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# **EXECUTIVE SUMMARY**

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## Executive Summary

### The Report

This Report is based on the audited accounts of the Government of Jharkhand for the year ending 31 March 2022, and provides an analytical review of the finances of the State Government. The Report is structured in five Chapters.

**Chapter 1- Overview:** This chapter describes the basis and approach to the Report and the underlying data, provides an overview of the structure of government accounts, budgetary processes, macro-fiscal analysis of key indices and State's fiscal position including the deficits/ surplus.

**Chapter 2- Finances of the State:** This chapter provides a broad perspective of the finances of the State, analyses the critical changes in major fiscal aggregates relative to the previous year, overall trends during the last five years, debt profile of the State and key Public Account transactions, based on the Finance Accounts of the State.

**Chapter 3- Budgetary Management:** This chapter is based on the Appropriation Accounts of the State and reviews of the appropriations and allocative priorities of the State Government and reports on deviations from Constitutional provisions relating to budgetary management.

**Chapter 4- Quality of Accounts & Financial Reporting Practices:** This chapter comments on the quality of accounts rendered by various authorities of the State Government and issues of non-compliance with prescribed financial rules and regulations.

**Chapter 5- General Purpose Financial Reporting:** This chapter presents the summary of the financial performance of Government Companies and Government controlled other Companies. In the chapter, the term State Public Sector Enterprises (SPSEs) encompasses those Government companies in which the direct holding of the State Government is 51 *per cent* or more and subsidiary of such Government companies.

### Audit findings

#### Fiscal Position

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

The State had a revenue surplus of ₹ 6,944 crore in 2021-22. The fiscal deficit of the State was 0.72 *per cent* of GSDP at the end of March 2022.

In order to arrive at actual figures, irregularities such as the impact of deferment of clear cut liabilities, non-deposit of cess/royalty to the Consolidated Fund, short contribution to New Pension Scheme, *etc.* needs to be reversed. Post audit, it was seen that the revenue surplus was overstated and Fiscal deficit was understated by ₹ 332.86 crore. Thus, revenue surplus and fiscal deficit stated to be ₹ 6,943.94 crore and ₹ 2,604.21 crore in the Finance Accounts would actually be ₹ 6,611.08 crore and ₹ 2,937.07 crore respectively.

(Chapter 1)

## Finances of the State

During 2021-22, revenue expenditure of the State constituted 85.28 *per cent* of the total expenditure of which 44.41 *per cent* was utilised on Salaries & Wages, Interest Payments and Pension. Salaries & Wages, Interest Payments and Pension consumed 39.99 *per cent* of the revenue receipts in 2021-22.

During 2021-22, capital expenditure was ₹ 9,377 crore against ₹ 8,466 crore in 2020-21. Increase in capital expenditure was due to increase in expenditure on social services by seven *per cent* and economic services by 14 *per cent* over the previous year.

As per annual accounts of the State ending 31 March 2022, the Government had invested ₹ 2,250.22 crore (in government companies, rural bank and co-operative institutions) since inception of the State in November 2000. The returns on the investments was nil during 2021-22 while the Government paid an average interest rate of 5.76 *per cent* on its borrowings during 2021-22.

Apart from investments, a huge amount (₹ 24,348 crore) given by the government to its entities, in the form of loans, were outstanding at the end of March 2022.

Overall fiscal liabilities (Total Debt), excluding the back-to-back loans received in lieu of shortfall of GST compensation, increased from ₹ 1,07,496 crore in 2020-21 to ₹ 1,10,998 crore in 2021-22,. The fiscal liabilities to GSDP ratio was 30.57 *per cent* and was within the MTFP target of 33.00 *per cent*. Apportionment of fiscal liabilities of the composite Bihar State, between the successor States of Bihar and Jharkhand, has not been done so far.

The government had not paid any interest to SDRF since its creation, which works out to ₹ 870.85 crore at the applicable rates of interest for the period from 2011-12 to 2021-22. Non-payment of interest had an impact on Revenue deficit and Fiscal Deficit of the State. Further, Government transferred ₹ 200 crore to the Consolidated Sinking Fund during the year.

### (Chapter 2)

## Budgetary Management

During 2021-22, the total savings of ₹ 22,515.81 crore (22.16 *per cent* of the total budget) under the grants was indicative of improper budget estimation. Further, these grants had persistent total savings ranging from ₹ 8,138.75 crore to ₹ 14,685.90 crore during the previous four years.

Supplementary provisions aggregating ₹ 8,369.35 crore (57.22 *per cent*) in 49 cases (₹ 0.50 crore or more in each case) during the year, proved unnecessary, as the expenditure did not come up even to the level of the original provisions.

Excess disbursement over grant/appropriation amounting to ₹ 3,473.63 crore, pertaining to the years 2001-02 to 2020-21, is yet to be regularised by the State Legislature. Further, excess expenditure of ₹ 288.86 crore was incurred in one appropriation (13- Interest Payment) and in one grant (15- Pension) during 2021-22.

**(Chapter 3)**

### **Quality of Accounts & Financial Reporting Practices**

Labour cess, amounting to ₹ 664.19 crore, collected up to March 2022, was not transferred to the Labour Welfare Board Fund during 2021-22, thereby overstating the revenue surplus and understating the fiscal deficit of the State during the relevant years (2008-22). An amount of ₹ 154 crore was transferred to the Board by the State in June 2022, *i.e.*, after the financial year.

As on 31 March 2022, 39,064 Utilisation Certificates (UCs) for an amount of ₹ 1,03,459.14 crore, were outstanding.

As of 31 March 2022, DC bills, against 18,206 AC bills amounting to ₹ 6,094.45 crore, were outstanding.

Unspent balances (₹ 2018.13 crore) lying in PD accounts for long periods and not transferred to the Consolidated Fund was not in consonance with the provisions of financial rules and entailed the risk of misuse, fraud and misappropriation of public funds.

**(Chapter 4)**

### **General Purpose Financial Reporting**

There were 31 State Public Sector Enterprises (SPSEs) under the audit jurisdiction of the CAG. Of these, 16 SPSEs submitted their accounts for audit. As of 30 September 2022, two SPSEs had finalised their accounts for the year 2021-22, eight SPSEs had finalised accounts for the year 2020-21 and six SPSEs had finalised their accounts for the year 2019-20.

The turnover of SPSEs decreased from ₹ 5,553.53 crore in 2019-20 to ₹ 5,045.76 crore in 2021-22.

The outstanding dues payable, against purchase of power, by the State DISCOM, to Central PSUs, increased from ₹ 2,879.25 crore in 2017-18, to ₹ 4,909.49 crore in 2021-22. As the Government of Jharkhand is liable to pay the outstanding dues for power purchase, as per the tripartite agreement with the GoI, ₹ 2,845.50 crore was debited by GoI from the Jharkhand Government's account with RBI.

**(Chapter 5)**

