



**CHAPTER-II**  
**Finances of the State**



## Chapter II: Finances of the State

### 2.1 Introduction

This Chapter provides a broad perspective of Finances of the State Government and analyses critical changes in major fiscal aggregates relative to preceding years, overall trends during the last five years 2017-18 to 2021-22, Debt Sustainability of the State and key Public Account transactions. The analysis has been made based on the State Finance Accounts and information obtained from State Government.

### 2.2 Major changes in key fiscal aggregates *vis-à-vis* 2021-22

A bird's eye view of the major changes in key fiscal aggregates of the State during 2021-22, compared to the previous year is given in **Table 2.1**.

**Table 2.1: Changes in key fiscal aggregates in 2021-22 compared to 2020-21**

Revenue Receipts	<ul style="list-style-type: none"> <li>✓ Revenue Receipts of the State increased by 23.99 per cent</li> <li>✓ Own Tax Revenue of the State increased by 14.58 per cent</li> <li>✓ Own Non-Tax Revenue decreased by 7.39 per cent</li> <li>✓ State's Share of Union Taxes and Duties increased by 39.83 per cent</li> <li>✓ Grants-in-Aid (GIA) from Government of India decreased by 4.79 per cent</li> </ul>
Revenue Expenditure	<ul style="list-style-type: none"> <li>✓ Revenue Expenditure increased by 21.08 per cent</li> <li>✓ Revenue Expenditure on General Services increased by 14.64 per cent</li> <li>✓ Revenue Expenditure on Social Services increased by 32.13 per cent</li> <li>✓ Revenue Expenditure on Economic Services increased by 16.43 per cent</li> <li>✓ Expenditure on GIA increased by 17.36 per cent</li> </ul>
Capital Expenditure	<ul style="list-style-type: none"> <li>✓ Capital Expenditure increased by 26.64 per cent</li> <li>✓ Capital Expenditure on General Services increased by 117.53 per cent</li> <li>✓ Capital Expenditure on Social Services increased by 108.56 per cent</li> <li>✓ Capital Expenditure on Economic Services decreased by 5.69 per cent</li> </ul>
Loans and Advances	<ul style="list-style-type: none"> <li>✓ Disbursement of Loans and Advances decreased by 46.67 per cent</li> <li>✓ Recoveries of Loans and Advances increased by 15.32 per cent</li> </ul>
Public Debt	<ul style="list-style-type: none"> <li>✓ Public Debt Receipts decreased by 2.20 per cent</li> <li>✓ Repayment of Public Debt increased by 36.70 per cent</li> </ul>
Public Account	<ul style="list-style-type: none"> <li>✓ Public Account Receipts increased by 63.88 per cent</li> <li>✓ Disbursement of Public Account increased by 49.94 per cent</li> </ul>
Cash Balance	<ul style="list-style-type: none"> <li>✓ Cash balance increased by ₹967.02 crore (28.53 per cent) during 2021-22 compared to previous year</li> </ul>

Source: Finance Accounts of the respective year

As can be seen from above Capital Expenditure increased more in Non-Development Head than Development Head during the year over the previous year.

## 2.3 Sources and Application of Funds

Table 2.2 compares the sources and application of funds of the State during 2021-22 with 2020-21.

**Table 2.2: Details of Sources and Application of funds during 2021-22 and 2020-21**

(₹ in crore)

Particulars		2020-21	2021-22	Increase/ Decrease
Sources	Opening Cash Balance with RBI	3,013.82	3,389.33	375.51
	Revenue Receipts	17,123.51	21,231.64	4,108.13
	Recoveries of Loans and Advances	5.94	6.85	0.91
	Public Debt Receipts (Net)	1,256.57	1,128.00	(-)128.56
	Public Account Receipts (Net)	205.14	938.06	732.91
	<b>Total</b>	<b>21,604.98</b>	<b>26,693.88</b>	<b>5,088.90</b>
Application	<b>Revenue Expenditure</b>	<b>13,087.50</b>	<b>15,846.64</b>	<b>2,759.14</b>
	Capital Expenditure	5,123.35	6,488.33	1,364.98
	Disbursement of Loans and Advances	4.80	2.56	(-)2.24
	<b>Closing Cash Balance with RBI</b>	<b>3,389.33</b>	<b>4,356.35</b>	<b>967.02</b>
	<b>Total</b>	<b>21,604.98</b>	<b>26,693.88</b>	<b>5,088.90</b>

Source: Finance Accounts of the respective year

## 2.4 Summary of Current Year Fiscal Transactions

Government accounts are maintained on cash basis. Table 2.3 presents a summary of the State Government's fiscal transactions during 2021-22 vis-à-vis the previous year while Appendix 2.1 provides details of receipts/ disbursements and the overall fiscal position during the period.

**Table 2.3: Summary of Fiscal Transactions (Current and Previous Year)**

(₹ in crore)

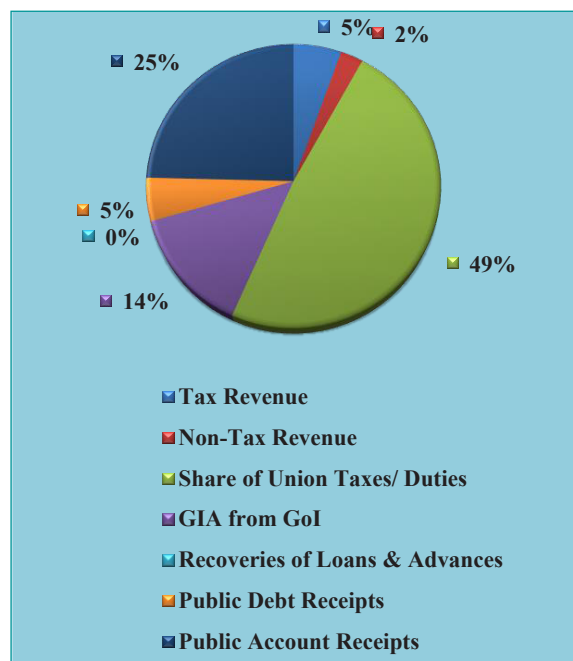
Receipts	2020-21	2021-22	Disbursements	2020-21	2021-22
<b>Section – A: Revenue</b>					
<b>Revenue Receipts</b>	<b>17,123.51</b>	<b>21,231.64</b>	<b>Revenue Expenditure</b>	<b>13,087.50</b>	<b>15,846.64</b>
Tax Revenue(i+ii)	11,903.68	16,283.69	General Services	4,216.56	4,833.96
(i) Own Tax Revenue	1,431.10	1,639.79			
(ii) Share of Union taxes/ duties	10,472.58	14,643.90			
Non-Tax Revenue	836.53	774.67	Social Services	4,359.45	5,760.02
GIA from Gol	4,383.30	4,173.28	Economic Services	4,511.49	5,252.66
<b>Section – B: Capital</b>					
Misc. Capital Receipts	NIL	0.00	Capital Expenditure	5,123.35	6,488.33
Recoveries of Loans and Advances	5.94	6.85	Loans and Advances Disbursed	4.80	2.56
Public Debt Receipts	1,516.06	1,482.71	Repayment of Public Debt	259.49	354.71
Public Account Receipts	4,523.68	7,413.34	Public Account Disbursements	4,318.54	6,475.28

Receipts	2020-21	2021-22	Disbursements	2020-21	2021-22
Opening Balance	3,013.82	3,389.33	Closing Balance	3,389.33	4,356.35
<b>Total</b>	<b>26,183.01</b>	<b>33,523.87</b>	<b>Total</b>	<b>26,183.01</b>	<b>33,523.87</b>

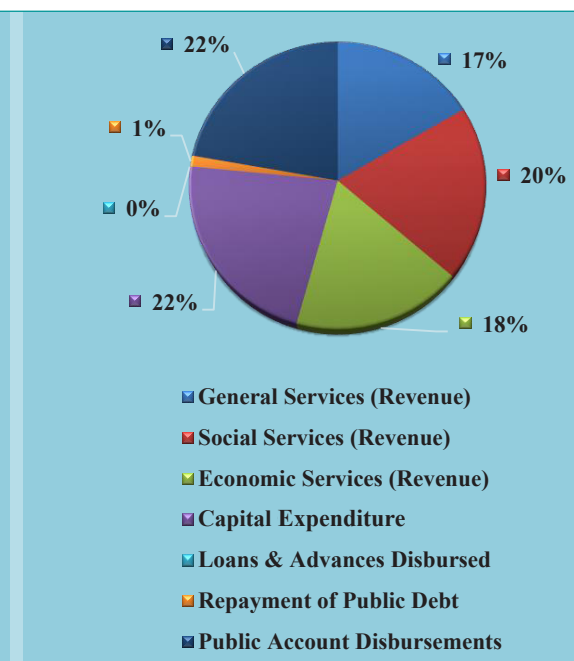
Source: Finance Accounts of respective year

The percentage share of various resources collected during the year and their application is given in the **Charts 2.1** and **2.2**:

**Chart 2.1: Composition of Resources**



**Chart 2.2: Application of Resources**



Source: Finance Accounts, 2021-22

In both composition and application of resources, the share of receipt and disbursement of loans and advances was less than one per cent.

Significant changes during 2021-22 over the previous year are:

- The Government of India (GoI) funds constitute 88.62 per cent of the total resources of the State. Revenue Receipts increased by ₹4,108.13 crore (23.99 per cent) over the previous year. The increase in Revenue Receipts was mainly due to a substantial increase in Own Tax Revenue and receipts from GoI under share of Central taxes which was partially offset by decrease in GIA and own Non-Tax Revenue. During the year 2021-22, there has been a significant increase in the share of central taxes by ₹4,171.32 crore (39.83 per cent) and decrease in GIA from GoI by ₹210.02 crore (4.80 per cent). During the year 2021-22, The Own Tax Revenue increased by ₹208.69 crore (14.58 per cent) over the previous. The increase in State share of Union taxes/ duties can be attributed to increase in net proceeds of Central Goods and Services Tax (CGST) assigned to State, Corporation Tax and Taxes on Income other than Corporation Tax. The decrease in GIA was due to less allocation to Rural Local Bodies and State Disaster Response Mitigation Fund (SDRM).
- During 2021-22, the State's own resources (Own tax plus Non-tax Revenue) increased by ₹146.83 crore (6.47 per cent), over the previous year. The increase in State's

Own resources was mainly due to more collection of State Lotteries, Minor Irrigation (196.00 *per cent*), Food Storage and Warehousing (148.00 *per cent*), Police (102.03 *per cent*), public works (91.45 *per cent*), Roads and Bridges (85.00 *per cent*), Forestry and Wildlife (74.54 *per cent*), Power (58.00 *per cent*), Taxes on Vehicles (50.00 *per cent*), SGST (40.00 *per cent*) and Interest Receipts (38.00 *per cent*).

- Although there is a growth in the State's Own Resources, the State still continues to be heavily dependent on Central transfers (89 *per cent*), as the State's Own Resources contributed merely 11 *per cent* of Revenue Receipts during 2021-22.
- Revenue Expenditure increased by ₹2,759.14 crore (21.08 *per cent*) over the previous year. This was due to increase in General Sector by ₹617.40 crore, Social Sector by ₹1,400.57 crore and Economics Sector by ₹741.17 crore.
- The Revenue Expenditure of the State was ₹15,846.64 crore as against the projection of ₹10,728.00 crore made in the XV FC Report and against the projection of ₹15,344.32 crore made in the Budget Estimates during 2021-22. Thus, this expenditure was ₹5,118.64 crore (47.71 *per cent*) more than the assessment of the XV FC for the year 2021-22 and ₹502.32 crore (3.27 *per cent*) more than Budget estimate due to which Government failed to achieve Revenue Surplus projected in the fiscal indicators in Medium-Term Fiscal Plan (MTFP).
- There has been a significant increase in the Capital Expenditure by ₹1,364.98 crore (26.64 *per cent*) over the previous year, mainly due to a significant increase in the Capital Expenditure on General Sector and Social Sector. However, the actual Capital Expenditure fell short of the amount estimated in the budget by ₹1,996.39 (28.04 *per cent*). This shortfall mainly attributed to increase in Revenue Expenditure against the Budget Estimates during the year 2021-22.
- Public Account Receipts increased by ₹2,889.66 crore (63.88 *per cent*). This was due to increase in Reserve Funds bearing interest, Remittances and Deposit and Advances.
- Public Account disbursements increased by ₹2,156.74 crore (49.94 *per cent*) over the previous year due to increase in Reserve funds, Remittances and Deposits and Advances.
- The total inflow<sup>1</sup> in respect of all funds was ₹30,134.54 crore against ₹23,169.19 crore during previous year, while the total outflow<sup>2</sup> was ₹29,167.52 crore against ₹22,793.68 crore during the previous year.
- There was increase in cash balances by ₹967.02 crore (28.53 *per cent*) over the previous year. This was mainly due to increase in cash balance investment account and investment of Earmarked Funds.

## 2.5 Resources of the State

The resources of the State are described below:

1. **Revenue Receipts** consist of Tax Revenue (Own tax revenue *plus* Share of Union Taxes/ duties), Non-Tax Revenue and Grants from the Government of India.

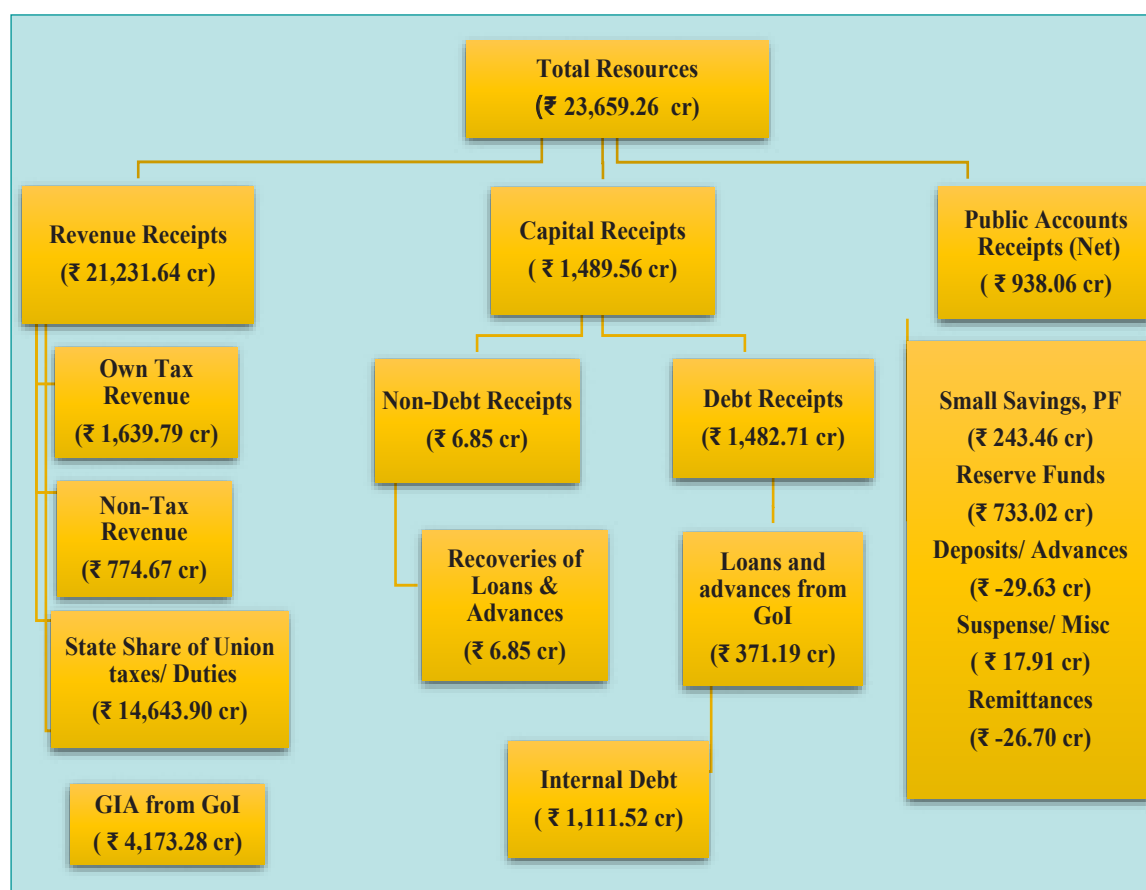
<sup>1</sup> For 2020-21, Gross Receipts ₹26,183.01 crore *minus* Opening Balance of ₹3,013.82 crore  
For 2021-22, Gross Receipts ₹33,523.87 crore *minus* Opening Balance of ₹3,389.33 crore

<sup>2</sup> For 2020-21, Gross Disbursements ₹26,183.01 crore *minus* Closing Balance of ₹3,389.33 crore  
For 2021-22, Gross Disbursements ₹33,523.87 crore *minus* Closing Balance of ₹4,356.36 crore

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:** These 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.

**Chart 2.3: Composition of resources of the State during 2021-22**



Source: Finance Accounts, 2021-22

## 2.5.1 State's Revenue Receipts

### 2.5.1.1 Trends and Growth of Revenue Receipts

**Statement-14** of the Finance Accounts depicts Revenue Receipts of the Government. Trends and composition of Revenue Receipts over the period 2017-18 to 2021-22 are presented in **Appendix 2.2** and depicted in **Table 2.4** and **Chart 2.4** respectively. The trends and growth of Revenue Receipts as well as Revenue buoyancy with respect to GSDP during the five-year period 2017-18 to 2021-22 are shown in **Table 2.4**.

**Table 2.4: Trends in Revenue Receipts**

Parameters	2017-18	2018-19	2019-20	2020-21	2021-22
Revenue Receipts (RR) (₹ in crore)	13,774.60	16,195.96	14,888.55	17,123.51	21,231.64
Rate of growth of RR ( <i>per cent</i> )	16.94	17.58	(-) 8.07	15.01	23.99
Own Tax Revenue	815.57	1,068.04	1,228.73	1,431.10	1,639.79
Non-Tax Revenue	366.18	608.87	651.38	836.53	774.67
Own Revenue (Own Tax and Non-Tax Revenue)	1,181.75	1,676.91	1,880.11	2,267.63	2,414.46
Rate of growth of Own Revenue (Own Tax and Non-Tax Revenue) ( <i>per cent</i> )	(-) 5.73	41.90	12.12	20.61	6.48
GSDP (₹ in crore) (2011-12 Series)	22,474.77	25,330.83	27,884.65	29,694.61	33,459.15
Rate of growth of GSDP ( <i>per cent</i> )	12.93	12.71	10.08	6.49	12.68
RR/ GSDP ( <i>per cent</i> )	61.29	63.94	53.39	57.67	63.46
Buoyancy Ratios					
Revenue Buoyancy <i>w.r.t.</i> GSDP	1.31	1.38	(-) 0.80	2.31	1.89
State's Own Revenue Buoyancy <i>w.r.t.</i> GSDP	(-) 0.44	3.30	1.20	3.18	0.51

Source: Finance Accounts of respective year

The rate of growth of Revenue Receipts showed an inconsistent trend during the five-year period and stood at 23.99 *per cent* which was higher than that of GSDP (12.68 *per cent*). Higher growth rate in Revenue Receipts enables State to spend more on improving infrastructure, Health and Education.

State's Own Revenue (Own Tax and Non-Tax) also showed an inconsistent trend during the five-year period. It reached peaked at 41.90 *per cent* during 2018-19. During the year 2021-22, growth rate of State's Own Revenue was significantly lower than that of previous year was due to decreased in Non-Tax Revenue. During the year 2021-22, the growth rate of GSDP was higher than that of State's Own Revenue (6.48 *per cent*).

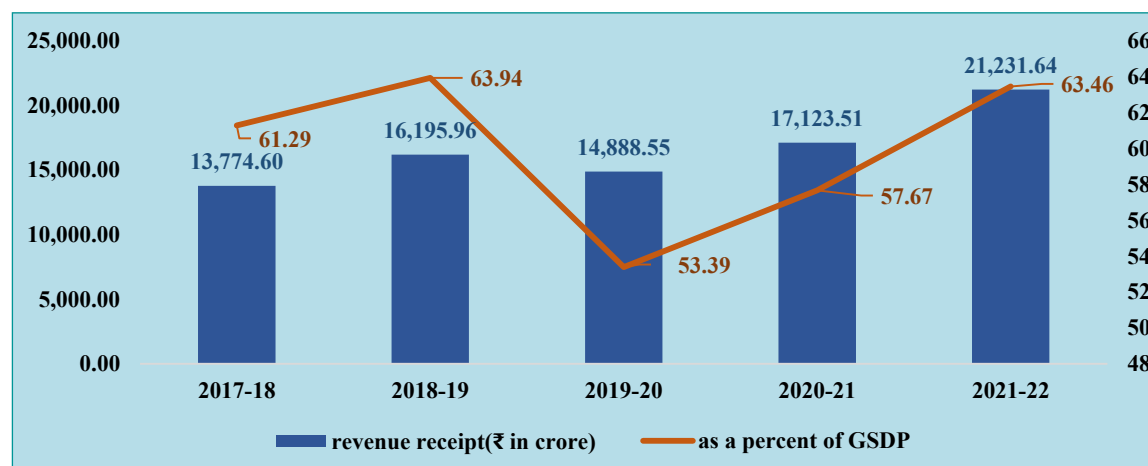
Buoyancy Ratios<sup>3</sup> indicate the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. The Buoyancy Ratio of Revenue Receipts with reference to GSDP increased significantly during the year 2020-21 due to a sizable increase in the rate of growth of Revenue Receipts during 2020-21 over 2019-20. The negative Buoyancy Ratio of the State's Revenue Receipts in the year 2019-20 was mainly due to the reduced receipt of the GoI funds. During the year 2021-22, Buoyancy Ratio decreased over the previous year due to increase in rate of Growth of GSDP compared to previous year. This indicates that increased in growth rate of Revenue Receipts and GSDP was not proportional. Further, the Buoyancy Ratio of Revenue Receipts to GSDP was more than 'one' (except 2019-20), indicates that growth rate of Revenue Receipts is faster than that of GSDP. Tax buoyancy indicates the measure of efficiency or responsiveness in tax collection in response to the growth in GSDP. Tax revenues are considered buoyant when they increase more than proportionately in response to the increase in GSDP even when the rates of taxes remain unchanged. Buoyancy Ratio of the State's own Revenue during 2018-19 was 3.30 fell sharply to 1.20 during 2019-20. During 2021-22, Buoyancy Ratio of the State's Own Revenue decreased over the previous year. This was mainly because of the significant decreased in growth rate of State's own Revenue and increased

<sup>3</sup> To cite an example the Buoyancy ratio of Revenue Receipts with GSDP of more than one indicates that the growth rate of Revenue Receipts would be much higher than the growth rate of the GSDP



in growth rate of GSDP in current year. During the current year, the Buoyancy Ratio of State's Own Revenue less than 'one' which indicates that growth rate of GSDP faster than that of State's Own Revenue.

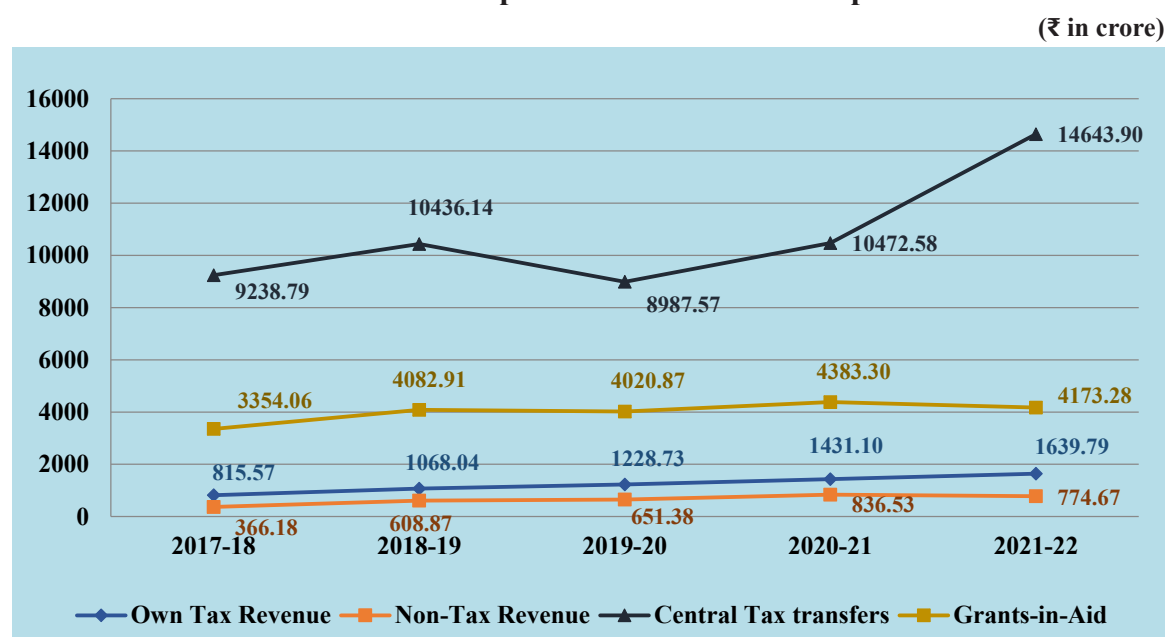
**Chart 2.4: Trends of Revenue Receipts relative to percentage of Revenue Receipts to GSDP**



Source: Finance Accounts of the respective year

As can be seen from the **Chart 2.4**, the Revenue Receipts as a percentage of GSDP was in range of 53 per cent to 64 per cent during the five-year period. The Revenue Receipts as percentage of GSDP declined in the year 2019-20 to 53.39 per cent from 63.94 per cent in 2018-19. This was mainly due to reduction in Revenue Receipts over previous year. There was increase in Revenue Receipts as percentage of GSDP of the State during 2021-22, mainly due to higher devolution of share of Union Taxes/ Duties and increase of Own Tax Revenue over the previous. Trend of composition of Revenue Receipts for the period 2017-18 to 2021-22 are given in **Chart 2.5**.

**Chart 2.5: Composition of Revenue Receipts**



Source: Finance Accounts of the respective year

In monetary term, Revenue Receipts of the State increased by ₹7,457.04 (54.13 per cent) crore from ₹13,774.60 crore in 2017-18 to ₹21,231.64 crore in 2021-22 at a CAGR of 11.42 per cent, compared with the previous year. During the year 2021-22, the CAGR of the Revenue Receipts of the State was 23.99 per cent which was higher than the CAGR of NE & H States (18.08 per cent). The decadal CAGR of Revenue Receipts of the State was 15.59 per cent which was higher than the decadal CAGR of GSDP (11.51 per cent).

State's Own Tax Revenue, which was growing year on year during the five-year period. There was significant increased by ₹824.22 crore from ₹815.57 crore in 2017-18 to ₹1,639.79 crore in 2021-22 with CAGR at 19.08 per cent. During the current year, Own Tax Revenue increased by ₹208.69 crore.

State's Non-Tax Revenue was growing year over year during the last four year. It declined during the 2021-22 by ₹61.86 crore at CAGR of (-)7.39 per cent.

### 2.5.2 State's Own Resources

As the State share in Central taxes and GIA from GoI is determined on the basis of recommendations of the FC. Grant-in-Aid from the Central Government is determined by the quantum of collection of Central Tax receipts and anticipated Central Assistance for Schemes. State's performance in mobilisation of additional resources was assessed in terms of its own resources comprising revenue from Own Tax and Own Non-Tax.

The State's Tax and Non-Tax Revenue for 2021-22 *vis-à-vis* assessment made by XV FC and BEs are given in **Table 2.5**.

**Table 2.5: Tax and Non-Tax Receipts**

(₹ in crore)

Particulars	XV FC projections	Budget Estimates	Actual	Percentage variation of actual over	
				Budget estimates	XV FC projections
Own Tax revenue	1,344.00	1152.30	1,639.79	42.30	22.01
Non-tax revenue	395	850	774.67	8.86	96.12

Source: Recommendations of XV FC Report, Annual Financial Statement, 2021-22 and Finance Accounts, 2021-22

XV FC projected that the State's own revenue resources during 2021-22 would be ₹1,739.00 crore. However, the actual collections during the year were ₹2,414.46 crore which was 22.01 per cent higher than the projections made by XV FC for the current year.

The State collected higher Tax Revenue compared to the budgeted amount, with broad-based increases in almost all tax components. The sharp growth in the GST collections in the State could be one of the reasons for higher collection of own tax revenues which was 42.30 per cent higher than the assessment made in BE for the year 2021-22.

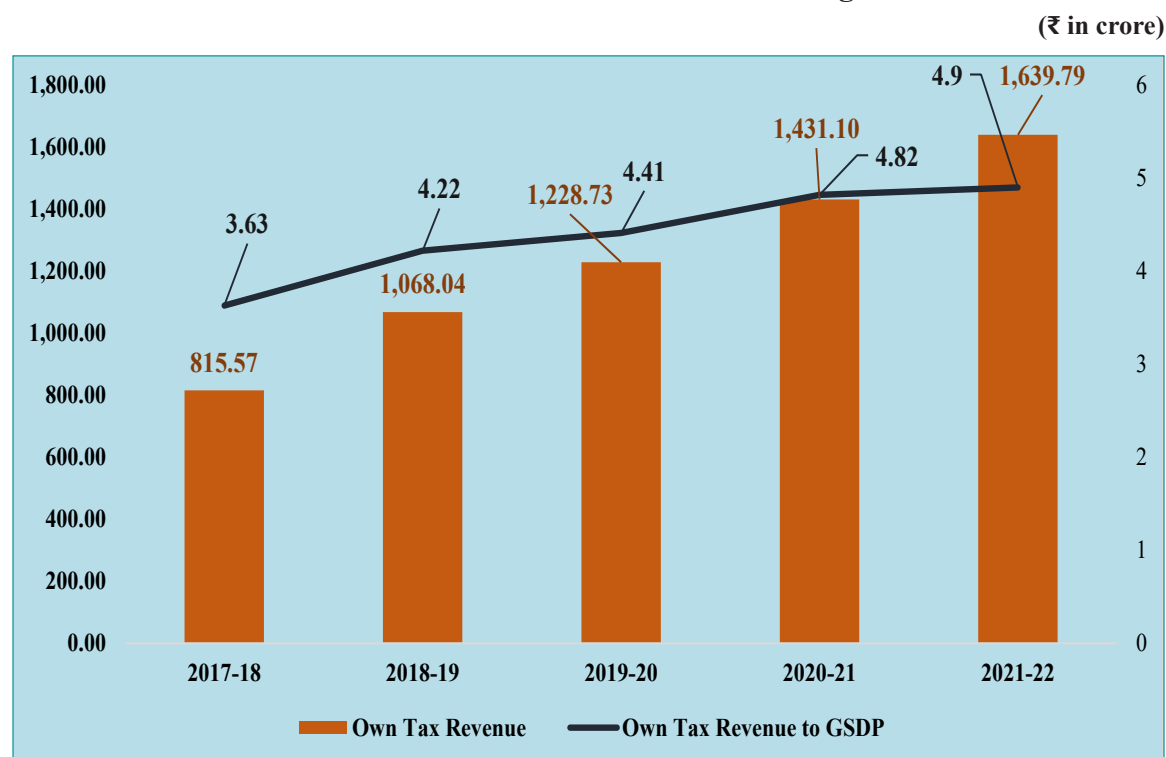
Collection of Non-Tax Revenue during 2021-22 was 96.12 per cent higher than the projections made by the XV FC and 8.86 per cent higher than the assessments made

in the BE. However, Actual collection of Non-Tax Revenue decreased by ₹61.86 crore (7.39 per cent) over the previous year which discussed in **paragraph 2.5.2.2**.

### 2.5.2.1 Own Tax Revenue

Own Tax Revenues of the State consist of State GST, State Excise, Taxes on Vehicles, Stamp Duty and Registration Fees, Land Revenue, Taxes on Goods and Passengers, etc. Growth of State's Own Tax Revenue and ratio of Own Tax Revenue to GSDP over the period 2017-22 are presented in **Chart 2.6**.

**Chart 2.6: Growth of Own Tax Revenue during 2017-22**



Source: Finance Accounts of the respective year

During the five-year period from 2017-18 to 2021-22, the Own Tax Revenue increased by 101.06 per cent, i.e., from ₹815.57 crore in 2017-18 to ₹1,639.79 crore in 2021-22 and 14.58 per cent (₹208.69 crore) over the previous year. The SGST, Taxes on Sales, Trade, etc and State Excise were the prominent contributor in State's Own Tax Revenue during the five-year period. During the year 2021-22, SGST alone contributed around 68.97 per cent of Own Tax Revenue.

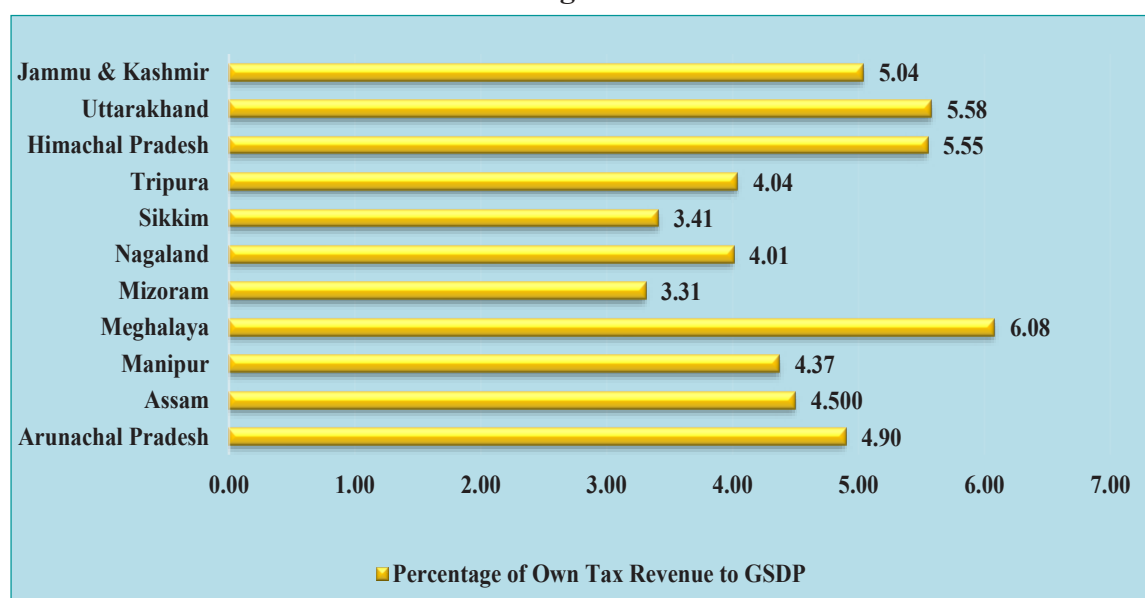
During 2021-22, Own Tax Revenue constituted 7.72 per cent of Revenue Receipts (₹21,231.64 crore). As percentage of GSDP, it increased to 4.90 per cent in 2021-22 over the previous year (4.82 per cent). The CAGR of the Own Tax Revenue for 2017-18 to 2021-22 for the State stood at 19.08 per cent and decadal CAGR of the State was 20.05 per cent which was higher than that of GSDP and Revenue Receipts. The CAGR of Own Tax Revenue from 2020-21 to 2021-22 i.e., the current year was 14.58 per cent while the CAGR of NE & H States for the same period was 19.62 per cent. Component wise details of State's Own Tax Revenue collected during 2017-18 to 2021-22 are given in **Table 2.6**.

**Table 2.6: Components of State's Own Tax Revenue**

Particulars	(₹ in crore)				
	2017-18	2018-19	2019-20	2020-21	2021-22
Goods and Service Tax	223.73	601.00	801.55	859.29	1131.00
Taxes on Sales, Trade, etc.	285.13	268.74	219.82	283.09	324.61
State Excise	122.61	136.73	144.97	238.02	115.92
Taxes on Vehicles	31.40	32.43	38.12	32.71	48.94
Stamps & Registration Fees	10.42	9.16	8.14	10.47	12.48
Land Revenue	13.32	14.58	15.97	7.52	6.83
Taxes on Goods & Passengers	128.96	5.40	0.16	0.00	0.01
<b>Total</b>	<b>815.57</b>	<b>1,068.04</b>	<b>1,228.73</b>	<b>1,431.10</b>	<b>1,639.79</b>

Source: Finance Accounts of the respective year

The collections from Sales, Trades, etc. increased by ₹39.48 crore (13.85 per cent) from ₹285.13 crore in 2017-18 to ₹324.61 crore in 2021-22. During the year 2021-22, the collections from Sales, Trades, etc. increased 41.52 crore due to more collections against Value Added Tax (VAT). The collections from Taxes on Goods and Passengers were approximately nil during the year 2021-22 as it got subsumed in GST from July 2017. The collections under Stamps and Registration increased by ₹2.06 crore (19.77 per cent) from ₹10.42 in 2017-18 to ₹12.48 crore in 2021-22. During the year 2021-22, the collections under Stamps and Registration increased by ₹2.01 crore due to more collections under Registration fees. During the year 2021-22, the collections from State Excise decreased drastically by ₹122.10 crore (51.30 per cent). Reason for deduction in State Excise could not be ascertained due to whole receipts book under Minor Head 800-Other Receipts. The reduction in collections in Taxes on Sales and Trade from 2017-18 to 2019-20 was as a result of the introduction of GST due to which the VAT on other products except liquor and petroleum products got subsumed in GST.

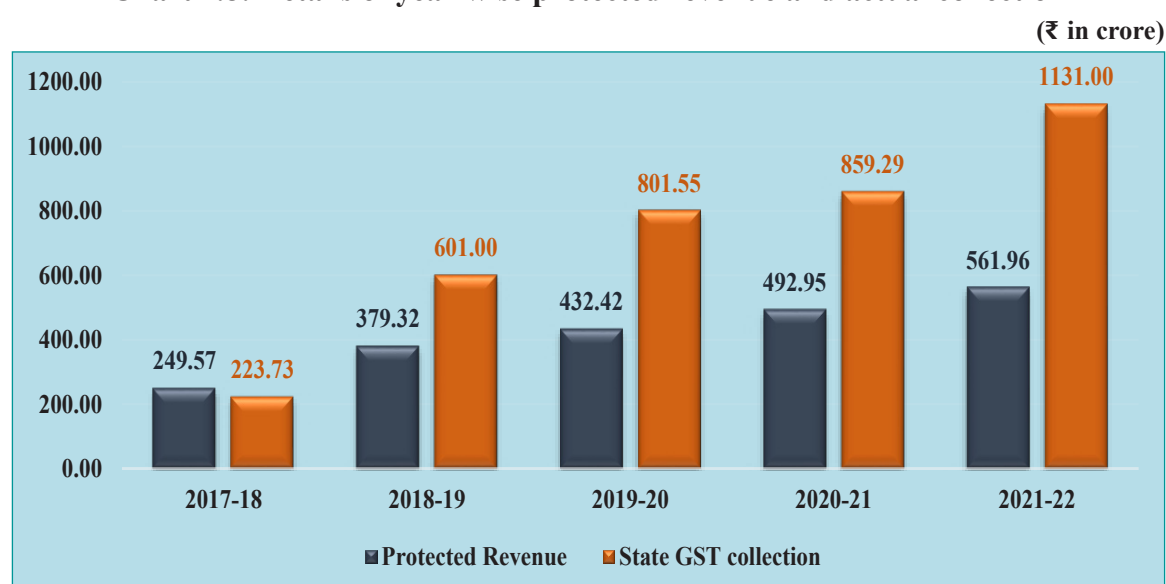
**Chart 2.7: Percentage of Own Tax Revenue to GSDP of NE & H States during 2021-22**

Source: Finance Accounts of the respective State

### 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, 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 Arunachal Pradesh Goods and Services Tax Act, 2017 was passed by the State Legislature on 24 June 2017 and made effective from 01 July 2017 in the State. The year-wise protected revenue and actual collection of the State over the period 2017-2022 is given in **Chart 2.8**.

**Chart 2.8: Details of year-wise protected revenue and actual collection**



Source: Finance Accounts of the respective year

State Goods and Services Tax (SGST) of the State increased by ₹907.27 crore (405.52 *per cent*) from ₹223.73 crore in 2017-18 to ₹1,131.00 crore in 2021-22. During the year 2021-22, the SGST increased by ₹271.71 crore (31.62 *per cent*) over the previous year. This increased was due to significant increase against Input Tax Credit and Apportionment of IGST. Minor Heads' 101- Tax, 105- Apportionment of Input Tax Credit utilisation of SGST and IGST and 106- Apportionment of IGST-transfer in of Tax component to SGST were major contributors under SGST in 2021-22.

The State was able to achieve the benchmark target of SGST collection with more than 14 *per cent* annual growth in last four financial years. As such, the State was not eligible for compensation.

### Analysis of Arrears of Revenue and Arrears of assessment

The arrears of revenue indicate delayed realisation 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 receipts and ultimately affect the revenue surplus. Arrears of revenue and Arrears of assessment as on 31 March 2022 is given in **Table 2.7**.

**Table 2.7: Details of Arrears of revenue and Arrears of assessment**

Arrears of Revenue (₹ in crore)						
Particulars	Amount Outstanding for more than					Amount Outstanding as on 31 March 2022
	Five years	Four years	Three Years	Two Years	One year	
<b>0040-Taxes on Sales, Trade etc.</b>	196.33	31.21	3.89	3.92	12.57	247.92
Arrears of assessment						
No. of cases pending as on 31 March 2021						432
Cases detected for assessment during 2021-22						54
Cases disposed off during 2021-22						40
No. of cases pending as on 31 March 2022						446

Source: Information furnished by the Tax and Excise Department, GoAP

- Information received from 25 Superintendent Tax and Excise stated that arrears amounted to ₹247.92 crore of which ₹196.33 crore was outstanding for more than five years, ₹31.21 crore was more than four years, ₹3.89 and ₹3.92 crore were more than three and two years respectively. Clearance of such magnitude requires focused efforts by all department concerned and a push for coordination with other department in the process of recovery before expiry of the statutory time limit for such recovery.
- There were 446 cases pending for assessment as on 31 March 2022. Delay in assessment, affects the revenue deficit of the State.

#### Evasion of Tax detected and refund Cases

The cases of Evasion of tax detected by the Tax and Excise Department, cases finalised and demands for additional tax raised are important indicator of revenue collection efforts of the State Government. Promptness in disposal of refund cases is an important indicator of the performance of the Department. High pendency of refund cases may indicate red tape, vested interest, prevalence of speed money, etc. Details of evasion of tax detected is given in **Table 2.8**.

**Table 2.8: Evasion of Tax detected**

Sl. No.	Head of Revenue	Cases pending as on 31 March 2021	Cases detected during 2021-22	Total	No. of cases in which assessment/ investigation completed and additional demand with penalty etc. raised		No. of cases pending for finalisation as on 31 March 2022
					No. of cases	Amount of demand (₹ in crore)	
1	0039-State Excise	1	0	1	0	0.00	1
2	0040-Taxes on Sales, Trade etc.	120	5	125	20	2.77	105

Source: Information furnished by Tax and Excise Department, GoAP

It could be seen from **Table 2.8**, there were 105 cases pending under Taxes on Sales, Trade, etc as on 31 March 2022 the details of refund cases are given in **Table 2.9**.

**Table 2.9: Details of refund cases**

Sl. No.	Particulars	SGST		VAT	
		No. of cases	Amount (₹ in crore)	No. of cases	Amount (₹ in crore)
1	Claims outstanding at the beginning of the year	87	11.00	1	0.23
2	Claims received during the year	91	11.24	0	0.00
3	Refunds made/ rejected during the year	43	5.89	0	0.00
4	Balance outstanding at the end of year	135	16.35	1	0.23

Source: Information furnished by Tax and Excise Department, GoAP

### 2.5.2.2 Non-Tax Revenue

Non-Tax Revenue refers to income of the State Government generated from the sources other than Taxation, such as receipts from medical, police, interest receipts, dividends and profits, mining receipts and departmental receipts, etc. **Table 2.10** shows the trends and composition of Non-Tax Revenue during the period 2017-18 to 2021-22.

**Table 2.10: Components of State's own Non-Tax Revenue**

Revenue Head	(₹ in crore)				
	2017-18	2018-19	2019-20	2020-21	2021-22
Interest Receipts	46.98	88.01	62.49	34.12	47.21
Dividends and Profits	-	-	-	-	-
Other non-tax receipts	319.20	520.86	588.88	802.41	727.45
a) Minor Irrigation	0.12	0.19	0.33	0.37	1.09
b) Road Transport	18.37	17.60	18.51	10.01	18.54
c) Urban Development	3.96	3.84	3.96	4.24	6.73
d) Education	4.57	3.58	6.48	6.55	6.49
e) Non-ferrous mining	48.81	56.30	72.04	83.00	95.95
f) other or miscellaneous	243.37	439.35	487.56	698.24	598.65
<b>Total</b>	<b>366.18</b>	<b>608.87</b>	<b>651.37</b>	<b>836.53</b>	<b>774.67</b>

Source: Finance Accounts of the respective year

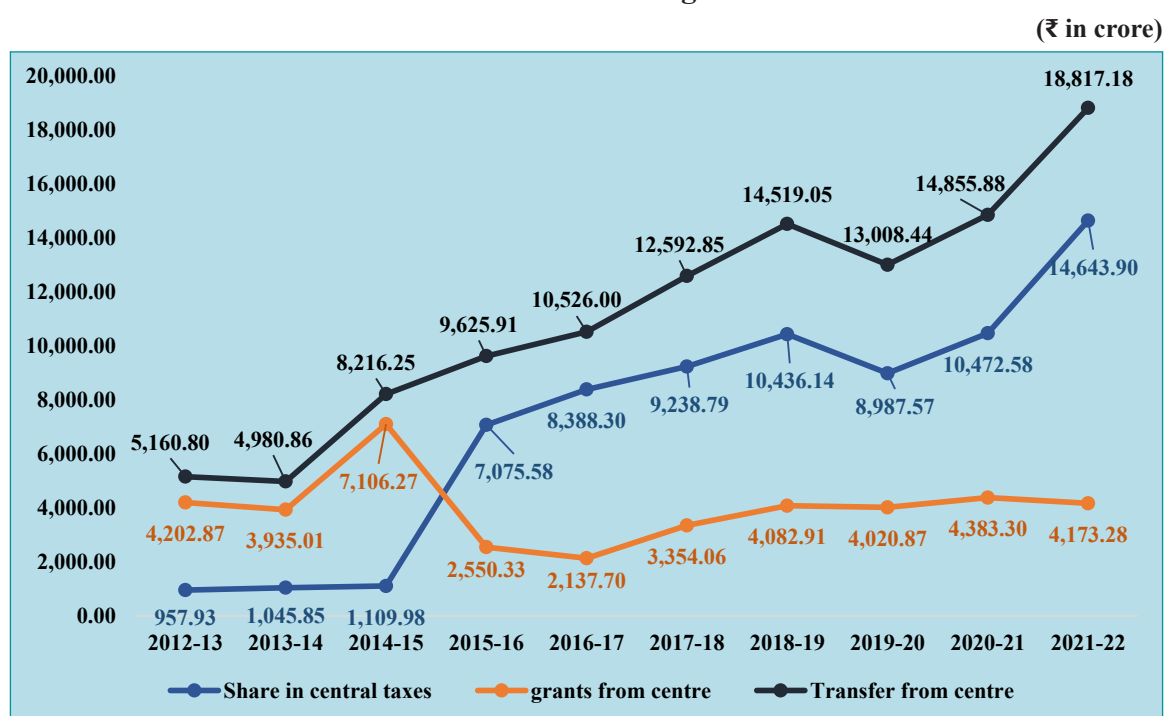
During 2021-22, Non-Tax Revenue was 3.65 per cent and 2.32 per cent of Total Revenue Receipts and GSDP of the State. Non-Tax Revenue decreased by ₹61.86 crore (7.39 per cent) during 2021-22 over the previous year. The decrease in Non-Tax Revenue was mainly due to a decrease in revenue collection on Others or miscellaneous. During 2021-22, Economic Services contributed 43.51 per cent (₹364.00 crore) of Non-Tax Revenue, and within this category, receipts under Power Sector accounted for 66.83 per cent (₹243.28 crore). CAGR of Non-Tax Revenue of the State for the five-year period (2017-18 to 2021-22) was 19.08 per cent and decadal CAGR of Non-Tax Revenue was 11.79 per cent. During the period 2020-21 to 2021-22, the CAGR of the State was (-) 7.39 per cent while the CAGR of the NE & H States was 2.90 per cent.

Since, the State Government has been classifying huge amounts of receipts as Other receipts without any clear details, audit could not analyse the reasons for decreased in the Non-Tax Revenue.

### 2.5.3 Transfers from the Centre

The Finance Commissions have been recommending transfers under two important heads, namely tax devolutions and GIA, for corresponding five- year periods. First, they recommend tax devolutions which are general purpose transfer without being earmarked for expenditure in any specific area and these devolutions are specified as a percentage of sharable tax revenue. Second, the FCs state the principles governing GIA and recommend amount of specific purpose grants. Share of Union Taxes/ Duties and GIA for the last ten years is depicted in **Chart 2.9**.

**Chart 2.9: Central transfers during 2012-13 to 2021-22**



Source: Finance Accounts of the respective year

While share in Central Taxes is increasing during the past three years GIA showed an inconsistent trend. Apart from this, more GIA are being released directly by Government of India, to the implementing agencies instead of routing through Consolidated Fund of State Government (*Details in paragraph 4.4*).

#### 2.5.3.1 Central Tax Transfers

The XV FC recommended that the vertical share of net proceeds of the Central Taxes to all the States combined decreased from 42 to 41 *per cent*. It also took into account various other factors like population, area, forest and ecology, income distance criteria, demographic performance and tax efforts of the State. Further there was change in inter se share of taxes to States due to change in the criteria. Based on the projected Tax Revenue of the Union Government and the share derived from the horizontal devolution formula, The XV FC allocated 1,757 *per cent* for the year 2021-22 of the total divisible pool as *inter se*



share of Arunachal Pradesh. According to the new criteria, share of Arunachal Pradesh in the GoI taxes increased from 1.370 *per cent* during the XIV FC period to 1.757 *per cent* during the award period of XV FC. Thus, the State Government is now getting access to more untied funds compared to the period of XIV FC.

In contrast to GIA, share of Central Taxes are an untied fund; hence, the enhancement of share of Central Taxes has provided financial freedom to the state Government to prioritise its expenditure as per its policy and requirement.

Net proceeds of the shareable Central Taxes, constituted 68.98 *per cent* of the total revenue receipts for the State in the year 2021-22. During 2021-22, share of Central Tax transfer increased by ₹4,171.32 crore (39.83 *per cent*) crore as increase in the receipts from the GoI had a positive impact on the Capital Expenditure of the State which is meant for creation of infrastructure in the State as State is heavily dependent on transfer from the GoI.

Actual devolution of State's share in Union taxes/duties *vis-à-vis* XIV Finance Commission and XV Finance Commission projections for the period 2017-18 to 2021-22 are given in the **Table 2.11**.

**Table 2.11: State's share in Union taxes/ duties: Actual devolution *vis-à-vis* Finance Commission projections**

(₹ in crore)

Year		Projections by FC	Actual tax devolution	Variations Excess (+)/ Short (-)
2017-18	1.370 <i>per cent</i> of net proceeds of all shareable taxes excluding service tax and 1.431 <i>per cent</i> of net proceeds of sharable service tax recommended by 14 FC	10,580.60	9,238.79	(-)1,341.81
2018-19		12,240.00	10,436.14	(-)1,803.86
2019-20		14,176.00	8,987.57	(-)5,188.43
2020-21	1.760 <i>per cent</i> of net proceeds of all sharable taxes recommended by XV FC for the 2020-21	15,051.10	10,472.58	(-)4,578.52
2021-22	1.757 <i>per cent</i> of net proceeds of all sharable taxes recommended by XV FC for the 2021-22	11,571.43	14,643.90	(+) 3,072.47

Source: XV FC report and Finance Accounts of the respective year

As can be seen from the **Table 2.11**, the actual devolution of GoI taxes to the State was ₹14,643.90 crore which was ₹3,072.47 crore more than the projections made by the XV FC for the year 2021-22. Details of the composition of Central Tax Transfers over the period 2017-22 is given in **Table 2.12**.

**Table 2.12: Details Composition of Central Tax Transfers for the period 2017-22**

(₹ in crore)

Head	2017-18	2018-19	2019-20	2020-21	2021-22
Central Goods and Services Tax (CGST)	127.92	2,575.12	2,550.31	3,152.15	4,466.42
Integrated Goods and Services Tax (IGST)	931.56	205.5	0.00	0.00	0.00
Corporation Tax	2,825.84	3,628.32	3,064.45	3,130.39	4,429.74

Head	2017-18	2018-19	2019-20	2020-21	2021-22
Taxes on Income other than Corporation Tax	2,386.20	2,672.11	2,401.21	3,205.59	4,462.28
Customs	931.30	739.56	569.70	582.90	875.24
Union Excise Duties	973.50	491.48	396.08	355.91	350.06
Service Tax	1,062.55	98.42	0.00	39.53	45.09
Other Taxes	(-) 0.08	25.63	5.82	6.11	14.80
<b>Central Tax transfers</b>	<b>9,238.79</b>	<b>10,436.14</b>	<b>8,987.57</b>	<b>10,472.58</b>	<b>14,643.90</b>
The growth rate over previous year	10.14	12.96	(-) 13.88	16.52	39.83
Percentage of Central tax transfers to Revenue Receipts	67.07	64.44	60.37	61.16	68.97
Percentage of Central tax transfers to GSDP	41.11	41.20	32.23	35.27	43.77

Source: Finance Accounts of the respective year

The share of Union taxes/duties has increased for the past three years. In all components except union excise duties of the GoI taxes, the actual receipts were more than the amounts received in the previous year. This was due to increase in CGST ₹1,314.27 crore, Corporation Tax by ₹1,299.35 crore and Taxes on Income other than Corporation Tax by ₹1,256.69 crore.

During the 2021-22, Central Tax transfers as a percentage of Revenue Receipts and GSDP was 68.98 *per cent* and 43.77 *per cent*. As percentage of GSDP, Central Tax transfer increased by 8.50 points over the previous year (35.27 *per cent*). During the year 2020-21 to 2021-22, The CAGR of State's share of Union taxes of the State was 39.83 *per cent* which was less than the CAGR of the NE & H States (46.49 *per cent*).

### 2.5.3.2 Grants-in-aid from GoI

Details of GIA from GoI are given in **Table 2.13**.

**Table 2.13: GIA from the GoI**

Particulars	(₹ in crore)				
	2017-18	2018-19	2019-20	2020-21	2021-22
Centrally Sponsored Schemes	2,511.35	3,056.16	3,193.17	2,877.45	3,220.05
FC Grants	140.17	124.57	380.98	782.05	439.69
Other Grants to State	702.54	902.18	446.72	723.8	513.54
<b>Total</b>	<b>3,354.06</b>	<b>4,082.91</b>	<b>4,020.87</b>	<b>4,383.30</b>	<b>4,173.28</b>
Percentage of Increase (+)/ Decrease (-) over previous year	(+) 56.90	(+) 21.73	(-) 1.52	(+) 9.01	(-) 4.79
Total Grants as a percentage of Revenue Receipts	24.35	25.21	27.01	25.6	19.66
Total Grants as a percentage of GSDP	14.92	16.12	14.42	14.76	12.47

Source: Finance Accounts of the respective year

GIA from GoI decreased by ₹210.02 crore (4.79 per cent) from ₹4,383.30 crore in 2020-21 to ₹4,173.28 crore in 2021-22. The decrease was mainly due to less allotment of Other Grants to State (₹210.26 crore) and FC Grants (₹342.36 crore). Centrally Sponsored Schemes was major contributor in GIA which constituted more than 77 per cent in 2021-22. Under this category, prominent recipients were Pradhan Mantri Gram Sadak Yojana (₹1,090.60 crore), National Health Mission (₹331.85 crore), National Rural Drinking Water Mission (₹253.38 crore) and Pradhan Mantri Krishi Sinchai Yojana (₹227.52 crore). The Government estimated the GIA from GoI at ₹6,646.00 crore in the budget estimates for the year 2021-22. Against the estimates, the GoI released ₹4,173.28 crore during the year as GIA. The quarter-wise flow of funds from GoI which has a bearing on the cash management of the state and smooth implementation of various schemes is indicated in the **Table 2.14**.

**Table 2.14: Details of fund flow from GoI**

(₹ in crore)					
Particulars	Fund received during April-December	Percentage of Fund received during April-December	Fund received during January- March	Percentage of Fund received during January- March	Total Fund Received
State's share in Union taxes/ duties	7,911.93	54.03	6,731.97	45.97	14,643.90
GIA from GoI	2,578.01	61.77	1,595.27	38.23	4,173.28
<b>Total</b>	<b>10,489.94</b>		<b>8,327.24</b>		<b>18,817.18</b>

Source: Monthly Civil Accounts, 2021-22

While there was even flow of GIA from GoI, the flow of funds in respect of the State's share in Union taxes/ duties is not evenly spread, as around 46 per cent of State's share in Union taxes/ duties are released in the last quarter of the financial year, sufficient time is not left with the State government to utilise the funds resulted in substantial savings as discussed in **para 3.3**.

#### Utilisation of funds under Centrally Sponsored schemes

A Sub-Group of Chief Ministers on Rationalization of Centrally Sponsored Schemes (CSSs) was set up in pursuance of the decision taken by the Governing Council of NITI Aayog. The Sub-group inter alia recommended that the total number of schemes should not exceed 30 and Existing CSSs should be divided into Core and Optional Schemes. The focus of Core schemes should comprise the National Development Agenda where the Centre and States will work together in the spirit of Team India. Those schemes which are for social protection and social inclusion should form the core of core and be the first charge on available funds for the National Development Agenda. The optional schemes shall be schemes where states would be free to choose the ones they wish to implement.

Based on the recommendations of the Sub-Group, the 66 CSSs have been rationalized into 28 umbrella schemes, of which six schemes were categorized as Core of the Core schemes, while 20 schemes were categorized as Core schemes and the balance schemes were treated as optional schemes. The core of the Core schemes was legislatively backed or designed to sub serve the vulnerable sections of population, and existing financing pattern was continued. For Core schemes, the funding pattern for the 8 North Eastern States and Himalayan States of Uttarakhand, Himachal Pradesh, and Jammu Kashmir was fixed at

90:10 while for other states the funding pattern was 60:40. For the optional schemes the funding pattern for NER States and Himalayan States of Uttarakhand, Himachal Pradesh, and Jammu Kashmir was fixed at 80:20 while for other states it was 50:50. Thus for North Eastern & Himalayan (NE & H) states a more liberal funding pattern was fixed keeping in view the financial position of those states and necessity to implement the national development agenda in those States.

It was verified in audit whether the funds released by the GoI for different categories of the schemes were actually spent by the State along with state's share for the purpose for which those funds were released. The summarised position of the funds released by the GoI for different categories of the schemes and actual expenditure incurred by the Government are indicated in the **Table 2.15**.

**Table 2.15: Details of CSS Schemes, funding pattern, amounts released and expenditure**

(₹ in crore)

Types of schemes	No. of schemes	Funding Pattern	Unspent	Central Share Release	State Share Release	Actual Expenditure
Core of the core Schemes	6	100:00	15.76	496.43	133.68 <sup>4</sup>	500.59
Core Schemes	26	90:10	1247.50	3,916.99	582.17	4,690.41
Optional Scheme	1	80:20	6.21	2.70	0.45	4.05
<b>Total</b>	<b>33</b>		<b>1,269.47</b>	<b>4,416.12</b>	<b>1,079.05</b>	<b>5,195.05</b>

Source: Information furnished by State Government

#### 2.5.4 Capital receipts

Details of Capital Receipts during 2017-18 to 2021-22 are given in **Table 2.16**.

**Table 2.16: Trends in growth and composition of Capital Receipts**

(₹ in crore)

Sources of State's Receipts	2017-18	2018-19	2019-20	2020-21	2021-22
Capital Receipts	1,772.95	1,210.05	1,797.74	1,522.00	1,489.56
Recovery of Loans and Advances	5.68	5.08	7.03	5.94	6.85
Public Debt Receipts	1,767.27*	1,204.97	1,790.71	1,516.06	1,482.71
Internal Debt	1,250.33	1,204.97	1,790.71	1,283.09	1,111.52
Growth rate	64.23	(-) 3.63	48.61	(-) 28.35	(-) 13.38
Loans and advances from GoI	0.00	0.00	0.00	232.97	371.19
Growth rate	0.00	0.00	0.00	232.97	59.32
Rate of growth of debt Capital Receipts	74.07	(-) 31.82	48.61	(-) 15.34	(-) 2.20
Rate of growth of non-debt capital receipts	49.87	(-) 10.56	38.39	(-) 15.50	15.32
Rate of growth of GSDP	12.93	12.71	10.08	6.49	12.68
Rate of growth of Capital Receipts (per cent)	73.98	(-) 31.75	48.57	(-) 15.34	(-) 2.13

Source: Finance Accounts of the respective year

\* It included net transactions under Ways and Means advances and Overdraft of ₹ 516.94 crore.

<sup>4</sup> The amount was funded by State as top up to fulfill the gap.

Public Debt Receipts consist of borrowings taken from Market, Financial Institutions and Loans and Advances from the GoI. As could be seen from the **Table 2.16** above, the major source of Capital Receipts for the State is Internal Debt which constitutes 74.62 per cent of total Capital Receipts.

According to MTFP, the annual Internal Debt of the State shall be limited to only 2.19 per cent of the GSDP of the State, the receipts from Internal Debt for the State were found to be above the MTFP target every year. This was due to two reasons. Firstly, it was also observed that the State estimated Internal Debt above the stipulated 2.19 per cent of GSDP at the BE stage. Secondly, since optimistic projections are made for GSDP figures in the Budget Estimates, thus, the permissible internal debt taking a ratio of 2.19 per cent of the GSDP is also inflated. Even at the stage of Revised Estimates, the internal debt was not adjusted to realistic levels.

Capital Receipts estimated in the budget for the year 2021-22 were ₹1,490.13 crore, which was subsequently revised to ₹1,823.49 crore. The budget assumed net Public Debt Receipts at ₹856.50 crore, indicating over estimation of these receipts as the Government was entitled to borrow only 2.19 per cent of the GSDP, i.e., ₹577.39 crore. However, the actual Capital Receipts during the year were ₹1,489.56 crore, of which Internal Debt Receipts were ₹1,111.52 crore constituting 3.32 per cent of GSDP which is 1.13 points more than the admissible limit of 2.19 per cent.

It was observed that the Government has been opting for the Market Borrowings year after year as the share of Market Borrowings during 2021-22 in Internal Debt was more than 50 per cent. This is because the Market Borrowings are in the nature of untied funds giving freedom to the State Government to spend the money as per their priorities, while the negotiated loans from institutions like NABARD etc. are to be spent on identified schemes in specified sectors. Internal Debt consisted of Market Loans (₹563.34 crore during 2021-22 against ₹767.81 crore during 2020-21), Loans from Financial Institutions (₹295.15 crore during 2021-22 against ₹251.71 crore during 2020-21) and Special Securities issued to National Small Savings Fund (₹253.04 crore during 2021-22 against ₹263.57 crore during 2020-21). State Government received ₹371.19 crore loans from GoI during the year.

## 2.6 Application of resources

Analysis of allocation of expenditure at the State Government level assumes significance since the State Government has major socio-economic responsibilities. While within the framework of fiscal responsibility legislations, there are budgetary constraints on raising finance by deficit or borrowings; at the same time, it is important to ensure that the ongoing fiscal correction and consolidation process at the State level is not at the cost of expenditure, especially expenditure directed towards development and Social Sector. The components of State expenditure are discussed in the following Paragraphs.

### 2.6.1 Growth and composition of expenditure

**Table 2.17** and **Chart 2.10** presents trend in Total Expenditure and its composition over five years (2017-18 to 2021-22).

**Table 2.17: Total expenditure and its composition**

(₹ in crore)

Parameters	2017-18	2018-19	2019-20	2020-21	2021-22
Total Expenditure (TE)	14,093.64	18,177.07	15,927.80	18,215.65	22,337.53
Revenue Expenditure (RE)	10,900.47	12,429.48	12,218.73	13,087.50	15,846.64
Capital Expenditure (CE)	3,188.10	5,727.43	3,693.05	5,123.35	6,488.33
Loans and Advances	5.07	20.16	16.02	4.80	2.56
GSDP	22,474.77	25,330.83	27,884.65	29,694.61	33,459.15
<b>As a percentage of GSDP</b>					
TE/ GSDP	62.71	71.76	57.12	61.34	66.76
RE/ GSDP	48.50	49.07	43.82	44.07	47.36
CE/ GSDP	14.19	22.61	13.24	17.25	19.39
Loans and Advances/ GSDP	0.02	0.08	0.06	0.02	0.01

Source: Finance Accounts of the respective year

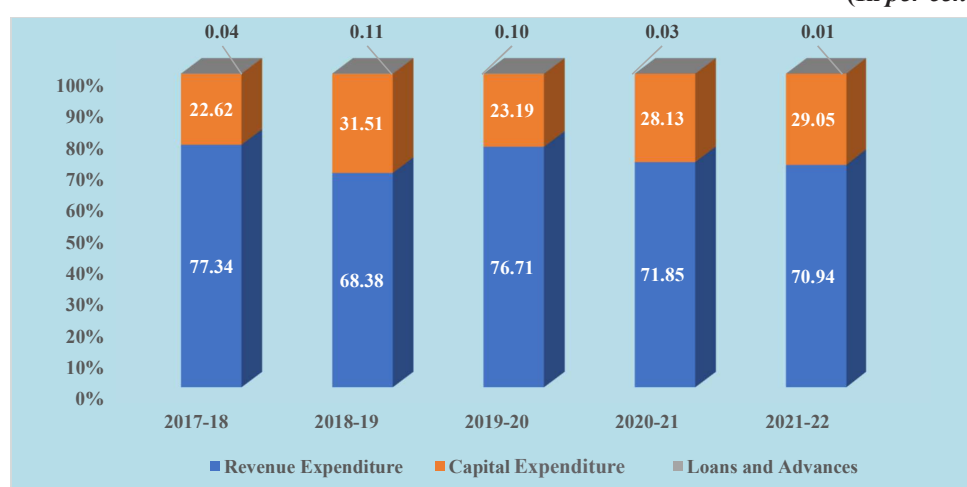
In monetary terms, Total Expenditure (TE) showed an inconsistent trend from 2017-18 to 2019-2020 and thereafter, showed an increasing trend. TE increased by ₹8,243.89 crore (58.49 per cent) from ₹14,093.64 crore in 2017-18 to ₹22,337.53 crore in 2021-22. During the year 2021-22, The TE increased by ₹4,121.88 crore (22.63 per cent) over the previous year (₹18,215.65 crore). The increase in TE during the year 2021-22 was due to increase in Revenue Expenditure by ₹2,759.14 crore (21.08 per cent) and Capital Expenditure by ₹1,364.98 crore (26.64 per cent).

Further, as percentage of GSDP, the TE has an increasing trend for the last three years (2019-20 to 2021-22). This was due to higher percentage of Revenue and Capital Expenditure. The CAGR of TE during 2016-21 was 13.57 per cent which was lower than Sikkim and higher than other NE & H States.

The CAGR of TE (12.20 per cent) is higher than the CAGR of the Revenue Receipts of the State (11.42 per cent) during 2017-18 to 2021-22, indicating that the increase of the expenditure was faster than the receipts. This partly contributed to non-achievement of the Revenue Surplus target in the budget. The CAGR of the TE of the State from 2020-21 to 2021-22 was higher than (22.63 per cent) the CAGR of the TE of the NE & H States (16.14 per cent). The decadal CAGR of the State was 15.73 per cent. **Chart 2.10** depicts the trend of the share of components in TE.

**Chart 2.10: Total Expenditure: Trends in share of its components**

(In per cent)



Source: Finance Accounts of the respective year

Revenue Expenditures are the ongoing operating expenses which showed inconsistency during the five years period (2017-2022). Share of Revenue Expenditure hovered around 68 to 77 *per cent* during the period 2017-18 to 2021-22. High proportion of Revenue Expenditure to the Total Expenditure is not desirable in economy for growth of the State as this trend leads to higher borrowings which imply higher interest payments in future.

Higher proportion of Capital Expenditure to TE is desirable as it would help in boosting in infrastructure growth and thereby lead to overall development of the economy. Capital Expenditure as a ratio of TE was 22.62 *per cent* in 2017-18 and stood at 31.51 *per cent* in 2018-19. However, it experienced a dip to 23.19 *per cent* in 2019-20 before increasing again to 28.13 *per cent* in 2020-21. During the year 2021-22, relative share of Capital Expenditure was 29.05 *per cent* which was a marginal increase over the previous year (28.13 *per cent*)

The percentage increase of Capital Expenditure is more than the percentage increase of Revenue Expenditure. While the increase in Revenue Expenditure was 45.38 *per cent* over 2017-18 to 2021-22, the increase in the Capital Expenditure was 103.52 *per cent* during the same period, indicating that the Government has been focussing on improving the infrastructure in the State. However, the available resources were spread among large number of works which resulted in many works remaining incomplete due to which the benefit of higher Capital Expenditure did not fully accrue to the State.

The Ratio of TE to GSDP of State during 2021-22 was 63.42 *per cent* while the ratio of TE to GSDP of the NE & H States during 2021-22 was 27.56 *per cent*.

The relative share of various sectors of TE and expenditure by activities are depicted in **Table 2.18** and **Chart 2.11** respectively.

**Table 2.18: Relative share of sectors in Total Expenditure**

(₹ in crore)					
Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
<b>General Sector</b>	<b>4,029.68</b>	<b>4,885.35</b>	<b>4,488.96</b>	<b>4,960.55</b>	<b>6,452.35</b>
Revenue Expenditure	3,484.76 (86.48)	3,823.32 (78.26)	3,831.05 (85.34)	4,216.56 (85.00)	4,833.96 (74.92)
Capital Expenditure	544.92 (13.52)	1,062.03 (21.74)	657.91 (14.66)	743.99 (15.00)	1,618.39 (25.08)
<b>Social Sector</b>	<b>4,805.63</b>	<b>5,699.73</b>	<b>4,981.19</b>	<b>5,006.88</b>	<b>7,110.31</b>
Revenue Expenditure	3,950.83 (82.21)	4,472.42 (78.47)	4,256.22 (85.45)	4,359.45 (87.07)	5,760.02 (81.01)
Capital Expenditure	854.80 (17.79)	1,227.31 (21.53)	724.97 (14.55)	647.43 (12.93)	1,350.29 (18.99)
<b>Economics Sector</b>	<b>5,253.26</b>	<b>7,571.83</b>	<b>6,441.63</b>	<b>8,243.42</b>	<b>8,772.31</b>
Revenue Expenditure	3,464.88 (65.96)	4,133.74 (54.59)	4,131.46 (64.14)	4,511.49 (54.73)	5,252.66 (59.88)
Capital Expenditure	1,788.38 (34.04)	3,438.09 (45.41)	2,310.17 (35.86)	3,731.93 (45.27)	3,519.65 (40.12)

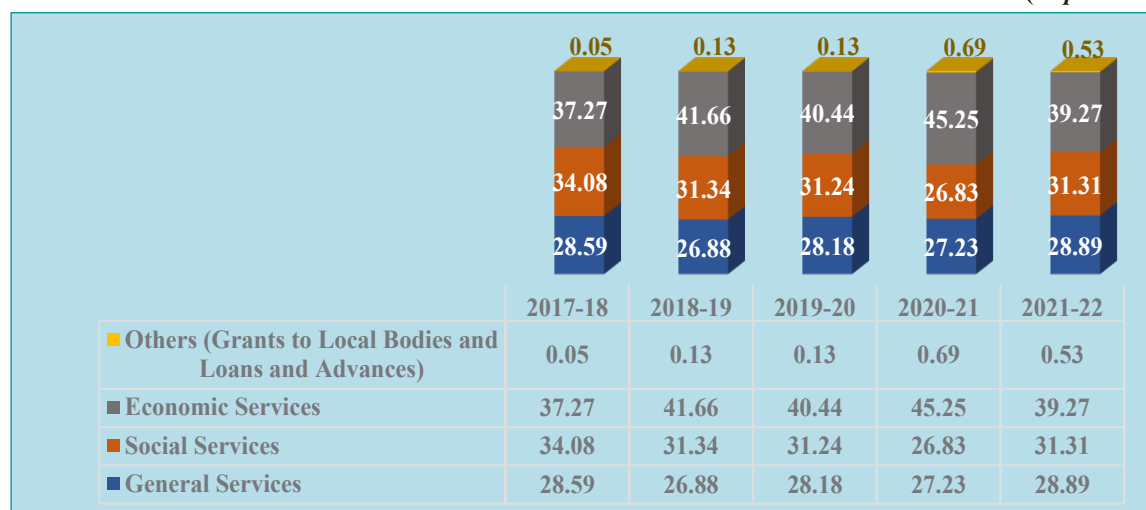
Source: Finance Accounts of the respective year

\* Figure in bracket is percentage of total expenditure of the sector

Revenue expenditure has a dominant share in the State’s total expenditure for the last five-year period. The same is true in all the different functional categories like General, Social and Economic services. In respect of General and Social services, most of the expenditures are revenue expenditure, leaving an insignificant share for Capital Expenditure. Similarly, a major portion of the share in Economic Services is revenue expenditure and it increased by 5.15 points over the previous year which is a cause of great concern (Table 2.18). Trends of TE by activities for the period 2017-18 to 2021-22 is shown in Chart 2.11.

**Chart 2.11: Total expenditure-Expenditure by activities**

(In per cent)



Source: Finance Accounts of the respective year

Relative share of all the activities (except Others) showed inconsistent trends for the last five-year period. During the year 2021-22, relative share of General Sector and Social Sector increased over the previous year, while in respect of Economics Sector, relative share in the TE decreased significantly by 5.98 point over the previous year indicating less resources towards Economic activities which contributes to the infrastructure and employment growth in the State.

During 2021-22, the ratio of Social Sector and Economic Sector to the TE of the State were 31.31 and 39.27 *per cent* whereas the ratio of Social sector and Economic sector to the Total Expenditure of the NE & H States were 35.55 and 27.01 *per cent* respectively. This indicates that State allotted less resources towards Social Sector than NE & H States. Prioritisation of expenditure on Social Sector at any point boosts the status of its social indicators like literacy rate, enrolment ratio *etc.* for expenditure in education and infant mortality rate, child sex ratio, availability of health infrastructure *etc.* for expenditure in health.

### 2.6.2 Revenue Expenditure

Revenue Expenditure is incurred to maintain the current level of services and payment of past obligations and does not result in any addition to the State’s infrastructure and service network. The Revenue Expenditure, its rate of growth and sector-wise distribution for the period from 2017-18 to 2021-22 are indicated in Table 2.19 and Chart 2.12 respectively.



**Table 2.19: Revenue Expenditure-Basic Parameters**

(₹ in crore)

Parameters	2017-18	2018-19	2019-20	2020-21	2021-22
Total Expenditure (TE)	14,093.64	18,177.07	15,927.80	18,215.65	22,337.53
GSDP	22,474.77	25,330.83	27,884.65	29,694.61	33,459.15
Revenue Expenditure (RE)	10,900.47	12,429.48	12,218.73	13,087.50	15,846.64
Revenue Receipts (RR)	13,774.60	16,195.96	14,888.55	17,123.51	21,231.64
Rate of Growth of RR ( <i>per cent</i> )	16.94	17.58	(-) 8.07	15.01	23.99
Rate of Growth of RE ( <i>per cent</i> )	16.03	14.03	(-) 1.7	7.11	21.08
Rate of Growth of GSDP	12.93	12.71	10.08	6.49	12.68
Revenue Expenditure as percentage of TE	77.34	68.38	76.71	71.85	70.94
RE/ GSDP ( <i>per cent</i> )	48.50	49.07	43.82	44.07	47.36
RE as percentage of RR	79.13	76.74	82.07	76.43	74.64
<b>Buoyancy of Revenue Expenditure with</b>					
GSDP (ratio)	1.24	1.10	(-) 0.17	1.10	1.66
Revenue Receipts (ratio)	0.95	0.80	0.21	0.47	0.88

Source: Finance Accounts of the respective year

Revenue Expenditure increased by ₹4,946.17 crore (45.38 *per cent*) from ₹10,900.47 crore in 2017-18 to ₹15,846.64 crore in 2021-22 at a CAGR of 9.81 *per cent*. This was due to increase in General Sector by ₹1,349.20 crore (38.72 *per cent*), Social Sector by ₹1,809.19 crore (45.79 *per cent*) and Economic Sector by ₹1,787.78 crore (51.60 *per cent*). In percentage term, Economic Sector experienced higher growth than other sectors.

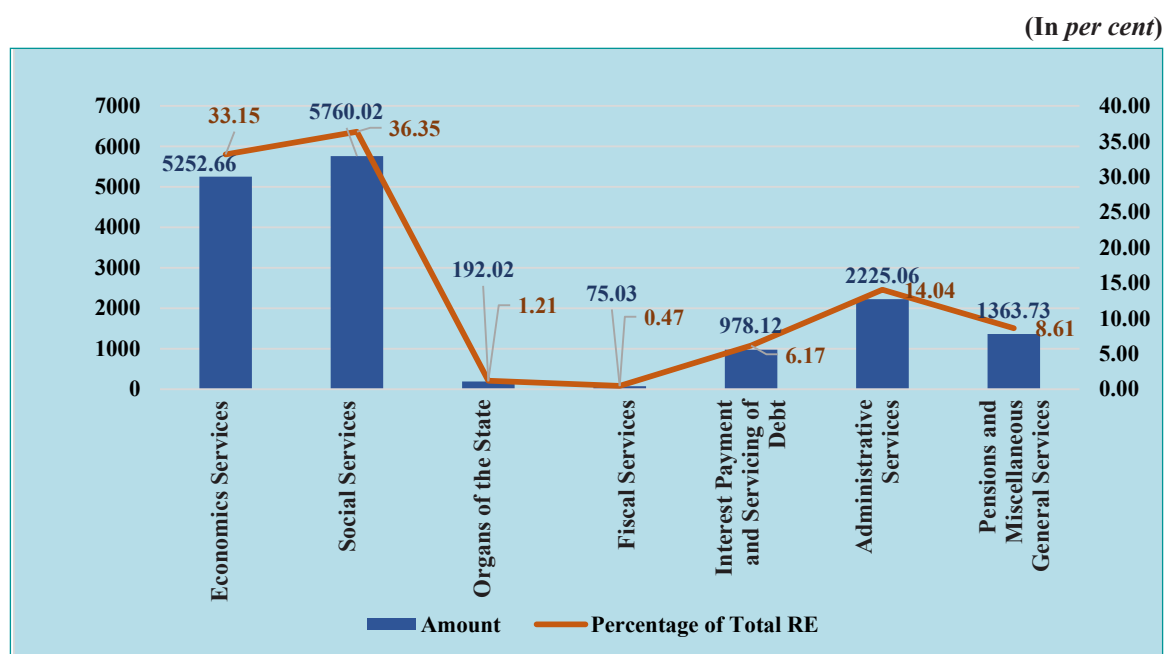
During 2021-22, Revenue Expenditure increased by ₹2,759.14 crore (21.08 *per cent*) over the previous year due to increase in expenditure under General Sector by ₹617.40 crore (14.64 *per cent*) Social Services by ₹1400.57 crore (32.13 *per cent*) and Economic Services by ₹741.17 crore (16.43 *per cent*). Social Services experienced higher growth rate than that of Other Services. The increase in expenditure under all Sectors (General Sectors, Social Sectors and Economic Sector) over the previous year due to increase of expenditure in Pension and other Retirement Benefits (₹276.97 crore), Police (₹202.67 crore) and District Administration (₹72.57 crore) under General Services, General Education (₹676.37 crore), Medical and Public Health (₹401.15 crore), Urban Development (₹158.20 crore) and Social Security and Welfare (₹116.96 crore), under Social Services, Power (₹296.96 crore), Roads and Bridges (₹223.45 crore), Crop Husbandry (₹158.19 crore) and Food, Storage and Warehouse (₹115.14 crore) under Economic Services.

The State Government projected that the total Revenue Expenditure of the State for the year 2021-22 would be ₹15,344.32 crore, however, the FC assessed it as only ₹10,728.00 crore during year. The actual Revenue Expenditure was excess than the projections made by the State Government and assessment made by the XV FC as it was ₹15,846.64 crore during the year. There was an increase of ₹5,118.64 crore (41.71 *per cent*) over the projection of the XV FC. During 2020-21 to 2021-22, the CAGR of the State was 21.08 *per cent* while the CAGR of the NE & H States was 13.86 *per cent*, which leaving few resources for Capital Expenditure than NE & H States.

Buoyancy of Revenue Expenditure to Revenue Receipts was less than 'one' for the last five years from 2017-18 to 2021-2022. This indicates that Revenue Expenditure was growing

at a slower pace than that of the Revenue Receipts. Thus, the higher growth of Revenue Receipts as compared to the Revenue Expenditure are responsible for the fiscal balances in the State. Sectoral distribution of Revenue Expenditure pertaining to 2021-22 is given in **Chart 2.12**.

**Chart 2.12: Sector-wise Distribution of Revenue Expenditure during 2021-22**



Source: Finance Accounts, 2021-22

Major portion of Revenue Expenditure was on Social Sector (36.35 per cent) followed by Revenue Expenditure on Economic Sector (33.15 per cent), while nearly 30 per cent on General Services like Administrative Services (14.04 per cent), Pensions and Miscellaneous (8.61 per cent) and Interest payment (6.17 per cent).

### 2.6.2.1 Major changes in Revenue Expenditure

Variation under significant Heads of Account with regard to Revenue Expenditure of the State during the current year *vis-à-vis* the previous year is shown in **Table 2.20**.

**Table 2.20: Head-wise variations in the Revenue Expenditure over the previous year**

(₹ in crore)

Major Changes in Revenue Expenditure			
Major Heads of Accounts	2020-21	2021-22	Variation
Increase			
General Sector			
2055-Police	940.42	1143.09	202.67
2071-Pensions and Other Retirement Benefits	1085.32	1362.29	276.97
Social Sector			
2202-General Education	1485.92	2162.29	676.37
2210-Medical and Public Health	914.12	1315.27	401.15
2217-Urban Development	222.65	380.85	158.2
2235-Social Security and Welfare	216.37	333.33	116.96

Major Changes in Revenue Expenditure			
Major Heads of Accounts	2020-21	2021-22	Variation
<b>Economics Services</b>			
2801-Power	1,044.17	1,341.13	296.96
3054-Roads and Bridges	652.33	875.78	223.45
2401-Crop Husbandry	288.90	447.09	158.19
2408-Food, Storage and Warehousing	4.90	120.34	115.44
<b>Decrease</b>			
<b>Social Sector</b>			
2245-Relief on account of National Calamities	325.44	181.55	(-) 143.89
<b>Economics Services</b>			
2515-Other Rural Development Programmes	748.53	441.96	(-) 306.57

Source: Finance Accounts of respective year

Analysis of the reasons for the changes in Revenue Expenditure under General, Social and Economic Sectors during 2021-22 over the previous year revealed the following:

- There was increase in Revenue Expenditure of ₹202.67 crore under 'Police'. This was due to increase in expenditure under Special Police (₹100.37 crore) District Police (₹110.93 crore) and Wireless and Computers (₹32.79 crore).
- There was increase in expenditure in Pension and Other Retirement Benefits of ₹276.97 crore than previous year. This was mainly due to increase in expenditure on Commuted value of Pensions of ₹122.36 crore and Gratuities of ₹189.89 crore.
- There was increase in Revenue Expenditure on General Education by ₹676.37 crore over the previous year due to increase of expenditure under Secondary Education by ₹84.31 crore, University and Higher Education by ₹110.97 crore, and Elementary Education by ₹474.24 crore. The major increase under Elementary Education was due to more Central Assistance to Sarva Shiksha Abhiyan (₹333.58 crore).
- During 2021-22, Revenue expenditure under Medical and Public Health increased by ₹401.15 crore. This was due to increase in expenditure under Medical Education, Training and Research by ₹116.80 crore, Public Health by ₹47.83 crore and General by 56.23 crore.
- There had been increased in Revenue Expenditure by ₹158.20 crore over the previous year under Urban Development due to financial assistance to Local bodies Corporations and Municipal council by ₹115.34 crore.
- During 2021-22, there was increase in Revenue Expenditure by ₹116.96 crore under Social Security and Welfare due to significant increase in expenditure under National Social Assistance Programme by ₹91.72 crore.
- There had been increase in Revenue Expenditure by ₹296.96 crore under 'Power' due to significant increase in expenditure by ₹206.68 crore under Transmission and Distribution.
- There had been increase in Revenue Expenditure by ₹223.45 crore in Roads and Bridges. This was due to significant increase in expenditure by ₹176.71 crore under District and Other Roads.

- During 2021-22, Revenue expenditure increased by ₹158.19 crore under Crop Husbandry due to increase in Small/ Marginal Farmers and Agriculture Labor by ₹63.66 crore and Horticulture and Other Expenditure by ₹58.59 crore.
- There had been increase in Revenue Expenditure under Food, Storage, and Warehousing by ₹115.44 crore due to significant increase of expenditure in Assistance to Public Sector Undertakings by 62.78 crore.
- There had been decrease in Revenue Expenditure on Relief on account of Natural Calamities by ₹143.89 crore due to significant decrease of expenditure by ₹190.39 crore under State Disaster Response Fund which partial offset by increase in ₹57.90 crore.
- There had been decrease in Revenue Expenditure by ₹306.57 crore under Other Rural Development Programme due to drastically decrease in expenditure on Direction and Administration.

**Table 2.21: Trend of Major share of expenditure under Revenue in Social Sector**

(₹ in crore)

Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
General Education	1,583.87	1,695.82	1,708.14	1,485.92	2,162.29
Medical and Public Health	874.88	1035.3	926.15	914.12	1,315.27
Social Security and Welfare	278.96	272.28	352.69	216.37	333.33
Water Supply and Sanitation	670.34	732.58	752.31	885.35	960.26
Urban Development	819.02	223.9	96.78	222.65	380.85

Source: Finance Accounts of respective year

During the 2017-18 to 2021-22, General Education is the prominent contributor in Revenue Expenditure under Social Services followed by Medical and Public Health. During the 2021-22, General Education and Medical and Public Health contributed 37.54 per cent and 22.83 per cent respectively. Composition of Major Items of Revenue Expenditure on Economics Services are given in **Table 2.22**.

**Table 2.22: Trend of Major items of Revenue Expenditure on Economics Services**

(₹ in crore)

Head of Accounts	2017-18	2018-19	2019-20	2020-21	2021-22
Crop Husbandry	252.12	275.77	298.33	288.9	447.09
Animal Husbandry	115.99	120.26	179.76	147.28	188.46
Forestry and Wild life	215.32	270.36	211.02	242.93	300.53
food, Storage and Warehousing	34.42	7.67	246.24	4.9	120.34
Rural Employment	271.96	193.32	184.02	224.5	175.78
Other Rural Development Programme	247.27	355.54	211.68	748.53	441.96
Minor Irrigation	252.26	196.09	189.28	337.44	358.38
Power	685.71	939.71	893.96	1,044.17	1,380.18
Village and Small Industries	65	78.29	84.22	69.88	88.03
Roads and Bridges	687.04	1,036.66	890.38	652.33	875.78
Road Transport	111.5	107.1	110.31	115.29	154.08

Source: Finance Accounts of respective year

In respect of Economic Sector, Power, Roads and Bridges, Crop Husbandry, Minor Irrigation were the major contributors for the past five years.

### 2.6.3 Committed Expenditure

Committed Expenditure of the State Government on Revenue Account consists of Interest Payments, expenditure on Salaries and expenditure on Pensions. Increasing share of committed expenditure restricts Government's ability to incur developmental expenditure. **Table 2.23** and **Chart 2.13** presents the trends in expenditure on these components and share of Committed Expenditure in total Revenue Expenditure during 2017-18 to 2021-22 respectively.

**Table 2.23: Components of Committed Expenditure**

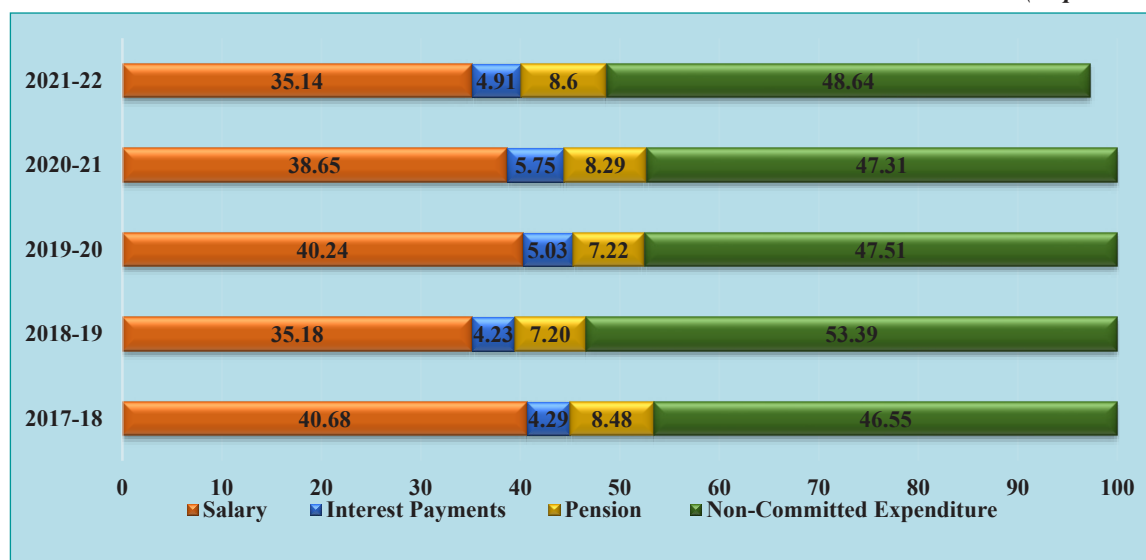
(₹ in crore)					
Components of Committed Expenditure	2017-18	2018-19	2019-20	2020-21	2021-22
Salaries	4,434.61	4,372.49	4,917.24	5,058.48	5,568.44
Expenditure on Pensions	923.97	894.37	882.31	1,085.32	1,362.29
Interest Payments	467.36	526.1	614.53	752.34	777.62
<b>Total</b>	<b>5,825.94</b>	<b>5,792.96</b>	<b>6,414.08</b>	<b>6,896.14</b>	<b>7,708.35</b>
<b>As a percentage of Revenue Receipts</b>					
Salaries	32.19	27	33.03	29.54	26.23
Expenditure on Pensions	6.71	5.52	5.93	6.34	6.42
Interest Payments	3.39	3.25	4.13	4.39	3.66
<b>Total</b>	<b>42.29</b>	<b>35.77</b>	<b>43.08</b>	<b>40.27</b>	<b>36.31</b>
<b>As a percentage of Revenue Expenditure</b>					
Salaries	40.68	35.18	40.24	38.65	35.14
Expenditure on Pensions	8.48	7.2	7.22	8.29	8.60
Interest Payments	4.29	4.23	5.03	5.78	4.91
<b>Total</b>	<b>53.45</b>	<b>46.61</b>	<b>52.49</b>	<b>52.69</b>	<b>48.64</b>

Source: Finance Accounts of respective year

Committed expenditure increased by ₹1,882.41 crore (32.31 per cent) from ₹5,825.94 crore in 2017-18 to ₹7,708.35 crore in 2021-22. In absolute term, Committed Expenditure increased by ₹812.21 crore during the year 2021-22 over the previous year was due increase in Salaries (₹509.96 crore), expenditure on Pensions (₹276.97 crore) and Interest payment (₹25.28 crore). In percentage term, relative share of Committed Expenditure in Revenue Receipts showed inconsistent trend during the period 2017-22. During the year 2021-22, Committed Expenditure constituted about 36.31 per cent of Revenue Receipts. Continuous increase in Committed Expenditure and its share in Revenue Receipts resulted in lesser resource availability for economic and social welfare development activities. Greater reliance on market borrowings by Government in recent years has led to increased committed liabilities on Interest Payments. The share of committed expenditure in Total Revenue Expenditure during the last five years is depicted in **Chart 2.13**.

**Chart 2.13: Share of Committed expenditure in total Revenue Expenditure**

(In per cent)



Source: Finance Accounts of the respective year

As can be seen from the **Table 2.23**, the committed expenditure hover around 46.61 to 53.45 *per cent* of Revenue Expenditure over the past five years. The high share of the committed expenditure in the total Revenue Expenditure indicates that Government incurred less amount for economic development and social welfare schemes, and maintenance of assets.

Component-wise analysis is given in the succeeding paragraphs.

### 2.6.3.1 Salaries

In absolute term, Salaries has been showing increasing trends from 2018-19 to 2021-22. However, Salaries as percentage of Revenue Receipts and Revenue Expenditure has been on decreasing trend for past three years (2019-20 to 2021-22). This indicates that both Revenue Receipts and Revenue Expenditure have been growing faster than that of Salaries.

The expenditure on Salaries and wages as a percentage of Revenue Receipts during the period 2017-22 decreased from 32.19 *per cent* in 2017-18 to 26.23 *per cent* in 2021-22. The above expenditure as a percentage of Revenue expenditure decreased during the period 2017-22 from 40.68 *per cent* in 2017-18 to 35.14 *per cent* in 2021-22.

During 2021-22, Salaries alone accounted for 35.14 *per cent* of Revenue Expenditure and 26.23 *per cent* of Revenue Receipts. The expenditure on salaries during the year 2021-22 increased by 25.57 *per cent* over 2017-18 and by 10.08 *per cent* over 2020-21.

### 2.6.3.2 Interest Payments

Interest Payments comprises of interest on Internal Debt, Small Savings, and Provident Funds *etc.*, interest on Loans and Advances from the GoI and interest on other obligations. As percentage of Revenue Receipts and Revenue Expenditure, Interest Payments showed

a fluctuating trend. In monetary term, Interest payments increased by ₹310.26 crore (66.39 per cent) from ₹467.36 crore in 2017-18 to ₹777.62 crore in 2021-22. The increase over previous year was ₹25.28 crore (3.36 per cent). The position of the interest payments vis-à-vis XV FC recommendations and MTFP projections during the current year is given in the **Table 2.24**.

**Table 2.24: Interest Payments in the year 2021-22**

(₹ in crore)			
Year	XV FC assessment	Assessment of State Government in Budget (MTFP)	Actual
2021-22	775	826.27	777.62

Source: XV FC Report, Budget Documents and Finance Account, 2021-22

The actual Interest Payments during the year exceeded marginally the XV FC assessment and the budgeted amount as reflected in MTFP. The expenditure on Interest Payments during the year was projected by the State Government at ₹826.27 crore, however, XV FC assessed as ₹775.00 crore. The actual Interest Payments during the current year was ₹777.62 crore which was higher than the assessment of XV FC. This indicates that the State did not maintain fiscal discipline with regard to borrowings and its costs.

### 2.6.3.3 Pension Payments

Pension Payments (including other Retirement Benefits) increased by ₹438.32 crore (47.44 per cent) from ₹923.97 crore in 2017-18 to ₹1,362.29 crore in 2021-22. The increase over previous year in Pension Payments was ₹276.97 crore (25.52 per cent). While the percentage of Pension Payments to Revenue Receipts decreased from 6.71 in 2017-18 to 6.42 in 2021-22, the percentage of Pension Payments to Revenue Expenditure increased from 8.48 in 2017-18 to 8.60 in 2021-22 on the other hand. During the current year, Pension Payments grew at faster pace than Revenue Receipts (increased over 2020-21 by 24.00 per cent) and Revenue Expenditure (increased over 2020-21 by 21.08 per cent). The position of the Pension Payments vis-à-vis XV FC recommendations and MTFP projections during the current year is given in the **Table 2.25**.

**Table 2.25: Pension Payments in the year 2021-22**

(₹ in crore)			
Year	XV FC assessment	Assessment of State Government in Budget (MTFP)	Actual
2021-22	1,210.00	1,590.88	1,362.29

Source: XV FC Report, Budget Documents and Finance Accounts, 2021-22

The expenditure on pension payments during the year was projected by the State Government at ₹1,590.88 crore whereas the FC assessed it as ₹1,210.00 crore. The actual Pension Payments during 2021-22 was ₹1,362.29 crore which was lower than the State Government projection and higher than the assessment made by XV FC. The increase was despite introduction of NPS in the State from 2008 onwards. This was mainly due to revision of pensions consequent to implementation of Pay Revision Commission Report which recommended enhancement of pensions.

#### **2.6.3.4 Undischarged liabilities in National Pension System**

The GoI introduced a defined, contribution based National Pension System (NPS) to cover all new entrants to Government service on 01 April 2004. The interim Pension Fund Regulatory and Development Authority (PFRDA) was established (October 2003) by GoI. The PFRDA, being regulator for NPS, had been authorised by the GoI to appoint/ establish various intermediaries in the system, such as Central Record Keeping Agency (CRA), Pension Funds Trust for NPS, Custodian Banks, etc. PFRDA appointed National Securities Depository Limited (NSDL) as the CRA for a period of 10 years from 01 December 2007 for performing the functions of record keeping, accounting, administration and customer services for subscribers to the schemes of pension funds approved by PFRDA. The system of CRA is being continued even after the stipulated initial period of 10 years and further State Government extended agreement till surrendered by the State Government or suspended by the Authority. Further, three pension Fund Managers, a Custodian and a Trustee Bank have also been appointed.

Under the NPS, the option to join the new system was available for State Governments. According to terms of the Scheme, both the Government and employee were to contribute 10 *per cent* each of basic pay and dearness allowance and the entire amount was to be transferred to the designated fund manager through NSDL/ Trustee Bank.

The Government of Arunachal Pradesh opted for the NPS for the employees recruited on or after 01 January 2008. It was observed that the Government was not contributing its share regularly. The contributions received from both the Government and employees was to be initially credited to the Major Head 8342-117 under Deposit and Advances and thereafter to be transferred to NSDL/Trustee Bank by debiting the same Major Head of Account. However, the State Government is not following the above accounting procedure (*i.e.*, passing the amounts through Public Account). Instead, the State Government adopted a method of routing the amounts through a current and a savings account (at SBI, Naharlagun and SBI, Itanagar respectively) outside the Government accounts.

There were 25,793 employees who were covered under the NPS as on 30 September 2022, out of which, Permanent Retirement Account Number (PRAN) were issued to 25,342 employees. Total number of employees whose PRAN was not generated were 451. The PRAN of such subscribers were not generated due to non-receipt of Common Subscriber Registration Form (CSRF) which is mandatory for opening of PRAN Account.

Public Account (Major Head-8342) had opening balance of ₹13.58 crore which was mostly a legacy balance. The State Government transferred ₹2.87 crore (₹1.435 crore as employees' contribution *plus* ₹1.435 crore as Government contribution) from this Public Account to the Savings Account (at SBI, Itanagar) and not to NSDL/ Trustee bank. No fresh amount was credited to this Public Account (*i.e.*, 8342 Major Head) during 2021-22. Thus, the Public Account had a balance of ₹10.71 crore as on 31 March 2022 which should be transferred to NSDL/ Trustee bank.

The current account (at SBI, Naharlagun) had opening balance of ₹0.90 crore as Employee's contribution without any component of Employer's contribution. During



the year 2021-22, the State Government credited an amount of ₹1.67 crore (Employees' contribution) to this current account. Thus, the current account had a balance of ₹2.57 crore as on 31 March 2022 which should be transferred to NSDL/ Trustee bank.

The saving account (at SBI, Itanagar) had a balance of ₹83.71 crore (comprising Employee's contribution of ₹69.59 crore plus Government's contribution of ₹8.37 crore and accrued Interest of ₹5.75 crore). In 2021-22, the State Government transferred another ₹233.04 crore (₹115.46 crore as employees' contribution plus ₹114.44 crore as Government contribution) to this saving account which included accrued interest of ₹3.14 crore from the saving account and an amount of ₹2.87 crore (₹1.435 crore as employees' contribution + ₹1.435 crore as Government contribution) transferred from Public Account (Major Head 8342) to this saving account. Thereafter, out of the available amount of ₹ 316.75 crore in the saving account (at SBI, Itanagar), State Government transferred ₹235.46 crore<sup>5</sup> to NSDL leaving a balance of ₹81.29 crore as on 31 March 2022. This balance of ₹83.72 crore should be transferred to NSDL/ Trustee bank.

During the current year, a cumulative balance of ₹10.71 crore was lying in Public Account (Major Head 8342), a cumulative balance of ₹2.57 crore was lying in the current account (at SBI, Naharlagun) and a cumulative balance of ₹81.29 crore was lying in the Saving account (at SBI, Itanagar). Thus, a total amount of ₹94.59 crore was yet to be transferred to NSDL as on 31 March 2022. Non-transfer of this amount to NSDL for investment in the authorised securities has implications on the social security of the employees covered under the NPS. The summary of transactions of NPS during the last five years is given **Table 2.26**.

**Table 2.26: The summary of the transactions under NPS**

(₹ in crore)

Year	Opening Balance	Details of Contribution				Transfer to NSDL	Closing Balance (2+6-7)	Interest liability {(2+5)*Rate}
		Employee	Employer	Short (3-4)	Total (3+4)			
1	2	3	4	5	6	7	8	9
2017-18	83.27	90.09	64.39	25.7	154.48	141.88	95.87	8.73
2018-19	95.87	74.4	66.45	7.95	140.85	125.19	111.53	8.31
2019-20	111.53	87.05	64.56	22.49	151.61	127.06	136.08	10.72
2020-21	136.08	98.73	2,112.27	-	211	3,248.88	98.2	9.66
2021-22	98.20	111.56	108.85	2.71	223.55*	227.16	94.59	0.96
<b>Total</b>	--	<b>464.83</b>	<b>420.52</b>	<b>58.85</b>	<b>887.49</b>	<b>877.17</b>	--	--

Source: Finance Accounts of the respective year

\* It includes 3.14 crore credit of interest

It was also observed that there was short contribution of ₹2.71 crore by the State Government in the current year under NPS.

<sup>5</sup> Out of ₹235.46 crore transferred, ₹8.12 crore was returned by NSDL to Autonomous Bodies, and ₹0.18 crore was withdrawn due to wrong booking.

### 2.6.4 Financial assistance by the State Government to Local Bodies and Other Institutions

The quantum of assistance provided by way of Grants and Loans to Local Bodies and others during 2021-22, relative to previous years is presented in **Table 2.27**.

**Table 2.27: Financial Assistance to Local Bodies etc.**

(₹ in crore)

Financial Assistance to Institutions	2017-18	2018-19	2019-20	2020-21	2021-22
<b>(A) Local Bodies</b>					
Municipal Corporations and Municipalities	1.92	3.74	5.37	5.56	5.83
Panchayati Raj Institutions	0.00	0.00	0.00	116.23	109.51
<b>Total (A)</b>	<b>1.92</b>	<b>3.74</b>	<b>5.37</b>	<b>121.79</b>	<b>115.34</b>
<b>(B) Others</b>					
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	1.00	5.43	0.00	0.00	1.22
Cultural Institutions/ Voluntary Organisations for promotion of Arts and Culture	0.00	0.00	0.00	0.00	0.00
State Institute of Rural Development	0.00	0.00	0.00	0.00	0.00
Social Welfare	0.41	0.54	0.00	0.00	0.00
Food, Storage and Warehousing	15.59	7.67	208.60	0.00	62.78
Co-operation	0.83	1.15	0.92	1.47	16.96
Other Institutions	17.62	36.1	23.36	16.26	23.58
<b>Total (B)</b>	<b>35.45</b>	<b>50.89</b>	<b>232.88</b>	<b>17.73</b>	<b>104.54</b>
<b>Total (A+B)</b>	<b>37.37</b>	<b>54.63</b>	<b>238.25</b>	<b>139.52</b>	<b>219.88</b>
Revenue Expenditure	10,900.47	12,429.48	12,218.73	13,087.50	15846.64
Assistance as percentage of Revenue Expenditure	0.34	0.44	1.95	1.07	1.39

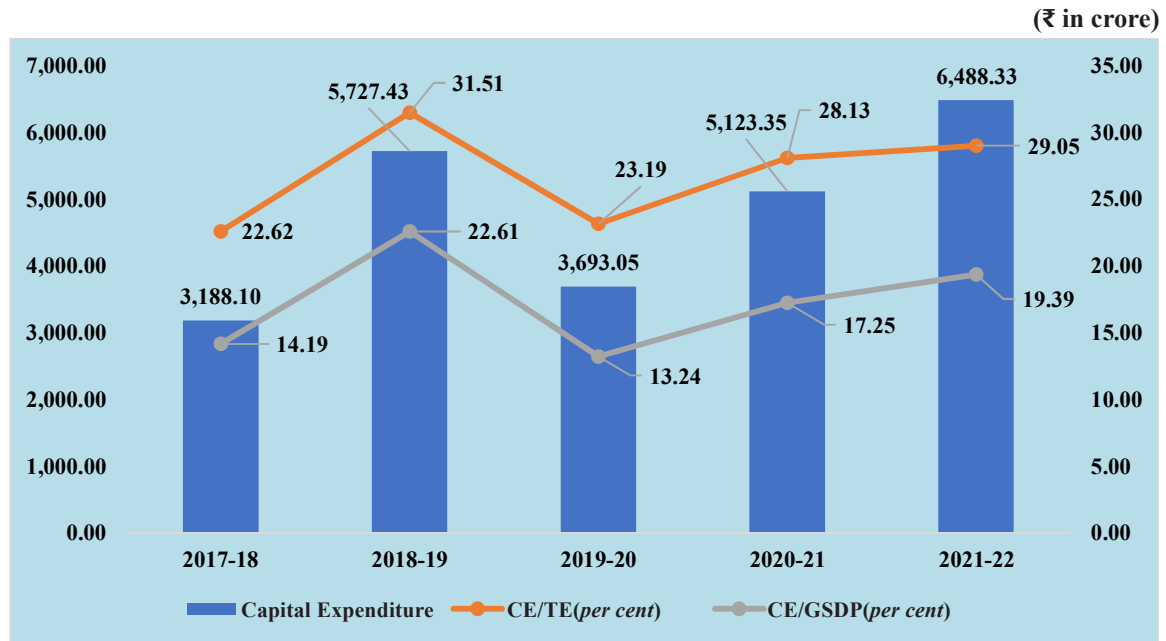
Source: Finance Accounts of the respective year

Financial assistance extended to Local Bodies and other Institutions increased by ₹80.36 crore during 2021-22 over the previous year due to increase in financial assistance towards Food, Storage and Warehousing by ₹62.78 crore and Co-operation by ₹15.49 crore. The share of Financial Assistance in Revenue Expenditure increased from 1.07 *per cent* in 2020-21 to 1.39 *per cent* during 2021-22. No financial assistance was extended to rural local bodies from the State funds during the last five years period.

### 2.6.5 Capital Expenditure

Capital Expenditure is primarily expenditure on creation of fixed infrastructure assets such as roads, buildings etc. **Chart 2.14** depicts the trends of Capital Expenditure and its percentage of Total Expenditure over the period 2017-22.

Chart 2.14: Capital Outlay in the State



Source: Finance Accounts of the respective year

Capital Expenditure constituted 22.62 per cent of Total Expenditure during 2017-18 and 29.05 per cent during 2021-22. The Capital Expenditure as a percentage of TE peaked to 31.51 per cent during 2018-19, there has been increasing trend in percentage of Capital to Total Expenditure for the past three year (2019-20 to 2021-22). During 2021-22 (₹6,488.33 crore), the Capital Expenditure increased by ₹1,364.98 crore over the previous year (₹5,123.35 crore). This was due to increase in expenditure on General Sector by ₹874.40 crore and Social Sector by ₹702.86 crore which partial offset by decreased in Economic Sector by ₹212.28 crore. Under General Sector, Capital Expenditure increased in Police (by ₹140.64 crore), Public Works (by ₹201.50 crore) and Other Administrative Services (by ₹531.87 crore). Under Social Sector, Capital Expenditure increased in Education, Sports, Art and Culture (by ₹215.98 crore) and Water Supply, Sanitation, Housing and Urban Development (by ₹365.00 crore). Sector wise percentage share in Capital Expenditure is given in **Table 2.28**.

**Table 2.28: Sector wise percentage share in Capital Expenditure for the period 2017-22**

Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
Capital Expenditure on General	17.09	18.54	17.81	14.52	24.94
Capital Expenditure on Social	26.81	21.43	19.63	12.64	20.81
Capital Expenditure on Economics	56.10	60.03	62.55	72.84	54.25

Source: Finance Accounts of respective year

Major contributor in Capital Expenditure during the five -year period was economics sector. The Share of Economics sector in Capital Expenditure had been increasing and reached its peaked in 2020-21 thereafter reduced to 54.25 per cent in 2021-22. The share of Social and General Sectors in Capital Expenditure showed fluctuating trend during the past five- year periods. High share of Economic and Social Sector

in Capital Expenditure boosted the Economy growth of the State and improved the quality of Social Services.

The CAGR of Capital Expenditure for the past five year (2017-18 to 2021-22) was 19.14 *per cent* which was higher than that of Revenue Expenditure (9.81 *per cent*). The decadal growth of CAGR was 20.56 *per cent*. During 2020-21 to 2021-22, the CAGR of the State was 26.64 *per cent* which was less than that of NE & H States (28.31 *per cent*). This was due to higher Revenue Expenditure than the Revenue Expenditure of the NE & H States.

#### 2.6.5.1 Major Changes in Capital Expenditure

As there was increase of ₹1,430.30 crore in Capital Expenditure during the current year over the previous year, **Table 2.29** highlights the cases of significant increase of over 25 *per cent* in various Heads of Account in Capital Expenditure during the year 2021-22 *vis-à-vis* the previous year.

**Table 2.29: Capital Expenditure during 2021-22 compared to 2020-21**

(₹ in crore)

Major Heads of Accounts	2020-21	2021-22	Variation
4055-Capital Outlay on Police	64.04	204.68	140.64
4059-Capital Outlay on Public Works	234.19	435.7	201.50
4070-Capital Outlay on Other Administrative Services	445.64	977.51	531.87
4202-Capital Outlay on Education, Sports, Art and Culture	65.11	281.09	215.98
4215-Capital Outlay on Water Supply and Sanitation	224.55	330.45	105.9
4217-Capital Outlay on Urban Development	104.94	359.97	255.03
4801-Capital Outlay on Power projects	172.7	430.69	257.99
5054-Capital Outlay on Roads and Bridges	3,120.01	2,594.68	(-) 525.33

Source: Finance Accounts of the respective year

Analysis of the reasons for significant increase in Capital Expenditure during 2021-22 over the previous year is as follows:

- There was increase in expenditure by ₹140.64 crore (42.72 *per cent*) under ‘Police’ due to increase in Capital Expenditure under Police Housing by ₹72.60 crore and under Other Expenditure by ₹32.07 crore.
- There had been increase in Capital Expenditure on Public Works by ₹201.50 crore over the previous year due to significant increase in Capital Expenditure by ₹385.38 crore under State Development Schemes which was partial offset by declined in Capital Expenditure on State Annual Development Agenda.
- During 2021-22, there was increase of Capital Expenditure on Other Administrative Services by ₹531.87 crore due to increase in Tribal Area Sub-Plan by ₹104.31 crore and by ₹427.57 crore towards Other Expenditure.
- There was increase in Capital Expenditure on Education, Sports and Art and Culture by ₹215.98 crore due to significant increase by ₹201.22 crore towards Other Expenditure.

- There had been increased Capital Expenditure on Water Supply and Sanitation by ₹105.90 crore due significant increase in Capital Expenditure towards State Development Schemes which was partial offset by decrease of ₹17.15 crore towards scheme under State Plan Assistance.
- There had been increase in Capital Expenditure on Urban Development by ₹255.03 crore. This was due to increase by ₹108.26 crore towards 'Integrated development of Small and Medium Towns, and by ₹146.77 crore towards 'Other Urban Development Schemes.
- There had been increase in Capital Expenditure by ₹257.99 crore on Energy. This was due significant increase in Capital Expenditure on Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) by ₹6.28 crore and by ₹318.36 crore towards State Development Schemes which was offset by 86.40 crore towards State Annual Development Agenda.
- There had been decrease in Capital Expenditure by ₹525.33 crore on Roads and Bridges. This was due decreased in Capital Expenditure on Roads by ₹1,936.67 crore which was offset by increase in Capital Expenditure on District and Other Roads by ₹1,306.83 crore.

Our analysis of the data pertaining to five- year period of 2017-22 revealed that Major Capital Expenditure occurred on the following Items under Social and Economic Sector as depicted in **Table 2.30**.

**Table 2.30: Major Contribution of Capital Expenditure in Social Sector during 2017-22**  
(₹ in crore)

Head of Accounts	2017-18	2018-19	2019-20	2020-21	2021-22
Education	55.26	205.05	59.36	51.23	281.09
Medical and Public Health	41.71	56.76	59.08	10.61	24.83
Water Supply and Sanitation	302.52	416.43	253.08	224.55	330.45
Urban Development	238.28	367.17	128.93	104.94	359.97
Social Security and Welfare	156.72	147.62	158.43	219.29	315.26
<b>Major Contribution of Capital Expenditure in Economics sector</b>					
Irrigation and Flood Control	69.57	164.73	133.72	171.34	147.76
Energy	250.92	340.36	173.36	172.7	430.69
Transport	1,174.04	2,629.7	1,848.16	3,166.97	2,677.89

Source: Finance Accounts of respective year

As could be seen from **Table 2.30**, State Government providing very less funds towards Health Sector during the last five year under Social Sector. In respective Economic Sector, Major portion of Capital Expenditure incurred by the Transport.

#### **2.6.5.2 Capital locked in incomplete projects**

Blocking of funds on incomplete projects/works impinges negatively on the quality of Capital 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 proved futile and the State had to share the extra burden in terms of servicing of debt and interest liabilities.

As per Appendix IX of Finance Accounts of the State for the year 2021-22, there were 83 incomplete/ ongoing projects in four Departments as on 31 March 2022. Age profile of incomplete projects based on the year of sanction/ year of start of these projects as on 31 March 2022 are shown in **Tables 2.31 and 2.32.**

**Table 2.31: Age profile of incomplete projects as on 31 March 2022 (₹ in crore)**

Year	No of incomplete projects	Estimated cost	Expenditure
2011-12	2	40.98	25.77
2013-14	2	56.5	35.59
2014-15	2	40.48	38.08
2015-16	5	95.91	69.52
2016-17	3	30.5	21.42
2017-18	13	246.13	114.32
2018-19	15	248.64	131.02
2019-20	24	373	157.54
2020-21	5	148.76	35.63
2021-22	12	139.54	37.04
<b>Total</b>	<b>83</b>	<b>1,420.44</b>	<b>665.93</b>

Source: Finance Accounts, 2021-22

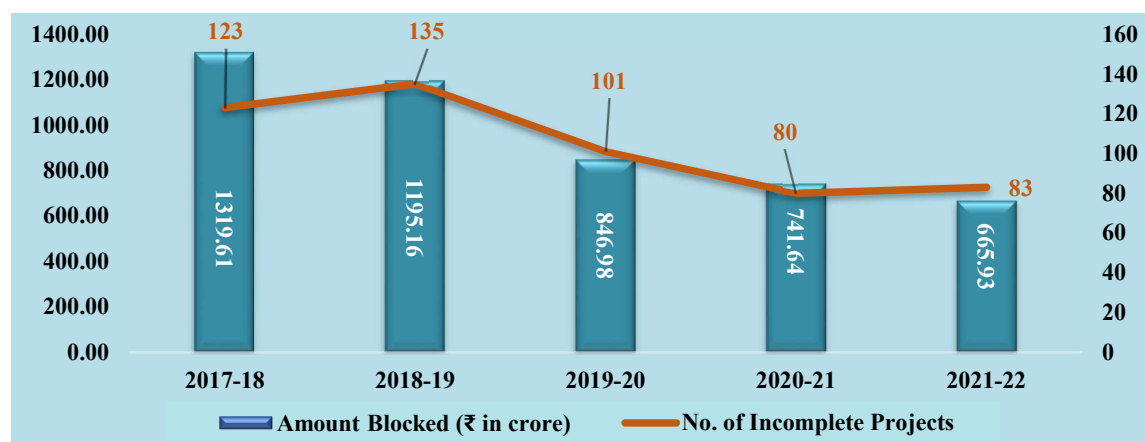
**Table 2.32: Department-wise profile of incomplete projects as on 31 March 2022 (₹ in crore)**

Department	No of incomplete projects	Estimated cost	Expenditure
PHE	10	127.91	68.98
Planning	1	15.00	6.25
Power	6	115.65	77.32
PWD	66	1,161.88	513.38
<b>Total</b>	<b>83</b>	<b>1,420.44</b>	<b>665.93</b>

Source: Finance Accounts, 2021-22

The Government does not have a comprehensive list of capital projects taken up in past having relevant information such as status of these projects, details of time and cost over run in the execution of these projects and approved cost and revised cost of completing these projects. In the absence of a comprehensive database of incomplete projects, information was sought from the implementing departments. Based on the information furnished by implementing agencies it was seen that 83 projects on which an expenditure of ₹665.93 crore was incurred, remained incomplete and the resources required for completing these works were not made available. The year-wise detail of incomplete projects is shown in the **Chart 2.15.**

**Chart 2.15: Year-wise details of incomplete projects**



Source: Finance Accounts of the respective year

While there are large number of works which remained incomplete over several years, the Government also took up execution of new works during the current year. The

Government has been taking up large number of works without ensuring the availability of resources necessary for completing those works within the stipulated timeframe. Thus, available resources are thinly spread over an extended number of works. Time over run of the infrastructure projects also have the inherent risk of cost over runs. Details analysis of the randomly selected project was as follow:

➤ **Road from Magopam to Bichom via Namfri, Ditching Sacheda and Ramu Sotu under NLCPR scheme:**

Ministry of Development of North-Eastern Region, Government of India accorded administrative and financial approval for Central Assistance of ₹20.52 crore. The project cost was to be shared between GoI and State Government at 90 *per cent* and 10 *per cent* respectively. The length of the road was 12.30 kilometers. The target date for completion (December 2014) of the project was 36 months from the date of the issue of the sanction. (November 2011). A total amount of ₹16.76 crore (Central -₹14.71 crore and State share – ₹2.05 crore) was released towards the project upto March 2016. The work started in 2011 and the total fund released was utilized towards the project.

Due to execution of the work without tendering as required by the sanctioning authority, no further fund was released by MoDoNER and the project remained incomplete even after a lapse of eleven years. As such the work executed so far has deteriorated as shown in the following photographs:



Source: *Inspection Report of EE, PWD, Bomdila for the period Aug 2018 to October 2020*

The purpose of the project was to provide all-weather roads to connect Magopam to Bichom was yet to be fulfilled. And the amount of ₹16.77 crore released and utilized on the project till date remained unfruitful.

Effective steps need to be taken to complete the above project without further delay so as to make the capital invested in the project fruitful and avoid any undue cost overrun.

## 2.7 Quality of Capital Expenditure

The availability of better social and physical infrastructure in the State generally reflects the quality of expenditure. Improvement in the quality of expenditure basically involves three aspects-adequacy (adequate provisions for providing public services); efficiency of expenditure and effectiveness (assessment of Expenditure-outcome relationships for select services). While assessment of the Expenditure and establishment of outcome relationships for many of the services is being done at the budget stage, the actual expenditure during the year fell short of the allocations made in the budget. The State Government had prepared the Outcome budget based on expected outcomes identified in 26 departments. However, actual achievement of the objectives of the schemes was not included in the outcome budget. This resulted in unrealistic preparation of Outcome Budget for the year 2021-22.

### 2.7.1 Investment in SPSEs

#### State Government's investment in SPSEs

The State's investment in SPSEs was by way of Equity Share Capital and Long-Term Loans. The figures in respect of Equity Capital and Loans provided by the State Government as per the records of SPSEs should agree with the corresponding figures appearing in the Finance Accounts of the State. In case of differences in the figures, the SPSEs concerned and the Finance Department should carry out reconciliation to sort out the differences. The position in this regard for last three years is given in **Table 2.33**.

**Table 2.33: Equity and Loans outstanding<sup>6</sup> as per the State Finance Accounts vis-à-vis records of SPSEs for last three years**

(₹ in crore)

Year	Amount as per Finance Accounts			Amount as per records of SPSEs			Difference		
	2019-20	2020-21	2021-22	2019-20	2020-21	2021-22	2019-20	2020-21	2021-22
<b>Equity</b>	9.00	9.00	<b>9.00</b>	19.49	19.49	<b>19.49</b>	10.49	10.49	<b>10.49</b>
<b>Loans</b>	36.25 <sup>7</sup>	36.25	<b>36.25</b>	8.38	8.38	<b>8.38</b>	27.87	27.87	<b>27.87</b>

Source: As per Finance Accounts of the respective year and as per records of SPSEs

It can be noticed from the **Table 2.33** that, there were constant differences in the figures of Equity Investment (₹10.49 crore) and Loan given by GoAP (₹27.87 crore) as per the two sets of records during all the three years from 2019-20 to 2021-22. These differences were pending reconciliation for more than 10 years. Though the Principal Secretary, Finance Department, GoAP as well as the Management of the SPSEs concerned were appraised about the differences with a request for early reconciliation, no significant progress has been noticed in this regard.

<sup>6</sup> Figures as per SPSEs' records are provisional and as provided by the SPSEs

<sup>7</sup> Represents Loan provided to 'public sector and other undertakings' in four sectors namely, Agriculture and Allied (₹20.00 crore); Power (₹10.00 crore); Non-ferrous Mining (₹0.15 crore) and Industrial



State Government and the SPSEs concerned should take concrete steps to reconcile the differences in a time-bound manner. The Government should correct the system for prompt updation of the Finance Accounts while providing finances to the SPSEs.

### 2.7.2 Budgetary Assistance to SPSEs

The State Government provides financial support to SPSEs in various forms through the annual budgetary allocations. The summarised details of budgetary support towards Equity, Loans and Grants/ subsidies in respect of SPSEs during the past three years are given in **Table 2.34**.

**Table 2.34: Details regarding annual budgetary support to SPSEs**

(₹ in crore)

Particulars	2019-20		2020-21		2021-22	
	No. of SPSEs	Amount	No. of SPSEs	Amount	No. of SPSEs	Amount
Equity capital to end of the year	-	Nil	-	Nil	-	Nil
Loans given to end of the year	-	Nil	-	Nil	-	Nil
Grants/ Subsidy from budget	2	4.79	2	4.79	3	11.32
<b>Total Outgo</b>		<b>4.79</b>		<b>4.79</b>		<b>11.32</b>

Source: As per the information provided by the SPSEs

It can be noticed from the **Table 2.34** that during each of the previous two years (2019-20 and 2020-21), the State Government provided the budgetary support of ₹4.79 crore to two SPSEs while a budgetary support aggregating ₹11.32 crore was provided to three SPSEs during 2021-22 by way of Grants/subsidy. No budgetary support in the form of Equity or Loans was provided to any of the SPSEs during last three years (2019-20 to 2021-22). During 2021-22, the recipients of budgetary assistance (Grants/ subsidy) were Arunachal Police Housing and Welfare Corporation Limited (₹2.06 crore), Arunachal Pradesh Forest Corporation Limited (₹2.78 crore) and Hydro Power Development Corporation of Arunachal Pradesh Limited (₹6.48 crore).

### 2.7.3 Returns from Government Companies and Corporations

#### Profit earned and Dividend paid by SPSEs

The position of aggregate profit earned and dividend paid by the profit earning SPSEs during the past three years as per the latest finalised accounts as on 30 September of respective year is given in **Table 2.35**.

**Table 2.35: Details of profits earned and dividend paid by working SPSEs**

Year	2019-20	2020-21	2021-22
Number of profit earning working SPSEs	4	3	3
Aggregate profit earned (₹ in crore)	6.07	7.68	5.83
Dividend paid	-	-	-

Source: As per latest finalised accounts of SPSEs

As can be noticed from the **Table** above, during the last three years, three to four working SPSEs earned profits ranging from ₹5.83 crore (2021-22) to ₹7.68 crore (2020-21).

However, none of these SPSEs had declared any dividend during the last three years. There was no recorded information about the existence of any specific policy of the State Government regarding the payment of minimum dividend by the SPSEs.

#### 2.7.4 Long Term Debt of SPSEs

The position of outstanding Long-Term Debts of the SPSEs during the last three years as per their latest finalised accounts is given in **Table 2.36**.

**Table 2.36: Position of Outstanding loans of the SPSEs**

(₹ in crore)

Particulars	2019-20	2020-21	2021-22
Total Loans outstanding (State Government and Others)	31.50	31.68	32.02
Turnover	11.82	11.67	10.42
Interest on Total Loans <sup>8</sup>	0.76	0.98	0.98

Source: As per latest finalised accounts of SPSEs and Finances Accounts of respective year

It can be noticed from the **Table 2.36** above that the total outstanding loans of SPSEs have recorded a marginal increase of ₹0.52 crore during the last three years from ₹ 31.50 crore (2019-20) to ₹32.02 crore (2021-22). Analysis revealed that more than 80.42 per cent (₹25.75 crore) of SPSE borrowings (₹32.02 crore) as on 31 March 2022 pertained to one SPSE (Arunachal Pradesh Industrial Development and Financial Corporation Limited), significant portion (₹25.17 crore) of which was payable against the Loans availed by this SPSE from the State Government. However, three<sup>8</sup> out of the six SPSEs (all working) did not have any outstanding long-term loans as on 31 March 2022.

#### 2.7.5 Return on Capital Employed

Return on Capital Employed (ROCE) is a profitability metric that measures the long term profitability and efficiency of the total capital employed by a company. Companies create value when they generate returns on the capital employed in excess of the cost of the capital employed. ROCE is an important metric for long term lenders and it is calculated by dividing a company's EBIT by the Capital Employed.

During 2021-22, the overall capital employed in respect of the six working SPSEs as per their latest finalised accounts was ₹51.44 crore. Further, only three<sup>9</sup> SPSEs, out of six working SPSEs, had positive ROCE.

In comparison, however, the overall capital employed in respect of working SPSEs during the previous two years was ₹54.34 crore (2019-20) and ₹46.70 crore (2020-21) respectively.

#### 2.7.6 Return on Equity (ROE)

Return on Equity<sup>10</sup> (ROE) is a measure of financial performance of companies calculated by dividing the 'net income earned' (Returns) by the Equity (net worth). During 2021-22, three out of six working SPSEs earned profits (₹5.83 crore) while remaining three SPSEs

<sup>8</sup> Interest figures as available in the latest finalized accounts of respective SPSEs

<sup>9</sup> Serial no. 4, 5 and 6 of **Appendix 2.3**

<sup>10</sup> Serial no. A1, A3, A4 and A5 of **Appendix 2.3**

incurred losses (₹3.42 crore) as per their latest finalised accounts as on 30 September 2022. Out of six SPSEs, ROE of two SPSEs was 5.05 *per cent* while the ROE of one SPSE was negative. ROE in respect of remaining three SPSEs<sup>11</sup> was not workable due to a negative net worth. The details of ROE in respect of the working SPSEs as per their latest finalised accounts as on 30 September 2022 are shown in **Table 2.37**.

**Table 2.37: Details of ROE of working SPSEs during 2021-22**

(₹ in crore)

SPSE	Year of Accounts	Net worth	Returns	ROE (In per cent)
<b>Positive ROE</b>				
Arunachal Police Housing and Welfare Corporation Limited	2019-20	31.41	2.27	7.23
Hydro Power Development Corporation of Arunachal Pradesh Limited	2013-14	13.98 <sup>12</sup>	0.02	0.31
<b>Overall</b>		<b>45.39</b>	<b>2.29</b>	<b>5.05</b>
<b>Negative ROE</b>				
Arunachal Pradesh Mineral Development and Trading Corporation Limited	1999-2000	0.32	(-) 0.28	(-) 84.85

Source: As per latest finalised accounts of SPSEs

### 2.7.7 SPSEs having complete erosion of capital

The aggregate paid-up capital and overall accumulated losses of six working SPSEs as per their latest finalised accounts as on 30 September 2022 were ₹24.30 crore and ₹3.42 crore respectively. Analysis of accumulated losses of these SPSEs revealed that the accumulated losses of three working SPSEs (₹34.53 crore) had completely eroded their paid-up capital (₹9.70 crore) as detailed in **Table 2.38**.

**Table 2.38: Erosion of Capital of working SPSEs**

(₹ in crore)

Name of SPSE	Latest year of finalised Account	Total paid up capital	Net profit (+)/ Loss(-) after interest, tax and dividend	Accumulated losses	Net worth	State Government Equity as on 31 March 2022	State Government loans as on 31 March 2022
Arunachal Pradesh Industrial Development and Financial Corporation Limited	2020-21	4.20	(-)2.05	25.39	4.56	2.14	25.17
Arunachal Pradesh Forest Corporation Limited	2005-06	4.50	3.54	4.58	4.72	4.50	-
Arunachal Pradesh Donyi Polo Hotel Corporation Limited	2020-21	1.00	(-)1.09	4.56	(-)3.56	0.10	-
<b>Total</b>		<b>9.70</b>	<b>0.40</b>	<b>34.53</b>	<b>5.72</b>	<b>6.74</b>	<b>25.17</b>

Source: As per latest finalised accounts of SPSEs

<sup>11</sup> **Return on Equity** = (Net Profit after Tax and preference Dividend/Equity) x 100; where **Equity** = Paid up Capital *plus* Free Reserve and Accumulated profits *minus* Accumulated Losses and Deferred Revenue Expenditure

<sup>12</sup> Including the 'share application money pending allotment' (₹7.45 crore)

Accumulation of huge losses by these SPSEs had eroded public wealth, which is a cause of serious concern and the State Government needs to review the working of these SPSEs to either improve their profitability or close their operations.

### 2.7.8 Expenditure priorities

It is important for the State Government to take appropriate expenditure rationalisation by focusing more on Development Expenditure – which is expenditure on Social and Economic Services. Apart from improving the allocation towards development expenditure, the efficiency of expenditure use is also reflected by the ratio of Capital Expenditure to Total Expenditure and the proportion of Revenue Expenditure being spent on Education and Health Sectors. The higher the ratio of these components to Total Expenditure, the quality of expenditure is considered to be better.

**Table 2.39** compares the fiscal priority of the State Government with that of NE & H States with regard to Total Expenditure (TE), Capital Expenditure (CE) on Education and Health during 2021-22, taking 2017-18 as the base year.

**Table 2.39: Fiscal Priority of the State Government**

Fiscal Priority of the State	TE/ GSDP	DE/ TE	SSE/ TE	ESE/ TE	CE/ TE	Education/ TE	Health/ TE
NE & H States 2017-18	26.07	64.15	34.98	29.17	16.10	17.56	6.22
Arunachal Pradesh 2017-18	62.71	71.38	34.10	37.29	22.62	11.74	6.64
NE & H States 2021-22	27.56	62.56	35.55	27.01	17.46	15.95	7.25
Arunachal Pradesh 2021-22	66.76	71.11	31.83	39.28	29.05	11.02	6.14

Source: Finance Accounts of the respective years

TE: Total Expenditure; DE: Development Expenditure; SSE: Social Sector Expenditure; ESE: Economic Sector Expenditure; CE: Capital Expenditure.

Development expenditure includes Development Revenue Expenditure, Development Capital Expenditure and Development Loans and Advances Disbursed.

While the ratio of Total Expenditure to GSDP during 2021-22 increased when compared with 2017-18 and was higher than that of average of NE & H States, the ratio of Development Expenditure to Total Expenditure increased significantly in the same period though it is much higher than the NE & H States. The ratio of expenditure on Education and Health to the Total Expenditure firstly declined with reference to the base year and secondly was lower than that of average of NE & H States indicating that the priority given to these sectors is not commensurate with average of NE & H states. The Capital Expenditure during the year which is meant for creating infrastructure constituted 29.05 per cent of the Total expenditure while that of the NE & H States was 17.46 per cent.

### 2.7.9 Object head wise expenditure

Finance Accounts depict transactions only up to the Minor Head level. The Government Accounting Rules provide for recording of the expenditure upto the object level. Therefore, an attempt has been made to ascertain the extent of expenditure incurred on the actual items at the Object Head Level from the accounts data maintained in the Accounts wing of the

office. The details of the items with significant percentage of expenditure are given in **Table 2.40**.

**Table 2.40: Object head wise expenditure***(In per cent)*

Object Head	2019-20	2020-21	2021-22
Salary and Wages	33.32	30.18	26.88
Pension/ Gratuity	5.42	5.87	6.00
Medical Treatment	0.06	0.04	0.03
Office Expenses	1.25	1.30	1.51
Materials and Supplies	0.62	0.42	0.56
Minor Works	8.01	6.44	7.31
GIA	7.49	11.6	9.64
GIA (Creation of Assets)	0.69	0.22	1.66
Scholarship and Stipends	0.81	0.45	0.98
Interest	3.77	4.07	3.43
Other Charges	9.75	9.15	10.73
Motor Vehicles	0.24	0.13	0.65
Major Works	22.48	27.66	28.00
Investment	1.47	1.30	0.88
Others	4.61	2.23	2.81

Source: Finance Account of respective year

With respect to the expenditure under Other Charges, the details of the items on which the expenditure was incurred is not recorded in the accounts. This has serious implications for the decision making and also affects the transparency in accounting. In 2021-22, the expenditure on Other Charges constituted 10.73 *per cent* of the total expenditure which should be properly classified.

### 2.7.10 Loans and Advances by State Government

State Government has provided loans and advances to many institutions/ Organisations. **Table 2.41** presents the outstanding loans and advances as on 31 March 2022 along with interest receipts *vis-à-vis* interest payments during the five-year period from 2017-18 to 2021-22.

**Table 2.41: Quantum of loans disbursed and recovered during five years***(₹ in crore)*

Quantum of loans disbursed and recovered	2017-18	2018-19	2019-20	2020-21	2021-22
Opening Balance of loans outstanding	73.53	72.92	88.00	96.99	95.85
Amount advanced during the year	5.07	20.16	16.02	4.80	2.56
Amount recovered during the year	5.68	5.08	7.03	5.94	6.85
<b>Closing Balance of the loans outstanding</b>	<b>72.92</b>	<b>88.00</b>	<b>96.99</b>	<b>95.85</b>	<b>91.56</b>
Net addition	(-) 0.61	15.08	8.99	(-) 1.14	(-) 4.29

Source: Finance Accounts of the respective year

The total amount of outstanding loans and advances as on 31 March 2022 was ₹91.56 crore. The amount of loans disbursed during the year showed a decreasing trend from 2019-20. Out of the total amount of loans advanced during the year, ₹2.56 crore was provided to Government servants. Recovery of loans and advances increased by 15.31 per cent from ₹5.94 crore in 2020-21 to ₹6.85 crore in 2021-22.

## 2.8 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.

### 2.8.1 Net Public Account Balances

Component-wise net balances in Public Account of the State as of end of March 2022 are given in **Table 2.42**.

**Table 2.42: Component-wise net balances in Public Account as of 31 March 2022**

		(₹ in crore)				
Sector	Sub Sector	2017-2018	2018-2019	2019-20	2020-21	2021-22
I. Small Savings, Provident Funds, etc.	Small Savings, Provident Funds, etc.	241.13	225.89	275.13	215.90	243.46
J. Reserve Funds	(a) Reserve Funds bearing Interest	(-) 62.63	(-) 0.54	1,588.61	(-) 199.10	389.68
	(b) Reserve Funds not bearing Interest	8.85	(-) 8.85	0.00	0.00	0.00
K. Deposits and Advances	(a) Deposits bearing Interest	(-) 9.53	(-) 5.48	(-) 13.95	(-) 7.15	1.57
	(b) Deposits not bearing Interest	(-) 121.09	(-) 73.02	(-) 61.31	(-) 41.64	(-) 36.27
	(c) Advances	(-) 3.57	2.57	(-) 1.97	(-) 4.94	5.07
L. Suspense and Miscellaneous	(a) Suspense	(-) 404.85	(-) 176.63	(-) 2,678.97	(-) 31.58	17.90
	(b) Other Accounts	(-) 37.40	(-) 356.93	2,036.18	(-) 284.89	(-) 2,694.22
M. Remittances	(a) Money Orders, and other Remittances	34.11	1,134.72	(-) 1,367.06	(-) 66.87	(-) 26.81
	(b) Inter-Governmental Adjustment Account	(-) 0.02	(-) 0.07	0.01	(-) 0.05	0.00
<b>Total</b>		<b>(-) 355.00</b>	<b>741.66</b>	<b>(-) 223.33</b>	<b>(-) 420.32</b>	<b>(-) 2,099.62</b>

Source: Finance Accounts of the respective year

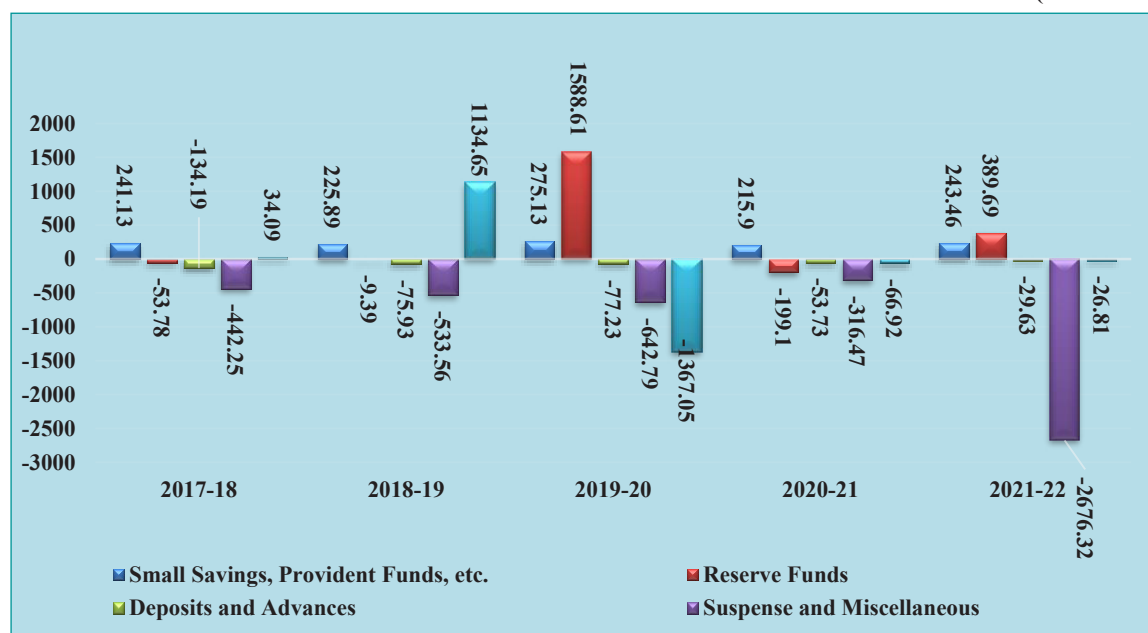
Finance Accounts reflect the net balances under Suspense and Remittance Heads. The outstanding balance under these heads, worked out by aggregating the outstanding debit and credit balances separately under the various heads was ₹1,154.55 crore during 2021-22.

Non-clearance of outstanding balances under these heads affects the accuracy of receipt/ expenditure figures and balances under different heads of Accounts.

The yearly changes in composition of balances in Public Account over the five-year period 2017-18 to 2021-22 are given in **Chart 2.16**.

**Chart 2.16: Composition of net Public Account over the period 2017-22**

(₹ in crore)



Source: Finance Accounts of respective year

## 2.9 Transaction under Reserve Funds

The total Outstanding Liabilities of ₹13,736.76 crore included balance of ₹3,811.87 crore under Reserve Funds as on 31 March 2022. Out of which ₹1,782.11 crore was under interest bearing Reserve Fund and ₹2,029.63 crore under not bearing interest Reserve Fund. The status of Reserve Funds *viz.*, State Disaster Response Fund (SDRF), State Compensatory Afforestation Fund (SCAF), Consolidated Sinking Fund and Guarantee Redemption Fund are discussed in subsequent paragraphs.

### 2.9.1 State Disaster Response Fund

State Disaster Response Fund (SDRF) was set up by the Government in 2010-11 with prescribed contribution of funds from GoI and the State Government in the ratio of 90:10. As per the guidelines of SDRF fund, the GoI contributions along with State share are to be transferred to the Public Account (Major Head-8121). Expenditure incurred during the year on natural calamities should be adjusted by debiting the Public Account with contra deduct debit to the Expenditure Major Head-2245.

During the year 2021-22, State Government received ₹200.00 from the Centre towards SDRF. The amount received towards SDRF was neither transferred to MH 8121-General and Other Reserve Funds nor expended from the Consolidated Fund. This has resulted in overstatement of Revenue Surplus and understatement of Fiscal Deficit to that extent. Further, State Government parked ₹111.11 crore in Saving Bank Account (Details discussed

in **Paragraph 4.2**). Balance lying under the Fund at the end of 31 March 2022 was ₹2.61 crore.

The contributions to the State Disaster Response Fund, expenditure and the balance therein are in **Table 2.43**.

**Table 2.43: Details of State Disaster Response Fund**

(₹ in crore)

Opening Balance	Contribution by Centre	Contribution by State	Total Receipts	Expenditure from the fund	Closing Balance	Invested by Reserve Bank/ State during the year
2.62	--	--	--	0.01	2.61	--

Source: Finance Accounts, 2021-22

### 2.9.2 State Compensatory Afforestation Fund

Government of Arunachal Pradesh has adopted (September 2018) the Compensatory Afforestation Fund Rules. As per Fund Rules, the money received by the State Governments from the User Agencies need to be credited in '8336 Civil deposits-00-103 State Compensatory Afforestation Deposits' under interest bearing section in Public Accounts of the State. Out of which 90 *per cent* shall be transferred to the Major Head '8121 General and Other Reserve Funds-00-129 State Compensatory Afforestation Fund (SCAF)' and 10 *per cent* credited into the National Fund on yearly basis as per sub-section (4) of Section 3 of the Act; provided that, the credit of 10 *per cent* share of funds should be ensured on monthly basis so that the same is transferred to the National Fund. The applicable rate of interest on balances available under State Compensatory Afforestation Deposits under '8336-Civil deposits-00-103 State Compensatory Afforestation Deposits' and '8121 General and Other Reserve Funds-00-129 SCAF shall be as per the rate declared by the State Government on year to year basis.

After due appropriation of funds, the expenditure on schemes to be financed from SCAF shall be incurred from the head of account '2406 Forestry and Wildlife- 04 Afforestation and Ecology Development- 103 State Compensatory Afforestation (SCA)' and is to be reimbursed by deduct refund under the Minor Head '904 Recoveries' from Public Account Head '8121 General and Other Reserve Funds-00-129 SCAF'.

During the year 2021-22, State Government received ₹612.95 from National Compensatory Afforestation Deposits to State Compensatory Afforestation Fund. No amount was collected by the State Government under the Head of Account '8336 Civil deposits-00-103 State Compensatory Afforestation Deposits' from user agencies during the year. Budget provision of ₹259.86 crore was kept under '2406 Forestry and Wildlife- 04 Afforestation and Ecology Development - 103 State Compensatory Afforestation (SCA)' and an expenditure of ₹242.29 crore was incurred during the year. As on 31 March 2022, an amount of ₹1,779.51 crore has remained as balance under SCAF.



### 2.9.3 Consolidated Sinking Fund

The State Government set up a ‘Consolidated Sinking Fund’ (CSF) in 1999-2000 for amortisation of market borrowings, other loans and non-debt obligations as per the recommendation of XII FC. According to the guidelines of the RBI, which is responsible for management of the Fund, State Government is required to contribute a minimum of 0.50 *per cent* of the Outstanding Liabilities (Public Debt *plus* Other Liabilities) of the previous year. Transactions under CSF during the year is given in the **Table 2.44**.

**Table 2.44: Details of transaction under CSF during the year 2021-22**

(₹ In crore)						
Opening balances	Required contribution	Contribution (including interest)	Payment out of the fund	Total balance in the Fund	Amount invested by RBI during the year	Closing balance
1,684.09	60.05 <sup>13</sup>	342.65	--	2,026.74	342.65	2,026.74

Source: Finance Accounts, 2021-22

It can be seen from the above **Table 2.44**, the contribution due from the State Government was ₹60.05 crore. Against this, during the year, the State Government contributed ₹342.65 crore (including interest of ₹142.65 crore) to the fund. As on 31 March 2022, an amount of ₹2,026.74 crore was invested.

### 2.9.4 Guarantee Redemption Fund

The State Government had constituted (February 2018) a ‘Guarantee Redemption Fund’ for meeting the payment obligations arising out of the guarantees issued by the Government in respect of bonds issued and other borrowings by the State Level Public Sector Undertakings or other Bodies and invoked by the beneficiaries. The accumulations in the Fund would be utilised only towards payment of the guarantees issued by the Government and invoked by the beneficiary and not paid by the institution on whose behalf guarantee was issued.

According to the Act of the fund, the Government should contribute a minimum of one *per cent* of the outstanding guarantees at the end of the previous year and thereafter minimum 0.50 *per cent* every year to achieve a minimum level of three *per cent* in next five years.

As on 01 April 2021, the fund had a balance of ₹2.20 crore. During 2021-22, the State Government contributed ₹0.69 crore against ₹0.01 crore required to contribute to the Fund. No guarantee was invoked during the year. As on 31 March 2022, the total amount lying in the Fund was ₹2.89 crore and the entire amount has been invested by the Reserve Bank of India in GoI Securities.

## 2.10 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.

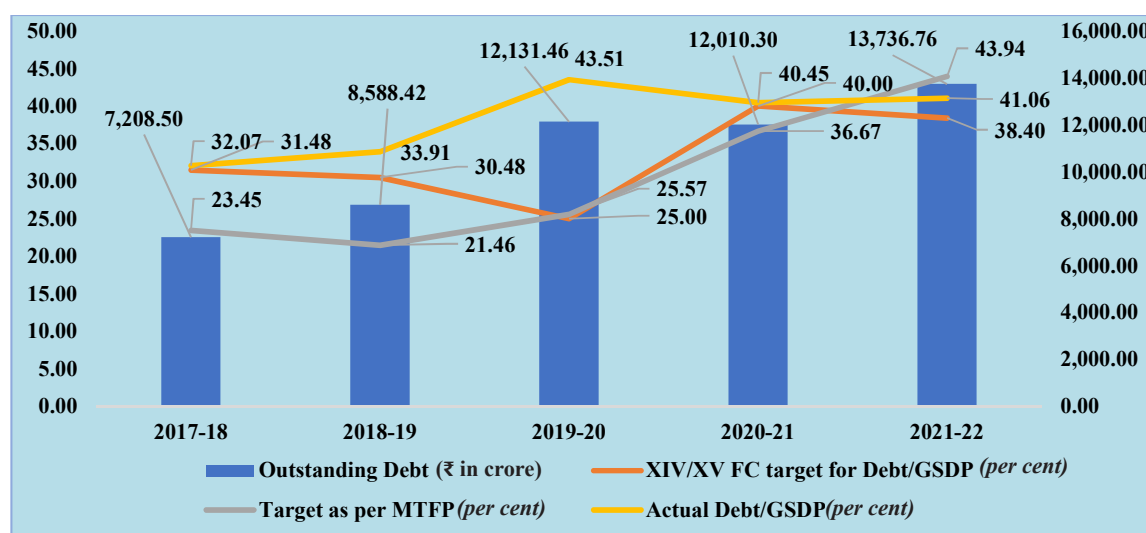
<sup>13</sup> 0.50 *per cent* of the total Outstanding Liabilities of ₹12,010.30 crore of State Government as on 31 March 2021

### 2.10.1 Debt profile: Component

Components of 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, and Public Account Liabilities. The State FRBM Act, 2005 of the State has defined the total liabilities as follow “The total liabilities means the liabilities under the Consolidated Fund 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 guarantees where principal and/or interest are to be serviced out of the State budget. Outstanding debt constituting outstanding internal debt, outstanding loans and advances from GoI and outstanding balance of Public Account liabilities.

The Total Outstanding Debt of the State Government at end of the year was ₹13,736.76 crore. Trend of Outstanding Debt and ratio of Debt to GSDP for past five-year period from 2017-18 to 2021-22 in given in **Chart 2.17**.

**Chart 2.17: Trend of Total Outstanding Debt and its percentage to GSDP**



Source: Finance Accounts of the respective year, GSDP-Director of Economics and Statistics, GoAP

The percentage of debt to GSDP was ranged between 32.07 and 43.51 per cent during the five-year period from 2017-18 to 2021-22. The Debt-GSDP ratio is excess from XIV/XV FC recommendations and target set in the MTFP throughout the period (2017-18 to 2021-22) which indicates that State Government fails to rein the Debt-GSDP ratio under its own target.

The details relating to total debt received, repayment of debt, ratio of debt to GSDP and the actual quantum of debt available to the State during the five-year period 2017-22 are given in **Table 2.45**.

**Table 2.45: Trend of the outstanding Debt**

		(₹ in crore)				
Particulars		2017-18	2018-19	2019-20	2020-21	2021-22
<b>Outstanding Debt</b>		<b>7,208.50</b>	<b>8,588.42</b>	<b>12,131.46</b>	<b>12,010.30</b>	<b>13,736.76</b>
Public Debt	Internal Debt	3,883.82	4,835.39	6,298.77	7,348.10	8,130.52
	Loans from GoI	205.11	178.75	152.47	359.71	705.3
<b>Public Account Liabilities</b>		<b>3,119.57</b>	<b>3,574.28</b>	<b>5680.22</b>	<b>4,302.49</b>	<b>4,900.94</b>
Rate of growth of outstanding debt over previous year (percentage)		28.15	19.14	41.25	(-1.00)	14.37
Gross State Domestic Product (GSDP)		22,474.78	25,330.84	27,884.63	29,694.61	33,459.15
Debt/GSDP ( <i>per cent</i> )		32.07	33.90	43.51	40.45	41.06
Total Debt Receipts		2,908.33	2,528.62	4,595.82	2,898.15	3,568.92
Total Debt Repayments		1,792.28	1,674.80	1,667.31	2,085.34	2,620.08
Total Debt Receipts Available		1,116.05	853.82	2,928.51	812.81	948.84
Debt Repayments/ Debt Receipts (percentage)		61.63	66.23	36.28	71.95	73.41

Source: Finance Accounts of the respective year, GSDP-Director of Economics and Statistics, GoAP

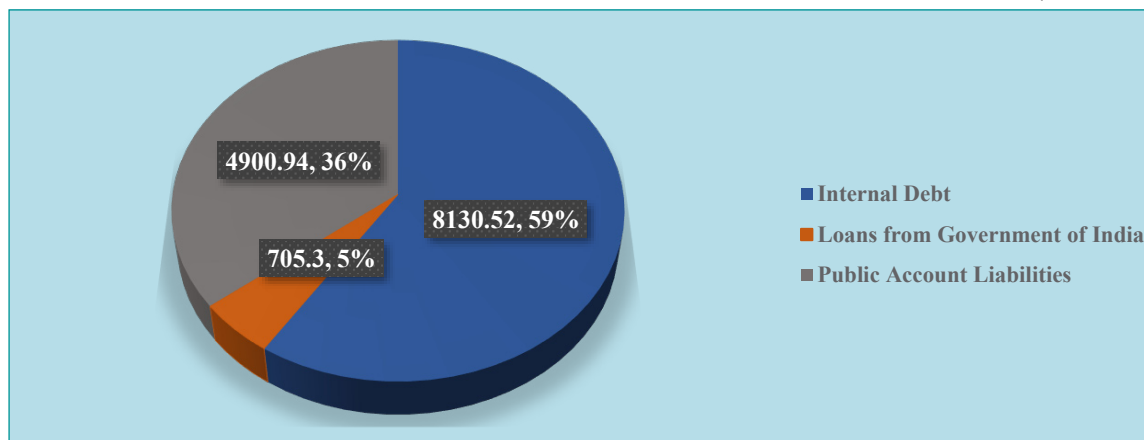
As could be seen from the **Table 2.45**, State utilises a higher proportion of the borrowings towards Debt repayment, yet a significant Total Debt is still to be paid. Outstanding Debt is increasing faster (except 2020-21) than the growth of GSDP. There had been an increase in the Debt to GSDP ratio in four out of five years and stood at 41.06 *per cent* during 2021-22. During 2019-20, Outstanding Debt registered highest rate of growth.

Outstanding Debt increased by ₹6,528.26 crore (90.56 *per cent*) from ₹7,208.50 crore in 2017-18 to ₹13,736.76 crore in 2021-22. During 2021-22, there had been increased in Outstanding Debt by ₹1,726.46 crore (14.37 *per cent*) over the previous year (₹12,010.30 crore) due to increase in Internal Debt by ₹782.42 crore, Public Account Liabilities by ₹598.45 crore and Loans and Advances by ₹345.59 crore. During the current year, the Outstanding Internal Debt (₹8,130.52 crore) increased by ₹782.42 crore (10.65 *per cent*) over the previous year (₹7,348.10 crore) due to increase in market loans by ₹530.34 crore (10 *per cent*), loans from financial institutions by ₹144.84 crore (15 *per cent*) and Special Securities issued to National Small Savings Fund by ₹110.03 crore (8 *per cent*). During the current year, the outstanding loans (₹705.30 crore) from GoI, increased by ₹345.59 crore (96.07 *per cent*) over the previous year mainly due to increase in other loans for State/ Union territory with legislature schemes by ₹371.19 crore (159 *per cent*). During the current year, public accounts liabilities (₹4,900.94 crore) increased by ₹598.45 crore (13.91 *per cent*) over the previous year (₹4,302.49 crore) mainly due to increase in liabilities in respect of small savings provident funds by ₹243.46 crore and reserve funds bearing interest by ₹389.68 crore and offset by decrease in Deposits not bearing interest by ₹36.27 crore.

The total outstanding debt of the State Government at the end of 2021-22 was ₹13,736.76 crore. Component-wise break-up of debt is shown below in **Chart 2.18**.

**Chart 2.18: Break-up of outstanding Debt as on 31 March 2022**

(₹ in crore)

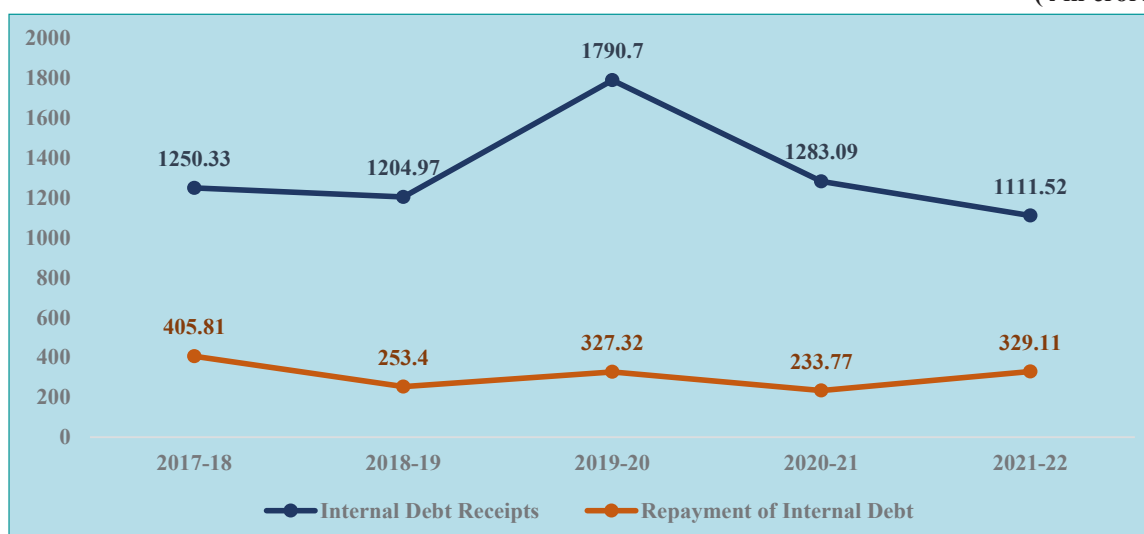


Source: Finance Accounts, 2021-22

Internal debt, which is primarily Market Borrowings through issue of State Development Loans (SDLs), accounts for 59.00 per cent of the total outstanding debt. The comparative trend of internal debt and repaid is given in **Chart 2.19**.

**Chart 2.19: Trend of Internal Debt and repaid for the period 2017-22**

(₹ in crore)



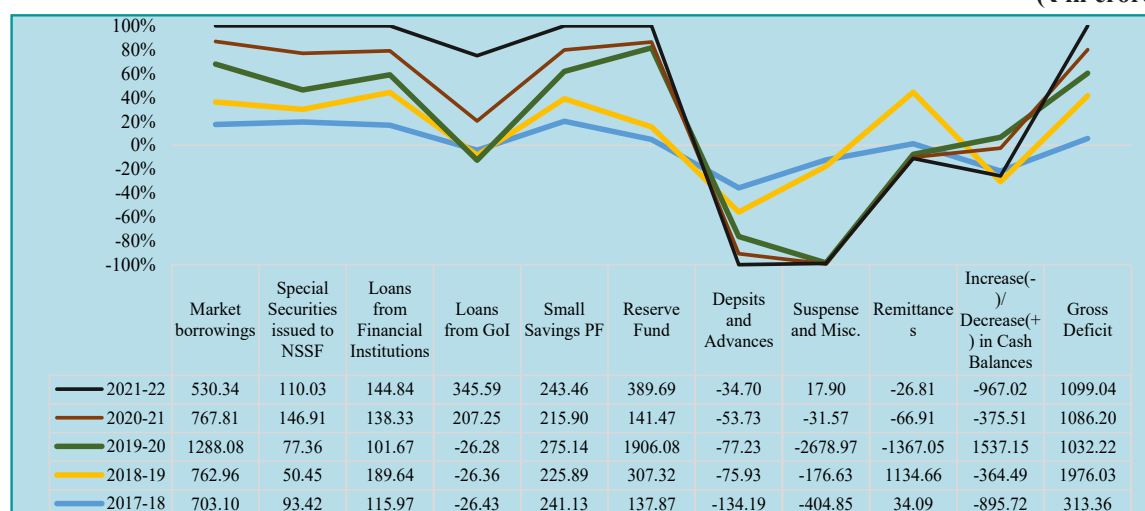
Source: Finance Accounts of respective year

During 2021-22, Internal Debt receipts was less than the previous year whereas repayment of Internal Debt was more than the previous year due to which, the gap between Internal Debt taken and repaid has been reduced in 2021-22.

The trend of the component wise debt of the state over a period of last five years is given in the **Chart 2.20**.

**Chart 2.20: Details of component wise debt for the period from 2017-22**

(₹ in crore)



Source: Finance Accounts of respective year

**2.10.1.1 Components of Fiscal Deficit and its financing pattern**

The share of Revenue Deficit in Fiscal Deficit indicates the extent to which borrowed funds were used for current consumption. Persistently high ratio of Revenue Deficit to Fiscal Deficit also indicates that the asset base of the State is continuously being eroded and a part of borrowings (Fiscal Liabilities) does not have any asset backup. However, in case of Arunachal Pradesh, there was a Revenue Surplus for five-year period from 2017-18 to 2021-22.

The financing pattern of fiscal deficit has undergone a compositional shift as reflected below in Table 2.46.

**Table 2.46: Components of Fiscal Deficit and its financing pattern**

(₹ in crore)

Sl. No.	Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
<b>Decomposition of Fiscal Deficit</b>						
<b>Fiscal Deficit (-)/ Surplus (+)</b>		<b>(-) 313.36</b>	<b>(-) 1,976.03</b>	<b>(-) 1,032.22</b>	<b>(-) 1,086.20</b>	<b>(-) 1,099.04</b>
1	Revenue Surplus	2,874.13	3,766.48	2,669.82	4,036.01	5,385.00
2	Net Capital Expenditure	(-) 3,188.10	(-) 5,727.43	(-) 3,693.05	(-)5,123.35	(-) 6,488.33
3	Net Loans and Advances	0.61	(-) 15.08	(-) 8.99	1.14	4.29
<b>Financing pattern of Fiscal Deficit</b>						
1	Market Borrowings	703.1	762.96	1,288.08	767.81	530.34
2	Other Loans	(-) 6.85	4.16	(-) 3.73	(-)3.73	(-) 2.78
3	Loans from GoI	(-) 26.43	(-) 26.36	(-) 26.28	207.25	345.58
4	Special Securities issued to NSSF	93.42	50.45	77.36	146.91	110.03
5	Loans from Financial Institutions	115.97	189.64	101.67	138.33	144.84
6	Small Savings, PF, etc.	241.13	225.89	275.14	215.9	243.46
7	Reserve Funds	137.87	307.32	1,906.08	141.47	733.02

Sl. No.	Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
8	Deposits and Advances	(-) 134.19	(-) 75.93	(-) 77.23	(-) 53.73	(-) 29.63
9	Suspense and Miscellaneous	(-) 404.85	(-) 176.63	(-) 2,678.97	-31.58	17.91
10	Remittances	34.09	1,134.66	(-) 1,367.05	(-) 66.92	(-) 26.71
11	Increase (-)/ Decrease (+) in cash balances	(-) 895.72	(-) 364.49	1,537.15	(-) 375.51	(-) 967.02
12	Increase/ Decrease in WMAs, Overdraft	455.82	(-) 55.64	0.00	0.00	0.00
<b>Overall Deficit (1 to 11) (-)</b>		<b>313.36</b>	<b>1,976.03</b>	<b>1,032.22</b>	<b>1,086.20</b>	<b>1,099.04</b>

Source: Finance Accounts of respective year

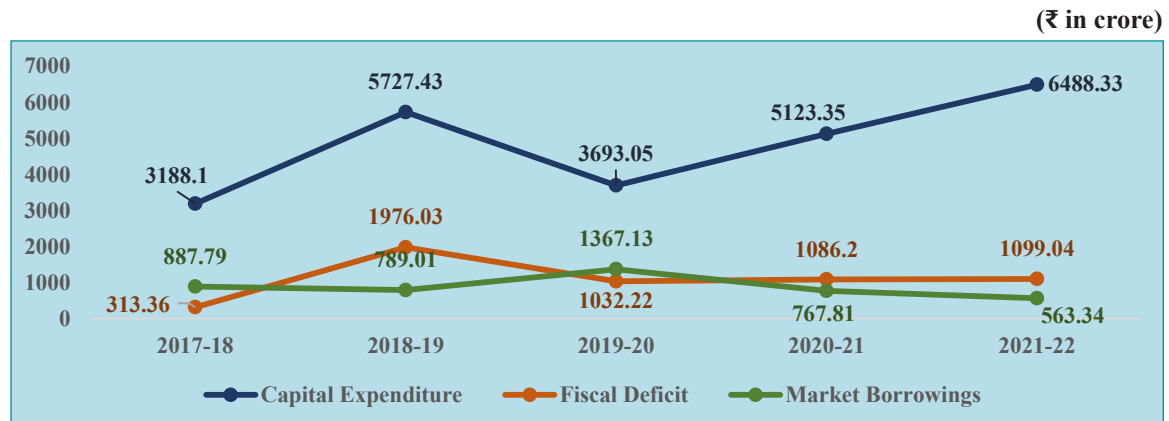
The components of fiscal deficit consisted of Revenue Surplus, Net Loans and Advances and Net Capital Expenditure. Since the State is Revenue Surplus from 2017-18 itself, the surplus on revenue account were utilised to finance Capital Expenditure. During the year 2017-22, Revenue Surplus could finance only 65.76 to 90.15 *per cent* of Capital Expenditure due to the huge increase in Revenue Expenditure.

**Table 2.47: Receipts and Disbursements under components financing the Fiscal Deficit**  
(₹ in crore)

Particulars	Receipt	Disbursement	Net
Market Borrowings	563.34	33.00	530.34
Loans from GoI	371.19	25.61	345.58
Special Securities issued to NSSF	253.04	143.01	110.03
Loans from Financial Institutions	295.15	150.31	144.84
Other loans	0.00	2.78	(-) 2.78
Small Savings, PF, etc.	666.99	423.53	243.46
Deposits and Advances	681.81	711.44	-29.63
Suspense and Miscellaneous	(-) 12.57	(-) 30.48	17.91
Remittances	5101.79	5128.5	(-) 26.71
Reserve Fund	975.31	242.29	733.02
<b>Overall Deficit</b>			<b>2,066.06</b>
Increase/ Decrease in cash balance			(-) 967.02
<b>Gross Fiscal Deficit</b>			<b>1,099.04</b>

Source: Finance Accounts, 2021-22

In 2021-22, there was increased market borrowings, Loans from GoI, Reserve fund and Small Savings, Provident Fund, etc., which was partly offset by decrease in Deposits and Advances and Remittances. Further, it was noticed that 48.25 *per cent* of the fiscal deficit was financed from Market Borrowings. Comparative trend of Capital Expenditure, Fiscal Deficit and Market Borrowings for the period 2017-18 to 2021-22 is given in **Chart 2.21**.

**Chart 2.21: Trend of Capital Expenditure, Fiscal Deficit, and Market Borrowings**

Source: Finance Accounts of respective year

Ideally, market borrowings should be utilized for creation of Assets through Capital Expenditure. As could be seen from the above Chart, market borrowings were lesser than Capital Expenditure for the past five years indicating that market borrowing could have been fully utilized for creation of Assets through Capital Expenditure.

### 2.10.2 Debt Sustainability Analysis (DSA)

Debt sustainability is defined as the ability of the State to service its debt now and in future. However, the higher the level of public debt, the more likely it is that fiscal policy and public debt are unsustainable, as a higher debt requires a higher primary surplus to sustain it. A high level of debt raises a number of challenges:

- Large primary fiscal surpluses are needed to service a high level of debt; such surpluses may be difficult to sustain, both economically and politically.
- A high level of debt heightens an economy's vulnerability to interest rate and growth shocks.
- A high debt level is generally associated with higher borrowing requirements, and therefore a higher risk of a rollover crisis (*i.e.*, being unable to fulfill borrowing requirements from private sources or being able to do so only at very high interest rates).
- High levels of debt may be detrimental to economic growth; while lower growth is a concern in itself, it also has a direct impact on debt dynamics and debt sustainability in the long term.

Debt vulnerability is also associated with its profile. A high share of short-term debt at original maturity, increases vulnerability to rollover (re-financing risk) and interest rate risks. Sustainability of Public debt ensures that it does not explode and governments are not forced to increase taxes, or decrease spending.

Debt is considered sustainable if the borrower, in this case the State, is in a position to service its debt now, and in future. Debt sustainability indicators accordingly seek to assess the credit worthiness and the liquidity position of the borrower by examining their ability to service the debt through timely interest payments and repay debt out of current and regular sources of revenue.

The sustainability of debt of the State Government in terms of debt/ GSDP ratio, Fiscal Deficit/ GSDP and burden of Interest Payments (measured by ratio of Interest Payments to Revenue Receipts). Maturity profile of the State Government debt are discussed in **Table 2.48** shows the debt sustainability of the State according to these indicators for the five-year period from 2017-22.

**Table 2.48: Debt Sustainability: Indicators and Trends**

Indicators of Debt sustainability	2017-18	2018-19	2019-20	2020-21	2021-22
Debt/GSDP ( <i>per cent</i> )	32.07	33.91	43.51	40.45	41.06
Fiscal Deficit/ Surplus to GSDP ( <i>per cent</i> )	(-) 1.39	(-) 7.80	(-) 3.70	(-) 3.66	(-) 3.28
Interest Payments/ Revenue Receipts Ratio	3.39	3.24	4.13	4.39	3.66
Rate of growth of outstanding Debt ( <i>per cent</i> )	28.15	19.14	41.25	(-) 1.00	14.37
Rate of growth of Revenue Receipts ( <i>per cent</i> )	16.94	17.58	(-) 8.07	15.01	23.99
Rate of growth of GSDP ( <i>per cent</i> )	12.93	12.71	10.08	6.49	12.68
Interest payment	467.36	526.10	614.53	752.34	777.62
Average interest rate on Outstanding Debt ( <i>per cent</i> )	7.28	6.66	5.93	4.76	6.04
Available Debt as a percentage of Debt Receipts	38.37	33.77	63.72	28.05	26.59
Debt Stabilisation (Quantum spread + Primary Deficit)	471.82	(-) 1,013.82	448.02	(-) 123.99	476.06

Source: Finance Accounts of the respective year

As can be seen from above **Table 2.48**, Outstanding Debt to GSDP increased from 32.07 *per cent* in 2017-18 to 41.06 *per cent* in 2021-22. The outstanding Debt increased by 14.37 *per cent* over the previous year, at higher rate than the growth of GSDP, which grew by 12.68 *per cent*. In the past the three years from 2017-18 to 2019-20, the debt grew at a significantly faster rate than the Revenue Receipts. However, last two year from 2020-21 to 2021-22, rate of growth of Revenue Receipts is higher than that of Outstanding Debt. The Average interest rate of Outstanding Debt has been hovering around 4.76 *per cent* to 7.28 *per cent*. During the current year, Interest Rate increased by 1.28 points from 4.76 *per cent* in 2020-21 to 6.04 *per cent* in 2021-22. The burden of Interest Payment ranged from 3.24 to 4.39 *per cent* of the Revenue Receipts.

During the five-year period 2017-18 to 2021-22, while GSDP has grown at a CAGR of 9.94 *per cent*, the outstanding debt has grown at a faster rate of 19.77 *per cent*.

### 2.10.3 Debt Profile: Maturity and Repayment

Public Debt consists of Internal Debt and Loans and Advances received from the GoI. As per **Statement 17** of the Finance Accounts for the year 2021-22, the maturity profile of public debt is given in **Table 2.49**.



**Table 2.49: Maturity Profile of Public Debt**

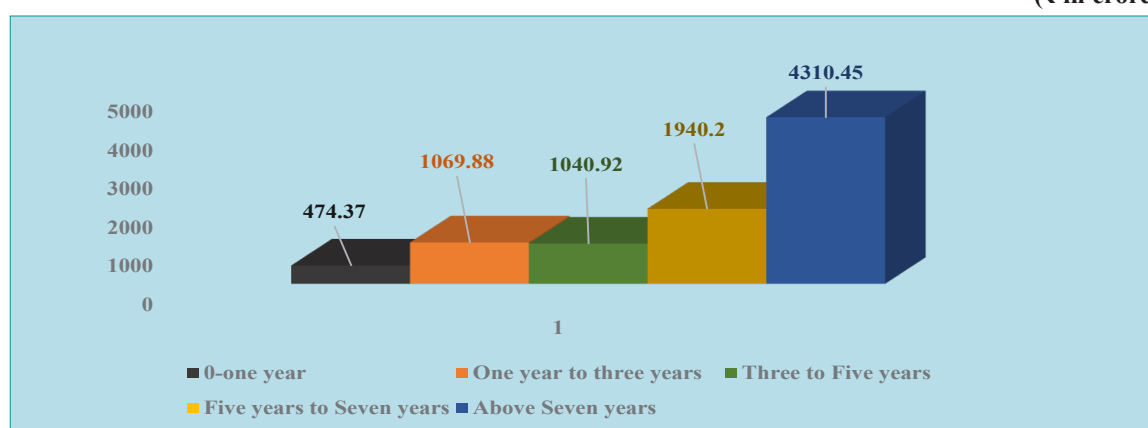
(₹ in crore)

Date maturity	Maturity Profile	Amount			Per cent
		Internal Debt	Loans & Advances from GoI	Total	
2022-23	0 to One year	448.98	25.39	474.37	5.37
2023-24 & 2024-25	Over One year to three years	1,019.1	50.78	1,069.88	12.11
2025-26 & 2016-27	Over three years to five years	1,039.28	1.64	1,040.92	11.78
2027-28 & 2028-29	Over five years to seven years	1,940.03	0.17	1,940.2	21.96
2028-29 onwards	Above seven years	3,683.13	627.32	4,310.45	48.78
<b>Total</b>		<b>8,130.52</b>	<b>705.30</b>	<b>8,835.82</b>	<b>100</b>

Source: Finance Accounts, 2021-22

**Chart 2.22: Maturity Profile of Public Debt**

(₹ in crore)



Source: Finance Accounts, 2021-22

The maturity profile of outstanding stock of Public Debt as on 31 March 2022 indicates that out of the outstanding Public Debt of ₹8,835.82 crore, 51.22 per cent (₹4,525.37 crore) is payable within the next seven years while the remaining 48.78 per cent (₹4,310.45 crore) is in the maturity bracket of more than seven years. Of the total outstanding Public Debt, the Internal Debt consisting of Market Borrowings, Loans from NABARD and Special Securities issued to NSSF of Central Government constituted 92.02 per cent (₹8,130.52 crore). Details of repayment of principal and Interest on Outstanding debt stock in next 10 years on the present public debt liabilities is given in **Table 2.50**.

**Table 2.50: Details of repayment of Public debt and Interest**

(₹ in crore)

Year	Repayment of				
	Public Debt		Interest <sup>14</sup> payment on		Total
	Internal Debt	Loans from GoI	Internal Debt	Loans from GoI	
2022-23	448.98	25.39	498.40	28.95	1,001.73
2023-24	476.49	25.39	469.19	27.40	998.48
2024-25	542.61	25.39	435.93	25.84	1,029.77

<sup>14</sup> Interest Payment calculated on average of interest rate for the five year period from 2017-18 to 2021-22, i.e. at the rate of 6.13 per cent

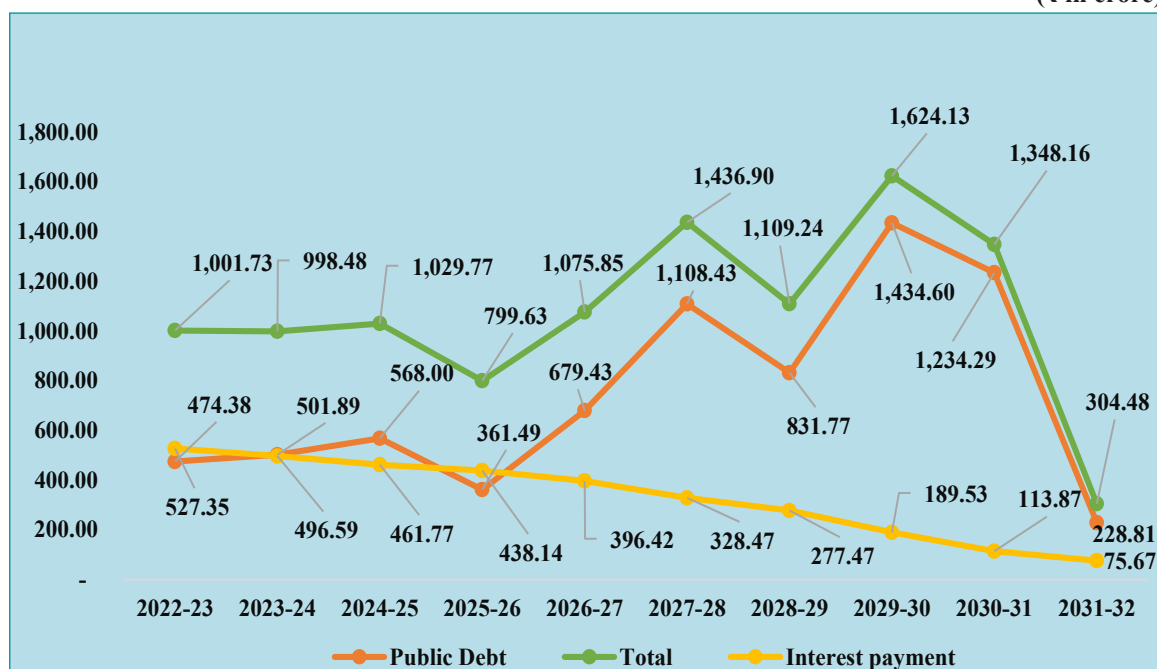
Year	Repayment of				Total
	Public Debt		Interest <sup>14</sup> payment on		
	Internal Debt	Loans from GoI	Internal Debt	Loans from GoI	
2025-26	360.13	1.36	413.85	24.28	799.63
2026-27	679.15	0.28	372.22	24.20	1,075.85
2027-28	1,108.27	0.16	304.28	24.18	1,436.90
2028-29	831.76	0.01	253.30	24.17	1,109.24
2029-30	1,434.59	0.01	165.36	24.17	1,624.13
2030-31	1,234.28	0.01	89.70	24.17	1,348.16
2031-32	228.81	-	75.67	-	304.48

Source: Finance Accounts, 2021-22

The productive utilisation of the public debt can lead to Capital formation, increase in GSDP and hence increased employment generation and overall growth of the economy. But if the funds are not utilised properly, then the increasing amount of Public debt and the corresponding increase in interest payment is a serious issue to worry because the increase of burden of interest payment will reduce the available resources for other necessary expenditure such as expenditure on Economic and Social sector which play important roles in development of the State.

Expenditure on Debt repayment (Principal component) as well as Interest thereon is a committed liability of the State government. As on 31 March 2022, the State accumulated debt of 8,835.82 crore. The State will repay 84.01 *per cent* of this accumulated debt before 31 March 2032. Trends of repayment of Public Debt and interest payments on available present Public Liabilities of the State for the next ten years is given in **Chart 2.23**.

**Chart 2.23: Trends of repayment of Public debt and Interest payment for next 10 years**  
(₹ in crore)



Source: Finance Accounts, 2021-22

Interest due on the present debt liability will decrease uniformly over the next 10 years. Outstanding debt as on 31 March 2022 will mature and create a Debt repayment liability. This liability increases and reaches a peak in 2029-30 and drops sharply in 2031-32. With respect to the present Debt liability, the repayment obligation (Principal *plus* Interest) on State government will be maximum in 2029-30. The State should plan in advance for reducing other committed expenditure and enhancing the revenue collection capacity to meet this obligation.

#### 2.10.4 Utilisation of borrowed funds

Borrowed funds should ideally be used to fund capital creation and developmental activities. Using borrowed funds for meeting current consumption and repayment of interest on outstanding loans is not sustainable. **Table 2.51** presents the trend of utilisation of borrowed funds for repayment of earlier borrowings, Capital Expenditure and Revenue Expenditure.

**Table 2.51: Details of utilisation of borrowed funds**

(₹ In crore)

Year	Total Borrowings	Repayment of earlier borrowings (Principal)	Net Capital Expenditure	Net Loans and Advances	Portion of Revenue expenditure met out of net available borrowings
1	2	3	4	5	6 (2-3-4-5)
2017-18	1,767.27	432.24	3,188.10	0.61	NA
2018-19	1,204.97	279.76	5,727.43	(-) 15.08	NA
2019-20	1,790.70	353.60	3,693.05	(-) 8.99	NA
2020-21	1,516.06	259.49	5,123.35	1.14	NA
2021-22	1,482.71	354.71	6,488.33	4.29	NA

Source: Finance Accounts of the respective year

It can be seen from the above **Table 2.51** that the State Government utilised total borrowings for repayment of earlier principal and Capital Expenditure during the period 2021-22 indicating sustainable financial position of the State.

#### 2.11 Management of Cash Balances

It is generally desirable that the State's flow of resources should match its expenditure obligations. However, to take care of any temporary mismatches in the flow of resources and expenditure obligations, a mechanism of Ways and Means Advances (WMA), Ordinary or Special, from the Reserve Bank of India (RBI) has been put in place. The operating limit for ordinary WMA is reckoned as the three-year average of Revenue Receipts and the operative limit for special WMA is fixed by RBI from time to time depending on the holding of Government securities. Overdrafts are given by the RBI, if the State has a minus balance after availing of the maximum advances.

Under an agreement with the RBI, the State Government has to maintain a minimum balance of ₹0.26 crore with RBI. If the balance falls below the agreed minimum, the Government can take ordinary WMA from the RBI, in addition, special WMAs are made available against GoI securities held by the State Government. State Government was able to maintain a minimum cash balance with RBI during the year 2021-22.

The Cash Balances and Investments made by the State Government out of Cash Balances during 2021-22 are shown in **Table 2.52**.

**Table 2.52: Cash Balances and Investment of Cash Balances**

(₹ in crore)

Particulars	Opening balance on 01 April 2021	Closing balance on 31 March 2022
A. General Cash Balance		
Cash in treasuries	0.00	0.00
Deposits with Reserve Bank	7.01	(-) 2,063.52
Deposits with other Banks	0.00	0.00
Remittances in transit-Local	0.00	0.00
<b>Total (A)</b>	<b>7.01</b>	<b>(-) 2,063.52</b>
B. Investments held in Cash Balance investment accounts	1,699.49	4,392.63
<b>(a) Total (A+B)</b>	<b>1,706.50</b>	<b>2,329.11</b>
(b) Other Cash Balances and Investments		
Cash with departmental officers	(-) 3.49	(-) 2.40
Permanent advances for contingent expenditure with department officers	0.01	0.01
Investment of earmarked funds	1,686.31	2,029.63
<b>Total (b)</b>	<b>1,682.83</b>	<b>2,027.24</b>
<b>Total (a) + (b)</b>	<b>3,389.33</b>	<b>4,356.35</b>
<b>Interest realised</b>	<b>32.37</b>	<b>44.68</b>

Source: Finance Accounts, 2021-22

Cash Balances of the State Government increased by ₹967.02 crore from ₹3,389.33 crore in 2020-21 to ₹4,356.35 crore in 2021-22. There was a net difference of ₹1,331.54 crore (Credit) at the end of accounting year 2021-22 between the General Cash Balance as worked out by the Accountant General ₹2,063.52 crore (Credit) and that reported by the RBI ₹731.98 crore (Debit). This difference was mainly due to misclassification of transactions by bank/ treasuries.

As of 31 March 2022, the State Government invested ₹1,699.49 crore in GoI Treasury Bills. The profits derived from such investments are credited as receipts under the head '0049-Interest Receipts'. During 2021-22, Interest of ₹44.68 crore was earned on investment of Cash Balances.

**Table 2.53** shows the year-wise Cash Balance Investment with interest earned during the last five years.

**Table 2.53: Details of Cash Balance Investment with interest earned during the last five years**

(₹ in crore)

Year	Opening Balance	Closing Balance	Increase (+) / decrease (-)	Interest earned
2017-18	3,046.51	3,082.39	35.88	45.28
2018-19	3,082.39	3,442.42	360.03	78.01
2019-20	3,442.42	1,416.05	(-) 2,026.37	59.22
2020-21	1,416.05	1,699.49	(-) 283.44	32.37
2021-22	1,699.49	4,392.63	2,693.14	44.68

Source: Finance Accounts of the respective year

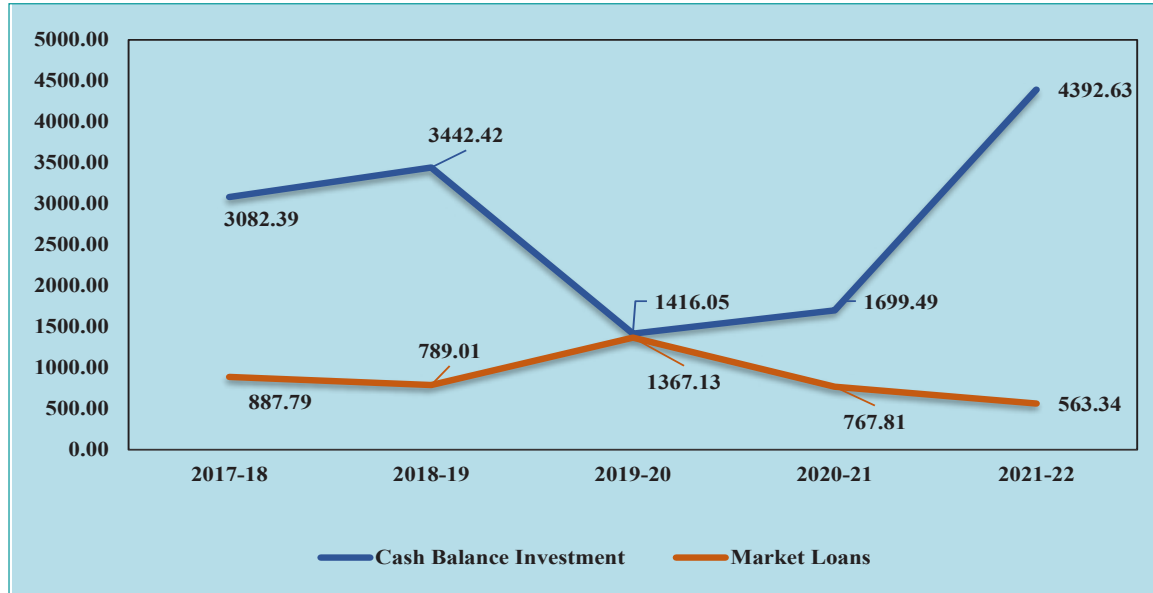
The trend analysis of the Cash Balance Investment of the State Government during 2017-22 revealed that investment increased significantly during 2021-22. Cash Balance

Investment of the State Government increased by ₹2,693.14 during 2021-22 over the previous year.

**Chart 2.24** compares the balances available in the Cash Balance Investment Accounts and the Market Loans taken by the State during the period 2017-22.

**Chart 2.24: Market Loans vis-à-vis Cash Balance Investment**

(₹ in crore)



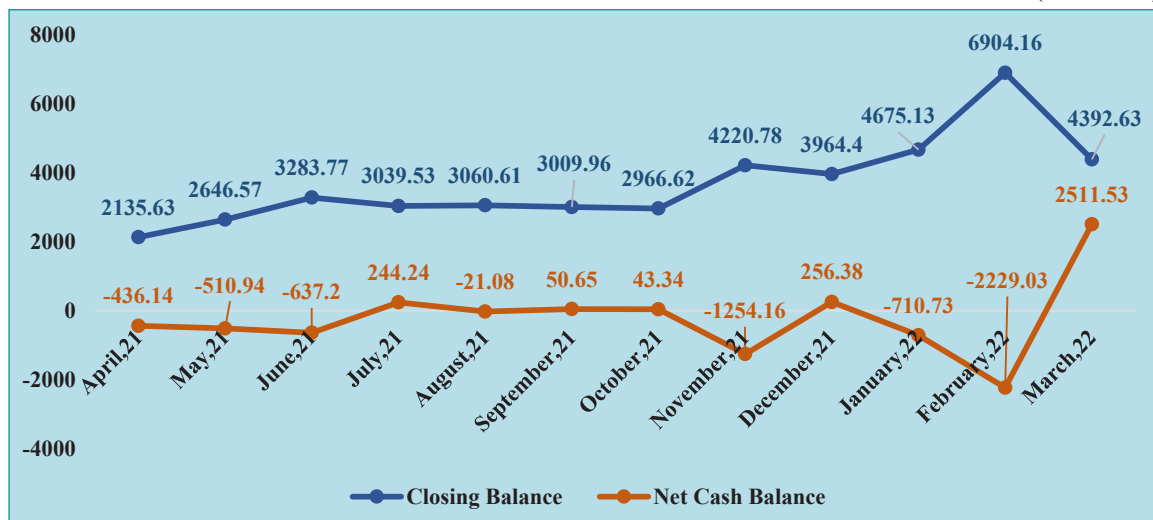
Source: Finance Accounts of the respective year

As could be seen from **Chart 2.24**, 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.

**Chart 2.25** compares the month-wise movement Cash Balances and net Cash Balance Investments during the year.

**Chart 2.25: Month-wise movement Cash Balances and Investments**

(₹ in crore)



Source: Monthly Civil Accounts, 2021-22

## 2.12 Conclusion

- The State had revenue surplus consistently during the period 2017-18 to 2021-22 and the revenue receipts increased during the current year. The State has done well to augment its own resources by expanding its tax base. However, the State's own resources constituted only around 11 *per cent* of the total revenue receipts during 2021-22, indicating heavy dependence of the State on funds from the Government of India, which contributed ₹18,817.18 crore (89 *per cent*) of the total revenue receipts of ₹21,231.64 crore in 2021-22.
- Both Revenue and Capital Expenditure increased by ₹2,769.14 crore (21.08 *per cent*) and ₹1,364.98 crore (26.64 *per cent*) respectively over the previous year. Revenue expenditure, which was in the nature of current consumption, accounted for around 71 *per cent* of the State's Total Expenditure during 2021-22, leaving only 29 *per cent* for infrastructure and asset creation.
- The State has not complied with the rules governing NPS. Non-observance of the rules governing NPS by the State Government is fraught with the risk of un-authorised use of funds belonging to its employees, thereby creating uncertainty in respect of the benefits due to the employees, avoidable future liability to the Government, and possible failure of the NPS itself in the State.
- The State did not have a comprehensive database of its investment in capital projects in past having relevant information such as approved cost, the status of these projects, details of completion time of the projects and liabilities arising out of inordinate delays in completion of these projects.
- The State did not have a comprehensive database of its investment in capital projects, as well as the status of these projects along with the liabilities likely to arise from delays in completing these projects.
- During the year 2021-22, there was increase in the Revenue Expenditure when compared with the previous year. The committed expenditure was about 47 to 53 *per cent* of Revenue Expenditure over the past five years. The high share of the committed expenditure in the total Revenue Expenditure indicates that the amounts available for implementing other welfare schemes, and maintenance of assets is getting reduced.
- The Capital Expenditure during the year which is meant for creating infrastructure constituted 29.05 *per cent* of the Total expenditure.
- In the three years from 2017-18 to 2019-20, the debt grew at a significantly faster rate than the Revenue Receipts whereas from 2020-21 to 2021-22, Revenue Receipts has been growing faster than outstanding debt.
- The maturity profile of outstanding stock of Public Debt as on 31 March 2022 indicates that out of the outstanding Public Debt of ₹8,835.82 crore, 51.22 *per cent* (₹4,525.37 crore) is payable within the next seven years while the remaining 48.78 *per cent* (₹4,310.45 crore) is in the maturity bracket of more than seven years.

- During 2021-22 the State Government has provided budgetary support ₹11.32 crore to three SPSEs in the form of Grants/Subsidy. The recipients of the budgetary assistance were Arunachal Police housing and Welfare Corporation Limited (₹2.06 crore), Arunachal Pradesh Forest Corporation Limited (₹2.78 crore) and Hydro Power Development Corporation of Arunachal Pradesh Limited (₹6.48 crore).
- During 2021-22, out of six working SPSEs, three SPSEs earned profits (₹5.83 crore) as per their latest finalised accounts. Further, the accumulated losses (₹34.53 crore) of three working SPSEs had completely eroded their paid-up capital (₹9.70 crore).

### 2.13 Recommendations

- The State Government needs to shore up its resources and explore ways of harnessing the potential within the State by appropriate measures to reduce dependency on GoI.
- The State Government needs to adhere to the prescribed procedure for accounting for the NPS transactions scrupulously. It should ensure that Government contribution relating to NPS is fully matched with that of the employees' contribution and that the entire amount is transferred to NSDL in a timely manner to avoid future liability on the State exchequer as well as to provide an assurance to the employees about the returns on their investment.
- The Government needs to maintain an accurate database with regard to the capital invested in projects which are at various stages of completion for several years and review its commitment to these and liabilities arising out of inordinate delays in their completion.
- The State Government may ensure that mobilised debt resources are used adequately for incurring capital Expenditure for creation of assets. The increasing trends of share of Committed Expenditure to the Revenue Expenditure be corrected by identifying potential wasteful expenditure and adopting economy measures across departments.
- Accumulation huge losses by three out of six SPSEs had eroded public wealth which is a cause of concern and the State Government needs to review the working of these SPSEs to either improve their profitability or close their operations.

