CHAPTER 1

OVERVIEW

1.1 Profile of the State

The State of Jharkhand was created in November 2000 by dividing the State of Bihar. It has an area of 79,714 sq. km. It is the 16th largest State of the country in terms of geographical area, of which, 29.62 *per cent* area is covered by forest. The State has 24 districts, of which, nine districts have coverage of forestland between 30 and 56 *per cent* of its geographical area.

The land of Jharkhand is endowed with varieties of mineral resources. The major mineral resources are coal, iron ore, bauxite, limestone, copper, mica, graphite, china clay, and uranium. Jharkhand is the only State producing coking coal and uranium in the country. There are 373 mines of major minerals, 3,572 mines of minor minerals and 7 mines of both major as well as minor minerals in the State as on 31 March 2021.

As indicated in **Appendix 1.1 Part-A** the State's population increased from 3.33 crore in 2011 to 3.85 crore in 2021, an increase of 15.62 *per cent* in last 10 years. The Gross State Domestic Product (GSDP) in 2020-21, at current prices, was ₹ 3,17,079 crore. At current prices, the estimated per capita GSDP of the State was ₹ 82,899 during 2020-21.

1.1.1 Gross State Domestic Product of Jharkhand

Gross State Domestic Product is the value of all the goods and services produced within the boundaries of the State in a given period of time. Growth of GSDP is an important indicator of the State's economy, as it denotes the extent of changes in the level of economic development of the State over a period of time. Since, the latest GSDP series published by the government has been used in this report, the percentages/ratios in relevant table for the years 2018-19 and 2019-20, as published in the previous Audit Reports, have undergone changes.

Changes in sectoral contribution to the GSDP are also important to understand the changing structure of economy. The economic activity is generally divided into Primary, Secondary and Tertiary sectors, which correspond to the Agriculture, Industry and Service sectors. Trends in annual growth of Jharkhand's GSDP *vis-à-vis* that of the country are given in **Table 1.1**.

Table 1.1: Trends in GSDP compared to the GDP

(₹ in crore)

Year	2016-17	2017-18	2018-19	2019-20	2020-21
GDP (2011-12 Series)	1,53,91,669	1,70,90,042	1,88,86,957	2,03,51,013	1,97,45,670*
Growth rate of GDP over previous year (in *per cent*)	11.76	11.03	10.51	7.75	-2.97
State's GSDP (2011-12 Series)	2,36,250	2,69,816	3,05,695	3,21,157	3,17,079
Growth rate of GSDP over previous year (in *per cent*)	14.34	14.21	13.30	5.06	-1.27

Source: MoSPI, GoI

*(Advance Estimate)

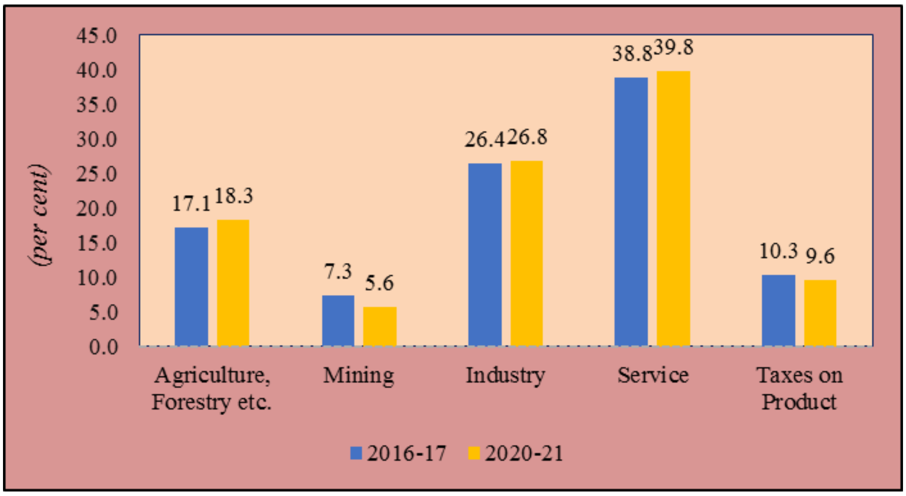
As it can be seen from the **Table 1.1**, the GSDP growth rate of Jharkhand was higher than the national growth rate from 2016-17 to 2020-21 except in 2019-20.

Further, growth rate of GSDP of the State showed decreasing trend from 2017-18 (14.21 *per cent*) onwards which decreased significantly in 2019-20 (5.06 *per cent*). Growth rate of GSDP further decreased to -1.27 *per cent* in 2020-21 mainly due to decrease in growth in Mining Sector, Service Sector and Manufacturing Sector.

1.1.2 Sectoral contribution to GSDP

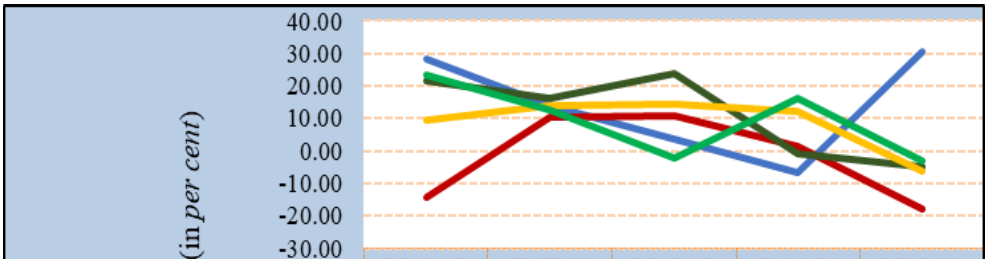
Chart 1.1 reflects that sector wise contribution in the GSDP of the State in the years 2016-17 and 2020-21 which has remained almost the same. The major contributor in GSDP was Service Sector followed by Industry Sector. Further, in spite of rich in Mines and Minerals, the State recorded a decrease in contribution of Mining Sector.

Chart 1.1: Change in sectoral contribution to GSDP (2016-17 - 2020-21)



Source: MoSPI, GoI

Chart 1.2: Sectoral growth in GSDP



	2016-17	2017-18	2018-19	2019-20	2020-21
Agriculture, forestry etc.	28.19	13.86	3.65	-6.44	30.58
Mining	-14.24	10.52	10.92	1.51	-17.90
Industry	21.64	16.27	23.89	-0.90	-4.85
Service	9.40	14.11	14.63	12.17	-6.37
Taxes on Product	23.51	12.49	-2.01	16.40	-3.00

Source: MoSPI, GoI

As shown in **Chart 1.2** a significant decrease was recorded in all the sectors contributing for GSDP calculations, except Agriculture and Forestry Sector which showed significant growth during 2020-21.

1.2 Basis and Approach to State Finances Audit Report

The State Finances Audit Report (SFAR) is prepared and submitted under Article 151 (2) of the Constitution of India.

Principal Accountant General (Accounts & Entitlements) prepares the Finance Accounts and Appropriation Accounts of the State annually, from the vouchers, challans and initial and subsidiary accounts rendered by the treasuries, offices and departments responsible for keeping of such accounts, and the statements received from the Reserve Bank of India. These accounts are audited independently by the Principal Accountant General (Audit), and certified by the CAG. Finance Accounts and Appropriation Accounts of the State constitute the core data for this report. Other sources include the following:

- Budget of the State for assessing the fiscal parameters and allocative priorities *vis-à-vis* projections, as well as for evaluating the effectiveness of its implementation and compliance with the relevant rules and prescribed procedures;
- Results of audit carried out by the Office of the Principal Accountant General (Audit);
- Other data with Departmental Authorities and Treasuries (accounting as well as MIS),
- GSDP data and other State related statistics; and
- Various audit reports of the CAG of India.

The analysis was also carried out in the context of recommendations of the Fourteenth Finance Commission (FFC), State Financial Responsibility and Budget Management Act, best practices and guidelines of the Government of India. A meeting was held on 19 May 2021 with State Finance Department, wherein the audit approach was explained and the exit conference was held on 14 July 2021. The draft Report was forwarded to the State Government for comments; however reply awaited as of December 2021.

1.3 Report Structure

The SFAR is structured into the following five Chapters:

Chapter - 1	**Overview** This Chapter describes the basis and approach to the Report and the underlying data, provides an overview of structure of government accounts, budgetary processes, macro-fiscal analysis of key indices and State's fiscal position including the deficits/ surplus.
Chapter - 2	**Finances of the State** This chapter provides a broad perspective of the finances of the State, analyses the critical changes in major fiscal aggregates relative to the previous year, overall trends during the period from 2016-17 to 2020-21, debt profile of the State and key Public Account transactions, based on the Finance Accounts of the State.
Chapter - 3	**Budgetary Management** This chapter is based on the Appropriation Accounts of the

	State and reviews the appropriations and allocative priorities of the State Government and reports on deviations from Constitutional provisions relating to budgetary management.
Chapter - 4	**Quality of Accounts & Financial Reporting Practices** This chapter comments on the quality of accounts rendered by various authorities of the State Government and issues of non-compliance with prescribed financial rules and regulations by various departmental officials of the State Government.
Chapter - 5	**General Purpose Financial Reporting** This chapter presents the summary of financial performance of Government Companies and Government controlled other Companies. In the chapter, the term State Public Sector Enterprises (SPSEs) encompasses those Government companies in which the direct holding of the State Government is 51 *per cent* or more and subsidiary of such Government companies.

1.4 Overview of Government Account Structure and Budgetary Processes

It is necessary to understand the structure of Government Accounts in order to appreciate the analysis of the finances of the State Government given in **Chapter-2** of this report. The Accounts of the State Government are kept in three parts:

1. Consolidated Fund of the State (Article 266(1) of the Constitution of India)

This Fund comprises all revenues received by the State Government, all loans raised by the State Government (market loans, bonds, loans from the Central Government, loans from Financial Institutions, Special Securities issued to National Small Savings Fund, etc.), Ways and Means advances extended by the Reserve Bank of India and all moneys received by the State Government in repayment of loans. No moneys can be appropriated from this Fund except in accordance with law and for the purposes and in the manner provided by the Constitution of India. Certain categories of expenditure (e.g., salaries of Constitutional authorities, loan repayments etc.), constitute a charge on the Consolidated Fund of the State (Charged expenditure) and are not subject to vote by the Legislature. All other expenditure (Voted expenditure) is voted by the Legislature.

2. Contingency Fund of the State (Article 267(2) of the Constitution of India)

This Fund is in the nature of an imprest which is established by the State Legislature by law, and is placed at the disposal of the Governor to enable advances to be made for meeting unforeseen expenditure pending authorisation of such expenditure by the State Legislature. The fund is recouped by debiting the expenditure to the concerned functional major head relating to the Consolidated Fund of the State.

3. **Public Accounts of the State (Article 266(2) of the Constitution)**

Apart from above, all other public moneys received by or on behalf of the Government, where the Government acts as a banker or trustee, are credited to the Public Account. The Public Account includes repayables like Small

Savings and Provident Funds, Deposits (bearing interest and not bearing interest), Advances, Reserve Funds (bearing interest and not bearing interest), Remittances and Suspense heads (both of which are transitory heads, pending final booking). The net cash balance available with the Government is also included under the Public Account. The Public Account is not subject to the vote of the Legislature.

There is a constitutional requirement in India (Article 202) to present before the House or Houses of the Legislature of the State, a statement of estimated receipts and expenditures of the government in respect of every financial year. This 'Annual Financial Statement' constitutes the main budget document. Further, the budget must distinguish expenditure on the revenue account from other expenditures.

Revenue receipts consist of tax revenue, non-tax revenue, share of Union Taxes/ Duties, and grants from Government of India.

Revenue expenditure consists of all those expenditures of the government which do not result in creation of physical or financial assets. It relates to those expenses incurred for the normal functioning of the government departments and various services, interest payments on debt incurred by the government, and grants given to various institutions (even though some of the grants may be meant for creation of assets).

The **capital receipts** consist of:

Debt receipts: Market Loans, Bonds, Loans from financial institutions, Net transaction under Ways and Means Advances, Loans and Advances from Central Government, *etc*.;

Non-debt receipts: Proceeds from disinvestment, Recoveries of loans and advances;

Capital Expenditure includes expenditure on the acquisition of land, building, machinery, equipment, investment in shares, and loans and advances by the government to PSUs and other parties.

At present, we have an accounting classification system in government that is both functional and economic.

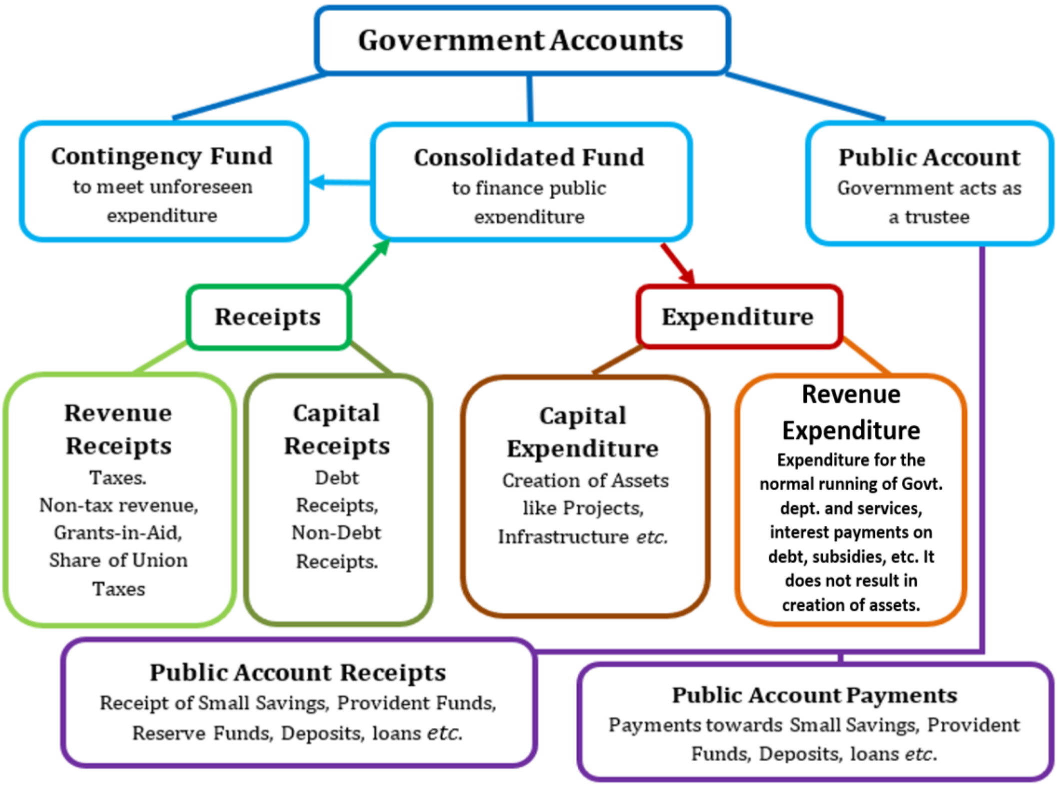
Table 1.2: Classification system of Government Accounts

	Attribute of transaction	Classification
Standardized in LMMH* by CGA	Function- Education, Health, etc.	Major Head under Grants (4-digit)
	Sub-Function	Sub Major head (2-digit)
	Programme	Minor Head (3-digit)
Flexibility left for States	Scheme	Sub-Head (2-digit)
	Sub scheme	Detailed Head (2-digit)
	Economic nature/Activity	Object Head-salary, minor works, etc. (2-digit)

**List of Major and Minor Heads*

The functional classification lets us know the department, function, scheme or programme, and object of the expenditure. Economic classification helps organize these payments as revenue, capital, debt *etc*. Economic classification is achieved by the numbering logic embedded in the first digit of 4-digit Major Heads. For instance, 0 and 1 is for revenue receipts, 2 and 3 for revenue expenditure, etc. Economic classification is also achieved by an inherent definition and distribution of some object heads which is the primary unit of appropriation in the budget documents. For instance, generally object head "salary" is revenue expenditure and object head 'construction' is capital expenditure. Details of Finance Accounts are given in **Appendix 1.1 Part B**.

Chart 1.3: Structure of Government Accounts



Budgetary Processes

In terms of Article 202 of the Constitution of India, the Governor of State cause to be laid before the State Legislature, a statement of the estimated receipts and expenditure of the State for the year 2020-21, in the form of an Annual Financial Statement. In terms of Article 203, the statement is submitted to the State Legislature in the form of Demands for Grants/ Appropriations and after approval of these, the Appropriation Bill is passed by the Legislature under Article 204 to provide for appropriation of the required money out of the Consolidated Fund.

The State Budget Manual details the budget formulation process and guides the State Government in preparing its budgetary estimates and monitoring its expenditure activities. Results of audit scrutiny of budget and implementation of other budgetary initiatives of the State Government are detailed in **Chapter 3** of this Report.

1.4.1 Snapshot of Finances

The following table provides the details of actual financial results *vis-a-vis* Budget Estimates for the year 2020-21 *vis-a-vis* actual of 2020-21.

Table: 1.3: Actual Financial Results *vis-à-vis* Budget estimates

(` in crore)

Sl. No.	Components	2019-20 (Actual)	2020-21 (Budget Estimate)	2020-21 (Actuals)	Percentage of Actual to B.E. (2020-21)	Percentage of Actuals to GSDP (2020-21)
1	Tax Revenue	16,771	21,519	16,880	78.44	5.32
2	Non-Tax Revenue	8,750	18,820	7,564	40.19	2.39
3	Share of Union taxes/duties	20,593	26,130	19,712	75.44	6.22
4	Grants-in-aid and Contributions	12,303	15,839	11,994	75.72	3.78
5	**Revenue Receipts (1+2+3+4)**	**58,417**	**82,308**	**56,150**	**68.22**	**17.71**
6	Recovery of Loans and Advances	49	61	49	80.33	0.02
7	Other Receipts	0	0	0	0.00	0.00
8	Public debt	9,593	11,000	13,547	123.15	4.27
9	**Capital Receipts (6+7+8)**	**9,642**	**11,061**	**13,596**	**122.92**	**4.29**
10	**Total Receipts (5+9)**	**68,059**	**93,369**	**69,746**	**74.70**	**22.00**
11	**Revenue Expenditure**	**56,457**	**73,316**	**59,264**	**80.83**	**18.69**
12	Interest payments	5,308	5,646	5,790	102.55	1.83
13	Grants in aid for creation of capital assets	7,079	10,020	6,370	63.57	2.01
14	**Capital Expenditure**	**10,044**	**10,297**	**11,846**	**115.04**	**3.74**
15	Capital outlay	9,879	8,653	8,466	97.84	2.67
16	Loan and advances	165	1,644	3,380	205.60	1.07
17	**Total Expenditure (11+14)**	**66,501**	**83,613**	**71,110**	**85.05**	**22.43**
18	**Revenue Surplus (+)/ Deficit(-) (5-11)**	**1,960**	**8,992**	**-3,114**	**-34.63**	**-0.98**
19	**Fiscal Deficit(-) {17-(5+6+7)}**	**-8,035**	**1,244**	**-14,911**	**1,198.63**	**4.70**
20	**Primary Deficit (19-12)**	**-2,727**	**-4,402**	**-9,121**	**-207.20**	**2.88**

During 2020-21, a significant decrease in Revenue Receipt was noticed due to decrease in receipts from all the sources either in shape of State's own resources or receipts from Central Government. Though, the own tax revenue increased by ` 109 crore, its growth decreased to 0.70 *per cent* in 2020-21 against 13.70 *per cent* in 2019-20. During 2020-21, non-tax revenue, Central Tax Transfer and Grants-in-aid decreased significantly by ` 1,186 crore, ` 881 crore and ` 310 crore respectively over the previous year.

GST compensation is the revenue of the State Govt. under GST (Compensation to State) Act, 2017. However, in addition to receiving the GST Compensation of ₹ 1,958 crore as revenue receipts, due to inadequate balance in GST Compensation Fund during the year 2020-21, Jharkhand also received back to back loan of ₹ 1,689 crore under debt receipts of the State Government with no repayment liability for the State. Due to this arrangement, the Revenue Deficit of ` 3,114 crore and Fiscal Deficit of ` 14,911 crore during the year 2020-21 should be read in conjunction with debt receipts of ` 1,689 crore in lieu of GST compensation.

During 2020-21 growth of revenue expenditure was five *per cent* against 11.50 *per cent* in 2019-20. The State had to borrow more funds than the previous year (15.65 *per cent* in 2020-21 against 12.68 *per cent* in 2019-20) to meet its revenue expenditure. **Table 1.4** indicates the increasing trend of expenditure.

Table: 1.4: Trends of Receipts and Expenditure

(` in crore)

Year	Revenue		***Per cent* of revenue exp. to revenue receipt**	Capital		***Per cent* of capital exp. to capital receipt**
	Receipt	**Expenditure**		**Receipts**	**Expenditure**	
2016-17	47,054	45,089	95.82	7,120	10,861	152.54
2017-18	52,756	50,952	96.58	8,204	11,953	145.70
2018-19	56,152	50,631	90.17	7,850	10,712	136.46
2019-20	58,147	56,457	97.09	9,642	9,879	102.46
2020-21	56,150	59,264	105.55	13,595	8,466	62.27

- For every ` 100 received as revenue an extra ` 5.55 has to be borrowed to cover its revenue expenditure during 2020-21.
- While revenue expenditure has been increasing during the period 2016-21, capital expenditure has been reducing at a much faster rate.
- In comparison to the capital expenditure during 2016-17, the capital expenditure in 2020-21 decreased by 22 *per cent* which was indicative of less priority on infrastructure and assets creation during the period by the State.

1.4.2 Snapshot of Assets and liabilities of the Government

Government accounts capture the financial liabilities of the Government and the assets created out of the expenditure incurred. The liabilities consist mainly of internal borrowings, loans and advances from GoI, receipts from public account and reserve funds, and the assets comprise mainly the capital outlay and loans and advances given by the State Government and cash balances. Summarised position of Assets and Liabilities is given in **Table 1.5**.

Table 1.5: Summarised position of Assets and Liabilities

(` in crore)

Liabilities					Assets				
		2019-20	**2020-21**	***Per cent* increase**			**2019-20**	**2020-21**	***Per cent* increase**
Consolidated Fund									
A	Internal Debt	63,545.46	71,956.90	13.24	a	Gross Capital Outlay	87,552.02	96,017.68	9.67
B	Loans and Advances from GoI	2,591.52	4,981.85	92.24	b	Loans and Advances	20,846.24	24,177.23	15.98
Contingency Fund		**500**	**500**	0					
Public Account									
A	Small Savings, Provident Funds, etc.	1,216.86	1,194.40	-1.85	a	Advances	7.14	19.66	175.35
B	Deposits	21,104.74	24,331.45	15.29	b	Remittance	0.00	0.00	-
C	Reserve Funds	5,948.02	7,024.26	18.09	c	Suspense and Miscellaneous	0.00	0.00	-
D	Remittances	82.30	126.45	53.65	Cash balance (including investment in Earmarked Fund)		3,463.48	3,720.32	7.42
E	Suspense and Misc.	91.29	144.75	58.56	Deficit in Revenue Account		-	-	-
	Cumulative excess of receipts over expenditure	16,788.69	13,674.83	-18.55					
Total		**1,11,868.88**	**1,23,934.89**	**10.79**	**Total**		**1,11,868.88**	**1,23,934.89**	**10.79**

Source : Finance Accounts

1.5 Fiscal Balance: Achievement of deficit and total debt targets

When a government spends more than it collects by way of revenue it incurs a deficit. There are various measures that capture government deficit.

Revenue Deficit/ Surplus (Revenue Expenditure – Revenue Receipts)	*Refers to the difference between revenue expenditure and revenue receipts.* • When the government incurs a revenue deficit, it implies that the government is dissaving and is using up the savings of the other sectors of the economy to finance a part of its consumption expenditure. • Existence of revenue deficit is a cause of concern as revenue receipts were not able to meet even revenue expenditure. Moreover, part of capital receipts was utilized to meet revenue expenditure, reducing availability of capital resources to that extent for creation of capital assets. • This situation means that the government will have to borrow not only to finance its investment but also its consumption requirements. This leads to a build-up of stock of debt and interest liabilities and forces the government, eventually, to cut expenditure. • If major part of revenue expenditure is committed expenditure (interest liabilities, salaries, pensions), the government reduces productive expenditure or welfare expenditure. This would mean lower growth and adverse welfare implications.

Fiscal Deficit/ Surplus {Total expenditure – (Revenue receipts + Non-debt creating capital receipts)}	It is the difference between the Revenue Receipts plus Non-debt Capital Receipts (NDCR) and the total expenditure. FD is reflective of the total borrowing requirements of Government. • Fiscal deficit is the difference between the government's total expenditure and its total receipts excluding borrowing. • Non-debt creating capital receipts are those receipts, which are not borrowings, and, therefore, do not give rise to debt. Examples are recovery of loans and the proceeds from the sale of PSUs. • The fiscal deficit will have to be financed through borrowing. Thus, it indicates the total borrowing requirements of the government from all sources. Governments usually run fiscal deficits and borrow funds for capital/ assets formation or for creation of economic and social infrastructure, so that assets created through borrowings could pay for themselves by generating an income stream. Thus it is desirable to fully utilize borrowed funds for the creation of capital assets and to use revenue receipts for the repayment of principal and interest.
Primary Deficit/ Surplus (Gross fiscal deficit – Net Interest liabilities)	*Refers to the fiscal deficit minus the interest payments.* • Net interest liabilities consist of interest payments minus interest receipts by the government on net domestic lending. • The borrowing requirement of the government includes interest obligations on accumulated debt. To obtain an estimate of borrowing because of current expenditures exceeding revenues, we need to calculate the primary deficit.

Deficits must be financed by borrowing giving rise to government debt. The concepts of deficits and debt are closely related. Deficits can be thought of as a flow which add to the stock of debt. If the government continues to borrow year after year, it leads to the accumulation of debt and the government has to pay more and more by way of interest. These interest payments themselves contribute to the debt.

By borrowing, the government transfers the burden of reduced consumption on future generations. This is because it borrows by issuing bonds to the people living at present but may decide to pay off the bonds some twenty years later by raising taxes or reducing expenditure. Also, government borrowing from the people reduces the savings available to the private sector. To the extent that this reduces capital formation and growth, debt acts as a 'burden' on future generations.

However, if government deficits succeed in their goal of raising production, there will be more income and, therefore, more saving. In this case, both government and industry can borrow more. Also, if the government invests in infrastructure, future generations may be better off, provided the return on such investments is greater than the rate of interest. The actual debt could be paid off by the growth in output. The debt should not then be considered burdensome. The growth in debt will have to be judged by the growth of the economy (State GDP) as a whole.

Government deficit can be reduced by an increase in taxes or reduction in expenditure. However, the major thrust has been towards reduction in government expenditure. This could be achieved through making government activities more efficient through better planning of programmes and better administration.

1.5.1 Achievements *vis-à-vis* fiscal targets prescribed in State FRBM Act

The State Government has passed Fiscal Responsibility and Budget Management Act (FRBM), 2007 with the objective of ensuring prudence in fiscal management by eliminating revenue deficit, reducing fiscal deficit and overall/ outstanding debt to acceptable level, establishing improved debt management and improving transparency in a medium term framework. In this context the Act provides quantitative targets to be adhered by the State with regard to deficit measures and debt level. The targets relating to key fiscal parameters envisaged in State FRBM Act and their achievement during the period from 2016-17 to 2020-21 are given in **Table-1.6**

Table 1.6: Compliance with provisions under State FRBM Act

Fiscal Parameters	Fiscal targets set in the Act	Achievement (₹ in crore)				
		2016-17	2017-18	2018-19	2019-20	2020-21
Revenue Deficit	Nil	1,965	1,804	5,521	1,960	-3,114
		✓	✓	✓	✓	✗
Fiscal Deficit (as percentage of GSDP)	Three *per cent* *(5 per cent for 2020-21)**	10,193 (4.31)	11,933 (4.42)	6,629 (2.17)	8,035 (2.50)	14,911 (4.70)
		✗	✗	✓	✓	✓
Ratio of total outstanding debt to GSDP (in *per cent*)	Ranging between 27.0 and 28.3 *per cent*	28.3	27.9	27.2	27.1	27.00
	Actuals	28.29	28.57	27.41	29.40	33.90#
		✓	✗	✗	✗	✗

 # This debt does not include ` 1,689 crore, which was passed on as back to back loans by Government of India in lieu of shortfall in GST Compensation, vide GoI's No. F. No. 40(1) PF-S/2021-22 dated 10 December 2021.

**The Fiscal Deficit target for the year 2020-21 had increased by 2 per cent in view of the para 2(1) of the FRBM (Amendment) Act, 2020.*

The ratio of total outstanding debt to GSDP as per the Finance Accounts is 34.43 *per cent*. However, the effective debt to GSDP ratio (33.90 *per cent*) has been arrived at after excluding GST compensation of ₹ 1,689 crore received as back to back loan under debt receipts from the total outstanding liabilities as the Department of Expenditure, GoI has decided that it will not be treated as debt of the State for any norms which may be prescribed by the Finance Commission.

The State had Revenue Surplus in the previous years from 2016-17 onwards except in 2020-21. The Fiscal Deficit was also below the prescribed target since 2018-19. The ratio of outstanding debt to GSDP continued to be an area of concern as it crossed the norms prescribed in the MTFPS under Jharkhand FRBM Act for the fourth consecutive year.

1.5.2 Medium Term Fiscal Plan

As per the FRBM Act, the state Government has to lay before the State Legislature, a Five-Year Fiscal Plan along with the Annual Budget. The Medium Term Fiscal Policy Statements (MTFPs) has to set forth a five-year rolling target for the prescribed fiscal indicators.

Table 1.7 indicates the variation between the projections made for 2020-21 in MTFPS presented to the State Legislature along with the Annual Budget for 2020-21 and Actuals of the Year.

Table 1.7: Actuals *vis-à-vis* projection in MTFP for 2020-21

(` in crore)

S. N.	Fiscal Variables	Projection as per MTFP	Actuals (2020-21)	Variation (in *per cent*)
1	Own Tax Revenue	21,670	16,880	(-) 22.10
2	Non-Tax Revenue	11,820	7,564	(-) 36.00
3	Share of Central Taxes	25,980	19,712	(-) 24.12
4	Grants-in-aid from GoI	15,839	11,994	(-) 24.27
5	Revenue Receipts (1+2+3+4)	75,309	56,150	(-) 25.44
6	Revenue Expenditure	73,316	59,264	(-) 19.16
7	Revenue Deficit (-)/ Surplus (+) (5-6)	(+) 1,993	(-) 3,114	(-) 256.24
8	Fiscal Deficit (-)/ Surplus (+)	(-) 8,243	(-) 14,911	(-) 80.89
9	Debt-GSDP ratio (*per cent*)	32.60	33.90#	(-) 5.61
10	GSDP growth rate at current prices (*per cent*)	(-) 3.20	(-) 1.27	60.31

\# *This debt does not include ` 1,689 crore, which was passed on as back to back loans by Government of India in lieu of shortfall in GST Compensation, vide GoI's No. F. No. 40(1) PF-S/2021-22 dated 10 December 2021*

As shown in the above table, State failed to achieve all the targets set for 2020-21 in the MTFPS leading to significant rise in deficit to GSDP ratios and debt to GSDP ratio. The FD to GSDP ratio went upto 4.70 *per cent* in 2020-21 against 2.50 *per cent* in the previous year.

1.5.3 Trends of Deficit/Surplus

As shown in **Chart 1.4,** the State was not able to achieve the targets specified by the Finance Commission and as set in its FRBM Act with regard to its key fiscal parameters. Revenue surplus of ` 1,960 in 2019-20 was turned to a deficit of ` 3,114 crore in 2020-21. Similarly, FD increased to ` 14,911 crore in 2020-21 against ` 8,035 crore in 2019-20 which was indicative of more dependence of State on borrowed funds during the current year. Primary deficit increased from ` 2,722 crore to ` 9,121 crore in 2020-21 which showed that State had less fund to spent on its current decision and for creation of infrastructure during the year.

Chart 1.4: Trends in surplus/deficit parameters

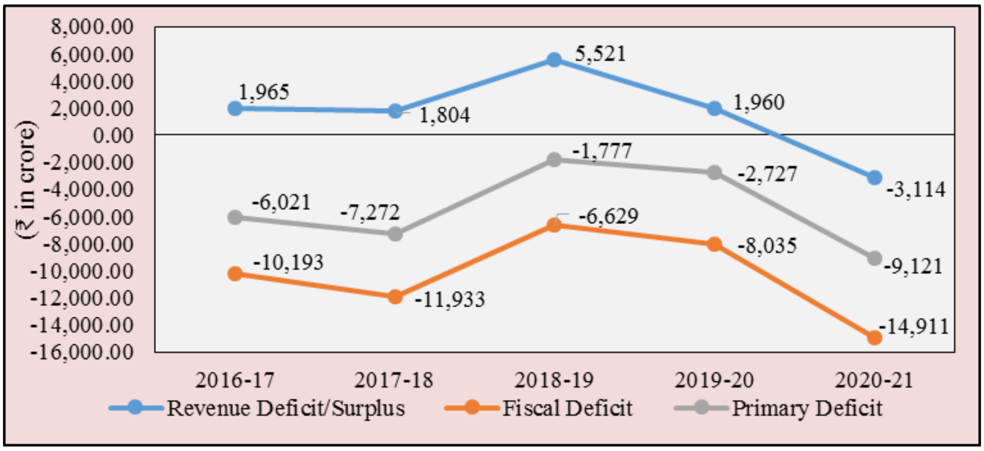


Chart 1.5 shows trends of surplus/deficit to GSDP during the last five years

Chart 1.5: Trends in Surplus/Deficit relative to GSDP

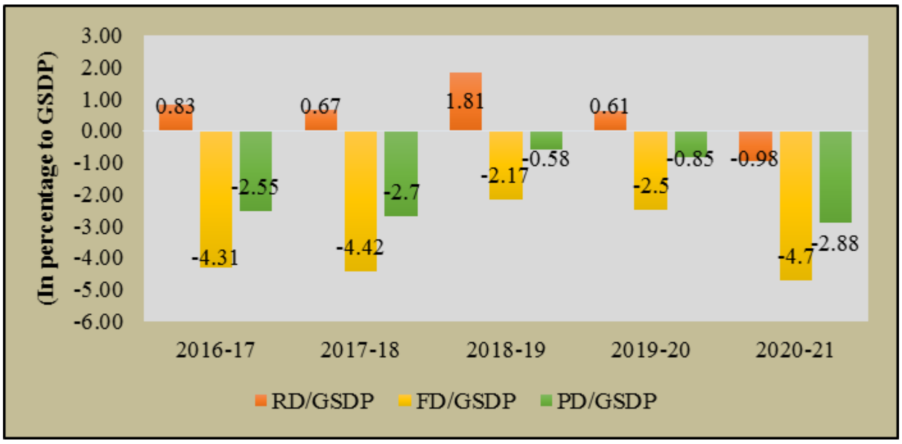
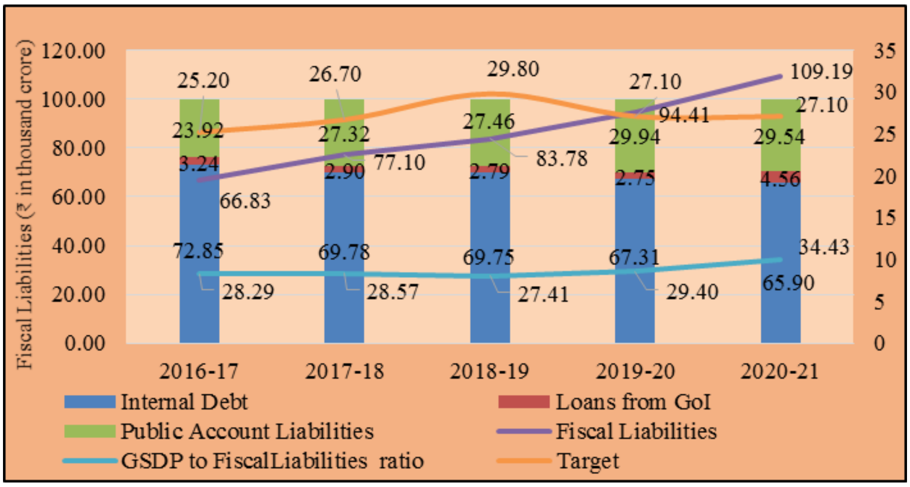


Chart 1.6: Trends in Fiscal Liabilities and GSDP



As can be seen from **Chart 1.6,** internal debt was the major contributors in the Total Outstanding Liabilities of the State followed by the Public accounts receipts. Loans from GoI was a minor contributor in the liability in these years, however, it increased from 2.75 *per cent* in 2019-20 to 4.56 *per cent* in 2020-21 mainly due to back to back loans in lieu of GST.

1.6 Deficits and Total Debt after examination in audit

1.6.1 Post audit - Deficits

Misclassification of revenue expenditure as capital and off budget fiscal operations gives distorted picture of finances of the state. Besides, deferment of clear cut liabilities, not depositing cess/royalty to Consolidated Fund, short contribution to New Pension Scheme, sinking and redemption funds, etc. also impacts liabilities, revenue and fiscal deficit figures. In order to arrive at actual figures, the impact of such irregularities needs to be reversed.

Table 1.8: Revenue and Fiscal Deficit as per findings of Audit

Particulars	**Impact on Revenue Deficit (Understated (+) /Overstated(-))**	**Impact on Fiscal Deficit (Understated)**	**Para Ref.**
		(` in crore)	
Non/ Short transfer of Cess to dedicated Funds in Public Account during 2020-21	60.10	60.10	4.1
Non discharge of Interest liabilities on SDRF during 2020-21	128.08	128.08	2.5.2
Total	**188.18**	**188.18**	

Source: Finance Accounts and audit analysis

It may be seen that the revenue deficit and fiscal deficit were understated by ` 188.18 crore. Thus revenue deficit and fiscal deficit stated ` 3,113.86 crore and ` 14,910.74 crore in the Finance Accounts would actually be ` 3,302.04 crore and ` 15,098.92 crore respectively. All observations and findings have been forwarded to State Government. However, replies of the same are awaited (December 2021).

Table: 1.9: Pre and post audit major fiscal variables for 2020-21

(in *per cent*)

Fiscal variables	**2020-21**				**Actuals after post audit**
	FFC projection for the State	**Target as prescribed in MTFP Statement**	**Targets as per Budget estimates**	**Actuals**	
Revenue deficit (-)/ surplus (+) w.r.t GSDP	(-) 0.50	(-) 0.63	(-) 0.63	(-) 0.98	(-) 1.04
Fiscal deficit w.r.t. GSDP	2.10	2.59	2.60	4.70	4.76
Ratio of total outstanding debt of the Government to GSDP	27.00	32.60	-	33.90[#]	33.96

This debt does not include ` 1,689 crore, which was passed on as back to back loans by Government of India in lieu of shortfall in GST Compensation, vide GoI's No. F. No. 40(1) PF-S/2021-22 dated 10 December 2021

During 2020-21, the State failed to achieve the targets based on FRBM Act, 2007 as depicted in **Table 1.9**. Post audit position of deficits and fiscal liability to GSDP showed further deterioration. Revenue deficit, fiscal deficit and debt to GSDP ratio increased by six percentage points.