Chapter I

Finances of the State Government

Introduction

This chapter provides a broad perspective of the finances of the Government of Haryana during 2012-13 and analyses changes observed in the movement of major fiscal aggregates in relation to the previous year, keeping in view the overall trends during the last five years. The structure and form of Government accounts have been explained in ***Appendix 1.2 Part A*** and the layout of the Finance Accounts is depicted in ***Appendix 1.2 Part B.*** The methodologies adopted for assessment of the fiscal position are given in ***Appendix 1.3***.

1.1 Profile of State

Haryana is an agrarian State with 21 districts, eight of which are part of the National Capital Region. The State is located near national capital. It is the 20th of the largest States in terms of geographical area (44,212 sq km) and 17th by population. The State's population increased from 2.11 crore in 2001 to 2.54 crore in 2011 recording a decadal growth of 19.9 *per cent*. The percentage of population below the poverty line was 11.16 lower than the all-India average. The State's Gross State Domestic Product (GSDP) in 2012-13 at current prices was ₹ 3,53,440 crore. The State's literacy rate increased from 67.91 *per cent* (as per 2001 census) to 76.64 *per* cent (as per 2011 census) ***(Appendix 1.1)***. The per capita income of the State as per Economic Survey of Haryana for 2012-13 issued by Economic and Statistical Analysis department is ₹ 1,23,554 against the country's average of ₹ 68,747.

Gross State Domestic Product (GSDP)

GSDP is the market value of all officially recognised final goods and services produced within the State in a given period of time. The growth of GSDP is an important indicator of standard of living of the State's population. The trends in the annual growth of India's GDP and GSDP of Haryana at current prices

are indicated below:

Year	2008-09	2009-10	2010-11	2011-12	2012-13
India's GDP (₹ in crore)	56,30,063	64,77,827	77,95,313	89,74,947	100,28,118
Growth rate of GDP (Percentage)	12.9	15.1	20.3	15.1	11.7
State's GSDP (₹ in crore)	1,82,522	2,23,600	2,65,033	3,07,606	3,53,440
Growth rate of GSDP (Percentage)	20.4	22.51	18.53	16.06	14.9

(Annual growth rate of GSDP at current prices as communicated by the Directorate of Economic and Statistical Analysis, Haryana, Figures of GSDP for 2010-11 are on Provisional Estimates, 2011-12 are Quick and 2012-13 are Advance Estimates. Figures of India's GDP obtained from the Economic Survey 2012-13, figures of 2010-11 are first revised estimates, figures of 2011-12 are second revised estimates and figures of 2012-13 are advance estimates.)

1.1.1 Summary of Fiscal Transactions

The summary of the State Government's fiscal transactions during the current year (2012-13) *vis-à-vis* the previous year (2011-12) is given in **Table 1.1**.

Table 1.1 : Summary of Fiscal operations in 2012-13

(₹ in crore)

Receipts	2011-12	2012-13	Disbursements	2011-12	2012-13		
					Non Plan	Plan	Total
Section-A: Revenue							
Revenue receipts	**30,557.59**	**33,633.53**	Revenue expenditure	**32,014.89**	28,615.73	9,455.99	**38,071.72**
Tax revenue	**20,399.46**	**23,559.00**	General Services	**10,219.83**	11,817.41	79.34	**11,896.75**
Non-tax revenue	**4,721.65**	**4,673.15**	Social Services	**12,641.67**	7,666.10	6,850.25	**14,516.35**
Share of Union Taxes/ Duties	**2,681.55**	**3,062.13**	Economic Services	**9,053.97**	9,030.33	2,526.40	**11,556.73**
Grants from Government of India	**2,754.93**	**2,339.25**	Grants-in-aid and Contributions	**99.42**	101.89	-	**101.89**
Section-B: Capital and others							
Misc. Capital Receipts	**9.24**	**10.81**	Capital Outlay	**5,372.34**	1,570.54	4,191.30	**5,761.84**
Recoveries of Loans and Advances	**294.12**	**349.38**	Loans and Advances disbursed	**627.07**	237.79	284.20	**521.99**
Public Debt receipts	**10,766.83**	**15,213.54**	Repayment of Public Debt	**4,037.14**	-	-	**5,951.37**
Contingency Fund	**167.52**	-	Contingency Fund	**167.52**	-	-	-
Public Account receipts	**19,259.75**	**22,708.90**	Public Account disbursements	**17,051.18**	-	-	**21,073.88**
Opening Cash Balance	**376.84**	**2,161.75**	Closing Cash Balance	**2,161.75**	-	-	**2,697.11**
Total	**61,431.89**	**74,077.91**	Total	**61,431.89**			**74,077.91**

(Source: Finance Accounts for the respective years)

Appendix 1.5 provides details of receipts and disbursements as well as the overall fiscal position during the current year.

The following are the major changes in fiscal transactions during 2012-13 over the previous year:

- Revenue receipts increased by ₹ 3,076 crore (10 *per cent*) as tax revenue increased by ₹ 3,160 crore (15 *per cent*) and share of union taxes and

duties from the Government of India (GOI) by ₹ 381 crore (14 *per cent*). Grants-in-aid from GOI decreased by ₹ 416 crore (15 *per cent*) and non-tax revenue by ₹ 49 crore (one *per cent*) over 2011-12. The State's own tax revenue fell short by 3.74 *per cent* and 1.32 *per cent* of targets fixed under Fiscal Correction Path (FCP) (₹ 24,475 crore) and projection made in Mid-term Fiscal Policy Statement (MTFPS) (₹ 23,873 crore) respectively but was higher by 1.75 *per cent* of the target fixed by Thirteenth Finance Commission (ThFC) (₹ 23,154 crore). The non–tax revenue (₹ 4,673 crore) fell short by 69 *per cent*, five *per cent* and 2.7 *per cent* of the target fixed by ThFC (₹ 14,981 crore), projection made in FCP (₹ 4,915 crore) and MTFPS (₹ 4,805 crore) respectively for the year 2012-13 ***(Appendix 1.6)***.

- Revenue expenditure increased by ₹ 6,057 crore (19 *per cent*) as a result of increase in expenditure on 'social services' (₹ 1,875 crore), 'economic services' (₹ 2,503 crore) and 'general services' (₹ 1,677 crore). The Non-Plan Revenue expenditure (NPRE) (₹ 28,616 crore) was higher by ₹ 1,206 crore (four *per cent*) and ₹ 8,256 crore (41 *per cent*) than the projections made in FCP (₹ 27,410 crore) and the normative assessment in ThFC (₹ 20,360 crore) respectively ***(Appendix 1.6)***.

- Capital expenditure increased by ₹ 390 crore (7 *per cent*) mainly on account of increase in expenditure on 'economic services' (₹ 295 crore) and 'social services' (₹ 79 crore).

- Recovery of loans and advances increased by ₹ 55 crore (19 *per cent*) during 2012-13.

- Public debt receipts and repayments increased by ₹ 4,447 crore (41 *per cent*) and ₹ 1,914 crore (47 *per cent*) respectively, resulting in net increase of ₹ 2,533 crore in public debt receipts.

- Public account receipts increased from ₹ 19,260 crore in 2011-12 to ₹ 22,709 crore in 2012-13 and their disbursements also increased from ₹ 17,051 crore in 2011-12 to ₹ 21,074 crore in 2012-13.

- The cash balance of ₹ 2,697 crore at the close of 2012-13 increased by ₹ 535 crore over the previous year.

1.1.2 Review of the fiscal situation

Fiscal reforms path in Haryana

In Haryana, fiscal reforms and consolidation were brought to the forefront with the State Government enacting of the Fiscal Responsibility and Budget Management (FRBM) Act, 2005 on 6 July, 2005 as per recommendations of

12th Finance Commission with an objective to eliminate revenue deficit and reduce fiscal deficit within prescribed limit. The FRBM Act was further amended as per guidelines received from GOI, from time to time. The ThFC recommended the State Government for attaining zero revenue deficit target from 2011-12 and maintaining the same till 2014-15, limiting the fiscal deficit to three *per cent* of GSDP from 2010-11 and maintaining the same till 2014-15 and limiting the outstanding debt as percentage of GSDP by 22.4 *per cent* in 2010-11, 22.6 *per cent* in 2011-12 and 22.7 *per cent* in 2012-13.

Major fiscal variables provided in the budget based on recommendations of the ThFC and as targeted in the FRBM Act of the state, are shown in **Table 1.2**.

Table 1.2 : Variations in major fiscal variables from projections

Fiscal variables	2012-13						
	Targets as prescribed in FRBM Act	Targets proposed in the Budget	Projections made in Five Year Fiscal plan/MTFP	Actuals	Percentage variation of actuals over		
					Targets of FRBM Act	Targets of Budget	Projections of Five year fiscal plan/ MTFP
Revenue Deficit (-) / Surplus (+) (₹ in crore)	Zero	(-) 2,456	(-) 2,456	(-) 4,438	-	(-) 1,982 (81 *per cent*)	(81 *per cent*)
Fiscal Deficit/GSDP (In per cent)	3	2.06 (₹ 7,597 crore)	2.06	2.93	(-) 0.07	0.87	0.87
Ratio of total outstanding debt of the Government to GSDP (In *per cent*)	22.7	16.36 (₹ 60,437 crore)	16.36	18.33	(-) 4.37	1.97	1.97

The revenue deficit (₹ 4,438 crore) and fiscal deficit (2.93 *per cent*) of GSDP for the year 2012-13 were higher than the projection made in budget and MTFPS but fiscal deficit was within limit of 3 *per cent* of GSDP prescribed under FRBM Act.

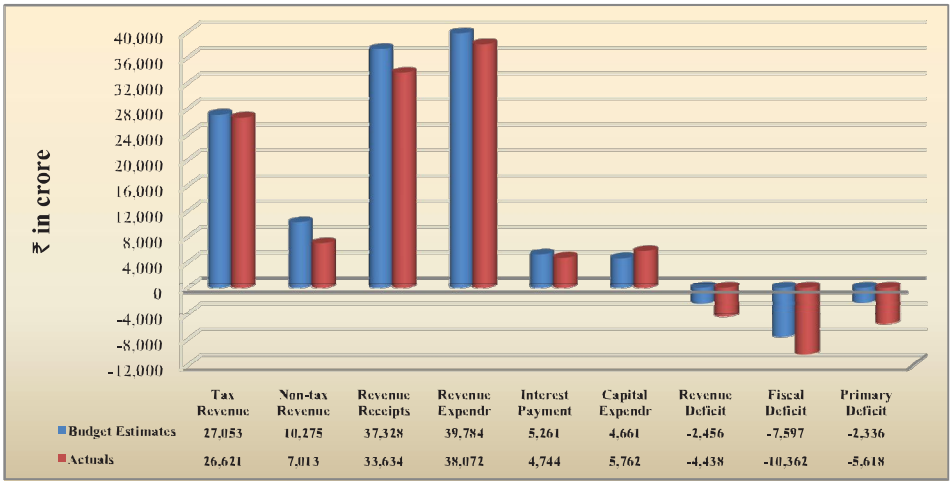
The total outstanding debt projected at 22.7 *per cent* and 16.36 *per cent* of GSDP as per FRBM Act and budget respectively for the year 2012-13 was within limit at 18.33 *per cent* of GSDP in the current year.

1.1.3 Budget estimates and actual

The budget papers provide estimates of revenue and expenditure for a particular fiscal year. The estimation of revenue and expenditure should be made as accurately as possible so that variations can be analysed to find out the genuine causes.

The Budget estimates and actual for some important fiscal parameters are given in **Chart 1.1**.

Chart 1.1: Selected Fiscal Parameters: Budget Estimates vis-a-vis Actuals for 2012-13



As against the targeted revenue receipt of ₹ 37,328 crore, the actual revenue receipts were ₹ 33,634 crore (90 *per cent*). The collection under non-tax revenue was only ₹ 7,013 crore (69 *per cent*) against the anticipated receipt of ₹ 10,275 crore mainly due to lesser Grants-in-Aid receipt from GOI which was only ₹ 2,340 crore (43 *per cent*) against the anticipation of ₹ 5,470 crore. The actual revenue expenditure (₹ 38,072 crore) was within the budget provision of ₹ 39,784 crore. Although the interest payments (₹ 4,744 crore) were kept within estimated projection (₹ 5,261 crore), the capital expenditure (₹ 5,762 crore) was not restricted to its estimation (₹ 4,661 crore) and exceeded by ₹ 1,101 crore (19 *per cent*). The Government could not maintain the estimated revenue deficit (₹ 2,456 crore), fiscal deficit (₹ 7,597 crore) and primary deficit (₹ 2,336 crore) as these increased to ₹ 4,438 crore, ₹ 10,362 crore and ₹ 5,618 crore, respectively during the year.

1.1.4 Gender budgeting

The State Government has introduced some schemes exclusively for women in the budget. Some of them are detailed in **Table 1.3.**

Table 1.3 : Schemes for the women – budget estimates and expenditure incurred during 2012-13

(₹ in crore)

Sr. No.	Scheme	Budget Estimate	Actual Expenditure
1.	Indira Gandhi Priyadarshini Vivah Shagun Yojana	81.96	81.96
2.	Ladli – Social security pension scheme for families having only girl/girls child	13.53	13.53
3.	Widow pension	430.42	430.42
4.	Rajiv Gandhi scheme for empowerment of adolescent girls	7.38	7.38
5.	Insurance of anganwari workers/ helpers	3.98	3.98
6.	Apni beti apna dhan (Ladli)	69.82	69.82
7.	Adolscent girls scheme	1.47	1.47
8.	Protection of women from domestic violence - setting up of cells	0.86	0.86
9.	Home cum training centres for destitute women and widows	1.50	1.50
10.	Assistance for women co-operatives	0.68	0.68

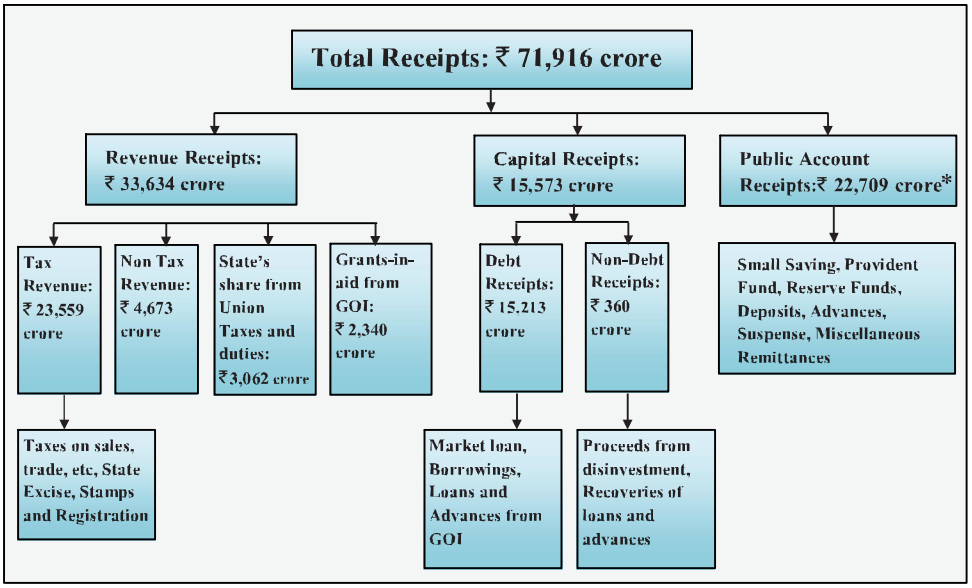
(Source : Detailed Appropriation Accounts for 2012-13)

1.2 Resources of the State

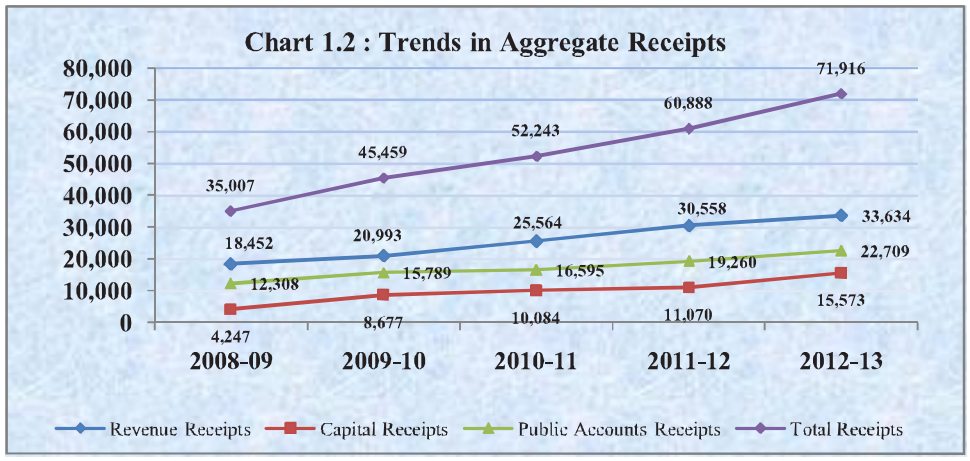
1.2.1 Resources of the State as per Finance Accounts 2012-13

Revenue and capital are the two streams of receipts that constitute the resources of the State Government. Revenue receipts consist of tax revenues, non-tax revenues, State's share of union taxes and duties and grants-in-aid from the Government of India (GOI). 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 GOI as well as accruals from Public Account. **Table 1.1** presents the receipts and disbursements of the State during the current year as recorded in its Annual Finance Accounts while **Chart 1.2** depicts the trends in various components of the receipts of the State during 2008-13, the **Chart 1.3** depicts the composition of resources of the State during the current year.

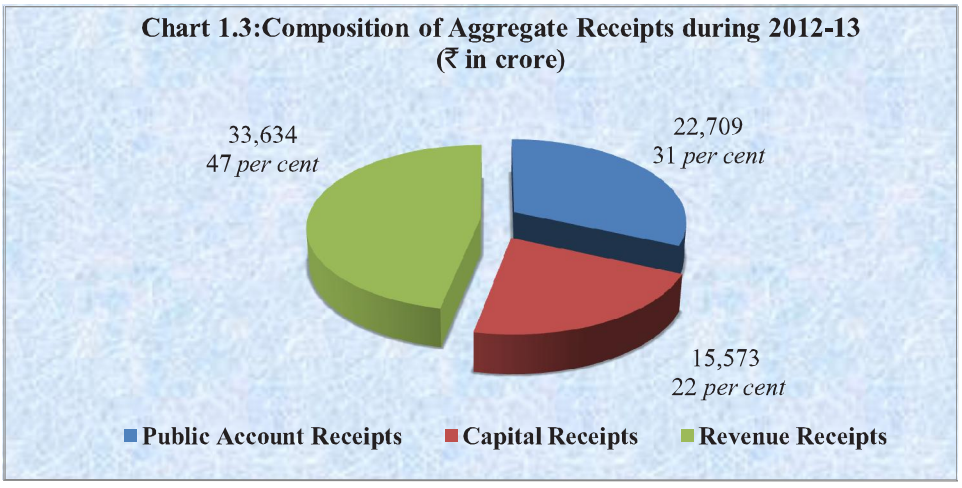
Following flow chart shows the components and sub component of the resources



*** This does not include disbursements.**



(Source: State Finance Accounts of the respective years)



The total receipts of the Government increased by ₹ 36,909 crore, (105 *per cent*) from ₹ 35,007 crore in 2008-09 to ₹ 71,916 crore in 2012-13. Revenue receipts increased by ₹ 15,182 crore (82 *per cent*), Capital receipts, which includes recovery of loans and advances and public debt, increased by ₹ 11,326 crore (267 *per cent*) and Public Account receipts increased by ₹ 10,401 crore (85 *per cent*) during the same period. The share of revenue receipts in the total receipts decreased from 53 *per cent* in 2008-09 to 47 *per cent* in 2012-13. The share of the Public Accounts decrease from 35 to 31 *per cent* whereas the share of capital receipts including debt increased from 12 *per cent* to 22 *per cent* during the same period.

1.2.2 Funds transferred to State Implementing Agencies outside the State Budget

Government of India has been transferring funds directly to State implementing agencies for the implementation of various schemes/ programmes in the social and economic sectors. As these funds are not routed through the State Budget/State Treasury System, Annual Finance Accounts do not capture these funds. Funds directly transferred to State implementing agencies during 2012-13 towards various programmes are presented in **Table 1.4**.

Table 1.4: Funds transferred directly to State Implementing Agencies

(₹ in crore)

Sr. No.	Programme/Scheme	Implementing Agency in the State	Central Share	
			2011-12	2012-13
1.	Members of Parliament Local Area Development Scheme	District Rural Development Agency (DRDA)	35.86	63.57
2.	Mahatma Gandhi National Rural Employment Guarantee Scheme	DRDA	316.74	380.57
3.	Indira Awas Yojana	DRDA	80.61	80.27
4.	Swaranjayanti Gram Swarojgar Yojana	DRDA	34.94	31.24
5.	Desert Development Programme	DRDA	33.26	17.01
6.	Integrated Wasteland Development Programme	DRDA	5.87	2.64
7.	District Rural Development Agency (Administration)	DRDA	23.08	22.54
8.	Backward Region Grant Fund	DRDA	26.60	23.92
9.	Sarva Shiksha Abhiyan	*Shiksha Sadan* Society	767.96	694.28
10.	National Programme for Education of Girls at Elementary Level	*Shiksha Sadan* Society	1.72	2.30
11.	Kasturba Gandhi Bal Vidyalya	KGBV	2.26	3.72
12.	National Rural Health Mission	Haryana State Health and Family Welfare Society	276.10	282.54
13.	National Horticulture Mission	NA	76.39	90.82
14.	Pradhan Mantri Gram Sadak Yojana	DRDA	61.00	36.49
15.	Mid Day Meal	*Shiksha Sadan* Society	267.32	247.80
	Total		**2,009.71**	**1,979.71**

(Source: Information supplied by concerned departments and Finance Accounts)

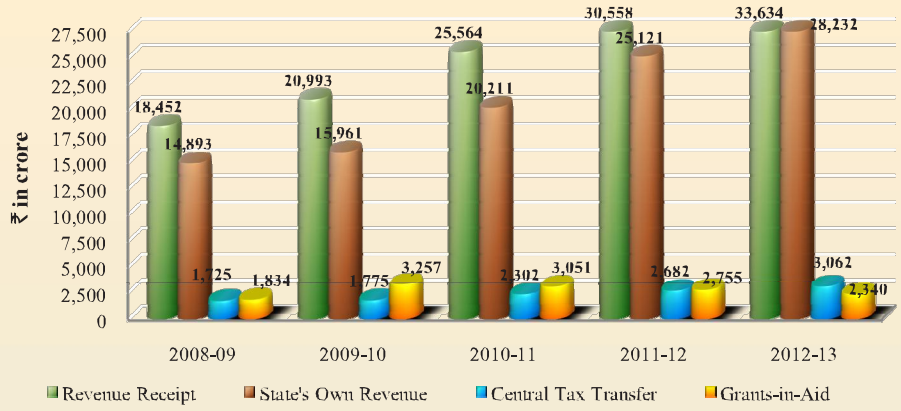
It may be seen that the funds transferred directly to the State implementing agencies (Central share) decreased by ₹ 30 crore during 2012-13. The decrease was mainly under Pradhan Mantri Gram Sadak Yojana : ₹ 24.51 crore (40 *per cent*), Sarva Shiksha Abhiyan: ₹ 73.68 crore (10 *per cent*), Mid Day Meal: ₹ 19.52 crore (7.3 *per cent*) and Desert Development Programme :

₹ 16.25 crore (49 *per cent*). However, the transfer of funds mainly increased under Mahatma Gandhi National Rural Employment Guarantee Scheme by ₹ 63.83 crore (20 *per cent*) and under Members of Parliament Local Area Development Scheme by ₹ 27.71 crore (77 *per cent*).

1.3 Revenue Receipts

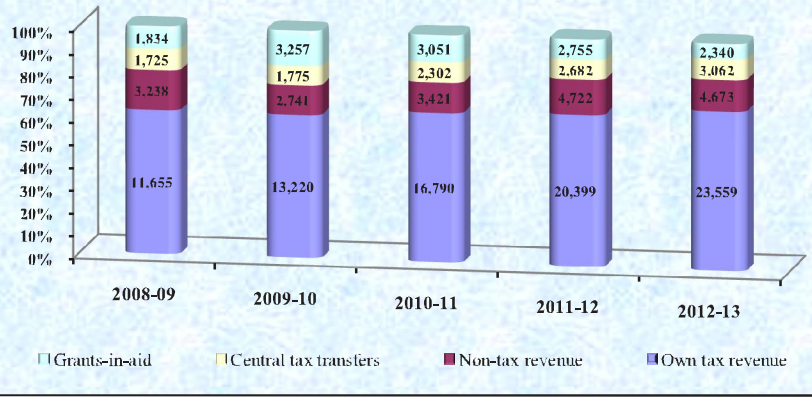
Statement 11 of the Finance Accounts details the revenue receipts of the Government. The revenue receipts consist of the State's own tax and non-tax revenues, central tax transfers and grants-in-aid from GOI. The trends and composition of revenue receipts over the period 2008-13 are presented in ***Appendix 1.4*** and also depicted in **Charts 1.4 and 1.5** respectively.

Chart 1.4: Trends in Revenue Receipts



(Source: State Finance Accounts of the respective years.)

Chart 1.5: Composition of Revenue Receipts during 2008-2013
(₹ in crore)



The revenue receipts of the State increased by 82 *per cent* during the period from 2008-09 to 2012-13. The State's own revenue increased by 90 *per cent*, the grants-in-aid from GOI increased by 28 *per cent* and the central tax transfers increased by 78 *per cent* during the same period. The share of the State's own revenue (tax revenue and non-tax revenue) in the total revenue

increased from 81 *per cent* in 2008-09 to 84 *per cent* in 2012-13. The share of grants-in-aid from GOI decreased from 10 *per cent* in 2008-09 to seven *per cent* in 2012-13.

During 2003-04 to 2011-12, the compound annual growth rate of revenue receipts at 15.21 *per cent* was less than the growth rate of general category states (17.48 *per cent*). This growth rate for the period 2003-04 to 2012-13 decreased to 14.61 *per cent* ***(Appendix 1.1).*** The trends in revenue receipts relative to GSDP are given in **Table 1.5.**

Table 1.5 : Trends in Revenue Receipts relative to GSDP

	2008-09	2009-10	2010-11	2011-12	2012-13
Revenue Receipts (RR) (₹ in crore)	**18,452**	**20,993**	**25,564**	**30,558**	**33,634**
Rate of growth of RR (*per cent*)	(-)6.58	13.77	21.77	19.54	10.07
R R/GSDP (*per cent*)	10.11	9.39	9.65	9.93	9.52
Buoyancy Ratios					
Revenue Buoyancy with respect to GSDP	(-)0.322	0.612	1.175	1.216	0.676
State's Own Tax Buoyancy with respect to GSDP	0.016	0.597	1.457	1.338	1.040
Revenue Buoyancy with reference to State's own taxes	(-)20.65	1.03	0.81	0.91	0.65
State's GSDP (₹ in crore)	1,82,522	2,23,600	2,65,033	3,07,606	3,53,440
Growth rate of GSDP (Percentage)	20.4	22.51	18.53	16.06	14.90

The growth rate of revenue receipts which was negative in 2008-09 increased to 21.77 *per cent* in 2010-11 but decreased thereafter to 10.07 *per cent* in 2012-13. The percentage ratio of revenue receipts to GSDP also decreased from 10.11 in 2008-09 to 9.52 in 2012-13. The State's own tax buoyancy with reference to GSDP increased from 0.016 in 2008-09 to 1.457 in 2010-11 but decreased thereafter to 1.040 during 2012-13. The revenue buoyancy with reference to the GSDP also increased from (-) 0.322 in 2008-09 to 1.216 in 2011-12 but decreased to 0.676 in 2012-13. The revenue buoyancy with reference to own tax revenue decreased from 1.03 in 2009-10 to 0.65 in 2012-13.

1.3.1 State's Own Resources

As the State's share in central taxes and grants-in-aid is determined on the basis of recommendations of the Finance Commission, the State's performance in mobilization of resources is assessed in terms of its own resources comprising own tax and non-tax sources.

The States actual tax and non tax receipts for the year 2012-13 vis-a-vis assessment made by ThFC and MTFPS are given in the **Table 1.6.**

Table 1.6 : Acutal tax and non-tax receipts vis-à-vis assessment made by ThFC and MTFP

(₹ in crore)

	ThFC projection	Budget estimates	MTFPS projection	Actual	Percentage variation of actual over		
					ThFC projection	Budget estimates	MTFPS projection
Tax revenue	23,154	23,873	23,873	23,559	1.75	(-) 1.32	(-) 1.32
Non tax revenue	14,981	4,805	4,805	4,673	(-) 68.81	(-) 2.73	(-) 2.73

The actual collection under State's own tax revenue was 1.75 *per cent* above the projections made by ThFC but fell short by 1.32 *per cent* to the projections made in budget estimates and MTFP. The actual receipts under non-tax revenue fell short by 69 and 2.73 *per cent* than the projections made by ThFC, budget estimates and MTFPS respectively.

1.3.1.1 Tax revenue

The gross collection in respect of major taxes and duties are given in **Table 1.7** and **Chart 1.6** depicts the trends in various components of own tax revenue of the State during 2008-13.

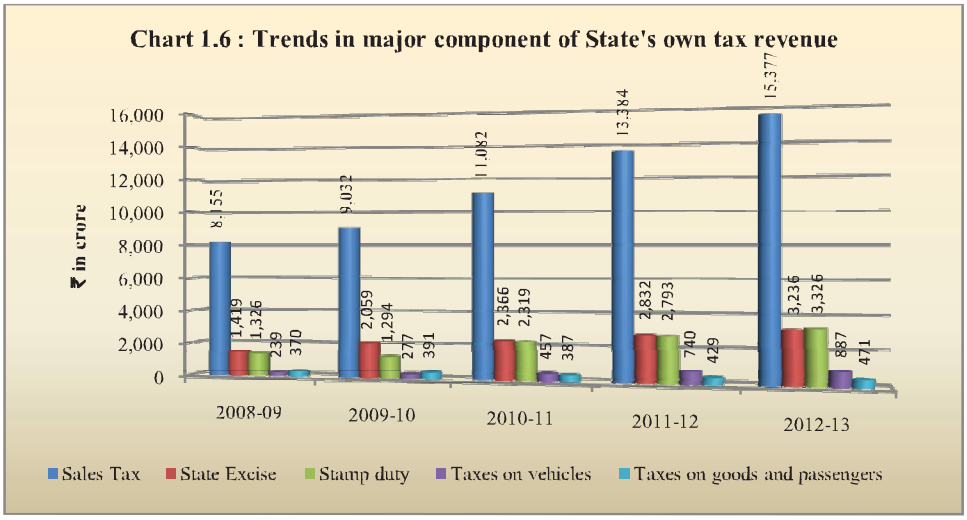
Table 1.7: Components of State's own resources

(₹ in crore)

Revenue Head	2008-09	2009-10	2010-11	2011-12	2012-13
Taxes on sales, trades, etc.	8,154.73	9,032.33 (11)	11,082.01 (23)	13,383.69 (21)	15,376.58 (15)
State excise	1,418.53	2,059.02 (45)	2,365.81 (15)	2,831.89 (20)	3,236.48 (14)
Taxes on vehicles	239.30	277.07 (16)	457.36 (65)	740.15 62)	887.30 (20)
Stamp duty and Registration fees	1,326.39	1,293.56 (-2)	2,319.28 (79)	2,793.00 (20)	3,326.25 (19)
Land revenue	8.58	9.45 (10)	10.02 (6)	10.95 (9)	12.98 (19)
Taxes on goods and passengers	370.29	391.45 (6)	387.14 (-1)	429.32 (11)	470.76 (10)
Other taxes[1]	137.46	156.70 (14)	168.75 (3)	210.46 (31)	248.67 (18)
Total	**11,655.28**	**13,219.58 (13)**	**16,790.37 (27)**	**20,399.46 (22)**	**23,559.02 (15)**

(The percentage increase over previous year is shown in parenthesis)
(Source: Finance Accounts for the respective years)

[1] Other taxes include taxes on immovable property other than agricultural land, taxes and duties on electricity and agricultural income.



(Source: Finance Accounts for the respective years)

Tax revenue increased by ₹11,904 (102 *per cent*) during 2008-13. All the major taxes and duties recorded increase in the tax revenue but the sales tax, state excise, stamp duty and taxes on vehicles were major contributors for the increase.

During 2003-04 to 2011-12, the compound annual growth rate of tax revenue was 15.71 *per cent* which was less than the growth rate of general category states (17.44 *per cent*). This growth rate for the period 2003-04 to 2012-13 decreased to 15.67 *per cent* ***(Appendix 1.1).*** The State's own tax revenue was less than the projections made by the Government in its FCP (₹ 24,475 crore) and the projection in MTFPS (₹ 23,873 crore).

1.3.1.2 Non tax revenue

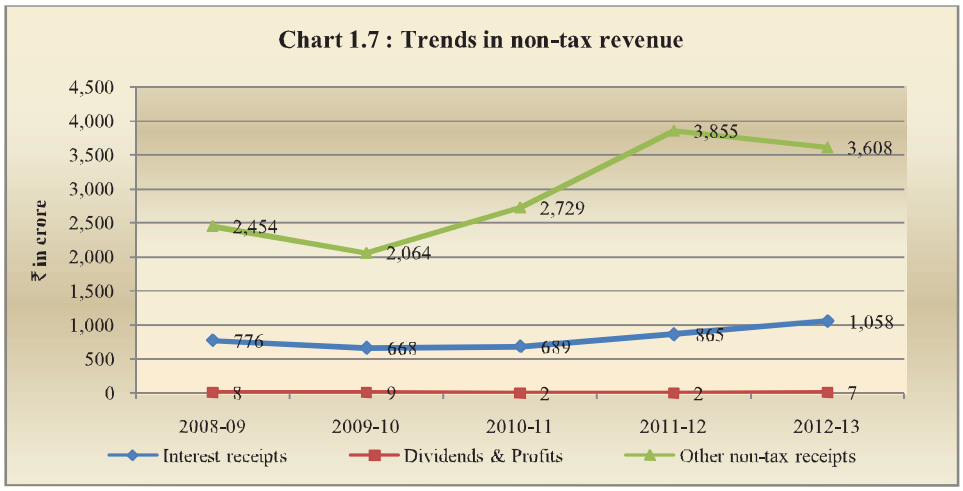
Growth of non-tax revenue during five years (2008-13) is given in **Table 1.8** and **Chart 1.7** depicts the trends in various components of non-tax revenue of the State during 2008-13.

Table 1.8 : Growth of non-tax revenue during 2008-13

(₹ in crore)

Revenue Head	2008-09	2009-10	2010-11	2011-12	2012-13
Interest receipts	776.28	667.88 (-14)	689.34 (3)	864.96 (25)	1,058.21 (22)
Dividends and Profits	8.27	9.60 (16)	2.48 (-74)	1.64 (-34)	7.05 (330)
Other non-tax receipts	2,453.90	2,064.45 (-16)	2,729.11 (32)	3,855.05 (41)	3,607.89 (-6)
a) Major and medium Irrigation	74	219	202	583	139
b) Road Transport	645	700	762	853	1,000
c) Urban Development	885	134	975	1039	991
d) Education	156	285	270	296	385
e) Non-ferrous mining and metallurgical industries	196	247	83	76	76
Total	**3,238.45**	**2,741.39 (-15)**	**3,420.93 (25)**	**4,721.65 (38)**	**4,673.15 (-1)**

(The percentage increase over previous year is shown in parenthesis)
(Source: Finance Accounts for the respective years)



(Source: Finance Accounts for the respective years)

The actual receipts under non-tax revenue increased by ₹ 1,435 crore (44 *per cent*) during 2008-13. Non Tax revenue (₹ 4,673 crore) constituted 14 *per cent* of the total receipt during 2012-13 registering a decrease of ₹ 49 crore (1.03 *per cent*) over the previous year.

1.3.2 Grants in aid from GOI

The grants-in-aid from GOI decreased by ₹ 415.68 crore in 2012-13 over the previous year as shown in **Table 1.9**.

Table 1.9 : Grants-in-aid received from GOI

(₹ in crore)

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
Non-Plan Grants	523.37	1,617.34 (209)	1,765.98 (9)	1,246.51 (-29)	851.62 (-32)
Grants for State Plan Schemes	731.32	920.37 (26)	749.74 (-19)	674.54 (-10)	727.75 (8)
Grants for Central Plan Schemes	31.98	50.87 (59)	87.79 (73)	50.79 (-42)	44.32 (-13)
Grants for Centrally Sponsored Schemes	547.29	668.72 (22)	447.11 (-33)	783.09 (75)	715.56 (-9)
Total	**1,833.96**	**3,257.30 (78)**	**3,050.62 (-6)**	**2,754.93 (-10)**	**2,339.25 (-15)**

(The percentage increase over previous year is shown in parenthesis)

(Source: Finance Accounts for respective years.)

1.3.3 Central tax transfers

Central tax transfers increased from ₹ 2,682 crore in 2011-12 to ₹ 3,062 crore in 2012-13 as given in **Table 1.10**.

Table 1.10 : Central tax transfers during 2011-12 and 2012-13

(₹ in crore)

Name of Tax	Recommendation of ThFC	Actuals for 2011-12	Actuals for 2012-13
Corporation Tax	32 *per cent* of the sharable amount of Central taxes to states	1,055.55	1,100.02
Income Tax		536.17	658.56
Wealth Tax		4.07	1.84
Customs		464.96	508.89
Union Excise Duty		300.88	345.84
Service Tax		319.92	446.98
Total		**2,681.55**	**3,062.13**

(Source: Finance Accounts for respective years.)

The ThFC recommended for increasing the States' share of Central Taxes from 30.50 to 32 *per cent*. Accordingly, the State's share in the net proceeds of Central Tax (excluding Service Tax) and net proceeds of Service Tax was fixed at 1.048 and 1.064 *per cent*, respectively. The share of Union Taxes received during 2012-13 (₹ 3,062.13 crore) was less than the projections made in the estimate (₹ 3,179.90 crore) by ₹ 117.77 crore.

Increase of the State's share of Union Taxes and duties by ₹ 380.58 crore over the previous year was mainly under Corporation Tax (₹ 44.47 crore), Customs Duty (₹ 43.93 crore) Taxes on Income other than Corporation Tax (₹ 122.39 crore) and Service Tax (₹ 127.06 crore) and union Excise Duty (₹ 44.96 crore).

1.3.4 Optimisation of the ThFC grants

The budget estimates made for fulfillment of ThFC recommendations and expenditure incurred during the year 2012-13 are given in **Table 1.11**.

Table 1.11 : Detail of outlay and expenditure against ThFC recommendations

(₹ in crore)

Sr. No.	Name of the Department	Scheme	Approved outlay	Revised outlay	Actual expenditure	Percentage of actual expenditure to revised outlay
1.	Forests	Protection of forests	2.20	2.20	3.60	164
2.	Panchayats	PRI scheme-Augmentation of Traditional Water Sources	231.26	246.39	246.39	100
3.	Electronics and Information Technology	Unique ID to the State citizens under SUIDAI	6.42	6.42	--	--
4.	Science and Technology	Administrative set up of Science and Technology Council/ Grants-in-aid, innovation council, etc.	10.50	10.50	10.50	100
5.	Elementary Education	Elementary Education	46.00	46.00	46.00	100
6.	Medical Education	Mewat Medical College	25.00	35.00	10.00	29
7.	Health	Development of health infrastructure	50.00	100.00	50.00	50
		IMR	--	12.22	--	--
8.	Public Health Engineering	Shiwalik and Southern Haryana	75.00	75.00	38.17	51
		Mewat Development	25.00	25.00	0.90	4
9.	Police Housing	Construction of Police Stations	25.00	25.00	25.00	100
10.	Urban Development	Development works TFC	92.44	95.55	60.81	64
		Fire and Emergency Services (TFC)	25.00	25.00	--	--
11.	Industrial Training	Development of training infrastructure in Mewat	25.00	25.00	7.84	31
	Total		**638.82**	**729.28**	**499.21**	**68**

(Source: Figures as supplied by Finance Department.)

The actual expenditure of ₹ 499.21 crore was 68 *per cent* of the revised outlay made for fulfillment of recommendations of ThFC.

1.4 Capital Receipts

Capital receipts include recoveries of loans and advances receipts through debt i.e. internal and from GOI and miscellaneous capital receipts The capital receipts during five years (2008-13) are detailed in **Table 1.12**.

Table 1.12 : Trends in growth and composition of receipts

(₹ in crore)

Sources of State's Receipts	2008-09	2009-10	2010-11	2011-12	2012-13
Capital Receipts (CR)	**4,246.66**	**8,677.60**	**10,083.78**	**11,070.19**	**15,573.73**
Miscellaneous Capital Receipts	6.80	9.39	8	9.24	10.81
Recovery of Loans and Advances	351.80	212.84	233.05	294.12	349.38
Public Debt Receipts	3,888.06	8,455.37	9,842.73	10,766.83	15,213.54
Rate of growth over the previous year (*per cent*)					
Of debt capital receipts		117	16	9	41
Of non-debt capital receipts		(-) 38	8	26	19
Of GSDP	20.4	22.51	18.53	16.06	14.90
of Capital Receipts		104	16	10	41

(Source: Finance Accounts of respective years)

1.4.1 Proceeds from disinvestment

During the year 2012-13 net proceeds from capital disinvestment were ₹ 10.81 crore which is 16.99 *per cent* more than the previous year (₹ 9.24 crore).

1.4.2 Recoveries of loans and advances

During the year loans and advances amounting to ₹ 349.38 crore were recovered. Out of total outstanding loans and advances of ₹ 3,488.48 crore as on 31 March 2013, loans and advances of ₹ 176.30 crore were recoverable from a non working company Haryana State Minor Irrigation (Tube wells) Corporation Ltd. (HSMITC) Chandigarh.

1.4.3 Debt receipts from internal sources

An amount of ₹ 15,162.39 crore was received as internal debt receipts during 2012-13 which was ₹ 4,493.28 crore (42 *per cent*) more than previous year. Loans of ₹ 9,330 crore as market loans, ₹ 5,158.23 crore from financial institutions and banks and ₹ 674.16 crore from National Small Savings Funds were raised during 2012-13.

1.4.4 Loans and Advances from GOI

Total loans and Advances from GOI decreased by ₹ 75.54 crore from ₹ 2,053.27 crore in 2011-12 to ₹ 1,977.73 crore in 2012-13. The loans of ₹ 51.15 crore were received from GOI and repayment of ₹ 126.69 crore was made during the year.

1.5 Public Accounts Receipts

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 Public Account

set up under Article 266(2) of the Constitution of India and are not subject to vote by the State Legislature. The balance after disbursements is fund available with the Government for use.

Table 1.13 : Details of balance in Public Accounts during the period 2008-09 to 2012-13

(₹ in crore)

Sources of State's Receipts	2008-09	2009-10	2010-11	2011-12	2012-13
Public Account Receipts					
a. Small Savings, Provident Fund etc.	6,609.43	7,471.36	8,219.16	8,937.68	9,395.64
b. Reserve Fund	1,519.42	1,839.94	1,786.37	2,152.24	2,712.91
c. Deposits and Advances	2,220.85	2,747.49	3,064.15	3,890.71	4,487.76
d. Suspense and Miscellaneous	(-) 39.61	4.88	(-) 45.25	37.48	129.46
e. Remittances	(-) 6.93	(-) 289.88	15.20	230.08	157.48
Total	**10,303.16**	**11,772.91**	**13,039.63**	**15,248.19**	**16,883.25**

(Source: Finance accounts of respective years)

Balance under Public Accounts increased by ₹ 6,580 crore (64 *per cent*) over a period of five years (2008-13).

1.6 Application of Resources

The application of resources are analysed under various headings such as growth and composition of expenditure, revenue expenditure, committed expenditure, expenditure on salaries, interest payments, subsidies, pension payments and expenditure on flagship schemes in the succeeding paragraphs.

1.6.1 Growth and Composition of Expenditure

Chart 1.8 presents the trends in total expenditure over a period of the last five years (2008-13) and its composition both in terms of 'economic classification' and 'expenditure by activities' is depicted respectively in **Chart 1.9 and 1.10** for the year 2008-09 to 2012-13.

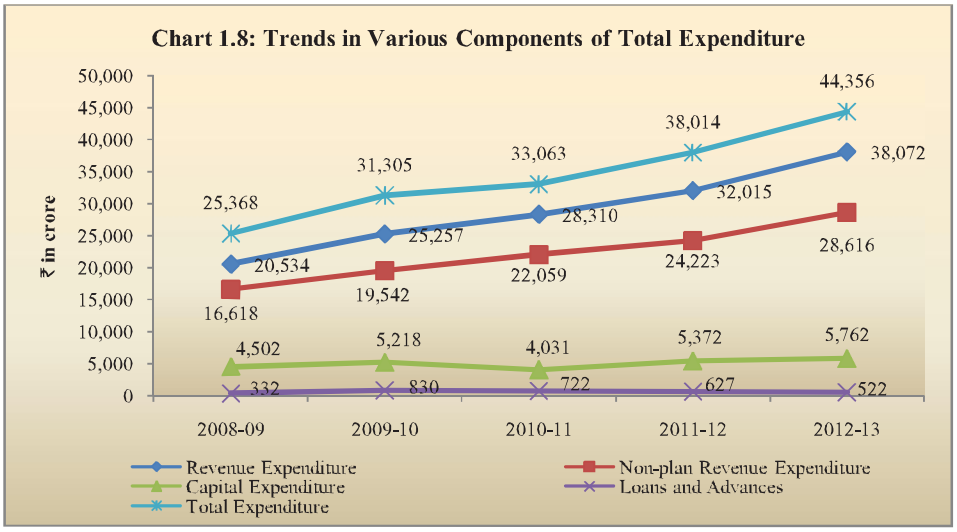


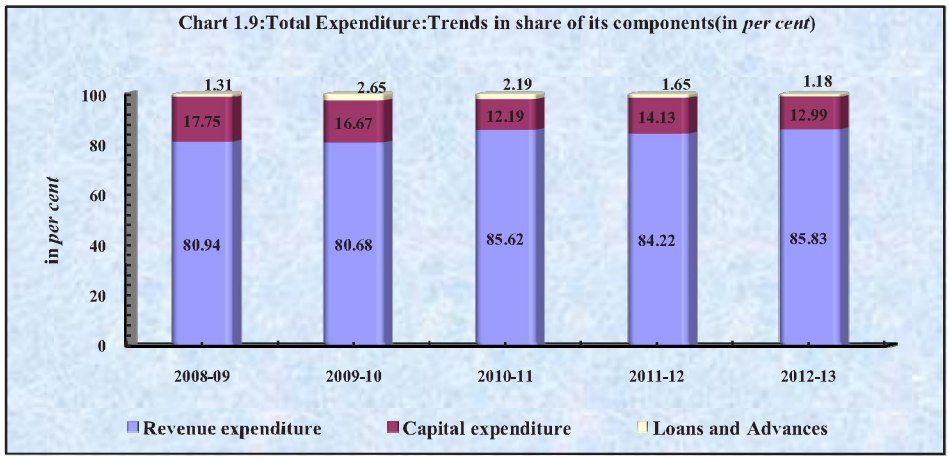
Table 1.14 presents the growth of capital expenditure over five years (2008-13).

Table 1.14 : Growth of Capital Expenditure

(₹ in crore)

	2008-09	**2009-10**	**2010-11**	**2011-12**	**2012-13**
Capital Expenditure	4,502	5,218	4,031	5,372	5,762
Growth rate (*per cent*)	31	16	(-)23	33	7
Percentage of total expenditure	17.75	16.67	12.19	14.13	12.99

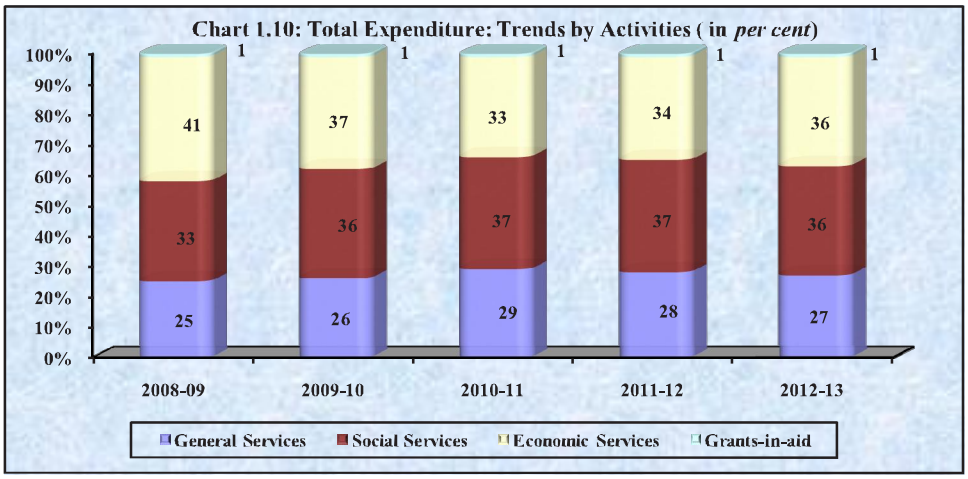
Total expenditure increased by 75 *per cent* over a period of five years (2008-13). It increased by 17 *per cent* over the previous year. The share of Plan and Non Plan expenditure was in the ratio of 31 *per cent* and 69 *per cent*. During this period, revenue expenditure increased by 85 *per cent* and capital expenditure by 28 *per cent*. Disbursement of Loans and advance also increased by 57 *per cent* during the period from 2008-09 to 2012-13.



(Source: Finance Accounts of respective years)

The Share of revenue expenditure in total expenditure increased from 80.94 *per cent* in 2008-09 to 85.83 *per cent* in 2012-13, while the share of capital

expenditure in total expenditure decreased from 17.75 *per cent* in 2008-09 to 12.99 *per cent* in 2012-13 and also share of Loans and Advances disbursed decreased from 1.31 *per cent* in 2008-09 to 1.18 *per cent* in 2012-13. The ratio of NPRE to total expenditure decreased from 65.50 *per cent* in 2008-09 to 64.51 *per cent* in 2012-13. The ratio of NPRE to GSDP decreased from 9.10 *per cent* in 2008-09 to 8.10 *per cent* in 2012-13.



The movement of relative shares of various components of expenditure indicated that while the share of general services including interest payments and social services increased from 25 and 33 *per cent* in 2008-09 to 27 and 36 *per cent* in 2012-13 respectively, the share of economic services decreased from 41 *per cent* in 2008-09 to 36 *per cent* in 2012-13 while the share of grants-in-aid remained same for the period. The combined share of social and economic services which represented development expenditure also decreased from 74 *per cent* in 2008-09 to 72 *per cent* in 2012-13.

1.6.2 Revenue expenditure

Table 1.15 presents the growth of revenue expenditure over five years (2008-13):

Table 1.15 : Growth of Revenue Expenditure

(₹ in crore)

	2008-09	2009-10	2010-11	2011-12	2012-13
Revenue expenditure	20,534	25,257	28,310	32,015	38,072
Growth rate (*per cent*)	17	23	12	13	19
Percentage to GSDP	11	11	11	10	11
Non-plan Revenue expenditure (NPRE)	16,616	19,542	22,059	24,223	28,616
Percentage of NPRE to revenue expenditure	81	77	78	76	75

Revenue expenditure during 2008-13 increased by ₹ 17,538 crore (85 per cent) with the growth rate ranged from 12 to 23 per cent but its percentage to GSDP remained almost constant at 11 during the same period.

Revenue expenditure increased by 19 *per cent* from ₹ 32,015 crore in 2011-12 to ₹ 38,072 crore in 2012-13, mainly due to increase in expenditure on economic services (₹ 2,503 crore) and general services (₹ 1,677 crore), on account of more expenditure mainly on pensions (₹ 432 crore) and interest payments (₹ 743 crore). The expenditure on social services also increased by ₹ 1,875 crore over the previous year due to more expenditure mainly on education, sports, art and culture (₹ 735 crore), water supply, sanitation, housing and urban development (₹ 415 crore). The break-up of revenue expenditure into NPRE (75 *per cent*) and Plan revenue expenditure (PRE) (25 *per cent*) showed that the proportionate share of NPRE was substantially higher than the PRE. The total increase of ₹ 6,057 crore in revenue expenditure comprised of ₹ 4,393 crore and ₹ 1,664 crore in NPRE and PRE respectively.

The NPRE in 2012-13 at ₹ 28,616 crore was higher than the normative assessment of ThFC (₹ 20,360 crore), projection made in FCP (₹ 27,410 crore) projection of the Government made in its MTFPS (₹ 28,614 crore) ***(Appendix 1.6)***.

1.6.3 Committed Expenditure

The committed expenditure on revenue account mainly consists of interest payments, expenditure on salaries and wages, pensions and subsidies. **Table 1.16** and **Chart 1.11** present the trends in the expenditure on these components during 2008-2013.

Table 1.16 : Components of committed expenditure

(₹ in crore)

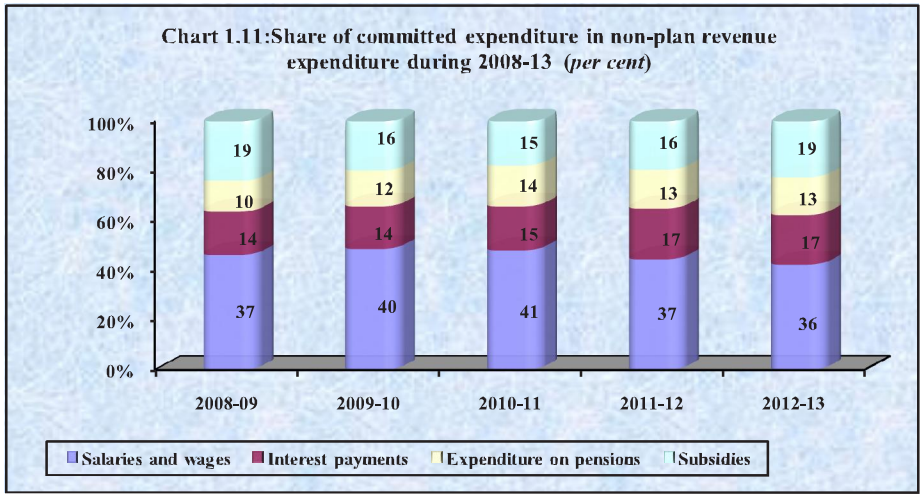
Components of Committed Expenditure	2008-09	2009-10	2010-11	2011-12	2012-13	
					Budget Estimate	Actual
Salaries and wages, Of which	6,546 (35)	8,440 (40)	9809 (38)	9,960 (33)	11,550	11,464* (34)
Non-Plan Head	6,069	7,746	8,974	9,070	10,469	10,280
Plan Head**	477	6,94	835	890	1,081	1,184**
Interest Payments	2,339 (13)	2,737 (13)	3,319 (13)	4,001 (13)	5,261	4,744 (14)
Expenditure on Pensions	1,614 (9)	2,390 (11)	3,094 (12)	3,204 (10)	3,470	3,636 (11)
Subsidies	3,190 (17)	3,089 (15)	3,285 (13)	3,853 (13)	4,348	5,454 (16)
Total	**13,689**	**16,656**	**19,507**	**21,018**	**24,629**	**25,298**

(Source: State Finance Accounts of the respective years and information supplied by office of Principal Accountant General (Accounts and Entitlement).

Note: Figures in parentheses indicate percentage to revenue receipts.

*** Includes wages of ₹ 110.49 crore.**

**** Plan head also includes the salaries and wages paid under centrally sponsored schemes.**



The total expenditure (₹ 19,734 crore) on salary, interest and pension payments was higher by ₹ 1,664 crore (nine *per cent*) than the projections by the Government in its FCP (₹ 18,070 crore) and consumed 59 *per cent* of the revenue receipts against 51 *per cent* projected in the ThFC. The four components, i.e. salary and wages, interest, pension payment and subsidies constituted about 88 *per cent* of the NPRE during 2012-13.

Expenditure on Salaries

The expenditure on salaries and wages (₹ 11,464 crore) increased by 75 *per cent* during the period from 2008-09 to 2012-13. During 2003-04 to 2011-12 and 2003-04 to 2012-13, the compound annual growth rate of expenditure on salaries and wages was 15 *per cent* ***(Appendix 1.1)***. The expenditure on salaries (₹ 11,354 crore) was higher than the projections under State's own FCP (₹ 9,810 crore), assessment by ThFC (₹ 7,253 crore) but was below the projections made in MTFPS (₹ 11,438 crore) ***(Appendix 1.6)***.

Interest payment

Interest payments (₹ 4,744 crore) increased by 103 *per cent* over a period of five year (2008-13). During 2012-13, there was an increase of ₹ 743 crore (19 *per cent*) over the previous year. The percentage of interest payments to revenue receipts remained almost consistent during 2008-13. Interest payments during 2012-13 were higher than the projections made by the State in its FCP (₹ 4,620 crore) and the assessment made by ThFC (₹ 4,616 crore) but was within the projections in the MTFPS (₹ 5,112 crore) ***(Appendix 1.6)***. The burden of interest payment increased year by year due to increase in market borrowings and interest rates thereof.

Subsidies

Payment on subsidies increased by ₹ 2,264 crore (71 *per cent*) from ₹ 3,190 crore in 2008-09 to ₹ 5,454 crore in 2012-13, which was 16 *per cent* of the revenue receipts. Out of the total subsidies of ₹ 5,454 crore, ₹ 5,132 crore (94 *per cent*) was for the power and energy sectors. The total subsidy to the power and energy sector was higher than the projection in FCP (₹ 3,650 crore) ***(Appendix 1.6)***.

The subsidies present a partial picture as these are exclusive of the implicit subsidies. Implicit subsidies inter-alia arise when the Government provides social and economic goods/ services at a price lesser than the cost of goods and services to the government. It can be indirect or in kind or take the shape of concessions. Some implicit subsidies extended during 2012-13 are detailed in the **Table 1.17**.

Table 1.17 : Details of some of the implicit subsidy

(₹ in crore)

Sr. No.	Scheme/Subsidy	Budget Estimate	Expenditure
1.	Interest free loan in lieu of deferred sales tax/VAT	10.00	10.00
2.	Scheme for managing the micro nutrients deficiency in soil	8.00	2.06
3.	Scheme for promotion of sustainable agri strategic initiatives	10.00	9.04
4.	Scheme for integrated horticulture development in Haryana	7.50	8.27
5.	Scheme for establishment of Hi-tech Dairy Units	2.00	1.94
6.	Rebate on rate of interest on short term crop loans advanced by Co-operative Banks	30.40	17.17
7.	Assistance to Dairy Co-operative (Reimbursement of Cess)	3.85	1.73
8.	Loans for construction of Houses under Rural Housing Scheme	3.75	2.63
9.	Loans to Co-operative Sugar Mills – One time settlement of the loans to all Co-operative Sugar Mills	92.00	92.00
10.	Interest free loans to village Panchayat for Revenue Earning Schemes	3.54	2.18
11.	Book Banks – Middle School	9.00	9.00
12.	Providing free bicycle to Scheduled Caste boy students in Class VI	12.00	4.64

(Source: Detailed Appropriation Accounts.)

Pension payments

Pension payments (₹ 3,636 crore) increased by 125 *per cent* during the period from 2008-09 to 2012-13 but its percentage to revenue receipts increased from nine in 2008-09 to 11 in 2012-13. During 2003-04 to 2011-12, the compound annual growth rate of expenditure on pension was 19.59 *per cent* which was reduced to 18.87 *per cent* for the period 2003-04 to 2012-13 (***Appendix 1.1***). The expenditure on pension payments in 2012-13 was higher than the

assessments made by ThFC (₹ 2,347 crore) but was less than the projections made by the Government in its FCP at ₹ 3,640 crore ***(Appendix 1.6)***. To meet the increasing pension liabilities, a new Contributory Pension Scheme was introduced by the State with effect from 1 January 2006.

Flagship schemes: Position of expenditure

Flagship schemes are an integral and critical part of Government of India's commitment towards inclusive development of the nation. The following amounts were released for the flagship schemes by the Central Government, Ministries to the Government of Haryana, their functionaries and various implementing agencies/NGOs during 2011-12.

Table 1.18: Expenditure vis-à-vis availability of funds under flagship schemes implemented in Haryana

(₹ in crore)

Sr. No.	Name of the scheme	Opening Balance	Funds received from			Total	Expenditure	Percentage of expenditure to available funds
			GOI	State Share	Other sources including opening balance			
1	National Rural Health Mission	77.10	282.54	96.00	20.00	475.14	365.14	77
2	National Rural Employment Guarantee Act	17.95	349.36	34.40	(-) 19.09	382.62	377.73	99
3	Accelerated Irrigation Benefits Programme	39.23	55.15	57.12	12.11	163.61	109.61	67
4	Indira Awas Yojana	4.46	63.67	20.23	3.88	92.24	80.27	87
5	Sarva Shiksha Abhiyan	156.16	338.10	258.06	–	752.32	654.73	87
6	National Rural Drinking Water Programme (A) Accelerated Rural Water Supply Scheme	43.98	313.41	260.38	--	617.77	529.26	86
	(B) Desert Development Programme	28.81	140.53	--	–	169.34	108.87	64
7	Mid-day Meal Scheme	36.02	178.52	53.46	–	268.00	247.80	93
8	Integrated Child Development Services Scheme	(-) 21.59	317.68	99.28	–	395.37	367.06	93
9	Pradhan Mantri Gram Sadak Yojana	43.73	--	--	3.02	46.75	38.73	83
10	Jawaharlal Nehru National Urban Renewal Mission	28.54	75.01	30.00	9.98	143.53	140.53	98
11	Rajiv Gandhi Gramin Vidyuti Karan Yojana	23.47	--	--	1.91	25.38	15.87	63

(Source: Finance Accounts and information collected from concerned departments.)

The utilisation of available funds under the National Rural Health Mission, Desert Development Programme, Accelerated Irrigation Benefits Programme and Rajiv Gandhi Gramin Vidyuti Karan Yojana was between 63 and 77 *per cent* due to release of funds by GOI in March.

1.6.4 Financial Assistance by State Government to Local Bodies and other institutions

The quantum of assistance provided by way of grants and loans to local bodies and other institutions during the period 2008-09 to 2012-13 is given in **Table 1.19**.

Table 1.19: Financial assistance to local bodies, etc.

(₹ in crore)

	2008-09	2009-10	2010-11	2011-12	2012-13		
					Budget estimate	Actual	Percentage of variation
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	538.49	446.03	741.79	648.39	1,215.85	1,140.09	(-) 6
Municipal Corporations and Municipalities	464.45	306.24	291.43	894.67	1,125.30	1,274.01	13
Zila Parishads and Other Panchayati Raj Institutions	412.16	366.26	267.83	722.40	977.52	882.65	(-) 10
Development Agencies	268.75	333.48	388.23	480.96	461.89	450.65	(-) 2
Hospitals and other Charitable Institutions	46.80	125.79	211.97	357.67	611.05	580.02	(-) 5
Other	322.72	368.89	322.21	201.92	438.49	320.53	(-) 27
Total	**2,053.37**	**1,946.69**	**2,223.46**	**3,306.01**	**4,830.10**	**4,647.95**	**(-) 4**
Assistance as percentage of Revenue Expenditure	10	8	8	10		12	

(Source: Information supplied by VLC data)

Financial assistance to local bodies and other institutions increased from ₹ 2,053.37 crore in 2008-09 to ₹ 4,647.95 crore, constituting 12 *per cent* of the revenue expenditure during 2012-13. The increase of ₹ 1,341.94 crore (41 *per cent*) over the previous year was mainly due to increase in assistance to Municipal Corporations and Municipalities (₹ 379.34 crore), Educational Institutions (₹ 491.70 crore) and Hospitals and other Charitable Institutions (₹ 222.35 crore). The assistance to Development Agencies decreased by ₹ 30.31 crore. Against the estimated provision of ₹ 4,830.10 crore, financial assistance of ₹ 4,647.95 crore was released. The decrease in the actual release vis-à-vis the budget estimate to development agencies, educational institutions, hospitals and other charitable institutions, *Zila Parishads* and other *Panchayati Raj* institutions and other institutions ranged between 2 and 27 *per cent*.

1.7 Quality of Expenditure

The availability of better social and physical infrastructure in the State generally reflects the quality of its expenditure. The improvement in the quality of expenditure basically involves three aspects, viz., adequacy of the expenditure (i.e. adequate provision for providing public services); efficiency of expenditure (use) and its effectiveness (assessment of outlay-outcome relationships for selected services).

1.7.1 Adequacy of Public Expenditure

To enhance human development the State is required to step up their expenditure on key social services like education, health, etc. **Table 1.20** analyses the fiscal priority and fiscal capacity of the Government with regard

to development expenditure, social sector expenditure and capital expenditure during 2012-13.

Table 1.20 : Fiscal Priority and Fiscal Capacity of the State in 2009-10 and 2012-13

Fiscal Priority of the State	AE/GSDP	DE/AE	SSE/AE	CE/AE	Education/AE	Health/AE
*General Category States[2] Average (Ratio) 2009-10	17.06	66.05	35.73	14.96	16.19	4.24
Haryana Average (Ratio) 2009-10	14.00	73.80	36.38	16.67	16.99	3.50
Haryana Average (Ratio) 2012-13	12.55	71.85	35.99	12.99	16.11	3.61
General Category States Average (Ratio) 2012-13	15.93	65.79	32.77	13.23	17.23	4.47

* General Category States exclude three states i.e. Delhi, Goa and Puducherry

AE: Aggregate Expenditure DE: Development Expenditure SSE: Social Sector Expenditure, CE: Capital Expenditure.

Development expenditure includes Development Revenue Expenditure, Development Capital Expenditure and Loans and Advances disbursed.

Source for GSDP: Information was collected from the State's Directorate of Economics and Statistics.

Fiscal Priority:

- Aggregate expenditure of Haryana as a ratio of GSDP was lower in both years 2009-10 and 2012-13 as compared to general category States.
- Government gave adequate fiscal priority to DE in 2009-10 and 2012-13, as its ratio to AE was higher than the average ratio of general category States.
- The ratio of CE to AE was lower than the ratio of general category States in 2012-13.
- The ratio of expenditure on education to AE was lower than general category States in 2012-13.
- The priority given to health in Haryana was lower than in general category States in 2009-10 and 2012-13.

1.7.2 Efficiency of Expenditure Use

In view of the importance of public expenditure on development heads from the point of view of social and economic development, it is important for the Government to take appropriate expenditure rationalization measures and lay emphasis on provision of core public and merit goods. Apart from improving the allocation towards development expenditure, particularly in view of the fiscal space being created on account of the decline in expenditure on debt

[2] General Category States – States other than 11 States termed as Special Category States (Arunachal Pradesh, Assam, Jammu and Kashmir, Himachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura and Uttrakhand)

fiscal space being created on account of the decline in expenditure on debt servicing in the recent years, the efficiency of expenditure use is also reflected by the ratio of capital expenditure to total expenditure (and/or GSDP) and the proportion of revenue expenditure being made on operation and maintenance of the existing social and economic services. The higher the ratio of these components to the total expenditure (and/or GSDP), the better would be the quality of expenditure. Development expenditure comprised revenue and capital expenditure including loans and advances in socio-economic services. **Table 1.21** presents the trends in development expenditure relative to the aggregate expenditure of the State during the period 2008-09 to 2012-13. **Chart 1.12** presents component-wise development expenditure during 2008-13. **Table 1.22** provides the details of capital expenditure and the components of revenue expenditure incurred on the maintenance of selected social and economic services.

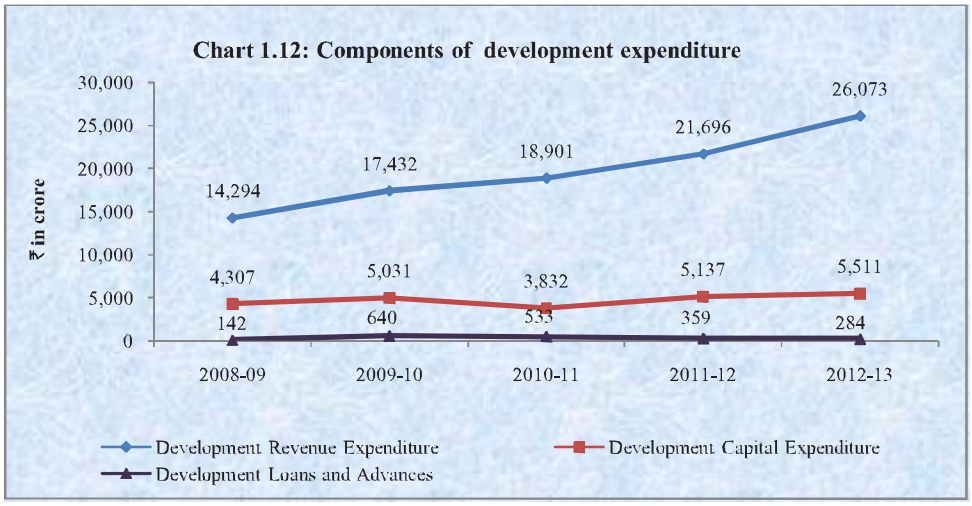
Table 1.21: Development expenditure

(₹ in crore)

Component of development expenditure	2008-09	2009-10	2010-11	2011-12	2012-13	
					Budget Estimate	Actual
Development expenditure (a to c)	**18,743 (74)**	**23,103 (74)**	**23,266 (70)**	**27,192 (72)**	**32,235 (71)**	**31,868 (72)**
a. Development revenue expenditure	14,294 (56)	17,432 (56)	18,901 (57)	21,696 (57)	27,283 (60)	26,073 (59)
b. Development capital expenditure	4,307 (17)	5,031 (16)	3,832 (12)	5,137 (14)	4,433 (10)	5,511 (12)
c. Development loans and Advances	142 (1)	640 (2)	533 (1)	359 (1)	519 (1)	284 (1)

(Source: State Finance Accounts of the respective years.)

(Note: Figures in parentheses indicate percentage of aggregate expenditure.)



(Source: State Finance Accounts of the respective years.)

Development expenditure increased by 70 *per cent* during the period from 2008-09 to 2012-13. This expenditure, which constituted 72 *per cent* of the

total expenditure increased by only ₹ 4,676 crore (17 *per cent*) from ₹ 27,192 crore in 2011-12 to ₹ 31,868 crore in 2012-13. Revenue expenditure constituted 82 *per cent* of development expenditure whereas the share of capital expenditure including loans and advances was only 18 *per cent*. The Developmental capital expenditure increased by 7 *per cent* over previous year. Against the provision of ₹ 32,235 crore, the actual expenditure was ₹ 31,868 crore.

Table 1.22 Efficiency of expenditure use in selected Social and Economic Services

Social/economic infrastructure	2011-12			2012-13		
	Ratio of CE to TE	In RE, the share of		Ratio of CE to TE	In RE, the share of	
		S&W	O&M		S&W	O&M
Social Services (SS)						
Education, Sports, Art and Culture	0.012	66.25	0.02	0.017	68.36	0.017
Health and Family Welfare	0.040	62.57	*	0.003	52.39	*
Water Supply, Sanitation, Housing and Urban Development	0.337	19.80	5.52	0.305	19.15	4.844
Total (SS)	**0.117**	**54.84**	**1.31**	**0.105**	**54.28**	**1.175**
Economic Services (ES)						
Agriculture and Allied Activities	0.420	43.99	2.01	0.493	40.77	1.926
Irrigation and Flood Control	0.471	44.04	8.62	0.456	44.13	9.857
Power and Energy	0.182	0.03	-	0.037	0.02	-
Transport	0.388	41.38	3.65	0.380	36.53	3.735
Total (ES)	**0.329**	**22.68**	**2.27**	**0.287**	**19.31**	**2.157**
Total (SS + ES)	**0.224**	**40.79**	**1.73**	**0.201**	**37.89**	**1.636**

(Source: State Finance Accounts of the respective years.)

TE: Total expenditure; CE: Capital expenditure; RE: Revenue expenditure; S&W: Salaries and wages; O&M: Operations and maintenance;* amount negligible

The ratio of capital expenditure on Social Services and Economic Services with reference to the total expenditure decreased from 0.117 and 0.329 in 2011-12 to 0.105 and 0.287 in 2012-13.

Under Social Services, the share of expenditure on salaries and wages slightly decreased from 54.84 *per cent* in 2011-12 to 54.28 *per cent* in 2012-13. The share of expenditure on O&M decreased from 1.31 *per cent* in 2011-12 to 1.17 *per cent* in 2012-13. Under Economic Services, the share of salaries and wages decreased from 22.68 *per cent* in 2011-12 to 19.31 *per cent* in 2012-13. The share of O&M also decreased from 2.27 *per cent* in 2011-12 to 2.16 *per cent* in 2012-13. Under Social Services and Economic Services combined, the share of salary and wages decreased from 40.79 *per cent* in 2011-12 to 37.89 *per cent* in 2012-13. The share of O&M also decreased from 1.73 *per cent* in 2011-12 to 1.64 *per cent* in 2012-13.

1.8 Financial Analysis of Government Expenditure and Investments

In the post-FRBM Act 2005 framework, the State is expected to keep its fiscal deficit (and borrowings) not only at low levels but also meet capital expenditure/ investment (including loans and advances) requirements. In addition, the Government needs to initiate measures to earn adequate returns on its investments, recover its cost of borrowed funds rather than bearing the same on the budget in the form of implicit subsidies and take requisite steps to infuse transparency in financial operations. This section presents a broad financial analysis of investments and other capital expenditure undertaken by the Government during 2012-13 vis-à-vis the previous year.

1.8.1 Financial results of irrigation works

The financial results of seven irrigation projects with a capital outlay of ₹ 411.61 crore at the end of March 2013 showed that revenue realized from these projects during 2012-13 (₹ 120.33 crore) was 29 *per cent* of the capital outlay. After meeting the working and maintenance expenditure (₹ 246.66 crore) and interest charges (₹ 20.58 crore), there was loss of ₹ 146.91 crore.

1.8.2 Incomplete projects

Department-wise information pertaining to incomplete projects as on 31 March 2013 is given in **Table 1.23**. Only those projects where the scheduled dates for completion are already over as of 31 March 2013 have been included under incomplete projects.

Table 1.23: Department-wise profile of incomplete projects

(₹ in crore)

Department	Number of incomplete projects	Initial budgeted cost	Revised total cost of projects	Total expenditure upto March 2013
Buildings and Roads	59	370.66	-	277.56
Irrigation	1	0.41	-	0.04
Tourism	6	3.03	-	1.52
Total	**66**	**374.10**	**-**	**279.12**

(Source: Information collected from concerned departments)

The scheduled dates of completion of 66 projects of three departments were between December 2007 and March 2013, but these were incomplete as of June 2013, involving non derivation of desired benefits from the investment of ₹ 279.12 crore. Reasons for delay in completion of these projects were non-providing clear site in time, non-providing proper design and drawings to the contractors, etc.

1.8.3 Investments and returns

The Government as of 31 March 2013, had invested ₹ 7,240.02 crore in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives (**Table 1.24**). The average return on these investments was

0.10 *per cent* in the last five years while the Government paid an average interest rate of 9.18 *per cent* on its borrowings during 2008-13.

Table 1.24: Return on investments

Investment/return/cost of borrowings	2008-09	2009-10	2010-11	2011-12	2012-13	
					Budget estimate	Actual
Investment at the end of the year (₹ in crore)	5,031.32	5,575.18	6,376.98	6,981.91	7,629.33	7240.02
Return (₹ in crore)	8.27	9.60	2.48	1.64	9.31	7.05
Return (*per cent*)	0.16	0.17	0.04	0.02	0.12	0.10
Average rate of interest on Government borrowings (*per cent*)	7.82	9.29	9.22	9.73	8.71	9.86
Difference between interest rate and return (*per cent*)	7.66	9.12	9.18	9.71	8.59	9.76

(Source: State Finance Accounts of the respective years.)

While the Government investments increased by 44 *per cent* over a period of five years from 2008-09 to 2012-13, the return from investments decreased from ₹ 8.27 crore (0.16 *per cent*) in 2008-09 to ₹ 7.05 crore (0.10 *per cent*) in 2012-13. The Government paid interest at an average rate of 7.82 to 9.86 *per cent* on its borrowings during 2008-13, whereas, the percentage of return from investments ranged between 0.02 and 0.17 during the same period. Against the budget provision (₹ 647.42 crore) the investments were ₹ 258.11 crore during 2012-13.

Twelve Government Companies with an aggregate investment of ₹ 6,757 crore were incurring losses and their accumulated losses amounted to ₹ 17,593 crore as per the accounts furnished by these Companies (***Appendix 1.7***). It is pertinent to note that in 2012-13 investment of ₹ 199 crore (77 *per cent*) was made by the Government in the equity capital of UHBVNL[3] (₹ 33 crore), DHBVNL[4] (₹ 33 crore), HPGCL[5] (₹ 58 crore) and HVPNL[6] (₹ 75 crore). Losses of ₹ 17,017 crore in four[7] power generation and distribution companies constituted 97 *per cent* of the total losses (₹ 17,593 crore) of Government Companies. The losses were mainly attributable to non revision of tariff and huge aggregate technical and commercial (AT&C) losses.

State Government approved (March 2013) the Financial Restructuring Plan (FRP) and authorized the State Level Monitoring Committee (SLMC) to finalise the FRP. The amount of 50 *per cent* take over of the short term liabilities as on 31 March 2013 amounting to ₹ 7,381.53 crore has been agreed (July 2013) by the SLMC. The power distribution companies (Discoms) approved the FRP in August 2013. Main heads under which the plan is to be

3 Uttar Haryana Bijli Vitran Nigam Limited.

4 Dakshin Haryana Bijli Vitran Nigam Limited.

5 Haryana Power Generation Corporation Limited

6 Haryana Vidhyut Parsaran Nigam Limited

7 Accumulated losses as on 31 March 2013 : UHBVNL (₹ 12,424 crore), DHBVNL (₹ 4 307 crore), HPGC (₹ 264 crore) and HVPN (₹ 22 crore).

implemented are Efficiency improvement parameters, Elimination of average cost of supply (ACS) and average revenue realized (ARR) gap within the moratorium period and Loss reduction plan.

ThFC had also recommended that the State Government should draw up a roadmap by March 2011 for closure of non-working Public Sector Undertakings (PSUs) as well as to consider their disinvestment and privatisation. There were seven[8] non-working PSUs (all companies) as on 31 March 2013. Of these, two[9] PSUs were under closure but their liquidation process had not been started. The State Government had also not taken up the exercise of disinvestment, privatisation and restructuring of non-working PSUs.

1.8.4 Departmentally managed Commercial Undertakings

Activities of quasi-commercial nature are also performed by the departmental undertakings of certain Government departments. The department–wise position of the investments made by the Government up to the year for which proforma accounts were finalised, net profit/loss as well as return on capital invested in these undertakings are given in ***Appendix 1.8***. The following points were observed:

- An amount of ₹ 4,302.87 crore had been invested by the Government in five undertakings at the end of the financial year upto which their accounts were finalised.
- Only two undertakings earned net profit of ₹ 1.39 crore against the invested capital of ₹ 26.02 crore, yielding a rate of return of 5.34 *per cent*.
- Of the loss-making undertakings, Haryana Roadways incurred losses continuously for more than six years and Agriculture Department (Seed Depot Scheme) had not prepared its proforma accounts for the last 25 years.
- The accumulated losses of three[10] departmental undertakings were ₹ 432.39 crore as against the total investment of ₹ 4,276.85 crore.

1.8.5 Investment in Public Private Partnerships

With a view to provide adequate development of social and physical infrastructure which is pre-requisite for sustaining economic growth, the State

[8] (i) Haryana State Minor Irrigation (Tubewells) Corporation, (ii) Haryana State Housing Finance Corporation limited, (iii) Haryana Concast Limited, (iv) Haryana Tanneries Limited, (v) Haryana State Small Industries and Export Corporation Limited, (vi) Haryana State Handloom and Handicraft Corporation and (vii) Haryana Minerals Limited.

[9] (i) Haryana State Housing Finance Corporation Limited and (ii) Haryana Concast Limited.

[10] Agriculture Department (Seed Depot Scheme): ₹ 0.10 crore, Food and Supply (Grain Supply Scheme): 230.01 crore and Haryana Roadways: ₹ 202.28 crore.

Government adopted the Public Private Partnership (PPP) mode of infrastructure development.

Under this, the State Government completed 21 projects with a total estimated cost of ₹ 752.92 crore ***(Appendix 1.9).*** Fifteen PPP projects ***(Appendix 1.10)*** with a total estimated cost ₹ 58,821.70 crore were under implementation as on 31 March 2013.

Gurgaon-Faridabad and Ballabhgarh-Sohna Road

The work of "Design, Engineering, Finance, Construction, operation and maintenance of Gurgaon-Faridabad and Ballabhgarh-Sohna Roads" was allotted to an agency in January 2009 on Build Operate Transfer basis for a concession period of 17 years including construction period. The concessionaire paid ₹ 150.30 crore as concession amount in lump sum in advance. During audit of records (July 2013) of project in the office of Engineer-in-Chief, Public Works Department (Building and Roads) (EIC), it was noticed that –

- Concession agreement was not registered as lease agreement under Section 2 (16) of the Indian Stamp (IS) Act. It resulted in loss of revenue of ₹ 53.05 lakh to the State Government on account of stamp duty and registration fee, etc.

- The concessionaire paid concession amount of ₹ 150.30 crore through demand draft on 24 August 2009. But the demand draft was encashed on 24 November 2009 i.e. after a delay of three months. It resulted in loss of ₹ 3.49 crore on account of interest.

- The EIC levied penalty on account of damages of ₹ 3.96 crore in August 2011 for not achieving the milestone in time. But the amount had not been recovered from the concessionaire till July 2013. Non-payment of damages was liable to attract ₹ 1.11 crore interest at the rate of 14 *per cent* per annum. An amount of ₹ 5.07 crore (inclusive of ₹ 1.11 crore as interest) was recoverable from the concessionaire.

- The project was required to be completed by 31 May 2011 but the work was actually completed on 29 June 2012. There was a delay of 53 weeks but damages at the rate of 0.01 *per cent* of the total project cost for the delay of each week were not levied.

- An amount of ₹ 88.07 lakh was recoverable from the concessionaire as the one half of the remuneration of Independent Consultant.

- Provisional completion certificate was issued on 29 June 2012 but the completion certificate had not been issued till July 2013 due to non-completion of some items of the work.

1.8.6 Loans and advances by State Government

In addition to investments in co-operative societies, corporations and companies, the Government had also been providing loans and advances to many institutions/organizations. **Table 1.25** presents the outstanding loans and advances as on 31 March 2013 and interest receipts vis-à-vis interest payments during the last three years.

Table 1.25: Average interest received on loans advanced by the State Government

(₹ in crore)

Quantum of loans / interest receipts / cost of borrowings	2010-11	2011-12	2012-13	
			Budget Estimate	Actual
Opening Balance	2,494	2,983		3,316
Amount advanced during the year	722	627	874	522
Amount repaid during the year	233	294	299	349
Closing Balance	**2,983**	**3,316**		**3,489**
Of which Outstanding balance for which terms and conditions have been settled	2983	3,316		3,489
Net addition	489	333	575	173
Interest receipts	54	58	119	69
Interest receipts as percentage of outstanding Loans and advances	1.97	1.84	3.60	2.03
Interest payments as percentage of outstanding fiscal liabilities of the State Government	7.17	7.34	8.70	7.32
Difference between interest payments and interest receipts (*per cent*)	5.20	5.50	5.10	5.29

(Source: State Finance Accounts of the respective years)

Total outstanding loans and advances as on 31 March 2013 were ₹ 3,489 crore due to net addition of ₹ 173 crore during the year 2012-13. Interest received on the loans advanced was 2.03 *per cent* in 2012-13 and was very less against the weighted rate of interest of 9.86 *per cent* paid on Government borrowings during 2012-13. Interest of ₹ 69 crore received during the year on loans and advances was below the budgeted projections (₹ 119 crore). Out of ₹ 522 crore advanced during the year, ₹ 284.20 crore was for economic services and ₹ 237.79 crore for Government servants.

Loans amounting to ₹ 1.76 crore were outstanding against the Haryana State Minor Irrigation (Tubewells) Corporation Limited, Chandigarh which was wound up in July, 2002. Loans amounting to ₹ 829.78 crore were outstanding at the beginning of the year 2012-13 against co-operative sugar mills. Further, loans totaling ₹ 92 crore were given to these sugar mills and only ₹ 40 crore was recovered against previous loans.

1.8.7 Cash Balances and Investment of Cash Balances

Comparative figures of cash balances and investment of cash balance for the year 2011-12 and 2012-13 are given in **Table 1.26**.

Table 1.26 : Detail of cash balances and investment of cash balances

(₹ in crore)

	Opening balance 01April 2012	Closing Balance 31March 2013
(a) General Cash Balance		
Deposit with Reserve Bank	(-) 50.00	164.43
Remittances in transit local	0.54	0.54
Total	**(-) 49.46**	**164.97**
Investment held in cash Balance Investment Account	370.74	92.46
Total (a)	**321.28**	**257.43**
(b) Other Cash Balances and Investment		
Cash with departmental officers viz. public works department officers, Forest department officers, District collectors	2.72	2.17
Permanent advances for contingent expenditure with departmental officers	0.11	0.11
Investment of earmarked funds	1,837.64	2,437.40
Total (b)	**1,840.47**	**2,439.68**
Grand Total (a)+(b)	**2,161.75**	**2,697.11**

(Source: State Finance Accounts of the respective years.)

Cash balances during the year increased from ₹ 2,161.75 crore to ₹ 2,697.11 crore. The investments made out of cash balances decreased from ₹ 370.74 crore to ₹ 92.46 crore. The investment from earmarked balances increased by ₹ 599.76 crore from ₹ 1,837.64 crore on 1 April 2012 to ₹ 2,437.40 crore as on 31 March 2013, which was mainly due to increase in investments from the Sinking Fund (₹ 260.07 crore) and the State Disaster Response Fund (Calamity Relief Fund) (₹ 328.94 crore). Interest of ₹ 35.88 crore realized from investments during the year 2012-13, was decreased by ₹ 4.76 crore than the interest earned (₹ 40.64 crore) during the year 2011-12.

The Government had to maintain a minimum cash balance of ₹ 1.14 crore as per its agreement with the Reserve Bank of India but during 2012-13, the minimum cash balances for 12 days were maintained by taking ordinary and special ways and means advances amounting to ₹ 346.77 crore, for which interest of ₹ 78.25 lakh was paid at the rate of seven to ten *per cent.*

Outstanding balances under the head 'cheques and Bills'

The Major Head '8670' cheques and Bills represents the intermediary account head for initial record of transactions which are to be cleared eventually. An amount of ₹ 0.14 crore was outstanding as on 1 April, 2012. During the year treasury cheques and bills of ₹ 99.34 crore received and ₹ 99.37 crore disbursed leaving ₹ 0.11 crore as closing balance at the end of year 2012-13.

Balance of ₹ 370.74 crore were available at the beginning of the year 2012-13 in cash balance investment account and closing balance as ₹ 92.46 crore shows that State had utilized its existing cash balances before resorting to fresh borrowings.

1.9 Assets and Liabilities

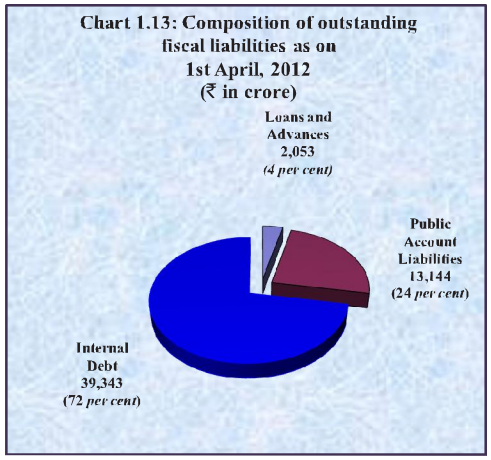
1.9.1 Growth and composition of Assets and Liabilities

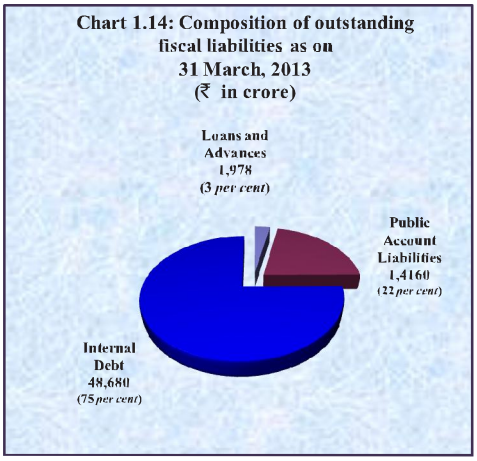
In the existing Government accounting system, comprehensive accounting of fixed assets like land and buildings owned by the Government is not done. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred. ***Appendix 1.5 Parts A and B*** give an abstract of such liabilities and assets as on 31 March 2013, compared with the corresponding position on 31 March 2012. While the liabilities in this Appendix mainly consist of internal borrowings, loans and advances from GOI, receipts from the Public Account and Reserve Funds, the assets mainly comprise the capital outlay and loans and advances given by the Government and cash balances.

'Total liability' as defined in the FRBM Act, means the liabilities under the Consolidated Fund and the Public Account of the State and also includes borrowings by Public Sector Undertakings and special purpose vehicles and other equivalent instruments, including guarantees where the principal and/or interest are to be serviced out of the State budgets.

1.9.2 Fiscal Liabilities

The trends in outstanding fiscal liabilities of the State are presented in ***Appendix 1.5 Part B***. The compositions of fiscal liabilities during 2012-13 vis-à-vis the previous year are presented in **Charts 1.13** and **1.14.**





(Source: State Finance Accounts of the respective years)

The overall fiscal liabilities of the State increased from ₹ 54,540 crore in 2011-12 to ₹ 64,818 crore in 2012-13. The growth rate at 18.84 *per cent* during 2012-13 over the previous year was mainly due to increase in public debt (₹ 9,262 crore) and public account liabilities (₹ 1,016 crore). The ratio of fiscal liabilities to GSDP showed increasing trend and increased from 17.63 *per cent* in 2008-09 to 18.34 *per cent* in 2012-13. These liabilities were

1.93 times the revenue receipts and 2.30 times the State's own resources as at the end of 2012-13. Payment of interest on the fiscal liabilities was ₹ 4,744 crore (7.32 *per cent*) during the year 2012-13. It is significant to note that fiscal liabilities at ₹ 64,818 crore were higher than the limit of ₹ 60,437 crore projected in the MTFPS and FCP (₹ 60,745 crore) made by the Government for the year 2012-13.

The Government set up a consolidated Sinking Fund during 2002-03. A sum equal to one *per cent* of the outstanding market borrowings as on 31 March of the preceding year is deposited in the Fund every year. The Sinking Fund had an opening balance of ₹ 717.10 crore in 2012-13. During the year, ₹ 260.07 crore (Contribution: ₹ 210.84 crore and Income on investment: ₹ 49.23 crore) was received but no disbursements were made out of the fund. The fund was closed at ₹ 977.17 crore.

1.9.3 Transactions under Reserve fund

At the beginning of 2012-13, Reserve Fund stood at ₹ 2,152.24 crore. There was addition of ₹ 666.68 crore and disbursement of ₹ 106.01 crore during the year leading to a closing balance of ₹ 2,712.91 crore. The State Disaster Response Fund (Calamity Relief Fund) which is part of the above Reserve fund had an opening balance of ₹ 1,092.87 crore. It received ₹ 333.68 crore and disbursed ₹ 47.11 crore during the year and had a closing balance of ₹ 1,379.44 crore.

1.9.4 Inoperative Reserve Funds

There were 10 numbers of Reserve Funds earmarked for specific purposes as detailed in statement No. 18 of Finance Account. Out of which only 7 funds are active and three funds are dormant namely Development Funds for Agriculture purposes, Industrial Development Funds, Food Grains reserve Funds having closing balance of ₹ 12.27 crore at the end of the year 2012-13.

1.9.5 Adverse Balances

There was adverse balance of ₹ 42.46 crore under, "8011-Insurance and Pension Fund, 107-State Government Employees Insurance Scheme" which was due to non-provision of interest amount. Similarly, adverse balance of ₹ 23.05 crore was also noticed under "8342-Other Deposits, 117- Defined Contributory Pension Scheme for Government Employees" due to excess transfer to National Securities Depsitory Limited/trusty bank.

1.9.6 Status of Guarantees-Contingent Liabilities

Guarantees are liabilities contingent on the Consolidated Fund of the State in cases of defaults by borrowers for whom the guarantees have been extended.

No law under Article 293 of the Constitution has been passed by the State legislature laying down the limit within which the Government may give guarantees on the security of the Consolidated Fund of the State.

As per Statement 9 of the Finance Accounts, the maximum amount for which guarantees were given by the State and outstanding guarantees for the last three years is given in **Table 1.27**.

Table 1.27: Guarantees given by the Government of Haryana

(₹ in crore)

Guarantees	2008-09	2009-10	2010-11	2011-12	2012-13
Maximum amount guaranteed	5,188	4,757	5,515	10,690	31,958
Outstanding amount of guarantees including fee	4,575	4,536	4,528	5,608	21,124
Percentage of maximum amount guaranteed to total revenue receipts	28	23	22	35	95

(Source: State Finance Accounts of the respective years)

No amount was paid by the Government towards guarantees during 2012-13. The outstanding amount of ₹ 21,124 crore of guarantees including guarantee fee, as on 31 March 2013, was in respect of Corporations and Boards (₹ 1,361 crore), Co-operative Banks and Societies (₹ 2,747 crore), Government Companies (₹ 954 crore) and Power (₹ 16,062 crore).

The Government constituted the Guarantee Redemption Fund during 2003-04 to meet the contingent liabilities arising out of the total liabilities. The balance under this Fund was ₹ 80.62 crore as on 31 March 2013. The whole amount stood invested. As per the terms of the Guarantee Redemption Fund, the Government was required to contribute an amount equal to at least one fifth of the outstanding invoked guarantees plus an amount likely to be invoked as a result of the incremental guarantees during the year. The Government contributed ₹ 10.76 crore, which was only 0.051 per *cent* of the outstanding guarantees. Total liabilities, including guarantees stood at ₹ 85,942 crore (₹ 64,818 crore + ₹ 21,124 crore) during 2012-13 and were 24.32 *per cent* of the GSDP which was more than the limit of 22.7 *per cent* on envisaged in FCP for the year.

Apart from this, the Government issued letters of comfort to banks to raise loans totaling ₹ 6,183.07 crore in favour of Government companies in the power sector, against which ₹ 5,557.93 crore was outstanding as of 31 March 2013, which amounted to creation of contingent liabilities. The total outstanding liabilities inclusive of this amount would be ₹ 91,500 crore and thus be 25.89 *per cent* of GSDP.

1.10 Debt Management

Table 1.28 gives a time series analysis of internal debt profile of the State Government for the last five year.

Table 1.28 : Internal Debt profile and per capita debt of State Government

(₹ in crore)

Year	Opening Balance	Debt Receipts	Repayment during the year	Closing Balance	Increase/ Decrease	Percentage of increase over previous year	Per Capita Debt in ₹
2008-09	18,410.80	3,822.06	1,178.38	21,054.48	2,643.68	14.36	8,490
2009-10	21,054.48	8,319.96	2,576.41	26,798.03	5,743.55	27.28	10,806
2010-11	26,798.03	10,204.94	4,517.00	32,485.97	5,687.94	21.23	12,790
2011-12	32,485.97	11,643.38	4,786.52	39,342.83	6,856.86	21.11	15,489
2012-13	39,342.83	15,509.16	6,171.45	48,680.54	9,337.71	23.73	19,166

(Source: State Finance Accounts of respective years)

Internal debt of the state government increased by ₹ 30,269.74 crore (164 *per cent*) from ₹ 18,411 crore in 2008-09 to ₹ 48,681 crore in 2012-13. The growth rate of debt increased from 14.36 *per cent* in 2008-09 to 23.73 *per cent* in 2012-13. The per capita debt increased by ₹ 10,676 (126 *per cent*) from ₹ 8,490 in 2008-09 to ₹ 19,166 in 2012-13. The burden of interest payment increased year by year due to increase in market borrowings and interest rates thereof.

Debt Sustainability

Apart from the magnitude of the debt of the Government, it is important to analyse the various indicators that determine the debt sustainability of the State. This section assesses the sustainability of debt of the Government in terms of debt stabilization; sufficiency of non-debt receipts; net availability of borrowed funds; burden of interest payments (measured by interest payments to revenue receipts ratio) and the maturity profile of Government securities. **Table 1.29** analyses the debt sustainability of the State according to these indicators for the period of five years beginning from 2008-09.

Table 1.29 : Debt sustainability: Indicators and trends

(₹ in crore)

Indicators of Debt Sustainability	2008-09	2009-10	2010-11	2011-12	2012-13
Debt Stabilisation (Quantum Spread + Primary Deficit)	(-) 1,283	(-) 5,594	(-) 17	259	(-)2,869
Sufficiency of non-debt receipts (Resource Gap)	(-) 5,293	(-) 3,533	2,831	105	(-)3,209
Net Availability of borrowed funds	1,113	4,682	3,564	4,642	6,138
Burden of interest payments (IP/RR Raito)	13	13	13	13	14
Maturity Profile of State Debt (in Years)					
0 – 1	1,153.46 (5)	2,542.49 (9)	3,275.07 (9)	4,970.85 (12)	6,224.90 (12)
1 – 3	2,790.89 (12)	3,603.25 (12)	4,314.32 (12)	4,585.10 (11)	4,731.52 (9)
3 – 5	3,892.16 (17)	4,024.21 (14)	4,431.02 (13)	3,645.32 (9)	2,450.62 (5)
5 – 7	3,871.19 (17)	3,149.83 (11)	2,115.30 (6)	4,714.03 (11)	8,825.02 (18)
7 years and above		15,377.52 (54)	20,538.33 (60)	23,480.82 (57)	28,423.90 (56)

(Figures in parentheses indicate the percentage to total State debt)

(Source: State Finance Accounts of the respective years.)

Out of four indicators of debt sustainability, the State had fared well on three indicators. The position of each indicator was as under:

If the quantum spread together with primary deficit is zero, the debt-GSDP ratio would be constant or debt would be stabilized eventually. The quantum spread together with the primary deficit turned negative from ₹ 259 crore in 2011-12 to (-) ₹ 2,869 crore in 2012-13.

The positive resource gap between the non-debt receipts and the total expenditure of the State indicate the falling capacity of the Government to sustain the debt.

The position of net funds available from borrowed funds improved from ₹ 1,113 crore in 2008-09 to ₹ 6,138 crore in 2012-13. During 2012-13, the Government raised market loans of ₹ 9,330 crore.

The maturity profile of State debt as given in **Table 1.29** indicates that the Government will have to repay nine *per cent* of its debt between one and three years, five *per cent* between three and five years, 18 *per cent* between five and seven years, 56 *per cent* after seven years, for which the Government will have to improve its debt sustainability to generate funds for repayment of loans in the coming years.

A well thought out debt repayment strategy will have to be worked out by the Government to ensure that no additional borrowings, which mature in these

critical years, are made. Unless borrowings are restricted, the State will have serious problem in debt servicing.

1.10.1 Debt consolidation and relief facility

Government enacted Haryana Fiscal Responsibility and Budget Management Act in 2005. After enactment/ amendment of FBRM act 2005, Ministry of Finance, GOI had given relief of ₹ 96.67 crore each year for the period 2008-09 to 2012-13 on repayment of consolidated loans from GOI.

1.10.2 Market Borrowings

1.10.2.1 Introduction

Article 293 of the Constitution of India provides that a State may borrow within the territory of India, upon the security of the Consolidated Fund of the State with in such limits, if any, as may from time to time be fixed by an act of the Legislature of the State. On the recommendations of Thirteenth Finance Commission (ThFC), the Central Government has been setting limits on market borrowing based on the fiscal deficit path outlined for each State. The Haryana Fiscal Responsibility and Budget Management (FRBM) Act, 2005, (Section 9) provided that the total debt including contingent liabilities should not exceed 28 *per cent* of estimated Gross State Domestic Product (GSDP). The limit of outstanding public debt was revised (April 2011) to 22.4, 22.6 and 22.7 *per cent* of GSDP for 2010-11, 2011-12 and 2012-13 respectively.

The Public debt included Internal Debt of the State Government, Loans and Advances from the Central Government. The internal debt is further divided into market loans and negotiated loans. The Government of India (GOI) controls the market borrowings of the State Governments and the Reserve Bank of India manages them. The State Governments issue dated securities, termed State Development Loans (SDLs) of varying tenors.

1.10.2.2 Position of Market Borrowings of Haryana State

The overall position of debt sustainability indicators which included total liabilities, public debt, market loans, etc. for the period 2008-09 to 2012-13 is given in **Table 1.30**.

Table 1.30: Details of debt sustainability indicators including market borrowings

(₹ in crore)

Sl. No.	Description	2008-09	2009-10	2010-11	2011-12	2012-13
1	Fiscal liabilities	32,278.00	39,337.00	46,282.00	54,540.00	64,818.00
2	Public Debt	23,085.36	28,794.76	34,666.41	41,396.10	50,658.27
3	Market Loans	7,247.90	10,931.58	15,089.21	21,084.10	29,658.47
4	Percentage of market loans to total liabilities	22.45	27.79	32.60	38.66	45.76
5	Percentage of market loans to total public debt	31.40	37.96	43.53	50.93	58.55
6	Weighted average interest rate on market loans-financial years wise	7.55	8.21	8.42	8.73	8.85
7	Interest paid on market loans	371.74	624.04	1,007.3	1,404.05	1,900.10
8	Gross State Domestic Product of the State (GSDP) at current price	1,82,522	2,23,600	2,65,034	3,07,606 (QE)	3,53,440 (AE)
9	GSDP Growth rate (in *per cent*)	20.40	22.51	18.53	16.06	14.90
10	GSDP Growth rate and interest rate ratio	270.20	274.18	220.07	183.96	168.36
11	Gross interest payments to revenue receipt ratio	12.68	13.04	12.98	13.09	14.10
12	Primary surplus(+) /deficit (-)	(-) 4,218	(-) 7,353	(-) 3,939	(-) 3,152	(-) 5,618
13	Revenue surplus(+)/ deficit (-)	(-) 2,082	(-) 4,264	(-) 2,746	(-) 1,457	(-) 4,438
	Norms as per FRBM Act	Zero	Zero	Zero	Zero	Zero
14	Fiscal Deficit(-)	(-) 6,557	(-) 10,090	(-) 7,258	(-) 7,153	(-) 10,362
15	Percentage of Fiscal Deficit to GSDP	3.59	4.51	2.74	2.33	2.93
	Norms as per FRBM Act	3.5	4	3	3	3
16	Percentage of total liability to GSDP	17.68	17.59	17.46	17.73	18.34
17	Outstanding guarantee including interest and guarantee fee	4,575	4,536	4,528	5,608	21,124

(Source: Finance Accounts of respective years and figures supplied by the Finance Department.)

QE: Quick estimates and AE: Advance estimates.

The above table indicated that:

- Though the outstanding liabilities were within the limits prescribed by ThFC and FRBM Act but the liabilities indicated the increasing trends during five years period of 2008-13. The liabilities increased by 100 *per cent* from ₹ 32,278 crore in 2008-09 to ₹ 64,818 crore in 2012-13 and the public debt increased by 119 per cent from ₹ 23,085.36 crore in 2008-09 to ₹ 50,658.27 crore in 2012-13. The share of public debt in total liabilities increased from 71.52 *per cent* in 2008-09 to 78.16 *per cent* in 2012-13.

- Trends showed that market loans which stood at ₹ 7,247.90 crore at the end of 2008-09 increased to ₹ 29,658.47 crore in 2012-13. The increase of ₹ 22,410.57 crore (309 *per cent*) indicated that the dependence of the Government on market loans for its smooth functioning increased year by year.

- Trends further indicated that the share of market loans in outstanding liabilities increased from 22.45 *per cent* in 2008-09 to 45.76 *per cent* in 2012-13 and that in public debt increased from 31.40 *per cent* in 2008-09 to 58.55 *per cent* in 2012-13.

- The weighted average interest rate on market borrowing also increased from 7.55 *per cent* in 2008-09 to 8.85 *per cent* in 2012-13. The interest paid on market loans increased by 411 *per cent* from ₹ 371.74 crore in 2008-09 to ₹ 1,900.10 crore in 2012-13.

- GSDP growth rate indicated a decreasing trend during the period of five year which decreased from 20.40 *per cent* in 2008-09 to 14.90 *per cent* in 2012-13 whereas the percentage of fiscal liability to GSDP indicated increasing trends and increased from 17.68 *per cent* to 18.34 *per cent* during the same period.

- The ratio of interest payment to revenue receipts increased from 12.68 *per cent* in 2008-09 to 14.10 *per cent* in 2012-13 which indicates that the burden of interest payments on revenue receipts increased during this period of five years.

1.10.2.3 Profile of Market Loan:

The profile of the State Government in respect of market loans raised during 2008-09 to 2012-13 was as per **Table 1.31** below:

Table 1.31: Profile of market loans raised during 2008-09 to 2012-13

Periodicity of loan	Amount of loan raised (₹ in crore)					
	2008-09	2009-10	2010-11	2011-12	2012-13	Total
< One year	-	-	-	-	-	-
Between 1 and 3 years	-	-	-	-	-	-
Between 5 and 7 years	-	-	-	-	--	-
Above 7 years	2,795.00	4,000.00	4,450.00	6,356.65	9,330.00	26,931.65
Total loan made during the year	2,795.00	4,000.00	4,450.00	6,356.65	9,330.00	26,931.65
Total outstanding as on 31 March	7,247.90	10,931.58	15,089.21	21,084.10	29,658.47	
Percentage of loan raised to total outstanding loans	38.56	36.59	29.49	30.15	31.46	

(Source: Finance accounts of respective years and figures supplied by the Finance Department.)

The details given in the table indicated that the outstanding loans at the end of year increased by 309 *per cent* during last five years. The Government availed the market loans with a maturity for a fixed period of ten years without adding a clause for early repayment which deprived the State Government of liquidating the market loans before its due date in case of easy liquidity position in future.

Trends of Market Loans

The year wise trend of market loans raised by the State Government is given in **Table 1.32**.

Table 1.32: Trends of market loans raised during 2008-13

(₹ in crore)

Year	Opening balance	Raised during the year	Repaid during the year	Closing balance	Net increase
2008-09	4,743.36	2,795.00	290.46	7,247.90	2,504.54
2009-10	7,247.90	4,000.00	316.32	10,931.57	3,683.67
2010-11	10,931.57	4,450.00	292.36	15,089.21	4,157.64
2011-12	15,089.21	6,356.65	361.76	21,084.10	5,994.89
2012-13	21,084.10	9,330.00	755.62	29,658.48	8,574.38

(Source: Finance Accounts of respective years.)

1.10.2.4 Weighted Average Maturity of Market Loans

The average amount of time remaining before maturity of the mortgages underlying a mortgage backed security weighted by the percentage of the market borrowings each mortgage contributes is called weighted average maturity. The position of weighted average maturity of market loans during the last five years is given in **Table 1.33**.

Table 1.33: Weighted average maturity of outstanding loans

(in years)

Year	Weighted average maturity	
	Issued during the year	Outstanding market loans
2008-09	10	6.86
2009-10	10	7.54
2010-11	10	7.69
2011-12	10	7.80
2012-13	10	7.98

(Source: Finance Accounts of respective years.)

During the period 2008-09 to 2012-13 the weighted average maturity of market borrowings remained constant at 10 years. The weighted average maturity of outstanding stock of market borrowings at the end of 2012-13 increased to 7.98 years from 6.86 years as at the end of 2008-09.

1.10.2.5 Interest rate profile of Market Loans

The year-wise average interest rate on which market loans were availed by the State Government during the years 2008-09 to 2012-13 was as per **Table 1.34**.

Table 1.34: Details of average interest rate at which the loans were raised

Interest rate (*per cent*)	Market loans raised during the year (₹ in crore)					
	2008-09	2009-10	2010-11	2011-12	2012-13	Total
Below 5	-	-	-		-	
Between 5 and 5.99	-	-	-	-	-	
Between 6 and 6.99	-	-	-	-	-	
Between 7 and 7.99	2,795	700	-	-	-	3,495
Between 8 and 8.99	-	3,300	4,450	4,995	8,680	21,425
Between 9 and 9.99	-	-	-	1,362	650	2,012
Between 10 and 10.99	-	-	-	-	-	-
Weighted Average interest rate(*per cent*)	7.55	8.21	8.42	8.73	8.85	

(Source: Finance Accounts of respective years and figures supplied by the Finance Department)

The table shows that the weighted average interest rate on market borrowings had increased from 7.55 *per cent* in 2008-09 to 8.85 *per cent* in 2012-13.

1.10.2.6 Improper Utilization of Open Market Borrowings

Government raised market loans against sale of stock (securities) by issuing notifications which provided for utilisation of proceeds of the loan for financing capital expenditure of the development programmes. It was noticed that the separate accounts for utilisation of funds obtained from market borrowings were not maintained. Instead the funds received were transferred to general pool account. As a result, the utilisation of loans for the objectives for which they were raised could not be vouched safe in audit.

The details of borrowing limits fixed by the Government, loan obtained and capital expenditure incurred, as given in the **Table 1.35**.

Table 1.35: Year wise borrowing limits, budgeted and actual borrowings and capital expenditure during 2008-13

(₹ in crore)

Year	Borrowing limit	Budgeted Market Borrowing	Actual Market Borrowing	Capital Expenditure	Borrowings not used for Capital Expenditure
2008-09	3,797	1,558.70	2,795.00	4,502	Nil
2009-10	4,253	3,600.46	4,000.00	5,218	Nil
2010-11	6,927	4,218.73	4,450.00	4,031	419
2011-12	8,162	5,754.05	6,356.65	5,372	985
2012-13	10,115	8,130.33	9,330.00	5,762	3,568

Source: Finance Accounts of respective years and figures supplied by the Finance Department.

The above table shows that although the actual market borrowings were within the limits fixed by the ThFC but the actual market borrowing exceeded the budgeted market borrowing during the year 2009-12. Further the capital expenditure by the State Government during the year 2010-11 and 2011-12 was less than the actual market borrowings which shows that the amount of market borrowings were not fully utilised for laid down purpose.

The Finance department intimated (June 2013) that the notifications brought out by the State Government were erroneous, and accordingly the phrase 'for Financing Capital Expenditure' has been substituted by the expression 'to Finance State Plan Outlay'. The reply is not tenable as per the notifications the loans were raised against the sale of securities with the consent of Reserve Bank of India for meeting the capital expenditure which were less than market borrowings.

1.10.2.7 Non utilization of Sinking Fund for repayment of Market loans

The Government constituted (July 2003) the Consolidated Sinking Fund of Government of Haryana for amortization and redemption of market loans from the financial year 2007-08. The Government was required to contribute to the

fund at a modest scale of 1 to 3 *per cent* of the outstanding open market loans as at the end of the previous year beginning with the financial year 2002-03. Details of funds accumulated and utilised during 2008-09 to 2012-13 are given in the **Table 1.36**.

Table 1.36: Position and year wise contribution to Sinking Fund

(₹ in crore)

Year	Opening Balance	Contribution made during the year	Utilisation during the year	Balance at the year end	Maturity amount of market loans	Amount utilized for repayment of market loans
2008-09	231.26	60.12	-	291.38	290.46	Nil
2009-10	291.38	98.69	-	390.07	316.32	Nil
2010-11	390.07	135.91	-	525.98	292.37	Nil
2011-12	525.98	191.12	-	717.10	361.76	Nil
2012-13	717.10	260.07	-	977.17	755.56	Nil

Source: Finance Accounts of respective years and figures supplied by the Finance department.

The details given above show that the balances of Sinking Fund were not utilised for repayment of open market loans. Instead market loans were raised to meet out the repayment of the market loans. Thus, the objective of creation of Sinking Fund was not achieved.

Secondly, the contribution to sinking fund should commensurate the rising market loan liabilities to ammortize the loans. The year wise position of maturity trend of market loans during the year 2013-14 to 2020-21 is given in **Table 1.37**.

Table 1.37: Maturity trends of market loans during 2013-14 to 2020-21

Maturity Year	Maturity amount (₹ in crore)
2014-15	827.00
2015-16	931.68
2016-17	141.01
2017-18	0.00
2018-19	2,795.00
2019-20	4,000.00
2020-21	4,450.00

Source: Finance Accounts of respective years and figures supplied by the Finance department.

The Government needs to increase the contribution to the Sinking Fund to the extent to meet out the liabilities of open market borrowings.

The matter was referred to the Principal Secretary to Government of Haryana, Finance Department in July 2013 ; but the reply has not been received (September 2013).

1.11 Fiscal Imbalances

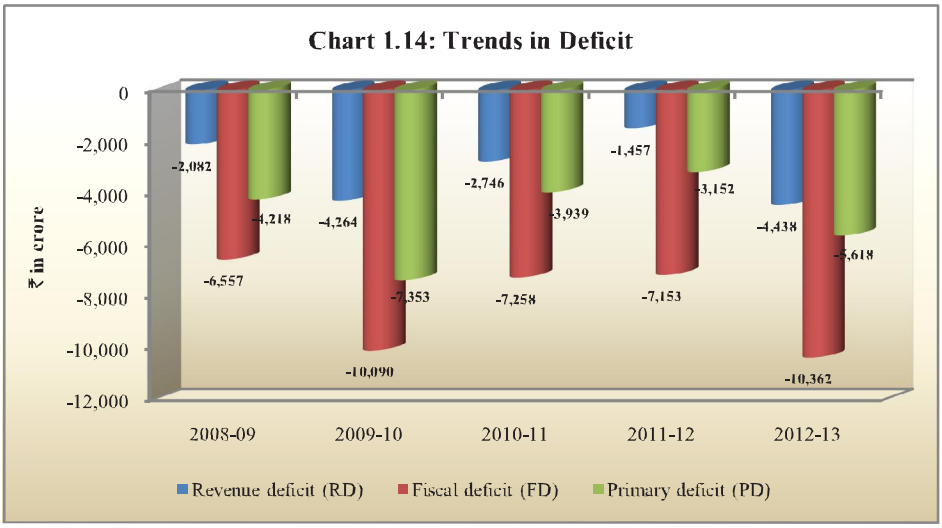
Three key fiscal parameters i.e. revenue, fiscal and primary deficits indicate the extent of overall fiscal imbalances in the finances of the Government during a specified period. The deficit in the Government accounts represents the gap between its resources and commitments. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the way in which the deficit is financed and the resources are raised and

applied are important pointers to its fiscal health. This section presents trends, nature, magnitude and the manner of financing these deficits and also the assessment of actual levels of revenue and fiscal deficits vis-à-vis targets set under FRBM Act/Rules for the financial year 2012-13.

1.11.1 Trends of deficits

Chart 1.14 presents the trends in deficit indicators over the period 2008-13 and trends in ratio of deficit indicators with GSDP are shown in **Table 1.38**.

Chart 1.14: Trends in Deficit



(Source: State Finance Accounts of the respective years)

Table 1.38: Trends in deficit indicators over the period 2008-13

Year	2008-09	2009-10	2010-11	2011-12	2012-13
RD/GSDP	(-) 0.011	(-) 0.019	(-) 0.010	(-) 0.005	(-)0.013
FD/GSDP	(-) 0.036	(-) 0.045	(-) 0.027	(-) 0.023	(-)0.029
PD/GSDP	(-) 0.023	(-) 0.033	(-) 0.015	(-) 0.010	(-)0.016

The revenue deficit, which indicates the excess of revenue expenditure over revenue receipts, was to be brought down to zero by 2011-12 and to be maintained at zero upto 2014-15, as per the FRBM. The revenue, fiscal and primary deficits which decreased to ₹ 1,457 crore, ₹ 7,153 crore and ₹ 3,152 crore in 2011-12, increased to ₹ 4,438 crore, ₹ 10,362 crore and ₹ 5,618 crore respectively at the end of 2012-13.

During the year, the revenue deficit increased by ₹ 2,981 crore because of the increase of ₹ 6,057 crore in revenue expenditure against the revenue receipts' increase of only ₹ 3,076 crore. The fiscal deficit at ₹ 10,362 crore increased by ₹ 3,209 crore over 2011-12 due to the same reason. It was 2.93 *per cent* of GSDP well within the limit of three *per cent* projected in FCP for the year. The primary deficit increased from ₹ 3,152 crore in 2011-12 to ₹ 5,618 crore in 2012-13 due to decrease in primary revenue surplus.

The target of zero revenue deficit fixed for the year 2012-13 could not be achieved ***(Appendix 1.6)***.

1.11.2 Composition of Fiscal Deficit and its Financing Pattern

The financing pattern of the fiscal deficit has undergone a compositional shift as reflected in **Table 1.39**. Receipts and disbursements under the components of financing the fiscal deficit during 2012-13 are given in **Table 1.40**.

Table 1.39: Components of fiscal deficit and its financing pattern

(₹ in crore)

	Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
Components of fiscal deficit		(-) 6,557	(-) 10,090	(-) 7,258	(-) 7,153	(-) 10,362
1	Revenue deficit(-)/ surplus (+)	(-) 2,082	(-) 4,264	(-) 2,746	(-) 1,457	(-) 4,438
2	Net Capital Expenditure	(-) 4,495	(-) 5,209	(-) 4,023	(-) 5,363	(-) 5,751
3	Net loans and advances	20	(-) 617	(-) 489	(-) 333	(-) 173
Financing pattern of fiscal deficit						
1	Market Borrowing	2,504.54	3,683.68	4,157.63	5,994.89	8,574.38
2	Loans from GOI	(-) 47.46	(-) 34.16	183.71	(-) 127.17	(-)75.54
3	Special securities issued to National Small Savings Fund	(-) 79.73	534.43	934.31	(-) 329.47	(-)91.55
4	Loans from financial institutions	218.88	1,525.45	595.99	1,191.44	854.88
5	Small Savings Provident Funds etc.	352.38	861.92	747.80	718.53	457.96
6	Reserve Fund	(-) 4.81	(-) 39.13	8.93	(-) 16.65	(-)39.09
7	Deposits and advances	216.62	526.64	316.66	826.54	597.05
8	Suspense and Miscellaneous	3,546.38	2,785.98	(-)635.88	406.73	370.77
9	Remittances	(-) 26.63	(-) 282.96	305.08	214.88	(-)72.60
10	**Overall surplus (-) deficit (+)**	**6,680.17**	**9,561.85**	**6,614.23**	**8,879.72**	**10,576.26**
11	Increase (-) decrease (+) in cash balance*	(-) 122.37	(+) 528.81	(+) 644.20	(-)1,726.40	(-)214.43
12	**Gross Fiscal Deficit**	**6,557**	**10,090**	**7,258**	**7,153**	**10,362**

(Source: State Finance Accounts of the respective years.)

* **8999-Cash balance (Deposits with Reserve bank and remittance in treasury).**

Table 1.40: Receipts and Disbursements under components financing the fiscal deficit

(₹ in crore)

	Particulars	Receipt	Disbursement	Net
1	Market Borrowing	9,330.00	755.62	8,574.38
2	Loans from GOI	51.15	126.69	(-)75.54
3	Special securities issued to National Small Savings Fund	438.40	529.95	(-)91.55
4	Loans from financial institutions	5,393.99	4,539.11	854.88
5	Small Savings, Provident Funds etc.	2,310.94	1,852.98	457.96
6	Deposits and advances	13,149.90	12,552.85	597.05
7	Reserve Funds	671.42	710.51	(-)39.09
8	Suspense and Miscellaneous	30,791.31	30,420.54	370.77
9	Remittances	5,928.62	6,001.22	(-)72.60
10	**Overall surplus (-) deficit (+)**			**10,576.26**
11	Increase (-) decrease (+) in cash balance			(-)214.43
12	**Gross Fiscal Deficit**			**10,362.00**

(Source: State Finance Accounts.)

The fiscal deficit, which represents the borrowings of the Government and its resource gap increased from ₹ 7,153 crore in 2011-12 to ₹ 10,362 crore in

2012-13. The market borrowings contributed ₹ 8,574 crore which was higher by ₹ 2,579 crore over ₹ 5,995 crore in 2011-12. Other major deficit financing measures taken by Government were loans from financial institutions (₹ 855 crore), increase in State provident fund (₹ 458 crore) and increase in deposits (₹ 597 crore).

1.11.3 Quality of Deficit/Surplus

The ratio of revenue deficit to fiscal deficit and the components of primary deficit into primary revenue deficit and capital expenditure (including loans and advances) would indicate the quality of deficit in the State's finances. The ratio of revenue deficit to fiscal deficit indicates the extent to which borrowed funds were used for current consumption. Further, persistently high ratios of revenue deficit to fiscal deficit also indicate that the asset base of the State was continuously shrinking and a part of the borrowings (fiscal liabilities) did not have any asset backup. The bifurcation of the primary deficit (**Table 1.41**) would indicate the extent to which the deficit was on account of enhancement in capital expenditure, which may have been desirable to improve the productive capacity of the State's economy.

Table 1.41: Primary deficit / surplusbifurcation of factors

(₹ in crore)

Year	Non-debt receipts	Primary revenue expenditure	Capital expenditure	Loans and advances	Primary expenditure	Primary revenue deficit (-)/ surplus (+)	Primary deficit(-)/ surplus (+)
1	2	3	4	5	6 (3+4+5)	7 (2-3)	8 (2-6)
2008-09	18,811	18,195	4,502	332	23,029	616	(-) 4,218
2009-10	21,215	22,520	5,218	830	28,568	(-) 1,305	(-) 7,353
2010-11	25,805	24,991	4,031	722	29,744	814	(-)3,939
2011-12	30,861	28,014	5,372	627	34,013	2,847	(-) 3,152
2012-13	33,994	33,328	5,762	522	39,612	666	(-)5,618

(Source: State Finance Accounts of the respective years.)

The primary revenue surplus showed improvement for the last three years. The primary revenue surplus of ₹ 814 crore in 2010-11 reduced to ₹ 666 crore in 2012-13. This was due to the fact that primary revenue expenditure was increasing at higher rates than the non-debt receipts. During the period 2008-09 to 2012-13, the increase in non-debt receipts was 81 *per cent* while primary revenue expenditure increased by 83 *per cent* during this period. However, the details indicate that non-debt receipts were enough to meet the primary revenue expenditure and part of these receipts were utilized to meet capital expenditure. The State was experiencing primary deficit since 2008-09 which stood at 5,618 crore at the end of 2012-13. This indicates that the borrowed funds were utilized to cover the primary expenditure.

1.12 Follow up Action on Audit Report

Reports on State Finances are not being discussed in the Public Accounts Committee except para on excess over provision, requiring regularization included in Chapter 2 and para on losses and defalcations included in Chapter 3 of the report.

1.13 Conclusions

Pattern of Revenue and expenditure: Revenue receipts increased by 10 *per cent* during the year over the previous year due to increase in tax revenue by 15 *per cent*. Tax revenue for 2012-13 fell short by 3.74 and 1.32 *per cent* of targets fixed under FCP and projections made in MTFPS, respectively but was higher by 1.75 *per cent* than the targets fixed by the ThFC. The non-tax revenue fell short by 69 *per cent,* five *per cent* and three *per cent* less than the targets fixed by ThFC, FCP and MTFPS respectively for the year 2012-13.

Revenue expenditure during the year increased by 19 *per cent* over that of previous year and constituted 85 *per cent* of the total expenditure. Its NPRE component at ₹ 28,616 crore was higher by 41 *per cent* and four *per cent* than the projection of ThFC (₹ 20,360 crore) and FCP (₹ 27,410 crore) respectively. Within the non-plan revenue expenditure, four components i.e. salary and wages, pension liabilities, interest payments and subsidies constituted about 85 *per cent* during 2012-13. Moreover, 94 *per cent* (₹ 5,132 crore) of total subsidies (₹ 5,454 crore) were for the energy sector and were higher than the projection in FCP (₹ 3,650 crore).

Capital expenditure, which constituted 13 *per cent* of the total expenditure, increased during 2012-13 by seven *per cent* over 2011-12.

Financial assistance to local bodies and other institutions (₹ 4,648 crore), which constituted 12 *per cent* of revenue expenditure during 2012-13, increased by 41 *per cent* over 2011-12.

Fiscal correction: Fiscal parameters i.e. revenue, fiscal and primary deficits indicate the fiscal position of the State. The revenue deficit which was required to be brought down to zero during 2011-12 and to maintain zero upto 2014-15 further increased during the year as compared to previous year. The trends in fiscal parameters, i.e. revenue, fiscal and primary deficit stood at ₹ 1,457 crore, ₹ 7,153 crore and ₹ 3,152 crore respectively in 2011-12 further increased to ₹ 4,438 crore, ₹ 10,362 crore and 5,618 crore respectively in 2012-13.

Debt sustainability: As per the FRBM Act, total debt including contingent liabilities should not exceed 22.7 *per cent* of the estimated GSDP for the year. Total liabilities including guarantees and letters of comfort which totalled

₹ 91,500 crore during 2012-13, stood at 25.89 *per cent* of the GSDP, which exceeded the limit of the FRBM Act.

Review of Government investments: The average return on the Government's investments in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives varied between 0.02 to 0.17 *per cent* in the past five years while the Government paid an average interest of 7.82 to 9.86 *per cent* on these investments. During 2012-13 a major portion of investments (77 *per cent*) was made in form of investment in equity shares of various Power Corporations.

The State Government was lagging behind in implementation of Financial Restructuring Plan of power distribution companies. Against the target date of 31 December 2012 for implementation of the scheme the Discoms approved the scheme in August 2013.

There were seven non-working PSUs, of which, two were under closures. The action for disinvestment, privatisation and restructuring of non-working PSUs was not taken.

Incomplete projects: Sixty six projects of three departments which were scheduled to be completed between December 2007 and March 2013 were still lying incomplete (June 2013). Time overruns of incomplete projects need to be reduced.

Oversight of funds transferred directly from the GOI to the State implementing agencies: GOI directly transferred ₹ 1,979.71 crore to State implementing agencies during the year, registering decrease of ₹ 30 crore (1.49 *per cent*) in comparison to the previous year. Since these funds do not pass through the State Budget, the Finance Accounts do not present a complete picture of fund flow of Central government resources into the State.

Market borrowings: The market borrowings of the State government increased by ₹ 22,411 crore (309 *per cent*) during five years period of 2008-2013. Its share in outstanding liability increased from 22.45 *per cent* in 2008-09 to 45.76 *per cent* in 2012-13. The weighted average interest on market borrowings also increased from 7.55 *per cent* to 8.85 *per cent* during the same period.

1.14 Recommendations

The Government may consider:

- initiating adequate measures to bring down the revenue deficit to zero as per the recommendations of ThFC.

- using borrowed funds for infrastructure development and meeting revenue expenditure fully from revenue receipts.
- reviewing the working of State PSUs which are incurring huge losses and work out a revival strategy for Discoms by implementing Financial Restructuring Plan.
- placing a strong Management Information System (MIS) to access periodic information on receipts and expenditure in respect of funds directly transferred by Government of India to State implementing agencies.