

CHAPTER-II

FINANCES OF THE STATE

2.1 Major changes in Key fiscal aggregates of the State

This section 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 2021-22. The analysis of the following indicators is discussed in the succeeding paragraphs.

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

Revenue Receipts	<ul style="list-style-type: none">✓ Revenue receipts of the State increased by 12.46 per cent✓ Own Tax receipts of the State increased by 18.13 per cent✓ Non-tax receipts increased by 17.96 per cent✓ State's Share of Union Taxes and Duties increased by 5.85 per cent✓ Grants-in-Aid from Government of India increased by 15.56 per cent
Revenue Expenditure	<ul style="list-style-type: none">✓ Revenue expenditure increased by 12.56 per cent✓ Revenue expenditure on General Services increased by 8.36 per cent✓ Revenue expenditure on Social Services increased by 14.83 per cent✓ Revenue expenditure on Economic Services increased by 17.71 per cent✓ Expenditure on Grants-in-Aid increased by 9.09 per cent
Capital Receipts	<ul style="list-style-type: none">✓ Debt Capital Receipts decreased by 11.75 per cent✓ Non debt Capital Receipts increased by 42.35 per cent
Capital Expenditure	<ul style="list-style-type: none">✓ Capital expenditure increased by 30.21 per cent✓ Capital expenditure on General Services increased by 88.76 per cent✓ Capital expenditure on Social Services increased by 88.75 per cent✓ Capital expenditure on Economic Services increased by 5.96 per cent
Loans and Advances	<ul style="list-style-type: none">✓ Disbursement of Loans and Advances increased by 532.76 per cent✓ Recoveries of Loans and Advances increased by 42.35 per cent
Public Debt	<ul style="list-style-type: none">✓ Public Debt Receipts decreased by 11.75 per cent✓ Repayment of Public Debt decreased by 21.01 per cent
Public Account	<ul style="list-style-type: none">✓ Public Account Receipts increased by 18.72 per cent✓ Disbursements from Public Account increased by 17.88 per cent
Cash Balance and Investment	<ul style="list-style-type: none">✓ Cash balance and Investment decreased by ₹ 11,685 crore (26.24 per cent) as on 31 March 2023 as compared to 31 March 2022.

Source: Finance Accounts of the respective year

2.2 Sources and Application of Funds

A time series data on the State Government finances for the period 2018-23 is given in *Appendix-2.1*. **Table 2.2** depicts the components and sub-components of the State's financial resources and application of funds during the year 2022-23 as compared to the year 2021-22.

Table 2.2: Comparison of Sources and Application of funds during the years 2021-22 and 2022-23

	Particulars	2021-22 (₹ in crore)	2022-23 (₹ in crore)	Increase/ Decrease (in percentage)
Sources	Opening Cash Balance and Investment	31653	44533	40.69
	Revenue Receipts	371011	417241	12.46
	Recoveries of Loans and Advances	939	1337	42.35
	Public Debt Receipts (Net)	47025	44156	(-)6.10
	Miscellaneous Capital Receipts	0	0	-
	Public Account Receipts (Net)*	4442	8795	98.00
	Contingency Fund Receipts	700	0	(-)100.00
	Total	455770	516062	13.23
Application	Revenue Expenditure	337581	379978	12.56
	Capital Expenditure	71443	93028	30.21
	Disbursement of Loans and Advances	1613	10208**	532.76
	Appropriation to Contingency Fund	600	0	(-)100.00
	Disbursements under Contingency Fund	0	0.06	-
	Closing Cash Balance and Investment	44533	32848	(-)26.24
	Total	*455770	516062	13.23

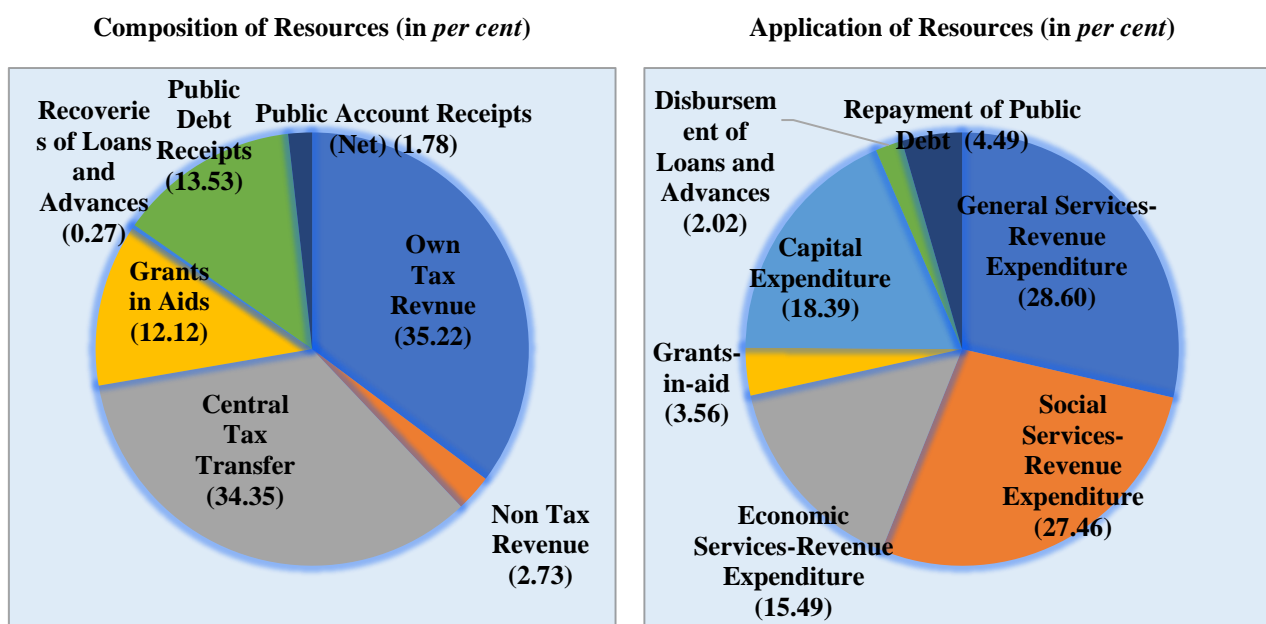
Source: Finance Accounts of the respective years.

* Excluding transactions under Major Heads 8671-Departmental Balances, 8672-Permanent Cash Imprest and 8673-Cash Balance Investment Account and investments in Reserve Funds which are part of opening and closing cash balances.

** Disbursement of loans and advances during 2022-23 was ₹10,208.63 crore.

2.2.1 Component wise sources and applications of funds during the year 2022-23 are depicted in **Chart 2.1**.

Chart 2.1: Composition and Application of Resources during the year 2022-23



Source: Finance Accounts 2022-23

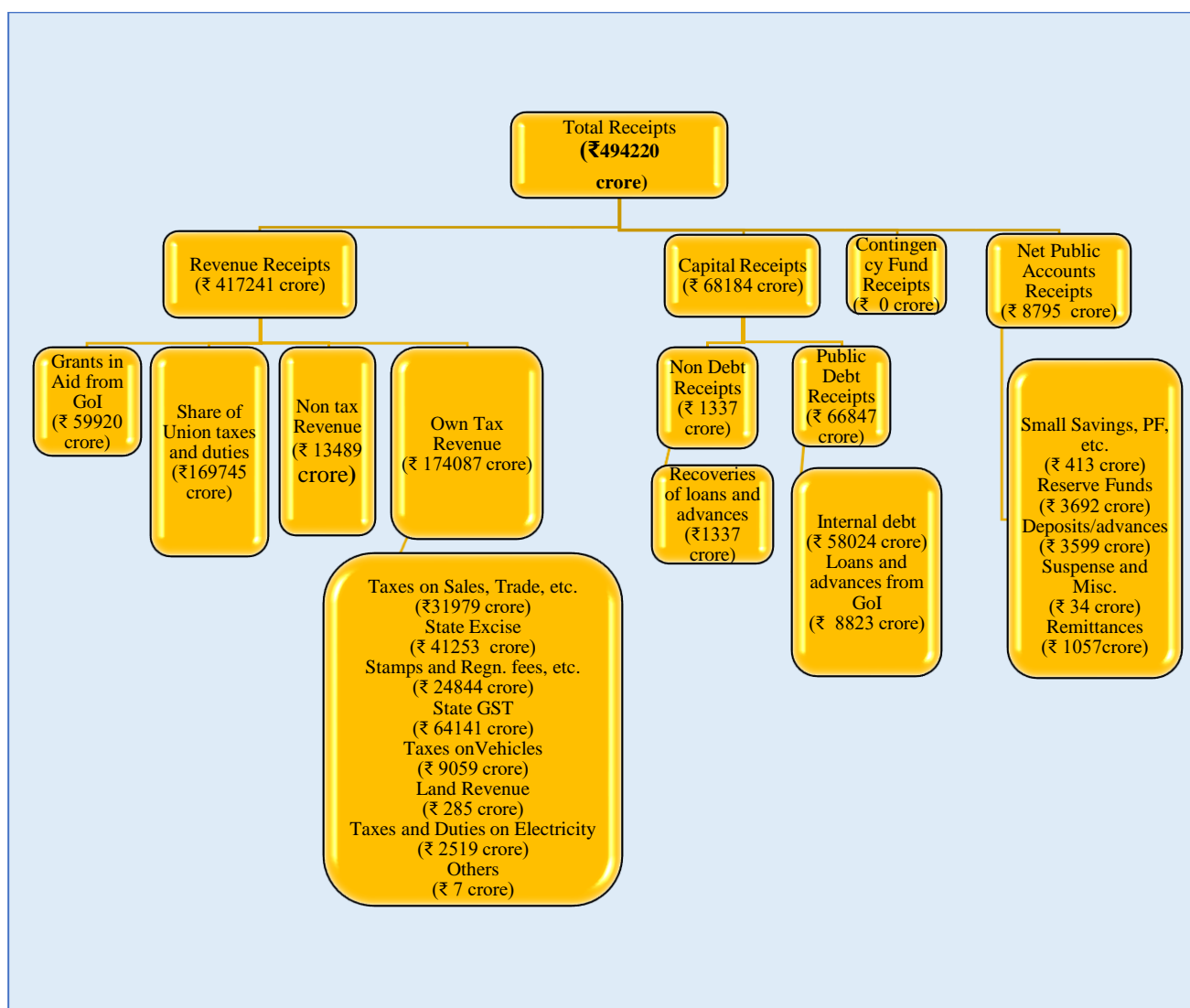
2.3 Resources of the State

This section analyses resources of the State and their trends during the years 2018-19 to 2022-23.

2.3.1 Receipts of the State

The composition of receipts of the State during the year 2022-23 is shown in **Chart 2.2**

Chart 2.2: Details of composition of receipts during the year 2022-23



Source: Finance Accounts 2022-23

The total receipts of the State during the year 2022-23 was ₹ 4,94,220 crore. It constitutes of Revenue Receipts of ₹ 4,17,241 crore, Capital Receipts of ₹ 68,184 crore and Net Public Account Receipt⁴ of ₹ 8,795 crore. Revenue Receipts consist of Own Tax Revenue of ₹ 1,74,087 crore, Non-Tax Revenue of ₹ 13,489 crore, Share of Union taxes and duties of ₹ 1,69,745 crore and Grants-in-Aid from GOI of ₹ 59,920 crore. Capital Receipts constitute Non-debt Receipts of ₹ 1,337 crore and Public Debt Receipts of ₹ 66,847 crore.

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 State's own receipts and receipts from the Central Government.

⁴ Net Public Account Receipts is the net balance at the end of the financial year of Small Savings & Provident Fund, Reserve Funds, Deposit/Advances, Suspense & Miscellaneous and Remittances.

2.3.2.1 Trends and growth of Revenue Receipts

The trends and growth of Revenue Receipts with respect to Gross State Domestic Product (GSDP) over the five-year period 2018-23 are depicted in **Table 2.3**.

Table 2.3: Trend in Revenue Receipts, Own Tax and Non-Tax Revenues of the State

(₹ in crore)					
Parameters	2018-19	2019-20	2020-21	2021-22	2022-23
Revenue Receipts (RR)	329978	366393	296176	371011	417241
<i>Rate of growth of RR (per cent)</i>	18.37	11.04	(-)19.16	25.27	12.46
Tax Revenue					
Own Tax Revenue	120122	122826	119897	147368	174087
State's share in Union taxes and duties	136766	117818	106687	160358	169745
Non-Tax Revenue	30101	81705	11846	11436	13489
Grants-in aid from GoI	42989	44044	57746	51849	59920
<i>Rate of growth of GIA from GoI</i>	5.76	2.45	31.11	(-)10.21	15.56
Own Revenue (Own Tax and Non-Tax Revenue)	150223	204531	131743	158804	187576
<i>Rate of growth of Own Revenue (per cent)</i>	28.19	36.15	(-)35.59	20.54	18.12
GSDP (2011-12 Series)	1582180	1700062	1645317	1974532	2257575
<i>Rate of growth of GSDP (per cent)</i>	9.88	7.45	(-)3.22	20.01	14.33
<i>RR/GSDP (per cent)</i>	20.86	21.55	18.00	18.79	18.48
Buoyancy Ratio⁵					
Revenue Buoyancy w.r.t. GSDP	1.86	1.48	*	1.26	0.87
State's Own Revenue Buoyancy w.r.t. GSDP	2.85	4.85	*	1.03	1.26

Source: Finance Accounts of the respective years and Ministry of Statistics and Programme Implementation, Government of India

*Since growth of GSDP was negative hence buoyancy was not calculated.

Analysis based on figures as detailed in **Table 2.3** revealed that:

- Revenue Receipts of the State of Uttar Pradesh during the year 2022-23 was ₹ 4,17,241 crore. The compound annual growth rate (CAGR) was 6.04 per cent during the period 2018-23. It increased by 12.46 per cent in the year 2022-23 as compared to previous year (2021-22). The increase in Revenue Receipts was mainly due to higher receipts of Corporation Tax (23 per cent) and Taxes on Income other than Corporation Tax (17 per cent) under Central Tax Transfers and Own Tax Revenue (18 per cent) as compared to the year 2021-22.
- State Government had projected Revenue Receipts of ₹ 4,99,213 crore in Budget Estimates 2022-23 which was reduced to ₹ 4,78,817 crore in Revised Estimates. As compared to Budget Estimates 2022-23, there were shortfall in actual receipts by 21.10 per cent in Own Tax Revenue, 42.37 per cent in Non-Tax Revenue and 44.85 per cent in Grants-in-aid from GoI. State could

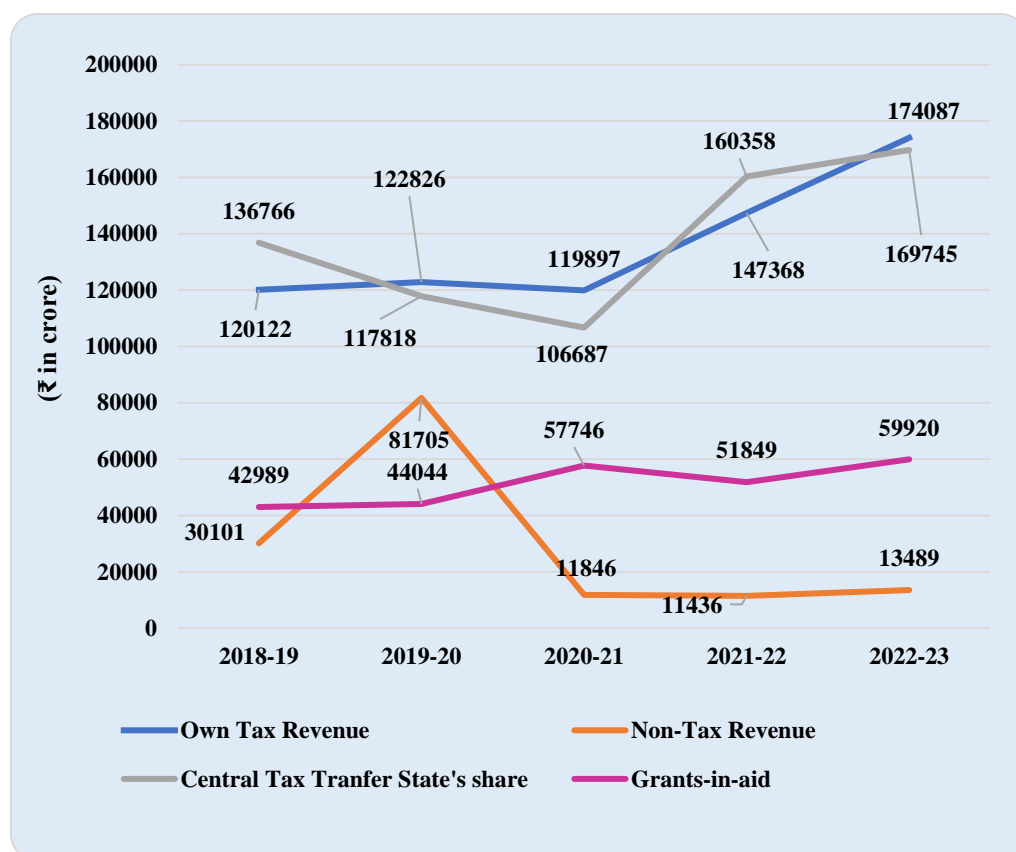
⁵ Buoyancy ratio indicates the degree of responsiveness of a fiscal variable with respect to a given change in the base variable.

also not achieve Revised Estimates projections due to shortfall of 6.02 per cent in Own Tax Revenue and 46.28 per cent in Grants-in-aid from GoI.

- State's own tax revenue buoyancy ratio with respect to GSDP had fluctuating trend during the period 2018-23. It increased to 4.85 in the year 2019-20 as compared to 2.85 in the year 2018-19, during 2021-22, it was 1.03 which increased to 1.26 during the year 2022-23.
- Grants-in-Aid from Government of India was 14.36 per cent of Revenue Receipts during 2022-23 as compared to 13.98 per cent during 2021-22 due to higher (15.56 per cent) receipts of grants-in-aid during 2022-23.

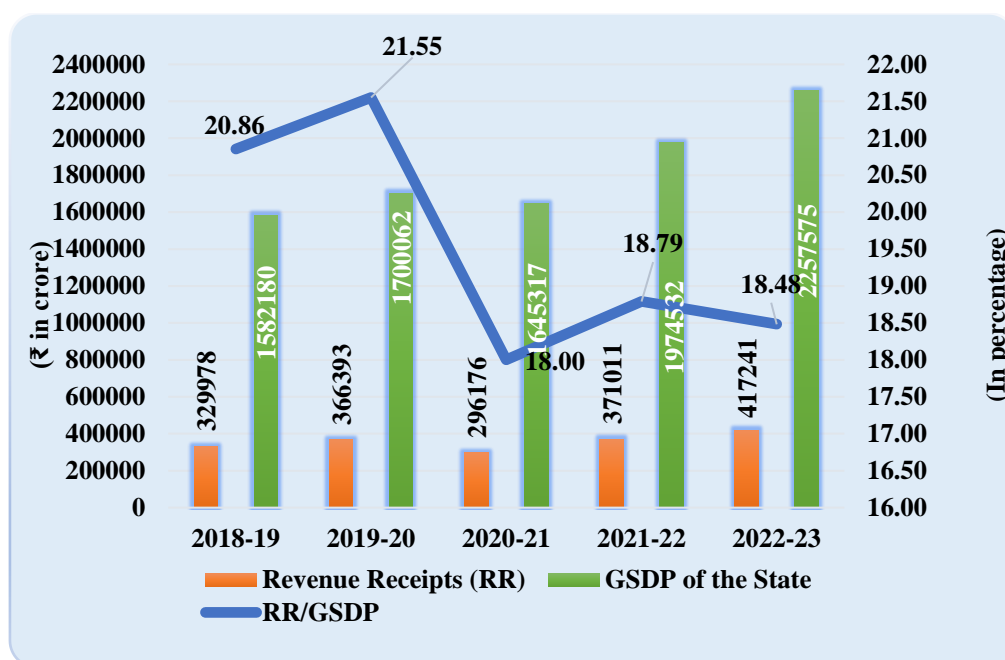
The trends and composition of Revenue Receipts as per Finance Accounts during the period 2018-23 are depicted in **Chart 2.3** and **Chart 2.4**.

Chart 2.3: Trend of Revenue Receipts during the period 2018-23



Source: Finance Accounts of the respective years

Chart 2.4: Revenue Receipts as a percentage of GSDP during the period 2018-23



Source: Finance Accounts of the respective years and Ministry of Statistics and Programme Implementation, Government of India

2.3.2.2 State's Own Resources

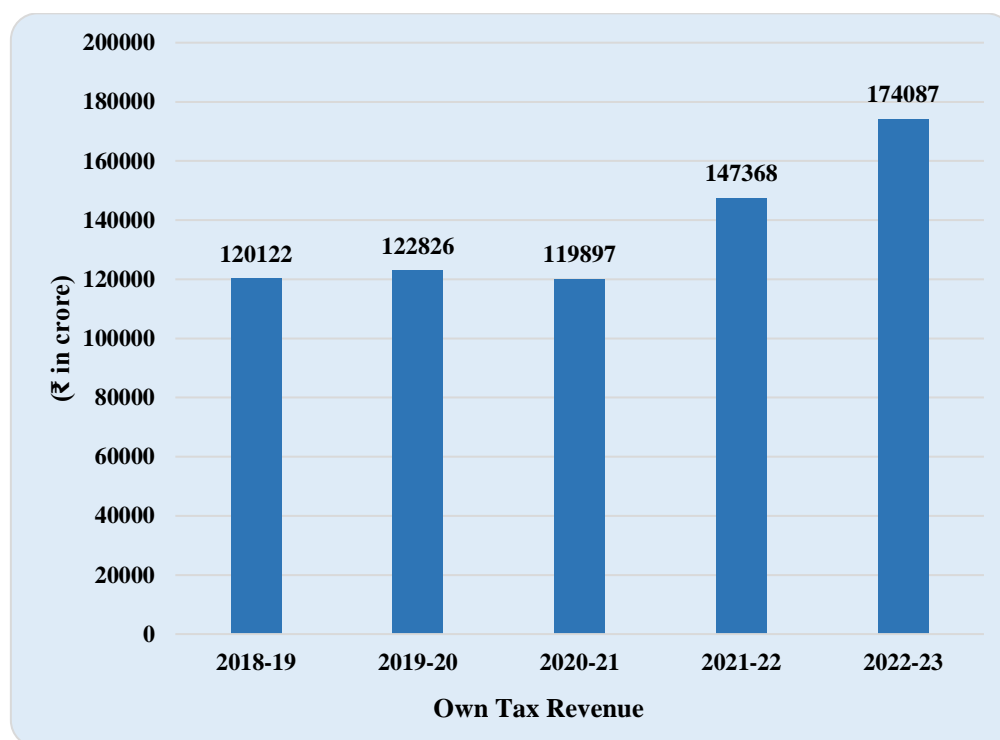
State's Own Resources comprise Own Tax Revenue and Non-Tax Revenue. Components of Own Tax Revenue of the State of Uttar Pradesh are State GST (SGST), State Excise, Taxes on Vehicles, Stamps and Registration Fees, Land Revenue, Taxes and Duties on Electricity, Taxes on Goods and Passengers, etc. The sources of Non-Tax Revenue include receipts from fiscal services like interest receipts from outstanding loans and advances given by Government and investment of cash balance, dividends and profits from equity investments, royalty fees for allowing use of assets held as custodian like minerals, forests and wild life, or other such services and user charges for various social and economic services provided through the apparatus of the Government. The details of collection of Own Tax / Non-Tax Revenue during the period 2018-23 are given in *Appendix-2.2*.

(i) Own Tax revenue

Own Tax Revenue of the State consists of State Goods and Services Tax (SGST), Taxes of Sales, Trade, etc., State Excise, Taxes on Vehicles, Stamp Duty and Registration Fees, Land Revenue, etc.

Own Tax Revenue of the State was ₹ 1,74,087 crore during the year 2022-23. During the period 2018-23, it increased by 44.93 per cent (₹ 53,965 crore) from ₹ 1,20,122 crore in 2018-19 to ₹ 1,74,087 crore in 2022-23. Major trends of growth of Own Tax Revenue are given in **Chart 2.5**.

Chart 2.5: Own Tax Revenue during the period 2018-23



Source: Finance Accounts of the respective year

During the period 2018-23, receipts under components of State's Own Tax Revenue are given in **Table 2.4**.

Table 2.4: Components of State's Own Tax Revenue during the period 2018-23

(₹ in crore)

Sl. No.	Revenue Head	2018-19	2019-20	2020-21	2021-22	2022-23	Sparkline
1.	Taxes on Sales, Trade, etc.	23798	20517	22127	27058	31979	
2.	State Goods and Service Tax (SGST)	46108	47232	42860	54594	64141	
3.	State Excise	23927	27325	30061	36320	41253	
4.	Taxes on Vehicles	6929	7715	6483	7776	9059	
5.	Stamps and Registration fees	15733	16070	16475	20048	24844	
6.	Land Revenue	631	504	297	193	285	
7.	Taxes and duties on Electricity	2978	3453	1587	1366	2519	
8.	Other Taxes	18	10	7	13	7	
	Total	120122	122826	119897	147368	174087	

Source: Finance Accounts of the respective year

It is evident from **Table 2.4** that:

- The overall increase of 18 per cent in Own Tax Revenue during 2022-23 over previous year was mainly due to increase in receipts of State Goods and Services Tax by ₹ 9,547 crore, State Excise by ₹ 4,933 crore, Taxes on

Sales, Trade by ₹ 4,921 crore, Stamps and Registration Fees by ₹ 4,796 crore and Taxes on Vehicles by ₹ 1,283 crore, Taxes and Duties on Electricity by ₹ 1,153 crore as compared to the year 2021-22.

- State Goods and Services Tax (SGST) which is the largest component of tax revenue of the State comprised 36.84 *per cent* of the own tax revenue receipts for the year 2022-23. During the year 2022-23, the Budget estimate for SGST was ₹ 88,264 crore against which actual collection was ₹ 64,141 crore which was 27.33 *per cent* below the estimation. However, SGST was 17.49 *per cent* higher in 2022-23 as compared to the previous year.
- Collection under Taxes on Sales, Trade, etc., increased mainly due to more receipt under State Sales Tax by ₹ 2,780.62 crore and Value Added Tax by ₹ 2,747.72 crore. Increase in State Excise was mainly due to increase in receipts on account of Malt Liquor by ₹ 1,862.83 crore, Foreign Liquor and Spirits by ₹ 1,048.86 crore and Country Spirits by ₹ 1,804.83 crore. Increase in Taxes on Vehicles mainly due to more receipts of ₹ 924.88 crore under the State Motor Vehicle Taxation Act and ₹ 359.18 crore under the Indian Motor Vehicles Act.

State Goods and Services Tax (SGST)

As per figures intimated by the Reserve Bank of India, the amount of SGST for the year 2022-23 was ₹ 27,364.88 crore and as per the Finance Accounts 2022-23, the amount of SGST under Major Head 0006 was ₹ 64,140.91 crore. The difference of ₹ 36,766.03 crore was mainly due to figures of minor heads 105, 106, 107, 108 and 110 regarding apportionment of IGST (₹ 38,685.46 crore) booked on the basis of sanctions received from Government of India and refund/floating charges of ₹ 1,909.47 crore.

Analysis of arrears of revenue

The arrear of revenue indicates delayed realization of revenue due to the Government. As of 31 March 2023, the arrears of revenue were ₹ 45,687.87 crore, of which ₹ 16,893.47 crore were outstanding for more than five years, as detailed in **Table 2.5**.

Table 2.5: Arrear of Revenue

(₹ in crore)

Sl. No.	Head of Revenue	Amount outstanding as on 31 March 2023	Amount outstanding for more than five years as on 31 March 2023
1.	Tax/VAT on Sales, Trade etc.	35081.65	14910.71
2.	Goods and Service Tax	7430.27	0.00
3.	Taxes on Vehicles	675.57	0.00
4.	State Excise	45.26	45.26
5.	Stamp and Registration	2455.12	1937.50
	Total	45687.87	16893.47

(ii) Non-Tax Revenue

Major sources of Non-Tax revenue and their trend analysis during the period 2018-23 is given in **Table 2.6**:

Table 2.6: Trends of Non-Tax Revenue during the period 2018-23.

(₹ in crore)

Particulars	2018-19	2019-20	2020-21	2021-22	2022-23	Sparkline
(i) Interest receipts	1712	1469	1115	1250	1259	
(ii) Dividends and Profits	176	39	105	212	141	
(iii) Other Non-tax Receipts:						
(a) Miscellaneous General Services	13678	72044	572	295	486	
(b) Non-ferrous Mining and Metallurgical Industries	3165	2181	3113	2655	3351	
(c) Power	5735	1044	1309	1769	965	
(d) Irrigation (Major, Medium and Minor)	908	1024	1174	1120	1280	
(e) Roads and Bridges	932	707	997	640	855	
(f) Education, Sports, Art and Culture	381	480	505	452	672	
(g) Others Or Miscellaneous	3414	2717	2956	3043	4480	
Total	28213	80197	10626	9974	12089	
Grand Total [(i), (ii) and (iii)]	30101	81705	11846	11436	13489	

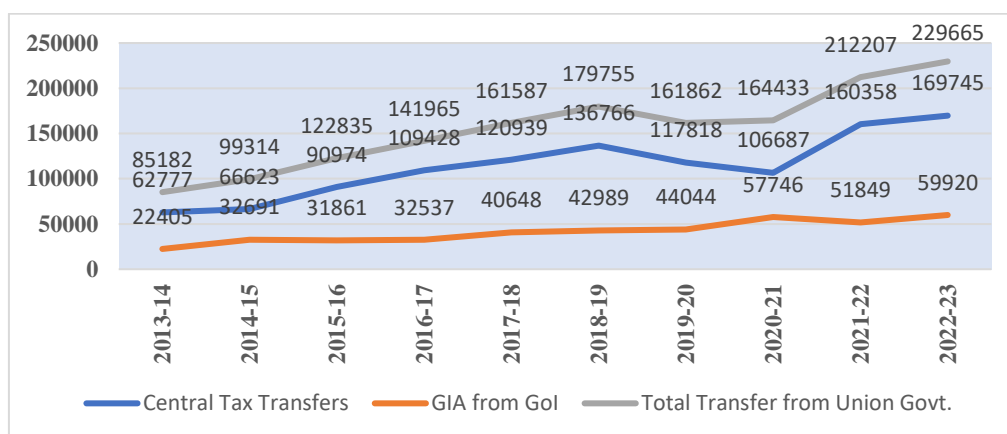
Source: Finance Accounts of the respective years.

Non-Tax receipts of the State was the highest during 2019-20. However, higher Non-Tax receipts during 2018-19 and 2019-20 was mainly due to book transfers of balances from Sinking Fund amounting to ₹ 12,693 crore (2018-19) and ₹ 71,180 crore (2019-20) to the head ‘Miscellaneous General Services’ without actual cash receipts. During 2022-23, the total receipts under Non-Tax Revenue were ₹ 13,489 crore, representing an increase of 17.95 per cent over the previous year. Increases were mainly in receipts of Non-Ferrous Mining and Metallurgical Industries by ₹ 696 crore (26.21 per cent), Education, Sports, Art and Culture ₹ 220 Crore (48.67 per cent). Increases were counter balanced by less receipts under Power ₹ 804 crore (45.44 per cent) as compared to previous year (2021-22).

2.3.2.3 Transfers from the Union Government

Components of the State’s share of the State Government in Union taxes and duties are Corporation Tax, Taxes on Income other than Corporation Tax, Service Tax, Union Excise Duties, Central Goods and Service Tax and Integrated Goods and Service Tax etc. The trends of Central tax transfers and grants during the period 2013-14 to 2022-23 are brought out in **Chart 2.6** below:

Chart 2.6: Trends of Transfers from Union Government



During the year 2022-23, transfers from GoI, (₹ 2,29,665 crore) which included State's share of Union Taxes and Duties (₹ 1,69,745 crore) and Grants-in-aid (₹ 59,920 crore), constituted 55.04 per cent of Revenue Receipts (₹ 4,17,241 crore) of the State. Total transfer from GoI was 8.23 per cent (₹ 17,458 crore) higher as compared to the year 2021-22.

(i) Central Tax Transfers

The actual release of share in Union taxes and duties to State Government vis-a-vis projections made by Fourteenth Finance Commission (2015-20) and Fifteenth Finance Commission for the period 2020-23 is tabulated in **Table 2.7**.

Table 2.7: Projection vis-a-vis Actual devolution of Central Share to Uttar Pradesh

(₹ in crore)

Year	Finance Commission projections	Projection as per FCR	Amount Devolved	Difference
(1)	(2)	(3)	(4)	(5)= (4)-(3)
2015-16	17.959 per cent of net proceeds of all shareable taxes excluding service tax and 18.205 per cent of net proceeds of shareable service tax (As per recommendations of 14 th FC)	104297	90973.69	(-)13323.31
2016-17		120355	109428.29	(-)10926.71
2017-18		139070	120939.14	(-)18130.86
2018-19		160892	136766.46	(-)24125.54
2019-20		186352	117818.30	(-)68533.70
2020-21	17.931 per cent of net proceeds of all shareable taxes. (As per recommendations of 15 th FC)	153342	106687.01	(-)46654.99
2021-22	17.939 per cent of net proceeds of all shareable taxes. (As per recommendations of 15 th FC)	118145	160358.05	42213.05
2022-23		131426	169745.30	38319.30

The trend of receipts under Uttar Pradesh's share in Union Taxes and Duties during the five-year period 2018-23 is given in **Table 2.8**.

Table 2.8: Central Tax Transfers during the period 2018-23

(₹ in crore)

Head	2018-19	2019-20	2020-21	2021-22	2022-23
Central Goods and Services Tax (CGST)	33757	33434	31611	45919	48136
Integrated Goods and Services Tax (IGST)	2694	0	0	0	0
Corporation Tax	47563	40171	32258	45807	56507
Taxes on Income other than Corporation Tax	35028	31477	33080	47482	55758
Customs	9695	7468	5606	11922	6697
Union Excise Duties	6442	5192	3577	6693	2101
Service Tax	1252	0	475	2360	266
Other Taxes ⁶	335	76	80	175	280
Total	136766	117818	106687	160358	169745
Percentage of increase over previous year	13.09	(-)13.85	(-)9.45	50.31	5.85
Percentage of Central tax transfers to total Revenue Receipts of State	41.45	32.16	36.02	43.22	40.68

Source: Finance Accounts of the respective years.

Table 2.8 shows that during the year 2022-23, the receipts under State's share of Union taxes and duties increased by ₹ 9,387 crore (5.85 per cent) as compared to year 2021-22. State's share of Union taxes and duties constituted 40.68 per cent of total revenue receipts of the State Government.

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

The State Government received Grants-in-aid from GoI under sub major heads such as Grants for Centrally Sponsored Schemes (CSS), Finance Commission Grants and other transfers from GoI. During the period 2018-23, position of grants-in-aid from GoI is depicted in Table 2.9

Table 2.9: Grants-in-aid from Government of India during the period 2018-23

(₹ in crore)

Head	2018-19	2019-20	2020-21	2021-22	2022-23
Grants for Centrally Sponsored Plan Scheme					
Grants for Centrally Sponsored Schemes (CSS)	31250	25824	32342	31227	35575
Finance Commission Grants	9318	12965	16023	12306	12384
Other Transfers/Grants to States/Union Territories with Legislature	2421	5255	9381	8316	11961
Total	42989	44044	57746	51849	59920
Percentage of increase over the previous year	5.76	2.45	31.11	(-)10.21	15.57
Percentage of GIA to Revenue Receipts	13.03	12.02	19.50	13.98	14.36

Source: Finance Accounts of respective years

⁶ Include Taxes on Wealth, Other Taxes on Income and Expenditure, Other Taxes and Duties on commodities and Services.

It is evident from **Table 2.9** that overall increase during the period 2018-23 under different components of Grants-in-aid from GoI was 39.38 *per cent* from ₹ 42,989 crore in 2018-19 to ₹ 59,920 crore in 2022-23. However, in the year 2022-23, there was an increase of 15.57 *per cent* (₹ 8,071 crore) in Grants-in-aid over the previous year. The State Government received ₹ 35,575 crore under Centrally Sponsored Schemes during 2022-23 which was 13.92 *per cent* higher in comparison to the year 2021-22 mainly due to increased Grants-in-Aid under Rural Development Department by ₹ 6,894.58 crore (130.63 *per cent*), Medical Education Department by ₹ 642.68 crore (91.81 *per cent*), Women and Child Development by ₹ 1,075.79 crore (71.36 *per cent*), Panchayati Raj and Youth Welfare by ₹ 336.48 crore (104.75 *per cent*), Primary Education by ₹ 657.26 crore (21.77 *per cent*) and Schedule Tribe Welfare by ₹ 184.23 crore (17.53 *per cent*). However, there was decrease in Grants-in-Aid under Police Department by ₹ 22.93 crore (70 *per cent*), Urban Development by ₹ 1,749.88 crore (31.30 *per cent*) and Social Welfare Development (Special Component Plan of Scheduled Castes) by ₹ 3,320.41 crore (50.84 *per cent*), etc.

Single Nodal Agency: Ministry of Finance, Government of India notified (March 2021) the procedure for release of funds under CSS and monitoring utilization of funds released through Single Nodal Agency (SNA). State Government is required to designate a SNA for implementing each CSS. The SNA will open a Single Nodal Account for each CSS at the State level in scheduled Commercial Bank authorized to conduct Government business by the State Government. As per the procedure, the State Government is to transfer the Central share received in its accounts in the RBI and corresponding State share to the concerned SNA's account.

As per PFMS portal of the CGA, the State Government received ₹ 32,239.40 crore being Central share during the year 2022-23 in its Treasury Accounts. Detailed vouchers and supporting documents of actual expenditure were not received by the Accountant General (A&E) Uttar Pradesh office from the SNAs. As on 31 March 2023, the Government transferred Central share of ₹ 40,531.31 crore received in Treasury Accounts and State share of ₹ 38,533.68 crore to the SNAs. As per PFMS portal of CGA, ₹ 28,980.96 crore is lying unspent in the bank accounts of SNAs as on 31 March 2023.

(a) Fifteenth Finance Commission Grants

Fifteenth Finance Commission recommended for grants-in-aid to State Government for Local Bodies and State Disaster Response Fund, State Disaster Risk Management Fund. The details of amounts recommended by the Fifteenth Finance Commission, grants-in-aid received from Government of India and transferred by the State Government during the period 2020-23 are shown in **Table 2.10**.

Table 2.10: Finance Commission Grants from GoI during the period 2022-23

(₹ in crore)

Particulars	Recommendation of			Grant received from GoI			Grants transferred by State Government		
	XV-FC	XV-FC	Total	2020-21 to 2021-22	2022-23	Total	2020-21 to 2021-22	2022-23	Total
	2020-21 to 2021-22	2022-23							
Local Bodies (Basic and Performance Grants)									
(i) Grants to PRIs	16960	7466	24426	16960	7466	24426	16960	7466	24426
(ii) Grants to ULBs	8245	3677	11922	6099.25	3477.82	9577.07	6099.25	3477.82	9577.07
Total for Local Bodies	25205	11143	36348	23059.25	10943.82	34003.07	23059.25	10943.82	34003.07
SDRF/SDMF*	3866	2030	5896	3479.40	1401.60	4881.00	3479.40	1401.60	4881.00
Grand Total	29071	13173	42244	26538.65	12345.42	38884.07	26538.65	12345.42	38884.07

Source: Finance Accounts of respective years and XV Finance Commission Reports

* State Disaster Response Fund (SDRF)/State Disaster Mitigation Fund (SDMF)

During the period 2022-23, against the total grants of ₹ 7,466.00 crore recommended by 15th Finance Commission under grants-in-aid for Panchayati Raj Institutions (PRIs), the State Government received ₹ 7,466.00 crore from the GoI. Out of this, the State Government released whole amount to Rural Local Bodies. Further, against the total grants of ₹ 3,677.00 crore recommended by the 15th Finance Commission for Urban Local bodies (ULBs), the State Government received ₹ 3,477.82 crore from GoI, the State Government released whole amount to ULBs during the year, thus short released of ₹ 199.18 crore, by GoI pertains to the year 2022-23. During the years 2022-23, the State Government released entire amount of grants-in-aid received from GoI to Urban/Rural Local Bodies.

As per the recommendations of the 15th Finance Commission, ₹ 2,707 crore are to be deposited under SDRF/SDMF during 2022-23, in which ₹ 1,624 crore for SDRF as Central share and ₹ 406 crore for SDMF as Central share and the State Government has to deposit ₹ 541.60 crore as state share for SDRF and ₹ 135.40 crore as state share for SDMF. Against the 15th FC recommendations GoI released ₹ 1,401.60 crore for SDRF/SDMF, thus GoI released short amount of ₹ 628.40 crore for the Fund. The State Government against its State share of ₹ 677 crore released ₹ 467.50 crore for the Fund. Thus, the State Government made short release of ₹ 209.50 crore.

The State Government transferred ₹ 812.00 crore as Central share and ₹ 270.80 as State share total ₹ 1,082.80 crore to SDRF and ₹ 589.60 crore as Central share and ₹ 196.70 crore as State share to SDMF respectively during the year 2022-23.

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, etc.) and loans and advances from GoI. Trends in growth and composition of Capital Receipts are shown in **Table 2.11**.

Table 2.11: Trends of capital receipts during the period 2018-23

Sources of State's Receipts	2018-19	2019-20	2020-21	2021-22	2022-23
Capital Receipts	56908	79450	87994	76690	68184
(i) Miscellaneous Capital Receipts	0	0	0	0	0
(ii) Recovery of Loans and Advances (Non Debt Receipt)	5313	5641	1135	939	1337
(iii) Public Debt Receipts of which	51595	73809	86859	75751	66847
Internal Debt	50791	72554	78677	65003	58024
Growth rate of Internal Debt (in per cent)	9.67	42.85	8.44	(-17.38)	(-10.74)
Loans and advances from GoI	804	1255	8182*	10748*	8823
Growth rate of Loans and advances from GoI (in per cent)	(-27.11)	56.09	551.95	31.36	(-17.91)
Growth rate of debt Capital Receipts	8.81	43.05	17.68	(-12.79)	(-11.75)
Growth rate of non-debt Capital Receipts	2151.27	6.17	(-79.88)	(-17.27)	42.39
Growth rate of GSDP	9.88	7.45	(-3.22)	20.01	14.33
Growth rate of Capital Receipts (per cent)	19.42	39.61	10.75	(-12.85)	(-11.09)

Source: Finance Accounts of respective years

* Loans and advances from GoI included back-to-back loan of ₹6,007 crore and ₹8,140 crore in the years 2020-21 and 2021-22 respectively in lieu of GST compensation shortfall, with no repayment liability to the State.

As evident from **Table 2.11** that Capital Receipts of the State decreased by ₹ 8,506 crore in the year 2022-23 representing a decline of 11.09 per cent in comparison to the year 2021-22 due to less receipts of internal debt by 10.74 per cent and loans and advances from GoI by 17.91 per cent over the previous year. Internal debt receipts had increasing trend during the period 2018-21 but it had downward trend during 2021-22 and 2022-23. Receipts under Loans and advances from GoI fluctuated during the period 2018-23 and it was highest at ₹ 10,748 crore in the year 2021-22 mainly due to back-to-back loan of ₹ 8,140 crore in lieu of GST compensation shortfall with no repayment liability to the State as it is to be repaid from the collection of cess in the GST Compensation Fund.

During the year 2022-23, the recovery of loans and advances (₹ 1,337 crore) increased by 42.39 per cent over the previous year (₹ 939 crore). The recovery of loans and advances was higher during the years 2018-19 and 2019-20 mainly on account of conversion of loan amounting to ₹ 4,891.72 crore in each year under UDAY scheme to grants-in-aid to PSUs.

2.3.4 State's performance in mobilization of resources

State's performance in mobilisation of resources is assessed in terms of own tax revenue and non-tax revenue, without including State's share in Central taxes and grants-in-aid from GoI. During the year 2022-23, the realisation of State's

own tax revenue was lower than the projection made by the Medium Term Fiscal Restructuring Policy (MTFRP) 2022 by 21.10 *per cent* and 28.04 *per cent* higher than the projection made by 15th FC respectively as presented in **Table 2.12**.

Table 2.12: Tax and non-tax receipts vis-à-vis projections in the year 2022-23

(₹ in crore)

Particulars	15 th Finance Commission projections for the year 2022-23	Budget Estimates /MTFRP 2022	Actual for the year 2022-23	Percentage variation of actual over	
				XV FC projections	Budget estimates/MTFRP 2022
Own tax revenue	135959	220655	174087	28.04	(-)21.10
Non-tax revenue	35328	23406	13489	(-)61.82	(-)42.37

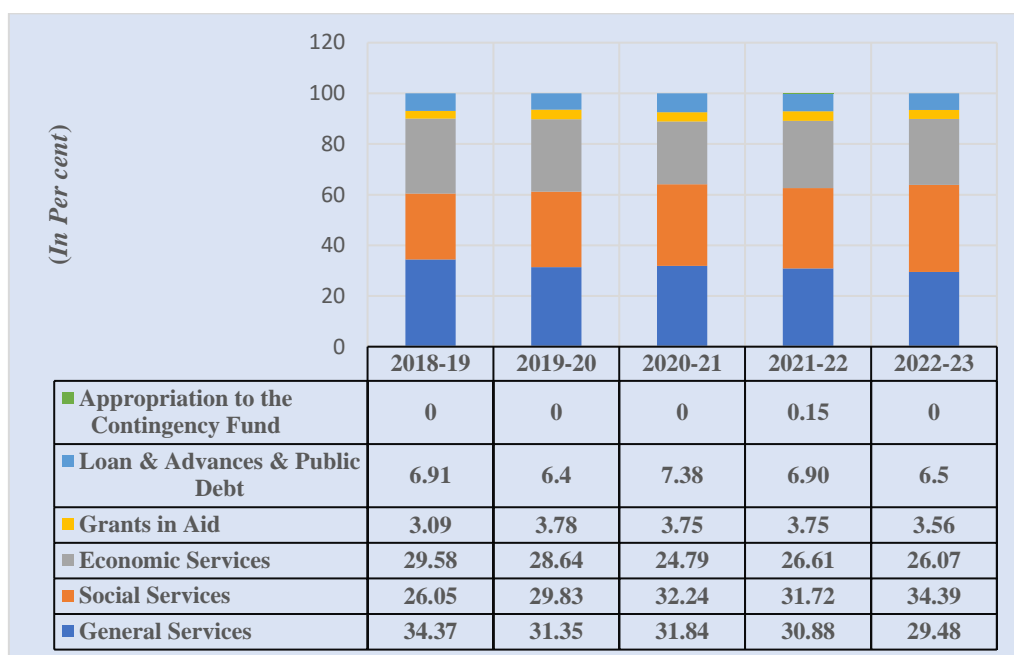
Source: 15th Finance Commission Report, Budget documents 2022-23 of the State Government and Finance Accounts 2022-23.

The Own tax revenue of the State in 2022-23 stood significantly lower than the projections made in the budget estimates/MTFRP 2022. This was mainly due to less collection of SGST by ₹ 24,123 crore, Stamps and Registration fees by ₹ 4,848 crore, State Excise by ₹ 7,900 crore and Taxes on sales, trade, etc. by ₹ 4,234 crore as compared to MTFRP 2022 projections. However, State's performance in mobilisation of own tax revenue was better than 15th Finance Commission projections.

2.4 Application of resources

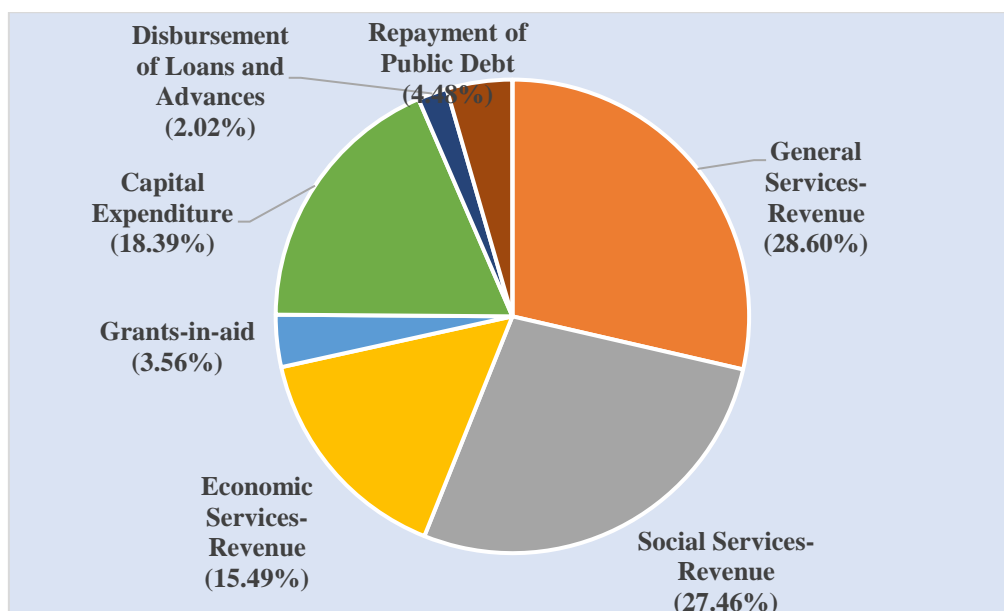
The State Government is vested with the responsibility of incurring expenditure within the framework of fiscal responsibility legislations, while at the same time ensuring that the ongoing fiscal correction and consolidation process of the State is not at the cost of expenditure directed towards development of capital infrastructure and social sector. This paragraph along with sub-paragraphs analyses allocation of expenditure in the State.

The expenditure under Consolidated Fund is grouped into sectors according to specific functions or services, such as 'General Services', 'Social Services', 'Economic Services', 'Grants-in-Aid and contributions', 'Public Debt' and 'Loans and Advances'. The trends of category wise expenditure from Consolidated Fund of the State are presented in **Chart 2.7**.

Chart 2.7: Percentage of sector wise expenditure during the period 2018-23

Source: Finance Accounts of respective years

As evident from **Chart 2.7**, the share of expenditure on Social Services increased during 2022-23 as compared to 2021-22 whereas other sectors of expenditure witnessed decrease in their respective shares in total expenditure from Consolidated Fund of the State. The component wise expenditure under Consolidated Fund of the State during 2022-23 is depicted in **Chart 2.8**.

Chart 2.8: Component wise expenditure during the year 2022-23

Source: Finance Accounts 2022-23

Chart 2.8 presents that during the year 2022-23, the revenue expenditure under General Services was highest at 28.60 per cent of total expenditure which includes expenditure on Organs of State, Fiscal Services, Interest Payment,

Administrative Services and Pensions. The revenue expenditure on Social Services was 27.46 per cent of the total expenditure which includes expenditure on Education, Sports, Art and Culture, Health and Family Welfare, Social Welfare and Nutrition, Water Supply and Sanitation, Urban Development, etc. The revenue expenditure on Economic Services was 15.49 per cent which includes expenditure on Agriculture and allied activities, Rural Development, Irrigation and Flood Control, Energy, Industry and Minerals, Transport, etc.

Growth and composition of expenditure

Total expenditure under Consolidated Fund of the State and its composition during the period 2018-23 are summarized in **Table 2.13** and also depicted in the **Chart 2.9**.

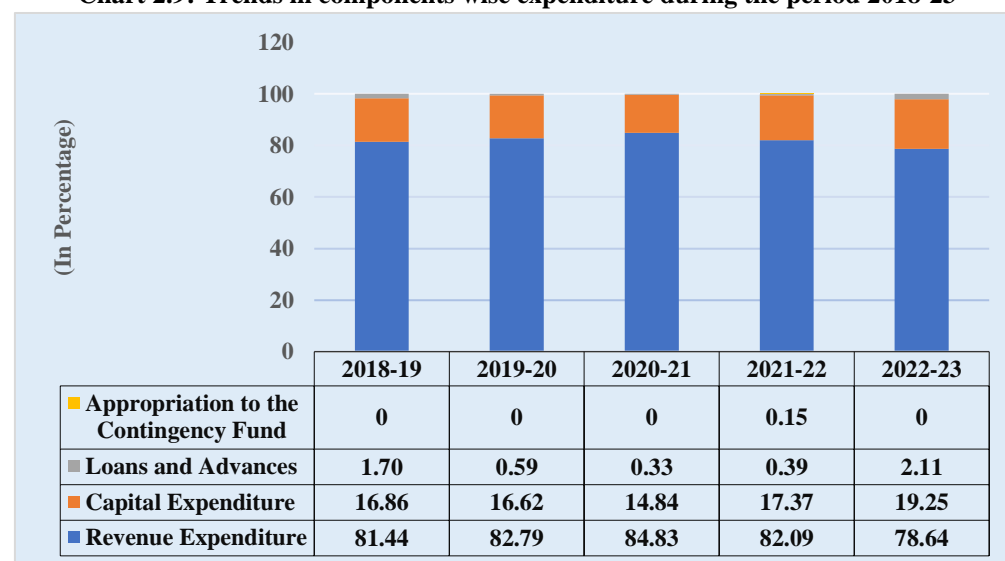
Table 2.13: Total expenditure and its composition during the period 2018-23

(₹ in crore)

Parameters	2018-19	2019-20	2020-21	2021-22	2022-23
Total Expenditure (TE)	370494	360951	351933	411237	483215
Revenue Expenditure (RE)	301728	298833	298543	337581	379978
Capital Expenditure(CE)	62463	59998	52237	71443	93028
Loans and Advances	6303	2120	1153	1613	10209
Appropriation to the Contingency Fund	0	0	0	600	0
As a percentage of GSDP					
TE/GSDP	23.42	21.23	21.39	20.83	21.40
RE/GSDP	19.07	17.58	18.15	17.10	16.83
CE/GSDP	3.95	3.53	3.17	3.62	4.12
Loans and Advances/GSDP	0.40	0.12	0.07	0.08	0.45

Source: Finance Accounts of respective years

Chart 2.9: Trends in components wise expenditure during the period 2018-23



Source: Finance Accounts of respective years

During the period 2018-23, total expenditure of the State increased by 30.42 *per cent* from ₹ 3,70,494 crore in 2018-19 to ₹ 4,83,215 crore in 2022-23. The increase was due to increase in revenue expenditure by ₹ 78,250 crore, capital expenditure by ₹ 30,565 crore, disbursement of Loan and Advances by ₹ 3,906 crore. During the period 2022-23, revenue expenditure stood at 78.64 *per cent* of the total expenditure and capital expenditure was 19.25 *per cent* of total expenditure. Thus, Revenue expenditure had a predominant share in total expenditure.

2.4.1 Revenue Expenditure

Revenue expenditure is incurred to maintain the current level of services and payment for the past obligation. As such, it does not result in any addition to the State's infrastructure and service network. Revenue expenditure comprises wages and salaries, interest payments, pensions, expenditure on operation and maintenance of capital works, subsidies and transfers to local bodies, co-operatives, non-government organisations (NGOs) and others. Basic parameters of Revenue Expenditure are given in **Table 2.14**.

Table 2.14: Basic parameters of Revenue Expenditure during the period 2018-23

(₹ in crore)					
Parameters	2018-19	2019-20	2020-21	2021-22	2022-23
Total Expenditure (TE)	370494	360951	351933	411237	483215
Revenue Expenditure (RE)	301728	298833	298543	337581	379978
Rate of Growth of RE (per cent)	13.34	(-)0.96	(-)0.10	13.08	12.56
Revenue Expenditure as percentage of TE	81.44	82.79	84.83	82.09	78.64
RE/GSDP (per cent)	19.07	17.58	18.15	17.10	16.83
Revenue Receipts	329978	366393	296176	371011	417241
Rate of Growth of RR (per cent)	18.37	11.04	(-)19.16	25.27	12.46
RE as percentage of RR	91.44	81.56	100.80	90.99	91.07
GSDP (₹ in crore)	1582180	1700062	1645317	1974532	2257575
Rate of Growth of GSDP (per cent)	9.88	7.45	(-)3.22	20.01	14.33
Buoyancy of Revenue Expenditure with					
GSDP (ratio)	1.35	*	*	0.65	0.88
Revenue Receipts (ratio)	0.73	*	*	0.52	1.01

Source: Finance Accounts of respective years

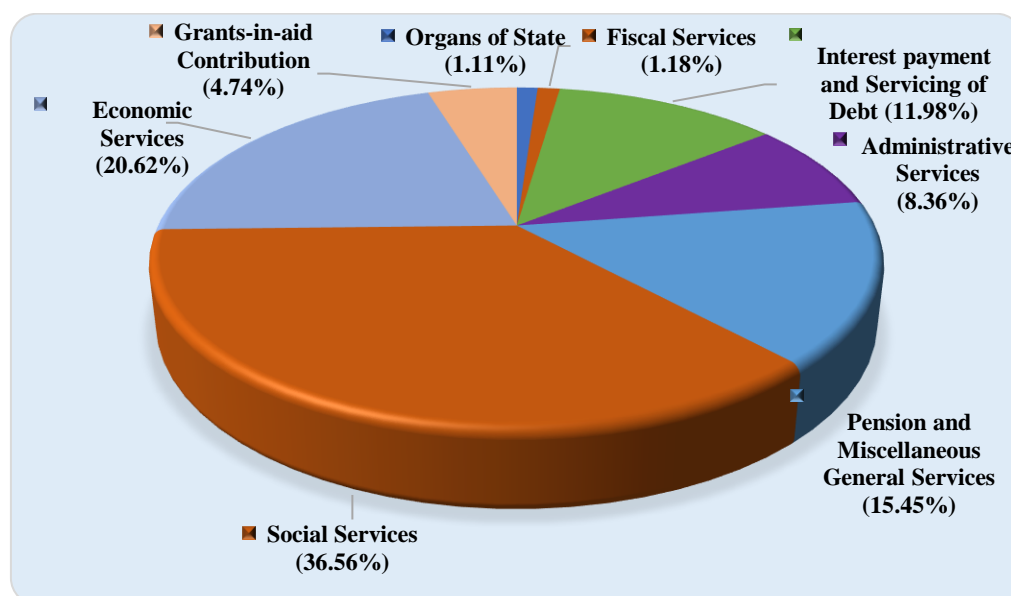
*Since growth rate were negative hence buoyancy not calculated.

Revenue expenditure continued to be the dominant component of the total expenditure, however, its share increased from 81.44 *per cent* in the year 2018-19 to 84.83 *per cent* in the year 2020-21, but it decreased to 78.64 *per cent* in the year 2022-23. The rate of growth of revenue expenditure was volatile during the period 2018-19 to 2022-23, it decreased to 0.10 *per cent* in the year 2020-21 from 13.34 *per cent* in the year 2018-19 and further increased to

12.56 per cent in the year 2022-23. Revenue expenditure as a percentage of GSDP showed a fluctuating trend during the period 2018-23. It was highest (19.07 per cent) in the year 2018-19 and lowest (16.83 per cent) in the year 2022-23. Revenue Expenditure buoyancy with GSDP measures the percentage change in the revenue expenditure to the percentage change in GSDP. As can be seen from **Table 2.14**, revenue expenditure buoyancy during the year 2022-23 with respect to GSDP was 0.88 and with respect to Revenue Receipts was 1.01.

The revenue expenditure increased by ₹ 42,397 crore (12.56 per cent) from ₹ 3,37,581 crore in the year 2021-22 to ₹ 3,79,978 crore in the year 2022-23. The increases in the revenue expenditure during the year 2022-23 were mainly on General Education by ₹ 8,531.85 crore, Power by ₹ 7,410.72 crore, Social Security and Welfare by ₹ 5,313.49 crore, Family Welfare by ₹ 5,148.55 crore, Civil Supplies by ₹ 2,235.20 crore, Compensation and Assignments to Local Bodies and Panchayati Raj Institutions by ₹1,500.01 crore, Urban Development by ₹ 1,146.82 crore, Medical and Public Health by ₹ 1,035.66 crore which was counterbalanced by less expenditure mainly under Labour, Employment and Skill Development by ₹ 1,756.12 crore and Relief on account of Natural Calamities by ₹ 1,478.44 crore. Component of General Services and Social Services as well as Economic Services wise revenue expenditure during year 2022-23 is presented in **Chart 2.10**.

Chart 2.10: Sector-wise distribution of revenue expenditure during year 2022-23



Source: Finance Accounts 2022-23

2.4.1.1 Committed and Non-Committed Expenditure

Expenditure of the State Government on revenue account can be classified into committed and non-committed expenditure. The committed expenditure of the State Government on revenue account mainly consists of expenditure on

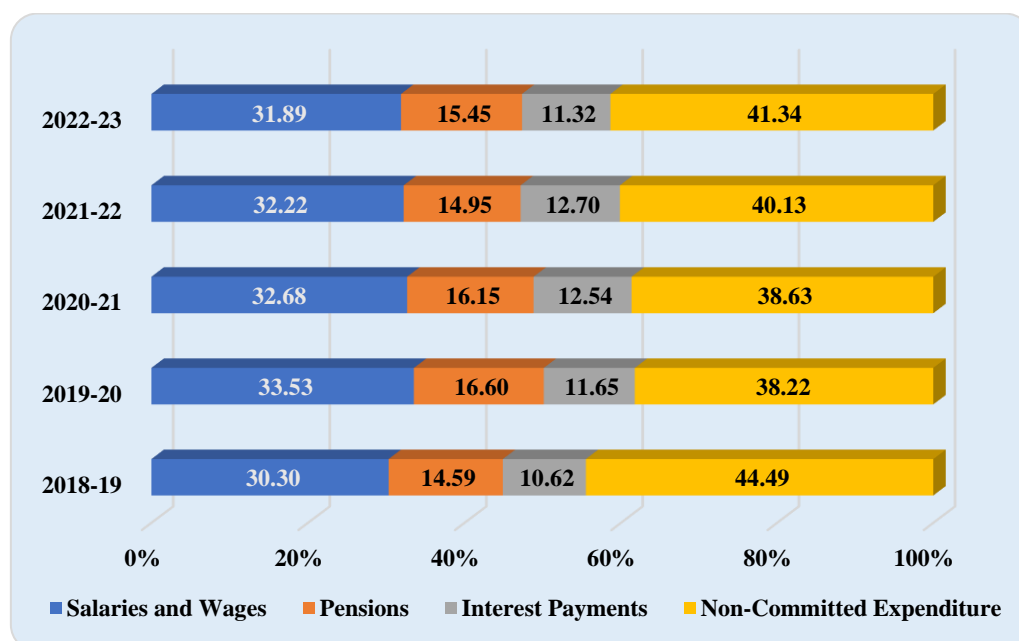
salaries and wages, pension payments and interest payments. It has first charge on Government resources.

Apart from the Committed Expenditure, 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. The following items may be considered as inflexible expenditure:

- Devolution to local bodies - statutory devolutions to local bodies for pay and allowances (devolution / transfer for 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 body, which are statutorily required
- Share contribution of CSS against the Central Fund received
- 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

Expenditure other than committed expenditure can be classified into non-committed expenditure. Trend of share of committed, Inflexible and non-committed expenditure during the period 2018-23 is depicted in **Chart 2.11**.

Chart 2.11: Share of committed and non-committed expenditure in Revenue Expenditure



Source: Finance Accounts of respective years

Committed Expenditure

Component-wise Committed Expenditure during the period 2018-23 is given in the **Table 2.15**.

Table 2.15: Components of Committed and Inflexible Expenditure during the period 2018-23

(₹ in crore)

Components of Committed Expenditure	2018-19	2019-20	2020-21	2021-22	2022-23
Salaries and Wages	91413	100188	97540	108775	121188
(i) Salary	50471	53508	50333	54727	60061
(ii) Wages	1062	1357	2363	2500	2719
(iii) Grants-in-aid (Salary)	39880	45323	44844	51548	58408
Expenditure on Pensions	44024	49603	48219	50475	58697
Interest Payments	32042	34813	37428	42876	43008
Total Committed Expenditure	167479	184604	183187	202126	222893
Component of Inflexible Expenditure	2018-19	2019-20	2020-21	2021-22	2022-23
Statutory devolution to local bodies	12100	14500	14208	16500	18000
Contribution to Reserve Funds	30097	6199	5431	8950	8674
Recoupment of Contingency fund	230	662	0	700	0
Share contribution of CSS against the Central Fund received	19196	17020	22161	22366	30056
Transfer of Cess to BOCW	10	9.96	10	9.77	40.10
Total	61633	38390.96	41810	48525.77	56770.10
As a percentage of Revenue Receipts (RR)					
Committed expenditure					
Salaries and wages	27.70	27.34	32.93	29.32	29.05
Expenditure on Pensions	13.34	13.54	16.28	13.60	14.07
Interest Payments	9.71	9.50	12.64	11.56	10.31
Total	50.75	50.38	61.85	54.48	53.43
Inflexible expenditure	18.68	10.48	14.12	13.08	13.61
Grand total	69.43	60.86	75.97	67.56	67.04
As a percentage of Revenue Expenditure (RE)					
<i>Salaries and wages</i>	30.30	33.53	32.67	32.22	31.89
<i>Expenditure on Pensions</i>	14.59	16.60	16.15	14.95	15.45
<i>Interest Payments</i>	10.62	11.65	12.54	12.70	11.32
Total	55.51	61.78	61.36	59.87	58.66
Inflexible expenditure	20.43	12.85	14.00	14.37	14.94
Grand total	75.94	74.63	75.37	74.24	73.60
Non-committed RE*	134249	114229	115320	135455	157085
Percentage of RE	44.49	38.23	38.63	40.13	41.34
Percentage of TE	36.24	31.65	32.77	32.94	32.51

Source: Finance Accounts of respective years

* Total revenue expenditure excluding committed expenditure

The committed expenditure affects the State in prioritising expenditure and in meeting capital investments to meet growing needs of social and economic infrastructure. The high proportion of committed expenditure to revenue receipts and revenue expenditure indicates that the State has limited flexibility in allocation of its resources for new schemes. **Table 2.15** shows that committed expenditure has increasing trend during the period 2018-23, except in the year 2020-21, when it was marginal declined. The component-wise details of committed expenditure are discussed below:

Expenditure on salaries and wages

There were 12,58,329 sanctioned posts in State Government as of 31 March 2022. During the year 2022-23, expenditure on salaries with respect to the employees of the State Government was ₹ 60,061 crore. This was 14.39 *per cent* of the Revenue Receipts (₹ 4,17,241 crore) and 15.81 *per cent* of the Revenue Expenditure (₹ 3,79,978 crore). However, taking into account the expenditure under the object heads ‘Subsidiary Grant-General (Salary)’, ‘Arrear of revised salary (State Aid)’⁷ and ‘Wages’, total expenditure on salary was ₹ 1,21,188 crore representing 29.05 *per cent* of Revenue Receipts and 31.89 *per cent* of Revenue Expenditure.

During the year 2022-23 total expenditure on salaries and wages increased by 11.41 *per cent* (₹ 12,413 crore) over the previous year 2021-22 mainly due to higher disbursement of dearness allowance (₹ 4,613 crore) and subsidiary grant-general (Salary) (₹ 6,861 crore).

Interest payments

The interest payments by the State Government on internal debt, small savings, provident funds, loans and advances from Central Government, *etc.*, are accounted under Major Head 2049-Interest Payments. During the period 2018-23, expenditure on account of payment of interest increased from ₹ 32,042 crore to ₹ 43,008 crore with compound annual growth rate (CAGR) of 7.64 *per cent*. As compared to 2021-22, interest payments increased by 0.31 *per cent* in 2022-23 mainly due to less interest payment by ₹ 86 crore for Loans and Advances from Central Government.

Further the State Government paid interest of ₹ 4.00 crore under the head ‘2071-01-117-09-payment of interest on late depositing subscriber contribution’ under Defined Contribution Pension Scheme (DCPS). Besides, expenditure of ₹ 8.38 crore was incurred under the head ‘2071-01-117-08-interest on due residual employer contribution up to 31.03.2019/late deposited employer contribution’. As per the List of Major and Minor Heads of Account of Union and States (LMMH), interest on DCPS is required to be booked under the head 2049-03-117. Budgeting and payment of interest on DCPS under

⁷ Related to the employees of Primary Education, Secondary Education, Aided Institutes, Autonomous Bodies, *etc.*

Major Head 2071 was in violation of LMMH, besides it understated interest expenditure under Major Head 2049.

Pension payments

There were 11,59,223 pensioners in the State as of 31 March 2022. During the period 2018-23, yearly expenditure on account of pension payment ranged between ₹ 44,024 crore and ₹ 58,697 crore. In the year 2022-23, expenditure on pension was ₹ 58,697 crore, which was 16.29 per cent higher than the previous year (₹ 50,475 crore). The increases were mainly under the heads of Superannuation and Retirement Allowances (₹ 1,753.65 crore), Commuted value of Pension (₹ 505.36 crore), Pension to employees of state aided educational institutions (by ₹ 1,373.90 crore), Government Contribution for DCPS (by ₹ 1,468.13 crore). Expenditure on pension in the year 2022-23 was 14.07 per cent of the total revenue receipts, 15.45 per cent of the total revenue expenditure.

Inflexible expenditure

The components of Inflexible expenditure which include among others Statutory devolution to local bodies and contribution to Reserve Funds showed a continued increase during the period 2018-19 to 2022-23. As a percentage of revenue receipts, the inflexible expenditure was between 10.48 per cent to 18.68 per cent and as a percentage of Revenue Expenditure inflexible expenditure was 12.85 per cent to 20.43 per cent during the year 2018-19 to 2022-23.

2.4.1.2 Subsidies

State Government provides subsidy under various schemes implemented by Agriculture and Other Allied Departments, Industries Department, Power Department, Science and Technology Department and Social Welfare Department, which is detailed in Appendix-II of Finance Accounts. The details of subsidies provided during the period 2018-23 are given in **Table 2.16**.

Table 2.16: Expenditure on subsidies during the period 2018-23

Particular	2018-19	2019-20	2020-21	2021-22	2022-23
Subsidies (₹ in crore)					
<i>of which</i>	14053	14092	11677	20145	21267
Power Subsidy (₹ in crore)	8370	8920	6057	13388	14361
<i>Subsidies as a percentage of Revenue Receipts</i>	4.26	3.85	3.94	5.43	5.10
<i>Subsidies as a percentage of Revenue Expenditure</i>	4.66	4.72	3.91	5.97	5.60
<i>Subsidies as a percentage of Total Expenditure</i>	3.79	3.90	3.32	4.90	4.40
<i>Power subsidy as percentage to total subsidy</i>	59.56	63.30	51.87	66.46	67.53

Source: Finance Accounts of respective years

Expenditure on subsidy was fluctuating during the period 2018-19 to 2022-23. Though it increased from ₹ 14,053 crore in the year 2018-19 to ₹ 21,267 crore in the year 2022-23, it was lowest ₹ 11,677 crore in the year 2020-21. During the year 2022-23, subsidy of ₹ 21,267 crore was 5.10 per cent and 5.60 per cent of revenue receipts and revenue expenditure respectively. It also includes central assistance of ₹ 1,564.07 crore for subsidy under Centrally Sponsored Schemes. The overall increase (₹ 1,112 crore) during the year 2022-23 as compared to previous year 2021-22 was mainly due to higher subsidies under ‘Grant to UPPCL due to granting 50 per cent rebate on tariff of private tube-well consumers’ by ₹ 1,250 crore, ‘Revenue compensatory grant against amount paid on electric tax to Uttar Pradesh Power Corporation Ltd’ by ₹ 1,050 crore, ‘National Rural Livelihood Mission’ (Tribal Welfare) by ₹ 252 crore which was counterbalanced by less subsidy under the head ‘National Rural Livelihood Mission’ (Special component plan for Scheduled Castes) by ₹ 635 crore, Swarnajayanti Gram Swarajgar Yojana by ₹ 640 crore.

2.4.1.3 Financial assistance by the State Government to Local Bodies and Other Institutions

Financial assistance is provided by the State Government to Local Bodies and other institutions by way of grants and loans. The quantum of assistance provided by way of grants to local bodies and other institutions during the period 2018-23 is presented in **Table 2.17**.

Table 2.17: Financial Assistance to Local Bodies and other institutions during 2018-23

(₹ in crore)

Financial Assistance to Institutions	2018-19	2019-20	2020-21	2021-22	2022-23
(A) Local Bodies					
Urban Local Bodies (Municipal Corporations and Municipalities)	3081.35	9059.97	15115.15	13610.89	9802.01
Panchayati Raj Institution (Zila Parishads and Gram Panchayats)	16209.80	12517.71	10412.00	7635.03	8109.70
Total (A)	19291.15	21577.68	25527.15	21245.92	17911.71
(B) Public Sector Undertakings (Government Companies and Statutory Corporations)	7053.03	8940.17	7018.39	7391.59	10054.20
(C) Autonomous Bodies (Universities, Development Authorities, Cooperative Institutions & Others)	6436.96	37393.78	35251.87	44342.71	48527.42
(D) Non-Government Organisations	181.61	7140.75	7040.51	7924.10	9340.91
(E) Miscellaneous	58801.38	18282.08	24050.46	19941.12	35527.75
Total (B+C+D+ E)	72472.98	71756.78	73361.23	79599.52	103450.28
Grand Total (A+B + C +D+ E)	91764.13	93334.46	98888.38	100845.44	121361.99
GIA on Salary	39880.53	45322.82	44844.40	51547.02	58408.44
GIA on creation of capital assets	6089.49	6821.79	11208.64	12028.65	10955.37
GIA for non-salary	45794.09	41189.87	42799.84	37268.51	51998.17
GIA given in kind	No information received from the State Government				

Financial Assistance to Institutions	2018-19	2019-20	2020-21	2021-22	2022-23
Growth in GIA over the previous year	(-) 0.50	1.71	5.95	1.98	20.34
Revenue Expenditure	301728	298833	298543	337581	379978
<i>Assistance as percentage of Revenue Expenditure</i>	30.41	31.23	33.12	29.87	31.94

Source: Finance Accounts of respective years

Financial assistance of ₹ 1,21,361.99 crore was provided by the State Government to Local bodies and other grantee institutions by way of grants-in-aid during the year 2022-23. This includes: grants-in-aid to Urban Local Bodies (₹ 9,802.01 crore), Panchayati Raj Institutions (₹ 8,109.70 crore), Public Sector Undertakings (₹ 10,054.20 crore), Autonomous Bodies (₹ 48,527.42 crore), Non-Government Organizations (₹ 9,340.91 crore) and Miscellaneous (₹ 35,527.75 crore) which comprised release of grants-in-aid mainly under central assistance including centrally sponsored schemes (₹ 5,520.47 crore), state share of centrally sponsored schemes (₹ 3,944.16 crore), payment of outstanding electricity bill of Government department (₹ 3,500 crore), assistance to UPEIDA for repayment of loan (₹ 1,747.66 crore), Grants for maintenance of blind, mute, deaf and physically handicapped (₹ 1,184.11 crore) and for maintenance of destitute widows and for the education of their children's (₹ 3,304.24 crore), National Social Assistance Programme (₹ 1,620.78 crore), Old age/farmer pension (₹ 4,062.98 crore), etc.

The grants-in-aid by the State Government to Local bodies and other grantee institutions during the year 2022-23 was 20.34 per cent (₹ 20,516.55 crore) higher as compared to the year 2021-22. It increased by ₹ 29,597.86 crore (32.25 per cent) during the year 2022-23 as compared to the year 2018-19. Further, as a percentage of revenue expenditure it increased from 30.41 per cent in the year 2018-19 to 31.94 per cent in the year 2022-23.

The assistance to Panchyati Raj Institutions had decreased from ₹ 16,209.80 crore in the year 2018-19 to ₹ 8,109.70 crore in the year 2022-23. Grants-in-aid released to PRIs by the State Government during the year 2022-23 was on account of transfers of grants-in-aid received from GoI under 15th FC grants for Rural Local Bodies (₹ 7,466.00 crore) and Central assistance for Centrally Sponsored Schemes (₹ 643.70 crore). The grants-in-aid released to PRIs under 15th Finance Commission Grants increased by ₹ 258 crore and Centrally Sponsored Schemes increased by ₹ 217 crore during the year 2022-23 as compared to the year 2021-22.

Financial assistance to Urban Local Bodies increased from ₹ 3,081.35 crore in 2018-19 to ₹ 15,115.15 crore in 2020-21. However, it decreased to ₹ 9,802.01 crore in the year 2022-23. During the year 2022-23, there was overall decrease of grants-in-aid by ₹ 3,808.88 crore (28 per cent) to ULBs as compared to the year 2021-22. However, there were increase of grants-in-aid under Smart City Mission Programme by ₹ 1,225 crore, Pradhan Mantri Awas Yojna (Normal)

by ₹ 1,258 crore, Finance Commission Grants by ₹ 1,716.57 crore. The assistance to ULBs included ₹ 6,233.34 crore towards creation of capital assets.

Further, the financial assistance given for Salary and Non-Salary purpose during 2022-23 increased over the previous year, the financial assistance for creation of capital assets had decreased over the previous year. It was further noted that assistance on salary component had continuously showed an increasing trend during the last five years.

2.4.1.4 Implementation of Recommendation of State Finance Commission to Local Bodies on fiscal devolution

Article 243 I (read with Article 243 Y) of the Constitution makes it mandatory for the State Government to constitute State Finance Commission (SFC) after expiration of every fifth year to review financial position of PRIs and ULBs and *inter alia* recommend the distribution between the State and the PRIs/ULBs of the net proceeds of the taxes, duties, tolls and fees leviable by the State.

State Government constituted Fourth and Fifth SFCs in December 2011 and October 2015 respectively and their reports were submitted to the Governor in December 2014 and October 2018 and their recommendations were implemented in April 2015 and April 2020 respectively. As per the accepted recommendations, State Government was to devolve 12.5 *per cent* of the net proceeds of Own Tax Revenue of the State and share it between ULBs and PRIs in the ratio of 60:40. The devolution of SFC grants to ULBs and PRIs during 2018-19 to 2022-23 was as detailed in **Table 2.18**.

Table 2.18: Devolution of funds to PRIs and ULBs during 2018-23

(₹ in crore)

Particulars	Fourth SFC devolution			Fifth SFC devolution	
	2018-19	2019-20	2020-21	2021-22	2022-23
ULBs	7312.50	8700.00	8525.00	9900.00	10800.00
PRIs	4875.00	5800.00	5683.37	6600.00	7200.00
Total	12187.50	14500.00	14208.37	16500.00	18000.00

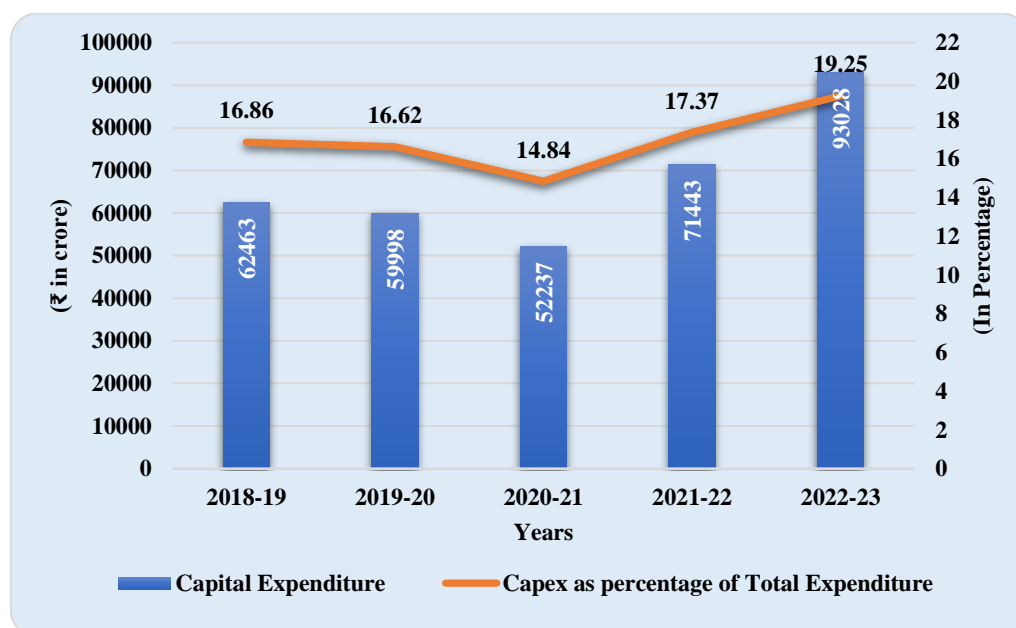
Source: Urban Local Bodies Directorate and Panchayati Raj Directorate

The devolution of SFC grants to ULBs and PRIs consistently increased during 2018-19 to 2022-23, except in the year 2020-21. There was 9.09 *per cent* increase in the devolution to Local Bodies during 2022-23 as compared to 2021-22.

2.4.2 Capital Expenditure

Capital expenditure (capex) is primarily expenditure on creation of fixed infrastructure assets such as roads, buildings, etc. The State Government needs to initiate measures to earn adequate return on its investments, recover cost of borrowed funds and take requisite steps to infuse transparency in financial operations. Capital expenditure and its percentage to total expenditure during the period 2018-23 is presented in **Chart 2.12**.

Chart 2.12: Capital expenditure in the State during the period 2018-23



Source: Finance Accounts of respective years

As evident from **Chart 2.12**, the capital expenditure as a percentage of total expenditure ranged between 14.84 per cent and 19.25 per cent during the period 2018-23 and it was highest in the year 2022-23. Some of the Major Heads where Capital expenditure was significantly high during the year 2022-23 are depicted in **Table 2.19**.

Table 2.19: Major Head wise capital expenditure during the year 2022-23

Sl. No.	Major Head and its Nomenclature	Major Activity/Scheme	Amount (₹ in crore)
1	4215-Capital Outlay on Water Supply and Sanitation	Jal Jeewan Mission (₹ 8118.56 crore), Special Component Plan for Scheduled Caste (₹ 3940.23 crore)	12227.32
2	4801-Capital Outlay on Power Projects	Share Capital to U.P. Power Corporation Ltd. For strengthening of distribution network (₹ 3034.27 crore), Uninterrupted electricity in the state in the summer season (₹1000 crore).	10220.50
3	4216-Capital Outlay on Housing	PM Awas Yojna-Rural (₹ 4770.36 crore), Corresponding State share of CSS (₹ 3180.24 crore)	8984.05
4	4515-Capital Outlay on Other Rural Development Programme	National Rural Employment Guarantee Scheme (₹ 4224.99 crore), Corresponding State share of Centrally Sponsored Scheme (₹ 1284.56 crore)	7211.41
5	4210-Capital Outlay on Medical and Public Health	Corresponding state share of centrally sponsored schemes (₹ 1090.66 crore), Establishment of Ayush University (₹ 110 crore), Fifteenth Finance Commission (₹ 473 crore).	3789.20

Sl. No.	Major Head and its Nomenclature	Major Activity/Scheme	Amount (₹ in crore)
6	4217-Capital Outlay on Urban Development	Overall and Proper Development of New Cities (₹ 1000.00 crore), Delhi-Ghaziabad-Meerut Corridor Regional Rapid Transit System Project (₹ 1306.00 crore)	3204.53
7	4202-Capital Outlay on Education, Sports, Art and Culture	Elementary Education-Central Plan/Centrally Sponsored Scheme (₹ 867.39 crore), Elementary Education-State share of Centrally Sponsored Schemes (₹ 508.26 crore), Establishment of Atal residential schools (₹ 417.44 crore), Construction of International Cricket Stadium in Varanasi (₹ 121.28 crore)	3195.59
8	4055-Capital Outlay on Police	Construction of non-residential Building of Police Department (₹ 1362.82 crore), Construction of Residential Building of Police Department (₹ 579.10 crore), Construction of residential/non-residential Buildings in newly created Districts (₹ 263.92 crore).	3138.21
9	5053-Capital Outlay on Civil Aviation	Construction, extension and consolidation of Air Strips and acquisition of land (₹ 1246.77 crore), Establishment of International Airport at Jewar (₹ 661.21 crore).	2013.77

Source: Finance Accounts 2022-23

During the year 2022-23, capital expenditure was ₹ 93,028.39 crore. It increased by ₹ 21,586 crore (30 per cent) during the year 2022-23 in comparison to the year 2021-22. Increase was in General Services Sector by ₹ 2,092.00 crore (88.80 per cent) mainly under Police and Public Works, ₹ 16,480 crore (88.75 per cent) in Social Services Sector mainly under Medical and Public Health, Water Supply and Sanitation and Housing and ₹ 3,013 crore (5.96 per cent) in Economic Services Sector mainly under Food Storage and Warehousing and Other Rural Development Programme.

2.4.2.1 Major changes in Capital Expenditure

The details of major changes in the Capital Expenditure under various Major Heads for the year 2022-23 as compared to 2021-22 are given in **Table 2.20**.

Table 2.20: Major changes in Capital Expenditure during the year 2022-23 under various Major Heads

(₹ in crore)			
Major Heads of Accounts	2021-22	2022-23	Increase (+) / Decrease (-) (percentage)
4215-Capital Outlay on Water Supply and Sanitation	3965.72	12227.32	8261.60 (208)
4515-Capital Outlay on Other Rural Development Programme	3751.67	7211.41	3459.74 (92)
4217-Capital Outlay on Urban Development	1179.08	3204.53	2025.45 (172)
5053-Capital Outlay on Civil Aviation	105.02	2013.77	1908.75 (1817)
4202-Capital Outlay on Education, Sports, Art and Culture	1632.25	3195.59	1563.34 (96)
4055-Capital Outlay on Police	1599.85	3138.21	1538.36 (96)
4408-Capital Outlay on Food Storage and Warehousing	7481.74	3233.01	-4248.73 (-57)

Source: Finance Accounts of respective years

The main reason for increase/decrease under Major Heads is given below:

Major Head 4215 (Capital outlay on Water Supply and Sanitation):

Increase was mainly due to more expenditure under Jal Jeewan Mission by ₹ 5,737.97 crore and under central plan/centrally sponsored schemes under Special Component Plan for Scheduled Caste by ₹ 2,440.12 crore.

Major Head 4217 (Capital Outlay on Urban Development): It is mainly due to increase in expenditure on Overall and Proper Development of New Cities by ₹1,000.00 crore and Delhi - Ghaziabad - Meerut Corridor Regional Rapid Transit System Project by ₹ 736.00 crore.

Major Head 4515 (Capital Outlay on Other Rural Development Programme): Increase was mainly due to more expenditure under National Rural Employment Guarantee Scheme by ₹ 2,047.25 crore and Corresponding State share of Centrally Sponsored Scheme by ₹ 1,284.56 crore.

Major Head 5053 (Capital Outlay on Civil Aviation): It is mainly due to increase in expenditure on Construction, extension and consolidation of Air-Strips and acquisition of land by ₹ 1,204.21 crore and Establishment of International Airport at Jewar in district Gautam Buddha Nagar by ₹ 588.79 crore.

Major Head 4202 (Capital Outlay on Education, Sports, Art and Culture):

It is mainly due to increase in expenditure on Corresponding state share of centrally sponsored schemes by ₹ 508.26 crore, Central Plan / Centrally Sponsored Schemes by ₹ 489.21 crore and Establishment of Atal residential schools under general education by ₹ 147.44 crore.

Major Head 4408 (Capital Outlay on Food Storage and Warehousing):

Decreases was mainly due to less expenditure under Food grain supply project under Centrally Sponsored Scheme by ₹ 4,696.81 crore with comparison to the expenditure in the previous year.

2.4.2.2 Quality of capital expenditure

This section presents an analysis of quality of capital expenditure by the State Government.

(i) Quality of investments in PSUs

Capital expenditure, investments made and loans given to State Public Sector Undertakings (PSUs) which are loss making or where net worth is completely eroded is not sustainable and affected the quality of capital expenditure. Issues related to quality of investments in PSUs, viz., investment in non-functional PSUs, arrears in submission of annual accounts, budgetary support to PSUs, erosion of net worth, *etc.*, have been discussed in detail under various paragraphs in **Chapter-V** of the Report.

Trends of return on investment in companies, corporations and co-operative banks and societies, difference between cost of Government borrowings and return on investment are depicted in **Table 2.21**

Table 2.21: Return on Investment**(₹ in crore)**

Sl. No.	Investment/return/cost of borrowings	2018-19	2019-20	2020-21	2021-22	2022-23
1	Investment ⁸ at the end of the year	118532	127630	139495	151521	164001
2	Return	175.48	39.04	104.83	212.58	141.32
3	Return (per cent)	0.15	0.03	0.08	0.14	0.09
4	Average rate ⁹ of interest on Government Borrowings and other liabilities (per cent)	6.50	6.82	7.01	7.28	6.74
5	Difference between interest rate and return (per cent)	6.35	6.79	6.93	7.14	6.65
6	Difference between interest on Government borrowings and return on investment	7527	8666	9667	10819	10906

Source: Finance Accounts of the respective years.

⁸ These figures are as per Statement 19 (Section 2) of Finance Accounts. The information on investment provided by respective entities/State Government under Statement 19 (Section 1) was different, which was under reconciliation.

⁹ Average Interest Rate of Overall Outstanding Public Debt= [Interest Paid/ {(OB of Public Debt +CB of Public Debt)/2}] *100

During the year 2022-23, the return on investment was ₹ 141.32 crore (0.09 per cent). The return on investment was between 0.03 per cent to 0.15 per cent during the period 2018-19 to 2022-23, whereas average rate of interest paid by the State Government on its borrowings was between 6.50 per cent to 7.28 per cent during the same period. Over the period 2018-19 to 2022-23 (past five years) the difference in cost of Government borrowings and return on investment in PSUs and other entities was to the tune of ₹ 47,585 crore.

(ii) Loans and advances by the State Government

In addition to the investment in co-operative societies, corporations and companies, the State Government has also been providing loans and advances to many institutions/organizations. **Table 2.22** presents the positions of outstanding loans and advances as on 31 March 2023 and interest receipts *vis-à-vis* interest payments by the State Government on its borrowings during 2018-19 to 2022-23.

Table 2.22: Quantum of loans disbursed and recovered during 2018-23.

(₹ in crore)					
Particulars	2018-19	2019-20	2020-21	2021-22	2022-23
Opening Balance of loans outstanding	29720.31	30709.56	27188.98	27206.86	27880.79
Amount advanced during the year	6302.64	2120.00	1152.61	1613.36	10208.63
Amount recovered during the year	5313.39	5640.58	1134.73	939.43	1337.32
Closing balance of the loans outstanding	30709.56	27188.98	27206.86	27880.79	36752.10
Net addition	989.25	-3520.58	17.88	673.93	8871.31
Interest received	27.10	112.29	89.18	66.78	42.33
Interest rate on Loans and Advances given by the Government	0.09	0.39	0.33	0.24	0.13
Rate of interest paid on the outstanding borrowings of the Government	6.50	6.82	7.01	7.28	6.74
Difference between the rate of interest received and interest paid (<i>per cent</i>)	6.41	6.43	6.68	7.04	6.61

Source: Finance Accounts of the respective years.

During the year 2022-23, ₹ 10,208.63 crore was advanced as loans against ₹ 1,613.36 crore during the year 2021-22. The loans advanced during the current year includes:

- Loan of ₹ 8,000.00 crore to Industrial Development Authorities.
- Loan of ₹ 1,000.00 crore to Uttar Pradesh Cooperative Sugar mills federation for payment of arrears of sugarcane price of sugar factories, though loan of ₹ 1,010.00 crore was outstanding at the beginning of the year.

The total outstanding loan advanced by the State Government increased by ₹ 8,871.31 crore in the year 2022-23. Recovery of loans was increased by ₹ 397.89 crore and interest receipt was decreased by ₹ 24.45 crore as compared to the year 2021-22. The interest receipt was only 0.12 *per cent* of the outstanding loans advances during the year 2022-23.

(iii) Capital blocked in incomplete projects

Appendix-IX of the Finance Accounts presents the overall status of incomplete capital works. The Appendix includes the list of incomplete works in Public Works and Irrigation Department of U.P Government, though the list is not inclusive of all the incomplete works of the State Government of other Departments. 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 the extra burden in terms of servicing of debt and interest liabilities.

As per Appendix-IX of the Finance Accounts 2022-23, there were 575 incomplete capital projects as on 31 March 2023, on which an amount of ₹ 2,013.70 crore had been incurred and payments of ₹ 1,028.70 crore were pending as given in **Table 2.23**.

Table 2.23: Department-wise incomplete projects as on 31 March 2023

(₹ in crore)			
Department	No. of incomplete projects	Estimated cost	Expenditure
Public Works	569	3257.65	1944.84
Irrigation	06	85.58	68.86
Total	575	3343.23	2013.70

Source: Finance Accounts 2022-23

2.4.3 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 total 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. Fiscal priority of the State Government with regard to expenditure on social and economic sector, etc. is shown in **Table 2.24**.

Table 2.24: Expenditure priority of the State with regard to health, education and capital expenditure

Category	(In per cent)			
	TE/GSDP	CE/TE	Education/TE	Health & Family Welfare/TE
General Category States Average (2018-19)	16.38	15.58	14.76	5.07
Uttar Pradesh (2018-19)	23.42	16.86	13.01	4.89
General Category States Average (2022-23)	15.79	15.22	14.85	5.68
Uttar Pradesh (2022-23)	21.40	19.25	14.35	6.45

Source: Figures calculated on the basis of Finance Accounts of the respective years.

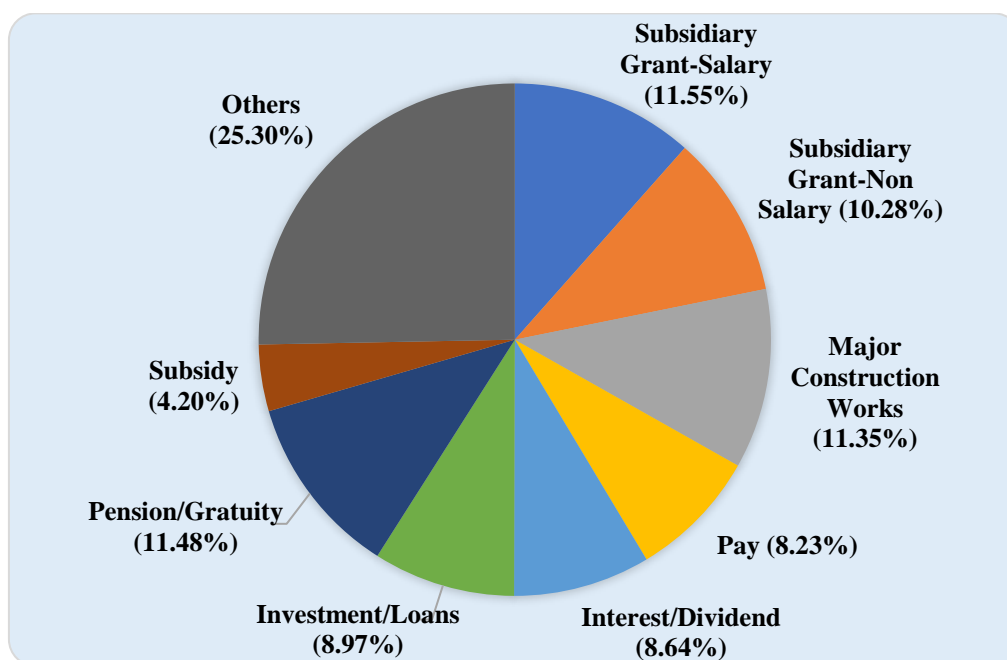
TE: Total expenditure and CE: Capital expenditure

Table 2.24 shows that:

- The State Government's total expenditure to GSDP ratio was higher with comparison to the General Category States average during 2018-19 and 2022-23, though it decreased from 23.42 per cent to 21.40 per cent in the year 2022-23 with respect to 2018-19.
- Capital expenditure facilitates asset creation which generates opportunities for higher growth. The ratio of capital expenditure to total expenditure increased from 16.86 per cent in the year 2018-19 to 19.25 per cent in the year 2022-23. The ratio of capital expenditure to total expenditure of the State was higher than the General Category States average in the year 2018-19 and 2022-23.
- The ratio of expenditure on education to the total expenditure in Uttar Pradesh increased from 13.01 per cent in the year 2018-19 to 14.35 per cent in the year 2022-23, though it was below the General Category States average during both years.
- The ratio of expenditure on health & family welfare to the total expenditure in Uttar Pradesh increased from 4.89 per cent in the year 2018-19 to 6.45 per cent in the year 2022-23. Further, it was higher than the General Category States average during 2022-23.

2.4.4 Object head wise expenditure

Object Heads are the primary units of appropriation showing the economic nature of expenditure such as pay, pension, grants-in-aid, interest, subsidy, etc. Object head wise expenditure during the year 2022-23 is depicted in **Chart 2.13**.

Chart 2.13: Object Head wise expenditure (in per cent) during the year 2022-23

Source: Finance Accounts 2022-23

As evident from **Chart 2.13**, the expenditure under object heads pay, grants-in-aid for salary and pension & retirement benefits constituted 32.41 per cent of overall expenditure (₹ 5,05,905.54 crore) under Consolidated Fund of the State. Besides, grants-in-aid (non-salary), interest/dividend and subsidy constituted 10.28 per cent, 8.64 per cent and 4.20 per cent of the Consolidated Fund expenditure respectively. Expenditure on account of investment and loans and major construction works, which are capital in nature, constituted 8.97 per cent and 11.35 per cent of the Consolidated Fund expenditure respectively.

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 Transactions

The status of receipts and disbursement under Public Account are shown in Statement 21 of the Finance Accounts and the details of Public Account (Net) transactions during the period 2018-23 are given in **Table 2.25**.

Table 2.25: Component-wise Public Account (Net) transactions during the period 2018-23

(₹ in crore)

Sector	Sub Sector	2018-19	2019-20	2020-21	2021-22	2022-23
Small Savings, Provident Funds, etc.	Small Savings, Provident Funds, etc.	3646	3314	1062	525	413
Reserve Funds	(a) Reserve Funds bearing Interest	0	1757	(-)252	2693	729
	(b) Reserve Funds not bearing Interest*	13545	(-)70056	753	1200	2963
Deposits and Advances	(a) Deposits bearing Interest	184	883	607	(-) 717	(-)1948
	(b) Deposits not bearing Interest	2000	(-)2990	1308	(-) 741	5547
	(c) Advances	12	17	(-) 0.15	0	0
Suspense and Miscellaneous	(a) Suspense	(-)236	(-)1743	1859	1444	(-)394
	(b) Other Accounts**	459	(-)85	(-)162	17	429
	(c) Accounts with Governments of Foreign Countries	0	0	0	0	0
	(d) Miscellaneous	0	0	0	0	(-)0.10
Remittances	(a) Money Orders and other Remittances	328	308	(-)323	25	1046
	(b) Inter-Governmental Adjustment Account	(-)16	5	(-)2	(-)4	10
TOTAL		19922	(-)68590	4850*	4442*	8795*

Note: Positive denotes receipts are more than disbursements and negative denotes vice versa.

* Excluding investments in Reserve Funds which are part of opening and closing cash balances.

** Excluding transactions under Major Heads 8671-Departmental Balances, 8672-Permanent Cash Imprest and 8673-Cash Balance Investment Account, which are part of opening and closing cash balances.

2.5.2 Reserve Funds

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 as well as GoI. Detailed information on Reserve Funds and the investment from the earmarked funds is available in Statements 21 and 22 of the Finance Accounts, which is summarized in *Appendix-2.3*.

As on 31 March 2023, there was total accumulated balance of ₹ 12,611.99 crore with Reserve Funds. Out of these, ₹ 4,927.44 crore was under Reserve Funds bearing interest¹⁰ and ₹ 7,684.56 crore under Reserve Funds not bearing interest. Further, State Government had invested ₹ 5,545.20 crore of Reserve Fund balances in government securities. Detail of some of the significant Reserve Funds are discussed below:

¹⁰ A Fund where the State Government is required to pay interest on deposits in the Fund on such rate as may be fixed by the Government.

2.5.2.1 Consolidated Sinking Fund

State Government created the ‘Consolidated Sinking Fund of Government of Uttar Pradesh’ in March 2020, which came into force with effect from financial year 2020-21. The Fund is to be utilised as an amortisation fund for redemption of outstanding liabilities of the Government commencing from the financial year 2020-21. As per the State Government notification (17 March 2020), the Government may contribute to the Fund at least 0.5 *per cent* of the outstanding liabilities, *i.e.*, internal debt and public account liabilities, of the Government as at the end of the previous year. The corpus of the Fund comprising of periodic contributions as well as the income accruing to the Fund shall be kept outside the general revenue of the Government. The Fund shall be administered by RBI subject to directions/instructions as the Government may issue from time to time. The accretions to the Fund shall be invested in GoI dated Securities, Treasury bill, Special Securities of GoI and State Development Loans of other States of such maturities as the Bank may determine from time to time in consultation with the Government.

Consolidated Sinking Fund had opening balance of ₹ 3,000 crore as on 1 April 2022 which is maintained in Public Account under the head 8222-01-101-Sinking Fund. During the year 2022-23, State Government transferred ₹ 2,500 crore to the Fund from the head 2048-00-101-Appropriation for reduction or avoidance of debt under Consolidated Fund of the State. Further, there was no disbursement from the Fund during the year 2022-23. Thus, as on 31 March 2023, Consolidated Sinking Fund had a balance of ₹ 5,500 crore (excluding accrued interest).

In view of guidelines of Consolidated Sinking Fund, Government was required to contribute at least ₹ 2,928.48 crore (0.50 *per cent* of internal debt and public account liabilities of ₹ 5,85,695.00 crore at the end of the year 2021-22) in the consolidated Sinking fund. Thus, there was short contribution of ₹ 428.48 crore (₹ 2,928.48 crore - ₹ 2,500.00 crore) which could not become the part of sinking fund investment during the year 2022-23. Due to short transfer to Consolidated Sinking Fund State’s Revenue Surplus was overstated and Fiscal Deficit was understated by ₹ 428.48 crore during the year 2022-23.

2.5.2.2 Depreciation Reserve Fund

The State Government created (March 2005) the Uttar Pradesh Public Works Department (PWD) Depreciation Reserve Fund (DRF) to purchase machines and equipment for renewal and replacement of unserviceable machines or equipment, carrying out special repair of machines or equipment and purchase of high technology machines/equipment. DRF is maintained in the Public Account under head 8226-102.

During the year 2022-23, the Fund had opening balance of (-) ₹ 6.11 crore and an amount of ₹ 30.00 crore was transferred to the Fund from the head

3054-80-797 and an amount of ₹ 9.70 crore disbursed from it which was transferred to the head 5054-80-800. As a result, the closing balance of DRF was ₹ 14.19 crore as on 31 March 2023.

The Government prescribed that 1.5 *per cent* amount on account of DRF would be debited to work and credited to receipt head 1054-800-04. Under the provisions of Uttar Pradesh PWD DRF Rules, 2005, this amount would be transferred to DRF under Public Account for intended purposes. Audit noticed that during the year 2022-23, State Government received ₹ 98.45 crore against DRF under the head 1054-800-04 against which the State Government had transferred ₹ 30.00 crore to DRF under the head 8226-102 during the year 2022-23. Thus, the Government had increased its revenue receipts by increasing the cost of work.

The matter was also highlighted in Paragraph 2.8.2.2 of the State Finances Audit Report for the year ended 31 March 2021 and 31 March 2022.

2.5.2.3 State Disaster Response Fund

The State Disaster Response Fund (SDRF) is a fund constituted under Section 48 (1) (a) of the Disaster Management Act, 2005. As per the guidelines issued (January 2022) by GoI under the Act, SDRF is to be used only for meeting the expenditure for providing immediate relief to the victims of cyclone, drought, earthquake, fire, flood, tsunami, hailstorm, landslide, avalanche, cloudburst, pest attack and cold waves/frost. The guidelines of SDRF further stipulate the following:

- The Fund will be constituted in the Public Account under the 'Reserve Funds bearing Interest' below Major Head-8121-General and Other Reserve Funds in the accounts of the State Governments concerned.
- The aggregate size of the State Disaster Response Fund of each State for each of the financial year from 2021-22 to 2025-26, would be as recommended by the 15th Finance Commission. Of the total size of SDRF indicated, GoI will contribute 75 *per cent* for general category States and the balance 25 *per cent* will be contributed by the State Government concerned.
- The State Government shall pay interest to the SDRF at the interest applicable to overdrafts under Overdraft Regulation Guidelines of the RBI. The interest is to be credited on a half yearly basis. The accretions to the SDRF together with the income earned on the investment of SDRF is to be invested in Central Government dated Securities, auctioned Treasury Bills and other interest earning deposits with scheduled commercial banks.

During the year 2022-23, State Government maintained SDRF under the head 8121-122-SDRF. 15th Finance Commission had allocated ₹ 2,165.60 crore for SDRF which consisted of contribution from GoI (₹ 1,624 crore) and State Government (₹ 541.60 crore). Against this, State Government received

₹ 812 crore from GoI and transferred ₹ 1,082.80 crore (including State's share of ₹ 270.80 crore) to SDRF. Besides, the State Government also received ₹ 0.18 crore from the Central Government towards NDRF, which was transferred to SDRF.

During the year 2022-23, the head 8121-122-SDRF had an opening balance of ₹ 3,015.59 crore¹¹ and it received ₹ 1,091.97 crore during the year. Further, expenditure of ₹ 949.20 crore incurred on natural calamities was set off (Major Head 2245-05-901) against the fund balances. Thus, the closing balance of the head 8121-122-SDRF at the end of 31 March 2023 was ₹ 3,158.36 crore, which is a reserve fund bearing interest. However, State Government did not credit interest of ₹ 266.56 crore (computed on six monthly basis at the average rate of interest on overdraft as applicable in the year 2022-23) on the balances available under SDRF. Besides, SDRF had also miscellaneous receipts of ₹ 6.73 crore credited under the head 8235-111-SDRF during 2022-23. Further, State Government had not invested the accretion of SDRF in the manner as laid down in the SDRF guidelines.

Due to not crediting interest (₹ 266.56 crore) to SDRF, State's Revenue Surplus was overstated and Fiscal Deficit was understated by ₹ 266.56 crore during the year 2022-23.

2.5.2.4 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 projects in respect of disasters covered under State Disaster Response Fund (SDRF) / National Disaster Response Fund (NDRF) guidelines and the State specific local disasters notified by the State Government. Government of Uttar Pradesh had notified (June 2022) the operation of SDMF under Major Head 8121-130- State Disaster Mitigation Fund, which is Reserve Funds bearing interest.

During the year 2022-23, the State Government received ₹ 589.60 crore from the Central Government. Opening balance of the Fund was nil, the State Government transferred ₹ 786.30 crore to the Fund including Central share (₹ 589.60 crore) and State share (₹ 196.70 crore). No expenditure was incurred from the Fund during the year.

2.5.2.5 Guarantee Redemption Fund

State Government notified (January 2021) the scheme for constitution and administration of the Guarantee Redemption Fund of the Government of Uttar Pradesh 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

¹¹ This includes ₹ 10 crore of balance under State Calamity Mitigation Fund transferred from the head 8235-111-SDRF to the head 8121-122-SDRF.

Level Undertakings or other bodies and invoked by the beneficiaries. The fund was to come in force from the financial year 2021-22 and it was to be administered by RBI. As per the guidelines¹², the State Government shall initially contribute a minimum of one *per cent* and thereafter at the rate of minimum 0.5 *per cent* every year of outstanding guarantees at the end of the previous year to achieve a minimum level of three *per cent* in next five years.

The position of guarantees given by the State Government on the loans availed by various institutions is given in Statements 9 and 20 of Finance Accounts, which is based on information received from the State Government. As per Finance Accounts 2021-22, outstanding guarantees executed by the State Government at the end of the year 2021-22 was ₹ 1,74,218.42 crore. However, as per Finance Accounts 2022-23, outstanding guarantees executed by the State Government at the beginning of the year 2022-23 was ₹ 1,71,705.13 crore to 20 entities, *viz.*, statutory corporations, Government companies and other institutions. Thus, there was a difference of ₹ 2,513.30 crore between the outstanding guarantee at the end of the year 2021-22 and at the beginning of the year 2022-23. The difference was under reconciliation between the Accountant General (A&E) Uttar Pradesh and the State Government.

During the year 2022-23, addition in the guarantee was ₹ 21,539.69 crore and guarantees of ₹ 22,464.30 crore were deleted. Thus, the total outstanding guarantee at the end of the year 2022-23 was ₹ 1,70,780.52 crore. The outstanding guarantees at the end of the year 2022-23 was 7.56 *per cent* of GSDP. During the year 2022-23, State Government did not received any guarantee commission, out of the receivable guarantee commission of ₹ 4.41 crore from Uttar Pradesh Warehousing Corporation.

Further, the State Government did not contribute any amount against ₹ 1,742.18 crore it was required to contribute to the Fund during 2022-23. This resulted in understatement of Revenue Expenditure of ₹ 1,742.18 crore.

2.5.2.6 State Compensatory Afforestation Fund

State Compensatory Afforestation Fund (SCAF) was established under the Compensatory Afforestation Fund Act, 2016. Compensatory Afforestation Fund (Accounting Procedure) Rules, 2018 provide that the monies realized by the State Governments from the user agencies¹³ are to be credited in 'State Compensatory Afforestation Deposits' under interest bearing section in Public Account of the State at Minor head-103 below Major Head 8336-Civil Deposits. Out of this, 90 *per cent* shall be transferred to Minor Head 129- SCAF below

¹² As amended in December 2022

¹³ 'user agency' means any person, organisation or company or department of the Central Government or State Government making a request for diversion or de-notification of forest land for non-forest purpose or using forest land for non-forest purpose in accordance with the provisions contained in the Forest (Conservation) Act, 1980 and the rules made and guidelines issued, there under.

Major Head 8121-General and Other Reserve Funds in Public Account of State and balance 10 *per cent* shall be credited into the National Fund as per Section 3 (4) of the Compensatory Afforestation Fund Act, 2016.

As on 1 April 2022, SCAF had opening balance of ₹ 1,182.76 crore. During 2022-23 the State Government had not received any amount for SCAF from National Compensatory Afforestation Deposit. There was no receipt from the user agencies. During the year 2022-23, the State Government paid outstanding interest of ₹ 31.66 crore related to the year 2019-20. The expenditure incurred out of the Fund during the year 2022-23 was ₹ 231.74 crore leaving a balance of ₹ 982.68 crore in SCAF.

The interest on balances available under State Compensatory Afforestation Deposits under the head 8336-Civil Deposits and SCAF under the head 8121-General and other Reserve Funds is to be paid as per the applicable rate declared by the Central Government on year-to-year basis.

However, the State Government did not transfer interest of ₹ 37.02 crore due on balance of SCAF at the rate of 3.35 *per cent*¹⁴ during 2022-23. Thus, the Revenue Surplus of the State was overstated and the Fiscal Deficit was understated by ₹ 37.02 crore during the year 2022-23.

2.5.2.7 Central Road and Infrastructure Fund (CRIF)

Central Road and Infrastructure Fund (CRIF) is used for development and maintenance of National Highways, Railway projects, improvement of safety in Railways, State and Rural roads and other infrastructure, etc. In terms of the extant accounting procedure, the grants-in-aid received by the State Government from GoI in respect of CRIF are to be initially booked as Revenue Receipts under Major Head 1601 and thereafter, the amount so received is to be transferred to the Public Account under Major Head 8449-103-Subventions from Central Road and Infrastructure Fund.

During the year 2022-23, the State Government received grants-in-aid of ₹ 658.75 crore towards CRIF. However, the State Government did not transfer any amount to the Fund in the Public Account as on 31 March 2023. This resulted in understatement of Revenue Expenditure by ₹ 658.75 crore.

2.5.3 Funds outside Consolidated Fund or Public Account of the State

Article 266 (1) subject to the provisions of Article 267, of Constitution of India provides that all revenues received by the Government of a State, all loans raised by the Government by the issue of treasury bills, loans or ways and means advances and all moneys received by that Government in repayment of loans shall form one consolidated fund to be entitled the Consolidated Fund of the State. Article 266 (2) provides that all other public moneys received by or on behalf of the Government of a State shall be credited to the Public Account of

¹⁴ As notified (October 2022) by Ministry of Environment, Forest and Climate Change.

the State. However, in the following cases moneys received by the State Government did not form part of the Consolidated Fund of the State /Public Account of the State as discussed below:

2.5.3.1 Building and Other Construction Workers Welfare Cess

The Building and Other Construction Workers (BOCW) Welfare Cess Act, 1996 and the BOCW (Regulation of Employment and Conditions of Service) Act, 1996 covers establishments employing ten or more building workers on any day of the preceding twelve months in any building or other construction work. The Acts, *inter alia*, provide for constitution of Welfare Boards with the aim of improving the working conditions of workers and to provide financial aid to them, and to augment the resources of the Welfare Boards through the levy and collection of cess on the cost of construction works. Accordingly, the State Government created (November 2009) the U.P. BOCW Welfare Board and in terms of the Cess Act, levied cess at the rate of one *per cent*. The U.P. BOCW Rules, 2009, as amended from time to time, provide for collection of registration fee of ₹ 20 and annual membership fee of ₹ 20 from registered workers.

In this connection, the audit findings are as follows:

Funds kept outside Government Accounts

Details of receipts and utilisation of cess during the period 2018-23 as provided by the Board, are given in **Table 2.26**.

Table 2.26: Status of Registration Fee, Cess realised and utilisation during the period 2018-23

(₹ in crore)

Year	Opening balance	Receipts				Total funds available	Expenditure	Corpus Fund for Atal Residential School	Closing balance
		Registration fee and annual membership fee	Labour cess		Interest on deposits				
			Received in Board account	From treasury (State Govt.)					
1	2	3	4	5	6	7 (Col. 2 to 6)	8	9	10 [Col. 7-(8+9)]
2018-19	3922.47	7.42	891.31	9.99	247.86	5079.05	193.85	0.00	4885.20
2019-20	4885.20	13.15	916.45	8.73	323.18	6146.71	362.67	0.00	5784.04
2020-21	5784.04	9.31	878.81	10.00	360.00	7042.16	882.54	0.00	6159.62
2021-22	6159.62	3.71	1007.55	9.78	310.80	7491.46	1697.50	1890.00	3903.96
2022-23	3903.96	9.63	1297.46	40.10	305.05	5556.20	626.61	450.00	4479.59

Source: UP BOCW Welfare Board (Provisional data for the year 2022-23)

State Government appointed (November 2009 and September 2010) all District Collectors and the officers of other departments/local bodies/public sector undertakings as Cess Assessment Officer and Cess Collectors under the BOCW Welfare Cess Act, 1996 and BOCW Cess Rules, 1998¹⁵. The State Government further directed (August 2013 and September 2016) to deposit the collected cess

¹⁵ In exercise of the powers conferred by sub-section (1) of Section 14 of the Building and Other Construction Workers' Welfare Cess Act, 1996, Central Government made BOCW Cess Rules 1998 which was published in the Gazette of India dated 26th March 1998.

into the nationalised bank account of the Board. It is evident from **Table 2.26** that ₹ 4,479.59 crore were available with the Board as on 31 March 2023.

BOCW Cess Rules, 1998 provides that the cess collected shall be transferred to the Board in the head of account of the Board under the accounting procedures of the State. The orders to transfer cess directly to the bank account of the Board without bringing it into Government Accounts violates the provisions of Article 266 (2) of the Constitution of India. In the absence of accounting of cess through Government Accounts, it was also not ascertainable from the accounts of the State Government as to how much money was collected on account of cess, fee, etc., and how much money was transferred to the Board by various Cess Collectors.

It was further noticed that during the year 2022-23, labour cess of ₹ 47.33 crore were deposited in the State Government's accounts under Major Head 0230 out of which ₹ 40.10 crore was transferred to the Board. Thus, ₹ 7.23 crore of labour cess remained un-transferred under Major head 0230 as on 31 March 2023 which resulted in overstatement of revenue surplus by ₹ 7.23 crore.

Utilisation of Labour cess

The State Government notified various schemes/activities, viz., pension, residential school, advances for purchase/construction of houses, funeral assistance, medical assistance, cash awards for meritorious students, financial assistance for education/marriage of children of beneficiaries, critical illness, etc., for welfare of the construction workers from the BOCW Welfare Fund. Details of expenditure on these schemes during the period 2018-23 are given in **Table 2.27**.

Table 2.27: Workers registered, covered and expenditure on schemes by UP BOCW Welfare Board during the period 2018-23

Year	Available funds (₹ in crore)	Scheme Operated		Actual expenditure on scheme (₹ in crore)	Registered workers in the year	Registered workers at the end of the year	Workers covered	Percentage		
		No.	Allotted by BOCWB (₹ in crore)					Workers covered	Funds utilised against allotment	Funds utilised against availability
2018-19	3922.47	16	361.75	174.47	647579	4856323	269424	5.55	48.23	4.45
2019-20	4885.20	17	696.94	347.04	514406	5370729	1164381	21.68	49.79	7.10
2020-21	5784.04	16	1203.15	868.88	4374964*	9745693	3046569*	31.26	72.22	15.02
2021-22	6159.62	16	2461.03	1681.22	4822173*	14567866	4470669*	30.69	68.31	27.29
2022-23	3903.96	15	1506.31	604.61	1185758	15753624	149518	0.95	40.14	15.49

Source: UP BOCW Welfare Board

*Note: UP BOCW Welfare Board informed (October 2023) that the number of registered workers and workers covered during 2020-21 and 2021-22 were higher as the registered workers were provided assistance in two instalments during 2020-21 and four instalments during 2021-22 under Disaster Relief Assistance Scheme.

It is evident from **Table 2.27** that the expenditure incurred by the Board on welfare of workers against available funds ranged from 4.45 *per cent* to 27.29 *per cent* and covered 0.95 *per cent* to 31.26 *per cent* of registered workers.

2.5.3.2 State Electricity Regulatory Commission Fund

Section 82 (1) of the Electricity Act, 2003 (Act) provides that every State Government shall constitute a Commission for the State to be known as State Electricity Regulatory Commission. Section 103 of the Act further provides that State Government shall constitute a Fund to be called the State Electricity Regulatory Commission Fund and there shall be credited thereto any grants and loans made to the State Commission by the State Government, all fees received by the State Commission under the Act and all sums received by the Commission from such other sources as may be decided upon by the State Government.

Uttar Pradesh Electricity Regulatory Commission was established on 10 September 1998. Audit noted that the GoUP did not constitute State Electricity Regulatory Commission Fund. As a result, fees received by the Uttar Pradesh Electricity Regulatory Commission (UPERC) are deposited in bank accounts maintained by the Commission. As such, as on 31 March 2023, an amount of ₹ 111.14 crore¹⁶ was kept outside the Public Account of the State in violation of Article 266(2) of the Constitution. Pertinently, in a similar case, Central Electricity Regulatory Commission Fund constituted (October 2007) by the Central Government under Section 99 of the Act was being operated under the Public Account of India.

The issue was also highlighted in Paragraph 6.1 of Audit Report on Economic Sector and Public Sector Undertakings, Government of Uttar Pradesh for the year ended 31 March 2019. The matter was reiterated in Paragraph 4.1.2 of the State Finances Audit Report for the years ended 31 March 2020, 31 March 2021 and 31 March 2022.

UPERC stated (September 2023) that it had issued reminder (October 2022) to the Government for constitution of Uttar Pradesh Electricity Regulatory Fund. Further Finance Department requested (August 2023) UPERC to frame the Rules in the light of current provisions.

2.6 Public Liability Management

Management of public liability is the process of establishing and executing a strategy for managing the Government's liabilities 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.

¹⁶ As per information provided by the UPERC for the Financial Year 2022-23

2.6.1 Liability profile: Components

Total liabilities of the State Government typically constitutes of Internal debt of the State (market loans, ways and means advances from RBI, special securities issued to National Small Savings Fund, loans from financial institutions, etc.), loans and advances from the Central Government and Public Account Liabilities.

Statement 6 of the Finance Accounts gives the status of outstanding liabilities of the State Government. The State Government did not disclose the extra-budget liabilities in budget documents. **Table 2.28** presents the component wise debt trends during 2018-19 to 2022-23.

Table 2.28: Component wise liability trends during the period 2018-23

(₹ in crore)

	2018-19	2019-20	2020-21	2021-22	2022-23	
Outstanding Total Liabilities	518096	502412	564972	612956	662316	
Public Debt	Internal Debt	353190	405049	458552	496423	533477
	Loans from GoI	11980	11529	18107	27261	34364
Liabilities on Public Account	152926	85834	88313	89272	94475	
Rate of growth of outstanding liabilities (percentage)	10.74	(-)3.03	12.45	8.49	8.05	
Gross State Domestic Product (GSDP)	1582180	1700062	1645317	1974532	2257575	
liabilities /GSDP (per cent)	32.75	29.55	34.34	31.04	29.34	
Receipts under Public Debt and Other Liabilities	113504	112696	123555	121852	116747	
Repayments (Principal and interest) under Public Debt and Other Liabilities	95293	163192	98424	116743	110395	
Net Fund available	18211	(-)50496	25131	5109	6352	
Percentage of net funds available to receipts under public debt & other liabilities	16.04	(-)44.81	20.34	4.19	5.44	

Source: Finance Accounts of respective years

As shown in **Table 2.28**, during the period 2018-23, the Internal Debt under overall Liabilities of the State Government increased by 51.05 per cent from ₹ 3,53,190 crore in 2018-19 to ₹ 5,33,477 crore in 2022-23. During the year 2022-23, it increased by 7.46 per cent over the previous year which necessitated to finance the fiscal deficit of ₹ 64,636.26 crore. As on 31 March 2023, Internal Debt (₹ 5,33,477 crore) consisted of Market Loan (₹ 4,47,467.50 crore), Loan from Financial Institutions (₹ 50,638.47 crore), Special Securities issued to National Small Savings Fund (₹ 35,248.39 crore) and other Loans (₹ 122.18 crore). Thus, Market Loan constituted 67.56 per cent of total fiscal liabilities (₹ 6,62,316 crore) of the State Government.

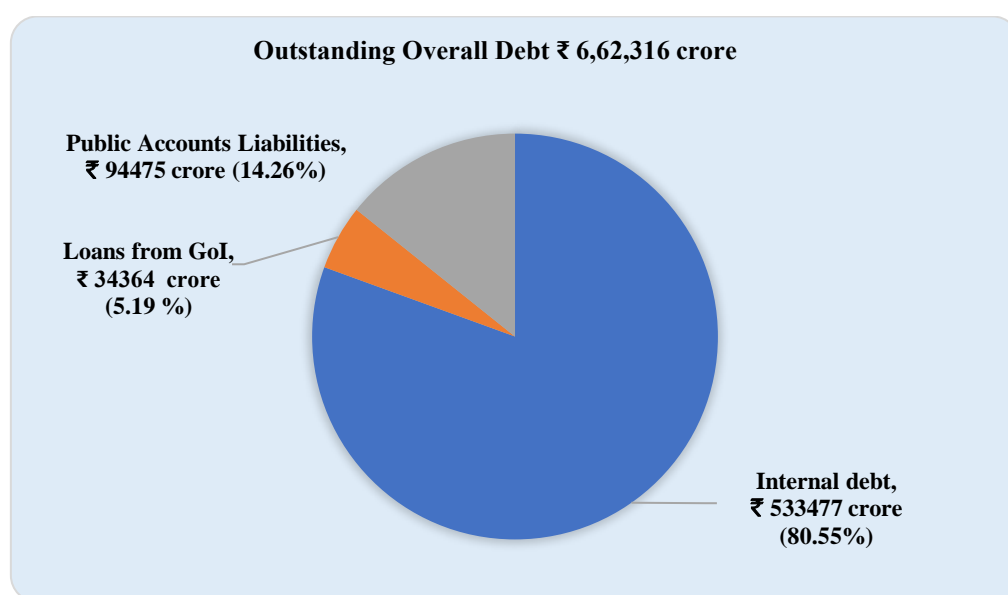
The overall Liabilities of the State increased by 8.05 per cent during 2022-23 over the previous year 2021-22. The percentage of net fund available under

Public Debt and other liabilities to their receipts had a fluctuating trend during the period 2018-19 (16.04 *per cent*) to the year 2022-23 (5.44 *per cent*).

The broader definition of total outstanding liabilities also includes extra-budget borrowings by State Public Sector Undertakings and other bodies where the principal and/or interest are to be serviced out of the State Budget. As discussed in **Paragraph 4.1** State Government had also resorted to extra budget borrowings and the outstanding liability on this account as on 31 March 2023 was ₹ 24,314.36 crore.

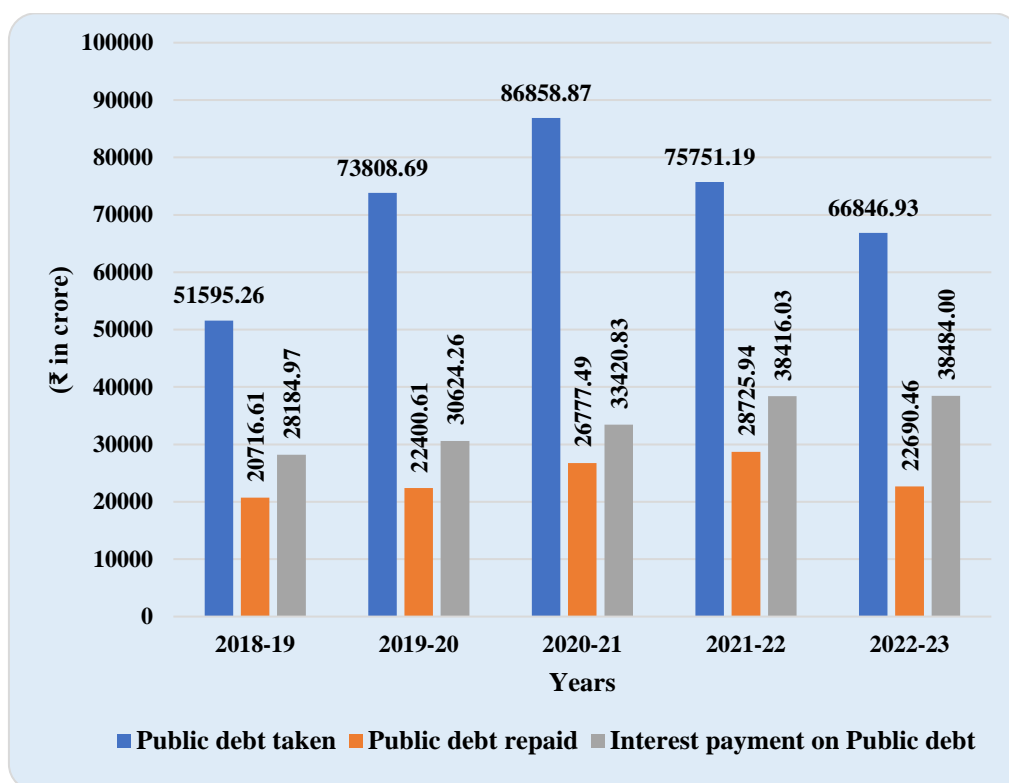
Chart 2.14 presents the status of Outstanding Overall Liabilities of the State Government as per Finance Accounts at the end of the year 2022-23.

Chart 2.14: Break-up of Outstanding Total Liabilities at the end of the year 2022-23



Source: Finance Accounts 2022-23

Trends of Public debts taken and its repayment during the period 2018-23 is depicted in **Chart 2.15**.

Chart 2.15: Public debt taken vis-à-vis repaid during the period 2018-23

Source: Finance Accounts of respective years

It is evident from **Chart 2.15** that during the period 2018-19 to 2022-23, the State Government utilised 69 per cent to 95 per cent of its public debt receipt amount in repayment of previous debts and interest liabilities, resultantly, only five per cent to 31 per cent of public debt was available for capital expenditure. This availability was lowest in the year 2018-19 and maximum in the year 2020-21. In the year 2022-23, the State Government utilised 92 per cent of its public debt receipt amount in repayment of previous debts and interest payment resultantly, only eight per cent was available for capital expenditure.

Components of fiscal deficit and its financing pattern

Three key fiscal parameters- Revenue Deficit/Surplus, Fiscal Deficit/Surplus and Primary Deficit/Surplus - indicate the extent of overall fiscal imbalances in the finances of the State Government during a specified period. The deficit in the Government Accounts represents the gap between its receipts and expenditure.

Revenue Surplus represents the difference between revenue receipts and revenue expenditure. Revenue surplus helps to decrease the borrowings. Fiscal Deficit is the excess of Revenue and Capital Expenditure including loans and advances, over revenue and non-debt capital receipts. Fiscal Deficit represents the net incremental liabilities of the Government or its additional borrowings. Break-up of Fiscal Deficit reveals the extent of various borrowings resorted to by the State to meet its requirement of funds over and above revenue and non-debt receipts. Further, the manner in which the deficit is financed and the

resources are applied, are important pointers to its fiscal health. This section presents trends, nature, magnitude and the manner of financing these deficits. The overall position of key fiscal parameters is given in **Table 2.29**.

Table 2.29: Components of fiscal deficit and its financing pattern

(₹ in crore)

Particulars		2018-19	2019-20	2020-21	2021-22	2022-23
Composition of Fiscal Deficit (-)/ Surplus (+) (A)		(-)35203	(+)11083	(-)54622	(-)39286	(-)64636
1	Revenue Deficit(-) / Surplus(+)	(+)28250	(+)67560	(-)2367	(+)33430	(+)37263
2	Net Capital Expenditure ¹⁷	(-)62463	(-)59998	(-)52237	(-)71443	(-)93028
3	Net Loans and Advances ¹⁸	(-)990	(+)3521	(-)18	(-)1273	(-)8871
Financing Pattern of Fiscal Deficit (Net)						
1	Market Borrowings	33306.67	55825.80	63499.68	46670.00	46111.96
2	Loans from GOI	(-) 832.22	(-) 450.84	6577.99	9154.59	7102.82
3	Special Securities issued to NSSF	(-) 4871.64	(-) 5122.07	(-) 5122.07	(-)5122.07	-5122.07
4	Loans from Financial Institutions	3275.84	1155.20	(-) 4874.22	(-)3677.27	-3936.23
5	Small Savings, Provident Funds, etc.	3645.59	3313.67	1062.40	525.12	412.91
6	Deposits and Advances	2196.34	(-) 2089.80	1914.78	(-)1458.73	3598.74
7	Suspense and Miscellaneous	222.67	(-) 1828.11	1697.48	1461.10	34.82
8	Remittances	312.67	313.50	(-)325.46	21.06	1056.61
9	Reserve Fund	13544.71	(-) 68298.52	500.94	3893.01	3691.79
10	Contingency Fund	(-) 166.65	629.73	(-) 100.00	700.00	(-)0.06
11	Overall Deficit (B)	50633.98	(-) 16551.44	64831.52	52166.81	52951.29
12	Increase (-) / Decrease (+) in cash balance (A-B)	(-) 15431.00	5468.75	(-)10209.41	(-)12880.39	11684.97
13	Fiscal Deficit (11+12)	35202.98	(-) 11082.69	54622.11	39286.42	64636.26

Source: Finance Accounts of respective years

Revenue Deficit and Fiscal Deficit had fluctuating trend during the period 2018-23. State's revenue surplus (₹ 67,560 crore) and fiscal surplus (₹ 11,083 crore) during 2019-20 was mainly due to transfer of book balance of ₹ 71,180 crore of Sinking Fund to revenue receipt account without any actual cash receipt to State exchequer. During the year 2022-23, State registered Fiscal

¹⁷ Net Capital Expenditure = Miscellaneous Capital Receipts *minus* Capital Expenditure; minus figure indicate that the capital Expenditure was more than the capital receipt during the year.

¹⁸ Net Loans and advances = Recoveries of Loans and Advances *minus* disbursement of loans and advances; minus figure indicate that disbursement of loans and advances was more than the recovery during the year. In the year 2021-22, this also includes transfer of ₹ 600 crore from Consolidated Fund to Contingency Fund which was budgeted by the State Government under Loans and Advances.

Deficit of ₹ 64,636.26 crore which was mainly financed through market borrowings and loans from GoI.

2.6.2 Debt profile: Maturity and Repayment

Debt maturity and repayment profile indicates commitment on the part of the Government for debt repayment or debt servicing. Out of total outstanding Liabilities of ₹ 6,62,316 crore as on 31 March 2023, ₹ 94,475 crore pertained to Liabilities on Public Account. The maturity profile of public debt (₹ 5,67,841 crore) is shown in **Table 2.30** and **Chart 2.16**.

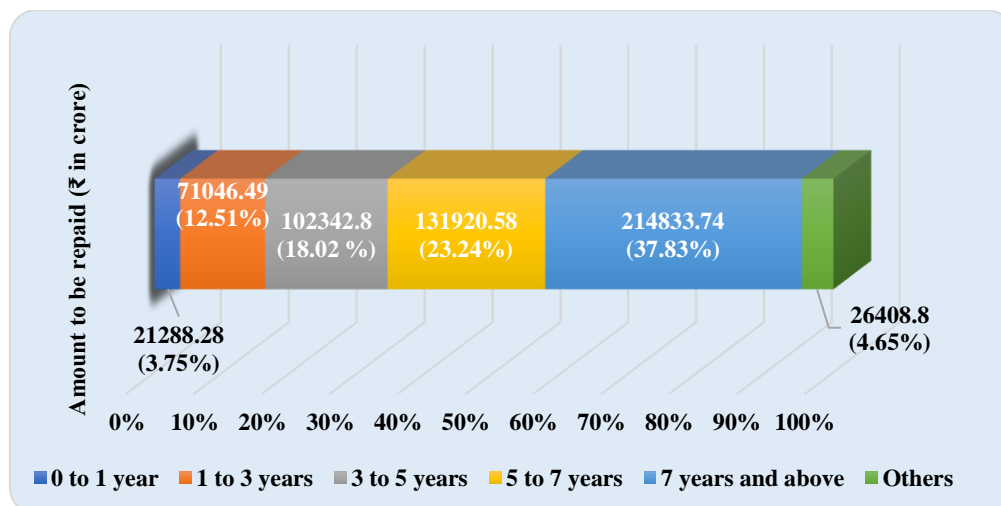
Table 2.30: Debt Maturity profile of repayment of Public Debt of the State

(₹ in crore)		
Period of repayment (Years)	Public Debt	Per cent
0-1	21288.28	3.75
1-3	71046.49	12.51
3-5	102342.80	18.02
5-7	131920.58	23.24
7 and above	214833.74	37.83
Others*	26408.80	4.65
Total	567840.69	100

Source: Calculated on the basis of Finance Accounts for the year 2022-23.

* Under reconciliation - this includes ₹13.12 crore to be written off by GoI, ₹24,546.44 crore for which terms of repayment of loans were awaited from GoI and (-) ₹235.72 crore of back-to-back loan repaid by GoI for which loan wise details were awaited.

Chart 2.16: Public Debt Maturity Profile



Source: Finance Accounts 2022-23

The maturity profile of public debt indicates that the liability of the State to repay the debt during the periods 2023-24, 2024-26, 2026-28 and 2028-30 would be ₹ 21,288.28 crore (3.75 per cent), ₹ 71,046.49 crore (12.51 per cent), ₹ 1,02,342.80 crore (18.02 per cent) and ₹ 1,31,920.58 (23.24 per cent) respectively.

Table 2.31 shows the year-wise repayment schedule during the next nine and above years of the Public Debt outstanding as on 31 March 2023.

Table 2.31: Repayment Schedule of Public Debt

(₹ in crore)

Period of repayment	Repayment of Public Debt		Total	Per cent
	Internal Debt	Loans and Advances from GoI		
2023-24	19485.70	1802.58	21288.28	3.75
2024-25	29007.44	704.77	29712.21	5.23
2025-26	40731.06	603.22	41334.28	7.28
2026-27	50426.52	748.60	51175.12	9.01
2027-28	50522.28	645.40	51167.68	9.01
2028-29	54321.85	626.20	54948.05	9.68
2029-30	76368.87	603.66	76972.53	13.56
2030-31	81335.73	541.77	81877.50	14.42
2031-32	62419.37	445.00	62864.37	11.07
2031-32 onwards	66784.12	3307.75	70091.87	12.34
Under reconciliation with the State Government *	2073.60	24335.20	26408.80	5.08
Total	533476.54	34364.15	567840.69	100.00

Source: Finance Accounts 2022-23

Note: Interest payable on outstanding debt stock has not been included in Table 2.31.

*This includes ₹13.12 crore to be written off by GoI, ₹24,546.44 crore for which terms of repayment of loans were awaited from GoI and (-) ₹235.72 crore of back-to-back loan repaid by GoI for which loan wise details were awaited.

2.7 Debt sustainability Analysis

Debt sustainability analysis has been carried out on the basis of fiscal and debt parameters, Domar approach and compliance of macro-fiscal parameters to the State FRBM targets. The result of analysis is given in the following paragraphs:

(A) Debt sustainability is defined as the ability of the State to service its debt liability in the future. Sustainability of debt therefore also refers to sufficiency of liquid assets to meet current or committed obligations and the capacity to keep balance between costs of additional borrowings with returns from such borrowings. It means that increase in fiscal deficit should match with the increase in capacity to service the debt. Debt sustainability also depends on the ratio of debt redemption (principal plus interest payments) to total debt receipts and application of available borrowed funds. The ratio of debt redemption to debt receipts indicates the extent to which the debt receipts were used in debt redemption indicating the net availability of borrowed funds for capital spending.

Debts Sustainability indicators of State's Public Debt are depicted in **Table 2.32** and **Chart 2.17**.

Table 2.32: Trend in Debt Sustainability Indicators

(₹ in crore)

Debt Sustainability Indicators	2018-19	2019-20	2020-21	2021-22	2022-23
Outstanding Public Debt¹⁹ (in ₹ crore)	365170	416578	470652*	509537*	553694*
<i>Rate of Growth of Outstanding Public Debt (in per cent)</i>	9.24	14.08	12.98	8.26	8.67
GSDP (in ₹ crore)	1582180	1700062	1645317	1974532	2257575
<i>Rate of Growth of GSDP (in per cent)</i>	9.88	7.45	(-)3.22	20.01	14.33
<i>Public Debt/GSDP (in per cent)</i>	23.08	24.50	28.61	25.81	24.53
Average interest Rate of Public Debt²⁰ (in per cent)	8.06	7.83	7.53	7.84	7.24
<i>Percentage of Interest payment on Public Debt to Revenue Receipt</i>	8.54	8.36	11.28	10.35	9.22
<i>Percentage of Public Debt Repayment to Public Debt Receipt</i>	40.15	30.35	30.83	37.92	33.94
Net Public Debt available to the State²¹	2694	20784	26661	8609	5672
Net Public Debt available as per cent to Public Debt Receipts	5.22	28.25	30.69	11.37	8.49
Revenue Deficit (-)/Surplus (+) without interest payment	60292	102373	35061	76306	80271
Primary Deficit (-)/Surplus (+)	(-)3161	45896	(-)17194	3589	(-)21628
Debt Stabilisation (in ₹ crore) (Quantum spread ²² + Primary Deficit)	3485	44313	(-) 67789	65600	17629

Source: Finance Accounts of respective years

*Outstanding Public Debt has been calculated excluding back to back loan received during 2020-21 (₹6,007 crore) and 2021-22 (₹8,139.94 crore) in lieu of GST compensation shortfall with no repayment liability to the State.

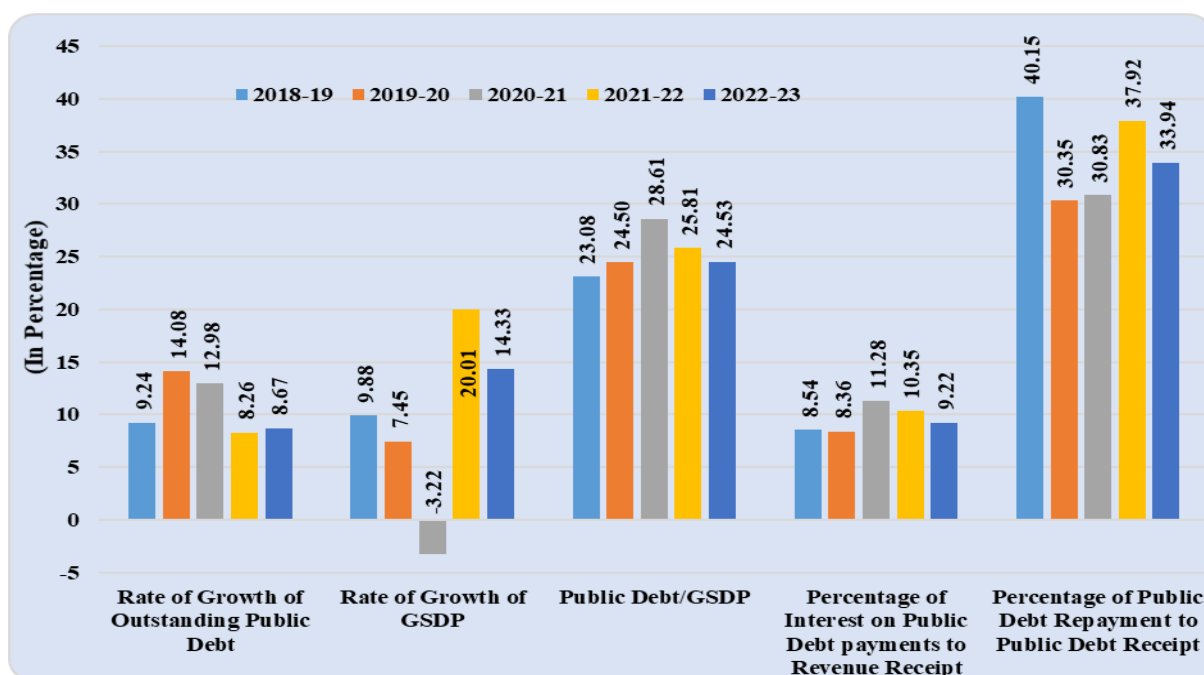
¹⁹ Outstanding Public Debt is the sum of outstanding balances under the Major heads 6003- Internal Debt and 6004- Loans and Advances from the Central Government as on 31 March of the year.

²⁰ Interest paid on public debt (opening balance of Public Debt + closing balance of Public Debt/2) (in per cent).

²¹ Net debt available to the State Government is calculated as excess of Public debt receipts over Public debt repayment and interest payment on Public Debt.

²² Quantum spread= Outstanding Public Debt x (GSDP Growth Rate – Average Interest Rate)/100.

Chart 2.17: Debt Sustainability indicators



Source: Finance Accounts of respective years

Analysis of **Table 2.32** and **Chart 2.17** indicates the following:

- Public Debt of the State, excluding back to back loan received in lieu of GST compensation shortfall during 2020-21 and 2021-22, grew from ₹ 3,65,170 crore in the year 2018-19 to ₹ 5,53,694 crore in the year 2022-23. It grew at 8.67 per cent in the year 2022-23 over the previous year. However, after taking into account the back-to-back loan received during 2020-21 (₹ 6,007 crore) and 2021-22 (₹ 8,139.94 crore) in lieu of GST compensation with no repayment liability to the State, the State's Public Debt was ₹ 5,67,840.69 crore as on 31 March 2023 with growth rate of 8.43 per cent over previous year.
- Debt sustainability 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. In case it is positive, debt-GSDP ratio would eventually be falling and on the other hand, if primary deficit together with quantum spread turns out to be negative, debt-GSDP ratio would be rising. As computed in **Table 2.32**, the debt stabilization indicator, after showing a deterioration in 2020-21 turned positive in 2021-22 and continued to be on the path of improvement, despite the deceleration in 2022-23.
- Higher percentage of interest payments leaves less funds for priority areas. Percentage of interest payments to revenue receipt measures the margin of safety a government has for paying interest on its debt during a given period. The percentage of interest payment on public debt to revenue receipt decreased from 11.28 per cent during 2020-21 to 9.22 per cent during 2022-23. The net fund available from borrowings for current operations after providing for

interest and repayment of Public Debt had fluctuating trend during 2018-23 and it was lowest 5.22 *per cent* of total public debt taken during the year 2018-19 and highest 30.69 *per cent* in the year 2020-21. During the year 2022-23 the net fund available from borrowings was 8.49 *per cent*.

(B) Details of achievements vis-à-vis targets set in the Finance Commission Reports are shown below:

Table 2.33: Achievement vis-à-vis target set for fiscal aggregates in Finance Commission Report

Particulars		2018-19	2019-20	2020-21	2021-22	2022-23
Total outstanding Liabilities as percentage of GSDP	Target	32.03	32.67	40.90	40.00	40.50
	Achievement	32.75	29.55	33.97*	30.33*	28.71*

*Computed after excluding back to back loan during 2020-21 (₹ 6,007 crore) and 2021-22 (₹ 8,139.94 crore) in lieu of shortfall in GST compensation with no repayment liability to the State.

As seen from **Table 2.33**, total outstanding debt as a percentage of GSDP of the State was below the target set by Finance Commission during the period 2018-23, except in the year 2018-19.

(C) 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. The dynamics of public debt depending on the interest rate, growth rate of GSDP and the primary budget balance are as follows:

g-r (g: real economic growth; r: real interest rate)	Primary Budget Balance <0 (Primary Deficit)	Primary Budget Balance >0 (Primary Surplus)
If g-r>0 (strong economic growth)	Real economic growth exceeds real interest rate provided that the primary deficit registered is stable and consistent with debt/GSDP then the debt is sustainable.	Real economic growth exceeds real interest rate and records primary surplus then debt/GSDP ratio shall decrease and debt tends towards stable level therefore sustainable.
If g-r<0 (slow economic growth)	Real economic growth is lower than real interest rate and records primary deficit, then debt tends to increase without limitations and becomes unsustainable.	Real economic growth is lower than real interest rate and records primary surplus, then debt is no longer sustainable provided that it is not decreased in the medium or long run.

The results of applying the above parameters in the case of Uttar Pradesh are shown in **Table 2.34**

Table 2.34: Debt sustainability analysis based on Domar Model

Year	Real Growth* (g)	Real Interest** (r)	g-r (Domar gap)	Primary deficit(-) /Surplus (+) (₹ in crore)
2018-19	3.88	4.29	(-)0.41	(-) 3161
2019-20	4.03	1.97	2.06	(+) 45896
2020-21	(-)4.24	2.27	(-)6.51	(-) 17194
2021-22	10.20	2.05	8.15	(+) 3589
2022-23	8.30	0.17	8.13	(-) 21628

*Real Growth rate calculated for GSDP at constant prices.

**Real interest rate is the nominal interest rate adjusted for inflation.

The State Government had achieved primary surplus during 2019-20 and 2021-22. However, primary surplus during 2019-20 was mainly due to transfer of book balance of ₹ 71,180 crore of Sinking Fund under Public Account to Non Tax Revenue without actual cash receipt. Further, the real growth rate of GSDP (g) and domar gap (g-r) during post Covid-19 year (*i.e.*, 2021-22 and 2022-23) should be read with negative GSDP growth rate during 2020-21 resulting in low base for computation of GSDP growth rates during subsequent years.

As evident from **Table 2.34**, the growth of rate of interest was lower than the rate of growth of the GSDP ($g-r > 0$) in 2019-20, 2021-22 and 2022-23 as per the Domar model analysis. Nevertheless, when examining the Domar gap (g-r), the real interest rate had surpassed the real economic growth rate in 2018-19 and 2020-21. The positive Domar gap coupled with Primary Surplus led to decline in Debt to GSDP ratio in 2021-22. Further, despite the Primary Deficit generated in 2022-23, the positive Domar Gap in 2022-23 was adequate to absorb the Primary Deficit and primarily contributed to further keep the debt to GSDP ratio in a declining trend, as detailed in **Table 2.32**.

From the above discussion, it can be concluded that Debt/GSDP ratio in the past five years remained fluctuating and thus, it is early to conclude that debt is on the path of stabilisation.

2.7.1 Utilisation of borrowed funds

Borrowed funds should ideally be used to fund capital creation and developmental activities. The status of utilisation of borrowed fund during the period 2018-23 is given in the **Table 2.35**.

Table 2.35: Utilisation of borrowed funds

		(₹ in crore)				
Sl. No	Year	2018-19	2019-20	2020-21	2021-22	2022-23
1	Public Debt receipt	51595	73809	86859	75751	66847
2	Repayment of earlier Public Debt (Principal) (percentage of Public Debt receipt)	20717 (40.15)	22401 (30.35)	26777 (30.83)	28726 (37.92)	22690 (33.94)

Sl. No	Year	2018-19	2019-20	2020-21	2021-22	2022-23
3	Capital Expenditure (percentage of Public Debt receipt)	62463 (121.06)	59998 (81.29)	52237 (60.14)	71443 (94.31)	93028 (139.17)
4	Net Loans and Advances disbursed (percentage of Public Debt receipt)	990 (1.92)	(-)3521 (-4.77)	18 (0.02)	674 (0.89)	8871 (13.27)
5	Portion of revenue expenditure met out of net available borrowings Sl. No. 5 = Sl. No. (1-2-3-4) (percentage of Public Debt receipt)	(-)32575 (-63.14)	(-)5069 (-6.87)	7827 (9.01)	(-)25092 (-33.12)	(-)57742 (-86.38)

Source: Finance Accounts of respective years

Table 2.35 shows that during the years 2018-19, 2019-20, 2021-22 and 2022-23, a portion of expenditure on capital account was met from revenue surplus of the State.

2.7.2 Status of Guarantees – Contingent Liabilities

The State Government issues guarantees in respect of bonds issued and other borrowings by the State Public Sector Undertakings or other Bodies. Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee had been extended.

The State Government has not fixed any limit for giving guarantee. Statement No. 9 and 20 of the Finance Accounts gives details of guarantees given by the State Government. Details in this compilation are prepared directly from the information furnished by the State Government. The maximum amount for which guarantees were given by State Government and outstanding guarantees for the last five years are given in **Table 2.36**.

Table 2.36: Status of Guarantees given by the State Government

Guarantees	2018-19	2019-20	2020-21	2021-22	2022-23
Maximum amount guaranteed during the year	90662.48	132499.27	175469.24	206431.78	193244.82
Outstanding amount of guarantee	110032.12	118696.49	150554.00	174218.42	170780.52

Source: Finance Accounts of respective years

The outstanding guarantees decreased by 1.97 per cent from ₹ 1,74,218.42 crore in the year 2021-22 to ₹ 1,70,780.52 crore in the year 2022-23. During the year 2022-23, outstanding guarantee was 40.93 per cent of the Revenue Receipts (₹ 4,17,242 crore) and 7.56 per cent of GSDP (₹ 22,57,575 crore) of the State Government during the year. The outstanding

guarantee as on 31 March 2023 mainly pertained to three power sector companies (₹ 1,30,648 crore), one entity under Infrastructure and Industrial Development Department (₹ 28,450 crore), four entities under Co-operative Department (₹ 6,175 crore) and two entities under Sugar Industry Department (₹ 3,699 crore). During the year 2022-23, Guarantee Fee/Commission of ₹ 4.41 crore was receivable from Uttar Pradesh State Warehousing Corporation but no guarantee fee was received. Further, no guarantee was invoked during the year 2022-23.

Further, there was a difference to ₹ 2,513.30 crore between outstanding guarantees at the beginning of the year 2022-23 and that at the end of the year 2021-22 which was under reconciliation between the Accountant General (Accounts & Entitlements) Uttar Pradesh and the State Government.

2.7.3 Management of Cash Balances

As per an agreement with the Reserve Bank of India, State Governments have to maintain a minimum daily cash balance with the Bank. If the balance falls below the agreed minimum on any day, the deficiency is made good by taking ordinary Ways and Means Advances (WMA)/Special Ways and Means Advances /Overdrafts from time to time. The limit for ordinary WMA to the State Government are revised by the RBI from time to time.

The State Government invests its surplus cash balance in short and long-term GoI Securities and Treasury Bills. The yield derived from such investments are credited as receipts under the Major Head '0049-Interest Receipts'. The cash balances include government securities investments of the Consolidated Sinking Fund.

It is not desirable that State Government take recourse to market loans despite having large cash balances since it leads to further accretion to cash balances without putting it to productive use.

During the year 2022-23 the cash balances and investments made by the State Government out of cash balances is presented in **Table 2.37**.

Table 2.37: Cash Balances and their investment during the year 2022-23

(₹ in crore)

	Opening balance on 1 April 2022	Closing balance on 31 March 2023
A. General Cash Balance		
Cash in Treasuries	0.00	0.00
Deposits with Reserve Bank of India	(-)348.47	102.77
Remittances in transit	0.00	0.00
Investments held in Cash Balance Investment Account	41825.24	27188.94
Total (A)	41476.77	27291.71
B. Other Cash Balances and Investments		
Cash with departmental officers viz., Public Works, Forest Officers	10.69	10.78

	Opening balance on 1 April 2022	Closing balance on 31 March 2023
Permanent advances for contingent expenditure with department officers	0.50	0.50
Investment in earmarked funds	3045.20	5545.20
Total (B)	3056.39	5556.48
Total (A + B)	44533.16	32848.19

Source: Finance Accounts 2022-23

The State Government's cash balances at the end of the current year amounted to ₹ 32,848.19 crore. This has decreased by ₹ 11,684.97 crore (26.24 per cent) when compared with balances at the end of the year 2021-22. During 2022-23, the opening balance of investment held in Cash Balance Investment Account was ₹ 41,825.24 crore. Treasury Bills amounting to ₹ 8,42,096.42 crore were purchased and these instruments amounting to ₹ 8,56,668.38 crore were sold, leaving a balance of ₹ 27,188.94 crore in the account at the end of the year. The amounts of ₹ 391.31 crore and ₹ 11.29 crore were received as interest on investment under Treasury Bills and Long-Term Government of India's Securities respectively. Further, ₹ 64.34 crore was received as redemption under Long Term Government of India's Securities.

Under the Cash Balance Investment Account, the transactions of the State Government in investing in Treasury bills decreased from ₹ 5,44,061 crore during 2018-19 to ₹ 4,93,843 crore during the year 2019-20 and ₹ 4,64,321 crore in the year 2020-21. It increased to ₹ 6,91,373 crore during the year 2021-22 and ₹ 8,42,096 crore in the year 2022-23. Corresponding to Cash Balance Investment Account, the cash surplus (General Cash Balances) increased during the period 2017-18 to 2018-19 from ₹ 11,425 crore (31 March 2018) to ₹ 26,855 crore (31 March 2019) which decreased to ₹ 21,387 crore in the year 2019-20 (31 March 2020) and again increased to ₹ 30,597 crore in the year 2020-21 (31 March 2021), ₹ 41,477 crore in the year 2021-22 (31 March 2022) and further decreased to ₹ 27,292 crore in the year 2022-23. Status of Cash Balance Investment Account and interest earned thereon for the period 2018-23 is shown in **Table 2.38**.

Table 2.38: Cash Balance Investment Account (Major Head 8673)

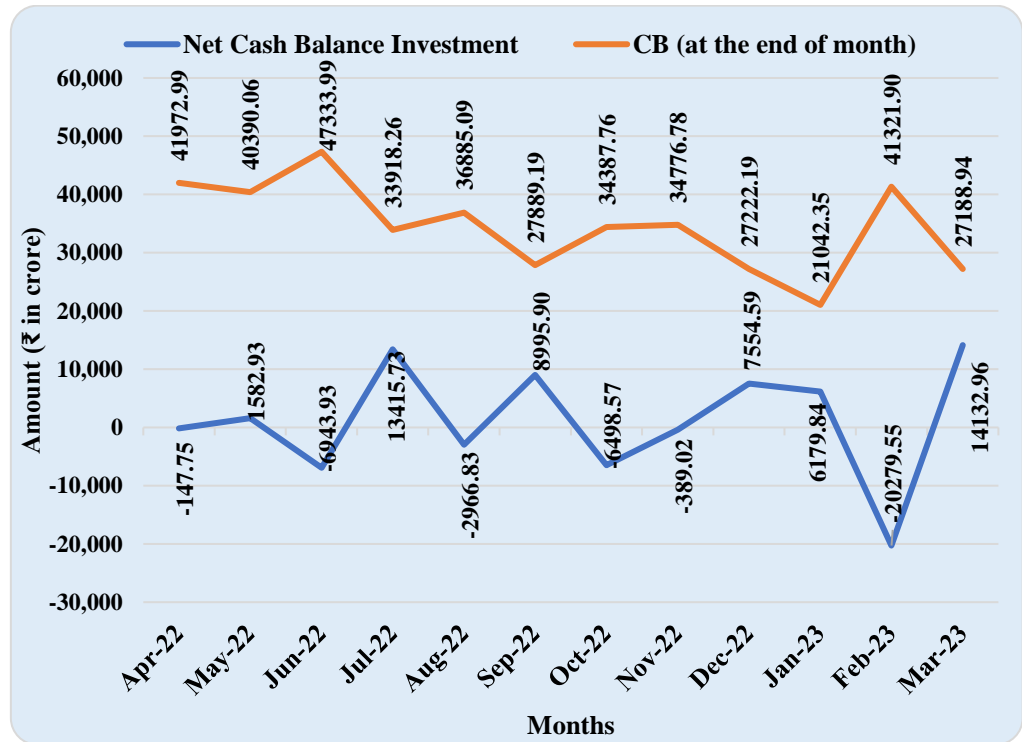
(₹ in crore)

Year	Opening Balance	Closing Balance	Increase (+) / decrease (-) (CB-OB)	Interest earned
2018-19	11159.38	26684.36	15524.98	1088.56
2019-20	26684.36	21150.71	(-) 5533.65	596.15
2020-21	21150.71	30459.45	9308.74	249.67
2021-22	30459.45	41825.24	11365.79	346.99
2022-23	41825.24	27188.94	(-) 14636.30	402.60

Source: Finance Accounts of respective years

Month wise movement of Cash Balances and Net Cash Balance Investments during the year 2022-23 is presented in **Chart 2.18**.

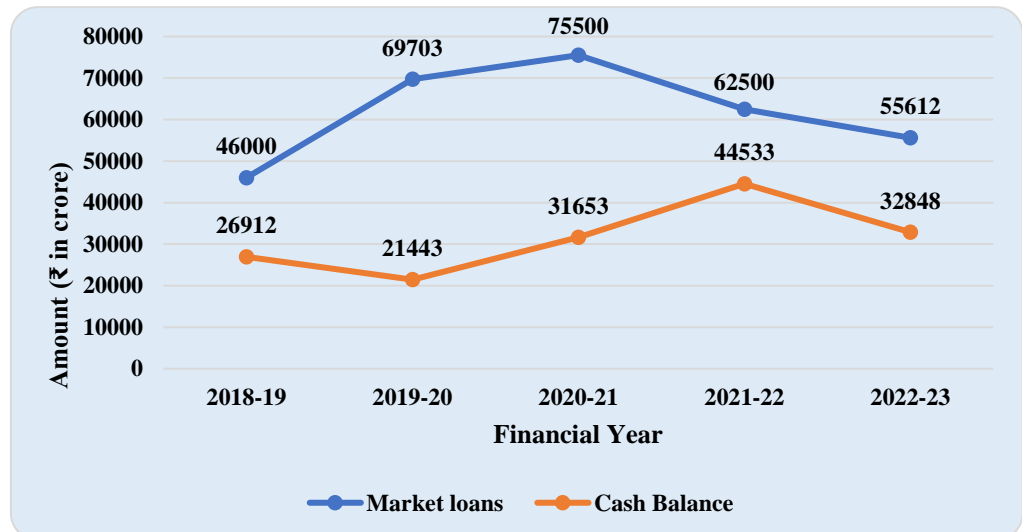
Chart 2.18: Month wise movement of Cash Balances and net cash balance investments during the year 2022-23



Source: Data maintained by the office of Accountant General (A&E) Uttar Pradesh

The status of Market loan taken by the State Government and Cash balance available with the State Government is presented in **Chart 2.19**.

Chart 2.19: Market Loan vis-à-vis Cash Balance during the period 2018-23



Source: Finance Accounts of respective years

2.7.4 Variation in Cash Balance

The Cash balance as on 31 March 2023 as per the record of Accountant General was ₹ 102.77 crore (Debit) and that reported by the RBI was ₹ 41.19 crore (Debit). There was a net difference of ₹ 143.96 crore, which was under reconciliation.

2.8 Conclusion

Positive Indicators

- Fiscal Deficit (-) ₹ 64,636 crore was 2.86 *per cent* of GSDP, which was within the fiscal target of 3.5 *per cent* set in the UPFRMB (Amendment) Bill, 2021.
- Revenue Receipt in the year 2022-23 increased by 12.46 *per cent* over the year 2021-22.
- State had registered revenue surplus of ₹ 37,263 crore during the year 2022-23.
- Committed Expenditure to Revenue Expenditure shows a decreasing trend during the year 2020-21 to 2022-23. In the year 2022-23 it was 58.66 *per cent* of the Revenue Expenditure.
- Debt-GSDP ratio of the State showing a decreasing trend during 2021-22 and 2022-23 and it was 28.71 *per cent* in the year 2022-23.
- The positive Domar Gap in 2022-23 was adequate to absorb the Primary Deficit and primarily contributed to further keep the debt to GSDP ratio in a declining trend.

Parameters requiring close watch

- During the year 2022-23, State Government transferred less contribution of ₹ 428.48 crore to the Consolidated Sinking Fund, which was to be utilised for amortization of redemption of outstanding liabilities of State Government.
- State Government did not transfer the amount charged for Depreciation Reserve Fund to this Fund in entirety instead it was kept as revenue receipts of the State Government.
- The State Government had not credited interest of ₹ 266.56 crore for the year 2022-23 on un-invested balances of the State Disaster Response Fund. The balance of the Fund was not being invested in the manner specified in the SDRF guidelines.
- The State Government did not contribute ₹ 1,742.18 crore to the Guarantee Redemption Fund for meeting the debt servicing obligation arising in the event of default by the borrowing agency out of guarantees issued by the Government.

2.9 Recommendations

- 1. The State Government should ensure that annual contribution to the Consolidated Sinking Fund is at least 0.50 per cent of the outstanding liabilities at the end of the previous year as provided under the Consolidated Sinking Fund Scheme so that adequate balance would be available in the Fund for its further investment by the Reserve Bank of India and for future redemption of outstanding liabilities.*
- 2. The State Government should transfer the full amount charged on works for Depreciation Reserve Fund to this Fund.*
- 3. The State Government should invest the balances under SDRF in the manner prescribed in the SDRF guidelines and also remit the accrued interest to the Fund.*
- 4. The State Government should ensure annual contribution to the Guarantee Redemption Fund as required under the Uttar Pradesh Guarantee Fund Redemption scheme.*