

CHAPTER-II
FINANCES OF THE STATE

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FINANCES OF THE STATE

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

2.1 Major changes in key fiscal aggregates

This section gives an overview of the major changes in key fiscal aggregates of the State during the financial year 2020-21 as compared with the previous year. Each of these indicators has been analysed in the succeeding paragraphs.

Changes in key fiscal aggregates in 2020-21 compared with 2019-20

Revenue Receipts	<ul style="list-style-type: none"> ✓ Revenue receipts of the State increased by 8.77 per cent ✓ Own Tax receipts of the State increased by 6.02 per cent ✓ Own Non-tax receipts of the State decreased by 12.53 per cent ✓ State's Share of Union Taxes and Duties increased by 1.63 per cent ✓ Grants-in-Aid from Government of India increased by 15.52 per cent
Revenue Expenditure	<ul style="list-style-type: none"> ✓ Revenue expenditure increased by 9.13 per cent ✓ Revenue expenditure on General Services increased by 9.07 per cent ✓ Revenue expenditure on Social Services increased by 6.61 per cent ✓ Revenue expenditure on Economic Services increased by 14.03 per cent
Capital Expenditure	<ul style="list-style-type: none"> ✓ Capital expenditure decreased by 2.62 per cent ✓ Capital expenditure on General Services decreased by 16.79 per cent ✓ Capital expenditure on Social Services increased by 37.97 per cent ✓ Capital expenditure on Economic Services decreased by 8.31 per cent
Loans and Advances	<ul style="list-style-type: none"> ✓ Disbursement of Loans and Advances decreased by 30.14 per cent ✓ Recoveries of Loans and Advances increased by 9.52 per cent
Public Debt	<ul style="list-style-type: none"> ✓ Public Debt Receipts increased by 38.58* per cent ✓ Repayment of Public Debt increased by 66.27 per cent
Public Account	<ul style="list-style-type: none"> ✓ Public Account Receipts decreased by 31.57 per cent ✓ Public Account Disbursements decreased by 27.12 per cent
Cash Balance	<ul style="list-style-type: none"> ✓ Cash balance increased by ₹ 696.06 crore (65.65 per cent)

* Excluding ₹ 1,717 crore as back-to-back loans from GoI in lieu of GST Compensation shortfall, which are not to be repaid by the State from its sources.

2.2 Sources and Application of Funds

This section compares the components of the sources and application of funds of the State during the financial year 2020-21 as compared with the previous year (2019-20).

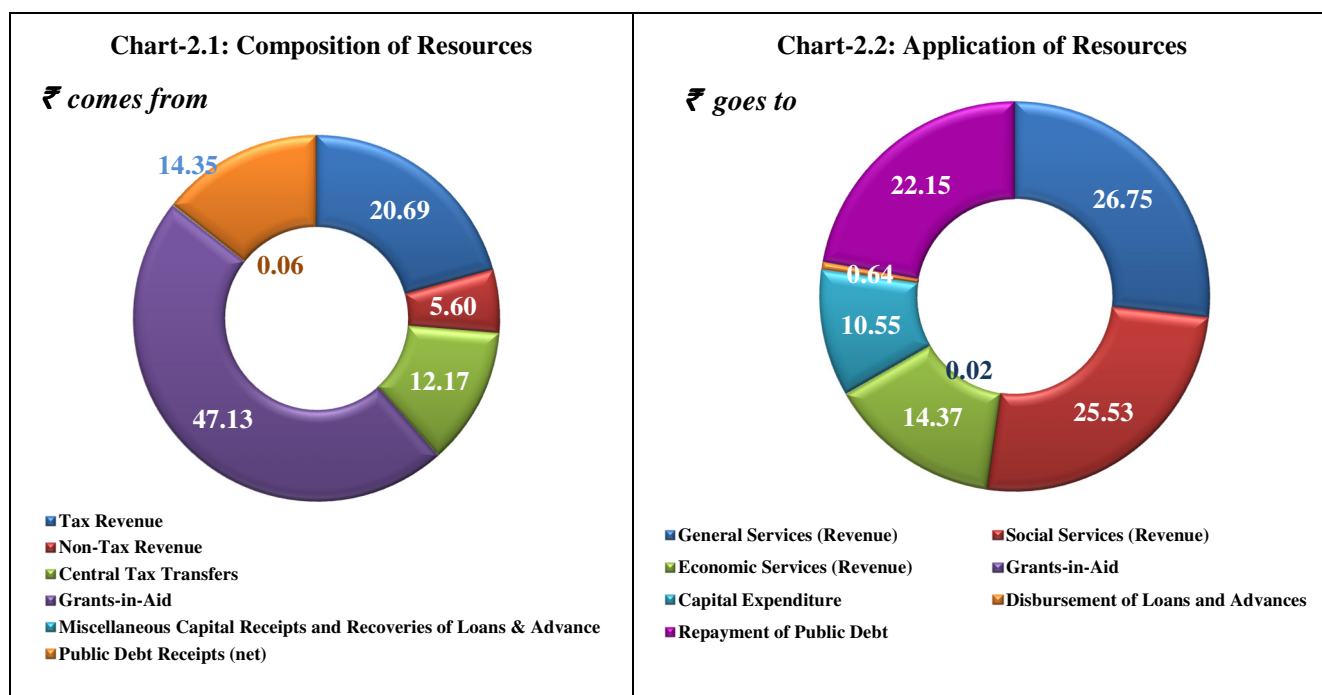
Table-2.1: Details of Sources and Application of funds during 2019-20 and 2020-21

(₹ in crore)

	Particulars	2019-20	2020-21	Increase/ Decrease
Sources of funds	Opening Cash Balance	52.70	1,060.18	1,007.48
	Revenue Receipts	30,742.41	33,438.27	2,695.86
	Miscellaneous Capital Receipts	2.04	2.88	0.84
	Recoveries of Loans and Advances	21.04	23.02	1.98
	Public Debt Receipts (Net)	4,146.64	5,608.17*	1,461.53
	Public Account Receipts (Net)	2,457.90	787.97	-1,669.93
	Total	37,422.73	40,920.49*	3,497.76
Application of funds	Revenue Expenditure	30,730.43	33,534.93	2,804.50
	Capital Expenditure	5,173.91	5,309.21	135.30
	Disbursement of Loans and Advances	458.21	320.12	-138.09
	Closing Cash Balance	1,060.18	1,756.24	696.06
	Total	37,422.73	40,920.50	3,497.77

* Includes ₹ 1,717 crore as back-to-back loans to State from GoI in lieu of GST compensation shortfall.

Percentage composition of sources and application of funds in the Consolidated Fund of the State during 2020-21 is given in **Charts-2.1** and **2.2**.



Source: Finance Accounts.

2.3 Resources of the State

The resources of the State are described below:

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

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

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

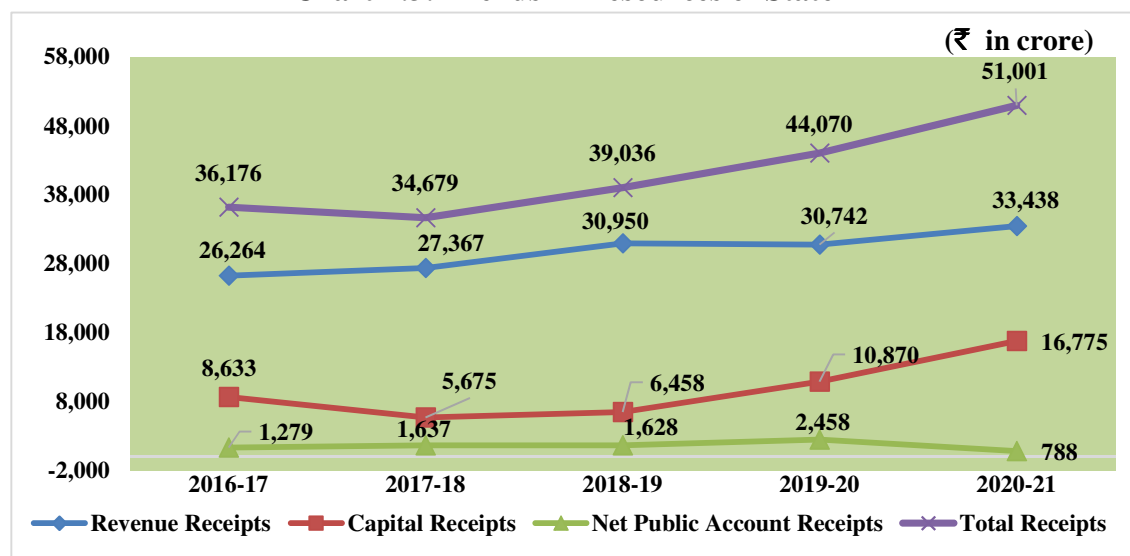
These are kept in the Public Account set up under Article 266 (2) of the Constitution and are not subject to vote by the State Legislature. Here, the Government acts as a banker. The balance in the Public Account after disbursements is available with the Government for use.

2.3.1 Receipts of the State

This paragraph provides the composition of Receipts of the State. Besides Capital and Revenue Receipts which form part of the Consolidated Fund of the State, funds available in the Public Account (net of disbursements) are also utilised by the Government to finance its deficits.

Trends in various components of the Receipts of the State during 2016-21 is given in **Chart-2.3** while composition of Receipts of the State during 2020-21 is given in **Chart-2.4**.

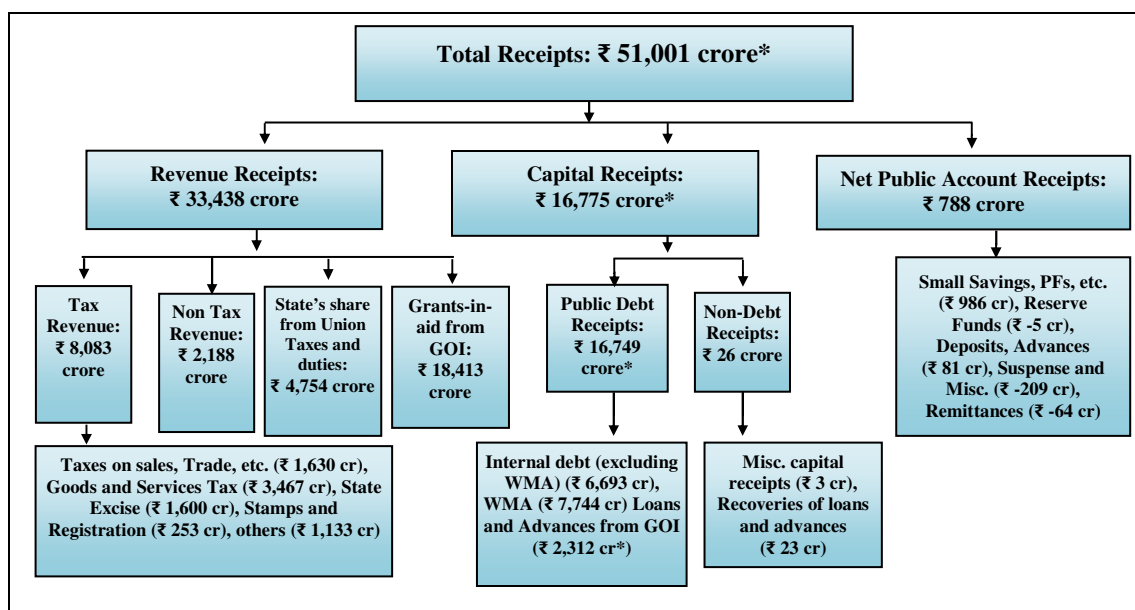
Chart-2.3: Trends in Resources of State



Source: Finance Accounts of the respective years.

Note: Capital receipts includes Public debt, Misc. Capital receipts and recovery of loans and advances. During 2020-21, Capital receipts included ₹ 1,717 crore received as back-to-back loans from GoI in lieu of GST compensation shortfall.

Chart-2.4: Composition of receipts of the State during 2020-21



Source: Finance Accounts.

* Includes ₹ 1,717 crore as back-to-back loans to State from GoI in lieu of GST compensation shortfall.

2.3.2 State's Revenue Receipts

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

2.3.2.1 Trends and growth of Revenue Receipts

Table-2.2 shows the trends in revenue receipts as well as revenue buoyancy with respect to GSDP over the five-year period 2016-21. The trends in revenue receipts relative to GSDP and composition of revenue receipts are given in **Chart-2.5** and **Chart-2.5 (A)** respectively. The composition of revenue receipts over the past five years is detailed in **Appendix-2**.

Table-2.2: Trends in Revenue Receipts relative to GSDP

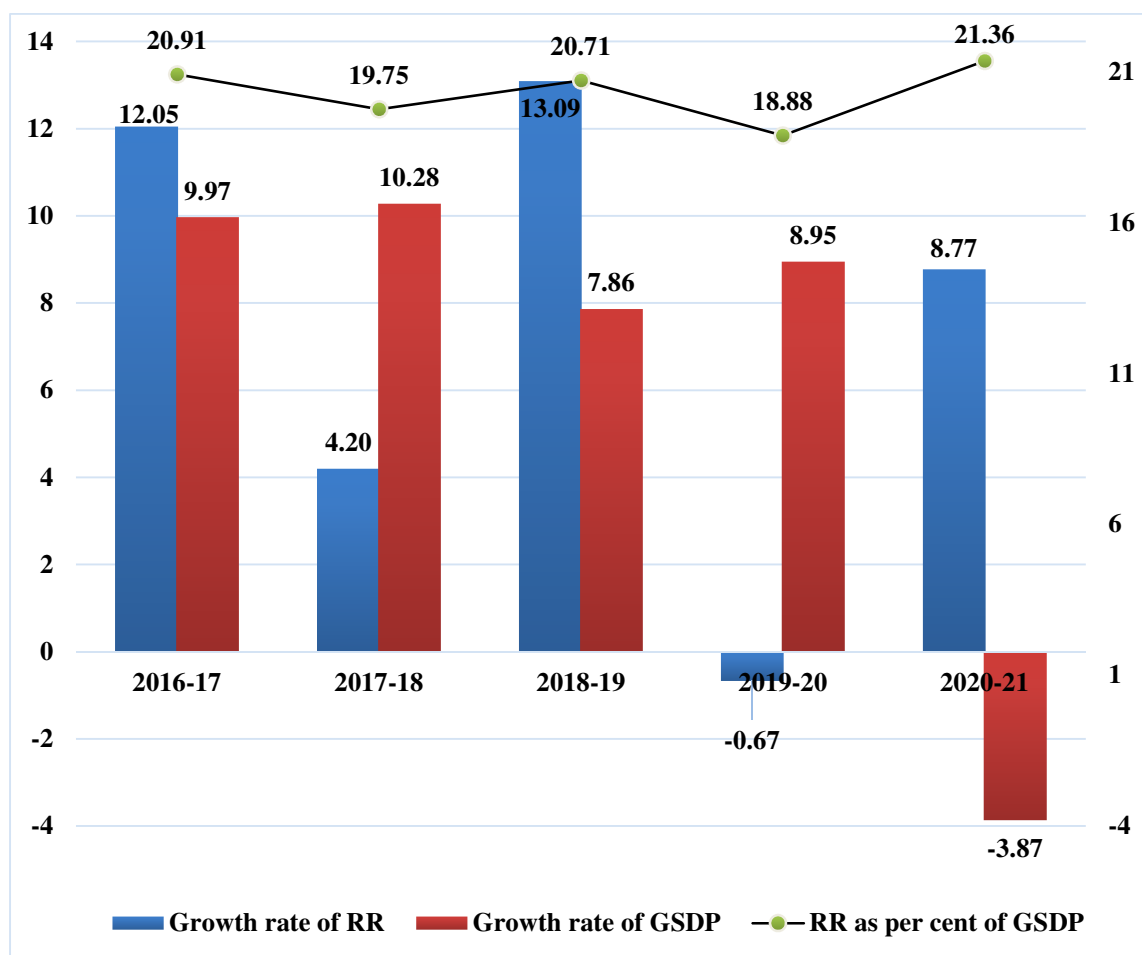
Trends in Revenue Receipts	2016-17	2017-18	2018-19	2019-20	2020-21
Revenue Receipts (RR) (₹ in crore)	26,264	27,367	30,950	30,742	33,438
Rate of growth of RR (per cent)	12.05	4.20	13.09	-0.67	8.77
Tax Revenue (TR) (₹ in crore)	7,039	7,108	7,573	7,624	8,083
Rate of growth of TR (per cent)	5.13	0.97	6.54	0.66	6.02
Non-Tax Revenue (NTR) (₹ in crore)	1,717	2,364	2,830	2,502	2,188
Rate of growth of NTR (per cent)	-6.53	37.65	19.72	-11.61	-12.53
State's Own Revenue (Tax + Non-Tax Revenue)	8,756	9,472	10,403	10,126	10,271

Trends in Revenue Receipts	2016-17	2017-18	2018-19	2019-20	2020-21
Rate of growth of State's Own Revenue (Tax + Non-Tax Revenue) (<i>per cent</i>)	2.62	8.17	9.82	-2.67	1.44
Gross State Domestic Product (2011-12 Series) (₹ in crore)	1,25,634	1,38,551	1,49,442 ^a	1,62,816 ^b	1,56,522 ^c
Rate of growth of GSDP (<i>per cent</i>)	9.97	10.28	7.86	8.95	-3.87
RR/GSDP (<i>per cent</i>)	20.91	19.75	20.71	18.88	21.36
Buoyancy Ratios¹					
Revenue Buoyancy w.r.t. GSDP	1.21	0.41	1.67	-0.08	-2.27
State's Own Revenue Buoyancy w.r.t. GSDP	0.26	0.79	1.25	-0.30	-0.37

Source: Finance Accounts and Department of Economics and Statistics, Himachal Pradesh.

a- Second Revised Estimate, b – First Revised Estimate, c – Advance Estimate.

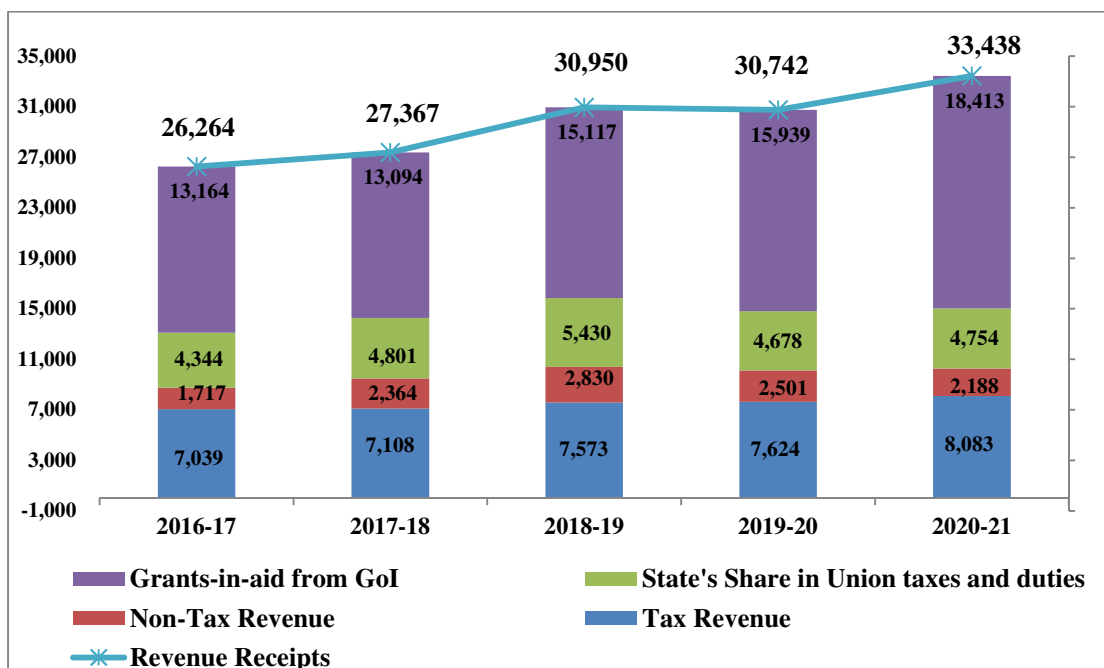
Chart-2.5: Trends in Revenue Receipts as percentage of GSDP



¹ Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For instance, revenue buoyancy with respect to GSDP at 1.85 implies that Revenue Receipts tend to increase by 1.85 percentage points, if the GSDP increases by one *per cent*.

Chart-2.5(A): Trend of components of Revenue Receipts during 2016-21

(₹ in crore)



- It can be seen from **Table-2.2** that the revenue receipts of the State increased by 27.31 *per cent* from ₹ 26,264 crore (2016-17) to ₹ 33,438 crore (2020-21). The annual growth rate of revenue receipts decreased during 2016-20 (except 2018-19) from 12.05 *per cent* (2016-17) to -0.67 *per cent* (2019-20). However, during the year 2020-21, revenue receipts increased by ₹ 2,695.86 crore (8.77 *per cent*) over the previous year mainly due to increase in Grants-in-aid from GoI by ₹ 2,473.06 crore (15.52 *per cent*) and State's own Tax Revenue by ₹ 459.49 crore (6.03 *per cent*). The increase was partly counterbalanced by decrease in Non-Tax Revenue by ₹ 313.05 crore (12.51 *per cent*).
- During the year 2020-21, only 31 *per cent* of the Revenue Receipts came from the State's own resources comprising taxes and non-taxes, while the remaining 69 *per cent* were contributed by central transfers comprising the State's share in central taxes and duties (14 *per cent*) and Grants-in-Aid from GoI (55 *per cent*). This is indicative of the fact that the fiscal position of the State is influenced/ dependent mostly by/on Central transfers.
- During the year 2020-21, there was an increase of 8.77 *per cent* (₹ 2,695.86 crore) in Revenue Receipts and an increase of 9.13 *per cent* (₹ 2,804.50 crore) in Revenue Expenditure over the previous year, leading to a revenue deficit of ₹ 97 crore, as against the previous year's revenue surplus of ₹ 12 crore.
- There was wide fluctuation in the revenue buoyancy of the State, as extraneous factors such as Finance Commission Award (14th FC impact in 2016-17) and implementation of GST (in 2017-18), impacted the actual

receipts in different components of revenue. During 2019-20 and 2020-21, the revenue buoyancy with respect to GSDP largely turned negative. During 2020-21, it was mainly due to decrease in Non-tax revenue (₹ 313 crore) and negative growth rate in GSDP of the State even though there was significant increase in Grants-in-Aid (₹ 2,473 crore).

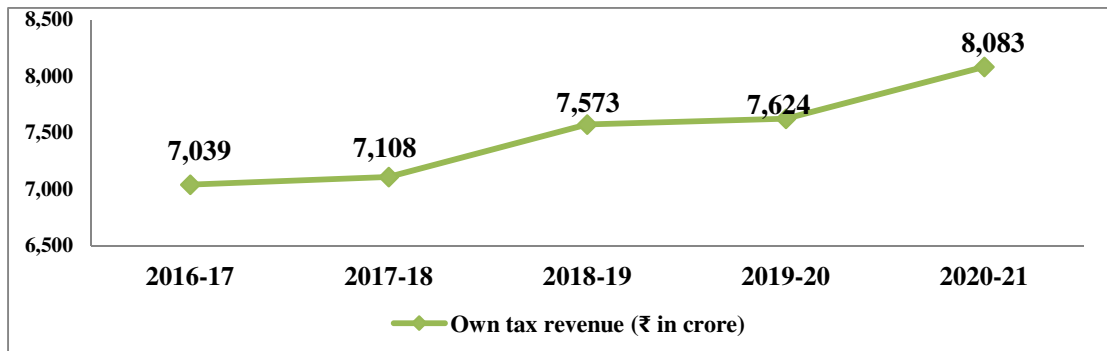
2.3.2.2 State's Own Resources

State's share in Central taxes is determined on the basis of recommendations of the Finance Commission. Grants-in-aid from Central government is determined by the quantum of collection of Central tax receipts and anticipated Central assistance for schemes. State's performance in mobilisation of additional resources should be assessed in terms of its own resources comprising own tax and non-tax revenues.

(i) Own Tax Revenue

Own Tax Revenues of the State consist of State GST, State Excise, Stamp Duty and Registration Fees, Land Revenue, Taxes on Vehicles, Goods and Passengers, etc. The trend in Tax Revenue of the State during the five-year period 2016-21 is given in the **Chart-2.6** below:

Chart-2.6: Growth of Own Tax Revenue during the period 2016-17 to 2020-21



The component-wise details of Own Tax Revenue collected during the years 2016-17 to 2020-21 are given in the **Table-2.3** below:

Table-2.3: Components of State's Own Tax Revenue

(₹ in crore)

Revenue Head	2016-17	2017-18	2018-19	2019-20	2020-21
State Goods and Services Tax (SGST)	-	1,833.16	3,342.68	3,550.34	3,466.58
Taxes on sales, trades, etc. (VAT)	4,381.91	2,525.87	1,185.43	1,169.53	1,630.11
State excise	1,307.87	1,311.25	1,481.63	1,660.02	1,599.74
Taxes on vehicles	279.58	367.16	408.01	465.52	380.20
Stamp duty and registration fees	209.16	229.18	250.55	259.58	253.36
Taxes and duties on electricity	371.67	360.79	487.08	100.86	401.76
Land revenue	7.64	16.96	8.39	4.79	6.95
Taxes on goods and passengers	121.37	111.69	104.38	104.03	83.55
Other taxes	359.85	351.61	304.66	309.15	261.07
Total Tax Revenue	7,039.05	7,107.67	7,572.81	7,623.82	8,083.32

Source: Finance Accounts of respective years.

Own Tax Revenue of the State increased by ₹ 1,044.27 crore (14.84 per cent) during 2016-21. During the year 2020-21, major contributors to Tax Revenue were Goods and Services Tax (42.89 per cent), Taxes on Sales, Trades, etc. (VAT) (20.17 per cent), State Excise (19.79 per cent) and Taxes and Duties on Electricity (4.97 per cent). The increase in Tax Revenue during 2020-21 over the previous year was mainly under Taxes on Sales, Trades, etc. (₹ 460.58 crore) and Taxes and Duties on Electricity (₹ 300.90 crore), which was partly set-off by decreases under Taxes on Vehicles (₹ 85.32 crore), SGST (₹ 83.76 crore) and State Excise (₹ 60.28 crore). The rise in receipts under taxes on sales, trades, etc. (VAT) was attributed to the settlement scheme notified by the State Government to address arrears and pending assessment cases and increase in rate of VAT on petrol and diesel.

(i) State Goods and Services Tax (SGST)

As per the GST (Compensation to States) Act, 2017, States will be compensated for shortfall in revenue arising on account of implementation of the Goods and Services Tax, considering an annual growth of 14 per cent from the base year, for a period of five years. The Centre levies 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.

In the case of Himachal Pradesh, the finalised revenue figure during the base year (2015-16) was ₹ 3,678 crore. The protected revenue in accordance with the base year figure, actual revenue collected and compensation due and received from GoI during the period 2017-18 to 2020-21 is given in **Table-2.3 (A)**.

Table-2.3(A): Detail of collection of GST and compensation from GoI

(₹ in crore)

Year	Protected revenue amount*	Revenue collected amount**	Compensation due amount	Compensation received amount	Shortfall
	1	2	3 = 1-2	4	5 =3-4
2017-18	3,585	2,497	1,088	539	549
2018-19	5,450	3,367	2,083	2,037	46
2019-20	6,213	3,594	2,619	1,877	742
2020-21	7,083	3,575	3,508	1,764	1,744
Total	22,331	13,033	9,298	6,217	3,081

Source: Finance Accounts of respective years and information obtained from O/o Pr. AG (A&E) and Himachal Pradesh State Excise and Taxation Department.

* Protected Revenue is to be calculated considering the revenue figures of 2015-16 as base and adding 14 per cent per annum.

** Includes VAT & CST (net of refund) and revenue from the taxes subsumed in GST excluding VAT and CST on petroleum products and alcoholic liquor for human consumption.

The State received, compensation of ₹1,763.53 crore on account of loss of revenue arising out of implementation of GST during 2020-21. Out of total compensation received during the year 2020-21, ₹1,017.67 crore pertains to the year 2019-20.

The growth in GST collection in the State was lesser than the projected growth and there was total shortfall of ₹ 9,298 crore against the protected GST receipt of ₹ 22,331 crore during the period 2017-21. As per the Compensation to the States Act, the GoI had to compensate for the loss of revenue. However, as is evident from the above table, GoI only released ₹ 6,217 crore upto March 2021, resulting in a cumulative shortfall of ₹ 3,081 crore. Also, State did not receive its share of net proceeds under IGST during the year 2019-21.

However, during 2020-21, as per decision of the 41st GST Council the shortfall arising out of GST implementation will be met out of borrowings by States through issue of debt under a Special Window coordinated by the Ministry of Finance. Such debt will not be treated as debt of the State for any norms which may be prescribed/fixed by the Finance Commission. Against this decision, the Government of Himachal Pradesh received back-to-back loans amounting to ₹ 1,717 crore from GoI.

(ii) Audit of GST receipts

The Government of India's decision to provide access to pan-State back-end data and systems to Audit was conveyed on 20th June 2020. Thus, the required domain access to GST back-end data through VPN connection has been provided by the State Government from January 2022. As a result, the audit of all GST receipts/transactions is being conducted in an IT environment.

(iii) Analysis of arrears of revenue and arrears of assessment

Arrears of revenue signify delayed realisation of revenues due to the Government. Similarly, arrears of assessment signify potential revenues which are blocked due to delayed assessment. Both types of arrears deprive the State of potential revenue receipts and impact the revenue deficit.

(a) Arrears of Revenue

The arrears of revenue as on 01 April 2021 in some principal heads of revenue amounted to ₹ 4,412.33 crore, of which ₹ 2,549.22 crore (57.77 per cent) were outstanding for more than five years as detailed in **Table-2.4** below:

Table-2.4: Arrears of Revenue

(₹ in crore)

Head of Revenue	Arrear as on 31 March 2021	Amount outstanding for more than five years as on 31 March 2021
0039-State-Excise	272.34	52.22
0040-Value Added Tax	3,971.54	2,445.38
0042-Passengers and Goods Tax	7.49	6.62
0045-Other Tax and Duties	82.13	45.01
GST	78.83	0.00
Total	4,412.33	2,549.22

Source: State Department.

(b) Arrears in assessment

The details of cases pending at the beginning of the year, cases becoming due for assessment, cases disposed of during the year and the number of cases pending for finalisation at the end of the year, as furnished by the State Government in respect of Sales/ VAT/ GST are given in **Table-2.5** below:

Table-2.5: Arrears in Assessment

(₹ in crore)

Head of revenue		Opening balance	New cases due for assessment during 2020-21	Total assessment due	Cases disposed of during 2020-21	Balance at the end of the year	Percentage of disposal
Taxes/VAT on sales, trade etc.	CST	1,21,415	3,910	1,25,325	36,346	88,979	29
	VAT	1,48,462	4,416	1,52,878	44,438	1,08,440	29
GST	GST	17,797	2,378	21,053	1,740	19,313	0
Tax on works contract		972	819	1,791	164	1,627	9
Motor Spirit tax		67	60	127	82	45	65
Taxes on vehicle		7,431	1,392	8,823	1,464	7,359	17
Luxury tax		2,946	24	2,970	459	2,511	15
Total		2,99,090	12,180	3,12,967	84,693	2,28,274	27

Source: State Department.

(iv) Details of evasion of tax detected by Department, refund cases, etc.

The cases of evasion of tax detected by the Excise & Taxation Department, cases finalised and the demands for additional tax raised are important indicators of revenue collection efforts of the State Government. Promptness in disposal of refund cases is an important indicator of the performance of the Department. High pendency of refund cases may indicate red tape, vested interests, prevalence of speed money etc. The details of evasion of tax detected by the Department and details of refund cases are given in the **Table-2.6 (A) and Table-2.6 (B)**:

Table-2.6(A): Evasion of Tax Detected

Sr. No.	Head of revenue	Cases pending as on 31 March 2020	Cases detected during 2020-21	Total	No. of cases in which assessment/investigation completed and additional demand with penalty etc. raised		No. of cases pending for finalisation as on 31 March 2021
					No. of cases	Amount of demand (₹ in crore)	
1.	State Excise	62	446	508	447	4.18	61
2.	Taxes on sales, trade etc.	289	3,089	3,378	2,967	136.67	411
3.	Passengers and goods tax	21	9,911	9,932	9,917	5.85	15
4.	Other taxes and duties on commodities and services	36	1,207	1,243	1,204	1.21	39
	Total:	408	14,653	15,061	14,535	147.91	526

Source: State Department.

Table-2.6(B): Details of refund cases*(₹ in crore)*

Sr. No.	Particulars	Sales Tax/VAT		State Excise	
		No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding at the beginning of the year	56	23.00	6	0.20
2.	Claims received during the year	270	25.70	32	8.75
3.	Refunds made during the year	215	24.26	33	8.85
4.	Balance outstanding at the end of year	108	24.41	5	0.09

*Source: State Department.***(v) Non-Tax Revenue**

Non-Tax Revenue consists of interest receipts, dividends and profits, mining receipts, departmental receipts, etc.

Table-2.7: Components of State's non-tax revenue*(₹ in crore)*

Revenue Head	2016-17	2017-18	2018-19	2019-20	2020-21
Interest receipts	145.56	340.54	385.88	245.36	306.43
Dividends and profits	289.63	255.58	181.92	248.44	245.43
Other non-tax receipts	1,282.04	1,767.00	2,262.27	2,007.72	1,636.60
Misc. General Services	2.35	5.46	20.76	5.17	11.41
Education, Sports, Arts and Culture	112.22	180.76	214.59	238.59	196.08
Forestry and Wildlife	18.5	46.87	76.32	83.61	49.56
Other Administrative Services	42.63	40.45	51.34	49.65	37.05
Non-ferrous Mining and Metallurgical Industries	176.22	441.46	221.05	246.30	252.16
Power	650.93	687.61	1,134.34	1,021.68	749.12
Others	279.19	364.39	543.87	362.72	341.22
Total Non-tax Revenue	1,717.24	2,363.85	2,830.07	2,501.51	2,188.46
Percentage of Non-tax revenue to Revenue Receipts	6.54	8.64	9.14	8.14	6.54

Source: Finance Accounts.

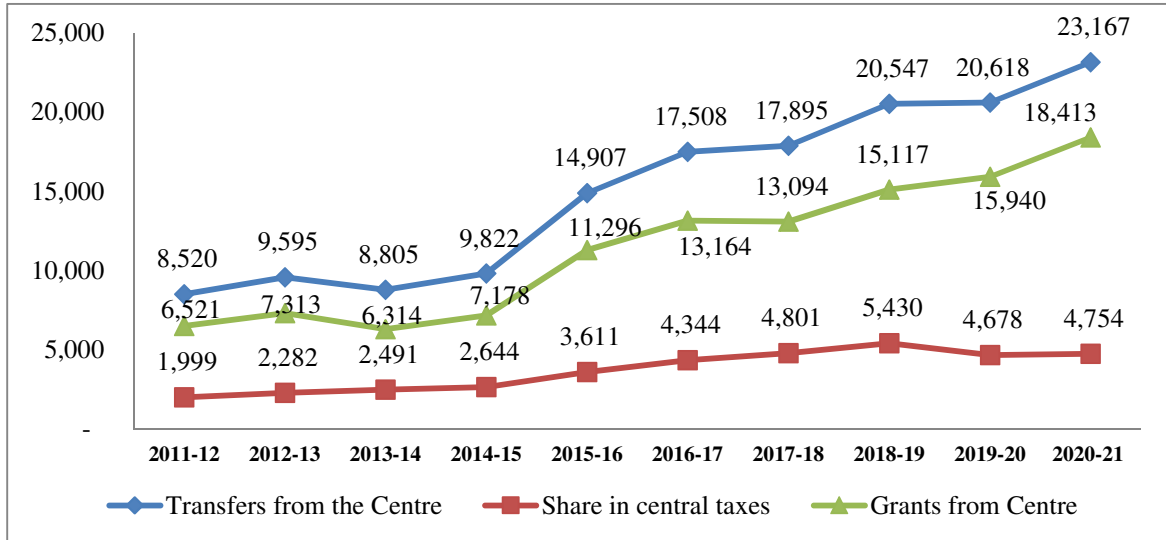
Non-Tax Revenue constituted between 6.54 and 9.14 *per cent* of total revenue receipts of the State during the five-year period from 2016-17 to 2020-21. The Non-Tax Revenue registered an increase from ₹ 1,717.24 crore to ₹ 2,830.27 crore during the period 2016-19, and has declined since then to ₹ 2,188.46 crore in 2020-21. Over the last five years, the main contributor to Non-Tax Revenue was power sector which contributed between 29 and 40 *per cent*. Non-tax revenue increased by ₹ 471.22 crore (27.44 *per cent*) from ₹ 1,717.24 crore (2016-17) to ₹ 2,188.46 crore during 2020-21. However, Non-tax revenue decreased by ₹ 313.05 crore (12.51 *per cent*) during 2020-21 over the previous year. The decrease was mainly due to decrease in receipts under power sector (₹ 272.56 crore), attributed by the Department to imposition of all-India lockdown (COVID-19) and shutting down of a large chunk of industrial, commercial and traction loads resulting in reduction in electricity demand by 25-30 *per cent* and less generation of electricity.

2.3.2.3 Transfers from the Centre

Transfers from the Centre are heavily dependent on Finance Commission recommendations. The trends in Central transfers for the last 10 years are shown in the **Chart-2.7**.

Chart-2.7: Trends in transfers from Centre

(₹ in crore)



(i) Central tax transfers

The 14th FC recommended that the States' share of central taxes be increased to 42 per cent from 2015-16 onwards. Consequently, the State's share in the net proceeds of Central Taxes (excluding Service Tax) has been fixed at 0.713 per cent for the period 2015-16 to 2019-20 and 0.799 per cent (as per recommendations of 15th FC) for 2020-21. The actual devolution *vis-à-vis* Finance Commission projections during the period 2010-11 to 2020-21 is given in **Table-2.8**:

Table-2.8: State's share in Union taxes and duties: Actual devolution *vis-à-vis* Finance Commission projections

(₹ in crore)

Year	Finance Commission projections	Projections in FCR	Actual tax devolution	Difference
1	2	3	4	5 (4-3)
2011-12	0.781 per cent of net proceeds of all shareable taxes excluding service tax and	2,060.67	1,998.37	(-) 62.30
2012-13		2,362.61	2,282.02	(-) 80.59
2013-14	0.793 per cent of net proceeds of sharable service tax (as per recommendations of 13 th FC)	2,716.72	2,491.53	(-) 225.19
2014-15		2,993.17	2,644.17	(-) 349.00
2015-16	0.713 per cent of net proceeds of all shareable taxes excluding service tax and	3,743.71	3,611.17	(-) 132.54
2016-17		4,074.67	4,343.70	269.03
2017-18	0.722 per cent of net proceeds of sharable service tax (as per recommendations of 14 th FC)	4,819.21	4,801.31	(-) 17.90
2018-19		5,619.31	5,429.77	(-) 189.54
2019-20		5,769.12	4,677.56	(-) 1,091.56
2020-21	0.799 per cent of net proceeds of all shareable taxes excluding service tax (as per recommendations of 15 th FC)	6,265.60	4,753.92	(-) 1,511.68

Source: Reports of the 13th FC, 14th FC & 15th FC, Finance Accounts and Annual Financial Statement.

The details of Central tax transfers to the State during 2016-21 are given in **Table-2.9:**

Table-2.9: Composition of Central Tax Transfers

(₹ in crore)

Components of Central Tax Transfers	2016-17	2017-18	2018-19	2019-20	2020-21	Difference over the previous year
Central Goods and Services Tax (CGST)	--	68.36	1,340.15	1,327.34	1,419.55	92.21
Integrated Goods and Services Tax (IGST)	--	484.84	107.00	--	--	--
Corporation Tax	1,393.48	1,470.67	1,888.31	1,594.86	1,429.44	-165.42
Taxes on Income other than Corporation Tax	968.47	1,241.88	1,390.66	1,249.68	1,464.84	215.16
Customs	599.42	484.70	384.89	296.49	257.07	-39.42
Union Excise Duties	684.49	506.50	255.78	206.16	160.44	-45.72
Service Tax	694.64	544.40	49.66	--	19.39	19.39
Other Taxes ²	3.20	(-) 0.04	13.32	3.03	3.19	0.16
Central Tax Transfers	4,343.70	4,801.31	5,429.77	4,677.56	4,753.92	76.36
Percentage of increase (+)/ decrease (-) over the previous year	20.29	10.54	13.09	(-) 13.85	1.63	
Percentage of Central Tax Transfers to Revenue Receipts	16.54	17.54	17.54	15.22	14.22	

Source: Finance Accounts.

Over the five-year period 2016-21, Central tax transfers increased by 9.44 per cent. During the current year (2020-21), it increased by ₹ 76.36 crore (1.63 per cent) over the previous year. For the year 2020-21, Central tax transfers constituted 14.22 per cent of the Revenue Receipts which was 15.22 per cent during previous year (2019-20). Further, as has been tabulated in **Table-2.8**, the State did not receive its share of Union Taxes and Duties as per the recommendations of Finance Commissions (13th FC, 14th FC and 15th FC) from the period 2011-12 to 2020-21 (except 2016-17). During the current year, the share was short by ₹ 1,511.68 crore.

(ii) Grants-in-aid from Government of India (GoI)

GoI discontinued Plan and Non-Plan classification and operated new Sub-Major Heads under Major Head-1601-Grants-in-Aid (GIA) for providing GIA to States from 2017-18. The position of GIA from GoI received by State Government during the period 2016-17 to 2020-21 is given in **Table-2.10**.

² Includes Taxes on Wealth, Other Taxes on Income and Expenditure, Other Taxes and Duties on commodities and Services.

Table-2.10: Grants-in-aid from GoI

(₹ in crore)					
Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
Non-Plan Grants[#]	8,877.19	--	--	--	--
Grants for State Plan Schemes[#]	1,187.49	--	--	--	--
Grants for Central Plan Schemes[#]	44.45	--	--	--	--
Grants for Centrally Sponsored Plan Schemes[#]	3,055.23	--	--	--	--
Centrally Sponsored Schemes	--	3,590.26	4,010.49	4,915.06	4,221.29
Finance Commission Grants	--	8,889.00	8,831.25	8,617.82	12,424.10*
Other Transfer/Grants to State/ Union Territories with Legislatures	--	615.39	2,275.93	2,406.64	1,767.19@
Total	13,164.35	13,094.23	15,117.66	15,939.52	18,412.58
Percentage increase over previous year	16.54	(-) 0.53	15.45	5.44	15.52
Percentage of Revenue Receipts	50.12	47.85	48.84	51.85	55.06

Source: Finance Accounts for the respective years.

* Finance Commission Grants includes post-devolution revenue deficit grant (₹ 11,430.85 crore), grants for local bodies (₹ 584.25 crore) and State Disaster Response Fund (₹ 409 crore) which was earlier depicted as Non-plan grants in State Accounts.

@ Includes ₹ 1763.53 crore on account of compensation for loss of revenue arising out of implementation of GST.

There are no figures since the nomenclature of plan and non-plan grants was removed with effect from 2017-18 and replaced by Grants for CSS, Finance Commission Grants and Other Grants to States.

In 2020-21, GIA from GoI increased over the previous year by ₹ 2,473.06 crore. 62 per cent of the GIA was on account of post-devolution revenue deficit grants. Share of GIA in State's Revenue Receipts ranged between 48 and 55 per cent during 2016-21.

(iii) Finance Commission Grants

Grants under 14th and 15th FC were provided to States for local bodies and State Disaster Response Fund. Details of grants provided by GoI to the State during the years 2015-16 to 2020-21 are given in **Table-2.11**.

Table-2.11: Recommended amount, actual release and transfers of Grant-in-aid

(₹ in crore)									
Transfers	Recommendation of the 14 th & 15 th FC			Actual release by GoI			Release by State Government		
	2015-16 to 2019-20	2020-21	Total (2015-21)	2015-16 to 2019-20	2020-21	Total (2015-21)	2015-16 to 2019-20	2020-21	Total (2015-21)
I. Local Bodies (i+ii)	2,011.57	636.00	2,647.57	1,814.76	584.25	2,399.01	1,814.76	608.82	2,423.58
(i) Grants to PRIs	1,809.80	429.00	2,238.80	1,664.31	429.00	2,093.31	1,664.31	429.00	2,093.31
<i>(a) General Basic Grant</i>	1,628.82	429.00	2,057.82	1,628.82	429.00	2,057.82	1,628.82	429.00	2,057.82
<i>(b) General Performance Grants</i>	180.98	0	180.98	35.49	0	35.49	35.49	0	35.49

(ii) Grants to ULBs	201.77	207.00	408.77	150.45	155.25	305.70	150.45	179.82	330.27
(a) General Basic Grant	161.42	103.50	264.92	142.54	103.50	246.04	142.54	127.98	270.52
(b) General Performance Grants	40.35	103.50	143.85	7.91	51.75	59.66	7.91	51.84	59.75
2. State Disaster Response Fund*	1,304.00	454.00	1,349.00	1,112.85	409.00	1,157.85	1,053.68	454.00	1,098.68
Grand Total (1+2)	3,315.57	1,090.00	3,996.57	2,927.61	993.25	3,556.86	2,868.44	1,062.82	3,522.26

Source: 14th & 15th FC Report and information provided by State Department.

* Including Central share and State share.

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 trends in growth and composition of capital receipts during the past five years (2016-21) are presented in **Table-2.12**.

Table-2.12: Trends in growth and composition of capital receipts

Sources of State's Receipts	2016-17	2017-18	2018-19	2019-20	2020-21
Capital Receipts (CR)	4,689.97	2,174.87	1,784.70	4,169.72	3,917.07*
Miscellaneous Capital Receipts	Nil	34.82	8.82	2.04	2.88
Recoveries of Loans and Advances	29.50	39.61	21.83	21.04	23.02
Net Public Debt Receipts	4,660.47	2,100.44	1,754.05	4,146.64	3891.17*
Internal Debt	4,633.10	2,097.45	1,771.71	4,164.59	3,390.44
Growth rate of internal debt	110.28	-54.73	-15.53	135.06	-18.59
Loans and advances from GoI	27.37	2.99	-17.66	-17.95	500.73*
Growth rate of loans & advances from GoI	225.44	-89.08	-690.64	-1.64	2,889.56
Rate of growth of debt Capital Receipts	113.64	-54.93	-16.49	136.40	-6.16
Rate of growth of non-debt Capital Receipts	13.90	152.31	-58.82	-24.70	12.22
Rate of growth of GSDP	9.97	10.28	7.86	8.95	-3.87
Rate of growth of Capital Receipts (<i>per cent</i>)	112.47	-53.63	-17.94	133.64	-6.06

Source: Finance Accounts of the respective years.

* Exclude ₹ 1,717 crore as back-to-back loans to State from GoI in lieu of GST compensation shortfall.

In 2020-21, Capital Receipts (₹ 3,917.07 crore) decreased by ₹ 252.65 crore over the previous year mainly due to decrease in net internal debt. Public debt receipts create future repayment obligation and these are taken from market, financial institutions and GoI. During the five-year period 2016-17 to 2020-21, 64.41 *per cent* of public debt receipts were utilised for repayment of public debt taken during the period and only the remaining 35.59 *per cent* was utilised for other purposes.

2.3.4 State's performance in mobilisation of resources

As the State's share in central taxes and grants-in-aid is determined on the basis of recommendations of the Finance Commission, the State's performance in mobilisation of resources is assessed in terms of own resources comprising tax and non-tax sources.

The State's actual tax and non-tax receipts for the year 2020-21 *vis-à-vis* assessment made by 15th FC and MTFPS are given in the **Table-2.13**.

Table-2.13: States own resources: projections *vis-à-vis* actuals

(₹ in crore)

	15 th FC projections	Budget Estimates and MTFPS projection	Actual	Percentage variation of actual over	
				15 th FC projections	Budget estimates and MTFPS projection
Tax revenue	11,272	9,090.26	8,083.31	(-) 28.29	(-) 11.08
Non-tax revenue	2,228	2,410.46	2,188.46	(-) 1.77	(-) 9.21

The actual collection under State's own tax revenue fell short by 28.29 *per cent* of the projections made by 15th FC and 11.08 *per cent* of the projection in budget estimates / MTFPS. The actual receipts under non-tax revenue were less by 1.77 *per cent* of the projections made by 15th FC and 9.21 *per cent* of the projection in budget estimates / MTFPS. Thus, the State Government could not achieve their own targets projected in the budget and MTFPS.

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 fiscal corrections / consolidation processes are not at the cost of expenditure directed towards development of capital infrastructure and social sector. The application of resources is analysed in the succeeding paragraphs with regard to growth and composition of expenditure, revenue expenditure, committed expenditure and financial assistance to local bodies and other institutions.

2.4.1 Growth and composition of expenditure

The expenditure of the State Government can be classified into two categories: Revenue Expenditure and Capital Expenditure.

Revenue Expenditure: Charges on maintenance, repair, upkeep and working expenses which are required to maintain assets in a running order, expenses incurred for the day to day running of the organisation, establishment and administrative expenses are classified as revenue expenditure.

Capital Expenditure: Charges for the first construction of a project, intermediate maintenance of a work while not opened for service, additions and improvements as may be sanctioned under the rules made by competent authority are classified as capital expenditure.

The trend and composition of total expenditure over the last five years (2016-21) is shown in **Table-2.13 (A)**.

Table-2.13 (A): Total expenditure and its composition

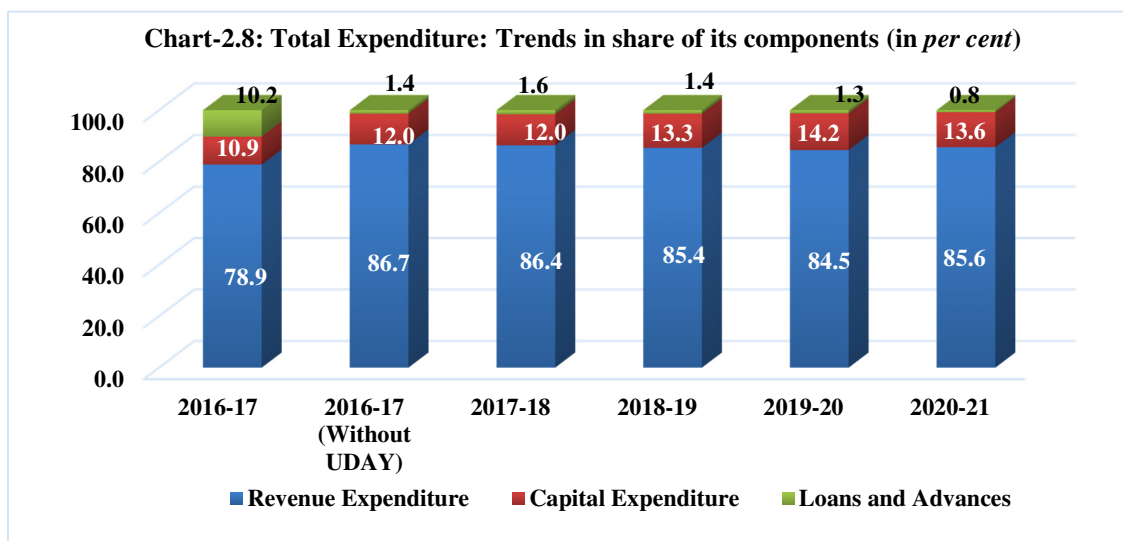
(*₹ in crore*)

Parameters	2016-17	2017-18	2018-19	2019-20	2020-21
Total Expenditure (TE)	32,132.94	31,311.36	34,493.50	36,362.55	39,164.25
Revenue Expenditure (RE)	25,344.22	27,053.16	29,442.11	30,730.43	33,534.93
Capital Expenditure (CE)	3,499.03	3,755.67	4,583.41	5,173.91	5,309.21
Loans and Advances disbursed	3,289.69 [@]	502.53	467.98	458.21	320.11
GSDP	125,633.65	138,551.06	149,442.00 ^a	162,816.00 ^b	156,522.32 ^c
As a percentage of GSDP					
TE/GSDP	25.58	22.60	23.08	22.33	25.02
RE/GSDP	20.17	19.55	19.70	18.87	21.43
CE/GSDP	2.79	2.71	3.07	3.18	3.39
Loans and Advances/GSDP	2.62	0.36	0.31	0.28	0.20

a – Second Revised Estimate, b- First Revised Estimate, c- Advance Estimate

@-Loan of ₹ 2,890 crore given to DISCOM on account of UDAY Scheme.

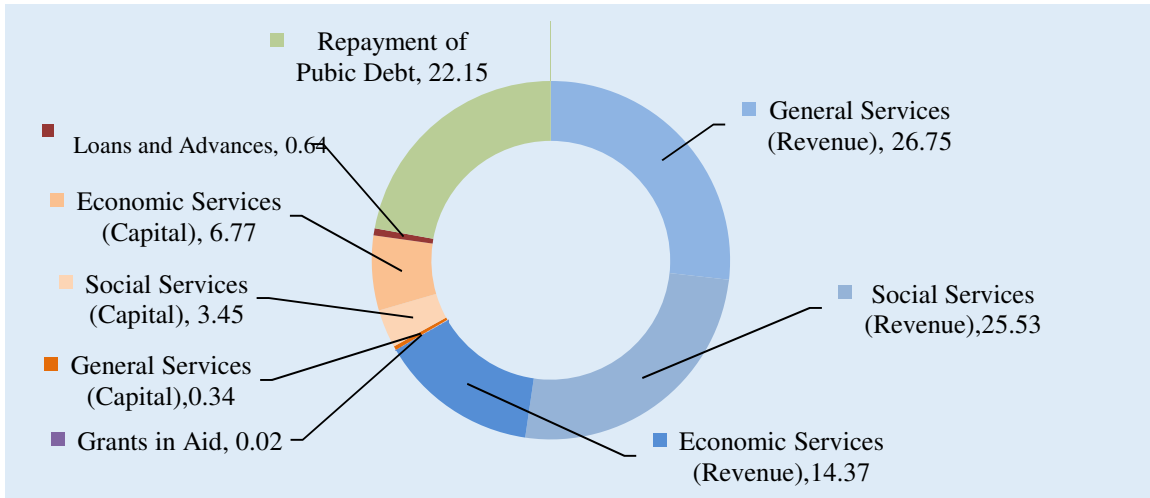
Total expenditure increased by ₹ 7,031.31 crore (21.88 per cent) over a period of five years (2016-21). During 2020-21, it increased by ₹ 2,801.70 crore (7.70 per cent) over the previous year. As a percentage of GSDP, the total expenditure remained in the range of 22.33 per cent to 25.58 per cent during 2016-21. Revenue Expenditure increased by 32.32 per cent during 2016-21 while capital expenditure increased by 51.73 per cent during the same period. As depicted in **Chart-2.8**, the share of revenue expenditure in total expenditure (with UDAY) ranged from 78.9 to 86.7 per cent during 2016-21. Similarly, the share of capital expenditure in total expenditure increased from 10.9 per cent in 2016-17 to 13.56 per cent in 2020-21. The share of loans and advances was 10.24 per cent in 2016-17 due to disbursement of loans amounting to ₹ 2,890.50 crore under UDAY scheme, however, the share of loans and advances remained almost static over the past five years (2017-21).



In terms of activities, Total Expenditure is composed of expenditure on General Services (including Interest Payments), Social Services, Economic Services and others. Relative share of these components in the Total Expenditure of ₹ 39,164.25

crore along with the component Repayment of Public Debt amounting to ₹ 11,141.04 crore (refer **Appendix-2**) during 2020-21 is given in **Chart-2.9**.

Chart-2.9: Composition of expenditure during 2020-21 (in per cent)



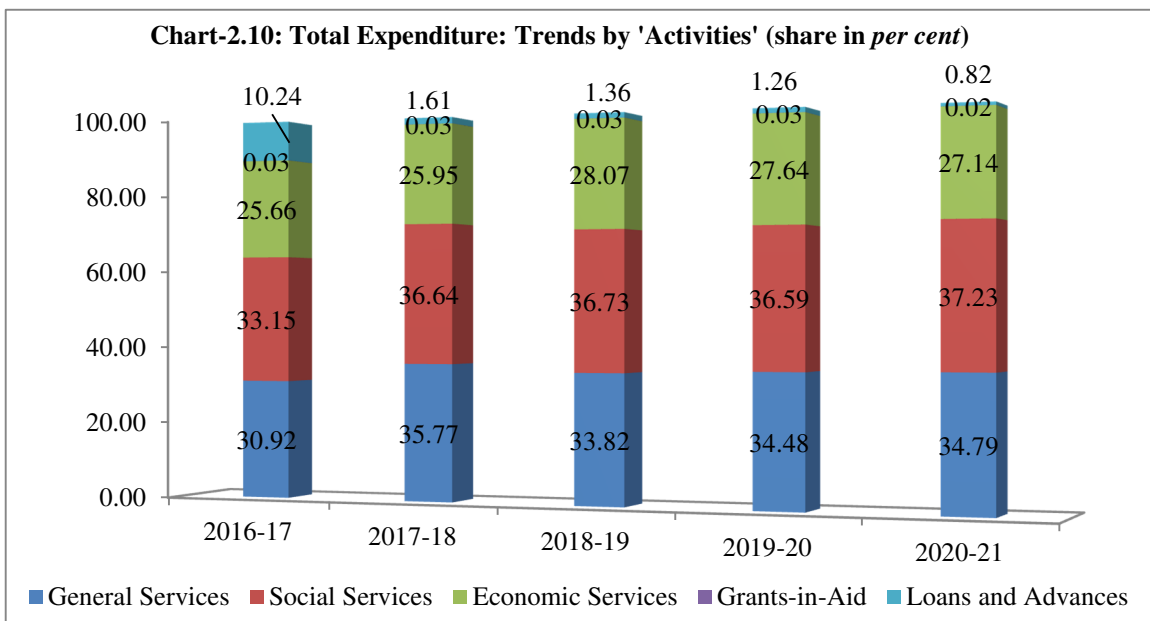
The relative shares of various sectors of expenditure during the period 2016-21 is given in **Table-2.14**.

Table-2.14: Relative share of various sectors of expenditure

(in per cent)

Parameters	2016-17	2017-18	2018-19	2019-20	2020-21
General Services	30.92	35.77	33.82	34.48	34.79
Social Services	33.15	36.64	36.73	36.59	37.23
Economic Services	25.66	25.95	28.07	27.64	27.14
Others (Grants to Local Bodies and Loans and Advances)	10.27	1.64	1.38	1.29	0.84

Chart-2.10 depicts trends in sectoral components of Total Expenditure for the period 2016-17 to 2020-21.



The trends in relative share of these components of expenditure indicates that the share of General Services, Social Services, and others in the Total Expenditure had minor inter-year variations during the period 2016-17 to 2020-21. Expenditure on General Services (including interest payments) which forms part of non-development expenditure, increased slightly as a percentage of total expenditure from 34.48 *per cent* in 2019-20 to 34.79 *per cent* in 2020-21. Development expenditure *i.e.* expenditure on Social and Economic Services together accounted for 64.37 *per cent* in 2020-21 against 64.23 *per cent* in 2019-20. The share of loans and advances remained almost static over the past five years, except in 2016-17 (10.24 *per cent*) due to disbursement of loans amounting to ₹ 2,890.50 crore under UDAY scheme.

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 the State's infrastructure and service network. The overall Revenue Expenditure, its rate of growth, its ratio to Total Expenditure and its rate of growth *vis-à-vis* GSDP and Revenue Receipts during the period 2016-21 are indicated in **Table-2.15**.

Table-2.15: Growth of revenue expenditure during 2016-21

Particulars	₹ in crore				
	2016-17	2017-18	2018-19	2019-20	2020-21
Total Expenditure (TE)	32,132.94	31,311.36	34,493.50	36,362.55	39,164.25
Revenue Expenditure (RE)	25,344.22	27,053.16	29,442.11	30,730.43	33,534.93
Rate of Growth of RE (per cent)	13.63	6.74	8.83	4.38	9.13
Revenue Expenditure as percentage of TE	78.87	86.40	85.36	84.51	85.63
RE/GSDP (per cent)	20.17	19.53	19.70	18.87	21.43
Revenue Receipts (RR)	26,264.34	27,367.06	30,950.32	30,742.41	33,438
RE as percentage of RR	96.50	98.85	95.13	99.96	100.29
Rate of Growth of RR (per cent)	12.05	4.20	13.09	-0.67	8.77
GSDP	1,25,633.65	1,38,551.10	149,442.00 ^a	162,816.00 ^b	156,522.32 ^c
Rate of growth of GSDP (per cent)	9.97	10.28	7.86	8.95	-3.87

Source: Finance Accounts of respective years.

a – Second Revised Estimate, b- First Revised Estimate, c- Advance Estimate.

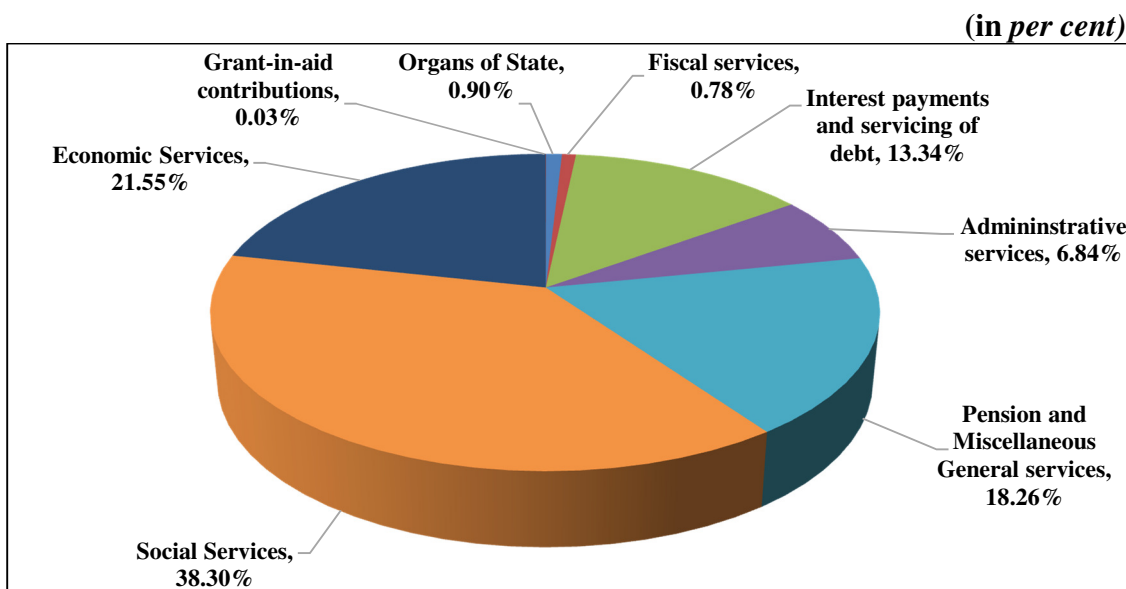
Revenue expenditure during 2016-21 increased by ₹ 8,190.71 crore (32.32 *per cent*) at an annual growth rate ranging from four to 14 *per cent*. Rate of growth of Revenue Expenditure has displayed a fluctuating trend over the five-year period 2016-21. Revenue expenditure in 2020-21 (₹ 33,535 crore) increased by ₹ 2,805 crore (9.13 *per cent*) over 2019-20 (₹ 30,730 crore). The increase was due to increased expenditure under General, Social and Economic services, as detailed in **Para-2.4.2.1**.

The percentage of State's revenue receipts and revenue expenditure to GSDP stood at almost the same level, *viz.*, 21.36 *per cent* and 21.43 *per cent* respectively during 2020-21. The State had a revenue deficit of ₹ 97 crore during 2020-21 which was 0.06 *per cent* of GSDP.

Revenue expenditure of ₹ 33,534.93 crore in 2020-21 was less than the projections made in Budget and MTFPS (₹ 39,123 crore) and more than the normative assessment of 15th FC (₹ 31,764 crore).

The sectoral distribution of Revenue Expenditure pertaining to 2020-21 is given in Chart-2.11.

Chart-2.11: Sector-wise distribution of revenue expenditure during 2020-21



2.4.2.1 Major changes in Revenue Expenditure

Table-2.16 highlights the cases of significant increase or decrease in various Heads of Account in Revenue Expenditure during 2020-21 *vis-à-vis* the previous year.

Table-2.16: Significant variations in Revenue Expenditure during 2020-21 as compared to 2019-20

(₹ in crore)

Major Heads of Account	2019-20	2020-21	Increase (+)/ Decrease (-)
General Services	12,335.22	13,454.24	1,119.06
2071-Pensions and Other Retirement Benefits	5,489.75	6,088.39	598.65
2059-Public Works	237.2	580.59	343.39
2049-Interest Payments	4,234.02	4,472.45	238.43
2015-Elections	90.77	39.60	-51.16
2053-District Administration	210.13	179.76	-30.37
Social Services	12,046.95	12,843.81	796.86
2217-Urban Development	447.34	800.11	352.78
2235-Social Security and Welfare	1,228.62	1,421.14	192.52
2202-General Education	6,037.87	6,228.97	191.09
2215-Water Supply and Sanitation	942.18	1,095.95	153.76
2245-Relief on Account of Natural Calamities	743.99	457.17	-286.82
Economic Services	6,338.01	7,227.49	889.47
3055-Road Transport	341.11	550.95	209.83
2401-Crop Husbandry	598.16	786.04	187.88

Major Heads of Account	2019-20	2020-21	Increase (+/ Decrease (-)
2801-Power	406.2	525.60	119.40
3452-Tourism	20.14	134.52	114.38
2406-Forestry and Wildlife	469.58	577.59	108.01
2505-Rural Employment	235.72	339.24	103.52
2501-Special Programmes for Rural Development	35.76	138.87	103.11
2408-Food Storage and Warehousing	320.66	267.28	-53.38
2415-Agriculture research and Education	256.25	231.68	-24.57

Source: Finance Accounts of the respective years.

Revenue expenditure on General services increased by ₹ 1,119.06 crore (9.07 per cent) due to increase in expenditure mainly on Pensions and Other Retirement Benefits, Public Works and Interest Payments. The expenditure on Social Services increased by ₹ 796.86 crore (6.61 per cent) over the previous year due to increase in expenditure mainly on Urban Development, Social Security and Welfare, and General Education and Water Supply and Sanitation, which was partly offset by the decrease in Relief on Account of Natural Calamities. The expenditure on Economic Services increased by ₹ 889.47 crore (14.03 per cent) over the previous year due to increased expenditure in Road Transport, Crop Husbandry Forestry, Power, etc.

2.4.2.2 Committed expenditure

The committed expenditure of the State Government on revenue account consists of interest payments, expenditure on salaries and wages, and pensions. It has first charge on Government resources. A high level of committed expenditure leaves the Government with lesser scope for outlays in development sector.

Table-2.17 presents the trends in the components of committed expenditure during 2016-21, while percentage share of Committed Expenditure in total Revenue Expenditure is given in **Chart-2.12**.

Table-2.17: Components of Committed Expenditure

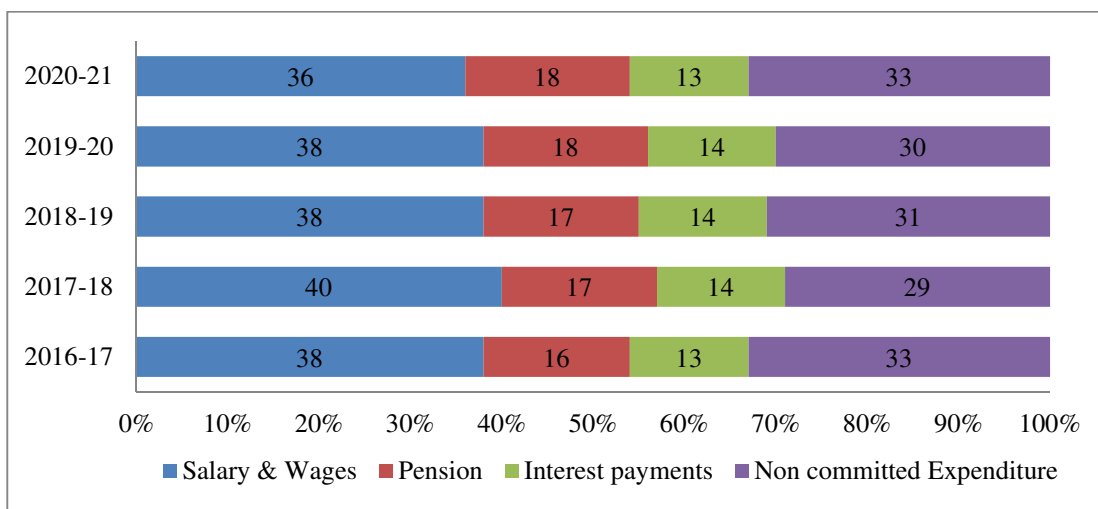
(₹ in crore)

Components of Committed Expenditure	2016-17	2017-18	2018-19	2019-20	2020-21
Salaries & Wages	9,681.67	10,765.83	11,210.42	11,742.23	11,903.67*
Expenditure on Pensions	4,114.17	4,708.85	4,974.77	5,489.75	6,088.39
Interest Payments	3,358.91	3,788.22	4,021.52	4,234.02	4,472.45
Total	17,154.75	19,262.90	20,206.71	21,466.00	22,464.51
As a percentage of Revenue Receipts (RR)					
Salaries & Wages	36.86	39.34	36.22	38.20	35.60
Expenditure on Pensions	15.66	17.21	16.07	17.86	18.21
Interest Payments	12.79	13.84	12.99	13.77	13.38
Total	65.31	70.39	65.28	69.83	67.19
As a percentage of Revenue Expenditure (RE)					
Salaries & Wages	38.20	39.80	38.08	38.21	35.50
Expenditure on Pensions	16.23	17.41	16.90	17.86	18.16
Interest Payments	13.25	14.00	13.66	13.78	13.34
Total	67.68	71.21	68.64	69.85	66.99

Source: Finance Accounts of respective years.

* Salary: ₹ 11,641.16 crore; wages: ₹ 262.51 crore

Chart-2.12: Share of Committed expenditure in total Revenue Expenditure



The increase in committed expenditure during 2020-21 over the previous year was ₹ 998.51 crore (five *per cent*). During the period 2016-17 to 2020-21, it accounted for a dominant share of revenue expenditure (67-71 *per cent*) and revenue receipts (65-70 *per cent*), leaving little scope for the Government to spend on developmental activities.

Salaries and Wages: The expenditure on salaries and wages increased from ₹ 9,681.67 crore in 2016-17 to ₹ 11,903.67 crore in 2020-21. It increased by ₹ 161.44 crore during 2020-21 over the previous year and consumed 36 *per cent* of revenue receipts of the State during 2020-21. The expenditure on salaries in the current year (₹ 11,903.67 crore) was within the projections made in Medium Term Fiscal Plan Statement (MTFPS) (₹ 13,099.47 crore).

Interest Payments: Interest payments increased by 33 *per cent* from ₹ 3,358.91 crore in 2016-17 to ₹ 4,472.45 crore in 2020-21. The increase in 2020-21 over the previous year was ₹ 238 crore (six *per cent*). Interest payments consumed 13 *per cent* of revenue receipts and 13 *per cent* of revenue expenditure. Interest payments were less than the projections made in MTFPS (₹ 4,931.92 crore).

Pension Payments: The expenditure on pension payments increased from ₹ 4,114.17 crore in 2016-17 to ₹ 6,088.39 crore in 2020-21 and by ₹ 598.64 crore (11 *per cent*) during the current year over the previous year. During 2020-21, pension payments accounted for 18 *per cent* of revenue expenditure. The expenditure on pension payments in the current year (₹ 6,088.39 crore) was less than the projected in the MTFPS (₹ 7,266.00 crore).

2.4.2.3 Undischarged liabilities in National Pension Scheme

The State Government employees recruited on or after 15 May 2003 are covered under the National Pension System (NPS) which is a Defined Contribution Pension Scheme. In terms of the Scheme, the employee contributes 10 *per cent* of his/her basic

pay and dearness allowance, and 14 *per cent* (w.e.f. 01 April 2019) of basic pay and dearness allowance is contributed by the State Government; and the entire amount is to be transferred to the designated fund manager through the National Securities Depository Limited (NSDL)/Trustee Bank.

During the year 2020-21, total contribution to Defined Contribution Pension Scheme for Government Employees was ₹ 956.07 crore (Employees' contribution ₹ 392.29 crore, Government contribution ₹ 563.76 crore and interest ₹ 0.02 crore) which was accounted for in the Public Account under Major Head 8342-117- "Defined Contribution Pension scheme for Government employees". The Government contribution to Defined Contribution Pension Scheme differs with the amount shown under Major Head 2071-01-117 by ₹ 19.16 crore. State Government intimated (January 2022) that the reason for differences in figures may be due to return of Government share by non-NPS subscribers, who were earlier in NPS but have returned to old pension scheme due to Court orders; their Government Share is deposited directly through e-Challan in 8342-00-117-02.

During the year 2020-21, the State Government transferred ₹ 946.77 crore from the Major Head 8342-117 Defined Contribution Pension scheme to be credited to NSDL/Trustee Bank. However, as intimated (September 2021) by the State Government during the year 2020-21, only ₹ 947.86 crore was actually credited to NSDL/Trustee Bank. The balance amount of ₹ 7.66 crore (after taking debit opening balance of ₹ 1.64 crore) in Major Head 8342-117-Defined Contribution Pension scheme is yet to be transferred to NSDL.

2.4.2.4 Subsidies

The State Government has been paying subsidies to various departments/institutions/bodies/corporations. Expenditure on subsidies increased by ₹ 476.67 crore (62 *per cent*) from ₹ 763.96 crore in 2016-17 to ₹ 1,240.63 crore in 2020-21. The amount of subsidies remained between 3.01 *per cent* and 4.36 *per cent* of revenue receipts during the period 2016-21, as detailed in **Table-2.18**.

Table-2.18: Expenditure on subsidies during 2016-21

	2016-17	2017-18	2018-19	2019-20	2020-21
Subsidies (₹ in crore)	763.96	906.79	1,282.60	1,067.78	1,240.63
Subsidies as a percentage of Revenue Receipts	2.91	3.31	4.15	3.47	3.71
Subsidies as a percentage of Revenue Expenditure	3.01	3.35	4.36	3.49	3.70

Source: Finance Accounts of respective years.

During 2020-21, there was an increase of ₹ 172.85 crore (16 *per cent*) in expenditure on subsidies over the previous year. During the year, subsidies of ₹ 1,240.63 crore were paid which consumed about 3.7 *per cent* of both revenue receipts and revenue expenditure. Major recipients of subsidies were Energy (₹ 520.45 crore or 41.95 *per cent*), Food and Supply (₹ 239.97 crore or 19.34 *per cent*), Transport (₹ 171.20 crore

or 13.80 per cent), Agriculture (₹ 108.18 crore or 8.72 per cent) and Horticulture (₹ 111.21 crore or 8.96 per cent). The total subsidy released by the Government during the year was slightly higher than the projection made in the MTFPS (₹ 1,158.33 crore).

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 and loans. The quantum of assistance provided by way of grants to local bodies and other institutions during the period 2016-17 to 2020-21 is presented in **Table-2.19**.

Table-2.19: Financial Assistance to Local Bodies etc.

(₹ in crore)					
Financial Assistance to Institutions	2016-17	2017-18	2018-19	2019-20	2020-21
Local Bodies					
Municipal Corporations and Municipalities	554.49	249.31	487.99	456.22	814.58
Panchayati Raj Institutions	1,011.60	781.21	1,026.07	1,053.39	1,176.07
Total (A)	1,566.09	1,030.52	1,514.06	1,509.61	1,990.65
Others					
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	849.57	905.15	951.22	1,020.83	944.59
Development Authorities	150.37	111.07	143.68	99.16	238.37
Hospitals and Other Charitable Institutions	271.64	343.87	337.38	439.71	458.23
Other Institutions	519.31	504.85	687.61	437.17	931.27
Total (B)	1,790.89	1,864.94	2,119.89	1,996.87	2,572.46
Total (A+B)	3,356.98	2,895.46	3,633.95	3,506.48	4,563.11
Revenue Expenditure	25,344.22	27,053.16	29,442.11	30,730.43	33,534.93
Assistance as percentage of Revenue Expenditure	13.25	10.70	12.34	11.41	13.61

Source: Finance Accounts and information received from PAG (A&E)

Table-2.19 indicates that the financial assistance to local bodies and other institutions increased by ₹ 1,206.13 crore (35.93 per cent) from ₹ 3,356.98 crore in 2016-17 to ₹ 4,563.11 crore, constituting 13.61 per cent of the revenue expenditure during 2020-21.

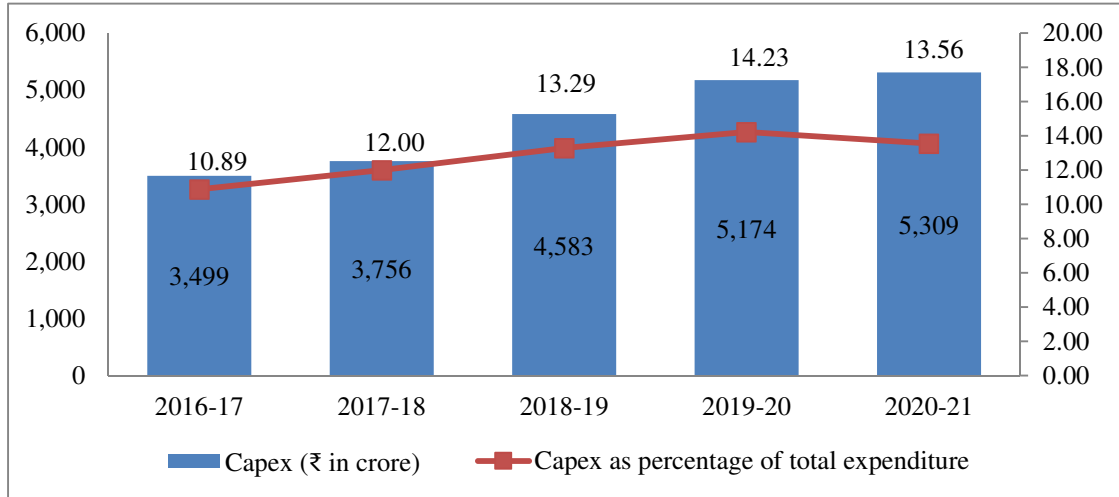
There was an increase of ₹ 1,056.63 crore (30.13 per cent) in the total quantum of assistance in the current year as compared with the previous year. Except in the case of Educational Institutions, the assistance provided by the State Government during the year 2020-21 was more than the previous year. Amongst the various recipients,

Municipal Corporations, Municipalities and Panchayati Raj Institutions (Local Bodies) together accounted for 43.62 per cent of the total financial assistance during the current year.

2.4.3 Capital Expenditure

Capital Expenditure is expenditure on creation of fixed infrastructure assets such as roads, buildings, etc. The trend in Capital Expenditure as percentage of Total Expenditure for the period 2016-21 is given in **Chart-2.13**.

Chart-2.13: Trend of Capital Expenditure as per cent of Total Expenditure during 2016-21



There was a trend of sustained growth in capital expenditure during the last five years. It increased by ₹ 1,811 crore (51.75 per cent) during 2016-21. During 2020-21, capital expenditure (₹ 5,309 crore) increased by ₹ 136 crore (2.62 per cent) over the previous year 2019-20 (₹ 5,174 crore). During 2020-21, it constituted 13.56 per cent of total expenditure as compared to 14.23 per cent during 2019-20.

2.4.3.1 Major changes in Capital Expenditure

Table-2.20 highlights cases of significant increase or decrease in various Heads of Account in Capital Expenditure during 2020-21 vis-à-vis the previous year.

Table-2.20: Variation in Capital Expenditure during 2020-21 compared to 2019-20
(₹ in crore)

Major Heads of Accounts	2019-20	2020-21	Increase (+)/ Decrease (-)
Capital Expenditure	5,173.91	5,309.22	135.31
General Services	203.74	169.54	(-) 34.20
Social Services	1,258.40	1,736.19	477.79
4215-Capital Outlay on Water Supply and Sanitation	598.92	1,001.51	402.59
4210-Capital Outlay on Medical and Public Health	231.78	302.05	70.27
Economic Services	3,711.76	3,403.49	(-) 308.27
5054-Capital Outlay on Roads and Bridges	2,205.12	2,315.55	110.43
4711-Capital Outlay on Flood Control Projects	326.68	56.92	(-) 269.76
4801-Capital Outlay on Power Projects	254.66	196.98	(-) 57.68

It can be seen from the above table that capital expenditure increased by ₹ 135.31 crore (2.62 per cent) during 2020-21 over the previous year. This was mainly due to increased expenditure on Social Services (₹ 477.79 crore), which was offset by decrease in expenditure under General Services (₹ 34.20 crore) and Economic services (₹ 308.27 crore). The major increases in expenditure were under Water Supply and Sanitation, Medical and Public Health (Social Services) and Roads and Bridges (Economic Services). This was partially offset by the reduction in expenditure on Flood Control Projects and Power Projects.

(i) Investments and Returns

As of 31 March 2021, the Government had invested ₹ 4,562.40 crore in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives (**Table-2.21**). The average return on these investments was 6.39 per cent in the last five years while the Government paid an average interest rate of 8.09 per cent on its borrowings during 2016-21.

Table-2.21: Details of Investment and return on Investments

Investment/ Return/ cost of Borrowing	2016-17	2017-18	2018-19	2019-20	2020-21
Investments at the end of the year (₹ in crore)	3,293.54	3,532.97	3,848.83	4,261.06	4,562.40
Return (₹ in crore)	289.63	255.58	181.91	248.44	245.43
Return (per cent)	8.79	7.23	4.73	5.83	5.38
Average rate of interest on government borrowings (per cent)	8.13	8.41	8.32	7.97	7.59
Difference between interest rate and return (per cent)	-0.66	1.18	3.59	2.14	2.21
Notional loss due to difference between interest on Government borrowings and return on investment (₹ in crore) #	NA	41.54	138.31	91.19	100.86

Source: Finance Accounts

NA: Not applicable

Investment at the end of year x Difference between interest rate and return.

Out of total investment of ₹ 4,562.40 crore, investment of ₹ 4,068.72 crore (89 per cent) was in five³ companies.

The financial performance / position of the State Public Sector Enterprises (SPSEs) i.e., Government companies, Government controlled other companies and Statutory Corporations has been discussed in detail in Chapter-V of this Report.

³ Satluj Jal Vidyut Nigam Ltd. (₹ 1,098.14 crore), Himachal Pradesh Power Transmission Corporation Ltd. (₹ 347.50 crore), Himachal Pradesh Power Corporation (₹ 924.85 crore), Himachal Pradesh State Electricity Board Ltd. (₹ 794.63 crore) and Himachal Road Transport Corporation (₹ 903.60 crore)

(ii) Resource availability of the State under Public Private Partnership Projects

Public Private Partnership (PPP) is an arrangement between the government or statutory entity and a private sector entity to provide a partnership framework to meet the demand for infrastructure development. Sector-wise details of completed, ongoing and planned PPP projects is given in **Table-2.22**:

Table-2.22: Sector-wise details of PPP Projects

Sr. No.	Sector	Completed		Ongoing		Planned	
		Number	Estimated Cost	Number	Estimated Cost	Number	Estimated Cost
1.	Urban Infrastructure	9	151.00	12	1,218.05	5	0
2.	Energy	31	4,238.45	12	2,737.92	52	3,049.00
3.	Social	4	115.00	0	0	0	0
4.	Tourism	2	51.57	4	873.43	1	278.46
5.	Others	0	0	2	15.50	0	0
Total		46	4,556.02	30	4,844.9	58	3,327.46

(₹ in crore)

(iii) Loans and advances by State Government

In addition to investment in Co-operative societies, Corporations and Companies, State Government has also provided loans and advances to many institutions/ organisations. **Table-2.23** presents the outstanding loans and advances as on 31 March 2021 along with interest receipts *vis-à-vis* interest payments during the five-year period from 2016-17 to 2020-21.

Table-2.23: Details of quantum of Loans disbursed and recovered during 2016-21

(₹ in crore)

Quantum of loans/interest receipts/ cost of borrowings	2016-17	2017-18	2018-19	2019-20	2020-21
Opening Balance of the loans outstanding *	2,784.08	6,044.27	6,507.18	6,953.33	7,390.49
Amount advanced during the year	3,289.69	502.53	467.98	458.21	320.12
Amount recovered during the year	29.50	39.62	21.83	21.03	23.02
Closing Balance of the loans outstanding*	6,044.27	6,507.18	6,953.33	7,390.49	7,687.59
Net addition	3,260.19	462.91	446.15	437.17	297.09
Interest Received	80.35	255.59	272.15	135.11	248.91
Interest rate on Loans and Advances given by the Government	2.89	4.24	4.18	1.94	3.37
Interest payment as <i>per cent</i> to outstanding fiscal liabilities of the previous year	8.15	8.02	7.88	7.80	7.19
Notional loss due to difference between the rate of interest paid and interest received (<i>per cent</i>)	5.26	3.78	3.70	5.86	3.82

Source: Finance Accounts.

* From 2016-17 onwards, closing and opening balance includes ₹ 2,890.50 crore loan extended to DISCOM under UDAY Scheme.

The total amount of outstanding loans and advances as on 31 March 2021 was ₹ 7,687.59 crore. Within Economic Services, the major recipient was Power Sector: ₹ 254.32 crore (79.45 *per cent*) followed by Co-operation: ₹ 58.56 crore (18.29 *per cent*).

The amount of ₹ 39.62 crore recovered in 2017-18 was the highest quantum of recovery of loans and advances in the last five years. Since then, the recovery of loans and advances remained static ranging between ₹ 21.03 crore to ₹ 23.02 crore during 2018-21. During 2020-21, an amount of ₹ 23.02 crore was recovered. Interest receipts on loans and advances during the last four years (2017-21) remained almost static except for a sharp decrease in 2019-20 due to non-receiving of interest installment of ₹ 113.89 crore from Himachal Pradesh State Electricity Board on account of UDAY. The poor recovery of loans and advances highlights the need to review the recovery mechanism by the State Government.

Scrutiny of the total outstanding loans revealed that there was no repayment of loans by various public sector undertakings under Power Projects and Industries and Minerals over the last five years (up to March 2021), and yet additional loans had been extended to them. The overall outstanding balance has increased over the years.

(iv) Capital blocked in incomplete projects

An assessment of trends in capital blocked in incomplete capital works indicates quality of capital expenditure. 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. Further, the funds borrowed for implementation of these projects during the respective years leads to the extra burden of servicing debt and interest liabilities.

As per Appendix-IX of Finance Accounts of the State for the year 2020-21, there were 78 incomplete / ongoing projects (as per information provided by some divisions) in Public Works and Irrigation departments as on 31 March 2021. Age profile and department-wise profile of incomplete projects as on 31 March 2021 is given in **Table-2.24 (A)** and **Table-2.24 (B)**.

Table-2.24 (A): Age profile of incomplete capital works as on 31 March 2021

(₹ in crore)

Year of Commencement	No. of incomplete capital works	Estimated cost/ Revised cost	Expenditure (as on 31 March 2021)
1995	1	8.52	5.08
1996	1	5.62	9.40
1998	1	4.55	26.81
2003	1	9.28	25.03
2004	1	51.46	71.20
2005	1	5.45	10.14
2007	2	12.96	17.70
2008	1	2.15	0.71
2009	1	6.09	6.23
2011	3	59.40	66.39
2012	2	129.70	60.81
2013	7	61.66	69.41
2014	6	188.34	371.98
2015	13	50.68	36.74
2016	11	179.24	141.45

2017	9	70.72	37.35
2018	14	84.87	49.29
2019	3	13.86	8.33
Total	78	944.55	1,014.05

Source: Finance Accounts.

Table-2.24 (B): Department-wise profile of incomplete capital works as on 31 March 2021

(₹ in crore)

Department	No. of incomplete capital works	Estimated cost	Expenditure
Irrigation and Public Health (Jal Shakti)	40	434.39	786.05
Public Works (B&R)	38	510.16	228.00
Total	78	944.55	1,014.05

Source: Finance Accounts.

Effective steps need to be taken to complete these projects without further delay to avoid cost overruns due to lapse of time.

2.4.4 Expenditure priorities

Enhancing human development levels requires the States to step up expenditure on key social services like education, health, etc. Low fiscal priority (ratio of expenditure under a category to aggregate expenditure) can be said to be attached to a particular sector if the allocation is below the respective national average. The higher the ratio of these components to total expenditure, the better the quality of expenditure.

Table-2.25 analyses expenditure priorities of the State Government in comparison with Special Category States (SCSs), with regard to aggregate expenditure, expenditure on Education and Health Sectors and Capital Expenditure during 2020-21, taking 2016-17 as base year.

Table-2.25: Expenditure priority of the State in 2016-17 and 2020-21

(In per cent)

Fiscal priority of the State	TE/ GSDP	SSE/ TE	ESE/ TE	DE/ TE	CE/ TE	Education/ TE	Health/ TE
Average (ratio) in 2016-17 of							
Special Category States	26.50	35.64	31.30	66.20	15.97	16.67	5.67
Himachal Pradesh	25.58	33.15	35.87	69.02	10.89	16.31	5.56
Average (ratio) in 2020-21 of							
Special Category States	26.92	32.95	27.14	57.33	15.67	15.22	6.15
Himachal Pradesh	25.02	37.38	27.95	65.18	13.56	17.11	6.38

Note: TE-Total expenditure, SSE-Social Sector Expenditure, ESE-Economic Sector Expenditure, DE-Development Expenditure and CE-Capital Expenditure

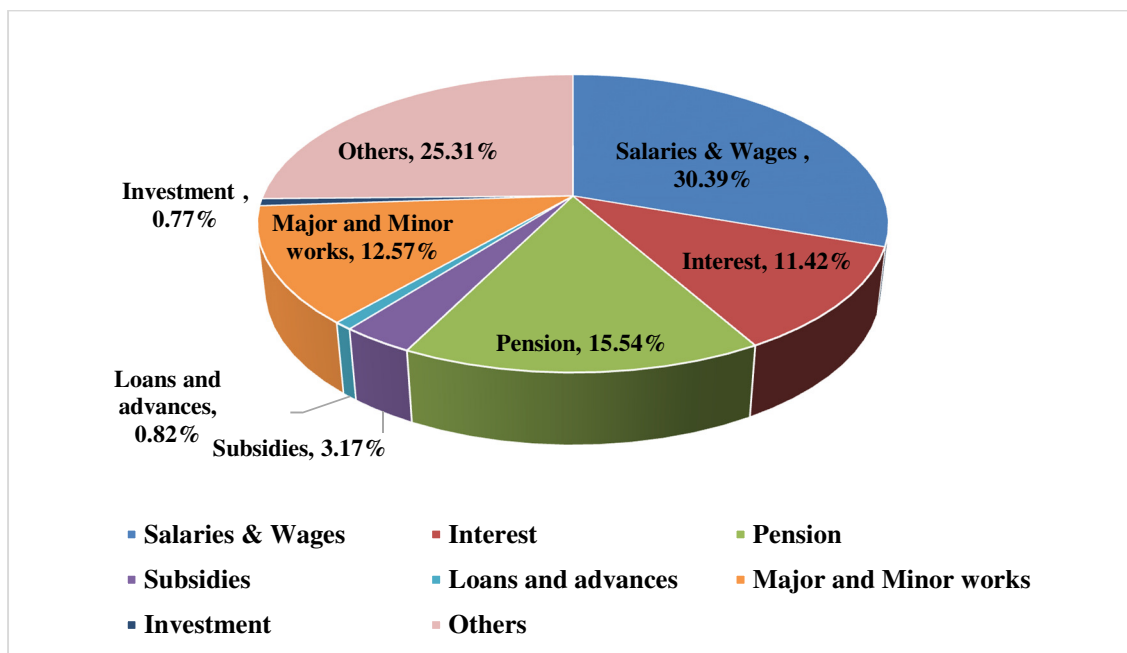
- As can be seen from the above table, every component of fiscal priority (except ESE and DE) as a ratio of Total Expenditure for the State of Himachal Pradesh was slightly less than that of SCS during 2016-17. However, all components were more (except CE) than that of SCS during 2020-21.

- Total Expenditure as a ratio of GSDP of the State was less than that of SCS during 2016-17 and 2020-21.
- Expenditure of the State on economic sector and development expenditure remained more than that of SCS during 2016-17 and 2020-21.

2.4.5 Object head-wise expenditure

Object head-wise expenditure gives information about the object/ purpose of the expenditure. Details of object head-wise expenditure are provided in the **Chart-2.14**.

Chart-2.14: Object head-wise expenditure (in percentage)



2.5 Public Account

Receipts and disbursements in respect of certain transactions such as Small Savings, Provident Funds, Reserve Funds, Deposits, Suspense, Remittances etc., which do not form part of the Consolidated Fund, are kept in the Public Account set up under Article 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.

2.5.1 Net Public Account Balances

The component-wise net balances in the Public Account of the State as at the end of March 2021 are given in **Table-2.26**.

Table-2.26: Component-wise net balances in Public Account as of 31 March 2021

(₹ in crore)

Sector	Sub Sector	2016-17	2017-18	2018-19	2019-20	2020-21
I.-Small Savings, Provident Funds, etc.	Small Savings, Provident Funds, etc.	11,844.41	13,236.38	14,349.53	15,537.13	16,522.64
	Total (I)	11,844.41	13,236.38	14,349.53	15,537.13	16,522.64

Sector	Sub Sector	2016-17	2017-18	2018-19	2019-20	2020-21
J.-Reserve Funds	(a) Reserve Funds bearing Interest	0.95	8.48	1.00	1,887.65	1,882.54
	(b) Reserve Funds not bearing Interest	218.63	316.54	316.60	834.66	834.66
	Total (J):	219.58	325.02	317.60	2,722.31	2,717.20
K.-Deposits and Advances	(a) Deposits bearing Interest	8.07	-0.89	-1.41	-1.64	7.66
	(b) Deposits not bearing Interest	2,601.51	2,799.09	3,208.52	3,382.45	3,454.50
	(c) Advances	-0.53	-0.53	-0.53	-0.51	-0.51
	Total (K):	2,609.05	2,797.67	3,206.58	3,380.30	3,461.65
L.-Suspense and Miscellaneous	(a) Suspense	191.81	73.04	74.12	-1,330.44	-1,539.83
	(b) Other Accounts	-759.25	-723.54	-101.91	-982.25	-1,696.28
	(c) Accounts with Governments of Foreign Countries	-	-	-	-	-
	(d) Miscellaneous	-	-	-	-	-
	Total (L):	-567.44	-650.50	-27.79	-2,312.69	-3,236.11
M.-Remittances	(a) Money Orders, and other Remittances	332.91	398.45	509.19	612.45	546.02
	(b) Inter- Governmental Adjustment Account	-4.69	-1.21	0.31	-6.16	-4.11
	Total (M):	328.22	397.24	509.50	606.29	541.91
Grand Total	14,433.82	16,105.81	18,355.42	19,933.34	20,007.29	

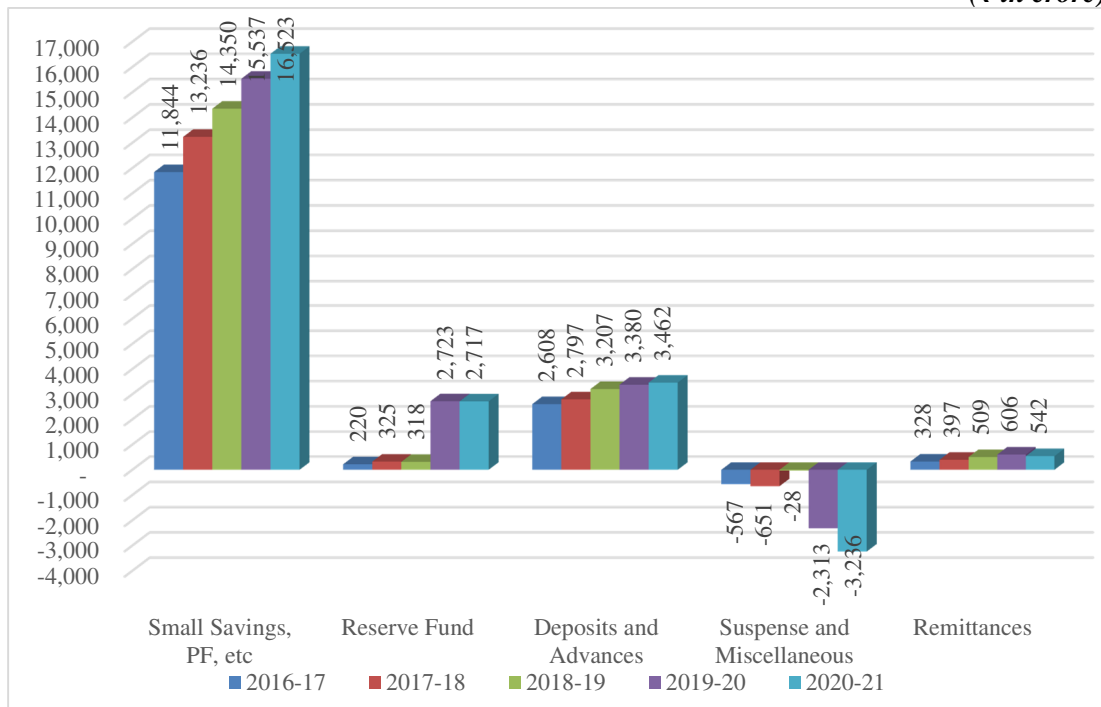
Source: Finance Accounts of the respective years.

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

The yearly changes in composition of balances in the Public Account over the five-year period 2016-21 are given in **Chart-2.15**.

Chart-2.15: Yearly changes in composition of Public Account balances

(₹ in crore)



Source: Finance Accounts of respective years.

Note: Suspense and Miscellaneous exclude other accounts.

It can be seen from the above **Table-2.26** that the net public account balances increased consistently during the period 2016-17 to 2020-21. It increased by ₹ 5,573 crore from ₹ 14,433.82 crore in 2016-17 to ₹ 20,007.29 crore during 2020-21.

The closing balance under the Public Account increased marginally by ₹ 73.95 crore (credit) (0.37 per cent) from ₹ 19,933.34 crore in 2019-20 to ₹ 20,007.29 crore in 2020-21. The increase over the previous year was mainly due to increase in credit balances under the heads of Small Savings (₹ 985.51 crore) and Deposits and Advances (₹ 81.35 crore) which was offset by the changes in debit balances under Suspense and Miscellaneous (₹ 923.42 crore).

2.5.2 Reserve Funds

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

Details of Reserve Funds are available in **Statements 21** and **22** of the Finance Accounts. There were five Reserve Funds (two Reserve Funds bearing Interest and three Reserve Funds not bearing Interest) earmarked for specific purposes. The interest on balances of Reserve Funds bearing Interest is paid by the Government if the same are not invested, while in the case of Reserve Funds not bearing Interest, balances are invested in Government Securities/Treasury Bills under the administration of Central Accounts Section of the Reserve Bank of India at Nagpur. The fund balances lying in various Reserve Funds (bearing Interest and not bearing Interest) as on 31 March 2021 are given in **Table-2.27**.

Table-2.27: Details of Reserve Fund

(₹ in crore)

Sr. No.	Name of Reserve Fund	Balance as on 31 March 2021
A	Reserve Funds bearing Interest	1,882.54
1	State Disaster Response Fund	233.81
2	State Compensatory Afforestation Fund	1648.73
B	Reserve Funds not bearing Interest	834.66
1	Industrial Development Funds	0.16
2	Electricity Development Funds	315.52
3	National Disaster Response Fund	518.98
	Grand Total	2,717.20

Source: Finance Accounts.

Out of the above, two Reserve Funds not bearing Interest i.e., Industrial Development and Electricity Development had remained inoperative for at least five years. The State Government is yet to close these inoperative Reserve Funds and transfer the balances to the Consolidated Fund of the State.

2.5.2.1 Consolidated Sinking Fund

In terms of the recommendations of the Twelfth Finance Commission, State Governments were required to create Consolidated Sinking Fund to be administered by the Reserve Bank of India for redemption of outstanding liabilities. As per model Consolidated Sinking Fund scheme circulated by RBI's guidelines of 2006 for voluntary adoption by the States, the State Government was to make minimum annual

contributions to the Fund at the rate of 0.5 *per cent* of the outstanding liabilities at the end of the previous financial year. The State Government, however, had not created the Consolidated Sinking Fund so far.

2.5.2.2 State Disaster Response Fund

As per recommendations of the Thirteenth Finance Commission (TFC), the State Disaster Response Fund (SDRF) has been constituted by the State Government for meeting expenditures on providing immediate relief to victims of cyclone, drought, earthquake, fire, flood, hailstorm, landslide, avalanche, cloud burst, etc.

In terms of GoI guidelines, the Centre and the State Government are required to contribute to the Fund in the proportion of 90:10. As per guidelines on SDRF, the receipt of Central share is accounted for in the State Accounts as Revenue under MH 1601 - Grants-in-aid from Central Government 07 - Finance Commission grants 104 - Grant-in-aid for State Disaster Response Fund. In order to enable transfer of the total amount of contribution (Central share and State share) to the SDRF, the State Government would make suitable budget provision under the head 2245 - Relief on Account of Natural Calamities - 05 SDRF – 101 - Transfer to Reserve Fund and Deposit Accounts - SDRF. On receipt of Central share, the State would transfer the amount, along with its share to the Public Account under Reserve Fund bearing Interest below the Major Head 8121 - General and Other Reserve Fund. The actual expenditure on relief works will be booked only under respective Sub/Minor Head within MH 2245.

Further, the State Governments are required to pay interest to the SDRF at the rate applicable to overdrafts under Overdraft Regulation Guidelines of RBI. The interest is to be credited on a half-yearly basis. The accretions to the SDRF together with the income earned on the investment of SDRF is to be invested in Central Government dated Securities, auctioned Treasury Bills and other interest earning deposits with Scheduled Commercial Banks.

During the year 2020-21, the State government received ₹ 409 crore as Central share of SDRF. The State Government transferred ₹ 454 crore (₹ 409 crore as Central share and ₹ 45 crore as State share) to the SDRF fund under Major Head 8121 – 122 - SDRF. Out of total amount of ₹ 454.00 crore, ₹ 447.12 crore was disbursed/ utilised during the year. No amount was invested by the State Government during 2020-21.

As of 31 March 2020, ₹ 1.00 crore on account of SDRF balances were not invested by the State Government. Interest of ₹ 0.06 crore would have been earned had these funds been invested.

2.5.2.3 Guarantee Redemption Fund

Guarantee Redemption Fund is to be constituted for meeting payment obligations arising out of guarantees issued by the Government in respect of bonds and other borrowings by State Public Sector Undertakings or other Bodies and invoked by beneficiaries. The accumulations in the Fund are to be utilised only towards payment

of guarantees issued by the Government and not paid by the institutions on whose behalf guarantee was issued. The Reserve Bank of India circulated a draft scheme for voluntary adoption by States, as per which the State Government was to contribute an amount equivalent to at least 0.5 *per cent* of the outstanding guarantees at the end of the second financial year preceding the current financial year as reflected in the books of accounts maintained by the Pr. Accountant General (A&E). The State Government, however, had not set up a Guarantee Redemption Fund so far.

2.5.2.4 State Compensatory Afforestation Funds

State Compensatory Afforestation Fund (SCAF) was required to be created for administering amounts received and utilising funds collected for undertaking compensatory afforestation, assisted natural regeneration, conservation and protection of forests, infrastructure development, wildlife conservation and protection and other related activities and for matters connected therewith or incidental thereto. Detailed guidelines for accounting under this Fund have been issued by Ministry of Environment, Forest and Climate Change, Government of India in November 2018.

During the year 2020-21, the State Government did not receive any amount from user agencies. Out of the progressive balance of ₹ 1,768.22 crore (Opening balance: ₹ 1,660.72 crore + interest credited during the year: ₹ 107.50 crore), only ₹ 119.49 crore was disbursed during 2020-21 leaving ₹ 1,648.73 crore unutilised under this head at the end of 2020-21. This amount is booked under Head-8121-129-State Compensatory Afforestation Fund.

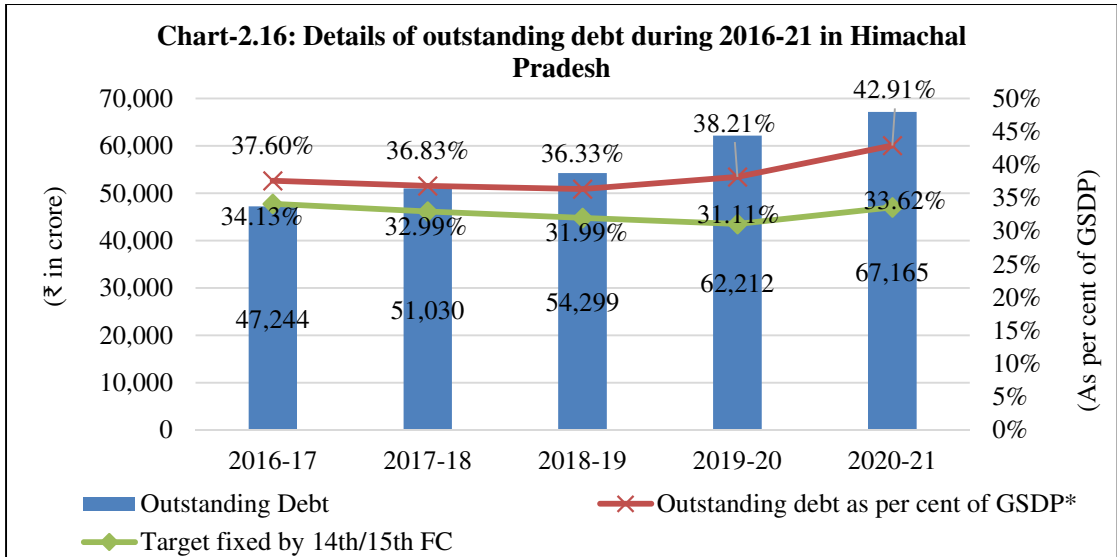
2.5.3 Suspense and Miscellaneous

During 2020-21, an amount of ₹ 227.65 crore (Revenue Expenditure ₹ 81.77 crore and Capital Expenditure ₹ 145.88 crore) has been objected to by the Principal Accountant General (A&E) due to non-furnishing of vouchers and other documents as proof of actual expenditure, and the entire amount has been kept in abeyance under the Objection Head 8658-102-Suspense Account under Public Account. Thus, the objected amount has not been taken into account as Revenue / Capital expenditure in the Finance Accounts or as expenditure in the Appropriation Accounts for the year 2020-21.

2.6 Debt management

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

The year-wise position of overall debt for the period 2016-17 to 2020-21 is given in the **Chart-2.16** below:



*Outstanding debt as per cent of GSDP calculated by excluding ₹ 1,717 crore as back-to-back loans to State from GoI in lieu of GST compensation shortfall.

2.6.1 Debt profile: Components

Total debt of the State Government consists of Internal Debt of the State (Market Loans, Ways and Means Advances from RBI, Special Securities issued to National Small Savings Fund and Loans from Financial Institutions, etc.), Loans and Advances from the Central Government, and Public Account Liabilities. The outstanding fiscal liabilities of the State for the year 2020-21 are presented in **Chart-2.17**. The component-wise debt trends of the State for the five-year period 2016-21 are shown in **Table-2.28**.

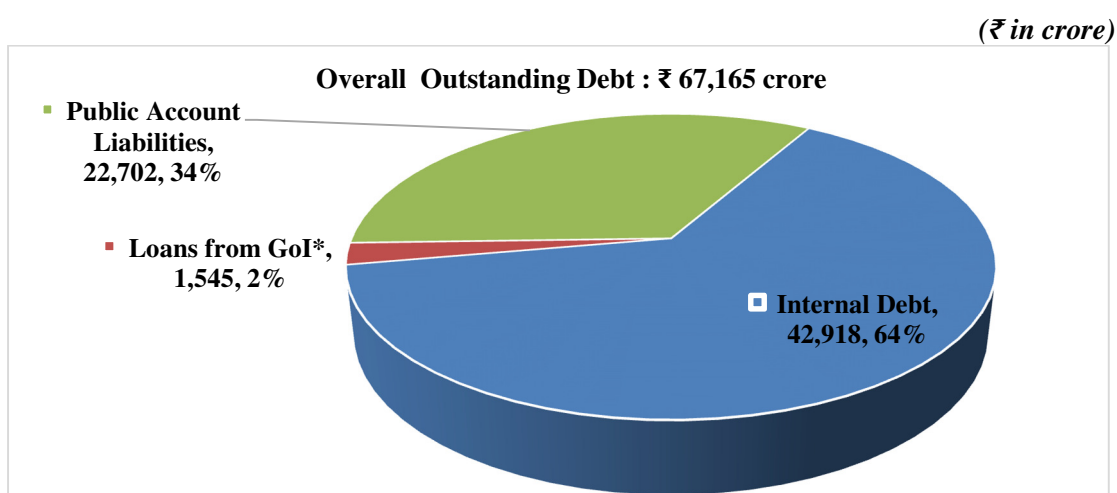
Table-2.28: Component-wise debt trends

		(₹ in crore)					
		2016-17	2017-18	2018-19	2019-20	2020-21	
Overall Outstanding Debt (1+2)		47,244.02	51,030.51	54,299.19	62,211.84	67,164.75*	
1.	Public Debt	(a) Internal Debt	31,494.03	33,591.47	35,363.18	39,527.77	42,918.22
		(b) Loans from GoI	1,076.43	1,079.43	1,061.77	1,043.81	1,544.51*
2.	Public Account Liabilities	14,673.56	16,359.61	17,874.24	21,640.26	22,702.02	
3.	Rate of growth of overall outstanding debt (percentage)	14.68	8.01	6.41	14.57	7.96	
4.	Gross State Domestic Product (GSDP)	1,25,634	1,38,551	1,49,442	1,62,816	1,56,522	
5.	Overall Debt/GSDP (per cent)	37.60	36.83	36.33	38.21	42.91*	
6.	Public Debt Receipts	8,603.31	5,600.29	6,427.41	10,847.39	15,032.21*	
7.	Public Debt Repayments	3,942.84	3,499.85	4,673.34	6,700.75	11,141.05	
8.	Public Debt Available (6-7)	4,660.47	2,100.44	1,754.07	4,146.64	3,891.16	
9.	Public Debt Repayments/ Receipts (percentage) (7/8)	45.83	62.49	72.71	61.77	74.11	
10.	Net Public Account Receipts	1,386.11	1,686.04	1,514.64	2,457.90	787.97	
11.	Total Debt Available (8+10)	6,046.58	3,786.48	3,268.71	6,604.54	4,679.13	

Source: Finance Accounts of respective years.

* Excludes ₹ 1,717 crore as back-to-back loans to State from GoI in lieu of GST compensation shortfall.

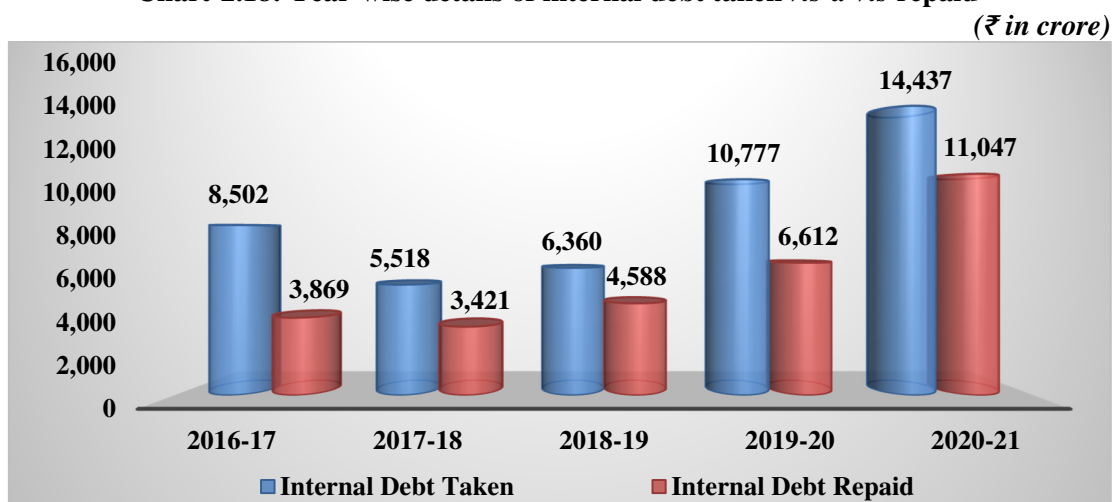
Chart-2.17: Break-up of Outstanding Debt at the end of 31 March 2021



The overall fiscal liabilities of the State increased from ₹ 47,244 crore in 2016-17 to ₹ 67,165 crore in 2020-21 registering an increase of 42.17 per cent, mainly due to increase in internal debt (₹ 11,424 crore) and public account liabilities (₹ 8,028 crore). The overall fiscal liabilities increased by 7.96 per cent in 2020-21 as compared with 14.57 per cent in the previous year. The ratio of fiscal liabilities to GSDP increased from 37.60 per cent in 2016-17 to 42.91 per cent* in 2020-21. The liabilities were 2.01 times the revenue receipts and 6.54 times the State's own resources. It is significant to note that actual outstanding debt / GSDP ratio, which stood at 42.91 per cent*, was well-above the targets set in the 15th FC (36 per cent) and Budget/MTFPS (33.62 per cent).

The percentage of outstanding debt to GSDP remained between 36 per cent and 43 per cent over the last five years (2016-21). About 46 per cent to 74 per cent of debt receipts were used for making repayments of past obligations during the period 2016-17 to 2020-21.

Chart-2.18: Year-wise details of internal debt taken vis-à-vis repaid



Source: Finance Accounts of the respective years.

* Calculated by excluding ₹ 1,717 crore as back-to-back loans to State from GoI in lieu of GST compensation shortfall.

Internal debt taken by the State Government increased by ₹ 5,935 crore (70 per cent) from ₹ 8,502 crore in 2016-17 to ₹ 14,437 crore in 2020-21. Interest of ₹ 3,144 crore was paid on internal debt during 2020-21.

Market borrowings form the major portion of the internal debt of the State Government, with interest rates ranging between 6.30 and 9.75 per cent. In 2020-21, out of total internal debt receipts of ₹ 14,437 crore, market borrowings constituted ₹ 6,000 crore. Out of total internal debt repayments of ₹ 11,047 crore, repayment of market loans constituted ₹ 2,245 crore. The outstanding market borrowings as of 31 March 2021 were ₹ 31,897 crore. The net increase of market borrowings during the year was 13.34 per cent (₹ 3,755 crore). The State Government had to take Ways and Means Advances and Overdrafts (₹ 7,744 crore) from Reserve Bank of India on 63 occasions to maintain minimum daily cash balances, which were repaid during the year.

The financing pattern of the fiscal deficit is reflected in the **Table-2.29**. The debt trends comprising Internal Debt, Loans from GoI, Public Account over the period 2016-17 to 2020-21 to finance the Fiscal Deficit are highlighted in the **Chart-2.19**.

Table-2.29: Components of fiscal deficit and its financing pattern

(₹ in crore)

	Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
Composition of Fiscal Deficit		2,948.60	3,869.87	3,512.54	5,597.06	5,700.09
A	Revenue surplus/deficit	920.12	313.90	1,508.21	11.98	-96.66
B	Net Capital Expenditure	(-) 3,499.03	(-)3,720.85	(-)4,574.59	(-)5,171.87	(-)5,306.33
C	Net Loans and Advances	(-)369.69 [#]	(-)462.92	(-)446.16	(-)437.17	(-)297.10
Financing Pattern of Fiscal Deficit*						
1	Market Borrowings	2,162.65	2,550.99	2,108.10	4,460.00	3,755.00
2	Loans from GoI	27.38	3.00	(-)17.65	(-) 17.95	2,217.73 ^{\$}
3	Special Securities Issued to NSSF	(-) 500.77	(-)514.71	(-)538.25	(-) 569.10	(-) 569.10
4	Loans from Financial Institutions	80.31 [#]	61.16	201.86	273.69	204.54
5	Small Savings, PF, etc.	1,204.51	1,391.97	1,113.14	1,187.60	985.51
6	Deposits and Advances	181.36	188.63	408.91	173.71	81.35
7	Suspense and Misc.	(-) 71.74	(-)118.76	1.08	(-) 1,404.92	(-) 209.39
8	Remittances	(-)35.23	69.02	112.25	96.80	(-) 64.38
9	Reserve Fund	0.25	105.45	(-) 7.43	2,404.71	(-) 5.11
10	Overall Deficit	3,048.72	3,736.75	3,382.01	6,604.54	6,396.15
11	Increase (-) Decrease (+) in cash balances	(-) 100.12	133.12	130.53	(-) 1,007.48	(-) 696.06
12	Gross Fiscal Deficit	2,948.60	3,869.87	3,512.54	5,597.06	5,700.09

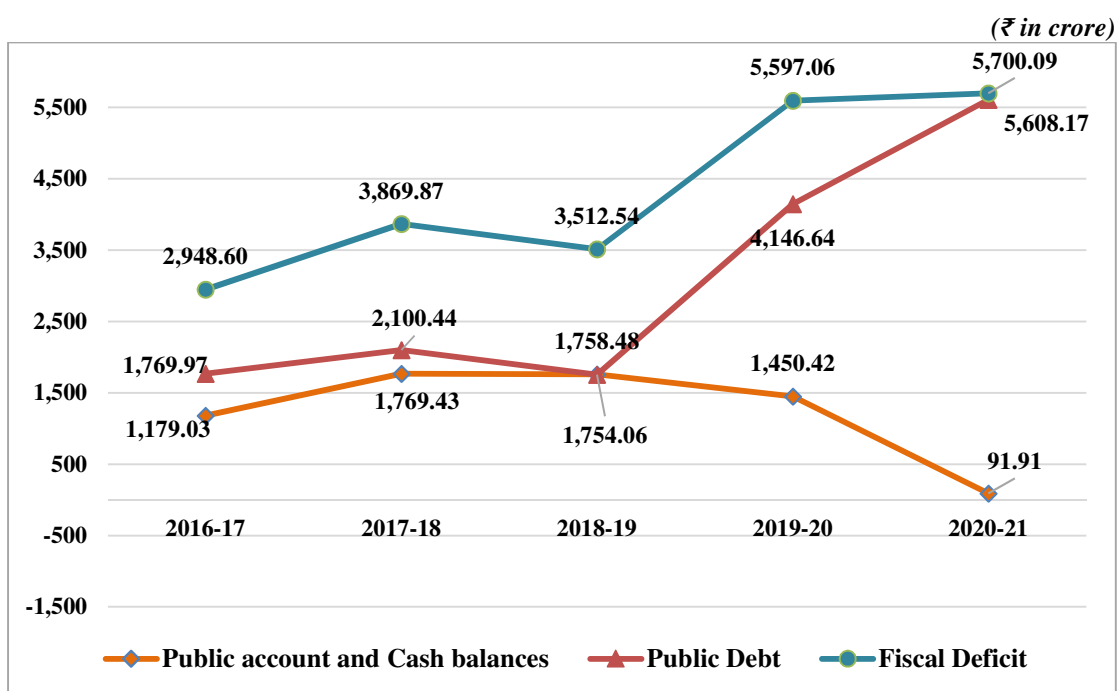
Source: Finance Accounts.

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

[#] Excludes an amount of ₹ 2,890.50 crore (loans to DISCOM).

^{\$} Includes ₹ 1,717 crore as back-to-back loans to State from GoI in lieu of GST compensation shortfall.

Chart-2.19: Trends of financing fiscal deficit during 2016-21



The fiscal deficit of ₹ 5,700 crore in 2020-21 was largely financed through public debt which included market borrowings, loans from financial institutions, Small Savings, etc. as depicted in **Table-2.30**.

Table-2.30: Receipts and Disbursements under components financing the fiscal deficit

(₹ in crore)

Particulars	Receipt	Disbursement	Net
1 Market Borrowings	6,000.00	2,245.00	3,755.00
2 Loans from GOI	2,311.87	94.14	2,217.73*
3 Special Securities issued to NSSF	0	569.10	-569.10
4 Loans from Financial Institutions	692.86	488.32	204.54
5 Small Savings, PF, etc.	3,665.79	2,680.28	985.51
6 Deposits and Advances	3,555.45	3,474.10	81.35
7 Suspense and Miscellaneous	884.56	1,093.95	-209.39
8 Remittances	6,774.69	6,839.07	-64.38
9 Reserve Fund	564.40	569.51	-5.11
10 Overall Deficit	24,449.62	18,053.47	6,396.15*
11 Increase/Decrease in cash balance	1,060.18	1,756.24	-696.06
12 Gross Fiscal Deficit	23,389.44	16,297.23	5,700.09*

Source: Finance Accounts.

* Includes ₹ 1,717 crore as back-to-back loans to State from GoI in lieu of GST compensation shortfall.

2.6.2 Debt profile: Maturity and Repayment

Debt maturity and repayment profile depicts the debt servicing requirements on the part of the Government.

Public Debt

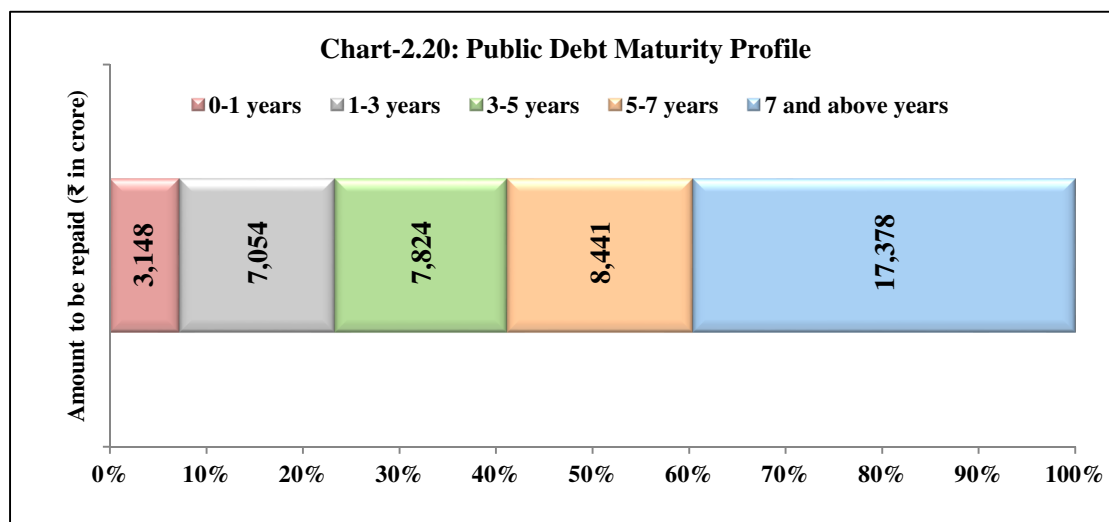
The maturity profile of the State's outstanding public debt is given in **Table-2.31** and **Chart-2.20**.

Table-2.31: Debt Maturity profile of repayment of Public Debt

Year of maturity	Period of repayment (Years)	Amount (₹ in crore)			Percentage (w.r.t. Public Debt)
		Internal debt	Loans and advances from GoI	Total	
By 2021-22	0 – 1	3,050	97	3,147	7.18
Between 2022-23 & 2023-24	1 – 3	6,850	204	7,054	16.09
Between 2024-25 & 2025-26	3 – 5	7,701	124	7,825	17.85
Between 2026-27 & 2027-28	5 – 7	8,329	112	8,441	19.25
2028-29 onwards	7 and above	16,988	390*	17,378*	39.63
Total		42,918	927	43,845	100

Source: Finance Accounts.

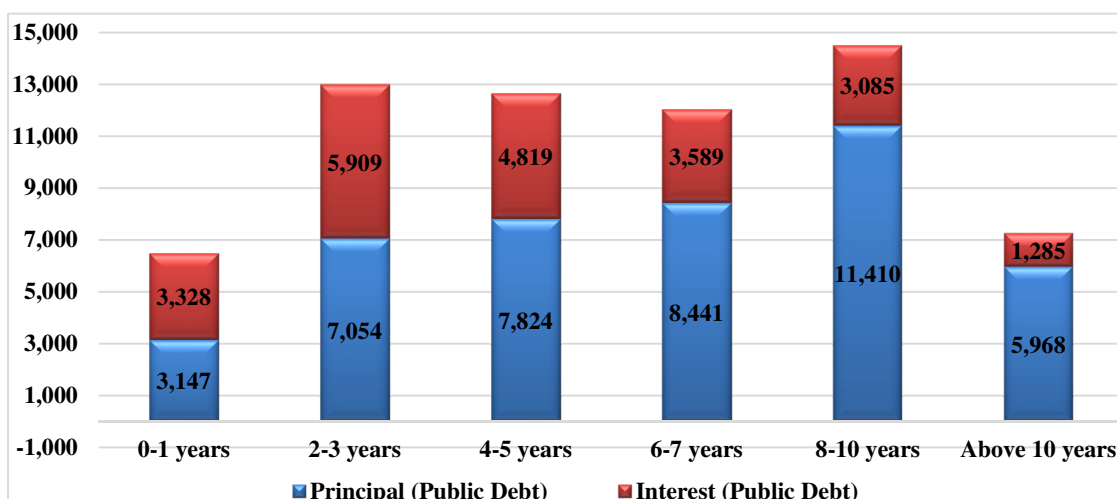
* This amount excludes ₹ 1,717 crore received as back-to-back loans from GoI in lieu of GST compensation shortfall, and ₹ 617.90 crore (Scheme for special assistance to States for Capital expenditure: ₹ 533.00 crore; Pre-1984-85 loans: ₹ 0.13 crore and Externally Aided Projects loans: ₹ 84.77 crore) whose maturity is uncertain.



It can be seen from the **Table-2.32** that as of March 2021, total outstanding public debt (principal) was ₹ 44,463 crore, excluding ₹ 1,717 crore as back-to-back loans to State from GoI in lieu of GST compensation shortfall. The maturity of loans amounting to ₹ 618 crore was uncertain, and hence was not considered for arriving at the maturity profile of the outstanding debt. The maturity profile of outstanding stock of public debt of ₹ 43,845 crore (₹ 44,463 crore - ₹ 618 crore) as on 31 March 2021 showed that 60 per cent (₹ 26,467 crore) of the total outstanding debt was to attain maturity in the coming seven years and the balance of ₹ 17,378 crore (40 per cent) from seventh year onwards.

Repayment schedule of the outstanding public debt along with interest has been given in **Chart-2.21**.

Chart-2.21: Repayment schedule of Public Debt (₹ in crore)



Note: The effect of ₹ 1,717 crore (as back-to-back loans to State from GoI in lieu of GST compensation shortfall) and ₹ 617.90 crore (whose maturity is uncertain) has not been taken into account for calculation of Public debt.

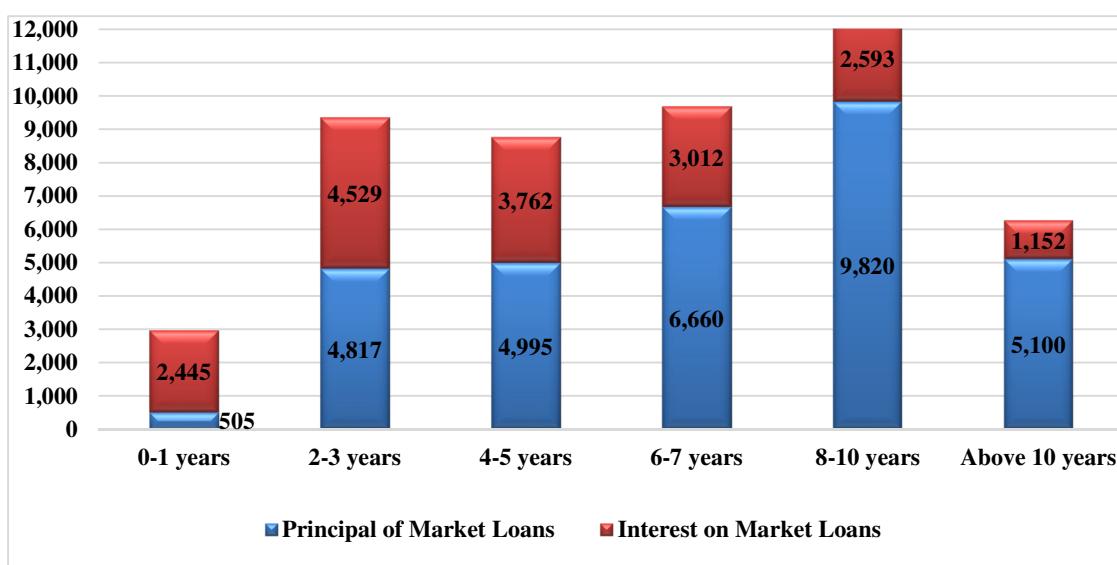
Out of total outstanding public debt of ₹ 65,860 crore along with interest (principal: ₹ 43,845 crore and interest: ₹ 22,015 crore), 10 per cent (₹ 6,475 crore) is payable in the next one year, 39 per cent (₹ 25,606 crore) is payable in the next two to five years, while the remaining 51 per cent (₹ 33,778 crore) is to be paid after more than five years. Annual outgo on public debt repayment and interest will be approximately ₹ 6,416 crore during the next five years up to 2025-26. Current annual repayment of public debt (principal) including interest during the year is ₹ 6,618 crore (excluding ₹ 7,444 crore of WMA and Overdrafts).

Market Borrowings / Loans

The amount of outstanding market loans and interest to be paid thereon is detailed in **Chart-2.22**.

Chart-2.22: Repayment schedule of market loans

(₹ in crore)



The State will have to repay ₹ 5,322 crore of principal of market loans and interest of ₹ 6,974 crore in next three financial years *i.e.* up to 2023-24. In the next two years up to 2025-26, ₹ 4,995 crore principal and interest of ₹ 3,762 crore will be payable. Annual outgo on market loan repayment and interest will be approximately ₹ 4,211 crore during the next five years up to 2025-26. Current annual repayment of loans including interest during the year is ₹ 4,457 crore.

During the period 2026-27 to 2030-31, market loans of ₹ 16,480 crore and interest of ₹ 5,605 crore will be payable. As such, the State will have to repay approximately ₹ 4,417 crore annually during that period.

2.7 Debt Sustainability Analysis (DSA)

Apart from the magnitude of the debt of the Government, it is important to analyse the various parameters that determine the debt sustainability of the State and indicate the ability of the State to service its debt obligations. This section assesses the sustainability of the debt of the Government in terms of rate of growth of outstanding debt; ratio of interest payments and revenue receipts, debt repayments and debt receipts; net debt available to the State. **Table-2.32** analyses the debt sustainability of the State according to these indicators for the period of five years from 2016-17 to 2020-21.

Table-2.32: Trends in Debt Sustainability indicators

Indicators of Debt Sustainability	2016-17	2017-18	2018-19	2019-20	2020-21
Outstanding Public Debt* (₹ in crore)	32,570	34,671	36,425	40,572	44,463 [§]
Rate of Growth of Outstanding Public Debt (in per cent)	16.70	6.45	5.06	11.39	9.59
GSDP (₹ in crore)	1,25,634	1,38,551	1,49,442	1,62,816	1,56,522
Rate of Growth of GSDP (in per cent)	9.97	10.28	7.86	8.95	-3.87
Public Debt/GSDP (in per cent)	25.92	25.02	24.37	24.92	28.41 [§]
Interest payments on Public Debt (₹ in crore)	2,459	2,829	2,958	3,071	3,228
Average Interest Rate of Outstanding Public Debt (Interest paid/OB of Public Debt + CB of Public Debt/2) (in per cent)	8.13	8.41	8.32	7.97	7.59
Percentage of Interest Payments to Revenue Receipts	9.36	10.34	9.56	9.99	9.65
Percentage of Public Debt repayments to Public Debt Receipts	45.83	62.49	72.71	61.77	74.12
Net Public Debt Available to the State [#] (₹ in crore)	2,201	(-729)	(-1,204)	1,076	664
Net Debt available as per cent to Debt Receipts	25.58	-13.02	-18.73	9.91	4.42
Debt Stabilisation (Quantum spread [@] + Primary Deficit) (₹ in crore)	1,010	566	342	-969	-6,322

Source: State Finance Accounts of the respective years.

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

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

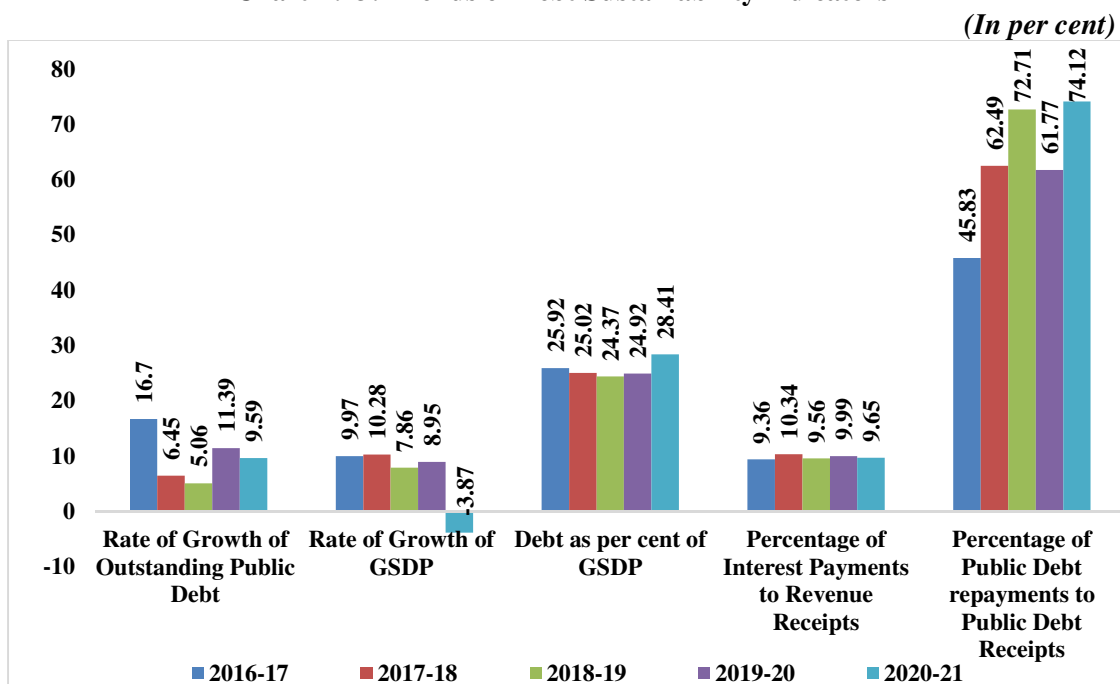
@ Quantum spread = Debt X interest spread; Interest spread = GSDP growth rate - average interest rate

§ Excludes ₹ 1,717 crore as back-to-back loans to State from GoI in lieu of GST compensation shortfall.

A necessary condition for debt stability states that if the rate of growth of GSDP exceeds the interest rate of public debt, the debt-GSDP ratio is likely to be eventually falling and stable provided primary balances are either zero or positive or moderately negative. Thus, if quantum spread together with primary deficit turns out to be negative, debt-GSDP ratio would eventually be rising.

In the five-year period from 2016-17 to 2020-21, the public debt-GSDP ratio was ranging between 24.37 to 28.41 *per cent*. The increase in debt-GSDP ratio in 2020-21 as compared to the previous year was mainly due to negative growth (-3.87 *per cent*) in GSDP and increased growth (9.59 *per cent*) in public debt. Trends in debt sustainability indicators for the five-year period from 2016-17 to 2020-21 are shown in **Chart-2.23**.

Chart-2.23: Trends of Debt Sustainability indicators



During the period 2016-17 to 2020-21, Public Debt of the State Government increased from ₹ 32,570 crore to ₹ 44,463 crore (excluding ₹ 1,717 crore as back-to-back loans to State from GoI in lieu of GST compensation shortfall), registering an increase of 36.52 *per cent*. Significantly, while GSDP increased at a CAGR of 5.65 *per cent* during 2016-21, the outstanding public debt (by excluding the amount of ₹ 1,717 crore) increased at a faster rate of 8.09 *per cent* during the period. The burden of interest payment ranged from nine to 10 *per cent* of Revenue Receipts, and 46 to 74 *per cent* of debt receipts were used for discharging existing liabilities.

2.7.1 Utilisation of borrowed funds

Borrowed funds should ideally be used to fund capital creation and developmental activities. Using borrowed funds for meeting current consumption and repayment of interest on outstanding loans is not sustainable. Trend in utilisation of borrowed funds during past five years is shown in the **Table-2.33** and **Chart-2.24** below.

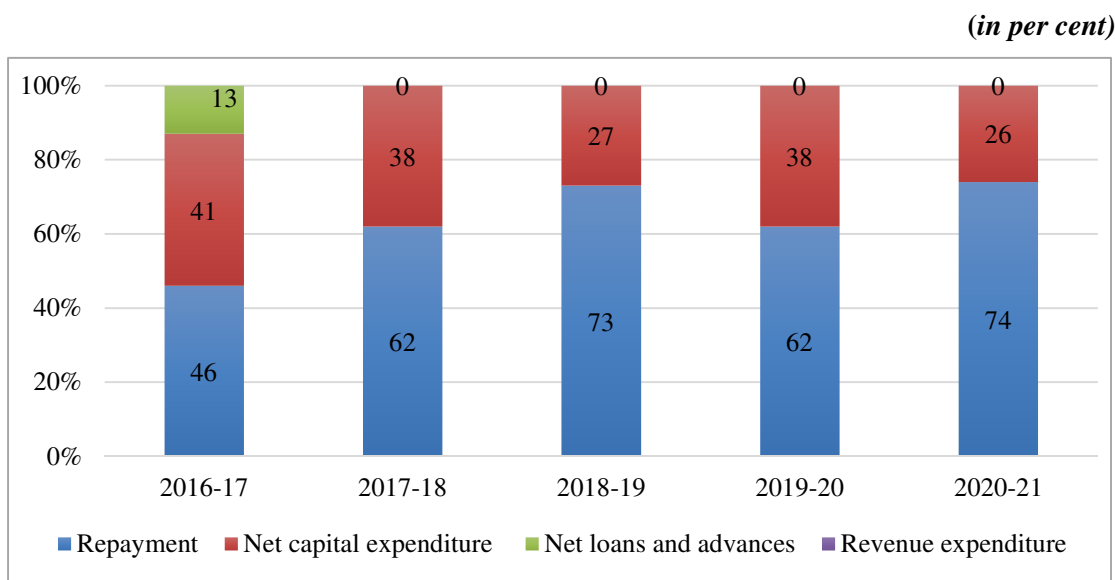
Table-2.33: Utilisation of borrowed funds

(₹ in crore)						
Year	1	2016-17	2017-18	2018-19	2019-20	2020-21
Total Borrowings	2	8,603.31	5,600.29	6,427.40	10,847.39	15,032.21 [@]
Repayment of earlier borrowings (Principal)	3	3,942.84 (45.83)	3,499.85 (62.49)	4,673.35 (72.71)	6,700.75 (61.77)	11,141.04 (74.11)
Net capital expenditure*	4	3,499.03 (40.67)	2,100.44 (37.51)	1,754.05 (27.29)	4,146.64 (38.23)	3,891.17 (25.89)
Net Loans and Advances disbursed	5	1,161.44 (13.50)	-Nil-	-Nil-	-Nil-	-Nil-
Portion of total borrowings utilised towards Revenue expenditure	6 {2-(3+4+5)}	-Nil-				

[@] Excludes ₹ 1,717 crore as back-to-back loans to State from GoI in lieu of GST compensation shortfall.

* Net Capital Expenditure = Total Capital Expenditure-Misc. Capital Receipts
Figures in brackets indicate percentage utilisation of borrowed funds

Chart-2.24: Trends in Utilisation of borrowed funds



During 2016-21, no portion of debt receipts was used for meeting revenue expenditure. Utilisation of borrowed funds for repayment of previous borrowings (principal) ranged between 46 per cent and 74 per cent, and for capital expenditure between 26 per cent and 41 per cent.

During 2020-21, 74.11 per cent of borrowed funds were utilised for repayment of previous borrowings (principal) and 25.89 per cent for capital expenditure.

2.7.2 Status of Guarantees – Contingent Liabilities

Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee has been extended. As per **Statement-9** and **20** of the Finance Accounts, the maximum amount for which guarantees were given by the State and outstanding guarantees for the last five years are given in **Table-2.34** and detail of recipients/bodies which have received

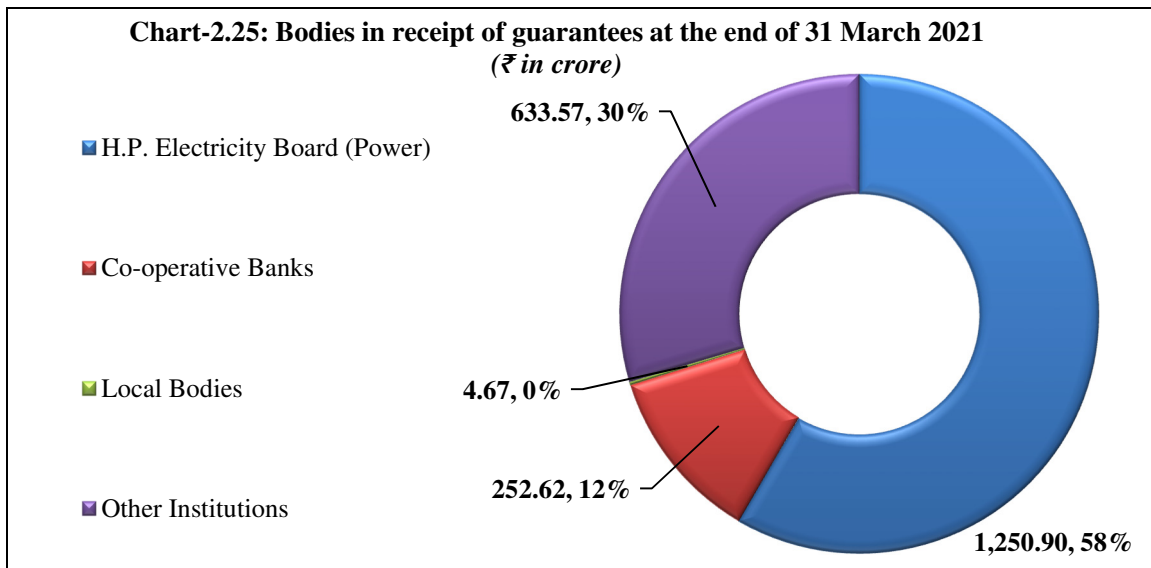
guarantees from the State Government at the end of 31 March 2021 are given in **Chart-2.25**.

Table-2.34: Guarantees given by the State Government

(₹ in crore)

Guarantees	2016-17	2017-18	2018-19	2019-20	2020-21
Outstanding amount of guarantees	4,550.42	4,393.66	4,309.21	1,947.07	2,141.76
Additions during the year	3,053.02	146.27	74.28	639.70	418.03
Deletions during the year	2,217.00	303.03	158.72	3,001.84*	165.60
Invoked during the year	--	--	--	--	--
Ceiling applicable to the outstanding amount of guarantees including interest (criteria)	40 per cent of total revenue receipt in the preceding financial year.				
Percentage of outstanding amount of guarantees to total revenue receipts in the preceding financial year	19	17	16	6	7

* Includes an amount of ₹ 2,890.50 crore (loans to DISCOM) and ₹ 13.18 crore (interest charged on guaranteed amount) deleted from Finance Account, because it was shown as guarantees given by the State Government inadvertently in the previous years' Finance Accounts.



No amount of guarantee was invoked during 2020-21. As of 31 March 2021, outstanding amount of guarantees was ₹ 2,141.76 crore as per the Finance Accounts. However, it is to be noted that the accounts of most PSUs were not current, and the PSUs and State Government had not reconciled difference in figures. The main recipients of guarantees from the State Government during the year were Power (₹ 138 crore), Statutory Corporations and Boards (₹ 204 crore) and Co-operative Banks (₹ 75.85 crore) (**Chart-2.25**). The outstanding amount of guarantee (₹ 2,142 crore) at the close of 2020-21 accounted for seven *per cent* of total revenue receipts of previous year of the State, which was within the target of 40 *per cent* prescribed in the FRBM Act.

In addition, as per Himachal Pradesh Financial Rules, 2009 and Government instructions (6th March 1992) the guarantee fees (one *per cent*) and commitment charges (0.2 *per cent*) are to be levied from the borrowers at the time of approval of

the guarantee. The State Government did not have information about the receivable amount of guarantee fees and commitment charges due from the bodies/ entities. Over the last 10 years (up to 2018-19), no amount of guarantee fees and commitment charges had been received/ levied by the State Government. Amount of ₹ 0.72 lakh was received in 2019-20 and ₹ 2.16 crore in 2020-21.

2.7.3 Management of Cash Balances

As per an agreement with the Reserve Bank of India, State Governments have to maintain a minimum daily cash balance 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 revised by the RBI from time to time.

The State Government has to maintain minimum Cash balance of ₹ 0.55 crore with the Reserve Bank of India. The limit for ordinary WMA to the State Government is ₹ 715 crore with effect from 1 April 2020 to 16 April 2020 and ₹ 880 crore from 17 April 2020 to 31 March 2021. RBI also gives SWMA to the State Government against pledging of government securities.

During 2020-21, State Government could maintain minimum daily cash balance for 302 days. The Government had to take a total of ₹ 7,744.47 crore in WMA / OD (₹ 6,444.59 crore of ordinary / special WMA on 51 occasions and ₹ 1,299.88 crore of OD on 12 occasions) from RBI which were repaid during the year. There were no outstanding ways and means advances and overdrafts at the end of the year 2020-21. An amount of ₹ 6.12 crore was paid as interest during the year. **Table-2.35** depicts the cash balances and investments made out of these by the State Government during the year.

Table-2.35: Cash Balances and their investment

(₹ in crore)

Particulars	Opening balance as on 1 April 2020	Closing balance on 31 March 2021	Increase (+)/ Decrease (-)
(a) General cash balance			
Cash in treasuries	Nil	Nil	Nil
Remittance in transit-Local	Nil	Nil	Nil
Deposits with RBI	77.93	59.96	(-) 17.97
Total	77.93	59.96	(-) 17.97
Investments held in cash balance Investment account	9,82.06	1,696.09	714.03
Total (a)	1,059.99	1,756.05	696.06
(b) Other cash balances and investments			
Cash with departmental officers viz., Public Works Department Officers, Forest Department Officers, District Collectors	0.16	0.16	Nil

Particulars	Opening balance as on 1 April 2020	Closing balance on 31 March 2021	Increase (+)/ Decrease (-)
Permanent advances for contingent expenditure with departmental officers	0.03	0.03	Nil
Investment of earmarked funds	Nil	Nil	Nil
Total (b)	0.19	0.19	Nil
Total (a+b)	1,060.18	1,756.24	696.06

Cash balances of the State Government at the year-end increased by ₹ 696.06 crore from ₹ 1,060.18 crore in 2019-20 to ₹ 1,756.24 crore in 2020-21. The investments made out of cash balances also increased from ₹ 982.06 crore to ₹ 1,696.09 crore.

State Government invests its surplus cash balances in short and long-term GoI Securities and Treasury Bills. The profits derived from such investments are credited as receipts under the head '0049-Interest Receipts'.

The cash balance investments of the State during the five-year period 2016-17 to 2020-21 are given in the **Table-2.36**.

Table-2.36: Cash Balance Investment Account (Major Head-8673)

(₹ in crore)

Year	Opening Balance	Closing Balance	Increase (+) / decrease (-)	Interest earned
2016-17	556.80	759.43	202.63	53.30
2017-18	759.43	723.72	(-) 35.71	81.13
2018-19	723.72	102.09	(-) 621.63	66.90
2019-20	102.09	982.06	879.97	55.02
2020-21	982.06	1,696.09	714.03	31.88

Source: Finance Accounts.

Analysis of the trend in cash balance investment of the State Government during the period 2016-17 to 2020-21 revealed that investments decreased significantly during 2018-19. Thereafter, the investments increased during 2019-20 and 2020-21 by ₹ 879.97 crore and ₹ 714.03 crore respectively. The State Government earned interest of ₹ 31.88 crore during 2020-21 from cash balance investments made in GoI Securities and Treasury Bills.

Large cash balances at the year-end indicated sub-optimal cash management by the State Government which had taken market loans despite having large cash balances which were not put to productive use.

Chart-2.26 compares the Cash Balances and the Market Loans taken by the State during the period 2016-21. Market Loans were taken at higher interest rates whereas investment in Treasury Bills yielded interest at lower rates.

Chart-2.26: Market loans vis-à-vis Cash Balance

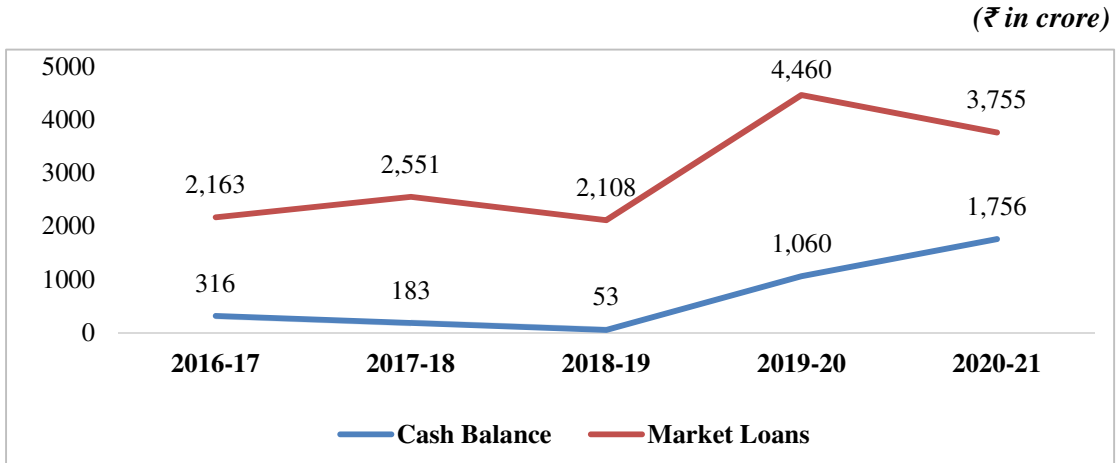
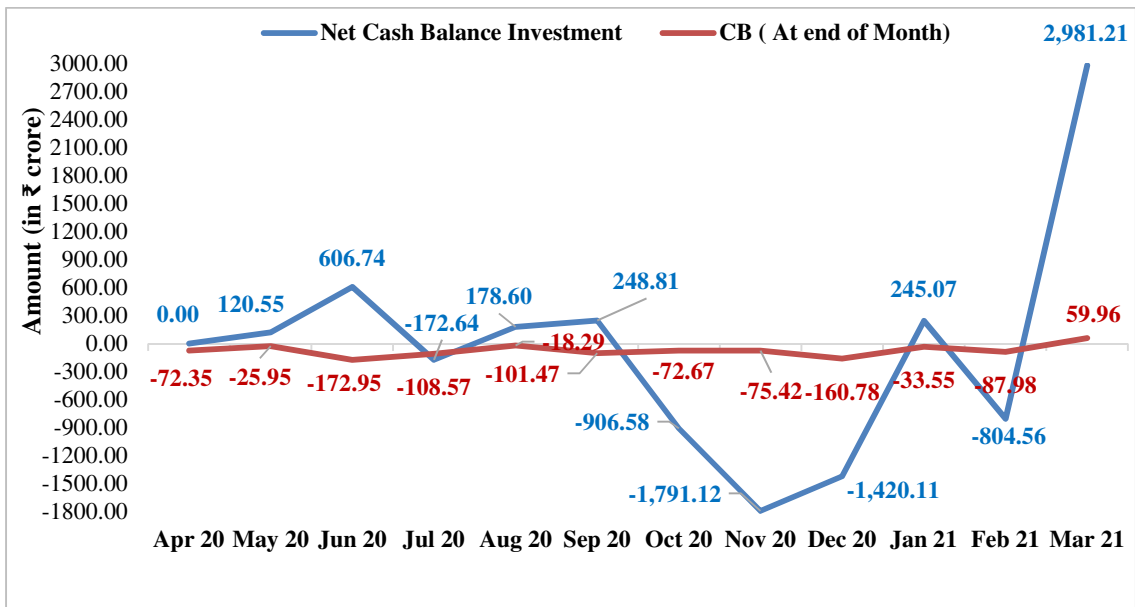


Chart-2.27 compares the month-wise Cash Balance Investment Account with the Cash Balances during 2020-21.

Chart-2.27: Month-wise movement of Cash Balances and net cash balance investments during 2020-21



Source: Monthly Civil Account.

The State Government had taken recourse to market loans during the year despite having cash balances which were not being put to productive use. During the year 2020-21, the State Government raised ₹ 3,755 crore from the market despite the fact that there were adequate cash balances, and the borrowing was avoidable to that extent.

2.8 Conclusions

- The State had revenue surplus during 2016-20 due to increase in central devolutions on the recommendations of Finance Commissions. However, the revenue surplus consistently declined (except 2018-19) from 2016-17 (₹ 920 crore) to 2019-20 (₹ 12 crore). Further, at the end of the year 2020-21, revenue surplus of previous years turned to revenue deficit of ₹ 97 crore.

- The fiscal deficit (₹ 5,700 crore) was 3.64 *per cent* of GSDP which was within the target of four *per cent* fixed by 15th FC during 2020-21. The deficit was managed mainly through market borrowings.
- Only 31 *per cent* of the revenue receipts came from the State's own resources comprising taxes and non-taxes, while the remaining 69 *per cent* was contributed by central transfers comprising the State's share in central taxes and duties (14 *per cent*) and grants-in-aid from GoI (55 *per cent*), which shows high dependency on central devolutions and borrowed funds for meeting current consumption.
- Revenue expenditure constituted an average of 84.15 *per cent* (ranging from 78.87 *per cent* to 86.40 *per cent*) of total expenditure during the period 2016-21. Rate of growth of revenue expenditure displayed a fluctuating trend over the five-year period 2016-21. Committed expenditure ranged between 68 *per cent* and 71 *per cent* of revenue expenditure, while it accounted for 65 *per cent* to 70 *per cent* of revenue receipts of the State during the five-year period 2016-21.
- During 2020-21, capital expenditure (₹ 5,310 crore) marginally increased by ₹ 136 crore (2.62 *per cent*) over the previous year 2019-20 (₹ 5,174 crore) and constituted 14 *per cent* of total expenditure.
- Overall fiscal liabilities at the end of the year were ₹ 67,165 crore with a growth of 7.96 *per cent* over the previous year. The total fiscal liabilities - GSDP ratio in 2020-21 stood at 42.91 *per cent*, as compared to 38.21 *per cent* during the previous year. This was well above the targets set in the 15th FC (36 *per cent*) and Budget/MTFPS (33.62 *per cent*) during 2020-21. Internal debt of the Government increased to ₹ 42,918 crore (8.58 *per cent*) during 2020-21 from ₹ 39,528 crore in 2019-20.
- During 2020-21, the State Government earned 5.38 *per cent* return on its total investment (₹ 4,562.40 crore) in Statutory Corporations, Rural Banks, Government Companies and Co-operatives up to 31 March 2021 and paid 7.44 *per cent* average interest on its borrowings. One company contributed more than 98 *per cent* of the total returns.
- There was no repayment of loans by various public sector undertakings under Power projects and Industries and Minerals over the last five years (up to March 2021) and additional loans to Crop Husbandry had been extended despite marginal repayments. The overall outstanding balance increased over the years.
- State Government operated five Reserve Funds as on 31 March 2021, out of which two Reserve Funds are interest bearing (₹ 1,882.54 crore credit) and three Reserve Funds are non-interest bearing (₹ 834.66 crore credit). Out of these, no funds had been invested by the State Government during the year.

2.9 Recommendations

- The State Government should make efforts for augmentation of its own revenues. It should settle pending tax claims in time, settle arrears in assessment of taxes, recover arrears of revenue and improve non-tax revenues for better resource mobilisation;
- The State Government should explore ways to rationalise its committed expenditure so that more funds can be made available for development expenditure;
- The State Government should explore ways of ensuring reasonable return on capital invested in profit making State PSUs in view of the high cost of borrowings;
- As recovery of loans advanced by the Government to different sectors has been poor, the State Government should consider treating the loans and advances as grants and booking them as revenue expenditure for ensuring that accounts reflect the correct position;
- The State Government should ensure time-bound completion of incomplete projects in order to avoid further cost overruns.

