



**REPORT OF THE
COMPTROLLER AND AUDITOR
GENERAL OF INDIA
ON
STATE FINANCES
FOR THE YEAR ENDED 31 MARCH 2013**



Government of Jammu and Kashmir



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GOVERNMENT OF JAMMU AND KASHMIR

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PREFACE

This Report has been prepared for submission to the Governor of the State of Jammu and Kashmir under Article 151 (2) of the Constitution of India.

Chapter-1 of this Report contains audit observations on matters arising from examination of Finance Accounts of the State Government for the year ended 31 March 2013.

Chapter-2 of this Report contains audit observations on matters arising from examination of the Appropriation Accounts of the State Government for the year ended 31 March 2013.

Chapter-3 on Financial Reporting provides an overview and status of the State Government's compliance with various financial rules, procedures and directives in the departments relating to Social, Economic, Revenue and General Sectors during the year ended 31 March 2013.

EXECUTIVE SUMMARY

Background

This Report on the finances of the Government of Jammu and Kashmir is brought out to assess the financial performance of the State during the year 2012-13 *vis-à-vis* the Budget Estimates and the targets set under the Fiscal Responsibility and Budget Management Act, 2006 and analyses the dominant trends and structural profile of Government's receipts and disbursement.

Based on the audited accounts of the Government of Jammu and Kashmir for the year ending 31 March 2013 and additional data collated from several sources such as the Economic Survey brought out by the State government and Census, this report provides an analytical review of the Annual Accounts of the State government in three Chapters.

Chapter-1 is based on the Finance Accounts and makes an assessment of Jammu and Kashmir Government's fiscal position during 2012-13 and as on 31 March 2013. It provides an insight into trends and profile of key fiscal aggregates, committed expenditure, borrowing pattern, etc.

Chapter-2 is based on Appropriation Accounts and it gives the grant-wise description of appropriations and the manner in which the allocated resources were managed by the service delivery departments.

Chapter-3 details Government's compliance with various reporting requirements and financial rules and non-submission of accounts.

Audit findings and recommendations

Trends in key fiscal aggregates: The State has continued to maintain revenue surplus since 2002-03 due to substantial allocation of grants from the Central government. The surplus declined from ₹ 2103 crore in 2011-12 to ₹ 1100 crore during 2012-13.

Service tax is the only Central tax that is presently not applicable to the State of Jammu and Kashmir. The State has its own service tax under State law. As per the assessment made by the 13th Finance Commission regarding likely Central service tax collection during 2010-15, the share (1.551 *per cent*) foregone by the State works out to ₹ 8363.38 crore. During 2011-12, service tax collection by the Union government was ₹ 97509 crore. Had this tax been applicable to Jammu and Kashmir, the State's share would have been about ₹ 1512 crore. On the other hand, the service tax collection under State law was less than ₹ 957 crore.

The State's share in Central taxes/ duties and Central grants together constituted on an average 76.51 *per cent* of the total revenue receipts of the State during 2002-12. It

declined to 69.5 *per cent* of the total revenue receipts during 2002-13. These non-debt resources financed on an average 64.9 *per cent* of total expenditure during 2002-12 and 59.9 *per cent* during 2012-13. The State's own resources though buoyant have proved to be insufficient to cover the revenue expenditure. There is continuing diversion of plan grants for meeting the non-plan revenue gap, to the extent of ₹ 3746 crore in 2012-13.

The State's own tax revenues have shown a steady increase, particularly the Commercial taxes. However, these were not sufficient enough to meet even the revenue expenditure of the State. The total expenditure of the State increased by 6.25 *per cent* from ₹ 28645 crore in 2011-12 to ₹ 30434 crore in 2012-13 while the capital expenditure decreased by 11.44 *per cent* (from ₹ 5899 crore during 2011-12 to ₹ 5224 crore during 2012-13) and revenue expenditure increased by 10.75 *per cent* from 2011-12 to 2012-13 (from ₹ 22,680 crore during 2011-12 to ₹ 25,117 crore during 2012-13). The percentage of developmental capital expenditure to total expenditure declined from 19.2 *per cent* in 2011-12 to 15.07 *per cent* in 2012-13. Capital expenditure shows a declining trend.

Non-plan revenue expenditure is dominated by four principal constituents, viz., salaries and other personnel costs of employees and para-employees, pensions and other post-retirement benefits, interest payments and Power Department's deficit (difference between amount paid to power producers and amount realised from power consumers). Together these four constitute nearly 63.32 *per cent* of total expenditure, 81.80 *per cent* of total non-plan revenue expenditure (₹ 23561 crore) and 241 *per cent* of State's own tax/ non-tax revenues (₹ 7993 crore).

Fiscal consolidation and regulation of debt/ deficit: The State enacted the Jammu and Kashmir Fiscal Responsibility and Budget Management Act (FRBM Act) in 2006, which was repeatedly amended to align the annual targets for fiscal deficit and total liabilities as per the recommendations of the Twelfth and Thirteenth Finance Commissions. The targets stood diluted due to change in the methodology of computation of GSDP after the Finance Commission awards but the targets were not tightened.

As per the customised fiscal correction path recommended by the 13th Finance Commission specifically for Jammu and Kashmir and the corresponding amendment made in the FRBM Act, the targeted fiscal deficit during 2010-11, 2011-12 and 2012-13 was 5.3, 4.7 and 4.2 *per cent* of GSDP of respective years. The actual fiscal deficit was 5.0, 5.9 and 5.5 *per cent*, respectively. Thus, the fiscal deficit target was not met during 2011-12 and 2012-13. The 'fiscal deficit' being reported in the Budget documents and the Statements presented with the Budget under the FRBM Act is at

variance with that computed from government accounts by following the definition given in the FRBM Act. The fiscal deficit target was missed despite postponement of certain committed liabilities like arrears of pay revision and payment for purchase of electricity.

Due to liquidation of high cost overdraft with Jammu and Kashmir Bank with the help of ₹ 1000 crore grants-in-aid from the Union government, the debt burden of the State has moderated. The overall fiscal liabilities increased by 11 *per cent* from ₹ 36267 crore at the end of 2011-12 to ₹ 40265 crore at the end of 2012-13. The 'fiscal liabilities' as a percentage of GSDP are within the targets set by the 13th Finance Commission, mainly on account of the denominator effect because the actual GSDP has turned out to be significantly higher than that projected by the 13th Finance Commission though the Commission had excluded certain one-off borrowings while setting the targets for 2010-15. 'Total liabilities' as defined under the FRBM Act are not being reported/ monitored/ targeted.

The pre-devolution non-plan revenue deficit was targeted to be brought down to 20 *per cent* of GSDP by 2008-09 under the FRBM Act and maintained thereafter. The same, however, was between 23 to 25 *per cent* during 2009-12.

The opening cash balance for the year 2012-13 was ₹ 961 crore. It decreased by ₹ 870 crore during 2012-13. This drawdown was necessitated due to increase in non-plan expenditure that could not be offset by reduction in plan expenditure or financed through any other means of financing.

The percentage of market loans to total liabilities increased from 29.6 *per cent* in 2008-09 to 38.5 *per cent* in 2012-13. Gradually increasing reliance on open market for debt financing exposes the State to market risks in due course. Presently, the maturity profile is such that there is no redemption pressure in short and medium term.

Major fiscal concerns: As the Government looks forward to diversification in the State's economy through increased industrialisation and modern agriculture as a prescription for sustained and inclusive, job creating economic growth, there are two potential drags on the State's economy. First is the steady increase in the unrecovered expenditure on procurement and supply of electricity and second is the steady expansion in the number and per capita expenditure on personnel (both regular and para employees). It is not a coincidence that the State's efforts at promoting industrialisation through substantial tax revenues being foregone by both the Union and State governments have demonstrably failed to enhance the level of industrialisation, as separately commented in detail in a previous Audit Report for 2011-12. Expansion in public employment (through ongoing regularisation of irregular appointments and expansion of administrative and service delivery

infrastructure) and the difficulties in management of electricity supply both act as disincentive to diversification of the economy. The power receipts accounted for nearly 74 per cent of non-tax revenue and covered only 36 per cent revenue expenditure on Power Development Department in 2012-13. Addressing Power Sector reforms should continue to be a priority area for the State government. These need the government's attention.

Government investments: The State government had invested ₹ 498.25 crore as on 31st March 2013 in Statutory Corporations, Government Companies and Co-operative Societies, including ₹ 25.78 crore invested in Jammu and Kashmir Bank Ltd in which the Government holds 53 per cent equity. Total returns of ₹ 87.35 crore was received during 2012-13, almost entirely from the Jammu and Kashmir Bank, which has had a consistent record of profitability.

Outcome Budget: There is no system of outcome/ performance budgeting/ reporting by the departments to the State Legislature as the departments do not prepare annual reports of their activities and achievements.

Oversight of funds transferred directly to the State implementing agencies: There is no single agency monitoring its use and regular availability of data on actual expenditure *vis-à-vis* receipts in any particular year on major flagship schemes and other important schemes, which are being implemented by State implementing agencies and are funded directly by the Government of India. In order to ensure proper accounting of these funds and the updated information, a system may be evolved by the State government.

Financial management and budgetary control: During 2012-13, there was overall saving of ₹ 1089.70 crore in 29 grants/ appropriations. This was the result of saving of ₹ 5831.27 crore in 23 grants and three appropriation under Revenue Section and 22 grants under Capital Section which is offset by excess of ₹ 4741.57 crore in six grants and one appropriation under Revenue Section and seven grants and one appropriation under Capital Section. In 15 cases, expenditure aggregating ₹ 12,543.29 crore exceeded by ₹ 4,741.57 crore the total approved provisions of ₹ 7801.72 crore.

As the Appropriation Accounts have not been discussed by the Public Accounts Committee since 1980-81, excess expenditure aggregating to ₹ 90,198.17 crore for the years 1980-2012 is yet to be regularised by the State Legislature.

Audit noticed persistent errors in budgeting, persistent savings¹, excess expenditure, expenditure without provision. In 42 cases, anticipated savings were either not

¹ Can also be termed as shortfall in the utilization of funds.

surrendered or surrendered at the end of the year in the month of March leaving no scope for utilizing these funds for other development purposes.

Against a total amount of ₹ 2667.61 crore drawn on AC bills by various Drawing and Disbursing Officers (DDOs) during 1995-2013, corresponding DC bills were not submitted (June 2013) to the Accountant General (A&E), Jammu and Kashmir.

Financial reporting: There were delays in furnishing utilisation certificates against the loans and grants from various grantee institutions. Abnormal delays of 1-18 years were noted in submission of annual accounts by some of the departmental commercial undertakings and Autonomous Bodies.

Follow up on previous Reports on State Finances: No action taken report has been sent by the Finance Department to the Public Accounts Committee on the Audit observations/ recommendations contained in any of the previous Reports on State Finances. None of these Reports have yet been discussed by the Public Accounts Committee.

CHAPTER 1

FINANCES OF THE STATE GOVERNMENT

This chapter provides an overview of the finances of the State government during the financial year 2012-13 by benchmarking against past trends of major fiscal aggregates and its structural profile. *Appendix 1.1* contains the structure and layout of the Finance Accounts of the State government on which this Report is based. *Appendix 1.2* briefly outlines the methodology adopted for the assessment of the fiscal position of the State.

1.1 Profile of the State

The State of Jammu and Kashmir (J&K) is strategically located with its borders touching Pakistan and China. The State spreads over a geographical area of 2,22,236 sqkms which includes an area of 1,20,849 sqkms under illegal occupation of China and Pakistan. The three regions of the State, viz Kashmir, Jammu and Ladakh, have been re-organized into 22 districts, including, eight new districts created during the year 2006-07. The districts are further divided into 82 Tehsils, 142 Community Development Blocks, 6652 villages, 68 Urban areas besides seven Urban Agglomerations. The Ladakh region has two statutory autonomous Development Councils, one each for the districts of Leh and Kargil.

As per 2011 Census (Provisional Data), the State's population in census-covered areas was 1,25,48,926 (53 *per cent* male population and 72.79 *per cent* rural population). The decadal growth rate in population declined to 23.71 *per cent* during 2001-2011 from 29.43 *per cent* during 1991-2001. Population in 0-6 years age-group is 20,08,642 (10,80,662 Male, 9,27,980 Female). The population density of the State increased from 100 per sq km in 2001 to 124 per sq km, which is lower than the population density of 382 per sq km at national level. The population of the Jammu and Kashmir State accounts for 1.04 *per cent* of the country's population in 2011 as against 0.99 *per cent* in 2001 and ranks 19th among the States/ UTs.

The State has 23636 educational institutions in public sector and 5200 in private sector with total enrollment of 17.40 lakh, (Primary: 8.95 lakh, Middle: 4.26 lakh, High Schools: 2.30 lakh and Higher Secondary: 1.89 lakh). The State has a relatively high literacy rate of 68.74 *per cent* (78.26 *per cent* amongst males and 58.01 *per cent* amongst females), up from 55.50 *per cent* in 2001 (66.60 *per cent* amongst males and 43 *per cent* amongst females). During the decade 2001-2011, literacy rate at the national level increased from 64.84 *per cent* to 74.04 *per cent*. The dropout rate in the State has declined to 11 *per cent* in 2012-13. The Gross Enrollment Ratio for the State of Jammu and Kashmir was 10.36 *per cent* in 2007-08 which has increased to 18.20 *per cent* (provisional) in 2011-12 which is higher than the national Gross Enrollment Ratio of 15 *per cent*. The enrollment has accordingly increased from 77,000 in 2004-05 to 1,19,000 in 2011-12. A total number of 28,542

AnganwadiCentres are currently functional. The child sex ratio [0 to 6 years] has shown a sharp decline from 941 in 2001 to 859 as per census 2011. The overall sex ratio has also declined from 892 in 2001 to 883 as per census 2011. Neo-natal mortality and adverse sex ratio are identified concerns in a rapidly expanding healthcare infrastructure including 76 Community Health Centres upgraded as First Referral Units, 192 Primary Health Centres made functional on 24x7 basis and 9814 Accredited Social Health Activists engaged.

Incidence of poverty has been declining. The proportion of Below Poverty Line persons in Jammu and Kashmir in the total population was estimated to be 40.86 *per cent* in 2000 by the Department of Food and Public Distribution, Government of India, which continues to form the basis of foodgrain allocation under the Public Distribution System. The poverty ratio declined to 21.63 *per cent* of total population according to a BPL head count survey carried out by the State government in 2007-08 and to 10.6 *per cent* in 2011-12 according to an assessment made by the Planning Commission.

As per the latest Economic Census (2005), there were 3.24 lakh establishments employing 7.52 lakh persons in the State. The number of unemployed who have registered themselves with the Employment Exchanges has increased from 1.06 lakh in 2008 to 5.94 lakh in 2012.

The Gross State Domestic Product (GSDP)¹ of a State measures the value of goods and services produced within the State. At current market prices, the GSDP is estimated to be ₹ 76115 crore during 2012-13, up from ₹ 65979 crore in 2011-12. The State's estimated GSDP for 2012-13 is about 0.76 *per cent* of the country's estimated national Gross Domestic Product (GDP) for the year (₹ 10028118 crore).

As per the State government estimates, major constituents of State's GSDP in 2012-13 are Services (54.89 *per cent*), Industry (24.55 *per cent*) and Agriculture and allied activities(20.56 *per cent*).In 2004-05, the corresponding shares were 43.72 *per cent*, 28.22 *per cent* and 28.06 *per cent*, respectively. As per advanced estimates for 2012-13, the growth rates in the three sectors are estimated to be 10.10 *per cent*, 3.17 *per cent* and 3.84 *per cent*, respectively. The Services sector is growing fastest causing a major shift in the structure of the economy. The overall GSDP is estimated to grow at the rate of 7.01 *per cent* during 2012-13 as compared to 6.22 *per cent* in 2011-12 and 5.96 *per cent* in 2010-11.

At current prices, Per Capita Incomehas been steadily rising (₹ 30,212, ₹ 33,650, ₹ 38,880, ₹ 44,533 and ₹ 50806 for the years 2008-09, 2009-10, 2010-11, 2011-12 and 2012-13) though it is still short of the national average, estimated to be ₹ 68747 in 2012-13.

¹The GDP/GSDP data used in this Report is based on the new series with Base Year 2004-05.

Trends in annual growth of the country's GDP and the State's GSDP are given in **Appendix 1.2**.

1.1.1 Salient features of the State's Budgetary System

The State government secures legislative approval for spending from the Consolidated Fund of the State by presenting Annual Financial Statement (budget) and Demands for Grants by individual Departments. This is to ensure responsibility of the Heads of Departments for spending on intended purpose. These Demands are discussed in the Legislature, replied by the Minister-in-charge of the Department and then passed. However, expenditure is incurred against the Vote on Account before the Appropriation Act is passed. The individual Demands are discussed and passed by the Legislature rather than by Legislative Committees. The State follows a system of classification of receipts and expenditure, which generally conforms to the function-cum-programme based system followed by the Central and other State governments at top level of major/ minor heads of accounts. However, at lower levels of expenditure classification, the heads of classification are a mix of purpose of expenditure and the spending unit. The system is to some extent *ad hoc*, driven by diverse information needs of the Government rather than any particular Standard, especially at the lowest level of expenditure classification. Ostensibly due to some uncertainty of resource availability, full authority to spend approved budget is not delegated to all functionaries down the line. The budget allotments process is highly centralized. There is no system of outcome/ performance budgeting/ reporting by the departments to the State Legislature as the departments do not prepare annual reports of their activities and achievements for which dissemination of information is limited on some government websites. The Appropriation Accounts and Finance Accounts are prepared by the Accountant General (A&E) on the basis of the compilation and consolidation of receipts/disbursements transactions originating in the books of Drawing and Disbursing Officers through the Treasuries and/ or the Bank accounts controlled by the RBI and the transactions originating in the books of the RBI. The accounts are audited by the Principal Accountant General (Audit). Since April 1, 2011, the Reserve Bank of India (RBI) is the sole banker of the Government in place of the Jammu and Kashmir Bank. Some Government Officers and Government controlled entities still continue to bank with the Jammu and Kashmir Bank, as per Government directions, or with other banks. Operation of such bank accounts for public funds outside the government accounts affects the completeness of government accounts.

The State's expenditure requirements are not met fully from its own resources and it has substantial dependence on resource flow from the Central government. The State of Jammu and Kashmir is one of the 11 Special Category States entitled to 90 *per cent* financing for schemes/projects included in the State Plan in the form of grants-in-aid from the Union government. Higher (90 *per cent*) financing of State plan schemes/ projects by way of grants-in-aid from the Central government and access to

substantial Central grants for financing Central and Centrally sponsored plan schemes and also on non-plan account coupled with State's own efforts at revenue mobilisation have ensured that the State has continued to be a revenue surplus State despite having deficit after excluding central transfers.

1.2 Summary of Fiscal Transactions in 2012-13

Statement 1 and 2 and Appendix I of the Finance Accounts 2012-13 provide summary position of opening and closing cash balances, receipts and disbursements during the year under broad categories. These are condensed and recapitulated in **Table 1.1**. The summary of the State government's fiscal transactions during the current year (2012-13) are compared with the previous year. More details are given in **Appendix 1.3** that contains data showing trends in major fiscal aggregates since 2002-03. **Appendix 1.4** presents a more disaggregated view of the Table.

Table 1.1
Summary of current year's fiscal operations

(₹ in crore)

Receipts		Disbursements					
2011-12	2012-13	2011-12	2012-13	Non Plan	Plan	Total	
Section-A:Revenue							
4,745	5,832	9725	General Services	10614	12	10626	
2,002	2,160	6292	Social Services	5548	1360	6908	
3495	3,871	6663	Economic Services	7399	184	7583	
14541	14354						
24,783	26,217	22680	Revenue expenditure	23560	1557	25,117	
Section-B:Capital							
		5899	Capital Outlay	253	4971	5,224	
169	2	66	Loans and Advances disbursed	93		93	
4,036	3,287	1,211	Repayment of Public Debt@	1343		1,343	
1	-	1	Contingency Fund	-		-	
18,835	19,124	17,106	Public Account disbursements@@	17723		17,723	
100	961	961	Closing Cash Balance	91		91	
47,924	49,591	47,924				49,591	

@ Excludes net transactions under ways and means advances and overdraft.

@@ These exclude transactions of investment of cash balances and departmental cash chests. The net effect of these transactions is included in the opening and closing cash balances in the row next below.

As a result of the aforesaid inflow/ outflow, the aggregate cash balance of the State (including un-invested cash with the RBI, invested cash and cash in departmental cash chests) decreased during 2012-13 from the opening balance of ₹ 961 crore by ₹ 870 crore to a closing balance of ₹ 91 crore.

The abridged accounts mentioned above have to be read with comments and explanations in the Finance Accounts. Government accounts being mainly on cash basis, the deficit on Government account indicates the position on cash basis, as opposed to accrual basis in commercial accounting. Consequently, items payable or receivable or items like depreciation or variation on stock figures etc. do not figure in the accounts. Suspense and miscellaneous balances include cheques issued but not paid and payments made on behalf of the State and others pending settlement, etc.

1.2.1 Review of the fiscal situation - Trends in Key Fiscal Aggregates

Appendix 1.3 presents the data on key fiscal aggregates (absolute monetary values, ratios and growth rate) for the period from 2002-03 to 2012-13. Notable points emerging from this trend analysis are as follows:-

- The State's share in Union taxes and duties and grants from the Union government together constituted on an average 76.51 *per cent* of the total revenue receipts of the State during 2002-12. It declined to 69.5 *per cent* in 2012-13. These non-debt resources transferred by the Central government through the State government accounts financed on an average 64.90 *per cent* of total expenditure of the State government during 2002-12 and 59.9 *per cent* in 2012-13, showing thereby decline in the State's dependence on transfer of Central resources. This, of course, does not take into account the resources transferred by the Union Ministries directly to implementing agencies, by-passing the State government accounts.
- The State's own tax revenues (SOTR) have shown a trend growth rate of 19.7 *per cent* per annum during 2006-07 to 2012-13, with Commercial Taxes registering a higher trend growth rate of 21.3 *per cent* per annum in tandem with economic growth. The SOTR has been an average 6.7 *per cent* of GSDP during 2006-07 to 2012-13 with a ratio of 7.7 *per cent* in 2012-13. The initial GSDP estimates have been undergoing upward revisions in recent years and hence there is scope for improvement.
- The State's own revenues, though buoyant, have proved to be insufficient to cover the revenue expenditure, particularly the non-plan revenue expenditure. It is a matter of concern that the non-plan gap is being filled through plan grants resulting in diversion of plan resources for non-plan purposes. The State has continued to maintain revenue surplus due to Central grants-in-aid (both plan and non-plan), to meet the deficit in the State's revenue account, but the surplus declined from ₹ 2103 crore in 2011-12 to ₹ 1100 crore during 2012-13.

1.2.2 Budget Estimates and Actuals

The trends in budget estimates, revised estimates and actual financial outcomes of some top level fiscal aggregates are given in **Table 1.2**.

Table 1.2

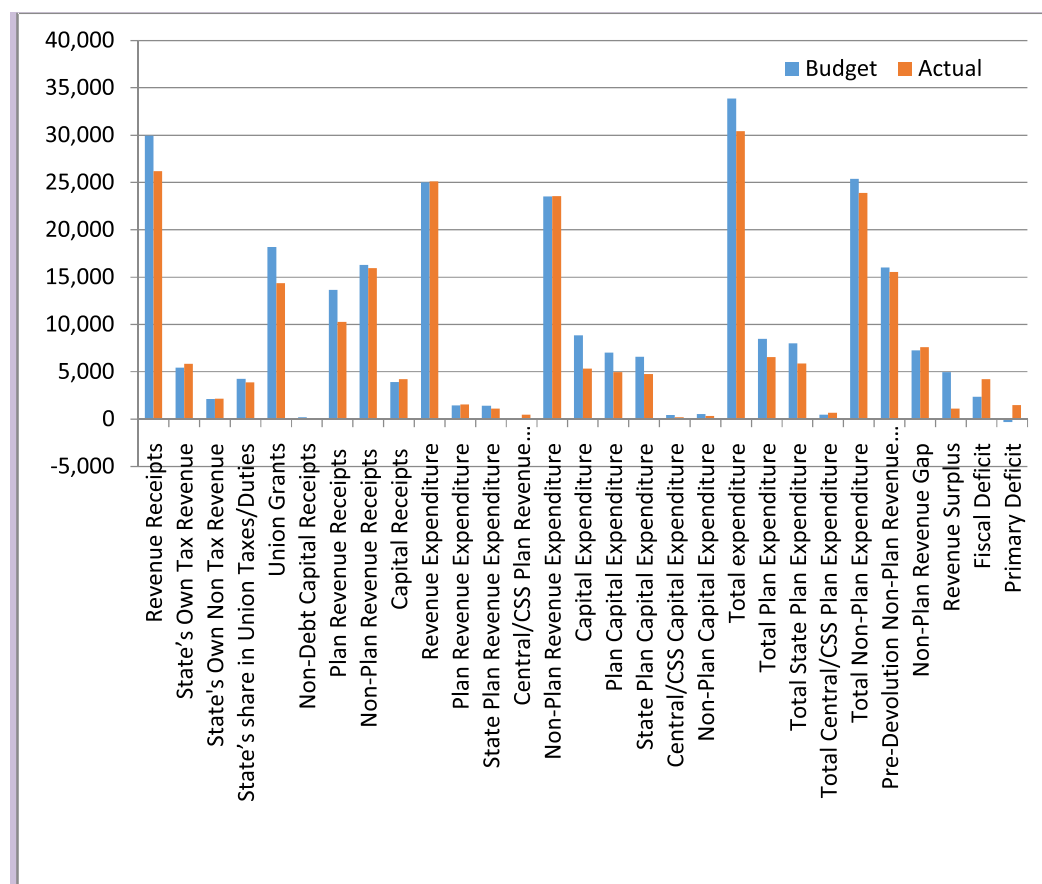
Sl. No.	Fiscal Aggregate	2010-11			2011-12			2012-13		
		Budget	Revised	Actual	Budget	Revised	Actual	Budget	Revised	Actual
1	Revenue Receipts (a)+(b)+(c)+(d)	22,849	23,762	22,234	26,701	25,513	24,783	29,948	29,499	26,217
<i>a</i>	State's Own Tax Revenue	3,505	3,642	3,483	4,183	4,791	4,745	5,419	5,975	5,833
<i>b</i>	State's Own Non Tax Revenue	1,457	1,475	1,093	1,620	1,851	2,002	2,118	2,819	2,160
<i>c</i>	State's share in Union Taxes/Duties	2,911	2,911	3,067	3,328	3,691	3,495	4,245	4,085	3,870
<i>d</i>	Grants-in-aid from Union government	14,976	15,733	14,591	17,570	15,180	14,541	18,166	16,620	14,354
2	Non-Debt Capital Receipts	376	360	2	358	356	168	224	131	2
3	Net Borrowings and other liabilities (Fiscal Deficit)	1,800	2,361	2,295	2,979	3,979	3,694	2,364	3,364	4,216
4	Total Receipts (1+2+3)	25,025	26,483	24,531	30,038	29,848	28,645	33,853	34,311	30,435
5	Revenue Expenditure 5(i)+5(ii)	17,698	18,383	18,467	22,752	22,854	22,680	24,990	25,237	25,117
<i>i</i>	Plan	981	928	909	1,178	1,081	1,248	1,442	1,242	1,557
<i>ii</i>	Non-Plan	16,717	17,455	17,558	21,574	21,773	21,432	23,548	23,995	23,560
6	Capital Expenditure 6(i)+6(ii)	7,327	8,100	6,064	7,286	6,994	5,965	8,863	9,074	5,317
<i>i</i>	Plan	7,075	6,758	5,730	7,020	6,617	5,474	7,028	7,228	4,971
<i>ii</i>	Non-Plan (excluding Debt Repayment, including Loans and Advances)	252	1,342	406	266	377	491	518	529	346
7	Total expenditure	25,025	26,483	24,603	30,038	29,848	28,645	33,853	34,311	30,434
<i>i</i>	Plan	8,056	7,686	6,639	8,198	7,698	6,722	8,470	8,470	6,528
<i>ii</i>	Non-Plan	16,969	18,797	17,964	21,840	22,150	21,933	25,383	25,841	23,906
	GSDP (New Series with Base Year 2004-05)	42,460	47,709	56,976	62,365	62,365	65,979	70,160	76,115	76,115

Pre-Devolution Non-Plan Revenue Deficit (PDNPRD)	11,905	12,337	12,982	15,771	15,131	14,685	16,011	15,201	15,568
PDNPRD as per cent of GSDP	28.00	25.85	23.71	25.28	24.26	23.50	22.82	19.97	20.45
Non-Plan Revenue Gap	3,765	4,347	4,836	7,412	6,555	6,638	7,270	6,376	7,618
Non-Plan Revenue Gap as per cent of GSDP	8.9	9.1	8.5	11.4	9.9	10.0	9.55	8.37	10.0
Revenue Surplus	5151	5388	3767	3949	2659	2103	4,958	4,262	1,100
Revenue Surplus as per cent of GSDP	9.0	9.5	6.6	6.0	4.03	3.2	6.5	5.6	1.4
Fiscal Deficit	1,800	2,352	2,367	2,979	3,979	3,694	2,364	3,364	4,216
Fiscal Deficit as per cent of GSDP	4.2	4.9	4.2	4.8	6.4	5.6	3.1	4.4	5.5
Primary Deficit (+) / Surplus (-) (Fiscal Deficit - Interest Payments)	(-)400	152	84	616	1,441	1,311	-299	701	1,510
Primary Deficit as per cent of GSDP	(-)0.9	0.3	0.15	1.0	2.3	1.99	0.92	0.39	1.98
State's Own Tax Revenue as per cent of GSDP	6.15	6.39	6.1	6.34	7.26	7.2	7.11	7.84	7.7

The 'non-plan capital expenditure' shown in the above Table does not include cash outgo on account of redemption of public debt and other liabilities because these disbursements have been deducted from the corresponding public debt and public accounts receipts. The 'fiscal deficit' is the net accretion to the public debt and other liabilities used for financing the expenditure other than debt redemption. This method of financing the redemption of public debt and other liabilities implies that the liabilities are not repaid out of current revenues but merely rolled over indefinitely. All borrowings and other liabilities cannot be endlessly refinanced and may have to be eventually paid out of Government's non-debt receipts. Hence, borrowings are in the nature of deferred taxation/ asset sale. The ability of an entity to continuously refinance old liabilities with new liabilities depends on continued credit worthiness of the entity.

Chart 1.1 graphically captures actual fiscal outcomes in 2012-13 *vis-à-vis* Budget 2012-13.

Chart 1.1
Budgeted vs Actual outcome



While State's own tax revenue mobilisation exceeded the Budget target, there were significant shortfalls in the plan capital expenditure and grants-in-aid from the Union government with the overall effect being a significant increase in the fiscal deficit over the budgetary limit. Actual fiscal deficit (₹ 4216 crore, 5.5 per cent of GSDP) breached the target of 4.2 per cent of GSDP under the FRBM Act.

1.3 Resources of the State

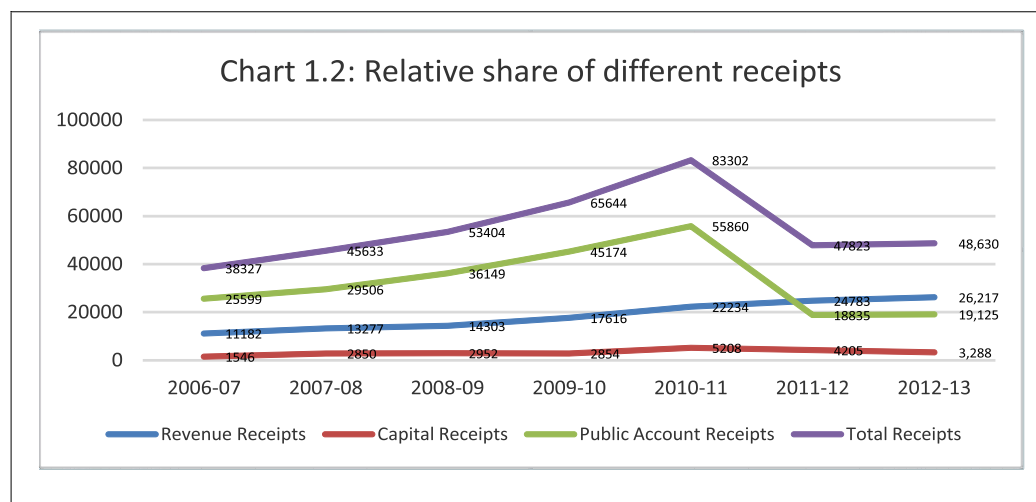
1.3.1 Resources of the State as per the Annual Finance Accounts

The resources for financing the State Budget are categorised into revenue receipts and capital receipts. Revenue receipts of a State comprise of four broad components: (a) tax revenue (i) revenue from State's own taxes like State Excise, VAT/ GST which the State can control (ii) State's share in Central taxes/ duties under the Finance Commission award (b) (i) non-tax revenues under control of the State like interest/ dividend and user charges and (ii) grants-in-aid from the Central government, which is also accounted for as non-tax revenue of the State. Capital receipts comprise of four broad components: (i) non-debt capital receipts like recoveries of loans/ advances given by the State government, (ii) proceeds of disinvestment of equity in public sector companies or proceeds from sale of other assets like

land/ buildings (iii) receipts, which create liabilities for the Government like market loans, borrowings from financial institutions/ commercial banks, loans and advances from the Union government and (iv) receipts into the public accounts of the State government as a banker or trustee of others' funds like security deposits.

It may be seen that the revenue receipts are recurring in nature and these funds are not required to be returned, in normal course. On the other hand, the capital receipts may entail creation of a liability to repay. Thus, capital receipts are further sub-divided into no-liability-to-repay type capital receipts (sale of assets like land and financial investments) and liability creating receipts such as public debt and public accounts. Public debt receipts are the receipts resulting from Government's initiative to borrow whereas in respect of receipts into the public accounts of the State, the Government acts like a trustee or banker (such as court deposits, provident fund etc.).

Chart 1.2 depicts the trends in various components of the receipts of the State during 2006-13.



The average share of revenue receipts in total receipts was 27 per cent during 2007-11, increased to 52 per cent in 2011-12 and 54 per cent in 2012-13 as the share of public accounts receipts declined from an average of 67 per cent during 2007-11 to 39 per cent during 2011-2012 and 2012-13. The share of capital receipts has remained almost constant.

1.3.2 Funds transferred to State Implementing Agencies outside the State Budget

The Central government has been transferring funds directly to the State implementing agencies for implementation of various schemes/ programs in 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.

On the basis of the information provided on the Central Plan Scheme Monitoring System (CPSMS) portal of the Controller General of Accounts, the information on

direct transfer of Government of India' budgetary resources to various State and District level societies and other entities in Jammu and Kashmir (commonly referred to as 'State level implementing agencies') have been compiled in **Appendix 1.5** of the Finance Accounts 2012-13 under schemes costing more than ₹ one crore. Funds provided to some major programme/ schemes out of the total amount (₹ 2667 crore) reported as released during 2012-13 are given in **Table 1.3**.

Table 1.3
Funds transferred directly to State implementing agencies

(₹ in crore)

Name of the Programme/scheme	Name of the Implementing Agency in the State	Total Funds released by GOI during		
		2010-11	2011-12	2012-13
PMGSY	State Rural Roads Agency	366.09	762.10	266.32
National Rural Health Mission (NRHM)	State Health Department and other agencies	132.15	452.45	139.23
SarvaShikshaAbhiyan	Ujala Society	403.49	300.71	508.06
Package for Special Category State DIPP	Jammu and Kashmir Financial Corporation Limited	23.14	59.59	33.21
MGNREGA	Assistant Commissioners Development DRDA	313.60	781.31	762.76
National Rural Drinking Water Programme	State Water and Sanitation Mission	468.91	420.42	474.50
Rural Housing (IAY)	Assistant Commissioners DRDA	66.43	58.83	50.10
Local Area Development Schemes (MPLADS)	District Development Commissioners	24.00	40.00	45
Total		1797.81	2875.41	2281.55

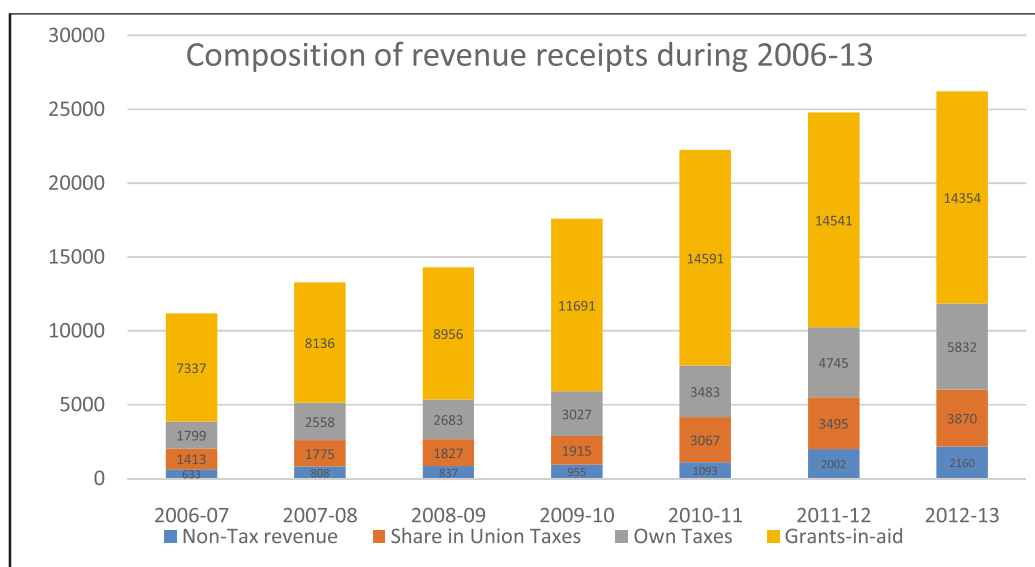
(Source: CPMS of CGA's website)

These figures are yet to be verified by the implementing agencies. The consolidated data base at apex level was not maintained by the State government. Since there is no system of regular feedback to the office of the Accountant General (A&E), Jammu and Kashmir about the unspent balances available with the above mentioned implementation agencies and the liability of matching counterpart funds required to be provided by the State government to these agencies, the Finance Accounts cannot provide a full picture of the public funds.

1.4 Revenue receipts

Statement-11 of the Finance Accounts details the revenue receipts of the Government. The revenue receipts consist of tax and non-tax revenues, Central tax transfers and grants-in-aid from the Central government. The trends and composition of revenue receipts over the period 2006-13 are presented in **Appendix 1.3** and also depicted in **Chart 1.3**.

Chart 1.3



Transfers from the Union government in the form of State's share in Union taxes and duties and grants in aid together constituted 73 to 79 *per cent* of the State's revenue receipts during 2006-12 but the share declined to 70 *per cent* during 2012-13. The trends in revenue receipts relative to GSDP are presented in **Table 1.4**.

Table 1.4
Trends in revenue receipts relative to GSDP

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Revenue Receipts (RR) (₹ in crore)	11,182	13,277	14,303	17,588	22,234	24,783	26,217
State's Own Revenues (₹ in crore)	2432	3366	3520	3982	4576	6747	7993
Rate of growth of RR (<i>per cent</i>)	8.41	18.74	7.73	22.97	26.42	11.46	5.79
R R/GSDP (<i>per cent</i>)	35.79	33.80	36.35	39.02	37.56	35.79	34.44
Buoyancy Ratios²							
Revenue Buoyancy w.r.t GSDP	1.61	0.55	1.60	1.49	0.73	1.61	0.38
Revenue Buoyancy with reference to State's own taxes	0.80	0.44	1.58	1.79	1.77	0.32	0.25

Revenue receipts showed a progressive increase over the period 2006-07 to 2012-13 in absolute terms but the growth rate shows a declining trend with 2010-11 peak being due to one-off special grants-in-aid under the Finance Commission's award. Declining buoyancy of State's own tax revenue to GSDP shows that the tax base is not growing

² Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For instance, revenue buoyancy at 0.6 implies that revenue receipts increase by 0.6 *per cent*, if the GSDP increases by one *per cent*.

tandem with growth in the economy. The Services sector constitutes bulk of the State's economy.

1.4.1 State's Own Revenues

The State's performance in mobilisation of additional resources should be assessed in terms of its own resources comprising revenue from its own tax and non-tax sources. The State's share in Union taxes/ duties and grants-in-aid are determined on the basis of recommendations of the Finance Commission, collection of Central tax receipts and Central assistance for plan schemes, which are beyond the control of the State government. The trend in State's own tax and non-tax revenue can be seen from **Table 1.5**.

Table 1.5
Trends of tax revenue and non-tax revenue

(₹ in crore)

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Tax revenue	1,799	2,558	2,683	3,027	3,483	4,745	5,833
<i>Of which</i>							
Tax on sale of goods and services	1,159	1,805	1,836	2,146	2,425	3,414	4,174
Non-tax revenue	633	808	837	955	1,093	2,002	2,160
Of which receipts from sale of power	479	601	630	702	822	1,007	1,589
Total	2,432	3,366	3,520	3,982	4,576	6,747	7,993

The receipts from the sale of power is a major constituent of non-tax revenue comprising 73.56 per cent of the total non-tax revenue during the year 2012-13. Likewise, the tax on the sale of goods and services constituted 71.56 per cent of the total tax revenue.

1.4.1.1 State's Own Tax Revenue

The performance of State's own tax revenue is detailed in **Table 1.6**.

Table 1.6
Trends in State's own tax revenue relative to GSDP

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Own Tax Receipts (OTR) (₹ in crore)	1799	2558	2683	3027	3483	4745	5833
Rate of growth of OTR (per cent)	10.57	42.19	4.89	12.82	15.06	36.23	22.93
OTR/GSDP (per cent)	5.41	6.90	6.34	6.26	6.11	7.19	7.66
Buoyancy Ratios							
OTR Buoyancy w.r.t GSDP	0.96	3.62	0.35	0.89	0.85	2.29	1.49
OTR Buoyancy with reference to RR	1.25	2.25	0.63	0.56	0.57	3.16	3.96

The States own tax receipts have been showing progressive increase registering a trend growth rate of 19.7 *per cent* during 2006-07 to 2012-13 though growth did not match the record growth of 36.23 *per cent* in 2011-12. The State has brought new services under the tax net, which are taxed as part of the State's integrated legislation for taxation of goods and services. The tax-wise break-up of tax revenue during the period along with percentage increase/ decrease over 2011-12 is given in **Table 1.7**.

Table 1.7
Trends of tax revenue

(₹ in crore)

Head of Revenue	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	Trend Growth rate
Sales Tax	1,159	1,805	1,836	2,146	2,425	3,414	4,174	21.3
State Excise	213	244	239	294	337	385	421	12.5
Stamps and Registration Fee	57	66	57	70	79	171	240	26.3
Taxes and duties on electricity	60	93	151	120	148	179	278	23.4
Taxes on vehicles	64	73	65	83	115	105	118	11.8
Taxes on goods and passengers	243	265	271	299	337	458	505	13.3
Land revenue	3	9	64	15	42	33	96	56.6
TOTAL	1,799	2555	2683	3027	3483	4745	5,832	19.7

The variations between the budget estimates and actuals of tax revenue receipts for the year 2011-12 and 2012-13 in respect of the principal heads of tax revenue are mentioned in **Table 1.8**.

Table 1.8
Budget Estimates and Actual Tax revenue during 2012-13

(₹ in crore)

Head of Revenue	2011-12 (Actuals)	2012-13 (BE)	2012-13 (RE)	2012-13 (Actuals)
Commercial Taxes (VAT/GST on sales and services)	3,414	3,940	4,219	4,174
State Excise Duties	385	404	413	421
Other State Taxes/Duties	946	1,075	1,343	1,237

1.4.1.2 Cost of Collection

The figures of gross collection in respect of major revenue receipts, expenditure incurred on collection and the percentage of such expenditure to gross collection from 2008-09 to 2012-13 along with the relevant all India average percentages for 2011-12 are given in **Table 1.9**.

Table 1.9
Cost of collection of major State taxes

Head of Revenue	Year	Gross Collection (₹ in crore)	Expenditure on Collection (₹ in crore)	Percentage of expenditure to gross collection (per cent)	All India average percentage during the preceding year
Sale Tax	2008-09	1835.99	15.30	0.83	0.95
	2009-10	2145.73	73.56	3.43	0.88
	2010-11	2424.52	22.17	0.91	0.96
	2011-12	3414.01	27.59	0.81	0.75
	2012-13	4174.39	88.08	2.11	0.83
State Excise	2008-09	238.67	11.10	4.65	3.34
	2009-10	293.78	12.37	4.21	3.66
	2010-11	337.24	14.38	4.26	3.64
	2011-12	385.46	17.09	4.43	3.05
	2012-13	421.28	18.88	4.48	2.98
Stamp Duty & Registration Fee	2008-09	57.14	6.04	10.57	3.44
	2009-10	69.51	7.80	11.22	2.77
	2010-11	78.58	12.68	16.14	2.47
	2011-12	170.97	20.87	12.21	1.60
	2012-13	240.14	23.26	9.69	1.89
Taxes on Vehicles	2008-09	65.47	4.73	7.22	2.74
	2009-10	83.10	4.56	5.49	2.93
	2010-11	115.33	5.38	4.66	3.07
	2011-12	104.52	7.44	7.12	3.71
	2012-13	117.89	7.66	6.50	2.96

It may be seen that the cost of collection of taxes on Vehicles, State Excise and Stamps and Registration Fee is significantly higher than the All India Average cost of collection.

1.4.1.3 State's own non-tax revenue

An itemised break-up of non-tax revenue during the period 2006-13 along with percentage increase/ decrease over 2011-12 is given in **Table 1.10**.

Table 1.10
Trends of non-tax revenue

(₹ in crore)

Head of Revenue	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	Trend Growth Rate
Power	479	601	630	724	822	1,007	1,589	19.1
Interest receipts, dividends and profits	34	65	57	55	67	101	104	17.0
Forest and Wild Life	19	32	32	37	47	55	59	19.0
Public Works	16	16	17	24	24	26	27	10.9
Medical and Public Health	13	13	10	9	9	15	18	4.2
Water Supply and Sanitation	11	14	15	13	16	21	32	15.7
Police	7	4	10	13	11	25	28	32.7
Non-Ferrous Mining and Metallurgical Industries	10	16	15	25	35	41	54	32.1
Crop Husbandry	4	5	5	5	5	12	8	14.7
Animal Husbandry	5	5	5	5	5	6	7	5.0
Others	35	36	43	44	52	693	235	52.5
Grand total:	633	808	837	955	1,093	2,002	2,160	22.9

The receipts under 'others' category include water usage charges. Non-tax revenue of ₹ 693 crore under 'others' in 2011-12 included ₹ 543.44 crore received by the State as water usage charges from National Hydroelectric Power Corporation (NHPC) in respect of hydel projects owned by it in the State. The water usage charges are being levied on hydel power generating companies under the provisions of the Jammu and Kashmir Water Resources (Regulation & Management) Act, 2010 enacted on 25 October 2010. NHPC has challenged the levy in the Jammu and Kashmir High Court. Under an amendment to the Act made on 25 October 2012, the proceeds of the levy are to be credited into a separate account maintained by the Secretary, Finance Department. Hence, a separate Savings Bank account has been opened in the Jammu and Kashmir Bank, outside the Government Accounts. As on 31 March 2013, the balance in this bank account was ₹ 433.31 crore. Due to this development, there was a significant drop under this head of non-tax revenue in 2012-13 Government Accounts.

The receipts of the Power Development Department (PDD) constitute the most significant constituent of State's non-tax revenue. **Table 1.11** shows the variation between the budgeted and actual receipts during 2011-12 and 2012-13.

Table 1.11
Trends of non-tax revenue

(₹ in crore)

Head of non-tax Revenue	Budget Estimate 2011-12	Actual 2011-12	Budget Estimate 2012-13	Actual 2012-13
Power receipts	1486	1007	2387	1,589
Interest receipts, dividends and profits	89	101	111	104
Forest and wild life	56	55	68	59
Public works	22	26	25	27
Medical and public health	17	15	20	18
Water supply and sanitation	35	21	37	32
Police	18	25	25	28
Non-ferrous mining and metallurgical industries	43	41	50	54
Crop husbandry	7	12	07	8
Animal husbandry	6	6	07	7
Others	72	693	82	234
Total	1851	2002	2819	2160

The Government informed the Legislature through the Statements placed under the FRBM Act that all departments are expected to recover at least 50 *per cent* of the 'service charges' from the users after accounting for Operations & Maintenance expenses, as recommended by the 13th Finance Commission. However, no specific, time bound action plan has been presented to achieve this goal.

1.4.2 Grants in aid from the Union government

Table 1.12 shows the significance of grants-in-aid from the Union government in the budgetary resource base of the State government:

Table 1.12
Trends in grants-in-aid from the Union government

Year	Grants-in-aid (₹ in crore)	Total Expenditure (₹ in crore)	Grants as <i>per cent</i> of Total Expenditure	Total Revenue Receipts (₹ in crore)	Grants as <i>per cent</i> of Total Revenue Receipts
2008-09	8,956	17,053	53	14,303	63
2009-10	11,691	21,607	54	17,588	66
2010-11	14,591	24,603	59	22,234	66
2011-12	14,541	28,645	51	24,783	59
2012-13	14,354	30,434	47	26,217	55

1.4.2.1 Diversion of Plan grants to finance non-plan expenditure

The non-plan revenue gap (excess non-plan revenue expenditure over revenue receipts excluding plan grants-in-aid) in the State government account necessitates diversion of plan grants to fill the gap. The non-plan revenue expenditure is dominated by four principal constituents, viz., salaries and other personnel costs of employees and para-employees, pensions and other post-retirement benefits, interest payments and Power Department's deficit (difference between amount paid to power producers and amount realised from power consumers). Together these four constitute

nearly 63.52 per cent of total expenditure, 81.80 per cent of total non-plan revenue expenditure (₹ 23561 crore), 241 per cent of State's own tax/ non-tax revenues (₹ 7993 crore). This creates a persisting scenario of negative balance of current revenues for financing Annual Plan of the State. **Table 1.13** shows the extent to which plan grants of ₹ 3746 crore from the Union government have to be necessarily diverted for meeting non-plan expenditure.

Table 1.13
Extent of diversion of plan grants to finance non-plan expenditure

(₹ in crore)

Item	Actual 2011-12	Budget 2012-13	Revised 2012-13	Actual 2012-13
Expenditure on State Plan schemes	6,113	7,300	7,300	5,864
Expenditure on Central Plan and Centrally Sponsored Schemes	608	470	470	664
Total Plan expenditure	6,721	7,770	7,770	6,534
Central Plan Assistance (Grants-in-aid) for State Plan Schemes	9,255	12,988	11,198	9,547
Central Plan Assistance (Grants-in-aid) for Central Plan and Centrally Sponsored Schemes	734	470	470	727
Total Plan grants from Union government	9,989	13,458	11,668	10,274
Plan grants diverted to meet non-Plan expenditure	3,268	5,688	3,898	3,746

1.4.3 Central Tax transfers

The actual release of share in Union taxes and duties to Jammu and Kashmir during first three years of the award period of 13th Finance Commission *vis-à-vis* the projections made by the Commission is tabulated in **Table 1.14**.

Table 1.14
State's share in Union taxes and duties: Actual devolution *vis-à-vis* 13th Finance Commission projections

(₹ in crore)

Year	13th Finance Commission projection	Actual tax devolution
2010-11	2,837	3066.98
2011-12	3,328	3495.11
2012-13	3,925	3870.37

1.4.4 Utilisation of XIII Finance Commission grants

The 13th Finance Commission has recommended a total grant of ₹ 20,256 crore for the five years period from 2010-11 to 2014-15, specifically for Jammu and Kashmir. Of this, ₹ 15,937 crore is meant for filling the assessed deficit on non-plan revenue account, ₹ 1000 crore is for liquidation of overdraft with the Jammu and Kashmir Bank and ₹ 1,123 crore is meant for Local Bodies. The balance ₹ 2,202 crore is for several projects and activities to be completed during 2010-15. Since these grants are for the five-year period, any short-utilisation in any year can be made good in

subsequent years. Almost 89 per cent of the total grant is general budgetary support (i.e. meeting non-plan revenue gap and clearing overdraft).

Appendix 1.6 details the special purpose grants (other than the non-plan revenue deficit grant) recommended by the Commission. Out of total allocation of ₹ 4,325 crore for such grants during the award period (2010-15), an amount of ₹ 1853.25 crore has been cumulatively received by 31 March 2013 by the State government. Utilisation certificates aggregating to ₹ 317.69 crore were pending with concerned departments (September 2013) for rendition to the Union government.

The State government utilised the special grant of ₹ 1000 crore during 2010-11 to retire the high cost overdraft with Jammu and Kashmir Bank as a prelude to switchover to banking with the Reserve Bank of India with effect from 2011-12. During, 2011-12, the interest burden on overdraft/ ways and means advances came down by over ₹ 220 crore as a result of this switchover to new banking arrangements. As may be seen from details given in Para 1.4.2.1 and Table 1.38, the non-plan revenue gap in the government accounts has overshoot the assessment made by the Finance Commission. With the result, the non-plan revenue gap is required to be filled in not only by the grants under the Finance Commission's award but also by forced diversion of plan grants, approved by the Planning Commission, for financing the non-plan revenue expenditure.

In so far as the grants for Local Bodies are concerned, there is a condition precedent for release of these grants, viz., entrustment of Technical Guidance and Supervision role for the audit of Local Bodies to the C&AG of India. This has been ordered by the State government with effect from 2013-14 for which operational arrangements are being worked out (July 2013). The transfer of functions, responsibilities and funding to Panchayati Raj Institutions is pending.

For State Disaster Relief Fund, against the grants receivable of ₹ 489.30 crore (₹ 155.21 crore in 2010-11, ₹ 162.97 crore in 2011-12 and ₹ 171.12 crore in 2012-13), only ₹ 155.22 crore were received in 2010-11 and 2012-13. The details of non-compliance to terms and conditions leading to short-receipt are awaited from the State government (September 2013).

1.5 Capital receipts

The capital receipts are either non-debt capital receipts such as proceeds from disinvestment of equity in government companies/ corporations and recoveries of loans and advances or debt capital receipts, credited under public debt section of the Consolidated Fund. The public debt receipts fall broadly under two categories (a) loans/ advances from the Union government and (b) borrowings from banks, financial institutions through negotiated loans or open market borrowings through issue of State Development Loans. The share of non-debt capital receipts and loans/ advances from the Union government is negligible and capital receipts are

mainly borrowing from banks, financial institutions and open market, as detailed in **Table 1.15**.

Table 1.15
Trends in capital receipts

(₹ in crore)

	2008-09	2009-10	2010-11	2011-12	2012-13
Non-Debt Capital receipts					
(i) Recoveries of Loans and Advances	4	2	2	168	2
(ii) Miscellaneous capital receipts (asset sale)		28			
Total non-debt Capital receipts	4	30	2	168	2
Debt Capital receipts (Public Debt)					
(i) Ways and Means Advances and Overdraft	235	675	1,847	4,436	3,742
(ii) Loans and advances from Union Government	19	31	-1,016	-32	14
(iii) Other Debt (Market/Institutional Loans)	2,694	2,146	6,222	4,068	3,272
Total non-debt Capital receipts	2,948	2,852	7,053	8,472	7,028
Total Capital receipts	2,952	2,882	7,055	8,640	7,030

These have been discussed in Paras 1.11.1 and 1.11.3 in detail.

1.6 Public Accounts receipts

In respect of sums credited to the public accounts of the State, the Government acts as a trustee or banker. Major constituents of the public accounts are State Provident Fund, Insurance/ Pension Funds, Reserve Funds, Deposits and Advances. Besides, the public accounts section of the Government Accounts is also used to record transitory transactions under Suspense and Miscellaneous and remittance heads before their final accounting to appropriate receipt or payment head of account as also cash balance transactions. **Table 1.16** shows trends in receipts and disbursements under various segments of the public accounts:

Table 1.16
Profile of public accounts

(₹ in crore)

Constituents of Public Accounts	Public Account Receipts		Disbursement from Public Account		Excess of receipts over disbursement	
	011-12	2012-13	2011-12	2012-13	2011-12	2012-13
State Provident Fund, Pension/ Insurance Funds	3,327	3,239	1,257	1,550	2,070	1,689
Reserve Funds	196	286	70	116	126	170
Deposits	3,298	3,411	3,325	3,216	-27	195
Advances	346	397	347	404	-1	-7
Remittances	10,992	11,516	11,619	12,134	-627	-618
Receipts in Cash Balance Investment Account	13,050	14,268	13,762	13,703	-712	565
Receipts in Departmental Cash Balances Account	28	46	28	38	0	8
Other Suspense and Misc	676	275	488	303	188	-28
Total	31,913	33,438	30,896	31,464	1,017	1,974

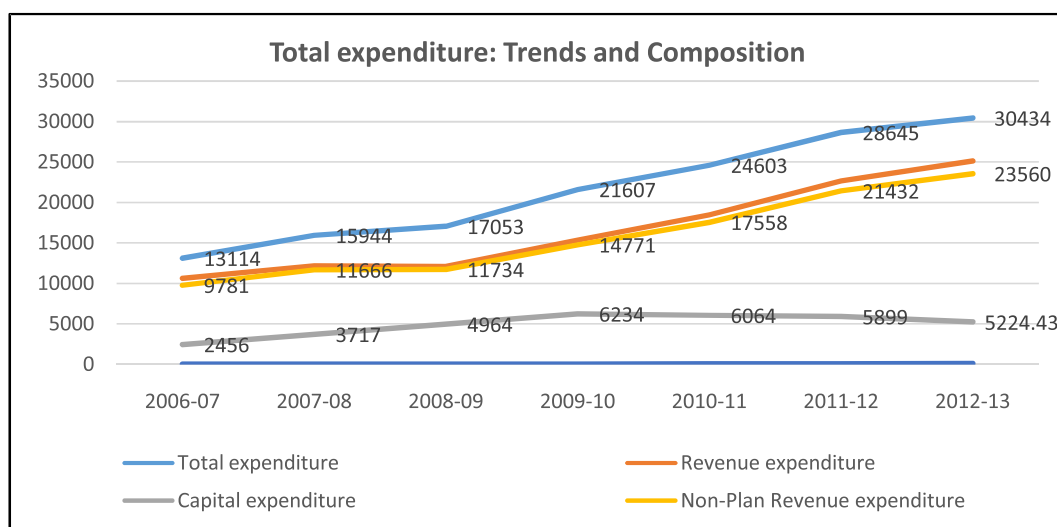
1.7 Application of resources

State raises resources to perform their sovereign functions, maintain levels of service delivery for social and economic services; extend the network of these services through capital expenditure, investments and to discharge their debt service obligations. It is also important to ensure that the fiscal correction and consolidation process does not adversely affect the quality of public expenditure directed towards maintenance of infrastructure, creation of new infrastructure and other needs of development and social justice.

1.7.1 Growth and composition of expenditure

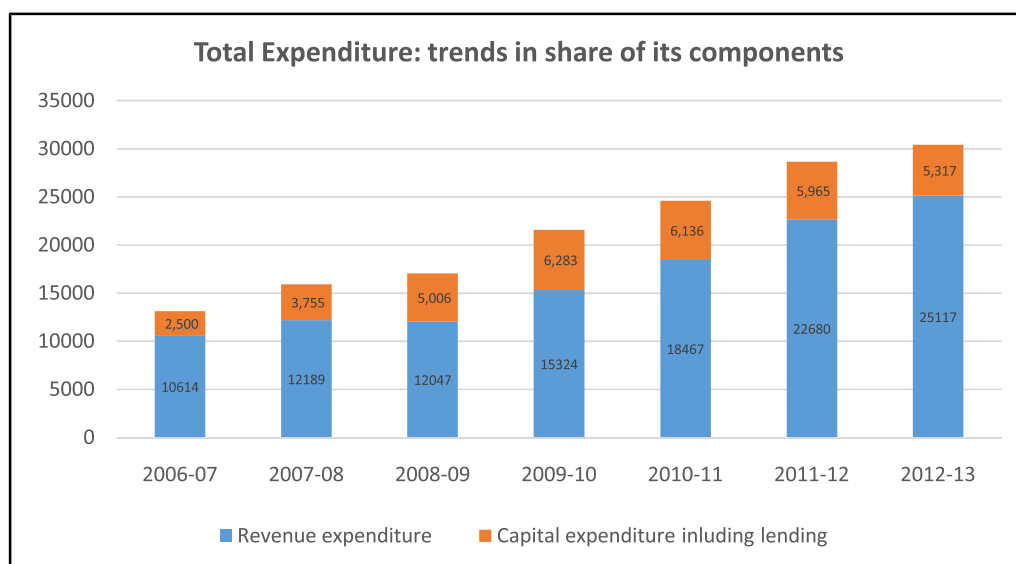
Chart 1.4 presents the trends in total expenditure during 2006-13.

Chart 1.4



The composition of total expenditure in terms of revenue-capital classification is depicted in **Chart 1.5**.

Charts 1.5



The total expenditure, its trend growth rate, the ratio of expenditure to the State GSDP and to revenue receipts and its buoyancy with respect to GSDP and revenue receipts are tabulated in **Table 1.17**.

Table 1.17
Total expenditure – Basic Parameters

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Total Expenditure (TE) (₹ in crore)	13114	15944	17053	21607	24603	28645	30434
Rate of growth (per cent)	0.92	21.58	6.96	26.70	13.86	16.43	6.25
TE/GSDP ratio (per cent)	39.46	42.98	40.30	44.66	43.18	43.42	39.99
RR/TE ratio (per cent)	85.27	83.27	83.87	81.40	90.37	86.52	86.14
Buoyancy of Total Expenditure with reference to							
GSDP(ratio)	1.85	0.49	1.86	0.78	1.04	1.85	0.41
RR(ratio)	0.11	1.15	0.90	1.16	0.52	1.43	1.08
Revenue Expenditure (RE) (₹ in crore)	10,614	12,189	12,047	15,324	18,467	22,680	25,117
Non-Plan Revenue Expenditure (NPRE)	9,781	11,666	11,734	14,771	17,558	21,432	23,560
Plan Revenue Expenditure (PRE)	833	523	313	553	909	1,248	1,557
Rate of Growth of							
RE (per cent)		14.84	(-)1.16	27.20	20.51	22.82	10.74
NPRE (per cent)		19.27	0.58	25.88	18.87	22.07	9.93
PRE (per cent)		(-)37.21	(-)40.15	76.68	64.38	37.29	24.76
Ratio (per cent)							
RE as percentage of TE	80.94	76.45	70.64	70.92	75.06	79.18	82.53
NPRE/GSDP (per cent)	29.43	31.45	27.73	30.53	30.82	32.48	30.95
NPRE as percentage of TE	74.58	73.17	68.81	68.36	71.37	74.82	77.41
NPRE as percentage of RR	87.47	87.87	82.04	83.98	78.97	86.48	89.87
Buoyancy ratio of Revenue Expenditure with							
GSDP	1.27	-0.08	1.90	1.16	1.44	1.27	0.70
Revenue Receipts	0.83	0.79	(-)0.15	1.18	0.78	1.99	1.86

Out of the total expenditure of ₹ 30434 crore during 2012-13, ₹ 6528 crore was plan expenditure (₹ 5,864 crore under State plan and under Central and Centrally sponsored plan) and ₹ 23906 crore was non-plan expenditure. The plan expenditure actually decreased by ₹ 194 crore from the level of ₹ 6722 crore in 2011-12. The shortfall was higher under State plan (₹ 249 crore) which was partially offset by increase under Central/ Centrally sponsored segment (₹ 55 crore).

1.7.2 Revenue expenditure

The overall revenue expenditure of the State increased from ₹ 10614 crore in 2006-07 to ₹ 25117 crore in 2012-13 showing a trend growth rate of 16.4 per cent per annum during the period. The non-plan revenue expenditure during the same period

increased from ₹ 9781 crore to ₹ 23560 crore, showing a TGR of 16.4 *per cent* per annum.

The non-plan expenditure recorded an increase of ₹ 1983 crore (nine *per cent*) from ₹ 21923 crore in 2011-12 to ₹ 23,906 crore in 2012-13. The steady increase in non-plan revenue expenditure is a cause of serious concern as it erodes the resource base for sparing budgetary resources for developmental interventions. **Table 1.18** highlights the four most significant constituents of NPRE and the significant pre-emption of budgetary resources cause by rising NPRE.

Table 1.18
Composition of non-plan revenue expenditure (NPRE)

Main drivers of NPRE growth	Actual 2011-12 (₹ in crore)	As per cent of NPRE (2011-12)	Actual 2012-13 (₹ in crore)	As per cent of NPRE (2012-13)
(i) Salaries	9,802	45.7	10,298	43.7
(ii) Pension	3,297	15.4	3,463	14.7
(iii) Interest Payments	2,383	11.1	2,707	11.5
(iv) Revenue expenditure on Power	3,767	17.6	4,393	18.7
Total on the top four constituents of NPRE	19,249	89.8	20,861	88.6
Non-Plan Revenue Expenditure	21,432	100.0	23,560	100.0
Receipts from sale of power	1,007	4.7	1,589	6.7
Unrecovered Revenue expenditure purchase/supply of power	2,760	14.3	2,804	13.4

From above, it may be seen that the four major items of salaries, pension, interest payments and revenue expenditure on power take away more than 80 *per cent* budgetary resources leaving little for other expenditure.

1.7.2.1 Sharp increase in personnel costs

Share of salaries/ wages/ pension in the total expenditure has ranged between 44 *per cent* and 46 *per cent* during 2006-07 to 2012-13. The expenditure on payment of interest has increased marginally from ₹ 2,283 crore in 2010-11 to ₹ 2,707 crore in 2012-13. The Government has decided to pay 100 *per cent* of the arrears of pay and pension revision following the adoption of the Sixth Central Pay Commission Award in five equal annual instalments. This liability is not fully discharged. The sharply rising trend in personnel costs (salaries/ wages/ honorarium to regular and para-employees and retirement benefits) and pensions has thus to be seen in the context of the fact that full arrears of revision of pay and pension implementation of Sixth Central Pay Commission have not yet been paid. So the rise in pay/ pension bill would have been higher but for the deferment of part of the arrears. The increase is both on account of increase in the size of workforce as well as rise in per capita expenditure.

Workforce size has increased on account of (a) creation of new districts, blocks, treasuries, directorates and other administrative units; (b) regularisation of irregularly engaged daily-wagers. The Jammu & Kashmir Civil Service (Special Provisions) Act, 2010 was enacted to regularise engagement of employees on *ad hoc*, contractual or consolidated basis without following due process of recruitment to public service and/ or without sanctioned strength. Persons having seven years 'service' under irregular arrangements found otherwise fit by an empowered committee of officers with appeal to the Chief Secretary are eligible for regularisation. The process is still going on; and (c) retrospective in-situ upgradation of employees going as far back as 1989 in engineering departments and additional benefit of three guaranteed promotions after completion of 9, 18 and 27 years in all Government departments with consequent re-fixation of pay and revision of pension.

As summarised in **Table 1.19**, it is seen that there is a shift in the payment of wages/ salaries of personnel from non-plan Budget to plan Budget.

Table 1.19
Profile of Government employment

Particulars	2011-12 (Actuals)	2012-13 (RE)
Reported strength of employees	419083	433670
Of which		
Under Plan	20278	61382
Under non-Plan	398805	372288
Salary expenditure (₹ in crore)	10053	11497

1.7.2.2 Interest Burden

Prior to 01 April 2011, the State government used to raise temporary loans from the J&K Bank for meeting its cash deficit from time to time but the cash balances were spread into numerous accounts with the result that 'overdrafts' in some accounts became unavoidable even as there were surpluses in accounts held at other branches of the Bank. The maximum temporary loan obtained was ₹ 2694.25 crore as on 30 June 2010. Under the new arrangements, all Government transactions are consolidated in a single account by the RBI on a daily basis. The State government liquidated its overdraft with J&K Bank in full on 31 March 2011 through special grants-in-aid (₹ 1000 crore) from the Union government. Retirement of high cost overdraft with J&K Bank has helped bring down the level of high cost debt of the State and consequent reduction in the interest burden of the State government. The average rate of interest on interest bearing liabilities of the Government came down during 2006-11 from 8.70 *per cent* to 8.15 *per cent* in 2012-13. The trend growth rate in interest burden since 2006-07 is 5.8 *per cent* per annum. With interest rate on market loans showing an upward trend, increasing fiscal deficit and increasing resort to market loans to finance the fiscal deficit, the benefit of low interest burden may not last long.

1.7.2.3 Burden of unrecovered cost of procurement and supply of power

The function of electricity supply to consumers is handled departmentally in the State. Hence, the receipts and expenditure on procurement and supply of electricity forms part of the State government accounts. Steadily rising gap between the revenue expenditure of the Power Development Department and the Department's revenue receipts is the most significant structural imbalance in the Budget of the Government and a drain on the resources, which could otherwise be deployed for developmental outlays. The trend in the gap between receipts from Power consumers and expenditure on Power purchase is given in **Table 1.20**.

Table 1.20
Shortfall in the performance of Power Development Department

(₹ in crore)

Financial year	Target revenue	Actual revenue	Expenditure on Power purchase	Deficit
2002-03	440	607	882	275
2003-04	455	368	1135	767
2004-05	483	383	1318	935
2005-06	461	384	1674	1290
2006-07	405	479	1355	876
2007-08	780	601	1750	1149
2008-09	922	630	2034	1404
2009-10	1065	702	1997	1295
2010-11	1209	822	2310	1488
2011-12	1486	1007	3000	1993
2012-13	2,387	1589	3870	2281

Amongst the three regions of the State, Ladakh is not connected with the national grid. The unrestricted peak power demand exceeds 2700 MW with peaks coming in Kashmir and Jammu regions in winters and summers, respectively. With increasing economic activity, the demand is steadily rising. The targeted Public Distribution System in the State covers 19.72 lakh households. As per Census 2011, 85.14 *per cent* households have access to electricity. However, only approximately 50 *per cent* electrified households are serviced through properly functional meters. The power tariffs are the lowest in the country (next to Sikkim) and the transmission and distribution losses are the highest in the country. Therefore, the financial losses of the Power Development Department continue to be a serious drag on the finances of the State. It is a growing fiscal hole that cannot be sustainably filled by Central resource transfers through the Finance Commission and the Planning Commission.

The transmission and distribution losses, measuring energy lost during transmission as well as un-metered drawals are unacceptably high and out of line with national averages. The transmission and distribution losses were 61.61 *per cent* in 2011-12. The transmission losses ranged between 4.43 and 8.14 *per cent* against the Central Electricity Authority norm of four *per cent* during the period 2008-12. The Government has acknowledged that the biggest weakness is on the distribution front. It necessitates undertaking necessary reforms for cutting down these losses besides

appropriate tariff revisions. However, during 2012-13, some progress was made and about 1.5 lakh registered consumers were added, including regularised unauthorised connections.

1.7.3 Committed expenditure

The revenue expenditure of the State government on account of interest payments, salaries and wages, pensions and subsidies is considered relatively inflexible charge on the State's resources. **Table 1.21** presents the trends in the expenditure on these components during 2006-13.

Table-1.21
Components of committed expenditure

(₹ in crore)

Components of Committed Expenditure	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Salaries of which	3995 (35.73)	4426 (33.34)	4820 ³ (33.70)	6365 ⁴ (36.18)	7772 ⁵ (34.96)	10113 (40.81)	10600 (40.43)
Salaries Non-Plan Head	3467	4170	4682	6095	7467	9665	10036
Salaries Plan Head	528	256	138	233	305	448	564
Interest Payments	1787 (15.98)	2436 (18.35)	1578 (11.03)	2139 (14)	2283 (10.26)	2383 (9.61)	2707 (10.33)
Pensions	1021 (9.13)	1193 (8.99)	1269.40 (8.89)	1568 (8.91)	2242 (10.08)	3296 (13.29)	3463 (13.21)

(Figures in parenthesis represent percentage of revenue receipts.)

From above, it can be seen that as against the increase in revenue receipts of six *per cent*, the expenditure on salary and wages increased by five *per cent* during 2012-13. As reported in Appendix-XII of the Finance Accounts 2012-13, committed liabilities as on 31 March 2013 aggregated to ₹ 1256.10 crore, of which ₹ 1024.51 crore was on account of compensation payable to landowners on land acquisition.

1.7.4 Financial assistance by State government to Local Bodies and other institutions

The quantum of assistance provided by way of grants and loans to Autonomous Bodies by various departments of the State government during the current year relative to the previous years is tabulated in **Table 1.22**.

3, 4, 5 : Does not include Honorarium to employees and para-employees.

Table 1.22
Financial assistance to Local Bodies etc

(₹ in crore)

Name of the Department	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Education and Sports	88.01	116.45	113.93	521.66	171.84	213.46	209.81
Housing and Urban Development	135.49	146.05	170.82	217.01	253.98	289.28	303.11
Agriculture	72.90	60.72	80.60	138.63	203.47	151.61	216.42
Art and Culture	7.32	7.93	9.43	-	-	-	-
General Administration	2.95	4.66	4.20	11.14	6.13	8.50	9.14
Industries	5.25	7.05	7.04	25.53	11.66	21.41	75.23
Tourism	5.06	5.24	15.06	71.17	150.40	5.52	1.76
Administration of Justice	1.63	2.26	3.30	3.32	3.67	4.48	4.80
Health and Family Welfare	0.44	0.64	-	0.47	0.36	0.34	0.23
Others	11.83	9.86	146.02	442.27	644.76	1100	1263.78
Total	330.88	360.86	550.40	1431.20	1446.27	1795.16	2084.28
Assistance as a percentage of Revenue expenditure	3.12	2.96	4.57	9.34	7.83	7.91	8.30

The grants-in-aid are mainly utilised by the autonomous organizations for the payment of salary to their employees. The Government has decided to pay the arrears of pay and pension revision following the extension of the recommendations of the Sixth Central Pay Commission to State government employees in five equal annual instalments with part of the liability being carried forward beyond 2012-13. The level of financial assistance has been rising very rapidly showing a trend growth rate of 41.4 per cent per annum since 2006-07. The assistance categorised as 'others' comprised mainly the assistance to Ladakh Autonomous Hill Development Councils for Leh (₹ 353.45 crore (2012-13), up from ₹ 263 crore in 2011-12) and Kargil (₹ 354.61 crore (2012-13), up from ₹ 243 crore in 2011-12).

1.7.4.1 Grant-in-aid/ Financial assistance to Panchayati Raj Institutions (PRIs)/ Urban Local Bodies (ULBs)

The Local Bodies have been in existence for a long time and were required to perform effectively as vibrant democratic units of local self-government. These institutions had, however, become weak and ineffective on account of a variety of reasons, including the failure to hold regular elections, prolonged supersessions and inadequate devolution of powers and functions and lack of financial resources. With the enactment of the Constitution 73rd and 74th amendments, an attempt has been made to strengthen these institutions and ensure peoples participation in their functioning. While the 73rd amendment to the Constitution sought to strengthen the Panchayati Raj Institutions and make these viable and responsive peoples bodies in the rural areas, the 74th amendment related to the Urban Local Bodies. The State government has not

so far adopted the above amendments. Elections to Panchayati Raj Institutions (PRIs) were last held in 2010.

1.7.4.2 Devolution of Functions

The Jammu and Kashmir Municipal Act 2000, lays down the functions devolved to the ULBs and include preparation of plans for economic development and social justice, performance of functions and implementation of schemes relating to urban and town planning, regulation of land use and construction of buildings, roads and bridges, solid waste management, providing other civic amenities, etc. and imposition of certain taxes. In order to empower the PRIs, instructions to devolve certain functions of 13 departments (Agriculture, Animal Husbandry, Consumer Affairs and Public Distribution, Education, Fisheries, Forest, Health & Family Welfare, Horticulture, Industries & Commerce, Public Health Engineering, Revenue, Rural Development, and Social Welfare departments) were issued by the State government in September, 2011.

1.7.4.3 Funds

Financial assistance of ₹ 303.52 crore was provided by the State government to 86 ULBs during 2012-13. Financial assistance of ₹ 92.54 crore was provided by the State government to 4128 Panchayati Raj Institutions during 2012-13.

1.7.4.4 Accounting, Auditing and Reporting

The accrual based accounting system on the lines of National Municipal Accounts Manual was notified by the State government for being followed by the ULBs of the State. However, only two Municipal Corporations of Jammu and Srinagar have prepared the final accounts for 2011-12. The State government issued orders in December, 2011 for adoption of Model Accounting System by PRIs. While the two Municipal Corporations of Jammu and Srinagar are audited and reported upon by the CAG of India, accounts of 84 ULBs are audited by the Examiner Local Funds, Finance Department. With effect from financial year 2013-14, the Technical Guidance and Support role for audit of Rural and Urban Local Bodies has been entrusted to the C&AG of India.

1.8 Quality of Expenditure

1.8.1 Adequacy of Public 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 provisions for providing public services), efficiency of expenditure (use), and the effectiveness (assessment of outlay-outcome relationships for select services). 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 State governments to take appropriate expenditure rationalisation measures and lay emphasis on provision of

core public and merit goods⁶. Apart from improving the allocation towards development expenditure⁷, particularly in view of the fiscal space being created on account of decline in debt servicing in recent years, the efficiency of expenditure use is also reflected by the ratio of capital expenditure to total expenditure (and/ or GSDP) and proportion of revenue expenditure being spent on operation and maintenance of the existing social and economic services. The higher the ratio of these components to total expenditure (and/ or GSDP), the better would be the quality of expenditure. While **Table 1.23** presents the trends in development expenditure relative to the aggregate expenditure of the State during the current year *vis-à-vis* budgeted and the previous years, **Table 1.24** and **Chart 1.6** provides the details of capital expenditure and the components of revenue expenditure incurred on the maintenance of the selected social and economic services.

Table-1.23
Development expenditure

(₹ in crore)

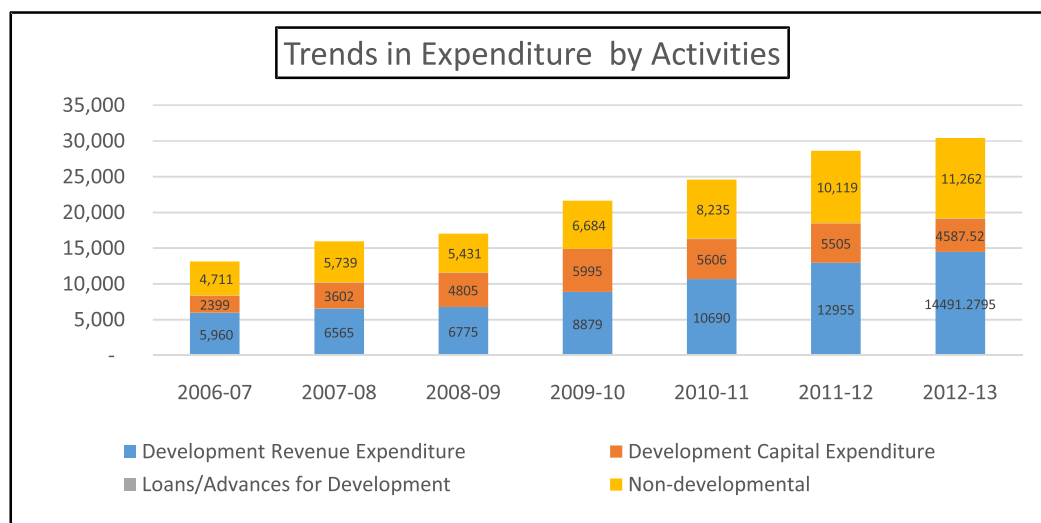
Components of Development Expenditure	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Development Revenue Expenditure (₹ in crore)	5,960	6,565	6,775	8,879	10,690	12,955	14,491
Share in total expenditure (per cent)	45.4	41.2	39.7	41.1	43.5	45.2	47.6
Development Capital Expenditure (₹ in crore)	2,399	3,602	4,805	5,995	5,606	5,505	4,588
Share in total expenditure (per cent)	18.3	22.6	28.2	27.7	22.8	19.2	15.1
Loans/Advances for Development (₹ in crore)	44	38	42	49	71	66	93

The composition of total expenditure in terms of 'expenditure by activities' is depicted in **Chart 1.6**.

6 Core public goods are those which all citizens enjoy in common in the sense that each individual's consumption of such a good leads to no subtractions from any other individual's consumption of that good, e.g. enforcement of law and order, security and protection of our rights; pollution free air and other environmental goods and road infrastructure etc. *Merit goods* are commodities that the public sector provides free or at subsidized rates because an individual or society should have them on the basis of some concept of need, rather than ability and willingness to pay the government and therefore wishes to encourage their consumption. Examples of such goods include the provision of free or subsidized food for the poor to support nutrition, delivery of health services to improve quality of life and reduce morbidity, providing basic education to all, drinking water and sanitation etc.

7 The analysis of expenditure data is disaggregated into development and non-development expenditure. All expenditure relating to Revenue Account, Capital Outlay and Loans and Advances is categorized into social services, economic services and general services. Broadly, the social and economic services constitute development expenditure, while expenditure on general services is treated as non-development expenditure.

Charts 1.6
Trends in expenditure by activities



It may be seen that the share of developmental capital expenditure in total expenditure (i.e., Social and Economic Service sectors) has been recently declining after a peak in 2009-10.

1.8.2 Efficiency of Expenditure Use

Table 1.24 provides analysis of the sector-wise expenditure and its relation to developmental indices.

Table 1.24
Efficiency of Expenditure Use in selected Social and Economic services

Social/Economic Infrastructure	2010-11			2011-12			2012-13		
	Ratio of CE to TE	In RE, the share of		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		S & W	O & M
Social Sector (SS)	15.84	75.71	0.10	13.44	81.14	-	13.90	85.34	-
General Education									
Health and Family Welfare	23.31	83.97	0.96	17.44	86.71	0.56	18.67	87.45	0.56
WS, Sanitation & HUD	32.98	51.75	3.68	32.33	53.69	3.35	34.45	51.56	3.35
Others	32.51	15.46	0.28	28.85	16.93	-	23.65	14.67	-
Total (SS)	22.83	66.44	0.91	19.95	70.83	-	16.35	74.56	-
Economic Sector (ES)	34.08	78.69	0.16	34.01	82.29	0.15	29.11	85.36	0.15
Agriculture and Allied Activities									
Irrigation and Flood Control	55.38	76.80	7.96	55.85	80.72	6.46	53.35	83.65	6.46
Power and Energy	29.64	11.31	0.97	12.41	11.88	0.84	11.71	13.67	0.84
Transport	87.82	0.88	31.06	84.72	73.80	30.43	87.92	72.40	30.43
Others	49.74	52.65	0.25	52.31	34.43	-	57.61	31.66	-
Total (ES)	42.60	33.30	1.86	37.13	34.06	-	39.74	36.83	-
Total (SS+ES)	34.40	49.46	1.40	29.81	51.92	-	27.34	51.92	-

TE: Total Expenditure on respective Services; CE: Capital Expenditure; RE: Revenue Expenditure; S & W: Salaries and Wages; O & M: Operation and Maintenance

The ratio of capital expenditure to total expenditure in Social and Economic service sectors during 2012-13 showed a decrease over the previous year. In the revenue expenditure, salary and wages form major component within the Social and Economic services and their share (51.92 *per cent*) had remained constant during 2012-13. Further, the share of Operation and Maintenance expenditure within the sectors had also remained constant.

1.8.3 Effectiveness of the Expenditure, i.e. Outlay-Outcome Relationship

Besides stepping up the expenditure on key social and economic services, enhancing human development requires the State to improve the delivery mechanism to obtain the desired outcomes. The State government is expected to relate expenditure to outcomes in terms of quality, reach and the impact of government expenditure. The system of presenting outcome budget needs to be introduced.

1.9 Financial analysis of Government capital expenditure and investments

As part of the framework provided by the Fiscal Responsibility Budget Management (FRBM) Act, the State is expected to not only keep its fiscal deficit at low levels but also to meet its capital expenditure/ investment (including loans and advances) requirements out of the revenues. In addition, in a transition to complete dependence on market based resources, the State government needs to initiate measures to earn adequate return on its investments and recover its cost of borrowed funds rather than bearing the same on its budget in the form of implicit subsidy 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 the current year *vis-a-vis* previous years.

1.9.1 Financial Results of Irrigation Projects

The total capital outlay on seven irrigation projects⁸ as at the end of 2012-13 was ₹ 316.43 crore as per Appendix IX of the Finance Accounts. Against revenue realisation of ₹ 0.86 crore, working expenses aggregated to ₹ 1.44 crore and net loss after meeting interest charges on the capital outlay (₹ 0.33 crore) was ₹ 0.91 crore.

1.9.2 Incomplete projects

On the basis of the information furnished by the departments, details of incomplete projects costing ₹ one crore and above as on 31 March 2013 is given in Appendix X of the Finance Accounts. There were 203 incomplete projects as per details given in **Table 1.25**.

⁸ Kathua Feeder, Pratap Canal, Ranbir Canal, Martand Canal, Zaingir Canal and Ahizi Canal

Table 1.25
Department-wise profile of incomplete projects as on 31 March 2013

Department	No. of Incomplete Projects	Sanctioned Project Cost (₹ in crore)	Cum. Actual expenditure (₹ in crore)
Public works	92	507	421
Power Development Department	3	9	8
Public Health Engineering	108	535	261
Total	203	1,051	690

1.9.3 Investment and Returns

As per the Statement 14 of the Finance Accounts, as on 31 March 2013, the State government had cumulatively invested ₹ 498.25 crore in three functional Statutory Corporations (₹ 198.91 crore), 20 functional Government Companies (₹ 259.56 crore), three non-functional Government Companies (₹ 2.57 crore), eight Cooperative Banks/ Societies (₹ 27.83 crore), two Rural Banks (₹ 9.04 crore) and two Joint Stock Companies (₹ 0.34 crore). **Table 1.26** gives overall picture of return on investment *vis-a-vis* the average cost of Government borrowing.

Table-1.26
Return on Investment

Investment/Return/Cost of Borrowings	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Investment at the end of the year (₹ in crore)	355.77	356.97	364.61	422.82	470.78	484.95	498.25
Return (₹ in crore)	21.22	30.24	40.85	44.16	56.71	68.16	87.35
Return (per cent)	5.96	8.47	11.20	10.44	12.05	14.05	17.53
Average rate of interest on all Government liabilities (per cent)	10.09	12.19	6.91	8.07	7.61	7.06	7.07
Difference between interest rate and return (per cent)	(-) 4.13	(-) 3.72	4.29	2.37	4.44	6.99	10.46

During 2012-13, as in previous years, the return on investment mainly came from the Jammu and Kashmir Bank Limited (₹ 86 crore), in which the Government holds 53 per cent equity. Wholly owned Jammu and Kashmir Projects Construction Corporation and J&K Power Development Corporation are other potential profit-making ventures. While the former is largely dependent upon the Government for securing business from Government departments on nomination basis, the latter has several high cost projects under execution with a relatively high debt burden.

Table 1.27 provides the details of progress made by working PSUs in finalisation of Accounts by July 2013.

Table 1.27
Details of progress made by working PSUs

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Number of Working Government Companies/Corporations	20	20	20	20	21	21	20
Number of accounts finalized during the year	12	12	15	10	34	31	05
Number of accounts in arrears	211	219	224	236	223	243	156
Average arrear per PSU	10.55	10.95	11.20	11.70	10.62	11.57	7.80
Number of Working PSUs/Corporations with arrears in accounts	19	19	19	19	19	21	17
Extent of arrears (Number of years)	2 to 19	3to 19	4 to 19	4 to 20	4 to 20	4 to 21	2 to 17

A total number of fifteen PSUs had failed to finalise even one account in each year causing accumulation of the arrears ranging between 2 to 17 years. Though the concerned Administrative Departments and officials of the Government were informed every quarter by Audit regarding arrears in finalisation of accounts but no remedial measures were taken. As a result of this, net worth of these PSUs could not be ascertained.

1.9.4 Loans and advances by State government

In addition to investments in Co-operative Societies, Corporations and Companies, Government has also been providing loans and advances to many of these institutions/ organizations. **Table 1.28** presents the position of loans and advances advanced/ outstanding as on 31 March 2013, interest receipts *vis-a-vis* interest payments during the last five years.

Table 1.28
Average interest received on loans advanced by the State government

(₹ in crore)					
Quantum of Loans/Interest Receipts/ Cost of Borrowings	2008-09	2009-10	2010-11	2011-12	2012-13
Opening Balance	980.20	1018.92	1066.42	1136.55	1033.69
Amount advanced during the year	42.41	49.12	71.63	65.61	93.40
Amount repaid during the year	3.69	1.62	1.50	168.47	1.53
Closing Balance	1018.92	1066.42	1136.55	1033.69	1125.56
Of which Outstanding balance for which terms and conditions have been settled					
Net addition	38.72	47.50	70.13	(-) 102.86	-
Interest Receipts	9.92	5.07	3.00	4.74	1.31
Interest receipts as per cent to outstanding Loans and advances	0.97	0.47	0.26	0.46	0.12
Interest payments as per cent to outstanding fiscal liabilities of the State Government	6.91	8.07	7.61	7.06	6.72
Difference between interest payments and interest receipts (per cent)	5.94	7.60	7.35	6.60	6.60

Recoveries of loans and advances are not forthcoming from loss making public sector undertakings. No assessment about potential recoverability of these loans has been made in the FRBM Statements presented to the Legislature.

1.9.5 Cash Balances and their investment

The State government is banking with the Reserve Bank of India with effect from 01 April 2011 for its cash/ overdraft management. The cash balance decreased by ₹ 870 crore during 2012-13, from ₹ 961 crore at end 2011-12 to ₹ 91 crore at end 2012-13. This drawdown was necessitated due to increase in the non-plan expenditure that could not be offset by reduction in plan expenditure or financed through any other means of financing.

1.10 Assets and Liabilities

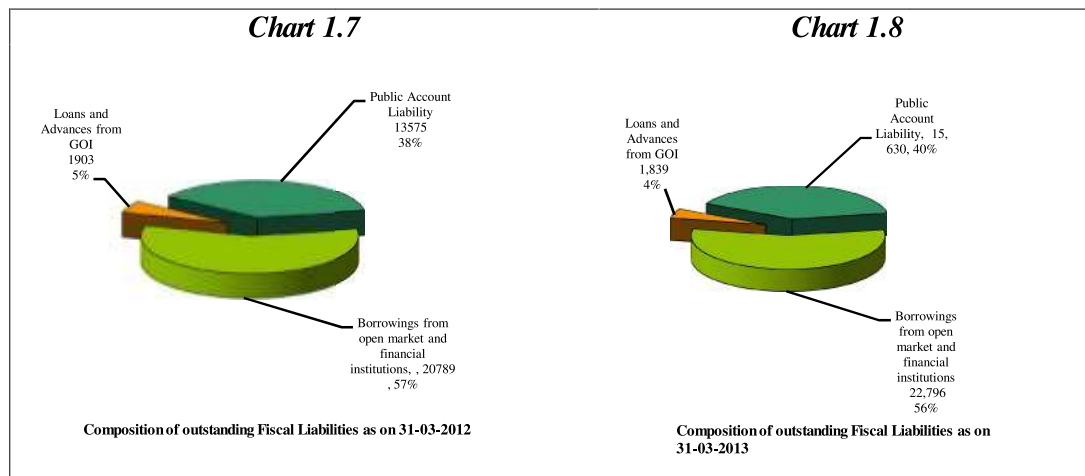
1.10.1 Growth and composition of Assets and Liabilities

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 at historical cost, i.e., in terms of the cash inflow and outflow in nominal terms without making any adjustment for appreciation/ depreciation. Statement 17 of the Finance Accounts 2012-13 gives an overview of sources and application of funds. The cumulative capital expenditure at end of the financial year 2012-13 is compared with the corresponding position as on 31 March 2012. These figures may be used as a rough proxy for 'book value' of assets created out of cumulative capital expenditure. Besides cumulative capital outlay, the assets include financial assets by way of outstanding loans and advances given by the State government and cash balances. Statement 06 and Statement 15 of the Finance Accounts 2012-13 provide summary position of the government's financial liabilities such as borrowing from open market and financial institutions, loans and advances from the Union government and net receipts under public accounts in respect of which the government functions as a trustee or banker. The liabilities of the State government depicted in the Finance Accounts, however, do not include future liabilities on account of pension and other retirement benefits payable to retired State employees, and contingent liabilities arising out of guarantees/ letters of comforts issued by the State government.

The Finance Accounts of the State government do not include a complete statement of all assets belonging to the State government because the subsidiary records of assets and their valuation are not maintained by the Accountant General (A&E), Jammu and Kashmir. The Finance Accounts merely depict cumulative capital expenditure, each year's capital expenditure being added in nominal terms without any adjustment of appreciation/ depreciation of assets.

1.10.2 Fiscal liabilities

There are two sets of liabilities namely, public debt and “other liabilities under public accounts”. Public debt consists of market loans, special securities issued by RBI and loans and advances from the Central government. Other liabilities, which are a part of public account, include deposits under small savings scheme, provident funds and other deposits. The composition of fiscal liabilities during the current year *vis-à-vis* the previous year is presented in **Charts 1.7** and **1.8**. (Please also see **Appendix 1.3** for trends in outstanding fiscal liabilities of the government since 2002-03)



The overall fiscal liabilities of the government increased from ₹ 31272 crore at the end of 31 March 2011 to ₹ 36267 crore by the end of 31 March 2012 and ₹ 40,265 crore by the end of 31 March 2013. As a percentage of GSDP, the stock of accumulated fiscal liabilities have declined from 59.4 *per cent* at end of 2009-10 to 55 *per cent* at end of 2011-12 and further to 52.9 *per cent* at end of 2012-13. At end of 2012-13, the accumulated liabilities were 1.54 times of the government's revenue receipts during 2012-13 and 5.04 times government's own tax and non-tax revenues during 2012-13.

1.10.3 Management of Reserve Funds

‘Reserve Funds’ are funds forming part of the public accounts of the State by appropriating sums from the Consolidated Fund and setting aside for an earmarked purpose. **Table 1.29** shows movement of closing balances in various reserve funds as on 31st March 2013. The cumulative aggregate balance in these funds as at the end of 31 March 2013 was ₹ 1,605 crore of which ₹ 11 crore has been invested outside government accounts. It is also seen from a review of receipt/ disbursement transactions in the funds, that most of the funds were dormant having no or negligible transactions.

Table 1.29
Trend in year-end Closing Balances under Reserve Funds

(₹ in crore)

RESERVE FUNDS	2008-09	2009-10	2010-11	2011-12	2012-13
Reserve Funds Bearing interest					
Calamity Relief Fund (now State Disaster Response Fund)	379	438	427	470	526
Total - Reserve Fund Bearing Interest	379	438	427	470	526
Reserve Funds Not Bearing interest					
Calamity Relief Fund (now State Disaster Response Fund)	28	28	28	28	28
Sinking fund	-2	-2	-	-	32
Famine Relief Fund	9	9	9	9	9
State Roads & Bridges Fund	-0	-	-	-	-
Depreciation and Renewal Reserve Funds of Govt. Commercial Deptts./ Undertakings.	576	576	574	574	574
Depreciation and Renewal Reserve Funds of Govt. Non-Commercial Deptts.	73	73	73	73	73
Development Fund for Agricultural Purposes	39	39	39	39	39
Co-operative Development Funds	0	0	0	0	0
Constituency Development Funds	38	53	50	78	95
Other Development and Welfare Funds	24	34	42	73	104
General Insurance fund (Janta Insurance)	14	16	21	23	71
Guarantee Redemption Fund	1	4	5	5	5
Other Funds	35	36	41	46	50
Reserve Funds Not Bearing interest	836	866	881	948	1,079
Total -Reserve Funds	1,215	1,305	1,308	1,419	1,605
Of which balances invested					
Investments from State Disaster Response Fund	11	11	11	11	11

1.10.4 Contingent liabilities

1.10.4.1 Status of Guarantees

Guarantees are liabilities contingent on the security of the Consolidated Fund of the State in case of default by the borrower for whom the guarantee has been extended. 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 five years is tabulated in **Table 1.30**.

Table-1.30
Guarantees given by the State government

(₹in crore)					
Guarantees	2008-09	2009-10	2010-11	2011-12	2012-13
Max amount guaranteed	3295	4748	4750	4750	2650
Outstanding amount of guarantees	2536	3037	2708	2098	611

The FRBM Act, 2006 lays down the limits within which State government may give guarantees on the security of the Consolidated Fund of the State. Under the Act, the State government is required to limit the amount of annual incremental risk weighted guarantees to 75 per cent of the total revenue receipts in the year preceding the current year or at 7.5 per cent of GSDP of the year preceding the current year, whichever is lower. The total outstanding guarantees at end 2012-13 aggregated ₹ 26,49,48.06 lakh, which is 10.7 per cent of total revenue receipts in 2011-12 and 4.02 per cent of the GSDP for 2011-12, which was well within the statutory limit.

A Guarantee Redemption Fund (GRF) was created in 2005-06 as per the recommendations of the Twelfth Finance Commission out of the guarantee fee received from the borrowers whose debts are guaranteed by the guarantor. The fund has a balance of ₹ 5.20 crore (March 2013). There were no transactions in the fund during 2012-13. The stock of guaranteed liabilities has been steadily falling. non-collection of due guarantee fee and non-transfer of the fees from the Consolidated Fund of the State to the GRF defeats the purpose of creation of the GRF.

1.10.4.2 Off-Budget Borrowings

The term 'off-budget borrowings' refers to incurring liabilities by Government without bringing them into government accounts. These may also arise when government does not fully pay moneys it owes to government companies/corporations. While a reasonable amount of unpaid bills are always there in the system due to time taken in passing the claims, these become a cause of concern when the magnitude is sizeable and non-payment could be attributed to lack of budget provision. A significant item of 'off-budget borrowings' by the government pertains to non-clearance of bills for purchase of power from the J&K Power Development Corporation (JKPDC). As on 31 March 2010, JKPDC had ₹ 822.73 crore receivables from the State government due for over six months and ₹ 201.67 crore as dues less than six months. By 31 March 2011, these figures had risen to ₹ 1131.23 crore and ₹ 279.58 crore, respectively. Accounts for JKPDC for 2011-12 and 2012-13 have not yet been finalised.

1.11 Debt management

1.11.1 Debt profile

Table 1.31 shows the outstanding public debt and other liabilities in last five years, showing the liabilities as *per cent* of GSDP and per capita.

Table 1.31
Burden of Public debt and other liabilities

Year	Year-end fiscal liabilities (₹ in crore)	GSDP (₹ in crore)	Liabilities as <i>per cent</i> of GSDP (<i>per cent</i>)	Per Capita Liabilities (₹ in thousands)
2008-09	24,287	42,315	57.4	19.35
2009-10	28,735	48,385	59.4	22.90
2010-11	31,272	56,976	54.9	24.92
2011-12	36,267	65,979	55.0	28.90
2012-13	40,265	76,115	52.9	32.09

For per capita computation, the population (1,25,48,926) as per provisional Census data 2011 has been used in the above table. The ‘fiscal liabilities’ include (a) liabilities on account of borrowing from banks, financial institutions, open market and Union government (all accounted for in the Consolidated Fund as ‘public debt’) and (b) other liabilities on account of State Provident Fund, Pension/ Insurance Fund, Reserve Funds and Deposits (all accounted for under the public accounts of the State). The figure of ‘fiscal liabilities’ represent balances under the specified heads and do not account for year-end cash balances (whether invested or not). Increase in per capita liabilities from year to year signifies rising debt burden on the State and individual persons.

1.11.2 Debt sustainability

The debt or any other liability is to be serviced out of the income of the entity. However, resource starved governments with ever increasing expenditure commitments seldom have an opportunity to repay debts out of their income unless there is some occasional windfall income. Hence, year after year liabilities are incurred in excess of repayments due to be made in that year with the result the stock of outstanding liabilities continues to grow year after year. This scenario can continue so long as there are enough lenders able and willing to lend. Besides ‘borrowing’ in a formal sense, governments also have access to funds received in their capacity as the trustees or bankers such as Provident Fund of its employees. Although not accounted as ‘public debt’-because there is no formal agreement to borrow and lend-these nevertheless constitute liabilities of the government. These funds are also used to finance government expenditure and redemption of such liabilities is similarly met by assumption of more such liabilities. **Table 1.32** gives time series data on the four deficits and total liabilities during 2006-13.

Table-1.32

(₹ in crore)

Fiscal indicator	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Fiscal Liabilities	18602	21366	24287	28735	31272	36267	40265
Revenue surplus	568	1088	2256	2264	3767	2103	1100
Fiscal deficit	1930	2665	2746	3989	2367	3694	4216
Primary deficit	143	229	1168	1850	84	1311	1510
State's Own Deficit	10638	12540	13491	17576	19955	21832	22348

In a typical scenario where governments finance redemption of older liabilities with newer liabilities, the concept of debt sustainability is important. Essentially it means that government liabilities should not grow faster than the economy it commands. The implicit assumption here is that if the government has enough control on the economy, it can generate enough taxes to service its debt and other liabilities because borrowing is nothing but deferred taxation. Debt sustainability implies that debt-GDP ratio do not increase over a period of time. Besides the default risk implicit in consideration of the growth in the stock of liabilities and cost of debt servicing, there is also another concern about liquidity risk. A government may have enough assets and ability to tax and yet may temporarily face problem of not having enough liquid assets to meet current obligations. Yet another concern associated with government liabilities is the end use of these funds by the government and concern about the government's capacity to keep balance between costs of additional borrowings with returns from such borrowings. Problems are likely to arise if the borrowed funds are used in low return or no-return investments. Therefore, it is desirable that rise in fiscal deficit should match with the increase in capacity to service the debt.

A necessary condition for stability states that if the rate of growth of economy exceeds the interest rate or cost of public borrowings, the debt-GDP ratio is likely to be stable provided primary balances are either zero or positive or are moderately negative. Given the rate spread (GSDP growth rate – interest rate) and quantum spread (debt x rate spread), debt sustainability condition states that if quantum spread together with primary deficit is zero, debt-GSDP ratio would be constant or debt would stabilize eventually. On the other hand, if primary deficit together with quantum spread turns out to be negative, debt-GSDP ratio would be rising and in case it is positive, debt-GSDP ratio would eventually be falling.

Apart from the magnitude of outstanding debt of the State government, it is important to assess the sustainability of the debt of the State government in terms of debt stabilisation, sufficiency of non-debt receipts⁹, net availability of borrowed funds¹⁰,

⁹ Adequacy of incremental non-debt receipts of the State to cover the incremental interest liabilities and incremental primary expenditure. The debt sustainability could be significantly facilitated if the incremental non-debt receipts could meet the incremental interest burden and the incremental primary expenditure.

burden of interest payments (measured by interest payments to revenue receipts ratio) and maturity profile of State government securities. Trends in some indicators of debt sustainability of the State are tabulated in **Table 1.33**.

Table 1.33
Debt Sustainability: Indicators and Trends

Indicators of Debt Sustainability	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Debt Stabilization (Quantum Spread + Primary Deficit)	(-) 126	(-) 562	(-) 1027	(-) 1328	703	843	3922
Sufficiency of Non-debt Receipts (Resource Gap) (₹ in crore)	833	2095	1027	3285	4646	2549	1434
Net Availability of Borrowed Funds (₹ in crore)	16	329	1343	2310	254	2612	1291
Burden of Interest Payments (Ratio) Interest Payment to Revenue Receipts Ratio	0.16	0.18	0.11	0.12	0.10	0.09	0.10

Due to clearance of high cost overdraft the Government had with the Jammu and Kashmir Bank in 2010-11 with the non-debt assistance from the Union government and consequent reduction in recurring interest liability, the debt burden of the State had moderated but increase in primary deficit from ₹ 1311 crore during 2011-12 to ₹ 1510 crore during 2012-13 requires attention for debt stabilization.

1.11.3 Market Borrowings

Of all the constituents of outstanding liabilities of the Government, the market loans need special attention because the interest rates thereon are not administered and may go up if in the market perception the Government debt is not sustainable. **Table 1.34** summarises key debt sustainability indicators in the context of market loans.

¹⁰ Defined as the ratio of the debt redemption (Principal + Interest Payments) to total debt receipts and indicates the extent to which the debt receipts are used in debt redemption indicating the net availability of borrowed funds.

Table 1.34
Key debt sustainability indicators in the context of market loans

(₹ in crore except where per cent specified)

Description	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013
Total liabilities	24,287	28,735	31,272	36,267	40,265
Total Public Debt (year end)	16,471	18,592	19,867	22,691	24,635
Total market loans (year-end)	7,201	8,183	11,298	13,956	15,510
Percentage of market loans to total liabilities (per cent)	29.6	28.5	36.1	38.5	38.5
Percentage of market loans to total public debt (per cent)	43.7	44.0	56.9	61.5	63.0
Weighted average interest rate on market loans (per cent)	3.54	3.04	2.34	7.32	8.90
Interest paid on market loans	224.3	234	228	927	1178
GSDP at current market prices	42,315	48,385	56,976	65,979	76,115
GSDP growth rate (per cent per annum)	14.1	14.3	17.8	15.8	15.4
Average Interest Rate on market loans/ GSDP growth rate (per cent)	25	21	13	46	52
Revenue Receipts	14,303	17,588	22,234	24,783	26,217
Total Interest Payment	1,578	2,139	2,283	2,383	2,707
Interest payments to Revenue Receipts (per cent)	11.0	12.2	10.3	9.6	10.3
Primary Deficit	1,168	1,850	84	1,311	1,510
Total liabilities as per cent of GSDP	57.40	59.39	54.89	54.97	52.90
Outstanding guarantees	2,536	3,037	2,708	2,098	611
Revenue Surplus	2,256	2,264	3,767	2,103	1,100
Fiscal Deficit	2,746	3,989	2,367	3,694	4,216

Note: As per the definition of the term 'total liabilities', off budget borrowings through public sector undertakings are also included. However, these are not included in the figures shown above for want of information. The targets under FRBM Act and 13th Finance Commission award on the last four parameters mentioned in the above table are discussed in detailed in Para 1.13.1.

While analysing the portfolio of market loans, it is important to assess if there is a rollover risk in near future. 'Rollover risk' arises when the debt is about to mature and needs to be rolled over into new debt. If interest rates rise adversely, the government

would have to refinance the debt at a higher rate and incur more interest charges in the future. Governments generally endeavor to elongate maturity profile of debt to reduce redemption pressure in short (less than one year) and medium term (1-5 years) to aid the process of fiscal consolidation. The maturity profile of market loans and other loans is given in **Statement 15** of the Finance Accounts 2012-13. The market loans are issued by the State government for a fixed tenure of 10 years and auctioned through the Reserve Bank of India. It is seen from the redemption profile that the approaching peaks in redemption are due to fall in 2017-18, particularly in 2020-21 when the additional open market borrowings undertaken to liquidate the overdraft with the J&K Bank would be due for redemption. Hence, there is no bunching of repayments or redemption pressure in near future.

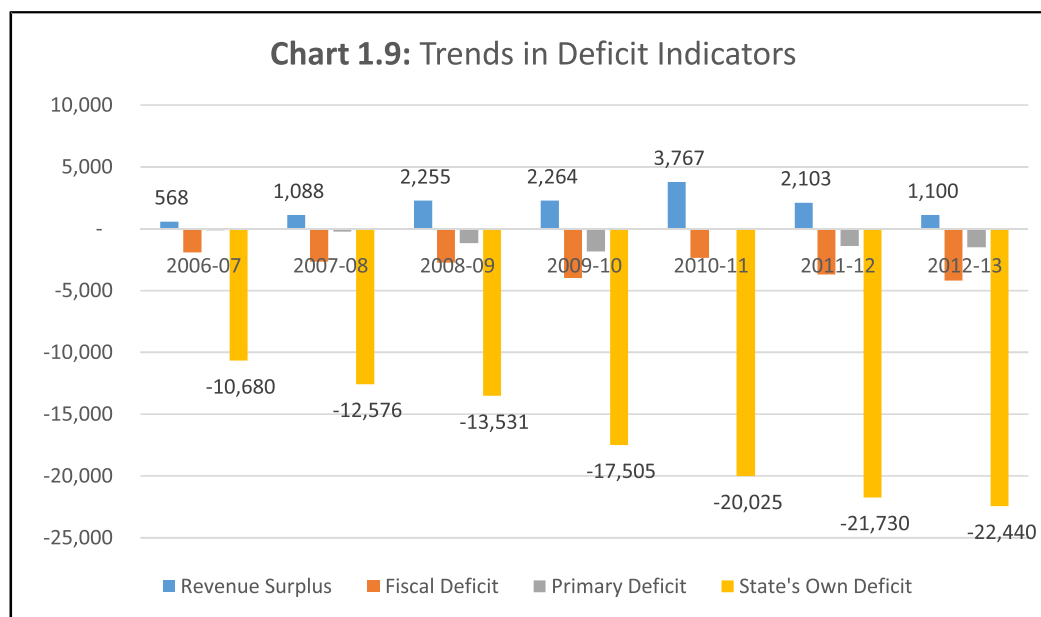
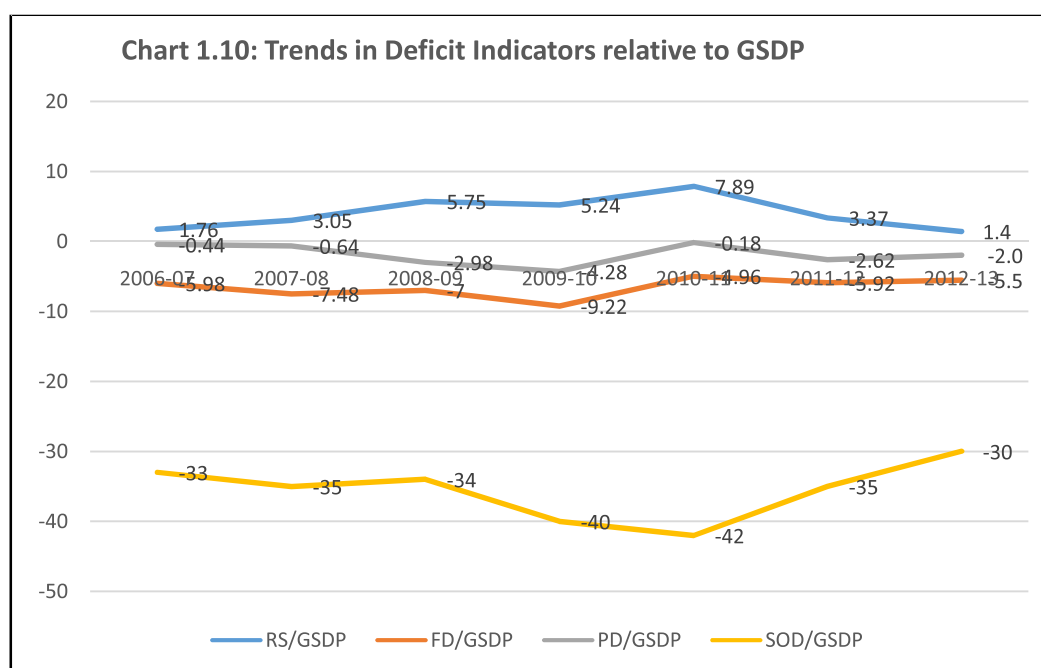
Since the State has a continuing fiscal situation of revenue surplus, there is no need to borrow for bridging the revenue deficit and the entire fiscal deficit is used to finance the capital expenditure. It is also seen that during 2012-13, there was drawdown of cash balances. Hence, there was no occasion of excess borrowings leading to accretion of cash balances or Treasury Bill holding.

1.12 Fiscal imbalances

Three measures of deficits in government accounts, viz., revenue, fiscal and primary deficits indicate the extent of overall fiscal imbalances in the finances of a government during a year. In the context of States in the Union, another useful measure of the deficit-bias in a State's fiscal policy is the "State's own deficit (SOD)", which is the State's fiscal deficit minus non-debt resources received from the Union government. An important constituent of the State's own deficit is 'Pre-devolution non-plan revenue deficit (PDNPRD)', which represents the gap between the State's non-plan revenue expenditure and the State's own revenues (tax and non-tax).

1.12.1 Trends in deficits

Charts 1.9 and **1.10** present the trends in key deficit indicators over the period 2006-13.



The above Charts show that the State has continued to maintain revenue surplus during the period 2006-13 but the surplus declined sharply in 2012-13.

1.12.2 Components of Fiscal Deficit and its Financing Pattern

The financing pattern of the fiscal deficit has undergone a compositional shift as shown in **Table 1.35**.

Table 1.35
Components of fiscal deficit and its financing pattern

(₹ in crore)

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Sources of Financing the Capital Expenditure and Fiscal Deficit							
1 Capital Expenditure	2456	3717	4964	6234	6064	5899	5224
2 Loans and Advances	44	38	42	49	72	66	93
FINANCED THROUGH							
1 Revenue Surplus	568	1088	2255	2264	3767	2102	1100
2 Non-Debt Capital Receipts	2	2	4	2	1.5	168	2
3 Fiscal Deficit	1930	2665	2746	3989	2367	3,694	4,216
Financing Pattern of Fiscal Deficit @							
1. Market Borrowings	1264	2198	2372	2113	2386	2954	2,008
2. Loans from GOI	(-) 124	(-) 122	(-) 127	(+) 805	(-) 1112	(-) 129	(-) 64
3. Small Savings, PF etc.	426	341	458	693	1203	2070	1,689
4. Deposits and Advances	84	216	206	1544	59	(-) 27	189
5. Suspense and Miscellaneous	(-) 53	(-) 204	158	(-) 162	168	186	(-) 31
6. Remittances	205	112	(-) 381	(-) 292	(-) 307	(-) 627	(-) 615
7. Reserve funds	152	130	11	90	3	126	170
8. Net amount recouped to contingency fund	0.30	-	-	-	-	-	
9. Drawdown of cash balance (+)/Accretion to cash balance (-)	(-) 24	(-) 6	51	4	(-) 33	(-) 861	870
@ All these figures are net of disbursements/outflows during the year							

Increase under the head “Small Savings, PF etc.” is mainly due to accretions under State Provident Fund, following crediting of arrears of pay revision into the State Provident Fund accounts of employees by the government.

The revenue surplus decreased by ₹ 1003 crore in 2012-13 over the previous year which resulted in decrease in capital expenditure by ₹ 675 crore over the previous year and more borrowings. The fiscal deficit was met from borrowings out of public account (of which Small Savings, Provident Funds, etc. formed a major share) and market borrowings.

1.12.3 Quality of Deficit/ Surplus

The ratio of revenue deficit (RD) to fiscal deficit (FD) and the bifurcation of primary deficit into primary revenue deficit and capital expenditure (including loans and advances) would indicate the quality of deficit in the States’ finances. The ratio of revenue deficit to fiscal deficit indicates the extent to which borrowed funds were used for current consumption. Further, persistently high ratio of revenue deficit to fiscal deficit also indicates that the asset base of the State was continuously shrinking and a part of borrowings (fiscal liabilities) was not having any asset backup.

The bifurcation of the factors resulting in primary deficit or surplus of the State during the period 2012-13 shows (Table-1.36) that the primary deficit during the period was

on account of capital expenditure incurred and loans and advances disbursed by the State government. In other words, non-debt receipts of the State were enough to meet the primary expenditure requirements in the revenue account and in fact left some receipts to meet the expenditure under the capital account. The State had to borrow to meet the requirements under capital account over primary expenditure during 2012-13. This indicates the extent to which the primary deficit has been on account of enhancement in capital expenditure which may be desirable to improve the productive capacity of the State's economy.

Table 1.36
Primary deficit/surplus – bifurcation of factors

(₹ in crore)

Year	Non-debt receipts	Primary Revenue Exp.	Capital Exp.	Loans & Advances	Primary Exp.	Percentage Capital Exp/Primary Exp.	Primary Revenue deficit (-)/ surplus (+)	Primary deficit (-)/ surplus (+)
1	2	3	4	5	6(3+4+5)	7 (4/6)	8 (2-3)	9 (2-6)
2006-07	11184	8827	2456	44	11327	22	(+) 2357	(-) 143
2007-08	13279	9753	3717	38	13508	28	(+) 3526	(-) 229
2008-09	14307	10469	4964	42	15475	32	(+) 3838	(-) 1168
2009-10	17618	13185	6234	49	19468	32	(+) 4433	(-)1850
2010-11	22236	16184	6064	72	22320	27	(+) 6052	(-) 84
2011-12	24951	20297	5899	66	26262	22	(+)4654	(-)1311
2012-13	26,217	22,394	5,224	93	27,711	19	(+)3,823	(-)1494

1.13 Government obligations under the Fiscal Responsibility and Budget Management (FRBM) Act, 2006

Taking note of the concerns about growth in governments' expenditure exceeding their non-debt resources and need of prudential management of government debt and deficit, the Twelfth Finance Commission had recommended certain incentives for the States adopting legislative limits on debt and deficits. With the declared objective of ensuring prudence in fiscal management and fiscal stability by progressive strengthening of revenue surplus, reduction in fiscal deficit, prudent debt management consistent with fiscal sustainability and greater transparency in fiscal operations of the government and conduct of fiscal policy in a medium term frame work and for matters connected therewith or incidental thereto, the Jammu and Kashmir Fiscal Responsibility and Budget Management (FRBM) Act was enacted on 14 August 2006 to be effective from 2006-07 with the principal objective of reducing the fiscal deficit to three *per cent* of GSDP by 2009-10 besides casting several other fiscal transparency obligations on the State government. Essential obligations cast on the Government under the FRBM Act and amendments made to it are detailed in *Appendix 1.7*.

1.13.1 Fiscal consolidation roadmap under the recommendations of the 12th and 13th Finance Commission

- The Twelfth Finance Commission (TFC) recommendations accepted by the Central government required the State government to enact/ amend the FRBM

Act to conform to the customized fiscal reform path of achieving fiscal deficit and outstanding debt targets for the five year period (2005-10). The principal target for the State was to achieve fiscal deficit of three *per cent* of GSDP by 2009-10. The State could not achieve the targets set by the TFC and could not avail the debt waiver and interest relief recommended by the TFC.

- The Thirteenth Finance Commission (ThFC) noted that for special category States like Jammu and Kashmir, the Revenue Deficit/ Surplus is not of much significance for purposes of fiscal adjustment as all have revenue surplus in government accounts due to grants-in-aid from the Union government being classified as non-tax revenue of the State. Under ThFC recommendations, a customized fiscal reform path of achieving fiscal deficit and outstanding debt targets was incorporated by amending the State's FRBM Act in April 2011 and August 2011. Consequent upon the above amendments to the FRBM Act, a pre-condition laid down by the ThFC, the State could avail three benefits (a) write off of Central government loans (₹ 57 crore) (b) release of State-specific grants (₹ 350 crore) and (c) a special grant of ₹ 1000 crore to retire high cost debt taken from the J&K Bank.
- **Table 1.37** summarises the targets for fiscal liabilities and fiscal deficit set by the ThFC and actual outcomes, as computed from accounts.

Table 1.37
Targets for fiscal liabilities and fiscal deficit set by 13th Finance Commission

<i>(per cent of State's actual/projected GSDP)</i>					
Fiscal parameter (as per cent of GSDP)/ Year	2010-11	2011-12	2012-13	2013-14	2014-15
<i>Fiscal Deficit – 13th Finance Commission target/projection</i>	5.3	4.7	4.2	3.6	3
<i>Fiscal Deficit computed as per FRBM Act in accounts</i>	5.0	5.9	5.5		
<i>Fiscal Liabilities – 13th Finance Commission target/projection @</i>	56.10	55.10	53.6	51.6	49.3
<i>Fiscal Liabilities – Government accounts @</i>	54.89	54.97	52.90		
<i>Total Liabilities (including liabilities of PSUs etc) as per FRBM Act</i>	NA	NA	NA	NA	NA

@ As mentioned in Para 1.11.1 above giving trends in build-up of 'fiscal liabilities', these are computed by adding year-end outstanding liabilities on account of borrowing from banks, financial institutions, open market, Union government and other liabilities on account of State Provident/ Pension/ Insurance Funds, Reserve Funds and Deposits. These figures do not account for year-end cash balances (whether invested or not). Reporting of 'fiscal liabilities' net of cash balances could be considered provided it is a consistent accounting policy uniformly followed, including in years when there is overdraft, i.e., negative cash balance.

- As on 31 March 2010, JKPDC had ₹ 822.73 crore receivables from the State government due for over six months and ₹ 201.67 crore as dues less than six months. By 31 March 2011, these figures had risen to ₹ 1131.23 crore and ₹ 279.58 crore, respectively. Accounts for JKPDC for 2011-12 have not yet been finalised. Likewise, the government is carrying the liabilities of unpaid arrears of pay/ pension revision. On the receivable side, the government has reported that it has to receive reimbursement of ₹ 512.65 crore from the Union government incurred for 'security related expenditure'. These disclosures should form part of a structured disclosure mechanism in the FRBM Statements for a proper appreciation of true extent of fiscal liabilities, along with receivables and payables.
- Table 1.38** compares the actual fiscal outcomes during 2010-11, 2011-12 and 2012-13 as compared to the State-specific projections made by the 13th Finance Commission:

Table 1.38
13th Finance Commission's projections and actual fiscal outcomes

(₹ in crore)

Key Aggregates	2010-11		2011-12		2012-13	
	13 FC projection	Actual	13th FC projection	Actual	13th FC projection	Actual
GSDP	48,206	56,976	53,677	65,979	59,849	76,115
Own Revenue Receipts	4,228	4,576	4,713	6,747	5,259	7,993
State's Own Tax Revenue	3,889	3,483	4,330	4,745	4,822	5,833
State's Own Non Tax Revenue	339	1,093	383	2,002	431	2,160
State's share in Union Taxes/Duties	2,837	3,067	3,328	3,495	3,925	3,870
Non-Plan Revenue Expenditure	11,005	17,558	11,706	21,432	12,539	23,561
Salaries	5,366	9,529	5,550	9,802	5,736	10,298
Pension	1,812	2,242	1,993	3,297	2,192	3,463
Interest Payment	1,863	2,283	2,054	2,383	2,240	2,707
Pre- Devolution Non-Plan Revenue Deficit	6,777	12,982	6,993	14,685	7,280	15,568
Post-Devolution Non-Plan Revenue Deficit	3940	4836	3665	7151	3355	8074
Fiscal Liabilities as Per cent of GSDP	56.1	54.89	55.1	54.97	53.6	52.90
Fiscal Liabilities	27,044	31,272	29,576	36,267	32,079	40,265

1.13.2 Government's compliance with obligations under the FRBM Act and Rules

- As per the customised fiscal correction path recommended by the 13th Finance Commission specifically for Jammu and Kashmir and the corresponding amendment made in the FRBM Act, the targeted fiscal deficit during 2010-11, 2011-12 and 2012-13 was 5.3, 4.7 and 4.2 *per cent* of GSDP of respective years. The actual fiscal deficit was 5.0, 5.9 and 5.5 *per cent*, respectively. Thus, the fiscal deficit target was not met during 2011-12 and 2012-13. The 'fiscal deficit' being reported in the Budget documents and the Statements presented with the Budget under the FRBM Act is at variance with that computed from government accounts by following the definition given in the FRBM Act.
- While presenting the Budget for 2012-13 in March 2012, a target was set to achieve revenue surplus equal to 19.10 *per cent* of total revenue receipts during 2012-13. However, the actual revenue surplus of ₹ 1100 crore was only 4.19 *per cent* of the total revenue receipts of ₹ 26217 crore.
- The 'fiscal liabilities' as a percentage of GSDP are within the targets set by the 13th Finance Commission. The compliance is mainly on account of the denominator effect because the actual GSDP has turned out to be significantly higher than that projected by the 13th Finance Commission though the Commission had excluded certain one-off borrowings while setting the targets for 2010-15. It is also noted that 'total liabilities' as defined under the FRBM Act are not being reported/monitored/targeted.
- It is noted that the new series GSDP with Base Year 2004-05 gives a higher figure than the smaller figures of old series GSDP with Base Year 1999-2000 assumed by the 13th Finance Commission. Hence, despite the fortuitous increase in the GSDP due to change of computation methodology, the diluted targets for improvement of revenue surplus and reduction in fiscal deficit and total liabilities for 2012-13 have not been met by the Government.
- Pre-devolution non-plan revenue deficit was targeted to be brought down to 20 *per cent* of GSDP by 2008-09 and maintained thereafter under the FRBM Act. The same however was between 23 to 25 *per cent* during 2009-2012.
- Certain delays, deficiencies and deviations in implementation of the FRBM Act and Rules are detailed in *Appendix 1.8*.

1.14 Follow up on previous Audit Reports on State Finances

No action taken report has been sent by the Finance Department to the Public Accounts Committee on the Audit observations/ recommendations contained in any of the previous Reports on State Finances. None of these Reports have yet been discussed by the Public Accounts Committee.

1.15 Conclusion

The following is a summary of the significant comments:

- Any State government can meet the targets for reduction/elimination of fiscal deficit, revenue deficit, total liabilities etc., if the Central government chooses to provide sufficient grants-in-aid or debt relief, especially outside the scope of the award of a Finance Commission. A truer measure of a State's fiscal prudence or fiscal responsibility is the State's own deficit, which measures the resource gap between the State's expenditure and the non-debt receipts within the control of the State, assuming that old financial liabilities continue to be refinanced out of fresh borrowings. These non-debt resources depend upon State's own fiscal policies. The State has shown improvement in dependence on transfer of resources from the Central government from 67 *per cent* in 2006-07 to 60 *per cent* in 2012-13. This, of course, does not take into account the resources transferred by the Union Ministries directly to implementing agencies, bye-passing the State government accounts.
- The capacity of a State substantially dependent on resource flow from the Central government for financing even for its day-to-day running expenditures are inherently and severely limited. However, owing to increased tourism and other economic activities and improving tax compliance, there has been a very satisfactory growth in the revenues from State's Own Taxes, which are at a level of 7.7 *per cent* of GSDP in 2012-13. There has been record mobilisation of Commercial Taxes and Stamp Duties and the State's own revenues have shown very high growth. The initial GSDP estimates have been undergoing upward revisions in recent years and hence there is a scope for improving the ratio of State's own taxes to GSDP.
- There is increasing scope and imperative of improving recovery of user charges, particularly in the Power Sector where the gap between the cost of supply of electricity and revenue realisation from consumers is very steep and needs to be bridged in the long-term interests of fiscal sustainability of State

intervention in this area. The obligatory expenditures by way of salaries and pensions also require rationalisation.

- The State has continued to be revenue surplus but only due to high levels of grants from the Central government, particularly plan grants to fill the sharply increasing non-plan revenue gap. The State's own deficit has been consistently high and steadily rising with expenditure growth far outpacing valiant efforts of tax departments at revenue mobilisation. The State has not met the fiscal deficit reduction targets, even after these have been diluted and reset. Since the past projections made by the State government in the statements made before the State Legislature under FRBM Act have proved to be unachievable, special efforts are required to lend credibility to the targets now set for future years.
- The State has financed 26.3 *per cent* of its total expenditure in 2012-13 from its own (non-debt) resources, up from 23.6 *per cent* in 2011-12. However, the indicators of quality of expenditure show deterioration as the developmental/ capital/ plan expenditures have recorded sharp reduction while non-plan revenue expenditure is growing unabated.
- Even the reported capital expenditure, which has registered a steep fall in 2012-13 is rather over-stated because of misclassification of expenditures of a revenue nature as 'capital expenditure'. The misclassification includes salaries, subsidies including food subsidy, transfer payments, office expenses and other items of a recurring, consumption nature.
- The State government has taken significant decisions like introduction of new pension scheme, bringing more items under the ambit of VAT, more services under the tax net, computerisation of Commercial Tax Department. The arrears in the accounts of PSUs are being liquidated.
- The State has continued to maintain revenue surplus during the period 2002-12 due to high levels of share in Central taxes and grants from the Central government. An adjusted weightage of 10 *per cent* is given to the area of a State in deciding inter se share of different States in the total divisible pool of Central taxes/ duties and for entire area of 2,22,236 sq. km, (including the area under foreign occupation) is taken into consideration. As a Special Category State, the State gets 90 *per cent* assistance for State plan as grants-in-aid. The 60 *per cent* dependence of the State on non-debt resources

from the Central government in 2012-13 (as percentage of total expenditure) - though less than 67 *per cent* in 2006-07 - is still substantial. Moreover, this drop has to be seen in the context of a sharp decline in the total plan expenditure from ₹ 5,730 crore in 2010-11 to ₹ 5,474 crore in 2011-12 and to ₹ 4,971 crore in 2012-13. This is the direct result of sharp rise in the non-plan revenue gap resulting in diversion of plan grants from the Union government for financing the non-plan expenditure. This diversion has emerged as the most serious budgetary concern.

- Service tax is the only Central tax that is presently not applicable to the State of Jammu & Kashmir. The State has its own service tax under State law. Since the Central service tax is not applicable to the State, the State is not entitled to a share in the total service tax collected by the Central government all over the country. The foregone share is 1.551 *per cent* of the service tax collection by the Centre. As per the assessment made by the 13th Finance Commission regarding likely Central service tax collection during 2010-15, the 1.551 *per cent* share foregone by J&K works out to ₹ 8363.38 crore. During 2011-12, service tax collection by the Union government was ₹ 97509 crore. Had this tax been applicable to J&K, the State's share would have been 1.551 *per cent* of this amount, i.e., about ₹ 1512 crore. On the other hand, the service tax collection under the State law was less than ₹ 957 crore. The gap between revenue collection from the service tax collected under the State law and the foregone share in Central service tax is too steep to be bridged soon.
- Only one out of 23 government owned companies/ corporations, viz., the J&K Bank is the principal source of government's revenue from dividends. Other companies are either non-functional or deeply burdened financially. The financial return on investments made in these companies is not commensurate with the opportunity cost of investment measured in terms of average cost of government borrowing.
- The fiscal deficit was 5.5 *per cent* of GSDP during 2012-13 against targeted 4.2 *per cent*. This is despite deferment of part of the liability on account of unpaid arrears of pay/ pension revision and full cost of power purchased. Had these expenditures not been postponed, the fiscal deficit would have been even higher. Due to this non-compliance, the State is set to lose interest relief on loans taken from the National Small Savings Fund.

- The revenue expenditure grew by 10.75 *per cent* in 2012-13 (over 2011-12) despite deferment of pay revision arrears etc. although revenue receipts grew by only 5.8 *per cent*, leading to a substantial reduction in revenue surplus from ₹ 2103 crore in 2011-12 to ₹ 1100 crore in 2012-13. Sharply declining revenue surplus does not bode well for the government's commitment under the FRBM Act to maintain and improve the revenue surplus.
- The expenditure on salaries, wages, pension and other retirement benefits together accounts for 45.2 *per cent* of total expenditure, 54.8 *per cent* of revenue expenditure and 172.2 *per cent* of State's own revenues in 2012-13. The government has decided to stagger the payment of arrears of pay and pension revision, following the extension of the recommendations of the 6th Central Pay Commission to State government employees and those in the Autonomous Bodies, in five equal annual instalments.
- Although 85.14 *per cent* households (~19.5 lakh households) are electrified as per Census 2011 figures, only ~50 *per cent* households are covered by properly functional meters and the transmission and distribution losses are one of the highest in the country. Financial losses of the Power Development Department continue to be a serious drag on the finances of States, which necessitates undertaking necessary reforms for cutting down transmission and distribution losses and appropriate tariff revision.
- The Central government has been transferring a sizeable quantum of funds directly to the State implementing agencies, usually registered societies controlled and operated by State government officers, under various central and Centrally sponsored schemes/ programmes. Since these funds do not pass through the Consolidated Fund of the State, the Finance Accounts do not present a complete picture of the fund flow of Central government resources into the State.
- As the government looks forward to diversification in the State's economy through increased industrialisation and modern agriculture as a prescription for sustained and inclusive, job creating economic growth, there are two potential drags on the State's economy. First is the steady increase in the unrecovered expenditure on procurement and supply of electricity and second is the steady expansion in the number and per capita expenditure on personnel (both regular and para employees).

1.16 Recommendations

The Government may consider:

- formulating a time bound action plan to recover at least 50 *per cent* of the ‘service charges’ from users after accounting for Operation and Maintenance expenses;
- improving the ratio of State’s own taxes through review of tax concessions to entities that have failed to measure up to the expectations behind the concessions and continuation of efforts to widen the tax base and minimise evasion;
- instituting a system of tracking financial commitments by the Finance Department;
- bringing to Government Account all moneys held in separate bank accounts operated by Government officers through the State Treasuries;
- improving 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.

CHAPTER – II

FINANCIAL MANAGEMENT AND BUDGETARY CONTROL

2.1 Introduction

2.1.1 Appropriation Accounts are accounts of the expenditure, voted and charged, of the Government for each financial year compared with the amounts of voted grants and appropriations charged for different purposes as specified in the schedules appended to the Appropriation Acts. These Accounts list the original budget estimates, supplementary grants, surrenders and re-appropriations distinctly and indicate actual capital and revenue expenditure on various specified services *vis-à-vis* those authorized by the Appropriation Act in respect of both charged and voted items of budget. Appropriation Accounts, thus, facilitate management of finances and monitoring of budgetary provisions and are, therefore, complementary to Finance Accounts.

2.1.2 Audit of appropriations by the Comptroller and Auditor General of India seeks to ascertain whether the expenditure actually incurred under various grants is within the authorization given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution is so charged. It also ascertains whether the expenditure so incurred is in conformity with the law, relevant rules, regulations and instructions.

2.2 Summary of Appropriation Accounts

The summarized position of actual expenditure during 2012-13 against 29 grants/appropriations was as given in **Table 2.1**.

Table-2.1
Summarized Position of Actual Expenditure *vis-à-vis* Original/Supplementary provisions
(₹ in crore)

	Nature of expenditure	Original grant/appropriation	Supplementary grant/appropriation	Total	Actual expenditure ¹	Saving (-)/Excess (+)
Voted	I-Revenue	22637.43	1023.56	23660.99	22648.41	(-) 1012.58
	II-Capital	8218.57	1595.47	9814.04	5939.49	(-) 3874.55
	III-Loans and Advances	69.98	24.69	94.67	93.40	(-) 1.27
Total voted		30925.98	2643.72	33569.70	28681.30	(-) 4888.40
Charged	IV-Revenue	2705.49	0.77	2706.26	2736.68	(+)30.42
	V-Capital	-	-	-	-	-
	VI-Public Debt Repayment	1317.18	-	1317.18	5085.46	(+) 3768.28
Total charged		4022.67	0.77	4023.44	7822.14	(+)3798.70
Appropriation to Contingency Fund (if any)		-	-	-	-	-
Grand Total		34948.65	2644.49	37593.14	36503.44	(-)1089.70

The overall saving of ₹ 1089.70 crore was the result of saving of ₹ 5831.27 crore in 23 grants and three appropriation under Revenue Section and 22 grants under Capital Section which is offset by excess of ₹ 4741.57 crore in six grants and one

¹ These are gross figures without taking into account the recoveries adjusted in accounts as reduction of expenditure under Revenue (₹ 267.87 crore) and Capital (₹ 715.45 crore)

appropriation under Revenue Section and seven grants and one appropriation under Capital Section.

It has been seen from the above table that the supplementary Grant of ₹ 2643.72 crore proved injudicious in the voted section as the expenditure of ₹ 28681.30 crore did not come even up to the level of original provision of ₹ 30925.98 crore and in the charged section Supplementary Grant of ₹ 0.77 crore proved insufficient in view of the excess expenditure of ₹ 3798.70 crore.

2.3 Financial Accountability and Budget Management

2.3.1 Savings

The outcome of the appropriation audit shows that in 44 cases, savings exceeded ₹ one crore in each case or by more than 20 per cent of the total provision (*Appendix 2.1*). Against the total savings of ₹ 5,831.27 crore, savings of ₹ 5,454.18 crore (94 per cent)² occurred in 21 cases relating to 17 grants as indicated in Table 2.2.

Table-2.2
List of Grants with savings of ₹ 50 crore and above

(₹ in crore)

Sl. No	Name of Grant/ Appropriation/	Original	Supple- mentary	Total grant	Actual expenditure	Savings
I-Revenue voted						
1.	02-Home	3090.18	-	3090.18	2934.90	155.28
2.	03-Planning and Dev. Deptt	160.99	86.55	247.54	158.48	89.06
3.	07- Education	3236.73	-	3236.73	2830.44	406.29
4.	08-Finance	3946.88	-	3946.88	3715.34	231.54
5.	10-Law	172.04	16.10	188.14	126.13	62.01
6.	14-Revenue	638.32	20.96	659.28	469.67	189.61
7.	17-Health & Medical Education	1468.28	-	1468.28	1365.11	103.17
8.	21-Forest	508.03	-	508.03	438.85	69.18
Total-Revenue (Voted)		13221.45	123.61	13345.06	12038.92	1306.14
II-Capital (Voted)						
9.	01-General Administration Department	70.32	1.30	71.62	14.31	57.31
10.	03-Planning and Dev. Deptt.	1578.82	1158.43	2737.25	256.59	2480.66
11.	06-Power Dev. Department	628.24	19.61	647.85	477.26	170.59
12.	07-Education	485.23	-	485.23	275.94	209.29
13.	08-Finance	267.13	-	267.13	18.47	248.66
14.	12-Agriculture	390.25	-	390.25	268.16	122.09
15.	15-Consumer Affairs & Public Distribution	861.28	69.07	930.35	787.12	143.23
16.	17-Health & Medical Edu.	318.85	-	318.85	257.43	61.42
17.	18-Social Welfare	217.80	-	217.80	87.63	130.17
18.	19-Housing & Urban Development	594.53	173.04	767.57	532.52	235.05
19.	22-Irrigation	417.00	-	417.00	328.87	88.13
20.	25-Labour Stationery & Printing	79.74	-	79.74	1.58	78.16
21.	28- Rural Development	407.39	-	407.39	284.11	123.28
Total-Capital (Voted)		6316.58	1421.45	7738.03	3589.99	4148.04
Grand Total		19538.03	1545.06	21083.09	15628.91	5454.18

² Exceeding ₹ 50 crore in each case.

Reasons for substantial savings (shortfall in utilization) against each grant were not assigned (September 2013) by the State Government.

2.3.2 *Persistent Savings by certain Departments*

In eleven cases, persistent savings of more than ₹ one crore in each case and also by nine *per cent* or more of the total grant were noticed during the last five years as indicated in **Table 2.3**.

Table-2.3
List of Grants indicating Persistent Savings during 2008-13

(₹ in crore)

Sl. No	Grant number and name	Amount of Savings				
		2008-09	2009-10	2010-11	2011-12	2012-13
Revenue (Voted)						
1.	03-Planning and Development	41.74 (43)	98.31 (72)	38.88 (56)	20.48(14)	89.06(36)
2.	04-Information	3.78 (18)	3.21 (12)	6.04 (19)	6.13(15)	10.43(25)
3.	10-Law	25.34 (19)	43.00 (38)	22.31 (17)	77.17(38)	62.01(33)
4.	11-Industries & Commerce	9.16(9)	19.14(14)	20.06(13)	36.84(18)	32.34(15)
Revenue charged						
5.	10-Law	1.97 (19)	5.32 (29)	2.18 (14)	6.51(28)	12.54(39)
Capital (Voted)						
6.	07-Education	57.59(30)	121.95(43)	317.82(59)	128.18(27)	209.29(43)
7.	08-Finance	432.23 (82)	222.22 (27)	387.82 (74)	207.67(92)	248.65(93)
8.	14-Revenue	145.22 (88)	72.05 (53)	45.64 (42)	52.71(51)	41.76(75)
9.	19-Housing and Urban Development	279.90 (63)	96.10 (26)	156.78 (38)	262.38(43)	235.05(31)
10.	21-Forest	24.00 (35)	47.94 (50)	50.69 (52)	39.41(46)	16.36(18)
11.	25-Labour, Stationery and Printing	74.44 (95)	69.80 (97)	140.44 (99)	71.84(97)	78.16(98)

Reasons for persistent savings under these heads were not intimated (September 2013) by the State Government.

2.3.3 *Anticipated savings not surrendered*

As per the State Budget Manual, the spending departments are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when the savings are anticipated. At the close of the year 2012-13, there were, however, 27 grants and three appropriations in which savings occurred but no part of which had been surrendered by the concerned departments. The savings in these cases was of the order of ₹ 5831.27 crore which includes ₹ 5,829.35 crore in 42 cases (involving 27 grants and two appropriation) where savings involved were ₹ one crore and above. Relevant details are indicated in **Appendix-2.2**. Non-surrender of funds (savings) deprived the Government to transfer these funds to other needy sectors.

2.3.4 *Expenditure in Excess of legislative approval by certain Departments*

In 15 cases, expenditure aggregating ₹ 12,543.29 crore exceeded by ₹ 4,741.57 crore the total approved provisions of ₹ 7801.72 crore, and in each case by ₹ one crore or by more than 20 *per cent* of the provision. Details are given in **Appendix 2.3**. Of

these, excess expenditure by more than 17 *per cent* has been observed consistently for the last five years in respect of one grant and one appropriation as given in **Table 2.4**.

Table-2.4
List of Grant indicating Persistent Excess expenditure during 2008-13

Grant number and name	Years				
	2008-09	2009-10	2010-11	2011-12	2012-13
Capital (Charged)					
08-Finance	2740.40 (448)	2765.44 (342)	4820.49 (503)	4473.35 (381)	3768.28 (286)
Revenue (Voted)					
25-Labour Stationery & Printing	9.73 (30)	47.69 (132)	15.74 (17)	42.74 (63)	85.41 (118)

Reasons for persistent excesses under the head were not explained (September 2013) by the State Government.

2.3.5 Expenditure without Provision

As per the Budget Manual, expenditure should not be incurred on a scheme/service without provision of funds. It was, however, noticed that expenditure of ₹ 1325.73 crore was incurred in 74 Major heads of account (detailed in **Appendix-2.4**) without any provision in the original estimates/ supplementary demand and without any re-appropriation orders to this effect.

2.3.6 Regularisation of excess expenditure

As per Section 82 of the Constitution of Jammu and Kashmir, it is mandatory for the State Government to get the excess over a grant/ appropriation regularized by the State Legislature. Although no time limit for regularization of expenditure has been prescribed under the Section, the regularisation of excess expenditure is done after the completion of discussion of the Appropriation Accounts by the Public Accounts Committee (PAC). As the Appropriation Accounts (1980-81) had not been discussed in PAC, the excess expenditure aggregating to ₹ 90,198.17 crore for the years 1980-2012 is yet to be regularised by the State Legislature as detailed in **Appendix 2.5**. After including further excess expenditure of ₹ 4,741.57 crore during 2012-13 as brought out in the succeeding Sub-Section, the aggregate excess expenditure requiring regularization by the Legislature stands at ₹ 94,939.74 crore as on 31st March 2013.

2.3.7 Excess over provisions requiring regularisation

Table 2.5 contains the summary of total excess in 15 cases comprising of 11 grants and one appropriation amounting to ₹ 4,741.57 crore over authorization from the Consolidated Fund of the State during 2012-13 and requires regularization under Section 82 of the Constitution of Jammu and Kashmir.

Table-2.5
Excess over provisions requiring regularisation during 2012-13

				(₹ in crore)
Sl. No	Grant/Appropriation number and name	Total Grant/Appropriation	Expenditure	Excess
I- Revenue (Voted)				
1.	01-General Administration	245.85	258.50	12.65
2.	16-Public Works	825.87	835.86	9.99
3.	18-Social Welfare	318.53	745.79	427.26
4.	25-Labour Stationery & Printing	72.34	157.75	85.41
5.	26-Fisheries	45.77	47.31	1.54
6.	27-Higher Education	492.37	519.67	27.30
Total Revenue (Voted)		2000.73	2564.88	564.15
II-Revenue (Charged)				
7	08-Finance Department	2662.03	2706.76	44.73
Total Revenue (Charged)		2662.03	2706.76	44.73
Total Revenue (Section)		4662.76	5271.64	608.88
III-Capital (Voted)				
8	5-Ladakh Affairs	308.62	310.96	2.34
9	11-Industries & Commerce	142.23	157.41	15.18
10	13-Animal Husbandry	34.88	36.83	1.95
11	16-Public Works	880.84	1041.26	160.42
12	20-Tourism	134.09	220.87	86.78
13	23-Public Health Engineering	150.00	163.95	13.95
14	27-Higher Education	171.13	254.92	83.79
Total Capital (Voted)		1821.79	2186.20	364.41
IV-Capital (Charged)				
15	08-Finance	1317.18	5085.46	3768.28
Total Capital (Charged)		1317.18	5085.46	3768.28
Total Capital (Section)		3138.97	7271.66	4132.69
Grand Total		7801.73	12543.30	4741.57

As can be seen, in the Revenue section, there was excess expenditure of ₹ 608.88 crore in six grants and one appropriation while in the Capital section, excess expenditure amounted to ₹ 4132.69 crore in seven grants and one appropriation. The excess expenditure of ₹ 4741.57 crore was mainly due to repayment of Public Debt of ₹ 3768.28 crore and ₹ 44.73 crore of interest payments in excess of budget provisions. A similar excess expenditure of ₹ 4473.34 crore was incurred on repayment of Public Debt in 2011-12 also, indicating that it is not one-off occurrence. Although repayment of Public Debt and interest payments is an expenditure charged on the Consolidated Fund of the State, the Legislative approval is nevertheless required for any outgo from the Consolidated Fund.

2.3.8 Unnecessary/ Excessive/ Inadequate supplementary provisions

In 14 cases, involving 10 grants and two appropriations (*Appendix-2.6*), supplementary Grant of ₹ 1555.16 crore was obtained in excess of the original provision in anticipation of expenditure. However, the final expenditure of ₹ 2,909.42 crore was even less than the original grant of ₹ 4,843.43 crore. The

savings of ₹ 3489.17 crore thus, exceeded the entire supplementary provision indicating inefficient system of Fund projection leading to unnecessary allotment of additional funds.

In eight other cases relating to eight grants, supplementary grants aggregating ₹ 814.12 crore were obtained against the requirement of ₹ 755.70 crore resulting in saving of ₹ 58.42 crore (*Appendix-2.7*).

Apart from these cases, supplementary provision of ₹ 274.77 crore proved insufficient in six cases relating to five grants leaving an uncovered aggregate excess expenditure of ₹ 228.04 crore (*Appendix-2.8*).

2.3.9 Rush of expenditure

According to Jammu and Kashmir Financial Code, rush of expenditure in the closing month of a financial year should be avoided. Contrary to this, in respect of 12 demands listed in **Table 2.6**, expenditure exceeding ₹ 10 crore for the year was incurred during the last quarter of the financial year 2012-13. The percentage of expenditure in the last quarter ranged between 46 and 98 per cent of the total expenditure.

Table-2.6
Cases of rush of expenditure towards the end of the financial year 2012-13

(₹ in crore)

Sl. No.	Grant number and name	Total expenditure during the year	Expenditure during the last quarter of the year	
			Amount	Percentage of total expenditure
1	03-Planning and Development	415.07	300.13	72
2	05-Ladakh Affairs	729.34	712.71	98
3	08-Finance	11526.04	7246.13	63
4	11-Industries and Commerce	336.34	189.38	56
5	12-Agriculture	893.91	406.76	46
6	18-Social Welfare Department	833.42	416.06	50
7	19-Housing & Urban Development	894.41	435.02	49
8	20-Tourism	319.80	162.61	51
9	24-Hospitality & Protocol	195.40	95.07	49
10	27-Higher Education	774.59	466.32	60
11	28-Rural Development	479.95	241.85	50
12	29-Transport	80.50	55.26	69
	Total		10727.30	

2.4 Non-reconciliation of Departmental figures

2.4.1 Pendency in submission of Detailed Countersigned Contingent (DC) Bills against Abstract Contingent (AC) Bills

As per rules (Chapter-VIII of the Jammu and Kashmir Financial Code Volume-I), every drawing officer has to certify in each abstract contingent bill that detailed bills for all contingent charges drawn by him prior to the first of the current month have been forwarded to the respective Controlling Officers for countersignature and

transmit the same to the Accountant General (A&E), Jammu and Kashmir. In contravention thereto, against a total amount of ₹ 2667.61 crore (*Appendix-2.9*) drawn on AC bills by various Drawing and Disbursing Officers (DDOs) during 1995-2013, corresponding DC bills were not submitted (June 2013) to the Accountant General (A&E), Jammu and Kashmir. Non-rendition of DC bills for such a huge amount over a very long period is fraught with the risk of misappropriation.

Further, reasons for non-settlement of the outstanding AC bills that are more than two years old may be investigated and action may be initiated for their immediate settlement.

The matter has continually been brought to the notice of the Government/ Finance Department from time to time. Despite issuance of instructions in this regard by the State Finance Department, the DDOs did not furnish the pending DC bills to the Accountant General (A&E).

2.4.2 Un-reconciled Expenditure

To enable Controlling Officers of the Departments to exercise effective control over spending to keep it within the budget grants and to ensure accuracy of their accounts, the State Financial Rules stipulate that expenditure during the financial year recorded in their books be reconciled by them every month with that recorded in the books of the Accountant General (A&E), Jammu and Kashmir. Though non-reconciliation of Departmental figures is being pointed out regularly in Audit Reports, lapse on the part of Controlling Officers in this regard continued to persist. Out of 345 Controlling Officers, 50 Controlling Officers did not reconcile expenditure amounting to ₹ 4532.74 crore which constituted 15 *per cent* of the total net Revenue and Capital expenditure and ₹ 6375.23 crore of Receipts which constitutes 25 *per cent* of Total Receipts.

2.5 Errors in budgeting process

Scrutiny of Demand of Grants for the year 2012-13 showed following inherent flaws in preparation:

- Lump sum budgetary provisions of ₹ 7108.33 crore which constitute 18.91 *per cent* of total provision of ₹ 37593.14 crore are being placed with Controlling Officers in various Demands for Grants instead of detailed head-wise/ scheme-wise provisions which are in contravention of the State Financial Rules.
- Detailed head 'subsidy' is not being provided under relevant major/ minor head/ sub head of accounts in the Demand for Grants.
- The Capital heads of accounts are being closed at sub-head level in the demand for grants. No detailed breakup below thereto up to object head level is available in the approved demand for grants.

These deficiencies make the budgeting process erroneous thereby, making reconciliation of departmental figures with those compiled by the Accountant General (A&E), Jammu and Kashmir difficult. The above matter had been reported to the State Government from time to time. Further action in the matter is awaited (September 2013).

2.5.1 *Drawal of Funds to avoid lapse of Budgetary Grants*

According to the provisions of Jammu and Kashmir Financial Code Vol-I [Rule 2.16(5)] no money should be drawn from the treasury unless it is required for immediate disbursement. Besides, it is not permissible to draw money from treasury for keeping in Banks or under civil deposits to prevent the lapse of Budgetary Grants. The 13th Finance Commission also recommended that the Public Accounts should not be treated as an alternative to the Consolidated Fund and Government expenditure should be directly incurred from the Consolidated Fund avoiding transfer from Consolidated Fund to the Public Account.

As per Finance Account for the year 2012-13, the Minor Head 800-Other Deposits subordinate to Major Head 8443-Civil Deposits had accumulated balance of ₹ 360.36 crore at the close of the year (March 2013). During the year ₹ 16.67 crore was added to the Minor Head against mere withdrawal of ₹ 61.96 crore. The accumulated balance at the close of the year should have been written back to the respective Major Heads of account under the Consolidated Fund from which these were originally transferred, as the drawals from the above Minor Head of account in the subsequent years neither require Legislative approval nor were the expenditure incurred subjected to Legislative scrutiny through the Appropriation Account mechanism.

2.5.2 *Unrealistic forecasting of resources*

The Jammu and Kashmir State Budget Manual stipulates that the Budget of the State is based on the departmental estimates submitted by the Controlling Officers. Both the departmental and the district estimate should always receive careful personal attention of the officers who submit them. These should neither be inflated nor under-pitched, but should be accurate as possible. However, it was noticed that the revised estimates for 2012-13 for Non-Tax revenue projection was ₹ 2819 crore while actual realization was ₹ 2160 crore resulting in downward variation of ₹ 659 crore corresponding to 23 *per cent* below the original forecast. Similarly, Tax Revenue for the year 2012-13 was projected at ₹ 5975 crore while actual realization was ₹ 5832 crore resulting again in variation of ₹ 143 crore below the projection. In this connection projections for the last four years are appended in **Table 2.7**.

Table 2.7
Projections of Tax Revenue and Non-Tax Revenue vis-à-vis Actuals

<i>(₹ in crore)</i>				
Year	Description	Revised estimates	Actuals	Difference
2009-10	Tax revenue	3075	3027	48
	Non-Tax revenue	1294	955	339
2010-11	Tax revenue	3643	3483	160
	Non-Tax revenue	1475	1093	382
2011-12	Tax revenue	4791	4745	46
	Non-Tax revenue	1851	2002	(-)151
2012-13	Tax revenue	5975	5832	143
	Non-Tax revenue	2819	2160	659

2.5.3 Misclassification of Grants-in-aid and subsidy

Grants-in-aid to any Institution/ Body must constitute the Revenue Expenditure of the Government. But during the year 2012-13 a sum of ₹ 59.31 crore and subsidy of ₹ 80.07 crore has been disbursed under the following Capital Major Heads of expenditure in violation of Indian Government Accounting Standards (IGAS-2) as tabulated in **Table 2.8**.

Table 2.8
Disbursement of Grants-in Aid and Subsidy under Capital Heads

<i>(₹ in crore)</i>		
Classification	Grant-in-Aid	Subsidy
4202-CO on Education Sports Art & Culture	58.49	-
4401-CO on Crop Husbandry	-	59.97
4402-CO on Soil & Water Conservation	-	0.05
4217-CO on Urban Development	0.57	-
4403-CO on Animal Husbandry	0.25	-
4851-CO on Village & Small Industries	-	20.01
5452-CO on Tourism	-	0.04
Total	59.31	80.07

2.6 Outcome of inspection of Treasuries

2.6.1 Excess payment of pension

During inspection of Treasuries/ Sub-Treasuries for the year ended 31 March 2013 by the office of the Accountant General (A&E) excess payment of pension amounting to ₹ 0.88 crore was noticed due to reasons like wrong calculation (arithmetical inaccuracies) of pension, delayed commencement of reduced pension on account of commuted value of pension, payment of enhanced rate of pension beyond stipulated date, non-adjustment/ non-regularisation of commuted value of pension and other miscellaneous reasons.

The control at the level of Treasury Officer should be stricter in so far as pension related payments are concerned may be through introducing Computer and automatic arithmetical calculations in the Treasuries.

2.6.2 Non reimbursement of pension etc. by Pay & Accounts Offices/ Defence

Transactions which initially arise in the State Treasuries but are adjustable by the PAO/ Defence are placed under suspense for eventual adjustments. In this context an amount of ₹ 159.65 lakh, ₹ 2.12 lakh and ₹ 180 lakh paid by the State Treasuries on behalf of the Principal Controller of Defence Accounts (Western Command) Chandigarh, Controller of Defence Accounts (Army), Meerut and Northern Railway, Baroda House, New Delhi respectively are still adjustable in the accounts of the State Government due to either wrong booking of accounts by the State Treasuries or non-submission of vouchers to the respective quarters.

2.7 Review of Grant

2.7.1 Grant No. 25 - Review of Grant for Labour, Stationery & Printing

A review of Grant No: 25 (Labour, Stationery and Printing) for the year 2012-13 showed the following.

Composition

Table-2.9
Grant No. 25-Labour, Stationery and Printing

MAJOR HEADS	DEPARTMENT
2058	Stationery & Printing
2230	Labour & Employment
4058 Capital Outlay	Stationery & Printing
4250 Capital Outlay on Other Social Services	Labour & Employment

2.7.2 Financial Outlay

The financial outlay during the year 2012-13 and expenditure incurred there against are given in Table 2.10.

Table-2.10

(₹ in crore)						
	Nature of Expenditure	Original Grant /Appropriation	Supplementary Grant/Appropriation	Total	Actual Expenditure	Excess (+)/ Savings (-)
Voted	Revenue	72.34	Nil	72.34	157.75	(+) 85.41
Voted	Capital	79.75	Nil	79.75	1.58	(-) 78.17

From above it could be seen that under Revenue Section there has been excess expenditure of ₹ 85.41 crore as original grant proved to be inadequate and needs regularisation. Similarly under Capital section there have been significant savings of ₹ 78.17 crore for which reasons were not furnished (September 2013).

A comparative position of the allocation/ expenditure under the Grant for the last three years is tabulated in Table 2.11.

Table-2.11
Comparative position of Actual Expenditure vis-à-vis Total Grant

				(₹ in crore)
		Total Grant	Actual expenditure	Excess (+) / Savings (-)
Year 2008-09				
Revenue Voted				
Original	32.07	32.07	41.80	(+) 9.73
Supplementary	-			
Capital Voted				
Original	78.04	78.04	3.61	(-) 74.43
Supplementary				
Year 2009-10				
Revenue Voted				
Original	36.03	36.03	83.72	(+) 47.69
Capital Voted				
Original	69.65	71.76	1.96	(-) 69.80
Supplementary	2.11			
Year 2010-11				
Revenue Voted				
Original	94.22	94.22	109.96	(+) 15.74
Supplementary	-			
Capital Voted				
Original	141.48	141.48	1.04	(-) 140.44
Supplementary	-			
Year 2011-12				
Revenue Voted				
Original	67.51	67.51	110.25	(+) 42.74
Supplementary	-			
Capital Voted				
Original	74.11	74.11	2.26	(-) 71.85
Supplementary	-			
Year 2012-13				
Revenue Voted				
Original	72.34	72.34	157.75	(+) 85.41
Supplementary	-			
Capital Voted				
Original	79.74	79.74	1.58	(-) 78.16
Supplementary	-			

As can be seen from the above, there is persistent excess during the last five years under Revenue voted section and persistent savings under Capital Voted section. The excess expenditure is mainly under Major Head 2230-Labour and Employment. The Controlling Officers are also kept informed about the excess/ shortfall of expenditure noticed under any Head/ activity by the Accountant General (A&E), Jammu and Kashmir through issue of monthly expenditure statement

2.7.3 Excess expenditure

As per Para 12.10.04 (03) of the Jammu and Kashmir Budget Manual when the need for additional funds arises due to some unforeseen emergency, under estimation or due to any other factor, immediate action is required to be taken to obtain additional funds and unless additional funds are provided by competent authority, no additional expenditure should be authorized or incurred.

During the check of Grant No. 25 it was seen that there has been significant excess expenditure under Major/ Sub-heads as detailed in **Table 2.12**.

Table-2.12
Excess expenditure under Grant No. 25

(₹ in crore)

Sl. No.	Major/Minor/Sub-Head	Grant	Expenditure	Excess
1	2058/01/1627 Stationery Depot Srinagar	2.46	2.81	0.35
2	2230/01/1633 Labour Commissioner	1.27	6.21	4.94
3	2230/02/1642 Employment Exchange	3.00	23.43	20.43
4	2230/02/1643 Self Employment	0.75	51.10	50.35
5	2230/02/1641 Director Employment	28.51	44.91	16.40

The expenditure has not been regularised through obtaining supplementary Grant or Re-appropriation.

2.7.4 Un-utilised Grants

As per Para 4.1.2 of Jammu and Kashmir Budget Manual, the estimates of expenditure are required to be prepared by Head of offices and Controlling Officers according to their assessment of requirement for ensuing year keeping in view the actual expenditure in past, current years trend of expenditure or any new decision taken by the Government which have bearing as funding requirement.

It was noticed during check of Grant No. 25 that the appropriation/ grants remained un-utilised in full during 2012-13 indicating that these were not required as indicated in **Table 2.13**.

Table-2.13
Statement showing un-utilised Appropriation/ Grants

(₹ in crore)

Sl. No.	Major /Sub-head	Total Grant	Expenditure	Saving
1.	2058/1631 Government Press Srinagar	0.08	0.00	0.08
2.	4058/1625 Director Stationery & Supplies	0.24	0.00	0.24
3.	4250/1903 Labour	1.50	0.00	1.50
4.	4250/1642 Employment Exchange	4.55	0.00	4.55
5.	4250/1904 Employment/Medical Aid Trust	72.00	0.00	72.00

2.7.5 Significant savings not surrendered

As per the provisions of the Budget Manual all the anticipated savings should be surrendered to the Government immediately as and when they are foreseen without

waiting till the end of the year, unless they are required to meet excesses under some other units which are definitely foreseen at that time. However, significant savings were noticed under various schemes where provisions were distinctly/ separately placed in approved Demand for Grants as detailed in *Appendix 2.10*. Thus, the significant savings in the above mentioned schemes must have deprived the beneficiaries/ areas of the benefits for which the amount were provided.

2.8 Conclusion

The overall savings of ₹ 1089.70 crore was the result of saving of ₹ 5831.27 crore in various grants and appropriations offset by excess of ₹ 4741.51 crore in six grants and one appropriation.

Excess expenditure of ₹ 94939.74 crore till 31 March 2013 over the approved provision during 2013-13 requires regularisation under Section 82 of the Constitution of Jammu and Kashmir.

Planning and Development, Information, Law, Industries and Commerce, Education, Finance, Revenue, Housing and Urban Development, Forest, Labour, Stationery and Printing Grants posted large savings persistently during the last five years. In many cases, the anticipated savings were not surrendered at the end of the year in the month of March leaving no scope for utilisation of these funds for other development purposes. There were also instances of inadequate provisions and unnecessary/ excessive Supplementary Grants besides Rush of Expenditure in the last quarter of the financial year indicating inadequate budgetary control in the departments. Further, in contravention of Financial Rules, DC bills of the amount of ₹ 2667.61 crore drawn on AC bills by various Drawing and Disbursing Officers since 1995 till 31 March 2013 have not been furnished to the Accountant General (A&E).

2.9 Recommendations

The Government may consider:

- preparing realistic annual budget estimates to avoid large savings/ excesses;
- surrendering of savings by stipulated date for their effective utilization by needy departments;
- regularisation of excess expenditure incurred;
- monitoring of expenditure against the allocations by all departments;
- speedy submission of DC bills against the amount drawn on Abstract Contingent Bills within the timeframe as stipulated in the extant rules.

CHAPTER – III

FINANCIAL REPORTING

A sound internal financial reporting with relevant and reliable information significantly contributes to efficient and effective governance by the State Government. Compliance with financial rules, procedures and directives as well as the timeliness and quality of reporting on the status of such compliances is thus one of the attributes of good governance. The reports on compliance and controls, if effective and operational, assist the State Government in meeting its basic stewardship responsibilities, including strategic planning and decision making.

3.1 Delay in furnishing of Utilisation Certificates

Autonomous Bodies/ authorities having no sufficient resources of their own are assisted financially by the Government through release of Grant-in-Aid (GIA) to be spent on specific purposes. The position of GIA provided by the State to Autonomous Bodies/ Authorities during 2009-13 is given in **Table 3.1**.

Table-3.1
Grant-In-Aid provided by the State to Autonomous Bodies/ Authorities

(₹ in crore)					
Sl. No.	Body/Authority	2009-10	2010-11	2011-12	2012-13
1.	Srinagar Municipal Corporation	73.33	107.18	112.42	89.65
2.	Jammu Municipal Corporation	76.93	74.60	69.98	127.95
3.	Urban Local Bodies (Kashmir)	29.56	42.67	62.39	50.32
4.	Urban Local Bodies (Jammu)	20.24	26.96	41.30	35.03
5.	SKUAST – Kashmir	55.58	75.73	90.63	99.43
6.	SKUAST – Jammu	25.37	28.29	30.59	45.55
7.	Kashmir University	44.48	59.83	61.85	83.94
8.	Jammu University	50.85	43.28	63.70	58.66
9.	J&K Sports Council	7.23	8.30	10.26	13.55
10.	J&K Academy of Art and Culture	9.93	11.68	19.93	17.32
11.	IMPA	4.97	5.89	10.51	8.70
12.	Khadi and Village Industries Board	8.60	10.60	12.01	14.72
13.	Others	75.40	47.18	44.96	48.27
	Total	482.47	542.19	630.53	693.09

Financial Rules provide that for the grants provided for specific purposes, Utilisation Certificates (UCs) should be obtained by the departmental officers from the grantees and after verification, these should be forwarded to the Accountant General (A&E), Jammu and Kashmir within 18 months from the date of their sanction unless specified otherwise.

The position of outstanding Utilisation Certificates (UCs) at the end of 2012-13 *vis-à-vis* the position at the end of 2011-12 is detailed in **Table 3.2**.

Table-3.2
Age-wise arrears of Utilisation Certificates: Status as on 31st March 2013

Range of delay (in number of years)	Total Grants Paid		Utilization Certificates Received		Utilization Certificates Outstanding	
	Number of items	Amount (₹ in crore)	Number of items	Amount (₹ in crore)	Number of items	Amount (₹ in crore)
0 – 1	1134	760.13	37	52.53	1097	707.60
1 – 2	838	632.81	565	495.66	273	137.15
Above 2	2899	1036.02	2108	541.87	791	494.15
Total	4871	2428.96	2710	1090.06	2161	1338.90

A total number of 2,161 UCs involving ₹ 1339 crore were outstanding as on 31st March 2013 of which 1,064 UCs amounting to ₹ 631 crore were outstanding for more than one year.

3.2 Non-submission/ delay in submission of Annual accounts by Autonomous Bodies

A total of 333 annual accounts of 32 Bodies were awaited in Audit (*Appendix-3.1*) as on 31st March 2013. Six Autonomous Bodies required to be audited by the Comptroller and Auditor General (C&AG) of India under Sections 19 (3) and 20 (1) of the said Act had also not furnished the annual accounts as tabulated in **Table 3.3**.

Table 3.3
Non-submission of accounts by Autonomous Bodies

Name of Body/Authority	Delay in number of years	No of accounts	Grants during 2012-13 (₹ in crore)
Ladakh Autonomous Hill District Council, Leh	1-18	18	353.45
Ladakh Autonomous Hill District Council, Kargil	1-9	09	354.61
Sher-i-Kashmir University of Agricultural Science and Technology, Srinagar	1-3	03	114.36
Sher-i-Kashmir University of Agricultural Science and Technology, Jammu	1-2	03	45.55
Jammu & Kashmir Legal Services Authority, Srinagar	1-16	16	9.67
Provident Fund Organization, Srinagar	1-12	12	Nil
		61	877.64

The audit of Ladakh Autonomous Hill District Council (LAHDC), Leh and LAHDC, Kargil has been entrusted to the C&AG of India upto 2012-13. LAHDC, Leh has failed to submit accounts for audit since its inception i.e. 1995-96 although substantial sums are being released to the Council and unspent balances at the end of the year remain credited in a non-lapsable Fund in the Public Account of the State. Same is the position in respect of LAHDC, Kargil which came into existence in the year 2004-05 and the accounts are in arrears since inception.

Non-submission/ delay in submission of accounts by these Bodies receiving substantial funding from the State Budget is a serious financial irregularity persisting for years. In view of this non-compliance, the audited accounts of these Statutory Bodies have not so far been presented to the State Legislature as required under the Statutes under which these Bodies were created. This has deprived the State Legislature to get a feedback on their activities and financial performance.

3.3 Departmentally Managed Commercial Undertakings

The departmental undertakings of certain Government departments performing activities of commercial nature are required to prepare *pro forma* accounts in the prescribed format annually. The finalised accounts of departmentally managed commercial and quasi-commercial undertakings reflect their overall financial health and efficiency in conducting their business. In the absence of timely finalisation of accounts, the investment of the Government, corrective measures, if any required, for ensuring accountability and improving efficiency cannot be taken on time. Besides, the delay is fraught with risk of fraud and leakage of public money.

The Heads of the Government Departments are required to ensure that the undertakings prepare such accounts and submit the same to the Principal Accountant General (Audit), Jammu and Kashmir for audit within a specified time frame. The Government has two such departmental undertakings: (a) Government Printing

Presses at Srinagar and Jammu and (b) Public Distribution System (PDS) by the Consumer Affairs and Public Distribution Department. The *pro forma* accounts of the commercial operations of both these undertakings are in arrears. The two Government Presses have not prepared their *pro forma* accounts from 1968-69 to 2012-13 (August 2013). In Kashmir and Ladakh Divisions, the PDS operations are directly carried out by departmentally run PDS shops. The *pro forma* accounts have not been prepared in these two Divisions from 1975-76 (Revised Account) and onwards (August 2013). In Jammu Division, the PDS operations are mainly through network of private dealers (about 91 *per cent*) and the *pro forma* accounts have not been prepared from 1973-74 to 1997-98 and 1999-2000 to 2012-13. The *pro forma* accounts for 1998-99 were finalised during 2002-03 (August 2013).

3.4 Bookings under Minor Head 800-'Other Receipts' and 'Other Expenditure'

During 2012-13, ₹ 3,281 crore under 60 Major Heads of account (representing functions of the Government) was classified under the Minor Head 'Other Expenditure' in the revenue and capital account constituting 11 *per cent* of the total expenditure recorded under all the Major Heads of accounts. Similarly, a total sum of ₹ 4,089 crore under 42 Major Heads of account (representing Revenue Resources of the Government) was classified under the Minor Head 'Other Receipts' in the accounts constituting 16 *per cent* of the total receipts recorded under all the revenue heads of accounts. In 12 Major Heads of accounts, substantial amount of expenditure was booked under 'Other Expenditure' and in seven Major Heads of accounts substantial amount of receipts was booked under 'Other Receipts'. The major schemes are not depicted distinctly in the Finance Accounts, though the details of this expenditure are depicted in the sub-head (scheme) level or below in the Detailed demands for Grants and corresponding head-wise Appropriation Accounts forming part of the State Government Accounts. Classification of large amounts booked under the minor head '800'-Other receipts/ expenditure affects the transparency and the fair picture in financial reporting.

3.5 Conclusion

Due to non-compliance with the basic requirements of the preparation of annual *pro forma* accounts by the Departmentally Managed Commercial Undertakings, financial reporting may not be accurate and reliable. The position regarding outstanding Utilisation Certificates has improved slightly as compared to 2011-12. However, a total number of 2,161 UCs involving a total amount of ₹ 1339 crore remained outstanding as on 31st March 2013 which was 4.4 *per cent* of the total expenditure incurred in 2012-13. Similarly, 333 Annual Accounts of 32 Autonomous Bodies were

awaited for audit as on 31st March 2013. Classification of large amounts booked under the minor head '800'-Other receipts/ expenditure does not give the fair picture in accounts.

3.6 Recommendations

The Government may consider:

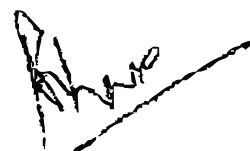
- timely submission of Utilisation Certificates in respect of the grants released for specific purposes to the grantee institutions;
- timely preparation of Annual Accounts by the Autonomous Bodies to facilitate auditing;
- depicting the amounts received and expenditure incurred under various schemes distinctly instead of clubbing the receipts and expenditure of major schemes under the Minor Head '800-Other Expenditure' and '800-Other Receipts'.

Srinagar/Jammu
The



(Subhash Chandra Pandey)
Principal Accountant General (Audit)
Jammu and Kashmir

Countersigned



New Delhi
The

(Shashi Kant Sharma)
Comptroller and Auditor General of India

Appendix - 1.1

(Reference: Page: 1)

Part A: Structure and Form of Government Accounts

Structure of Government Accounts: The accounts of the State Government are kept in three parts (i) Consolidated Fund, (ii) Contingency Fund and (iii) Public Account.

Part I: Consolidated Fund: All revenues received by the State Government, all loans raised by issue of treasury bills, internal and external loans and all moneys received by the Government in repayment of loans shall form one consolidated fund entitled 'The Consolidated Fund of State' established under Article 266(1) of the Constitution of India.

Part II: Contingency Fund: Contingency Fund of the State established under Article 267(2) of the Constitution is in the nature of an imprest placed at the disposal of the Governor to enable him to make advances to meet urgent unforeseen expenditure, pending authorisation by the Legislature. Approval of the Legislature for such expenditure and for withdrawal of an equivalent amount from the Consolidated Fund is subsequently obtained, whereupon the advances from the Contingency Fund are recouped to the Fund.

Part III: Public Account: 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 the Public Account set up under Article 266(2) of the Constitution and are not subject to vote by the State Legislature.

PART B: Layout of Finance Accounts

Statement	Layout
Statement No.1	Statement of Financial Position
Statement No.2	Statement of Receipts and Disbursements
Statement No.3	Statement of Receipts in Consolidated Fund
Statement No.4	Statement of Expenditure in Consolidated Fund
Statement No. 5	Statement of Progressive Capital Expenditure
Statement No.6	Statement of Borrowings and other Liabilities
Statement No.7	Statement of Loans and Advances given by the Government
Statement No.8	Statement of Grants-in-Aid given by the Government
Statement No.9	Statement of Guarantees given by the Government
Statement No.10	Statement of Voted and Charged Expenditure
Statement No.11	Detailed Statement of Revenue and Capital Receipts by Minor Heads
Statement No.12	Detailed Statement of Revenue Expenditure by Minor Heads
Statement No.13	Detailed Statement of Capital Expenditure by Minor Heads
Statement No.14	Detailed Statement of Investments of the Government
Statement No.15	Detailed Statement of Borrowing and other Liabilities
Statement No.16	Detailed Statement on Loans and Advances given by the Government
Statement No.17	Detailed Statement on Sources and Application of Funds for expenditure other than revenue account
Statement No.18	Detailed Statement on Contingency Fund and other Public Account transactions
Statement No.19	Detailed Statement on Investment of Earmarked Funds

Appendix - 1.2
(Reference: Page: 1)

Methodology Adopted for the Assessment of Fiscal Position

Part A

The norms/Ceilings prescribed by the TFC for selected fiscal variable along with its projections for a set of fiscal aggregates and the commitments/projections made by the State Governments in their Fiscal Responsibility Acts and in other Statements required to be laid in the legislature under the Act (**Part B of Appendix 1.2**) are used to make qualitative assessment of the trends and pattern of major fiscal aggregates. Assuming that the Gross State Domestic Product(GSDP) is a good indicator of the performance of the State's economy, major fiscal aggregates like tax and non-tax revenue, revenue and capital expenditure, internal debt and revenue and fiscal deficits have been presented as percentage to the GSDP at current market prices. The buoyancy coefficients for relevant fiscal variables with reference to the base represented by GSDP have also been worked out to assess as to whether the mobilization of resources, pattern of expenditure etc. are keeping pace with the change in the base or these fiscal aggregates are also affected by factors other than GSDP. The trends in GSDP for the last ten years are indicated below:

Item/Year	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Gross State Domestic Product (₹ in crore) (Pre-revised/ Base 1999-2000)	20326	22194	24265	26537	29030	31793	34805	38298	47709	NA	NA
Gross State Domestic Product (₹ in crore) (Base year: 2004-05)			27305	29920	33230	37099	42315	48385	56976	65979	76115
Growth rate of GSDP (Revised)		9.19	23.03	9.58	11.06	11.64	14.06	14.34	17.76	15.80	15.36
GDP at market prices	25,30,663	28,37,900	32,42,209	36,93,369	42,94,706	49,87,090	56,30,063	64,77,827	77,95,314	89,74,947	1,00,28,118
GSDP as % of GDP	0.80	0.78	0.84	0.81	0.77	0.74	0.75	0.75	0.73	0.74	0.76

Source: (Directorate of Economics & Statistics, Department of Planning, Government of Jammu and Kashmir)

Methodology for Estimating the Fiscal Capacity

For working out the fiscal capacity of the State Governments, the following methodology given in Twelfth Finance Commission report has been adopted.

Step 1: Calculate the national average of AE-GSDP and CO/DE/ SSE-AE.

Step 2: Based on the national average of AE-GSDP ratio, derive the aggregate expenditure so that no State is having a ratio AE-GSDP less than the national average, *i.e.*, if

$$AE/GSDP = x$$

$$AE = x * GSDP \dots\dots\dots(1)$$

where x is the national average of AE-GSDP ratio.

Wherever the States are having AE-GSDP ratio higher than national average, no adjustments were made. Wherever this ratio was less than average, it was made equal to the national average.

Step 3: Based on the national average of DE-AE, SSE-AE and CO-AE, derive the respective DE, SSE and CO, so that no State is having these ratios less than national average, *i.e.*, if

$$DE/AE = y$$

$$DE = y * AE \dots\dots\dots(2)$$

Where y is the national average of DE-AE ratio

Substituting (1) in (2), we get

$$DE = y * x * GSDP \dots\dots\dots(3)$$

Wherever the States are having DE-AE, SSE-AE and CO-AE ratio higher than national average, no adjustments have been made. Wherever these ratios were less than average, it was made equal to the national average.

Step 4: Based on the derived DE, SSE and CO as per equation (3), respective per capita expenditure was calculated, *i.e.*,

$$PCDE = DE/P \dots\dots\dots(4)$$

where PCDE is the per capita development expenditure and P is the population.

Substituting (3) in (4), we get

$$PCDE = (y * x * GSDP)/P \dots\dots\dots(5)$$

Equation (5) provides the adjusted per capita expenditure. If the adjusted per capita expenditure is less than the national average of per capita expenditure, then the States' low level of spending is due to the low fiscal capacity. This gives a picture of actual level of expenditure when all the State Governments are attaching fiscal priority to these sectors equivalent to the national average.

The definitions of some of the selected terms used in assessing the trends and pattern of fiscal aggregates are given below:

Terms	Basis of calculation
Buoyancy of a parameter	Rate of Growth of the parameter/GSDP Growth
Buoyancy of a parameter (X) With respect to another parameter (Y)	Rate of Growth of parameter (X)/ Rate of Growth of parameter (Y)
Rate of Growth (ROG)	$[(\text{Current year Amount} / \text{Previous year Amount}) - 1] * 100$
Development Expenditure	Social Services + Economic Services
Average interest paid by the State	$\text{Interest payment} / [(\text{Amount of previous year's Fiscal Liabilities} + \text{Current year's Fiscal Liabilities}) / 2] * 100$
Interest spread	GSDP growth – Average Interest Rate
Quantum spread	Debt stock * Interest spread
Interest received as <i>per cent</i> to Loans Outstanding	$\text{Interest Received} [(\text{Opening balance} + \text{Closing balance of Loans and Advances}) / 2] * 100$
Revenue Deficit	Revenue Receipt – Revenue Expenditure
Fiscal Deficit	Revenue Expenditure + Capital Expenditure + Net Loans and Advances – Revenue Receipts – Miscellaneous Capital Receipts
Primary Deficit	Fiscal Deficit – Interest payments
Pre-Devolution Non-Plan Revenue Deficit	Non-Plan Revenue expenditure – (State's Own Tax Revenues + State's Own Non-Tax Revenues)
State's Own Deficit	Fiscal Deficit – Share in Union Taxes/Duties – Grants-in-aid received from the Union government
Non-Plan Revenue Gap	Revenue Deficit – Revenue Deficit on 'Plan' account = Revenue Deficit – (Plan Revenue Expenditure – Plan Grants)

Appendix 1.3

(Reference: Paragraph: 1.2; Page: 4 ;Paragraph: 1.2.1; Page: 5 & Paragraph: 1.4; Page: 10)

Time series data on the State Government Finances

(₹ in crore)

Time series data on State Government Finances											
Part-A Receipts											
Fiscal Aggregate	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
1. Revenue Receipts (a) + (b)	7548	8212	8866	10315	11182	13277	14303	17588	22234	24783	26217
(a) Tax Revenue	1718 (23)	1987 (24)	2285 (26)	2762 (27)	3212 (29)	4333 (33)	4510 (32)	4942 (28)	6550 (29)	8240 (33)	9703 (37)
(i) Revenue from State Taxes	1033 (14)	1170 (14)	1351 (15)	1627 (16)	1799 (16)	2558 (19)	2683 (19)	3027 (17)	3483 (16)	4745 (19)	5833 (22)
Of which											
Taxes on sales, trade, etc.	536 (52)	674 (58)	804 (60)	1014 (62)	1159 (64)	1805 (71)	1836 (68)	2146 (71)	2425 (70)	3414 (72)	4174 (72)
State Excise	223 (22)	205 (18)	272 (20)	219 (14)	213 (12)	244 (10)	239 (9)	294 (10)	337 (10)	385 (8)	421 (7)
Taxes on vehicles	34 (3)	38 (3)	42 (3)	49 (3)	64 (4)	73 (3)	65 (3)	83 (2)	115 (3)	105 (2)	118 (2)
Stamps and Registration fees	26 (2)	34 (3)	39 (3)	46 (3)	57 (3)	66 (2)	57 (2)	70 (2)	79 (2)	171 (4)	240 (4)
Land Revenue	3	3	11 (1)	4	3	9 (*)	64 (2)	15 (1)	42 (1)	33 (1)	96 (2)
Other Taxes	211 (21)	216 (18)	183 (13)	295 (18)	303 (17)	361 (14)	422 (16)	419 (14)	485 (14)	637 (13)	784 (13)
(ii) State's share of Union taxes and duties	685 (9)	817 (10)	934 (11)	1135 (11)	1413 (13)	1775 (14)	1827 (13)	1915 (11)	3067 (14)	3495 (14)	3870 (15)
(b) Non-Tax Revenue	5830 (77)	6225 (75)	6581 (74)	7553 (73)	7970 (71)	8944 (67)	9793 (68)	12646 (72)	15684 (71)	16543 (67)	16514 (63)
(i) State's Own Non-Tax Revenue	865 (11)	633 (8)	641 (7)	536 (5)	633 (6)	808 (6)	837 (6)	955 (5)	1093 (5)	2002 (8)	2160 (8)
Of which											
Power Department receipts		368 (58)	383 (60)	384 (72)	479 (75)	601 (74)	630 (75)	702 (73)	822 (75)	1007 (50)	1589 (74)
(ii) Grants-in-aid from the Union Government	4965 (66)	5592 (68)	5940 (67)	7017 (68)	7337 (65)	8136 (61)	8956 (62)	11691 (66)	14591 (66)	14541 (59)	14354 (55)
State's Own Revenues (a) (i) + (b) (i)	1898	1803	1992	2163	2432	3366	3520	3982	4576	6747	7993
Revenue transfers from Centre (a) (ii) + (b) (ii)	5650	6409	6874	8152	8750	9911	10783	13606	17658	18036	18224
2. Miscellaneous capital receipts (Recoveries of Loans and Advances)	82	4	19	36	2	2	4	2	2	168	2
3. Gross Public Debt receipts (including receipts of Ways and Means Advances)	1390	1854	1799	2536	1544	2848	2948	2852	7053	8473	7029
4. Total receipts in the Consolidated Fund (1+2+3)	9020	10070	10684	12887	12728	16127	17255	20442	29289	33424	33248
5. Contingency Fund receipts	-	1.33	0.49	0.61	0.39	0.01	0.16	0.11	0.26	1.20	-
6. Gross Public Account receipts (including receipts in departmental cash chest and cash balance investment)	16830	19049	19120	22632	25599	29506	36149	45174	55860	31913	33438
Gross Receipts (4+5+6)	25850	29120	29804	35520	38327	45633	53404	65616	85149	65338	66686
Part-B Disbursements											
Fiscal Aggregate	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
1. Revenue Expenditure (a) + (b)=(i) + (ii) + (iii)	7180 (80)	7754 (80)	8304 (79)	9921 (76)	10614 (81)	12189 (77)	12047 (71)	15324 (71)	18467 (75)	22680 (79)	25117
(a) Plan	896 (12)	947 (12)	1065 (13)	1196 (12)	833 (8)	523 (4)	313 (3)	553 (4)	909 (5)	1248 (5)	1557 (6)

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(b) Non-Plan	6284 (88)	6807 (88)	7239 (87)	8725 (88)	9781 (92)	11666 (96)	11734 (97)	14771 (96)	17558 (95)	21432 (95)	23560 (93)
General Services (including interest payments)	3154 (44)	3373 (43)	3287 (40)	3682 (37)	4654 (44)	5624 (46)	5272 (44)	6445 (42)	7777 (42)	9707 (43)	10614 (42)
Social Services	1761 (24)	1828 (24)	1996 (24)	2656 (27)	2881 (27)	2847 (23)	3018 (25)	4258 (28)	5214 (28)	5211 (23)	5548 (22)
Economic Services	2265 (32)	2553 (33)	3021 (36)	3583 (36)	3079 (29)	3718 (31)	3757 (31)	4621 (30)	5476 (30)	6514 (29)	7399 (29)
2. Capital Expenditure (a) + (b)=(i) + (ii) + (iii)	1421 (16)	1881 (19)	2180 (20)	3020 (23)	2456 (19)	3717 (23)	4964 (29)	6234 (29)	6064 (25)	5899 (21)	5224 (17)
(a) Plan	1339 (94)	1642 (87)	2088 (96)	2906 (96)	2346 (96)	3641 (98)	4693 (95)	6135 (98)	5730 (94)	5474 (93)	4971 (95)
(b) Non-Plan	82 (6)	239 (13)	92 (4)	114 (4)	110 (4)	76 (2)	271 (5)	99 (2)	334 (6)	425 (7)	253 (5)
(i) General Services	56 (4)	68 (4)	59 (3)	58 (2)	57 (2)	115 (3)	159 (3)	239 (4)	458 (8)	394 (6)	637 (12)
(ii) Social Services	331 (23)	487 (26)	550 (25)	656 (22)	829 (34)	1122 (30)	1269 (26)	1626 (26)	1542 (25)	1569 (27)	1599 (31)
(iii) Economic Services	1034 (73)	1326 (70)	1571 (72)	2306 (76)	1570 (64)	2480 (67)	3536 (71)	4369 (70)	4064 (67)	3936 (67)	2989 (57)
3. Disbursement of loans and advances	340 (4)	68 (1)	66 (1)	53 (1)	44 (1)	38 (1)	42 (1)	49 (1)	72 (1)	66 (1)	93 (1)
4. Total (1+2+3)	8941	9703	10550	12994	13114	15944	17053	21607	24603	28645	30434
5. Gross Repayment of Public Debt (including repayment of Ways and Means Advances)	422	1332	1004	1226	404	772	938	1406	5779	5648	5085
Internal Debt (excluding Ways and Means Advances and Overdraft)	59	112	208	1098	271	558	557	707	871	1114	1265
Net transactions under Ways and Means Advances and Overdraft	1	-	-	-	-	75	-	-	2965	-	-
Loans and Advances from Government of India ^o	362	1220	796	128	133	139	146	24	96	97	78
15. Appropriation to Contingency Fund	nil	nil	nil	1	nil	Nil	Nil	Nil	Nil	-	-
6. Gross disbursement out of Consolidated Fund (4+5)	9363	11035	11554	14220	13518	16716	17991	23013	30382	34293	35519
7. Contingency Fund disbursements	0.22	1.43	0.47	0.04	0.14	0.13	0.29	1.07	0.16	0.35	-
8. Gross Public Account disbursements	16673	18106	18251	21297	24785	28911	35696	43301	54776	30896	31464
9. Gross disbursements (6+7+8)	26036	29142	29805	35517	38385	45627	53687	66315	85158	65189	66983
10. Increase in Cash Balance				3	(-) 58	6	(-) 283	(-) 699	(-) 9	149	(-) 297
11 Grand Total				35520	38327	45633	53404	65616	85149	65338	66686
Part-C Deficits											
1. Revenue Surplus (Revenue Receipts- Revenue Expenditure)	368	458	562	394	568	1088	2256	2264	3767	2103	1100
2. Fiscal Deficit (Total expenditure excluding redemption of Public Debt & other liabilities – total non-debt receipts)	1311	1487	1665	2643	1930	2665	2746	3989	2367	3694	4216
3. Primary Deficit (Fiscal Deficit –Interest Payment)	216	241	562	1528	143	229	1168	1850	84	1311	1510
23. Interest Payments (included in revenue)	1095 (15)	1246 (16)	1103 (13)	1115 (11)	1787 (17)	2436 (19)	1578 (13)	2139 (14)	2283 (13)	2383 (11)	2707

^o Includes Ways and Means Advances

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expenditure)											
4. Arrears of Revenue	733	1454	850	920	992	1011	752	2198	1494	1172	1614
5. Financial Assistance to local bodies, etc.	199	166	236	274	331	361	401	1431	1943	1795	2064
25. Ways and Means Advances/ overdraft availed (days)	365	366	365	365	365	366	365	365	365	134 (Over draft on 5 days)	119 (overdraft on 9 days)
26. Interest on WMA/Overdraft	138	127	132	138	184	221	218	234	228	5	6
6. Gross State Domestic Product (GSDP [≠]) (Revised/Base 2004-05)	20326	22194	27305	29920	33230	37099	42315	48385	56976	65979	76115
7. Outstanding Public Debt [•] (year end) excluding Public Account	8382	8904	9699	11010	12150	14226	16471	18593	19867	22692	24635
8. Outstanding ^φ guarantees (year end)	1231	1612	1914	1959	2565	2807	2536	3037	2708	2098	611
9. Maximum amount guaranteed (year end)	1574	1969	2878	4720	3245	3308	3295	4748	4750	4750	2650
10. Number of incomplete projects	132	194	219	348	186	88	26	89	93	169	202
11. Capital blocked in incomplete projects	603	757	1036	1717	882	365	64.51	495.31	269.43	590.36	685
Total Expenditure/GSDP	43.98	43.72	43.47	48.96	40.64	44.76	43.47	49.97	51.57	45.93	39.98
Revenue Receipts/Total expenditure	84	85	84	79	85	83	84	81	90	86	86
Revenue Expenditure/Total Expenditure	80	80	79	76	81	76	71	71	75	79	83
Expenditure on Social Services/Total Expenditure	23.39	23.85	24.13	25.48	28.29	24.89	25.14	27.22	27.46	27.45	23.48
Expenditure on Economic Services/Total Expenditure	36.89	39.97	43.52	45.32	35.45	38.87	42.76	41.60	38.78	37.00	34.13
Capital Expenditure/Total Expenditure	15.89	19.38	20.66	23.24	18.73	23.31	29.10	28.85	24.65	20.59	17.17
Capital Expenditure on Social and Economic Services/Total Expenditure	15.26	18.68	20.10	22.79	18.29	22.59	28.17	27.74	22.79	19.21	15.08
Revenue Surplus as % of GSDP	1.81	2.06	2.05	1.3 2	1.71	2.93	5.33	4.68	6.61	3.19	1.44
Fiscal Deficit as % of GSDP	6.45	6.70	6.10	8.83	5.81	7.18	6.49	8.24	4.15	5.60	5.54
Primary Deficit as % of GSDP	1.06	1.08	2.06	5.11	0.43	0.62	2.76	3.82	0.15	1.99	1.98
Revenue Deficit/Fiscal Deficit					NA	NA	NA	NA	NA	NA	NA
Fiscal Liabilities/GSDP					(-) 57.65	(-) 59.98	(-) 61.91	(-) 66.46	(-) 65.55	58.15	52.90
Fiscal Liabilities/RR					166.36	160.92	169.80	163.37	140.65	146.33	153.58
Primary deficit vis-à-vis quantum spread					(-) 261	(-) 726	(-) 547	(-) 563	703	843	3922
Debt Redemption (Principal+Interest)/Total Debt Receipts for the year					99.73	110.08	84.46	79.02	98.03	82.92	90.75
Return on Investment					21.22	30.24	40.85	44.16	56.71	68.16	87.35
Balance from Current Revenue (₹ in crore)					(-) 2920	(-) 3484	(-) 2927	(-) 5468	(-) 3949	(-) 6639	(-) 7617
Financial Assets/Liabilities					1.11	1.14	1.21	1.25	1.35	1.46	1.36

≠ Figures of GSDP are based on information supplied by the State Government.

• Includes internal debt and loans and advances from Central Government only.

φ Excludes information in respect of three private firms and four cooperative societies during 2004-05 to 2007-08.

Appendix 1.4
(Reference: Paragraph: 1.2; Page:4)
Abstract of Receipts and Disbursements for the year 2012-13

(₹ in crore)

Receipts				Disbursements					
Various items	2011-12	2012-13		Various items	2011-12	2012-13			
						Non-Plan	Plan	Total	
1	2	3	4	5	6	7	8	9	10
Section-A: Revenue									
I. Revenue Receipts	24782.96		26216.86	I. Revenue Expenditure	22680.48	23560.61	1556.61	25117	25117.22
Tax revenue	4745.48	5832.43		General Services	9724.76	10613.66	12.28	10625.94	
				Social Services	6292.58	5548.28	1359.70	6907.98	
Non-tax revenue	2001.65	2160.19		Education, Sports, Art and Culture	3263.71	2738.90	580.49	3319.39	
				Health and Family Welfare	1271.67	1233.48	131.63	1365.11	
State's share of Union taxes	3495.11	3870.37		Water Supply, Sanitation/H&UD	1112.56	1168.84	15.47	1184.31	
				Information and Broadcasting	35.34	27.93	3.89	31.82	
Non-Plan grants	4551.27	4080.17		Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	74.66	19.09	73.58	92.67	
				Labour and Labour Welfare	86.81	57.49	75.70	133.19	
Grants for State Plan Schemes	9255.39	9546.88		Social Welfare and Nutrition	428.83	279.97	478.95	758.92	
				Others	19.00	22.57			
Grants for Central and Centrally Sponsored Plan Schemes	734.06	726.82							
Grants for Special Plan Schemes				Economic Services	6663.14	7398.67	184.63	7583.30	
				Agriculture and Allied Activities	1207.57	1269.00	36.94	1305.94	
				Rural Development	242.38	246.90	9.00	255.90	
				Special Areas Programmes	375.16	411.37	7.01	418.38	
				Irrigation and Flood Control	368.03	404.43	0.91	405.34	
				Energy	3768.27	4392.69	2.15	4394.84	
				Industries and Minerals	230.30	233.73	12.62	246.35	
				Transport	194.94	189.37	-	189.37	
				Science, Technology and Environment	44.13	23.28	1.64	24.92	
				General Economic Services	232.36	227.89	114.37	342.26	
II. Revenue deficit carried over to Section-B			-	II. Revenue Surplus carried over to Section-B	2102.48				1099.64
Total Section-A	24782.96		26216.86	Total Section-A	24782.96				26216.86

Appendices

Receipts				Disbursements					
Various items	2011-12	2012-13		Various items	2011-12	2012-13			
						Non-Plan	Plan	Total	
1	2	3	4	5	6	7	8	9	10
Section B: Capital									
III. Opening Cash balance including Permanent Advances and Cash Balance Investment	99.95		960.94						
IV. Misc. Capital receipts	-			III. Capital Outlay	5898.82	253.10	4970.94	5224.04	5224.04
				General Services	393.74	42.91	593.61	636.52	
				Social Services	1568.75	11.81	1586.71	1598.52	
				Education, Sports, Art and Culture	506.96	-	536.45	536.45	
				Health and Family Welfare	268.62		257.43	257.43	
				Water Supply, Sanitation/H&UD	531.73		696.23	696.23	
				Information and Broadcasting	2.99		3.53	3.53	
				Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	6.72		14.00	14.00	
				Social Welfare and Nutrition	251.73	11.82	79.06	90.88	
				Other Social Services		-			
				Economic Services	3936.33	192.56	2796.44	2989.00	
				Agriculture and Allied Activities	622.33	80.62	302.36	382.98	
				Rural Development	314.38	117.83	166.28	284.11	
				Special Areas Programmes	149.64	(-)0.22	310.96	310.74	
				Irrigation and Flood Control	465.38	0.15	382.54	382.69	
				Energy	534.18	-	477.26	477.26	
				Industries and Minerals	136.12	-	114.91	114.91	
				Transport	1080.96	-	546.16	546.16	
				Science, Technology and Environment	4.79	-	16.64	16.64	
				General Economic Services	628.55	-	473.51	473.51	
V. Recoveries of Loans and Advances	168.48		1.54	IV. Loans and Advances disbursement	65.61			93.39	93.39
Industries and Minerals				Industries and Minerals	38.41			53.06	
Energy	167.00		-	Transport	22.63			40.00	
Government servants	1.12	1.10		Government servants	0.44			0.33	
Others	0.36	0.41		Others	4.13				
VI. Revenue surplus	2102.47		1099.64	V. Revenue deficit	-	-	-		

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Receipts				Disbursements					
Various items	2011-12	2012-13		Various items	2011-12	2012-13			
						Non-Plan	Plan	Total	
1	2	3	4	5	6	7	8	9	10
VII. Public debt receipts	4036.44		3286.68	VI. Repayment of Public Debt	1211.31				1343.38
Internal debt other than Ways and Means Advances and Overdraft	4068.46	3272.50		Internal debt other than Ways and Means Advances and Overdraft	1114.38			1265.27	
Loans and Advances from GOI	(-) 32.02	14.18		Repayment of loans and advances from GOI.	96.93			78.11	
Net transactions under Overdrafts from Reserve Bank		-		Net transactions under Ways and Means Advances including Overdrafts	Nil			-	
VIII. Appropriation to Contingency Fund		-		VII. Appropriation to Contingency Fund				-	
IX. Amount recouped to contingency fund	1.20	-	0.42	III-Expenditure from Contingency Fund	0.36			-	-
X. Public Account receipts	18834.79		19124.62	IX-Public Account disbursements	17106.29				17722.21
Small Savings and Provident Funds	3326.96	3238.92		Small Savings and Provident Funds	1256.86			1550.27	
Reserve Funds	196.18	286.47		Reserve Funds	69.94			115.97	
Deposits and Advances	3644.73	3808.50		Deposits and Advances	3671.43			3619.16	
Suspense and Miscellaneous	675.19	274.75		Suspense and Miscellaneous	489.08			306.19	
Remittances	10991.73	11515.98		Remittances	11618.98			12130.62	
				X. Cash balance at the end	960.49				90.82
				Cash in treasuries and local remittances	-			-	
				Deposits with Banks	200.04			(-)97.96	
				Departmental cash balance including permanent advances	0.16			(-)7.27	
				Cash balance investment	749.88			185.19	
				Reserve fund investment	10.86			11.02	
Total Section-B	25243.33		24473.84	Total Section-B	25243.33				24473.84

Explanatory Notes

1. The abridged accounts in the foregoing statements have to be read with comments and explanations in the Finance Accounts.
2. Government accounts being mainly on cash basis, the deficit on Government account indicates the position on cash basis, as opposed to accrual basis in commercial accounting. Consequently, items payable or receivable or items like depreciation or variation on stock figures etc. do not figure in the accounts.
3. Suspense and Miscellaneous balances include cheques issued but not paid and payments made on behalf of the State and others pending settlement, etc.

Appendix 1.4 (Continued)
Summarised financial position of the Government of Jammu and Kashmir as on 31 March 2013

(₹ in crore)

As on 31 March 2012			As on 31 March 2013	
Liabilities				
20788.95		Internal Debt		22796.18
	13956.45	Market Loans bearing interest	15510.41	
	1418.58	Loans from LIC	1551.75	
	5413.92	Loans from other Institutions	5734.02	
1902.92		Loans and Advances from Central Government		1838.99
	37.79	Pre 1984-85 Loans	37.79	
	96.29	Non-Plan Loans	96.28	
	1759.59	Loans for State Plan Schemes	1695.67	
		Loans for Central Plan Schemes	Nil	
		Loans for Centrally Sponsored Plan Schemes		
	9.25	Ways and Means Advances	9.25	
1.00	1.00	Contingency Fund		1.00
8719.21		Small Savings, Provident Funds, etc.		10407.86
1434.16		Reserve Funds		1604.67
3421.92		Deposits		3617.78
1516.18		Remittance Balances		901.54
13809.83		Surplus on Government Account		14909.48
	11707.35	Revenue surplus ending 2011-12	13809.83	
	2102.48	Revenue Surplus 2012-13	1099.65	
51594.17		Total:		56077.50

As on 31 March 2012			As on 31 March 2013	
Assets				
49397.71		Gross Capital Outlay on Fixed Assets		54621.76
	484.95	Investments in shares of Companies, Corporations, etc.	498.25	
	48912.76	Other Capital Outlay	54123.51	
1033.69		Loans and Advances		1125.55
	498.37	Industries and Minerals	551.43	
	392.37	Transport	232.37	
	(-)81.95	Energy	(-)81.95	
	42.87	Agriculture and Allied Activities	42.84	
	162.83	Other Development Loans	362.43	
	19.20	Loans to Government servants and Miscellaneous Loans	18.43	
6.82		Advances		13.34
194.59		Suspense and Miscellaneous Balances		226.03
0.42		Appropriation to Contingency Fund		-
-		Amount written off from Heads of accounts closing to balances		
960.94		Cash		90.82
		Cash in Treasuries and Local Remittances		
	200.04	Deposits with Bank	(-)97.96	
	0.04	Departmental Cash Balance	(-)7.39	
	0.12	Permanent Advances	0.12	
	749.88	Cash Balance Investments	185.19	
	10.86	Reserve Fund Investments	10.86	
	-	Deficit on Government Account:		
51594.17		Total		56077.50

Appendices

Appendix 1.5

(Reference: Paragraph: 1.3.2; Page: 10)

Statement showing the funds transferred to the State Implementing Agencies under Programmes/Schemes outside the State budget during 2012-13

Direct transfer of Central Scheme Funds costing more than ₹ 5 crore to implementing agencies in the State (funds routed outside State Budgets) (unaudited figures)

(₹ in lakh)

Name of the GOI Scheme	Implementing agencies in the State	Government of India releases			
		2012-13	2011-2012	2010-2011	2009-10
Hospital and Dispensary under NRHM	Health and Family Welfare, Jammu and Kashmir	240.30	863.98	-	5,72.02
Accelerated Rural Water Supply Programme	SGO Finance Secretary	-	-	-	2,89,90.00
National Rural Health Mission (NRHM)	State Health Department including others	13922.91	45245.26	1,32,15.09	90,00.08
National Institute of Technology NIT DHE	NIT, Srinagar	-	850.00	-	-
Package for Special Category State DIPP	Jammu and Kashmir Financial Corporation Ltd.	3320.63	5959.08	23,13.57	12,00.00
Integrated Watershed Management Programme DPAD, DDP, IWDP, (IWMP)	Assistant Commissioners (Development) DRDA	4271.81	1702.21	32,63.62	26,81.43
DRDA Administration RD	Assistant Commissioners (Development) DRDA	*	1378.03	7,83.06	6,85.00
Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGA)	Assistant Commissioners (Development) District Rural Development Agencies	76276.16	78130.96	3,13,59.89	1,73,24.45
PradhanMantri Gram SadakYojana	State Rural Roads Agency	26632.50	76210.01	3,66,09.25	1,44,70.00
Rural Housing IAY	Assistant Commissioner District Rural Development Agencies	5009.74	5883.22	66,43.34	57,25.42
SwarnaJayanti Gram SwarozgarYojana	Assistant Commissioner District Rural Development Agencies	-	-	7,59.04	8,28.47
SarvaShikshaAbhiyan	Ujala Society Jammu and Kashmir	50805.85	30070.51	4,03,48.79	3,73,63.27
Local Area Development Scheme (MPLADS)	District Deputy Commissioners	4500.00	4000.00	24,00.00	17,00.00
Buddhist and Tibetan Studies	GaldanTargaisling Cultural Welfare Society, Culture Preservation Society, Kukshow, Cultural Preservation And Area Development and Others	296.70	658.27	7,43.08	8,09.78
National Afforestation Programme	Forest Development Agency, Rajouri, Poonch, Kishtwar, Reasi, Batote, Ramban etc.	337.00	-	-	9,81.21
Assistance of IHMS, FCI's etc.	Jammu University and IHM Society Srinagar	300.00	-	-	-
Product Infrastructure Development for destinations and Circuits	State Tourism Department	221.80	-	-	5,10.89

Appendices

Name of the GOI Scheme	Implementing agencies in the State	Government of India releases			
		2012-13	2011-2012	2010-2011	2009-10
Central Rural Sanitation programme	SWSM Member, Secretary Cum Superintending Engineer Kupwara/Srinagar/Baramulla/Badgam	3511.01	967.95	26,55.16	-
Research and Development Support	University of Jammu, University of Kashmir, Shri Mata Vaishno Devi University of Agriculture Science and Technology, Baba University etc.	314.75	810.37	699.16	1162.98
Conservation of natural resources and Eco system	J&K Lakes and Water ways Development Authority	-	4104.75	17,50.69	27,85.00
Up gradation of 1396 Government ITI's	Director Technical Education Jammu, IML Society of ITI's	-	30,00.00	17,50.00	10,00.00
Integrated Child Development Scheme	State Social Welfare Department		-	-	-
Transport Subsidy Scheme	J&K Development Finance Corporation Ltd.		-	-	9,55.00
Scheme for Setting up of 6000 Model Schools at Block level as Benchmark of Excellence	Ujala Society, Srinagar	-	96,36.42	-	25,82.00
RashtriyaMadhyamikShikshaAbhiyan (RMSA)	Ujala Society, Srinagar/Noor Society	10935.54	1301.92	26,40.09	8,82.00
National Mental Health Programme	State Health Society	-	-	10,54.08	5,28.00
Crime and Criminal Network system	J&K Police Housing Corporation Ltd.	-	-	35,59.76	-
Human Resources for Health	J & K Health and Medical Education Department	-	-	40,00.00	-
Development and upgradation of Institutions (AYUSH)	J & K Health Society	-	-	16,00.00	-
National Rural Drinking Water Programme	State Water and Sanitation Mission (SWSM)	47450.03	42042.37	4,68,91.18	-
Off Grid DRPS	Renewable Energy Development Agency	3392.72	8298.22	21,87.14	-
Technology upgradation Fund Scheme (TUFS)	J & K Bank Ltd.	1634.37	1297.62	6,23.57	-
Renewal Energy for Rural Applications (Remote Villages)	J & K Energy Development Agency	-	973.00	29,23.74	-
AAJEEVIKA	District Rural Development Agency (DRDA)	289.73	6,51.72	-	-
Adult Education & Skilled Development	J&K Adult Literacy Society	-	8,98.95	-	-
Assistance to State for capacity Building Trauma Centres	District Hospital etc.	-	5,63.08	-	-
Grid interactive renewal power MNRE	J&K Power Development Corporation Ltd.	2919.65	9,74.50	-	-

Appendices

Name of the GOI Scheme	Implementing agencies in the State	Government of India releases			
		2012-13	2011-2012	2010-2011	2009-10
Health Care for Elderly	SKIMS ,J&K State Health Society	-	14,86.54	-	-
Horticulture Mission for North East and Himalayan	Central Institute of Temperate Horticulture ,Srinagar	250.00	6,00.00	-	-
District Hospital	SKIMS Soura	-	14,08.00	-	-
Industrial Infrastructure up gradation schemes IIUS DIPP	J&K State Industrial Development Corporation.	602.15	5,75.00	-	-
Assistance to voluntary organization for providing social Defence Services including prevention of Alcoholism and Drug Abuse	Council for Rehabilitation of widows, orphans Handicapped and old persons (Victims of Militancy)	300.00	-	-	-
Baba Sahib Ambedkhar Hastshilpa Vikas Yojana	Various NGOs and J&K, Entrepreneurship Development Institute	328.07	-	-	-
Capacity Building for Service Providers	Institute and Hotel Management and Catering Technology Srinagar/Food Craft institute Jammu, Jawahar Institute of Mountaring and winter Sports	386.37	-	-	--
Human Resource University of Jammu Development Biotechnology, Govt.College for Women , Prade Jammu	S.K.University of Agricultural Science & Technology of Kashmir, Srinagar HRD Animal Biotech, University of Jammu, university of Kashmir	100.99	-	-	-
National Aids Control Programme	J&K State AIDS Prevention & Control Society	125.69	-	-	-
National Food Security Mission	State Agriculture Management and Extension Training Institute of (SAMETI) Jammu	1187.23	-	-	-
National mission on Food Processing	Jammu & Kashmir State Industrial Development Corporation	112.50	-	-	-
Promotion and Dissemination of Art and Culture	Sanggmtru Art Production	101.89	-	-	-
Rashtriya Gram Swaraj Yojana	J&K State Rural Employment Guarantee Society Civil Sectt. J&K	443.00	-	-	-
Scheme for Integrated Textile Park(SITP)	J&K Integrated Textile Park Limited	397.00	-	-	-
Skill Development	J&K Skill Development Initiative modular Employable Skills Society	627.00	-	-	-
State Schedule Cast Development Corporations	J&K SCST & BC Development Corporation Ltd.	120.00	-	-	-
Support to National Institute of Technology (NIT) including Ghani Khan Institute	NIT, Srinagar	2000.00	-	-	-
Support to National State Scheduled Tribes Finance and Development Corporation	J&K SC/ST and Backward Classes Development Corporation Ltd	350.00	-	-	-

Appendices

Name of the GOI Scheme	Implementing agencies in the State	Government of India releases			
		2012-13	2011-2012	2010-2011	2009-10
Support of NGO/Institutions/SRCs for Adult Education and Skill Development (merged Scheme of NGOs,JSS SRCs)	Jan ShikshanSanasthan/State Resource Centre, J&K	133.56	-	-	-
Support to State Extension Programme for Extension Reforms	NIT Srinagar/J&K State Agro Industries Development Corporation Ltd.	900.00	-	-	-
Technology Development Programme	Sher-e-Kashmir University of Agriculture Science and Technology Jammu/J&K State Council for Science and Technology	110.18	-	-	-
Others Schemes	Others schemes	1583.66	83,45.96	65,86.79	67,76.95
	Grand Total	266742.49	33,88,87.90	21,73,60.09	13,95,13.95

Explanatory notes:-

* ₹329.03 only clubbed with other scheme (year 2011-12)

a. The figures are taken from the 'Central Plan Scheme Monitoring System (CPSMS)' portal of the Controller General of Accounts. These are unaudited figures.

b. The total releases shown in this appendix exclude the amount released to Central Bodies located in the State as well as various other Organizations outside the purview of the Government of Jammu and Kashmir.

Appendix 1.6

(Reference: Paragraph: 1.4.4; Page: 18)

Status of grants-in-aid released under the award of the 13th Finance Commission

(₹ in crore)

Sl. No.	Transfers	Recommendation of FC	Actual release (amount received and authorized to implementing departments)			Expenditure incurred (cumulative)	Un-utilised amount
			2010-11	2011-12	2012-13		
1	Urban Local Bodies (Housing Department) Gen. Basis Grant Gen. Perf. Grant	133.506 70.682	18.79 0.00	11.90 1.46	0.00 2.75	26.59 4.21	4.10 0.00
2	Rural Local Bodies (RDD) Gen. Basis Grant Gen. Perf. Grant	600.494 317.918	0.00 0.00	108.23 5.34	121.77 0.00	230.00 5.34.00	0.00 0.00
3	Elementary Education (Edu.)	449.00	80.00	85.00	90.00	165.00	90.00
4	Unique Identification (UID) (Plg. And Dev. Deptt.)	5.90	0.59	0.00	0.00	0.00	0.59
5	Delivery of Justice (Law)	104.46	20.89	0.000	10.446	15.436	15.90
6	Fiscal perform Path (Finance)	1000.00	1000.00	0.00	0.00	1000.00	0.00
7	Maintenance of Forest (Forest)	133.00	16.63	16.63	8.32	18.73	22.85
8	Disaster Relief including capacity Building (Revenue)	877.60	77.605 4.00	0.00 0.00	0.00 4.00	0.00	77.61 8.00
9	District Innovation Fund (Plg. & Dev. Deptt.)	22.00	0.00	11.00	0.00	0.00	11.00
10	Improvement of statistical system at State / Distt. Level (Plg. & Dev. Deptt.)	22.00	0.00	4.40	0.00	0.00	4.40
11	Employee and Pension Data base (DGAT)	5.00	2.50	0.00	0.00	0.00	2.50
12	Infant Mortality Rate (H&ME)	0.00	0.00	0.00	15.36	0.00	15.36
13	Water Sector Mgtt. (PHE, I&FC)	88.00	0.00	0.00	0.00	0.00	0.00
14	Roads and Bridges (R&B)	140.00	0.00	29.00	0.00	23.96	5.04
15	State Specific Needs	350.00	0.00	86.64	20.00	46.29	60.35
(i)	PSC Complex Srinagar (GAD)	15.00	0.00	7.50	7.50	7.50	7.50

Sl. No.	Transfers	Recommendation of FC	Actual release (amount received and authorized to implementing departments)			Expenditure incurred (cumulative)	Un-utilised amount
(ii)	Mubarak Mandi Jammu (Tourism)	50.00	0.00	8.51	0.00	0.00	8.51
(iii)	Tawi Front (I&FC)	25.00	0.00	6.25	0.00	6.25	0.00
(iv)	Kargil Roads (Ladakh Affairs)	20.00	0.00	5.12	0.00	0.00	5.12
(v)	Wullar Lake (Ladakh Affairs)	120.00	0.00	30.00	0.00	16.26	13.74
(vi)	Power Leh (Ladakh Affairs)	15.00	0.00	3.76	0.00	2.57	1.19
(vii)	Sports Complex and Youth Hostel Leh (Ladakh Affairs)	20.00	0.00	5.00	0.00	0.00	5.00
(viii)	Cold storage Leh (Ladakh Affairs)	15.00	0.00	3.75	0.00	0.00	3.75
(ix)	Bridges Leh (Ladakh Affairs)	15.00	0.00	3.00	0.00	0.00	3.00
(x)	ECO Tourism Leh (Ladakh Affairs)	5.00	0.00	1.25	0.00	1.21	0.04
(xi)	Incentive for Grid connected Renewable energy (S&T)	0.00	0.00	0.00	0.00	0.00	0.00
(xii)	Legislative complex	50.00	0.00	12.50	12.50	12.50	12.50

Appendix - 1.7
(Reference: Paragraph 1.13; Page: 45)

The Jammu and Kashmir Fiscal Responsibility and Budget Management (FRBM) Act, 2006

Section 9 of the FRBM Act imposed the following obligations on the State Government for the period 2006-07 to 2009-10:

- (a) The revenue surplus was to be maintained and steps were to be initiated for progressive strengthening of the surplus.
- (b) The pre-devolution non-plan revenue deficit was to be progressively reduced to at most 20 *per cent* of GSDP by 2009-10 and to maintain the level thereafter, with minimum annual reduction by one *per cent* of GSDP beginning from 2006-07. (The pre-devolution non-plan revenue deficit of the State was 24.73 *per cent* of GSDP in 2005-06.)
- (c) The fiscal deficit was to be progressively reduced to at most three *per cent* of GSDP by 2009-10 with minimum annual reduction by 0.5 *per cent* of GSDP beginning from 2006-07. (The fiscal deficit of the State was 9.96 *per cent* of GSDP in 2005-06.)
- (d) The ‘outstanding total liabilities’ were to be progressively reduced to at most 55 *per cent* of GSDP by 2009-10 with minimum annual reduction by five *per cent* of GSDP beginning from 2006-07. (The ‘outstanding total liabilities’ of the State, as defined in the Act, for the base year 2005-06 are not readily available due to accounts of Public Sector Undertakings being in arrears. Government’s outstanding liabilities as per Government Accounts were 63.31 *per cent* of GSDP in 2005-06. As per 13th Finance Commission’s Report, the State’s Outstanding Debt Relative to GSDP was 63.27 *per cent* of GSDP).
- (e) The annual incremental risk weighted guarantees in any financial year were to be limited to 75 *per cent* of the total revenue receipts in the previous financial year or to seven *per cent* of GSDP of the previous financial year, whichever is lower.

The Act also contemplated that the Government may setup an agency independent of the Government to review periodically the compliance of the provisions of the Act, and table such reviews in each House of the State Legislature.

The FRBM Rules prescribed (January 2008) the fiscal indicators to be monitored, the formats of the Macro Economic Framework Statement (MEFS)/ Medium Term Fiscal Policy Statement (MTFPS)/ Fiscal Policy Strategy Statement (FPSS) to be annually presented along with the Budget to the State Legislature and several statements disclosing fiscal information to the Legislature. The Disclosure

Requirements under the Act/ Rules were implemented from the Budget for the year 2008-09. The FRBM Act has been amended to reset/ relax the debt/ deficit reduction targets as per 12th and 13th Finance Commission's accepted recommendations as detailed below:

- On 17th December, 2008, the FRBM Act was amended to provide for reducing pre-devolution non-plan revenue deficit, Fiscal Deficit and outstanding total liabilities to at most 20 *per cent*, three *per cent* and 55 *per cent* respectively by March 2009 instead of March 2010 as in the original Act.
- An amendment to the Act on 20 April 2010 raised the target fiscal deficit for 2009-10 from three *per cent* of GSDP to four *per cent* of GSDP. Since the year 2009-10 was already over, the reset target was not implementable.
- An amendment to the Act on 9th April 2011, reset the annual Fiscal Deficit targets for the five years' period 2010-11 to 2014-15 to be 5.3 *per cent*, 4.7 *per cent*, 4.2 *per cent*, 3.6 *per cent* and 3.0 *per cent* of GSDP. Since the year 2010-11 was already over, the reset target was not implementable.
- On 25 August 2011, an amendment in the FRBM Act through an Ordinance reset the annual targets for outstanding debt as percentage of GSDP to 56.1 *per cent*, 55.1 *per cent*, 53.6 *per cent*, 51.6 *per cent* and 49.3 *per cent* during the five years period from 2010-11 to 2014-15, as recommended by the 13th Finance Commission. (Since the year 2010-11 was already over, the reset target was not implementable).

Appendix 1.8
(Reference: Paragraph: 1.13.2; Page: 48)

Implementation of the FRBM Act and Rules

- By delayed notification of FRBM Rules in January 2008 and shifting the compliance by three years under Rules contrary to the intent and provisions of the FRBM Act, there has been a basic breach of the intent and purpose of the Act. Further, the Statements required to be presented along with Budget were couched in general terms instead of mentioning specific policy measures. In one section of the MTFPS, the provisions of the Rules are being reproduced, instead of giving Government's views as required under the Act/ Rules. This showed a somewhat casual approach to the implementation of the FRBM Act. The amendments made, sometimes through promulgation of ordinances, were directed at securing funds and concessions without putting in place systems in place for ensuring and monitoring compliance. The evaluation of the implementation of the Act as was required to be done has not been carried out so far.
- The original target of reducing the fiscal deficit to three *per cent* of the GSDP by the end of 2009-10 was missed by a very wide margin as the actual fiscal deficit shot up to 9.1 *per cent* in that year. An amendment in the FRBM Act in April 2010 raising the 2009-10 target to four *per cent* was of no avail. In fact, the legislative amendment was not called for in so far as targets of a past years is concerned.
- The FRBM Act had imposed specific obligations on the State government for the period 2006-07 to 2009-10 and contemplated that the Government may, by notification in the Government Gazette, make rules "for carrying out the provisions of the Act." (sic) However, the government framed and notified the FRBM Rules in January 2008. The delay effectively shifted the compliance deadline.
- The FRBM Act contemplates that the Government may setup an agency independent of the Government to review periodically the compliance of the provisions of the Act, and table such reviews in each House of the State Legislature. However, no such independent review has been carried out so far.
- The FRBM Rules specified only the annual targets for (a) Revenue Deficit as percentage of total Revenue receipts (TRR), (b) Fiscal Deficit as percentage of GSDP and (c) total Outstanding Liabilities as percentage of GSDP. The Rules omitted to define annual targets for 'pre-devolution non-plan revenue deficit' which was to be reduced to 20 *per cent* of GSDP by 2009-10. In fact, this fiscal parameter is not even being mentioned in the Budget documents presented to the State Legislature. Apparently, this parameter did not receive government's attention because no fiscal concessions/ incentives are attached to its compliance.

- The FRBM Act was repeatedly amended to align the annual targets for Fiscal Deficit and Total Liabilities as per the recommendations of the 12th and 13th Finance Commissions. This was done so mechanically that the targets for 2009-10 and 2010-11 were reset/ relaxed through unnecessary amendments to the FRBM Act after the close of the respective financial years. Nothing could have been done by the government to achieve the revised targets after the year was over.
- The year 2007-08 had ended with Fiscal Deficit of 7.5 *per cent* of GSDP. Therefore, the 17th December, 2008 amendment to the FRBM Act, targeting Fiscal Deficit of three *per cent* of GSDP for 2008-09, less than four months before the close of the financial year, was rather unrealistic. The year ended with Fiscal Deficit of seven *per cent* of GSDP.
- The annual targets for Fiscal Deficit, Total Liabilities etc. were recommended by the 12th and 13th Finance Commissions on certain assumptions and forecast about GSDP. Even after the GSDP data was revised, these targets were not correspondingly revised. (For example, the GSDP was ₹ 31793 crore for 2007-08 based on National Income Accounts with 1999-2000 as base year. After these were revised with 2004-05 as the base year, the GSDP for 2007-08 shot up to ₹ 35620 crore. Thus, the targets set with reference to GSDP series with 1999-2000 as base year with a new GSDP series giving significantly higher numbers should have been revised downwards. However, this was not done. Thus, the debt/ deficit reduction targets (as *per cent* of GSDP) under the FRBM Act stand diluted due to fortuitous increase in GSDP on change in methodology of its calculation, beyond the contemplation of the Thirteenth Finance Commission. Thus, the assessment of fiscal consolidation efforts carried out by the government and the process of evaluating compliance to the FRBM Act in the Budget documents should distinguish between the denominator effect (increase in GSDP) and the numerator effect (reduction in government's debt and deficit in absolute amount).
- The FRBM Act required that in the Medium Term Fiscal Policy Statement to be presented with the Budget to the Legislature, the government shall set forth the fiscal management objectives of the Government and three year rolling targets for the prescribed fiscal indicators with clear enunciation of the underlying assumptions. The Statement was also to include the various assumptions behind the fiscal indicators and assessment of sustainability relating to (i) the balance between Revenue receipts and Revenue expenditure (ii) the use of Capital receipts including borrowings for generating productive assets and (iii) the estimated yearly pension liabilities worked out on actuarial basis for the next ten years. The Act provided that in case it was not possible to calculate the pension liabilities on actuarial basis during the period of first three years after the enforcement of the Act, Government may, during that period, estimate the pension liabilities by forecasts on the basis of trend growth rates. However, these provisions of

the FRBM Act were given scant attention and in fact in the Medium Term Fiscal Policy Statements actually presented to the Legislature, the provisions of the Rules were mechanically repeated.

- Under the FRBM Rules, 2008, the government had committed to disclose summary of assets in the Budget documents. A footnote in the Rules read as follows: “States that are not in a position to provide information in respect physical assets may to begin with, provide information only in respect of financial assets. They may disclose their physical assets within—years from the date of publication of the Notification of the Rules in the State Gazette.” Thus a template was mechanically copied without specifying the number of years within which disclosure on physical assets would begin. The Statements presented with Budget depict book value of assets including land. These numbers could not be independently verified by Audit in the absence of audit of subsidiary records to see the basis of valuation and completeness.
- The FRBM Act defines ‘total liabilities’ to mean the “liabilities under the Consolidated Fund of the State and the Public Account of the State and includes borrowings by the Public Sector Undertakings (PSUs) and the Special Purpose Vehicles (SPVs) and other equivalent instruments including guarantees where the principal and/or interest are to be serviced out of the budget.” It was this wider aggregate that was targeted to be capped to 55.1 *per cent* of GSDP. However, the State government continues to include only the financial liabilities of the government forming part of the government accounts. The liabilities of PSUs/ SPVs have been excluded. This compliance was made difficult by the fact that the accounts of several PSUs are heavily in arrears and therefore their liabilities could not be ascertained. These do not include the liabilities on account of funds held by government officers in bank accounts outside the government accounts, which should have in normal course been credited to the Public Accounts of the State. The Finance Department is not monitoring these cash balances held outside the government accounts though operated by government officers. The unfunded liabilities on account of pensions and other retirement benefits are also excluded, though these were also required to be included as per the FRBM Act. Thus, substantive provisions of the FRBM Act regarding computation of ‘total liabilities’ have not been complied so far.
- The ‘committed liabilities’ disclosed in the FRBM statements presented to the Legislature do not include such liabilities as (a) liability of undisbursed arrears of pay and pension revision (b) liability of counterpart matching funds under various Centrally Sponsored Schemes/ Programmes. The debt/ deficit reduction targets were thus missed despite postponement of such expenditures.

Appendix 2.1

(Reference: Paragraph: 2.3.1; Page: 56)

Statement of various grants/ appropriations where saving was more than ₹ one crore each or more than 20 per cent of the total provision

(₹ in crore)

Sl. No	Grant Number	Name of Grant/Appropriation	Total Grant/ Appropriation	Savings	Percentage
Revenue (Voted)					
1	02	Home Department	3090.18	155.27	5
2	03	Planning & Development Department	247.54	89.06	36
3	04	Information Department	42.26	10.43	25
4	05	Ladakh Affairs Department	424.54	6.16	1
5	06	Power Development Department	4484.69	36.61	1
6	07	Education Department	3236.73	406.29	13
7	08	Finance Department	3946.88	231.54	6
8	09	Parliamentary Affairs	32.31	1.09	3
9	10	Law Department	188.13	62.00	33
10	11	Industries and Commerce Department	211.26	32.34	15
11	12	Agriculture Department	670.10	44.39	7
12	13	Animal Husbandry Department	335.04	36.57	11
13	14	Revenue Department	659.28	189.62	29
14	17	Health & Medical Education Department	1468.28	103.17	7
15	19	Housing & Urban Development Department	370.43	8.54	2
16	20	Tourism Department	104.58	5.65	5
17	21	Forest Department	508.03	69.18	14
18	22	Irrigation & Flood Control Department	422.43	39.59	9
19	23	Public Health & Engineering Department	803.32	23.73	3
20	24	Hospitality & Protocol Department	160.47	5.92	4
21	28	Rural Development Department	207.99	12.15	6

Appendices

Sl. No	Grant Number	Name of Grant/Appropriation	Total Grant/ Appropriation	Savings	Percentage
22	29	Transport Department	38.50	7.26	19
Revenue (Charged)					
23	01	General Administration Department	11.15	1.41	13
24	10	Law Department	31.76	12.54	39
Capital (Voted)					
25	01	General Administration Department	71.62	57.31	80
26	02	Home Department	73.00	12.10	17
27	03	Planning and Development Department	2737.25	2480.67	91
28	06	Power Development Department	647.85	170.59	35
29	07	Education Department	485.23	209.28	27
30	08	Finance Department	267.13	248.65	92
31	09	Parliament Affairs Department	0.53	0.43	82
32	10	Law Department	22.00	18.79	85
33	12	Agriculture Department	390.25	122.09	31
34	14	Revenue Department	55.68	41.76	51
35	15	Consumer Affairs & Public Distribution Department	930.35	143.23	20
36	17	Health & Medical Education Department	318.85	61.42	19
37	18	Social Welfare Department	217.80	130.17	60
38	19	Housing & Urban Development Department	767.57	235.05	31
39	21	Forest Department	89.16	16.36	18
40	22	Irrigation & Flood Control Department	417.00	88.13	8
41	24	Hospitality & Protocol Department	41.34	0.49	45
42	25	Labour Stationery & Printing Department	79.74	78.16	97
43	26	Fisheries Department	13.89	1.79	13
44	28	Rural Development Department	407.40	123.28	30

Appendix-2.2

(Reference: Paragraph: 2.3.3; Page: 57)

Details of saving of ₹ one crore and above not surrendered

(₹ in crore)

Sl. No	Number and Name of Grant/ Appropriation	Savings	Surrender	Saving which remained to be surrendered
I-Revenue (Voted)				
1	02-Home Department	155.27	-	155.27
2	03-Planning & Development Department	89.06	-	89.06
3	04-Information Department	10.43	-	10.43
4	05-Ladakh Affairs	6.16		6.16
5	06-Power Development Department	36.61		36.61
6	07-Education Department	406.29	-	406.29
7	08-Finance Department	231.54	-	231.54
8	09-Parliamentary Affairs Department	1.09		1.09
9	10-Law Department	62.01	-	62.01
10	11-Industries & Commerce Department	32.34	-	32.34
11	12-Agriculture Department	44.39		44.39
12	13-Animal Husbandry Department	36.57	-	36.57
13	14-Rural Development Department	189.62	-	189.62
14	17-Health & Medical Education Department	103.17	-	103.17
15	19-Housing & Urban Development	8.53		8.53
16	20-Tourism Department	5.65	-	5.65
17	21-Forest Department	69.18	-	69.18
18	22-Irrigation & Flood Control Department	39.59	-	39.59
19	23-Public Health Engineering Department	23.73	-	23.73
20	24-Hospitality & Protocol Department	5.92	-	5.92
21	28-Rural Development Department	12.15	-	12.15
22	29-Transport Department	7.26	-	7.26
	Total-I	1576.56	-	1576.56
II- Revenue (Charged)				
23	01-General Administration Department	1.42	-	1.42
24	10-Law Department	12.54	-	12.54

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Sl. No	Number and Name of Grant/ Appropriation	Savings	Surrender	Saving which remained to be surrendered
	Total-II	13.96	-	13.96
III-Capital (Voted)				
25	01-General Administration Department	57.31	-	57.31
26	02-Home Department	12.10	-	12.10
27	03-Planning & Development Department	2480.67	-	2480.67
28	06-Power Development Department	170.59	-	170.59
29	07-Education Department	209.28	-	209.28
30	08-Finance Department	248.65	-	248.65
31	10-Law Department	18.79	-	18.79
32	12-Agriculture Department	122.09	-	122.09
33	14-Revenue Department	41.76	-	41.76
34	15-Consumer Affairs & Public Distribution Department	143.23		143.23
35	17-Health & Medical Education Department	61.42	-	61.42
36	18-Social Welfare Department	130.17	-	130.17
37	19-Housing & Urban Development Department	235.05	-	235.05
38	21-Forest Department	16.36	-	16.36
39	22-Irrigation & Flood Control Department	88.13	-	88.13
40	25-Stationery & Printing Department	78.16	-	78.16
41	26-Fisheries Department	1.79		1.79
42	28- Rural Development Department	123.28	-	123.28
	Total-III	4238.83	-	4238.83
	Grand Total-I+II+III	5829.35		5829.35

Appendix-2.3

(Reference: Paragraph: 2.3.4; Page: 57)

Statement of various grants/ appropriations where excess expenditure was more than ₹ one crore each or more than 20 per cent of the total provision

(₹ in crore)

Sl. No	Grant Number	Name of Grant/Appropriation	Total Grant/ Appropriation	Expenditure	Excess (Percentage)
Revenue (Voted)					
1	01	General Administration Department	245.85	258.50	12.65(5)
2	16	Public Works Department	825.87	835.86	9.99(1)
3	18	Social Welfare Department	318.52	745.78	427.26(134)
4	25	Labour, Stationery & Printing Department	72.34	157.75	85.41(118)
5	26	Fisheries Department	45.77	47.31	1.54(3)
6	27	Higher Education Department	492.37	519.67	27.30(6)
Total (Revenue Voted)			2000.72	2564.87	564.15
Revenue (Charged)					
7	8	Finance Department	2662.03	2706.76	44.73(2)
Capital (Voted)					
8	5	Ladakh Affairs department	308.62	310.96	2.34(1)
9	11	Industries & Commerce Department	142.23	157.41	15.18(11)
10	13	Animal Husbandry Department	34.88	36.83	1.95(6)
11	16	Public Works Department	880.84	1041.26	160.42(18)
12	20	Tourism Department	134.09	220.87	86.78(65)
13	23	Public Health Engineering Department	150.00	163.95	13.95(9)
14	27	Higher Education Department	171.13	254.92	83.79(49)
Total (Capital Voted)			1821.79	2186.20	364.41
Capital (Charged)					
15	08	Finance Department	1317.18	5085.46	3768.28(286)
Total (Capital Charged)			1317.18	5085.46	3768.28
(Grand Total)			7801.72	12543.29	4741.57

Appendix-2.4
(Reference: Paragraph: 2.3.5; Page: 58)
Statement showing expenditure incurred without budget provisions in 74 Major Heads of Accounts during 2012-13

(₹ in lakh)

Sl. No	Grant/Head of Account	Amount of expenditure without provision	Amount
1	01-General Administration		538.99
	2013-Council of Ministers	4.20	
	2052-Secretariat General Services	5.46	
	2055-Police	106.89	
	2070- Other Administrative Services	46.97	
	2230-Labour & Employment	13.16	
	3435-Ecology & Environment	11.70	
	3452-Tourism	3.41	
	3451- Secretariat Economic Services	253.27	
	5425-CO on Other Scientific & Environmental Research	93.93	
2	02-Home		2021.48
	2055-Police	1133.92	
	2070-Other Administrative Services	44.44	
	4059-CO on Public Works	722.66	
	4235-CO on Social Security & Welfare	120.46	
3	03-Planning and Development		1413.24
	3475-Other General Economic Services	416.05	
	5475-Capital Outlay on Other General Economic Services	997.19	
4	06-Power Development		334.17
	2801-Power	334.17	
5	07-Education		14285.49
	2202-General Education	10785.82	
	2204- Sports and Youth Services	492.20	
	4202-Capital Outlay on Education, Sports Arts & Culture	3007.47	
6	08-Finance		7681.19
	2039-State Excise	7.55	
	2054-Treasury and Account Administration	171.32	
	2049- Interest Payment	7496.62	
	2075-Misc. General Services	5.70	
7	10-Law Department		43.24
	2070-Other Administrative Services	43.24	
8	11-Industries and Commerce		883.54

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Sl. No	Grant/Head of Account	Amount of expenditure without provision	Amount
	2851-Village and Small Industries	31.40	
	4851-Capital Outlay on Village and Small Industries	532.73	
	4853-CO on Non Ferrous Mining & Metrological Industries	319.41	
9	12-Agriculture Department		5377.19
	2401-Crop Husbandry	1179.80	
	2402-Soil and Water Conservation	8.64	
	2403-Animal Husbandry	3.55	
	2425-Co-operation	2.29	
	2851-Village and Small Development	34.97	
	4401-Capital Outlay on Crop Husbandry	1378.17	
	4402-Capital Outlay on Soil and Water Conservation	108.10	
	4425-CO on Co-Operation	110.61	
	4705-Capital Outlay on Command Area Development	2546.70	
	4851-CO on Village & Small Industries	4.36	
10	13-Animal Husbandry		598.25
	2403-Animal Husbandry	516.32	
	4403- Capital Outlay on Animal Husbandry	81.93	
11	14-Revenue Department		810.09
	2053-District Administration	682.20	
	2055-Police	85.83	
	2401- Crop Husbandry	42.06	
12	15-Consumer Affairs and Public Distribution		26.12
	4235-CO on Social Security & Welfare	25.07	
	4408-Capital Outlay on Food Storage and Warehousing	1.05	
13	16-Public Works		169.21
	2059-Public Works	132.67	
	3054-Roads & Bridges	36.54	
14	17-Health and Medical Education		5289.07
	2210-Medical and Public Health	612.05	
	2211-Family Welfare	2550.32	
	4210-Capital Outlay on Medical and Public Health	2126.70	
15	18-Social Welfare Department		40943.58
	2225-Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	1703.91	
	2235-Social Security and Welfare	37733.66	
	2236-Nutrition	725.18	

Appendices

Sl. No	Grant/Head of Account	Amount of expenditure without provision	Amount
	4225-Capital Outlay on Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	359.96	
	4235- CO on Social Security & Welfare	420.87	
16	19-Housing and Urban Development		26461.70
	4217-CO on Urban Development	26459.20	
	7610-Loans to Govt. Servants etc.	2.50	
17	20-Tourism		6881.96
	2205-Art & Culture	8.51	
	3452-Tourism	3.41	
	5452-Capital Outlay on Tourism	6870.04	
18	21-Forest Department		916.00
	2406-Forestry and Wild Life	409.49	
	3435-Ecology and Environment	129.10	
	4402-Capital Outlay on Soil & Water Conservation	80.07	
	4406-Capital Outlay on Forestry & Wild Life	297.34	
19	22-Irrigation & Flood Control		41.58
	2701-Medium Irrigation	18.16	
	2711-Flood Control & Drainage	23.42	
20	26-Fisheries		3.67
	4405-Capital Outlay on Fisheries	3.67	
21	27-Higher Education Department		10748.70
	2202- General Education	9548.74	
	4202-Capital Outlay on Education, Sports, Art and Culture	1199.96	
22	28-Rural Development Department		6946.07
	2501-Special Programmes for Rural Development	678.96	
	2515-Other Rural Development Programmes	100.39	
	3451-Secretariat Economic Services	4.05	
	4515-Capital Outlay on Other Rural Development Programmes	6162.67	
23	29-Transport		158.49
	2041-Taxes on Vehicles	48.68	
	5055-Capital Outlay on Road Transport	109.81	
	Grand Total		132573.02

Appendix-2.5
(Reference: Paragraph: 2.3.6; Page: 58)
Year-wise details of excess expenditure for the years 1980-81 to 2011-12 pending with Finance Department for regularisation

(₹ in crore)

Year	No. of Grants/ Appropriation	Grant/Appropriation No.	Excess	Stage of consideration by Public Accounts Committee
1980-81	16	1,5,6,7,8,9,12,13,14,16,18, 19,20,21,22,23	227.90	Not discussed by Public Account Committee
1981-82	13	1,3,5,6,8,13,14,16,18,19, 20,21,23	41.99	
1982-83	10	6,8,9,12,14,18,19,21,22,23	119.74	
1983-84	12	1,5,6,7,8,14,18,19,20,21, 22,23	176.75	
1984-85	10	1,6,8,10,14,16,18,19,21,23	65.42	
1985-86	10	1,4,6,10,17,18,19,22,23,26	19.64	
1986-87	15	1,2,4,6,7,8,10,13,18,19,20,22,23,25,26	104.22	
1987-88	17	1,2,3,5,6,8,10,12,13,18,19,21,22,23,24,26,27	177.32	
1988-89	14	1,2,8,9,10,12,13,15,17,18, 22,23,26,27	438.42	
1989-90	09	1,7,8,11,12,20,21,23,24	205.23	
1990-91	11	1,2,5,8,12,17,19,21,23,25,26	427.72	
1991-92	13	1,2,5,7,8,11,12,14,21,22, 23,26,27	1,152.23	
1992-93	14	1,4,5,8,10,11,12,14,16,20, 21,23,24,26	1,029.71	
1993-94	17	2,3,5,8,10,12,13,14,17,18, 20,21,22,23,24,26,27	1,730.03	
1994-95	14	5,6,8,9,10,12,13,14,20,21, 23,24,26,27	2,057.49	
1995-96	19	2,5,6,8,9,10,11,12,13,16,17,18,20,21,23,24,25,26,27	2,936.89	
1996-97	18	2,4,5,6,8,10,11,12,13,14, 16,18,20,21,23,24,26,27	3,482.20	
1997-98	16	1,2,4,6,8,9,12,13,16,18,21,22,23,24,26,27	4,189.21	
1998-99	06	4,5,6,8,23,27	4,185.25	
1999-2000	12	2,3,6,8,9,12,17,18,20,23,24,26	5,851.08	
2000-01	11	1,6,8,9,12,16,18,23,25, 26, 27	6,310.25	
2001-02	15	3,5,6,8,11,17,18,20,21,23,25,26,27,28,29	6,393.41	
2002-03	15	3,5,6,7,8,12,14,16,17,18,21,23,25,26,28	505.61	
2003-04	18	3,5,7,8,12,13,14,15,16,17,18,20,21,23,24,25,26,28	9,770.53	
2004-05	15	3,6,8,9,12,14,15,16,18,20,25,26,27,28,29	2,108.42	
2005-06	16	3,5,8, 10,12,15, 16,17,18, 20,21,23,25, 26,27,28	12,954.06	
2006-07	14	8,12,14,15,16,17,18,20,21,23,25,26,27,28	2,150.03	
2007-08	14	6,8,11,12,14,15,16,20,24,25,26,27,28,29	2,277.91	
2008-09	15	5,6,8,11,12,15,16,19,20,22,23,24,25,26,27	3,277.38	
2009-10	14	1,6,8,11,15,16,18,20,23,24,25,26,27,29	4062.58	
2010-11	14	5,6,8,9,16,18,19,22,23,25,26,27,28,29	6130.76	
2011-12	14	1,6,8,11,12,15,16,18,19,20,23,25,26,27	5638.79	
		Total	90198.17	

Appendix-2.6

(Reference: Paragraph: 2.3.8; Page: 59)

Cases of unnecessary supplementary grant/ appropriation

(₹ in crore)

Sl. No.	Number and Name of the Grant	Original Provision	Supplementary Provision	Actual Expenditure	Savings out of original provision
I-Revenue (Voted)					
1	03-Planning & Development	160.99	86.55	158.48	89.06
2	04-Information Department	37.85	4.40	31.82	10.43
3	10-Law Department	172.04	16.10	126.13	62.01
4	14-Revenue Department	638.32	20.96	469.67	189.61
5	29-Transport Department	33.67	4.83	31.24	7.26
Total-I		1042.87	132.84	817.34	358.37
II-Revenue (Charged)					
6	01-General Administration	10.93	0.22	9.73	1.42
7	09-Parliamentary Affairs	0.76	0.13	0.54	0.35
Total-II		11.69	0.35	10.27	1.77
III-Capital (Voted)					
8	01-General Administration	70.32	1.30	14.31	57.31
9	03-Planning & Development	1578.82	1158.43	256.59	2480.66
10	06-Power Development	628.24	19.61	477.26	170.59
11	09-Parliamentary Affairs	0.50	0.02	0.09	0.43
12	14-Revenue Department	55.18	0.50	13.92	41.76
13	15-Consumer Affairs & Public Distribution	861.28	69.07	787.12	143.23
14	19-Housing & Urban Development	594.53	173.04	532.52	235.05
Total-III		3788.87	1421.97	2081.81	3129.03
Grand Total		4843.43	1555.16	2909.42	3489.17

Appendix-2.7

(Reference: Paragraph: 2.3.8; Page: 60)

Cases of excessive Supplementary grant/ appropriation

(₹ in crore)

Sl. No.	Name of the Grant/ Appropriation	Original	Supplementary	Total	Expenditure	Savings
I-Revenue (Voted)						
1	06-Power Development Deptt	3723.21	761.48	4484.69	4448.09	36.60
2	09-Parliamentary Affairs Deptt.	30.39	1.92	32.31	31.22	1.09
3	15-Consumer Affairs & Public Distribution	6.72	0.56	7.28	7.13	0.15
4	19-Housing & Urban Development Department	357.18	13.25	370.43	361.89	8.54
5	20-Tourism Deptt.	98.12	6.46	104.58	98.93	5.65
6	24-Hospitality & Protocol	139.80	20.67	160.47	154.55	5.92
Total-I		4355.42	804.34	5159.76	5101.81	57.95
II-Revenue (Charged)						
		-	-	-	-	-
Total-II		-	-	-	-	-
III-Capital (Voted)						
7	04-Information Deptt.	3.48	0.28	3.76	3.53	0.23
8	29-Transport Deptt.	40.00	9.50	49.50	49.26	0.24
Total-III		43.48	9.78	53.26	52.79	0.47
Grand Total		4398.90	814.12	5213.02	5154.60	58.42

Appendix 2.8

(Reference: Paragraph: 2.3.8; Page: 60)

Statement of various grants/ appropriation where supplementary provision provided was insufficient by more than ₹ one crore each

(₹ in crore)

Sl. No	Grant Number	Name of Grant/ Appropriation	Original Provision	Supplementary Provision	Total	Expenditure	Excess
Revenue (Voted)							
1	01	General Administration Department	196.39	49.46	245.85	258.50	12.65
2	27	Higher Education Department	455.45	36.92	492.37	519.67	27.30
Total-Revenue (Voted)			651.84	86.38	738.22	778.17	39.95
Capital (Voted)							
3	5	Ladakh Affairs Deptt.	143.00	165.62	308.62	310.96	2.34
4	11	Industries & Commerce Department	127.07	15.16	142.23	157.41	15.18
5	20	Tourism Department	127.11	6.98	134.09	220.87	86.78
6	27	Higher Education	170.50	0.63	171.13	254.92	83.79
Total-Capital (Voted)			567.68	188.39	756.07	944.16	188.09
Grand Total			1219.52	274.77	1494.29	1722.33	228.04

Appendix-2.9
(Reference: Paragraph: 2.4.1; Page 61)
Major head -wise outstanding DC Bills from 1995-2013

(₹ in lakh)

Sl.No.	Major Head	Nomenclature	Srinagar Division	Jammu Division	Total
1	2012	Governor-Secretariat	31.38	0	31.38
2	2013	Council of Ministers	30.23	0	30.23
3	2014	Administration of justice	25.00	1.53	26.53
4	2015	Election	863.54	41.54	905.08
5	2030	Stamps & Registration	0	191.70	191.70
6	2040	Taxes on sales, trade etc.	58.00	11.80	69.80
7	2041	Taxes on vehicles	25.00	0	25.00
8	2052	Secretariat-General Services	169.89	0	169.89
9	2053	District Administration	25.20	0	25.20
10	2054	Treasury & Accounts Administration	42.00	0	42.00
11	2055	Police	1358.14	21923.54	23281.68
12	2056	Jails	8.52	0	8.52
13	2059	Public Works	0	26.35	26.35
14	2070	Other Administrative Services	0	187.55	187.55
15	2202	General Education	36443.88	82.70	36526.58
16	2203	Technical Education	26.80	2.25	29.05
17	2204	Sports & Youth services	99.89	0	99.89
18	2205	Art & Culture	203.00	0	203.00
19	2210	Medical & public Health	543.05	48.00	591.05
20	2211	Family Welfare	0	4.74	4.74
21	2217	Urban Development	68.07	11.74	79.81
22	2225	Welfare of SC/ST & other backward classes	97.06	0	97.06
23	2230	Labour & employment	2625.00	11.51	2636.51
24	2235	Social security & Welfare	324.71	756.26	1080.97
25	2236	Nutrition	4.30	0	4.30
26	2245	Relief on account of Natural Calamities	6796.11	4842.18	11638.29
27	2250	Other Social Services	5.08	0	5.08
28	2401	Crop Husbandry	20.00	0.03	20.03
29	2403	Animal Husbandry	0.62	32.50	33.12
30	2408	Food storage & Ware housing	112.00	0	112.00
31	2415	Agricultural Research & Education	1.00	0	1.00
32	2435	Other Agriculture programmes	0	0.16	0.16
33	2501	Special Programmes for Rural Development	420.15	2119.42	2539.57
34	2515	Other Rural Development	48.29	0	48.29

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		Programmes			
35	2575	Other Special Area Programmes	33.46	0	33.46
36	2701	Medium Irrigation	50.00	0	50.00
37	2801	Power	0	20.00	20.00
38	2851	Village & Small Industries	263.61	0	263.61
39	3435	Ecology & Environment	745.47	0	745.47
40	3451	Secretariat –Economic Services	3.30	0	3.30
41	3452	Tourism	1158.46	133.82	1292.28
42	3454	Census survey & Statistics	133.75	36.52	170.27
43	3475	Other General Economic Services	42.12	61.90	104.02
44	4059	Capital outlay on Public Works	1732.08	629.66	2361.74
45	4070	Capital outlay on Other Administrative Services	219.28	0	219.28
46	4075	Capital outlay on Miscellaneous General Services	582.86	0	582.86
47	4202	Capital outlay on Education ,Sports Art & Culture	24958.80	2858.91	27817.71
48	4210	Capital outlay on Medical & Public health	7927.51	15657.73	23585.24
49	4215	Capital outlay on Water Supply & Sanitation	0	375.00	375.00
50	4216	Capital outlay on Housing	407.50	0	407.50
51	4217	Capital outlay on Urban Development	50595.89	1332.82	51928.71
52	4220	Capital outlay on Information & Publicity	0	456.12	456.12
53	4225	Capital outlay on Welfare of Schedule Casts, STs & Other backward classes	3.00	0	3.00
54	4235	Capital outlay on Social Security & Welfare	926.55	864.85	1791.40
55	4250	Capital outlay on Other Social Services	50.00	0	50.00
56	4401	Capital outlay on Crop Husbandry	384.50	37.08	421.58
57	4403	Capital outlay on Animal Husbandry	76.00	123.10	199.10
58	4405	Capital outlay on Fisheries	17.85	0	17.85
59	4408	Capital outlay on Food Storage & Ware Housing	10614.72	0	10614.72
60	4425	Capital outlay on cooperation	622.70	0	622.70
61	4515	Capital outlay on Other Rural Development Programme	15794.51	4659.46	20453.97
62	4575	Capital outlay on Other Special Area Programme	211.98	0	211.98

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63	4801	Capital outlay on Power Projects	10950.00	0	10950.00
64	4851	Capital outlay on Village & Small Industries	7218.68	10.06	7228.74
65	4852	Capital outlay on Iron & Steel Industries	1282.85	0	1282.85
66	4853	Capital outlay on Non Ferrous Mining & Meteorological Industries	62.96	0.70	63.66
67	5054	Capital outlay on Roads & Bridges	1030.50	0	1030.50
68	5055	Capital outlay on Road Transport	1301.00	0	1301.00
69	5425	Capital outlay on Other Scientific Environmental Research	221.58	0	221.58
70	5452	Capital outlay on Tourism	11635.23	759.01	12394.24
71	5475	Capital outlay on Other General Economic Services	1301.40	2.00	1303.40
72		Animal Husbandry	0	7.00	7.00
73		Revenue	0	4851.88	4851.88
74		Education	0	166.91	166.91
75		Health	0	71.78	71.78
76		Industries & Commerce	0	37.71	37.71
77		Consumer Affairs & Public Distribution	0	22.60	22.60
78		Agriculture	0	3.92	3.92
79		Election	0	14.05	14.05
80		Forest	0	1.30	1.30
81		Hospitality & Protocol	0	3.00	3.00
82		Housing & Urban Development	0	74.78	74.78
83		Home	0	69.05	69.05
84		Technical Education	0	34.75	34.75
85		Public Works Department	0	0.41	0.41
86		Rural Development	0	41.19	41.19
87		Finance	0	10.00	10.00
		Total	203036.01	63724.57	266760.58

AC bills awaiting detail account from S.NO:72 to 87 amounting to ₹ 5410.33 lakh pertains to the period 1996-97 to 2002-03 of Jammu Division. Out of which ₹ 4851.88 lakh relates to Revenue Department.

Appendix 2.10

(Reference: Paragraph: 2.7.5; Page: 67)

Statement showing cases where significant savings were not surrendered in Grant No.25

(₹ in lakh)

Sl. No.	Major/Minor/Sub-head	Total Grant	Expenditure	Saving
1.	2058/1625 Director Stationery & Supplies	50.00	26.17	23.83
2.	2058/103/1630 Government Press Jammu	1046.88	939.57	107.31
3.	2058/103/1631 Government Press Srinagar	1011.71	847.93	163.78
4.	2230/01/1634 Regional Offices Labour	497.21	233.84	263.37
5.	2230/01/1638 Factories	38.97	30.77	8.20
6.	2230/01/1639 District Labour Welfare Scheme	45.16	35.66	9.50
7.	2230/01/1640 Migratory Labour	64.05	14.63	49.42
8.	2230/01/1635 Labour Welfare	139.50	114.95	24.55
9.	2230/01/1645 Employment Insurance	298.44	250.56	47.88

Appendix-3.1
(Reference: Paragraph: 3.2; Page: 70)
Statement showing details of Annual accounts awaited relating to audit under section 14 of the CAG's (DPC) Act, 1971

Sl. No	Name of the Body/Authority	Period for which accounts awaited	Number of awaited accounts
1	Srinagar Municipality	1988-89 to 2012-13	25
2	Kashmir University	2001-02 to 2012-13	12
3	Kashmir Urban Development Agency Srinagar	1999-2000 to 2012-13	14
4	District Rural Development Agency Srinagar	2002-03 to 2012-13	11
5	District Rural Development Agency Anantnag	2007-08 to 2012-13	06
6	District Rural Development Agency Pulwama	2002-03 to 2012-13	11
7	District Rural Development Agency Leh	2008-09 to 2012-13	05
8	District Rural Development Agency Kargil	2008-09 to 2012-13	05
9	Sher-e-Kashmir International Conference Centre, Srinagar (SKICC)	1999-2000 to 2012-13	14
10	Srinagar Development Authority	1999-2000 to 2012-13	14
11	State Social Welfare Advisory Board	2003-04 to 2012-13	10
12	Islamia College of Sciences and Commerce Srinagar	2001-02 to 2012-13	12
13	Jammu and Kashmir State Housing Board	2002-03 to 2012-13	11
14	Lakes and Water Ways Development Authority	2005-06 to 2012-13	08
15	Jammu University	2002-03 to 2012-13	11
16	District Rural Development Agency Jammu	2008-09 to 2012-13	05
17	District Rural Development Agency Kathua	2008-09 to 2012-13	05
18	District Rural Development Agency Poonch	2008-09 to 2012-13	05
19	District Rural Development Agency Doda	2003-04 to 2012-13	10
20	Academy of Art Culture and Languages	2003-04 to 2012-13	10
21	Jammu Development Authority	1972-73 to 2012-13	41
22	State Pollution Control Board	1995-96 to 2012-13	18
23	Jammu and Kashmir Sports Council	2003-04 to 2012-13	10
24	Jammu and Kashmir Energy Development Agency	2003-04 to 2012-13	10
25	District Rural Development Agency Budgam	2007-08 to 2012-13	06
26	District Rural Development Agency Baramulla	2007-08 to 2012-13	06
27	District Rural Development Agency Kupwara	2006-07 to 2012-13	07
28	District Rural Development Agency Ganderbal	2008-09 to 2012-13	05
29	District Rural Development Agency Kulgam	2008-09 to 2012-13	05
30	District Rural Development Agency Shopian	2008-09 to 2012-13	05
31	District Rural Development Agency Bandipora	2008-09 to 2012-13	05
32	Jammu Municipality	2002-03 to 2012-13	11
	Total		333