EXECUTIVE SUMMARY

About the Report

This Report of the CAG of India is on the State Finances for the year 2023-24. 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 9.23 *per cent* from ₹3,44,672 crore in 2019-20 to ₹5,05,887 crore in 2023-24.

There was 8.93 *per cent* growth in GSDP in 2023-24 over 2022-23. The revenue receipts grew at 10.26 *per cent* and the percentage of revenue receipts over GSDP improved from 20.21 *per cent* in 2022-23 to 20.46 *per cent* in 2023-24. The tax revenue increased by 18.00 *per cent* during the period and the State's own tax revenue increased by 17.10 *per cent*. The total expenditure (revenue expenditure, capital expenditure and loans and advances) of the State of Chhattisgarh increased from ₹98,691.19 crore in 2022-23 to ₹1,30,471.85 crore by 32.20 *per cent*. Of this, revenue expenditure showed 34.54 *per cent* increase from 2022-23. During 2023-24 revenue deficit of the State was ₹11,232.76 crore as compared to revenue surplus of ₹8,592.11 crore in 2022-23, while fiscal deficit increased from ₹4,691.21 crore in 2022-23 to ₹26,933.03 crore in 2023-24 increasing by 474.12 *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 2019-20 to 2023-24, revenue receipts grew from ₹63,868.70 crore to ₹1,03,508.20 crore, with an average annual growth rate of 10.25 *per cent*. Non-debt capital receipts decreased from ₹ 261.61 crore to ₹30.62 crore and debt receipts increased from ₹19,587.53 crore to ₹54,049.72 crore during this period. The share of Grants-in-aid in revenue receipts declined from 21.31 *per cent* in 2019-20 to 10.72 *per cent* in 2023-24, indicating decreased reliance on support from the Government of India. The State Government received ₹8,217.62 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 2019-20 and 2023-24, revenue expenditure increased from ₹73,477.37 crore (21.32 *per cent* of GSDP) to ₹1,14,740.96 crore (22.68 *per cent* of GSDP). It consistently made up a significant portion (86.42 *per cent* to 89.50 *per cent*) of the total expenditure during this period, growing at an average annual rate of 12.95 *per cent*.

Result of expenditure beyond means

The revenue deficit of the State increased to ₹11,232.76 crore (2.22 *per cent* of GSDP) in the current year from ₹9,608.61 crore (2.79 *per cent* of GSDP) in the year 2019-20.

The State Government spent ₹15,418.93 crore on capital account. This was 11.82 *per cent* of the total expenditure in the year 2023-24. During the year 2023-24, 52 *per cent* of borrowed funds (₹67,412.52 crore) were utilised towards the repayment of earlier borrowings (₹34,929.59 crore) leaving only 48 *per cent* of borrowed fund for development activities.

The gap between the total expenditure and total non-debt receipt of the State results in fiscal deficit. The fiscal deficit of the State increased to ₹26,933.03 crore (5.32 *per cent* of GSDP) in 2023-24 from ₹17,969.38 crore (5.21 *per cent* of GSDP) in 2019-20.

Under the Revenue Expenditure (RE), 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 & wages and pensions. Committed expenditure on interest payments, salaries and pensions constituted 39-50 *per cent* of revenue expenditure between 2019-20 and 2023-24. Committed expenditure as a percentage to revenue expenditure decreased from 44.85 *per cent* in 2019-20 to 38.62 *per cent* in 2023-24.

In addition to the committed expenditure, inflexible expenditure as a percentage of revenue expenditure increased from 3.06 *per cent* in 2019-20 to 10.81 *per cent* in 2023-24. Further, the inflexible expenditure increased by 35.37 *per cent* during 2023-24 over the previous year.

Subsidies under non-committed expenditure

Within the non-committed expenditure, the expenditure on subsidies increased in absolute term from ₹8,306.28 crore (9.74 *per cent* of revenue expenditure) in 2022-23 to ₹10,796.88 crore (9.41 *per cent* of revenue expenditure) in 2023-24. During 2023-24, Energy (55.88 *per cent*) and Food and Civil Supplies (36.26 *per cent*) constituted a major portion of the total subsidies.

Off-budget borrowings

The State Government, through Public Sector Undertaking and parastatals, raised ₹7,292.94 crore (5.43 *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 2023-24 was ₹31,662.88 crore. Out of which ₹21,890.52 crore was outstanding as on 31 March 2024.

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 2023-24, revenue deficit was 2.22 *per cent*; fiscal deficit was 5.32 *per cent* as against the limit of 2.99 *per cent*; overall liability was 24.93 *per cent* as against limit of 23.81 *per cent.*

As per Debt Sustainability Analysis (DSA), it is observed that except for the years 2021-22 and 2022-23, the growth in overall liabilities/debt remained higher than the nominal growth and increased sharply from 2019-20 to 2023-24. This suggests that the state needs to take austerity measures to contain growth in debt to keep it in tandem with the nominal growth. The State utilised the financial facility available with RBI for liquidity management for an average of 1.5 months annually, which indicates that the State was grappling with liquidity issues. Further, The State, except for the year 2019-20, managed to keep its debt-GSDP ratio within the indicative debt path given by the Finance Commission over the last five years.

Going by the analysis and results as discussed above, the State Government exceeded the expectations of XVFC and budget projections in mobilizing its own tax revenue but could not meet the non-tax revenue target set in its own budget estimates. Except for the pandemic-affected year 2020-21, most of the indicators considered for State DSA displayed a fluctuating trend over the last five years, which may be sufficient to conclude that the debt-GSDP ratio of the State remained unstable.

Budget performance

Aggregate Budget outturn

Budget performance in terms of budgetary intent and budget implementation is examined to assess the 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 Original Budget Estimates (BE) was

(-)12.12 *per cent*. This was due to deviation up to ± 25 *per cent* in 39 grants, between ±25 *per cent* and ± 50 *per cent* in 20 grants; and between ± 50 *per cent* and ±100 *per cent* in five grants and equal to or more than 100 *per cent* in one grant. In the Capital section, deviation in outturn compared with BE was 48.36 *per cent*. This was due to deviation up to ± 25 *per cent* in 24 grants, between ± 25 *per cent* and ± 50 *per cent* in 20 grants; and between ± 50 *per cent* and ± 100 *per cent* in 21 grants and equal to or more than 100 *per cent* in one appropriation.

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 expenditure section, deviation in outturn compared with RE was (-)9.04 *per cent*. This was due to deviation between 0 and ± 25 *per cent* in 42 grants/appropriation, between ± 25 *per cent* to ± 50 *per cent* in 19 grants and between ± 50 *per cent* to ± 100 *per cent* in four grants. In the Capital expenditure section, deviation in outturn compared with RE was (+)34.43 *per cent*. This was due to deviation between 0 and ± 25 *per cent* in 20 grants, between ± 25 *per cent* to ± 50 *per cent* in 24 grants, between ± 50 *per cent* to ± 100 *per cent* in 17 grants and equal to or more than ±100 *per cent* in five grants/appropriation.

Overall Budget reliability assessment indicates that though the deviations between the actual expenditure and the final budget were less than four percent, 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.

Regularisation 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 2023-24, there was excess expenditure of ₹18,228.21 crore under one grant and two appropriations which required regularization. Further, excess disbursements of ₹21,066.99 crore over provision for the years 2000-01 to 2022-23 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.

DC bills against AC bills

Despite the requirement of submission of Detailed Contingency (DC) Bill not later than 25th of the following month in which amounts were drawn, 220 AC bills of ₹3.44 crore drawn in the previous years were pending for submission of DC bills as of December 2024. Non-submission of DC bills within the prescribed time limit not only breaches financial discipline but also increases the possibility of wastage/misappropriation /malfeasance etc.

Reconciliation

Controlling officers are required to reconcile their expenditure and receipts with the expenditure booked in the books of the Accountant General. During the year 2023-24, 99.38 *per cent* of the receipts and 97.31 *per cent* of the disbursements were reconciled.

Booking under Minor Head 800

It was noticed that Receipts of ₹6,099.05 crore (5.89 *per cent* of the total revenue receipts) under 43 Major Heads, was classified under the Minor Head '800-Other Receipts'. Similarly, expenditure of ₹768.52 crore (0.59 *per cent* of total revenue and capital expenditure) recorded under 26 Major Heads, was classified under the Minor Head '800-Other Expenditure' during 2023-24. Routine operation of Minor Head–800 is to be discouraged, since it renders the accounts opaque and it does not disclose the schemes/programmes, etc. to which it relates.

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 of 31 March 2024, 130 PD accounts were in existence and the closing balance in these accounts was ₹1,352.90 crore. Non-transfer of unspent balances lying in PD Accounts to the Consolidated Fund of the State entails the risk of stagnant financial situation, missing out potential gains, and decrease in purchasing power over time, minimal growth of funds etc.

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 2024, the State Government transferred Central share of ₹8,514.85 crore and State share of ₹8,609.09 crore to the SNAs. As per SNA report of PFMS Portal,

₹7,196.82 crore was lying unspent in the bank accounts of SNAs as on 31 March 2024.

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.

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