CHAPTER 1

FINANCES OF THE STATE GOVERNMENT

Profile of Chhattisgarh

Chhattisgarh State, located in the central part of India, is the 10th largest State in terms of geographical area (1,35,191 sq.km)[1] and the 16th largest State by population (2.55 crore). The State's population had increased from 2.08 crore in 2001 to 2.55 crore in 2011(provisional figures) recording a decadal growth of 22.59 *per cent,* as indicated in ***Appendix 1.1***. The percentage of population living below poverty line was 39.93[2], which is more than the all-India average of 21.92. The State's Gross State Domestic Product (GSDP) in 2012-13 at current price was ₹ 160187.71 crore. The State's literacy rate was 71.04 *per cent* (81.45 *per cent* male and 60.59 *per cent* female) as per 2011 census which was less than all-India average of 74.04 *per cent* (82.14 *per cent* male and 65.46 *per cent* female). The per capita income of the State according to data furnished by the Directorate of Economics and Statistics stood at ₹ 52,689 (on GSDP at current prices). General Data relating to the State are given in ***Appendix-1.1***.

Gross State Domestic Product (GSDP)

GSDP is the market value of all officially recognized final goods and services produced within the State in a given period. 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 trends in the annual growth of India's GDP at current prices is indicated below:

GSDP at factor cost at current prices

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
India's GDP *(₹ in crore)*	5303567	6108903	7266967	8353495	9461013
Growth rate of GDP (percentage)	15.70	15.20	19.00	15.00	13.30
State's GSDP *(₹ in crore)*	96972.18	99364	117978[P]	139515[Q]	160188[A]
Growth rate of GSDP (percentage)	20.83	2.47	18.73	18.25	14.82

(Source: Data furnished by Directorate of Economics and Statistics, Government of Chhattisgarh)
(A-advanced estimates, Q-quick estimates or P-provisional estimates)

The State's GSDP growth rate at current prices was more than that of India's GDP growth rate during 2008-13, except 2009-10 and 2010-11. Tertiary sector continued to be the dominant source of GSDP and it accounted for 39.93 *per cent* of the GSDP during 2012-13. Out of the remaining

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1 Figures provided by Department of Economic and Statistics, Government of Chhattisgarh
2 Below poverty line as per press note- July 2013 of Planning Commission BPL 2011-12 by Tendulkar Methodology,

60.07 *per cent* of GSDP, 30.18 *per cent* contributed by Primary sector and 29.89 *per cent* by Secondary Sector. The sector wise data relating to GSDP of the State are given in ***Appendix-1.2***.

1.1 Introduction

This chapter provides a broad perspective of the finances of the Government of Chhattisgarh during the current year. It analyses the significant changes in the major fiscal aggregates relative to the previous year keeping in view the overall trends during the last years. The structure and form of Government Accounts have been explained in ***Appendix-1.1 (a)Part (A)*** and the layout of the Finances Accounts is depicted in ***Appendix 1.1(a) Part-B***. This analysis has been made based on the Finance Accounts of the State and information obtained from the Government.

1.1.1 Summary of current year's fiscal transactions

Table-1.1 presents the summary of the State Government's fiscal transactions during the current year (2012-13) *vis-à-vis* the previous year (2011-12), while ***Appendix- 1.4*** presents details of receipts and disbursements as well as the overall fiscal position during the current year.

Table 1.1: Summary of Fiscal Operations

(₹ in crore)

Receipts			Disbursement				
Section-A-Revenue	2011-12	2012-13	Section-A-Revenue	2011-12	2012-13		
					Non-Plan	Plan	Total
Revenue Receipts	**25,867.38**	**29,578.09**	**Revenue Expenditure**	**22,628.05**	**14,531.82**	**12,440.02**	**26,971.84**
Tax Revenue	10,712.25	13,034.21	General Services	5,904.17	6,609.05	40.26	6,649.31
Non-Tax Revenue	4,058.48	4,615.95	Social Services	10,476.85	3,520.65	7,935.77	11,456.42
Share of Union Taxes/Duties	6,320.44	7,217.60	Economic Services	5,560.35	3,547.67	4,463.99	8,011.66
Grants from Government of India	4,776.21	4,710.33	Grants-in-Aid and contributions	686.68	854.45	0.00	854.45
Section- B- Capital							
Miscellaneous Capital Receipts	**3.93**	**2.39**	**Capital Outlay**	**4,056.40**	5.03	4,914.30	**4,919.33**
Recoveries of Loans and Advances	**1,282.53**	**1,542.01**	**Loans and Advances Disbursed**	**1,268.74**	7.00	1,881.79	**1,888.79**
Inter-State Settlement	**2.21**	**1.53**	**Inter-State Settlement**	**4.03**			**(-) 0.80**
Public Debt Receipts	**421.34**	**2,057.73**	**Repayment of Public Debt**	**852.49**			**1,039.29**
Contingency Fund	**0.00**	**0.00**	**Contingency Fund**	**0.00**			**0.00**
Public Account Receipts	**34,161.23**	**39,579.40**	**Public Account Disbursement**	**32,940.27**			**38,526.62**
Opening Cash Balance	**2,712.22**	**2,700.86**	**Closing Cash Balance**	**2,700.86**			**2,116.94**
Total	**64,450.84**	**75,462.01**	**Total**	**64,450.84**			**75,462.01**

(Source: Finance Accounts of the State Government 2012-13)

The following are the significant changes during 2012-13 over the previous year:

- Revenue receipts increased by 14 *per cent* (₹ 3,711 crore) due to increase in own tax revenue by 22 *per cent* (₹ 2,322 crore), non-tax revenue by 14 *per cent* (₹ 557 crore) and State's share of Union taxes and duties by 14 *per cent* (₹ 897 crore) over the previous year. However, the Grants-in-Aid (GIA) from the Government of India (GoI) decreased by *one per cent* (₹ 66 crore) over the previous year.

- Revenue expenditure increased by 19 *per cent* (₹ 4,344 crore) over the previous year due to increase in expenditure on General Services by 13 *per cent* (₹ 745 crore), Social Services by *nine per cent* (₹ 980 crore) and Economic Services by 44 *per cent* (₹ 2,451 crore).

- Capital outlay increased by 21 *per cent* (₹ 863 crore) over the previous year mainly due to increase in capital expenditure under the heads: capital outlay on roads and bridges, capital outlay on minor irrigation and capital outlay on power.

- While Recovery of Loans and advances increased by 20 *per cent* (₹ 259 crore), the disbursement of Loans and Advances increased by 49 *per cent* (₹ 620 crore) during the year.

- Public debt receipts increased by ₹ 1,636 crore mainly due to Market borrowing of ₹ 1,500 crore during 2012-13. Repayment of Public Debt (₹ 1,039 crore) increased by ₹ 187 crore during the year as compared to previous year (₹ 852 crore).

- Public Account receipts and disbursements increased by ₹ 5,418 crore and ₹ 5,586 crore respectively over the previous year. Thus, the net Public Account Receipts decreased by ₹ 168 crore.

- The cash balance at the end of the year decreased by ₹ 584 crore over the previous year due to inflow/outflow of the funds.

1.1.2. Review of the fiscal position

In compliance to the Twelfth Finance Commission (TFC) recommendations, the Government of Chhattisgarh enacted its Fiscal Responsibility and Budget Management Act, 2005 (FRBM Act), amended in September 2011, with a view to ensure prudence in fiscal management and fiscal stability by progressive elimination of revenue deficit, greater transparency in fiscal operations of the Government and conduct of fiscal policy in a Medium Fiscal Framework.

The Thirteenth Finance Commission (ThFC) has prescribed a Fiscal Consolidation map which required the States that incurred zero revenue deficit or achieved revenue surplus in 2007-08 should eliminate revenue deficit by 2011-12 and maintain revenue balance or attain a surplus thereafter. Other

States should eliminate revenue deficit by 2014-15 and the General Category States that attained a zero revenue deficit or a revenue surplus in 2007-08 should achieve a fiscal deficit of three *per cent* of Gross State Domestic Product (GSDP) by 2011-12 and maintain such thereafter. Other General Category States need to achieve three *per cent* fiscal deficit by 2013-14. The State was also required to amend its FRBM Act to conform to the fiscal reform path. Accordingly, the State Government passed the Chhattisgarh Fiscal Responsibility and Budget Management (Amendment) Act, 2011 in September 2011. According to the Act, the State Government:

- shall maintain zero revenue deficit every year upto 2014-15, beginning from the financial year 2011-12,
- shall maintain actual fiscal deficit as three *per cent* of Gross State Domestic Product (GSDP) every year, beginning from 2010-11 upto 2014-15,
- shall maintain total outstanding debt as a certain *per cent* of the GSDP and
- shall not assume additional Total Liabilities in excess of five *per cent* of GSDP for any financial year beginning from 2011-12.

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

Table 1.2 : Fiscal position of the State *vis-à-vis* targets fixed

Fiscal Forecasts	ThFC Targets	Targets as prescribed in FRBM disclosures	Targets proposed in the Budget	Actuals
Revenue Deficit (-) /Surplus (+)	To reduce the revenue deficit to 'nil' within a period of four years commencing on the 1st April 2011 and ending with 31 March 2015	To maintain Zero Revenue Deficit . Revenue Surplus Estimated as ₹ 2,959 crore.	Revenue Surplus of ₹ 2,959 crore	Revenue surplus of ₹ 2,606 crore
Fiscal Deficit (-) Surplus (+)	To maintain Fiscal Deficit of Three *per cent* of GSDP	To maintain Fiscal Deficit of three *per cent* of GSDP for every year beginning from 2011-12 to 2014-15 and the Fiscal Deficit estimated as ₹ 4,623 crore.	Fiscal Deficit of ₹ 4,623 crore	Fiscal Deficit of ₹ 2,655 crore (1.66 *per cent* of GSDP)
Outstanding Debt as *per cent* of GSDP	23 *per cent*	14.72 *per cent*	--	12.03 *per cent*

(Source: FRBM Act documents, ThFC Report, Budget documents and Finance Accounts 2012-13 of the State)

Even though the State has achieved the targets fixed for revenue surplus by ThFC and the FRBM Act, revenue surplus decreased from ₹ 3239 crore in 2011-12 to ₹ 2,606 crore in 2012-13 due to increase in revenue expenditure by ₹ 4,344 crore (19 *per cent)* during 2012-13, in comparison to increase in revenue receipts by ₹ 3,711 crore (14 *per cent)*.

The fiscal deficit during 2012-13 increased by ₹ 1,854 crore from ₹ 801 crore in 2011-12 to ₹ 2,655 crore in 2012-13 due to decrease of ₹ 633 crore in revenue surplus and increase in ₹ 863 crore in capital expenditure and ₹ 615 crore in disbursement of loans and advances including Inter-State settlement, which was offset by increase in non-debt capital receipts of ₹ 257 crore.

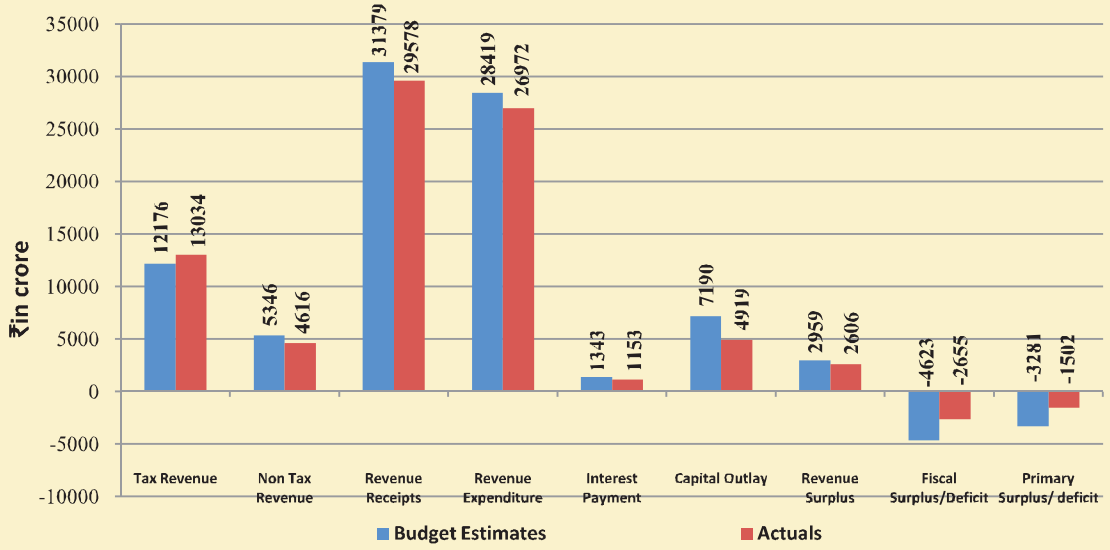
The total outstanding debt as a *per cent* of GSDP at 12.03 *per cent* was within the ThFC targets (23 *per cent*) and targets as prescribed in FRBM disclosures (14.72 *per cent*).

1.1.3 Budget Estimates and Actual

The budget papers presented by the State Government provide descriptions of projections or estimations of revenue and expenditure for a particulars 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 (BE) 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 the budget estimates and actuals for some important fiscal parameters. The details of budget estimates *vis-à-vis* actuals for the year 2012-13 are given in ***Appendix-1.5***

Chart-1.1-Selected Fiscal Parameters : Budget Estimates *vis-à-vis* Actuals



(Source: Finance Accounts of the State Government 2012-13 and Budget Estimate 2012-13 of the State)

It is evident from the **Chart-1.1** that during 2012-13, there were considerable differences in respect of various parameters as discussed below :

1. During the year 2012-13, revenue receipts were less than the BE by ₹ 1,801 crore (six *per cent*) due to decrease in non-tax revenue by ₹ 730 crore (14 *per cent)*, Share of Union taxes/duties by ₹ 277 crore (four *per cent)* and Grants-in-Aid from GoI by ₹ 1,653 crore (26 *per cent*), which was offset by increase in tax revenue by ₹ 859 crore (seven *per cent).* However, the revenue receipts increased by ₹ 1,801 crore (seven *per cent)* as compared to increase of ₹ 57 crore in 2011-12.

a. Tax-revenue was more than the BE mainly due to more receipts under State excise (₹ 839 crore), taxes on goods and passengers (₹ 149 crore), taxes and duties on electricity (₹ 177 crore) partly offset by less receipts under taxes on sales, trade etc. (₹ 271crore). However, the tax revenue during 2012-13 was more than the BE by ₹ 859 crore (seven *per cent*) as compared to ₹ 882 crore (nine *per cent*) in 2011-12.

b. Non-tax revenue was less than the BE mainly due to less receipts under minor irrigation (₹ 930 crore). However, the non-tax revenue during 2012-13 was less than the BE by ₹ 730 crore (14 *per cent*) as compared to ₹ 253 crore (six *per cent*) in 2011-12.

2. During 2012-13, the Revenue Expenditure and Capital Expenditure was less than the projections made in the BE by ₹ 1,448 crore (five *per cent)* and ₹ 2,271 crore (32 *per cent)* respectively as compared to ₹ 1,834 crore (seven *per cent* and ₹ 1,021 crore (20 *per cent*) in 2011-12 respectively.

   a. The variation in Revenue expenditure was due to less expenditure of ₹ 590 crore (*eight per cent)* under General Services and ₹ 1,903 crore (14 *per cent)* under Social Services against BE. However, the Revenue Expenditure was more than the BE by ₹ 940 crore (13 *per cent)* under Economic Services and ₹ 106 crore (14 *per cent)* under Grants-in-Aid (GIA) and contributions.

   b. The variation in Capital Expenditure was due to less expenditure of ₹ 512 crore (35 *per cent)* under Social Services, ₹ 1,722 crore (31 *per cent)* under Economic Services and ₹ 37 crore (23 *per cent)* under General Services.

3. Actual expenditure on Interest Payments was less than the projections made in BE by ₹ 189 crore (14 *per cent)* as compared to ₹ 110 crore (eight *per cent*) in 2011-12.

4. Revenue surplus, fiscal deficit and primary deficit during 2012-13 was less than the BE by ₹ 353 crore (12 *per cent)*, ₹ 1,968 crore (43 *per cent)* and ₹ 1,779 crore (54 *per cent)* respectively as compared to increase by ₹ 1,891 crore and decrease by ₹ 3,019 crore and ₹ 2,908 crore respectively in 2011-12.

1.1.4 Major policy initiatives in the budget 2012-13

During 2012-13, budget estimate of ₹ 37,574 crore for the financial year 2012-13 presented to the Legislature stressed on the strategy of 'inclusive and faster growth' as the overriding theme and emphasized the commitment of the Government to pursue the 'Millennium Development Goals'.

The State Government for the first time introduced a separate Agriculture Budget with a total outlay of ₹ 6,244 crore for Agriculture related schemes.

The provisions made under the new schemes proposed in the budget along with expenditure and unutilized funds during 2012-13 are summarised in **Table 1.3**:

Table 1.3 – Status of implementation of new schemes during 2012-13

Sector	Status of implementation of new schemes during 2012-13
General Sector	Two new schemes *i.e* Expansion of Land Records Computerisation scheme, Promotion of New Cinema Hall/Multiplex were introduced during the year. Total provision of ₹ 11.54 crore was made for implementation. However, the entire budget was remained unutilized during the year.
Social Sector	Total 16 new schemes were introduced during the year for which total budget provisions of ₹ 231.74 crore was made for implementation. During the year the Government spent only ₹ 123.80 crore (53 *per cent*) and ₹ 107.94 crore (47 *per cent*) remained unutilized.
Economic Sector	Total 34 new schemes were introduced during the year out of which 12 schemes were pertaining to Agriculture and allied services. The total budget provisions of ₹ 617.94 crore was made for implementation, out of which the Government could spend only ₹ 365.24 crore (59 *per cent*) and ₹ 252.70 crore (41 *per cent*) was remained unutilized.

(Source : Appendix – XIII of Finance Accounts and Detailed Appropriation Accounts 2012-13)

It would be seen from the **Table 1.3** that the budget provisions of ₹ 372.18 crore for the new schemes introduced could not be utilised optimally.

1.2 Resources of the State

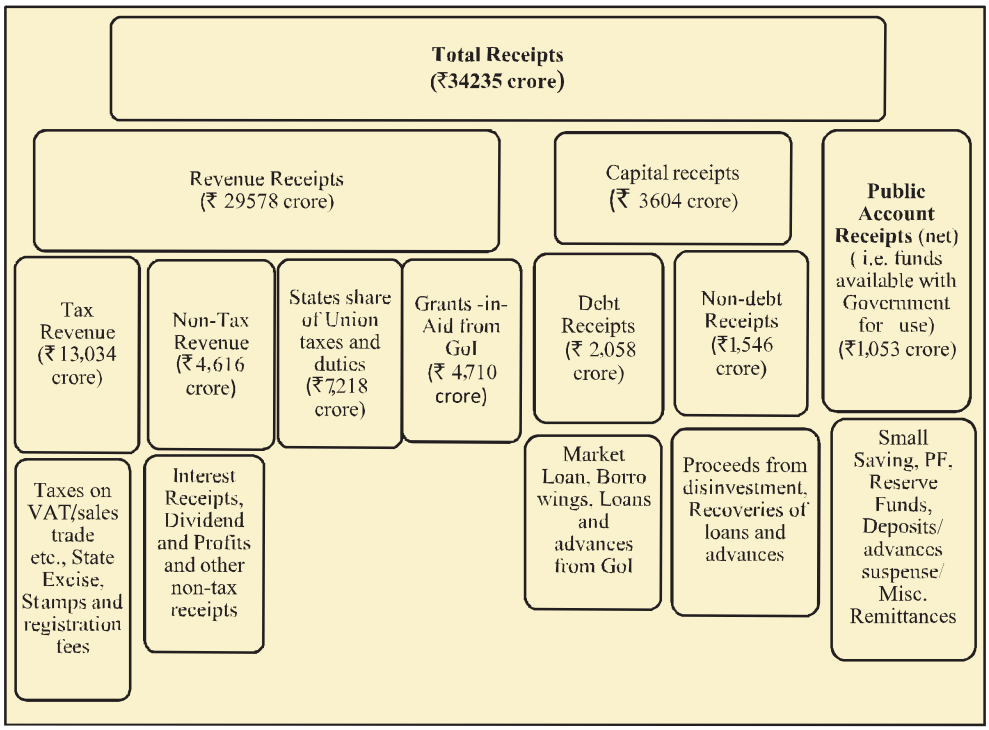
1.2.1 Resources of the State as per Annual Finance Accounts

Revenue and capital are the two streams of receipts that constitute the resources of the State Government. Revenue receipts consist of tax revenues, non-tax revenues, State's share of Union taxes and duties and GIA from the GoI. Capital receipts comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from

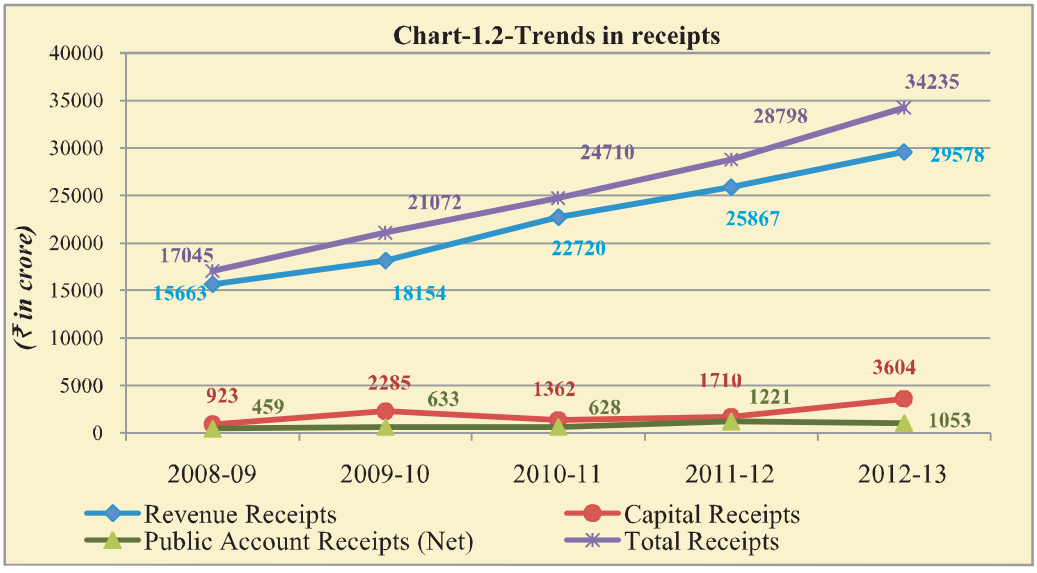
internal sources (market loans, borrowings from financial institutions/ commercial banks) and loans and advances from GoI. Besides the funds available in the Public Accounts after disbursement is also utilized by the Government to finance its deficit. **Table-1.1** presents the receipts and disbursements of the State during the current year as recorded in its Annual Finance Accounts. While **Chart-1.2** depicts the trends in various components of the receipts of the State during 2008-13, **Chart- 1.3** depicts the composition of resources of the State during the current year.

Flowchart of components and sub-components of resources of the State

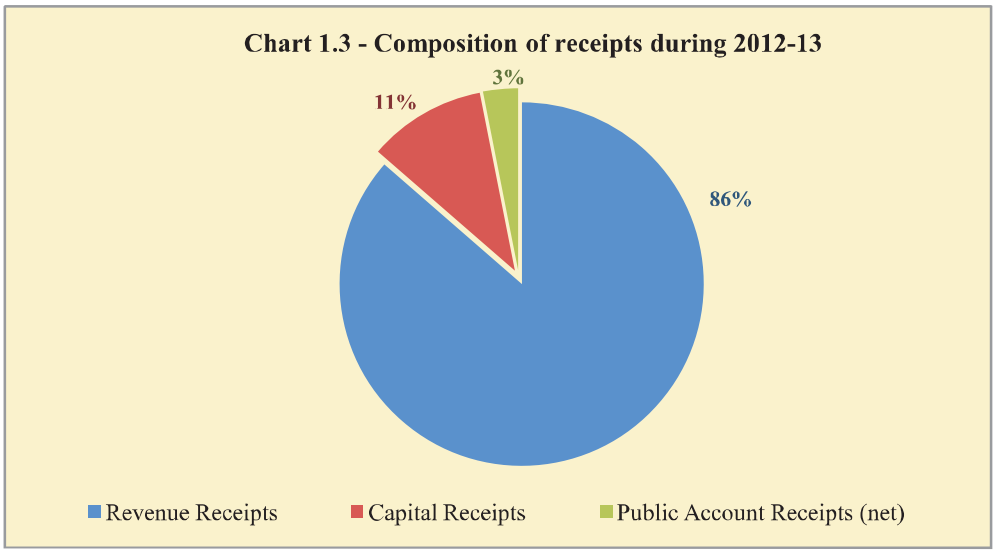
(₹ in crore)



(Source : Finance Accounts 2012-13)



(Source : Finance Accounts of the respective years)



(*Source : Finance Accounts* 2012-13)

During 2008-13, total receipts[3] increased by ₹ 17,190 crore (101 *per cent*) from ₹ 17,045 crore in 2008-09 to ₹ 34,235 crore in 2012-13 of which increase of Revenue Receipts, Capital receipts and net Public Account Receipts were ₹ 13,915 crore, ₹ 2,681 crore and ₹ 594 crore respectively.

The total receipts of the State for the year 2012-13 were ₹ 34,235 crore. The total receipts increased by 19 *per cent* (₹ 5,437 crore) during 2012-13 over the previous year mainly due to increase in Revenue Receipts and Capital Receipts by 14 *per cent* (₹ 3,711 crore) and 111 *per cent* (₹ 1,894 crore) respectively. However, the net Public Account Receipts decreased by 14 *per cent* (₹ 168 crore) from ₹ 1,221 crore in 2011-12 to ₹ 1,053 crore in 2012-13.

1.2.2 Funds transferred to State Implementing Agencies outside the State Budget

The Central Government has been transferring a sizeable quantum of funds directly to the State implementing agencies[4] for implementation of various schemes/programmes in social and economic sectors, which are recognized as critical. As in the present mechanism these funds are not routed through the State Budget/ State Treasury System and hence do not find mention in the Finance Accounts of the State. As such, the Annual Finance Accounts does not provide a complete picture of the resources under the control of the State Government. To present the holistic picture on availability of aggregate

[3] During current year the Net Public Accounts Receipts (Public Accounts Receipts *minus* Public Accounts Disbursement were depicted in the total receipts, however, the gross Public Account Receipts were shown upto last year.

[4] State implementing agencies include any organization/institution including Non-Governmental Organisation which is authorised by the State Government to receive the funds from the Government of India for implementing specific programmes in the State.

resources, funds directly transferred to State Implementing Agencies are presented in **Table 1.4**.

During 2012-13, central funds of ₹ 4,497.58 crore were transferred directly to the State implementing agencies as against ₹ 4,989.89 crore in 2011-12, a decrease in direct transfer of funds of ₹ 492.30 crore (10 *per cent*) over the previous year. The status of the funds directly transferred to the major State implementing agencies by the GoI during 2012-13 in respect of some of the major programmes are presented in **Table-1.4.**

Table-1.4: Funds transferred directly to the major State Implementing Agencies

(₹ in crore)

Name of the Programme	Name of the implementing Agency in the State	Funds released by the Government of India			
		2010-11	**2011-12**	**2012-13**	**Increase/ decrease(-) over previous year**
Mahatma Gandhi National Rural Employment Guarantee Scheme	Chief Executive Officer Zila Panchayat	1,685.05	1,638.56	2,031.36	392.80 *(24)*
Sarva Shiksha Abhiyaan	Mission Director, *Rajiv Gandhi Shiksha Mission*	878.63	698.70	850.16	151.46 *(22)*
Rashtriya Madhyamic Shiksha Abhiyan (RMSA)	Mission Director, *Rajiv Gandhi Shiksha Mission*	15.25	344.70	308.97	-35.73 *(-13)*
National Rural Health Mission	Mission Director, National Rural Health Mission	205.87	363.21	218.79	-144.42 *(-40)*
Indira Awas Yojna	Chief Executive Officer *Zilla Panchayat*	132.80	258.32	167.94	-90.38 *(-35)*
National Rural Drinking Water Programme	Executive Engineer, Public Health Engineering	122.01	139.06	168.23	29.17 *(21)*
National Horticulture Mission	Director, Horticulture	96.57	85.23	91.56	6.33 *(07)*
Aajeevika	District Rural Development Agencies	80.24	66.18	93.00	26.82 *(41)*
National Food Security Mission	SAMETI	19.54	56.25	52.67	-3.58 *(-06)*
Integrated Watershed Management Programme	Chief Executive Officer, *Zilla Panchayat*	73.72	91.00	9.73	-81.27 *(-89)*

(Source: Appendix-VII of Finance Accounts 2012-13).
Figures shown in brackets indicates change in per cent.

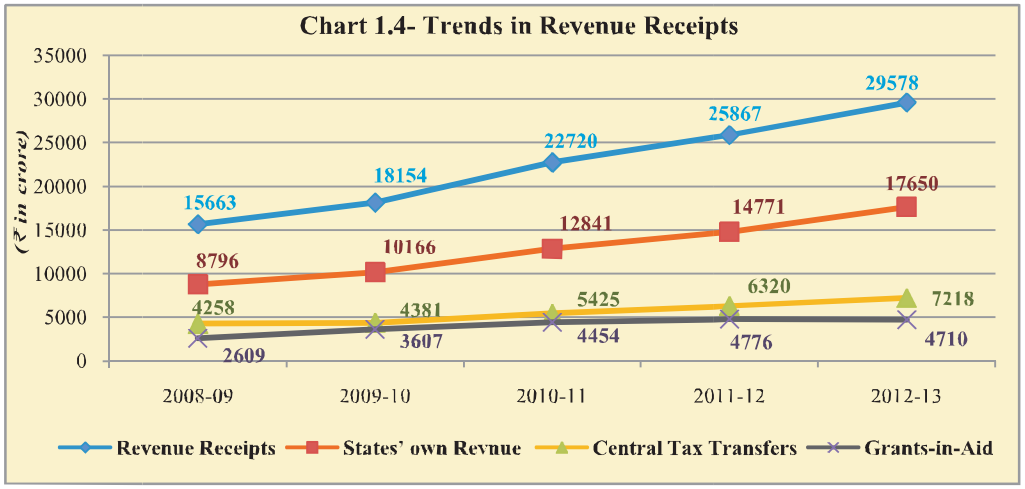
It would be seen from the **Table-1.4** that there was significant increase of ₹ 392.80 crore (24 *per cent*) to *Mahatma Gandhi National Rural Employment Guarantee Scheme* and ₹ 151.46 crore (22 *per cent*) under *Sarva Shiksha Abhiyaan* during 2012-13 over the previous year. Likewise, decreases of ₹ 144.42 crore (*40 per cent*) under National Rural Health Mission, ₹ 90.38 crore (*35 per cent*) under *Indira Awas Yojna* and ₹ 81.27 crore (89 *per cent*)

under Integrated Watershed Management Programme were also noticed during 2012-13 over the previous year.

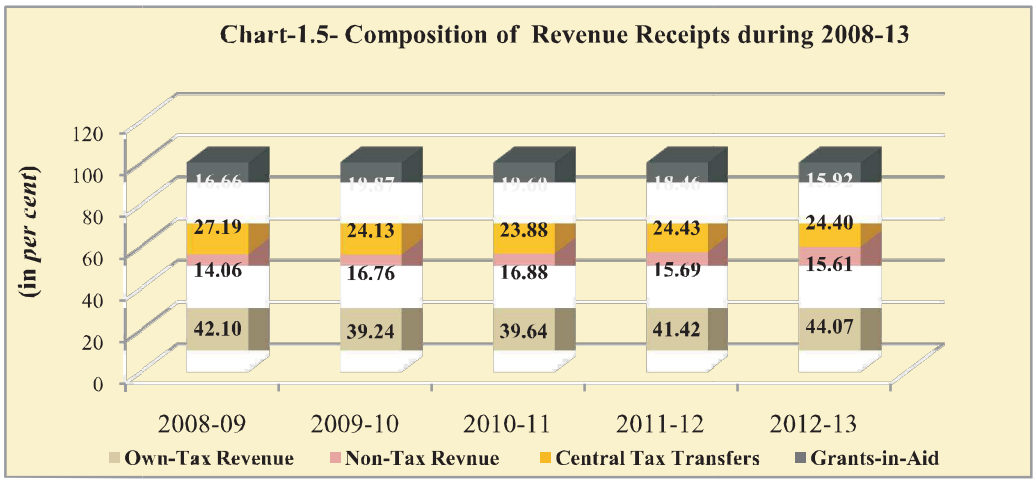
The amount of unspent balances lying with the implementing agencies, which remained outside the Government accounts and overlapping of schemes were not ascertainable.

1.3 Revenue Receipts

Statement-11 of the Finance Accounts details the revenue receipts of the Government. The revenue receipts consist of the State's own tax and non-tax revenues, central tax transfers and GIA from GoI. The trends and composition of revenue receipts over the period 2008-13 are presented in ***Appendix-1.3*** and **Charts-1.4** and **1.5** respectively.



(Source : Finance Accounts of the respective years)



(Source : Finance Accounts of the respective years)

It would be seen from the charts that Revenue receipts showed progressive increase from ₹ 15,663 crore in 2008-09 to ₹ 29,578 crore in 2012-13 and increased by 14 *per cent* (₹ 3,711 crore) during 2012-13 over the previous year.

While 60 *per cent* of the revenue receipts during 2012-13 came from the State's own resources comprising of tax and non-tax revenue, the central tax transfers and GIA together contributed the remaining 40 *per cent*. An increase of 22 *per cent* (₹ 2,322 crore) in tax revenue, 14 *per cent* (₹ 558 crore) in non-tax revenue and 14 *per cent* (₹ 897 crore) in State's share of Union taxes and duties from GoI offset by decrease of *one per cent* (₹ 66 crore) in GIA from GoI during 2012-13 resulted in overall increase of 14 *per cent* (₹ 3,711 crore) in the revenue receipts during 2012-13 over the previous year. The trends in revenue receipts relative to GSDP are presented in **Table-1.5**.

Table-1.5: Trends in Revenue Receipts relative to GSDP

	2008-09	2009-10	2010-11	2011-12	2012-13
Revenue Receipts (RR) *(₹ in crore)*	**15,663**	**18,154**	**22,720**	**25,867**	**29,578**
Rate of growth of RR (*per cent*)	12.86	15.90	25.15	13.86	14.35
State's own tax	6,594	7,123	9,005	10,712	13,034
Rate of growth of State's own tax *(per cent)*	17.37	8.03	26.42	18.96	21.68
Gross State Domestic Product[5] *(₹ in crore)*	96,972	99,364	1,17,978[P]	1,39,515[Q]	1,60,188[A]
Rate of Growth of GSDP	20.83	2.47	18.73	18.26	14.82
RR/GSDP (*per cent*)	16.15	18.27	19.26	18.54	18.46
Buoyancy Ratios [6]					
Revenue Buoyancy with respect to GSDP	0.62	6.43	1.34	0.76	0.97
State's own tax revenue Buoyancy with reference to GSDP	0.83	3.25	1.41	1.04	1.46

(Source : Finance Accounts of the respective years)
A- Advance estimates, Q-Quick estimates and P-Provisional estimates

Revenue buoyancy, which is directly proportionate to growth of revenue receipts and GSDP, showed an oscillating trend. Revenue buoyancy ratio, which was lowest at 0.62 in 2008-09 increased to 6.43 in 2009-10 due to lower growth rate of GSDP, which was again dipped to 0.76 during 2010-12. However, the revenue buoyancy increased to 0.97 marginally during 2012-13.

State's own tax revenue buoyancy widely fluctuated during 2008-13 due to fluctuation of growth of tax revenue and the buoyancy ratio, which was at its lowest at 0.83 in 2008-09, increased to 3.25 in 2009-10. However, the States's own tax revenue buoyancy with respect to GSDP increased from 1.04 in 2011-12 to 1.46 in 2012-13.

[5] The GSDP figures have been changed from previous year. The GSDP figures shown as ₹ 99,262 crore during 2009-10, ₹ 1,17,567 crore during 2010-11 and ₹ 1,35,536 crore during 2011-12. Therefore, the Buoyancy figures have also been changed.

[6] 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 percentage points, if the GSDP increases by one *per cent*.

1.3.1 State's own resources

As the State's share in central taxes and GIA 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 non-tax sources.

The States actual tax and non-tax receipts for the year 2012-13 *vis-à-vis* assessment made by ThFC, FRBM disclosures and BE are given in **Table 1.6** and **Table 1.7.**

Table : 1.6 : Details of Tax Revenue and Non-Tax Revenue during 2012-13

(₹ in crore)

	Assessment made by ThFC	Budget Estimates	FRBM disclosures	Actual
State's Tax Revenue	11,320	12,176	12,176	13,034
State's Non-Tax Revenue	2,652	5,346	5,346	4,616

(Source : Finance Accounts 2012-13, FRBM documents, Budget books and ThFC report).

Table 1.7 : Growth Rate of Tax/Non-Tax Revenue between 2008-13

(₹ in crore)

	2008-09	2009-10	2010-11	2011-12	2012-13
Tax Revenue	6,594	7,123	9,005	10,712	13,034
Rate of Growth *(per cent)*	17.37	8.03	26.42	18.96	21.68
Non-Tax Revenue	2,202	3,043	3,836	4,058	4,616
Rate of Growth *(per cent)*	8.96	38.19	26.06	5.81	13.74

(Source : Finance Accounts of the respective years)

The State's Tax Revenue during the current year was higher by ₹ 1,714 crore and ₹ 858 crore than the projection made by ThFC (₹ 11,320 crore) and the normative assessment made in BE (₹ 12,176 crore) respectively. However, the State's Non-Tax Revenue was less than the BE and FRBM disclosures by ₹ 730 crore but exceeded the ThFC projection by ₹ 1,964 crore.

1.3.1.1 Tax Revenue

The gross collection in respect of major taxes and duties are given in **Table-1.8**.

Table-1.8: Sector-wise components of own tax revenue

(₹ in crore)

	2008-09	2009-10	2010-11	2011-12	2012-13	Growth *percentage* over previous year
Taxes on sales, trades etc.	3,611	3,712	4,841	6,006	6,929	15
State Excise	964	1,188	1,506	1,597	2,486	56
Taxes on Vehicles	314	352	428	502	592	18
Stamps and Registration Fees	496	583	786	846	952	13
Land Revenue	359	160	247	271	234	-14
Taxes on Goods and Passengers	421	696	675	826	954	15
Other Taxes[7]	429	432	522	664	887	33
Total	**6,594**	**7,123**	**9,005**	**10,712**	**13,034**	
Growth Rate (in *per cent*)	**17.37**	**8.03**	**26.42**	**18.96**	**21.68**	

(Source: Finance Accounts of the respective years)

[7] Other Taxes- hotel receipts, taxes on income and expenditure, taxes and duties on electricity and taxes and duties on services and commodities.

The growth rate of tax revenue during 2008-13 showed an oscillating trend and ranged between eight and 26 *per cent*. The growth rate of tax revenue however increased from 18.96 *per cent* in 2011-12 to 21.68 *per cent* in 2012-13. The increase of tax revenue by ₹ 2,322 crore during 2012-13 (₹ 13,034 crore) over previous year (₹ 10,712 crore) was mainly due to increase in receipts under State Excise (₹ 889 crore), taxes and duties on Electricity (₹ 223 crore), taxes on Stamps and Registration (₹ 107 crore) and taxes on vehicles (₹ 90 crore).

The growth rate of taxes on VAT/taxes on sales, trade etc. increased by 15 *per cent* during 2012-13 mainly due to better monitoring and providing better facilities to traders such as *e*-Registration, *e*-payment, *e*-C & F forms for VAT central sales tax and entry tax. The growth in State excise was due to deposit of processing fees and establishment of new multiplexes in the State.

1.3.1.2 Non-Tax Revenue

Details of composition of non-tax revenue receipts are shown in **Table 1.9.**

Table 1.9 – Composition of Non-Tax Revenue

(₹ in crore)

Revenue Head	2008-09	2009-10	2010-11	2011-12	2012-13	*per cent* increase over previous year
Interest Receipts	237.40	220.70	170.95	216.57	243.13	12
Dividends and Profits	0.10	0.44	4.30	0.46	2.19	376
Other non-tax receipts	1,964.71	2,821.86	3,660.07	3,841.45	4,370.63	14
Total Non-Tax Revenue	**2,202.21**	**3,043.00**	**3,835.32**	**4,058.48**	**4,615.95**	**14**

(Source : Finance Accounts of the respective years)

During 2012-13, the interest receipts decreased from ₹ 237.40 crore in 2008-09 to ₹ 170.95 crore in 2010-11 and again increased to ₹ 243.13 crore in 2012-13. The Dividends and profits showed fluctuating trend and ranged between ₹ 0.10 crore and ₹ 4.30 crore during the period 2008-09 to 2012-13. However, the other non-tax revenue receipts increased from ₹ 1,965 crore in 2008-09 to ₹ 4,371 crore during 2012-13.

The total non-tax revenue receipts increased by ₹ 2,414 crore from ₹ 2,202 crore in 2008-09 to ₹ 4,616 crore in 2012-13. The Non-Tax Revenue increased by 14 *per cent* (₹ 557 crore) during 2012-13 over the previous year mainly due to increase in receipts under non-ferrous mining and metallurgical industries by ₹ 393 crore, minor irrigation by ₹ 54 crore, major irrigation by ₹ 26 crore and forestry and wild life by ₹ 22 crore. The main reasons for the increase were attributable to increase in royalty rates and use of mineral metals in semi Government works. The non-ferrous mining and metallurgical industries (₹ 3,138 crore) contributed 68 *per cent* of total non-Tax revenue (₹ 4,616 crore). The growth of the non-ferrous mining and metallurgical

industries (₹ 393 crore) was 70 *per cent* of the total growth of non-tax revenue (₹ 557 core) during 2012-13. The increase in interest receipts and dividends and profits was mainly due to increase in receipts from Public Sector Undertakings.

1.3.2 Grants-in-Aid from Government of India

Details of GIA from GoI are shown in **Table 1.10.**

Table 1.10 – Grants-in-Aid from GoI

(₹in crore)

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
Non-Plan Grants	662.19	1,482.20	1,397.45	1,545.07	1,227.29
Grants for State Plan Schemes	1,030.72	1,429.42	2,169.91	1,930.51	2,112.69
Grants for Central Plan Schemes	56.62	71.84	47.95	61.75	107.28
Grants for Centrally Sponsored Schemes	859.38	623.28	838.58	1,238.88	1,263.07
Grants for Special Plan Schemes	0	0	0	0	0
Total	**2,608.91**	**3,606.74**	**4,453.89**	**4,776.21**	**4,710.33**
Percentage increase over previous year	18.32	38.25	23.49	7.24	(-) 1.38
Total grants as a percentage of Revenue Receipts	16.66	19.87	19.60	18.46	15.93
Revenue Receipts	15,663	18,154	22,720	25,867	29,578

(Source : Finance Accounts of the respective years)

Grants-in-Aid from GoI increased from ₹ 2,609 crore in 2008-09 to ₹ 4,710 crore in 2012-13. However, the quantum of GoI grants during 2012-13 decreased by ₹ 66 crore from ₹ 4,776 crore in 2011-12 to ₹ 4,710 crore in 2012-13 mainly due to decrease in non-plan grants (₹ 318 crore) off-set by increase in Grants for State Plan Schemes, Central Plan Schemes and Centrally Sponsored Schemes by ₹ 182 crore, ₹ 46 crore and ₹ 24 crore respectively.

The decrease in non-plan grants was mainly due to non-receipt of grant for compensation for loss of revenue (Central Sales Tax) of ₹ 415 crore.

1.3.3 Debt waiver under the debt consolidation and relief facilities

The ThFC had framed scheme debt relief of Central loans named "the Debt Consolidation and Relief Facilities" based on the fiscal performance of the State linked to the reduction of deficits in the States. During 2012-13, an amount of ₹ 26.28 crore was received from GoI as per the recommendations of ThFC for write-off of the Central loans amounting to ₹ 23.65 crore. The State Government had written-off ₹ 23.65 crore from the outstanding loans of ₹ 25.21 crore under Centrally Sponsored schemes.

1.3.4 Central Tax Transfers

The ThFC had recommended the State's share of Central Taxes to be increased to 32 *per cent* from 30.50 *per cent* as recommended by Twelfth Finance Commission. The State's share in the net proceeds of Central Tax (excluding Service Tax) and net proceeds of Service Tax has been fixed at 2.47 and 2.51 *per cent* respectively. During 2012-13, the State received ₹ 7,218 crore as the share of Union Taxes as compared to ₹ 6,320 crore during 2011-12.

Increase of the State's share of Union Taxes and duties by ₹ 897 crore was mainly under Service tax (₹ 300 crore), Taxes on income other than corporation tax (₹ 288 crore), Union excise duties (₹ 106 crore), Corporation tax (₹ 105 crore) and Customs (₹ 106 crore).

1.3.5 Utilisation of the transfers to the State on the recommendations of the Thirteenth Finance Commission

To improve the various organs of the State Government, the ThFC recommended grants for the State Governments. As per Statement No. 11 of Finance Accounts 2012-13, the State Government received Finance Commission Grants of ₹ 1,153.90 crore (₹ 1,027.75 crore under major head 1601-01-104-Grants under the provison to Art. 275(1) of the Constitution – Finance Commission Grants and ₹ 126.15 crore under major head 1601-01-109-Grants towards contribution to State Disaster Response Fund). The position of utilisation of the ThFC grants under various heads are given in **Table:1.11.**

Table 1.11 : Financial status of Thirteenth Finance Commission grants for the year 2012-13

(₹ in crore)

Major head and nomenclature	Total Provision in Budget	Status				Percentage of unutilised amount
		Surrender	Expen-diture	Savings(+) Excess(-)	Total unutilsed amount	
1	2	3	4	5	6=3+5	7
REVENUE ACCOUNT						
2014-Administration of Justice	24.37	0.00	0.05	24.32	24.32	99.79
2053-District Administration	9.00	8.52	0.00	0.48	9.00	100.00
2054-Treasury and Accounts	1.40	0.00	0.41	0.99	0.99	70.71
2055-Police	0.65	0.00	0.21	0.44	0.44	67.69
2056-Jails	3.43	0.00	0.00	3.43	3.43	100.00
2070-Other Administrative Services	0.90	0.00	0.00	0.90	0.90	100.00
2202-General Education	173.00	0.00	173.00	0.00	0.00	0.00
2203-Technical Education	0.00	0.00	0.08	(-)0.08	(-)0.08	--
2205-Art and Culture	4.55	0.00	0.00	4.55	4.55	100.00
2217-Urban Development	129.72	62.43	67.29	0.00	62.43	48.13
2406-Forestry and Wildlife	100.31	14.16	88.39	(-)2.24	11.92	11.88
2515-Other Rural Development Program	446.46	60.19	386.27	0	60.19	13.48
3054-Roads & Bridges	83.00	0.00	0.00	83.00	83.00	100.00
3454-Census Surveys and Statistics	24.26	0.00	1.05	23.21	23.21	95.67

1	2	3	4	5	6=3+5	7
CAPITAL ACCOUNT						
4059-Capital outlay on Public Works	94.71	1.65	30.23	62.83	64.48	68.08
4202-Capital outlay on Education Sports, Art and Culture	6.70	0.00	0.00	6.70	6.70	100.00
4210-Capital outlay on Medical and Public Health	16.53	0.00	5.05	11.48	11.48	69.45
4216-Capital outlay on Housing	62.50	0.00	62.50	0.00	0.00	0.00
4217-Capital outlay on Urban Development	137.50	0.00	137.50	0.00	0.00	0.00
4235- Capital Outlay on Social Security and Welfare-	37.50	1.77	35.73	0.00	1.77	4.72
4406-Capital outlay on Forestry and Wildlife	13.14	2.65	6.69	3.80	6.45	49.08
Total	**1,369.62**	**151.37**	**994.45**	**223.80**	**375.17**	27.40

(Source: Detailed Appropriation Accounts for the year 2012-13)

It may be seen from the table that out of total provision of ₹ 1,369.62 crore, an amount of ₹ 994.45 crore constituting 73 *per cent* of total amount was utilised and ₹ 375.17 crore (27 *per cent)* was either surrendered (₹ 151.37 crore) or lapsed to the Government account (₹ 223.80 crore) at the end of 2012-13.

We further observed that during 2012-13, no funds under the major head 2053-District Administration, 2056-Jail, 2070-Other Administrative Services, 2205-Art and Culture, 3054- Roads and Bridges and 4202-Capital outlay on Education, Sports, Art and Culture were utilized and thus lapsed to Government Account. The entire funds under the major head 2202-General education and 4216-capital outlay on housing were fully utilised. In the remaining cases except under major heads 2203-Technical Education and 2406-Forestry and Wildlife, the percentage of savings ranged between 4.72 and 99.79. While the total expenditure under major head 2203-Technical education exceeded the provision by 0.08 crore, the total expenditure exceeded the total provision by ₹ 2.24 crore after surrender of ₹ 14.16 crore under major head 2406-Forestry and Wildlife.

Thus, the Government failed to utilise 27 *per cent* (₹ 375.17 crore) of the funds provided on the recommendations of the ThFC. The main reasons for surrender/saving of funds were receipt of funds from GoI at the close of the financial year, non-preparation of work plan and non-receipt of administrative approval.

1.3.6 Cost of Collection

The gross collection of taxes on VAT/taxes on sales, trade etc., taxes on vehicles, State excise and stamps and registration fees, expenditure incurred on their collection and its percentage to gross collection during the financial years 2010-11 to 2012-13 along with their all India average cost of collection for the respective years is indicated in **Table 1.12**.

Table-1.12: Cost of collection of taxes and duties

Heads of revenue	Year	Gross collection (₹ in crore)	Expenditure on collection of revenue (₹ in crore)	Percentage of expenditure on collection	All-India average percentage of previous years
VAT /Taxes on sales, trade etc.	2010-11	4,840.79	29.99	0.62	0.96
	2011-12	6,006.25	40.63	0.68	0.75
	2012-13	6,928.65	37.42	0.54	0.83
Taxes on vehicles	2010-11	427.52	7.93	1.85	3.07
	2011-12	502.19	10.00	1.99	3.71
	2012-13	591.75	10.73	1.81	2.96
State excise	2010-11	1,506.44	40.68	2.70	3.64
	2011-12	1,596.97	52.06	3.26	3.05
	2012-13	2,485.68	46.63	1.88	2.98
Stamps and Registration fees	2010-11	785.85	18.52	2.36	2.47
	2011-12	845.82	20.75	2.45	1.60
	2012-13	952.47	19.09	2.00	1.89

(Source: Information furnished by the Revenue Audit wing of the AG (Audit)

It would be seen from the **Table 1.12** that during 2012-13, the percentage of cost of collection in respect of VAT/taxes on sales, trade etc., taxes on vehicle, and state excise was less than the all India average cost of collection. However, with respect to stamp and registration fees, it was higher than the all India average. During 2012-13, the percentage of expenditure on collection of VAT/taxes on sales, trade etc., taxes on vehicle, state excise and stamp and registration fees was less than the previous year.

1.4 Capital Receipts

Capital Receipts consist of miscellaneous Capital receipts, recovery of loans and advances, inter-state settlement and public debt receipts. The trends and composition of Capital receipts during 2008-13 are presented in **Table 1.13** and ***Appendix-1.3***.

Table 1.13: Trends in growth and composition of Capital Receipts

(₹in crore)

Sources of State's Receipts	2008-09	2009-10	2010-11	2011-12	2012-13
Capital Receipts (CR)	**923.00**	**2,284.99**	**1,361.56**	**1,710.01**	**3,603.66**
Miscellaneous Capital Receipts	1.78	2.31	2.56	3.93	2.39
Recovery of Loans and Advances	533.42	992.43	561.16	1,282.53	1,542.01
Inter-State Settlement	1.46	3.04	2.65	2.21	1.53
Total – Non-Debt Capital Receipts	**536.66**	**997.78**	**566.37**	**1,288.67**	**1,545.93**
Rate of growth of Non-Debt Capital Receipts	15.16	85.92	-43.24	127.53	19.96
Public Debt Receipts	**386.34**	**1,287.21**	**795.19**	**421.34**	**2,057.73**
Rate of growth of Public Debt Capital Receipts	47.50	233.18	-38.22	-47.01	388.38
Rate of growth of GSDP	20.83	2.47	18.73	18.25	14.82
Rate of growth of CR *(per cent)*	26.79	147.56	-40.41	25.59	110.74

(Source : Finance Accounts of the respective years)

It would be seen from the **Table 1.13** that Capital receipts of the State increased by ₹ 2,681 crore from ₹ 923 crore in 2008-09 to ₹ 3604 crore in 2012-13. The increase of ₹ 1,894 crore in Capital receipts in 2012-13 over the previous year was mainly due to increase in public debt receipts by ₹ 1,636 crore and recovery of loans and advances by ₹ 259 crore. The Government raised market loans of ₹ 700 crore in 2009-10 and ₹ 1,500 crore in 2012-13 as a result the public debt capital receipts increased from ₹ 421.34 crore to ₹ 2,057.73 crore and capital receipts increased from ₹ 1,710.01 crore to ₹ 3,603.66 crore during the 2009-10 and 2012-13 respectively.

1.4.1 Recoveries of Loans and Advances

Recoveries of loans and advances increased from ₹ 533 crore during 2008-09 to ₹ 1,542 crore in 2012-13. Recovery of loans aggregating ₹ 936 crore and interest thereon was overdue as of March 2013. However, fresh loans and advances were made during the year to four loanee entities from whom repayment of earlier loans were in arrears i.e. Chhattisgarh Infrastructure Development Corporation (₹ 126.12 crore), *Danteswari Maiya Sugar Mill Balod*, (₹ 8.50 crore), *Bhoramdev Cooperative Sugar Mill,* Kawardha (₹ 16 crore) and *Maa Mahamaya Cooperative Sugar Mill, Ambikapur* (₹ 11 crore).

1.4.2 Debt receipts from internal sources (market loans borrowings from financial institutions) and Loans and Advances from GoI.

Out of total internal debt receipts of ₹ 2,041 crore, market loans of ₹ 1,500 crore (73 *per cent*) was raised during the year. Of the remaining debt receipts of ₹ 541 crore, ₹ 289 crore was raised from National Bank for Agriculture and Rural Development and ₹ 252 crore from National Small Savings Fund. The Government had also borrowed ₹ 17 crore from GoI under Block Loans.

1.5 Public Account 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 of the State are kept in the Public Account set up under Article 266(2) of the Constitution and are not subject to vote by the State Legislature. Here the Government acts as a banker. The balance after disbursements is the fund available with the Government for use. The net Public Account Receipts and its composition over the period 2008-13 are presented in **Table 1.14.**

Table 1.14: Net Public Account Receipts and its composition

(₹in crore)

Resources under various heads	2008-09	2009-10	2010-11	2011-12	2012-13
Net Public Account Receipts[8]					
a. Small Savings Provident Fund etc.	73.74	294.37	328.97	307.76	293.47
b. Reserve Funds	365.90	344.86	21.60	208.75	530.88
c. Suspense and Miscellaneous	-91.84	127.92	-111.03	22.40	-28.58
d. Remittances	80.65	-111.84	33.68	96.10	-264.17
e. Deposits and Advances	30.21	-22.46	355.25	585.95	521.18
f. Closing Overdraft from Reserve Bank of India	0.00	0.00	0.00	0.00	0.00
Total Public Account Receipts (Net)	**458.66**	**632.85**	**628.47**	**1,220.96**	**1,052.78**

(Source : Finance Accounts of the respective years)

The net Public Account Receipts (PAR) (total PAR *minus* total Public Account Disbursement) showed fluctuating trend during 2008-09 to 2012-13 and ranged between ₹ 458.66 crore and ₹ 1,220.96 crore. The net PAR decreased by 168.18 crore from 1,220.96 crore in 2011-12 to ₹ 1,052.78 crore in 2012-13. The decrease in net PAR during the year was mainly due to decrease in Small Savings, Provident Fund etc., Suspense and Miscellaneous, Remittances and Deposits and Advances. However, the net Pubic Account Receipts increased in Reserve Funds.

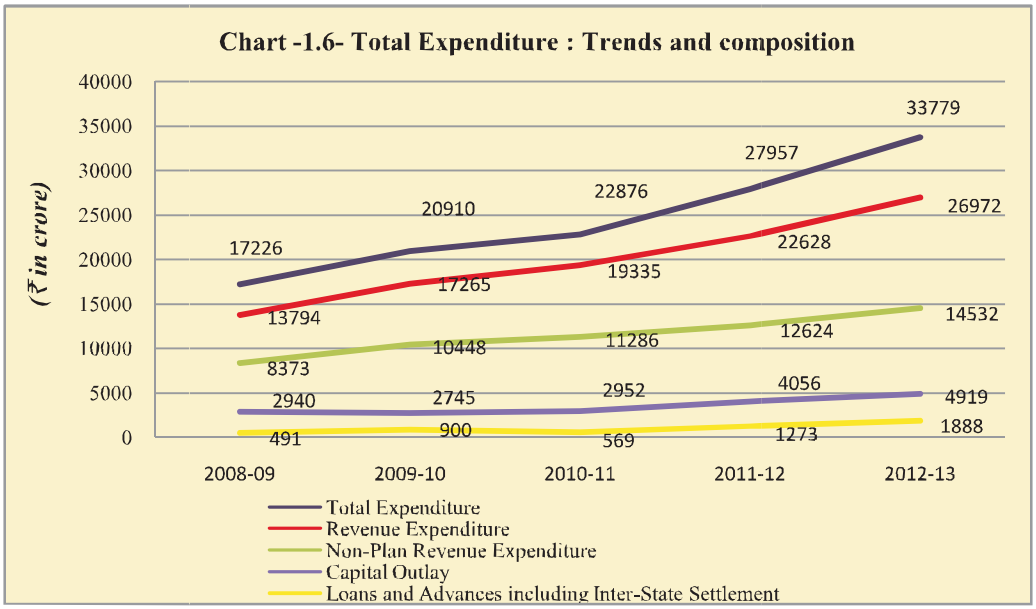
1.6 Application of Resources

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

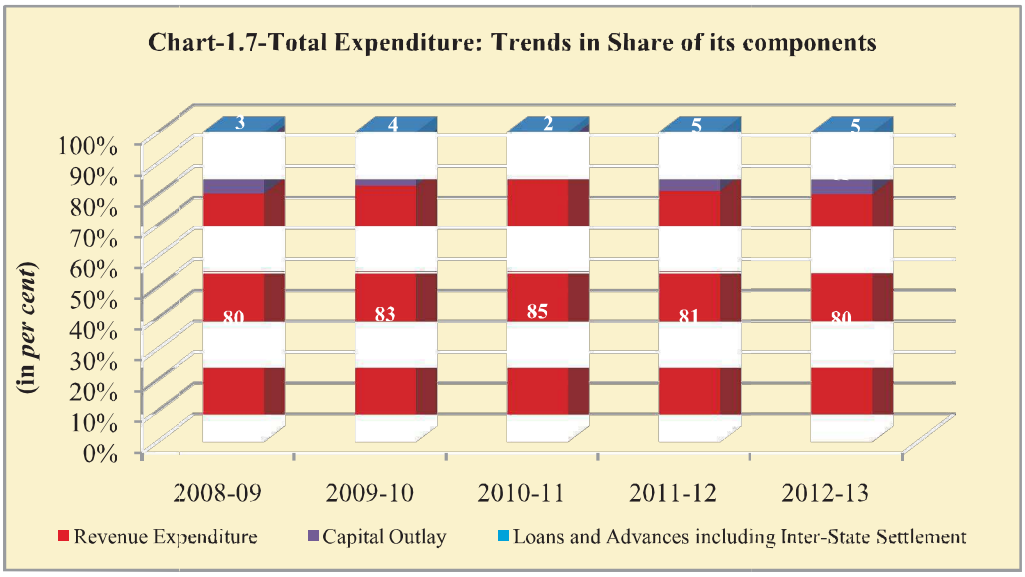
[8] Net public Accounts Receipts = Public Account Receipts-Disbursement and Suspense and Miscellaneous and Reserve fund figures depicted after excluding Investment figures.

1.6.1 Growth and composition of expenditure

Chart-1.6 presents the trends in total expenditure[9] over a period of last five years (2008-13) and its composition both in terms 'economic classification' and 'expenditure by activities' are depicted respectively in **Chart-1.7** and **Chart-1.8**.



(Source : Finance Accounts of the respective years)



Source : Finance Accounts of the respective years

The status of total expenditure incurred and its composition during the years 2008-09 to 2012-13 are given below in **Table-1.15**.

[9] Total expenditure does not include Public Debt repayment

Table-1.15: Total expenditure and its composition

	2008-09	2009-10	2010-11	2011-12	2012-13
Total Expenditure *(₹in crore)*	17,226	20,910	22,876	27,957	33,779
Rate of Growth (in *per cent*)	19.02	21.39	9.40	22.21	20.82
Revenue Expenditure *(₹in crore)* **(Percentage to Total Expenditure)**	13,794 *(80)*	17,265 *(83)*	19,355 *(85)*	22,628 *(81)*	26,972 *(80)*
Of which Non Plan Revenue Expenditure *(₹in crore)*	8,373	10,448	11,286	12,624	14,532
Capital Expenditure *(₹in crore)* **(Percentage to Total Expenditure)**	2,940 *(17)*	2,745 *(13)*	2,952 *(13)*	4,056 *(14)*	4,919 *(15)*
Loans and Advances* *(₹in crore)* **(Percentage to Total Expenditure)**	492 *(03)*	900 *(04)*	569 *(02)*	1,273 *(05)*	1,888 *(05)*
State's GSDP (₹ *in crore*)	96,972	99,364	1,17,978[P]	1,39,515[Q]	1,60,188[A]
Growth rate of GSDP (Percentage)	20.83	2.47	18.73	18.25	14.82

(Source: Finance Accounts) (A=Advanced Q= Quick and P=Provisional figures),
**Includes Inter State Settlement*

The total expenditure comprising Revenue expenditure, Capital expenditure and Loans and advances including Inter-State Settlement increased from ₹ 17,226 crore in 2008-09 to ₹ 33,779 crore in 2012-13. The increase of ₹ 5,822 crore in total expenditure in 2012-13 over the previous year was mainly due to increase of ₹ 4,344 crore (19 *per cent*) in Revenue expenditure, ₹ 863 crore (21 *per cent*) in Capital Expenditure and ₹ 615 crore (48 *per cent*) in Loans and Advances including Inter- State Settlement. The growth rate of total expenditure showed an oscillating trend and ranged between *nine* and 22 *per cent* during 2008-13. The growth rate of total expenditure marginally decreased from 22 *per cent* in 2011-12 to 21 *per cent* in 2012-13. The total expenditure was 21 *per cent* of GSDP during 2012-13.

1.6.2 Revenue Expenditure

The Revenue Expenditure is incurred to maintain the current level of services and make payment for past obligations and as such, does not result in any addition to the State's infrastructure and services network. The revenue expenditure as a percentage of total expenditure increased from 80 in 2008-09 to 85 in 2010-11 and thereafter the downfall began and decreased to 80 *per cent* during 2012-13. The Revenue Expenditure constituted 17 per *cent* of GSDP during 2012-13.

The revenue expenditure was ₹ 26,972 crore during 2012-13 of which ₹ 14,532 crore (54 *per cent)* was on Non-Plan components and ₹ 12,440 crore (46 *per cent*) was on Plan components.

1.6.2.1 Plan Revenue Expenditure

The share of Plan Revenue Expenditure, increased as a percentage of the total revenue expenditure from 39 in 2008-09 to 46 in 2012-13. The Plan revenue expenditure during 2012-13 increased by 24 *per cent* (₹ 2,436 crore) relative to

2011-12 mainly due to increase under energy (₹ 704 crore), agriculture and allied activities (₹ 682 crore), education, sports, art and culture (₹ 499 crore), water supply sanitation, housing and urban development (₹ 254 crore), rural development (₹ 163 crore) and health and family welfare (₹ 148 crore).

1.6.2.2 Non-Plan Revenue Expenditure

The share of Non-Plan Revenue Expenditure (NPRE) as a percentage of the total expenditure decreased from 61 in 2008-09 to 54 during 2012-13. During 2012-13, the NPRE increased by ₹ 1,908 crore (15 *per cent*) over the previous year mainly increase in the expenditure under pension and miscellaneous general services (₹ 534 crore), agriculture and allied activities (₹ 331 crore), transport (₹ 231 crore), administrative services (₹ 229 crore) and rural development (₹ 212 crore). The NPRE (₹ 14,532 crore) was less than the normative projection made in the budget estimates (₹ 15,631 crore) by *seven per cent* (₹ 1,099 crore). However, the share of NPRE to total revenue expenditure declined from 56 *per cent* in 2008-09 to 54 *per cent* in 2012-13.

1.6.2.3 Capital Expenditure

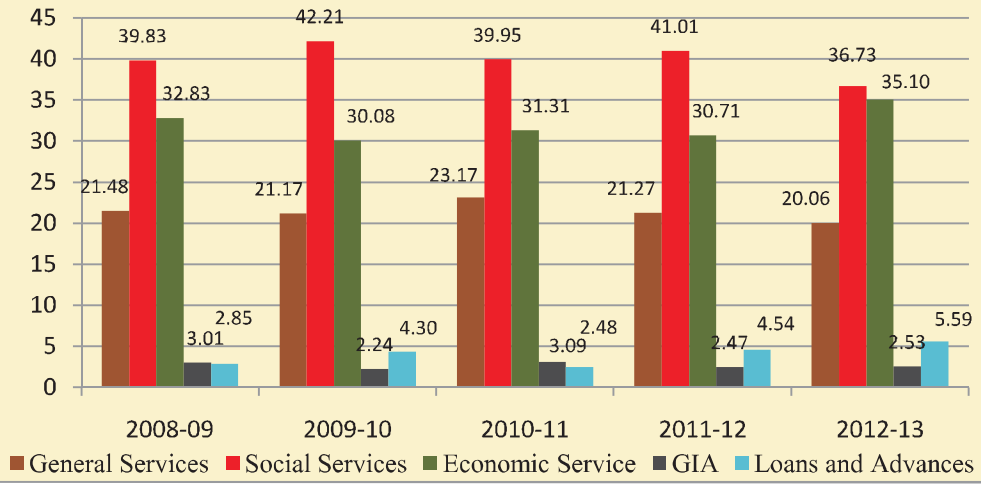
Capital expenditure increased by 21 *per cent* (₹ 863 crore) over the previous year mainly due to increase in expenditure under Capital outlay on Roads and Bridges (₹ 601 crore) and Minor Irrigation (₹ 466 crore) offset by decrease under energy (₹ 196 crore).

The Capital outlay, loans and advances including Inter-State Settlement stood at 15 *per cent* and five *per cent* of the total expenditure respectively.

1.6.2.4 Trends in expenditure by activities

In terms of activities, total expenditure could be considered as being composed of expenditure on general services (including interest payments), social and economic services, GIA and Loans and advances. Relative share of these components in total expenditure is indicated in **Chart-1.8**

Chart-1.8-Total Expenditure: Trends by activities (in *per cent*)



(Source : Finance Accounts of the respective years)

Expenditure by activities during 2008-13 showed inter-variations in its composition. The percentage of expenditure on general services ranged between 20.06 and 23.17, social services ranged between 36.73 and 42.21 and economic services between 30.08 and 35.10 of the total expenditure. However, the percentage of expenditure on general services and social services decreased from 21.27 to 20.06 and 41.01 to 36.73 respectively while under the economic services it increased from 30.71 to 35.10 of the total expenditure during the year 2012-13 as compared to previous year.

The share of GIA and Loans and advances showed an fluctuating trend. While the GIA ranged between 2.24 and 3.09 *per cent*, the Loans and advances ranged between 2.48 and 5.59 *per cent* respectively of the total expenditure during 2008-13. However, the share of GIA increased from 2.47 to 2.53 *per cent* while the Loans and advances increased from 4.54 to 5.59 *per cent* of the total expenditure during 2012-13.

1.6.3 Expenditure on Salaries and Wages, Salary through Grants-in-Aid, Interest Payments, Pensions and Subsidies

The expenditure of the State Government on revenue account mainly consists of interest payments, expenditure on salaries and wages, pensions and subsidies. **Table-1.16** and **Chart-1.9** present the trends of expenditure on these components during 2008-13.

Table-1.16: Expenditure on Salary and wages, Salary paid through Grants-in-Aid, Interest Payments, Pension and subsidies

(₹in crore)

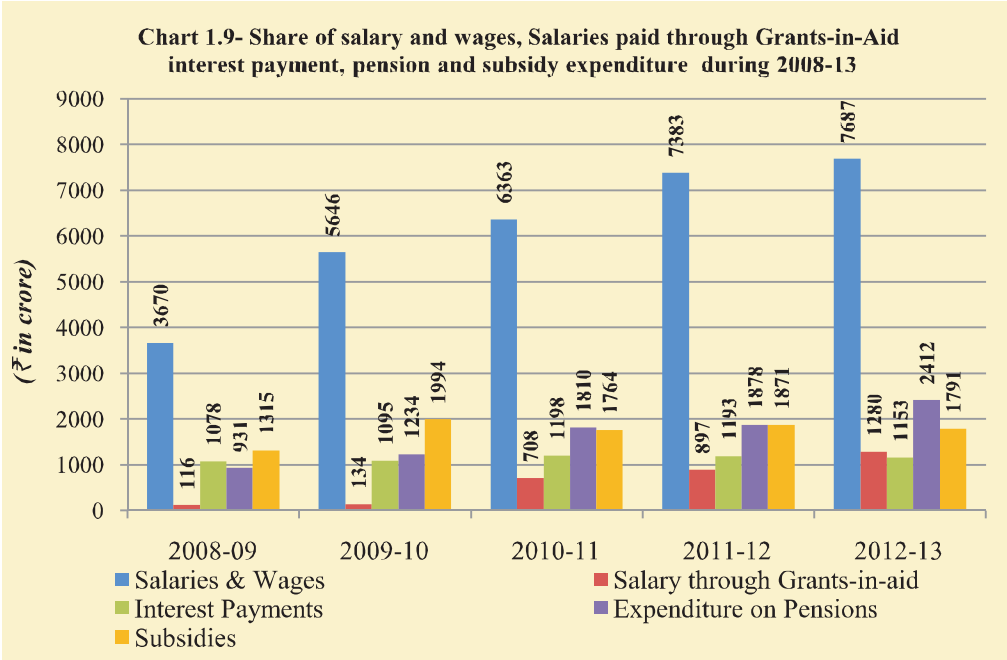
Components	2008-09	2009-10	2010-11	2011-12	2012-13	
					BE	Actuals
Salaries & Wages *of which*	3,670.34 (23.43)	5,646.29 (31.10)	6,362.92 (28.01)	7,382.61[10] (28.54)	9,591.18	7,686.52
Non-Plan Head	2,772.46	4,016.30	4,338.28	4,893.18	NA	5,018.01
Plan Head**	897.88	1,629.99	2024.64	2,489.43	NA	2,668.51
Salary paid through Grants-in-Aid	115.60 (0.74)	133.71 (0.74)	708.33 (3.12)	897.27 (3.47)	NA	1,280.34
Interest Payments	1,077.53 (6.88)	1,094.86 (6.03)	1,198.38 (5.27)	1,193.20 (4.61)	1,342.54	1,153.49
Expenditure on Pensions	930.77 (5.94)	1,233.76 (6.80)	1,810.33 (7.97)	1,877.87 (7.26)	2,185.00	2,412.14
Subsidies	1,314.68 (8.39)	1,994.30 (10.99)	1,763.83 (7.76)	1,870.93 (7.23)	1,651.00	1,790.83
Total	**7,108.92**	**10,102.92**	**11,843.79**	**13,221.88**		**14,323.32**

(Source : Finance Accounts of the respective years)

Figures in the brackets indicate percentage to Revenue Receipts

** Head also includes the salaries and wages paid under Centrally Sponsored Schemes.

[10] It includes Salary- ₹ 7,176.85 crore and Wages - ₹ 509.67 crore.



(Source : Finance Accounts of the respective years)

The total expenditure on Salary and Wages, Salary paid through GIA, Interest Payment, Pension and Subsidy increased by ₹ 1,101 crore from ₹ 13,222 crore in 2011-12 to ₹ 14,323 crore in 2012-13 and constituted 53 *per cent* of Revenue expenditure (₹ 26,972 crore) and 48 *per cent* of Revenue receipts (₹ 29,578 crore). The component-wise analysis is given in subsequent paragraphs:

(1) Expenditure on Salary and Wages

The expenditure on Salaries and Wages during current year increased by ₹ 304 crore from ₹ 7,383 crore in 2011-12 to ₹ 7,687 crore in 2012-13 and the salary paid out of GIA[11] increased by ₹ 383 crore from ₹ 897 crore in 2011-12 to ₹ 1,280 crore in 2012-13.

The expenditure on Salary and Wages during the year was less by 20 *per cent* (₹ 1,905 crore) than the assessment made by the State Government in its budget estimate (₹ 9,591.18 crore) during the year 2012-13.

The revenue expenditure on Salary and Wages (₹ 7,081 crore) during the year was higher by 10 *per cent* (₹ 621 crore) than the provisions made in the FRBM Act (₹ 6,460 crore) during the year 2012-13.

The expenditure on Non-plan salary (₹ 4,885 crore) in 2012-13 exceeded the projections of the ThFC (₹ 4,199 crore) by 16 *per cent* (₹ 686 crore).

[11] Salaries paid to various institutions under Education, Sports, Art and Culture, Agriculture and allied activities and Rural Development through Grants- in-Aid.

(2) Expenditure on pension

The expenditure on pension increased by 28 *per cent* (₹ 534 crore) from ₹ 1,878 crore in 2011-12 to ₹ 2,412 crore in 2012-13. The increase was mainly due to increase in number of pensioners in the State. The details of number of pensioners who are drawing pension from the treasuries/banks/departmental authorities as reported by the State Government are shown below :

Table 1.17 : Details of Pensioners during 2011-12 and 2012-13

	Total Number of pensioner as on 31 March 2012 (2011-12)	Total Number of pensioner as on 31 March 2013 (2012-13)	Increase in number of pensioners (in *per cent)*
Superannuation pensioners	45145	48,919	3,774 (08 *per cent*)
Family pensioners	25512	28,974	3,462 (14 *per cent*)
Ex-legislative members	135	229	94 (70 *per cent*)
High Court Judges	08	18	10 (125 *per cent*)
Total	70800	78,140	7,340 (10 *per cent*)

- the expenditure on pension (₹ 2,412.14 crore) was nine *per cent* of the total Revenue Expenditure (₹ 26,971.84 crore) and 17 *per cent* of Non-Plan Revenue Expenditure (₹ 14,531.82) and consumed seven *per cent* of the total Revenue Receipts (₹ 29,578.09 crore).

- The expenditure on pension payment exceeded the projections made by the State Government in its Budget Estimate (₹ 2,185 Crore) for 2012-13 by 10 *per cent* (₹ 227 crore).

- As per the projection made by the ThFC the expenditure on pension payments was to be ₹ 1,191 crore at the end of 2012-13. However, the actual payment on pension during 2012-13 was ₹ 2,412 crore which exceeded the ThFC norms by ₹ 1,221 crore.

(3) Interest payment

Interest payment comprising interest charges on internal debts, small savings, provident funds, loans raised from GoI and other obligations marginally decreased by *three per cent* (₹ 39.71 crore) from ₹ 1,193.20 crore in 2011-12 to ₹ 1,153.49 crore in 2012-13.

The interest payments (₹ 1,153 crore) were within the projection made by the ThFC (₹ 2,126 crore) and assessment made by the State Government in its budget estimates and FRBM disclosures (₹ 1,342 crore) for the year 2012-13. The interest payments as a ratio of total Revenue Expenditure as well as Revenue Receipts were 4.28 *per cent* and 3.90 *per cent* respectively during the year.

(4) Expenditure on subsidies

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

The details of subsidies provided by the State Government during 2008-13 are shown in **Table-1.18**:

Table-1.18: Details of Subsidies provided by Government during 2008-13

(₹ in crore)

Head	2008-09	2009-10	2010-11	2011-12	2012-13
Social Welfare and Nutrition	946.28	1,288.78	886.73	950.51	722.30
Crop Husbandry	41.23	41.00	40.07	46.36	75.45
Fisheries	0.41	0.47	0.75	0.60	1.30
Forestry and Wild Life	10.09	10.00	10.00	8.10	15.05
Food Storage and Warehousing	109.47	406.61	488.65	383.67	395.24
Co-operation	40.03	46.00	83.07	95.32	103.14
Minor Irrigation	10.49	10.62	11.01	10.88	0
Power	128.04	150.10	202.10	321.10	426.13
Village and Small Industries	24.27	39.26	37.71	52.52	44.27
Industries	4.37	1.46	3.72	1.87	7.95
Total	**1,314.68**	**1,994.30**	**1,763.81**	**1,870.93**	**1,790.83**

(Source : Finance Accounts of the respective years)

It would be seen from the **Table 1.18** that the expenditure on subsidies decreased by ₹ 80 crore from ₹ 1,871 crore in 2011-12 to ₹ 1,791 crore in 2012-13. Expenditure on subsidies during 2012-13 constituted *six per cent* of the total Revenue Receipts and seven *per cent* of total Revenue Expenditure. Subsidy payments during the year was mainly social welfare and nutrition (₹ 722 crore), power (₹ 426 crore) and food storage and warehousing (₹ 395 crore).

(5) Implicit subsidies

Implicit subsidies on cost of freebies were provided as GIA in kind (shown in Statement No-8 of Finance Account) during 2012-13. The details of freebies provided during 2012-13 are detailed in **Table 1.19**:

Table-1.19: Details of Implicit Subsidies provided by the State Government during 2012-13

(₹ in crore)

Name of the Department	Scheme Name	Total
Energy	Free supply of Electricity to 5 HP Agricultural pumps	249.90
Energy	Free supply of Solar Lamp	27.00
School Education	Free supply of School Dress to Students	52.05
School Education	Free Supply of School dress to Tribal Primary Girls Students	9.00
School Education	Free supply of School dress to SC girl students of primary class	1.50
School Education	Free provision of cycle to High School students	44.93
School Education	Free provision of cycle to Primary School students	0.19
School Education	Free provision of School Books	56.41
Communication	Free provision of Laptop and Tablet to students	50.00
Food and consumer protection	Free supply of two Kg salt to poor families	43.34
Food and consumer protection	Free supply of 10 Kg rice to persons above 65 years who are not the beneficiaries of Old Age Pension	0.14
	Total	**534.46**

(Source : Finance Accounts 2012-13)

It would be seen from the **table 1.19** that during 2012-13 the Government incurred an expenditure of ₹ 534 crore for providing free books, school dress, cycle, laptops and tablets, electricity, agricultural pumps, solar lamps, salt and rice to the targeted beneficiaries.

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

The quantum of assistance provided by way of grants and loans to local bodies and others during the current and previous years is presented in **Table-1.20.**

Table-1.20: Financial assistance to Local Bodies etc.

(₹ in crore)

Financial assistance to institutions	2008-09	2009-10	2010-11	2011-12	2012-13
Educational Institutions (Aided schools, aided colleges, Universities etc.)	83.82	83.90	144.82	163.07	223.27
Power/energy	118.00	65.05	101.05	149.56	672.81
Agriculture	19.78	26.50	37.50	56.50	71.00
Urban Bodies	737.26	577.71	905.50	1,268.53	2,055.21
Panchayat Raj Institutions	1,299.47	1,520.71	1,835.92	2,811.71	3,897.95
Other Institutions	304.72	478.25	376.43	158.21	123.61
Total	**2,563.05**	**2,752.12**	**3,401.22**	**4,607.58**	**7,043.85**
Revenue Expenditure	13,794	17,265	19,355	22,628	26,972
Assistance as percentage of RE	18.58	15.94	17.57	20.36	26.12

(Source: Finance and Appropriation Accounts)

It would be seen from the **Table 1.20** that the financial assistance to Local bodies and other institutions[12] increased from ₹ 2,563 crore in 2008-09 to ₹ 7,044 crore in 2012-13. The increase of financial assistance to local bodies and other institutions was ₹ 4,608 crore during 2011-12, recorded a growth of 53 *per cent* during 2012-13. During 2012-13, the financial assistance was given by the Government mainly to *Panchayat Raj Institutions* (55 *per cent*) and Urban Bodies (29 *per cent*).

1.7 Quality of Expenditure

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

1.7.1 Adequacy of public expenditure

The expenditure responsibilities relating to the social sector and the economic infrastructure assigned to the State Governments are largely State subjects. Enhancing human development levels requires the States to step up their expenditure on key social services like education, 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 average of General Category States. **Table 1.21** analyses the fiscal priority of the State Government with regard to development expenditure, social expenditure and capital expenditure during 2012-13.

Table 1.21: Fiscal Priority of the State in 2009-10 and 2012-13

(in per cent)

Fiscal Priority by the State	AE/ GSDP	DE# /AE	SSE/AE	CE/AE	Education / AE	Health/ AE
Average (Ratio) 2009-10 of						
General Category States	17.06	66.05	35.73	14.96	16.19	4.24
Chhattisgarh	21.04	76.52	42.44	13.13	16.04	3.78
Average (Ratio) 2012-13 of						
General Category States	15.93	65.79	32.37	13.23	17.23	4.47
Chhattisgarh	21.09	77.40	37.69	14.56	16.76	3.83

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

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

[12] Educational institutions, power/energy, agriculture, co-operatives, other scientific research.

Comparative analysis of the **Table 1.21** reveals the followings:

- The State is spending 21.04 and 21.09 *per cent* of its GSDP on aggregate expenditure during 2009-10 and 2012-13 respectively as compared to17.06 and 15.93 *per cent* of General Category States.
- Development expenditure as a proportion of aggregate expenditure in the State was 76.52 and 77.40 *per cent*, as compared to 66.05 and 65.79 *per cent* of General Category State's average during 2009-10 and 2012-13 respectively.
- The Social sector expenditure which was 42.44 and 37.69 *per cent* of aggregate expenditure in the State was 35.73 and 32.37 *per cent* higher than that of the General Category State's during 2009-10 and 2012-13 respectively.
- The State Government incurred 16.04 and 16.76 *per cent* of its aggregate expenditure for education as compared to 16.19 and 17.23 of General Category States during 2009-10 and 2012-13. Similarly, the expenditure on health as a proportion of aggregate expenditure, which was 3.78 and 3.83 per cent, was lower than the General Category States average of 4.24 and 4.47 *per cent* during 2009-10 and 2012-13 respectively. This indicates that State has accorded inadequate priority to education and health sectors.
- Though the proportion of expenditure on capital has declined during 2009-10 as compared to the General Category States but the same increased to 14.56 *per cent* as compared to13.23 *per cent* in 2012-13.

1.7.2 Efficiency of expenditure use

In view of the importance of public expenditure on development heads from the point of view of social and economic development, it is important for the State Government to take appropriate expenditure rationalization measures and lay emphasis on provision of core public and merit goods [13]. Apart from improving the allocation towards Development Expenditure[14] particularly in view of the fiscal space being created on account of decline in debt servicing in recent years, the efficiency of expenditure use is also reflected by the ratio of capital expenditure to total expenditure and proportion of revenue

[13] 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. Merit goods are commodities that the public sector provides free or at subsidized rates because an individual or society should have them on the basis of some concept of need, rather than ability and willingness to pay the government and therefore wishes to encourage their consumption. Examples of such goods include the provision of free or subsidized food for the poor to support nutrition, delivery of health services to improve quality of life and reduce morbidity, providing basic education to all, drinking water, sanitation etc.

[14] 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 are categorized into social services, economic services and general services. Broadly, the social and economic services constitute development expenditure, while expenditure on general services is treated as non-development expenditure.

expenditure being spent on operation and maintenance of the existing social and economic services. The higher the ratio of these components to total expenditure 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 the current year and the previous years.

Table-1.22: Development expenditure

(₹in crore)

Components of Development Expenditure	2008-09	2009-10	2010-11	2011-12	2012-13
Development Expenditure	**12,995** *(75)*	**16,002** *(77)*	**16,857** *(73)*	**21,310** *(76)*	**26,144** *(77)*
Component of Development Expenditure					
a. Development Revenue Expenditure	9,676 *(56)*	12,447 *(60)*	13,401 *(59)*	16,037 *(57)*	19,468 *(58)*
b. Development Capital Expenditure	2,838 *(16)*	2,668 *(13)*	2,899 *(13)*	4,014 *(15)*	4,794 *(14)*
c. Development Loans and Advances	481 *(03)*	887 *(04)*	557 *(02)*	1,259 *(05)*	1,882 *(06)*
Total Expenditure	**17,226**	**20,910**	**22,876**	**27,957**	**33,779**

Figures in brackets indicate percentage to aggregate expenditure

(Source: Finance Accounts)

It would be seen from the **Table 1.22** that the development expenditure comprising of Revenue and Capital expenditure and Loans and advances for socio-economic services increased from ₹ 12,995 crore in 2008-09 to ₹ 26,144 crore in 2012-13. Development expenditure as a percentage of total expenditure showed an increasing trend and was ranging between 75 to 77 during the period 2008-09 to 2012-13 except in 2010-11 where it came down to 73 *per cent* due to decrease in development Revenue expenditure and Loans and advances. The total development expenditure increased by ₹ 4,834 crore (23 *per cent*) during 2012-13 over the previous year mainly due to increase in development revenue expenditure by ₹ 3,431 crore (21 *per cent*), development capital expenditure by ₹ 780 crore (19 *per cent*) and loans and advances by ₹ 623 crore (49 *per cent*).

While the development revenue expenditure as a percentage of total expenditure of the State increased from 57 *per cent* in 2011-12 to 58 *per cent* during the year 2012-13, the development loans and advances increased from five *per cent* in 2011-12 to six *per cent* during 2012-13. However, the development expenditure on capital expenditure as a percentage of total expenditure decreased from 15 *per cent* in 2011-12 to 14 *per cent* in 2012-13.

Table 1.23 provides the details of Capital expenditure and the components of Revenue Expenditure incurred on the maintenance of the selected social and economic services.

Table-1.23: Efficiency of expenditure use in selected Social and Economic Services

(in per cent)

Social/Economic Infrastructure	2011-12			2012-13		
	Ratio of CE to TE	In RE the share of		Ratio of CE to TE	In RE the share of	
		ME	S &W		ME	S&W
Social Services (SS)						
Total Social Services ***Of which***	**3.54**	**1.90**	**38.24**	**2.81**	**1.69**	**34.82**
General Education	0.52	2.08	41.32	0.51	1.70	36.71
Public Health and Family Welfare	0.53	0.64	57.18	0.51	0.66	62.42
Water Supply Sanitation and Housing and Urban Development	1.73	2.97	27.73	1.23	2.88	9.85
Economic Services (ES)						
Total Economic Services ***of which***	**10.82**	**5.49**	**27.43**	**11.38**	**5.46**	**21.00**
Agriculture and Allied Activities	0.33	1.41	39.35	0.25	1.22	29.18
Irrigation and Flood Control	4.37	6.97	74.29	4.90	6.70	73.39

(Source: Finance Account)
TE: Total Expenditure in the concerned sector;
CE: Capital Expenditure in the concerned sector; ME: Maintenance Expenditure
RE: Revenue Expenditure in the concerned sector; S&W: Salaries and Wages

Expenditure on Social Services

It would be seen from **Table 1.23** that the share of Capital expenditure on social services to total expenditure decreased from 3.54 *per cent* in 2011-12 to 2.81 *per cent* in 2012-13 due to decrease of the capital expenditure on social services from ₹ 988.69 crore in 2011-12 to ₹ 950.63 crore in 2012-13 (***Appendix 1.3***).

While the share of expenditure on salaries in revenue expenditure under social services decreased from 38.24 to 34.82 *per cent*, the maintenance expenditure also decreased from 1.90 to 1.69 *per cent* during the year 2012-13.

Expenditure on Economic services

It would be seen from the **Table 1.23** that the share of Capital expenditure on economic services to total expenditure increased from 10.82 *per cent* in 2011-12 to 11.38 *per cent* in 2012-13 due to increase of the capital expenditure on economic services from ₹ 3,025.20 crore in 2011-12 to ₹ 3,843.34 crore in 2012-13 (***Appendix 1.3***). The priority sectors identified by the Government in respect of economic services were Capital outlay on roads and bridges (33 *per cent*), Capital outlay on minor irrigation (33 *per cent*) and Capital outlay on power (18 *per cent*).

The share of salaries and maintenance expenditure under revenue expenditure under economic services decreased from 27.43 to 21 *per cent* and 5.49 to 5.46 *per cent* respectively during the year.

1.8 Financial analysis of Government expenditure and investments

In the post-FRBM framework, the State is expected to keep its fiscal deficit (and borrowing) not only at low levels 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 subsidy 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 previous years.

1.8.1 Incomplete projects

The department wise information pertaining to incomplete projects as on 31 March 2013 is given in **Table 1.24** .

Table-1.24: Department-wise profile of Incomplete Projects

(₹in crore)

Department	Incomplete Projects			
	Number of Incomplete projects	Estimated cost	Total cost of incomplete projects after estimate cost revised	Cumulative expenditure as on 31 March 2013
Public Works	40	996.33	1,136.78	710.71
Water Resources	105	7,265.76	8,490.67	2,399.18
Total	**145**	**8,262.09**	**9,612.25**	**3,109.89**

(Source: Finance Account 2012-13)

The blocking of funds on incomplete works impinges negatively on the quality of expenditure. All the 145 projects (estimated cost ₹ 8,262 crore) were due for completion upto 31 March 2013, but remained incomplete resulting in blocking of ₹ 3,110 crore. Delay in completion of project works invites the risk of cost escalation. Besides, due to delay in completion of this projects the intended benefits from the projects could not be achieved. Thus, the works need to be completed in time to avoid cost overrun.

1.8.2 Investment and Returns

As of 31 March 2013, Government had invested ₹ 1,916.18 crore in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives (**Table-1.25**). The average return on this investment was 0.11 *per cent* while the Government paid an average interest of 6.34 *per cent* on its borrowings during 2012-13. The return from investment was negligible. Continued use of borrowed funds to fund investments, which do not have sufficient financial returns will lead to an unsustainable financial position. The Government may ensure proper justification for investment of high cost funds.

Table-1.25: Return on investment

Investment/Return/Cost of Borrowings	2008-09	2009-10	2010-11	2011-12	2012-13
Investment at the end of the year* (₹ in crore)	430.01	251.67	259.92	1,194.38	1,916.18
Return on investment (₹ in crore)	0.10	0.44	4.30	0.46	2.19
Return on investment (*per cent*)	0.02	0.17	1.65	0.04	0.11
Average rate of interest on Govt. borrowing (*per cent*)	7.36	7.13	7.34	7.08	6.34
Difference between interest rate and return (*per cent*)	7.34	6.96	5.69	7.04	6.23

*(*The investment at the end of the year does not include un-apportioned investment between Madhya Pradesh and Chhattisgarh)*

Out of ₹ 1,916.18 crore invested upto 2012-13, ₹ 1,690.60 crore were invested in Government Companies/Boards, ₹ 169.77 crore in Co-operative Banks and Societies, ₹ 28.90 crore in Statutory Corporations, ₹ 24.31 crore in Rural Banks and ₹ 2.60 crore in Joint Stock Companies.

During 2012-13, the Government had invested in the share capital of Chhattisgarh State Power Distribution Company Limited (₹ 250 crore) and Chhattisgarh State Power Generation Company Limited (₹ 454 Crore).

1.8.3 Loans and Advances by State Government

In addition to investments in Co-operative Societies, Corporations and Companies, Government has also been providing Loans and advances to many of these institutions/organizations. **Table-1.26** presents the outstanding loans and advances as on 31 March 2013 and interest receipts *vis-à-vis* interest payments during the last three years.

Table-1.26: Average interest received on loans advanced by the State Government

(₹in crore)

Quantum of Loans/Interest Receipts/ Cost of Borrowings	2010-11	2011-12	2012-13
Opening balance	1,529.89	1,535.64	1,517.88[15]
Amount advanced during the year	566.55	1,268.74	1,888.79
Amount repaid during the year	561.16	1,282.53	1,542.01
Closing Balance	1,535.28	1,521.85	1,864.66
Of which Outstanding balance for which terms and conditions have been settled	1,523.68	1,094.48	1,864.66
Net addition	(+)5.39	(-)13.79	342.78
Interest receipts	79.86	62.79	8.27
Interest Receipts as a *percentage* to outstanding Loans and Advances	5.21	4.11	0.44
Interest payments as a *percentage* to outstanding fiscal liabilities of the State Government.	7.34	7.08	6.34
Difference between Interest Receipts and Interest Payments (*per cent*)	(-)2.13	(-)2.97	(-) 5.90

(Source : Finance Accounts)

[15] Change in opening balance due to proforma correction made in Finance Accounts

At the end of March 2013, the Government had outstanding loans and advances of ₹ 1,864.66 crore of which loans for general services, social services and economic services were ₹ 153.11 crore, ₹ 1,118.85 crore and ₹ 602.48 crore respectively. The outstanding loans and advances were offset by recovery of ₹ 9.78 crore on account of loans to Government servants. The interest received against these loans and advances during 2012-13 was only 0.44 *per cent* (₹ *eight* crore) as against 4.11 *per cent* (₹ 63 crore) in the previous year.

1.8.4 Cash balances and investment of cash balances

Table-1.27 depicts the cash balances and investments made by the State Government out of the cash balances during the year.

Table-1.27: Cash balances and investment of cash balances

(₹in crore)

	Opening balance as on 1 April 2012	Closing balance as on 31 March 2013
(a) General Cash Balances		
(1) Cash in treasuries	0	0
(2) Deposits with Reserve Bank	94.42	(-)1,767.11
(3) Remittances in transit	0	0
Total (1+2+3)	**94.42**	**(-)1,767.11**
(4) Investment held in 'Cash Balance Investment Account'	1,645.92	2,619.56
Total (a)- General Cash Balances (1+2+3+4)	**1,740.34**	**852.45**
(b) Other Cash Balances and Investments		
(1) Cash with the Departmental Officers *viz.* Forest Public Works Departments, Military Secretary to the Governor	11.32	116.56
(2) Permanent advances for contingent expenditure with Departmental Officers	0.30	0.31
(3) Investment of Earmarked Funds	948.90	1,147.62
Total (b) Other Cash Balances and Investments (1+2+3)	**960.52**	**1,264.49**
Total (a) and (b)	**2,700.86**	**2,116.94**

(Source: Finance Account 2012-13)

The cash balance of the State at the end of the year was ₹ 2,117 crore which was 22 *per cent* less as compared to previous year. Surplus cash balance was mainly due to raising of market borrowings of ₹ 1,500 crore raised during 2012-13.

The State had maintained more than the required minimum cash balance of ₹ 0.72 crore with the Reserve Bank of India (RBI). Intermittently surplus cash balance was invested by the State Government in short term deposits of Government Treasury bills and securities and earned an interest of ₹ 134.56 crore during the year 2012-13 which was less by ₹ 18.61 crore as compared to the previous year.

1.9 Assets and Liabilities

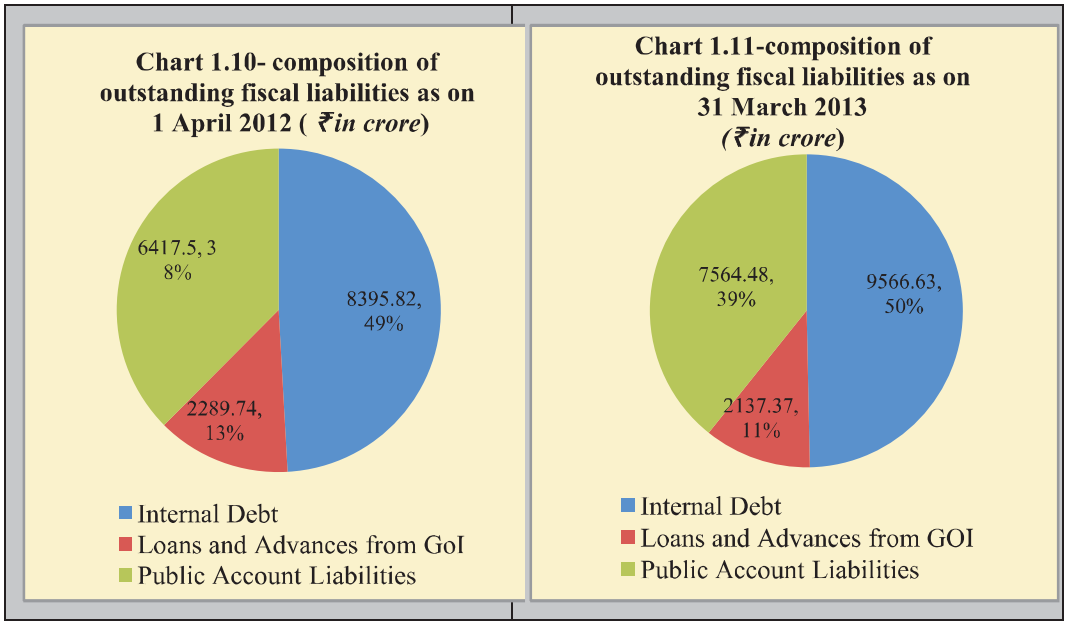
1.9.1 Growth and Composition of Assets and Liabilities

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 the assets as on 31 March 2013 compared with the corresponding position as on 31 March 2012. While the liabilities in ***Appendix-1.4*** 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 cash balances.

While the growth rate of the liabilities increased from 3.26 *per cent* in 2011-12 to 12.80 *per cent* in 2012-13, the growth rate of assets increased from 15.56 *per cent* to 16.92 *per cent* during the same period.

1.9.2 Fiscal liabilities

The trends in outstanding fiscal liabilities of the State are presented in ***Appendix-1.4*** and the composition of fiscal liabilities during the current year *vis-à-vis* the previous year is presented in **Chart-1.10 and 1.11**.



There are two sets of liabilities namely public debt and other liabilities. Public debt consists of the internal debt of the State and is reported in the Annual Financial Statements under the Consolidated Fund- Capital Account. It includes market loans, special securities issued to RBI and loans and advances from GoI. The Constitution of India provides that the 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 an Act of the Legislature and give guarantees within such limits as may be fixed by the Legislature. Other liabilities or fiscal liabilities, which are a part of the Public Account, includes deposits under the small savings scheme, provident funds and other deposits.

While the Internal debts as percentage of fiscal liabilities marginally increased from 49 to 50 , the Public Account liabilities also marginally increased from 38 *per cent* to 39 *per cent* over the previous year. However the outstanding loans and advances from GoI decreased from 13 *per cent* in 2011-12 to 11 *per cent* in 2012-13.

The fiscal liabilities of the State, the ratio of these liabilities to GSDP and revenue receipts are brought out in **Table-1.28.**

Table-1.28: Fiscal Liabilities – Basic Parameters

	2008-09	2009-10	2010-11	2011-12[16]	2012-13
Fiscal liabilities (₹ in crore)	14,780	15,933	16,581	17,103	19,268
Rate of growth of Fiscal liabilities (in *per cent*)	1.85	7.79	4.06	3.15	12.66
Fiscal liabilities/GSDP (in *per cent*)	15.24	16.03	14.05	12.26	12.03
Fiscal liabilities/ Revenue receipts (in *per cent*)	94.36	87.77	72.98	66.11	65.14
State's GSDP (₹ in crore)	96,972.18	99,364.26	1,17,978.30[P]	1,39,514.95[Q]	1,60,187.71[A]

(Source: Finance Accounts)
(A =Advanced, Q = Quick and P = Provisional)

The overall fiscal liabilities of the State during the year increased by 30 per *cent* (₹ 4,488 crore) from ₹ 14,780 crore in 2008-09 to ₹ 19,268 crore in 2012-13. The growth rate of liabilities was 12.66 *per cent* during 2012-13 as against 3.15 *per cent* in 2011-12.

The fiscal liabilities as at the end of 2012-13 represented 65.14 *per cent* of the revenue receipts during the year as against 66.11 *per cent* during 2011-12. During 2012-13, the outstanding debt to GSDP ratio stood at 12.03 *per cent* which was less than the projection made (14.72 *per cent*) in FRBM disclosures.

1.9.3 Transactions under Reserve Fund

Reserves and Reserve Funds are created for specific and well defined purposes under the Sector 'J' in the accounts of the State Government (Public Account). The funds may be further classified as (a) Reserve Funds bearing interest and (b) Reserve Funds not bearing interest.

[16] Figures of 2011-12 changed due to pro-forma adjustments made in Finance Accounts and change in GSDP figures.

As per Statement-19 of Finance Accounts, 14 Reserve funds have been created and maintained in the accounts of the State Government. Out of which, *Gramin Vikas Nidhi*, which had a cumulative balance of ₹ 97.70 crore[17] as on 31 March 2013 was inoperative. The *Gramin Vikas Nidhi* was constituted in 2001-02. Government transfers some amount to the fund every year but no expenditure has been incurred since its creation. The remaining 13 funds with a balance of ₹ 2,327.63 crore are operative.

Analysis of transactions of State Disaster Response Fund and Sinking Fund are detailed below:

State Disaster Response Fund

The State Disaster Response Fund (SDRF), constituted under Disaster Management Act, 2005, is operative from 2010-11 under Reserve Fund bearing interest. As per the SDRF guidelines the accretions to the SDRF together with the income earned on the investment of the SDRF are to be invested in one or more of instruments *viz.* Central Government dated securities, auctioned treasury bills interest earning deposits and certificates of deposits with Scheduled Commercial Banks. Further, the State Government had to pay interest to the SDRF at the rate applicable to overdrafts and credit the same on a half yearly basis. While 75 *per cent* of the contribution was to be drawn from GoI, the balance 25 *per cent* was to be provided by the State Government. Further, the balance as on 31 March 2010 in the Calamity Relief Fund (CRF) was to be transferred to SDRF and CRF was to cease to exist. Accordingly, the balance outstanding under CRF (₹ 475.25 crore) as on 31 March 2010 was transferred to SDRF during 2010-11.

The contributions to the fund for the year 2012-13 was ₹ 162.86 crore (Central Share of ₹ 122.15 crore and State share ₹ 40.71 crore). Disbursement of fund of ₹ 71.39 crore was made during 2012-13 under SDRF.

Sinking Fund

The Government has constituted a Sinking Fund during 2006-07 for open-market loans. The fund was to utilized as an amortization fund for redemption of the outstanding internal debt and public account liabilities beginning from the year 2011-12 However, no amount has been utilized by the Government upto 2012-13. The balance in the Sinking Fund (investment account) in 2012-13 was ₹ 1,146.94 crore. During 2012-13, the Government contributed ₹ 200 crore against the minimum contribution of ₹ 85.52 crore i.e. 0.5 *per cent* of outstanding liabilities (₹ 17,103.06 crore) at the end of 2011-12.

[17] Year wise receipt of Gramin Vikas Nidhi- 2001-02= ₹ 2.25 crore, 2002-03= ₹ 2.50 crore, 2003-04= ₹ 0.41 crore, 2004-05= ₹ 4.11 crore, 2005-06= ₹ 5.09 crore, 2006-07= ₹ 6.91 crore, 2007-08= ₹ 27.59 crore, 2008-09= ₹ 11.60 crore, 2009-10= (-) ₹ 7.54 crore, 2010-11= ₹ 12.00 crore, 2011-12= ₹ 15.00 crore, 2012-13= ₹ 17.78 crore

1.9.4 Status of guarantees – contingent liabilities

Guarantees are contingent liabilities on the Consolidated Fund of the State in cases of default by the borrower for whom the guarantee has been extended.

The maximum amount for which guarantees were given by the State and outstanding guarantees for the last three years are given in **Table-1.29**.

Table-1.29: Guarantees given by the Government of Chhattisgarh

(₹in crore)

Guarantees	2010-11	2011-12	2012-13
Maximum amount guaranteed	5,053.59	7,079.29	6,605.49
Outstanding amount of guarantees	2,849.35	2,637.40	2,694.90
Revenue Receipts	22,720	25,867	29,578
Percentage of maximum amount guaranteed to total revenue receipts	22.24	27.37	22.33

(Source : Finance Accounts of the respective years)

The State Legislature has not passed any law under Article 293 of the Constitution laying down the limits within which Government may give guarantee on security of Consolidated Fund of the State as of March 2013. However, the FRBM Act of the State includes a provision that the State Government shall not give new guarantees in excess of 1.5 *per cent* of Gross State Domestic Product in nominal terms or 0.5 *per cent* on risk-weighted basis in a year whichever is lower.

The State Government had guaranteed loans raised by various corporations and other institutions amounting to which stood at ₹ 2,695 crore at the end of 2012-13 and these guarantees were within the prescribed limit in the FRBM Act.

The guarantees given to Co-operatives (₹ 1,755 crore), Power (₹ 667 crore), Housing and Urban Development (₹ 177 crore), State Financial Corporation (₹ 93 crore) and others (₹ *four* crore) were outstanding as on 31 March 2013. The outstanding amount of guarantees in the nature of contingent liabilities was about *nine per cent* of the total Revenue Receipts of the State.

To provide for sudden discharge of State's obligations on guarantees, the TFC recommended that States should set up a Guarantee Redemption Fund through earmarked guarantee fees. However, the State Government had decided not to form Guarantee Redemption Fund in view of low risk of the Guarantees in the State. No Guarantee was invoked during the year.

1.9.5 Analysis of Borrowings of Government

The details of public debt during 2012-13 are presented in Table **1.30.**

Table 1.30: Details of Public Debt during 2012-13

(₹in crore)

Nature of Borrowings	Opening Balance as on 1st April 2012	Receipts	Repayment	Closing Balance 31st March 2013	Net increase (+) decrease (-)
Market Loans	2,199.58	1,500.00	463.53	3,236.05	1,036.47
Compensation and other bonds	241.69	0	48.32	193.37	- 48.32
Loans from Financial Institutions	591.98	288.80	121.14	759.64	167.66
Special Securities Issued to National Small Savings Fund	5,362.57	252.23	237.23	5,377.57	15.00
Loans and Advances from Central Government	2,289.74	16.70	169.07	2,137.37	- 152.37
Total	**10,685.56**	**2,057.73**	**1,039.29**	**11,704.00**	**1,018.44**

(Source : Finance Account 2012-13)

During 2012-13, the State Government has raised borrowing of ₹ 2,057.73 crore and discharged ₹ 1,039.29 crore towards its repayment. Analysis of Market borrowings has been detailed in **paragraph 1.10.2**. Analysis of other borrowings during 2012-13 is detailed below:

Loans from Financial Institutions

The Government had borrowed an amount of ₹288.80 crore from National Bank for Agriculture and Rural Development (₹ 288.40 crore), National Co-operative Development Corporation (₹ 0.40 crore) and made repayment of ₹ 121.14 crore during 2012-13. The Outstanding balance of loans from Financial Institutions increased by ₹ 167.66 crore (28.32 *per cent*) from ₹ 591.98 in 2011-12 to ₹ 759.64 crore in 2012-13.

Loans from Special Securities issued to National Small Savings Fund

The Government has constituted National Small Savings Fund (NSSF) during 1999-2000 for the purpose of release of loans out of small savings collections. The State Government had received an amount of ₹ 252.23 crore and repaid ₹ 237.23 crore during 2012-13. The Outstanding balance of loans from NSSF increased by ₹ 15 crore (0.28 *per cent*) from ₹ 5,362.57 crore in 2011-12 to ₹ 5,377.57 crore in 2012-13. The Government paid interest of ₹ 477.62 crore during 2012-13.

1.10 Debt Management

1.10.1 Debt Sustainability

Debt sustainability refers to the State's ability to maintain a constant debt-GSDP ratio over a period of time. Thus it implies State's ability to service the debt.

Apart from the magnitude of debt of the State Government, it is important to analyse various indicators that determine the debt sustainability [18] of the State. This section assesses the sustainability of debt of the State Government in terms of debt stabilization[19]; sufficiency of non-debt receipts[20]; net availability of borrowed funds[21]; burden of interest payments (measured by interest payments to revenue receipts ratio) and maturity profile of State Government securities. **Table-1.31** analyses the debt sustainability of the State according to these indicators for the period of three years beginning from 2010-11.

Table-1.31:Debt Sustainability: Indicators and Trends

(₹in crore)

Indicators of Debt Sustainability	2010-11	2011-12	2012-13
Debt Stabilization (Quantum Spread +Primary Deficit)	3,324	1,752	41
Sufficiency of incremental Non-debt Receipts (Resource Gap)	(+) 2,169	(-) 1,211	(-) 1,854
Net Availability of Borrowed Funds	(-)438	(-) 672	(+)1,012
Burden of Interest Payments (Interest Payment/Revenue Receipts Ratio)	5.27	4.61	3.90
Fiscal liabilities/GSDP (in *per cent*)	14.05	12.26	12.03

(Source : Finance Accounts of the respective years)

[18] Debt sustainability is defined as the ability of the State to maintain a constant debt-GSDP ratio over a period of time and 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 balance between costs of additional borrowings with returns from such borrowings. It means that a rise in fiscal deficit should match with the increase in capacity to service the debt.

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

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

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

The trends in **Table-1.31** reveals that the quantum spread together with the primary deficit was consistently positive during the period 2011-13 leading to a constant decline in the ratio of fiscal liabilities to GSDP which came down from 12.26 *per cent* in 2011-12 to 12.03 *per cent* in 2012-13.

The sufficiency of incremental non-debt receipts (resources gap) was negative during the period 2011-12 and 2012-13 which showed that the incremental non-debt receipts were inadequate to finance incremental primary expenditure and incremental interest burden.

The net availability of borrowed funds after repayment of principal and interest increased during 2010-13 from (-) ₹ 438 crore to ₹ 1,012 crore. During 2012-13, the Government repaid ₹ 5,886 crore (principal and interest on account of internal debt of ₹ 1,535 crore, GoI loans of ₹ 349 crore and also discharged other obligations of ₹ 4,002 crore) which were less than the total receipts of ₹ 6,898 crore (internal debt ₹ 2,041 crore, GoI loans of ₹ 17 crore and other obligation of ₹ 4,840 crore) resulting in net availability of funds of ₹ 1,012 crore. (15 *per cent* of total borrowings) for productive/capital expenditure.

Maturity profile of the State Debt due for repayment in future by the State is shown in the **Table 1.32.**

Table 1.32: Maturity Profile of the State Debt

(₹in crore)

Years	2008-09	2009-10	2010-11	2011-12	2012-13	Percentage to total debt
0-5	3,728.29	4,224.98	4,182.47	4,252.03	3,914.35	34
6-10	3,022.19	3,333.13	3,351.11	3,115.08	3,204.48	27
11-15	1,951.07	1,987.75	2,039.44	1,958.45	3,312.46	28
16-20	1,282.04	1,150.28	1,164.79	1,012.50	802.49	07
20 and above	393.16	316.25	378.91	347.50	470.22[22]	04
Total	**10,376.75**	**11,012.39**	**11,116.72**	**10,685.56**	**11,704.00**	

(Source : Finance Accounts of the respective years)

In terms of maturity profile, redemption of 34 *per cent* of the State debt will be taking place in the next five years. Hence, with greater awareness of future debt payments, the Government will be in a position to ensure that fresh borrowings do not have to be paid back in those years where maximum repayment is due.

[22] Includes ₹ 309.24 crore to the details of maturity year was not available and taken as loan amount allocated to Madhya Pradesh but repaid by Chhattisgarh.

1.10.2 Review on Market Borrowings of Government of Chhattisgarh during the period 2008-13

1.10.2.1 Introduction

Fiscal deficit represents the borrowing requirement of the Government during the year. The borrowings are accounted for under the Consolidated Fund (E-Public Debt)The major divisions of borrowings are Internal Debt of the State Government and Loans and Advances from the Central Government. The Internal Debt is further divided into market loans and negotiated loans.

Market borrowings are controlled by the Central Government and managed by the Reserve Bank of India (RBI). As per Article 293 of the Constitution of India, State Governments may not, without the consent of the Central Government, raise any loan if they are indebted to the Central Government. The State Governments issue dated securities, termed State Development Loans (SDLs) of varying tenors. The present review is to assess the requirement and utilisation of market loans raised by the Chhattisgarh Government during the period 2008-13.

1.10.2.2 Position of Market Borrowing in Chhattisgarh

The year wise position of market borrowings for the period from 2008-09 to 2012-13 is given in **Table 1.33.**

Table-1.33 Overall position of market loans during 2008-13

(₹in crore)

Year	Opening Balance of Market loan	Market loans raised during the year	Market loans repaid during the year	Closing Balance	Net Increase (+) / Decrease (-)	Percentage of increase over the previous year
2008-09	2,451.34	0	153.44	2,297.90	- 153.44	-6.26
2009-10	2,297.90	700.02	250.18	2,747.74	449.84	19.58
2010-11	2,747.74	0	235.02	2,512.72	- 235.02	-8.55
2011-12	2,512.72	0	313.14	2,199.58	- 313.14	-12.46
2012-13	2,199.58	1,500.00	463.53	3,236.05	1,036.47	47.12

(Source : Finance Accounts)

It would be seen from the **Table 1.33** that the outstanding balances at the end of the years 2009-10 and 2012-13 was as high as ₹ 2,747.74 crore and ₹ 3,236.05 crore due to raising of market loans of ₹ 700 crore and ₹ 1,500 crore during these years.

1.10.2.3 Debt sustainability indicators

The debt sustainability indicators of the State Government during the period 2008-13 are given in **Table 1. 34**

Table – 1.34 - Debt sustainability indicators

(₹in crore)

Description	2008-09	2009-10	2010-11	2011-12	2012-13
Total liabilities	14,780.03	15932.34	16,581.28	17,103.06	19,268.48
Total public debt	10,376.75	11,012.39	11,116.72	10,685.57	11,704.00
Total market loans	2,297.90	2,747.74	2,512.72	2,199.58	3,236.05
Percentage of market loans to total liabilities	15.55	17.25	15.15	12.86	16.79
Percentage of market loans to total public debt	22.14	24.95	22.60	20.58	27.65
Percentage of total liabilities to GSDP	15.24	16.03	14.05	12.26	12.03
Weighted average interest rate on outstanding market loans -financial year wise *	7.88	7.63	7.31	7.03	7.75
Weighted average interest rate on market loans raised duing the year - financial year wise	0.00	8.25	0.00	0.00	8.65
Interest paid on market loans	196.10	172.61	200.68	178.02	142.38
GSDP growth rate to interest rate ratio (GSDP Growth/Weighted average rate ratio)	2.64	0.32	2.52	2.60	1.91
Gross interest payments to Revenue Receipts ratio *(per cent)*	0.07 (6.88)	0.06 (6.03)	0.05 (5.27)	0.04 (4.61)	0.04 (3.90)
Primary suplus(+)/deficit (-)	(+) 51	(-) 664	(+) 1,608	(+) 392	(-)1502
Revenue suplus(+)/deficit(-)	(+) 1,869	(+) 888	(+)3,364	(+) 3,239	(+) 2,606
Fiscal suplus(+)/deficit(-)	(-)1,027	(-)1 759	(+) 410	(-) 801	(-) 2,655
Revenue Receipts	15,662.76	18,153.66	22,719.54	25,867.38	29,578.09
GSDP (GSDP growth in per cent)	96972.18 (20.83)	99364.26 (2.47)	117978.30$^{(P)}$ (18.73)	139514.95$^{(Q)}$ (18.25)	160187.71$^{(A)}$ (14.82)

(Details depicted in Appendix 1.7-A to 1.7-E)*
(A-advanced estimates, Q-quick estimates or P-provisional estimates)

It would be seen from **Table-1.34** that

- the share of market borrowings in the outstanding total liabilities and those in outstanding public debt showed an oscillating trend and ranged between 12.86 and 17.25 *per cent* and 20.58 and 27.65 *per cent* respectively. This was mainly due to non raising of market loans in 2008-09, 2010-11 and 2011-12.
- the total liabilities-GSDP ratio has increased from 15.24 *per cent* in 2008-09 to 16.03 *per cent* in 2009-10 due to lower growth rate of GSDP. However, the ratio declined to 12.03 *per cent* in 2012-13.
- the overall debt sustainability of the State has improved during 2008-09 to 2012-13 as the ratio of gross interest payments to revenue receipts has declined steadily from 0.07 in 2008-09 to 0.04 in 2012-13.

1.10.2.4 Profile of market loans

The details of market loans raised during the period 2008-09 to 2012-13 are presented in **Table 1.35**.

Table –1.35 - Profile of market loans

	Amount of loan raised (₹ in crore)					
	2008-09	2009-10	2010-11	2011-12	2012-13	
> 7 years	0	700.00	0	0	1,500.00	2,200.00
Total loan during the year	0	700.00	0	0	1,500.00	2,200.00
Total outstanding as on 31 March	2,297.90	2,747.74	2,512.72	2,199.58	3,236.05	--
Percentage of loan raised during the year to total outstanding	0	25.48	0	0	46.35	--

(Source : Finance accounts of respective years)

It would be seen from **Table 1.35** that the market loans were raised through auction by RBI having tenure of 10 years (more than seven years) during 2009-10 and 2012-13. The Government availed the market loans with a maturity for a fixed period of ten year without adding a clause for early repayment which deprived the State Government of liquidating the market loans before its due date in case of easy liquidity position in future.

1.10.2.5 Weighted average maturity of market loans

Analysis of weighted average maturity of loans raised during the year and outstanding loans at the end of the years as compared to the previous years are shown in **Table 1.36**

Table – 1.36 - Weighted average maturity of market loans

Year	Issued during the year	Outstanding market loans
	Weighted average maturity (years)	
2008-09	--	4
2009-10	10	5
2010-11	--	4
2011-12	--	4
2012-13	10	7

During the period 2008-09, 2010-11 and 2011-12, the weighted average maturity of market borrowings remained same. However, due to raising of loans in 2009-10 and 2012-13 it increased. The weighted average maturity of outstanding stock of market borrowings at the end of 2012-13 increased to seven years from four years ***(Appendix 1.7A to 1.7E)*** in 2011-12.

1.10.2.6 Maturity trend of market loans

The year-wise position of maturity trend of market loans for the period 2014-21 is given in **Table 1.37**

Table – 1.37 - Maturity trend of market loans

Maturity year	Maturity amount *(₹ in crore)*	As a percentage of outstanding market loans (₹ 6,080.05 crore as on 31.3.2014)
2014-15	394.46[23]	6.49
2015-16	183.25	3.01
2016-17	302.32	4.97
2017-18	0	0
2018-19	0	0
2019-20	700.00	11.51
2020-21	0	0

Table- 1.37 represents the year-wise maturity amount of market loans in the next seven years from the year 2014-15 to 2020-21 and percentage of maturity amount in respect of market loans (₹ 6,080.05[24] crore) outstanding as on 31 March 2014. The Government raised market loan in 2009-10 and 2012-13 and the tenure of the borrowings was 10 years each. The redemption of the market loans may lead to large repayment obligations during 2019-20 and no redemption of market loans during 2017-18, 2018-19 and 2020-21.

As regards analysis by the Finance Department (FD) to rollover a market loan, it was found that the FD did no such analysis. During exit conference, the Additional Chief Secretary(ACS), FD stated that the State Government doesn't practice rollover of market loan because shifting of new maturity year will further increase the interest liabilities.

1.10.2.7 Interest rate profile

Analysis of interest rate profile and interest payment as a percentage of revenue receipts are given in **Table 1.38 and 1.39**:

Table -1.38 - Interest rate profile

(₹ in crore)

Rate of interest *(in per cent)*	Market loans raised during the year					Total
	2008-09	2009-10	2010-11	2011-12	2012-13	
Below 8	0	0	0	0	0	0
8-8.99	0	700 *(8.25)*	0	0	1,500 *(8.65)*	2,200
9-10.99	0	0	0	0	0	0
Total and average interest rate	0	700 *(8.25)*	0	0	1,500 *(8.65)*	2,200

(Source : Finance account, Finance Department)

[23] It includes an amount of ₹ 2.11 crore pertains to market loans matured in previous years but not claimed.

[24] It includes the outstanding market loans (₹ 3,236.05 crore) as on 31 March 2013 plus anticipated market borrowing receipts (₹ 3,000 crore) minus disbursement of market borrowings (₹ 156 crore) during 2013-14 as per budget estimates of 2013-14.(₹ 3,236.05 crore +₹ 3,000 crore -₹ 156 crore =₹ 6,080.05 crore)

The interest rate profile revealed that the market loans raised with cut-off yields ranging between 8 to 8.99 per cent during 2009-10 and 2012-13.

Table- 1.39: Total Interest payment as a percentage of revenue receipts

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
Interest payment *(₹ in crore)*	1,078	1,095	1,198	1,193	1,153
Percentage of revenue receipts	6.88	6.03	5.27	4.61	3.90

(Source:- Finance account of respective years)

Percentage of interest payment to revenue receipts decreased from 6.88 in 2008-09 to 3.90 in 2012-13. The decrease indicates the improvement in debt sustainability of the State.

Other issues:

1.10.2.8 Market borrowing raised despite availability of sufficient cash balance.

The ThFC recommended that States with large cash balances should make efforts towards utilising existing cash balance before resorting to fresh borrowings and follow the practice of borrowings on requirement rather than on availability. Scrutiny of the Notes/files of FD, Government of Chhattisgarh (GoCG) revealed that the requirement of Market loans were assessed by FD considering the anticipated availability of cash balance and receipts and the anticipated expenditure.

We, however, observed that the requirement of market borrowings was not assessed judiciously. During 2009-10, the minimum and maximum amount of investment of cash balance in '14 days treasury bills' were ₹ 647.54 crore and ₹ 2,541.56 crore respectively. Similarly, during 2012-13, the minimum and maximum amount of investment of cash balance were ₹ 779.83 crore and ₹ 3,505.27 crore respectively. This indicated that the market borrowings raised was more than the actual requirement, leading to increase in cash balance.

The FD stated (August 2013), that there was economic recession in the year 2009-10, cash balance dipped to alarmingly low of ₹ 676 crore as on 27 October 2009, mainly on account of stagnant growth in State's resources. Further, though the cash balance was ₹ 2,624 crore on 31 March 2013, on final adjustment of the year-end on 2 April 2013 the effective cash balance was ₹ 920 crore on that date (cash balance ₹ 1,534 *minus* ₹ 614 towards share in Central tax for month of April 2013). Had the State not resorted to Open Market Borrowing of ₹ 1,500 crore, it would have faced situation of overdraft.

The reply is not in order since the minimum cash balances during the years 2009-10 (₹ 647.54 crore) and 2012-13 (₹ 779.83 crore) were much higher than the required minimum balance of ₹ 0.72 crore prescribed by RBI. Besides, the minimum amount of cash balance investments one month from the date of receipt of market loans were ₹ 1,433.86 crore (11 th December 2009) and ₹ 1,344.67 crore (20th April 2013), which indicated that the recommendations of the ThFC regarding utilisation of existing cash balance before resorting to fresh borrowings was not adhered to.

1.10.2.9 Limits of Market borrowing approved by the Planning Commission *vis-à-vis* BEs, REs and Actuals

Details of limits approved by the Planning Commission *vis-à-vis* BEs, REs and the Actuals of Market borrowings during the period 2008-13 are given in **Table 1.40**

Table 1.40. Borrowing limits of Market borrowing by the Planning Commission *vis-à-vis* BEs, RE,s and Actuals

(₹in crore)

Borrowing limits of Net Market Borrowing	2008-09	2009-10	2010-11	2011-12	2012-13
Limit approved by Planning Commission	728	2,539	1,962	2,233	2,934
Budget Estimates	692	1,299	1,763	2,084	2,083
Revised Estimates	993	2,083	2,072	1,712	2,083
Gross Actual Market Borrowings	0	700	0	0	1,500
Net Actual Market Borrowings	-153	450	-235	-313	1,036

(Source : Annual plan approved by Planning Commission and Budget Books).

It would be seen from the above table that there were substantial differences between the actual market borrowing and the BEs, REs and limits of Planning Commission. This indicated that the assessment for market borrowings was not proper. During 2008-09 and 2010-11, The State Government revised the estimates which were more than the BEs and the limits approved by Planning Commission though borrowings were not at all required and not raised during these years. Market loans were obtained with the consent/permission of GoI under article 293(3) of the constitution.

1.10.2.10 *System to watch utilisation of Market Borrowing*

As per the Chhattisgarh Fiscal Responsibility Budget Management (CGFRBM) Act 2005, the use of capital receipts including market borrowings should be for generating productive assets. The Government, in each tranche of loan, notified the objective or raising of market loan as financing of development schemes. It was noticed that after raising of Market loans, no system was evolved for monitoring of utilisation of the Market loans by the FD. As a result, State Government did not ensure whether the Market loans were used for generating productive assets and financing the development schemes. However, we observed that the Capital Expenditure (including loans disbursed) were higher than the net borrowings plus revenue surplus during the years 2008-09 to 2012-13 except 2010-11.

On being asked by Audit regarding the end use of the borrowings, the FD stated (May 2013) that this was **untied** loan, the **mapping** of which could not be done. During exit conference, the Additional Chief Secretary (ACS), FD stated that it was not possible to identify the areas at the time of raising open market borrowing and there is no one to one correspondence between receipts and expenditure.

Reply of the FD is not in consonance with the provision of CGFRBM Act and notifications issued by the State Government; utilisation of loans should be monitored for efficient and effective debt management.

1.10.2.11 Average interest rate on loans disbursed by the State to various implementing agencies.

The average interest rate for loans paid by the State in 2009-10 (₹ 897 crore) and 2012-13 (₹ 1,889 crore) to the implementing agencies like Public Sector Undertakings (PSUs) was 7.74 and 7.28 per cent respectively ***(Appendix-1.6 A & B)***. However, the interest rates at which the market loans were raised during 2009-10 and 2012-13 were 8.25 per cent and 8.65 per cent respectively. Thus, the interest spread became negative in 2009-10 and 2012-13.

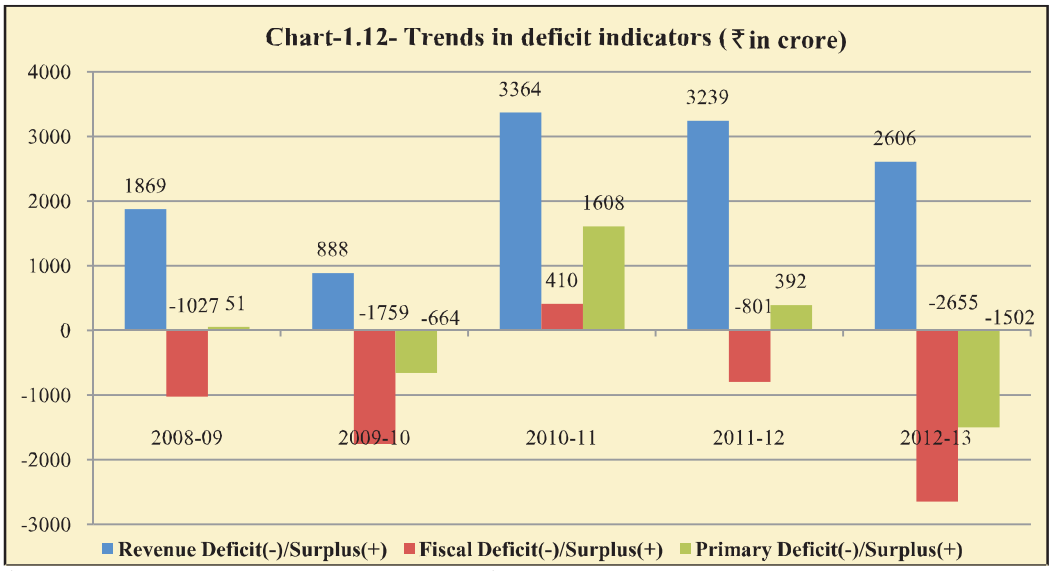
During exit conference, the ACS, FD stated that State Government lends loan and advances to its agencies at interest rates lower than what is charged by the financial institutions, since these agencies are implementing Government schemes/programmes for the welfare of society. As far as market borrowing at relatively higher interest rate is concerned, it is beyond Government's control. Open Market Borrowing is being done on auction basis and various market forces decide the interest rates. However, ACS, FD assured that in future, interest paid by the State Government will be recovered from the PSUs/Departments concerned.

1.11 Fiscal Imbalances

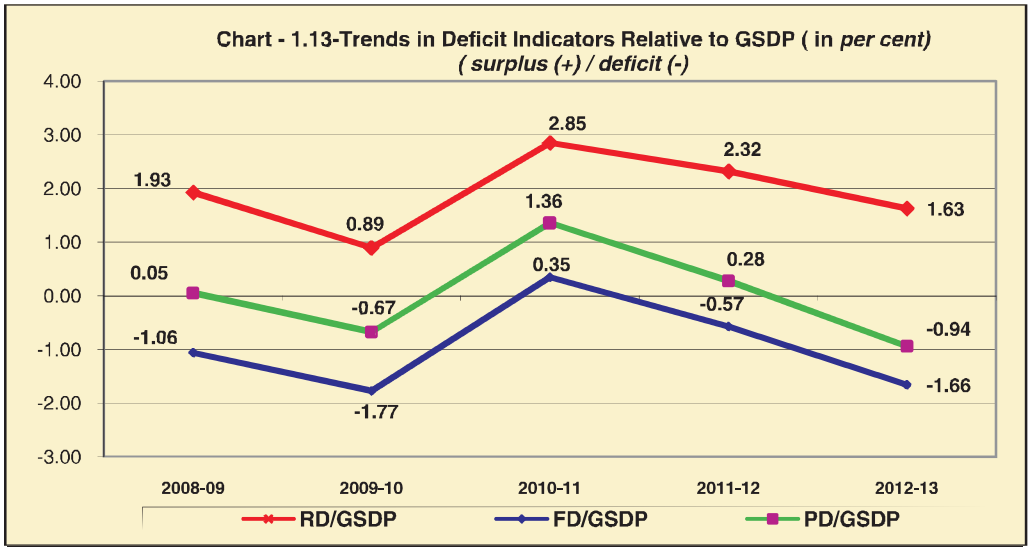
Three key fiscal parameters – revenue, fiscal and primary deficits - indicate the extent of overall fiscal imbalances in the Finances of the State Government during a specified period. The deficit in the Government accounts represents the gap between its receipts and expenditure. The nature of deficit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

1.11.1 Trends in Deficits

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



(Source : Finance Accounts of the respective years)



(Source : Finance Accounts of the respective years)

Table-1.41:Trends in deficit

(₹ in crore)

	2008-09	2009-10	2010-11	2011-12	2012-13
Revenue deficit (-) / surplus (+)	(+)1,869	(+)888	(+)3,364	(+)3,239	(+)2,606
Fiscal deficit (-) / surplus (+)	(-)1,027	(-)1,759	(+)410	(-)801	(-)2,655
Primary deficit (-)/ surplus (+)	(+)51	(-)664	(+)1,608	(+)392	(-)1,502

(Source : Finance Accounts of the respective years)

The State continued to maintain revenue surplus during 2008-13 with inter-variations. The downfall of revenue surplus commencement in 2011-12 with decrease of *three per cent* (₹ 125 crore) which further decreased by 20 *per cent* (₹ 633 crore) and stood at ₹ 2,606 crore during 2012-13 due to increase of 19.20 *per cent* in revenue expenditure in comparison to increase of 14.35 *per cent* in Revenue Receipts. The Revenue Surplus as a percentage of GSDP decreased from 2.32 in 2011-12 to 1.63 in 2012-13.

The fiscal deficit which represents the total borrowings of the Government and its total resource gap increased from ₹ 1,027 crore in 2008-09 to ₹ 1,759 crore in 2009-10 but turned into fiscal surplus of ₹ 410 crore during 2010-11. Thereafter it again turned into fiscal deficit and was ₹ 2,655 crore in 2012-13. The ratio of fiscal deficit to GSDP was 1.66 *per cent* which was within the limits of three *per cent* prescribed in the ThFC and FRBM Act.

Due to increase in fiscal deficit and marginal decrease in interest payment, the primary surplus of ₹ 392 crore turned into primary deficit of ₹ 1,502 crore in 2012-13.

1.11.2 Components of fiscal deficit and its financing pattern

The fiscal deficit is the total borrowing requirement of the State and is the excess of Revenue expenditure and Capital expenditure including loans and advances over revenue and non-debt Capital receipts. Decomposition of fiscal deficit reveals the extent of various borrowings resorted to by the State to meet its requirements of funds over and above the revenue and non-debt receipts. The financing pattern of the fiscal deficit is reflected in the **Table-1.42**.

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

(₹in crore)

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
Decomposition of Fiscal Deficit					
Revenue Deficit(-)/Surplus(+)	1,869.06	888.22	3,363.79	3,239.33	2,606.25
Net Capital Expenditure	(-)2,938.38	(-)2,742.61	(-) 2,948.95	(-)4,052.47	(-)4,916.94
Net Loans and Advances[25]	42.67	95.39	(-) 5.08	11.97	(-)344.45
Total	**(-)1,026.65**	**(-)1,759.00**	**409.76**	**(-)801.17**	**(-)2,655.14**
Financing Pattern of Fiscal Deficit*					
Market Borrowings	(-)153.44	449.85	(-) 235.03	(-)313.14	1,036.47
Loans from GoI	94.93	106.83	67.38	(-)85.15	(-)152.37
Special Securities Issued to NSSF	(-)2.78	146.33	373.47	13.00	15
Loans from Financial Institutions	(-)41.73	(-)67.36	(-) 101.49	(-)45.86	119.34
Small Savings PF etc	73.74	294.37	328.97	307.76	293.47
Deposits and Advances	30.20	(-)22.47	355.26	585.94	521.18
Suspense and Miscellaneous	1,024.80	512.00	(-) 2,129.58	1,758.77	(-)1,107.52
Remittances	80.65	(-)111.83	33.68	96.10	(-)264.11
Others[26]	265.96	244.91	(-) 28.08	58.90	332.15
Total	**1,372.33**	**1,552.63**	**(-) 1,335.42**	**2,376.32**	**793.61**
Overall Surplus(+)/Deficit(-)	**345.68**	**(-)206.37**	**(-) 925.66**	**1,575.15**	**(-)1,861.53**
Total	**1,026.65**	**1,759.00**	**(-) 409.76**	**801.17**	**2,655.14**

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

(Source : Finance Accounts of the respective years)

[25] It includes inter-State settlement.

[26] It includes Contingency Fund and Reserve Fund .

The components of fiscal deficit are revenue surplus, net capital expenditure and net loans and advances. The fiscal deficit mainly financed by Market Borrowings, loans from GoI etc. During 2012-13, the fiscal deficit increased mainly due to increase in net capital expenditure and disbursement of loans and offset by decreased revenue surplus. During current year, while the share of market loans for financing fiscal deficit was 39 *per cent,* the loans from financial institutions along with special securities issued to NSSF contributed five *per cent.* However, loans from GoI, small savings, PF, deposits and advances, suspense and miscellaneous and remittances decreased during the year. During 2012-13 the overall deficit was ₹ 1,861.53 crore.

1.11.3 Quality of deficit/surplus

The ratio of revenue deficit to fiscal deficit and the decomposition of primary deficit into primary revenue deficit[27] and Capital expenditure (including loans and advances) would indicate the quality of deficit in the State's finances. The ratio of revenue deficit to fiscal deficit indicates the extent to which borrowed funds were used for current consumption

The bifurcation of the primary deficit (**Table-1.43**) would indicate the extent to which the deficit has been on account of enhancement in Capital expenditure which may be desirable to improve the productive capacity of the State's economy.

Table-1.43: Primary deficit/surplus – Bifurcation of factors

(₹in crore)

Year	Non-debt receipts	Primary revenue expenditure	Capital expenditure	Loans and advances	Primary expenditure[28]	Primary revenue deficit (-)/ surplus (+)	Primary deficit (-) / surplus (+)
1	2	3	4	5	6 (3+4+5)	7 (2-3)	8 (2-6)
2008-09	16,199	12,716	2,940	492	16,148	(+) 3,481	(+) 51
2009-10	19,151	16,170	2,745	900	19,815	(+) 2,981	(-) 664
2010-11	23,286	18,157	2,952	569	21,678	(+) 5,129	(+) 1,608
2011-12	27,156	21,435	4,056	1,273	26,764	(+) 5,721	(+) 392
2012-13	31,124	25,819	4,919	1,888	32,626	(+) 5,305	(-) 1,502

(Source : Finance Accounts of the respective years)

During 2008-13, non-debt receipts increased by 92.13 *per cent* (₹ 14,925 crore) from ₹ 16,199 crore in 2008-09 to ₹ 31,124 crore in 2012-13 against an

[27] Primary revenue deficit defined as gap between non-interest revenue expenditure of the State and its non-debt receipts indicates the extent to which the non-debt receipts of the State are able to meet the primary expenditure incurred under revenue account.

[28] Primary revenue expenditure of the State defined as the total expenditure net of the interest payments indicates the expenditure incurred on the transactions undertaken during the year.

increase of primary revenue expenditure from ₹ 12,716 crore to ₹ 25,819 crore (108 *per cent)* during 2008-13.

Bifurcation of the factors leading to primary surplus of the State revealed that the State was experiencing primary surplus during last two years *i.e.* 2010-11 and 2011-12. However, the same was turned into primary deficit of ₹ 1,502 crore during 2012-13. In other words, non-debt receipts of the State were not enough to meet the primary expenditure requirements in the revenue account during 2012-13.

1.12 Conclusion and Recommendations

Review of Fiscal Position

The State continued to maintain revenue surplus and kept fiscal deficit relative to GSDP below the limit laid down under ThFC and FRBM Act. However, the fiscal position of the State had declined in terms of the key parameters. While revenue surplus decreased over the previous year, the fiscal deficit increased. Due to the increase in fiscal deficit, the primary surplus during 2011-12 turned into primary deficit in 2012-13.

The Fiscal liabilities at the end of the current year worked out to ₹ 19,268 crore which was 12.03 per cent of GSDP against the projection of 14.72 *per cent* made in FRBM disclosures.

Revenue Receipts

Revenue Receipts increased by 14 *per cent* over the previous year mainly due to increase in own tax revenue by 22 *per cent*.

The State's own tax revenue (₹ 13,034 crore) was higher than the normative assessment made by the ThFC (₹ 11320 crore) and budget estimates (₹ 12,176 crore).

The State's non-tax revenue (₹ 4,616 crore) was higher than the projection made by the ThFC (₹ 2,652 crore) but it could not achieve the targets fixed in the budget estimates (₹ 5,346 crore).

Recommendation

The State Government should make efforts for mobilizing non-tax revenue as per the budget estimates in the coming years.

Revenue Expenditure

The Revenue expenditure continued to be a dominant (80 *per cent*) component of the total expenditure during 2012-13. The NPRE (₹ 14,532 crore) was less than the budget estimates (₹ 15,631 crore) by seven *per cent* (₹ 1,099 crore).

Priority to capital expenditure

Capital expenditure during the year constituted 15 *per cent* of the total expenditure and increased by 21 *per cent* over the previous year. It was less than the projection made in Budget Estimates by 32 *per cent.*

Recommendation

The State may consider enhancing capital expenditure as a proportion of total expenditure in order to create the much needed assets to stimulate growth.

Funds transferred directly from the Union to the State implementing agencies

The Central Government transferred a sizeable quantum of funds (₹ 4,497.58 crore) during 2012-13 directly to State implementing agencies for implementation of Central Plan Schemes. These funds are not routed through the State budget/State Treasury System and hence do not find mention in the Finance Accounts of the State.

Recommendation

A system has to be put in place to ensure proper accounting of funds transferred directly by the GoI and the updated information should be validated by the State Government.

Return on investment and Loans and Advances

The State Government had invested ₹ 1,916.18 crore upto the end of March 2013 and the outstanding loans and advances due for recovery was ₹ 1,864.66 crore. The average return on Governments investments and outstanding loans was only 0.11 *per cent* and 0.44 *per cent* respectively while the Government paid an average interest rate of 6.34 *per cent* on its borrowings during 2012-13.

Recommendation

The Government may ensure proper justification for investment of high cost funds.