

CHAPTER-2
FINANCES OF THE STATE

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This chapter provides a broad perspective of the finances of the State and analyses the critical changes in major fiscal aggregates relative to the previous year. It discusses the overall trend during the five year period from 2018-19 to 2022-23, debt sustainability of the State and key Public Account transactions, based on the Finance Accounts of the State.

2.1 Major changes in Key Fiscal Aggregates during 2022-23 vis-à-vis 2021-22

Table-2.1 gives a bird's eye view of the major changes in key fiscal aggregates of the State during the Financial Year 2022-23, compared to the previous year. Each of these indicators has been analysed in the succeeding paragraphs.

Table-2.1: Changes in key fiscal aggregates in 2022-23 compared to 2021-22

Revenue Receipts Increased by 14.00 per cent	<ul style="list-style-type: none"> ➤ Own Tax Receipts of the State increased by 20.65 per cent ➤ Own Non-Tax Receipts increased by 58.45 per cent ➤ State's Share of Union Taxes and Duties increased by 7.18 per cent ➤ Grants-in-Aid from Government of India increased by 4.80 per cent
Revenue Expenditure Increased by 12.44 per cent	<ul style="list-style-type: none"> ➤ Revenue Expenditure on General Services increased by 7.79 per cent ➤ Revenue Expenditure on Social Services increased by 16.59 per cent ➤ Revenue Expenditure on Economic Services increased by 8.77 per cent ➤ Expenditure on Grants-in-Aid increased by 32.53 per cent
Capital Receipts Increased by 21.56 per cent	<ul style="list-style-type: none"> ➤ Non-Debt Capital Receipt increased by 1.29 per cent ➤ Debt Capital Receipts increased by 21.64 per cent
Capital Expenditure Increased by 8.77 per cent	<ul style="list-style-type: none"> ➤ Capital Expenditure on General Services increased by 48.20 per cent ➤ Capital Expenditure on Social Services decreased by 11.01 per cent ➤ Capital Expenditure on Economic Services increased by 9.22 per cent
Loans and Advances Decreased by 71.49 per cent	<ul style="list-style-type: none"> ➤ Disbursements of Loans and Advances decreased by 72.91 per cent ➤ Recoveries of Loans and Advances increased by 1.29 per cent
Public Debt	<ul style="list-style-type: none"> ➤ Public Debt Receipts increased by 21.64 per cent* ➤ Repayment of Public Debt increased by 20.47 per cent
Public Account	<ul style="list-style-type: none"> ➤ Public Account Receipts increased by 12.61 per cent ➤ Public Account Disbursements increased by 10.98 per cent
Cash Balance	<ul style="list-style-type: none"> ➤ Cash Balance Decreased by 39.57 per cent

* Excluding ₹ 3,333 crore as back-to-back loans from GoI during 2021-22, in lieu of GST Compensation shortfall which are not to be repaid by the State Government from its sources.

2.2 Sources and Application of Funds

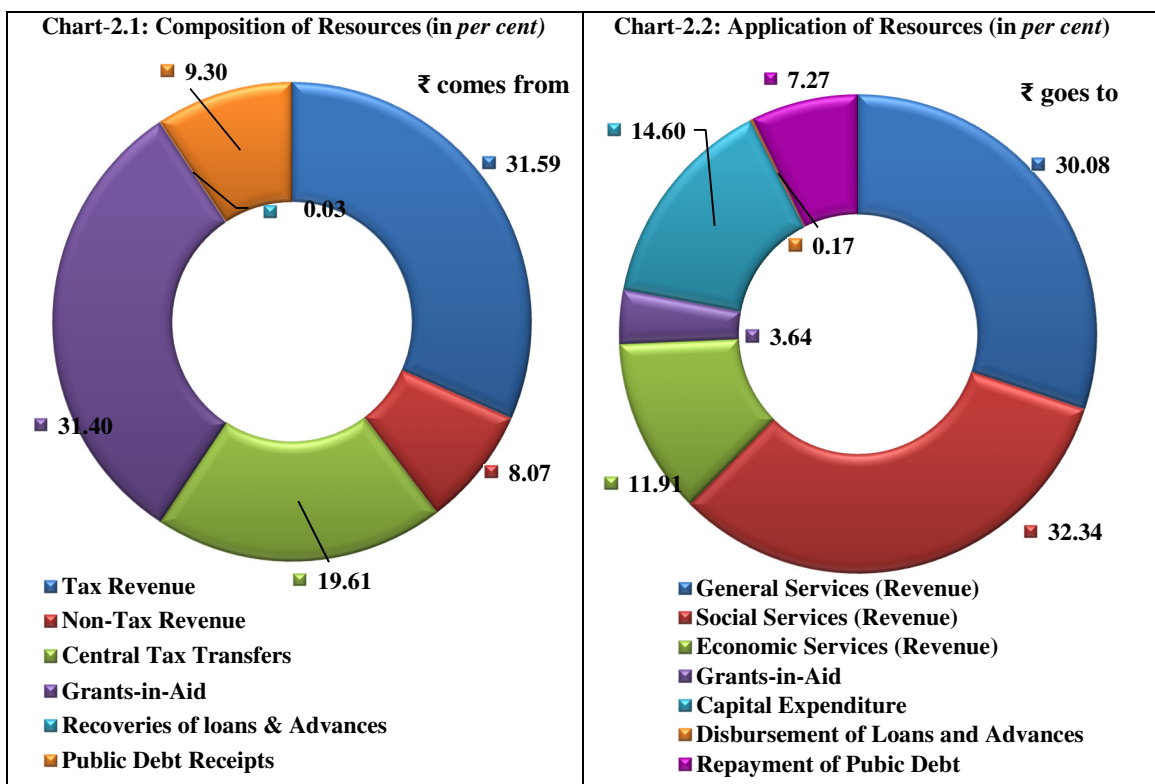
Table-2.2 compares the component of the sources and application of funds of the State during the Financial Year 2022-23 with 2021-22 in figures, while Growth of composition of resources is given in **Table-2.2(A)**. **Charts-2.1** and **2.2** give the details of where the “Receipts comes from” and “Expenditure goes to” during 2022-23 in terms of percentages.

Table-2.2: Details of Sources and Application of funds during 2021-22 and 2022-23.

(₹ in crore)

	Particulars	2021-22	2022-23	Increase/Decrease (in per cent)
Sources	Opening Cash Balance	3,575.97	3,837.19	7.30
	Revenue Receipts	43,056.99	49,082.70	13.99
	Misc. Capital Receipt	0.00	11.83	100
	Recoveries of Loans & Advances	17.08	17.30	1.29
	Public Debt Receipts (Net)	4,087.85	956.30	-76.61
	Public Account Receipts (Net)	(-) 314.67	384.04	-222.05
	Contingency Fund (Net)	223.88	90.16	-59.73
	Total	50,647.10	54,379.52	7.37
Application	Revenue Expenditure	38,928.95	43,772.73	12.44
	Capital Expenditure	7,533.50	8,194.51	8.77
	Disbursements of Loans & Advances	347.46	93.63	-73.05
	Closing Cash Balance with RBI	3,837.19	2,318.65	-39.57
	Total	50,647.10	54,379.52	7.37

Source: Finance Accounts.



Source: Finance Accounts.

Table-2.2 (A): Growth rate of Composition of Resources

Component	2021-22	2022-23	Rate of Growth
Tax Revenue	14,176	17,102	20.64
Non-tax Revenue	2,756	4,367	58.45
Central Tax Transfer	9,906	10,617	7.18
Grants-in-Aid	16,219	16,997	4.80
Recovery of Loans & Advances	17	17	0.00
Public Debt Receipts	7,473	5,036	(-32.61)

Source: Finance Accounts.

2.3 Resources of the State

Resources of the State are described below:

1. Revenue receipts consist of tax revenue, non-tax revenue, State's share of Union taxes and duties and grants-in-aid from the Government of India (GoI).

2. Capital receipts (debt and non-debt 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.

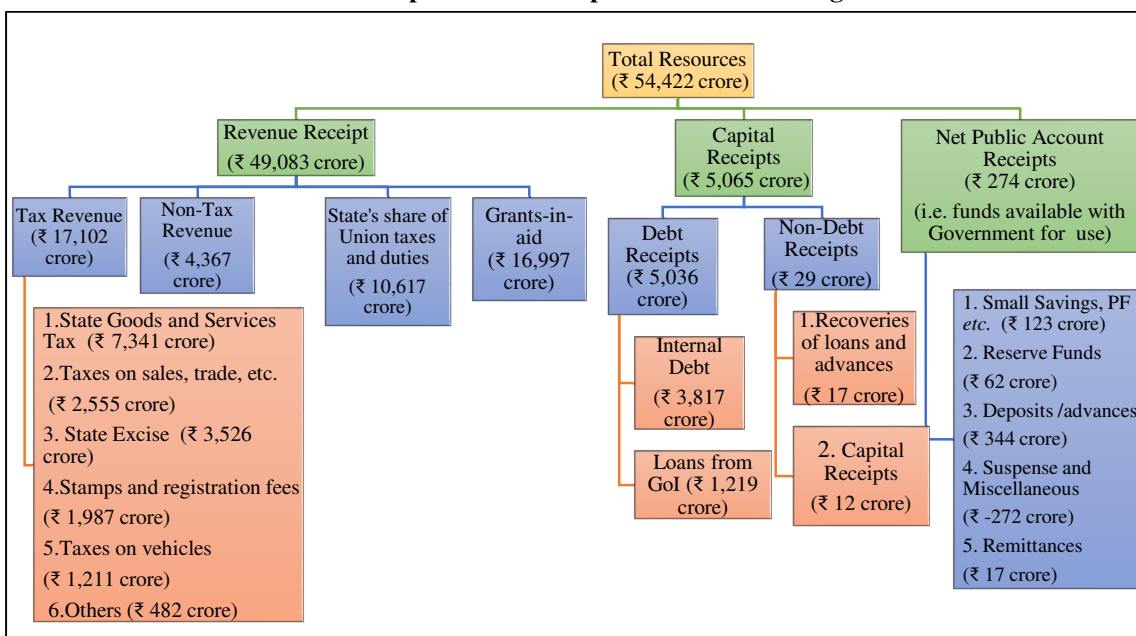
3. Net Public Accounts receipts: There are receipts and disbursements in respect of certain transactions such as small savings, provident fund, reserve funds, deposits, suspense, remittances, etc., which do not form part of the Consolidated Fund.

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.

2.3.1 Receipts of the State

Composition of receipts of the State during 2022-23 is given in **Chart-2.3**.

Chart-2.3: Composition of receipts of the State during 2022-23



Out of total resources of ₹ 54,422 crore of the State Government during the year 2022-23, Revenue Receipts (₹ 49,083 crore) constituted 90.19 per cent, Capital Receipt (₹ 5,065 crore) constituted 9.31 per cent and net Public Account Receipts (₹ 274 crore) Constituted 0.50 per cent.

2.3.2 State's Revenue Receipts

2.3.2.1 Trends and Growth of Revenue Receipts

Table-2.3 provides the trends and growth of Revenue Receipts as well as revenue buoyancy with respect to GSDP over the five-year period 2018-23. Further, trends in Revenue Receipts relative to GSDP and composition of Revenue Receipts are given in Charts-2.4 and 2.5 respectively.

Table-2.3: Trend in Revenue Receipts

Parameters	2018-19	2019-20	2020-21	2021-22	2022-23
Revenue Receipts (RR) (₹ in crore)	31,216	30,723	38,205	43,057	49,083
Budget Estimates (BE) (₹ in crore)	35,660	38,955	42,439	44,151	51,474
Rate of growth of RR (per cent)	15.17	(-) 1.58	24.35	12.70	14.00
State's Own Revenue (₹ in crore)	15,498	15,512	16,109	16,932	21,469
(i) Own Tax Revenue (₹ in crore)	12,188	11,513	11,938	14,176	17,102
(ii) Non-Tax Revenue (₹ in crore)	3,310	3,999	4,171	2,756	4,367
Grants-in aid from GoI	7,707	8,309	15,527	16,219	16,997
State's share of Union Tax and Duties (₹ in crore)	8,011	6,902	6,569	9,906	10,617
Rate of growth of Own Revenue (per cent)	29.85	0.09	3.85	5.11	26.80
Rate of growth of GIA (per cent)	(-) 4.68	7.81	86.87	4.46	4.80
Gross State Domestic Product (₹ in crore)	2,30,314	2,39,247	2,36,860	2,72,159	3,02,621
Rate of growth of GSDP (per cent)	4.58	3.88	(-)1.00	14.90	11.19
RR/BE (per cent)	87.54	78.87	90.02	97.52	95.35
RR/GSDP (per cent)	13.55	12.84	16.13	15.82	16.22
Buoyancy Ratios¹					
Revenue Buoyancy w.r.t GSDP	3.31	NA	NA ²	0.85	1.25
State's Own Revenue Buoyancy w.r.t GSDP	6.52	0.02		0.34	2.39
Grants-in-aid buoyancy w.r.t GSDP	NA	2.01		0.30	0.43

Source: Finance Accounts, GSDP data has been obtained from SFAR Compilation by Economic Division, C&AG.

¹ Buoyancy indicates the degree of responsiveness of a fiscal variable with respect to a given change in the base variable.

² NA represents negative figures due to negative growth of GIA, Revenue Receipts and GSDP during 2018-19, 2019-20 and 2020-21 respectively.

Chart-2.4: Trend of Revenue Receipts as a percentage of GSDP

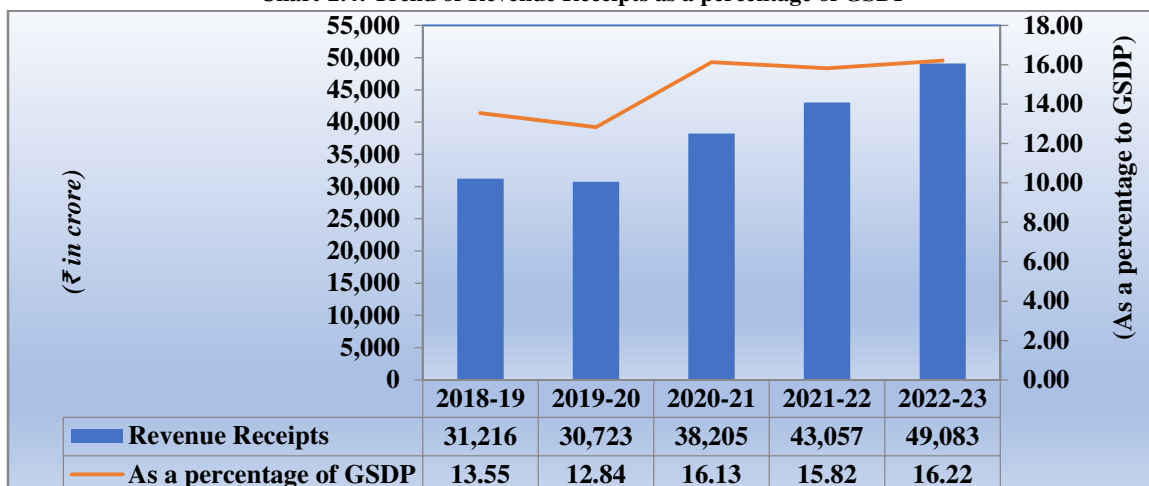
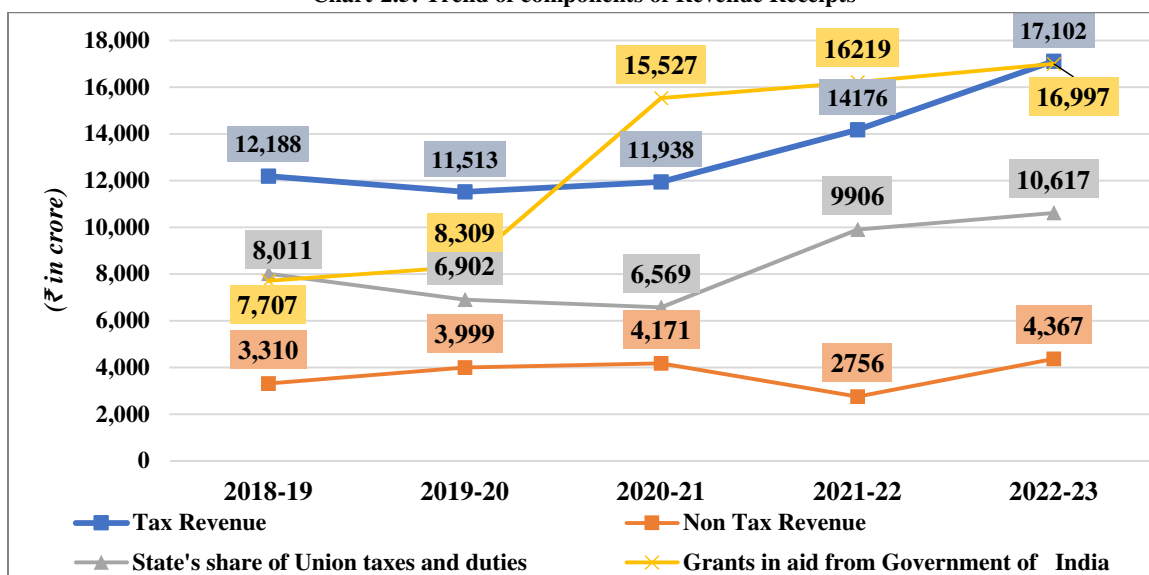


Chart-2.5: Trend of components of Revenue Receipts



- Revenue Receipts increased by 57.24 per cent from ₹ 31,216 crore in 2018-19 to ₹ 49,083 crore in 2022-23 at an annual average growth rate of 12.93 per cent. During 2022-23, Revenue Receipts increased by ₹ 6,026 crore (14.00 per cent) over the previous year, on account of increase in State's share of Union taxes and duties (₹ 711 crore), Own Tax Revenue (₹ 2,926 crore) and Grants-in-Aid (₹ 778.00 crore) and increase in State's Non-Tax Revenue (₹ 1,611 crore). Revenue Receipt as percentage of Budget Estimates increased from 87.54 per cent in 2018-19 to 95.35 per cent in 2022-23. However, it decreased partially by 2.17 per cent during 2022-23 as compared to previous year 2021-22.
- Grant-in-aid from GoI on the other hand increased by 120.54 per cent during the period 2018-19 to 2022-23. It, however, increased by ₹ 778 crore (4.80 per cent) as compared to 2021-22.

- About 43.74 *per cent* of the Revenue Receipts during 2022-23 came from the State's own resources, while Central Tax Transfers and Grants-in-Aid together contributed 56.26 *per cent*. Thus, Uttarakhand's fiscal position is largely dependent upon Central tax transfers and GIA.
- During the current year, there was a significant increase of 14 *per cent* (₹ 6,026 crore) in Revenue Receipts. The Revenue Expenditure on the other hand increased by 12.44 *per cent* (₹ 4,844 crore). This resulted in increase of Revenue surplus during the year. There was wide fluctuation in the revenue buoyancy w.r.t. GSDP of the State, over the period 2018-19 to 2022-23. The revenue buoyancy with reference to GSDP decreased from 3.31 *per cent* in 2018-19 to 1.25 *per cent* in 2022-23 whereas the State's own revenue buoyancy with reference to GSDP decreased considerably from 6.52 *per cent* in 2018-19 to 2.39 *per cent* in 2022-23. The fluctuating trend in own revenue buoyancy in 2018-23 was primarily due to fluctuation in GSDP of the State.
- Similarly, the Grant-in-aid buoyancy with reference to GSDP also showed a fluctuating trend during 2019-20 to 2022-23. During 2022-23 the Grant-in-aid buoyancy increased due to increase in the receipts of Grant-in-aid from Gol.

An increasing trend of Grants-in-Aid compared to own revenue buoyancy indicates more reliance, whereas a decreasing trend indicates less reliance on Gol support. Diversifying revenue sources and strengthening the local tax base are essential for sustainable fiscal stability and development.

2.3.3 State's Own Resources

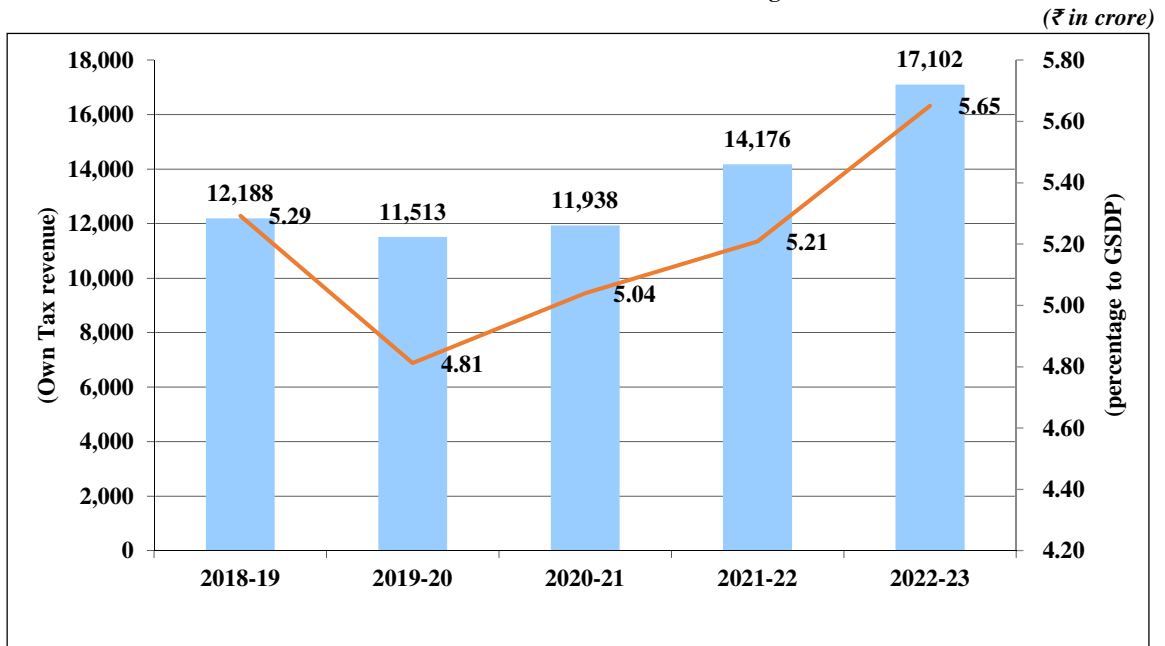
State's share in Central taxes is determined on the basis of recommendations of the Finance Commission; share of Grants-in-Aid is determined by the quantum of collection of Central tax receipts and anticipated Central assistance for schemes, *etc.* State's performance in mobilisation of additional resources is assessed in terms of its own resources comprising revenue from its own tax and non-tax sources.

The gross collections in respect of Tax Revenue and Non-Tax Revenue and their relative share in GSDP during 2018-23 are given in **Appendix-2.1**.

2.3.3.1 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.* Figures of Own Tax Revenue of the State and its percentage to GSDP during the five-year period 2018-23 are given in the **Chart-2.6**.

Chart-2.6: Growth of Own Tax Revenue during 2018-23



The component-wise details of Own Tax Revenue collected during the years 2018-23 are in **Table-2.4**.

Table-2.4: Component-wise Own Tax Revenue during 2018-23

Heads	2018-19	2019-20	2020-21	2021-22	2022-23	Sparkline
1. Taxes on Sales, Trades, etc.	1,883	1,811	1,858	2,302	2,555	
2. State Goods and Services Tax	4,802	4,931	5,053	5,973	7,341	
3. State Excise	2,871	2,727	2,966	3,258	3,526	
4. Taxes on Vehicle	909	908	741	889	1,211	
5. Stamps and Registration Fees	1,015	1,072	1,107	1,488	1,987	
6. Land Revenue	34	24	17	40	65	
7. Other Taxes	674	40	196	226	417	
Total	12,188	11,513	11,938	14,176	17,102	
Percentage of Own Tax Revenue to State's Own Revenue	78.64	74.22	74.11	83.72	79.66	
Percentage of Own Tax Revenue to Total Revenue Receipts	39.04	37.47	31.25	32.92	34.84	

Source: Finance Accounts.

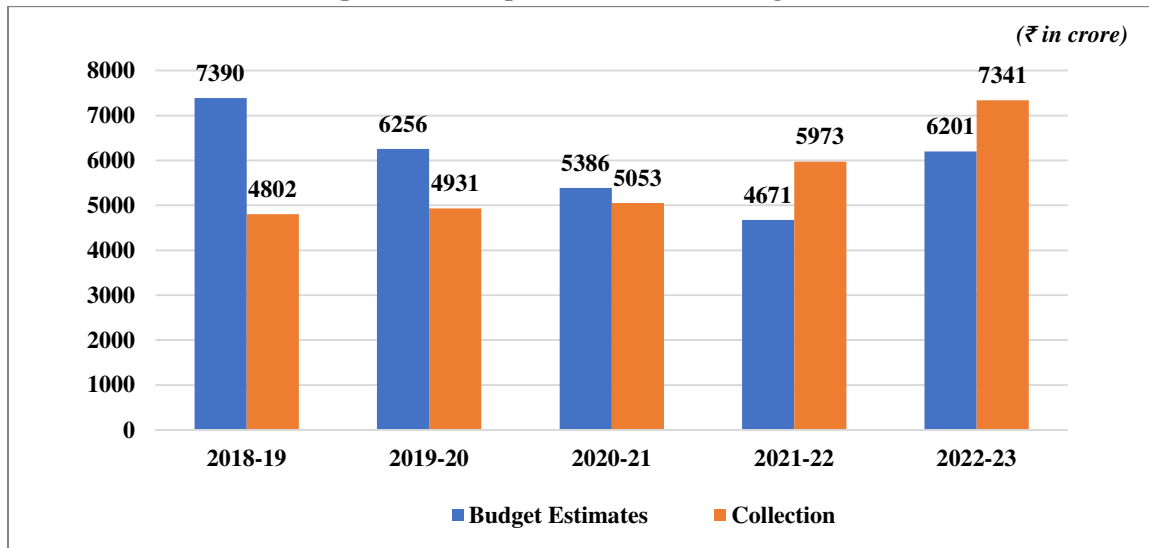
Own Tax Revenue of the State increased by ₹ 4,914 crore from ₹ 12,188 crore in 2018-19 to ₹ 17,102 crore in 2022-23 at an annual average rate of 11.49 per cent. During the current year, major contributors of Tax Revenue were State Goods and Services Tax (42.92 per cent), State Excise (20.62 per cent), Taxes on Sales, Trade, etc. (14.94 per cent)

and Stamp and Registration Fee (11.62 *per cent*). The Own Tax Revenue increased by ₹ 2,926 crore during the current year over the previous year. This increase was mainly on account of increase in State Goods and Services Tax (₹ 1,368 crore), Stamp and Registration Fee (₹ 499 crore), Taxes on Vehicles (₹ 322 crore), State Excise (₹ 268 crore) and Taxes on Sales, Trade, *etc.* (₹ 253 crore). However, the percentage of Own Tax Revenue to Total Revenue Receipts has declined from 39.04 to 34.84 *per cent* during last five years (2018-19 to 2022-23).

2.3.3.2 State Goods and Services Tax (SGST)

Twelve years after the implementation of Value Added Tax (VAT) in 2005, the Central Government rolled out the Goods and Services Tax (GST) on July 01, 2017. The Uttarakhand Goods and Services Tax (GST) Act, 2017 was passed by the State Legislature in May 2017 and came into effect from 01 July 2017.

Chart-2.7: Comparative receipts under SGST during 2018-19 to 2022-23



As is evident from the above table collection of SGST increased by ₹ 2,539 crore (52.87 *per cent*) from ₹4,802 crore in 2018-19 to ₹ 7,341 crore³ in 2022-23 at an annual growth rate of 37.96 *per cent*. It increased by ₹ 1,368 crore (22.90 *per cent*) during the current year over previous year 2021-22.

2.3.3.3 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 revenue receipts and affect ultimately the revenue deficit.

³ During the year 2022-23, there was no difference between the RBI's figures and figures booked in the Finance Accounts for State GST.

Arrears of Revenue

The arrears of revenue as on 31 March 2023 under Commercial taxes/VAT amounted to ₹ 8,061.87 crore, of which ₹ 3,592.19 crore (44.55 per cent) was outstanding for more than five years as detailed in **Table-2.5** below.

Table-2.5: Arrears of Revenue

Head of Revenue ⁴	Total amount outstanding as on 31 March of (₹ in crore)					Amount outstanding for more than five years as on 31 March of (₹ in crore)				
	2018-19	2019-20	2020-21	2021-22	2022-23	2018-19	2019-20	2020-21	2021-22	2022-23
Commercial Taxes/VAT	NA	10,205.69	11,821.59	11,457.98	8,061.87	NA	3,227.82	3,968.17	4,495.01	3,592.19
State Excise	NA	67.51	NA	160.47	Info awaited	NA	67.29	NA	114.16	Info awaited
Total		10,273.20	11,821.59	11,618.45	8,061.87		3,295.11	3,968.17	4,609.17	3,592.19

Source: Commercial Tax & State Excise Department, Govt of Uttarakhand.

Total amount outstanding in respect of Commercial Tax/VAT has decreased from ₹ 10,205.69 crore in 2019-20 to ₹ 8,061.87 crore in 2022-23 while showing a fluctuating trend during 2019-23. In current year it has decreased by ₹ 3,396.11 crore (29.64 per cent) over previous year. Amount of revenue outstanding for more than 05 years has also shown a fluctuating trend and increased by ₹ 364.37 crore compared to 2019-20. However, it decreased by ₹ 902.82 crore (20.08 per cent) in current year 2022-23 from previous year. Thus, the State Government has to augment its efforts for recovery of revenue.

During exit conference, the Government stated that matter will be taken up with the concerned departments for early recovery of revenue.

Arrears in assessment

The details of cases pending at the beginning of the year, cases becoming due for assessment, cases disposed off during the year and the number of cases pending for finalisation at the end of the year as furnished by the State Tax Department are given in **Table-2.6** below:

Table-2.6: Arrears in Assessment

Head of revenue	Year	Opening balance (Nos. of Cases)	New cases due for assessment during the year	Total assessment due	Cases disposed off during the year	Balance at the end of the year	Percentage of disposal
Commercial Tax/VAT	2018-19	-----NA-----					
	2019-20	60,504	1,28,105	1,88,609	73,885	1,14,724	39
	2020-21	1,14,724	33,426	1,48,150	79,304	68,846	54
	2021-22	68,846	11,825	80,671	79,781	890	99
	2022-23	890	9,106	9,996	8,677	1,319	87
Commercial Tax/GST	2018-19	-----NA-----					
	2019-20	-----NA-----					
	2020-21	-----NA-----					
	2021-22	0	4,175	4,175	3,564	611	85
	2022-23	611	12,457	13,068	5,524	7,544	42

Source: Commercial Tax Department, Govt of Uttarakhand.

⁴ Based on information furnished by State Tax and State Excise Department. Information for the FY 2022-23 from Excise Department was not made available.

As is evident from the table above, cases balanced for disposal under VAT have reduced considerably during 2020-23. However, it has shown an increasing trend under GST. Total assessment due under GST has increased by 213 *per cent* over previous year 2021-22. However, percentage of disposal reduced to 42 *per cent* from 85 *per cent* in 2021-22.

Evasion of tax detected by Department, refund cases, etc.

The cases of evasion of tax detected by the Taxation Department, cases finalised and the demands for additional tax raised are important indicators of revenue collection efforts of the State Government. Promptness in disposal of refund cases is an important indicator of performance of the Department. High pendency of refund cases may indicate red tape, vested interests, prevalence of speed money, *etc.* The details of evasion of tax detected by the State Tax Department are given in **Table-2.7** below.

Table-2.7: Evasion of Tax Detected

Head of revenue	Cases pending as on 31 March 2022	Cases detected during 2022-23	Total	No. of cases in which assessment/ investigation completed and additional demand with penalty <i>etc.</i>		No. of cases pending for finalisation as on 31 March 2023
				No. of cases	Amount of demand (₹ in crore)	
VAT				Nil		
GST	254	203	457	316	459.52	141

Source: Commercial Tax Department, Govt of Uttarakhand.

Refund Cases

The details of refund cases in some principal heads of Revenue are given in the **Table-2.8**.

Table-2.8: Details of Refund cases as on 31 March 2023

Sl. No.	Particular	GST		Commercial Tax/Vat	
		No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding at the beginning of the year	16	14.31	1,000	7.25
2.	Claims received during the year	1,390	334.86	622	176.06
3.	Refunds made during the year	1,100	306.20	1,036	170.28
4.	Refunds rejected during the year	225	29.58	56	5.62
5.	Balance outstanding at the end of year	81	13.39	530	7.41

Source: Commercial Tax Department, Govt of Uttarakhand.

As is evident from the table above, under GST 1,390 claims were received and 1,100 claims were settled during the year after paying ₹ 306.20 crore as refund, while under Commercial Tax/VAT 622 claims were received and 1,036 refund cases were settled after paying ₹ 170.28 crore as refund. Further, it was also found that refunds of ₹ 17.13 crore under Taxes on Sales, Trade, *etc.* (Major Head 2040) and ₹ 5.36 crore under Non-ferrous Mining and Metallurgical Industries (Major Head 2853) were made, whereas it should have been made under respective Receipts Heads.

2.3.3.4 Non-Tax Revenue

Non-Tax revenue consists of interest receipts, dividends and profits, mining receipts, departmental receipts, *etc.* The component-wise details of Non-Tax Revenue collected during the years 2018-19 to 2022-23 are given in **Table-2.9**.

Table-2.9: Component-wise Non-Tax Revenue during 2018-19 to 2022-23

Heads	2018-19	2019-20	2020-21	2021-22	2022-23	Sparkline
Non-Ferrous Mining and Metallurgical Industries	480.86	396.75	506.41	575.01	472.13	
Forestry and Wild Life	368.73	410.16	512.27	511.55	474.93	
Interest receipts	55.70	47.81	98.52	403.55	759.04	
Education Sports Art and Culture	81.48	198.83	259.59	268.57	227.19	
Urban Development	1.22	35.57	15.08	190.98	30.99	
Medical and Public Health	99.57	183.84	168.75	177.85	188.50	
Power	186.67	0.30	70.35	111.23	72.46	
Contribution and Recoveries towards Pension and Other Retirement Benefits (1,50,803 pensioners)	1,714.70	2,492.90	2,109.78	61.57	1,711.37	
Dividend and Profit	18.69	14.08	41.02	35.05	25.07	
Others	302.26	218.57	388.80	420.60	404.87	
Total	3,309.88	3,998.81	4,170.57	2,755.96	4,366.55	
Percentage of Non-Tax Revenue to State's Own Revenue	21.36	25.78	25.89	16.28	20.34	
Percentage of Non-Tax Revenue to Total Revenue Receipts	10.60	13.02	10.92	6.40	8.90	

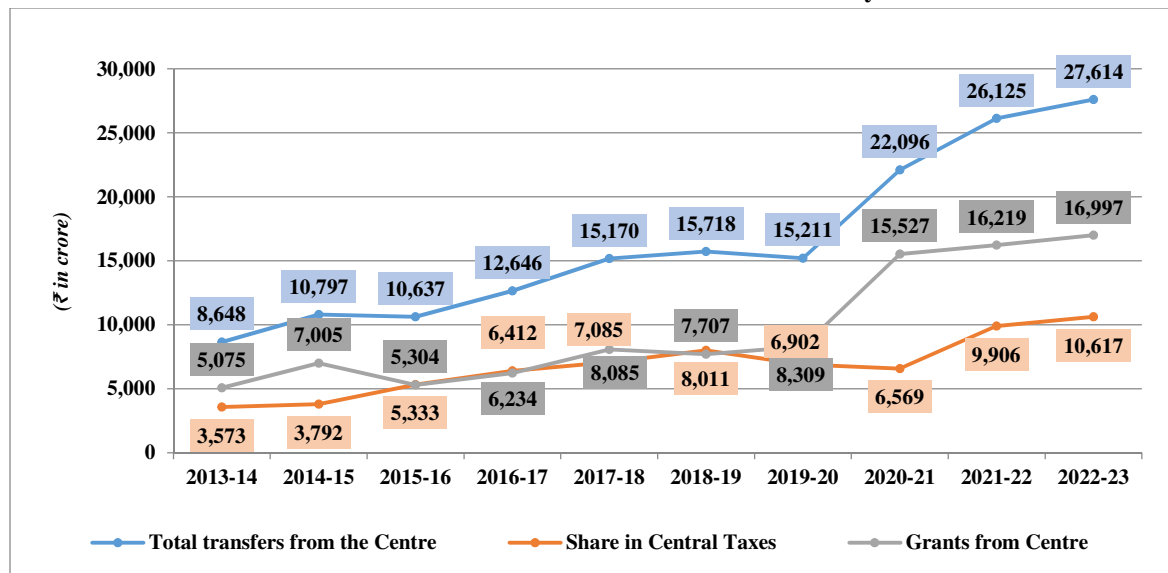
Source: Finance Accounts of respective years.

Non-Tax Revenue, ranged between six and 13 per cent of Total Revenue Receipts of the State during the five-year period from 2018-19 to 2022-23.

2.3.4 Central Transfers

The Central transfers mainly constitute (i) share in the net proceeds of Union Taxes and Duties and (ii) the Grants-in-aid. Consequent upon the recommendations of the Fourteenth Finance Commission, the grants for centrally sponsored schemes and centrally sponsored plan schemes are now being routed through State Budget. The transfers from Centre are dependent on Finance Commission recommendations. The trends in Central transfers for the last 10 years are shown in **Chart-2.8** given below.

Chart-2.8: Trends in Central Transfers for the last 10 years



2.3.4.1 Central Tax Transfer

The Fourteenth Finance Commission had recommended that the States' share of central taxes be increased to 42 *per cent* from 2015-16 onwards. Further, the share of Uttarakhand in the net proceeds of Central Taxes (excluding Service Tax) had been fixed at 1.052 *per cent*. However, the share was increased to 1.104 *per cent* for the year 2020-21 and to 1.118 *per cent* for the year 2021-22 and 2022-23 by the Fifteenth Finance Commission (FFC). The actual devolution *vis-à-vis* Finance Commission projections is given in **Table-2.10**.

Table-2.10: State's share in Union taxes and duties: Actual devolution *vis-à-vis* Finance Commission projections

(₹ in crore)

Year	Finance Commission projections	Projections in Finance Commission Report	Actual tax devolution	Difference
1.	2.	3.	4.	5. (4-3)
2013-14	1.120 <i>per cent</i> of net proceeds of all shareable taxes excluding service tax and 1.138 <i>per cent</i> of net proceeds of shareable service tax (As per recommendations of Thirteenth FC)	3,727.00	3,573.38	(-) 153.62
2014-15		4,396.00	3,792.30	(-) 603.70
2015-16	1.052 <i>per cent</i> of net proceeds of all shareable taxes excluding service tax and 1.068 <i>per cent</i> of net proceeds of shareable service tax (As per recommendations of Fourteenth FC)	6,112.00	5,333.19	(-) 778.81
2016-17		7,053.00	6,411.55	(-) 641.45
2017-18		8,150.00	7,084.91	(-) 1,065.09
2018-19		9,429.00	8,011.59	(-) 1,417.41
2019-20		10,921.00	6,901.54	(-) 4,019.46
2020-21	1.104 <i>per cent</i> of net proceeds of all shareable taxes (As per recommendations of Fifteenth FC)	9,441.00	6,568.72	(-) 2,872.28
2021-22	1.118 <i>per cent</i> of net proceeds of all shareable taxes (As per recommendations of Fifteenth FC's 2021-26 report)	7,363.05	9,906.25	2,543.20
2022-23		8,190.78 ⁵	10,617.00	2,426.22

Source: XV FC and Finance Accounts.

The details of Central tax transfers to the State during 2018-19 to 2022-23 are given in **Table-2.11**.

Table-2.11: Central Tax Transfers

(₹ in crore)

Head	2018-19	2019-20	2020-21	2021-22	2022-23
Corporation Tax	2,786.13	2,353.14	1,981.20	2,985.75	3,559.58
Customs	567.89	437.46	349.64	676.32	417.39
Income Tax	2,051.86	1,843.85	2,031.05	2,938.64	3,474.95
Other Taxes and Duties on commodities and services	4.14	4.37	4.69	9.47	17.47
Service Tax	73.45	00	28.21	127.78	16.62
Wealth Tax	1.02	0.1	00	0.62	0
Union Excise Duties	377.39	304.15	220.89	337.81	130.97
Other Taxes on Income and Expenditure	14.51	00	00	0.02	00
CGST	1,977.40	1,958.47	1,953.04	2,829.84	3,000.03
IGST	157.8	00	00	00	00
Total Central Tax Transfer	8,011.59	6,901.54	6,568.72	9,906.25	10,617.01

⁵ Tax devolution to States ₹ 732628*1.118% = ₹ 8,190.78

Head	2018-19	2019-20	2020-21	2021-22	2022-23
Percentage of (+) increase/ (-) decrease over previous year	13.08	(-) 13.86	(-) 4.82	50.81	7.17
Percentage of Central tax transfers to Revenue Receipts	25.67	22.46	17.19	23.01	21.63

Source: Finance Accounts of respective years.

Over the five-year period (2018-19 to 2022-23), Central tax transfers increased by 32.52 per cent from ₹ 8,012 crore in 2018-19 to ₹ 10,617 crore in 2022-23. During the current year, it increased by ₹ 711 crore (7.17 per cent) from previous year, mainly due to increased receipts in Corporation Tax (₹ 574 crore), Income Tax (₹ 536 crore) and CGST (₹ 170 crore). During the year Central Tax transfer constituted 21.63 per cent of the Revenue Receipts. Further, as detailed in **Table-2.10**, the State did not receive its share of Union Taxes and Duties as per projections in the Finance Commissions Reports (XIII, XIV & XV) from the period 2013-14 to 2020-21. However, during the year 2021-22 and 2022-23, the share in central taxes exceeded by ₹ 2,543 crore and ₹ 2,426 crore respectively from the XV FC projection.

2.3.4.2 Grants-in-Aid from Government of India

Grants-in-Aid (GIA) received by the State Government from GoI during 2018-19 to 2022-23 are detailed in **Table-2.12**.

Table-2.12: Grants-in-Aid from GoI

Head	2018-19	2019-20	2020-21	2021-22	2022-23
1.Grants for Centrally Sponsored Schemes	4,966	4,477	6,166	5,219	5,969
2. Finance Commission Grants	485	975	6,865	9,424	8,501
3. Other transfers/Grants to States	2,256	2,857	2,496	1,576	2,527
Total (1+2+3)	7,707	8,309	15,527	16,219	16,997
Percentage of increase over the previous year	(-) 5	8	87	4	5
Percentage of GIA to Revenue Receipts	25	27	41	38	35

Source: Finance Accounts of respective years.

Grants-in-Aid from GoI increased by ₹ 9,290 crore (120.54 per cent) from 2018-19 to 2022-23. However, it increased by ₹ 778 crore (4.80 per cent) during the year compared to the previous year. GIA constituted 35 per cent of Revenue Receipts during the year 2022-23. Finance Commission Grants (₹ 8,501 crore) provided during 2022-23 includes Revenue Deficit Grant (₹ 7,137 crore), grant for Local Bodies (₹ 479 crore), State Disaster Response Fund (SDRF) (₹ 787 crore) and State Disaster Mitigation Fund (₹ 98 crore). This constituted 50.01 per cent of total grants during the year. Grants for Centrally Sponsored Schemes (₹ 5,969 crore) to the State constituted 35.12 per cent of the total grants during the year.

Other grants received by the State during the year was mainly in respect of compensation for loss of revenue arising out of implementation of GST (₹ 2,136 crore).

2.3.4.3 Single Nodal Agency

Ministry of Finance, Government of India vide letter No. 1(13) PFMS/FCD/2020 dated 23-03-2021 had notified procedure for release of funds under Centrally Sponsored Scheme (CSS) and monitoring utilisation of the funds released through SNA. For each CSS, SNA is set up with own Bank Account in scheduled Commercial Bank authorised to conduct Government business by the State Government. As per the procedure, the State Government is to transfer the Central share received in its accounts to the concerned SNA's account along with corresponding State share.

Examination of the reports of the PFMS Portal for the year 2022-23, audit noted the following:

- (i) In 19 CSS, GoI transferred ₹ 3,263.53 crore to the State against which it had released only ₹ 2,482.91 crore as Central Share to SNA's account resulted in less transfer of ₹ 780.62 crore whereas in 39 CSS, State transferred ₹ 853.87 crore in excess of GoI share.
- (ii) There were unspent balances of ₹ 3,331.68 crore in 110 State linked schemes during 2022-23.
- (iii) The State released funds of ₹ 675.96 crore in excess of its proportionate state share in 43 CSS.
- (iv) The State released less funds of ₹ 124.97 crore in 15 CSS with respect to its proportionate state share
- (v) Against ₹ 4,916.41 crore received from GoI during 2022-23 as Central Share, the State Government transferred Central share of ₹ 4,988.15 crore, State share of ₹ 1,303.48 crore and ₹ 81.18 crore as unclassified amount to the SNAs.

Detailed vouchers and supporting documents of actual expenditure were not received by Accountant General (A&E) office from SNAs.

2.3.4.4 Fifteenth Finance Commission Grants

As mentioned in the previous paragraph, FFC Grants were provided to the States for local bodies and State Disaster Response Fund. Details of grants provided by the GoI to the State in this regard during the year 2022-23 are given in **Table-2.13**.

Table-2.13: Grants-in-Aid released by GoI as per recommendation of XVFC

(₹ in crore)		
Transfers	Recommendations of the FFC for 2022-23	Actual Release from GoI during 2022-23
1. Local Bodies	657	478
(A) Grants to PRIs	440	307
(B) Grants to ULBs	217	171
2. Revenue Deficit Grant	7,137	7,137
3. Disaster Response Fund (Central Share)	984	886
5. Health Sector Grant	150	0.00
Grand Total	8,928	8,501

Source: Finance department, Uttarakhand.

It is clear from the above table that the State received less share than recommendations of FFC grants in PRIs, ULBs and Disaster Response Fund. However, State received its

complete share of Finance Commission in Revenue Deficit Grant. State did not receive ₹ 150 crore grant for Health Sector as recommended by the FFC.

2.4 Capital Receipts

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. **Table-2.14** shows the trends in growth and composition of net Capital Receipts.

Table-2.14: Trends in growth and composition of net Capital Receipts

(₹ in crore)

Sources of State's Capital Receipts	2018-19	2019-20	2020-21	2021-22	2022-23
1. Capital Receipts (Total)	7,302	6,167	9,810	7,490	5,065
1.1 Miscellaneous Capital Receipts	00	00	0.20	0	12
1.2 Recovery of Loans and Advance	27	19	23	17	17
1.3 Public Debt Receipts	7,275	6,148	9,787	7,473	5,036
Internal Debt	7,170	6,078	6,728	3,787	3,817
Growth Rate	(-) 3.26	(-) 15.23	10.69	(-) 43.71	0.79
Loans and Advance from GoI (Net)	105	70	3,059	3,686	1,219
Growth Rate	(-) 7.89	(-) 33.33	4,270.00	20.50	(-) 66.93
Rate of growth of debt Capital Receipts	(-) 3.34	(-) 15.49	59.19	(-) 23.64	(-) 32.61
Rate of growth of non-debt capital receipts	(-) 20.59	(-) 29.63	22.11	(-) 26.72	70.59
Rate of growth of GSDP	4.58	3.88	(-)1.00	14.90	11.19
Rate of growth of Capital Receipts (per cent)	(-) 3.41	(-) 15.54	59.08	(-) 23.65	(-)32.38
Percentage of CR to Total Receipts	18.96	16.72	20.43	14.82	9.35

Source: Finance Accounts of respective years.

Capital Receipts decreased by ₹ 2,237 crore (30.64 per cent) from ₹ 7,302 crore in 2018-19 to ₹ 5,065 crore in 2022-23. It decreased by ₹ 2,425 crore (32.38 per cent) during the current year as compared to previous year mainly due to decrease in Loans and Advances from Government of India (₹ 2,467 crore).

Public debt receipts create future repayment obligation, and these are taken from Market, Financial Institutions and Central Government. During the five-year period 2018-23, 39.93 per cent of Public debt receipt (₹ 35,719 crore) taken during the period were utilised for repayment of Public Debt (₹ 14,261 crore) and the remaining 60.07 per cent was utilised for other purposes.

2.5 State's Performance in Mobilisation of Resources

State's performance in mobilisation of resources is assessed in terms of its own resources comprising own-tax and non-tax sources. The Fifteenth Finance Commission (FFC) projections, the BEs and the Medium-Term Fiscal Policy Statement (MTFPS) projections vis-à-vis actual in respect of State's own resources during 2022-23 are given in **Table-2.15**.

Table-2.15: States Own resources: Projection vis-à-vis actual

(₹ in crore)

States Own resources	FFC projections	Budget Estimates	MTFPS projections	Actual	Percentage variation of actual over		
					FFC projections	Budget Estimates	MTFPS projection
Own Tax Revenue	13,796	15,371	16,952	17,102	23.96	11.26	0.88
Non-Tax Revenue	3,951	5,521	4,977	4,367	10.53	-20.90	-12.26

Source: FFC Report, Budget Document and Finance Accounts.

As shown in **Table 2.15**, the State's own tax revenue during 2022-23 was higher against the FFC projections, BEs and MTFPS by ₹ 3,306 crore, ₹ 1,731 crore and ₹ 150 crore respectively. Thus, the State was able to achieve its own targets of Own Tax Revenue, projected in the Budget and MTFPS.

The Non-tax revenue (NTR) during 2022-23 was higher by ₹ 416 crore as compared to the FFC projections. However, it was less by ₹ 1,154 crore and ₹ 610 crore respectively as against BEs and MTFPS projections. State was not able to achieve its own targets of Non-Tax Revenue, projected in the Budget and MTFPS.

2.6 Application of Resources

The State Government is vested with the responsibility of incurring expenditure within the framework of fiscal responsibility legislations, while at the same time ensuring that the ongoing fiscal correction and consolidation process of the State is not at the cost of expenditure directed towards development of capital infrastructure and social sector.

Revenue Expenditure: Charges on maintenance, repair, upkeep and working expenses, which are required to maintain the assets in a running order as also all other expenses incurred for the day to day running of the organisation, including establishment and administrative expenses shall be classified as revenue expenditure.

Capital Expenditure: All charges for the first construction of a project as well as charges for intermediate maintenance of the work not opened for service and also charges for such further additions and improvements as may be sanctioned under the rules made by competent authority shall be classified as Capital expenditure.

Loans and Advances: Loans and advances by the Government to Public Sector Undertakings (PSU) and other parties.

The Total Expenditure, its composition and relative share in GSDP during the years 2018-19 to 2022-23 is presented in **Table-2.16**.

Table-2.16: Total Expenditure and its composition

Parameters	2018-19	2019-20	2020-21	2021-22	2022-23
Total Expenditure (TE)	38,563	38,399	43,667	46,810	52,061
Revenue Expenditure (RE)	32,196	32,859	37,091	38,929	43,773
Capital Expenditure (CE)	6,184	5,414	6,538	7,534	8,194
Loans and Advances	183	126	38	347	94
As a percentage of GSDP					
TE/GSDP	16.74	16.05	18.44	17.20	17.20
RE/GSDP	13.98	13.73	15.66	14.30	14.46
CE/GSDP	2.69	2.26	2.76	2.77	2.71
Loans and Advances/GSDP	0.08	0.05	0.02	0.13	0.03

Source: Finance Accounts.

The above table shows that Total Expenditure of the State increased by 35 per cent from ₹ 38,563 crore in 2018-19 to ₹ 52,061 crore in 2022-23. During the current year, it increased by 11.22 per cent over the previous year. As a percentage of GSDP, the Total Expenditure showed a fluctuating trend and remained in the range of 16 per cent to 18 per cent during 2018-19 to 2022-23.

Charts-2.9 depicts the trend of the share of components in Total Expenditure whereas **Chart-2.10** shows composition of total disbursement from Consolidated Fund for the year 2022-23.

Chart-2.9: Total Expenditure: Trends in share of its components (in per cent)

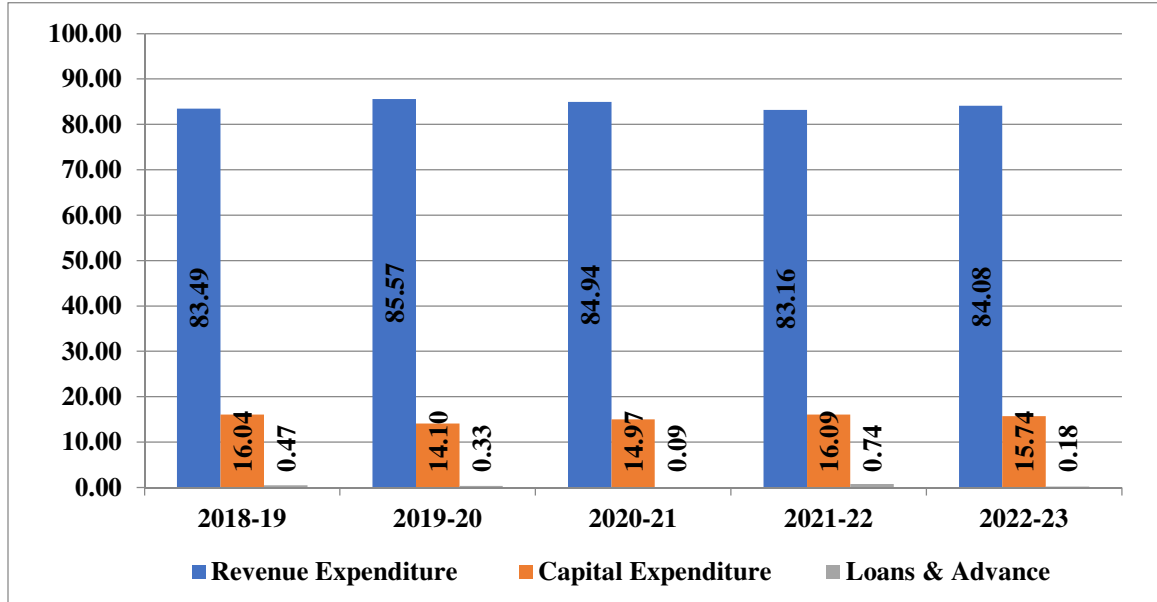
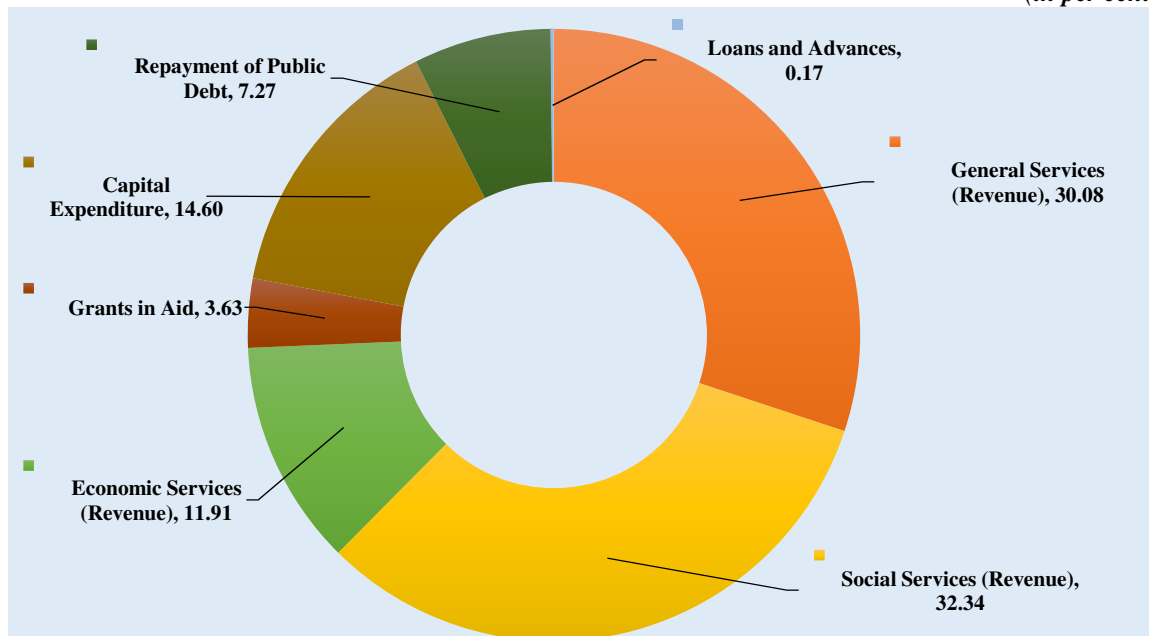


Chart-2.10: Composition of total disbursement from Consolidated Fund during 2022-23 (in per cent)



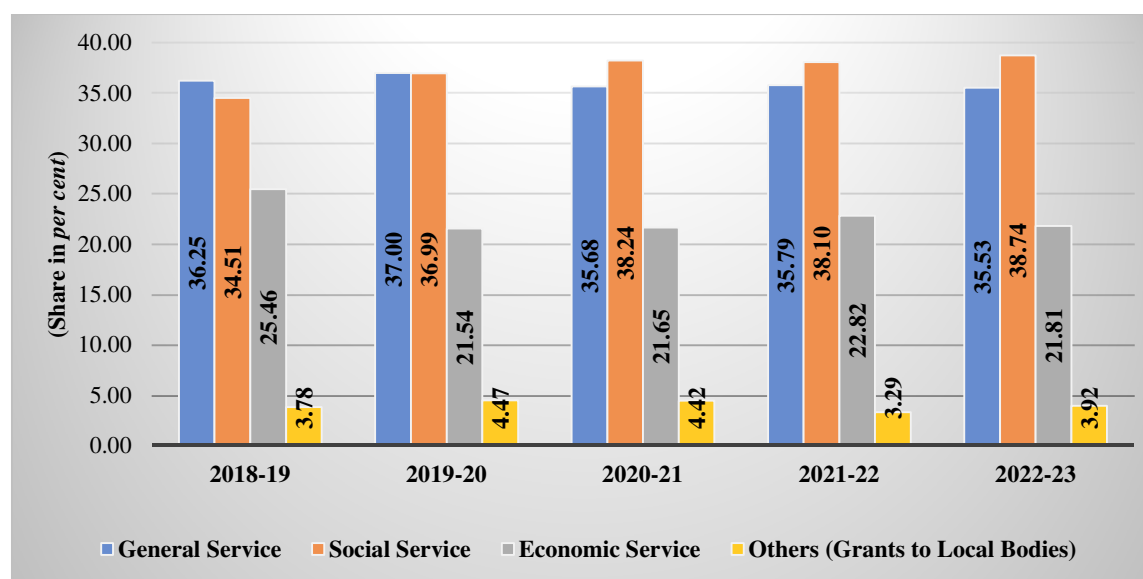
In terms of activities, the Total Expenditure is composed of expenditure on General Services including Interest Payments, Social Services, Economic Services and others. Relative share of these components in the Total Expenditure of ₹ 52,061 crore (refer **Appendix-2.1**) during 2022-23 is given in **Table-2.17**.

Table-2.17: Relative share of various sectors of expenditure

Parameters	(in percentage)				
	2018-19	2019-20	2020-21	2021-22	2022-23
General Services	36.25	37.00	35.68	35.79	35.53
Social Services	34.51	36.99	38.24	38.10	38.74
Economic Services	25.46	21.54	21.65	22.82	21.81
Others (Grants to Local Bodies and Loans and Advances to Government Servants)	3.78	4.47	4.43	3.29	3.92

Chart-2.11 depicts trends of sectoral component in Total Expenditure for the period 2018-19 to 2022-23.

Chart-2.11: Total Expenditure: Expenditure by activity



The relative share of the above components of expenditure indicates that the shares of General Services and Economic Services in the Total Expenditure were partially decreased during 2022-23 over the previous year. However, the respective share of Social Services and others increased during the current year.

2.6.1 Revenue Expenditure

Revenue Expenditure is incurred to maintain the current level of services and payment for past obligations. As such, it does not result in any addition to the State's infrastructure and service network.

Revenue Expenditure formed on an average 84 per cent (ranging from 83 per cent to 86 per cent) of the total expenditure during the period 2018-19 to 2022-23. Rate of growth of Revenue Expenditure has displayed fluctuating trend during the five- year period 2018-19 to 2022-23. The overall Revenue Expenditure, its rate of growth, its ratio to Total Expenditure and buoyancy vis-à-vis GSDP and Revenue Receipts are indicated in Table-2.18. Trend of Revenue Expenditure and its percentage to GSDP is shown in Chart-2.12 whereas the sectoral distribution of Revenue Expenditure pertaining to 2022-23 is given in Chart-2.13.

Table-2.18: Revenue Expenditure – basic parameters

Parameters	2018-19	2019-20	2020-21	2021-22	2022-23
Total Expenditure (TE)	38,563	38,399	43,667	46,810	52,061
Revenue Expenditure (RE)	32,196	32,859	37,091	38,929	43,773
Rate of Growth of RE (<i>per cent</i>)	10.70	2.06	12.88	4.96	12.44
Revenue Expenditure as percentage of TE	83.49	85.57	84.94	83.16	84.08
RE/GSDP (<i>per cent</i>)	13.98	13.73	15.66	14.30	14.46
RE as percentage of RR	103.14	106.95	97.09	90.41	89.18
Buoyancy ⁶ of Revenue Expenditure with					
GSDP (ratio)	2.34	0.53	(-)12.88	0.33	1.11
Revenue Receipts (ratio)	0.71	(-)1.30	0.53	0.39	0.89

Source: Finance Accounts.

Chart-2.12: Trend of Revenue Expenditure during 2018-19 to 2022-23

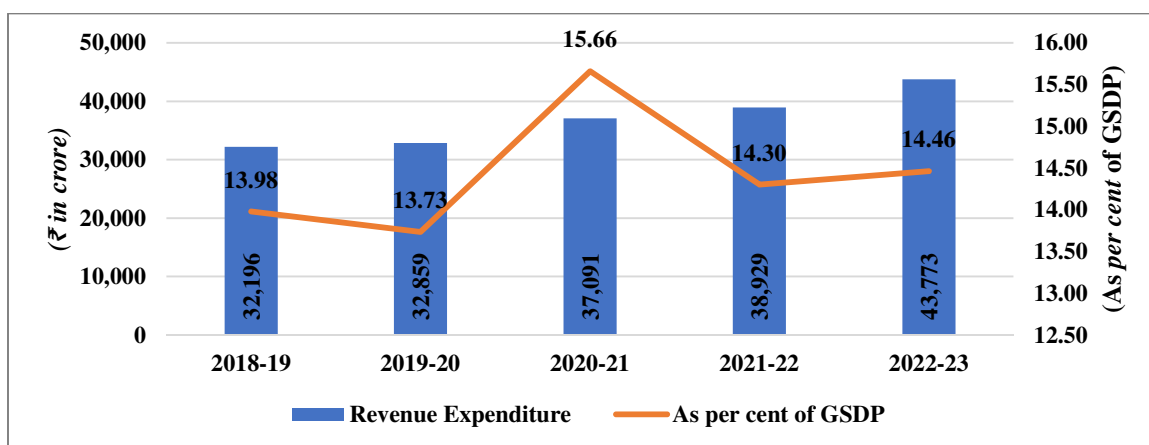
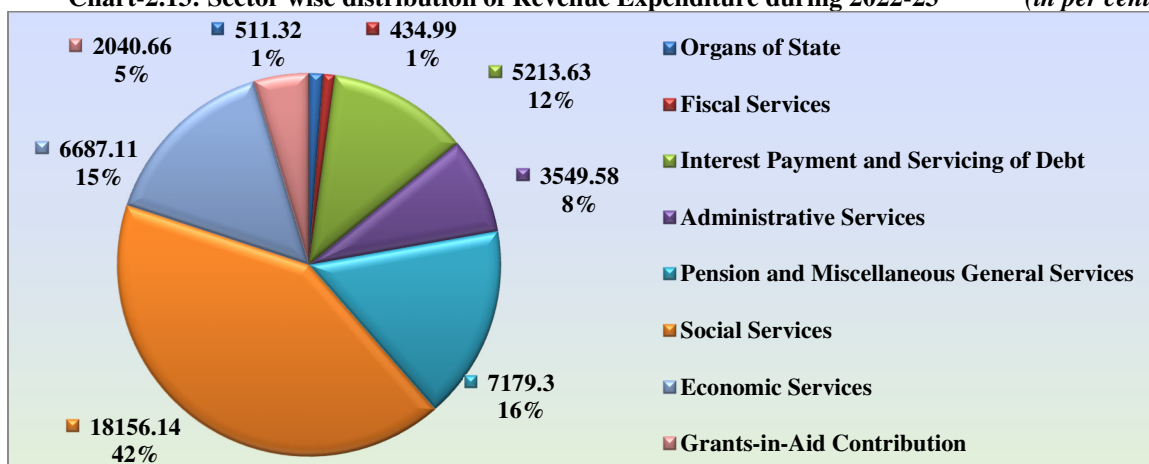


Chart-2.13: Sector wise distribution of Revenue Expenditure during 2022-23

(in per cent)



During 2022-23, Revenue Expenditure as a percentage of GSDP was higher than the previous year. It witnessed a significant increase of ₹ 4,844 crore (12.44 *per cent*) over the previous year. Revenue Expenditure was lower by ₹ 5,821 crore from the assessment made in Medium Term Fiscal Plan Statement (MTFPS) (₹ 49,594 crore).

⁶ Buoyancy indicates the degree of responsiveness of a fiscal variable with respect to a given change in the base variable.

2.6.1.1 Major Changes in Revenue Expenditure

Table-2.19 details significant variations (more than ₹ 50 crore and 25 per cent) under various Heads of Account with regard to Revenue Expenditure of the State during the current year in comparison to the previous year. Some of the major programme/scheme with positive variations were (i) Medical and Public Health, (ii) Social Security and Welfare, (iii) Compensation and Assignments to Local Bodies and PRI, (iv) Rural Employment, (v) Urban Development, (vi) Water Supply and Sanitation, (vii) Other Administrative Services, (viii) Animal Husbandry, and (ix) Food Storage and Warehousing.

Further, it was found during scrutiny that revenue expenditure of ₹ 139.30 crore was made out of Contingency Fund for routine nature of transactions like Salary, Office Expenditure, Travel Expenses, Honorarium, Wages, Purchase of Fuel and Expenses on Food, etc. which was against the provisions of Uttarakhand Contingency Fund Act, 2001. This reflects poor budgeting by the State Government as routine nature of establishment expenditure was not forecasted and budgeted at the initial stage of preparation of Budget.

Table-2.19: Significant Variation in Revenue Expenditure during 2022-23 as compared to 2021-22

(₹ in crore)

Major Heads of Account		Expenditure		Variation	
		2021-22	2022-23	In amount	In percentage
2210	Medical and Public Health	2,590.16	3,548.04	957.89	36.98
2235	Social Security and Welfare	1,884.90	2,615.42	730.51	38.76
3604	Compensation and Assignments to LB and PRI	1,540.33	2,040.66	500.33	32.48
2505	Rural Employment	130.31	530.41	400.09	307.03
2217	Urban Development	100.87	302.77	201.89	200.14
2215	Water Supply and Sanitation	469.77	608.75	138.98	29.59
2070	Other Administrative Services	156.84	240.46	83.62	53.32
2403	Animal Husbandry	240.51	303.84	63.33	26.33
2408	Food Storage and Warehousing	88.51	143.60	55.09	62.24
2048	Appropriation for reduction or avoidance of debt	210.00	110.00	-100.00	-47.62
2220	Information and Publicity	383.84	167.85	-215.99	-56.27
2406	Forestry and Wildlife	1,131.60	775.67	-355.93	-31.45

Source: Finance Accounts of respective years.

The above table indicates heads of accounts with major variation (more than ₹ 50 crore and 25 per cent). The table also indicates that Revenue Expenditure under Information and Publicity and Forestry and Wildlife declined during the year and increased significantly in Rural Employment, Urban Development, Food Storage and Warehousing, Other Administrative Services, Social Security and Welfare, Medical and Public Health etc.

2.6.2 Committed Expenditure

The Committed Expenditure of the State Government on revenue account consists mainly of expenditure on salaries and wages, interest payments and pensions. It has first charge on Government resources. Upward trend in Committed Expenditure leaves the Government with lesser flexibility for overall development of various sectors. The FRBM Act of the State prescribes that there should be a Revenue Surplus; it is challenging to achieve it, given that a large proportion of Revenue Expenditure goes into committed items like salaries and wages, interest payments and pensions.

Apart from above, there are certain items of inflexible expenditure which cannot be ordinarily altered or varied or are statutorily required on an annual basis, unlike variable transactions such as capital expenditure, etc. The following items may be considered as inflexible expenditure:

- (i) Devolution to local bodies - statutory devolutions to local bodies for pay and allowances (devolution / transfer for capital expenditure).
- (ii) Statutory requirements of contribution to Reserve Funds - Contribution to Consolidated Sinking Fund (CSF), Guarantee Redemption Fund (GRF), State Disaster Mitigation / Response Fund (SDMF/SDRF), etc.
- (iii) Recoupment of Contingency Fund - Amount recouped within the year.
- (iv) Transfer of cess to reserve fund / other body, which are statutorily required.
- (v) Share contribution of CSS against the Central Fund received - Amount of State share to be transferred to SNAs / spent by the State.
- (vi) Payment of interest on the balances of the interest-bearing funds as if they could have been invested and payment of interest on public debt as charged expenditure - interest payment.

Upward trend on committed expenditure leaves the Government with lesser flexibility for development sector. Trend analysis of committed and inflexible expenditure and its components is depicted in **Table-2.20** and share of committed expenditure in revenue expenditure is shown in **Chart-2.14**.

Table-2.20 presents the trends in the components of committed expenditure during 2018-19 to 2022-23. Share of Committed and Non-Committed Expenditure in total Revenue Expenditure is depicted through **Chart-2.14** during 2018-23.

Table-2.20: Components of Committed Expenditure

Year	2018-19	2019-20	2020-21	2021-22	2022-23
<i>(₹ in crore)</i>					
Components of Committed Expenditure					
Salaries & Wages	11,525	11,714	11,755	12,417	13,515
Interest Payments	4,475	4,504	4,773	4,939	5,104
Expenditure on Pensions	5,396	5,507	6,168	6,364	7,181
Total	21,396	21,725	22,696	23,720	25,800
As a percentage of Revenue Receipts (RR)					
Salaries & Wages	36.92	38.13	30.77	28.84	27.53
Interest Payments	14.34	14.66	12.49	11.47	10.40
Expenditure on Pensions	17.29	17.92	16.14	14.78	14.63
Total	68.54	70.71	59.41	55.09	52.56
As a percentage of Revenue Expenditure (RE)					
Salaries & Wages	35.80	35.65	31.69	31.90	30.88
Interest Payments	13.90	13.71	12.87	12.69	11.66
Expenditure on Pensions	16.76	16.76	16.63	16.35	16.41
Total	66.46	66.12	61.19	60.93	58.94
Non-committed RE	10,800	11,134	14,395	15,209	17,973
Percentage of Non-committed Expenditure to RE	33.54	33.88	38.81	39.07	41.06
Percentage of Non-committed Expenditure to TE	28.01	29.00	32.97	32.49	34.52
Subsidies	174	35	139	145	289
Subsidies as percentage of non-committed expenditure	1.61	0.31	0.97	0.95	1.61
Components of Inflexible Expenditure					
Statutory devolution to local bodies	1,459	1,717	1,932	1,390	1,492
Contribution to Reserve Funds	0	150	150	210	110
Recoupment of Contingency Fund	217	94	2	436	269

Year	2018-19	2019-20	2020-21	2021-22	2022-23
Transfer of Cess to Reserve Fund/Other body	187	0	70	72	72
Share contribution of CSS against the Central Fund received	NA	NA	548	1,047	728
Payment of interest on the balances of the Interest-Bearing Funds as if they could have been invested and payment of interest on public debt as charged expenditure- interest payment**	40	43	156	156	(-) 122*
Total	1,903	2,004	2,858	3,311	2,549
Inflexible Expenditure as a percentage of RR	6.10	6.52	7.48	7.69	5.19
Inflexible Expenditure as a percentage of RE	5.91	6.10	7.71	8.51	5.82

Source: Finance Accounts of respective years.

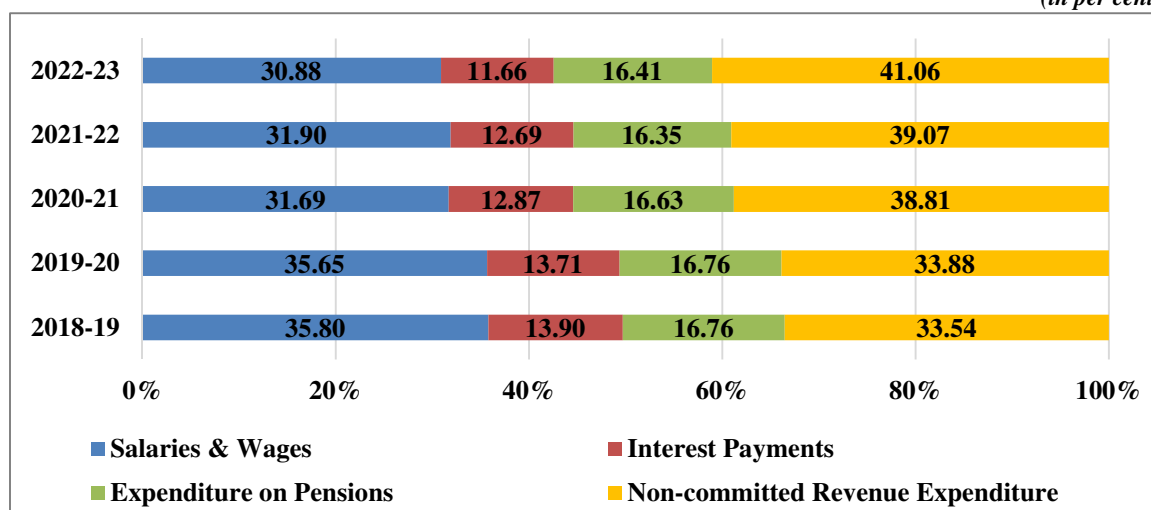
** Only Interest-Bearing Funds Liability is provided. Public Debt interest liability if any due is not available.

* Negative figure is due to excess payment of interest as during the year 2022-23 State Government had paid interest of ₹ 244.30 crore against due interest of ₹ 122.68 crore.

Table 2.20 shows that percentage of non-committed expenditure to revenue expenditure increased from 33.54 per cent in 2018-19 to 41.06 per cent in 2022-23 to which subsidies constituted proportion ranging from 0.31 per cent to 1.61 per cent.

Chart-2.14: Share of Committed and Non-Committed Expenditure in Revenue Expenditure

(in per cent)



Source: Finance Accounts

The Committed Expenditure as percentage of Revenue Expenditure decreased to 58.94 per cent in 2022-23 from 66.46 per cent in 2018-19. Accordingly, more funds were available for developmental and maintenance work. Similarly, Committed Expenditure as percentage of Revenue Receipts decreased from 68.54 per cent in 2018-19 to 52.56 per cent in 2022-23. Further, Non-Committed Expenditure as percentage of Total Expenditure it increased from 28.01 per cent in 2018-19 to 34.52 per cent in current year.

2.6.2.1 Other Committed Expenditure

Other Committed Expenditure of the State Government, on revenue account, consists of expenditure under Social Security and Welfare schemes such as old age pension scheme, Pension under social security scheme in addition to welfare of handicapped, child, women and aged infirm and destitute etc. Further, expenditure against payment of utility bills which includes expenses on electricity, water charges and telephone charges are also other committed expenditure. The following **Table-2.21** indicates other committed expenditure during last five years up to 2022-23.

Table 2.21: Components of Other Committed Expenditure

(₹ in crore)

Components of Other Committed Expenditure	2018-19	2019-20	2020-21	2021-22	2022-23
Social Security and Welfare ⁷	1,489.73	1,607.08	1,671.37	1,814.44	2,615.42
Utility Bill Payment	315.04	271.84	290.58	344.87	460.81
Total	1,804.77	1,878.92	1,961.95	2,159.31	3,076.23
As a percentage of Revenue Receipts (RR)					
Social Security and Welfare	4.77	5.23	4.37	4.21	5.33
Utility Bill Payment	1.01	0.88	0.76	0.80	0.94
Total	5.78	6.11	5.13	5.01	6.27
As a percentage of Revenue Expenditure (RE)					
Social Security and Welfare	4.63	4.89	4.51	4.66	5.97
Utility Bill Payment	0.98	0.83	0.78	0.89	1.05
Total	5.61	5.72	5.29	5.55	7.03

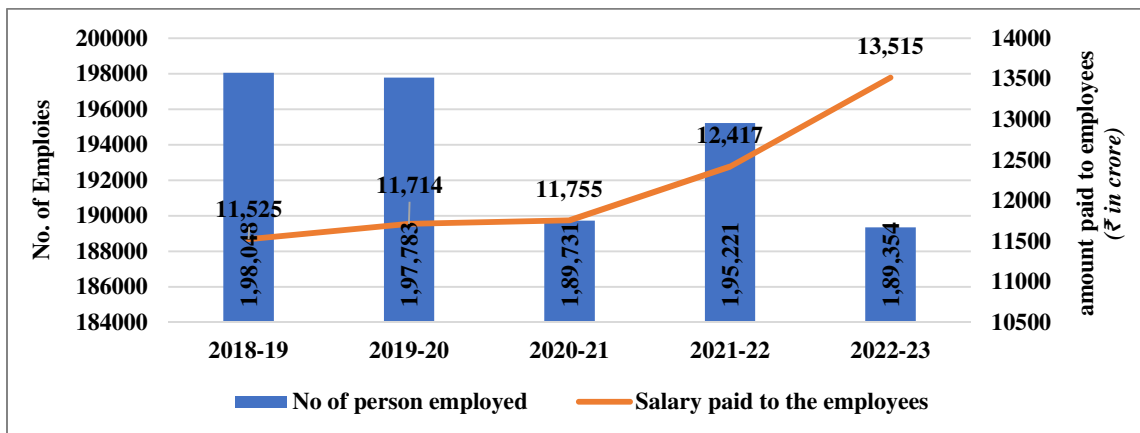
As is evident from above table that Other Committed Expenditure as percentage of Revenue Expenditure remained in the range of five per cent to seven per cent during 2018-19 to 2022-23.

2.6.2.2 Salaries and Wages

Share of salaries in the Revenue Expenditure was low during the current year relative to the previous year. Expenditure on salaries and wages accounted for 30.88 per cent of Revenue Expenditure during 2022-23 with a slight reduction (1.02 per cent) over previous year. Over the five-year period 2018-19 to 2022-23, it increased by ₹ 1,990 crore (17.27 per cent) from ₹ 11,525 crore in 2018-19 to ₹ 13,515 crore in 2022-23. Expenditure on salaries (₹ 13,515 crore) during 2022-23 was less by ₹ 3,831 crore compared to the projection of ₹ 17,346 crore made in MTFPS. In addition to salary expenditure, the State Government incurred ₹ 142.29 crore on professional and specialised services and ₹ 1,391.96 crore was given as grants-in-aid for Pay and Allowances and Other Expenses.

Comparison of number of employees and amount of salary paid during the period 2018-19 to 2022-23 is given in the **Chart-2.15**:

Chart-2.15: Comparison of number of employees and amount of salary paid



Source: Volume VI of Uttarakhand Budget and Finance Accounts

⁷ Includes expenditure towards Social Security Pension only from 2018-19 to 2021-22.

The number of employees in the State has shown a fluctuating trend during the period 2018-23. It increased by ₹ 5,490 crore (2.89 per cent) in 2021-22 and decreased by ₹ 5,857 crore (3.00 per cent) in 2022-23 over the respective previous years. However, expenditure on salary increased by ₹ 662 crore (5.63 per cent) and ₹ 1,098 crore (8.84 per cent) respectively. However, number of employees decreased by ₹ 8,694 crore (4.39 per cent) in comparison to 2018-19 whereas salary expenditure has increased by ₹ 1,990 crore (17.27 per cent).

2.6.2.3 Interest Payments

Interest Payments increased by ₹ 165 crore (3.34 per cent) from ₹ 4,939 crore in 2021-22 to ₹ 5,104 crore in 2022-23 mainly due to increase in interest payment on Market Loans by ₹ 101 crore, Miscellaneous interest payment by ₹ 150 crore and Interest on Deposits by ₹ 42 crore which was counterbalanced by decrease in Interest on Other Internal Debts by ₹ 28 crore, Interest on Special Securities issued to National Small Saving Fund (NSSF) by ₹ 75 crore, State Provident Fund by ₹ 34 crore. During the current year, the Interest Payments were made on internal debt (₹ 4,128 crore), Small Savings, Provident Fund, etc., (₹ 658 crore), Loans and Advances from Central Government (₹ 73 crore) and interest on Other Obligations (₹ 245 crore). The State government had to pay an amount of ₹ 63.59 crore as interest on GPF pertaining to Class IV employees during the current year.

Interest on Class-IV GPF accounts is being calculated notionally by the Accountant General (A&E), Uttarakhand in the absence of rendition of actual interest credited in each subscriber's account by all DDOs.

Interest Payments with reference to the projections of the State Government in its Budget and MTFPS are given in **Table-2.22**.

Table-2.22: Interest Payments vis-à-vis State's Projections

(₹ in crore)

Year	Actuals	Assessment made by the State Government in			
		Budget		MTFPS	
		Projection	Variation (per cent)	Projection	Variation (per cent)
2022-23	5,104	6,018	914 (15.19)	6,018	914 (15.19)

Source: Budget Document and Finance Accounts.

Above table indicates that the interest payments by State Government were well below its own projections made in Budget and MTFPS.

2.6.2.4 Pensions

Expenditure on pension payments was ₹ 7,181 crore in 2022-23, which constituted 14.63 per cent of the revenue receipts. During the current year, it increased by (₹ 817 crore) 12.84 per cent over the previous year and was above the projection made by the State Government in its Budget (₹ 6,703 crore) by ₹ 478 crore and was above by ₹ 248 crore projected in MTFPS (₹ 6,933 crore). During the year, Superannuation and Retirement Allowances and Commuted Value of Pensions together (₹ 2,764.98 crore) increased by ₹ 177.94 crore, Family Pensions (₹ 1,333.59 crore) increased by ₹ 28.53 crore, Leave

Encashment Benefits (₹ 330.45 crore) increased by ₹ 44.37 crore, and Government Contribution for Defined Contribution Pension Scheme (₹ 822.14 crore) increased by ₹ 114.61 crore, from those in 2021-22. This increase was counterbalanced by decrease in Pensions to Employees of State Aided Educational Institutions (₹ 1,173.93 crore) by ₹ 280.01 crore.

Pension payments *vis-à-vis* salary increased from 46.82 *per cent* in 2018-19 to 53.13 *per cent* in 2022-23. It also increased from 51.25 *per cent* in 2021-22 to 53.13 *per cent* in 2022-23 as given in **Table-2.23**.

Table 2.23: Pension payments as percentage of salary

Components	2018-19	2019-20	2020-21	2021-22	2022-23
Pension payments (₹ in crore)	5,396	5,507	6,168	6,364	7,181
Expenditure on Salary (₹ in crore)	11,525	11,714	11,755	12,417	13,515
Percentage of pension vis-a-vis salary	46.82	47.01	52.47	51.25	53.13

Liability under National Pension System

State Government employees recruited on or after 1 October 2005 are covered under the National Pension System (NPS), which is a Defined Contribution Pension Scheme. In terms of the Scheme, the employee contributes 10 *per cent* of his basic pay and dearness allowance and the Government contributes 14 *per cent* of the basic pay and dearness allowance. The State Government is responsible to deposit both employee's and employer's share with the designated authority *i.e.*, National Securities Depository Limited (NSDL)/trustee bank for further investment as per the guidelines of NPS.

During the year, total contribution to Defined Contribution Pension Scheme was ₹ 1,411.77 crore (Employee's contribution ₹ 589.63 crore and Government contribution ₹ 822.14 crore). The Government transferred ₹ 1,431.77 crore (including interest payment ₹ 20 crore) to the Public Account under Major Head 8342-117 Defined Contribution Pension scheme. The Government contribution to NPS was less by ₹ 3.34 crore, which resulted in understatement of Revenue surplus and overstatement of Fiscal deficit to that extent.

During the year, ₹ 1,447.98 crore was transferred to NSDL/Trustee Bank. However, out of ₹ 83.21 crore to be transferred to NSDL at the end of 2021-22, an amount of ₹ 67 crore was still lying un-transferred at the end of 2022-23. Uncollected, unmatched and un-transferred amounts, with accrued interest, represent outstanding liabilities of the Government under the Scheme.

2.6.2.5 Subsidies

There was a significant increase in expenditure on subsidies during the year 2022-23 as compared to previous year as can be seen from the details given in **Table-2.24**. Subsidies as a percentage of Revenue Receipts decreased significantly from 0.56 *per cent* in 2018-19 to 0.11 *per cent* in 2019-20 but again increased to 0.36 *per cent* in 2020-21. It again increased to 0.59 *per cent* in 2022-23 after a nominal decline of 0.02 *per cent* in 2021-22. Further, subsidies as a percentage to Revenue Expenditure increased nominally from 0.54 *per cent* in 2018-19 to 0.66 *per cent* in 2022-23. However, it increased

significantly by 0.29 *per cent* during current years over the previous year. Further, there was a significant increase of ₹ 144 crore (99 *per cent*) in 2022-23 over previous year.

Table-2.24: Expenditure on subsidies during 2018-23

Particulars	2018-19	2019-20	2020-21	2021-22	2022-23
Subsidies (₹ in crore)	174	35	139	145	289
Subsidies as a percentage of Revenue Receipts	0.56	0.11	0.36	0.34	0.59
Subsidies as a percentage of Revenue Expenditure	0.54	0.11	0.37	0.37	0.66

During 2022-23, the major schemes in which expenditure on subsidy was incurred were Deen Dayal Upadhyay Cooperative Farmer Welfare Scheme (₹ 45 crore), Food Storage and Warehousing (₹ 94 crore), Mukhya Mantri Swarojgaar Yojana (₹ 50 crore), Grant for EWS's Houses (₹ 22 crore), Grant to poor families for cooking gas (₹ 20 crore), Chief Minister Ghashiyari Welfare Scheme (₹ 10 crore), Polly House diversification and sprinkler water pump set scheme (₹ 9 crore), Loan for self-employment scheme and Homestay development plan of tourism sector (₹ 12 crore), Solar Photovoltaic programme (₹ 5 crore) and Discount on Sales of Khadi Clothes (₹ 5 crore). State Government had made a projection for subsidy of ₹ 378 crore in its Budget Estimates during 2022-23.

2.6.2.6 *Implicit Subsidy*

Implicit subsidy arises when the government provides social and economic goods/ services at a price lesser than the cost of goods and services incurred by the government. It can be indirect or in kind or can be given as concession. Implicit subsidy indirectly provided by the Government during 2018-23 is given in **Table-2.25**.

Table-2.25: Expenditure on implicit subsidies during 2018-23

Implicit Subsidies	2018-19	2019-20	2020-21	2021-22	2022-23
Crop Insurance	3.22	3.99	1.89	2.16	3.24
Assistance to Public Sector and other Undertakings	24.00	45.19	123.90	85.70	79.93
Total	27.22	49.18	125.79	87.86	83.17

The above **table-2.25** indicates that the State Government also provided subsidy in implicit form under Crop Husbandry for crop insurance amounting to ₹ 14.50 crore and assistance to public sector and other undertakings under Road Transport as compensation and Direct Benefit Transfer of free travel facility to senior citizens and girl students amounting to ₹ 358.72 crore during 2018-19 to 2022-23.

2.6.2.7 *Inflexible Expenditure*

The components of Inflexible expenditure which include others Statutory devolution to local bodies and contribution to Reserve Funds showed a continued increase during the period 2018-19 to 2022-23. As a percentage of revenue expenditure the inflexible expenditure remained in the range of six *per cent* to nine *per cent* during 2018-23. Further, the inflexible expenditure (₹ 2,549 crore) decreased by 23.01 *per cent* during 2022-23 over the previous year (₹ 3,311 crore).

2.6.2.8 *Financial assistance by the State Government to Local Bodies and Other Institutions*

Financial assistance is provided by the State Government to Local bodies and other institutions by way of grants and loans. The quantum of assistance provided by way of

grants to local bodies and other institutions during the period 2018-19 to 2022-23 is presented in **Table-2.26**.

Table-2.26: Financial Assistance to Local Bodies etc.*(₹ in crore)*

Sl. No.	Financial Assistance to Institutions	2018-19	2019-20	2020-21	2021-22	2022-23
1.	Educational Institutions (Aided Schools & Colleges, Universities)	544.70	573.62	1,531.82	901.68	1,079.12
2.	Municipal Corporations and Municipalities	717.07	902.05	976.91	734.27	1,044.05
3.	Zila Parishads and Other Panchayati Raj Institutions	742.25	814.62	955.29	655.97	996.62
4.	Development Agencies	555.82	494.84	539.27	483.71	523.97
5.	Hospitals and Other Charitable Institutions	436.19	353.03	552.66	630.04	1,068.47
6.	Energy (Non-conventional source of energy)	11.69	13.30	9.17	13.81	11.07
7.	Agriculture Research and Educational Institution, Land Reforms for updating land records and Wildlife Preservation	593.57	585.49	915.03	902.30	947.26
8.	Co-operatives	2.67	1.55	15.18	14.26	16.85
9.	Animal Husbandry, Dairy Development and Fisheries	41.80	51.17	55.77	70.97	76.63
10.	Secretariat Economic Services & Tourism	51.12	47.27	56.38	64.19	98.14
11.	Social Security & Welfare of Scheduled Castes, Scheduled Tribes & Other Backward Classes	216.54	238.66	250.85	178.48	433.53
12.	Other Institutions	552.36	724.60	582.44	1208.77	1,335.60
Total		4,465.78	4,800.18	6,440.77	5,858.45	7,631.31
<i>Assistance as per percentage of RE</i>		<i>13.87</i>	<i>14.61</i>	<i>17.36</i>	<i>15.05</i>	<i>17.43</i>
GIA on Salary (OH-05)		1,028.36	1,071.71	1,179.53	1,181.65	1,391.96
GIA for Creation of Capital Assets (OH-55)		485.48	383.01	(-431.63⁸)	706.10	450.47
GIA for non-salary (OH-56)		3,053.28	3,129.89	3,409.34	3,312.13	4,747.80
GIA given in kind		Information not provided by Government				

Source: Finance Accounts & V L C data of Accountant General (A&E), Uttarakhand.

The assistance during the current year increased by ₹ 1,772.86 crore over the previous year. Municipal Corporations, Municipalities, Zila Parishads and other Panchayati Raj Institutions together accounted for 26.74 per cent of the total financial assistance during the current year.

In May 2016, the Fourth State Finance Commission had recommended 11 per cent of State's Own Tax Revenue as the devolution amount to the Local Bodies. The amount to be devolved and the actual amount devolved during 2018-19 to 2022-23 is given in **Table-2.27**.

Table-2.27: Financial Assistance to Local Bodies vis-à-vis amount to be devolved*(₹ in crore)*

Particulars	2018-19	2019-20	2020-21	2021-22	2022-23
State Own tax Revenue (OTR)	12,188	11,513	11,938	14,176	17,103
Amount to be devolved (11 per cent of OTR for 2016-17 onwards)	1,340.68	1,266.43	1,313.18	1,559.36	1,881.33
Total amount devolved to Local Bodies	1,459.32	1,716.67	1,932.2	1,390.24	1,491.55
Actual Devolution to Local Bodies as percentage of OTR	<i>11.97</i>	<i>14.91</i>	<i>16.19</i>	<i>9.81</i>	<i>8.72</i>

Source: V.L.C. data of Accountant General (A&E), Uttarakhand and State Finance Commission's Recommendations.

It can be seen from above table that the actual devolution to Local Bodies partially increased in 2022-23 after significant decrease during 2021-22. The actual devolution during 2022-23 was less than the amount recommended by the State Finance Commission.

⁸ Minus figure represents expenditure on account of SDRF transferred to Public Account.

2.6.3 Capital Expenditure

Capital Expenditure (capex) is primarily expenditure on creation of fixed infrastructure assets such as roads, buildings *etc.*

Total Capital Expenditure increased from ₹ 6,184 crore in 2018-19 to ₹ 8,194 crore in 2022-23. During the current year it increased by ₹ 660 crore (8.76 *per cent*). The Capital Expenditure incurred by the State during the year 2022-23 was lower than the projections made in the MTFPS targets (₹ 10,471 crore) and budget projections (₹ 10,840 crore) by ₹ 2,277 crore and ₹ 2,646 crore respectively. Details of Capital Expenditure *vis-à-vis* budget during the five-year period 2018-19 to 2022-23 are given in **Chart-2.16** and Trend of Capital Expenditure as *per cent* of GSDP and Total Expenditure is given in **Chart-2.17**.

Chart-2.16: Trend of Capital Expenditure over the five-year period from 2018-19 to 2022-23

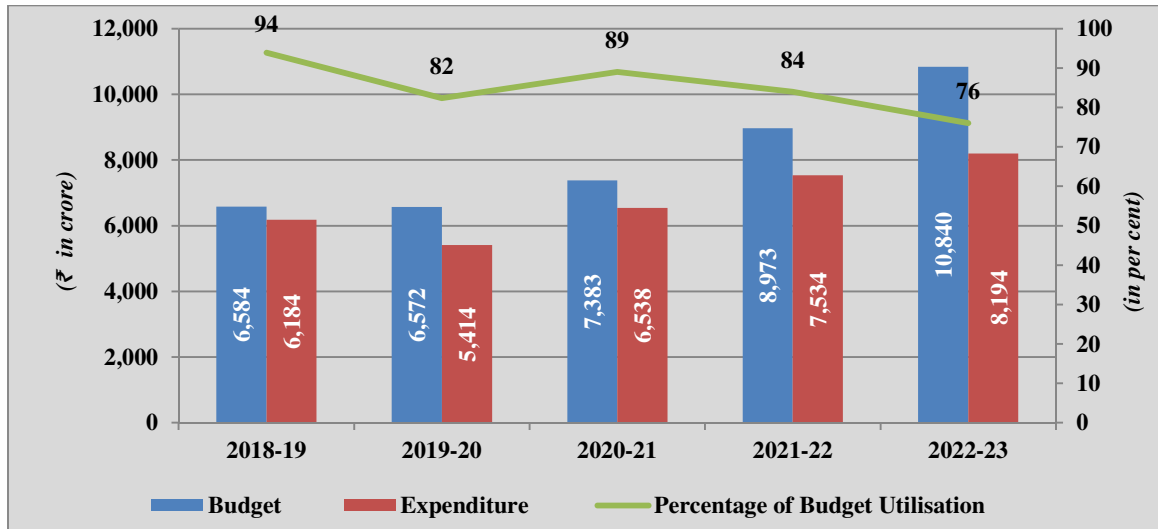
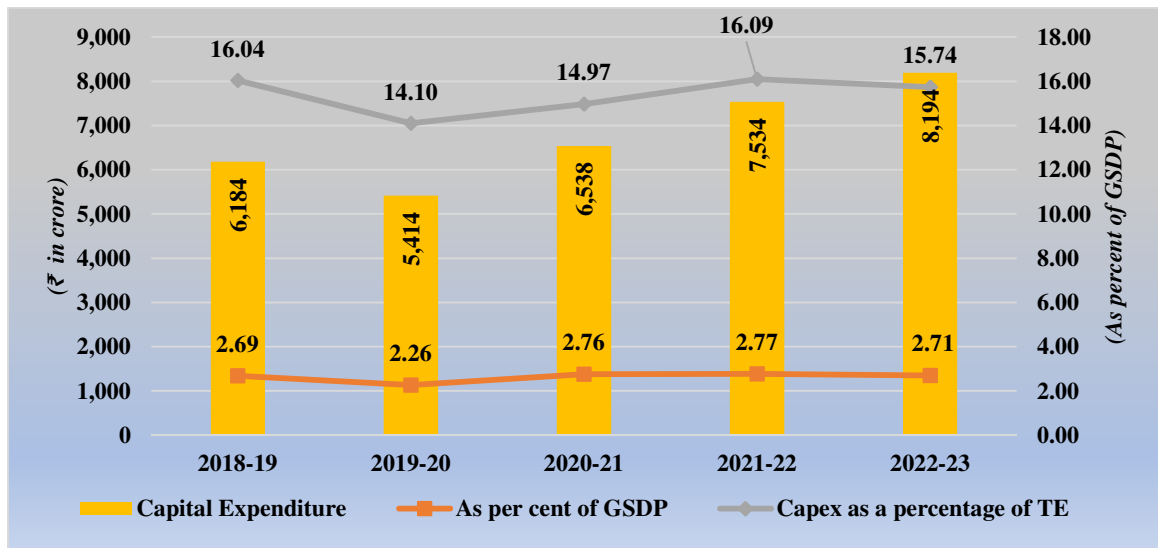


Chart-2.17: Trend of Capital Expenditure as *per cent* of GSDP and Total Expenditure



2.6.3.1 Major changes in Capital Expenditure

Table-2.28 highlights the cases of significant increase or decrease (more than ₹ 50 crore and 25 per cent) in various Heads of Account in Capital Expenditure during 2022-23 vis-à-vis the previous year. Further, trend of expenditure under these heads during 2018-23 is also depicted in table below:

Table-2.28: Capital Expenditure during 2018-23

Major Heads of Account		2018-19	2019-20	2020-21	2021-22	2022-23	Variation over Previous Year	Sparkline
4059	Capital Outlay on Public Works	439.35	339.32	733.66	1050.30	1554.94	504.64(48.05)	
4217	Capital Outlay on Urban Development	179.39	469.43	574.95	385.89	511.90	126.01(32.65)	
4202	Capital Outlay on Education, Sports, Art and Culture	154.33	290.10	398.37	361.46	476.89	115.43(31.93)	
5452	Capital Outlay on Tourism	57.98	88.91	123.91	111.23	192.88	81.65(73.41)	
4711	Capital Outlay on Flood Control Projects	79.54	105.75	82.10	97.51	178.28	80.77(82.83)	
4885	Other Capital Outlay on Industries and Minerals	0.00	0.00	0.00	0.00	72.02	72.02(--)	
4801	Capital Outlay on Power Projects	193.00	133.20	147.59	100.90	151.49	50.59(50.14)	
4408	Capital Outlay on Food Storage and Warehousing	944.48	569.19	71.29	493.97	285.32	(-)208.65(-42.24)	
4215	Capital Account of Water Supply and Sanitation	486.35	638.64	648.18	1059.87	550.20	(-)509.67(-48.09)	

The major scheme where substantial increase/ decrease over previous year was noticed was under Public Works, Flood Control Projects and Water Supply and Sanitation (Central Plan/ Centrally Sponsored Scheme) and Education, Sports, Art and Culture.

2.6.3.2 Quality of Capital Expenditure

If the State Government keeps on making investments in loss making government companies, whose net worth is completely eroded, there are limited chances of return on investment. Similarly, experience has shown the inevitability of write off of the loans given to loss making corporations and other poorly run bodies in sectors such as sugar mills, financial corporations, *etc.* Requisite steps have to be taken to infuse transparency in such financial operations. This section presents an analysis of investments undertaken by the Government during the current year.

(i) Quality of investments in the companies, corporations, and other bodies

Investments made and loan given to companies (*e.g.* Power Distribution Companies), corporations (*e.g.* Scheduled Caste and Scheduled Tribe Financial Corporations), and cooperatives (*e.g.* sugar mills), which are loss making and those where net worth is

completely eroded, is not sustainable. Return on investment in share capital invested in Public Sector Undertakings and history of repayment of loans given to various bodies are important indicators of quality of capital expenditure.

As per the Finance Accounts 2022-23, Government of Uttarakhand had invested ₹ 4,043.90 crore in one Statutory Corporation and 16 Government Companies, in the State as of 31 March 2023. The State Government earned a return of ₹ 25.07 crore on these investments during 2022-23. Year-wise details of investment by Government of Uttarakhand over the five-year period 2018-19 to 2022-23 are given in the **Table-2.29**.

Table-2.29: Details of Investment and return on Investment

	(₹ in crore)				
Investments/ Returns/Cost of borrowings	2018-19	2019-20	2020-21	2021-22	2022-23
Investment at the end of the year	3,402.45	3,534.95	3,683.54	3,818.94	4043.90
Return on investment	18.69	14.08	40.02	35.05	25.07
Return on investment (<i>per cent</i>)	0.55	0.40	1.09	0.92	0.62
Average rate of interest on Government borrowings (<i>per cent</i>)	8.15	7.26	6.83	6.55	6.56
Difference between return on investment (<i>per cent</i>) and average rate of interest	(-)7.60	(-)6.86	(-)5.74	(-)5.63	(-)5.94
Notional loss due to difference between interest rate of Government borrowings and return on investments	258.59	242.50	211.44	215.01	240.21

The average return on Uttarakhand Government's investment was negligible and ranged from 0.40 to 1.09 *per cent* of the investment (at historical cost) during 2018-19 to 2022-23. It decreased to 0.62 *per cent* during the year from 0.92 *per cent* of previous year. However, the Government paid an average interest rate of 7.07 *per cent* on its borrowings during 2018-19 to 2022-23.

During exit conference, the Government reiterated that return on investment in PSUs should not be seen as pure financial return. It should be seen as an economic return since Government invest in PSUs as a welfare measure to provide benefits to the common public and to promote economy. Audit requested the Government to share study, if any, done to calculate economic return of the PSUs.

The Government's emphasis on viewing return on investment in PSUs through an economic lens is valid, it's crucial to acknowledge the challenges and limitations that can affect the functionality and effectiveness of these departments in practice. Balancing welfare objectives with operational efficiency and market dynamics is essential for maximizing the benefits derived from Government investment in PSUs.

(ii) Reconciliation of balances

The figures in respect of equity, loans and guarantees outstanding as per records of SPSEs should agree with that of the figures appearing in the Finance Accounts of the GoU. In case the figures do not agree, the concerned SPSEs and the Finance Department should carry out reconciliation of the differences. The differences in figures of equity, loans and guarantees as on 31 March 2023 are given below in **Table-2.30**.

Table-2.30: Equity, Loans and Guarantees outstanding as per Finance Accounts vis-à-vis as per records of SPSEs

(₹ in crore)

Outstanding in respect of	As per Finance Accounts	As per records of SPSEs	Difference
A	B	C	(B-C)
Equity	4,043.90	3,989.52	54.38
Loan	731.13	935.51	(-) 204.38
Guarantee	33.45	101.18	(-) 67.73

Source: Compilation based on information received from power sector SPSEs and Finance Accounts.

The differences between the figures are persisting since last many years. The differences have arisen primarily due to the investment transactions being booked in Government accounts based on the vouchers received in the Office of the Principal Accountant General (A&E) and the details given in the Audit Reports obtained from the individual PSUs. The differences in investments made by the State Government in these PSUs are under reconciliation.

During exit conference, The Government stated that the balances will be reconciled.

(iii) Misclassification between Revenue and Capital Expenditure

During the year 2022-23, Government of Uttarakhand incorrectly booked expenditure of ₹ 14.71 crore (Major Works) and ₹ 0.52 crore (Land Purchase) under Revenue Section instead of Capital Section as has been determined from the purpose of expenditure. This led to overstatement of Revenue Expenditure to that extent.

During exit conference, the Government said that corrective measures will be taken.

(iv) Quantum of Loans disbursed and recovered during five years

In addition to investments in Co-operative societies, Corporations and Companies, the State Government also provided loans and advances to many institutions/organisations. **Table-2.31** presents the outstanding loans and advances as on 31 March 2023 along with interest receipts vis-à-vis interest payments during the five-year period from 2018-19 to 2022-23.

Table-2.31: Details of quantum of loans disbursed and recovered during 2018-23

(₹ in crore)

Quantum of Loans/ Interest Receipts/ Cost of Borrowings	2018-19	2019-20	2020-21	2021-22	2022-23
Opening Balance of loan outstanding	1,769.97	1,926.54	2,033.40	2,047.91	2,378.28
Amount advanced during the year	183.48	125.78	37.56	347.45	93.63
Amount recovered during the year	26.91	18.92	23.05	17.08	17.30
Closing Balance of loan outstanding	1,926.54	2,033.40	2,047.91	2,378.28	2,454.61
Net Addition	156.57	106.86	14.51	330.37	76.33
Interest Received	1.13	25.65	58.78	359.22	694.88 ⁹
Interest received as a percentage of outstanding Loans and Advances	0.06	1.33	2.89	17.54	29.22

⁹ Includes an amount of ₹ 660.16 crore pertaining to MH-6003-111 (Special Securities issued to NSSF) which was inadvertently booked/debited under MH-2049 during 2017-18 & 2018-19. The same was corrected through a TE by crediting MH-0049-800 during 2022-23.

Quantum of Loans/ Interest Receipts/ Cost of Borrowings	2018-19	2019-20	2020-21	2021-22	2022-23
Average rate of interest paid on Government borrowing (<i>per cent</i>)	8.15	7.26	6.83	6.55	6.56
Difference between Interest Payments and Interest Received (<i>per cent</i>)	(-)8.09	(-)5.93	(-)3.94	10.99	22.66

The total amount of outstanding loans and advances as on 31 March 2023 was ₹ 2,454.61 crore. The amount of loans disbursed during the current year decreased by 73.05 *per cent* from ₹ 347.45 crore in 2021-22 to ₹ 93.63 crore in 2022-23. Within the Economic Services, major recipient was Cooperative Sector ₹ 74.59 crore followed by Transport Sector ₹ 17.76 crore.

Recovery of loans and advances showed no significant increase over previous year. However, interest receipts in this regard increased significantly during current year by ₹ 335.66 crore (93.44 *per cent*) from ₹ 359.22 crore during 2021-22 to ₹ 694.88 crore during 2022-23.

Scrutiny of the total outstanding loans revealed that there was no repayment by four sectors namely General Services (other Loans), Special Area Program, Water Supply, Sanitation, Housing and Urban Development and Transport sector as detailed in **Table-2.32** over last five years (up to March 2023). In one sector (Transport), additional loans (₹ 17.76 crore) had been extended despite no repayments, while, in Agriculture and Allied Activities additional loans (₹ 74.59 crore) had been extended despite minor repayments. The overall outstanding balance has increased over the years.

Table-2.32: Loan and Advances rolling for a long time

(₹ in crore)						
Sl. No.	Name of the Sector	2018-19	2019-20	2020-21	2021-22	2022-23
1.	General Services (Other Loans)	19.47	19.47	19.47	19.47	19.47
2.	Water Supply, Sanitation, Housing and Urban Development	42.09	42.09	42.09	42.09	42.09
3.	Agriculture and Allied Activities	1,011.24	1,119.57	1,117.47	1116.47	1,188.91
4.	Special Area Programme	503.16	503.16	503.16	503.16	503.16
5.	Transport	153.80	153.80	158.09	215.47	233.23
Total		1,729.76	1,838.09	1,840.28	1,896.66	1,986.86

During the period 2018-19 to 2022-23, an amount of ₹ 787.90 crore was advanced to different sectors by the Government while recoveries amounted to ₹ 103.26 crore. Recovery declined from 1.38 *per cent* of the amount outstanding at the beginning of the year and amount advanced during the year in 2018-19 to 0.70 *per cent* in 2022-23. During the current year, the amount repaid was ₹ 17.30 crore which stood at 0.73 *per cent* of the outstanding loans (₹ 2,378.28 crore) as on 31 March 2022.

During exit conference, the Government requested to audit for providing detailed breakup of outstanding loans under Agriculture and allied activities and Special Area Programme.

The Government should adopt a more holistic and proactive approach in clearing these outstanding loans and advances balances under these sectors since they are pending for a very long time.

(v) Capital Blocked in Incomplete/ongoing Projects

An assessment of trends in capital blocked in incomplete capital works would also indicate quality of capital expenditure. Blocking of funds on incomplete projects/works impinges negatively on the quality of 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 lead to an extra burden in terms of servicing of debt and interest liabilities.

As per Finance Accounts of the State for the year 2022-23, there were 143 incomplete/ongoing projects of Public Works department as on 31 March 2023. Age profile of incomplete projects based on the year of sanction/year of start of these projects as on 31 March 2023 is given in **Table-2.33**.

Table-2.33: Age profile of incomplete projects as on 31 March 2023*(₹ in crore)*

Year	No of incomplete projects	Estimated cost	Expenditure	Financial Progress (in per cent)
Sanctioned Upto 2017-18	46	387.13	316.75	81.82
2018-19	7	22.05	10.43	47.27
2019-20	13	48.03	30.54	63.59
2020-21	18	103.49	72.55	70.10
2021-22	37	119.71	69.86	58.35
2022-23	13	79.23	50.05	63.17
Sanction/Start date not available	9	24.58	14.27	58.07
Total	143	784.22	564.45	71.98

Source: Finance Accounts.

Effective steps need to be taken to complete these projects without further delay to avoid cost overruns.

During exit conference, the Government stated that efforts will be made for early completion of the incomplete projects.

(vi) Resource availability of the State under Public Private Partnership Projects

Public Private Partnership is an arrangement between the government or statutory entity and a private sector entity, to provide a framework that enables them to work together to meet the rising demand of the public for infrastructure development. Details of the projects running in the State are given **Table-2.34** below.

Table-2.34: Sector/Department wise details of PPP Projects*(₹ in crore)*

Sl. No.	Sector	Completed		Ongoing	
		No.	Estimated Cost	No.	Estimated Cost
1.	Transport	3	71.42	3	63.76
2.	Energy	0	0	2	117.50
3.	Urban	5	441.73	5	364.55
4.	Tourism	3	25.00	1	35.00
5.	Health	6	84.40	0	0
6.	Agriculture	0	0	1	380.00
Total		17	622.55	12	960.81

Source: Uttarakhand Public Private Partnership Cell Dashboard (<http://www.upppc.org/projects/projects>).

2.7 Expenditure Priorities

Enhancing human development levels requires the States to step up their expenditure on key social services like education, health, *etc.* Low fiscal priority (ratio of expenditure under a category to aggregate expenditure) is attached to a particular sector, if the allocation is below the respective national average. The higher the ratio of these components to total expenditure, the quality of expenditure is considered to be better.

Table-2.35 compares the fiscal priority of the State Government with that of NE & Himalayan States with regard to development expenditure, expenditure on Social and Economic Sectors, and Capital Expenditure during 2022-23, taking 2018-19 as the base year.

Table-2.35: Fiscal Priority of the State in 2018-19 and 2022-23

(in per cent)

Fiscal Priority of the State	AE/ GSDP	SSE/ AE	ESE/ AE	DE/ AE	CE/ AE	Education/ AE	Health & FW/ AE
Average (ratio) in 2018-19 of							
NE & Himalayan	27.30	35.72	29.11	64.84	16.11	17.70	6.48
Uttarakhand	16.74	34.49	25.47	59.96	16.04	19.13	5.44
Average (ratio) in 2022-23 of							
NE & Himalayan	27.24	38.68	24.89	63.57	15.52	15.77	6.95
Uttarakhand	17.20	38.74	21.80	60.55	15.74	18.66	7.67
<i>AE: Aggregate Expenditure; DE: Development Expenditure; SSE: Social Sector Expenditure; ESE: Economic Sector Expenditure; CE: Capital Expenditure.</i>							

Source: SFAR compilation based on data of NSO, MoSPI, etc.

A comparative study of Average Expenditure of Uttarakhand State in 2022-23 with that of 2018-19 indicates the following:

- The State Government's Aggregate Expenditure as a proportion of the GSDP in 2022-23 increased nominally by 0.46 percentage points as compared to 2018-19.
- Social Sector Expenditure as a proportion of AE in 2022-23 was higher by 4.25 percentage points as compared to 2018-19.
- Economic Sector Expenditure as proportion of AE was lesser by 3.67 percentage points in 2022-23 as compared to 2018-19.
- The proportion of Development Expenditure (DE) and Health Sector Expenditure in AE increased by 0.59 and 2.28 percentage points respectively in 2022-23 as compared to 2018-19.
- The proportion of Capital Expenditure (CE) and Education Expenditure in AE decreased marginally by 0.30 and 0.47 percentage points respectively in 2022-23 as compared to 2018-19.

Further comparative study of NE & Himalayan States Average and Uttarakhand's Average in 2022-23 with that of 2018-19 revealed the following:

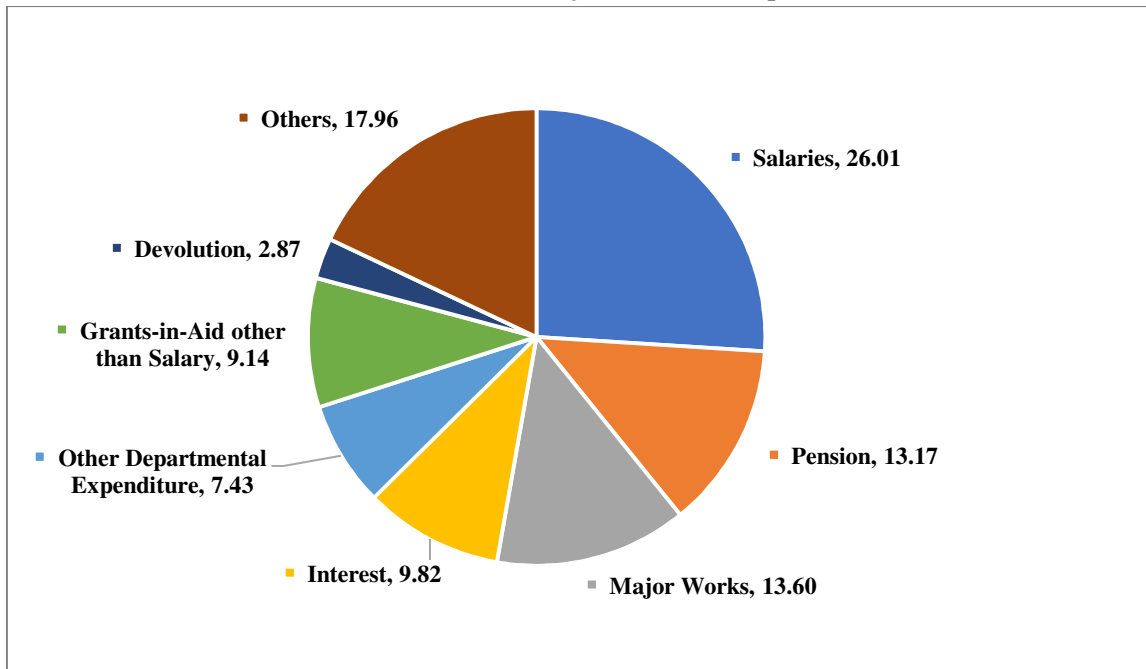
- Aggregate Expenditure (AE) as a proportion of GSDP in the State remained well below NE & Himalayan State’s average during both the years.
- Development Expenditure as a proportion of Aggregate Expenditure in the State was lower than that of the NE & Himalayan state’s average during both the years.
- Social Sector Expenditure as a proportion of Aggregate Expenditure in the State was lower during 2018-19. However, it was slightly higher (0.06 percentage point) in 2022-23 as compared to NE & Himalayan state’s average.
- The Economic Sector Expenditure as a proportion of Aggregate Expenditure in the State was lower than that of NE & Himalayan state’s during both the years.
- Priority was accorded by the State Government to Education Expenditure and the ratio of Education Expenditure to Aggregate Expenditure was higher than that of the NE & Himalayan state’s average in both years.
- Expenditure under Health Sector as a proportion to Aggregate Expenditure was lower than NE & Himalayan average in 2018-19, however, it improved a lot and was higher by 0.72 percentage points in 2022-23.

During exit conference, the Government accepted the facts and stated that there was improvement in most indicators in comparison to 2018-19.

Object Head wise Expenditure

Object head wise expenditure gives information about the object/purpose of the expenditure. Details of Object head wise expenditure are provided in the **Chart-2.18**.

Chart-2.18: Details of Object Head wise expenditure



Source: Finance Accounts.

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 Balances in Public Account

The component-wise net balances in Public Account of the State during the years (2018-19 to 2022-23) are given in **Table-2.36** below.

Table-2.36: Component-wise net balances in Public Account as of 31 March of the year

(₹ in crore)						
Sector	Sub Sector	2018-19	2019-20	2020-21	2021-22	2022-23
I. Small Savings, Provident Funds, etc.		889.86	665.79	431.46	333.88	122.95
J. Reserve Funds	(a) Reserve Funds bearing Interest	112.77	2,759.12	89.90	(-) 467.57	58.04
	(b) Reserve Funds not bearing Interest	(-) 1.23	149.48	150.00	210	113.59
	Investment from RF	0	(-) 150.00	(-) 150.00	(-) 210	-110
	Total	111.54	2,758.60	89.90	(-) 467.57	61.63
K. Deposits and Advances	(a) Deposits bearing Interest	53.02	(-) 2.77	3.57	(-) 7.36	-12.79
	(b) Deposits not bearing Interest	(-) 64.08	504.35	378.43	(-) 673.73	357.25
	(c) Advances	0	0	0	0	0
	Total	(-) 11.06	501.58	382.00	(-) 681.09	344.46
L. Suspense and Miscellaneous	(a) Suspense	102.82	(-) 124.82	(-) 103.72	285.28	13.22
	(b) Other Accounts*	70.26	(-) 1,039.63	(-) 490.83	(-) 7.46	-285.41
	(c) Accounts with Governments of Foreign countries	(-) 0.01	0.04	0	0	0
	(d) Miscellaneous	0	0	0	0	0
	Total	173.07	(-) 1,164.41	(-) 594.55	277.82	-272.19
M. Remittances	(a) Money Orders, and other Remittances	(-) 4.5	(-) 4.38	0	(-) 0.04	(-)0.32
	(b) Inter- Governmental Adjustment Account	683.65	3.76	(-) 6.41	12.33	17.54
	Total	679.15	(-) 0.62	(-) 6.41	12.29	17.22
Grand Total		1,842.56	2,760.94	302.40	(-)524.67	274.07

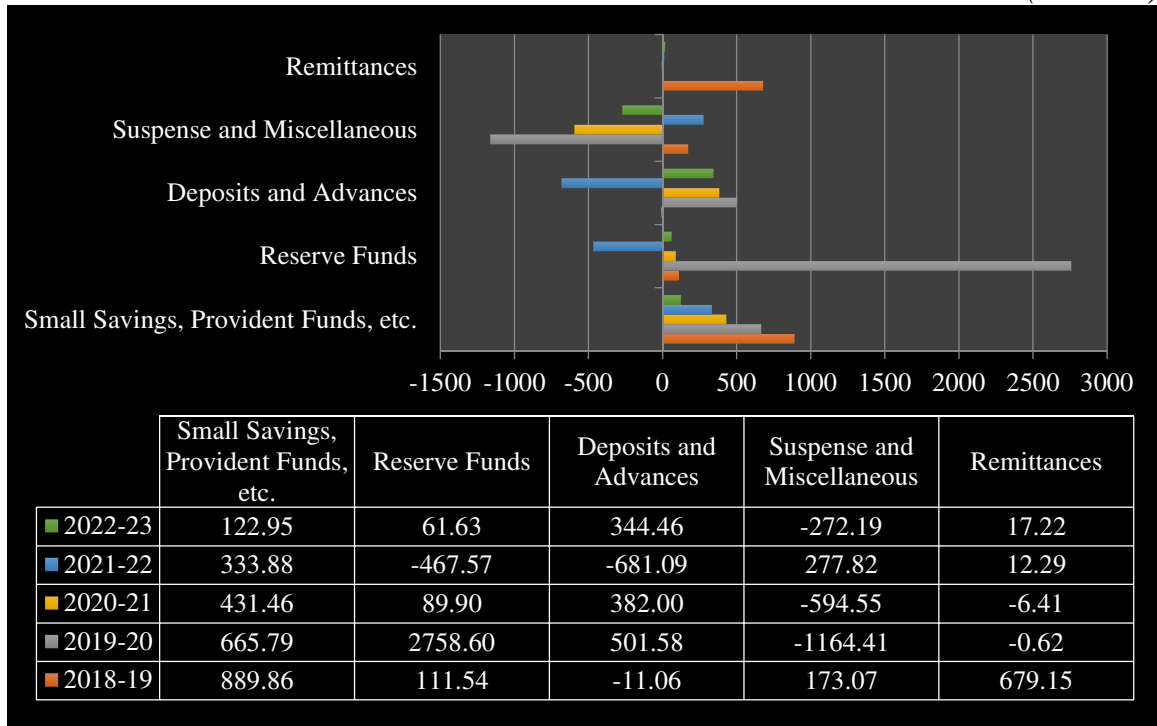
Note: -ve denotes debit balance and +ve denotes credit balances.

*Other Accounts under L. Suspense and Miscellaneous exclude Departmental Balance, Permanent Cash Imprest & Cash Balance Investment Account.

The yearly changes in composition of balances in Public Account over the five-year period 2018-23 are given in **Chart-2.19**.

Chart-2.19: Yearly changes in composition of Public Account balances

₹ in crore)



As has been highlighted in **Table-2.36**, the component wise net-public account balances over the period 2018-19 to 2022-23 have shown fluctuating trend. The net public account balance increased by ₹ 798.74 crore, from ₹ (-) 524.67 crore in 2021-22 to ₹ 274.07 crore in 2022-23. This was due to increase in net Deposit and Advances (₹ 1,025.55 crore), net Reserve Funds (₹ 529.20 crore) and Remittances (₹ 4.93 crore) which was counterbalanced by decrease in Net Small Savings, Provident Fund, *etc.* (₹ 210.93 crore), Suspense and Miscellaneous (₹ 550.01 crore).

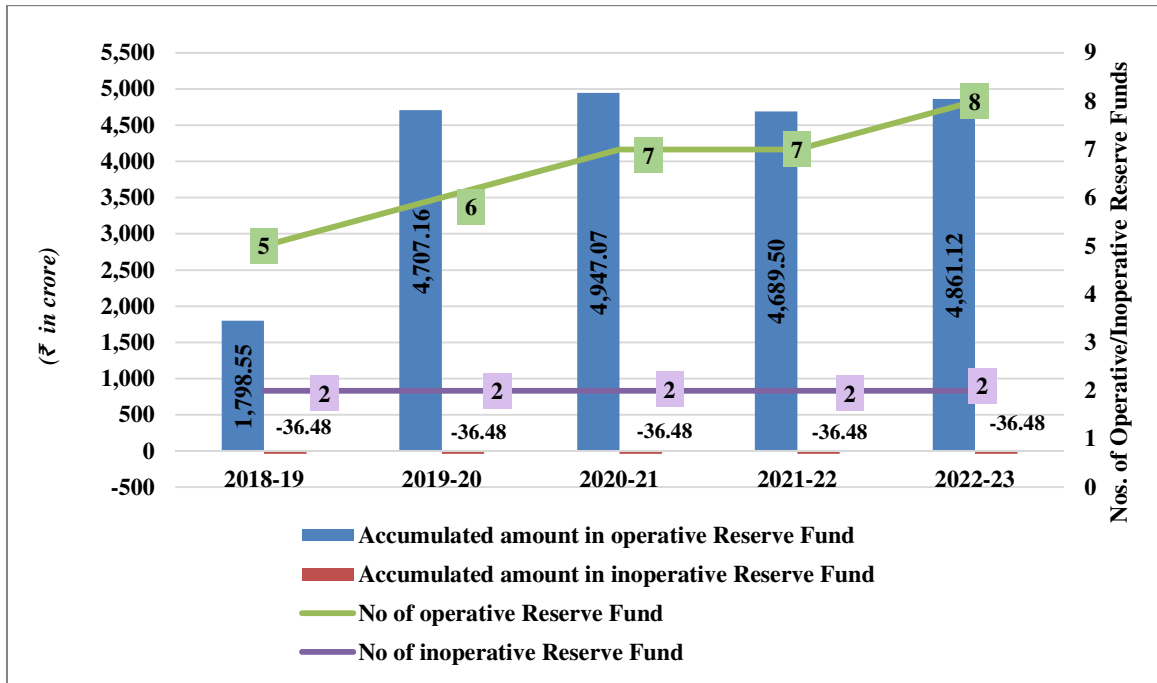
2.8.2 Reserve Funds

Reserve Funds are created for specific and defined purposes under the Public Account of the State Government. These funds are met from contributions or grants from the Consolidated Fund of the State.

State Government operated ten Reserve Funds as on 31 March 2023 out of which three Reserve Fund are interest bearing (₹ 2,933.92 crore credit) and seven Reserve Funds are non-interest-bearing funds (₹ 1,890.72 crore credit). Out of these ten funds, two funds were inoperative (balance ₹ 36.48 crore debit) and eight funds are operative (balance ₹ 4,861.12 crore credit), of which ₹ 1,808.62 crore (37.21 per cent) was invested.

Trend of accumulated balances under operative and inoperative Reserve funds is shown in the **Chart-2.20** below.

Chart-2.20: Trend of Operative and Inoperative reserve funds



Note: Accumulation in inoperative Reserve Fund is debit figure hence shown in negative.

Details of transactions during the year in the Reserve Funds (active-inactive) are discussed below.

2.8.2.1 In-operative Reserve Funds

There are two Reserve Funds, which are in-operative since long. These two funds have a balance of ₹ 36.48 crore (Debit). The details of these in-operative funds are given in Table-2.37.

Table-2.37: Details of inoperative Reserve Funds

Sl. No.	Name of the Fund	Amount as on 31 st March 2023 (₹ in crore)	Year of Establishment	Inoperative since
1.	Development Funds for Educational Purposes	0.01 (Cr.)	2000-01	2007-08
2.	Electricity Development Funds	36.49 (Dr.)	2005-06	2015-16
Total		36.48 (Dr.)		

2.8.2.2 State Disaster Response Fund

Government of India replaced the existing Calamity Relief Fund in 2010-11 with the State Disaster Response Fund (SDRF). In terms of the guidelines of the Fund, the Centre and Special Category States like Uttarakhand are required to contribute to the Fund in the proportion of 90:10. As per the guidelines, these contributions are to be transferred to the Public Account under Major Head 8121. Expenditure during the year is incurred by operating Major Head 2245. Expenditure incurred during the year on disaster response is adjusted by debiting the Public Account with contra deduct debit to the Expenditure Major Head 2245. Government of India provides additional assistance from the National Disaster

Response Fund (NDRF) - when the balances available under SDRF are insufficient to meet the expenditure on account of natural calamities. The entire funds provided under the NDRF are incurred directly against the expenditure on natural calamities. Details of expenditure charged to SDRF for the year 2022-23 is given in the **Table-2.38** as well as details of SDRF is provided in the **Table-2.39**.

Table-2.38: Details of expenditure charged to SDRF

(₹ in crore)

Major Head of Account	Minor Head of Account	Expenditure during 2022-23
2245- Relief on Account of Natural Calamities 05- State Disaster Response Fund	101-Transfer to Reserve Funds and Deposit Accounts	1,748.80
	901- Deduct- Amount met from State Disaster Response Fund	(-) 874.40
	Sub Total	874.40
2245- Relief on Account of Natural Calamities 80- General	102- Management of Natural Disaster, Contingency Plans in disaster prone areas	50.66
	800-Other Expenditure	4.71
	Sub-Total	55.37
Grand Total		929.77

Source: Finance Accounts.

Table-2.39: Details of SDRF

(₹ in crore)

Opening balance (01 April 2022)	Contribution by Centre	State Share	Total	Amount set off (MH 2245-05)	Balance in the fund (31 March 2023)	Amount invested through RBI during the year
2.27	787.20	87.20	874.40	874.40	2.27	Nil

Source: Finance Accounts.

The State Government during the year neither made any investment from the SDRF nor provided any interest on the fund balance, in violation of SDRF guidelines.

During exit conference, the Government stated that figures will be reconciled and also intimated that efforts will be made to comply with the SDRF guidelines.

2.8.2.3 State Disaster Mitigation Fund (SDMF)

The State Disaster Mitigation Fund (SDMF) is to be constituted under section 48 (1) (c) of the Disaster Management Act, 2005. This Fund is exclusively for the purpose of mitigation project in respect of disaster covered under State Disaster Response Fund (SDRF)/National Disaster Response Fund (NDRF) guidelines and the State specific local disaster notified by the State Government from time to time. The State Government has created the SDMF, vide Notification No. 710/XVIII (2)/08-3(15)/2007 dated: 05 May 2008 under Major Head 8121-130- State Disaster Mitigation Fund. During the year 2022-23, the State Government received ₹ 98.40 crore from the Central Government. The State Government's share during the year is ₹ 21.80 crore. The State Government transferred ₹ 120.20 crore to the Fund. However, State withdrew an amount of ₹ 208.12 crore from the fund, by leaving balance

of ₹ 87.92 crore (debit balance). Moreover, central grant of ₹ 187.40 crore received during the year 2021-22, with matching state share was not transferred to the fund till date.

2.8.2.4 Guarantee Redemption Fund

The Government of Uttarakhand constituted 'Guarantee Redemption Fund' in 2006-07 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 Public Sector Undertakings or other Bodies and invoked by the beneficiaries. The accumulations in the Fund are to be utilised only towards payment of the guarantees issued by the Government and not paid by the institutions on whose behalf guarantee was issued.

In terms of guidelines of Uttarakhand Gazette Notification dated December 2006, the State Government is required to contribute an amount equivalent to at least 1/5th of the outstanding invoked guarantees plus amount of guarantees likely to be invoked as a result of the incremental guarantees issued during the year. The funds are invested by the Reserve Bank of India.

The State Government informed that no Guarantee was invoked during 2022-23. An amount of ₹ 10.00 crore was contributed from the Consolidated Fund to the Guarantee Redemption Fund during the current year as against ₹ 74.87¹⁰ crore, required to contribute to the Fund. The short contribution of ₹ 64.87 crore has resulted in understatement of Revenue Expenditure. Further, against the receivable Guarantee commission fee of ₹ 23.45 crore, an amount of ₹ 4.57 crore was received resulting in short receipt of ₹ 18.88 crore as guarantee commission fees. Also, as per Uttarakhand Gazette Notification dated 19 December 2016, Guarantee fee received has to be deposited in Public Account under Guarantee Redemption Fund. However, out of ₹ 4.57 crore State Government booked ₹ 0.99 crore as Revenue Receipts. This resulted in overstatement of Revenue Surplus and understatement of Fiscal Deficit to that extent.

During exit conference, the Government stated that figures will be reconciled.

Average return from investments made out of Guarantee Redemption Fund during past five years was 7.86 per cent. Details of Guarantee Redemption Fund is provided in the **Table-2.40**.

Table-2.40: Details of Guarantee Redemption Fund

Opening balance (01 April 2022)	Additions to the Fund (Contribution and interest)		Payments out of the Fund	Total balance in the Fund	Amount invested by RBI during the year	Closing balance (31 March 2023)
	Desired Level Contribution *	Actual Contribution Made				
153.92 (95.00 Principal & 58.92 Interest)	74.87 (374.34*1/5)	22.83 (10.00 Principal & 12.83 Interest)	Nil	176.75 (105.00+71.75)	176.75	Nil

Source: Finance Accounts.

¹⁰ 1/5th of amount of outstanding invoked guarantees plus amount of guarantees likely to be invoked as a result of the incremental guarantees issued during the year.

2.8.2.5 State Compensatory Afforestation Funds

The Uttarakhand State Compensatory Afforestation Fund was created in September 2018 by the Government of Uttarakhand to administer the amount received and utilize the monies collected for undertaking compensatory afforestation, assisted natural regeneration, conservation and protection of forests, infrastructure development, wildlife conservation and protection and other related activities and for matters connected therewith or incidental thereto. Detailed guidelines for accounting under this Fund have been issued vide Ministry of Environment, Forest and Climate Change, Government of India in November 2018. The State Government has not so far adopted these guidelines and not followed the accounting procedure¹¹ given in the guidelines. During 2022-23, the State Government received ₹ 119.00 crore from National Compensatory Afforestation Deposit, as the share of Uttarakhand. During the year 2022-23, the State Government booked an amount of ₹ 256.68 crore (₹ 150.00 crore of interest + ₹ 106.68 crore of user charges) in State Compensatory Afforestation Fund under Major Head '8121-General and Other Reserve Fund'. An amount of ₹ 229.72 crore has been withdrawn from the fund leaving balance of ₹ 3,019.57 as on 31 March 2023.

2.8.3 Interest liabilities against Reserve Funds and Deposits Bearing Interest not discharged

Government is liable to pay/adjust interest in respect of balances under category J-Reserve Funds (a. Reserve Funds bearing interest) and K-Deposit and Advances (a. Deposits bearing interest), and for this purpose, specific Sub-Major Heads are provided in the List of Major and Minor Heads of Accounts.

Accordingly, ₹ 122.68 crore was the interest liabilities that the State Government is required to pay during the year 2022-23 as detailed in **Table-2.41**.

Table-2.41: Details of un-discharged liability of interest due in Reserve Funds and Deposits

(₹ in crore)					
Sector	Sub-sector	Rate of interest	Balance at the beginning of 2022-23	Interest due	Interest paid
J-Reserve Funds	(a) Reserve Funds bearing interest-SDRF	7.49 per cent (as per guideline of SDRF)	2.27	0.17	--
	(b) Reserve Fund bearing interest-SCAF	3.35 per cent (as informed by MoEFCC)	2,873.61	96.27	150.00*
K-Deposits and Advances	(c) Deposits bearing interest (excluding CPS MH-8342-117)	5.49 per cent (average of W&M interest rate)	370.33	20.33	74.33*
	Un-transferred amount under NPS (8342-117)	Interest calculated as per the rate of Interest 7.10 per cent notified by the Government / Payable to General Provident Fund	83.21	5.91	20.00*
Total Interest				122.68	244.33

Source: NTA to Finance Accounts 2022-23 Government of Uttarakhand

*Includes payments for past periods.

¹¹ These guidelines inter-alia states that the monies received by the State government from the user agencies shall be credited in "State Compensatory Afforestation Deposits" at Minor Head level below Major Head 8336 Civil Deposits. Out of it 90 per cent shall be transferred to the Major Head 8121-129 in Public Account of the State and 10 per cent in the National Fund. Similarly, the expenditure shall initially be booked under Major Head-2406 and then transferred to the Major Head 8121-129 in the Public Account by deduct entry in the concerned Major Head of account 2406.

During current year 2022-23, the State Government paid ₹ 244.33 crore as interest in lieu of ₹ 122.68 crore. The excess payment of ₹ 121.65 crore impacted the Revenue Surplus and Fiscal Deficit to that extent.

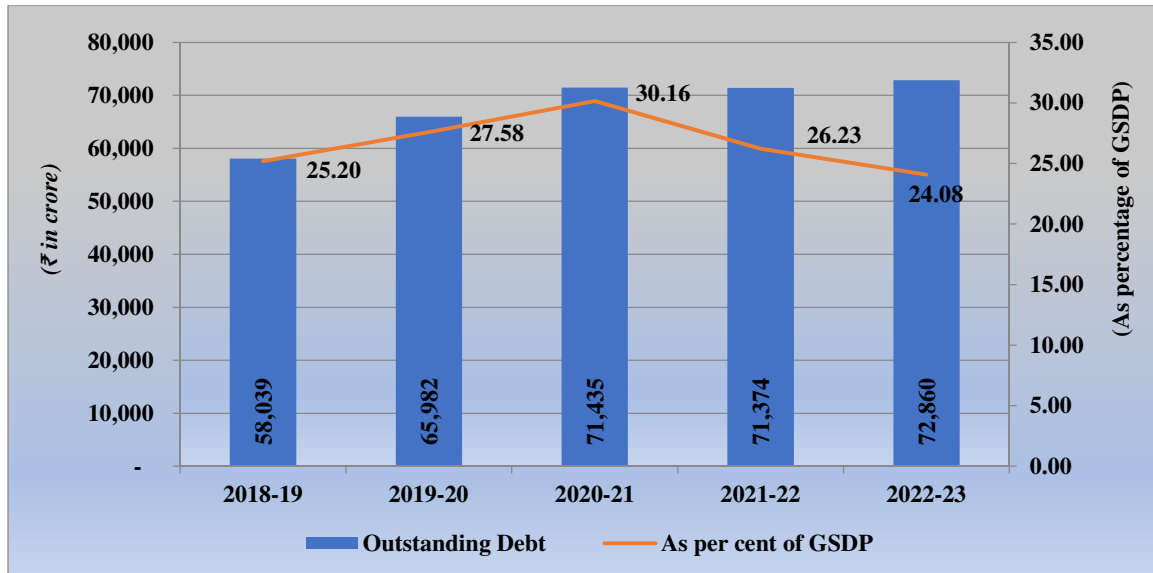
2.9 Public Liability Management

Management of public liability is the process of establishing and executing a strategy for managing the Government’s liabilities in order to raise the required amount of funding, achieve its risk and cost objectives, and to meet any other sovereign liability management goals that the Government may have set through enactment or any other annual budget announcements.

2.9.1 Trend of overall liability

The effective outstanding liability at the end of 2022-23 was ₹ 72,860 crore. Year wise overall liability during 2018-19 to 2022-23 is given in **Chart-2.21**.

Chart-2.21: Trend of overall Liability



Note: Accumulation of back-to-back loan of ₹ 5,649 crore (₹ 2,316 crore and ₹ 3,333 crore in respect of 2020-21 and 2021-22 respectively) in lieu of GST compensation shortfall has been excluded for computing the ratio of outstanding debt to GSDP. As per GoI clarification¹² this borrowing would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission, etc.

2.9.2 Liability profile: Components

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. Total Liabilities as per FRBM Act of the Uttarakhand means the liabilities under the Consolidated Fund of the State and the Public Account of the State. The component wise debt trends are shown in **Table-2.42**.

¹² Government of India, Ministry of Finance, Department of Expenditure letter no. F.No.40 (1) PF-S/2021-22 dated 10 December 2021.

Table-2.42: Component wise Debt Trends

	2018-19	2019-20	2020-21	2021-22	2022-23
Outstanding Total Liability	58,039	65,982	71,435	71,374	72,860
Public Debt	46,233	50,250	54,799	55,553	56,510
(i) Internal Debt	45,443	49,437	53,302	53,759	53,559
(ii) Loans from GoI	790	813	1,497	1,794	2,951
Liabilities on Public Account	11,806	15,732	16,636	15,821	16,350
(i) Small Savings, Provident Fund etc.	7,899	8,565	8,997	9,331	9,453
(ii) Reserve Fund	573	3,332	3,422	2,954	3,016
(iii) Deposit	3,334	3,835	4,217	3,536	3,881
Rate of growth of Outstanding Total Liability	11.98	13.69	8.26	(-) 0.09	2.08
Gross State Domestic Product (GSDP)	2,30,314	2,39,247	2,36,860	2,72,159	3,02,621
Liability/GSDP (per cent)	25.20	27.58	30.16	26.23	24.08
Borrowings and other Liabilities (as per Statement 6 of Finance Accounts)					
Total Receipts	22,225	22,194	23,327	16,326	18,188
Total Repayments	16,017	14,251	15,558	13,053	16,703
Net Funds Available	6,208	7,943	7,769	3,273	1,485
Repayment/Receipts (percentage)	72.07	64.21	66.70	79.95	91.84

Source: Finance Accounts.

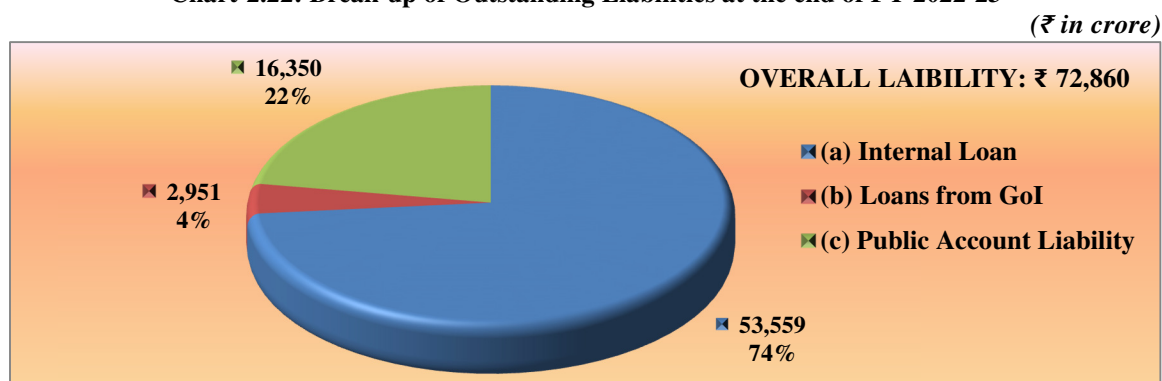
Note: Accumulation of back-to-back loan of ₹ 5,649 crore (₹ 2,316 crore and ₹ 3,333 crore in respect of 2020-21 and 2021-22 respectively) in lieu of GST compensation shortfall has been excluded for computing the ratio of outstanding debt to GSDP. As per GoI clarification this borrowing would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission, etc.

Total liabilities of the State Government have increased by ₹ 14,821 crore (25.54 per cent) from ₹ 58,039 crore in 2018-19 to ₹ 72,860 crore in 2022-23. However, it increased by ₹ 1,486 crore (2.08 per cent) over the previous year. Further, Internal Debts decreased by ₹ 200 crore (- 0.37 per cent) and Loans from GoI increased by ₹ 1,157 crore (64.49 per cent) over the previous year. Liabilities on Public Account increased by ₹ 4,544 crore (38.49 per cent) during the period 2018-23. Further, liabilities on Public Account increased ₹ 529 crore (3.34 per cent) over the previous year due to marginal increase in all components of Public Account liabilities.

2.9.3 Breakup of Outstanding Overall Liability at the end of 2022-23

The total outstanding liability of the State Government at the end of 2022-23 was ₹ 72,860 crore. Internal debt, which is (₹ 53,559 crore), accounts for 74 per cent of the total outstanding debt. Component-wise break-up of debt is shown below in Chart-2.22.

Chart-2.22: Break-up of Outstanding Liabilities at the end of FY 2022-23



Note: Outstanding Total Liability excludes back-to-back loan of ₹ 5,649 crore, received from GoI up to FY 2021-22, in lieu of GST compensation shortfall.

2.9.4 Component wise debt trends

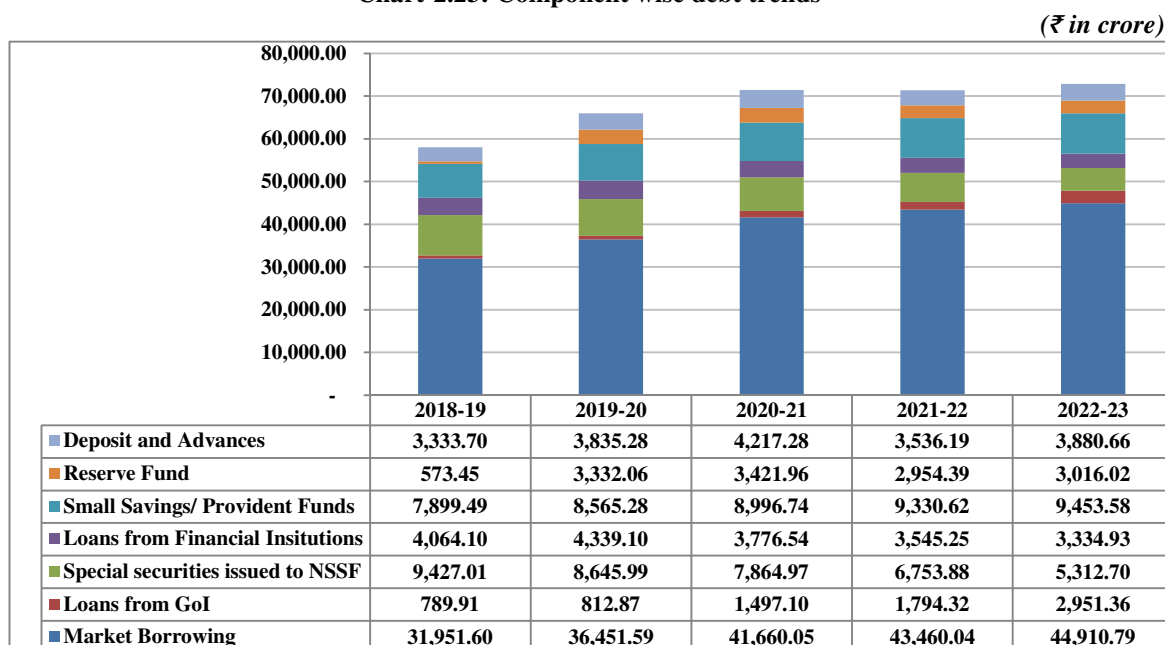
The debt trends comprising of internal debt, Loans from GoI, Public Account over the period 2018-19 to 2022-23 are highlighted in **Table-2.43** and **Chart-2.23** below.

Table-2.43: Component wise debt trends

(₹ in crore)

Year	Market Borrowing	Loa1s from GOI	Special securities issued to NSSF	Loans from Financial Institutions	Small Savings/ Provident Funds	Reserve Fund	Deposit and Advances
2018-19	31,951.60	789.91	9,427.01	4,064.10	7,899.49	573.45	3,333.70
2019-20	36,451.59	812.87	8,645.99	4,339.10	8,565.28	3,332.06	3,835.28
2020-21	41,660.05	1,497.10	7,864.97	3,776.54	8,996.74	3,421.96	4,217.28
2021-22	43,460.04	1,794.32	6,753.88	3,545.25	9,330.62	2,954.39	3,536.19
2022-23	44,910.79	2,951.36	5,312.70	3,334.93	9,453.58	3,016.02	3,880.66

Chart-2.23: Component wise debt trends

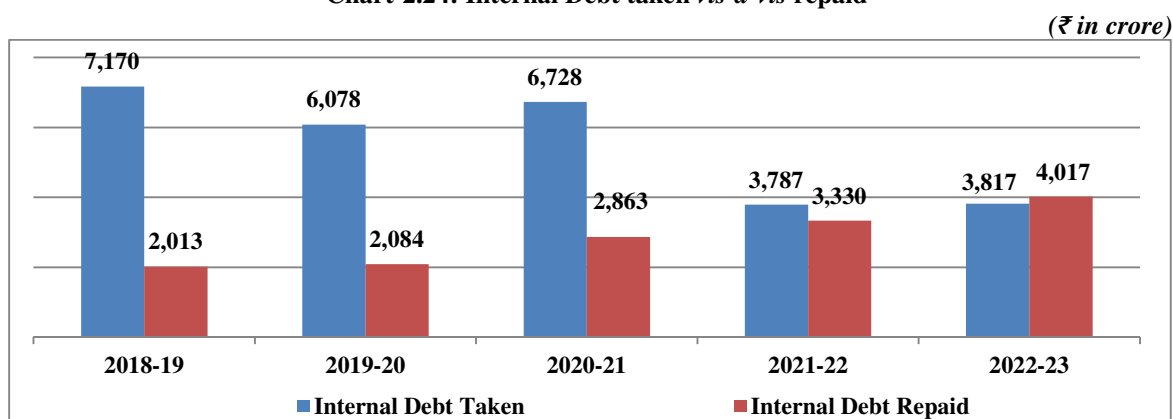


Note: Outstanding Total Liability excludes accumulation of back-to-back loan of ₹ 5,649 crore (₹ 3,333 crore and ₹ 2,316 crore i.r.o FY 2021-22 and 2020-21 respectively) in lieu of GST compensation shortfall.

2.9.5 Internal Debt taken vis-à-vis repaid

Composition of Internal Debt taken and repaid during 2018-19 to 2022-23 is given in **Chart-2.24**.

Chart-2.24: Internal Debt taken vis-à-vis repaid



The financing pattern of the fiscal deficit has undergone a compositional shift as reflected in **Table-2.44**.

Table-2.44: Components of Fiscal Deficit and its Financing Pattern

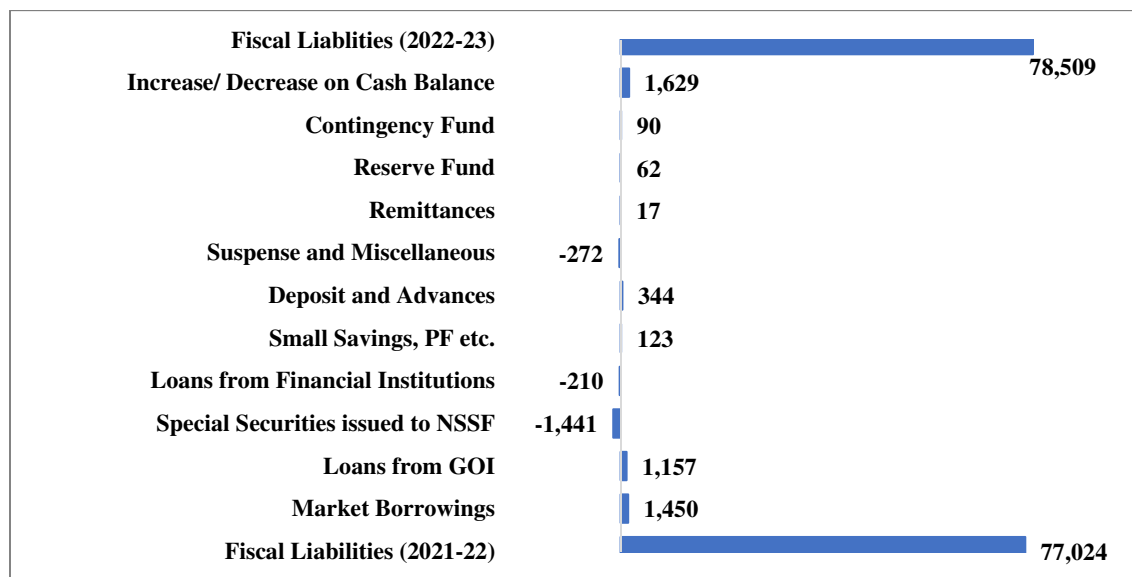
(₹ in crore)

Sl. No.	Particulars	2018-19	2019-20	2020-21	2021-22	2022-23
A	Components of Fiscal Deficit (1 to 3)	(-) 7,320	(-) 7,657	(-) 5,439	(-) 3,736	(-)2,949
1.	Revenue Deficit (-)/ Surplus (+)	(-) 980	(-) 2,136	(+) 1,114	(+) 4,128	(+)5,310
2.	Net Capital Expenditure	(-) 6,184	(-) 5,414	(-) 6,538	(-) 7,534	(-)8,183
3.	Net Loans and Advances	(-) 156	(-) 107	(-) 14	(-) 330	(-)76
B	Financing Pattern of Fiscal Deficit					
1.	Net Public Debt	(+) 5,217	(+) 4,017	(+) 6,865	(+) 4088	(+)956
a.	Net Market Borrowings	(+) 5,289	(+) 4,500	(+) 5,209	(+) 1,800	(+)1,450
b.	Net Loans from GoI	(+) 61	(+) 23	(+) 3,000	(+) 3,630	(+)1,157
c.	Net Special Securities issued to NSSF	(-) 411	(-) 781	(-) 781	(-) 1,111	(-)1,441
d.	Net Loans from Financial Institutions ¹³	(+) 278	(+) 275	(-)563	(-) 231	(-)210
2.	Net Public Account	(+) 1,843	(+) 2,761	(+) 302	(-) 525	(+) 274
a.	Net Small Savings, PF, etc.	(+) 890	(+) 666	(+) 431	(+) 334	(+)123
b.	Net Deposits and Advances	(-) 11	(+) 501	(+) 382	(-) 681	(+)344
c.	Net Suspense and Misc.	(+) 173	(-) 1,164	(-) 595	(+) 278	(-)272
d.	Net Remittances	(+) 679	(-) 01	(-) 6	(+) 12	(+)17
e.	Net Reserve Fund	(+) 112	(+) 2,759	(+) 90	(-) 468	(+)62
3.	Net Contingency Fund	(+) 110	(+) 68	(-) 225	(+) 224	(+)90
4.	Accretion to Cash Balance	(+) 150	(+) 811	(-) 1,503	(-) 51	(+)1,629

Source: Finance Accounts of Government of Uttarakhand.

The fiscal deficit in 2022-23 was largely managed by Accretion to Cash Balance (55.24 per cent), Market Borrowings (49.17 per cent) and Loans from GoI (39.23 per cent). This was counter balanced by decline in Net Special Securities issued to NSSF (48.86 per cent). Financing of Fiscal Deficit during the year is depicted in **Chart-2.25** below:

Chart-2.25: Financing of Fiscal Deficit



¹³ Includes Net Ways and Means Advances

2.9.6 Debt profile: Maturity and Repayment

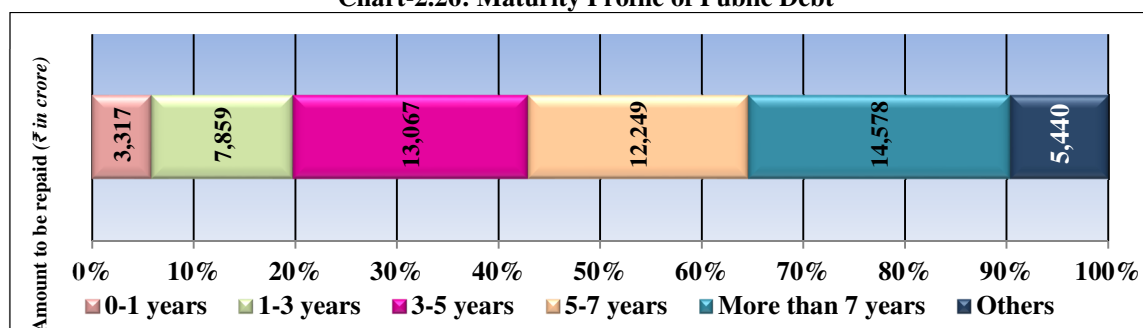
Debt maturity and repayment profile indicates commitment on the part of the Government for debt repayment or debt servicing. The maturity profile of the State's outstanding loans and advances (public debt) is given in **Table-2.45** and **Chart-2.26**.

Table-2.45: Debt Maturity Profile of Repayment of Public Debt

Year of maturity	Maturity Profile (in years)	Amount			Per cent of total Public Debt
		Internal Debt	Loans & Advances from GoI	Total	
By 2023-24	0-1	3,248.00	68.63	3,316.63	5.87
Between 2024-25 & 2025-26	1-3	7,746.90	112.27	7,859.17	13.91
Between 2026-27 & 2027-28	3-5	12,956.57	110.52	13,067.09	23.12
Between 2028-29 & 2029-30	5-7	12,132.17	116.97	12,249.14	21.68
2030-31 onwards	Above 7	14,139.06	438.31	14,577.37	25.80
Others	NA	3,335.73	2,104.63	5,440.36	9.63
Total		53,558.43	2,951.33	56,509.76	100.01

Note: Loan from GoI excludes back loan of ₹ 5,649 crore, received from GoI till the year 2021-22, in lieu of GST compensation shortfall. The debt servicing of this loan would be done from the collection of cess in the GST compensation fund and hence, the repayment obligation will not be met from the other resources of the State.

Chart-2.26: Maturity Profile of Public Debt



The maturity profile of outstanding stock of public debt as on 31 March 2023 indicates that out of the outstanding public debt of ₹ 56,509.76 crore¹⁴, 64.58 per cent (₹ 36,492.04 crore) is payable within the next seven year while 25.80 per cent (₹ 14,577.37 crore) is in the maturity bracket of more than seven years. The maturity profile of the remaining 9.63 per cent is not available. It constitutes mainly Internal loans from financial institutions (GIC, LIC, SBI, NABARD, NCDC etc.) of ₹ 3,335.73 crore (5.87 per cent) and loans from GoI as Scheme for Special Assistance as Loan to State for Capital Expenditure ₹ 2,062.93 crore (3.64 per cent). Of the total outstanding public debt, internal debt (₹ 53,558.43 crore) consisting of market borrowings, loans from NABARD and special securities issued to NSSF etc. constituted 94.78 per cent. The amount of outstanding market loans and interest to be paid there on over the period of next ten years is detailed in **Table-2.46** and **Chart-2.27** below:

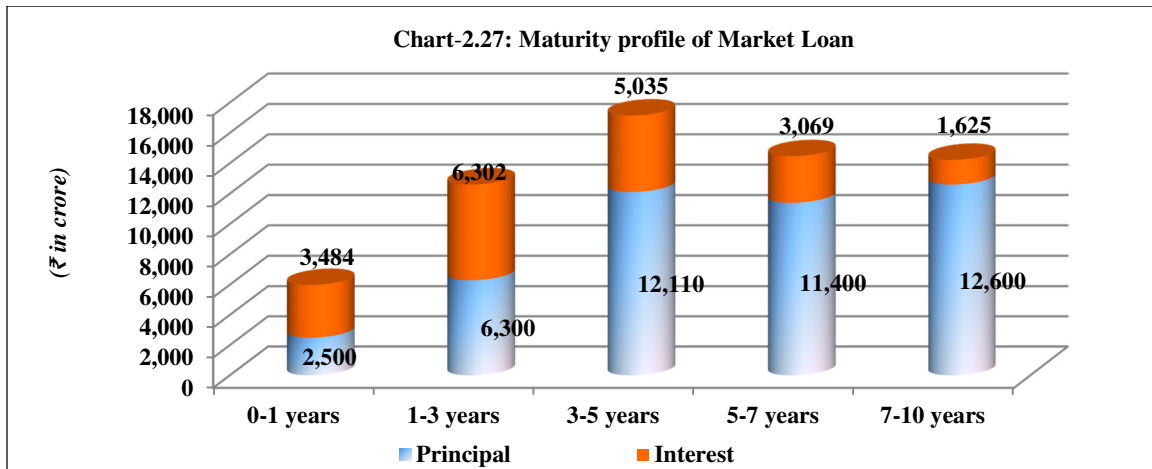
¹⁴ Excludes accumulation of back-to-back loan of ₹ 5,649 crore (₹ 3,333 crore and ₹ 2,316 crore i.r.o 2021-22 and 2020-21 respectively) in lieu of GST compensation shortfall. The debt servicing of this loan would be done from the collection of cess in the GST compensation fund and hence, the repayment obligation will not be met from the other resources of the State.

Table-2.46: Repayment of Debt and Interest

(₹ in crore)

Year	Repayment of		
	Public Debt (Market Loan)**	Interest	Total
2023-24	2,500	3,484.12	5,984.12
2024-25	2,400	3,256.22	5,656.22
2025-26	3,900	3,046.11	6,946.11
2026-27	5,450	2,721.57	8,171.57
2027-28	6,660	2,313.61	8,973.61
2028-29	6,300	1,798.72	8,098.72
2029-30	5,100	1,269.78	6,369.78
2030-31	6,200	901.81	7,101.81
2031-32	3,200	475.73	3,675.73
2032-33	3,200	247.25	3,447.25
Total	44,910	19,514.92	64,424.92

** Calculation of interest in respect of public debt components other than market loan is not feasible due to non-availability of information i.e. maturity profile and rate of interest in Finance Account.



Note: The maturity profile has been evolved for outstanding market loans as on 31 March 2023 and interest has been calculated up to the financial year in which the loans are going to be retired.

The State will have to repay ₹ 8,800 crore of market loans and pay interest of ₹ 9,786 crore in next three financial years i.e., up to 2025-26. In next two years up to 2027-28, ₹ 12,110 crore principal and interest of ₹ 5,035 crore will be payable. Annual outgo in shape of loan repayment and interest will be approximately ₹ 7,146.20 crore during next five years up to 2027-28.

In the period 2028-29 to 2032-33, loans of ₹ 24,000 crore and interest of ₹ 4,693.27 crore will be payable. As such the State will have to repay approximately ₹ 4,809.39 crore annually during the period 2027-28 to 2031-32. Current year repayment of loans including interest is ₹ 5,738.65 crore.

2.9.7 Debt Sustainability Analysis

Debt sustainability analysis has been carried out on the basis of fiscal and debt parameters: Domar approach and compliance of macro-fiscal parameters to the respective FRBM targets. It is a complex issue and escapes easy assessment because it is inherently forward looking. It is an informed judgment on a known unknown. 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 significantly increase taxes, or decrease spending. The results of the analysis are given in the following paragraphs:

(A) Debt sustainability is defined as the ability of the State to service its debt now and in future. Analysis of variations in debt sustainability indicators is given in **Table-2.47** and **Chart-2.28**.

Table-2.47: Debt Sustainability: Indicators and Trends

(₹ in crore)

Indicators of Debt Sustainability	2018-19	2019-20	2020-21	2021-22	2022-23
Outstanding Public Debt	46,233	50,250	54,799**	55,553**	56,510**
Rate of growth of Outstanding Public Debt	12.72	8.69	9.05	1.38	1.72
State's GSDP	2,30,314	2,39,247	2,36,860	2,72,159	3,02,621
Growth rate of GSDP	4.58	3.88	(-) 1.00	14.90	11.19
Debt/GSDP Ratio	20.07	21.00	23.14	20.41	18.67
Debt maturity profile of repayment of State Debt-including default history, if any	1,464	1,099	1,601	2,237	2,594
Average Interest Rate of Outstanding Public Debt (per cent)	8.78	7.81	7.65	7.60	7.50
Interest payment on Public Debt	3,830	3,770	4,018	4,194	4,201
Revenue Deficit/Surplus without interest payment	2,850	1,634	5,132	8,322	9,511
Percentage of interest payment to Revenue Deficit/Surplus	390.81	176.50	360.68	101.60	79.11
Interest Payments/Revenue Receipts (per cent)	12.27	12.27	10.52	9.74	8.56
Percentage of Debt Repayment to Debt Receipts#	28.27	34.66	29.85	45.30	81.00
Net Debt available to the State*	1,388	247	2,848	(-)106	(-) 3,244
Net Debt available as per cent to Debt Receipts	19.08	4.02	29.10	(-)1.42	(-) 64.42
Primary Deficit (-)/Primary Surplus (+)	(-)2,845	(-)3,153	(-)666	1,203	2,155
Debt Stabilisation (Quantum spread^{\$} + Primary Deficit)	(-) 4,786.79	(-) 5,127.83	(-) 4,074.11	5,258.37	4240.22

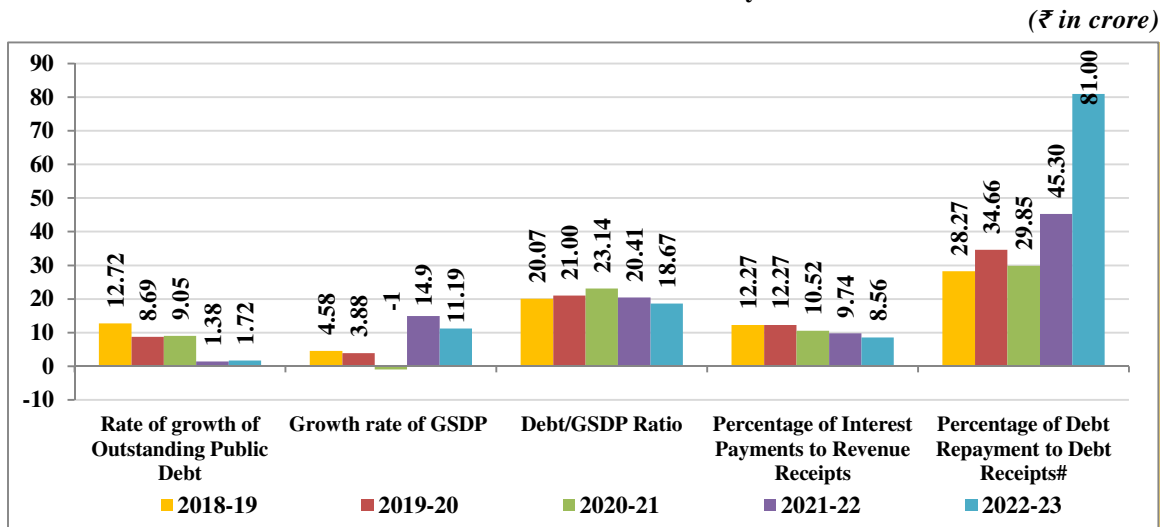
* Net Debt available to the State Government is calculated as Excess of Public Debt receipts over Public Debt repayment plus Interest Payment on Public Debt.

** This excludes accumulation of back-to-back loan of ₹ 5,649 crore up to FY 2021-22 (₹ 3,333 crore and ₹ 2,316 crore *i.r.o* F Y 2021-22 and 2020-21) respectively in lieu of GST compensation shortfall. The debt servicing of this loan would be done from the collection of cess in the GST compensation fund and hence, the repayment obligation will not be met from the other resources of the State

\$ Quantum Spread = (Outstanding Debt * (GSDP growth rate – Average Interest Rate of outstanding debt).

Excluding Ways & Means Advances

Chart-2.28: Trend of Debt Sustainability Indicator



Excluding Ways & Means Advances.

- A falling debt-GSDP ratio can be considered as leading towards stability. Debt-GSDP ratio rose from 20.07 per cent in 2018-19 to 23.14 per cent in 2020-21 which cannot be considered as leading towards stability. However, it fell from 20.41 per cent in 2021-22 to 18.67 per cent in 2022-23 which can be considered as leading towards stability. Also, debt stabilisation condition states that if quantum spread together with primary deficit is zero, debt-GSDP ratio would tend to be constant or debt would stabilize eventually. On the other hand, if primary deficit together with quantum spread turns out to be negative, debt-GSDP ratio would be rising and in case it is positive, debt-GSDP ratio would eventually be falling. **Table-2.47** shows that this trend had been negative during 2018-21 which indicates that debt-GSDP ratio would eventually be rising. However, during 2021-23 this trend had been positive hence Debt-GSDP ratio tend to be falling.
- Interest payments on Public Debt ranged between 79.11 per cent and 390.81 per cent of the Revenue Deficit / Revenue Surplus during 2018-23, which was substantially high.
- The ratio of interest payments to revenue receipts is also a good measure of debt sustainability. This ratio ranged between 8.56 per cent and 12.27 per cent during the period 2018-23.
- Higher the percentage of public debt repayments to public debt receipts, the greater the proportion of debt utilised for debt servicing rather than productively. Ratio of public debt repayments to public debt receipts ranged between 28.27 per cent and 81.00 per cent during the period 2018-23.

Further, during the five-year period 2018-19 to 2022-23, GSDP has grown at a CAGR of 6.56 per cent and the outstanding public debt has grown at slightly higher CAGR of 6.62 per cent¹⁵.

¹⁵ Exclude B2B loan of ₹ 5,649 crore.

(B) An analysis on debt sustainability was carried out based on a study by E D Domar [Domar, 1944]. The Domar model states that the necessary premise for ensuring stability of public indebtedness is that the interest rates for government loans should not exceed the growth rate of GDP.

The dynamics of public debt depending on the interest rate, growth rate of GSDP and the primary budget balance are as follows:

g-r (g: real economic growth rate, r: real interest rate)	s < 0 (Primary Deficit)	s > 0 (Primary Surplus)
g-r>0 (strong economic growth)	Public Debt as percentage of GSDP should converge to a stable level greater than zero.	Public Debt as percentage of GSDP should converge to a stable level less than zero leading to public savings.
g-r<0 (slow economic growth)	Public Debt as percentage of GSDP should increase indefinitely without converging to a stable level.	Undefined situation

The results of applying the above parameters in the case of Uttarakhand, are shown in **Table-2.48**.

Table-2.48: Debt Sustainability Analysis based on Domar Model

Year	Real Growth (g)	Real interest (r)	Domar gap (g-r)	Primary Deficit (-) / surplus (+) (₹ in crore) (s)	Remarks
2018-19	2.83	4.65	(-) 1.82	(-) 2,845	g-r<0 and s<0: Public Debt as percentage of GSDP should increase indefinitely without converging to a stable level.
2019-20	1.97	0.90	1.07	(-) 3,155	g-r>0 and s<0: Public Debt as percentage of GSDP should converge to a stable level greater than zero.
2020-21	(-) 12.02	1.25	(-) 13.27	(-) 666	g-r<0 and s<0: Public debt as percentage of GSDP should increase indefinitely, without converging to a stable level.
2021-22	10.87	0.94	9.93	1,203	g-r>0 and s>0: Public Debt as percentage of GSDP should converge to a stable level less than zero leading to public savings.
2022-23	7.87	0.77	7.10	2,155	

Source: Directorate of Economic and Statistics Uttarakhand

Primary deficit or surplus in the analysis of the Domar model is crucial as it provides insights into the fiscal dynamics impacting public debt accumulation, government finances, and overall economic stability and growth prospects.

The above table reveals that:

- In 2018-19 and 2020-21 The Domar gap (g-r) is negative, indicating that the real growth rate is lower than the real interest rate and the primary deficit is negative. In this scenario, public debt as a percentage of GSDP is expected to increase indefinitely without converging to a stable level.
- The Domar gap (expressed as g-r) was negative during the COVID year (2020-21). However, during the years 2021-22 and 2022-23, the Domar gap turned positive due to high growth rate in GSDP. Positive Domar gap due to high growth rate may also be seen with reference to low base for comparison in the previous year.

- However, in 2021-22 and 2022-23, there is a primary surplus of ₹ 1,203 crores and ₹ 2,155 crores respectively. This suggests that Public Debt as percentage of GSDP should converge to a stable level less than zero leading to public savings.

(C) Details of the achievements *vis-à-vis* targets set in the Central Finance Commission Report (FCR) are shown below:

Table 2.48(A): Achievements *vis-à-vis* Targets set in the FCR
(in per cent of GSDP)

Fiscal Parameters		Achievements <i>vis-à-vis</i> Targets set in the FCR				
		2018-19	2019-20	2020-21	2021-22	2022-23
Revenue Deficit (-)/ Surplus (+)	T	00	00	00	00	00
	A	(-) 0.43	(-) 0.89	0.47	1.52	1.75
Fiscal Deficit (-)/Surplus (+)	T	(-) 3.25	(-) 3.25	(-) 4.5	(-) 4.00	(-) 3.5
	A	(-) 3.18	(-) 3.20	(-) 2.30	(-) 1.37	(-) 0.97
Ratio of total outstanding liability to GSDP	T	22.56	22.52	33.20	33.10	33.90
	A	25.20	27.58	30.16*	26.23*	24.08*

* This excludes accumulation of back-to-back loan of ₹ 5,649 crore up to FY 2021-22 (₹ 3,333 crore and ₹ 2,316 crore i.r.o F Y 2021-22 and 2020-21) respectively in lieu of GST compensation shortfall.

The ratio of revenue deficit improved with a positive change to revenue surplus from 2018-19 to 2022-23. Fiscal deficit-GSDP and Outstanding liability-GSDP ratio remained within the targets fixed by the Finance Commission during 2018-23.

Further, there has been a decrease in the committed expenditure as a percentage of the revenue receipts from 69 per cent in 2018-19 to 53 per cent in 2022-23. However, it has been consistently around 70 per cent during 2018-20 and 55 per cent during 2021-23 thereby showing the sufficient availability of revenue resources for other purposes including debt servicing.

2.9.8 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. Trend of utilisation of borrowed funds during past five years are shown in the **Table-2.49** and **Chart-2.29** below.

Table-2.49: Utilisation of borrowed funds

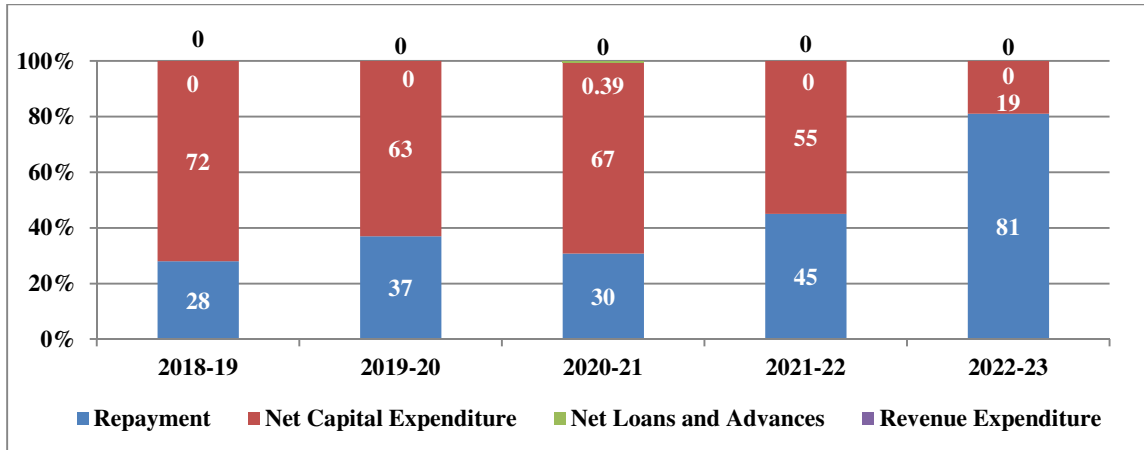
(₹ in crore)

Year	Total Borrowings	Repayment of earlier borrowings (percentage)	Net Capital expenditure* (percentage)	Net Loans and Advances disbursed (percentage)	Portion of Revenue expenditure met out of total borrowings (percentage)
2018-19	7,275	2,057 (28)	5,218 (72)	NA	NA
2019-20	5,834	2,131 (37)	3,703 (63)	NA	NA
2020-21	9,787	2,921 (30)	6,538 (67)	38 (0.39)	NA ¹⁶
2021-22	7,473	3385 (45)	4,088 (55)	NA	NA
2022-23	5,036	4,079 (81)	957 (19)	NA	NA

*Net Capital Expenditure = Total Capital Expenditure – Misc. Capital Receipts. NA- Not Applicable.

¹⁶ No Revenue Expenditure was met from borrowings as State had Revenue Surplus during 2020-21.

Chart-2.29: Trend of Utilisation of Borrowed Funds



In the Period 2018-23, State utilised 28 to 81 *per cent* of borrowings for repayment of earlier principal leaving less space for capital expenditure and net capital expenditure ranged between 19 *per cent* and 72 *per cent* of available borrowings. Further, expenditure on net capital expenditure came down from 72 *per cent* in 2018-19 to 19 *per cent* in 2022-23. As per the Finance Commission, States are being given revenue deficit grants to reduce and ultimately eliminate revenue deficit and to enable all borrowings to be used for capital expenditure. In 2022-23 which is the second year of the Finance Commission period, the State has a Revenue Surplus of ₹ 5,310 crore. During the current year 2022-23, the Government has resorted to less borrowings in the year compared to previous year.

2.10 Status of Guarantees – Contingent Liabilities

The statutory corporations, government companies, co-operatives institutions, financial institutions, autonomous bodies and authorities are distinct legal entities are responsible for their debts. Their financial obligations may be guaranteed by a government and thus the Government has a commitment to see that these are fulfilled. When these entities borrow directly from the market, it reduces a government’s budgetary support to them and the magnitude of the Government borrowings. However, it adds to the level of guarantees given by the government. Thus, Guarantees normally constitute contingent liabilities of the Government and are contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee has been extended.

The FRBM Act, 2005 prescribed that the State Government shall not give guarantee for any amount exceeding the limit stipulated under any rule or law of the State Government existing at the time of coming into force of such rule or law. However, the State Legislature (under Article 293 of the Constitution fixing the maximum limit within which the government could give guarantees on the security of the Consolidated Fund of the State) made the relevant provision in the amended FRBM, Act only in December 2016.

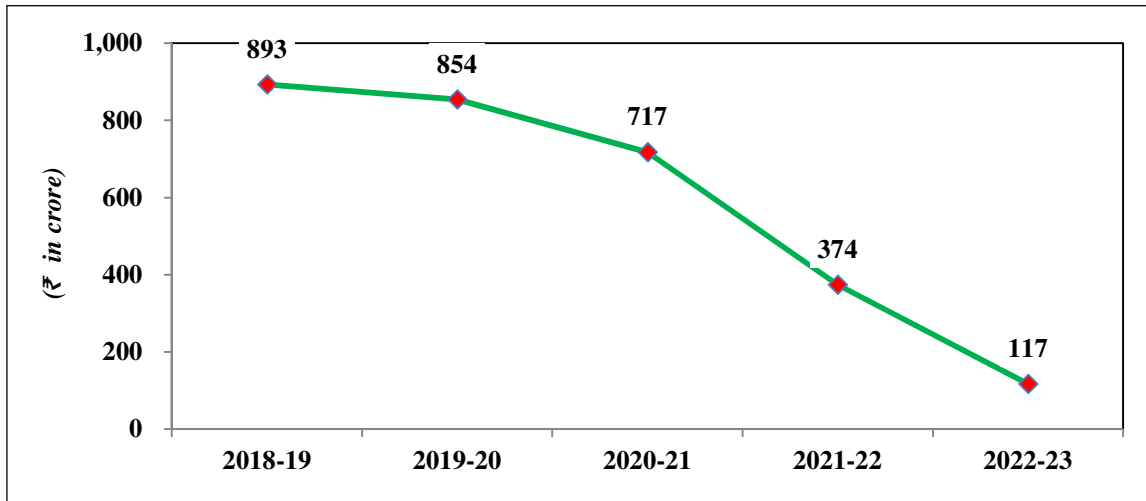
As per **Statement-9 & 20** of the Finance Accounts, the maximum amount for which guarantees were given by the State and outstanding guarantees for the last five years are given in **Table-2.50** and **Chart-2.30**.

Table-2.50: Guarantees given by the Government of Uttarakhand

(₹ in crore)

Guarantees	2018-19	2019-20	2020-21	2021-22	2022-23
Outstanding amount of guarantees as on 31 st March	893	854	717	374	117
Ceiling fixed by the State Government Act	Outstanding guarantees capped within one <i>per cent</i> of the GSDP of that particular year. New guarantees given during any year should not be more than 0.3 <i>per cent</i> of the GSDP for that year.				
Additions during the year	251	NIL	402	418	386
Deletions during the year	75	188	713	761	643

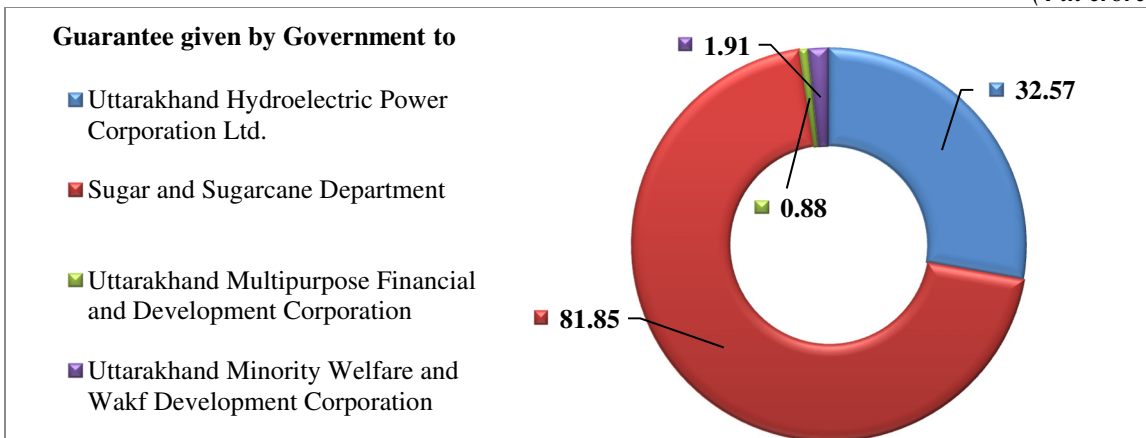
Chart-2.30: Status of Outstanding Guarantees



Source: Finance Accounts.

The amount of guarantees outstanding as on 31 March 2023 is ₹ 117 crore which comprises Power Sector (₹ 32 crore), Co-operatives (₹ 82 crore) and others (₹ three crore). Total outstanding guarantees as on 31 March 2023 was ₹ 117 crore which is 0.04 *per cent* of GSDP for the year and hence was within the FRBM ceiling. Company wise detail is given in the **Chart-2.31**.

Chart-2.31: Bodies in receipt of guarantees at the end of 31 March 2023

(₹ in crore)

Source: Finance Accounts.

No guarantee was invoked during the year. The information regarding maximum amount of guarantees, has not been made available by the State Government and hence, the statement is incomplete to that extent. The requirements of IGAS-1 have not been fully met in these statements. The State Government received ₹ 4.57 crore as Guarantee commission. Out of this ₹ 0.98 crore was received under Revenue Receipts instead of Guarantee Redemption Fund as per 'The Uttarakhand Ceiling on Government Guarantee Act, 2016' requiring that the guarantee commission received be taken to the corpus of the Fund.

2.11 Management of Cash Balances

As per an agreement with the Reserve Bank of India, State Governments have to maintain a minimum daily cash balance with the Bank. If the balance falls below the agreed minimum on any day, the deficiency is made good by taking ordinary Ways and Means Advances (WMA)/Special Ways and Means Advances (SWMA)/Overdrafts (OD) from time to time. The limit for ordinary WMA to the State Government is revised by the Reserve Bank of India from time to time.

As per an agreement with the Reserve Bank of India, State Government has to maintain a minimum daily cash balance of ₹ 0.16 crore with the Bank. The limit for ordinary WMA to the State Government was ₹ 602 crore with effect from 01 April 2022 and the limit of SWMA is revised by the bank from time to time. During 2022-23, on 326 days, the State Government maintained the minimum daily cash balance with the Reserve Bank of India without taking any advance. SWMA and overdraft were availed on 36 days and three days respectively during the year.

2.11.1 Investment of Cash Balances

Table-2.51 depicts the cash balances and investments made out of these by the State Government during the year.

Table-2.51: Cash Balances and their investment

	Opening balance on 01 April 2022	Closing balance on 31 March 2023
<i>(₹ in crore)</i>		
A. General Cash Balance		
Cash in treasuries	0.00	0.00
Deposits with Reserve Bank of India	112.47	(-)131.82
Deposits with other Banks	0.00	0.00
Remittances in transit – Local	0.00	0.00
Total	112.47	(-)131.82
Investments held in Cash Balance investment account	2,037.62	653.37
Total (A)	2,150.09	521.55
B. Other Cash Balances and Investments		
Cash with departmental officers viz., PWD, Forest Officers	(-) 10.71	(-) 10.71
Permanent advances for contingent expenditure with department officers	(-) 0.81	(-) 0.81
Investment in earmarked funds	1,698.62	1,808.62
Total (B)	1,687.10	1,797.10
Total (A + B)	3,837.19	2,318.65
Interest realised	34.23	44.17

Source: Finance Accounts.

Cash Balances of the State Government at the end of the current year decreased by ₹ 1,518.54 crore (39.57 per cent) from ₹ 3,837.19 crore in 2021-22 to ₹ 2,318.65 crore in 2022-23. This was mainly due to decrease in Investment held in Cash Balance Investment Account (₹ 1,384.25 crore) and Deposit with Reserve Bank (₹ 244.29 crore), which was partially counter balanced by increase in investment in earmarked fund (₹ 110 crore).

State Government invests its surplus cash balance in short and long-term GoI Securities and Treasury Bills. The profits derived from such investments are credited as receipts under the head '0049-Interest Receipts'. The State Government has earned an interest of ₹ 44.17 crore during 2022-23 from the investments made in GoI Securities and Treasury Bills.

Out of the investment of ₹ 1,808.62 crore in earmarked funds, ₹ 1,703.62 crore was invested in the Consolidated Sinking Fund and ₹ 105 crore in Guarantee Redemption Fund at the end of the year. The cash balance investments of the State during the five year period 2018-19 to 2022-23 are given in **Table-2.52**.

Table-2.52: Cash Balance Investment Account (Major Head-8673)

Year	Opening Balance	Closing Balance	Increase (+) / decrease (-)	Interest earned
2018-19	385.49	247.48	(-) 138.01	10.49
2019-20	247.48	00	(-) 247.48	21.73
2020-21	00	1,931.57	(+) 1,931.57	32.01
2021-22	1,931.57	2,037.62	(+) 106.05	34.23
2022-23	2,037.62	653.37	(-)1384.25	44.17

(₹ in crore)

The trend analysis of the cash balance investment of the State Government during 2018-19 to 2022-23 revealed that investment increased during 2020-21 and 2021-22 after gradual decrease from 2018-19 and 2019-20. During the current year there was a closing balance of ₹ 653.37 crore lying under the major head Cash Balance Investment Account with a decrease of ₹ 1,384 crore (67.93 per cent).

Despite of the cash balance, the State Government took recourse to market loans leading to further accretion to cash balances without putting it to productive use.

Chart-2.32 compares the balances available in the Average Cash Balance and the Market Loans taken by the State during the period 2018-19 to 2022-23. Market Loans were taken at higher interest rates whereas investment in Treasury Bills yielded interest at lower rates.

Chart-2.32: Market loans vis-à-vis Average Cash Balance

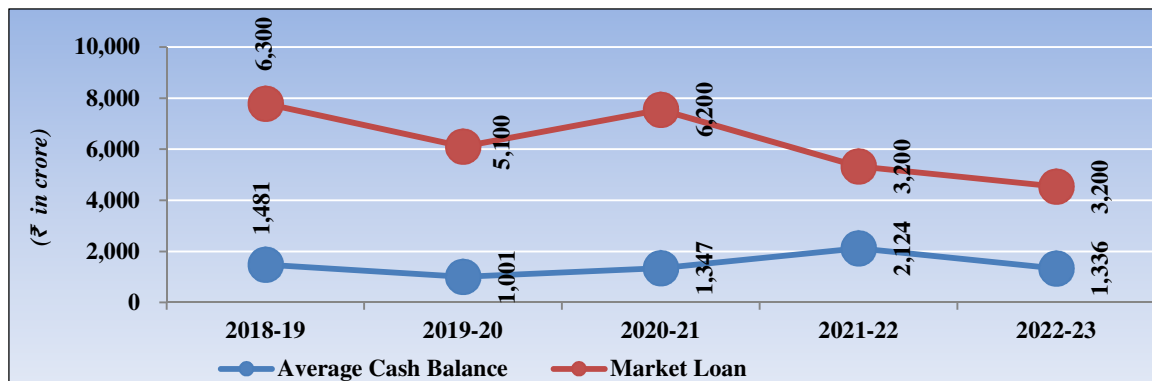
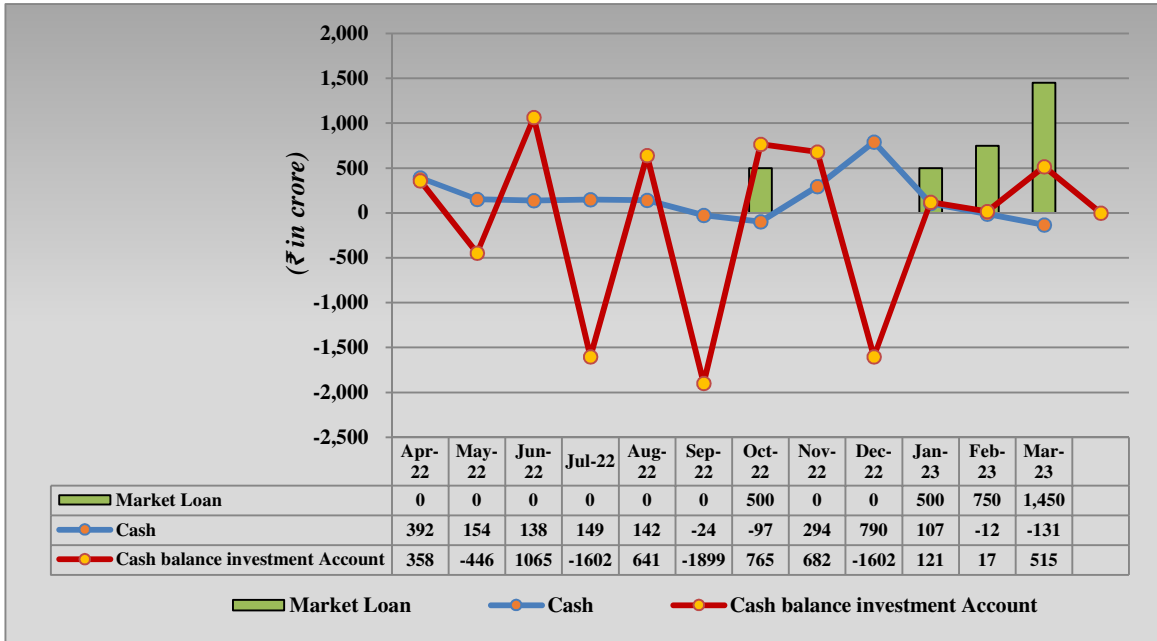


Chart-2.33 compares the month-wise Cash Balance Investment Account with the Cash Balances during 2022-23.

Chart-2.33: Month-wise movement of Cash Balances Investment Account and Cash Balance during 2022-23
(₹ in crore)



The preceding chart indicates that the State Government had taken recourse to market loans on four occasions (October 2022 and January, February and March 2023). During the year 2022-23, the State Government raised ₹ 3,200 crore from the market.

2.12 Conclusion

- During 2022-23, Revenue Receipts increased by ₹ 6,026 crore (14 per cent) over the previous year, on account of increase in Own Tax Revenue (₹ 2,926 crore), Own Non-tax Revenue (₹ 1,611 crore), State's Share in Union Taxes and Duties (₹ 711 crore) and Grants-in-Aid (₹ 778 crore).
- Revenue Expenditure formed on an average 84 per cent (ranging from 83 per cent to 86 per cent during 2018-23) of the total expenditure during the period 2018-23. Rate of growth of Revenue Expenditure has displayed slight fluctuating trend during the five year period 2018-23. The Committed Expenditure ranged between 59 per cent and 66 per cent of Revenue Expenditure, while it accounted for 53 per cent to 71 per cent of the Revenue Receipts of the State during the five year period 2018-23.
- Inflexible Expenditure ranged between six per cent and nine per cent of Revenue Expenditure, while it accounted for five per cent to eight per cent of the Revenue Receipts of the State during the five-year period 2018-23.
- Capital Expenditure increased by ₹ 661 crore (8.77 per cent) during the current year. The Capital Expenditure incurred by the State during the year 2022-23 was lower than the projections made in the MTFPS targets (₹ 10,471 crore) and budget projections (₹ 10,840 crore) by ₹ 2,276 crore and ₹ 2,645 crore respectively.

- The average return on the Uttarakhand Government's investment was negligible. During the current year, the amount recovered against the outstanding loans was ₹ 17.30 crore which stood at 0.73 *per cent* of the outstanding loans (₹ 2,378.28 crore) as on 31 March 2022.
- In the Education, Social and Health Sector, expenditure as a proportion of Aggregate Expenditure in the State was higher than the NE & Himalayan States average during 2022-23. Whereas, in Development and Economic Sector, expenditure as a proportion of Aggregate Expenditure in the State was lower than the NE & Himalayan States average during 2018-19 and 2022-23.
- As per Finance Accounts for the Year 2022-23, there were 143 incomplete/ongoing projects worth ₹ 784.22 crore under various divisions of Public Works as on 31 March 2023. Out of these 143 projects, 26 projects (estimated cost ₹ 317.87 crore) have a time overrun of two to six years from their target years of completion whereas 91 projects (estimated cost ₹ 323.49 crore) which were to be completed by 2022-23 are still incomplete. Further, target years of completion in respect of 20 projects (estimated cost ₹ 76.52 crore) are not known.
- Against the receivable Guarantee Commission fee of ₹ 23.44 crore, an amount of ₹ 4.57 crore was received resulting in short receipt of ₹ 18.87 crore as Guarantee Commission fees. The received Guarantee fee has to be deposited in Public Account under Guarantee Redemption Fund, while the State Government booked ₹ 0.99 crore as Revenue Receipts. This resulted in overstatement of Revenue Surplus to that extent.
- The total fiscal liabilities to GSDP ratio in 2022-23 decreased by 2.15 *per cent* over previous year and stood at 24.08 *per cent*, which was below the Fiscal Responsibility and Budget Management (FRBM) target of 33.30 *per cent*.

2.13 Recommendations

- *The State Government needs to settle the pending tax claims timely, settle arrears in assessment of taxes and recover the arrears of revenue and improve non-tax revenues towards better resource mobilisation;*
- *The State Government may explore ways of ensuring reasonable return on capital invested in profit making State Public Sector Undertakings in view of the substantial high cost of borrowings made by it;*
- *The State may increase allocation of resources on Development sector so as to bring it at par with NE & Himalayan States average;*
- *The State Government may ensure time-bound completion of the incomplete projects and ensure that there are no further cost overruns;*
- *The State Government may ensure the recoveries of Guarantee Commission fees and deposit it in the Guarantee Redemption Fund.*

