Chapter I
Finances of the State Government

Profile of the State

Rajasthan, the largest State in terms of geographical area (342.24 thousand sqkm) and the eighth in terms of population, is located in the north-western part of the country. The population of the State increased from 5.65 crore in 2001 to 6.86 crore in 2011, recording a decadal growth of 21.44 *per cent* (***Appendix 1.1***). The percentage of populatio n below the poverty line was 14.7 *per cent*, less than the All India average of 21.9 *per cent*. The Gross State Domestic Product (GSDP) in 2012-13 at current prices was ₹ 4,78,160 crore (advance estimates). The literacy rate increased from 60.4 *per cent* (2001 census) to 67.1 *per cent* (2011 census) which was 6.9 percentage points below the All India average of 74 *per cent* during the corresponding period. **The per capita income of the State stands at ₹ 60,652[1] as compared to the national per capita income of ₹ 68,747.** General data relating to the State are given in ***Appendix 1.1***.

Gross State Domestic Product (GSDP)

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

Table 1.1: Annual growth rate of GDP and GSDP at current prices

Year	2008-09	2009-10	2010-11	2011-12	2012-13
India's GDP# (₹ in crore)	53,03,567	61,08,903	72,66,967[2]	83,53,495[3]	94,61,013[4]
Growth rate of GDP (percentage)	15.7	15.2	19.0	15.0	13.3
State's GSDP* (₹ in crore)	2,30,949	2,65,825	3,41,865[5]	4,16,755[6]	4,78,160[4]
Growth rate of GSDP (percentage)	18.5	15.1	28.6	21.9	14.7

Sources: # Ministry of Statistics and Programme Implementation, Government of India and
*Directorate of Economics and Statistics, Government of Rajasthan

Rajasthan achieved higher GSDP growth rate compared to India's GDP growth rate during the period 2008-13, except in 2009-10 when it was lower. During 2012-13 growth rate of GSDP was 14.7 *per cent* compared to growth rate of GDP (13.3 *per cent*).

1. Source: Economic Review, Government of Rajasthan
2. Second revised Estimates
3. First revised Estimates
4. Advance Estimates
5. Provisional estimates
6. Quick estimates

1.1 Introduction

This chapter provides a broad perspective of the finances of the Government of Rajasthan (GoR) during 2012-13 and analyses the changes observed in the major fiscal aggregates in relation to that of the previous year, keeping in view the overall trends during last five years. The annual accounts of the State Government consists of Finance Accounts and Appropriation Accounts. The new format of Finance Accounts, introduced from 2009-10, has been divided into two Volumes. Volume I represents the financial statements of the Government in a summarised form while Volume II represents detailed financial statements. The structure and form of Government accounts have been explained in ***Appendix 1.2 (Part A)*** and the layout of the Finance Accounts is depicted in ***Appendix 1.2 (Part B)***.

1.2 Summary of Fiscal Transactions in 2012-13

Table 1.2 below presents the summary of the State Government's fiscal transactions during the current year (2012-13) *vis-à-vis* that of the previous year (2011-12), while ***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			Disbursements		
	2011-12	2012-13		2011-12	2012-13
Section-A: Revenue					
Tax revenue	*25,377.06*	30,502.65	General Services	*18,708.52*	20,495.80
Non-Tax Revenue	*9,175.10*	12,133.59	Social Services	*21,927.87*	25,292.94
Share of Union Taxes/ Duties	*14,977.04*	17,102.85	Economic Services	*12,743.89*	17,408.02
Grants from Government of India	*7,481.56*	7,173.92	Grants-in-aid and Contributions	*273.03*	265.03
Total Section-A Revenue Receipts	**57,010.76**	**66,913.01**	**Total Section-A Revenue Expenditure**	**53,653.31**	**63,461.79**
Section-B: Capital and others					
Miscellaneous Capital Receipts	15.73	8.12	Capital Outlay	7,119.25	10,683.57
Recoveries of Loans and Advances	1,229.31	1,101.56	Loans and Advances disbursed	1,109.10	2,411.83
Public Debt receipts*	5,918.40	9,955.00	Repayment of Public Debt*	3,490.42	4,706.72
Contingency Fund	-	-	Contingency Fund	-	-
Public Account receipts	1,27,214.84	1,56,563.24	Public Account disbursements	1,22,319.61	1,50,175.41
Opening Cash Balance	6,087.76	9,785.11	Closing Cash Balance	9,785.11	12,886.72
Total Section-B Receipts	**1,40,466.04**	**1,77,413.03**	**Total Section-B Disbursements**	**1,43,823.49**	**1,80,864.25**
Grand Total (A + B)	**1,97,476.80**	**2,44,326.04**	**Grand Total (A + B)**	**1,97,476.80**	**2,44,326.04**

Source: Finance Accounts for the respective years

***Excluding net transaction under Ways and Means advances and overdraft**

Salient features of fiscal operations in 2012-13 are given below:

- Revenue receipts grew by ₹ 9,902.25 crore (17.4 *per cent*) due to increase in own Tax revenue (₹ 5,125.59 crore), Non-Tax Revenue (₹ 2,958.49 crore) and share of Union Taxes/duties (₹ 2,125.81 crore) which was counterbalanced by decrease in grants-in-aid (₹ 307.64 crore) from Government of India (GoI). The revenue receipts exceeded the projections made in the Medium Term Fiscal Policy Statement (MTFPS) 2012-13 by ₹ 3,766 crore.

- Revenue expenditure increased by ₹ 9,808.48 crore (18.3 *per cent*). Increases were under General Services sector (₹ 1,787.28 crore), Social Services sector (₹ 3,365.07 crore) and Economic Services sector (₹ 4,664.13 crore) which was counterbalanced by decrease in grants-in-aid and contributions (₹ 8 crore). It exceeded the MTFPS projections for the year by ₹ 1,243 crore.

- Capital outlay increased by ₹ 3,564.32 crore (50.1 *per cent*), mainly under Economic Services sector: ₹ 2,675.24 crore, General Services sector: ₹ 45.69 crore and Social Services sector: ₹ 843.39 crore.

- Public debt receipts (excluding Ways and Means advances) increased by ₹ 4,036.60 crore (68.2 *per cent*) while repayment of public debt increased by ₹ 1,216.30 crore (34.8 *per cent*).

- Public Account receipts and disbursements increased by ₹ 29,348.40 crore (23.1 *per cent*) and ₹ 27,855.80 crore (22.8 *per cent*), respectively.

- Cash balance increased by ₹ 3,101.61 crore (31.7 *per cent*).

1.2.1 Review of the fiscal situation

In May 2005, Rajasthan Government responded to the Twelfth Finance Commission recommendation by legislating its "Fiscal Responsibility and Budget Management (FRBM) Act". As per the recommendations of Thirteenth Finance Commission (XIII FC) the State Government amended the Act in March 2011 and September 2011. Government laid the MTFPS for 2012-13 in the legislature (March 2012). In compliance to Section 8 of FRBM Act, the State Government constituted (February 2006) a Public Expenditure Review Committee (PERC) under the chairmanship of Chief Secretary, GoR.

The State Government enacted the Rajasthan FRBM Act, 2005 and FRBM (Amendment) Act, 2011 to ensure prudence in fiscal management and to maintain fiscal stability in the State. The Act envisages progressive elimination of revenue deficit, reduction in fiscal deficit and prudent debt management consistent with fiscal sustainability. To ensure fiscal prudence the Act also provides for greater fiscal transparency in fiscal operations of the Government and conduct of fiscal policy in a medium term framework and matters

connected therewith. The fiscal management principles, as laid down in the Act and/or the rules framed thereunder, prescribed the following fiscal targets for the State Government:

- achieve zero revenue deficit target from financial year 2011-12 and thereafter maintain it or attain revenue surplus;
- achieve fiscal deficit of three *per cent* of GSDP by financial year 2011-12 and thereafter maintain the said ratio or to reduce it;
- restrict its total outstanding debt upto 39.3, 38.3, 37.3 and 36.5 *per cent* of GSDP for the financial years 2011-12, 2012-13, 2013-14 and 2014-15 respectively;
- bring out annual statement giving prospects for the State economy and related fiscal strategy.

Major fiscal variables provided in the budget, based on recommendations of the XIII FC and targeted in the FRBM Act of the State, are depicted in **Table 1.3** below:

Table 1.3: Major Fiscal Targets and Actual

Fiscal variables	2012-13			
	XIII FC targets for the State	Targets as prescribed in FRBM Act	Targets proposed in the Budget/ MTFPS	Actual
Revenue Deficit (-) / Surplus (+) (₹ in crore)	0.00	0.00	(+) 928	(+) 3,451
Fiscal Deficit/GSDP (In *per cent*)	3.0	3.0	2.14	1.8
Ratio of total outstanding debt of the Government to GSDP in *per cent*)	38.3	38.3	28.65	24.64

The outstanding debt and fiscal deficit were 24.64 *per cent* and 1.8 *per cent* respectively, of the GSDP which was within the prescribed limit.

1.2.2 Budget estimates and actuals

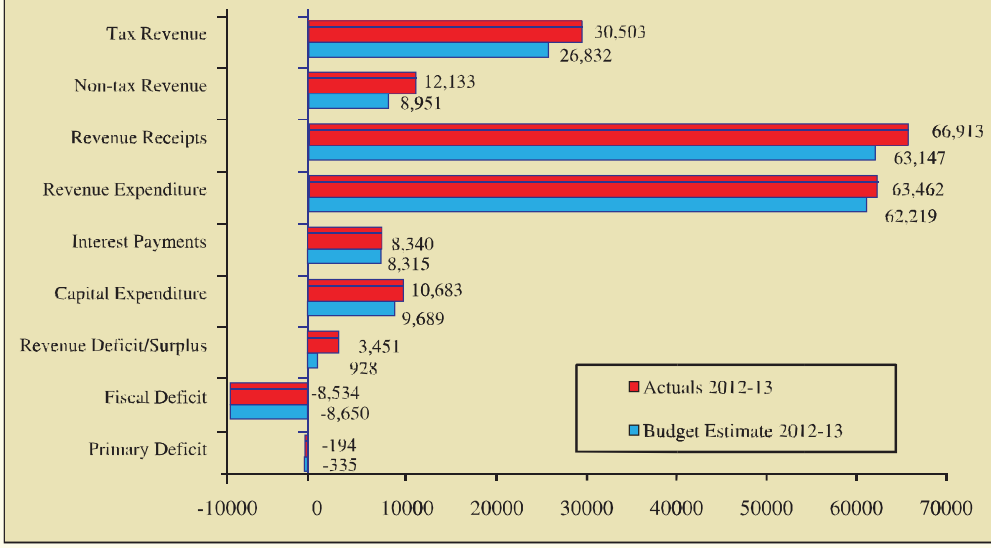
The budget papers presented by the State Government provide descriptions of projections or estimations of receipts and expenditure for a particular fiscal year. The importance of accuracy in the estimation of receipts and expenditure is widely accepted in the context of effective implementation of fiscal 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 various causes-some within the control of the Government and some beyond the control of the Government.

As per the State Budget Manual, 1995 (revised in 2012) the Finance Department is responsible for preparation of the annual budget for different departments. The departmental estimates of receipts and expenditure are

prepared by Controlling Officers on the advice of the Heads of Departments and submitted to the Finance Department by the prescribed dates. The Finance Department then consolidates them and prepares the Budget Estimates.

Comparison of the budget estimates and actuals for the year 2012-13 shows that the actual Revenue Receipts and Revenue Expenditure increased by six *per cent* and two *per cent* respectively. Resultantly, the revenue surplus increased by ₹ 2,523 crore over the budgeted revenue surplus. The Capital Expenditure increased by 10 *per cent* over the budget estimates. The budgeted and actual figures under Revenue Receipts and Expenditure are shown in **Chart 1.1** below and ***Appendix-1.6***.

Chart 1.1 Selected Fiscal Parameters: Budget Estimates *vis-a-vis* Actuals (₹in crore)



Source: Finance Accounts and Budget Documents

As may be observed, there was considerable variation between budget estimates and actuals in the case of several key parameters. Revenue Receipts had a positive variation of ₹ 3,766 crore (six *per cent*) over budget estimates due to increase in Tax as well as Non-Tax Revenue. The State's Tax revenue (inclusive of State's share of Union Taxes and duties) was more than the budget estimate by ₹ 3,067 crore* (seven *per cent*). Further, Non-Tax Revenue exceeded the budget estimate by ₹ 3,182 crore (36 *per cent*) but Grants-in-aid from GoI was less than the budget estimate by ₹ 2,483 crore (26 *per cent*). Almost all categories of Revenue Receipts (with the exception of Taxes on immovable property other than Agricultural land, Taxes on goods and passengers, other Taxes and Duties on Commodities and Services, Labour and Employment, Major Irrigation, State's share of Union Taxes and Duties and Grants-in-aid from GoI) were higher than budget estimates.

* State Tax Revenue increased by ₹ 3,671 crore and State's share of Union Taxes and Duties decreased by ₹ 604 crore.

Revenue expenditure increased by two *per cent* over budget estimates, mainly under Taxes on Sales, Trade etc, Pension and Other Retirement Benefits, Miscellaneous General Services, Family Welfare, Urban Development, Labour and Employment, Relief on account of Natural Calamities, Cooperation, Other Rural Development Programmes, Power and Civil Supplies etc. As a result, the revenue surplus increased from the budget estimate of ₹ 928 crore to ₹ 3,451 crore, whereas the fiscal deficit[7] decreased from the budget estimate of ₹ 8,650 crore to ₹ 8,534 crore and the primary deficit also decreased from the budget estimate of ₹ 335 crore to ₹ 194 crore.

During 2012-13, the capital expenditure showed increase of 10 *per cent* over budget estimates mainly under Capital Outlay on Other Rural Development Programmes and on Power Projects.

1.2.3 Gender Budgeting

Gender Responsive Budgeting (GRB) is a means of ensuring that public resources are allocated in an equitable way so that the most pressing needs of specific gender groups are satisfied. During the Budget speech of the year 2009-10 Hon'ble Chief Minister, Government of Rajasthan (GoR) announced preparation of GRB which would enable gender based analysis of budget of each department. Accordingly, a High level committee (HLC) was formed (August 2009) under the chairmanship of the Chief Secretary and a Gender Cell was formed during 2009-10 in the Department of Women Empowerment (department). One of the functions and objectives of GRB was consolidating budget schemes and facilitating integration of gender analysis in the Government Budget. Further, during 2010-11, focal Gender Budget Desks in various Departments were also constituted with the intention of implementation of various GRB initiatives. Besides, State Finance Department decided to incorporate Gender Budget Statement (August 2011) in the new Integrated Financial Management System (IFMS) for preparation of BE from the financial year 2012-13 as per guidelines of Para 13.27 of the revised State Budget Manual with a view to provide situational analysis of fund allocated and expenditure incurred on women Department-wise. The GoR has created four categories[8] in respect of budget allotment and allocation.

The GoR allotted the budget on gender basis for the first time in 2012-13 under four categories as given below:

(₹ in crore)

S.No.	Category	Non-plan	Plan	CSS	Total
1	A	1,323.59	783.80	120.20	2,227.59
2	B	7,289.41	7,443.80	781.15	15,514.36
3	C	99.00	119.49	37.38	255.87
4	D	49.98	124.79	34.94	209.71

7. see glossary at page 187
8. Category A: budget allocated more than 70 *per cent* for women;
   Category B: budget allocated between 30 *per cent* and 70 *per cent* for women;
   Category C: budget allocated between 10 *per cent* and 30 *per cent* for women and
   Category D: budget allocated up to 10 *per cent* for women.

However, details of expenditure under each category were not maintained/available with the department (September 2013) in the absence of which it is not possible to assess the efficacy of GRB.

The information about number of meetings of HLC held during 2010-13 was also not furnished by the Department.

1.2.4 Major policy initiatives in the budget

Hon'ble Chief Minister announced (26 March 2012) several schemes and policies in his budget speech for 2012-13. The major policy initiatives and the status of action taken on them, as intimated by the concerned departments (July and August 2013) are summarised in **Table 1.4** below:

Table 1.4: Policy initiatives taken

S. No.	Name of Department	Major Policy Initiative announcement	Status of action taken
1	Public Works Department	Construction of Water Bound Macadam (WBM) roads of 3302 km length costing ₹ 800 crore for 1500 villages with NABARD assistance.	1096.35 km roads completed (July 2013) for 595 villages.
2	Public Works Department	Construction of waiting rooms with toilet and drinking water facilities in the premises of all district collectorates costing ₹ 25 lakh each.	Out of 33 waiting rooms, 23 were completed (July 2013).
3	Director, Local Bodies	Construction of 90 Million Litre Daily (MLD) capacity Sewerage Treatment Plants (STP) in Jodhpur costing ₹ 90 crore with allotment of ₹ 25 crore for 2012-13 to overcome pollution arising due to untreated sewerage water mixed in Jojari river.	Work order issued on 13 December 2012 for construction of STP of 50 MLD in *Salawas* with date of completion on 18 December 2013 on which expenditure of ₹ 1.25 crore has been incurred (August 2013). Tendering for work of STP of 40 MLD in *Basni Benda* was under progress (August 2013).
4	Director, Local Bodies	Provision of ₹ 5 crore for each town namely Kishangarh, Makrana and Rajsamand made for multipurpose developmental works for environment betterment including proper disposal of waste material receiving from mining	The administrative and financial sanction was issued on 23 November 2012. No work was started (March 2013).
5	Animal Husbandry Department	Cattle Feed Plant costing ₹ 25 crore in Pali and Powder Milk Plant costing ₹ 40 crore in Jaipur would be established through Rajasthan State Cooperative Dairy Federation.	Land acquisition completed for Pali plant. Agreement for construction has been executed with Rajasthan Awas Vikas Infrastructure Limited, Jaipur and the requirement of Plant and Machinery is being assessed. As regards Powder Milk Plant at Jaipur the department intimated (August 2013) that request was sent to District Collector, Jaipur for allotment of land. However, it again intimated (November 2013) that the land was purchased in January 2013 at Village *Govindgarh* on Jaipur-Sikar Highway and civil work for the plant was started (August 2013). The replies are contradictory for which the department was requested (December 2013) to furnish the correct position. Further reply is awaited.

S. No.	Name of Department	Major Policy Initiative announcement	Status of action taken
6	Panchayati Raj Department	Provision of ₹ 300 crore for Rajasthan State Rural Livelihood Project (RRLP), National Rural Livelihood Project (NRLP) and Mitigating Poverty in Western Rajasthan (MPOWER) has been made for self-employment of approximately three lakh persons.	MPOWER project was implemented in six districts of Jodhpur division and 34,045 persons were benefited under this project during 2012-13. Moreover, 11,000 persons were benefited under RRLP. In principle approval of annual action plan (2012-14) for NRLP was given by GoI.
7		After empowering PRIs through State Government's decision on 2 October 2010 by transfer of funds, functions and functionaries in respect of five departments, PRIs are implementing major schemes including MNREGA, for which more than 23,000 posts under various cadres are to be created to strengthen the system.	New posts of 19,846 Lower Division Clerks (LDC) and 4,080 in other cadres were created against which 202 posts of LDCs and 143 posts of Group 'D' were filled through compassionate appointments and process of appointment for remaining posts was under progress.
8		To facilitate monitoring of various schemes and maintenance of accounts etc, one computer will be provided to each Gram Panchayat, on which approximately ₹ 25 crore will be spent.	Purchase order of 6,528 computers, printers and UPS was issued (7 December 2012) to RajComp for which ₹ 12.46 crore have been allotted. Action for supply of the said articles is under process.
9		New Panchayat Training Centres (PTC) at Kota, Bharatpur and Bikaner will be established at a cost of ₹ 2 crore each to facilitate training to public representatives and personnel of PRIs.	₹ 1.5 crore each has been transferred to PD accounts of Zila Parishads, Kota, Bharatpur and Bikaner. The work of land allotment and construction was under process.
10		Construction of rest houses for people at a cost of ₹ 25 lakh in each Zila Parishad premises.	After revision of cost to ₹ 50 lakh, the work of construction of rest houses in 29 Zila Parishads was being done through PWD (August 2013).

1.3 Resources of the State

1.3.1 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, borrowings from financial institutions/commercial banks) and Loans and Advances from GoI. Besides, the funds available in the Public Account after disbursement are also utilised by the Government to finance its deficit. **Table-1.2** presents the receipts and disbursements of the State during the current year as recorded in its Annual Finance Accounts while **Chart 1.2** depicts the trends in various components of the receipts of the State during 2007-13 and **Chart 1.3** depicts the composition of resources of the State during the current year.

Chart 1.2 Trends in receipts (₹ in crore)

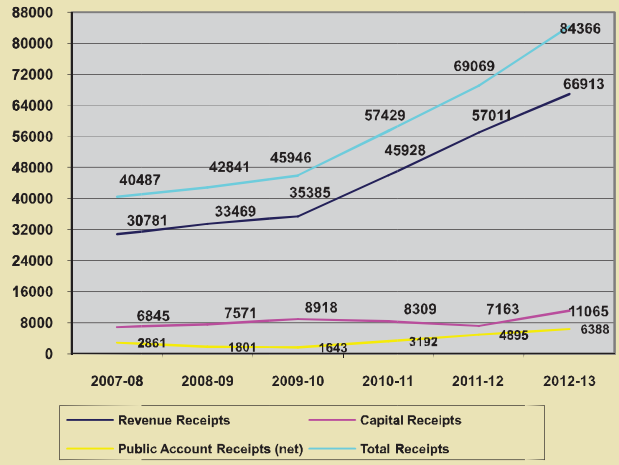
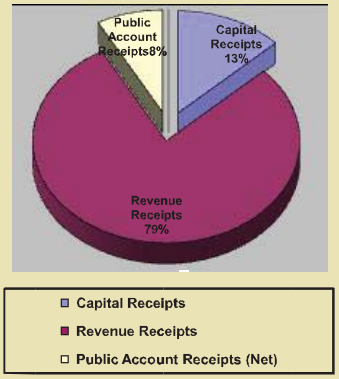


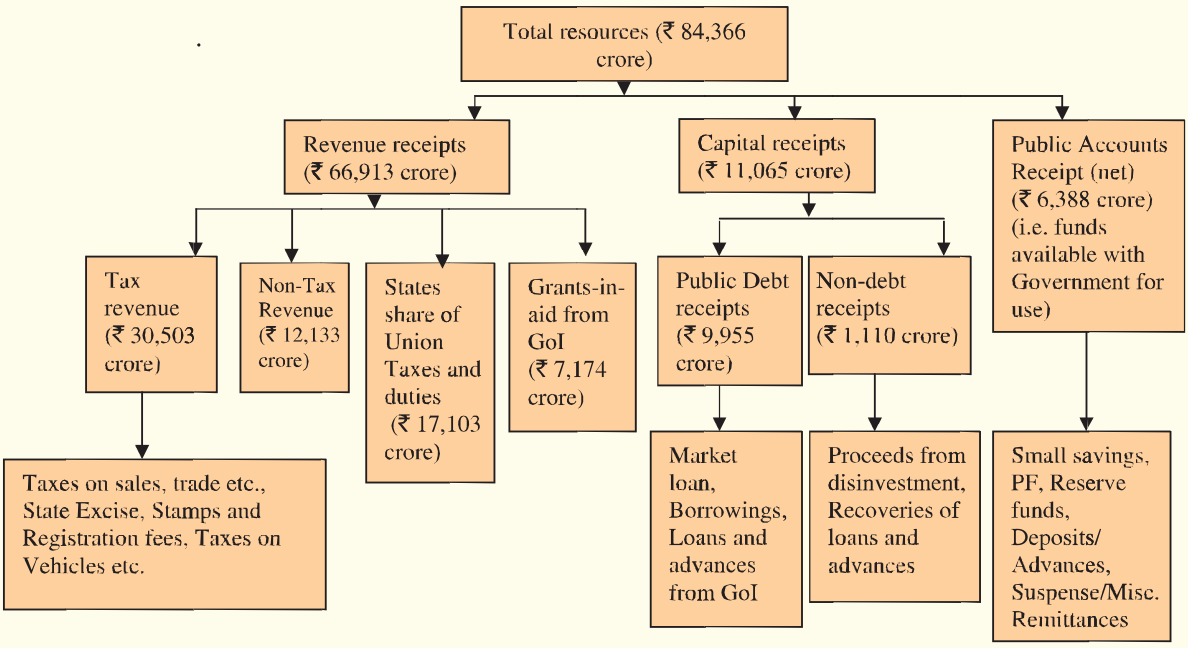
Chart 1.3 Composition of Receipts during 2012-13 (in per cent)



Source: Finance Accounts

Following flowchart shows the components and sub-components of resources:

Components and sub-components of resources



Total receipts (excluding contingency fund receipts) increased by 108 *per cent* from ₹ 40,487 crore in 2007-08 to ₹ 84,366 crore in 2012-13 and increased over the previous year by ₹ 15,297 crore (22 *per cent).* The share of Revenue Receipts in total receipts was 79 *per cent*. More details of Revenue Receipts are given in **paragraph 1.4** below.

Public Account receipts refer to those receipts for which the Government acts as a banker/trustee for the public money. On an average, these constituted six *per cent* of the total receipts during 2007-2013. Net Public Account Receipts, which totalled ₹ 2,861crore in 2007-08, increased to ₹ 6,388 crore in 2012-13. There was 31 *per cent* growth in Public Account receipts compared to the previous year. The increase was mainly in Small Savings, Provident Funds etc.: ₹ 2,164 crore, Deposits and Advances: ₹ 3,416 crore and Reserve Fund: ₹ 781 crore. A brief analysis of Reserve Funds is given in **paragraph 1.10.3** below.

Capital Receipts increased by 62 *per cent* from ₹ 6,845 crore in 2007-08 to ₹ 11,065 crore in 2012-13. Capital Receipts accounted for 13 *per cent* of total receipts. Debt Receipts, which are the main constituent of Capital Receipts, increased by ₹ 4,037 crore from the previous year. Internal Debt and Loans and Advances from GoI were two components of the Debt Receipts which constituted 98 *per cent* and 2 *per cent* respectively, of the total Debt Receipts. There was a growth of 75 *per cent* in internal debt over the previous year while there was a decrease of 41 *per cent* in Loans and Advances from GoI, due to short release of loans under State plan schemes.

1.3.2 Funds transferred to State Implementing Agencies outside the State Budget

The Central Government has been transferring a sizeable quantum of funds directly to the State Implementing Agencies (IAs)[9] for implementation of various schemes/programmes in social and economic sectors, which are recognised as critical. In the present mechanism these funds are not routed through the State Budget/State Treasury System and hence do not find mention in the Finance Accounts of the State. As such, the Annual Finance Accounts of the State do not depict a complete picture of the resources of the State Government.

During the year, central funds of ₹ 7,826 crore were transferred directly to the state IAs for 49 programmes/schemes assisted by GoI. Out of this, ₹ 5,169 crore (66 *per cent*) were transferred for Rural Development[10], ₹ 1,535 crore (20 *per cent*) for *Sarva Shiksha Abhiyan* and ₹ 502 crore (6 *per cent*) for National Rural Health Mission. Funds directly transferred to state IAs are presented in ***Appendix 1.7***.

It was observed that the funds (Central Share) transferred directly to IAs increased by ₹ 832 crore compared to that of the previous year (₹ 6,994 crore). The increase was mainly under National Rural Drinking Water Programme (₹ 1,395 crore) and Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) (₹ 966 crore) set off by decrease under *Pradhan Mantri Gram Sadak Yojana* (₹ 516 crore), Crop Insurance (₹ 337 crore), *Indira Awas*

9 State IAs include organisations/institutions including non-governmental organisations which are authorised by the State Government to receive funds from the GoI, for implementing specific programmes.

10 ₹ 2,585 crore: MGNREGS and ₹ 1,406 crore: National Rural Drinking Water Programme.

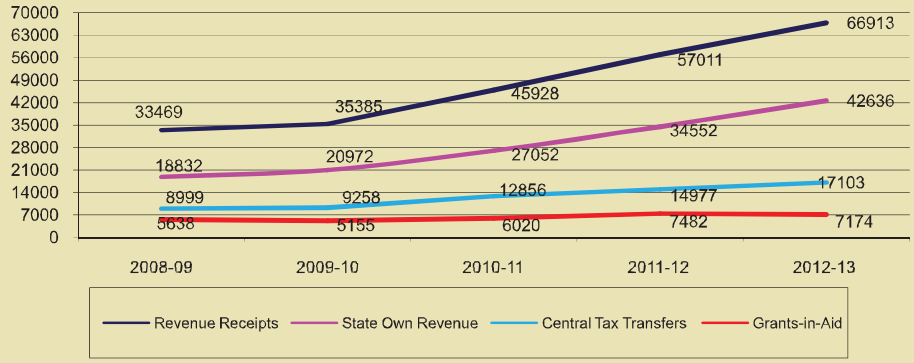
Yojana (₹ 208 crore), *Sakshar Bharat* Mission (₹ 81 crore), National Rural Health Mission (₹ 71 crore), Upgradation of Government Industrial Training Institution (₹ 68 crore), Desert Development Programme (combating) (₹ 67 crore), *Rashtriya Madhyamik Siksha Abhiyan* (₹ 60 crore), Model School (₹ 50 crore), Desert Development Programme (₹ 47 crore) and Provision for Urban Amenities in Rural Areas (₹ 27 crore).

The present mechanism does not provide a complete picture of the resources under the control of the State Government. Direct transfer from the GoI to the State IAs runs the risk of poor oversight of utilisation of funds by these agencies.

1.4 Revenue Receipts

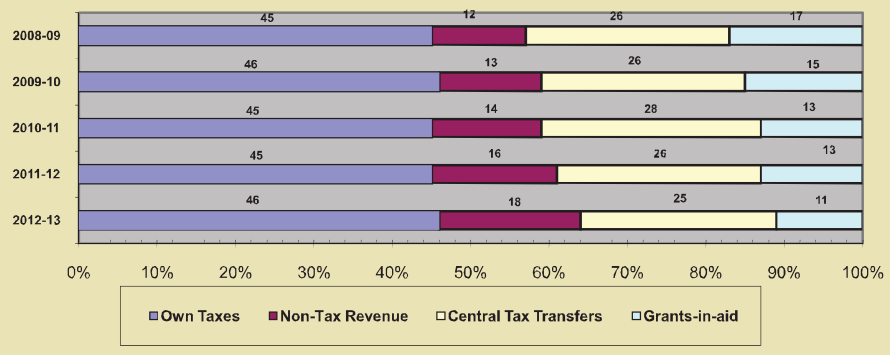
Statement-11 of the Finance Accounts details the Revenue Receipts of the Government. Revenue receipts consist of its own Tax and Non-Tax Revenues, Central Tax transfers and Grants-in-aid from GoI. The trends and composition of Revenue Receipts over the period 2008-13 are presented in ***Appendix 1.3*** and also depicted in **Chart 1.4** and **Chart 1.5** below:

Chart 1.4 Trends in Revenue Receipts
(₹in crore)



Source: Finance Accounts

Chart 1.5 The Composition of Revenue Receipts during 2008-13
(Share in per cent)



Source: Finance Accounts

Revenue Receipts showed progressive increase from ₹ 33,469 crore in 2008-09 to ₹ 66,913 crore in 2012-13. On an average, 60 *per cent* of the revenue came from State's own resources during the period 2008-13. The balance came as transfer from GoI in the form of State's share of Union Taxes and Duties and Grants-in-aid.

State's own resources consist of Tax Revenue and Non-Tax Revenue. The share of Tax Revenue in Revenue Receipts ranged between 45 and 46 *per cent* during 2008-13, while the Non-Tax Revenue share increased from 12 *per cent* in 2008-09 to 18 *per cent* in 2012-13.

The trends in Revenue Receipts relative to GSDP are shown 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)	**33,469**	**35,385**	**45,928**	**57,011**	**66,913**
Rate of growth of RR (*per cent*)	8.7	5.7	29.8	24.1	17.4
Rate of growth of State's own Tax (*per cent*)	12.6	9.8	26.5	22.3	20.2
RR/GSDP (*per cent*)	14.5	13.3	13.4	13.7	14.0
Buoyancy Ratios[11]					
Revenue buoyancy w.r.t. GSDP	0.5	0.4	1.0	1.1	1.2
State's own Tax buoyancy w.r.t. GSDP	0.7	0.6	0.9	1.0	1.4
Revenue buoyancy w.r.t. State's own Taxes	0.7	0.6	1.1	1.1	0.9

Source: Finance Accounts

Revenue buoyancy, which is directly proportionate to growth of Revenue Receipts and GSDP, widely fluctuated during the period due to fluctuations in the growth rate of Revenue Receipts. During 2008-10, the lower growth rate of Revenue Receipts, relative to GSDP, pushed the revenue buoyancy ratio down. Revenue buoyancy ratio, which was as low as 0.4 in 2009-10, increased to 1.0 in 2010-11 due to high increase in the growth rate of Revenue Receipts. It further increased to 1.2 in 2012-13 from 1.1 over the previous year.

During 2008-13, the State's own Tax Revenue was the largest component of Revenue Receipts and its growth trend influenced the trends in Revenue Receipts. During this period, rate of growth of own Tax Revenue was lowest in 2009-10. During 2012-13, there was decrease in growth rate of own Tax Revenue over the previous two years. However, due to decrease in growth rate of GSDP, the buoyancy ratio of own Tax Revenue with respect to GSDP increased to 1.4. The buoyancy ratio of own Tax Revenue with respect to GSDP was lowest in 2009-10 and highest in 2012-13. In 2012-13, growth rate of Revenue Receipts decreased by 6.7 percentage points and that of GSDP decreased by 7.2 percentage points **(Table 1.1)** over the growth rate of previous year and this influenced the revenue buoyancy with respect to GSDP and the State's own Tax Revenue buoyancy with respect to GSDP as shown in the above Table.

The increase of 17 *per cent* in Revenue Receipts during 2012-13 was on account of increase in State's own Tax Revenue (20 *per cent*), Non-Tax

11 Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable.

Revenue (32 *per cent*) and Central Tax transfers (14 *per cent*) which was counterbalanced by decrease in Grants-in-aid (4 *per cent*). ***Revenue Receipts (₹ 66,913 crore) were 6 per cent higher than the assessment made by the State Government in the MTFPS (₹ 63,147 crore) for the year 2012-13*** **(Chart 1.1).**

1.4.1 State's own resources

As the State's share in Central Taxes and Grants-in-aid is determined on the basis of recommendations of the Finance Commission, the State's performance in mobilisation of resources was assessed in terms of its own resources comprising Tax and non-Tax sources.

The State's actual Tax and Non-Tax receipts *vis-a-vis* assessment made by XIII FC and MTFPS are given in the **Table 1.6** below:

Table 1.6: Tax and Non-Tax revenue projection and actual for 2012-13

(₹ in crore)

	XIII FC projections	Budget/MTFP estimates	Actual
Tax revenue	25,199	26,832	**30,503**
Non Tax revenue	6,311	8,951	**12,133**

The receipts under Tax Revenue and Non-Tax Revenue exceeded the normative assessment made by XIII FC by 21 (₹ 5,304 crore) and 92.3 *per cent* (₹ 5,822 crore) respectively and the targets fixed by the State Government in the MTFPS by 13.7 (₹ 3,671 crore) and 35.5 *per cent* (₹ 3,182 crore) respectively.

1.4.1.1 Tax Revenue

Taxes on sales, trade, etc. were the main sources of the State's Tax Revenue with a contribution of 61 *per cent,* followed by State Excise (13 *per cent*), Stamps Duty and Registration Fees (11 *per cent*) and Taxes on Vehicles (7 *per cent*). The component wise position of gross collection in respect of major Taxes and duties is given in **Table 1.7** ***and*** **Chart 1.6** below**:**

Table 1.7: Components of State's own Tax revenue

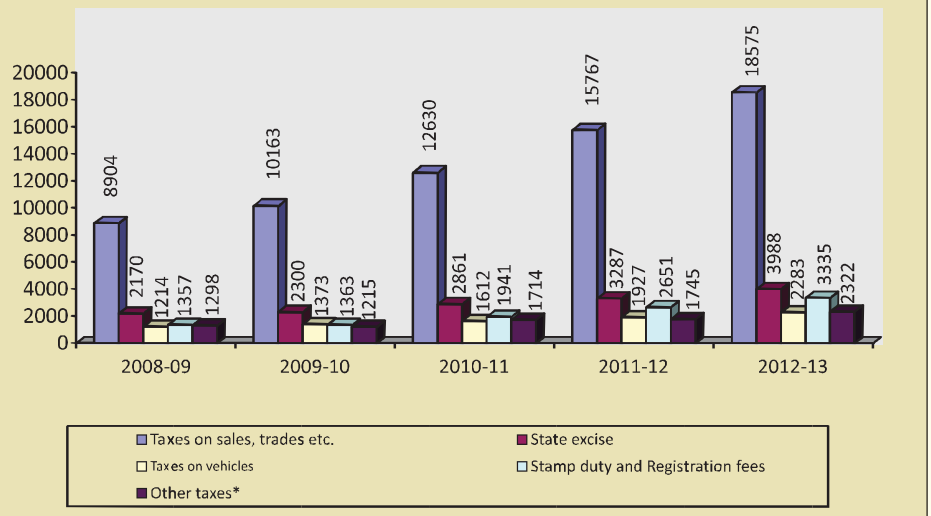
(₹ in crore)

Revenue Head	2008-09	2009-10	2010-11	2011-12	2012-13	*Percentage increase over previous year*
Taxes on Sales, Trade etc.	8,904	10,163	12,630	15,767	18,575	17.8
State Excise	2,170	2,300	2,861	3,287	3,988	21.3
Taxes on Vehicles	1,214	1,373	1,612	1,927	2,283	18.5
Stamp Duty and Registration Fees	1,357	1,363	1,941	2,651	3,335	25.8
Land Revenue	163	148	222	209	304	45.5
Taxes on Goods and Passengers	190	176	231	220	249	13.2
Other Taxes[12]	945	891	1,261	1,316	1,769	34.4
Total	**14,943**	**16,414**	**20,758**	**25,377**	**30,503**	**20.2**

Source: Finance Accounts for the respective years

12 Other Taxes include Taxes on immovable property other than agricultural land, Taxes and duties on electricity and Taxes on agricultural income.

Chart 1.6 State's own Tax Revenue component during 2008-09 to 2012-13
(₹in crore)



* **Other Taxes include Land revenue, Taxes on goods and passengers, Taxes on immovable property other than agricultural land, Taxes and duties on electricity and Taxes on agricultural income etc.**

The revenue through Taxes on Sales, Trade etc. not only contributed a major share of Tax Revenue (61 *per cent*) but it also increased by 18 *per cent* over the previous year. During 2012-13, the rate of growth of Taxes on Sales, Trade etc. (18 *per cent*) decreased by 7 percentage points from the previous year (25 *per cent*). However, during 2012-13, revenue realisation was ₹ 18,575 crore against budget estimate of ₹ 16,550 crore.

The growth rate of State Excise which was at its lowest at 6 *per cent* in 2009-10, was 24 *per cent* during 2010-11. There was again a downfall in the growth rate which was 15 *per cent* in 2011-12. During 2012-13, the State excise increased by 21 *per cent* over the previous year due to more receipts under sale of foreign liquor, spirits and service fees. The revenue realisation during 2012-13 (₹ 3,988 crore) exceeded the estimate (₹ 3,250 crore) by 22.7 *per cent.*

Taxes on Vehicles (₹ 2,283 crore) had shown 18.5 *per cent* increase over the previous year due to increase in receipts under the State Motor Vehicles Taxation Act. Stamps and Registration Fees (₹ 3,335 crore) had also shown increase by 25.8 *per cent* due to more sale of non-judicial stamps and more receipts from duty on impressing of documents.

Cost of collection

The gross collection of major Revenue Receipts, expenditure incurred on collection and the percentages of such expenditure to gross collection during the years 2010-11 to 2012-13 along with the relevant All India average

percentage of expenditure on collection to gross collection for 2010-11 and 2011-12 are shown in **Table 1.8** below:

Table 1.8: Cost of collection

(₹ in crore)

Heads of Revenue	Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India average percentage
Taxes on Sales, Trade etc.	2010-11	12,630	87	0.69	0.75
	2011-12	15,767	85	0.54	0.83
	2012-13	18,575	89	0.48	NA
State Excise	2010-11	2,861	88	3.08	3.05
	2011-12	3,287	83	2.53	2.98
	2012-13	3,988	83	2.08	NA
Taxes on Vehicles	2010-11	1,612	31	1.92	3.71
	2011-12	1,927	41	2.13	2.96
	2012-13	2,283	40	1.75	NA
Stamps and Registration Fees	2010-11	1,941	34	1.75	1.60
	2011-12	2,651	43	1.62	1.89
	2012-13	3,335	49	1.47	NA

Source: Finance Accounts and information provided by State Government to the Office of the Accountant General (E&RSA), Rajasthan
NA : Not Available

The percentage of expenditure on collection decreased in Taxes on Sales, Trade etc, State Excise, Taxes on Vehicles and Stamps and Registration Fees over the previous year. During 2011-12, the percentage of expenditure on collection in all the above four heads of revenue was lower than the All India average.

1.4.1.2 Non-Tax Revenue

The trends in the major constituents of Non-Tax Revenue during the period 2008-13 are shown in **Table 1.9** and **Chart 1.7** below:

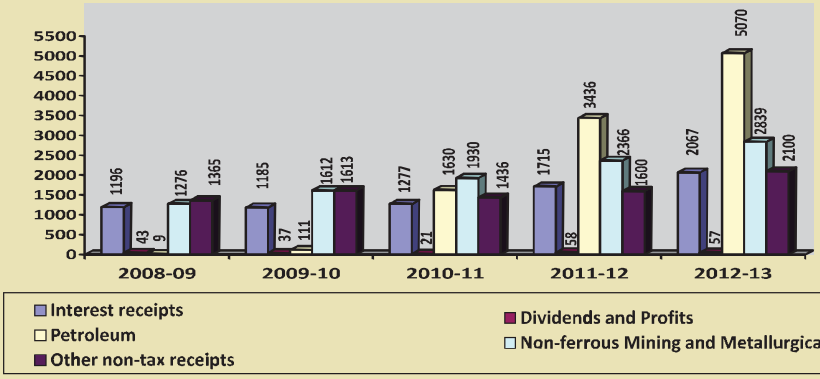
Table 1.9: Components of Non-Tax Revenue

(₹ in crore)

Revenue Head	2008-09	2009-10	2010-11	2011-12	2012-13	Percentage increase over previous year
Interest receipts	1,196	1,185	1,277	1,715	2,067	20.6
Dividends & Profits	43	37	21	58	57	(-)1.7
Petroleum	9	111	1,630	3,436	5,070	47.6
Non-ferrous Mining and Metallurgical Industries	1,276	1,612	1,930	2,366	2,839	20.0
Other non-Tax receipts	1,365	1,613	1,436	1,600	2,100	31.2
Total	**3,889**	**4,558**	**6,294**	**9,175**	**12,133**	**32.2**

Source: Finance Accounts

Chart 1.7 Non Tax Revenue component during 2008-09 to 2012-13 (₹in crore)



The Non-Tax Revenue (₹ 12,133 crore) which constituted 18 *per cent* of total Revenue Receipts in 2012-13 increased by 32 *per cent* (₹ 2,958 crore) over the previous year. Petroleum receipts increased by ₹ 1,634 crore due to increased production of crude oil, leading to more receipt of royalty. Interest Receipts were mainly due to book adjustment of interest received from departmentally managed irrigation projects and interest received on investment of cash balances.

Returns on investment decreased from 0.4 *per cent* in 2011-12 to 0.3 *per cent* in 2012-13.

1.4.1.3 Cost recovery from Socio-Economic Services

The ratio of Non-Tax Revenue Receipts (NTRR) to Non-Plan Revenue Expenditure (NPRE) is considered as an indicator of cost recovery from Socio-Economic Services. The details of recovery of current cost as ratio of NTRR to NPRE in respect of Elementary Education, Medical and Public Health, Water Supply and Sanitation, Major, Medium and Minor Irrigation and Roads and Bridges during 2011-12 and 2012-13 are given in **Table 1.10** below:

Table 1.10: Cost recovery from Socio-Economic Services

(₹ in crore)

S. No.	Service	2011-12			2012-13		
		NTRR	NPRE	Cost Recovery (in *per cent*)	NTRR	NPRE	Cost Recovery (in *per cent*)
1	Elementary Education	7.80	5,053.91	0.15	10.99	5,642.60	0.19
2	Medical and Public Health	59.38	1,932.75	3.07	96.04	2,357.56	4.07
3	Water Supply and Sanitation	254.03	1,625.26	15.63	258.61	1,697.08	15.24
4	Major, Medium and Minor Irrigation	109.87	383.33[13]	28.66	102.61	484.37[13]	21.18
5	Roads and Bridges	5.66	770.62	0.73	3.17	796.58	0.40

Source: Finance Accounts

13 Excluding notional adjustment of interest expenditure 2011-12: ₹ 961.67 crore and 2012-13: ₹ 1,002.86 crore

In irrigation sector, receipts of ₹ 109.87 crore during 2011-12 decreased by 6.6 *per cent* to ₹ 102.61 crore in 2012-13, whereas the actual cost of recovery decreased by 7.48 percentage points from the previous year.

The actual recovery rate of irrigation under* Major, Medium and Minor Irrigation *was lower (21.18 per cent) during 2012-13, than the normative assessment made by XIII FC (32 per cent).

1.4.2 Grants-in-aid from GoI

Grants-in-aid from GoI increased from ₹ 5,638 crore in 2008-09 to ₹ 7,174 crore in 2012-13 as shown in **Table 1.11** below:

Table 1.11: Grants-in-aid from GoI

(₹ in crore)

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
Non-Plan Grants	1,272	1,715	1,716	2,901	2,675
Grants for State Plan Schemes	2,077	1,606	2,488	2,416	2,316
Grants for Central Plan Schemes	67	128	165	166	92
Grants for Centrally Sponsored Schemes	2,222	1,706	1,651	1,999	2,091
Total	**5,638**	**5,155**	**6,020**	**7,482**	**7,174**
Percentage of increase over previous year	14.5	(-) 8.6	16.8	24.3	(-) 4.1
Total grants as a percentage of Revenue Receipts	16.8	14.6	13.1	13.1	10.7

Source: Finance Accounts

The Grants-in-aid from GoI during 2012-13 (₹ 7,174 crore) decreased by four *per cent* (₹ 308 crore) from the previous year. The decrease was under Non-Plan Grants (₹ 226 crore), Grants for State Plan Schemes (₹ 100 crore) and Grants for Central Plan Schemes (₹ 74 crore), which was counterbalanced by increase in grants for Centrally Sponsored Schemes (₹ 92 crore). As per recommendation of XIII FC, the GoI released ₹ 2,409.50 crore (including State-specific Grants: ₹ 37.50 crore) under Non-Plan Grants.

1.4.3 Central Tax transfers

The XIII FC recommended the share of States in Central Taxes, to be increased from 30.50 *per cent* (recommended by Twelfth Finance Commission) to 32 *per cent*. The share of the State in the net proceeds of Central Tax (excluding Service Tax) and net proceeds of Service Tax were fixed at 5.85 *per cent* and 5.95 *per cent*, respectively. During 2012-13 the share of Union Taxes (₹ 17,103 crore) was less than the budget estimates (₹ 17,707 crore), by ₹ 604 crore.

The Central Tax transfer increased by ₹ 2,126 crore over the previous year and constituted 25.6 *per cent* of revenue receipts. The increase was under Corporation Tax (₹ 248 crore), Service Tax (₹ 710 crore), Customs (₹ 245 crore), Taxes on Income other than Corporation Tax (₹ 684 crore) and Union Excise Duties (₹ 251 crore) which was counterbalanced by decrease in Taxes on Wealth (₹ 12 crore).

1.4.4 Optimisation of XIII FC grants

During 2012-13, XIII FC had recommended ₹ 2,776.60 crore, as transfer to the State, in the areas indicated in **Table 1.12** below:

Table 1.12: Transfers recommended and actual release of Grants-in-aid

(₹ in crore)

S. No.	Transfers	Recommendation of the XIII FC		Unutilised amount/ Excess expenditure (-) end of March 2012	Actual release in 2012-13	Expenditure during 2012-13 against grant received till 2012-13	Unutilised amount/Excess expenditure (-) in the context of release up to 2012-13
		2010-15	for 2012-13				
1	2	3	4	5	6	7	(5+6)-7=8
(1)	**Local Bodies**						
	(i) Grants to PRIs	3,938.64	838.23	66.93	880.00	946.95	(-) 0.02
	(a) General Basic Grant	*2,575.24*	*497.15*	*(-) 0.02*	*522.15*	*522.15*	*(-) 0.02*
	(b) General Performance Grants to PRI	*1,363.40*	*341.08*	*66.95*	*357.85*	*424.80*	-
	(ii) Grants to ULBs	1,194.26	254.14	21.56	251.71	273.63	(-) 0.36
	(a) General Basic Grant	*780.86*	*150.72*	*(-) 0.36*	*158.33*	*158.33*	(-) 0.36
	(b) General Performance Grants to ULBs	*413.40*	*103.42*	*21.92*	*93.38*	*115.30*	-
	(iii) Special Areas Grants	30.90	7.20	0.37	7.20	6.85	0.72
	(a) Special Areas Basic Grants	*18.20*	*3.60*	*0.37*	*3.60*	*3.43*	0.54
	(b) Special Areas Performance Grants	*12.70*	*3.60*	-	*3.60*	*3.42*	0.18
	Total (1)	**5,163.80**	**1,099.57**	**88.86**	**1,138.91**	**1,227.43**	**0.34**
(2)	**Disaster Relief**						
	(i) Disaster Relief Fund	2,489.30	496.67	-	496.67	496.67	-
	(ii) Capacity Building	30.00	6.00	2.53	6.00	2.50	6.03
	Total (2)	**2,519.30**	**502.67**	**2.53**	**502.67**	**499.17**	**6.03**
(3)	**Improving Outcome Grants**						
	(i) Improvement in supply of justice	268.51	53.70	63.22	-	16.84	46.38
	(ii) Incentive for Issuing UIDs	134.90	26.98	13.49	-	-	13.49
	(iii) District Innovation Fund*	33.00	-	16.50	-	2.94	13.56
	(iv) Improvement of Statistical Systems of State and District Level	33.00	6.60	6.17	-	5.12	1.05
	(v) Employee and Pension Database	10.00	0.00	2.50	-	2.36	0.14
	Total (3)	**479.41**	**87.28**	**101.88**	**-**	**27.26**	**74.62**
(4)	**Environment related grants**						
	(i) Protection of Forests	88.32	22.08	3.23	15.13	17.28	1.08
	(ii) Water sector management	224.00	56.00	56.00	-	-	56.00
	Total (4)	**312.32**	**78.08**	**59.23**	**15.13**	**17.28**	**57.08**
(5)	**Elementary education**	**1,766.00**	**356.00**	**-**	**356.00**	**356.00**	**-**
(6)	**Roads and bridges**	**1,509.00**	**353.00**	**-**	**353.00**	**353.00**	**-**
(7)	**State specific grants**	**1,200.00**	**300.00**	**197.17**	**37.50**	**231.85**	**2.82**
	Grand Total (1 to 7)	**12,949.83**	**2,776.60**	**449.67**	**2,403.21**	**2,711.99**	**140.89**

Source: XIII Finance Commission Report and Finance Accounts

* **During 2011-12 an amount of ₹ 16.50 crore was released on account of 1st instalment. However, the 2nd instalment was to be released after utilisation of 1st instalment.**

As of March 2013, the State Government had received grants aggregating to ₹ 2,403.21 crore (excluding grants received from GoI for reduction in Infant Mortality Rates: ₹ 6.29 crore) against recommendation of ₹ 2,776.60 crore, due to short release of ₹ 412.73 crore under State Specific Grants (₹ 262.50 crore), Water Sector Management (₹ 56 crore), Protection of Forest (₹ 6.95 crore), Improvement of Justice Delivery (₹ 53.70 crore), Incentive for Issuing UIDs (₹ 26.98 crore) and Improvement of Statistical Systems of State and District Level (₹ 6.60 crore) offset by excess release (₹ 39.34 crore) under Local Bodies. In all these cases, the first transfer/instalment was to be released during 2010-11 or 2011-12 without any condition and the subsequent instalments were to be released on fulfilment of certain conditions as detailed against each grant in the **Table 1.13** below. As the State did not fulfil the conditions stipulated by XIII FC, subsequent installments were not released.

Table 1.13: Conditions for release of XIII FC grants

Transfer	Condition for release of subsequent instalment
Incentive grant for UID	To be released on a reimbursement basis based on various criteria.
Improvement of Justice delivery	To be released after the State puts in place a State Litigation Policy.
Database for Government Employees and Pensioners	Database to be completed in three years. Balance to be released after the State certifies that it has created a database.
Water Sector Management*	State to set up the Water Regulatory Authority by 2011-12, to be notified latest by 31.03.2012.
State Specific grant	To be withheld for the period during which a State is in violation of the agreement. If a State is in violation for only the part of a year, its grants to be reduced to a proportionate extent.

* Condition for release of first instalment

During 2012-13, expenditure of ₹ 2,711.99 crore was booked under relevant revenue heads against the available grants of ₹ 2,852.88 crore (unutilised grant at the end of March 2012: ₹ 449.67 crore; grant received during 2012-13:₹ 2,403.21 crore). As of March 2013, there was unutilised grant of ₹ 140.89 crore mainly under Water sector management: ₹ 56 crore; Improvement in supply of justice: ₹ 46.38 crore; District Innovation Fund: ₹ 13.56 crore and Incentive for Issuing UIDs: ₹ 13.49 crore.

1.4.5 Revenue foregone

The information on revenue foregone by the State during 2012-13, due to discounts, waivers, exemptions, deferments etc under various Taxes, as collected from the Departments was as under:

- The Department of Stamps and Registration exempted stamp duty on documents including Bonds, Non-convertible Bonds, share certificates etc. which led to revenue forgone to the extent of ₹ 53.80 crore[14].

14 (1) Rajasthan Roadways Transport Corporation : ₹ 10.00 crore, (2) RRVPNL : ₹ 7.87 crore, (3) Jaipur Metro Rail Corporation Ltd.: ₹ 0.15 crore, (4) M/s Bajaj Hindustan Ltd.: ₹ 20.11 crore, (5) Rajasthan State Ganganagar Sugar Mills Ltd. : ₹ 0.01 crore, (6) RFC: ₹ 2.00 crore, (7) RRVPNL: ₹ 9.62 crore, (8) RFC : ₹ 4 crore and (9) Rajasthan State Food and Civil Supplies Corporation Ltd. : ₹ 0.04 crore

- The Transport Department waived various beneficiaries such as 500 girl students availing free distribution of scooty under *Devnarain chhatra scooty vitaran evam protsahan rashi yojana* from payment of onetime tax and surcharge; all passenger vehicles of other States coming to and going out of Ajmer during *Urs* period from payment of motor vehicle tax, special road tax and surcharge payable in excess of ₹ 3,500, Mahindra Xylo vehicles plied by *Bhagwan Mahaveer Viklang Sahayata Samiti*, Jodhpur from payment of motor vehicle tax, special road tax and surcharge thereon totalling to ₹ 2.08 crore.

- Land Revenue Department provided information on waiver of revenue in respect of two districts only i.e. Jodhpur (₹ 4.90 crore) and Bikaner (nil).

- Information in respect of Departments of Mining and Geology and State Excise was nil.

- Information was awaited from Department of Commercial Taxes.

1.5 Capital Receipts

The trend in growth and composition of Capital Receipts during 2008-13 is shown in **Table 1.14** below:

Table 1.14: 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)	7,571	8,918	8,309	7,163	11,065
Miscellaneous Capital Receipts	4	9	13	16	8
Recoveries of Loans and Advances	89	112	319	1,229	1,102
Public Debt Receipts	7,478	8,797	7,977	5,918	9,955
Rate of growth of debt receipts	47.7	17.6	- 9.3	- 25.8	68.2
Rate of growth of non-debt receipts	- 94.8	30.1	174.4	275.0	- 10.8
Rate of growth of GSDP	18.5	15.1	28.6	21.9	14.7
Rate of growth of CR (*per cent*)	10.6	17.8	- 6.8	- 13.8	54.5

Source: Finance Accounts

1.5.1 Capital Receipts

Capital Receipts (debt and non-debt receipts) of the State increased by 46 *per cent* from 2008-09 to 2012-13 and by 54 *per cent* over the previous year.

1.5.2 Recoveries of loans and advances

Major portion of recoveries of loans and advances was from Ajmer *Vidyut Vitaran Nigam* Limited: ₹ 323 crore, Jodhpur *Vidyut Vitaran Nigam* Limited: ₹ 280 crore, Jaipur *Vidyut Vitaran Nigam* Limited: ₹ 275 crore, Rajasthan State Cooperative Seed Product *Sangh* (*Tilam Sangh*): ₹ 73 crore, Rajasthan State Cooperative Bank Limited: ₹ 38 crore, Rajasthan Pensioners' Medical Fund for Indoor Medical Facility Scheme to Pensioners of State Government: ₹ 36 crore, Rajasthan Agriculture Marketing Board: ₹ 24 crore and Rajasthan Financial Corporation: ₹ 19 crore. Recovery of loans and advances decreased by ₹ 127 crore from the previous year.

1.5.3 Debt receipts from internal sources

During 2012-13, the internal debt receipts i.e. market loans, borrowings from financial institutions, banks etc. under public debt receipts increased by 75 *per cent* (₹ 4,174 crore) over the previous year, of which market loan receipts increased by ₹ 3,541 crore (79 *per cent*) over the previous year.

1.5.4 Loans and advances from GoI

The receipts of loans and advances from GoI decreased by 39 *per cent* from ₹ 326 crore in 2008-09 to ₹ 200 crore in 2012-13. It decreased under loans for State/Union Territory Plan Schemes by 41 *per cent* (₹ 137 crore) from the previous year.

1.6 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 and utilises the balances remaining after disbursements. Details of Public Account Receipts are given in **Table 1.15:**

Table 1.15: Components of Public Account 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.	3,106	3,975	5,130	5,630	7,171
b. Reserve Fund	1,945	-267	873	1,638	1,568
c. Deposits and Advances	81,808	99,446	1,07,666	1,14,301	1,40,748
d. Suspense and Miscellaneous	150	75	11	27	43
e. Remittances	6,571	6,128	5,810	5,619	7,033
Total	**93,580**	**1,09,357**	**1,19,490**	**1,27,215**	**1,56,563**

Source: Finance Accounts

The Public Account receipts showed a progressive increase during 2008-13 and there was an increase of ₹ 29,348 crore over the previous year. The increase was mainly under Deposits and Advances (₹ 26,447 crore).

1.7 Application of Resources

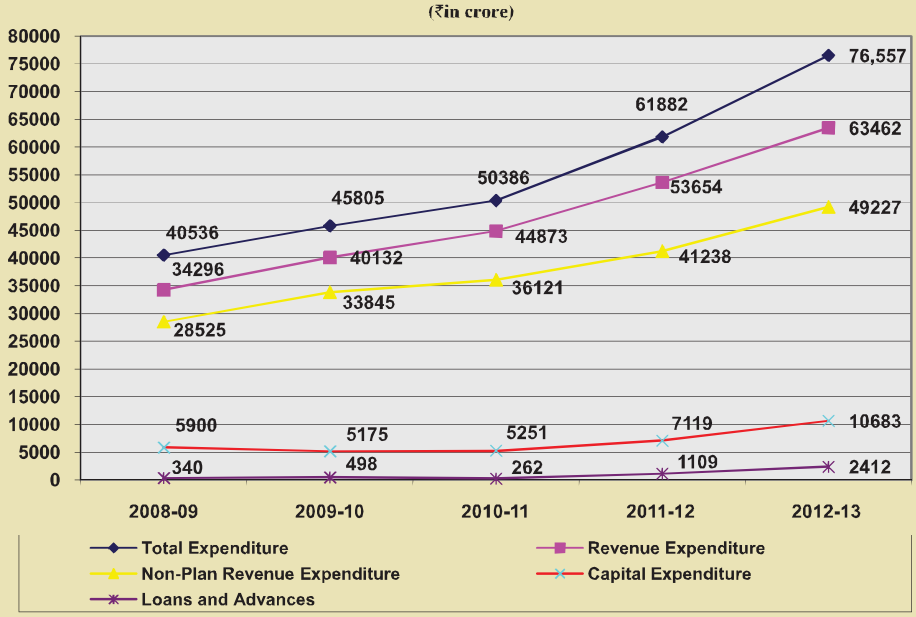
Analysis of the allocation of expenditure at the State Government level assumes significance as major expenditure responsibilities are entrusted with the said State Government. Within the framework of fiscal responsibility legislations, there are budgetary constraints in raising public expenditure financed 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.

1.7.1 Growth and Composition of Expenditure

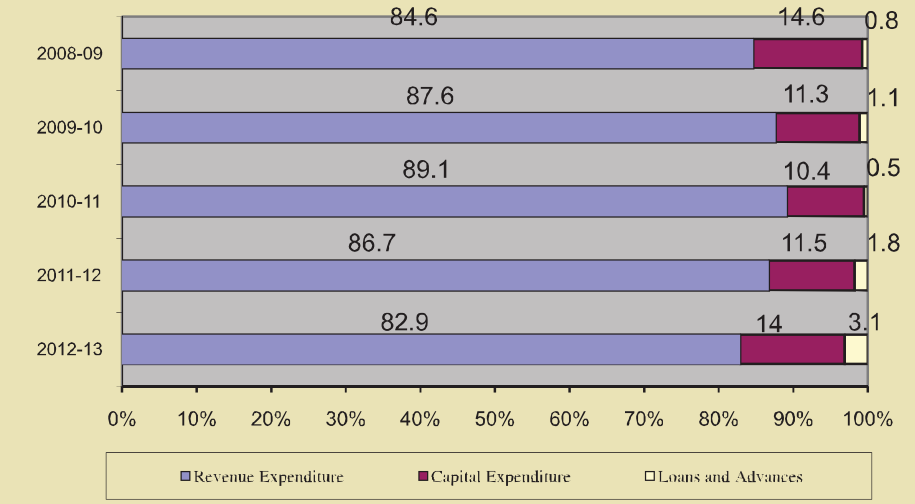
Chart 1.8 below, presents the trends in total expenditure over a period of five years (2008-13) and **Charts 1.9 and 1.10** depict its composition both in terms of 'economic classification' and 'expenditure by activities' respectively.

Chart 1.8 Total Expenditure : Trends and Composition
(₹in crore)



Source: Finance Accounts

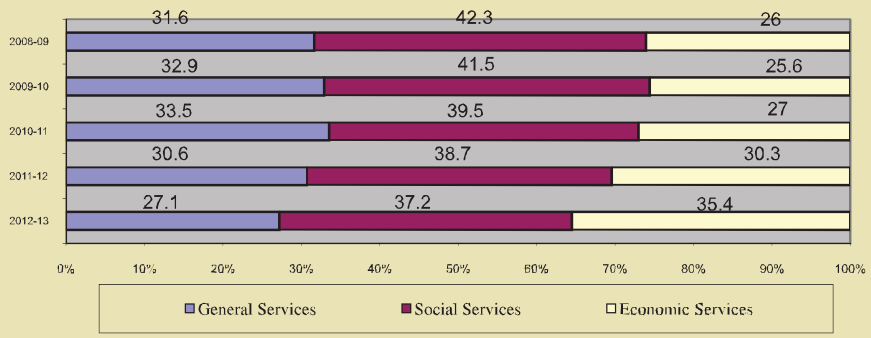
Chart 1.9 Total Expenditure : Trends in share of its Components (Share in per cent)
(₹in crore)



Total Expenditure

The total expenditure of the State increased by 89 *per cent* from 2008-09 to 2012-13 and by 24 *per cent* over 2011-12. The Revenue expenditure increased by ₹ 9,808 crore (18 *per cent*), Capital Expenditure by ₹ 3,564 crore (50 *per cent*) and repayment of Loans and Advances by ₹ 1,303 crore (117 *per cent*) over 2011-12. The actual total expenditure increased by 6 *per cent* (₹4,601 crore) against the assessment made by the State Government in the MTFPS (₹ 71,956.61 crore) for the year 2012-13, which was mainly due to increased expenditure on Power Project ₹ 4,313 crore (Revenue Expenditure: ₹ 1,164 crore; Capital Expenditure: ₹ 1,320 crore; and Loans and Advances: ₹ 1,829 crore).

Chart 1.10 Total Expenditure: Trends by : "Activities" (Share in *Per cent*)



The movement of relative share of these components of total expenditure indicated that while the share in total expenditure of General Services and Social Services together declined from 31.6 *per cent* and *42.3 per cent* in 2008-09 to 27.1 *per cent* and 37.2 *per cent* respectively in 2012-13, the relative share of Economic Services increased from 26 *per cent* in 2008-09 to 35.4 *per cent* in 2012-13. Expenditure considered as non-Development on General Services, accounted for 27.1 *per cent* in 2012-13 as against 30.6 *per cent* in 2011-12, showing a decrease of 3.5 percentage points over the previous year. On the other hand, Development expenditure i.e. expenditure on Social and Economic Services together, accounted for 72.6 *per cent* in 2012-13 as against 69 *per cent* in 2011-12 showing an increase of 3.6 percentage points over the previous year.

1.7.2 Revenue Expenditure

The bulk of total expenditure goes towards Revenue Expenditure. It is incurred to maintain the current level of services and make payment for past obligation and, as such, does not result in any addition to the State's infrastructure and services network.

Revenue expenditure increased by 85 *per cent* from ₹ 34,296 crore in 2008-09 to ₹ 63,462 crore in 2012-13. The grants given to various bodies/organisations are classified as Revenue Expenditure, regardless of the purpose for which it is used by the bodies/organisations. The Revenue expenditure as percentage of GSDP, had decreased from 14.9 in 2008-09 to 13.3 in 2012-13. It, however,

has increased by 12.9 *per cent* over 2011-12. Revenue deficit as a ratio to the GSDP, was 0.4 and 1.8 in 2008-09 and 2009-10 respectively, leading the State to revenue surplus from 2010-11 and onwards. The Revenue Expenditure constituted 83 *per cent* of the total expenditure during 2012-13. It exceeded the assessments made by the State Government in the MTFPS (₹ 62,219 crore) for the year 2012-13, by 2 *per cent*.

1.7.3 Capital Expenditure

The Capital Expenditure of ₹ 10,683 crore was higher than the assessment made by the State Government in MTFPS (₹ 9,689 crore) by 10 *per cent* for the year 2012-13. Capital Expenditure increased by 50 *per cent* (₹ 3,564 crore) over the previous year and by 81 *per cent* from ₹ 5,900 crore in 2008-09 to ₹ 10,683 crore in 2012-13. During 2012-13, the Government invested in Energy sector: ₹ 3,868 crore, Education, Sports, Art and Culture sector: ₹ 120 crore, Health and Family Welfare sector: ₹ 214 crore and Urban Development: ₹ 979 crore.

1.7.4 Diversion of plan assistance

Revenue Receipts (excluding plan assistance received from GoI) of ₹ 62,414 crore (₹ 66,913 crore - ₹ 2,316 crore - ₹ 2,183 crore) ***(Appendix 1.4)*** exceeded NPRE of ₹ 49,227 crore (**Chart 1.8**) by ₹ 13,187 crore, indicating that plan assistance was not utilised to meet NPRE.

1.7.5 Committed Expenditure

The committed expenditure of the State Government on revenue account mainly consists of interest payments, expenditure on salaries and wages, pensions and subsidies. **Table 1.16** and **Chart 1.11** below present the trends in the expenditure on these components during 2008-2013.

Table-1.16: Components of Committed Expenditure

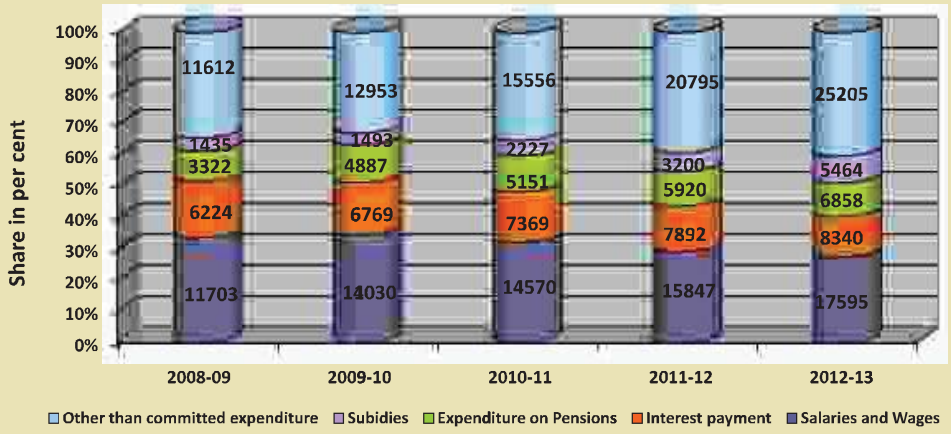
(₹ in crore)

Components of Committed Expenditure	2008-09	2009-10	2010-11	2011-12	2012-13
Salaries and Wages - Non-Plan Head	11,053	13,348	13,730	14,829	16,825
Salaries and Wages - Plan Head**	650	682	840	1,018	770
Total Salaries and Wages	11,703 (35.0)	14,030 (39.7)	14,570 (31.7)	15,847 (27.8)	17,595* (26.3)
Interest Payments	6,224 (18.6)	6,769 (19.1)	7,369 (16.0)	7,892 (13.8)	8,340 (12.5)
Expenditure on Pensions	3,322 (9.9)	4,887 (13.8)	5,151 (11.2)	5,920 (10.4)	6,858 (10.2)
Subsidies	1,435 (4.3)	1,493 (4.2)	2,227 (4.8)	3,200 (5.6)	5,464 (8.2)
Total Committed Expenditure	**22,684 (67.8)**	**27,179 (76.8)**	**29,317 (63.8)**	**32,859 (57.6)**	**38,257 (57.2)**
Other Components	11,612 (34.7)	12,953 (36.6)	15,556 (33.9)	20,795 (36.5)	25,205*** (37.7)
Total Revenue Expenditure	**34,296**	**40,132**	**44,873**	**53,654**	**63,462**
Revenue Receipts	**33,469**	**35,385**	**45,928**	**57,011**	**66,913**

Note: Figures in the parentheses indicate percentage to Revenue Receipts.
* Salaries: ₹ 17,214 crore and Wages ₹ 381 crore
** Plan Head also includes the Salaries and Wages paid under Centrally Sponsored Schemes.
*** Includes expenditure on financial assistance: ₹ 10,526 crore; Grants-in-aid General (Salary): ₹ 5,035 crore; Transfer to funds: ₹ 1,324 crore; and Maintenance: ₹ 392 crore.

Source: Finance Accounts

Chart 1.11: Share of Committed Expenditure in Revenue Expenditure during 2008-13 (Value in Lables in ₹ crore)



In 2012-13, the committed expenditure amounted to ₹ 38,257 crore, which was 60 *per cent* and 57 *per cent* of Revenue Expenditure and Revenue Receipts respectively. It is pertinent to note that if the financial assistance to local bodies (₹ 10,526 crore) and Grants-in-aid General (Salary) (₹ 5,035 crore) are added to the committed expenditure, the percentage of committed expenditure to Revenue Expenditure and Revenue Receipts works out to 85 *per cent* and 80 *per cent* respectively and the percentage to State's own Tax Revenue comes to 126 *per cent*.

Salaries and Wages

The expenditure on Salaries and Wages increased by 50 *per cent* from ₹ 11,703 crore in 2008-09 to ₹ 17,595 crore in 2012-13. However, non-plan and plan expenditure on Salaries and Wages increased by 52 *per cent* and 18 *per cent* respectively during this period. Expenditure on Salaries and Wages increased by 11 *per cent* over the previous year. This was 5 percentage points higher than that recommended by XIII FC[15] (6 *per cent*) and lower than the assessment made by the State Government in MTFPS (₹ 18,488 crore).

Pension payments

The expenditure on pension payments increased by 106 *per cent* from ₹ 3,322 crore in 2008-09 to ₹ 6,858 crore in 2012-13. Pension payments recorded a growth of 16 *per cent* over the previous year which was higher than the projected growth of 10 *per cent* recommended by XIII FC[16]. The increase in expenditure under pension was due to increase in total number of pensioners by 11,955[17] (3.6 *per cent*). The comparative analysis of actual pension payments, the assessment/projection made by XIII FC and the State Government in MTFPS, shows that actual pension payment (₹ 6,858 crore)

15. XIII FC Report Para No. 7.60.
16. XIII FC Report Para No. 7.65.
17. Number of pensioners 2011-12: 3,30,335 and 2012-13: 3,42,290.

exceeded the normative assessment made by XIII FC (₹ 4,374 crore) by 57 *per cent* and the assessment made by the State Government in MTFPS (₹ 6,723 crore) by 2 *per cent* (₹ 135 crore). The expenditure on pension and other retirement benefits to State Government employees was 11 *per cent* of total revenue expenditure.

XIII FC recommended a grant of ₹ 10 crore for setting up a database for Government employees and pensioners. An amount of ₹ 2.50 crore was released by GoI during 2010-11 without any condition. However, for release of balance of ₹ 7.50 crore, the State Government was required to certify that it had created a database and integrated it with the treasury on a transactional basis. This database was to enable speedy implementation of the New Pension Scheme (introduced from January 2004) and also to provide the basis for payroll linked deduction and transfer of contribution to the service providers. The State Government, however, did not complete setting up of the database as at the end of March 2013.

Prior to April 2008, the State Government was liable for payment of pension and other retirement benefits to All India Service officers. A new procedure was introduced from April 2008, under which the payments of pension and other retirement benefits to these officers were to be made by booking under suspense head 8658 and raising a demand for reimbursement from GoI. During 2012-13, a sum of ₹ 0.22 crore, being the pensionary benefits disbursed to All India Service Officers, was pending settlement under suspense head.

Interest payments

Interest payments increased by 34 *per cent* from ₹ 6,224 crore in 2008-09 to ₹ 8,340 crore in 2012-13 and by 6 *per cent* over the previous year (₹ 7,892 crore). The major components were interest on Internal Debt (₹ 5,445 crore), Interest on Small Savings, Provident Fund etc. (₹ 2,238 crore) and Interest on Loans and Advances from Central Government (₹ 534 crore).

The interest on Internal Debt increased by 3 *per cent* from ₹ 5,269 crore in 2011-12 to ₹ 5,445 crore in 2012-13, mainly on account of increase in payment of interests on market loans by 15 *per cent* and interest on other Internal Debts by 16 *per cent* over the previous year.

The interest on Small Savings, Provident Fund etc. also increased by 14 *per cent* from ₹ 1,971 crore during 2011-12 to ₹ 2,238 crore in 2012-13 mainly on account of increase in interest on State Provident Fund and Interest on Insurance and Pension Fund by 17 *per cent* and 14 *per cent* respectively over the previous year.

Interest payments made during the year 2012-13 remained higher than the projections made by State Government in MTFPS (₹ 8,315 crore) but lower than the projections made in XIII FC (₹ 8,666 crore).

The ratio of interest payments to Revenue Receipts determines the debt sustainability of the State. The ratio of interest payments to total Revenue Receipts of the State was 12 *per cent* during the year, which was within the norms of Twelfth Finance Commission (15 *per cent).*

Subsidies

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

Finance Accounts (***Appendix III***) showed an explicit subsidy of ₹ 5,460 crore during the year which was ₹ 2,263 crore (71 *per cent*) more than that of the previous year, mainly in the areas of power (₹ 4,861 crore), food distribution (₹ 311 crore), domestic gas (₹ 123 crore) and crop husbandry (₹ 125 crore).

Subsidy to Power Sector (₹ 4,861 crore) accounted for 89 *per cent* of the total subsidy (₹ 5,464 crore) which was 74 *per cent* (₹ 2,060 crore) more than that of the previous year (₹ 2,801 crore). It included grant for non-increasing rates (₹ 2,446 crore), grant for electricity Tax (₹ 1,150 crore), grant for interest on bonds (₹ 829 crore), cash assistance under financial re-modification programme (₹ 400 crore) and grant for interest (₹ 36 crore).

Food subsidy and Domestic Gas subsidy increased by 23 *per cent* and 120 *per cent* respectively over the previous year. Crop Husbandry subsidy also increased by 116 *per cent* over the previous year.

The subsidies present a partial picture as these are exclusive of the implicit subsidies. Implicit subsidies, *inter alia,* arise when the Government is unable to recover the costs it incurs in the provision of Social and Economic goods/ services, which are mainly private goods/services in nature, even though sometimes these may have extended benefits. It can be indirect or it can take the shape of Tax concessions.

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

The quantum of assistance provided by way of grants and loans to local bodies and others during 2012-13, as against the previous years, is as under:

Table 1.17: Financial Assistance to Local Bodies etc.

(₹ in crore)

Financial Assistance to Institutions	2008-09	2009-10	2010-11	2011-12	2012-13	
					BE	Actual
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	234.99	448.63	1,506.21	2,013.12	2,309.02	2,302.98
Municipal Corporations and Municipalities	932.41	1,047.23	1,130.04	1,339.94	2,262.92	2,255.06
Panchayati Raj Institutions	2,993.02	3,868.59	4,365.15	6,217.95	7,682.94	7,675.24
Development Agencies	52.96	376.36	354.18	75.07	121.80	118.94
Hospitals and Other Charitable Institutions	96.23	107.51	117.03	72.50	84.42	84.27
Other Institutions	2,178.99	2,195.49	2,743.03	2,618.23	3,788.70	3,781.66
Total	**6,488.60**	**8,043.81**	**10,215.64**	**12,336.81**	**16,249.80**	**16,218.15**
Revenue Expenditure	34,296	40,132	44,873	53,654	62,219	63,462
Assistance as percentage of Revenue Expenditure	19	20	23	23	26	26

Source: Finance Accounts and vouchers compiled by PAG (A & E)

Financial assistance to local bodies and other institutions increased by ₹ 3,881 crore, recording a growth of 31 *per cent* over the previous year and constituted 19 to 26 *per cent* of Revenue Expenditure during the years 2008-13. The financial assistance was given mainly to Panchayat Samitis for Primary Schools: ₹ 2,413 crore (14.9 *per cent*), *Sarva Shiksha Abhiyan*: ₹ 1,821 crore (11.2 *per cent*), Crop Husbandry: ₹ 856 crore (5.3 *per cent*), Mid-Day Meal: ₹ 686 crore (4.2 *per cent*), Gram Panchayat under State Finance Commission: ₹ 833 crore (5.1 *per cent*), Untied Development Funds for Panchayati Raj Institutions: ₹ 645 crore (4 *per cent*), Power Companies for recoupment of losses against liabilities: ₹ 700 crore (4.3 *per cent*) and Special Grants to Municipalities/ Municipal Councils: ₹ 564 crore (3.5 *per cent*) during 2012-13.

The funds are generally not being spent fully by the IAs in the same financial year. These unspent balances kept outside Government accounts, were not readily ascertainable. The Government expenditure as reflected in the Finance Accounts to that extent is, therefore, not final.

1.7.7 Major issues relating to Local Bodies

The position of major issues related to local bodies i.e. Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs) is summarised in the following paragraphs:

1.7.7.1 Panchayati Raj Institutions

Introduction

As on 31 March 2013, there are 33 Zila Parishads (Rural Development Cells), 33 Zila Parishads (Panchayat Cells), 248 Panchayat Samitis (PSs) and 9,177 Gram Panchayats (GPs) in the State. The Panchayati Raj Institutions (PRIs) are headed by Additional Chief Secretary, Rural Development and Panchayati Raj Department at the State level.

Audit

The Director, Local Fund Audit Department (DLFAD) is the primary auditor. The Comptroller and Auditor General of India (CAG) conducts audit under Section 14 of CAG's (Duties, Power and Conditions of Service) Act 1971. The Technical Guidance and Supervision (TGS) over the audit of all tiers of PRIs was entrusted by GoR (February 2011) to the CAG. This was followed by amendment of Section 75 of Rajasthan Panchayati Raj Act (RPRA) 1994 (March 2011) through which proviso of sub-section 4 was substituted by the expression "audit of such accounts and such audit report shall be laid before the State legislature by the State Government".

Accounting

Till 31 March 2013, the accounts were being maintained in conventional formats under Rajasthan Panchayati Raj Rules (RPRR), 1996 framed under RPRA, 1994. Meanwhile, simplified Accounting Formats 2009, issued by Ministry of Panchayati Raj, GoI, in consultation with the CAG of India, were adopted for mandatory implementation with effect from April 2011, along with model accounting system 'Panchayati Raj Institution Accounting Software' (PRIASoft) for data entry and maintenance of eight database formats. In pursuance of this, work of data entry started in all 33 Zila Parishads, 230 Panchayat Samitis and 1,567 Gram Panchayats, during 2012-13 and work of data entry in the remaining 18 Panchayat Samitis and 7,610 Gram Panchayats were under process. The Rural Development and Panchayati Raj Department, GoR intimated (July 2013) that amendments to Rule 245 and 246 of RPRR, 1996 were under process.

Devolution

Article 243G of Constitution of India, inserted through 73rd Constitutional Amendment Act, (CAA) 1992 envisaged devolution of funds, functions and functionaries to PRIs in respect of 29 subjects mentioned in XI Schedule of the Constitution. Major orders on devolution were issued by the State Government in June 2003 and October 2010. As per information provided (June 2013), devolution of funds, functions and functionaries was done in respect of 20, 28 and 20 subjects respectively (June 2013).

1.7.7.2 Urban Local Bodies

Introduction

There are 5 Municipal Corporations, 30 Municipal Councils and 149 Municipal Boards in the State. The ULBs in the State are headed by Additional Chief Secretary, Local Self Government Department (LSGD) at the State level.

Audit

DLFAD is the primary auditor and the CAG conducts audit under Section 14 of the DPC Act, 1971. Section 99-A of Rajasthan Municipalities Act (RMA),

2009 was inserted through the Rajasthan Municipalities (2nd Amendment) Act, 2011. Accordingly, the accounts of Municipalities shall be audited by CAG in accordance with the provision of CAG's (DPC) Act, 1971. The State shall entrust the CAG the TGS over audit of Municipal accounts and the State Government shall cause the Audit Report prepared under the Rajasthan Local Fund Audit Act, 1954 along with Annual Technical Inspection Report of CAG on TGS, to be laid before the State Legislature.

Accounting

The Director of Local Bodies (DLB), Jaipur intimated (June 2013) that all the 184 Municipal Bodies of the State were instructed to maintain accounts on accrual based accounting system with effect from 1 April 2010 and that the ULBs of the State are maintaining the accounts on the basis of accrual accounting system. It was, however, noticed that no ULB was maintaining accounts on accrual basis, except Jodhpur Municipal Corporation.

Devolution

Article 243W inserted through the 74th CAA, 1992 envisaged devolution of powers and responsibilities to Municipalities in respect of 18 subjects mentioned in XII Schedule of the Constitution. As per information given by DLB (June 2013), works of 16 subjects were already being performed by ULBs and one subject (water supply) has been partially transferred to seven ULBs with effect from 2013-14. However, no information regarding devolution of power to Municipalities on the remaining subject 'Urban Planning including Town Planning' has been furnished.

1.8 Quality of Expenditure

Availability of better social and physical infrastructure in the State reflects the quality of its expenditure. The improve ment 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).

1.8.1 Adequacy of public expenditure

The expenditure responsibilities relating to the social sector and the economic infrastructure assigned to the State Governments are largely State subjects. Enhancing human development levels requires the States to step up their expenditure on key social services like education and health etc. Low fiscal priority (ratio of expenditure under a category to aggregate expenditure) is attached to a particular sector, if it is below the respective National average.

Table 1.18 below, analyses the fiscal priority of the State Government with regard to development expenditure, social expenditure and capital expenditure during 2012-13.

Table 1.18: Fiscal Priority of the State in 2009-10 and 2012-13

Fiscal Priority by the State	AE/GSDP	DE#/AE	SSE/ AE	CE/ AE	Education/ AE	Health/ AE
*General Category States' Average (Ratio) 2009-10	17.06	66.05	35.73	14.96	16.19	4.24
Rajasthan's Average (Ratio) 2009-10	17.23	67.06	41.53	11.30	20.26	5.13
General Category States' Average (Ratio) 2012-13	15.93	65.79	32.77	13.23	17.23	4.47
Rajasthan's Average (Ratio) 2012-13	16.01	72.56	37.16	13.95	17.10	5.15

* General Category States exclude Delhi, Goa and Puducherry

AE: Aggregate Expenditure DE: Development Expenditure

SSE: Social Sector Expenditure CE: Capital Expenditure

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

Source: For GSDP, the information was collected from the Directorate of Economics and Statistics, Government of Rajasthan and Finance Accounts

Table 1.18 indicates the following:

1. Rajasthan is spending marginally more of its GSDP as Aggregate Expenditure compared to General Category States. However, compared to 2009-10, Rajasthan is spending a smaller proportion of its GSDP on Aggregate Expenditure.

2. Development Expenditure as a proportion of Aggregate Expenditure in Rajasthan has also been higher than the General Category States' average. Development Expenditure consists of both Economic Sector Expenditure and Social Sector Expenditure. Social Sector Expenditure (as a proportion of Aggregate Expenditure) in Rajasthan has been much higher than that of the average of General Category States.

3. Priority to Capital Expenditure has been given by the State Government in 2012-13 compared to 2009-10. In 2012-13, the ratio of Capital Expenditure to Aggregate Expenditure has been higher than the average ratio of General Category States.

1.8.2 Efficiency of Expenditure Use

In view of the importance of public expenditure on development heads from the point of view of social and economic development, it is important for the State Governments to take appropriate expenditure rationalisation measures

and lay emphasis on provision of core public goods and merit goods[18]. Apart from improving the allocation towards development expenditure[19], the efficiency of expenditure use is also reflected by the ratio of Capital Expenditure to total expenditure (and/or GSDP) and proportion of Revenue Expenditure being spent on operation and maintenance of the existing Social and Economic services. The higher the ratio of these components to total expenditure (and/or GSDP), the better would be the quality of expenditure. Development expenditure comprised revenue and Capital Expenditure including Loans and Advances on socio-economic services. **Table 1.19** presents the trends in development expenditure relative to the aggregate expenditure of the State during the current year *vis-à-vis* budgeted for the year as well as actuals in the previous years.

Table 1.19: Development Expenditure

(₹ in crore)

Components of Development Expenditure	2008-09	2009-10	2010-11	2011-12	2012-13	
					BE	Actual
a. Development Revenue Expenditure	21,320 (52.6)	24,466 (53.4)	28,115 (55.8)	34,672 (56.0)	41,727 (58.0)	42,701 (55.8)
b. Development Capital Expenditure	6,045 (14.9)	5,752 (12.6)	5,096 (10.1)	6,915 (11.2)	9,309 (12.9)	10,434 (13.6)
c. Development Loans and Advances	340 (0.8)	498 (1.1)	262 (0.5)	1,109 (1.8)	48 (0.1)	2,412 (3.2)
Development Expenditure (a to c)	**27,705 (68.3)**	**30,716 (67.1)**	**33,473 (66.4)**	**42,696 (69.0)**	**51,084 (71.0)**	**55,547 (72.6)**
Rate of Growth of Development Expenditure	15.2	10.9	9.0	27.6	24.0	30.1
Figures in parentheses indicate percentage to aggregate expenditure						

Source: Finance Accounts and Budget Documents

18 *Core public goods* are which all citizens enjoy in common in the sense that each individual's consumption of such goods leads to no subtractions from any other individual's consumption of that goods, e.g. enforcement of law and order, security and protection of our rights; pollution free air and other environmental goods and road infrastructure etc. *Merit goods* are commodities that the public sector provides free or at subsidised rates because an individual or society should have them on the basis of some concept of need, rather than ability and willingness to pay the government and therefore wishes to encourage their consumption. Examples of such goods include the provision of free or subsidised food for the poor to support nutrition, delivery of health services to improve quality of life and reduce morbidity, providing basic education to all, drinking water and sanitation etc.

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

Development expenditure comprising Revenue Expenditure, Capital Outlay and Loans and Advances on socio-economic Services increased from ₹ 27,705 crore in 2008-09 to ₹ 55,547 crore in 2012-13. As a percentage of total expenditure, it increased from 68.3 in 2008-09 to 72.6 during 2012-13 and increased by 3.6 percentage points during 2012-13, over the previous year. On an average, 55 *per cent* of the development expenditure was on revenue account and the balance was on capital account including loans and advances during 2008-13.

Table 1.20 below, gives details of Capital Expenditure and the components of Revenue Expenditure incurred on the maintenance of the selected Social and Economic services.

Table 1.20: Efficiency of Expenditure Use in Selected Social and Economic Services

(In ***per cent***)

Sector	2011-12			2012-13		
	Ratio of capital expenditure to Total expenditure	Revenue expenditure		Ratio of capital expenditure to Total expenditure	Revenue expenditure	
		Salaries and wages	Operation and maintenance		Salaries and wages	Operation and maintenance
(A) Social Services						
General Education	0.04	59.18	Negligible	0.13	59.56	Negligible
Health and Family Welfare	2.85	68.96	0.12	5.50	68.95	0.11
Water Supply, Sanitation, Housing and Urban Development	33.38	29.12	1.48	34.65	23.83	1.24
Total (A)	**8.35**	**47.34**	**0.24**	**10.09**	**45.95**	**0.23**
(B) Economic Services						
Agriculture and Allied Activities	7.43	37.57	0.46	9.87	34.87	0.40
Irrigation and Flood Control	31.98	19.12	6.31	36.34	19.20	7.05
Power & Energy	44.99	0.03	-	40.81	0.02	0.00
Transport	45.97	8.01	10.81	54.82	8.10	13.18
Total (B)	**27.85**	**12.16**	**1.91**	**30.37**	**9.69**	**1.75**
Total (A+B)*	**16.63**	**34.41**	**0.85**	**19.64**	**31.17**	**0.85**

Source: Finance Accounts

*** (Expenditure on Social Services+ Expenditure on Economic Services)/Total Expenditure* 100**

Capital Expenditure on Social Services increased from ₹ 1,997 crore in 2011-12 to ₹ 2,840 crore in 2012-13 with a growth rate of 42 *per cent* while its ratio with total capital expenditure decreased from 28 *per cent* in 2011-12 to 27 *per cent* in 2012-13.

The share of salary expenditure in total Revenue Expenditure decreased from 47.34 *per cent* in 2011-12 to 45.95 *per cent* in 2012-13.

Expenditure on Economic Services

Capital Expenditure on Economic Services increased from ₹ 4,918 crore in 2011-12 to ₹ 7,594 crore in 2012-13 with a growth rate of 54 *per cent*.

The priority sectors identified by the Government in respect of Economic Services were Agriculture, Rural Development, Special Area Programmes, Irrigation and Flood Control and Transport. As compared to the previous year, capital outlay on Irrigation and Flood Control, Transport, Rural Development and Energy was higher in 2012-13 by ₹ 231 crore, ₹ 520 crore, ₹ 240 crore and ₹ 1,409 crore respectively.

The share of salary expenditure under Economic Services in total revenue expenditure decreased from 12.16 *per cent* in 2011-12 to 9.69 *per cent* in 2012-13.

Expenditure on Operation and Maintenance

It is important to ensure that adequate funds are allocated to operation and maintenance since assets have to be maintained. The share of operation and maintenance in revenue expenditure on social services and economic services was equal to that of the previous year (0.85 *per cent*). During 2012-13, only 0.62 *per cent* of total revenue expenditure was allocated to operation and maintenance.

The share of operation and maintenance decreased in revenue expenditure on Social Services and Economic Services from 0.24 *per cent* and 1.91 *per cent* in 2011-12 to 0.23 *per cent* and 1.75 *per cent* in 2012-13, respectively. The decrease was mainly under Water Supply, Sanitation, Housing and Urban Development, Transport and Agriculture and Allied Activities while the increase was under Irrigation and Flood Control. During 2012-13, as per Finance Accounts the State Government booked only ₹ 431 crore (Revenue: ₹ 392 crore, Capital: ₹ 39 crore) under Detailed Head '21-Maintenance and Repairs' to maintain its public assets.

1.8.3 Plan and Non-Plan Expenditure

Finance Accounts provide further classification of expenditure into Plan and Non-Plan. Plan expenditure normally relates to incremental developmental expenditure on new projects or schemes and involves both revenue and capital expenditure. In order to maintain the level of services already achieved, Non-Plan expenditure is normally utilised. **Table 1.21** below, presents the growth and composition of Plan and Non-Plan expenditure over the last five years.

Table 1.21: Growth in Plan and Non-Plan expenditure

(₹ in crore)

		2008-09	2009-10	2010-11	2011-12	2012-13
Plan	Revenue	5,771	6,287	8,752	12,416	14,235
	Capital	6,096	5,820	5,231	7,103	10,682
	Loan	324	462	189	1,051	2,242
	Total	12,191	12,569	14,172	20,570	27,159
	Percentage of plan to total expenditure	30	27	28	33	35
Non-Plan	Revenue	28,525	33,845	36,121	41,238	49,227
	Capital	(-) 196	(-) 645	20	16	1
	Loan	16	36	73	58	170
	Total	28,345	33,236	36,214	41,312	49,398
	Percentage of non-plan to total expenditure	70	73	72	67	65
Total Expenditure		**40,536**	**45,805**	**50,386**	**61,882**	**76,557**

Source: Finance Accounts

The share of plan expenditure in the total expenditure exhibited increasing trend during 2009-13, which indicated the productive quality of expenditure.

During the period 2008-13, plan expenditure increased by 123 *per cent* from ₹ 12,191 crore in 2008-09 to ₹ 27,159 crore in 2012-13 and non-plan by 74 *per cent* from ₹ 28,345 crore to ₹ 49,398 crore during this period.

The Plan Revenue Expenditure (PRE) and Non-Plan Revenue Expenditure (NPRE) have shown consistent increase over the period 2008-13. PRE increased by 14.7 *per cent* over the previous year. PRE was more than the projected increase of 4.4 *per cent* in MTFPS for 2012-13. Similarly, NPRE increased by 19.4 *per cent* during the year over previous year against the projections of 14.1 *per cent* made in MTFPS for 2012-13.

Plan Revenue Expenditure

Increase of plan Revenue Expenditure by ₹ 1,819 crore over the previous year was mainly under the Major Heads : Urban Development (₹ 781 crore), Welfare of Scheduled Castes, Scheduled Tribes and other Backward Classes (₹ 164 crore), Nutrition (₹ 96 crore), Cooperation (₹ 250 crore), Other Rural Development Programmes (₹ 711 crore) and Civil Supplies (₹ 226 crore), offset by decrease in Taxes on Sales, Trade etc. (₹ 128 crore) and Power (₹ 402 crore). During 2012-13, the ratio of PRE to Revenue Expenditure (22 *per cent*) was decreased by one percentage point over the previous year (23 *per cent*).

Non-Plan Revenue Expenditure

The increase in NPRE by ₹ 7,989 crore during the current year was mainly due to Pensions and other Retirement Benefits (₹ 938 crore), Power (₹ 3,004 crore), Interest Payments (₹ 448 crore), Police (₹ 234 crore), General Education (₹ 1,283 crore), Medical and Public Health (₹ 425 crore), Urban Development (₹ 178 crore), Labour and Employment (₹ 233 crore), Other Rural Development Programmes (₹ 424 crore) and Major Irrigation

(₹ 131 crore) offset by decrease in Relief on account of Natural Calamities (₹ 159 crore).

NPRE constituted 78 *per cent* of Revenue Expenditure and 64 *per cent* of total expenditure.

The actual NPRE and PRE *vis-à-vis* assessments made by the XIII FC and by the State Government in MTFPS are given below:

Table 1.22: NPRE and PRE *vis-à-vis* assessments made by XIII FC and MTFPS

(₹ in crore)

	Assessments made by XIII FC	Assessments made by GoR in MTFPS	Actual Expenditure
Non-Plan Revenue Expenditure	33,307	48,100	49,227
Plan Revenue Expenditure	Not Applicable	14,119	14,235

Source: Finance Accounts, Budget Documents and Report of XIII FC

The actual NPRE exceeded the normative assessment made by XIII FC by ₹ 15,920 crore (48 *per cent*) and the assessment made by the State Government in MTFPS by ₹ 1,127 crore (2 *per cent*). The actual PRE was more than the projections made in MTFPS by ₹ 116 crore (one *per cent*).

1.9 Financial Analysis of Government Expenditure and Investments

In the post-FRBM framework, the State is expected to keep its fiscal deficit at low levels and 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 returns on its investments and recover its cost of borrowed funds rather than bearing the same on its budget in the form of implicit subsidy and take requisite steps to infuse transparency in financial operations. This section presents an analysis of investments and other capital expenditure undertaken by the Government during the current year *vis-à-vis* previous years.

1.9.1 Financial results of Irrigation Projects

The financial results of 6 major and 11 medium irrigation projects (***Appendix 1.8***), completed with a capital outlay of ₹ 5,261.55 crore at the end of March 2013, revealed that revenue realised (₹ 50.65 crore) from these projects during 2012-13 was only 0.96 *per cent* of the capital expenditure which was not sufficient to cover the direct working expenses. After meeting the working and maintenance expenditure (₹ 226.92 crore) and interest charges (₹ 507.96 crore), the projects suffered a net loss of ₹ 684.23 crore.

Indira Gandhi Nahar Project (IGNP) is the largest irrigation project under execution in Rajasthan and various stages of it have been completed over the years. At the end of March 2013, the Capital Expenditure on IGNP was ₹ 4,141.57 crore. During 2012-13 the revenue realised from IGNP was ₹ 23.93 crore comprising only 0.58 *per cent* of the Capital Expenditure. This revenue was negligible (4.50 *per cent*) even with reference to total working and maintenance expenditure incurred (₹ 125.84 crore) and the interest charges of ₹ 405.61 crore. The project suffered a net loss of ₹ 507.52 crore.

Gang Canal is the second largest irrigation project in the State. At the end of March 2013, the Capital Expenditure on Gang Canal was ₹ 457.46 crore. During 2012-13 the revenue realised from Gang Canal was ₹ 5.68 crore, which was not sufficient to cover the working and maintenance expenditure (₹ 21.65 crore) and interest charges (₹ 45.04 crore). The project suffered a net loss of ₹ 61.01 crore.

1.9.2 Incomplete projects

The department-wise information pertaining to incomplete projects as on 31 March 2013 is as follows:

Table 1.23: Department-wise profile of incomplete projects

(₹ in crore)

Department	Total no. of incomplete projects	Original sanctioned cost of all incomplete projects	Original estimated cost of 43 projects which were revised		Revised cost of 43 incomplete projects	Cost Overrun of 43 projects which were revised	Cumulative actual expenditure of all incomplete projects as on 31.3.2013
			No.	Amount			
Water Resources Department /Projects	34	1,466.48	19	877.31	3,346.52	2,469.21	2,691.72
Public Works Department/ Project	59	1,230.45	10	142.27	185.60	43.33	531.49
Public Health Engineering Department	73	11,926.94	14	2,686.08	5,141.20	2,455.12	5,435.47
Total	**166**	**14,623.87**	**43**	**3,705.66**	**8,673.32**	**4,967.66**	**8,658.68**

Source: Finance Accounts

As per the information furnished by the State Government, there were 166 incomplete projects (more than ₹ 10 crore each) as on 31 March 2013, on which an amount of ₹ 8,659 crore was blocked. Of these, 115 projects (₹ 2,615 crore) were remaining incomplete for less than 5 years and 51 projects (₹ 6,044 crore) remaining incomplete for 5 to 19 years. The revised cost of 43 incomplete projects increased by 134 *per cent* from ₹ 3,706 crore (initial cost) to ₹ 8,673 crore (revised cost). Thus the total cost overrun was ₹ 4,967 crore, of which *Narmada Jalore* Project alone increased by 431 *per cent* (₹ 2,013.96 crore) from ₹ 467.53 crore to ₹ 2,481.49 crore.

Moreover, no expenditure was incurred on five projects during the last three years as detailed below. The amount spent up to March 2010 and the cumulative expenditure up to March 2013 remain the same i.e. ₹ 79 crore.

Table 1.24: No expenditure on incomplete projects more than three years

(₹ in crore)

S. No.	Name of Project	Year of Commence-ment	Original sanctioned cost	Revised Cost	Expenditure during 2010-13	Cumulative actual exp. as on 31.03.2013
	Projects of Water Resources Department					
1	Mamer	1999-2000	2.95	18.76	-	0.32
	Projects of Public Works Department					
2	Ras Kamos Nagelav Jethana Mangliawas Road	2007-08	20.00	13.30	-	9.32
	Projects of Public Health Engineering Department					
3	Reorganisation of Rural Water Supply Scheme of fluoride affected villages of Salumber Tehsil from Som Kamla Amba Dam for 84 villages (Udaipur Region)	2005-06	22.88	33.58	-	24.43
4	Revised Administrative and Financial Sanction for Reorganisation of Water Supply Scheme Atru Kehdliganj	2007-08	25.39	-	-	0.27
5	Water Supply Scheme of Matasukh Pharond-Jayal for providing potable water to 120 villages of Jayal Tehsil	2008-09	124.73	-	-	45.00
	Total		**195.95**		**-**	**79.34**

Source: Finance Accounts

The amount blocked in all the incomplete projects/works was 11 *per cent* of the cumulative capital outlay of the State. ***Due to non-completion of projects within the stipulated time frame, while the expected benefits to the society were delayed, the cost to the exchequer also increased due to time overrun.***

1.9.3 Investment and returns

As on 31 March 2013, Government had invested ₹ 18,753.33 crore in 42 Government companies (₹ 17,576.98 crore) including investment of ₹ 10.83 crore in 3 non-working Government companies, 7 Statutory Corporations (₹ 509.34 crore) including investment of ₹ 19.37 crore in 3 non-working Statutory Corporations, 3 Rural Banks (₹ 73.69 crore), 25 Joint Stock Companies (₹ 115.65 crore) and Cooperative Banks and Societies (₹ 477.67 crore). The average return on this investment was 0.2 to 0.4 *per cent* during the last three years while the Government paid an average interest of 7.4 to 7.7 *per cent* on its borrowings (**Table 1.25**). ***Continued use of borrowed funds for investments, which do not yield sufficient financial return, would lead to unsustainable financial position. The Government may ensure commensurate results by better monitoring.***

Table 1.25: Returns on Investment

Investment/Returns/Cost of Borrowings	2008-09	2009-10	2010-11	2011-12	2012-13
Investment at the end of the year (₹ in crore)	7,929.63	9,533.57	11,112.16	13,920.78	18,753.33
Returns (₹ in crore)	43.39	37.26	20.76	57.58	57.18
Returns *(per cent)*	0.5	0.4	0.2	0.4	0.3
Average rate[20] of interest on Government borrowings *(per cent)*	7.7	7.7	7.7	7.7	7.4
Difference between interest rate and returns *(per cent)*	7.2	7.3	7.5	7.3	7.1

Source: Finance Accounts

Net investment of the State Government in Government Companies, Rural Banks and Cooperative Banks and Societies was ₹ 4,832.55 crore during 2012-13. The sectors/companies where major investments were made, were Cooperative Banks and Societies: ₹ 36.89 crore; Jaipur *Vidyut Vitaran Nigam* Limited: ₹ 969 crore; Rajasthan *Rajya Vidyut Utpadan Nigam* Limited: ₹ 636 crore; Ajmer *Vidyut Vitaran Nigam* Limited: ₹ 917 crore; Jodhpur *Vidyut Vitaran Nigam* Limited: ₹ 877 crore; Rajasthan *Rajya Vidyut Prasaran Nigam* Limited: ₹ 449 crore; Rajasthan State Road Transport Corporation, Jaipur: ₹ 189 crore and Jaipur Metro Rail Corporation, Jaipur: ₹ 561 crore.

The investment of State Government included ₹ 17,566.15 crore in 39 working Government Companies, of which only 6 companies declared dividend aggregating to ₹ 53.95 crore against an investment of ₹ 336.24 crore. Government had invested ₹ 15,966.09 crore (85 *per cent* of total investment) in five power companies as on 31 March 2013.

The total investment in 2 Statutory Corporations, 1 Rural Bank, 19 Government Companies and 6 Joint Stock Companies, amounted to ₹ 17,566.99 crore and their accumulated losses amounted to ₹ 45,716.11 crore. Major loss making organisations were Rajasthan State Road Transport Corporation, Jaipur (₹ 871.55 crore), Rajasthan *Pariyojana Nirman Nigam* Limited, New Delhi (₹ 684.90 crore), National Textiles Corporation, New Delhi (₹ 572.40 crore), Rajasthan *Rajya Vidyut Utpadan Nigam* Limited (₹ 548.92 crore), Rajasthan *Rajya Vidyut Prasaran Nigam* Limited (₹ 1,634.57 crore), Jaipur *Vidyut Vitaran Nigam* Limited (₹ 13,432.16 crore), Jodhpur *Vidyut Vitaran Nigam* Limited (₹ 13,006.16 crore) and Ajmer *Vidyut Vitaran Nigam* Limited (₹ 14,503.15 crore).

In view of the huge losses of some of the State-owned Public Sector Undertakings, Government should review their working so as to reduce their losses and make appropriate strategy for their revival or closure.

20. See glossary at page 187 for method of calculation

XIII FC, while reviewing the performance of State Public Sector Undertakings with respect to Government investments, had recommended that the State Government should draw up a road map by March 2011 for closure of non-working companies. However, it is observed that no such road map was drawn by the Government in respect of ₹ 30.20 crore invested in six non-working Statutory Corporations/Government Companies[21] during 1974-75 to 1997-98.

1.9.4 Departmental Commercial Undertakings

Activities of quasi-commercial nature are also performed by the departmental undertakings of certain Government departments. The department-wise position of the investment made by the Government up to the year for which *pro forma* accounts are finalised, net profit/loss as well as return on capital invested in these undertakings are given in ***Appendices 1.9 and 3.4***. It is observed that an amount of ₹ 11,220.64 crore had been invested by the State Government in 10 undertakings at the end of financial year up to which their accounts were finalised. Of these, only 2 undertakings could earn net profit during the current year amounting to ₹ 23.64 crore and remaining 8 undertakings incurred accumulated loss of ₹ 8,868.87 crore, continuously for more than five years.

1.9.5 Investment in PPP projects

The concept of Public Private Partnership (PPP) has evolved for meeting rising demands of the people for adequate and quantitative infrastructure. The PPP Cell established (July 2007) in the Planning Department of the State Government, is the nodal agency to coordinate all efforts of the State Government regarding development of Infrastructure sector involving PPPs.

(1) Status of PPP Projects

As per information furnished (May 2013) by the PPP Cell, 203 projects involving ₹ 15813.89 crore have been taken up during 1995-2013 in the State under different sectors. Of these, 126 projects (₹ 8,855.87 crore) have been completed as on 31 March 2013 ***(Appendix 1.11 (A))*** and 77 projects (₹ 6,958.02 crore) were under progress at the end of 2012-13 ***(Appendix 1.11 (B))***. Besides, 86 projects (₹ 16,329.55 crore) have been planned for future ***(Annexure 1.12)***. Sector-wise details of PPP projects completed, ongoing projects and projects to be taken up in future are given in the **Table 1.26** below:

21 (i) Rajasthan Land Development Corporation, Jaipur: (₹ 1,936.45 lakh), (ii) Rajasthan State Mandi Development Corporation, Jaipur: (₹ 0.65 lakh), Rajasthan Water Supply and Sewerage Corporation, Jaipur: (₹ 0.08 lakh), (iv) Rajasthan State Mineral Development Corporation Limited, Jaipur: (₹ 1,061.45 lakh), (v) Rajasthan Rajya Van Vikas Nigam Limited, Jaipur: (₹ 16.75 lakh) and (vi) Rajasthan State Electricity Corporation, Jaipur: (₹ 5.00 lakh)

Table 1.26: Sector-wise details of PPP projects

(₹ in crore)

S. No.	Sector	Completed		On going		Planning for future	
		No.	Estimated Cost	No.	Estimated Cost	No.	Estimated Cost
1.	Road	50	2994.36	18	4902.53	14	1649.48
2.	Urban Infrastructure	18	95.13	25	1044.99	36	11282.92
3.	Power	1	5000.00	3	509.60	3	820.91
4.	Water	1	300.00	-	-	4	1740.00
5.	IT	-	-	2	315.77	-	-
6.	Social	24	438.27	14	157.04	14	273.20
7.	Any Other	32	28.11	15	28.09	15	563.04
	Total	**126**	**8855.87**	**77**	**6958.02**	**86**	**16329.55**

Source: PPP Cell of Planning Department, GoR

As per information provided by PPP Cell, 27 projects under Road Sector taken up and completed up to May 2006, creating assets of ₹ 304.44 crore, were handed over to Government till 31 March 2013.

(ii) Non-enactment of Rajasthan Infrastructure Development Act

The Guidelines for PPP projects issued by GoR in May 2012 envisages enactment of the Rajasthan Infrastructure Development Act for implementation of PPP projects in statutory framework. However, no enactment was done by GoR. In reply, the Planning Department stated (August 2013) that the Act was under finalisation in the Industries Department.

(iii) Government contribution

During the year 2012-13, GoI sanctioned ₹ 44.00 crore as Viability Gap Funding (VGF) for Jaipur-Bhilwara via Malpura-Kekri to M/s Bhilwara Jaipur Toll Road Private Limited, out of which ₹ 27.03 crore were released (May 2013).

1.9.6 Loans and Advances by State Government

In addition to investments in Cooperative Societies, Corporations and Companies, Government has also been providing loans and advances to many of these institutions/organisations. **Table 1.27** 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 1.27: Average interest received on loans advanced by Government

(₹ in crore)

Quantum of Loans/Interest Receipts/ Cost of Borrowings	2010-11	2011-12	2012-13	
			BE	Actual
Opening Balance	**3,375**	**3,318**	**3,194**	**3,198**
Amount advanced during the year	262	1,109	48	2,412
Amount repaid during the year	319	1,229	151	1,102
Closing Balance	**3,318**	**3,198**	**3,091**	**4,508**
Net addition	(-) 57	(-) 120	(-) 103	1,310
Interest Receipts	144	130	-	150
Interest Receipts as *per cent* to outstanding Loans and Advances	4.3	4.0	-	3.9
Interest payments as *per cent* to outstanding fiscal liabilities of the State Government.	7.7	7.7	-	7.4
Difference between interest payments and interest receipts (*per cent*)	(-) 3.4	(-) 3.7	-	(-) 3.5

Source: Finance Accounts

The State's borrowings appeared more expensive than the loans advanced by it in view of negative difference between interest payments and interest receipts *(per cent)* as revealed from above table.

Out of the total loans and advances of ₹ 4,508 crore, the loans and advances of ₹ 3,161 crore (70 *per cent*) were given to Power Projects. The amount of loans and advances disbursed during the year increased by ₹ 1,303 crore from ₹ 1,109 crore in 2011-12 to ₹ 2,412 crore in 2012-13. Out of the total amount of loans advanced during the year, ₹ 316 crore were transferred to Social Services and ₹ 2,096 crore to Economic Services. During the current year major portion of loan was advanced to Jaipur *Vidyut Vitaran Nigam* Limited (₹ 566 crore), Jodhpur *Vidyut Vitaran Nigam* Limited (₹ 584 crore), Ajmer *Vidyut Vitaran Nigam* Limited (₹ 679 crore), Rajasthan Housing Development and Infrastructure Limited (₹ 200 crore), *Tilam Sangh* (₹ 80 crore), Rajasthan State Civil Supply Corporation Limited (₹ 55 crore), Rajasthan Medical Services Corporation (₹ 49 crore), Agriculture University (₹ 32 crore) and Integrated Development of Small and Medium Towns under Urban Development (₹ 22 crore). More than ₹ 83.73 crore of loans were not repaid by these institutions (***Appendix 1.10***) since last 10 or more years.

1.9.7 Cash balances and investment of cash balances

Table 1.28 depicts the cash balances and investments made by the State Government out of cash balances during the year.

Table 1.28: Cash balances and Investment of Cash balances

(₹ in crore)

	Increase/ Decrease (-)	Opening balance on 1/4/2012	Closing balance on 31/3/2013
(a) General Cash Balance			
Cash in Treasuries	-	0.05	0.05
Deposits with Reserve Bank	(-) 80.29	38.90	(-) 41.39
Remittances in transit - Local	2.06	(-) 3.47	(-) 1.41
Total	(-) 78.23	**35.48**	**(-) 42.75**
Investments held in Cash Balance investment account	2,820.04	9,307.78	12,127.82
Total (a)	2,741.81	**9,343.26**	**12,085.07**
(b) Other Cash Balances and Investments			
Cash with departmental officers viz . Public Works Department Officers, Forest Department Officers, District Collectors	(-) 0.21	1.26	1.05
Permanent advances for contingent expenditure with departmental officers	(-) 1.29	5.11	3.82
Investment of earmarked funds	361.30	435.48	796.78
Total (b)	**359.80**	**441.85**	**801.65**
Grand total (a)+ (b)	**3,101.61**	**9,785.11**	**12,886.72**

Source: Finance Accounts

The State Government's cash balances at the end of the current year amounted to ₹ 12,887 crore showing increase of ₹ 3,102 crore (32 *per cent*) over the previous year. It was observed that ₹ 12,127.66 crore was invested in Government of India Treasury Bills/Securities, which earned an interest of ₹ 883.57 crore during the year. Further, ₹ 801.65 crore was invested in earmarked funds. Deposits with Reserve Bank of India showed *minus* balances of ₹ 41.39 crore as on 31 March 2013. State Government maintained a minimum cash balance of ₹ 2.34 crore as per agreement with the Reserve Bank of India during the year.

Surplus cash balance was mainly due to market borrowings of ₹ 8,041.10 crore[22] raised during 2012-13.

In view of the comfortable position of cash balances, revenue surplus of ₹ 3,451 crore and a low fiscal deficit of 1.8 *per cent* of GSDP, the open market borrowings could have been reduced significantly.

The surplus cash balance was invested partly in 14 day treasury bills with an average interest rate of five *per cent* per annum and partly in 91, 181 and 364 day auctioned treasury bills of RBI.

Government of India Treasury Bills amounting to ₹ 1,18,301 crore were purchased and ₹ 1,15,481 crore were rediscounted during 2012-13. Resultantly, investment from cash balance increased by ₹ 2,820 crore (30 *per cent*) over the previous year. ***In view of the comfortable position of cash***

22 May 2012 (₹ 500 crore at 9.12 *per cent*), June (₹ 500 crore at 8.87 *per cent*), July (₹ 500 crore at 8.89 *per cent* and ₹ 500 crore at 8.84 *per cent*), August (₹ 1,000 crore at 8.92 *per cent*), September (₹ 500 crore at 8.91 *per cent* and ₹ 500 crore at 8.90 *per cent*), October (₹ 500 crore at 8.85 *per cent* and ₹ 500 crore at 8.84 *per cent*), November (₹ 1,000 crore at 8.92 *per cent*), December (₹ 500 crore at 8.90 *per cent*), January 2013 (₹ 1,000 crore at 8.56 *per cent*) and March 2013 (₹ 541.10 crore at 8.52 *per cent*).

balances, the open market borrowings could have been limited to meet the short term liabilities of the Government.

1.10 Assets and Liabilities

1.10.1 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 1.5*** 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 the capital outlay and loans and advances given by the State Government and cash balances.

According to FRBM Act, 2005, the total liability means the explicit liabilities under Consolidated Fund of the State and the Public Account of the State including General Provident Fund.

The growth rate of components of assets and liabilities are summarised in the **Table 1.29:**

Table 1.29: Summarised position of Assets and Liabilities

(₹ in crore)

Liabilities					Assets				
		2011-12	**2012-13**	***Per cent* increased**			**2011-12**	**2012-13**	***Per cent* increased**
Consolidated Fund		**71705.66**	**76953.94**	**7**	**Consolidated Fund**		**71751.40**	**83737.12**	**17**
a	Internal Debt	64456.43	69972.94	9	a	Gross Capital outlay	68553.33	79228.78	16
b	Loans and Advances from GoI	7249.23	6981.00	(-) 4	b	Loans and Advances	3198.07	4508.34	41
Contingency Fund		**200.00**	**200.00**	**-**					
Public Account		**35289.98**	**41660.28**	**18**	**Public Account**		**56.09**	**38.56**	**(-) 31**
a	Small savings, Provident funds, etc.	24580.58	26,744.43	9	a	Advance	3.49	3.74	7
b	Deposits	9159.69	12576.12	37	b	Remittance	20.82	-	-
c	Reserves Fund	1549.71	2331.20	50	c	Suspense & Miscellaneous	31.78	34.82	10
	Remittances		8.53	-	**Cash balance (including investment in Earmarked fund)**		**9785.11**	**12886.72**	32
					Deficit in Revenue Account		**25603.04**	**22151.82**	(-) 13
Total		**107195.64**	**118814.22**	**11**	**Total**		**107195.64**	**118814.22**	**11**

Source: Finance Accounts

The growth rate of assets increased from 15 *per cent* during 2011-12 to 18 *per cent* during 2012-13, while that of liabilities also increased from 7 *per cent* in 2011-12 to 11 *per cent* in 2012-13.

As per recommendation of XIII FC, loans outstanding as per Finance Accounts 2009-10 under central plan schemes and centrally sponsored schemes with respect to all Ministries other than Finance Ministry were to be written off. However, such outstanding loans were not written-off by GoI up to March 2013.

1.10.2 Fiscal Liabilities

The outstanding fiscal liabilities[23] of the State at the end of 2012-13 were ₹ 1,17,809 crore, which showed an average annual growth of 10.5 *per cent* during 2008-13. The composition of fiscal liabilities during the current year *vis-à-vis* the previous year is presented in **Charts 1.12** and **1.13** below:

Chart 1.12 Composition of Outstanding Fiscal Liabilities as on 01.04.2012

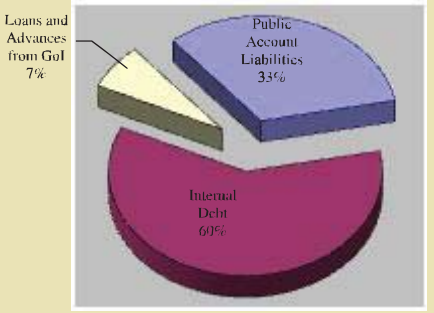
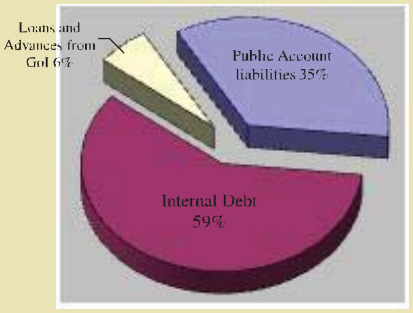


Chart 1.13 Composition of Outstanding Fiscal Liabilities as on 31.03.2013



Source: Finance Accounts

During 2012-13, fiscal liabilities increased by 11 *per cent* (₹ 11,249 crore) over that of the previous year. The Consolidated Fund Liability (₹ 76,954 crore) comprised market loans (₹ 44,209 crore), loans and advances from Government of India (₹ 6,981 crore) and other loans (₹ 25,764 crore). The Public Account liabilities (₹ 40,855 crore) comprise Small Saving, Provident Fund (₹ 26,744 crore), interest bearing obligations (₹ 4,269 crore) and non-interest bearing obligations like deposits and other earmarked funds (₹ 9,842 crore). ***During 2012-13, fiscal liabilities (total outstanding debt) to GSDP ratio at 24.6 per cent was lower than the norm of 38.3 per cent[24] (for Rajasthan) recommended by the XIII FC and also than the assessment made by the State Government in its MTFPS (28.65 per cent). These liabilities stood at 1.76 times the revenue receipts and 2.76 times the State's own resources at the end of 2012-13.***

During 2012-13, annual incremental borrowings[25] (₹ 11,249 crore) were lower than the ceilings fixed by the GoI (₹ 11,300 crore) as per recommendations of XIII FC.

23 2007-08: ₹ 77,138 crore, 2008-09: ₹ 84,023 crore, 2009-10: ₹ 91,533 crore, 2010-11: ₹ 99,285 crore, 2011-12: ₹ 1,06,560 crore and 2012-13: ₹ 1,17,809 crore.

24 XIII FC Report **(Annexure 9.1).**

25 It included Open Market Borrowings, Negotiated Loans from financial institutions, National Small Saving Fund loans, Central Government loans including EAPs, any loans for State Plan Schemes and Centrally Sponsored Schemes, other liabilities arising out of Public Account transfers under Small Savings, Provident Funds, Reserve Funds, Deposits etc.

1.10.3 Transactions under Reserve Fund

According to Para 4.5 of State Budget Manual of Government of Rajasthan, Reserves and Reserve Funds are created for specific and well defined purposes under the Sector 'J' in the accounts of the State Government (Public Account). These funds are fed by contributions or grants from the Consolidated Fund of State or from outside agencies. The funds are further divided into two parts (i) reserve funds bearing interest and (ii) reserve funds not bearing interest. Some of the main Reserve Funds are Depreciation/Renewal Reserve Fund, Roads and Bridges Fund and State Disaster Response Fund. The funds are created by the sums transferred by debiting the concerned expenditure head of the Consolidated Fund of the State. If earmarked receipts are forthcoming for the purpose the fund has been created for, these shall be recorded under appropriate revenue heads in the Consolidated Fund of the State. Expenditure in this regard shall be incurred from the concerned expenditure head for implementation of schemes that have been formulated to achieve the stated objective/ rules/orders/instructions/Acts for which the Reserve Fund has been created. Thereafter, the total expenditure incurred during the year is to be reimbursed from the concerned Reserve Fund.

As on 31 March 2013, there was a closing balance of ₹ 2,331.20 crore in 33 Reserve Funds. Of these, 12 Reserve Funds involving ₹ 10.49 crore were inactive. Out of ₹ 2,331.20 crore, Government had invested ₹ 796.78 crore (Government of India Securities: ₹ 170.55 crore, Guarantee Redemption Fund Investment account: ₹ 348.59 crore, State Disaster Response fund: ₹ 222.96 crore and Pay back of Rajasthan State Development Loans: ₹ 54.68 crore) at the end of the year. An amount of ₹ 1,567.72 crore (net) was transferred as annual contribution mainly to State Disaster Response Fund (SDRF): ₹ 829.60 crore (share of GoI: ₹ 496.67 crore, State Government: ₹ 165.55 crore, transfer from Major Head 2245-80-800: ₹ 101.90 crore and Interest on SDRF: ₹ 65.48 crore); State Roads and Bridges Fund: ₹ 239.01 crore; National Rural Employment Guarantee Fund: ₹ 266 crore and Guarantee Redemption Fund: ₹ 251.55 crore. The Reserve Funds of the State increased by ₹ 781.49 crore over the previous year, hence the fiscal liabilities of the State Government were increased to that extent at the end of the year.

1.10.3.1 State Disaster Response Fund

The State Disaster Response Fund (SDRF) was set up on 1 April 2010 replacing the existing Calamity Relief Fund. The size of the Fund for the years 2010-15 fixed by the XIII FC was ₹ 3,319 crore[26], 75 *per cent* of which was to be contributed by the GoI and 25 *per cent* by the State Government. During 2012-13, the GoI and the State Government contributed their shares. As on 31 March 2013, the balance in SDRF was ₹ 1,211.60 crore (including interest paid by Government on uninvested amount: ₹ 44.67 crore) after setting off the expenditure (₹ 257.81 crore) for disaster relief operations.

26 2010-11: ₹ 600.66 crore, 2011-12: ₹ 630.69 crore, 2012-13: ₹ 662.22 crore, 2013-14: ₹ 695.33 crore and 2014-15: ₹ 730.10 crore.

According to GoI guidelines, the accretions to SDRF were to be invested in Central Government Dated Securities and/or Auctioned Treasury Bills and/or Interest earning Deposits and/or Certificates of Deposits with Scheduled Commercial Banks. During 2012-13, the State Government invested ₹ 222.95 crore and earned interest ₹ 20.81 crore on these investments.

1.10.3.2 Guarantee Redemption Fund

The State Government set up a Guarantee Redemption Fund in 1999-2000 and there was a balance of ₹ 611.83 crore (₹ 580.94 crore as guarantee fees and ₹ 30.89 crore interest received) under this Fund as on 31 March 2013. No amount was reimbursed from this Fund during the year. State Government received ₹ 235.04 crore during 2012-13, as guarantee commission which was booked as Miscellaneous Receipts.

1.10.4 Contingent liabilities

- ***Status of Guarantees***

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

As per Statement 9 of the Finance Accounts, the maximum amount for which guarantees were given by the State and outstanding guarantees for the last three years is as follows.

Table 1.30: Guarantees given by the Government of Rajasthan

(₹ in crore)

Guarantees	2010-11	2011-12	2012-13
Maximum amount guaranteed	88,112	97,566	1,13,340
Outstanding amount of guarantees	50,692	60,711	75,546
Percentage of maximum amount guaranteed to total revenue receipts	191.8	171.1	169.4

Source: Finance Accounts

The outstanding guarantees increased by 24 *per cent* from ₹ 60,711 crore in 2011-12 to ₹ 75,546 crore in 2012-13. The outstanding guarantees of ₹ 75,546 crore mainly pertained to five Power Companies (₹ 70,114 crore: 93 *per cent*), seven Co-operatives (₹ 1,798 crore: two *per cent*) and three Urban Development and Housing (₹ 2,120 crore: three *per cent*). The guarantees of Power Companies were given for repayment of loans/overdraft, amount raised by issue of bonds/debentures and payment of interest at stipulated rates. During 2012-13, Government received ₹ 235.04 crore against receivable guarantee commission of ₹ 354.72 crore. The outstanding guarantees were 113 *per cent* of the revenue receipts of the Government. No guarantee was invoked during the year 2012-13.

It is pertinent to note that if the liabilities arising out of the outstanding guarantees (₹ 75,546 crore) are added to the fiscal liabilities (₹ 1,17,809 crore) of the State Government at the close of the current year, the ratio of

total liabilities to GSDP would increase to 40.4 per cent from the existing 24.6 per cent.

- ***Off Budget Borrowings***

The borrowings of a State are governed under Article 293 of the Constitution of India. In addition to the fiscal liabilities shown in ***Appendix 1.5***, the State guaranteed loans availed of by Government companies/corporations. These companies/ corporations borrow funds from the market/financial institutions for implementation of various State plan programmes projected outside the State Budget. Although the State Government projects that fund for these programmes would be met out of the resources mobilised by these companies/corporations outside the State budget, in reality the borrowings of many of these concerns are repaid by the Government and ultimately turn out to be the liabilities of the State Government termed as 'off budget borrowings' though off budget borrowings are not permissible under Article 293 (3).

The Finance Department intimated (July 2013) that the Boards, Companies, Public Sector Undertakings (PSUs), PRIs and UBLs are independent bodies and they raise loans as per their requirement and the State Government does not essentially provide guarantees to all such borrowings which were also not taken for fulfilment of plan allocation assigned by Planning Commission as part of approval of Annual Plans. The borrowings taken by PSUs, PRIs and UBLs are meant for these institutions and not taken for and/or on behalf of the State Government. The burden of debt servicing also lies on these undertakings and local bodies and not on the State Government.

However, as per Statement No. 9 of Finance Account 2012-13, the State Government provided new guarantees of ₹ 840.19 crore (guarantees of ₹ 1,697.90 crore outstanding at the end of 2012-13) to various *Zila Parishads* owed to Housing Urban Development Corporation (HUDCO) towards their borrowings for executing *Mukhya Mantri BPL Awas Yojana*. The State Government had undertaken to repay the principal and interest which constitute off budget borrowings. The control of the Legislature over State Finances was also compromised to that extent.

1.10.5 Analysis of Borrowings of Government

The Public Debt of the State Government increased by 30 *per cent* from ₹ 58,766 crore in 2008-09 to ₹ 76,954 crore in 2012-13. It increased by seven *per cent* over the previous year. Details are given below in **Table 1.31:**

Table 1.31: Outstanding Borrowing during 2008-13

(₹ in crore)

	2008-09	2009-10	2010-11	2011-12	2012-13
(a) Internal Debt					
Market Loans	24,499	30,611	35,448	38,551	44,209
Loans from National Bank for Agriculture and Rural Development	1,948	2,609	3,323	3,947	4,553
Special Securities issued to National Small Savings Fund of the Central Government	23,769	23,209	22,656	21,518	20,767
Loans from other institutions	933	714	470	441	444
Total (a)	**51,149**	**57,143**	**61,897**	**64,457**	**69,973**

	2008-09	2009-10	2010-11	2011-12	2012-13
(b) Loans and Advances from the Central Government					
Non-Plan Loans	79	73	67	60	55
Loans for State/Union Territory Plan Schemes	7,359	7,237	7,163	7,052	6,789
Other Plan Loans	179	165	151	137	137
Total (b)	**7,617**	**7,475**	**7,381**	**7,249**	**6,981**
Total Borrowings (a + b)	**58,766**	**64,618**	**69,278**	**71,706**	**76,954**
Rate of Growth	9.4	11.7	7.2	3.5	7.3

Source: Finance Accounts

The outstanding borrowings and internal debt have shown a progressive increase over the period 2008-13, while loans and advances from the Central Government showed decreasing trend during this period. The share of market loans to total borrowing increased from 41.7 *per cent* in 2008-09 to 57.4 *per cent* in 2012-13.

1.10.6 Inoperative Reserve Funds

As per Finance Account 2012-13, out of 32 Reserve Funds, 12 Reserve Funds (₹ 10.49 crore) were inactive for more than two years. Of these, six funds involving ₹ 6.22 crore were interest bearing and the remaining six funds involving ₹ 4.27 crore were non-interest bearing. Three main Funds were Sodium Sulphate, Departmental Management Scheme of Forest Coupes and State Road Development Fund involving ₹ 2.41 crore, ₹ 2.12 crore and ₹ 4.02 crore respectively.

1.11 Debt Management

(i) Debt Profile

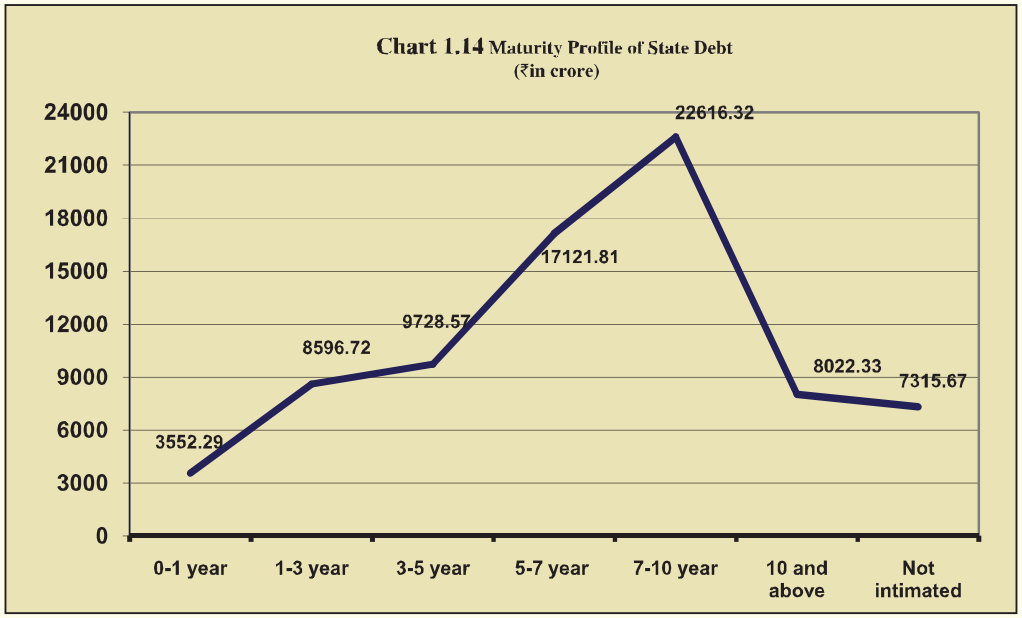
The Maturity Profile of State Debt for the last five years as on 31 March is as follows:

Table 1.32: Maturity Profile of State Debt

(₹ in crore)

Maturity Profile	31.03.2009	31.03.2010	31.03.2011	31.03.2012	31.03.2013	
					Amount	*Per cent*
0-1 year	2,570.56	2,778.07	3,415.48	4,610.18	3,552.29	4.62
1-3 years	5,824.81	7,111.05	8,632.80	8,813.32	8,596.72	11.17
3-5 years	7,414.30	7,328.82	8,882.26	8,526.22	9,728.57	12.64
5-7 years	7,780.07	7,214.43	9,779.54	14,440.58	17,121.81	22.25
7-10 years	32,436.54	36,973.06	38,165.23	23,410.14	22,616.32	29.39
10 years and above				11,382.62	8,022.33	10.42
Information awaited from State Government	2,739.84	3,212.74	403.27	522.60	7, 315.67	9.51
Total	**58,766.22**	**64,617.57**	**69,277.68**	**71,705.66**	**76,953.71**	**100.00**

Source: Finance Accounts



Source: Finance Accounts

As per data shown in **Table 1.32**, the maturity profile of ₹ 7,315.67 crore was not clearly defined. There would be a bunching of repayments in 1-3 years (₹ 8,596.72 crore), 3-5 years (₹ 9,728.57 crore) and 5-7 years (₹ 17,121.81 crore). A well thought out debt repayment strategy would ensure that no additional borrowings which mature in these critical years would be undertaken.

(ii) Debt sustainability

Debt sustainability is defined as the ability of the State to maintain a constant debt-GSDP ratio over a period of time and also indicates the ability to service its debt. Sustainability of debt therefore also refers to sufficiency of liquid assets to meet current or committed obligations and the capacity to keep balance between costs of additional borrowings with returns from such borrowings. It means that increase in fiscal deficit should match with the increase in capacity to service the debt. **Table 1.33** analyses the debt sustainability of the State according to these indicators for a period of three years beginning 2010-11.

Table 1.33: Debt Sustainability: Indicators and Trends

(₹ in crore)

Indicators of Debt Sustainability	2010-11	2011-12	2012-13
Debt Stabilisation (Quantum Spread + Primary Deficit)	22,373	18,364	7,585
Sufficiency of Non-debt Receipts (Resource Gap)	6,173	500	(-) 4,908
Net Availability of Borrowed Funds	383	(-) 617	2,908
Burden of Interest Payments (IP/RR *per cent*)	16	14	12

Debt Stabilisation

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

The sum of Quantum Spread and Primary Deficit was positive during 2010-13 resulting in declining trend in debt-GSDP ratio. These trends indicate that the State is moving towards debt stabilisation, which, if continued would eventually improve the debt sustainability position of the State.

Sufficiency of non-debt receipts

For debt stability and its sustainability the incremental non-debt receipts of the State should be adequate to cover the incremental interest liabilities and incremental primary expenditure. Debt sustainability could be significantly facilitated if the incremental non-debt receipts could meet the incremental interest burden and the incremental primary expenditure.

The persistent negative non-debt receipts (resource gap) indicate the non-sustainability of debt while the positive resource gap strengthens the capacity of the State to sustain the debt. The resource gap which was positive during 2010-11 (₹ 6,173 crore) and 2011-12 (₹ 500 crore), turned into negative during 2012-13 (minus ₹ 4,908 crore). During 2012-13, the non-debt receipts increased by ₹ 9,767 crore (17 *per cent*) while the total expenditure increased by ₹ 14,675 crore (24 *per cent*).

Net availability of borrowed funds

Net availability of borrowed funds is 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.

The net fund available from borrowing after providing for the interest and repayment increased from (-) ₹ 617 crore in 2011-12 to ₹ 2,908 crore in 2012-13. During the current year the available borrowed funds increased by ₹ 31,876 crore while the Government repayments increased by ₹ 28,351 crore over the previous year. Total receipts and total repayments (including interest) of liabilities during 2012-13 were ₹ 1,59,608 crore and ₹ 1,56,700 crore respectively, hence ₹ 2,908 crore was available for current operations.

Interest burden

The ratio of interest payments to revenue determines the debt sustainability of the State. During the year, interest payments reduced by two percentage points

over the previous year and constituted 12 *per cent* of Revenue Receipts of the State.

Expired loans

The State Government raised long term loans from the open market through Reserve Bank of India/Agency Banks and repays after their maturity. The maturity date of loans is mentioned in the notification issued for floating of loans. As on 31 March 2013, as per Annexure to Statement No.15 of Finance Account, the expired loans of ₹ 0.23 crore were not repaid by the Government due to non-submission of Securities/Stock certificates for repayment by the investors.

1.11.1 Market borrowings

The borrowings (representing the fiscal deficits) are accounted for under the Consolidated Fund (e-public debts). The Twelfth Finance Commission recommended that with reduced fiscal deficits, it is essential that States follow the practice of borrowing on requirement rather than on availability. The States should endeavour to maintain the balance between revenue receipts and revenue expenditure and utilise capital receipts including borrowings for generation of productive assets. Market borrowings are controlled by the Central Government and managed by the Reserve Bank of India. States may not, without the consent of the Central Government, raise any loan if they are indebted to the Central Government (Article 293).

A review of market borrowings and the Major and Minor Heads concerned (6003-Internal Debt of the State Government-101-Market loans) revealed the following position:

- ***Debt sustainability indicators***

As per ***Appendix 1.13,*** the total liabilities increased by 40 *per cent* (₹ 33,786 crore) from ₹ 84,023 crore in 2008-09 to ₹ 1,17,809 crore in 2012-13 but market loans increased by 80 *per cent* during this period. The percentage of liabilities and public debt to GSDP decreased from 36.38 *per cent* and 25.45 *per cent* in 2008-09 to 24.64 *per cent* and 16.09 *per cent* respectively in 2012-13. However, the percentage of market loans to total liabilities and public debt increased from 29.16 *per cent* and 41.69 *per cent* in 2008-09 to 37.53 *per cent* and 57.45 *per cent* respectively in 2012-13. During 2010-13, annual incremental borrowings of ₹ 7,752 crore, ₹ 7,275 crore and ₹ 11,249 crore were lower than the ceilings of ₹ 8,029 crore, ₹ 9,489 crore and ₹ 11,300 crore respectively fixed by the GoI as per recommendation of XIII FC.

- ***Profile of market loan***

As of March 2013, the outstanding market loan was ₹ 44,209 crore, out of which market loan of ₹ 32,577 crore (73.7 *per cent*) was raised during the last five years. Loan of ₹ 7,672 crore (23.6 *per cent*) was repaid during this period. The outstanding market loan increased by 129 *per cent* during 2008-13. It increased by 14.7 *per cent* in 2012-13 over the previous year. The percentage

of market loan raised during the year to total outstanding market loan, showed decreasing trend during 2008-12 ***(Appendix 1.13).***

- ***Weighted average maturity of market loans***

Though the weighted average maturity of outstanding loans during 2012-13 over previous years showed increase from 6.70 to 6.79 years, yet it showed decrease from overall average of the weighted average maturity of outstanding loans during the five year period of 2008-13, which was 6.88 years ***(Appendix 1.13).***

- ***Maturity trend of market loans***

In terms of maturity profile, around 59.3 *per cent* of the outstanding market borrowings at the end of the year belonged to a maturity bracket of seven years and above. Repayment obligation of the State would increase by 130.6 *per cent* in 2017-18, 59.4 *per cent* in 2018-19 and 78.7 *per cent* in 2022-23 as compared to their respective previous years. Huge market borrowings in 2009-10, would devour 17 *per cent* of the total repayment obligation (2013-23) of market loans (₹ 44,209 crore) in 2019-20. In 2012-13, Government borrowed ₹ 8,041 crore as market loans which constituted 18 *per cent* of the total outstanding loans (₹ 44,209 crore) ***(Appendix 1.13)***.

- ***Weighted interest rate profile***

The weighted average rate of interest on market loan raised on the state government securities during 2012-13, at 8.84 *per cent*, was higher than 2008-09 (7.67 *per cent*). It was, however, lower than the previous year's (2011-12) rate of interest i.e. 8.97 *per cent* ***(Appendix 1.13)***.

- ***Interest Payment as a percentage of revenue receipts***

The ratio of interest payments to revenue receipts, determines the debt sustainability of the State. During the year, interest payments reduced by 1.38 percentage points over the previous year and constituted 12.46 *per cent* of Revenue Receipts of the State and it was also reduced by 6.14 percentage point compared to 2008-09 (18.60 *per cent*) ***(Appendix 1.13)***.

- ***Investment of cash balances***

Para 7.123 of XIII FC suggested that there should be a directed effort by States with large balances towards utilising their existing cash balances before resorting to fresh borrowings, as many States had cash balances exceeding the total expenditure for one month. While States require some float for smooth expenditure, accumulation of cash beyond a level can be treated as inefficient management, as it would lead to avoidable interest burden. The Reserve Bank of India also reiterated the fact and advised the States to manage their cash balances more efficiently.

The surplus cash balances of the State Government are automatically invested in 14 day Intermediate Treasury Bills and in 91/181/364 day Auctioned Treasury Bills. Till the end of 2012-13, as sum of ₹ 12,127.66 crore was invested in GoI Treasury Bills/Securities, which earned an interest of

₹ 883.57 crore. A sum of ₹ 801.65 crore was also invested in earmarked funds. The cash balance invested in GoI Treasury Bills/Securities increased by 107.69 *per cent* from ₹ 5,839.43 crore at the end of 2007-08 to ₹ 12,127.66 crore at the end of 2012-13.

The year-wise position of cash balances[27], market loans raised and budgeted expenditure is given below:

Table 1.34: Position of Cash balances, market loans and budgeted expenditure

(₹ in crore)

	2008-09	2009-10	2010-11	2011-12	2012-13
Cash Balance as on 1 April	5,293.39	5,165.92	2,361.65	6,087.76	9,785.11
Cash Balance as on 31 March	5,165.92	2,361.65	6,087.76	9,785.11	12,886.72
Investment of Cash Balance in GoI Treasury Bills/Securities	5,268.04	2,675.50	5,708.51	9,307.62	12,127.66
Market loan raised	6,355.80	7,500.00	6,180.00	4,500.00	8,041.10
Total Budgeted expenditure	40,185.00	46,790.00	51,036.00	60,524.00	71,956.00
Average monthly budgeted expenditure	3,349.00	3,899.00	4,253.00	5,044.00	5,996.00

Source: Finance Accounts and Budget Documents

During 2011-13, the Government could have reduced the market loans, in view of the comfortable position of cash balances, revenue surplus and a low *per cent* of fiscal deficit of GSDP and thereby could have reduced burden of interest payment significantly.

The month-wise position of cash balances, average monthly budgeted expenditure, market loan raised/required during 2012-13 is given below:

(₹ in crore)

Month	Opening Cash Balance	Average monthly budgeted expenditure	Excess cash balance	Market loan raised up to the month	Excess/ shortfall of cash balance excluding market loan	Required Market loans
April	9350	5,996	3,354	-	3,354	-
May	9429	5,996	3,433	500	3,433	-
June	9428	5,996	3,432	1,000	2,932	-
July	10270	5,996	4,274	2,000	3,274	-
August	11255	5,996	5,259	3,000	3,259	-
September	11969	5,996	5,973	4,000	2973	-
October	13119	5,996	7,123	5,000	3,123	-
November	14105	5,996	8,109	6,000	3,109	-
December	14252	5,996	8,256	6,500	2,256	-
January	9350	5,996	3,354	7,500	(-) 3,146	3,146
February	14452	5,996	8,456	7,500	956	-
March	13928	5,996	7,932	8,041.10	432	-

27. It includes Cash in Treasuries, Deposits with Reserve Bank, Remittances in Transit-Local, cash with the departmental Officers, Permanent advance, Investment from Cash balances and Investment from Earmarked balances.

The State Government raised market loans of ₹ 8,041.10 crore against requirement of ₹ 3,146 crore. Thus, loans were raised in excess by ₹ 4,895 crore.

On being pointed out, the Finance Department (Ways and Means Section) informed (August 2013) that financial resources and expenditure of the State Government keep fluctuating and all the receipts and expenditure are not of regular nature. Besides, these borrowings were raised keeping in view the probable payments for future. On market borrowings the Finance Department also informed that in the past, the market borrowings were raised below the limit prescribed by State Government/GoI, keeping in view the efficient financial management and cash balance.

The reply was not acceptable as the GoI fixed the limit for annual borrowing ceilings/annual incremental borrowings and not for net market borrowings. Moreover, State Government had ample cash balances which could have been utilised instead of borrowing funds from market, thereby it could have reduced the burden of interest payment to that extent.

- ***Application of Borrowings***

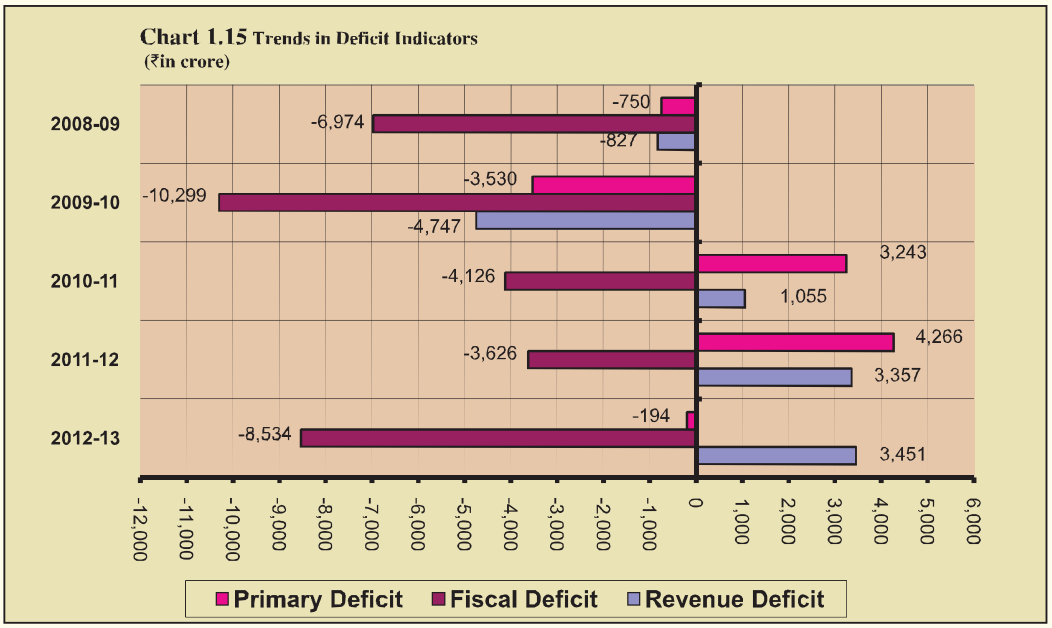
The State should endeavour to maintain the balance between Revenue Receipts and Revenue Expenditure and use Capital Receipts including borrowings for generation of productive assets. The Finance Department (Ways and Means Section) informed (August 2013) that during 2008-09, 2009-10, 2010-11 and 2011-12, the net borrowings were utilised as Capital Expenditure to the extent of 85.69, 68.90, 67.73 and 97.85 *per cent* respectively.

1.12 Fiscal imbalances

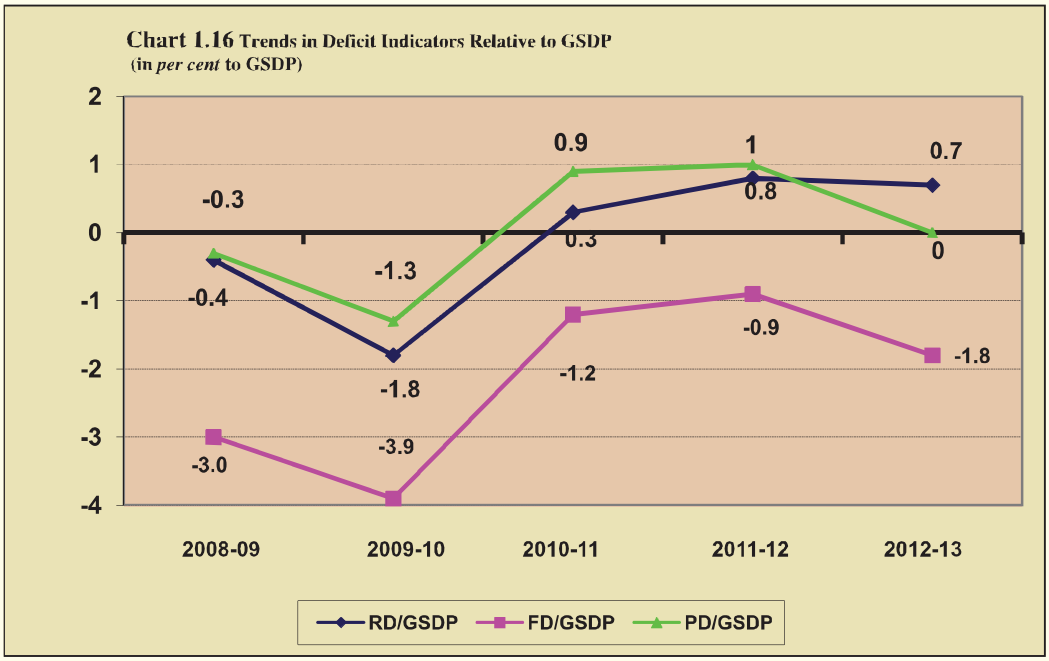
Three key fiscal parameters - revenue, fiscal and primary deficits - indicate the extent of overall fiscal imbalances in the Finances of the State Government during a specified period. The deficit in the Government accounts represents the gap between its receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the manner in which the deficit is financed and the resources 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 level of revenue and fiscal deficits *vis-à-vis* targets set under FRBM Act/Rules for the financial year 2012-13.

1.12.1 Trends in Deficits

Charts 1.15 and **1.16** present the trends in deficit indicators over the period 2008-13.



Source: Finance Accounts



Revenue Surplus

Revenue Surplus represents the difference between Revenue Receipts and Revenue Expenditures. Revenue Surplus helps to decrease the borrowings.

From a situation of revenue deficit in 2008-09 and 2009-10, the State turned into revenue surplus from 2010-11 and onwards. Against the growth rate of 17 *per cent* of revenue receipts, the growth rate of Revenue Expenditure was 18 *per cent*. This resulted in bringing down the revenue surplus during 2012-13.

The revenue surplus increased by ₹ 94 crore (three *per cent*) only from ₹ 3,357 crore in 2011-12 to ₹ 3,451 crore in 2012-13.

Fiscal Deficit

Fiscal deficit normally represents the net incremental liabilities of the Government or its additional borrowings. The shortfall could be met either by additional public debts (internal or external) or by the use of surplus funds from Public Account. Fiscal deficit trends along with the trends of the deficit relative to key components are indicated in **Table 1.35:**

Table: 1.35: Fiscal deficit and its parameters

(₹ in crore)

Period	Non-debt Receipts	Total Expenditure	Fiscal Deficit	Fiscal Deficit as *per cent* of		
				GSDP	Non-debt receipts	Total Expenditure
2008-09	33,562	40,536	6,974	3.0	20.8	17.2
2009-10	35,506	45,805	10,299	3.9	29.0	22.5
2010-11	46,260	50,386	4,126	1.2	8.9	8.2
2011-12	58,256	61,882	3,626	0.9	6.2	5.9
2012-13	68,023	76,557	8,534	1.8	12.6	11.2

Source: Finance Accounts

Fiscal deficit as a percentage of GSDP, non-debt receipts and total expenditure was least in 2011-12. In 2009-10, these ratios were the highest due to enhancement of fiscal deficit limit based on the advice of the GoI. During 2012-13, fiscal deficit increased mainly on account of increase in borrowings. ***Fiscal deficit as a percentage of GSDP increased from 0.9 per cent in 2011-12 to 1.8 per cent in 2012-13 which was within the target of 3 per cent, as prescribed under FRBM Act, 2005 as amended (March 2011 and September 2011).***

Primary Deficit

While Fiscal deficit represents the need for additional resources in general, a part of such resources may be needed to finance interest payments. Interest payments represent the expenditure of past obligations and are independent of current allocative priorities. To look at the imbalances of the current nature, these payments need to be separated and deducted from the total imbalances.

The primary deficit from 2008-10 also turned into primary surplus from 2010-11. During 2012-13, the primary surplus (₹ 4,266 crore) once again turned into primary deficit ₹ 194 crore.

Non-plan Revenue Deficit

Non-Plan Revenue Deficit represents the difference between NPRE and State's own resources. During 2012-13, the Non-Plan Revenue Deficit of ₹ 6,591 crore (13.4 *per cent* of NPRE) exceeded the normative assessment of ₹ 1,796 crore (5.4 *per cent* of NPRE) made by XIII FC.

1.12.2 Components of fiscal deficit and its item-wise financing pattern

Table 1.36 presents item-wise net disbursement/outflow financing pattern of fiscal deficits of the State during 2007-08 to 2012-13 along with receipts and disbursements during the year 2012-13.

Table 1.36: Components of fiscal deficit and its item-wise financing pattern

(₹ in crore)

		Net disbursements/outflows					2012-13		
		2007-08	2008-09	2009-10	2010-11	2011-12	Receipts	Disburse-ments	Net
(a) Decomposition of Fiscal Deficit									
1	Revenue Deficit/ Surplus (-)	(-)1,653	827	4,747	(-)1,055	(-) 3,357	66,913	63,462	(-)3,451
2	Net Capital Expenditure	6,554	5,896	5,166	5,238	7,103	8	10,683	10,675
3	Net Loans and Advances	(-)1,493	251	386	(-) 57	(-) 120	1,102	2,412	1,310
	Total (a)	**3,408**	**6,974**	**10,299**	**4,126**	**3,626**	**68,023**	**76,557**	**8,534**
(b) Financing Pattern of Fiscal Deficit									
1	Market Borrowings	3,233	5,196	6,112	4,837	3,103	8,041	2,383	5,658
2	Loans from GoI	46	(-) 66	(-) 142	(-) 94	(-) 131	200	468	(-) 268
3	Special Securities Issued to National Small Saving Funds	(-) 223	(-) 434	(-) 560	(-) 553	(-)1,138	484	1,235	(-) 751
4	Ways and Means	(-) 59	-	-	-	-	-	-	-
5	Loans from Financial Institutions	220	350	442	470	594	1,230	620	610
6	Small Savings, Provident Fund etc	1,119	1,405	2,145	2,841	2,767	7,171	5,007	2,164
7	Deposits and Advances	557	347	1,274	885	1,096	1,40,748	1,37,332	3,416
8	Suspense and Miscellaneous	2	39	(-) 14	(-) 49	12	44	47	(-) 3
9	Remittances	(-) 14	21	(-) 1	-	-	7,033	7,004	29
10	Reserve Fund	1,198	(-) 11	(-)1,761	(-) 485	1,020	1,568	787	781
	Total (b)	**6,079**	**6,847**	**7,495**	**7,852**	**7,323**	**1,66,519**	**1,54,883**	**11,636**
11	Increase (-)/ Decrease (+) in Cash Balance (a-b)	(-)2,671	127	2,804	(-)3,726	(-)3,697	2,34,542*	2,31,440*	(-)3,102
12	Overall Deficit (b+11)	3,408	6,974	10,299	4,126	3,626	68,023	76,557	8,534

* Not applicable in case of summing of receipts and disbursements for 2012-13 being cumulative of a+b and not indicative of actual cash balances

Source : Finance Accounts

Fiscal deficit is the total borrowing requirements of the State and is the excess of revenue and capital expenditure including loans and advances, over revenue and non-debt receipts. Decomposition of fiscal deficit reveals the extent of various borrowings resorted to by the State to meet its requirement of funds over and above revenue and non-debt receipts.

During 2012-13, the fiscal deficit of ₹ 8,534 crore was financed by revenue surplus to the extent of ₹ 3,451 crore.

It can be seen from **Table 1.36** that the fiscal deficit during 2007-08 to 2012-13 was due to large net capital expenditure. Market borrowings by the State Government continued to finance a major portion of fiscal deficit but its

share in financing fiscal deficit decreased from 86 *per cent* in 2011-12 to 66 *per cent* in 2012-13. During 2012-13, the fiscal deficit of ₹ 8,534 crore was mainly met out from Market Borrowings (₹ 5,658 crore), Deposits and Advances ((₹ 3,416 crore) and Small Savings and Provident Fund etc. (₹ 2,164 crore) which was counterbalanced by increase in Cash Balance (₹ 3,102 crore).

The Market Borrowings and the Small Savings, Provident Fund etc, increased by 15 *per cent* and 9 *per cent* respectively over the previous year; thus increasing the interest burden in future.

1.12.3 Quality of deficit/surplus

The ratio of revenue deficit to fiscal deficit and the composition of primary deficit into primary revenue deficit and capital expenditure (including loans and advances) would indicate the quality of deficit in the State's finances. The ratio of revenue deficit to fiscal deficit indicates the extent to which borrowed funds were used for current consumption. Persistently high ratio of revenue deficit to fiscal deficit also indicates that the asset base of the State was continuously shrinking and a part of borrowings (fiscal liabilities) did not have adequate asset backup. The bifurcation of the primary deficit **(Table-1.37)** indicated the extent to which the deficit has been on account of enhancement in capital expenditure which may be desirable to improve the productive capacity of the State's economy.

Table 1.37: Primary deficit/surplus- Bifurcation of factors

(₹ in crore)

Year	Non-debt receipts (NDR)	Primary Revenue Expenditure	Capital Expenditure	Loans and Advances	Primary Expenditure	NDR *vis-à-vis* Primary Revenue Expenditure	Primary deficit (-) / surplus (+)
1	2	3	4	5	6 (3+4+5)	7 (2-3)	8 (2-6)
2008-09	33,562	28,072	5,900	340	34,312	(+) 5,490	(-) 750
2009-10	35,506	33,363	5,175	498	39,036	(+) 2,143	(-) 3,530
2010-11	46,260	37,504	5,251	262	43,017	(+) 8,756	(+) 3,243
2011-12	58,256	45,762	7,119	1,109	53,990	(+) 12,494	(+) 4,266
2012-13	68,023	55,122	10,683	2,412	68,217	(+) 12,901	(-) 194

Source: Finance Accounts

The share of Capital Expenditure in primary expenditure was 17 *per cent* in 2008-09, which decreased to 16 *per cent* in 2012-13. The non-debt receipts increased by ₹ 9,767 crore against an increase of ₹ 14,227 crore in primary expenditure over the previous year. This resulted in the primary surplus (₹ 4,266 crore) turning into primary deficit (₹ 194 crore). The primary Revenue Expenditure, Capital Expenditure and disbursement of Loans and Advances increased by 20 *per cent*, 50 *per cent* and 117 *per cent* respectively over the previous year. During 2012-13, the non-debt receipt was less than the primary expenditure resulting in a primary deficit.

1.13 Conclusions and Recommendations

The State Government's Revenue Receipts and Revenue Expenditure increased by ₹9,902 crore (17.4 per cent) and ₹9,808 crore (18.3 per cent) respectively over the previous year. As a result, the revenue surplus increased by ₹ 94 crore only over the previous year. The net Capital Expenditure and net loans and advances disbursed during the year increased by ₹ 3,572 crore and ₹ 1,430 crore respectively resulting in increase of fiscal deficit by ₹4,908 crore. Fiscal deficit stood at 1.8 per cent of GSDP as against the target of 3 per cent prescribed under FRBM Act, 2005, as amended (March and September 2011) but it was higher than the previous year 0.9 per cent. Interest payment increased by ₹ 448 crore. Primary surplus of ₹4,266 crore of 2011-12 turned into primary deficit of ₹194 crore during 2012-13. Some concerns regarding the State's finances are as follows:

Revenue Receipts: During 2012-13, the State's Revenue Receipts (₹ 66,913 crore) increased by 17.4 *per cent* over the previous year, mainly due to improvement in both Tax Revenue and Non-Tax Revenue. The State's Revenue Receipts as a percentage of GSDP marginally declined from 14.5 *per cent* in 2008-09 to 14 *per cent* in 2012-13, which indicates that the growth of Tax Revenue and Non-Tax Revenue had not kept pace with that of GSDP.

Revenue Expenditure: Of the total expenditure of ₹ 76,557 crore during 2012-13, Revenue Expenditure (RE) constituted 83 *per cent*; Non-Plan Revenue Expenditure constituting 78 *per cent* of the RE. Nearly 57 *per cent* of the Revenue Receipts of the State was spent on committed expenditure such as salaries and wages, interest, pension and subsidies leaving little for other purposes. The State Government also spent 23 *per cent* of the Revenue Receipts on financial assistance to local bodies and Grants-in-aid General (Salary). There is a necessity to contain the committed expenditure.

Budget Estimates

The actual Revenue Receipts and Revenue Expenditure increased by six *per cent* and two *per cent* respectively as compared to the budget estimates. Resultantly, the revenue surplus increased by ₹ 2,523 crore over the budgeted revenue surplus. The Capital Expenditure also increased by 10 *per cent* over the budget estimates. The actual fiscal deficit and primary deficit decreased from the budget estimate by ₹ 116 crore and ₹ 141 crore respectively.

Inadequate priority to Capital Expenditure: The Capital Expenditure increased by 50 *per cent* over the previous year and constituted 14 *per cent* of total expenditure against previous year's 11.5 *per cent*. It was 10 *per cent* higher than that projected in the MTFPS for 2012-13. However, the ratio of

Capital Expenditure (14 *per cent*) as a proportion of aggregate expenditure in the current year was lower than that of 2008-09 (14.6 *per cent*). In progressive Capital Expenditure (₹ 79,229 crore), ₹ 8,659 crore (10.9 *per cent*) was blocked in 166 incomplete projects at the end of March 2013. The Government accorded priority to Capital Expenditure since it was higher than the projections of State Government in its MTFPS.

Financial Management

Review of Government investments: The average returns on State Government's investment in Statutory Corporations, Rural Banks, Joint Stock Companies and Cooperatives varied between 0.2 *per cent* and 0.4 *per cent* during the past three years while the Government paid an average interest between 7.4 and 7.7 *per cent* on this investment. As of 31 March 2013, investment of ₹ 17,566 crore (94 *per cent*) was made in Statutory Corporations, Rural Banks, Government Companies and Joint Stock Companies having accumulated loss of ₹ 45,716 crore. Towards the end of 2012-13, the Government invested ₹ 30.20 crore in six non-functioning Statutory Corporations/Government Companies.

It would be advisable for the State Government to ensure better value for money in investments, otherwise high cost borrowed funds will continue to be invested in projects with low financial returns. Projects which are justified on account of low financial but high socio-economic returns may be identified and prioritised with full justification as to why high cost borrowings should be channelled there. It would also be prudent to review the working of State Public Sector Undertakings which are incurring huge losses and work out either a revival strategy (for those which can be made viable) or closure policy (if they are not likely to be viable given the current market conditions).

Prudent cash management: As on 31 March 2013, the State had a surplus cash balance of ₹ 12,887 crore. It increased by 32 *per cent* over that of the previous year. The cost of holding surplus cash balances is high. Since maintaining huge idle cash balance is not a prudent cash management, appropriate steps should be taken for spending it on capital projects for creation of assets.

Transfer of funds to State Implementing Agencies

The GoI transferred a sizeable quantum of funds (₹ 7,826 crore during 2012-13) directly to the State implementing agencies for implementation of Central Plan Schemes. Funds flowing directly to the implementing agencies through off budget route, inhibit FRBM Act requirements of transparency and

escape accountability. There is not a single agency monitoring its use and there is no readily available data on how much money is actually spent in any particular year on flagship schemes and other important schemes.

Direct transfer of funds from the GoI to the State Implementing Agencies runs the risk of improper utilisation of funds by these agencies.