
EXECUTIVE SUMMARY

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About the Report

This Report of the CAG of India is on the State Finances for the year 2022-23. It provides an overview of the finances, budgetary management and quality of accounts, financial reporting practices and other matters relevant to State Finances.

This executive summary highlights the contents of this report and through snapshots of the important figures and aspects, provides insight into fiscal sustainability, performance against the budget intent, revenue and expenditure projection, the reasons for variations and its impact.

Gross State Domestic Product (GSDP) (at current prices) grew at a Compounded Annual Growth Rate (CAGR) of 6.53 *per cent* from ₹ 3,05,695 crore in 2018-19 to ₹ 3,93,722 crore in 2022-23. Budget Outlay of the State grew at a CAGR of 11.30 *per cent* from ₹ 86,153.82 crore in 2018-19 to ₹ 1,17,617.72 crore in 2022-23.

During 2022-23, the growth in GSDP over the previous year was 9.71 *per cent*. Revenue receipts grew at 15.09 *per cent* and the percentage of revenue receipts over GSDP improved from 19.43 *per cent* in 2021-22 to 20.38 *per cent* in 2022-23. The tax revenue increased by 15.29 *per cent* over the previous year and the State's own tax revenue increased by 17.98 *per cent*. The total expenditure (revenue expenditure, capital expenditure and loans and advances) of the State of Jharkhand increased by 15.34 *per cent* over the previous year from ₹ 73,617.80 crore to ₹ 84,908.36 crore. Of this, revenue expenditure showed an increase of 6.22 *per cent* from 2021-22. Revenue surplus increased from ₹ 6,943.94 crore to ₹ 13,563.59 crore, registering 95.33 *per cent* increase over 2021-22, while fiscal deficit increased by 77.28 *per cent* from ₹ 2,604.21 crore in 2021-22 to ₹ 4,616.73 crore in 2022-23.

Receipt and Expenditure

The State has different sources of receipts such as State's Own Tax Revenue, Non-tax Revenue, Devolution of States' share in taxes, Grants-in-aid and transfers from the Union Government and non-debt capital receipts. The State Government's expenditure includes expenditure on revenue account as well as capital expenditure (assets creation, loans and advances, investments, *etc.*).

From 2018-19 to 2022-23, revenue receipts grew from ₹ 56,152 crore to ₹ 80,245 crore, with a CAGR of 9.34 *per cent*. Capital receipts also increased from ₹ 7,850 crore to ₹ 9,189 crore during this period. The share of GoI's

Grants-in-aid in revenue receipts decreased from 16.45 *per cent* in 2018-19 to 13.58 *per cent* in 2022-23. The State Government received ₹ 6,871.79 crore as Central share for the Centrally Sponsored Schemes (CSSs) during the year.

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. Between 2018-19 and 2022-23, revenue expenditure increased from ₹ 50,631 crore (16.56 *per cent* of GSDP) to ₹ 66,681 crore (16.94 *per cent* of GSDP). It consistently made up a significant portion (79 to 85 *per cent*) of the total expenditure during this period, growing at a CAGR of 7.13 *per cent*.

The gap between the revenue receipt and revenue expenditure results in revenue deficit/surplus. The revenue surplus of the State increased to ₹ 13,564 crore (3.44 *per cent* of GSDP) in the current year from ₹ 5,521 crore (1.81 *per cent* of GSDP) in the year 2018-19.

The State Government spent ₹ 14,016 crore only on capital account. This was 17 *per cent* of the total expenditure in the year 2022-23. CE to GSDP ratio was 3.56 *per cent* in 2022-23 due to increase in CE by ₹ 4,639 crore over the previous year whereas, CE as a percentage to the total budget of the State (₹ 1,17,618 crore) stood at 11.92 *per cent* during FY 2022-23.

The gap between the total expenditure and total non-debt receipts of the State results in fiscal deficit. The fiscal deficit of the State decreased to ₹ 4,617 crore (1.17 *per cent* of GSDP) in 2022-23 from ₹ 6,629 crore (2.17 *per cent* of GSDP) in 2018-19.

Under the revenue expenditure, the quantum of committed expenditure constitutes the largest share. Committed expenditure has the first charge on the resources and consists of interest payments, expenditure on salaries and wages and pensions. Committed expenditure on interest payments, salaries and pensions constituted 43-45 *per cent* of revenue expenditure during 2018-19 (45 *per cent*) and 2022-2023 (43 *per cent*). The Committed expenditure increased at a CAGR of 5.94 *per cent i.e.* from ₹ 22,981 crore in 2018-19 to ₹ 28,944 crore in 2022-23 {an increase of 3.82 *per cent* over 2021-22 (₹ 27,879 crore)}.

In addition to the committed expenditure, inflexible expenditure fluctuated between 12 *per cent* and 15 *per cent* of revenue expenditure during 2018-19 to 2022-23. The inflexible expenditure increased from ₹ 7,910 crore in 2021-22 to ₹ 8,000 crore in 2022-23 registering an increase of 1.14 *per cent*. During the period 2018-19 to 2022-23, the inflexible expenditure grew from ₹ 6,472 crore to ₹ 8,000 crore.

Taken together, the committed and inflexible expenditure in 2022-23 was ₹ 36,944 crore; 55 *per cent* of the revenue expenditure. Upward trend on committed and inflexible expenditure leaves the Government with lesser flexibility for other priority sectors and capital creation.

Expenditure on subsidies

Within the non-committed expenditure, amount of subsidies rose from ₹ 2,092 crore in 2018-19 to ₹ 5,653 crore in 2021-22 before decreasing to ₹ 4,087 crore in 2022-23. Subsidies was 4.13 *per cent* of the total revenue expenditure in 2018-19 and 6.13 *per cent* in 2022-23. Subsidies on Crop Husbandry constituted a significant portion (31 *per cent*) of the total subsidies during 2022-23.

Contingent Liabilities

In 2022-23, the Government provided guarantees against borrowings of ₹ 4,998.38 crore. During the year, no guarantee was invoked.

The State Government had also notified reversion to the Old Pension Scheme (OPS) vide Notification dated 1 September 2022. The imminent financial burden on account of implementation of OPS also needs to be reckoned while assessing debt sustainability of the State.

Fiscal sustainability

Fiscal sustainability is examined in terms of macro-fiscal parameters such as deficits, level of debt and liabilities, commitments on account of off-budget borrowings, guarantees, subsidies, *etc.* So far as revenue and expenditure comparison is concerned, one of the important constraints is committed and inflexible expenditure, which includes salaries and wages, pension payments, interests, *etc.* and also other inflexible expenditure such as those arising out of commitment for centrally sponsored schemes, transfer to reserve funds, transfer to local bodies, *etc.*

FRBM requirements and compliance with fiscal parameters

The FRBM Act / Rules prescribes certain limits within which, revenue deficit, fiscal deficit, debt as a percentage of the Gross State Domestic Product (GSDP) should be, and similarly for guarantees as a percentage of revenue receipts of the previous year. In 2022-23, the State had revenue surplus at 3.44 *per cent*; fiscal deficit was 1.17 *per cent* as against the limit of 3.50 *per cent* and debt was 30.08 *per cent* as against the limit of 33.15 *per cent*.

As per the debt stabilisation analysis, the public debt of the Government of Jharkhand has grown at a CAGR of 4.04 *per cent* annually of the outstanding public debt between 2018-19 to 2022-23. Public debt-GSDP ratio of Jharkhand has increased from 19.88 *per cent* in 2018-19 to 21.57 *per cent* in 2022-23, which indicates challenges in meeting debt obligations without relying on borrowings.

There was primary deficit in the State during the period 2018-19 to 2020-21, whereas Domar gap showed a mixed trend during the period. During 2019-20 and 2020-21, Domar gap was negative along with primary deficit which was indicative of slow economic growth. During 2021-22 and 2022-23, Domar gap was positive along with primary surplus which indicates stable economic conditions leading to public savings. During 2021-22, real economic growth

was highest (10.87 per cent) due to low base of 2020-21 (COVID year) resulting in significant positive Domar gap (9.62 per cent).

Budget performance

Aggregate expenditure outturn

Budget performance in terms of budgetary intent and budget implementation is examined to assess extent to which the aggregate expenditure outturn reflects the amount originally approved both in terms of excess and saving. In the Revenue section, deviation in outturn compared with Budget Estimates (BE) was (-) 10.82 per cent. This was due to deviation up to (\pm) 25 per cent in 39 grants, between (-) 25 per cent and (-) 50 per cent in 16 grants; and between (-) 50 per cent and (-) 100 per cent in two grants. In the Capital section, deviation in outturn compared with BE was 0.55 per cent. This was due to deviation up to (-) 25 per cent in 13 grants, between (-) 25 per cent and (-) 50 per cent in 14 grants; and between (-) 50 per cent and (-) 100 per cent in eight grants. No provision was made in respect of 20 grants of the Capital section.

Expenditure composition outturn

Budget performance also looks at the extent to which the re-allocation between the main budget categories during the execution have contributed to variance in expenditure composition. This measure indicates the extent of variation between the final budget and the actual expenditure. In the Revenue section, deviation in outturn compared with Revised Estimates (RE) was (-) 22.08 per cent. This was due to deviation up to (\pm) 25 per cent in 38 grants, between (\pm) 25 per cent and (\pm) 50 per cent in 17 grants and between (\pm) 50 per cent and (\pm) 100 per cent in five grant. In the Capital section, deviation in outturn compared with RE was (-) 17.68 per cent. This was due to deviation up to (\pm) 25 per cent in 18 grants, between (\pm) 25 per cent and (\pm) 50 per cent in 10 grants, between (\pm) 50 per cent and (\pm) 100 per cent in nine grants and equal to or more than 100 per cent in two grants.

It was noticed that supplementary provisions of ₹ 6,221.83 crore during the year 2022-23 in 43 cases (more than ₹ 0.50 crore in each case) proved unnecessary, as the expenditure did not come up even to the level of original provisions.

It was noticed that in several cases, there were supplementary grants where expenditure was not even up to the original grant. A reliable budget practice should need to deal with such deviations.

Quality of Accounts and Financial Reporting

Quality of accounts and financial reporting covers items, transactions and events which relate to gaps in compliance, regularity weaknesses and issues relating to delay in receipt of those accounting records or adjustment records which evidence the actual expenditure. It also highlights issues pertaining to the accounts and financial reporting such as parking of funds outside the

Government accounts, non or short-discharging of liabilities and misclassification of transactions and data gaps.

Regularisation of Excess over Grants/ Appropriations

The State Government has to get excesses over grants/appropriations regularised by the State Legislature as per Article 205 (1) (b) of the Constitution. It was observed that in 2022-23, there was excess expenditure of ₹ 15.92 crore under one appropriation which required regularisation. Further, excess disbursements of ₹ 3,762.49 crore pertaining to FYs 2001-02 to 2021-22 is yet to be regularised.

Reconciliation

As per the Jharkhand Treasury Rules, all departments are required to reconcile their expenditure and receipts with the expenditure booked in the accounts in the Accountant General Office. During 2022-23, the State Government reconciled 96 *per cent* of the total expenditure and 99 *per cent* of the total receipts.

Compliance with IGAS

As against the requirements of the Indian Government Accounting Standards (IGAS), the State Government partially complied with IGAS-3: Loans and Advances made by the Government.

Operation of PD Accounts

In Jharkhand, 24 PD accounts were opened, to deposit the land acquisition compensation funds. All these accounts are operational and an amount of ₹ 850.24 crore was added in the opening balance of ₹ 2,018.13 crore during the year 2022-23. Out of the total deposits in these PD accounts, ₹ 499.58 crore was disbursed during the year, leaving a balance of ₹ 2,368.79 crore, at the end of the financial year.

Funds to Single Nodal Agency

The Government of India and the State Government have introduced system of Single Nodal Agency (SNA) for implementation and fund flow for each Centrally Sponsored Scheme (CSS). The share of the Government of India and the State Government is transferred to the Bank Account of the SNA lying outside the Government Account. The State Government received ₹ 6,617.25 crore being Central share for Centrally Sponsored Schemes, during 2022-23, in its Treasury Accounts. The State Government transferred ₹ 6,917.88 crore, received in Treasury Accounts being Central share, and State share of ₹ 6,978.52 crore to the SNAs. No further details/documents was provided in this regard. As per PFMS portal of CGA/SNAs, ₹ 8,089.63 crore was lying unspent in the bank accounts of SNAs as on 31 March 2023.

Utilisation Certificates against conditional grants

Despite the requirement of submitting Utilisation Certificates (UCs) against grants-in-aid within a stipulated time period, 43,469 outstanding UCs of ₹ 1,16,153.09 crore were pending as on 31st March 2023.

DC bills against AC bills

Similarly, despite the requirement of submitting Detailed Contingency (DC) Bills against the advance money withdrawn through Abstract Contingency (AC) Bills, 18,215 AC bills of ₹ 6,114.71 crore were pending for submission of DC bills as on 31st March 2023.

Compliance with prevailing rules and codal provisions are meant to ensure control and accountability in accounting and financial reporting. Non-compliance and deviations impact the quality of accounting and financial reporting adversely. Non-timely submission of UCs against conditional grants; non-submission of DC bills against AC bills; non-compliance with IGAS-3; funds remaining outside Government accounts; and non-supply of details of expenditure from SNAs have impacted the quality of accounts adversely.

Working of State Public Sector Enterprises

As on 31 March 2023, there were 32 SPSEs (including three non-working government companies and one Government Controlled Other Company) in Jharkhand under the audit jurisdiction of the Comptroller and Auditor General of India (CAG).

Audit noticed that the prescribed timelines regarding submission of Financial Statements were not adhered to by 32 SPSEs whose 107 accounts were in arrears. Out of the total profit of ₹ 53.57 crore earned by 11 working SPSEs, 77.26 per cent was contributed by two SPSEs only. As per latest finalised accounts, loss of ₹ 2,597.72 crore was incurred by three working SPSEs.

The State Government may impress upon the managements of SPSEs to ensure timely submission of their financial statements. In the absence of finalised accounts, Government investments in such SPSEs remain outside the oversight of the State Legislature. The State Government may also analyse the reasons of losses in loss making SPSEs and initiate steps to make their operations efficient and profitable.