CHAPTER I

FINANCES OF THE STATE GOVERNMENT

1.1 Introduction

Himachal Pradesh is a Special Category State (SCS) based upon categorisation of States made by Government of India (GoI). The special privileges given to Himachal Pradesh include financial assistance from GoI in the ratio of 90 *per cent* grant and 10 *per cent* loan unlike Non-Special Category States which get central aid in the ratio of 30 *per cent* grant and 70 *per cent* loan.

The State has seen considerable economic growth in the past decade and the compound growth rate of its Gross State Domestic Product[1] (GSDP) for the period 2003-04 to 2012-13 has been 13.28 *per cent* (**Appendix 1**).

This chapter provides a broad perspective of the finances of the government during the current year and analyses critical changes in the major fiscal aggregates relative to the previous year keeping in view the overall trends during the last five years. Revenue surplus of ₹ 645 crore in 2011-12 turned into revenue deficit of ₹ 576 crore during 2012-13. Fiscal deficit increased from ₹ 1633 crore in the year 2011-12 to ₹ 2979 crore **(Appendix 1.3)** during 2012-13 and was 4.13 *per cent* of the GSDP. This was above the target of three *per cent* in the FRBM Act, 2005 (amended in 2011).

Profile of State

Himachal Pradesh is located in the northern part of India and is bordered by Jammu and Kashmir on the north, Punjab on the west and south west, Haryana and Uttarakhand on the south east and by China on the east. It is the 17th largest State in terms of geographical area (55673 sq. km) and the 20th largest by population. As indicated in **Appendix 1**, the State's population increased from 0.61 crore in 2001 to 0.69 crore in 2011 recording a decadal growth of 13 *per cent*. The percentage of population below the poverty line was 10 *per cent* which was less than the all-India average (27.50 *per cent*). The State's GSDP in 2012-13 at current prices was ₹ 72076 crore. The State's literacy rate increased from 76.50 (as per 2001 census) to 83.78 *per cent* (as per 2011 census). The per capita income of the State stands at ₹ 82611 during the year 2012-13**.**

Gross State Domestic Product

The GSDP is the market value of all officially recognized final goods and services produced within the State in a given period of time. The growth of GSDP of the State

[1] *Refer Glossary in Appendix 4.*

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 State's and India's GSDP at current prices are indicated in **Table 1.1.**

Table 1.1
Trends in Annual growth of GDP/GSDP

Year	2008-09	2009-10	2010-11	2011-12	2012-13
India's GDP at market prices (in crore)	5630063	6477827	7795313	8974947	10028118
Growth rate of GDP (percentage)	12.89	15.05	20.34	15.13	11.73
State's GSDP (in crore)	41483	48188	56355	63812	72076(A)
Growth rate of GSDP (percentage)	22.1	16.16	16.95	13.23	12.95

Source: Economic and Statistics Department, Himachal Pradesh and Central Statistical organisation

1.1.1 Summary of Fiscal Transactions during 2012-13

Table 1.2 presents the summary of the State government's fiscal transactions during the current year (2012-13) *vis-à-vis* the previous year (2011-12). **Appendix 1.4** provides details of receipts and disbursements as well as the overall fiscal position during the current year.

Table 1.2
Summary of Fiscal operations in 2012-13

(₹ in crore)

Receipts	2011-12	2012-13	Disbursements	2011-12	2012-13		
	Total	Total		Total	Non Plan	Plan	Total
Section-A: Revenue							
Tax revenue	4108	4626	General Services	5690	6571	47	6618
Non-tax revenue	1915	1377	Social Services	5147	4853	1278	6131
Share of Union Taxes/Duties	1999	2282	Economic Services	3049	2664	754	3418
Grants from Government of India	6521	7313	Grants-in-aid and Contributions	12	7	--	7
Revenue receipts	**14543**	**15598**	**Revenue expenditure**	**13898**	**14095**	**2079**	**16174**

Receipts	2011-12	2012-13	Disbursements	2011-12	2012-13		
	Total	Total		Total	Non Plan	Plan	Total
Section-B: Capital and others							
Misc. Capital Receipts	--	--	**Capital outlay**	1810	96	1859	1955
Recoveries of Loans and Advances	25	21	**Loans and advances disbursed**	493			469
Public Debt receipts	1984	3371	**Repayment of public debt**	1128	--	2117	2117
Contingency Fund	--	--	**Contingency Fund**	--	--	--	--
Public account receipts	9237	9146	**Public account disbursements**	8526			8285
Opening cash balance	635	569	**Closing cash balance**	569			(-) 295
Total	**26424**	**28705**	**Total**	**26424**			**28705**

Source: Finance Accounts

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

- Revenue receipts grew by ₹ 1055 crore (seven *per cent*). The increase was the net effect of increase in Tax Revenue (₹ 518 crore), Share of Union Taxes and Duties (₹ 283 crore), Grants-in-Aid (₹ 792 crore) and decrease in Non-tax revenue (₹ 538 crore).
- Non-tax revenue decreased by ₹ 538 crore from ₹ 1915 crore in 2011-12 to ₹ 1377 crore in 2012-13. The decrease in Non-Tax revenue was due to less receipts under interest receipts, Forest and Wild Life department and Power sector.
- Being a Special Category State, 47 *per cent* of the revenue receipts are in the form of grants from GoI. The revenue receipts in 2012-13 increased by seven *per cent* over the previous year whereas revenue expenditure increased substantially by 16 *per cent* during this period.
- **Revenue expenditure** increased by ₹ 2276 crore (16 *per cent*) over the previous year. The increase in Non-plan and Plan expenditure was ₹ 1898 crore and ₹ 378 crore, respectively. The revenue expenditure under General Services, Social Services and Economic Services increased by ₹ 928 crore, ₹ 984 crore and ₹ 369 crore, respectively.

  The increase in revenue expenditure was mainly due to payment of arrears of pay revision and additional dearness allowance installments to the State government employees and pensioners.
- **Capital expenditure** increased by ₹ 145 crore (eight *per cent*) during 2012-13 over the previous year. The increase was on account of increase under Economic Services (₹ 80 crore) and in Social Services (₹ 64 crore) whereas expenditure under General Services remained static. Recoveries and disbursement of Loans and Advances decreased by ₹ four crore (16 *per cent*) and ₹ 24 crore (five *per cent*), respectively over the previous year.

- The receipts and disbursements under public debt increased by ₹ 1387 crore (70 *per cent*) and ₹ 989 crore (88 *per cent*), respectively, during the year 2012-13 as compared to previous year.
- The public account receipts and disbursements decreased by ₹ 91 crore (one *per cent*) and ₹ 241 crore (three *per cent*) respectively, during the year 2012-13.
- Opening and closing cash balance decreased by ₹ 66 crore and ₹ 864 crore, respectively, over the previous year.

1.1.2 Review of the fiscal situation

A brief on the fiscal policy reforms being adopted by the State is as follows:

- A policy of sound fiscal management combined with thrust on economic development to achieve high growth rates of GSDP.
- A medium term fiscal policy strategy to increase financial resources i.e. continued buoyancy in State's own tax and non-tax receipts, recourse to financial resources through externally aided projects and minimum recourse to borrowing to finance the developmental needs.
- The linch pin of fiscal policy was to ensure faster pace of implementation of hydro power projects to improve financial position through sale of energy.
- The fiscal deficit targets to be met by promoting strong economic growth.

Performance of the State government on major fiscal variables against the recommendations of Thirteenth Finance Commission (Th FC) and against the targets of the FRBM Act of the State is depicted in **Table 1.3.**

Table 1.3
Major Fiscal Variables

Fiscal variables	2012-13						
	Targets as prescribed in FRBM Act	Targets proposed in the Budget	Projections made in Five Year Fiscal plan/MTFP	Actual	Percentage variation of actual over		
					Targets of FRBM Act	Targets of Budget	Projections of five year fiscal plan/MTFP
Revenue Surplus (+)/ Deficit (-)/ GSDP (in *per cent*)	Maintain revenue surplus	0.55	--	(-) 0.80	--	(-)245.45	--
Fiscal Deficit/GSDP (in *per cent*)	3.00	2.88	3.00	4.13	37.67	43.40	37.67
Ratio of total outstanding debt of the government to GSDP (in *per cent*)	44.40	40.10	41.03	39.70	(-) 10.58	(-)0.99	(-)3.24

Source: Finance Department and Finance Accounts

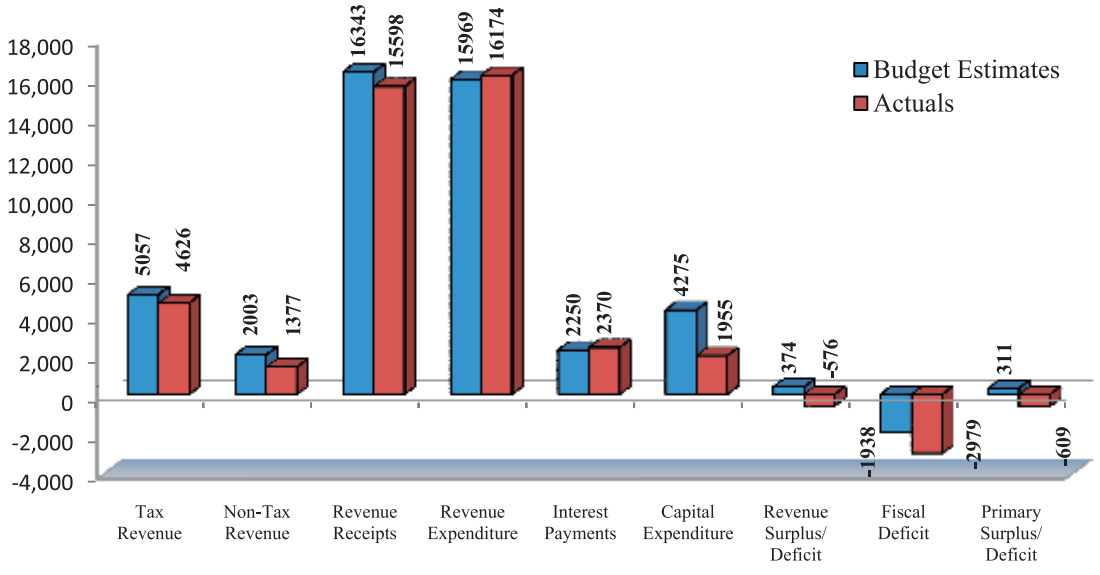
Revenue deficit (difference between revenue expenditure and revenue receipt) was 0.8 *per cent* of GSDP during the year 2012-13 against 0.55 *per cent* revenue surplus of GSDP in the budget estimates for the year 2012-13. The State government could not maintain revenue surplus as proposed in the FRBM Act. Fiscal deficit was 4.13 *per cent* of GSDP against the target of three, 2.88 and three *per cent* set out in FRBM, budget and MTFPs, respectively.

Ratio of total outstanding debt to GSDP was 39.70 during the year 2012-13 against the target of 44.4, 40.10 and 41.03 prescribed in FRBM, Budget and MTFPs, respectively. However, there was no improvement in fiscal imbalances as the State had revenue deficit (₹ 576 crore) during the current year 2012-13 from a revenue surplus (₹ 645 crore) position of 2011-12 and there was deterioration in fiscal deficit to ₹ 2979 crore in 2012-13 from ₹ 1633 crore in 2011-12.

1.1.3 Budget estimates and actuals

The budget papers presented by the Government of Himachal Pradesh provide descriptions of projections or estimations of revenue and expenditure for a particular fiscal year. The importance of accuracy in the estimation of revenue and expenditure is widely accepted in the context of effective implementation of fiscal policies for overall economic management. Deviations from the budget estimates are indicative of non-attainment and non-optimisation of the desired fiscal objectives due to a variety of causes, some within the control of the government and some beyond the control of the government. The budget estimates and actuals for some important fiscal parameters for 2012-13 are given in **Chart 1.1.**

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



Source: Review of Receipt and Expenditure (January 2013) and Finance Accounts 2012-13.

As may be seen from **Chart 1.1**, there were considerable variations between budget estimates and actuals in case of several parameters. The actual revenue receipts were less by ₹ 745 crore (4.56 *per cent*) and revenue expenditure was greater by ₹ 205 crore (1.28 *per cent*) resulting in revenue deficit of ₹ 576 crore against the revenue surplus of ₹ 374 crore estimated in the budget. The actual fiscal deficit was higher by ₹ 1041 crore while the estimated primary surplus turned into deficit of ₹ 920 crore. The actual realisation of Non-Tax Revenue (NTR) was lower by ₹ 626 crore (31 *per cent*) during 2012-13 against the estimated non-tax revenue of ₹ 2003 crore. Against the estimated interest payments of ₹ 2250 crore, the actual payments made were ₹ 2370 crore during the current year.

The State budget had underestimated revenue expenditure, interest payments and the revenue, fiscal and primary deficits with a notable exception of capital expenditure which was over estimated in budget estimates. Revenue receipts alongwith its components, tax and non-tax revenue, had been overestimated.

1.1.4 Gender Budgeting

Gender Budgeting Cell (GBC) was constituted in the Social, Justice and Empowerment (SJE) Department on 14 November 2008 but after bifurcation of SJE department into two departments viz. Women and Child Development (WCD) and Scheduled Castes, Other Backward Classes and Minority Affairs, the GBC was constituted in the department of WCD in 2013. There were 10 schemes designated to benefit women to the extent of 100 *per cent* allocation and three schemes with partial allocation as mentioned in **Appendix 1.5.**

1.1.5 Major policy initiatives in the budget

The State government while presenting the budget for 2012-13, committed to ensure that there would be no slowdown in the development of the State despite financial constraints. The government continued the scheme of providing three *dals*, two edible oils and salt to all the ration card holders at subsidized prices with provisioning of ₹ 130 crore. To bridge the infrastructural gaps in scheduled caste dominated habitations in rural areas, "Guru Ravi Dass Civic Amenities Scheme" with the budget allocation of ₹ 10 crore was made. 277817 number of persons were to be provided social security pension with the budget provision of ₹ 147 crore. The major policy initiatives of the government and budget provision vis-à-vis actual expenditure on these schemes during 2012-13 are given in **Table 1.4.**

Table 1.4
Major policy initiatives, budget provision and expenditure

(₹ in crore)

Sr. No.	Name of the Scheme	Budget Estimates	Revised Estimates	Expenditure	Percentage of expenditure to Revised Estimates
1	**Social Security Pension**	146.32	158.39	156.90	99
2	**Atal School Uniform Yojna**	No Provision	28.63	28.63	100
3	**Pt. Deen Dayal Kisan Bagwan Samridhi Yojna**	50.00	43.84	43.68	100
4	**Atal Swasthya Seva Yojna**	10.00	10.00	10.00	100
5	**Guru Ravi Dass Civic Amenities Scheme**	10.00	10.00	10.00	100
6	**Beti Hai Anmol**	2.21	3.71	4.17	112

Source: Demand for grants, Appropriation Accounts and departmental figures.

Social security pension to the needy was considered a priority area by the government. Against the budget provision of ₹ 146.32 crore, ₹ 156.90 crore has been spent. However, there was shortfall in physical achievements by two *per cent* which was due to temporarily vacant accounts of beneficiaries during each quarter due to the death or ineligibility of pensioners and were got substituted with new applicants in subsequent quarter which is regular process.

A budget outlay of ₹ 60 crore was announced by the Chief Minister in the budget speech under the scheme 'Atal School Uniform Yojna' under which two sets of school uniform every year to all government school students upto class 10th without any distinction of income level were to be distributed. An expenditure of ₹ 28.63 crore was made and all the 511728 targeted students were provided 1023456 sets of uniforms achieving 100 *per cent* target.

A budget outlay of ₹ 50 crore was announced by the Chief Minister under the scheme Pandit Deen Dayal Krishi Bagwan Samridhi Yojna in the budget speech while presenting the budget for the year 2012-13 to revolutionize the economy of farmers and orchardists. Under Kisan Bagwan Samridhi Yojna Part-I (Poly house) and Part-II (Micro Irrigation), an expenditure of ₹ 43.68 crore against revised estimates of ₹ 43.84 crore was incurred and 100 *per cent* targets were achieved. However, ₹ 6.32 crore were surrendered under Scheduled Caste Sub Plan and Tribal Area Sub Plan.

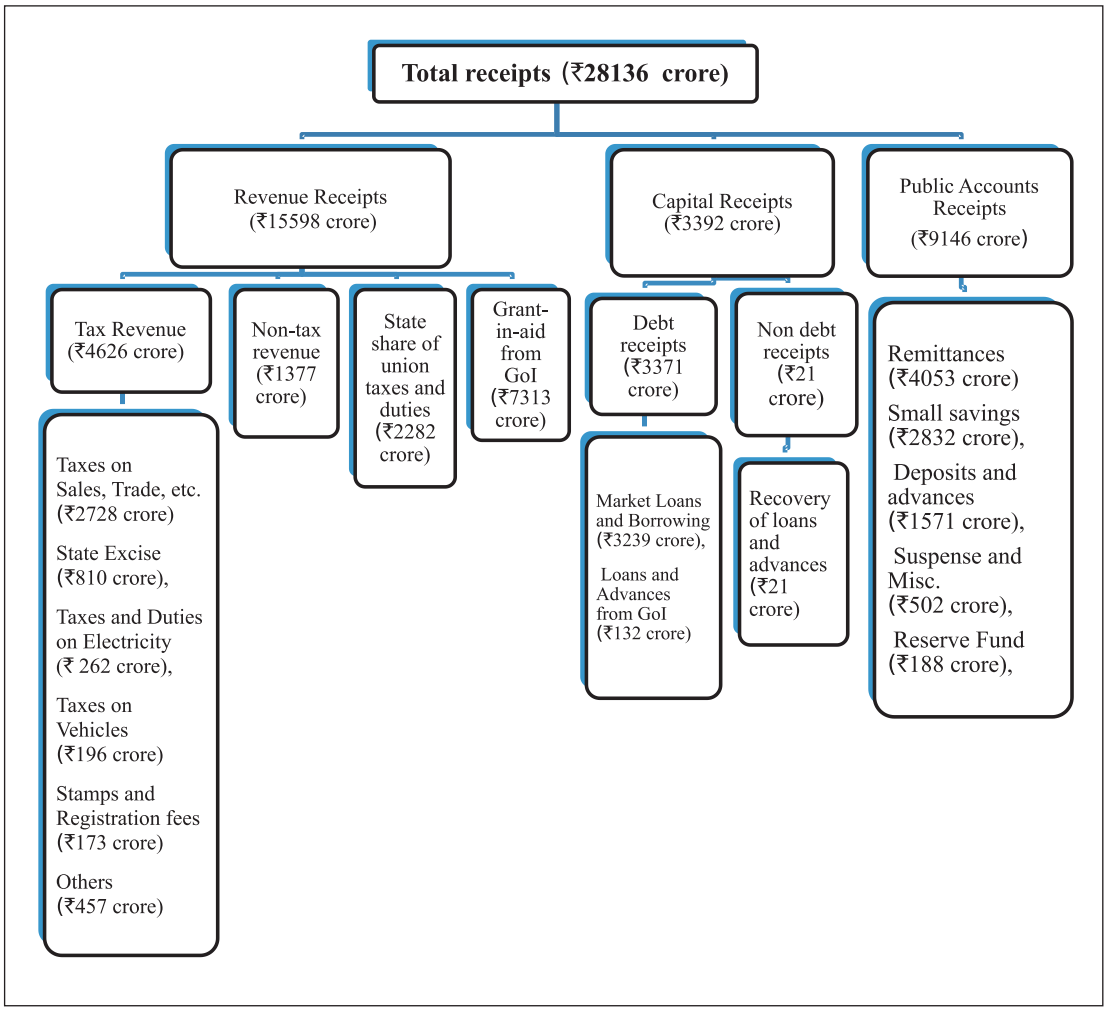
1.2 Resources of the State

1.2.1 Resources of the State as per the Annual Finance Accounts

Revenue and capital are the two streams of receipts that constitute the resources of the State government. Revenue receipts consist of tax revenues, non-tax revenues, State's share of union taxes and duties and grants-in-aid from 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, borrowing 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 year 2012-13 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.

Following flowchart shows the components and sub-components of resources for the year 2012-13.

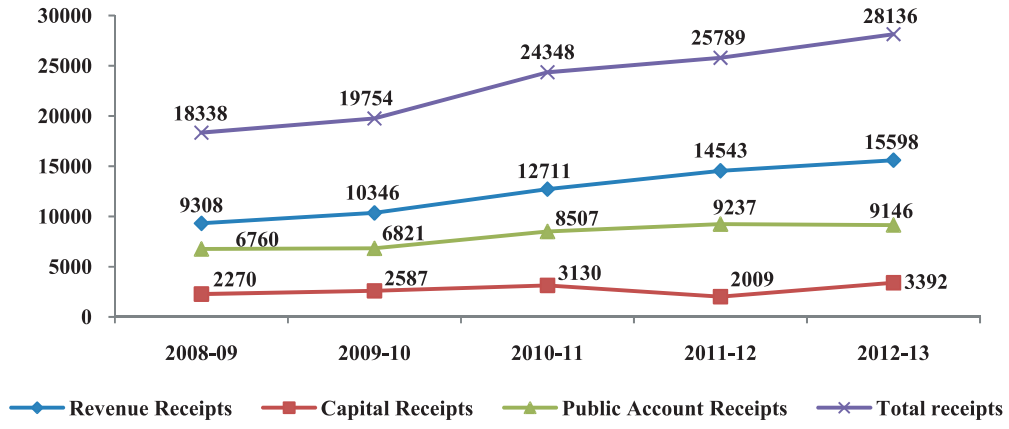


As evident from the flowchart above, revenue receipts comprise 55 *per cent*, public account receipts 33 *per cent* and capital receipts 12 *per cent* of the total receipts of

₹ 28136 crore. In revenue receipts, the share of grants-in-aid from GoI, tax revenue, State's share of union taxes and duties and non-tax revenue was 47 *per cent*, 30 *per cent*, 15 *per cent* and nine *per cent*, respectively.

(₹ in crore)

Chart 1.2: Trends in Receipts



The total receipts of the State government increased by nine *per cent* from ₹ 25789 crore to ₹ 28136 crore during 2012-13 over the previous year, of which, 55 *per cent* (₹ 15598 crore) came from revenue receipts. The share of revenue receipts in the total receipts of the State remained almost static (51-52 *per cent*) during 2008-11, increased to 56 *per cent* in 2011-12 but further decreased by one *per cent* during the current year. On the other hand, the capital receipts (market borrowings and special securities issued to National Small Savings Fund (NSSF)) together with public account receipts ranged between 44 and 49 *per cent* of total receipts during 2008-13.

Revenue receipts increased steadily by 68 *per cent* from ₹ 9308 crore in 2008-09 to ₹ 15598 crore in 2012-13, whereas the capital receipts increased (49 *per cent*) from ₹ 2270 crore in 2008-09 to ₹ 3392 crore in 2012-13. Public account receipts increased steadily from ₹ 6760 crore in 2008-09 to ₹ 9237 crore in 2011-12 but decreased to ₹ 9146 crore in 2012-13. The public account receipts ranged between 33 and 37 *per cent* of the total receipts during the period 2008-13.

1.2.2 Funds transferred by the GoI directly to State Implementing Agencies outside the State Budget

The Central government has been transferring funds directly to the State implementing agencies[2] for implementation of various schemes/programmes in social and economic sectors, which are recognised as critical sectors. As in the present

[2] *Refer glossary in Appendix 4.*

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.

During the year 2012-13, central funds of ₹ 1202 crore (**Appendix 1.6**) were transferred directly to the State implementing agencies. The major programmes assisted by GoI where funds were, transferred directly to the State implementing agencies are presented in **Table 1.5.**

Table 1.5
Funds transferred directly to State Implementing Agencies

(₹ In crore)

Programme/ scheme	Implementing agency in the State	Funds transferred directly by GoI during 2012-13	Amount utilized from total available funds*	Improvement ratios in the development/ human indices as compared to previous year
Mahatma Gandhi National Rural Employment Guarantee Act (MNREGA)	Project Director, DRDAs	361.30	492.70	In 2011-12, 48043 households were employed with 4831578 persondays whereas 40394 households with 4068202 persondays were employed in 2012-13.
Sarva Shiksha Abhiyan (SSA)	H.P. Primary Education Society	107.37	253.09	116952 sets of free text books were distributed in the year 2012-13 whereas 163401 sets of free text books distributed in 2011-12.
National Rural Drinking Water Programme (NRDWP)	State Water and Sanitation Mission	102.24	139.10	2557 habitations were covered in 2011-12, whereas in 2012-13 the number was 2544.
Rural Housing Indira Awas Yojana(IAY)	Project Director, DRDAs	29.00	30.64	6283 number of houses were completed in the year 2012-13 whereas 5972 number of houses were completed in 2011-12.
Rashtriya Madhyamik Shiksha Abhiyan (RMSA)	H.P. State Primary Education Society	20.35	37.42	20 number of school buildings were completed during 2012-13 which were sanctioned at the start of the scheme (2009-10).
Total		**620.26**	**952.95***	

**** Contains opening balance of previous year and other receipts also.***

Source: CPMS and departmental figures.

An amount of ₹ 361.30 crore (30 *per cent* of the total funds transferred) was given for MNREGA, ₹ 107.37 crore (8.93 *per cent*) for SSA and ₹ 102.24 crore (8.5 *per cent*) for NRDWP. Thus, with the transfer of ₹ 1202 crore during 2012-13 by GoI directly to the State implementing agencies, the total availability of State resources increased from ₹ 28136 crore to ₹ 29338 crore. There is no single agency in the State to monitor the funds directly transferred by the GoI to the implementing agencies and no data readily available as to how much money has actually been spent in a particular

year on major flagship schemes and other important schemes which are being implemented by State implementing agencies and funded directly by the GoI.

A brief status of implementation and effectiveness of two centrally sponsored schemes viz. National Rural Drinking Water Programme and Rashtriya Madhyamik Shiksha Abhiyan is explained in the succeeding paragraphs.

National Rural Drinking Water Programme

Considering the magnitude of the problem of rural water supply, the GoI had been supplementing the efforts of the State governments through the centrally sponsored Accelerated Rural Water Supply Programme (ARWSP) since 1972-73. ARWSP has been modified (April 2009) as NRDWP for the Eleventh Plan period. The aim of this programme is to provide every rural person with adequate safe water for drinking, cooking and other domestic basic needs on a sustainable basis.

Status of drinking water supply schemes

Out of 3359 schemes (ongoing prior to March 2009:1154, 2009-10:545, 2010-11:758, 2011-12:623 and 2012-13:279) taken up for execution, 2989 schemes had been completed as of 31 March 2013 leaving 370 ongoing incomplete schemes.

Non-utilization of funds provided by GoI

Funds amounting to ₹ 609.98 crore were provided by the GoI under this scheme during the period 2009-13 and interest of ₹ 3.30 crore was accrued there against. Out of this, the State government had utilized ₹ 576.54 crore leaving a balance of ₹ 36.74 crore as unutilized in the savings account as of July 2013.

Coverage of habitations

As per the guidelines, potable drinking water to the rural population based on basic minimum need of 40 litres per capita per day (lpcd) was to be provided. Out of 53201 habitations in the State, 48550 habitations (State statistics: 2012-13) i.e. 91 *per cent* had been provided with 40 lpcd water leaving 4651 habitations uncovered.

Rashtriya Madhyamik Shiksha Abhiyan

Rashtriya Madhyamik Shiksha Abhiyan (RMSA) is a Centrally Sponsored Scheme (CSS) which was started all over India in the year 2009-10 with cost sharing in the ratio of 75:25 (50:50 from 2012-13) between the Centre and the State. The main objective of the scheme is to enhance access to secondary education and to improve its quality. 20 school buildings were completed and ₹ 1.21 crore was spent on preparatory activities i.e. man power resources, organizing workshops, etc.

Financial outlay and expenditure

During 2012-13, ₹ 37.38 crore (opening balance: ₹ 7.84 crore, GoI contribution: ₹ 20.35 crore, State government share: ₹ 6.79 crore, other receipts: ₹ 2.40 crore) were available with Himachal Pradesh School Education Society (HPSES) out of which ₹ 37.42 crore had been spent and the excess amount of ₹ 0.04 crore was spent from the non-recurring grant.

Creation of school infrastructure

i) 114 new school buildings were sanctioned under RMSA during the year 2009-10 (69) and 2011-12 (45). Out of the 45 schools sanctioned during 2011-12, the state could notify 35 new schools as of August, 2013.

Out of 114 works sanctioned, the agreements were entered for construction of 81 school buildings (2010-11:64 and 2011-12:17) and the remaining 33 works could not be started due to non-availability of land. Out of the 64 agreements signed in 2010-11, only 20 schools had been completed and 29 were under progress as of August, 2013. In remaining 15 cases, the work had not been started in 14 cases due to non-availability of site and one school had been denotified indicating slow utilisation of funds and no work was completed out of 17 school buildings for which agreements were signed for 2011-12.

ii) ₹ 1.60 crore (₹ 1.20 crore from GoI and ₹ 0.40 crore from State government) was released during 2009-10 for preparatory activities i.e. strengthening of offices at state and district level, man power resources, organizing workshops, etc. with the direction to spend the amount in the same financial year. The Mission Director, RMSA could utilize only ₹ 1.21 crore leaving ₹ 0.39 crore unutilized as of August 2013 and further stated that the funds could not be utilized as GoI had not allowed to expend the funds after March, 2012. The contention of the department is not acceptable as the department did not utilize the funds even after two years of sanction depriving the beneficiaries from intended benefits.

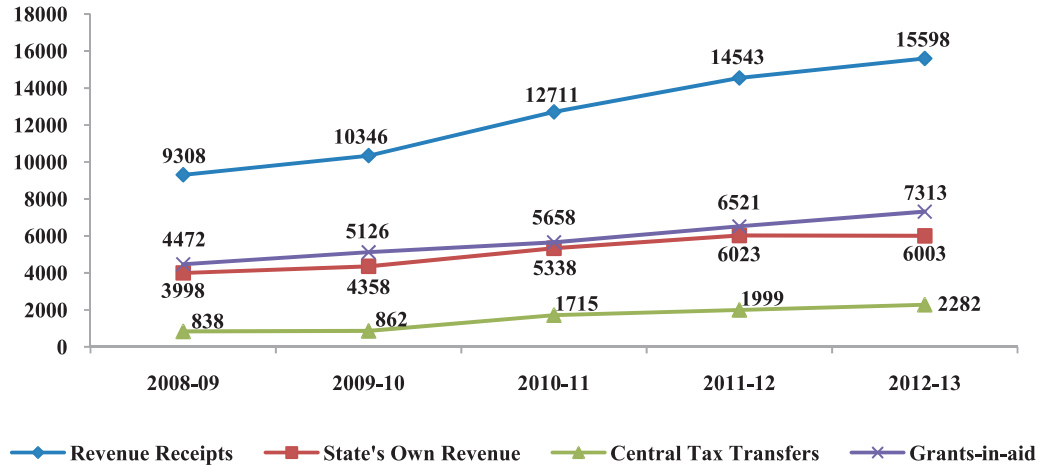
iii) The State Project Director, RMSA received ₹ 82.26 crore under non recurring grant during 2009-10 (₹ 33.39 crore) and 2012-13 (₹ 48.87 crore) against which ₹ 41.55 crore had been released to the executing agencies (SMDCs (₹ 10.32 crore), HIMUDA (₹ 14.48 crore) and BSNL (₹ 16.75 crore)) leaving ₹ 40.71 crore unutilized at the end of March 2013. The department stated (August, 2013) that the utilization certificates for ₹ 13.66 crore had been received and construction agencies had been requested to speed up the construction work and send utilization certificates for the remaining amount of ₹ 27.90 crore. As no utilization certificates were produced to audit utilization of the grant could not be verified in audit.

1.3 Revenue Receipts

Statement-11 of the Finance Accounts details the revenue receipts of the government. The revenue receipts consist of state's own tax and non-tax revenues, central tax transfers and grants-in-aid from GoI. The trends in revenue receipts over the period 2008-13 are presented in **Appendix 1.3** and also depicted in **Chart 1.3**.

(₹ in crore)

Chart 1.3: Trends in Revenue Receipts



Revenue receipts steadily increased from ₹ 9308 crore in 2008-09 to ₹ 15598 crore in 2012-13 at an annual average growth rate of 11 *per cent* but during 2012-13 it recorded an increase of only seven *per cent* over the previous year. 38 *per cent* of the revenue receipts during 2012-13 came from the State's own resources comprising taxes and non taxes, the remaining 62 *per cent* were contributed by central transfers comprising the State's share in central taxes and duties (15 *per cent*) and grants-in-aid from GoI (47 *per cent*).

Central tax transfers: Central tax transfers increased by ₹ 283 crore (14 *per cent*) from ₹ 1999 crore in 2011-12 to ₹ 2282 crore in 2012-13 and constituted 15 *per cent* of the revenue receipts during the year. The increase was mainly due to increase in corporation tax (₹ 33 crore), taxes on income other than corporation tax (₹ 91 crore), customs (₹ 32 crore) and service tax (₹ 95 crore).

Grants-in-Aid: Grants-in-aid from the GoI increased by ₹ 792 crore (12 *per cent*) from ₹ 6521 crore in 2011-12 to ₹ 7313 crore in 2012-13.

The trends in revenue receipts relative to GSDP are presented in **Table 1.6.**

Table 1.6

Trends in Revenue Receipts relative to GSDP

	2008-09	2009-10	2010-11	2011-12	2012-13
Revenue Receipts (RR) (₹ in crore)	9308	10346	12711	14543	15598
Rate of growth of RR (*per cent*)	1.82	11.15	22.86	14.41	7.25
R R/GSDP (*per cent*)	22.44	21.47	22.56	22.79	21.64
Buoyancy Ratios[3]					
Revenue Buoyancy w.r.t. GSDP	0.08	0.69	1.35	1.09	0.56
State's Own Taxes Buoyancy w.r.t. GSDP	0.26	0.56	1.33	0.97	(-)0.03
Revenue Buoyancy with reference to State's own taxes	0.32	1.24	1.02	1.12	(-)21.97

There was consistent increase in the growth rate of revenue receipts during 2008-11 from 1.82 *per cent* to 22.86 *per cent* but it declined consistently to 14.41 *per cent* and 7.25 *per cent* in 2011-12 and 2012-13, respectively. Although tax revenue to revenue receipts in 2012-13 increased by two *per cent* as compared to 2011-12, the non-tax revenue showed decline of four *per cent* during this period. The power sector (₹ 509 crore), interest receipts (₹ 45 crore), Forestry and wildlife (₹ 43 crore), Miscellaneous General Services (₹ 31 crore), etc. were the major sectors which showed declining trend during the current year as compared to 2011-12.

The growth rate of revenue receipt was lower than the growth rate of GSDP during the period 2008-13 except 2010-11 and 2011-12. Besides this, buoyancy ratio of States own taxes increased from 0.26 *per cent* to 1.33 *per cent* in 2010-11 but decreased to 0.97 and (-) 0.03 during the period 2011-13, respectively.

1.3.1 State's Own Resources

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

[3] *Refer glossary in Appendix 4.*

The State's actual tax and non tax receipts (NTR) for the year 2012-13 vis-à-vis assessment made by Th FC and MTFPs are given in **Table 1.7.**

Table 1.7

Percentage variation of actual over projections/estimates.

(₹ in crore)

	Th FC projections	Budget estimates	MTFP projection	Actual	Percentage variation of actual over		
					Th FC projections	Budget estimates	MTFP projections
Tax revenue	4080	5057	4631	4626	13.38	(-) 8.52	(-) 0.11
Non tax revenue	1356	2003	2095	1377	1.55	(-) 31.25	(-) 34.27

Source: Finance Department and Finance Accounts

The actual tax revenue and NTR were 13.38 *per cent* and 1.55 *per cent* more than the Th FC projections, whereas both tax revenue and NTR were less by 8.52 *per cent* and 31.25 *per cent* over the budget estimates during the year 2012-13.

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
Components of State's own resources

(₹ in crore)

Revenue Head	2008-09	2009-10	2010-11	2011-12	2012-13
Taxes on sales, trades, etc.	1246	1487 (19)	2101 (41)	2477 (18)	2728 (10)
State excise	432	500 (16)	562 (12)	707 (26)	810 (15)
Taxes on vehicles	136	134 (- 1)	163 (22)	176 (8)	196 (11)
Stamp duty and registration fees	98	113 (15)	133 (18)	155 (17)	173 (12)
Land revenue	20	15 (- 25)	5 (- 67)	18 (260)	24 (33)
Taxes on goods and passengers	62	89 (44)	93 (4)	94 (1)	101 (7)
Other taxes[4]	248	236 (- 5)	586 (148)	481 (- 18)	594 (23)
Total	**2242**	**2574 (15)**	**3643 (42)**	**4108 (13)**	**4626(13)**

Figures in the parenthesis indicate the percentage growth over the previous year

The receipts under Taxes on sales, trades, etc., State Excise, Taxes on vehicles and Stamp duty and registration fees increased by ₹ 251 crore, ₹ 103 crore, ₹ 20 crore and ₹ 18 crore, respectively, during the current year over the year 2011-12 having an annual growth of 10, 15, 11 and 12 *per cent*, respectively.

[4] Taxes and duties on electricity: 2008-09: ₹79 crore; 2009-10: ₹39 crore; 2010-11: ₹302 crore; 2011-12: ₹185 crore; 2012-13: ₹262 crore. Other taxes on duties and commodities: 2008-09: ₹169 crore; 2009-10: ₹197 crore; 2010-11: ₹284 crore; 2011-12: ₹296 crore; 2012-13: ₹332 crore.

1.3.1.2 Non-tax revenue

The position of non tax revenue is given in **Table 1.9.**

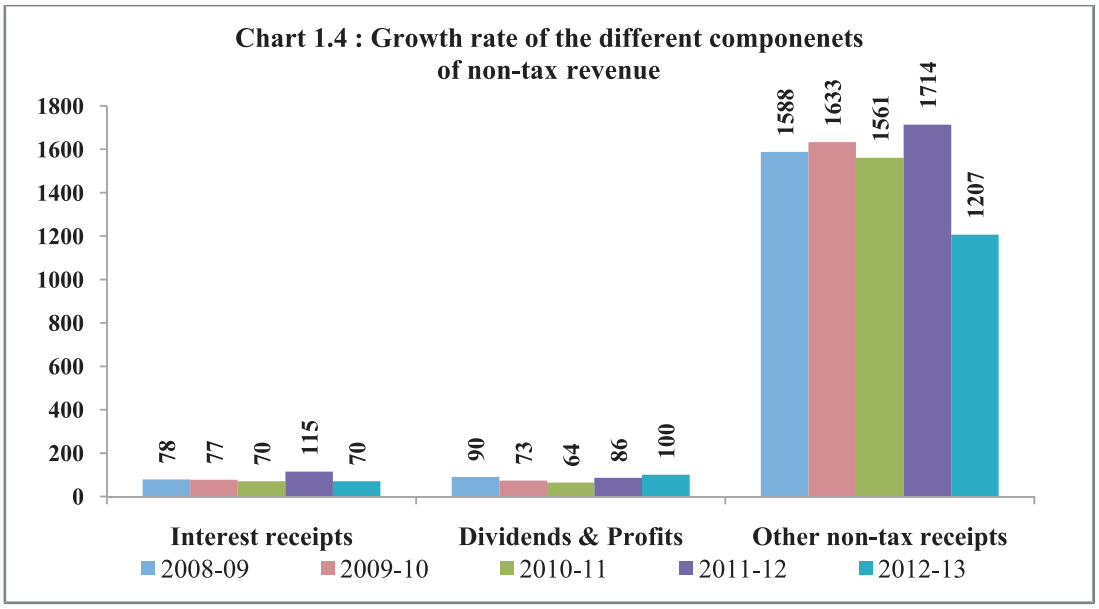
Table 1.9
Growth rate of non-tax revenue (NTR)

(₹ in crore)

Revenue Head	2008-09	2009-10	2010-11	2011-12	2012-13
Interest receipts	78	77 (-1)	70 (-9)	115 (64)	70 (-39)
Dividends & profits	90	74 (- 17)	64 (- 14)	86 (34)	100 (16)
Other non-tax receipts of which-	1588	1633 (3)	1561 (- 4)	1714 (10)	1207 (- 30)
Misc. General Services	5	1(-80)	2(50)	40(1900)	9(-78)
Education, Sports, Arts and Culture	57	84(47)	82(-2)	104(27)	112(8)
Forestry and Wild life	55	72(31)	65(-10)	107(65)	64(-40)
Other Administrative Services	14	17(21)	31(82)	26(-16)	46(77)
Public Works	23	31(35)	35(13)	42(20)	40(-15)
Water Supply and Sanitation	18	20(11)	26(30)	31(19)	34(10)
Others	1416	1408(-1)	1320(-6)	1364(3)	902(-34)
Total	**1756**	**1784 (2)**	**1695 (-5)**	**1915 (13)**	**1377 (-28)**

Figures in the parenthesis indicate percentage growth/deficit over the previous year

Interest receipts shown negative growth rate of one *per cent* and nine *per cent* in 2009-10 and 2010-11 over the previous year, respectively which increased to 64 *per cent* in 2011-12 but it again experienced negative growth of 39 *per cent* in 2012-13. Dividends and profits having negative growth of 19 and 12 *per cent* in 2009-10 and 2010-11 achieved 34 *per cent* growth in 2011-12, which sharply decreased to 16 *per cent* in 2012-13. Other non-tax receipts also slipped drastically to (-) 30 *per cent* in 2012-13 from a growth rate of 10 *per cent* in 2011-12. The Misc. General Services (-78 *per cent*), Forestry and Wildlife (-40 *per cent*) and Public Works (-15 *per cent*) were the major non-tax heads where growth slipped. Thus, the growth rate of NTR was (-) 28 *per cent* in 2012-13 over the previous year which is presented in **Chart 1.4**.



Investment in Public Sector Undertakings

The State government has invested ₹ 3399.01 crore (capital and long term loans) in 21 Public Sectors Undertakings (including three 619(B) companies) as on 31 March 2013 as detailed in **Table 1.10**.

Table 1.10
Details of Investment

(₹ in crore)

Type of PSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	1608.24	1141.19	2749.43	560.88	11.80	572.68	3322.11
Non-Working PSU	16.75	60.15	76.90	--	--	--	76.90
Total	**1624.99**	**1201.34**	**2826.33**	**560.88**	**11.80**	**572.68**	**3399.01**

Out of 19 companies (including one non-working company i.e. Agro-Industrial Packaging India Limited (AIPIL)), three Companies are under the construction stage and no profit and loss accounts of these companies are being prepared.

As per latest available accounts of these companies, 9 companies earned profit of ₹ 20.93 crore and 6 companies incurred losses of ₹ 425.16 crore and only one company i.e. H.P. State Civil Supplies Corporation Limited has declared a dividend of ₹ 0.35 crore which is 10 *per cent* of its paid up capital.

1.3.2 Grants-in-aid from GoI

The Grants-in-aid received from the GoI during the years 2008-09 to 2012-13 have been given in **Table 1.11.**

Table 1.11
Grants-in-aid from GoI

(₹ in crore)

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
Non-Plan Grants	2311	2052	2634	2647	2526
Grants for State Plan Schemes	1700	2731	2680	3342	4179
Grants for Central Plan Schemes	5	5	1	27	28
Grants for Centrally Sponsored Plan Schemes	456	339	343	505	580
Total	**4472**	**5127**	**5658**	**6521**	**7313**
Percentage of increase over previous year	-2.08	14.64	10.36	15.25	12.15
Percentage of Revenue Receipts	48	50	45	45	47

Total grants-in-aid from GoI increased from ₹ 4472 crore to ₹ 7313 crore during the period 2008-13. There was percentage increase of 15, 10, 15 and 12 during the period

2009-13 over the previous year whereas its percentage to revenue receipts ranged between 45 and 50 *per cent* during that period. Contribution of non-plan grants, State plan schemes and centrally sponsored Plan schemes was 35, 57 and eight *per cent* to total grants from GoI during the year 2012-13.

1.3.3 Central Tax transfers

As per para 8.17 and 8.38 of Th FC recommendations inter-se shares (raised from 30.5 *per cent* to 32 *per cent*) of the States in the net proceeds of central taxes at the rate of 0.781 *per cent* was to be devolved to the State of Himachal Pradesh. The actual Central tax transfers amounting to ₹ 1715 crore, ₹ 1999 crore and ₹ 2282 crore were received by the State during the periods 2010-11, 2011-12 and 2012-13, respectively as per revised estimates. The excess of ₹ 19 crore during 2011-12 (actual-revised estimates) was deducted from the actuals receipts (₹ 2301 crore) of 2012-13. There was no significant increase/decrease under the respective tax heads.

1.3.4 Optimisation of the Thirteenth Finance Commission (Th FC) grants

Utilisation of the transfer to the State on the recommendations of the Th FC are summarised in the **Table 1.12.**

Table 1.12
Position of the transfer and expenditure

(₹ in crore)

Sr. No	Transfers	Recommendation of the Finance Commission	Actual Release by State government	Expenditure under relevant revenue head*	Unutilized Amount
1	**Local Bodies**				
General Area	**Basic Grants to PRIs**	70.20	35.11	35.11	--
	Performance Grants	48.45	50.57	50.57	--
Special Area	**Basic Grants to PRIs**	30.00	15.00	15.00	--
	Performance Grants	30.00	30.00	30.00	--
	Grant to ULBs (Basic)	10.96	10.96	10.96	--
	General Performance Grants	6.48	6.48	6.48	--
2	**State Specific Grants**	20.00	20.00	20.00	--
3	**Elementary Education**	23.00	23.00	23.00	--
4	**Disaster Relief**		94.32	89.14	5.18
5	**Roads and Bridges**		93.75	93.75	
	Total	**239.09**	**379.19**	**374.01**	**5.18**

**The grants paid to ULBs and PRIs treated as expenditure.*
Source: Departmental figures

As soon as funds are released by the State government to PRIs/ULBs, the same is treated as expenditure at the State level. Against the recommendations of Finance

Commission of ₹ 239.09 crore, ₹ 379.19 crore was released during 2012-13. Out of the actual release of ₹ 379.19 crore, expenditure under relevant revenue head was ₹ 374.01 crore leaving ₹ 5.18 crore unutilized.

1.4 Capital Receipts

The trends in growth and composition of capital receipts are presented in **Table 1.13.**

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)	**2270**	**2587**	**3130**	**2009**	**3392**
Miscellaneous Capital Receipts	-	-	646	-	-
Recovery of Loans and Advances	21	34	73	25	21
Public Debt Receipts	2249	2553	2411	1984	3371
Rate of growth of debt capital receipts	21.63	13.52	(-) 5.56	(-) 17.71	69.91
Rate of growth of non-debt capital receipts	(-) 19.23	61.90	114.71	(-) 65.75	(-) 16
Rate of growth of GSDP	22.10	16.16	16.95	13.23	12.95
Rate of growth of CR (*per cent*)	21.06	13.96	20.99	(-) 35.81	68.84

The capital receipts increased from ₹ 2270 crore in 2008-09 to ₹ 3392 crore in 2012-13. During the report year 2012-13 capital receipts recorded an increase of ₹ 1383 crore over the previous year (2011-12) with growth rate of 69 *per cent*. Recovery of loans and advances decreased by four crore whereas rate of growth of debt and non-debt capital receipts was 69.91 *per cent* and (-) 16 *per cent*, respectively, during the current year.

1.4.1 Recoveries of loans and advances

The State government had provided loans and advances to institutions/ organizations such as Animal Husbandry, Welfare of Schedule Castes/Schedule Tribes, Other Backward Castes and Minorities, etc. The State government recovered ₹ 21 crore of loans and advances during 2012-13 as compared to ₹ 25 crore recovered during 2011-12. Besides, during the year 2012-13, ₹ 14 crore was received as interest on loans and advances which was less by ₹ seven crore as compared to previous year.

1.4.2 Debt receipts from internal sources (market loans, borrowings from financial institutions, bank).

An amount of ₹ 3239 crore was received during 2012-13 which comprised market loans: ₹ 2360 crore, loans from NABARD: ₹ 400 crore, loans from National Co-operative Development Corporation: ₹ eight crore and Special Securities issued to NSSF of the Central government: ₹ 471 crore.

1.4.3 Loans and advances from GoI

The position of loans and advances by GoI to State government for the last three years is given in the **Table 1.14**.

Table 1.14
Position of Loans and advances from GoI

(₹ in crore)

	2010-11	2011-12	2012-13
Opening Balance	984	961	947
Addition during the year	39	80	132
Discharge during the year	62	94	61
Closing Balance	**961**	**947**	**1018**
Percentage of total expenditure	**6**	**6**	**5**

During the year 2012-13, GoI provided ₹ 132 crore as loans and advances to the State comprising ₹ 131.66 crore as block loans for State plan schemes, ₹ 0.11 crore for house building for state non-plan schemes and ₹ 0.04 crore as other loans for centrally sponsored plan schemes.

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, 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 detail of public account receipts is given in **Table 1.15.**

Table 1.15
Detail of Public Accounts Receipts

(₹ in crore)

Resources under various heads	2008-09	2009-10	2010-11	2011-12	2012-13
Public Account Receipts					
a. Small Savings, Provident Fund etc.	1572	1659	2166	2100	2832
b. Reserve fund	464	295	433	285	188
c. Deposits and Advances	1111	1224	1630	1780	1571
d. Suspense and Miscellaneous	257	346	414	362	502
e. Remittances	3356	3297	3864	4710	4053
Total	**6760**	**6821**	**8507**	**9237**	**9146**

As is evident from the above table, public account receipts had grown consistently from ₹ 6821 crore in 2009-10 to ₹ 9146 crore in 2012-13. Receipts under Small Savings, Provident Fund etc. increased by ₹ 732 crore in 2012-13 over the previous

year whereas the deposits and advances and remittances decreased by ₹ 209 crore and ₹ 657 crore, respectively, during this period.

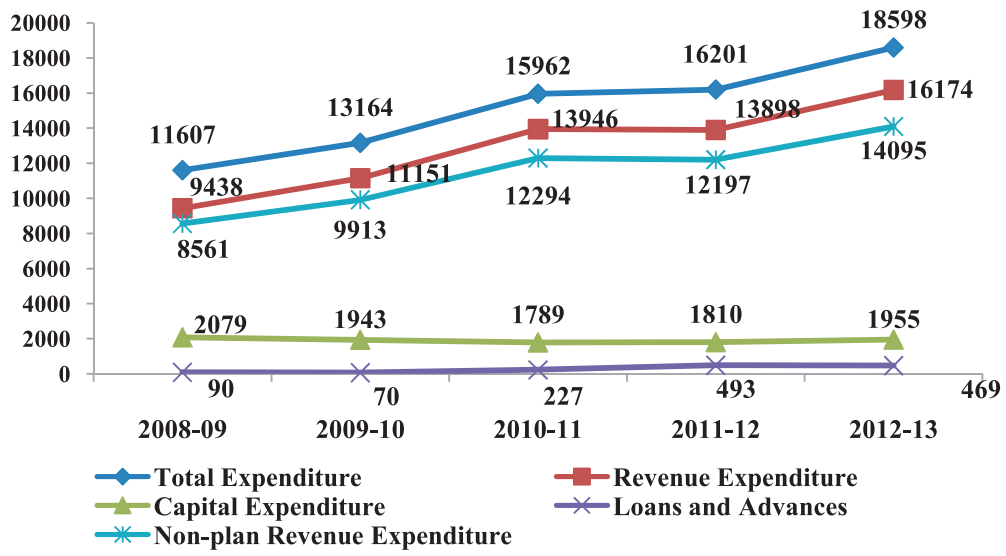
1.6 Application of Resources

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 the expenditure directed towards development of social sector.

1.6.1 Growth and Composition of Expenditure

Chart 1.5 presents the trends in total expenditure over the last five years (2008-13) and its composition both in terms of 'economic classification' and 'expenditure by activities' is depicted in **Chart 1.6** and **Chart 1.7,** respectively.

Chart 1.5 : Total Expenditure: Trends and Composition



- **Total Expenditure (TE)** of the State increased from ₹ 11607 crore in 2008-09 to ₹ 18598 crore in 2012-13 at an annual average rate of 14 *per cent*. The increase during the current year was ₹ 2397 crore (15 *per cent*) over the previous year. The increase in total expenditure was due to increase in revenue and capital expenditure of ₹ 2276 crore and ₹ 145 crore, respectively, whereas loans and advances decreased by ₹ 24 crore.

- **Revenue Expenditure (RE) :** The revenue expenditure increased at an annual average rate of 15 *per cent* from 2008-09 to 2012-13. It increased by ₹ 2276 crore (16.38 *per cent*) from ₹ 13898 crore to ₹ 16174 crore during the current year. During the current year, revenue expenditure on General Services, Social Services and Economic Services increased by ₹ 928 crore, ₹ 984 crore and ₹ 369 crore, respectively.

- **Capital Expenditure (CE):** *Capital expenditure decreased from* ₹ 2079 *crore in 2008-09 to* ₹ 1789 *crore in 2010-11 by 14 per cent but increased during the years 2011-12 and 2012-13 by* ₹ 21 *crore (*one *per cent) and* ₹ 145 *crore (eight per cent) over the corresponding previous years.* Education, Sports, Arts and Culture (₹ 145 crore), Water Supply, Sanitation, Housing and Urban Development (₹ 223 crore) under Social Services, Power Projects (₹ 264 crore) and Transport (₹ 734 crore) under economic services were the beneficiary sectors where capital expenditure had been made during 2012-13. The share of capital expenditure to total expenditure, however, had decreased consistently from 17.91 *per cent* in 2008-09 to 10.51 *per cent* in 2012-13.

- Loans and advances constituted ₹ 469 crore (three *per cent*) of the total expenditure which decreased by ₹ 24 crore over the previous year.

Chart 1.6 : Total Expenditure: Trends in share of its components

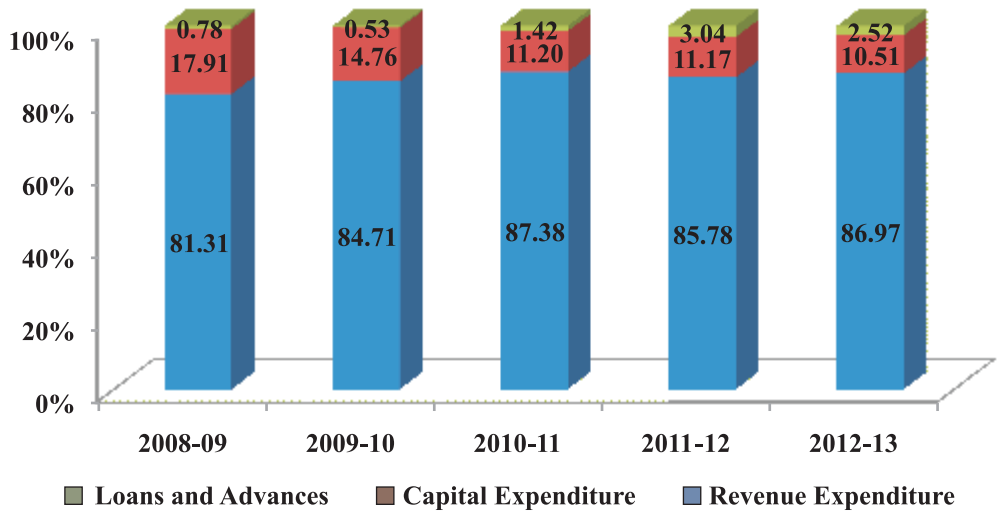
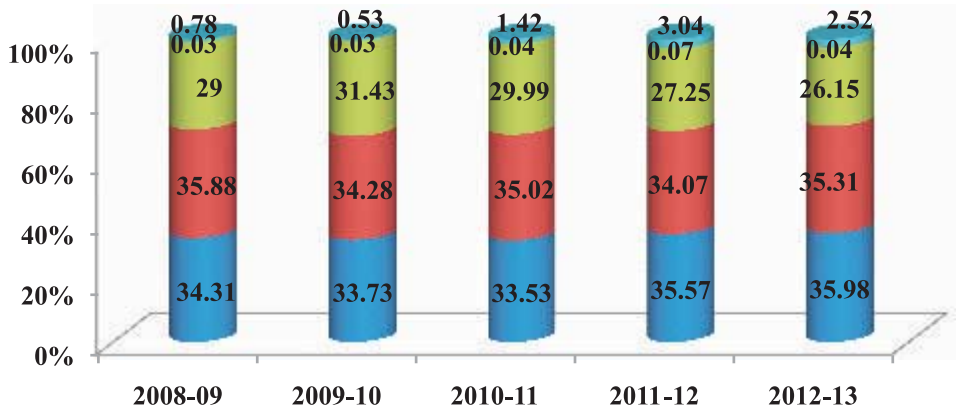


Chart 1.7 : Total Expenditure: Trends by 'Activities'



The movement of relative share of these components of expenditure indicated that major components of expenditure had inter-year variations. Expenditure on General Services (including interest payments) which is considered as non-developmental, decreased from 34.31 *per cent* in 2008-09 to 33.53 *per cent* in 2010-11 but increased to 35.57 *per cent* and 35.98 *per cent* in 2011-12 and 2012-13, respectively. On the other hand, developmental expenditure[5] i.e., on Social and Economic Services together accounted for 61.46 *per cent* in 2012-13 against 61.32 *per cent* of 2011-12. The share of General Services and Social Services during 2012-13 was mainly on account of expenditure on General Education, Sports, Arts and Culture (19 *per cent*), Pension and other Retirement benefits (15 *per cent*) and Health and Family Welfare (five *per cent*).

1.6.2 Revenue expenditure

State's revenue receipts as a percentage to GSDP stood at 21.64 *per cent* whereas the revenue expenditure was 22.44 *per cent* during the current year. The State had revenue deficit of ₹ 576 crore which was 0.8 *per cent* of GSDP during the current year.

Significant investments made by the State

Power Generation

As on 31 March, 2013, the State government has invested ₹ 1438.25 crore in power sector companies, out of which ₹ 352.68 crore and ₹ 63.79 crore had been invested in Himachal Pradesh Power Corporation Limited and Himachal Pradesh Power Transmission Corporation Limited, respectively. Both these companies are at construction stage and yet to start commercial operations. As regards Himachal Pradesh State Electricity Board Limited, against the investment of ₹ 1021.78 crore

[5] Refer glossary in Appendix 4.

made by the government, the company had accumulated losses of ₹ 885.59 crore as per latest finalised accounts for the year 2010-11.

Unbundling and financial restructuring plan of Himachal Pradesh State Electricity Board

Prior to 2003, the Himachal Pradesh State Electricity Board (HPSEB) was in place to manage the affairs of electricity in the State. Pursuant to Electricity Act, 2003, the Government of Himachal Pradesh constituted three companies viz. Himachal Pradesh Power Corporation Limited (HPPCL) a generation utility, Himachal Pradesh Power Transmission Corporation Limited (HPPTCL) a transmission utility and Himachal Pradesh State Electricity Board Limited (HPSEBL) a distribution utility in December 2006, August, 2008 and December 2009, respectively to unbundle the Himachal Pradesh State Electricity Board (HPSEB). The Government of Himachal Pradesh notified the Himachal Pradesh Power Sector Reforms Transfer Scheme 2010 (June 2010) to transfer the assets amongst the three companies.

All assets, properties, interest in properties and contingencies already transferred to HPPCL would remain vested in HPPCL. However, 20 hydro electric power projects having total generating installed capacity of 475.950 MW alongwith distribution activities would be maintained by HPSEBL and only six new hydro electric projects having generating capacity of 986 MW had been transferred to HPPCL for construction.

All assets and liabilities relating to transmission lines (not being essential part of distribution system or the dedicated lines from existing or future power house of the HPSEBL) shall stand vested/transferred to HPPTCL. Accordingly, 13 existing transmission lines of 66 KV and above (278.860 CKM) were transferred to HPPTCL during 2009-11.

The HPSEBL is still managing/operating all its existing generating and transmission network except 13 transmission lines alongwith distribution activities. The accounts of two companies (HPPTCL and HPPCL) have been finalized upto 2012-13. The accounts of HPSEBL have been finalised upto 2010-11 in which the company has shown accumulated losses of ₹ 885.59 crore.

Unbundling in true spirit as envisaged in Electricity Act, 2003 has not been achieved.

Education

The State government made investment of ₹ 113.06 crore, ₹ 25.82 crore and ₹ 65.76 crore during the year 2010-11, 2011-12 and 2012-13, respectively, on construction activities in higher education in the State. The Director, Higher Education stated that all the works sanctioned during the period 2010-13 were in progress (September 2013).

Similarly, investment on construction activities in Elementary Education was ₹ 30.95 crore, ₹ 9.35 crore and ₹ 11.51 crore during the period 2010-13, respectively.

1.6.3 Committed Expenditure

The committed expenditure of the State government on revenue account consists of interest payments, expenditure on salaries and wages, pensions and subsidies. **Table 1.16** and **Chart 1.8** present the trends in the expenditure on these components during 2008-13.

Table 1.16
Components of Committed Expenditure

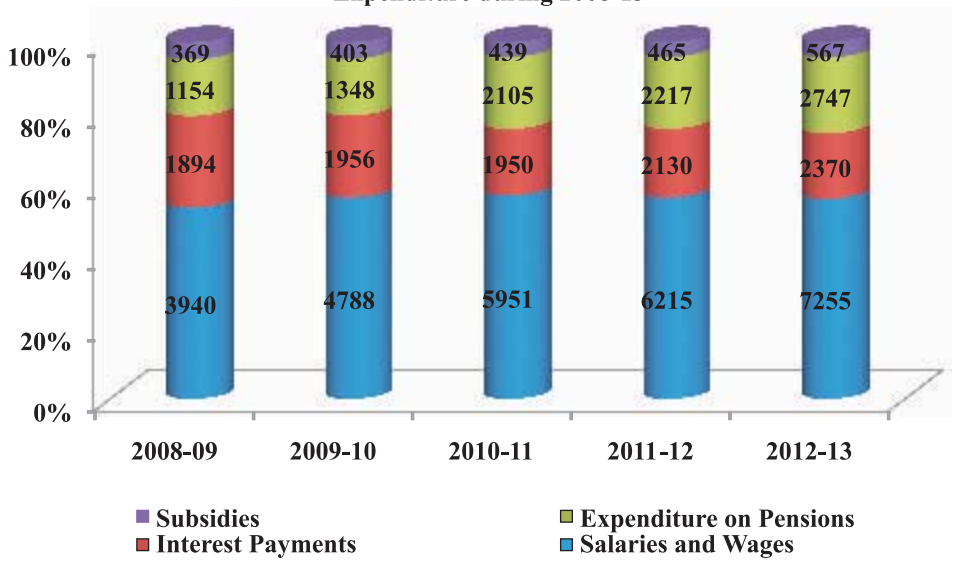
(₹ in crore)

Components of Committed Expenditure	2008-09	2009-10	2010-11	2011-12	2012-13
Salaries and Wages, of which	3940	4788	5951	6215	7255*
Non-Plan Head	3813	4645	5784	5981	6999
Plan Head	127	143	167	234	256
Interest Payments	1894	1956	1950	2130	2370
Expenditure on Pensions	1154	1348	2105	2217	2747
Subsidies	369	403	439	465	567
Total	**7357**	**8495**	**10445**	**11027**	**12939**

* *Salary : ₹ 7066 crore; wages: ₹ 189 crore.*

(₹ in crore)

Chart 1.8: Share of Committed Expenditure in Non-Plan Reveneue Expenditure during 2008-13



Salaries and Wages

The expenditure on salaries and wages was more than 47 *per cent* of revenue receipts of the State during 2012-13. It increased by 17 *per cent* from ₹ 6215 crore in 2011-12 to ₹ 7255 crore in 2012-13. Salary expenditure under non-plan head during 2012-13 increased by ₹ 1018 crore (17 *per cent*) over the previous year whereas the salary

expenditure on plan head increased by ₹ 22 crore (nine *per cent*) over the previous year. Non-plan salary expenditure ranged between 96 and 97 *per cent* of total expenditure on salaries during 2008-13. The salary expenditure during the current year exceeded by ₹ 781 crore from the projections made in Medium Term Fiscal Plan Statement (MTFPs) (₹ 6285 crore), requiring attention of the State government.

Pension Payments

The expenditure on pension payments increased from ₹ 1154 crore in 2008-09 to ₹ 2747 crore in 2012-13 and by ₹ 530 crore during the current year 2012-13 over the previous year, recording a growth rate of 24 *per cent* over the previous year. Pension payments accounted for nearly 18 *per cent* of revenue receipts of the State during 2012-13. The actual expenditure on pension payments for the current year exceeded the projections made in the Th FC (₹ 1748 crore).

Interest Payments

The interest payments increased by 25 *per cent* from ₹ 1894 crore in 2008-09 to ₹ 2370 crore in 2012-13 and increased by ₹ 240 crore during the current year. The major source of borrowings is market loans at interest rates varying from five to 13.99 *per cent*. Interest payments exceeded the Th FC projections (₹ 2039 crore) and MTFPS (₹ 2250 crore) projections for the current year.

Interest payments increased from ₹ 1894 crore in 2008-09 to ₹ 1956 crore in 2009-10 but decreased to ₹ 1950 crore in 2010-11. During 2011-12, interest payments stood at ₹ 2130 crore whereas in the current year it showed an increase of ₹ 240 crore over the previous year.

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 service 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 State government has been paying subsidies to various institutions/ bodies/corporations, etc. The subsidies increased by 54 *per cent* from ₹ 369 crore in 2008-09 to ₹ 567 crore in 2012-13 and by 22 *per cent* over the previous year and constituted about four *per cent* of the revenue receipts. The major components of subsidies were food and supply items (₹ 154 crore); transport (₹ 97 crore); electricity (₹ 220 crore) and scheduled caste, other backward castes and minority affairs

(₹ 20.18 crore). The subsidy at ₹ 567 crore in 2012-13 was higher than the projections made in MTFPS (₹ 510 crore).

1.6.4 Financial Assistance to Local bodies and other institutions

The detailed position of grants-in-aid released to various institutions during the period 2008-09 to 2012-13 by the State Government is given in **Table 1.17.**

Table 1.17
Detail of Grants-in-aid released to Local Bodies and other institutions

(₹ in crore)

Sr. No.	Name of Institution	2008-09	2009-10	2010-11	2011-12	2012-13
1.	Universities and Educational Institutions	203.49	231.14	311.25	314.89	405.62
2.	Municipal Corporations and Municipalities	82.46	115.92	92.26	122.94	174.09
3.	Panchayati Raj Institutions	188.45	217.92	256.28	263.95	282.09
4.	Development Agencies	44.45	48.61	52.14	46.72	38.72
5.	Hospitals and other Charitable Institutions	4.85	41.25	48.11	69.70	87.77
6.	Other Institutions	58.55	63.25	89.35	162.89	214.82
	Total	**582.25**	**718.09**	**849.39**	**981.09**	**1203.11**
	Assistance as percentage of Revenue Expenditure	6.17	6.44	6.09	7.06	7.43

Source: Accountant General (Accounts & Entitlement) office.

The grants extended to local bodies and other institutions consistently showed an increasing trend over the period 2008-13. It increased by ₹ 222.02 crore (22.62 *per cent*) during current year over the previous year. The share of grants in revenue expenditure indicated increasing trend ranging between 6.09 *per cent* and 7.43 *per cent* during the period 2008-13. The sharp increase in grants-in-aid during 2012-13 was mainly due to release of more grant to Universities and Educational Institutions (₹ 90.73 crore), Municipal Corporations and Municipalities (₹ 51.15 crore) and Other Institutions (₹ 51.93 crore).

1.7 Quality of Expenditure

The availability of better social and physical infrastructure in the State generally reflects the quality of its expenditure. The improvement in the quality of expenditure basically involves three aspects viz., adequacy of 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 percentage expenditure on developmental activities was 59 *per cent* whereas the percentage of non-developmental expenditure was 41 *per cent* of the revenue expenditure during the year 2012-13. Revenue expenditure had a growth of 16 *per cent* in the year 2012-13 over the previous year 2011-12. The percentage increase in expenditure on developmental and non-developmental activities was 17 *per cent* and 16 *per cent,* respectively during the current year over the previous year. The percentage of revenue expenditure and capital expenditure to the total expenditure of the State planned and non-planned expenditure was 87 *per cent* and 11 *per cent,* respectively.

1.7.2 Efficiency of expenditure use

As per **Table 1.18**, salary and wages increased by ₹ 516 crore (14 *per cent*) and ₹ 306 crore (20 *per cent*) in social services and economic services, respectively, during the current year 2012-13 as compared to previous year whereas operation and maintenance expenditure increased by ₹ 73 crore (29 *per cent*) in social services and decreased by ₹ three crore in economic services. The ratio of capital expenditure to total expenditure in social services and economic services remained static at 0.02 and 0.08, respectively during the period 2011-13.

Table 1.18
Expenditure incurred in various sectors

(₹ in crore)

Sector	2011-12			2012-13		
	Ratio of Capital expenditure to Total expenditure	Revenue expenditure		Ratio of Capital expenditure to Total expenditure	Revenue expenditure	
		Salaries & wages	Operation and Maintenance		Salaries & wages	Operation and maintenance
Social services	0.02	3622	251	0.02	4138	324
Economic services	0.08	1526	860	0.08	1832	857

Source: Voucher level computerization system from Accountant General (A&E) HP.

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 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 return on its investments and recover its cost of borrowed funds rather than bearing the same on its budget in the form of implicit subsidy and take requisite steps to infuse transparency in financial operations. This section

presents the 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 1.19.**

Table 1.19

Department-wise Profile of Incomplete Projects

(₹ in crore)

Department	Number of incomplete projects	Initial budgeted cost	Revised total cost of projects	Cumulative actual expenditure as on 31 March 2013	Cost overrun
1.	2.	3.	4.	5.	6
Irrigation and Public Health	9	38.04	74.36*	73.05	35.01
B&R (Public Works)	3	62.68	--	42.21	--
Total	**12**	**100.72**	**74.36**	**115.26**	**35.01**

Source: Finance Accounts

* Revised costs of seven projects are available.

In respect of all the incomplete projects, revised costs of only seven projects were available where the cost overrun was to the tune of ₹ 35.01 crore. These projects were to be completed between July 2005 and December 2012. An analysis of the delays showed time overruns ranging upto seven years. No project was abandoned during the period 2010-13.

1.8.2 Investment and returns

No norms for investments have been prescribed by the State government. As on 31 March 2013, the State government had invested ₹ 2767 crore in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operative Societies (**Table 1.20**).

Table 1.20

Return on Investment

(₹ in crore)

Investment/ Return/ cost of Borrowing	2008-09	2009-10	2010-11	2011-12	2012-13	Average 2008-13
Investment at the end of the year	2369	2663	2864	2448	2767	--
Return (Dividend/interest)	89.58	73.49	64.11	85.65	100.09	--
Return *(per cent)*	3.78	2.76	2.24	3.50	3.62	3.18
Average rate of interest on government borrowings *(per cent)*	9.19	8.59	7.78	7.80	8.08	8.28
Difference between interest rate and return *(per cent)*	5.41	5.83	5.54	4.30	4.46	5.10

Source: Finance Accounts

Major investments were made in six Statutory Corporations/Boards (₹ 1011.48 crore), 21 Government Companies (₹ 603.41 crore) and a central PSU, Satluj Jal Vidyut Nigam (₹ 1068.14 crore). The major recipients amongst Government Companies, which had accumulated losses as per latest finalised accounts, were Himachal Road Transport Corporation (₹ 653.45 crore), Himachal Pradesh Financial Corporation (₹ 127.43 crore), Himachal Pradesh Agro-Industrial Packaging India Limited (₹ 78.04 crore), Himachal Pradesh Horticulture Produce Marketing and Processing Corporation Limited (₹ 70.01 crore) and Himachal Pradesh Minorities Finance and Development Corporation (₹ 3.11 crore).

On the investments made, government earned a return of ₹ 100.09 crore in 2012-13 which is more than that of 2011-12 by ₹ 14.44 crore. The average return on investment was 3.18 *per cent* during 2008-13 while the average rate of interest paid on borrowings during the period was 8.28 *per cent*. The difference between average rate of interest paid and return was 4.46 *per cent* during the current year.

1.8.2.1 Sick/Non working Public Sector enterprises

Eighteen government companies and two statutory corporations are under audit jurisdiction. Out of these, Agro-Industrial Packaging India Limited is a non working company in which government had invested ₹ 16.75 crore upto 1994-95 as equity, which is 94.52 *per cent* of the total paid up equity share capital of ₹ 17.72 crore. As per finalized accounts for the year 2011-12, the company sustained loss of ₹ 0.24 crore during the financial year 2011-12 and accumulated losses were to the tune of ₹ 78.04 crore as on 31 March 2012. The Company had a negative net worth of ₹ 60.32 crore.

On the directions of the State government (September 2009), the plant and machinery installed at Gumma Carton factory of the Company were sold during August 2010 and the State government adjusted the employees of the Company in other departments. At present, only three employees are in the Company to look after day to day work.

After disposal of plant and machinery, the State government declared (2 April 2012) the AIPIL a defunct company and asked the management to take further steps for implementation of the decision as per provisions of the Companies Act, 1956 for which the matter was under consideration by the Company, the State government and the Registrar of Companies. The management had not taken any action (September 2013).

1.8.2.2 Investment in Public Private Partnership projects

Public Private Partnership (PPP) projects offer a unique and innovative method of involving the private sector in the nation building activity and in accelerating the delivery of public goods and services of high quality through joint enterprises. As of March 2013, out of 19 PPP projects undertaken, four PPP projects had been completed and 15 projects were under implementation as detailed in **Appendix 1.7**.

Out of 19 PPP projects, a test check of six[6] PPP agreements was carried out in audit. Important features of the agreements such as transfer of assets and liabilities, revenue sharing and contingent liabilities are included in **Appendix 1.8**. Out of three ropeway projects test checked, in case of two projects (Neugal and Jakhoo) assets are to be transferred at nil value whereas in case of Solang project, the assets are to be transferred at depreciated book value. There was a provision of obtaining performance guarantee for operation and maintenance in two projects (Solang and Jakhoo) but such a clause was not included in case of Neugal project. Scrutiny of three parking complex projects showed provision of contingent liabilities for the Concessioning Authority in the event of termination or Force Majeure but these liabilities were not reported in Medium Term Fiscal Plan statement as recommended by Th FC.

1.8.3 Loans and advances by State government

In addition to investments in co-operative societies, corporations and companies, the State government has also been providing loans and advances to institutions/ organizations working in areas such as Education, Sports, Art and Culture, Animal Husbandry, etc. The details of outstanding loans and advances as on 31 March 2013, interest receipts vis-à-vis interest payments during the last three years is given in **Table 1.21.**

Table 1.21
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	329	483	951
Amount advanced during the year	227	493	469
Amount repaid during the year	73	25	21
Closing Balance	**483**	**951**	**1399**
Net addition	154	468	448
Interest Receipts	11	21	14
Interest receipts as *per cent* to outstanding loans and advances	2.28	2.21	1.19
Interest payments as *per cent* to outstanding fiscal liabilities of the previous year	8.22	8.06	8.39
Difference between average rate of interest received and interest paid (*per cent*)	(-) 5.94	(-) 5.85	(-) 7.20

Source: Finance Accounts

Total amount of outstanding loans and advances as on 31 March 2013 was ₹ 1399 crore. Against ₹ 469 crore advanced, only ₹ 21 crore was repaid during the current year recording a decrease of ₹ four crore over the previous year. Major recipients of loans during 2012-13 were power sector companies (₹ 442.53 crore. There was a huge variation in the average rate of interest being paid by the

[6] *Three Parking Complexes at Sanjauli, Chhota Shimla and Lift, Ropeway at Neugal (Palampur), Ropeway-cum-Ski Centre Project, Solang (Kullu) and Jakho Ropeway(Shimla).*

government on borrowings vis-à-vis the percentage of interest received on outstanding loans and advances. The shortfall was almost static during 2010-12 but during 2012-13 it decreased by 1.35 *per cent*. During 2012-13, the government received 1.19 *per cent* return of interest receipts as percentage to outstanding loans. It, however, paid, an average 8.39 *per cent* interest on borrowings during this period.

The position of loans and advances made during the year 2012-13 is given in **Table 1.22.**

Table 1.22
Loans and Advances

(₹ in crore)

Loanee-Entity	Number of Loans	Total Amount of loans	Terms and conditions	
			Rate of Interest	Moratorium period, if any
HP SC/ST Development Corporation	1	0.19	Interest free	7 Years
Himachal Pradesh Horticulture Produce Marketing and Processing Corporation Limited (HPMC)	1	5.00	Interest Free	Till the disposal of assets of Corporation
Credit Corporation (ICDP)	1	0.85	Terms & Condition not finalized	
HP Power Corporation Ltd.	3	381.17	10 *per cent*	10 Years
HP Power Transmission & Development Corporation Ltd.	3	61.36	10 *per cent*	10 Years
HP State Financial Corporation	1	11.80	Interest free	5 Years
Government Servants	3	8.21	Not available	
Total:-	**13**	**468.58**		

Out of ₹ 468.58 crore, loans amounting to ₹ 16.99 crore were advanced as interest free, ₹ 442.53 crore at the rate of 10 *per cent* and ₹ 0.85 crore without finalizing the terms and conditions. Besides, ₹ 8.21 crore was advanced to the government servants.

1.8.3.1 Sanctioning/advancing of loans without finalizing terms and conditions.

A loan amounting to ₹ 4.80 crore meant for payment of Dearness Allowance to the employees for which the State government stood guarantee, was sanctioned on 23 October 2012 in favour of Himachal Pradesh Financial Corporation (HPFC) by way of redemption of bonds of HPFC and drawn by Director of Industries under Major Head- "6885-01-190-01- Loan to HP State Financial Corporation" (Demand No. 18) vide Voucher No. 01 of Capital Treasury Shimla in the month of October 2012 without budgetary provision and without finalizing the requisite terms and conditions of the loan such as moratorium, number of installments of loan, rate of interest and rate of interest in case of default in repayment of loan, etc. In addition to above, loans

of ₹ 7.50 crore were advanced to different entities[7] during the years 2006-07 and 2008-09 for which the terms and conditions were yet to be settled.

On this being pointed out (March 2013), government finalized (June 2013) terms and conditions for the loan paid to HPFC. Steps may be taken to finalise the terms and conditions for the remaining loans.

1.8.4. Outstanding balances under the head 'Cheques and Bills'.

The major head 8670- cheques and bills is an intermediary account head for initial record of transactions which are to be cleared eventually. Outstanding balance under this major head represents the amount of unencashed cheques. All treasuries in Himachal Pradesh operate the Real Time Gross Settlement (RTGS) system whereby payments are made electronically. Consequently, the unadjusted amount paid through cheques valued at ₹ 9.89 crore for the offices of the State government functional at Delhi pertains to the Delhi treasury, which was yet to switch over to the new system.

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 on 31 March 2012. While the liabilities in this Appendix consist mainly of internal borrowings, loans and advances from the GoI, receipts from the Public Account and Reserve Funds, the assets comprise mainly of the capital outlay and loans and advances given by the State government and cash balances.

1.9.2 Fiscal Liabilities

The trends in outstanding fiscal liabilities of the State are presented in **Appendix 1.3**. However, the composition of fiscal liabilities during the current year vis-à-vis the previous years are presented in **Table 1.23.**

---

[7] *Municipal Corporation, Shimla: ₹two crore, Himachal Pradesh State Handicrafts and Handloom Corporation Ltd. : ₹0.50 crore and Principal Secretary, MPP & Power : ₹ five crore.*

Table 1.23
Fiscal Liabilities – Basic Parameters

	2008-09	2009-10	2010-11	2011-12	2012-13
Fiscal Liabilities (₹ in crore)	21819	23713	26415	28228	30442
Rate of Growth (*per cent*)	12.36	8.68	11.39	6.86	7.84
Ratio of Fiscal Liabilities to					
GSDP (per cent)*	52.60	49.21	46.87	44.23	42.24
Revenue Receipts (per cent)	234.41	229.20	207.81	194.10	195.16

*GSDP revised on base year 2004-05

The overall fiscal liabilities of the State increased from ₹ 21819 crore in 2008-09 to ₹ 30442 crore in 2012-13. Fiscal liabilities of the State comprised Consolidated Fund liabilities and Public Account liabilities. The Consolidated Fund liability (₹ 20765 crore) comprised market loans (₹ 11809 crore), loans from GoI (₹ 1018 crore) and other loans (₹ 7938 crore, which includes ₹ 5349 crore on special security issued to NSSF of the GoI).

The Public Account liabilities (₹ 9677 crore) comprise Small Savings and Provident Funds (₹ 7850 crore), interest bearing obligations and non-interest bearing obligations like deposits (₹ 1602 crore) and reserve funds (₹ 226 crore).

The rate of growth of fiscal liabilities was eight *per cent* during 2012-13. The ratio of fiscal liabilities to GSDP consistently decreased to 42.24 *per cent* in 2012-13 from 52.60 *per cent* in 2008-09. These liabilities stood at 1.95 times the revenue receipts at the end of 2012-13 as compared to 1.94 times during 2011-12.

1.9.3 Transactions under Reserve fund

Closing balance in the Reserve Fund as on 31 March 2013 was ₹ 225.70 crore (Credit). Out of this, reserve fund bearing interest held ₹ 9.05 crore (credit) and the share of the fund not bearing interest was ₹ 216.65 crore (credit). The major heads of account being operated were 8115-Depreciation/Renewal Reserve Fund (RRF) (₹ 0.01 crore) and 8121-General and Other Reserve Fund (₹ 9.04 crore). As for reserve funds not bearing interest, heads of Account 8226-Depreciation/Renewal Reserve Fund (RRF) (₹ 1.53 crore), 8229-Development and Welfare Fund (₹ 215.10 crore) and 8235-General and Other Reserve Fund (₹ 0.08 crore) had been operated.

Consolidated Sinking Fund: In terms of the recommendations of the Twelfth Finance Commission, State governments are required to create a Consolidated Sinking fund to be administered by the Reserve Bank of India (RBI) for the amortization of open market loans availed of by them. The State government is required to make annual contribution to the fund at 0.5 *per cent* of the outstanding open market loans at the end of the previous financial year. As of 31 March 2012, the outstanding liabilities were ₹ 28227.52 crore. Had there been a Consolidated Sinking Fund, the liability of the State government towards the fund would have been ₹ 141.14 crore (0.5 *per cent* of the outstanding liabilities) in 2012-13. The State government, however, has not created a Consolidated Sinking Fund. In reply the Finance Department stated (September 2013) that the State government had not set up such a fund because there was no default of repayment in the past and there was no likelihood of such default in future. Reply was not tenable as the State government was bound to create such a fund as per the requirement of Twelfth Finance Commission.

State Disaster Response Fund (SDRF): As per recommendations of Th FC, the State government has to set up a SDRF with contribution of the Centre and State in the ratio of 90:10. If the State does not have adequate balance under SDRF, GoI provides additional assistance from National Disaster Response Fund (NDRF). The guidelines stipulate that the actual expenditure out of the NDRF should be booked under the respective minor heads within Major Head 2245-Relief on account of Natural Calamities. Direct expenditure by the State governments from the Public Account should not be made. In terms of these guidelines, the State government, on receipt of NDRF, is required to carry out the necessary book adjustments so that the fund is exhausted in the year of expenditure itself. In March 2012, State received ₹ 42.91 crore under NDRF which, however, was not booked against the expenditure on natural calamities. Instead, the State government transferred the amount to Public Account in 2012-13, against guidelines.

During 2012-13, the State government received ₹ 133.75 crore which was ₹ four crore more than the 90 *per cent* of Central government share under SDRF of ₹ 129.75 crore. Against its own share of ₹ 14.86 crore, the State government, therefore, released ₹ 11.41 crore. Against the corpus of ₹ 191.93 crore (₹ 3.86 crore opening balance under SDRF, ₹ 145.16 crore under SDRF for 2012-13 and ₹ 42.91 crore under NDRF for 2011-12), the State government has adjusted ₹ 182.89 crore towards expenditure on account of natural calamities during the year, leaving a balance of ₹ 9.04 crore

lying in the Fund as of 31 March 2013. In the meantime, in March 2013, the State government received an additional assistance of ₹ 45.98 crore under NDRF, which the government had not adjusted against the expenditure on natural calamities at variance with the guidelines.

1.9.4 Inoperative Reserve Funds

Two reserve funds viz. Major Head 8115-Depriciation/Renewal Reserve Funds-103-Depriciation Reserve Funds - Government Commercial Departments and Undertakings (₹ 0.01 crore) and the Major Head 8226-Depreciation/Renewal Reserve Fund-101- Depreciation Reserve Funds of Government Commercial Departments/ Undertakings (₹ 1.53 crore) had remained inoperative since 1970-71.

1.9.5 Contingent Liabilities

1.9.5.1 Status of Guarantees

Guarantees[8] are liabilities contingent on the security of the Consolidated Fund of the State in case of default by the borrower for whom the guarantee has been extended. The maximum amount, for which guarantees were given by the State and outstanding guarantees for the last three years as shown in Statement-9 of the Finance Accounts, is given in **Table 1.24.**

Table 1.24
Guarantees given by the Government of Himachal Pradesh
(₹ in crore)

Guarantees	2010-11	2011-12	2012-13
Maximum amount guaranteed	6232	6208	9455
Outstanding amount of guarantees	3910	3316	3353
Percentage of maximum amount guaranteed to total revenue receipts of the year	49	43	61

FRBM Act, 2005 amended in March 2011 provides that the total outstanding guarantees are to be limited to 40 *per cent* of revenue receipts in the year preceding the current year. The outstanding guarantees on the loans raised by various corporations and others stood at ₹ 3,353 crore at the end of 2012-13 forming 23 *per cent* of the revenue receipts of the previous year was also within the limit of 40 *per cent*. The major recipients of guarantees against which amounts were outstanding as on 31 March 2013 were five Statutory Boards/Corporations (₹ 3008 crore), six

[8] Refer glossary in Appendix 4.

Government Companies (₹ 136 crore), one Co-operative Bank (₹ 204 crore) and one Local/Autonomous Body (₹ five crore). During the year 2012-13, 16 number of guarantees were given by the government covering an amount of ₹ 3353 crore. Out of the guarantee fees/commission of ₹ 0.06 crore to be received, an amount of ₹ 0.01 crore has actually been received. The State government had not furnished information on the invoking of Guarantees or regarding issue of letter of comfort during 2012-13.

The government was required to set up the Guarantee Redemption Fund as recommended by the Th FC to meet the contingent liabilities arising from the guarantees given. However, the State government has not set up such Fund so far. In reply, the Finance Department stated (September 2013) that there was no need for formation of such a fund as no organization of the State government had defaulted in servicing the debt obligations at any stage.

1.10 Debt Management

Fiscal deficit is usually financed by way of borrowings by the State. The growth of total debt decreased from eight *per cent* in 2010-11 to six *per cent* in 2011-12 but increased to eight *per cent* during 2012-13. The public debt repayment increased from ₹ 867 crore in 2009-10 to ₹ 2117 crore in 2012-13 with the sharp increase of ₹ 989 crore during the current year over the previous year. The State experienced revenue deficit of ₹ 576 crore during 2012-13, which was financed by raising public debt of ₹ 3371 crore during the year 2012-13.

1.10.1 Debt Profile

A time series analysis of previous four years showing per capita debt is given in **Table 1.25.**

Table 1.25
Per capita debt

	2009-10	2010-11	2011-12	2012-13
Population (In crore)	0.6702	0.6767	0.6901	0.6971
Total Debt[9] (₹ in crore)	23164	24961	26494	28615
Per capita debt (in ₹)	34562	36886	38392	41049

Source: Economics and Statistics department.

[9] *Includes internal debt, loans and advances from GoI, GPF/GIS, etc.*

Table 1.25 shows that per capita debt had shown increasing trend from ₹ 34562 in 2009-10 to ₹41049 in 2012-13.

1.10.2 Debt sustainability

Debt sustainability refers to the state's ability to maintain a constant debt-GDP ratio over a period of time. Thus, it implies State's ability to service the debt. Apart from the magnitude of debt of State government, it is important to analyse various indicators that determine the debt sustainability[10] of the State. This section assesses the sustainability of debt of the State government in terms of debt stabilisation[11]; sufficiency of non-debt receipts[12]; net availability of borrowed funds[13]; burden of interest payments (measured by interest payments to revenue receipts ratio) and maturity profile of State government securities. The analysis of the debt sustainability of the State according to these indicators for the period of three years beginning from 2010-11 is given in **Table 1.26.**

Table 1.26
Debt Sustainability: Indicators and Trends

(₹ in crore)

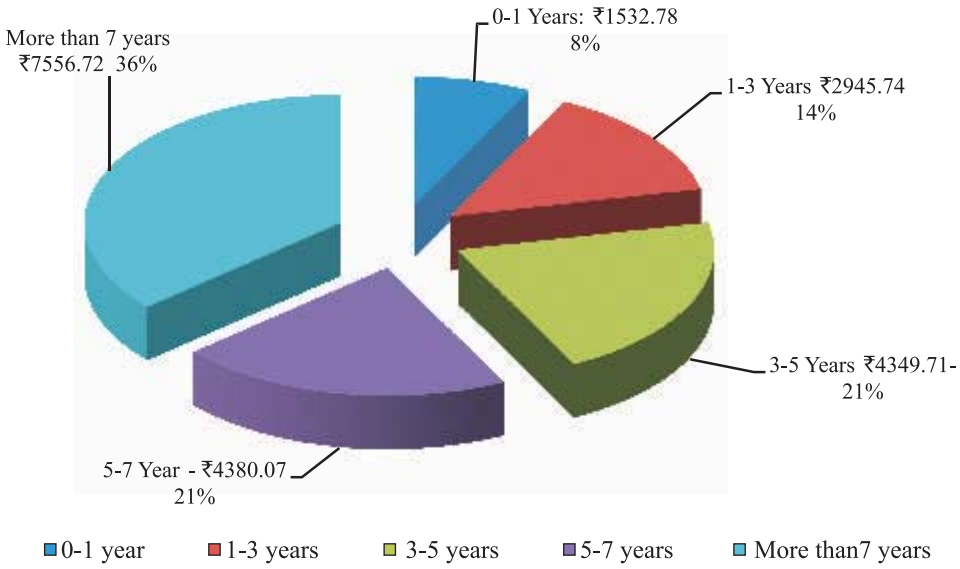
Indicators of Debt Sustainability	2010-11	2011-12	2012-13
Debt Stabilisation (Quantum Spread + Primary Deficit)	1462	2481	766
Sufficiency of Non-debt Receipts (Resource Gap)[14]	252	899	(-) 1346
Net Availability of Borrowed Funds	752	(-)317	(-)155
Burden of Interest Payments (IP/RR Ratio)	0.153	0.146	0.152
Maturity Profile of State Debt (In Years)			
0 – 1	952.61(5)	1496.44 (8)	1532.78(8)
1 – 3	3121.30(17)	3408.68 (17)	2945.74(14)
3 – 5	3346.47(18)	2853.82 (15)	4349.71(21)
5 – 7	3087.09(16)	4291.81 (22)	4380.07(21)
7 and above	8146.89(44)	7459.94 (38)	7556.72(36)

Figures in parenthesis indicate percentages w.r.t. public debt.

10 Refer glossary in Appendix 4.
11 Refer glossary in Appendix 4.
12 Refer glossary in Appendix 4.
13 Refer glossary in Appendix 4.
14 Refer glossary in Appendix 4.

It is observed from the **Table 1.26** that quantum spread together with primary deficit was positive in the years 2010-11: ₹ 1462 crore, 2011-12: ₹ 2481 crore and 2012-13 : ₹ 766 crore. The maturity profile of the State government indicates that 43 *per cent* (₹ 8828 crore) of the public debt is repayable within the next five years while the remaining 57 *per cent* (₹ 11937 crore) loans are required to be paid in more than five years time. Maturity profile of public debt as on 31 March 2013 is given in **Chart 1.9.**

Chart 1.9: Maturity Profile of Public Debt (₹ in crore)



In order to discharge its expenditure obligations, the government had to borrow further, as fiscal surplus was not available in any of the last three years. The maturity profile of outstanding stock of Public Debt as on 31 March 2013 shows that 36 *per cent* of the Public Debt was in the maturity bracket of seven years and above.

1.10.3 Review of Market Borrowings

1.10.3.1 Introduction

Fiscal deficit represents the borrowing requirements of the government during the year. The borrowings are accounted for under the Consolidated Fund (E-Public debt). The major divisions 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 Centre government and managed by the Reserve Bank of India. 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 utilization of market loans raised by the Himachal Pradesh government during the period 2008-13.

1.10.3.2 Position of market borrowings

The year-wise position of market borrowings for the period 2008-09 to 2012-13 is given in **Table 1.27.**

Table 1.27

Year-wise position of market borrowings

(₹ in crore)

Year	Opening Balance of Market Loans	Market Loans raised during the year	Market loans repaid during the year	Closing Balance	Net increase in respect of opening balance	Percentage of increase over the previous year
2008-09	5905.62	1912.01	159.61	7658.02	1752.41	29.67
2009-10	7658.02	1420.00	242.97	8835.05	1177.03	15.37
2010-11	8835.05	644.89	255.65	9224.29	389.24	4.40
2011-12	9224.29	1325.00	402.62	10146.68	922.39	10.00
2012-13	10146.68	2360.00	697.85	11808.83	1622.15	15.99

Source: Finance Accounts/Finance Department.

The market borrowings increased by 99.96 *per cent* from ₹ 5905.62 crore at the beginning of 2008-09 to ₹ 11808.83 crore at the end of 2012-13. The market borrowings by State government showed decreasing trend for the periods 2008-09 to 2010-11 but increased by ₹ 680.11 crore and ₹ 1035 crore during 2011-12 and 2012-13, respectively.

1.10.3.3 Debt sustainability indicators

The debt sustainability indicators of the State government are given in **Table 1.28.**

Table 1.28

Debt sustainability indicators

(₹ in crore)

Description	2008-09	2009-10	2010-11	2011-12	2012-13
Total liabilities	21818.96	23713.06	26414.74	28227.52	30442.43
Public Debt*	15427.23	17112.95	18654.37	19510.69	20765.02
Total Market Loans	7658.02	8835.05	9224.29	10146.68	11808.83
Percentage of market loans to total liabilities	35.10	37.26	34.92	35.95	38.79
Percentage of market loans to public debt	49.64	51.63	49.45	52.01	56.87
Weighted Average interest rate on market loans-financial year wise	7.81	8.36	8.45	8.87	8.77
Interest paid on market loans	472.08	592.50	678.40	706.56	849.54
GSDP of the State at current prices	41483.00	48188.00	56355.00	63812.00	72076.00
GSDP growth rate in percent	22.15	16.16	16.95	13.23	12.95
GSDP growth rate and interest rate ratio	2.84:1	1.58:1	1.94:1	1.49:1	1.48:1
Gross interest payments to revenue receipts ratio	0.20:1	0.19:1	0.15:1	0.15:1	0.15:1
Primary Surplus(+)/ Deficit(-)	(-)384.26	(-)828.06	(-)582.77	(+)496.65	(-)608.51
Revenue surplus(+)/ deficit(-)	(-)130.14	(-)804.65	(-)1235.44	(+)644.89	(-)576.13
Fiscal Deficit	2277.83	2783.91	2532.54	1633.05	2978.41
Percentage of Total liabilities to SGDP	52.60	49.21	46.87	44.23	42.24
Percentage of public debt to GSDP	37.19	35.51	33.10	30.58	28.81
Outstanding guarantees	2290.75	1949.23	3909.90	3316.43	3353.36
Actual Revenue receipts of the preceding financial year	9141.55	9307.99	10346.36	12710.61	14542.86
Percentage of outstanding guarantees to RR	25.06	20.94	37.79	26.09	23.06

** Includes internal debt and loans and advances from GoI.*

The percentage of total liabilities to GSDP decreased from 52.60 *per cent* in 2008-09 to 42.24 *per cent* in 2012-13, whereas the percentage of public debt to GSDP decreased from 37.19 *per cent* in 2008-09 to 28.81 *per cent* in 2012-13. The share of market loans in the public debt increased from 49.64 *per cent* in 2008-09 to 56.87 *per cent* in 2012-13.

1.10.3.4 Profile of market loans

The profile of market loans raised during the last five years is given in **Table 1.29**.

Table 1.29
Profile of market loans

(₹ in crore)

Periodicity of loan	Amount of loan raised					
	2008-09	2009-10	2010-11	2011-12	2012-13	Total
3-5 years	--	--	---	---	600	600
5-7 years	---	---	---	---	400	400
>7 years	1912	1420	645	1325	1360	6662
Total loans made during the year	1912	1420	645	1325	2360	7662
Total outstanding as on 31 March	7658.02	8835.05	9224.29	10146.68	11808.83	
Percentage of loans raised during the year to total outstanding loans	24.96	16.07	6.99	13.05	19.99	

Source: Finance Department and Finance Accounts.

Out of the total market borrowings of ₹ 7662 crore during 2008-13, 86.95 *per cent* loans were of 10 years maturity period. Loans of ₹ 1000 crore of shorter maturity have been raised only during 2012-13. The Finance Department stated (September 2013) that the shift towards shorter maturity loans was a part of prudent financial management of the State government. This had been done keeping in view all the financial aspects such as best rates, over all future repayments etc.

1.10.3.5 Weighted average maturity of market loans

The average amount of time remaining before maturity of the mortgages underlying a mortgage-backed security (MBS), weighted by the percentage of the MBS that each mortgage constitutes is called weighted average maturity. The position of weighted average maturity of market loans during the last five years is given in **Table 1.30.**

Table 1.30
Weighted average maturity of market loans

(in years)

Year	Weighted average maturity	
	Issue during the year	Outstanding market loans
2008-09	10	10.12
2009-10	10	10.08
2010-11	10	10.05
2011-12	10	10.01
2012-13	7.63	9.53

During the period 2008-09 to 2011-12, the weighted average maturity of market borrowings remained constant at 10 years but it fell to 7.63 years in 2012-13 due to raising of market loans of relatively less maturity of 3 to 5 years (₹ 1000 crore out of

₹ 2360 crore) during 2012-13. Also, the weighted average maturity of outstanding stock of market borrowings at the end of 2012-13 decreased to 9.53 years from 10.12 years as at the end of 2008-09.

1.10.3.6 Maturity trend of market loans

The year-wise position of maturity trend of market loans for the period 2014-21 is given in **Table 1.31**.

Table 1.31
Maturity trend of market loans (As on 31 March 2013)

(₹ in crore)

Maturity year	Maturity amount	As a percentage of outstanding market loans
2014-15	714.36	6.04
2015-16	785.55	6.65
2016-17	1237.35	10.47
2017-18	1799.01	15.23
2018-19	1912.00	16.19
2019-20	1420.00	12.02
2020-21	645.00	5.46

Note: Outstanding loans as on March 2013 = ₹ 11808.83 crore.

Over the next seven years, maturity amount constituted an average 10.29 *per cent* of the outstanding market loans with significant pressure on redemption during the years 2017-18 and 2018-19 at 15.23 *per cent* and 16.19 *per cent* of the outstanding debt, respectively.

The Finance Department stated (September 2013) that after considering overall debt of the State government including other borrowings such as National Small Savings Fund loans, negotiated loans, loans from GoI etc., the overall repayments would increase proportionately. The State government, however, did not furnish the details of maturity trend of the overall debt.

1.10.3.7 Interest rate profile of market loans

The year-wise average interest rates on which market loans were availed by the government during the period 2008-13 are shown in **Table 1.32**.

Table 1.32
Interest rate profile of market loans

(₹ in crore)

Rate of interest (*per cent*)	Market loans raised during the year					
	2008-09	2009-10	2010-11	2011-12	2012-13	Total
Below 5	-	-	-	-	-	
5-5.99	-	-	-	-	-	
6-6.99	200	-	-	-	-	200
7-7.99	700	-	-	-	-	700
8-8.99	1012	1420	645	1120	2360	6557
9-9.99	-	-	-	205	-	205
10-10.99	-	-	-	-	-	-
Weighted average interest rate (*per cent*)	7.81	8.36	8.45	8.87	8.77	-

Source: Finance Department.

The weighted average interest rate on market loans increased from 7.81 *per cent* in 2008-09 to 8.87 *per cent* in 2011-12 and then reduced slightly to 8.77 *per cent* in 2012-13. The decrease in 2012-13 was due to raising of loans with lower maturity of 3 to 5 years as compared to earlier years maturity of 10 years during 2008-12.

1.10.3.8 Interest payment as a percentage of revenue receipts

Table 1.33 brings out the ratio of interest payments to revenue receipts of the State government during last five years.

Table 1.33
Interest payments to revenue receipts ratio

(₹ in crore)

Gross interest payment as a percentage of revenue receipts					
Particulars	**2008-09**	**2009-10**	**2010-11**	**2011-12**	**2012-13**
Interest payment	1893.57	1955.85	1949.77	2129.70	2369.90
Revenue receipts	9307.99	10346.36	12710.61	14542.86	15598.12
Percentage of interest payments to revenue receipts	20.34	18.90	15.34	14.64	15.19

Source: Finance Accounts.

The percentage of interest payment to revenue receipts decreased from 20.34 *per cent* to 14.64 *per cent* during the period 2008-12 but increased slightly to 15.19 *per cent* in 2012-13. The overall debt sustainability of the State, therefore, improved over the period 2008-09 to 2011-12. However, the percentage of interest payments to revenue receipts increased slightly during 2012-13.

1.10.3.9 Variation of market borrowings from budget estimates.

During test check of budget estimates and revised estimates for the years 2008-09 to 2012-13 in respect of market loans, variations in the budget estimates and actual amount of market borrowings were observed which are indicated in **Table 1.34**.

Table 1.34
Budget estimates and actual market borrowings

(₹ in crore)

Year	Market borrowings as per budget estimates	Actual market borrowings	Actual market borrowings as *per cent* of budget estimates.
2008-09	2103.07	1912.01	90.92
2009-10	1593.49	1420.00	89.11
2010-11	1725.01	644.89	37.38
2011-12	1497.94	1325.00	88.45
2012-13	2551.11	2360.00	92.51

The actual market borrowings as percentage of budget estimates ranged between 37.38 *per cent* and 92.51 *per cent* during the period 2008-13 indicating unrealistic budget estimates during the year 2010-11. Scrutiny of records in the Finance

Department showed that the reasons for variation were excess subscription on account of State Provident Funds, small savings and negotiated loans during 2010-11.

The Finance Department stated (September 2013) that the actual borrowings depended on various factors such as constitutional consent of GoI, inflow of funds from other source of borrowings and actual requirement of the funds during the year. The State government, however, did not specify the yearwise reasons for variations between budget estimates and actual market borrowings.

1.11 Fiscal imbalances

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

1.11.1 Trends in Deficits

Charts 1.10 and **1.11** present the trends in deficit indicators over the period 2008-13.

Chart 1.10: Trends in Deficit Indicators (₹ in crore)

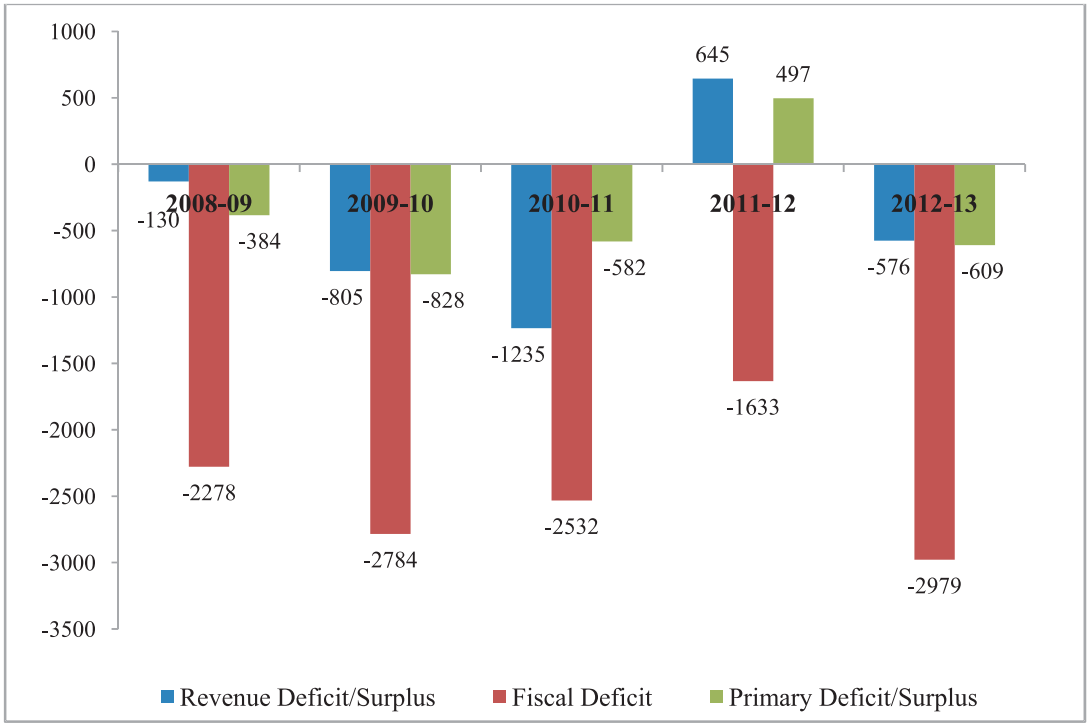
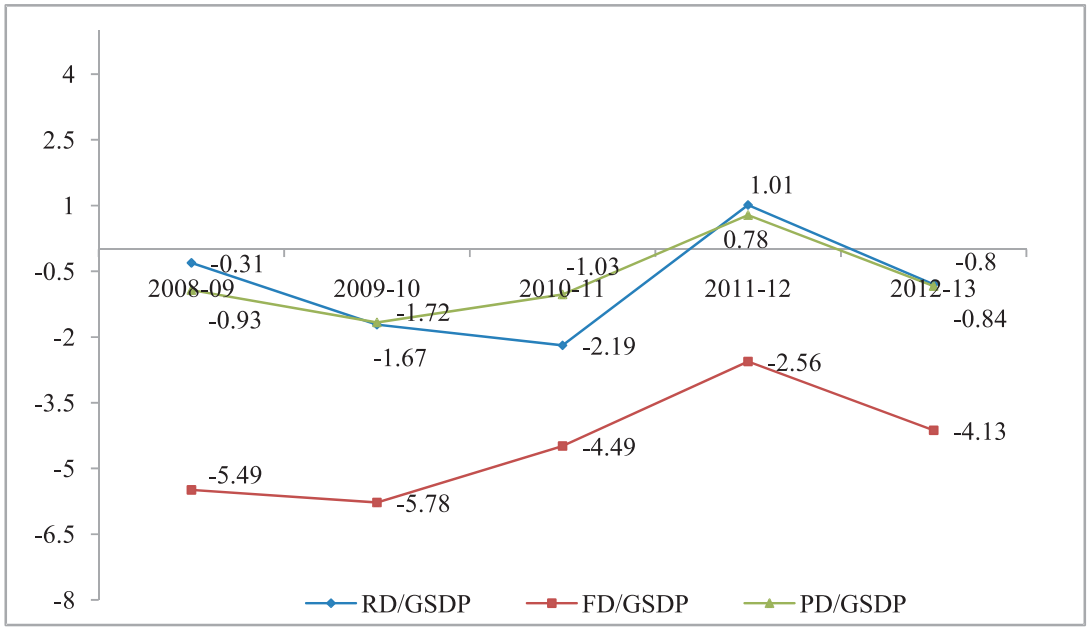


Chart 1.11: Trends in Deficit Indicators relative to GSDP
(figures as percentage to GSDP)



Charts 1.10 and **1.11** showed that all accounts of revenue, fiscal and primary experienced a situation of huge deficit during 2008-13 except for the year 2011-12 when the State experienced revenue and primary surplus of ₹ 645 crore and ₹ 497 crore, respectively. The State had a revenue deficit of ₹ 130 crore in 2008-09 which further deteriorated and rose to ₹ 1,235 crore in 2010-11. From a revenue surplus position in 2011-12, the State experienced a revenue deficit of ₹ 576 crore during 2012-13 against the budget estimates of revenue surplus of 374 crore. The main reasons for revenue deficit during the year 2012-13 were increase of ₹ 2276 crore in revenue expenditure (16.37 *per cent*) due to payment of arrears of pay revision and additional dearness allowance to State government employees and decrease of non-tax revenue of ₹ 538 crore (28 *per cent*) over the previous year. Further, fiscal deficit increased by ₹ 1346 crore from ₹ 1633 crore in 2011-12 to ₹ 2979 crore during 2012-13. The fiscal deficit was 4.13 *per cent* of GSDP during the current year which was above the target fixed by FRBM Act and projections made by Th FC (i.e. 3 *per cent*). The primary surplus of ₹ 497 crore in 2011-12 turned into deficit of ₹ 609 crore in 2012-13 indicating a change of 222 *per cent.*

1.11.2 Composition of Fiscal Deficit and its Financing Pattern

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

Table 1.35

Components of Fiscal Deficit and its Financing Pattern

(₹ in crore)

	Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
Components of Fiscal Deficit						
1	Revenue Deficit/surplus	(-) 130 ((-) 0.31)	(-) 805 ((-) 1.67)	(-)1,235 ((-)2.19)	(+) 645 (1.01)	(-) 576 ((-)0.80)
2	Capital Expenditure	2079 (5.01)	1943 (4.03)	1789 (3.17)	1810 (2.84)	1955 (2.71)
3	Net Loans and Advances	69 (0.17)	36 (0.07)	154 (0.27)	468 (0.73)	448 (0.62)
Financing Pattern of Fiscal Deficit*						
1	Market Borrowings	1752	1177	389	922	1662
2	Loans from GoI	(-) 44	13	(-)23	(-) 13	71
3	Special Securities Issued to NSSF	60	396	650	127	286
4	Loans from Financial Institutions	(-) 406	78	526	(-) 180	(-) 764
5	Small Savings, PF, etc.	515	546	888	636	1112
6	Deposits and Advances	217	265	333	178	(-) 156
7	Suspense and Misc.	53	117	137	(-) 119	756
8	Remittances	(-) 2	75	48	(-) 127	(-) 174
9	Others	151	117	(-)416	209	185
10	Overall Surplus/Deficit	(-) 2278	(-) 2784	(-)2532	(-) 1633	(-) 2979

Figures in brackets indicate the per cent to GSDP.
**All these figures are net of disbursements/outflows during the year*

Source: Finance Accounts

The fiscal position of the State had experienced a huge deficit during 2008-09 and 2009-10, which decreased to ₹ 2532 crore and ₹ 1633 crore in 2010-11 and 2011-12, respectively. During 2012-13, the fiscal position of the State deteriorated and its deficit stood at ₹ 2979 crore which was financed through borrowings from market (₹ 1662 crore), small savings, provident fund, etc. (₹ 1112 crore) and special securities issued to National Small Savings Fund (₹ 286 crore). During 2012-13, the market borrowings and small savings, PF, etc. together financed 93 *per cent* of the deficit which will increase the interest burden in future.

1.11.3 Quality of Deficit/Surplus

The ratio of revenue deficit to fiscal deficit and the revenue and capital expenditure (including loans and advances) would indicate the quality of deficit in the States' Finances. The ratio of revenue deficit to fiscal deficit indicates the extent to which borrowed funds were used for current consumption. Further, persistently high ratio of

revenue deficit to fiscal deficit also indicates that the asset base of the State was continuously shrinking and a part of borrowings (fiscal liabilities) were not having any asset backup. The ratio of revenue deficit to fiscal deficit was 0.06 during 2008-09, which increased substantially to 0.49 in 2010-11. During 2012-13, the ratio of revenue deficit to fiscal deficit was 0.19.

The bifurcation of the primary deficit (**Table 1.36**) indicates the extent to which the deficit had been on account of enhancement in capital expenditure which may be desirable to improve the productive capacity of the State's economy.

Table 1.36
Primary deficit/Surplus – Bifurcation of factors

(₹ in crore)

Year	Non-debt receipts	Primary Revenue Expenditure (PRE)	Capital Expenditure	Loans and Advances	Total Primary Expenditure (3+4+5)	Primary revenue surplus (2-3)	Primary deficit (-)/ surplus (+) (2-6)
1	2	3	4	5	6	7	8
2008-09	9329	7544	2079	90	9713	1785	(-) 384
2009-10	10380	9195	1943	70	11208	1185	(-) 828
2010-11	13430	11996	1789	227	14012	1434	(-)582
2011-12	14568	11768	1810	493	14071	2800	(+) 497
2012-13	15619	13804	1955	469	16228	1815	(-) 609

From 2008-09 onwards, non-debt receipts of the State were higher than the primary revenue expenditure which was sufficient to meet this expenditure. From 2008-09, the non-debt receipts as compared to PRE had shown fall from ₹ 1785 crore in 2008-09 to ₹ 1185 crore in 2009-10 but showed consistent increase to ₹ 1434 crore in 2010-11, ₹ 2800 crore in 2011-12 and decreased to ₹ 1815 crore during the current year 2012-13.

Total primary expenditure increased by ₹ 6515 crore from ₹ 9713 crore to ₹ 16228 crore during the period 2008-13 which was due to increase of primary revenue expenditure to the extent of ₹ 6260 crore from ₹ 7544 crore in 2008-09 to ₹ 13804 crore in 2012-13 and decrease in capital expenditure by ₹ 124 crore from ₹ 2079 crore in 2008-09 to ₹ 1955 crore in 2012-13.

The State had a primary deficit of ₹ 384 crore in 2008-09 which further increased to ₹ 828 crore in 2009-10. After an improvement in 2010-11, the primary deficit turned into surplus of ₹ 497 crore during 2011-12. However, the State experienced a primary deficit of ₹ 609 crore in 2012-13. The primary deficit during 2012-13 was mainly due to significant increase in revenue expenditure by ₹ 2276 crore *(16.38 per cent)* over the previous year.

1.12 Follow up on Audit Report on State finances

Separate Report on State Finances is being prepared from the year 2008-09 onwards but the State government had not submitted action taken notes/replies on the audit observations from the Report of the year 2009-10 onwards. The Public Account Committee is yet to discuss any Audit Report on State Finances.

1.13 Conclusion

The fiscal position of the State is viewed in terms of key fiscal parameters viz; revenue, fiscal and primary deficits. The State witnessed revenue deficit of ₹ 576 crore during the current year relative to revenue surplus of the previous year (₹ 645 crore). The revenue receipts (₹ 15598 crore) of the State grew by (₹ 1055 crore) seven *per cent* while the revenue expenditure increased by ₹ 2276 crore (16 *per cent*) over the previous year. This resulted in revenue deficit of ₹ 576 crore as compared to revenue surplus of ₹ 645 crore registered during the year 2011-12. The revenue account could not meet the projections made in the Th FC and FRBM.

The primary surplus of ₹ 497 crore of previous year turned into deficit of ₹ 609 crore during 2012-13. The fiscal deficit as a percentage of GSDP was 4.13 *per cent* in 2012-13, which also was not within the FRBM target of three *per cent*.

The revenue expenditure constituted 87 *per cent* of the total expenditure during 2012-13 and the Non-Plan Revenue Expenditure (NPRE) also constituted 87 *per cent* of revenue expenditure. The Plan Revenue Expenditure increased by 22 *per cent* over the previous year whereas the Capital Expenditure increased by eight *per cent* (₹ 1955 crore) over the previous year. Low rate of return on government investments and inadequate interest cost recovery on loans and advances was a cause for concern. The salary expenditure of ₹ 7066 crore during the current year exceeded the projections made in the MTFPs (₹ 6285 crore).

During 2012-13, GoI directly transferred ₹ 1202 crore to various State implementing agencies without routing through the State budget. There is no single agency in the State to monitor the expenditure of these funds.

Fiscal liabilities at the end of the current year were ₹ 30442 crore with growth of eight *per cent* over the previous year and stood at 42 *per cent* of GSDP. The share of market loans in the total public debt increased from 49.64 *per cent* in 2008-09 to 56.87 *per cent* in 2012-13. Maturity amount constituted an average 10.29 *per cent* of the outstanding market loans over the next seven years, with significant pressure on redemption during the years 2017-18 and 2018-19 at 15.23 *per cent* and 16.19 *per cent* of the outstanding debt, respectively.

The accounts of HPSEBL have been finalised upto 2010-11 in which the company had shown accumulated losses of ₹ 885.59 crore. Unbundling in true spirit as envisaged in Electricity Act, 2003 has not been achieved.

As of 31 March 2013, there were 12 incomplete projects which were to be completed between July 2005 and December 2012 in which ₹ 115 crore were blocked.

Loans of ₹ 7.50 crore were advanced to different entities for which the terms and conditions for recovery were not settled even after a lapse of six years.

1.14 Recommendations

The government may consider:

- strengthening systematic factors in budget estimates to avoid over estimation;
- strengthening collection of State's own receipts to reduce borrowing of funds;
- instituting a system of tracking financial commitments by the Finance Department; and
- improving Management Information System to access periodic information on receipts and expenditure in respect of funds directly transferred by Government of India to State implementing agencies.