Chapter-1

OVERVIEW

CHAPTER 1

OVERVIEW

1.1 Profile of the State

The State of Jharkhand was created in November 2000 by bifurcating the erstwhile State of Bihar. It covers a geographical area of 79,716 sq. km., of which, 29.76 *per cent* is covered by forests. It is the 16th largest State of the country and has 24 districts.

Jharkhand is endowed with a variety of mineral resources. The major mineral resources are coal, iron ore, bauxite, limestone, copper, mica, graphite, china clay, and uranium. Jharkhand is the only State in the country producing coking coal and uranium. There were 373 mines of major minerals, 3,572 mines of minor minerals and 7 mines of both major as well as minor minerals in the State, as on 31 March 2022.

As indicated in **Appendix 1.1, Part-A,** the State's population increased from 3.33 crore in 2012 to 3.90 crore in 2022, an increase of 17.11 *per cent* in the last 10 years. During 2021-22, the Gross State Domestic Product (GSDP) and the estimated per capita GSDP of the State, at current prices, was ₹ 3,63,085 crore and ₹ 93,670 respectively.

1.1.1 Gross State Domestic Product of Jharkhand

Gross State Domestic Product is the value of all the goods and services produced, within the boundaries of the State, in a given period of time. Growth of GSDP is an important indicator of the State's economy, as it denotes the extent of change in the level of economic development of the State, over a period of time.

Changes in the sectoral contribution to GSDP is also important to understand the changing structure of the economy. Economic activity is generally divided into Primary, Secondary and Tertiary sectors, which correspond to the Agriculture, Industry and Service sectors. Trends in the annual growth of GSDP of Jharkhand *vis-à-vis* that of the country, for the period from 2017-18 to 2021-22, are given in **Table 1.1**.

Table 1.1: Trends in GSDP compared to the GDP

(₹ in crore)

Year	2017-18	2018-19	2019-20	2020-21	2021-22
National GDP (2011-12 Series)	1,70,90,042	1,88,86,957	2,00,74,856	1,98,00,914	2,36,64,637
Growth rate of GDP over the previous year (in *per cent*)	11.03	10.51	6.29	-1.36	19.51
State's GSDP (2011-12 Series)	2,69,816	3,05,695	3,21,157	3,17,079	3,63,085
Growth rate of GSDP over the previous year (in *per cent*)	14.21	13.30	5.06	-1.27	14.51

Source: Directorate of Economics and Statistics, Planning and Development Department, Jharkhand

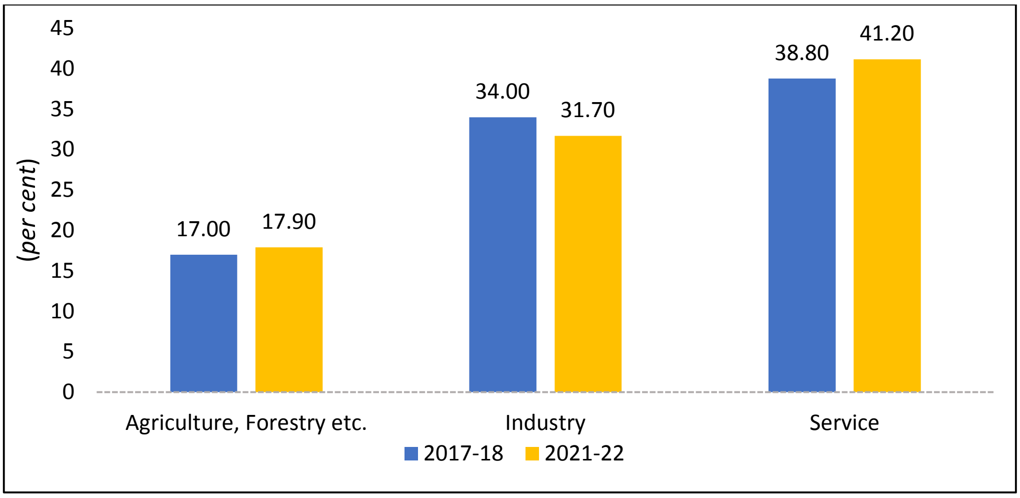
As can be seen from **Table 1.1**, the growth rate of GSDP of Jharkhand showed fluctuations during the period from 2017-18 to 2021-22. During the current year, the growth rate of GSDP of Jharkhand was significantly lower than the growth rate of national GDP.

1.1.2 Sectoral contribution to GSDP

Chart 1.1 reflects the sector-wise contribution to GSDP during the financial years 2017-18 and 2021-22. The major contributor to GSDP was the Service

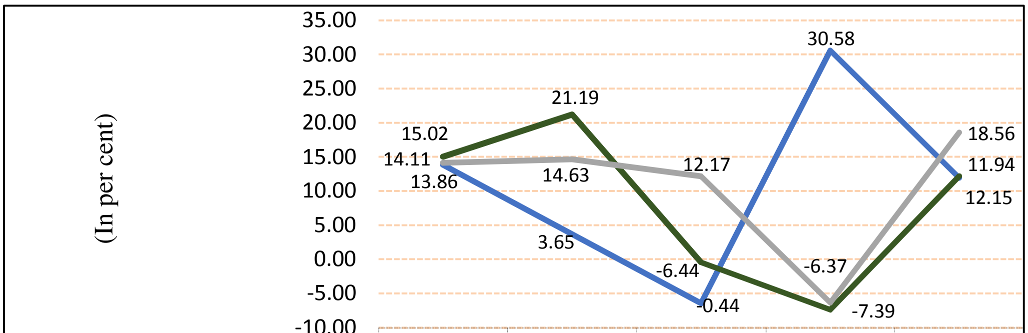
Sector followed by the Industry Sector. However, in comparison to 2017-18, the contribution of the Industry Sector decreased during 2021-22.

Chart 1.1: Sectoral contribution to GSDP (2017-18 and 2021-22)



Source: Directorate of Economics and Statistics, Planning and Development Department, Jharkhand

Chart 1.2: Sectoral growth in GSDP



	2017-18	2018-19	2019-20	2020-21	2021-22
Agriculture, forestry etc.	13.86	3.65	-6.44	30.58	11.94
Industry	15.02	21.19	-0.44	-7.39	12.15
Service	14.11	14.63	12.17	-6.37	18.56

Source: Directorate of Economics and Statistics, Planning and Development Department, Jharkhand

As can be seen from **Chart 1.2,** significant increase was recorded in the contribution of the industry and service sectors to GSDP while the contribution of Agriculture, Forestry *etc*. showed significant decrease during 2021-22 (11.94 *per cent* against 30.58 *per cent* during 2020-21). The significant decrease in the contribution of Agriculture, forestry *etc*. and Industry in 2019-20 and Industry and Service sectors in 2020-21 to GSDP, can be attributed to the COVID-19 pandemic.

1.2 Basis and Approach to State Finances Audit Report

The State Finances Audit Report (SFAR) is prepared and submitted under Article 151 (2) of the Constitution of India.

The Principal Accountant General (Accounts & Entitlements) compiles the Finance Accounts and the Appropriation Accounts of the State annually, from the vouchers, challans and initial and subsidiary accounts rendered by the treasuries, offices and departments responsible for keeping of such accounts, and the statements received from the Reserve Bank of India.

These accounts are audited independently by the Principal Accountant General (Audit), and reported upon by the CAG.

The Finance Accounts and the Appropriation Accounts of the State constitute the core data for this Report. Other sources include the following:

- Budget of the State for assessing the fiscal parameters and allocative priorities *vis-à-vis* projections, as well as for evaluating the effectiveness of its implementation and compliance with the relevant rules and prescribed procedures;
- Results of audit carried out by the Office of the Principal Accountant General (Audit);
- Other data with Departmental Authorities and Treasuries (accounting as well as MIS);
- GSDP data and other State related statistics; and
- Various audit reports of the CAG of India.

Analysis have also been carried out in the context of recommendations of the Finance Commissions (FFCs), State Financial Responsibility and Budget Management Act, best practices and guidelines of the Government of India. An entry conference was held on 16 June 2022, with the State Finance Department, wherein the audit approach was explained. An exit conference was also held on 18 August 2022 . The draft Report has been forwarded (22.11.2022) to the State Government for replies/comments. Replies are awaited as of January 2023.

1.3 Report Structure

The SFAR is structured into the following 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 period from 2017-18 to 2021-22, 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 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 by various departmental officials of the State Government.

Chapter - 5	**General Purpose Financial Reporting** This chapter presents the summary of 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 subsidiaries of such Government companies.

1.4 Overview of Government Account Structure and Budgetary Processes

It is necessary to understand the structure of Government Accounts in order to appreciate the analysis of the finances of the State Government given in **Chapter-2** of this report. The Accounts of the State Government are kept in three parts:

1. Consolidated Fund of the State (Article 266(1) of the Constitution of India)

This Fund comprises all revenues received by the State Government, all loans raised by the State Government (market loans, bonds, loans from the Central Government, loans from Financial Institutions, Special Securities issued to the National Small Savings Fund, *etc*.), Ways and Means advances extended by the Reserve Bank of India and all moneys received by the State Government in repayment of loans. No moneys can be appropriated from this Fund except in accordance with law and for the purposes and in the manner provided by the Constitution of India. Certain categories of expenditure (*e.g.*, salaries of Constitutional authorities, loan repayments *etc*.), constitute a charge on the Consolidated Fund of the State (Charged expenditure) and are not subject to vote by the Legislature. All other expenditure (Voted expenditure) is voted by the Legislature.

2. Contingency Fund of the State (Article 267(2) of the Constitution of India)

This Fund is in the nature of an imprest which is established by the State Legislature by law, and is placed at the disposal of the Governor to enable advances to be made for meeting unforeseen expenditure, pending authorisation of such expenditure by the State Legislature. The fund is recouped by debiting the expenditure to the concerned functional major head relating to the Consolidated Fund of the State.

3. **Public Accounts of the State (Article 266(2) of the Constitution)**

Apart from above, all other public moneys received by or on behalf of the Government, where the Government acts as a banker or trustee, are credited to the Public Account. The Public Account includes repayables like Small Savings and Provident Funds, Deposits (bearing interest and not bearing interest), Advances, Reserve Funds (bearing interest and not bearing interest), Remittances and Suspense heads (both of which are transitory heads, pending final booking). The net cash balance available with the Government is also included under the Public Account. The Public Account is not subject to the vote of the Legislature.

Annual Financial Statement: There is a constitutional requirement in India (Article 202) to present before the House or Houses of the Legislature of the State, a statement of estimated receipts and expenditures of the government in respect of every financial year. This 'Annual Financial Statement' constitutes the main budget document. Further, the budget must distinguish expenditure on the revenue account from other expenditures.

Revenue Receipts consist of tax revenue, non-tax revenue, share of Union Taxes/ Duties, and grants from Government of India.

Revenue Expenditure consists of all those expenditures of the government which do not result in creation of physical or financial assets. It relates to those expenses incurred for the normal functioning of the government departments and various services, interest payments on debt incurred by the government, and grants given to various institutions (even though some of the grants may be meant for creation of assets).

Capital Receipts consist of:

- **Debt Receipts:** Market Loans, Bonds, Loans from financial institutions, Net transaction under Ways and Means Advances, Loans and Advances from Central Government, *etc*.;
- **Non-debt Receipts:** Proceeds from disinvestment, Recoveries of loans and advances.

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

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

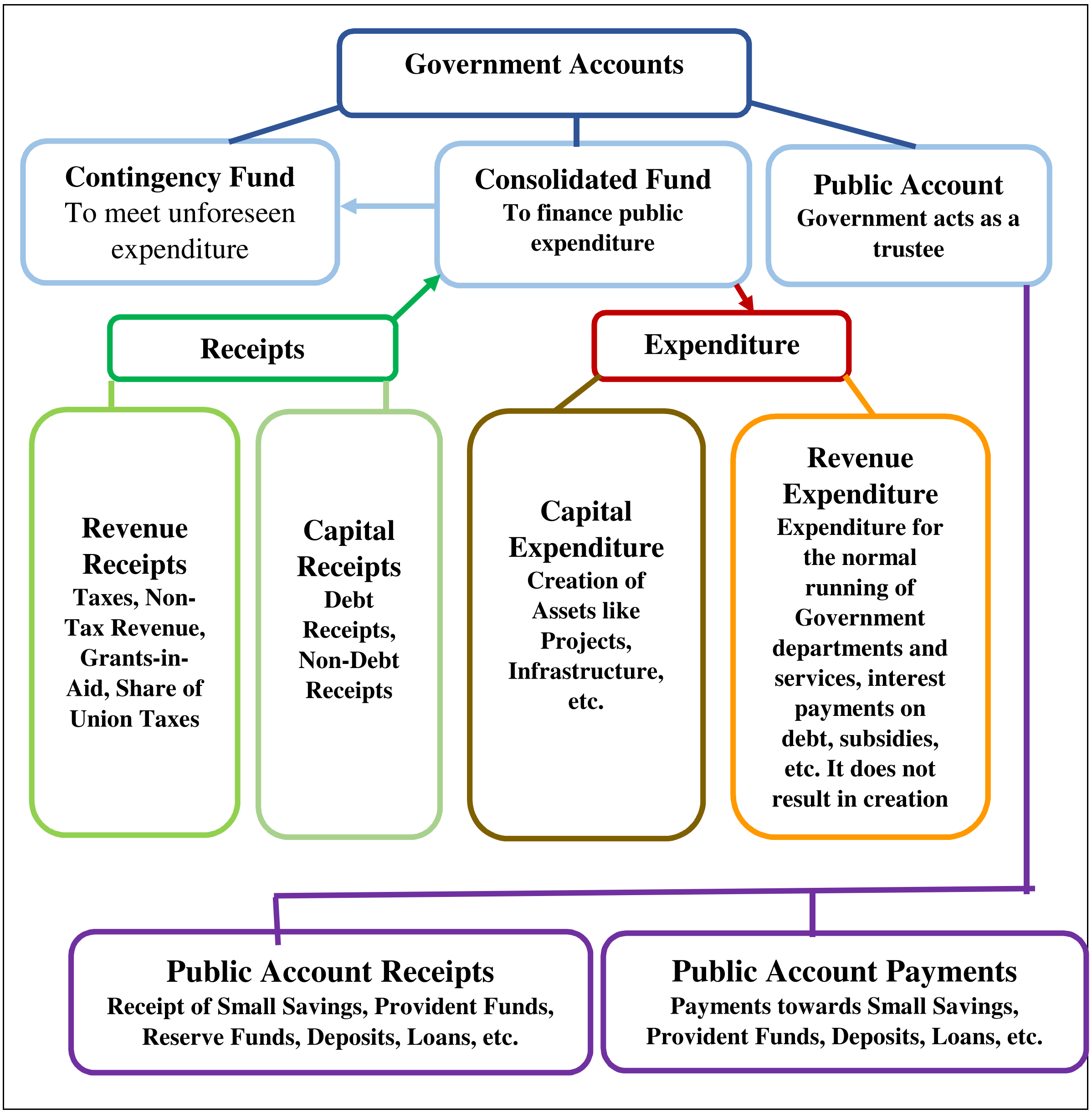
Table 1.2: Classification system of Government Accounts

	Attribute of transaction	Classification
Standardised in LMMH* by CGA	Function: Education, Health, *etc*.	Major Head under Grants (4-digit)
	Sub-Function	Sub Major head (2-digit)
	Programme	Minor Head (3-digit)
Flexibility left for States	Scheme	Sub-Head (2-digit)
	Sub scheme	Detailed Head (2-digit)
	Economic nature/Activity	Object Head: Salary, minor works, *etc*. (2-digit)

**List of Major and Minor Heads*

The functional classification lets us know the department, function, scheme or programme, and object of the expenditure. Economic classification helps organise these payments as revenue, capital, debt *etc*. Economic classification is achieved by the numbering logic embedded in the first digit of the 4-digit Major Heads. For instance, 0 and 1 is for revenue receipts, 2 and 3 for revenue expenditure, *etc*. Economic classification is also achieved by an inherent definition and distribution of some object heads which is the primary unit of appropriation in the budget documents. For instance, generally, object head "salary" is revenue expenditure and object head 'construction' is capital expenditure. A pictorial depiction of the structure of Government Accounts is given in **Chart 1.3**. A detailed layout of the Finance Accounts is given in **Appendix 1.1, Part C**.

Chart 1.3: Structure of Government Accounts



Budgetary Processes

In terms of Article 202 of the Constitution of India, the Governor of the State causes to be laid before the State Legislature, a statement of the estimated receipts and expenditure of the State, in the form of an Annual Financial Statement. In terms of Article 203, the statement is submitted to the State Legislature in the form of Demands for Grants/ Appropriations and, after approval of these, the Appropriation Bill is passed by the Legislature, under Article 204, to provide for appropriation of the required money out of the Consolidated Fund.

The State Budget Manual details the budget formulation process and guides the State Government in preparing its budgetary estimates and monitoring its expenditure activities. Results of audit scrutiny of the budget and implementation of other budgetary initiatives of the State Government are detailed in **Chapter 3** of this Report.

1.4.1 Snapshot of Finances

The following table provides the details of actual financial results *vis-à-vis* Budget Estimates for the year 2021-22 and actuals of 2020-21.

Table: 1.3: Actual Financial Results *vis-à-vis* Budget estimates

(₹ in crore)

Sl. No.	Components	2020-21 (Actuals)	2021-22 (Budget Estimate)	2021-22 (Actuals)	Percentage of Actuals to B.E. (2021-22)	Percentage of Actuals to GSDP (2021-22)
1.	Tax Revenue	36,592	45,315	49,024	108.18	13.50
(i)	Own-Tax Revenue	16,880	23,265	21,290	91.51	5.86
(ii)	Share of Union taxes/ duties	19,712	22,050	27,734	125.78	7.64
2.	Non-Tax Revenue	7,564	13,500	10,031	74.30	2.76
3.	Grants-in-aid and Contributions	11,994	17,892	10,667	59.62	2.94
4.	**Revenue Receipts (1+2+3)**	**56,150**	**76,707**	**69,722**	**90.89**	**19.20**
5.	Recovery of Loans and Advances	49	70	1,292	1,845.00	0.36
6.	Other Receipts	0.00	0.00	0.00	0.00	0.00
7.	Public debt	13,547	14,500	9,840	67.86	2.71
8.	**Capital Receipts (5+6+7)**	**13,596**	**14,570**	**11,132**	**76.40**	**3.07**
9.	**Total Receipts (4+8)**	**69,746**	**91,277**	**80,854**	**88.58**	**22.27**
10.	**Revenue Expenditure**	**59,264**	**75,755**	**62,778**	**82.87**	**17.29**
11.	Interest payments	5,790	5,646	6,286	111.34	1.73
12.	Grants in aid for creation of capital assets	6,370	10,466	5,359	51.20	1.48
13.	Capital Expenditure	8,466	9,661	9,377	97.06	2.58
14.	Loans and advances	3,380	1,572	1,463	93.07	0.40
15.	**Total Expenditure (10+13+14)**	**71,110**	**86,988**	**73,618**	**84.63**	**20.28**
16.	**Revenue Surplus (+)/ Deficit (-) (4-10)**	**-3,114**	**952**	**6,944**	**729.41**	**1.91**
17.	**Fiscal Surplus (+)/ Deficit (-) {15-(4+5+6)}**	**-14,911**	**-10,211**	**-2,604**	**25.50**	**-0.72**
18.	**Primary Surplus (+)/ Deficit (-) (17-11)**	**-9,121**	**-4,565**	**-3,682**	**-80.66**	**1.01**

During 2021-22, actual revenue receipts were significantly higher (by ₹ 13,572 crore) than the previous year's receipts. This was primarily due to increase in receipts from State's own resources and receipts from Share of Union taxes/duties. The GIA from GoI decreased by ₹ 1,327 crore against ₹ 11,993.41 crore in 2020-21. During 2021-22, Own tax revenue, Non-tax revenue and Share of Union taxes/duties increased significantly by ₹ 4,410 crore, ₹ 2,467 crore and ₹ 8,022 crore respectively, over the previous year.

GST compensation is the revenue of the State Government under the GST (Compensation to States) Act, 2017. However, in addition to receiving the GST compensation of ₹ 1,525.63 crore as revenue receipts, due to inadequate balance in the GST Compensation Fund during the year 2021-22, Jharkhand also received back-to-back loan of ₹ 2,484.41 crore under debt receipts of the State Government, with no repayment liability for the State. Due to this arrangement, the Revenue Surplus of ₹ 6,943.94 crore and Fiscal Deficit of ₹ 2,604.21 crore during the year 2021-22 may be read in conjunction with debt receipts of ₹ 2,484.41 crore in lieu of GST compensation.

During 2021-22, growth of revenue expenditure increased marginally (six *per cent*) against five *per cent* in 2020-21. The State had to borrow less funds than the previous year (₹ 9,839.87 crore in 2021-22 against ₹ 13,546.58 crore in 2020-21) to meet its expenditure. During 2021-22, ₹ 1,246 crore was recovered from loans given to Power companies and ₹ 45.73 crore from Government servants. **Table 1.4** indicates the trend of receipts and expenditure on the Revenue and Capital Account during 2017-18 to 2021-22.

Table: 1.4: Trends of Receipts and Expenditure

(₹ in crore)

Year	Revenue		Percentage of revenue expenditure to revenue receipts	Capital		Percentage of capital expenditure to capital receipts
	Receipts	Expenditure		Receipts	Expenditure	
2017-18	52,756	50,952	96.58	8,204	11,953	145.70
2018-19	56,152	50,631	90.17	7,850	10,712	136.46
2019-20	58,147	56,457	97.09	9,642	9,879	102.46
2020-21	56,150	59,264	105.55	13,595	8,466	62.27
2021-22	69,722	62,778	90.04	11,132	9,377	84.23

- It can be seen from **Table 1.4** that the percentage of revenue expenditure to revenue receipts was maximum during 2020-21 (105.55 *per cent*) which decreased to 90.04 *per cent* in 2021-22 resulting in a much higher revenue surplus in 2021-22.

- While the percentage of capital expenditure to capital receipts increased from 62.27 *per cent* in 2020-21 to 84.23 *per cent* in 2021-22, it remained significantly lower than the percentage of capital expenditure to receipts during the financial years 2017-18 to 2019-20.

- Increased capital expenditure, during 2021-22, was indicative of more priority on infrastructure and assets creation by the State, as compared to the previous year. Increase in capital expenditure in the current year was mainly due to increase in Non-ferrous Mining and Metallurgical Industries (by ₹ 1,000 crore), Soil and Water Conservation (by ₹ 199 crore) and Major Irrigation (by ₹ 164 crore). However, CE during 2021-22 was significantly lower than the budget provision of ₹ 11,233 crore.

1.4.2 Snapshot of Assets and liabilities of the Government

Government accounts capture the financial liabilities of the Government and the assets created out of the expenditure incurred. The liabilities consist mainly of internal borrowings, loans and advances from GoI, receipts from public account and reserve funds. The assets comprise mainly the capital expenditure and loans and advances given by the State Government and cash balances. The summarised position of Assets and Liabilities in 2020-21 and 2021-22 is given in **Table 1.5**.

Table 1.5: Summarised position of Assets and Liabilities

(₹ in crore)

Liabilities					Assets				
		2020-21	**2021-22**	***Per cent* increase**			**2020-21**	**2021-22**	***Per cent* increase**
Consolidated Fund									
A	Internal Debt	71,956.90	74,538.31	3.59	a	Gross Capital expenditure	96,017.68	1,05,394.58	9.77
B	Loans and Advances from GoI	4,981.85	7,993.22	60.45	b	Loans and Advances	24,177.23	24,348.48	0.71
Contingency Fund		**500.00**	**500.00**	0.00					
Public Account									
A	Small Savings, Provident Funds, *etc.*	1,194.40	1,001.19	-16.18	a	Advances	19.66	19.67	0.05
B	Deposits	24,331.45	23,609.29	-2.97	b	Remittance	0.00	0.00	0.00
C	Reserve Funds	7,024.26	6,844.35	-2.56	c	Suspense and Miscellaneous	0.00	0.00	0.00
D	Remittances	126.45	112.64	-10.92		Cash balance (including investment in Earmarked Fund)	3,720.32	5,572.70	49.79
E	Suspense and Miscellaneous	144.75	117.65	-18.72		Deficit in Revenue Account	-	-	-
	Cumulative excess of receipts over expenditure	13,674.83	20,618.78	50.78					
Total		**1,23,934.89**	**1,35,335.43**	**9.20**	**Total**		**1,23,934.89**	**1,35,335.43**	**9.20**

Source : Finance Accounts

1.5 Fiscal Balance: Achievement of deficit and total debt targets

When a government spends more than it collects by way of revenue, it incurs a deficit. There are various measures that capture government deficit.

Revenue Deficit/ Surplus (Revenue Expenditure – Revenue Receipts)	*Refers to the difference between revenue expenditure and revenue receipts.* • When the government incurs a revenue deficit, it implies that the government is dissaving and is using up the savings of the other sectors of the economy to finance a part of its consumption expenditure. • Existence of revenue deficit is a cause of concern as revenue receipts were not able to meet even revenue expenditure. Moreover, part of capital receipts has been utilised to meet revenue expenditure, reducing availability of capital resources to that extent for creation of capital assets. • This situation means that the government will have to borrow not only to finance its investment but also its consumption requirements. This leads to a build-up of stock of debt and interest liabilities and forces the government, eventually, to cut expenditure. • If a major part of revenue expenditure is committed expenditure (interest liabilities, salaries, pensions), the government reduces productive expenditure or welfare expenditure. This would mean lower growth and adverse welfare implications.
Fiscal Deficit/ Surplus {Total expenditure – (Revenue	It is the difference between the Revenue Receipts *plus* Non-debt Capital Receipts (NDCR) and the total expenditure. Fiscal Deficit is reflective of the total borrowing requirements of the Government. • Fiscal deficit is the difference between the government's total expenditure and its total receipts, excluding borrowing.

receipts + Non-debt creating capital receipts)}	• Non-debt creating capital receipts are those receipts, which are not borrowings, and, therefore, do not give rise to debt. Examples are recovery of loans and the proceeds from the disinvestment/sale of PSUs. • The fiscal deficit will have to be financed through borrowing. Thus, it indicates the total borrowing requirements of the government from all sources. Governments usually run fiscal deficits and borrow funds for capital/ assets formation or for creation of economic and social infrastructure, so that assets created through borrowings could pay for themselves by generating an income stream. Thus it is desirable to fully utilise borrowed funds for the creation of capital assets and to use revenue receipts for the repayment of principal and interest.
Primary Deficit/ Surplus (Gross fiscal deficit – Net Interest liabilities)	Refers to the fiscal deficit minus the interest payments. • Net interest liabilities consist of interest payments minus interest receipts by the government on net domestic lending. • The borrowing requirement of the government includes interest obligations on accumulated debt. To obtain an estimate of borrowing because of current expenditure exceeding revenues, we need to calculate the primary deficit.

Deficits must be financed by borrowing, giving rise to government debt. The concepts of deficits and debt are closely related. Deficits can be thought of as a flow which add to the stock of debt. If the government continues to borrow year after year, it leads to the accumulation of debt and the government has to pay more and more by way of interest. These interest payments themselves contribute to the debt.

By borrowing, the government transfers the burden of reduced consumption on future generations. This is because it borrows by issuing bonds to the people living at present but may decide to pay off the bonds some twenty years later by raising taxes or reducing expenditure. Also, government borrowing from the people reduces the savings available to the private sector. To the extent that this reduces capital formation and growth, debt acts as a 'burden' on future generations.

However, if government deficits succeed in their goal of raising production, there will be more income and, therefore, more saving. In this case, both government and industry can borrow more. Also, if the government invests in infrastructure, future generations may be better off, provided the return on such investments is greater than the rate of interest. The actual debt could be paid off by the growth in output. The debt should not then be considered burdensome. The growth in debt will have to be judged by the growth of the economy (State GDP) as a whole.

Government deficit can be reduced by an increase in taxes or reduction in expenditure. However, the major thrust has been towards reduction in government expenditure. This could be achieved through making government activities more efficient through better planning of programmes and better administration.

1.5.1 Achievements *vis-à-vis* fiscal targets prescribed in State FRBM Act

The State Government has passed the Fiscal Responsibility and Budget Management Act (FRBM), 2007, with the objective of ensuring prudence in fiscal management by eliminating revenue deficit, reducing fiscal deficit and overall/ outstanding debt to acceptable levels, establishing improved debt management and improving transparency in a medium term framework. In this context, the Act provides quantitative targets to be adhered to by the State with regard to deficit measures and debt level. The targets relating to key fiscal parameters, envisaged in the State FRBM Act, and their achievement during the period from 2017-18 to 2021-22, are given in **Table 1.6**

Table 1.6: Compliance with provisions under State FRBM Act

Fiscal Parameters	Fiscal targets set in the Act	Achievement (₹ in crore)				
		2017-18	2018-19	2019-20	2020-21	2021-22
Revenue Deficit	Nil	1,804	5,521	1,960	-3,114	6,944
		✓	✓	✓	✗	✓
Fiscal Deficit (as percentage of GSDP)	Three *per cent* (*5 per cent for 2020-21 & 4 per cent for 2021-22)*	11,933 (4.42)	6,629 (2.17)	8,035 (2.50)	14,911 (4.70)	2,604 (0.72)
		✗	✓	✓	✓	✓
Ratio of total outstanding debt to GSDP (in *per cent*)	Target	27.90	27.20	27.10	27.00	33.00
	Actuals	28.57	27.41	29.40	33.90#	30.57#
		✗	✗	✗	✗	✓

#Does not include ₹ 1,689 crore in 2020-21 and ₹ 2,484.41 crore in 2021-22, passed on as back-to-back loans by Government of India, in lieu of shortfall in GST compensation

The ratio of total outstanding debt to GSDP as per the Finance Accounts is 31.26 *per cent*. However, the effective debt to GSDP ratio (30.57 *per cent*) has been arrived at after excluding ₹ 2,484.41 crore passed on as back to back loan by GoI, in lieu of shortfall in GST compensation, from the total outstanding liabilities as the Department of Expenditure, GoI has decided that it will not be treated as debt of the State for any norms which may be prescribed by the Finance Commission.

The State had Revenue Surplus during the period from 2017-18 to 2021-22, except in 2020-21. The Fiscal Deficit was also below the prescribed target since 2018-19. The ratio of outstanding debt to GSDP had crossed the norms prescribed in the MTFPS under the Jharkhand FRBM Act and was an area of concern till 2020-21. It has, however, improved during the current year and remained within the target.

1.5.2 Medium Term Fiscal Plan

As per the FRBM Act, the State Government has to lay before the State Legislature, a Five-Year Fiscal Plan along with the Annual Budget. The Medium Term Fiscal Policy Statements (MTFPS) has to set forth a five-year rolling target for the prescribed fiscal indicators.

Table 1.7 indicates the variation between the projections made for 2021-22 in the MTFPS presented to the State Legislature along with the Annual Budget for 2021-22 and the Actuals of the Year.

Table 1.7: Actuals *vis-à-vis* projection in MTFP for 2021-22

(₹ in crore)

S. N.	Fiscal Variables	Projection as per MTFP	Actuals (2021-22)	Variation (in *per cent*)
1	Own Tax Revenue	23,265	21,290	-8.49
2	Non-Tax Revenue	13,500	10,031	-25.70
3	Share of Central Taxes	22,050	27,734	25.78
4	Grants-in-aid from GoI	17,892	10,667	-40.38
5	Revenue Receipts (1+2+3+4)	76,707	69,722	-9.10
6	Revenue Expenditure	75,755	62,778	-17.13
7	Revenue Deficit (-)/ Surplus (+) (5-6)	952	6,944	629.49
8	Fiscal Deficit (-)/ Surplus (+)	-10,211	-2,604	77.19
9	Debt-GSDP ratio (*per cent*)	33	30.57[#]	5.27
10	GSDP growth rate at current prices (*per cent*)	14.50	14.51	0.07

[#] *Does not include ₹ 2,484.41 crore, which was passed on as back to back loans by Government of India, in lieu of shortfall in GST compensation.*

As shown in the above table, the State failed to achieve the targets, set in the MTFPS, for major components of revenue receipts *i.e.,* Own tax and Non-tax revenue of the State during 2021-22.

However, key fiscal parameters like deficits and debt-GSDP ratio, for the current year, were under the projections.

1.5.3 Trends of Deficit/Surplus

As shown in **Chart 1.4,** the State was able to achieve the targets specified by the Finance Commission and as set in its FRBM Act with regard to its key fiscal parameters. Revenue deficit of ₹ 3,114 in 2020-21 was turned to a surplus of ₹ 6,944 crore in 2021-22. Similarly, Fiscal Deficit decreased to ₹ 2,604 crore in 2021-22 against ₹ 14,911 crore in 2020-21, which was indicative of less dependence of the State on borrowed funds during the current year. Primary deficit of ₹ 9,121 crore in 2020-21 turned to surplus of ₹ 3,682 crore which indicated that the State had more funds to spend on development needs and for creation of infrastructure during the current year.

Chart 1.4: Trends in surplus/deficit parameters

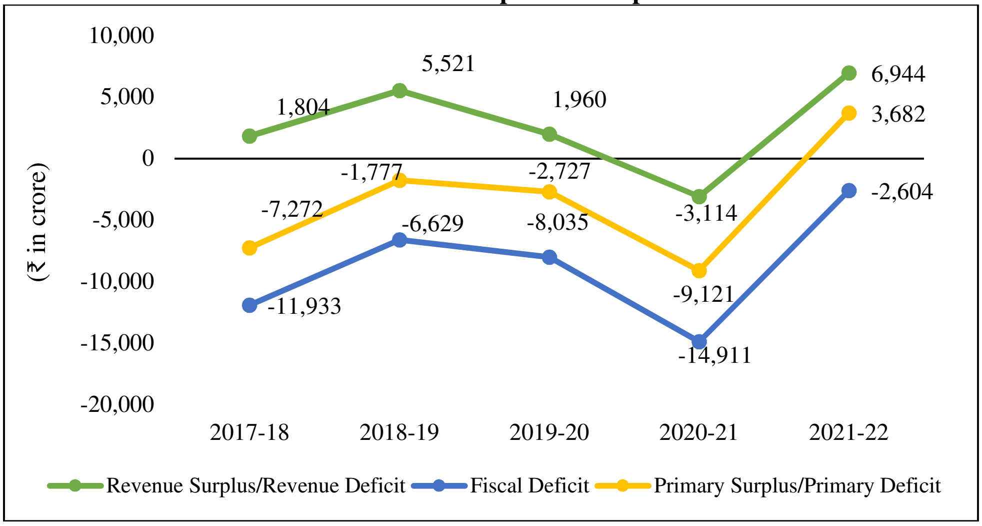


Chart 1.5 shows the trend of surplus/deficit to GSDP during the last five years.

Chart 1.5: Trends in Surplus/Deficit relative to GSDP

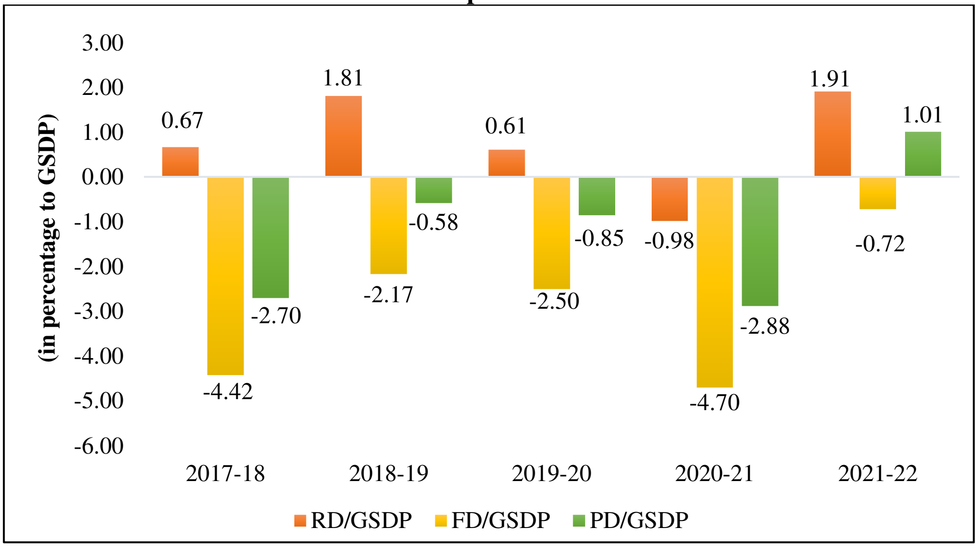
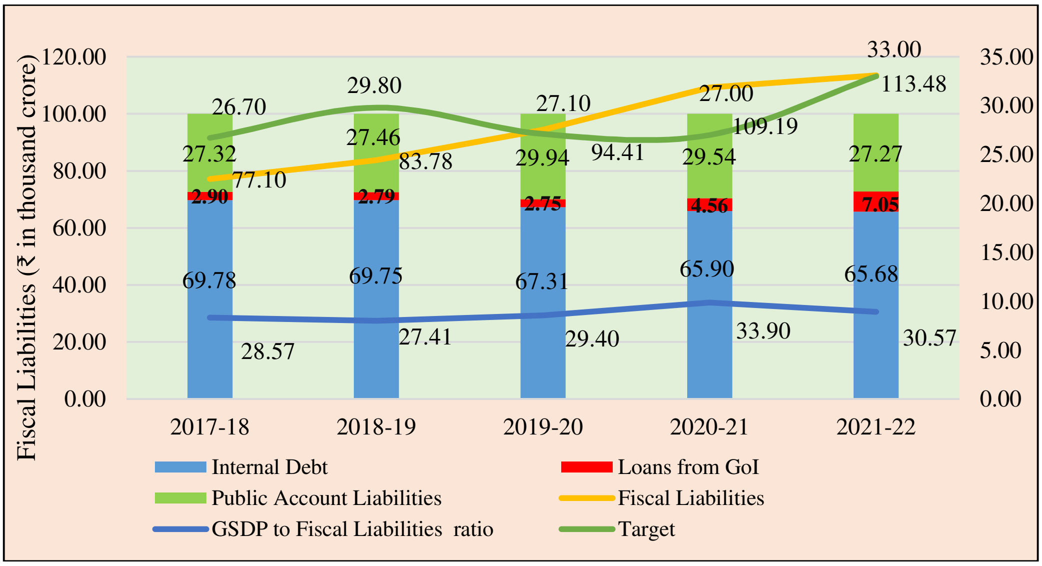


Chart 1.6: Trends in Fiscal Liabilities and GSDP



As can be seen from **Chart 1.6,** internal debt was the major contributor to the total outstanding liabilities of the State followed by Public Accounts liabilities during the financial years 2017-18 to 2021-22. Though Loans from GoI was a minor contributor in these years, it increased from 2.75 *per cent* in 2019-20 to 7.05 *per cent* in 2021-22 mainly due to back to back loans in lieu of shortfall in GST compensation and 50 years interest free loans of ₹ 246.00 crore.

1.6 Deficits and Total Debt after examination in audit

1.6.1 Post audit - Deficits

Misclassification of revenue expenditure as capital and off budget fiscal operations gives a distorted picture of the finances of the State. Besides, deferment of liabilities like non-deposit of cess/royalty to the Consolidated Fund, short contribution to the New Pension Scheme, *etc.*, also impacts liabilities, revenue and fiscal deficit figures. In order to arrive at the actual figures, the impact of such irregularities needs to be factored in.

Table 1.8: Revenue and Fiscal Deficit as per findings of Audit

Particulars	Impact on Revenue Deficit (Understated (+)/ Overstated(-))	Impact on Fiscal Deficit (Understated)	Para Ref.
		(₹ in crore)	
Non/ Short transfer of Cess to dedicated Funds in Public Account during 2021-22	55.67	55.67	4.1.1
Non discharge of Interest liabilities on SDRF during 2021-22	136.49	136.49	2.5.2
Non discharge of Interest liabilities on State Compensatory Afforestation Deposits during 2021-22	140.70	140.70	2.5.2
Total	**332.86**	**332.86**	

Source: Finance Accounts and audit analysis

As can be seen from **Table 1.8**, the revenue surplus was overstated by ₹ 332.86 crore and the fiscal deficit was understated by ₹ 332.86 crore in the current year. Thus, if the above items are factored in, the State's actual revenue surplus and fiscal deficit would be ₹ 6,611.08 crore and ₹ 2,937.07 crore, respectively, instead of ₹ 6,943.94 crore and ₹ 2,604.21 crore.

All the observations and findings have been forwarded to the State Government. Replies are awaited (December 2022).

Table: 1.9: Pre and post audit major fiscal variables for 2021-22

(in *per cent*)

Fiscal variables	2021-22				Actuals after post audit
	FFC projection for the State	Target as prescribed in MTFP Statement	Targets as per Budget estimates	Actuals	
Revenue deficit (-)/ surplus (+) *w.r.t* GSDP	NIL	0.26	0.26	1.91	1.82
Fiscal deficit *w.r.t.* GSDP	4.00	2.81	2.81	-0.72	-0.81
Ratio of total outstanding debt of the Government to GSDP	32.6	33.0	-	30.57#	NA

#Does not include ₹ 2,484.41 crore passed on as back to back loans by Government of India, in lieu of shortfall in GST compensation.

During 2021-22, the State achieved the targets based on FRBM Act, 2007 as depicted in **Table 1.9**.