

CHAPTER-II
FINANCES OF THE STATE

CHAPTER - II

Finances of the State

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 overall trends during the five-year period from 2017-18 to 2021-22, debt sustainability of the State and key Public Account transactions, based on the Finance Accounts of the State and information obtained from the State Government.

2.1 Major changes in key fiscal aggregates

This section gives an overview of the major changes in key fiscal aggregates of the State during the financial year 2021-22 as compared with the previous year. Each of these indicators has been analysed in the succeeding paragraphs.

Changes in key fiscal aggregates in 2021-22 compared with 2020-21

Revenue Receipts	<ul style="list-style-type: none">✓ Revenue receipts of the State increased by 11.58 <i>per cent</i>✓ Own Tax receipts of the State increased by 20.18 <i>per cent</i>✓ Own Non-tax receipts of the State increased by 19.37 <i>per cent</i>✓ State's Share of Union Taxes and Duties increased by 54.59 <i>per cent</i>✓ Grants-in-Aid from Government of India decreased by 4.23 <i>per cent</i>
Revenue Expenditure	<ul style="list-style-type: none">✓ Revenue expenditure increased by 7.93 <i>per cent</i>✓ Revenue- expenditure on General Services increased by 3.31 <i>per cent</i>✓ Revenue expenditure on Social Services increased by 8.09 <i>per cent</i>✓ Revenue expenditure on Economic Services increased by 16.29 <i>per cent</i>
Capital Expenditure	<ul style="list-style-type: none">✓ Capital expenditure increased by 13.56 <i>per cent</i>✓ Capital expenditure on General Services increased by 129.82 <i>per cent</i>✓ Capital expenditure on Social Services increased by 10.89 <i>per cent</i>✓ Capital expenditure on Economic Services increased by 9.14 <i>per cent</i>
Loans and Advances	<ul style="list-style-type: none">✓ Disbursement of Loans and Advances increased by 18.07 <i>per cent</i>✓ Recoveries of Loans and Advances increased by 76.93 <i>per cent</i>
Public Debt	<ul style="list-style-type: none">✓ Public Debt Receipts* decreased by 55.83 <i>per cent</i>✓ Repayment of Public Debt decreased by 60.62 <i>per cent</i>
Public Account	<ul style="list-style-type: none">✓ Public Account Receipts decreased by 1.70 <i>per cent</i>✓ Public Account Disbursements decreased by 3.67 <i>per cent</i>
Cash Balance	✓ Cash balance increased by ₹ 767 crore (43.65 <i>per cent</i>)

* Excludes ₹ 1,717 crore (2020-21) and ₹ 2,695.22 crore (2021-22) as back-to-back loans from GoI in lieu of GST compensation shortfall which are not to be repaid by the State from its sources.

2.2 Sources and Application of Funds

This section compares the components of the sources and application of funds of the State during the financial year 2021-22 as compared with the previous year (2020-21).

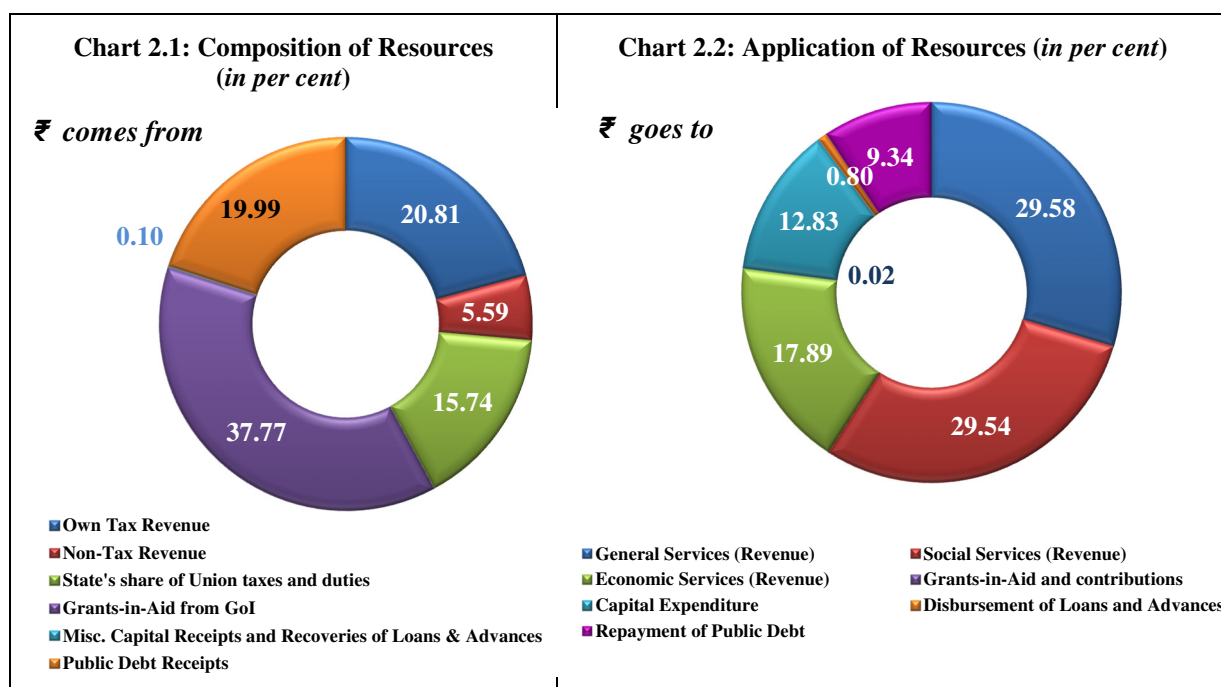
Table 2.1: Details of Sources and Application of funds during 2020-21 and 2021-22

(₹ in crore)

	Particulars	2020-21	2021-22	Increase/ Decrease
Sources of funds	Opening Cash Balance with RBI	1,060.18	1,756.24	696.06
	Revenue Receipts	33,438.27	37,309.30	3,871.03
	Miscellaneous Capital Receipts	2.88	7.01	4.13
	Recoveries of Loans and Advances	23.02	40.72	17.70
	Public Debt Receipts (Net)*	5,608.17	4,947.69	-660.48
	Public Account Receipts (Net)	787.97	1063.79	275.82
	Total*	40,920.49	45,124.75	4,204.26
Application of funds	Revenue Expenditure	33,534.93	36,194.54	2,659.61
	Capital Expenditure	5,309.21	6,029.38	720.17
	Disbursement of Loans and Advances	320.12	377.97	57.85
	Closing Cash Balance with RBI	1,756.24	2,522.86	766.62
	Total	40,920.50	45,124.75	4,204.25

* Includes ₹ 1,717 crore (2020-21) and ₹ 2,695.22 crore (2021-22) as back-to-back loans to State from GoI in lieu of GST compensation shortfall.

Percentage composition of sources and application of funds in the Consolidated Fund of the State during 2021-22 is given in **Chart 2.1** and **2.2**.



Source: Finance Accounts

2.3 Resources of the State

The resources of the State are described below:

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

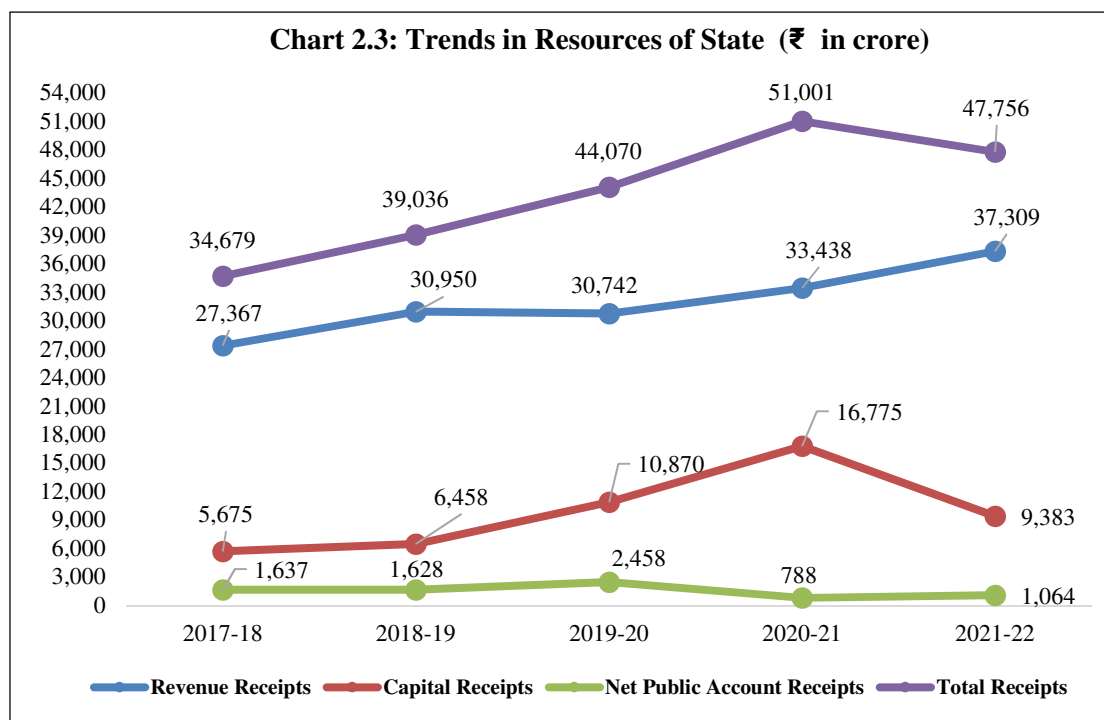
Both revenue and capital receipts form part of the Consolidated Fund of the State.

- Net Public Accounts receipts:** Receipts and disbursements in respect of certain transactions such as small savings, provident fund, reserve funds, deposits, suspense, remittances, etc. 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. The balance in the Public Account after disbursements is available with the Government for use.

2.3.1 Receipts of the State

This paragraph discusses the composition of Receipts of the State. Besides Capital and Revenue Receipts which form part of the Consolidated Fund of the State, funds available in the Public Account (net of disbursements) are also utilised by the Government to finance its deficits.

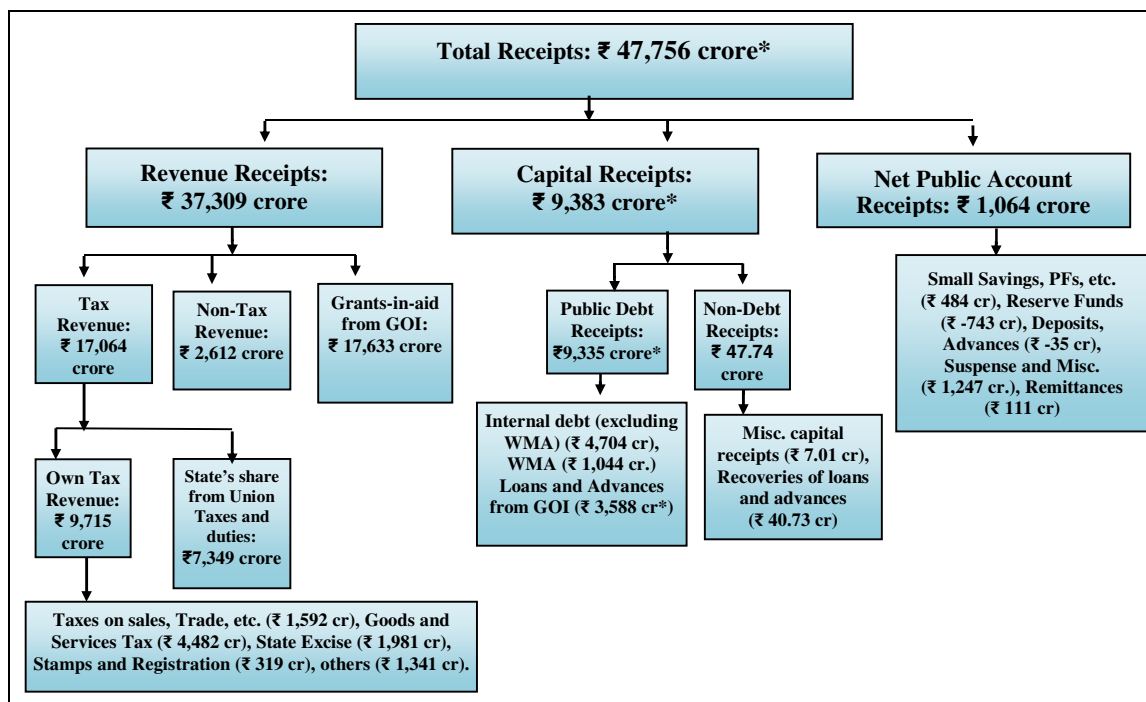
Trends in various components of the Receipts of the State during 2017-22 is given in **Chart 2.3** while composition of Receipts of the State during 2021-22 is given in **Chart-2.4**.



Source: Finance Accounts of the respective years

Note: Capital receipts comprise Public debt receipts, Misc. Capital receipts and recovery of loans and advances and include ₹ 1,717 crore and ₹ 2,695.22 crore as back-to-back loans to State from GoI in lieu of GST compensation shortfall during 2020-21 and 2021-22 respectively.

Chart 2.4: Composition of receipts of the State during 2021-22



Source: Finance Accounts

* Includes ₹ 2,695.22 crore as back-to-back loans to State from GOI in lieu of GST compensation shortfall

2.3.2 State's Revenue Receipts

This paragraph gives the trends in total revenue receipts and its components. It is followed by an analysis of the trends in receipts from the Central Government and State's own receipts.

2.3.2.1 Trends and growth of Revenue Receipts

Table-2.2 shows the trends in revenue receipts and revenue buoyancy with respect to GSDP over the five-year period 2017-22. The trends in revenue receipts relative to GSDP and composition of revenue receipts are given in Chart-2.5 and Chart-2.6 respectively. The composition of revenue receipts over the past five years is detailed in Appendix 2.

Table 2.2: Trends in Revenue Receipts relative to GSDP

Trends in Revenue Receipts	2017-18	2018-19	2019-20	2020-21	2021-22
Revenue Receipts (RR) (₹ in crore)	27,367.06	30,950.32	30,742.41	33,438.27	37,309.30
Rate of growth of RR (per cent)	4.20	13.09	-0.67	8.77	11.58
Own Tax Revenue (OTR) (₹ in crore)	7,107.67	7,572.81	7,623.82	8,083.32	9,714.58
Rate of growth of OTR (per cent)	0.97	6.54	0.67	6.02	20.19
Non-Tax Revenue (NTR) (₹ in crore)	2,363.85	2,830.07	2,501.51	2,188.46	2,612.36
Rate of growth of NTR (per cent)	37.65	19.72	-11.61	-12.53	19.37
State's Own Revenue (OTR + NTR)	9,471.52	10,402.88	10,125.33	10,271.78	12,326.94
Rate of growth of State's Own Revenue (OTR+NTR) (per cent)	8.17	9.83	-2.67	1.44	20.01
Gross State Domestic Product (2011-12 Series) (₹ in crore)	1,38,551.09	1,48,383.27	1,59,161.70 ^a	1,56,675.06 ^b	1,75,173.31 ^c
Rate of growth of GSDP (per cent)	10.28	7.10	7.26	-1.56	11.81
RR/GSDP (per cent)	19.75	20.86	19.32	21.34	21.30

Trends in Revenue Receipts	2017-18	2018-19	2019-20	2020-21	2021-22
Buoyancy Ratios¹					
Revenue Buoyancy w.r.t. GSDP	0.41	1.84	-0.09	-- *	0.98
State's Own Revenue Buoyancy w.r.t. GSDP	0.79	1.38	-0.37	-- *	1.69

Source: Finance Accounts and Department of Economics and Statistics, Himachal Pradesh

a - Second Revised Estimate, b - First Revised Estimate, c - Advance Estimate.

* Buoyancy ratio was not calculated as GSDP growth was negative.

Chart-2.5: Trends in Revenue Receipts as percentage of GSDP

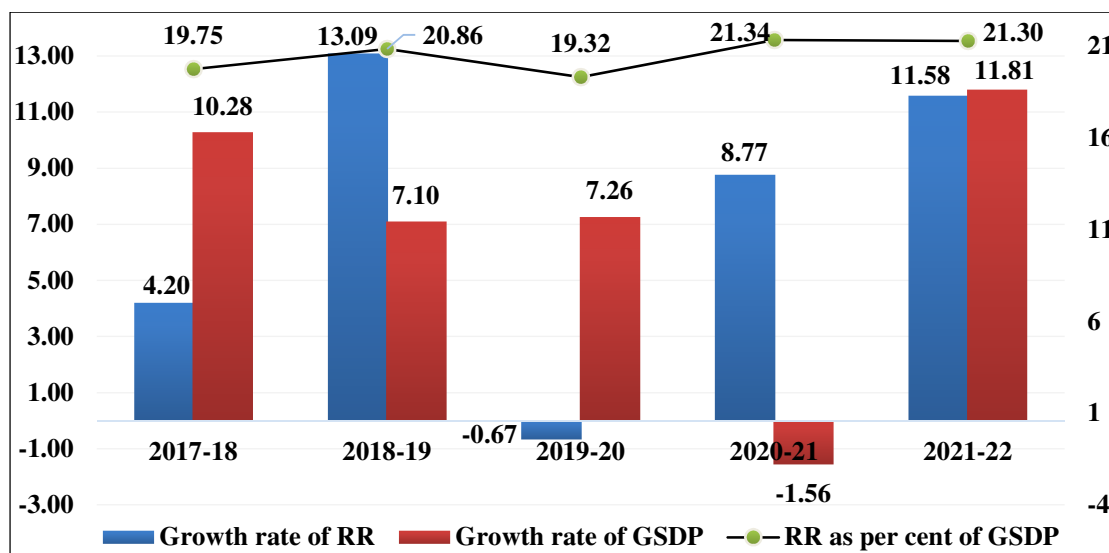
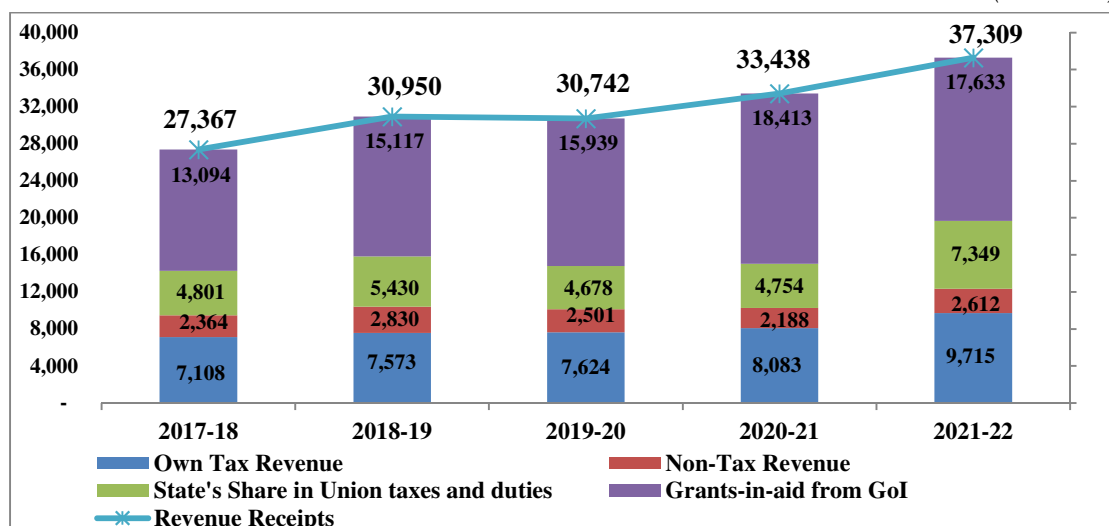


Chart 2.6: Trend of components of Revenue Receipts during 2017-22

(₹ in crore)



- It can be seen from **Table-2.2** and **Chart 2.6** that the revenue receipts of the State increased by 36.33 per cent from ₹ 27,367 crore (2017-18) to ₹ 37,309 crore (2021-22). The annual growth rate of revenue receipts showed inter-year fluctuation during 2017-22. It increased from 4.20 per cent (2017-18) to 13.09 per cent

¹ Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For instance, revenue buoyancy with respect to GSDP at 0.98 implies that Revenue Receipts tend to increase by 0.98 percentage points, if the GSDP increases by one per cent.

(2018-19) but decreased to -0.67 per cent during 2019-20. However, during 2020-21, revenue receipts increased by ₹ 2,695.86 crore (8.77 per cent) and during 2021-22 it increased by ₹ 3,871 crore (11.58 per cent) over the previous year. During 2021-22, the increase was mainly due to increase in receipts under State's share of Union Taxes and Duties by ₹ 2,595.12 crore (54.59 per cent), State's Own Tax Revenue by ₹ 1,631.27 crore (20.18 per cent) and Non-Tax Revenue by ₹ 423.90 crore (19.37 per cent). The increase was partly counterbalanced by decrease in Grants-in-aid from GoI by ₹ 779.26 crore (4.23 per cent).

- During the year 2021-22, only 33 per cent of the Revenue Receipts came from the State's own resources comprising taxes and non-taxes, while the remaining 67 per cent were contributed by central transfers comprising the State's share in central taxes and duties (20 per cent) and Grants-in-Aid from GoI (47 per cent). This is indicative of the fact that the fiscal position of the State is influenced mostly by Central transfers.
- There was wide fluctuation in the revenue buoyancy of the State, as extraneous factors such as Finance Commission Award (14th FC impact in 2017-18) and implementation of GST (in 2017-18), impacted the actual receipts in different components of revenue. During 2019-20, the revenue buoyancy with respect to GSDP turned negative due to decrease in revenue receipts. However, during 2021-22, it was positive due to increase in revenue receipts (₹ 3,871.03 crore) and positive growth rate in GSDP.
- During the year 2021-22, there was an increase of 11.58 per cent (₹ 3,871.03 crore) in Revenue Receipts and an increase of 7.93 per cent (₹ 2,659.61 crore) in Revenue Expenditure over the previous year, leading to a revenue surplus of ₹ 1,114.76 crore, as against the previous year's revenue deficit of ₹ 96.66 crore.

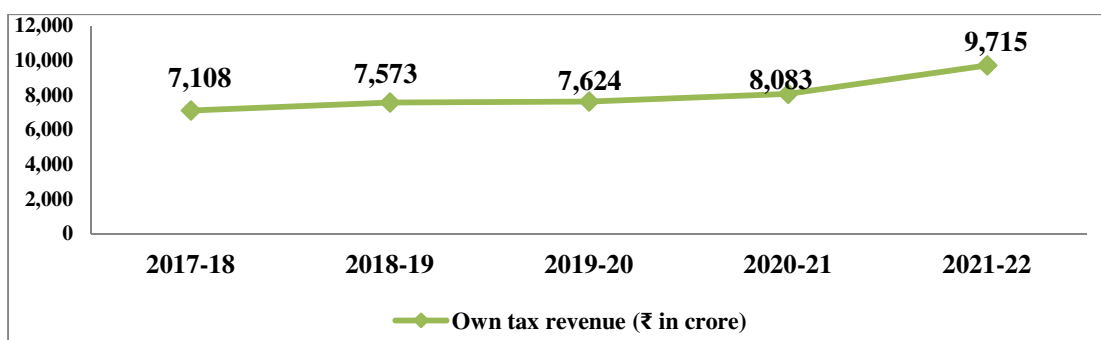
2.3.2.2 State's Own Resources

State's share in Central taxes is determined on the basis of recommendations of the Finance Commission. Grants-in-aid from Central government is determined by the quantum of collection of Central tax receipts and anticipated Central assistance for schemes. State's performance in mobilization of additional resources should be assessed in terms of its own resources comprising own tax and non-tax revenues.

(i) Own Tax Revenue

Own Tax Revenues of the State consist of State GST, State Excise, Stamp Duty and Registration Fees, Land Revenue, Taxes on Vehicles, Goods and Passengers, etc. The trend in Tax Revenue of the State during the five-year period 2017-22 is given in the **Chart-2.7** below:

Chart 2.7: Growth of Own Tax Revenue during the period 2017-18 to 2021-22



The component-wise details of Own Tax Revenue collected during the years 2017-18 to 2021-22 are given in the **Table 2.3** below:

Table 2.3: Components of State's Own Tax Revenue

Revenue Head	2017-18	2018-19	2019-20	2020-21	2021-22
State Goods and Services Tax (SGST)	1,833.16	3,342.68	3,550.34	3,466.58	4,482.15
Taxes on Sales, Trades, etc. (VAT)	2,525.87	1,185.43	1,169.53	1,630.11	1,592.24
State Excise	1,311.25	1,481.63	1,660.02	1,599.74	1,980.63
Taxes on Vehicles	367.16	408.01	465.52	380.20	510.03
Stamp Duty and Registration Fees	229.18	250.55	259.58	253.36	318.60
Taxes and Duties on Electricity	360.79	487.08	100.86	401.76	393.51
Land Revenue	16.96	8.39	4.79	6.95	4.81
Taxes on Goods and Passengers	111.69	104.38	104.03	83.55	99.18
Other Taxes	351.61	304.66	309.15	261.07	333.43
Total Own Tax Revenue	7,107.67	7,572.81	7,623.82	8,083.32	9,714.58

Source: Finance Accounts of respective years

Own Tax Revenue of the State increased by ₹ 2,606.91 crore (36.68 per cent) during 2017-22. During the year 2021-22, major contributors to Own Tax Revenue were State Goods and Services Tax (46.14 per cent), State Excise (20.39 per cent) and Taxes on vehicles (5.25 per cent). The increase in Tax Revenue during 2021-22 over the previous year was mainly under SGST (₹ 1,015.57 crore, 29.30 per cent), State Excise (₹ 380.89 crore, 23.81 per cent) and Taxes on Vehicles (₹ 129.83 crore, 34.15 per cent).

(ii) Non-Tax Revenue

Non-Tax Revenue consists of interest receipts, dividends and profits, mining receipts, departmental receipts, etc.

Table 2.4: Components of State's non-tax revenue

Revenue Head	2017-18	2018-19	2019-20	2020-21	2021-22
Interest receipts	340.54	385.88	245.36	306.43	173.95
Dividends and profits	255.58	181.92	248.44	245.43	166.53
Other Non-tax receipts	1,767.00	2,262.27	2,007.72	1,636.60	2,271.88
Misc. General Services	5.46	20.76	5.17	11.41	14.06
Education, Sports, Arts and Culture	180.76	214.59	238.59	196.08	257.70
Forestry and Wildlife	46.87	76.32	83.61	49.56	106.28
Other Administrative Services	40.45	51.34	49.65	37.05	104.90
Non-ferrous Mining and Metallurgical Industries	441.46	221.05	246.30	252.16	230.81
Power	687.61	1,134.34	1,021.68	749.12	1,183.51
Others	364.39	543.87	362.72	341.22	374.62
Total Non-tax revenue	2,363.85	2,830.07	2,501.51	2,188.46	2,612.36
Percentage of Non-tax revenue to Revenue Receipts	8.64	9.14	8.14	6.54	7.00

Source: Finance Accounts

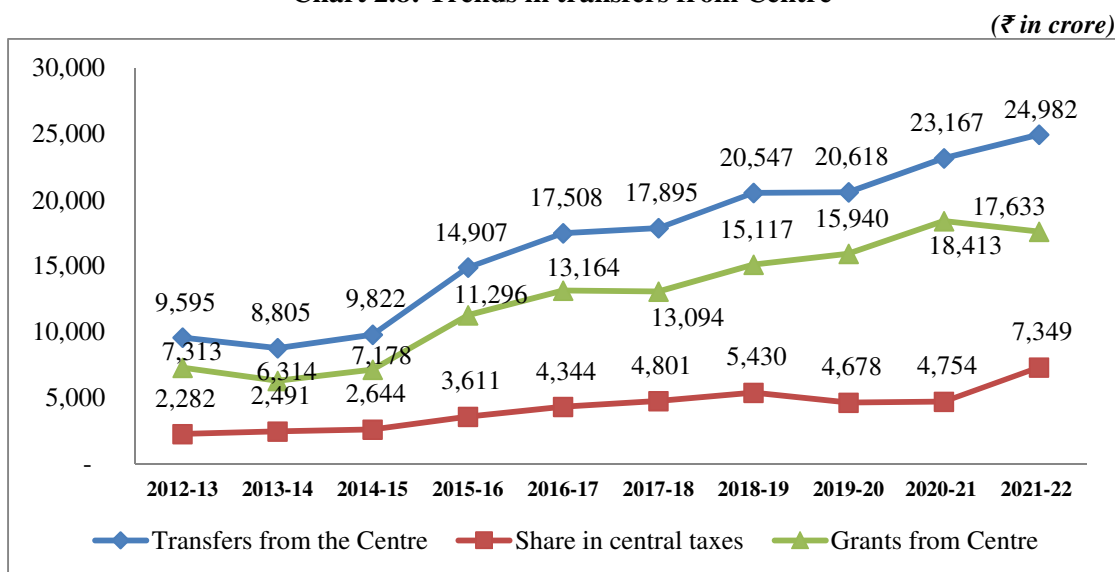
Non-Tax Revenue constituted between 6.54 and 9.14 per cent of total revenue receipts of the State during the five-year period from 2017-18 to 2021-22. During 2021-22, Non-Tax Revenue constituted seven per cent of the revenue receipts, which was more

by 0.46 *per cent* over the previous year. After continuous decline from ₹ 2,830.07 crore in 2018-19 to ₹ 2,188.46 crore during 2020-21, it increased to ₹ 2,612.36 crore during 2021-22 with an increase of ₹ 423.90 crore (19.37 *per cent*) over the previous year. Over the last five years, the main contributor to Non-Tax Revenue was the power sector which contributed between 29 and 45 *per cent*. During 2021-22, the increase was mainly due to increase in receipts received from sale of GoHP share of power under Power sector (₹ 434.39 crore) and Education, Sports, Arts and Culture (₹ 61.62 crore) which was partially set-off by decrease under interest receipts (₹ 132.48 crore) due to less interest received from Public Sector and other Undertakings, local bodies and under dividend and profits (₹ 78.90 crore) due to decrease in dividend received from Satluj Jal Vidyut Nigam Ltd.

2.3.2.3 Transfers from the Centre

Transfers from the Centre are heavily dependent on Finance Commission recommendations. The trends in Central transfers for the last 10 years are shown in the **Chart 2.8**.

Chart 2.8: Trends in transfers from Centre



(i) Central tax transfers

The 14th FC recommended that the States' share of central taxes be increased to 42 *per cent* from 2015-16 onwards. Consequently, the State's share in the net proceeds of Central Taxes (excluding Service Tax) has been fixed at 0.713 *per cent* for the period 2015-16 to 2019-20. The 15th FC recommended State's share in the net proceeds of Central Taxes (including Service Tax) at 0.799 *per cent* for 2020-21 and 0.830 *per cent* for 2021-22. The actual devolution *vis-à-vis* Finance Commission projections during the period 2012-13 to 2021-22 is given in **Table 2.5** below:

Table 2.5: State's share in Union taxes and duties: Actual devolution vis-à-vis Finance Commission projections

(₹ in crore)

Year	Finance Commission projections	Projections in FCR	Actual tax devolution	Difference
1.	2.	3.	4.	5. (4-3)
2012-13	0.781 per cent of net proceeds of all shareable taxes excluding service tax and	2,362.61	2,282.02	(-) 80.59
2013-14	0.793 per cent of net proceeds of sharable service tax (as per recommendations of 13 th FC)	2,716.72	2,491.53	(-) 225.19
2014-15		2,993.17	2,644.17	(-) 349.00
2015-16	0.713 per cent of net proceeds of all shareable taxes excluding service tax and	3,743.71	3,611.17	(-) 132.54
2016-17	0.722 per cent of net proceeds of sharable service tax (as per recommendations of 14 th FC)	4,074.67	4,343.70	269.03
2017-18		4,819.21	4,801.31	(-) 17.90
2018-19		5,619.31	5,429.77	(-) 189.54
2019-20		5,769.12	4,677.56	(-) 1,091.56
2020-21	0.799 per cent of net proceeds of all shareable taxes including service tax (as per recommendations of 15 th FC)	6,265.60	4,753.92	(-) 1,511.68
2021-22	0.830 per cent of net proceeds of all shareable taxes including service tax (as per recommendations of 15 th FC)	5,524.16	7,349.04	1824.88

Source: Reports of the 13th FC, 14th FC & 15th FC, Finance Accounts and Annual Financial Statement

The details of Central tax transfers to the State during 2017-22 are given in **Table 2.6:**

Table 2.6: Composition of Central Tax Transfers

(₹ in crore)

Components of Central Tax Transfers	2017-18	2018-19	2019-20	2020-21	2021-22	Difference over the previous year
Central Goods and Services Tax (CGST)	68.36	1,340.15	1,327.34	1,419.55	2105.41	685.86
Integrated Goods and Services Tax (IGST)	484.84	107.00	0.00	0.00	0.00	0.00
Corporation Tax	1,470.67	1,888.31	1,594.86	1,429.44	2,202.48	773.04
Taxes on Income other than Corporation Tax	1,241.88	1,390.66	1,249.68	1,464.84	2,169.83	704.99
Customs	484.70	384.89	296.49	257.07	510.58	253.51
Union Excise Duties	506.50	255.78	206.16	160.44	265.82	105.38
Service Tax	544.40	49.66	--	19.39	87.35	67.96
Other Taxes ²	(-) 0.04	13.32	3.03	3.19	7.57	4.38
Central Tax Transfers	4,801.31	5,429.77	4,677.56	4,753.92	7,349.04	2,595.12
Percentage of increase (+)/ decrease (-) over the previous year	10.54	13.09	(-) 13.85	1.63	54.59	
Percentage of Central Tax Transfers to Revenue Receipts	17.54	17.54	15.22	14.22	19.70	

Source: Finance Accounts

² Includes Taxes on Wealth, Other Taxes on Income and Expenditure, Other Taxes and Duties on commodities and Services

Over the five-year period 2017-22, Central tax transfers increased by 53.06 per cent. During the current year (2021-22), it increased by ₹ 2,595.12 crore (54.59 per cent) over the previous year and constituted 19.70 per cent of the Revenue Receipts which was 5.48 per cent more over the previous year (14.22 per cent). Further, as has been tabulated above (**Table 2.5**), the State did not receive its share of Union taxes and duties as per the recommendations of Finance Commissions (13th FC, 14th FC and 15th FC) from the period 2012-13 to 2020-21 except 2016-17 and 2021-22. The share of Union taxes and duties was more by ₹ 1,824.88 crore from the 15th FC recommendations during 2021-22.

(ii) Grants- in-aid from Government of India (GoI)

GoI discontinued Plan and Non-Plan classification and operated new Sub-Major Heads under Major Head-1601-Grants-in-Aid (GIA) for providing GIA to States from 2017-18. The position of GIA from GoI received by State Government during the period 2017-18 to 2021-22 is given in **Table 2.7**.

Table 2.7: Grants-in-aid from GoI

Particulars	(₹ in crore)				
	2017-18	2018-19	2019-20	2020-21	2021-22
Centrally Sponsored Schemes	3,590.26	4,010.49	4,915.06	4,221.29	5,420.75
Finance Commission Grants*	8,889.00	8,831.25	8,617.82	12,424.10	11,044.26
Other Transfer/Grants to State/ Union Territories with Legislatures	615.39	2,275.93	2,406.64	1,767.19	1,168.31 [@]
Total	13,094.23	15,117.66	15,939.52	18,412.58	17,633.32
Percentage increase /decrease over the previous year	(-) 0.53	15.45	5.44	15.52	-4.23
Percentage of Revenue Receipts	47.85	48.84	51.85	55.06	47.26

Source: Finance Accounts for the respective years

* Finance Commission Grants include Post-Devolution Revenue Deficit Grant (₹ 10,249 crore), grants for Local Bodies (₹ 386.26 crore) and Grant-in-Aid for State Disaster Response Fund (₹ 327.20 crore); Grant-in-Aid for State Disaster Mitigation Fund (₹ 81.80 crore).

@ Includes ₹ 1,167.99 crore on account of compensation for loss of revenue arising out of implementation of GST.

In 2021-22, GIA from GoI decreased by ₹ 779.26 crore (4.23 per cent) over the previous year mainly due to less receipts under all components i.e. post-devolution revenue deficit grant, grants to local bodies and State Disaster Response Fund under Finance Commission Grants and towards compensation for loss of revenue arising out of implementation of GST. 58 per cent of the GIA was on account of post-devolution revenue deficit grants. Share of GIA in State's Revenue Receipts ranged between 47 and 55 per cent during 2017-22.

(iii) Finance Commission Grants

Grants under 15th FC were provided to States for local bodies and State Disaster Response Fund. Details of grants provided by GoI to the State during the years 2020-21 and 2021-22 are given in **Table 2.8**.

Table 2.8: Recommended amount, actual release and transfers of Grant-in-aid*(₹ in crore)*

Transfers	Recommendation of the 15 th FC			Actual release by GoI			Release by State Government		
	2020-21	2021-22	Total	2020-21	2021-22	Total	2020-21	2021-22	Total
I. Local Bodies	636.00	473.00	1,109.00	584.25	288.25	872.59	608.82	288.34	897.16
(i) Grants to PRIs	429.00	317.00	746.00	429.00	158.50	587.50	429.00	158.50	587.50
(a) General Basic Grant (Untied)	214.50	126.80	341.30	214.50	63.40	277.90	214.50	63.40	277.90
(b) General Performance Grants (Tied)	214.50	190.20	404.70	214.50	95.10	309.60	214.50	95.10	309.60
(ii) Grants to ULBs	207.00	156.00	363.00	155.25	129.75	285.09	179.82	129.84*	309.66
(a) General Basic Grant	103.50	62.40	165.90	103.50	31.20	134.70	127.98	31.20	159.18
(b) General Performance Grants	103.50	93.60	197.10	51.75	98.55	150.39	51.84	98.64	150.48
2. State Disaster Response Fund**	454.00	363.00	817.00	409.00	327.20	736.20	454.00	363.00	817.00
Grand Total (1+2)	1,090.00	836.00	1,926.00	993.25	615.45	1,608.79	1,062.82	651.34	1,714.16

Source: 15th FC Report and information provided by State Department

* Includes ₹ 0.09 crore accrued interest on account of delay in release of grant

** Includes Central share and State share

- As against the amount of ₹ 317 crore recommended by the 15th FC in respect of PRIs, GoI released ₹ 158.50 crore during 2021-22 and remaining amount of ₹ 158.50 crore was released during 2022-23 and the same was released by GoHP during the same period.
- In respect of ULBs, against the recommended amount of ₹ 156.00 crore, GoI released ₹ 129.75 crore (included ₹ 51.75 crore pertained to the year 2020-21 received in 2021-22) during 2021-22. All the received amount from GoI was released by State Government during 2021-22. The remaining amount of ₹ 78 crore for the year 2021-22 was received from the GoI during 2022-23 and the same was also released by State Government during the same period.

2.3.3 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. The trends in growth and composition of capital receipts during the past five years (2017-22) are presented in **Table 2.9**.

Table 2.9: Trends in growth and composition of capital receipts*(₹ in crore)*

Sources of State's Receipts	2017-18	2018-19	2019-20	2020-21	2021-22
Capital Receipts (CR)*	2,174.87	1,784.70	4,169.72	3,917.07	2,300.21
Miscellaneous Capital Receipts	34.82	8.82	2.04	2.88	7.01
Recoveries of Loans and Advances	39.61	21.83	21.04	23.02	40.73
Net Public Debt Receipts	2,100.44	1,754.05	4,146.64	3,891.17*	2,252.47*
Internal Debt	2,097.45	1,771.71	4,164.59	3,390.44	1,457.82
Growth rate of internal debt	-54.73	-15.53	135.06	-18.59	-57.00
Loans and advances from GoI	2.99	-17.66	-17.95	500.73*	794.65*
Growth rate of loans & advances from GoI	-89.08	-690.64	-1.64	2,889.56	58.70
Rate of growth of debt Capital Receipts	-54.93	-16.49	136.40	-6.16	-42.11

Sources of State's Receipts	2017-18	2018-19	2019-20	2020-21	2021-22
Rate of growth of non-debt capital receipts	152.31	-58.82	-24.70	12.22	84.29
Rate of growth of GSDP	10.28	7.10	7.26	-1.56	11.81
Rate of growth of Capital Receipts (<i>per cent</i>)	-53.63	-17.94	133.64	6.06	-41.28

Source: Finance Accounts of the respective years.

* Excludes ₹ 1,717 crore during 2020-21 and ₹ 2,695.22 during 2021-22 as back-to-back loans to State from GoI in lieu of GST compensation shortfall.

In 2021-22, capital receipts (₹ 2,300.21 crore) decreased by ₹ 1,616.86 crore over the previous year (₹ 3,917.07 crore) mainly due to decrease in net internal debt. However, there is an increase of ₹ 293.92 crore under loans and advances from GoI. Public debt receipts have future repayment obligation and these are taken from market, financial institutions and GoI. During the five-year period 2017-18 to 2021-22, 68.25 *per cent* of public debt receipts were utilised for repayment of public debt taken during the period and only the remaining 31.75 *per cent* was utilised for other purposes (*refer Table 2.29*).

2.3.4 State's performance in mobilisation of resources

As the State's share in central taxes and grants-in-aid is determined on the basis of recommendations of the Finance Commission, the State's performance in mobilisation of resources is assessed in terms of own resources comprising tax and non-tax sources.

The State's actual own tax and non-tax receipts for the year 2021-22 *vis-à-vis* assessment made by 15th FC and MTFPS are given in the **Table 2.10**.

Table 2.10: States own resources: projections *vis-à-vis* actuals

	15 th FC projections	Budget Estimates and MTFPS projection	Actual	Percentage variation of actual over	
				15 th FC projections	Budget estimates and MTFPS projection
Own Tax revenue	9,565	9,282	9,715	1.57	4.66
Non-tax revenue	3,684	2,754	2,612	-29.10	-5.16

(₹ in crore)

The actual collection under State's own tax revenue is 1.57 *per cent* of the projections made by 15th FC and 4.66 *per cent* of the projection in budget estimates / MTFPS. The actual receipts under non-tax revenue were less by 29.10 *per cent* of the projections made by 15th FC and were 5.16 *per cent* less of the projection in budget estimates / MTFPS. Thus, the State Government could not achieve their own target projected in the budget and MTFPS for Non-tax revenue.

2.4 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 fiscal corrections/ consolidation processes are not at the cost of expenditure directed towards development. The application of resources is analysed in the succeeding paragraphs with regard to growth and composition of expenditure, revenue expenditure, committed expenditure and financial assistance to local bodies and other institutions.

2.4.1 Growth and composition of expenditure

The expenditure of the State Government can be classified into two categories: Revenue Expenditure and Capital Expenditure.

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

Capital Expenditure: Charges for the first construction of a project, intermediate maintenance of a work while not opened for service, additions and improvements as may be sanctioned under the rules made by competent authority are classified as capital expenditure.

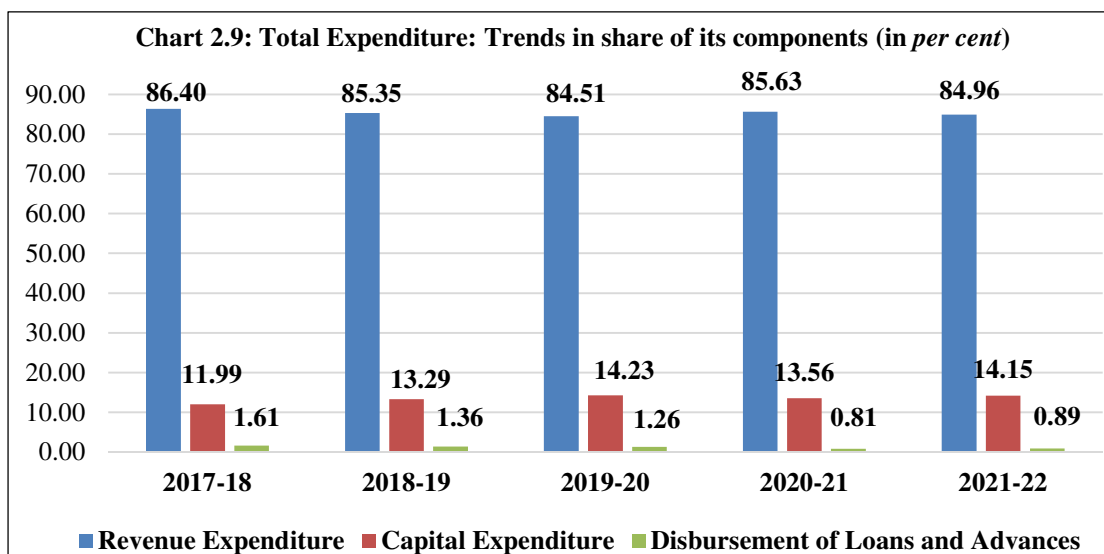
The trend and composition of total expenditure over the last five years (2017-22) is shown in **Table 2.11**.

Table 2.11: Total expenditure and its composition

Parameters	2017-18	2018-19	2019-20	2020-21	2021-22
Total Expenditure (TE)	31,311.36	34,493.50	36,362.55	39,164.26	42,601.89
Revenue Expenditure (RE)	27,053.16	29,442.11	30,730.43	33,534.93	36,194.54
Capital Expenditure (CE)	3,755.67	4,583.41	5,173.91	5,309.21	6,029.38
Loans and Advances disbursed	502.53	467.98	458.21	320.12	377.97
GSDP	1,38,551.09	1,48,383.27	1,59,161.70 ^a	1,56,675.06 ^b	1,75,173.31 ^c
TE/GSDP	22.60	23.25	22.85	25.00	24.32
RE/GSDP	19.53	19.84	19.31	21.40	20.66
CE/GSDP	2.71	3.09	3.25	3.39	3.44
Loans and Advances/GSDP	0.36	0.32	0.29	0.20	0.22

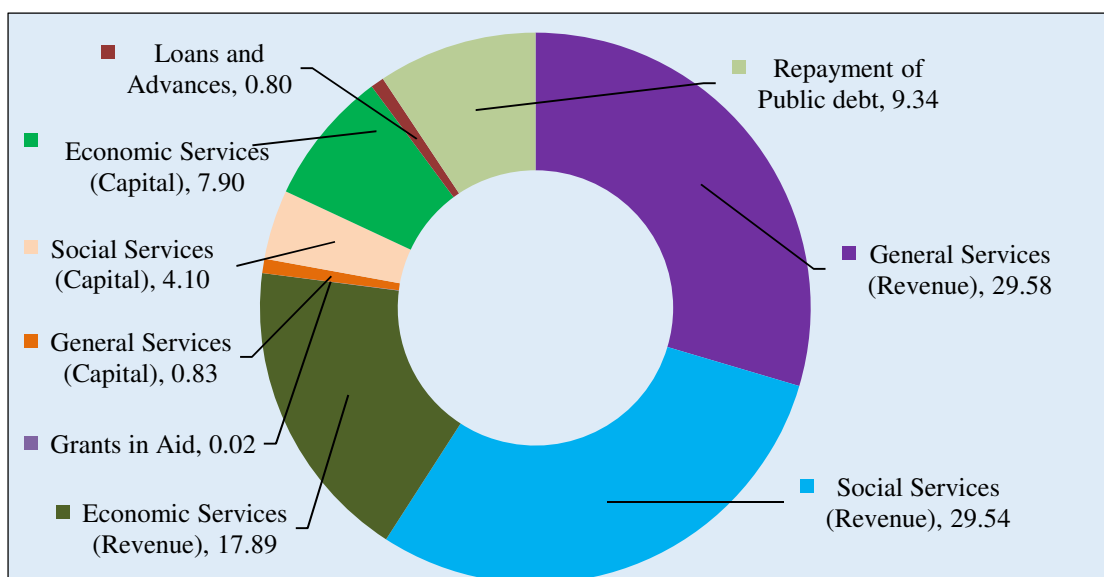
a- Second Revised Estimate, b – First Revised Estimate, c – Advance Estimate.

Total expenditure increased by ₹ 11,290.53 crore (36.06 per cent) over a period of five years (2017-22). During 2021-22, it increased by ₹ 3,437.63 crore (8.78 per cent) over the previous year. As a percentage of GSDP, the total expenditure remained in the range of 22.60 per cent to 25 per cent during 2017-22. Revenue Expenditure increased by 33.79 per cent during 2017-22 while capital expenditure increased by 60.54 per cent during the same period. As depicted in **Chart 2.9**, the share of revenue expenditure in total expenditure ranged from 84.51 to 86.40 per cent during 2017-22. Similarly, the share of capital expenditure in total expenditure increased from 11.99 per cent in 2017-18 to 14.15 per cent in 2021-22. The share of loans and advances disbursed decreased consistently from 1.61 per cent in 2017-18 to 0.82 per cent in 2020-21 and then slightly increased to 0.89 per cent during 2021-22.



In terms of activities, 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 ₹ 42,601.89 crore along with the component Repayment of Public Debt amounting to ₹ 4,387.28 crore (refer **Appendix-2**) during 2021-22 is given in **Chart 2.10**.

Chart 2.10: Composition of expenditure during 2021-22 (in per cent)

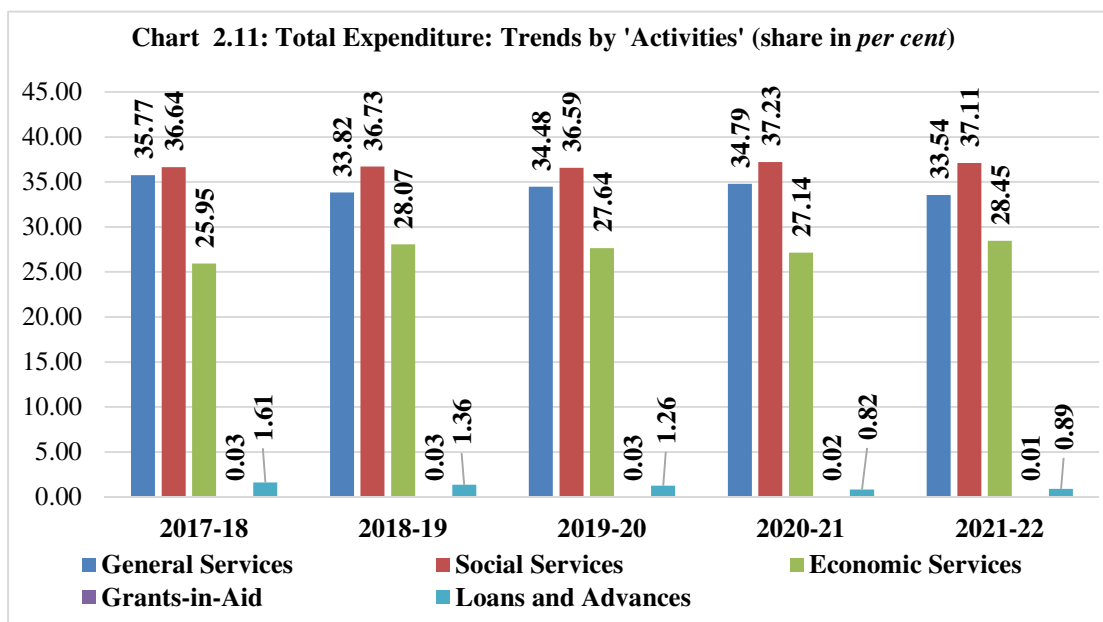


The relative shares of various sectors of expenditure during the period 2017-22 is given in **Table 2.12**.

Table 2.12: Relative share of various sectors of expenditure

Parameters	2017-18	2018-19	2019-20	2020-21	2021-22
General Services	35.77	33.82	34.48	34.79	33.54
Social Services	36.64	36.73	36.59	37.23	37.11
Economic Services	25.95	28.07	27.64	27.14	28.45
Others (Grants to Local Bodies and Loans and Advances)	1.64	1.38	1.29	0.84	0.90

Chart-2.11 depicts trends in sectoral components of Total Expenditure for the period 2017-18 to 2021-22.



The trend in relative share of these components of expenditure indicates that the share of General Services, Social Services, and others in the Total Expenditure had minor inter-year variations during the period 2017-18 to 2021-22. Expenditure on General Services (including interest payments) which forms part of non-development expenditure, decreased slightly as a percentage of total expenditure from 34.79 per cent in 2020-21 to 33.54 per cent in 2021-22. Development expenditure *i.e.* expenditure on Social and Economic Services together accounted for 65.56 per cent in 2021-22 against 64.37 per cent in 2020-21. The share of loans and advances remained almost static over the past five years.

2.4.2 Revenue Expenditure

Revenue expenditure is incurred to maintain the current level of services and payments for past obligations. As such, it does not result in any addition to the State's infrastructure and service network. The overall Revenue Expenditure, its rate of growth, its ratio to Total Expenditure and its rate of growth *vis-à-vis* GSDP and Revenue Receipts during the period 2017-22 are indicated in **Table 2.13**.

Table 2.13: Growth of revenue expenditure during 2017-22

Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
Total Expenditure (TE)	31,311.36	34,493.50	36,362.55	39,164.25	42,601.89
Revenue Expenditure (RE)	27,053.16	29,442.11	30,730.43	33,534.93	36,194.54
Rate of Growth of RE (per cent)	6.74	8.83	4.38	9.13	7.93
Revenue Expenditure as percentage of TE	86.40	85.36	84.51	85.63	84.96
RE/GSDP (per cent)	19.53	19.84	19.31	21.40	20.66
Revenue Receipts (RR)	27,367.06	30,950.32	30,742.41	33,438.27	37,309.30

Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
RE as percentage of RR	98.85	95.13	99.96	100.29	97.01
Rate of Growth of RR (per cent)	4.20	13.09	-0.67	8.77	11.58
GSDP	1,38,551.09	1,48,383.27	1,59,161.70 ^a	1,56,675.06 ^b	1,75,173.31 ^c
Rate of growth of GSDP (per cent)	10.28	7.10	7.26	-1.56	11.81

Source: Finance Accounts of respective years

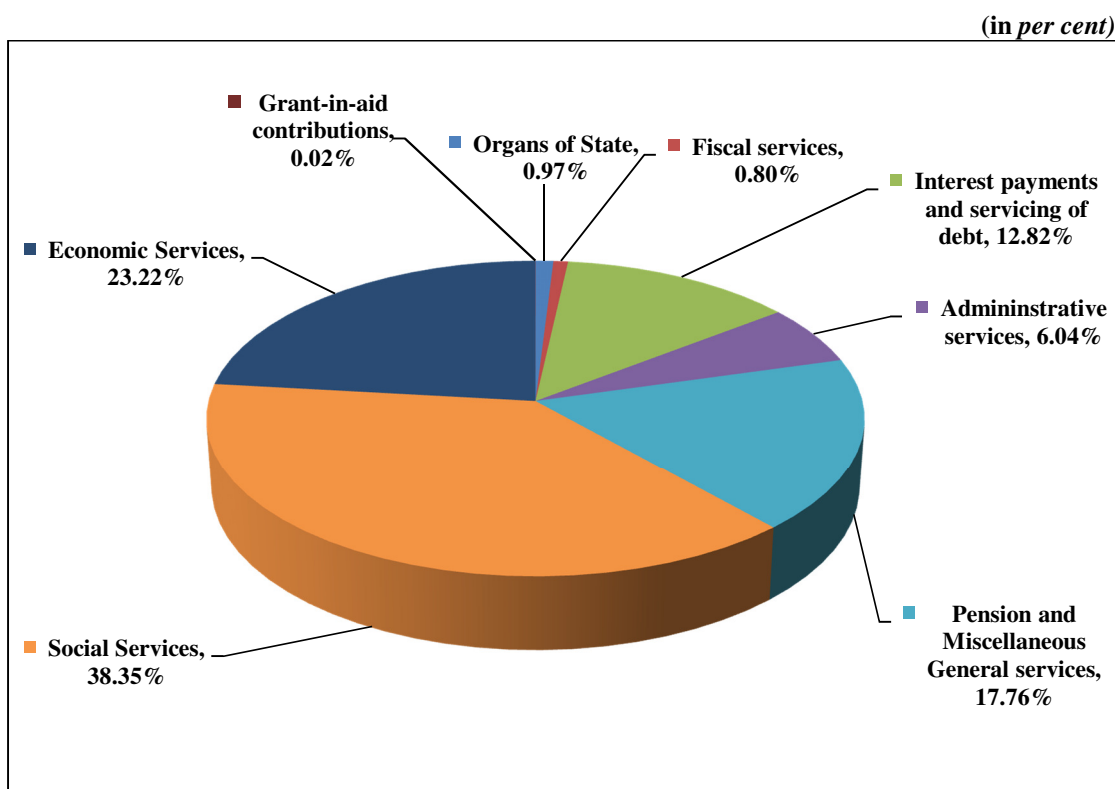
a - Second Revised Estimate, b - First Revised Estimate, c - Advance Estimate.

Revenue expenditure during 2017-22 increased by ₹ 9,141.38 crore (33.79 per cent) at an annual growth rate ranging from four to nine per cent. Rate of growth of Revenue Expenditure has displayed a fluctuating trend over the five-year period 2017-22. Revenue expenditure in 2021-22 (₹ 36,195 crore) increased by ₹ 2,660 crore (7.93 per cent) over 2020-21 (₹ 33,535 crore). The increase was due to increased expenditure under General, Social and Economic services, as detailed in **Para 2.4.2.1**. The percentage of State's revenue receipts and revenue expenditure to GSDP stood at almost the same level i.e. was 21.30 per cent and 20.66 per cent respectively during 2021-22. The State had a revenue surplus of ₹ 1,114.76 crore during 2021-22 which was 0.64 per cent of GSDP.

Revenue expenditure of ₹ 36,194.54 crore in 2021-22 was less than the projections made in Budget and MTFPS (₹ 38,491 crore) and more than the normative assessment of 15th FC (₹ 30,132 crore).

The sectoral distribution of Revenue Expenditure pertaining to 2021-22 is given in **Chart-2.12**.

Chart-2.12: Sector-wise distribution of revenue expenditure during 2021-22



2.4.2.1 Major changes in Revenue Expenditure

Table 2.14 highlights the cases of significant increase or decrease in various Heads of Account in Revenue Expenditure during 2021-22 *vis-à-vis* the previous year.

Table 2.14: Significant variations in Revenue Expenditure during 2021-22 as compared to 2020-21
(₹ in crore)

Major Heads of Account	2020-21	2021-22	Increase (+)/ Decrease (-)
General Services	13,454.24	13,899.76	445.52
2049-Interest Payments	4,472.45	4,640.79	168.34
2059-Public Works	580.59	383.50	-197.09
2071-Pensions and Other Retirement Benefits	6,088.39	6,398.91	310.52
Social Services	12,843.81	13,882.41	1,038.60
2202-General Education	6,228.97	6,592.01	363.04
2210-Medical and Public Health	1,737.23	1,909.17	171.94
2211-Family Welfare	457.79	668.10	210.31
2215-Water Supply and Sanitation	1,095.95	1,210.68	114.73
Economic Services	7,227.49	8,404.66	1,177.17
2801-Power	525.60	1,645.69	1,120.09
2515-Other Rural Development Programmes	917.14	792.20	-124.94
2408-Food Storage and Warehousing	267.28	350.39	83.11

Source: Finance Accounts of the respective years.

Revenue expenditure on General services increased by ₹ 445.52 crore due to increase in expenditure mainly on Interest Payments and Pensions & Other Retirement Benefits. The increase was partly offset by the decrease in Public Works by ₹ 197.09 crore. The expenditure on Social Services increased by ₹ 1,038.60 crore over the previous year due to expenditure mainly on 'Samagra Shiksha Abhiyaan', 'Mid-day meals', etc., under General Education, on 'National Urban/Rural Health Mission', etc., under Family Welfare and Medical & Public Health, etc. The expenditure on Economic Services increased by ₹ 1,177.17 crore over the previous year due to expenditure mainly on 'Compensation to Renukaji Dam Oustees', etc., under Power and 'Procurement of pulses, wheat, rice, sugar, oils and iodised salt on subsidies', etc., under Food Storage and Warehousing. The increase was partly offset by the decrease in Other Rural Development Programmes.

2.4.2.2 Committed expenditure

The committed expenditure of the State Government on revenue account consists of interest payments, expenditure on salaries and wages, and pensions. It has the first charge on Government resources. A high level of committed expenditure leaves the Government with less scope for outlays in development sector.

Table 2.15 presents the trends in the components of committed expenditure during 2017-22, while percentage share of Committed Expenditure in Total Revenue Expenditure is given in **Chart 2.13**.

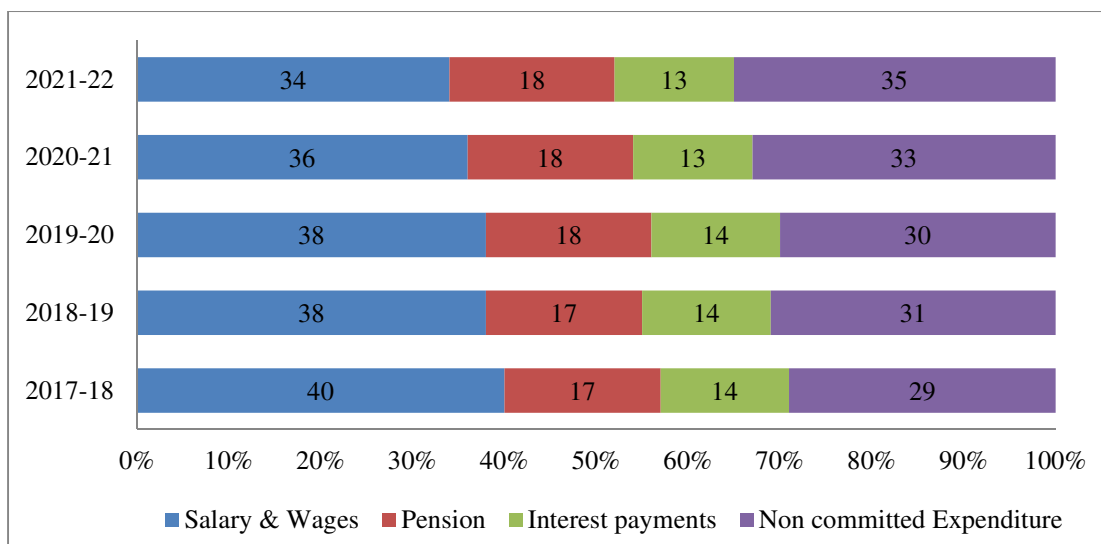
Table 2.15: Components of Committed Expenditure

(₹ in crore)					
Components of Committed Expenditure	2017-18	2018-19	2019-20	2020-21	2021-22
Salaries & Wages	10,765.83	11,210.42	11,742.23	11,903.67	12,192.52*
Expenditure on Pensions	4,708.85	4,974.77	5,489.75	6,088.39	6,398.91
Interest Payments	3,788.22	4,021.52	4,234.02	4,472.45	4,640.79
Total	19,262.90	20,206.71	21,466.00	22,464.51	23,232.22
As a percentage of Revenue Receipts (RR)					
Salaries & Wages	39.34	36.22	38.20	35.60	32.68
Expenditure on Pensions	17.21	16.07	17.86	18.21	17.15
Interest Payments	13.84	12.99	13.77	13.38	12.44
Total	70.39	65.28	69.83	67.19	62.27
As a percentage of Revenue Expenditure (RE)					
Salaries & Wages	39.80	38.08	38.21	35.50	33.69
Expenditure on Pensions	17.41	16.90	17.86	18.16	17.68
Interest Payments	14.00	13.66	13.78	13.34	12.82
Total	71.21	68.64	69.85	66.99	64.19

Source: Finance Accounts of respective years

Salary; ₹ 11,990.28 crore and wages: ₹ 202.24 crore

Chart 2.13: Share of Committed expenditure in total Revenue Expenditure



During 2017-22, there was a consistent rise in committed expenditure of the State. The increase in committed expenditure during 2021-22 over the previous year was ₹ 767.71 crore (3.42 per cent). During the period 2017-18 to 2021-22, it accounted for a dominant share of revenue expenditure (65-71 per cent) and revenue receipts (62-70 per cent), leaving little scope for the Government to spend on developmental activities.

Salaries and Wages: The expenditure on salaries and wages increased by 13.25 per cent from ₹ 10,765.83 crore in 2017-18 to ₹ 12,192.52 crore in 2021-22. During 2021-22, it increased by ₹ 288.85 crore over the previous year and consumed 32.68 per cent of revenue receipts of the State. The expenditure on salaries in the current year (₹ 12,192.52 crore) was within the projections made in Medium Term Fiscal Plan Statement (MTFPS) (₹ 12,704.14 crore).

Interest Payments: Interest payments increased by 22.51 per cent from ₹ 3,788.22 crore in 2017-18 to ₹ 4,640.79 crore in 2021-22. The increase in 2021-22 over the previous year was ₹ 168.34 crore (3.76 per cent). Interest payments consumed 12.44 per cent of revenue receipts and 12.82 per cent of revenue expenditure. Interest payments were less than the projections made in MTFPS (₹ 5,017.57 crore).

Pension Payments: The expenditure on pension payments increased from ₹ 4,708.85 crore in 2017-18 to ₹ 6,398.91 crore in 2021-22 and by ₹ 310.52 crore (5.10 per cent) during the current year over the previous year. During 2021-22, salary and pension payments together accounted for 51.37 per cent of revenue expenditure. The expenditure on pension payments in the current year (₹ 6,398.91 crore) was less than the projected in the MTFPS (₹ 7,082 crore).

2.4.2.3 Undischarged liabilities in National Pension Scheme

The State Government employees recruited on or after 15 May 2003 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/her basic pay and dearness allowance, and 14 per cent (w.e.f. 01 April 2019) of basic pay and dearness allowance is contributed by the State Government; and the entire amount is to be transferred to the designated fund manager through the National Securities Depository Limited (NSDL)/Trustee Bank.

During the year 2021-22, total contribution to the NPS which is a Defined Contribution Pension Scheme was ₹ 1,133.19 crore (Employees' contribution ₹ 474.41 crore and Government's contribution ₹ 658.75 crore and interest ₹ 0.03 crore). The detailed information on government contribution is available in Statement No. 15 of the Finance Accounts. The Government transferred ₹ 1,126.55 crore (Employees' contribution ₹ 470.17 crore and Government's contribution ₹ 656.38 crore) from Major Head 8342-117-Defined Contribution Pension scheme (Public Account) to NSDL. The Government's contribution to the NPS was less by ₹ 5.42 crore. As of 31st March 2022, balance amount of ₹ 14.30 crore (after taking credit opening balance of ₹ 7.66 crore) in Major Head 8342-117-Defined Contribution Pension scheme for Government employees is yet to be transferred to NSDL. Further, the State Government had neither made provision nor paid interest of ₹ 0.54 crore on NPS balances of ₹ 7.66 crore as of 31 March 2021. Thus, less Government's contribution of ₹ 5.42 crore and non-provision of interest of ₹ 0.54 crore towards NPS balances resulted in overstatement of Revenue surplus and understatement of Fiscal deficit to that extent.

2.4.2.4 Subsidies

The State Government has been paying subsidies to various departments/institutions/bodies/corporations. Expenditure on subsidies increased by ₹ 281.20 crore (31 per cent) from ₹ 906.79 crore in 2017-18 to ₹ 1,187.99 crore in 2021-22. The

amount of subsidies remained between 3.18 *per cent* and 4.15 *per cent* of revenue receipts during the period 2017-22, as detailed in **Table 2.16**.

Table 2.16: Expenditure on subsidies during 2017-22

	2017-18	2018-19	2019-20	2020-21	2021-22
Subsidies (₹ in crore)	906.79	1,282.60	1,067.78	1,240.63	1,187.99
Subsidies as a percentage of Revenue Receipts	3.31	4.15	3.47	3.71	3.18
Subsidies as a percentage of Revenue Expenditure	3.35	4.36	3.49	3.70	3.28

Source: Finance Accounts of respective years

During 2021-22, there was a decrease of ₹ 52.64 crore (4.24 *per cent*) in expenditure on subsidies over the previous year. During the year, subsidies of ₹ 1,187.99 crore were paid which consumed about 3 *per cent* of both revenue receipts and revenue expenditure. Major recipients of subsidies were Energy (₹ 419.99 crore or 35.35 *per cent*), Food and Supply (₹ 314.53 crore or 26.48 *per cent*), Transport (₹ 171.20 crore or 14.41 *per cent*), Agriculture (₹ 87.73 crore or 7.38 *per cent*) and Horticulture (₹ 101.23 crore or 8.52 *per cent*). The total subsidy released by the Government during the year was slightly higher than the projection made in the MTFPS (₹ 1,081.12 crore).

2.4.2.5 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 2017-18 to 2021-22 is presented in **Table 2.17**.

Table 2.17: Financial Assistance to Local Bodies etc.

	(₹ in crore)				
Financial Assistance to Institutions	2017-18	2018-19	2019-20	2020-21	2021-22
Local Bodies					
Municipal Corporations and Municipalities	249.31	487.99	456.22	814.58	800.71
Panchayati Raj Institutions	781.21	1,026.07	1,053.39	1,176.07	1,148.28
Total (A)	1,030.52	1,514.06	1,509.61	1,990.65	1,948.99
Others					
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	905.15	951.22	1,020.83	944.59	1,031.74
Development Authorities	111.07	143.68	99.16	238.37	331.69
Hospitals and Other Charitable Institutions	343.87	337.38	439.71	458.23	673.60
Other Institutions	504.85	687.61	437.17	931.27	994.78
Total (B)	1,864.94	2,119.89	1,996.87	2,572.46	3,031.81
Total (A+B)	2,895.46	3,633.95	3,506.48	4,563.11	4,980.80
Revenue Expenditure	27,053.16	29,442.11	30,730.43	33,534.93	36,194.54
Assistance as percentage of Revenue Expenditure	10.70	12.34	11.41	13.61	13.76

Source: Finance Accounts and information received from PAG (A&E)

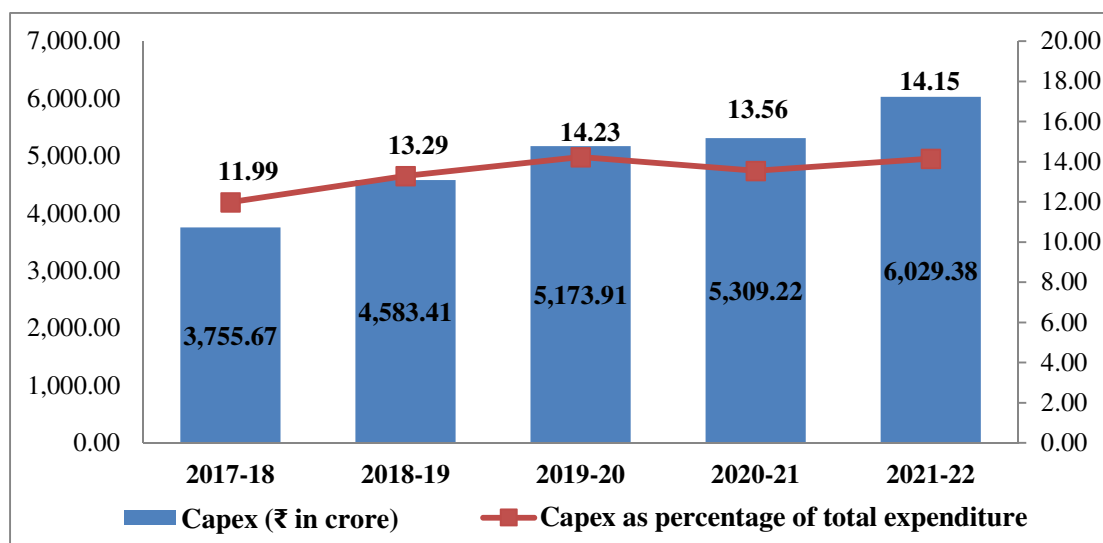
Table 2.17 indicates that the financial assistance to local bodies and other institutions increased by ₹ 2,085.34 crore (72.02 per cent) from ₹ 2,895.46 crore in 2017-18 to ₹ 4,980.80 crore in 2021-22, constituting 13.76 per cent of the revenue expenditure during the year.

There was an increase of ₹ 417.69 crore (9.15 per cent) in the total quantum of assistance in the current year as compared with the previous year. Except in the case of Local Bodies (Municipal Corporations and Municipalities and Panchayati Raj Institutions), the assistance provided by the State Government during the year 2021-22 was more than the previous year. Amongst the various recipients, Municipal Corporations, Municipalities and Panchayati Raj Institutions (Local Bodies) together accounted for 39.13 per cent of the total financial assistance during the current year. During the year 2021-22, the assistance provided by the State Government to Local bodies decreased by ₹ 41.66 crore (two per cent), while assistance to other bodies increased by 459.35 crore (18 per cent) over the previous year.

2.4.3 Capital Expenditure

Capital Expenditure (Capex) is primarily expenditure on creation of fixed infrastructure assets such as roads, buildings, etc. The trend in Capital Expenditure as percentage of Total Expenditure for the period 2017-22 is given in **Chart 2.14**.

Chart 2.14: Trend of Capital Expenditure as per cent of Total Expenditure during 2017-22



There was a trend of sustained growth in capital expenditure during the last five years. It increased by ₹ 2,273.71 crore (60.54 per cent) during 2017-22. During 2021-22, capital expenditure (₹ 6,029.38 crore) increased by ₹ 720.16 crore (13.56 per cent) over the previous year 2020-21 (₹ 5,309.22 crore). It constituted 14.15 per cent of total expenditure as compared to the previous year (13.56 per cent).

2.4.3.1 Major changes in Capital Expenditure

Table 2.18 highlights cases of significant increase or decrease in various Heads of Account in Capital Expenditure during 2021-22 *vis-à-vis* the previous year.

Table 2.18: Variation in Capital Expenditure during 2021-22 compared to 2020-21*(₹ in crore)*

Major Heads of Accounts	2020-21	2021-22	Increase (+)/ Decrease (-)
Capital Expenditure	5,309.22	6,029.38	720.16
General Services	169.54	389.63	220.09
4059-Capital Outlay on Public Works	115.69	274.33	158.64
Social Services	1,736.19	1,925.31	189.12
4202-Capital Outlay on Education, Sports, Art and Culture	355.54	488.72	133.18
4217-Capital Outlay on Urban Development-	29.06	61.48	32.42
Economic Services	3,403.49	3,714.44	310.95
5475-Capital Outlay on other General Economic Services	147.17	330.51	183.34
5055-Capital Outlay on Road Transport	85.99	205.93	119.94
5002-Capital Outlay on Indian Railways-Commercial Lines-	100.00	213.00	113.00
4851-Capital Outlay on Village and Small Industries	17.27	122.73	105.46
5054-Capital Outlay on Roads and Bridges	2,315.55	2,162.98	-152.57

It can be seen from the above table that capital expenditure increased by ₹ 720.16 crore during 2021-22 over the previous year. This was mainly due to increased expenditure on Public Works (General Services), on construction of school buildings, etc., under Education Sports Art and Culture (Social Services) and on 'MLA Local Area Development Fund Scheme', 'Local District Planning Vikas Main Jan Sahyog', etc., under Other General Economic Services, in 'Investment in Himachal Road Transport Corporation', 'construction of bus stands', etc., under Transport, on construction of Indian Railways-Commercial Lines and on 'Development of Industrial Area / Estate', construction of buildings/centres, etc., under Village and Small Industries (Economic Services). This was partially offset by the reduction in expenditure on Roads and Bridges.

(i) Investments and Returns

As of 31 March 2022, the Government had invested ₹ 4,913 crore in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives (**Table 2.19**). The average return on these investments was 5.31 *per cent* in the last five years while the Government paid an average interest rate of 7.84 *per cent* on its borrowings during 2017-22. One company (Satluj Jal Vidyut Nigam Limited) contributed more than 98 *per cent* of the total returns.

Table 2.19: Details of Investment and return on Investments

Investment/ Return/ cost of Borrowing	2017-18	2018-19	2019-20	2020-21	2021-22
Investments at the end of the year (₹ in crore)	3,532.97	3,848.83	4,261.06	4,562.40	4,913.00
Return (₹ in crore)	255.58	181.91	248.44	245.43	166.53
Return (<i>per cent</i>)	7.23	4.73	5.83	5.38	3.39
Average rate of interest on government borrowings (<i>per cent</i>)	8.41	8.32	7.98	7.44	7.03
Difference between interest rate and return (<i>per cent</i>)	1.18	3.59	2.15	2.06	3.64
Notional loss due to difference between interest on Government borrowings and return on investment (₹ in crore) #	41.69	138.17	91.61	93.99	178.83

Source: Finance Accounts

Investment at the end of year x Difference between interest rate and return

Out of total investment of ₹ 4,913 crore, investment of ₹ 4,337.21 crore (88.28 per cent) was in five³ companies.

The financial performance / position of the State Public Sector Enterprises (SPSEs) i.e., Government companies, Government controlled other companies and Statutory Corporations has been discussed in detail in Chapter-V of this Report.

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

Public Private Partnership (PPP) is an arrangement between the government or statutory entity and a private sector entity to provide a partnership framework to meet the demand for infrastructure development. As on 31 March 2022, sector-wise details of completed, ongoing and planned PPP projects is given in **Table 2.20**:

Table 2.20: Sector-wise details of PPP Projects

Sr. No.	Sector	Completed		Ongoing		Planned	
		Number	Estimated Cost	Number	Estimated Cost	Number	Estimated Cost
1.	Urban Infrastructure	9	151.00	15	1,213	05	0
2.	Energy	33	13,851.98	11	1,575.38	49	5,278.57
3.	Social	04	115.00	00	0	00	00
4.	Tourism	03	201.57	03	723.43	01	278.46
5.	Others	00	00	01	13	00	00
Total		49	14,319.55	30	3,524.81	55	5,557.03

(₹ in crore)

(iii) Capital blocked in incomplete projects

An assessment of trends in capital blocked in incomplete capital works indicates quality of capital expenditure. Blocking of funds in 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 leads to the extra burden of servicing debt and interest liabilities.

As per Appendix-IX of Finance Accounts of the State for the year 2021-22, there were 74 incomplete / ongoing projects (as per information provided by some divisions) in Public Works and Irrigation departments as on 31 March 2022. Age profile and department-wise profile of incomplete projects as on 31 March 2022 is given in **Table 2.21** and **Table 2.22**.

Table 2.21: Age profile of incomplete capital works as on 31 March 2022

(₹ in crore)

Year of Commencement	No. of incomplete capital works	Estimated cost/ Revised cost	Expenditure (as on 31 March 2022)
1995	1	8.52	5.07
1996	1	5.62	9.40
1998	1	4.55	26.81
2000	1	8.76	6.39

³ Satluj Jal Vidyut Nigam Ltd. (₹ 1,098.14 crore), Himachal Pradesh Power Transmission Corporation Ltd. (₹ 414.50 crore), Himachal Pradesh Power Corporation (₹ 935.86 crore), Himachal Pradesh State Electricity Board Ltd. (₹ 844.64 crore) and Himachal Road Transport Corporation (₹ 1,044.07 crore).

Year of Commencement	No. of incomplete capital works	Estimated cost/ Revised cost	Expenditure (as on 31 March 2022)
2003	1	9.28	25.03
2004	1	51.46	71.51
2005	1	5.45	10.14
2007	2	12.96	17.7
2008	1	2.15	0.71
2009	1	6.09	6.23
2011	3	67.88	66.38
2012	2	129.70	61.98
2013	7	90.32	71.26
2014	4	295.88	284.58
2015	14	68.55	37.96
2016	10	189.1	153.14
2017	9	94.92	40.65
2018	12	76.78	69.28
2019	2	6.99	3.69
Total	74	1,135.00	967.92

Source: Finance Accounts

Table 2.22: Department-wise profile of incomplete capital works as on 31 March 2022

(₹ in crore)

Department	No. of incomplete capital works	Estimated cost	Expenditure
Irrigation and Public Health (Jal Shakti)	39	871.75	802.04
Public Works (B&R)	35	263.25	165.88
Total	74	1,135.00	967.92

Source: Finance Accounts

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

2.4.3.2 Loans and advances by State Government

In addition to investment in Co-operative societies, Corporations and Companies, State Government has also provided loans and advances to many institutions/ organisations. **Table 2.23** presents the outstanding loans and advances as on 31 March 2022 along with interest receipts *vis-à-vis* interest payments during the five-year period from 2017-18 to 2021-22.

Table 2.23: Details of quantum of loans disbursed and recovered during 2017-22

(₹ in crore)

Quantum of loans/interest receipts/ cost of borrowings	2017-18	2018-19	2019-20	2020-21	2021-22
Opening Balance of the loans outstanding*	6,044.27	6,507.18	6,953.33	7,390.49	7,687.59
Amount advanced during the year	502.53	467.98	458.21	320.12	377.97
Amount recovered during the year	39.62	21.83	21.03	23.02	40.73
Closing Balance of the loans outstanding*	6,507.18	6,953.33	7,390.49	7,687.59	8,024.83
Net addition	462.91	446.15	437.17	297.09	337.24
Interest Received	255.59	272.15	135.11	248.98	97.72
Interest rate on Loans and Advances given by the Government (<i>per cent</i>)	4.23	4.18	1.94	3.37	1.24
Interest payments as <i>per cent</i> to outstanding fiscal liabilities of the previous year (<i>per cent</i>)	8.02	7.88	7.80	7.19	6.52
Difference between the rate of interest paid and interest received (<i>per cent</i>)	3.79	3.70	5.86	3.82	5.28

Source: Finance Accounts

* From 2016-17 onwards, closing and opening balance includes ₹ 2,890.50 crore loan extended to DISCOM under UDAY Scheme.

The total amount of outstanding loans and advances as on 31 March 2022 was ₹ 8,024.83 crore. An amount of ₹ 377.97 crore was advanced to various entities during 2021-22, out of which, within Economic Services, the major recipient was Power Sector ₹ 370.40 crore (98 per cent).

The amount of ₹ 40.73 crore recovered in current year (2021-22) was the highest quantum of recovery of loans and advances after 2017-18 in the last five years. It was mainly due to repayment of loans and advances from Cooperation Department (₹ 34.88 crore). Interest receipts on loans and advances remained almost static during the last five years (2017-22) except for a sharp decrease in 2019-20 due to non-receiving of interest installment from Himachal Pradesh State Electricity Board on account of UDAY. The poor recovery of loans and advances highlights the need to review the recovery mechanism by the State Government.

Scrutiny of the total outstanding loans revealed that there was no repayment of loans by various public sector undertakings under Power Projects and Industries and Minerals over the last five years (up to March 2022), and yet additional loans had been extended to them. Thus, the overall outstanding balance has increased over the years.

2.4.4 Expenditure priorities

Enhancing human development levels requires the States to step up expenditure on key social services like education, health, etc. Low fiscal priority (ratio of expenditure under a category to aggregate expenditure) can be said to be 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 better the quality of expenditure.

Table-2.24 analyses expenditure priorities of the State Government in comparison with North Eastern & Himalayan (NE & H) States, with regard to aggregate expenditure, expenditure on Education and Health Sectors and Capital Expenditure during 2021-22, taking 2017-18 as base year.

Table-2.24: Expenditure priority of the State in 2017-18 and 2021-22

(In per cent)

Fiscal priority of the State	TE/ GSDP	SSE/ TE	ESE/ TE	DE/ TE	CE/ TE	Education/ TE	Health/ TE
Average (ratio) in 2017-18 of							
North Eastern & Himalayan (NE & H) States	26.07	34.98	29.17	64.15	16.10	17.56	6.22
Himachal Pradesh	22.60	36.66	27.52	64.18	11.99	19.30	6.41
Average (ratio) in 2021-22 of							
North Eastern & Himalayan (NE & H) States	27.56	35.55	27.01	62.56	17.46	15.95	7.25
Himachal Pradesh	24.32	37.11	29.33	66.43	14.15	16.90	6.74

Note: TE-Total expenditure, SSE-Social Sector Expenditure, ESE-Economic Sector Expenditure, DE-Development Expenditure and CE-Capital Expenditure

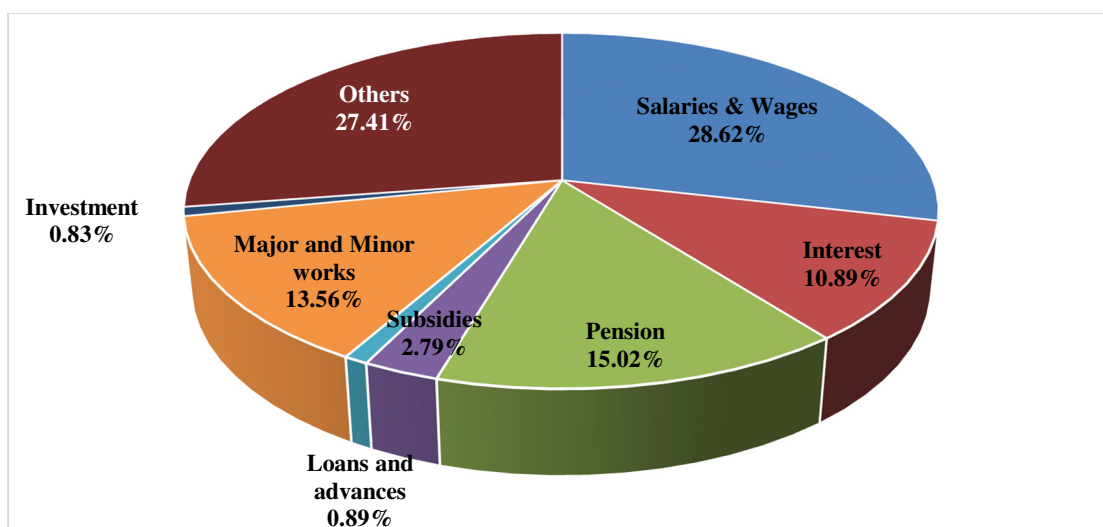
- As can be seen from the above table, ratio of development expenditure to total expenditure of Himachal Pradesh as compared to North Eastern & Himalayan States is almost same in 2017-18, whereas in 2021-22 it is on the higher side.

- During 2017-18 and 2021-22, the ratio of capital expenditure of Himachal Pradesh remained below the NE&H States.
- Total expenditure as a ratio of GSDP of the State was less than that NE&H States during 2017-18 and 2021-22.
- During 2021-22, the ratio of Education to total expenditure is higher than NE & H States, while ratio of Health to total expenditure was below than that of the NE&H States.

2.4.5 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-2.15**.

Chart-2.15: Object head-wise expenditure (in percentage)



2.5 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.

2.5.1 Net Public Account Balances

The component-wise net balances in the Public Account of the State as at the end of March 2022 are given in **Table 2.25**.

Table 2.25: Component-wise net balances in Public Account as of 31 March 2022

		(₹ in crore)				
Sector	Sub Sector	2017-18	2018-19	2019-20	2020-21	2021-22
I.-Small Savings, Provident Funds, etc.	Small Savings, Provident Funds, etc.	13,236.38	14,349.53	15,537.13	16,522.64	17,006.28
	Total (I)	13,236.38	14,349.53	15,537.13	16,522.64	17,006.28
J.-Reserve Funds	(a) Reserve Funds bearing Interest	8.48	1.00	1,887.65	1,882.54	1,657.90
	(b) Reserve Funds not bearing Interest	316.54	316.60	834.66	834.66	316.00
	Total (J):	325.02	317.60	2,722.31	2,717.20	1,973.90

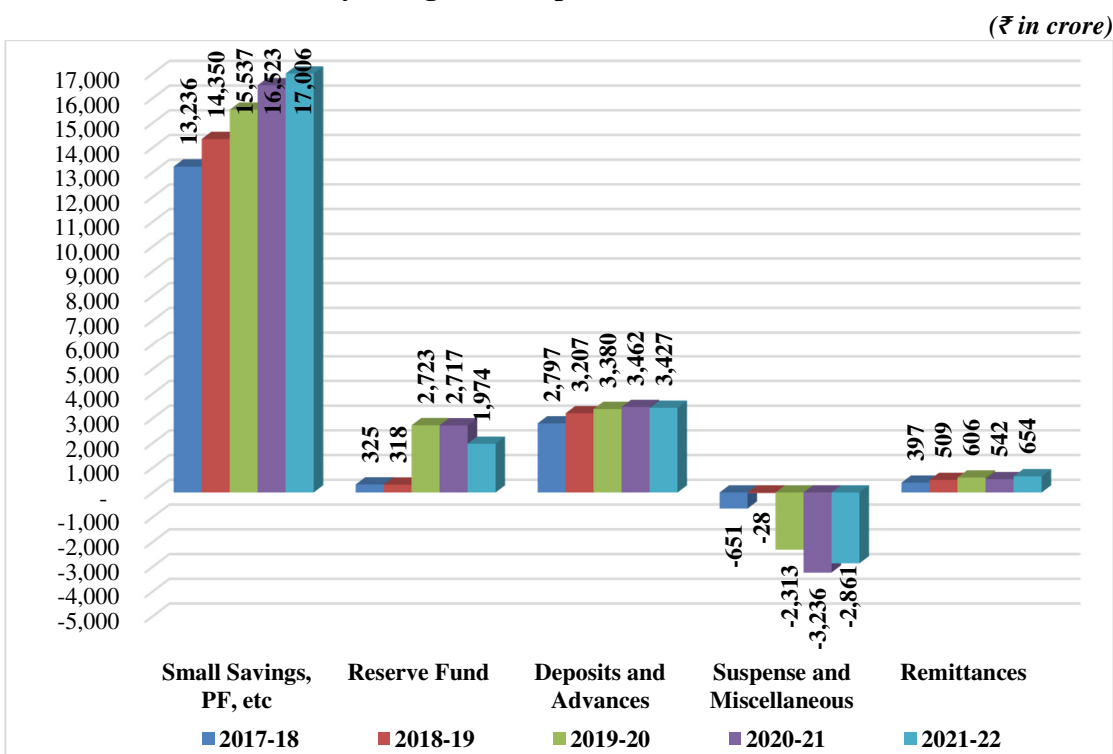
Sector	Sub Sector	2017-18	2018-19	2019-20	2020-21	2021-22
K.-Deposits and Advances	(a) Deposits bearing Interest	-0.89	-1.41	-1.64	7.66	14.30
	(b) Deposits not bearing Interest	2,799.09	3,208.52	3,382.45	3454.50	3,412.87
	(c) Advances	-0.53	-0.53	-0.51	-0.51	-0.51
	Total (K):	2,797.67	3,206.58	3,380.30	3,461.65	3,426.66
L.-Suspense and Miscellaneous	(a) Suspense	73.04	74.12	-1,330.44	-1,539.83	-292.98
	(b) Other Accounts	-723.54	-101.91	-982.25	-1,696.28	-2,568.27
	(c) Accounts with Governments of Foreign Countries	0	0	0	0	0
	(d) Miscellaneous	0	0	0	0	0
	Total (L):	-650.50	-27.79	-2,312.69	-3,236.11	-2,861.25
M.-Remittances	(a) Money Orders, and other Remittances	398.45	509.19	612.45	546.02	653.51
	(b) Inter-Governmental Adjustment Account	-1.21	0.31	-6.16	-4.11	-0.01
	Total (M):	397.24	509.50	606.29	541.91	653.50
Grand Total		16,105.81	18,355.42	19,933.34	20,007.29	20,199.09

Source: Finance Accounts of the respective years

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

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

Chart 2.16: Yearly changes in composition of Public Account balances



Source: Finance Accounts of respective years

It can be seen from the above **Table 2.25** that the Net Public Account balances increased consistently during the period 2017-18 to 2021-22. It increased by ₹ 4,093.28 crore from ₹ 16,105.81 crore in 2017-18 to ₹ 20,199.09 crore during 2021-22.

The closing balance under the Public Account increased marginally by ₹ 191.80 crore (credit) (0.96 per cent) from ₹ 20,007.29 crore in 2020-21 to ₹ 20,199.09 crore in 2021-22. The marginal increase during 2021-22 as compared to the previous year was due to increase in credit balances under the heads of Small Savings (₹ 483.64 crore) and Remittances (₹ 111.59 crore) and changes in debit balances under Suspense and Miscellaneous (₹ 374.86 crore) which was offset by decrease in credit balances under the heads Reserve Funds (₹ 743.30 crore) and Deposits and Advances (₹ 34.99 crore).

2.5.2 Reserve Funds

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

Details of Reserve Funds are available in **Statements 21 and 22** of the Finance Accounts. There were five Reserve Funds (two Reserve Funds bearing Interest and three Reserve Funds not bearing Interest) earmarked for specific purposes. The interest on balances of Reserve Funds bearing Interest is paid by the Government if the same are not invested, while in the case of Reserve Funds not bearing Interest, balances are invested in Government Securities/Treasury Bills under the administration of Central Accounts Section of the Reserve Bank of India at Nagpur. The fund balances lying in various Reserve Funds (bearing Interest and not bearing Interest) as on 31 March 2022 are given in **Table 2.26**.

Table 2.26: Details of Reserve Fund

		(₹ in crore)
Sr. No.	Name of Reserve Fund	Balance as on 31 March 2022
A	Reserve Funds bearing Interest	1,657.90
1	State Disaster Response Fund	49.79
2	State Compensatory Afforestation Fund	1,608.11
B	Reserve Funds not bearing Interest	316.00
1	Industrial Development Funds	0.16
2	Electricity Development Funds	315.52
3	National Disaster Response Fund	0.32
	Grand Total	1,973.90

Source: Finance Accounts

Out of the above, two Reserve Funds not bearing Interest i.e., Industrial Development Funds and Electricity Development Funds had remained inoperative for at least four years. The State Government is yet to close these inoperative Reserve Funds and transfer the balances to the Consolidated Fund of the State.

2.5.2.1 Consolidated Sinking Fund

In terms of the recommendations of the Twelfth Finance Commission, State Governments were required to create Consolidated Sinking Fund to be administered by the Reserve Bank of India for redemption of outstanding liabilities. As per model Consolidated Sinking Fund scheme, circulated by RBI's guidelines of 2006 for voluntary adoption by the States, the State Government was to make minimum annual contributions to the Fund at the rate of 0.5 per cent of the outstanding liabilities at the end of the previous financial year.

As per the above directions, by the end of the year 2021-22 the State Government was required to contribute 0.5 per cent of the outstanding liabilities as on 31 March 2021. The outstanding liabilities of the State Government, as of 31 March 2021, were ₹ 67,164.75 crore. Thus, the State Government would have been required to contribute a minimum amount of ₹ 335.82 crore (0.5 per cent of ₹ 67,164.75 crore) in 2021-22 towards the fund.

However, the State Government had not created the Consolidated Sinking Fund so far. Consequently, the liability of the State Government towards the fund since its inception was ₹ 335.82 crore.

2.5.2.2 State Disaster Response Fund

The Government of India (GoI) replaced the erstwhile Calamity Relief Fund with the State Disaster Response Fund (SDRF) with effect from 1 April 2010. In terms of the guidelines of SDRF (September 2010, July 2015 and January 2022), the Centre and the State Governments were contributing to the Fund in the proportion of 90:10. The contributions are to be transferred under the Public Account to Major Head – 8121. Expenditure during the year is incurred by operating Major Head – 2245.

The State Governments are required to pay interest to the SDRF at the rate applicable to overdrafts under Overdraft Regulation Guidelines of the RBI. The interest is to be credited on a half yearly basis. The accretions to the SDRF together with the income earned on the investment of SDRF is to be invested in Central Government dated Securities, auctioned Treasury Bills and other interest earning deposits with Scheduled Commercial Banks.

The SDRF is to be used only for meeting the expenditure for providing immediate relief to the victims of a disaster and the provision for disaster preparedness, restoration, reconstruction and mitigation should not be a part of SDRF. Such expenditure has to be built into the normal budgetary heads/State Plan Funds, etc.

As per Finance Accounts, as on 1 April 2021, an amount of ₹ 233.81 crore was lying in the SDRF. During the year 2021-22, ₹ 363.00 crore (Central share: ₹ 327.20 crore, State share: ₹ 35.80 crore) were transferred to the SDRF under Major Head 8121-122. Out of total amount of ₹ 596.81 crore, ₹ 547.02 crore was disbursed/ utilised during the current year leaving a balance of ₹ 49.79 crore at the end of the year. The entire balance of ₹ 49.79 crore was lying un-invested in SDRF as on 31 March 2022, in violation of GoI guidelines *ibid*.

The balances of 31 March 2021 of ₹ 7.88 crore under SDRF were also not invested by the State Government. Interest of ₹ 0.47 crore would have been earned had these balances been invested, which resulted in understatement of Revenue surplus and Fiscal deficit to that extent. Details of expenditure charged to SDRF during 2021-22 are given **Table 2.27**.

Table 2.27: Details of expenditure charged to SDRF during 2021-22

		(₹ in crore)
Major Head of Account	Minor Head of Account	Expenditure
2245- Relief on Account of Natural Calamities	101-Gratuitous Relief	114.96
	102-Drinking Water Supply	3.33
	104-Supply of Fodder	1.11

Major Head of Account	Minor Head of Account	Expenditure
02- Floods, Cyclones, etc.	106-Repairs and restoration of damaged roads and bridges	376.18
	109- Repairs and restoration of damaged water supply, drainage and sewerage works	204.50
	111-Ex-gratia payments to bereaved families	165.81
	113-Assistance for repairs/ reconstruction of Houses	19.77
	1193-Assistance to Local Bodies and other non-Government Bodies/Institutions	124.70
	Total	1,010.36
2245- Relief on Account of Natural Calamities	901- Deduct - Amount met from State Disaster Response Fund	(-) 1,065.68
05-State Disaster Response Fund		
	Expenditure charged to SDRF in violation of SDRF guidelines	950.72

Source: Finance Accounts

As per the SDRF guidelines, only the amount booked under 2245-02-101 is admissible expenditure to be met from SDRF. Hence, expenditure of ₹ 950.72 crore out of ₹ 1,065.68 crore met from SDRF was in contravention of the guidelines. This led to understatement of revenue expenditure to the extent of ₹ 950.72 crore during 2021-22 with consequent impact on revenue deficit and fiscal deficit of the State.

2.5.2.3 Guarantee Redemption Fund

Guarantee Redemption Fund is to be constituted for meeting payment obligations arising out of guarantees issued by the Government in respect of bonds and other borrowings by State Public Sector Undertakings or other Bodies and invoked by beneficiaries. The accumulations in the Fund are to be utilised only towards payment of guarantees issued by the Government and not paid by the institutions on whose behalf guarantee was issued. The Reserve Bank of India circulated a draft scheme for voluntary adoption by States, as per which the State Government was to contribute an amount equivalent to at least 0.5 per cent of the outstanding guarantees at the end of the second financial year preceding the current financial year as reflected in the books of accounts maintained by the Pr. Accountant General (A&E). The State Government, however, had not set up a Guarantee Redemption Fund so far.

2.5.2.4 State Compensatory Afforestation Fund

State Compensatory Afforestation Fund (SCAF) was required to be created for administering amounts received and utilising 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 by Ministry of Environment, Forest and Climate Change, Government of India in November 2018.

During the year 2021-22, the State Government did not receive any amount either from the user agencies or from National Compensatory Afforestation Deposit. Out of the progressive balance of ₹ 1,702.88 crore (Opening balance: ₹ 1,648.73 crore + interest credited during the year: ₹ 54.15 crore), only ₹ 94.77 crore was disbursed during 2021-22, leaving ₹ 1,608.11 crore unutilised under this head at the end of 2021-22. This

amount is booked under the Head-8121-129-State Compensatory Afforestation Fund in Public Account.

2.5.3 Suspense and Miscellaneous

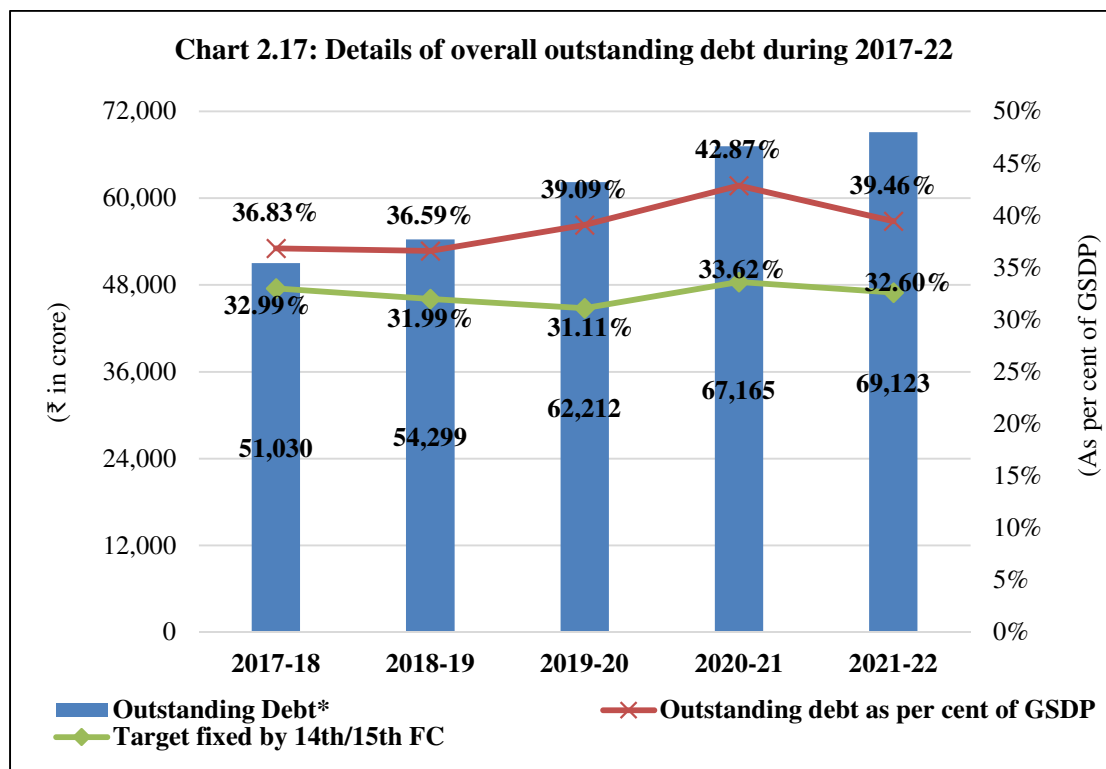
During 2021-22, an amount of ₹ 78.74 crore (Revenue Expenditure ₹ 74.28 crore and Capital Expenditure ₹ 4.46 crore) has been kept in Suspense Account in the books of the Principal Accountant General (A&E) due to non-furnishing of sub-vouchers, sanction orders and other required documents. Thus, the said amount has not been taken into account as Revenue expenditure/Capital expenditure in the Finance Accounts and actual expenditure in the Appropriation Accounts against the budget provisions for the year 2021-22.

Further, out of OB Suspense of ₹ 1,601.42 crore (2019-20: ₹ 1,373.77 crore and 2020-21: ₹ 227.65 crore) which had been objected and kept under OB Suspense during 2019-20 and 2020-21, an amount of ₹ 1,190.78 crore (2019-20: ₹ 1,183.76 crore and 2020-21: ₹ 7.02 crore) has been cleared during 2021-22.

2.6 Debt management

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

The year-wise position of overall debt for the period 2017-18 to 2021-22 is given in the **Chart 2.17** below:



* Total outstanding debt/liabilities and ratio of total outstanding debt to GSDP excludes ₹ 1,717 crore for the year 2020-21 and ₹ 4,412.22 crore (2020-21: ₹ 1,717 crore and 2021-22: ₹ 2,695.22 crore) for the year 2021-22 as back-to-back loans to State from GoI in lieu of GST compensation shortfall.

2.6.1 Debt profile: Components

Total debt of the State Government consists of Internal Debt of the State (Market Loans, Ways and Means Advances from RBI, Special Securities issued to National Small Savings Fund and Loans from Financial Institutions, etc.), Loans and Advances from the Central Government, and Public Account Liabilities. The outstanding fiscal liabilities of the State for the year 2021-22 are presented in **Chart 2.18**. The component-wise debt trends of the State for the five-year period from 2017-18 to 2021-22 are shown in **Table 2.28**.

Table 2.28: Component-wise debt trends

		(₹ in crore)					
		2017-18	2018-19	2019-20	2020-21	2021-22	
Overall Outstanding Debt as of 31 March 2022 (1+2)		51,030.51	54,299.19	62,211.84	67,164.75*	69,122.58*	
1.	Public Debt	<i>(a) Internal Debt</i>	33,591.47	35,363.18	39,527.77	42,918.21	44,376.03
		<i>(b) Loans from GoI</i>	1,079.43	1,061.77	1,043.81	1,544.54*	2,339.19*
2.	Public Account Liabilities	16,359.61	17,874.24	21,640.26	22,702.00	22,407.36	
	<i>Small Savings, Provident Funds, etc.</i>	13,236.38	14,349.53	15,537.13	16,522.64	17,006.28	
	<i>Reserve Funds bearing Interest</i>	8.48	1.00	1,887.65	1,882.54	1,657.90	
	<i>Reserve Funds not bearing Interest</i>	316.54	316.60	834.66	834.66	316.00	
	<i>Deposits bearing Interest</i>	-0.88	-1.41	-1.63	7.66	14.30	
	<i>Deposits not bearing Interest</i>	2,799.09	3,208.52	3,382.45	3454.50	3,412.88	
3.	Rate of growth of overall outstanding debt (percentage)	8.01	6.41	14.57	7.96	2.91	
4.	Gross State Domestic Product (GSDP)	1,38,551.09	1,48,383.27	1,59,161.70 ^a	1,56,675.06 ^b	1,75,173.31 ^c	
5.	Overall Debt/GSDP (per cent)	36.83	36.59	39.09	42.87*	39.46*	
6.	Public Debt Receipts**	5,600.29	6,427.41	10,847.39	15,032.21**	6,639.75**	
7.	Public Debt Repayments	3,499.85	4,673.34	6,700.75	11,141.05	4,387.28	
8.	Public Debt Available (6-7)	2,100.44	1,754.07	4,146.64	3,891.16	2,252.47	
9.	Public Debt Repayments/ Receipts (percentage) (7/8)	62.49	72.71	61.77	74.11	66.08	
10.	Net Public Account Receipts	1,686.04	1,514.64	2,457.90	787.97	- 294.64	
11.	Total Debt Available (8+10)	3,786.48	3,268.71	6,604.54	4,679.13	1,957.83	

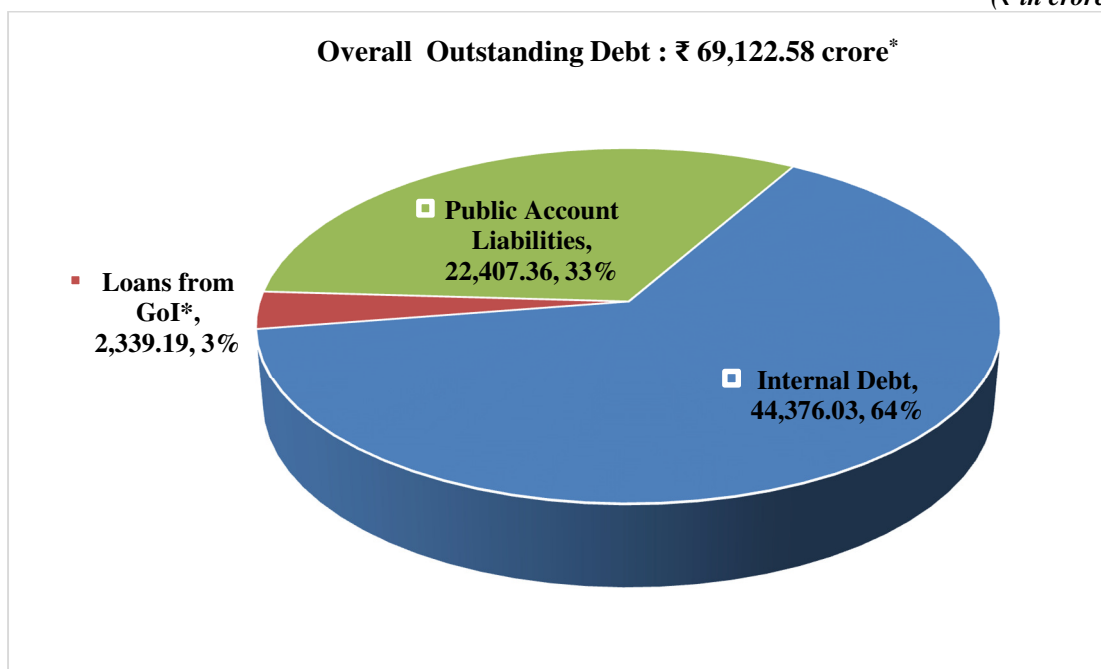
Source: Finance Accounts of respective years

* Excludes ₹ 1,717 crore (2020-21) and ₹ 4,412.22 crore (2020-21: ₹ 1,717 crore and 2021-22: ₹ 2,695.22 crore) for the year 2021-22 as back-to-back loans to State from GoI in lieu of GST compensation shortfall.

** Excludes ₹ 1,717 crore (2020-21) and ₹ 2,695.22 crore (2021-22) as back-to-back loans to State from GoI in lieu of GST compensation shortfall.

a- Second Revised Estimate, b – First Revised Estimate, c – Advance Estimate.

Chart 2.18: Break-up of Outstanding Debt at the end of 31 March 2022

(₹ in crore)

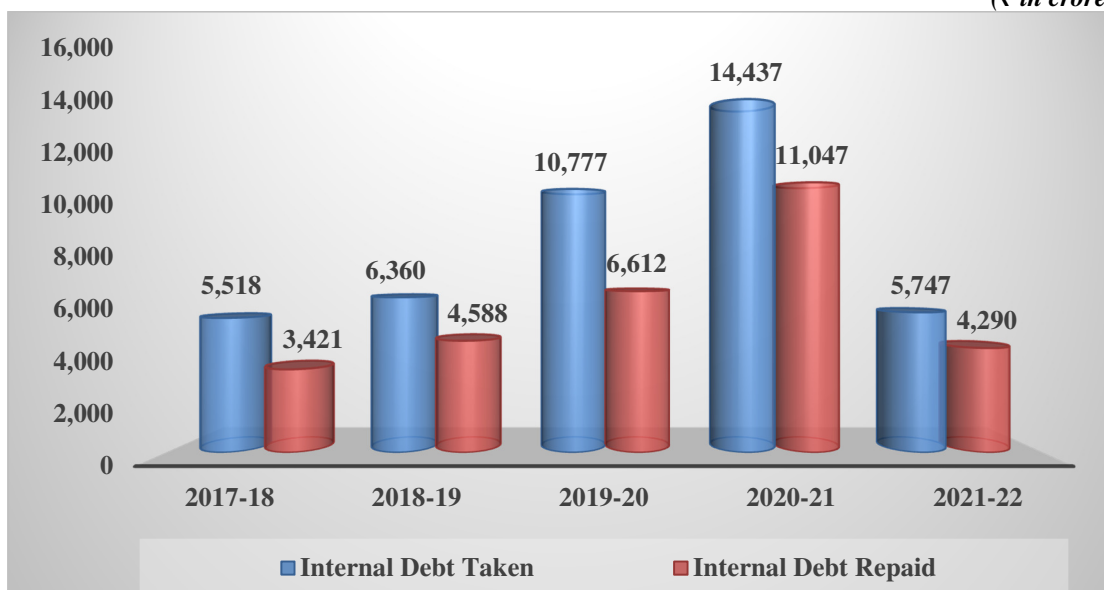
* Excludes ₹ 1,717 crore (2020-21) and ₹ 4,412.22 crore (2020-21: ₹ 1,717 crore and 2021-22: ₹ 2,695.22 crore) for the year 2021-22 as back-to-back loans to State from GoI in lieu of GST compensation shortfall.

The overall outstanding debt/liabilities of the State increased by ₹ 18,092.07 crore from ₹ 51,030.51 crore in 2017-18 to ₹ 69,122.58 crore (excluding ₹ 4,412.22 crore (2020-22) as back-to-back loans to State from GoI in lieu of GST compensation shortfall) registering an increase of 35.45 per cent, mainly due to increase in internal debt (₹ 10,784.56 crore), loans and advances from GoI (₹ 1,259.76 crore) and public account liabilities (₹ 6,047.75 crore). The overall outstanding debt/fiscal liabilities increased by 2.91 per cent in 2021-22 as compared with 7.96 per cent in the previous year. The ratio of overall outstanding debt/liabilities to GSDP increased from 36.83 per cent in 2017-18 to 42.87 per cent in 2020-21 however, it decreased to 39.46 per cent in 2021-22. The liabilities were 1.85 times the revenue receipts and 5.61 times the State's own resources. The actual outstanding debt / GSDP ratio, which stood at 39.46 per cent, was above the targets set in the 15th FC (38.3 per cent) and marginally below the target set in the Budget/MTFPS (40.26 per cent). Public Account liabilities of the State increased by ₹ 6,047 crore (36.96 per cent) during the period 2017-22. Major increase was under 'Small Savings, Provident Funds, etc.' (₹ 3,770 crore: 28.48 per cent), 'Reserve Funds bearing Interest' (₹ 1,649 crore: 19,451 per cent – this increase was due to receipt under State Compensatory Afforestation Fund (₹ 1,661 crore) during 2019-20) and 'Deposits not bearing Interest' (₹ 614 crore: 21.93 per cent).

The percentage of overall outstanding debt to GSDP remained between 36 per cent and 43 per cent over the last five years (2017-22). About 62 per cent to 74 per cent of debt receipts were used for making repayments of past obligations during the period 2017-18 to 2021-22.

Chart 2.19: Year-wise details of internal debt taken vis-à-vis repaid

(₹ in crore)



Source: Finance Accounts of the respective years

Internal debt taken by the State Government increased by ₹ 8,919 crore from ₹ 5,518 crore in 2017-18 to ₹ 14,437 crore in 2020-21 but decreased sharply by ₹ 8,690 crore to ₹ 5,747 crore during 2021-22, mainly due to decrease in market borrowings (33 per cent) and Ways and Means Advances (WMAs) taken from RBI (87 per cent).

Market borrowings form the major portion of the internal debt of the State Government, with interest rates ranging between 6.29 and 9.75 per cent. In 2021-22, out of total internal debt receipts of ₹ 5,747 crore, market borrowings constituted ₹ 4,000 crore. Out of total internal debt repayments of ₹ 4,290 crore, repayment of market loans constituted ₹ 2,125 crore. The outstanding market borrowings as of 31 March 2022 were ₹ 33,772.16 crore. The State Government had to take Ways and Means Advances (₹ 1,043.49 crore) from Reserve Bank of India on 16 occasions to maintain minimum daily cash balances, which were repaid during the year.

The components and financing pattern of the fiscal deficit is reflected in the **Table 2.29**. The debt trends comprising Internal Debt, Loans from GoI, Public Account over the period 2017-18 to 2021-22 to finance the Fiscal Deficit are highlighted in the **Chart 2.20**.

Table 2.29: Components of fiscal deficit and its financing pattern

(₹ in crore)

	Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
Composition of Fiscal Deficit		3,869.87	3,512.54	5,597.06	5,700.09	5,244.85
A	Revenue surplus (+)/deficit (-)	313.90	1,508.21	11.98	-96.66	1,114.76
B	Net Capital Expenditure	-3,720.85	-4,574.59	-5,171.87	-5,306.33	-6,022.37
C	Net Loans and Advances	-462.92	-446.16	-437.17	-297.10	-337.24
Financing Pattern of Fiscal Deficit*						
1	Market Borrowings	2,550.99	2,108.10	4,460.00	3,755.00	1,874.99
2	Loans from GoI	3.00	-17.65	-17.95	2,217.73*	3,489.87*
3	Special Securities Issued to NSSF	-514.71	-538.25	-569.10	-569.10	-569.10

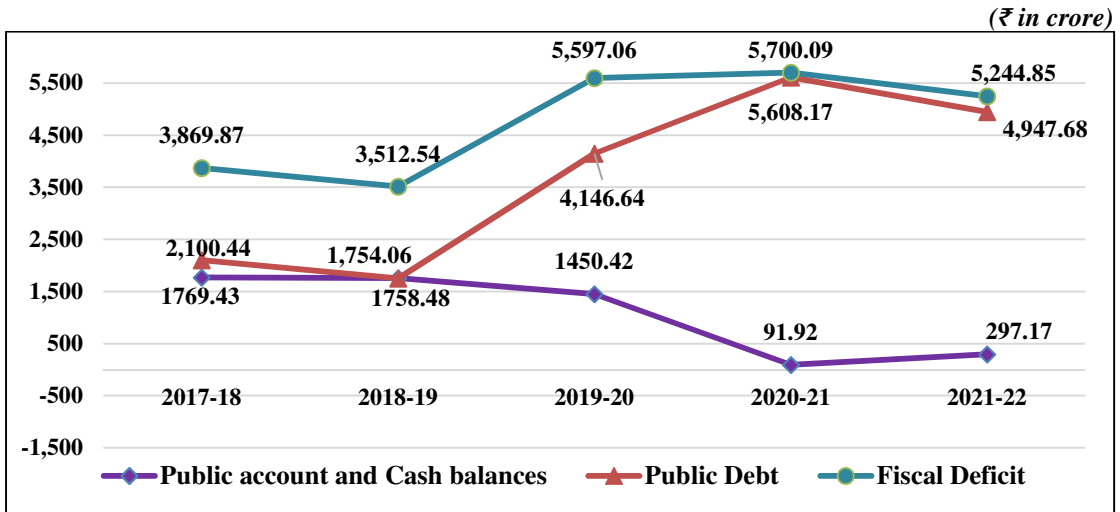
	Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
4	Loans from Financial Institutions	61.16	201.86	273.69	204.54	151.92
5	Small Savings, Provident Fund, etc.	1,391.97	1,113.14	1,187.60	985.51	483.65
6	Deposits and Advances	188.63	408.91	173.71	81.35	-34.99
7	Suspense and Miscellaneous	-118.76	1.08	-1,404.92	-209.39	1,246.84
8	Remittances	69.02	112.25	96.80	-64.38	111.59
9	Reserve Fund	105.45	-7.43	2,404.71	-5.11	-743.30
10	Overall Deficit	3,736.75	3,382.01	6,604.54	6,396.15	6,011.47
11	Increase (-) / Decrease (+) in cash balances	133.12	130.53	-1,007.48	-696.06	-766.62
12	Gross Fiscal Deficit	3,869.87	3,512.54	5,597.06	5,700.09	5,244.85

Source: Finance Accounts

All these figures are net of disbursements/outflows during the year

* Includes ₹ 1,717 crore (2020-21) and ₹ 2,695.22 crore (2021-22) as back-to-back loans to State from GoI in lieu of GST compensation shortfall

Chart 2.20: Trends of financing fiscal deficit during 2017-22



The fiscal deficit of ₹ 5,244.85 crore in 2021-22 was largely financed through public debt which included market borrowings, loans from financial institutions and Small Savings, etc. as depicted in **Table 2.30**.

Table 2.30: Receipts and Disbursements under components financing the fiscal deficit

(₹ in crore)

Particulars	Receipt	Disbursement	Net	
1	Market Borrowings	3,999.99	2,125	1,874.99
2	Loans from GOI	3,587.50*	97.63	3,489.87
3	Special Securities issued to NSSF	0.00	569.10	-569.10
4	Loans from Financial Institutions	703.98	552.06	151.92
5	Small Savings, PF, etc.	3,562.18	3,078.53	483.65
6	Deposits and Advances	3,566.07	3,601.06	-34.99
7	Suspense and Miscellaneous	1,063.49	-183.35	1,246.84
8	Remittances	6,573.89	6,462.30	111.59
9	Reserve Fund	417.15	1,160.45	-743.30
10	Overall Deficit	23,474.25	17,462.78	6,011.47
11	Increase/Decrease in cash balance	1,756.24	2,522.86	-766.62
12	Gross Fiscal Deficit	25,230.49	19,985.64	5,244.85

Source: Finance Accounts

* Includes ₹ 2,695.22 crore as back-to-back loans to State from GoI in lieu of GST compensation shortfall

2.6.2 Debt profile: Maturity and Repayment

Debt maturity and repayment profile depicts the debt servicing requirements on the part of the Government.

Public Debt

The maturity profile of the State's outstanding public debt along with interest is given in **Table 2.31** and **Chart 2.21**.

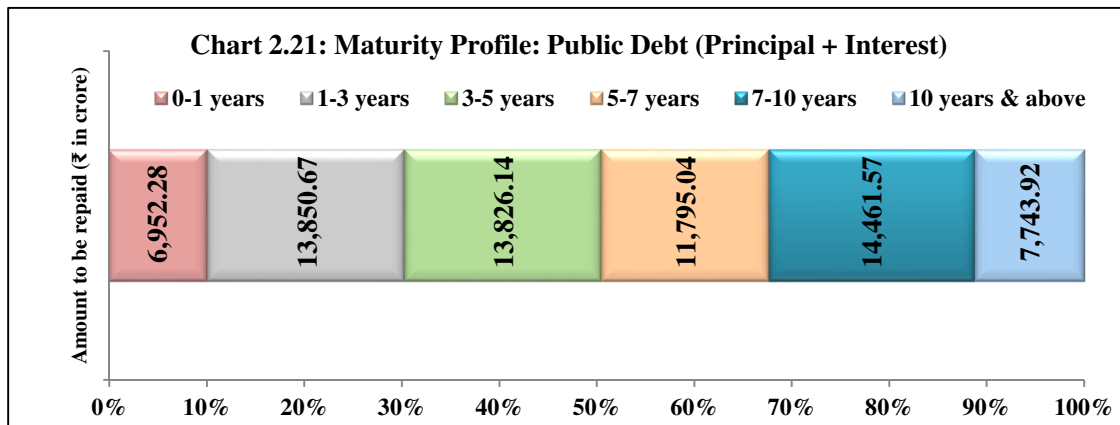
Table 2.31: Outstanding Debt Maturity profile (Public Debt along with interests)

Period of repayment (Years)	Amount (₹ in crore)			Percentage (w.r.t. Total Public Debt)
	Public Debt (Principal)	Interest #	Total Public Debt (Principal + Interest)	
0-1	3,346.62	3,605.66	6,952.28	10.13
1-3	7,451.70	6,398.97	13,850.67	20.18
3-5	8,666.29	5,159.85	13,826.14	20.15
5-7	8,019.94	3,775.10	11,795.04	17.19
7-10	11,203.77	3,257.80	14,461.57	21.07
Above 10	6,608.94	1,134.98	7,743.92	11.28
Total	45,297.26*	23,332.36	68,629.62*	100.00

Source: Finance Accounts

* This amount excludes ₹ 4,412.22 crore received during 2020-21 and 2021-22 as back-to-back loans from GoI in lieu of GST compensation shortfall, ₹ 1,417.96 crore {₹ 1,333 crore (Loan for Centrally Sponsored Schemes), ₹ 0.13 crore (Pre-1984-85 loans), ₹ 84.77 crore and ₹ 5.80 lakh whose maturity is uncertain}.

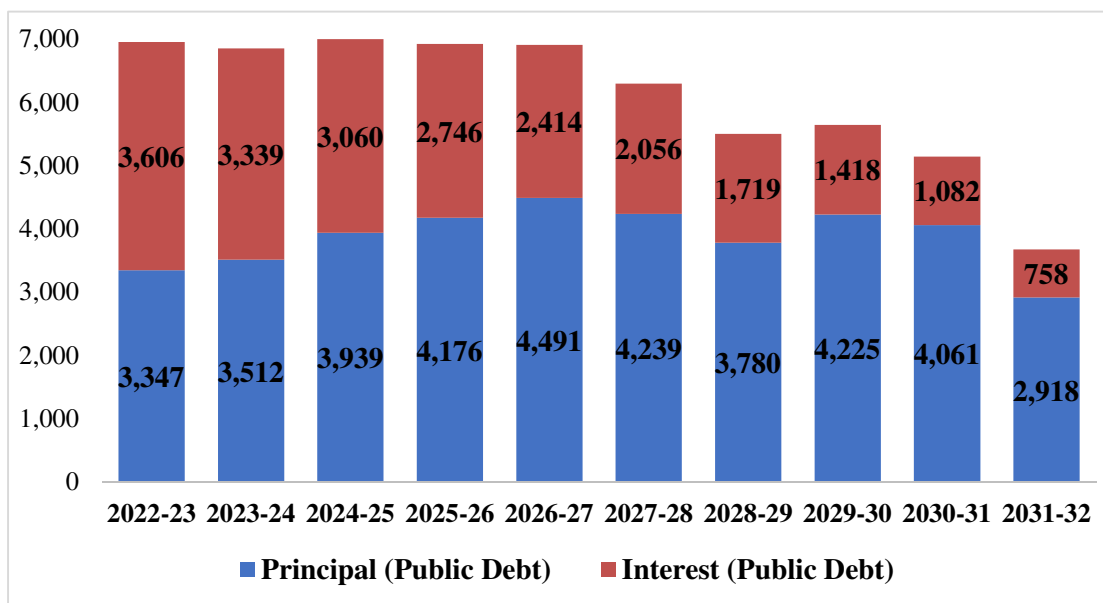
Approximate interest calculated at average interest rate of 7.96 per cent (average of interest rates for the last five years as given in Table 2.32 at page 54).



It can be seen from the above that as of March 2022, out of total outstanding public debt along with interest of ₹ 68,630 crore (principal: ₹ 45,297 crore and interest: ₹ 23,333 crore), 10 per cent (₹ 6,952 crore) is payable in the next one year, 40 per cent (₹ 27,677 crore) is payable in the next two to five years (upto 2026-27), while the remaining 50 per cent (₹ 34,001 crore) is to be paid after more than five years. Annual outgo on public debt repayment and interest will be approximately ₹ 6,926 crore during the next five years up to 2026-27 whereas current annual repayment of public debt (principal) including interest is ₹ 6,766 crore (excluding ways and means advances) which would fall short of meeting the debt liabilities.

Year-wise Repayment schedule of Public Debt (including interest) during the next 10 years i.e. up to 2031-32 is given in **Chart 2.22**.

Chart 2.22: Year-wise Repayment schedule of Public Debt (including interest) during the next 10 years i.e. up to 2031-32 (₹ in crore)



Source: Finance Accounts

Note: Approximate interest calculated at average interest rate of 7.96 per cent (average of interest rates for the last five years as given in Table 2.32 at page 54).

The above **Chart 2.22** shows that on an average, the State will have to repay public debt of ₹ 6,089 crore (including approximate interest in respect of debt outstanding at the end of 2021-22) annually till 2031-32. In addition to the debt outstanding at the end of 2021-22, the State would have to resort to further borrowings every year to cover the resource gap. Taking the past trends into account, by the year 2031-32, the projected outstanding public debt stock (principal + interest) would increase to ₹ 1,11,717 crore approximately, as depicted in **Appendix 2.3 (A)**. However, past trend of revenue receipts and revenue expenditure shows that there would be revenue surplus during 2022-23 to 2031-32 as depicted in **Appendix-2.3 (B)**. But in fact, the State Government is yet to implement the recommendations of the Pay Commission and commit to pay the enhanced salary and other benefits from 2021-22. Further, loan of ₹ 2,890.50 crore under UDAY scheme was not converted into grant (₹ 2,167.50 crore) and equity (₹ 723.00 crore), as required, by the State Government so far (March 2022). Taking all the aforesaid factors into account, the State's economy would be impacted since revenue expenditure would continue increasing and resultantly, the revenue surplus would largely turn into revenue deficit.

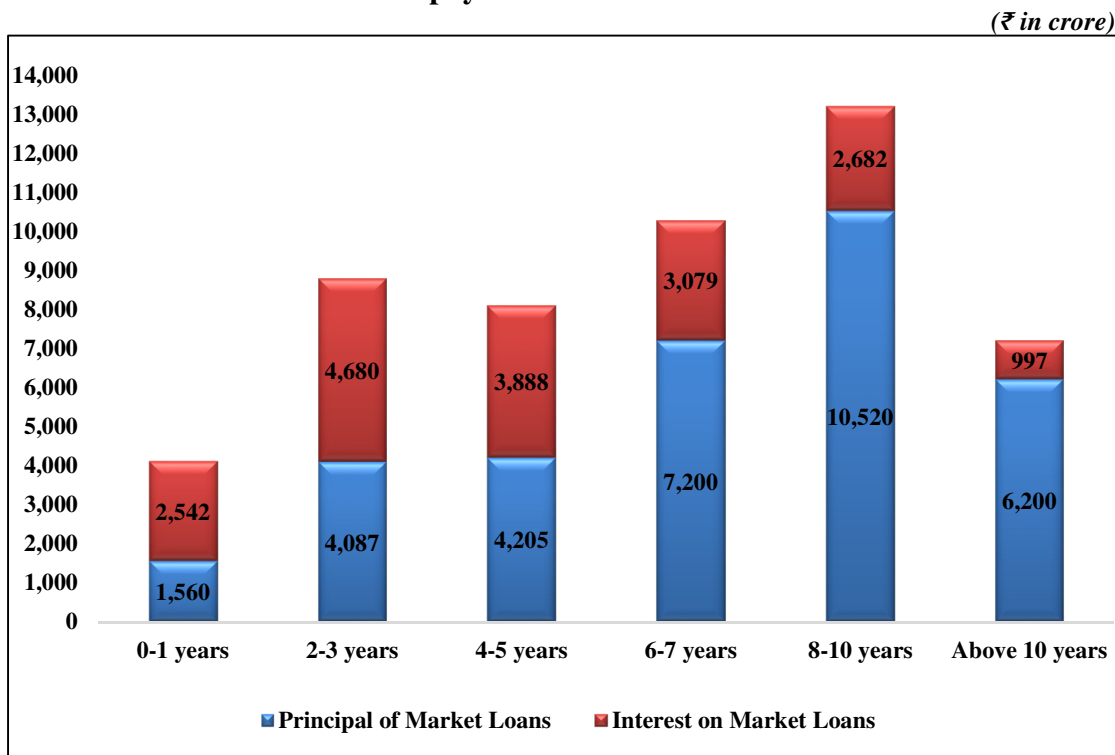
In addition to above, other factors such as public account liabilities and *force majeure*[§] events and/or any other unanticipated loss of revenue also have to be reckoned.

Market Borrowings / Loans

The amount of outstanding market loans and interest to be paid thereon over the next ten years is detailed in **Chart 2.23**.

[§] Like COVID-19 pandemic and its effect on GSDP.

Chart 2.23: Repayment schedule of market loans



Source: Finance Accounts

Note: The maturity profile has been evolved for outstanding market loans as on 31 March 2022 and interest has been calculated upto the financial year in which the loans are going to retire.

Out of total outstanding market loans along with interest of ₹ 51,640 crore (principal: ₹ 33,772 crore and interest: ₹ 17,868 crore), the State will have to repay ₹ 5,647 crore of principal of market loans and interest of ₹ 7,222 crore in next three financial years *i.e.* up to 2024-25. In the next two years up to 2026-27, ₹ 4,205 crore principal and interest of ₹ 3,888 crore will be payable. Annual outgo on market loan repayment and interest will be approximately ₹ 4,192 crore during the next five years up to 2026-27. Current annual repayment of loans including interest is ₹ 4,604 crore.

During the period 2027-28 to 2031-32, market loans of ₹ 17,720 crore and interest of ₹ 5,761 crore will be payable. As such, the State will have to repay approximately ₹ 4,696 crore annually during that period.

2.7 Debt Sustainability Analysis (DSA)

Apart from the magnitude of the debt of the Government, it is important to analyse the various parameters that determine the debt sustainability of the State and indicate the ability of the State to service its debt obligations. This section assesses the sustainability of the debt of the Government in terms of rate of growth of outstanding debt; ratio of interest payments and revenue receipts, debt repayments and debt receipts; net debt available to the State. **Table 2.32** analyses the debt sustainability of the State according to these indicators for the period of five years from 2017-18 to 2021-22.

Table 2.32: Trends in Debt Sustainability indicators

Indicators of Debt Sustainability	2017-18	2018-19	2019-20	2020-21	2021-22
Outstanding Public Debt* (₹ in crore)	34,670.90	36,424.95	40,571.59	44,462.75 ^{\$}	46,715.22 ^{\$}
Rate of Growth of Outstanding Public Debt (in per cent)	6.45	5.06	11.39	9.59	5.07
GSDP (₹ in crore)	1,38,551.09	1,48,383.27	1,59,161.70 ^a	1,56,675.06 ^b	1,75,173.31 ^c
Rate of Growth of GSDP (in per cent)	10.28	7.10	7.26	-1.56	11.81
Public Debt/GSDP (in per cent)	25.02	24.55	25.49	28.38	26.67
Interest payments on Public Debt (₹ in crore)	2,828.71	2,958.20	3,070.99	3,227.58	3,422.38
Average Interest Rate of Outstanding Public Debt (Interest paid/ OB of Public Debt + CB of Public Debt/2) (in per cent)	8.41	8.32	7.97	7.59	7.51
Percentage of Interest Payments to Revenue Receipts	10.34	9.56	9.99	9.65	9.17
Percentage of Public Debt repayments to Public Debt Receipts	62.50	72.71	61.77	74.12	66.07
Net Public Debt Available to the State [#] (₹ in crore)	-729	-1,204	1,076	664	-1,169
Net Debt available as per cent to Debt Receipts	-13.02	-18.73	9.91	4.42	-17.61
Debt Stabilisation (Quantum spread [@] + Primary Deficit) (₹ in crore)	565.10	65.62	-1,651.06	-5,296.34	1,404.175

Source: State Finance Accounts of the respective years.

* Outstanding Public Debt is the sum of outstanding balances under the heads 6003-Internal Debt and 6004-Loans and Advances from the Central Government.

\$ Excludes ₹ 1,717 crore (2020-21) and ₹ 4,412.12 crore (2020-21: ₹ 1,717 crore + 2021-22: ₹ 2,695.22 crore) in 2021-22 as back-to-back loans to State from Gol in lieu of GST compensation shortfall.

a- Second Revised Estimate, b – First Revised Estimate, c – Advance Estimate

Net Debt available to the State Government is calculated as excess of Public Debt receipts over Public Debt repayment and Interest payment on Public Debt.

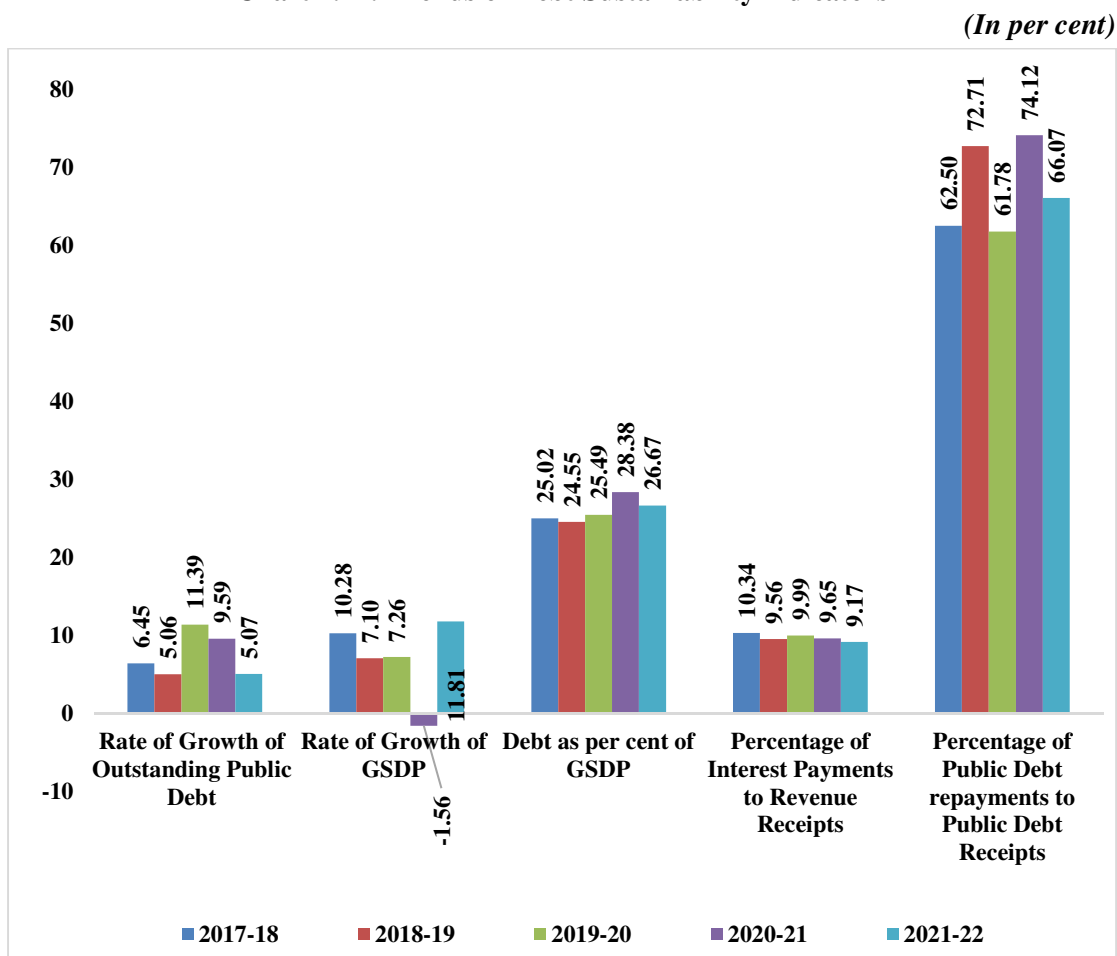
@ Quantum spread = Debt stock x interest spread; interest spread = GSDP growth rate - average interest rate

A necessary condition for debt stability states that if the rate of growth of GSDP exceeds the interest rate of public debt, the debt-GSDP ratio is likely to be eventually falling and stable provided primary balances are either zero or positive or moderately negative. Thus, if quantum spread together with primary deficit turns out to be negative, debt-GSDP ratio would eventually be rising, if it is positive, debt-GSDP ratio would be declining.

In the five-year period from 2017-18 to 2021-22, the ratio of public debt to GSDP was ranging between 24.55 per cent to 28.38 per cent. The decrease in debt-GSDP ratio during 2021-22 as compared to the previous year was mainly due to more growth in

GSDP than the outstanding public debt. Trends in debt sustainability indicators for the five-year period from 2017-18 to 2021-22 are shown in **Chart 2.24**.

Chart 2.24: Trends of Debt Sustainability indicators



During the period 2017-18 to 2021-22, Public Debt of the State Government increased from ₹ 34,671 crore to ₹ 46,715 crore (excluding ₹ 4,412.22 crore i.e. ₹ 1,717 crore during 2020-21 and ₹ 2,695.22 crore during 2021-22 as back-to-back loans to State from GoI in lieu of GST compensation shortfall during 2021-22), registering an increase of 34.74 per cent. Significantly, while GSDP increased at a CAGR of 4.80 per cent, the outstanding public debt increased at a faster rate of 6.14 per cent during the period. The burden of interest payment ranged from 9.17 to 10.34 per cent of Revenue Receipts, and 61.78 to 74.12 per cent of debt receipts were used for discharging existing liabilities.

2.7.1 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 in utilisation of borrowed funds during past five years is shown in the **Table 2.33** and **Chart 2.25** below.

Table 2.33: Utilisation of borrowed funds

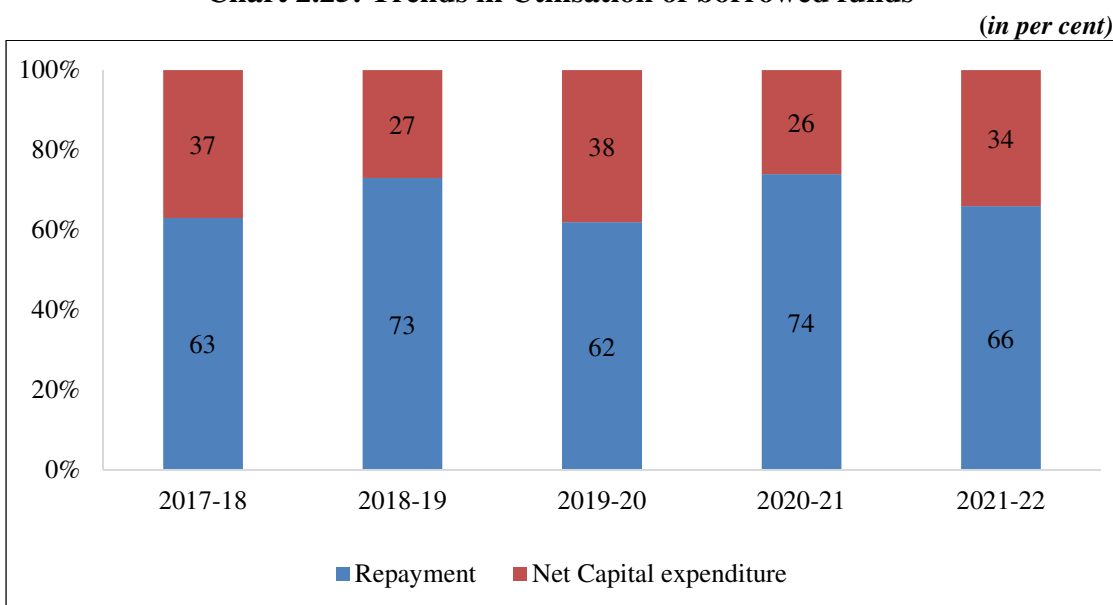
Year	1	2017-18	2018-19	2019-20	2020-21	2021-22
Total Borrowings	2	5,600.29	6,427.40	10,847.39	15,032.21 ^{\$}	6,639.75 ^{\$}
Repayment of earlier borrowings (Principal)	3	3,499.85 (62.49)	4,673.35 (72.71)	6,700.75 (61.77)	11,141.04 (74.11)	4,387.28 (66.08)
Net Capital Expenditure*	4	2,100.44 (37.51)	1,754.05 (27.29)	4,146.64 (38.23)	3,891.17 (25.89)	2,252.47 (33.92)
Net Loans and Advances disbursed	5	0	0	0	0	0
Portion of total borrowings utilised towards Revenue expenditure	6 {2-(3+4+5)}	0				

^{\$} Excludes ₹ 1,717 crore (2020-21) and ₹ 2,695.22 crore (2021-22) as back-to-back loans to State from GoI in lieu of GST compensation shortfall.

* Net Capital Expenditure = Total Capital Expenditure-Misc. Capital Receipts

Figures in brackets indicate percentage utilisation of borrowed funds

Chart 2.25: Trends in Utilisation of borrowed funds



Note: No portion of debt receipts was used for meeting revenue expenditure and loans and advances during the period 2017-22.

During 2017-22, no portion of debt receipts was used for meeting revenue expenditure. Utilisation of borrowed funds for repayment of previous borrowings (principal) ranged between 62 per cent and 74 per cent, and for capital expenditure between 26 per cent and 38 per cent during 2017-22.

During 2021-22, 66.08 per cent of borrowed funds were utilised for repayment of previous borrowings (principal) and 33.92 per cent for capital expenditure.

2.7.2 Status of Guarantees – Contingent Liabilities

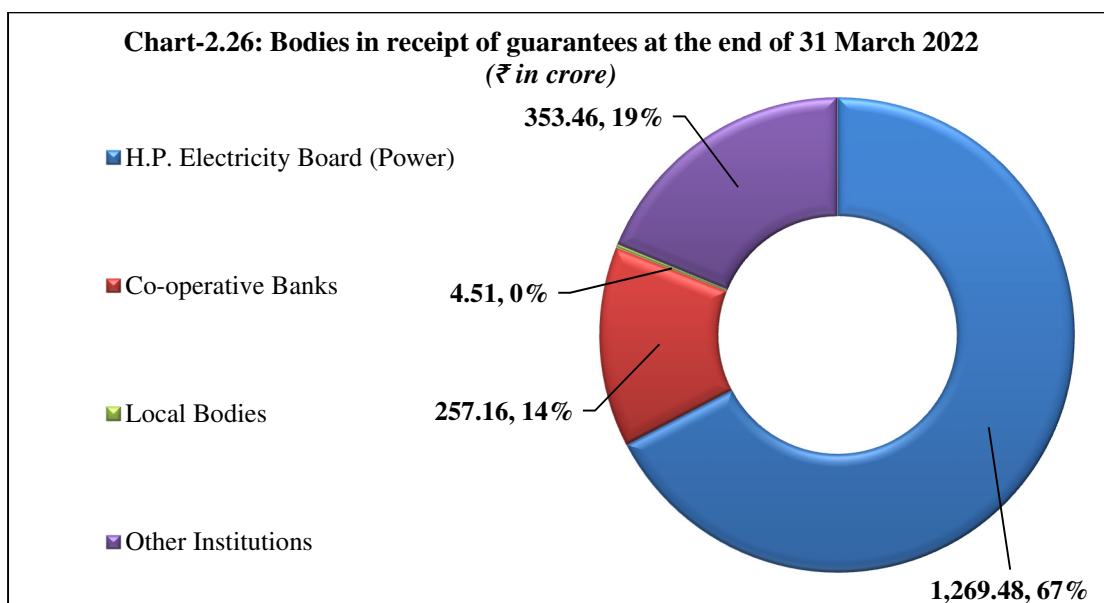
Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee has been extended. As per **Statement-9** and **20** of the Finance Accounts, the maximum amount for which guarantees were given

by the State and outstanding guarantees for the last five years are given in **Table 2.34** and detail of recipients/bodies which have received guarantees from the State Government at the end of 31 March 2022 are given in **Chart 2.26**.

Table 2.34: Guarantees given by the State Government

(₹ in crore)					
Guarantees	2017-18	2018-19	2019-20	2020-21	2021-22
Outstanding amount of guarantees	4,393.66	4,309.21	1,947.07	2,141.76	1,884.61
Additions during the year	146.27	74.28	639.70	418.03	289.46
Deletions during the year	303.03	158.72	3,001.84*	165.60	283.09
Invoked during the year	--	--	--	--	--
Ceiling applicable to the outstanding amount of guarantees including interest (criterion)	40 per cent of total revenue receipt in the preceding financial year.				
Percentage of outstanding amount of guarantees to total revenue receipts in the preceding financial year	17	16	6	7	6

* Includes an amount of ₹ 2,890.50 crore (loans to DISCOM) and ₹ 13.18 crore (interest charged on guaranteed amount) deleted from this year's Finance Accounts because it is shown as guarantees given by the State Government inadvertently in the previous years' Finance Accounts.



No amount of guarantee was invoked during 2021-22. As of 31 March 2022, outstanding amount of guarantees was ₹ 1,884.61 crore as per the Finance Accounts. However, it is to be noted that the accounts of most PSUs were not current, and the PSUs and State Government had not reconciled differences in figures. During 2021-22, an amount of ₹ 289.46 crore was extended to various bodies on the guarantees of State Government. The main recipients of guarantees from the State Government during the year were Power (₹ 137.83 crore), Co-operative Banks (₹ 80.95 crore) and Statutory Corporations and Boards (₹ 40.07 crore). The outstanding amount of guarantee (₹ 1,885 crore) at the close of 2021-22 accounted for six per cent of total revenue receipts of previous year of the State, which was within the target of 40 per cent prescribed in the FRBM Act.

In addition, as per Himachal Pradesh Financial Rules, 2009 and Government instructions (6 March 1992) the guarantee fees (one *per cent*) and commitment charges (0.2 *per cent*) are to be levied from the borrowers at the time of approval of the guarantee. The State Government did not have information about the receivable amount of guarantee fees and commitment charges due from the bodies/ entities. Over the last 10 years (up to 2018-19), no amount of guarantee fees and commitment charges had been received/ levied by the State Government. However, amounts of guarantee fees and commitment charges of ₹ 0.72 lakh (in 2019-20), ₹ 2.16 crore (in 2020-21) and ₹ 3.00 crore during 2021-22 were received.

2.7.3 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 RBI from time to time.

The State Government has to maintain minimum Cash balance of ₹ 0.55 crore with the Reserve Bank of India. The limit for ordinary WMA to the State Government is ₹ 715 crore with effect from 1 April 2020 to 16 April 2020 and ₹ 880 crore from 17 April 2020 to 31 March 2021. RBI also gives SWMA to the State Government against pledging of government securities.

During 2021-22, the State Government could maintain minimum daily cash balance for 349 days. The Government had to take a total of ₹ 1,043.49 crore of ordinary / special WMA on 16 occasions from RBI which were repaid during the year. There were no outstanding ways and means advances and overdrafts at the end of the year 2021-22. An amount of ₹ 0.25 crore was paid as interest during the year. **Table 2.35** depicts the cash balances and investments made out of these by the State Government during the year.

Table 2.35: Cash Balances and their investment

Particulars	(₹ in crore)		
	Opening balance as on 1 April 2021	Closing balance on 31 March 2022	Increase (+)/ Decrease (-)
(a) General cash balance			
Cash in treasuries	0	0	0
Remittance in transit-Local	0	0	0
Deposits with RBI	59.96	-45.41	-105.37
Total	59.96	-45.41	-105.37
Investments held in cash balance Investment account	1,696.09	2,568.08	871.99
Total (a)	1,756.05	2,522.67	871.99

Particulars	Opening balance as on 1 April 2021	Closing balance on 31 March 2022	Increase (+)/ Decrease (-)
Other cash balances and investments			
Cash with departmental officers viz., Public Works Department Officers, Forest Department Officers, District Collectors	0.16	0.16	0
Permanent advances for contingent expenditure with departmental officers	0.03	0.03	0
Investment of earmarked funds	0	0	0
Total (b)	0.19	0.19	0
Total (a+b)	1,756.24	2,522.86	766.62

Cash balances of the State Government at the year-end increased by ₹ 766.62 crore from ₹ 1,756.24 crore in 2020-21 to ₹ 2,522.86 crore in 2021-22. The investments made out of cash balances also increased from ₹ 1,696.09 crore to ₹ 2,568.08 crore.

State Government invests its surplus cash balances 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 cash balance investments of the State during the five-year period 2017-18 to 2021-22 are given in the **Table-2.36**.

Table-2.36: Cash Balance Investment Account (Major Head-8673)

Year	Opening Balance	Closing Balance	Increase (+) / decrease (-)	Interest earned
2017-18	759.43	723.72	(-) 35.71	81.13
2018-19	723.72	102.09	(-) 621.63	66.90
2019-20	102.09	982.06	879.97	55.02
2020-21	982.06	1,696.09	714.03	31.88
2021-22	1,696.09	2,568.08	871.99	55.50

Source: Finance Accounts

Analysis of the trend in cash balance investment of the State Government during the period 2017-18 to 2021-22 revealed that investments decreased significantly during 2018-19. Thereafter, the investments increased significantly during 2019-20, 2020-21 and 2021-22 by ₹ 879.97 crore, ₹ 714.03 crore and ₹ 871.99 crore respectively.

Large cash balances at the year-end indicated sub-optimal cash management by the State Government which had taken market loans despite having large cash balances which were not put to productive use.

Chart 2.27 compares the Cash Balances and the Market Loans taken by the State during the period 2017-22. Market Loans were taken at higher interest rates whereas investment in Treasury Bills yielded interest at lower rates.

Chart 2.27: Market loans vis-à-vis Cash Balance

₹ in crore)

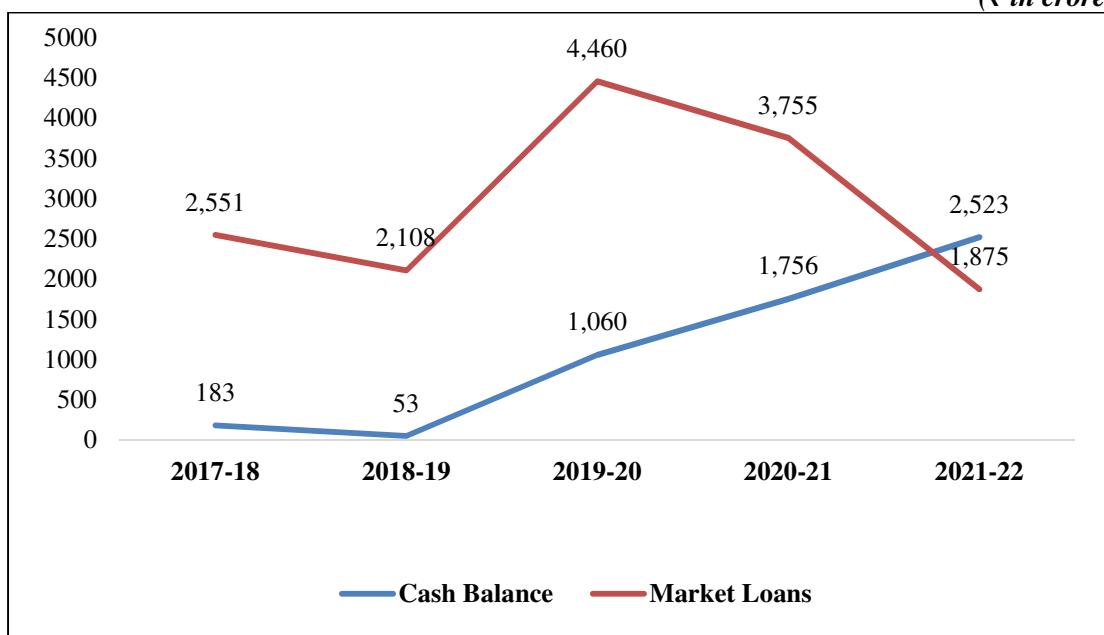
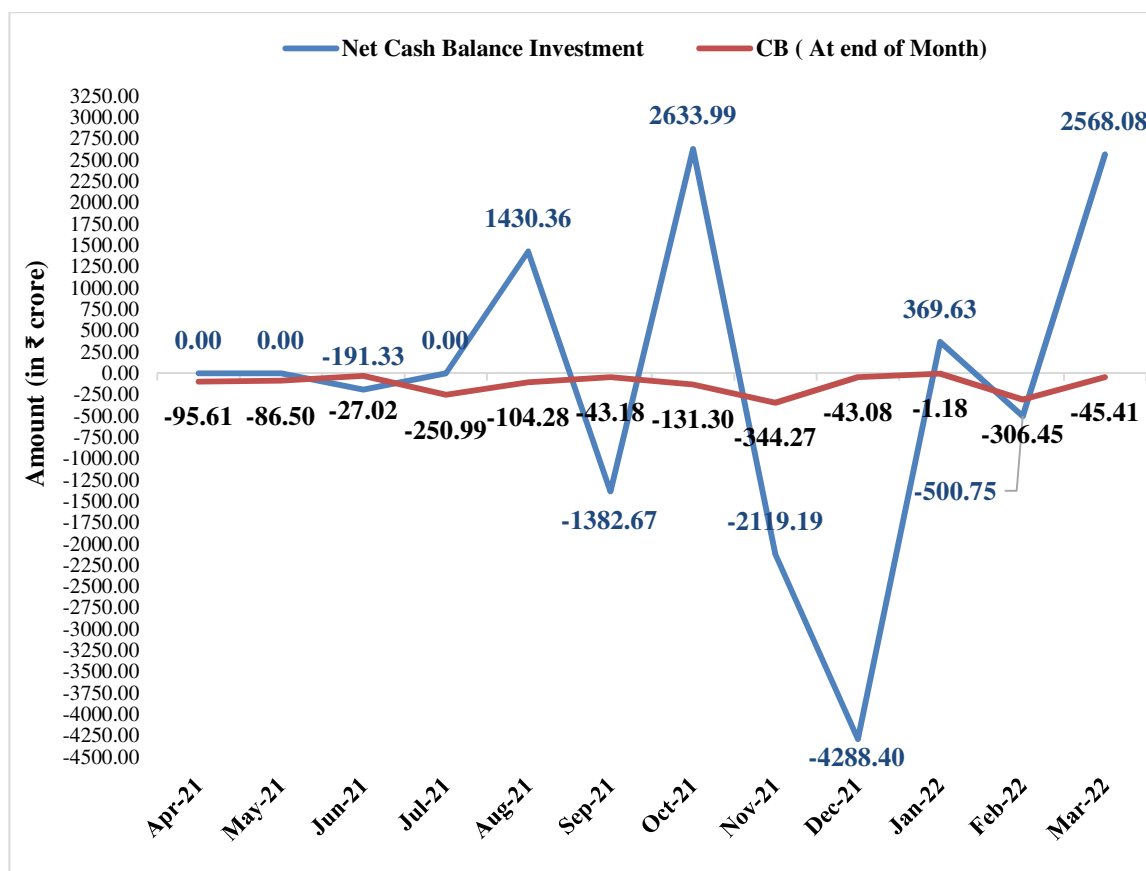


Chart 2.28 compares the month-wise Cash Balance Investment Account with the Cash Balances during 2021-22.

Chart 2.28: Month-wise movement of Cash Balances and net cash balance investments during 2021-22



Source: Monthly Civil Account

The State Government had taken recourse to market loans during the year despite having cash balances which were not being put to productive use. During the year 2021-22, the State Government raised ₹ 1,875 crore from the market despite the fact that there were adequate cash balances, and the borrowing was avoidable to that extent.

2.8 Conclusions

- The State had continuously experienced revenue surplus during 2017-22 (except 2020-21) due to increase in central devolutions on the recommendations of Finance Commissions. However, the revenue surplus consistently declined (except 2018-19) from 2017-18 (₹ 920 crore) to 2019-20 (₹ 12 crore) and during 2020-21 revenue surplus of previous years turned to revenue deficit of ₹ 97 crore. Further, it again turned to revenue surplus and stood at ₹ 1,114.76 crore at the end of the year 2021-22.
- The fiscal deficit (₹ 5,245 crore) was 2.99 *per cent* of GSDP which was within the target prescribed by the 15th FC (four *per cent*) and target set in the HP-FRBM Act (three *per cent* or less) during 2021-22. The deficit was managed mainly through market borrowings.
- During the year 2021-22, only 33 *per cent* of the revenue receipts came from the State's own resources comprising taxes and non-taxes, while the remaining 67 *per cent* were contributed by central transfers comprising the State's share in central taxes and duties (20 *per cent*) and Grants-in-Aid from GoI (47 *per cent*) which shows high dependency on central devolutions and borrowed funds for meeting current consumption.
- Revenue expenditure constituted an average of 85.37 *per cent* (ranging from 84.51 *per cent* to 86.40 *per cent*) of total expenditure during the period 2017-22. Rate of growth of revenue expenditure displayed a fluctuating trend over the five-year period 2017-22. Committed expenditure ranged between 64.19 *per cent* and 71.21 *per cent* of revenue expenditure, while it accounted for 62.27 *per cent* to 70.39 *per cent* of revenue receipts of the State during the five-year period 2017-22.
- During 2021-22, capital expenditure (₹ 6,029.38 crore) increased by ₹ 720.16 crore (13.56 *per cent*) over the previous year 2020-21 (₹ 5,309.21 crore) and constituted 14.15 *per cent* of total expenditure.
- Overall fiscal liabilities at the end of the year were ₹ 69,122.58 crore (after excluding ₹ 4,412.12 crore (2020-21: ₹ 1,717 crore + 2021-22: ₹ 2,695.22 crore as back-to-back loans) in 2021-22 with a growth of 2.91 *per cent* over the previous year (₹ 67,164.75 crore - after excluding ₹ 1,717 crore during 2020-21 as back-to-back loans). The total fiscal liabilities-GSDP ratio in 2021-22 decreased by 3.41 *per cent* over the previous year (42.87 *per cent*) and stood at 39.46 *per cent*, which was above the target set in the 15th FC (38.3 *per cent*) and marginally below from the Budget/ MTFPS (40.26 *per cent*). Internal debt of the Government

increased by ₹ 1,458 crore (3.4 per cent) from ₹ 42,918 crore in 2020-21 to ₹ 44,376 crore during 2021-22.

- During 2021-22, the State Government earned 3.39 per cent return on its total investments (₹ 4,913.00 crore) in Statutory Corporations, Rural Banks, Government Companies and Co-operatives up to 31 March 2022 and paid 7.03 per cent average interest on its borrowings. One company (Satluj Jal Vidyut Nigam Limited) contributed more than 98 per cent of the total returns.
- There was no repayment of loans by various public sector undertakings under Power projects and Industries and Minerals over the last five years (up to March 2022) and further additional loans had been extended. The overall outstanding balance increased over the years.
- State Government operated five Reserve Funds as on 31 March 2022, out of which two Reserve Funds are interest bearing (₹ 1,657.90 crore credit) and three Reserve Funds are non-interest bearing (₹ 316 crore credit). Out of these, no funds had been invested by the State Government during the year.

2.9 Recommendations

- The State Government should make efforts for augmentation of its own revenues. It should settle pending tax claims in time, settle arrears in assessment of taxes, recover arrears of revenue and improve non-tax revenues for better resource mobilisation;
- The State Government should explore ways to minimise committed expenditure so that more funds can be made available for development expenditure;
- The State Government should explore ways of ensuring reasonable return on capital invested in profit making State PSUs in view of the high cost of borrowings;
- As recovery of loans advanced by the Government to different sectors has been poor, the State Government should consider treating the loans and advances as grants and booking them as revenue expenditure for ensuring that accounts reflect the correct position;
- The State Government should ensure time-bound completion of incomplete projects in order to avoid further cost overruns.

