

### Profile of the State of Uttar Pradesh

The State is located in the northern region of India and is the fifth largest State in terms of geographical area<sup>1</sup> and the largest in terms of the population. The population of the State increased from 16.62 crore in 2001 to 20.63 crore<sup>2</sup> in 2013. However, 29.43 *per cent* population was below poverty line, as compared to the All-India average of 21.92 *per cent*. Further, the Gross State Domestic Product (GSDP) at current prices was ₹ 7,69,729 crore in 2012-13. The State's literacy rate increased from 56.27 *per cent* (2001 Census) to 69.72 *per cent* (2011 Census). The per capita income of the State stood at ₹ 33,269.

The general data such as density of population, infant mortality and life expectancy etc. relating to the State of Uttar Pradesh is given in *Appendix 1.1*.

### Gross State Domestic Product

GSDP is the market value of all officially recognised final goods and services produced within the State in a given period of time. The growth of GSDP of the State is an important indicator of the State's economy as it indicates standard of living of the State's population. The trends in annual growth of India's Gross Domestic Product (GDP) and State's GSDP at current prices (2004-05 base year) are given in **Table 1.1**.

**Table 1.1: GDP of the country and GSDP of the State at current prices (2004-05 base year)**

| Particulars                               | 2008-09   | 2009-10   | 2010-11   | 2011-12   | 2012-13   |
|-------------------------------------------|-----------|-----------|-----------|-----------|-----------|
| GDP of India (₹ in crore)                 | 53,03,567 | 61,08,903 | 72,66,967 | 83,53,495 | 94,61,013 |
| Growth rate of GDP (in <i>per cent</i> )  | 15.70     | 15.20     | 19.00     | 15.00     | 13.30     |
| State's GSDP (₹ in crore)                 | 4,12,151  | 4,91,302  | 5,88,467  | 6,87,836  | 7,69,729  |
| Growth rate of GSDP (in <i>per cent</i> ) | 15.27     | 19.20     | 19.78     | 16.89     | 11.91     |

(Source: In respect of GSDP: Director, *Arthik Bodh evam Sankhya Nidheshalaya*)

### 1.1 Introduction

On 1 June 2012, the State Government presented its budget for the financial year 2012-13. As per the budget speech, the State Government introduced 280 new schemes with a budget provision of ₹ 13,650 crore. The State Government also made a provision of ₹ 33,263 crore for improvement and extension of quality education; ₹ 23,592 crore for infrastructure facilities; ₹ 14,951 crore for social welfare schemes; ₹ 7,034 crore for improvement and

<sup>1</sup>2.41 lakh square kilometer.

<sup>2</sup>Revised advanced estimate.

extension of quality in medical and health facilities; and ₹ 5,432 crore for agriculture and other allied activities.

This chapter provides an audit perspective on finances of the Government of Uttar Pradesh during 2012-13 and analyses changes observed in the major fiscal aggregates relative to 2011-12 keeping in view overall trends during preceding five years. The analysis is based on the Finance Accounts of the Government of Uttar Pradesh and the information provided therein.

The structure of the Government Accounts is explained in *Appendix 1.2 Part A* and the layout of the Finance Accounts is depicted in *Appendix 1.2 Part B*.

### 1.1.1 Summary of Fiscal Transactions in 2012-13

Table 1.2 presents a summary of the fiscal transactions of the State Government during 2012-13 *vis-à-vis* Appendix 1.3 provides details of the receipts and disbursements as well as the overall fiscal position during 2012-13.

Table 1.2: Summary of Fiscal Transactions in 2012-13

(₹ in crore)

| Receipts                         |             |             | Disbursements                   |             |             |           |             |
|----------------------------------|-------------|-------------|---------------------------------|-------------|-------------|-----------|-------------|
|                                  | 2011-12     | 2012-13     |                                 | 2011-12     | 2012-13     |           |             |
| Section A: Revenue               |             |             |                                 |             | Non Plan    | Plan      | Total       |
| Revenue Receipts                 | 1,30,869.70 | 1,45,903.98 | Revenue Expenditure             | 1,23,885.17 | 1,14,845.73 | 25,877.91 | 1,40,723.64 |
| Tax revenue                      | 52,613.43   | 58,098.36   | General services                | 52,946.92   | 59,119.18   | 787.54    | 59,906.72   |
| Non-Tax Revenue                  | 10,145.30   | 12,969.98   | Social services                 | 47,390.94   | 32,235.57   | 21,064.75 | 53,300.32   |
| Share of Union Taxes/<br>Duties  | 50,350.95   | 57,497.85   | Economic services               | 18,292.21   | 17,311.74   | 4,025.62  | 21,337.36   |
| Grants from Govt                 | 17,760.02   | 17,337.79   | Grants-in-aid and Contributions | 5,255.10    | 6,179.24    | -         | 6,179.24    |
| Section B: Capital & Others      |             |             |                                 |             |             |           |             |
| Miscellaneous Capital Receipts   | -           | -           | Capital Expenditure             | 21,573.96   | 1,225.78    | 22,608.51 | 23,834.29   |
| Recoveries of Loans and Advances | 133.17      | 418.80      | Loans and Advances disbursed    | 975.57      | 619.49      | 383.75    | 1,003.24    |
| Public Debt Receipts             | 19,652.30   | 15,819.95   | Repayment of Public Debt        | 8,287.61    | 8,909.04    | -         | 8,909.04    |
| Contingency Fund                 | 39.89       | 309.65      | Contingency Fund                | 309.64      | 262.45      | -         | 262.45      |
| Public Account Receipts          | 1,38,449.36 | 1,43,477.51 | Public Account disbursements    | 1,30,970.76 | 1,29,471.51 | -         | 1,29,471.51 |
| Opening Cash Balance             | 10,304.99   | 13,446.70   | Closing Cash Balance            | 13,446.70   | 15,172.42   | -         | 15,172.42   |
| Total                            | 2,99,449.41 | 3,19,376.59 | Total                           | 2,99,449.41 | 2,70,506.42 | 48,870.17 | 3,19,376.59 |

(Source: Finance Accounts 2011-12 & 2012-13)

Following are the significant changes in the fiscal transactions during 2012-13 over 2011-12:

- **Revenue receipts** grew by ₹ 15,034 crore (11 *per cent*) over 2011-12. The increase was mainly contributed by the tax revenue (₹ 5,485 crore; 10 *per cent*) and Share of the State Union Taxes (₹ 7,147 crore; 14 *per cent*). Revenue receipts of ₹ 1,45,904 crore was lower (₹ 10,784 crore) than the Revised Estimates of ₹ 1,56,688 crore<sup>3</sup>.
- **Tax Revenue** increased by ₹ 5,485 crore (10 *per cent*) over 2011-12. The increase was mainly contributed by the Taxes on Sales, Trade etc. (₹ 1,763 crore; five *per cent*), State Excise (₹ 1,643 crore; 20 *per cent*) and Stamps and Registration Fee (₹ 1,048 crore; 14 *per cent*) over the previous year. The Tax Revenue at ₹ 58,098 crore was below the target of ₹ 60,472 crore in Revised Estimates but was above the normative assessment (₹ 47,065 crore) made by the Thirteenth Finance Commission.
- **Non-tax Revenue** increased by ₹ 2,825 crore (28 *per cent*) over 2011-12. It was, however, below the normative projection (₹ 3,483 crore) made by the Thirteenth Finance Commission and the Revised Estimate (₹ 828 crore).
- **Grants-in-aid** from Gol during 2012-13 (₹ 17,338 crore) decreased by ₹ 422 crore (two *per cent*) over 2011-12 (₹ 17,760 crore).
- **State's Share in Union Taxes and Duties** increased by ₹ 7,147 crore (14 *per cent*) over 2011-12. However, it (₹ 57,498 crore) was lower by (₹ 2,030 crore) than the Revised Estimates (₹ 59,528 crore).
- **Revenue Expenditure** increased by ₹ 16,839 crore (14 *per cent*) over 2011-12. However, it was (₹ 1,40,724 crore) lower than the Revised Estimates (₹ 1,51,142 crore).
- **Within revenue expenditure**, non-plan expenditure increased by ₹ 13,577 crore (13 *per cent*) and plan expenditure by ₹ 3,262 crore (14 *per cent*) over 2011-12. Non-plan Revenue Expenditure (₹ 25,878 crore) was far ahead of the normative assessment made by the Thirteenth Finance Commission (₹ 38,536 crore; 50 *per cent*).
- **Capital expenditure** (₹ 23,834 crore) also increased by ₹ 2,260 crore (10 *per cent*) over 2011-12 mainly due to increase in Capital Outlay in Education, Sports, Art and Culture, Health and Family Welfare, Water Supply and Sanitation, Housing and Urban Development etc. However, it was lower than the Revised Estimates (₹ 26,147 crore).
- **Recovery of loans and advances** (₹ 419 crore) increased by ₹ 286 crore (215 *per cent*) over 2011-12 but was lower by ₹ 140 crore (25 *per cent*) than the Revised Estimates (₹ 559 crore). Disbursement of loans and advances (₹ 1,003 crore) was also lower than the Revised Estimates (₹ 1,168 crore).

<sup>3</sup> Represents Mid Term Fiscal Restructuring Policy, 2013.

- **Public Debt Receipts** (₹ 15,820 crore) decreased by ₹ 3,832 crore (19 *per cent*) over 2011-12 and showed improvement in the State's debt management despite increase in repayment by ₹ 621 crore over 2011-12.
- **Public Accounts Receipts** (₹ 1,43,478 crore) increased by ₹ 5,029 crore (four *per cent*) over 2011-12, mainly due to increase in balances under Suspense head and Miscellaneous head by ₹ 9,761 crore (11 *per cent*), partly offset by decrease in remittances ₹ 2,751 crore (15 *per cent*) and in Deposits and Advances ₹ 1,922 crore (18 *per cent*).
- **Public Accounts Disbursements** registered a marginal decrease of ₹ 1,499 crore (one *per cent*) over 2011-12.
- Withdrawal of ₹ 262.45 crore from the **Contingency Fund** during 2012-13 remained un-recouped.
- **Cash balances** (₹ 15,172 crore) increased by ₹ 1,725 crore (13 *per cent*) from ₹ 13,447 crore of the previous year.

### 1.1.2 Review of the fiscal situation

In February 2004, the State Government responded to the recommendations of the Twelfth Finance Commission by legislating the Fiscal Responsibility and Budget Management Act, 2004 (FRBM) and setting out a reform agenda of long-term goal of securing growth with stability for economy. Under the Act, the State Government was also made responsible to lay Medium Term Fiscal Restructuring Policy along with the annual budget in the House, setting forth five year rolling targets for fiscal indicators and make rules for carrying out provisions of the Act. The Fiscal Responsibility and Budget Management Rules were notified by the Government in October 2006. The following fiscal targets were set therein to give effect to the principles of fiscal management as laid down in the Act:

- Reduce revenue deficit to nil within a period of five financial years beginning from 1 day of April 2004 and ending on 31 day of March 2009.
- Reduce fiscal deficit to not more than three *per cent* of estimated GSDP. However, considering overall slowdown in the economy, GoI allowed the States to increase their fiscal deficit to as much as four *per cent* of their GSDP.
- Ensure within a period of 14 financial years, beginning from 1 day of April 2004 and ending on 31 March 2018, that the total liabilities at the end of last financial year do not exceed 25 *per cent* of the estimated GSDP for that year.
- Ensure not to give guarantee for any amount exceeding the limit stipulated under any rule or law of the State Government existing at the time of the coming into force of the Act or any rules or law to be made by the State Government subsequent to coming into force of this Act.
- Further, the revenue deficit and fiscal deficit may not exceed the limits specified in the Act except on the ground(s) of unforeseen demands arising out of internal disturbances or natural calamities subject to the

condition that the excess does not exceed the actual fiscal cost attributed to the calamities.

The State Government also responded (September 2011) to the recommendations of the Thirteenth Finance Commission by amending FRBM Act, 2004 and developed its own Fiscal Consolidation Path for 2011-15 with the key aim to eliminate revenue deficits and to bring about gradual reductions in fiscal and debt levels by 2014-15. The details are given in **Table 1.3**.

**Table 1.3: Fiscal Consolidation Path**

| Year    | Fiscal Deficit                              | Total Liability<br>(in <i>per cent</i> of GSDP) |
|---------|---------------------------------------------|-------------------------------------------------|
| 2011-12 | Not more than three <i>per cent</i> of GSDP | 46.9                                            |
| 2012-13 | Not more than three <i>per cent</i> of GSDP | 45.1                                            |
| 2013-14 | Not more than three <i>per cent</i> of GSDP | 43.4                                            |
| 2014-15 | Not more than three <i>per cent</i> of GSDP | 41.9                                            |

(Source: Uttar Pradesh Government Gazette Notification)

Major variables provided in budget based on recommendations of the Thirteenth Finance Commission and as targeted in FRBM Act, are given in **Table 1.4**.

**Table 1.4: Performance of the State during 2012-13**

| Key fiscal targets                               | Targets set by the Thirteenth Finance Commission                    | Targets/ Projections set in FRBM Act                                | Targets in Revised Estimate | Projections in Five Year Fiscal Plan/ MTFP | Actuals               |
|--------------------------------------------------|---------------------------------------------------------------------|---------------------------------------------------------------------|-----------------------------|--------------------------------------------|-----------------------|
| Revenue deficit (-) /surplus (+)<br>(₹ in crore) | Nil deficit                                                         | Nil deficit                                                         | (+) 5,546                   | (+) 5,546                                  | (+) 5,180             |
| Fiscal deficit(-)/ GSDP                          | Not more than three <i>per cent</i> of GSDP i.e. ₹ (-) 23,092 crore | Not more than three <i>per cent</i> of GSDP i.e. ₹ (-) 23,092 crore | 2.91 <i>per cent</i>        | 2.91 <i>per cent</i>                       | 2.5 <i>per cent</i>   |
| Ratio of total outstanding debt to GSDP          | 45.1 <i>per cent</i> of GSDP i.e. ₹ 3,47,148 crore                  | 45.1 <i>per cent</i> of GSDP i.e. ₹ 3,47,148 crore                  | 30.10 <i>per cent</i>       | 30.10 <i>per cent</i>                      | 33.73 <i>per cent</i> |

(Source: Report of Thirteenth Finance Commission and Uttar Pradesh Government Gazette Notification)

At the close of 2012-13, the Government had a revenue surplus of ₹ 5,180 crore and also contained fiscal deficit and ratio of total outstanding debt to GSDP and thus achieved the targets set in FRBM Act. However, the total outstanding debts to GSDP at the end of 2012-13 was above (33.73 *per cent*) the target set (30.10 *per cent*) in revised estimates and projection made in five year fiscal plan.

### 1.1.3 Budget Estimates and Actuals

#### Revised Estimates

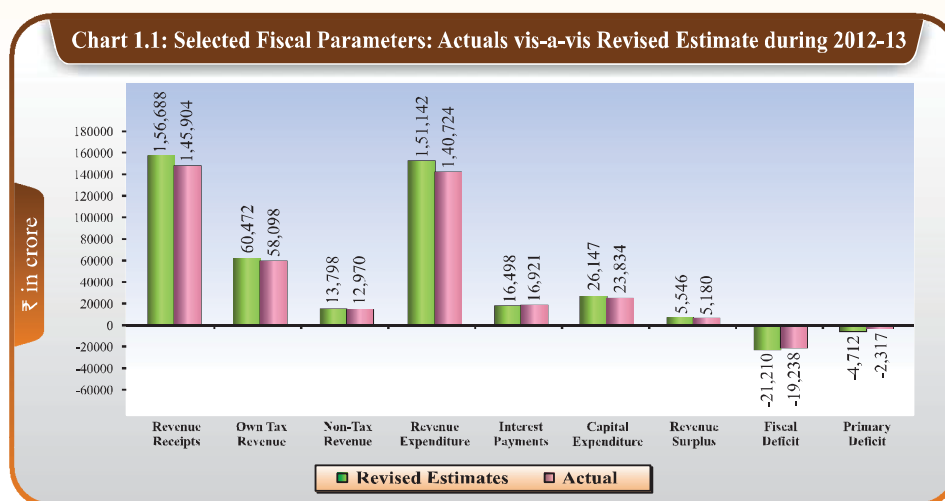
On the receipt side, the Government aimed at augmenting revenues mainly from GoI under 'States Share from Union Taxes and Duties' (₹ 59,528 crore) and on expenditure side, focused at Social Services (Revenue expenditure: ₹ 59,081 crore; Capital expenditure: ₹ 8,506 crore) and the General Services

(Revenue expenditure: ₹ 62,176 crore; Capital expenditure: ₹ 1,914 crore). On the fiscal side, the Government estimated revenue surplus, fiscal and primary deficits.

### Actuals vis-a-vis Revised Estimates

The budget provides estimated revenue receipts and expenditure for a particular fiscal year. The importance of accuracy in estimation of revenue receipts and expenditure is accepted in the context of effective implementation of fiscal policies for overall economic management. Any deviation, either due to unanticipated and unforeseen events or under/over estimation of expenditure or revenue at the stage of budget preparation from it, indicates non-attainment and non-optimisation of the desired fiscal objectives.

Actuals vis-a-vis revised estimates of important fiscal parameters for 2012-13 are shown in **Chart 1.1** and **Appendix 1.4**.



(Source: Budget and Finance Accounts 2012-13)

- The **Actual Revenue Receipts** (₹ 1,45,904 crore) fell short by ₹ 10,784 crore of the revised estimates (₹ 1,56,688 crore) during 2012-13. Within the revenue receipts, the actual collection of **Own Tax Revenue and Non-tax Revenue** during 2012-13 fell short by ₹ 2,374 crore (four per cent) and ₹ 828 crore (six per cent) respectively. The shortfalls in **Own Tax Revenue** were mainly due to shortfalls in Taxes on Sales, Trade etc. (₹ 1,746 crore; five per cent) and State Excise (₹ 288 crore; three per cent). The shortfalls in **Non-tax Revenue** were mainly due to shortfalls under Miscellaneous General Services (₹ 420 crore; nine per cent) and interest receipts (₹ 236 crore; 17 per cent).
- The **Revenue Expenditure** (₹ 1,40,724 crore) fell short (₹ 10,418 crore) of the Revised Estimates (₹ 1,51,142 crore) during 2012-13. The major shortfalls noticed were in Development Expenditure (Social Services: ₹ 5,781 crore; 10 per cent and Economic Services: ₹ 2,302 crore; 10 per cent). Within the **Social Services**, the shortfalls were mainly contributed by less expenditure in Education, Sports, Art and Culture

(₹ 2,620 crore) followed by ₹ 1,123 crore in Labour and Labour Welfare and ₹ 1,120 crore in Social Welfare and Nutrition. Similarly, within the **Economic Services**, the shortfalls were mainly due to less expenditure in Rural Development (₹ 1,023 crore) followed by Agriculture and Other Allied Services (₹ 679 crore) and Irrigation and Flood control (₹ 530 crore) partly counter balanced by more expenditure under Transport (₹ 148 crore).

- **Interest Payments** (₹ 16,921 crore) exceeded by ₹ 423 crore (two *per cent*) over the Revised Estimates (₹ 16,498 crore) during 2012-13.
- **Capital Expenditure fell short of the Revised Estimates** by ₹ 2,313 crore (nine *per cent*). Shortfalls in Capital expenditure were mainly due to less expenditure on Social Services by ₹ 912 crore (11 *per cent*) followed by Economic Services and General Services by ₹ 892 crore (six *per cent*) and ₹ 510 crore (27 *per cent*) respectively.
- **Revenue Surplus** was less by ₹ 366 crore (seven *per cent*) over the revised estimate of ₹ 5,546 crore at the end of 2012-13. However, the **Fiscal Deficit** (₹ 19,238 crore) improved by ₹ 1,972 crore (nine *per cent*) from the Revised Estimates of ₹ 21,210 crore during 2012-13. **Primary Deficit** was managed in better way as it remained ₹ 2,317 crore against the Revised Estimates of ₹ 4,712 crore during 2012-13.

Thus, the pattern of receipts and expenditure varied from what was envisaged at the stage of budget formulations for the year 2012-13. Status of variations is also depicted in *Appendix 1.4*.

#### 1.1.4 Fiscal Policy Statement of the Government

With a view to increasing the revenue receipts, the Government in its budget speech, announced a growth of 22 *per cent* (relative to 2011-12) in Own Tax Revenue and accordingly proposed increase in tax base of various consumable and non-consumable items during 2012-13. As such, the additional Trade Tax was increased (0.5 *per cent*) on items mentioned in schedule V of U.P. VAT Act, 2008. Five *per cent* tax was imposed on the physical exerciser, fitness equipment and honey. The existing five *per cent* tax on medicated soap, shampoo, antiseptic cream, ply wood, flush door etc. was increased to 14 *per cent*.

**Table 1.5** gives increase of Own Tax Revenue (in *per cent*) of the State Government during 2012-13 over 2011-12. It indicates the growth of 10.42 *per cent* in Own Tax Revenue during 2012-13 over 2011-12 as against the stated growth of 22 *per cent*.

**Table 1.5: Own Tax Revenue**

| Particulars                                                             | Amount |
|-------------------------------------------------------------------------|--------|
| Actuals of Own Tax Revenue for 2011-12 (₹ in crore)                     | 52,613 |
| Actuals of Own Tax Revenue for 2012-13 (₹ in crore)                     | 58,098 |
| Increase in Actuals of Own Tax Revenue in 2012-13 (₹ in crore)          | 5,485  |
| Increase in Actuals of own tax revenue in 2012-13 (In <i>per cent</i> ) | 10.42  |

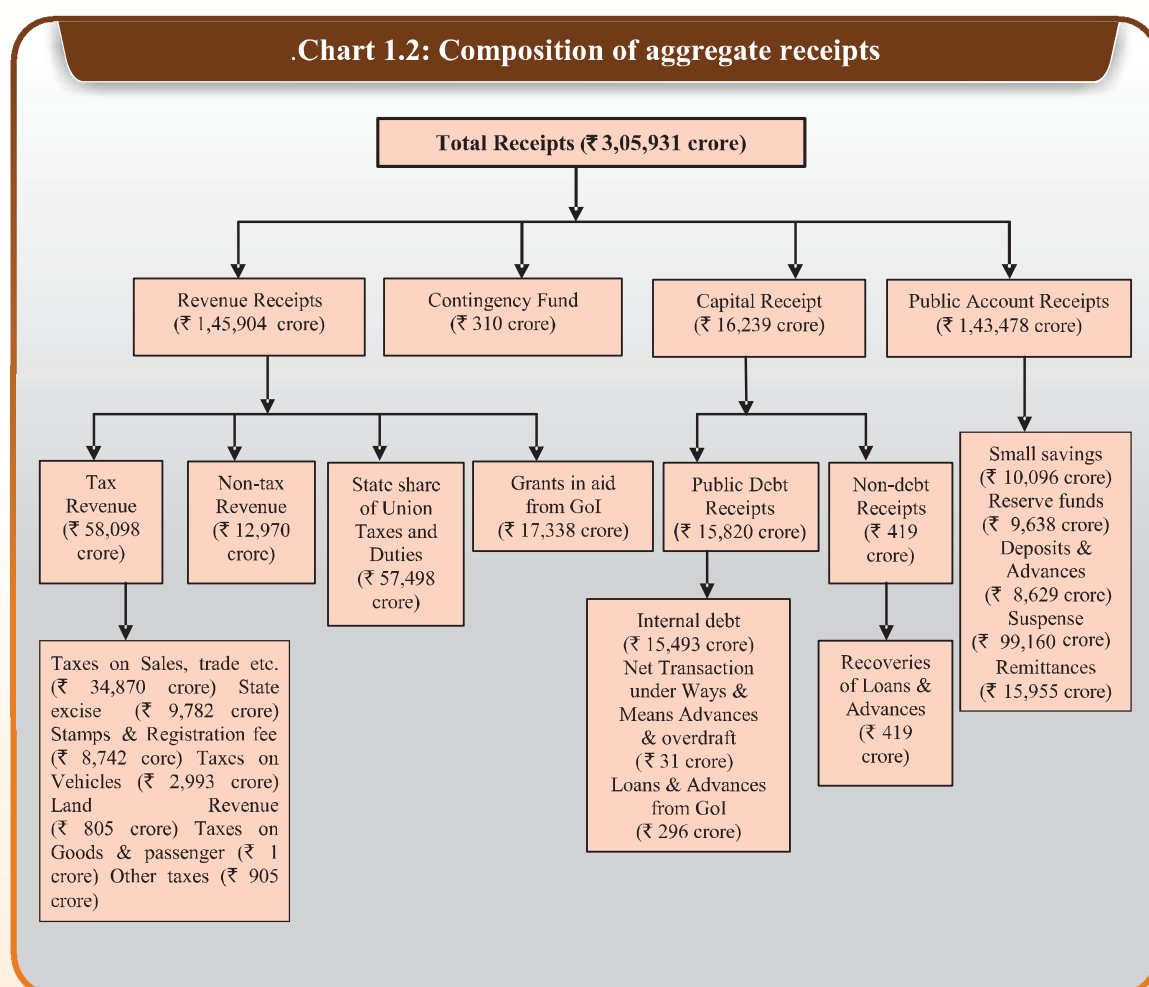
(Source: Finance Accounts of respective year)

## 1.2 Resources of the State

### 1.2.1 Resources of the State as per Annual Finance Accounts

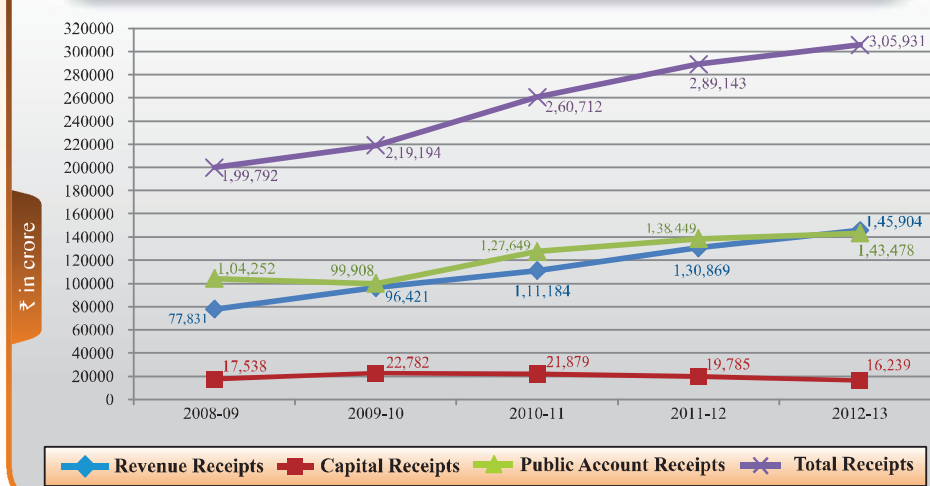
Revenue and Capital are the two streams of receipts that constitute the resources of the State Government. Revenue receipts consist of tax revenues, non-tax revenues, State's share of Union Taxes and Duties and Grants-in-Aid from GoI. Capital receipts comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GoI as well as the accruals from Public Accounts.

**Table 1.2** presents the receipts and disbursements of the State Government during 2012-13 as recorded in the Annual Finance Accounts. **Chart 1.2** depicts the composition of aggregate receipts, **Chart 1.3** the trends in various components of receipts of the State during 2008-13 and the **Chart 1.4** depicts the composition of resources of the State 2012-13.



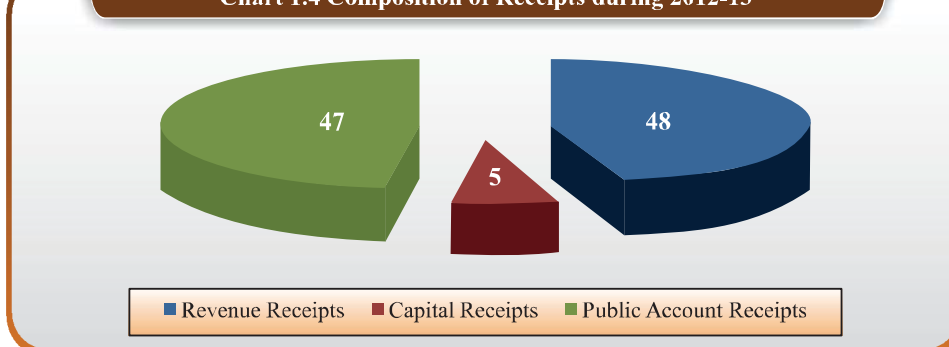
(Source: Finance Accounts 2012-13)

**Chart 1.3: Trends in Receipts excluding the receipts from Contingency Fund of the State (₹ in crore)**



(Source: Finance Accounts of respective years)

**Chart 1.4 Composition of Receipts during 2012-13**



(Source: Finance Accounts 2012-13)

Total Receipts of the Government for 2012-13 were ₹ 3,05,931 crore. Of this, Revenue Receipts were ₹ 1,45,904 crore, Capital Receipts ₹ 16,239 crore, Receipts from the Contingency Fund ₹ 310 crore and Public Accounts Receipts ₹ 1,43,478 crore. Further, Total Receipts increased by ₹ 1,06,139 crore (53 *per cent*) to ₹ 3,05,931 crore in 2008-13.

**Chart 1.4** depicts that the share of Revenue Receipts to Total Receipts was 48 *per cent*, while that of Public Accounts Receipts 47 *per cent* and the Capital Receipts five *per cent*.

### 1.2.2 Funds transferred to the State Implementing Agencies outside the State Budget

GoI has been transferring a sizeable quantum of funds directly to the State implementing agencies for implementation of various schemes/ programmes in social and economic sectors, which are recognized as critical. As in the present mechanism these funds are not routed through the State Budget/ State

Treasury System and hence do not find mention in the Finance Accounts of the State. As such, the Annual Finance Accounts of the State does not provide a complete picture of the resources under control of the State Government.

During 2012-13, Central Funds of ₹ 9,631.63 crore were transferred directly to the State implementing agencies. The programmes assisted by GoI whose funds were transferred are presented in **Table 1.6**.

**Table 1.6: Funds transferred directly by GoI to the State implementing agencies**  
(₹ in crore)

| Sl. No. | Programme/Scheme                                                | Name of the Implementing Agency in Uttar Pradesh                          | Funds transferred directly by GoI |          |
|---------|-----------------------------------------------------------------|---------------------------------------------------------------------------|-----------------------------------|----------|
|         |                                                                 |                                                                           | 2011-12                           | 2012-13  |
| 1       | Mahatma Gandhi National Rural Employment Guarantee Scheme       | Commissioner, Rural Development                                           | 4,240.48                          | 1,695.78 |
| 2       | Pradhan Mantri Gram Sadak Yojna                                 | Uttar Pradesh Rural Road Development Agency, Lucknow                      | 213.77                            | NIL      |
| 3       | Sarva Siksha Abhiyan                                            | Director, UP Education For All Project Board Lucknow                      | 2,097.33                          | 2,880.74 |
| 4       | National Rural Health Mission Normal                            | Director, Health and Family Welfare                                       | 505.90                            | 1,398.88 |
| 5       | Rural Housing Indira Awas Yojna                                 | Commissioner, Rural Development Lucknow                                   | 1,680.43                          | 1,175.53 |
| 6       | Accelerated Rural Water Supply Scheme                           | Managing Director, UP Jal Nigam Lucknow                                   | 802.32                            | 982.01   |
| 7       | Swarn Jayanti Gram Swarajgar Yojna                              | Commissioner, Rural Development Lucknow                                   | 271.78                            | 341.57   |
| 8       | MPs Local Area Development Scheme                               | District Magistrate                                                       | 276.00                            | 559.50   |
| 9       | Integrated Water Shed Management Programme                      | District Rural Development Agencies                                       | 168.91                            | 129.31   |
| 10      | Total Sanitation Campaign                                       | Director, Panchayati Raj Institutions Lucknow                             | 169.20                            | 289.76   |
| 11      | Swarn Jayanti Shahari Rojgar Yojna                              | State Urban Development Agencies Uttar Pradesh                            | 57.73                             | 47.07    |
| 12      | District Rural Development Agency Administration                | Commissioner, Rural Development Lucknow                                   | 63.26                             | 64.70    |
| 13      | Handlooms                                                       | Director, Handloom and Textiles UPSC                                      | 0.04                              | 0.05     |
| 14      | Research and Development Support                                | Different Statutory Bodies etc. e.g. IIT Kanpur, Banaras Hindu University | NIL                               | 18.90    |
| 15      | Integrated Oil Seeds, Oil Palm, Pulses, Maize Development       | Different Government Autonomous Bodies                                    | 6.67                              | 8.53     |
| 16      | Medicinal Plants                                                | Government Autonomous Bodies                                              | 1.80                              | 8.39     |
| 17      | Science and Technology Programme for Socio-Economic Development | Voluntary Institute for Community Applied Science                         | 85.38                             | 5.28     |
| 18      | National Mission on Nano Science and Nano Technology            | University of Allahabad                                                   | 6.31                              | 0.57     |

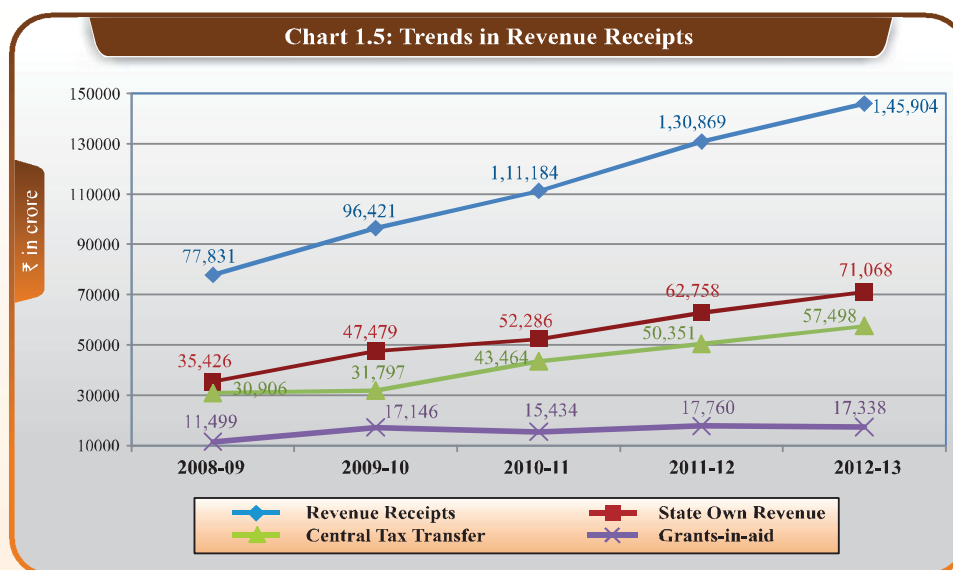
|              |                                                                           |                                                                                              |                  |                 |
|--------------|---------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|------------------|-----------------|
| 19           | Technology Development Programme                                          | National Research Centre for Agro Forestry                                                   | 5.28             | 4.52            |
| 20           | International Cooperation S&T                                             | Central and State Statutory Bodies PSU's etc.                                                | 1.71             | 2.71            |
| 21           | Assistance to Panchyati Raj Institutions Voluntary Organisation Self-Help | Different NGO's as Saheed Memorial Societies                                                 | 1.68             | 0.82            |
| 22           | Research and Development Department of Biotechnology                      | Different Statutory Bodies, Autonomous Bodies etc. e.g. IIT Kanpur, Banaras Hindu University | 26.53            | 17.01           |
| <b>Total</b> |                                                                           |                                                                                              | <b>10,682.51</b> | <b>9,631.63</b> |

(Source: Finance Accounts 2012-13)

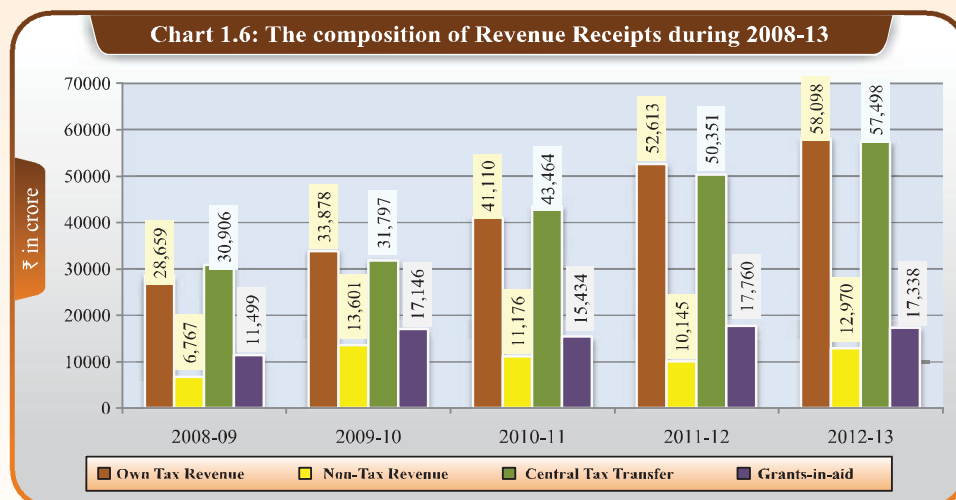
**Table 1.6** indicates that a significant increase of ₹ 892.98 crore (177 per cent) was under the National Rural Health Mission and ₹ 783.41 crore (37 per cent) under the *Sarva Shiksha Abhiyan* and ₹ 120.56 crore (71 per cent) was under the Total Sanitation Campaign. Significant decrease of ₹ 2,544.70 crore (60 per cent) was noticed under the Mahatama Gandhi National Rural Employment Guarantee Scheme, ₹ 504.90 crore (30 per cent) under the *Indira Awas Yojna* and ₹ 213.77 crore (100 per cent) under the *Pradhan Mantri Gram Sadak Yojna*.

### 1.3 Revenue Receipts

**Statement 11** of the Finance Accounts details the revenue receipts of the Government. The revenue receipts consist of its own tax revenues and non-tax revenues, central tax transfers and grants-in-aid from GoI. The trends and composition of Revenue Receipts during 2008-13 are presented in **Appendix 1.5** and also depicted in **Chart 1.5** and **1.6** respectively.



(Source: Finance Accounts of respective years)



(Source: Finance Accounts 2012-13)

**Chart 1.5** depicts that during 2012-13, Revenue Receipts (₹ 1,45,904 crore) increased by ₹ 15,035 crore (11.49 *per cent*) over 2011-12. During 2008-13, it grew steadily from ₹ 77,831 crore to ₹ 1,45,904 crore. **Chart 1.6** also depicts that during 2012-13, ₹ 71,068 crore of the revenue came from own sources and the remaining ₹ 74,836 crore from GoI as State's Share in Union Taxes and Duties (₹ 57,498 crore) and Grants-in-aid (₹ 17,338 crore).

The increase in Revenue Receipts during 2012-13 were mainly due to more allocation of net proceeds assigned to the State by GoI, more collection of taxes under Trade Tax Act and more collection in other receipts under primary education and recognition fee in secondary education.

The trends in Revenue Receipts relative to GSDP are presented in **Table 1.7**.

**Table 1.7: Trends in revenue receipts relative to GSDP**

| Particulars                                  | 2008-09  | 2009-10  | 2010-11  | 2011-12  | 2012-13  |
|----------------------------------------------|----------|----------|----------|----------|----------|
| <b>Revenue Receipts (RR)</b><br>(₹ in crore) | 77,831   | 96,421   | 1,11,184 | 1,30,869 | 1,45,904 |
| Rate of growth of RR ( <i>per cent</i> )     | 13.34    | 23.89    | 15.31    | 17.70    | 11.49    |
| RR/GSDP ( <i>per cent</i> )                  | 18.88    | 19.63    | 18.89    | 19.03    | 18.96    |
| <b>Buoyancy Ratios<sup>4</sup></b>           |          |          |          |          |          |
| Revenue Buoyancy w.r.t GSDP                  | 0.874    | 1.244    | 0.774    | 1.048    | 0.964    |
| State's Own Tax Buoyancy w.r.t GSDP          | 0.971    | 0.948    | 1.079    | 1.657    | 0.88     |
| Revenue Buoyancy w.r.t State's own taxes     | 0.901    | 1.312    | 0.717    | 0.633    | 1.10     |
| GSDP (₹ in crore)                            | 4,12,151 | 4,91,302 | 5,88,467 | 6,87,836 | 7,69,729 |
| Growth rate of GSDP                          | 15.27    | 19.20    | 19.78    | 16.89    | 11.91    |

(Source: Finance Accounts of respective years)

<sup>4</sup> Buoyancy ratio is the elasticity/degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For instance, for 2008-09, revenue buoyancy at 0.8 implies that revenue receipts tend to increase by 0.8 percentage points, if the GSDP increases by one *per cent*.

It would be seen from the **Table 1.7** that:

- Revenue buoyancy with reference to GSDP decreased by 0.084 during 2012-13 relative to 2011-12. During 2009-10 and 2011-12, the growth rate in revenue receipts kept pace with the growth in GSDP. However, during 2008-09, 2010-11 and 2012-13, the growth of receipts was not commensurate with the growth of GSDP.
- The buoyancy of the State's Own Taxes with reference to GSDP also decreased from 1.657 during 2011-12 to 0.88 during the current year.

### 1.3.1 State's Own Resources

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

The gross collections of taxes and duties and non-tax receipts for 2008-13 are presented in **Appendix 1.6**. These resources increased (101 *per cent*) from ₹ 35,426 crore in 2008-09 to ₹ 71,068 crore in 2012-13.

The actual tax and non-tax receipts of the State for 2012-13, *vis-a-vis*, assessments made by the Thirteenth Finance Commission and Revised Estimates are given in **Table 1.8**.

**Table 1.8: Actuals of Tax and Non-tax Receipts for 2012-13 *vis-à-vis* assessment made by Thirteenth Finance Commission and Revised Estimate**

| (₹ in crore)    |                               |                  |                   |           |
|-----------------|-------------------------------|------------------|-------------------|-----------|
| Particulars     | Thirteenth Finance Commission | Budget Estimates | Revised Estimates | Actuals   |
| Tax Revenue     | 47,064.54                     | 62,057.06        | 60,472.14         | 58,098.36 |
| Non-Tax Revenue | 9,487.18                      | 14,173.82        | 13,798.08         | 12,969.98 |

(Source: Thirteenth Finance Commission Recommendations, Budget documents and Finance Accounts 2012-13)

State's own tax revenue during 2012-13 increased by ₹ 11,033.82 crore (23 *per cent*) over the normative assessments made by the Thirteenth Finance Commission. However, it was less by ₹ 2,373.78 crore (four *per cent*) and by ₹ 3,958.70 crore (six *per cent*) over the projections in Revised Estimate and Budget Estimate respectively during 2012-13. Similarly, non-tax revenue during 2012-13 increased by ₹ 3,482 crore (37 *per cent*) over the normative assessments made by the Thirteenth Finance Commission. However, it was less by ₹ 828.10 crore (six *per cent*) and by ₹ 1,203.84 crore (eight *per cent*) over the provisions made in the Revised Estimate and Budget Estimate respectively during 2012-13.

**1.3.1.1 Tax revenue**

The component of tax revenue during 2008-13 is given in **Table 1.9**.

**Table 1.9: Components of State's own resources**

(₹ in crore)

| Component of Revenues         | 2008-09       | 2009-10       | 2010-11       | 2011-12       | 2012-13       | Percentage increase(+)/ decrease (-) during 2012-13 over previous year |
|-------------------------------|---------------|---------------|---------------|---------------|---------------|------------------------------------------------------------------------|
| Taxes on Sales, Trade etc.    | 17,482        | 20,825        | 24,837        | 33,107        | 34,870        | 5                                                                      |
| State Excise                  | 4,720         | 5,666         | 6,723         | 8,139         | 9,782         | 20                                                                     |
| Taxes on Vehicles             | 1,125         | 1,404         | 1,817         | 2,376         | 2,993         | 26                                                                     |
| Stamps and Registration fee   | 4,138         | 4,562         | 5,975         | 7,694         | 8,742         | 14                                                                     |
| Land Revenue                  | 549           | 663           | 1,134         | 491           | 805           | 64                                                                     |
| Taxes on Goods and Passengers | 266           | 271           | 242           | 5             | 1             | -80                                                                    |
| Other Taxes                   | 379           | 487           | 382           | 801           | 905           | 13                                                                     |
| <b>Total</b>                  | <b>28,659</b> | <b>33,878</b> | <b>41,110</b> | <b>52,613</b> | <b>58,098</b> | <b>10</b>                                                              |

(Source: Finance Accounts of respective years)

It would be seen from **Table 1.9** that tax revenue was below the revised budget estimates by ₹ 2,374 crore during 2012-13. However, it increased by ₹ 5,485 crore (10 *per cent*) over 2011-12 due to increased realisation of land revenue, taxes on sales, trade etc., state excise, stamp and registration fee and taxes on vehicles. The increase in state excise was due to realisation of more revenue on account of 'Country Spirits' Foreign Liquor and Spirits and License Fee. Increase under taxes on vehicle was due to realisation of more taxes on sale of vehicles and collection of taxes under State Motor Vehicle Taxation Act. However, there was drastic reduction in the realisation of the revenue under the head 'goods and passenger' which decreased from ₹ 266 crore in 2008-09 to ₹ one crore during 2012-13.

**1.3.1.2 Non-tax revenue**

Non-tax revenue comprises receipts mainly from education, power, interest, forestry and wild life, industries, medical and public health, irrigation, agriculture and other allied activities. The growth rate of State's non-tax revenue for 2012-13 is given in **Table 1.10**.

**Table 1.10: Growth rate of Non-tax revenue**

(₹ in crore)

| Revenue Head           | 2008-09      | 2009-10       | 2010-11       | 2011-12       | 2012-13       | Percentage increase(+)/ decrease (-) during 2012-13 over previous year |
|------------------------|--------------|---------------|---------------|---------------|---------------|------------------------------------------------------------------------|
| Interest Receipts      | 964          | 604           | 689           | 789           | 1,186         | 50.32                                                                  |
| Dividends & Profits    | 50           | 27            | 27            | 38            | 63            | 65.79                                                                  |
| Other non-tax receipts | 5,753        | 12,970        | 10,460        | 9,318         | 11,721        | 25.79                                                                  |
| <b>Total</b>           | <b>6,767</b> | <b>13,601</b> | <b>11,176</b> | <b>10,145</b> | <b>12,970</b> | <b>27.85</b>                                                           |

(Source: Finance Accounts of respective years)

**Table 1.10** indicates that there was overall increase (₹ 2,825 crore) of 28 *per cent* in Non-tax revenue receipts during 2012-13 over 2011-12. The

increases were due to more receipts under interest receipts, miscellaneous general services and other non-tax revenue. The interests realised on investment of cash balances increased by ₹ 448.31 crore (144 *per cent*) during 2012-13 over 2011-12. Other non-tax revenue increased by ₹ 2,403 crore (26 *per cent*) during 2012-13 over 2011-12. The receipts under miscellaneous general services (included in other non-tax receipts) increased mainly due to increase in unclaimed deposits by ₹ 89.29 crore (141 *per cent*).

The receipts (included in other non-tax receipts) decreased under other administrative services (₹ 324 crore) due to shortfalls under miscellaneous receipts, service and license fee and fines; under labour and employment (₹ 172 crore) due to less realisation of miscellaneous receipts, fee under Factories Act and inspection of boilers; and under other social services (₹ 26.32 crore) due to less realisation of fee for maintaining accounts of charitable trusts and receipts of Social Welfare Departments.

### 1.3.2 Grants- in-aid from GoI

The State Government receives grants-in-aid from GoI as non-plan grants, grants for State plan schemes/Central plan schemes etc. The amounts of Grants-in-aid received during 2008-13 are given in **Table 1.11**.

**Table 1.11: Grants-in-aid from GoI**

| (₹ in crore)                                       |                  |                  |                  |                  |                  |
|----------------------------------------------------|------------------|------------------|------------------|------------------|------------------|
| Particulars                                        | 2008-09          | 2009-10          | 2010-11          | 2011-12          | 2012-13          |
| Non Plan Grants                                    | 3,142.62         | 3,947.97         | 3,092.99         | 4,396.73         | 4,341.00         |
| Grants for State plan Schemes                      | 5,195.76         | 5,624.02         | 6,772.07         | 6,813.40         | 5,518.39         |
| Grants for Central Plan Schemes                    | 235.36           | 3,992.43         | 435.16           | 212.45           | 12.31            |
| Grants for Centrally Sponsored Plan Schemes        | 2,923.25         | 3,576.82         | 5,133.43         | 6,337.44         | 7,466.09         |
| <b>Total</b>                                       | <b>11,496.99</b> | <b>17,141.24</b> | <b>15,433.65</b> | <b>17,760.02</b> | <b>17,337.79</b> |
| Percentage of increase/decrease over previous year | 33.54            | 49.09            | (-) 9.96         | 15.07            | (-) 2.38         |
| Total grants as a percentage of Revenue Receipts   | 14.77            | 17.78            | 13.88            | 13.57            | 11.88            |

(Source: Finance Accounts of respective year)

The quantum of Grants-in-aid received from GoI decreased by ₹ 422.23 crore (two *per cent*) from ₹ 17,760.02 crore in 2011-12 to ₹ 17,337.79 crore in 2012-13. Within the Grants-in-aid, the increase was under centrally sponsored schemes (₹ 1,128.65 crore) and major decreases were under non-plan grants (₹ 55.73 crore), grants for State plan schemes (₹ 1,295.01 crore) and grants for Central Plan Schemes (₹ 200.14 crore) relative to 2011-12.

### 1.3.3 Central tax transfers

GoI transfers the share of State Government in the Union Taxes and Duties such as Income Tax, Service Tax, Union Excise Duties etc. The trends in these Central tax transfers during 2008-13 are given in **Table 1.12**.

Table 1.12: Trends in Central Tax Transfers

(₹ in crore)

|                                            | 2008-09       | 2009-10       | 2010-11       | 2011-12       | 2012-13       |
|--------------------------------------------|---------------|---------------|---------------|---------------|---------------|
| <b>Total Central Tax Transfer</b>          | <b>30,906</b> | <b>31,797</b> | <b>43,464</b> | <b>50,351</b> | <b>57,498</b> |
| Service Tax                                | 3,339         | 3,357         | 4,309         | 6,010         | 8,396         |
| Taxes on income other than Corporation tax | 6,364         | 7,289         | 8,927         | 10,067        | 12,365        |
| Union Excise Duties                        | 5,152         | 3,585         | 5,498         | 5,649         | 6,493         |
| Corporation Tax                            | 10,134        | 13,086        | 16,893        | 19,819        | 20,654        |
| Taxes on wealth                            | 9             | 30            | 35            | 76            | 35            |
| Customs                                    | 5,908         | 4,450         | 7,557         | 8,730         | 9,555         |

(Source: Finance Accounts of respective year)

Central tax transfers increased by ₹ 7,147 crore (14 *per cent*) from ₹ 50,351 crore in 2011-12 to ₹ 57,498 crore in 2012-13. The increases were during 2012-13 mainly under Service Tax by ₹ 2,386 crore (40 *per cent*), Taxes on income other than Corporation Tax by ₹ 2,298 crore (23 *per cent*) and Union Excise Duties by ₹ 844 crore (15 *per cent*) as compared to 2011-12.

### 1.3.4 Arrear of Revenue

The revenue arrears amounted to ₹ 23,519.84 crore under some of principal revenue heads. Of this, ₹ 14,310.37 crore was outstanding (61 *per cent*) for over five years. Further, the revenue arrears registered an increase (21 *per cent*) of ₹ 4,161.84 crore during 2012-13 relative to 2011-12. The status under some heads of revenue as on 31 March 2013 is detailed in Table 1.13.

Table 1.13: Arrears of Revenue

(₹ in crore)

| Head of Revenue                 | Amount of Arrears | Amount outstanding for over five years | Remark                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|---------------------------------|-------------------|----------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Taxes on Sales and Trade etc.   | 22,850.53         | 14,256.01                              | Out of ₹ 22,850.53 crore, demand for ₹ 1,730.04 crore had been certified for recovery as arrears of land revenue; recovery certificates for ₹ 1,166.26 crore have been sent to other States; recoveries for ₹ 4,566.12 crore had been stayed by the courts/appellate authority; recoveries for ₹ 489.86 crore were outstanding against the Government/semi Government departments; arrears not covered under recovery certificates ₹ 13,267.03 crore; the demand for recovery of ₹ 1,579.44 crore was likely to be written off; and ₹ 51.78 crore was outstanding from the transporters. |
| State Excise                    | 54.06             | 48.51                                  | Out of ₹ 54.06 crore, recovery for ₹ 16 lakh had been stayed by the courts/appellate authorities; ₹ 78 lakh was likely to be written off. The departments had not furnished details for remaining ₹ 53.12 crore.                                                                                                                                                                                                                                                                                                                                                                         |
| Entertainment Tax               | 28.58             | 5.85                                   | The department had not furnished the details of arrears.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Stamp duty and Registration fee | 586.67            | Not furnished by the department        | Out of ₹ 586.67 crore, recovery for ₹ 382.75 crore had been stayed by the courts/appellate authorities. The department had not furnished details for remaining ₹ 203.92 crore.                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>Total</b>                    | <b>23,519.84</b>  | <b>14,310.37</b>                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |

(Source: Concerned Departments)

Out of revenue arrears of ₹ 23,519.84 crore, the details of ₹ 285.62 crore were not furnished by the departments.

## 1.4 Capital Receipts

Capital receipts comprises Public Debt receipts such as recoveries of loans and advances. The trends of Capital Receipts during 2008-13 are given in **Table 1.14**.

**Table 1.14: Trends in Capital Receipts**

| (₹ in crore)                                |               |               |               |               |               |
|---------------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Sources of State's Capital Receipts         | 2008-09       | 2009-10       | 2010-11       | 2011-12       | 2012-13       |
| <b>Capital Receipts</b>                     | <b>17,538</b> | <b>22,782</b> | <b>21,879</b> | <b>19,785</b> | <b>16,239</b> |
| Recovery of Loans and Advances              | 778           | 293           | 485           | 133           | 419           |
| Public Debt Receipts                        | 16,760        | 22,489        | 21,394        | 19,652        | 15,820        |
| Rate of growth of debt capital receipts     | 85            | 34            | (-) 5         | (-) 8         | (-) 19        |
| Rate of growth of non-debt capital receipts | 73            | (-) 62        | 66            | (-) 73        | 215           |
| Rate of growth of GSDP                      | 15.27         | 19.20         | 19.78         | 16.89         | 11.91         |
| Rate of growth of CR ( <i>per cent</i> )    | 84.07         | 30            | (-) 4         | (-) 10        | (-) 18        |

(Source: Finance Accounts of respective year)

**Table 1.14** indicated uneven trends in collection of Capital Receipts during 2008-13. It increased from ₹ 17,538 crore in 2008-09 to ₹ 22,782 crore in 2009-10 but dipped during the years 2010-13 and stood at ₹ 16,239 crore in 2012-13. Within the Capital Receipts, growth rate of Debt Capital Receipts decreased from 85 *per cent* in 2008-09 to minus 19 *per cent* in 2012-13. The recovery of Loans and Advances had also been oscillating between ₹ 778 crore and ₹ 133 crore during 2008-13.

### 1.4.1 Recoveries of loans and advances

The recoveries of loans and advances and percentage of recoveries against the disbursement is shown in **Table 1.15**.

**Table 1.15: Disbursement/ recoveries of loans and advances**

| (₹ in crore)                                           |         |         |         |         |         |
|--------------------------------------------------------|---------|---------|---------|---------|---------|
| Particulars                                            | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
| Disbursement                                           | 807     | 942     | 968     | 976     | 1,003   |
| Recoveries                                             | 778     | 293     | 485     | 133     | 419     |
| Percentage of recoveries with respect to disbursements | 96      | 31      | 50      | 14      | 42      |

(Source: Finance Accounts of respective years)

It would be seen from **Table 1.15** that the recoveries of loans and advances ranged between 14 and 96 *per cent* during 2008-13. It indicated that the mechanism of the State Government to recover the loans and advances disbursed was ineffective.

### 1.4.2 Debt receipts from internal sources

The debt receipts from internal sources comprise the market borrowings and loans from the financial institutions. The amount of debt receipts from internal sources during the years 2008-09 to 2012-13 is given in **Table 1.16**.

**Table 1.16: Debt receipt from internal sources**

(₹ in crore)

| Particulars                       | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|-----------------------------------|---------|---------|---------|---------|---------|
| Market Borrowings                 | 12,692  | 13,877  | 12,000  | 15,830  | 9,500   |
| Loans from Financial Institutions | 2,424   | 2,385   | 1,543   | 1,277   | 1,421   |

(Source: Finance Accounts of respective years)

**Table 1.16** revealed that the market borrowings remained static with marginal increase/ decrease during 2008-12. However, during 2012-13, it dipped down to ₹ 9,500 crore by ₹ 6,630 crore (40 per cent) as compared to previous year. The dependence on loans from the financial institutions had declining trend during 2008-12 however, increased to ₹ 1,421 crore during 2012-13 over the year 2011-12.

### 1.4.3 Loans and advances from GoI

The State Government receives loans and advances. The details of the loans and advances from GoI during 2008-13 are given in **Table 1.17**.

**Table 1.17: Loans and advances from GoI**

(₹ in crore)

| Particulars                 | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|-----------------------------|---------|---------|---------|---------|---------|
| Loans and advances from GoI | 421     | 283     | 363     | 316     | 296     |

(Source: Finance Accounts of respective years)

**Table 1.17** revealed that the amount of loans and advances from GoI declined from ₹ 421 crore in 2008-09 to ₹ 296 crore at the close of 2012-13 with inter-year marginal increase/ decrease.

## 1.5 Public Accounts Receipts

Receipts and disbursements in respect of certain transactions such as small savings, provident funds and reserve funds etc. which form part of the Consolidated Fund, are kept in the Public Accounts set up under Article 266 (2) of the Constitution of India and are not subject to vote by the legislature and the Government acts as a banker. The balance after disbursement is the fund available with the Government for use. The status of Public Accounts Receipts is given below in **Table 1.18**.

**Table 1.18: Public Accounts Receipts**

(₹ in crore)

| Resources under various heads         | 2008-09         | 2009-10       | 2010-11         | 2011-12         | 2012-13         |
|---------------------------------------|-----------------|---------------|-----------------|-----------------|-----------------|
| <b>Public Accounts Receipts</b>       | <b>1,04,252</b> | <b>99,908</b> | <b>1,27,649</b> | <b>1,38,449</b> | <b>1,43,478</b> |
| a. Small savings, Provident Fund etc. | 6,511           | 8,156         | 9,857           | 9,539           | 10,096          |
| b. Reserve Fund                       | 3,628           | 5,825         | 8,577           | 10,255          | 9,638           |
| c. Deposits and Advances              | 22,656          | 17,260        | 15,560          | 10,551          | 8,629           |
| d. Suspense and Miscellaneous         | 52,278          | 40,084        | 75,907          | 89,398          | 99,160          |
| e. Remittances                        | 19,179          | 28,583        | 17,748          | 18,706          | 15,955          |

(Source: Finance Accounts of respective years)

**Table 1.18** revealed increasing trends in Public Accounts Receipts (except at the end of 2009-10). It increased from ₹ 1,04,252 crore at the end of 2008-09 to ₹ 1,43,478 crore (38 *per cent*) at the close of 2012-13.

## 1.6 Application of Resources

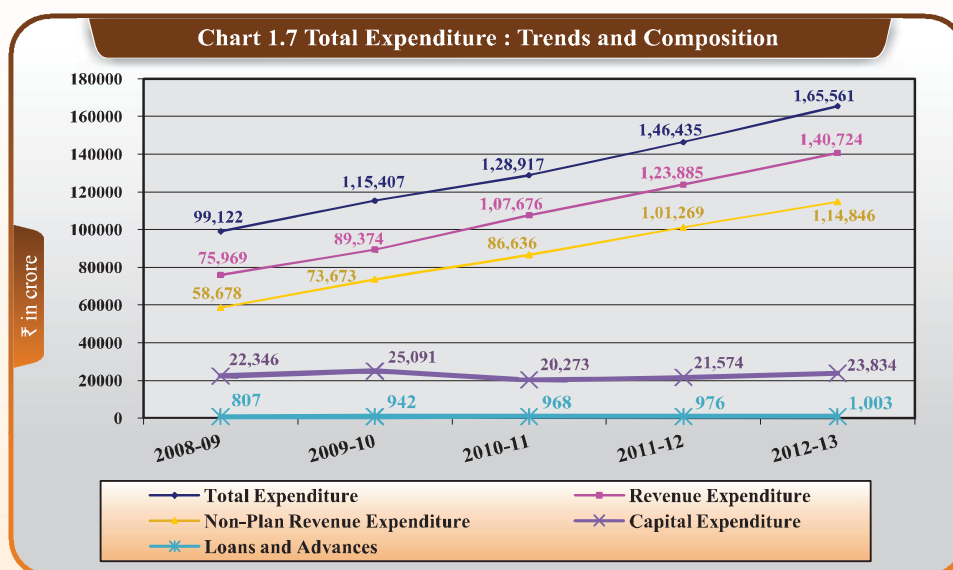
Analysis of the allocation of expenditure at the State Government level assumes significance since major expenditure responsibilities are entrusted with them. Within the framework of fiscal responsibility legislations, there are budgetary constraints in raising public expenditure financed by deficit or borrowings. It is, therefore, important to ensure that the ongoing fiscal correction and consolidation process at the State level is not at the cost of expenditure, especially expenditure directed towards development of social sectors.

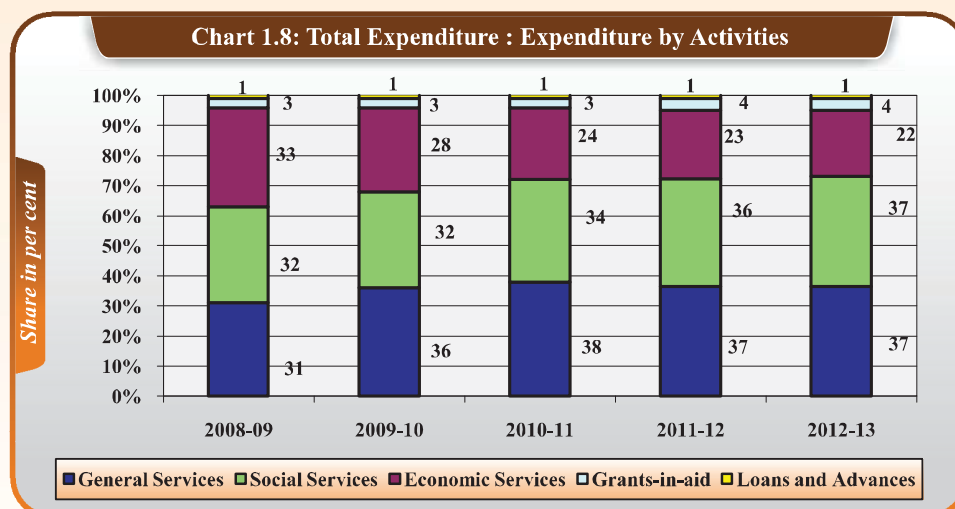
### 1.6.1 Growth and composition of expenditure

Total Expenditure includes Revenue Expenditure, Capital Expenditure and Loans and Advances. The Revenue Expenditure is incurred to maintain the current level of services and make payments for the past obligations. As such, it does not result in any addition to the infrastructure of the State and network of the services. On the other hand, the Capital Expenditure increases the infrastructure of the State and network of the services (tangible assets).

Total Expenditure steadily increased by ₹ 66,439 crore (67 *per cent*) from ₹ 99,122 crore in 2008-09 to ₹ 1,65,561 crore in 2012-13 and Revenue Receipts, as a ratio to Total Expenditure ranged between 79 and 89 *per cent* (2008-13) but relative to 2011-12, there was a decrease of one *per cent* in ratio of Revenue Receipts to Total Expenditure during 2012-13.

**Chart 1.7** presents the trends and composition of total expenditure and **Chart 1.8** presents total expenditure activities wise during 2008-13.





(Source: Finance Accounts of respective years)

Trends indicate inter-year variations in the shares of both Revenue and Capital Expenditure to Total Expenditure during 2008-13.

During 2012-13, the increases in Revenue Expenditure were mainly under Pension and Other Retirement Benefits, General Education, Police, Interest Payments, Family Welfare, Power etc. and decreases were observed under water supply and sanitation, rural employment and relief on account of natural calamities as compared to 2011-12.

Further, during 2012-13 there were increases in Capital Expenditure under roads and bridges, water supply, food storage and warehousing, housing, social security and welfare etc. and decreases under other rural development, power projects, other special area programmes, urban developments and major irrigation etc. as compared to 2011-12.

### 1.6.2 Revenue Expenditure

The trends in Revenue Expenditure relative to GSDP during the year 2008-13 are presented in **Table 1.19**.

**Table 1.19: Trends of Revenue Expenditure relative to GSDP**

| Particulars                      | 2008-09  | 2009-10   | 2010-11  | 2011-12  | 2012-13  |
|----------------------------------|----------|-----------|----------|----------|----------|
| Revenue Expenditure (₹ in crore) | 75,969   | 89,374    | 1,07,676 | 1,23,885 | 1,40,724 |
| Revenue surplus (₹ in crore)     | (+)1,862 | (+) 7,047 | (+)3,508 | (+)6,984 | (+)5,180 |
| State's GSDP (₹ in crore)        | 4,12,151 | 4,91,302  | 5,88,467 | 6,87,836 | 7,69,729 |
| Rate of growth of RE             | 16.47    | 17.64     | 20.48    | 15.05    | 13.59    |
| RE/GSDP                          | 18.43    | 18.19     | 18.30    | 18.01    | 18.28    |
| Rate of growth of GSDP           | 15.27    | 19.20     | 19.78    | 16.89    | 11.91    |

(Source: Finance Accounts of respective years)

**Table 1.19** indicates that the rate of growth of Revenue Expenditure was not commensurate with rate of growth of GSDP except during 2009-10 and 2011-12.

### 1.6.3 Committed expenditure

The Committed expenditure of the Government under Revenue Head mainly consists of interest payments, expenditure on salaries and wages, pensions and subsidies. The Committed Expenditure constitutes a major component of Revenue expenditure and consumed 81 *per cent* of the non-plan revenue expenditure.

**Table 1.20** and **Chart 1.9** present the trends under the committed expenditure during 2008-13.

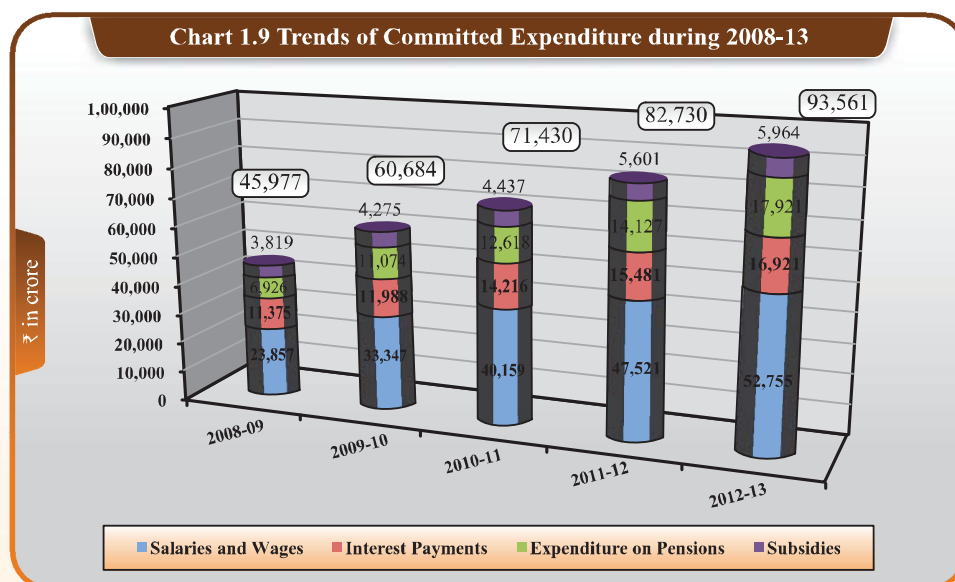
**Table 1.20: Trends in components of committed expenditure**

(₹ in crore)

| Components of Committed expenditure | 2008-09            | 2009-10            | 2010-11           | 2011-12           | 2012-13          |                   |
|-------------------------------------|--------------------|--------------------|-------------------|-------------------|------------------|-------------------|
|                                     |                    |                    |                   |                   | Revised Estimate | Actuals           |
| Salaries* & Wages, Of which         | 23,857 (31)        | 33,347 (35)        | 40,159(36)        | 47,521(36)        | 54,484           | 52,755 (36)       |
| Non-Plan Head                       | 22,834             | 31,137             | 36,316            | 42,244            |                  | 46,007            |
| Plan Head**                         | 1,023              | 2,210              | 3,843             | 5,277             |                  | 6,748             |
| Interest Payments                   | 11,375(14)         | 11,988 (13)        | 14,216(13)        | 15,481(12)        | 16,498           | 16,921(12)        |
| Expenditure on Pensions             | 6,926 (9)          | 11,074 (11)        | 12,618(11)        | 14,127(11)        | 18,925           | 17,921(12)        |
| Subsidies                           | 3,819 (5)          | 4,275 (4)          | 4,437(4)          | 5,601(4)          | 6,553            | 5,964(4)          |
| <b>Total Committed Expenditure</b>  | <b>45,977 (59)</b> | <b>60,684 (63)</b> | <b>71,430(64)</b> | <b>82,730(63)</b> | <b>96,460</b>    | <b>93,561(64)</b> |

Figures in the parentheses indicate percentage to Revenue Receipts.  
 \*It also includes the salaries paid out of Grants-in-aid.  
 \*\*Plan Head also includes the salaries and wages paid under Centrally sponsored schemes.

(Source: Finance Accounts and VLC data of respective year)



(Source: Finance Accounts of respective years)

Analysis of committed expenditure of the Government indicates increasing trends in all of its constituents over the periods 2008-13. It increased by 103 *per cent* from the level of ₹ 45,977 crore in 2008-09 to ₹ 93,561 crore in 2012-13. The increase was mainly under salaries, wages and pensions.

The component wise increase/decrease under various indices of committed expenditure are discussed in succeeding paragraphs.

### *Salaries and Wages*

An analysis of **Table 1.20** indicates that expenditure on Salaries and Wages increased an increasing trend under Non-plan heads and Plan heads during 2008-13. The expenditure under Non-plan heads increased from ₹ 22,834 crore in 2008-09 to ₹ 46,007 crore (101 *per cent*) in 2012-13. The expenditure under the Plan heads increased from ₹ 1,023 crore in 2008-09 to ₹ 6,748 crore (560 *per cent*) in 2012-13.

### *Pension Payments*

The expenditure on pension indicates an increasing trend during 2008-13. It increased from ₹ 6,926 crore in 2008-09 to ₹ 17,921 crore (159 *per cent*) in 2012-13. Relative to 2011-12, it increased by ₹ 3,794 crore (27 *per cent*).

The Government had introduced a Contributory Pension Scheme for its employees recruited on or after 1 April 2005 to mitigate the impact of rising pension liabilities.

### *Interest Payments*

Interest Payments relative to Total Revenue Receipts decreased from 14 *per cent* in 2008-09 to 12 *per cent* in 2012-13 whereas it ranged between 14 and 12 *per cent* during 2008-13 in regards to Revenue Expenditure. Actual Interest Payments (₹ 16,921 crore) exceeded the provision made in Revised Estimates (₹ 16,498 crore) by ₹ 423 crore.

### *Subsidies*

In any welfare State, it is not uncommon to provide subsidies/subventions to disadvantaged sections of the society. Subsidies are dispensed not only explicitly but also implicitly by providing subsidised public services to the people. Budgetary support to financial institutions, inadequate returns on investments and inadequate recovery of user charges from social and economic services provided by the Government fall under the category of implicit subsidies.

Finance Accounts (Appendix III) showed that the Government paid explicit subsidies amounting to ₹ 5,964 crore during 2012-13, which constituted four *per cent* of the Revenue Receipts and also four *per cent* of the Total Expenditure. Of the total subsidy paid, ₹ 4,775 crore (80 *per cent*) was disbursed under Non-plan, ₹ 802 crore (13 *per cent*) under Plan and ₹ 387 crore (seven *per cent*) under Centrally Sponsored Schemes<sup>5</sup>. The major activities given subsidy included energy activities ₹ 4,435 crore (74 *per cent*), agriculture and other allied activities ₹ 1,240 crore (21 *per cent*) and social welfare ₹ 158 crore (three *per cent*). The activity wise details are given in the succeeding paragraphs.

<sup>5</sup> Funds routed through State Budget.

### Energy Sector

Relative to 2011-12, the expenditure on payment of subsidy increased by ₹ 953 crore (27 *per cent*) during 2012-13. Maximum amount of subsidy amounting to ₹ 4,200 crore was paid under non-plan heads to U.P. Power Corporation Limited as a compensatory grant for adjustment against recovery of Electricity Tax during 2012-13. Apart from this, subsidies amounting to ₹ 235 crore was also paid towards compensation against rebate in Electricity rate and for payment of pending electricity bills to the power loom weavers.

### Agriculture Sector

Relative to 2011-12, the expenditure on payment of subsidy decreased by ₹ 94 crore (11 *per cent*) during 2012-13. Maximum amount of subsidy amounting to ₹ 240 crore was paid under non-plan heads, to U.P. Electricity Corporation for electricity supply to private tube well farmers for improvement in agricultural production during 2012-13. Apart from this, subsidies were also paid to Agricultural Development Schemes (₹ 165 crore), financial assistance to institutions of public sector (₹ 104 crore) and centrally sponsored scheme of Macro Management of Agriculture (₹ 73 crore).

### Social Welfare

Relative to 2011-12, the subsidy decreased by ₹ 287 crore (64 *per cent*) during 2012-13. Maximum amount of subsidies were paid to *Swarn Jayanti* Rural Self Employment Scheme (₹ 36 crore), assistance for free boring to small and marginal farmers for agricultural production (₹ 30 crore) and macro management of agriculture (₹ 23 crore).

The subsidies present a partial picture as these are exclusive of the implicit subsidies. Implicit subsidies *inter-alia* arise when the Government is unable to recover the costs it incurs in the provision of social and economic goods/services, which are mainly private goods/services in nature, even though sometimes these may have extended benefit. It can be indirect and can also be in kind or take the shape of tax concessions. Some of the implicit subsidies during 2012-13 are detailed in **Table 1.21**.

**Table 1.21: Details of some of the implicit subsidy during 2012-13**

| Sl. No.      | Schemes/ Subsidy                                                                      | Name of Department                         | Amount (₹ in crore) |
|--------------|---------------------------------------------------------------------------------------|--------------------------------------------|---------------------|
| 1            | Distribution of free books to General Category of boys                                | Education Department (Primary Education)   | 17.58               |
| 2            | Distribution of free books to Class 6 to 8 boys of General Category                   | Education Department (Primary Education)   | 47.88               |
| 3            | Free Uniforms to studying children in primary and higher primary schools run in State | Education Department (Primary Education)   | 74.23               |
| 4            | <i>Kanya Vidya Dhan</i> Scheme                                                        | Education Department (Secondary Education) | 555.63              |
| 5            | Free Tablets to 10 <sup>th</sup> passed Boys/ Girls                                   | Education Department (Secondary Education) | 0.20                |
| 6            | Free Laptops to 12 <sup>th</sup> passed Boys/ Girls                                   | Education Department (Secondary Education) | 1,011.84            |
| <b>Total</b> |                                                                                       |                                            | <b>1,707.36</b>     |

(Source: Appropriation Accounts 2012-13)

The payment of ₹ 1,707.36 crore made on account of Subsidy during 2012-13 were, however, well within the projections made by the Government in Revised Estimate (₹ 6,553 crore).

### 1.7 Quality of Expenditure

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

#### 1.7.1 Adequacy of Public Expenditure

The expenditure responsibilities relating to Social Sector and the Economic Infrastructure assigned to the State Governments are largely State subjects. Enhancing human development levels requires the States to step up their expenditure on key Social Services like, education and health etc. Low fiscal priority (ratio of expenditure under a category to Aggregate Expenditure) is attached to a particular sector if it is below the respective National Average. **Table 1.22** analyses the fiscal priorities of the State Government with regard to Development Expenditure, Social Expenditure and Capital Expenditure during 2012-13.

**Table 1.22: Fiscal priorities of the State in 2009-10 and 2012-13**

(in per cent)

| Fiscal Priority by the State*                                                                                                                                                                                                                                                                                                                                        | AE/GSDP | DE/AE <sup>#</sup> | SSE/AE | CE/AE | Education/AE | Health/AE |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|--------------------|--------|-------|--------------|-----------|
| General Category States** Average (Ratio) 2009-10                                                                                                                                                                                                                                                                                                                    | 18.24   | 66.05              | 35.76  | 14.85 | 16.21        | 4.28      |
| Uttar Pradesh's Average (Ratio) 2009-10                                                                                                                                                                                                                                                                                                                              | 23.49   | 61.14              | 32.02  | 21.74 | 14.48        | 5.24      |
| General Category States Average (Ratio) 2012-13                                                                                                                                                                                                                                                                                                                      | 15.93   | 65.79              | 32.77  | 13.23 | 17.23        | 4.47      |
| Uttar Pradesh's Average (Ratio) 2012-13                                                                                                                                                                                                                                                                                                                              | 21.51   | 59.13              | 36.78  | 14.40 | 18.17        | 5.22      |
| *A percentage to GSDP<br>** General Category States exclude three States i.e. Delhi, Goa and Pondichery<br>AE: Aggregate Expenditure; DE: Development Expenditure; SSE: Social Sector Expenditure<br>CE: Capital Expenditure<br># Development expenditure includes Development Revenue Expenditure, Development Capital Expenditure and Loans and Advances disbursed |         |                    |        |       |              |           |

(Source: Director, Arthik Bodh evam Samkhyā Nideshalaya for GSDP of the State)

#### Fiscal Priorities:

- Aggregate expenditure of the State as a ratio to GSDP was higher in both the years 2009-10 and 2012-13 as compared to General Category States.
- The State Government has not given adequate fiscal priority to Development Expenditure in 2009-10 and 2012-13, as its ratio to

Aggregate Expenditure was less than the corresponding ratio for General Category States.

- The ratio of Social Sector Expenditure to Aggregate Expenditure in 2009-10 was lower than the corresponding ratio for General Category States while it was higher in 2012-13 as compared to General Category States.
- The ratio of Capital Expenditure to Aggregate Expenditure was higher than the corresponding ratio for General Category States in 2009-10 and 2012-13.
- The ratio of expenditure on Education Sector to Aggregate Expenditure increased from 14.48 *per cent* in 2009-10 to 18.17 *per cent* in 2012-13. The priority given to Education in Uttar Pradesh was lower in 2009-10 but it was higher in 2012-13 as compared to General Category States.
- Expenditure on the Health Sector in the State was significant as its ratio was higher than the Average of General Category States in 2009-10 and 2012-13.

#### 1.7.1.1 Development and non-development expenditure

All expenditure relating to Revenue head, Capital Outlay and Loans and Advances are categorised into social services, economic services and general services. Broadly, the social and economic services constitute developmental expenditure, while expenditure on general services is treated as non-developmental expenditure.

The rate of growth of development and non-development expenditure of the Government during 2008-13 is given in **Table 1.23**.

**Table 1.23: Development and Non Development Expenditure**

| (₹ in crore)                                                     |               |                 |                 |                 |                 |
|------------------------------------------------------------------|---------------|-----------------|-----------------|-----------------|-----------------|
| Particulars                                                      | 2008-09       | 2009-10         | 2010-11         | 2011-12         | 2012-13         |
| Revenue expenditure                                              | 75,969        | 89,374          | 1,07,676        | 1,23,885        | 1,40,724        |
| Capital expenditure                                              | 22,346        | 25,091          | 20,273          | 21,574          | 23,834          |
| Loans and advances                                               | 807           | 942             | 968             | 976             | 1,003           |
| <b>Total expenditure</b>                                         | <b>99,122</b> | <b>1,15,407</b> | <b>1,28,917</b> | <b>1,46,435</b> | <b>1,65,561</b> |
| <b>Development expenditure</b>                                   | <b>64,737</b> | <b>70,554</b>   | <b>75,019</b>   | <b>86,897</b>   | <b>97,904</b>   |
| Rate of growth of Development expenditure (In <i>per cent</i> )  | 24            | 9               | 6               | 16              | 13              |
| <b>Non-Development expenditure</b>                               | <b>34,385</b> | <b>44,853</b>   | <b>53,898</b>   | <b>59,538</b>   | <b>67,657</b>   |
| Rate of growth Non-Development expenditure (In <i>per cent</i> ) | 12            | 30              | 20              | 10              | 14              |

(Source: Finance Accounts of respective years)

**Table 1.23** revealed uneven trends of development and non-development expenditure during 2008-13. Non-development expenditure increased from 12 *per cent* in 2008-09 to 30 *per cent* in 2009-10. However, it declined to

20 per cent in 2010-11 and further to 10 per cent in 2011-12. During 2012-13, it again increased to 14 per cent. Further, the rate of growth of development expenditure exceeded the rate of growth of non-development expenditure during 2008-09 and 2011-12 only. This indicated that the Government needs to give priority to developmental activities.

### 1.7.1.2 Plan and non-plan revenue expenditure

Total Expenditure, Revenue (including plan and non-plan) and Capital Expenditure to the State is given in **Table 1.24**.

**Table 1.24: Plan and Non-plan Revenue Expenditure**

(₹ in crore)

| Particulars                                           | 2008-09       | 2009-10         | 2010-11         | 2011-12         | 2012-13         |
|-------------------------------------------------------|---------------|-----------------|-----------------|-----------------|-----------------|
| <b>Total Expenditure</b>                              | <b>99,122</b> | <b>1,15,407</b> | <b>1,28,917</b> | <b>1,46,435</b> | <b>1,65,561</b> |
| Revenue Expenditure                                   | 75,969        | 89,374          | 1,07,676        | 1,23,885        | 1,40,724        |
| Non-plan Revenue Expenditure                          | 58,678        | 73,673          | 86,636          | 1,01,269        | 1,14,846        |
| Plan Expenditure                                      | 17,291        | 15,701          | 21,040          | 22,616          | 25,878          |
| Capital Expenditure                                   | 22,346        | 25,091          | 20,273          | 21,574          | 23,834          |
| Loans and Advances                                    | 807           | 942             | 968             | 976             | 1,003           |
| <b>Rate of Growth of Total Expenditure</b>            | 20            | 16              | 12              | 14              | 13              |
| <b>Rate of growth of Non-plan Revenue expenditure</b> | 10            | 26              | 18              | 17              | 13              |
| <b>Rate of growth of plan expenditure</b>             | 47            | (-) 9           | 34              | 7               | 14              |

(Source: Finance Accounts of respective years)

It would be seen from **Table 1.24** that the growth of plan expenditure during the years 2008-13 shows oscillating trends and ranged between minus nine per cent and 47 per cent.

### 1.7.2 Efficiency of Expenditure use

**Table 1.25** provides the details of Capital Expenditure and the components of Revenue Expenditure incurred on maintenance of the selected social and economic services.

**Table 1.25: Efficiency of Expenditure use in Selected Social and Economic Services**

| Social/Economic Infrastructure        | 2011-12           |                                  |              | 2012-13           |                                  |              |
|---------------------------------------|-------------------|----------------------------------|--------------|-------------------|----------------------------------|--------------|
|                                       | Ratio of CE to TE | Revenue expenditure (₹ in crore) |              | Ratio of CE to TE | Revenue expenditure (₹ in crore) |              |
|                                       |                   | S&W                              | O&M          |                   | S&W                              | O&M          |
| General Education                     | 1.27              | 22,571                           | 10           | 1.11              | 23,810                           | 10           |
| Health and Family Welfare             | 14.04             | 4,482                            | 86           | 12.92             | 5,720                            | 97           |
| WS, Sanitation, & HUD                 | 61.55             | 58                               | 59           | 80.71             | 9                                | 48           |
| <b>Total (SS)</b>                     | <b>9.80</b>       | <b>28,192</b>                    | <b>171</b>   | <b>12.42</b>      | <b>30,814</b>                    | <b>155</b>   |
| Agriculture & Other Allied Activities | (-) 3.61          | 1,695                            | 39           | 16.14             | 1,906                            | 38           |
| Irrigation and Flood Control          | 34.64             | 2,163                            | 1,159        | 28.87             | 2,377                            | 1,256        |
| Power & Energy                        | 54.96             | 16                               | 00           | 43.81             | 22                               | 00           |
| Transport                             | 70.53             | 69                               | 1,847        | 75.25             | 80                               | 2,018        |
| <b>Total (ES)</b>                     | <b>44.84</b>      | <b>6,727</b>                     | <b>3,071</b> | <b>40.35</b>      | <b>7,594</b>                     | <b>3,351</b> |
| <b>Total (SS+ES)</b>                  | <b>23.51</b>      | <b>34,919</b>                    | <b>3,242</b> | <b>22.91</b>      | <b>38,408</b>                    | <b>3,506</b> |

TE: Total Expenditure; CE: Capital Expenditure; RE: Revenue Expenditure; S&W: Salaries and Wages; O&M: Operations & Maintenance.

(Source: Finance Accounts of 2011-12 and 2012-13 and VLC data)

The share of Capital Expenditure to Total Expenditure declined marginally during 2012-13 over the previous year. The share of Capital Expenditure under Social Services increased over the previous year by 2.62 *per cent* and decreased in Economic Services by 4.49 *per cent* respectively. Under the Social Services, the increase in the ratio of Capital Expenditure to Total Expenditure during 2012-13 over the previous year was 19.16 *per cent* in the area of water supply, sanitation and urban housing development. Under the Economic Services, there was decrease of 5.77 *per cent* in irrigation and flood control, 11.15 *per cent* in power and energy.

The share of Salaries and Wages to Total Expenditure increased by ₹ 3,489 crore in 2012-13 relative to 2011-12. The increases were in Social Services 4.07 *per cent* and in Economic Services 16.22 *per cent*. The increases were shared between Social Sector (₹ 2,622 crore) and Economic Sector (₹ 867 crore).

The share of O&M expenditure in the Revenue Expenditure under Social Services decreased by ₹ 16 crore in 2012-13 relative to 2011-12. Similarly, the overall share of O&M expenditure in the Revenue Expenditure under the Economic Services increased by ₹ 280 crore in 2012-13 relative to 2011-12. There was increase of eight *per cent* in Irrigation and Flood control and nine *per cent* in Transport.

## 1.8 Financial Analysis of Government Expenditure and Investments

In the post-FRBM framework, the Government is expected to keep its fiscal deficit (and borrowings) not only at low levels but also meet its capital expenditure/investment (including loans and advances) requirements. In addition, in the transition to complete dependence on market based resources, the 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 the financial analysis of investments and other capital expenditure undertaken by the Government during the current year, *vis-a-vis*, preceding years.

### 1.8.1 Financial Results of Irrigation works

For ensuring commercial viability of irrigation projects, the Thirteenth Finance Commission had prescribed cost recovery rates in relation to the maintenance expenditure.

Receipts (₹ 258 crore) for the major, medium and minor irrigation projects during 2012-13 were only six *per cent* of the expenditure of ₹ 4,323 crore on their operation and maintenance which was much below the cost recovery assessment of 45 *per cent* of the Thirteenth Finance Commission for the year 2012-13. **Table 1.26** indicates that the Government could not achieve the norms fixed by the Twelfth and Thirteenth Finance Commissions for the period 2008-13 in respect of the cost recovery rate and maintenance expenditure for major, medium and minor irrigation works.

**Table 1.26: Cost recovery rate and Maintenance expenditure with reference to norms to Twelfth/ Thirteenth Finance Commission**

| Year    | Revenue Expenditure | Revenue Receipts | Revenue Receipts to Revenue Expenditure | Cost recovery assessment of 12 <sup>th</sup> FC (2005-10) and 13 <sup>th</sup> FC (2010-15) | Gap in cost recovery |
|---------|---------------------|------------------|-----------------------------------------|---------------------------------------------------------------------------------------------|----------------------|
|         | ₹ in crore          |                  | In per cent                             |                                                                                             |                      |
| 2008-09 | 2,520               | 295              | 12                                      | 80                                                                                          | 68                   |
| 2009-10 | 2,633               | 267              | 10                                      | 90                                                                                          | 80                   |
| 2010-11 | 3,409               | 186              | 5                                       | 25                                                                                          | 20                   |
| 2011-12 | 3,736               | 232              | 6                                       | 35                                                                                          | 29                   |
| 2012-13 | 4,323               | 258              | 6                                       | 45                                                                                          | 39                   |

(Source: Finance Accounts of respective years)

**Table 1.26** revealed a meager cost recovery during 2008-13. The projects were able to recover only six *per cent* of running and maintenance expenditure incurred on these during 2012-13 as against the recommended 45 *per cent*. It puts a question mark on their viability.

### 1.8.2 Incomplete Projects

Blocking of funds on incomplete works impinge negatively on the quality of expenditure. The department wise position of incomplete projects is given in **Table 1.27**.

**Table 1.27: Department wise profile of Incomplete Projects**

(₹ in crore)

| Department                     | No. of Incomplete projects | Initial budgeted cost | Revised cost of Projects | Cumulative Actual expenditure (March 2013) |
|--------------------------------|----------------------------|-----------------------|--------------------------|--------------------------------------------|
| Public Works (Roads & Bridges) | 338                        | 4,444                 | 593 (12 projects)        | 1,824                                      |
| Irrigation                     | 45                         | 843                   | 1,567 (21 projects)      | 1,569                                      |
| <b>Total</b>                   | <b>383</b>                 | <b>5,287</b>          | <b>2,160</b>             | <b>3,393</b>                               |

(Source: Finance Accounts 2012-13 )

An expenditure of ₹ 3,393 crore (March 2013) on 383 incomplete projects did not deliver envisaged benefits.

### 1.8.3 Investments and Returns

As of 31 March 2013, Government had invested ₹ 46,228 crore in Statutory Corporations (₹ 401 crore), Government companies (₹ 44,835 crore) and Co-operatives (₹ 992 crore). The position of return on the investments during 2008-13 is given in **Table 1.28**.

Table 1.28 Returns on Investment

(₹ in crore)

| Investment/return/cost of borrowings                         | 2008-09   | 2009-10   | 2010-11   | 2011-12   | 2012-13                |
|--------------------------------------------------------------|-----------|-----------|-----------|-----------|------------------------|
| Investment at the end of the year (₹ in crore)               | 14,866.13 | 39,666.64 | 38,272.54 | 42,607.07 | 46,227.91 <sup>6</sup> |
| Returns (₹ in crore)                                         | 1.26      | 8.36      | 26.81     | 38.17     | 62.70                  |
| Returns (per cent)                                           | 0.008     | 0.021     | 0.07      | 0.09      | 0.14                   |
| Average rate of interest on Government borrowings (per cent) | 6.29      | 6.16      | 6.67      | 6.62      | 6.73                   |
| Difference between interest rate and returns (per cent)      | 6.28      | 6.14      | 6.60      | 6.53      | 6.59                   |

(Source: Finance Accounts of respective years)

During 2012-13, the Government mainly invested in the share capital of corporations engaged in the thermal power generation, power transmission and distribution and rural electrification etc.

#### 1.8.4 Cash Balances and Investment of Cash Balances

The Government received interest amounting to ₹ 760.27 crore during the year 2012-13 on investments of cash balances. The amount of interest received represents only five *per cent* of the Investments held in Cash Balance Investment Account, which was below the interest rate paid (6.73 *per cent*) by the Government on its borrowings.

Table 1.29 depicts the Cash Balances and Investments made by the State Government out of Cash Balances during the year.

Table 1.29: Cash Balances and Investment of Cash Balances

(₹ in lakh)

| Particulars                                                                                                              | Opening balance as on 01.04.2012 | Closing balance as on 31.03.2013 |
|--------------------------------------------------------------------------------------------------------------------------|----------------------------------|----------------------------------|
| <b>(a) General Cash Balances</b>                                                                                         |                                  |                                  |
| Cash in Treasuries                                                                                                       | 0.21                             | 0.21                             |
| Deposit with Reserve Bank                                                                                                | (-) 61,934.14                    | (-) 3,951.87                     |
| Remittance in Transit- local                                                                                             | 0.07                             | 0.07                             |
| <b>Total</b>                                                                                                             | <b>(-) 61,933.86</b>             | <b>(-) 3,951.59</b>              |
| Investment held in Cash Balance Investment Account                                                                       | 1,405,271.88                     | 1,519,872.50                     |
| <b>Total (a)</b>                                                                                                         | <b>1,343,338.02</b>              | <b>1,515,920.91</b>              |
| <b>(b) Other Cash Balances and Investments</b>                                                                           |                                  |                                  |
| Cash with Departmental Officers viz. Public Works Departmental Officers, Forest Department Officers, District Collectors | 1,289.51                         | 1,278.61                         |
| Permanent Advances for Contingency Expenditure with Departmental Officers.                                               | 42.35                            | 42.35                            |
| Investment of Earmarked Funds                                                                                            | 4,519.58                         | 4,519.58                         |
| <b>Total (b)</b>                                                                                                         | <b>5,851.44</b>                  | <b>5,840.54</b>                  |
| <b>Grand Total (a) + (b)</b>                                                                                             | <b>1,349,189.46</b>              | <b>1,521,761.45</b>              |

(Source: Finance Accounts 2011-12 and 2012-13)

<sup>6</sup> Includes ₹ 1,269 crore pertaining to 2012-13 and previous years which is under reconciliation.

At the close of the year 2012-13, the Government had substantial Cash Balances amounting to ₹ 15,172.42 crore after deducting ₹ 45.20 crore on account of the investments of the Earmarked Funds.

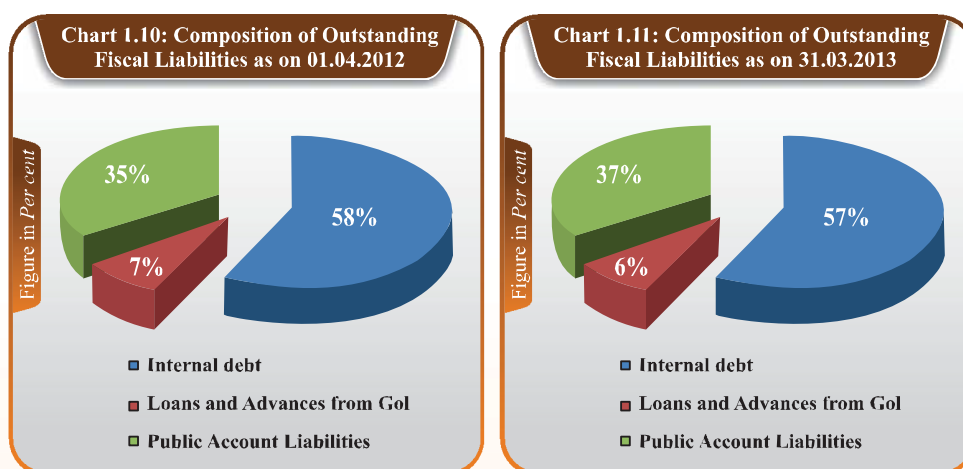
## 1.9 Assets and Liabilities

### 1.9.1 Growth and Composition of Assets and Liabilities

In the existing Government accounting system, comprehensive accounting of the fixed assets like land and buildings owned by the Government is not done. However, the Government accounts capture the financial liabilities and assets created out of the expenditure incurred. **Appendix 1.7** gives an abstract of such liabilities and the assets, as on 31 March 2013, compared with the corresponding position on 31 March 2012. While the liabilities in **Appendix 1.7** consist mainly of Internal Borrowings, Loans and Advances from the Government of India, the Receipts from the Public Account and Reserve Funds, the assets comprise mainly the Capital Outlay and Loans and Advances given by the State Government and the Cash Balances.

### 1.9.2 Fiscal Liabilities

Trends in outstanding fiscal liabilities of the State are indicated in **Appendix 1.7** and the composition of fiscal liabilities during 2012-13, *vis-à-vis*, 2011-12 is presented in **Chart 1.10 and 1.11**.



(Source: Finance Accounts of 2011-12 and 2012-13)

**Chart 1.10** and **1.11** indicate virtually no major change in the fiscal liabilities of the Government at the close of 2012-13 relative to 2011-12. While the loans and advances remained static, there had been a meager decrease of one *per cent* each in Internal Debt with corresponding marginal increase of two *per cent* in Public Account liabilities.

The rate of growth, its ratio to GSDP, to revenue receipts and to State's own resources as also the buoyancy of fiscal liabilities with reference to these parameters is presented in **Table 1.30**.

Table 1.30: Fiscal Liabilities- Basic Parameters

| Particulars                                                         | 2008-09  | 2009-10  | 2010-11  | 2011-12  | 2012-13  |
|---------------------------------------------------------------------|----------|----------|----------|----------|----------|
| Fiscal Liabilities (₹ in crore)                                     | 1,87,411 | 2,01,720 | 2,24,785 | 2,43,229 | 2,59,621 |
| Rate of Growth ( <i>per cent</i> )                                  | 7.55     | 7.64     | 11.43    | 8.21     | 6.74     |
| <b>Ratio of Fiscal Liabilities to</b>                               |          |          |          |          |          |
| GSDP ( <i>per cent</i> )                                            | 45.47    | 41.06    | 38.20    | 35.36    | 33.73    |
| Revenue Receipts ( <i>per cent</i> )                                | 240.79   | 209.21   | 202.17   | 185.86   | 177.94   |
| Own Resources ( <i>per cent</i> )                                   | 529.02   | 424.86   | 429.91   | 387.56   | 365.31   |
| <b>Buoyancy<sup>7</sup> of Fiscal Liabilities with reference to</b> |          |          |          |          |          |
| GSDP (ratio)                                                        | 0.494    | 0.398    | 0.578    | 0.486    | 0.566    |
| Revenue Receipts (ratio)                                            | 0.566    | 0.320    | 0.747    | 0.464    | 0.587    |
| Own Resources (ratio)                                               | 0.500    | 0.225    | 1.129    | 0.410    | 0.509    |

(Source: Finance Accounts of respective years)

**Table 1.30** revealed that the overall Fiscal Liabilities of the State increased from ₹ 1,87,411 crore (39 *per cent*) in 2008-09 to ₹ 2,59,621 crore in 2012-13. The growth rate of Fiscal Liability was 6.74 *per cent* during 2012-13 relative to 8.21 *per cent* of 2011-12. The ratio of the Fiscal Liabilities to GSDP decreased from 45.47 *per cent* in 2008-09 to 33.73 *per cent* in 2012-13. The buoyancy of these liabilities with respect to GSDP during 2012-13 was 0.566.

### 1.9.3 Transactions under Reserve Funds

There exist a number of reserve funds under Sector J- Reserve Funds in the accounts of the State Government, which have been created for specific and well defined purposes and are led by contributions of Grants from the Consolidated fund of the State or from outside agencies. The year wise details of such funds *viz.* name of funds, opening and closing balances together with receipts and disbursements for 2010-13 is given in **Appendix 1.8** and summarised in **Table 1.31**.

Table 1.31: Position of Reserve Funds during 2010-13

| (₹ in lakh)                           |                                        |                         |             |                                    |                         |                              |                                      |
|---------------------------------------|----------------------------------------|-------------------------|-------------|------------------------------------|-------------------------|------------------------------|--------------------------------------|
| Sl. No.                               | Head of Accounts                       | Number of Reserve Funds |             | Opening balance as on 1 April 2010 | Receipts during 2010-13 | Disbursements during 2010-13 | Closing balances as on 31 March 2013 |
|                                       |                                        | Operative               | Inoperative |                                    |                         |                              |                                      |
| <b>Reserve Funds bearing interest</b> |                                        |                         |             |                                    |                         |                              |                                      |
| 1                                     | 8115-Depreciation/Renewal Reserve Fund | 01                      | 01          | 1,60,462.23                        | Nil                     | 1,58,613.69                  | 1,848.54                             |
| 2                                     | 8121-General and other Reserve Fund    | Nil                     | 02          | 126.69                             | Nil                     | Nil                          | 126.69                               |

<sup>7</sup> Buoyancy ratio is the elasticity/degree of responsiveness of a fiscal variable with respect to a given change in the base variable.

| Reserve Fund not bearing interest |                                          |     |     |               |              |              |              |
|-----------------------------------|------------------------------------------|-----|-----|---------------|--------------|--------------|--------------|
| 1                                 | 8222-Sinking Fund                        | 01  | Nil | 20,78,247.98  | 24,21,098.44 | 10,15,902.09 | 34,83,444.33 |
| 2                                 | 8223-Famine Relief Fund                  | Nil | 02  | 853.50        | Nil          | Nil          | 853.50       |
| 3                                 | 8225-Roads and Bridge Fund               | 01  | Nil | 99,841.03     | Nil          | 94,096.38    | 5,744.65     |
| 4                                 | 8226-Depreciation /Renewal Reserve Funds | 01  | Nil | 4,887.77      | 33.00        | Nil          | 4,920.77     |
| 5                                 | 8229-Development and Welfare funds       | 05  | 02  | 38,964.26     | 2,08,853.64  | 1,93,912.64  | 53,905.26    |
| 6                                 | 8235-General and Other Reserve Funds     | 03  | 03  | (-) 12,124.15 | 2,17,038.86  | 1,63,295.91  | 41,618.80    |
| Total                             |                                          | 12  | 10  |               |              |              | 35,92,462.54 |

(Source: Finance Accounts of respective years)

**Table 1.31** revealed that 10 reserve funds out of 22 (with closing balances of ₹ 35,924.63 crore) were not operated during the period 2010-13.

#### 1.9.4 Contingent Liabilities – Status of Guarantees

Guarantees are the liabilities contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee has been extended. According to FRBM Act, 2004 the State Government should not give guarantee for any amount exceeding the limit stipulated under any rule or law of the State Government.

The Government had, however, not enacted any law or framed any rules for fixing the ceiling on the guarantees to be given by the State Government. The Government had also not set up any fund for meeting contingent liabilities, which may arise on invoking of the guarantees, as recommended by the Thirteenth Finance Commission.

Consequently, the Guarantee Fee charged by the Government on the outstanding guarantees formed a part of the Revenue Receipts rather than being kept in the designated fund to meet any outgo in the eventuality of invoking of the State guarantees.

As per **Statement 9** of the Finance Accounts, the maximum amount for which guarantees were given by the Government and those outstanding for the last three years is given in **Table 1.32**.

Table 1.32: Guarantees given by the Government

| (₹ in crore)                                                      |         |         |         |
|-------------------------------------------------------------------|---------|---------|---------|
| Particulars                                                       | 2010-11 | 2011-12 | 2012-13 |
| Maximum amount guaranteed                                         | 29,778  | 29,629  | 50,459  |
| Outstanding amount of guarantees (including interest)             | 20,162  | 21,752  | 43,337  |
| Percentage of maximum amount guaranteed to total revenue receipts | 26.78   | 22.64   | 34.58   |

(Source: Finance Accounts of respective years)

The maximum amount guaranteed increased significantly from the level of ₹ 29,778 crore in 2010-11 to ₹ 50,459 crore (69 *per cent*) in 2012-13. The outstanding amount of guarantees also increased significantly from ₹ 20,162 crore in 2010-11 to ₹ 43,337 crore (115 *per cent*) in 2012-13 and the maximum increase was under Power (₹ 20,947 crore, seven institutions) and other institutions (₹ 1,030 crore, 14 institutions). As a percentage of Total Revenue Receipts, the maximum amount guaranteed increased from 26.78 *per cent* in 2010-11 to 34.58 *per cent* in 2012-13. The outstanding amount of guarantees, including interest, as on 31 March 2013 stood against State Financial Corporation (₹ 80.14 crore, one institution), institutions engaged in the energy sector (₹ 38,555.43 crore), cooperative institutions (₹ 2,494.82 crore, two institutions) and other institutions (₹ 2,206.27 crore, 14 institutions).

### 1.10 Debt Management

Apart from the magnitude of debt of the State Government, it is important to analyse various indicators that determine the debt sustainability of the State. This section assesses the sustainability of debt of the State Government in terms of debt stabilisation; sufficiency of Non-debt Receipts; net availability of borrowed funds; burden of Interest Payments (measured by interest payments to revenue receipts ratio) and maturity profile of State Government securities.

Table 1.33 presents indicators of debt sustainability for the period of five years beginning from the year 2008-09.

Table 1.33: Debt Sustainability- Indicators and Trends

| (₹ in crore)                                                             |              |               |               |               |               |
|--------------------------------------------------------------------------|--------------|---------------|---------------|---------------|---------------|
| Indicators of debt sustainability                                        | 2008-09      | 2009-10       | 2010-11       | 2011-12       | 2012-13       |
| <b>Debt stabilization<br/>(Quantum spread + primary deficit)</b>         | <b>8,426</b> | <b>17,733</b> | <b>23,413</b> | <b>23,134</b> | <b>10,282</b> |
| Sufficiency of Non-debt Receipts<br>(resource gap)                       | (-) 6,719    | 1,820         | 1,445         | 1,815         | (-) 3,805     |
| Net availability of borrowed funds                                       | 1,788        | 2,387         | 8,915         | 3,051         | (-) 463       |
| Burden of Interest Payments (Interest<br>Payment/ Revenue Receipt ratio) | 15           | 12            | 13            | 12            | 12            |

(Source: Finance Accounts of respective years)

#### 1.10.1 Debt Stability

An important condition for debt sustainability is stabilization in terms of debt/GSDP ratio. When the quantum spread and primary deficit are negative, the

debt GSDP ratio will be high indicating unsustainable levels of public debt and when the quantum spread and primary deficit are positive, debt GSDP ratio will be low indicating sustainable levels of public debt.

**Table 1.33** revealed that during 2008-13, the quantum spread together with primary deficit was positive in the year 2008-09: ₹ 8,426 crore; 2009-10: ₹ 17,733 crore; 2010-11: ₹ 23,413 crore, 2011-12: ₹ 23,134 crore and 2012-13: ₹ 10,282 crore. It indicated sustainable level of public debt.

### 1.10.2 Net Availability of Borrowed Fund

The net funds available on account of the Internal Debt and Loans and Advances from GoI and other obligations after providing for the interest and repayments varied between 3.64 and 16.14 *per cent* during 2008-12 and declined upto minus one *per cent* in 2012-13<sup>8</sup>. During 2012-13, the Government repaid internal debt of ₹ 7,514 crore, GoI loans of ₹ 1,395 crore and also discharged other obligations of ₹ 18,738 crore along with interest of ₹ 16,921 crore as a result of which percentage of availability of borrowed funds declined to minus one *per cent* at the end of 2012-13 from 6.12 *per cent* in 2011-12. The trends in debt redemption ratio varied between 84 *per cent* and 101 *per cent* during 2008-13.

### 1.10.3 Review on Market Borrowings

#### 1.10.3.1 Introduction

Article 293 of the Constitution of India provides that a State may borrow within the territory of India upon the security of the Consolidated Fund of the State within such limits, if any, as may from time to time be fixed by an Act of the Legislature of the State. On the recommendations of Thirteenth Finance Commission GoI has been setting limits on market borrowings based on the fiscal deficit path outlined for each State. As per U.P. FRBM Act, the total outstanding debt of the Government should be 45.1 *per cent* of GSDP during 2012-13.

The public debt included internal debt of the State Government, loans and advances from GoI. The internal debt is further divided into market loans and negotiated loans. The GoI controls the market borrowings of the State Government and the Reserve Bank of India manages them. The State Government issue dated securities, termed State Development Loans of varying tenures.

#### 1.10.3.2 Position of market borrowings

The overall position of debt sustainability indicators which included total liabilities, public debt, market loans etc. for 2008-13 is given in **Table 1.34**.

|                                                    | (₹ in crore) |         |         |         |         |
|----------------------------------------------------|--------------|---------|---------|---------|---------|
|                                                    | 2008-09      | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
| Receipt                                            | 49,193       | 53,485  | 55,236  | 49,849  | 44,039  |
| Repayment (principal and interest)                 | 47,405       | 51,098  | 46,321  | 46,797  | 44,502  |
| Net fund available                                 | 1,788        | 2,387   | 8,915   | 3,051   | (-)463  |
| Net fund available (in <i>per cent</i> of receipt) | 3.64         | 4.46    | 16.14   | 6.12    | (-)1.05 |

Table-1.34: Debt sustainability indicators

(₹ in crore)

| Sl. No. | Description                                           | 2008-09       | 2009-10       | 2010-11       | 2011-12       | 2012-13       |
|---------|-------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|
| 1.      | Fiscal liabilities <sup>9</sup>                       | 1,87,410.70   | 2,01,720.38   | 2,24,785.25   | 2,43,229.14   | 2,59,620.74   |
| 2.      | Total public debt                                     | 1,17,703.32   | 1,32,523.80   | 1,46,534.80   | 1,57,899.49   | 1,64,810.40   |
| 3.      | Total market loans                                    | 43,510.73     | 54,932.17     | 65,006.63     | 77,840.82     | 84,103.55     |
| 4.      | Percentage of market loans to total liabilities       | 23.22         | 27.23         | 28.92         | 32.00         | 32.39         |
| 5.      | Percentage of market loans to total public debt       | 36.97         | 41.45         | 44.36         | 49.30         | 51.03         |
| 6.      | Weighted average interest rate on market loans        | 8.43          | 8.20          | 8.37          | 8.83          | 8.93          |
| 7.      | Interest paid on market loans                         | 2,904.03      | 3,668.19      | 5,137.52      | 5,612.43      | 6,592.99      |
| 8.      | GSDP growth rate and interest rate ratio              | 16:8          | 13:8          | 27:8          | 11:9          | 14:9          |
| 9.      | Gross interest payments to Revenue Receipts ratio     | 0.15          | 0.12          | 0.13          | 0.12          | 0.12          |
| 10.     | Primary Surplus                                       | (-) 9,137.74  | (-) 6,704.20  | (-) 3,032.13  | (-) 49.12     | (-) 4,712.38  |
| 11.     | Revenue Surplus (+)/Deficit (-) <sup>10</sup>         | (+) 1,861.84  | (+) 7,047.34  | (+) 3,508.15  | (+) 6,984.53  | (+) 5,546.00  |
| 12.     | Fiscal deficit <sup>11</sup>                          | (-) 20,512.80 | (-) 18,692.66 | (-) 17,247.70 | (-) 15,431.83 | (-) 21,210.32 |
| 13.     | Percentage of total liabilities to GSDP <sup>12</sup> | 46.77         | 44.55         | 39.15         | 38.14         | 35.65         |
| 14.     | Outstanding guarantees <sup>13</sup>                  | 16,084.00     | 19,592.26     | 20,162.03     | 21,659.16     | 43,336.66     |
| 15.     | GSDP                                                  | 4,00,711      | 4,52,803      | 5,74,124      | 6,37,789      | 7,28,342      |
| 16.     | Percentage of public debts to GSDP                    | 29.37         | 29.27         | 25.52         | 24.76         | 22.63         |

(Source: Finance Accounts &amp; UP Budget of respective years)

An analysis of the table revealed as follows:

- There were increasing trends in debt liability of the Government during 2008-13, although it remained within the targets set in FRBM Act.
- Total public debt increased by (40 *per cent*) from ₹ 1,17,703.32 crore in 2008-09 to ₹ 1,64,810.40 crore in 2012-13. Though total liability increased over the years, the *per cent* of total liability to GSDP declined from 46.77 *per cent* in 2008-09 to 35.65 *per cent* in 2012-13 indicating strengthening of GSDP despite continuously increasing total liability.
- There were increasing trends in percentage of market loans to total liability in 2012-13, indicating reliance of the Government on market borrowings for financing the fiscal deficits.

<sup>9</sup> Includes ₹17,628.33 crore which is to be apportioned between UP & Uttaranchal from 2008-09 to 2011-12 and ₹ 17,485.84 crore for 2012-13. Further, no information regarding off budget borrowings was furnished by the Government.

<sup>10</sup> As per UPFRBM Act, 2004 (as amended 2011) the State Government's revenue deficit should be nil.

<sup>11</sup> As per UPFRBM Act, 2004 (as amended) the fiscal deficit/ GSDP ratio should not be more than three *per cent*.

<sup>12</sup> No annual targets were fixed for 2008-11. For 2011—12 and 2012-13, the targets were 46.90 *per cent* and 45.10 *per cent* respectively.

<sup>13</sup> No ceiling has been fixed.

- The weighted average interest rate on market borrowings also increased from 8.20 *per cent* in 2009-10 to 8.93 *per cent* in 2012-13 and the interest paid on market loan increased by 127 *per cent* from ₹ 2,904.03 crore in 2008-09 to ₹ 6,592.99 crore in 2012-13.

### 1.10.3.3 Profile of market loans

The profile of the market loans raised by the State Government during 2008-13 is given **Table 1.35**.

**Table 1.35: Profile of market loans raised during 2008-13**

(₹ in crore)

| Details                                                                  | Amount of loan raised |           |           |           |           |           |
|--------------------------------------------------------------------------|-----------------------|-----------|-----------|-----------|-----------|-----------|
|                                                                          | 2008-09               | 2009-10   | 2010-11   | 2011-12   | 2012-13   | Total     |
| >7 years                                                                 | 12,692.11             | 13,876.93 | 11,999.80 | 15,830.00 | 9,500.00  | 63,898.84 |
| Total loan made during the year                                          | 12,692.11             | 13,876.93 | 11,999.80 | 15,830.00 | 9,500.00  | 63,898.84 |
| Total outstanding loan as on 31 March 2013                               | 43,510.73             | 54,932.17 | 65,006.63 | 77,840.82 | 84,103.55 | -         |
| Percentage of loan raised during the year to the total outstanding loans | 29.17                 | 25.26     | 18.46     | 20.34     | 11.30     | -         |

(Source: Finance Accounts of respective years & Finance Department, GoUP)

The maturity tenure of the market borrowings of the Government was over seven years. It indicates that the Government do not rely on medium/short term borrowings. We observed that the State Government did not include the pre-payment clause in the notifications for issue of its securities during 2008-13. In reply (July 2013), Finance Department accepted it.

### Trends of Market loans

The year wise trends in the market borrowings raised by the State Government during 2008-13 are given in **Table 1.36**.

**Table 1.36: Trends of market borrowings raised during 2008-13**

(₹ in crore)

| Year         | Opening Balance | Market Borrowings Raised during the year | Market Borrowings Repaid during the year | Closing Balance | Net increase with respect to opening balance during the year |          |
|--------------|-----------------|------------------------------------------|------------------------------------------|-----------------|--------------------------------------------------------------|----------|
|              |                 |                                          |                                          |                 | Amount                                                       | Per cent |
| 1            | 2               | 3                                        | 4                                        | 5               | 6 (5-2)                                                      | 7        |
| 2008-09      | 33,215.20       | 12,692.11                                | 2,396.58                                 | 43,510.73       | 10,295.53                                                    | 30.99    |
| 2009-10      | 43,510.73       | 13,876.93                                | 2,455.49                                 | 54,932.17       | 11,421.44                                                    | 26.25    |
| 2010-11      | 54,932.17       | 11,999.80                                | 1,925.34                                 | 65,006.63       | 10,074.46                                                    | 18.34    |
| 2011-12      | 65,006.63       | 15,830.00                                | 2,995.81                                 | 77,840.82       | 12,834.19                                                    | 19.74    |
| 2012-13      | 77,840.82       | 9,500.00                                 | 3,237.27                                 | 84,103.55       | 6,262.73                                                     | 8.05     |
| <b>Total</b> |                 | <b>63,898.84</b>                         | <b>13,010.49</b>                         |                 |                                                              |          |

(Source: Finance Accounts of respective years)

**Table 1.36** indicates that the Government borrowed ₹ 63,898.84 crore from the market but repaid ₹13,010.49 crore (20 *per cent*) during 2008-13. An analysis of **Table 1.36** revealed that the market borrowings continued to accumulate due to slow pace of repayment during 2008-13. Slow pace of repayments was likely to increase the need for rollovers and maturity pressure in the coming years.

#### 1.10.3.4 Weighted average maturity of market borrowings

The position of weighted average maturity of market borrowings during 2008-13 is given in the **Table 1.37**.

**Table 1.37: Weighted average maturity of outstanding market borrowings**

(₹ in crore)

| Year    | Issued during the year | Outstanding market loans | Weighted average maturity in years |
|---------|------------------------|--------------------------|------------------------------------|
| 2008-09 | 12,692.11              | 43,510.73                | 6                                  |
| 2009-10 | 13,876.93              | 54,932.17                | 7                                  |
| 2010-11 | 11,999.80              | 65,006.63                | 6                                  |
| 2011-12 | 15,830.00              | 77,840.82                | 6                                  |
| 2012-13 | 9,500.00               | 84,103.55                | 6                                  |

(Source: Finance Accounts of respective years)

During 2008-13, the maturity of market borrowings remained constant at 10 years. The weighted average maturity of the market borrowings was between six to seven years indicating non-reliance on short (< one year)/medium term (one to five years) loans, thus reducing redemption pressure in short and medium terms.

#### 1.10.3.5 Interest rate profile of Market Borrowings

The year wise average interest rate on which market loans were availed by the State Government during 2008-13 was as per **Table 1.38**.

**Table 1.38: Details of average interest rate on which market loans were raised**

(₹ in crore)

| Rate of interest (per cent) | Year of raising market loans & average interest rates: 2008-13 |                  |                  |                  |                 |                  |
|-----------------------------|----------------------------------------------------------------|------------------|------------------|------------------|-----------------|------------------|
|                             | 2008-09                                                        | 2009-10          | 2010-11          | 2011-12          | 2012-13         | Total            |
| 7.00-7.99                   | 3,099.33                                                       | 3,500.00         | -                | -                | -               | 6,599.33         |
| 8.00-8.99                   | 7,594.00                                                       | 10,376.93        | 12,000.00        | 11,512.50        | 8,000.00        | 49,483.43        |
| 9.00-9.99                   | 2,000.00                                                       | -                | -                | 4,317.50         | 1,500.00        | 7,817.50         |
| <b>Total</b>                | <b>12,693.33</b>                                               | <b>13,876.93</b> | <b>12,000.00</b> | <b>15,830.00</b> | <b>9,500.00</b> | <b>63,900.26</b> |
| Average rate of interest    | 8.43                                                           | 8.20             | 8.37             | 8.83             | 8.93            | -                |

(Source: Finance Department)

**Table 1.38** indicates increasing trend in average rate of interest. It increased from 8.20 *per cent* in 2009-10 to 8.93 *per cent* in 2012-13, indicating increasing cost of debt over the years.

**1.10.3.6 Maturity trend of market loans**

The year of maturity of market borrowings and its percentage to the maturity amount of outstanding market borrowings during 2014-21 is given in **Table 1.39**.

**Table 1.39: Maturity amount and percentage of outstanding market borrowings**

| Maturity Year | Maturity amount (₹ in crore) | As percentage of outstanding market loans (as on 31 March 2013) |
|---------------|------------------------------|-----------------------------------------------------------------|
| 2014-15       | 3,987.80                     | 4.74                                                            |
| 2015-16       | 4,699.04                     | 5.59                                                            |
| 2016-17       | 4,145.61                     | 4.93                                                            |
| 2017-18       | 4,422.00                     | 5.26                                                            |
| 2018-19       | 12,693.33 <sup>14</sup>      | 15.09                                                           |
| 2019-20       | 13,876.93                    | 16.50                                                           |
| 2020-21       | 12,000.00 <sup>15</sup>      | 14.27                                                           |

(Source: Finance Department)

We observed that the redemption liabilities of the market borrowings would be approximately thrice during 2018-21 as compared to earlier four years. There were no plans as of now for rollover of market borrowings and repayments to be made on due dates.

**1.10.3.7 Interest payments as a percentage of revenue receipts**

Interest payment as percentage of revenue receipts during 2008-13 is given in **Table 1.40**.

**Table 1.40: Interest payment as percentage of revenue receipt (₹ in crore)**

| Sl. No. | Particulars                    | Year      |           |             |             |             |
|---------|--------------------------------|-----------|-----------|-------------|-------------|-------------|
|         |                                | 2008-09   | 2009-10   | 2010-11     | 2011-12     | 2012-13     |
| 1.      | Interest Payment               | 11,375.06 | 11,988.46 | 14,215.57   | 15,480.95   | 16,920.59   |
| 2.      | Revenue Receipt                | 77,831.00 | 96,421.00 | 1,11,184.00 | 1,30,869.00 | 1,45,904.00 |
| 3.      | Percentage of revenue receipts | 14.62     | 12.43     | 12.79       | 11.83       | 11.60       |

(Source: Finance Accounts of respective years)

**Table 1.40** indicates that the interest payments, as a percentage to the revenue receipts declined from 14.62 per centile points in 2008-09 to 11.60 per centile points in 2012-13.

**1.10.3.8 Improper use of market borrowings**

Section 4(d) of the UP FRBM Act, 2004 stipulates that borrowings be necessarily used for self sustainable development activities and for creation or augmentation of capital assets. The Government, in each tranche of loan, notified the object that the proceeds of loans will be utilised for financing development schemes, particularly those relating to power, agriculture, irrigation and industries.

<sup>14</sup> ₹ 12,692.11 crore + (₹ 1.22 crore Amount written off) = ₹ 12,693.33 crore (2008-09).

<sup>15</sup> ₹ 11,999.80 crore + (₹ 0.20 crore Amount written off) = ₹ 12,000.00 crore (2010-11).

The year wise position of market borrowings and their usage is given in **Table 1.41**.

**Table 1.41: Position of market borrowings resorted to and their usage**  
(₹ in crore)

| Year         | Amount of Market Borrowings |                                 |          |                                       |          |
|--------------|-----------------------------|---------------------------------|----------|---------------------------------------|----------|
|              | Resorted to                 | Utilised for repayment of debts |          | Utilised for Developmental Activities |          |
|              |                             | Amount                          | Per cent | Amount                                | Per cent |
| 2008-09      | 12,692.11                   | 2,396.58                        | 18.88    | 10,295.53                             | 81.12    |
| 2009-10      | 13,876.93                   | 2,455.49                        | 17.69    | 11,421.44                             | 82.31    |
| 2010-11      | 11,999.80                   | 1,925.34                        | 16.04    | 10,074.46                             | 83.96    |
| 2011-12      | 15,830.00                   | 2,995.81                        | 18.92    | 12,834.19                             | 81.08    |
| 2012-13      | 9,500.00                    | 3,237.27                        | 34.08    | 6,262.73                              | 65.92    |
| <b>Total</b> | <b>63,898.84</b>            | <b>13,010.49</b>                |          | <b>50,888.35</b>                      |          |

(Source: Finance Accounts of respective years)

Table revealed that ₹ 13,010.49 crore out of ₹ 63,898.84 crore of the market borrowings, constituting 20 *per cent*, was utilised towards repayment of debts and the remaining amount of ₹ 50,888.35 (80 *per cent*) crore on capital formation during 2008-13. Thus, the provisions of FRBM Act were not observed. Besides, the envisaged objectives of these loans were also not realised.

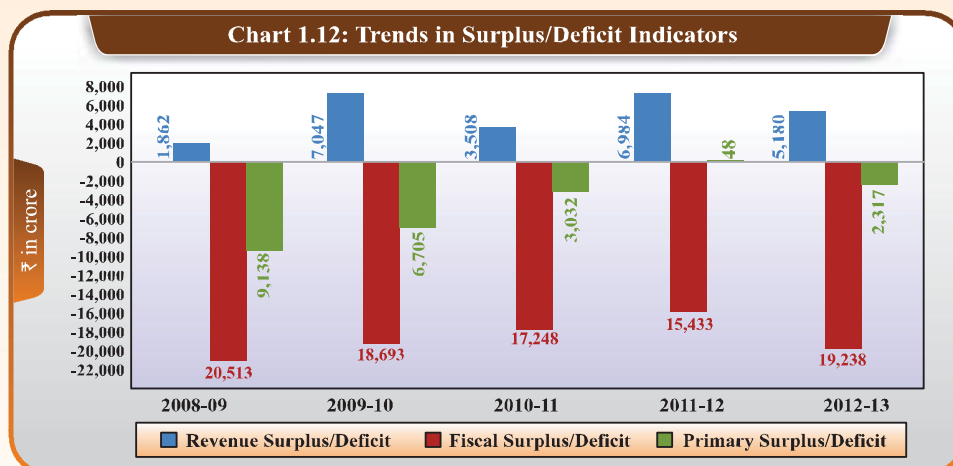
The Finance Department stated (July 2013) that the Government, may resort to market borrowings to retire the earlier raised market loans maturing in particular financial year to meet its liquidity needs. Reply indicated that the Government did not observe the provisions of FRBM Act.

## 1.11 Fiscal Imbalances

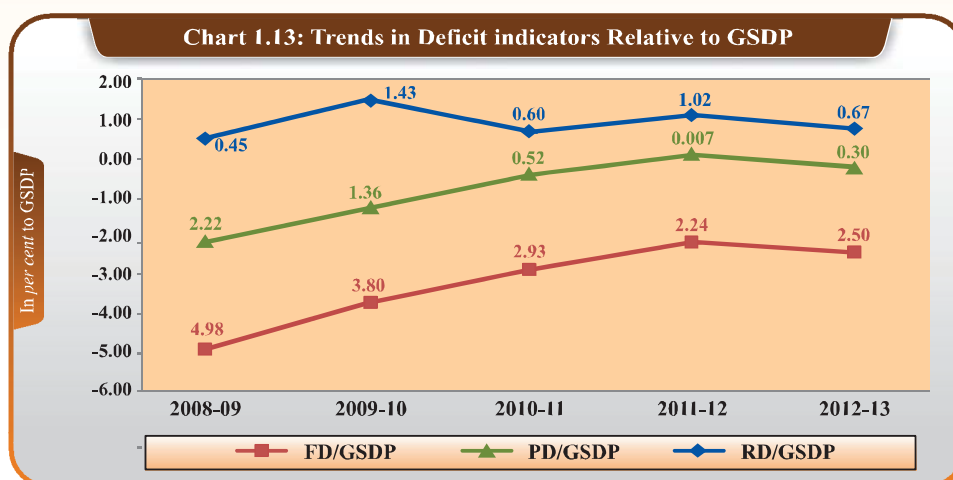
Three key fiscal parameters - revenue, fiscal and primary deficits - indicate the extent of overall fiscal imbalances in the Finances of the State Government during a specified period. The deficit in the Government accounts represents the gap between its receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources raised are applied, are important pointers to its fiscal health. This section presents trends, nature, magnitude and the manner of financing these deficits and also the assessment of actual levels of revenue and fiscal deficits, *vis-à-vis*, targets set under FRBM Act, 2004/Rules for the financial year 2012-13.

### 1.11.1 Trends in Deficits

**Chart 1.12 and 1.13** present the trends in deficit indicators over the period 2008-13.



(Source: Finance Accounts of respective years)



(Source: Finance Accounts of respective years)

As per the fiscal targets set for the Government in FRBM Act, 2004, the revenue deficit was to be reduced to nil by March 2010. FRBM Act was amended in 2011 and according to which the revenue deficit was to remain nil and the fiscal deficit was to be reduced to not more than three *per cent* of GSDP by the end of 2012-13.

The State achieved the target of reducing the revenue deficit to nil in 2006-07 and continued to have Revenue surplus upto 2012-13. At the end of 2012-13, the State has a Revenue surplus of ₹ 5,180 crore.

The fiscal deficit declined from ₹ 17,248 crore in 2010-11 to ₹ 15,433 crore in 2011-12, but again increased to ₹ 19,238 crore in 2012-13 mainly due to a decline in revenue surplus and net loans and advances coupled with net capital expenditure.

At the end of the financial year 2012-13, there was a primary deficit of ₹ 2,317 crore. This was due to increase in the fiscal deficit by ₹ 3,805 crore coupled with increase in interest payment by ₹ 1,440 crore during 2012-13 relative to the preceding year.

### 1.11.2 Composition of Fiscal Deficit and its Financing Pattern

Fiscal deficit is the total borrowing requirement of the State and is the excess of the Revenue Expenditure and Capital Expenditure including Loans and Advances over Revenue and Non debt Capital Receipts. Composition of fiscal deficit reveals the extent of various borrowings resorted to by the State to meet its requirement of funds over and above the Revenue and Non-debt Receipts. The financing pattern of the fiscal deficit is reflected in **Table 1.42**.

**Table 1.42: Components of Fiscal Deficit and its Financing Pattern**

(₹ in crore)

| Particulars                                 |                                                                                           | 2008-09       | 2009-10       | 2010-11       | 2011-12       | 2012-13       |
|---------------------------------------------|-------------------------------------------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|
| <b>Decomposition of Fiscal Deficit</b>      |                                                                                           |               |               |               |               |               |
| <b>Fiscal deficit (1 to 3)</b>              |                                                                                           | <b>20,513</b> | <b>18,693</b> | <b>17,248</b> | <b>15,433</b> | <b>19,238</b> |
|                                             |                                                                                           | <b>(4.98)</b> | <b>(3.80)</b> | <b>(2.93)</b> | <b>(2.24)</b> | <b>(2.50)</b> |
| 1                                           | Revenue Deficit/Surplus (-)                                                               | (-) 1,862     | (-) 7,047     | (-) 3,508     | (-) 6,984     | (-) 5,180     |
| 2                                           | Net Capital Expenditure                                                                   | 22,346        | 25,091        | 20,273        | 21,574        | 23,834        |
| 3                                           | Net Loans and Advances                                                                    | 29            | 649           | 483           | 843           | 584           |
| <b>Financing Pattern of Fiscal Deficit*</b> |                                                                                           |               |               |               |               |               |
| 1                                           | Market Borrowings                                                                         | 10,296        | 11,421        | 10,074        | 12,834        | 6,263         |
| 2                                           | Loans from GOI                                                                            | (-) 778       | (-) 917       | (-) 937       | (-) 999       | (-) 1,099     |
| 3                                           | Special Securities Issued to NSSF                                                         | 426           | 3,899         | 5,415         | 395           | 2,429         |
| 4                                           | Loans from Financial Institutions                                                         | 628           | 418           | (-) 541       | (-) 865       | (-) 681       |
| 5                                           | Small Savings, PF etc.                                                                    | 2,944         | 3,870         | 4,871         | 3,630         | 3,342         |
| 6                                           | Deposits and Advances                                                                     | (-) 2,525     | 93            | 1,843         | (-) 2,038     | 1,753         |
| 7                                           | Suspense and miscellaneous                                                                | 973           | (-) 1,365     | 757           | 608           | 3,540         |
| 8                                           | Remittances                                                                               | 78            | 3             | 367           | (-) 209       | 986           |
| 9                                           | Others (i.e. transactions under Contingency Fund, Reserve Fund, Cash Balances investment) | 8,471         | 1,271         | (-) 4,601     | 2,077         | 2,705         |
| <b>Fiscal deficit</b>                       |                                                                                           | <b>20,513</b> | <b>18,693</b> | <b>17,248</b> | <b>15,433</b> | <b>19,238</b> |

Figures in brackets indicate the *per cent* to GSDP.

\*All these figures are net of disbursements/outflows during the year.

(Source: Finance Accounts of respective years)

Fiscal deficit, during 2008-13, ranged between ₹ 15,433 crore (2011-12) and ₹ 20,513 crore (2008-09). The fiscal deficit, relative to previous year, increased from ₹ 15,433 crore in 2011-12 to ₹ 19,238 crore during 2012-13 (25 *per cent*).

Although the role of market borrowings was reduced in financing pattern and fiscal deficit, the special securities issued to National Small Savings Fund, loans from financial institutions, suspense and miscellaneous dominated.

### 1.11.3 Quality of Deficit/Surplus

The ratio of revenue deficit to fiscal deficit and decomposition of primary deficit into primary revenue deficit and capital expenditure (including loans and advances) 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. 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) did not have any asset backup. The bifurcation of the primary deficit (**Table 1.43**) indicates the extent to which the deficit has been on account of enhancement in capital expenditure which may be desirable to improve the productive capacity of the State.

**Table 1.43: Primary Deficit/Surplus – Bifurcation of Factors**

(₹ in crore)

| Year    | Non-debt Receipts | Primary Revenue Expenditure | Capital Expenditure | Loans and Advances | Primary Expenditure | Primary Revenue surplus (+) | Primary deficit (-)/ surplus (+) |
|---------|-------------------|-----------------------------|---------------------|--------------------|---------------------|-----------------------------|----------------------------------|
| 1       | 2                 | 3                           | 4                   | 5                  | 6 (3+4+5)           | 7 (2-3)                     | 8 (2-6)                          |
| 2008-09 | 78,609            | 64,594                      | 22,346              | 807                | 87,747              | (+) 14,015                  | (-) 9,138                        |
| 2009-10 | 96,714            | 77,386                      | 25,091              | 942                | 1,03,419            | (+) 19,328                  | (-) 6,705                        |
| 2010-11 | 1,11,669          | 93,460                      | 20,273              | 968                | 1,14,701            | (+)18,209                   | (-)3,032                         |
| 2011-12 | 1,31,002          | 1,08,404                    | 21,574              | 976                | 1,30,954            | (+) 22,598                  | (+) 48                           |
| 2012-13 | 1,46,323          | 1,23,803                    | 23,834              | 1,003              | 1,48,640            | (+)22,520                   | (-)2,317                         |

(Source: Finance Accounts of respective years)

- During the period 2008-13, the Non-debt Receipts increased from the level of ₹ 78,609 crore in 2008-09 to the level of ₹ 1,46,323 crore during 2012-13 (86 per cent).
- The Government experienced primary deficit ranging from ₹ 2,317 crore (2012-13) to ₹ 9,138 crore during 2008-09 because Non Debt Receipts were not sufficient to meet the primary revenue expenditure, capital expenditure and loans and advances.

## 1.12 Conclusion

### • Fiscal Performance of the State

The Government had revenue surplus and at the same time it contained fiscal deficit to below three per cent of GSDP and the Total Liability below 45.1 per cent of GSDP at the close of the financial year 2012-13 as envisaged in FRBM Act, 2004 and Second Amendment Act, 2011.

### • Revised Estimates and Actuals

There had been variations in the Revised Estimates and Actuals during 2012-13. The Revenue Receipts (₹ 1,45,904 crore) and Revenue Expenditure (₹ 1,40,724 crore) fell short of the Revised Estimates of Revenue Receipts (₹ 1,56,688 crore) and Revenue Expenditure (₹ 1,51,142 crore). The Interest Payments and Servicing of Debts (₹ 25,182 crore) exceeded the revised estimate (₹ 24,760 crore).

### • Revenue Receipts

The Revenue Receipts increased by 11 per cent during 2012-13 over the preceding year mainly due to increase in Tax Revenue (10 per cent) and increase in State's Share of Union Taxes (14 per cent). Revenue Receipts of ₹ 1,45,904 crore were below the target set under Revised Estimates (₹ 1,56,688 crore). Tax Revenue which is a

major constituent of the Revenue Receipts was below the target of estimates by ₹ 2,374 crore.

- **Oversight of funds transferred directly by the Government of India to the State Implementing Agencies**

GoI directly transferred ₹ 9,632 crore to the State Implementing Agencies. The present mechanism, however, does not provide a complete picture of the resources under the control of the State Government.

- **Revenue Expenditure**

During 2012-13, Revenue Expenditure increased by 14 *per cent* relative to 2011-12. Plan Expenditure and Non-plan Expenditure increased by 14 *per cent* and 13 *per cent* respectively over the previous year. The increases under Plan Expenditure show growth of infrastructure and services network of the State. The Total Expenditure had also shown increasing trends during the last five years period (2008-13).

- **Adequacy of Public Expenditure**

The Government has not given adequate fiscal priority to Development Expenditure during 2009-13 as its ratio to aggregate expenditure was below the corresponding ratio for General Category States.

### 1.13 Recommendations

- Adequate measures be initiated in regard to fiscal management and continuous monitoring in order to bridge the gap between the variations in the Revised Estimates and Actual Expenditure.
- A mechanism should be in place for providing a complete picture of the resources of the State Government.
- The Government should carry out fiscal consolidation based on avoidance of unproductive expenditure and at the same time ensure sustainable and viable service delivery.
- The Government should accord fiscal priority to the Development Expenditure for better social and physical infrastructure.