CHAPTER-I
OVERVIEW

CHAPTER – I

OVERVIEW

1.1 Profile of the State

The State of Himachal Pradesh is located in the Himalayan region of the northern part of India. The altitude of the different areas of the State varies from 350 meters to 6,975 meters above the mean sea level, rendering the climate from humid sub-tropical to dry temperate alpine. Himachal Pradesh is the 17th largest State in terms of geographical area (55,673 sq. km). It has been organised into 12 districts. The districts have further been divided into 3 Divisions, 81 Sub-divisions, 113 Tehsils, 88 Blocks and 20,752 inhabited villages (as on 31st March 2024).

Himachal Pradesh falls under the category of 'North-Eastern and Himalayan States (NE&H States)' and therefore, sharing pattern (Government of India assistance with respect to the State share) for NE&H States is in the ratio of 90:10 (for core schemes) and 80:20 (for optional schemes), unlike General Category States which receive Government of India assistance with respect to the State share in the ratio of 60:40 (for core schemes) and 50:50 (for optional schemes).

As per projections for India and States (2011-36) by the National Commission on Population (Ministry of Health and Family Welfare), the State's population was 75.05 lakh (2024) which accounts for 0.54 *per cent* of the country's population (140.07 crore). The population density of the State at 135 persons per sq. km. was lower than the national average of 426 persons per sq. km (2023-24). The State's literacy rate was 82.80 *per cent* (**Appendix 1.1**).

1.1.1 Gross State Domestic Product of the State

Gross State Domestic Product (GSDP) is the value of all the goods and services produced within the boundaries of the State in a given period of time. Growth of GSDP is an important indicator of the State's economy, as it denotes the extent of changes in the level of economic development of the State over a period of time.

Changes in sectoral contribution to GSDP is also important to understand the changing structure of economy. The economic activity is generally divided into primary, secondary and tertiary sectors, which primarily correspond to the agriculture, industry and service sectors respectively.

Trends in GSDP compared to Gross Domestic Product (GDP) are shown in **Table 1.1** and sectoral contribution and sectoral growth in GSDP during the period 2019-20 to 2023-24 are depicted in **Chart 1.2**.

Table 1.1: Trends in GSDP compared to the GDP (at current prices)

(₹ in crore)

Year	2019-20	2020-21	2021-22	2022-23	2023-24
INDIA					
GDP (2011-12 Series)	2,01,03,593	1,98,54,096 [d]	2,35,97,399 [c]	2,69,49,646 [b]	2,95,35,667 [a]
Gross Value Added (GVA)	1,83,81,117	1,82,10,997 [d]	2,16,35,584 [c]	2,46,59,041 [b]	2,67,62,147 [a]
Growth rate of GDP over the previous year (in *per cent*)	6.37	-1.24	18.85	14.21	9.60
Growth rate of GVA over the previous year (in *per cent*)	7.02	0.93	18.81	13.97	8.53
Per Capita GDP (in ₹)	1,49,915	1,46,480	1,72,422	1,94,879	2,11,725
HIMACHAL PRADESH					
GSDP (2011-12 Series)	1,59,164	1,51,601 [d]	1,72,162 [c]	1,91,728 [b]	2,07,430 [a]
Gross State Value Added (GSVA)	1,49,042	1,42,780 [d]	1,61,664 [c]	1,79,120 [b]	1,93,121 [a]
Growth rate of GSDP over the previous year (in *per cent*)	7.27	-4.75	13.56	11.36	8.19
Growth rate of GSVA over the previous year (in *per cent*)	7.24	-4.20	13.23	10.80	7.82
Per Capita GSDP (in ₹)	2,17,229	2,05,589	2,32,180	2,57,249	2,76,943

Source: Provisional estimates released by the National Statistical Office (erstwhile CSO), Ministry of Statistics and Programme Implementation (MoSPI) and Department of Economics and Statistics, Himachal Pradesh.

a- Advance Estimate, b- First Revised Estimate, c- Second Revised Estimate, d- Third Revised Estimate.

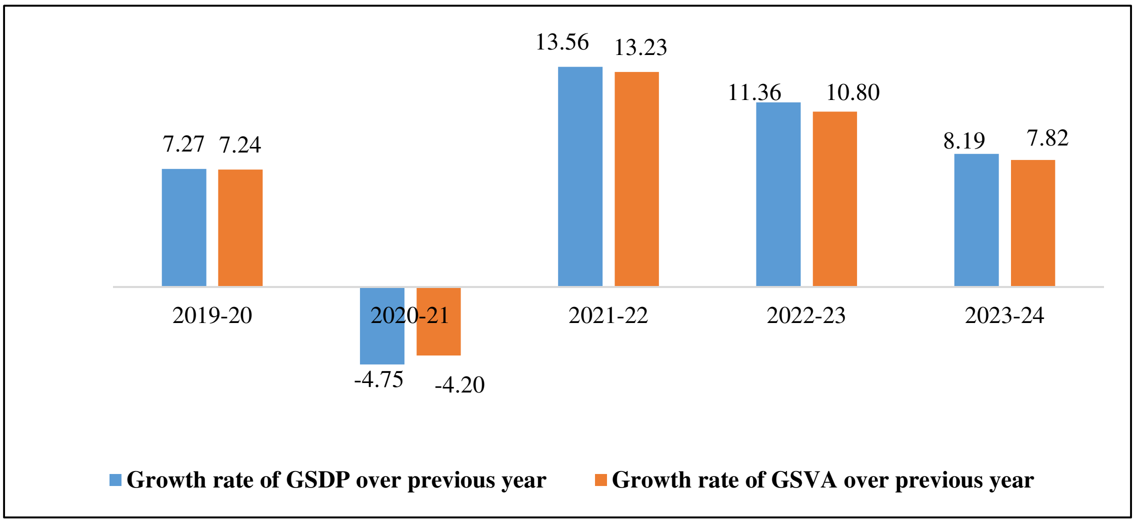
The Gross State Domestic Product (GSDP) in 2023-24 at current prices was ₹ 2,07,430 crore and the GDP of India was ₹ 2,95,35,667 crore. Further, the per capita GSDP of the State for the year 2023-24 was ₹ 2.77 lakh while that of the country was ₹ 2.12 lakh. However, the growth in per capita GSDP of the State (27.49 *per cent*) during the period 2019-20 to 2023-24 could not keep pace with the growth in per capita GDP of the country (41.23 *per cent*) during the same period. This is evidenced from the fact that the percentage of per capita GSDP of the State which was 44.90 *per cent* more than the per capita GDP of the country during 2019-20 had decreased to 30.80 *per cent* more than the per capita GDP of the country at the end of 2023-24.

Gross Value Added (GVA) is defined as the value of output less the value of intermediate consumption. It is used to measure the output or contribution of a particular sector. It is being used for economic analysis by Government of India and international organisations like International Monetary Fund (IMF) and World Bank as it is considered a better indicator of economic growth compared to GDP as it ignores the impact of taxes and subsidies. While GDP can be and is also computed as the sum/ total of the various expenditures incurred in the economy including private consumption spending, government consumption spending and gross fixed Capital formation or investment spending, reflecting essentially on the demand conditions in the economy, GVA represents the supply side. Both measures have differences in treatment of net taxes as a result of which the inclusion of taxes in GDP may differ from the real output situation.

From a policymaker's perspective, it is therefore vital to have a comparison of the GVA and GSVA data for better analysis and for making policy interventions.

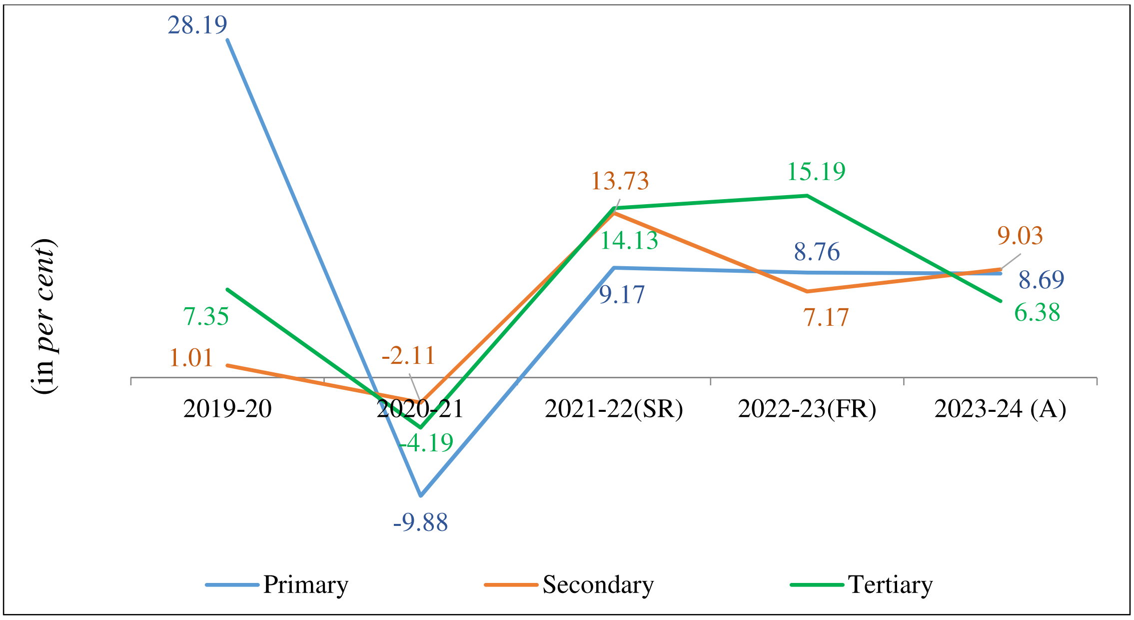
The trends of GSDP and GSVA for the period from 2019-20 to 2023-24 are indicated in the Chart below:

Chart 1.1: Growth rate of GSDP vs GSVA (2019-20 to 2023-24)



Source: Department of Economics and Statistics, Himachal Pradesh.

Chart 1.2: Sectoral growth in GSDP



Source: Department of Economics and Statistics, Himachal Pradesh.
SR- Second Revised Estimate, FR- First Revised Estimate, A- Advance Estimate.

Chart 1.2 shows that during 2021-22, there was significant growth and "V" shape recovery in all the sectors contributing to GSDP viz., primary, secondary and tertiary activity, post Covid-19 pandemic. After that the economy showed a mixed trend in all three sectors.

From 2021-22 to 2023-24, the primary sector showed almost static growth of 9.17 *per cent*, 8.76 *per cent* and 8.69 *per cent* in 2021-22, 2022-23 and 2023-24 respectively. During 2023-24 there is a growth of 1.86 percentage points in the secondary sector mainly due to increase in manufacturing and construction. In the tertiary sector growth rate decreased by 8.81 percentage points from 15.19 *per cent* in 2022-23 to 6.38 *per cent* during 2023-24 due to decrease in growth rate (-1.02 *per cent*) in Public Administration this year as compared to previous year's growth of 25.25 *per cent* in this sector.

1.2 Basis and Approach to State Finances Audit Report

In terms of Article 151 (2) of the Constitution of India, the Reports of the Comptroller and Auditor General of India (CAG) relating to the accounts of a State are to be submitted to the Governor of the State, who shall cause them to be laid before the Legislature of the State. The State Finances Audit Report (SFAR) of Himachal Pradesh for the year ended 31st March 2024 has been prepared by the CAG for submission to the Governor of the State under Article 151 (2) of the Constitution of India.

The Principal Accountant General (Accounts & Entitlements) compiles the Finance Accounts and Appropriation Accounts of the State annually, from vouchers, challans and initial and subsidiary accounts rendered by the treasuries, offices and departments responsible for keeping of such accounts functioning under the control of the State Government, and statements received from the Reserve Bank of India. These accounts are audited independently by the Principal Accountant General (Audit) and certified by the CAG.

The Finance Accounts and Appropriation Accounts of the State for the year 2023-24 constitute the core data for this Report. Other sources include:

- Budget of the State for the year 2023-24: for assessing fiscal parameters and allocative priorities *vis-à-vis* projections, evaluating the effectiveness of Budget implementation and compliance with the relevant rules and prescribed procedures,
- Results of audit carried out by the office of the Pr. Accountant General (Audit), Himachal Pradesh,
- Other data with departmental authorities and treasuries (accounting as well as MIS),
- GSDP data and State related other statistics; and
- Various Audit Reports of the CAG of India.

The analysis in this Report has also been carried out based on the recommendations of the Fourteenth and Fifteenth Finance Commissions, State Fiscal Responsibility and Budget Management (FRBM) Act, 2005 and best practices and guidelines of the Government of India.

The audit analysis/ findings of State Finances Audit Report were sent to the State Government in September 2024 for obtaining their replies/views; replies were not received from the State Government as of February 2025.

1.3 Overview of Government Account Structure and Budgetary Processes

The Accounts of the State Government are kept in three parts as described below:

Part I: Consolidated Fund of the State (Article 266(1) of the Constitution of India)

This Fund comprises all revenues received by the State Government, all loans raised by the State Government (market loans, bonds, loans from the Central Government, loans from financial institutions, special securities issued to National Small Savings Fund, etc.), Ways and Means Advances extended by the Reserve Bank of India and all moneys received by the State Government in repayment of loans. No moneys can be appropriated from this Fund except in accordance with law and for the purposes and in the manner provided by the Constitution of India. Certain categories of expenditure (e.g., salaries of constitutional authorities, loan repayments, etc.), constitute a charge on the Consolidated Fund of the State (Charged expenditure) and are not subject to vote by the Legislature. All other expenditure (Voted expenditure) is voted by the Legislature.

Part II: Contingency Fund of the State (Article 267(2) of the Constitution of India)

This Fund is in the nature of an imprest, established by the State Legislature by law, and placed at the disposal of the Governor to enable advances to be made for meeting unforeseen expenditure pending authorisation of such expenditure by the State Legislature. The fund is recouped by debiting the expenditure to the functional major head concerned relating to the Consolidated Fund of the State. In Himachal Pradesh, the corpus of this fund is ₹ 5.00 crore.

Part III: Public Account of the State (Article 266 (2) of the Constitution of India)

Apart from the above, all other public moneys received by or on behalf of the Government, where the Government acts as a banker or trustee, are credited to the Public Account. The Public Account includes repayables like Small Savings and Provident Funds, Deposits (bearing interest and not bearing interest), Advances, Reserve Funds (bearing interest and not bearing interest), Remittances and Suspense heads (both of which are transitory heads, pending final booking). The net cash balance available with the Government is also included under the Public Account. The Public Account is not subject to the vote of the Legislature.

Budget Document

There is a constitutional requirement in India (Article 202) to present before the House or Houses of the Legislature of the State, a statement of estimated receipts and expenditures of the Government in respect of every financial year. This 'Annual Financial Statement' constitutes the main Budget document. Further, the Budget must distinguish expenditure on the Revenue account from other expenditures.

Revenue receipts consist of Tax revenue (Own Tax revenue plus share of Union Taxes/Duties), Non Tax revenue and grants from Government of India.

Revenue expenditure consists of all those expenditures of the Government which do not result in creation of physical or financial assets. It relates to those expenses incurred for the normal functioning of the Government departments and various services, interest payments on debt incurred by the Government, and grants given to various institutions (even though some of the grants may be meant for creation of assets).

Capital receipts consist of:

- **Public Debt receipts:** Market loans, bonds, loans from financial institutions, net transaction under Ways and Means Advances, Loans and Advances from Central Government, etc., and
- **Non-debt receipts:** Proceeds from disinvestment, recoveries of Loans and Advances, etc.

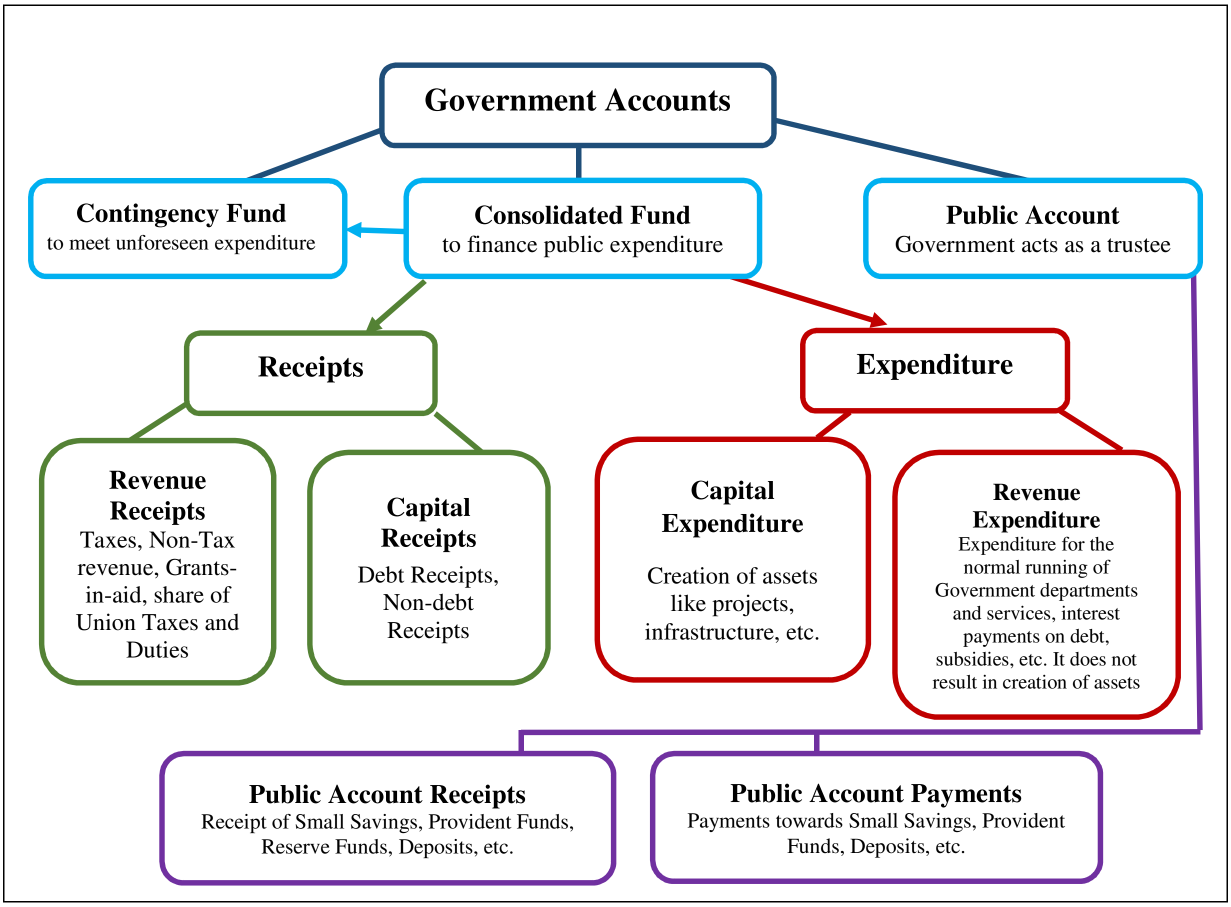
Capital expenditure includes expenditure on the acquisition of land, building, machinery, equipment and investment by the Government in shares and Loans and Advances by the government to Public Sector Undertakings (PSUs) and other parties.

At present, there is an accounting classification system in Government that has both functional and economic dimensions.

Adopted by	Attribute of transaction	Classification
Standardised in List of Major and Minor Heads by CGA	Function - Education, Health, etc. / Department	Major Head under Grants (4-digit)
	Sub-Function	Sub Major Head (2-digit)
	Programme	Minor Head (3-digit)
Flexibility left for the States	Scheme	Sub-Head (2-digit)
	Sub-scheme	Detailed Head (2-digit)
	Economic nature/ Activity	Object Head - Salary, Minor Works, etc. (2-digit)

The functional classification lets one know the Department, function, scheme or programme, and object of the expenditure. Economic classification helps organise these payments as Revenue, Capital, Debt, etc. Economic classification is achieved by the numbering logic embedded in the first digit of 4-digit Major Heads. For instance, 0 and 1 are for Revenue Receipts, 2 and 3 for Revenue expenditure, etc. Economic classification is also achieved by an inherent definition and distribution of some object heads. For instance, generally "Salary" object head is Revenue expenditure, while "Construction" object head is Capital expenditure. Object head is the primary unit of appropriation in the Budget documents.

Chart 1.3: Structure of Government Accounts



Source: Finance Accounts.

Public Debt and Public Liability: In this Report, 'Public Debt' has been taken to comprise market borrowings, institutional loans, special securities issued to National Small Savings Fund (NSSF), loans given by the Central Government etc. For this purpose, the major heads 6003 and 6004 - Public Debt have been taken into consideration.

Further, the transactions relating to ‘Small Savings, Provident Fund, etc.’, ‘Reserve Funds’ and ‘Deposit and Advances’ under Public Account are such that the Government incurs a liability to repay the moneys received or has a claim to recover the amounts paid. The transactions relating to 'Remittances' and 'Suspense' under Public Account, includes merely adjusting heads such as transactions as remittances of cash between treasuries and currency chests and transfer between different accounting circles.

In this Report, 'Public Liability' has been taken to include the transactions under major heads 8001 to 8554 relating to ‘Small Savings, Provident Fund, etc.’, ‘Reserve Funds’ and ‘Deposit and Advances’ along with the transactions under major heads 6003 and 6004.

Budgetary Processes

In terms of Article 202 of the Constitution of India, the Governor of State causes to be laid before the State Legislature, a statement of the estimated receipts and expenditure of the State, in the form of an **Annual Financial Statement**. In terms of Article 203, the statement is submitted to the State Legislature in the form of Demands for

Grants/Appropriations and after approval of these, the Appropriation Bill is passed by the Legislature under Article 204 to provide for appropriation of the required money out of the Consolidated Fund.

The State Budget Manual details the Budget formulation process and guides the State Government in preparing its budgetary estimates and monitoring its expenditure activities. Results of audit scrutiny of Budget and implementation of other budgetary initiatives of the State Government are detailed in Chapter-III of this Report.

1.3.1 Snapshot of Finances

Table 1.2 shows the details of actual financial results for the years 2022-23 and 2023-24 vis-à-vis Budget Estimates (BE) and GSDP for the year 2023-24.

Table 1.2: Snapshot of Finances

(₹ in crore)

Sl. No.	Components	2022-23 (Actuals)	2023-24 (BE)	2023-24 (Actuals)	Percentage of Actuals 2023-24 to BE	Percentage of Actuals 2023-24 to GSDP
1.	Tax revenue (i+ii)	18,479.24	21,503.99	21,210.01	98.63	10.23
	(i) Own Tax revenue	10,595.26	13,025.97	11,835.29	90.86	5.71
	(ii) Share of Union Taxes/ Duties	7,883.98	8,478.02	9,374.72	110.58	4.52
2.	Non-Tax revenue	2,876.33	3,447.20	3,020.88	87.63	1.46
3.	Grants-in-aid and Contributions	16,733.93	13,048.68	14,942.15	114.51	7.20
4.	**Revenue Receipts (1+2+3)**	**38,089.50**	**37,999.87**	**39,173.04**	**103.09**	**18.88**
5.	Recovery of Loans and Advances	82.79	26.07	27.40	105.10	0.01
6.	Other Receipts	12.59	0.00	2.20	NA	0.00
7.	Net Borrowings and other liabilities*	12,379.84	8,353.00	11,265.73	134.87	5.43
8.	**Capital Receipts (5+6+7)**	**12,475.22**	**8,379.07**	**11,295.33**	**134.80**	**5.45**
9.	**Total Receipts (4+8)**	**50,564.72**	**46,378.94**	**50,468.37**	**108.82**	**24.33**
10.	Revenue Expenditure	44,425.26	42,703.99	44,731.63	104.75	21.56
11.	*Interest payments#*	*4,828.64*	*5,562.03*	*5,648.37*	*101.55*	*2.72*
12.	Capital Expenditure	6,028.89	5,202.38	5,629.79	108.22	2.71
13.	Loans and Advances disbursed	110.57	19.71	106.95	542.62	0.05
14.	**Total Expenditure (10+12+13)**	**50,564.72**	**47,926.08**	**50,468.37**	**105.30**	**24.33**
15.	**Revenue Deficit (-)/ Surplus (+) (4-10)**	**-6,335.76**	**-4,704.12**	**-5,558.59**	**118.16**	**-2.68**
16.	**Fiscal Deficit {(4+5+6)-14}**	**-12,379.84**	**-9,900.14**	**-11,265.73**	**113.79**	**-5.43**
17.	**Primary Deficit (16-11)**	**-7,551.20**	**-4,338.11**	**-5,617.36**	**129.49**	**-2.71**

Source: Finance Accounts.
** Borrowings and other liabilities: Net (Receipts-Disbursements) of Public Debt + Net of Contingency Fund + Net (Receipts - Disbursements) of Public Account + Net of Opening and Closing Cash Balance.*
 # Included in Revenue Expenditure

During the year 2023-24, the Revenue receipts of the State increased marginally by 2.84 *per cent* over the previous year and was 3.09 *per cent* more than the Budget Estimates. Grants-in-aid decreased by 10.71 *per cent* during this year. During the current year, there was excess of revenue expenditure (₹ 44,731.63 crore) over Revenue receipts (₹ 39,173.04 crore), thereby resulting in Revenue Deficit of ₹ 5,558.59 crore.

1.3.2 Snapshot of Assets and Liabilities of the Government

Government accounts capture the financial liabilities of the Government and the assets created out of the expenditure incurred. **Appendix 1.2** gives an abstract of such liabilities and assets as on 31st March 2024, compared with the corresponding position of the previous year. The liabilities consist mainly of Internal Borrowings, Loans and Advances from Government of India, receipts from Public Account and Reserve Funds, and the assets comprise mainly the Capital expenditure and Loans and Advances given by the State Government and Cash Balances. Summarised position of assets and liabilities is depicted in **Table 1.3**.

Table 1.3: Summarised position of Assets and Liabilities

(₹ in crore)

Liabilities					Assets				
Components		2022-23	2023-24	*Per cent* increase/ decrease	Components		2022-23	2023-24	*Per cent* increase(+) / decrease(-)
Consolidated Fund									
A	Internal Debt	55,975.16	61,439.29	9.76	a	Gross Capital Expenditure	61,488.38	67,118.17	9.16
B	Loans and Advances from Government of India	7,388.31*	8,929.83*	20.8	b	Loans and Advances	8,052.62	8,132.18	0.99
Contingency Fund		5.00	5.00	--	**--**		**--**	**--**	**--**
Public Account									
A	Small Savings, Provident Funds, etc.	17,682.25	19,337.58	9.36	a	Advances with Departmental officers	--	--	--
B	Deposits and Advances	3,608.49	3,645.97	1.04	b	Remittances	--	--	--
C	Reserve Funds	1,934.72	2,279.77	17.83	c	Suspense and Miscellaneous	--	--	--
D	Remittances	493.96	620.25	25.57	**Cash balance (including investment in Earmarked Funds)**		3,556.04	1,500.44	-57.81
E	Suspense and Miscellaneous	224.94	265.28	17.93	**Total**		73,097.04	76,750.79	5.00
					Deficit in Revenue Account		14,215.79	19,772.18	39.09
Total		**87,312.83**	**96,522.97**	**10.55**			**87,312.83**	**96,522.97**	**10.55**

Source: Finance Accounts.

** This includes ₹ 4,412.22 crore (2020-21: ₹ 1,717 crore + 2021-22: ₹ 2,695.22 crore) as back-to-back loans to State from Government of India in lieu of GST compensation shortfall.*

1.4 Fiscal Balance: Achievement of deficit and total debt targets

When a Government spends more than it collects by way of revenue, it incurs a deficit. There are various measures that capture Government deficit.

Deficits are financed by borrowing, giving rise to Government debt. The concepts of deficits and debt are closely related. Deficits can be thought of as a flow which adds to the stock of debt. If the Government continues to borrow year after year, it leads to the accumulation of debt and the Government has to pay more and more by way of interest. These interest payments themselves contribute to the debt.

By borrowing, the Government entails the burden of reduced consumption on future generations. This is because it borrows by issuing bonds to the people living at present but may decide to pay off the bonds some twenty years later by raising taxes or reducing expenditure. Also, Government borrowing from the people reduces the savings available to the private sector. To the extent that this reduces Capital formation and growth, debt acts as a ‘burden’ on future generations.

However, if Government deficits succeed in their goal of raising production, there will be more income and, therefore, more saving. In this case, both Government and industry can borrow more. Also, if the Government invests in infrastructure, future generations may be better off, provided the return on such investments is greater than the rate of interest. The actual debt could be paid off by the growth in output. The debt should not then be considered burdensome. The growth in debt will have to be judged by the growth of the economy (State GDP) as a whole.

Government deficit can be reduced by increase in taxes or reduction in expenditure. However, the major thrust has been towards reduction in Government expenditure. This could be achieved through making Government activities more efficient through better planning of programmes and better administration.

The Central and individual State Governments have passed Fiscal Responsibility and Budget Management (FRBM) Act with the objective of ensuring prudence in fiscal management by eliminating Revenue Deficit, reducing Fiscal Deficit and overall/outstanding debt to acceptable level, establishing improved debt management and improving transparency in a medium-term framework. In this context, the Act provides quantitative targets to be adhered by the State with regard to deficit measures and debt level.

In April 2005, the State Government enacted the Himachal FRBM Act, 2005 to ensure long-term financial stability by achieving Revenue surplus, containing Fiscal Deficit and prudent debt management. Subsequently, in March 2011, the State Government amended the FRBM Act on the recommendations of the Thirteenth Finance Commission (TFC) and enacted FRBM (Amendment) Act, 2011, on the basis of which Fiscal targets up to the year 2014-15 were fixed.

The Fourteenth Finance Commission (14^{th} FC) recommended that the State Government may amend its FRBM Act to provide for statutory flexible limits on Fiscal Deficit and also to provide a statutory ceiling on the sanction of new Capital works to an appropriate multiple of the annual Budget provision for ensuring that liabilities of incomplete and ongoing Capital projects do not accumulate.

The Fourteenth Finance Commission also recommended to the State Government to adopt a template for collating, analysing and annually reporting the total extended public debt in the Budget, as a supplement to the Budget, to assess the debt position of the State in the context of risks arising from guarantees, off-Budget borrowings and accumulated losses from financially weak public sector enterprises. In order to accord greater sanctity and legitimacy to fiscal management legislation, the State Government was recommended to replace the existing FRBM Act with a Debt Ceiling and Fiscal Responsibility Legislation, specifically invoking Article 293(1) of the Constitution of India.

The Fifteenth Finance Commission (15th FC) recommended an additional one *per cent* conditional statutory flexible limit on Fiscal Deficit, above the limit fixed, subject to the reforms: (i) Implementation of One Nation One Ration Card System; (ii) Ease of doing business reforms; (iii) Urban Local body/utility reforms; and (iv) Power Sector reforms. The weightage of each reform was 0.25 *per cent* of GSDP totaling to one *per cent*.

Further, Ministry of Finance, Government of India considering the centrality of the financial strength of DISCOMs to the soundness of State finances recommended an additional ceiling space of 0.5 *per cent* of GSDP for the State for four-year period 2021-22 to 2024-25 linked to power sector reforms viz., (i) reduction in operational losses, (ii) reduction in revenue gap, (iii) reduction in payment of cash subsidy by adopting direct benefit transfer, and (iv) reduction in tariff subsidy as a percentage of revenue, etc.

As per the recommendations of the 15th FC, the State Government amended its FRBM Act in January 2023. The statutory flexible limit on Fiscal Deficit had been fixed at six *per cent* or less of GSDP in 2022-23, 3.5 *per cent* or less in 2023-24 and 2024-25 and to maintain thereafter at three *per cent* or less.

Further, the Medium Term Fiscal Plan Statement (MTFPS) as recommended under FRBM Act was prepared every year with three years rolling targets by the State Government. Compliance with the targets set in the HP-FRBM Act and MTFPS during the period 2019-20 to 2023-24 is shown in **Table 1.4 (a)**.

Table 1.4 (a): Compliance with provisions of HP-FRBM Act

Fiscal Parameters		Achievement *vis-à-vis* targets set in the HP-FRBM Act				
		2019-20	2020-21	2021-22	2022-23	2023-24
Revenue Deficit (-) / Surplus (+) (₹ in crore)	T	Maintain Revenue Surplus				
	A	12 ✓	- 97 ✗	1,115 ✓	-6,336 ✗	-5,559 ✗
Fiscal Deficit (-)/ Surplus (+) (as *per cent of GSDP*)	T	3% or less			6% or less	3.5% or less
	A	-3.52 ✗	-3.76 ✗	- 3.05 ✗	- 6.46 ✗	-5.43 ✗
Ratio of total outstanding debt[@] to GSDP (in *per cent*)[$]	T	34.04	33.62	40.26	40.49	38.98
	A	39.09 ✗	44.30* ✗	40.15* ✓	42.86* ✗	43.98* ✗

@ *Total outstanding debt includes public debt plus other (Public Account) liabilities.*

* *Calculated by excluding ₹ 1,717 crore during 2020-21 and ₹ 4,412.22 crore (2020-21: ₹ 1,717 crore + 2021-22: ₹ 2,695.22 crore) during 2021-24 received as back-to-back loan from Government of India in lieu of GST compensation shortfall, as the Department of Expenditure, Government of India has decided that it will not be treated as debt of the State Government for any norms which may be prescribed by the Finance Commission.*

$ *Ratio of total outstanding debt to GSDP has been compared with the targets set in MTFPS, as the State Government did not specify the targets in the FRBM Act (after 2011, when amendments were made).*

T Target, A- Achievement.

The targets set by 15th FC and those projected in the State Budget *vis-à-vis* achievements in respect of major fiscal aggregates with reference to GSDP during 2023-24 are given in **Table 1.4(b)**.

Table 1.4 (b): Targets *vis-à-vis* achievements in respect of major fiscal aggregates for the year 2023-24

Fiscal Variables	Targets as prescribed by 15th FC	Targets in the Budget	Actuals	Percentage variation of actuals over	
				Targets of 15th FC	Targets in Budget
Revenue Surplus (+) or Deficit (-)/ GSDP (*per cent*)	1.2	-2.19	-2.68	3.88	0.49
Fiscal Deficit (-)/GSDP (*per cent*)	-3.00	-4.61	-5.43	2.43	0.82
Total outstanding liability/ GSDP (*per cent*)	36.80	38.98	43.98*	7.18	5.00

Source: Recommendations of 15th FC (indicative deficit/surplus for all States and debt path for Himachal Pradesh for the award period 2020-26), Annual Financial Statements and Finance Accounts.

* *Excluding back-to-back loans of ₹ 4,412.22 crore received from Government of India in lieu of GST Compensation shortfall during 2020-21 and 2021-22.*

During the last two years, the State received Post-Devolution Revenue Deficit Grant of ₹ 9,377 crore in 2022-23 and ₹ 8,058 crore in 2023-24. Despite receiving grants, the State had a huge Revenue Deficit of ₹ 6,336 crore in 2022-23 and ₹ 5,559 crore in 2023-24, which is a matter of concern.

Further, during the year 2023-24, the Government was unable to contain all the targets i.e. total outstanding debt-GSDP ratio, Revenue Deficit-GSDP and Fiscal Deficit-GSDP ratios within the targets prescribed by the 15th FC as well as targets set in its own Budget Estimates.

As per Himachal FRBM Act, 2005, Medium Term Fiscal Plan Statement (MTFPS) shall set forth a three-year rolling target for prescribed Fiscal indicators with specification of underlying assumptions. Actuals *vis-à-vis* projections made in MTFPS are shown in **Table 1.5**.

Table 1.5: Actuals *vis-à-vis* projections in MTFPS for the year 2023-24

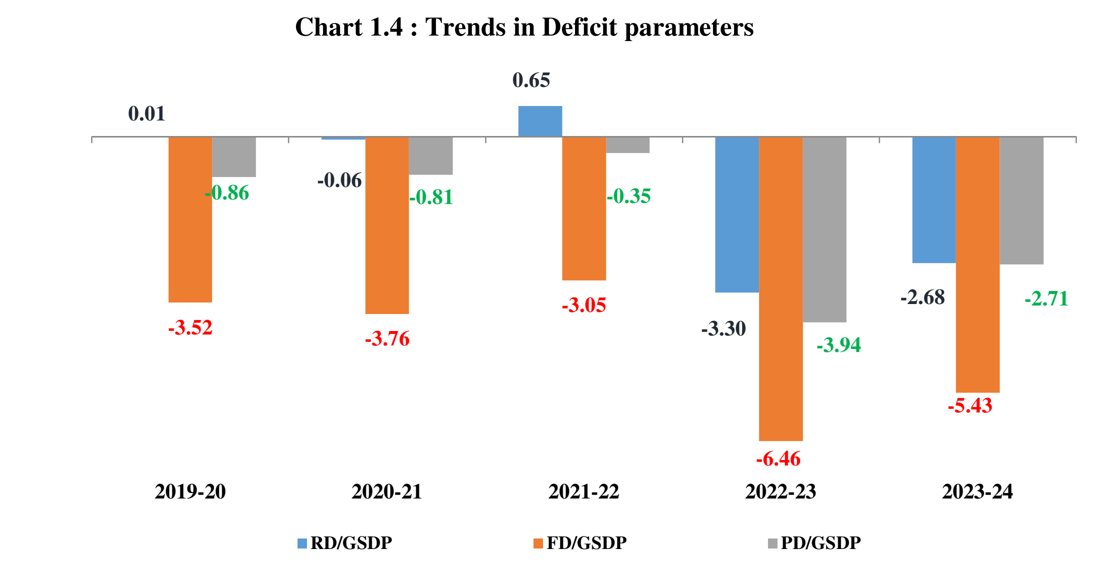
(₹ in crore)

Sr. No.	Fiscal Variables	Projection as per MTFPS	Actuals (2023-24)	Variation (in *per cent*)
1.	Tax revenue (i) + (ii)	21,503.99	21,210.01	-1.37
	(i) Own Tax revenue	13,025.97	11,835.29	-9.14
	(ii) Share of Central Taxes and Duties	8,478.02	9,374.72	10.58
2.	Non-Tax revenue	3,447.2	3,020.88	-12.37
3.	Grants-in-aid from Government of India	13,048.68	14,942.15	14.51
4.	**Revenue Receipts (1+2+3)**	**37,999.87**	**39,173.04**	**3.09**
5.	**Revenue Expenditure**	**42,703.99**	**44,731.63**	**4.75**
6.	**Revenue Deficit (-)/ Surplus (+) (4-5)**	**-4,704.12**	**-5,558.59**	**18.16**
7.	**Fiscal Deficit (-)/ Surplus (+)**	**-9,900.14**	**-11,265.73**	**13.79**
8.	**Debt-GSDP ratio (in *per cent*)**	**38.98**	**43.98**	**5.00**
9.	**GSDP growth rate at current prices (*per cent*)**	**10.00**	**8.19**	**-1.81**

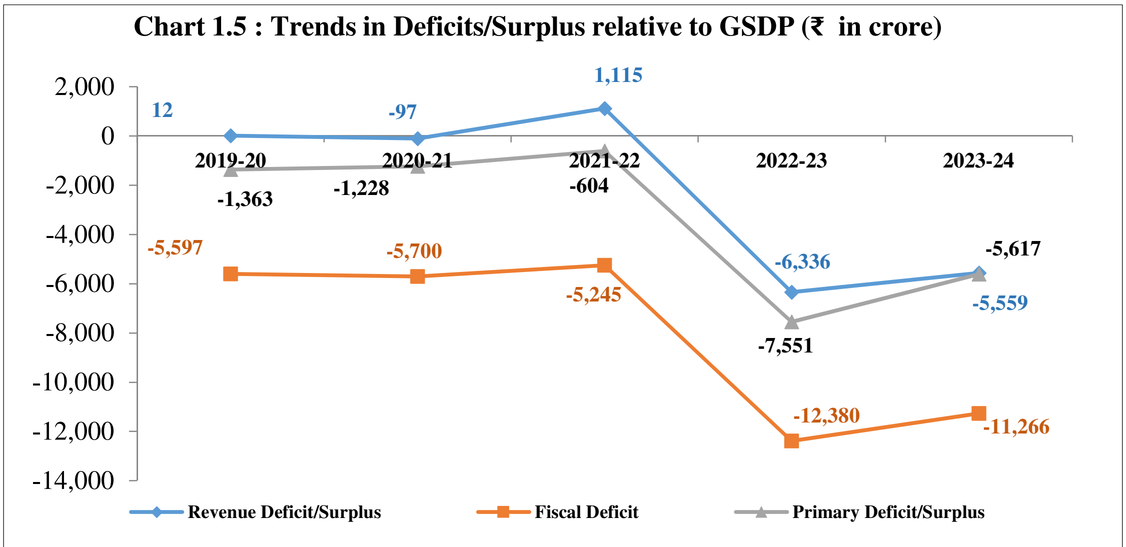
Source: Finance Accounts.

During the year 2023-24, the Government was unable to contain all fiscal indicators within the level projected in the MTFPS.

Charts 1.4 and **1.5** present the trends in deficit parameters and trends relative to GSDP respectively over the period 2019-24.



Source: Finance Accounts.



Source: Finance Accounts.

Revenue Deficit indicates the excess of Revenue expenditure over Revenue receipts. Revenue surplus helps to decrease the borrowings. As per the HP-FRBM Act 2005 (amended in 2011), the State was to eliminate Revenue Deficit by financial year 2011-12 and maintain Revenue surplus thereafter. In the last two years, the Revenue Deficit of ₹ 6,336 crore (2022-23) and ₹ 5,559 crore (2023-24) of State Government is quite high.

Fiscal Deficit represents the net incremental liabilities of the Government or its additional borrowings. The shortfall could be met either by additional public debt (internal or external) or by the use of surplus funds from Public Account. In the last two years Fiscal Deficit (₹ 12,380 crore in 2022-23 and ₹ 11,266 crore in 2023-24) remains high and crossed the Fiscal Deficit-GSDP ratio limit 3.50 *per cent* (2022-23) and 3.00 *per cent* (2023-24) set by 15th Finance Commission.

Primary deficit, which indicates Fiscal Deficit for the current year minus interest payments on previous borrowings, was ₹ 7,551 crore in 2022-23 and ₹ 5,617 crore in 2023-24.

1.5 Performance of the State Government with respect to borrowings according to the limits fixed by Government of India

Article 293 (3) of the Constitution of India, *inter alia*, provides that a State may not raise any loan without the consent of Government of India, if any part of a loan which has been made to the State by Government of India, is still outstanding.

The Government of India, Ministry of Finance, Department of Expenditure fixed (February 2024) the net borrowing ceiling (NBC) of the State Government for the financial year 2023-24 as ₹ 6,342 crore and instructed the State Government to ensure that its incremental borrowings from all sources (as reflected in the Statement 6 of State's Finance Accounts) remained within this ceiling.

As per Statement 6 of the Finance Accounts *viz.,* statement of borrowings and other liabilities, incremental borrowings and other liabilities of the State Government were ₹ 9,043.53 crore (i.e. 4.36 *per cent* of GSDP) during the financial year 2023-24 which was substantially higher than the borrowing ceiling of ₹ 6,342 crore as fixed by the Government of India.

1.6 Deficits post examination by Audit

As per the FRBM Act, the State Government must ensure compliance with the targets fixed for the fiscal indicators such as deficits, ceiling on debt and on guarantees, etc. The Revenue Deficit and Fiscal Deficit as worked out for the State get impacted due to various circumstances such as misclassification of Revenue expenditure as Capital expenditure and off-Budget fiscal operations. Besides, deferment of clear-cut liabilities, not depositing cess/ royalty to Consolidated Fund, etc., also impacts the Revenue and Fiscal Deficit figures. In order to arrive at actual deficit figures, the effect of the above needs to be included and the impact of such irregularities needs to be reversed. Analysis of deficits after examination in audit is given in **Table 1.6**.

Table 1.6: Revenue Deficit and Fiscal Deficit, post examination by Audit

(₹ in crore)

Particulars	Impact on Revenue Deficit (Understated (+) / Overstated (-))	Impact on Fiscal Deficit (Understated (+) / Overstated (-))	Paragraph Reference
Non-discharge of liability in respect of interest towards balances lying under NPS	1.19	1.19	2.4.1.2 (i)
Non-provision/payment of interest on balances lying under SDRF	11.36	11.36	2.5.2.2 (a)
Non-transfer of contribution to State Disaster Mitigation Fund (SDMF)	9.71	9.71	2.5.2.2 (b)
Non transfer of Grants to Central Road and Infrastructure Fund	136.32	136.32	2.5.2.6
Total	**158.58**	**158.58**	

Source: Finance Accounts.

During 2023-24, the Revenue Deficit and Fiscal Deficit was ₹ 5,558.59 crore (2.68 *per cent* of GSDP) and ₹ 11,265.73 crore (5.43 *per cent* of GSDP) respectively, as shown in **Charts 1.4** and **1.5**. If the above transactions as shown in **Table 1.6** were taken into account, the actual Revenue Deficit and Fiscal Deficit would work out to ₹ 5,717.17 crore (2.76 *per cent* of GSDP) and ₹ 11,424.31 crore (5.51 *per cent* of GSDP) respectively.

1.7 Post Audit – Total Outstanding Debt

As per the Himachal Pradesh Fiscal Responsibility and Budget Management Act, 2005, total liabilities mean the liabilities under the Consolidated Fund and the Public Account of the State referred to in Article 266 of the Constitution of India. The outstanding debt/liabilities can be split into various components as given in **Table 1.7**.

Table 1.7: Components of outstanding debt/liabilities as on 31 March 2024

(₹ in crore)

Borrowings and other liabilities as per Finance Accounts	Amount
Internal Debt (A)	**61,439.29**
Market Loans bearing interest	52,147.00
Market Loans not bearing interest	0.06
Loan from Life Insurance Corporation of India	12.93
Loan from NABARD	3,640.23
Loan from National Cooperative Development Corporation	75.11
Compensation and other Bonds	2,312.40
Loans from other Institutions, etc.	0
Special Securities issued to the National Small Savings Fund of the Central Government	3,251.56
Loans and Advances from Central Government (B)	**8,929.83*****
Non-plan Loans	1.09
Loans for State Plan Schemes	2,948.94*
Others	5,979.80*
Liabilities upon Public Accounts (C)	**25,263.84**
Small Savings, Provident Funds, etc.	19,337.58
Deposits	3,646.49
Reserve Funds	2,279.77
Total (A+B+C)	**95,632.96*****

Source: Finance Accounts.

* *Includes back-to-back loans of ₹ 4,412.22 crore (₹ 1,717 crore in 2020-21 and ₹ 2,695.22 crore in 2021-22) from Government of India in lieu of GST Compensation shortfall.*

At the end of the year 2023-24, the overall outstanding debt/liabilities of the State was ₹ 95,632.96 crore. There were no cases of off-Budget[1] fiscal operations such as borrowings by State PSUs or Special Purpose Vehicles (SPVs) on behalf of the State Government where principal and/or interest are to be serviced out of the State Budget; deployment of own funds by the State PSUs, SPVs, etc., for execution of deposit works

[1] Source: Para 3 (xvii) of Notes to Finance Accounts 2023-24.

of the State Government which was to be financed by the State Government through borrowings; or non-reimbursement of principal/ interest component by the State Government to State PSUs, SPVs, etc., of the loan taken by them on behalf of the State Government. As such, there was no impact of these on the overall outstanding debt/ liabilities of the State Government.