

CHAPTER 1

OVERVIEW

Chapter 1: Overview

1.1 Profile of the State

Haryana is located near the National Capital. Out of 22 districts of Haryana, 14 are part of the National Capital Region. It is spread over a geographical area of 44,212 sq. km. and ranks 21st among State/UTs in terms of area. As per the population projections by National Commission on Population, Ministry of Health and Family Welfare, Government of India (GoI) the State's population was 3.06 crore which accounts for 2.18 *per cent* of the country's population and ranks 17th among States in terms of population. The population density of the State at 691.51 persons per sq. km. was higher than the national average of 426.09 persons per sq. km. The percentage of population below the poverty line was 11.16 which is lower than the all-India average of 21.92. The State's literacy rate increased from 67.91 *per cent* (as per 2001 census) to 75.60 *per cent* (as per 2011 census) (*Appendix 1.1*).

1.1.1 Gross State Domestic Product of the State

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

Changes in sectoral contribution to the GSDP is also important to understand the changing structure of the economy. Economic activity is generally divided into Primary, Secondary and Tertiary sectors, which correspond to the Agriculture, Industry and Services sectors.

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

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

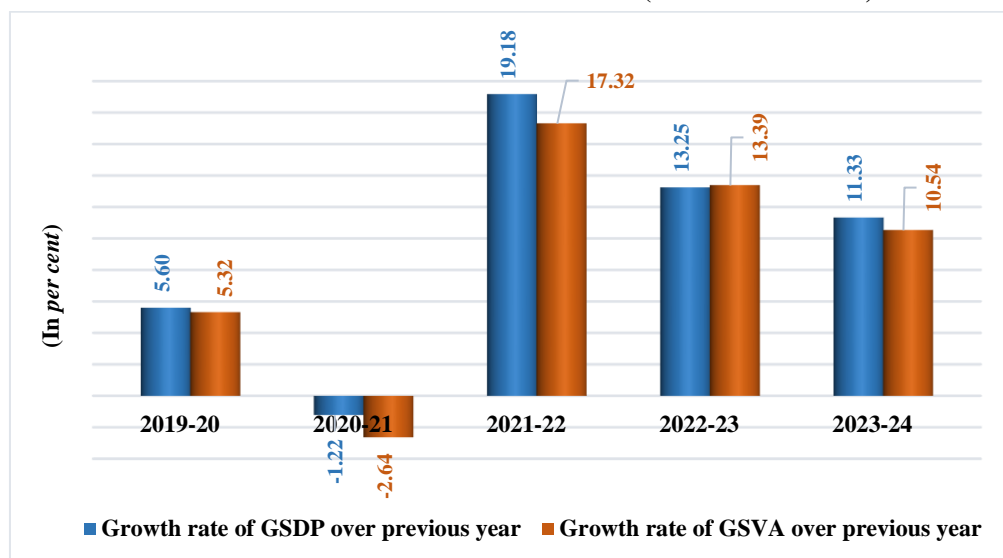
Year	2019-20	2020-21	2021-22	2022-23	2023-24
GDP (2011-12 Series)	2,01,03,593	1,98,54,096	2,35,97,399	2,69,49,646 (1 st RE)	2,95,35,667 (PE)
GVA	1,83,81,117	1,82,10,997	2,16,35,584	2,46,59,041	2,67,62,147
Growth rate of GDP over previous year (in <i>per cent</i>)	6.37	-1.24	18.85	14.21	9.60
Growth rate of GVA over previous year (in <i>per cent</i>)	7.02	-0.93	18.81	13.97	8.53
Per Capita GDP (in ₹)	1,49,915	1,46,480	1,72,422	1,94,879	2,11,725
GSDP (2011-12 Series)	7,38,052	7,29,079	8,68,905 (PE)	9,84,055 (QE)	10,95,535 (AE)
GSVA	6,57,010	6,39,679	7,50,461	8,50,921	9,40,599
Growth rate of GSDP over previous year (in <i>per cent</i>)	5.60	-1.22	19.18	13.25	11.33
Growth rate of GSVA over previous year (in <i>per cent</i>)	5.32	-2.64	17.32	13.39	10.54
Per Capita GSDP (in ₹)	2,58,006	2,51,311	2,95,325	3,29,777	3,61,993

Source: Ministry of Statistics and Programme Implementation, GoI.**RE: Revised Estimates, PE: Provisional Estimates, QE: Quick Estimates and AE: Advance Estimates**

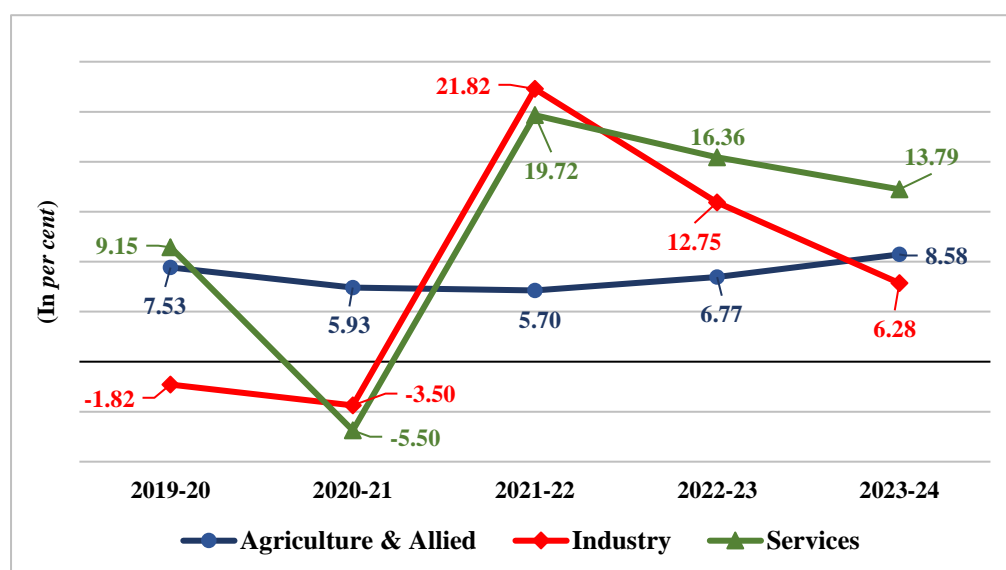
The GSDP in 2023-24 at current prices was ₹ 10,95,535 crore and the GDP in 2023-24 at current prices was ₹ 2,95,35,667 crore. Further, the per capita GSDP of the State for the year 2023-24 was ₹ 3,61,993 while that of the country was ₹ 2,11,725. The Compound Annual Growth Rate (CAGR) in per capita GSDP of the State was 8.83 *per cent* during the period 2019-20 to 2023-24 whereas CAGR in per capita GDP of the country was 9.01 *per cent* during the same period.

Gross Value Added (GVA) is being used for economic analysis by GoI and International organisations like International Monetary Fund (IMF) and World Bank. GVA is considered a better indicator of economic growth compared to GDP as it ignores the impact of taxes and subsidies, while GDP can be and is also computed as the sum of total of the various expenditures incurred in the economy including private consumption spending, Government consumption spending and gross fixed capital formation or investment spending, reflecting essentially on the demand conditions in the economy. Both measures have difference in treatment of net taxes as a result of which the inclusion of taxes in GDP may differ from the real output situation. From a policymaker's perspective it is therefore vital to have a comparison of GVA and Gross State Value Added (GSVA) data for better analysis and making policy interventions.

The trends of GSDP and GSVA for the period from 2019-20 to 2023-24 are indicated in **Chart 1.1**.

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

Source: Ministry of Statistics and Programme Implementation, GoI.

Chart 1.2: Sectoral growth in GSDP

Source: Ministry of Statistics and Programme Implementation, GoI.

The sectoral growth in GSDP showed a declining trend during 2019-20 to 2020-21 in Industry and Service sectors and thereafter significant increase in growth in these sectors was noticed in 2021-22 due to revival of consumption and trade from the pandemic impact. In 2022-23 and 2023-24, the growth in Industry and Service Sectors was at a lower rate as compared to the previous year's growth due to deceleration in growth rate of sub-activities except financial services of these sectors. Further, during 2019-20 to 2021-22, Agriculture & Allied Sector was growing at a declining rate. Thereafter, this sector grew at increasing rate during 2022-24 mainly due to increase in the growth rate of sub-activity i.e. crops.

1.2 Basis and Approach to State Finances Audit Report

In terms of Article 151 (2) of the Constitution of India, the reports of the Comptroller and Auditor General of India (CAG) relating to the accounts of a State are to be submitted to the Governor of the State, who shall cause them to be laid before the Legislature of the State. The State Finances Audit Report (SFAR) is prepared and submitted under the Article *ibid* of the Constitution of India.

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

Finance Accounts and Appropriation Accounts of the State constitute the core data for this report. Other sources include the following:

- Budget of the State: for assessing the fiscal parameters and allocative priorities *vis-à-vis* projections, as well as for evaluating the effectiveness of its implementation and compliance with the relevant rules and prescribed procedures;
- Results of audit carried out by the Office of the Principal Accountant General (Audit);
- Other data available with departmental authorities and treasuries;
- GSDP data and other State related statistics; and
- Various audit reports of the CAG of India.

The analysis has also been carried out in the context of recommendations of the Fifteenth Finance Commission (15th FC), State Fiscal Responsibility and Budget Management (FRBM) Act, 2005 and best practices and guidelines of the Government of India (GoI).

1.3 Overview of Government Accounts Structure and Budgetary Processes

The accounts of the State Government are kept in three parts:

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

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

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

This Fund is in the nature of an imprest which is established by the State Legislature by law, and is placed at the disposal of the Governor to enable advances to be made for meeting unforeseen expenditure pending authorisation of such expenditure by the State Legislature. The fund is recouped by debiting the expenditure to the relevant functional major head in the Consolidated Fund of the State.

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

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

Budget Document

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

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

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

Capital receipts consist of:

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

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

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

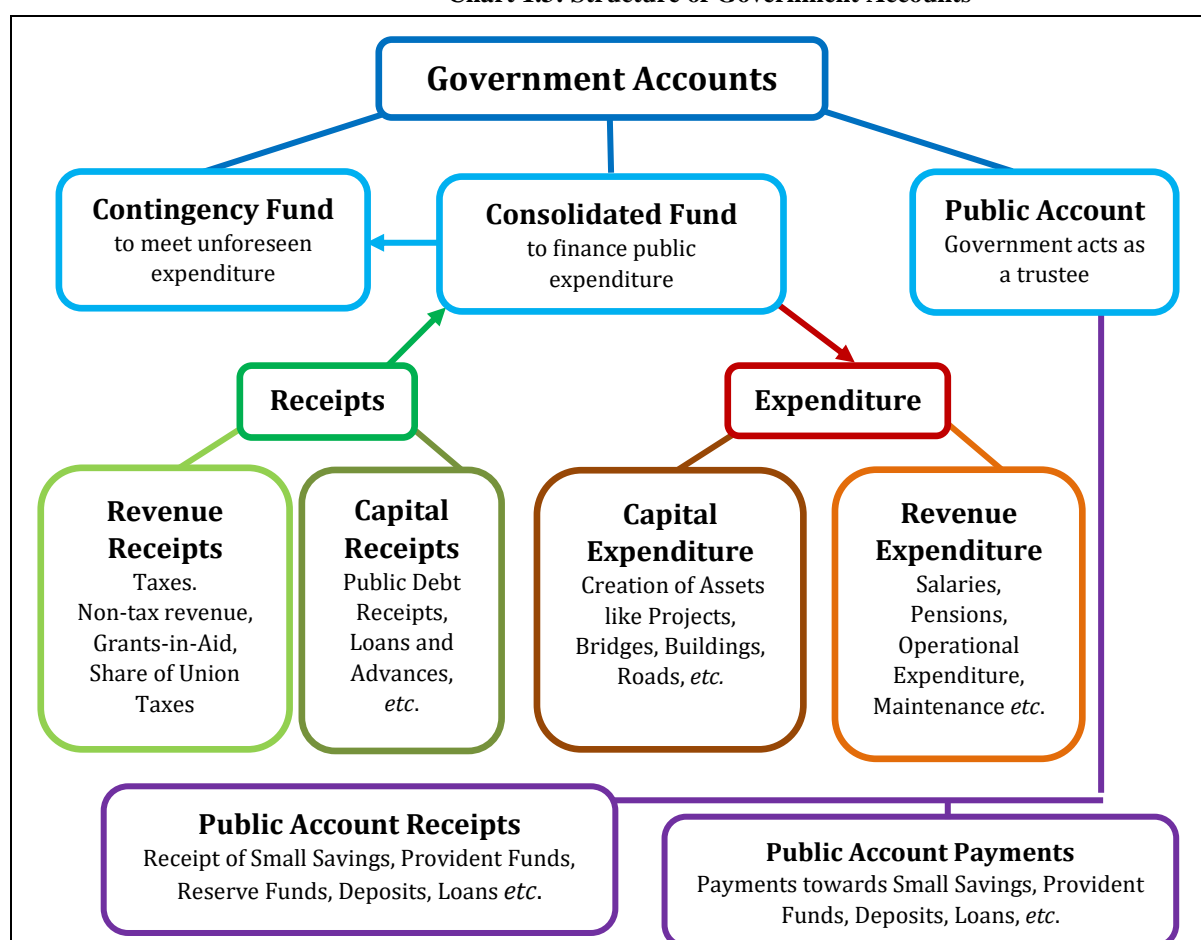
	Attribute of transaction	Classification
Standardised in List of Major and Minor Heads by Controller General of Accounts (CGA)	Function- Education, Health, etc. /Department	Major Head under Grants (4-digit)
	Sub-Function	Sub Major Head (2-digit)
	Programme	Minor Head (3-digit)
Flexibility left for States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

The functional classification lets one know the department, function, scheme or programme, and object of the expenditure. Economic classification helps organise these payments as revenue, capital, debt, etc. Economic classification

is achieved by the numbering logic embedded in the first digit of 4-digit Major Heads. For instance, 0 and 1 for Revenue receipts, 2 and 3 for Revenue expenditure, etc. Economic classification is also achieved by an inherent definition and distribution of some object heads. For instance, generally “salary” object head is Revenue expenditure, “Construction” object head is Capital expenditure. Object head is the primary unit of appropriation in the Budget documents.

Structure of Government Accounts

Chart 1.3: Structure of Government Accounts



Source: Based on Budget Manual

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

Further, the transactions relating to ‘Small Savings, Provident Fund, etc.’, ‘Reserve Funds’ and ‘Deposit and Advances’ under Public Account are such that the Government incurs a liability to repay the money received or has a claim

to recover the amounts paid. The transaction relating the ‘Remittances’ and ‘Suspense’ under Public Account, includes merely adjusting heads such as transactions as remittances of cash between treasuries and currency chests and transfer between different accounting circles.

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

Budgetary Processes

In terms of Article 202 of the Constitution of India, the Governor of a State cause to be laid before the State Legislature, a statement of the estimated receipts and expenditure of the State for the year 2023-24, in the form of an **Annual Financial Statement**. In terms of Article 203, the statement is submitted to the State Legislature in the form of Demands for Grants/Appropriations and after approval of these, the Appropriation Bill is passed by the Legislature under Article 204 to provide for appropriation of the required money out of the Consolidated Fund.

The Punjab Budget Manual as applicable in Haryana details the Budget formulation process and guides the State Government in preparing its budgetary estimates and monitoring its expenditure activities. Results of audit scrutiny of the Budget and implementation of other budgetary initiatives of the State Government are detailed in Chapter 3 of this Report.

1.3.1 Snapshot of Finances

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

Table 1.2: Details of actual financial results vis-à-vis Budget Estimates**(₹ in crore)**

Sr. No.	Components	2022-23 (Actuals)	2023-24 (B.E.)	2023-24 (Actuals)	Percentage of Actuals to B.E.	Percentage of Actuals to GSDP
1	Tax Revenue	73,338.80	86,880.93	84,856.47	97.67	7.75
	(i) Own Tax Revenue	62,960.80	75,716.50	72,511.12	95.77	6.62
	(ii) Share of Union taxes/ duties	10,378.00	11,164.43	12,345.35	110.58	1.13
2	Non-Tax Revenue	8,742.63	12,651.01	8,103.00	64.05	0.74
3	Grants-in-aid and Contributions	7,113.26	9,590.48	8,355.37	87.12	0.76
4	Revenue Receipts (1+2+3)	89,194.69	1,09,122.42	1,01,314.84	92.85	9.25
5	Recovery of Loans and Advances	237.75	1,132.80	301.15	26.58	0.03
6	Other Receipts	73.91	5,200.00	114.83	2.21	0.01
7	Borrowings and other Liabilities (a)	31,026.88	33,274.38	31,441.04	94.49	2.87
8	Capital Receipts (5+6+7)	31,338.54	39,607.18	31,857.02	80.43	2.91
9	Total Receipts (4+8)	1,20,533.23	1,48,729.60	1,33,171.86	89.54	12.16
10	Revenue Expenditure (b)	1,06,406.21	1,26,071.45	1,13,195.70	89.79	10.33
11	Interest payments	20,095.57	21,249.90	21,604.97	101.67	1.97
12	Capital Expenditure	14,127.02	22,658.15	19,976.16	88.16	1.82
	(i) Capital outlay	11,664.95	18,460.24	15,920.94	86.24	1.45
	(ii) Loans and Advances disbursed	2,462.07	4,197.91	4,055.22	96.60	0.37
13	Appropriation to Contingency Fund	0.00	0.00	0.00	0.00	0.00
14	Total Expenditure (10+12+13)	1,20,533.23	1,48,729.60	1,33,171.86	89.54	12.16
15	Revenue Deficit (-)/ Surplus (+) (4-10)	(-) 17,211.52	(-) 16,949.03	(-) 11,880.86	70.10	(-) 1.08
16	Fiscal Deficit (-)/ Surplus (+) {(4+5+6)-14}	(-) 31,026.88	(-) 33,274.38	(-) 31,441.04	94.49	(-) 2.87
17	Primary Deficit (-)/ Surplus (+) (16-11)	(-) 10,931.31	(-) 12,024.48	(-) 9,836.07	81.80	(-) 0.90

Source: Finance Accounts of the respective years and Budget at a Glance

(a) *Borrowings and other Liabilities: Net (Receipts-Disbursements) of Public Debt + Net of Contingency Fund + Net (Receipts - Disbursements) of Public Account + Net of Opening and Closing Cash Balance.*

(b) *Expenditure on Revenue Account includes interest payments.*

During the year 2023-24, though the Revenue receipts of the State increased by 13.59 per cent over the previous year, they fell short by 7.15 per cent of the BE. However, there was excess of Revenue expenditure (₹ 1,13,195.70 crore) over Revenue receipts (₹ 1,01,314.84 crore), thereby resulting in Revenue Deficit of ₹ 11,880.86 crore.

The increase in Revenue receipts was mainly due to increase in receipts under State Goods and Services Tax (SGST) (₹ 5,383.47 crore), State Excise (₹ 1,653.11 crore), Taxes on vehicles (₹ 672.44 crore) and Stamps and Registration (₹ 1,922.16 crore). Besides this, devolution of Share of net proceeds of Central taxes and Grant-in-aid from Central Government also increased by ₹ 1,967.35 crore and ₹ 1,242.11 crore respectively during the year 2023-24. However, the receipt under Non-Tax revenue decreased by ₹ 639.63 crore.

1.3.2 Snapshot of Assets and Liabilities of the Government

Government accounts capture the financial liabilities of the Government and the assets created out of the expenditure incurred. **Appendix 1.2** gives an abstract of such liabilities and assets as on 31 March 2024, compared with the corresponding position of the previous year. The liabilities consist mainly of internal borrowings, loans and advances from GoI, receipts from public account and reserve funds, and the assets comprise mainly of the capital outlay and loans and advances given by the State Government and cash balances. Summarised position of assets and liabilities is depicted in **Table 1.3**.

Table 1.3: Summarised position of Assets and Liabilities

(₹ in crore)

Liabilities					Assets				
		As on 31 March 2023	As on 31 March 2024	Per cent increase			As on 31 March 2023	As on 31 March 2024	Per cent increase
Consolidated Fund									
A	Internal Debt	2,52,780.77	2,80,772.24	11.07	a	Gross Capital Outlay	1,40,604.60	1,56,410.71	11.24
B	Loans and Advances from GoI	14,290.07*	15,825.21	10.74	b	Loans and Advances	10,574.39	14,328.46	35.50
Contingency Fund		1,000.00	1,000.00	0.00	Contingency Fund (unrecouped)		0.00	545.95	-
Public Account									
A	Small Savings, Provident Funds, etc.	18,663.82	18,762.25	0.53	a	Advances	0.74	0.74	0.00
B	Deposits	12,110.24	14,557.39	20.21	b	Remittance	-	-	-
C	Reserve Funds	10,258.96	12,238.55	19.30	c	Suspense and Miscellaneous	-	19.72	-
D	Suspense and Misc. Balances	425.44	0.00	(-) 100.00	Cash balance (including investment in Earmarked Fund)		3,833.55	5,438.02	41.85
E	Remittances	352.16	336.99	(-) 4.31	Total		1,55,013.28	1,76,743.60	14.02
					Deficit in Revenue Account		1,54,868.18 ¹	1,66,749.03 ²	7.67
Total		3,09,881.46	3,43,492.63	10.85	Total		3,09,881.46	3,43,492.63	10.85

Source: Finance Accounts of the respective years

* Includes ₹ 4,352 crore and ₹ 7,393.79 crore as back-to-back loans to State from GoI in lieu of GST compensation shortfall during the year 2020-21 and 2021-22 respectively which are not to be repaid by the State Government from its resources.

1.4 Fiscal Balance: Achievement of Deficit and Total Debt Targets

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

Deficits are financed by borrowings giving rise to Government debt. The concepts of deficits and debt are closely related. Deficits can be thought of as a flow which add to the stock of debt. If the Government continues to borrow year

¹ Includes ₹ 0.02 crore on account of rounding off the figures.

² Includes ₹ 0.01 crore on account of rounding off the figures.

after year, it leads to accumulation of debt and the Government has to pay more and more by way of interest. These interest payments themselves contribute to the debt.

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

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

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

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

In Haryana, fiscal reforms and consolidation were brought to the forefront with the State Government enacting the Fiscal Responsibility and Budget Management (FRBM) Act on 06 July 2005 as per recommendations of the 12th Finance Commission with the objective of eliminating Revenue Deficit and reducing Fiscal Deficit within the prescribed limit. In order to align the State FRBM Act with the fiscal parameters in vogue in a particular year as recommended by the 15th Finance Commission and approved by Government of India for its award period 2021-22 to 2025-26, the amendment in the Haryana FRBM Act, 2005 was made by the State Government on 30 March 2022.

Major fiscal variables provided in the Budget, based on the recommendations of the 15th FC and as projected by the State in Medium Term Fiscal Policy Statement (MTFPS) are shown in **Table 1.4** and **Table 1.5**.

Table 1.4: Variations in major fiscal variables from projections (percentage of GSDP)

Fiscal variables	2023-24						
	Targets as prescribed by 15 th FC	Targets proposed in the Budget	Projections made in MTFPS	Actuals	Variation of actuals from projections		
					Targets prescribed by 15 th FC	Targets of Budget	Projections of MTFPS
Revenue Deficit (-)/Surplus (+)	1.31	(-) 1.51	(-) 1.51	(-) 1.08	(-) 2.39	0.43	0.43
Fiscal Deficit/GSDP	(-) 3.00	(-) 2.96	(-) 2.96	(-) 2.87	0.13	0.09	0.09
Ratio of total outstanding liability to GSDP*	30.90	25.45	25.45	29.81	(-) 1.09	4.36	4.36

* Excluding back-to-back loans of ₹ 4,352 crore and ₹ 7,393.79 crore to State from GoI in lieu of GST compensation shortfall during the year 2020-21 and 2021-22 respectively which were not to be treated as debt of the State for any norms, as per the guidelines (August 2020/December 2021).

The ratio of total outstanding liability to GSDP ratio as per the Finance Accounts is 30.89 *per cent*. The liability to GSDP ratio (29.81 *per cent*) has been arrived at after excluding GST compensation of ₹ 11,745.79 crore received as back-to-back loan under debt receipts from the total outstanding liabilities as the Department of Expenditure, GoI 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.

Further, if we take understatement of ₹ 546.01 crore on account of non-adjustment of interest in balances under Defined Contribution Pension Scheme for Government Employees and un-recouped Contingency Fund (as depicted in Paragraph 1.5.1) the Revenue Deficit and Fiscal Deficit would exceed by 0.05 percentage points.

Table 1.5: Actuals vis-à-vis projection in MTFPS for 2023-24

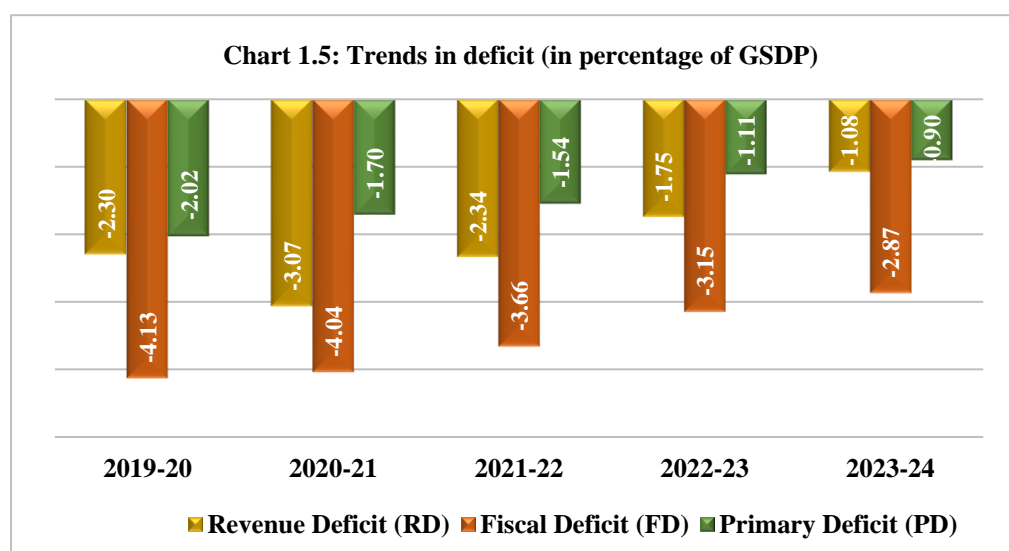
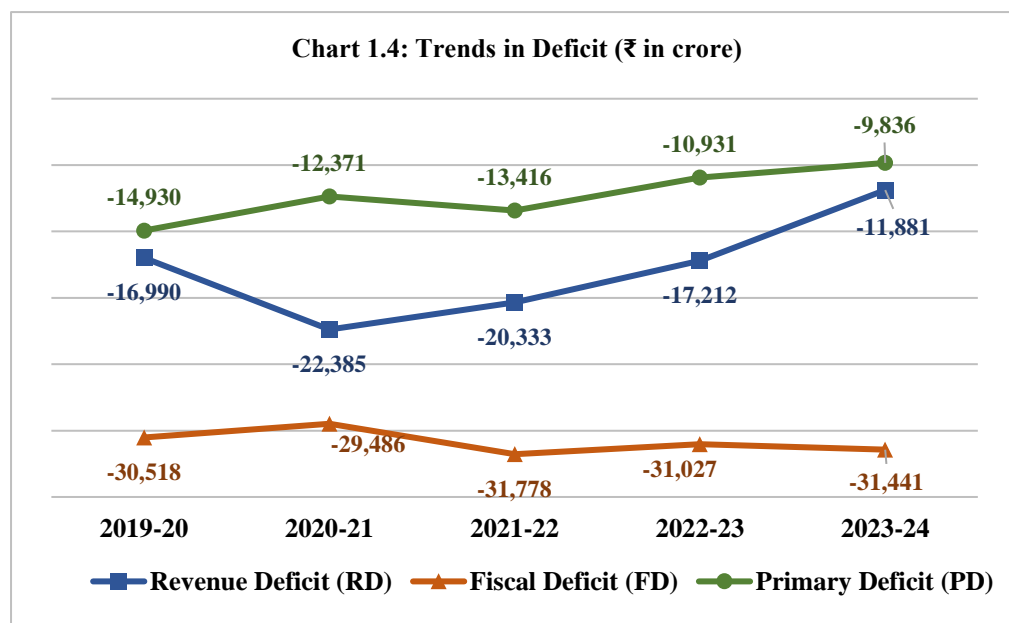
(₹ in crore)

Sr. No.	Fiscal Variables	Projection as per MTFPS	Actuals (2023-24)	Variation (in <i>per cent</i>)
1	Own Tax Revenue	75,716.50	72,511.12	(-) 4.23
2	Non-Tax Revenue	12,651.01	8,103.00	(-) 35.95
3	Share of Central Taxes and Duties	11,164.43	12,345.35	10.58
4	Grants -in-aid from GoI	9,590.48	8,355.37	(-) 12.88
5	Revenue Receipts (1+2+3+4)	1,09,122.42	1,01,314.84	(-) 7.15
6	Revenue Expenditure	1,26,071.45	1,13,195.70	(-) 10.21
7	Revenue Deficit (-)/Surplus (+) (5-6)	(-) 16,949.03	(-) 11,880.86	(-) 29.90
8	Fiscal Deficit (-)/Surplus (+)	(-) 33,274.38	(-) 31,441.04	(-) 5.51
9	Debt-GSDP ratio (<i>per cent</i>)	25.45	29.81*	17.13
10	GSDP growth rate at current prices (<i>per cent</i>)	10.20	11.33	11.08

* Excluding back-to-back loans of ₹ 11,745.79 crore to State from GoI in lieu of GST compensation shortfall during the year 2020-21 and 2021-22 which were not to be treated as debt of the State for any norms, as per the guidelines (August 2020/December 2021).

During the year 2023-24, the Government was able to manage the Revenue Deficit and Fiscal Deficit within the level projected in the Budget and MTFPS.

Chart 1.4 and Chart 1.5 presents the trends in deficit parameters and trends relative to GSDP respectively over the period 2019-24.



- **Revenue Deficit**, which indicates excess of Revenue expenditure over Revenue receipts, was ₹ 17,212 crore during 2022-23 but decreased to ₹ 11,881 crore in 2023-24, which was within the Budget and MTFPS projections of ₹ 16,949 crore. The 15th Finance Commission in its report had projected Haryana State as revenue surplus State for the year 2023-24, but this could not be achieved.

The Revenue Deficit of ₹ 11,881 crore indicates that Revenue receipts of the State Government were not sufficient for meeting the Revenue

expenditure and borrowed funds were used for meeting current consumption instead of capital creation.

- **Fiscal Deficit**, which represents total borrowings of the State, i.e. its total resource gap, was ₹ 31,027 crore in 2022-23 but slightly increased to ₹ 31,441 crore during 2023-24. Fiscal Deficit was 2.87 *per cent* of GSDP within the target of 2.96 *per cent* in MTFPS and Budget projections and three *per cent* in 15th Finance Commission.
- **Primary Deficit**, which indicates the excess of primary expenditure (total expenditure net of interest payments) over non-debt receipts, decreased from ₹ 10,931 crore in 2022-23 to ₹ 9,836 crore in 2023-24. Existence of Primary Deficit indicates that the State would need to borrow money even for making interest payments on its borrowed funds.

1.5 Deficits and total debt after examination in audit

1.5.1 Impact on Revenue and Fiscal Deficit

Revenue and Fiscal Deficits as worked out for the State gets impacted due to various circumstances such as short contribution to Sinking Fund, deferment of clear-cut liabilities, etc. In order to arrive at actual deficit figures, the impact of not depositing cess/royalty to Consolidated Fund, Sinking and Redemption funds, etc. need to be reviewed.

Audit observed that the Revenue and Fiscal Deficit was understated by ₹ 546.01 crore on account of non-adjustment of interest in balances under Defined Contribution Pension Scheme for Government Employees and un-recouped contingency fund as shown in **Table 1.6**.

Table 1.6: Impact on Revenue and Fiscal Deficit

Particulars	Impact on Revenue Deficit (Understated) (₹ in crore)	Impact on Fiscal Deficit (Understated) (₹ in crore)	Ratio before taking the net impact (in <i>per cent</i>)		Ratio after taking the net impact (in <i>per cent</i>)	
			RD/GSDP	FD/GSDP	RD/GSDP	FD/GSDP
Non-payment of interest in Defined Contribution Pension Scheme for Government Employees	0.06	0.06	(-) 1.08	(-) 2.87	(-) 1.13	(-) 2.92
Un-recouped Contingency fund	545.95	545.95				
Total	546.01	546.01				

Source: Finance Accounts

During 2023-24, the Revenue Deficit and Fiscal Deficit was ₹ 11,880.86 crore (1.08 *per cent* of GSDP) and ₹ 31,441.04 crore (2.87 *per cent* of GSDP) respectively, as shown in Charts 1.4 and 1.5. If the above transactions were taken into account, the actual Revenue Deficit and Fiscal Deficit would work out to ₹ 12,426.87 crore (1.13 *per cent* of GSDP) and ₹ 31,987.05 crore (2.92 *per cent*

of GSDP) respectively resulting in understatement of Revenue Deficit to GSDP as well as Fiscal Deficit to GSDP ratio by 0.05 percentage points.

1.5.2 Post Audit – Total Public Debt

As per the Haryana Fiscal Responsibility and Budget Management Act, 2005 total liabilities means the liabilities under the Consolidated Fund of the State and the Public Account of the State and shall also include borrowings by the Public Sector Undertakings and the special purpose vehicles and other equivalent instruments including guarantee where the principal and/or interest are to be serviced out of the State Budget. The outstanding debt/liabilities can be split into various components as given in *Table 1.7*.

Table 1.7: Components of outstanding debt/liabilities

	(₹ in crore)
Liabilities upon the Consolidated Fund (Public Debt)	Amount
Internal Debt (A)	2,80,772.24
Market Loans bearing interest	2,52,739.35
Market Loans not bearing interest	0.02
Compensation and other Bonds	12,110.00
Loans from banks and other Institutions, etc.	9,679.99
Special Securities issued to the National Small Saving Fund of the Central Government	5,352.10
Others	890.78
Loans and Advances from Central Government (B)	15,825.21*
Non-plan Loans	4.41
Loans for State Plan Schemes	456.43
Others	15,364.37
Liabilities upon Public Accounts (C)	41,770.80
Small Savings, Provident Funds, etc.	18,762.25
Deposits	14,557.38
Reserve Funds	8,451.17
Total (A+B+C)	3,38,368.25

Source: Finance Accounts

* Includes back-to-back loans of ₹ 11,745.79 crore to State from GoI in lieu of GST compensation shortfall during the year 2020-21 and 2021-22 which were not to be treated as debt of the State for any norms, as per the guidelines (August 2020/ December 2021).

Total liabilities to GSDP ratio was higher at 29.81 *per cent* against the normative assessment of 25.45 *per cent* under MTFPS and Budget but within the targets prescribed under 15th Finance Commission.

Besides this, Haryana Police Housing Corporation Limited (HPHCL) raised two loans amounting to ₹ 550 crore (October 2015) and ₹ 300 crore (January 2011) from Housing and Urban Development Corporation Limited (HUDCO) against the State Government guarantee for these loans. As per the condition of the sanctions issued by Home Department, Government of Haryana, the repayment of the principal as well as interest will be made as per loan agreement and the State Government will make annual allocation of funds in the Budget to the tune earmarked in the loan agreements along with interest for making repayment to

HUDCO. The Finance Department stands committed to provide required funds to HPHCL for repayment of both principal and interest. As per Para 10(3) of Haryana FRBM Act, 2005, when the State Government undertakes to repay liabilities unconditionally and substantially of any separate legal entity, it has to reflect such liability as borrowings of the State. The Government of Haryana's liability for repayment of loan raised by Haryana Police Housing Corporation Limited (₹ 845.35 crore) was not reflected as debt of the Government of Haryana in the accounts.

During the year 2023-24, HPHCL repaid amount of ₹ 77.50 crore (₹ 55 crore plus ₹ 22.50 crore) towards these loans to HUDCO against the outstanding loans amounting to ₹ 279.10 crore at the beginning of the year i.e. 1 April 2023. No loan have been raised during the year leaving balance of ₹ 201.60 crore at the end of the year i.e. 31 March 2024. Not reflecting the loans in the Finance Accounts resulted in understatement of borrowing to that extent.