

Govt. incurred excess expenditure of ₹1.05 lakh crore during 2022-23: CAG

M. Rajeev
HYDERABAD

Telangana government has incurred an excess expenditure of ₹1.05 lakh crore in 2022-23. It has also failed to get the excess expenditure of ₹2.89 lakh crore over and above the allocation pertaining to financial year 2014-22 regularised by the State Legislature.

"This is in violation of Article 204 of the Constitution," the Comptroller and Auditor General (CAG) of India said.

It pointed out several deficiencies in budgetary management by the previous BRS government in 2022-23 fiscal. It said incurring expenditure without budget provisions not only continued but has risen significantly as the government spent ₹8,895 crore in 48 sub-heads without Budget provision.

The CAG said an amount of ₹25,422 crore was estimated to be received through non-tax revenue for 2022-23 and the receipts were ₹19,554 crore. Projections of receipts from non-tax revenue in Budget estimates were on higher side persistently during last three years, it added.

OBB repayment

The CAG has faulted the government, formerly led by BRS, for

'Net public debt available to TG negative in 2022-23'

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Raising objections to the State not disclosing the quantum of off-budget borrowings in the budget documents of financial year 2022-23, the CAG has said that the overall debt sustainability suggests that the net public debt available to the government would be negative after considering the outgo on the servicing of the off budget borrowings.

"This may put significant pressure on the State finances and may push debt sustainability of the State to an undesirable level," the CAG said in State Fi-

not detailing quantum of extra budgetary resources/ off-budget borrowings (EBR/OBBs) for implementing six schemes and four projects.

"The government has neither detailed the quantum of borrowings nor disclosed names of entities through which EBR/OBB was raised in the Budget documents," it said in the State

nances Audit Report for 2022-23. Further, substantial portion of the market borrowings were utilised for providing loans and advances to public sector undertakings/special purpose vehicles/autonomous bodies for servicing (principal and interest) of OBBs. "This is not a healthy practice from the perspective of debt sustainability," the report said.

The State registered revenue surplus of ₹5,944 crore after three years and the target for fiscal deficit was 5% of GSDP. It registered fiscal deficit of ₹32,556 crore (2.48% of GSDP) which was under permissible limit after two years.

Finance Audit Report for 2022-23.

CAG gave out details of OBBs and year-wise details of repayment of market loans and interest in the next 10 years. Accordingly, the State has raised OBBs of ₹1.09 lakh crore and will have to repay ₹2.67 lakh crore, including an interest component of ₹1.64 lakh crore, by 2033-34.

GSDP rose by 16% in 2022-23: CAG

Numbers debunk Congress' negative narrative on TS finances

STATE BUREAU
HYDERABAD

Despite the repeated negative narrative by the Congress on the State's finances, the Comptroller and Auditor General (CAG) of India's State Finances Audit report for the year ended March 31, 2023, says Telangana's Gross State Domestic Product (GSDP) increased by 16 per cent in the 2022-23 financial year over 2021-22. The GSDP (at current prices) grew at an average growth rate of 15.09 per cent from Rs 8,57,427 crore in 2018-19 to Rs 13,13,391 crore in 2022-23.

Similarly, the report says revenue receipts increased considerably by 25 per cent over the previous year. The report was tabled by Deputy Chief Minister Mallu Bhatti Vikramarka in the Assembly on Friday. According to the report, the ratio of Revenue Receipts to GSDP increased by 1 per cent from 11 per cent in 2021-22 to 12 per cent in 2022-23. The State Own Tax Revenue (SOTR), which

Encouraging numbers

GSDP (at current prices) grew at average growth rate of 15.09% — from **Rs 8,57,427 cr in 2018-19 to Rs 13,13,391 cr in 2022-23**

- Revenue receipts increased considerably by **25%** over the previous year
- SOTR increased significantly by **17% (Rs 15,678 crore)** over the previous year
- TS registered revenue surplus of **Rs 5,944 cr** after 3 years



Registered fiscal deficit of Rs 32,556 cr (2.48%), which was under the permissible limit, after 2 years

had decreased marginally in 2020-21 due to the Covid-19 pandemic, increased significantly in 2021-22 and continued considerable growth in 2022-23. It had increased significantly by 17 per cent (Rs 15,678 crore) over the previous year.

The total expenditure (consisting of mainly revenue expenditure, capital expenditure and loans and advances) of Telangana increased by 50 per cent from Rs 1,28,435 crore in 2018-19

to Rs 1,92,535 crore in 2022-23 and by 11 per cent over the preceding year.

The gap between the revenue receipts and revenue expenditure results in either revenue surplus or revenue deficit. As per accounts, the State registered a revenue surplus of Rs 5,944 crore after three years. The target for fiscal deficit was 5 per cent of the GSDP and the State registered a fiscal deficit of Rs 32,556 crore (2.48 per cent), which was

under the permissible limit, after two years, the report said.

As per Medium Term Fiscal Policy statement, the target set out for ratio of total outstanding liabilities to GSDP was 25 per cent. The ratio of total outstanding liabilities to GSDP achieved by the State was 26.61 per cent. An amount of Rs 25,422 crore was estimated to be received through Non-Tax Revenue for 2022-23 but receipts were Rs 19,554 crore. The State government had estimated a huge amount of Rs 41,002 crore as Grants in Aid (GIA) from the Centre, but received only Rs 13,179 crore.

Even in revised estimates, presented in February 2023, huge receipts of Rs 7,500 crore as inter State settlement were estimated, which were not realised. The amount estimated was pertaining to electricity dues receivable by Telangana Power Companies from Andhra Pradesh Power Companies and not by the State government.

Crores allocated for Hyd devpt, none spent: CAG

₹10K crore were proposed in budget 2020-21 for Musi purification but remained unutilised

EXPRESS NEWS SERVICE

@ Hyderabad

THOUGH the then government allocated substantial amounts in the Budget for the development of Hyderabad, it did not spend any of these funds between 2021 to 2023.

The CAG report on state finances for the year ending March 31, 2023 says that during the year 2022-23, the total savings were ₹85,301 crore. Of this, ₹75,038 crore (88%) pertains to 23 sections of 17 grants with more than ₹1,000 crore remaining unspent under each section.

The savings of more than ₹5,000 crore occurred under Social Welfare (revenue voted - ₹19,782 crore), Roads and Buildings (revenue voted - ₹8,937 crore) and Agriculture (revenue voted - ₹5,389 crore), where provisions approved by Legislature were not spent.

The CAG took Hyderabad as a case study. "Hyderabad Urban Agglomeration is a case where there has been no expenditure

during the past three years. The scheme was introduced in 2020-21. The government estimated ₹50,000 crore requirement in the next five years (i.e., from 2020-21 onward) to take up developmental works in the capital city, which is being transformed into an international city. In view of this ₹10,000 crore was proposed in Budget 2020-21 to carry out Musi River purification, Musi

Riverfront Project, all other special projects and works in Hyderabad Urban Agglomeration area. However, the entire provision of ₹10,000 crore remained unutilised dur-

ing 2020-21. In the next year (2021-22), the Budget was reduced significantly to ₹2,600 crore to Hyderabad Urban Agglomeration. Again, the entire provision remained unutilised in that year also. In the current year 2022-23, the Budget was further reduced drastically to ₹200 crore and even the reduced provision remained unutilised," the CAG observed.



CAG report indicts BRS govt on off-Budget borrowings

VV BALAKRISHNA @ Hyderabad

THE Comptroller and Auditor General of India (CAG) has said that the previous BRS government concealed details of Off-Budget Borrowings (OBB). "If these off-Budget borrowings were included then the state crossed the stipulated Fiscal Responsibility and Budget Management Act (FRBM) limits," a CAG report on state finances for the year ending March 31, 2023 said.

It said that the government may pronounce a specific reform path for removal of such indirect borrowings within a timeframe, as recommended by 15th Finance Commission.

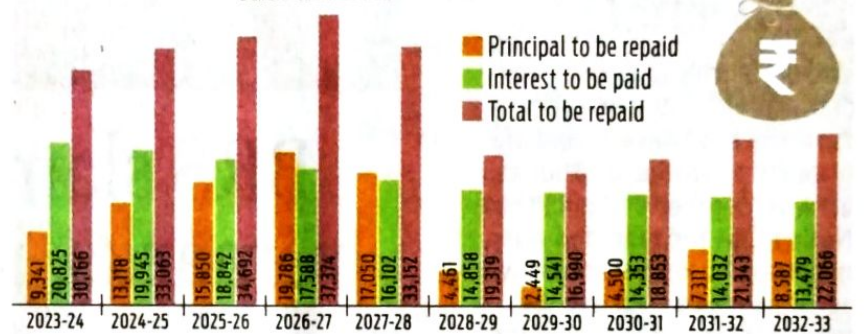
The CAG report said that considering the OBB of ₹1,18,629 crore and other liabilities, which are being serviced out of the state Budget, the ratio of debt to GSDP would be 35.64%, which is 10.64% above the set target of 25% as per the TSFRBM Act. This is also 5.94% above the limit (29.70%) prescribed by the 15th Finance Commission.

The total OBB of Telangana can be assessed as ₹1,18,629 crore at the end of March 2023. Taking into account OBB of ₹1,18,629 crore at the end of March 2023, total outstanding liabilities of the state would work out to ₹4,68,166 crore (₹3,49,537 crore + ₹1,18,629 crore). The ratio of total outstanding liabilities to GSDP would be 35.64% (₹4,68,166 crore on GSDP of ₹13,13,391 crore) which is far above the target prescribed by 15th Finance Commission (29.70%) including OBB. This indicates that some of the major funding sources of the government's crucial socioeconomic

UTILISATION OF BORROWED FUNDS (₹ IN CRORE)

Item	2018-19	2019-20	2020-21	2021-22	2022-23
Total borrowings (principal)	1,17,715	1,43,870	1,85,123	1,91,804	2,13,803
Repayment of borrowings (principal)	91,080	1,08,652	1,41,666	1,52,779	1,78,928
Net capital expenditure	22,641	16,859	15,922	28,874	17,881
Net loans and advances	8,640	8,638	10,810	8,421	20,619
Portion of revenue expenditure that was met out of balance borrowings	(-) 4,646	9,721	1,730	(-)3,625	16,725

YEAR-WISE DETAILS OF REPAYMENT OF MARKET LOANS AND INTEREST IN NEXT 10 YEARS



Funds for development of Hyd, but no spending

Though the BRS govt allocated huge amounts for the development of Hyderabad, it did not spend any of these funds between 2021 and 2023. The CAG report further pointed out that while the Hyderabad Urban Agglomeration scheme was introduced in 2020-21, there "has been no expenditure during the past three years" | P2



schemes/ projects are beyond the oversight and control of the State Legislature. "Audit recommends that the state government may fully disclose all the details of OBBs in the Budget documents as recommended by the 15th Finance Commission," the report said.

The CAG observed that the greater reliance on market borrowings by the government in recent years led to increased committed liabilities on inter-

est payments. Consequently, interest payments have grown by nearly 73% during the past five-year period 2018-23 from ₹12,586 crore to ₹21,821 crore. The interest payments as a percentage of Revenue Expenditure have been continuously increasing.

Apart from this, the government facilitated interest payment of ₹8,696 crore for the loans taken by seven institutions. These interest payments are relatable to OBB, the CAG said.

CONTINUED ON P7

BRS govt did not give details of borrowings: CAG

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The report said that the government of Telangana had, in principle, intimated the state Legislature from 2016-17 to 2019-20 during presentation of Budget that it would implement six schemes and four projects through Extra-Budgetary Resources (EBR) / OBB. However, the state government had neither detailed the quantum of such borrowings nor disclosed the names of the entities through which EBR/OBB was raised and other details in the Budget documents of the respective years. When entity-wise / institution-wise details of OBB were sought for by audit specifically, the government intimated (September 2023) audit to obtain the same from the companies/ corporations concerned. Non-disclosing complete details of OBB in the Budget documents was in contravention of the 15th Finance Commission recommendations, it said.

Incomplete projects

The CAG in its report said that there were 20 incomplete irriga-

tion projects (commenced between 1983 to 2018) to be completed by 2023. The original cost of these projects has increased from ₹1,02,388 crore to ₹2,06,977 crore i.e., an escalation by ₹1,04,589 crore (102%). An expenditure of ₹1,73,564 crore was incurred on these projects as of March 2023.

In addition to this, the government has a pending liability of ₹8,971 crore in respect of 13 incomplete irrigation projects.

“Irrigation projects are taken up on the assumption that the benefits will outweigh the costs. Non-completion of projects deprives the state of the intended benefits of economic growth. Further, the state government did not disclose financial results of any of the irrigation projects. As a result, there was no assurance on returns from the investments in irrigation and flood control. In respect of other departments, 260 projects/works with an estimated cost of ₹6,016 crore remained incomplete, and an expenditure of ₹4,790 crore was incurred as of March 2023

on these delayed projects,” the CAG said.

In addition to this, the government has a pending liability of ₹1,096 crore in respect of 113 other ongoing projects/works. Inordinate delays in the completion of these projects/works not only keep the financial burden of the government increasing year after year, but also deprive the public of the intended benefits, the report said.

Debt profile

The state government will have to repay ₹2,67,018 crore as principal and interest on the market borrowings in the next 10 years (by 2032-33). Apart from this, the state government will also have a liability to repay ₹19,210 crore as principal in the next 10 years in respect of borrowings taken from the following financial institutions.

The overall review of debt sustainability, in terms of generally acceptable indicators, suggests that the net public debt available to the state government would be negative after considering outgo on servicing

of Off-Budget Borrowings. This may put significant pressure on the state finances and may push the debt sustainability of the state to an undesirable level.

The substantial portion of market borrowings taken by the government were utilised for providing loans and advances to PSUs/SPVs/ABs for servicing (principal and interest) of OBBs. This is not healthy practice from the perspective of debt sustainability, the CAG noted.

Borrowed to repay debts

The utilisation of 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, the CAG said.

Revenue deficit

The CAG said that the state could not achieve revenue surplus for three consecutive years from 2019-20 to 2021-22. It registered a revenue surplus of ₹5,944 crore during the current year 2022-23. Revenue surplus is only ₹1,680 crore.



CAG: TG had 'unrealistic' expectations from Centre

ENS @ Hyderabad

THE Comptroller and Auditor General (CAG) found fault with the previous BRS government for presenting 'unrealistic' Budget estimates for successive years. In its report on state finances for the year ending March 31, 2023, the CAG said that non-tax revenue and the grants-in-aid and others were overestimated and not realised.

The CAG report says: "The state government estimated a huge amount of ₹41,002 crore as Grants-in-Aid (GIA) from the Government of India. It has received only ₹13,179 crore. The state government unrealistical-

ly projected ₹25,555 crore to be received as Special Package and Additional Central Assistance, which neither was found in GoI Budget proposals, nor was it received during 2022-23. Like non-tax revenue, the projections of receipts from Grants-in-Aid in Budget Estimates were on a higher side persistently during the last two years".

The CAG also found fault with the state government for overestimation of income through the sale of lands. Despite lower receipts in previous years, the state government continued to project higher receipts from sale of land and property in the Budget Estimates, the CAG observed.

(₹ in crores)

NON-TAX REVENUE: BUDGET PROJECTION AND ACTUALS

Years	Estimation in Budget	Actual receipt	Higher receipt (+)/Shortfall (-)
2018-19	8,974	10,007	1,033
2019-20	15,875	7,360	(-)8,515
2020-21	30,600	6,101	(-)24,499
2021-22	30,557	8,857	(-)21,700
2022-23	25,422	19,554	(-)5,868

BUDGET PROJECTION AND ACTUALS ON RECEIPTS FROM SALE OF LAND

Years	Estimation in Budget	Actual receipt	Higher receipt (+)/Shortfall (-)
2018-19	3,000	848	(-)2,152
2019-20	10,000	416	(-)9,584
2020-21	14,294	10	(-)14,284
2021-22	16,000	2,658	(-)13,342
2022-23	15,500	791	(-)14,709

BUDGET PROJECTION AND ACTUALS IN RESPECT OF GRANTS-IN-AID FROM GOI

Years	Estimation in Budget	Actual receipt	Higher receipt (+)/Shortfall (-)
2018-19	29,042	8,178	(-)20,864
2019-20	8,178	11,598	3,420
2020-21	10,525	15,471	4,946
2021-22	38,669	8,619	(-)30,050
2022-23	41,002	13,179	(-)27,823

CAG: BRS govt hid off-budget ₹1.18L-cr loans

N. VAMSI SRINIVAS | DC
HYDERABAD, AUG. 2

The Comptroller and Auditor General (CAG) has punctured the tall claims of prudent fiscal management by the BRS regime and exposed its unhealthy practices particularly with regard to public debt. The then government misled the public on the risk assessment for its guarantees.

The CAG report tabled in the Assembly on Friday highlighted the discrepancies in the off-budget borrowings (OBB) and the desperate efforts of then government to hide the truth. "The government did not disclose the quantum of its OBB in the Budget documents. Audit assessed the OBB to be around ₹1,18,629 crore. The state government also facilitated ₹17,829 crore as

further loans to entities towards interest and principal of which no details were provided for ₹5,602 crore," the report said.

The value of the guarantees given by the BRS government was ₹1,98,244 crore; guarantees for ₹50,000 crore to the Civil Supplies Corporation and ₹398 crore to the Seeds Development Corporation were not disclosed.

The disclosure of guarantees given to power discoms was short by ₹16,000 crore. Statnig that the documentation regarding risk assessment for guarantees was not provided, the report said: "Even the guarantees which should have been classified as 100 per cent liability were being classified as medium to very low risk."

■ Page 9: BRS went in for OBB above permissible limits

BRS WENT IN FOR OBB ABOVE PERMITTED LIMIT

FROM PAGE 1

The BRS regime went in for OBB over and above the permissible limits fixed by the 15th Finance Commission. While the commission put a cap of 29.7 per cent of the state gross domestic product for OBB, the previous government's OBB was 35.6 per cent.

A substantial portion of market borrowings was utilised for providing loans and advances to state-level public enterprises and special purpose vehicles with government as partner for debt servicing. "This is not a healthy practice from the perspective of debt sustainability," the CAG report pointed out.

The report nailed the BRS' claims of stepmotherly treatment by the Centre vis-à-vis the grants in aid extended to Telangana. The Central grant grew by 53 per cent in 2022-23 and touched ₹13,179 crore over the previous year but BRS leaders including former chief minister K. Chandrashekar Rao made a scathing attack against the Modi-led Central government.

As *DC* reported in these columns earlier, the CAG report also referred to the previous BRS government inflating the estimated receipt of grants-in-aid despite receiving them at an organic growth rate. The BRS government showed Central grants as ₹41,002 crore in 2022-23 though the actual realisation in the previous year was around ₹9,000 crore.

DEMANDS CALL FOR