

### *About the Report*

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

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

Gross State Domestic Product (GSDP) (at current prices) increased from ₹ 10,00,032 crore in 2019-20 to ₹ 15,28,385 crore in 2023-24 which grew at 12.56 per cent in 2023-24 over the previous year. Budget Outlay of the State grew at an average growth rate of 13.88 per cent from ₹ 2,39,959.67 crore in 2019-20 to ₹ 4,03,547.25 crore in 2023-24.

The revenue receipts grew at 4.25 per cent over the previous year, however, the percentage of revenue receipts over GSDP declined from 14.36 per cent in 2022-23 to 13.30 per cent in 2023-24. The tax revenue increased by 12.15 per cent over the previous year and the State's own tax revenue increased by 7.72 per cent. The total expenditure (revenue expenditure, capital expenditure and loans and advances) of the State increased from ₹ 2,46,452 crore in 2022-23 to ₹ 2,69,275 crore in 2023-24 increasing by 9.26 per cent. Of this, revenue expenditure showed 6.96 per cent increase from 2022-23. Revenue deficit increased from ₹ 31,491 crore to ₹ 38,955 crore registering 23.70 per cent increase over 2022-23, while fiscal deficit increased from ₹ 51,028 crore in 2022-23 to ₹ 65,580 crore in 2023-24 increasing by 28.52 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's Own Tax Revenue, Non-tax Revenue, Devolution of States' share in taxes, Grants in aid, transfers from the Union Government and non-debt capital receipts. The State Government's expenditure includes expenditure on revenue account as well as capital expenditure (assets creation, loans and advances, investments, etc).

From 2019-20 to 2023-24, revenue receipts grew from ₹ 1,40,114 crore to ₹ 2,03,276 crore, with compound annual growth rate of 9.75 per cent. Capital receipts increased from ₹ 41,831 crore to ₹ 58,687 crore during this period. During 2023-24, 83.32 per cent Capital Receipts came from net Internal Debt and 15.97 per cent from net Loans and Advances from GoI. The share of Grants-

in-aid in revenue receipts decline from 20.77 *per cent* in 2019-20 to 11.04 *per cent* in 2023-24 due to substantial decrease in Revenue Deficit grant and grants to Local Bodies. The State Government received ₹ 14,263 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 ₹ 1,76,485 crore to ₹ 2,42,231 crore. It consistently made up a significant portion (89.44 to 91.90 *per cent*) of the total expenditure during this period.

#### *Funds to Single Nodal Agency*

The Government of India and the State Government have introduced system of Single Nodal Agency (SNA) for implementation and fund flow for each Centrally Sponsored Scheme (CSS). The share of the Government of India and the State Government is transferred to the Bank Account of the SNA lying outside the Government Account.

The State Government received ₹ 12,954.28 crore being Central share during 2023-24 in its Treasury Accounts. As on 31 March 2024, the Government transferred Central share of ₹ 12,712.31 crore (including previous balances) and State share of ₹ 11,388.55 crore to the SNAs. Out of the total transfer of ₹ 24,100.86 crore, ₹ 12,880.02 crore was transferred through Grant in Aid bills, ₹ 6,760.47 crore through Fully Vouched Contingent Bills, ₹ 3,944.52 crore through PD accounts and ₹ 515.85 crore through Works Accounting Module (WAM).

As per PFMS (Public Finance Management System) SNA-01 report ₹ 4,713.71 crore were lying unspent in the bank accounts of SNAs as on 31 March 2024 which is outside the purview of the government accounts.

#### *Result of expenditure beyond means*

The excess of revenue expenditure over revenue receipt results in revenue deficit. The revenue deficit of the State increased to ₹ 38,955 crore in the current year from ₹ 36,371 crore in the year 2019-20 as against the FRBM's target of zero revenue deficit from the financial year 2011-12.

The State Government spent ₹ 26,646 crore on capital account. This was 9.90 *per cent* of the total expenditure in the year 2023-24. Capital expenditure increased by ₹ 6,848 crore (34.59 *per cent*) over the previous year. The borrowed funds were being used mainly for meeting current consumption and repayment of borrowings and only 8.76 *per cent* of the net borrowing were available during the year for 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 ₹ 65,580 crore (4.29 *per cent* of GSDP) in 2023-24 from ₹ 37,654 crore (3.77 *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 an average 53 *per cent* of revenue expenditure during 2019-20 to 2023-24. The Committed expenditure increased from ₹ 93,470 crore (52.96 *per cent*) in 2019-20 to ₹ 1,26,730 crore (52.32 *per cent*) in 2023-24 {an increase of 9.48 *per cent* over 2022-23}.

In contrast to the committed expenditure, inflexible expenditure decreased from 23.72 *per cent* to 20.75 *per cent* of revenue expenditure during 2019-20 to 2023-24, indicating a declining trend. The inflexible expenditure decreased from ₹ 64,525 crore in 2022-23 to ₹ 50,270 crore in 2023-24 registering a decrease of 22.09 *per cent*.

Taken together, the committed and inflexible expenditure in 2023-24 was ₹ 1,77,000 crore *i.e.* 73.07 *per cent* of the revenue expenditure. Huge amount on committed and inflexible expenditure leaves the Government with lesser scope for other sectors/schemes/programmes.

#### *Subsidies constitute major portion of the non-committed expenditure*

Within the non-committed expenditure, there is an increasing trend of subsidies, which increased from ₹ 18,990 crore in 2019-20 to ₹ 28,402 crore in 2023-24. Power sector subsidies constituted a significant portion, ranging from 95.20 *per cent* to 98.18 *per cent* of the total subsidies during this period.

#### *Contingent Liabilities on account of Guarantees*

The outstanding guarantees increased by 5.81 *per cent* from ₹ 1,04,832 crore in 2022-23 to ₹ 1,10,918 crore in 2023-24 and were 54.57 *per cent* of the Revenue Receipts (₹ 2,03,276 crore) of the Government. No guarantee was invoked during the year.

#### *Collection of Cess/Surcharge*

It was noticed that the State Government short transferred ₹ 7,393.18 crore in seven Reserve funds/Deposit funds upto 31 March 2024.

#### *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 FRBM Act / Rules prescribes certain limits within which, revenue deficit, fiscal deficit, debt as a percentage of the Gross State Domestic Product (GSDP) should be. As per the FRBM Act, the State Government was to achieve Zero Revenue Deficit from the financial year 2011-12 and thereafter maintain it or attain revenue surplus. For the eleventh consecutive year, the State Government was unable to achieve its target of attaining zero revenue deficit. While the Fiscal Deficit of the State in 2023-24 (4.29 *per cent* of GSDP) was more than the target figure in the FRBM Act (3 *per cent* of GSDP), it also exceeded the overall fiscal space allowed by the Central Government to the State (4.06 *per cent* of GSDP). Outstanding liability as a percentage of GSDP was 36.62 *per cent* as against limit of 38.20 *per cent* and outstanding guarantee to estimated receipts ratio (28.98 *per cent*) during 2023-24 was within the limit fixed under FRBM Act (60 *per cent*).

Further, if the quantum of the off-budget borrowings is included as part of debt, the overall liability (including Public Debt and Public Account Liabilities) of the Government was 37.15 *per cent* of the GSDP. Going by the fiscal trends, the State finances are heavily stressed.

Total debt-GSDP ratio of Rajasthan has increased from 35.27 *per cent* in 2019-20 to 36.62 *per cent* in 2023-24, which indicates that debt stabilisation may be difficult in near future. The Debt-GSDP ratio remained more than 35 *per cent* during the last five years. Fiscal deficit of the State also remained more than the targeted three *per cent* of GSDP during last five years. More than 87 *per cent* of borrowings were utilised for repayment of outstanding Debt (including interest) during last five years. *High Debt to GSDP Ratio signifies that the State's burden is substantial compared to its economic output and indicates financial vulnerability and reduced fiscal flexibility.*

Except for 2021-22 and 2022-23, the nominal GSDP rate was less than the rate of growth of overall debt. This implies that debt growth outpaced the nominal growth in 2019-20, 2020-21 and 2023-24 thereby worsening the debt burden of the state in these years.

The burden of interest payment on overall debt as percentage of revenue receipts remained more than 15 *per cent* in all the five years. It increased from 15.28 *per cent* in 2021-22 to 16.79 *per cent* in 2023-24. As percentage of revenue expenditure, it remained more than 13 *per cent* during the last five years and showed an increasing trend during last three years. *This indicates an unsustainable debt trajectory.*

Maturity profile of the state's market loan reveals that 63.66 *per cent* (₹ 2,28,432 crore) of total market loan as on 31 March 2024 is repayable after more than five years indicating a longer horizon of debt. This limits the roll-over risk over the forthcoming short & medium term.

The number of occasions of taking Ways and Means advances from RBI has increased from three in 2019-20 to 170 times in 2023-2024 and amount of WMA is in increasing trend during last five years. *Consistent use of WMA in*

*large amount indicates poor liquidity management, which warrants poor fiscal management and hinders short term sustainability.*

The Domar gap (Growth Interest Differential i.e. Real growth-Real effective rate of interest) remained positive during the last five years, except in 2020-21 due to economic slowdown on account of the COVID-19 pandemic, while the primary balances of the state remained negative during the last five years. However, the primary deficit showed an unstable trend. With growing interest liability of the State on borrowings, it is too early to conclude that debt is sustainable for the State.

### ***Budget performance***

#### ***Aggregate expenditure outturn***

Budget performance in terms of budgetary intent and budget implementation is examined to assess the extent to which the aggregate expenditure outturn reflects the amount originally approved both in terms of excess and saving.

In Revenue section, deviation in outturn compared with BE was (-) 6.92 *per cent*. This was due to deviation between 0 and  $\pm 25$  *per cent* in 49 grants, between  $\pm 25$  *per cent* to  $\pm 50$  *per cent* in 12 grants, between  $\pm 50$  *per cent* to  $\pm 100$  *per cent* in one grant and equal to or more than 100 *per cent* in one grant. No provision was, however, made in respect of one grants of the Revenue section. In Capital section, deviation in outturn compared with BE was (+) 42.34 *per cent*. This was due to deviation between 0 and  $\pm 25$  *per cent* in 12 grants, between  $\pm 25$  *per cent* to  $\pm 50$  *per cent* in 13 grants between  $\pm 50$  *per cent* to  $\pm 100$  *per cent* in 33 grants and equal to or more than 100 *per cent* in four grants. No provision was, however, made in respect of two grants of the Capital section.

It was noticed that supplementary provisions of ₹ 7,468 crore (more than ₹ 25 crore in each case) during the year 2023-24 in 32 cases proved unnecessary, as the expenditure did not come up even to the level of original provisions.

#### ***Regularisation of Excess over Grants/Appropriations***

The State Government has to get excesses over grants/appropriations regularised by the State Legislature as per article 204 and 205 (1) (b) of the constitution. It was observed that in 2023-24 there was excess expenditure of ₹ 77.73 crore under two grants which required regularization.

#### ***Incorrect disclosure of revenue expenditure as capital expenditure***

The State Government had made budget provision of ₹ 8.00 crore under Capital heads for providing Grant-in-Aid and transferred ₹ 4.00 crore as grant in aid to Autonomous bodies. This expenditure was irregularly booked as the Capital Expenditure instead of Revenue in contravention of the provisions of IGAS, GAR and GF&AR.



*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 revised 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 grants where expenditure was not even up to the original grant. A reliable budget practice is needed to deal with such deviations.*

### ***Quality of Accounts and Financial Reporting***

Quality of accounts and financial reporting covers items, transactions and events which relate to gaps in compliance, regularity weaknesses and issues relating to delay in receipt of those accounting records or adjustment records which evidence the actual expenditure. It also highlights issues pertaining to the accounts and financial reporting such as parking of funds and non- or short – discharging of liabilities.

#### ***Off-budget borrowings***

The State Government, through Public Sector Undertaking and local bodies raised borrowings which did not flow into the Consolidated Fund of the State but are required to be repaid and serviced through budget. In 2023-24, the State Government provided assistance/grants in aid of ₹ 702.87 crore for repayment and servicing of the off budget borrowings. This was in addition of the repayment and interests paid on the borrowings by the Government.

#### ***Reconciliation***

As per Rule 11 (3) of GF&AR, all Budget Controlling Officers are required to reconcile the receipt and expenditure figures of the State Government with the figures accounted by the Accountant General (A&E), Rajasthan. During 2023-24, 100 *per cent* reconciliation of (i) total expenditure of ₹ 2,42,230.88 crore and (ii) total receipts of ₹ 2,03,276.28 crore by Controlling Officers was accomplished. In fact, throughout the last five years, the State Government has been able to accomplish 100 *per cent* reconciliation of expenditure and receipts.

#### ***Compliance with IGAS***

As against the requirements of the Indian Government Accounting Standards (IGAS), the State Government complied with **IGAS-1**. However, it did not make disclosure of Grant-in-Aid given in kind as prescribed in **IGAS-2** and made partial disclosure regarding Loans and Advances given by State Government as prescribed in **IGAS-3**. Further, **IGAS-4** related to prior period adjustment was not applicable as no prior period adjustment was made by the State Government during the year.

#### ***Operation of PD Accounts***

The unspent balances of ₹ 13,762.90 crore in 2,451 PD Accounts include 24 PD Accounts (each having balances of ₹100 crore and above), in which a sum of ₹ 8,598.34 crore i.e. 62.47 *per cent* of total unspent balance (₹13,762.90 crore) is

lying. In addition, huge balances have been lying in ZP fund, PS funds and Municipal Fund pending utilization. Further, proper status of un-utilised funds lying in accounts of GPs could not be ascertained due to keeping these funds in the bank accounts.

### *Utilisation Certificates against conditional grants*

Despite the requirement of submitting Utilisation Certificates (UCs) against conditional grants within a stipulated time period, 996 outstanding UCs of ₹ 1,122.12 crore were pending as on 31<sup>st</sup> March 2024. UCs outstanding beyond the specified period not only weaken the financial accountability mechanism but also indicate that the departmental officers did not comply with the rules and procedures to ensure timely utilization of grant for the intended purpose.

### *DC bills against AC bills*

Similarly, despite the requirement of submitting Detailed Contingency (DC) Bills against the advance money withdrawn through Abstract Contingency (AC) Bills, 197 AC bills of ₹ 81.29 crore were pending for submission of DC bills as on 31<sup>st</sup> March 2024, out of which 14 AC Bills amounting to ₹ 64.35 crore pertained to the period upto 2022-23. Unadjusted AC bills, despite lapse of substantial period indicated lack of monitoring on the part of Departments as well as treasuries.

### *Booking under Minor Head 800*

Booking under Minor Head 800 even when appropriate minor head is available under the same Major Head adversely impacts the transparency of accounts. During 2023-24, ₹ 14,260.44 crore under 57 Major Heads of accounts, constituting 5.30 *per cent* of the total Revenue and Capital expenditure was classified under Minor Head-800-Other expenditure in the accounts. Similarly, ₹ 9,138.35 crore under 44 Major Heads of accounts, constituting 4.50 *per cent* of the total Revenue Receipts was classified under Minor Head 800-Other Receipts in the accounts.

### *Misappropriation, Theft and Losses*

State Government reported 748 cases of misappropriation, theft and losses of Government money across various departments amounting ₹ 131.06 crore upto 31 March 2024 on which final action is pending.

*Compliance with prevailing rules and codal provisions are meant to ensure control and accountability in accounting and financial reporting. Non-compliance and deviations impact the quality of accounting and financial reporting adversely. Non-timely submission of UCs against conditional grants; non-submission of DC bills against AC bills; non-compliance with IGAS-2 and IGAS-3 and non-booking the expenditure under the appropriated heads of account have impacted the quality of accounts adversely.*