
Chapter-1
FINANCES OF THE STATE
GOVERNMENT

CHAPTER 1

FINANCES OF THE STATE GOVERNMENT

Profile of Jharkhand

The State of Jharkhand, which was created in November 2000 by dividing the State of Bihar, has an area of 79,714 sq km. It is the 16th largest State of the country in terms of geographical area. As indicated in **Appendix 1.1 Part-A** the State's population increased from 2.69 crore in 2001 to 3.30 crore in 2011. The population growth during the last decade (2004-05 to 2013-14) was 13.69 *per cent*. The percentage of population below the poverty line was 40.4 as compared to the all-India average of 21.92. The State's Gross State Domestic Product (GSDP) in 2013-14 at current prices was ₹ 1,72,773 crore. The State's literacy rate increased from 44 *per cent* (as per 2001 census) to 67.63 *per cent* (as per 2011 census). At current prices, the per capita income of the State stood at ₹ 46,524 during 2013-14.

Gross State Domestic Product (GSDP)

GSDP is the market value of all officially recognised final goods and services produced within the State in a given period of time. The growth of GSDP of the State is an important indicator of the State's economy as it indicates the standard of living of the State's population. The trend in the annual growth of India's GDP at current prices is indicated below:

Year	2009-10	2010-11	2011-12	2012-13	2013-14
India's GDP (₹ in crore)	6108903	7248860	8391691	9388876	10472807
Growth rate of GDP (percentage)	15.2	18.7	15.8	11.9	11.5
State's GSDP* (₹ in crore)	100621	127281	135618	151655	172773
Growth rate of GSDP (percentage)	14.6	26.5	6.6	11.8	13.9

*Source: Website of Ministry of Statistics and Programme Implementation, Government of India.

The GSDP of Jharkhand State grew at the rate of 13.9 *per cent* during 2013-14 against the Thirteenth Finance Commission (ThFC) projection of 14.5 *per cent* for the year. The GSDP growth rate during 2013-14 was higher than the growth rate of GDP of India. However, the Compound Annual Growth Rate (CAGR) of GSDP of the Jharkhand (14.5 *per cent*) was almost at par with the CAGR of GDP of India (14.4 *per cent*) during 2009-2014.

1.1 Introduction

This Chapter provides a broad perspective of the finances of the Government of Jharkhand during the year 2013-14 and analyses critical changes in the major fiscal aggregates in relation to the previous year, keeping in view the overall trend during the last five years. The analysis has been based on audit of the State Finance Accounts 2013-14 and information obtained from the State Government. The structure and form of Government accounts have been explained in **Appendix 1.1 Part B** and the layout of the Finance Accounts is depicted in **Appendix 1.1 Part C**.

The methodology adopted for assessment of the fiscal position of the State is given in *Appendix 1.2*. Time series data on State Government finances for last five years is given in *Appendix 1.3*.

1.1.1 Summary of fiscal transactions in 2013-14

Table 1.1 presents the summary of the State Government's fiscal transactions during the current year (2013-14) *vis-à-vis* the previous year (2012-13) while *Appendix 1.4 Part A* provides an abstract of receipts and disbursements as well as the overall fiscal position during the year 2013-14.

Table 1.1: Summary of fiscal operations in 2013-14

(₹ in crore)

Receipts	2012-13	2013-14	Disbursements	2012-13	2013-14		
Section-A: Revenue					Non-plan	Plan	Total
Revenue Receipts	24769.56	26136.80	Revenue Expenditure	23399.87	17184.41	6287.48	23471.89
Own Tax revenue	8223.58	9379.79	General Services	8696.49	9691.69	267.67	9959.36
Non-Tax revenue	3535.63	3752.71	Social Services	8308.59	4299.54	3915.80	8215.34
Share of Union Taxes and Duties	8188.14	8939.32	Economic Services	6394.79	3193.18	2104.01	5297.19
Grants from Government of India	4822.21	4064.98	Grants-in-aid and Contributions	0.00	0.00	0.00	0.00
Section -B: Capital							
Misc. Capital Receipts	0.00	0.00	Capital Outlay	4218.43	15.81	4706.69	4722.50
Recoveries of Loans and Advances	43.11	23.32	Loans and Advances disbursed	600.81	29.92	191.99	221.91
Inter State Settlement	0.00	0.00	Inter State Settlement	100.00	50.00	0.00	50.00
Public Debt Receipts*	5199.00	4702.90	Repayment of Public Debt	2183.06	1996.92	0.00	1996.92
Transfers to Contingency Fund	0.00	0.00	Expenditure from Contingency Fund	0.00	0.00	0.00	0.00
Public Account Receipts#	14494.71	14275.26	Public Account Disbursements#	13416.31	14094.33	0.00	14094.33
Opening Cash Balance	116.85	704.75	Closing Cash Balance	704.75	1285.48	0.00	1285.48
Total	44623.23	45843.03	Total	44623.23	34656.87	11186.16	45843.03

Source: Finance Accounts for the year 2012-13 and 2013-14

*Excluding net transactions under Ways and Means advances and overdraft.

#Figures do not include transactions under 'Other Accounts' i.e. Departmental Cash Balance, Permanent Imprest and Cash Balance Investment.

The significant changes during 2013-14 as compared to the previous year are as under:

- Revenue Receipts increased by ₹ 1,367 crore (six per cent) over that of the previous year. The increase was due to increase in Own Tax Revenue by ₹ 1,156 crore (14 per cent), Non-Tax Revenue by ₹ 217 crore (six per cent) and State's Share of Union Taxes and Duties by ₹ 751 crore (nine per cent) which was offset by decrease in Grants-in-aid from Government of India (GOI) by ₹ 757 crore (16 per cent) over the previous year.
- Against the normative assessment of Own Tax Revenue (₹ 11,137.16 crore) and Non-Tax Revenue (₹ 4,068.30 crore) made by the ThFC the actual Own Tax and Non-Tax Revenue of the State were ₹ 9,379.79 crore (84 per cent) and ₹ 3,752.71 crore (92 per cent) respectively. Thus, OTR and NTR were below the normative projection made by the ThFC.

- During 2013-14, Revenue Expenditure (RE) remained nearly the same as it was in 2012-13. However, it was less by 23 *per cent* than the budget estimate of ₹ 30,435 crore. Revenue expenditure on General Services increased by ₹ 1,263 crore in 2013-14 over the previous year while RE on Social Services and Economic Services decreased by ₹ 94 crore and ₹ 1,098 crore respectively.
- Capital Expenditure increased by ₹ 505 crore (12 *per cent*) in 2013-14 over the previous year. Increase was mainly under Transport (₹ 492 crore) and Rural Development (₹ 262 crore).
- Recovery of Loans and Advances decreased from ₹ 43 crore in 2012-13 to ₹ 23 crore in 2013-14.
- Public Debt receipts and its repayment decreased by ₹ 496 crore (10 *per cent*) and ₹ 186 crore (nine *per cent*) over the previous year.
- Public Account receipts decreased by ₹ 220 crore (two *per cent*) while disbursements increased by ₹ 677 crore (five *per cent*).
- The net impact of the above transactions was an increase of ₹ 580.73 crore in the cash balance at the end of 2013-14 over the previous year.

1.1.2 Review of the fiscal situation

The Government of Jharkhand enacted the Jharkhand Fiscal Responsibility and Budget Management (FRBM) Act, 2007 for ensuring fiscal stability, debt sustainability and greater transparency in the fiscal operation of the Government. Under the Act, the State Government was to eliminate the Revenue Deficit by the end of March 2009 and restrict the Fiscal Deficit up to three *per cent* of the estimated Gross State Domestic Product (GSDP). The ThFC recommended a new and revised road map for fiscal consolidation thereby linking all grants and debt relief facilities to achievement of the targets.

Accordingly, the State revised some of its key fiscal targets in the FRBM (Amendment) Act, 2011 and 2012 as well as in its Medium Term Fiscal Plan (MTFP). The revised targets laid down in amended FRBM Act of the State were (i) reducing its Revenue Deficit to 'nil' at the end of 31 March 2012 (ii) the Fiscal Deficit at three *per cent* of the GSDP by the end of March 2012 and (iii) Debt-GSDP ratio at 27.3 *per cent* in 2013-14.

Targets regarding major fiscal variables for the year 2013-14 as set in FRBM Act, MTFP, ThFC and in budget documents of the State are shown in **Table 1.2.**

Table 1.2: Major fiscal variables

(in *per cent*)

Fiscal variables	2013-14			Projections in MTFP	Actuals
	ThFC target for the State	Target as prescribed in FRBM Act	Target as per Budget		
Revenue Deficit (-)/Surplus (+) w.r.t GSDP	Nil	Nil	+1.83	+1.80	+1.5
Fiscal Deficit w.r.t. GSDP	3.00	3.00	2.36	2.60	1.3
Ratio of total outstanding debt of the Government to GSDP	27.3	27.3	Not available in the budget	25.0	21.8

The State achieved the targets set in the FRBM Act by eliminating the Revenue Deficit in 2006-07 turning the deficit into a Revenue Surplus of ₹ 946 crore which consistently improved to ₹ 2,665 crore in 2013-14, except in 2009-10 when there was a Revenue Deficit of ₹ 10 crore.

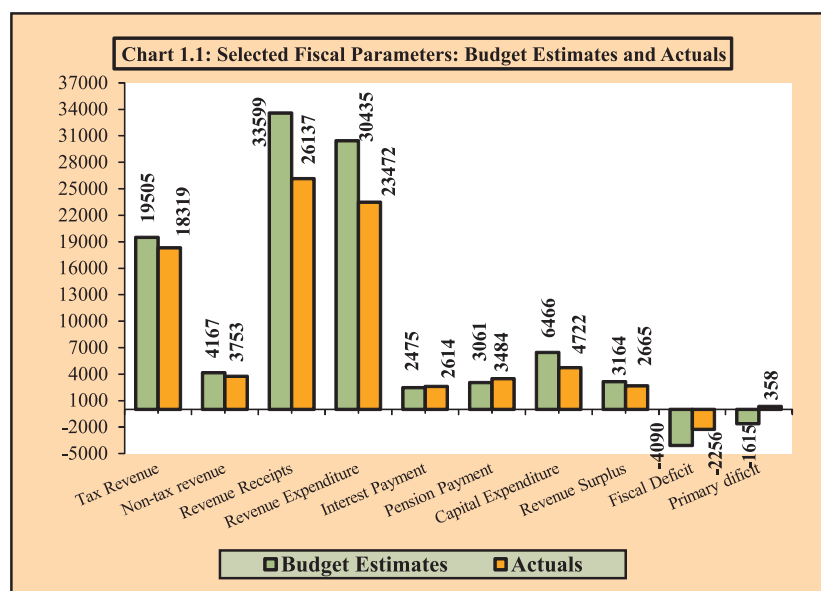
During 2013-14, the percentage of Fiscal Deficit (₹ 2,256 crore) to GSDP at 1.3 *per cent* was well within the limit of three *per cent* estimated under FRBM Act and ThFC projection. It was also within the MTFP target of 2.60 *per cent*.

The Debt-GSDP ratio of the State was 21.8 *per cent* during 2013-14 which was well within the estimate of 27.3 *per cent* of FRBM Act and ThFC. Debt-GSDP was also very much within the MTFP target of 25 *per cent* for the year.

1.1.3 Budget estimates and actuals

The budget papers presented by the State Government provide descriptions of projections or estimations of revenue and expenditure for a particular fiscal year. The importance of accuracy in the estimation of revenue and expenditure is widely accepted in the context of effective implementation of fiscal policies for overall economic management. Deviations from the Budget Estimates are indicative of non-attainment and non-optimisation of the desired fiscal objectives due to a variety of causes, some within the control of the Government and some beyond the control of the Government.

Chart 1.1 presents a comparative analysis of the budget estimates and actuals for some important fiscal parameters for 2013-14.



The above chart shows that actual receipts and expenditures, except interest and pension payments, were less than the budget estimates prepared by the State Government for 2013-14. The shortfall in actual Revenue Receipts (by ₹ 7,462 crore) was mainly due to less receipt of Grants-in-aid from GOI (by ₹ 5,862 crore) than the budget estimates. The decrease in actual Revenue Expenditure (by ₹ 6,963 crore) was due to decrease in actual expenditure incurred on Social Services (by ₹ 4,191 crore) and Economic Services (₹ 2,862 crore) during 2013-14.

The Capital Expenditure of the State was less than the Budget Estimates by ₹ 1,744 crore due to less expenditure on Social Services (by ₹ 454 crore) and Economic Services (by ₹ 1,227 crore) against what was budgeted, which is a matter of concern for the State.

1.1.4 Gender Budgeting

As per budget document it was observed that gender budgeting was not introduced in the State budget. However, we noticed in budget speech and Appropriation Accounts of the State that State Government made provisions for women and girls during 2013-14 in State budget, as shown below:

Table 1.3: Budget provision and expenditure for women

(₹ in crore)

Scheme	Budget Provision	Expenditure	Savings
Kishori Shakti Yojna	2.2	0.30	1.90
Rajiv Gandhi Scheme for Empowerment of Adolescent Girls	57.54	25.14	32.40
Indira Gandhi Matritwa Sahyog Yojna	9.00	3.19	5.81
Mukhyamantri Kanyadan Yojna	15.00	12.79	2.21
Skill Development Programme for Women and Adolescent Girls	3.00	0.00	3.00

Source: Detailed Appropriation Accounts

From the **Table 1.3** it would be seen that:

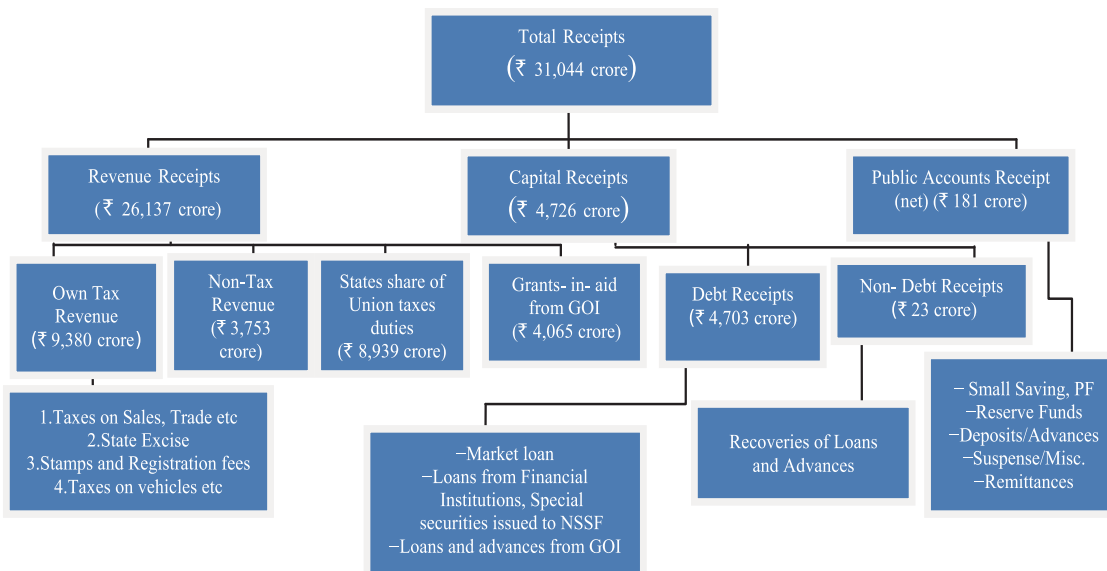
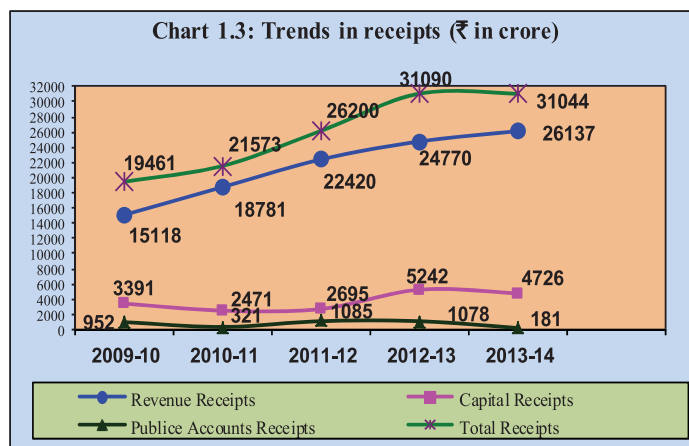
- Out of total provision of ₹ 2.20 crore for the Kishori Shakti Yojna during 2013-14, ₹ 0.30 crore only was spent resulting in savings of ₹ 1.90 crore (86 per cent).
- Similarly out of total ₹ 57.54 crore budgeted during 2013-14 under Rajiv Gandhi Scheme for Empowerment of Adolescent Girls ₹ 25.14 crore only was spent resulting in savings of ₹ 32.40 crore (56 per cent).

1.2 Resources of the State

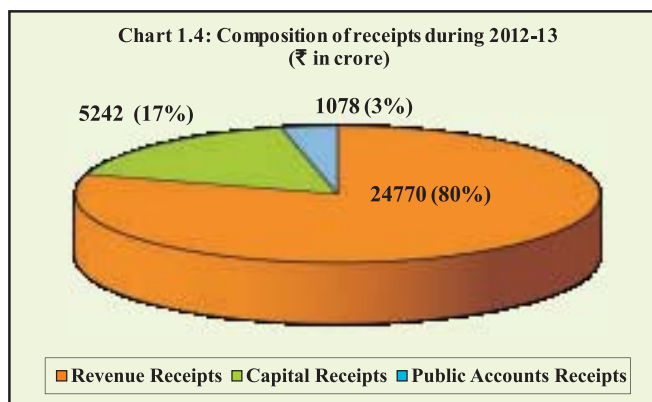
1.2.1 Resources of the State as per Annual Finance Accounts

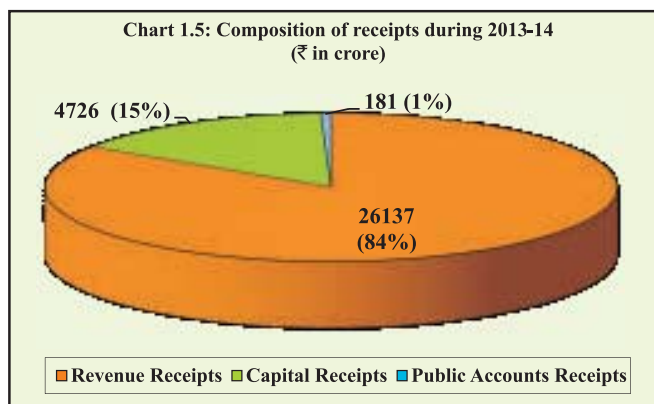
Revenue and Capital are the two streams of receipts that constitute the resources of the State Government. Revenue Receipts consist of Own Tax Revenues, Non-Tax Revenues, State's Share of Union Taxes and Duties and Grants-in-aid from the GOI. Capital receipts comprise Miscellaneous Capital Receipts such 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. Besides, funds available in Public Accounts after disbursement is also utilised by the Government to finance its deficit. **Table 1.1** (at page 2) presents the receipts and disbursements of the State during the current year 2013-14 as recorded in its Annual Finance Accounts. Flow chart showing the components and sub-components of resources during the year 2013-14 is given in **Chart 1.2**. **Chart 1.3** depicts the trend in various components of the receipts of the State during the period 2009-10 to 2013-14.

Chart 1.2: Components and sub-components of resources



Charts 1.4 and 1.5 depict the composition of resources of the State during 2012-13 and 2013-14 respectively.





It may be seen from **Chart 1.2** to **Chart 1.5** that:

- The Total Receipts of the State increased from ₹ 19,461 crore in 2009-10 to ₹ 31,044 crore in 2013-14. The Total Receipts of the State decreased by ₹ 46 crore during 2013-14 over the previous year.
- Share of Revenue Receipts to Total Receipts fluctuated between 78 *per cent* and 87 *per cent* during 2009-14. It decreased from 87 *per cent* in 2010-11 to 86 *per cent* in 2011-12 and 80 *per cent* in 2012-13 due to comparatively higher growth of Capital Receipts. However, it increased to 84 *per cent* in 2013-14 due to decline in debt and public accounts receipts.
- The Debt Capital Receipts decreased by 10 *per cent* in 2013-14 due to decrease in Internal Debt over the previous year. The CAGR of Debt Capital Receipts was 8.65 *per cent* during the period 2009-14.
- Net Public Account receipts decreased from ₹ 1,078 crore (three *per cent* of Total Receipts) in 2012-13 to ₹ 181 crore (one *per cent* of Total Receipts) in 2013-14.

1.2.2 Funds transferred to State implementing agencies outside the State Budget

The Central Government has been transferring sizeable quantum of funds directly to the State Implementing Agencies¹ for implementation of various schemes/programmes in Social and Economic sectors, which are recognised as critical. In the present mechanism these funds are not routed through the State Budget/State Treasury System. Hence, expenditure of these funds has not been mentioned in the Finance Accounts of the State. As such, the Annual Finance Accounts do not provide a complete picture of the resources of the State. To present the holistic picture on availability of aggregate resources, funds directly transferred to State implementing agencies are given in **Table 1.4**.

During the year 2013-14, Central funds of ₹ 2,601.80 crore were transferred directly to the State implementing agencies. The programmes assisted by

¹ State Implementing Agencies include any organisation/institution including non-Government organisation which is authorised by the State Government to receive funds from the Government of India for implementing specific programmes in the State, e.g. State Implementation Society for Sarva Siksha Abhiyan, State Health Mission for National Rural Health Mission, etc.

Government of India whose funds were transferred and the concerned State Implementing Agencies are presented in **Table 1.4**.

Table 1.4: Funds released by GOI directly to State Implementing Agencies

(₹ in crore)

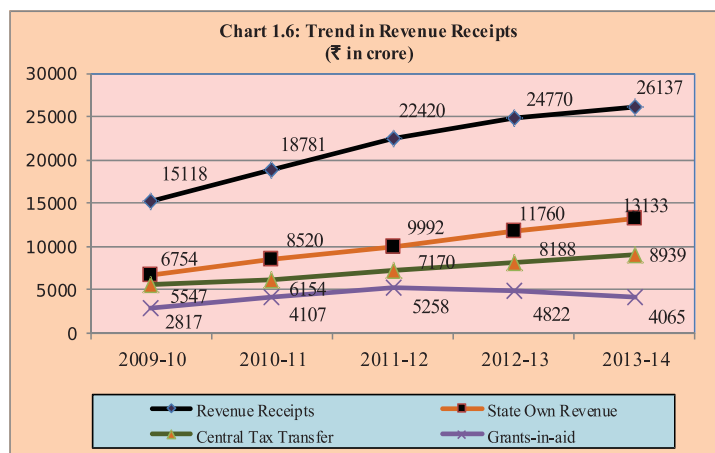
Programme/scheme	Implementing agency in the State	Funds transferred directly by GOI	
		2012-13	2013-14
Mahatma Gandhi National Rural Employment Guarantee scheme	Jharkhand State Rural Employment Guarantee Council	809.17	621.43
Indira AwaasYojana	District Rural Development Agencies	138.27	352.69
Swarnjayanty Gram SwarojgarYojana; District Rural Development Agency (Administration); Integrated Watershed Management Programme; AAJEEVIKA	District Rural Development Agencies	10.23	48.44
Sarva Shiksha Abhiyan	Jharkhand Education Project Council	561.84	450.11
National Rural Health Mission; Human Resource for Health Information, Education and Communications	(i) Jharkhand Rural Health Mission Society; TB Control Society and Blindness Control Society; (ii) Jharkhand AIDS Control Society.	281.32	317.27
National Rural Drinking Water Programme; Central Rural Sanitation Programme	Jharkhand State Water and Sanitation Mission	307.23	243.29
Member of Parliament Local Area Development Scheme	District Magistrates	88.50	97.50
Schemes implemented by NGOs and other societies	NGOs and other Societies	425.35	471.07
Total		2621.91	2601.80

Source: Appendix-VII of Finance Accounts

Direct transfers of funds from the GOI to State implementing agencies run the risk of improper utilisation of funds by these agencies. Unless uniform accounting practices are followed by all these agencies, with proper documentation and timely reporting of expenditure to the State Government and the Accountant General (A&E), Jharkhand, it would be difficult to monitor the end use of these direct transfers.

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 Revenue, Non-Tax Revenue, Central Tax transfers and Grants-in-aid contribution from GOI. The trends and composition of Revenue Receipts over the period 2009-14 are presented in **Appendix 1.3** and also depicted in **Chart 1.6**.



An analysis of Revenue Receipts of the State revealed that:

- During 2013-14, the Revenue Receipts grew at 5.5 *per cent* over the previous year against 10.5 *per cent* growth during 2012-13. However, in comparison to the budget estimate, the Revenue Receipts were less by ₹ 7,462 crore during 2013-14. The CAGR of Revenue Receipts during 2009-14 was 14.67 *per cent*.
- Own Tax Revenue was about two times of Non-tax Revenue during the period 2009-10, which increased to 2.5 times during 2013-14.
- During 2013-14, 50 *per cent* of total Revenue Receipts came from Central Tax Transfer and GOI grants, while State's Own Resources contributed the balance.
- During the current year, total Revenue Receipts (₹ 26137 crore) comprised of State's Own Tax Revenue (OTR) ₹ 9,380 crore (36 *per cent*), Non-Tax Revenue (NTR) ₹ 3,753 crore (14 *per cent*), Central Tax transfer (CTT) ₹ 8,939 crore (34 *per cent*) and Grants-in-aid from GOI ₹ 4,065 crore (16 *per cent*). The receipts under OTR, NTR and CTT grew at 14 *per cent*, Six *per cent* and Nine *per cent* respectively during 2013-14 over the previous year whereas receipts under Grants-in-aid from GOI decreased at 16 *per cent* during 2013-14 over the previous year.

The trend of Revenue Receipts relative to GSDP is presented in **Table 1.5**.

Table 1.5: Trends in Revenue Receipts relative to GSDP

(₹ in crore)

	2009-10	2010-11	2011-12	2012-13	2013-14
Revenue Receipts (RR) (₹ in crore)	15118	18781	22420	24770	26137
Rate of growth of RR (<i>Per cent</i>)	14.4	24.2	19.4	10.5	5.5
R R/GSDP (<i>Per cent</i>)	15.0	14.8	16.5	16.3	15.1
State's Own Tax / GSDP	4.5	4.5	5.1	5.4	5.4
Growth rate of GSDP	14.6	26.5	6.6	11.8	13.9
Buoyancy Ratios²					
Revenue Buoyancy w.r.t GSDP	0.99	0.91	2.94	0.89	0.40
State's Own Tax Buoyancy w.r.t GSDP	1.36	1.02	3.27	1.55	1.01
Revenue Buoyancy w.r.t. State's own taxes	0.72	0.90	0.90	0.57	0.37

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

- The growth rate of Revenue Receipts increased significantly from 14.4 *per cent* in 2009-10 to 24.2 *per cent* in 2010-11. However, it gradually decreased to 5.5 *per cent* during 2013-14.
- Revenue buoyancy with respect to GSDP showed wide fluctuations ranging between 0.40 and 2.94 during the years 2009-10 to 2013-14. In 2011-12, it was highest (2.94) due to high growth rate of Revenue Receipts (19.4 *per cent*) and low growth rate of GSDP (6.6 *per cent*). During 2013-14, growth rate of Revenue Receipts was 5.5 *per cent* while the growth rate of GSDP was 13.9 *per cent* leading to fall in revenue buoyancy to 0.40.
- The State's Own Tax (SOT) buoyancy with respect to GSDP showed wide variations between 1.01 and 3.27 during 2009-14, due to wide fluctuation in the growth rate of both GSDP and Own Tax Revenue. The buoyancy decreased from 1.55 in 2012-13 to 1.01 in 2013-14.
- The growth rate of GSDP of the Jharkhand recorded wide variation from 6.6 *per cent* to 26.5 *per cent* during the years 2009-10 to 2013-14. The GSDP grew by 13.9 *per cent* in 2013-14. However, the CAGR of the GSDP during 2009-14 was 14.47 *per cent*.

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 resources was assessed in terms of its own resources comprising own tax and other non-tax sources.

The State's actual Own Tax and Non-Tax Receipts for the year 2013-14 vis-à-vis assessment made by Thirteen Finance Commission and budget estimates are given in the **Table 1.6**.

Table 1.6: Tax and Non-Tax receipts

(₹ in crore)

	ThFC projections	Budget estimates	Actual
Own Tax Revenue	11137.16	10117.90	9379.79
Non-Tax Revenue	4068.3	4167.13	3752.71

Source: ThFC report, Budget document and Finance Accounts of the State 2013-14

During 2013-14, the collection of State's Own Tax Revenue was ₹ 9,379.79 crore against the normative projection made by ThFC of ₹ 11,137.16 crore and budget of ₹ 10,117.90 crore. The main reason for short achievement was lesser collection of Sales Tax and Taxes on Vehicles than estimated. The actual collection under these heads was ₹ 7,305 crore and ₹ 495 crore against the budget estimate of ₹ 7,875 crore and ₹ 639 crore respectively during the year.

The Own Tax to GSDP ratio in 2013-14 (6.63 *per cent*) was significantly less than the ThFC norms of 6.63 *per cent* and MTFP target of 5.4 *per cent* for the year.

The Non-tax revenue of the State (₹ 3,752.71 crore) was less than ThFC projection of ₹ 4,068.30 crore for the year 2013-14.

1.3.1.1 Own Tax Revenue

The gross collection in respect of major taxes and duties are given in **Table 1.7**.

Table 1.7: Components of Own Tax Revenue

(₹ in crore)

Revenue Head	2009-10	2010-11	2011-12	2012-13	2013-14	Percentage increase during 2013-14 over previous year
Taxes on Sales, Trade, etc.	3597	4473	5522	6422	7305	13.74
State Excise	323	388	457	578	628	8.65
Taxes on Vehicles	234	312	392	465	495	6.45
Stamps and Registration Fees	238	328	401	492	502	2.03
Land Revenue	41	131	53	96	230	139.58
Taxes on Goods & Passengers	13	21	41	1	1	0.00
Other Taxes	54	64	88	170	219	28.82
Total Own Tax Revenue	4500	5717	6954	8224	9380	14.06

Source: Finance Accounts for the respective years

The Own Tax Revenue of the State increased from ₹ 4,500 crore in 2009-10 to ₹ 9,380 crore in 2013-14. It grew by 14.06 *per cent* in 2013-14 over the previous year. The CAGR of Own Tax Revenue of the State was 20.16 *per cent* during the period 2009-14. Out of the total Own Tax Revenue in 2013-14, Sales Tax contributed 78 *per cent* followed by State Excise (seven *per cent*), Stamp Duty and Registration (five *per cent*) and Taxes on vehicles (five *per cent*).

Commercial Tax Department attributed the increase in tax revenue of Value Added Tax/Sales Tax during 2013-14 to better and effective tax administration as well as recovery of substantial dues of ₹ 72.52 crore. The reason for increase in Land Revenue in 2013-14 over the previous year was stated as deposit of dues amounting to ₹ 129 crore during the period. Increase in Other Taxes during 2013-14 was mainly due to increase in Taxes and Duties on Electricity. The reason for increase in Taxes and Duties on Electricity during the period was attributed to better tax administration by the department.

1.3.1.2 Non-Tax Revenue

Non-Tax Revenue (NTR) collected during 2013-14 was ₹ 3,753 crore against the normative projection of ₹ 4,068 crore by the ThFC for the year.

Component-wise position of Non-Tax Revenue during 2009-14 is given in **Table 1.8**.

Table 1.8: Component-wise Non-Tax Revenue

(₹ in crore)

Revenue Head	2009-10	2010-11	2011-12	2012-13	2013-14
Interest receipts	153.20	98.74	44.16	72.23	69.48
Dividends & Profits*	0.00	0.40	1.17	15.00	18.00
Other non-tax receipts	2100.95	2703.75	2992.89	3448.40	3665.23
Total	2254.15	2802.89	3038.22	3535.63	3752.71

Source: Finance Accounts for the respective years

*Dividends and Profits during 2009-10 was nil.

The share of NTR in Revenue Receipts remained 14 *per cent* in both 2012-13 and 2013-14. The NTR increased by six *per cent* in 2013-14 over the previous year mainly due to more collection under Mining and Metallurgical Industries (by ₹ 88 crore) and other receipts (by ₹ 146 crore). The CAGR of Non-tax Revenue was 13.59 *per cent* during 2009-14.

1.3.1.3 Cost of Collection of Tax

The gross collection of major taxes and expenditure on collection during 2013-14 are given in **Table 1.9**.

Table 1.9: Cost of collection of Tax

Sl. No.	Head of Accounts	Gross collection during 2013-14	Expenditure on collection	Percentage of expenditure to gross collection during 2012-13	Percentage of expenditure to gross collection during 2013-14	All India average
1	Taxes on Sales Trade etc.	7305.08	47.29	0.57	0.65	0.73
2	Taxes on vehicles	494.79	5.16	0.97	1.04	4.17
3	State Excise	627.93	14.79	2.58	2.36	2.96
4	Stamp & Registration Fee	502.61	12.37	2.28	2.46	3.25

Source: Finance Accounts of the Government of Jharkhand

The above table indicates that during 2013-14 the cost of collection increased in respect of all the taxes except on State Excise which decreased from 2.58 *per cent* to 2.36 *per cent* as compared to previous year. However, the State's cost of collection during the year was lower than all India average cost of collection³ in respect of taxes mentioned in **Table 1.9**.

1.3.2 Grants-in-aid from Government of India

The trend of release of Grants-in-aid by GOI under Non-Plan, State Plan, Centrally Sponsored and Central Plan Schemes is shown in the **Table 1.10**.

Table 1.10: Component-wise grants released by GOI

(₹ in crore)

Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Non-Plan Grants	1145.33	1281.40	1550.77	1483.41	1319.91
Grants for State Plan Schemes	982.97	1826.99	2404.61	2393.94	1565.83
Grants for Central Plan Scheme	55.05	8.62	66.87	30.81	28.28
Grants for Centrally Sponsored Schemes	633.28	990.24	1235.16	914.05	1150.96
Total	2816.63	4107.25	5257.41	4822.21	4064.98
Percentage of increase over previous year	33	46	28	(-)8	(-)16
Total grants as a percentage of Revenue Receipts	18.63	21.87	23.45	19.47	15.55

Source: Finance Accounts of Government of Jharkhand

- During 2013-14, Grants-in-aid from GOI stood at ₹ 4,064.98 crore, which decreased (by 16 *per cent*) from ₹ 4,822.21 crore in 2012-13.

³ For the year 2012-13.

- Non-Plan grants from GOI decreased from ₹ 1,483.41 crore in 2012-13 to ₹ 1,319.91 crore in 2013-14 mainly because more grants were received during 2012-13 under proviso to Article 275 (1) of the Constitution.
- During 2013-14 the State Plan grants also decreased significantly from ₹ 2,393.94 crore in 2012-13 to ₹ 1,565.83 crore in 2013-14 due to non-receipt of block grants for Accelerated Irrigation Benefit Programme, Backward Region Grant Fund and additional Central Assistance for State Plan under RKVY.
- No Debt relief was received by the State during 2013-14 under Debt Consolidation and Relief Facility.

1.3.3 Central Tax transfer

During 2013-14, the Central Tax transfer (CTT) was ₹ 8,939 crore against ₹ 8,188 crore in 2012-13. The CTT of the State increased by ₹ 751 crore (nine *per cent*) during 2013-14 over the previous year. The increase was mainly under Service Tax (₹ 260 crore), Taxes on Income other than Corporation Tax (₹ 219 crore), Union Excise Duty (₹ 106 crore) and Customs Duty (₹ 97 crore). The CTT constituted 34 *per cent* of Revenue Receipts of the State during 2013-14.

1.3.4 Optimisation of the Thirteenth Finance Commission grants

The Thirteenth Finance Commission recommended grants to Government of Jharkhand to improve the functioning of its various departments. The financial status of some of the grants received during 2013-14 is given in **Table 1.11**.

Table 1.11: Optimisation of the Thirteen Finance Commission grants

(₹ in crore)

Sl. No.	Transfers	Grants on the recommendation of the ThFC	Expenditure under relevant head of account	Unutilized amount
1	Forest and Environment Department	48.12	30.38	17.74
2	Home Department	74.50	74.50	0.00
3	Labour, Employment and Training Department	52.75	43.55	9.20
4	Law Department	21.43	7.07	14.36
6	Planning & Development Department	4.80	0.00	4.80
7	Disaster Management Department	5.00	0.00	5.00
8	Rural Development Department	67.49	62.75	4.74
	Information Technology Department	57.91	57.90	0.01
9	Urban Development Department	121.86	47.43	74.45
10	Water Resources Department	24.67	0.00	24.67
11	Minor Irrigation Department	2.33	0.00	2.33
	Welfare Department	31.25	0.00	31.25
12	Art, Culture, Sports and Youth Affairs Department	25.00	22.00	3.00
13	Rural Works Department	84.09	17.41	66.68
14	Panchayati Raj	256.33	78.94	177.39
15	Primary and Public Education	216.83	0.00	216.83
16	Social Welfare, Women and Child Development Department	54.00	48.62	5.38
	Total	1148.36	490.55	657.81

Source: Detailed Appropriation Accounts 2013-14

It can be seen from the **Table 1.11** above that out of the total amount of grants provided by the Government of India under recommendations of the ThFC (₹ 1,148.36 crore), only 43 *per cent* (₹ 490.55 crore) was utilised and 57 *per cent* (₹ 657.81 crore) remained unutilised at the end of 2013-14. Scheme-wise details are given in **Appendix 1.5**.

1.3.5 Forgone Revenue

1.3.5.1 Under-assessment, non levy, short levy of taxes

From scrutiny of records of 131 units of Taxes on Sales, Trade, etc., State excise, Land revenue, Taxes on Vehicles, Stamp and Registration fees and Mining Receipts during 2013-14, we observed 20,230 cases of under assessment, non levy, short levy etc. involving ₹ 2,313.83 crore. During the year 2013-14, the departments accepted 16,296 cases amounting to ₹ 542.57 crore. During the same period, the departments affected recovery of ₹ 8.47 crore in 377 cases.

1.3.5.2 Revenue arrears

As on 31 March 2014, revenue arrears amounted to ₹ 3,016.16 crore in four Departments (Commercial Taxes, Transport, State Excise and Mines and Geology) out of which ₹ 1,368.51 crore was outstanding for more than five years. The major portion of the revenue arrears related to Commercial Taxes Department (₹ 1,704.67 crore) and Mines and Geology Department (₹ 1,024.74 crore). Information regarding revenue arrears from other departments was not furnished (August 2014).

The total revenue arrears as on 31 March 2014 were eight *per cent* of total revenue of the State and 15 *per cent* of States' own resources during 2013-14.

1.4 Capital Receipts

Apart from revenue receipts of the State, the State also received capital receipts, which comprise of proceeds from disinvestments, recovery of loans and advances given by the government, internal borrowings of the government from financial institutions and Loans and Advances from Government of India (GOI). Details of capital receipts during 2009-14 are given in **Table 1.12**.

Table 1.12: Trends in growth and composition of receipts

Source of State's Receipts	2009-10	2010-11	2011-12	2012-13	2013-14
Capital Receipts (CR)	3391	2471	2695	5242	4726
Miscellaneous Capital Receipts	0	0	0	0	0
Recovery of Loans and Advances	22	24	24	43	23
Public Debt Receipts	3369	2447	2671	5199	4703
Rate of growth of debt capital receipts (<i>per cent</i>)	38.2	-27.4	9.2	94.6	-9.5
Rate of growth of non-debt capital receipts (<i>per cent</i>)	15.6	9.1	0.0	79.2	-46.51
Rate of growth of GSDP	14.6	26.5	6.6	11.8	13.9
Rate of growth of CR (<i>per cent</i>)	38.1	-27.1	9.1	94.5	-9.8

Source: Finance Accounts of Government of Jharkhand for the respective years

During 2013-14, Capital Receipts decreased to ₹ 4,726 crore against ₹ 5,242 crore in 2012-13 mainly due to decrease in Public Debt Receipts. Further,

Public Debt Receipts decreased due to significant decrease in market loans from ₹ 3,600 crore in 2012-13 to ₹ 2,950 crore in 2013-14.

As per Finance Accounts, proceed from disinvestment was 'nil' during 2013-14.

1.4.1 Recoveries from loans and advances

The recovery against the loans and advances given was very low. Detail of loans given and recovery made during last five years are as given below:

Table 1.13: Loans and Advances

(₹ in crore)					
Years	2009-10	2010-11	2011-12	2012-13	2013-14
Opening balance of Loans	6415	6713	6997	7190	7748
Loans given	320	308	21	601	222
Recovery made	22	24	24	43	23
Closing balance of loans	6713	6997	7190	7748	7947

Jharkhand State Electricity Board (JSEB) was the major recipient of loans and advances given every year but no repayment was made against the same leading to huge balance of ₹ 7,300.55 crore against JSEB. Repayment received was mainly against the loans and advances given to the Government servants. The CAGR of the loans given and of the closing balance of loans were (-) 8.74 and 4.31 *per cent* respectively during the period 2009-14.

1.4.2 Debt receipts from internal sources

To fulfill its resource gap and to meet the capital expenditure, the State raises funds from the internal market. The internal market borrowings increased from ₹ 3,379 crore in 2009-10 to ₹ 4,597 crore in 2013-14. During 2013-14, the major contributor in internal debt was market loans (₹ 2,950 crore) and loans from National Bank for Agriculture and Rural Development (₹ 750 crore). Ways and Means advances received during the year were ₹ 316 crore.

1.4.3 Loans and advances from Government of India (GOI)

Loans and advances from GOI recorded wide fluctuation during 2009-14. It increased from (-) ₹ 10 crore in 2009-10 to ₹ 239 crore in 2012-13. However, loans from GOI decreased to ₹ 106 crore during 2013-14. Loans and advances from GOI were received for State Plan schemes. No fresh loans were received for Central Plan Schemes and Centrally Sponsored Schemes during 2009-10 to 2013-14.

1.5 Public Accounts Receipts

Receipts and disbursements in respect of certain transactions such as small savings, provident funds, reserve funds, deposits, suspense, remittances etc. which do not form part of the Consolidated Fund under Article 266(2) of the Constitution and not subjected to vote by the State legislature, are kept in Public accounts. Here the Government acts as a banker. The balance after disbursements is the fund available with the government for use. Trend in Public Accounts Receipts given in **Table 1.14**.

Table 1.14: Trends in Public Accounts Receipts

(₹ in crore)

Resources under various heads	2009-10	2010-11	2011-12	2012-13	2013-14
Public Accounts Receipts	8242	7721	10813	14495	14275
Small Savings, Provident Fund etc.	687	572	613	668	760
Reserve Fund	489	Nil	138	280	293
Deposits and Advances	4150	3670	5236	8706	7204
Suspense and Miscellaneous	204	181	306	199	-59
Remittances	2612	3298	4520	4642	6077

Source: Finance Accounts of Government of Jharkhand for the respective years

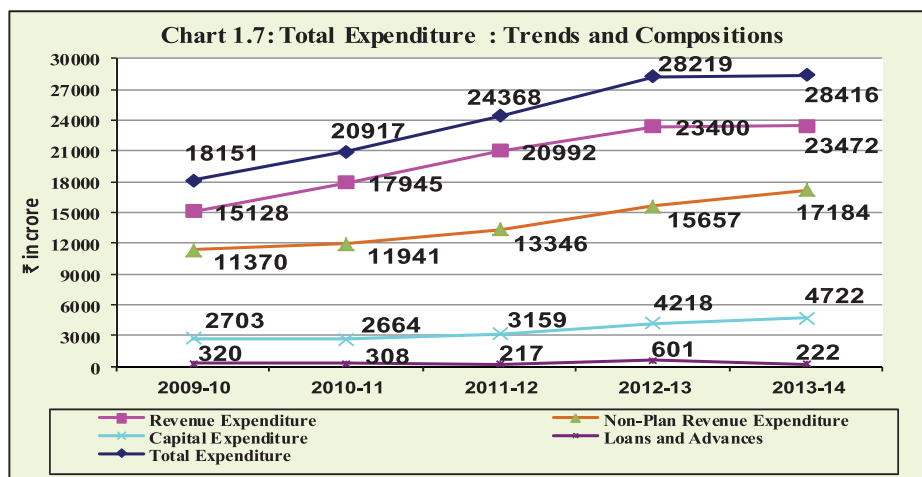
Deposit and Advances in Public Accounts Receipts increased from ₹ 4,150 crore in 2009-10 to ₹ 8,706 crore in 2012-13 which further decreased to ₹ 7,204 crore in 2013-14 mainly due to significant decrease in Deposit of Market Loans by ₹ 650 crore, Public Works Deposits ₹ 487 crore and State Electricity Board Working Funds by ₹ 310 crore. The CAGR of Public Accounts Receipts was 14.72 per cent during the period 2009-14.

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 State level is not at the cost of expenditure, especially the expenditure directed towards development of social sector.

1.6.1 Growth and Composition of Expenditure

Chart 1.7 presents the trends in Total Expenditure and its composition over a period of the last five years (2009-14).



- Over the last five years, the Compound Annual Growth Rate (CAGR) of Total Expenditure (TE) was 11.86 per cent. During 2013-14 the amount of Total Expenditure of the State was slightly higher (₹ 197 crore) than that of 2012-13.

- Of the TE, Revenue Expenditure constituted 83 *per cent* while Capital Expenditure constituted 16 *per cent*. Loans and Advances disbursed constituted only one *per cent* of the TE.
- Of the Total Expenditure Non-Plan expenditure and Plan expenditure constituted 60 *per cent* and 40 *per cent* respectively during 2013-14 against 56 *per cent* and 44 *per cent* respectively in 2012-13.

1.6.1.1 Capital Expenditure

- During 2013-14, Capital Expenditure (CE) increased to ₹ 4,722 crore against ₹ 4,218 crore in 2012-13. The percentage of CE to Total Expenditure stood at 17 during 2013-14 against 15 during 2012-13. The percentage of CE to GSDP was 2.7 during 2013-14 against 2.8 during 2012-13.
- Capital expenditure in Education sector increased from ₹ 90.76 crore in 2012-13 to ₹ 145.21 crore in 2013-14. However, the CE in Education sector was much less than budgeted ₹ 269.41 crore for the year 2013-14.
- In respect of Health and Family Welfare sector, the CE increased from ₹ 146.84 crore in 2012-13 to ₹ 166.18 crore in 2013-14. However, the expenditure in this sector during 2013-14 was much less than budgeted ₹ 291.80 crore.
- The CE on Water Supply, Sanitation, Housing and Urban Development decreased from ₹ 487.43 crore in 2012-13 to ₹ 342.07 crore in 2013-14. The budget for water supply, sanitation housing and urban development for the year was ₹ 380.50 crore against ₹ 1,035.20 crore in 2012-13.

1.6.2 Revenue Expenditure (RE)

Revenue Expenditure (RE) was 83 *per cent* of the Total Expenditure (₹ 28,416 crore) during 2013-14. The RE increased (by 55 *per cent*) from ₹ 15,128 crore in 2009-10 to ₹ 23,472 crore in 2013-14. The CAGR of RE was 11.61 *per cent* during the period.

During 2013-14, RE was 13.6 *per cent* of GSDP. While the buoyancy of RE with GSDP decreased from 0.97 in 2012-13 to 0.02 in 2013-14 because growth rate of RE decreased from 11.5 *per cent* in 2012-13 to 0.3 *per cent* in 2013-14, the GSDP grew at 11.8 *per cent* in 2012-13 and 13.9 *per cent* in 2013-14.

1.6.2.1 Plan Revenue Expenditure (PRE)

During 2013-14, the Plan Revenue Expenditure (PRE) was ₹ 6,288 crore in comparison to the budget estimate of ₹ 11,926 crore. The PRE decreased by 19 *per cent* from ₹ 7,743 crore in 2012-13. The share of PRE in total RE decreased from 33 *per cent* in 2012-13 to 27 *per cent* in 2013-14. The decrease in PRE was due to decrease in Social Services (by ₹ 154 crore) and Economic Services (by ₹ 1,347 crore) with a marginal increase in General Services (by ₹ 46 crore). The CAGR of PRE during 2009-14 was 13.73 *per cent*.

1.6.2.2 Non-Plan Revenue Expenditure (NPRE)

During 2013-14, the NPRE was ₹ 17,184 crore as against the budget estimate of ₹ 18,509 crore and ₹ 16,819.45 crore recommended by the ThFC. The growth rate of NPRE decreased from 17 *per cent* in 2012-13 to 10 *per cent* in 2013-14. The percentage of NPRE to the Total Revenue Expenditure varied between 64 and 75 during the period 2009-14. During 2013-14, the NPRE was 73 *per cent* of Revenue Expenditure. The CAGR of NPRE of the State during 2009-14 was 10.88 *per cent*.

During 2013-14, under Social Services the NPRE was mainly incurred on Education (₹ 2,876.19 crore), Health and Family Welfare (₹ 604.47 crore), Social Welfare and Nutrition (₹ 318.72 crore) and Water Supply, Sanitation, Housing and Urban Development (₹ 300.97 crore). Under Economic Services, NPRE was incurred mainly on Energy (₹ 1,502.36 crore), Rural Development (₹ 610.13 crore), Agriculture & Allied Activities (₹ 418.62 crore) and Irrigation and Flood control (₹ 303.39 crore).

1.6.3 Committed Expenditure

The committed expenditure of the State Government on revenue account mainly consists of expenditure on salaries and wages, subsidies, pension and interest payments. **Table 1.15** and **Chart 1.8** present the trend in the expenditure on these components during 2009-14.

Table 1.15: Components of Expenditure on Salaries and Wages, Subsidies, Pension and Interest Payments

(₹ in crore)

Components of Committed Expenditure	2009-10	2010-11	2011-12	2012-13	2013-14	
					Budget Estimates [#]	Actual
Salaries* and Wages , of which	5342 (35)	5642(30)	6352(28)	6446(26)	8668	6934(27)
Non-Plan heads	5154 (34)	5434(29)	6150(27)	6270(25)	8153	6766(26)
Plan heads	188 (1)	208(1)	202(1)	176(1)	515	168(1)
Interest Payments	2307(15)	2228(12)	2267(10)	2391(10)	2475	2614(10)
Pension	1681(11)	2081(11)	2297(10)	2931(12)	3061	3484(13)
Subsidies	41(0.3)	80	286(2)	270(1)	₹	187(1)
Total	9371 (62)	10031 (53)	11202(50)	12054(49)	14204	13219(51)

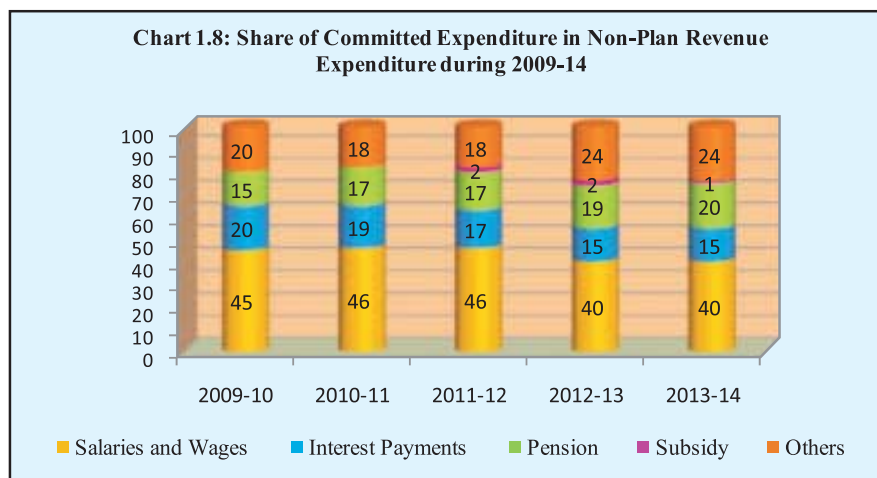
Source: Finance Accounts of Government of Jharkhand

Figures in parentheses indicate percentage of Revenue Receipts

* It also includes salaries paid out of Grants-in-aid.

[#] Budget Estimates are gross figures while the actuals are net figures.

₹ Budget not available



Subsidy w.r.t. NPPE in per cent comes to negligible during the years 2009-10 & 2010-11

Salaries & Wages (₹ 6,934 crore), Interest Payments (₹ 2,614 crore) and Pension (₹ 3,484 crore) together accounted for 55 *per cent* of the Revenue Expenditure and consumed 50 *per cent* of the Revenue Receipts during 2013-14. The Total Non-plan expenditure on Salaries, Pension and Interest Payments together accounted for 75 *per cent* of NPPE during 2013-14.

- The expenditure on Salaries and Wages constituted 28 *per cent* to 35 *per cent* of Revenue Expenditure (RE) during the years 2009-10 to 2013-14. The percentage of Salaries and Wages to RE increased from 28 in 2012-13 to 30 in 2013-14. Similarly, percentage of Salaries and Wages to Revenue Receipts increased slightly from 26 in 2012-13 to 27 in 2013-14. The CAGR of Salaries and Wages during the period 2009-14 was 6.74 *per cent*.
- Expenditure on Salaries and Wages under the Non-Plan heads during 2013-14 (₹ 6,766 crore) increased by ₹ 496 crore (eight *per cent*) over the previous year. The expenditure exceeded the normative projection of ThFC (₹ 5,881 crore) by ₹ 885 crore.

Pension

- The expenditure on Pension increased from ₹ 1,681 crore in 2009-10 to ₹ 3,484 crore in 2013-14, at a CAGR of 19.99 *per cent*. The growth rate during 2013-14 was also 19 *per cent* over the previous year. It exceeded the budget estimate (₹ 3,061 crore) for 2013-14 by ₹ 423 crore (14 *per cent*).
- The State adopted Contributory Pension Scheme from 01 January 2004 to reduce future burden of pension and pensionary benefits. The State Government entered into an agreement with New Pension System Trust on 20 March 2009.

Interest Payments

- Interest Payments during 2013-14 were ₹ 2,614 crore against the normative projection of ₹ 3,394 crore by the ThFC. The growth rate of Interest Payments was nine *per cent* over the previous year. As a percentage of Revenue Receipts, the Interest Payments were 10 *per cent*

during 2013-14. The CAGR of Interest paid by the State during 2009-14 was 3.17 *per cent*.

- Major components of Interest Payments during 2012-13 and 2013-14 are given in **Table 1.16** below:

Table 1.16: Components of Interest Payments

(₹ in crore)

Interest paid for	2012-13	Average interest rate	2013-14	Average interest rate
Internal debt	2018.33	8.50	2229.18	8.39
Loans and Advances from GOI	185.95	8.18	147.37	6.99
Small Savings, Provident fund etc.	186.23	12.09	235.96	15.18
Others	0.74	0.00	1.93	0.03
Total	2391.25	8.67	2614.44	7.22

Subsidy

- During 2013-14, Government of Jharkhand paid ₹ 187 crore⁴ as subsidy mainly under the head 2401-Crop Husbandry (₹ 152.97 crore), 2403-Animal Husbandry (₹ 12.68 crore) and 2852-Industries (₹ 17.01 crore) which was specifically booked under the sub-head meant for subsidy. The amount of subsidy decreased from ₹ 270 crore in 2012-13 to ₹ 187 crore in 2013-14.
- As per the Appendix III of the Finance Accounts for the year 2013-14, no subsidy was given for food, power and irrigation purposes.
- Subsidies are disbursed not only explicitly but also implicitly by providing subsidised public service to the people. During scrutiny of accounts for 2013-14 we observed that ₹ 60.94 crore (Grant no 51 and 58) was provided for distribution of bicycles to the students of which ₹ 55.94 crore was utilized. Further, ₹ 1,499.96 crore was provided as grants-in-aid to Jharkhand State Electricity Board to fulfill its resource gap.

1.6.4 Major programmes

Under Social Sector and Economic Sector many flagship programmes were implemented in the State for which funds were provided in the budget under State Plan (SP) and Central Plan (CP). During 2013-14, ₹ 16,016 crore was budgeted for flagship programmes under the State plan of which ₹ 11,169 crore was utilized. Under the Central Plan, ₹ 1,233.96 crore was utilised against ₹ 2,352 crore budgeted during the year. This excludes funds transferred directly to the State Implementing Agencies by the Central Government amounting to ₹ 2,601.80 crore as discussed in Para 1.2.2 of this report.

The budget provisions and actual expenditure incurred on some major programmes during 2013-14, under SP and CP are shown in **Table 1.17**.

⁴Appendix III of Finance Accounts

Table 1.17: Expenditure on major programmes

(₹ in crore)

Sl. No.	Name of programmes	Budget Provision	Expenditure
State Plan			
1	Major Roads	1295.00	1210.84
2	Minimum Need Programmes-Construction of Rural Roads	556.00	502.23
3	Subernarekha Project	1375.00	373.32
4	Chief Minister Village Bridge Scheme	477.90	370.72
5	Mukhyamantri Kanyadan Sahayata Yojna	360.74	313.76
Central Plan			
1	National Programme of Nutritional Support to Primary Education	738.48	461.66
2	Integrated Child Development Programme	224.84	143.82
3	National Rural Health Mission	111.55	67.75

As evident from **Table 1.17**, expenditure on Subernarekha Project (₹ 373.32 crore) was only 27 *per cent* of the total budget provided for the project (₹ 1,375.00 crore). Expenditure on National Programme of Nutritional Support to Primary Education (₹ 461.66 crore) was also significantly less in comparison to Budget estimate of ₹ 738.48 crore due to less expenditure on various components of Mid Day Meal (MDM) Programme.

1.6.5 Financial assistance given by the State Government to Local Bodies and other Institutions

The quantum of assistance given as grants and loans to Local Bodies and other institutions during 2013-14 as compared to the last three years is presented in **Table 1.18**.

Table 1.18: Financial assistance to Local Bodies and other Institutions

(₹ in crore)

Financial Assistance to Institutions	2009-10	2010-11	2011-12	2012-13	2013-14
Panchayati Raj Institutions (PRIs)	-	875.69	581.06	3078.86	910.68
Urban Local Bodies (ULBs)	485.14	246.15	25.34	330.54	88.38
Public Sector Undertakings	602.64	491.55	777.00	450.02	1528.89
Autonomous Bodies	678.31	607.55	677.85	1837.02	2451.34
Non-Government Organisation	17.87	192.43	209.68	199.40	106.65
Others	548.98	708.34	2259.30	1054.48	1335.91
Total	2332.94	3121.71	4530.23	6950.32	6421.85
As percentage of Revenue Expenditure	15.42	17.31	21.58	29.70	27.36

Source: Statement 8 of Finance Accounts

Financial assistance given to Local Bodies increased steadily from ₹ 2,332.94 crore in 2009-10 to ₹ 6,950.32 crore in 2012-13 which decreased to ₹ 6,421.85 crore in 2013-14. The growth rate of the financial assistance fluctuated between (-) eight *per cent* and 53 *per cent* during 2009-14. Financial assistance to the ULBs and PRIs was provided through regular service heads of Urban Development Department and Rural Development Department instead of under head 3604-Financial assistance to ULBs and PRIs specified for the purpose. The amounts of assistance to PRIs and ULBs shown in the above table do not include amounts provided (₹ 597 crore) to Panchayati Raj Institution and Urban Local Bodies under the minor heads 191,

192, 193, 196, 197 and 198 under respective departmental expenditure heads of accounts.

1.6.6 Devolution of funds and functions to Urban Local Bodies and Panchayati Raj Institutions

Urban Local Bodies (ULBs)

The 74th Constitutional Amendment Act envisaged (1992) establishment of Local Self-Government for urban areas wherein the Municipalities were provided with Constitutional status for governance. Accordingly, 18 functions such as town planning, land use regulation, water supply, etc. were to be assigned to the ULBs. Further, as per the recommendations of the Eleventh Finance Commission (EFC), the funds for the ULBs are to be allocated under the specific Minor Heads 191-Assistance to Municipal Corporation, 192-Assistance to Municipalities/Councils and 193-Assistance to Nagar Panchayats. The State Government framed the 'Jharkhand Municipal Act, 2011 incorporating the 18 functions in the Act as indicated in **Appendix 1.6 Part-A** only in February 2012. There are 39 ULBs (Nagar Nigam-3, Nagar Parishad-14, Nagar Panchayat-19, Nagar Palika-1 and Notified Area Committee-2) in the State.

It would be seen from **Table 1.19** below that the State Government provided financial assistances of ₹ 1,175 crore to the ULBs during the period 2009-14. There was steady decline in financial assistance to ULBs during the period 2009-12. However, it increased to ₹ 331 crore in 2012-13 which again decreased to ₹ 88 crore in 2013-14. This was mainly due to non-release of assistance for skill development and capacity promotion, civil amenities to ULBs, urban transport system etc.

Details of funds provided to ULBs are as follows:

Table 1.19: Funds made available to Urban Local Bodies

(₹ in crore)

Particulars	2009-10	2010-11	2011-12	2012-13	2013-14	Total
Revenue Receipt (RR) of the State	15118	18781	22420	24770	26137	107226
Revenue Expenditure (RE) of the State	15128	17945	20992	23400	23472	100937
Financial Assistance given to ULBs	485	246	25	331	88	1175
Financial Assistance as percentage to RR	3.21	1.31	0.11	1.34	0.34	1.10
Financial Assistance as percentage to RE	3.21	1.37	0.12	1.41	0.37	1.16
Own collection ⁵	-	3.23	18.84	-	-	22.07

The Second State Finance Commission constituted in January 2009 has not made any recommendation in respect of devolution of funds to ULBs as of September 2014. Further, information regarding transfer of functions and funds to the ULBs, was called for (September 2012, September 2013 and November 2013) from the Urban Development Department. Their reply has not been received (October 2014).

⁵ Information regarding funds collected by the ULBs from own sources has not been furnished by the Urban Development Department. However, information obtained during audit of various ULBs (2010-11 : Nagar Panchayats- Basukinath, Chas, Gumla, Khunti, Simdega and Municipal Council Lohardaga and 2011-12: Nagar Panchayats- Bistrampur, Chakulia, Koderma, Rajmahal, Municipality : Jugsalai and Ranchi Municipal Corporation) revealed that ₹ 22.07 crore was collected during this period.

In Jharkhand, the State Government has entrusted Technical Guidance and Supervision (TGS) over audit of Local Bodies (Urban Local Bodies and Panchayati Raj Institution) to Comptroller & Auditor General of India (C&AG) in October 2011. Accordingly, Bihar and Orissa Local Fund Audit Act, 1925 was amended in March 2012 comprising the provision for audit by Director of Local Fund Audit (DLFA) at the State level to whom the C&AG had to provide TGS. State Government created 22 posts (March 2013) to make DLFA functional but DLFA has not been operationalised till date and the Examiner, Local Accounts (ELA) is conducting audit of local bodies on test check basis as per TGS arrangement since April 2012.

Panchayati Raj Institutions

The State Government enacted the Jharkhand Panchayati Raj Act in 2001 to establish a three-tier PRI system i.e. Zila Panchayat (ZP) at district level, Panchayat Samiti at block level and Gram Panchayat at the village level. The rules were framed to enable PRIs to function as institution of Local Self-Government. As recommended by the Eleventh Finance Commission the classification of the funds transferred to PRIs is made under the minor heads 196- Assistance to Zila Parishad, 197- Assistance to Block Panchayat and 198- Assistance to Gram Panchayat.

According to the Jharkhand Panchayati Raj Act, 2001, funds released by the Central and State Governments were to be utilised by the PRIs for execution of various development programmes relating to provision of civic amenities to the rural people. At present, there are 4706 PRIs⁶ in the State. As shown in **Table 1.20**, no financial assistance was provided to PRIs up to 2009-10 as PRIs were constituted after election held in December 2010. During the period 2010-14, a total amount of ₹ 5,447 crore was paid to the PRIs, as shown below:

Table 1.20: Funds available to Panchayati Raj Institutions

(₹ in crore)

Particulars	2009-10	2010-11	2011-12	2012-13	2013-14	Total
Revenue Receipt (RR) of the State	15118	18781	22420	24770	26137	107226
Revenue Expenditure (RE) of the State	15128	17945	20992	23400	23472	100937
Financial Assistance to PRIs*	-	876	581	3079	911	5447
Financial Assistance as percentage to RR	-	4.66	2.59	1.96	3.49	5.08
Financial Assistance as percentage to RE	-	4.88	2.77	2.08	3.88	5.40
Own collection**	-	-	-	-	-	-

* Election of PRIs was held in December 2010.

** Recommendation has not been made by the State Finance Commission.

The Second State Finance Commission constituted in January 2009 has not made any recommendation in respect of devolution of funds to PRIs as of September 2014. The State Government issued orders of transfer of funds to Panchayats in October 2012. As depicted in **Appendix 1.6 Part-B** out of stipulated 29 functions, 10 functions have been devolved completely and five functions have been devolved partially as of October 2014.

As per the recommendations of the Eleventh Finance Commission, the Government notified (March 2011) the 'Jharkhand Panchayati Raj (Budget & Accounts) Regulation 2010' and the accounting in PRIs is done accordingly.

⁶ 24 Zila Parishad, 259 Panchayat Samities and 4,423 Gram Panchayats

However, audit of the PRIs are continued to be done by the ELA, as the appointment of the DLFA has not been finalised by the Government so far (October 2014).

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 and its effectiveness (assessment of outlay-outcome relationship for select services).

Growth rate of total expenditure of the State during 2013-14 was 0.7 *per cent* against 15.8 *per cent* during 2012-13 over the previous year.

The development expenditure (expenditure on social and economic services) constituted 64 *per cent* of Total Expenditure, while non development expenditure constituted 36 *per cent* during 2013-14. During 2013-14, development expenditure declined by five *per cent* over previous year, while non- development expenditure grew at 14 *per cent* over previous year.

1.7.1 Adequacy of Public Expenditure

The responsibilities relating to the social and economic sector assigned to the State Governments are largely State subjects. To enhance human development levels it requires the State to step up its expenditure on key social services like education, 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 1.21 analyses the fiscal priority of the State Government with regard to Development Expenditure, Social Sector Expenditure and Capital Expenditure during 2013-14, taking 2010-11 as the base year.

Table 1.21: Fiscal Priority of the State in 2010-11 and 2013-14

Fiscal Priority by the State*	AE/GSDP	DE [#] /AE	SSE/AE	CE/AE	Education/ AE	Health/ AE
General Category States Average (Ratio) 2010-11	15.78	65.09	36.88	13.49	17.48	4.37
Jharkhand State's Average (Ratio) 2010-11	16.43	65.53	31.03	12.74	18.12	5.09
General Category States Average (Ratio) 2013-14	15.92	66.45	37.56	13.62	17.20	4.51
Jharkhand State's Average (Ratio) 2013-14	16.45	64.31	32.23	16.62	13.42	4.02

*As *per cent* to GSDP

AE: Aggregate Expenditure (Total Expenditure), DE: Development Expenditure, SSE: Social Sector Expenditure, CE: Capital Expenditure

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

Source: GSDP figures as furnished by Website of Ministry of Statistics and Programme Implementation, Government of India.

The State of Jharkhand spent higher proportion of its GSDP as Aggregate Expenditure in 2010-11 and 2013-14 in comparison to the average of General Category States.

Development Expenditure as a proportion of Aggregate Expenditure (AE) in Jharkhand was more than the General Category States' average during

2010-11 and less during 2013-14, while the Capital Expenditure to AE in Jharkhand was less during 2010-11 and more during 2013-14 in comparison to General Category States average.

The State has given less priority to both education and health sector as compared to the General Category States average in the year 2013-14.

1.7.2 Efficiency of expenditure use

In view of the importance of public expenditure on development heads from the point of view of social and economic development, it is important for the State Governments to take appropriate expenditure rationalisation measures and lay emphasis on provision of core public goods⁷. Apart from improving the allocation towards Development Expenditure⁸, the efficiency of expenditure use is also reflected by the ratio of Capital Expenditure to Total Expenditure (and GSDP) and the proportion of Revenue Expenditure being spent on operation and maintenance of the existing Social and Economic Services. The higher the ratio of these components to Total Expenditure (and GSDP) the better would be the quality of expenditure.

Table 1.22 presents the trends in Development Expenditure relative to the Aggregate Expenditure of the State during 2013-14 *vis-à-vis* the budgeted amounts and the expenditure during the previous years.

Table 1.22: Development Expenditure

(₹ in crore)

Components of Development Expenditure	2009-10	2010-11	2011-12	2012-13	2013-14	
					BE*	Actuals
Development Expenditure						
Development Revenue Expenditure	8523(47)	10954(52)	13146(54)	14704(52)	20564	13512(48)
Development Capital Expenditure	2591(14)	2544(12)	3003(12)	4042(14)	6234	4554(16)
Development Loans and Advances	308(2)	296(1)	199(1)	582(2)	813	209(1)
Total	11422	13794	16348	19328	27611	18275
Figures in parentheses indicate percentage to aggregate expenditure (RE + CE + L&A)						
* Budget estimates are gross figures while actuals are net figures.						

Source: Finance Accounts of Government of Jharkhand and budget publication

- The development expenditure of the State comprised of Revenue Expenditure and Capital Expenditure including Loans and Advances on Social Services and Economic Services. During 2013-14, the development expenditure declined by five *per cent* over the previous year mainly due to less expenditure on Education, Sports, Art and Culture, and Rural Development under Revenue heads and Water Supply, Sanitation, Housing and Urban Development under Capital heads.
- As seen from the **Table 1.22**, the total Development Expenditure was much below the budget estimate during 2013-14. The expenditure on

⁷ Core public goods are goods which all citizens enjoy in common in the sense that each individual's consumption of such a good leads to no subtractions from any other individual's consumption of that good, e.g. enforcement of law and order, security and protection of our rights; pollution free air and other environmental goods and road infrastructure etc.

⁸ The analysis of expenditure data is disaggregated into development and non development expenditure. All expenditure relating to Revenue Account, Capital Outlay and Loans and Advances is categorised into social services, economic services and general services. The social and economic services constitute development expenditure, while expenditure on General Services is treated as non-development expenditure in our figures.

General Services (Non-Development) was ₹ 10,141 crore against the budget of ₹ 10,103 crore for the year.

- During 2009-14, the share of Development Revenue Expenditure in Total Development Expenditure ranged between 48 *per cent* and 54 *per cent*. The CAGR of Development Revenue Expenditure was 12.21 *per cent* during 2009-14.
- The share of Development Capital Expenditure (including Development Loans and Advances) in Total Expenditure increased from 16 *per cent* in 2012-13 to 17 *per cent* in 2013-14. The CAGR of Development Capital Expenditure during 2009-14 was 15.14 *per cent*.
- The actual Development Capital Expenditure and Development Loans and Advances were ₹ 4,554 crore and ₹ 209 crore against budget estimate of ₹ 6,234 crore and ₹ 813 crore during 2013-14.
- Expenditure on Social Services (₹ 9,159 crore) and on Economic Services (₹ 9,116 crore) shared about 50 *per cent* each of the total Development Expenditure during 2013-14 (₹ 18,275 crore).

Expenditure on selected Social and Economic Services

Table 1.23 provides the details of Capital Expenditure and the components of Revenue Expenditure incurred on the maintenance of selected Social and Economic services.

Table 1.23: Efficiency of Expenditure use in Selected Social and Economic Services

(In per cent)

Social/Economic Infrastructure	2012-13			2013-14		
	Ratio of CE to TE	In RE, the share of		Ratio of CE to TE	In RE, the share of	
		S & W	O&M*		S&W	O & M
Social Services (SS)						
General Education	0.86	47.35	0.00	2.05	54.98	0.00
Health and Family Welfare	15.38	57.50	0.02	14.52	51.89	0.13
WS, Sanitation and HUD	43.14	19.16	3.66	32.51	18.03	2.82
Total (SS)	11.03	34.49	0.35	10.09	35.92	0.52
Economic Services (ES)						
Agriculture & Allied Activities	1.59	32.92	0.03	1.52	37.74	0.31
Irrigation and Flood Control	67.78	97.76	0.00	59.89	98.03	0.00
Power & Energy	0.00	0.00	0.00	0.00	0.00	0.00
Transport	67.43	12.83	35.41	88.78	39.68	51.98
Total (ES)	32.02	16.34	3.24	39.82	22.14	4.34
Total (SS+ES)	23.93	26.60	1.60	24.92	30.52	2.02

TE: Total Expenditure of that sector; CE: Capital Expenditure; RE: Revenue Expenditure; S&W: Salaries and Wages; O&M: Operations & Maintenance, as per Finance Accounts it represents actual expenditure booked under detailed head -05- Maintenance and Repairs.

Source: Finance Accounts of Government of Jharkhand

- Development Capital Expenditure as a percentage of total Development Expenditure increased from 23.93 *per cent* in 2012-13 to 24.92 *per cent* in 2013-14.
- Salary component in Social Services and Economic Services increased from 34.49 *per cent* and 16.34 *per cent* in 2012-13 to 35.92 *per cent* and 22.14 *per cent* during 2013-14 respectively.

- During 2013-14, the State Government spent ₹ 324.60 crore under the detailed head “05- Maintenance and Repairs to maintain public assets”.
- In Social Services, the share of Operation and Maintenance expenditure to Revenue Expenditure in Water Supply, Sanitation and Housing & Urban Development declined from 3.66 *per cent* in 2012-13 to 2.82 *per cent* in 2013-14.
- In Economic Services, the share of Operation and Maintenance expenditure to Revenue Expenditure in Transport increased from 35.41 *per cent* in 2012-13 to 51.98 *per cent* in 2013-14.

1.8 Financial analysis of Government expenditure and investments

In the post-FRBM framework, the State is expected to keep its Fiscal Deficit (and borrowings) not only at low level but also to meet its Capital Expenditure/investment (including Loans and Advances) requirements. In addition, in a transition to complete dependence on market-based resources, the State Government needs to initiate measures to earn adequate returns on its investments and recover its cost of borrowed funds rather than bearing the same on its budget in the form of implicit subsidies and take requisite steps to infuse transparency in financial operations. This section presents the broad financial analysis of investments and other Capital Expenditure undertaken by the Government during the current year *vis-à-vis* the previous years.

1.8.1 Financial results of completed Irrigation projects

The financial results of irrigation projects of the State are presented in Appendix IX (i) of the Finance Accounts, based on information furnished by the State Government. As per the Appendix-IX (i) of the Finance Accounts for the year 2013-14, there is no commercial irrigation project in the State.

1.8.2 Incomplete Projects

The department wise information pertaining to incomplete projects, as on 31 March 2014, is given in **Table 1.24**.

Table 1.24: Department-wise profile of Incomplete Projects

(₹ in crore)

Department	No. of Incomplete Projects	Initial Estimated Cost	Expenditure during current year	Cumulative actual expenditure as on 31.3.2014
Road Construction	119	548.90	97.32	255.27
Drinking Water and Sanitation	9	33.06	6.16	32.97
Water Resources	13	183.57	5.50	211.49
Minor Irrigation	26	47.72	11.17	69.56
Building Construction	161	437.25	94.91	190.82
Total	328	1250.50	215.06	760.11

Source: Appendix X of Finance Accounts 2013-14

The blocking of funds on incomplete works impinges negatively on the quality of expenditure. All the 328 projects in table above (estimated cost ₹ 1,250.50 crore) were due for completion up to 31 March 2014, but remained incomplete

resulting in blocking of ₹ 760.11 crore. Delay in completion of project works invites the risk of cost escalation. Besides, due to delay in completion of these projects the intended benefits from the same could not be achieved. Thus, the works need to be completed in time to avoid cost overrun.

1.8.3 Investment and returns

As on 31 March 2014, the Government had invested ₹ 231.97 crore in one Regional Rural Bank (₹ 45.73 crore), 11 Government Companies (₹ 75.30 crore) and 17 Co-operatives, Corporations, and Societies (₹ 110.94 crore) since inception of the State in November 2000 (**Table 1.25**). The return was ₹ 18 crore (7.76 *per cent*) in 2013-14 against ₹ 15 crore (7.99 *per cent*) in 2012-13. The Government paid interest at an average rate of 7.22 *per cent* on its borrowings during the year 2013-14.

Table 1.25: Returns on investments

Investment/Return/Cost of Borrowings	2009-10	2010-11	2011-12	2012-13	2013-14
Investment at the end of the year (₹ in crore)	128.73	135.18	182.57	187.82	231.97
Returns (₹ in crore)	Nil	0.40	1.17	15.00	18
Returns (<i>per cent</i>)	Nil	0.3	0.64	7.99	7.76
Average rate of interest on Govt. borrowing (<i>per cent</i>)	8.03	7.98	7.64	8.76	7.22
Difference between interest rate and return (<i>per cent</i>)	8.03	7.68	7.00	0.77	0.54

Source: Finance Accounts of Government of Jharkhand-Statement 14

Investment of ₹ 44.15 crore (23 *per cent*) was made during 2013-14 mainly in Government Companies (₹ 43.75 crore).

Further, investments in these institutions as well as Statutory Corporations and Joint Stock Companies up to 14 November 2000 by the composite Bihar State had not been apportioned between the States of Bihar and Jharkhand.

1.8.4 Loans and Advances given by State Government

In addition to investments in Co-operative Societies, Corporations and Companies, the Government has also been providing Loans and Advances to many of these institutions/organisations. **Table 1.26** presents the outstanding Loans and Advances as on 31 March 2014 and interest receipts *vis-à-vis* interest payments during the last five years.

Table 1.26: Loans and advances given by the State Government

Quantum of Loans/Interest Receipts/ Cost of Borrowings	2009-10	2010-11	2011-12	2012-13	2013-14
Opening Balance of Loans	6415	6713	6997	7190	7748
Amount advanced during the year	320	308	217	601	222
Amount recovered during the year	22	24	24	43	23
Recovery as percentage of outstanding Loans and Advances	0.3	0.4	0.3	0.6	0.3
Closing Balance	6713	6997	7190	7748	7947
Net addition	298	284	193	558	199
Total Interest Receipts	7.64	7.26	2.12	0.95	2.74
Interest Receipts as a percentage of outstanding Loans and Advances	0.12	0.12	*	0.01	0.03

Source: Finance Accounts of Government of Jharkhand

*Negligible

- The quantum of loans advanced to Co-operative Societies, Companies etc. by the State gradually decreased from ₹ 320 crore in 2009-10 to ₹ 217 crore in 2011-12 which again increased to ₹ 601 crore in 2012-13. However, it decreased to ₹ 222 crore in 2013-14 mainly due to less release (₹ 366 crore) of loans for power projects as compared to previous year.
- The outstanding Loans and Advances increased during 2013-14 by 2.57 *per cent* over the previous year. Major share of total outstanding loans ₹ 7,947 crore at the end of March 2014 pertained to Jharkhand State Electricity Board (JSEB) (₹ 7,301 crore) and Urban Local Bodies (₹ 565 crore).
- Recoveries of Loans and Advances amounting to ₹ 1,158.70 crore (Principal ₹ 360.98 crore and Interest ₹ 797.72 crore) was overdue as on 31 March 2014.

1.8.5 Cash Balances and Investment of Cash Balances

Details of cash balances and investments made by the State Government during the year are shown in **Table 1.27**.

Table-1.27: Cash balances and Investment of Cash balances

(₹ in crore)

Particulars	As on 1 st April 2013	As on 31 st March 2014
Cash Balances	704.75*	1285.49
Investments from Cash Balances (a to c)	746.57	851.84
a. GOI Treasury Bills	742.16	847.43
b. GOI Securities	Nil	Nil
c. Other Investments	4.41	4.41
Interest realized on investment	71.27	66.74
Deposit with Reserve Bank	(-)56.50	428.21
Departmental Cash Balance	14.68	5.44

*Cash balance was less than investment due to negative balance with RBI on 31 March 2013
Source: Finance Accounts of Government of Jharkhand

The cash balance of the State at the end of 31 March 2014 was ₹ 1,285.49 crore against the cash balance of ₹ 704.75 crore in the previous year.

The State had a cash balance investment of ₹ 851.84 crore at the end of March 2014 against cash balance investment of ₹ 746.57 crore at the end of March 2013. Out of total cash balance investment of ₹ 851.84 crore during 2013-14 ₹ 847.43 crore was invested in GOI Treasury Bills.

The cash balance with the Reserve Bank of India (RBI) as on 31 March 2014 worked out by the Accountant General (A&E), Jharkhand, was ₹ 428.21 crore (debit). However, the cash balance reported by the RBI as on 31 March 2014 was ₹ 358.25 crore (credit).

During 2013-14 the State Government had to take ordinary ways and means advance for 8 days to maintain the minimum balance in RBI.

1.9 Assets and Liabilities

1.9.1 Growth and Composition of Assets and Liabilities

In the existing Government accounting system, comprehensive accounting of fixed assets like land and buildings owned by the Government is not done. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred. **Appendix 1.4 Part B** gives an abstract of such liabilities and assets as on 31 March 2014, compared with the corresponding position on 31 March 2013. While the liabilities consist mainly of internal borrowings, Loans and Advances from the GOI, receipts from the Public Account and Reserve Funds, the assets comprise mainly of Capital Outlay, Loans and Advances given by the State Government and the cash balances.

The Jharkhand FRBM Act, 2007 defines the total liabilities of the State as the liabilities under the Consolidated Fund of the State and the Public Account of the State which includes Loans and Advances from the Central Government, open market borrowings, loans from financial institutions, Public Account balances of Small Savings, Reserve Funds, Deposits, etc.

1.9.2 Fiscal Liabilities

The trends of outstanding fiscal liabilities of the State are presented in **Appendix 1.3**. However, the composition of fiscal liabilities during the years 2012-13 and 2013-14 is presented in **Chart 1.9** and **Chart 1.10** respectively.

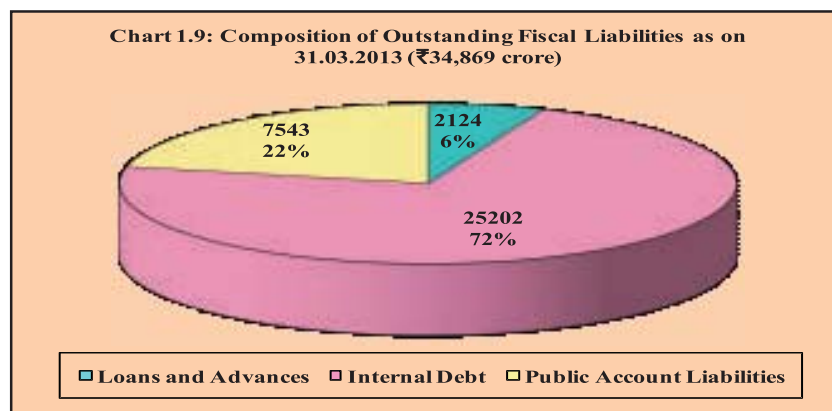
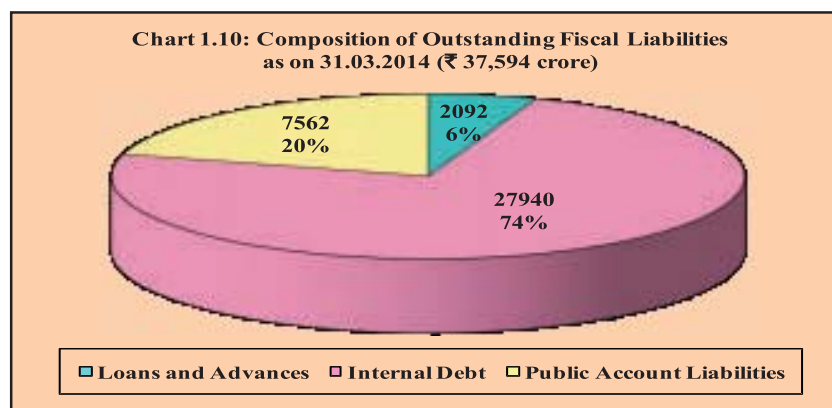


Table 1.28: Trends in Fiscal Liabilities: basic parameters

(₹ in crore)

Components	2009-10	2010-11	2011-12	2012-13	2013-14
Internal Debt	19880	21131	22286	25202	27940
Loans and Advances from GOI	2272	2167	2024	2124	2092
Public Account Liabilities	5013	5357	6354	7543	7562
Total Fiscal Liabilities	27165	28655	30664	34869	37594
Growth of Total Liabilities	12.8	5.5	7.0	13.7	7.8
Fiscal Liability to GSDP	27.0	22.5	22.6	23.0	21.8

- As depicted in **Table 1.28** the overall fiscal liabilities of the State increased by 38.39 *per cent* from ₹ 27,165 crore in 2009-10 to ₹ 37,594 crore in 2013-14. The annual growth rate of fiscal liabilities was 13.7 *per cent* during 2012-13 which decreased to 7.8 *per cent* in 2013-14. The CAGR of Fiscal Liabilities was 8.46 *per cent* during the period 2009-14.
- Fiscal Liabilities of the State comprises of ₹ 591.56 crore in shape of Reserve Fund (State Disaster Response Fund).
- The ratio of Fiscal Liabilities to GSDP decreased gradually from 27 *per cent* in 2009-10 to 21.8 *per cent* in 2013-14.
- The Twelfth Finance Commission had recommended setting up of a Sinking Fund, to be maintained outside the Consolidated Fund of the State and the Public Account, for amortisation of all loans including loans from banks, liabilities on account of National Small Savings Funds etc. However, no such Fund had been set up as of October 2014.
- Apportionment of Fiscal Liabilities of undivided Bihar between the successor States of Bihar and Jharkhand had not been done so far (October 2014).

1.9.3 Overstatement of Assets of the State due to inclusion of Loans and Advances doubtful of recovery

The balance of Loans and Advances made by the Government as on 31 March 2014 was ₹ 7,946.44 crore which includes ₹ 7,239.75 crore outstanding against Jharkhand State Electricity Board (JSEB).

We observed that out of total Loans and Advances of ₹ 7,946.44 crore, repayments of ₹ 1,158.70 crore were in arrear as on 31 March 2014, which included ₹ 812.07 crore pertaining to JSEB. The JSEB was in deficit/loss since inception and as per the last accounts prepared for the year ending 31 March 2013, its accumulated deficit/loss was ₹ 10,165 crore. Further, JSEB has been unbundled into four Power Sector Companies in January 2014. However, as per Jharkhand State Reforms Transfer Scheme, 2013, the outstanding State Government Loans and interest thereon receivable from JSEB will continue to

be shown as recoverable from JSEB in the Accounts of the State Government.

Since JSEB had defaulted on Loan repayments and was running in heavy losses before its unbundling in January, 2014, the assets of the State on accounts of Loans given to JSEB have been overstated to the tune of ₹ 7,239.75 crore.

The matter was brought to the notice of the Government (August 2014), but no reply has been received as of October 2014.

1.9.4 Transaction under Reserve Fund

As per recommendation of the Thirteenth Finance Commission, Government constituted a State Disaster Response Fund (SDRF) in 2010-11 and balance under the Calamity Relief Fund was transferred to SDRF.

During 2013-14, the opening balance in the SDRF was ₹ 316.20 crore. During the year there were receipts and disbursements of ₹ 296.66 crore and ₹ 21.29 crore respectively from the Fund, leading to a closing balance of ₹ 591.56 crore at the end of March 2014.

1.9.5 Status of Guarantees – Contingent liabilities

Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by borrowers for whom the guarantees are extended.

The Constitution of India provides that a State may borrow, within the territory of India, upon the security of its Consolidated Fund, within such limits, as may from time to time, be fixed by the Act of its Legislature and give guarantees within such limits as may be fixed. However, no such law was passed by the State Legislature of Jharkhand and no limit was fixed for guarantees given on the security of the Consolidated Fund of the State.

As recorded in Statement 9 of the Finance Accounts, guarantees of ₹ 157.15 crore were outstanding at the end of March 2014. No guarantee has been given or revoked during 2013-14.

1.10 Debt Management

1.10.1 Debt profile

Apart from the magnitude of debt of the State Government, it is important to analyse the various indicators that determine the debt sustainability⁹ of the State. This section assesses the sustainability of debt of the State Government

⁹Debt sustainability is defined as the ability of the State to maintain a constant debt-GDP ratio over a period of time. It also embodies the concern about the ability to service its debt. Sustainability of debt therefore also refers to sufficiency of liquid assets to meet current or committed obligations and the capacity to keep a balance between costs of additional borrowings and returns from such borrowings. It means that a rise in fiscal deficit should match the increase in capacity to service the debt.

in terms of debt stabilisation¹⁰; sufficiency of non-debt receipts¹¹; net availability of borrowed funds¹²; burden of interest payments (measured by interest payments to Revenue Receipts ratio) and the maturity profile of State Government securities.

1.10.2 Debt Sustainability

Table 1.29 analyses the debt sustainability of the State according to these indicators for a period of five years beginning from 2009-10.

Table 1.29: Debt Sustainability: Indicators and Trends

(₹ in crore)

Indicators of Debt Sustainability	2009-10	2010-11	2011-12	2012-13	2013-14
Debt Stabilisation (Quantum Spread + PD)*	(+)647	(+)5145	(+)30	(+)373	(+)2698
Sufficiency of Incremental Non-debt Receipts (Resource Gap)*	103	899	188	(-)39	1275
Net Availability of Borrowed Funds	773	(-)737	(-)238	1814	110
Debt GSDP ratio	27.0	22.5	22.6	23.0	21.8
Burden of Interest Payments (IP/RR Ratio)	15	12	10	10	10
Maturity Profile of State Debt (In Years)					
0 – 1	1183(5)	1868(8)	1449(6)	1381(5)	1453(5)
1 – 3	2885(13)	2977(13)	3080(13)	3031(11)	2916(10)
3 – 5	3263(15)	2872(12)	2623(11)	3358(12)	4373(14)
5 – 7	2569(12)	3284(14)	4302(17)	5009(19)	4160(14)
7 and above	12252(55)	12298(53)	12856(53)	14547(53)	17131(57)
Total	22152	23299	24310	27326	30033

Percentage to total are shown in brackets.

*Formula in Appendix 1.2

- As may be seen from the above table, the quantum spread together with the primary deficit fluctuated between ₹ 30 crore to ₹ 5,145 crore during 2009-14 due to fluctuation in the growth rate of GSDP between 6.55 per cent to 14.61 per cent during the period.
- During 2013-14, the Debt-GSDP ratio at 21.8 per cent was less than the target fixed in FRBM Act (25 per cent) and normative projection made by ThFC (27.8 per cent). The Debt-GSDP ratio during 2013-14 was also less than that of 2012-13 (23 per cent).
- The sufficiency of incremental non-debt receipts (resources gap) had inter-year fluctuation during 2009-14. It increased from (-) ₹ 39 crore in 2012-13 to ₹ 1,275 crore in 2013-14 which was indicative of improvement in fiscal position of the State.
- Net availability of borrowed funds decreased from ₹ 1,814 crore in 2012-13 to ₹ 110 crore in 2013-14. However, during 2010-11 and 2011-12 the resource gap was negative (₹ 737 crore and ₹ 238 crore respectively).

¹⁰ A necessary condition for stability states that if the rate of growth of the economy exceeds the interest rate or the cost of public borrowings, the debt-GDP ratio is likely to be stable provided the primary balances are either zero or positive or are moderately negative. Given the rate spread (GSDP growth rate – interest rate) and quantum spread (Debt*rate spread), the debt sustainability condition states that if the quantum spread together with the primary deficit is zero, debt-GSDP ratio would be constant or the debt would stabilise eventually. On the other hand, if the primary deficit together with the quantum spread turns out to be negative, the debt-GSDP ratio would be rising and in case it is positive, debt-GSDP ratio would eventually be falling.

¹¹ Adequacy of incremental non-debt receipts of the State to cover the incremental interest liabilities and incremental primary expenditure. Debt sustainability could be significantly facilitated if the incremental non-debt receipts could meet the incremental interest burden and the incremental primary expenditure.

¹² Defined as the ratio of debt redemption (Principal + Interest Payments) to total debt receipts and indicates the extent to which debt receipts are used in debt redemption indicating the net availability of borrowed funds.

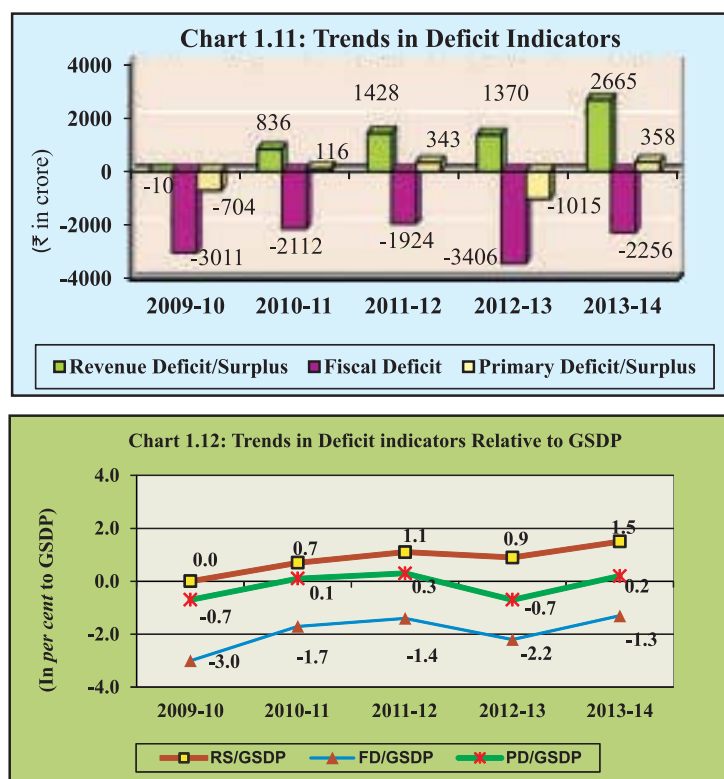
- The ratio of Interest Payments to Revenue Receipts showed significant improvement in Debt Sustainability as it declined steadily from 15 *per cent* in 2009-10 to 10 *per cent* in 2011-12. However, it remained constant during 2011-12 to 2013-14.
- The maturity profile of the State debt shows that the debt liability was increasing for every block period.

1.11 Fiscal Imbalances

Three key fiscal parameters—Revenue Deficit, Fiscal Deficit and Primary Deficit—indicate the extent of the overall fiscal imbalances in the finances of the State 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 resources raised are applied are important pointers to its fiscal health. This section presents the trends, nature, magnitude and the manner of financing of these deficits and also the assessment of actual levels of Revenue Deficit and Fiscal Deficits *vis-à-vis* the targets set under the FRBM Act and Rules for the financial year 2013-14.

1.11.1 Trends in deficits

Chart 1.11 and **Chart 1.12** present the trends of deficit indicators over the period 2009-14.



- The State had a Revenue Deficit of ₹ 10 crore during 2009-10 which turned to Revenue Surplus during the period 2010-14. Further, revenue surplus increased from ₹ 836 crore in 2010-11 to ₹ 2,665 crore in 2013-14.

- As targeted in FRBM Act of the State and the ThFC the State had achieved the target of reducing the Revenue Deficit to 'zero' during 2009-14, except revenue deficit of ₹ 10 crore in 2009-10. However, Revenue Surplus to GSDP ratio was 1.5 *per cent* during 2013-14 against the target of 1.80 *per cent* RS/GSDP ratio exhibited in the MTFP.
- The Fiscal Deficit of the State fluctuated between ₹1,924 crore and ₹ 3,406 crore during 2009-14. However, Fiscal Deficit decreased from ₹ 3,406 crore in 2012-13 to ₹ 2,256 crore in 2013-14.
- After inter-year fluctuation the percentage of Fiscal Deficit to GSDP decreased from three *per cent* at the end of March 2010 to 1.3 *per cent* at the end of March 2014. The percentage of Fiscal Deficit to GSDP was at par with the estimate of 1.3 *per cent* exhibited in the MTFP for the year 2013-14. It was also within the ThFC recommendation of three *per cent*.
- Primary Deficit (PD) showed wide fluctuation during 2009-14 mainly because of fluctuation in Revenue Deficit/Surplus. The Primary Deficit of ₹ 704 crore in 2009-10 turned to Primary Surplus (PS) of ₹ 358 crore in 2013-14.
- The Primary Deficit was 0.2 *per cent* of GSDP against the MTFP target of 0.5 *per cent* for 2013-14.

1.11.2 Composition of Fiscal Deficit and its financing pattern

The financing pattern of the Fiscal Deficit has undergone a compositional shift as reflected in **Table 1.30**.

Table 1.30: Components of Fiscal Deficit and its financing pattern

(₹ in crore)

Sl. No.	Particulars	2009-10	2010-11	2011-12	2012-13	2013-14		
	Decomposition of Fiscal Deficit	3011	2112	1924	3406	2256		
1	Revenue Deficit/Surplus	(-)10	836	1428	1370	2665		
2	Net Capital expenditure	2703	2664	3159	4218	4722		
3	Net Loans and Advances	298	284	193	558	199		
	Financing Pattern of Fiscal Deficit*					Receipt	Disbursement	Net
1	Market Borrowings	1674	198	785	3145	2950	414	2535
2	Loans from GOI	(-)133	(-)104	(-)122	100	106	139	-33
3	Special Securities issued to NSSF	670	957	(-)73	(-)200	300	429	129
4	Loans from Financial Institutions	(-)32	96	442	(-)30	1331	876	455
5	Small Savings, PF, etc.	273	104	70	22	760	751	9
6	Reserve Fund	313	(-)223	(-)105	(-)123	293	21	271
7	Deposits and Advances	273	464	1030	1290	7204	7458	-254
8	Suspense and Miscellaneous	132	(-)27	74	31	-59	-58	-1
9	Remittances	(-)39	6	(-)17	(-)141	6077	5920	157
10	Inter State Settlement	0	0	(-)76	(-)100	0	50	-50
11	Cash balance increase (+)/ Decrease(-)	120	(-)641	117	588	705	1285	580

*All these figures are net of disbursements/outflows during the year except for 2013-14

Source: Finance Accounts of Government of Jharkhand for the respective years.

During 2013-14, the Fiscal Deficit of ₹ 2,256 crore was mainly met from Market Borrowings (₹ 2,535 crore) and Loans from Financial Institutions (₹ 455 crore).

1.11.3 Quality of Deficit/Surplus

Ideally, the Revenue Receipts should cover the Revenue Expenditure (including interest payments) of the State. While Revenue Deficit is made up

from the borrowings (Fiscal Deficit), the Revenue Surplus can be used for Capital Expenditure thereby reducing the borrowings. Further, if the Non-Debt receipts can meet the Primary Expenditure¹³, there will be no Primary Deficit, to be financed by borrowings. Thus, a necessary condition for stability in finances of the State is that Non-Debt receipts should be adequate enough to cover the incremental primary expenditure and incremental interest payments. The bifurcation of the Primary Deficit indicates the extent to which the deficit has been on account of enhancement in Capital Expenditure which may be desirable for improving the productive capacity of the State's economy. Bifurcation of factors is given **Table 1.31**.

Table 1.31: Primary Deficit/Surplus in the State- bifurcation of factors

(₹ in crore)

Year	Non-debt Receipts	Primary Revenue Expenditure	Capital Expenditure	Loans and Advances	Primary Expenditure	Primary Revenue Deficit (-) / Surplus (+)	Primary Deficit (-)/ Surplus (+)
1	2	3	4	5	6 (3+4+5)	7 (2-3)	8 (2-6)
2009-10	15140	12821	2703	320	15844	(+)2319	(-)704
2010-11	18805	15717	2664	308	18689	(+)3088	(+)116
2011-12	22444	18725	3159	217	22101	(+)3719	(+)343
2012-13	24813	21009	4218	601	25828	(+)3804	(-)1015
2013-14	26160	20858	4722	222	25802	(+)5302	(+)358

Source: Finance Accounts of Government of Jharkhand

- During 2009-10 to 2013-14, the Non-Debt Receipts of the State increased from ₹ 15,140 crore to ₹ 26,160 crore against a corresponding increase in Primary Revenue Expenditure and Primary Expenditure. The Capital Expenditure increased from ₹ 2,703 crore in 2009-10 to ₹ 4,722 crore in 2013-14.
- During 2013-14 non-debt receipts of the State increased by five *per cent* over previous year while the primary expenditure remained nearly same during 2012-13 and 2013-14 leading to primary surplus of ₹ 358 crore during 2013-14 against a primary deficit of ₹ 1,015 crore during 2012-13.

1.12 Conclusion and Recommendations

Review of fiscal situation

- The growth of GSDP during 2013-14 was 13.9 *per cent*, against the ThFC norm of 14.5 *per cent* for the year.

The Government should ensure achievement of ThFC norms.

- The State had a Revenue Surplus of ₹ 2,665 crore during 2013-14. During the current year Fiscal Deficit stood at ₹ 2,256 crore. It was 1.3 *per cent* of GSDP, well within the ceiling (three *per cent*) recommended by the ThFC. Further, Fiscal Deficit to GSDP ratio improved from 2.2 *per cent* in 2012-13 to 1.3 *per cent* in 2013-14.

¹³ Expenditure on Revenue, Capital and Loans and Advances, but not interest payments

Transfer of funds to State Implementing Agencies

- During 2013-14 Central funds of ₹ 2,601.80 crore were transferred directly to the State Implementing Agencies for implementation of various schemes/programmes. Due to direct transfer of GOI funds to the State Implementing Agencies outside the State Budget, the Annual Accounts do not provide a complete picture of the resources of the State.

A system should be put in place to ensure proper accounting and monitoring of the use of funds directly transferred by the Government of India to the State implementing agencies.

Resources mobilization

- While the Revenue Receipts (₹ 26,137 crore) of the State grew at 5.5 per cent during 2013-14 over previous year, these were less than the Budget Estimate by ₹ 7,462 crore.

The Government should make efforts to achieve its own target of receipts given in the Budget document.

Quality of expenditure

- Social Sector Expenditure as a proportion of Aggregate Expenditure in the State was less than average of General Category States during 2013-14.
- The Capital Expenditure (CE) increased to ₹ 4,722 crore in 2013-14 from ₹ 4,218 crore in 2012-13. While, the CE in Education Sector increased, the CE in Health Sector decreased over the previous year. The State has given less priority to both Education and Health Sectors as compared to General Category States.

Government should give more priority to Social Sector Expenditure with emphasis on Education Sector and Health Sector so that it could be at par with General Category States.

- Every year a huge amount of loans was given by the Government to different institutions/organizations of the State but its recovery was negligible leading to a huge balance of repayments in arrears of ₹ 1,158.70 crore at the end of March 2014.

Government should take steps to recover the outstanding loans from the institutions/organizations not repaying the principle and interest of loans received by them from the Government.

Fiscal Liabilities

- Fiscal Liabilities of the State (₹ 37,594 crore) grew at 7.8 per cent over the previous year. The Fiscal Liabilities at 21.8 per cent of GSDP were within the limit of 27.3 per cent recommended by ThFC for the year. Government has not set up Sinking Fund for amortization of all loans.

The State should set up Sinking Fund for amortization of loans.