Chapter I
Finances of the State Government

Profile of the State

Rajasthan is the largest State of India in terms of geographical area (342.24 thousand sqkm) and eighth in terms of population. It is located in the north-western part of the country. The population of the State increased from 5.65 crore in 2001 to 6.85 crore in 2011, recording a decadal growth of 21.44 *per cent* (***Appendix 1.1),*** as against the national average of 17.64 *per cent*. The percentage of population below the poverty line was 14.7 *per cent* which was less than the All India average of 21.9 *per cent*. The Gross State Domestic Product (GSDP) in 2013-14 at current prices was ₹ 5,13,688 crore (advance estimates). The literacy rate increased from 60.4 *per cent* (2001 census) to 66.1 *per cent* (2011 census) which was 6.9 percentage points below the All India average of 73 *per cent* during the corresponding period. The per capita income of the State stands at ₹ 65,098[1] as compared to the National per capita income of ₹ 74,859. General data relating to the State are given in ***Appendix 1.1***.

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 trends 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	2009-10	2010-11	2011-12	2012-13	2013-14
India's GDP# (₹ in crore)	61,08,903	72,48,860	83,91,691[2]	93,88,876[3]	1,04,72,807[4]
Growth rate of GDP (percentage)	15.2	18.7	15.8	11.9	11.5
State's GSDP* (₹ in crore)	2,65,825	3,38,348	4,03,422[5]	4,59,215[6]	5,13,688[4]
Growth rate of GSDP (percentage)	15.1	27.3	19.2	13.8	11.9

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

Rajasthan achieved a higher GSDP growth rate as compared to India's GDP growth rate during the period 2010-14. However, the growth rate of GDP and GSDP showed a decreasing trend during the period 2010-14. The GSDP growth rate decreased from 27.3 *per cent* to 11.9 *per cent* during the same period.

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 2013-14 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 consist of Finance Accounts and Appropriation Accounts. The new format of Finance Accounts, introduced from 2009-10, have been divided into two volumes. Volume I contains the financial statements of the Government in a summarised form whereas Volume II presents 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 Operations in 2013-14

Table 1.2 below presents the summary of the State Government's fiscal operations during the current year (2013-14) *vis-à-vis* that of the previous year (2012-13), while ***Appendix 1.4*** provides an abstract of receipts and disbursements as well as the overall fiscal position during the current year.

Table 1.2: Summary of Fiscal Operations in 2013-14

(₹ in crore)

Receipts			Disbursements		
	2012-13	**2013-14**		**2012-13**	**2013-14**
Section-A: Revenue					
Tax Revenue	30,502.65	33,477.70	General Services	20,495.80	23,339.22
Non-Tax Revenue	12,133.59	13,575.25	Social Services	25,292.94	31,486.09
Share of Union Taxes/ Duties	17,102.85	18,673.07	Economic Services	17,408.02	20,435.59
Grants-in-aid from Government of India	7,173.92	8,744.36	Grants-in-aid and Contributions	265.03	248.69
Total Section-A Revenue Receipts	**66,913.01**	**74,470.38**	**Total Section-A Revenue Expenditure**	**63,461.79**	**75,509.59**
Section-B: Capital and others					
Miscellaneous Capital Receipts	8.12	10.27	Capital Outlay	10,683.57	13,664.66
Recoveries of Loans and Advances	1,101.56	315.53	Loans and Advances disbursed	2,411.83	811.21
Public Debt Receipts*	9,955.00	14,491.44	Repayment of Public Debt*	4,706.72	4,115.62
Contingency Fund	-	-	Contingency Fund	-	-
Public Account Receipts[7]	1,56,563.24	1,07,978.58	Public Account Disbursements[7]	1,50,175.41	1,05,605.40
Opening Cash Balance	9,785.11	12,886.72	Closing Cash Balance	12,886.72	10,446.44
Total Section-B Receipts	**1,77,413.03**	**1,35,682.54**	**Total Section-B Disbursements**	**1,80,864.25**	**1,34,643.33**
Grand Total (A + B)	**2,44,326.04**	**2,10,152.92**	**Grand Total (A + B)**	**2,44,326.04**	**2,10,152.92**

Source: Finance Accounts for the respective years

*Excluding net transaction under Ways and Means advances and overdraft

[7] The figures of Public Account Receipts/Disbursements are shown on gross basis in **Table 1.2,** while in other tables/paragraphs, they are shown on net basis.

Salient features of fiscal operations in 2013-14 are given below:

- Revenue Receipts grew by ₹ 7,557.37 crore (11 *per cent*) over the previous year due to increase in Own Tax Revenue: ₹ 2,975.05 crore (10 *per cent*); Non-Tax Revenue: ₹ 1,441.66 crore (12 *per cent*), Share of Union Taxes/Duties: ₹ 1,570.22 crore (9 *per cent*) and Grants-in-aid from Government of India: ₹ 1,570.44 crore (22 *per cent*). However, the Revenue Receipts were lower than the projections made in the Medium Term Fiscal Policy Statement (MTFPS) 2013-14 by ₹ 2,750.22 crore.

- Revenue Expenditure increased by ₹ 12,047.80 crore (19 *per cent*)[8] mainly under General Services Sector (₹ 2,843.42 crore), Social Services Sector (₹ 6,193.15 crore) and Economic Services Sector (₹ 3,027.57 crore). However, Revenue Expenditure was lower than the MTFPS projections for the year by ₹ 685.15 crore.

- Capital Outlay increased by ₹ 2,981.09 crore (28 *per cent*) under General Services Sector by ₹ 84.81 crore; under Social Services Sector by ₹ 1,711.22 crore and under Economic Services Sector by ₹ 1,185.06 crore.

- Public Debt Receipts (excluding Ways and Means advances and overdraft) increased by ₹ 4,536.44 crore (46 *per cent*) while repayment of Public Debt declined by ₹ 591.10 crore (13 *per cent*).

- Public Account Receipts and Disbursements declined by ₹ 48,584.66 crore (31 *per cent*) and ₹ 44,570.01 crore (30 *per cent*), respectively.

- Cash balance declined by ₹ 2,440.28 crore (19 *per cent*).

1.2.1 Review of the fiscal situation

The State Government enacted the Rajasthan Fiscal Responsibility and Budget Management (FRBM) Act, 2005 (as amended in 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 the rules made 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 3 *per cent* of GSDP by financial year 2011-12 and thereafter maintain the said ratio or reduce it;

[8] It includes decrease of ₹ 16.34 crore on account of Grants-in-aid and contribution.

- restrict its total outstanding debt to 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 Thirteenth Finance Commission (ThFC) and targeted in the FRBM Act of the State, are depicted in **Table 1.3** below:

Table 1.3: Major Fiscal Targets and Achievement

Fiscal variables	2013-14		
	Targets as prescribed in FRBM Act/ThFC	Targets proposed in the Budget/ MTFPS	Achievement
Revenue Deficit (-) / Surplus (+) (₹ in crore)	0.00	1,026	(-) 1,039
Fiscal Deficit/GSDP (In *per cent*)	3.0 or less	2.48	2.96
Ratio of total outstanding debt of the Government to GSDP (in *per cent*)	37.3	25.0	25.3

The outstanding debt and fiscal deficit were 25.3 *per cent* and 2.96 *per cent* respectively, of the GSDP and were within the prescribed limit. However, the actual fiscal deficit (2.96 *per cent* of GSDP) was higher than the budgetary target (2.48 *per cent* of GSDP). The State Government was unable to maintain Revenue Surplus during 2013-14 as actual Revenue Receipts were less than that budgeted. The growth in Revenue Expenditure was higher than the growth in Revenue Receipts primarily due to increased expenditure on pensions to old age persons and on new schemes for Social Security exceeding the budget expenditure.

1.2.2 Budget Estimates and Actuals

The budget papers presented by the State Government provide 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 (BE) are indicative of non-attainment/non-optimisation of the desired fiscal objectives due to various reasons: some within the control of the Government and some beyond the control of the Government.

A comparison of the BE with actuals for the year 2013-14 is given in **Table 1.4** below and in ***Appendix 1.6***.

Table 1.4: Budget Estimates and Actuals for the year 2013-14

(₹ in crore)

Fiscal parameters	Budget Estimates	Actuals	Difference
1	2	3	4 (3-2)
Tax Revenue	34,053	33,478	(-) 575
Non-Tax Revenue	12,655	13,575	920
State's share of Union Taxes and Duties	20,361	18,673	(-) 1,688
Grants-in-aid from GoI	10,152	8,745	(-) 1,407
Revenue Receipts	77,221	74,471	(-) 2,750
Revenue Expenditure	76,195	75,510	(-) 685
Interest Payments	9,241	9,063	(-) 178
Capital Expenditure	14,056	13,664	(-) 392
Revenue Deficit(-) /Surplus (+)	(+) 1,026	(-) 1,039	(-) 2,065
Fiscal Deficit (-)	(-) 13,020	(-) 15,189	(-) 2,169
Primary Deficit (-)	(-) 3,779	(-) 6,126	(-) 2,347

Source: Finance Accounts and Budget Documents

The audit analysis of important parameters is given below:

1.2.2.1 Revenue Receipts

Revenue Receipts were lower by ₹ 2,750 crore (3.6 *per cent*) over BE due to decline in State's Tax Revenue (inclusive of State's share of Union Taxes and Duties) by ₹ 2,263 crore (4.2 *per cent*) and Grants-in-aid from GoI by ₹ 1,407 crore (13.9 *per cent*). Almost all categories of Tax Revenue Receipts (with the exception of Taxes on Sales, Trade, State Excise, Land Revenue and Other Taxes and Duties on Commodities and Services) were less than the BE. Non-Tax Revenue was, however, higher than the BE by ₹ 920 crore (7.3 *per cent*). Major Non-Tax Revenue Receipts i.e. receipts of royalty from petroleum and interest were higher than BE.

1.2.2.2 Revenue Expenditure

Revenue Expenditure was ₹ 685 crore less than the BE, mainly due to decline of ₹ 2,165 crore in expenditure under 'Power' and ₹ 898 crore under 'General Education'. On the other hand, increase in expenditure of ₹ 2,402 crore (168.8 *per cent*) was observed over the BE of ₹ 1,423 crore under Social Security and Welfare. This was on account of more expenditure under pensions to old age persons[9] and introduction of new schemes/Nawachar[10] for providing social security to scheduled castes, scheduled tribes etc.

1.2.2.3 Deficits

Against the targeted revenue surplus of ₹ 1,026 crore, there was revenue deficit[11] of ₹ 1,039 crore. This was mainly on account of lower revenue receipts as compared to the target set in the budget. Further, fiscal deficit[12] and

9 Budget Estimate: ₹ 400 crore: Actual Expenditure: ₹ 1,970.69 crore.
10 Budget Estimate: ₹ 3,000 only: Actual Expenditure: ₹ 713.44 crore
11 Revenue Deficit = Revenue Expenditure - Revenue Receipts
12. Fiscal Deficit= Revenue Expenditure + Capital Expenditure+ Net Loan and Advances - Revenue Receipts - Miscellaneous Capital Receipts.

primary deficit[13] increased over the BE by ₹ 2,169 crore and ₹ 2,347 crore respectively.

1.2.2.4 Capital Expenditure

During 2013-14, the capital expenditure was less by 2.8 *per cent* (₹ 392 crore) than BE mainly under Capital Outlay on Urban Development: ₹ 390 crore, Major Irrigation: ₹ 234 crore, Public Works: ₹ 143 crore, Minor Irrigation: ₹ 103 crore, Command Area Development: ₹ 84 crore which was counterbalanced by increase in Capital Outlay on Roads and Bridges: ₹ 333 crore, Road Transport: ₹ 125 crore and Water Supply and Sanitation: ₹ 202 crore.

1.2.3 Centrally Sponsored Programmes/Schemes held up for want of approval and non-providing of Funds

The Five-Year plan envisages Central Assistance to the States to finance their development schemes. Test check of the expenditure incurred on 329 Centrally Sponsored Scheme (CSS)/ Programmes during the year 2013-14 revealed that expenditure of ₹ 2,530.60 crore was incurred.

Audit analysis revealed that out of 329 schemes/programmes there was no expenditure in 31 CSS during the year 2013-14 against budget provision of ₹ 181.84 crore ***(Appendix 1.14)***. Out of these 31 schemes, in twelve Departments covering 25 schemes ***(Appendix 1.14)*** various reasons for nil expenditure including non-release of central share by GoI, non-receipt of administrative sanctions, non-sanction/release of state share by State Government, non-approval by National Council for Teacher Education, non-demand of funds by State from GoI, etc. were furnished. The response was awaited (October 2014) from 5 Departments in the remaining 6 CSS/Programmes ***(Appendix 1.14)***.

1.2.4 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 2009-10 the Government of Rajasthan announced preparation of GRB which would enable gender based budget analysis 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 in September 2009 in the Department of Women and Child Development. One of the functions and objectives of GRB was consolidating budget schemes and facilitating integration of gender analysis in the Government Budget. Further, during August 2010, Gender Desks in various Departments were also constituted with the intention of implementation of various GRB initiatives. Besides, GoR decided (August 2011) to include Gender Budget Statement in the new Integrated Financial Management System (IFMS) for preparation of BE from the financial year 2012-13.

[13] Primary Deficit= Fiscal Deficit- Interest payments.

Gender Budgeting in the State is regulated as per provisions contained in Paragraph 13.27 of the State Budget Manual (SBM). To prepare the annual Gender Budget Statement, Budget Controlling Officers of specified departments were required to provide information in the format given in the Budget Circular issued by the Finance Department. This format requires classifying plan schemes/programmes targeted at women into four categories. The details of categories are given below:

A	Schemes under which expenditure is targeted at women is more than 70 *per cent*
B	Schemes under which expenditure targeted at women lies between 30 *per cent* - 70 *per cent*
C	Schemes under which expenditure targeted at women lies between 10 *per cent* - 30 *per cent*
D	Schemes under which expenditure targeted at women is less than 10 *per cent*

Source: State Budget Manual (Vol-I), GoR

In view the above, the details of category wise allocation during 2013-14 are given below:

(₹ in crore)

Category	Allocation
A	3,262.82
B	18,832.71
C	980.81
D	60.62

Source: Budget Documents, GoR

Review of three schemes viz. Incentive to Girl Students for Agriculture Education, Mission *Gramya Shakti* and Conditional Maternity Benefit Scheme, revealed the following:

(i) Agriculture Department

During 2013-14, the department identified the scheme 'Incentive to Girl Students for Agriculture Education'. Its objective was to provide incentive of ₹ 5,000 to girls studying 10+2 in Agriculture; ₹ 10,000 to girls doing graduation and post graduation in Agriculture and ₹ 15,000 to girls doing PhD in Agriculture. It was noticed that against BE of ₹ 4.50 crore, the Department utilised ₹ 3.73 crore (82.9 *per cent)* extending benefit to 6,485 girls. Thus, there was a short utilisation of ₹ 0.77 crore. Reasons for less expenditure were attributed to delay in forwarding applications by the schools in-charge to the District Officers and time taken in online transfer of funds to the bank account of students.

(ii) Women and Child Development Department

Two schemes (i) 'Mission *Gramya Shakti'* and (ii) 'Conditional Maternity Benefit Scheme*'* were identified as gender sensitive and responsive by the department during 2013-14. The test check revealed as under:

- The objective of 'Mission *Gramya Shakti'* scheme was to strengthen Women Self Help Groups through clustering, capacity building and handholding of Self Help Groups and create channel of links with livelihood promoting programmes for the overarching goal of women empowerment. It was noticed that during 2013-14 three Women Self Help Groups were selected from each *Gram Panchayat*, for the said purpose. However, BE of ₹ 16.60 crore was reduced to ₹ 3,000 only

(₹1,000 each under Grant No. 30, 33 and 51). It was further observed that no expenditure was incurred due to non-selection of training institutions by the Department.

- 'Conditional Maternity Benefit Scheme', was identified under 'Integrated Child Development Services' with the basic objective of improving the health and nutritional status of pregnant and lactating women and their infants. The scheme was meant for pregnant and lactating women of 19 years and above for first two live births. The State Government had made provision of ₹ 39.19 crore in the BE. This was subsequently reduced to ₹ 17.51 crore by reappropriation and expenditure incurred thereagainst was ₹ 17.58 crore. The reasons for such reduction were attributed to (i) problems in opening of accounts of beneficiaries in Bank/Post Office, (ii) non-compliance of conditions fixed by Government of India and (iii) posts of District Coordinator and Coordinator Assistant remaining vacant.

The matter was referred (September 2014) to the State Government; reply was awaited (November 2014).

1.2.5 Major policy initiatives in the budget

While presenting budget for the year 2013-14 on 6 March 2013, the Government announced several schemes/policies. The major policy initiatives and the status of action taken on them, as intimated (July–September 2014) by the concerned departments, are summarised in the following table:

Para No. of Budget speech	Name of the Department	Brief of announcements made in Budget speech	Status of follow up action as per Outcome Budget[14] 2013-14 and the information given by the Department
36	Energy Department	Development of Jodhpur as a solar city under 'Roof Top Power Generation Scheme' at a cost of ₹ 100 crore. Subsequently, Jaipur and Ajmer cities were also included in the scheme. (The time frame as per the Outcome Budget was 31 March 2014).	Under 'Roof Top Power Generation Scheme' (Jaipur, Ajmer and Jodhpur) outlay of ₹ 100 crore was envisaged in the Outcome Budget under the State Plan and proposals of ₹ 150 crore were sent for sanction to Ministry of New and Renewable Energy under Centrally Sponsored Scheme. It was further revealed that the Finance Department proposed ₹ 20 crore in BE against sanctioned amount of ₹ 100 crore but allocation was not made. The Department of Energy, GoR informed (August 2014) that the scheme could not be implemented as no budget was allotted for the purpose.
41	Water Resource Department	Construction of Isarda Dam at a cost of ₹ 500 crore at the downstream of Bisalpur (on Banas river). (The time frame as per the Outcome Budget	An outlay of ₹ 24 crore was envisaged in the Outcome Budget under the State Plan for construction of dam to provide safe drinking water to villages in Jaipur and Tonk Districts in three years. Though Rajasthan Water Supply and Sewerage Management Board

[14] The Outcome Budget document is prepared by the State Government with a view to assess the physical and financial performance against the targets of the programmes.

Para No. of Budget speech	Name of the Department	Brief of announcements made in Budget speech	Status of follow up action as per Outcome Budget[14] 2013-14 and the information given by the Department
		was three years).	issued sanction for Isarda Drinking Water Supply Project at an estimated cost of ₹ 530 crore in May 2013, District Collector, Tonk did not allot alternate land to the Forest Department in lieu of the land to be used for the dam.
48	Water Resource Department	Renovation of Indira Gandhi Canal Project, First Phase and Bhakra Project, at a cost of ₹ 650 crore.	In the Outcome Budget under the State Plan outlay of ₹ 76 crore and ₹ 40 crore was provided for Indira Gandhi Canal Project and Bhakra Project respectively. In this regard, against BE of ₹ 110 crore and Revised Estimates of ₹ 42 crore for 2013-14 for both the projects, an expenditure of ₹ 31.83 crore only was incurred. The reasons for less expenditure were attributed to delayed sanctions due to Assembly and Parliament elections and engagement of staff in election work.
79	Social Justice and Empower-ment Department (SJED)	Distribution of sarees and blankets to BPL families, free of cost was announced. In addition, sarees and blankets were also to be provided to needy persons under "*Nirashrit Sambal Yojana*". The total cost proposed was of ₹ 300 crore.	The State Plan for 2013-14 envisaged outlay of ₹ 737.45 crore for "New Scheme/ *Navachar*" and ₹ 1.65 crore for "*Nirashrit Sambal Yojana*" under SJED. Anticipating problems in tendering/ producing of large number of sarees and blankets, the Department implemented the scheme by giving cash assistance ₹ 1,500 to each eligible family for purchase of two sarees and one blanket. An expenditure of ₹ 490.04 crore was incurred under the scheme by giving cash assistance through PRIs and ULBs.
192	Science and Technology Department	Establishment of a 'Science City' in Jodhpur for awareness of science and entertainment, at a cost of ₹ 10 crore with the cooperation of National Science Museum.	Though 14,645.58 sqm of land was acquired and ₹ 10 crore was allotted for the purpose, the implementation was delayed for want of sanction from National Council of Science Museum and no expenditure was incurred.
196	Industries Department	Pharmaceutical Zone under industrial area Kaladwas (Udaipur) was to be developed. This zone was to attract investment worth ₹ 700 crore.	Lay out plan was approved only in August 2014 which resulted in non-implementation of the scheme in 2013-14.

The matter was referred (September 2014) to the State Government; reply is awaited (November 2014).

1.3 Resources of the State

1.3.1 Resources of the State as per the Annual Finance Accounts

Receipts of the State Government can be divided into two categories namely Revenue Receipts[15] and Capital Receipts[16]. Besides, the funds available in the Public Account after disbursement are also utilised by the Government to finance its deficit.

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

Components and sub-components of resources

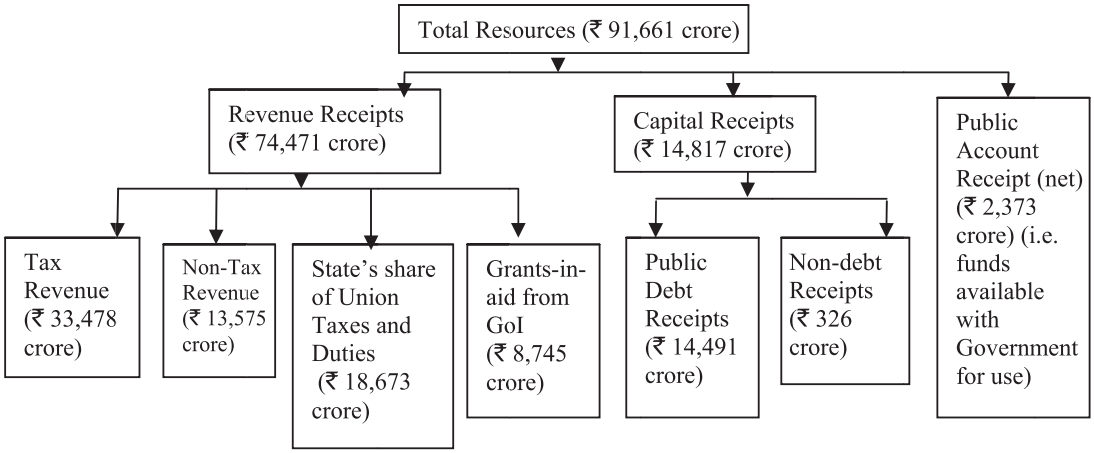


Chart 1.1 depicts the trends in various components of the receipts of the State during 2008-14 and **Chart 1.2** depicts the composition of resources of the State during the current year.

Chart 1.1 Trends in receipts (₹ in crore)

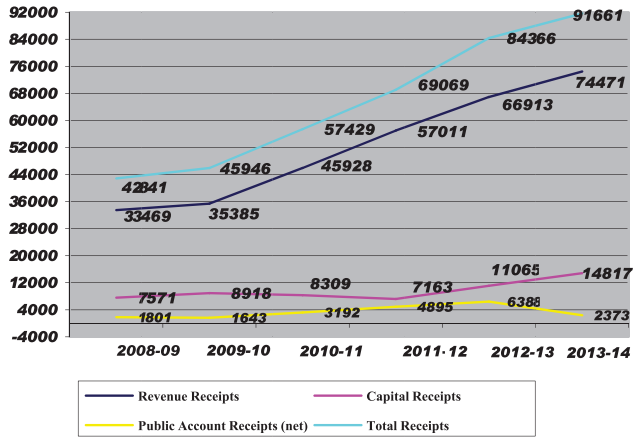
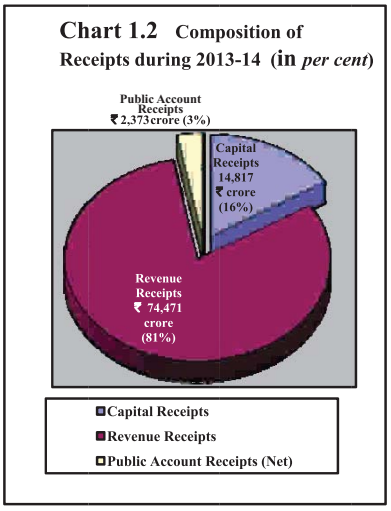


Chart 1.2 Composition of Receipts during 2013-14 (in *per cent*)



Source: Finance Accounts

[15] Revenue Receipts consist of Tax Revenues, Non-Tax Revenues, State's share of Union Taxes and Duties and Grants-in-aid from the GoI.

[16] Capital Receipts comprise proceeds from disinvestments, recoveries of loans and advances, debt Receipts (market loans, borrowings from financial institutions/ commercial banks) and Loans and Advances from GoI.

Total receipts (excluding Contingency Fund Receipts) increased by 114 *per cent* from ₹ 42,841 crore in 2008-09 to ₹ 91,661 crore in 2013-14, with average rate of growth of 22.8 *per cent* during the period. They increased by ₹ 7,295 crore (9 *per cent*) over the previous year. The share of revenue receipts in total receipts was 81 *per cent* during the year 2013-14. Further details of Revenue Receipts are given in ***Paragraph 1.4.***

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 5 *per cent* of the total Receipts during 2008-2014.

During 2013-14, net receipts of Public Account (₹ 2,373 crore) were mainly under Small Savings, Provident Funds, etc.: ₹ 2,521 crore; Reserve Fund: ₹ 267 crore which was counterbalanced by less net receipts of Deposits and Advances: ₹ 421 crore. A brief analysis of Reserve Funds is given in ***Paragraph 1.10.4***. During 2013-14, net Public Account Receipts declined by ₹ 4,015 crore (63 *per cent*) from the previous year due to decrease mainly under net Receipts of Deposits and Advances by ₹ 3,837 crore.

Capital Receipts increased by 96 *per cent* from ₹ 7,571 crore in 2008-09 to ₹ 14,817 crore in 2013-14 with average rate of growth of 19.2 *per cent* during the period and accounted for 16 *per cent* of total receipts during the year 2013-14. Public Debt Receipts, which is the main constituent of Capital Receipts, increased by ₹ 4,536 crore from the previous year. Internal Debt and Loans and Advances from GoI are the two components of the Public Debt Receipts which constituted 98 *per cent* and 2 *per cent* respectively, of the total Public Debt Receipts. There was a growth of 46 *per cent* and 30 *per cent* in Internal Debt and in Loans and Advances from GoI respectively over the previous year.

1.3.2 Funds transferred by the Central Government to State Implementing Agencies outside the State Budget

The Central Government had been transferring a sizeable quantum of funds directly to the State Implementing Agencies (IAs)[17] for the implementation of various schemes/programmes in the social and economic sector. As these funds were not routed through the State Budget/State Treasury System, the Annual Finance Accounts did not capture these fund flows and to the extent, the State's receipts and expenditure as well as other fiscal variables/parameters derived from them were not representing the whole picture.

During the year, central funds of ₹ 8,572 crore were transferred directly to the State IAs for implementation of programmes/schemes assisted by GoI. Out of this, some of the major schemes where funds were transferred, were as follows:

₹ 4,484 crore (52 *per cent*) were transferred for Rural Development[18], ₹ 2,425 crore (28 *per cent*) for *Sarva Shiksha Abhiyan* and ₹ 631 crore

[17] 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.

[18] It included ₹ 2,059 crore: MGNREGS, ₹ 1,248 crore: National Rural Drinking Water Programme, ₹ 469 crore: *Indira Awas Yojana and* ₹ 427 crore: *Pradhan Mantri Gram Sadak Yojana.*

(7 *per cent*) for National Rural Health Mission. Details of 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 ₹ 689 crore as compared to previous year (₹ 7,883 crore).

Major increase/decrease over previous year in fund transfers are summarised in **Table 1.5** below:

Table 1.5: Increase/decrease in direct transfer of funds to IAs

(₹ in crore)

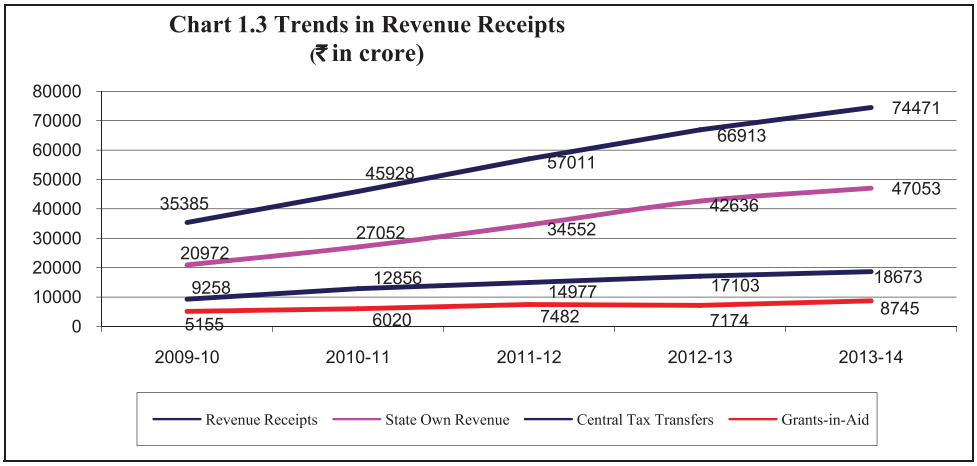
Increase			Decrease		
S. No.	**Name of programmes/schemes**	**Amount**	**S. No.**	**Name of programmes/schemes**	**Amount**
1	*Sarva Shiksha Abhiyan*	890	1	*Mahatma Gandhi* National Rural Employment Guarantee Scheme	526
2	*Indira Awas Yojana*	287	2	Integrated Watershed Management Programme	428
3	*Pradhan Mantri Gram Sadak Yojana*	275	3	National Rural Drinking Water Programme	158
4	*Rashtriya Madhyamik Siksha Abhiyan*	180	4	Central Rural Sanitation Programme	138
5	National Rural Health Mission	129	5	National Rural Livelihood Mission	48
6	Police Modernisation Scheme	58	6	Renewable Energy	35
7	*Swarn Jayanti Gram Swarojgar Yojana*	52			
8	Adult Education and Skill Development	44			
9	*Pradhan Mantri Swasthya Suraksha Yojana*	36			
10	Electronic Governance	29			
	Total	**1,980**		**Total**	**1,333**

Source: Finance Accounts

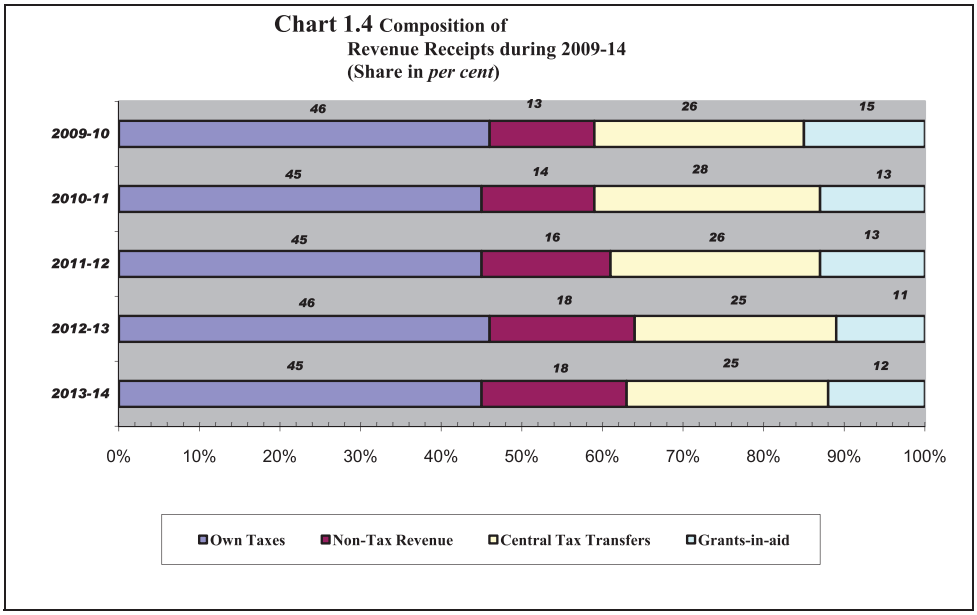
The Government of India has now decided that the plan assistance under all Centrally Sponsored Schemes (CSS) and block grants would be classified as Central Assistance to State Plan. It has also decided to transfer the central assistance through the Consolidated Fund of the State in a phased manner from 2014-15 onwards.

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 2009-14 are presented in ***Appendix 1.3*** and also depicted in **Chart 1.3** and **Chart 1.4** below:



Source: Finance Accounts



Source: Finance Accounts

Revenue Receipts increased by 110 *per cent* from ₹ 35,385 crore in 2009-10 to ₹ 74,471 crore in 2013-14 with average rate of growth of 28 *per cent* during the period.

On an average, 62 *per cent* of the revenue came from State's own resources during the period 2009-14. 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 the period 2009-14, while the share of Non-Tax Revenue increased from 13 *per cent* in 2009-10 to 18 *per cent* in 2013-14.

The trends in Revenue Receipts relative to GSDP are shown in **Table 1.6** below:

Table 1.6: Trends in Revenue Receipts relative to GSDP

	2009-10	2010-11	2011-12	2012-13	2013-14
Revenue Receipts (RR) (₹ in crore)	**35,385**	**45,928**	**57,011**	**66,913**	**74,471**
Rate of growth of RR (*per cent)*	5.7	29.8	24.1	17.4	11.3
Rate of growth of State's Own Tax *(per cent*)	9.8	26.5	22.3	20.2	9.8
RR/GSDP (*per cent)*	13.3	13.6	14.1	14.6	14.5
Buoyancy Ratios					
Revenue buoyancy w.r.t. GSDP	0.4	1.1	1.3	1.3	0.9
State's own Tax buoyancy w.r.t. GSDP	0.6	1.0	1.2	1.5	0.8
Revenue buoyancy w.r.t. State's Own Tax	0.6	1.1	1.1	0.9	1.2

Source: Finance Accounts

Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. As GSDP grows, the ability of the Government to mobilise Own Tax Revenue should also increase. 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. It declined to 0.9 in 2013-14 from 1.3 in the previous year due to sharp decline in the growth rate of Revenue Receipts from 17.4 *per cent* in 2012-13 to 11.3 *per cent* in 2013-14, as against 1.9 percentage point decline in the growth rate of GSDP from 13.8 *per cent* to 11.9 *per cent*.

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 Revenue *vis-a-vis* assessment made by ThFC and MTFPS are given in the **Table 1.7** below:

Table 1.7: Tax and Non-Tax Revenue projection and Actuals for 2013-14

(₹ in crore)

	ThFC projections	Budget Estimates/ MTFPS	Actuals	Difference between Budget Estimates and Actuals
Tax Revenue	28,605	34,053	33,478	(-) 575 (1.7)
Non-Tax Revenue	6,719	12,655	13,575	920 (7.3)

Note: Figures in brackets represent percentages of increase/decrease between Budget Estimates and Actuals

The Receipts under Tax Revenue and Non-Tax Revenue exceeded the normative assessment made by ThFC by 17 *per cent* (₹ 4,873 crore) and 102 *per cent* (₹ 6,856 crore) respectively. However, the rate of growth of Revenue Receipts showed decline in 2013-14.

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 63 *per cent,* followed by State Excise (15 *per cent*), Stamps and Registration Fees (9 *per cent*) and Taxes on Vehicles (8 *per cent*). The component wise position of gross collection in respect of major taxes and duties is given in **Table 1.8** ***and*** **Chart 1.5** below**:**

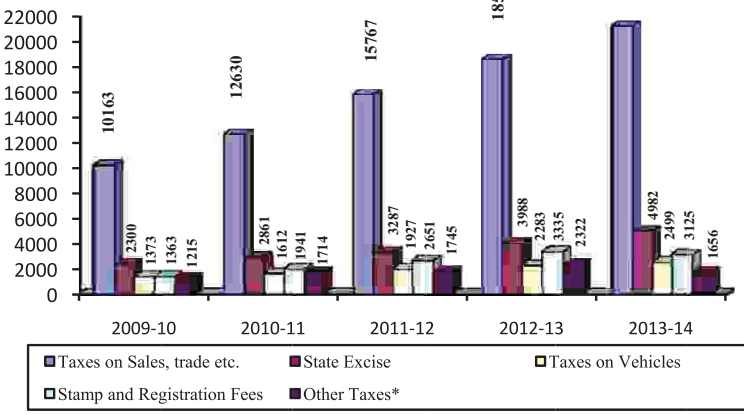
Table 1.8: Components of State's Own Tax Revenue

(₹ in crore)

Revenue Head	2009-10	2010-11	2011-12	2012-13	2013-14	*Rate of increase over previous year*
Taxes on Sales, Trade etc.	10,163	12,630	15,767	18,575	21,216	14.2
State Excise	2,300	2,861	3,287	3,988	4,982	24.9
Taxes on Vehicles	1,373	1,612	1,927	2,283	2,499	9.5
Stamps and Registration Fees	1,363	1,941	2,651	3,335	3,125	(-) 6.3
Land Revenue	148	222	209	304	338	11.2
Taxes on Goods and Passengers	176	231	220	249	288	15.7
Other Taxes[19]	891	1,261	1,316	1,769	1,030	(-) 41.8
Total	**16,414**	**20,758**	**25,377**	**30,503**	**33,478**	**9.8**

Source: Finance Accounts for the respective years

Chart 1.5 : State's own Tax Revenue component during 2009-10 to 2013-14 (₹ in crore)



Source: Finance Accounts for the respective years

* **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.**

During 2013-14, the Receipts from Taxes on Sales, Trade, etc. contributed a major share of Tax Revenue (63 *per cent*), and recorded a 14 *per cent* increase over the previous year. The rate of growth of Taxes on Sales, Trade etc. declined by 4 percentage points from the previous year's growth rate of 18 *per cent*. This was due to decline in rate of growth in receipts under Central Sales Tax Act and receipts under State Sales Tax Act.

The growth rate of State Excise which was at its lowest at 6 *per cent* in 2009-10, increased by 25 *per cent* over the previous year i.e. 2012-13 due to increased receipts under sale of foreign liquors and spirits and services and service fees. During 2013-14, the State Excise increased by 4 percentage points over the previous year.

Taxes on Vehicles (₹ 2,499 crore) had shown a 9 *per cent* increase over the previous year. During 2013-14, however, Stamps and Registration Fees (₹ 3,125 crore) decreased by 6 *per cent* from the previous year.

[19] Other Taxes include taxes on immovable property other than agricultural land, taxes and duties on electricity and taxes on agricultural income.

1.4.1.2 Non-Tax Revenue

The trends in major constituents of Non-Tax Revenue during the period 2009-14 are shown in **Table 1.9** and **Chart 1.6** below**:**

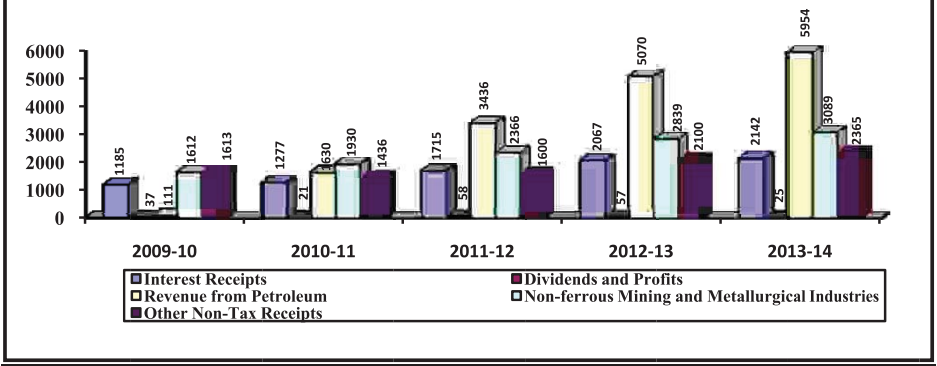
Table 1.9: Components of Non-Tax Revenue

(₹ in crore)

Revenue Head	2009-10	2010-11	2011-12	2012-13	2013-14	Rate of increase over the previous year
Interest Receipts	1,185	1,277	1,715	2,067	2,142	3.6
Dividends and Profits	37	21	58	57	25	(-) 56.1
Revenue from Petroleum[20]	111	1,630	3,436	5,070	5,954	17.4
Non-ferrous Mining and Metallurgical Industries	1,612	1,930	2,366	2,839	3,089	8.8
Other Non-Tax Receipts	1,613	1,436	1,600	2,100	2,365	12.6
Total	**4,558**	**6,294**	**9,175**	**12,133**	**13,575**	**11.9**

Source: Finance Accounts

Chart 1.6: Non-Tax Revenue components during 2009-10 to 2013-14
(₹ in crore)



Non-Tax Revenue (₹ 13,575 crore) which constituted 18 *per cent* of total Revenue Receipts in 2013-14 increased by 12 *per cent* (₹ 1,442 crore) over the previous year. Petroleum Receipts increased by ₹ 884 crore due to increased production of crude oil, leading to more receipt of royalty. Interest Receipts were mainly due to interest received on investment of cash balances and notional adjustment of interest on Capital Account from departmentally managed irrigation projects.

Returns on investment declined from 0.3 *per cent* in 2012-13 to 0.1 *per cent* in 2013-14. Further details are given in ***Paragraph 1.9.3***.

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 2012-13 and 2013-14 are given in **Table1.10** below**:**

[20] Revenue from crude oil produced in Barmer-Sanchor basin.

Table 1.10: Cost recovery from Socio-Economic Services

(₹ in crore)

S. No.	Service	2012-13			2013-14		
		NTRR in respective services	NPRE in respective services	Cost Recovery (*per cent*)	NTRR in respective services	NPRE in respective services	Cost Recovery (*per cent*)
1	Elementary Education	10.99	5,642.60	0.19	27.68	6,458.39	0.43
2	Medical and Public Health	96.04	2,357.56	4.07	65.61	2,664.95	2.46
3	Water Supply and Sanitation	258.61	1,697.08	15.24	254.84	1,836.64	13.88
4	Major, Medium and Minor Irrigation	102.61	484.37[21]	21.18	92.49	516.16[21]	17.92
5	Roads and Bridges	3.17	796.58	0.40	4.15	934.27	0.44

Source: Finance Accounts

In Irrigation Sector, the receipts declined by 9.9 *per cent* in 2013-14 from the previous year, whereas the actual cost recovered decreased by 3.26 percentage points from the previous year. Thus, as against the normative assessment made by ThFC for irrigation of 37 *per cent* as cost recovery, the actual cost recovered as a percentage worked out to 17.92 *per cent*.

1.4.2 Grants-in-aid from GoI

Grants-in-aid from GoI increased from ₹ 5,155 crore in 2009-10 to ₹ 8,745 crore in 2013-14 as shown in **Table 1.11** below**:**

Table 1.11: Grants-in-aid from GoI

(₹ in crore)

Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Non-Plan Grants	1,715	1,716	2,901	2,675	3,551
Grants for State Plan Schemes	1,606	2,488	2,416	2,316	2,993
Grants for Central Plan Schemes	128	165	166	92	135
Grants for Centrally Sponsored Schemes	1,706	1,651	1,999	2,091	2,066
Total	**5,155**	**6,020**	**7,482**	**7,174**	**8,745**
Rate of increase over previous year	(-) 8.6	16.8	24.3	(-) 4.1	21.9
Total grants as a percentage of Revenue Receipts	14.6	13.1	13.1	10.7	11.7

Source: Finance Accounts

The Grants-in-aid from GoI increased by 22 *per cent* during 2013-14 over the previous year. The increase was mainly due to increase under Non-Plan Grants and Grants for State Plan.

1.4.3 Central Tax transfers

The ThFC 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 and net proceeds of Service Tax were fixed at 5.85 *per cent* and 5.95 *per cent*, respectively.

During 2013-14, Central Tax transfers increased by ₹ 1,570 crore over the previous year and constituted 25.1 *per cent* of Revenue Receipts. The increase was under Corporation Tax (₹ 136 crore), Service Tax (₹ 545 crore), Customs Duties (₹ 205 crore), Taxes on Income other than Corporation Tax (₹ 457 crore), Union Excise Duties (₹ 220 crore) and Taxes on Wealth (₹ 7 crore).

[21] Excluding notional adjustment of interest expenditure 2012-13: ₹ 1,002.86 crore and 2013-14: ₹ 1,055.63 crore.

1.4.4 Optimisation of ThFC grants

During 2013-14, ThFC had recommended ₹ 3,102.36 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 ThFC		Unutilised amount/ Excess expenditure (-) at the end of March 2013	Actual release in 2013-14	Expenditure during 2013-14	Unutilised amount/Excess expenditure (-)
		2010-15	for 2013-14				
1	2	3	4	5	6	7	(5+6)-7=8
(1)	**Local Bodies**						
	(i) Grants to PRIs	3,938.64	991.24	(-) 0.02	1,179.77	1,179.77	(-) 0.02
	(a) General Basic Grant	*2,575.24*	*588.93*	*(-) 0.02*	*602.38*	*602.38*	*(-) 0.02*
	(b) General Performance Grants to PRIs	*1,363.40*	*402.31*	-	*577.39*	*577.39*	-
	(ii) Grants to ULBs	1,194.26	300.56	(-) 0.36	361.63	361.63	(-) 0.36
	(a) General Basic Grant	*780.86*	*178.57*	(-) 0.36	*182.65*	*182.65*	(-) 0.36
	(b) General Performance Grants to ULBs	*413.40*	*121.99*	-	*178.98*	*178.98*	-
	(iii) Special Areas Grants	30.90	7.20	0.72	9.01	9.01	0.72
	(a) Special Areas Basic Grants	*18.20*	*3.60*	0.54	*3.60*	*3.60*	0.54
	(b) Special Areas Performance Grants	*12.70*	*3.60*	0.18	*5.41*	*5.41*	0.18
	Total (1)	**5,163.80**	**1,299.00**	**0.34**	**1,550.41**	**1,550.41**	**0.34**
(2)	**Disaster Relief**						
	(i) Disaster Relief Fund	2,489.30	521.50	-	521.50	521.50	-
	(ii) Capacity Building	30.00	6.00	6.03	-	1.06	4.97
	Total (2)	**2,519.30**	**527.50**	**6.03**	**521.50**	**522.56**	**4.97**
(3)	**Improving Outcome Grants**						
	(i) Improvement in Supply of Justice	268.51	53.70	46.38	23.80	26.00	44.18
	(ii) Incentive for Issuing UIDs	134.90	26.98	13.49	-	-	13.49
	(iii) District Innovation Fund*	33.00	-	13.56	-	8.37	5.19
	(iv) Improvement of Statistical Systems of State and District Level	33.00	6.60	1.05	6.60	4.27	3.38
	(v) Employee and Pension Database	10.00	7.50	0.14	7.50	7.50	0.14
	Total (3)	**479.41**	**94.78**	**74.62**	**37.90**	**46.14**	**66.38**
(4)	**Environment related grants**						
	(i) Protection of Forests	88.32	22.08	1.08	29.04	25.56	4.56
	(ii) Water Sector Management	224.00	56.00	56.00	-	-	56.00
	Total (4)	**312.32**	**78.08**	**57.08**	**29.04**	**25.56**	**60.56**
(5)	**Elementary Education**	**1,766.00**	**394.00**	**-**	**394.00**	**394.00**	**-**
(6)	**Roads and Bridges**	**1,509.00**	**409.00**	**-**	**409.00**	**410.62**	(-) 1.62
(7)	**State specific grants**						
	(i) Drinking Water	500.00	125.00	(-) 5.45	-	125.03	(-) 130.48
	(ii) Irrigation	300.00	75.00	(-) 20.27	-	67.59	(-) 87.86
	(iii) Public Health Infrastructure Development	150.00	37.50	12.28	37.67	39.30	10.65
	(iv) Highways	150.00	37.50	(-) 0.01	37.50	31.98	5.51
	(v) Training of police, prison personnel and home guards	100.00	25.00	16.27	-	12.68	3.59
	Total (7)	**1,200.00**	**300.00**	**2.82**	**75.17**	**276.58**	**(-) 198.59**
	Grand Total (1 to 7)	**12,949.83**	**3,102.36**	**140.89**	**3,017.02**	**3,225.87**	**(-) 67.96**

Source: ThFC 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 2014, the State Government had received grants aggregating to ₹ 3,017.02 crore (excluding grants received from GoI for reduction in Infant Mortality Rates: ₹ 6.64 crore) against recommendation of ₹ 3,102.36 crore, due to short release of ₹ 85.34 crore.

In some cases, the first transfer/instalment was to be released during 2010-11 or 2011-12 without any condition and subsequent instalments were to be released on fulfillment of certain conditions as detailed against each grant in the **Table 1.13** below**.**

Table 1.13: Conditions for release of ThFC grants

Transfer	Condition for release of subsequent instalment
Incentive grant for UID	To be released on a reimbursement basis 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 March 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 proportionately.

As the State did not fulfil the conditions stipulated by ThFC, subsequent instalments were not released upto 2013-14 in cases of Water Sector Management: ₹ 112 crore (₹ 56 crore for each year i.e. 2012-13 and 2013-14) and incentive for issuing UIDs: ₹ 80.94 crore (₹ 26.98 crore for each year i.e. 2011-12, 2012-13 and 2013-14).

1.4.5 Revenue foregone

The information on revenue foregone by the State during 2013-14, due to discounts, waivers, exemptions, deferments, etc. under various taxes, as collected from the Stamps and Registration, Commercial Taxes and Transport 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 foregone to the extent of ₹ 16.65 crore[22].

- Commercial Taxes Department waived interest and penalties of ₹ 12.19 crore.

- The Transport Department waived ₹ 2.03 crore to various categories of beneficiaries under motor vehicle tax, special road tax and surcharge payable in excess of ₹ 3,500.

[22] (1) Rajasthan State Road Transport Corporation: ₹ 3.50 crore, (2) Rajasthan State Food and Civil Supply Corporation Limited: ₹ 0.01 crore, (3) Rajasthan *Rajya Vidyut Prasaran Nigam* Limited: ₹ 13.13 crore and (4) Rajasthan State Ganganagar Sugar Mills Limited: ₹ 0.01 crore.

1.5 Capital Receipts

The trends in growth and composition of Capital Receipts during 2009-14 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	2009-10	2010-11	2011-12	2012-13	2013-14
Capital Receipts (CR)	**8,918**	**8,309**	**7,163**	**11,065**	**14,817**
Miscellaneous Capital Receipts	9	13	16	8	10
Recoveries of Loans and Advances	112	319	1,229	1,102	316
Public Debt Receipts	8,797	7,977	5,918	9,955	14,491
Rate of growth of Debt Receipts	17.6	- 9.3	- 25.8	68.2	45.6
Rate of growth of Non-Debt Receipts	30.1	174.4	275.0	- 10.8	- 70.6
Rate of growth of GSDP	15.1	27.3	19.2	13.8	11.9
Rate of growth of CR (*per cent*)	17.8	- 6.8	- 13.8	54.5	33.9

Source: Finance Accounts

1.5.1 Capital Receipts

Capital Receipts (debt and non-debt receipts) of the State increased by 66 *per cent* from 2009-10 to 2013-14 showing increase of 34 *per cent* during 2013-14 over the previous year.

1.5.2 Recovery of Loans and Advances

Recovery of loans and advances decreased by ₹ 786 crore during 2013-14 as compared to previous year due to less recovery mainly from Ajmer *Vidyut Vitaran Nigam* Limited, Jodhpur *Vidyut Vitaran Nigam* Limited and Jaipur *Vidyut Vitaran Nigam* Limited.

1.5.3 Debt Receipts from internal sources/Public Debt Receipts

During 2013-14, the internal debt receipts i.e. market loans, borrowings from financial institutions, banks, etc. under public debt Receipts increased by 46 *per cent* (₹ 4,477 crore) over the previous year, of which market loan receipts and Compensation and other bonds for purchase of bonds from *Vidyut Vitaran Nigam* (9.5 *per cent* Special Bonds) increased by ₹ 759 crore (9.4 *per cent*) and ₹ 3,340 crore (100 *per cent*) respectively over the previous year.

1.5.4 Loans and Advances from GoI

During 2013-14, the receipt of loans and advances from GoI increased by 30 *per cent* (₹ 59 crore) over the previous year, mainly under loans for State/ Union Territory Plan Schemes. Loans of ₹ 136 crore were also written off by GoI as per the recommendations of ThFC.

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	2009-10	2010-11	2011-12	2012-13	2013-14
Public Account Receipts					
a. Small Savings, Provident Fund, etc.	3,975	5,130	5,630	7,171	6,311
b. Reserve Funds	-267	873	1,638	1,568	2,233
c. Deposits and Advances	99,446	1,07,666	1,14,301	1,40,748	89,436
d. Suspense and Miscellaneous	75	11	27	43	91
e. Remittances	6,128	5,810	5,619	7,033	9,908[23]
Total	**1,09,357**	**1,19,490**	**1,27,215**	**1,56,563**	**1,07,979**

Source: Finance Accounts

The Public Account Receipts which showed continuous increase during 2009-13 declined sharply by ₹ 48,584 crore (31 *per cent*) in 2013-14 from the previous year. The decrease was mainly under Deposits and Advances (₹ 51,312 crore). This was largely counterbalanced by increase in Remittance (₹ 2,875 crore).

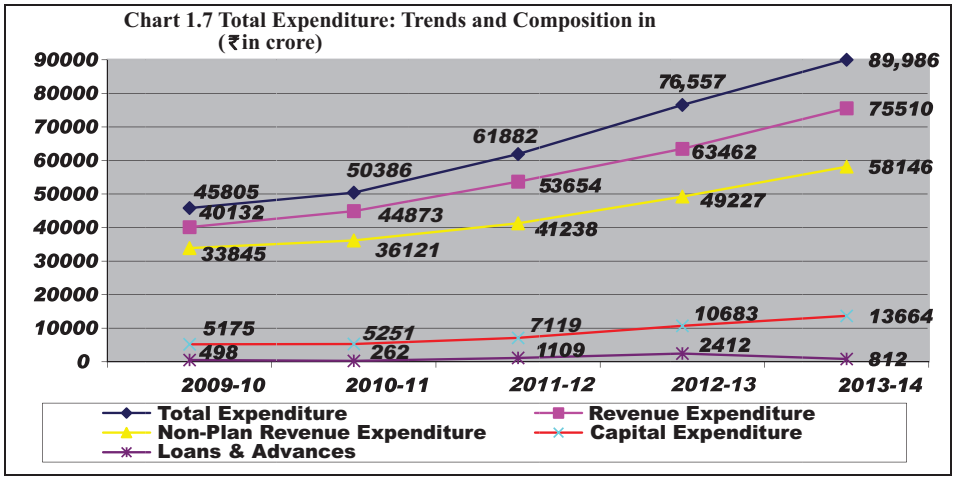
1.7 Application of Resources

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 Total Expenditure

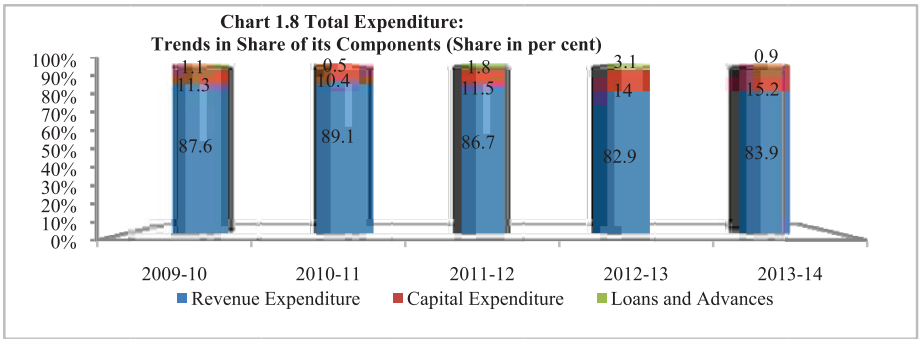
Chart 1.7 below, presents the trends in total expenditure over a period of five years (2009-14) and **Chart 1.8** depicts its composition in terms of 'economic classification'.

[23] It included Cash Remittances between Treasuries and Currency Chests: ₹ 1,041 crore: Public Works Remittances: ₹ 8,514 crore and Forest Remittances: ₹ 353 crore.



Source: Finance Accounts

The total expenditure of the State increased by 96 *per cent* from 2009-10 to 2013-14 with average rate of growth 24 *per cent* during the period. During 2013-14, the total expenditure increased by 18 *per cent* over the previous year. The Revenue Expenditure increased by ₹ 12,048 crore (19 *per cent*) and Capital Expenditure by ₹ 2,981 crore (28 *per cent*) which was counterbalanced by decrease in repayment of Loans and Advances by ₹ 1,600 crore (66 *per cent*) from 2012-13.



Revenue Expenditure

Revenue Expenditure constitutes major portion of the total 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.

The revenue expenditure constituted 84 *per cent* of the total expenditure during 2013-14. Revenue expenditure increased by 88 *per cent* from ₹ 40,132 crore in 2009-10 to ₹ 75,510 crore in 2013-14 with an average rate of growth of 22 *per cent* during the period. During 2013-14, the revenue expenditure increased by 19 *per cent* over the previous year. It is pertinent to note here that the overall growth of ₹ 12,048 crore (19 *per cent*) in revenue expenditure included increase of ₹ 2,638 crore (222 *per cent*) in Social Security Schemes i.e. old age pension scheme and *Nawachar* schemes which also became a major reason for turning Revenue Surplus to Revenue Deficit.

Capital Expenditure

Capital expenditure increased by 164 *per cent* from ₹ 5,175 crore in 2009-10 to ₹ 13,664 crore in 2013-14 with average rate of growth 41 *per cent* during the period. During 2013-14, capital expenditure increased by 28 *per cent* (₹ 2,981 crore) over the previous year mainly under Capital Outlay on Water Supply and Sanitation by ₹ 1,520 crore and in Capital Outlay on Roads and Bridges by ₹ 815 crore. The percentage share of capital expenditure over total expenditure increased from 10.4 *per cent* in 2010-11 to 15.2 *per cent* during 2013-14.

1.7.2 Balance from Current Revenue[24]

Revenue Receipts (excluding plan assistance received from GoI) of ₹ 69,277 crore (₹ 74,471 crore - ₹ 2,993 crore - ₹ 2,201 crore) ***(Appendix 1.4)*** exceeded NPRE of ₹ 58,146 crore **(Chart 1.7)** by ₹ 11,131 crore, indicating that plan assistance was not utilised to meet NPRE, which is a positive indicator.

1.7.3 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 1.9** below present the trends in the expenditure on these components during 2009-2014.

Table-1.16: Components of Committed Expenditure

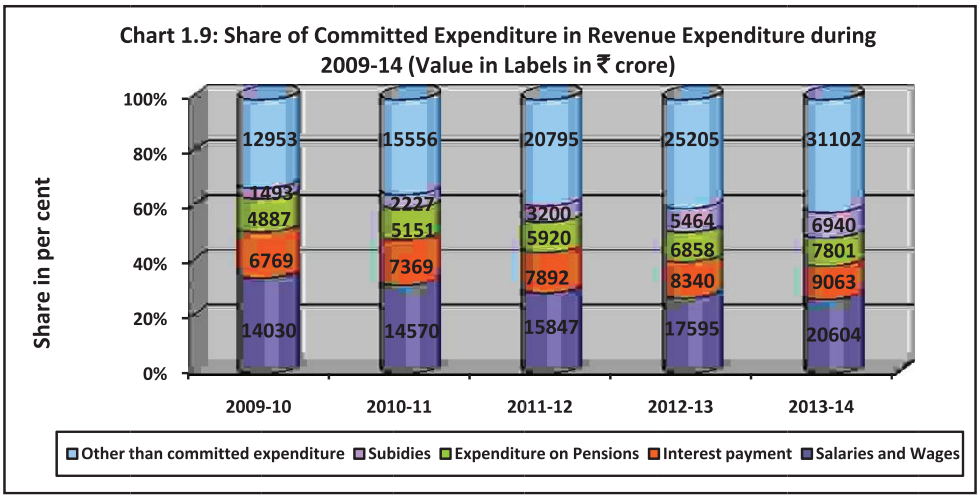
(₹ in crore)

Components of Committed Expenditure	2009-10	2010-11	2011-12	2012-13	2013-14
Salaries and Wages - Non-Plan Head	13,348	13,730	14,829	16,825	19,290
Salaries and Wages - Plan Head*	682	840	1,018	770	1,314
Total Salaries and Wages	14,030 (39.7)	14,570 (31.7)	15,847 (27.8)	17,595 (26.3)	20,604** (27.7)
Interest Payments	6,769 (19.1)	7,369 (16.0)	7,892 (13.8)	8,340 (12.5)	9,063 (12.2)
Expenditure on Pensions	4,887 (13.8)	5,151 (11.2)	5,920 (10.4)	6,858 (10.2)	7,801 (10.5)
Subsidies	1,493 (4.2)	2,227 (4.8)	3,200 (5.6)	5,464 (8.2)	6,940 (9.3)
Total Committed Expenditure	**27,179 (76.8)**	**29,317 (63.8)**	**32,859 (57.6)**	**38,257 (57.2)**	**44,408 (59.6)**
Other Components	12,953 (36.6)	15,556 (33.9)	20,795 (36.5)	25,205 (37.7)	31,102*** (41.8)
Total Revenue Expenditure	**40,132**	**44,873**	**53,654**	**63,462**	**75,510**
Revenue Receipts	**35,385**	**45,928**	**57,011**	**66,913**	**74,471**

Note: Figures in parentheses indicate percentage to Revenue Receipts.
* Plan Head also includes the Salaries and Wages paid under Centrally Sponsored Schemes.
** Salaries: ₹ 20,170 crore and Wages ₹ 434 crore.
*** Includes expenditure on financial assistance (Grants-in-aid): ₹ 13,385 crore; Grants-in-aid General (Salaries): ₹ 5,378 crore; Transfer to funds: ₹ 1,638 crore; and Maintenance: ₹ 478 crore.

Source: Finance Accounts

[24] Balance from Current Revenue means "Revenue Receipts **minus** all Plan Grants and Non-Plan Revenue Expenditure excluding expenditure recorded under the Major Head 2048"



In 2013-14, the committed expenditure amounted to ₹ 44,408 crore, which was 59 *per cent* and 60 *per cent* of revenue expenditure and revenue receipts respectively.

1.7.3.1 Salaries and Wages

The expenditure on Salaries and Wages increased by 47 *per cent* from ₹ 14,030 crore in 2009-10 to ₹ 20,604 crore in 2013-14 with average growth rate of 12 *per cent* during the period. During 2013-14, expenditure on Salaries and Wages increased by 17 *per cent* over the previous year. While this was 11 percentage points higher than that recommended by ThFC[25] (6 *per cent*), it was lower than the assessment made by the State Government in MTFPS by ₹ 489 crore.

1.7.3.2 Pension payments

- ***General***

The expenditure on overall pension payments increased by 60 *per cent* from ₹ 4,887 crore in 2009-10 to ₹ 7,801 crore[26] in 2013-14 with average growth rate of 15 *per cent* during the period. During 2013-14, expenditure on pension payments recorded a growth of 14 *per cent* over the previous year due to increase in total number of pensioners by 9,125[27] (2.7 *per cent*). A comparative analysis of actual pension payments, with the assessment/ projection made by ThFC and the State Government in MTFPS, shows that actual pension payment (₹ 7,801 crore) exceeded the normative assessment made by ThFC (₹ 4,811 crore) by 62 *per cent* but was marginally lower than the assessment made by the State Government in MTFPS by 1 *per cent*. The expenditure on pension and other retirement benefits to State Government employees was 10.3 *per cent* of total revenue expenditure.

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25 ThFC Report Para No. 7.60

26 It includes a sum of ₹ 7,594.50 crore on account of expenditure on "pension and other retirement benefits" during the year to State Government employees recruited on or before 31 December 2003.

27 Number of pensioners in 2012-13: 3,42,290 and in 2013-14: 3,51,415.

- ***Contributory Pension Scheme***

The State Government has switched over to the New Pension Scheme with effect from January 2004. In terms of the Scheme, the employee contributes 10 *per cent* of basic pay and dearness allowances, which is matched by the State Government, and the entire amount is transferred to the Public Account under Head of Account '8342 Other Deposits-117 Defined Contribution Pension Scheme' and thereafter remitted to the designated fund manager through the National Securities Depository Limited (NSDL)/Trustee Bank. During the year 2013-14 the State Government received ₹ 262.63 crore towards employees' contributions and contributed ₹ 206.96 crore only as employer's share.

1.7.3.3 Interest payments

Interest payments increased by 34 *per cent* from ₹ 6,769 crore in 2009-10 to ₹ 9,063 crore in 2013-14 and by 9 *per cent* over the previous year (₹ 8,340 crore). The major components were interest on Internal Debt (₹ 5,972 crore), Interest on Small Savings, Provident Fund etc. (₹ 2,469 crore) and Interest on Loans and Advances from Central Government (₹ 502 crore).

The interest on Internal Debt which included market loan, increased by 10 *per cent* from ₹ 5,445 crore in 2012-13 to ₹ 5,972 crore in 2013-14, mainly on account of increase in market loans by ₹ 7,175 crore (16 *per cent*) and increase of Internal Debts by ₹ 3,433 crore (13 *per cent*) over the previous year.

The interest on Small Savings, Provident Fund, etc. also increased by 10 *per cent* from ₹ 2,238 crore during 2012-13 to ₹ 2,469 crore in 2013-14 mainly on account of increase in State Provident Fund by ₹ 1,861 crore (10 *per cent*) and increase in Insurance and Pension Fund by ₹ 660 crore (9 *per cent*) over the previous year.

Interest payments made during the year 2013-14 were ₹ 9,063 crore which remained lower than the projections made by State Government in MTFPS (₹ 9,241 crore) and projections made in ThFC (₹ 9,429 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),* which also is a positive indicator.

1.7.3.4 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

Appendix III of Finance Accounts shows an explicit subsidy of ₹ 6,910 crore during the year which was ₹ 1,450 crore (26 *per cent*) more than that of the

previous year, mainly in the areas of power (₹ 6,460 crore), food distribution (₹ 268 crore), domestic gas (₹ 116 crore) and crop husbandry (₹ 52 crore).

Subsidy to Power Sector accounted for 93 *per cent* of the total subsidy. During 2013-14, subsidy was given to Power Sector mainly for non-increasing of rates (₹ 5,261 crore[28]); electricity tax (₹ 624 crore[29]) and under Financial Re-modification Programme (₹ 420 crore[30]).

Power Sector subsidy increased by 33 *per cent* (₹ 1,599 crore) over the previous year (₹ 4,861 crore) due to increase mainly under grant for non-increasing of rates by ₹ 2,816 crore[31] which was counterbalanced by decrease in grant for electricity tax by ₹ 526 crore and grant for interest on bonds by ₹ 829 crore. Food Subsidy and Crop Husbandry Subsidy declined by 14 *per cent* and 58 *per cent* respectively from the previous year.

The Explicit 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. It can be indirect or it can take the shape of tax concessions.

1.7.4 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 2009-14, is as under:

Table 1.17: Financial Assistance to Local Bodies etc.

(₹ in crore)

Financial Assistance to Institutions	2009-10	2010-11	2011-12	2012-13	2013-14	
					BE	Actual
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	448.63	1,506.21	2,013.12	2,302.98	2,236.99	2,236.99
Municipal Corporations and Municipalities	1,047.23	1,130.04	1,339.94	2,255.06	2,324.16	2,324.16
Panchayati Raj Institutions	3,868.59	4,365.15	6,217.95	7,675.24	8,945.99	8,953.21
Development Agencies	376.36	354.18	75.07	118.94	195.38	195.36
Hospitals and Other Charitable Institutions	107.51	117.03	72.50	84.27	125.57	124.72
Other Institutions	2,195.49	2,743.03	2,618.23	3,781.66	4,931.45	4,929.02
Total	**8,043.81**	**10,215.64**	**12,336.81**	**16,218.15**	**18,759.54**	**18,763.46**
Revenue Expenditure	40,132	44,873	53,654	63,462	76,195	75510
Assistance as percentage of Revenue Expenditure	20	23	23	26	25	25

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

[28] (i) Jodhpur *Vidyut Vitaran Nigam* Limited: ₹ 2,391 crore, (ii) Jaipur *Vidyut Vitaran Nigam* Limited: ₹ 1,641 crore and (iii) Ajmer *Vidyut Vitaran Nigam* Limited: ₹ 1,229 crore.

[29] (i) Jodhpur *Vidyut Vitaran Nigam* Limited: ₹ 156 crore, (ii) Ajmer *Vidyut Vitaran Nigam* Limited: ₹ 217 crore and (iii) Jaipur *Vidyut Vitaran Nigam* Limited: ₹ 251 crore.

[30] (i) Jaipur *Vidyut Vitaran Nigam* Limited: ₹ 168 crore, (ii) Jodhpur *Vidyut Vitaran Nigam* Limited: ₹ 126 crore and (iii) Ajmer *Vidyut Vitaran Nigam* Limited: ₹ 126 crore.

[31] (i) Jodhpur *Vidyut Vitaran Nigam* Limited: ₹ 1,475 crore, (ii) Jaipur *Vidyut Vitaran Nigam* Limited: ₹ 856 crore and (iii) Ajmer *Vidyut Vitaran Nigam* Limited: ₹ 485 crore.

Financial assistance to local bodies and other institutions increased by ₹ 2,545 crore, recording a growth of 16 *per cent* over the previous year and constituted 20 to 26 *per cent* of revenue expenditure during the years 2009-14.

During 2013-14, the financial assistance was given mainly to *Panchayat Samitis* for Primary Schools (₹ 2,811 crore); *Sarva Shiksha Abhiyan* (₹ 1,523 crore); Grants to *Gram Panchayats* under ThFC (₹ 865 crore); Grants to *Gram Panchayats* under State Finance Commission (₹ 833 crore); Untied Funds (₹ 661 crore) and Mid-Day Meal (₹ 556 crore). Besides these, special grants were given to Municipal Corporations (₹ 509 crore); Municipalities/ Municipal Councils (₹ 552 crore); *Zila Parishads* for *Nawachar* Programme through Social Security Department (₹ 712 crore); Power Companies for recoupment of losses against liabilities (₹ 735 crore); Cooperative Institutions (₹ 547 crore); Crop Husbandry (₹ 865 crore) and Relief on account of Natural Calamities for Agriculture input grants for Small and Marginal Farmers for Agriculture Crops, Horticulture Crops and Annual Lease Crops (₹ 523 crore).

1.7.5 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:

Panchayati Raj Institutions

As on 31 March 2014, there were 33 *Zila Parishads* (Rural Development Cells), 33 *Zila Parishads* (*Panchayat* Cells), 248 *Panchayat Samitis* and 9,177 *Gram Panchayats* in the State under administrative control of Principal Secretary, Rural Development and *Panchayati Raj* Department (RD & PRD).

The Director, Local Fund Audit Department (DLFAD) is the primary auditor of PRIs. 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 State has adopted parameters of Technical Guidance and Supervision (TGS) over the audit of PRIs by DLFAD and also amended (March 2011) Section 75 of Rajasthan Panchayati Raj Act, 1994 for audit of such accounts and such Audit Report is to be laid before the State Legislature.

Till 31 March 2014, the accounts were being maintained in conventional formats under Rajasthan *Panchayati Raj* Rules (RPRR), 1996 framed under Rajasthan *Panchayati Raj* Act (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' (PRIA Soft) for data entry and maintenance of eight database formats.

Following the 73rd Constitutional Amendment, orders on devolution were issued by the State Government in June 2003 and October 2010. Accordingly, out of 29 functions to be devolved in terms of the XI Schedule of the Constitution, 28 functions were initially transferred. However, funds and

functionaries were transferred in respect of 20 subjects only (details given in ***Appendix 1.11)***. Subsequently devolution of funds, functions and functionaries of 5 subjects relating to Public Health Engineering Department, Public Works Department and Food and Civil Supply Department were withdrawn in January 2004 by PRD.

Urban Local Bodies

As on 31 March 2014 there were 6 Municipal Corporations, 35 Municipal Councils and 143 Municipal Boards under administrative control of Additional Chief Secretary, Local Self Government Department (LSGD).

DLFAD is the primary auditor and the CAG conducts audit under Section 14 of the DPC Act, 1971.

All the 184 Municipal Bodies of the State have been instructed by Director of Local Bodies (DLB), Jaipur to maintain accounts on accrual based accounting system with effect from 1 April 2010. The Municipal Bodies are in the process of switching over to accrual based accounting system.

Article 243W inserted through the 74th Constitutional Amendment 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 2014), functions related to 16 subjects ***(Appendix 1.12)*** were already being performed by ULBs. As regards the remaining 2 functions, 'Water Supply' function is being carried out by 7[32] out of 184 ULBs whereas 'Urban Planning' function is yet to be devolved to ULBs as per notification dated 6 February 2013.

1.8 Quality of Expenditure

Availability of better social and physical infrastructure in the State reflects the quality of its expenditure. The improvement in the quality of expenditure basically involves three aspects *viz*., adequacy of expenditure (i.e. adequate provisions for 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 2013-14.

[32] Bundi, Chomu, Jaisalmer, Karauli, Nagaur, Nathdwara and Nokha

Table 1.18: Fiscal Priority of the State in 2010-11 and 2013-14

Fiscal Priority by the State	AE/GSDP	DE#/AE	SSE/ AE	CE/ AE	Education/ AE	Health/ AE
*General Category States' Average (Ratio) 2010-11	15.78	65.09	36.88	13.49	17.48	4.37
Rajasthan's Average (Ratio) 2010-11	14.89	66.43	39.51	10.42	20.32	5.08
General Category States' Average (Ratio) 2013-14	15.92	66.45	37.56	13.62	17.20	4.51
Rajasthan's Average (Ratio) 2013-14	17.52	73.39	40.39	15.18	17.08	5.31

* 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: (i) For GSDP of Rajasthan, the information was collected from the Directorate of Economics and Statistics, Government of Rajasthan and Finance Accounts (ii) For GSDP of General Category States, the information as available on CSO website as on 1 August 2014 except in case of Kerala where the figure was provided by the PAG and Gujarat where figure taken from the budget document for 2013-14.

Table 1.18 indicates the following:

1. Rajasthan is spending a higher proportion of its GSDP as Aggregate Expenditure compared to General Category States during 2013-14.

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 is also higher than that of the average of General Category States.

3. Rajasthan has increased the priority accorded to Capital Expenditure during the period 2013-14 as compared to 2010-11. Further, the ratio of Capital Expenditure to Aggregate Expenditure has been higher than the average ratio of General Category States in 2013-14.

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[33]. Apart

[33] *Core public goods* are which all citizens enjoy in common in the sense that each individual's consumption of such goods leads to no subtraction 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.

from improving the allocation towards development expenditure[34], 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. **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	2009-10	2010-11	2011-12	2012-13	2013-14	
					BE	Actual
a. Development Revenue Expenditure	24,466 (53.4)	28,115 (55.8)	34,672 (56.0)	42,701 (55.8)	52,680 (58.2)	51,921 (57.7)
b. Development Capital Expenditure	5,752 (12.6)	5,096 (10.1)	6,915 (11.2)	10,434 (13.6)	13,559 (15.0)	13,330 (14.8)
c. Development Loans and Advances	498 (1.1)	262 (0.5)	1,109 (1.8)	2,412 (3.2)	189 (0.2)	812 (0.9)
Development Expenditure (a to c)	**30,716 (67.1)**	**33,473 (66.4)**	**42,696 (69.0)**	**55,547 (72.6)**	**66,428 (73.4)**	**66,063 (73.4)**
Rate of Growth of Development Expenditure	10.9	9.0	27.6	30.1	30.0	18.9
Figures in parentheses indicate percentage to aggregate expenditure						

Source: Finance Accounts and Budget Documents

Development expenditure comprises Revenue Expenditure, Capital Outlay and Loans and Advances on socio-economic services. As a percentage of total expenditure, it increased from 66.4 in 2010-11 to 73.4 during 2013-14. On an average, 56 *per cent* of the development expenditure was on revenue account and the balance was on capital account including loans and advances during 2009-14.

Capital expenditure on Social Services increased from ₹ 2,840 crore in 2012-13 to ₹ 4,551 crore in 2013-14 with a growth rate of 60 *per cent* and its ratio with total capital expenditure also increased from 27 *per cent* in 2012-13 to 33 *per cent* in 2013-14. Capital expenditure on Economic Services increased from ₹ 7,594 crore in 2012-13 to ₹ 8,779 crore in 2013-14 with a growth rate of 16 *per cent*.

[34] 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 constitutes development expenditure, while expenditure on general services is treated as non-development expenditure.

As compared to the previous year, capital outlay on the priority Sectors identified by the Government *viz.* Agriculture and Allied Activities, Irrigation and Flood Control, Transport, Special Area Programme and Energy was higher in 2013-14 by ₹ 50 crore, ₹ 182 crore, ₹ 774 crore, ₹ 78 crore and ₹ 85 crore respectively.

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	2012-13			2013-14		
	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	0.13	59.56	Negligible	0.42	59.96	Negligible
Health and Family Welfare	5.50	68.95	0.11	7.09	66.70	0.16
Water Supply, Sanitation, Housing and Urban Development	34.65	23.83	1.24	46.95	25.74	1.94
Total (A)	**10.09**	**45.95**	**0.23**	**12.63**	**43.35**	**0.32**
(B) Economic Services						
Agriculture and Allied Activities	9.87	34.87	0.40	9.83	34.38	0.37
Irrigation and Flood Control	36.34	19.20	7.05	39.18	20.28	9.10
Power and Energy	40.81	0.02	0.00	35.38	0.01	0.00
Transport	54.82	8.10	13.18	59.62	7.14	60.60
Total (B)	**30.37**	**9.69**	**1.75**	**30.05**	**9.38**	**5.62**
Total (A+B)*	**19.64**	**31.17**	**0.85**	**20.43**	**29.98**	**2.40**

Source: Finance Accounts

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

Expenditure on Social Services

The share of salary and wages expenditure in total revenue expenditure decreased from 45.95 *per cent* in 2012-13 to 43.35 *per cent* in 2013-14.

Expenditure on Economic Services

The share of salary and wages expenditure under economic services in total revenue expenditure decreased from 9.69 *per cent* in 2012-13 to 9.38 *per cent* in 2013-14.

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 2.40 *per cent* in 2013-14. During 2013-14, only 1.77 *per cent* of total revenue expenditure was allocated to operation and maintenance.

The share of operation and maintenance increased in revenue expenditure on Social Services and Economic Services from 0.23 *per cent* and 1.75 *per cent* in 2012-13 to 0.32 *per cent* and 5.62 *per cent* in 2013-14 respectively. During 2013-14, as per Finance Accounts the State Government booked only ₹ 1,372.41 crore (Revenue: ₹ 1,334.89 crore, Capital: ₹ 37.52 crore) 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 Expenditure. 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)

		2009-10	2010-11	2011-12	2012-13	2013-14
Plan	Revenue	6,287	8,752	12,416	14,235	17,364
	Capital	5,820	5,231	7,103	10,682	13,676
	Loan	462	189	1,051	2,242	664
	Total	**12,569**	**14,172**	**20,570**	**27,159**	**31,704**
	Percentage of plan to total expenditure	27	28	33	35	35
Non-Plan	Revenue	33,845	36,121	41,238	49,227	58,146
	Capital	(-) 645	20	16	1	(-) 12
	Loan	36	73	58	170	148
	Total	**33,236**	**36,214**	**41,312**	**49,398**	**58,282**
	Percentage of non-plan to total expenditure	73	72	67	65	65
Total Expenditure		**45,805**	**50,386**	**61,882**	**76,557**	**89,986**

Source: Finance Accounts

The share of plan expenditure in the total expenditure exhibited increasing trend during 2010-14, which indicated the productive quality of expenditure.

During the period 2009-14, plan expenditure increased by 152 *per cent* from ₹ 12,569 crore in 2009-10 to ₹ 31,704 crore in 2013-14 and non-plan by 75 *per cent* from ₹ 33,236 crore to ₹ 58,282 crore during this period.

The Plan Revenue Expenditure (PRE) and Non-Plan Revenue Expenditure (NPRE) have shown consistent increase over the period 2009-14. PRE increased by 22 *per cent* over the previous year. PRE was lower than the projected increase of 22.2 *per cent* in MTFPS for 2013-14. Similarly, NPRE increased by 18.1 *per cent* during the year over previous year which was higher than the projections of 10.2 *per cent* made in MTFPS for 2013-14.

1.8.3.1 Plan Revenue Expenditure

Increase of PRE by ₹ 3,129 crore over the previous year was mainly under the Major Heads Social Security and Welfare (₹ 797 crore), General Education (₹ 765 crore), Civil Supplies (₹ 259 crore), Medical and Public Health (₹ 237 crore), Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities (₹ 223 crore), Family Welfare (₹ 191 crore) and Rural Employment (₹ 183 crore). During 2013-14, the ratio of PRE to Revenue Expenditure (23 *per cent*) was increased by 1 percentage point over the previous year (22 *per cent*).

1.8.3.2 Non-Plan Revenue Expenditure

The increase in NPRE by ₹ 8,919 crore during the current year was mainly due to Social Security and Welfare (₹ 1,841 crore), General Education (₹ 1,524 crore), Power (₹ 1,462 crore), Pensions and other Retirement Benefits (₹ 943 crore), Interest Payments (₹ 723 crore), Police (₹ 550 crore), Medical and Public Health (₹ 307 crore), Other Rural Development Programmes (₹ 221 crore), Urban Development (₹ 170 crore), Election (₹ 164 crore), Water Supply and Sanitation (₹ 140 crore) and Roads and Bridges (₹ 138 crore).

NPRE constituted 77 *per cent* of Revenue Expenditure and 65 *per cent* of total expenditure.

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

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

(₹ in crore)

	Assessments made by ThFC	Assessments made by GoR in MTFPS	Actual expenditure
Non-Plan Revenue Expenditure	35,657	58,935	58,146
Plan Revenue Expenditure	Not Applicable	17,260	17,364

Source: Finance Accounts, Budget Documents and Report of ThFC

The actual NPRE exceeded the normative assessment made by ThFC by ₹ 22,489 crore (63 *per cent*) and lower than the assessment made by the State Government in MTFPS by ₹ 789 crore (1.3 *per cent*). The actual PRE was more than the projections made in MTFPS by ₹ 104 crore.

1.8.4 Major Flagship Programmes/Schemes

Flagship programmes are being implemented with the aim to build rural and urban infrastructure for providing basic services with the objective of increasing inclusiveness and reducing poverty. The Government of India and State Governments have launched/revamped and strengthened specific programmes to provide education, healthcare, nutrition, sanitation and social security. The ultimate objective behind the Flagship Programmes/Schemes is to achieve broad-based improvement in the living standards of people.

As per information given by the Planning Department, GoR (June 2014) the budget provision of ₹ 20,069.29 crore in respect of 24 Central and State Flagship Programmes/Schemes was as per details given below:

Table 1.23 : Budget provision and actual expenditure in Flagship Programmes/Schemes

(₹ in crore)

S. No.	Nature of Flagship Programmes/ Schemes	No. of Programmes/ Schemes	Budget Provision		Actual Expenditure		Saving
			Central Share	State Share	Central Share	State Share	
1	2	3	4	5	6	7	(4+5)-(6+7) =8
1.	Central	15	14,070.29	3,954.93	10,160.63	4,179.58	3,685.01
2.	State	9	-	2,044.07	-	1,679.90	364.17
	Total	**24**	**14,070.29**	**5,999.00**	**10,160.63**	**5,859.48**	**4,049.18**

It was noticed that there was shortfall in expenditure against the budget provision to the extent of 12.65 *per cent* to 46.79 *per cent* as per details given below:

Table 1.24: Major shortfall in Flagship Programmes/Schemes

(₹ in crore)

S. No.	Name of Programmes/Schemes	Budget Provision	Total Expenditure	Shortfall of Expenditure in *per cent*
(A)	**Central Plan**			
1	M G National Rural Employment Guarantee Scheme	4,850.00	2,580.74	46.79
2	National Rural Health Mission (NRHM)	1,325.88	955.97	27.90
3	Integrated Child Development Services (ICDS)	1,496.33	1,121.02	25.08
4	Mid-Day Meal (MDM)	750.00	655.14	12.65
5	*Sarva Shiksha Abhiyan* (SSA)	3,664.02	3,147.00	14.11
6	National Horticulture Mission (NHM)	70.00	59.44	15.09
7	JLN National Urban Renewal Mission (JNNURM)	728.50	512.98	29.58
8	Accelerated Irrigation Benefit Programme (AIBP)	324.52	209.29	35.51
9	Backward Region Grant Fund (BRGF)	346.80	189.78	45.28
	Total (A)	**13,556.05**	**9,431.36**	**29.80**
(B)	**State Plan**			
1	*Mukhyamantri Nishulk Dava Yojana*	342.13	208.22	39.14
2	*Mukhyamantri Pashudhan Nishulk Dava Yojana*	88.10	51.80	41.20
3	Rajasthan *Gramin Sadak Vikas Yojana*	1,055.80	652.01	38.24
4	*Mukhyamantri Kaushal Vikas Yojana*	77.70	42.50	45.30
	Total (B)	**1,563.73**	**954.53**	**38.96**
	Grant Total (A+B)	**15,119.78**	**10,385.89**	**31.31**

It is seen that there is a major shortfall in expenditure in some of the Flagship Programmes/Schemes. The non-utilisation of funds (₹ 4,733.89 crore[35]) to the

[35] ₹ 15,119.78 crore - ₹ 10,385.89 crore = ₹ 4,733.89 crore.

extent of 31 *per cent* indicates deficiencies in execution and lack of monitoring by the concerned departments.

1.9 Financial Analysis of Government Expenditure and Investment

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 ₹ 5,584.37 crore at the end of March 2014, revealed that revenue realised (₹ 49 crore) from these projects during 2013-14 was only 0.88 *per cent* of the capital expenditure. This was not even sufficient to cover the direct working expenses. After meeting the working and maintenance expenditure (₹ 232.63 crore) and interest charges (₹ 533.28 crore), the projects suffered a net loss of ₹ 716.91 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 2014, the capital expenditure on IGNP was ₹ 4,362.40 crore. During 2013-14, the revenue realised from IGNP was ₹ 19.32 crore comprising only 0.44 *per cent* of the capital expenditure. This revenue was negligible (3.5 *per cent*) even with reference to total working and maintenance expenditure incurred (₹ 127.77 crore) and the interest charges of ₹ 424.18 crore. The project suffered a net loss of ₹ 532.63 crore.

Gang Canal is the second largest irrigation project in the State. At the end of March 2014, the capital expenditure on Gang Canal was ₹ 507.61 crore. During 2013-14 the revenue realised from Gang Canal was ₹ 4.44 crore, which was not sufficient to cover the working and maintenance expenditure (₹ 19.22 crore) and interest charges (₹ 48 crore). The project suffered a net loss of ₹ 62.78 crore.

The main reason for huge losses on these projects is the low water charges prevailing since the past 5 years without revision. The irrigation department stated that this was a policy decision of the State Government.

1.9.2 Incomplete projects

The department-wise information pertaining to incomplete projects as on 31 March 2014 is as follows:

Table 1.25: 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 36 projects which were revised		Revised cost of 36 incomplete projects	Cost Overrun of 36 projects which were revised	Cumulative actual expenditure of all incomplete projects as on 31.3.2014
			No.	Amount			
Water Resources Department / Projects	51	4,246.81	16	864.70	3,429.60	2,564.90	3,020.25
Public Works Department/ Project	84	1,824.88	8	114.65	138.04	23.39	825.53
Public Health Engineering Department	84	17,443.07	12	2,978.96	4,887.96	1,909.00	4,547.59
Total	**219**	**23,514.76**	**36**	**3,958.31**	**8,455.60**	**4,497.29**	**8,393.37**

Source: Finance Accounts

As per the information furnished by the State Government, there were 219 incomplete projects (more than ₹ 10 crore each) as on 31 March 2014, on which an amount of ₹ 8,393 crore was blocked. Of these, 41 projects (₹ 5,224 crore) were incomplete for the past 5 to 20 years out of which cost of 30 incomplete projects increased by 121 *per cent* i.e. from ₹ 3,626 crore (initial cost) to ₹ 8,013 crore. Thus, the total cost overrun was ₹ 4,497 crore, of which cost of Narmada Jalore Project alone increased by 431 *per cent* (₹ 2,013.96 crore) from ₹ 467.53 crore to ₹ 2,481.49 crore. The amount blocked (₹ 8,393.37 crore) in all the incomplete projects/works was 9 *per cent* of the cumulative capital outlay (₹ 92,883.17 crore) of the State.

No expenditure was incurred in 8 projects (total project cost more than ₹ 10 crore each) during 2013-14 as detailed below. The amount spent up to March 2013 and the cumulative expenditure up to March 2014 remained the same i.e. ₹ 49.59 crore.

Table 1.26: No expenditure on incomplete projects during 2013-14

(₹ in crore)

S. No.	Name of Project	Year of Commissioning	Original sanctioned cost	Cumulative actual exp. as on 31 March 2014
	Projects of Public Works Department			
1.	Step by Step Establishment of Zanana and Child Department in MDM Hospital, Jodhpur	2009-10	34.91	22.58
2.	New Jail Building for 1,000 convicted prisoners, Kota	2011-12	31.12	0.02
3.	New Jail Building for 1,000 convicted prisoners, Dausa	2011-12	31.12	0.04
4	Construction of Government Girls' College and Hostel in Bayana	2011-12	10.64	0.02
5.	New Jail Building for 1,000 Trial Prisoners at Kota	2011-12	20.54	0.03
6.	Land Acquisition for Widening to Four laning from km 0/0 to km 110/0 on NH-112 (Bar-Bilara-Jodhpur Road) in Rajasthan	2010-11	24.07	0.01
	Projects of Public Health Engineering Department			
7.	Barmer Lift Project (Phase-II)	2012-13	202.36	15.84
8.	UWSS Jalore, Pumping Main OMR Trunk to Jalore Town	2012-13	62.20	11.05
	Total		**413.96**	**49.59**

Source: Finance Accounts

It would be seen from above table that though five projects of PWD were commissioned in 2010-11 and 2011-12, the expenditure incurred was negligible (₹ 0.12 crore) in view of sanctioned cost of ₹ 117.49 crore.

Due to non-completion of projects within the stipulated time, while the expected benefits to the society were delayed, the cost also increased over the years due to time overrun.

1.9.3 Investment and returns

As on 31 March 2014, Government had invested ₹ 23,518 crore in 44 Government Companies (₹ 22,136.66 crore), 7 Statutory Corporations (₹ 684.34 crore), 3 Rural Banks (₹ 73.69 crore), 25 Joint Stock Companies (₹ 115.65 crore) and Cooperative Banks and Societies (₹ 507.66 crore). The above investment included ₹ 19.37 crore in non-working Statutory Corporations and ₹ 10.83 crore in non-working Government Companies. The average return on this investment was 0.1 to 0.4 *per cent* during the last three years while the Government paid an average interest of 7.3 to 7.7 *per cent* on its borrowings **(Table 1.27)**.

Continued use of borrowed funds for investments, which do not yield sufficient financial return, would lead to unsustainable financial position.

Table 1.27: Returns on Investment

Investment/Returns/Cost of Borrowings	2009-10	2010-11	2011-12	2012-13	2013-14
Investment at the end of the year (₹ in crore)	9,533.57	11,112.16	13,920.78	18,753.33	23,518.00
Returns (₹ in crore)	37.26	20.76	57.58	57.18	24.60
Returns *(per cent)*	0.4	0.2	0.4	0.3	0.1
Average rate[36] of interest on Government borrowings *(per cent)*	7.7	7.7	7.7	7.4	7.3
Difference between interest rate and returns *(per cent)*	7.3	7.5	7.3	7.1	7.2

Source: Finance Accounts

Net investment of the State Government in Government Companies, Rural Banks and Cooperative Banks and Societies was ₹ 4,764.67 crore during 2013-14. Out of this, ₹ 4,103 crore was invested in loss making seven Statutory Corporations/Government Companies. The sectors/companies where major investments in equity capital were made, were Jodhpur *Vidyut Vitaran Nigam* Limited (₹ 1,000.25 crore); Ajmer *Vidyut Vitaran Nigam* Limited (₹ 910.18 crore); Jaipur *Vidyut Vitaran Nigam* Limited (₹ 901.57 crore); Rajasthan *Rajya Vidyut Utpadan Nigam* Limited (₹ 740 crore); Jaipur Metro Rail Corporation, Jaipur (₹ 447 crore); Rajasthan *Rajya Vidyut Prasaran Nigam* Limited (₹ 326 crore) and Rajasthan State Road Transport Corporation Jaipur (₹ 150 crore). Government had invested ₹ 19,844.09 crore (84 *per cent* of total investment) in 5 power companies as on 31 March 2014.

[36] See glossary at page 188 for method of calculation.

The investment of State Government included ₹ 22,125.83 crore in 41 working Government Companies, of which only 6 companies declared dividend aggregating to ₹ 21.39 crore against an investment of ₹ 394.70 crore.

The total investment in 3 Statutory Corporations, 1 Rural Bank, 18 Government Companies and 6 Joint Stock Companies, amounted to ₹ 20,605.47 crore and their accumulated losses amounted to ₹ 59,330.73 crore. Major loss making organisations were Rajasthan State Road Transport Corporation, Jaipur (₹ 1,650.56 crore), Rajasthan *Pariyojana Nirman Nigam* Limited, New Delhi (₹ 684.90 crore), Rajasthan *Rajya Vidyut Utpadan Nigam* Limited (₹ 1,064.39 crore), Rajasthan *Rajya Vidyut Prasaran Nigam* Limited (₹ 1,629.21 crore), Jaipur *Vidyut Vitaran Nigam* Limited (₹ 17,593.38 crore), Jodhpur *Vidyut Vitaran Nigam* Limited (₹ 17,291.42 crore) and Ajmer *Vidyut Vitaran Nigam* Limited (₹ 18,407.88 crore).

In view of the huge losses of some of the State-owned Public Sector Undertakings, Government may consider reviewing their working so as to reduce losses and make appropriate strategy for their strengthening with a view to yielding returns.

ThFC 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 six non-working Statutory Corporations/ Government Companies[37].

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 ₹ 12,369.23 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 2012-13 amounting to ₹ 29.47 crore and remaining 8 undertakings incurred accumulated loss of ₹ 9,877.38 crore, continuously for more than five years.

1.9.5 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 1.28** presents the outstanding loans and advances as on 31 March 2014 and Interest Receipts *vis-à-vis* interest payments during the last three years.

37 (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 1.28: Average interest received on loans advanced by Government

(₹ in crore)

Quantum of Loans/Interest Receipts/ Cost of Borrowings	2011-12	2012-13	2013-14	
			BE	Actual
Opening Balance	**3,318**	**3,198**	**3,479**	**4,508**
Amount advanced during the year	1,109	2,412	189	812
Amount repaid during the year	1,229	1,102	191	316
Closing Balance	**3,198**	**4,508**	**3,477**	**5,004**
Net addition	(-) 120	1,310	(-) 2	496
Interest Receipts	130	150	-	143
Interest Receipts as *per cent* to outstanding Loans and Advances	4.0	3.9	-	3.0
Interest payments as *per cent* to outstanding fiscal liabilities of the State Government.	7.7	7.4	-	7.3
Difference between interest payments and interest Receipts (*per cent*)	(-) 3.7	(-) 3.5	-	(-) 4.3

Source: Finance Accounts

The State has been borrowing at a higher rate, while earning interest at a much lower rate on its lendings.

Out of the total loans and advances of ₹ 5,004 crore, the loans and advances of ₹ 3,105 crore (62 *per cent*) were given to Power Projects. The amount of loans and advances disbursed during the year decreased by ₹ 1,600 crore from ₹ 2,412 crore in 2012-13 to ₹ 812 crore in 2013-14. Out of the total amount of loans advanced during the year, ₹ 304 crore were transferred to Social Services and ₹ 508 crore to Economic Services.

During the current year, major portion of loan was advanced to Rajasthan *Awas Vikas* Infrastructure Limited (₹ 215 crore) under Social Sector and to Rajasthan State Road Transport Corporation Limited (₹ 138 crore), Rajasthan State Cooperative Dairy Federation Limited (₹ 79 crore), Construction of Godowns under Food Storage and Warehousing (₹ 70 crore) and *Tilam Sangh* (₹ 70 crore) under Economic Sector. Regarding repayment of loan, it was seen that more than ₹ 68.04 crore of loans were not repaid by some institutions (***Appendix 1.10***) since last 11 years or more.

1.9.6 Resource availability of the State under Public Private Partnership Projects

Public Private Partnership (PPP) is an arrangement between Government or statutory entity and private sector entity to provide a framework that enables them to work together to meet the rising demand of the public for adequate infrastructure development activities. The PPP cell, established (July 2007) by Government of Rajasthan in Planning Department, is the nodal agency to coordinate efforts of the State Government for development of infrastructure Sector involving PPPs, to function as the secretariat of Empowered Committee on Infrastructure Development (ECID) and to act as repository of all information relating to PPPs in the State. The Administrative Departments are requested to submit their proposals to the PPP cell to seek in-principle approval of ECID.

As per information furnished (July 2014) by the PPP cell of the Planning Department, 234 projects involving ₹ 17,038.68 crore, have been taken up during the period 1995-2014 under different Sectors. Of these, 153 projects

(₹ 9,236.52 crore) have been completed as on 31 March 2014 ***(Appendix-1.13 A)*** and 81 projects (₹ 7,802.16 crore) relating to Roads, Urban Infrastructure, Power, Information Technology, Social and Other Sectors, were under progress at the end of 2013-14 ***(Appendix 1.13 B)***. Besides, 83 projects involving ₹ 14,193.85 crore ***(Appendix 1.13 C)*** relating to Roads, Urban Infrastructures, Power, Water, Social and Other Sectors, have been planned for the future. Sector-wise details of PPP projects completed, ongoing and to be taken up in future are given in **Table 1.29** below:

Table 1.29: Sector-wise details of PPP projects

(₹ in crore)

S. No.	Sector	Completed		On going		Planning for future	
		No.	Cost	No.	Estimated Cost	No.	Estimated Cost
1.	Road	57	3,440.97	13	4,903.51	40	3,976.87
2.	Urban Infrastructure	21	136.07	30	1,191.19	25	7,919.75
3.	Power	1	5,000.00	5	1,110.93	1	219.58
4.	Water	1	46.00	-	-	4	1,740.00
5.	IT	-	-	2	347.87	-	-
6.	Social	39	502.03	26	176.92	2	26.00
7.	Other	34	111.45	5	71.74	11	311.65
	Total	**153**	**9,236.52**	**81**	**7,802.16**	**83**	**14,193.85**

Source: Planning Department, GoR

- ***Adequacy of Accounts and Audit***

Scrutiny of five MoUs[38] revealed that provisions of submission of annual audited accounts and other financial statements were incorporated only in 'Operation of Stage Carriage Services in Rural Areas of Rajasthan'. No such provision existed in other MoUs, for submission of annual audited accounts for scrutiny at the government level.

- ***Rajasthan Project Development Fund/Rajasthan Infrastructure Project Development Fund***

Rajasthan Project Development Fund (RPDF) was created in Planning Department in the year 2003, to quicken the process of project preparation for PPP projects with a revolving fund[39] of ₹ 2 crore, for a period of five years ending 31 March 2008 (extended upto 31 March 2009) with a corpus of ₹ 4.50 crore. Scrutiny of the RPDF revealed that:

- A sum of ₹ 95.50 lakh lying in PD Account of RPDF was not disbursed (31 March 2014).
- A loan of ₹ 1 crore was paid to Project Development Company (PDCOR) in January 2008 repayable within one year, though a sum of

[38] (i) Operation and Maintenance (O&M) of Multi Chamber Cold Storage at Mandi Yard, Sumerpur District Pali, (ii) Solid Waste Management (SWM) Plant Municipal Solid Waste (MSW) Processing Bio-compost plant at Sewapura, Jaipur, (iii) Establishment of PPP Project for Biogas Bottling Plant at Sewerage Treatment Plant (STP) unit-II, Dehlawas, Jaipur, (iv) Operation of State Carriage Services in rural areas of Rajasthan and (v) Jhunjhunu-Udaipurwati-Khandela Road.

[39] GoR share: ₹ 1.50 crore, IL&FS share: ₹ 0.25 crore and HDFC Limited share: ₹ 0.25 crore.

₹ 22.23 lakh remained to be paid by PDCOR at the end of June 2014. However, the interest due on this amount was being paid regularly.

Further, a new fund titled 'Rajasthan Infrastructure Project Development Fund (RIPDF)' was created (August 2011) with an initial corpus of ₹ 25 crore, for supporting the development of credible and bankable PPP projects. It was observed that, since its inception, no funds were utilised for funding project development costs of PPPs. The Planning Department intimated (July 2014) that no amount was sanctioned from RIPDF as the proposals from the administrative department were not found complete as per guidelines.

The matter was referred (September 2014) to the State Government; Reply was awaited (November 2014).

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 2014, compared with the corresponding position on 31 March 2013. 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 1.30:**

Table 1.30: Summarised position of Assets and Liabilities

(₹ in crore)

Liabilities					Assets				
		2012-13	**2013-14**	***Percent* increased**			**2012-13**	**2013-14**	***Percent* increased**
Consolidated Fund		**76,953.94**	**87,329.76**	**13**	**Consolidated Fund**		**83,737.12**	**97,887.19**	**17**
a	Internal Debt	69,972.94	80,580.93	15	a	Gross Capital Outlay	79,228.78	92,883.17	17
b	Loans and Advances from GoI	6,981.00	6,748.83	(-) 3	b	Loans and Advances	4,508.34	5,004.02	11
Contingency Fund		**200.00**	**200.00**	**-**					
Public Account		**41,660.28**	**44,020.51**	**6**	**Public Account**		**38.56**	**25.61**	**(-) 34**
a	Small Savings, Provident Funds, etc.	26,744.43	29,265.67	9	a	Advances	3.74	2.89	(-) 23
b	Deposits	12,576.12	12,153.97	(-) 3	b	Remittance	-	-	-
c	Reserve Funds	2,331.20	2,598.67	11	c	Suspense and Miscellaneous	34.82	22.72	(-) 35

Liabilities					Assets			
		2012-13	2013-14	*Percent* increased		2012-13	2013-14	*Percent* increased
d	Remittances	8.53	2.20	(-) 74	**Cash balance (including investment in Earmarked Fund)**	**12,886.72**	**10,446.44**	(-) 19
					Total	**96,662.40**	**1,08,359.24**	**12**
					Deficit in Revenue Account	**22,151.82**	**23,191.03**	5
Total		**1,18,814.22**	**1,31,550.27**	**11**	**Total**	**1,18,814.22**	**1,31,550.27**	**11**

Source: Finance Accounts

The growth rate of assets decreased from 18 *per cent* during 2012-13 to 12 *per cent* during 2013-14, while that of liabilities equalled 11 *per cent* in both the years.

1.10.2 Fiscal Liabilities

The outstanding fiscal liabilities of the State increased from ₹ 84,023 crore in 2008-09 to ₹ 1,29,910 crore at the end of 2013-14, which showed an average annual growth of 10.9 *per cent* during 2009-14. The composition of fiscal liabilities during the current year *vis-à-vis* the previous year is presented in **Charts 1.10** and **1.11** below**:**

Chart 1.10 Composition of Outstanding Fiscal liabilities as on 01.04.2013

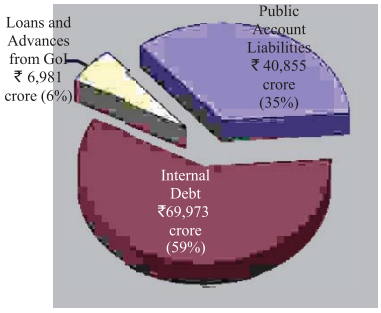
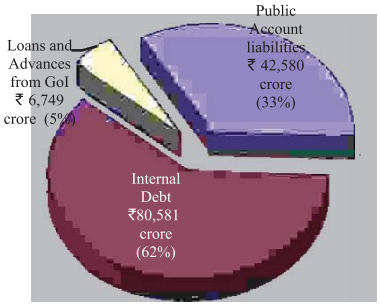


Chart 1.11 Composition of Outstanding Fiscal liabilities as on 31.03.2014



Source: Finance Accounts

During 2013-14, fiscal liabilities increased by 10 *per cent* (₹ 12,101 crore) over that of the previous year. ***During 2013-14, fiscal liabilities (total outstanding debt) to GSDP ratio at 25.3 per cent were lower than the norm of 37.3 per cent[40] (for Rajasthan) recommended by the ThFC. These liabilities stood at 1.74 times the revenue receipts and 2.76 times the State's own resources at the end of 2013-14.***

During 2013-14, annual incremental borrowings[41] (₹ 12,101 crore) were lower than the ceilings fixed by the GoI (₹ 13,737 crore) as per recommendations of ThFC.

[40] ThFC Report **(Annexure 9.1).**

[41] It included Open Market Borrowings, Negotiated Loans from financial institutions, National Small Savings 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 Cash balances and investment of cash balances

Table 1.31 depicts the cash balances and investments made by the State Government out of cash balances during the year.

Table 1.31: Cash balances and Investment of Cash balances

(₹ in crore)

	Increase/ Decrease (-)	Opening balance on 1 April 2013	Closing balance on 31 March 2014
(a) General Cash Balance			
Cash in Treasuries	-	0.05	0.05
Deposits with Reserve Bank	48.06	(-) 41.39	6.67
Remittances in transit - Local	1.04	(-) 1.41	(-) 0.37
Total	49.10	**(-) 42.75**	**6.35**
Investments held in Cash Balance investment account	(-) 3,130.26	12,127.82	8,997.56
Total (a)	(-) 3,081.16	**12,085.07**	**9,003.91**
(b) Other Cash Balances and Investments			
Cash with departmental officers viz, Public Works Department Officers, Forest Department Officers, District Collectors	0.02	1.05	1.07
Permanent advances for contingent expenditure with departmental officers	(-) 0.30	3.82	3.52
Investment of earmarked funds	641.16	796.78	1,437.94
Total (b)	**640.88**	**801.65**	**1,442.53**
Grand total (a)+ (b)	**(-) 2,440.28**	**12,886.72**	**10,446.44**

Source: Finance Accounts

The State Government's cash balances at the end of the current year amounted to ₹ 10,447 crore showing decrease of ₹ 2,440 crore (19 *per cent*) from the previous year. Surplus cash balance was mainly due to market borrowings of ₹ 8,800 crore raised during 2013-14.

- ***Investment of cash balances***

Para 7.123 of ThFC 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 year-wise position of cash balances[42], market loans raised and budgeted expenditure is given below:

[42] 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.

Table 1.32: Position of cash balances, market loans and budgeted expenditure

(₹ in crore)

	2009-10	2010-11	2011-12	2012-13	2013-14
Cash balance as on 1 April	5,165.92	2,361.65	6,087.76	9,785.11	12,886.72
Cash balance as on 31 March	2,361.65	6,087.76	9,785.11	12,886.72	10,446.44
Investment of cash balance in GoI Treasury Bills/Securities	2,675.50	5,708.51	9,307.62	12,127.66	8,997.40
Market loan raised	7,500.00	6,180.00	4,500.00	8,041.10	8,800.00
Total budgeted expenditure	46,790.00	51,036.00	60,524.00	71,956.00	90,440.00
Average monthly budgeted expenditure	3,899.00	4,253.00	5,044.00	5,996.00	7,537.00

Source: Finance Accounts and Budget Documents

During 2011-14, the Government could have reduced the market loans, in view of the comfortable position of cash balances reducing burden of interest payment significantly.

The surplus cash balances of the State Government are automatically invested in 14 day treasury bills with an average interest rate of 5 *per cent* per annum and partly in 91, 181 and 364 day auctioned treasury bills of RBI. Till the end of 2013-14, a sum of ₹ 8,997.40 crore was invested in GoI Treasury Bills/Securities, which earned an interest of ₹ 906.57 crore. Further, ₹ 1,442.53 crore was also invested in earmarked funds.

1.10.4 Transactions under Reserve Funds

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 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. The funds are created by the sums transferred by debiting the concerned expenditure head of the Consolidated Fund of the State. Thereafter, the total expenditure incurred during the year is to be reimbursed from the concerned Reserve Fund.

As on 31 March 2014, there were 29 Reserve Funds in Public Account containing ₹ 2,598.67 crore[43] which included sum of ₹ 210.33 crore in 8 interest bearing funds. During 2013-14, a sum of ₹ 1,882.97 crore was credited to the reserve funds of the state which mainly included State Disaster Response Fund (₹ 770.88 crore), State Roads and Bridges Fund (₹ 275 crore), National Rural Employment Guarantee Fund (₹ 388.50 crore) and Guarantee Redemption Fund (₹ 448.59 crore).

[43] It included (i) State Disaster Response Fund: ₹ 1,068.82 crore; (ii) Guarantee Redemption Fund: ₹ 1,060.42 crore; (iii) Resource Development Fund: ₹ 180.89 crore; (iv) State Road and Bridges Fund: ₹ 98 crore and (v) Water Works under Depreciation Reserve Fund: ₹ 89.37 crore.

Contrary to provisions as contained in para 4.5 of State Budget Manual, State Government transferred ₹ 41.68 crore directly from the State Road and Bridges Fund to the Personal Deposit Account of the Road Infrastructure Development Company of Rajasthan Limited instead of debiting the expenditure against the relevant Service Major Head in the Consolidated Fund due to which it was not possible to ascertain or confirm the manner in which the expenditure was actually incurred.

It was observed that the State Government was required to pay interest of ₹ 9.18 crore (conservatively estimated at 7.5 *per cent* representing the average interest rate on Ways and Means Advances) on ₹ 122.41 crore lying in other interest bearing funds as on 31 March 2013, which was not done.

Inoperative Reserve Funds

As per Finance Account 2013-14, 11 Reserve Funds (₹ 10.45 crore) were inactive for more than five years. Of these, 6 funds[44] involving ₹ 6.22 crore were interest bearing and the remaining 5 funds[45] involving ₹ 4.23 crore were non-interest bearing.

1.10.4.1 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 ThFC was ₹ 3,319 crore[46], 75 *per cent* of which was to be contributed by the GoI and 25 *per cent* by the State Government.

During 2013-14, the GoI and the State Government contributed their shares. As on 31 March 2014, the balance in SDRF was ₹ 1,068.82 crore (including interest paid by Government on un-invested amount during 2013-14: ₹ 26.28 crore) after setting off the expenditure (₹ 913.66 crore) for disaster relief operations.

1.10.4.2 Guarantee Redemption Fund

The State Government had set up a Guarantee Redemption Fund in 1999-2000. In terms of the guidelines of the Reserve Bank of India (RBI) which administers the Fund, the corpus of the Fund is to be gradually increased to the desirable level of 5 *per cent* of outstanding guarantees. The Guarantee Redemption Fund had a balance of ₹ 1,060.42 crore as on 31 March 2014, which was 1.23 *per cent* of outstanding guarantees (₹ 85,911.25 crore).

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[44] (i) Sodium Sulphate: ₹ 240.86 lakh, (ii) Mines Department: ₹ 6.17 lakh, (iii) Salt Trading Scheme: ₹ 52.95 lakh, (iv) Departmental Management Scheme of *Jhamar Kotra* Rock Phosphate: ₹ 20.45 lakh, (v) Departmental Management Scheme of Forest Coupes: ₹ 211.62 lakh and (vi) Bamboos Exploitation Scheme: ₹ 89.88 lakh.

[45] (i) Farmers Reform Fund: ₹ 0.74 lakh, (ii) Fund for intensive egg and hen production and marketing centres with the assistance of World Food Programme: ₹ 0.95 lakh, (iii) Revolving Fund for providing loans to *Kray Vikray* Cooperative Societies: ₹ 19.58 lakh, (iv) State Road Development Fund: ₹ 402.08 lakh and Government Security Redemption Fund: ₹ 0.18 lakh.

[46] 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.

No amount was reimbursed from this Fund during the year. State Government received ₹ 422.44 crore during 2013-14, as guarantee commission which was booked as Miscellaneous Receipts.

1.10.4.3 Consolidated Sinking Fund

The Twelfth Finance Commission had recommended that State Government create a Consolidated Sinking Fund to be administered by the RBI for the amortisation of all loans. In terms of the guidelines of the RBI, States are required to contribute to the Consolidated Sinking Fund a minimum of 0.5 *per cent* of their outstanding liabilities as at the end of the previous year. The Government of Rajasthan had created a Consolidated Sinking Fund in 2006-07 and thereafter closed this Fund in 2007-08.

It was observed that keeping in view the outstanding liability of GoR of ₹ 1,17,808.91 crore (₹ 76,953.94 crore Public Debt + ₹ 40,854.97 crore Public Account Liabilities) as on 31 March 2013 the State Government was required to contribute ₹ 589.04 crore to this fund.

1.10.5 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 1.33: Guarantees given by the Government of Rajasthan

(₹ in crore)

Guarantees	2011-12	2012-13	2013-14
Maximum amount guaranteed	97,566	1,13,340	1,40,526
Outstanding amount of guarantees	60,711	75,546	85,911
Percentage of maximum amount guaranteed to total Revenue Receipts	171.1	169.4	188.7

Source: Finance Accounts

The outstanding guarantees increased by 13.7 *per cent* from ₹ 75,546 crore in 2012-13 to ₹ 85,911 crore in 2013-14. The outstanding guarantees of ₹ 85,911 crore mainly pertained to five Power Companies (₹ 79,007 crore: 92 *per cent*), seven Co-operatives (₹ 1,616 crore: 2 *per cent*) and two Urban Development and Housing (₹ 2,899 crore: 3 *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. Government received guarantee commission of ₹ 422 crore from all guarantees receivable during 2013-14. The outstanding guarantees were 115 *per cent* of the Revenue Receipts of the Government. No guarantee was invoked during the year 2013-14.

- ***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 borrowed 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 these are not permissible under Article 293 (3).

The Finance Department informed (August 2014) that the State Government provided guarantees for payment of principal amount of loans of ₹ 3,948.66 crore (guarantees of ₹ 2,520.44 crore outstanding at the end of 2013-14) to various *Zila Parishads* from Housing Urban Development Corporation (HUDCO) and interest thereon for construction of dwelling units for Economically Weaker Section (EWS) families in rural areas under Chief Minister BPL Housing Scheme. During 2013-14, the GoR guarantee of ₹ 958.51 crore were added to the opening balance of ₹ 1,697.89 crore and cleared guarantees of ₹ 135.96 crore. The State Government is paying additional grant to facilitate the repayment of principal and interest which constitute off budget borrowings.

1.10.6 Analysis of Borrowings of Government

The Public Debt of the State Government increased by 35 *per cent* from ₹ 64,618 crore in 2009-10 to ₹ 87,330 crore in 2013-14. It increased by 13 *per cent* over the previous year. Details are given below in **Table 1.34:**

Table 1.34: Outstanding Borrowings during 2009-14

(₹ in crore)

	2009-10	2010-11	2011-12	2012-13	2013-14
(a) Internal Debt					
Market Loans	30,611	35,448	38,551	44,209	51,384
Loans from National Bank for Agriculture and Rural Development	2,609	3,323	3,947	4,553	5,422
Special Securities issued to National Small Savings Fund of the Central Government	23,209	22,656	21,518	20,767	20,022
Loans from other Institutions	714	470	441	444	3,753
Total (a)	**57,143**	**61,897**	**64,457**	**69,973**	**80,581**
(b) Loans and Advances from the Central Government					
Non-Plan Loans	73	67	60	55	49
Loans for State/Union Territory Plan Schemes	7,237	7,163	7,052	6,789	6,690
Other Plan Loans	165	151	137	137	10
Total (b)	**7,475**	**7,381**	**7,249**	**6,981**	**6,749**
Total Borrowings (a + b)	**64,618**	**69,278**	**71,706**	**76,954**	**87,330**
Rate of Growth	11.7	7.2	3.5	7.3	13.5

Source: Finance Accounts

The outstanding borrowings and internal debt have shown a progressive increase over the period 2009-14, while loans and advances from the central government showed decreasing trend during this period. The share of market loans to total borrowing increased from 47 *per cent* in 2009-10 to 59 *per cent*

in 2013-14. The market borrowings recorded increase of 16 *per cent* over previous year which was slightly lower than average growth rate of 17 *per cent* during 2010-14.

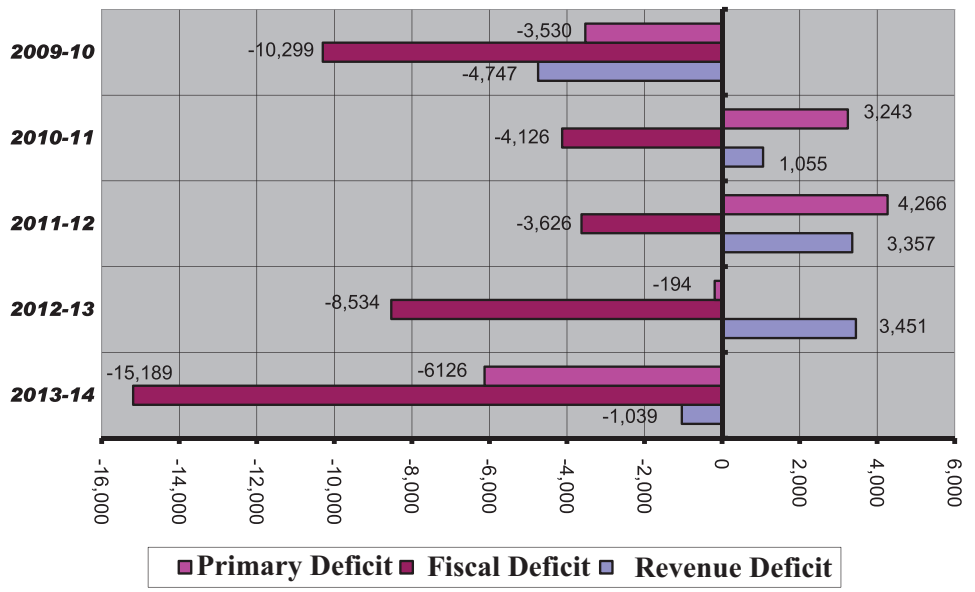
1.11 Fiscal Imbalances

Three key fiscal parameters - revenue, fiscal and primary deficits - indicate the extent of overall fiscal imbalances in the Finances of the State Government during a specified period. The deficit in the Government accounts represents the gap between its receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the 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 2013-14.

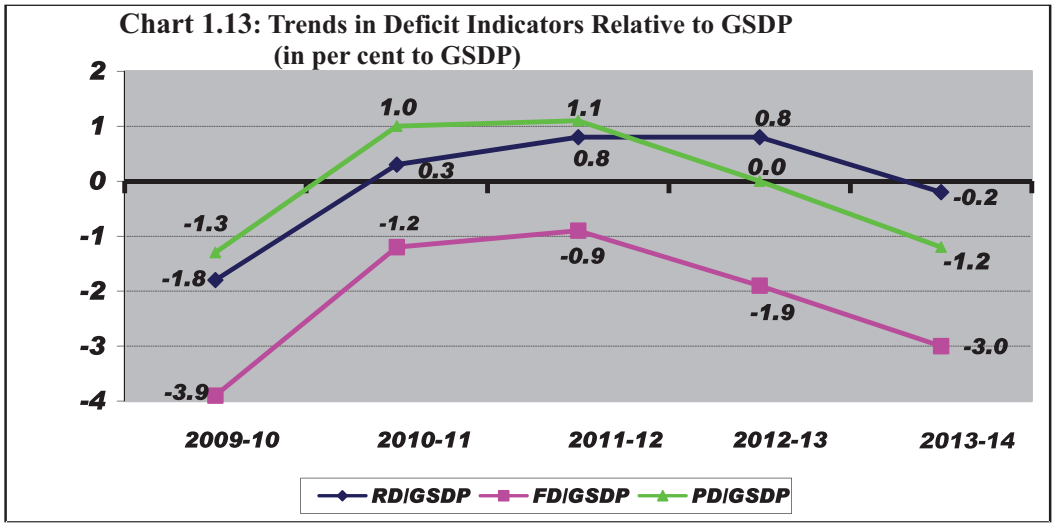
1.11.1 Trends in Deficits

Charts 1.12 and **1.13** present the trends in deficit indicators over the period 2009-14.

Chart 1.12 : Trends in Deficit Indicators
(₹ in crore)



Source: Finance Accounts



1.11.1.1 Revenue Surplus/Deficit

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 2009-10, the State turned into revenue surplus from 2010-11 to 2012-13. Against the growth rate of 11.3 *per cent* of Revenue Receipts, during 2013-14 the growth rate of Revenue Expenditure was 19 *per cent*. This resulted into revenue deficit of ₹ 1,039 crore during 2013-14.

1.11.1.2 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
2009-10	35,506	45,805	10,299	3.87	29.0	22.5
2010-11	46,260	50,386	4,126	1.22	8.9	8.2
2011-12	58,256	61,882	3,626	0.90	6.2	5.9
2012-13	68,023	76,557	8,534	1.86	12.6	11.2
2013-14	74,797	89,986	15,189	2.96	20.3	16.9

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 2013-14, fiscal deficit increased mainly on account of increase in capital

expenditure and Revenue deficit. ***Fiscal deficit as a percentage of GSDP increased from 1.86 per cent in 2012-13 to 2.96 per cent in 2013-14 which was just within the target of 3 per cent, as prescribed under FRBM Act, 2005 as amended (March 2011 and September 2011).***

1.11.1.3 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 2009-10 also turned into primary surplus from 2010-11. The primary surplus was maintained till 2011-12. The primary surplus turned into a primary deficit in 2012-13 due to increase in capital expenditure. The primary deficit increased steeply from ₹ 194 crore in 2012-13 to ₹ 6,126 crore in 2013-14.

1.11.1.4 Non-plan Revenue Deficit

Non-Plan Revenue Deficit represents the difference between NPRE and State's own resources. During 2013-14, the Non-Plan Revenue Deficit of ₹ 11,093 crore (19 *per cent* of NPRE) exceeded the normative assessment of ₹ 334 crore (one *per cent* of NPRE) made by ThFC.

1.11.2 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 2008-09 to 2013-14 along with receipts and disbursements during the year 2013-14.

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

(₹ in crore)

		Net disbursements/outflows					2013-14		
		2008-09	2009-10	2010-11	2011-12	2012-13	Receipts	Disburse-ments	Net
(a) Decomposition of Fiscal Deficit									
1	Revenue Deficit/ Surplus (-)	827	4,747	(-) 1,055	(-) 3,357	(-) 3,451	74,471	75,510	1,039
2	Net Capital Expenditure	5,896	5,166	5,238	7,103	10,675	10	13,664	13,654
3	Net Loans and Advances	251	386	(-) 57	(-) 120	1,310	316	812	496
	Total (a)	**6,974**	**10,299**	**4,126**	**3,626**	**8,534**	**74,797**	**89,986**	**15,189**
(b) Financing Pattern of Fiscal Deficit									
1	Market Borrowings	5,196	6,112	4,837	3,103	5,658	8,800	1,625	7,175
2	Loans from GoI	(-) 66	(-) 142	(-) 94	(-) 131	(-) 268	259	491	(-) 232
3	Special Securities Issued to National Small Saving Funds	(-) 434	(-) 560	(-) 553	(-)1,138	(-) 751	496	1,241	(-) 745
4	Ways and Means	-	-	-	-	-	-	-	-
5	Loans from Financial Institutions	350	442	470	594	610	4,937	759	4,178

(₹ in crore)

		Net disbursements/outflows					2013-14		
		2008-09	2009-10	2010-11	2011-12	2012-13	Receipts	Disburse-ments	Net
6	Small Savings, Provident Fund etc	1,405	2,145	2,841	2,767	2,164	6,311	3,790	2,521
7	Deposits and Advances	347	1,274	885	1,096	3,416	89,436	89,857	(-) 421
8	Suspense and Miscellaneous	39	(-) 14	(-) 49	12	(-) 3	91	79	12
9	Remittances	21	(-) 1	-	-	29	9,908	9,914	(-) 6
10	Reserve Funds	(-) 11	(-)1,761	(-) 485	1,020	781	2,233	1,966	267
	Total (b)	**6,847**	**7,495**	**7,852**	**7,323**	**11,636**	**1,22,471**	**1,09,722**	**12,749**
11	Increase (-)/ Decrease (+) in Cash Balance (a-b)	127	2,804	(-)3,726	(-)3,697	(-)3,102			2,440
12	Overall Deficit (b+11)	6,974	10,299	4,126	3,626	8,534			15,189

***** Not applicable in case of summing of receipts and disbursements for 2013-14 being cumulative of (a+b) and not indicative of actual cash balances

Source : Finance Accounts

Fiscal deficit is the total borrowing requirement 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.

It can be seen from **Table 1.36** that the fiscal deficit during 2012-13 and 2013-14 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 66 *per cent* in 2012-13 to 47 *per cent* in 2013-14. During 2013-14, the fiscal deficit of ₹ 15,189 crore was mainly met out from Market Borrowings (₹ 7,175 crore), Loans from Financial Institutions (₹ 4,178 crore), Small Savings and Provident Funds etc. (₹ 2,521 crore) and Cash Balance (₹ 2,440 crore) which was counterbalanced by increase of Special Securities Issued to National Small Savings Fund (₹ 745 crore) and Deposits and Advances (₹ 421 crore).

The Market Borrowings and the Small Savings, Provident Fund etc, increased by 16 *per cent* and 9 *per cent* respectively over the previous year; raising the interest burden in future.

1.11.3 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) indicates 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. Persistent 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 assets 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)
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
2013-14	74,797	66,447	13,664	812	80,923	(+) 8,350	(-) 6,126

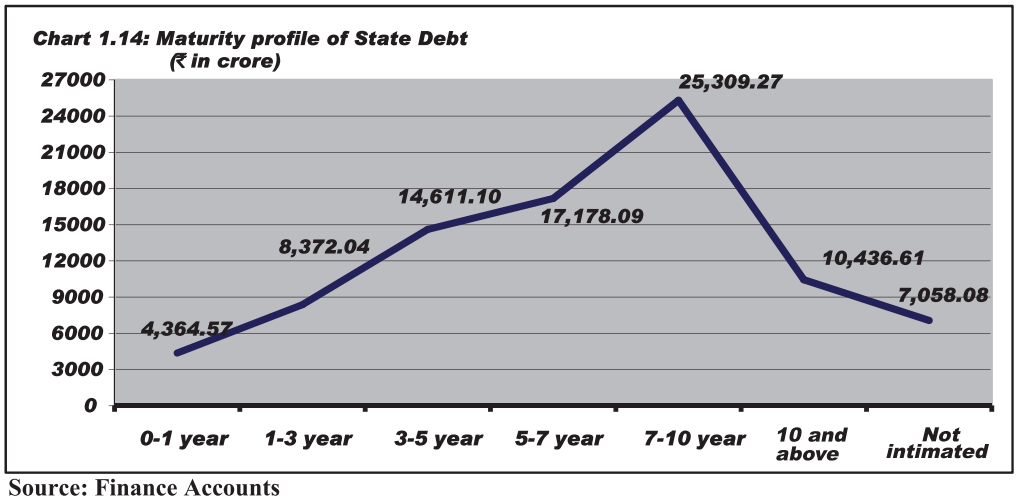
Source: Finance Accounts

The share of capital expenditure in primary expenditure which was 13 *per cent* in 2009-10, increased to 17 *per cent* in 2013-14. The non-debt receipts increased by ₹ 6,774 crore against an increase of ₹ 12,706 crore in primary expenditure over the previous year. This resulted in the increase of primary deficit by ₹ 5,932 crore. The Primary Revenue Expenditure and Capital Expenditure increased by ₹ 11,325 crore (21 *per cent*) and ₹ 2,981 crore (28 *per cent*) respectively over the previous year, while disbursement of Loans and Advances decreased by ₹ 1,600 crore (66 *per cent*) from the previous year. During 2013-14, the non-debt receipt was less than the primary expenditure resulting in a primary deficit.

1.12 Debt Management

(i) Debt Profile

The Maturity Profile of State Debt as on 31 March 2014 is as follows:



Source: Finance Accounts

As per data shown in **Chart 1.14**, the maturity profile in respect of ₹ 7,058.08 crore was not clearly defined. There would be a bunching of repayments in 1-3 years (₹ 8,372.04 crore), 3-5 years (₹ 14,611.10 crore) and 5-7 years (₹ 17,178.09 crore). In terms of maturity profile, around 29 per cent of the total public debt (₹ 87,229.76 crore) at the end of the year belonged to a maturity bracket in 7 to 10 years. A well thought out debt repayment strategy will have to be worked out by the Government to ensure that no additional borrowings which mature in these critical years, are made.

(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 1.38** analyses the debt sustainability of the State according to these indicators for a period of three years beginning 2011-12.

Table 1.38: Debt Sustainability: Indicators and Trends

(₹ in crore)

Indicators of Debt Sustainability	2011-12	2012-13	2013-14
Debt Stabilisation (Quantum Spread + Primary Deficit)	15,684	6,626	(-) 707
Sufficiency of Non-debt Receipts (Resource Gap)	500	(-) 4,908	(-) 6,655
Net Availability of Borrowed Funds	(-) 617	2,908	3,038
Burden of Interest Payments (IP/RR *per cent*)	14	12	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 2011-13 and it turned negative in 2013-14. This indicates that Debt-GSDP ratio is likely to increase in the future.

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. However, the resource gap was negative during 2012-14.

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 for current operations after providing for interest and repayment increased from ₹ 2,908 crore in 2012-13 to ₹ 3,038 crore in 2013-14.

Interest burden

The ratio of interest payments to revenue determines the debt sustainability of the State. During the year, interest payments constituted 12 *per cent* of Revenue Receipts of the State.

1.13 Conclusions and Recommendations

At the end of 2013-14, the fiscal deficit was 2.96 *per cent* of GSDP, which was marginally within the limit of 3 *per cent* prescribed under FRBM Act, 2005 (as amended in 2011). The State's total outstanding debt as percentage of GSDP was 25.3 *per cent* in 2013-14 which was well within the target of 37.3 *per cent* fixed by the ThFC. The share of development expenditure as a percentage of total expenditure increased from 66.4 to 73.4 *per cent* during 2010-14. The share of capital expenditure to the total expenditure also increased from 10.4 to 15.2 *per cent* during this period. However, some of the concerns relating to State's finances are given below.

Revenue surplus of ₹ 3,451 crore of 2012-13 turned into revenue deficit of ₹ 1,039 crore during 2013-14 and primary deficit also increased steeply by ₹ 5,932 crore over the previous year.

Though, revenue receipts of the State increased steadily from ₹ 35,385 crore in 2009-10 to ₹ 74,471 crore in 2013-14, the share of tax revenue to revenue receipts declined from 46.4 *per cent* in 2009-10 to 44.95 *per cent* in 2013-14. The growth in revenue receipts during the year 2013-14 was only 11.3 *per cent* as compared to 29.8 *per cent*, 24.1 *per cent* and 17.4 *per cent* during 2010-11, 2011-12 and 2012-13 respectively. This was mainly on account of

9.8 *per cent* growth of own tax revenue in 2013-14 as compared to 20.2 *per cent* in previous year. The State's own tax buoyancy in 2013-14 declined sharply to 0.8 from 1.5 during 2012-13.

The State Government may explore mobilising additional resources through tax and non-tax sources by ensuring better tax compliance and rationalising the user charges.

While overall revenue expenditure of the State increased by 88 *per cent* from ₹ 40,132 crore in 2009-10 to ₹ 75,510 crore in 2013-14, its share in total expenditure declined from 87.6 *per cent* to 83.9 *per cent* during the same period indicating improvement in expenditure on capital outlay. It is pertinent to note here that the overall growth of ₹ 12,048 crore (19 *per cent*) in revenue expenditure included increase of ₹ 2,638 crore (222 *per cent*) on Social Security Schemes i.e. Old Age Pension Scheme and *Nawachar* Scheme during 2013-14. However, the Non Plan Revenue Expenditure (NPRE) also increased consistently over the period from ₹ 33,845 crore in 2009-10 to ₹ 58,146 crore in 2013-14 and stood at 77 *per cent* of revenue expenditure. The expenditure on salaries, interest payments, pensions and subsidies increased from ₹ 27,179 crore in 2009-10 to ₹44,408 crore in 2013-14.

Whereas major chunk of the non-plan revenue expenditure is on salaries, pensions and interest payments which is largely uncontrollable, the State Government may explore suitable measures for containing the other components of non-plan revenue expenditure. This coupled with additional resources mobilisation would help in containing the revenue deficit as per target prescribed under State FRBM Act.

During 2013-14, Government invested ₹ 4,764.67 crore in Government Companies, Statutory Corporations and Cooperative Institutions etc. Out of this, a sum of ₹ 4,103 crore was invested in seven loss making Statutory Corporations/Government Companies, including all five Power Companies and Rajasthan State Road Transport Corporation. Though during the last five years, the State Government invested ₹ 15,588.37 crore, the average return by way of dividend on the investment in Government Companies and Statutory Corporations ranged from 0.1 to 0.4 *per cent*. On the other hand, the Government paid 7.3 to 7.7 *per cent* interest on an average on its borrowings during 2009-10 to 2013-14.

It would be advisable for the State Government to ensure better value for money in investment, otherwise high cost borrowed funds will continue to be invested in projects with low financial returns.

The investment held in 'Cash Balance Investment Account' by the State Government stood at ₹ 12,128 crore and ₹ 8,998 crore at the end of 2012-13

and 2013-14 respectively. Keeping the huge amount in the Cash Balance Investment Account at lower rate of interest while borrowing at higher rate has financial implications. The high level of investment held in 'Cash Balance Investment Account' at the end of these financial years over and above one month's average estimated expenditure indicates that there is need for better cash management.

The outstanding fiscal liabilities have shown a steady increase over the years, from ₹ 84,023 crore at the end of 2008-09 to ₹ 1,29,910 crore at the end of 2013-14 though it remained within the target of 37.3 *per cent* fixed by the ThFC. The growing volume of debt has resulted in increasing liability for servicing the debt.

The State Government may explore the measures for containing the borrowings and consider utilising the existing cash balances to the extent feasible, before resorting to fresh borrowings.