

Executive Summary

About the Report

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

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

Gross State Domestic Product (GSDP) (at current prices) grew at an average annual rate of 9.63 *per cent* from ₹ 7,38,052 crore in 2019-20 to ₹ 10,95,535 crore in 2023-24. Budget Outlay of the State grew at an average annual growth rate 10.83 *per cent* from ₹ 1,56,449.71 crore in 2019-20 to ₹ 2,36,560.07 crore in 2023-24. 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. There was 11.33 *per cent* growth in GSDP over 2022-23.

The Revenue receipts grew at 13.59 *per cent* and the percentage of Revenue receipts over GSDP at 9.25 *per cent* during 2023-24. The Tax revenue increased by 15.70 *per cent* during the period and the State's own tax revenue increased by 15.17 *per cent*. The total expenditure (Revenue expenditure, Capital expenditure, Loans and Advances) of the State of Haryana increased from ₹ 1,20,533 crore in 2022-23 to ₹ 1,33,172 crore in 2023-24 increasing by 10.49 *per cent*. Of this, Revenue expenditure showed 6.38 *per cent* increase from 2022-23. Revenue Deficit decreased from ₹ 17,212 crore to ₹ 11,881 crore registering 30.97 *per cent* decrease over 2022-23, while Fiscal Deficit slightly increased from ₹ 31,027 crore in 2022-23 to ₹ 31,441 crore in 2023-24 registering increase by 1.33 *per cent*.

Receipt-Expenditure Mismatch

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

From 2019-20 to 2023-24, Revenue receipts grew from ₹ 67,858 crore to ₹ 1,01,315 crore, with an average annual growth rate of 9.19 *per cent*. Capital

receipts (including ways and means advances) also increased from ₹ 48,617 crore to ₹ 63,143 crore during this period. The share of Grants-in-aid in Revenue receipts decreased from 15.51 *per cent* in 2019-20 to 8.25 *per cent* in 2023-24. The State Government received ₹ 2,769 crore as Central share for the Centrally Sponsored Schemes (CSSs) in the year.

Revenue expenditure is incurred to maintain the current level of services and payment for the past obligation. As such, it does not result in any addition to the State's infrastructure and service network. Between 2019-20 and 2023-24, Revenue expenditure increased from ₹ 84,848 crore (11.50 *per cent* of GSDP) to ₹ 1,13,196 crore (10.33 *per cent* of GSDP). It consistently made up a significant portion (82 to 93 *per cent*) of the total expenditure during this period, growing at an average annual rate of eight *per cent*.

Result of expenditure beyond means

The gap between the Revenue receipt and Revenue expenditure results in Revenue Deficit. The Revenue Deficit of the State decreased to ₹ 11,881 crore (1.08 *per cent* of GSDP) in the current year from ₹ 16,990 crore (2.30 *per cent* of GSDP) in the year 2019-20.

The State Government spent ₹ 15,921 crore on Capital account. This was 11.96 *per cent* of the total expenditure in the year 2023-24. Capital expenditure was just 18 *per cent* of the total borrowings. Thus, the borrowed funds were being used mainly for meeting current consumption and repayment of borrowings instead of Capital creation/development activities.

The gap between the total expenditure and total non-debt receipt of the State results in Fiscal Deficit. The Fiscal Deficit of the State increased to ₹ 31,441 crore (2.87 *per cent* of GSDP) in 2023-24 from ₹ 30,518 crore (4.13 *per cent* of GSDP) in 2019-20.

Under the Revenue expenditure, the quantum of committed expenditure constitutes the largest share. Committed expenditure has the first charge on the resources and consists of interest payments, expenditure on salaries and wages and pensions. Committed expenditure on interest payments, salaries and pensions constituted 54-56 *per cent* of Revenue expenditure during 2019-20 to 2023-24. The Committed expenditure increased at an average rate of 8.76 *per cent* i.e. from ₹ 46,786 crore in 2019-20 to ₹ 62,980 crore in 2023-24.

The inflexible expenditure decreased from 7.90 *per cent* to 6.32 *per cent* of Revenue expenditure during 2019-20 to 2023-24, indicating a rising trend. The inflexible expenditure increased from ₹ 5,865 crore in 2022-23 to ₹ 7,157 crore in 2023-24 registering an increase of 22.03 *per cent*.

Taken together, the committed and inflexible expenditure in 2023-24 was ₹ 70,137 crore; 62 *per cent* of the Revenue expenditure. Upward trend on committed and inflexible expenditure leaves the Government with lesser flexibility for other priority sectors and Capital creation.

Subsidies constitute major portion of the non-committed expenditure

Within non-committed expenditure, expenditure on subsidies decreased from ₹ 8,105 crore in 2019-20 to ₹ 7,650 crore in 2020-21, increased to ₹ 9,535 crore in 2021-22, decreased to ₹ 9,360 crore in 2022-23 and increased to ₹ 10,718 crore in 2023-24 which was 10.58 *per cent* of the Revenue receipts and 9.47 *per cent* of Revenue expenditure. The subsidies were disbursed for Power: ₹ 7,947 crore (74.15 *per cent*), Agriculture and allied activities: ₹ 2,236 crore (20.86 *per cent*), Village and Small Industries: ₹ 436 crore (4.07 *per cent*) and Social Services: ₹ 99 crore (0.92 *per cent*).

Off-budget borrowings

The State Government through Haryana Police Housing Corporation Limited repaid amount of ₹ 77.50 crore (₹ 55 crore plus ₹ 22.50 crore) towards 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 has been raised during the year leaving balance of ₹ 201.60 crore at the end of the year i.e. 31 March 2024.

Contingent Liabilities on account of Guarantees

Out of total Guarantees of ₹ 24,214.81 crore as on 31 March 2024, 95.96 *per cent* (₹ 23,235.96 crore) was mainly in respect of Haryana Shehri Vikas Pradhikaran (₹ 7,313.36 crore), Haryana State Industrial Infrastructure Development Corporation (₹ 2,575.47 crore), Uttar Haryana Bijli Vitran Nigam Limited (₹ 7,231.56 crore), Haryana Vidyut Parsaran Nigam Limited (₹ 717.07 crore) and Dakshin Haryana Bijli Vitran Nigam Limited (₹ 5,398.50 crore). No amount was paid by the Government towards Guarantees invoked during 2023-24.

Fiscal sustainability

Fiscal sustainability is examined in terms of macro-fiscal parameters such as deficits, level of debt and liabilities, commitments on account of off-budget borrowings, Guarantees, subsidies, etc. So far as Revenue and expenditure mismatch is concerned, one of the important constraints is committed and inflexible expenditure, which includes salaries and wages, pension payments, interests, etc. and also other inflexible expenditure such as those arising out of commitment for Centrally Sponsored Schemes, transfer to Reserve Funds, transfer to Local Bodies, etc.

FRBM requirements and compliance with fiscal parameters

The Fiscal Responsibility and Budget Management (FRBM) Act/Rules laid down targets for Revenue Deficit, Fiscal Deficit and debt as a certain percentage of the Gross State Domestic Product (GSDP). In 2023-24, Revenue Deficit was 1.08 *per cent* as against the target/ projection of 1.51 *per cent*; Fiscal Deficit was 2.87 *per cent* as against the target/ projection of 2.96 *per cent*; ratio of total outstanding liability to GSDP was 29.81 *per cent* as against the target/ projection of 25.45 *per cent*.

As per the debt sustainability analysis, the overall liability of the Government of Haryana has grown on an average at a rate of 12.16 *per cent* annually during 2019-20 to 2023-24. The debt to GSDP ratio which had declined to 30.38 *per cent* in 2021-22 from 32.74 *per cent* in 2020-21, further declined to 29.81 *per cent* in 2023-24. A significant improvement in rate spread as well as in Domar-Gap coupled with improvement in primary balance contributed to decline in debt to GSDP ratio in 2023-24. Thus, it can be inferred that the downward pressure in the primary balance was absorbed by favourable rate spreads and the Domar-Gap leading to a modest decline in GSDP debt ratio in 2022-23 as compared to the last financial year.

Budget performance

Aggregate expenditure outturn

Budget performance in terms of budgetary intent and budget implementation is examined to assess extent to which the aggregate expenditure outturn reflects the amount originally approved both in terms of excess and saving. In the Revenue section, deviation in outturn compared with Budget Estimates (BE) was (-) 10.31 *per cent*. This was due to excess/saving upto 25 *per cent* in 13 Grants and between 25 *per cent* and 50 *per cent* in four Grants. In the Capital section, deviation in outturn compared with BE was 4.51 *per cent*. This was due to excess/saving upto 25 *per cent* in six Grants, between 25 *per cent* and 50 *per cent* in seven Grants; and between 50 *per cent* and 100 *per cent* in five Grants.

Expenditure composition outturn

Budget performance also looks at the extent to which the re-allocation between the main budget categories during the execution have contributed to variance in expenditure composition. This measure indicates the extent of variation between the final Budget and the actual expenditure. In the Revenue section, deviation in outturn compared with Revised Estimates (RE) was (-) 5.66 *per cent*. This was due to excess/saving upto 25 *per cent* in 17 Grants. In the Capital section, deviation in outturn compared with RE was (-) 1.99 *per cent*. This was due to saving upto 25 *per cent* in 11 Grants, between 25 *per cent* and 50 *per cent* in five Grants and between 75 *per cent* and 100 *per cent* in two Grants.

Supplementary provisions aggregating ₹ 8,921.48 crore obtained in 19 cases, involving ₹ 50 lakh or more in each case during the year proved unnecessary as the expenditure did not come up to the level of the original provisions. In six cases, Supplementary provision of ₹ 4,622 crore proved excessive as it was more than the requirement.

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

Quality of Accounts and Financial Reporting

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

Regularisation of Excess over Grants/ Appropriations

The State Government has to get excesses over Grants/Appropriations regularised by the State Legislature as per Articles 204 and 205 of the Constitution of India. During the year 2023-24, there was excess disbursement of ₹ 1,335.24 crore over the authorisation made by the State Legislature under two Grants/Appropriations

Compliance with IGAS

As against the requirements of the Indian Government Accounting Standards (IGAS), the State Government did not comply with IGAS-3: Loans and Advances made by the Government as the closing balances of Loans and Advances was not reconciled by the Loanee Entities.

Funds to Single Nodal Agency

As per the State Government/Single Nodal Agency (SNA) report from the Public Financial Management System (PFMS-SNA), the State Government received ₹ 2,577.32 crore being Central share during the year in its Treasury account. As on 31 March 2024, the Government transferred Central share of ₹ 2,282.28 crore and State share of ₹ 4,080.11 crore to the SNAs. Out of total transfer of ₹ 6,362.39 crore, ₹ 162.46 crore was transferred through AC Bills, ₹ 2,975.96 crore through Grants-in-aid bills, ₹ 3,223.97 crore through Fully Vouched Contingent Bills.

Detailed vouchers and supporting documents of Actual Expenditure were not received by Principal Accountant General (Accounts and Entitlement) office from the SNAs. As against the Central Share of ₹ 2,577.32 crore, the transfer was ₹ 2,282.28 crore leading to short transfer of ₹ 295.04 crore.

As informed by the State Government/as per the SNAs report, ₹ 2,683.41 crore are lying unspent in the bank accounts of SNAs as on 31 March 2024. The figure as per Finance Accounts and SNA are under reconciliation.

Outstanding Utilisation Certificates

Despite the requirement of submitting Utilisation Certificates (UCs) against Grants-in-aid within a stipulated time period, 2,037 outstanding UCs of ₹ 17,019.50 crore were pending as on 31 March 2024.

Utilisation Certificates outstanding beyond the specified periods indicate absence of assurance on utilisation of the grants for intended purposes and the expenditure shown in the accounts to that extent cannot be treated as final.

DC bills against AC bills

Similarly, despite the requirement of submitting Detailed Contingent (DC) Bills against the advance money withdrawn through Abstract Contingent (AC) Bills, 855 AC bills of ₹ 369.67 crore were pending for submission of DC bills as on 31 March 2024, out of which 322 AC Bills amounting to ₹ 133.33 crore pertained to the period upto 2022-23.

Delayed submission of Detailed Contingent Bills indicates that funds were drawn without requirement for immediate payment and may affect the completeness and correctness of Accounts.

Compliance with prevailing rules and codal provisions are meant to ensure control and accountability in accounting and financial reporting. Non-compliance and deviations impact the quality of accounting and financial reporting adversely. Non-timely submission of UCs; non-submission of DC bills against AC bills; non-compliance with IGAS-3; and non-supply of details of expenditure from SNAs have impacted the quality of accounts adversely.