8,200</i>

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

From the above, it may be seen that the actual devolution in 2021-22 was more than projections by ₹ 8,200 crore.

The main components of Central tax transfers during 2017-22 are shown in Table 2.12.

Table 2.12: Components of Central tax transfers

Particulars	(₹ in crore)					Percentage change over previous year
	2017-18	2018-19	2019-20	2020-21	2021-22	
Direct Taxes						
Corporation Tax	6,361.23	8,167.69	6,898.37	6,083.86	9,242.59	51.92
Taxes on income other than Corporation Tax	5,371.41	6,015.16	5,405.35	6,235.13	9,158.49	46.89
Taxes on Wealth	0.00	2.99	0.30	0.00	1.90	-
Sub-total	11,732.64	14,185.84	12,304.02	12,318.99	18,402.98	49.39
Indirect Taxes						
Central Goods and Services Tax	291.72	5,796.85	5,741.16	6,030.60	8,815.20	46.17
Integrated Goods and Services Tax	2,097.04 ⁹	462.60	0.00	0.00	0.00	-
Customs	2,096.40	1,664.83	1,282.45	1,088.95	2,243.09	105.99
Union Excise	2,191.29	1,106.37	891.64	681.76	1,229.22	80.30
Service Tax	2,373.20	218.18	0.00	84.49	384.47	355.05
Others	0.00	54.66	12.82	13.74	30.82	124.31
Sub-total	9,049.65	9,303.49	7,928.07	7,899.54	12,702.80	60.80
Total	20,782.29	23,489.33	20,232.09	20,218.53	31,105.78	53.85
Percentage increase over the previous year	10.34	13.03	(-)13.87	(-)0.07	53.85	
Central tax transfers as percentage of revenue receipts	16.86	17.27	14.16	15.78	18.65	

Source: Finance Accounts of the State Government of respective years. GST was implemented with effect from 01 July 2017

The devolution was more than last year in all the components. The Central tax transfers at ₹ 31,105.78 crore in 2021-22 registered an increase of 53.85 per cent over the previous year. Direct taxes increased by 49.39 per cent and Indirect taxes increased by 60.80 per cent over the previous year.

⁹ This includes advance apportionment of unsettled IGST on ad hoc basis (₹ 1,062 crore).

Grants-in-Aid from GoI

The components of grants-in-aid received from GoI during 2017-22 are shown in **Table 2.13**.

Table 2.13: Grants-in-Aid from GoI

Particulars ¹⁰	(₹ in crore)				
	2017-18	2018-19	2019-20	2020-21	2021-22
Centrally Sponsored Schemes	8,942.08	8,784.58	8,724.64	8,166.58	9,450.08
Finance Commission grants	3,166.85	3,313.36	5,040.24	5,672.50	4,002.42
Other grants (including GST compensation)	3,776.67	6,894.54	11,735.14	13,339.21	10,575.09
Total	15,885.60	18,992.48	25,500.02	27,178.29	24,027.59
Percentage increase over previous year	20.18	19.56	34.26	6.58	(-)11.59
Total grants-in-aid as percentage of revenue receipts	12.88	13.96	17.85	21.21	14.40

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

The grants-in-aid from GoI increased from ₹ 15,885.60 crore in 2017-18 to ₹ 24,027.59 crore in 2021-22.

The grants-in-aid from GoI in 2021-22 decreased by ₹ 3,150.70 crore (11.59 per cent) over the previous year. The decrease was mainly due to decrease in GST compensation by ₹ 3,005.96 crore and grants for rural local bodies by ₹ 2,014.00 crore which was offset by increase in Central assistance grants under CSS by ₹ 1,141.67 crore and receipts of ₹ 1,000 crore under grants towards contribution to National Disaster Response Fund.

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 2021-22, Government of Gujarat received three types of grants from GoI i.e., grants for empowering local bodies, disaster risk management and grant for Health & Family Welfare totalling ₹ 4,799 crore, against awarded amount of ₹ 5,478 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 2021-22 are shown in **Table 2.14**.

¹⁰ The Controller General of Accounts revised the classification of grants-in-aid with effect from financial year 2017-18.

Table 2.14: Details of amounts awarded and received as per recommendation of 15thFC

Name of Grant	(₹ in crore)			
	Recommendation of 15 th FC	Actual release by GoI	Release by State Government	Pending Amount
	2021-22	2021-22	2021-22	2021-22
Grants for Local Bodies	3,525.00	3,110.50	2,913.00	414.50
Grants to Panchayat, Rural Housing and Rural Development Department	2,362.00	2,362.00	2,362.00	0.00
(a) General Basic (Untied) Grant (PRIs)	944.80	944.80	944.80	0.00
(b) Tied Grants (PRIs)	1,417.20	1,417.20	1,417.20	0.00
Grants to Urban Development and Urban Housing Department	1163.00	748.50	551.00	414.50
(a) Million plus cities- Air Quality Grant	204.00	197.50	0.00	6.50
(b) Million plus cities- Service Level Benchmark Grant	408.00	0.00	0.00	408.00
(c) Other than Million plus cities- Basic Grant (40%)	220.40	220.40	220.40	0.00
(d) Other than Million plus cities- Tied Grant (60%) 30% for Sanitation Solid Waste Management grant and 30% for Drinking Water (including rain water harvesting and recycling) grant	330.60	330.60	330.60	0.00
Grants to Revenue Department	1,324.00	1,059.20	1,059.20	264.80
(a) State Disaster Relief Fund- Central Share	1,324.00	1,059.20	1,059.20	264.80
Grants to Health and Family Welfare Department	629.22	629.22	629.22	0.00
(a) Support for diagnostic infrastructure to the primary healthcare facilities-sub centres	67.49	67.49	67.49	0.00
(b) Support for diagnostic infrastructure to the primary healthcare facilities-PHCs	71.88	71.88	71.88	0.00
(c) Financial requirement for establishing block Level Public Health Units	50.31	50.31	50.31	0.00
(d) Grants for Building less Sub- centres, PHCs, CHCs	1.17	1.17	1.17	0.00
(e) Financial requirement for Conversion of Rural PHCs and SCs into Health and Wellness Centre	160.01	160.01	160.01	0.00
(f) Support for diagnostic infrastructure to the primary healthcare facilities-UPHCs	17.63	17.63	17.63	0.00
(g) Grants for Urban Health and Wellness Centres (UHCs)	260.73	260.73	260.73	0.00
Grand Total	5,478.22	4,798.92	4,601.42	679.30
Incentive Grants to Urban Development and Urban Housing Department				
<i>Million plus cities- Air Quality Grant (Incentive)</i>	<i>0.00</i>	<i>20.21</i>	<i>20.21</i>	<i>0.00</i>

Source: Finance Department of Government of Gujarat

It may be seen from the table above that the State Government had received less grants than recommended by 15th FC under State Disaster Relief Fund; Million

plus cities- Air Quality Grant; and Million plus cities- Service Level Benchmark Grant.

Finance Department stated (September 2022) that less receipt under State Disaster Relief Fund was due to non-creation of State Disaster Mitigation Fund (SDMF). It also stated that less receipts under Million plus cities- Air Quality Grant was due to non-achievement of standards relating to air purity by Vadodara Municipal Corporation, and under Million plus cities- Service Level Benchmark Grant was due to non-completion of Memorandum of understanding (MoU) between Urban Local Bodies, Government of Gujarat and Government of India.

Further, Urban Development and Urban Housing Department had received incentive of ₹ 20.21 crore from Government of India for achieving best performance in maintaining ambient air quality in cities.

State Finance Commission

Article 243 I of the Constitution made it mandatory for the State Government to constitute a State Finance Commission (SFC) within one year from the enactment of 73rd constitutional Amendment and thereafter on expiry of every five years to review the financial condition of the PRIs and to make recommendations to the Governor for devolution of funds.

Status of constitution of Finance Commissions, recommendations made by them and recommendations accepted and implemented by the Government of Gujarat are shown in **Table 2.15**.

Table 2.15: Status of constitution of SFCs, recommendations made by them and recommendations accepted and implemented by Government of Gujarat

Departments	SFC	Year of constitution	Number of recommendations		
			Made by SFC	Accepted by State Government	Implemented by State Government
Panchayat, Rural Housing and Rural Development	First	1994	52	27	27
	Second	2003	41	21	21
	Third	2011	33	22	13
Urban development and Urban Housing	First	1994	64	53	34
	Second	2003	42	20	14
	Third	2011	37	24	Information not furnished to Audit

Source: Information furnished by Panchayat, Rural Housing and Rural Development Department and Urban development and Urban Housing Department of Government of Gujarat

The Action Taken Report (ATR) on the third SFC recommendations (December 2013) was placed before the State Legislature on 31 March 2021. The Fourth and Fifth SFCs due to be constituted in 2009-10 and 2014-15 respectively, are yet to be constituted by the State Government as of December 2022.

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	2017-18	2018-19	2019-20	2020-21	2021-22
Capital receipts	27,299	43,362	43,927	68,981	47,123
Public debt receipts	26,953	43,146	43,491	58,857	46,968
Public debt repayment	13,700	15,432	16,702	17,922	24,436
Net Public Debt Receipts	13,253	27,714	26,789	40,935	22,532
Miscellaneous capital receipts	0	65	106	9,968	0
Recovery of loans and advances	346	151	330	155	155
Non-debt capital receipts	346	216	436	10,124	155
Net capital receipts	13,599	27,930	27,225	51,059	22,687
Net increase in internal debt	13,872	26,231	26,786	30,369	9,775
Growth rate of Net internal debt (<i>per cent</i>)	(-)27.34	89.09	2.12	13.38	(-) 67.81
Net increase in loans and advances from GoI	(-)619	1,483	3	10,566	12,757
Growth rate (<i>per cent</i>)	24.80	(-) 339.58	(-)99.80	- ¹¹	20.74
Rate of growth of debt capital receipts (<i>per cent</i>)	(-)28.73	109.11	(-)3.34	52.81	(-)44.96
Rate of growth of non-debt capital receipts (<i>per cent</i>)	(-)14.78	(-)37.57	101.85	- ¹¹	(-)98.47
Rate of growth of GSDP (<i>per cent</i>)	13.87	12.27	9.21	1.61	17.40
Rate of growth of net capital receipts (<i>per cent</i>)	(-)28.43	105.38	(-)2.52	87.54	(-)55.57

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

The Capital receipts in 2021-22 decreased by ₹ 21,858 crore (31.69 *per cent*) over the previous year. The decrease was due to less receipts under public debt and miscellaneous capital receipts like disinvestments.

Further ₹ 13,040 crore was received under implementation of the scheme of "back-to-back loan to States in lieu of GST Compensation shortfall"¹².

¹¹ 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.

¹² 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 received during 2020-21 and ₹ 13,040 crore received during 2021-22 have not been considered as public debt here.

Effective Net Public Debt receipts would be ₹ 9,492 crore as the Department of Expenditure, GoI had decided that GST compensation of ₹ 13,040 crore given to the State as back to back loan under debt receipts would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission. As a result, the effective Net Capital Receipts stand at ₹ 9,337 crore.

Public debt receipts create future repayment obligations. During the last five years (2017-22), 40.19 per cent of public debt receipts were used for repayment of public debts raised in earlier years while the remaining 59.81 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 during 2021-22.

Table 2.17: Tax and non-tax receipts vis-à-vis projections for 2021-22

(₹ in crore)

	Budget estimates	Actual	Percentage variation of actual over	
			Budget estimates	15 th FC projections
Own Tax revenue	1,11,693	97,678	(-)12.55	21.03
Non-tax revenue	16,802	14,018	(-)16.57	(-) 4.61

As can be seen, the State Government fell short of achieving the targets for both own tax revenue as well as non-tax revenue set in the budget estimates.

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.

2.4.1 Growth and composition of expenditure

The total expenditure, its composition and relative share in GSDP during the last five years (2017-22) is presented in **Table 2.18**.

Table 2.18: Total expenditure and its composition

(₹ in crore)

Parameters	2017-18	2018-19	2019-20	2020-21	2021-22
Total expenditure (TE)	1,45,004	1,62,583	1,67,861	1,78,718	1,89,677
Revenue expenditure (RE)	1,18,060	1,32,790	1,40,899	1,50,704	1,60,421
Capital Expenditure (CE)	26,313	28,062	25,650	26,781	28,185
Loans and advances	631	1,731	1,312	1,233	1,071
As a percentage of GSDP					
TE/GSDP	10.91	10.90	10.30	10.79	9.76

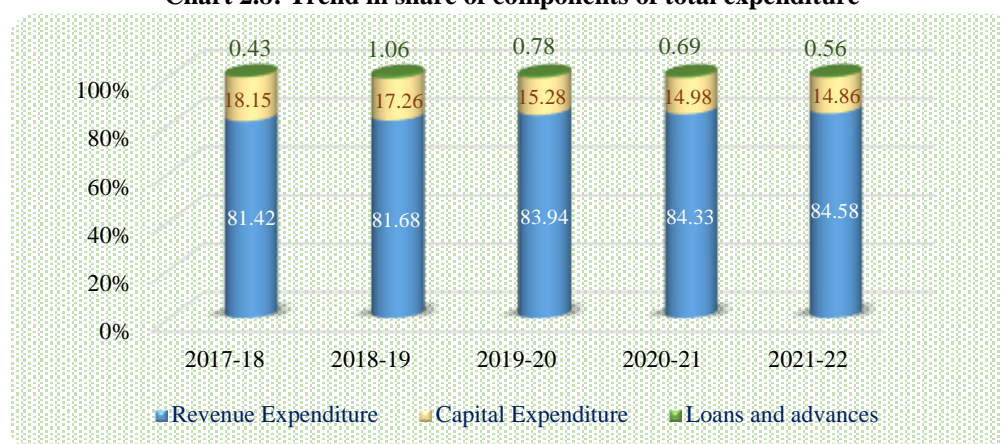
Parameters	2017-18	2018-19	2019-20	2020-21	2021-22
RE/GSDP	8.88	8.90	8.65	9.10	8.25
CE/GSDP	1.98	1.88	1.57	1.62	1.45
Loans and advances/GSDP	0.05	0.12	0.08	0.07	0.06

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

Table 2.18 shows that total expenditure of the State increased by 30.81 per cent from ₹ 1,45,004 crore in 2017-18 to ₹ 1,89,677 crore in 2021-22. During the year, it increased by 6.13 per cent over the previous year. As percentage of GSDP, total expenditure remained the lowest at 9.76 per cent in 2021-22 during the five-year period (2017-22).

Chart 2.8 depicts the trend in the share of the components of total expenditure.

Chart 2.8: Trend in share of components of total expenditure



The above charts indicate that revenue expenditure was a major component of total expenditure during 2017-22. Revenue expenditure constituted 84.58 per cent of the total expenditure in 2021-22. Revenue expenditure as percentage of GSDP decreased from 8.88 per cent in 2017-18 to 8.25 per cent in 2021-22.

Trends in total expenditure in terms of activities namely, general services, social services, economic services, grants-in-aid and loans and advances during 2017-22 are as shown in **Table 2.19**.

Table 2.19: Trends in total expenditure in terms of activities

Activities	(Share in per cent)				
	2017-18	2018-19	2019-20	2020-21	2021-22
General services	29.15	29.79	29.71	29.41	30.04
Social services	38.51	37.51	38.94	37.97	40.40
Economic services	31.57	31.41	30.32	31.71	28.78
Loans and advances	0.44	1.06	0.78	0.69	0.56
Grants-in-aid and contributions to local bodies & PRIs	0.33	0.23	0.25	0.22	0.22

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

The movement of the relative share of general, social and economic services exhibited stability during 2017-22, with marginal inter-year variations. As

compared to 2017-18, the share of social services increased by 1.89 *per cent* and the share of economic services decreased by 2.79 *per cent* during 2021-22.

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 2017-22 are as indicated in **Table 2.20**.

Table 2.20: Trends of revenue expenditure

	2017-18	2018-19	2019-20	2020-21	2021-22
Total expenditure (TE) (₹ in crore)	1,45,004	1,62,583	1,67,861	1,78,718	1,89,677
Revenue expenditure (RE) (₹ in crore)	1,18,060	1,32,790	1,40,899	1,50,704	1,60,421
Growth of RE over previous year (<i>per cent</i>)	13.63	12.48	6.11	6.96	6.45
RE/TE (<i>per cent</i>)	81.42	81.68	83.94	84.33	84.58
RE/GSDP (<i>per cent</i>)	8.88	8.90	8.65	9.10	8.25
RE/RR (<i>per cent</i>)	95.76	97.64	98.64	117.59	96.16
Buoyancy of revenue expenditure with					
GSDP	0.98	1.02	0.66	4.32	0.37
Revenue receipts	1.11	1.21	1.21	-*	0.21

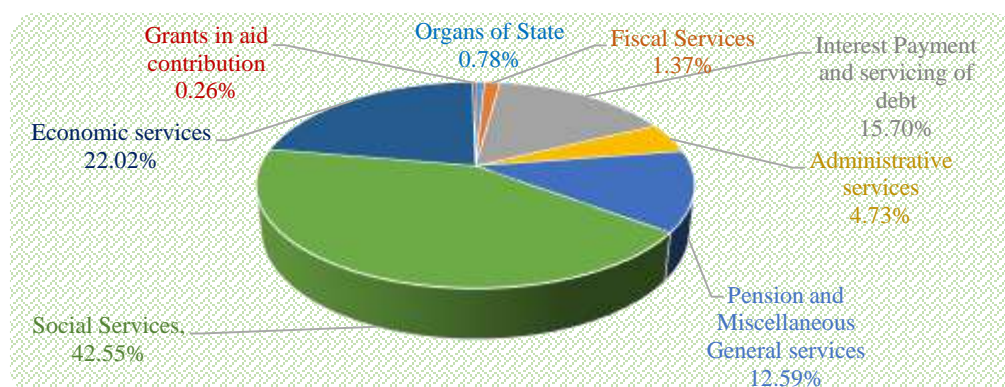
Source: Finance Accounts of State Government of respective years.

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

Revenue expenditure increased continuously from ₹ 1,18,060 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. The increase in revenue expenditure in 2021-22 over the previous year was mainly due to more expenditure on Medical and Public Health by ₹ 2,464 crore; Pensions and Other Retirement Benefits by ₹ 1,591 crore; Appropriation for reduction or avoidance of Debt by ₹ 1,500 crore; General Education by ₹ 1,383 crore; Power by ₹ 1,382 crore and Relief on account of Natural Calamities by ₹ 1,082 crore.

In the year 2021-22, revenue expenditure as a percentage of GSDP was 8.25 *per cent* which was the lowest during the period 2017-22. Revenue expenditure as percentage of revenue receipts was at 96.16 *per cent* during 2021-22.

The sector-wise distribution of revenue expenditure during 2021-22 is shown in **Chart 2.9**.

Chart 2.9: Sector-wise distribution of revenue expenditure during 2021-22 (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 2021-22 compared to 2020-21

(₹ in crore)

Major Heads of Account	2020-21	2021-22	Variation	
			Amount	Per cent
2210- Medical and Public Health	7,860.11	10,324.56	2,464.45	31.35
2071- Pensions and Other Retirement Benefits	18,569.75	20,160.26	1,590.51	8.57
2048- Appropriation for reduction or avoidance of Debt	0.00	1,500.00	1,500.00	-
2202- General Education	24,699.39	26,082.23	1,382.84	5.60
2801- Power	8,949.40	10,331.44	1,382.04	15.44
2245- Relief on account of Natural Calamities	1,760.82	2,843.09	1,082.27	61.46
2216- Housing	1,595.52	2,590.06	994.54	62.33
2049- Interest Payment	24,203.19	25,187.78	984.59	4.07
2217- Urban Development	8,988.92	9,961.18	972.26	10.82
2225- Welfare of Schedule Castes, Schedule Tribes, Other Backward Classes and Minorities	3,418.52	4,055.81	637.29	18.64
3054- Roads and Bridges	4,247.47	4,800.17	552.70	13.01
2401- Crop Husbandry	2,694.61	2,268.78	(-) 425.83	(-) 15.80
2408- Food, Storage and Warehousing	769.48	91.22	(-) 678.26	(-) 88.15
2851- Village and Small Industries	2,951.27	1,780.96	(-) 1,170.31	(-) 39.65
2515- Other Rural Development Programmes	4,501.61	2,502.49	(-) 1,999.12	(-) 44.41

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

The table above indicates that revenue expenditure under Medical and Public Health; Pensions and other retirement benefits; General Education and Power increased during the year, primarily due to the increase in expenditure on prevention and control of diseases; family pensions; expenditure on teachers and other services; investments in Public Sector and Other Undertakings, respectively. Other Rural Development Programmes; and Village and Small

Industries recorded a decrease in revenue expenditure during 2021-22 compared to the previous year due to decrease in Grant-in-aid and subsidies to small scale industries respectively.

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.

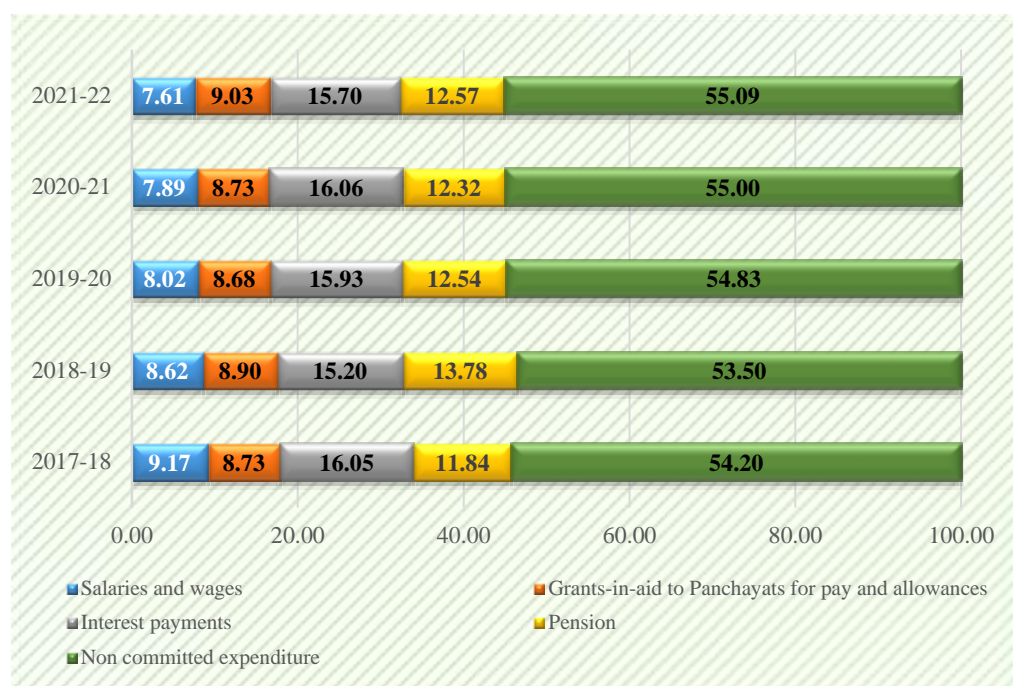
Table 2.22 presents the trend of committed expenditure and its components during 2017-22.

Table 2.22: Trend of committed expenditure and its components

(₹ in crore)

Components of committed expenditure	2017-18	2018-19	2019-20	2020-21	2021-22
Salaries and wages	10,832	11,448	11,301	11,895	12,212
Grants-in-aid to Panchayats for pay and allowances	10,302	11,821	12,235	13,151	14,482
Interest payments	18,954	20,183	22,449	24,203	25,188
Pension	13,979	18,295	17,663	18,570	20,160
Total committed expenditure	54,067	61,747	63,648	67,819	72,042
As a percentage of Revenue Receipts (RR)					
Revenue Receipts	1,23,291	1,36,002	1,42,844	1,28,156	1,66,830
Salaries and wages	8.79	8.42	7.91	9.28	7.32
Grants-in-aid to Panchayats for pay and allowances	8.36	8.69	8.57	10.26	8.68
Interest payments	15.37	14.84	15.72	18.89	15.10
Pension	11.34	13.45	12.37	14.49	12.08
Total	43.85	45.40	44.56	52.92	43.18
As a percentage of Revenue Expenditure (RE)					
Revenue Expenditure	1,18,060	1,32,790	1,40,899	1,50,704	1,60,421
Salaries and wages	9.17	8.62	8.02	7.89	7.61
Grants-in-aid to Panchayats for pay and allowances	8.73	8.90	8.68	8.73	9.03
Interest payments	16.05	15.20	15.93	16.06	15.70
Pension	11.84	13.78	12.54	12.32	12.57
Total	45.80	46.50	45.17	45.00	44.91

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

Chart 2.10: 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 2017-22. As percentage of revenue receipts, committed expenditure decreased from 52.92 *per cent* in 2020-21 to 43.18 *per cent* in 2021-22.

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

Salaries and wages

Expenditure on salaries and wages increased by ₹ 1,380 crore (12.74 *per cent*) from ₹ 10,832 crore in 2017-18 to ₹ 12,212 crore in 2021-22. It accounted for 7.32 *per cent* of revenue receipts and 7.61 *per cent* of revenue expenditure during 2021-22.

Grants-in-aid to Panchayats for pay and allowances

Grants-in-aid to Panchayats for pay and allowances increased by ₹ 4,180 crore (40.57 *per cent*) from ₹ 10,302 crore in 2017-18 to ₹ 14,482 crore in 2021-22. Grants-in-aid as a percentage of the revenue receipts, decreased from 10.26 *per cent* in 2020-21 to 8.68 *per cent* in 2021-22. It accounted for 9.03 *per cent* of revenue expenditure during 2021-22.

Interest payments

Interest payments increased by ₹ 6,234 crore (32.89 *per cent*) from ₹ 18,954 crore in 2017-18 to ₹ 25,188 crore in 2021-22. Interest payments increased by 4.07 *per cent* in 2021-22 over the previous year due to increased interest liability of ₹ 1,611 crore on market loans. During 2021-22, interest payments on market loans stood at 75.57 *per cent* of the total interest payments while interest payments on special securities issued to National Small Savings

Fund accounted for 12.29 *per cent* of the total interest payments. As a percentage of the revenue receipts, expenditure on interest payments decreased from 18.89 *per cent* in 2020-21 to 15.10 *per cent* in 2021-22. Also, the share of interest payment in revenue expenditure decreased from 16.06 *per cent* in 2020-21 to 15.70 *per cent* in 2021-22.

Pension payments

There were 4.98 lakh pensioners¹³ in Gujarat State (March 2021). Expenditure on pension continuously increased during 2017-22 except in 2019-20.

In its disclosures made under Gujarat Fiscal Responsibility Act, 2005, the State Government estimated (March 2021) the pension payments as percentage of revenue receipts at 10.94 *per cent* for 2021-22. However, it stood higher at 12.08 *per cent* during the year. The pension payments as percentage of revenue expenditure accounted for 12.57 *per cent* of revenue expenditure during 2021-22.

2.4.2.3 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 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 Account¹⁴ and then transferred to the NSDL. During the year 2021-22, the State Government collected ₹ 1,112.24 crore from the employees as contribution towards NPS and contributed ₹ 1,099.41 crore as its share towards the Scheme. Further, against the total collected funds of ₹ 2,258.62 crore (including previous years’ balance of ₹ 46.97 crore), the State Government transferred ₹ 2,209.61 crore to NSDL, leaving a balance of ₹ 49.01 crore. The entire balance of ₹ 49.01 crore was transferred to NSDL in April 2022. During 2021-22, the Government also paid an interest of ₹ 0.97 crore to the fund manager for late/delayed transfer of funds.

¹³ As per Fiscal Policy Strategy Statement under Gujarat Fiscal Responsibility Act, 2005 for 2021-22 (March 2021), there were 4.98 lakh pensioners in the State. These are pensioners of Gujarat Government and aided institutions and do not include Social Security Pensioners.

¹⁴ Major Head 8342-117 (Other Deposits- Defined Contribution Pension Scheme for Government Employees)

2.4.2.4 Expenditure on subsidies

The details of subsidies during the five year period 2017-22 are given in **Table 2.23**.

Table 2.23: Expenditure trend of subsidies

Components of committed expenditure	(₹ in crore)				
	2017-18	2018-19	2019-20	2020-21	2021-22
Subsidies	13,621	17,269	18,420	22,141	22,335
Total revenue receipts	1,23,291	1,36,002	1,42,844	1,28,156	1,66,830
Subsidies as a percentage of revenue receipts	11.05	12.70	12.90	17.28	13.39
Total revenue expenditure	1,18,060	1,32,790	1,40,899	1,50,704	1,60,421
Subsidies as a percentage of revenue expenditure	11.54	13.00	13.07	14.69	13.92

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

Revenue Expenditure on subsidies increased by 63.97 per cent from ₹ 13,621 crore in 2017-18 to ₹ 22,335 crore in 2021-22. The major beneficiary Departments of subsidy during 2021-22 were: Energy and Petrochemicals; Industries and Mines; Agriculture, Farmer's Welfare and Co-operation; Social Justice and Empowerment; and Urban development and Urban Housing.

Energy and Petrochemicals Department received a subsidy of ₹ 10,834 crore during 2021-22 (49 per cent of total expenditure on subsidy) of which, a major portion of ₹ 6,210 crore was on account of fuel price and power purchase adjustment charges, ₹ 2,025 crore for compensation in agriculture tariff and ₹ 1,100 crore for horse power based tariff to agriculturists.

In Industries and Mines Department, of the total subsidy of ₹ 4,530 crore received during 2021-22 (20 per cent of total expenditure on subsidy), ₹ 1,960 crore was for development of textile industry and ₹ 1,363 crore was given as assistance to industries.

Of ₹ 1,835 crore (8 per cent of total expenditure on subsidy) received as subsidy by Agriculture, Farmer's Welfare and Co-operation Department during 2021-22, ₹ 997 crore was given as financial assistance to farmers for subvention of interest.

The Gujarat State Road Transport Corporation was also given a subsidy of ₹ 597 crore in 2021-22 to compensate for operations in uneconomic routes, student concessions etc.

2.4.2.5 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-in-aid to meet expenses on pay and allowances, other miscellaneous expenses and creation of capital assets. The details of financial assistance given to Local bodies and other institutions during 2017-22 are given in **Table 2.24**

Table 2.24: Trend of financial assistance to local bodies, NGOs and Others

(₹ in crore)					
Financial assistance to institutions	2017-18	2018-19	2019-20	2020-21	2021-22
Panchayati raj institutions	19,686	19,645	22,034	24,323	24,388
Urban local bodies	7,791	8,747	9,345	8,719	11,652
Public sector undertakings	74	79	84	95	119
Autonomous bodies	5,308	6,388	6,259	6,211	6,532
Non-Governmental organisations	1,091	1,096	1,197	1,597	2,352
Others	20,857	23,656	25,343	23,692	24,765
Total	54,807	59,611	64,262	64,637	69,808
Revenue expenditure	1,18,060	1,32,790	1,40,899	1,50,704	1,60,421
Assistance as percentage of revenue expenditure	46.42	44.89	45.61	42.89	43.52

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 ₹ 54,807 crore in 2017-18 to ₹ 69,808 crore in 2021-22.

The State Government received ₹ 1,181 crore and ₹ 1,133 crore as Finance Commission grants from Central Government during 2021-22 for onward transmission to Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs), respectively. The State Government released ₹ 1,195.58 crore to PRIs and ₹ 1,138 crore to ULBs. In addition, the PRIs also received ₹ 2,237.73 crore as other Central assistance. Further, during 2021-22, the State Government also provided financial assistance of ₹ 20,955.16 crore to PRIs and ₹ 9,271.06 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 38 per cent) during the last five years (2017-22). 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 4.5.1 (Chapter IV)**.

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 (2017-22) are indicated in **Table 2.25**.

Table 2.25: Trend of Capital Expenditure during 2017-22

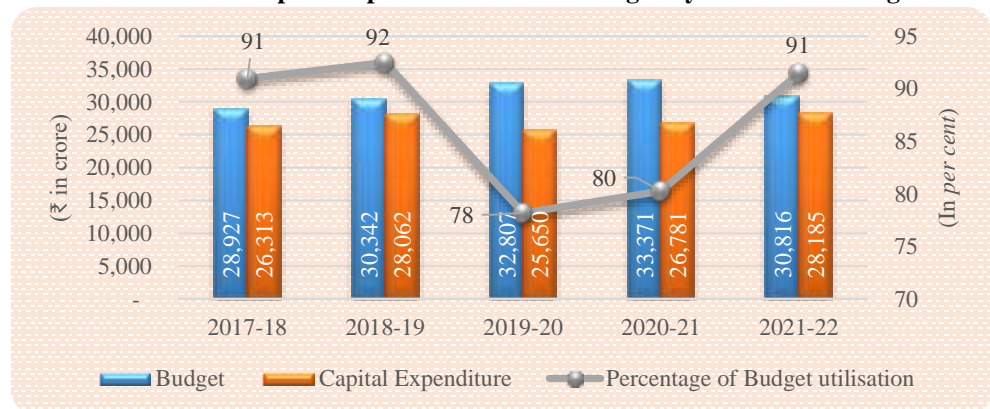
	2017-18	2018-19	2019-20	2020-21	2021-22
Total expenditure (TE) (₹ in crore)	1,45,004	1,62,583	1,67,861	1,78,718	1,89,677
Capital Expenditure (CE) (₹ in crore)	26,313	28,062	25,650	26,781	28,185
Growth of CE over previous year (<i>per cent</i>)	17.71	6.65	(-)8.60	4.41	5.24
CE/TE (<i>per cent</i>)	18.15	17.26	15.28	14.99	14.86
CE/GSDP (<i>per cent</i>)	1.98	1.88	1.57	1.62	1.45

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

Capital Expenditure increased from ₹ 26,313 crore in 2017-18 to ₹ 28,185 crore in 2021-22. Of the total Capital Expenditure of ₹ 28,185 crore incurred in 2021-22, ₹ 5,328 crore (18.90 *per cent*) was spent on roads and bridges followed by ₹ 5,316 crore (18.86 *per cent*) on irrigation projects (major, medium and minor), ₹ 4,567 crore (16.20 *per cent*) on water supply and sanitation and ₹ 3,392 crore (12.03 *per cent*) on power projects.

Increase in Capital Expenditure by ₹ 1,404 crore during 2021-22 over the previous year was mainly on account of increase in expenditure on Tourism by ₹ 706 crore, Water Supply and Sanitation by ₹ 679 crore, Medical and Public Health by ₹ 416 crore, other Rural Development Programmes by ₹ 359 crore, which was offset by decrease in expenditure on Petrochemical Industries by ₹ 1,087 crore and Medium Irrigation by ₹ 682 crore,.

The State Government could not meet the budgetary allocation for Capital Expenditure in any year during the five-year period (2017-22). The trend of actual Capital Expenditure *vis-à-vis* budgetary allocation during 2017-22 are given in **Chart 2.11**.

Chart 2.11: Trend of Capital Expenditure *vis-à-vis* budgetary allocation during 2017-22

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 2020-21 and 2021-22.

Table 2.26: Capital Expenditure during 2021-22 compared to 2020-21

(₹ in crore)

Major Heads of Accounts	2020-21	2021-22	Variation	Variation (percentage)
5452- Capital Outlay on Tourism	812.80	1,519.21	706.41	86.91
4215-Capital Outlay on Water Supply and Sanitation	3,887.74	4,567.11	679.37	17.47
4210- Capital Outlay on Medical and Public Health	721.39	1,137.40	416.01	57.67
4515- Capital Outlay on other Rural Development Programmes	934.75	1,293.85	359.10	38.42
4211- Capital Outlay on Family Welfare	5.49	298.17	292.68	5331.15
4216- Capital Outlay on Housing	468.49	701.39	232.90	49.71
4700- Capital Outlay on Major Irrigation	2,114.07	2,346.71	232.64	11.00
4801-Capital Outlay on Power Projects	3,172.22	3,391.76	219.54	6.92
4810-Capital Outlay on New and Renewable Energy	350.00	506.31	156.31	44.66
4406- Capital Outlay on Forestry and Wild Life	607.05	730.84	123.79	20.39
4055- Capital Outlay on Police	228.49	345.39	116.90	51.16
5053- Capital Outlay on Civil Aviation	53.28	162.90	109.62	205.74
5054- Capital Outlay on Roads and Bridges	5,451.70	5,328.50	(-)123.20	(-)2.26
4217- Capital Outlay on Urban Development	712.61	571.82	(-)140.79	(-)19.76
4250- Capital Outlay on other Social Services	420.24	228.39	(-)191.85	(-)45.65
4701- Capital Outlay on Medium Irrigation	2,162.05	1,480.15	(-)681.90	(-)31.54
4856- Capital Outlay on Petrochemical Industries	1,087.50	0.00	(-)1,087.50	(-)100.00

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

2.4.3.2 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 2022, the State Government had invested ₹ 1,16,485 crore in these companies/corporations/institutions (**Table 2.27**).

Table 2.27: Trend of returns on investments

Details of Investments>Returns	(₹ in crore)				
	2017-18	2018-19	2019-20	2020-21	2021-22
Statutory Corporations	3,249	3,488	3,752	4,221	4,638
Rural Banks	14	14	14	14	14
Government Companies	82,416	88,865	95,702	1,02,832	1,11,360
Municipalities Port Trusts	00	00	00	00	00
Co-operative institutions and Local Bodies	402	404	418	418	420
Other Joint Stock Companies and Partnerships	33	33	33	33	53
Investments at the end of the year	86,114	92,804	99,919	1,07,518	1,16,485
Returns/Dividend earned (₹ in crore)	96.30	120.03	88.99	131.04	134.25
Return on Investment (<i>per cent</i>)	0.11	0.13	0.09	0.12	0.12
Average rate of interest ¹⁵ on Government borrowings (<i>per cent</i>)	7.59	7.44	7.47	7.29	7.12
Difference between average interest rate on Government borrowings and rate of return (<i>per cent</i>)	7.48	7.31	7.38	7.17	7.00

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

Table 2.27 shows that the State Government's investments increased by ₹ 30,371 crore during 2017-22. During 2021-22, the State Government made an additional investment of ₹ 8,967 crore over the previous year which included ₹ 8,528 crore in Government Companies and ₹ 417 crore in Statutory Corporations. Of the ₹ 8,528 crore invested in Government Companies during 2021-22, ₹ 3,710 crore (44 *per cent*) was invested in Gujarat Urja Vikas Nigam Limited and ₹ 2,292 crore (27 *per cent*) in Sardar Sarovar Narmada Nigam Limited.

The **Table 2.27** also shows that the average return¹⁶ 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.

Investments during the year in loss-making companies and companies whose net worth has completely eroded are given in **Table 2.28** and **Table 2.29**.

¹⁵ Average rate of interest on Government borrowings = {Interest payment/[(Amount of previous year's Total Outstanding Liabilities + Current year's Total Outstanding Liabilities)/2]} * 100

¹⁶ 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.

Table 2.28: Investments made in loss-making companies

(₹ in crore)

Sr. No.	Company/ Corporation	Loss during 2020-21 #	Accumulated Loss up to 2020-21 #	Investment made during the year 2021-22 *	Cumulative investment as on 31 March 2022 *
1.	Sardar Sarovar Narmada Nigam Limited (SSNNL)	739.32	6,741.42	2,292.11	67,848.39

Source: # Information furnished by SPSUs.

* Information from Finance Accounts of the State Government for the year 2021-22

Table 2.29: Investments made in companies whose net worth has completely eroded

(₹ in crore)

Sr. No.	Company/ Corporation	Net worth as on 31 March of 2019 #	Investment made during the year 2021-22 *	Cumulative investment as on 31 March 2022 *
1.	Gujarat State Road Transport Corporation (GSRTC)	(-)406.49	413.37	4,425.75

Source: # Information furnished by SPSUs. Financial Statements for the year 2019-20 and 2020-21 have not yet finalised by GSRTC.

* Information from Finance Accounts of the State Government for the year 2021-22

The additional investment of ₹ 8,966.38 crore made by the State Government during 2021-22 accounted for 31.81 *per cent* of the total Capital Expenditure (₹ 28,185.04 crore). This additional investment of ₹ 8,966.38 crore included an investment of ₹ 2,292.11 crore in SSNNL which had been booking losses since 2015-16 and ₹ 413.37 crore in GSRTC which had been booking losses since 1973-74. SSNNL had accumulated losses of ₹ 6,741.42 crore at the end of 2020-21 and GSRTC had accumulated losses of ₹ 3,830.72 crore at the end of 2018-19.

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

Incorrect accounting classification of investment in Smart City Project

As per Smart Cities Mission Statement and Guidelines by Ministry of Urban Development Government of India dated June, 2015 “The Special Purpose Vehicle (SPV) will be a limited company incorporated under the Companies Act, 2013 at the city-level, in which the State/UT and the ULB will be the promoters having 50:50 equity shareholding. The private sector or financial institutions could be considered for taking equity stake in the SPV, provided the shareholding pattern of 50:50 of the State/UT and the ULB is maintained and the State/UT and the ULB together have majority shareholding and control of the SPV.”

Six smart city companies namely Smart city Ahmedabad Development Limited, Dahod Smart city Development Limited, Gandhinagar Smart city Development Limited, Rajkot Smart city Development Limited, Surat Smart city Development Limited and Vadodara Smart city Development Limited were formed in Gujarat. It is observed that share contribution of the State Government amounting to ₹ 500.07 crore¹⁷ in these companies are not being shown under capital head of expenditure and also not reflected in 'Statement 19 – Detailed statement of the Investments of the Government' in the Finance Accounts. The amount transferred to these companies was being booked as Grants-in-aid to these companies as Revenue expenditure.

This was brought to the notice of Urban Development and Urban Housing Department (June 2022). Their reply is awaited (December 2022).

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 2.30 presents the trend of outstanding loans and advances as on 31 March 2022 along with interest receipts *vis-à-vis* interest payments for the five-year period from 2017-18 to 2021-22.

Table 2.30: Quantum of loans disbursed and recovered during 2017-22

(₹ in crore)					
Quantum of Loans/ Interest Receipts/ Cost of Borrowings	2017-18	2018-19	2019-20	2020-21	2021-22
Opening Balance	7,638	7,923	9,503	10,485	12,235*
Amount advanced during the year	631	1,731	1,312	1,233	1,071
Amount recovered during the year	346	151	330	155	155
Closing Balance	7,923	9,503	10,485	11,563	13,151
Loans for which terms and conditions have not been settled	521	1,296	905	632	446
Net addition during the year	285	1,580	982	1,078	916
Interest Receipts on loans advanced	88	74	62	63	77
Interest receipts as a <i>percentage</i> of outstanding Loans and Advances	1.13	0.85	0.62	0.57	0.61
Interest payments	18,954	20,183	22,449	24,203	25,188
Average Rate of Interest paid on the outstanding borrowings of the Government (<i>per cent</i>)	7.59	7.44	7.47	7.29	7.12
Difference between the rate of interest paid and rate of interest received (<i>per cent</i>)	6.46	6.59	6.85	6.72	6.51

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

*Opening Balance differs from closing balance of last year due to proforma correction

¹⁷ Smart city Ahmedabad Development Limited (₹ 100 crore), Dahod Smart city Development Limited (₹ 200 crore), Gandhinagar Smart city Development Limited (₹ 0.02 crore), Rajkot Smart city Development Limited (₹ 0.05 crore), Surat Smart city Development Limited (₹ 100 crore) and Vadodara Smart city Development Limited (₹ 100 crore)

The table shows that the total outstanding loans and advances increased from ₹ 12,235 crore in 2020-21 to ₹ 13,151 crore in 2021-22. Of the total loans advanced disbursed during the year (₹ 1,071 crore), ₹ 924 crore were advanced for social services, ₹ 114 crore for economic services and ₹ 33 crore were advanced for Government Servants and Miscellaneous purposes. Loans 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 (₹ 65 crore) and transport sector (₹ 49 crore).

Recovery of loans and advances was ₹ 155 crore in 2021-22. However, interest receipts on loans and advances disbursed during the year increased by ₹ 14 crore.

Further, of the total loans advanced during the year (₹ 1,071 crore), loans amounting to ₹ 446 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 2021-22) as loans advanced (₹ 48.65 crore) to GSRTC. However, the relevant sanction orders do not prescribe repayment schedule and rate of interest payable by GSRTC. As of 31 March 2022, GSRTC had an outstanding loan balance of ₹ 3,804 crore, which included ₹ 735.10 crore advanced during 2017-22.

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 13 years (2009-22).

Table 2.31: Inoperative loan accounts

Major Head		(₹ in crore)
		2009-22
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

Major Head		2009-22
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 2022, 176 capital works, each valuing ₹ 10 crore or more and completion date of which was on or before 31 March 2022, were incomplete on which an expenditure of ₹ 7,477.97 crore had been incurred. Year-wise and Department-wise details of incomplete projects are given in **Table 2.32** and **Table 2.33** respectively.

Table 2.32: Age profile of incomplete projects as on 31 March 2022

Year	No of incomplete projects	Estimated cost	Expenditure (as on 31 March 2022)
	(number)	(₹ in crore)	
2013-14	1	30.11	16.91
2016-17	5	346.27	217.58
2017-18	22	2,105.36	1,883.96
2018-19	19	2,023.90	1,606.93
2019-20	57	4,129.01	2,736.70
2020-21	42	1,582.53	799.83
2021-22	30	530.81	216.06
Total	176	10,747.99	7,477.97

Table 2.33: Department-wise profile of incomplete projects as on 31 March 2022

Department	No. of incomplete projects	Estimated cost	Expenditure
	(number)	(₹ in crore)	
Roads & Buildings	159	6,821.42	3,852.32
Narmada, Water Resources, Water Supply and Kalpsar	17	3,926.57	3,625.65
Total	176	10,747.99	7,477.97

Source: Appendix IX of Finance Accounts of the State Government for the year 2021-22.

It may be seen that with reference to the initial budgeted cost, as on 31 March 2022, the Roads and Buildings Department incurred 56.47 *per cent* on 159 incomplete projects while Narmada, Water Resources, Water Supply and Kalpsar Department spent 92.34 *per cent* on 17 incomplete projects.

The Health and Family Welfare Department; and 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.

Dues of Power Distribution Companies (DISCOMs) towards the Power Generation Companies

Gujarat DISCOMs ensure regular payment of dues to Power Generation and Transmission Companies. They are paid on the first due date to avail maximum prompt payment rebate. Hence, there are no outstanding dues payable to them.

2.4.3.3 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 2.34**. Though the information as on 31 March 2022 was repeatedly called for from the Gujarat Infrastructure Development Board, however the same is still awaited (December 2022).

Table 2.34: 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 2.34 shows that as on 31 March 2021, 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

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 2.35 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 2021-22, taking 2017-18 as the base year.

Table 2.35: Expenditure Priority of the State in 2017-18 and 2021-22

Fiscal Priority of the State	AE/ GSDP	SSE/ AE	ESE/ AE	DE/ AE	CE/ AE	Education/ AE	Health/ AE
Percentage in 2017-18, of							
States other than NE and Himalayan States	16.13	36.65	31.17	67.82	15.56	15.17	5.09
Gujarat	10.91	38.70	31.78	70.48	18.58	15.02	5.87
Percentage in 2021-22, of							
States other than NE and Himalayan States	15.84	38.31	28.44	66.74	14.41	14.66	6.20
Gujarat	9.76	40.89	28.84	69.73	15.42	14.61	7.51
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 2.35 reveals the following:

- The percentage of total expenditure to GSDP in Gujarat at 10.91 *per cent* in 2017-18 and 9.76 *per cent* in 2021-22 was lower than the States other than NE and Himalayan States 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 higher than States other than NE and Himalayan States, both during 2017-18 as well as 2021-22.
- The expenditure on social services, economic services, Capital expenditure and health as percentage of total expenditure in Gujarat was

higher than States other than NE and Himalayan States, both during 2017-18 as well as 2021-22.

- The ratio of expenditure on education to total expenditure in Gujarat was marginally lower than States other than NE and Himalayan States during 2017-18 and 2021-22.

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 2.36**.

Table 2.36: Object Head-wise expenditure vis-à-vis budget authorisation

(₹ in crore)

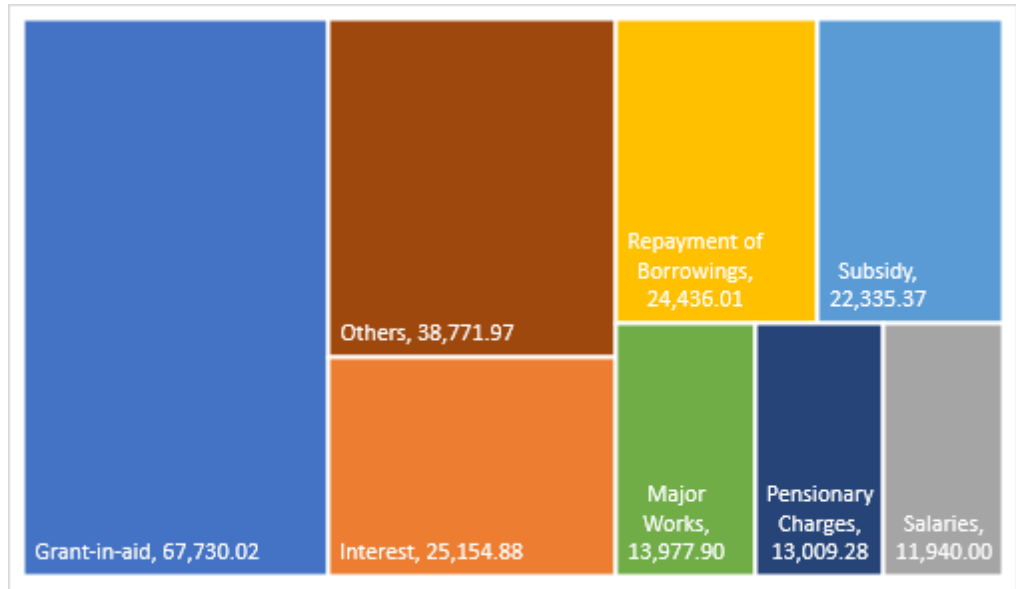
Head	Budget	Expenditure	Utilisation percentage
Grant-in-aid	66,230.75	67,730.02	102.26
Interest	26,000.57	25,154.88	96.75
Salaries	24,639.13	11,940.00	48.46
Repayment of Borrowings	24,463.35	24,436.01	99.89
Subsidy	22,071.30	22,335.37	101.20
Major Works	18,716.58	13,977.90	74.68
Pensionary Charges	13,264.45	13,009.28	98.08
Other Capital Expenditure	7,635.23	7,829.32	102.54
Investments	7,310.84	6,726.80	92.01
Grants to Local Bodies for creation of Capital Assets	5,422.46	2,077.87	38.32
Other Charges	5,184.88	4,826.33	93.08
Minor Works	2,747.59	2,687.26	97.80
Office Expenses	2,345.24	672.09	28.66
Scholarships/Stipend	2,231.12	2,996.84	134.32
Inter-Account Transfer	2,145.00	2,355.29	109.80
Supplies and Materials	1,629.80	1,246.35	76.47
Loans and Advances	1,423.29	1,071.15	75.26
Other Contractual Services	979.17	944.55	96.46
Machinery and Equipment	973.69	673.58	69.18
Over Time Allowances	518.09	464.24	89.61
Wages	444.26	421.74	94.93
Cost of Ration (Diet Charges)	394.42	137.84	34.95
Contributions to Panchayats	363.68	2,489.24	684.46
Motor Vehicles	329.43	235.33	71.44
Professional Services	233.73	200.80	85.91
Advertising and publicity	210.07	149.25	71.05
Domestic Travel Expenses	174.13	137.09	78.73
Petrol, Oil and Lubricants	131.16	142.64	108.75
Rent, Rates and Taxes	124.92	103.50	82.85
Clothing and Tentage	38.63	43.35	112.22
Adhoc Financial Assistance	35.79	72.69	203.10
Other Administrative Expenses	30.01	13.08	43.59
Publication	26.94	10.61	39.38
Arms and Ammunition	26.41	17.19	65.09

Head	Budget	Expenditure	Utilisation percentage
Secret Service Expenditure	7.11	10.25	144.16
Depreciation	2.80	2.80	100.00
Rewards	2.42	1.00	41.32
Foreign Travel Expenses	0.44	0.06	13.64
Others	880.34	11.84	1.34
Total	2,39,389.22	2,17,355.43	90.80

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

It may be seen that of the total budgetary allocation of ₹ 2,39,389.22 crore, the actual expenditure on various Object Heads during 2021-22 was ₹ 2,17,355.43 crore (90.80 per cent). Of the 39 Object heads mentioned above, expenditure under 11 Heads was 100 per cent or more of budgetary allocation. Under 17 Object Heads, expenditure incurred was between 70 per cent and 100 per cent of budgetary allocation, while in the remaining 11 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 2.12**.

Chart 2.12: 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 2021-22, an amount of ₹ 62.16 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 2022 were as follows:

Table 2.37: Component-wise net balances in Public Account as of 31 March of the year

(₹ in crore)

Sector	Sub-Sector	2017-18	2018-19	2019-20	2020-21	2021-22
I. Small Savings, Provident Funds, etc.	Small Savings, Provident Funds, etc.	10,400.17	10,608.63	10,601.21	10,445.80	10,179.76
J. Reserve Funds	(a) Reserve Funds bearing Interest	2,355.14	1,504.58	1,818.03	1,073.02	1,527.94
	(b) Reserve Funds not bearing Interest	12,576.73	13,998.70	15,014.72	6,911.30	9,216.94
K. Deposits and Advances	(a) Deposits bearing Interest	12,954.29	13,677.83	14,073.56	14,476.68	14,476.34
	(b) Deposits not bearing Interest	17,175.71	18,454.00	20,525.16	22,478.03	22,415.43
	(c) Advances	(-)0.79	(-)0.73	(-)0.71	(-)0.70	(-)0.70
L. Suspense and Miscellaneous	(a) Suspense	(-)447.98	(-)516.66	(-)303.87	(-)321.72	(-)296.69
	(b) Other Accounts ¹⁸	972.81	314.30	(-)1,561.23	(-)2,704.49	(-)267.37
	(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	969.48	637.47	738.56	868.58	963.11
	(b) Inter-Governmental Adjustment Account	(-)1.26	(-)1.26	(-)1.64	(-)1.94	(-)1.99
TOTAL		56,953.71	58,676.27	60,903.20	53,223.97	58,212.18

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

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

¹⁸ Other Accounts under L - Suspense and Miscellaneous does not include Cash Balance Investment Account, Permanent Cash Imprest & Departmental Balances.

The net balances in Public Account of the State increased from ₹ 56,953.71 crore in 2017-18 to ₹ 58,212.18 crore in 2021-22. During 2021-22, net balances in Public Account increased by 9.37 *per cent* over the previous year.

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.

There were 17 Reserve Funds earmarked for specific purposes during 2021-22, of which, four Reserve Funds bearing interest, were having a balance of ₹ 1,527.94 crore, and 13 Funds not bearing interest, were having balance of ₹ 9,216.94 crore. The total accumulated balance in these funds as on 31 March 2022 was ₹ 10,744.88 crore of which, ₹ 7,576.15 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.

During 2021-22, the Government contributed ₹ 2,024.18 crore in the CSF. There was short contribution in the CSF by ₹ 10,531.38 crore during 2021-22, as the closing balance in the fund was ₹ 7,363.22 crore against the minimum corpus of ₹ 17,894.60 crore. The State Government credited an accrued interest of ₹ 443.07 crore to the Fund during 2021-22.

As on 31 March 2022, out of the total Fund of ₹ 7,363.22 crore, ₹ 7,033.30 crore was invested with the RBI.

2.6.2.2 Funds for Disaster Risk Management

As per recommendations of 13th FC, the State Government is 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 recommended break up of central allocation to the States under two different funds for Disaster Risk Management from the year 2020-21 onwards. 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) shall be 20 *per cent*. Separate accounts were to be operated for both the funds.

As on 01 April 2021, the SDRF had an opening minus balance of ₹ 241.78 crore. During 2021-22, the State Government transferred ₹ 1,412.00 crore (₹ 1,059.20 crore Central share and ₹ 352.80 crore State share) to the fund. The state also received ₹ 1,000.00 crore from central Government towards NDRF. Of the total available funds of ₹ 2,170.22 crore, ₹ 1,788.27 crore was incurred on natural calamities¹⁹ during the year, leaving balance of ₹ 381.95 crore in the fund at end of March 2022. Further, the State Government also booked expenditure of ₹ 431.09 crore from state budget under Relief on account of natural calamities¹⁹.

Details of expenditure charged to SDRF during the year are given in **Table 2.38**.

Table 2.38: Details of expenditure charged to SDRF

(₹ in crore)

Major Head of Account	Minor Head of Account	Expenditure during 2021-22
2245- Relief on Account of Natural Calamities 01- Drought	104- Supply of Fodder	3.88
Subtotal 01		3.88
2245- Relief on Account of Natural Calamities 02- Floods, Cyclones etc.	101- Gratuitous Relief	95.15
	105- Veterinary care	11.03
	111- Ex-gratia payments to bereaved families	585.26
	112- Evacuation of population	1.95
	113- Assistance for repairs/reconstruction of Houses	413.28
	118- Assistance for repairs/replacement of damaged boats and equipment for Fishing	0.77
	282- Public Health	14.97
	800- Other Expenditure	1,067.28
	911- Deduct Recovery of Overpayments	(-)0.90
Subtotal 02		2,188.79
2245- Relief on Account of Natural Calamities 80- General	001-Direction and Administration	1.91
	102-Management of Natural Disasters, Contingency Plans in disaster prone areas	4.85
	800-Other Expenditure	19.94
	911- Deduct-Recoveries of Overpayments	(-)0.01
Subtotal 80		26.69
Total (Sub Major Head 01, 02 and 80 under MH 2245)		2,843.09

¹⁹ Major Head 2245-05-901 (Relief on account of natural calamities-SDRF)

Major Head of Account	Minor Head of Account	Expenditure during 2021-22
2245- Relief on Account of Natural Calamities	101- Transfer to Reserve funds/ Deposit Accounts-State Disaster Response Fund	2,412.00
05-State Disaster Response Fund	901- Deduct - Amount met from State Disaster Response Fund	(-),788.27
Subtotal 05		623.73
Grand Total – 2245		2,843.09
Expenditure incurred in conformity with items and norms of SDRF approved by State Executive Committee-SEC (Only the amount booked under 2245-01 and 2245-02 is admissible expenditure under SDRF)		2,192.67

Source: Finance Accounts of the State Government for the year 2021-22

In terms of the GoI guidelines, balances lying in the fund were required to be invested²⁰, which was not done and as such, no interest on the same was earned and credited to the Fund by the State Government. It was also noticed that separate accounting heads for SDRF and SD MF, as prescribed by 15th FC, have not been opened during 2021-22.

Understatement of balance of State Disaster Response Fund (SDRF)

The State Disaster Response Fund (SDRF) had been constituted under Section 48 (1) (a) of the Disaster Management Act, 2005. The Guidelines issued by the Ministry of Home Affairs for administration of SDRF stipulate that the SDRF shall be used for meeting the expenditure for providing immediate relief to the victims of disasters.

During test check of records of office of the Director of Relief and Ex-officio Secretary, Revenue Department, Government of Gujarat (GoG) for the period 2016-17 to 2019-20, Audit noticed that Director of Accounts (B&R), Air Headquarters, New Delhi raised (February 2016) demand of ₹ 5.88 crore towards outstanding Airlift charges for flood relief operations in Gujarat. Accordingly, the Director of Relief (DoR) raised (March 2018) Contingent Bill (Expenditure Head 2245-02-112-01-00, to be paid from SDRF grant for the year 2017-18) and Pay and Accounts Officer (PAO), Gandhinagar issued (March 2018) a cheque for the same. However, the said Cheque remained unrealised due to unclear mandate²¹ on first occasion and not credited within stipulated time, on the second occasion. The unrealised cheque was returned (July 2018) to the PAO, Gandhinagar, who wrote back the amount of ₹ 5.88 crore to Government Receipt Head 0250-00-800-02 (other social services) in 2018-19 instead of crediting it to the Fund Head 8121-00-122-SDRF. Subsequently, the DoR again raised (March 2019) a Contingent Bill (Expenditure Head 2245-02-112-01, to be paid from SDRF grant for the year 2018-19) and a Demand Draft of ₹ 5.88 crore was issued (April 2019) in favour of Controller of Defence Accounts, Air Force, New Delhi.

²⁰ 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.

²¹ The instrument not signed by the two signatory authorities and mismatch in signature of Cheque signing authority.

Thus, in 2018-19, the same expenditure was charged again to SDRF. As a result, the balance of SDRF remains understated every year from 2018-19 onwards by ₹ 5.88 crore in Finance Accounts. Further, the statement of expenditure furnished by State Government to Government of India was overstated by ₹ 5.88 crore during the year 2017-18.

The matter was reported to the Government in October 2022. Their reply is awaited (December 2022).

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 2021-22, the closing balance in the Fund was ₹ 802.92 crore against the minimum required corpus²² of ₹ 152.18 crore. The State Government credited an accrued interest of ₹ 37.30 crore to the Fund during 2021-22.

As on 31 March 2022, out of the total Fund of ₹ 802.92 crore, ₹ 539.20 crore was invested with 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 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 2021-22, the State Government received a grant of ₹ 725.29 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

²² ₹ 152.18 crore = 5 *per cent* of outstanding guarantee at the end of the year 2021-22 (₹ 3,043.61 crore)

₹ 725.29 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 2022.

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 of ₹ 572.55 crore during 2021-22, but only ₹ 209.55 crore was transferred to the Board, leaving a balance of ₹ 363.00 crore which was not transferred to the Board, in violation of the Building and Other Construction Workers' Welfare Cess Rules, 1998. Further, an amount of ₹ 4,039.42 crore was collected as cess during the period 2006-07 to 2021-22 but amount transferred during the same period was ₹ 2,339.24 crore, leaving a total balance of ₹ 1,700.18 crore which had not been transferred as of 31 March 2022.

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 2021-22, however, revealed a shortfall of 19 *per cent* between actual traffic fines collected and that transferred to the PLA, as detailed in **Table 2.39**.

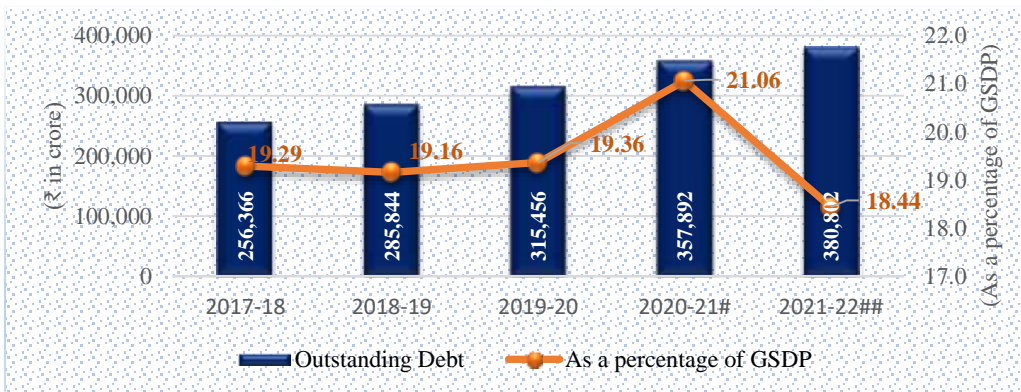
Table 2.39: Shortfalls in transferring traffic fines to PLA

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
2021-22	211.42	138.15	173.32	173.32	125.46
Total	984.21	964.43	690.50	781.39	81.02

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 2.13: Trend of outstanding debt

Note: ##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 received in lieu of shortfall of GST compensation of ₹ 9,222 crore during 2020-21 and ₹ 13,040 crore received during 2021-22 have not been considered for calculation of percentage of public debt to GSDP here.

2.7.1 Debt Profile: Components

Total debt of the State Government typically constitutes the internal debt of the State²³, loans and advances from the Central Government, and public account

²³ Market loans, ways and means advances from RBI, special securities issued to National Small Savings Fund and loans from financial institutions etc.

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 (2017-22) is given in **Table 2.40**.

Table 2.40: Component-wise trend of debt during 2017-22

(₹ in crore)						
	2017-18	2018-19	2019-20	2020-21	2021-22	
Total Outstanding Debt	2,56,366	2,85,844	3,15,456	3,57,892	3,80,802	
Public Debt	Internal Debt	2,06,643	2,32,875	2,59,662	2,90,030 ²⁴	2,99,806
	Loans from GoI	5,947	7,430	7,433	17,999	30,756
Public Account Liabilities	43,776	45,539	48,361	49,863	50,240	
Off Budget Borrowings ²⁵	0	0	0	0	0	
Rate of growth of total outstanding debt (percentage)	5.44	11.50	10.36	13.45	6.40	
Gross State Domestic Product (GSDP)	13,29,095	14,92,156	16,29,638	16,55,917	19,44,107	
Debt/GSDP (<i>per cent</i>)	19.29	19.16	19.36	21.06 ²⁶	18.44 ²⁷	
Interest payments	18,954	20,183	22,449	24,203	25,188	
Burden of interest payments (IP/RR)	15.37	14.84	15.72	18.89	15.10	
Total Debt Receipts	81,158	1,02,963	1,02,300	1,23,325	1,08,894	
Total Debt Repayments (Debt redemption)	67,938	73,486	72,689	80,888	85,984	
Total Debt Available	13,220	29,477	29,611	19,889²⁸	22,910	
Debt Repayments/ Debt Receipts (<i>per cent</i>)	83.71	71.37	71.05	65.59	78.96	

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

Table 2.40 shows that the total outstanding debt of the State Government increased from ₹ 3,57,892 crore in 2020-21 to ₹ 3,80,802 crore in 2021-22. The effective total outstanding debt would be ₹ 3,58,540 crore as the Department of Expenditure, GoI has decided that GST compensation of ₹ 9,222 crore and ₹ 13,040 crore given to the State as back to back loan during 2020-21 and 2021-22 respectively under debt receipts would not be treated as debt of the State for

²⁴ Difference was due to Proforma correction of ₹ 0.68 crore under MH 6003-105 Loans from the National Bank for Agricultural and Rural Development (Statement 17 of Finance Accounts).

²⁵ Finance Department stated there are no off budget borrowings

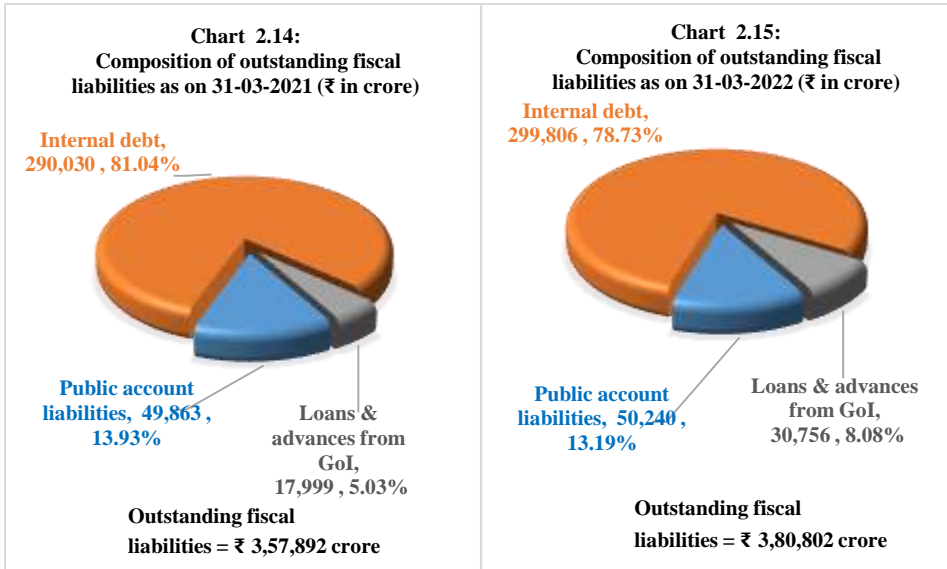
²⁶ As per Department of Expenditure, GoI, the borrowings under the special window will not be treated as debt of the State for any norms which may be prescribed by the Finance Commission, etc. Hence the back to back loans in lieu of shortfall of GST compensation of ₹ 9,222 crore has not been considered as public debt here.

²⁷ 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 received in lieu of shortfall of GST compensation of ₹ 9,222 crore during 2020-21 and ₹ 13,040 crore received during 2021-22 have not been considered as public debt here.

²⁸ 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)

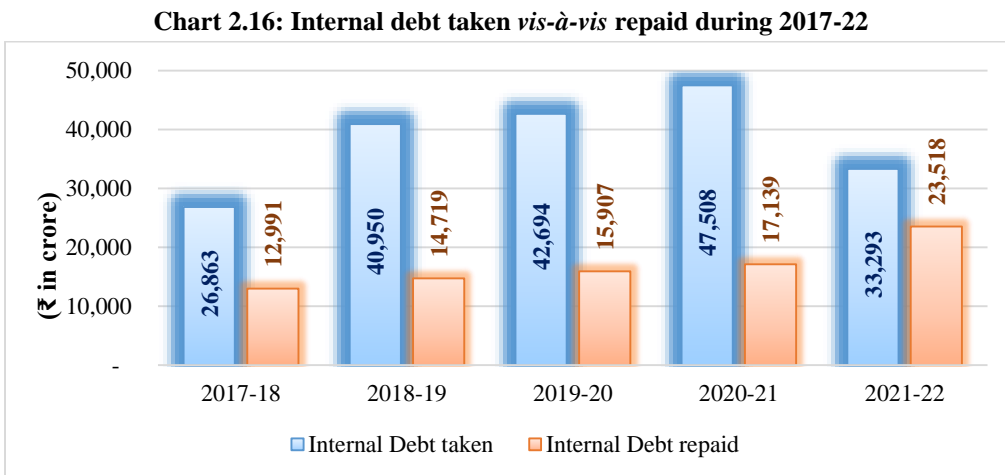
any norms which may be prescribed by the Finance Commission. Debt to GSDP ratio ranged from 18.44 per cent to 21.06 per cent over the period of five years and stood at 18.44 per cent in 2021-22.

Component-wise break-up of outstanding debt or fiscal liabilities of the State Government at the end of March 2021 and March 2022 are shown in **Chart 2.14** and **Chart 2.15** 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 81.04 per cent and 78.73 per cent of the total outstanding debt during 2020-21 and 2021-22 respectively.

Chart 2.16 below shows the trend of internal debt taken by the State Government and repaid during the last five year (2017-22).



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. Gujarat is revenue surplus in 2021-22. The fiscal deficit has decreased in absolute terms and the fiscal deficit-GSDP ratio improved from (-) 2.44 in 2020-21 to (-) 1.17 in 2021-22.

The financing pattern of fiscal deficit has undergone a compositional shift as reflected below in **Table 2.41**.

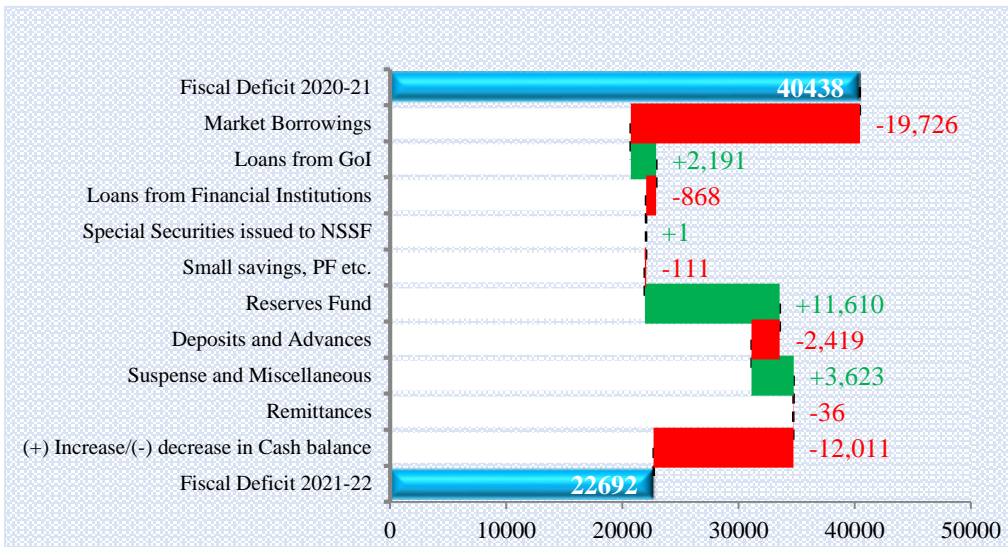
Table 2.41: Components of fiscal deficit and its financing pattern

		(₹ in crore)				
Particulars		2017-18	2018-19	2019-20	2020-21	2021-22
Fiscal Deficit (-)/Surplus (+)		(-)21,366	(-)26,365	(-)24,581	(-)40,438	(-)22,692
FD/GSDP (per cent)		(-)1.61	(-)1.77	(-)1.51	(-)2.44	(-)1.17
Composition of Fiscal Deficit/Surplus						
1	Revenue Deficit (-) /Surplus (+)	5,232	3,212	1,945	(-)22,548	6,409
2	Net Capital Expenditure	(-)26,313	(-)27,997	(-)25,544	(-)16,813	(-)28,185
3	Net Loans & Advances	(-)285	(-)1,580	(-)982	(-)1,077	(-)916
Financing Pattern of Fiscal Deficit*						
1	Market Borrowings	15,785	27,437	28,600	33,280	13,554
2	Special Securities issued to NSSF	(-)3,451	(-)3,534	(-)3,629	(-)3,630	(-)3,629
3	Loans from Financial Institutions	1,538	2,328	1,816	718	(-)150
4	Loans from GoI	(-)619	1,483	3	10,566	12,757
5	Small savings, PF etc.	340	208	(-)7	(-)155	(-)266
6	Deposits and Advances	1,096	2,002	2,467	2,356	(-)63
7	Suspense and Miscellaneous	497	(-)727	(-)1,663	(-)1,161	2,462
8	Remittances	208	(-)332	100	130	94
9	Reserves Fund	(-)748	571	1,329	(-)8,849	2,761
10	Contingency Fund	0	0	0	0	0
Total		14,646	29,436	29,016	33,255	27,520
Increase (+)/Decrease (-) in Cash Balance		(-)6,720	(+)3,071	(+)4,435	(-)7,183	(+)4,828

*All the figures are net of disbursements outflows during the year.

Minus (-) figures indicate that outflow was more than receipts under the respective component.

Source: Finance Accounts of the respective years.

Chart 2.17: 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 2.42**.

Table 2.42: Receipts and disbursements of components financing the fiscal deficit

(₹ in crore)

Particulars		Receipt	Disbursement	Net
1	Market Borrowings	31,054	17,500	13,554
2	Special Securities issued to NSSF	0	3,629	(-3,629)
3	Loans from Financial Institutions	2,238	2,388	(-150)
4	Loans from GOI	13,675	918	12,757
5	Small Savings, PF, etc.	1,910	2,176	(-266)
6	Deposits and Advances	55,155	55,218	(-63)
7	Suspense and Miscellaneous	35,601	33,139	2,462
8	Remittances	21,077	20,983	94
9	Reserve Fund	4,854	2,093	2,761
10	Overall Deficit	1,65,564	1,38,044	27,520
11	Increase (+)/Decrease (-) in cash balance	2,43,631	2,48,459	(-4,828)
12	Gross Fiscal Deficit	4,09,195	3,86,503	22,692

Source: Finance Accounts of the year 2021-22.

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 ₹ 3,30,562 crore comprising internal debt (₹ 2,99,806 crore) and loans and advances from GoI (₹ 30,756 crore), as per Statement No. 17 of the Finance Accounts for the year 2021-22, is as shown in **Table 2.43**.

Table 2.43: Maturity profile of Public Debt

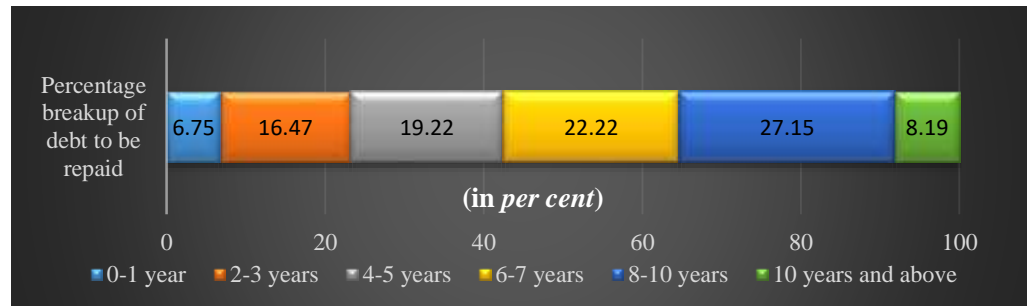
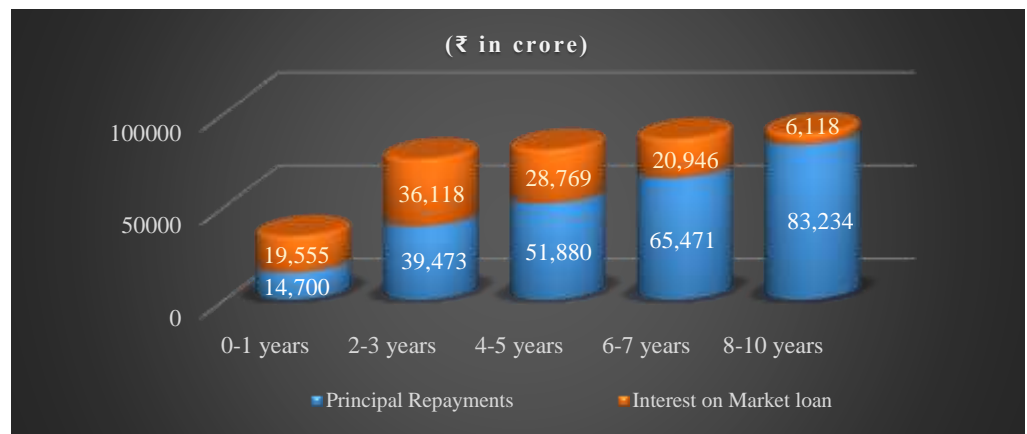
(₹ in crore)

Year of maturity	Maturity Profile	Amount			Maturity profile of outstanding Public Debt (in %)
		Internal Debt	Loans & Advances from GoI	Total outstanding Public Debt	
By 2022-23	0-1 year	21,112.00	1,196.35	22,308.35	6.75
Between 2023-24 & 2024-25	2-3 years	52,202.47	2,231.38	54,433.85	16.47
Between 2025-26 & 2026-27	4-5 years	62,161.33	1,375.67	63,537.00	19.22
Between 2027-28 & 2028-29	6-7 years	72,280.17	1,191.10	73,471.27	22.22
Between 2029-30 & 2031-32	8-10 years	88,631.26	1,121.32	89,752.58	27.15
2032-33 onwards	Above 10 years	3,418.37	23,640.29	27,058.66	8.19
Total		2,99,805.60	30,756.11	3,30,561.71	100.00

Source: Finance Accounts of the State Government for the year 2021-22

The maturity profile of outstanding stock of public debt as on 31 March 2022 indicates that 92 *per cent* of the total public debt (₹ 3,03,503.05 crore) would be repayable within the next ten years.

Chart 2.18 shows the maturity profile of public debt and **Chart 2.19** the repayment schedule of market loans in the ensuing years.

Chart 2.18: Maturity profile of Public Debt**Chart 2.19: Repayment schedule of Market loans**

Source: Information furnished by 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 the ability to service the debt through timely interest payments and repay debt out of current and regular sources of revenue.

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 2.44 shows the debt sustainability of the State for the five-year period beginning from 2017-18.

Table 2.44: Debt Sustainability: Indicators and Trends

(₹ in crore)					
Indicators of Debt sustainability	2017-18	2018-19	2019-20	2020-21	2021-22
Outstanding Public Debt	2,12,590	2,40,305	2,67,094	3,08,029	3,30,562
Rate of growth of outstanding public debt (<i>percent</i>)	6.65	13.04	11.15	15.33	7.32
Gross State Domestic Product (GSDP)	13,29,095	14,92,156	16,29,638	16,55,917	19,44,107
Rate of growth of GSDP (<i>percent</i>)	13.87	12.27	9.21	1.61	17.40
Public Debt/GSDP (<i>per cent</i>)	16.00	16.10	16.39	18.04 ²⁹	15.86 ³⁰
Public Debt Receipts	26,953	43,146	43,491	58,857	46,968
Public Debt Repayment	13,700	15,432	16,702	17,922	24,436
Interest payments on Public Debt	17,178	18,215	20,338	22,073	23,189
Average interest rate on Outstanding Public debt ³¹ (<i>per cent</i>)	8.34	8.04	8.02	7.68	7.26
Percentage of Interest Payment on Public Debt to Revenue Receipts	13.93	13.39	14.24	17.22	13.90
Percentage of Public Debt Repayment to Public Debt Receipts	50.83	35.77	38.40	30.45	52.03

²⁹ 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.

³⁰ 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 received in lieu of shortfall of GST compensation of ₹ 9,222 crore during 2020-21 and ₹ 13,040 crore during 2021-22 have not been considered as public debt here.

³¹ $\left\{ \frac{\text{Interest payment}}{[(\text{Amount of previous year's Public Debt} + \text{Current year's Public Debt})/2]} \right\} * 100$

Indicators of Debt sustainability	2017-18	2018-19	2019-20	2020-21	2021-22
Net Public Debt ³² available to the State (₹ crore)	(-)3,925	9,499	6,451	18,862	(-)657
Available Public Debt as a percentage of Public Debt Receipts (<i>per cent</i>)	(-)14.56	22.02	14.83	32.05	(-)1.40

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

The effective outstanding public debt would be ₹ 3,08,300 crore as the Department of Expenditure, GoI has decided that GST compensation of ₹ 9,222 crore and ₹ 13,040 crore given to the State during 2020-21 and 2021-22 respectively 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.

As can be seen from **Table 2.44**, the ratio of public debt to GSDP was within a range of 15.86 *per cent* to 18.04 *per cent* during 2017-22. 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. In 2021-22, the percentage of public debt repayment to public debt receipts increased over the previous year. Further, during 2017-22, while GSDP grew at a CAGR of 9.97 *per cent*, the outstanding Public Debt has grown at a CAGR of 11.67 *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. The maximum amount for which guarantees were given by State Government and outstanding guarantees for the last five years is given in **Table 2.45**.

Table 2.45: Guarantees given by the Government of Gujarat

Guarantees	2017-18	2018-19	2019-20	2020-21	2021-22
Ceiling limit on Government Guarantees under Gujarat State Guarantees Act, 1963	20,000	20,000	20,000	20,000	20,000
Maximum amount guaranteed	11,796	11,796	11,747	11,751	10,757
Outstanding amount of guarantees	4,834	4,699	4,462	3,656	3,044
Percentage of outstanding amount of guarantees to total revenue receipts	3.92	3.46	3.12	2.85	1.82

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 2021-22, State Government extended guarantees amounting to ₹ 305 crore. Of the total outstanding guarantees of ₹ 3,044 crore, 40 *per cent* (₹ 1,216 crore) were in respect of Sardar Sarovar Narmada Nigam Limited and 7 *per cent* (₹ 222 crore)

³² 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

were in respect of Gujarat Urja Vikas Nigam Limited. The outstanding guarantees (₹ 3,044 crore) accounted for 1.82 per cent of the total revenue receipts of the State Government (₹ 1,66,830 crore). These were well within the limit of ₹ 16,000 crore prescribed under the Gujarat Fiscal Responsibility Act, 2005.

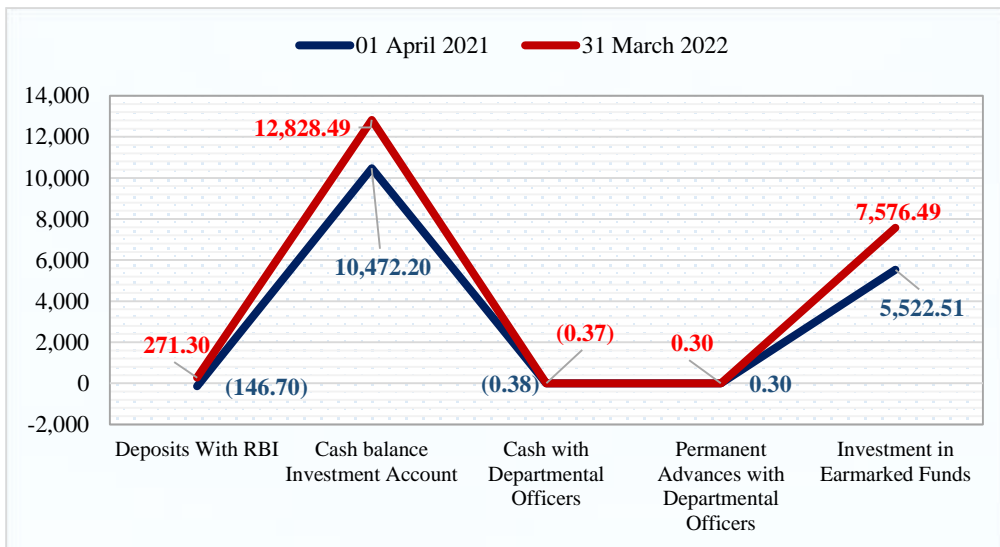
During 2021-22, State Government received ₹ 2.90 crore as guarantee fees from State level bodies, against the budget estimates of ₹ 1.64 crore. Further, no amount was paid by the State Government on account of invocation of guarantees during 2021-22.

2.8.3 Management of Cash Balances

The details of opening and closing cash balances with Government of Gujarat as of 01 April 2021 and 31 March 2022 are shown in **Chart 2.20**.

Chart 2.20: Opening and closing cash balances of financial year 2021-22

(₹ 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 2021-22 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 2021-22 are shown in **Table 2.46**.

Table 2.46: Cash balances and investment of cash balances

(₹ in crore)			
Cash balances and investment of cash balances	Opening balance on 01/04/2021	Closing balance on 31/03/2022	Increase (+)/Decrease (-)
(A) General cash balance			
Cash in Treasuries	0.00	0.00	0.00
Deposits with Reserve Bank of India	(-)146.70	271.30	418.00
Remittances in Transit – Local	0.00	0.00	0.00
Investments held in Cash Balance Investment Account (Treasury Bills)	10,472.20 ³³	12,828.49	2,356.29
Total (A)	10,325.50	13,099.79	2,774.29
(B) Other Cash balances and investments			
Cash with Departmental Officers viz. Public Works, Forest, District Collectors etc.	(-)0.38	(-)0.37	0.01
Permanent advances with Departmental Officers for contingent expenditure	0.30	0.30	0.00
Investment in earmarked funds	5,522.51	7,576.49	2,053.98
Total (B)	5,522.43	7,576.42	2,053.99
Total Cash Balances (A)+ (B)	15,847.93	20,676.21	4,828.28
Interest realised³⁴	778	574	(-)204

Source: Finance Accounts of the State Government for the year 2021-22.

The State Government's cash balances of ₹ 20,676.21 crore at the end of the current year showed an increase of ₹ 4,828.28 crore (30.47 per cent) over the previous year. Of the cash balance of ₹ 20,676.21 crore, ₹ 12,828.49 crore was invested in GoI Treasury Bills which earned an interest of ₹ 130.57 crore during the year. Further, ₹ 7,576.49 crore was invested in earmarked funds which earned an interest of ₹ 443.07 crore.

The cash balance investments of the State during the five-year period (2017-22) are given below.

Table 2.47: Cash Balance Investment Account (Major Head-8673)

(₹ in crore)				
Year	Opening Balance	Closing Balance	Increase (+)/decrease (-)	Interest earned
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	10,472.20#	124.21	96.86
2021-22	10,472.20	12,828.49	2,356.29	130.57

Source: Finance Accounts of the State Government for respective years

Figure shown here differs from the figure shown as Closing balance of same year in SFAR 2020-21 due to proforma correction.

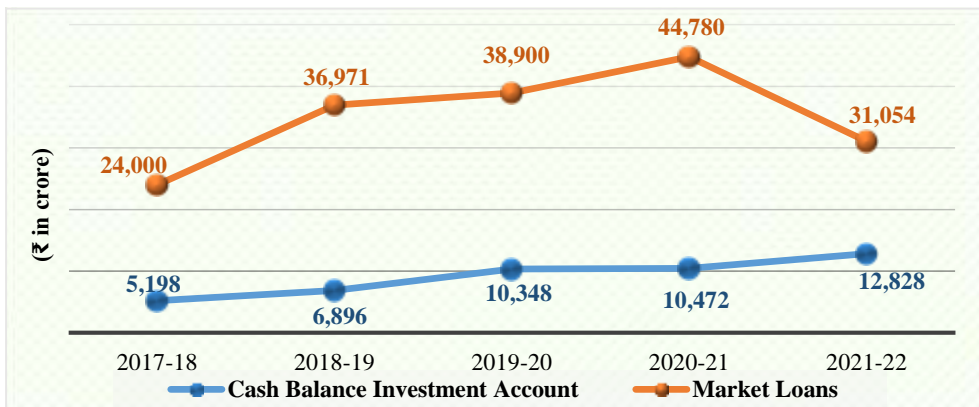
³³ Change due to proforma correction

³⁴ Interest of ₹ 443 crore and ₹ 681 crore realized during 2021-22 and 2020-21 respectively on Sinking fund Investment (realized along with regular investment); hence, not included under MH 0049 plus interest on Cash Investment ₹ 131 crore and ₹ 97 crore.

The trend analysis of the cash balance investment of the State Government during 2017-22 revealed that investment increased significantly during 2018-22. During the current year, investments held in cash balance investment account stood at 5.65 per cent of the annual budget estimates of the State (₹ 2,27,028.79 crore).

Chart 2.21 compares the balances available in the cash balance investment account and the market loans raised by the State Government during the period 2017-22. Market Loans were taken at higher interest rates whereas, investment in Treasury Bills yielded interest at lower rates.

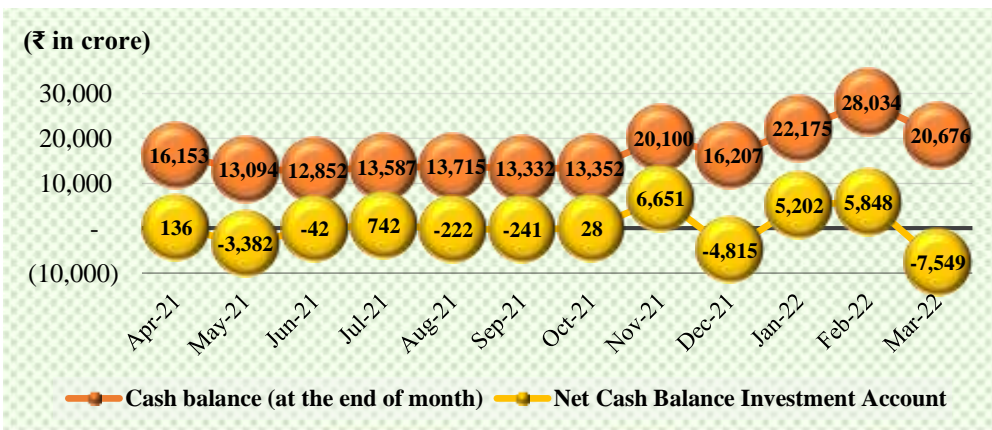
Chart 2.21: Market loans raised vis-a-vis Investments held in Cash Balance Investment Account



During 2021-22, the State Government raised ₹ 31,054 crore from the market, while at the same time, the balances available in cash balance investment account increased from ₹ 10,472 crore in 2020-21 to ₹ 12,828 crore in 2021-22, indicating that Government could have avoided the borrowings to that extent.

Chart 2.22 shows the month-wise movement of cash balance at the end of the month and net cash balance investments during 2021-22.

Chart 2.22: Month-wise movement of Cash Balance (at the end of month) and net Cash Balance Investments during 2021-22



Further, borrowings are normally resorted to, for investment in capital projects and creation of assets. The increase in Capital Expenditure of the State during

2021-22 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 37 *per cent* of the cash balance in the earmarked funds including those at RBI (**Table 2.46**) as against 35 *per cent* at the end of 2020-21. Even to maintain investment of cash balance in the earmarked funds at 37 *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 2022). The reply of the department is awaited.

2.9 Conclusion

The State Government registered an increase of 30.18 *per cent* in its revenue receipts during 2021-22 compared to the previous year. There was a significant increase of 39.01 *per cent* in State's own-tax revenue and 53.85 *per cent* in State's Share of Union Taxes and Duties during 2021-22 over 2020-21. The State was largely financed from its own resources, with 67 *per cent* of the revenue coming from its own sources.

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

As compared to the States 'other than North Eastern and Himalayan states', development expenditure, expenditure on health and capital Expenditure of the State during 2021-22 was more while it was less in education sector.

The State Government had been able to continuously reduce its committed expenditure as a percentage of revenue expenditure.

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

2.10 Recommendations

- Capital expenditure may be enhanced for asset creation and providing stimulus for economic growth.
- The State Government may consider developing a debt sustainability framework for ensuring long-term sustainability of its debt.

