

EXECUTIVE SUMMARY

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 an average growth rate of 10.28 *per cent* from ₹3,27,107 crore in 2018-19 to ₹4,57,608 crore in 2022-23.

There was 12.60 *per cent* growth in GSDP over 2021-22. The revenue receipts grew at 17.86 *per cent* and the percentage of revenue receipts over GSDP improved from 19.60 *per cent* in 2021-22 to 20.51 *per cent* in 2022-23. The tax revenue increased by 17.66 *per cent* during the period and the State's own tax revenue increased by 22.30 *per cent*. The total expenditure (revenue expenditure, capital expenditure and loans and advances) of the State of Chhattisgarh increased from ₹85,838.04 crore in 2021-22 to ₹98,691.19 increasing by 14.97 *per cent*. Of this, revenue expenditure showed 13.70 *per cent* increase from 2021-22. Revenue surplus increased from ₹4,642.02 crore to ₹8,592.11 crore registering 85.09 *per cent* increase over 2021-22, while fiscal deficit decreased from ₹6,093.10 crore in 2021-22 to ₹4,691.21 crore in 2022-23 decreasing by 23.01 *per cent*.

Receipt-Expenditure Mismatch

The continuous mismatch between receipts and expenditure indicates rising fiscal stress. The State has different sources of receipts such as State 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 accounts as well as capital expenditure (assets creation, loans and advances, investments, etc).

From 2018-19 to 2022-23, revenue receipts grew from ₹65,094.93 crore to ₹93,877.14 crore, with an average annual growth rate of 10.02 *per cent*. Capital receipts decreased from ₹14,538.24 crore to ₹10,761.58 crore during this period. The share of Grants-in-aid in revenue receipts declined from 19.21 *per cent* in 2018-19 to 14.01 *per cent* in 2022-23, indicating decreased reliance on support from the Government of India. The State Government received ₹8,712.52 crore as Central share for the Centrally Sponsored Schemes (CSSs) in the year.

Revenue expenditure is incurred to maintain the current level of services and payment for the past obligation. Between 2018-19 and 2022-23, revenue expenditure increased from ₹64,411.17 crore (19.69 *per cent* of GSDP) to ₹85,285.03 crore (18.64 *per cent* of GSDP). It consistently made up a significant portion (86.41 *per cent* to 89.50 *per cent*) of the total expenditure during this period, growing at an average annual rate of 8.95 *per cent*.

Result of expenditure beyond means

The revenue surplus of the State increased to ₹8,592.11 (1.88 *per cent* of GSDP) in the current year from ₹683.76 crore (0.21 *per cent* of GSDP) in the year 2018-19.

The State Government spent ₹13,320.30 crore on capital account. This was 13.50 *per cent* of the total expenditure in the year 2022-23. During the year 2022-23, 89 *per cent* of borrowed funds (₹21,972.42 crore) were utilised towards the repayment of earlier borrowings (₹19,448.88 crore) leaving only 11 *per cent* of borrowed fund for development activities. During 2022-23, if the balance available after repayments of borrowing (₹2,523.54 crore) being used to make interest payments of ₹6,382.08 crore, then no borrowed fund will be available for capital expenditure.

The gap between the total expenditure and total non-debt receipt of the State results in fiscal deficit. The fiscal deficit of the State decreased to ₹4,691.21 crore (1.03 *per cent* of GSDP) in 2022-23 from ₹8,292.23 crore (2.54 *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 42-50 *per cent* of revenue expenditure during 2018-19 (42 *per cent*) and 2022-23 (47 *per cent*). The Committed expenditure increased at an average rate of 15.35 *per cent* i.e. from ₹26,888.65 crore in 2018-19 to ₹40,314.09 crore in 2022-23 {an increase of 7.12 *per cent* over 2021-22 (₹37,634.24 crore)}.

In addition to the committed expenditure, inflexible expenditure increased from ₹5,381.19 crore in 2021-22 to ₹7,096.68 crore in 2022-23 registering an increase of 31.88 *per cent*.

Taken together, the committed and inflexible expenditure in 2022-23 was ₹47,410.77 crore; 56 *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.

Subsidies under non-committed expenditure

Within the non-committed expenditure, the expenditure on subsidies increased from ₹6,565.30 crore (8.75 *per cent* of revenue expenditure) in 2021-22 to ₹8,306.28 crore (9.74 *per cent* of revenue expenditure) in 2022-23. During 2022-23, Energy (39.44 *per*

cent) and Food and Civil Supplies (52.64 per cent) constituted a major portion of the total subsidies.

Off-budget borrowings

The State Government, through Public Sector Undertaking and parastatals, raised ₹7,161.32 crore (7.04 per cent of total budgeted liabilities) as off-budget borrowings; which did not flow into the Consolidated Fund of the State but are required to be repaid and serviced through budget.

Contingent Liabilities on account of Guarantees

The maximum amount guaranteed during the year 2022-23 was ₹30,022.50 crore. Out of which ₹20,957.51 crore was outstanding as on 31st March 2023.

The State Government had also notified reversion to the Old Pension Scheme (OPS) vide Notification dated 11 May 2022. The imminent financial burden on account of implementation of OPS also needs to be considered.

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 mismatch 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/MTFPS 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, revenue surplus was 1.88 per cent; fiscal deficit was 1.03 per cent as against the limit of 3.33 per cent; overall liability was 20.46 per cent as against limit of 26.41 per cent.

Further, if the quantum of the off-budget borrowings is included as part of debt, the overall liability (Includes Public Debt and Public Account Liabilities) of the Government was 22.02 per cent of the GSDP.

As per the debt stabilisation analysis, the public debt of the Government of Chhattisgarh has grown on an average at a rate of 17.11 per cent annually of the outstanding public debt during 2018-19 to 2022-23. The public debt-GSDP ratio of Chhattisgarh has increased from 15.97 per cent in 2018-19 to 21.15 per cent in 2020-21 and then declined to 16.58 per cent in 2022-23. The improvement in Public Debt to GSDP after the pandemic suggests that the debt situation is not deteriorating, but it has not yet reached a threshold.

During 2021-22 and 2022-23 the Domar gap turned positive along with increase in primary surplus satisfying the condition of debt sustainability ($g-r>0$). Domar gap ($g-r$) was negative during covid years (2019-20 and 2020-21). However, in post covid years, the Domar gap turned positive due to high growth in GSDP. Positive Domar gap due to high growth rate in post covid years may also be seen with reference to low base for comparison in previous year due to covid. The Domar gap should further be viewed with the other factors such as Public Account liabilities (₹17,745.64 crore), off-budget borrowings (₹7,161.32 crore) in assessing the debt sustainability/stability of the State. Moreover, there has been a consistent increase in the Public Debt Repayment to Public Debt Receipt ratio over the last two years, which suggests that economic growth is not robust enough to service the debt.

Going by the analysis and results as discussed above, the finances of the State of Chhattisgarh though marked by increasing trend of liabilities (debt, guarantees, off-budget borrowings, etc.,) however, fiscal parameters such as fiscal deficit, liability to GSDP ratio and guarantee are within the targets prescribed.

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 (-)3.67 per cent. This was due to deviation up to ± 25 per cent in 39 grants, between ± 25 per cent and ± 50 per cent in 19 grants; and between ± 50 per cent and ± 100 per cent in six grants and equal to or more than 100 per cent in one grant. In the Capital section, deviation in outturn compared with BE was 5.00 per cent. This was due to deviation up to ± 25 per cent in 21 grants, between ± 25 per cent and ± 50 per cent in 18 grants; and between ± 50 per cent and ± 100 per cent in 23 grants. No provision was made in respect of one grant 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 (-)8.79 per cent. This was due to deviation up to ± 25 per cent in 37 grants, between ± 25 per cent and ± 50 per cent in 16 grants and between ± 50 per cent and ± 100 per cent in 12 grants. No provisions were made in six grants (Grant nos. 42, 57, 68, 75, 76 and one appropriation-Public debt) of the Revenue Section. In the Capital section, deviation in outturn compared with RE was (-)11.50 per cent. This was due to deviation up to ± 25 per cent in 23 grants, between ± 25 per cent and ± 50 per cent in 11 grants, between ± 50 per cent and ± 100 per cent

in 32 grants. No capital provision was, however, made in respect of five grants (Grant nos. 22, 35, 49, 50 and one appropriation-Interest payment) of the Capital section.

It was noticed that supplementary provisions of ₹11,445.78 crore during the year 2022-23 proved unnecessary, as the expenditure did not come up even to the level of original provisions.

Overall Budget reliability assessment indicates that though the deviations between the actual expenditure and original budget as well as between the actual expenditure and the final budget were less than two per cent, there were deviations up to 25 per cent and even above in different grants. Moreover, it was also noticed that 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.

Regularization of Excess over Grants/ Appropriations

The State Government has to get excesses over grants/appropriations regularised by the State Legislature as per Article 204 and 205 (1) (b) of the constitution. It was observed that in 2022-23 there was excess expenditure of ₹3,630.60 crore under one grant and two appropriations which required regularization. Further, excess disbursements of ₹17,436.39 crore over provision for the years 2000-01 to 2021-22 were yet to be regularized.

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

Submission of Utilisation Certificates

All the outstanding UCs, due as per extant provision were cleared by March 2023. Hence, the status of outstanding UCs as of 31 March 2023 is nil.

During the audit, it was noticed that the Energy Department released ₹496.73 crore to Chhattisgarh Renewable Energy Authority (CREDA) during 2021-22 and UCs for ₹496.73 crore were submitted to the Accountant General in August 2022 by Energy Department. However, it was noticed that funds of ₹24.37 crore were utilised in subsequent months (upto October 2022) by CREDA after submission of UCs.

DC bills against AC bills

Despite the requirement of submitting Detailed Contingency (DC) Bills against the advance money withdrawn through Abstract Contingency (AC) Bills, 471 AC bills of ₹306.67 crore were pending for submission of DC bills as on 31st March 2023, out of

which 202 AC Bills amounting to ₹108.71 crore pertained to the period upto 2021-22.

Reconciliation

As per rule, all Departments are required to reconcile their expenditure and receipts with the expenditure booked in the accounts in the Accountant General Office. The State Government did not reconcile 13.30 *per cent* of the total expenditure and 13.86 *per cent* of the receipts.

Booking under Minor Head 800

It was noticed that Receipts of ₹7,715.17 crore (8.22 *per cent* of the total revenue receipts) under 44 Major Heads, was classified under the Minor Head ‘800-Other Receipts’. Similarly, expenditure of ₹539.21 crore (0.55 *per cent* of total revenue and capital expenditure) recorded under 26 Major Heads, was classified under the Minor Head ‘800-Other Expenditure’ during 2022-23.

Compliance with IGAS

As against the requirements of the Indian Government Accounting Standards (IGAS), the State Government did not make full compliance with IGAS-1: Guarantees given by government–Disclosure requirements, IGAS-2: Accounting and Classification of Grants-in-Aid and IGAS-3: Loans and Advances made by the Government.

Operation of PD Accounts

As per CG Treasury Code, PD Accounts which are inoperative for three years continuously should be closed by the Treasury Officer by giving notice to the Administrator of the PD account. Despite the lapse of the authorised period, One PD Account was not closed, and balance of ₹0.35 crore was not transferred to the Consolidated Fund. Also, as of 31 March 2023, 131 PD accounts were in existence and the closing balance in these accounts was ₹1,364.20 crore.

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. As on 31 March 2023, the State Government transferred Central share of ₹7,302.41 crore and State share of ₹6,431.54 crore to the SNAs. As per Finance Account, an amount ₹8,709.39 crore being the Central share was received by State Government during the year. As on 31 March 2023, the Government transferred ₹7,820.21 crore of the Central share and the State share of ₹6,942.22 crore to the SNAs. As per SNA report of PFMS Portal, ₹7,244.42 crore was lying unspent in the bank accounts of SNAs as on 31 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- submission of DC bills against AC bills; non-compliance with IGAS; and non-supply of details of expenditure from SNAs have impacted the quality of accounts adversely.

Working of State Public Sector Undertakings

As on 31 March 2023, there were 28 State Public Sector Undertakings (PSUs) in Chhattisgarh, including one Statutory Corporations 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 25 PSUs whose 47 accounts were in arrears. Out of the total profit of ₹879.22 crore earned by 10 working SPSUs, 85.47 per cent was contributed by three PSUs only. Out of total loss of ₹1,143.10 crore incurred by seven working SPSUs, loss of ₹1,132.72 crore was incurred by one PSU i.e. CSPDCL only. 21 Financial Statements were received during October 2022 to September 2023, out of which 14 were reviewed and comments were issued in all 14 Financial Statements.

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