EXECUTIVE SUMMARY

Executive Summary

About the Report

This Report of the CAG of India is on the State Finances for the year 2023-24. It provides an overview of the finances, budgetary management and quality of accounts, financial reporting practices and other matters relevant to State Finances.

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

Gross State Domestic Product (GSDP) (at current prices) grew at a Compound Annual Growth Rate (CAGR) of 10.40 *per cent* from ₹ 3,10,305 crore in 2019-20 to ₹ 4,61,010 crore in 2023-24. Budget Outlay of the State grew at a CAGR of 10.54 *per cent* from ₹ 94,765 crore in 2019-20 to ₹ 1,41,499 crore in 2023-24.

During 2023-24, the growth in GSDP over the previous year was 10.46 *per cent*. Revenue receipts grew at 9.57 *per cent and* the percentage of revenue receipts over GSDP decreased from 19.23 *per cent* in 2022-23 to 19.07 *per cent* in 2023-24. The State's own tax revenue increased by 11.49 *per cent* over the previous year and the non- tax revenue increased by 4.64 *per cent*. The total expenditure (revenue expenditure, capital expenditure and loans and advances) of the State of Jharkhand increased by 19.58 *per cent* over the previous year from ₹ 84,908 crore to ₹ 1,01,537 crore. Of this, revenue expenditure showed an increase of 14.99 *per cent* from 2022-23. Revenue surplus decreased from ₹ 13,563.59 crore in 2022-23 to ₹ 11,252.08 crore in 2023-24, registering a decrease of 17.04 *per cent*. During the same period, fiscal deficit increased by 37.15 *per cent* from ₹ 4,616.73 crore to ₹ 6,331.76 crore.

Receipt and Expenditure

The State has different sources of receipts such as State's 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 2019-20 to 2023-24, revenue receipts grew from ₹ 58,417 crore to ₹ 87,929 crore, with a CAGR of 10.76 *per cent*. Capital receipts also increased from ₹ 9,642 crore to ₹ 15,524 crore during this period. The Central Tax

Transfers during 2023-24 increased by 19 *per cent* over 2022-23. The share of GoI's Grants-in-aid in revenue receipts decreased from 21.06 *per cent* in 2019-20 to 10.40 *per cent* in 2023-24. The State Government received ₹ 6,266.71 crore as Central share for Centrally Sponsored Schemes (CSSs) during the year.

Revenue expenditure is incurred to maintain the current level of services and payments for past obligations. As such, it does not result in any addition to the State's infrastructure and service network. Between 2019-20 and 2023-24, revenue expenditure increased, in absolute terms, from ₹ 56,457 crore (18.19 *per cent* of GSDP) to ₹ 76,676 crore (16.63 *per cent* of GSDP). It consistently made up a significant portion (76 to 85 *per cent*) of the total expenditure during this period, growing at a CAGR of 7.95 *per cent*.

The gap between the revenue receipt and revenue expenditure results in revenue deficit/surplus. The revenue surplus of the State increased to ₹ 11,252 crore (2.44 *per cent* of GSDP) in the current year from ₹ 1,960 crore (0.63 *per cent* of GSDP) in the year 2019-20.

The State Government spent ₹ 20,570 crore only on capital account. This was 20.26 *per cent* of the total expenditure in the year 2023-24. CE to GSDP ratio was 4.46 *per cent* in 2023-24 due to increase in CE by ₹ 6,554 crore over the previous year whereas, CE as a percentage to the total budget of the State (₹ 1,41,499 crore) stood at 14.54 *per cent* during FY 2023-24.

The gap between the total expenditure and total non-debt receipts of the State results in fiscal deficit. The fiscal deficit of the State decreased to ₹ 6,332 crore (1.37 *per cent* of GSDP) in 2023-24 from ₹ 8,035 crore (2.59 *per cent* of GSDP) in 2019-20.

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 41-44 *per cent* of revenue expenditure during 2019-20 (43 *per cent*) and 2023-2024 (41 *per cent*). The Committed expenditure increased at a CAGR of 6.92 *per cent i.e.* from ₹ 24,095 crore in 2019-20 to ₹ 31,487 crore in 2023-24 {an increase of 8.98 *per cent* over 2022-23 (₹ 28,893 crore)}.

In addition to the committed expenditure, inflexible expenditure fluctuated between 12 *per cent* and 15 *per cent* of revenue expenditure during 2019-20 to 2023-24. The inflexible expenditure increased from ₹ 8,000 crore in 2022-23 to ₹ 10,071 crore in 2023-24 registering an increase of 25.89 *per cent*. During the period 2019-20 to 2023-24, the inflexible expenditure grew from ₹ 7,254 crore to ₹ 10,071 crore.

Taken together, the committed and inflexible expenditure in 2023-24 was ₹ 41,558 crore; 54 *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.

Expenditure on subsidies

Within the non-committed expenditure, amount of subsidies rose from ₹ 4,275 crore in 2019-20 to ₹ 5,653 crore in 2021-22 before decreasing to ₹ 4,831 crore in 2023-24. Subsidies were 7.57 *per cent* of the total revenue expenditure in 2019-20 and 6.30 *per cent* in 2023-24. Subsidies on Power (₹ 2,300 crore) constituted a significant portion (48 *per cent*) of the total subsidies during 2023-24.

Contingent Liabilities

As of 2023-24, the Government provided guarantees against borrowings of ₹ 4,998.38 crore. During the year, no guarantee was invoked.

The State Government had also notified reversion to the Old Pension Scheme (OPS) vide Notification dated 1 September 2022. The imminent financial burden on account of implementation of OPS also needs to be reckoned while assessing debt sustainability of the State.

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 comparison 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 prescribes certain limits within which, revenue deficit, fiscal deficit, debt as a percentage of the Gross State Domestic Product (GSDP) should be, and similarly for guarantees as a percentage of revenue receipts of the previous year. In 2023-24, the State had revenue surplus at 2.44 *per cent*; fiscal deficit was 1.37 *per cent* as against the limit of 3.00 *per cent* and debt was 27.68 *per cent* of GSDP as against the limit of 30.60 *per cent*.

As per the debt stabilisation analysis, the outstanding liabilities of the State Government increased from ₹ 94,406.60 crore in 2019-20 to ₹ 1,27,608.51 crore in 2023-24. The overall debt to GSDP ratio of the State that had increased to 36.23 *per cent* in 2020-21 from 30.42 *per cent* in 2019-20 continued to decline from 2021-22 and reached a five-year low of 27.68 *per cent* in 2023-24.

There was primary deficit in the State during the period 2019-20 and 2020-21, and Domar gap was negative during the period which was indicative of slow economic growth. During 2021-22 to 2023-24, Domar gap was positive along with primary surplus which indicates stable economic conditions leading to public savings. As per latest GSDP series, during 2021-22, real economic growth was highest (12.02 *per cent*) due to low base of 2020-21 (COVID year) resulting in significant positive Domar gap (9.20 *per cent*).

Budget performance

Aggregate expenditure outturn

Budget performance in terms of budgetary intent and budget implementation is examined to assess the extent to which the aggregate expenditure outturn reflects the amount originally approved both in terms of excess and saving. In the Revenue section, the deviation in outturn compared with BE was (-) 8.48 *per cent*. This was due to deviation between 0 and (+/-) 25 *per cent* in 37 grants, between (+/-) 25 *per cent* to (+/-) 50 *per cent* in 15 grants, between (+/-) 50 *per cent* to (+/-) 100 *per cent* in five grants and equal to or more than 100 *per cent* in three grants. In the Capital section, the deviation in outturn compared with BE was (-) 1.51 *per cent*. This was due to deviation between 0 and (+/-) 25 *per cent* in 37 grants, between (+/-) 25 *per cent* to (+/-) 50 *per cent* in seven grants, between (+/-) 50 *per cent* to (+/-) 100 *per cent* in 11 grants and equal to or more than 100 *per cent* in five grants. No provision was however, made in respect of 20 grants of the Capital section.

Expenditure composition outturn

Budget performance also looks at the extent to which the re-allocation between the main budget categories during the execution has 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, the deviation in outturn, compared with the REs, was (-) 24.99 *per cent*. This was due to deviation between 0 and (+/-) 25 *per cent* in 32 grants, between (+/-) 25 *per cent* to (+/-) 50 *per cent* in 19 grants, between (+/-) 50 *per cent* to (+/-) 100 *per cent* in nine grants. In the Capital section, deviation in outturn, compared with the REs, was (-) 18.13 *per cent*. This was due to deviation between 0 and (+/-) 25 *per cent* in 38 grants, between (+/-) 25 *per cent* to (+/-) 50 *per cent* in seven grants, between (+/-) 50 *per cent* to (+/-) 100 *per cent* in 12 grants and equal to or more than 100 *per cent* in three grants. No provision was, however, made in respect of 19 grants of the Capital section.

It was noticed that supplementary provisions of ₹ 13,499.10 crore during the year 2023-24 in 57 cases (more than ₹ 0.50 crore in each case) proved unnecessary, as the expenditure did not come up even to the level of the original provisions.

It was noticed that in several cases, there were supplementary grants where expenditure was not even up to the original grant. A reliable budget practice should need to deal with such deviations.

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 parking of funds outside the Government accounts, non or short-discharging of liabilities and misclassification of transactions and data gaps.

Regularisation of Excess over Grants/ Appropriations

The State Government has to get excesses over grants/appropriations regularised by the State Legislature as per Article 205 (1) (b) of the Constitution. It was observed that in 2023-24, there was excess expenditure of ₹ 268.02 crore under one appropriation which required regularisation. Further, excess disbursements of ₹ 3,778.41 crore relating to 10 grants pertaining to FYs 2001-02 to 2022-23 is yet to be regularised.

Compliance with IGAS

As against the requirements of the Indian Government Accounting Standards (IGAS), the State Government partially complied with IGAS-2: Accounting & classification of Grants-in-aid and IGAS-3: Loans and Advances made by the Government.

Operation of PD Accounts

In Jharkhand, 24 PD accounts were opened, to deposit the land acquisition compensation funds. All these accounts are operational and an amount of ₹ 1,187.22 crore was added to the opening balance of ₹ 2,368.79 crore during the year 2023-24. Out of the total deposits in these PD accounts, ₹ 346.31 crore was disbursed during the year, leaving a balance of ₹ 3,209.70 crore, at the end of the financial year.

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 intimated by the State Government, it received ₹ 6,439.24 crore being Central share for Centrally Sponsored Schemes, during 2023-24, in its Treasury Accounts. The State Government transferred ₹ 6,545.59 crore, received in Treasury Accounts being Central share, and State share of ₹ 8,477.76 crore to the SNAs. No further details/documents were provided in this regard. As per PFMS portal of CGA/SNAs, ₹ 6,276.70 crore was lying unspent in the bank accounts of SNAs as on 31 March 2024.

Utilisation Certificates against conditional grants

Despite the requirement of submitting Utilisation Certificates (UCs) against grants-in-aid within a stipulated time period, 47,367 outstanding UCs of ₹ 1,33,161.50 crore were pending as on 31st March 2024. High pendency of UCs is fraught with the risk of fraud and misappropriation of funds.

DC bills against AC bills

Similarly, despite the requirement of submitting Detailed Contingency (DC) Bills against the advance money withdrawn through Abstract Contingency (AC) Bills, 18,011 AC bills of ₹ 4,891.72 crore were pending for submission of DC bills as on 31st March 2024. Advances drawn and not accounted for increase the possibility of wastage/ misappropriation/ malfeasance *etc*.

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 against conditional grants; non-submission of DC bills against AC bills; non-compliance with IGAS-2 and IGAS-3; funds remaining outside Government accounts; and non-supply of details of expenditure from SNAs have impacted the quality of accounts adversely.