CHAPTER I

FINANCES OF THE UNION TERRITORY GOVERNMENT

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The Union Territory (UT) of Puducherry is located on the East Coast of India and extends over an area of 490 sq.kms. The UT consists of four regions, namely, Puducherry, Karaikal, Mahe and Yanam, geographically separated from each other. The UT is administered under the provisions of the Government of Union Territories Act, 1963. As indicated in **Appendix 1.1**, the UT's population increased from 9.74 lakh in 2001 to 12.44 lakh in 2011 (provisional figure), recording a decadal growth rate of 27.72 *per cent*. The percentage of population below the poverty line was 22.4 *per cent* which was lower than the all India average of 27.5 *per cent.* The Union Territory's Gross State Domestic Product (GSDP) in 2012-13 at current price was ₹ 17,192 crore[1]. The Union Territory's literacy rate increased from 81.24 *per cent* (as per 2001 census) to 86.55 *per cent* (as per 2011 census – provisional figure). The per capita income of the UT (source: Directorate of Economics and Statistics, Puducherry) stands at ₹ 1,32,723 against the country average of ₹ 78,177. General data relating to the Union Territory is given in **Appendix 1.1**

Gross State Domestic Product

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

Table 1.1: Trend of growth of GDP and GSDP

	2008-09	2009-10	2010-11	2011-12	2012-13
India's GDP (₹ in crore)	53,03,567	61,08,903	72,66,967 (Revised Estimate)	83,53,495 (Quick Estimate)	94,61,013 (Advance Estimate)
Growth rate of GDP (percentage)	15.75	15.18	18.96	14.95	13.26
UT's GSDP (₹ in crore)	10,050	12,304	13,092 (Revised Estimate)	14,299 (Provisional)	17,192 (Quick Estimate)
Growth rate of GSDP (percentage)	8.64	22.43	6.40	9.22	20.23

(Source: GSDP in Puducherry - Directorate of Economics and Statistics, Puducherry)

[1] Quick estimate

The terms and abbreviations used in this Report are listed in the Glossary at Page No. 90.

1.1 Introduction

This chapter provides a broad perspective of the finances of the Government of the Union Territory of Puducherry 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. The structure of Government Accounts and the layout of the Finance Accounts are shown in **Appendix 1.1 Part B and Part C.** The methodology adopted for the assessment of the fiscal position of the UT is given in **Appendix 1.2.** A time series data on the UT Government finances is given in **Appendix 1.3.**

1.1.1 Summary of Current Year's Fiscal Transactions

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

Table 1.2 Summary of Current Year's Fiscal Operations

(₹ in crore)

2011-12	Receipts	2012-13	2011-12	Disbursements	2012-13		
Section-A: Revenue					**Non Plan**	**Plan**	**Total**
2,771	**Revenue receipts**	**3,146**	**3,222**	**Revenue expenditure**	**2,067**	**984**	**3,051**
1,329	Tax revenue	1,917	968	General services	1,100	39	1,139
153	Non-tax revenue	118	1,498	Social services	571	681	1,252
Nil	Share of Union Taxes/ Duties	Nil	752	Economic services	391	264	655
1,289	Grants from the Government of India	1,111	4	Grants-in-aid and Contributions	5	--	5
Section-B: Capital							
Nil	Miscellaneous Capital Receipts	Nil	375	Capital expenditure	6	309	315
4	Recoveries of Loans and Advances	3	2	Loans and Advances disbursed	1	--	1
788	Public Debt receipts	529	157	Repayment of Public Debt	126	62	188
Nil	Contingency Fund	Nil	Nil	Contingency Fund			Nil
1,059	Public Account receipts	715	795	Public Account disbursements	*	*	717
828	Opening Cash Balance	899	899	Closing Cash Balance			1,020
5,450	**Total**	**5,292**	**5,450**	**Total**			**5,292**

(Source: Finance Accounts); * Bifurcation of Plan and Non-Plan not available

Following are the significant changes during 2012-13 as compared to the previous year 2011-12:

- Revenue receipts increased by ₹ 375 crore due to increase in tax revenue of ₹ 588 crore which was offset by decrease of non-tax revenue of ₹ 35 crore and grants from GOI of ₹ 178 crore.

- Revenue expenditure decreased by ₹ 171 crore due to less expenditure on social services (₹ 246 crore) and economic services (₹ 97 crore) and which was offset mainly by increased expenditure on general services (₹ 171 crore).

- Capital expenditure decreased by ₹ 60 crore during the year and it was at 9.36 *per cent* of the aggregate expenditure.

- Public Account receipts and disbursements decreased by ₹ 344 crore and ₹ 78 crore respectively during 2012-13.

1.1.2 Review of the fiscal situation

As UT of Puducherry was not covered by Central Finance Commission, FRBM Act was not enacted. However, fiscal road map based on the principles of GOI's FRBM Act had been prepared and approved by GOI. The target prescribed in the fiscal road map and target proposed in the budget are given in **Table 1.3**:

Table 1.3: Comparison of Fiscal variable with road map for 2012-13

Fiscal variables	Target proposed in the fiscal road map	Target proposed in the budget	Actuals
Revenue deficit(-) / surplus (₹ in crore)	(-) 202.49	(-) 236.08	94.95
Fiscal deficit / GSDP (*per cent*)	3.86	4.35	1.3
Ratio of total outstanding debt of the Government to GSDP (*per cent*)	31.28	Not Available	34.20

(Source: Budget documents and details furnished by the Department)

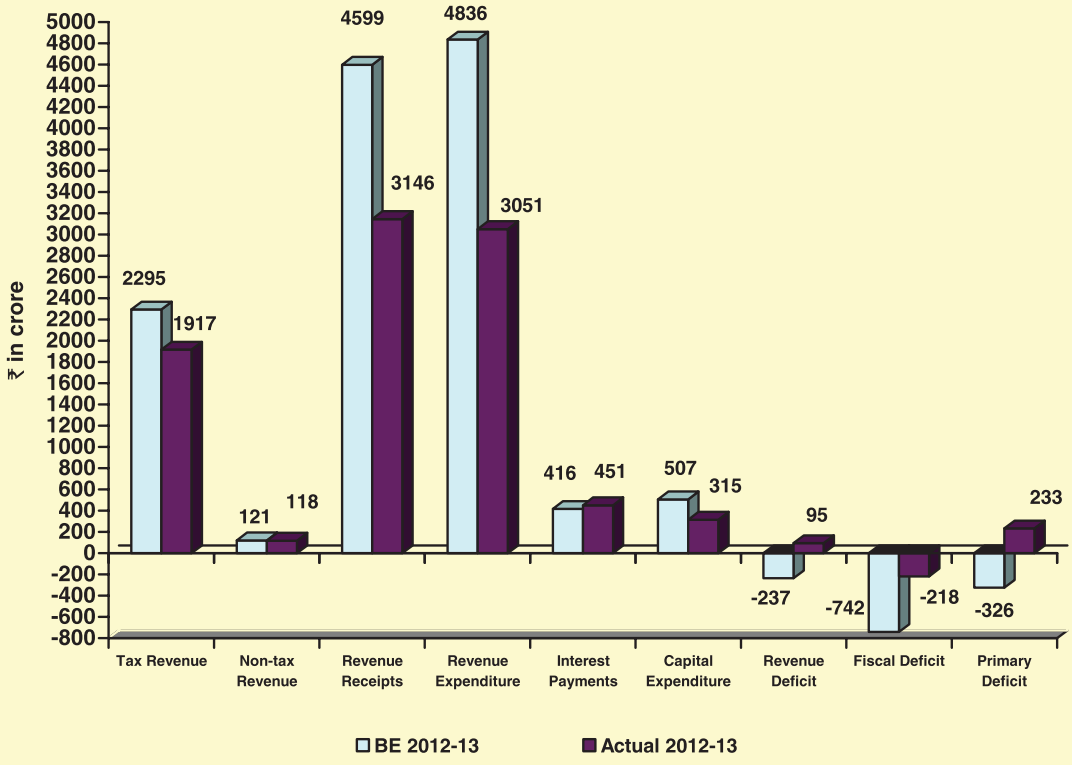
As against the target proposed in the fiscal road map for revenue deficit of ₹ 202.49 crore, UT Government achieved revenue surplus of ₹ 94.95 crore which was 0.55 *per cent* of GSDP. The outstanding fiscal liabilities to GSDP were 34.20 *per cent* as against the 31.28 *per cent* envisaged in the fiscal road map.

1.1.3 Budget estimates and actual

The Budget papers presented by a State/Union Territory Government provide description of the estimated 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 of the desired fiscal objectives.

Chart 1.1 presents the budget estimates and actuals for some important fiscal parameters.

Chart 1.1 : Selected Fiscal Parameters : Budget estimates *vis-a-vis* Actuals in 2012-13



The actual revenue receipts were less by ₹ 1,453 crore as compared to the budget estimates, mainly due to less receipts of Grants-in-aid (GIA) from GOI (BE :₹ 2,184 crore; actual receipt: ₹ 1,111 crore).The revenue expenditure and capital expenditure were less by ₹ 1,785 crore and ₹ 192 crore respectively than the budget estimates. Lower revenue expenditure as compared to the budget estimates was mainly due to less expenditure on water supply, sanitation, housing and urban development, welfare of SC, ST and OBCs and relief on account of natural calamities under social services and agriculture and allied activities and transport under economic services. Similarly, less capital expenditure was also noticed on education, sports, art and culture; health and family welfare; water supply; sanitation; housing and urban development under social services and agriculture and allied activities, energy and transport under economic services.

The wide gap between the estimates and actuals of some of the parameters indicated that either the estimates were not realistic or there was under performance.

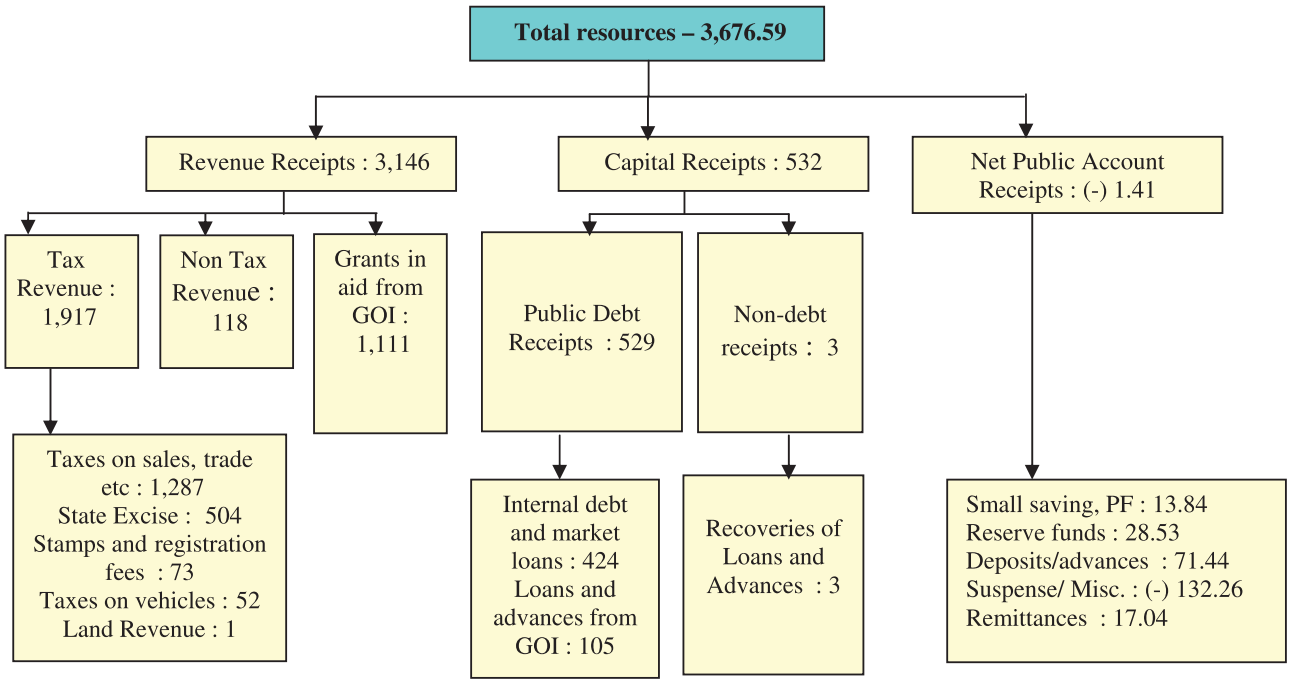
1.2 Resources of the Union Territory

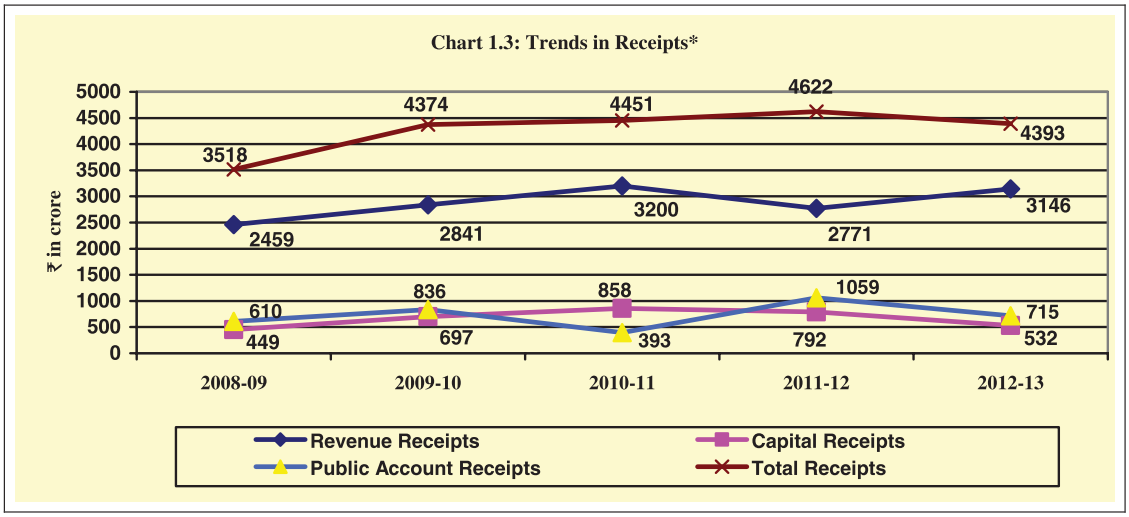
1.2.1 Resources of the Union Territory as per Annual Finance Accounts

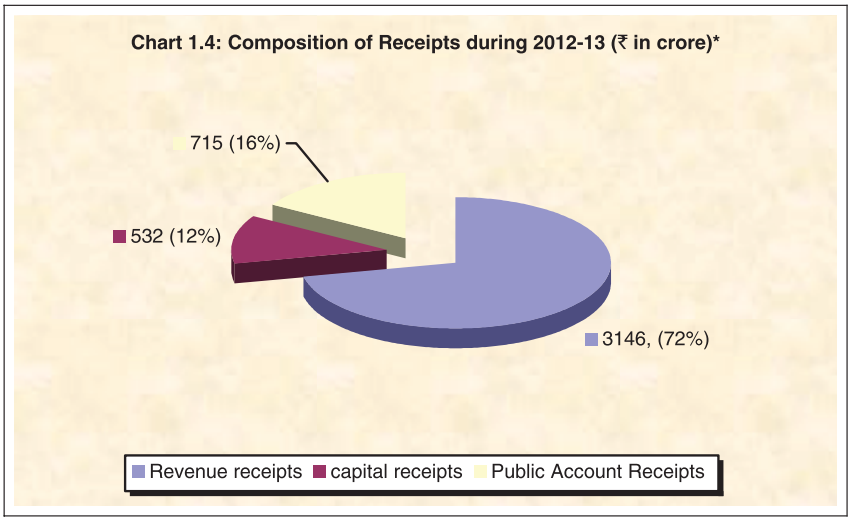
Revenue and capital are the two streams of receipts that constitute resources of the Government. Revenue receipts consist of tax revenues, non-tax revenues and grants-in-aid from GOI. Capital receipts comprise miscellaneous capital receipts such as recoveries of loans and advances, debt receipts from internal sources (market loans), loans and advances from GOI as well as accruals from the Public Account. **Chart 1.2** presents the receipts and disbursements of the UT during the current year as recorded in its Annual Finance Accounts, while **Chart 1.3** depicts the trends in various components of the receipts during 2008-13. **Chart 1.4** depicts the composition of resources during the current year.

The following flow **Chart 1.2** shows the components and sub-components of resources.

(₹ in crore)







* Total receipts includes gross receipts under Public accounts

Greater part of the UT's receipts consist of revenue receipts (72 *per cent*) followed by Public Account (16 *per cent*).

Though revenue receipts increased by ₹ 375 crore (13.53 *per cent*) during 2012-13, total receipts decreased by ₹ 229 crore (4.95 *per cent*) over the previous year, due to decrease in public account receipts (₹ 344 crore) and capital receipts (₹ 260 crore).

1.2.2 Funds transferred to UT Implementing Agencies outside the UT Budget

Government of India has been transferring a sizeable quantum of funds directly to UT implementing agencies[2] for the implementation of various schemes/programmes in social and economic sectors, which are recognised as critical. Under the present system, these funds are not routed through the UT Budget/Treasury system and hence flow of these funds is not captured in the Finance Accounts. As such, the Annual Finance Accounts of the UT does not provide a complete picture of the resources under the control of the UT Government. There is no single agency monitoring the use of these funds and no data is readily available on such programmes on the amounts spent on major flagship programmes. The funds directly transferred during 2012-13 to UT implementing agencies under the control of three departments *viz.*, Education, Health and Rural Development in respect of five major programmes assisted by GOI are presented in **Table 1.4.**

Table-1.4: Funds transferred directly to UT Implementing Agencies

(₹ in crore)

Programme/ Scheme	Implementing Agency in the UT	Funds transferred directly by GOI during 2012-13
Mahatma Gandhi National Rural Employment Guarantee Act Scheme	District Rural Development Agency	8.86
Sarva Shiksha Abhiyan	State Project Office	9.19
Rastriya Madhyamik Shiksha Abhiyan		0.72
National Rural Health Mission	Pondicherry State Health Society	9.71
HIV/AIDS awareness programme		4.42
Total		**32.90**

(Source : Appendix VII of Finance Accounts)

Out of ₹ 32.90 crore transferred to UT implementing agencies, a major portion of ₹ 9.91 crore (30 *per cent*) was transferred to the Education Department.

1.3 Revenue Receipts

Statement-11 of the Finance Accounts details the revenue receipts of the Government. The revenue receipts consist of the UT's own tax and non-tax revenues and grants-in-aid from GOI. The trends and composition of revenue

[2] UT implementing agencies include any organisation/institution including non-Governmental organisations which are authorised by the UT Government to receive funds from the Government of India for implementing specific programmes in the Union Territory

receipts over the period 2008-13 are presented in **Appendix 1.3** and depicted in **Charts 1.5** and **1.6** respectively.

Chart 1.5: Trends in Revenue Receipts

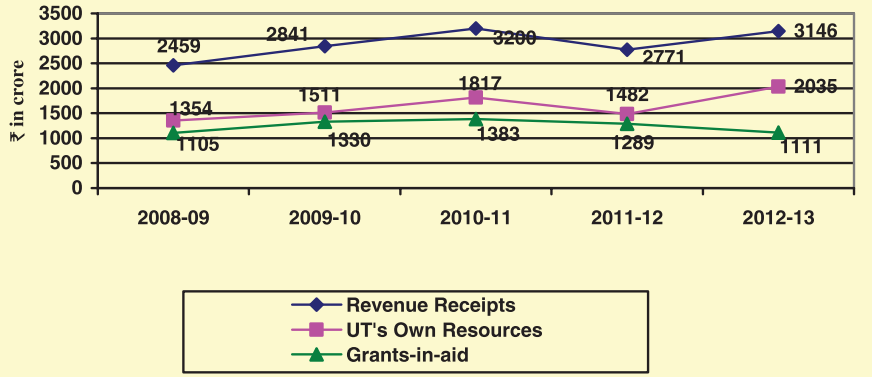
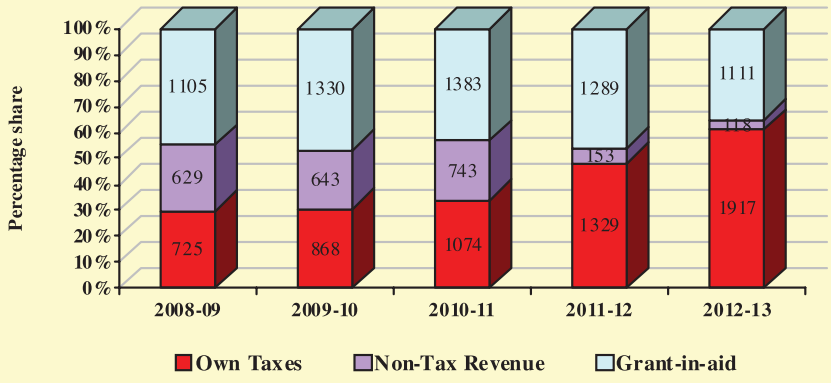


Chart 1.6: Composition of Revenue Receipts during 2008-13
(₹ in crore)



Revenue receipts of UT increased by ₹ 375 crore over the previous year (13.53 *per cent).* While tax revenue increased by ₹ 588 crore, non-tax revenue and GIA from GOI decreased by ₹ 35 crore and ₹ 178 crore respectively. The share of GIA from GOI constitutes 35.31 *per cent* of revenue receipts.

The trends of revenue receipts relative to GSDP are presented in **Table 1.5** below:

Table 1.5: Trends in Revenue Receipts relative to GSDP

	2008-09	2009-10	2010-11	2011-12	2012-13
Revenue Receipts (RR) (₹ in crore)	**2,459**	**2,841**	**3,200**	**2,771**	**3,146**
Rate of growth of RR (*per cent*)	15.12	15.53	12.64	(-)13.41	13.53
UT's own taxes (₹ in crore)	725	868	1,074	1,329	1,917
Rate of growth of own taxes (*per cent*)	11.02	19.72	23.73	23.74	44.24
GSDP growth (*per cent*)	8.64	22.43	6.40	9.22	20.23
Buoyancy Ratios					
RR/GSDP[3] (*per cent*)	24.47	23.09	24.44	19.38	18.30
Revenue buoyancy with reference to GSDP (ratio)	1.75	0.69	1.98	(-)1.45	0.67
UT's own tax buoyancy with reference to GSDP (ratio)	1.28	0.88	3.71	2.57	2.19

(Source: Finance Accounts)

The GSDP, at the current prices, was estimated to increase from ₹ 14,299 crore in 2011-12 to ₹ 17,192 crore in 2012-13, representing growth of 20.23 *per cent*. The revenue receipts, as a percentage of GSDP decreased from 24.47 *per cent* in 2008-09 to 18.30 *per cent* in 2012-13.

The buoyancy ratio indicates elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. As against growth rate of GSDP of 20.23 *per cent*, the growth rate of revenue receipts was 13.53 *per cent* indicating that growth of revenue receipts was not proportionate to the growth rate of GSDP. While the revenue buoyancy with reference to GSDP turned positive during the year (0.67) from 2011-12 (-1.45), UT's own tax buoyancy ratio decreased from 2.57 in 2011-12 to 2.19 in 2012-13.

1.3.1 Union Territory's Own Resources

The UT's performance in mobilisation of resources was assessed in terms of its own resources comprising revenue from its own tax and non-tax sources. The UT's actual tax and non-tax revenue for the year 2012-13 *vis-à-vis* target proposed in the fiscal road map and budget estimates are given in **Table 1.6**.

Table 1.6: Tax and Non-tax revenue *vis-à-vis* budget estimates and target proposed in the fiscal road map

(₹ in crore)

	Target proposed in the fiscal road map	Budget estimate	Actuals
Tax revenue	2,081	2,294	1,917
Non-tax revenue	110	121	118

(Source: Budget documents and details furnished by the Department)

[3] Revised, Provisional and Quick estimates of GSDP ₹ 13,902 crore, ₹ 14,299 crore and ₹ 17,192 crore have been adopted for the years 2010-11, 2011-12 and 2012-13 respectively.

While actual tax revenue was less by ₹ 164 crore (7.88 *per cent*) and ₹ 377 crore (16.43 *per cent*) than target proposed in the fiscal road map and budget estimate respectively, non-tax revenue was more by ₹ eight crore (7.27 *per cent)* than fiscal road map and less by ₹ three crore (2.48 *per cent*) than budget estimates.

1.3.1.1 Tax revenue

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

Table 1.7: Components of UT's Tax resources

(₹ in crore)

Revenue Head	2008-09	2009-10	2010-11	2011-12	2012-13	% of increase/ decrease (-) over previous year
Taxes on sales, trades etc.	382	453	595	750	1,287	71.60
State excise	280	329	379	447	504	12.75
Taxes on vehicles	32	35	48	54	52	-3.70
Stamp duty and Registration fees	31	50	51	77	73	-5.19
Land revenue	--	1	1	1	1	--
Total	**725**	**868**	**1,074**	**1,329**	**1,917**	**44.24**

(Source: Finance Accounts)

The Union Territory's tax revenue increased by ₹ 588 crore (44.24 *per cent*) in 2012-13 over the previous year. The increase was mainly contributed by Sales Tax (₹ 537 crore) due to upward revision in rate, withdrawal of exemption and strict compliance of tax payments and collection and State Excise (₹ 57 crore) due to upward revision of excise duty and licence fee.

1.3.1.2 Non-tax revenue

The components of non-tax receipts are given in **Table 1.8**:

Table 1.8: Components of UT's non-tax receipts

(₹ in crore)

Revenue Head	2008-09	2009-10	2010-11	2011-12	2012-13	Percentage of increase (+)/ decrease (-) over previous year
Interest receipts	44	51	37	35	35	--
Dividends and Profits	4	6	5	4	1	-75
Other non-tax receipts	581	586	701	114	82	-28
Total	**629**	**643**	**743**	**153**	**118**	**-23**

(Source: Finance Accounts)

The Non-tax revenue receipts of ₹ 118 crore, which constituted just 3.75 *per cent* of the revenue receipts, decreased by ₹ 35 crore during the year over the previous year. While there was no change in interest receipts as compared to previous year, dividends and profits decreased by 75 *per cent*. Dividend was declared by two companies *viz.*, Pondicherry Distilleries Limited (₹ 92.65 lakh) and Pondicherry Industrial Promotion Development and Investment Corporation Limited (₹ 7.98 lakh).

The UT's own resources of ₹ 2,035 crore (₹ 1,917 crore – tax revenue and ₹ 118 crore – non-tax revenue) as well as recovery of loans and advances of ₹ three crore was not sufficient to meet the Non-Plan revenue expenditure of ₹ 2,067 crore.

1.3.1.3 Grants-in-aid from GOI

The Grants-in-aid received from GOI for the years 2008-09 to 2012-13 are given in **Table 1.9**.

Table 1.9: Grants-in-aid from GOI

(₹ in crore)

	2008-09	**2009-10**	**2010-11**	**2011-12**	**2012-13**
Non-plan grants	921.15	1,072.26	1123.11	926.07	525.38
Grants for UT's plan scheme	156.91	218.73	207.44	266.61	546.59
Grants for CSS	26.45	39.67	52.24	96.01	38.80
Total	**1,104.51**	**1,330.66**	**1,382.79**	**1,288.69**	**1,110.77**
Percentage of increase over previous year	28.89	20.48	3.92	(-) 6.81	(-)13.81
Total grant as a percentage of revenue receipts	44.92	46.83	43.21	46.50	35.31

(Source: Finance Accounts)

It could be seen that GIA received from GOI as a percentage over previous year decreased from 2009-10. The total grant as a percentage of revenue receipts also decreased in 2012-13 compared to 2011-12.

During the year, more grants (₹ 279.98 crore) were received for UT's plan scheme as compared to previous year.

1.4 Capital Receipts

Public debt receipts, recoveries of loans and advances and miscellaneous capital receipts are the capital receipts of the UT Government. The trends in growth of capital receipts for the period from 2008-09 to 2012-13 are given in **Table 1.10**.

Table : 1.10: Growth of capital receipts

(₹ in crore)

Source of receipts	2008-09	2009-10	2010-11	2011-12	2012-13
Capital receipts	**449**	**697**	**858**	**792**	**532**
Miscellaneous capital receipts	--	33	--	--	--
Recovery of loans and advances	5	5	4	4	3
Public Debt receipts	444	659	854	788	529
Rate of growth of Public debt receipts (*per cent*)	4.47	48.42	29.59	(-) 7.73	(-) 32.87
Rate of growth of non-debt capital receipts (*per cent*)	-58.33	660	-89.47	--	-25
Rate of growth of GSDP (*per cent*)	8.64	22.43	6.40	9.22	20.23
Rate of growth of capital receipts (*per cent*)	2.75	55.23	23.10	(-) 7.69	(-) 32.83

(Source: Finance Accounts)

Declining trend in the rate of growth of public debt receipts during 2010-13 contributed to the decline in rate of growth of capital receipts.

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 and are not subject to vote by the UT legislature. Here the Government acts as a banker. The balance after disbursements is the fund available with the Government for use. Public Account receipts for the period from 2008-09 to 2012-13 are given in **Table 1.11**.

Table 1.11 – Trends in growth and composition of public account receipts

(₹ in crore)

Resources under various heads	2008-09	2009-10	2010-11	2011-12	2012-13
Public Account Receipts	**610.24**	**835.54**	**392.85**	**1058.58**	**715.17**
a) Small savings, Provident Fund, etc.	169.83	215.33	233.27	246.41	257.16
b) Reserve Fund	12.00	12.96	8.28	11.87	28.53
c) Deposits and advances	72.46	118.45	89.93	323.49	259.70
d) Suspense and miscellaneous	102.97	145.39	(-) 365.13	28.92	(-) 143.10
e) Remittance	252.98	343.41	426.50	447.89	312.88

(Source: Finance Accounts)

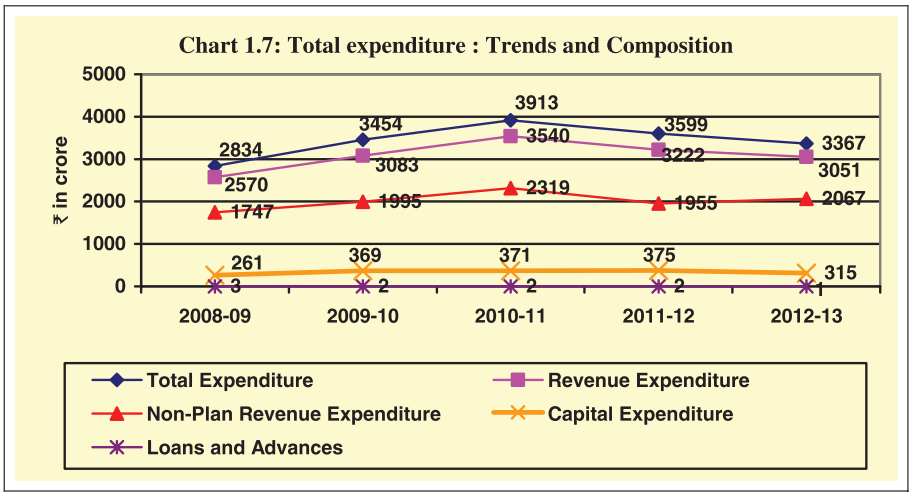
The Public Account Receipts declined from ₹ 1,058.58 crore in 2011-12 to ₹ 715.17 crore in 2012-13.

1.6 Application of Resources

Analysis of the allocation of expenditure at the UT Government level assumes significance since major expenditure responsibilities are entrusted with them. In view of budgetary constraints in raising public expenditure that too financed by deficit or borrowings, it is important to ensure that the ongoing fiscal correction and consolidation process is not at the cost of development expenditure.

1.6.1 Growth and Composition of Expenditure

Chart 1.7 presents the trends of total expenditure over a period of five years (2008-13). Its composition in terms of 'economic classification' and 'expenditure by activities' is depicted respectively in **Charts 1.8 and 1.9.**



Total expenditure[4] of the UT increased by 18.81 *per cent* from ₹ 2,834 crore in 2008-09 to ₹ 3,367 crore in 2012-13. But, the total expenditure during the current year decreased by ₹ 232 crore (6.45 *per cent*) over the previous year. The revenue expenditure decreased by ₹ 171 crore (5.31 *per cent*) and the capital expenditure decreased by ₹ 60 crore (16 *per cent*) during 2012-13.

[4] Total expenditure includes revenue expenditure, capital expenditure and disbursement of loans and advances

Revenue expenditure was 90.61 *per cent* of the total expenditure, of which 67.75 *per cent* was the Non-Plan component. The capital expenditure accounted for 9.36 *per cent* of the total expenditure in 2012-13.

Chart 1.8: Total Expenditure : Trends in Share of its Components

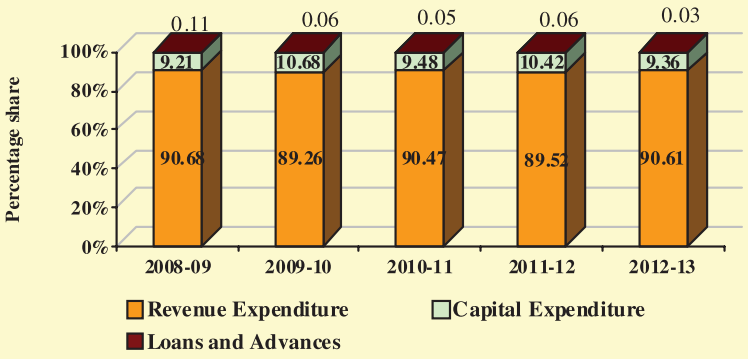
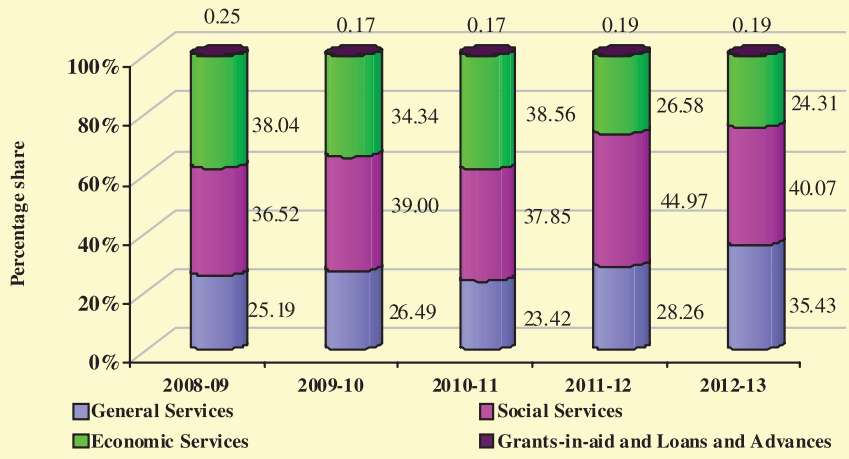


Chart 1.9: Total Expenditure: Trends by 'Activities'



During 2012-13, expenditure of General services, Social services and Economic services was 35.43, 40.07 and 24.31 *per cent* of the total expenditure. While the expenditure on General Services increased by 17.30 *per cent* over the previous year, the expenditure on Social Services and Economic Services decreased by 16.62 and 14.43 *per cent* respectively.

1.6.2 Revenue expenditure

Though revenue expenditure decreased by ₹ 171 crore as compared to previous year, it constitutes 90.61 *per cent* of total expenditure of ₹ 3,367 crore during the year. Revenue surplus stood at one *per cent* of GSDP.

1.6.3 Committed Expenditure

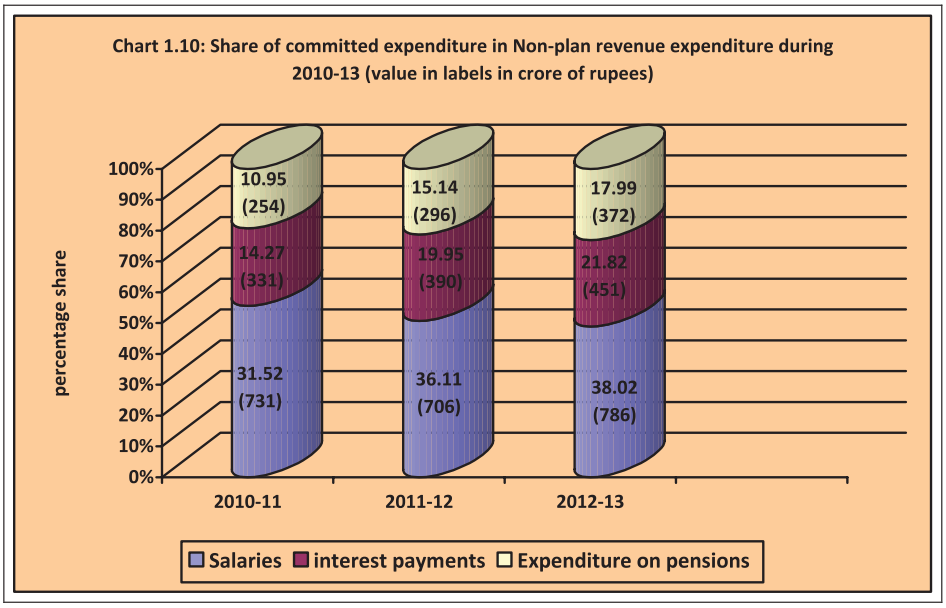
The committed expenditure of the UT Government on the revenue account mainly consists of interest payments, expenditure on salaries and pensions and subsidies. **Table 1.12** presents the trends of expenditure on these components during 2008-13 and **Chart 1.10** presents the share of committed expenditure in Non-Plan revenue expenditure on salaries, interest payments and pension during 2010-13.

Table-1.12: Components of Committed Expenditure

(₹ in crore)

Components of Committed Expenditure	2008-09	2009-10	2010-11	2011-12	2012-13
Salaries, *of which*	688 (28)	868 (31)	987 (31)	956 (34)	1,063 (34)
Non-Plan Head	515	649	731	706	786
Plan Head**	173	219	256	250	277
Interest Payments	260 (11)	287 (10)	331 (10)	390 (14)	451 (14)
Expenditure on Pension	166 (7)	289 (10)	254 (8)	296 (11)	372 (12)
Subsidies	31 (1)	46 (1)	82 (3)	88 (3)	53 (2)
Total	**1,145 (47)**	**1,490 (52)**	**1,654 (52)**	**1,730 (62)**	**1,939 (62)**

(Source: Finance Accounts)
Figures in bracket indicate percentage to revenue receipts
** *Plan head also includes the salaries paid under Centrally Sponsored Schemes*



The Committed expenditure increased continuously from 2008-09 to 2012-13 and in 2012-13, it (₹ 1,939 crore) constituted around 62 and 64 *per cent* of revenue receipts and revenue expenditure respectively.

Expenditure on salaries under Non-Plan and Plan during the current year was ₹ 786 crore and ₹ 277 crore respectively. During 2012-13, though expenditure on salary increased by ₹ 107 crore, as a percentage of revenue receipts, it stood at 34 *per cent*.

Pension payments increased by 26 *per cent* from ₹ 296 crore in 2011-12 to ₹ 372 crore in 2012-13 and it stood at 12 *per cent* of revenue receipts.

Interest payments increased by ₹ 61 crore (16 *per cent)* in 2012-13 over the previous year, mainly due to payment of interest (₹ 47 crore) for market loans during 2012-13. The interest payments in 2012-13 were at 14 *per cent* of the total revenue receipts.

Subsidies (two *per cent* of revenue receipts in 2012-13) represent the expenditure booked under the object head 'Subsidies' under rural housing, welfare of Scheduled Castes, crop husbandry, animal husbandry, fisheries, food storage and warehousing, rural development, minor irrigation and village and small industries.

1.6.4 Financial Assistance by UT Government to Local Bodies and other Institutions

The Panchayati Raj system in Puducherry is governed by the provisions of the Pondicherry Village and Commune Panchayat Act, 1973 which has devolved several powers to village and commune panchayats. The legislation was

further amended in 1994, so as to conform to the 73rd amendment to the Constitution. In Puducherry, there are five municipalities, 10 commune panchayats and 98 village panchayats. The quantum of assistance provided by way of grants and loans to local bodies and others during the current year relative to the previous years is presented in **Table 1.13.**

Table 1.13: Financial Assistance to Local Bodies etc.

(₹ in crore)

Financial Assistance to Institutions	2008-09	2009-10	2010-11	2011-12	2012-13
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	13.16	29.92	32.55	25.15	28.09
Municipalities	18.86	27.78	58.95	48.37	23.43
Panchayati Raj Institutions	28.97	18.66	14.54	30.91	3.75
Development agencies and autonomous bodies	232.75	346.41	421.94	302.86	263.03
Co-operatives	27.59	24.38	25.86	30.42	35.32
Other Institutions*	5.42	6.09	5.28	6.75	6.43
Total	**326.75**	**453.24**	**559.12**	**444.46**	**360.05**
Assistance as percentage of revenue expenditure	13	15	16	14	12

(Source: Director of Accounts and Treasuries, Puducherry)

* Welfare societies and religious institutions

Financial assistance extended to local bodies and other institutions decreased from ₹ 444.46 crore in 2011-12 to ₹ 360.05 crore in 2012-13. The decrease was mainly due to less financial assistance given to development agencies and autonomous bodies. The financial assistance as a percentage of revenue expenditure in 2012-13 was 12 *per cent,* which was two *per cent* less than the previous year.

1.7 Quality of Expenditure

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

1.7.1 Adequacy of Public Expenditure

The expenditure responsibilities relating to the social sector and the economic infrastructure are largely assigned to State/UT Governments. Enhancing human development levels requires the States/UTs to step up their expenditure on key Social Services like education, health, etc. **Table 1.14** analyses the fiscal priority (ratio of expenditure category to aggregate expenditure) of the UT Government with regard to development expenditure, social sector expenditure and capital expenditure during the current year and compares the fiscal priority given to different categories of expenditure of the Union Territory of Puducherry in 2009-10 and 2012-13.

Table-1.14: Fiscal Priority of the UT in 2009-10 and 2012-13

Fiscal Priority of the UT		AE/ GSDP	DE/AE	SSE/AE	CE/AE	ESE/AE	Expenditure on Education, Sports, Art and Culture/AE	Expenditure on Health and Family Welfare/AE	Per capita expenditure on Education, Sports, Art and Culture (in ₹)	Per capita expenditure on Health and Family Welfare (in ₹)
Puducherry Ratio	2009-10	0.28	0.73	0.39	0.11	0.34	0.14	0.08	4,126	2,421
	2012-13	0.20	0.64	0.39	0.09	0.24	0.15	0.09	3,976	2,316

AE: Aggregate Expenditure; DE: Development Expenditure; SSE: Social Sector Expenditure; CE: Capital Expenditure; ESE: Economic Sector Expenditure

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

(Source: (1) Directorate of Economics and Statistics, Puducherry and (2) Finance Accounts for expenditure figures)

The ratio of aggregate expenditure to GSDP decreased from 0.28 in 2009-10 to 0.20 in 2012-13. This reflects stagnancy in adequacy of expenditure.

While the ratio of Social Sector expenditure to Aggregate expenditure remained at 0.39 in 2012-13, the development expenditure to Aggregate expenditure decreased from 0.73 in 2009-10 to 0.64 in 2012-13.

The ratio of Capital expenditure to Aggregate expenditure decreased from 0.11 in 2009-10 to 0.09 in 2012-13 indicating lower priority given by Government for asset creation.

Per capita expenditure on education, sports, art and culture; and per capita expenditure on health and family welfare decreased from ₹ 4,126 and ₹ 2,421 in 2009-10 to ₹ 3,976 and ₹ 2,316 in 2012-13 respectively, which reflected less priority given by Government on these vital areas of social sector.

1.7.2 Efficiency of Expenditure Use

In view of the importance of public expenditure on development heads from the point of view of social and economic development, it is important for the UT Government to take appropriate expenditure rationalisation measures and lay emphasis on provision of core public and merit goods (refer **Glossary**). Apart from improving the allocation towards development expenditure (refer **Glossary**), the efficiency of expenditure use is also

reflected by the ratio of capital expenditure to total expenditure (and/or GSDP) and the proportion of revenue expenditure being incurred on operation and maintenance of the existing social and economic services. The higher the ratio of these components to total expenditure (and/or GSDP), the better would be the quality of expenditure. While **Table 1.15** depicts the trends in development expenditure relative to the aggregate expenditure of the UT during 2008-09 to 2012-13, **Table 1.16** provides the details of capital expenditure and the components of revenue expenditure incurred on the maintenance of selected social and economic services during 2011-12 and 2012-13.

Table-1.15: Development Expenditure

(₹ in crore)

Components of Development Expenditure	2008-09	2009-10	2010-11	2011-12	2012-13
Development Expenditure (a to c)	2,113.43 (75)	2,532.68 (73)	2,990.21 (76)	2,575.35 (72)	2,168.24 (64)
a. Development Revenue Expenditure	1,885 (66)	2,207.78 (64)	2,670.63 (68)	2,249.43 (63)	1,907.25 (57)
b. Development Capital Expenditure	228 (8)	324.89 (9)	319.58 (8)	325.92 (9)	260.99 (8)
c. Development Loans and Advances	0.43 (0.02)	0.01 (Nil)	-- (Nil)	-- (Nil)	-- (Nil)

(Source: Finance Accounts); Figures in bracket indicate percentage of aggregate expenditure

Table 1.16 –Efficiency of Use in Selected Social and Economic Services

(Percentage)

Social/Economic Infrastructure	2011-12		2012-13	
	Share of CE to TE	In RE, the share of S&W	Share of CE to TE	In RE, the share of S&W
Social Services (SS)				
General Education	4.29	76.56	3.13	81.57
Health and Family Welfare	7.05	55.09	1.55	67.69
Water Supply, Sanitation and Housing and Urban Development	36.17	32.84	39.50	41.20
Total (SS)	**7.47**	**38.90**	**7.23**	**52.02**
Economic Services (ES)				
Agriculture and Allied Activities	7.31	22.88	1.15	27.82
Irrigation and Flood Control	46.93	48.80	55.78	67.35
Power and Energy	13.95	26.03	15.65	27.24
Transport	33.37	34.69	63.55	36.62
Total (ES)	**21.42**	**22.39**	**19.95**	**28.04**
Total (SS+ES)	**12.66**	**33.38**	**12.03**	**43.78**

TE: Total Expenditure on the sector/services concerned; CE: Capital Expenditure; RE: Revenue Expenditure; S&W: Salaries and Wages.

(Source: Finance Accounts and figures furnished by the Director of Accounts and Treasuries for wages)

Development expenditure decreased by ₹ 407.11 crore from the previous year and as a percentage of aggregate expenditure, it came down from 72 in 2011-12 to 64 in 2012-13. The development capital expenditure, as a percentage of aggregate expenditure was hovering around nine *per cent* during 2008-09 to 2012-13.

Expenditure on Social Services

The capital expenditure on Social Services as a percentage of total expenditure decreased from 7.47 *per cent* in 2011-12 to 7.23 *per cent* in 2012-13. The share of capital expenditure in the total expenditure under Health and Family Welfare decreased sharply from 7.05 *per cent* in 2011-12 to 1.55 *per cent* in 2012-13. The share of salaries and wages in the revenue expenditure on Social Services increased from 38.90 *per cent* in 2011-12 to 52.02 *per cent* in 2012-13.

Expenditure on Economic Services

The capital expenditure on Economic Services, as a percentage of total expenditure on Economic Services, decreased from 21.42 *per cent* in 2011-12 to 19.95 *per cent* in 2012-13. The share of salaries and wages in the revenue expenditure on economic services increased from 22.39 *per cent* in 2011-12 to 28.04 *per cent* in 2012-13.

1.8 Financial Analysis of Government Expenditure and Investments

The UT is expected to keep its fiscal deficit (and borrowings) not only at low levels but also meet its capital expenditure/investment (including loans and advances) requirements. In addition, in a transition to dependence on market based resources, the UT Government needs to initiate measures to earn adequate returns on its investments and recover its cost of borrowed funds, rather than bearing the same on its budget in the form of implicit subsidies. This section presents information on incomplete projects and a broad financial analysis of investments by the Government during the current year *vis-à-vis* the previous years.

1.8.1 Incomplete projects

The information pertaining to incomplete projects in the Public Works Department as on 31 March 2013 is given in **Table 1.17.**

Table 1.17: Profile of incomplete projects

(₹ in crore)

Department	No. of Incomplete Projects*	Expenditure during the year	Cumulative expenditure as on 31.3.2013
Public Works Department	40	59.19	105.07

(Source: Finance Accounts)

* Only those projects which were scheduled to be completed before 31 March 2013 are included

Failure to complete the projects on time leads to escalation of project costs and delayed accrual of the projects' benefits to the society at large. Further, delays also result in postponement of revenue realisation from the projects.

The projects/works were delayed mainly due to paucity of funds on account of non-availing of negotiated loan.

Test-check of records relating to amount deposited with Puducherry Agro Service and Industries Corporation Limited (PASIC), a Public Sector Undertaking, by Agriculture Department for execution of works revealed diversion of funds for other purposes as discussed below:

PASIC functions under Agriculture Department. The main function of PASIC was to implement various agricultural activities such as distribution of agricultural inputs like quality seeds, organic and inorganic manure, bio-fertilisers, etc., at reasonable price at right time. Apart from this, the civil wing of PASIC executes civil works for various Government departments.

Test check of records revealed that in respect of four works, ₹ 1.40 crore was deposited with PASIC during March 2005 to April 2010. However, the works were yet to be commenced/partially completed for reasons as detailed in **Appendix 1.5**. It was noticed that PASIC incurred losses from 2007-08 and diverted the deposited amount towards purchase of fertilizers and distribution of salary. As a result, PASIC could not commence/complete the works. Though the Agriculture Department instructed (July 2012 and January 2013) PASIC to complete the works or refund the amount, PASIC is yet to act on these instructions.

Thus, the injudicious action of PASIC in diverting the funds for other purposes resulted in the works not being taken for more than three years and the amount could not be spent for the intended purposes.

1.8.2 Investment and returns

As of March 2013, Government invested ₹ 701.41 crore in 14 Government companies and one Statutory Corporation and ₹ 258.68 crore in 349 co-operative institutions **(Table 1.18)**.

Table-1.18: Return on Investment

Investment/Return/Cost of Borrowings	2008-09	2009-10	2010-11	2011-12	2012-13
Investment at the end of the year (₹ in crore)	817.03	867.50	910.91	948.87	960.09
Return (₹ in crore)	4.15	6.39	4.84	3.51	1.01
Return *(per cent)*	0.5	0.7	0.5	0.4	0.1
Average rate of interest on Government borrowings *(per cent)*	8.3	8.0	7.8	7.8	8.0
Difference between interest rate and return *(per cent)*	7.8	7.3	7.3	7.4	7.9

(Source: Finance Accounts)

Though the average rate of interest on UT Government's borrowings was eight *per cent*, the average rate of return on investment was only 0.4 *per cent* during 2008-13.

1.8.3 Loans and advances by UT Government

During 2012-13, Government did not provide any loans and advances to any institution/organisation. **Table 1.19** presents the outstanding loans and advances as on 31 March 2013 and interest receipts *vis-à-vis* interest payments during the last three years.

Table-1.19: Outstanding loans and interest received on loans and advances by the UT Government

(₹ in crore)

Quantum of Loans/Interest Receipts/ Cost of Borrowings	2010-11	2011-12	2012-13
Opening Balance	**20.01***	**17.83**	**16.09**
Amount advanced during the year	2.03	2.07	1.45
Amount repaid during the year	4.21	3.81	3.42
Closing Balance	**17.83**	**16.09**	**14.12**
Net increase (+)/ decrease (-)	(-) 2.18	(-) 1.74	(-) 1.97
Interest Receipts	2.57	2.30	2.64
Interest receipts as percentage of outstanding Loans and advances	13.58	13.56	17.47
Interest payments as percentage of outstanding fiscal liabilities of the UT Government	7.21	7.16	7.67
Difference between interest payments and interest receipts (*per cent*)	6.37	6.40	9.80

(Source: Finance Accounts)

* Differs due to proforma correction on account of conversion of loan into share capital assistance

The quantum of loan advanced decreased from ₹ 2.07 crore in 2011-12 to ₹ 1.45 crore in 2012-13 and repayments of loan by the loanees decreased from ₹ 3.81 crore in 2011-12 to ₹ 3.42 crore in 2012-13. The total amount of ₹ 1.45 crore advanced during the year was only loans and advances given to Government servants.

1.8.4 Cash balance and investment of cash balances

Table 1.20 shows the cash balance and investment of cash balances for 2011-12 and 2012-13.

Table-1.20: Cash balance and investment of cash balance

(₹ in crore)

	Opening balance on 1 April 2012	**Closing balance on 31 March 2013**
(a) General cash balance		
(i) Cash in treasuries	1.03	--
(ii) Deposit with RBI	0.15	0.15
(iii) Deposits with other banks	--	--
(iv) Local remittances	--	--
Total	**1.18**	**0.15**
(v) Investment held in cash balance investment account	860.22	966.45
General Cash balance – Total (a)	**861.40**	**966.60**
(b) other cash balances and investments		
(vi) Departmental cash balances	0.12	0.19
(vii) Permanent Imprest	0.39	0.41
(viii) Investment out of earmarked funds	36.99	52.45
Total (b)	**37.50**	**53.05**
Grand Total (a) + (b)	**898.90**	**1,019.65**

The cash balance increased from ₹ 898.90 crore in 2011-12 to ₹ 1,019.65 crore in 2012-13. During the year, the cash balance investment was ₹ 966.45 crore.

1.9 Assets and Liabilities

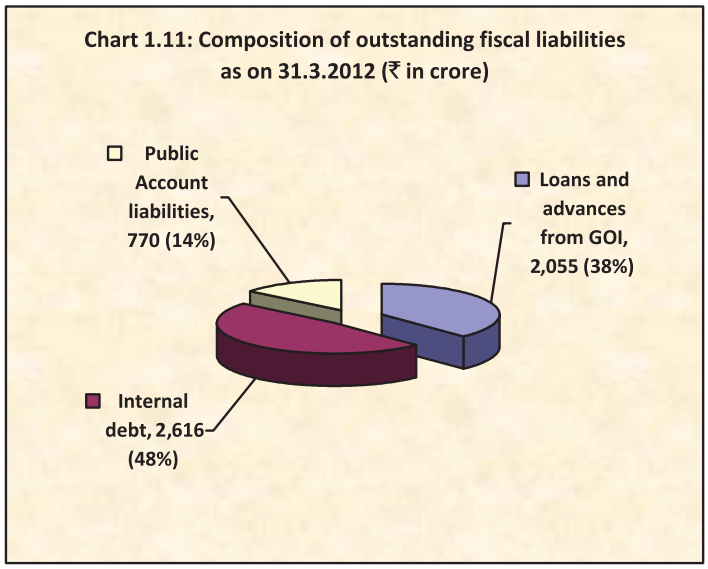
1.9.1 Growth and composition of Assets and Liabilities

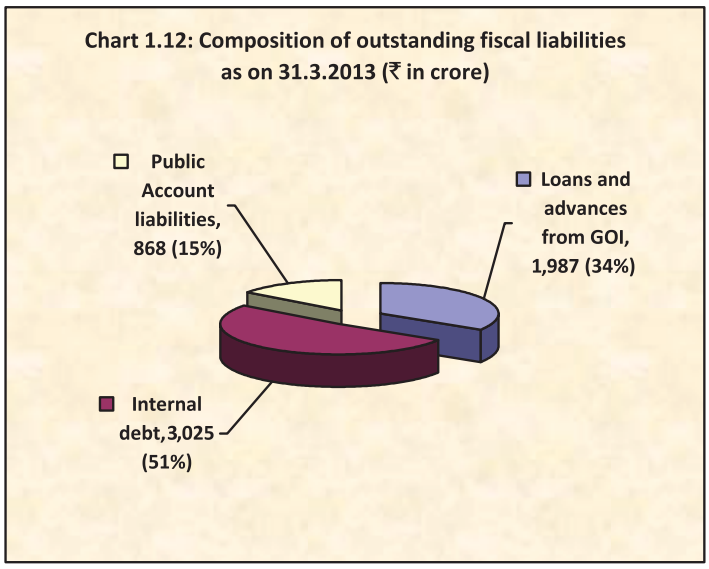
In the existing Government accounting system, comprehensive accounting of fixed assets like land and buildings owned by the Government is not done.

However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred. **Appendix 1.4 – Part B** gives an abstract of such liabilities and assets as on 31 March 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 the capital outlay, loans and advances given by the UT Government and cash balances. The ratio of cumulative assets to liabilities as on 31 March 2013 was 0.87 indicating that assets were not sufficient to meet the liabilities.

1.9.2 Fiscal Liabilities

Fiscal liabilities are internal debt, loans and advances from GOI and the Public Account liabilities comprising small savings and provident fund, reserve funds and deposits. The trends in outstanding fiscal liabilities of the UT are presented in **Appendix 1.3.** The composition of fiscal liabilities during the current year *vis-à-vis* the previous year is presented in **Charts 1.11** and **1.12.**





The outstanding fiscal liabilities have shown a steady increase from ₹ 3,325 crore in 2008-09 to ₹ 5,880 crore in 2012-13. The fiscal liabilities at the end of 2012-13 represented 187 *per cent* of revenue receipts (₹ 3,146 crore) during the year.

While internal debts which constituted 48 *per cent* in 2011-12 increased to 51 *per cent* in 2012-13, loans and advances from GOI decreased from 38 *per cent* to 34 *per cent* of the fiscal liabilities during the same period. The Public Account liabilities increased from ₹ 770 crore in 2011-12 to ₹ 868 crore in 2012-13. The fiscal liabilities represented 34 *per cent* of GSDP during 2012-13.

1.9.3 Contingent liabilities

Status of guarantees

Guarantees are liabilities contingent on the Consolidated Fund of the UT Government in cases of defaults by borrowers for whom the guarantees have been extended.

Guarantees for the purpose of administration of Union Territories, prior to the amendment of the Union Territories Act on 6 September 2001, were given by GOI under Article 292 of the Constitution of India. In the event of the guarantees being invoked, the payment would initially be charged to the Consolidated Fund of India and the amount subsequently recovered from the Government of the Union Territory. Consequent to amendment of the UT Act on 6 September 2001 and issue of its notification by the Government of India on 10 May 2006, the Government of Union Territory of Puducherry was empowered to give guarantees. No guarantee was given during the year by the UT Government. As per Statement-9 of the Finance Accounts, the maximum

amount for which guarantees were given by GOI on behalf of the UT and outstanding guarantees for the last three years are given in **Table 1.21.**

Table-1.21: Guarantees given by the Government of India on behalf of the Union Territory of Puducherry

(₹ in crore)

Guarantees	2010-11	2011-12	2012-13
Maximum amount guaranteed (₹ in crore)	20.98	20.98	20.98
Outstanding amount of guarantees (₹ in crore)	7.90	5.83	5.25
Percentage of maximum amount guaranteed to total Revenue receipts	0.66	0.76	0.67

(Source: Finance Accounts)

As a percentage of revenue receipts, the maximum amount guaranteed decreased from 0.76 in 2011-12 to 0.67 in 2012-13. No guarantee was invoked during any of the three years.

1.10 Debt management

Apart from the magnitude of debt of the UT Government, it is important to analyse various indicators that determine the debt sustainability of the UT. This section assesses the sustainability of debt of the UT Government in terms of debt stabilisation, sufficiency of non-debt receipts, net availability of borrowed funds[5], burden of interest payments (measured by interest payments to revenue receipts ratio) and the maturity profile of the UT Government's debts.

Table 1.22 indicates the debt sustainability of the UT for a period of three years beginning from 2010-11.

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

Table 1.22: Debt Sustainability: Indicators and Trends

(₹ in crore)

Indicators of Debt Sustainability	2010-11	2011-12	2012-13
Debt Stabilisation (Quantum Spread + Primary Deficit)	(-) 433	(-) 367	900
Sufficiency of Non-debt receipts (Resource Gap)	(-) 134	(-) 111	606
Net availability of borrowed funds	385	474	(-) 12
Burden of Interest Payments (IP/RR Ratio)	0.10	0.14	0.14
Maturity profile of internal debt and GOI loans (in years)			
0 – 1	156(3.86)	189 (4.04)	203(4.05)
1 – 3	554(13.71)	625 (13.38)	424(8.46)
3 – 5	340(8.41)	707 (15.14)	756(15.08)
5 – 7	950(23.51)	1,115 (23.87)	1,168(23.30)
7 and above	2,041(50.51)	2,035 (43.57)	2,461(49.11)
Outstanding Public debt as on 31 March 2013			**5,012 (100)**

(Source : Finance Accounts)

Figures in bracket represents percentage to total outstanding Public debt.

Debt stabilization means that, if the primary deficit together with the quantum spread turns to negative, the debt – GSDP ratio would be rising which would affect the UT's ability to service the debt. Debt stabilization turned positive during the year and stood at ₹ 900 crore.

The resource gap (the difference between incremental total expenditure and incremental non-debt receipts) decreased from ₹ (-) 134 crore in 2010-11 to ₹ (-) 111 crore in 2011-12 and turned positive in 2012-13 which stood at ₹ 606 crore.

The burden of interest payment, which was 10 *per cent* of the Revenue receipts in 2010-11, has increased to 14 *per cent* in 2012-13 showing the increasing interest burden. The maturity profile of the UT Government's Public debt indicates that nearly 51 *per cent* of the total Public debt is repayable within next seven years, while 49 *per cent* of loans are required to be repaid after seven years. Ideally, further borrowings in future may be made in such a way that there is no bunching of repayments in any particular year as it would cause undue stress on the budget of that year.

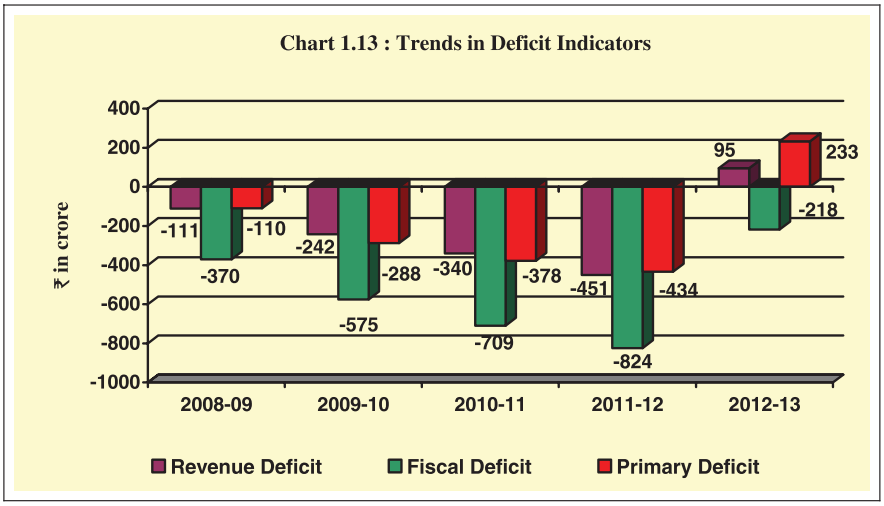
1.11 Fiscal Imbalances

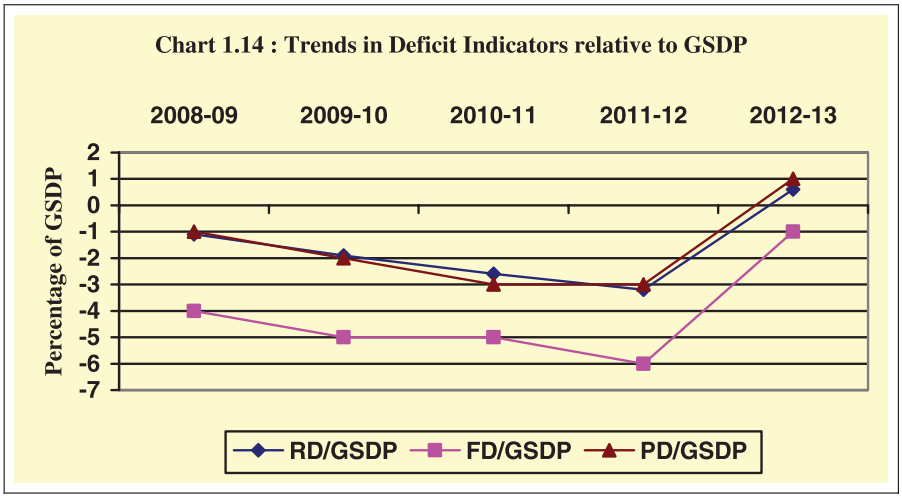
Three key fiscal parameters - revenue, fiscal and primary deficits - indicate the extent of overall fiscal soundness or imbalances in the finances of the UT Government during a specified period. The deficit in the Government accounts represents the gap between its receipts and expenditure. The nature 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 are applied, are important pointers to its fiscal health. This section presents the trends, nature, magnitude and manner of financing these deficits.

1.11.1 Trends in Deficits

Charts 1.13 and **1.14** present the trends in deficit indicators over the period 2008-13.





Revenue surplus indicates the excess of revenue receipts over revenue expenditure. Though there was revenue deficit during the previous years (2008-12) as exhibited in **Chart 1.13,** there was revenue surplus of ₹ 95 crore at end of the year 2012-13. While fiscal deficit decreased from ₹ 370 crore in 2008-09 to ₹ 218 crore in 2012-13, there was primary surplus of ₹ 233 crore due to less capital expenditure and more interest payments.

1.11.2 Composition of Fiscal Deficit and its Financing Pattern

The financing pattern of the fiscal deficit has undergone a compositional shift as reflected in **Table 1.23.**

Table 1.23: Components of Fiscal Deficit and its Financing Pattern

(₹ in crore)

Sl. No.	Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
Decomposition of Fiscal Deficit		**(-) 370**	**(-) 575**	**(-) 709**	**(-)824**	**(-) 218**
1	Revenue Deficit(-)/Surplus(+)	(-) 111	(-) 242	(-) 340	(-)451	(+) 95
2	Net Capital Expenditure	(-) 261	(-) 336	(-) 371	(-)375	(-) 315
3	Net Loans and Advances	(+) 2	(+) 3	(+) 2	(+)2	(+) 2
Financing Pattern of Fiscal Deficit*						
1	Market Borrowings	350	549	677	703	409
2	Loans from GOI	(-) 29	(-) 21	30	(-) 72	(-) 69
3	Small Savings, PF etc	41	48	42	19	14
4	Deposits and Advances	27	(-) 15	(-) 41	203	71
5	Suspense and miscellaneous	98	147	(-) 365	25	(-)132
6	Remittances	32	41	(-) 24	5	17
7	Reserve Funds	12	1	8	12	29
	Total	**531**	**750**	**327**	**895**	**339**
8	Overall Surplus/Deficit (cash balance)**	161	175	(-) 382	71	121

*All these figures are net of disbursements/outflows during the year
** Increase in cash balance shown as (+) and decrease in cash balance is shown as (-)

(Source: Finance Accounts)

The fiscal deficit decreased by ₹ 606 crore during 2012-13 which was due to revenue surplus and lower capital expenditure. The decrease in fiscal deficit, along with increase in interest payments by ₹ 61 crore, led to primary surplus of ₹ 233 crore during the year. The UT has been increasingly relying on market borrowings for financing its fiscal deficit.

1.11.3 Quality of Deficit/Surplus

The bifurcation of the primary deficit **(Table 1.24)** would indicate the extent to which the deficit has been on account of enhancement in capital expenditure which may have been desirable to improve the productive capacity of the UT's economy.

Table 1.24: Primary Deficit/Surplus – Bifurcation of Factors

(₹ in crore)

Year	Revenue Receipts	Recovery of Loans and Advances	Non-debt receipts	Primary Revenue Expenditure	Capital Expenditure	Loans and Advances disbursed	Primary Expenditure	Primary Revenue Deficit (-) / Surplus (+)	Primary Deficit (-) / Surplus (+)
1	**2**	**3**	**4 (2+3)**	**5**	**6**	**7**	**8 (5+6+7)**	**9 (2-5)**	**10 (4-8)**
2008-09	2,459	5	2,464	2,310	261	3	2,574	149	(-) 110
2009-10	2,841	38*	2,879	2,796	369	2	3,167	45	(-) 288
2010-11	3,200	4	3,204	3,209	371	2	3,582	(-) 9	(-) 378
2011-12	2,771	4	2,775	2,832	375	2	3,209	(-)61	(-)434
2012-13	3,146	3	3,149	2,600	315	1	2,916	546	233

(Source: Finance Accounts)

* Includes miscellaneous capital receipt of ₹ 33 crore

As non-debt receipts were enough to meet the primary revenue expenditure, primary deficit turned into primary surplus during the year. Primary revenue deficit for the past two years 2010-11 and 2011-12 turned surplus in 2012-13 indicating that revenue receipts were enough to meet the primary revenue expenditure.

1.12 Conclusion and Recommendations

Funds transferred directly to implementing agencies: During 2012-13, GOI directly transferred ₹ 32.90 crore to the Union Territory implementing agencies for implementation of various schemes/programmes. Under the present system, these funds are not routed through the UT Budget/Treasury System and hence flow of these funds is not captured in the Finance Accounts of the UT. As such, the Annual Finance Accounts of the UT does not provide a complete picture of the resources under the control of the UT Government. There is no single agency monitoring the use of these funds and no data is readily available on such programmes on the amounts spent on major flagship programmes. ***Government needs to ensure proper documentation of such releases and expenditure and timely reporting of expenditure by the implementing agencies.***

High share of revenue expenditure in total expenditure: The revenue expenditure of ₹ 3,051 crore during 2012-13 constituted 90.61 *per cent* of total expenditure. The committed expenditure such as salaries, pension and interest payments constituted around 62 and 64 *per cent* of revenue receipts and revenue expenditure respectively. ***Measures are required to be taken to compress the revenue expenditure.***

Inadequate priority to Development expenditure: The Capital expenditure decreased by ₹ 60 crore from ₹ 375 crore in 2011-12 to ₹ 315 crore in 2012-13 and it accounted only for 9.36 *per cent* of the total expenditure. The development expenditure (expenditure on social and economic sectors) as percentage of aggregate expenditure decreased from 72 in 2011-12 to 64 in 2012-13. ***Government needs to improve capital expenditure and development expenditure.***

Low return on investments: As of 31 March 2013, Government invested ₹ 960 crore in Government companies and co-operative institutions. Though the average rate of interest on UT Government's borrowings was eight *per cent*, the average rate of return on investment was only 0.4 *per cent* during 2008-13. ***Government needs to take measures to ensure better returns on its investments.***

High ratio of fiscal liabilities to GSDP: The outstanding fiscal liabilities increased from ₹ 3,325 crore in 2008-09 to ₹ 5,880 crore in 2012-13. The fiscal liabilities constituted 34 *per cent* of GSDP in 2012-13. ***Government needs to set in place a strategy to limit the quantum of fiscal liabilities*.**