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## **Chapter-2**

# **FINANCES OF THE STATE**

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## CHAPTER 2

### 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 the overall trends during the five-year period from 2018-19 to 2022-23, debt sustainability of the State and key Public Account transactions, based on the Finance Accounts of the State. Information was also obtained from the State Government, where necessary.

#### 2.1 Major changes in key fiscal aggregates *vis-à-vis* 2021-22

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

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

<b>Revenue Receipts</b>	<ul style="list-style-type: none"><li>✓ Revenue Receipts of the State increased by 15.09 <i>per cent</i></li><li>✓ Own Tax Receipts of the State increased by 17.98 <i>per cent</i></li><li>✓ Non-tax Receipts increased by 27.90 <i>per cent</i></li><li>✓ State's Share of Union Taxes and Duties increased by 13.23 <i>per cent</i></li><li>✓ Grants-in-Aid from Government of India increased by 2.13 <i>per cent</i></li></ul>
<b>Revenue Expenditure</b>	<ul style="list-style-type: none"><li>✓ Revenue Expenditure increased by 6.22 <i>per cent</i></li><li>✓ Revenue Expenditure on General Services increased by 7.91 <i>per cent</i></li><li>✓ Revenue Expenditure on Social Services increased by 12.18 <i>per cent</i></li><li>✓ Revenue Expenditure on Economic Services decreased by 4.84 <i>per cent</i></li></ul>
<b>Capital Receipts</b>	<ul style="list-style-type: none"><li>✓ Debt Capital Receipts decreased by 27.36 <i>per cent</i> in 2021-22 which further decreased by 7.09 <i>per cent</i> in the current year.</li><li>✓ Non-debt Capital Receipts decreased by ₹ 1,245.32 crore during 2022-23.</li></ul>
<b>Capital Expenditure</b>	<ul style="list-style-type: none"><li>✓ Capital Expenditure increased by 49.47 <i>per cent</i></li><li>✓ Capital Expenditure on General Services increased by 18.89 <i>per cent</i></li><li>✓ Capital Expenditure on Social Services increased by 227.28 <i>per cent</i></li><li>✓ Capital Expenditure on Economic Services increased by 12.41 <i>per cent</i></li></ul>
<b>Loans and Advances</b>	<ul style="list-style-type: none"><li>✓ Disbursement of Loans and Advances increased by 187.84 <i>per cent</i></li><li>✓ Recoveries of Loans and Advances decreased by 96.41 <i>per cent</i></li></ul>
<b>Public Debt</b>	<ul style="list-style-type: none"><li>✓ Public Debt Receipts decreased by 7.09 <i>per cent</i></li><li>✓ Repayment of Public Debt increased by 58.45 <i>per cent</i></li></ul>
<b>Public Account</b>	<ul style="list-style-type: none"><li>✓ Public Account Receipts increased by 35.72 <i>per cent</i></li><li>✓ Disbursement of Public Account increased by 16.88 <i>per cent</i></li></ul>
<b>Cash Balance</b>	<ul style="list-style-type: none"><li>✓ Cash balance increased by ₹ 1,109.98 crore (19.92 <i>per cent</i>) during 2022-23</li></ul>

#### 2.2 Sources and Application of Funds

**Table 2.2** compares the sources and application of funds of the State during 2022-23 with 2021-22. More details are given in **Appendix 2.1**.

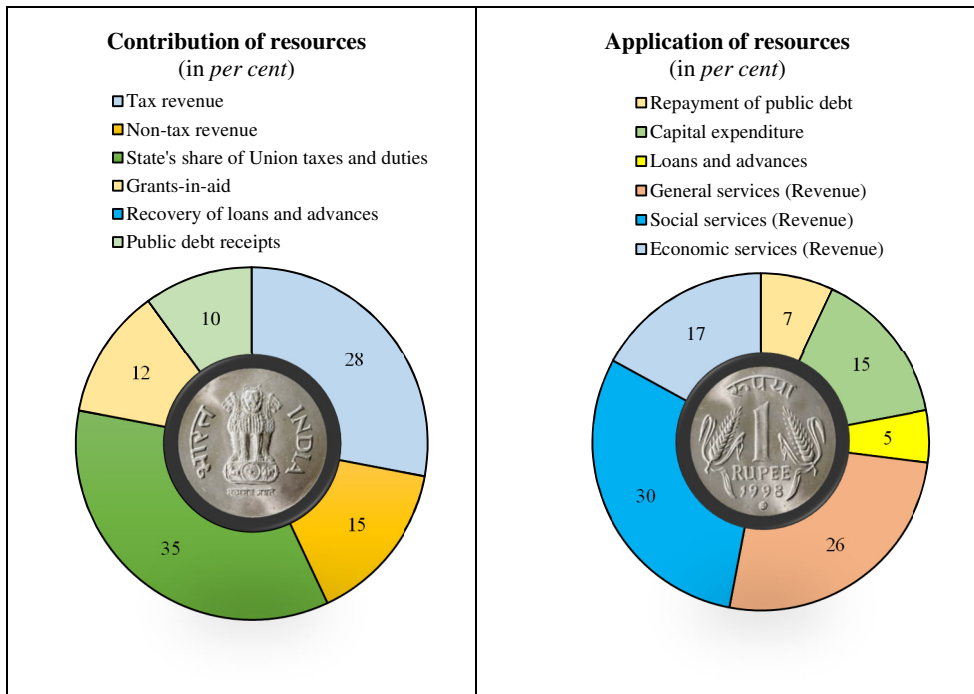
**Table 2.2: Details of Sources and Application of funds during 2021-22 and 2022-23**

(₹ in crore)

	Particulars	2021-22	2022-23	Increase(+)/ Decrease(-)
Sources	Opening Cash Balance with RBI	160.55	149.37	-11.18
	Revenue Receipts	69,721.86	80,245.22	10,523.36
	Recoveries of Loans and Advances	1,291.73	46.41	-1,245.32
	Public Debt Receipts (Net)	5,592.79	2,412.84	-3,179.95
	Public Account Receipts (Net)	-2,999.76	2,145.59	5,145.35
	<b>Total</b>	<b>73,767.17</b>	<b>84,999.43</b>	<b>11,232.26</b>
Application	Revenue Expenditure	62,777.92	66,681.63	3,903.71
	Capital Expenditure	9,376.90	14,015.59	4,638.69
	Disbursement of Loans and Advances	1,462.98	4,211.14	2,748.16
	Closing Cash Balance with RBI	149.37	91.07	-58.30
	<b>Total</b>	<b>73,767.17</b>	<b>84,999.43</b>	<b>11,232.26</b>

Chart 2.1 gives details of receipts into and expenditure from the Consolidated Fund during 2022-23 in terms of percentages.

**Chart 2.1: Details of Sources and Application of funds during 2022-23**



### 2.3 Resources of the State

This paragraph provides details of the composition of the overall receipts. Besides the Capital and Revenue Receipts, funds available in the Public Account (net of disbursement made from it) are also utilised by the Government to finance its deficit.

The resources of the State are described below:

1. **Revenue receipts** consist of tax revenue, non-tax revenue, State's share of Union taxes and duties and grants-in-aid from the Government of India (GoI).
2. **Capital receipts (Debt and non-debt capital receipts)** comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market

loans, borrowings from financial institutions/commercial banks) and loans and advances from GoI.

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

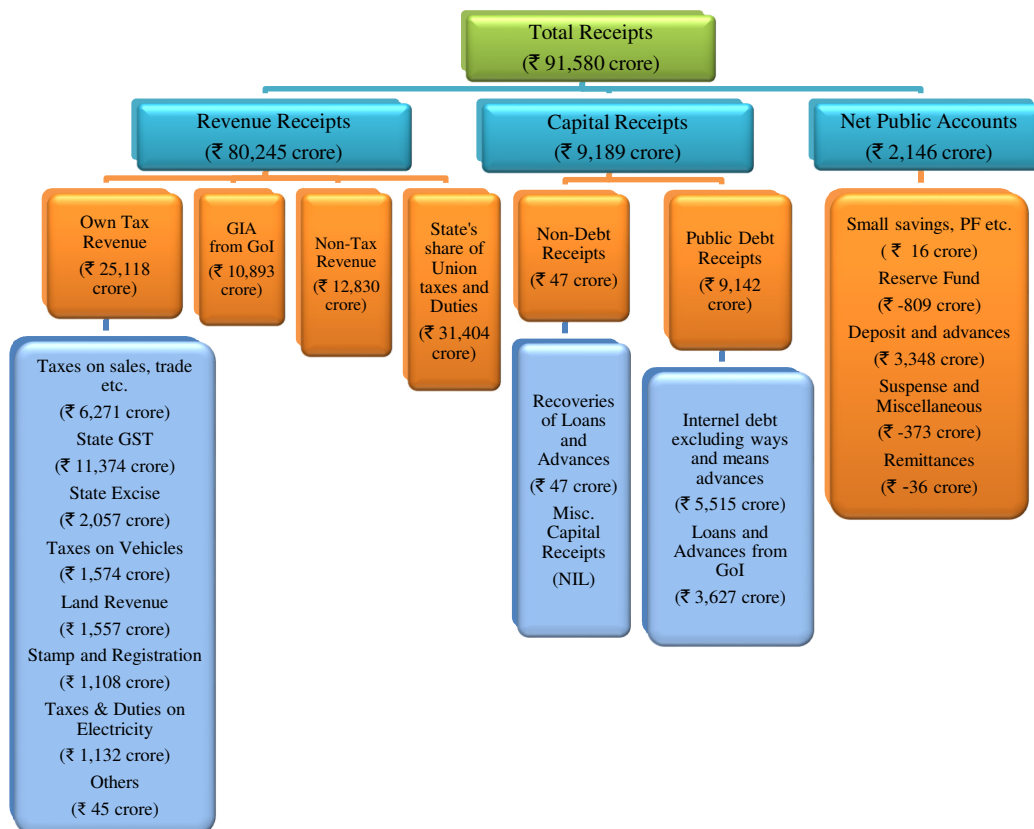
3. **Net Public Accounts receipts:** There are receipts and disbursements in respect of certain transactions such as small savings, provident funds, reserve funds, deposits, suspense, remittances *etc.*, which do not form part of the Consolidated Fund.

These are kept in the Public Account, set up under Article 266 (2) of the Constitution and are not subject to vote by the State Legislature. Here, the Government acts as a banker. The balance, after disbursements, is the fund available with the Government for use.

### 2.3.1 Receipts of the State

Composition of receipts of the State, during FY 2022-23, is given in Chart 2.2.

Chart 2.2: Composition of receipts of the State during 2022-23



### 2.3.2 State's Revenue Receipts

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

### 2.3.2.1 Trends and growth of Revenue Receipts

**Table 2.3** shows the trends and growth of revenue receipts as well as revenue buoyancy with respect to GSDP over the five-year period. Trends in revenue receipts relative to GSDP and composition of revenue receipts are also given in **Appendix 2.2**.

**Table 2.3: Trend in Revenue Receipts**

Parameters	2018-19	2019-20	2020-21	2021-22	2022-23
Revenue Receipts (RR) (₹ in crore)	56,152	58,417	56,150	69,722	80,245
Rate of growth of RR ( <i>per cent</i> )	6.44	4.03	-3.88	24.17	15.09
Own Tax Revenue	14,752	16,771	16,880	21,290	25,118
Rate of growth of Own Tax Revenue	19.42	13.69	0.65	26.12	17.98
Non-Tax Revenue	8,258	8,750	7,564	10,031	12,830
Rate of growth of Non-Tax Revenue	5.24	5.96	-13.55	32.61	27.91
Rate of growth of Own Revenue (Own Tax and Non-tax Revenue) ( <i>per cent</i> )	13.90	10.90	-4.20	28.13	21.16
Gross State Domestic Product (₹ in crore) (2011-12 Series)	3,05,695	3,10,305	2,96,664	3,58,863	3,93,722
Rate of growth of GSDP ( <i>per cent</i> )	13.30	1.51	-4.40	20.97	9.71
RR/GSDP ( <i>per cent</i> )	18.37	18.83	18.93	19.43	20.38
<b>Buoyancy Ratios<sup>1</sup></b>					
Revenue Buoyancy <i>w.r.t.</i> GSDP	0.48	2.67	*	1.15	1.55
State's Own Revenue Buoyancy <i>w.r.t.</i> GSDP	1.05	7.22	*	1.34	2.18
Buoyancy of Revenue Receipts <i>w.r.t.</i> Own Tax Revenue	0.33	0.29	#	0.93	0.84

Source of GSDP figures: MoSPI

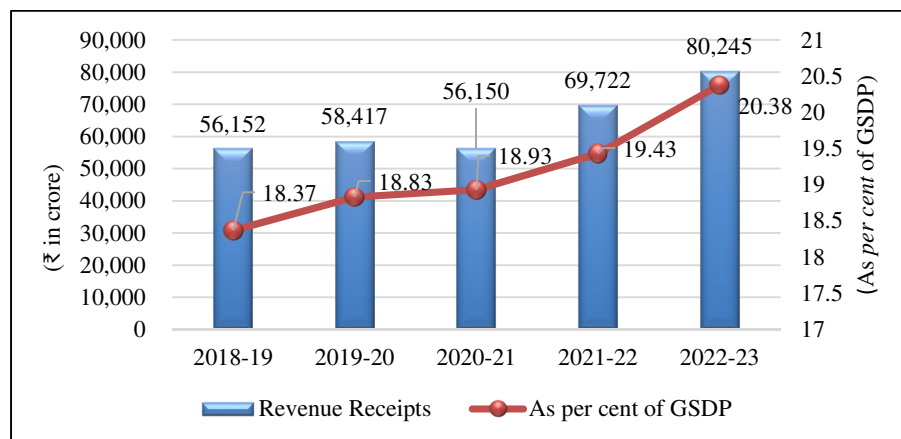
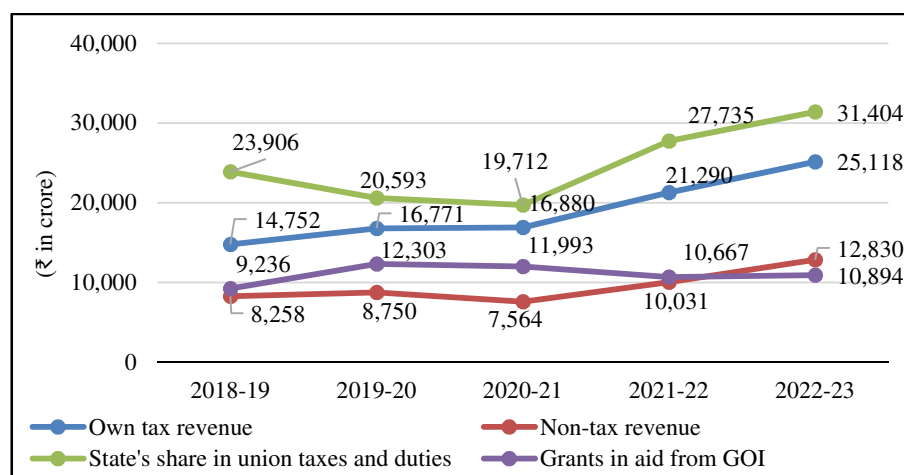
\*Since growth of GSDP was negative, buoyancy has not been calculated.

# Since growth of Revenue Receipts was negative, buoyancy has not been calculated.

Though the Revenue Receipts of the State increased from 69,722 crore in FY 2021-22 to 80,245 crore in FY 2022-23, their growth rate decreased from 24.17 *per cent* in FY 2021-22 to 15.09 *per cent* in FY 2022-23.

As can be seen from **Table 2.3**, the buoyancy of revenue and own revenue *w.r.t.* GSDP improved during FY 2022-23, due to lower growth rate of GSDP.

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

**Chart 2.3: Trends in Revenue Receipts**

**Chart 2.4: Trends of components of Revenue Receipts**


Further, as shown in **Table 2.3**, the State's own revenues increased by 21.16 *per cent* during 2022-23. The increase in own tax revenue was mainly due to increase in collection of SGST by ₹ 1,817 crore, whereas, non-tax revenue increased mainly due to increase in collection under Non-ferrous Mining and Metallurgical Industries by ₹ 2,501 crore.

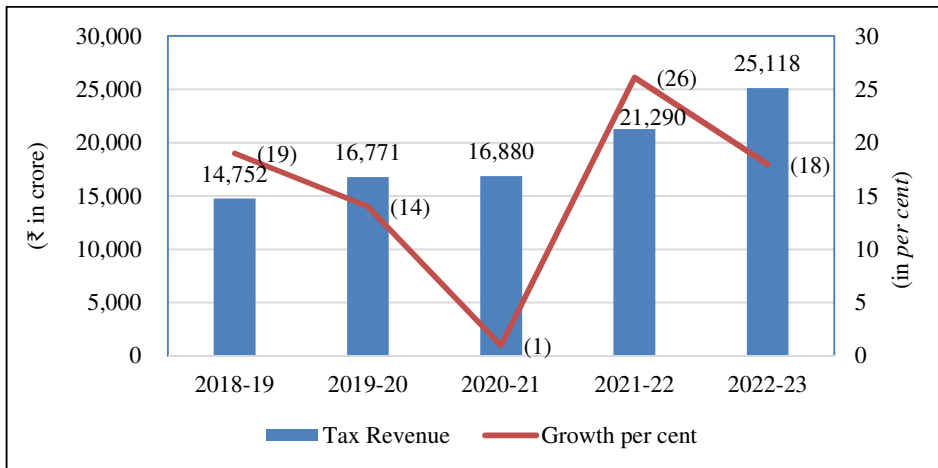
### State's Own Resources

State's share in Central taxes is determined on the basis of recommendations of the Finance Commission. Grants-in-aid from the Central Government are determined by the quantum of Central tax receipts and the anticipated Central assistance for schemes. The performance of the State in mobilisation of additional resources has been assessed in terms of its own resources comprising revenue from its own tax and non-tax sources.

#### A. Own Tax revenue

Own tax revenues of the State consist of State GST, State Excise, Taxes on vehicles, Sales Tax on Petroleum and Alcohol, Stamp Duty and Registration fees, Land revenue, Taxes and Duties on Electricity, *etc.* **Chart 2.5** shows growth of tax revenue of the State and **Table 2.4** presents trend of components of own tax revenue, during the period 2018-19 to 2022-23.

**Chart 2.5: Growth of Own Tax Revenue during 2018-19 to 2022-23**



**Table 2.4: Components of State's Own Tax Revenue during 2018-19 to 2022-23**

(₹ in crore)

Year	2018-19	2019-20	2020-21	2021-22	2022-23	Sparklines
Taxes on Sales, Trade etc.	3,475	3,996	4,301	5,213	6,271	
SGST	8,201	8,418	7,931	9,557	11,374	
State excise	1,083	2,009	1,821	1,807	2,057	
Taxes on Vehicles	864	1,129	976	1,263	1,574	
Stamps and Registration fees	451	560	708	987	1,108	
Land Revenue	389	338	873	1,621	1,557	
Taxes & Duties on Electricity	209	236	195	792	1,132	
Others	80	85	75	50	45	
<b>Total</b>	<b>14,752</b>	<b>16,771</b>	<b>16,880</b>	<b>21,290</b>	<b>25,118</b>	

Source: Finance Accounts

The growth rate of own tax revenue showed wide fluctuation between 0.65 and 26.12 per cent during the period 2018-19 to 2022-23. Own-tax revenue grew by 17.98 per cent over the previous year mainly due to more collection of Taxes on Sales, Trade etc. (20 per cent) and SGST (19 per cent).

During FY 2022-23, actual collection of SGST (₹ 11,374 crore) was higher than the budget estimate (₹ 10,450 crore).

As informed by the Transport Department, increase in collection of taxes on vehicles over the previous year was due to introduction of new fee structure for registration of vehicles by the State Government in August 2021. Reasons for increase or decrease in collection of the other components of State's Own taxes have not been received from the concerned departments.

### **Audit of GST Receipts**

Government of India's decision to provide access to Pan-India data at GSTN premises was conveyed on 22 June 2020. Jharkhand is a Model-II State and with effect from January 2021, user-id based access to back-end system has been provided to audit teams, at the premises of Commercial Taxes Circle as and when required. The Secretary, Commercial Taxes Department was requested (July 2023) to provide dedicated user-id based access to Audit.



***State Goods and Services Tax (SGST)***

As per the GST (Compensation to States) Act, 2017, States will be compensated for the shortfall in revenue arising on account of implementation of the Goods and Services Tax considering an annual growth of 14 *per cent* from the base year (2015-16), for a period of five years ending in June 2022. The Centre levies the Integrated GST (IGST) on inter-state supply of goods and services, and apportions the State's share of tax to the State where the goods or services are consumed.

During 2022-23, Jharkhand received grant of ₹ 2,064.64 crore for compensation of shortfall in revenue arising on account of implementation of GST pertaining to the period from April 2021 to June 2022. Grant of ₹ 1,385.00 crore for 2021-22 and ₹ 679.64 crore for the period April 2022 to June 2022 was received by the State on the condition that, in case the total GST compensation entitlement of the State falls below the total amount of provisional GST compensation already released to the State Government on the basis of audited revenue figures by the CAG of India, the excess payment shall be recovered from the future claims or by direct debit to the State Government's account as per procedure.

***Analysis of arrears of revenue and arrears of assessment***

The arrears of revenue indicate delayed realisation of revenue due to the Government. Similarly, arrears of assessment indicate potential revenue which is blocked due to delayed assessment. Both deprive the State of potential revenue receipts and ultimately affect the revenue deficit.

As on 31 March 2023, arrears in collection of revenue was ₹ 640 crore (Motor Vehicle Tax Department), of which ₹ 435.91 crore was outstanding for more than five years. Out of the total arrears in this department, amounts held up in the Courts was ₹ 4.90 crore. Details regarding arrears in collection of revenue of other departments were not available, as of September 2023.

***Discrepancy in accounting of revenue under Major Head 0041***

Fees levied under Rules 32 and 81 of Central Motor Vehicles Rules, 1989, and State's share in Composite fee under National Permit Scheme, forms part of Minor head '101-Receipts under the Indian Motor Vehicles Act'.

Motor vehicle tax & penalty, one time tax and fee leviable under Jharkhand Motor Vehicle Rules, 2001, constitute the revenue booked in Minor head '102-Receipts under the State Motor Vehicles Act'.

It was noticed that the amount booked under the Minor head '101' (₹ 947.80 crore in 2021-22 and ₹ 1,225.68 crore in 2022-23) far exceeded the amount booked under the Minor head '102' (₹ 3.70 crore in 2021-22 and ₹ 5.53 crore in 2022-23). Though the receipts collected were on account of tax and penalty, which forms the major share of revenue of Transport Department, it was noticed that the amount booked under minor head 102 was less than the amount booked under minor head 101. It was further observed that the amount booked in the accounts was on the basis of budget estimate of the Minor heads.

The matter was raised with the office of the Transport Commissioner, Jharkhand, Ranchi and in reply it was stated that the classification of heads of account would suitably be corrected after taking advice from the Finance Department.

## B. Non Tax Revenue

Non-Tax revenue (NTR) consists of interest receipts, dividends and profits, mining receipts, departmental receipts, *etc.*

Non-Tax revenue collected during 2022-23 was ₹ 12,830 crore. NTR collection was significantly lower than the budget estimates of ₹ 13,763 crore for the year. Component-wise NTR collected during 2018-19 to 2022-23 is as shown in **Table 2.5**.

**Table 2.5: Non-tax revenue collected during 2018-19 to 2022-23**

(₹ in crore)

Revenue Head	2018-19	2019-20	2020-21	2021-22	2022-23	Sparkline
Interest Receipts	47	310	81	96	282	
Dividends and Profits	0	0	15	0	0	
Other Non-Tax Receipts	8,211	8,440	7,468	9,935	12,548	
(a) Non-ferrous Mining & Metallurgical Industries	5,935	5,461	5,012	7,535	10,036	
(b) Education, Sports, Art & Culture	590	469	166	128	6	
(c) Urban Development	265	529	80	263	102	
(d) Major Irrigation	321	424	32	79	36	
(e) Civil Supplies	6	420	137	132	20	
(f) Miscellaneous General Services	37	140	171	483	1,172	
(g) Forestry and Wild Life	15	18	328	656	638	
(h) Others	1,042	979	1,542	659	538	
<b>Total</b>	<b>8,258</b>	<b>8,750</b>	<b>7,564</b>	<b>10,031</b>	<b>12,830</b>	

Source: Finance Accounts of respective years

The share of NTR in revenue receipts ranged between 13.47 *per cent* and 15.99 *per cent* during the period 2018-19 to 2022-23. It increased from 14.39 *per cent* in 2021-22 to 15.99 *per cent* in 2022-23. The main source of NTR was Non-ferrous Mining and Metallurgical Industries which increased significantly from ₹ 7,535 crore in 2021-22 to ₹ 10,036 crore in 2022-23. Significant increase was also noticed in Miscellaneous General Services (by ₹ 689 crore) during 2022-23.

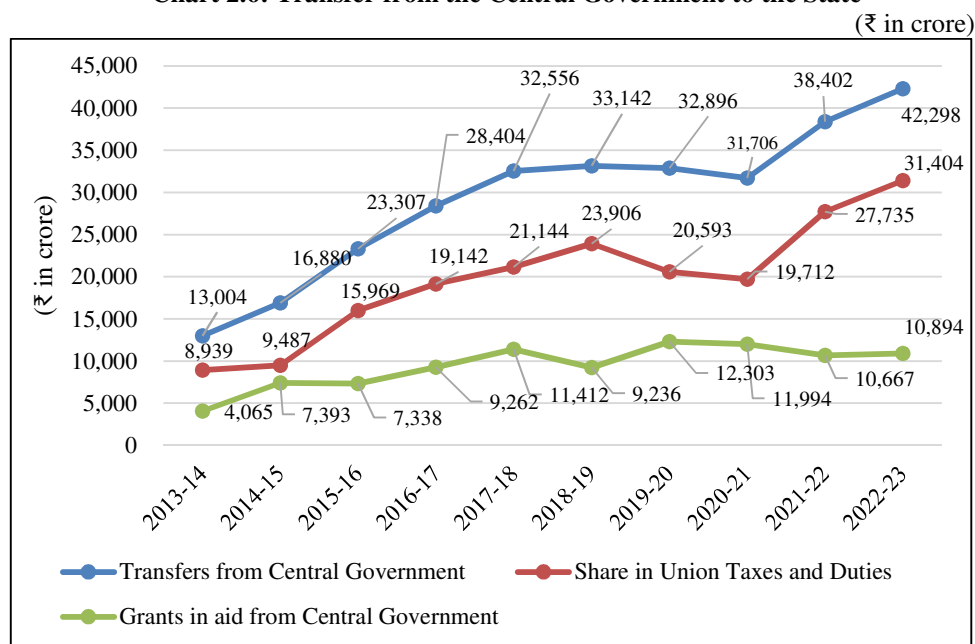
### **Misclassification of revenue deposits**

As per Rule 334 of the Jharkhand Treasury Code, 2016, unspent balances lying under Personal Deposit/Personal Ledger (PD/PL) accounts related to previous years, were to be transferred as reduction of expenditure to the concerned service heads, from where the money was withdrawn. It was noticed that during 2022-23, unspent balances of loans lying under PD/PL accounts, amounting to ₹ 1,115.39 crore, were deposited incorrectly under the Receipt Head “0075-Miscellaneous General Services-800-Other Receipts”, resulting in overstatement of Revenue Receipts, as well as Loans, to that extent.

### C. Transfers from the Central Government

Transfers from the Central Government to the State in the form of Central Tax Transfers and Grants-in-aid was more than 50 per cent of the total Non-debt revenue of the State during 2022-23. The ratio of transfers from the Central Government to non-debt receipts was highest during 2017-18 (62 per cent) due to fall in collection of own revenue. Compensation for shortfall in revenue on account of implementation of GST was also stopped due to completion of five years period in June 2022. During 2022-23, the ratio stood at 52.68 per cent.

**Chart 2.6: Transfer from the Central Government to the State**



As shown in **Chart 2.6** the devolution of taxes from the Central Government to the State, increased consistently from ₹ 8,939 crore in 2013-14 to ₹ 31,404 crore in 2022-23, except in 2019-20 and 2020-21.

#### Central Tax Transfers

Component-wise trend of Central Tax Transfers (CTT) over the past five years are depicted in **Table 2.6**.

**Table 2.6: Central Tax Transfers**

(₹ in crore)

Head	2018-19	2019-20	2020-21	2021-22	2022-23
Central Goods and Services Tax (CGST)	5,900	5,844	5,863	8,367	8,874
Integrated Goods and Services Tax (IGST)	471	0	0	0	0
Corporation Tax	8,313	7,021	5,944	7,139	10,529
Taxes on Income other than Corporation Tax	6,122	5,502	6,093	8,693	10,279
Customs	1,695	1,305	1,050	2,060	1,235
Union Excise Duties	1,126	908	663	1,089	387
Service Tax	220	0	85	356	49
Other Taxes <sup>2</sup>	59	13	14	31	51
<b>Central Tax Transfers</b>	<b>23,906</b>	<b>20,593</b>	<b>19,712</b>	<b>27,735</b>	<b>31,404</b>
Percentage of increase over previous year	13	-14	-4	41	13
Percentage of Central tax transfers to Revenue Receipts	43	35	35	40	39

<sup>2</sup> Include Taxes on Wealth, Other Taxes on Income and Expenditure, Other Taxes and Duties on commodities and Services

It can be seen from the above table that CTT had increased in 2022-23 over the previous year by ₹ 3,669 crore. This was mainly due to increase in the transfer of Corporation Tax and Taxes on Income other than Corporation Tax.

### **Grants-in-aid from GoI**

Growth rate of GIA from GoI was highest during the year 2019-20 (33.21 per cent) which decreased to 2.13 per cent in 2022-23. The slight increase during 2022-23, compared to the PY, was due to more receipts under Pradhan Mantri Gram Sadak Yojana (₹ 333 crore), Pradhan Mantri Poshan Shakti Nirman (₹ 227 crore) and Flexible Pool for Reproductive Child Health & Health System Strengthening (₹ 369 crore) offset by non-receipt of share (₹ 596 crore) of SDRF. Details of Grants-in-aid from GoI is shown in **Table 2.7**.

**Table 2.7: Grants-in-aid from Government of India**

Head	(₹ in crore)				
	2018-19	2019-20	2020-21	2021-22	2022-23
Grants for Centrally Sponsored Schemes (CSS)	6,996.85	7,339.05	6,838.85	6,577.16	6,871.79
Finance Commission Grants	1,059.89	3,154.60	2,990.50	2,198.30	1,826.59
<i>Grants for Rural Local Bodies</i>	<i>604.12</i>	<i>2,236.71</i>	<i>1,689.00</i>	<i>699.30</i>	<i>1,271.00</i>
<i>Grants for Urban Local Bodies</i>	<i>140.02</i>	<i>586.39</i>	<i>733.50</i>	<i>600.20</i>	<i>441.94</i>
<i>Others (including SDRF, SDMF)</i>	<i>315.75</i>	<i>331.50</i>	<i>568.00</i>	<i>898.80</i>	<i>113.65</i>
Other transfers/ Grants to States/Union Territories with Legislature	1,178.78	1,809.01	2,164.06	1,891.40	2,195.16
<i>Grants for State roads</i>	<i>63.33</i>	<i>137.67</i>	<i>78.77</i>	<i>40.79</i>	<i>81.56</i>
<i>Compensation for loss of revenue arising out of implementation of GST</i>	<i>1,029.00</i>	<i>1,531.82</i>	<i>1,958.32</i>	<i>1,525.63</i>	<i>2,064.64</i>
<i>Tribal Area Sub-plan</i>	<i>73.54</i>	<i>111.66</i>	<i>102.78</i>	<i>122.64</i>	<i>48.96</i>
<i>Others</i>	<i>12.91</i>	<i>27.86</i>	<i>24.19</i>	<i>202.34</i>	<i>0.00</i>
<b>Total</b>	<b>9,235.52</b>	<b>12,302.66</b>	<b>11,993.41</b>	<b>10,666.86</b>	<b>10,893.54</b>
Percentage of increase over the previous year	-19.07	33.21	-2.51	-11.06	2.13
Percentage of GIA to Revenue Receipts	16.45	21.06	21.36	15.30	13.58

Source: Finance Accounts

Grants-in-aid from GoI to the State fluctuated between ₹ 9,235.52 crore to ₹ 12,302.66 crore during 2018-19 to 2022-23 and their percentage in revenue receipts ranged between 13.58 to 21.36 per cent during the period. Growth of Grants-in-aid fluctuated between (-) 19.07 per cent and 33.21 per cent during the period. GIA increased marginally during 2022-23 over the previous year.

### **Single Nodal Agency (SNA)**

The Government of India, Ministry of Finance, Department of Expenditure, New Delhi vide Office Memorandum No. 1(13) PFMS/FCD/2020 dated 23 March 2021 provided that every State Government is required to designate a Single Nodal Agency (SNA) for implementing each Centrally Sponsored Scheme (CSS). The Single Nodal Agency will open Single Nodal Account for each CSS at the State level in a Scheduled Commercial Bank authorised to conduct business by the State Government. Further, as per the new procedure, it is the responsibility of the State Government concerned to

ensure that the entire unspent amount is returned by all the implementing Agencies (IAs) to the Single Nodal Account of the Single Nodal Agency.

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.

### ***Fifteenth Finance Commission Grants (15<sup>th</sup> FC)***

Details of grants released by the Central Government to the State Government, on the recommendation of 15<sup>th</sup> FC, for Urban Local Bodies and Panchayati Raj Institutions of the State, in the form of basic and general performance grants, are given in **Table 2.8**.

**Table 2.8: Recommended amount, actual release and transfer of Grants-in-aid**

(₹ in crore)

	Recommendation of the 15 <sup>th</sup> FC	Release by GoI			Release by State Government (including release by GoI)		
		2021-22	2022-23	Total	2021-22	2022-23	Total
<b>Transfers</b>	<b>2021-26</b>						
<b>Local Bodies</b>							
<b>(i) Grants to PRIs</b>	<b>6,585.00</b>	<b>699.30</b>	<b>1,271.00</b>	<b>1,970.30</b>	<b>772.76</b>	<b>1,462.57</b>	<b>2,235.33</b>
(a) General Basic Grant	2,634.00	699.30	883.10	<b>1,582.40</b>	772.76	1,462.57	2,235.33
(b) General Performance Grants	3,951.00	0.00	387.90	<b>387.90</b>			
<b>(ii) Grants to ULBs</b>	<b>3,367.00</b>	<b>600.20</b>	<b>441.94</b>	<b>1,042.14</b>	<b>1,042.33</b>	<b>1,266.41</b>	<b>2,308.74</b>
(a) General Basic Grant	819.60	0.00	116.40	<b>116.40</b>	1,042.33	1,266.41	2,308.74
(b) General Performance Grants	2,547.40	600.20	325.54	<b>925.74</b>			
<b>Health Grants</b>	<b>2,370.00</b>	<b>444.40</b>	<b>0.05</b>	<b>444.45</b>	<b>438.49</b>	<b>4.41</b>	<b>442.90</b>
<b>Total for Local Bodies</b>	<b>12,322.00</b>	<b>1,743.90</b>	<b>1,712.99</b>	<b>3,456.89</b>	<b>2,253.58</b>	<b>2,733.39</b>	<b>4,986.97</b>
<b>State Disaster Response Fund*</b>	<b>4,182.00</b>	<b>454.40</b>	<b>0.00</b>	<b>454.40</b>	<b>605.60</b>	<b>0.00</b>	<b>605.60</b>
<b>Grand Total</b>	<b>16,504.00</b>	<b>2,198.30</b>	<b>1,712.99</b>	<b>3,911.29</b>	<b>2,859.18</b>	<b>2,733.39</b>	<b>5,592.57</b>

\* Including State share of 25 per cent of total grant

Source: 15<sup>th</sup> FC Report and Finance Accounts

The Central Government released ₹ 3,342.90 crore during 2021-22 and 2022-23 against ₹ 12,322.00 crore recommended by the 15<sup>th</sup> FC for the period 2021-26 for ULBs and PRIs. Further, out of total release of ₹ 2,733.39 crore to the ULBs and PRIs by the State during the year 2022-23, ₹ 1,712.99 crore was received from the Central Government.

### **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. Details of capital receipts during 2018-23 are given in **Table 2.9**.

**Table 2.9: Trends in growth and composition of capital receipts**

(₹ in crore)

Sources of State's Receipts	2018-19	2019-20	2020-21	2021-22	2022-23
<b>Capital Receipts</b>	<b>7,850.43</b>	<b>9,642.31</b>	<b>13,595.36</b>	<b>11,131.62</b>	<b>9,188.71</b>
Miscellaneous Capital Receipts	0.00	0.00	0.00	0.00	0.00
Recovery of Loans and Advances	47.57	49.19	48.78	1,291.73	46.41
<b>Net Public Debt Receipts</b>	<b>4,743.34</b>	<b>5,361.72</b>	<b>10,801.76</b>	<b>5,592.79</b>	<b>2,412.84</b>
<i>Internal Debt</i>	4,637.10	5,109.14	8,411.43	2,581.42	(-)957.88
<i>Growth rate (in per cent)</i>	(-)9.37	10.17	64.63	-69.31	(-)137.11
<i>Loans and advances from GoI</i>	106.22	252.44	2,390.33*	3,011.37*	3,370.72#
<i>Growth rate (in per cent)</i>	50.52	137.66	846.89	25.98	11.93
Rate of growth of debt Capital Receipts (per cent)	(-)4.10	22.93	41.21	(-) 27.36	(-)7.09
Rate of growth of non-debt capital receipts (per cent)	(-)29.85	4.66	(-)0.83	2,548.07	(-)96.41
Rate of growth of GSDP (per cent)	13.30	1.51	(-)4.40	20.97	9.71
Rate of growth of Capital Receipts (per cent)	(-)4.31	22.83	41.00	(-)18.12	(-)17.45

Source: Finance Accounts and MoSPI website

\*Includes back to back loans, received from GoI, in lieu of GST compensation (₹ 1,689 crore in 2020-21 and ₹ 2,484.41 crore in 2021-22)

# Includes Special assistance of ₹ 2,964.32 crore received for capital expenditure in 2022-23

As depicted in the above table, rate of growth of capital receipts showed wide fluctuation between (-) 18.12 per cent and 41 per cent during 2018-19 to 2022-23. During 2022-23, capital receipts of the State decreased over the previous year mainly due to less receipts under Market loans (by ₹ 1,000 crore).

Non-debt capital receipts decreased significantly (by ₹ 1,245 crore) in 2022-23, compared to the previous year, due to one time settlement of loans in the previous year from power companies.

### **Writing off of Central Loans**

As recommended by the Thirteenth Finance Commission, Ministry of Finance, GoI, had written off (February 2012) loans advanced to the State Government by various Ministries (except those advanced by the Ministry of Finance itself) as on 31 March 2010, towards Central Plan and Centrally Sponsored Schemes. The Ministry of Finance had permitted the State Governments to adjust the excess repayments of principal and interest made from the effective date of the order (31 March 2010) and its implementation, against future repayments to the Ministry of Finance. The Government of Jharkhand had made excess repayment of ₹ 5.73 crore (Principal: ₹ 2.50 crore and Interest: ₹ 3.23 crore) up to end of 31 March 2023, of which, Ministry of Finance has so far adjusted ₹ 3.51 crore. No adjustment was made during the current year.

### **2.3.4 State's performance in mobilisation of resources**

State's performance in mobilisation of resources is assessed in terms of its own resources comprising own-tax and non-tax sources. The mobilisation of resources with respect to projections made in the budget/MTFP and 15<sup>th</sup> FC projections for 2022-23, is shown in **Table 2.10**.

**Table 2.10: Tax and non-tax receipts vis-à-vis projections for 2022-23**

(₹ in crore)

	MTFP projections	15 <sup>th</sup> FC projections	Actual	Percentage variation of actual over MTFP projection
Own Tax revenue	24,850	16,472	25,118	1.08
Non-tax revenue	13,763	9,707	12,830	-6.78

As shown in **Table 2.10**, actual collection of Own tax revenue during FY 2022-23 was higher than the MTFP and 15th FC projections whereas, actual collection of Non-tax revenue was higher than the 15th FC projections but lower than the MTFP projections by nearly seven *per cent*.

## 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 the ongoing fiscal correction and consolidation process of the State is not at the cost of expenditure directed towards development of capital infrastructure and the social sector.

### *Growth and composition of expenditure*

**Table 2.11**, **Chart 2.7** and **Appendix 2.2** present the trends in Total Expenditure and its composition over the last five years (2018-19 to 2022-23).

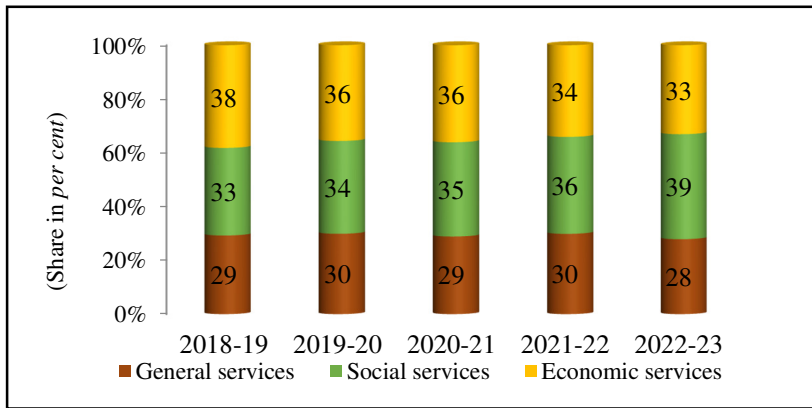
**Table 2.11: Total expenditure and its composition**

(₹ in crore)

Parameters	2018-19	2019-20	2020-21	2021-22	2022-23
<b>Total Expenditure (TE)</b>	<b>62,827</b>	<b>66,501</b>	<b>71,110</b>	<b>73,618</b>	<b>84,908</b>
Revenue Expenditure (RE)	50,631	56,457	59,264	62,778	66,681
Capital Expenditure (CE)	10,712	9,879	8,466	9,377	14,016
Loans and Advances (L&A)	1,485	165	3,380	1,463	4,211
<b>As a percentage of GSDP</b>					
TE/GSDP	20.60	21.40	24.00	20.51	21.57
RE/GSDP	16.56	18.19	19.98	17.49	16.94
CE/GSDP	3.50	3.18	2.85	2.61	3.56
L&A/GSDP	0.49	0.05	1.14	0.41	1.07

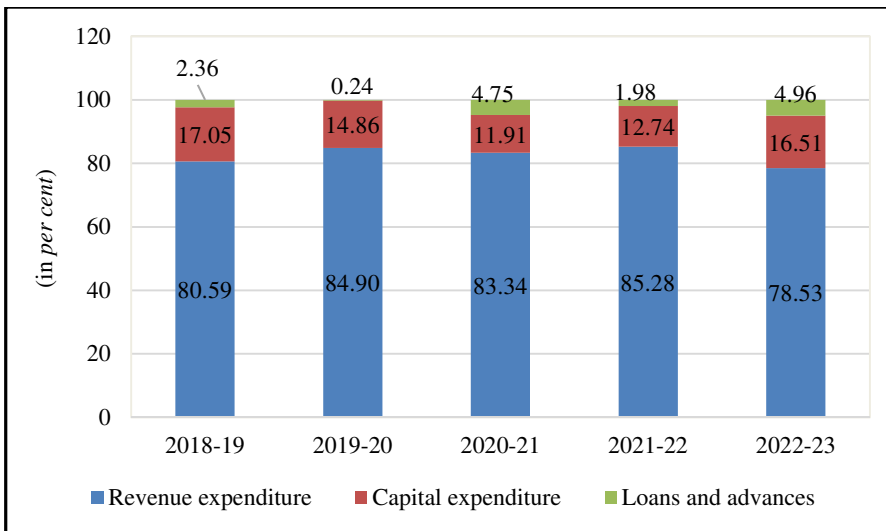
As shown in **Table 2.11**, ratio of TE, Loans & Advances *etc.* to GSDP increased during 2022-23 in comparison to its ratio during 2021-22 except RE to GSDP ratio which decreased slightly. CE to GSDP ratio, which fell below three *per cent* in 2020-21 and 2021-22, increased to 3.56 *per cent* in 2022-23 due to increase in CE by ₹ 4,639 crore over the previous year. 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.

**Chart 2.7: Total Expenditure- Expenditure by Activities**



From **Chart 2.7**, it can be seen that, while the share of expenditure on social services increased consistently during 2018-19 to 2022-23, the share of expenditure on economic services decreased consistently during the same period. The share of general services also decreased during 2022-23.

**Chart 2.8: Total Expenditure- Trends in share of its components**



As can be seen from **Chart 2.8**, share of revenue expenditure in total expenditure decreased from 85.28 per cent in 2021-22 to 78.53 per cent in 2022-23. Share of capital expenditure and loans & advances increased significantly during 2022-23, over the previous year.

### 2.4.1 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 and its ratio to Total Expenditure *vis-à-vis* GSDP and Revenue Receipts are indicated in **Table 2.12**.

It was observed that Revenue Expenditure (RE) as a percentage to GSDP decreased from 17.49 per cent in 2021-22 to 16.94 per cent in 2022-23.



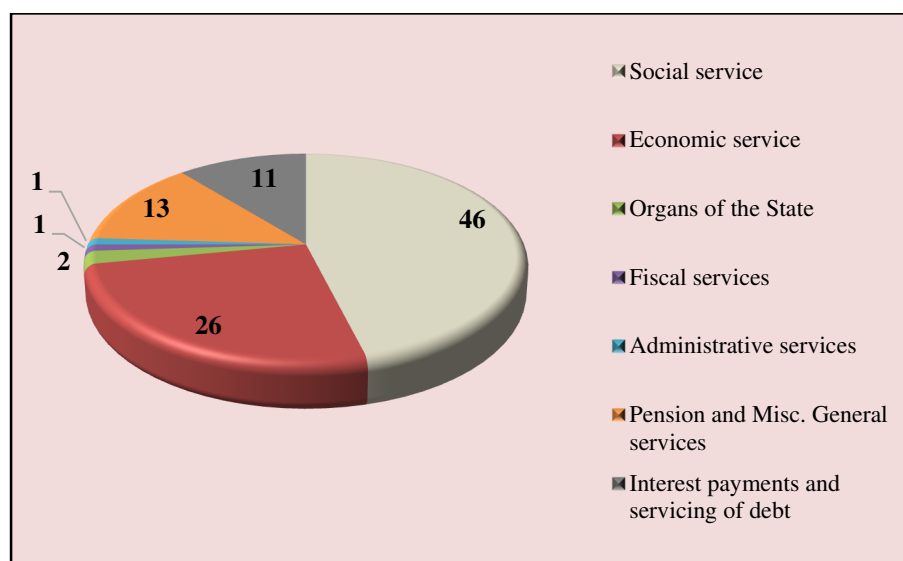
**Table 2.12: Revenue Expenditure – Basic Parameters**

(₹ in crore)

Parameters	2018-19	2019-20	2020-21	2021-22	2022-23
Total Expenditure (TE)	62,827	66,501	71,110	73,618	84,908
Revenue Expenditure (RE)	50,631	56,457	59,264	62,778	66,681
Rate of Growth of RE ( <i>per cent</i> )	-0.60	11.50	5.00	5.93	6.22
Revenue Expenditure as percentage of TE	80.60	84.90	83.30	85.28	78.53
RE/GSDP ( <i>per cent</i> )	16.56	18.19	19.98	17.49	16.94
RE as percentage of RR	90.20	96.60	105.50	90.00	83.10

Source: Finance Accounts of respective years

Revenue expenditure on different services, as a percentage of total revenue expenditure, during 2022-23, is shown in **Chart 2.9**.

**Chart 2.9: Sector wise distribution of Revenue Expenditure**

Out of the total revenue expenditure of ₹ 66,681 crore during 2022-23, ₹ 34,328.93 crore was spent on establishment and ₹ 32,352.70 crore on State and Central schemes. Further, the major share (46 *per cent*), of revenue expenditure, was incurred on social services, followed by economic services (26 *per cent*).

During 2021-22 and 2022-23, the growth rate of Revenue Expenditure remained nearly same at around six *per cent* though its percentage to total expenditure decreased by nearly seven percentage points over the previous year. The revenue expenditure was lower by ₹ 9,592 crore *vis-à-vis* the budget estimate (₹ 76,273 crore) during 2022-23.

#### **Major changes in Revenue Expenditure**

Significant variations under various Heads of Account with regard to Revenue Expenditure of the State during the current year and the previous year are detailed in **Table 2.13**.

**Table 2.13: Variation in Revenue Expenditure during 2022-23 compared to 2021-22**

(₹ in crore)

Major Heads of Account	2021-22	2022-23	Increase (+)/ Decrease (-)
2049-Interest Payment	6,286.05	6,238.29	(-)47.76
2055-Police	5,277.62	5,932.65	655.03
2071-Pension	7,614.3	7,803.17	188.87
2202-General Education	10,817.1	11,166.76	349.66
2217-Urban Development	2,421.43	1,945.13	(-)476.3
2235-Social Security & Welfare	3,943.19	5,486.89	1543.7
2236-Nutrition	544.75	357.67	(-)187.08
2401-Crop Husbandry	2,213.40	909.17	(-)1,304.23
2505-Rural Employment	3,608.95	2,881.84	(-)727.11
2801-Power	3,658.29	3,239.96	(-)418.33
2515-Other Rural Development Programmes	1,621.3	2,256.42	635.12
3451-Secretariat-Economic Services	174.73	492.66	317.93

As can be seen in the above table, revenue expenditure on components of the social and economic sector, such as, Crop Husbandry, Urban Development, Power and Rural Employment decreased during 2022-23 over the previous year.

Decrease in revenue expenditure on Crop Husbandry and Power were mainly due to less expenditure on schemes under Tribal Area Sub-plan. Less expenditure on Urban Development was mainly due to less assistance to Local Bodies Corporations, Urban Development authorities, Town Improvement Boards *etc.* and Tribal Area Sub-plan. Less expenditure on Rural Employment was mainly due to less expenditure on Jawahar Gram Samridhi Yojana.

More expenditure on Police was mainly due to more expenditure on District Police and Special Police.

#### 2.4.2 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. Upward trend in committed expenditure leaves the Government with lesser flexibility for development expenditure.

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

- Devolution to local bodies - statutory devolution to local bodies for pay and allowances (devolution / transfer for capital expenditure)
- Statutory requirements of contribution to Reserve Funds - Contribution to Consolidated Sinking Fund (CSF), Guarantee Redemption Fund (GRF), State Disaster Mitigation / Response Fund (SDMF/SDRF) *etc.*
- Recoupment of Contingency Fund - Amount recouped within the year
- Transfer of cess to reserve fund / other bodies, which are statutorily required

- v. Share contribution of CSS against the Central Fund received - Amount of State share to be transferred to SNAs / spent by the State
- vi. Payment of interest on the balances of the interest-bearing funds as if they could have been invested and payment of interest on public debt as charged expenditure - Interest Payment.

Upward trend on committed expenditure leaves the Government with lesser flexibility for development expenditure. Trend analysis of committed and inflexible expenditure and its components is depicted in **Table 2.14**.

**Table 2.14: Components of Committed and Inflexible expenditure**

(₹ in crore)

Components of Committed Expenditure	2018-19	2019-20	2020-21	2021-22	2022-23
Salaries & Wages	12,138	12,832	12,885	13,979	14,903
Expenditure on Pensions	5,991	6,005	6,797	7,614	7,803
Interest Payments	4,852	5,308	5,790	6,286	6,238
<b>Total</b>	<b>22,981</b>	<b>24,145</b>	<b>25,472</b>	<b>27,879</b>	<b>28,944</b>
<b>As a percentage of Revenue Receipts (RR)</b>					
Salaries & Wages	21.60	22.00	22.90	20.05	18.57
Expenditure on Pensions	10.67	10.28	12.11	10.92	9.72
Interest Payments	8.64	9.09	10.31	9.02	7.77
<b>Total</b>	<b>40.91</b>	<b>41.37</b>	<b>45.32</b>	<b>39.99</b>	<b>36.07</b>
<b>Components of Inflexible Expenditure</b>					
Statutory devolution to local bodies	NA	NA	NA	NA	NA
Contribution to Reserve Funds	105	55	244	151	0
Recoupment of Contingency Fund	0	0	0	0	0
Transfer of cess to reserve fund/ other bodies	0	0	0	0	154
Share contribution of CSS against the Central Funds received	6,132	6,957	7,972	7,278	7,421
Payment of interest on the balances of the interest bearing funds	235	241	478	480	425
<b>Total</b>	<b>6,472</b>	<b>7,254</b>	<b>8,694</b>	<b>7,910</b>	<b>8,000</b>
<b>Inflexible expenditure as percentage to RE</b>	<b>13</b>	<b>13</b>	<b>15</b>	<b>13</b>	<b>12</b>
<b>As a percentage of Revenue Expenditure (RE)</b>					
Salaries & Wages	23.97	22.73	21.74	22.27	22.35
Expenditure on Pensions	11.83	10.64	11.47	12.13	11.70
Interest Payments	9.58	9.40	9.77	10.01	9.35
<b>Total</b>	<b>45.42</b>	<b>42.74</b>	<b>42.98</b>	<b>44.41</b>	<b>43.40</b>

During 2022-23, Salaries & Wages, Interest Payments and Pension together accounted for 43.40 per cent of the revenue expenditure against 44.41 per cent in 2021-22 whereas, its share in revenue receipts decreased significantly to 36.07 per cent in 2022-23 against 39.99 per cent in 2021-22.

#### **Interest payments**

The growth rate of interest payments in 2022-23 was (-) 0.76 per cent against 8.57 per cent in 2021-22. Percentage of interest payments to revenue receipts decreased to 7.77 per cent in 2022-23 from 9.02 per cent in 2021-22 due to higher growth rate of revenue receipts and decrease in interest payments on internal debt & other obligations during the year.

#### **Pension payments**

Government of Jharkhand paid ₹ 7,402.32 crore (excluding ₹ 400.85 crore transferred to NSDL as employer's contribution) as pension and other

retirement benefits to its retired employees during 2022-23. The total pension and other retirement benefit including employer's contribution (₹ 7,803.17 crore) stood at 7.77 *per cent* and 9.35 *per cent* of RR and RE respectively. The percentage of total pension payment, as compared with the total salary and wages paid by the Government, was 52.36 *per cent* during the year 2022-23.

### ***Undischarged liabilities in the National Pension System***

State Government employees recruited on or after 1 December 2004 are covered under the National Pension System (NPS) which is a defined contributory pension scheme. In terms of the Scheme, the employee contributes 10 *per cent* of basic pay and dearness allowance, against which 14 *per cent* of basic pay and dearness allowance is contributed by the State Government w.e.f. 1 April 2019, and the entire amount is transferred to the designated fund manager through the National Securities Depository Limited (NSDL)/ Trustee Bank.

The State Government of Jharkhand has notified reversion to the old pension scheme (OPS) w.e.f. 1 September 2022. Out of 1,16,326 eligible employees, 1,14,436 employees have opted for the OPS. The remaining 1,890 employees have not exercised any option and have thus remained with NPS.

During 2022-23, employer's contribution of ₹ 400.85 crore was transferred to NSDL. The State Government transferred ₹ 286.51 crore against receipt of ₹ 341.30 crore as employees' contribution to the designated fund manager through NSDL, during 2022-23. A balance of ₹ 78.94 crore including opening balance remained in the Public Account (Major Head 8342-117-Defined Contribution Pension Scheme) at the end of 2022-23.

### ***Inflexible expenditure***

The components of Inflexible expenditure which include contribution to Reserve Funds, transfer of cess collected by the Government, Share contribution of CSS against Central Funds received and interest on interest bearing funds fluctuated between ₹ 6,472 crore to ₹ 8,694 crore during the period 2018-19 to 2022-23. As a percentage of revenue expenditure, the inflexible expenditure fluctuated between 12 *per cent* and 15 *per cent*. Further, the inflexible expenditure (₹ 8,000 crore) increased by 1.14 *per cent* during 2022-23 over the previous year (₹ 7,910 crore).

### ***Subsidies***

As can be seen from the details given in **Table 2.15**, subsidies decreased during 2022-23 over the previous year. Subsidies, as a percentage of Revenue Receipts, decreased from 8.11 *per cent* in 2021-22 to 5.09 *per cent* in 2022-23. Similarly, as a percentage of Revenue Expenditure, Subsidies decreased from nine *per cent* in 2021-22 to 6.13 *per cent* in 2022-23.

During 2022-23, subsidy decreased mainly under Major Heads 2401-Crop Husbandry (by ₹ 1,271.67 crore) and 2801-Power (by ₹ 182 crore) and increased under 3456- Civil Supplies (by ₹ 48.39 crore). No subsidy was given for irrigation as per Appendix-II of the Finance Accounts. The decrease in subsidy during 2022-23 over the previous year was mainly due

to decrease in subsidy for loan waiver scheme to farmers by ₹ 1,184 crore and horticulture development subsidy by ₹ 72 crore (under MH 2401).

It was noticed that during 2022-23, budget of ₹ 61.25 crore was provided under Chief Minister Subsidy for Purchase of Petrol for Riding Two-wheelers scheme of which ₹ 6.07 crore was spent.

**Table 2.15: Expenditure on subsidies during 2018-19 to 2022-23**

	2018-19	2019-20	2020-21	2021-22	2022-23
Subsidies (₹ in crore)	2,092	4,275	3,208	5,653	4,087
Subsidies as a percentage of RR	3.73	7.32	5.71	8.11	5.09
Subsidies as a percentage of RE	4.13	7.57	5.41	9.00	6.13

Source: Finance and Appropriation Accounts

### **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 institution by way of grants. Details given in **Table 2.16**.

**Table 2.16: Financial Assistance to Institutions etc.**

(₹ in crore)

Financial Assistance to Institutions	2018-19	2019-20	2020-21	2021-22	2022-23
<b>(A) Local Bodies</b>					
Municipal Corporations and Municipalities	1,748.50	1,505.45	1,930.03	1,042.33	1,266.41
Panchayati Raj Institutions	2,937.69	2,497.70	1,771.20	772.76	1,462.57
<b>Total (A)</b>	<b>4,686.19</b>	<b>4,003.15</b>	<b>3,701.23</b>	<b>1,815.09</b>	<b>2,728.98</b>
<b>(B) Others</b>					
Universities	621.08	1,265.29	1,771.17	1,807.60	2,393.67
Development Authorities	3,952.30	10,771.73	8,283.26	8,751.59	8,033.52
Public Sector Undertakings	0	1,753.28	2,119.77	2,469.66	1,000.70
Other Institutions	8,716.24	1,398.01	4,202.24	4,786.01	8,037.18
<b>Total (B)</b>	<b>13,289.62</b>	<b>15,188.31</b>	<b>16,376.44</b>	<b>17,814.86</b>	<b>19,465.07</b>
<b>Total (A+B)</b>	<b>17,975.81</b>	<b>19,191.46</b>	<b>20,077.67</b>	<b>19,629.95</b>	<b>22,194.05</b>
GIA for salary	1,877.41	1,386.79	2,871.82	2,914.63	3,253.09
GIA for non-salary	8,727.35	10,725.29	10,835.98	11,356.68	12,889.08
GIA for creation of Capital assets	7,371.03	7,079.39	6,369.87	5,358.63	6,051.88
GIA given in kind	Information not provided by the State Government				
Revenue Expenditure	50,631	56,457	59,264	62,778	66,681
Assistance as percentage of Revenue Expenditure	35.5	33.99	33.88	31.27	33.28

During 2022-23, financial assistance to ULBs increased by ₹ 224.08 crore mainly due to more grant provided under Pradhan Mantri Awas Yojana (by ₹ 160.40 crore). Financial assistance to PRIs increased by ₹ 689.81 crore due to more receipt of grants under recommendations of 15<sup>th</sup> Finance Commission (by ₹ 646.50 crore) over the previous year.

The financial assistance given for creation of Capital assets showed decreasing trend up to 2021-22 but increased during 2022-23. GIA for salary and non-salary purpose showed increasing trend during the last five years except for the year 2019-20 when GIA for salary decreased over the previous year. Moreover, share of financial assistance to revenue expenditure fluctuated between 31.27 per cent and 35.50 per cent during 2018-19 to 2022-23.

### ***Recommendations of the State Finance Commissions***

Article 243 I and 243Y of the Constitution stipulates that the Governor of the State shall constitute a Finance Commission, within one year from the commencement of the Act, and, thereafter, at the expiration of every fifth year, to review the financial position of the municipalities, and to make recommendations to the Governor regarding distribution of taxes, duties, fees *etc.*, between the State and ULBs, determination of taxes, duties, fees *etc.*, grants-in-aid to ULBs and the measures needed to improve the financial position of the ULBs.

The State Government had constituted three State Finance Commissions (SFCs). The recommendations of the first SFC were only for the Urban Local Bodies (ULBs). The second and third SFCs, constituted in December 2009 and April 2015 respectively, have not submitted any report. No recommendation was made by the SFCs for the Rural Local Bodies.

Though the notification for constitution of the fourth SFC was also issued by the State Government in July 2019, the Chairperson of the SFC had not been appointed, as of July 2023.

The first SFC recommended for provision of a “Core Municipal Services Provision Grants” at the rate of ₹ 375 per capita in 2009-10 with an annual increase of 10 *per cent* for the next four years in lieu of taxes not assigned/shared with ULBs by the State Government. However, neither was the financial condition of ULBs reviewed nor was the principle for allocation of adequate financial resources determined by the SFC.

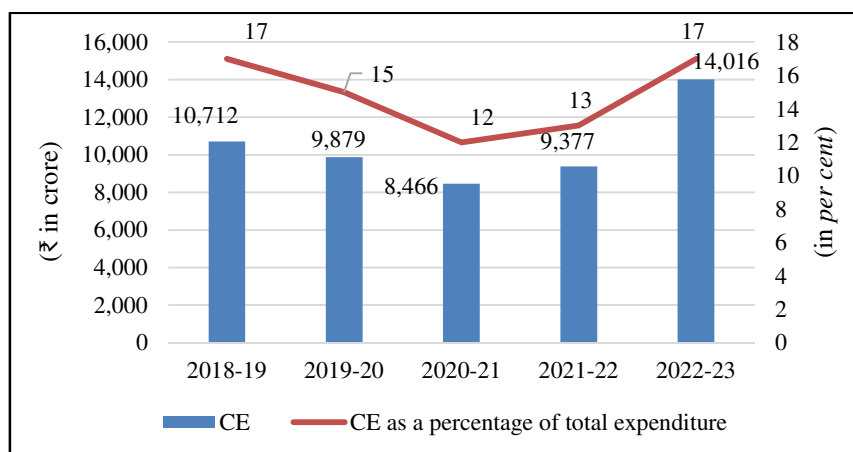
The recommendations of the first SFC were not implemented by the State Government and it was decided (October 2013) to provide 40 *per cent* loan and 30 *per cent* grants to the ULBs to meet salary of employees. All kinds of *sairats*<sup>3</sup> were also transferred to the ULBs to generate their own revenue. Accordingly, loans and grants were released by the State Government. Further, as per recommendations of the first SFC, Jharkhand Urban Development Fund for Urban Infrastructure Development Projects (UIDP) was created and the State Government had made budgetary provision during the financial years 2016-19. However, the funds were not transferred to the ULBs. No provisions were made in the budget, in this regard, by the State Government after 2018-19.

#### **2.4.3 Capital Expenditure**

Capital Expenditure (CE) is primarily expenditure on creation of fixed infrastructure assets such as roads, buildings *etc.* Capital expenditure, in both the Centre and the State, is being met from budgetary support and extra budgetary resources/ off-budget. It also includes investments made by the State Government in Companies/Corporations. Trend of capital expenditure in the State, over the last five years *i.e.*, 2018-19 to 2022-23, is given in **Chart 2.10**.

<sup>3</sup> *Sairats means revenue earning municipal assets viz. public land, markets, ponds etc.*

Chart 2.10: Capital Expenditure in the State



### Major changes in Capital Expenditure

Capital Expenditure decreased consistently from ₹ 10,712 crore in 2018-19 to ₹ 8,466 crore in 2020-21 and increased to ₹ 14,016 crore in 2022-23. During 2022-23, Capital Expenditure increased mainly due to more expenditure on social services (by 227.28 per cent) over the previous year. Capital expenditure on general services, during the current year, increased by 18.89 per cent in comparison to the previous year.

Capital expenditure on Social Services increased by ₹ 3,626 crore during 2022-23 mainly due to increased expenditure on 'Capital outlay on Education, Sports, Art & Culture' (by ₹ 917 crore), 'Capital outlay on Water Supply, Sanitation, Housing and Urban Development' (by ₹ 2,078 crore).

Similarly in comparison to the previous year, Capital Expenditure on Economic Services increased by ₹ 874 crore in 2022-23. Increases were mainly under Rural Development (by ₹ 1,077 crore), Agriculture and Allied Activities (by ₹ 301 crore) and Transport (by ₹ 235 crore) which was offset by less capital outlay on Mining and Metallurgical Industries (by ₹ 1,000 crore) during 2022-23.

Capital expenditure of the State (₹ 14,016 crore), during 2022-23, was less than the budget provision (by ₹ 2,591 crore). Major changes in Capital Outlay during 2022-23 vis-à-vis 2021-22 have been shown in **Table 2.17**.

Table 2.17: Capital Expenditure during 2022-23 compared to 2021-22

Major Heads of Accounts	2021-22	2022-23	Increase (+)/ Decrease (-)
(₹ in crore)			
<b>Capital outlay on</b>			
4202-Education, Sports, Art and Culture	94.34	1,011.79	917.45
4215-Water Supply and Sanitation	505.11	1,840.08	1,334.97
4217-Urban Development	0.00	721.66	721.66
4225-Welfare of SC, ST, OBC and other Minorities	364.42	848.34	483.92
4402-Soil & Water Conservation	198.81	456.15	257.34
4425-Co-operation	91.42	116.04	24.62
4515-Rural Development Programme	1,142.75	2,219.58	1,076.83
4701-Medium irrigation	886.44	714.76	-171.68
4702-Minor irrigation	30.52	257.78	227.26
4801-Power projects	87.52	153.96	66.44
4853-Non-ferrous mining & metallurgical industries	1,000.00	0.00	-1,000.00

#### 2.4.4 Quality of capital expenditure

This section presents an analysis of investments and other capital expenditure undertaken by the Government during the current year.

##### *Quality of investments in the Companies, Corporations and other bodies*

As per the latest finalised accounts received from 16 companies, net worth of six companies<sup>4</sup> was completely eroded as their cumulative net worth was (-) ₹ 10,026.68 crore, as on 31 March 2023.

Further as per their accounts, three companies were loss making and their loss during 2022-23 was ₹ 2,597.72 crore. Out of these loss making companies, two companies (JBVNL and JUSNL) received Government loans amounting to ₹ 4,057.71 crore during 2022-23. Since, loans to these loss-making companies were included in the capital expenditure of the State, it resulted in overestimation of assets.

It was also noticed that the total investment in these SPSEs was ₹ 32,061.58 crore, of which, the total investment by the State was ₹ 29,477.27 crore, as on 31 March 2023. Accumulated loss of these SPSEs was ₹ 13,479.88 crore as on 31 March 2023.

##### *Investment in equity by the Government*

As per Finance Accounts of the State ending 31 March 2023, the Government had invested ₹ 2,483.36 crore in three Regional Rural Banks<sup>5</sup> (₹ 46.41 crore), 22 Government Companies (₹ 2,196.36 crore) and 22 Co-operatives Banks and Societies (₹ 240.59 crore) since inception of the State in November 2000. However, verification of PSUs accounts and sanction orders of the State during 2016-17 revealed that the Government accounts had understated investment by ₹ 124.54 crore during 2000-2016, due to erroneous budgetary categorisation, viz., not providing the investment under the appropriate minor head and depicting investment in share capital as GIA. After being pointed out by Audit, Finance Department of the State had reconciled and corrected investment figures in respect of four companies amounting to ₹ 65 crore<sup>6</sup> at the end of 2020-21. However, investments of ₹ 59.54 crore<sup>7</sup> against five entities at the end of the current financial year still remained unsettled. Return on Investment is shown in **Table 2.18**.

<sup>4</sup> Jharkhand Bijli Vitran Nigam Ltd. (- ₹ 9,119.08 crore), Jharkhand Urja Sancharan Nigam Ltd. (- ₹ 823.30 crore), Jharkhand Silk Textile and Handicraft Development Corporation Ltd. (- ₹ 36.15 crore), Jharbihar Colliery Ltd. (- ₹ 2.99 crore), Patratu Energy Ltd. (- ₹ 16.39 crore) and Karnpura Energy Ltd. (- ₹ 28.72 crore)

<sup>5</sup> State Government Kshetriya Gramin Bank (₹ 18.96 crore), Jharkhand Rural Bank, Ranchi (₹ 19.05 crore) and Vananchal Rural Bank, Dumka (₹ 8.40 crore)

<sup>6</sup> Jharkhand Hill Area Lift Irrigation Corporation: ₹ 5 crore; Jharkhand Urban Infrastructure Development Corporation: ₹ 35 crore; Jharkhand Silk Textile and Handicraft Development Corporation: ₹ 10 crore and Jharkhand Urban Transport Corporation Ltd.: - ₹ 15 crore.

<sup>7</sup> Greater Ranchi Development Authority: ₹ 39.14 crore; Jharkhand State Agriculture Development Corporation Ltd.: ₹ 2 crore; Jharkhand Medical and Health Infrastructure Development and Procurement Corporation Ltd.: ₹ 5 crore; Jharkhand Urja Vikas Nigam Ltd.: ₹ 8.40 crore and Jharkhand State Food and Civil Supplies Corporation Ltd.: ₹ 5 crore.



**Table 2.18: Return on Investment**

Investment/return/ cost of borrowings	2018-19	2019-20	2020-21	2021-22	2022-23
Investment at the end of the year (₹ in crore)	432.87	447.95	1,111.65	2,250.22	2,483.36
Return (₹ in crore)	0.00	0.00	15.00	0.00	0.00
Return ( <i>per cent</i> )	0.00	0.00	1.35	0.00	0.00
Average rate of interest on Government Borrowings ( <i>per cent</i> )	6.29	6.34	6.13	5.76	5.50
Difference between interest rate and return ( <i>per cent</i> )	-6.29	-6.34	-4.78	-5.76	-5.50

Source: Finance Accounts

Despite no return on its investments, the State Government made investment of ₹ 233.14 crore in one Rural Bank, four<sup>8</sup> State PSUs and three Co-operatives (Apex and other co-operative societies: ₹ 10.00 crore, Tribal Co-operative Development Corporation: ₹ 0.50 crore and Sidho-Kanho Agriculture and Forest Produce State Co-operative Federation Limited: ₹ 40 crore) in the form of equity during 2022-23.

Investments made by the erstwhile State of Bihar in the form of equity in Damodar Valley Corporation (₹ 1,781.55 crore) and Tenughat Viduyut Nigam Limited (₹ 100 crore) up to 14 November 2000 have not yet been apportioned between the successor States of Bihar and Jharkhand.

#### 2.4.5 Loans and Advances given by the Government

Apart from equity investments in the entities shown in **Table 2.18**, the State Government has also been providing loans and advances to many of these entities and its employees. **Table 2.19** presents the outstanding loans and advances as on 31 March 2023 and interest receipts *vis-à-vis* interest payments during the last five years.

**Table 2.19: Quantum of loans disbursed and recovered during five years**

Quantum of loans disbursed and recovered	2018-19	2019-20	2020-21	2021-22	2022-23
<b>Opening Balance of loans outstanding</b>	<b>19,291.97</b>	<b>20,729.99</b>	<b>20,846.24</b>	<b>24,177.23</b>	<b>24,348.48</b>
Amount advanced during the year	1,485.59	165.43	3,379.77	1,462.98	4,211.14
Amount recovered during the year	47.57	49.19	48.78	1,291.73	46.41
<b>Closing Balance of loans outstanding</b>	<b>20,729.99</b>	<b>20,846.23</b>	<b>24,177.23</b>	<b>24,348.48</b>	<b>28,513.21</b>
Net addition	1,438.02	116.24	3,330.99	171.25	4,164.73
Interest received	14.72	38.91	22.62	35.88	70.55
Interest rate on Loans and Advances given by the Government.	0.08	0.19	0.11	0.15	0.29
Rate of Interest paid on the outstanding borrowings of the Government	7.98	6.34	6.13	5.76	5.50
Difference between the rate of interest paid and interest received ( <i>per cent</i> )	7.98	6.34	6.13	5.76	5.21

Note: OB in 2020-21 increased by 0.01 crore due to rounding off in the accounts

A significant portion of the total outstanding loans at the end of March 2023 (₹ 28,513 crore) was mainly outstanding with Power Companies (₹ 27,519 crore) and Water Supply, Sanitation, Housing and Urban Development (₹ 794 crore).

<sup>8</sup> Jharkhand Exploration and Mining Corporation Ltd.: ₹ 1,000 crore; Jharkhand Industrial Infrastructure Development Corporation: ₹ 3 crore; Minority Development and Finances Corporation: ₹ 11.50 crore; Jharkhand Central Railway Project: ₹ 13.50 crore and Jharkhand Bijli Vitran Nigam Ltd.: ₹ 50.00 crore.

Outstanding arrears of loanee entities at the end of March 2023 amounted to ₹ 3,707.08 crore (Principal: ₹ 1,895.72 crore and Interest: ₹ 1,811.36 crore).

Loan to Jharkhand State Food and Civil Supplies Corporation Ltd. (₹ 44 crore) in 2011-12 was understated in the Government accounts due to incorrect budgetary categorisation under revenue expenditure instead of capital expenditure. Loans to Jharkhand State Electricity Board (JSEB) amounting to ₹ 7,222.18 crore continue to be depicted in the government accounts as receivable from the Board, even though the Board was unbundled in January 2014 into separate companies. Thus, the assets of the State were inflated to the extent of ₹ 7,222.18 crore.

Further, loans made by the erstwhile State of Bihar to Tenughat Vidyut Nigam Limited (₹ 608 crore) before 14 November 2000 have not been apportioned between the successor States of Bihar and Jharkhand.

#### 2.4.6 Capital locked in incomplete projects

An assessment of trends in capital blocked in incomplete capital works would also indicate quality of Capital Expenditure. Blocking of funds on incomplete projects/works impinges negatively on the quality of expenditure and deprives the State of the intended benefits for prolonged periods. Further, the funds borrowed for implementation of these projects during the respective years leads to extra burden in terms of servicing of debt and interest liabilities.

Year-wise and Department-wise information pertaining to incomplete projects, which were to be completed on or before 31 March 2023, is given in **Table 2.20** and **Table 2.21** respectively.

**Table 2.20: Age profile of incomplete projects as on 31 March 2023**

(₹ in crore)

Completion Year	No. of incomplete projects	Estimated cost	Expenditure (as on 31 March 2023)	Revised estimates	
				No. of projects	Amount
Upto 2018	32	538.22	382.28	4	79.65
2019	15	649.11	465.72	-	-
2020	55	1,642.41	1,066.95	-	-
2021	32	1,254.28	774.23	2	157.76
2022	70	1,804.80	580.87	-	-
2023	5	26.99	21.72	-	-
<b>Total</b>	<b>209</b>	<b>5,915.81</b>	<b>3,291.77</b>	<b>6</b>	<b>237.41</b>

**Table 2.21: Department-wise profile of incomplete projects as on 31 March 2023**

(₹ in crore)

Department	No. of incomplete projects	Estimated cost	Expenditure	Revised estimates	
				No. of projects	Amount increased
Road Construction Department	62	3,126.10	1,935.56	1	141.18
Rural Development Department	24	157.06	107.88	2	23.90
Water Resources Department	57	2,018.76	860.51	2	53.84

Department	No. of incomplete projects	Estimated cost	Expenditure	Revised estimates	
				No. of projects	Amount increased
Rural Works Department	46	102.54	61.70	-	-
Drinking Water and Sanitation	15	400.67	265.92	1	18.49
Building Construction Department	5	110.68	60.20	0	0
<b>Total</b>	<b>209</b>	<b>5,915.81</b>	<b>3,291.77</b>	<b>6</b>	<b>237.41</b>

Source: Finance Accounts

Out of 209 projects, revised costs of only six projects were provided, which showed that the estimated cost of ₹ 177.23 crore in those six projects escalated by ₹ 237.41 crore due to non-completion of those projects in time. Since, the departments did not furnish the details of the remaining projects; their revised costs were not exhibited in the Finance Accounts and was thus not ascertainable.

### 2.4.7 Capital expenditure transferred to Public Account

It was observed from the Finance Accounts of the State that ₹ 3,177.21 crore was transferred from the capital head of accounts of the Consolidated Fund to deposits of local funds heads in the Public Account as shown in **Table 2.22**.

**Table 2.22: Transfer from Consolidated fund to Public Account**

(₹ in crore)

Sl. No.	Head of Account		Amount	
	From	To		
1	4055	Capital Outlay on Police	Deposits of Local Funds-120 Other Funds	206.45
2	4059	Capital Outlay on Public Works	Deposits of Local Funds-120 Other Funds	13.41
3	4070	Capital Outlay on Other Administrative Services	Deposits of Local Funds-120 Other Funds	1.84
4	4202	Capital Outlay on Education, Sports, Art & Culture	Deposits of Local Funds-101 District Funds	8.00
			Deposits of Local Funds-109 Panchayat Bodies Funds	17.79
			Deposits of Local Funds-120 Other Funds	930.19
5	4210	Capital Outlay on Medical and Public Health	8448 Deposits of Local Funds-120 Other Funds	595.22
6	4217	Capital Outlay on Urban Development	Deposits of Local Funds-120 Other Funds	391.66
7	4225	Capital Outlay on Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities	Deposits of Local Funds-120 Other Funds	619.54
8	4402	Capital Outlay on Soil and Water Conservation	Deposits of Local Funds-120 Other Funds	390.61
9	4403	Capital Outlay on Animal Husbandry	Deposits of Local Funds-120 Other Funds	2.50
<b>Total</b>				<b>3,177.21</b>

The book transfer of funds to the Public Accounts, was mere transfer of funds from one head to another and was not actual expenditure leading to over statement of expenditure under the capital section. Expenditure of the transferred amount from the deposit heads during the financial year could not be ascertained due to non-availability of any details in the accounts of the State.

Further, it was observed that under the Major Head 8443, ₹ 1,738.47 crore was added in the opening balance of ₹ 4,258.01 crore under the Minor Head '108- Public Works Deposits' and ₹ 1,766.91 crore was spent, leaving a balance of ₹ 4,229.57 crore, at the end of March 2023. Similarly, ₹ 850.24 crore was added in the opening balance of ₹ 2,018.13 crore under the Minor Head '106- Personal Deposit' and ₹ 499.59 crore was spent during the year leading to a balance of ₹ 2,368.79 crore.

#### 2.4.8 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 framework that enables them to work together to meet the rising demand of the public for infrastructure development. **Table 2.23** shows projects under PPP in Jharkhand.

**Table 2.23: Sector-wise details of PPP Projects in 2022-23**

(₹ in crore)

Sl. No.	Sector	Completed		Ongoing	
		No.	Estimated cost	No.	Estimated cost
1	Water Supply & Sanitation	-	-	2	Not available
2	Energy	1	181.43	1	Not available
3	Health	-	-	1	Not available
4	Tourism	-	-	1	Not available
5	Roads and Bridges	8	2,831.19	2	Not available
	<b>Total</b>	<b>9</b>	<b>3,012.62</b>	<b>7</b>	<b>Not available</b>

Source: [www.pppinindia.gov.in](http://www.pppinindia.gov.in).

#### 2.4.9 Expenditure priorities

Enhancing human development levels requires the States to step up their expenditure on key social services like education, health *etc.* Low fiscal priority (ratio of expenditure under a category to aggregate expenditure) is attached to a particular sector, if the allocation is below the respective national average. The higher the ratio of these components to total expenditure, the quality of expenditure is considered to be better. Expenditure priority of the State is shown in **Table 2.24**.

**Table 2.24: Expenditure priority of the State with regards to Health, Education and Capital expenditure**

(in per cent)

	CE/TE	SSE/TE	ESE/TE	DE/TE	Education/TE	Health/TE
General Category States (2017-18)	15.56	36.65	31.17	67.82	15.17	5.09
Jharkhand (2017-18)	21.32	32.64	40.46	73.10	12.71	4.41
General Category States (2022-23)	15.22	38.11	29.17	67.28	14.85	5.68
Jharkhand (2022-23)	21.47	38.70	32.82	71.53	14.77	6.23

As can be seen from the **Table 2.24**, during 2022-23, the ratio of capital expenditure, developmental expenditure and economic sector to total expenditure (TE) had declined in comparison to its ratio during 2017-18 whereas other sectors showed improvement during the year. Ratio of Social sector and health sector expenditure to total expenditure increased significantly during the current year, in comparison to 2017-18.

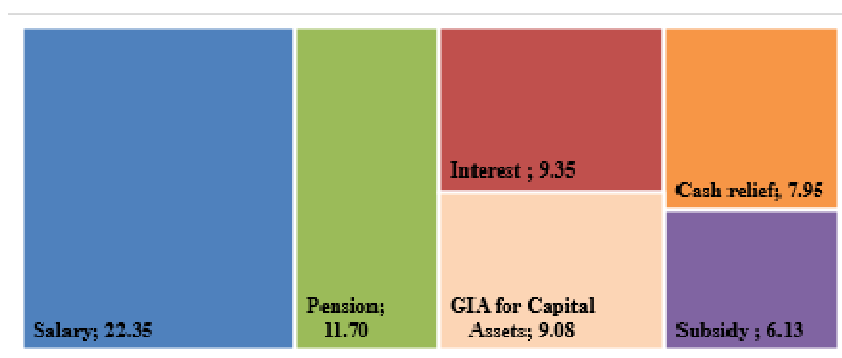
Further, can be seen from the table that during 2022-23, ratio of expenditure on all the sectors to total expenditure of the State was higher than the ratio

of General Category States except expenditure on education, which was slightly lower. In comparison to 2017-18, the expenditure focus had shifted from the economic sector to the social sector, as can be seen from **Table 2.24**.

#### 2.4.10 Object head-wise expenditure

The Finance Accounts, generally, depict transactions only up to the Minor Head level. Therefore, Statement four of the Finance Accounts gives a view, up to the object head level. **Chart 2.11** shows the share of object/ purpose of Revenue Expenditure on major items.

**Chart 2.11: Revenue Expenditure on major items (in per cent)**



As depicted in **Chart 2.11**, a major share (49.54 per cent) of Revenue Expenditure was consumed by expenditure on Salaries, Pension, Interest and Subsidies during the year 2022-23. More than nine per cent of revenue expenditure was utilised on GIA for creation of capital assets in the State, of which a major portion was provided to developmental authorities (₹ 3,157.22 crore).

## 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 for various purposes.

### 2.5.1 Net Public Account Balances

The component-wise net balances in the Public Account of the State are given in **Table 2.25**.

**Table 2.25: Component-wise net balances in Public Account as of 31 March 2023**

(₹ in crore)

Sector	Sub Sector	2018-19	2019-20	2020-21	2021-22	2022-23
I. Small Savings, Provident Funds etc.	Small Savings, Provident Funds etc.	(-)1,211.11	(-)1,216.86	(-)1,194.40	(-)1,001.19	(-)1,016.98
J. Reserve Funds	(a) Reserve Funds bearing Interest	(-)1,930.09	(-)5,948.02	(-)6,320.39	(-)5,904.48	(-)5,131.79
	(b) Reserve Funds not bearing Interest	0.00	0.00	0.00	0.00	0.00
K. Deposits and Advances	(a) Deposits bearing Interest	(-)12.64	(-)39.55	(-)25.33	(-)24.15	(-)78.94
	(b) Deposits not bearing Interest	(-)19,853.80	(-)21,065.20	(-)24,331.45	(-)23,585.14	(-)26,876.14
	(c) Advances	6.28	7.15	19.67	19.67	17.66
L. Suspense and Miscellaneous	(b) Suspense	5.42	(-)91.29	(-)146.35	(-)119.25	(-)414.30
	(c) Other Accounts	207.09	3,117.62	2,855.90	4,519.46	5,187.74
	(d) Accounts with Governments of Foreign Countries	0.00	0.00	0.00	0.00	0.00
	(e) Miscellaneous	0.00	0.00	1.60	1.60	1.60
M. Remittances	(a) Money Orders, and other Remittances	(-)118.85	(-)114.25	(-)133.68	(-)125.38	(-)87.35
	(b) Inter- Governmental Adjustment Account	19.57	31.95	7.23	12.74	10.81
<b>Total</b>		<b>(-)22,888.13</b>	<b>(-)25,318.45</b>	<b>(-)29,267.20</b>	<b>(-)26,206.12</b>	<b>(-)28,387.69</b>

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

Credit balances increased during 2022-23 due to increase in Deposits and Advances mainly under deposits as Other Funds under head 8448- Deposits of Local Fund (by ₹ 2,742.65 crore).

### 2.5.2 Reserve Funds bearing interest

Reserve Funds are created for specific and defined purposes under the Public Account of the State Government. These funds are met from contributions or grants from the Consolidated Fund of the State. There were two interest bearing reserve funds in the State during the year 2022-23 (1) State Disaster Response Fund and (2) State Compensatory Afforestation Fund.

#### *State Disaster Response Fund*

As per Para 7 of SDRF guidelines 2015, the State Government is required to transfer the contribution to the SDRF received from GoI, along with its share, to the Public Account within 15 days of its receipt. Any delay will require the State Government to release the amount with interest (Bank Rate of RBI) for the number of days of delay.

As per Para 19 and 20 of SDRF guidelines 2015, the balances under the funds should be invested by the State in (a) Central Government dated securities (b) auctioned treasury bills and (c) interest earning deposits and certificates of deposits with Scheduled Commercial Banks. The Finance Department of the Government of Jharkhand, had informed (July 2019) that ₹ 400 crore was invested in Scheduled Commercial Banks during the year 2012-13.

Further, as per the guidelines, the Government was required to pay interest on the non-invested balances at the rate of interest (7.57 per cent) payable on overdrafts, which is to be added to the corpus of the fund itself. However, GoJ had not paid any interest to SDRF since its creation, which works out to ₹ 1,002.80 crore at the applicable rates of interest for the period 2011-23. Of this, unpaid interest for 2022-23 alone amounted to ₹ 131.95, resulting in

overstatement of revenue surplus and understatement of fiscal deficit for the year. Consequently, the non-invested balances of ₹ 1,111.26 crore in the Fund as on 31 March 2023 are only book entries and do not represent actual cash balance. Such unpaid interest, since the operation of the fund represents the unaccounted liabilities of the State. **Table 2.26** presents details of expenditure charged on SDRF.

**Table 2.26: Details of expenditure charged to SDRF**

(₹ in crore)

Major Head of Account	Minor Head of Account	Expenditure during 2022-23
2245- Relief on Account of Natural Calamities 02- Floods, Cyclones etc.	101-Gratuitous Relief	2.42
	113-Repairs and reconstruction of houses	3.32
	114-Assistances to farmers for purchase of agriculture input	0.82
<b>Sub-Total</b>		<b>6.56</b>
2245- Relief on Account of Natural Calamities 05- State Disaster Response Fund	101-Transfer to reserve fund and deposit account- SDRF	0.00
	901- Deduct - Amount met from State Disaster Response Fund	850.42
<b>Sub-Total</b>		<b>(-)850.42</b>
2245- Relief on Account of Natural Calamities 80- General	Direction and administration, Training of disaster preparedness, management of Natural Disasters etc.	318.55
<b>Sub-Total</b>		<b>318.55</b>
<b>Grand Total</b>		<b>(-)525.31</b>

Apart from the above, the Central Government also released ₹ 200 crore as central support for cyclonic storm “Yaas” during the year and the State Government made budget provision under the head ‘2245-02-101-10-Relief assistance received from the NDRF (Centrally Sponsored Scheme)’. The fund was not utilised and surrendered at the end of the year by the Department. The amount had been provided by GoI in anticipation of a cyclonic storm which did not occur and the amount remained in the cash balance of the State. The unspent amount of ₹ 200 crore has been transferred to SDRF in 2022-23 by the State.

#### ***State Disaster Mitigation Fund***

The State Disaster Mitigation Fund (SDMF) is to be constituted under Section 48 (1) (c) of the Disaster Management Act, 2005. This Fund is exclusively for the purpose of mitigation project in respect of disasters covered under the State Disaster Response Fund (SDRF) / National Disaster Response Fund (NDRF) guidelines and State specific local disasters notified by the State Government from time to time. The State Government has not created the SDMF as on 31 March 2023, under Major Head 8121-130- State Disaster Mitigation Fund.

During the year 2022-23, the State Government received ₹ 113.60 crore from the Central Government (pertaining to the year 2021-22). The State Government’s share during the year was ₹ 37.80 crore. The State Government did not create the Fund and transfer the amount received from the Central Government along with its share (total of ₹ 151.40 crore), which resulted in overstatement of the revenue surplus and understatement of the fiscal deficit of the State.

### ***State Compensatory Afforestation Fund***

As per Compensatory Afforestation Fund (Accounting Procedure) Rules, 2018, all monies realised from the User Agencies are required to be credited to Minor Head '103-State Compensatory Afforestation Deposits' below the Major Head '8336-Civil Deposits' at the first instance. Thereafter, 90 *per cent* shall be transferred to Minor Head '129-State Compensatory Afforestation Fund' below the Major Head '8121-General and other Reserve Funds'. The balance 10 *per cent* shall be transferred to the National Fund on a monthly basis by crediting Minor Head '102-National Compensatory Afforestation Deposits' under the Major Head '8336-Civil Deposits- 11-Jharkhand'.

Besides, on receipt of 90 *per cent* of the State's share from the *ad hoc* Authority (one-time measure), the same shall also be credited to Minor Head '129-State Compensatory Afforestation Fund' below the Major Head '8121-General and other Reserve Funds'.

The opening balance in the SCAF was ₹ 4,178.80 crore, the receipt during 2022-23 was ₹ 161.56 crore and the expenditure incurred during the year was ₹ 319.84 crore, leaving a balance of ₹ 4,020.52 crore in SCAF as on 31 March 2023.

As the SCAF is an interest bearing reserve fund, the Government was required to pay interest of ₹ 131.99 crore calculated as per Reverse Repo Rate of RBI as on 1<sup>st</sup> January {3.35 *per cent* on the opening balance (₹ 4,178.80 crore)}, excluding expenditure of ₹ 319.84 crore during the year. Further, taking into account the interest of ₹ 21.57 crore, pertaining to the previous year, the total interest required to be paid by the Government to the fund worked out to ₹ 161.56 crore, during FY 2022-23. Non-transfer of the same resulted in overstatement of the revenue surplus and understatement of the fiscal deficit of the State.

### **2.5.3 Reserve Funds not bearing interest**

#### ***Consolidated Sinking Fund***

Following the recommendations of the Twelfth Finance Commission, the State has set up (2016-17) the Consolidated Sinking Fund for amortisation of all loans including loans from banks, liabilities on account of National Small Savings Funds *etc.*

The Government of Jharkhand set up the Consolidated Sinking Fund for amortization of loans in 2016-17. According to the guidelines of the Fund, States may contribute a minimum of 0.50 *per cent* of their outstanding liabilities (internal debt + public account) as at the end of the previous year to the Consolidated Sinking Fund (total internal debt and public account) of the State Government.

GoJ had an outstanding debt of ₹ 1,13,482.50 crore at the beginning of 2022-23. A budget provision of ₹ 500 crore was made and the amount was transferred into the Sinking Fund during the year, which added to the opening balance of ₹ 503.87 crore, led to a closing balance of ₹ 1,003.87 crore at the end of March 2023. During the year 2022-23, ₹ 500 crore was invested from this Fund in scheduled commercial banks.



***Guarantee Redemption Fund***

The Constitution of India provides that a State may borrow, within the territory of India, upon the security of its Consolidated Fund, within such limits, as may from time to time, be fixed by the Act of its Legislature and give guarantees within such limits as may be fixed.

As per the recommendation of the Twelfth Finance Commission, 'the State Government was to constitute a Guarantee Redemption Fund (GRF) for meeting the payment obligations arising out of the guarantees issued by the Government in respect of bonds issued and other borrowings by the State Public Sector Undertakings or other Bodies, and invoked by the beneficiaries. However, the Fund has not been created.

As per the Finance Accounts of the Government of Jharkhand, guarantees amounting to ₹ 4,998.38 crore were given by the State as of 31 March 2023.

***Labour Cess***

As per Section 5 of the Building and Other Construction Workers' Welfare Cess Rules 1998, amounts collected as Labour Cess from contractors were required to be transferred to the Jharkhand Building and Other Construction Workers' (BOCW) Welfare Board.

As per the Finance Accounts, during the year 2022-23 the Government collected ₹ 68.81 crore as Labour Cess leading to a total collection of ₹ 733.00 crore as cess by the Government from contractors executing government projects during the period 2008-23. The collected cess was not transferred to the Labour Welfare Board Fund till the end of March 2022, thereby overstating the revenue surplus and understating the fiscal deficit of the State during the relevant years (2008-2022). However, during 2022-23, ₹ 154 crore was transferred (June 2022) by the State Government to the Board. **Table 2.27** shows the Labour Cess collected by the Government and transferred to the Board.

**Table 2.27: Labour Cess collected by the Government and transferred to the Board**  
(₹ in crore)

Year	Amount received as Cess	Amount transferred by the Government	Outstanding balance with Government
Upto 2016-17	312.90	5.08	573.92
2017-18	80.77	-	
2018-19	79.81	-	
2019-20	76.70	-	
2020-21	59.15	-	
2021-22	54.86	-	
2022-23	68.81	154.00	
<b>Total</b>	<b>733.00</b>	<b>159.08</b>	<b>573.92</b>

The Jharkhand BOCW Board has prepared its accounts upto 2021-22. Receipts and utilisation of funds till 2022-23, as furnished by the Board, is shown in **Table 2.28**.

**Table 2.28: Amounts received by the Board and its utilisation**

(₹ in crore)

Year	Amount provided by the Government	Cess received directly by the Board	Total receipts	Amount spent by the Board on schemes <sup>9</sup>	Amount spent on establishment	Total expenditure	Unutilised balance amount
(1)	(2)	(3)	{(2+3)=4}	(5)	(6)	{(5+6)=7}	{(4-7)=8}
Upto 2015-16	5.08	252.16	257.24	104.08	1.66	105.74	151.50
2016-17	0.00	70.26	70.26	48.33	1.29	49.62	20.64
2017-18	0.00	74.01	74.01	41.64	0.90	42.54	31.47
2018-19	0.00	90.19	90.19	59.19	0.89	60.08	30.10
2019-20	0.00	120.00	120.00	75.78	0.83	76.61	43.40
2020-21	0.00	171.65	171.65	101.30	1.60	102.90	68.75
2021-22	0.00	124.31	124.31	101.64	2.23	103.87	20.44
2022-23	154.00	371.92	525.92	94.26	1.98	96.24	429.68
<b>Total</b>	<b>159.08</b>	<b>1,274.50</b>	<b>1,433.58</b>	<b>626.22</b>	<b>11.38</b>	<b>637.60</b>	<b>795.98</b>

Source: Jharkhand Building and Other Construction Workers Welfare Board

During the period 2009-10 to 2022-23, ₹ 626.22 crore was spent on welfare schemes while ₹ 11.38 crore was spent on establishment. The Board had utilised only 44.48 per cent of the available funds.

### Other Cess/fee/surcharges

As per the Finance Accounts, the Government collected ₹ 104.49 crore as Land Cess during the year 2022-23 leading to a total collection of ₹ 184.73 crore during the period 2008-23. However, no amount was transferred to the designated fund (Major Head '8448-101 District Fund) by the State Government as of March 2023.

Thus, the total Cess liable to be transferred by the Government to the Labour Welfare Board (Labour Cess: ₹ 68.81 crore) and Zila Parishads (Land Cess: ₹ 104.49 crore) was ₹ 173.30 crore during FY 2022-23. Non-transfer of the same resulted in overstatement of the revenue surplus and understatement of the fiscal deficit of the State.

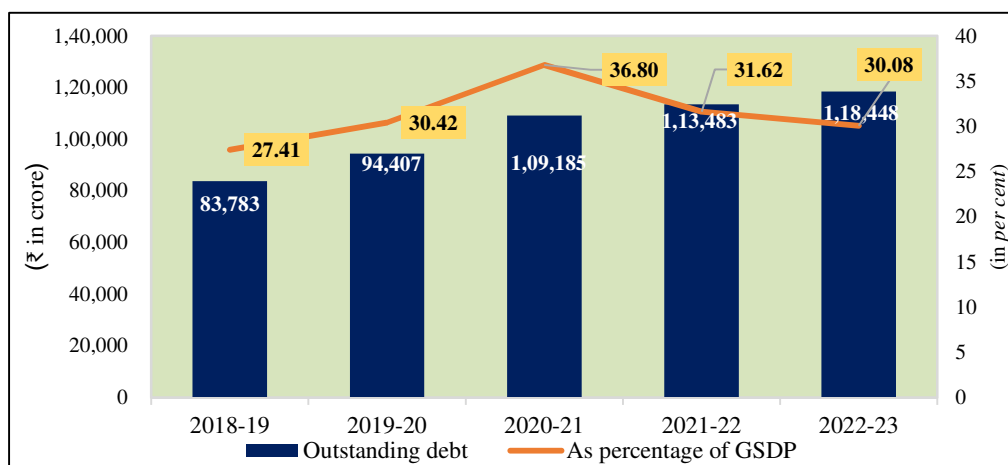
### 2.5.4 Public Liability management

Management of public liability is the process of establishing and executing a strategy for managing the Government's liability 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 any other annual budget announcements.

The outstanding liability of the State along with its percentage to GSDP for the period 2018-19 to 2022-23 has been shown in **Chart 2.12**. Abstract of liabilities and assets of the State, as on 31 March 2023, are given in **Appendix 2.3**.

<sup>9</sup> 24 schemes are running under the Welfare Board as per statement dated 20.09.2023 provided by Jharkhand Building and Other Construction Workers Welfare Board.

Chart 2.12: Outstanding Public debt and its percentage to GSDP



Note: Outstanding debt includes ₹ 1,689.00 crore in 2020-21 and ₹ 2,484.41 crore in 2021-22, passed on as back-to-back loans by Government of India, in lieu of shortfall in GST compensation.

#### 2.5.4.1 Liability profile: Components

Total liabilities of the State Government typically constitutes 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.

Details of availability of funds on account of receipts and repayments under public liabilities and public account liabilities during 2018-23 are given in **Table 2.29**.

Table 2.29: Component wise liability trends

	(₹ in crore)				
	2018-19	2019-20	2020-21	2021-22	2022-23
<b>Outstanding Total Liability (A+B)</b>	<b>83,782.93</b>	<b>94,406.60</b>	<b>1,09,184.99<sup>#</sup></b>	<b>1,13,482.47<sup>#</sup></b>	<b>1,18,448.22</b>
A. Public Liability	60,775.27	66,136.98	76,938.35	82,531.53	84,944.37
(i) Internal debt	58,436.19	63,545.46	71,956.90	74,538.31	73,580.43
(ii) Loans & Advances from GoI	2,339.08	2,591.52	4,981.45	7,993.22	11,363.94
B. Liabilities on Public Account	23,007.66	28,269.62	32,246.24	30,950.94	33,503.85
Small Savings, Provident Funds etc.	1,211.11	1,216.85	1,194.40	1,001.19	1,016.98
Reserve funds bearing Interest	1,930.09	5,948.03	6,720.39	6,340.46	5,531.78
Deposits bearing Interest	12.64	39.55	25.33	24.15	78.94
Deposits not bearing Interest	19,853.82	21,065.19	24,306.12	23,585.14	26,876.15
C. Off Budget borrowings	NIL	NIL	NIL	NIL	NIL
Rate of growth of outstanding liability (percentage)	8.67	12.68	15.65	3.94	4.38
Gross State Domestic Product (GSDP)	3,05,695	3,10,305	2,96,664	3,58,863	3,93,722
Total Liability /GSDP (per cent)	27.41	30.42	36.23*	30.93*	30.08
<b>Borrowings and Other Liabilities (as per Statement 6 of Finance Accounts)</b>					
Total Receipts	22,223.80	30,980.35	32,562.62	25,623.42	31,856.35
Total Repayments	15,535.90	20,356.68	17,784.23	21,325.90	26,890.62
Interest payments	4,851.97	5,307.71	5,790.00	6,286.05	6,238.29
Net funds available	1,835.93	5,315.96	8,988.39	(-1,988.53)	(-1,272.56)
Repayments/ Receipts (percentage)	91.74	82.84	72.40	107.76	103.99

<sup>#</sup> Outstanding debt includes ₹ 1,689.00 crore in 2020-21 and ₹ 2,484.41 crore in 2021-22, passed on as back-to-back loans by Government of India, in lieu of shortfall in GST compensation.

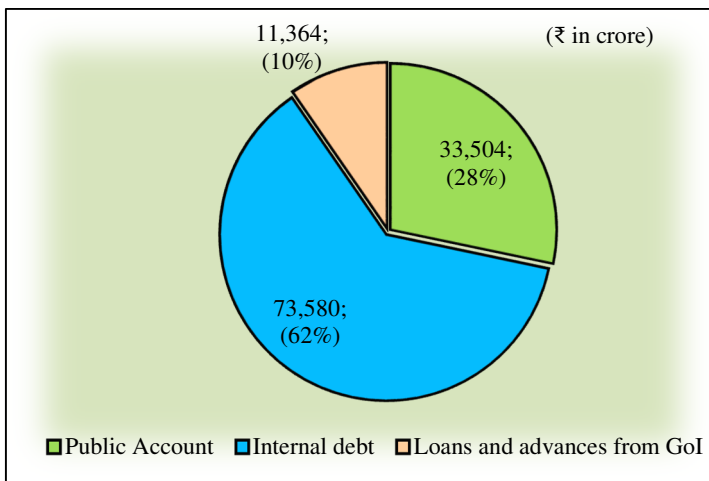
\* Total Liability/GSDP ratio does not include back-to-back loans passed on by GoI, in lieu of shortfall in GST compensation, as this was not to be treated as debt of the State for any norms which may be prescribed by the Finance Commission.

Apportionment of fiscal liabilities of the composite Bihar State between the successor States of Bihar and Jharkhand has not been done so far.

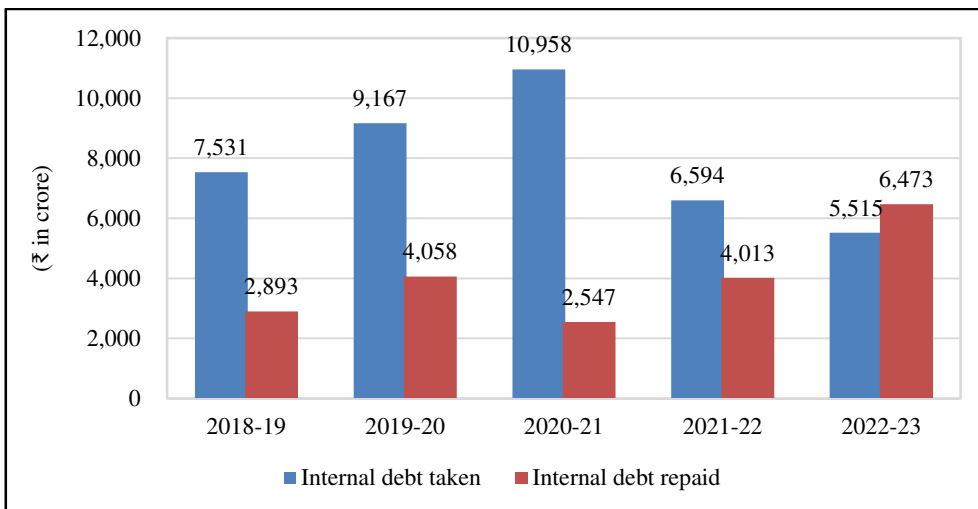
Net availability of borrowed funds showed wide fluctuations between (-) ₹ 1,988.53 crore and ₹ 8,988.39 crore during 2018-19 to 2022-23. It decreased significantly to negative ₹ 1,989.53 crore in 2021-22 and negative ₹ 1,272.56 crore in 2022-23, after consistently showing an increasing trend during 2018-19 to 2020-21. During 2022-23, decrease in availability of funds was mainly due to less borrowings in the form of market loans by the Government (by ₹ 1,000 crore) and repayments of compensation & other bonds and National Small Savings Fund (NSSF), without any receipts during the year.

During 2022-23, the receipts of the State under public debt and other liabilities increased by 24.33 per cent against 21.31 per cent decrease in 2021-22. Repayment of public debt and other liabilities including interest increased by 19.98 per cent over the previous year (increase of 17.13 per cent) resulting in less availability of borrowed funds to the State. Component wise outstanding liability trends during 2022-23 has been shown in **Chart 2.13**, whereas, **Chart 2.14** shows Internal Debt taken *vis-à-vis* repaid during 2018-23.

**Chart 2.13: Break-up of outstanding total liabilities at the end of 2022-23**



**Chart 2.14: Internal Debt taken *vis-à-vis* repaid**



Details of financing pattern of fiscal deficit during the period 2018-23 are given in **Table 2.30**.

**Table 2.30: Components of fiscal deficit and its financing pattern**

(₹ in crore)

Particulars		2018-19	2019-20	2020-21	2021-22	2022-23
<b>Composition of Fiscal Deficit</b>						
1	Revenue Surplus (+)/Revenue Deficit (-)	5,521	1,960	-3,114	6,944	13,564
2	Net Capital Expenditure	-10,712	-9,879	-8,466	9,377	14,016
3	Net Loans and Advances	-1,438	-116	-3,331	171	4,165
<b>Financing Pattern of Fiscal Deficit</b>						
1	Market Borrowings	4,023	5,656	8,900	3,746	400
2	Loans from GOI	106	252	2,390	3,012	3,372
3	Special Securities issued to NSSF	-757	-769	-769	-770	-769
4	Loans from Financial Institutions	1,371	222	281	-395	-588
5	Small Savings, PF, etc.	69	6	-23	-193	16
6	Deposits and Advances	1,496	1,238	3,215	-722	3,346
7	Suspense and Miscellaneous	127	97	53	-27	295
8	Remittances	60	-17	44	-14	-36
9	Reserve Fund	379	4,018	772	-380	-809
10	Investment in earmarked fund	0.00	0.00	304	200	500
<b>11</b>	<b>Overall Deficit</b>	<b>6,874</b>	<b>10,703</b>	<b>15,167</b>	<b>4,457</b>	<b>5,727</b>
12	Increase/Decrease in cash balance	-245	-2,668	-256	-1,853	-1,110
<b>13</b>	<b>Gross Fiscal Deficit</b>	<b>6,629</b>	<b>8,035</b>	<b>14,911</b>	<b>2,604</b>	<b>4,617</b>
<i>Note:</i> The revenue surplus is overstated and the fiscal deficit is understated by ₹ 618.21 crore, as detailed in Paragraph 1.5.						

It can be seen from **Table 2.30** that revenue expenditure and a major part of capital expenditure was met from the revenue receipts of the State. Therefore, the Fiscal Deficit (₹ 4,617 crore) occurred due to utilisation of borrowed funds on capital outlay and loans and advances.

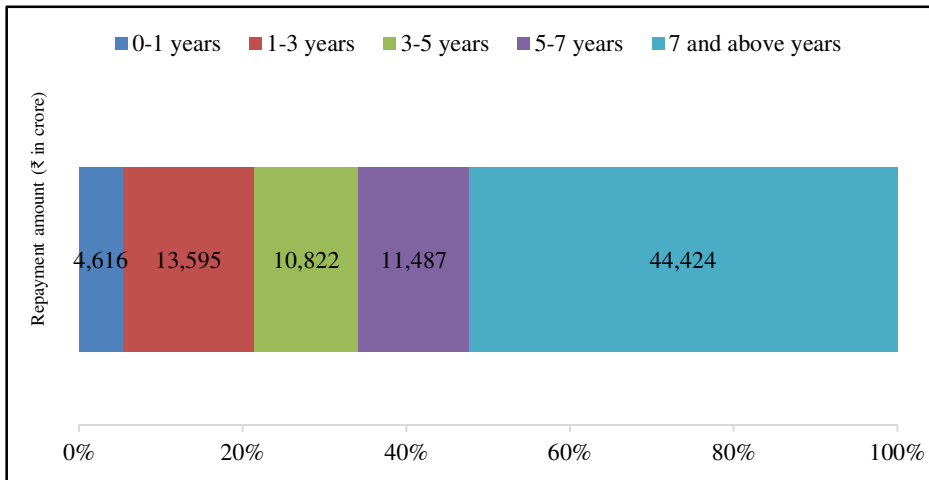
During 2022-23, the fiscal deficit of ₹ 4,617 crore was mainly financed by loans from GoI (₹ 3,371 crore) and Deposits and Advances (₹ 3,346 crore).

## 2.6 Public Debt Maturity Profile and Repayment

Public Debt maturity and repayment profile indicates commitment on the part of the Government for public debt repayment or debt servicing.

**Table 2.31: Debt Maturity profile of repayment of State debt**

Period of repayment (Years)	Amount (₹ in crore)	Percentage w.r.t. Public debt
0 – 1	4,616.11	5
1 – 3	13,595.17	16
3 – 5	10,822.07	13
5 – 7	11,486.53	14
7 and above	44,424.49	52
<b>Total</b>	<b>84,944.37</b>	<b>100</b>

**Chart 2.15: Public Debt Maturity profile**

As can be seen from **Table 2.31** and **Chart 2.15**, the redemption pressure, due to maturity of public debts, would be around ₹ 5,000 crore to ₹ 6,000 crore in the coming years. However, it will change in case of fresh borrowings of the State.

Further, analysis of debt repayments and interest payments, in the next 10 years, on the basis of statement provided by the Finance Department, Government of Jharkhand, revealed a mixed trend, as shown in **Table 2.32**.

**Table 2.32: Public Debt repayment profile of the State in the next ten years**  
(₹ in crore)

Year	Repayment	Interest	Total
2022-23	6,729	6,238	12,968
2023-24	4,616	6,060	10,676
2024-25	6,654	5,930	12,585
2025-26	6,941	5,649	12,590
2026-27	6,504	5,368	11,872
2027-28	4,318	5,143	9,461
2028-29	6,780	5,110	11,890
2029-30	4,707	4,884	9,591
2030-31	5,727	4,841	10,568
2031-32	3,989	4,720	8,710

Source: Finance Department, Government of Jharkhand

As can be seen from **Table 2.32**, the maturity profile of public debt redemption of the State, as per current debt liability, will remain nearly uniform during 2022-23 to 2031-32. As per the current liability, the total repayment of principal and interest will range between ₹ 8,710 crore and ₹ 12,968 crore during the next 10 years. The payment of principal and interest will be sustainable in the light of the current financial condition of the State, which may change in the event of fresh borrowings by the State in the coming years.

## 2.6.1 Fiscal Deficit and Debt Sustainability

### 2.6.1.1 Debt sustainability analysis based on FRBM indicators

In the context of fiscal sustainability, the Thirteenth Finance Commission defined debt sustainability in terms of debt-GSDP ratio and also in terms of interest payments relative to revenue receipts. The Finance Commission (FC)

recommended fiscal consolidation for the Central and State Government and provided limits for fiscal deficit and debt stock as a percentage of GSDP. Government of Jharkhand in its FRBM Act, 2007 decided to maintain its fiscal deficit at not more than three *per cent* of the estimated GSDP. In view of the FRBM Act, targets for the debt stock to GSDP percentage were given every year, in the MTFP statement submitted with the budget.

The status of debt stock, *vis-à-vis* the FFC targets and FRBM targets, was as shown in **Table 2.33**.

**Table 2.33: Debt sustainability – FRBM indicator based analysis**

Year	Fiscal Deficit to GSDP (in per cent)		Outstanding liabilities to GSDP (in per cent)		Interest Payment to Revenue Receipts (in per cent)	
	Target as per MTFP prepared under FRBM Act	Actual	Target as per MTFP prepared under FRBM Act	Actual	FFC targets	Actual
2018-19	3.00	2.17	27.20	27.41	8.32	8.64
2019-20	3.00	2.59	27.10	30.42	8.08	9.09
2020-21	5.00*	5.03	27.00	36.23 <sup>#</sup>	-	10.31
2021-22	4.00*	0.73	33.00	30.93 <sup>#</sup>	-	9.02
2022-23	3.50	1.17	33.15	30.08	-	7.77

Source: Finance Accounts of the respective years, MTFP and FC Report

Note: The fiscal deficit is understated by ₹ 618.21 crore, as detailed in Paragraph 1.5.

<sup>#</sup>Does not include ₹ 1,689.00 crore in 2020-21 and ₹ 2,484.41 crore in 2021-22, passed on as back-to-back loans by Government of India, in lieu of shortfall in GST compensation.

\*The Fiscal Deficit target for the year 2020-21 and 2021-22 had increased by 2 per cent and 1 per cent respectively in view of the para 2(1) of the FRBM (Amendment) Act, 2020.

It can be seen from **Table 2.33** that the State Government was able to maintain the fiscal deficit within the defined targets during 2022-23. While the debt to GSDP ratio was higher than the targets, during the period 2018-19 to 2020-21, it remained within the target during 2021-22 and 2022-23. Targets for ratio of interest payment to revenue receipts (burden of interest payment) was not provided by the Fifteenth Finance Commission. However, it was directed by the FFC that the ratio of interest payments to revenue receipts should be kept at nine *per cent*, during the period 2020-26, which was achieved by the State except in 2020-21, when it was 10.31 *per cent*. During 2022-23, ratio of interest payments to revenue receipts was 7.77 *per cent*.

### 2.6.1.2 Debt Sustainability Indicators

Debt sustainability analysis has been carried out on the basis of fiscal & debt parameters and Domar approach. The results of the analysis are given in the following paragraphs:

(A) Debt sustainability refers to the ability of the State to service its debt obligation now and in future. Analysis of variations in debt sustainability indicators given in **Table 2.34** and **Chart 2.16**.

**Table 2.34: Trends in Debt Sustainability Indicators**

(₹ in crore)

Debt Sustainability Indicators	2018-19	2019-20	2020-21	2021-22	2022-23
Outstanding Public Debt* (as on 31 <sup>st</sup> March of the year)	60,775.27	66,136.99	75,249.75	80,047.12	84,944.37
Rate of growth of Outstanding Public Debt	8.47	8.82	13.78	6.38	6.12
GSDP	3,05,695	3,10,305	2,96,664	3,58,863	3,93,722
Rate of growth of GSDP	13.30	1.51	-4.40	20.97	9.71
Public Debt/GSDP	19.88	21.31	25.37	22.31	21.57
Debt maturity profile of repayment of debt	3,060.10	4,231.40	2,744.82	4,247.08	6,729.46
Average interest rate on public debt**	7.91	7.98	7.51	7.48	7.05
Interest payment on public debt	4,617.23	5,066.29	5,312.44	5,805.62	5,813.08
Percentage of interest payment to revenue receipts	8.22	8.67	9.46	8.33	7.24
Percentage of debt repayment to debt receipts	39.21	44.11	20.26	43.16	73.61
Net debt available to the State#	126.10	295.43	5,489.32	-212.83	-3,400.24
Net debt available as per cent to debt receipts	1.62	3.08	40.52	-2.16	-37.19
Primary deficit (-)/ Primary surplus (+)	-1,777.36	-2,726.87	-9,120.26	3,681.84	1,621.56
Debt stabilisation (based on Public Debt) {Quantum spread\$ + Primary Deficit}	2,147.17	-5,660.51	-16,084.19	15,126.50	4,996.82

Source: Finance Accounts

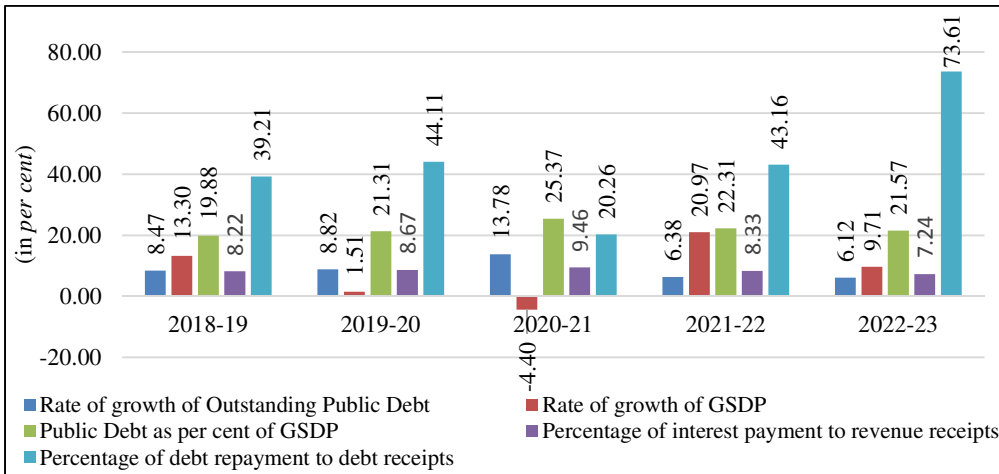
\* Outstanding Public Debt is the sum of outstanding balances under the Heads 6003- 'Internal Debt' and 6004- 'Loans and Advances from the Central Government'. During 2020-21 and 2021-22, it excludes ₹ 1,689 crore and ₹ 2,484.41 crore respectively as back-to-back loans from GoI in lieu of shortfall in GST compensation which are not to be repaid by the State.

\*\* Interest paid/(OB of Public Debt+CB of Public Debt/2) (in per cent)

# Net debt available to the State Govt. is calculated as excess of public debt receipts over public debt repayment and interest paid on public debt.

\$ Quantum spread=Public Debt\*(GSDP growth rate-Interest Rate)

**Chart 2.16: Trends of Debt Sustainability Indicators**



Source: Finance Accounts

A falling debt-GSDP ratio can be considered as leading towards stability. Also, debt stabilisation condition states that if quantum spread together with primary deficit is zero, debt-GSDP ratio would tend to be constant or debt would stabilise eventually. On the other hand, if primary deficit together with quantum spread turns out to be negative, debt-GSDP ratio would be rising and in case it is positive, debt-GSDP ratio would eventually be falling. It can be seen from **Table 2.34** that:

- The outstanding public debt has been increasing over the years. The growth rate of outstanding public debt had shown fluctuations, with a significant increase in FY 2020-21.



- The Public Debt/GSDP ratio is an important metric for assessing the relative size of the debt compared to the State's economic output. While it increased during the period from FY 2018-19 to 2020-21, it showed a decreasing trend since FY 2021-22.
- The average interest rate has generally decreased, which could positively impact interest payments.
- Interest payments on public debt have increased over the years. The percentage of interest payment to revenue receipts varied but generally remained within a certain range.
- The percentage of debt repayment to debt receipts has generally increased, with significant increase during FY 2022-23. A higher ratio may indicate challenges in meeting debt obligations without relying heavily on borrowing.
- Net debt available to the State showed fluctuations, with a significant negative value in FY 2022-23. Primary deficit/surplus also varied, with primary surplus in FYs 2021-22 and 2022-23.
- Debt stabilization, calculated as the sum of Quantum Spread and Primary Deficit, fluctuated over the years, and was positive, except during FYs 2019-20 and 2020-21.

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

Fiscal liabilities are considered sustainable if the Government is able to service the stock of these liabilities over the foreseeable future and the debt-GSDP ratio does not grow to unmanageable proportions. The Domar model is one of the models for analysis of public debts, which lays down that the debt-GDP ratio is likely to be stable if the rate of growth of the economy exceeds the rate of interest on the debt. **Table 2.35** provides the Domar sustainability condition:

**Table 2.35: Debt sustainability criteria under Domar model**

<b>g-r (g: real economic growth rate; r: real interest rate), called Domar gap</b>	<b>s&lt;0 (primary deficit)</b>	<b>s&gt;0 (primary surplus)</b>
g-r > 0 (strong economic growth)	Public debt as percentage of GSDP should converge to a stable level greater than zero	Public debt as a percentage of GSDP should converge to a stable level less than zero leading to public savings.
g-r < 0 (slow economic growth)	Public debt as percentage of GSDP should increase indefinitely, without converging to a stable level.	Undefined situation

Applying the DOMAR analysis to Jharkhand showed that fiscal liabilities should converge to a stable level, as shown in the following **Table 2.36**.

**Table 2.36: Sustainability of debt stock of the State during 2018-23**

Year	Real economic growth (g)	Real interest rate (r)	Domar gap (g-r)	Primary deficit (-) / Surplus (+)	Remarks
	(in per cent)			(₹ in crore)	
2018-19	8.87	2.39	6.48	(-) 1,777	As $g-r > 0$ and $s < 0$ ; Public debt as percentage of GSDP should converge to a stable level greater than zero
2019-20	1.08	2.14	-1.06	(-) 2,727	As $g-r < 0$ and $s < 0$ ; Public debt as percentage of GSDP should increase indefinitely, without converging to a stable level.
2020-21	-5.30	0.81	-6.11	(-) 9,121	
2021-22	10.87	1.25	9.62	3,682	As $g-r > 0$ and $s > 0$ ; Public debt as a percentage of GSDP should converge to a stable level less than zero leading to public savings.
2022-23	6.76	-0.64	7.40	1,622	

*Real economic growth rate has been calculated for real GSDP (i.e. at constant prices).  
Real interest rate is calculated as average interest rate on fiscal liabilities minus inflation.  
Average inflation has been obtained from CSO, MoSPI*

As shown in **Table 2.36** 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).

## 2.6.2 Utilisation of borrowed funds

Borrowed funds should ideally be used for capital creation and developmental activities. Using borrowed funds for meeting current consumption and repayment of interest on outstanding loans is not sustainable. Utilisation of borrowed funds is shown in **Table 2.37**.

**Table 2.37: Utilisation of borrowed funds**

		(₹ in crore)				
Sl. No.	Year	2018-19	2019-20	2020-21	2021-22	2022-23
1	Total Borrowings	7,803.43	9,593.12	13,546.58	9,839.87	9,142.30
2	Repayment of earlier borrowings (Principal)	3,060.10	4,231.40	2,744.82	4,247.08	6,729.46
3	Net capital expenditure	10,711.71	9,878.71	8,465.66	9,376.90	14,015.59
4	Net loans and advances	1,438.43	116.24	3,330.99	17.25	4,164.73
5	Portion of Revenue expenditure met out of net available borrowings (1-2-3-4)	-7,406.81	-4,633.23	-994.89	-3,801.36	-15,767.48
6	Interest payment on public debt	4,617.23	5,066.29	5,312.44	5,805.62	5,813.08

Source: Finance Accounts

The State had to repay of ₹ 6,729.46 crore against earlier borrowings during 2022-23, which was met from the revenue surplus during the year, leading to more availability of borrowed funds for capital expenditure and loans and advances given by the State. The part of capital expenditure not covered by the public debt was met from the public account balances.

The entire borrowed funds were utilised for capital expenditure and on payment of loans and advances.

### 2.6.3 Status of Guarantees (Contingent Liabilities)

The Constitution of India provides that a State may borrow, within the territory of India, upon the security of its Consolidated Fund, within such limits, as may from time to time, be fixed by the Act of its Legislature and give guarantees within such limits as may be fixed. 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.

The Government of Jharkhand has neither created the guarantee redemption fund nor made any policy in this regard. As per information provided by the Finance Department, guarantees amounting to ₹ 2,378.23 crore has been given to the power companies and ₹ 2,463 crore has been given to Jharkhand State Food & Civil Supplies Corporation, as of 2022-23. No further details has been provided in this regard.

Letter of Comfort (LOC) amounting to ₹ 157.15 crore, given on behalf of Jharkhand State Electricity Board (JSEB) in February 2013, was still pending for clearance in the accounts of the government even after unbundling of the JSEB in January 2014. **Table 2.38** shows Guarantees given by the State Government.

**Table 2.38: Guarantees given by the State Government**

(₹ in crore)

Guarantees	2018-19	2019-20	2020-21	2021-22	2022-23
Outstanding amount of guarantees including interest	607.15	607.15	607.15	607.15	4,998.39

Source: Finance Accounts

### 2.7 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 was revised by the RBI from time to time (₹ 1,152 crore *w.e.f.* 17 April 2020, which subsequently decreased to ₹ 1,067 crore *w.e.f.* 31 March 2022).

No Ways & Means Advances and overdraft was taken by the State Government during the year 2022-23.

The State Government invests its surplus cash balance in short and long-term GoI Securities and Treasury Bills. The profits derived from such investments are credited as receipts under the head '0049-Interest Receipts'.

**Table 2.39** shows comparative details of general cash balance and its investment during 2021-22 and 2022-23 and **Table 2.40** shows position of Cash Balance Investment Account (Major Head-8673) during the period 2018-19 to 2022-23.

**Table 2.39: Cash Balances and their investment**

(₹ in crore)

	Opening balance on 1 April 2022	Closing balance on 31 March 2023
<b>A. General Cash Balance</b>		
Cash in treasuries	0	0
Deposits with Reserve Bank of India	149.37	91.07
Deposits with other Banks	0	0
Remittances in transit – Local	0	0
<b>Sub-total</b>	<b>149.37</b>	<b>91.07</b>
Investments held in Cash Balance Investment Account	4,480.63	5,149.41
<b>Total (A)</b>	<b>4,630.00</b>	<b>5,240.48</b>
<b>B. Other Cash Balances and Investments</b>		
Cash with departmental officers viz., Public Works, Forest Officers	38.67	38.17
Permanent advances for contingent expenditure with department officers	0.16	0.16
Investment in earmarked funds	903.87	1,403.87
<b>Total (B)</b>	<b>942.70</b>	<b>1,442.20</b>
<b>Total (A + B)</b>	<b>5,572.70</b>	<b>6,682.68</b>
<b>Interest realised</b>	<b>58.63</b>	<b>91.14</b>

Source: Finance Accounts

The balance in the Cash Balance Investment Account as on 31 March 2023 was ₹ 5,149.41 crore and the interest realised on investment during 2022-23 was ₹ 91.14 crore.

During 2022-23, the cash balance investment of the State increased in comparison to the previous year.

The State Government had invested ₹ 400 crore from earmarked fund of SDRF in 2012-13. The balance of ₹ 1,111.26 crore has not been invested as required in SDRF guidelines. Out of ₹ 1,003.87 crore transferred to Sinking Fund and invested in Scheduled Commercial Banks as of 31 March 2023, of which ₹ 500 crore were invested in 2022-23.

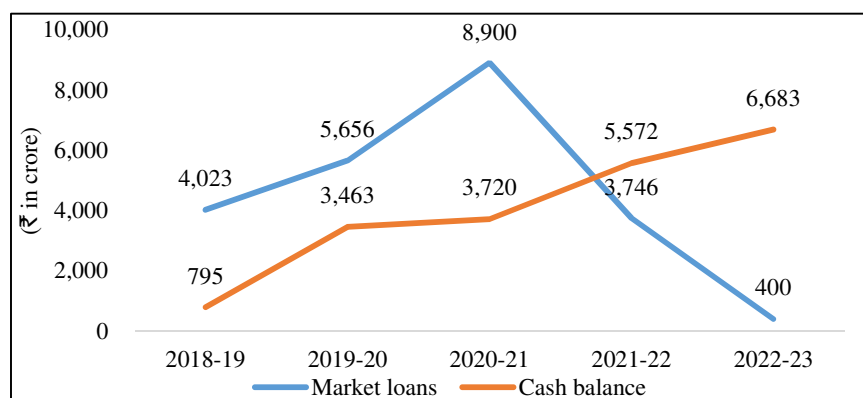
**Table 2.40: Cash Balance Investment Account (Major Head-8673)**

(₹ in crore)

Year	Opening Balance	Closing Balance	Increase (+) / decrease (-)	Interest earned
2018-19	354.56	167.90	(-)186.66	31.43
2019-20	167.90	3,070.62	2,902.72	147.42
2020-21	3,070.62	2,811.20	(-)259.42	58.59
2021-22	2,811.20	4,480.63	1,669.43	60.21
2022-23	4,480.63	5,149.41	668.78	91.14

There was a difference of ₹ 186.36 crore (net debit) between the figures reflected in the accounts {₹ 91.07 crore (debit)} and that intimated by the RBI {(₹ 95.29 crore (debit))}. This difference has been taken up by the Principal Accountant General (A&E), Jharkhand with RBI, Ranchi for reconciliation and necessary correction.

**Chart 2.17** shows the comparative trend of market loans (net) and cash balances during the last five years.

**Chart 2.17: Trend of market loans (net) and cash balances**

During the year 2022-23, the State Government raised ₹ 400 crore from the market, while at the same time, the cash balance increased from ₹ 5,572.70 crore in 2021-22 to ₹ 6,682.68 crore at the end of the current year.

## 2.8 Conclusion

Deficit indicators, revenue augmentation and expenditure management are major yardsticks for judging the fiscal performance of the Government.

The State has achieved the target of reducing its revenue deficit to zero, much before the time line given in FRBM Act. The State had revenue surplus during the last five years, except in 2020-21. Fiscal Deficit of the State was within the targets during the period 2018-19 to 2022-23, except in 2020-21, when it was just beyond the target.

During 2022-23, revenue expenditure of the State constituted 78.53 per cent of the total expenditure. During 2022-23, capital expenditure was ₹ 14,016 crore against ₹ 9,377 crore in 2021-22. During 2022-23, the capital expenditure increased mainly due to more expenditure on social services by 227.28 per cent over previous year.

In the total expenditure of the State, share of expenditure on social services increased consistently during 2018-19 to 2022-23, whereas share of general and economic services decreased during 2022-23. Expenditure on economic services decreased consistently from 38 per cent in 2018-19 to 33 per cent in 2022-23 which was indicative of less priority given by the State to this sector.

Total borrowings of ₹ 9,142.30 crore was utilised on capital expenditure and on payment of loans and advances. Repayments amounting to ₹ 6,729.46 crore during 2022-23 against earlier borrowings was met from revenue surplus occurred during the year.

As per Finance Accounts of the State ending 31 March 2023, the Government had invested ₹ 2,483.36 crore (in government companies, rural bank and co-operative institutions) since inception of the State in November 2000. Despite no return on its investments, the State Government made investment of ₹ 233.14 crore in Rural Bank, State PSUs and Co-operatives in the form of equity during 2022-23.

Apart from investments, a huge amount (₹ 28,513 crore) given by the government to its entities, in the form of loans, were outstanding at the end of March 2023.

Total liabilities<sup>10</sup> increased from ₹ 1,13,483 crore in 2021-22 to ₹ 1,18,448 crore in 2022-23. The fiscal liabilities to GSDP ratio was 30.08 *per cent* against the MTFP target of 33.15 *per cent*. Apportionment of fiscal liabilities of the composite Bihar State between the successor States of Bihar and Jharkhand has not been done so far.

The government had not paid any interest to SDRF since its creation, which works out to ₹ 1,002.80 crore at the applicable rates of interest for the period 2011-23. Non-payment of interest had an impact on Revenue deficit and Fiscal Deficit of the State. The Government had transferred ₹ 500 crore to the Sinking Fund during the year.

Various Cess collected to the tune of ₹ 173.30 crore was transferred to the Consolidated Fund of the State. Government departments did not transfer the cesses to the concerned Boards.

## 2.9 Recommendations

- *State Government should rationalise its investments in various entities, so that the return on investment and loans, at least matches, the Government borrowing costs. Otherwise, fiscal liabilities accompanied by negligible rate of returns in investments might lead to a situation of unsustainable debt.*
- *State Government has to put in concerted efforts to maintain its fiscal performance in respect of the targets laid down in the FRBM Act and MTFP statements.*
- *State Government may ensure complete transfer of Labour Cess to the Labour Welfare Board, as early as possible, so that the Board can fulfil its objectives of improving the working conditions of building and other construction workers and providing adequate financial assistance to them.*

<sup>10</sup> Includes ₹ 2,484.41 crore in 2021-22, passed on as back-to-back loans by Government of India, in lieu of shortfall in GST compensation.