

Executive Summary

Background

This report provides an analytical review of the finances of the Government of Rajasthan based on the audited accounts for the year ended 31 March 2022. The financial performance of the State has been assessed based on the Fiscal Responsibility and Budgetary Management Act, Budget Documents, Economic Review 2021-22, Fifteenth Finance Commission Report and other financial data obtained from various Government Departments and organisations.

Fiscal Position of the State

The fiscal position of the State is viewed in terms of three key fiscal parameters - Revenue Deficit/Surplus, Fiscal Deficit/Surplus and the ratio of Outstanding Debt to GSDP. Fiscal Deficit as a percentage of GSDP decreased from 5.86 *per cent* in 2020-21 to 4.03 *per cent* in 2021-22, which was higher than the target of three *per cent* as prescribed under FRBM Act, 2005. As per FRBM Act, the State Government was to achieve Zero Revenue Deficit from the financial year 2011-12 and thereafter maintain it or attain revenue surplus. However, the Revenue Deficit of the State Government was ₹ 25,870 crore during the year 2021-22. During 2021-22, the fiscal liability (total outstanding debt) to GSDP ratio (37.70 *per cent*) was lower than the FRBM target (38.20 *per cent*).

Finances of the State

Revenue Receipts increased by ₹ 49,612.17 crore (36.94 *per cent*) over the previous year and Revenue Expenditure increased by ₹ 31,480.60 crore (17.66 *per cent*) over the previous year.

Capital Outlay increased by ₹ 8,881.11 crore (58.16 *per cent*) over the previous year.

During 2021-22, there was short transfer of Employer contribution to NPS by ₹ 641.89 crore, which resulted in understatement of Revenue as well as Fiscal deficit by that amount in the current year. Further, there is a deferred liability of ₹ 809.00 crore on the part of State Government due to short transfer of employee contribution by ₹ 778.28 crore and legacy amount of ₹ 30.72 crore.

Rajasthan Civil Services (Contributory Pension) Rules, 2005 governing NPS has been repealed with effect from 01 April 2022. The State Government has decided that the employees' NPS contribution shall be deposited in the general revenue head of the State and would be paid at the time of retirement / death of the NPS subscriber. This decision of the State Government is not appropriate as this cannot be considered as a part of State revenue.

Budgetary Management

Budgetary assumptions of the State Government were not realistic during 2021-22. Despite carrying out an elaborate pre-budget exercise to bring out efficiency and transparency in budget formulation and execution, budgetary estimates were off the mark to a considerable extent, and control over the execution and monitoring of budget was inadequate. *State Government needs to formulate a realistic budget based on reliable assumptions of the needs of the Departments and their capacity to utilise the allocated resources.*

During the year the savings amounted to ₹ 32,628.83 crore (9.86 per cent) and Supplementary Grants of ₹ 72,779.09 crore proved excessive. Despite flagging these issues every year over the last several years, the State Government has failed to take corrective measures in this regard. *An appropriate control mechanism needs to be instituted by the Government to enforce proper implementation and monitoring of budget to ensure that savings are curtailed, large savings within the Grant/Appropriation are controlled and anticipated savings are identified and surrendered within the specified time frame.*

Explanations were not provided to the Accountant General (A&E) for variations in expenditure vis-à-vis allocations. Instances of persistent savings under grants were noticed during the year despite PAC recommendations in this regard. *Controlling Officers need to be made aware of their responsibility to explain the variation in expenditure from the allocation, to facilitate proper analysis of budget and preparation of meaningful Appropriation Accounts.*

Quality of Accounts and Financial Reporting Practices

Un-transferred amount of cess/surcharge to the reserve fund/deposit fund indicates that revenue/fiscal deficit of the State Government is understated to the extent of non-transferred amount and represents the outstanding liability of the State Government. *The State government may ensure prompt transfer of receipts to the statutory Reserve Funds/Deposits Funds to achieve the intended objectives of the funds and correct depiction of financial position of the State Government.*

Non-submission of Utilisation Certificates within the specified period not only weakens the financial accountability mechanism but also indicate failure of the departmental officers to comply with the rules and procedures to ensure timely utilisation of grant for the intended purpose. *State Government needs to institute a rigorous monitoring mechanism to ensure that the Departments comply with the prescribed rules and procedures with regard to submission of Utilisation Certificates.*

Booking under Minor Head 800 even when suitable minor head is available under the same Major Head adversely impacts the transparency of accounts. *The Finance Department should conduct a comprehensive review of all items presently appearing under Minor Head '800' and ensure that all such receipts and expenditure are booked under the appropriate heads of account.*

State government reported 745 cases of misappropriation and theft/losses of Government money across various departments amounting ₹ 118.50 crore upto 31 March 2022 on which final action is pending. *The Government may consider preparing a time bound framework for taking prompt action in cases of misappropriation, loss, theft, etc. and strengthening the internal control system to prevent recurrence of such cases.*

Financial Performance of State Public Sector Undertakings

As on 31 March 2022, there were 46 PSUs including 39 Government Companies (including 3 inactive companies), three Statutory Corporations and four Government Controlled Other Companies. *Government may review the inactive Government Companies and take appropriate decision regarding their revival/winding up.*

During 2021-22, these Government Companies and Statutory Corporations registered an annual turnover of ₹ 88,955.64 crore, which was equal to 7.44 per cent of the GSDP of Rajasthan. The investment of the State Government in equity and long-term loans in these PSUs was ₹ 58,579.86 crore against total investment of ₹ 1,71,242.85 crore at the end of 31 March 2022. The outstanding long terms loans of these PSUs as on 31 March 2022 increased to ₹ 1,18,011.17 crore from ₹ 1,09,866.25 crore during the previous year (2020-21).

Out of these PSUs, 27 PSUs earned profits (₹ 1,984.24 crore), while 12 PSUs incurred losses (₹ 4,124.37 crore) and three PSUs had reported neither profit nor loss. As on 31 March 2022, 23 PSUs had accumulated losses of ₹ 1,07,318.60 crore. *Government of Rajasthan may review the functioning of all loss-making PSUs including PSUs whose net worth has been completely eroded, and take necessary steps to improve their financial performance.*

Forty nine accounts of 24 PSUs including one statutory Corporation were in arrears. *Government may issue necessary instructions to Administrative Departments to set targets for individual PSUs to furnish the accounts in time and to strictly monitor the clearance of arrears in finalization of accounts.*