

# **CHAPTER-II**

## **FINANCES OF THE STATE**



## CHAPTER – II

### FINANCES OF THE STATE

#### 2.1 Major changes in key fiscal aggregates in 2023-24 vis-à-vis 2022-23

Major changes in key fiscal aggregates of the State during the financial year 2023-24 as compared with previous year are given in **Table 2.1**.

**Table 2.1: Changes in key fiscal aggregates in 2023-24 compared with 2022-23**

<b>Revenue receipts</b>	<ul style="list-style-type: none"> <li>Revenue receipts of the State increased by 2.84 <i>per cent</i>.</li> <li>Own Tax receipts of the State increased by 11.70 <i>per cent</i>.</li> <li>Own Non-Tax receipts of the State increased by 5.03 <i>per cent</i>.</li> <li>State's Share of Union Taxes and Duties increased by 18.91 <i>per cent</i>.</li> <li>Grants-in-aid from Government of India decreased by 10.71 <i>per cent</i>.</li> </ul>
<b>Revenue expenditure</b>	<ul style="list-style-type: none"> <li>Revenue expenditure increased by 0.69 <i>per cent</i>.</li> <li>Revenue expenditure on General Services increased by 7.79 <i>per cent</i>.</li> <li>Revenue expenditure on Social Services decreased by 0.49 <i>per cent</i>.</li> <li>Revenue expenditure on Economic Services decreased by 10.65 <i>per cent</i>.</li> </ul>
<b>Capital Receipts</b>	<ul style="list-style-type: none"> <li>Debt Capital receipts decreased by 33.39 <i>per cent</i>.</li> <li>Non-debt Capital receipts decreased by 68.97 <i>per cent</i>.</li> </ul>
<b>Capital expenditure</b>	<ul style="list-style-type: none"> <li>Capital expenditure decreased by 6.62 <i>per cent</i>.</li> <li>Capital expenditure on General Services increased by 19.95 <i>per cent</i>.</li> <li>Capital expenditure on Social Services decreased by 11.13 <i>per cent</i>.</li> <li>Capital expenditure on Economic Services decreased by 6.37 <i>per cent</i>.</li> </ul>
<b>Loans and Advances</b>	<ul style="list-style-type: none"> <li>Disbursement of Loans and Advances decreased by 3.27 <i>per cent</i>.</li> <li>Recoveries of Loans and Advances decreased by 66.90 <i>per cent</i>.</li> </ul>
<b>Public Debt</b>	<ul style="list-style-type: none"> <li>Public Debt receipts decreased by 33.39 <i>per cent</i>.</li> <li>Repayment of Public Debt decreased by 22.10 <i>per cent</i>.</li> </ul>
<b>Public Account</b>	<ul style="list-style-type: none"> <li>Public Account Receipts increased by 4.58 <i>per cent</i>.</li> <li>Public Account Disbursements decreased by 0.57 <i>per cent</i>.</li> </ul>
<b>Cash Balance</b>	<ul style="list-style-type: none"> <li>Cash balance decreased by 57.81 <i>per cent</i>.</li> </ul>

Source: Finance Accounts.

## 2.2 Sources and Application of Funds

Comparison of components of the sources and application of funds of the State during the current year with those of the previous year is given in **Table 2.2**.

**Table 2.2: Details of Sources and Application of funds during 2022-23 and 2023-24**

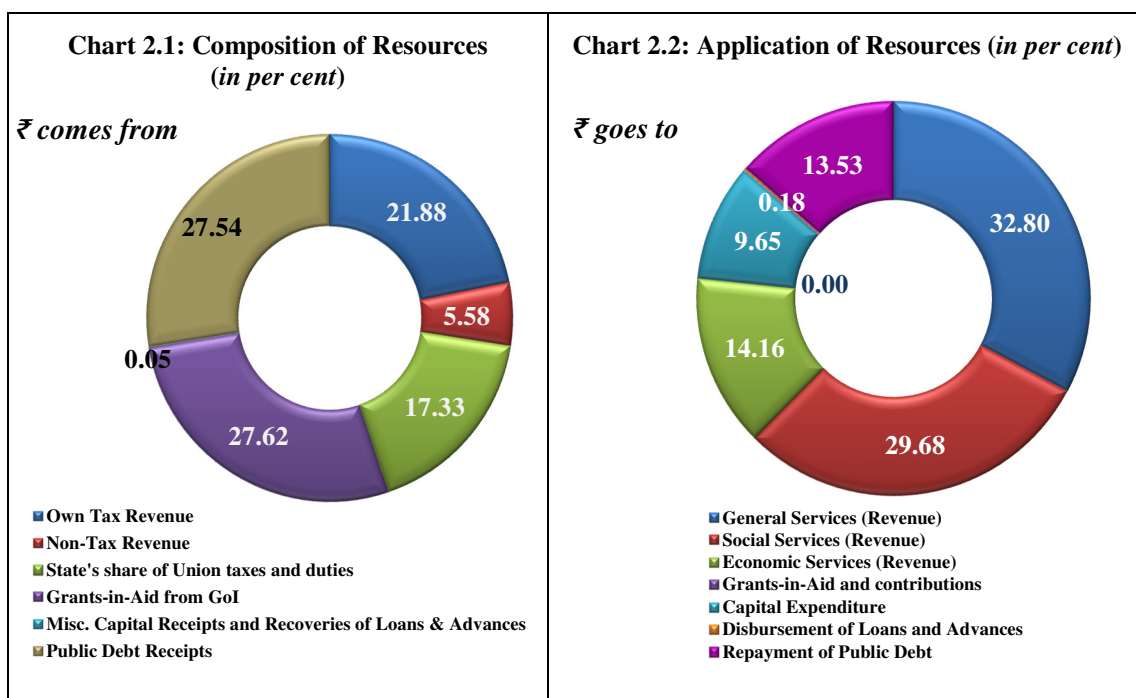
(₹ in crore)

	Particulars	2022-23	2023-24	Increase/ Decrease
<b>Sources of funds</b>	Opening Cash Balance with RBI	2,522.86	3,556.04	1,033.18
	Revenue receipts	38,089.50	39,173.04	1,083.54
	Miscellaneous Capital Receipts	12.59	2.20	-10.39
	Recoveries of Loans and Advances	82.79	27.40	-55.39
	Public Debt Receipts (Net)	12,236.02	7,005.64	-5,230.38
	Public Account Receipts (Net)	1,176.99	2,204.49	1,027.50
	<b>Total</b>	<b>54,120.75</b>	<b>51,968.81</b>	<b>-2,151.94</b>
<b>Application of funds</b>	Revenue expenditure	44,425.26	44,731.63	306.37
	Capital expenditure	6,028.88	5,629.79	-399.09
	Disbursement of Loans and Advances	110.57	106.95	-3.62
	Closing Cash Balance with RBI	3,556.04	1,500.44	-2,055.59
	<b>Total</b>	<b>54,120.75</b>	<b>51,968.81</b>	<b>-2,151.94</b>

Source: Finance Accounts.

**Appendices 2.1** and **2.2** provide details of receipts and disbursements and the overall fiscal position of the State during the current year as well as the previous years.

Composition and application of resources in the Consolidated Fund of the State during 2023-24 is given in **Charts 2.1** and **2.2**.



Source: Finance Accounts.

## 2.3 Resources of the State

The resources of the State are described below:

1. **Revenue receipts** consist of Tax revenue (Own Tax revenue plus share of Union Taxes/Duties), Non-Tax revenue and Grants-in-aid from the Government of India.
2. **Capital receipts** (debt and non-debt Capital receipts) comprise miscellaneous Capital receipts such as proceeds from disinvestments, recoveries of Loans and Advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and Loans and Advances from Government of India.

Both Revenue and Capital receipts form part of the Consolidated Fund of the State.

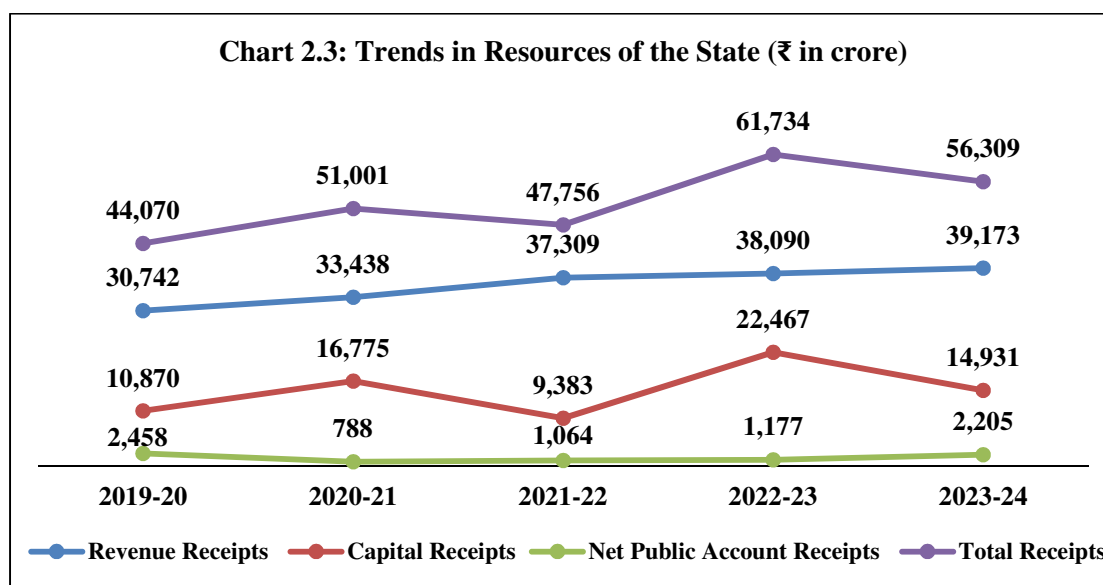
3. **Net Public Accounts receipts:** There are receipts and disbursements in respect of certain transactions such as small savings, provident fund, reserve funds, deposits, suspense, remittances, etc., which do not form part of the Consolidated Fund.

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

### 2.3.1 Receipts of the State

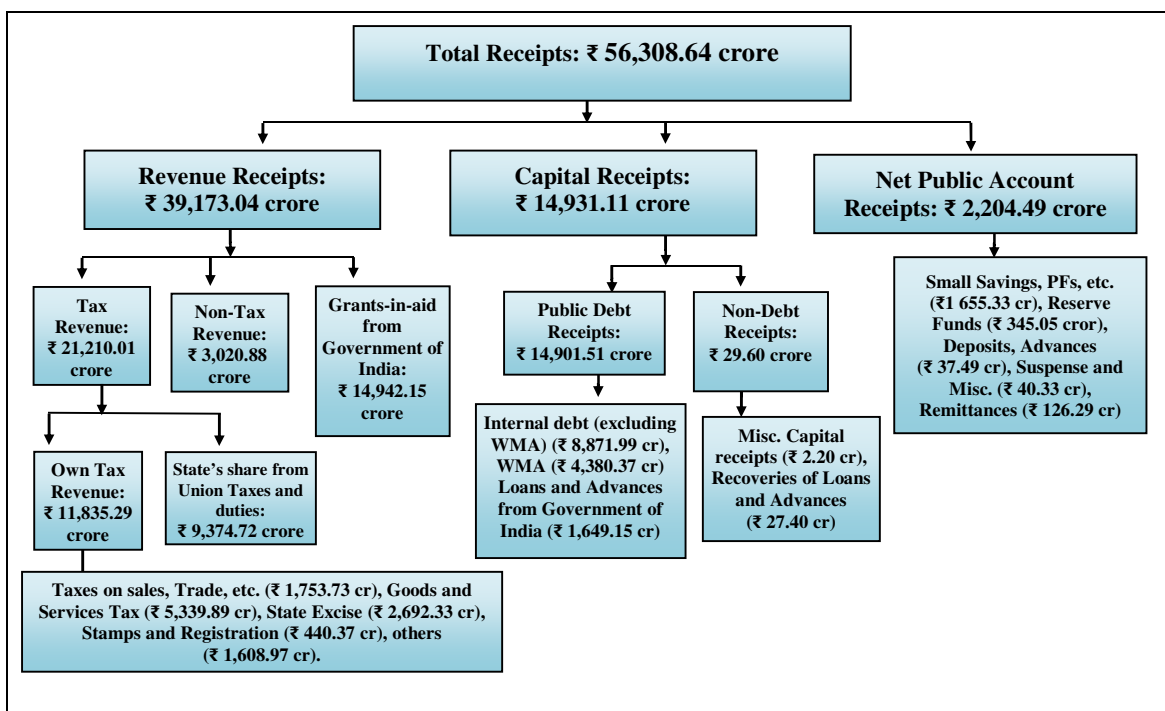
This paragraph provides the composition of the overall receipts. Besides Capital and Revenue receipts, funds available in the Public Account (net of disbursements made from it) are also utilised by the Government to finance its Deficit.

Trends in various components of the receipts of the State during 2019-24 are given in **Chart 2.3**, while composition of total receipts of the State during 2023-24 is depicted in **Chart 2.4**.



Source: Finance Accounts.

Chart 2.4: Composition of Receipts of the State during 2023-24



Source: Finance Accounts.

Out of the total resources of ₹ 56,308.64 crore of the State Government during the year 2023-24, Revenue receipts (₹ 39,173.04 crore) constituted 69.57 per cent. Capital Receipts (₹ 14,931.11 crore) and net Public Account Receipts (₹ 2,204.49 crore) constituted 26.52 per cent and 3.92 per cent respectively, of the total resources.

## 2.3.2 State's Revenue receipts

### 2.3.2.1 Trends and growth of Revenue receipts

Trends and growth of Revenue receipts with respect to Gross State Domestic Product (GSDP) over the five-year period (2019-24) are shown in Table 2.3.

Table 2.3: Trends in Revenue receipts

(₹ in crore)

Parameters	2019-20	2020-21	2021-22	2022-23	2023-24
Revenue receipts (RR)	30,742.41	33,438.27	37,309.30	38,089.50	39,173.04
Rate of growth of RR (per cent)	-0.67	8.77	11.58	2.09	2.84
Tax Revenue (i+ii)	12,301.38	12,837.24	17,063.62	18,479.24	21,210.01
(i) Own Tax Revenue (OTR)	7,623.82	8,083.32	9,714.58	10,595.26	11,835.29
Rate of growth of OTR (per cent)	0.67	6.03	20.18	9.07	11.70
(ii) State's share of Union Taxes and Duties	4,677.56	4,753.92	7,349.04	7,883.98	9,374.72
Rate of growth of State's share of Union Taxes and Duties (per cent)	(-) 13.85	1.63	54.59	7.28	18.91
Non-Tax Revenue (NTR)	2,501.51	2,188.46	2,612.36	2,876.33	3,020.88
Rate of growth of NTR (per cent)	-11.61	-12.51	19.37	10.10	5.03

Parameters	2019-20	2020-21	2021-22	2022-23	2023-24
<b>Grants-in-Aid from Government of India</b>	<b>15,939.52</b>	<b>18,412.58</b>	<b>17,633.32</b>	<b>16,733.93</b>	<b>14,942.15</b>
<i>Rate of growth of GIA from Government of India (per cent)</i>	5.44	15.52	-4.23	-5.10	-10.71
State's Own Revenue (OTR + NTR)	10,125.33	10,271.78	12,326.94	13,471.59	14,856.17
<i>Rate of growth of State's Own Revenue (OTR+NTR) (per cent)</i>	-2.67	1.44	20.01	9.29	10.28
<b>Gross State Domestic Product (2011-12 Series)</b>	<b>1,59,164</b>	<b>1,51,601</b>	<b>1,72,162<sup>c</sup></b>	<b>1,91,728<sup>b</sup></b>	<b>2,07,430<sup>a</sup></b>
<i>Rate of growth of GSDP (per cent)</i>	7.27	-4.75	13.56	11.36	8.19
RR/GSDP (per cent)	19.31	22.06	21.67	19.87	18.88
<b>Buoyancy Ratios</b>					
Revenue Buoyancy# w.r.t. GSDP	--*	--*	0.85	0.18	0.35
Own Tax Revenue Buoyancy w.r.t. GSDP	0.09	--*	1.49	0.80	1.43

Source: Finance Accounts and Department of Economics and Statistics, Himachal Pradesh.

c - Second Revised Estimate, b – First Revised Estimate, a – Advance Estimate, w.r.t.- with respect to

# Buoyancy indicates the degree of responsiveness of a Fiscal variable with respect to a given change in the base variable.

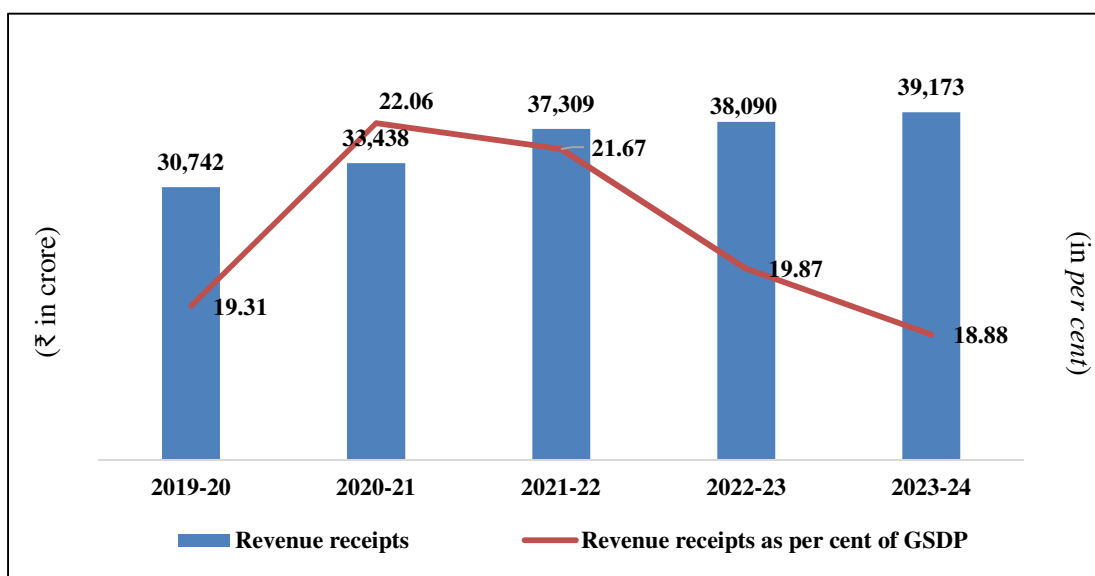
\* Buoyancy ratio was not calculated as Revenue receipts or GSDP growth was negative.

**Table 2.3** shows the following:

- Revenue receipts increased by 27.42 *per cent* from ₹ 30,742.41 crore in 2019-20 to ₹ 39,173.04 crore in 2023-24 and the increase was ₹ 1,083.54 crore (2.84 *per cent*) during the current year (2023-24) over the previous year. During the period of the last five years 2019-24, it increased at an annual average growth rate of 4.92 *per cent*.
- Own Tax revenue and Non-Tax revenue increased by ₹ 1,240.03 crore (11.70 *per cent*) and ₹ 144.55 crore (5.03 *per cent*) respectively in 2023-24 as compared to 2022-23.
- The average growth rate of Own Tax revenue in last five years is 9.53 *per cent*, while the average growth rate of Non-Tax revenue is only 2.08 *per cent*.
- On the other hand, the Grants-in-aid is showing a decreasing trend in the last three years. It consistently decreased by 4.23 *per cent* in 2021-22, 5.10 *per cent* in 2022-23 and 10.71 *per cent* in 2023-24 over the previous year.
- Revenue buoyancy with reference to GSDP remained below one, from 2021-22 to 2023-24. The own Tax revenue buoyancy remained above one in two years (i.e. 2021-22 and 2023-24) out of four years.

Trends of Revenue receipts are shown in **Chart 2.5**.

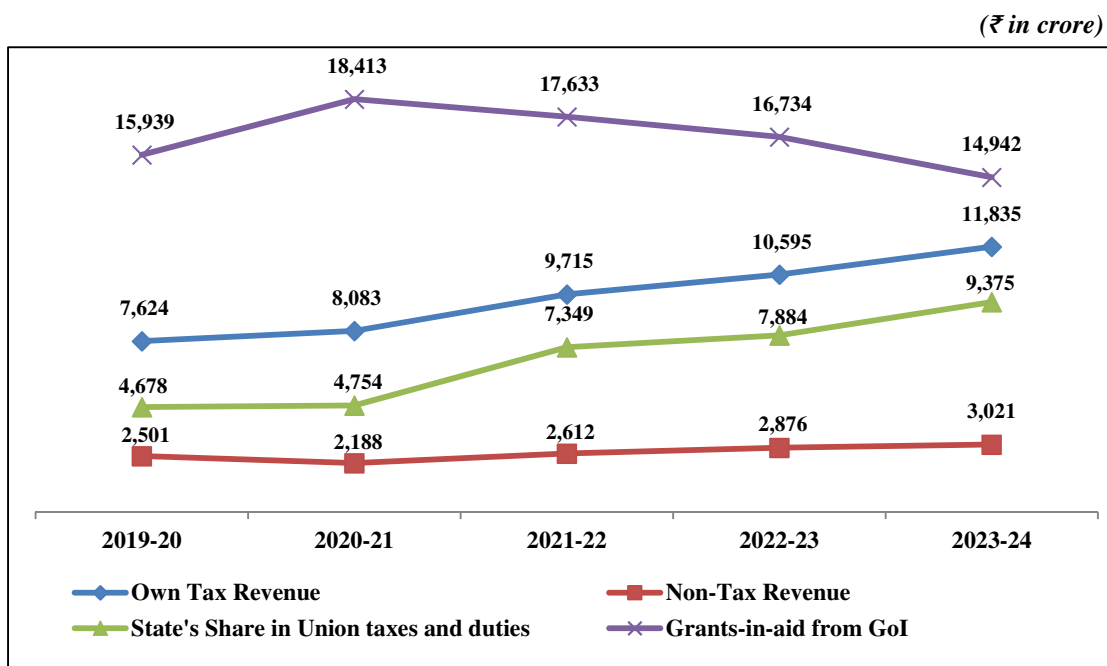
**Chart 2.5: Trends in Revenue receipts as percentage of GSDP**



Source: Finance Accounts.

Trends of components of Revenue receipts are shown in **Chart 2.6**.

**Chart 2.6: Trend of components of Revenue receipts**



Source: Finance Accounts.

### 2.3.2.2 State's Own Resources

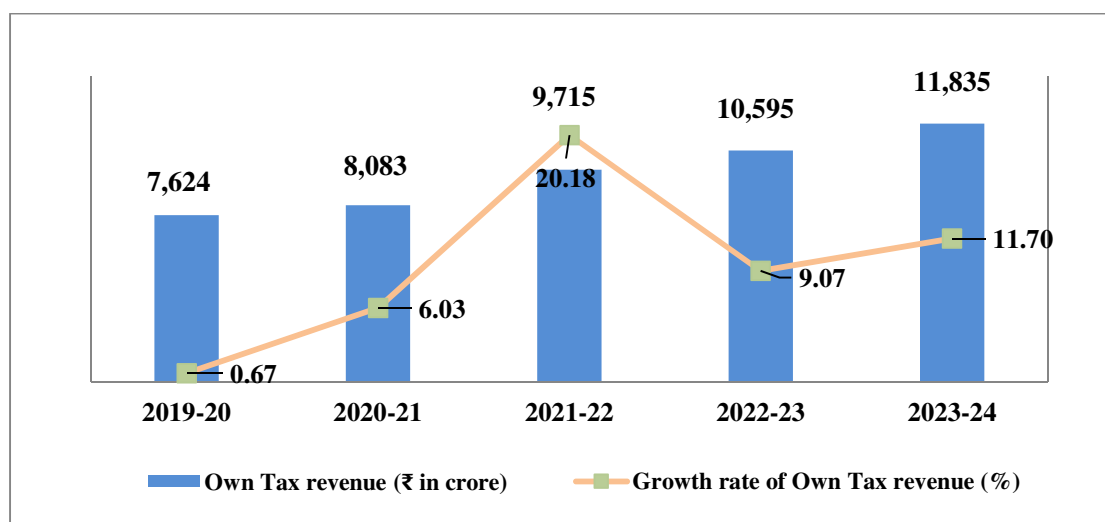
#### (i) Own Tax Revenue

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



Trends of own Tax revenue and analysis of its components during the period 2019-24 are shown in **Chart 2.7** and **Table 2.4** respectively.

**Chart 2.7: Trends of Own Tax Revenue during 2019-24**



Source: Finance Accounts.

**Table 2.4: Components of State's Own Tax Revenue**

Revenue Head	2019-20	2020-21	2021-22	2022-23	2023-24
State Goods and Services Tax (SGST)	3,550.34	3,466.58	4,482.15	5,259.21	5,339.89
Taxes on Sales, Trades, etc. (VAT)	1,169.53	1,630.11	1,592.24	1,370.29	1,753.73
State Excise	1,660.02	1,599.74	1,980.63	2,216.34	2,692.33
Taxes on Vehicles	465.52	380.20	510.03	675.17	781.74
Stamp Duty and Registration Fees	259.58	253.36	318.60	398.75	440.37
Taxes and Duties on Electricity	100.86	401.76	393.51	252.25	369.07
Land Revenue	4.79	6.95	4.81	8.22	7.03
Taxes on Goods and Passengers	104.03	83.55	99.18	68.50	70.88
Other Taxes	309.15	261.07	333.43	346.53	380.25
<b>Total Own Tax Revenue</b>	<b>7,623.82</b>	<b>8,083.32</b>	<b>9,714.58</b>	<b>10,595.26</b>	<b>11,835.29</b>

Source: Finance Accounts of respective years.

The total own Tax revenue increased by ₹ 1,240.03 crore (11.70 per cent) during the current year (2023-24) over the previous year. The major increase was in receipts under State excise (₹ 475.99 crore), Tax on sales, trade, etc. (₹ 383.44 crore), Taxes and duties on electricity (₹ 116.82 crore) and Taxes on Vehicles (₹ 106.57 crore).

The increase in –

- State excise – was mainly on account of increase in receipts from Sale of Country Spirits, Foreign Liquors and Spirits.
- Tax on Sales, Trade, etc.- was mainly due to more receipt under VAT.
- Taxes and duties on electricity – was mainly due to more receipt from Electricity Duty.
- Taxes on Vehicles – was mainly due to more collection of registration fee of vehicles and receipts of Token Tax.

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

During 2023-24, as per the books of RBI and the Finance Accounts, the amount of SGST was ₹ 5,339.89 crore, against the Budget Estimates of ₹ 6,263.77 crore.

**(b) Audit of GST Receipts**

The Government of India's decision to provide access to Pan-India data at GSTN premises was conveyed on 22 June 2020. In case of Himachal Pradesh, access to back-end application was provided to the Office of the Principal Accountant General (Audit), Himachal Pradesh in December 2020. However, the access provided to this office was limited and based on VPN connection to access the Department's internal web-based GSTN portal as the same is accessible only through Himachal Statewide Area Network (HIMSWAN). Remote access to GSTN portal is being used for conducting performance/ Subject Specific Compliance audits under GST.

**(c) Analysis of arrears of Revenue and arrears of assessment**

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

**Arrears of Revenue**

As on 31<sup>st</sup> March 2024, the arrears of Revenue in respect of principal heads of Revenue were ₹ 6,289.46 crore, of which ₹ 3,126.21 crore (49.71 *per cent*) were outstanding for more than five years, as depicted in **Table 2.5**.

**Table 2.5: Arrears of Revenue**

*(₹ in crore)*

Sr. No.	Head of Revenue	Amount outstanding as on 31 <sup>st</sup> March 2024	Amount outstanding for more than five years as on 31 <sup>st</sup> March 2024
1.	0006-Goods and Services Tax (GST)	1,451.75	20.05
2.	0039-State Excise	393.25	199.95
3.	0040-Taxes/VAT on Sales, Trade, etc.	4,338.20	2,826.61
4.	0042-Passengers and Goods Tax	13.41	6.49
5.	0045-Other Tax and Duties	92.84	73.11
<b>Total</b>		<b>6,289.46</b>	<b>3,126.21</b>

Source: Information supplied by State Excise and Taxation Department.

**Arrears in assessment**

The information on number of cases pending at the beginning of the year, cases becoming due for assessment, cases disposed during the year and number of cases pending for finalisation at the end of the year, as furnished by State Excise and Taxation Department in respect of Sales Tax/VAT is depicted in **Table 2.6**.

Table 2.6: Arrears of assessment

Sr. No.	Head of Revenue		Opening Balance (Number of cases)	New cases due for assessment during 2023-24	Total assess-ment due (Number of cases)	Cases disposed of during 2023-24	Number of cases in arrears at the end of the year	Percent-age of disposal (column 6 to 5)
1.	2.		3.	4.	5.	6.	7.	8.
1.	Taxes on Sales, Trade, etc./ VAT	CST	20,917	4,723	25,640	10,472	15,168	40.84
		VAT	23,741	4,575	28,316	11,492	16,824	40.58
2.	Good and Service Tax		0	441	441	281	160	63.72
3.	Taxes on vehicle		2,160	0	2,160	380	1,780	17.59
4.	Luxury tax		1,237	66	1,303	450	853	34.54
	Total		48.055	9.805	57.860	23.075	34.785	39.88

Source: Information supplied by State Excise and Taxation Department.

Percentage of disposal under various heads of Revenue ranged between 18 and 64 during the year 2023-24.

#### Details of evasion of tax detected by the Department, refund cases, etc.

The cases of evasion of tax detected, cases finalised and the demands for additional tax raised are important indicators of Revenue collection efforts of the State Government. Promptness in disposal of refund cases is an important indicator of performance of the Department concerned.

The details of cases of evasion of tax detected by the State Excise and Taxation Department, cases finalised and the demand for additional tax raised; and details of refund cases during the year 2023-24, are depicted in **Tables 2.7** and **2.8** respectively.

Table 2.7: Evasion of tax detected

Sr. No.	Head of Revenue	Cases pending as on 31 <sup>st</sup> March 2023	Cases detected during 2023-24	Total	No. of cases in which assessment / investigation completed and additional demand with penalty, etc. raised		No. of cases pending for finalisation as on 31 <sup>st</sup> March 2024
					No. of cases	Amount of demand (₹ in crore)	
1.	Goods and Services Tax	456	3,457	3,913	3,448	130.39	465
2.	State Excise	83	855	938	771	1.09	167
3.	Taxes on sales trade etc.	52	225	277	219	17.95	58
4.	Passengers and goods tax	33	483	516	483	0.49	33
5.	Other Taxes and Duties on commodities and services	17	660	677	660	0.58	17
<b>Total</b>		<b>641</b>	<b>5,680</b>	<b>6,321</b>	<b>5,581</b>	<b>150.50</b>	<b>740</b>

Source: Information supplied by State Excise and Taxation Department.

**Table 2.8: Details of refund cases**

(₹ in crore)

Sr. No.	Particulars	GST		Sales Tax/VAT		State Excise	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding at the beginning of the year 31.03.2023	239	101.47	52	8.00	10	0.16
2.	Claims received during the year (2023-24)	1,420	487.40	65	8.09	22	0.55
3.	Refunds made during the year (2023-24)	1,240	372.96	67	7.75	13	0.45
4.	Refunds rejected during the year	285	130.28	41	7.97	2	0.01
5.	Balance outstanding at the end of year	148	85.64	9	0.38	17	0.26

Source: Information supplied by State Excise and Taxation Department.

## (ii) Non-Tax Revenue

Non-Tax revenue consists of Interest Receipts, Dividends and Profits, Mining receipts, Departmental receipts, etc. Trends in components of the State's Non-Tax revenue during 2019-24 are shown in **Table 2.9**.

**Table 2.9: Components of State's Non-Tax revenue**

(₹ in crore)

Revenue Head	2019-20	2020-21	2021-22	2022-23	2023-24
<b>Interest receipts</b>	<b>245.36</b>	<b>306.43</b>	<b>173.95</b>	<b>85.30</b>	<b>126.06</b>
<b>Dividends and Profits</b>	<b>248.44</b>	<b>245.43</b>	<b>166.53</b>	<b>180.90</b>	<b>191.17</b>
<b>Other Non-Tax receipts</b>	<b>2,007.72</b>	<b>1,636.60</b>	<b>2,271.88</b>	<b>2,610.13</b>	<b>2,703.65</b>
Miscellaneous General Services	5.17	11.41	14.06	7.45	2.62
Education, Sports, Arts and Culture	238.59	196.08	257.70	161.78	59.80
Forestry and Wildlife	83.61	49.56	106.28	81.79	89.95
Other Administrative Services	49.65	37.05	104.90	90.05	40.50
Non-ferrous Mining and Metallurgical Industries	246.30	252.16	230.81	286.34	331.73
Power	1,021.68	749.12	1,183.51	1,428.28	1,667.35
Others or Miscellaneous	362.72	341.22	374.62	554.44	511.70
<b>Total Non-Tax Revenue</b>	<b>2,501.51</b>	<b>2,188.46</b>	<b>2,612.36</b>	<b>2,876.33</b>	<b>3,020.88</b>
<b>Percentage of Non-Tax revenue to Revenue receipts</b>	<b>8.14</b>	<b>6.54</b>	<b>7.00</b>	<b>7.55</b>	<b>7.71</b>

Source: Finance Accounts.

During the year 2023-24, there was an increase of ₹ 144.55 crore (5.03 per cent) in total Non-Tax revenue over the previous year. This was mainly due to increase in receipts under Power (₹ 239.07 crore), Non-ferrous Mining and Metallurgical Industries (₹ 45.39 crore), and interest receipts (₹ 40.76 crore), etc. However, the increase was counterbalanced partially by decrease in receipts mainly under Education, Sports, Arts and Culture (₹ 101.98 crore) and Other Administrative Services (₹ 49.55 crore).

The increase under -

- *Power* – was mainly due to increase in receipts from free power royalty from Satluj Jal Vidyut Nigam.

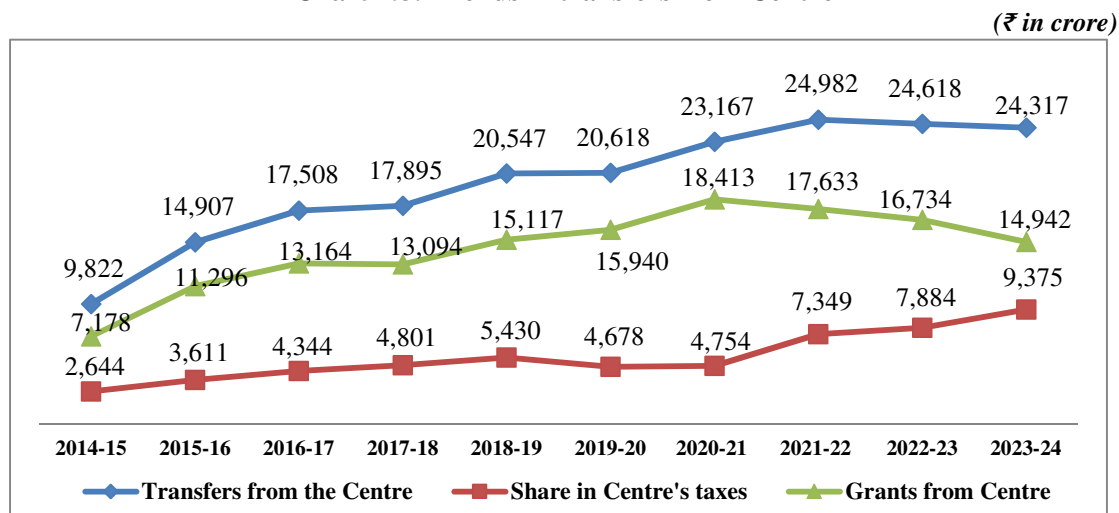
Whereas, decrease under -

- *Education, Sports, Art and Culture* – was mainly due to non-receipts of reimbursement on account of Sarva Shiksha Abhiyan.
- *Other Administrative Services* – was mainly due to less reimbursement from the Election Commission on account of expenditure incurred during State election.

### 2.3.2.3 Transfers from the Centre

Transfers from the Centre mainly consists of (i) Share in Central taxes viz., Tax Devolution as per Finance Commission recommendations and (ii) Grants from Centre viz., Finance Commission grants, Central Government share in Centrally Sponsored Schemes, etc. The trends in Central transfers over the last 10 years are shown in Chart 2.8.

Chart 2.8: Trends in transfers from Centre



Source: Finance Accounts.

The trends in the Central tax transfers i.e., Share in Union Taxes and Duties and Grants-in-aid from Government of India to State Government are discussed in the succeeding paragraphs.

#### (i) Share in Central taxes

The actual release of share in Union Taxes and Duties to the State Government vis-à-vis projections made by the Fourteenth Finance Commission and Fifteenth Finance Commission Reports (FCRs) during the period from 2015-16 to 2023-24 is tabulated in Table 2.10.

Table 2.10: State's share in Union Taxes and Duties: Actual devolution vis-à-vis Finance Commission projections

(₹ in crore)

Year	Finance Commission projections	Projections in FCR	Actual tax devolution	Difference
1.	2.	3.	4.	5. (4-3)
2015-16	0.713 per cent of net proceeds of all shareable taxes excluding service tax and 0.722 per cent of net proceeds of shareable service tax (as per recommendations of 14 <sup>th</sup> FC)	4,141	3,611	-530
2016-17		4,778	4,344	-434
2017-18		5,521	4,801	-720
2018-19		6,387	5,430	-957
2019-20		7,398	4,678	-2,720
2020-21	0.799 per cent of net proceeds of the taxes (divisible pool) (as per recommendations of 15 <sup>th</sup> FC)	6,833	4,754	-2,079
2021-22	0.830 per cent of net proceeds of all shareable taxes including service tax (as per recommendations of 15 <sup>th</sup> FC)	5,466	7,349	1,882
2022-23		6,081	7,884	1,803
2023-24		6,842	9,375	2,533

Source: Report of 14<sup>th</sup> and 15<sup>th</sup> Finance Commission (FCRs), Finance Accounts and Annual Financial Statements.

The State Government's share in Union Taxes and Duties increased by ₹ 1,491 crore (18.91 *per cent*) during 2023-24 over the previous year.

It can be seen from the above table that during the four years (2020-24) of the period of Fifteenth Finance Commission (2020-26), State's share in Union Taxes and Duties amounting to ₹ 29,362 crore was 28.42 *per cent* more than the total share (₹ 22,864 crore) during the period of Fourteenth Finance Commission (2015-20).

Trends in components of Central tax transfers to the State during 2019-24 are given in **Table 2.11**.

**Table 2.11: Composition of Central Tax Transfers**

(₹ in crore)

Components of Central Tax Transfers	2019-20	2020-21	2021-22	2022-23	2023-24	Difference over the previous year
Central Goods and Services Tax (CGST)	1,327.34	1,419.55	2,105.41	2,227.15	2,845.13	617.98
Corporation Tax	1,594.86	1,429.44	2,202.48	2,644.66	2,813.87	169.21
Taxes on Income other than Corporation Tax	1,249.68	1,464.84	2,169.83	2,579.80	3,249.67	669.87
Customs	296.49	257.07	510.58	309.82	328.53	18.71
Union Excise Duties	206.16	160.44	265.82	97.22	124.32	27.10
Service Tax	--	19.39	87.35	12.36	1.73	-10.63
Other Taxes <sup>1</sup>	3.03	3.19	7.57	12.97	11.47	-1.50
<b>Central Tax Transfers</b>	<b>4,677.56</b>	<b>4,753.92</b>	<b>7,349.04</b>	<b>7,883.98</b>	<b>9,374.72</b>	<b>1,490.74</b>
<b>Percentage of increase (+)/ decrease (-) over the previous year</b>	<b>(-) 13.85</b>	<b>1.63</b>	<b>54.59</b>	<b>7.28</b>	<b>18.91</b>	<b>--</b>
<b>Percentage of Central Tax Transfers to Revenue receipts</b>	<b>15.22</b>	<b>14.22</b>	<b>19.70</b>	<b>20.70</b>	<b>23.93</b>	<b>--</b>

Source: Finance Accounts.

**Table 2.11** shows that the percentage of change in the State Government's share in Union Taxes and Duties ranged between (-) 13.85 and 54.59 *per cent* during the last five years 2019-24. It increased by ₹ 1,490.74 crore (18.91 *per cent*) during 2023-24 over the previous year. Share in Union Taxes and Duties constituted 14 *per cent* to 24 *per cent* of the Revenue receipts of the State during 2019-24.

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

Trend of Grants-in-aid (GIA) from Government of India and its components are shown in **Table 2.12**.

**Table 2.12: Grants-in-aid from Government of India**

(₹ in crore)

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Centrally Sponsored Schemes	4,915.06	4,221.29	5,420.75	4,736.66	5,328.69
Finance Commission Grants*	8,617.82	12,424.10	11,044.26	10,489.70	8,738.16
Other Transfer/Grants to State/ Union Territories with Legislatures	2,406.64	1,767.19	1,168.31	1,507.57	875.30

<sup>1</sup> Includes Taxes on Wealth, Other Taxes on Income and Expenditure, Other Taxes and Duties on commodities and Services.

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
<b>Total</b>	<b>15,939.52</b>	<b>18,412.58</b>	<b>17,633.32</b>	<b>16,733.93</b>	<b>14,942.15</b>
Percentage increase /decrease over the previous year	5.44	15.52	-4.23	-5.10	-10.71
Percentage of GIA to Revenue receipts	51.85	55.06	47.26	43.93	38.14

Source: Finance Accounts for the respective years.

\* Finance Commission Grants include Post-Devolution Revenue Deficit Grant (₹ 8,058 crore), grants for Local Bodies (₹ 276.56 crore) and Grant-in-Aid for State Disaster Response Fund (₹ 360.80 crore); Grant-in-aid for State Disaster Mitigation Fund (₹ 42.80 crore).

**Table 2.12** shows that the Grants-in-aid from Government of India decreased during the years 2021-22 (4.23 *per cent*), 2022-23 (5.10 *per cent*) and 2023-24 (10.71 *per cent*) as compared to the respective previous years. The decrease in GIA during the current year over the previous year was mainly due to a substantial decrease under Post-Devolution Revenue Deficit Grant by ₹ 1,319 crore (14.07 *per cent*) under Finance Commission Grants and Compensation to State Government for Revenue Loss on Roll out of GST by ₹ 1,205 crore. However, this was counterbalanced by increase of ₹ 572.99 crore in assistance to State from National Disaster Response Fund under Other Transfer/Grants to State/Union Territories with Legislature.

#### (a) Grants for Centrally Sponsored Schemes

Out of the grants of ₹ 5,328.69 crore for Centrally Sponsored Schemes during 2023-24, the major amounts were given to:

- Pradhan Mantri Gram Sadak Yojana (PMGSY) - ₹ 617.56 crore. It decreased by ₹ 7.20 crore (1.15 *per cent*) from the previous year (₹ 624.76 crore).
- Pradhan Mantri Krishi Sinchai Yojna- ₹ 599.98 crore. It increased by ₹ 546.62 crore (1471.84 *per cent*) from previous year (₹ 53.36 crore).
- Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) - ₹ 402.54 crore. It decreased by ₹ 106.18 crore (20.87 *per cent*) from previous year (₹ 508.71 crore).

#### (b) Single Nodal Agency

The Government of India, Ministry of Finance, Department of Expenditure, New Delhi vide Office Memorandum No. 1 (13)/ PFMS/ FCD/2020 dated 8 December 2021 provided that every State Government is required to designate a Single Nodal Agency (SNA) for implementing each Centrally Sponsored Scheme (CSS). The Single Nodal Agency will open a Single Nodal Account for each CSS at the State level in a Scheduled Commercial Bank authorised to conduct business by the State Government. Further, as per the procedure, the State Government is to transfer the Central share received in its accounts to the SNA account concerned along with corresponding State share. It is the responsibility of the State Government concerned to ensure that the entire unspent amount is returned by all the Implementing Agencies (IAs) to the Single Nodal Account of the Single Nodal Agency.

In the year 2023-24, as per the SNA-01 Comprehensive Release and Expenditure Report the State Government received ₹ 4,856.54 crore (₹ 1.95 crore as reimbursement,



₹ 19.17 crore as commodity, ₹ 608.79 crore released to implementing agencies, ₹ 3,824.29 crore to State Treasury and ₹ 402.34 crore to Escrow account) for Centrally Sponsored schemes (CSSs). The total amount released by Treasury to SNA was ₹ 3,983.08 crore. Total expenditure incurred on these schemes in current year was ₹ 6,048.18 crore leaving a ₹ 1,024.08 crore balance unspent in SNA bank accounts.

### (c) Fifteenth Finance Commission Grants

The Fifteenth Finance Commission (15<sup>th</sup> FC) grants were provided to the States for local bodies and State Disaster Response Fund (SDRF) and post-devolution Revenue Deficit. Details of grants provided by Government of India during 2023-24 are given in **Table 2.13**.

**Table 2.13: Recommended amount, actual release and transfers of Grant-in-aid**

(₹ in crore)

Sr. No.	Transfers			2023-24		
				Recommendation of the 15 <sup>th</sup> FC	Actual release by Government of India	Release by State Government
1.	(i) Grants to PRIs			332.00	317.42 <sup>@</sup>	317.42
	(a) General Basic Grant (Untied)			132.80	118.94	118.94
	(b) General Performance Grants (Tied)			199.20	198.48	198.48
	(ii) Grants to ULBs			171.00	157.43 <sup>\$</sup>	157.43
	(a) General Basic Grant			68.40	62.97	62.97
	(b) General Performance Grants			102.60	94.46	94.46
2.	Grants to Health Sector			103.14	--	--
3.	SDRMF	SDRF	Centre share	360.80	360.80	360.80
			State share	40.00	--	40.20
			Total for SDRF	400.80	360.80	401.00
		SDMF	Centre share	90.18	85.60*	85.60*
			State share	10.02	9.60*	9.60*
			Total for SDMF	100.20	95.20*	95.20*
	Total of SDRMF			501.00	408.40	496.20
4.	Post-Devolution Revenue Deficit Grant			8,058	8,058	--

Source: 15<sup>th</sup> FC Report and information provided by State Government departments.

<sup>@</sup> The amount (₹ 118.51 crore) as appearing in Finance Accounts is different from this amount (₹ 317.42 crore) due to 2<sup>nd</sup> instalment of an amount of ₹ 198.91 crore of 2023-24 released during 2024-25.

<sup>\$</sup> The amount (₹ 158.04 crore) as appearing in Finance Accounts is different from the amount (₹ 157.43 crore) due to 2<sup>nd</sup> instalment of ₹ 81 crore of 2022-23 received and released by State Government during 2023-24 as this amount was released by Government of India on 31<sup>st</sup> March 2023 and 2<sup>nd</sup> instalment of ₹ 81.61 crore of 2023-24 received and released by State Government during 2024-25 as this amount was released by Government of India on 27<sup>th</sup> March 2024.

<sup>\*</sup> The amounts includes ₹ 42.80 crore (as Central share) and ₹ 4.80 crore (as State share) for 2022-23 received during 2023-24.

- As against the amount of ₹ 332 crore recommended by the 15<sup>th</sup> FC in respect of PRIs, Government of India released ₹ 317.42 crore during 2023-24, and the same was released by Government of Himachal Pradesh during the same period.
- In respect of ULBs, against the recommended amount of ₹ 171 crore, Government of India released ₹ 157.43 crore during 2023-24, and the same was released by Government of Himachal Pradesh during the same period.



- In respect of SDRF, 15<sup>th</sup> FC recommended Central and State shares in the ratio of 90:10. As against the recommended share of ₹ 360.80 crore, Government of India released ₹ 360.80 crore and the State released ₹ 401 crore (Central share: ₹ 360.80 crore and State's share ₹ 40.20 crore) during 2023-24.

### 2.3.3 Capital Receipts

Capital receipts comprise Miscellaneous Capital Receipts such as proceeds from Disinvestments, recoveries of Loans and Advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and Loans and Advances from Government of India.

Trends of Capital receipts and its components during 2019-20 to 2023-24 are shown in **Table 2.14**.

**Table 2.14: Trends in growth and composition of Capital receipts**

(₹ in crore)					
Sources of State's Receipts	2019-20	2020-21	2021-22	2022-23	2023-24
<b>Capital Receipts (CR) (i+ii+iii)</b>	<b>4,169.72</b>	<b>3,917.07*</b>	<b>2,300.21*</b>	<b>12,331.41</b>	<b>7,035.23</b>
(i) Miscellaneous Capital Receipts	2.04	2.88	7.01	12.59	2.20
(ii) Recoveries of Loans and Advances	21.04	23.02	40.73	82.79	27.40
(iii) Net Public Debt Receipts	4,146.64	3,891.17*	2,252.47*	12,236.02	7,005.64
-Internal Debt	4,164.59	3,390.44	1,457.82	11,599.12	5,464.12
Growth rate (per cent)	135.06	-18.59	-57.00	695.65	-52.89
-Loans and Advances from Government of India	-17.95	500.73*	794.65*	636.90	1,541.52
Growth rate (per cent)	-1.64	2,889.56	58.70	-19.85	142.03
Rate of growth of net public debt receipts (per cent) (iii)	136.40	-6.16	-42.11	443.23	-42.75
Rate of growth of non-debt Capital receipts (per cent) (i)+(ii)	-24.70	12.22	84.29	99.83	-68.98
Rate of growth of Capital Receipts (per cent)	133.64	6.06	-41.28	436.10	-42.95
Rate of growth of GSDP (per cent)	7.27	-4.75	13.56	11.36	8.19

Source: Finance Accounts of the respective years.

\* Excludes ₹ 1,717 crore during 2020-21 and ₹ 2,695.22 crore during 2021-22 as back-to-back loans to State from Government of India in lieu of GST compensation shortfall.

In the year 2022-23 there was a sudden increase in net internal debt by ₹ 10,141.31 crore (695.65 per cent) raised by the State Government over the previous year. But this year, net internal debt came down to ₹ 5,464.12 crore as compared to ₹ 11,599.12 crore in previous year and net public debt receipts decreased by 42.75 per cent (₹ 5,230.38 crore) in the year 2023-24.

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

The State's performance in mobilisation of resources is assessed in terms of its own resources comprising Own Tax and Non-Tax sources.

The State's actual Own Tax and Non-Tax revenue for the year 2023-24 *vis-à-vis* assessment made by Fifteenth Finance Commission (15<sup>th</sup> FC) and Budget Estimates/MTFPS are given in **Table 2.15**.

**Table 2.15: Tax and Non-Tax revenue *vis-à-vis* projections during 2023-24**

(₹ in crore)

Particulars	15 <sup>th</sup> FC projections	Budget Estimates and MTFPS projection	Actual	Percentage variation of actual over	
				15 <sup>th</sup> FC projections	Budget Estimates and MTFPS projection
Own Tax revenue	12,783	13,025.97	11,835.29	-7.41	-9.14
Non-Tax revenue	4,896	3,447.20	3,020.88	-38.30	-12.36

Source: Finance Accounts and Budget documents.

Actual own Tax revenue of the State Government fell short from 15<sup>th</sup> FC projections and Budget Estimates by 7.41 *per cent* and 9.14 *per cent* respectively. Actual realisation of Non-Tax revenue also fell short from 15<sup>th</sup> FC and Budget Estimates by 38.30 *per cent* and 12.36 *per cent* respectively.

## 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 fiscal corrections/ consolidation processes are not at the cost of expenditure directed towards development. The application of resources is analysed in the succeeding paragraphs with regard to growth and composition of expenditure, Revenue expenditure, committed expenditure and financial assistance to local bodies and other institutions.

### Growth and composition of expenditure

**Revenue expenditure:** Charges on maintenance, repair, upkeep and working expenses, which are required to maintain the assets in a running order as also all other expenses incurred for the day-to-day running of the organisation, including establishment and administrative expenses shall be classified as Revenue expenditure.

**Capital expenditure:** All charges for the first construction of a project as well as charges for intermediate maintenance of the work while not opened for service and also charges for such further additions and improvements as may be sanctioned under the rules made by competent authority shall be classified as Capital expenditure.

**Loans and Advances:** Loans and Advances by the Government to Public Sector Undertakings (PSU) and other parties.

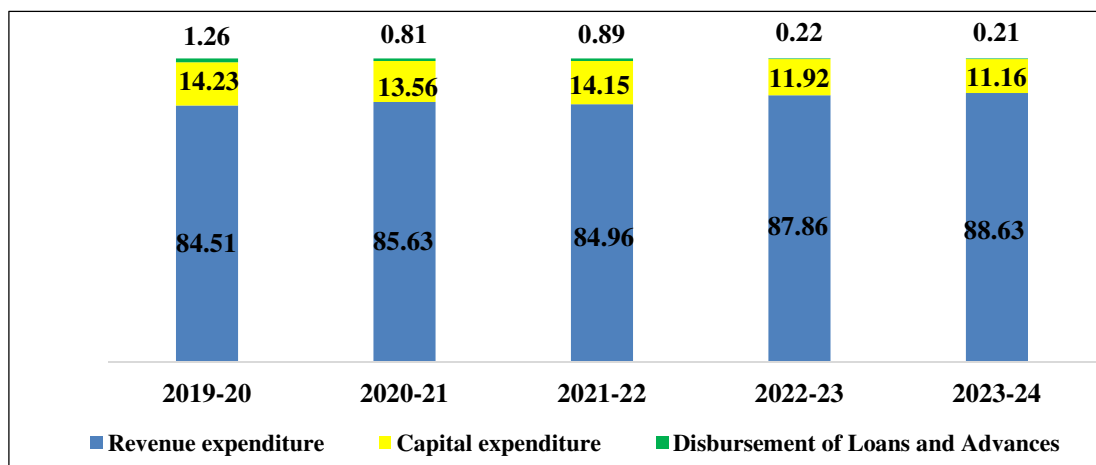
Trends of overall expenditure and its components are shown in **Table 2.16** and **Chart 2.9**.

Table 2.16: Total expenditure and its composition

(₹ in crore)					
Parameters	2019-20	2020-21	2021-22	2022-23	2023-24
Total Expenditure (TE)	36,362.55	39,164.26	42,601.89	50,564.71	50,468.37
Revenue expenditure (RE)	30,730.43	33,534.93	36,194.54	44,425.26	44,731.63
Capital expenditure (CE)	5,173.91	5,309.21	6,029.38	6,028.88	5,629.79
Loans and Advances disbursed	458.21	320.12	377.97	110.57	106.95
GSDP at current prices	1,59,164	1,51,601	1,72,162 <sup>a</sup>	1,91,728 <sup>b</sup>	2,07,430 <sup>c</sup>
<b>As a percentage of GSDP</b>					
TE	22.85	25.83	24.75	26.37	24.33
RE	19.31	22.12	21.02	23.17	21.56
CE	3.25	3.50	3.50	3.14	2.71
Loans and Advances	0.29	0.21	0.22	0.06	0.05

a – Second Revised Estimate, b – First Revised Estimate, c – Advance Estimate.

Chart 2.9: Total Expenditure: Trends in share of its components (in per cent)



**Table 2.16** shows that total expenditure increased by ₹ 14,105.82 crore (38.79 per cent) from ₹ 36,362.55 crore in 2019-20 to ₹ 50,468.37 crore in 2023-24, which ranged between 22.85 per cent and 26.37 per cent of GSDP during the period of five years. **Chart 2.9** shows that Revenue expenditure constituted the dominant proportion (85 to 89 per cent) of total expenditure. Capital expenditure, on the other hand, constituted between 11 per cent and 14 per cent of total expenditure.

Relative share of various sectors of expenditure during 2019-24 is depicted in **Table 2.17** and **Chart 2.10**.

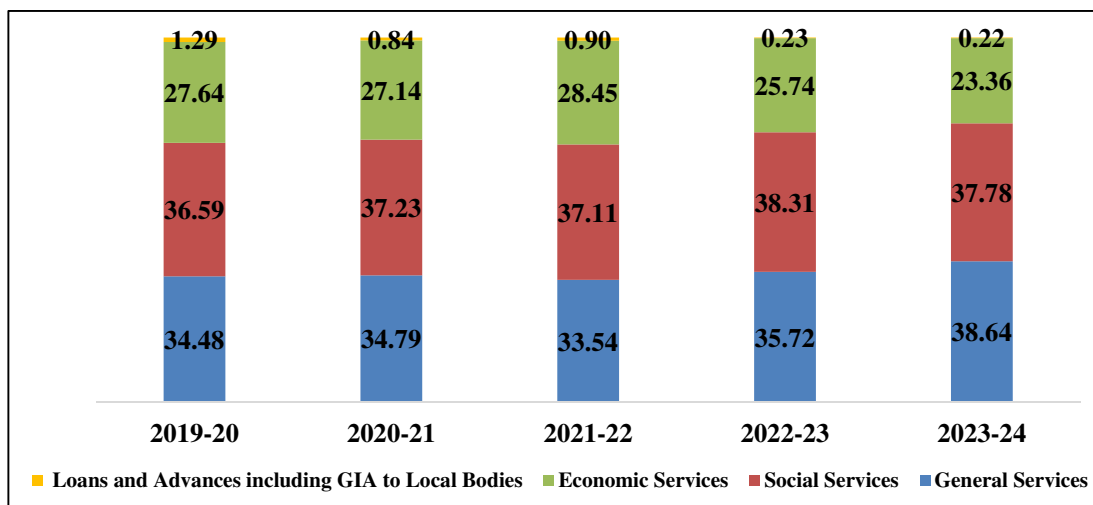
Table 2.17: Relative share of various sectors of expenditure

(₹ in crore)					
Parameters	2019-20	2020-21	2021-22	2022-23	2023-24
General Services	12,538.94	13,623.80	14,289.39	18,060.65	19,503.14
Social Services	13,305.36	14,580.00	15,807.72	19,370.51	19,066.53
Economic Services	10,049.77	10,630.97	12,119.10	13,016.89	11,791.75
Grants to Local Bodies	10.27	9.37	7.71	6.09	0.00
Loans and Advances	458.21	320.12	377.97	110.57	106.95

Source: Finance Accounts.

**Chart 2.10: Total expenditure- Expenditure by activities**

(In per cent)

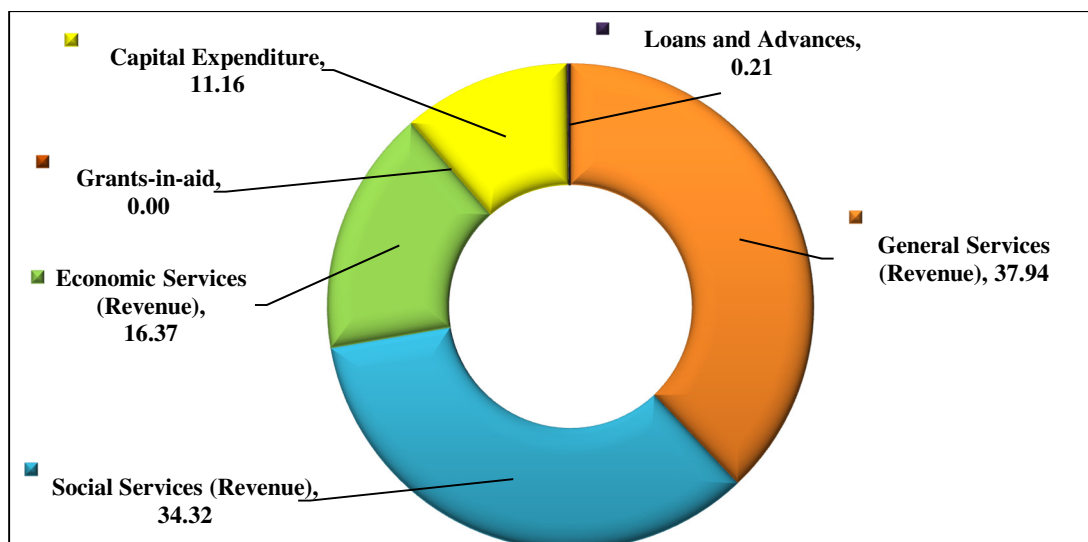


Source: Finance Accounts.

**Chart 2.10** shows that the relative share of various components of expenditure in total expenditure fluctuated during the period 2019-24. The share of General Services and Social Services in total expenditure increased from 34.48 *per cent* and 36.59 *per cent* in 2019-20 to 38.64 *per cent* and 37.78 *per cent* respectively in 2023-24, while that of Economic Services decreased from 27.64 *per cent* to 23.36 *per cent* during the same period.

**Chart 2.11** shows composition of expenditure by function.

**Chart 2.11: Composition of expenditure by function during 2023-24 (in per cent)**



Source: Finance Accounts.

## 2.4.1 Revenue expenditure

Revenue expenditure is incurred to maintain the current level of services and payments for past obligations. As such, it does not result in any addition to the State's infrastructure and service network. The overall Revenue expenditure, its rate of growth,

its ratio to total expenditure and its rate of growth *vis-à-vis* GSDP and Revenue receipts during the period 2019-24 are indicated in **Table 2.18**.

**Table 2.18: Growth of Revenue expenditure during 2019-24**

(₹ in crore)

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Total Expenditure (TE)	36,362.55	39,164.25	42,601.89	50,564.72	50,468.37
Revenue expenditure (RE)	30,730.43	33,534.93	36,194.54	44,425.26	44,731.63
Rate of growth of RE ( <i>per cent</i> )	4.38	9.13	7.93	22.74	0.69
Revenue expenditure as percentage of TE	84.51	85.63	84.96	87.86	88.63
RE/GSDP ( <i>per cent</i> )	19.31	22.12	21.02	23.17	21.56
Revenue receipts (RR)	30,742.41	33,438.27	37,309.30	38,089.50	39,173.04
Rate of growth of RR ( <i>per cent</i> )	-0.67	8.77	11.58	2.09	2.84
RR/GSDP ( <i>per cent</i> )	19.31	22.06	21.67	19.87	18.88
RE as percentage of RR	99.96	100.29	97.01	116.63	114.19
GSDP	1,59,164.	1,51,601	1,72,162 <sup>a</sup>	1,91,728 <sup>b</sup>	2,07,430 <sup>c</sup>
Rate of growth of GSDP ( <i>per cent</i> )	7.27	-4.75	13.56	11.36	8.19
<b>Buoyancy of Revenue expenditure with</b>					
GSDP (ratio)	0.60	--*	0.58	2.00	0.08
Revenue receipts (ratio)	--*	1.04	0.69	10.88	0.24
Own Tax Revenue (ratio)	6.54	1.51	0.39	2.51	0.06

Source: Finance Accounts of respective years.

a- Second Revised Estimate, b – First Revised Estimate, c – Advance Estimate.

\* Buoyancy ratio was not calculated as growth rate of GSDP/RR was negative.

Revenue expenditure increased by ₹ 14,001.20 crore (45.56 *per cent*) during 2019-24 and by ₹ 306.37 crore (0.69 *per cent*) during 2023-24 over the previous year. On the other hand, Revenue receipts of the State increased by ₹ 8,430.63 crore (27.42 *per cent*) during the 2019-24. The percentage of State's Revenue receipts to GSDP is 18.88 *per cent* while percentage of Revenue expenditure to GSDP is 21.56 *per cent* during 2023-24.

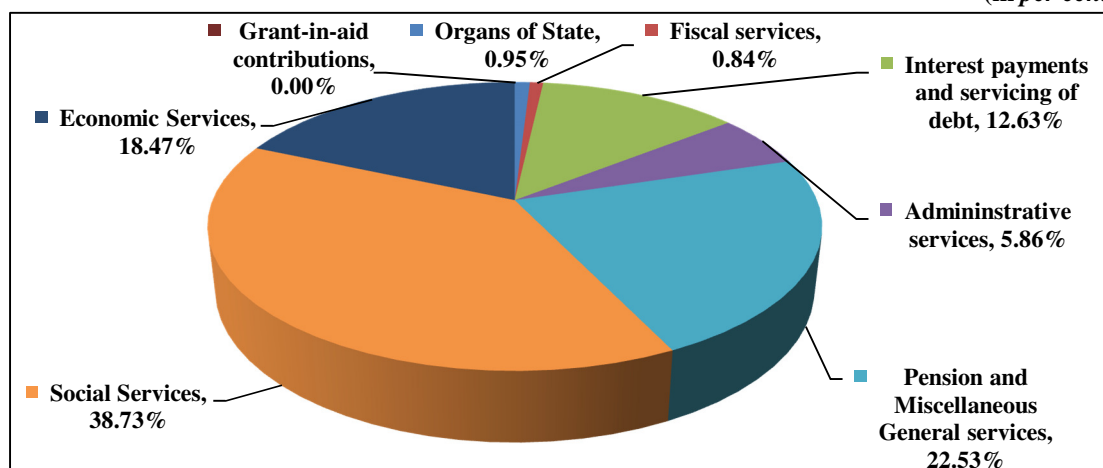
Buoyancy ratio of Revenue expenditure with reference to Revenue receipts which improved during 2021-22 (0.69), deteriorated during 2022-23 (10.88), mainly due to increase in Revenue expenditure on account of revision of pay/family pension. But in this year 2023-24, it again improved (0.24 *per cent*). On the other hand, buoyancy ratio of Revenue expenditure with reference to own Tax revenue of the State consistently decreased from 6.54 in 2019-20 to 0.06 in 2023-24 except during 2022-23 (2.51).

Revenue expenditure of ₹ 44,731.63 crore during 2023-24 was above the projections made by the State in their Budget and MTFPS (₹ 42,704 crore) and normative assessment of 15<sup>th</sup> FC (₹ 34,033 crore).

The sector-wise distribution of Revenue expenditure during 2023-24 is given in **Chart 2.12**.

**Chart 2.12: Sector-wise distribution of Revenue expenditure during 2023-24**

(in per cent)



Source: Finance Accounts.

#### 2.4.1.1 Major changes in Revenue expenditure

In the year 2022-23 Revenue expenditure increased substantially by ₹ 8,230.72 crore (22.74 per cent) from ₹ 36,194.54 crore in 2021-22 to ₹ 44,425.26 crore. However, during 2023-24 Revenue expenditure increased marginally by ₹ 306.37 crore. Significant variations under Major Heads of Accounts with regard to Revenue expenditure of the State during the current year as compared to the previous year are depicted in **Table 2.19**.

**Table 2.19: Significant variations in Revenue expenditure during 2023-24 as compared to 2022-23**

(₹ in crore)

Major Heads of Account	2023-24	2022-23	Increase (+)/ Decrease (-)
2049-Interest Payment	5,648.37	4,828.64	819.73
2071-Pension and other retirement benefits	10,055.85	9,283.87	771.98
2245-Relief on Account of Natural Calamities	1,283.50	685.86	597.64
2235-Social Security and Welfare	2,063.58	1,870.56	193.02
3055-Road Transport	746.83	562.53	184.30
2515-Other Rural Development Programmes	633.79	1,168.98	-535.19
2202-General Education	7,949.26	8,459.54	-510.27
2401-Crop Husbandry	680.83	896.39	-215.56
2211-Family Welfare	476.90	626.89	-149.99
2408-Food, Storage and Warehousing	231.82	379.38	-147.56
2210-Medical and Public Health	2,428.82	2,534.58	-105.76
2505-Rural Employment	537.99	643.66	-105.67

Source: Finance Accounts of the respective years.

**Table 2.19** shows:

- Increase of ₹ 771.98 crore under 'Pensions and Other Retirement Benefits', was mainly due to increase of ₹ 1,182.70 crore in 'Superannuation and Retirement Allowances', ₹ 235.13 crore in 'Commutated Value of Pensions', ₹ 244.63 crore in 'Family Pensions', counterbalanced by decrease of ₹ 939.50 crore in 'Government Contribution for Defined Contribution', as Himachal Pradesh reverted back to the Old Pension Scheme.

- Increase of ₹ 819.73 crore under ‘Interest Payments’ was mainly due to increase of ₹ 819.63 crore in ‘Interest on Market Loans’, as last year (2022-23) the State Government had resorted to huge amount of loan from market to meet out their expenses.
- Increase of ₹ 597.64 crore under ‘Relief on Account of Natural Calamities’ was mainly due to increase of ₹ 238.39 crore in ‘Repairs and restoration of damaged roads and bridges’ and ₹ 203.01 crore in ‘Repair and restoration of damaged water supply, drainage and sewerage work’.
- Decrease of ₹ 535.19 crore in ‘other Rural Development Programs’ was mainly due to decrease of ₹ 256.72 crore in ‘Assistance to Gram Panchayats’ and ₹ 131.83 crore in ‘Assistance to Zila Parishad’.
- Decrease of ₹ 510.27 crore in ‘General Education’ was due to decrease of ₹ 366.52 crore in ‘Government Primary Schools’ and ₹ 301.89 crore in ‘Government Secondary Schools’, partially counterbalanced by increase of ₹ 102.30 crore in ‘Samagra Shiksha’.

#### 2.4.1.2 Committed expenditure

The committed expenditure of the State Government on Revenue account consists of interest payments, expenditure on salaries and wages and pensions. It has the first charge on Government resources.

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

- (i) Devolution to local bodies – statutory devolutions to local bodies for pay and allowances (devolution / transfer for Capital expenditure).
- (ii) 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.
- (iii) Recoupment of Contingency Fund – Amount recouped within the year.
- (iv) Transfer of cess to reserve fund / other body, which are statutorily required.
- (v) State Share in CSS against the Central Fund received – Amount of State share to be transferred to SNAs / spent by the State.
- (vi) Payment of interest on the balances of the interest-bearing funds as if they could have been invested and payment of interest on public debt as charged expenditure – Interest payment.

The upward trend in committed expenditure leaves the Government with less flexibility in the development sector. Trend analysis of committed and inflexible expenditure and its components is depicted in **Table 2.20** and share of committed expenditure in Revenue expenditure is shown in **Chart 2.13**.



**Table 2.20: Components of Committed and Inflexible Expenditure**

(₹ in crore)

Components of Committed Expenditure	2019-20	2020-21	2021-22	2022-23	2023-24
Salaries & Wages	11,742.23	11,903.67	12,192.52	15,850.87	15,352.58*
Expenditure on Pensions	5,489.75	6,088.39	6,398.91	9,283.87	9,212.64
Interest Payments	4,234.02	4,472.45	4,640.79	4,828.64	5,648.37
<b>Total</b>	<b>21,466.00</b>	<b>22,464.51</b>	<b>23,232.22</b>	<b>29,963.38</b>	<b>30,213.59</b>
<b>As a percentage of Revenue receipts (RR)</b>					
Salaries & Wages	38.20	35.60	32.68	41.61	39.19
Expenditure on Pensions	17.86	18.21	17.15	24.37	23.52
Interest Payments	13.77	13.38	12.44	12.68	14.42
<b>Total</b>	<b>69.83</b>	<b>67.19</b>	<b>62.27</b>	<b>78.67</b>	<b>77.13</b>
<b>As a percentage of Revenue expenditure (RE)</b>					
Salaries & Wages	38.21	35.50	33.69	35.68	34.32
Expenditure on Pensions	17.86	18.16	17.68	20.90	20.60
Interest Payments	13.78	13.34	12.82	10.87	12.63
<b>Total</b>	<b>69.85</b>	<b>66.99</b>	<b>64.19</b>	<b>67.45</b>	<b>67.54</b>
Non-committed RE	9,264.43	11,070.42	12,962.32	14,461.88	14,518.04
As a percentage of RE	30.15	33.01	35.81	32.55	32.46
As a percentage of TE	25.48	28.27	30.43	28.60	28.77
<b>Components of Inflexible Expenditure</b>					
Statutory devolution to local bodies	882.52	1,046.42	858.21	1,223.85	1,309.76
Contribution to Reserve Funds	28.70	45.00	35.80	38.40	40.20
Recoupment of Contingency Fund	0	0	0	0	0
Transfer of cess to reserve fund / other body	116.53	105.71	132.16	174.94	199.84
Share contribution of CSS against the Central Fund received	NA	NA	580.09	578.73	487.62
Payment of interest on the balance of the interest-bearing funds as if they could have been invested and payment of interest on public debt as charged expenditure- Interest payment.	NA	0.06	0.47	3.73	11.36
<b>Total Inflexible expenditure</b>	<b>1,027.75</b>	<b>1,197.19</b>	<b>1,606.73</b>	<b>2,019.65</b>	<b>2,048.78</b>
Inflexible expenditure as a percentage of Revenue expenditure (RE)	3.34	3.57	4.44	4.55	4.58
Subsidies	1,067.78	1,240.63	1,187.99	1,973.32	1,768.35
Subsidies as percentage of non-committed expenditure	11.53	11.21	9.16	13.64	12.18

\*Salary: ₹ 15,046.97 crore, wages: ₹ 305.61 crore

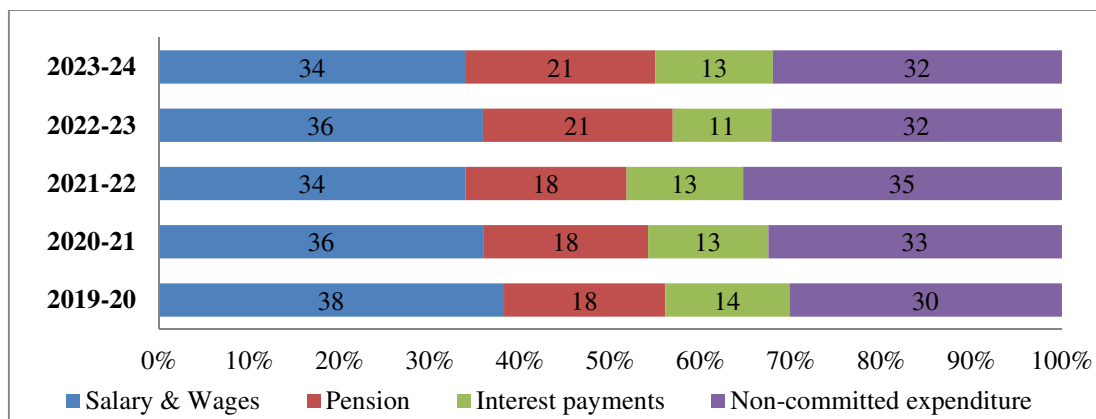
Source: Finance Accounts and SFAR of respective years, PFMS and information received from State Government.

**Table 2.20** shows that there was a consistent rise in committed expenditure during the period 2019-20 to 2023-24. There was a significant increase of ₹ 6,731.16 crore (28.97 per cent) during 2022-23 as compared to the previous year (2021-22). But in current year (2023-24), the committed expenditure marginally increased by ₹ 250.21 crore (0.84 per cent) over the previous year. There was a decrease of ₹ 498.29 crore and ₹ 71.23 crore in salary and wages and pensions respectively during current year. During the period 2019-24, committed expenditure constituted a dominant share ranging between 64 and 70 per cent of Revenue expenditure and between 62 and 79 per cent of Revenue receipts. A dominant proportion of committed expenditure and subsidies from Revenue expenditure and Revenue receipts leaves the State Government with little flexibility for development activities.



In addition to the above, percentage of non-committed expenditure to Revenue expenditure shows inter-year fluctuation ranging between 30 *per cent* and 36 *per cent* during 2019-24. Subsidies constituted a proportion ranging from nine *per cent* to 14 *per cent* of non-committed expenditure during the same period.

**Chart 2.13: Share of Committed expenditure in total Revenue expenditure**



### Salaries and Wages

The expenditure on salaries and wages increased from ₹ 11,742.23 crore in 2019-20 to ₹ 15,352.58 crore in 2023-24. During 2023-24, it decreased by ₹ 498.29 crore (3.14 *per cent*) over the previous year and consumed 39.19 *per cent* of Revenue receipts and 34.32 *per cent* of Revenue expenditure of the State. The previous year (2022-23) salary and wages increased substantially mainly due to revision of pay scales, pension/family pension and arrears on account of implementation of the HP 6<sup>th</sup> Pay Commission's recommendations w.e.f. 01.01.2016. This year no payment of arrears was given to employees. Due to this there is a decrease in salary and pension, the State Government has shifted liability for the coming years. The expenditure on salaries (₹ 15,352.58 crore) was substantially higher than the projections made in Medium Term Fiscal Plan Statement (MTFPS) (₹ 14,099.52 crore).

### Interest payments

Interest payments increased by 33.40 *per cent* from ₹ 4,234.02 crore in 2019-20 to ₹ 5,648.37 crore in 2023-24 and ₹ 819.73 crore (16.98 *per cent*) in 2023-24 over the previous year. Interest payments consumed 14.42 *per cent* of Revenue receipts and 12.63 *per cent* of Revenue expenditure. Interest on Market loans (₹ 3,491.09 crore), Small Savings, Provident Funds etc. (₹ 1,284.16 crore) continued to be the major components of interest payments. Interest payments were slightly higher than the projections made in MTFPS (₹ 5,562.01 crore).

### Pensions

The expenditure on pension and other retirement benefits to State Government pensioners increased by 67.82 *per cent* from ₹ 5,489.75 crore in 2019-20 to ₹ 9,212.64 crore in 2023-24. It decreased by ₹ 71.23 crore (0.77 *per cent*) during the current year over the previous year. The expenditure on pension payments in the current

year (₹ 9,212.64 crore) was substantially higher than that projected in the MTFPS (₹ 7,709.19 crore).

**(i) Undischarged liabilities in National Pension System**

The State Government employees recruited on or after 15<sup>th</sup> May 2003 are covered under the National Pension System (NPS), which is a Defined Contribution Pension Scheme (DCPS). In terms of the Scheme, the employee contributes 10 *per cent* of his/her basic pay and dearness allowance, and 14 *per cent* (w.e.f. 01 April 2019) of basic pay and dearness allowance is contributed by the State Government; and the entire amount is to be transferred to the designated fund manager through the National Securities Depository Limited (NSDL)/Trustee Bank.

During the year 2023-24, contribution from Government under MH-2071-Minor Head 117 was ₹ 93.73 crore and employee's contribution was ₹ 66.33 crore for NPS. This also included the contribution in relation to AIS (All India Services) officers. The Government transferred ₹ 159.90 crore (Employee share ₹ 66.33 crore and Government's share ₹ 93.57 crore) to the Public Account under Major Head 8342-117 Defined Contribution Pension scheme<sup>2</sup>. The Government contribution to Defined Contribution Pension Scheme shown under MH-8342-117 (₹ 93.57 crore) differs with the amount shown under Major Head 2071-01-117 (₹ 93.73 crore) due to direct payment of last month NPS contribution to retiring subscribers by the DDO.

Further, the State Government is liable to pay interest on delayed transfer of NPS balances at the corresponding interest rates applicable to the General Provident Fund (GPF) subscribers. Thus, the State Government has created interest liability of ₹ 1.19 crore (interest calculated at the rate of 7.10 *per cent* as per interest payable to GPF) on the amount (₹ 17.39 crore on 1<sup>st</sup> April 2023 as per Finance Accounts) not transferred to NSDL. This also resulted in understatement of Revenue Deficit and Fiscal Deficit to that extent, as commented in **Paragraph 1.6**.

As per the information received from the State Government, the details of the receipts from employees' share, Government's contribution, interest accrued thereon and investment in pension fund of 5 years are given in **Table 2.21**.

**Table 2.21: Details of contribution and investment under DCPS (period 2019-20 to 2023-24)**

(₹ in crore)

Years	Receipts				Disbursements	Short transfer (-)/ Excess transfer (+)
	Employees' share	Government contribution	Interest	Total	(Transferred to Pension Fund)	
1.	2.	3.	4.	5. (2+3+4)	6.	7.=6-5
2019-20	348.72	471.30	Employee and Employer contribution is invested by CRA-NSDL and there is no interest component in the investment as there is NAV on investment.	820.02	820.02	-NIL-
2020-21	395.86	552.00		947.86	947.86	
2021-22	470.26	655.99		1,126.25	1,126.25	
2022-23	746.10	1,033.09		1,779.19	1,779.19	
2023-24	67.10	93.59		160.69	160.59	

Source: Information received from State Government.

<sup>2</sup> Source: Para 5(i) of Notes to Finance Account 2023-24.

However, Government of Himachal Pradesh has withdrawn from the defined contribution based National Pension System (NPS) and reverted to the Old Pension Scheme (OPS) with effect from 01.04.2023 vide Notification No. Fin (Pen) A (3)-1/2023, dated 04.05.2023, which provides a defined benefit.

In this regard, the State Government intimated that no separate pension fund has been created to deal with anticipated financial impact and fiscal burden/ liability on account of restoration of OPS, on the State exchequer. The same will be met from State's own resources and its share lying with the Government of India/PFRDA will also be utilised partly to defray the future pension liabilities.

### 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 2019-20 to 2023-24. As a percentage of Revenue expenditure, the inflexible expenditure increased from 3.34 *per cent* to 4.58 *per cent*. Further, the inflexible expenditure (₹ 2,048.78 crore) increased by 1.44 *per cent* during 2023-24 over the previous year (₹ 2,019.65 crore).

#### 2.4.1.3 Subsidies

**Table 2.22** depicts the expenditure on subsidies during the period 2019-24. The subsidies during the current year decreased by ₹ 204.97 crore (10.39 *per cent*) from the previous year. The decrease was mainly due to decline in subsidies by ₹ 126.30 crore and ₹ 110.74 crore to Food and Supply, and Power projects respectively.

**Table 2.22: Expenditure on subsidies during 2019-24**

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Subsidies (₹ in crore)	1,067.78	1,240.63	1,187.99	1,973.32	1,768.35
Power subsidy (₹ in crore)	400.00	520.45	419.99	1,044.03	933.29
Subsidies as percentage of Revenue receipts	3.47	3.71	3.18	5.18	4.51
Subsidies as percentage of Revenue expenditure	3.47	3.70	3.28	4.44	3.95
Subsidies as percentage of Total Expenditure	2.94	3.17	2.79	3.90	3.50
Subsidies as percentage to Revenue Deficit	*	1,283.50	*	31.15	31.81
Power subsidy as percentage to total subsidy	37.46	41.95	35.35	52.91	52.78

Source: Finance Accounts.

\* Not calculated as State had Revenue Surplus.

Power subsidy constituted major portion of the total subsidies, ranging between 35.35 *per cent* and 52.91 *per cent* during the five-year period (2019-20 to 2023-24). The total subsidies contributed 31.81 *per cent* to the Revenue Deficit during 2023-24.

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

Assistance provided by way of grants to the local bodies and other institutions during the period 2019-20 to 2023-24 is presented in **Table 2.23**.

**Table 2.23: Financial assistance to Local Bodies and other institutions**

(₹ in crore)

Financial Assistance to Institutions	2019-20	2020-21	2021-22	2022-23	2023-24
<b>Local Bodies</b>					
Municipal Corporations and Municipalities	456.22	814.58	800.71	903.04	970.76
Panchayati Raj Institutions	1,053.39	1,176.07	1,148.28	1,753.44	1,193.24
<b>Total (A)</b>	<b>1,509.61</b>	<b>1,990.65</b>	<b>1,948.99</b>	<b>2,656.48</b>	<b>2,164.00</b>
<b>Others</b>					
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	1,020.83	944.59	1,031.74	1,157.21	1,208.67
Development Authorities	99.16	238.37	331.69	330.42	337.65
Hospitals and Other Charitable Institutions	439.71	458.23	673.60	671.32	446.70
Other Institutions	437.17	931.27	994.78	1031.51	935.19
<b>Total (B)</b>	<b>1,996.87</b>	<b>2,572.46</b>	<b>3,031.81</b>	<b>3,190.46</b>	<b>2,928.21</b>
<b>Total (A+B)</b>	<b>3,506.48</b>	<b>4,563.11</b>	<b>4,980.80</b>	<b>5,846.94</b>	<b>5,092.21</b>
<b>GIA on Salary</b>	1,324.53	1,507.74	1,687.79	1,736.31	1,771.45
<b>GIA for creation of Capital assets</b>	844.73	1,039.73	833.26	1,376.62	911.05
<b>GIA for non-salary</b>	1,337.25	2,015.70	2,459.75	2,734.01	2,409.71
<b>GIA given in kind</b>	Information not provided by the State Government				
Revenue expenditure	30,730.43	33,534.93	36,194.54	44,425.26	44,731.63
Financial assistance as percentage of Revenue expenditure	11.41	13.61	13.76	13.16	11.38

Source: Finance Accounts and information received from PAG (A&E).

During the current year, financial assistance to local bodies and other institutions decreased by ₹ 754.73 crore (12.91 *per cent*) over the previous year. The decrease was mainly due to a reduction in assistance to Panchayati Raj Institutions (₹ 560.20 crore: 31.95 *per cent*), Hospital and Other Charitable Institutions (₹ 224.62 crore: 33.46 *per cent*).

The financial assistance given for salary purposes during 2023-24 increased while assistance given for the creation of Capital assets and non-salary purpose decreased over the previous year. GIA for creation of Capital assets decreased by ₹ 465.57 crore (33.82 *per cent*) and GIA for non-salary decreased by ₹ 324.30 crore (11.86 *per cent*).

Major recipients of financial assistance are shown in **Table 2.24**.

**Table 2.24: Major recipients of financial assistance during the year 2023-24**

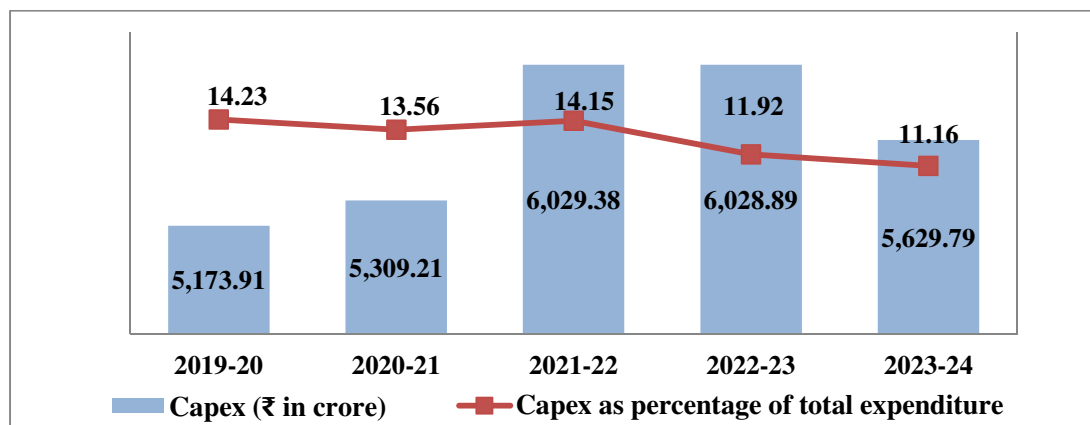
(₹ in crore)

Recipients	Name of schemes	Amount
2202-Director Higher Education Shimla	Sarva Shiksha Abhiyan	609.21
2505-Rural Employment	National Rural Employment Guarantee Schemes	511.45
3055-Road Transport	Assistance to Transport Services	320.55
2211-Family Welfare	Provision under National Rural Health Mission	271.18
2217-Urban Development	Grant to Municipal Corporation Shimla	160.06
2202-Finance Officer, H.P. University	Grant-in-aid to Himachal Pradesh University	152.20
2217-Urban Development	Smart City Mission Shimla	149.50
2415-Agriculture and Research Education	Grant-in-aid to Dr. Y.S. Parmar University Solan	134.84
2501-Special Programme for Rural Development	Himachal Pradesh Kaushal Vikas Nigam	120.00
2216-Housing	Pradhan Mantri Awas Yojna (Gramin)	115.80

## 2.4.2 Capital expenditure

Capital expenditure is primarily expenditure on creation of fixed infrastructure assets such as roads, buildings, etc. Capital expenditure, in both the Centre and the State, is being met from budgetary support and extra budgetary resources/ off-budget borrowings. It also includes investments made by the State Government in companies/corporations. Trend of Capital expenditure in the State over the last five years i.e., 2019-24, is given in **Chart 2.14**.

**Chart 2.14: Trend of Capital expenditure as per cent of Total Expenditure during 2019-24**



**Chart 2.14** shows that Capital expenditure fluctuated over the last five-year period. During 2023-24, it decreased by ₹ 399.10 crore (6.62 *per cent*) over the previous year. Capital expenditure not only in absolute terms but as well as proportion of Total Expenditure observed a declining trend over the past two years. This declining trend can prove to be detrimental to the future economic growth. Capex constituted only 11 *per cent* to 14 *per cent* of total expenditure over the last five-year period (2019-24).

Besides, the State Government also gave Grants-in-aid of ₹ 5,005.39 crore during the period 2019-24 for creation of assets which is considered as part of Revenue expenditure (as shown in **Table 2.23**).

### 2.4.2.1 Major changes in Capital expenditure

Major changes in Capital expenditure during 2023-24 compared to 2022-23 are depicted in **Table 2.25**.

**Table 2.25: Capital expenditure during 2023-24 compared to 2022-23**

Major Heads of Accounts	(₹ in crore)		
	2022-23	2023-24	Increase (+)/ Decrease (-)
5053-Capital Outlay on Civil Aviation	21.68	315.82	294.14
4215- Capital Outlay on Water Supply and Sanitation	812.04	1,022.97	210.93
4202-Capital Outlay on Education, Sports, Art and Culture	411.24	300.30	-110.94
5054-Capital Outlay on Roads and Bridges	2,178.22	2,065.12	-113.10
4851-Capital Outlay on Village and Small Industries	198.28	72.09	-126.19
4210-Capital Outlay on Medical and Public Health	551.64	295.67	-255.97

- Increase in Capital Outlay on Civil Aviation was mainly due to increase of ₹ 193.40 crore under ‘Aerodromes’ from previous year.

- Increase in Capital Outlay on Water Supply and Sanitation was mainly due to increase of ₹155.20 crore under 'Rural Water Supply Schemes in various district' from previous year.
- Decrease in Capital Outlay on Medical and Public Health was mainly due to decrease of ₹ 203.77 crore under 'Allopathy' from previous year.
- Decrease in Capital Outlay on Village and Small Industries was mainly due to decrease of ₹ 111.86 crore in 'Other Expenditure' from previous year.

#### 2.4.2.2 Quality of Capital expenditure

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

##### (i) Quality of investments in the companies, corporations and other bodies

Investments made and loans given to companies and corporations which are loss making and that where net worth has completely eroded, affect quality of Capital expenditure. Return on investment in share capital invested in Public Sector Undertakings (PSUs) and history of repayment of loans given to various bodies are important determinants of quality of Capital expenditure.

As per the latest financial accounts, total paid up capital of 28 working SPSEs stood at ₹ 5,899.78 crore at the end of 2023-24, of which the State Government's investment (equity) was ₹ 4,140.62 crore (70.18 *per cent*) (**Appendix 2.3**).

Twelve SPSEs (excluding two SPSEs i.e., one inactive and one under liquidation) in which the State Government held investment of ₹ 4,038.33 crore had aggregate accumulated losses of ₹ 6,454.47 crore (**Appendix 2.4**).

Of the above 12 SPSEs, net worth of seven SPSEs had completely eroded and had become negative. The net worth of these seven SPSEs (as per their finalised accounts) was (-) ₹ 3,347.44 crore, against equity investment of ₹ 2,354.75 crore in them, as on 31<sup>st</sup> March 2024. In two out of these seven SPSEs whose Capital had eroded, Government loan outstanding as on 31<sup>st</sup> March 2024 amounted to ₹ 3,089.90 crore (**Appendix 2.4**).

##### (ii) Investment and returns

Trends of return on investment in companies, corporations, and co-operative banks and societies, difference between cost of Government borrowings and return on investments are depicted in **Table 2.26**.

**Table 2.26: Details of Investment and return on Investment**

Investment/ Return/ cost of Borrowing	2019-20	2020-21	2021-22	2022-23	2023-24
Investments at the end of the year (₹ in crore)	4,261.06	4,562.40	4,913.00	5,333.57	5,524.23
Return (₹ in crore)	248.44	245.43	166.53	180.90	191.17
Return ( <i>per cent</i> )	5.83	5.38	3.39	3.39	3.46
Average rate of interest on Government borrowings ( <i>per cent</i> )	7.98	7.59	7.51	6.74	6.88



Investment/ Return/ cost of Borrowing	2019-20	2020-21	2021-22	2022-23	2023-24
Difference between return and average rate of interest on borrowings ( <i>per cent</i> )	-2.15	-2.21	-4.12	-3.35	-3.42
Notional loss due to difference between interest on Government borrowings and return on investment (₹ in crore) <sup>#</sup>	91.61	100.83	202.42	178.67	188.93

Source: Finance Accounts.

# Investment at the end of year x Difference between interest rate and return.

During 2023-24, the return on investment was ₹ 191.17 crore (3.46 *per cent*). The return on these investments ranged between 3.39 *per cent* and 5.83 *per cent* during 2019-24, while the average rate of interest paid by the State Government on its borrowings was between 6.74 *per cent* and 7.98 *per cent* during the same period. Out of total investment of ₹ 5,524.23 crore as on 31<sup>st</sup> March 2024, investment of ₹ 4,737.81 crore (85.76 *per cent*) was in five<sup>3</sup> companies. During 2023-24, Satluj Jal Vidyut Nigam contributed 97.68 *per cent* (₹ 186.74 crore) of total return. Over the past five years, the difference between cost of Government borrowings and return on investments in PSUs was to the tune of ₹ 762.46 crore.

### (iii) Reconciliation of Government Investments with Accounts of Companies

The figures of Government investments as equity in State Public Sector Enterprises (SPSEs) should agree with those appearing in the accounts of SPSEs. Reconciliation of figures is necessary to figure out the differences in accounts of SPSEs and Finance Accounts of the State Government. Scrutiny of both the accounts revealed that as per Finance Accounts, Government investment as equity in 28 SPSEs was ₹ 4,270.37 crore whereas as per records of SPSEs it was ₹ 4,160.32 crore. There was a difference of ₹ 110.05 crore (**Appendix 2.5**). Reconciliation should be carried out in a time-bound manner to explain the difference.

### (iv) Loans and Advances by State Government

In addition to the investments in co-operative societies, corporations and companies, the State Government has also been providing Loans and Advances to many institutions/ organisations. **Table 2.27** presents the position of outstanding Loans and Advances as on 31<sup>st</sup> March 2024 and interest receipts *vis-à-vis* interest payments by the State Government on its borrowings during the last five years.

**Table 2.27: Quantum of loans disbursed and recovered during 2019-24**

(₹ in crore)					
Quantum of loans/interest receipts/ cost of borrowings	2019-20	2020-21	2021-22	2022-23	2023-24
Opening Balance of the loans outstanding*	6,953.33	7,390.49	7,687.59	8,024.83	8,052.62
Amount advanced during the year	458.21	320.12	377.97	110.57	106.95
Amount recovered during the year	21.03	23.02	40.73	82.79	27.40
<b>Closing Balance of the loans outstanding*</b>	<b>7,390.49</b>	<b>7,687.59</b>	<b>8,024.83</b>	<b>8,052.62</b>	<b>8,132.18</b>
Net addition	437.17	297.10	337.24	27.78	79.55

<sup>3</sup> Satluj Jal Vidyut Nigam Ltd. (₹ 1,098.14 crore), Himachal Pradesh Power Transmission Corporation Ltd. (₹ 424.50 crore), Himachal Pradesh Power Corporation (₹ 1,024.71 crore), Himachal Pradesh State Electricity Board Ltd. (₹ 869.64 crore) and Himachal Road Transport Corporation (₹ 1,320.82 crore).

Quantum of loans/interest receipts/ cost of borrowings	2019-20	2020-21	2021-22	2022-23	2023-24
Interest received	135.11	248.98	97.72	15.44	47.65
Interest rate on Loans and Advances given by the Government ( <i>per cent</i> )	1.94	3.37	1.24	0.19	0.59
Interest payments as <i>per cent</i> to outstanding Fiscal liabilities of the previous year ( <i>per cent</i> )	7.80	7.19	6.91	6.99	6.87
Difference between the rate of interest paid and interest received ( <i>per cent</i> )	5.86	3.82	5.64	6.80	6.28

Source: Finance Accounts.

\* From 2016-17 onwards, closing and opening balance includes ₹ 2,890.50 crore of loans given to DISCOM under UDAY Scheme.

During 2023-24, an amount of ₹ 106.95 crore was advanced as loans against ₹ 110.57 crore during the previous year. The major portion of loans amounting to ₹ 98.35 crore (91.96 *per cent*) was given only to Power sector. Loans amounting to ₹ 7,743.37 crore were outstanding at the beginning of the year against Power sector. Over the last 10 years, repayment of earlier loans was not made by the Public Sector Undertakings under Power sector. However, further loans are being extended continuously to Power sector without recovery of earlier loans.

During the current year (2023-24), recovery of only ₹ 27.40 crore was made, in which major portion (₹ 21.49 crore i.e. 78.43 *per cent*) pertained to Co-operatives.

#### (v) Capital blocked in incomplete projects

An assessment of trends in Capital blocked in incomplete Capital works would also indicate quality of Capital expenditure. Blocking of funds in 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 lead to extra burden in terms of servicing of debt and interest liabilities. Details of age-wise and Department-wise incomplete projects, which were to be completed up to 2023-24 are shown in **Tables 2.28** and **2.29** respectively.

Table 2.28: Age-profile of incomplete projects as on 31 <sup>st</sup> March 2024 (₹ in crore)			
Year of commencement	No. of incomplete projects	Estimated cost	Expenditure (as on 31 <sup>st</sup> March 2024)
Up to 2015	15	600.77	564.69
2016	4	112.95	95.87
2017	5	54.70	20.00
2018	8	55.29	46.97
2019	2	19.13	16.71
2021	3	29.82	7.95
2022	5	53.54	33.04
2023	8	136.94	68.94
2024	1	24.86	4.00
<b>Total</b>	<b>51</b>	<b>1,088.00</b>	<b>858.17</b>

Table 2.29: Department-wise profile of incomplete projects as on 31 <sup>st</sup> March 2024 (₹ in crore)			
Department	No. of incomplete projects	Estimated cost	Expenditure (as on 31 <sup>st</sup> March 2024)
I&PH	27	752.75	679.97
PWD (Bridges & Roads)	24	335.25	178.20
<b>Total</b>	<b>51</b>	<b>1,088.00</b>	<b>858.17</b>

Source: Finance Accounts.



The expenditure of ₹ 858.17 crore incurred on 51 incomplete projects was yet to yield the intended benefits. Out of 51 incomplete projects, 15 projects on which expenditure of ₹ 564.69 crore had been incurred till 31.03.2024, pertained to the period prior to the year 2015.

Delay in completion of projects not only adversely affected the quality of expenditure but also deprived the State of intended benefits and economic growth.

#### 2.4.2.3 Resource availability of the State under Public Private Partnership Projects

Public Private Partnership (PPP) is an arrangement between the Government or statutory entity and a private sector entity, to provide a framework that enables them to work together to meet the rising demand of the public for infrastructure development. Details of PPP projects (completed, ongoing and planned) as on 31<sup>st</sup> March 2024 are given in **Appendix 2.6**, and sector-wise details of PPP projects are given in **Table 2.30**.

**Table 2.30: Sector-wise details of PPP projects**

(₹ in crore)

Sr. No.	Sector	Completed		Ongoing		Planned	
		Number	Estimated Cost*	Number	Estimated Cost*	Number	Estimated Cost*
1.	Urban Infrastructure	7	124.00	9	383.00	3	--
2.	Energy	36	14,456.00	12	4,881.41	47	5,123.11
3.	Social	4	115.00	0	0	0	0
4.	Tourism	3	177.00	6	680.00	3	--
5.	Others	0	0	4	13.00	2	--
<b>Total</b>		<b>50</b>	<b>14,872.00</b>	<b>31</b>	<b>5,957.41</b>	<b>55</b>	<b>5,123.11</b>

Source: Departmental figures.

\* Project(s) for which cost is not known has(have) not been included in the Estimated Cost.

#### 2.4.3 Expenditure priorities

Enhancing human development levels requires the States to step up expenditure on key social services like education, health, etc. Low Fiscal priority (ratio of expenditure under a category to aggregate expenditure) can be said to be 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 better the quality of expenditure.

**Table 2.31** analyses expenditure priorities of the State Government in comparison with North Eastern & Himalayan (NE & H) States, with regard to aggregate expenditure, expenditure on Education and Health sectors and Capital expenditure during 2023-24, taking 2019-20 as base year.

**Table 2.31: Expenditure priority of the State in 2019-20 and 2023-24**

(in per cent)

Fiscal priority of the State	TE/ GSDP	CE/ TE	Education/ TE	Health/ TE
North Eastern & Himalayan (NE & H) States (2019-20)	26.21	14.94	17.08	6.37
Himachal Pradesh (2019-20)	22.85	15.49	17.43	6.34
North Eastern & Himalayan (NE & H) States (2023-24)	25.19	17.61	15.93	6.43
Himachal Pradesh (2023-24)	24.33	11.37	16.47	6.34

Note: TE-Total expenditure and CE-Capital expenditure (includes Loans and Advances disbursed).

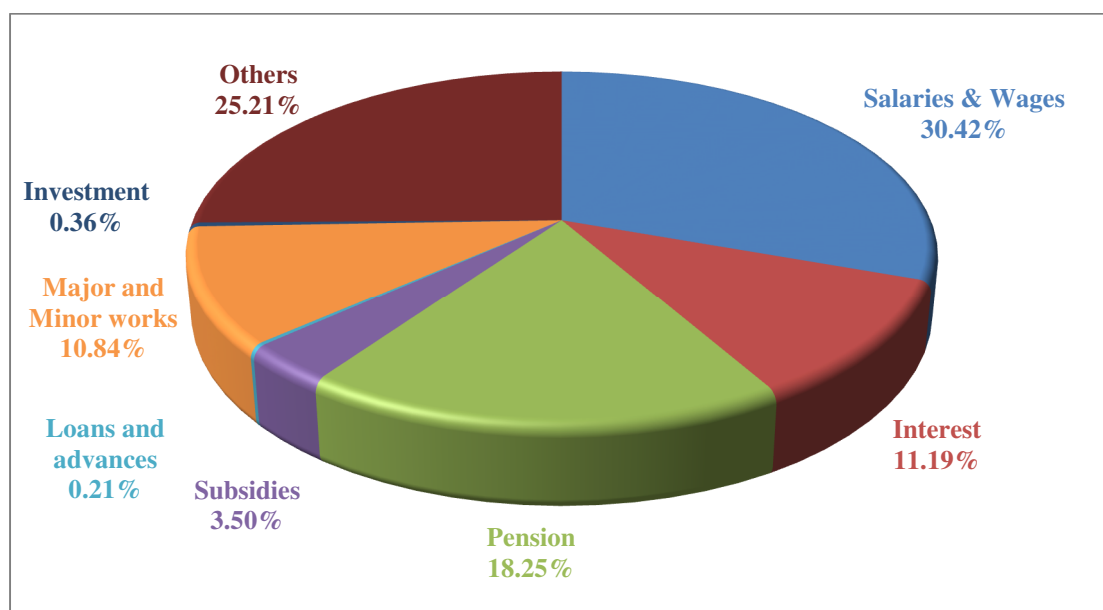
Table 2.31 shows that:

- The State Government's total expenditure as proportion of GSDP, increased from 22.85 *per cent* in 2019-20 to 24.33 *per cent* in 2023-24 whereas for North Eastern & Himalayan (NE &H) States, it decreased from 26.21 *per cent* in 2019-20 to 25.19 *per cent* in 2023-24.
- Capital expenditure facilitates asset creation which generates opportunities for higher growth. The ratio of Capital expenditure to total expenditure decreased to 11.37 *per cent* in 2023-24 from 15.49 *per cent* in 2019-20. But this ratio for NE &H States increased to 17.61 *per cent* from 14.94 *per cent* during the same period.
- The ratio of expenditure on education to total expenditure in Himachal Pradesh decreased to 16.47 *per cent* in 2023-24 from 17.43 *per cent* in 2019-20 and in the case of NE &H States it also decreased to 15.93 *per cent* from 17.08 *per cent* during the same period.
- The ratio of expenditure on health to total expenditure in Himachal Pradesh remained static during 2019-20 and 2023-24, whereas in the case of NE &H States, it increased slightly to 6.43 *per cent* from 6.37 *per cent* during the same period.

#### 2.4.4 Object head-wise expenditure

Object head-wise expenditure gives information about the object/ purpose of the expenditure. Details of object head-wise expenditure for the year 2023-24 are provided in Chart 2.15.

Chart 2.15: Object head-wise expenditure



Source: Finance Accounts.

## 2.5 Public Account

Receipts and Disbursements in respect of certain transactions such as Small Savings, Provident Funds, Reserve Funds, Deposits, Suspense, Remittances, etc., which do not form part of the Consolidated Fund, are kept in the Public Account set up under Article 266(2) of the Constitution and are not subject to vote by the State Legislature. The Government acts as a banker in respect of these. The balance after disbursements during the year is the fund available with the Government for use for various purposes.

### 2.5.1 Net Public Account balances

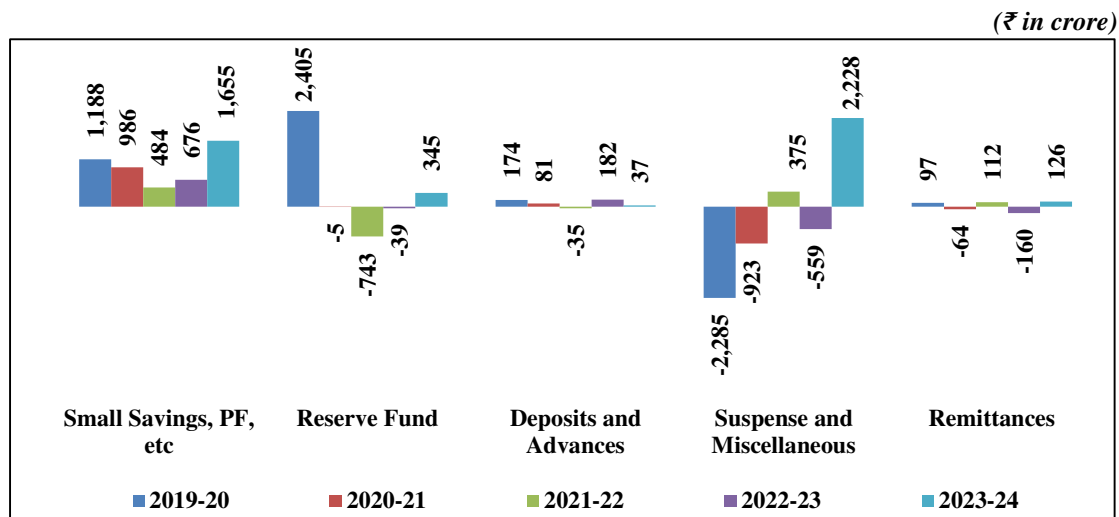
The component-wise net balances in Public Account of the State are given in **Table 2.32** and yearly changes in composition of Public Account balances are depicted in **Chart 2.16**.

**Table 2.32: Component-wise net balances in Public Account**

(₹ in crore)						
Sector	Sub Sector	2019-20	2020-21	2021-22	2022-23	2023-24
<b>I.-Small Savings, Provident Funds, etc.</b>	Small Savings, Provident Funds, etc.	15,537.13	16,522.64	17,006.28	17,682.25	19,337.57
	<b>Total (I)</b>	<b>15,537.13</b>	<b>16,522.64</b>	<b>17,006.28</b>	<b>17,682.25</b>	<b>19,337.57</b>
<b>J.-Reserve Funds</b>	(a) Reserve Funds bearing Interest	1,887.65	1,882.54	1,657.90	1,664.27	1,969.07
	(b) Reserve Funds not bearing Interest	834.66	834.66	316.00	270.44	310.70
	<b>Total (J)</b>	<b>2,722.31</b>	<b>2,717.20</b>	<b>1,973.90</b>	<b>1,934.71</b>	<b>2,279.77</b>
<b>K.-Deposits and Advances</b>	(a) Deposits bearing Interest	-1.64	7.66	14.30	17.39	16.50
	(b) Deposits not bearing Interest	3,382.45	3,454.50	3,412.87	3,591.61	3,629.99
	(c) Advances	-0.51	-0.51	-0.51	-0.51	-0.51
	<b>Total (K)</b>	<b>3,380.30</b>	<b>3,461.65</b>	<b>3,426.66</b>	<b>3,608.49</b>	<b>3,645.98</b>
<b>L.-Suspense and Miscellaneous</b>	(a) Suspense	-1,330.44	-1,539.83	-292.98	224.94	265.28
	(b) Other Accounts	-982.25	-1,696.28	-2,568.27	-3,645.37	-1,458.00
	(c) Accounts with Governments of Foreign Countries	--	--	--	--	0.00
	(d) Miscellaneous	--	--	--	--	0.00
	<b>Total (L)</b>	<b>-2,312.69</b>	<b>-3,236.11</b>	<b>-2,861.25</b>	<b>-3,420.43</b>	<b>-1,192.72</b>
<b>M.-Remittances</b>	(a) Money Orders, and other Remittances	612.45	546.02	653.51	494.02	620.18
	(b) Inter-Governmental Adjustment Account	-6.16	-4.11	-0.01	-0.06	0.07
	<b>Total (M)</b>	<b>606.29</b>	<b>541.91</b>	<b>653.50</b>	<b>493.96</b>	<b>620.25</b>
<b>Grand Total</b>		<b>19,933.34</b>	<b>20,007.29</b>	<b>20,199.09</b>	<b>20,298.98</b>	<b>24,690.85</b>

Source: Finance Accounts.

Chart 2.16: Yearly changes in composition of Public Account balances



Source: Finance Accounts of respective years.

## 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 or from outside agencies. It comprises interest bearing reserve funds and reserve funds not bearing interest.

Details of Reserve Funds are available in Statements 21 and 22 of the Finance Accounts. There were three interest bearing funds and four Reserve Funds not bearing interest as on 31<sup>st</sup> March 2024. The fund balances lying in these Reserve Funds as on 31<sup>st</sup> March 2024 are given in **Table 2.33**.

Table 2.33: Details of Reserve Fund

(₹ in crore)

Sr. No.	Name of Reserve Fund	Balance as on 31 <sup>st</sup> March 2024
<b>A</b>	<b>Reserve Funds bearing Interest</b>	<b>1,969.07</b>
1	State Disaster Response Fund	58.15
2	State Compensatory Afforestation Fund	1,867.46
3	State Disaster Mitigation Fund	43.46
<b>B</b>	<b>Reserve Funds not bearing Interest</b>	<b>310.69</b>
1	Industrial Development Funds	0.16
2	Electricity Development Funds	254.32
3	National Disaster Response Fund	56.22
4	Consumer Welfare	--*
<b>Grand Total</b>		<b>2,279.76</b>

Source: Finance Accounts.

\* ₹ 0.07 lakh only.

### 2.5.2.1 Consolidated Sinking Fund

In terms of the recommendations of the Twelfth Finance Commission, State Governments were required to create Consolidated Sinking Fund to be administered by the Reserve Bank of India for redemption of outstanding liabilities. As per model

Consolidated Sinking Fund scheme, circulated by RBI's guidelines of 2006 for voluntary adoption by the States, the State Government was to make minimum annual contributions to the Fund at the rate of 0.5 *per cent* of the outstanding liabilities at the end of the previous financial year.

As per the above directions, by the end of the year 2023-24 the State Government was required to contribute 0.5 *per cent* of the outstanding liabilities as on 31<sup>st</sup> March 2023. The outstanding liabilities of the State Government, as of 31<sup>st</sup> March 2023, was ₹ 82,177.21 crore. Thus, the State Government was required to contribute a minimum amount of ₹ 410.89 crore (0.5 *per cent* of ₹ 82,177.21 crore) in 2023-24 into the fund.

However, the State Government had not created the Consolidated Sinking Fund so far.

### **2.5.2.2 State Disaster Risk Management Fund**

The Fifteenth Finance Commission (15<sup>th</sup> FC) recommended creation of a State Disaster Risk Management Fund (SDRMF) at State level, which would include State Disaster Response Fund (SDRF) and State Disaster Mitigation Fund (SDMF). The total State allocation for SDRMF would be divided into SDRF and SDMF, which together address the full cycle of disaster management needs – response and relief, recovery and reconstruction, preparedness and capacity building and mitigation. SDRF would receive 80 *per cent* of the total SDRMF, while SDMF would get 20 *per cent* of the allocation.

#### **(a) State Disaster Response Fund**

The Government of India replaced the erstwhile Calamity Relief Fund with the State Disaster Response Fund (SDRF) with effect from 1 April 2010. In terms of the guidelines of SDRF (September 2010, July 2015 and January 2022), the Centre and the State Governments are required to contribute to the Fund in the proportion of 90:10. The contributions are to be transferred under the Public Account to Major Head – 8121. Expenditure during the year is incurred by operating Major Head – 2245.

The State Governments are required to pay interest to the SDRF at the rate 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.

The SDRF is to be used only for meeting expenditure for providing immediate relief to the victims of a disaster and provision for disaster preparedness, restoration, reconstruction and mitigation should not be a part of SDRF. Such expenditure has to be built into the normal budgetary heads/State Plan Funds, etc.

As per Finance Accounts, during the year 2023-24, the State Government received ₹ 360.80 crore as Central Government's share. The State Government's share during the year is ₹ 40.00 crore. The State Government transferred ₹401.00 crore {(Central share ₹ 360.80 crore, State share ₹ 40.20 crore (excess transfer ₹ 0.20 crore pertains to the year 2021-22))} to the Fund under Major Head 8121-122 SDRF.

In addition, the State received ₹ 787.25 crore from the Central Government towards NDRF, which was deposited / transferred to the Fund under Major Head 8235-125 NDRF as on 31<sup>st</sup> March 2024.

The balances of 31<sup>st</sup> March 2023 of ₹ 55.55 crore under SDRF were also not invested by the State Government. Interest of ₹ 11.36 crore {interest calculated at the rate of 8.50 per cent (average rate of W&MA during 2022-23, 6.50 plus 2 per cent)} would have been earned had these balances been invested, which resulted in understatement of Revenue Deficit and Fiscal Deficit to that extent.

Details of expenditure charged to SDRF during 2023-24 are given in **Table 2.34**.

**Table 2.34: Details of expenditure charged to SDRF during 2023-24**

(₹ in crore)		
Major Head of Account	Minor Head of Account	Expenditure
<b>2245- Relief on Account of Natural Calamities 02- Floods, Cyclones, etc.</b>	101-Gratuitous Relief	48.22
	102-Drinking Water Supply	0.60
	106-Repairs and restoration of damaged roads and bridges	448.35
	109- Repairs and restoration of damaged water supply, drainage and sewerage work	346.75
	111-Ex-gratia payments to bereaved families	77.21
	113-Assistance for repairs/ reconstruction of Houses	39.13
	193-Assistance to Local Bodies and other non-Government Bodies/ Institutions	141.62
	<b>Total</b>	<b>1,101.88</b>
<b>2245- Relief on Account of Natural Calamities 05-State Disaster Response Fund</b>	901- Deduct - Amount met from State Disaster Response Fund	-1,145.40

Source: Finance Accounts.

#### (b) 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 disaster covered under State Disaster Response Fund (SDRF)/ National Disaster Response Fund (NDRF) guidelines and the State specific local disaster notified by the State Government from time to time. The State Government has created the SDMF (under Major Head- '8121 General and Other Reserve Funds' which is under interest bearing section) vide Notification No. Fin-G-C (2) 05/2022, dated 27.02.2023.

During the year 2023-24, the State Government received ₹ 42.80 crore as Central Government's share. The State Government's share during the year is ₹ 4.80 crore. The State Government transferred ₹ 95.20 crore (Central share: ₹ 85.60 crore {2022-23 (received on 31<sup>st</sup> March 2023): ₹ 42.80 crore and 2023-24: ₹ 42.80 crore}, State share ₹ 9.60 crore (2022-23 (received on 31<sup>st</sup> March 2023): ₹ 4.80 crore and 2023-24: ₹ 4.80 crore) to the Fund under Major Head 8121-130 SDMF.

An amount of ₹ 93.78 crore was set off in the Major Head 2245 as expenditure met from the funds and no amount was invested from the Fund. The closing balance as on 31<sup>st</sup> March 2024 was ₹ 43.46 crore in the fund.

### 2.5.2.3 Guarantee Redemption Fund

Guarantee Redemption Fund is to be constituted for meeting payment obligations arising out of guarantees issued by the Government in respect of bonds and other borrowings by State Public Sector Undertakings or other Bodies and invoked by beneficiaries. The accumulations in the Fund are to be utilised only towards payment of guarantees issued by the Government and not paid by the institutions on whose behalf guarantee was issued. The Reserve Bank of India circulated a draft scheme (August 2001) for voluntary adoption by States, as per which the State Government was to contribute an amount equivalent to at least 0.5 *per cent* of the outstanding guarantees at the end of the second financial year preceding the current financial year as reflected in the books of accounts maintained by the Pr. Accountant General (A&E). The State Government, however, had not set up a Guarantee Redemption Fund so far.

The outstanding guarantees at the close of the financial year 2023-24 was ₹ 1,744.81 crore. In case of default, by a PSU or other body, the State Government will have to bear the expenditure from other available resources in absence of Guarantee Redemption Fund, putting more stress on the finances. However, the outstanding guarantee accounted for 4.58 *per cent* of the total Revenue receipts of the previous year (2022-23) of the State, which was within the limit of the target 40 *per cent* of the total Revenue receipts of the previous year, as prescribed in the FRBM Act.

### 2.5.2.4 State Compensatory Afforestation Fund

State Compensatory Afforestation Fund (SCAF) was required to be created for administering amounts received and utilising monies collected for undertaking compensatory afforestation, assisted natural regeneration, conservation and protection of forests, infrastructure development, wildlife conservation and protection and other related activities and for matters connected therewith or incidental thereto. Detailed guidelines for accounting under this Fund have been issued by Ministry of Environment, Forest and Climate Change, Government of India in November 2018.

During the year 2023-24, the State Government has not received any amount from the user agencies. Government received ₹ 308.30 crore (no amount *in previous year*) from National Compensatory Afforestation Deposit. The Government incurred an expenditure of ₹ 61.55 crore from the Fund and no amount was invested during the year. The State Government paid interest of ₹ 54.03 crore due for the year 2023-24 to the Fund under Major Head 8121-129-SCAF.

The balance in the State Compensatory Afforestation Fund as on 31<sup>st</sup> March, 2024 was ₹ 1,867.46 crore.

### 2.5.2.5 Central Road and Infrastructure Fund

The erstwhile Central Road Fund (CRF) has been renamed as the Central Road and Infrastructure Fund (CRIF) vide Government of India's Gazette notification dated 31.03.2018. The CRIF will be 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 received by the State from the Centre are to be initially booked as Revenue receipts under Major Head 1601.



Thereafter, the amount so received is to be transferred by the State Government to the Public Account under Major Head 8449-103- Subventions from Central Road and Infrastructure Fund through functional Major Head(s).

During the year 2023-24, the State Government received grants of ₹ 136.32 crore towards CRIF. The State Government did not transfer ₹ 136.32 crore to the Fund in the Public Account, as the Fund has not been yet created by the State Government. However, during the year, the State Government spent ₹ 148.04 crore on CRIF from Capital expenditure heads.

### **2.5.3 Suspense and Miscellaneous**

During the year 2023-24, an amount of ₹ 21.58 crore had been cleared from the Suspense and ₹ 5.73 crore remained outstanding under Suspense [Major Head 8658, Minor Head 110-Reserve Bank Suspense-Central Accounts Office] by the office of the Principal Accountant General (A&E), for want of documents like vouchers/challans/sanction letters, etc. The total expenditure of the Government is understated to that extent.

Further, an amount of ₹ 40.07 crore of Objection Book suspense of previous years (Revenue expenditure ₹ 34.94 crore and Capital expenditure ₹ 5.13 crore) has been cleared during 2023-24. Thus, the Revenue expenditure/Capital expenditure in the Finance Accounts and actual expenditure in the Appropriation Accounts against the Budget provisions for the year 2023-24 are overstated to that extent.

The Finance Accounts reflect the net balances under Suspense and Remittance Heads. The outstanding balance under these heads, worked out by aggregating the outstanding debit and credit balances separately under various heads, was ₹ 885.53 crore (credit) under Suspense and Remittance Heads as on 31<sup>st</sup> March 2024 [₹718.90 crore (credit) as on 31<sup>st</sup> March 2023].

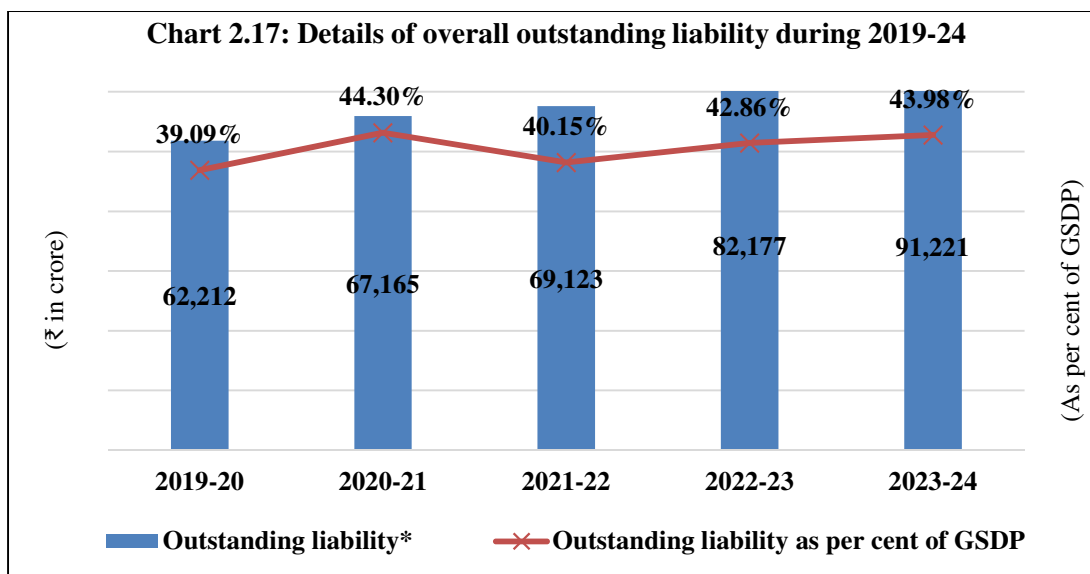
Non-clearance of outstanding balances under these heads affects the accuracy of receipt/expenditure figures and balances under different heads of Accounts (which are carried forward from year to year) of the State Government.

## **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 Budget announcements.

The year-wise position of overall outstanding liability for the period 2019-20 to 2023-24 is given in **Chart 2.17**.





\* Total outstanding liabilities and ratio of total outstanding debt to GDP excludes ₹ 1,717 crore for the year 2020-21 and ₹ 4,412.22 crore (2020-21: ₹ 1,717 crore and 2021-22: ₹ 2,695.22 crore) for the years 2021-22, 2022-23 and 2023-24 as back-to-back loans to State from Government of India in lieu of GST compensation shortfall.

### 2.6.1 Liability profile: Components

Total liability of the State Government consists of Internal Debt of the State (Market Loans, Ways and Means Advances from RBI, Special Securities issued to National Small Savings Fund and Loans from Financial Institutions, etc.), Loans and Advances from the Central Government and Public Account Liabilities. The outstanding Fiscal liabilities of the State for the year 2023-24 are presented in **Chart 2.18**. The component-wise liability trends of the State for the five-year period from 2019-20 to 2023-24 are shown in **Table 2.35**.

**Table 2.35: Component-wise liability trends**

			(₹ in crore)				
Sr. No.	Components of Fiscal liability		2019-20	2020-21	2021-22	2022-23	2023-24
	Outstanding Total Liability* as of 31 <sup>st</sup> March 2024 (1+2)		62,211.84	67,164.75	69,122.58	82,177.21	91,220.73
1.	Public Debt	(a) Internal Debt	39,527.77	42,918.21	44,376.03	55,975.16	61,439.29
		(b) Loans from Government of India	1,043.81	1,544.54	4,056.19	2,976.09	4,517.61
2.	Public Account Liabilities, of which		21,640.26	22,702.00	22,407.36	23,225.96	25,263.83
	Small Savings, Provident Funds, etc.		15,537.13	16,522.64	17,006.28	17,682.25	19,337.57
	Reserve Funds bearing Interest		1,887.65	1,882.54	1,657.90	1,664.27	1,969.07
	Reserve Funds not bearing Interest		834.66	834.66	316.00	270.44	310.70
	Deposits bearing Interest		-1.63	7.66	14.30	17.39	16.50
	Deposits not bearing Interest		3,382.45	3,454.50	3,412.88	3,591.61	3,629.99
3.	Rate of growth of outstanding total liability (percentage)		14.57	7.96	2.91	18.89	11.00
4.	Gross State Domestic Product		1,59,164	1,51,601	1,72,162 <sup>a</sup>	1,91,728 <sup>b</sup>	2,07,430 <sup>c</sup>

	Components of Fiscal liability	2019-20	2020-21	2021-22	2022-23	2023-24
	(GSDP)					
5.	Total liability/GSDP ( <i>per cent</i> )	39.09	44.30	40.15	42.86	43.98
	<b>Borrowings and Other Liabilities (as per Statement 6 of Finance Accounts)</b>					
6.	Total Public Debt Receipts	10,847.39	15,032.21	6,639.75	22,371.82	14,901.51
7.	Total Public Debt Repayments	6,700.75	11,141.05	4,387.28	10,135.80	7,895.87
8.	Net funds available (6-7)	4,146.64	3,891.16	2,252.47	12,236.02	7,005.64
9.	Repayments/ Receipts ( <i>per cent</i> ) (7/6)	61.77	74.11	66.08	45.31	52.99
10.	Net Public Account Receipts	2,458.27	787.97	1,063.80	1,176.99	2,204.49
11.	Total Debt Available (8+10)	6,604.91	4,679.13	3,316.27	13,413.01	9,210.13

Source: Finance Accounts of respective years.

\* Excludes ₹ 1,717 crore (2020-21) and ₹ 4,412.22 crore (2020-21: ₹ 1,717 crore and 2021-22: ₹ 2,695.22 crore) for the year 2021-22, 2022-23 and 2023-24 as back-to-back loans to State from Government of India in lieu of GST compensation shortfall.

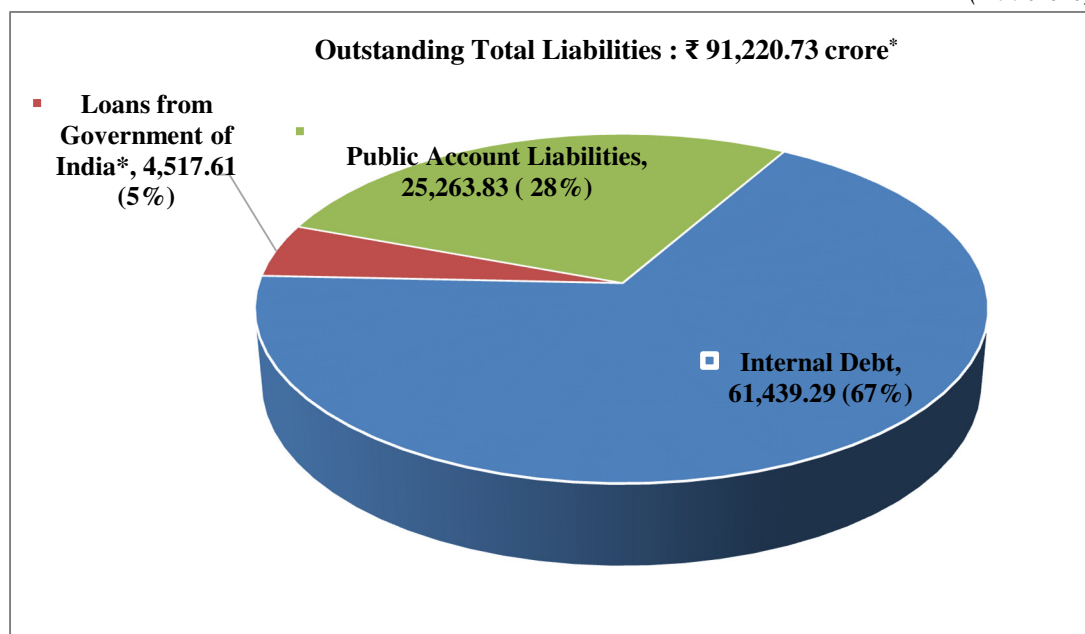
a – Second Revised Estimate, b – First Revised Estimate, c – Advance Estimate.

The outstanding total liability of the State increased by ₹ 29,008.89 crore from ₹ 62,211.84 crore in 2019-20 to ₹ 91,220.73 crore in 2023-24 registering an increase of 46.63 *per cent*. Over the period of five years (2019-24), Internal debt of the State (which mainly included outstanding long term loans raised from open market, bonds issued for clearing debts of State Power Corporation Limited in compliance with the implementation of Ujwal Discom Assurance Yojna (UDAY) during 2016-17) increased by ₹ 21,911.52 crore (55 *per cent*); Loans from Government of India (which mainly included Block loans) increased by ₹ 3,473.80 crore (333 *per cent*); and Public Account Liability (which mainly included Small Savings, Provident Funds, Reserve Funds, Deposits, etc.) increased by ₹ 3,623.57 crore (17 *per cent*).

As shown in the table above, during the period 2019-24 the percentage of debt repayments to debt receipts ranged between 45.31 *per cent* and 74.11 *per cent* (at an average of 60 *per cent*). This means that the State Government used only 40 *per cent* (average) of debt receipts on developmental activities (in 2022-23 and 2023-24 debt receipts was also used for meeting Revenue expenditure).

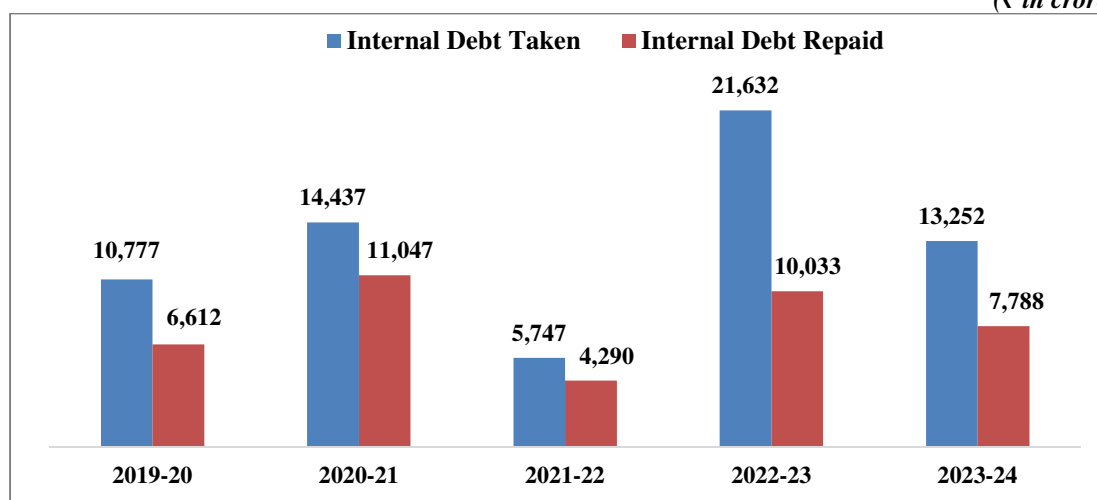
During 2023-24, total liability increased by 11 *per cent* (₹ 9,043.52 crore) as compared to 18.89 *per cent* (₹ 13,054.63 crore) in the previous year. The ratio of total liability to GSDP remained in the range between 39.09 *per cent* and 44.30 *per cent* during the period of 5 years. The total liability/ GSDP ratio (43.98 *per cent*) was substantially higher than that of 15<sup>th</sup> FC projections (36.80 *per cent*) and targets set by State Government in its Budget/ MTFPS (38.98 *per cent*).

Break-up of outstanding total liabilities at the end of 2023-24 is shown in **Chart 2.18**.

**Chart 2.18: Break-up of outstanding total liabilities at the end of 31<sup>st</sup> March 2024**(*₹ in crore*)

\* Excludes ₹ 1,717 crore (2020-21) and ₹ 4,412.22 crore (2020-21: ₹ 1,717 crore and 2021-22: ₹ 2,695.22 crore) for the years 2020-22 as back-to-back loans to State from Government of India in lieu of GST compensation shortfall.

**Chart 2.19** depicts the quantum of internal debt taken *vis-à-vis* repaid during the period of five years i.e. 2019-24.

**Chart 2.19: Year-wise details of internal debt taken *vis-à-vis* repaid**(*₹ in crore*)

Source: Finance Accounts of the respective years.

Internal debt of the State Government (receipts) is showing a fluctuating trend in the period of 5 years (2019-24). During the year 2022-23, State Government raised substantial amount of loan (₹ 21,632 crore) as compared to the year 2021-22. But during current year the amount of loan decreased to ₹ 13,252 crore, a decrease of ₹ 8,380 crore.

**Table 2.36** depicts financing pattern of the Fiscal Deficit during 2019-24 and the financing of Fiscal Deficit during 2022-23 is expressed through a chart (**Chart 2.20**).

**Table 2.36: Components of Fiscal Deficit and its financing pattern**

(₹ in crore)

	Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
<b>Composition of Fiscal Deficit</b>		<b>5,597.06</b>	<b>-5,700.09</b>	<b>-5,244.85</b>	<b>-12,379.83</b>	<b>-11,265.73</b>
A	Revenue Surplus (+)/Deficit (-)	11.98	-96.66	1,114.76	-6,335.76	-5,558.59
B	Net Capital expenditure	-5,171.87	-5,306.33	-6,022.37	-6,016.30	-5,627.59
C	Net Loans and Advances	-437.17	-297.10	-337.25	-27.78	-79.55
<b>Financing Pattern of Fiscal Deficit</b>						
1	Market Borrowings	4,460.00	3755	1,874.99	1,2230	6,144.9
2	Loans from Government of India	-17.95	2,217.73*	3,489.87*	636.90	1,541.52
3	Special Securities Issued to NSSF	-569.10	-569.10	-569.10	-569.10	-569.10
4	Loans from Financial Institutions	273.69	204.54	151.92	-61.78	-111.68
5	Small Savings, Provident Fund, etc.	1,187.60	985.51	483.65	675.96	1,655.33
6	Deposits and Advances	173.71	81.35	-34.99	181.83	37.49
7	Suspense and Miscellaneous	-1,404.92	-209.39	1,246.84	517.93	40.33
8	Remittances	96.80	-64.38	111.59	-159.55	126.29
9	Reserve Fund	2,404.71	-5.11	-743.30	-39.18	345.05
10	<b>Overall Deficit</b>	<b>6,604.54</b>	<b>6,396.15</b>	<b>6,011.47</b>	<b>13,413.01</b>	<b>9,210.13</b>
11	Increase (-) / Decrease (+) in cash balances	-1,007.48	-696.06	-766.62	-1033.18	2,055.60
12	<b>Gross Fiscal Deficit</b>	<b>5,597.06</b>	<b>5,700.09</b>	<b>5,244.85</b>	<b>12,379.83</b>	<b>11,265.73</b>

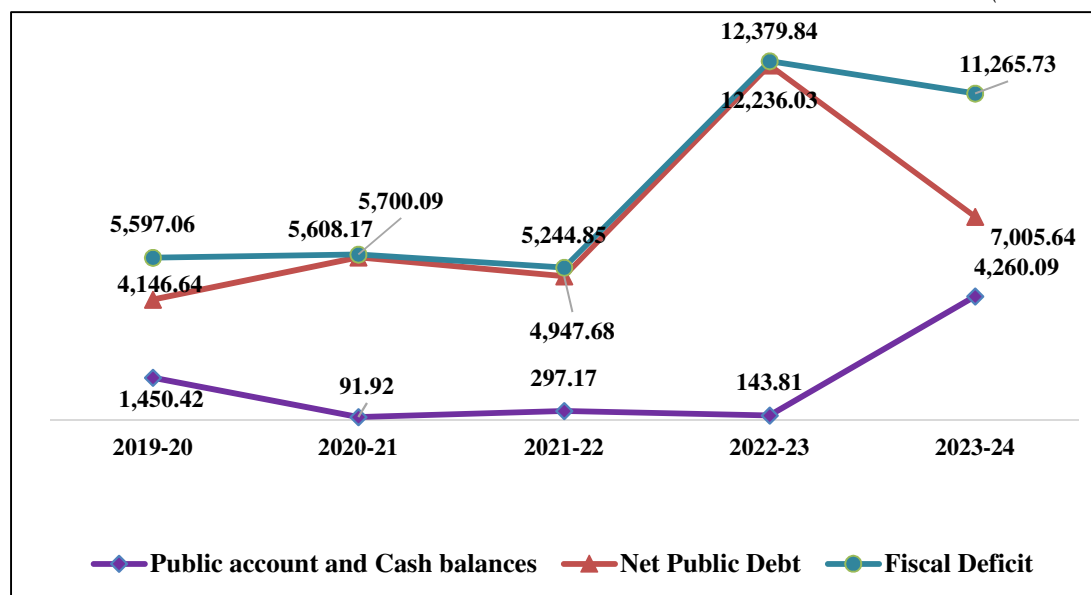
Source: Finance Accounts.

All these figures are net of disbursements/outflows during the year.

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

**Chart 2.20: Trends of financing Fiscal Deficit during 2019-24**

(₹ in crore)



The Fiscal Deficit of ₹ 11,265.73 crore in 2023-24 was largely financed through public debt which included market borrowings, loans from financial institutions and through Public Account including Small Savings, etc. as depicted in **Table 2.37**.

**Table 2.37: Receipts and Disbursements under components financing the Fiscal Deficit**

(₹ in crore)

Sr. No.	Particulars	Receipt	Disbursement	Net
1	Market Borrowings	8,072.00	1,927.10	6,144.90
2	Loans from Government of India	1,649.15	107.63	1,541.52
3	Special Securities issued to NSSF	0.00	569.10	-569.10
4	Loans from Financial Institutions	799.99	911.67	-111.68
5	Small Savings, PF, etc.	4,794.75	3,139.42	1,655.33
6	Deposits and Advances	4,071.13	4,033.64	37.49
7	Suspense and Miscellaneous	1,401.15	1,360.82	40.33
8	Remittances	9,076.55	8,950.26	126.29
9	Reserve Fund	1,645.78	1,300.73	345.05
10	<b>Overall Deficit</b>	<b>31,510.50</b>	<b>22,300.37</b>	<b>9,210.13</b>
11	Increase/ Decrease in cash balance	3,556.04	1,500.44	2,055.60
12	<b>Gross Fiscal Deficit</b>	<b>35,066.54</b>	<b>23,800.81</b>	<b>11,265.73</b>

Source: Finance Accounts.

## 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. Debt maturity profile of the State is depicted in **Table 2.38** and **Chart 2.21**.

**Table 2.38: Maturity Profile of repayment of public debt of the State**

Period of repayment (Years)	Amount (₹ in crore)			Percentage (w.r.t. Total Public Debt)
	Public Debt (Principal)	Interest #	Total Public Debt (Principal + Interest)	
0-1	3,946.98	4,578.12	8,525.10	8.71
1-3	9,119.37	8,261.25	17,380.62	17.77
3-5	9,309.94	6,903.10	16,213.04	16.57
5-7	10,333.58	5,514.66	15,848.24	16.20
7-10	12,921.79	5,521.29	18,443.08	18.85
Above 10	16,740.51	4,679.38	21,419.89	21.90
<b>Total</b>	<b>62,372.17*</b>	<b>35,457.79</b>	<b>97,829.96</b>	

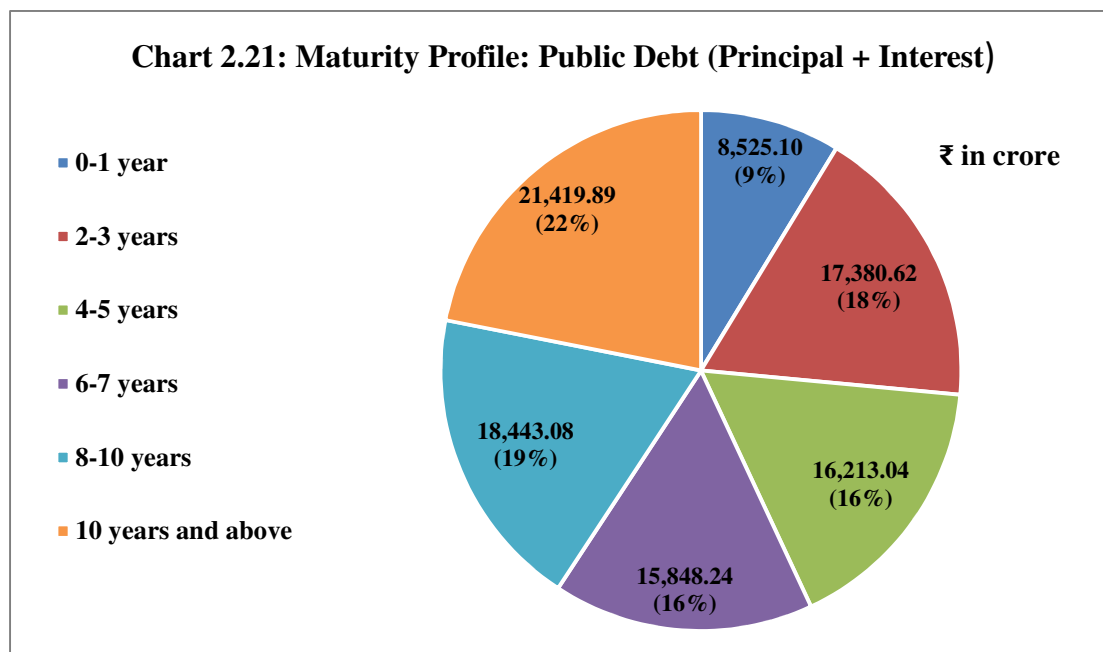
Source: Finance Accounts.

\* This amount excludes ₹ 4,412.22 crore received during 2020-21 and 2021-22 as back-to-back loans from Government of India in lieu of GST compensation shortfall, ₹ 1,333 crore as payment of loans under “Scheme for Special assistant to State for Capital expenditure, ₹ 2,166.77 crore as scheme for Special Assistance as Loan to State for Capital Investment, ₹ 0.13 crore pertains to pre 1984-85 loans and maturity of ₹ 84.77 crore and ₹ 5.80 lakh is uncertain.

# Approximate interest calculated at an average interest rate of 7.34 per cent (average of interest rates for the last five years as given in Table 2.39).

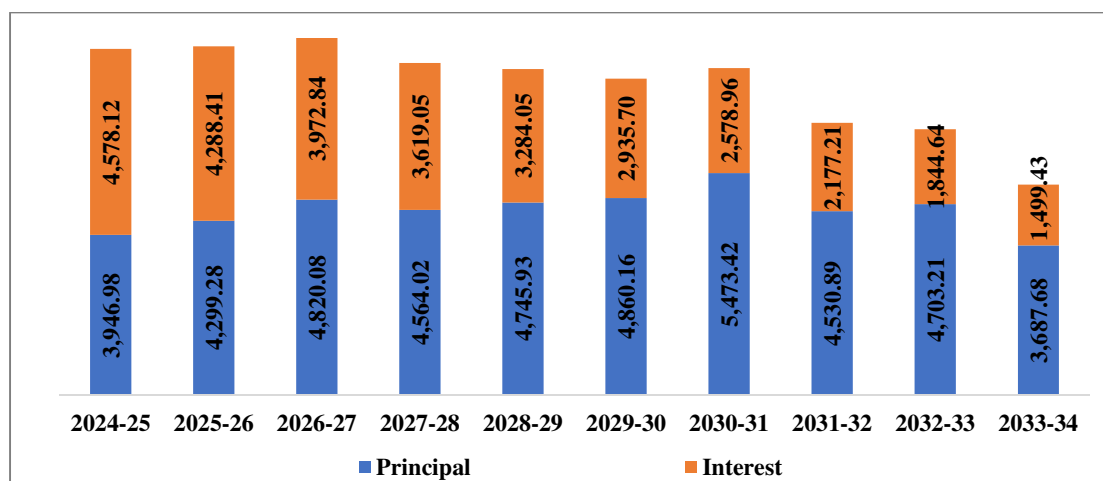
It can be seen from the above table that as of March 2024, out of total outstanding public debt along with interest of ₹ 97,829.96 crore (principal: ₹ 62,372.17 crore and interest: ₹ 35,457.79 crore), 8.71 per cent (₹ 8,525.10 crore) is payable in the next one year; 17.77 per cent (₹ 17,380.62 crore) is payable in the next one to three years (upto 2026-27); 16.57 per cent (₹ 16,213.04 crore) is payable in the next three to five years (upto 2028-29); 16.20 per cent (₹ 15,848.24 crore) is payable in the next five to seven years (upto 2030-31); 18.85 per cent (₹ 18,443.08 crore) is payable in the next seven to

10 years (upto 2033-34), while the remaining 21.90 *per cent* (₹ 21,419.89 crore) is to be paid after 10 years. Annual outgo on public debt repayment and interest will be approximately ₹ 8,423.75 crore during the next five years up to 2028-29 whereas current (2023-24) annual repayment of public debt (principal) including interest is ₹ 7,808.40 crore (excluding ways and means advances) which would fall short of meeting the debt liabilities.



Year-wise repayment schedule of Public Debt (including interest) during the next 10 years i.e. up to 2033-34 is given in **Chart 2.22**.

**Chart 2.22: Year-wise Repayment schedule of Public Debt (including interest) during the next 10 years i.e. up to 2033-34 (₹ in crore)**

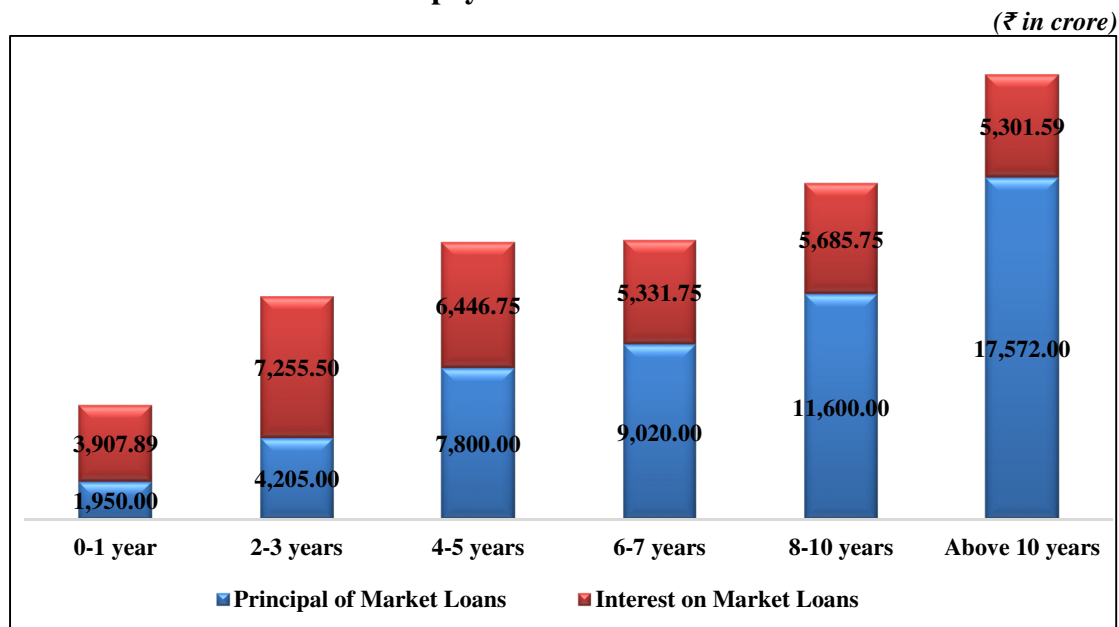


The above **Chart 2.22** shows that on an average, the State will have to repay public debt of ₹ 7,641.01 crore annually till 2032-33. In addition to the debt outstanding at the end of 2023-24, the State would have to resort to further borrowings every year to cover the resource gap.

### Market Borrowings / Loans

The repayment schedule of market loans and interest to be paid thereon is detailed in Chart 2.23.

**Chart 2.23: Repayment schedule of market loans**



Source: Finance Accounts.

Note: The maturity profile has been calculated for outstanding market loans as on 31<sup>st</sup> March 2023 and interest has been calculated upto the financial year in which the loans are going to mature.

Out of total outstanding market loans along with interest of ₹ 86,076 crore (principal: ₹ 52,147 crore and interest: ₹ 33,929 crore), the State will have to repay ₹ 6,155 crore of principal of market loans and interest of ₹ 11,163 crore in the next three financial years *i.e.* up to 2026-27. In the next two financial years, ₹ 7,800 crore principal and interest of ₹ 6,447 crore will be payable. Thus, the annual outgo on market loan repayment and interest will be approximately ₹ 6,313 crore during the next five years up to 2028-29. During 2023-24 repayment of market loans including interest was ₹ 5,418 crore.

## 2.7 Debt Sustainability Analysis (DSA)

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 respective FRBM targets. The results of the analysis are given in the following paragraphs:

(A) Debt sustainability refers to the ability of the State to service its debt obligations now and in the future. Analysis of variations for a period of five years from 2019-20 to 2023-24 in debt sustainability indicators is given in **Table 2.39** and **Chart 2.24**.



**Table 2.39: Trends in Debt Sustainability indicators**

(₹ in crore)

Sr. No.	Debt Sustainability Indicators	2019-20	2020-21	2021-22	2022-23	2023-24
1	Overall Liabilities or Overall Debt	62,211.84	67,164.75	69,122.58	82,177.21	91,220.73
2	Rate of Growth of Overall Debt ( <i>per cent</i> )	14.57	7.96	2.91	18.89	11.00
3	GSDP (in nominal terms)	1,59,164	1,51,601	1,72,162	1,91,728	2,07,430
4	Nominal GSDP growth ( <i>per cent</i> )	7.27	-4.75	13.56	11.36	8.19
5	Overall Debt/GSDP ( <i>per cent</i> )	39.09	44.30	40.15	42.86	43.98
6	<b>Maturity profile of all kinds of borrowings</b>					
6a	0-2 years	17,112.79				
6b	2-5 years	25,005.96				
6c	5-10 years	34,291.32				
6d	Over 10 years	21,419.89				
7	Repayment to Gross Borrowings ( <i>per cent</i> )	82.57	91.04	99.93	74.84	86.64
8	Net borrowings available as a percentage of Gross Borrowings	17.43	8.96	0.07	25.16	13.36
9	Interest payments on Overall Debt	4,234.02	4,472.45	4,640.79	4,828.64	5,648.37
10	Effective rate of interest on Overall Debt ( <i>per cent</i> )	7.79	7.43	7.34	6.88	7.06
11	Interest payment to Revenue receipts ( <i>per cent</i> )	13.77	13.38	12.44	12.68	14.42
12	Revenue Deficit (-)/Surplus (+)	11.98	-96.66	1,114.76	-6,335.76	-5,558.59
13	Primary Revenue Balance (PRB)	4,246	4,375.52	5,755.55	-1,507.12	89.78
14	Primary Balance (PB)	-1,363	-1,228	-604	-7,551	-5,617
15	PB/GSDP ( <i>per cent</i> )	-0.86	-0.81	-0.35	-3.94	-2.71
16	Difference between RoI and effective rate of interest on overall liability	-5.90	-4.13	-6.10	-6.69	-6.47
17	Liquidity management (use of financial accommodation instrument available with RBI) (in number of occasions)	38	63	16	70	41
18	Debt Stabilisation (Quantum spread + Primary balance)	-1,664.44	-8,824.02	3,380.35	-4,126.90	-4,667.13
19	<b>Domar Criteria</b>					
A	GSDP (in constant terms)	1,21,227	1,15,958	1,24,770	1,33,372	1,42,800
B	Real Growth (in constant terms)	4.13	-4.35	7.60	6.89	7.07
C	Inflation based on CPI ( <i>per cent</i> )	3.50	4.65	6.66	4.50	5.04
D	Effective Rate of interest on Overall Debt	7.79	7.43	7.34	6.88	7.06
E	Real effective rate of interest (Effective rate of interest-Inflation)	4.29	2.78	0.68	2.38	2.02
f	Growth Interest Differential (Real growth-Real effective rate of interest)	-0.15	-7.13	6.92	4.52	5.05

Source: State Finance Accounts of the respective years.

Overall Liabilities or Overall debt consists of Public Debt (including Ways and Means Advances) and other liabilities including Public Account Liability (including interest and non-interest-bearing reserve funds and deposits)

PRB: Revenue receipts - Revenue expenditure + Interest Payment, where (-) PB implies Primary Deficit and vice-versa.

PB: Total Receipts (net of borrowings) -Total Expenditure (net of interest payments), where (-) PB implies Primary Deficit and vice-versa.

Effective Rate of Interest: {Interest Payments/[(Average Outstanding Debt of Previous and Current Financial Year (excluding the non-interest-bearing liabilities))]}.

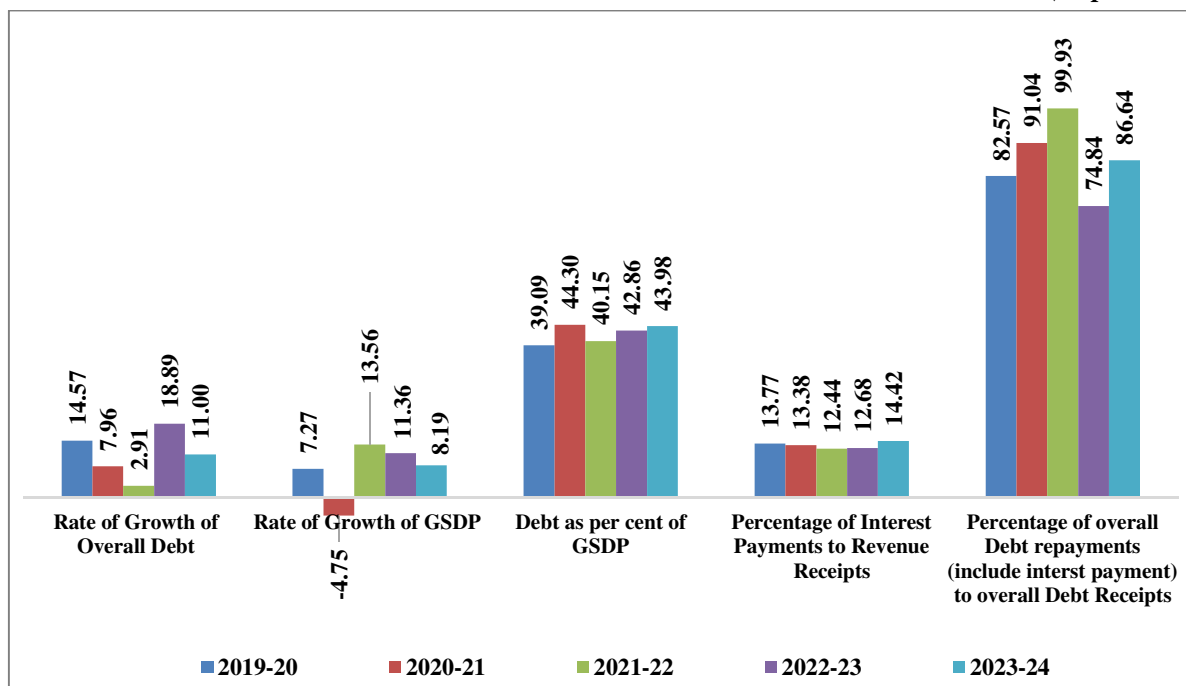
Quantum Spread: Interest Spread\*Debt

RoI: Return on Investment

Trends in debt sustainability indicators for the five-year period from 2019-20 to 2023-24 are shown in **Chart 2.24**.

**Chart 2.24: Trends of Debt Sustainability indicators**

(In per cent)



Based on the data against each debt sustainability indicators given in **Table 2.39** above, the debt sustainability of the State can be analysed over the Fiscal years 2019-2024 as follows:

(i) **Debt to GSDP Ratio**

A low value of debt to GSDP ratio indicates that the State's economy is vibrant to pay the debt without incurring further debt. A high Debt to GSDP ratio signifies that the State's burden is substantial compared to its economic output/growth and indicates financial vulnerability and reduced Fiscal flexibility.

During 2019-20 to 2023-24, the Debt-to-GSDP ratio of the State fluctuated between 39.09 and 44.30 *per cent*, ending at 43.98 *per cent* in 2023-24. Although there was a reduction in the ratio during 2021-22, an increase to 42.86 *per cent* (2.71 percentage points) in 2022-23 and 43.98 *per cent* (1.12 percentage points) in 2023-24 implied rising financial vulnerability. Further, it can be observed from **Paragraph 1.4** that the State could not keep its debt to GSDP within the ceiling prescribed by the FC for the period 2019-24 and as per FRBM/MTFPS during 2019-24, except 2021-22.

A lower ratio would provide the State with greater Fiscal flexibility, allowing it to potentially handle economic shocks better without compromising on development or social spending. However, the current trend may indicate limited flexibility in meeting future debt obligations if economic growth does not keep pace with debt growth.

**(ii) GSDP/Debt Growth Comparisons**

When rate of nominal growth is more than the rate of growth of debt and rate of real growth is more than real rate of interest, GSDP growth is feasible for debt servicing; when these inequalities are reversed, the debt is on the sustainable path.

During 2019-20 to 2023-24 (except 2021-22), the State did not satisfy the sustainability conditions, as the growth rate of debt was well above the nominal growth rates in most years. However, for real growth rates, especially in 2020-21, the real growth was negative (-4.35 *per cent*) due to COVID pandemic, indicating difficulties in sustaining debt through real economic growth. The years 2021-22, 2022-23 and 2023-24 showed stronger real growth relative to the real effective interest rate, signaling a positive outlook for debt sustainability if this trend continues. This indicator suggests that while there may have been a setback in 2020-21, recent years demonstrated feasibility in debt servicing.

**(iii) Primary Balances**

A positive primary Revenue balance and primary balance indicates that the debt is on the sustainable path.

During 2019-20 to 2023-24, the State experienced negative primary balances (PBs) with highest negative PBs during the last two years. During the period, Primary Revenue balance (PRB) remains positive (except 2022-23), suggesting that the state's Revenue base can meet most Revenue expenditure needs before interest payments. A persistent negative PBs could add stress to debt sustainability.

**(iv) Interest Payment Ratios**

A declining trend in interest payment as percentage to Revenue receipts and interest payment as *per cent* to Revenue expenditure is an indication of sustainable debt whereas an increasing trend indicates an unsustainable debt trajectory.

Interest payments as a percentage of Revenue receipts showing decreasing trend during 2019-22, whereas it showing an increasing trend over the last two years i.e. 2022-23 and 2023-24 as compared to the previous year (2021-22).

**(v) Maturity Profile**

The longer average residual maturity period along with a small share of floating rate debt limits roll over risks and insulates interest rate volatility to maintain the debt sustainably.

The maturity profile of debt, with a significant portion (₹ 34,291 crore) maturing in the 5-10 years bracket, suggests moderate rollover risk. Debt maturing within 0-2 years (₹ 17,112 crore) and 2-5 years (₹ 25,006 crore) also adds to short-term pressures. The share of floating-rate debt is not provided explicitly but could affect the ability to withstand interest rate fluctuations, if significant. Ensuring that longer-maturity debt remains a larger proportion of the total debt profile would improve sustainability by minimising the pressure from immediate debt repayments and interest rate volatility.

**(vi) Use of WMA and Overdraft Facilities**

Sustainable use of Ways and Means Advances (WMA) and overdraft facility in large amount indicates poor liquidity management, which leads to poor Fiscal management and hinders short-term debt sustainability.

During 2019-20 to 2023-24, the number of occasions for liquidity accommodations, such as WMA or overdrafts, fluctuated between 16 and 70 occasions but declined during 2023-24 over the previous year, indicating better Fiscal management in current year. This declining trend reflects an improvement in liquidity management and a reduced reliance on short-term borrowing, thus enhancing short-term debt sustainability. Such a trend implies that the state's financial management practices are improving, allowing for a reduced dependency on temporary financial accommodation instruments.

**(vii) Fiscal Imbalances**

Fiscal Imbalance equals to zero indicates that Debt/GSDP ratio would remain constant. While positive Fiscal Imbalance signals fall in Debt/GSDP ratio and vice-versa.

During 2019-20 to 2023-24, the Fiscal imbalance has fluctuated, with the PB-to-GSDP ratio remaining negative, suggesting some strain on Fiscal sustainability. A zero or positive Fiscal imbalance would indicate a stable debt-to-GSDP ratio, but the negative PB-to-GSDP ratios over the period imply that more attention is needed to achieve a balanced Fiscal position. Maintaining a positive Fiscal Imbalances would contribute positively to debt sustainability.

**(viii) Domar Criterion**

As per the Domar criterion, average real growth remained higher than the average real interest rate, helping the Growth Interest Differential (GID) remaining favourable during 2019-2024 which enabled the State to recover the cost of borrowing. Contrary to the nominal growth driven by the real growth, average inflation as measured by Consumer Price Index which remained in the upper tolerance limit of bandwidth of 2-6 per cent determined by the RBI helped the State to suppress the real rate of interest below the real growth and to keep the GID favourable.

Thus, the DSA shows that debt to GSDP ratio of the State of Himachal Pradesh remained on the higher side to the indicative debt path or ceiling prescribed by the Finance Commission/ FRBM. The deterioration in Debt to GSDP ratio of the State, which witnessed a consistent increasing trend from 2021-22 to 2023-24 indicates that austerity measures need to be taken by the State to maintain the environment that it has created to stabilize debt to GSDP ratio and sustain the same in line with the indicating debt ceiling prescribed by the Finance Commission/FRBM.

*Going by the analysis and results discussed above, the finances of the State of Himachal Pradesh is marked by increasing trend of liabilities, which pose risk to the target of debt stabilisation and debt sustainability.*

(B) Details of the achievements *vis-à-vis* targets set in the HP-FRBM Act are shown in **Table 2.40**.

**Table 2.40: Achievements *vis-à-vis* targets set in the HP-FRBM Act**

Fiscal Parameters		Achievement vis a vis targets set in the HP-FRBM Act				
		2019-20	2020-21	2021-22	2022-23	2023-24
Revenue Deficit (-) / Surplus (+) (as per cent of GSDP)	T	Maintain Revenue Surplus				
	A	0.01	-0.06	0.65	-3.30	-2.68
Fiscal Deficit (-)/ Surplus (+) (as per cent of GSDP)	T	3 or less			6 or less	3.50 or less
	A	-3.52	-3.76	-3.05	-6.46	-5.43
Ratio of total outstanding debt <sup>@</sup> to GSDP (in per cent) <sup>\$</sup>	T	34.04	33.62	40.26	40.49	38.98
	A	39.09	44.30*	40.15*	42.86*	43.98*
Guarantees in terms of percentage of Revenue receipts of previous year	T	40 per cent of total Revenue receipt in the preceding financial year.				
	A	6.29	6.97	5.64	4.77	4.58

<sup>@</sup> Total outstanding debt includes public debt plus other (Public Accounts) liabilities.

<sup>\*</sup> Calculated by excluding ₹ 1,717 crore during 2020-21 and ₹ 4,412.22 during 2020-22 to 2023-24 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.

<sup>\$</sup> 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 upto 2023, when amendments were made).

T- Target, A- Achievement.

After generating consistent Revenue Surplus since 2015-16, the State recorded a negative Revenue balance (Revenue Deficit) in 2020-21 and continued to have a Revenue Deficit of around three per cent of its GSDP during 2022-2024, which shows that borrowings were largely used to finance the State's recurring expenditure and not for development-oriented spending. In the last two years the Revenue Deficit remained high at 3.30 per cent (2022-23) and 2.68 per cent (2023-24) of GSDP, while the Fiscal Deficit was 6.46 per cent and 5.43 per cent during the same period.

The State has been able to keep the overall liability-GSDP ratio within the indicative debt path prescribed by the 14<sup>th</sup> Finance Commission for 2019-20, but breached the same prescribed by the 15<sup>th</sup> Finance Commission during 2021-2024. Similarly, it breached the ceiling of total outstanding debt-GSDP ratio provided under the FRBM Act, except in the year 2021-22. Breaching the levels of the fiscal indicators continuously may lead to the risk of the fiscal situation becoming unmanageable, especially when the State Government is yet to contribute to reserve funds like Guarantee Redemption fund, payment of implicit subsidies, etc.

On the basis of analysis of Fiscal sustainability and Domar model analysis (**Table 2.39**), it is inferred that the State Fiscal sustainability has risks in the short to medium-term, unless remedial measures are taken to rationalise expenditure, explore further sources, expand Revenue base, and invest in Revenue generating assets.

### 2.7.1 Utilisation of borrowed funds

Borrowed funds should ideally be used to fund Capital creation and developmental activities. Using borrowed funds for meeting current consumption and repayment of

interest on outstanding loans is not sustainable. Trend in utilisation of borrowed funds during the past five years is shown in **Table 2.41** below.

**Table 2.41: Utilisation of borrowed funds**

(₹ in crore)

Sr. No.	Year	2019-20	2020-21	2021-22	2022-23	2023-24
1	Total Borrowings	10,847.39	15,032.21 <sup>\$</sup>	6,639.75 <sup>\$</sup>	22,371.82	14,901.51
2	Repayment of earlier borrowings –Principal component	6,700.75 (61.77)	11,141.04 (74.11)	4,387.28 (66.08)	10,135.80 (45.31)	7,895.87 (52.99)
3	Net Capital expenditure*	4,146.64 (38.23)	3,891.17 (25.89)	2,252.47 (33.92)	6,016.30 (26.89)	5,627.59 (37.76)
4	Loans and Advances disbursed	--	--	--	110.57 (0.49)	106.95 (0.72)
5	Portion of total borrowings utilised towards Revenue expenditure { 1-(2+3+4) }	--	--	--	6,109.16 (27.31)	1271.10 (8.53)

Note: Figures in brackets indicate percentage with respect to the total borrowings.

<sup>\$</sup> Excludes ₹ 1,717 crore (2020-21) and ₹ 2,695.22 crore (2021-22) as back-to-back loans to State from Government of India in lieu of GST compensation shortfall.

\* Net Capital expenditure = Total Capital expenditure-Misc. Capital Receipts

Figures in brackets indicate percentage utilisation of borrowed funds

Over the last three years' period i.e., 2019-20 to 2021-22, utilisation of borrowed funds mainly was for repayment of previous borrowings (principal) ranging between 62 per cent and 74 per cent, and for Capital expenditure between 26 per cent and 38 per cent. But from year 2022-23, repayments towards past obligations reduced to 45 per cent in 2022-23 and 53 per cent in 2023-24.

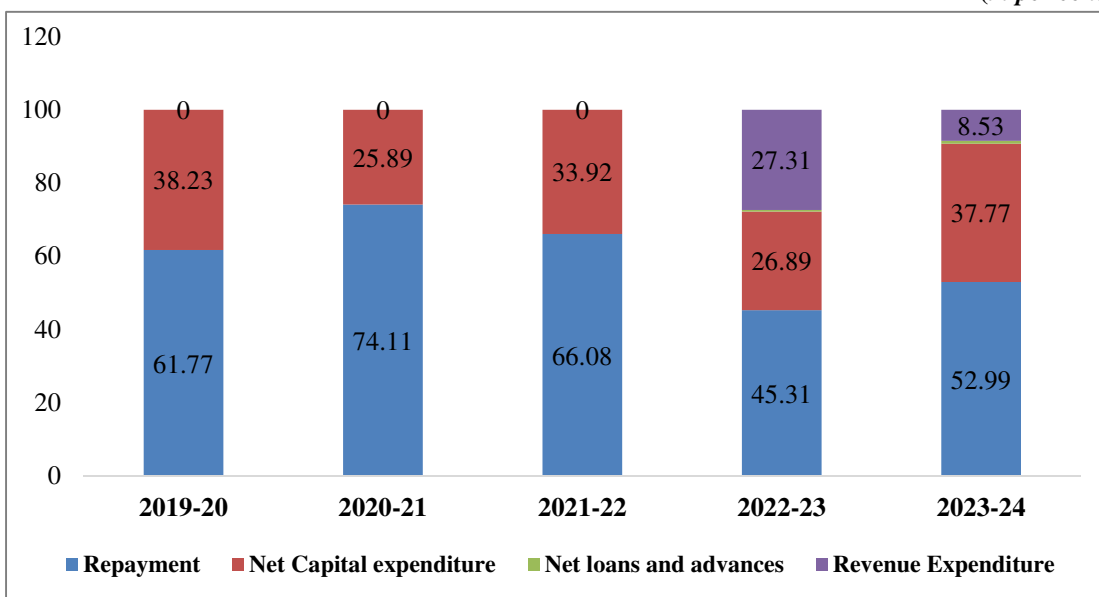
As per the Finance Commission, States are being given Revenue Deficit grants to reduce and ultimately eliminate Revenue Deficit and to enable all borrowings to be used for Capital expenditure. Up to the year 2021-22, no portion of debt receipts was used for meeting Revenue expenditure. But from 2022-23, which was the third year of the 15<sup>th</sup> Finance Commission period, a substantial portion of public borrowings i.e. 27.31 per cent (₹ 6,109.16 crore) and in 2023-24, 8.53 per cent (₹ 1,271.10 crore) had been utilised for meeting the current expenses.

As can be seen, the Capital outlay which remained stagnant at ₹ 6,029 crore during 2021-2023 and then declined to ₹ 5,630 crore in 2023-24, leading to a contraction (4.7 per cent in development expenditure compared to previous years) from ₹ 32,504 crore in 2022-23 to ₹ 30,965 crore in 2023-24 (**Appendix 2.1**). The 4.7 per cent decline in developmental expenditure was mainly due to cuts in expenditure on the economic sector and the social sector, which respectively contributed 3.8 percentage points and about one percentage point to the negative growth seen in developmental expenditure.

Trends of utilisation of borrowed funds during the period 2019-24 is depicted in **Chart 2.25**.

**Chart 2.25: Trends in Utilisation of borrowed funds**

(in per cent)



The State Government needs to take steps to reduce Revenue Deficit so that borrowed funds could be utilised in development activities and for creation of assets.

## 2.7.2 Status of Guarantees – Contingent Liabilities

Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee has been extended. As per **Statement-9** and **20** of the Finance Accounts, the maximum amount for which guarantees were given by the State and outstanding guarantees for the last five years are given in **Table 2.42**. Details of recipients/bodies which have received guarantees from the State Government at the end of 31<sup>st</sup> March 2024 are given in **Chart 2.26**.

**Table 2.42: Guarantees given by the State Government**

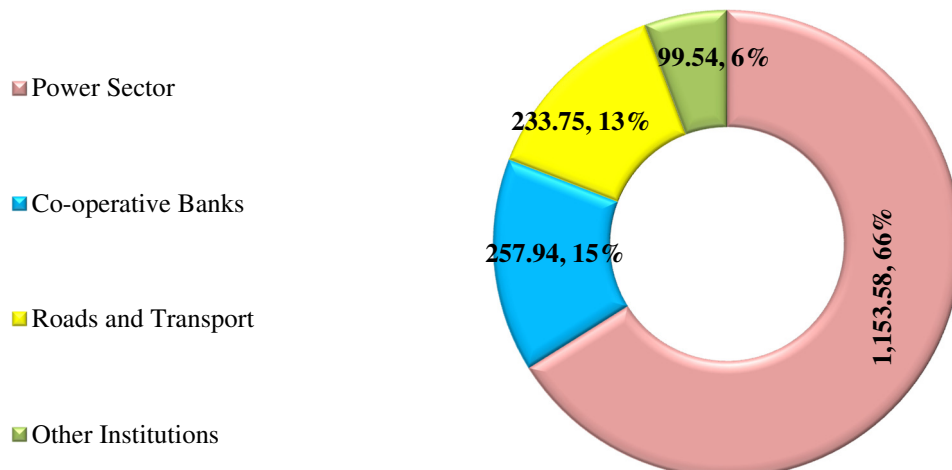
(₹ in crore)

Guarantees	2019-20	2020-21	2021-22	2022-23	2023-24
<b>Outstanding amount of guarantees</b>	<b>1,947.07</b>	<b>2,141.76</b>	<b>1,884.61</b>	<b>1,780.64</b>	<b>1,744.81</b>
Additions during the year	639.70	418.03	289.46	643.61	731.09
Deletions during the year	3,001.84*	165.60	283.09	747.58	766.91
Invoked during the year	--	--	--	--	--
Ceiling applicable to the outstanding amount of guarantees including interest (criterion)	40 per cent of total revenue receipt in the preceding financial year				
Percentage of outstanding amount of guarantees to total Revenue receipts in the preceding financial year	6.29	6.97	5.64	4.77	4.58

\* Includes an amount of ₹ 2,890.50 crore (loans to DISCOM) and ₹ 13.18 crore (interest charged on guaranteed amount) deleted from figures in the Finance Accounts 2019-20 as these amounts were included inadvertently, as intimated by the Department. The same is indicated in Statement No 20 of Finance Accounts of the Government of Himachal Pradesh for the year 2019-20.



**Chart 2.26: Bodies in receipt of guarantees at the end of 31 March 2024**  
(₹ in crore)



No guarantee was invoked during 2023-24. As of 31<sup>st</sup> March 2024, outstanding amount of guarantees was ₹ 1,744.81 crore as per the Finance Accounts. During 2023-24, a total amount of ₹ 731.09 crore was extended to various bodies as Guarantees by the State Government. The main recipients of guarantees from the State Government during the year were Himachal Pradesh Power Corporation Limited (₹ 514.28 crore), Himachal Pradesh State Cooperative Agriculture and Rural Development Bank Ltd. (₹ 95.21 crore) and Himachal Pradesh Road and Transport Corporation (₹ 88.90 crore). The outstanding amount of guarantee (₹ 1,744.81 crore) at the close of 2023-24 accounted for 4.58 *per cent* of total Revenue receipts of previous year of the State, which was within the target of 40 *per cent* prescribed in the FRBM Act.

In addition, as per Himachal Pradesh Financial Rules, 2009 and Government instructions (6 March 1992) the guaranteed fees (one *per cent*) and commitment charges (0.2 *per cent*) are to be levied from the borrowers at the time of approval of the guarantee. The State Government did not have information about the receivable amount of guaranteed fees and commitment charges due from the bodies/ entities. Over the last 10 years (up to 2018-19), no amount of guaranteed fees and commitment charges had been received/ levied by the State Government. However, amounts of guaranteed fees and commitment charges of ₹ 0.72 lakh (in 2019-20), ₹ 2.16 crore (in 2020-21), ₹ 3.00 crore (in 2021-22) and ₹ 3.31 crore during 2022-23, were received. During the current year no guaranteed fees/ commitment charges was received.

### 2.7.3 Management of Cash Balances

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

The State Government has to maintain minimum Cash balance of ₹ 0.55 crore with the Reserve Bank of India. The limit for ordinary WMA to the State Government is ₹ 880 crore from 17 April 2020 to 31<sup>st</sup> March 2022 and ₹ 656 crore with effect from 1<sup>st</sup> April 2022. RBI also gives SWMA to the State Government against pledging of Government securities.

During 2023-24, the State Government could maintain minimum daily cash balance for 324 days. The Government had to take a total of ₹ 3,504.59 crore of ordinary / special WMA on 36 occasions and ₹ 875.78 crore overdraft on five occasions from RBI, which were repaid during the year. There were no outstanding ways and means advances and overdrafts at the end of the year 2023-24. Against these, an amount of ₹ 2.51 crore was paid as interest during the year. **Table 2.43** depicts the cash balances and investments made out of these by the State Government during the year.

**Table 2.43: Cash Balances and their investment**

(₹ in crore)

Particulars	Opening balance as on 1 <sup>st</sup> April 2023	Closing balance on 31 <sup>st</sup> March 2024	Increase (+)/ Decrease (-)
<b>(a) General cash balance</b>			
Cash in treasuries	0	0	0
Remittance in transit-Local	0	0	0
Deposits with RBI	-89.33	42.44	131.77
<b>Total</b>	<b>-89.33</b>	<b>42.44</b>	<b>131.77</b>
Investments held in cash balance Investment account	3,645.18	1,457.81	-2,187.37
<b>Total (a)</b>	<b>3,555.85</b>	<b>1,500.25</b>	<b>-2,055.60</b>
<b>(b) Other cash balances and investments</b>			
Cash with Departmental Officers viz., Public Works Department Officers, Forest Department Officers, District Collectors	0.16	0.16	0
Permanent advances for contingent expenditure with Departmental Officers	0.03	0.03	0
Investment of earmarked funds	0	0	0
<b>Total (b)</b>	<b>0.19</b>	<b>0.19</b>	<b>0</b>
<b>Total (a+b)</b>	<b>3,556.04</b>	<b>1,500.44</b>	<b>-2,055.60</b>

Cash balances of the State Government at the year-end decreased by ₹ 2,055.60 crore from ₹ 3,556.04 crore in 2022-23 to ₹ 1,500.44 crore in 2023-24. The investments made out of cash balances also decreased from ₹ 3,645.18 crore to ₹ 1,457.81 crore.

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

The cash balance investments of the State during the five-year period 2019-20 to 2023-24 are given in **Table 2.44**.

**Table 2.44: Cash Balance Investment Account (Major Head-8673)***(₹ in crore)*

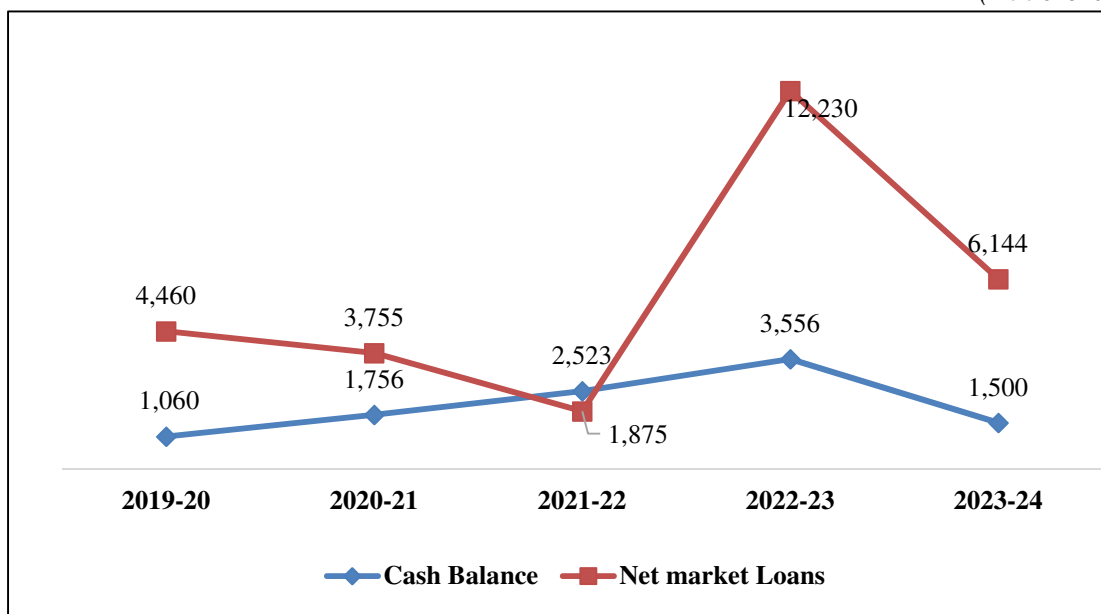
Year	Opening Balance	Closing Balance	Increase (+) / decrease (-)	Interest earned
2019-20	102.09	982.06	879.97	55.02
2020-21	982.06	1,696.09	714.03	31.88
2021-22	1,696.09	2,568.08	871.99	55.50
2022-23	2,568.08	3,645.18	1,077.10	20.91
2023-24	3,645.18	1,457.81	-2,187.37	21.43

Source: Finance Accounts.

Analysis of the trend in cash balance investment of the State Government during the period 2019-20 to 2023-24 shows that the balances in the Cash Balance Investment Account increased during 2019-23 and in 2023-24 it decreased over the previous year.

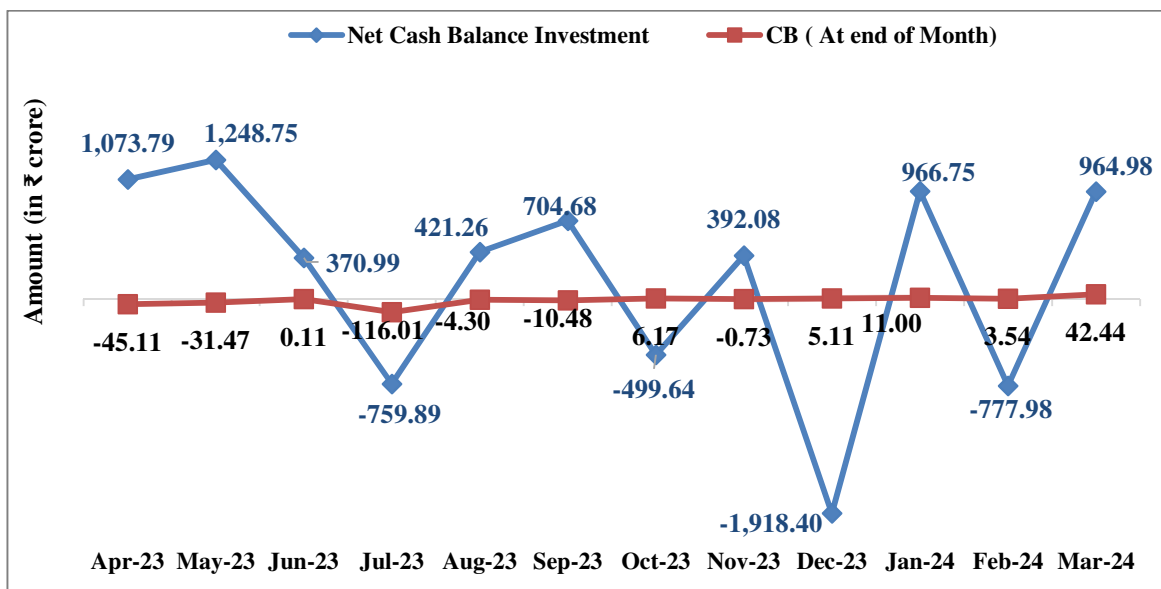
Large cash balances at the year-end indicated sub-optimal cash management by the State Government, which had taken market loans despite having large cash balances which were not put to productive use.

**Chart 2.27** compares the Cash Balances and the Market Loans taken by the State during the period 2019-24. Market Loans were taken at higher interest rates, whereas investment in Treasury Bills yielded interest at lower rates.

**Chart 2.27: Net Market loans vis-à-vis Cash Balance***(₹ in crore)*

**Chart 2.28** compares the month-wise Cash Balance Investment Account with the Cash Balances during 2023-24.

**Chart 2.28: Month-wise movement of Cash Balances and net cash balance investments during 2023-24**



Source: Monthly Civil Accounts.

## 2.8 Salient features

Deficit indicators, revenue augmentation and expenditure management are major yardsticks for judging the Fiscal performance of the Government. Comparison of key parameters of State Finances during 2023-24 with that of the previous year i.e. 2022-23 is summarised in **Table 2.45**.

**Table 2.45: Key parameters**

Positive indicators	Parameters requiring close watch
↑ Increase in tax receipts by 11.70 per cent	↓ Grants-in-Aid from Government of India decreased by 10.71 per cent
↑ State's Share of Union tax and Duties increased by 18.91 per cent	↓ Capital expenditure decreased by 6.62 per cent
↓ Public Debt Receipts decreased by 33.39 per cent.	↓ Revenue expenditure on Economic services decreased by 10.65 per cent.
	↑ Revenue Deficit and Fiscal Deficit remained higher than the target set by the 15 <sup>th</sup> FC during 2022-23 and 2023-24.

## 2.9 Conclusions

After generating consistent Revenue Surplus from 2015-16, the State recorded a negative Revenue balance (Revenue Deficit) in 2020-21 and continued to have a Revenue Deficit around three per cent of its GSDP during 2022-23 and 2023-24. This is more than 50 per cent of the Fiscal Deficit, which shows that borrowings were largely used to finance the State's recurring expenditure and not for development-oriented spending.

Fiscal Deficit of the State was ₹ 11,266 crore during 2023-24 which was 5.43 *per cent* of the GSDP. The Fiscal Deficit was mainly financed through market borrowings.

Revenue receipts increased by ₹ 1,083.54 crore (2.84 *per cent*) during the current year over the previous year whereas Revenue expenditure grew by ₹ 306.37 crore (0.69 *per cent*). Further, the State's own revenue registered a positive growth of 11.70 *per cent* over the previous year.

The State incurred 68 *per cent* of the total Revenue expenditure on committed liabilities like salaries and wages, pensions, interest payments, leaving only 32 *per cent* for priority sector expenditure.

Subsidies constituted 3-4 *per cent* of Revenue expenditure. Power subsidy constituted the major portion of total subsidies. Subsidies contributed 32 *per cent* to the Revenue Deficit during 2023-24.

The State Government earned 3.46 *per cent* return on its total investment (₹ 5,524.23 crore) in Statutory Corporations, Government Companies and Co-operatives up to 31<sup>st</sup> March 2024.

The State Government received ₹ 48 crore (0.60 *per cent*) as interest on outstanding loans during 2023-24, while it paid interest at 6.87 *per cent* on outstanding debt.

Total outstanding liabilities including public debt and Public Account liabilities were 43.98 *per cent* of GSDP. The total liability grew by 11 *per cent* over the previous year.

As many as 51 projects scheduled for completion up to 31<sup>st</sup> March 2024 were incomplete. The expenditure of ₹ 858.17 crore incurred on these incomplete projects was yet to yield the intended benefits.

## 2.10 Recommendations

1. *The State Government should make efforts to increase its own Revenues. It should settle pending tax claims in time, settle arrears in assessment of taxes, recover arrears of Revenue and improve Non-Tax revenues for better resource mobilization.*
2. *The State Government should assess the reasons for insufficient return on investment from statutory corporations, Government companies, cooperative banks and societies and take remedial measures.*
3. *The State should ensure time bound completion of the incomplete projects.*

