

CHAPTER-I

OVERVIEW

Chapter 1: Overview

1.1 Profile of the State

Haryana is located near the National Capital. Out of 22 districts of Haryana, 14 are part of the National Capital Region. It is the 21st largest State in terms of geographical area (44,212 sq km) and 18th by population (as per 2011 census). The State's population increased from 2.11 crore in 2001 to 2.54 crore in 2011 recording a growth of 20.38 *per cent*. The percentage of population below the poverty line was 11.16 which is lower than the all-India average of 21.92. The State's Gross State Domestic Product (GSDP) in 2020-21 at current prices was ₹ 7,64,872 crore. The State's literacy rate increased from 67.91 *per cent* (as per 2001 census) to 75.60 *per cent* (as per 2011 census) (*Appendix 1.1*). The per capita income of the State for 2020-21 ₹ 2,39,535¹.

1.1.1 Gross State Domestic Product of the State

The Gross State Domestic Product (GSDP) 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 as shown in *Table 1.1*.

Table 1.1: Trends in GSDP compared to the National Gross Domestic Product (GDP)

(₹ in crore)

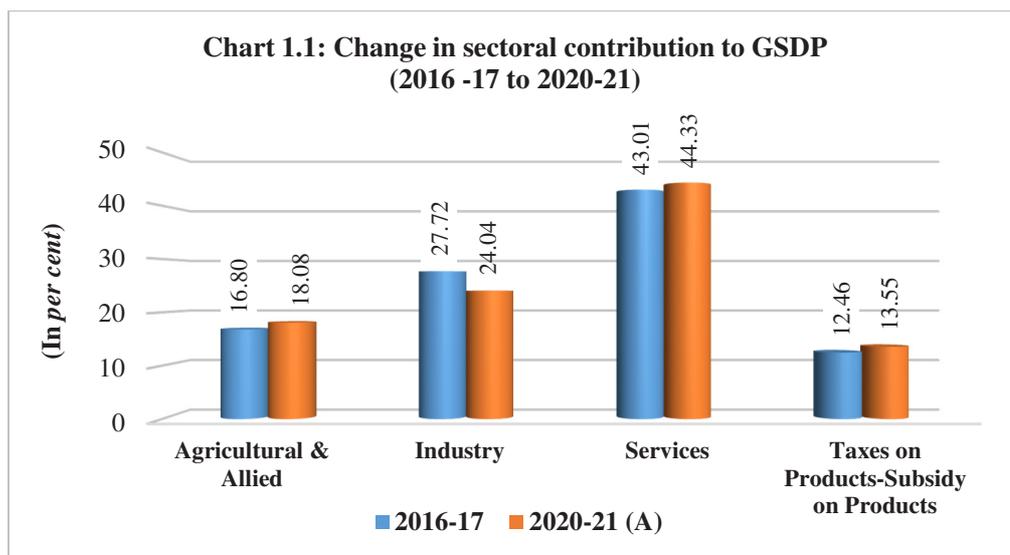
Year	2016-17	2017-18	2018-19 (P.E.)	2019-20 (Q.E.)	2020-21 (A.E.)
National GDP at current prices	1,53,91,669	1,70,90,042	1,88,86,957	2,03,51,013	1,97,45,670
Growth rate of GDP over previous year (in <i>per cent</i>)	11.76	11.03	10.51	7.75	(-)2.97
State's GSDP at current prices	5,61,424	6,44,963	7,04,957	7,80,612	7,64,872
Growth rate of GSDP over previous year (in <i>per cent</i>)	13.30	14.88	9.30	10.73	(-)2.02

Source: Economic Survey (2020-21) of Government of India and Department of Economics and Statistics, Haryana.

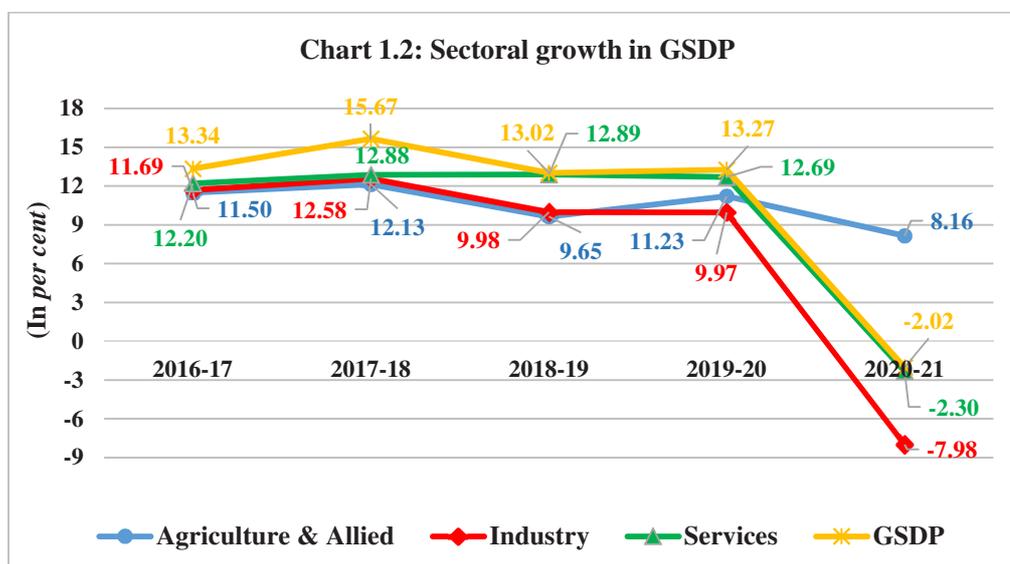
P.E.-Provisional Estimates, Q.E.-Quick Estimates, A.E.-Advance Estimates

Changes in sectoral contribution to the GSDP is also important to understand the changing structure of economy. The economic activity is generally divided into Primary, Secondary and Tertiary sectors, which corresponds to the Agriculture, Industry and Service sectors. Changes in sectoral contribution to GSDP and sectoral growth in GSDP during 2016-17 to 2020-21 has been picturised in *Charts 1.1 and 1.2*.

¹ Source: Economic Survey of Haryana, 2020-21



Source: Department of Economics and Statistics, Haryana



Source: Department of Economics and Statistics, Haryana

1.2 Basis and Approach to State Finances Audit Report

In terms of Article 151 (2) of the Constitution of India, the reports of the Comptroller and Auditor General of India (CAG) relating to the accounts of a State are to be submitted to the Governor of the State, who shall cause them to be laid before the Legislature of the State. The State Finances Audit Report (SFAR) is prepared and submitted under Article 151 (2) of the Constitution of India.

Accountant General (Accounts and Entitlement) prepares the Finance Accounts and Appropriation Accounts of the State annually, from the vouchers, challans, initial and subsidiary accounts rendered by the treasuries, offices and departments responsible for keeping such accounts functioning under the control of the State Government 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 Comptroller and Auditor General of India.

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;
- GSDP data and other State related statistics; and
- Various audit reports of the CAG of India.

The analysis is also carried out in the context of recommendations of the XV Finance Commission (15th FC), State Fiscal Responsibility and Budget Management Act, best practices and guidelines of the Government of India (GoI). A meeting was held with State Finance Department wherein the audit approach was explained and the draft Report is forwarded (1 December 2021) to the State Government for comments.

1.3 Report Structure

The SFAR is structured into the following five Chapters:

Chapter - I	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 - II	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 - III	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 - IV	Quality of Accounts and 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 - V	State Public Sector Enterprises This chapter discusses financial performance of Government Companies, Statutory Corporations and Government Controlled Other Companies as revealed from their latest accounts.

1.4 Overview of Government Account Structure and Budgetary Processes

The Accounts of the State Government are kept in three parts:

Part I: 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.

Part II: 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.

Part III: Public Accounts of the State (Article 266(2) of the Constitution of India)

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.

Budget Document

There is a constitutional requirement in India (Article 202) to present before the House 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.

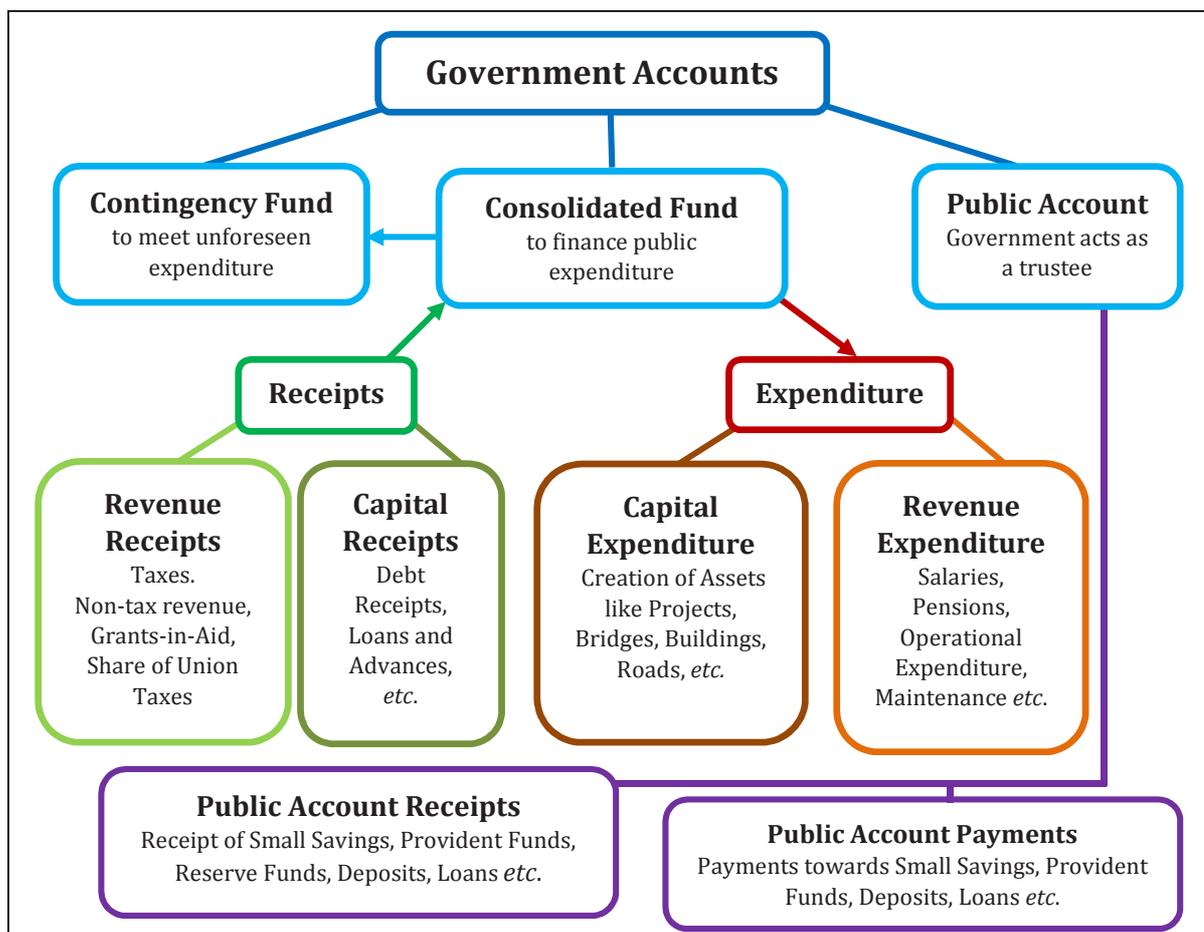
Capital Expenditure includes expenditure on the acquisition of land, building, machinery, equipment, investment in shares and loans and advances by the Government to PSUs and other parties.

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

	Attribute of transaction	Classification
Standardised in List of Major and Minor Heads by Controller General of Accounts	Function- Education, Health, etc. /Department	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)

Structure of Government Accounts

Chart 1.3: Structure of Government Accounts



Source: Based on Budget Manual

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 Punjab Budget Manual as applicable in Haryana 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

Table 1.2 provides the detail of actual financial results vis-à-vis Budget Estimates (B.E) for the year 2020-21 vis-à-vis actual of 2019-20.

Table 1.2: Detail of actual financial results vis-à-vis Budget Estimates

(₹ in crore)

Sr. No.	Components	2019-20 (Actuals)	2020-21 (B.E.)	2020-21 (Actuals)	Percentage of Actuals to B.E.	Percentage of Actuals to GSDP
1	Tax Revenue	42,824.95	52,095.65	41,913.80	80.46	5.48
2	Non-Tax Revenue	7,399.74	15,428.22	6,961.49	45.12	0.91
3	Share of Union taxes/duties	7,111.53	8,484.82	6,437.59	75.87	0.84
4	Grants-in-aid and Contributions	10,521.91	13,955.45	12,248.13	87.77	1.60
5	Revenue Receipts (1+2+3+4)	67,858.13	89,964.14	67,561.01	75.10	8.83
6	Recovery of Loans and Advances	5,392.63	356.23	431.95	121.26	0.06
7	Other Receipts	54.01	3,750.00	62.96	1.68	0.01
8	Borrowings and other Liabilities (a)	30,518.62	25,681.60	29,486.08	114.81	3.86
9	Capital Receipts (6+7+8)	35,965.26	29,787.83	29,980.99*	100.65	3.92
10	Total Receipts (5+9)	1,03,823.39	1,19,751.97	97,542.00	81.45	12.75
11	Revenue Expenditure (b)	84,848.21	1,05,338.09	89,946.60	85.39	11.76
12	Interest payments	15,588.01	18,137.58	17,114.67	94.36	2.24
13	Capital Expenditure (c)	18,975.18	14,413.88	6,795.40	47.14	0.89
14	Capital outlay	17,665.93	13,201.37	5,869.70	44.46	0.77
15	Loans and advances	1,309.25	1,212.51	925.70	76.35	0.12
16	Appropriation to Contingency Fund	-	-	800.00	-	0.10
17	Total Expenditure (11+13+16)	1,03,823.39	1,19,751.97	97,542.00	81.45	12.75
18	Revenue Deficit (-)/ Surplus (+) (5-11)	(-) 16,990.08	(-) 15,373.95	(-) 22,385.59	145.61	(-) 2.93
19	Fiscal Deficit (-)/ Surplus (+){(5+6+7)-17}	(-) 30,518.62	(-) 25,681.60	(-) 29,486.08	114.81	(-) 3.86
20	Primary Deficit (-)/ Surplus (+) (19-12)	(-) 14,930.61	(-) 7,544.02	(-) 12,371.41	163.99	(-) 1.62

Source: Finance Accounts of the respective years and Budget at a Glance

(a) *Borrowings and other Liabilities: Net (Receipts-Disbursements) of Public Debt + Net of Contingency Fund + Net (Receipts - Disbursements) of Public Account + Net of Opening and Closing Cash Balance.*

(b) *Expenditure on Revenue Account includes interest payments.*

(c) *Expenditure on Capital Account includes Capital Expenditure and Loans and Advances disbursed.*

* Includes ₹ 4,352 crore as back-to-back loans to State from GoI in lieu of GST compensation shortfall.

Goods and Service Tax (GST) Compensation is the revenue of the State Government under GST (Compensation to States) Act, 2017. However, in addition to receiving the GST Compensation of ₹ 5,065.81 crore as revenue receipts, due to inadequate balance in GST compensation fund during the year 2020-21, Haryana State also received back-to-back loan of ₹ 4,352 crore under debt receipts of the State Government, with no repayment liability for 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. *Appendix 1.2* gives an abstract of such liabilities and assets as on 31 March 2021, compared with the corresponding position of previous year. 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 as shown in *Table 1.3*.

Table 1.3: Summarised position of Assets and Liabilities

(₹ in crore)

Liabilities					Assets				
		As on 31 March 2020	As on 31 March 2021	Per cent increase		As on 31 March 2020	As on 31 March 2021	Per cent increase	
Consolidated Fund									
A	Internal Debt	1,83,785.60	2,03,958.21	10.98	a	Gross Capital Outlay	1,12,228.40	1,18,035.14	5.17
B	Loans and Advances from GoI	1,705.45	5,851.97*	243.13	b	Loans and Advances	7,390.30	7,884.05	6.68
	Contingency Fund	200.00	1,000.00	400.00					
Public Account									
A	Small Savings, Provident Funds, etc.	16,962.46	17,996.91	6.10	a	Advances	0.74	0.74	0.00
B	Deposits	7,921.80	9,471.56	19.56	b	Remittance	-	-	-
C	Reserve Funds	8,494.35	7,823.91	(-) 7.89	c	Suspense and Miscellaneous	70.49	24.24	(-) 65.61
D	Remittances	273.74	312.85	14.29		Cash balance (including investment in Earmarked Fund)	3,999.47	3,147.94	(-) 21.29
						Total	1,23,689.40	1,29,092.11	4.37
						Deficit in Revenue Account	95,654.00	1,17,323.30	22.65
	Total	2,19,343.40	2,46,415.41	12.34		Total	2,19,343.40	2,46,415.41	12.34

Source: Finance Accounts of the respective years

* Includes ₹ 4,352 crore as back-to-back loans to State from GoI in lieu of GST compensation shortfall.

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.

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 with better planning of programmes and better administration.

In Haryana, fiscal reforms and consolidation were brought to the forefront with the State Government enacting the Fiscal Responsibility and Budget Management (FRBM) Act on 06 July 2005 as per recommendations of the 12th Finance Commission with the objective of eliminating revenue deficit and reducing fiscal deficit within the prescribed limit. The 14th FC has categorised Haryana as Revenue Surplus State and recommend the targets of Fiscal Deficit and Net Borrowings accordingly. No projections for the period 2015-16 to 2020-21 were made under FRBM Act. However, being a Revenue Deficit State, further necessary amendments in Haryana FRBM Act had not been made so far as the State Government had sought guidance in this regard from the Government of India (GoI).

The Ministry of Finance, GoI has allowed the additional two *per cent* borrowing over and above three *per cent* of GSDP (upto five *per cent* of GSDP) during 2020-21 subject to the condition of amendment in the State FRBM Act and implementation of specific State Level Reforms. Accordingly, the State Government had amended its FRBM Act in September 2020 for the financial year 2020-21 as additional fiscal deficit of two *per cent* over and above three *per cent* of GSDP (upto five *per cent* of GSDP) shall be permissible. Additional one *per cent* in the Financial Year 2020-21 allowed subject to the condition of

amendment in the State FRBM Act and implementation of following specific State Level Reforms:

- (i) Implementation of One Nation One Ration Card System;
- (ii) Ease of doing business reforms;
- (iii) Urban Local Body/Utility reforms; and
- (iv) Power Sector reforms.

The weightage of each reform was 0.25 *per cent* of GSDP totalling to one *per cent*. Accordingly, statutory flexible limit for the fiscal deficit for the year 2020-21 works out to ₹ 38,244 crore (five *per cent* of GSDP). However, the limit has been taken as ₹ 30,595 crore (four *per cent* of GSDP) because information on implementation of reforms to be eligible for one *per cent* flexible limit (₹ 7,649 crore) was not provided by the State Government, against which fiscal deficit of ₹ 29,486 crore was within the normative assessment under amended FRBM Act for the year 2020-21.

The 14th FC has projected an average annual growth rate of 15.73 *per cent* for GSDP at current prices for the State for the period 2015-16 to 2019-20 and 15th Finance Commission has projected an annual growth rate of 11.50 *per cent* for the period 2020-21. Major fiscal variables provided in the budget, based on the recommendations of the 15th FC and as projected by the State in Medium Term Fiscal Policy Statement (MTFPS) are shown in the **Table 1.4 and Table 1.5**.

Table 1.4: Variations in major fiscal variables from projections (percentage of GSDP)

Fiscal variables	2020-21						
	Targets as prescribed by 15 th FC	Targets proposed in the Budget	Projections made in Five Year Fiscal plan/MTFP	Actuals	Variation of actuals from projections		
					Targets prescribed by 15 th FC	Targets of Budget	Projections of Five year fiscal plan/ MTFP
Revenue Deficit (-)/ Surplus (+)	(+) 0.78	(-) 1.64	(-) 1.51	(-) 2.93	(-) 3.71	(-) 1.29	(-) 1.42
Fiscal Deficit/GSDP	(-) 2.70	(-) 2.73	(-) 4.00	(-) 3.86	(-) 1.16	(-) 1.13	(-) 0.14
Ratio of total outstanding debt to GSDP*	31.90	21.14	21.14	31.21	(-) 0.69	(+) 10.07	(+) 10.07

* Excluding GoI back-to-back loans of ₹ 4,352 crore in lieu of GST compensation shortfall which were not to be treated as debt of the State for any norms, as per the guidelines (August 2020).

The ratio of total outstanding debt to GSDP ratio as per the Finance Accounts is 31.78 *per cent*. However, the debt to GSDP ratio (31.21 *per cent*) has been arrived at after excluding GST compensation of ₹ 4,352 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 Government for any norms which may be prescribed by the Finance Commission.

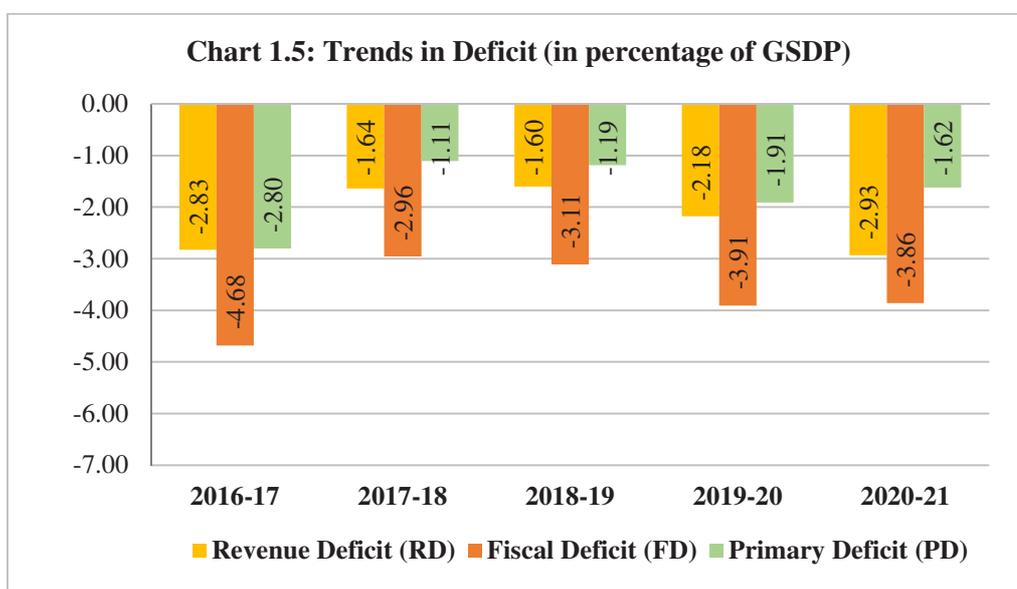
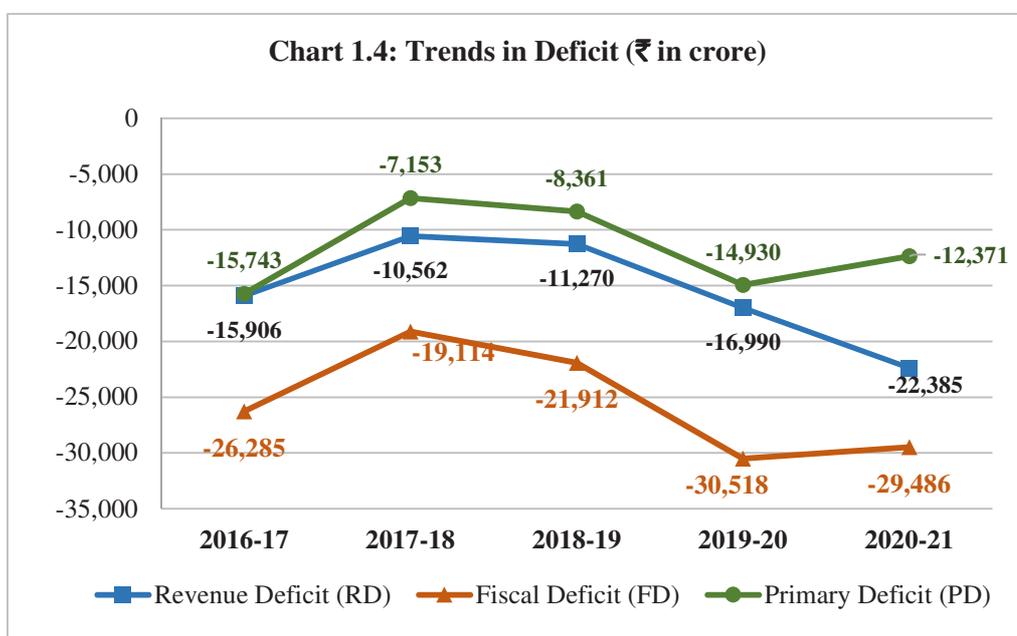
Table 1.5: Actuals vis-à-vis projection in MTFP for 2020-21

(₹ in crore)

Sr. No.	Fiscal Variables	Projection as per MTFP	Actuals (2020-21)	Variation (in per cent)
1	Own Tax Revenue	52,095.65	41,913.80	(-) 19.54
2	Non-Tax Revenue	15,428.22	6,961.49	(-) 54.88
3	Share of Central Taxes	8,484.82	6,437.59	(-) 24.13
4	Grants -in-aid from GoI	13,955.45	12,248.13	(-) 12.23
5	Revenue Receipts (1+2+3+4)	89,964.14	67,561.01	(-) 24.90
6	Revenue Expenditure	1,05,338.09	89,946.60	(-) 14.61
7	Revenue Deficit (-)/ Surplus (+) (5-6)	(-) 15,373.95	22,385.59	(-) 45.61
8	Fiscal Deficit (-)/ Surplus (+)	(-) 25,681.60	29,486.08	(-) 14.81
9	Debt-GSDP ratio (per cent)	21.14	31.21*	(+) 10.07
10	GSDP growth rate at current prices (per cent)	(-) 2.02	(-) 2.02	-

* Excluding GoI back-to-back loans of ₹ 4,352 crore in lieu of GST compensation shortfall which were not to be treated as debt of the State for any norms, as per the guidelines (August 2020).

Chart 1.4 and Chart 1.5 presents the trends in deficit indicators over the period 2016-21.



- **Revenue Deficit**, which indicates the excess of revenue expenditure over revenue receipts, was to be brought down to zero by 2011-12 and to be maintained at zero upto 2014-15, as per the FRBM Act 2005. The revenue deficit which was ₹ 16,990 crore during 2019-20 increased to ₹ 22,385 crore and was higher than the budget projections of ₹ 15,374 crore.

The revenue deficit at ₹ 22,385 crore indicates that revenue receipts of the State Government were not sufficient for meeting the revenue expenditure and borrowed funds were used for meeting current consumption instead of capital creation.

- **Fiscal Deficit** which was ₹ 30,518 crore in 2019-20 decreased marginally to ₹ 29,486 crore during 2020-21. Fiscal deficit was 3.86 *per cent* of GSDP against the target of four *per cent* in MTFP and 2.73 *per cent* in budget projections.
- **Primary Deficit** decreased from ₹ 14,930 crore in 2019-20 to ₹ 12,371 crore in 2020-21. Existence of primary deficit indicates that the State would need to borrow money even for making interest payments on its borrowed funds.
- **Primary Revenue Balance** denotes the gap between Revenue Receipts of the State and its Revenue Expenditure excluding interest payments. It indicates the extent to which Revenue receipts of the State were able to meet the interest charges. In 2020-21, the State registered a Primary Revenue Deficit of ₹ 5,270 crore.

1.6 Deficits and total debt after examination in audit

1.6.1 Impact on Revenue and Fiscal Deficit

In order to arrive at actual deficit figures, the impact of not depositing cess/royalty to Consolidated Fund, short contribution to New Pension Scheme, sinking and redemption funds, etc. need to be reviewed.

Audit observed that the Revenue and Fiscal Deficit was understated by ₹ 1,166.89 crore on account of short-contribution to pension scheme, non-contribution to Consolidated Sinking Fund and non-adjustment of interest in Mines and Mineral Development, Restoration and Rehabilitation Fund and State Compensatory Afforestation Fund as shown in **Table 1.6**.

Table 1.6: Impact on Revenue and Fiscal Deficit

Particulars	Impact on Revenue Deficit (Understated) (₹ in crore)	Impact on Fiscal Deficit (Understated) (₹ in crore)	Ratio before taking the net impact (in per cent)		Ratio after taking the net impact (in per cent)	
			RD/GSDP	FD/GSDP	RD/GSDP	FD/GSDP
Short contribution by State Government towards Defined Contribution Pension Scheme	11.70	11.70	2.93	3.86	3.08	4.01
Non-contribution to Consolidated Sinking Fund	1,077.81	1,077.81				
Short contribution and non-adjustment of interest on balances in Mines and Mineral Development, Restoration and Rehabilitation Fund	33.77	33.77				
Non-adjustment of interest on balances in State Compensatory Afforestation Fund	43.61	43.61				
Total	1,166.89	1,166.89				

Source: Finance Accounts

Above impacted the Revenue and Fiscal Deficit of the State Government. The Revenue Deficit to GSDP ratio has been understated by 0.15 percentage points while the Fiscal Deficit by 0.15 percentage point.

1.6.2 Post Audit – Total Public Debt

As per the Haryana Fiscal Responsibility and Budget Management Act, 2005 Total liabilities means the liabilities under the Consolidated Fund of the State and the Public Account of the State and shall also include borrowings by the Public Sector Undertakings and the special purpose vehicles and other equivalent instruments including guarantee where the Principal and/or interest are to be serviced out of the State Budget. The outstanding debt/liabilities can be split into various components as given in *Table 1.7*.

Table 1.7: Components of outstanding debt/liabilities

	(₹ in crore)
Liabilities upon the Consolidated Fund (Public Debt)	Amount
Internal Debt (A)	2,03,958.21
Market Loans bearing interest	1,61,214.18
Market Loans not bearing interest	2.26
Compensation and other Bonds	25,950.00
Loans from other Institutions, etc.	7,857.40
Special Securities issued to the National Small Saving Fund of the Central Government	8,360.73
Others	573.64
Loans and Advances from Central Government (B)	5,851.97*
Non-plan Loans	37.04
Loans for State Plan Schemes	970.02
Others	4,844.91
Liabilities upon Public Accounts (C)	33,538.31
Small Savings, Provident Funds, etc.	17,996.91
Deposits	9,471.56
Reserve Funds	5,781.23
Suspense and Miscellaneous Balances	(-) 24.24
Remittance Balances	312.85
Total (A+B+C)	2,43,348.49

Source: Finance Accounts

* Includes ₹ 4,352 crore as back-to-back loans to State from GoI in lieu of GST compensation shortfall.

The overall outstanding debt/liabilities of the State were understated by ₹ 288.61 crore by not accounting for the Suspense, Miscellaneous and Remittance balances and percentage to GSDP was understated by 0.04 *per cent*. The ratio of Outstanding Debt to GSDP at 31.21² *per cent* did not include Suspense and remittances balances. Total liabilities to GSDP ratio was higher at 31.25 *per cent* against the normative assessment of 21.14 *per cent* under MTFPS and Budget.

Besides this Haryana Police Housing Corporation Limited (HPHCL) raised two loans amounting to ₹ 550 crore (October 2015) and ₹ 300 crore (January 2011) from Housing and Urban Development Corporation Limited (HUDCO) against the State Government guarantee for these loans. As per the condition of the sanctions issued by Home Department, Government of Haryana the repayment of the principal as well as interest will be made as per loan agreement and the State Government will make annual allocation of funds in the budget to the tune earmarked in loan agreement alongwith interest for making repayment to HUDCO. Further, the Finance Department stands committed to provide required funds to HPHCL for repayment of both principal and interest. Sanctions issued by Home Department, releasing amount towards repayment of Principal and interest of loan is shown as grant-in-aid in the budget and accounts in contravention of Haryana FRBM Act, 2005 and resulted in understatement of Government liabilities in State Accounts due to these outstanding loan of ₹ 405.75 crore in books of accounts of HPHCL towards HUDCO as on 31 March 2021.

During the year 2020-21 HPHCL repaid amount of ₹ 63.75 crore (₹ 22.50 crore plus ₹ 41.25 crore) towards these loans to HUDCO against the outstanding loans amounting to ₹ 419.50 crore at the beginning of year i.e. 01 April 2020. Loans of ₹ 50 crore has been raised during the year leaving outstanding loans balance of ₹ 405.75 crore at the end of the year i.e. 31 March 2021.

² Excluding GoI back-to-back loans of ₹ 4,352 crore in lieu of GST compensation shortfall which were not to be treated as debt of the State for any norms, as per the guidelines (August 2020).