

Executive Summary

About the Report

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

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

Gross State Domestic Product (GSDP) (at current prices) grew at an average rate of 9.41 *per cent* from ₹ 6,98,940 crore in 2018-19 to ₹ 9,94,154 crore in 2022-23. Budget Outlay of the State grew at an average growth rate 12.11 *per cent* from ₹ 1,41,732.90 crore in 2018-19 to ₹ 2,21,110.07 crore in 2022-23.

There was 14.18 *per cent* growth in GSDP over 2021-22. The revenue receipts grew at 14.22 *per cent* and the percentage of revenue receipts over GSDP remained 8.97 *per cent* during 2021-22 and 2022-23. The tax revenue increased by 16.23 *per cent* during the period and the State's own tax revenue increased by 17.96 *per cent*. The total expenditure (revenue expenditure, capital expenditure and loans and advances) of the State of Haryana increased from ₹ 1,10,437 crore in 2021-22 to ₹ 1,20,533 crore increasing by 9.14 *per cent*. Of this, revenue expenditure showed 8.11 *per cent* increase from 2021-22. Revenue deficit decreased from ₹ 20,333 crore to ₹ 17,212 crore registering 15.35 *per cent* decrease over 2021-22, while fiscal deficit slightly decreased from ₹ 31,778 crore in 2021-22 to ₹ 31,027 crore in 2022-23 registering decrease by 2.36 *per cent*.

Receipt-Expenditure Mismatch

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

From 2018-19 to 2022-23, revenue receipts grew from ₹ 65,885 crore to ₹ 89,194 crore, with an average annual growth rate of 7.49 *per cent*. Capital receipts (including way and means advances) also increased from ₹ 39,686 crore to ₹ 80,961 crore during this period. The share of Grants-in-aid in revenue receipts decreased from 10.74 *per cent* in 2018-19 to 7.97 *per cent* in 2022-23.

The State Government received ₹ 2,920 crore as Central share for the Centrally Sponsored Schemes (CSSs) in the year.

Revenue expenditure is incurred to maintain the current level of services and payment for the past obligation. As such, it does not result in any addition to the State's infrastructure and service network. Between 2018-19 and 2022-23, revenue expenditure increased from ₹ 77,155 crore (11.04 *per cent* of GSDP) to ₹ 1,06,406 crore (10.70 *per cent* of GSDP). It consistently made up a significant portion (82 to 93 *per cent*) of the total expenditure during this period, growing at an average annual rate of eight *per cent*.

Result of expenditure beyond means

The gap between the revenue receipt and revenue expenditure results in revenue deficit. The revenue deficit of the State increased to ₹ 17,212 crore (1.73 *per cent* of GSDP) in the current year from ₹ 11,270 crore (1.61 *per cent* of GSDP) in the year 2018-19.

The State Government spent ₹ 11,665 crore on capital account. This was 9.68 *per cent* of the total expenditure in the year 2022-23. Capital expenditure was just 14 *per cent* of the total borrowings. Thus, the borrowed funds were being used mainly for meeting current consumption and repayment of borrowings instead of capital creation/development activities.

The gap between the total expenditure and total non-debt receipt of the State results in fiscal deficit. The fiscal deficit of the State increased to ₹ 31,027 crore (3.12 *per cent* of GSDP) in 2022-23 from ₹ 21,912 crore (3.14 *per cent* of GSDP) in 2018-19.

Under the revenue expenditure, the quantum of committed expenditure constitutes the largest share. Committed expenditure has the first charge on the resources and consists of interest payments, expenditure on salaries and wages and pensions. Committed expenditure on interest payments, salaries and pensions constituted 54-55 *per cent* of revenue expenditure during 2018-19 (54 *per cent*) and 2022-2023 (55 *per cent*). The Committed expenditure increased at an average rate of 8.43 *per cent* i.e. from ₹ 41,454 crore in 2018-19 to ₹ 58,909 crore in 2022-23 {an increase of 10.70 *per cent* over 2021-22 (₹ 53,215 crore)}.

In addition to the committed expenditure, inflexible expenditure increased from 5.21 *per cent* to 5.51 *per cent* of revenue expenditure during 2018-19 to 2022-23, indicating a rising trend. The inflexible expenditure increased from ₹ 5,179 crore in 2021-22 to ₹ 5,865 crore in 2022-23 registering an increase of 13.24 *per cent*.

Taken together, the committed and inflexible expenditure in 2022-23 was ₹ 64,774 crore; 61 *per cent* of the revenue expenditure. Upward trend on

committed and inflexible expenditure leaves the Government with lesser flexibility for other priority sectors and capital creation.

Subsidies constitute major portion of the non-committed expenditure

Within non-committed expenditure, expenditure on subsidies decreased from ₹ 8,549 crore in 2018-19 to ₹ 7,650 crore in 2020-21, increased to ₹ 9,535 crore in 2021-22 and decreased to ₹ 9,360 crore in 2022-23 which was 10.49 *per cent* of the revenue receipts and 8.80 *per cent* of revenue expenditure. The subsidies were disbursed for Power: ₹ 7,066 crore (75.49 *per cent*), Agriculture and allied activities: ₹ 1,839 crore (19.65 *per cent*), Village and Small Industries: ₹ 336 crore (3.59 *per cent*) and Social Services: ₹ 119 crore (1.27 *per cent*).

Off-budget borrowings

The State Government through Haryana Police Housing Corporation Limited raised ₹ 22.05 crore during 2022-23, which was not reflected as borrowings of the State Government in the accounts though the repayment of loan is to be serviced through the State Budget.

Contingent Liabilities on account of Guarantees

Out of total guarantee of ₹ 23,058.07 crore as on 31 March 2023, 95.31 *per cent* (₹ 21,977.13 crore) was mainly in respect of Haryana Shehri Vikas Pradhikaran (₹ 11,528.75 crore), Haryana State Industrial Infrastructure Development Corporation (₹ 2,962.99 crore), Uttar Haryana Bijli Vitran Nigam Limited (₹ 5,249.21 crore), Haryana Vidyut Parsaran Nigam Limited (₹ 264.41 crore) and Dakshin Haryana Bijli Vitran Nigam Limited (₹ 1,971.77 crore). No amount was paid by the Government towards guarantees invoked during 2022-23.

Fiscal sustainability

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

FRBM requirements and compliance with fiscal parameters

The FRBM Act/Rules laid down targets for revenue deficit, fiscal deficit and debt as a certain percentage of the Gross State Domestic Product (GSDP). In 2022-23, revenue deficit was 1.73 *per cent* as against the requirement of 0.98 *per cent*; fiscal deficit was 3.12 *per cent* as against the requirement of 2.98 *per cent*; ratio

of total outstanding liability to GSDP was 29.48 *per cent* as against the requirement of 24.52 *per cent*.

As per the debt stabilisation analysis, the public debt of the Government of Haryana has grown on an average at a rate of 12.84 *per cent* annually of the outstanding public debt between 2018-19 to 2022-23. In Haryana, the debt GSDP ratio rose from 22.44 *per cent* in 2018-19 to 27.70 *per cent* in 2020-21 and decreased to 25.68 *per cent* in 2022-23 due to debt stabilisation (Quantum spread together with primary deficit) from 2021-22.

The State has a primary deficit and a positive Domar gap during 2018-19 indicating that Public Debt as percentage of GSDP should converge to a stable level. However, during 2019-20 and 2020-21 (COVID period) Domar gap turned negative and there was a primary deficit which indicated that public debt as a percentage of GSDP would show an increasing trend without converging to a stable level. During 2021-22 and 2022-23, Domar gap (emerged from the COVID effect) turned positive and the primary deficit also showed slight improvement indicating that public debt as a percentage of GSDP would converge to a stable level. However, substantial portion of public debt receipts was being used for repayment for borrowings, thereby implying that economic growth is not robust enough to service the debt.

Going by the analysis and results as discussed above, the finances of the State of Haryana is stressed due to the continuous mismatch between receipt and expenditure. In Haryana, Domar gap remained positive during 2021-22 and 2022-23, however, substantial portion of public debt receipts was being used for repayment for borrowings implying economic growth was not robust enough.

Budget performance

Aggregate expenditure outturn

Budget performance in terms of budgetary intent and budget implementation is examined to assess extent to which the aggregate expenditure outturn reflects the amount originally approved both in terms of excess and saving. In the Revenue section, deviation in outturn compared with Budget Estimates (BE) was (-) 9.19 *per cent*. This was due to excess/saving upto 25 *per cent* in 12 grants and between 25 *per cent* and 50 *per cent* in five grants. In the Capital section, deviation in outturn compared with BE was 0.86 *per cent*. This was due to excess/saving upto 25 *per cent* in five grants, between 25 *per cent* and 50 *per cent* in six grants; and between 50 *per cent* and 100 *per cent* in six grants.

Expenditure composition outturn

Budget performance also looks at the extent to which the re-allocation between the main budget categories during the execution have contributed to variance in

expenditure composition. This measure indicates the extent of variation between the final budget and the actual expenditure. In the Revenue section, deviation in outturn compared with Revised Estimates (RE) was (-) 8.25 per cent. This was due to excess/saving upto 25 per cent in 13 grants and between 25 per cent and 50 per cent in four grants. In the Capital section, deviation in outturn compared with RE was (-) 4.88 per cent. This was due to saving upto 25 per cent in 13 grants, between 25 per cent and 50 per cent in three grants and between 75 per cent and 100 per cent in one grant.

Supplementary provisions aggregating ₹ 6,059.12 crore obtained in 20 cases, involving ₹ 50 lakh or more in each case during the year proved unnecessary as the expenditure did not come up to the level of the original provisions. In four cases, supplementary provision of ₹ 19,620.72 crore proved excessive as it was more than the requirement (₹ 18,498.83 crore) by ₹ 1,121.89 crore.

Overall Budget reliability assessment indicates that though the deviations between the actual expenditure and original budget as well as between the actual expenditure and the final budget were less than 10 per cent, there were deviations up to 25 per cent and even above in different grants. Moreover, it was also noticed that in several cases, there were supplementary provisions where expenditure was not even up to the original grant. A reliable budgetary practice is required to deal with such deviations.

Quality of Accounts and Financial Reporting

Quality of accounts and financial reporting covers items, transactions and events which relate to gaps in compliance, regularity weaknesses and issues relating to delay in receipt of those accounting records or adjustment records which evidence the actual expenditure. It also highlights issues pertaining to the accounts and financial reporting such as non-discharge of liability in respect of interest towards interest bearing deposits, delay in submission of utilisation certificates, parking of funds in bank accounts and compliance to Accounting Standards

Regularisation of Excess over Grants/ Appropriations

The State Government has to get excesses over grants/appropriations regularised by the State Legislature as per Articles 204 and 205 of the Constitution of India. During the year 2022-23, there was no case of excess disbursement under any grants and appropriation. However, excess disbursements of ₹ 238.79 crore pertaining to the years 2019-20 to 2021-22, are yet to be got regularised by the State Legislature.

Compliance with IGAS

As against the requirements of the Indian Government Accounting Standards (IGAS), the State Government did not comply with IGAS-3: Loans and Advances

made by the Government as the closing balances of Loans and Advances was not reconciled by the Loanee Entities.

Funds to Single Nodal Agency

The Government of India and the State Government have introduced system of Single Nodal Agency (SNA) for implementation and fund flow for each Centrally Sponsored Scheme (CSS). The share of the Government of India and the State Government is transferred to the Bank Account of the SNA lying outside the Government Account. As per SNA report of PFMS (Public Financial Management System), the State Government received ₹ 2,737.87 crore being Central share during the year in its Treasury Accounts. The State Government transferred Central share of ₹ 3,018.71 crore received in Treasury Accounts and State share of ₹ 3,168.11 crore to SNAs. As on 31 March 2023, ₹ 2,378.76 crore was lying unspent in the bank accounts of SNAs.

However, the State Government intimated that it had received ₹ 3,034.10 crore being Central share during the year and transferred Central share of ₹ 3,034.10 crore, State share of ₹ 3,183.57 crore to the SNAs during the year. Out of total transfer of ₹ 6,217.67 crore, ₹ 425.42 crore was transferred through AC Bills, ₹ 4,847.48 crore through GIA bills and ₹ 944.77 crore through Fully Vouched Contingent Bills and other category of bills. Detailed vouchers and supporting documents of actual expenditure were not received by the office of Principal Accountant General (A&E) from the SNAs. The difference between the figures of SNA report of PFMS and as provided by the State Government needs reconciliation.

Outstanding Utilisation Certificates

Despite the requirement of submitting Utilisation Certificates (UCs) against grants-in-aid within a stipulated time period, 2,660 outstanding UCs of ₹ 17,976.65 crore were pending as on 31 March 2023.

DC bills against AC bills

Similarly, despite the requirement of submitting Detailed Contingent (DC) Bills against the advance money withdrawn through Abstract Contingent (AC) Bills, 715 AC bills of ₹ 305.73 crore were pending for submission of DC bills as on 31 March 2023, out of which 223 AC Bills amounting to ₹ 25.34 crore pertained to the period upto 2021-22.

Compliance with prevailing rules and codal provisions are meant to ensure control and accountability in accounting and financial reporting. Non-compliance and deviations impact the quality of accounting and financial reporting adversely. Non-timely submission of UCs; non-submission of DC bills

against AC bills; non-compliance with IGAS-3; and non-supply of details of expenditure from SNAs have impacted the quality of accounts adversely.

Working of State Public Sector Undertakings

As on 31 March 2023, there were 37 State Public Sector Enterprises (SPSEs) in Haryana, including two Statutory Corporations and 29 Government Companies (including three inactive Government Companies) and six Government Controlled Other Companies under the audit jurisdiction of the Comptroller and Auditor General of India (CAG). Audit noticed that the prescribed timelines regarding submission of Financial Statements were not adhered to by 27 SPSEs whose 62 accounts were in arrears. Out of the total profit of ₹ 1,049.20 crore earned by 19 working SPSEs, 66.16 *per cent* was contributed by three SPSEs only. Out of total loss of ₹ 51.05 crore incurred by 11 working SPSEs, loss of ₹ 23.68 crore (46.39 *per cent*) and ₹ 21.43 crore (41.98 *per cent*) was attributed to Other Sector SPSEs and Service Sector SPSEs respectively. The financial impact of CAG's comments issued during October 2022 to September 2023 on financial statements of SPSEs was ₹ 55.71 crore on profitability and ₹ 4,254.96 crore on the financial position.

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