

CHAPTER 2

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 the 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. Information was also obtained from the State Government, where necessary.

2.1 Major changes in Key fiscal aggregates *vis-à-vis* 2019-20

Table 2.1 gives a bird's eye view of the major changes in key fiscal aggregates of the State during the financial year 2020-21, compared to the previous year. Each of these indicators has been analysed in the succeeding paragraphs.

Table 2.1: Changes in key fiscal aggregates in 2020-21 compared to 2019-20

Revenue Receipts	<ul style="list-style-type: none">✓ Revenue receipts of the State decreased by 3.88 per cent✓ Own Tax receipts of the State increased by 0.70 per cent✓ Own Non-tax receipts decreased by 13.55 per cent✓ State's Share of Union Taxes and Duties decreased by 4.28 per cent✓ Grants-in-Aid from Government of India decreased by 2.52 per cent
Revenue Expenditure	<ul style="list-style-type: none">✓ Revenue expenditure increased by 5 per cent✓ Revenue expenditure on General Services increased by 6.35 per cent✓ Revenue expenditure on Social Services increased by 8.85 per cent✓ Revenue expenditure on Economic Services decreased by 1.72 per cent
Capital Expenditure	<ul style="list-style-type: none">✓ Capital expenditure decreased by 14.30 per cent✓ Capital expenditure on General Services decreased by 37.78 per cent✓ Capital expenditure on Social Services increased by 4.24 per cent✓ Capital expenditure on Economic Services decreased by 13.96 per cent
Loans and Advances	<ul style="list-style-type: none">✓ Disbursement of Loans and Advances increased by 1,943.16 per cent✓ Recoveries of Loans and Advances decreased by 0.83 per cent
Public Debt	<ul style="list-style-type: none">✓ Public Debt Receipts increased by 41.21 per cent✓ Repayment of Public Debt decreased by 35.13 per cent
Public Account	<ul style="list-style-type: none">✓ Public Account Receipts decreased by 14.23 per cent✓ Disbursement of Public Account decreased by 13.46 per cent
Cash Balance	<ul style="list-style-type: none">✓ Cash balance increased by ₹ 256.84 crore (7.42 per cent) during 2020-21 compared to previous year

2.2 Sources and Application of Funds

Table 2.2 compares the sources and application of funds of the State during 2020-21 with 2019-20. More details are given in **Appendix 2.1**.

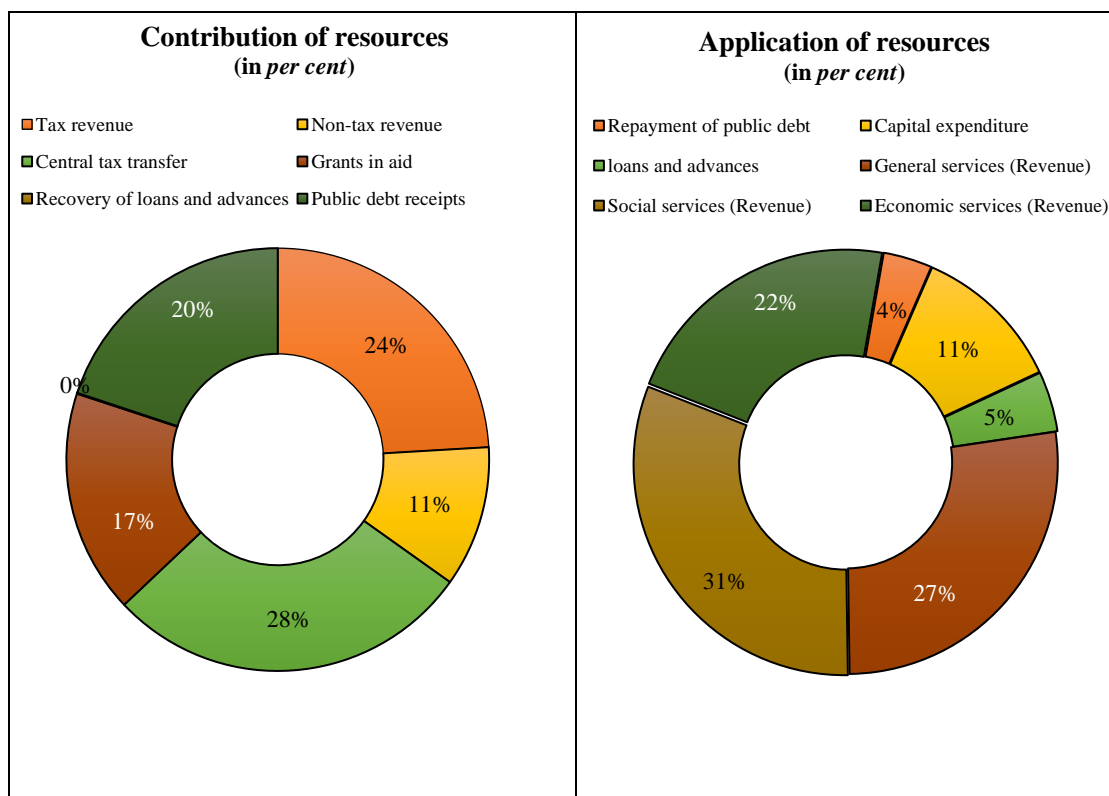
Table 2.2: Details of Sources and Application of funds during 2019-20 and 2020-21

(₹ in crore)

	Particulars	2019-20	2020-21	Increase (+)/ Decrease (-)
Sources	Opening Cash Balance with RBI	188.30	-54.14	-242.44
	Revenue Receipts	58,417.14	56,149.73	-2,267.41
	Recoveries of Loans and Advances	49.19	48.78	-0.41
	Public Debt Receipts (Net)	5,361.72	10,801.75	5,440.03
	Public Account Receipts (Net)	2,430.28	4,323.44	1,893.16
	Total	66,446.63	71,269.56	4,822.93
Application	Revenue Expenditure	56,456.63	59,263.58	2,806.95
	Capital Expenditure	9,878.71	8,465.66	-1,413.05
	Disbursement of Loans and Advances	165.43	3,379.77	3,214.34
	Closing Cash Balance with RBI	-54.14	160.55	214.69
	Total	66,446.63	71,269.56	4,822.93

Chart 2.1 gives details of receipts into and expenditure from the Consolidated Fund during 2020-21 in terms of percentages.

Chart 2.1: Details of Sources and Application of funds during 2020-21



2.3 Resources of the State

This paragraph provides the composition of the overall receipts. Besides, the Capital and Revenue Receipts, funds available in the Public Account (net of disbursement made from it) are also utilised by the Government to finance its deficit.

The resources of the State are described below:

1. **Revenue receipts** consist of tax revenue, non-tax revenue, State's share of Union taxes and duties and grants-in-aid from the Government of India (GoI).

2. **Capital receipts** comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/ commercial banks) and loans and advances from GoI.

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

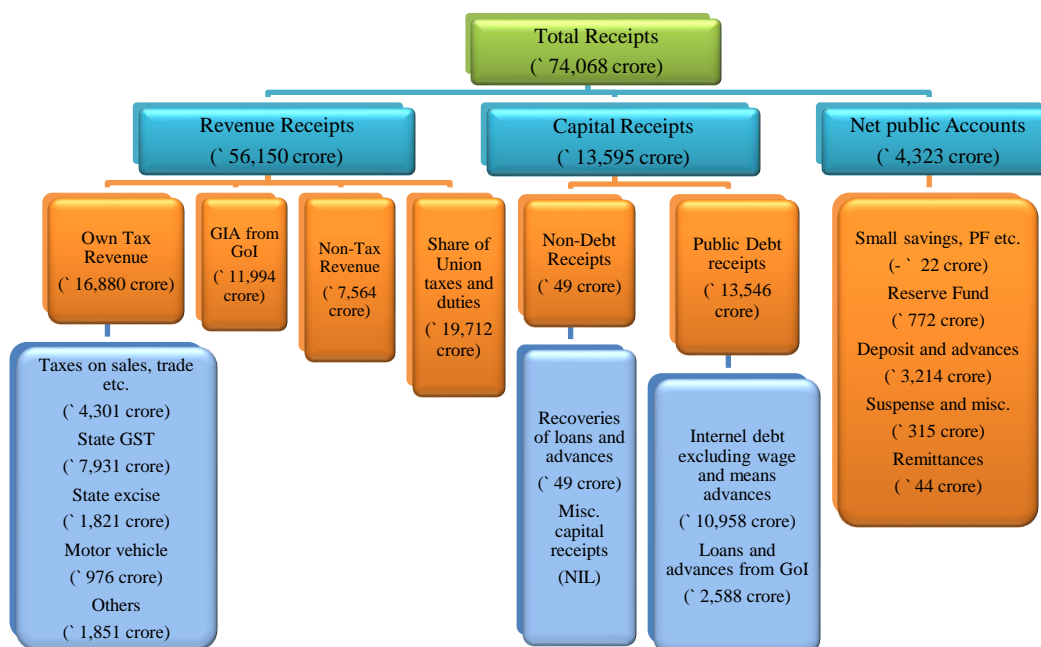
3. **Net Public Accounts receipts:** There are receipts and disbursements in respect of certain transactions such as small savings, provident fund, reserve funds, deposits, suspense, remittances, etc. which do not form part of the Consolidated Fund.

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

2.3.1 Receipts of the State

This paragraph provides the composition of the overall receipts. Besides, the Capital and Revenue Receipts, funds available in the Public Account (net of disbursement made from it) are also utilised by the Government to finance its deficit. Composition of receipts of State during 2020-21 is given in **Chart 2.2**.

Chart 2.2: Composition of receipts of the State during 2020-21



2.3.2 State's Revenue Receipts

This paragraph gives the trends in total revenue receipts and its components. It is followed by trends in the receipts bifurcated into receipts from the central government and State's own receipts. Wherever necessary, sub-paragraphs are included.

2.3.2.1 Trends and growth of Revenue Receipts

Table 2.3 provides the trends and growth of revenue receipts as well as revenue buoyancy with respect to GSDP over the five-year period. Further, trends in revenue receipts relative to GSDP and composition of revenue receipts are given in **Appendix 2.2**.

Table 2.3: Trend in Revenue Receipts

Parameters	2016-17	2017-18	2018-19	2019-20	2020-21
Revenue Receipts (RR) (₹ in crore)	47,054	52,756	56,152	58,417	56,150
Rate of growth of RR (<i>per cent</i>)	15.79	12.12	6.44	4.03	-3.88
Own Tax Revenue	13,299	12,353	14,752	16,771	16,880
Non-Tax Revenue	5,351	7,847	8,258	8,750	7,564
Rate of growth of Own Revenue (Own Tax and Non-tax Revenue) (<i>per cent</i>)	7.60	8.30	13.90	10.90	-4.20
Gross State Domestic Product (₹ in crore) (2011-12 Series)	2,36,250	2,69,816	3,05,695	3,21,157	3,17,079
Rate of growth of GSDP (<i>per cent</i>)	14.34	14.21	13.30	5.06	-1.27
RR/GSDP (<i>per cent</i>)	19.92	19.55	18.37	18.19	17.71
Buoyancy Ratios¹					
Revenue Buoyancy w.r.t GSDP	1.10	0.85	0.48	0.80	*
State's Own Revenue Buoyancy w.r.t GSDP	0.53	0.58	1.05	2.15	*

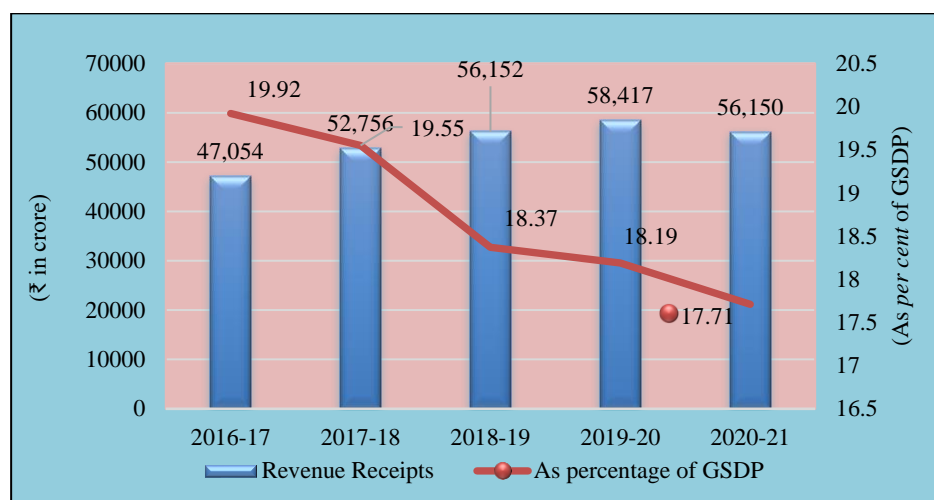
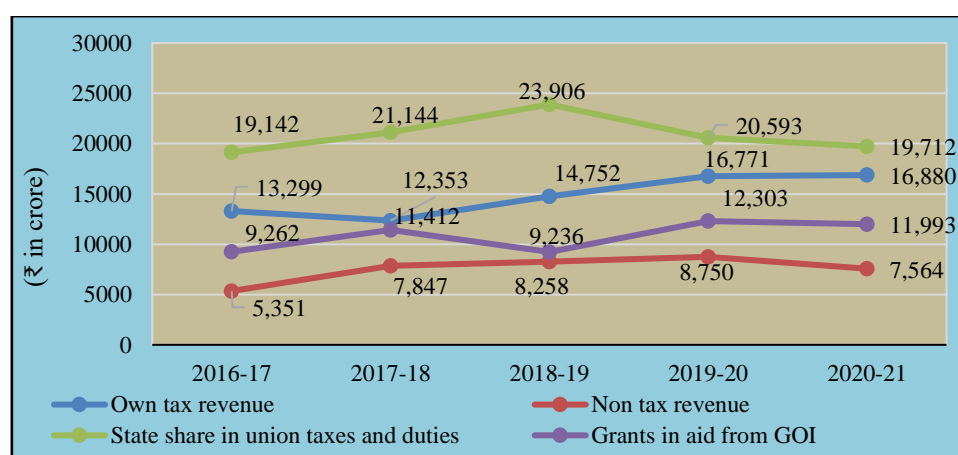
Source of GSDP figures: Directorate of Economics and Statistics, P.E. - Provisional Estimates; Q.E. - Quick Estimates

*Since growth of GSDP was negative hence buoyancy was not calculated.

The growth of revenue receipts of the State decreased consistently from 15.79 *per cent* in 2016-17 to (-) 3.88 *per cent* in 2020-21. During 2020-21, a significant decrease in RR was noticed due to decrease in receipts from all the sources either in shape of State's own resources or receipts from Central Government. Moreover, in spite of decrease in growth of RR the collection of Revenue was always higher than the preceding year in absolute terms, except during 2020-21 when the actual collection was lower than the previous year.

Revenue buoyancies w.r.t. GSDP fluctuated significantly between 0.48 and 1.10 during the period 2016-20. Similarly, in case of Own tax revenue buoyancy fluctuated between 0.53 and 2.15 during 2016-20. However, during 2020-21 the growth rate of revenue receipts, own tax revenue and GSDP of the State was negative hence buoyancy was not calculated.

¹ Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable.

Chart 2.3: Trend in Revenue Receipts

Chart 2.4: Trend of components of Revenue Receipts


Further, as shown in **Table 2.3** and **Charts 2.3 & 2.4** the State's own revenues during 2020-21 decreased by 4.20 per cent over the previous year (10.90 per cent growth). The decrease in own tax revenue was mainly due to less collection of SGST by ` 487 crore and State Excise by ` 188 crore whereas non-tax revenue decreased mainly due to decrease in Non-ferrous Mining (by ` 449 crore), Urban Development (by ` 449 crore), Interest Receipts (by ` 228 crore) and Major Irrigation (by ` 392 crore).

The revenue received from GoI (CTT & GIA) decreased by 3.62 per cent during 2020-21 over the previous year. Both the CTT and GIA decreased significantly (by ` 881 crore and ` 310 crore respectively) during the current year mainly due to less transfer of Corporation tax (by ` 1,077 crore), less transfer of GIA for Central Sponsored Scheme by ` 500 crore and Finance Commission Grants by ` 164 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 are determined by the quantum of collection of Central tax receipts and

anticipated Central assistance for schemes. State's performance in mobilisation of additional resources has been assessed in terms of its own resources comprising revenue from its own tax and non-tax sources.

A. Own Tax revenue

Own tax revenues of the State consist of State GST, State excise, Taxes on vehicles, Sales Tax on Petroleum and alcohol, Stamp duty and Registration fees, Land revenue, Taxes on goods and passengers, etc. **Chart 2.5** shows growth of tax revenues of the State during the period 2016-21.

Chart 2.5: Growth of Tax Revenue during 2016-21

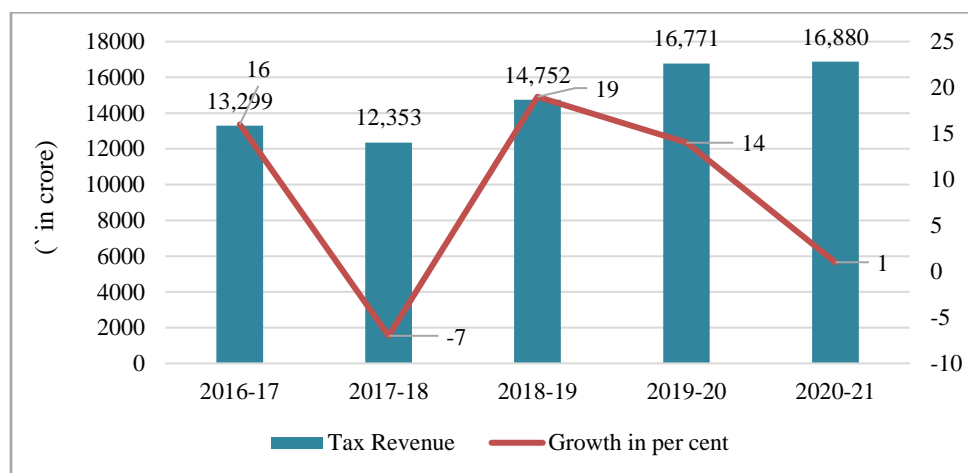


Table 2.4: Components of State's Own Tax Revenue

Year	2016-17	2017-18	2018-19	2019-20	2020-21	Sparklines
Sales tax	10,549	5,715	3,475	3,996	4,301	
SGST	0	4,124	8,201	8,418	7,931	
State excise	962	841	1,083	2,009	1,821	
Taxes on vehicles	682	779	864	1,129	976	
Stamp duty and registration fees	607	469	451	560	708	
Land revenue	240	156	389	338	873	
Others	259	270	289	321	270	
Total	13,299	12,354	14,752	16,771	16,880	

Source: Finance Accounts

The growth rate of own tax revenue showed wide fluctuation between (-) 7.10 to 19.40 *per cent* during the period 2016-21. The Own-tax growth decreased by (-) 7.10 *per cent* in 2017-18 due to introduction of GST. Moreover, it decreased significantly from 13.7 *per cent* in 2019-20 to 0.7 *per cent* in 2020-21 due to less collection of all the taxes except Stamp Duty & Registration and Land Revenue. Collection of Land Revenue during 2020-21 was nearly double to its collection during 2019-20. Collection of Stamp Duty and Registration also increased significantly during 2020-21.

State Goods and Services Tax (SGST)

As per the GST (Compensation to States) Act, 2017, States will be compensated for the shortfall in revenue arising on account of implementation of the Goods and Services Tax considering an annual growth

of 14 *per cent* from the base year (2015-16), for a period of five years. The Centre levies the Integrated GST (IGST) on inter-state supply of goods and services, and apportions the state's share of tax to the State where the goods or services are consumed.

The compensation payable to the State shall be calculated for every financial year after the receipt of final revenue figures, as audited by the CAG of India. A base year (2015-16) revenue figure of taxes subsumed under GST was finalised under GST Act. In the case of Jharkhand, the revenue was ` 6,410.51 crore during the base year (2015-16). The projected revenue for any year in a State shall be calculated by applying the projected growth rate (14 *per cent* per annum) over the base year revenue of that State.

The projected revenue for the year 2020-21 in accordance with the base year figure was ` 12,342.89 crore. The revenue receipt of the State Government in respect of taxes subsumed under GST during 2020-21 was ` 7,931 crore. GoI provided ` 1,099.14 crore as compensation for the year to protect the revenue collection of the State. However, compensation amount pertaining to the period April 2019 to March 2020 (` 859.18 crore) received in 2020-21. Similarly, ` 678.91 crore pertaining to the 2020-21 received in June 2021 (` 337.04 crore) and September 2021 (` 341.87 crore).

Hence, against the projected revenue of ` 12,342.89 crore for the year 2020-21, the SGST collection and compensation received was ` 9,709.05 crore leading to short receipt of ` 2,633.84 crore.

Advance apportionment of IGST and its adjustment against GST compensation

Government of India is to apportion IGST to State Governments under section 17 of the IGST Act, 2017. The State Tax Division, Ministry of Finance, Department of Revenue (GoI) sanctioned provisional/advance settlement of apportionment of ` 608.26 crore with the condition that the amount will be settled from future payments of IGST. The advance apportionment of IGST increased significantly by 1,214 *per cent* during 2020-21 over the previous year (` 69.12 crore).

Audit of GST Receipts

The Government of India's decision to provide access to Pan-India data at GSTN premises was conveyed on 22 June 2020. The required access to data has been provided in January 2021. The accounts for the year 2020-21 have, therefore, been certified on the basis of access of data provided by the Government through back end GSTN system.

Analysis of arrears of revenue and arrears of assessment

The arrears of revenue indicate delayed realization of revenue due to the Government. Similarly, arrears of assessment indicate potential revenue which is blocked due to delayed assessment. Both deprive the State of potential revenue receipts and affect ultimately the revenue deficit.

As on 31 March 2021, arrears in collection of revenue were ` 662.09 crore (Excise & Prohibition Department and Motor Vehicle Tax Department) of which ` 30.56 crore was outstanding for more than five years. Out of the total

arrears in these departments, amounts held up by the Courts and other appellate authorities were ` 7.65 crore pertaining to the Excise and Prohibition Department. Details of other departments were not available as of October 2021.

B. Non Tax Revenue

Non-Tax revenue (NTR) consists of interest receipts, dividends and profits, mining receipts, departmental receipts, etc.

Non-Tax revenue collected during 2020-21 was ` 7,564 crore. The NTR collection was significantly lower than the budget estimates of ` 11,820 crore for the year. Component-wise non-tax revenue collected during 2016-21 is as shown in **Table 2.5**.

Table 2.5: Non-tax revenue collected during 2016-21

Revenue Head	2016-17	2017-18	2018-19	2019-20	2020-21	Sparkline
Interest receipts	121	169	47	310	81	
Dividends and profits	0	0	0	0	15	
Other non tax receipts	5,230	7,678	8,211	8,440	7,468	
(a) Non ferrous mining	4,094	5,941	5,935	5,461	5,012	
(b) Education	21	20	590	469	166	
(c) Urban development	144	122	265	529	80	
(d) Major irrigation	20	131	321	424	32	
(e) Civil supplies	4	5	6	420	137	
(f) Others	947	1,459	1,094	1,137	2,041	
Total	5,351	7,847	8,258	8,750	7,564	

The share of NTR in revenue receipts ranged between 11.37 *per cent* and 14.98 *per cent* during the period 2016-21. However, it decreased from 14.98 *per cent* in 2019-20 to 13.47 *per cent* in 2020-21. The main source of NTR was receipts from Non-ferrous Mining and Metallurgical Industries. However, collection under Non-ferrous Mining and Metallurgical Industries decreased by ` 449 crore due to less collection of mineral concession fees, rents and royalties. Similarly, significant decrease in collection under Urban Development (by ` 449 crore), Major Irrigation (by ` 392 crore), Education, Sports, Art & Culture (by ` 303 crore), Civil Supplies (by ` 283 crore) and Interest Receipts (by ` 229 crore) was also noticed during 2020-21. This was compensated by more collection under Crop Husbandry (by ` 396 crore), Forestry & Wildlife (by ` 310 crore) and Medical & Public Health (by ` 262 crore). Interest receipts decreased significantly during 2020-21 due to less interest on cash balance investment. Average rate of interest at which government borrowed funds was 6.13 *per cent* per annum whereas, rate of interest received on its cash balance was around five *per cent* per annum.

Irregular deposit under Minor Head-913

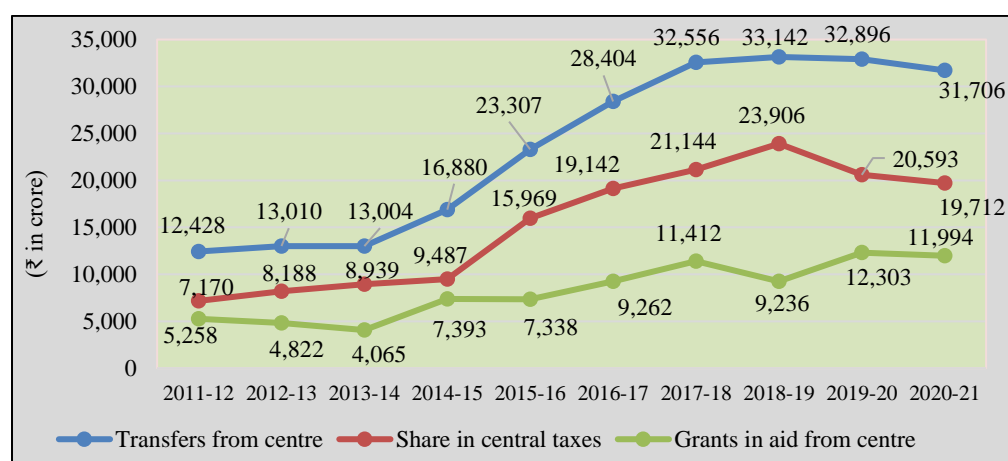
A total amount of ` 1,207.02 crore (unspent balances of Grants-in-aid and unutilised scheme funds) has been deposited by the State Government under Minor head '913-recovery of unspent balance of Grants-in-aid' during the year 2020-21. Bifurcation of the deposited amount into those pertaining to Centrally Sponsored Schemes and State Schemes is not available. The deposited amount, not being actual revenue, is included in the revenue

receipts resulting in overstatement of revenue receipts and understatement of revenue expenditure of the State Government to that extent.

C. Transfers from the Centre

The central transfer to the State in shape of Central Tax Transfer and Grants-in-aid was more than 50 per cent of total Non-debt revenue of the State during 2011-21, except in 2013-14 when it was just below this mark. The ratio of central transfer to non-debt receipt was highest during 2017-18 (62 per cent) due to less collection of own revenue and receipts of compensation for revenue loss arising out of implementation of GST. During 2020-21, the ratio stood at 56 per cent.

Chart 2.6: Transfer from Centre to the State



The devolution of taxes by the Central to State increased consistently from ` 7,170 crore in 2011-12 to ` 23,906 crore in 2018-19. However, it decreased to ` 20,593 crore (decrease of ` 3,313 crore) in 2019-20 and to ` 19,712 crore in 2020-21.

Central tax transfer

Component wise trend of Central Tax Transfers (CTT) over the past five years are depicted in Table 2.6.

Table 2.6: Central Tax Transfers

Head	₹ in crore				
	2016-17	2017-18	2018-19	2019-20	2020-21
Central Goods and Services Tax (CGST)	NA	299	5,900	5,844	5,863
Integrated Goods and Services Tax (IGST)	NA	2,134	471	0	0
Corporation Tax	6,135	6,475	8,313	7,021	5,944
Taxes on Income other than Corporation Tax	4,264	5,467	6,122	5,502	6,093
Customs	2,639	2,134	1,695	1,305	1,050
Union Excise Duties	3,013	2,230	1,126	908	663
Service Tax	3,077	2,404	220	0	85
Other Taxes ²	14	0	59	13	14
Central Tax Transfers	19,142	21,144	23,906	20,593	19,712
Percentage of increase over previous year	20	10	13	-14	-4
Percentage of Central tax transfers to Revenue Receipts	41	40	43	35	35

NA- not applicable

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

There was decrease of CTT in 2020-21 over the previous year by ` 881 crore was due to less transfer of nearly all the taxes except GST and Taxes on income other than corporation tax as shown in the above table. Central Tax Transfer constituted nearly same at 35 *per cent* of the revenue receipts of the State during 2019-20 and 2020-21.

Grants-in-aid from GoI

The growth rate of GIA from GoI showed wide fluctuation between (-) 19.07 *per cent* and 33.21 *per cent* during the period 2016-21. It was lowest during the year 2018-19 mainly due to less grants received for Centrally sponsored schemes viz., Pradhan Mantri Gram Sadak Yojana by ` 528 crore, Swachh Bharat Abhiyan (Gramin) by ` 249 crore and Basic Grants to Local Bodies by ` 538 crore.

Moreover, during 2020-21 it again decreased to (-) 2.51 *per cent* of revenue receipt from 33.21 *per cent* in 2019-20. The decrease in GIA was mainly due to less basic grants received for Rural and Urban Local Bodies of the State under recommendation of the Fourteenth Finance Commission by ` 604 crore and Pradhan Mantri Awas Yojna – Rural by ` 749 crore.

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

Head	2016-17	2017-18	2018-19	2019-20	2020-21
Non-Plan Grants*	1,875.29	-	-	-	-
Grants for State Plan Schemes*	6,792.89	-	-	-	-
Grants for Central Plan Schemes*	78.01	-	-	-	-
Grants for Centrally Sponsored Schemes*	515.16	-	-	-	-
Grants for Special Plan Schemes	-	-	-	-	-
Grants for Centrally Sponsored Schemes (CSS)	-	7,985.24	6,996.85	7,339.05	6,838.85
Finance Commission Grants	-	1,583.03	1,059.89	3,154.60	2,990.50
Other transfers/ Grants to States/Union Territories with Legislature	-	1,844.02	1,178.78	1,809.01	2,164.06
Total	9,261.35	11,412.29	9,235.52	12,302.66	11,993.41
Percentage of increase over the previous year	26.21	23.23	-19.07	33.21	-2.51
Percentage of GIA to Revenue Receipts	19.68	21.63	16.45	21.06	21.36

Source: Finance Accounts

*No figures, since, the nomenclature of plan and non-plan grants was stopped from the year 2017-18 and replaced by Grants for CSS, Finance Commission Grants and Other Grants to States.

Grants-in-aid from GoI to the State fluctuated between ` 9,235.52 crore to ` 12,302.66 crore during 2016-21 and its percentage in revenue receipts ranged between 16.45 to 21.63 *per cent* during the period. Growth of Grants-in-aid decreased to negative 2.51 *per cent* in 2020-21 against 33.21 *per cent* in 2019-20 due to less receipts in CSS Grants and Finance Commission Grants.

Fourteenth Finance Commission Grants (FFC)

Details of grants released by the Central Government to the State Government, on the recommendation of FFC, for urban local bodies and Panchayati Raj Institutions of the State in shape of basic and general performance grants are given in **Table 2.8**.

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

(` in crore)

Transfers	Recommendation of XIV-FC	Actual release by GoI			Release by State Government [#]		
	2015-20	2015-20	2020-21	Total	2015-20	2020-21	Total
Local Bodies							
(i) Grants to PRIs	6,046.74	5,730.25	1,689.00	7,419.25	12,646.77	1,771.19	14,417.96
(a) General Basic Grant	5,442.07	5,234.22	1,689.00	6,923.22	12,646.77	1,771.19	14,417.96
(b) General Performance Grants	604.67	496.03	0.00	496.03			
(ii) Grants to ULBs	1,914.55	1,256.50	733.50	1,990.00	9,199.97	1,930.03	11,130.00
(a) General Basic Grant	1,531.64	1,188.53	530.25	1,718.78	9,199.97	1,930.03	11,130.00
(b) General Performance Grants	382.91	67.97	203.25	271.22			
Total for Local Bodies	7,961.29	6,986.75	2,422.50	9,409.25	21,846.74	3,701.22	25,547.96
State Disaster Response Fund*	2,010.00	1,507.50	568.00	2,075.50	2,010.00	757.00	2,767.00
Grand Total	9,971.29	8,494.25	2,990.50	11,484.75	23,856.74	4,458.22	28,314.96

* Including State share of 25 per cent of total grant [#] includes grants received from GoI

Source: XIV & XV-FC Report and Finance Accounts

Against the recommendation of XIV FC of ` 9,971.29 crore for ULBs and PRIs of the State for the period 2015-21, ` 8,494.25 crore was released by the Central Govt. during the period leading to a short release of ` 1,477.04 crore to the State.

During 2020-21, the recommendation of the XV FC was not made, however, ` 2,990.50 crore was released by the Central Govt. Further, out of total release of ` 4 458.22 crore to the ULBs and PRIs by the State during the year 2020-21, ` 2,990.50 crore was received from the Central Govt. in shape of Basic and Performance grants.

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. Details of capital receipts during 2016-21 are given in **Table 2.9**.

Table 2.9: Trends in growth and composition of capital receipts

(` in crore)

Sources of State's Receipts	2016-17	2017-18	2018-19	2019-20	2020-21
Capital Receipts	7,119.42	8,203.85	7,850.43	9,642.31	13,595.36
Miscellaneous Capital Receipts	0.00	25.09	0.00	0.00	0.00
Recovery of Loans and Advances	38.46	42.41	47.57	49.19	48.78
Net Public Debt Receipts	5,003.51	5,187.81	4,743.34	5,361.72	10,801.76
Internal Debt	4,927.00	5,117.24	4,637.10	5,109.14	8,411.43
Growth rate (in per cent)	(-)	3.86	(-)	10.17	64.63
Loans and advances from GoI	76.51	70.57	106.22	252.44	2,390.33*
Growth rate (in per cent)	5,166.89	(-)	50.52	137.66	846.89
Rate of growth of debt Capital Receipts (per cent)	(-)	14.90	(-)	22.93	41.21
Rate of growth of non-debt capital receipts (per cent)	22.58	76.32	(-)	4.66	(-)
Rate of growth of GSDP (per cent)	14.34	14.21	13.30	5.06	(-)
Rate of growth of Capital Receipts (per cent)	(-)	15.23	(-)	22.83	41.00

Source: Finance Accounts and MoSPI website

*includes 1689 crore received as back to back loans

As depicted in the above table, rate of growth of capital receipts showed wide fluctuation during 2016-21. However, during 2020-21, capital receipts of the State increased significantly over the previous year mainly due to increased borrowings under Market loans (by ` 1,900 crore) and increase in loans & advances by GoI (by ` 2,162 crore).

Growth rate of Internal debt and total receipt showed wide variation during the period 2016-20 mainly due to fluctuation of market loans by the State which ultimately resulted in variation of growth rate of Capital receipts. Non-debt capital receipts increased significantly in 2017-18 due to miscellaneous Capital receipts of ` 25 crore from disinvestment.

During 2020-21, loans from GoI increased significantly by 847 *per cent* mainly due to receipt of loans of ` 1,689 crore in place of GST compensation grants form GoI.

Loans and advances of GoI increased significantly due to special assistance to States for capital expenditure in difficult fiscal environment arising from COVID-19 pandemic and loans to States in lieu of GST compensation shortfall during the year. Due to inadequate balance in GST Compensation Fund during the year 2020-21, Jharkhand received back-to-back loan of ` 1,689 crore against GST compensation grant for loss of revenue arising due to implementation of GST. However, as decided by the Central Govt. the State had no repayment liability for those loans.

2.3.4 State's performance in mobilisation of resources

State's performance in mobilisation of resources is assessed in terms of its own resources comprising own-tax and non-tax sources.

Table 2.10: Tax and non-tax receipts *vis-à-vis* projections for 2020-21

	MTFP projection	Actual	Percentage variation of actual over MTFP projection
Own Tax revenue	21,670	16,880	(-)22.10
Non-tax revenue	11,820	7,564	(-)36.01

(` in crore)

As shown in **Table 2.10**, actual collection of Own-tax revenue and Non-tax revenue during the year 2020-21 was much less than the MTFP projections for the year.

2.4 Application of resources

The State Government is vested with the responsibility of incurring expenditure within the framework of fiscal responsibility legislations, while at the same time ensuring that the ongoing fiscal correction and consolidation process of the State is not at the cost of expenditure directed towards development of capital infrastructure and social sector.

Growth and composition of expenditure

Table 2.11, **Chart 2.7** and **Appendix 2.2** present the trends in Total Expenditure and its composition over the last five years (2016-21).

Table 2.11: Total expenditure and its composition

(₹ in crore)

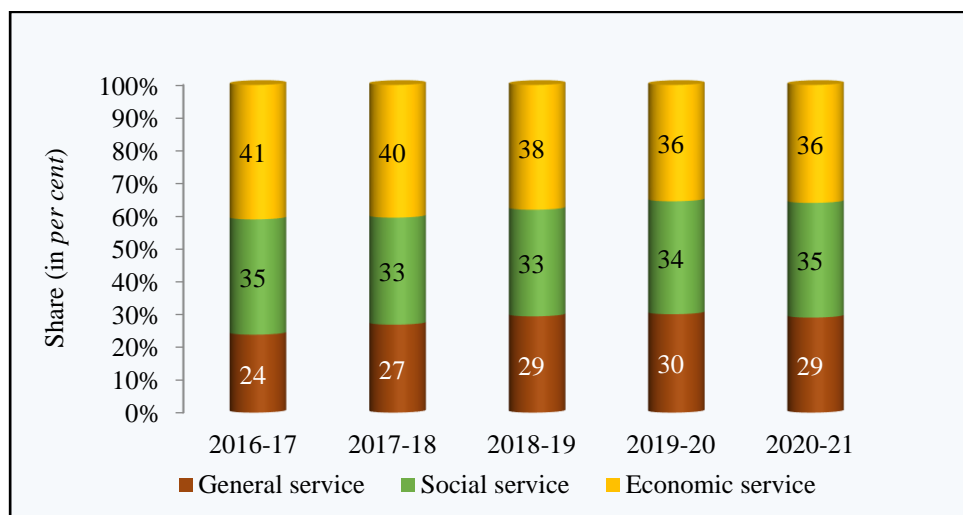
Parameters	2016-17	2017-18	2018-19	2019-20	2020-21
Total Expenditure (TE)	57,285	64,756	62,827	66,501	71,110
Revenue Expenditure (RE)	45,089	50,952	50,631	56,457	59,264
Capital Outlay (CO)	10,861	11,953	10,712	9,879	8,466
Loans and Advances	1,335	1,852	1,485	165	3,380
As a percentage of GSDP					
TE/GSDP	24.20	24.00	20.60	20.70	22.40
RE/GSDP	19.10	18.90	16.56	17.58	18.59
CO/GSDP	4.60	4.43	3.50	3.08	2.65
Loans and Advances/GSDP	0.57	0.69	0.49	0.05	1.07

As shown in the **Table 2.11** ratio of TE, RE, Loans & Advances etc. to GSDP increased during 2020-21 in comparison to its ratio during 2019-20 whereas CEO to GSDP ratio decreased consistently from 2016-17 to 2020-21. The expenditure trend in the table shows increasing trend in Government spending. However, creation of capital asset was not the priority of the State Government during the period.

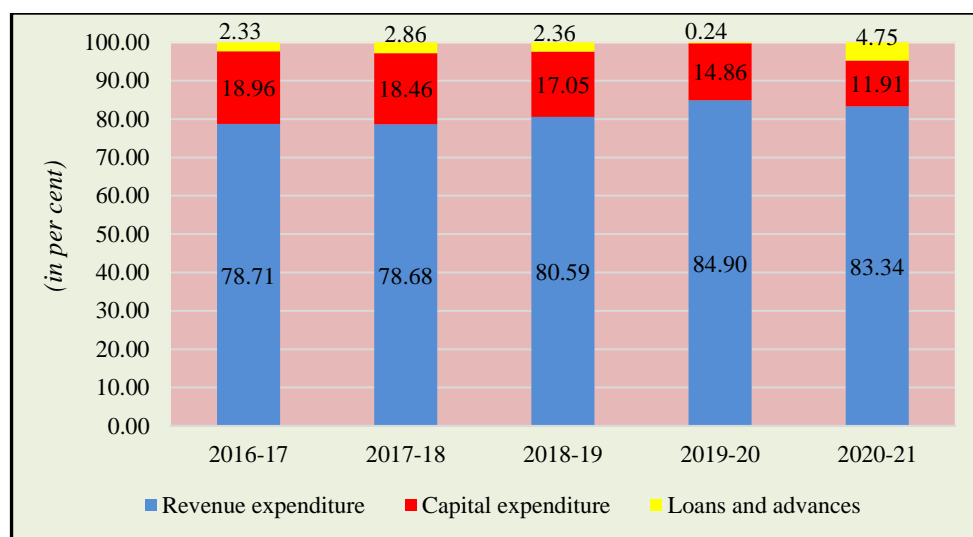
Table 2.12: Relative share of various sectors of expenditure

(per cent)

Parameters	2016-17	2017-18	2018-19	2019-20	2020-21
General Services	23.80	26.90	29.40	30.00	29.00
Social Services	35.20	32.60	32.50	34.50	35.00
Economic Services	41.00	40.50	38.10	35.50	36.00

Chart 2.7: Total Expenditure- Expenditure by Activities

From **Table 2.12** and **Chart 2.7** it is evident that the share of expenditure on general services had been increasing consistently during 2016-20 whereas, it decreased marginally during 2020-21. Share of expenditure on social services and economic services remained nearly same during 2019-20 and 2020-21. It can also be seen from the above table and chart that expenditure on economic services decreased consistently from 41 per cent in 2016-17 to 36 per cent in 2020-21 which was indicative of less priority given by the State in this sector.

Chart 2.8: Total Expenditure- Trends in share of its components

As evident from **Chart 2.8** share of revenue expenditure in total expenditure increased consistently from 78.71 *per cent* in 2016-17 to 83.34 *per cent* in 2020-21, whereas share of capital expenditure decreased from 18.96 *per cent* in 2016-17 to 11.91 *per cent* in 2020-21 despite increasing public debt (year after year) during the period, except in 2018-19.

2.4.1 Revenue Expenditure

Revenue expenditure is incurred to maintain the current level of services and payment for the past obligation. As such, it does not result in any addition to the State's infrastructure and service network.

It was observed that revenue expenditure (RE) as a percentage of total expenditure, increased significantly from 80.6 *per cent* in 2016-17 to 87.5 *per cent* in 2020-21. Further, revenue expenditure as a percentage of GSDP also increased by one percentage point in 2020-21 over the previous year.

Out of total revenue expenditure of ` 59,263.59 crore during 2020-21, ` 30,893.46 crore was spent on establishment and ` 28,370.13 crore on State and Central schemes. Further, out of ` 59,263.59 crore, major share (36 *per cent*) was spent on economic service, followed by social service (35 *per cent*). The overall Revenue Expenditure, its rate of growth, its ratio to Total Expenditure and buoyancy *vis-à-vis* GSDP and Revenue Receipts are indicated in **Table 2.13** and the sectoral distribution of Revenue Expenditure pertaining to 2020-21 is given in **Chart 2.9**.

Table 2.13: Revenue Expenditure – Basic Parameters

Parameters	2016-17	2017-18	2018-19	2019-20	2020-21
Total Expenditure (TE)	57,285	64,756	62,827	66,501	71,110
Revenue Expenditure (RE)	45,089	50,952	50,631	56,457	59,264
Rate of Growth of RE (<i>per cent</i>)	23.40	13.00	-0.60	11.50	5.00
Revenue Expenditure as percentage of TE	78.70	78.70	80.60	84.90	83.30
RE/GSDP (<i>per cent</i>)	19.10	18.90	16.56	17.58	18.69
RE as percentage of RR	95.80	96.60	90.20	96.60	105.50

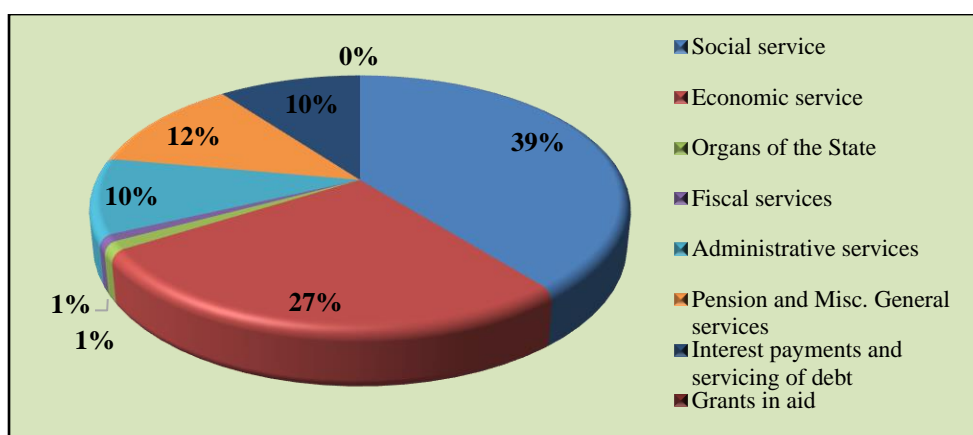
(₹ in crore)

Parameters	2016-17	2017-18	2018-19	2019-20	2020-21
Buoyancy of Revenue Expenditure with					
GSDP (ratio)	1.63	0.91	-0.05	2.27	-3.94
Revenue Receipts (ratio)	1.48	1.07	-0.09	2.85	-1.29

Source: Finance Accounts of respective years

Revenue expenditure on different services as percentage of total revenue expenditure during 2020-21 has been shown in **Chart 2.9**.

Chart 2.9: Sector wise Distribution of Revenue Expenditure



During 2020-21, the growth rate of Revenue Expenditure decreased to five per cent in comparison to 11.5 per cent in 2019-20 and its percentage in total expenditure decreased by 1.6 per cent during the year. However, as a percentage of GSDP, Revenue Expenditure had marginally increased by 1.11 per cent over the previous year. Further, Revenue Expenditure was lower by ₹ 14,052 crore vis-à-vis the budget estimate (₹ 73,316 crore) during 2020-21.

Major changes in Revenue Expenditure

Significant variations under various Heads of Account with regard to Revenue Expenditure of the State during the current year and the previous year are detailed in **Table 2.14**.

Table 2.14: Variation in Revenue Expenditure during 2020-21 compared to 2019-20

Major Heads of Account	2019-20	2020-21	Increase (+)/ Decrease (-)
2040-Taxes on Sales, Trade etc.	80.26	83.24	2.98
2075-Miscellaneous General Services	2.02	0.00	-2.02
2215-Water Supply and Sanitation	655.47	857.29	201.82
2216-Housing	12.79	16.34	3.55
2225-Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities	1,205.41	911.79	-293.62
2236 -Nutrition	436.15	272.19	-163.96
2501-Special Programmes for Rural Development	607.69	1,093.81	486.12
2505-Rural Employment	3,495.94	4,123.14	627.20
2515-Other Rural Development Programmes	3,769.15	3,021.35	-747.80

As shown in the above table, the revenue expenditure on Welfare of SC, ST and Other Backward classed decreased significantly during 2020-21, over

the previous year mainly due to less expenditure on (1) special component plan for scheduled caste (2) tribal area sub-plan (3) education of scheduled tribes and (4) education of backward classes by 32 per cent, 58 per cent, 21 per cent and 11 per cent respectively.

Revenue expenditure on other rural development programmes decreased mainly due to less assistance to Gram Panchayats and tribal area sub-plan by 43 per cent and 38 per cent respectively.

Increase in revenue expenditure on special programs for rural development was result of more expenditure on Swarna Jayanti Gram Swarajgar Yojna by 41 per cent, special component plan for scheduled caste by 88 per cent and tribal area sub-plan by 48 per cent. Similarly, increase in Rural Employment was a result of more expenditure on National Rural Employment Scheme, Special Component Plan for SCs and Tribal Area Sub-plan by nearly 206 per cent each.

2.4.2 Committed expenditure

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

Table 2.15 presents the trends in the components of committed expenditure during 2016-21 and percentage of committed expenditure to Revenue Receipts and Revenue Expenditure during 2016-21.

Table 2.15: Components of Committed Expenditure

(₹ in crore)

Components of Committed Expenditure	2016-17	2017-18	2018-19	2019-20	2020-21
Salaries & Wages	8,927	11,221	12,138	12,832	12,885
Expenditure on Pensions	4,135	5,913	5,991	6,005	6,797
Interest Payments	4,172	4,662	4,852	5,308	5,790
Total	17,234	21,796	22,981	24,145	25,472
As a percentage of Revenue Receipts (RR) (₹ 56,150 crore)					
Salaries & Wages	19.00	21.30	21.60	22.00	22.90
Expenditure on Pensions	8.79	11.21	10.67	10.28	12.11
Interest Payments	8.87	8.84	8.64	9.09	10.31
Total	36.65	41.34	40.91	41.37	45.32
As a percentage of Revenue Expenditure (RE) (₹ 59,264 crore)					
Salaries & Wages	19.80	22.02	23.97	22.73	21.74
Expenditure on Pensions	9.17	11.61	11.83	10.64	11.47
Interest Payments	9.25	9.15	9.58	9.40	9.77
Total	38.22	42.75	45.42	42.74	42.98

During 2020-21, Salaries & Wages, Interest Payments and Pension together accounted for 42.98 per cent of the revenue expenditure against 42.74 per cent in 2019-20 whereas, it consumed 45.32 per cent of the revenue receipts in 2020-21 against 41.37 per cent in 2019-20.

Interest payment

The growth rate of interest payments in 2020-21 was 9.10 *per cent* against 9.40 *per cent* in 2019-20. Percentage of interest payments to revenue receipts increased from 9.09 *per cent* in 2019-20 to 10.31 *per cent* in 2020-21 mainly due to payment of more interest on market loans and interest on balance of State Compensatory Afforestation Fund.

Undischarged liabilities in National Pension System

State Government employees recruited on or after 1 December 2004 are covered under the National Pension System (NPS) which is a defined contributory pension scheme. In terms of the Scheme, the employee contributes 10 *per cent* of basic pay and dearness allowance, which is matched by the State Government and the entire amount is transferred to the designated fund manager through the National Securities Depository Limited (NSDL)/ Trustee Bank.

During 2020-21, employer's contribution of ` 582.16 crore was transferred to NSDL. The State Government transferred ` 581.08 crore against receipt of ` 566.86 crore as employees' contribution to the designated fund manager through NSDL during 2020-21. A balance of ` 25.33 crore remained in the Public Account (Major Head 8342-117-Defined Contribution Pension Scheme) at the end of 2020-21.

Subsidies

As can be seen from the details given in **Table 2.16** there was a significant decrease in expenditure on subsidies during the year 2020-21. Subsidies as a percentage of Revenue Receipts decreased significantly from 7.32 *per cent* in 2019-20 to 5.71 *per cent* in 2020-21. Similarly, as a percentage of Revenue Expenditure, Subsidies decreased significantly from 7.57 *per cent* in 2019-20 to 5.41 *per cent* in 2020-21.

During 2020-21, Government of Jharkhand paid subsidy mainly under Major Heads 2401-Crop Husbandry (` 876 crore), 2801-Power (` 1,000 crore) and 3456- Civil Supplies (` 1,243 crore). No subsidy was given for irrigation. The decrease in subsidy during 2020-21 by ` 1,073 crore over the previous year was mainly due to decrease in subsidy for Agriculture Farms under crop husbandry by ` 600 crore, Mukhya Mantri Krishi Ashirvad Yojna by ` 700 crore, Tariff subsidy through JBVNL for consumers by ` 350 crore and Pradhan Mantri Ujjwala Yojna by ` 116 crore.

Table 2.16: Expenditure on subsidies during 2016-21

	2016-17	2017-18	2018-19	2019-20	2020-21
Subsidies (₹ in crore)	1,859	1,440	2,092	4,275	3,202
Subsidies as a percentage of RR	3.95	2.73	3.73	7.32	5.71
Subsidies as a percentage of RE	4.12	2.83	4.13	7.57	5.41

Source: Finance and Appropriation Accounts

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 institution by way of grants.

Table 2.17: Financial Assistance to Institutions etc.

(₹ in crore)

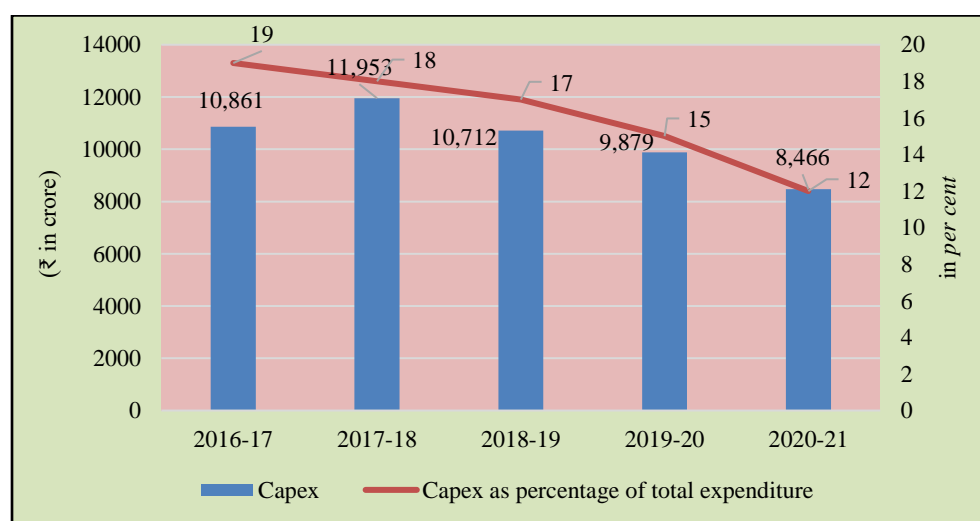
Financial Assistance to Institutions	2016-17	2017-18	2018-19	2019-20	2020-21
(A) Local Bodies					
Municipal Corporations and Municipalities	2,961.14	1,155.11	1,748.50	1,505.45	1,930.03
Panchayati Raj Institutions	2,533.77	1,270.13	2,937.69	2,497.70	1,771.20
Total (A)	5,494.91	2,425.24	4,686.19	4,003.15	3,701.23
(B) Others					
Universities	1,133.03	671.67	621.08	1,265.29	1,771.17
Development Authorities	3,915.39	7,447.41	3,952.30	10,771.73	8,283.26
Public Sector Undertakings	0.00	0.00	0.00	1,753.28	2,119.77
Other Institutions	9,788.69	10,169.67	8,716.24	1,398.01	4,202.24
Total (B)	14,837.11	18,288.75	13,289.62	15,188.31	16,376.44
Total (A+B)	20,332.02	20,713.99	17,975.81	19,191.46	20,077.67
Revenue Expenditure	45,089	50,952	50,631	56,457	59,264
Assistance as percentage of Revenue Expenditure	45.09	40.65	35.50	33.99	33.88

During 2020-21, financial assistance to ULBs increased by ` 424.58 crore mainly due to inclusion of grant provided under recommendation of 15th Finance Commission (by ` 809.03 crore) against ` 401.81 crore recommended by the 14th Finance Commission and Pradhan Mantri Awas Yojna (by ` 203.86 crore). Financial assistance to PRIs decreased due to less receipt of basic grants under recommendations of 15th Finance Commission by ` 547.71 crore over the previous year receipt under recommendations of 14th Finance Commission.

2.4.3 Capital Expenditure

Capital Expenditure (CE) is primarily expenditure on creation of fixed infrastructure assets such as roads, buildings etc.

Chart 2.10: Capital Expenditure in State



Major changes in Capital Expenditure

There was consistent increase in capital expenditure during 2016-17 and 2017-18 however it decreased consistently from ` 11,953 crore in 2017-18 to ` 8,466 crore in 2020-21. During 2020-21, the capital expenditure decreased due to less expenditure on general services by 38 *per cent* and economic services by 14 *per cent* over previous year. Decrease in expenditure on general services was mainly due to less expenditure on police (by ` 236 crore) and on public works (by ` 178 crore) during 2020-21. Expenditure on police decreased mainly due to less allocation for police modernisation and less receipt of central assistance for most Left Wing Extremists affected districts whereas, in public works it was mainly due to less allocation for office and courts buildings during the year.

In spite of less capital expenditure (CE) on economic services in comparison to the previous year the major share of CE was on economic services (` 6,203 crore) in 2020-21. Priority was given to transport (` 3,120 crore), rural development (` 1,283 crore) and irrigation and flood control (` 1,046 crore). However, in comparison to the previous year, there was less expenditure on all these services during 2020-21. Capital Expenditure on Agriculture and Allied Activities decreased significantly from ` 176 crore in 2019-20 to ` 76 crore in 2020-21.

Capital expenditure of the State (` 8,466 crore) was nearly at par to its budget provision (` 8,653 crore) made for the year 2020-21. However, out of budget provision for capital expenditure ` 187 crore was not utilised. A major portion of the savings were mainly from the funds provided for construction of major roads (` 147 crore), loan to Jharkhand Urja Sancharan Nigam Ltd. for transmission (` 142 crore) and Rural Water Drinking Programme by Tubewell and Wells (` 100 crore).

Table 2.18: Capital Expenditure during 2020-21 compared to 2019-20

(₹ in crore)			
Major Heads of Accounts	2019-20	2020-21	Increase (+)/ Decrease (-)
4055- Capital Outlay on Police	806.63	570.88	-235.75
4059-Capital Outlay on Public Works	366.15	188.76	-177.39
4202-Capital Outlay on Education, sports, Art & Culture	258.13	94.87	-163.26
4210-Capital Outlay on Medical and Public Health	347.69	586.13	238.44
4515- Capital Outlay on Other Rural Development	1,991.11	1,283.49	-707.62
4700-Capital Outlay on Major Irrigation	415.13	94.85	-320.28
4801-Capital Outlay on Power Projects	0.00	626.00	626.00
5054-Capital Outlay on Roads and Bridges	3,674.33	3,081.21	-593.12

2.4.4 Quality of capital expenditure

This section presents an analysis of investments and other capital expenditure undertaken by the Government during the current year.

Quality of investments in the companies, corporations and other bodies

As per latest finalised accounts received from 23 companies, net worth of six companies³ was completely eroded as their cumulative net worth was (-) ` 5,261.22 crore as on 31 March 2020.

Further as per accounts 12 companies were loss making and their loss during 2019-20 was ` 1,360.96 crore. Out of these loss making companies, three companies (JBVNL, JUSNL and Jharkhand Rail Infrastructure Development Corporation Ltd.) received Government loans amounting to ` 454.14 crore during 2019-20. Since, loans to these loss-making companies were included in the capital expenditure of the State, it resulted in overestimation of assets.

It was also noticed that the total investment in these SPSEs was ` 18,531.73 crore, of which, total investment by the state was ` 17,317.48 crore as on 31 March 2020. Accumulated loss of these SPSEs was ` 8,166.11 crore as on 31 March 2020.

Investment in equity by the Government

As per Finance Accounts of the State ending 31 March 2021, the Government had invested ` 1,111.65 crore in three Regional Rural Bank⁴ (` 45.73 crore), 18 Government companies (` 904.88 crore) and 21 co-operatives banks and societies (` 161.04 crore) since inception of the State in November 2000. However, verification of PSUs accounts and sanction orders of the State during 2016-17 revealed that the Government accounts had understated investment by ` 124.54 crore during 2000-2016, due to erroneous budgetary categorisation, viz., not providing the investment under the appropriate minor head and depicting investment in share capital as GIA. After being pointed out by Audit, Finance Department of the State had reconciled and corrected investment figures in respect of four companies amounting to ` 65 crore⁵ at the end of 2020-21, however, investments of ` 59.54 crore⁶ against five entities at the end of the current financial year remained still unsettled.

³ Tenughat Vidyut Nigam Ltd. (- ` 1,013.63 crore), Jharkhand Bijli Vitran Nigam Ltd. (- ` 4,187.57 crore), Jharkhand Hill Area Lift Irrigation Corporation Ltd. (- ` 14.31 crore), Jharkhand Silk Textile and Handicraft Development Corporation Ltd. (- ` 36.18 crore), Jharkhand State Forest Development Corporation Ltd. (- ` 7.74 crore) and Jharkhand Plastic Park Ltd. (- ` 1.79 crore).

⁴ State Govt. Kshetriya Gramin Bank (` 18.96 crore), Jharkhand Rural Bank, Ranchi (` 18.37 crore) and Vananchal Rural Bank, Dumka (` 8.40 crore)

⁵ Jharkhand Hill Area Lift Irrigation Corporation ` 5 crore; Jharkhand Urban Infrastructure Development Corporation ` 35 crore; Jharkhand Silk Textile and Handicraft Development Corporation ` 10 crore and Jharkhand Urban Transport Corporation Ltd. - ` 15 crore.

⁶ Greater Ranchi Development Authority- ` 39.14 crore; Jharkhand State Agriculture Development Corporation Ltd. - ` 2 crore; Jharkhand Medical and health Infrastructure Development and Procurement Corporation Ltd. - ` 5 crore; Jharkhand Urja Vikash Nigam Ltd. - ` 8.40 crore and Jharkhand State Food and Civil Supplies Corporation Ltd. - ` 5 crore.

Table 2.19: Return on Investment

Investment/return/ cost of borrowings	2016-17	2017-18	2018-19	2019-20	2020-21
Investment at the end of the year (` in crore)	320.83	376.87	432.87	447.95	1,111.65
Return (` in crore)	0.00	0.00	0.00	0.00	15.00
Return (<i>per cent</i>)	0.00	0.00	0.00	0.00	1.35
Average rate of interest on Government Borrowings(<i>per cent</i>)	6.76	6.98	6.29	6.34	6.13
Difference between interest rate and return (<i>per cent</i>)	6.76	6.98	6.29	6.34	4.78

Source: Finance Accounts

Despite minimal return of ` 15 crore after a long time from one company (Jharkhand State Beverage Corporation Ltd.) on its investments, the State Government made investment of ` 663.70 crore in five⁷ State PSUs and one Co-operative (Tribal Co-operative development) in the form of equity during 2020-21. As evident from the above table there was a huge gap between the cost of government borrowings and return on investment.

Investments made by the erstwhile State of Bihar in form of equities in Damodar Valley Corporation (` 1,781.55 crore) and Tenughat Vidyut Nigam Limited (` 100 crore) up to 14 November 2000 have not yet been apportioned between the successor States of Bihar and Jharkhand.

2.4.5 Loans and Advances given by the Government

Apart from equity investments in the entities shown in **Table 2.19** the State Government has also been providing loans and advances to many of these entities and its employees. **Table 2.20** presents the outstanding loans and advances as on 31 March 2021 and interest receipts *vis-à-vis* interest payments during the last five years.

Table 2.20: Quantum of loans disbursed and recovered during five years

Quantum of loans disbursed and recovered	2016-17	2017-18	2018-19	2019-20	2020-21
Opening Balance of loans outstanding	16,187	17,483	19,292	20,730	20,846
Amount advanced during the year	1,335	1,852	1,486	165	3,380
Amount recovered during the year	39	43	48	49	49
Closing Balance of the loans outstanding	17,483	19,292	20,730	20,846	24,177
Net addition	1,296	1,809	1,438	116	3,331
Interest received	3.88	87.66	14.72	38.91	22.62
Interest rate on Loans and Advances given by the Government.	0.02	0.50	0.08	0.19	0.11
Rate of Interest paid on the outstanding borrowings of the Government	6.76	6.98	7.98	6.34	6.13
Difference between the rate of interest paid and interest received (<i>per cent</i>)	6.74	6.48	7.90	6.15	6.02

A significant portion of the total outstanding loans at the end of March 2021 (` 24,177 crore) was mainly outstanding with power companies (` 23,294 crore) and Water Supply, Sanitation, Housing and Urban Development (` 776 crore).

⁷ Minority Development and Finance Corporation (` 0.50 crore), Jharkhand Industrial Infrastructure Development Corporation (` 7 crore), Jharkhand Central Railway Project (` 25 crore), Hotel Ashok Vihar Ltd. (` 25 crore) and Jharkhand Urja Sancharan Nigam Ltd. (` 626 crore).

Loans was given to Bijli Viral Nigam Ltd. (₹ 2,523 crore) and to Urja Sancharan Nigam Ltd. (₹ 825 crore) for execution of schemes and transmission purposes. Outstanding arrears of loanee entities at the end of March 2021 amounted to ₹ 3,479.86 crore (principal: ₹ 1,810.16 crore and interest: ₹ 1,669.70 crore).

Loan to Jharkhand State Food and Civil Supplies Corporation Ltd. (₹ 44 crore) in 2011-12 was understated in the Government accounts due to incorrect budgetary categorisation under revenue expenditure instead of capital expenditure. Loans to Jharkhand State Electricity Board (JSEB) amounting to ₹ 7,222.18 crore continue to be depicted in the government accounts as receivable from the Board, even though the Board was unbundled in January 2014 into separate companies. Thus, the assets of the State were inflated to the extent of ₹ 7,222 crore.

Further, loans made by the erstwhile State of Bihar to Tenughat Vidyut Nigam Limited (₹ 608 crore) before 14 November 2000 have not been apportioned between the successor States of Bihar and Jharkhand.

2.4.6 Capital locked in incomplete projects

An assessment of trends in capital blocked in incomplete capital works would also indicate quality of capital expenditure. Blocking of funds on 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 in terms of servicing of debt and interest liabilities.

Year wise and Department-wise information pertaining to incomplete projects which were to be completed on or before 31 March 2021 is given in **Table 2.21** and **Table 2.22** respectively.

Table 2.21: Age profile of incomplete projects as on 31 March 2021

(₹ in crore)

Completion Year	No. of incomplete projects	Estimated cost	Expenditure (as on 31 March 2021)	Revised estimates	
				No. of projects	Amount
Upto 2014	6	120	74	3	5
2015	13	174	154	3	7
2016	15	500	268	2	15
2017	21	402	346	6	32
2018	43	520	419	7	31
2019	87	1,842	1,283	10	20
2020	189	4,055	2,125	16	77
Total	374	7,613	4,669	47	187

Table 2.22: Department-wise profile of incomplete projects as on 31 March 2021

(₹ in crore)

Department	No. of incomplete projects	Estd. cost	Expenditure	Revised estimates	
				No. of projects	Estimate increased by
Road construction department	125	4,793.81	2,845.88	21	168.25
Rural development department	102	396.31	266.24	5	2.72
Water resources department	84	1,475.29	841.27	14	8.97
Drinking water and sanitation	42	689.19	598.84	7	7.39
Building construction department	21	258.59	117.01	Nil	Nil
Total	374	7,613.19	4,669.24	47	187.33

Source: Finance Accounts

Out of 374 projects shown in the above table, revised cost of only 47 projects were provided which showed that estimated cost of ` 971.57 crore in those 40 projects escalated by ` 215.14 crore due to non-completion of those projects in time which was offset by revised estimates of seven projects by ` 27.81 crore. Since, the departments did not furnish the details of the remaining projects, their revised cost was not exhibited in the Finance Accounts and was thus not ascertainable.

2.4.7 Capital expenditure transferred to public accounts

It was observed from the Finance Accounts that ` 2,605.33 crore was transferred from the capital head of accounts of the consolidated fund to deposit heads in public account. Out of total amount transferred ` 300.53 crore were transferred to public works deposit head and ` 2,304.80 crore to the deposits of other local funds. Some major items are as shown in **Table 2.23**.

Table 2.23: Transfer from Consolidated fund to Public Account

S. No.	Head of Account				Amount (₹ in crore)
	From		To		
1	4515	Capital Outlay on other Rural Development Programmes	8443	Civil Deposit-108-Public Works Deposit	125.38
2	4801	Capital Outlay on Power Projects	8448	Deposit of Local Funds-107-State Electricity Boards Working Funds	626.00
3	4055	Capital Outlay on Police	8448	Deposit of Local Funds-120-Other Funds	109.53
4	4210	Capital Outlay on Medical and Public Health	8448	Deposit of Local Funds-120-Other Funds	517.96
5	4225	Capital Outlay on Welfare of Welfare of SC, ST, OBC and Minorities	8448	Deposit of Local Funds-120-Other Funds	142.26
6	5054	Capital Outlay on Roads and Bridges	8448	Deposit of Local Funds-120-Other Funds	766.97
Total					2,288.10

The book transfer of fund to public account was mere transfer of fund from

one head to another and was not actual expenditure leading to over statement of expenditure under capital section. Expenditure of those transferred amount from the deposit heads during the financial year could not be ascertained due to non-availability of any details in the accounts of the State. However, it was noticed that under Minor Head 108- public Works Deposits ` 1,871.24 crore was added (including the transactions shown in the above table) in opening balance of ` 4,492.30 crore and ` 2,048.42 crore was spent leading to a balance of ` 4,315.11 crore at the end of March 2021. Similarly, ` 1,113.15 crore (including the transactions shown in the above table) was added in the opening balance of ` 1,155.66 crore under the Minor Head 106- Personal Deposit and ` 522.29 crore spent during the year leading to a balance of ` 1,746.52 crore.

2.4.8 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 framework that enables them to work together to meet the rising demand of the public for infrastructure development.

Table 2.24: Sector-wise details of PPP Projects

(` in crore)

Sl. No.	Sector*	Completed		Ongoing		Planned for future	
		No.	Estd. Cost	No.	Estd. Cost	No.	Estd. Cost
1.	Energy	1	181.43	1	77.00	-	-
2.	Tourism	-	-	1	250.00	-	-
3.	Medical	-	-	1	80.10	-	-
4.	Water Supply & Sanitation	-	-	1	12.00	1	150.00
5.	Roads and Bridges	8	4,372.68	2	642.60	-	-
6.	Education	-	-	-	-	1	17.99*
	Total	9	4,554.11	6	1,061.70	2	167.99

Source: www.pppinindia.gov.in *status not available hence, posted in planned for future column.

2.4.9 Expenditure priorities

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

Table 2.25: Expenditure priority of the State with regards to Health, Education and Capital expenditure

(per cent)

	Loan & Advances Disbursed/AE	CO/AE	CE/AE	SSE/AE	ESE/AE	Education/AE	Health/AE
General Category States (2015-16)	4.33	14.43	18.78	36.26	34.35	15.45	5.45
Jharkhand (2015-16)	14.33	15.63	29.96	21.32	45.33	12.60	4.16
General Category States (2020-21)	1.27	11.77	13.03	37.81	28.48	15.00	6.74
Jharkhand (2020-21)	4.75	11.90	16.66	34.96	35.96	14.16	5.72

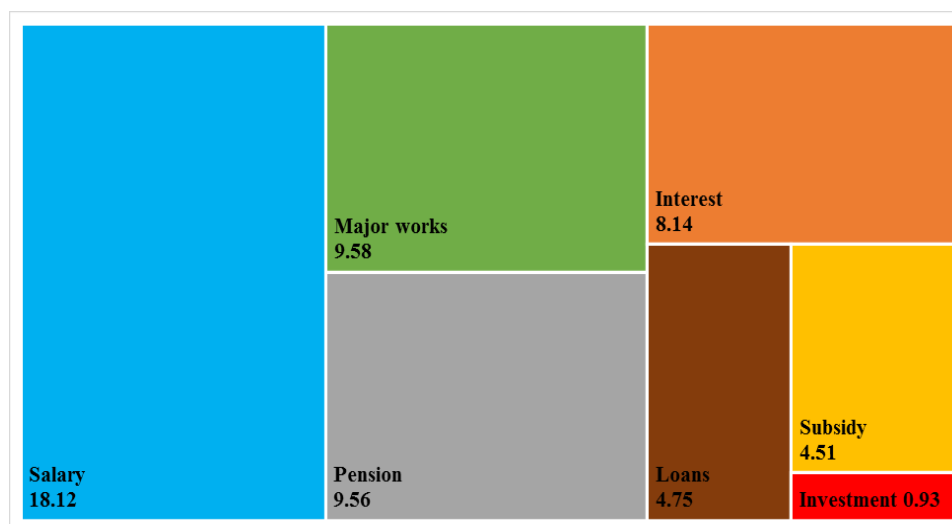
As evident from the table, during 2020-21 the ratio of all segments of expenditure to total expenditure except for expenditure on education and health to aggregate expenditure (AE) has declined in comparison to its ratio during 2015-16. Ratio of overall expenditure on social sector to AE also improved during 2020-21 in comparison to 2015-16.

As evident from the table, in comparison to the average of the General Category States (GCS) on social sector expenditure including education and health the ratio of Jharkhand was less in both the years 2015-16 and 2020-21 which was indicative of less priority of State Govt. on these services. The priorities of expenditure had not changed in since 2015-16 as can be seen from the above table.

2.4.10 Object head wise expenditure

Finance Accounts depict transactions only up to the Minor Head level. Therefore, statement four of the Finance Accounts give a view down to the extent of object head level. **Chart 2.11** gives information about the share of object/ purpose of the Revenue expenditure on major items.

Chart 2.11: Expenditure on Major Items



As depicted in the **Chart 2.11** a huge share of Total Revenue Expenditure (TRE) consumed by the expenditure on Salaries, Pension, Interest Payments and Subsidies during the year 2020-21, however, nearly 10 *per cent* of TRE was utilized on the major works i.e. for creation of infrastructure and assets in the State.

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 for various purposes.

2.5.1 Net Public Account Balances

The component-wise net balances in Public Account of the State are given in **Table 2.26**.

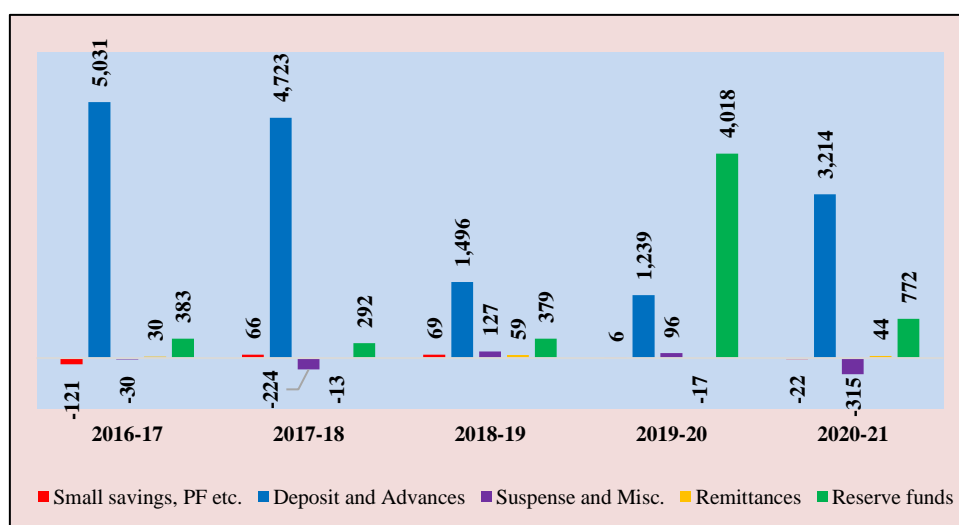
Table 2.26: Component-wise net balances in Public Account as of 31 March 2021

(₹ 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.	(-)1,075.67	(-)1,142.18	(-)1,211.11	(-)1,216.86	(-)1,194.40
J. Reserve Funds	(a) Reserve Funds bearing Interest	(-)1,259.21	(-)1,551.04	(-)1,930.09	-5,948.02	(-)6,320.39
	(b) Reserve Funds not bearing Interest	0.00	0.00	0.00	0.00	0.00
K. Deposits and Advances	(a) Deposits bearing Interest	(-)9.70	(-)13.52	(-)12.64	(-)39.55	(-)25.33
	(b) Deposits not bearing Interest	(-)13,637.80	(-)18,356.40	(-)19,853.80	(-)21,065.20	(-)24,331.45
	(c) Advances	4.94	5.78	6.28	7.15	19.67
L. Suspense and Miscellaneous	(b) Suspense	(-)92.08	132.14	5.42	(-)91.29	(-)146.35
	(c) Other Accounts	1,445.59	392.60	207.09	3,117.62	2,855.90
	(d) Accounts with Govt. of Foreign Countries	0.00	0.00	0.00	0.00	0.00
	(e) Miscellaneous	0.00	0.00	0.00	0.00	1.60
M. Remittances	(a) Money Orders, and other Remittances	28.65	(-)66.84	(-)118.85	(-)114.25	(-)133.68
	(b) Inter-Governmental Adjustment Account	24.15	27.16	19.57	31.95	7.23
TOTAL		(-)14,571.13	(-)20,572.30	(-)22,888.13	(-)25,318.45	(-)29,267.20

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

Chart 2.12: Year-wise changes in composition of public account balances



Net additions in Deposits and Advances during 2020-21 was mainly due to significant increase in credit in the Personal Deposits (by ₹ 590.87 crore)

under major head- '8443- civil deposits' together with State Electricity Boards Working Funds (by ` 968.81 crore) and other funds (by ` 1,378.16 crore) under major head- '8448- deposits of local funds' during the year. Reserve fund bearing interest increased significantly due to credit of ` 978 crore to State Disaster Response Fund during the year.

2.5.2 Reserve Funds bearing interest

Reserve Funds are created for specific and defined purposes under the Public Account of the State Government. These funds are met from contributions or grants from the Consolidated Fund of the State. There are two interest bearing reserve funds in the State during the year 2020-21; (1) State Disaster Response Fund and (2) State Compensatory Afforestation Fund.

State Disaster Response Fund

As per Para 7 of SDRF guidelines 2015, the State Government is required to transfer the contribution to the SDRF received from GoI along with its share to Public Account head within 15 days of its receipt. Any delay will require the State Government to release the amount with interest (Bank Rate of RBI) for the number of days of delay.

It was noticed that during 2020-21, the State Government transferred the contribution from GoI along with its share into Public Account with a delay of 252 days (` 284 crore) and 2 days (` 284 crore) after receipt of Central share, for which the State Government was liable to pay interest of ` 11.86 crore, which was not paid.

As per Para 19 and 20 of SDRF guidelines 2015, the balances under the funds should be invested by the State in (a) Central Government dated securities (b) auctioned treasury bills and (c) interest earning deposits and certificates of deposits with Scheduled Commercial Banks. The Finance Department of the Government of Jharkhand, had informed (July 2019) that ` 400 crore was invested in Scheduled Commercial Banks during the year 2012-13.

Further, as per the guidelines, the Government was required to pay interest on the non-invested balances at the rate of interest (6.20 *per cent*) payable on overdrafts, which is to be added to the corpus of the fund itself. However, GoJ had not paid any interest to SDRF since its creation, which works out to ` 797.98 crore at the applicable rates of interest for the period 2011-21. Of this, unpaid interest for 2020-21 alone amounted to ` 128.08 crore (` 116.22 crore and ` 11.86 crore), resulting in overstatement of revenue surplus and understatement of fiscal deficit for the year. Consequently, the non-invested balances of ` 2,520.47 crore in the Fund as on 31 March 2021 are only book entries and do not represent actual cash balance. Such unpaid interest, since the operation of the fund represents the unaccounted liabilities of the State.

Table 2.27: Details of expenditure charged to SDRF

(₹ in crore)

Major Head of Account	Minor Head of Account	Expenditure during 2020-21
2245- Relief on Account of Natural Calamities 01- Drought	101-Gratuitous Relief	0.00
	102-Drinking Water Supply	11.11
Sub Total		11.11
2245- Relief on Account of Natural Calamities 02- Floods, Cyclones etc.	101-Gratuitous Relief	1.40
	113-Repairs and reconstruction of Houses	1.92
	114-Assistances to farmers for purchase of agriculture input	4.11
Sub Total		7.43
2245- Relief on Account of Natural Calamities 05-State Disaster Response Fund	101-Transfer to reserve fund and deposit account- SDRF	978.00
	901- Deduct - Amount met from State Disaster Response Fund	394.52
Sub Total		583.48
2245- Relief on Account of Natural Calamities 80- General	Direction and administration, Training of disaster preparedness, management of Natural Disasters etc.	376.97
Sub Total		376.97
Grand Total		978.99

State Compensatory Afforestation Fund

As per CAF (Accounting Procedure) Rules, 2018, all monies realised from the User Agencies are required to be credited to Minor Head “103-State Compensatory Afforestation Deposits” below the Major Head “8336-Civil Deposits” at the first instance. Thereafter, 90 per cent shall be transferred to Minor Head “129-State CAF” below the Major Head “8121-General and other Reserve Funds”. Balance 10 per cent shall be transferred to National Fund on monthly basis by crediting Minor Head “102-National Compensatory Afforestation Deposits” under the Major Head “8336-Civil Deposits- 11-Jharkhand”.

Besides, on receipt of 90 per cent of the State’s share from *ad hoc* Authority (onetime measure), the same shall also be credited to Minor Head “129-State Compensatory Afforestation Fund” below the Major Head “8121-General and other Reserve Funds.”

During 2020-21, the receipt in the fund was ` 399.12 crore and expenditure incurred out of the fund during the year was ` 210.24 crore leaving a balance of ` 4,199.92 crore in SCAF as on 31 March 2021.

Since, the SCAF is an interest bearing reserve fund, the Government is required to pay interest as per the Reverse Repo Rate of RBI as on 1 January (4.90 per cent and 3.35 per cent for the year 2019-20 and 2020-21 respectively) on the closing balances (` 4,011.03 crore) of the year, which amounts to ` 329.58 crore, against which the Government paid ` 228.70 crore during 2020-21 leaving an unpaid interest balance of ` 100.88 crore.

2.5.3 Reserve Funds not bearing interest

Consolidated Sinking Fund

Following the recommendations of the Twelfth Finance Commission, the State has created a Consolidated Sinking Fund for amortisation of all loans including loans from banks, liabilities on account of National Small Savings Funds etc., during 2016-17.

GoJ had an outstanding debt of ` 94,406.60 crore at the beginning of the year 2020-21, for which, GoJ made budget provision of ` 303.87 crore and transferred the amount into the Sinking Fund during the year.

As per guidelines of the fund, State may contribute a minimum of 0.50 *per cent* of their outstanding liabilities (internal debt + public account) as at the end of the previous year to the consolidated sinking fund.

Guarantee Redemption Fund

The Constitution of India provides that a State may borrow, within the territory of India, upon the security of its Consolidated Fund, within such limits, as may from time to time, be fixed by the Act of its Legislature and give guarantees within such limits as may be fixed.

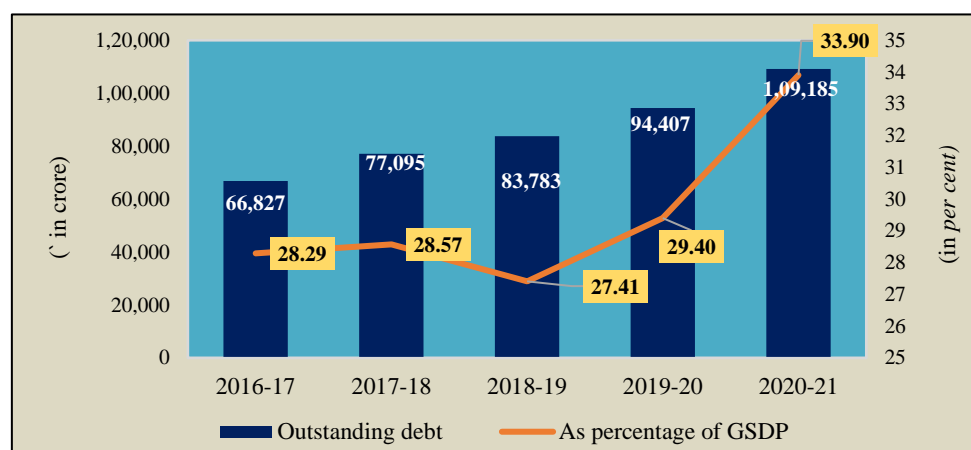
As per the recommendation of the Twelfth Finance Commission, the GoJ was required to constitute a Guarantee Redemption Fund (GRF) through earmarked guarantee fees. This was to be preceded by risk weighting of guarantees. The quantum of contribution to the fund was to be decided accordingly. The accumulations in the Fund are to be utilised only towards payment of the guarantees issued by the Government and not paid by the institutions on whose behalf guarantee was issued. However, the Fund has not been created.

As per Finance Accounts of the Govt. of Jharkhand Guarantee amounting to ` 607.15 crore was given by the State as of 31 March 2021.

2.5.4 Debt management

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

Total debt of the Government and its percentage to GSDP for the period 2016-21 has been shown in **Chart 2.13**. Abstract of liabilities and assets of the State as on 31 March 2021 are given in **Appendix 2.3**.

Chart 2.13: Total debt of the Government and its percentage to GSDP

2.5.4.1 Debt profile: Components

Total debt of the State Government typically constitutes of internal debt of the State (market loans, ways and means advances from RBI, special securities issued to National Small Savings Fund and loans from financial institutions, etc.), loans and advances from the Central Government.

Details of availability of funds on account of receipts and repayments under public debt and public account liabilities during 2016-21 are given in **Table 2.28**.

Table 2.28: Component wise debt trends

		(₹ in crore)				
		2016-17	2017-18	2018-19	2019-20	2020-21
Total Debt		66,826.97	77,095.03	83,782.93	94,406.60	1,09,184.99
<i>Public Debt</i>	<i>Internal Debt</i>	48,682.31	53,799.09	58,436.19	63,545.46	71,956.90
	<i>Loans & Advances from GoI</i>	2,162.29	2,232.85	2,339.08	2,591.52	4,981.45
<i>Liabilities on Public Account</i>		15,982.37	21,063.09	23,007.66	28,269.62	32,246.24
Rate of growth of outstanding debt (percentage)		18.21	15.37	8.67	12.68	15.65
Gross State Domestic Product (GSDP)		2,36,250	2,69,816	3,05,695	3,21,157	3,17,079
Total Debt/GSDP (per cent)		28.29	28.57	27.41	29.40	33.90 [#]
Total Debt Receipts		19,192.64	25,205.53	22,223.80	30,980.35	32,562.62
Total Debt Repayments		8,896.17	14,937.47	15,535.90	20,356.68	17,784.23
Interest payments		4,172.00	4,661.68	4,851.97	5,307.71	5,790.00
Net availability of borrowed funds		6,124.47	5,606.38	1,835.93	5,315.96	8,988.39
Debt Repayments/Debt Receipts (percentage)		68.09	77.76	91.74	82.84	72.40

[#] 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 effective outstanding overall debt would be ₹ 1,07,495 crore as the Department of Expenditure, GoI has decided that GST compensation of ₹ 1,689 crore given to the State as back to back loan under debt receipts would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission.

Increasing liabilities raised the issue of sustainability of State Government Finances. Moreover, apportionment of fiscal liabilities of the composite Bihar State between successor States of Bihar and Jharkhand has not been done so far.

Net availability of borrowed funds showed wide fluctuations between ` 1,836 crore and ` 8,988 crore during 2016-21. However, it increased significantly from ` 5,315.96 crore in 2019-20 to ` 8,988 crore in 2020-21. During 2020-21, the main contributors in the available borrowed funds was market loans taken by the Government (` 8,900 crore).

During 2020-21, the receipts of the State under public debt and other liabilities increased by merely five *per cent* against 39.40 *per cent* increase in 2019-20. Repayment of public debt and other liabilities including interest decreased by eight *per cent* over the previous year resulting in more availability of borrowed funds to the State. However, major share of borrowed funds was utilised for discharging existing liabilities during 2020-21. Component wise debt trends during 2020-21 has shown in **Chart 2.14**, whereas, **Chart 2.15** shows further breakup of components of public debt and public accounts in overall debt of the State. **Chart 2.16** shows receipts and repayment of internal debt during the period 2016-21.

Chart 2.14: Break up of Total Debt at the end of 2020-21

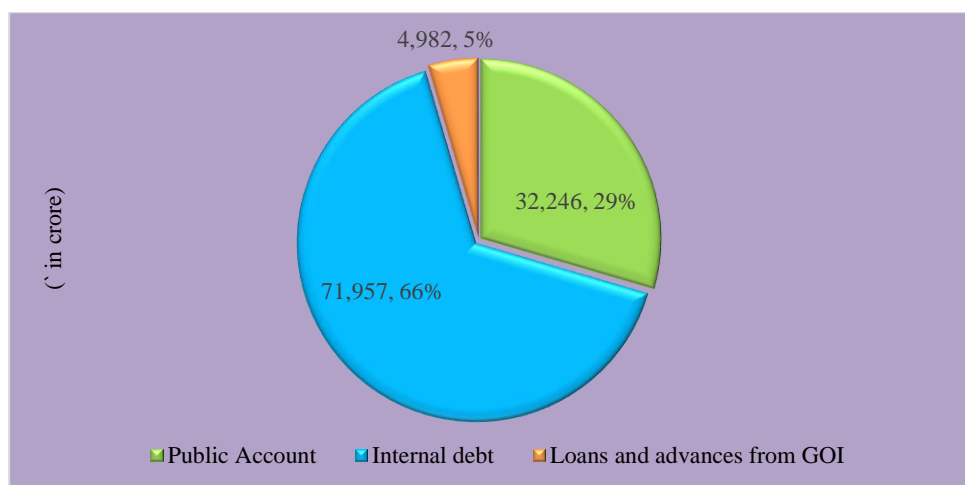


Chart 2.15: Components of public debt and public accounts in overall debt

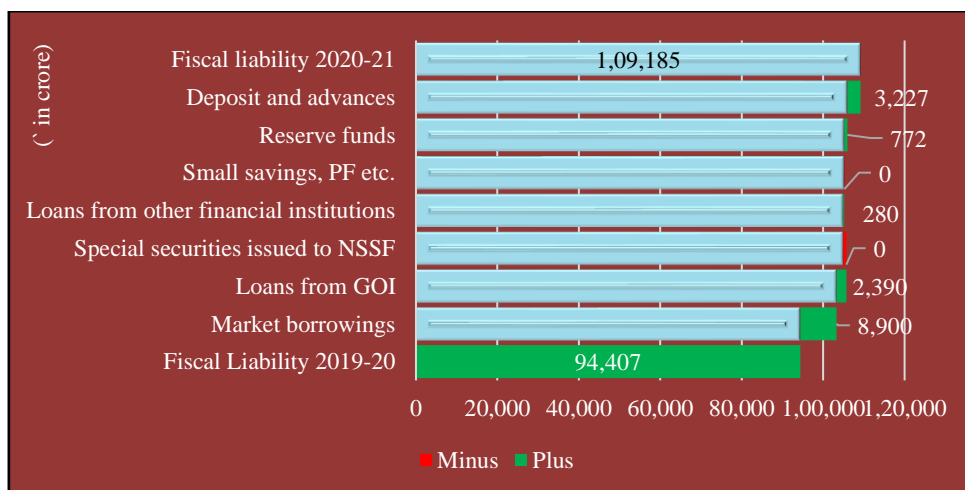
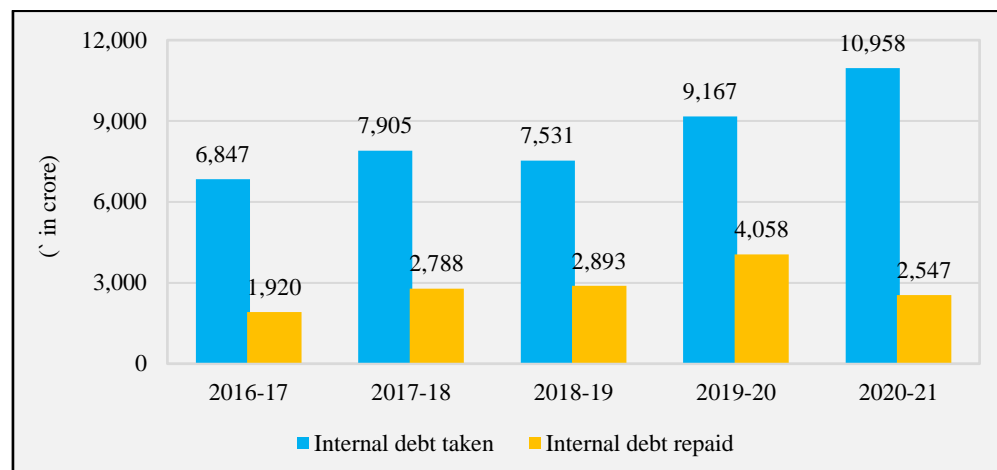


Chart 2.16: Internal Debt taken vis-à-vis repaid

Details of financing pattern of fiscal deficit during the period 2016-21 are given in **Table 2.29**.

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						
1	Revenue Surplus/Revenue Deficit	1,965	1,804	5,521	1,960	-3,114
2	Net Capital Expenditure	-10,861	-11,928	-10,712	-9,879	-8,466
3	Net Loans and Advances	-1,296	-1,809	-1,438	-116	-3,331
Financing Pattern of Fiscal Deficit						
1	Market Borrowings	4,725	4,807	4,023	5,656	8,900
2	Loans from GOI	77	71	106	252	2,390
3	Special Securities issued to NSSF	-733	-746	-757	-769	-769
4	Loans from Financial Institutions	934	1,054	1,371	222	281
5	Small Savings, PF, etc.	-121	66	69	6	-23
6	Deposits and Advances	5,031	4,722	1,496	1,238	3,215
7	Suspense and Miscellaneous	-30	-224	127	97	53
8	Remittances	-30	93	60	-17	44
9	Reserve Fund	383	292	379	4,018	772
10	Investment in earmarked fund	0.00	0.00	0.00	0.00	304
11	Overall Deficit	10,236	10,135	6,874	10,703	15,167
12	Increase/Decrease in cash balance	-43	1,798	-245	-2,668	-256
13	Gross Fiscal Deficit	10,193	11,933	6,629	8,035	14,911

As can be seen from the above table that Fiscal Deficit (₹ 14,911 crore) was result of expenditure of ₹ 11,797 crore (₹ 8,466 crore + ₹ 3,331 crore) on capital expenditure and loans and advances whereas, ₹ 3,114 crore was a result of revenue expenditure on repayment of principal and interest of borrowings by the State in previous years.

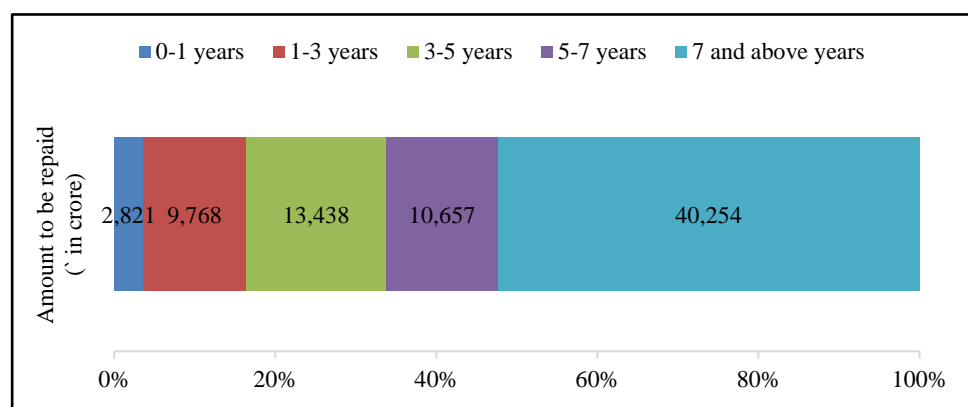
During 2020-21, the fiscal deficit of ₹ 14,911 crore was mainly financed by Market Borrowings (₹ 8,900 crore), Deposits and Advances (₹ 3,215 crore) and GoI loans (₹ 2,390 crore).

2.6 Debt Maturity profile and Repayment

Debt maturity and repayment profile indicates commitment on the part of the Government for debt repayment or debt servicing.

Table 2.30: Debt Maturity profile of repayment of State debt

Period of repayment (Years)	Amount (₹ in crore)	Percentage w.r.t. Public debt
0 – 1	2,821.44	4
1 – 3	9,767.95	13
3 – 5	13,437.89	17
5 – 7	10,657.38	14
7 and above	40,254.08	52
Total	76,938.75	100

Chart 2.17: Debt Maturity profile

As evident from the **Table 2.30** and **Chart 2.17** depicting maturity profile of public debt, the redemption pressure is likely to rise from the year 2022-23 and reach a peak from the year 2025-26 due to maturity of Jharkhand Government stock.

2.6.1 Fiscal Deficit and Debt Sustainability

In the above context of fiscal sustainability, the Thirteenth Finance Commission defined debt sustainability in terms of debt-GSDP ratio and also in terms of interest payments relative to revenue receipts. The Fourteenth Finance Commission (FFC) recommended for fiscal consolidation for the Central and State Government and provided limits for fiscal deficit and debt stock as a percentage of GSDP. Government of Jharkhand in its FRBM Act, 2007 decided to maintain its fiscal deficit at not more than three *per cent* of the estimated GSDP. In view of FRBM Act, target of debt stock to GSDP percentage were given every year in the MTFP statement submitted with the budget.

The status of debt stock *vis-à-vis* the FFC targets and FRBM targets were as provided in **Table 2.31**.

Table 2.31: Debt sustainability – FRBM indicator based analysis

Year	Fiscal Deficit to GSDP (in per cent)		Debt stock to GSDP (in per cent)		Interest Payment to Revenue Receipts (in per cent)	
	Target as per MTEP prepared under FRBM Act	Actual	Target as per MTEP prepared under FRBM Act	Actual	FFC targets	Actual
2016-17	2.16	4.31	28.30	28.29	8.63	8.87
2017-18	2.49	4.42	27.90	28.57	8.54	8.84
2018-19	2.61	2.17	27.20	27.41	8.32	8.64
2019-20	2.09	2.50	27.10	29.40	8.08	9.09
2020-21	5.00*	4.70	32.60	33.90 [#]	-	10.31

Source: Finance Accounts of the respective years, MTEP and FC Report

[#] 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 State Government maintained the fiscal deficit within the targets during 2020-21. As evident from **Table 2.31**, Debt to GSDP ratio was higher than its targets during the period 2016-21. Normative projection for ratio of interest payment to revenue receipts (burden of interest payment) was not provided by the Fifteenth Finance Commission for the year 2020-21.

2.6.2 Utilisation of borrowed funds

Borrowed funds should ideally be used for capital creation and developmental activities. Using borrowed funds for meeting current consumption and repayment of interest on outstanding loans is not sustainable. Utilization of borrowed funds are shown in **Table 2.32**

Table 2.32: Utilisation of borrowed funds

		(` in crore)				
Sl. No.	Year	2016-17	2017-18	2018-19	2019-20	2020-21
1	Total Borrowings	7,081.42	8,136.85	7,803.43	9,593.12	13,546.58
2	Repayment of earlier borrowings (Principal)	2,077.88	2,949.50	3,060.10	4,231.40	2,744.82
3	Net capital expenditure	10,861.00	11,927.62	10,711.71	9,878.71	8,465.66
4	Net loans and advances	1,296.00	1,809.00	1,438.43	116.24	3,330.99
5 (1-2-3-4)	Portion of Revenue expenditure met out of net available borrowings	-7,153.46	-8,549.27	-7,406.81	-4,633.23	-994.89

Source: Finance Accounts

The State had to repay of ` 2,744.82 crore for earlier borrowings during 2020-21 which was met from the borrowings of the current year along with revenue deficit occurred during the year leading to less availability of borrowed funds for the capital expenditure and loans and advances given by the State. The part of capital expenditure not covered by the public debt was met from the public account balances.

Out of total borrowed fund 62 per cent was utilised for expenditure on capital expenditure (` 8,466 crore) and 25 per cent on payment of loans and advances. Balance 13 per cent of borrowed fund was utilised on revenue expenditure i.e. for repayment of borrowings (` 1,749 crore).

2.6.3 Status of Guarantees (Contingent Liabilities)

The Constitution of India provides that a State may borrow, within the territory of India, upon the security of its Consolidated Fund, within such limits, as may from time to time, be fixed by the Act of its Legislature and give guarantees within such limits as may be fixed. 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.

The Government of Jharkhand has neither created guarantee redemption fund nor made any policy in this regard. However, the government has given Letter of Comfort (LOC) amounting to ₹ 450 crore in favour of Jharkhand Bijli Vitaran Nigam Limited in December 2018. Further, LOC of ₹ 157.15 crore given on behalf of JSEB in February 2013 was pending for clearance in the accounts of the government even after unbundling of the JSEB in January 2014.

Table 2.33: Guarantees given by the State Government

(₹ in crore)

Guarantees	2016-17	2017-18	2018-19	2019-20	2020-21
Outstanding amount of guarantees including interest	157.15	157.15	607.15	607.15	607.15

2.7 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 was revised by the RBI from time to time (₹ 936.00 crore w.e.f. 1 April 2020 which subsequently increased to ₹ 1,152.00 crore w.e.f. 17 April 2020).

However, no ways and Means Advances and Overdraft were received by the State Government in the year 2020-21.

State Government invests its surplus cash balance 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'.

Table 2.34 shows comparative details of general cash balance and its investment during 2019-20 and 2020-21 and **Table 2.35** shows position of Cash Balance Investment Account (Major Head-8673) during the period 2016-21.

Table 2.34: Cash Balances and their investment

(₹ in crore)

	Opening balance on 1 April 2020	Closing balance on 31 March 2021
A. General Cash Balance		
Cash in treasuries	0	0
Deposits with Reserve Bank of India	-54.14	160.55
Deposits with other Banks	0	0
Remittances in transit – Local	0	0
Sub-total	-54.14	160.55
Investments held in Cash Balance investment account	3,070.62	2,811.20
Total (A)	3,016.48	2,971.75
B. Other Cash Balances and Investments		
Cash with departmental officers viz., Public Works, Forest Officers	46.84	44.54
Permanent advances for contingent expenditure with department officers	0.16	0.16
Investment in earmarked funds	400.00	703.87
Total (B)	447.00	748.57
Total (A + B)	3,463.48	3,720.32
Interest realised	147.42	58.59

Source: Finance Accounts

The balance in the Cash Balance Investment Account as on 31 March 2021 was ` 2,811.20 crore and the interest realised on investment during 2020-21 was ` 58.59 crore.

During 2020-21, the cash balance investment of the State decrease due to less receipt of State Compensatory Afforestation Fund as during 2019-20, the State Government received ` 4,158.02 crore from the Central Government towards 90 per cent of the State's share lies with ad hoc Authority including interest of ` 220.13 crore and credited to the Jharkhand Compensatory Afforestation Fund (JCAF).

State invested ` 400 crore from earmarked fund of SDRF during 2012-13 and ` 303.87 crore out of Sinking Fund during 2020-21 in Scheduled Commercial Banks.

Table 2.35: Cash Balance Investment Account (Major Head-8673)

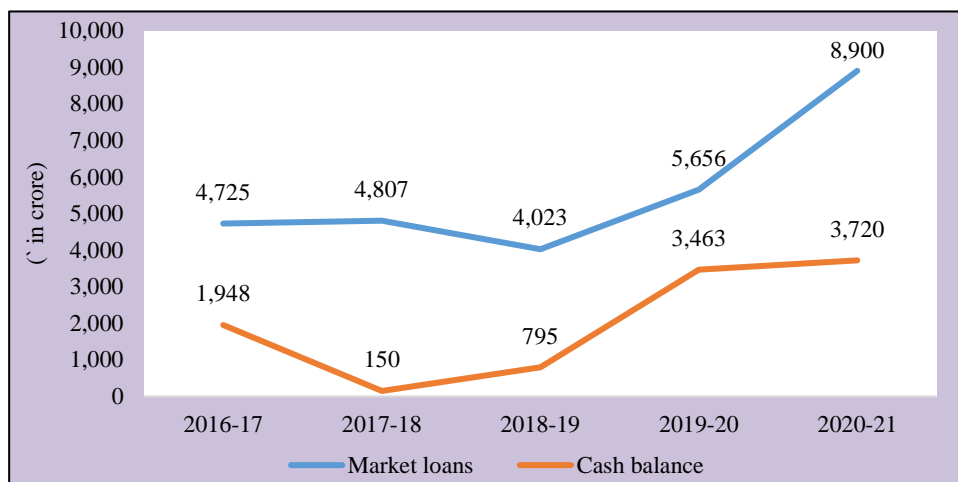
(₹ in crore)

Year	Opening Balance	Closing Balance	Increase (+) / decrease (-)	Interest earned
2016-17	2,102.04	1,439.09	-662.95	117.01
2017-18	1,439.09	354.56	-1,084.53	78.56
2018-19	354.56	167.90	-186.66	31.43
2019-20	167.90	3,070.62	2,902.72	147.42
2020-21	3,070.62	2,811.20	-259.42	58.59

There was a difference of ` 168.09 crore (net debit) between the figures reflected in the accounts { ` 160.55 crore (debit) } and that intimated by the RBI { (` 7.53 crore (debit) }. This difference has been taken up by the Principal Accountant General (A&E), Jharkhand with RBI, Ranchi for reconciliation and necessary correction.

Chart 2.18 shows comparative trend of market loans (net) and cash balances during the last five years.

Chart 2.18: Trend of market loans (net) and cash balances



It is not desirable that State Government take recourse to market loans despite having large cash balances leading to further accretion to cash balances without putting it to productive use.

During the year 2020-21, the State Government raised ₹ 8,900 crore from the market, while at the same time, the cash balance increased from ₹ 3,463 crore to ₹ 3,720 crore, indicating that much of the borrowing was avoidable.

2.8 Conclusion

Deficit indicators, revenue augmentation and expenditure management are major yardsticks for judging the fiscal performance of the Government.

The State has achieved the target of reducing its revenue deficit to zero, much before the time line given in FRBM Act. The State had a revenue surplus in last five years, except in 2020-21 when Revenue Deficit of ₹ 3,114 crore was recorded. Similarly, during the period Fiscal Deficit of the State was also within the targets.

During 2020-21, revenue expenditure of the State constituted 83.3 per cent of the total expenditure of which 42.98 per cent was utilised on Salaries & Wages, Interest Payments and Pension. Salaries & Wages, Interest Payments and Pension consumed 45.32 per cent of the revenue receipts in 2020-21 whereas, capital expenditure decreased from 14.86 per cent in 2019-20 to 11.91 per cent in 2020-21. Decrease in capital expenditure by ₹ 1,413 crore was mainly due to less expenditure on general services by 38 per cent and economic services by 14 per cent over previous year.

In total expenditure the share of expenditure on general services increased consistently during 2016-20 whereas, it decreased marginally (29 per cent) during 2020-21. Share of expenditure on social services (35 per cent) and economic services (36 per cent) remained nearly same during 2019-20 and 2020-21. Out of total borrowed funds during 2020-21, the State utilised 62 per cent on capital expenditure (₹ 8,466 crore) and 25 per cent on payment

of loans and advances. Remaining 13 *per cent* of the borrowed fund was utilised on repayment of borrowings (₹ 1,749 crore).

As per annual accounts of the State ending 31 March 2021, the Government had invested ₹ 1,111.65 crore (in government companies, rural bank and co-operative institutions) since inception of the State in November 2000. The returns on the investments was negligible during 2020-21 while the Government paid an average interest rate of 6.13 *per cent* on its borrowings during 2020-21.

Apart from investments, a huge amount of loans (₹ 24,177 crore) given by the government to its entities were outstanding at the end of March 2021.

Overall fiscal liabilities (Total Debt) increased from ₹ 94,407 crore in 2019-20 to ₹ 1,09,185 crore in 2020-21. The fiscal liabilities to GSDP ratio was 33.90 *per cent* against the MTFP target of 32.60 *per cent*. Increasing liabilities raised the issue of sustainability of State Government Finances. Apportionment of fiscal liabilities of the composite Bihar State between successor States of Bihar and Jharkhand has not been done so far.

The government had not paid any interest to SDRF since its creation, which works out to ₹ 797.98 crore at applicable rates of interest for the period 2011-21. Non-payment of interest had an impact on Revenue deficit and Fiscal Deficit of the State. Further, Government transferred ₹ 303.87 crore to Sinking Fund during the year.

2.9 Recommendations

- *The State Government should rationalise its investments and loans advanced to various entities such that the return on investment and loans at least matches the Government borrowing costs. Otherwise, increasing fiscal liabilities accompanied by negligible rate of returns in investments might lead to a situation of unsustainable debt.*
- *State has to put in concerted efforts to improve its fiscal performance to achieve the targets laid down in the FRBM Act and MTFP statements after mid-term review.*