

# **Outcome Evaluation of Finances of the State of Chhattisgarh**

*“In the context of the recommendations of the 14<sup>th</sup> FC – Determination of a Sustainable Debt Roadmap, taking into account impact of introduction of GST and other tax/non-tax trend forecasts”*

Version 2.0

*Prepared for the 15<sup>th</sup> Finance Commission by National Institute of Financial Management*

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## Preface

This report – “*Outcome Evaluation of Finances of the State of Chhattisgarh - in the context of the recommendations of the 14th FC – Determination of a Sustainable Debt Roadmap, taking into account impact of introduction of GST and other tax/non-tax trend forecasts*” has been prepared by NIFM for the 15<sup>th</sup> Finance Commission.

The terms of reference provided by the Finance Commission for the preparation of this analytical report are:

- 1) Estimation of revenue capacities of State and Measures to improve the tax-GDP ratio during last five years. Suggestions for enhancing the revenue productivity of the tax system in the State.
- 2) Analysis of the state’s own non-tax revenues and suggestion to enhance revenues from user charges and profits from departmental enterprises and dividends from non-departmental commercial enterprises.
- 3) Expenditure pattern and trends separately for Revenue and Capital, and major component of expenditure there under. Measures to enhance allocative and technical efficiency in expenditures during the last 5 years. Suggestions for improving efficiency in public spending.
- 4) Analysis of Deficits – Fiscal and Revenue.
- 5) The level of Debt: GSDP ratio and the use of debt (i.e. whether it has been used for capital expenditure or otherwise). Composition of the state’s debt in terms of market borrowing, Central government debt (including those from bilateral/multilateral lending agencies routed through the Central government), liabilities in public account (small savings, provident funds etc) and borrowing from agencies such as NABARD, LIC etc.
- 6) Implementation of FRBM Act and commitment towards targets.
- 7) Analysis of the state’s transfers to urban and rural local bodies in the State. Major decentralization initiatives.
- 8) Impact of State Public Enterprises finances on the State’s financial health and measures taken to improve their performance and/or alternatives of closure, disinvestment etc.

- 9) Impact of Power Sector Reforms on State' fiscal health. In case reforms have not been implemented, the likely outcome on the States' fiscal health.
- 10) Analysis of contingent liabilities of the State.
- 11) Subsidies given by the States (Other than Central subsidies), its targeting and evaluation.
- 12) Outcome Evaluation of State Finances in the context of recommendations of 14<sup>th</sup> Finance Commission.
- 13) Determination of a sustainable debt roadmap for 2020-25, considering the impact of introduction of GST and other tax/ non-tax trend forecasts.

NIFM thanks the Finance Commission for giving it an opportunity to work on this report.

NIFM also thanks the Principal Author – Mr B.K. Pandey, Adjunct Faculty NIFM, and co-author, Dr Vinti K. Agarwal, Consultant for their untiring effort in making this report possible. NIFM also acknowledges the contribution made by Mr K.S.Gopinath Narayan, IA&AS, Professor NIFM in finalising this report.

**(Meena Agarwal)**  
**Director NIFM**  
**10<sup>th</sup> December 2018**

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## **Executive Summary**

This report – “*Outcome Evaluation of Finances of the State of Chhattisgarh - in the context of the recommendations of the 14<sup>th</sup> FC – Determination of a Sustainable Debt Roadmap, taking into account impact of introduction of GST and other tax/non-tax trend forecasts*” has been prepared by NIFM for the 15<sup>th</sup> Finance Commission.

### **Methodology**

We analysed Chhattisgarh’s fiscal performance over the last 10 years and also compared its performance with other states and all India averages. The norms/ceilings prescribed by the Fourteenth Finance Commission (FFC) for selected fiscal variables along with its projections for a set of fiscal aggregates and the commitments/projections made by the State Government of Chhattisgarh in its Fiscal Responsibility Act have been taken into consideration. Assuming that Gross State Domestic Product (GSDP) as a good indicator of the performance of the State’s economy, major fiscal aggregates like tax and non-tax revenue, capital expenditure, internal debt, and revenue and fiscal deficits have been presented as percentage to the GSDP at current prices. The buoyancy coefficients for relevant fiscal variables with reference to the base represented by GSDP have also been worked out. Debt sustainability has been assessed on a qualitative basis, as projections of revenue are considered to be too uncertain on account of implementation of GST.

### **Reference period of the Study**

This evaluation of finances of the State of Chhattisgarh covers a period of ten years commencing with the year 2006-07. However, detailed analysis of the finances covers a period of six years i.e. 2011-12 to 2017-18. The reason for restricting detailed analysis to six years is on account of the change in the base period of calculation of GSDP from 2004-05 to 2011-12. To ensure comparability of data, we have considered the data set 2011-12 to 2017-18, with the same base year of GSDP calculation.

Analysis of key fiscal parameters for the period 200607 to 2017-18(RE) is separately included as Annexure to this document.

### **Data sources**

The study is based on secondary data sources such as Handbook of Statistics on State Government Finances, Reserve Bank of India (RBI); Official and Budget documents of the Chhattisgarh government and Handbook of Statistics on Indian Economy, RBI. We supplemented the data by consulting (wherever necessary) additional sources. Such as from Finance Accounts of the state published by Comptroller and Auditor General

(CAG) of India, and other C&AG publications. Some supplementary information regarding measures to improve taxable capacity of the state, subsidies, power sector reforms were obtained from state governments. Data on Gross Domestic Product (GDP) and the state wise Gross State Domestic Product (GSDP) are at market (current) prices and have been sourced from the Central Statistics Office (CSO) and Economic Survey of Chhattisgarh.

## **1. Social and Economic Profile of Chhattisgarh**

Chhattisgarh is a young state, coming into existence on 1<sup>st</sup> November 2000. As per the 2011 Census, it has a population of 25.54 million, making it India's 17<sup>th</sup> most populous state. Twenty-four percent of the population lives in urban area. Chhattisgarh accounts for 2.146% of India's population as per the 2011 Census, which is almost unchanged from the 2.143% population share attributable to the State as per 1971 Census. The State is the 10<sup>th</sup> largest state with an Area of 135,192 sq. km, and has one of the lowest population density. The area under forest cover is about 44%, which is nearly double the national average.

Despite an improvement in literacy rates over the last decades to 70.28 %, Chhattisgarh is ranked 21<sup>st</sup> in India. The State is characterised by social and regional variations caused by uneven distributions of Scheduled Caste (SC) and Scheduled Tribe (ST) population, as well as Left-Wing Extremism (LWE), which affects 13 of its 27 districts. The fertility rate in the State has reduced from 3.4 to 2.5 as against an All-India decline from 2.9 to 2.3. Only six other states in India have a higher birth rate than that of Chhattisgarh. With a life expectancy of 64.8 which is lower than the all India average of 67.9, the State stands 4<sup>th</sup> from the bottom. The Infant mortality rate is high at 41 per 1000 births. The State has a sex ratio of 990 females for 1000 male, which is higher than the all India sex ratio.

The state has the highest poverty rate in the country, with approximately 40% of the State's population below the poverty line in 2011-12. This proportion is the highest among all the States. The pace of poverty reduction has also been slower than in other Low-Income States.

The State overall has relatively low levels of social, educational and human development, and ranked 24<sup>th</sup> among all States in Social Development Index (SDI, 2016).

Chhattisgarh has vast mineral and natural resources, much of it goes out of the state as unprocessed raw material with further value addition taking place elsewhere.

**Economy of the State:** Before 2012-2013, the state was averaging a growth rate of approximately 20% each year. This has decelerated from 2013-14 onwards. The CAGR

of the State's GSDP at current price, for the period 2006-07 to 2010-11, has been 15.60%, and from 2011-12 to 2017-18 has been 10.75%. Table below shows comparison of GSDP growth of Chhattisgarh with the All-India GDP growth.

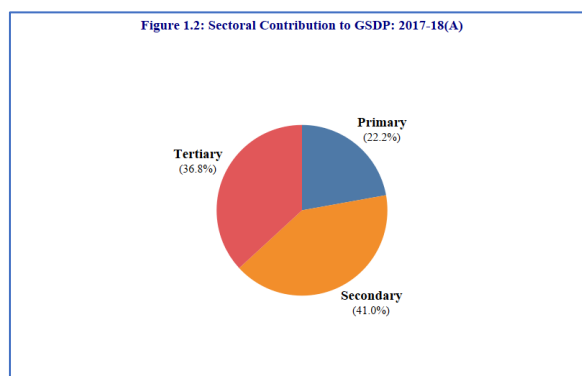
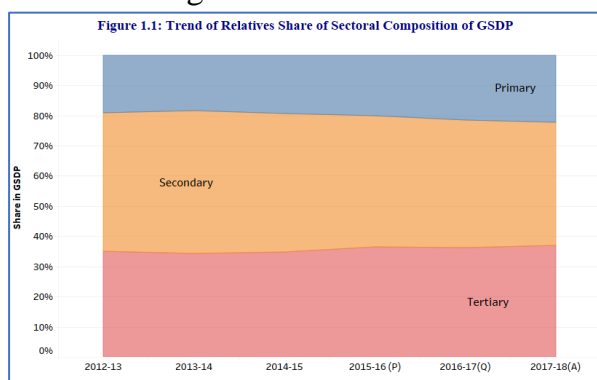
### Rate of Growth of Chhattisgarh GSDP and national GDP (2011-12 to 2016-17)

(At 2011-12 prices)

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
<b>Chhattisgarh</b>	5.0	9.8	1.8	6.0	8.4	6.7
<b>India</b>	5.5	6.4	7.4	8.2	7.1	7.0

Despite nationally comparable performance in the rate of growth of GSDP, the State continues to have a very low per capita NSDP. It is less than half that of Maharashtra and Tamil Nadu.

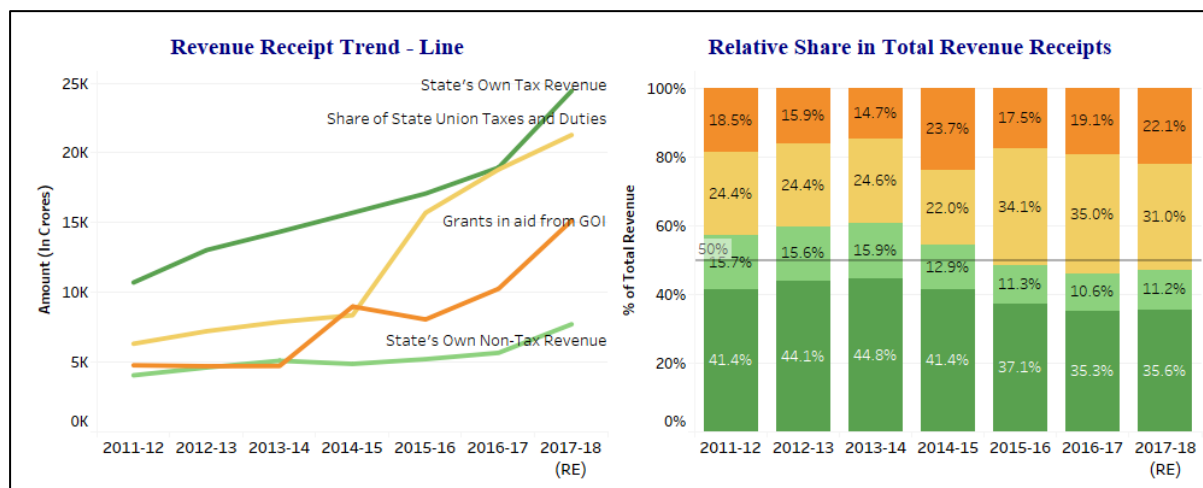
The sectoral profile of GSDP of Chhattisgarh, and its relative share over the years can be seen in Figure 1.1 and 1.2 below.



There has been marginal change in the sectoral profile of the state in favour of tertiary sector aligning with All-India trend. The primary sector continues to be a major source of sustenance for nearly 76 per cent of the population directly or indirectly.

## 2: Revenue Receipts of the State

The State of Chhattisgarh has registered an increase in total revenue from Rs 25,867 crores in 2011-12 to Rs 68,580 crores in 2017-18(RE), displaying a CAGR of 17.6%.

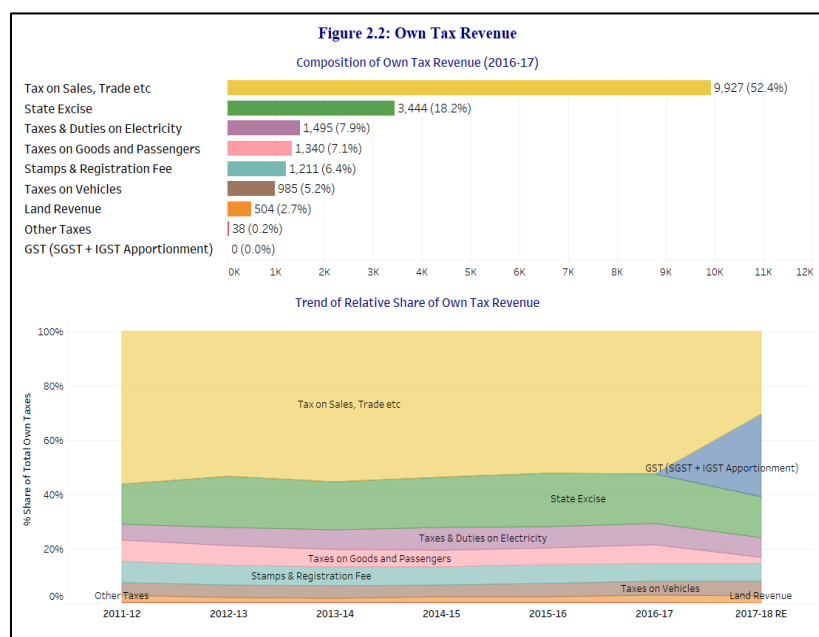


As can be seen in the Figure above, the Revenue profile of the State has undergone a change in the last few years, specifically, with the start of the 14<sup>th</sup> FC award period. The State's own revenue now accounts for less than 50% of its total revenue receipts.

While each of the four sources of Revenue - State's Own Tax Revenue, Non-Tax Revenue, Share of State in Central Tax devolution, and Grants-in-Aid - has shown an increase, it is the higher devolution during the 14<sup>th</sup> FC award period that has made the biggest contribution to the increase in Revenue Receipts. The FC-14 award had a dual beneficial impact on the Revenues of Chhattisgarh – firstly on account of higher share for all States (increase from 32% to 42% for the States) in the shareable taxes, and secondly, because of an increase in the relative share of Chhattisgarh (increase from 2.47% to 3.08%, a near 25% increase in the *inter-se* share of the State) recommended by the 14<sup>th</sup> FC. The higher *inter-se* share of Chhattisgarh in the 14<sup>th</sup> FC award was on account of introduction of the parameter – Forest Cover, where Chhattisgarh, with its 44% area under Forest cover, had a comparative advantage over other states. Continued growth in Revenue of the State is thus contingent on the nature of award by the 15<sup>th</sup> FC, more so because of uncertainty regarding the long run impact of GST on the own revenues of the State.

The **State's Own Tax Revenue** grew from Rs 10,712 crores in 2011-12 to Rs 24,438 crores in 2017-18(RE), at a CAGR of 14.7%. As a percentage of GSDP, the State's own tax revenue was relatively constant between 2011-12 to 2016-17, varying in a narrow band between 6.8% in 2011-12 to 7.3% in 2015-16.

The components of own tax revenue and relative share can be seen in Figure 2.2. As can be seen, Tax on Sales, Trade etc., now subsumed in GST, had accounted for over 50% of Own Tax Revenue of the State from 2011-12 and 2016-17, showing a CAGR of 10.6%. Apart from Sales Tax/VAT, the other



important Taxes of the State are: State Excise, Taxes & Duties on Electricity, Taxes on Goods and Passengers, Stamps & Registration Fee, Taxes on Vehicles, and Land

Revenue. Most of these taxes have shown a growth rate higher than that displayed by Sales Tax.

As per the figures provided by the State Government, the State has seen a significant shortfall in GST collection vis-à-vis the projected growth in revenue of the subsumed Taxes. It has been compensated to the tune of Rs 1483 Crore in 2017-18.

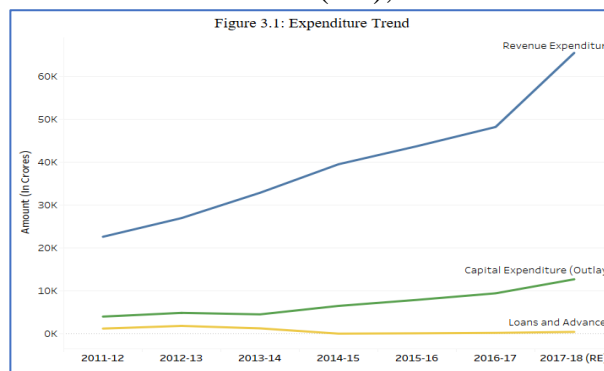
The full impact of GST on the Tax Revenue profile of the State can only be known after GST stabilizes. With GST, Chhattisgarh, has given up a share of its own taxes (Sales Tax/VAT, forsaken CST, Entry Tax) for a fifty % share in Central Taxes – primarily Service Tax. This is likely to reduce the overall own-Tax revenue of State vis-à-vis pre-GST Tax structure, at least for the medium term, as is also borne out by the collection figures for 2017-18. This is mainly on account of the poor consumption base and high level of poverty. The State is protected to some extent till the period of assured compensation through the GST Compensation provision applicable ie till the middle of 2022. The Finance Commission would need to take into account the change in Revenue profile of all States, including Chhattisgarh, caused by the implementation of GST while deciding upon the inter-se share of States.

The Non-Tax Revenue of the State grew from Rs 4,058 Crore to Rs 7,715 Crore in the six-year period of 2011-12 to 2017-18(RE), showing a CAGR of 11.3%. As a percentage of GSDP, it was 2.6% in 2017-18(RE). The State gets most of its non-Tax revenues from mining royalties.

The State has initiated some reform measures to improve own-Tax collection, especially in State Excise and Stamps and Registration Fee collection, which has shown results.

### 3: Expenditure

The total expenditure of the State comprising Revenue expenditure, Capital expenditure, and Loans and Advances (Figure 3.1) has grown in absolute terms from Rs.27,953 Crores in 2011-12 to Rs.78,623 Crores in 2017-18 (RE), at a CAGR of 18.8%. In relation to GSDP, the total expenditure showed a significant increase from 17.7% in 2011-12 and 27.0% in 2017-18. The expenditure breakup between Revenue Expenditure and Capital has remained largely constant with Capital Expenditure constituting 15-16% of the total expenditure.



The total revenue expenditure of Chhattisgarh went up from Rs 22,638 crores in 2011-12 to Rs 65,392 crores in 2017-18(RE), at a CAGR of 19.3%. Despite the increase in

expenditure, the State has managed to post a Revenue Surplus in most years, with the exceptions being 2013-14 and 2014-15.

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18 (RE)
Total Revenue Expenditure	22,628	26,972	32,860	39,497	43,701	48,165	65,392
Total Revenue Receipts	25,867	29,578	32,050	37,933	46,068	53,685	68,580
Revenue Expenditure as % of Revenue Receipt	87.5%	91.2%	102.5%	104.1%	94.9%	89.7%	95.4%
Revenue Deficit (Surplus)	-3,239	-2,606	809	1,564	-2,367	-5,521	-3,188

The contribution of Interest payment and servicing of debt to total revenue expenditure has fluctuated in a narrow range from 4.4 % in 2013-4 and 6% in 2016-17. Pension and miscellaneous services constituted 6.2% of total revenue expenditure in 2017-18(RE). Committed expenditure, comprising salaries and wages, interest payments, expenditure on pensions, and subsidies, constituted 54.5% of total revenue expenditure in 2011-12 but since then it has come down to 44.9% in 2017-18 (RE). The highest growth rate is seen in subsidies with a 23.6% growth rate, which exceeds the rate of growth seen in the total revenue expenditure. This is followed by 19.3% growth rate in pensions, and 18.3% growth in Interest payments.

The total Capital expenditure of Chhattisgarh went up from Rs 4,057 crores in 2011-12 to Rs 12,735 crores in 2017-18(RE), showing a CAGR of 21%. Capital Expenditure as a percentage of GSDP has steadily increased from 2.6% in 2011-12 to 4.4% in 2017-18(RE). Economic Services account for more than 65% of the Capital outlay, with outlay on Social Services showing an increasing share in the last few years, moving from near 15% in 2013-14 to 28% in of the capital expenditure in 2017-18(RE). The primary focus within economic services has been on investment in Roads and Bridges, accounting for nearly 50% of total investment in economic sector in the years from 2014-15 to 2017-18(RE). The next biggest component of expenditure is on Irrigation and Flood Control – Major and Minor Irrigation, which shows a declining trend.

There is a huge potential for improving the efficiency of public spending. A recent study, which tried to quantify the efficiency of public expenditures on education, health and overall social sector expenditures in 27 major states in India, found efficiency score of Chhattisgarh to be quite low, ranking 20<sup>th</sup> among 27 states in social sector spending efficiency.

The State government has implemented some measures to ensure frugality in the government expenditure.

There has been a sustained increase in expenditure, including Capital expenditure, matched in part by a similar increase in revenue. Continued increase in expenditure is now contingent upon GST, and a favourable Finance Commission award.

#### 4: Debt, Deficit and FRBM Act Compliance

Chhattisgarh passed its own Fiscal Responsibility and Budget Management Act in 2005, with a goal of eliminating revenue deficit and bringing fiscal deficit down to 3% of the GSDP by the 31<sup>st</sup> March 2009. The State managed to achieve revenue surplus five years ahead of the schedule, with fiscal deficit within the limit as prescribed in the FRBM Act. In May 2016, the State Government passed the Chhattisgarh Fiscal Responsibility and Budget Management (Amendment) Act, 2016. According to this Act, the State Government shall, by rules, specify the fiscal rules suggested for the FRBM Acts of States by the Finance Commission.

The 14<sup>th</sup> FC had prescribed a Fiscal Consolidation roadmap based on four parameters – Interest payment as % of Revenue Receipts, Fiscal Deficit and Total Liabilities as % of GSDP, and Revenue Deficit. Chhattisgarh has performed within the limits prescribed by 14<sup>th</sup> FC, as can be seen in the table below:

**Table 4.1: Compliance of Chhattisgarh with Fiscal Consolidation Roadmap**

	Interest Payment as % of Revenue Receipts	Fiscal Deficit as % of GSDP	Public Liabilities as % of GSDP	Revenue Deficit / Surplus (-)
	Threshold: 10%	Threshold: 3% (Enhanced 3.5%)	Threshold: 25%	Threshold: Revenue Surplus
<b>2015-16</b>	4.66%	1.95%	16.15%	-2,367 Crores
<b>2016-17</b>	5.00%	1.54%	16.56%	-5,521 Crores
<b>2017-18 (RE)</b>	4.52%	3.34%	18.18%	-3,188 Crores

Table 4.2 below gives the Revenue Deficit, Fiscal Deficit and Primary Deficit of Chhattisgarh, both in absolute terms, and as a % of GSDP.

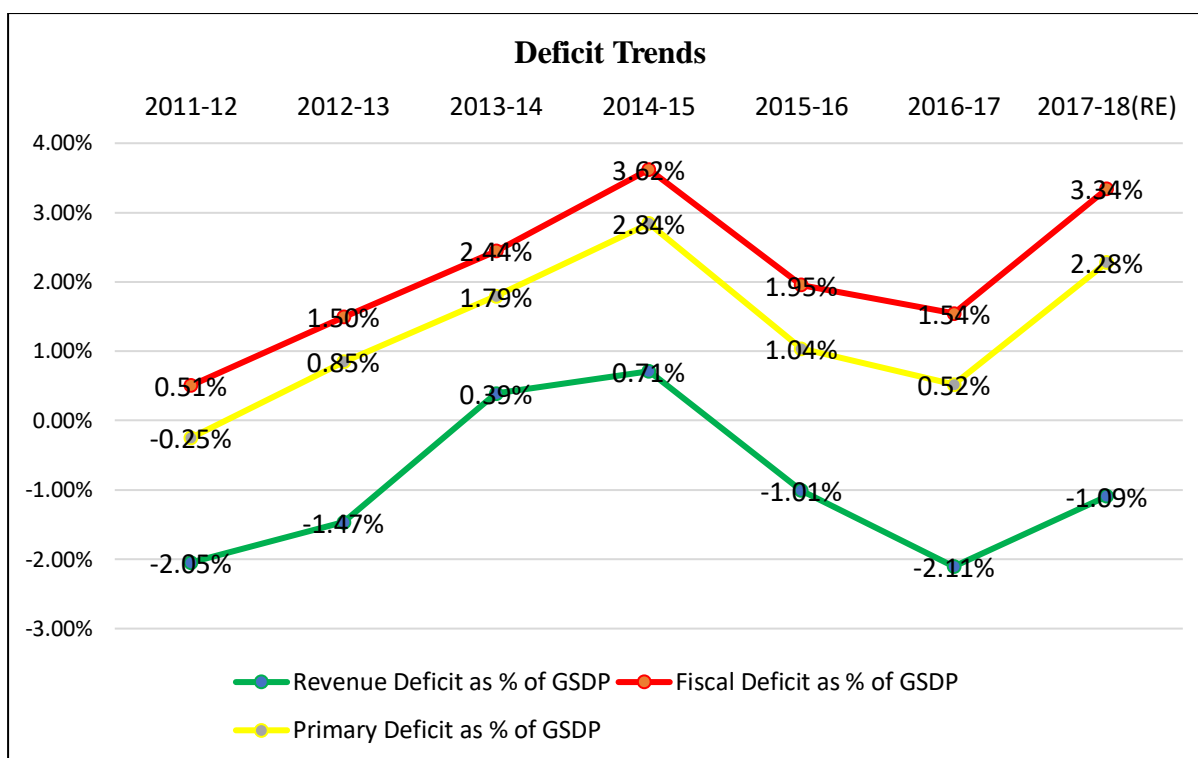
**Table 4.2: Trend of Fiscal Parameters (in Rs. Crores)**

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18(RE)
Revenue Deficit*	-3,239	-2,606	809	1,573	-2,367	-5521	-3,188
Fiscal Deficit	801	2,655	5,057	8,008	4,574	4,047	9,738
Primary Deficit*	-392	1,502	3,706	6,281	2,425	1360	6639
GSDP	1,58,074	1,77,511	2,06,833	2,21,142	2,34,212	2,62,263	2,91,681
Revenue Deficit as % of GSDP	-2.05%	-1.47%	0.39%	0.71%	-1.01%	-2.11%	-1.09%
Fiscal Deficit as % of GSDP	0.51%	1.50%	2.44%	3.62%	1.95%	1.54%	3.34%
Primary Deficit as % of GSDP	-0.25%	0.85%	1.79%	2.84%	1.04%	0.52%	2.28%

\*Note: Negative denotes surplus (Green fill)

State had Revenue Surplus in all the years of the 14<sup>th</sup> FC award period, reaching a Revenue Surplus of Rs.3,188 crore during 2017-18(RE).

The trend of the three critical fiscal parameters as % of GSDP is shown in Figure 4.1 below



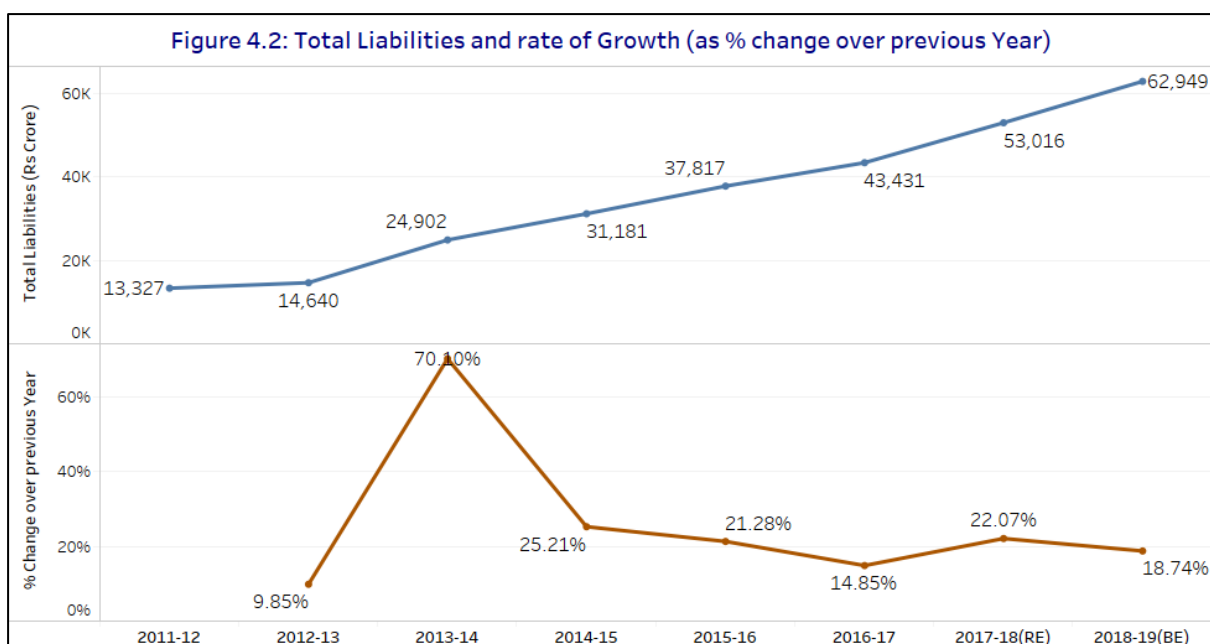
In the FC-14 award period from the year 2015-16 onwards, the highest deficit has been 3.34% in in 2017-18(RE), reaching an absolute amount of Rs 9,738 crore. The State has shown an increasing trend in the Fiscal Deficit despite the increase in Revenue Surplus over the last three years. The additional resource mobilised has been utilised in the higher Capital Expenditure.

The Debt position of the State with breakup of the components of Debt, both in absolute terms and as % of GSDP is shown in Table 4.4 below:

Year	Public Debt (PD)	PD as % of GSDP	Other Liabilities (OL)	OL as % of GSDP	Total Public Debt & other Liabilities	As % of GSDP	GSDP
2011-12	10,686	6.76%	2,641	1.67%	13,327	8.43%	1,58,074
2012-13	11,704	6.59%	2,936	1.65%	14,640	8.25%	1,77,511
2013-14	14,946	7.23%	9,956	4.81%	24,902	12.04%	2,06,833
2014-15	20,049	9.07%	11,132	5.03%	31,181	14.10%	2,21,142
2015-16	26,050	11.12%	11,766	5.02%	37,817	16.15%	2,34,212
2016-17	30,377	11.58%	13,053	4.98%	43,431	16.56%	2,62,263
2017-18 (RE)	39,445	13.52%	13,572	4.65%	53,016	18.18%	2,91,681
2018-19 (BE)	48,759	14.98%	14,190	4.36%	62,949	19.34%	3,25,506

The overall fiscal liabilities of the State increased from Rs.13,327 crore in 2011-12 to Rs. 53,016 Crore in 2017-18, and further projected at Rs 62,949 Crores as per 2018-19 (BE). The annual growth rate of fiscal liabilities during the last 5 years has exceeded 20%. This can be seen in Figure 4.2 below:





The Debt to GSDP has increased from 8.34% in 2011-12 to 18.18% in 2017(RE) and is further expected to increase to 19.34% by 2018-19 (BE).

While there has been a continued increase in the Total Liabilities of the State in both absolute amount and as % of GSDP, the debt-GSDP ratio of the State has consistently been better than those of all non-special category States, as may be seen in Table 4.5 below:

**Table 4.5: Debt/GSDP Ratio Comparison with Other States**

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
<b>All States (Non-special Category)</b>	23.5	22.8	22.2	22.0	21.7	23.2	23.9
<b>Chhattisgarh</b>	11.3	12.1	12.6	14.1	16.8	16.6	18.2

The composition of Total Liabilities outstanding during the last 5 years is given in Table below

**Table 4.8: Composition of Public Debt (in Rs. Cr)**

Year	Internal Debt	Loans from GOI	Public Account and other Liabilities	Total Liabilities
2011-12	8,396	2,290	2,641	13,327
2012-13	9,567	2,137	2,936	14,640
2013-14	12,943	2,003	9,956	24,902
2014-15	18,195	1,854	11,132	31,181
2015-16	24,215	1,836	11,766	37,817
2016-17	28,330	2,047	13,053	43,431
2017-18(RE)	36,959	2,486	13,571	53,016

Internal Debt raised from the Market, presently at 70%, accounts for an increasing share of the total liabilities of the State.

**Debt sustainability** is fundamentally a probabilistic concept: Debt is rarely sustainable with probability of one. The value of the various fiscal parameters of Chhattisgarh are in keeping with Fiscal consolidation roadmap recommended by the 14<sup>th</sup> FC. However, this by itself does not imply sustainability of Debt. For one, the Debt to GSDP ratio in case of Chhattisgarh is clearly showing an increasing trend. In six years, it has more than doubled from 8.43% of GSDP in 2011-12 to 18.18% of GSDP in 2017-18(RE).

The FRBM Review Committee in its report has examined the issue of debt sustainability, and finally recommended using debt as the primary target for fiscal policy and fiscal deficit as operational target. A target of debt to GDP ratio of 60% was recommended, with a 40% limit for the Centre and 20% limit for the States as a whole. The Committee however did not recommend inter-se debt levels for individual States, and instead recommended that the Union government entrust this task to the 15<sup>th</sup> Finance Commission.

The Debt to GSDP of Chhattisgarh is already at 19.34% as per 2018-19(BE) which is very close to the All-States target of 20%. The permissible level of Primary Deficit which would allow the debt to GSDP to remain stable at the current level was computed for varying rates of Growth of GSDP and rates of interest. The maximum permissible Primary deficit came to 0.95%, which occurs under the twin fortuitous circumstance of a GDP growth rate of 12.5% and Interest rate of 7%. At the other extreme, the permissible Primary deficit could be as low as 0.26% if the GSDP growth rate is lower (10%) and Interest rate is higher (8.5%).

Chhattisgarh has averaged a Primary Deficit of 1.28% in the last three years, with 2.28% in 2017-18(RE). This is higher than the best possible case of a permissible Primary Deficit of 0.95 % of GSDP. Thus, Chhattisgarh is left with very little leeway to increase or even sustain its current borrowing rate and running a Fiscal Deficit of 3% or higher to fund its development expenditure, if the Debt to GSDP has be retained at 20% or lower. As things stand, the current level of Debt to GSDP is set to rise for Chhattisgarh. It would be possible for the State to stabilise at a Debt to GSDP level of 25% over the next 10 years by incurring a fiscal deficit of maximum 3.5% of GSDP for the five years of the 15<sup>th</sup> FC award period, and thereafter, reduce the Fiscal Deficit to 3% such that the debt to GSDP stabilises around 25% by end of FY 2029-30. From 20130-31, a slight 5% reduction in Fiscal Deficit to 2.85% will see the Debt to GSDP stabilize at 25%.

Some part of the role played by the erstwhile Planning Commission may have to be taken on by the Finance Commission, through a judicious mix of Grants-in-Aid, inter-

se devolution, and inter-se debt levels for individual States, to ensure a balanced development of all States

The FRBM Act of the State includes a provision that the State Government shall not give new guarantees in excess of 1.5 per cent of Gross State Domestic Product in nominal terms or 0.5 per cent on risk-weighted basis in a year whichever is lower. The guarantees extended as at the end of 2015-16 are much below this limit, with the total outstanding guarantees and the end of 2015-16 at Rs.1,988 crore.

## **5. Transfers to Urban and Rural Local Bodies**

Both urban and rural local bodies in Chhattisgarh depend on Central government, Central Finance Commission and State Government for their finances. Both these bodies lack power to levy taxes and duties to raise their own internal revenue. Across the country, the revenues of Urban Local Bodies (ULBs), on average, contribute to less than 37 per cent of their total receipts, constraining their ability to make investments to improve services. Chhattisgarh stands well below the national average, at 16%. ULBs and RLBs in Chhattisgarh need to improve collection efficiencies of own revenues, mainly, property tax, advertising tax and parking fees, etc. States also need to embark on systematic fiscal decentralization. Devolving more powers to ULBs over taxation and fees is important for the financial sustainability of local bodies instead of just increasing the amount of State and Central grants. While Atal Nagar (formerly Naya Raipur), the state's capital, is being developed as a sustainable, modern 'green city' with major eco-development projects other urban cities and towns require similar attention to face the challenge of urbanization.

## **6. State Public Sector Enterprises**

The State is not making adequate return from its substantial investments in these enterprises. Bulk of the investment is in Power Sector and their poor financial performance has led to other corrective measures like issue of UDAY bonds. The State needs to come up with a clear strategy for managing these PSUs' which may include measures to improve their performance, and the decision on whether some of these PSUs are better off with disinvestment.

## **7. Impact of Power Sector Reforms on State's Fiscal Health**

The State has surplus power and it has planned to sell this surplus power to other states. The transmission capacity in the state is mainly being used for exporting power outside the state and this capacity is planned to be ramped up for meeting the export requirement of the state. The Government of India, the State of Chhattisgarh and the CSPDCL (Chhattisgarh State Power Distribution Company Limited) signed a

Memorandum of Understanding (MOU) under the UDAY Scheme on 25th January 2016 for operational and financial turnaround of the CSPDCL. The MoU called for the State Government to take over 75 *per cent* of total debt of CSPDCL as on 30 September 2015 (Rs. 1,740.24 crore) with this debt not being counted against the Fiscal Deficit. The debt takeover helped in lowering interest rates to 7%-8.5% from 11-12%. UDAY scheme has been successfully executed by the State. Since the pay-outs (both Interest & Principal) are not very significant, this would not have any adverse impact on State's fiscal health in the days to come. The total amount of debt taken over by the state under this scheme is less than 0.4% of the GSDP of the state in 2015-16.

The State of Chhattisgarh and CSPDCL through this scheme have been able to bring reduction in AT&C and transmission losses and demand side interventions have been able to bring about operational efficiencies and increase their revenues. Power reform measures and initiatives are bearing fruit since the overall book losses of power utilities are being reduced and also subsidy burden is coming down. Power sector reforms are structural reforms; hence they will take time to reflect in the financial sustainability of the power utilities.

## **8. Subsidies**

The State incurs significant expenditure on subsidies, accounting for near 12% of the Revenue Expenditure in 2017-18(RE). The lion's share of the subsidy outgo is towards food subsidy and power. More than 50% of the subsidy expenditure is relating to PDS, the implementation of which has also been universally lauded. As a percentage of the total subsidy bill, food storage and warehousing went up to 62.1% in 2014-15, and thereafter to 71.9% and 64.71% in 2015-16 and 2016-17 respectively, before dropping to about 50% in 2017-18 (RE) on account of shift from household based to individual based subsidy. The substantial PDS reforms such as moving from household to individual as the basis of allotment of food and Aadhar seeding implemented in Chhattisgarh are widely believed to be responsible for the state's success in improving the distribution of food grains through PDS and has resulted in proper targeting of subsidy. Many of the reforms introduced under the National Food Security Act are modelled on Chhattisgarh's reforms. The next largest amount is on power. The data shows that subsidies on power picked up in 2014-15 and 2015-16 to 24.4% and 23.1% of total subsidies respectively. The other noteworthy amount is the subsidies directed towards Crop Husbandry, Forestry and wild life.

## **9. Outcome Evaluation based on Recommendations of 14<sup>th</sup> FC**

Finance Commission has the challenging the task of making projections for various fiscal parameters for both the Centre and the States. These projections form a critical input to the final award recommended by the Commission. A comparison was made between the projections made by the 14<sup>th</sup> FC for important fiscal parameters relating to the Government of Chhattisgarh, and the actual value of the parameter as available on date. These parameters are GSDP, Own Tax and Non-Tax Revenue, Expenditure on Interest payment and pension, Fiscal Deficit and Debt as a percentage of GSDP. In case of Chhattisgarh, the 14<sup>th</sup> FC projections have overestimated the revenue, and underestimated the committed expenditure on Interest and Pension. However, the key assessment of the state being post-devolution revenue surplus was on target, hence the impact of the deviation from projection was contained. With strong commitment shown by the States overall in meeting the FRBM targets, in some ways, it is the revenue which is seen to be driving the expenditure.

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# Chapter 1: Social and Economic Profile of Chhattisgarh

## 1.1 Introduction

Chhattisgarh came into existence on the 1<sup>st</sup> November 2000 and is the 10<sup>th</sup> largest State in the country based on the area of 135,192 sq. km. As per the 2011 Census it has a population of 25.54 million, making it India's 17<sup>th</sup> most populous state. It accounts for two per cent of India's population, of which 24 per cent live in urban areas and the remaining 76 per cent in rural areas. Chhattisgarh is ranked 7<sup>th</sup> in terms of growth rate of population of 22.6% in the last decade. The area under forest cover is about 44 per cent which is nearly double the national average of 23.38 per cent.

Of the total population, 43.4 per cent represent scheduled castes (12.8%) and scheduled tribes (30.6%), who live mostly in the thickly forested areas in the north and south. The population is primarily concentrated in the central plains region. The population density which was 154 per sq. km in 2001 has increased to 189 in 2011 but is lower than the all India density of 324 per sq. km. It is one of the more sparsely populated states in India, ranking 26<sup>th</sup> in density. The languages of Hindi, Oriya, Marathi, Chhattisgarhi, Gondi and Korku are spoken in the state. The state has 27 districts.

## 1.2 Demographic and Human Development Profile

The overall health and demographic profile of the state has shown significant improvement based on the National Family Health Survey -IV figures for 2014-15 compared to the NFHS-III which was done in 2004-05. Compared to the previous decade, it has lower rates of anaemia, better rate of breastfeeding, more coverage of maternity care and immunization, lower prevalence of diarrhoea and childhood diseases and far better family planning coverage percentages. The sex ratio is far better than the all India average and education levels even among females has gone up substantially. One matter for concern however is regarding the stunting, wasting and malnutrition among children. On this Chhattisgarh is worse off compared to all India averages.

### 1.2.1 Literacy

During the last decade the State has been able to achieve some measure of success in the area of basic education. As compared to Census 2001, its total **literacy** has increased

from 64.66 to 70.28, with male literacy going up from 77.4 to 81.45 percent and female literacy from 51.9 to 60.59 percent. However, in spite of this improvement, the ranking in terms of literacy has gone down from 17<sup>th</sup> as per the 2001 census to 21<sup>st</sup> in 2011. Literacy amongst ST and SC women is much lower than among other social groups. The low level of educational development in the State is further characterized by social and regional variations, which may be explained across Scheduled Caste (SC) and Scheduled Tribe (ST) population and Left-Wing Extremism (LWE)-affected districts and those that are not. Among the social groups, the ST population and among the regions, the LWE Districts are the most deprived ones. As per the Census 2011, as against the State average literacy rate of 70.28 percent and the SC literacy rate of 70.8 percent, the ST literacy rate in the State is only 59.1 percent. Further, the literacy rate of ST female is abysmally low at 48.8 percent. Similarly, the literacy rate in the non-LWE Districts is 74.0 percent, higher than the literacy rate of 68.7 percent in the LWE Districts (Census, 2011).

### **1.2.2 Birth Rate**

Chhattisgarh has achieved a decline in birth rate from 27.2 per 1000 population to 23.2 per 1000 population. In terms of total quantum of decline, only Arunachal Pradesh and Bihar have done better. Although there is a fall in birth rate, the overall birth rate is still high as compared to most of the states. Only six states have a higher birth rate, viz, Jharkhand, Meghalaya, Rajasthan, Madhya Pradesh, Bihar and Uttar Pradesh.

### **1.2.3 Fertility Rate**

The State has managed to reduce its fertility rate from 3.4 to 2.5 as against a decline from 2.9 to 2.3 all India. The decline in fertility rate in rural populations is even more commendable, from 3.7 to 2.7, while the all India average only fell from 3.2 to 2.5.

### **1.2.4 Life Expectancy**

Chhattisgarh has an overall life expectancy of only 64.8 which is lower than the all India average of 67.9 and stands at 4<sup>th</sup> from the bottom of the overall ranking ladder of the states with respect to this parameter. The male life expectancy is 63.3 years while that of females is 66.3 years. The relatively poor life expectancy can be partly attributed to the poor health infrastructure in the State and is one of the major challenges it faces.

### **1.2.5 Infant Mortality Rate**

The Infant Mortality Rate is declining, but is still high at 41 per 1000 births. Goa stands at 9, the lowest, while Madhya Pradesh is the highest at 50. The all India figure is at 37.

### **1.2.6 Sex Ratio**

The sex ratio of 990 females for 1000 male is higher than the all India sex ratio of 933 and has improved as compared to 989 in 2001. It ranks among the top states in this parameter. While the child sex ratio in the state is higher than in most other states, it is declining. Maternal health is poor but has seen improvement. Although the state's female labour force participation rate is among the highest in the country, there has been a sharp decline in rural areas after 2005. On a positive note, gender gaps in elementary schools are closing and female labour force participation is increasing in urban areas.

### **1.2.7 Poverty Rate**

The state has the highest poverty rate in the country. In 2011-12, the number of persons below the poverty line in Chhattisgarh were 10.41 million, a slight decline from 2009-10. In terms of numbers, the figure is not high as compared to overall numbers in the entire country and some of the other states such as Uttar Pradesh, Bihar, Madhya Pradesh, Maharashtra, Karnataka, and Jharkhand. However, with respect to overall percentage of population of the state, persons below the poverty line form approximately 40% of the State's population in 2011-12. This proportion is the highest among all the States. The pace of poverty reduction however has been slower than in other Low-Income States. There is high poverty in the eastern and southern districts of Chhattisgarh. Poverty of Scheduled Tribes in Chhattisgarh is among the highest in the country.

## **1.3 Social infrastructure**

Due to high concentration of tribal population, it has relatively low levels of social, educational and human development. In terms of Social Development Index (SDI, 2016), the State was ranked at the 24th position out of 29 States. Its overall score in Human Development Index (HDI) was lower<sup>1</sup> than the national average.

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<sup>1</sup> Economic Survey, Government of India, 2016-17. p.A161



With nearly 40 per cent of the population living below the poverty line, and the lowest density/ a low density of population at almost half the national level, provision of health care facilities requires huge investments on a recurring basis; these have to be spread over to remote and backward parts of the State. The human resources gap, poor physical infrastructure, inadequate health education and awareness, poor health-seeking behaviour, and inadequate healthcare utilization compound the problem.

#### **1.4 Constraints to Growth**

Nearly forty-four percent of the State's geographical area comes under **forests** and its economic growth is handicapped by limited availability of land for improving physical infrastructure (especially connectivity within and with neighbouring states) and for setting-up industrial zones.

Thirteen out of twenty-seven districts of Chhattisgarh are threatened by **LWE** and costs of development/infrastructure projects in affected areas increase manifold when the security, insurance, project delay related cost overruns are factored in.

One of the pre-requisites for social progress and economic development of a region is the availability of quality **infrastructure** to increase access and improve the mobility of factors of production. Chhattisgarh still has a huge backlog with respect to infrastructure, and large resources and efforts have been invested for ushering in economic growth and reducing disparity between the State and other regions. Road and rail infrastructure is one of the poorest among major States, which inhibits accelerated industrial development. Additional investments will be required for further improving them to boost the primary and secondary sectors.

Chhattisgarh has vast mineral and natural resources, but compared to its potential the contribution to State's economy is barely significant. This is because most of these resources go out of the state as unprocessed raw material and their value addition takes place elsewhere. The sub-optimal use of its comparative advantage for local processing/manufacturing and thus creating wealth within the State will be a challenge to meet in the coming years.

## 1.5 State's Economy

### 1.5.1 Growth of GSDP

Before 2012-2013, the state was averaging a growth rate of approximately 20% each year. This has decelerated and is in fact showing a downward trend from 2013-14 onwards (new series). The CAGR of the State's GSDP at current price, for the period 2006-07 to 2010-11, has been 15.60%, and from 2011-12 to 2017-18 has been 10.75%. The comparative position of rate of growth of GSDP of Chhattisgarh & India's GDP is given in the table below:

*Table 1.1: Rate of Growth of Chhattisgarh GSDP and national GDP (2011-12 to 2016-17)(At 2011-12 prices)*

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
<b>Chhattisgarh</b>	5.00	9.82	1.8	6.0	8.4	6.7
<b>India</b>	5.5	6.4	7.4	8.2	7.1	7.0

Source: State Directorate of Economic and Statistics, and CSO

It may be seen from the table that there was a drastic dip in the growth rate in 2014-15. This was a bad year with a drought situation in the State and may have to be treated as an aberration. The economy of the State bounced back to appreciable growth in the next year 2015-16, albeit on a lower base. Even after taking into account the bad year, the CAGR of GSDP has been 6.28% during the five-year period at constant prices, which compares well with India's GDP growth at 7% during the period 2011-12 to 2017-18.

### 1.5.2 Growth in Per capita GSDP

Between fiscals 2013 and 2017, the relatively poor states remained poor. None of the states with per capita income level lower than the all India average in fiscal 2005 had higher than average per capita income in fiscal 2012 and afterwards. Despite nationally comparable performance in the rate of growth of GSDP, the State continues to have a very low per capita NSDP. The per capita NSDP of Chhattisgarh is much lower than the per capita NSDP of even the special category states, if Assam is excluded. It is less than half the per capita Maharashtra and Tamil Nadu, not to speak of Goa, Delhi, and Pondicherry, which are more akin to city States / Union territories and have more than four to five times the per capita NSDP of Chhattisgarh. Looking at the per capita, the growth rate comes is 4.43% of Chhattisgarh in comparison to 5.53% of NNDP of India during this period. The disparities in the per capita NSDP of States have increased, as can be discerned from Table 2.2

*Table 1.2 Per capita NSDP (In Rupees) of Some States: 2011-12 – 2016-17 (At 2011-12 prices)*

States	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
NSDP	63462	65538	68572	72805	77826	82229	86660*
Chhattisgarh	55177	56761	61293	64841	67185	71214	71581
Goa	2594442	20019	188358	241081	267329	NA	
Gujarat	87481	96683	102589	111370	122148	132773	
Kerala	97912	103551	107846	112444	119777	128347	
Maharashtra	99173	103426	109364	113629	121514	131139	
Tamil Nadu	92984	96937	101591	106186	111454	118915	

Source: State Directorates of Economics and Statistics and CSO

\*Advance estimate economic survey 2017-18

### **1.5.3 Sectoral Profile of GSDP**

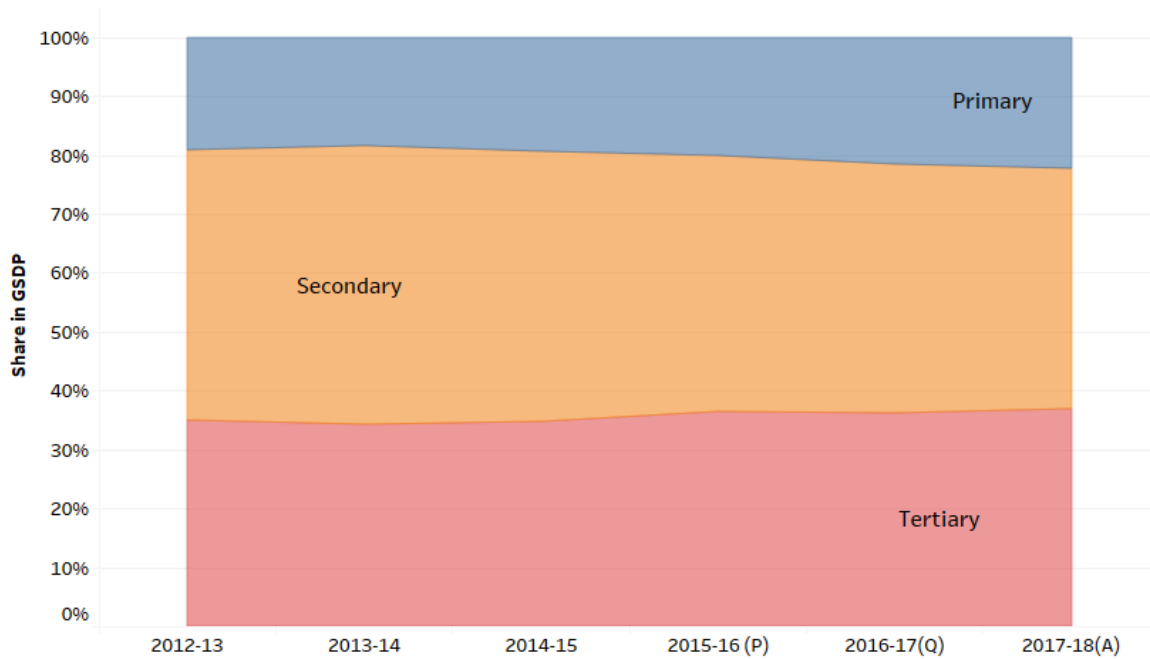
The sector-wise contribution to GSDP during the period 2012-13 to 2017-18 is given in the Table 1.3 and Figure 1.1 below:

*Table 1.3: Sectoral Contribution to GSDP*

	Primary (Farming, Forestry & Fisheries)	Secondary	Tertiary
<b>2012-13</b>	19.15	45.94	34.91
<b>2013-14</b>	18.42	47.42	34.16
<b>2014-15</b>	19.32	45.90	34.78
<b>2015-16 (P)</b>	20.14	43.39	36.47
<b>2016-17(Q)</b>	21.50	42.29	36.21
<b>2017-18(A)</b>	22.16	41.01	36.83

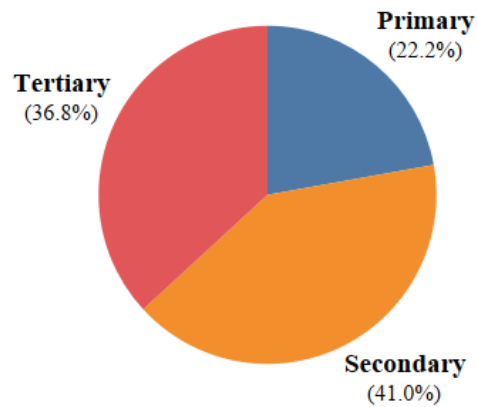
Source: Economic Survey (2017-18), Government of Chhattisgarh

**Figure 1.1: Trend of Relatives Share of Sectoral Composition of GSDP**



The relatives share of the Sectors in 2017-18 is given in Figure 1.2 below:

**Figure 1.2: Sectoral Contribution to GSDP: 2017-18(A)**



As may be seen from the table and figure above, the contribution of the primary sector (Farming, Forestry & Fisheries) to the GSDP has slightly increased from 19.15% in 2012-13 to 22.16% in 2017-18. The contribution of the secondary sector has declined from 45.94% to 41.01% in 2017-18. The contribution of tertiary sector has shown marginal

increase from 34.91% in 2012-13 to 36.83% in 2017-18. Overall, in the last five years, there has been marginal change in the sectoral profile of the state in favour of tertiary sector aligning with All-India trend.

**Table 1.4: Sectoral Growth Rate of Chhattisgarh at Constant Prices (2011-12)**

	2013-14	2014-15	2015-16 (P)	2016-17(Q)	2017-18(A)
Farming, Forestry & Fisheries	2.71	6.63	<b>-0.22</b>	13.78	2.89
Secondary	15.59	<b>-1.55</b>	6.46	6.46	5.84
Tertiary	8.90	3.6 2	5.46	6.82	9.46
GSDP at Market Price	10.00	1.81	6.02	8.41	6.65

Source: Economic Survey (2017-18), Government of Chhattisgarh

It is apparent from the table above that agriculture and allied services growth rates fluctuate greatly year to year and on an average would be in the range of 4%. In one year, there is even a negative growth rate. This is true of industry (Secondary Sector) as well and varies from a low of -1.55% to a high of 15.59% with an average growth rate of 8%. Transport, storage and communications and Hospitality, Banking and Real Estate growth rates are more consistent and therefore averages are more reliable. This has reflected in the range-bound growth of services sector between 7.8% to 9.7% in the last 4 years with an overall average of 8%. Overall the CAGR of GSDP for the period at constant prices is 7.21% However, there are year to year variations and in the last 4 years, it appears that the growth rates are showing a decelerating trend.

## **1.6 Conclusion**

The structure of the economy raises several issues regarding development. The primary sector continues to be a major source of sustenance for nearly 76 per cent of the population directly or indirectly. Even though forestry, fisheries, and mining are important components of this sector in Chhattisgarh, changes in the fortunes of agriculture affect the income of the rural population, and the GSDP of the State, in a significant way. Coal and iron ore are the major minerals extracted in the state but bulk of both these minerals is exported out of the State. Agricultural growth rate as a component of overall growth for Chhattisgarh remains important for Chhattisgarh which is still predominantly rural.

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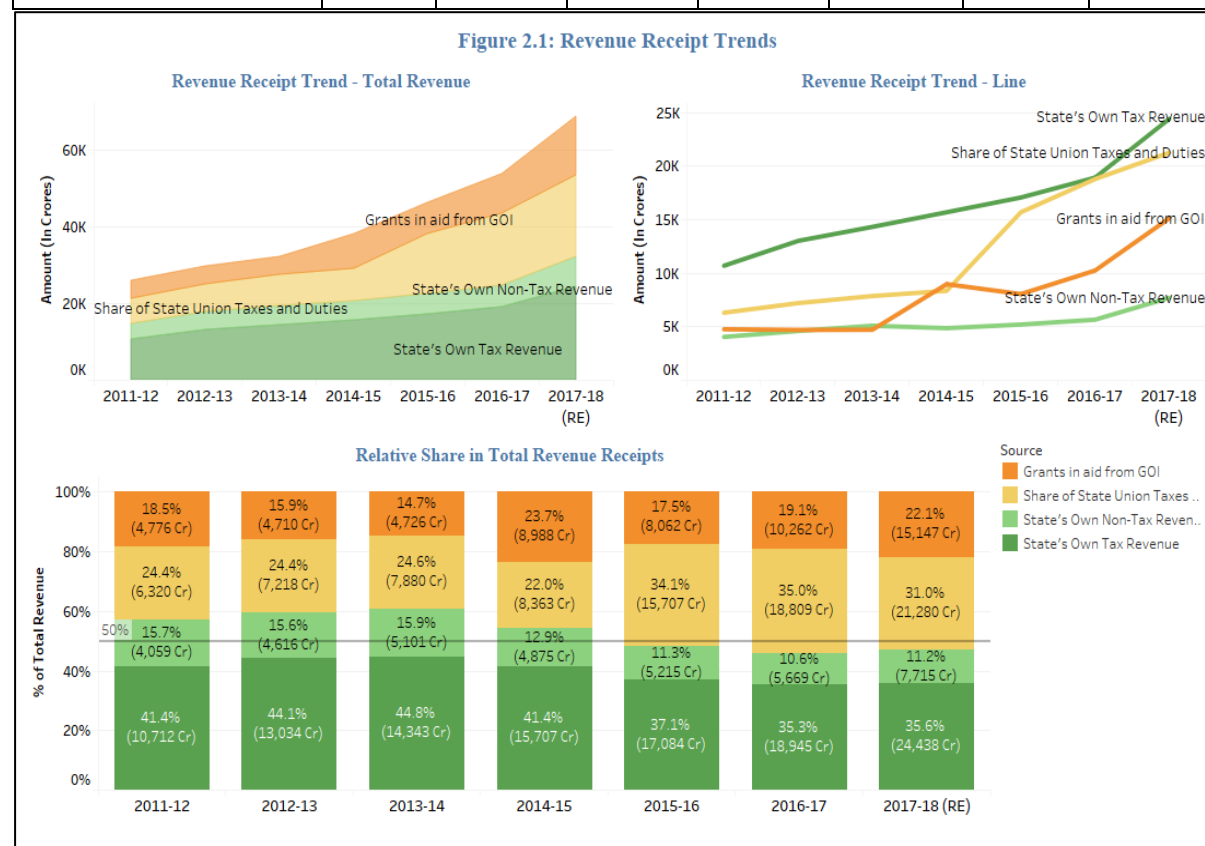
## Chapter 2: Revenue Receipts

### 2.1. Overview of Revenue Receipts of the State

The State of Chhattisgarh has registered an increase in total revenue from Rs 25,867.4 crores in 2011-12 to Rs 68,580 crores in 2017-18(RE), displaying a CAGR of 17.6%. The trend in growth of Revenue Receipt, both in absolute terms and in relation to GSDP is given in Table 2.1 and Figure 2.1 below, along with breakup up of Revenue by source.

**Table 2.1: Trend of Revenue Receipts (All Figures in Rs Crore)**

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18 (RE)
<b>Revenue Receipts (RR)</b>	25,867	29,578	32,050	37,933	46,068	53,685	68,580
<b>Rate of Growth of RR</b>		14.3%	8.4%	18.4%	21.4%	16.5%	27.7%
<b>RR as % of GSDP</b>	16.4%	16.7%	15.5%	17.2%	19.7%	20.5%	23.5%
<b>GSDP</b>	1,58,074	1,77,511	2,06,833	2,21,142	2,34,212	2,62,263	2,91,681
<b>Breakup of Revenue Receipts</b>							
State's Own Tax Revenue	10,712	13,034	14,343	15,707	17,084	18,945	24,438
State's Own Non-Tax Revenue	4,059	4,616	5,101	4,875	5,215	5,669	7,715
Share of State Union Taxes and Duties	6,320	7,218	7,880	8,363	15,707	18,809	21,280
Grants in aid from GOI	4,776	4,710	4,726	8,988	8,062	10,262	15,147



As can be seen in Figure 2.1 above, the Revenue profile of the State has undergone a change in the last few years, specifically, with the start of the 14<sup>th</sup> FC award period. State's own revenue now accounts for less than 50% of the total revenue receipts of the State.

Revenue Receipts have shown a sustained increase both in absolute terms, and as a share of GSDP, and has grown from 16.4% of GSDP in 2011-12 to 23.5% of GSDP in 2017-18 (RE). While each of the four sources of Revenue - State's Own Tax Revenue, Non-Tax Revenue, Share of State in Central Tax devolution, and Grants-in-Aid - has shown an increase, it is the higher devolution during the 14<sup>th</sup> FC award period that has made the biggest contribution to the increase in Revenue Receipts. The FC-14 award had a dual beneficial impact on the Revenues of Chhattisgarh – firstly on account of higher share for all States (increase from 32% to 42% for the States) in the shareable taxes, and secondly, because of an increase in the relative share of Chhattisgarh (increase from 2.47% to 3.08%, a near 25% increase in the *inter-se* share of the State) recommended by the 14<sup>th</sup> FC. The Tax devolution and Grants-in-Aid from centre together account for more than 50% of the total Revenue from 2015-16. The Grants-in-Aid from GoI have also shown a significant increase in the last few years.

Continued growth in Revenue of the State is thus contingent on the nature of award by the 15<sup>th</sup> FC, more so because of uncertainty regarding the long run impact of GST on the revenues of the State.

## **2.2. Breakup of Revenue – by Sector and Source**

The breakup of Revenue Receipts by Sector and Sub-Sector is given in Table 2.2 below. As can be seen in the tabulation, the tax revenue, including both Central Taxes devolved to the State, and State's own taxes, increased from Rs 17,032.7 crores in 2011-2012 to Rs 45,718 crores in 2017-18 (RE). The non-tax revenue in the same period grew from Rs 4,058.5 crores to Rs 7,715 crores. The Grants-in-Aid from the Central Government grew from Rs 4,776.2 crores to Rs 15,147 crores in this period.

Absolute figures for all these heads and sub-components are given in Table 2.2 below:



**Table 2.2: Composition of Revenue Receipts and Trends (All Figures in Rs Crore)**

		2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18(RE)
<b>A</b>	<b>Tax Revenue</b>	17,032.70	20,251.80	22,222.90	24,070.30	32,791.30	37,754.40	45,718.00
(a)	Taxes on Income and Expenditure	3,762.50	4,151.60	4,402.90	5,013.10	8,413.20	10,212.40	11,741.20
(b)	Taxes on Property and Capital Transactions	1,126.00	1,191.00	1,223.60	1,362.80	1,550.00	1,728.80	2,199.80
(c)	Taxes on Commodities and Services	12,144.20	14,909.20	16,596.50	17,694.40	22,828.20	25,813.20	31,777.10
<b>B</b>	<b>Non-Tax Revenue</b>	4,058.50	4,615.90	5,101.20	4,874.70	5,214.80	5,669.30	7,715.00
(a)	Fiscal Services	-	-	-	-	-	-	-
(b)	Interest Receipts, Dividends and profit	217	245.3	395.1	117.6	114	157.8	141.8
(c)	Other Non-Taxes Revenue	3,841.40	4,370.60	4,706.00	4,757.10	5,100.80	5,511.50	7,573.20
(i)	General Services	67.6	128.7	93.2	111.8	149.6	136.8	194.4
(ii)	Social Services	81.9	64.6	122.7	125.7	121.4	145.6	106.6
(iii)	Economic Services	3,692.00	4,177.30	4,490.10	4,519.60	4,829.90	5,229.10	7,272.20
<b>C</b>	<b>Grants-In-Aid and Contribution</b>	4,776.20	4,710.30	4,726.20	8,987.80	8,061.60	10,261.60	15,147.00
	<b>TOTAL REVENUE</b>	<b>25,867.40</b>	<b>29,578.00</b>	<b>32,050.30</b>	<b>37,932.80</b>	<b>46,067.70</b>	<b>53,685.20</b>	<b>68,580.00</b>

The CAGR in the period 2011-12 to 2017-18(RE) for total tax revenue was 17.9%, for Non-Tax Revenue- 11.3% and for Grants-in-Aid- 21.2%. The overall growth in total revenues over the reference period of 2011-12 to 2017-18(RE) was 17.6%. Table 2.3 gives the broad aggregates of major revenue sources of the State along with their percentage share of Total Revenue receipts and GSDP. Year to year annual growth rates have also been computed.

**Table 2.3: Composition of Revenue Receipts and Trends (All Figures in Rs Crore)**

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18 (RE)
<b>Total Revenue Receipts</b>	25,867	29,578	32,050	37,933	46,068	53,685	68,580
<b>Own Tax Revenue</b>	10,712	13,034	14,343	15,707	17,084	18,945	24,438
% of Revenue Receipts	41.4%	44.1%	44.8%	41.4%	37.1%	35.3%	35.6%
% of GSDP	6.8%	7.3%	6.9%	7.1%	7.3%	7.2%	8.4%

Annual Growth Rate	19.0%	21.7%	10.0%	9.5%	8.8%	10.9%	29.0%
<b>Own Non-Tax Revenue</b>	4,059	4,616	5,101	4,875	5,215	5,669	7,715
% of Revenue Receipts	15.7%	15.6%	15.9%	12.9%	11.3%	10.6%	11.2%
% of GSDP	2.6%	2.6%	2.5%	2.2%	2.2%	2.2%	2.6%
Annual Growth Rate	19.0%	13.7%	10.5%	-4.4%	7.0%	8.7%	36.1%
<b>State's Own Revenue (Own Tax + Non-Tax)</b>	14,771	17,650	19,444	20,582	22,299	24,615	32,153
% of Revenue Receipts	57.1%	59.7%	60.7%	54.3%	48.4%	45.8%	46.9%
% of GSDP	9.3%	9.9%	9.4%	9.3%	9.5%	9.4%	11.0%
Annual Growth Rate	15.00%	19.5%	10.2%	5.9%	8.3%	10.4%	30.6%
<b>State's Share in Union Taxes and Duties</b>	6,320	7,218	7,880	8,363	15,707	18,809	21,280
% of Revenue Receipts	24.4%	24.4%	24.6%	22.0%	34.1%	35.0%	31.0%
% of GSDP	4.0%	4.1%	3.8%	3.8%	6.7%	7.2%	7.3%
Annual Growth Rate	16.5%	14.2%	9.2%	6.1%	87.8%	19.7%	13.1%
<b>Total Tax Revenue of the State</b>	17,033	20,252	22,223	24,070	32,791	37,754	45,718
% of Revenue Receipts	65.8%	68.5%	69.3%	63.5%	71.2%	70.3%	66.7%
% of GSDP	10.8%	11.4%	10.7%	10.9%	14.0%	14.4%	15.7%
Annual Growth Rate	18.00%	18.9%	9.7%	8.3%	36.2%	15.1%	21.1%
<b>Grants in aid from GOI</b>	4,776	4,710	4,726	8,988	8,062	10,262	15,147
% of Revenue Receipts	18.5%	15.9%	14.7%	23.7%	17.5%	19.1%	22.1%
% of GSDP	3.0%	2.7%	2.3%	4.1%	3.4%	3.9%	5.2%
Annual Growth Rate	7.2%	-1.4%	0.3%	90.2%	-10.3%	27.3%	47.6%
<b>GSDP</b>	<b>1,58,074</b>	<b>1,77,511</b>	<b>2,06,833</b>	<b>2,21,142</b>	<b>2,34,212</b>	<b>2,62,263</b>	<b>2,91,681</b>

### 2.3. Total Tax Revenue

The overall contribution of tax revenue to total revenue moved from 65.8% in 2011-12 to 66.7% in 2017-18(RE), with the lowest being 63% in 2014-15. The tax-GSDP ratio had shown a significant increase from 10.9% in 2014-15 to 14% in 2015-16. This ratio is 15.7% in the year 2017-18(RE). Annual growth rates of total tax revenue have tended to vary widely. While they increased by 36.2% in 2015-16, the growth rate subsequently came down to 15.1% and 21.1% in the years 2016-17 and 2017-18(RE) respectively. As mentioned earlier, the spike in 2015-16 is because of the higher tax devolution, and a large inter-se share of Chhattisgarh recommended by the 14<sup>th</sup> FC.

The composition of various taxes in the total Tax Revenue is given in Table 2.4 below.

**Table 2.4: Percentage Composition of Total Taxes**

		2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18(RE)

<b>(a)</b>	<b>Taxes on Income and Expenditure</b>	<b>22.1%</b>	<b>20.5%</b>	<b>19.8%</b>	<b>20.8%</b>	<b>25.7%</b>	<b>27.0%</b>	<b>25.7%</b>
(i)	Corporation Tax	14.6%	12.8%	11.9%	12.1%	15.1%	15.9%	13.7%
(ii)	Taxes on Income Other than Corporation Tax	7.4%	7.7%	7.9%	8.7%	10.5%	11.1%	12.0%
<b>(b)</b>	<b>Taxes on Property and Capital Transactions</b>	<b>6.6%</b>	<b>5.9%</b>	<b>5.5%</b>	<b>5.7%</b>	<b>4.7%</b>	<b>4.6%</b>	<b>4.8%</b>
(i)	Land Revenue	1.6%	1.2%	1.0%	1.4%	1.1%	1.3%	1.4%
(ii)	Stamps and Registration	5.0%	4.7%	4.5%	4.3%	3.6%	3.2%	3.4%
(iii)	Taxes on Wealth	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>(c)</b>	<b>Taxes on Commodities and Services</b>	<b>71.3%</b>	<b>73.6%</b>	<b>74.7%</b>	<b>73.5%</b>	<b>69.6%</b>	<b>68.4%</b>	<b>69.5%</b>
(i)	GST (SGST - State Goods and Service Tax and IGST)	NA	NA	NA	NA	NA	NA	7%
(ii)	GST (IGST - Integrated Goods and Service Tax) <sup>2</sup>	NA	NA	NA	NA	NA	NA	9.3%
(iii)	Customs	6.4%	5.9%	5.8%	5.6%	7.6%	6.9%	6.5%
(iv)	Union Excise Duties	4.2%	4.0%	4.1%	3.2%	6.3%	7.8%	6.8%
(v)	State Excise	9.4%	12.3%	11.5%	12.0%	10.2%	9.1%	8.1%
(vi)	Taxes on Sales, Trade etc.,	35.3%	34.2%	35.7%	35.0%	27.2%	26.3%	16.2%
(vii)	Taxes on Vehicles	2.9%	2.9%	2.9%	2.9%	2.5%	2.6%	3.0%
(viii)	Taxes on Goods and Passengers	4.8%	4.7%	4.3%	4.1%	3.2%	3.6%	1.3%
(ix)	Taxes and Duties on Electricity	3.7%	4.3%	4.6%	5.5%	4.2%	4.0%	3.8%
(x)	Services tax assigned	4.4%	5.2%	5.8%	5.1%	8.3%	8.1%	7.5%
(xi)	Other Taxes and Duties on Commodities and Services	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.0%

As can be seen in the table above, the relative share of taxes in 2017-18(RE) are: Taxes on income and expenditure-25.7%, Taxes on property and capital transaction contribution-4.86% and Taxes on commodities and services - 69.5%.

The total GST collection in as per 2017-18 (RE) was assessed at Rs. 7,453.74 Crores with SGST collection of at Rs 3,212.82 crores and IGST at Rs 4,240.9 crores. This was the first year of operation of GST, where IGST was directly apportioned to the States before the end of the Financial Year.

Table 2.5 gives a further disaggregation of percentage share of Central and State taxes in the various type of taxes.

**Table 2.5: Percentage Composition of Total Tax Revenue of the State**

		2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18(RE)
	<b>Taxes on Income and Expenditure as % of Tax Revenue</b>							
<b>(a)</b>	Taxes on Income and Expenditure	22.1%	20.5%	19.8%	20.8%	25.7%	27.0%	25.7%

<sup>2</sup> GST was implemented from 1<sup>st</sup> July 2017. In the first year of operation, IGST was directly shared with the States

<b>I</b>	Central portion as	22.0%	20.5%	19.8%	20.8%	25.6%	27.0%	25.7%
<b>II</b>	State portion as	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	<b>Income and Expenditure Tax GSDP Ratio</b>	<b>2.4%</b>	<b>2.3%</b>	<b>2.1%</b>	<b>2.3%</b>	<b>3.6%</b>	<b>3.9%</b>	<b>4.0%</b>
<b>Taxes on Property and Capital Transactions as % of Tax Revenue</b>								
<b>(b)</b>	Taxes on Property and Capital Transactions	6.6%	5.9%	5.5%	5.7%	4.7%	4.6%	4.8%
<b>I</b>	Central portion	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>II</b>	State portion	6.6%	5.9%	5.5%	5.6%	4.7%	4.5%	4.8%
	<b>Property and Capital Transactions Tax GSDP Ratio</b>	<b>0.7%</b>	<b>0.7%</b>	<b>0.6%</b>	<b>0.6%</b>	<b>0.7%</b>	<b>0.7%</b>	<b>0.8%</b>
<b>Taxes on Commodities and Services as % of Tax Revenue</b>								
<b>(c)</b>	Taxes on Commodities and Services	71.3%	73.6%	74.7%	73.5%	69.6%	68.4%	69.5%
<b>I</b>	Central	15.0%	15.2%	15.6%	13.9%	22.3%	22.8%	30.1%
<b>II</b>	State	56.3%	58.5%	59.0%	59.6%	47.4%	45.6%	39.4%
	<b>Commodities and Services Tax GSDP Ratio</b>	<b>7.7%</b>	<b>8.4%</b>	<b>8.0%</b>	<b>8.0%</b>	<b>9.7%</b>	<b>9.8%</b>	<b>10.9%</b>
<b>Total Division of Total Tax Revenue</b>								
<b>I</b>	State Taxes total portion	62.9%	64.4%	64.5%	65.3%	52.1%	50.2%	44.2%
	<b>State Taxes GSDP Ratio</b>	<b>6.8%</b>	<b>7.3%</b>	<b>6.9%</b>	<b>7.1%</b>	<b>7.3%</b>	<b>7.2%</b>	<b>6.9%</b>
<b>II</b>	Central Taxes total portion	37.1%	35.6%	35.5%	34.7%	47.9%	49.8%	55.8%
	<b>Central Taxes GSDP Ratio</b>	<b>4.0%</b>	<b>4.1%</b>	<b>3.8%</b>	<b>3.8%</b>	<b>6.7%</b>	<b>7.2%</b>	<b>8.7%</b>

The income and expenditure taxes are almost wholly attributable to taxes levied by the Centre, while the taxes on property and capital transactions comprises mainly of taxes levied and collected by the State. Within taxes on commodities and services, Central Taxes formed 30.1% and State Taxes formed 39.4% of total tax revenue in 2017-18(RE). However, these numbers cannot be projected forward, as GST has led to the merging of various indirect taxes.

## 2.4 State's Own Tax Revenue

The State's own tax revenue was Rs 10,712 crores in 2011-12 which grew to Rs 24,438 crores in 2017-18(RE). This translated into a CAGR of 14.7%. There is however a decline in the relative share of State's own revenue to the total revenue receipts. Its share fell from 41.4% of total revenue in 2011-12 to 35.6% of revenue receipts in 2017-18(RE). As a percentage of GSDP, the State's own tax revenue was relatively constant between 2011-12 to 2016-17, varying in a narrow band between 6.8% in 2011-12 to 7.3% in 2015-16. As per 2017-18 (RE), this is estimated to increase to 8.4% of GSDP. As explained earlier, the fall in relative share of own Taxes is primarily on account of an increase in the share of taxes and Grants-in-Aid from Centre.

The various Taxes that constitute own Taxes of the State, along with its relative share is given in Table 2.6 and Table 2.7 below. A visual representation of the same can be seen in Figure 2.2

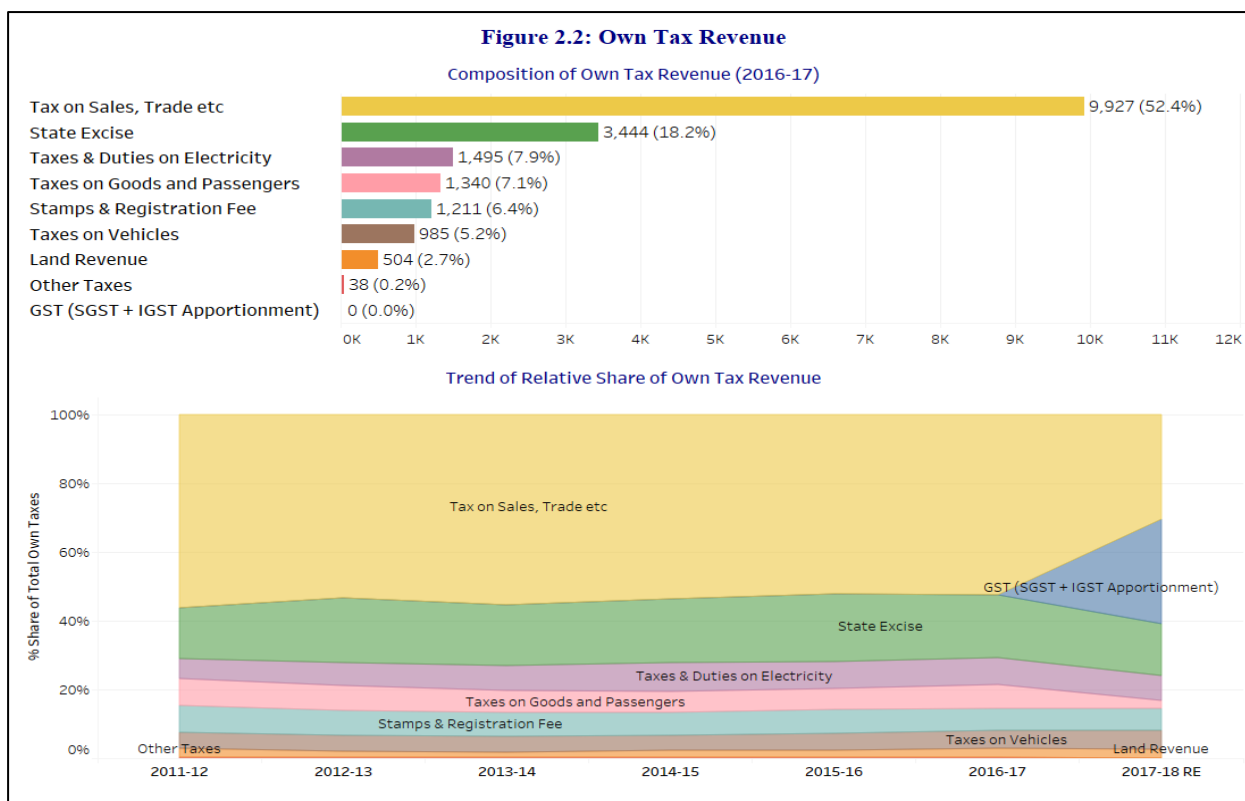
As can be seen, Tax on Sales, Trade etc. had accounted for over 50% of Own Tax Revenue of the State from 2011-12 and 2016-17, showing a CAGR of 10.6%. From July of 2017-18, this tax stands subsumed in GST.

**Table 2.6: Composition of Own Tax Revenue of the State (All Figures in Rs Crore)**

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18 RE	CAGR (till 2016-17)
<b>GST (SGST + IGST Apportionment)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7,454</b>	
<b>Tax on Sales, Trade etc</b>	6,006	6,929	7,930	8,429	8,908	9,927	7,402	<b>10.6%</b>
<b>State Excise</b>	1,597	2,486	2,549	2,892	3,338	3,444	3,688	<b>16.6%</b>
<b>Taxes &amp; Duties on Electricity</b>	638	861	1,020	1,313	1,373	1,495	1,750	<b>18.6%</b>
<b>Taxes on Goods and Passengers</b>	826	954	945	982	1,040	1,340	578	<b>10.2%</b>
<b>Stamps &amp; Registration Fee</b>	846	952	990	1,023	1,185	1,211	1,550	<b>7.4%</b>
<b>Taxes on Vehicles</b>	502	592	651	703	829	985	1,350	<b>14.4%</b>
<b>Land Revenue</b>	271	234	226	332	364	504	650	<b>13.2%</b>
<b>Other Taxes</b>	27	26	31	33	37	38	16	<b>7.4%</b>
<b>Total Own Tax Revenue</b>	<b>10,712</b>	<b>13,034</b>	<b>14,343</b>	<b>15,707</b>	<b>17,075</b>	<b>18,945</b>	<b>24,438</b>	<b>12.1%</b>

**Table 2.7: Composition of Own Tax Revenue of the State (% of Total Tax Revenue)**

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18 RE
<b>GST (SGST + IGST Apportionment)</b>	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	30.5%
<b>Tax on Sales, Trade etc</b>	56.1%	53.2%	55.3%	53.7%	52.2%	52.4%	30.3%
<b>State Excise</b>	14.9%	19.1%	17.8%	18.4%	19.6%	18.2%	15.1%
<b>Taxes &amp; Duties on Electricity</b>	6.0%	6.6%	7.1%	8.4%	8.0%	7.9%	7.2%
<b>Taxes on Goods and Passengers</b>	7.7%	7.3%	6.6%	6.3%	6.1%	7.1%	2.4%
<b>Stamps &amp; Registration Fee</b>	7.9%	7.3%	6.9%	6.5%	6.9%	6.4%	6.3%
<b>Taxes on Vehicles</b>	4.7%	4.5%	4.5%	4.5%	4.9%	5.2%	5.5%
<b>Land Revenue</b>	2.5%	1.8%	1.6%	2.1%	2.1%	2.7%	2.7%
<b>Other Taxes</b>	0.3%	0.2%	0.2%	0.2%	0.2%	0.2%	0.1%
<b>Total Own Tax Revenue</b>	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%



After Sales Tax/VAT, the other important Taxes of the State are: State Excise, Taxes & Duties on Electricity, Taxes on Goods and Passengers, Stamps & Registration Fee, Taxes on Vehicles, and Land Revenue. Most of these taxes have shown a growth rate higher than that displayed by Sales Tax (Refer Table 2.6).

## 2.5 Impact of GST on Revenues of the State

GST subsumed the biggest tax component of the State – the Tax on Sales, Trade etc. As per the Compensation to States Act – one of the GST Acts passed by the Central Government - all States are assured of a revenue growth of 14% over the baseline review generated in 2015-16 by the Taxes subsumed in GST. Thus, any loss in revenue caused to a State by introduction of GST would be made good, and as per the Act, for a period of 5 years from the rollout of GST.

As per the figures provided by the State Government, the State has seen a significant shortfall in GST collection vis-à-vis the projected growth in revenue of the subsumed Taxes and has been compensated to the tune of Rs 1483 Crore in 2017-18.

The full impact of GST on the Tax Revenue profile of the State can only be known after GST stabilizes. However, it is assessed that GST is unlikely to lead to an increase in

Own Tax Revenue of the State as compared to the earlier Tax regime. There are two reasons why we feel this to be the situation – one, GST is a consumption-based tax, and did away with CST and Entry Tax– which were significant contributions to the Tax revenue of the State. In fact, the CST generated was over Rs 900 Crores in each of the years from 2013-14 to 2016-17. Being a Producer State, the loss of CST revenue hits Chhattisgarh hard. Secondly, Chhattisgarh, despite its reasonable per capita income, is plagued by a high level of poverty, which is not conducive to broad-based consumption, especially of Services. As a result, giving up a share of its own taxes for an equal share in Central Taxes – primarily Service Tax, is unlikely to work in favour of State like Chhattisgarh with a high rate of poverty. We therefore assess that the Revenue Profile/capability of Chhattisgarh has undergone a significant change with rollout of GST – and is worse placed than earlier in generating its own Tax revenue. The State is protected to some extent till the period of assured compensation, i.e. till the middle of 2022, but this is only a temporary relief.

The Finance Commission would need to take into account the change in Revenue profile of all States caused by the implementation of GST while deciding upon the inter-se share of States.

## **2.6 Non-Tax Revenue of the State**

The Non-Tax Revenue of the State grew from 4,058.5 Crore to 7,715.0 Crore in the six-year period of 2011-12 to 2017-18(RE), showing a CAGR of 11.3%. As a percentage of GSDP, it was 2.6% in 2017-18(RE). The relative share of non-Tax revenue in total Revenue of the State has however decreased 15.7% in 2011-12 to 11.2% in 2017-18(RE) (See Table 2.3), for the same reason as explained earlier in case of State's Tax Revenues.

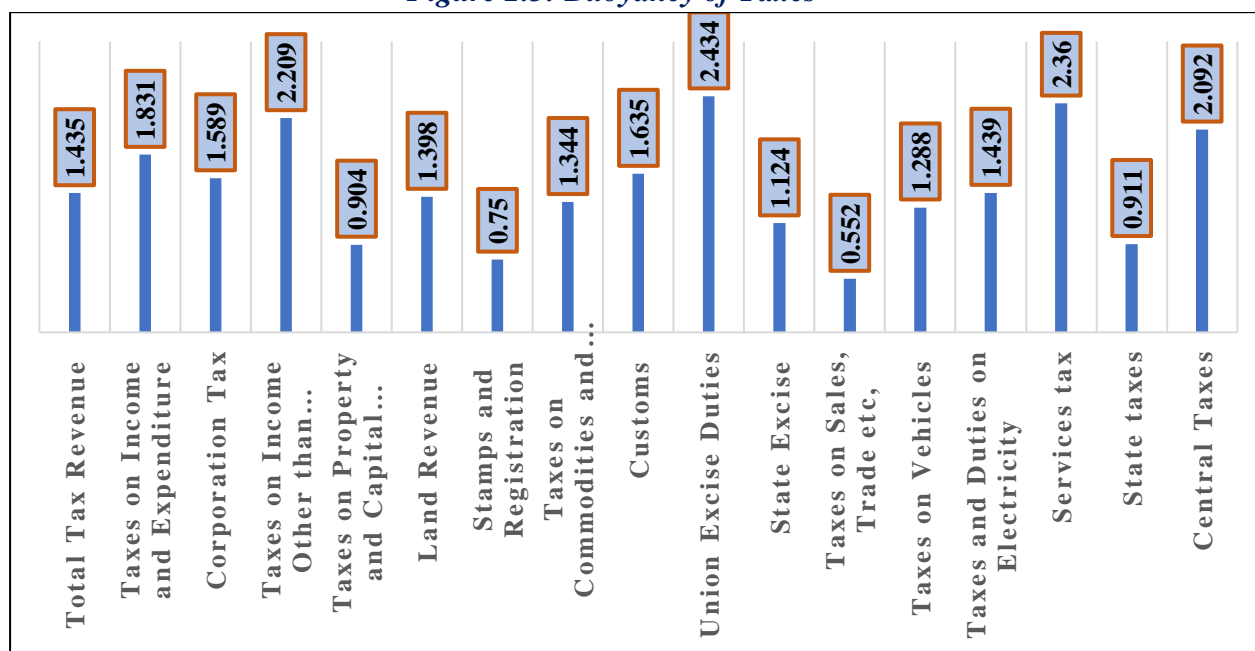
The non-tax revenue is primarily on account of Economic Services, with much lower contribution from General Services and Social Services. As for the breakup for Economic Services, the average contribution over the period 2011-12 to 2017-18(RE) was 8% for Forestry and Wild Life, 14% for Major and Minor Irrigation and 76% for Non-Ferrous Mining and Metallurgical Industries. The State gets most of its non-Tax revenues from mining royalties. In terms of growth rate of revenue over the period

2011-12 to 2017-18(RE), the Economic services grew at a CAGR of 12%. Overall Non-tax revenue buoyancy with respect to GSDP is 0.696 while that of Economic Services is higher at 0.755.

## 2.7 Buoyancy of Taxes

The most important consideration regarding collections from taxes is how closely they are related to the GSDP of the State, specifically, how buoyant are they with respect to GSDP. The buoyancy of all taxes with respect to GSDP was computed using statistical regression on logarithmic transformation of both GSDP and various tax revenues over the period 2011-12 to 2017-18(RE). The buoyancy of Tax Revenue with GSDP over this period was 1.435. The buoyancy of Central Taxes devolved to Chhattisgarh was 2.092, the buoyancy of State taxes itself was lower at 0.911. A visual representation of all the significant estimates of buoyancy of taxes is given in Figure 2.3 below:

*Figure 2.3: Buoyancy of Taxes*



## 2.8 Non-Tax transfers from the Central Government

The grants-in-aid and contribution from the Centre to the State shows a great deal of year to year variation. Total grants-in-aid from the Centre formed 18.5% of total revenue in 2011-12 while in the year 2017-18(RE), the same increased to 22.1% of total revenue (Table 2.4). It was 5.2% of GSDP in 2017-18(RE) compared to 3% of GSDP in 2011-12 The relevant extract from Table 2.4 is shown below:



	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18 (RE)
<b>Grants in aid from GOI</b>	4,776	4,710	4,726	8,988	8,062	10,262	15,147
% of Revenue Receipts	18.5%	15.9%	14.7%	23.7%	17.5%	19.1%	22.1%
% of GSDP	3.0%	2.7%	2.3%	4.1%	3.4%	3.9%	5.2%
Annual Growth Rate	7.2%	-1.4%	0.3%	90.2%	-10.3%	27.3%	47.6%

The percentage contribution of central transfers to revenue varies from year to year and hence a trend analysis is not very meaningful. The transfers under the head of Centrally Sponsored Schemes was 19.1% of the total Revenue Receipts in 2017-18(RE) while Finance Commission Grant was 2.3% and others was 0.7%.

## **2.9 Reform measures initiated by the State to improve Taxable capacity.**

The Commercial Tax department of the State Government has initiated the following steps:

- Increased use of IT for improving automation and to plug in revenue leakages. This process was initiated even before rollout of GST
- Various acts and rules have been amended to aid revenue growth. Some of the measures include - check posts of Commercial Tax Department have been abolished since the year 2011-12, practice of extending exemption under VAT to new industries had been discontinued, tax rates were rationalised to improve compliance (pre-GST)

**State Excise** is a major source of revenue for the State Government. The State Government came up with a new Excise Policy in 2017 and established a Corporation for retail sale and took certain measures to safeguard its revenue. One such measure was application of “Track & Trace System” in the whole of Liquor trade, which enabled the department to have complete visibility over the process. With the formation of Chhattisgarh State Marketing Corporation and application of “Track & Trace System” the Corporation is able to have control sale of legal liquor, and ensure the correct amount of collection. This has resulted in significant increase in revenue.

Revenue from **Stamps and Registration Fee** is another major source of tax revenue. During the last five years, it has grown from Rs.846 Crore in 2011-12 to Rs.1550 crore in 2017-18. Progress has been made in computerising the process of imputation and recovery of this tax. The State Govt. has also gone for e-stamping and computerization of the registration process itself. Measures have been taken for checking under-

valuation of properties from evasion of stamp duty, with Registration Fees charged as per the market value of the instrument

**Taxes on Vehicle** is another important source of revenue. The tax on vehicles has grown from Rs.502 Crore in 2011-12 to Rs.1350 Crore in 2017-18. Revision on rates of this tax has been affected with a corresponding increase in revenue.

Similarly, increase in rates of **Electricity Duty** has been affected, and suitable cesses levied to enhance revenue collection from this sector.

## **2.10 Suggested measures to enhance Taxable Capacity of the State**

Efforts should be made to bring unorganized sector under organized sector, to ensure that they get covered under the tax net and be part of GST chain. Areas with predominantly unorganized sector should be identified for intensive monitoring.

Technology should be widely used to enhance all business processes, including Tax collection, such as use of GIS mapping, which can further increase revenue from Stamp and Registration duty.

## **2.11 Conclusion**

The State of Chhattisgarh has registered a sustained increase in revenue, with total revenue now forming 23.5% of the GSDP in 2017-18(RE) as against 16.4% in 2011-12. Much of the increase in Revenue is on account of greater devolution from the Central government, though the State's own taxes and non-Tax revenue have also grown appreciably. The State has a robust non-Tax revenue, and along with other revenues is able to generate a Revenue surplus to invest in much needed capital expenditure. Implementation of GST is likely to change the revenue profile of all States including Chhattisgarh, and the earlier model of *inter-se* devolution would need to be relooked. Being a Producer state with high rate of poverty, GST would not benefit the tax revenue collection of the State directly. The finances of the State depend crucially on recommendation of the 15<sup>th</sup> Finance Commission.

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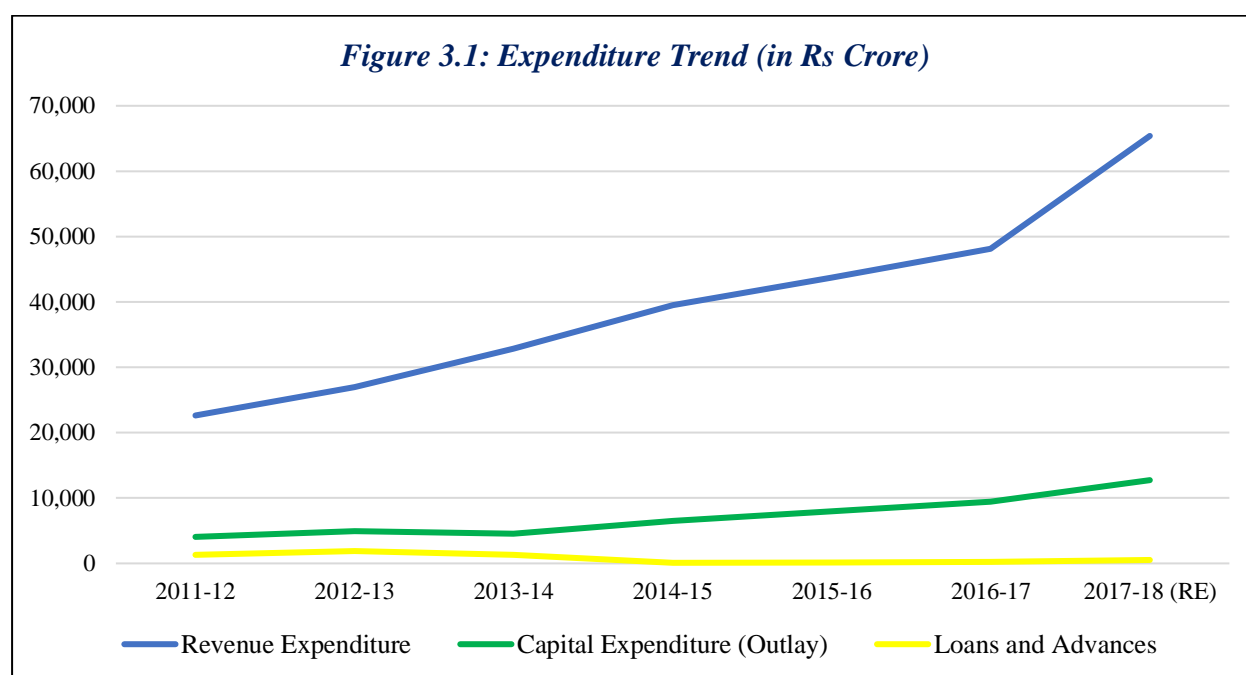
## Chapter 3: Expenditure

### 3.1 Expenditure Overview

The total expenditure of the State comprising Revenue expenditure, Capital expenditure, and Loans and Advances has grown in absolute terms from Rs.27,953 Crores in 2011-12 to Rs.78,623 Crores in 2017-18 (RE). The CAGR of expenditure of the State during the period 2011-12 to 2017-18 was 18.8%. In relation to GSDP, the total expenditure showed a significant increase from 17.7% in 2011-12 and 27.0% in 2017-18. Table-3.1 below presents the growth trend of the different types of expenditure over the period 2011-18, and Table 3.2 shows the relative share of each type of expenditure to the total expenditure.

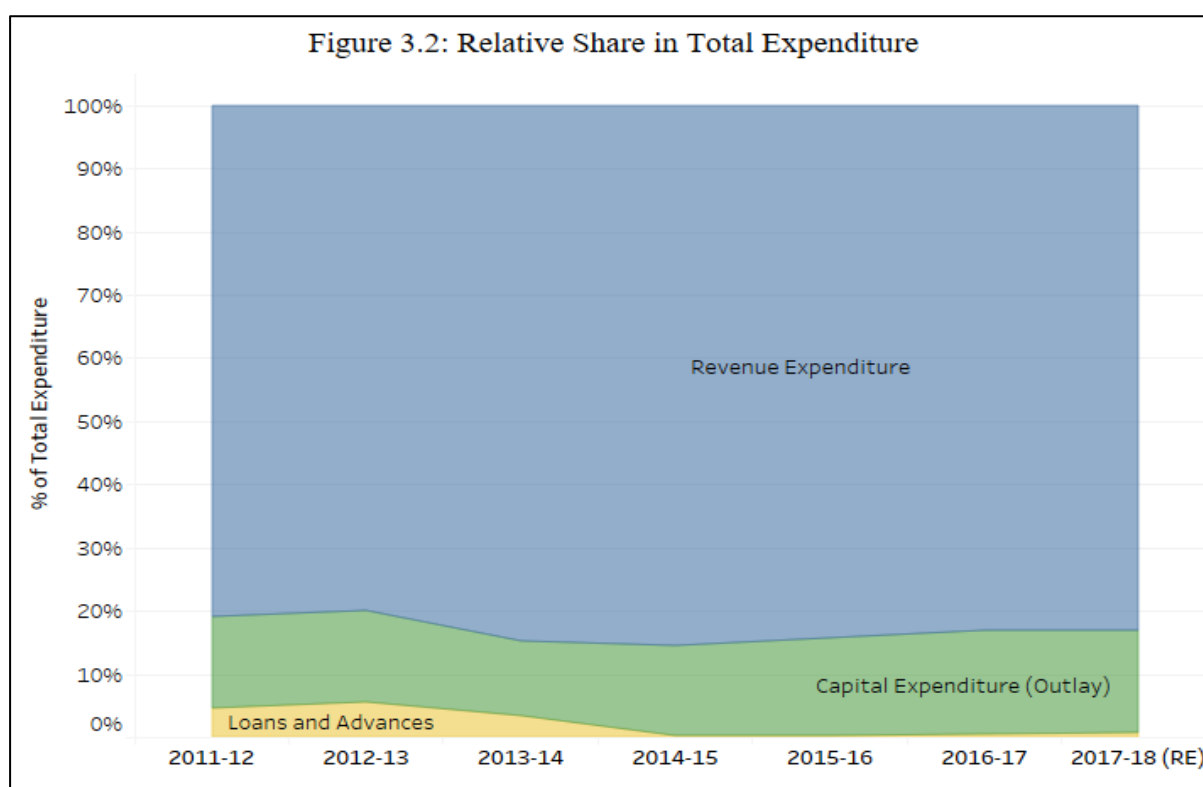
**Table 3.1: Breakup of Expenditure (on Rs Crores)**

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18(RE)
Revenue Expenditure	22,628	26,972	32,860	39,497	43,701	48,165	65,392
Capital Expenditure (Outlay)	4,056	4,919	4,574	6,544	7,945	9,471	12,735
Loans and Advances	1,269	1,889	1,319	88	165	273	495
<b>Total Expenditure</b>	<b>27,953</b>	<b>33,780</b>	<b>38,752</b>	<b>46,130</b>	<b>51,811</b>	<b>57,908</b>	<b>78,623</b>
<b>Total Expenditure (as % of GSDP)</b>	<b>17.7%</b>	<b>19.0%</b>	<b>18.7%</b>	<b>20.9%</b>	<b>22.1%</b>	<b>22.1%</b>	<b>27.0%</b>



**Table 3.2: Share of Total Expenditure**

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18 (RE)
Revenue Expenditure	80.9%	79.8%	84.8%	85.6%	84.3%	83.2%	83.2%
Capital Expenditure (Outlay)	14.5%	14.6%	11.8%	14.2%	15.3%	16.4%	16.2%
Loans and Advances	4.5%	5.6%	3.4%	0.2%	0.3%	0.5%	0.6%
<b>Total Expenditure</b>	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%



As can be seen in the figure above, while expenditure has seen a sustained increase both in absolute terms and as a percentage of GSDP, the expenditure breakup between Revenue Expenditure and Capital has remained largely constant with Capital Expenditure constituting 15-16% of the total expenditure. The share of Loans and Advances has dipped sharply from 2014-15, with a slight reversal in trend in the last two years. The sustained increase in Expenditure from 17.7% to 27% of the GSDP has been matched by a corresponding increase in Revenue Receipts.

Table 3.3 below shows that the State has managed to post a Revenue Surplus in most years, with the exception being 2013-14 and 2014-15.

**Table 3.3: Revenue Deficit (Surplus)**

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18 (RE)
Total Revenue Expenditure	22,628	26,972	32,860	39,497	43,701	48,165	65,392
Total Revenue Receipts	25,867	29,578	32,050	37,933	46,068	53,685	68,580
Revenue Expenditure as % of Revenue Receipt	87.5%	91.2%	102.5%	104.1%	94.9%	89.7%	95.4%
Revenue Deficit (Surplus)	-3,239	-2,606	809	1,564	-2,367	-5,521	-3,188

### 3.2 Revenue Expenditure

The total revenue expenditure of Chhattisgarh went up from Rs 22,638 crores in 2011-12 to Rs 65,392 crores in 2017-18(RE). Over this period, the revenue expenditure grew at a CAGR of 19.3%. The broad breakup of revenue by nature of service is given in Table 3.4 and Table 3.5 below:

**Table 3.4: Breakup of Revenue Expenditure (in Rs Crores)**

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18 (RE)	CAGR
<b>Total Revenue Expenditure</b>	<b>22,628</b>	<b>26,972</b>	<b>32,860</b>	<b>39,497</b>	<b>43,701</b>	<b>48,165</b>	<b>65,392</b>	19.3%
1. General Services	5,904	6,649	7,851	8,979	10,409	11,496	14,346	15.9%
2. Social Services	10,477	11,456	14,282	15,389	16,339	21,342	28,710	18.3%
3. Economic Services	5,560	8,012	9,756	14,076	16,053	14,176	20,972	24.8%
4. Grants-in-Aid to Local Bodies	687	854	970	1,054	900	1,151	1,365	12.1%

**Table 3.5: Breakup of Revenue Expenditure (as % Of Total Revenue Expenditure)**

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18 (RE)
1. General Services	26.1%	24.7%	23.9%	22.7%	23.8%	23.9%	21.9%
2. Social Services	46.3%	42.5%	43.5%	39.0%	37.4%	44.3%	43.9%
3. Economic Services	24.6%	29.7%	29.7%	35.6%	36.7%	29.4%	32.1%
4. Grant-in-Aid to Local Bodies	3.0%	3.2%	3.0%	2.7%	2.1%	2.4%	2.1%

<b>Total Expenditure</b>	<b>Revenue</b>	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
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As can be seen from Table 3.4 above, the developmental expenditure on revenue account (Total of expenditure on Social and Economic services) constituted 70.9% of total revenue expenditure in 2011-12, which went up to 76% in 2017-18(RE). As a percentage of GSDP, the change was large as it went up from 10.1% of GSDP to 17.0% of GSDP in 2017-18(RE). The share of Social Services and Economic Services as a percentage of Total Revenue Expenditure was 43.9% and 32.1% respectively in 2017-18 (RE). This can be contrasted to share of expenditure on Social Services being 46.3% and Economic Services being 24.6% of Total Revenue expenditure in 2011-12. The Grant-in-aid by the State Government was only 2.1% of the total Revenue Expenditure in 2017-18 (RE) as compared to 3% in 2011-12.

The overall CAGR of the different Sectors of Revenue Expenditure for the period 2011-12 to 2017-18(RE) can also be seen in Table 3.4 above. The highest rate of growth was seen in Economic Services at 24.8%, followed by Social Services, General Services and Grant-in-Aid.

### 3.3 Composition of Revenue Expenditure

Further breakup of revenue expenditure aggregates at the Sub-Sector level for the period 2011-12 to 2017-18(RE) is given in Table 3.6 and Table 3.7 below:

**Table 3.6: Revenue Expenditure Aggregates (in Rs Crores)**

		2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18(RE)
<b>A</b>	<b>General Services</b>	<b>5,904.2</b>	<b>6,649.3</b>	<b>7,851.2</b>	<b>8,978.6</b>	<b>10,408.8</b>	<b>11,496.2</b>	<b>14,345.7</b>
(a)	Organs of State	179.9	188.0	293.4	336.4	307.5	304.7	502.7
(b)	Fiscal Services	484.4	440.9	647.3	613.4	925.6	1,203.5	1,390.6
(c)	Interest Payment and Servicing of debt	1,293.2	1,353.5	1,450.5	1,763.6	2,348.9	2,886.8	3,477.8
(d)	Administrative Services	2,068.7	2,254.6	2,707.8	3,015.4	3,307.9	3,614.7	4,921.6
(e)	Pension and Miscellaneous General Services	1,878.0	2,412.3	2,752.0	3,249.7	3,518.7	3,486.5	4,052.9
<b>DEVELOPMENTAL EXPENDITURE</b>								
<b>B</b>	<b>Social Services</b>	<b>10,476.8</b>	<b>11,456.4</b>	<b>14,282.1</b>	<b>15,388.9</b>	<b>16,339.4</b>	<b>21,341.6</b>	<b>28,709.9</b>

(a)	Education, Sports, Art and Culture	4,908.3	5,486.8	6,845.5	9,257.0	9,325.6	11,079.4	13,790.1
(b)	Health and Family Welfare	954.3	1,119.4	1,428.6	2,098.9	2,419.4	2,967.3	4,046.3
(c)	Water Supply, Sanitation, Housing and Urban Development	925.7	1,190.9	1,434.7	1,556.1	1,413.3	4,104.1	7,096.4
(d)	Information and Broadcasting	40.2	50.6	69.5	65.8	69.1	121.2	153.7
(e)	Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Castes	1,245.9	1,257.6	714.8	184.0	173.1	196.4	290.3
(f)	Labor and Labor Welfare	76.3	94.0	140.8	173.4	227.1	220.0	351.7
(g)	Social Welfare and Nutrition	2,313.2	2,243.4	3,633.6	2,035.9	2,692.9	2,631.7	2,950.5
(h)	Others	12.9	13.8	14.7	17.8	18.8	21.6	30.8
<b>C</b>	<b>Economic Services</b>	<b>5,560.3</b>	<b>8,011.7</b>	<b>9,755.9</b>	<b>14,076.2</b>	<b>16,052.5</b>	<b>14,176.2</b>	<b>20,971.8</b>
(a)	Agriculture and Allied Activities	2,266.5	3,279.7	5,152.2	7,725.9	8,324.6	6,768.7	11,032.7
(b)	Rural Development	1,685.7	2,060.9	2,090.0	3,587.8	2,966.2	4,299.1	3,737.3
(c)	Irrigation and Flood Control	362.5	377.9	416.3	451.6	489.5	524.8	415.5
(d)	Energy	336.9	1,041.4	495.5	860.6	2,816.1	1,035.9	3,264.5
(e)	Industry and Minerals	391.2	429.2	467.5	624.7	489.4	758.3	967.0
(f)	Transport	429.4	660.9	989.0	651.9	781.3	653.6	1,334.9
(g)	Communication Services	26.1	74.6	46.0	76.4	120.8	59.1	94.2
(h)	Science Technology and Environment	4.5	8.2	11.1	10.3	9.4	12.5	17.0
(i)	General Economic Services	57.5	78.9	88.4	87.0	55.3	64.2	108.8
D	Grant-in-aid and Contribution	686.7	854.5	970.4	1,053.6	900.4	1,150.6	1,364.7
	<b>TOTAL</b>	<b>22,628.00</b>	<b>26,971.90</b>	<b>32,859.60</b>	<b>39,497.30</b>	<b>43,701.10</b>	<b>48,164.60</b>	<b>65,392.10</b>

**Table 3.7: Composition of Revenue Expenditure (as % of Total Revenue Expenditure)**

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18(RE)
NON-DEVELOPMENTAL EXPENDITURE							

A	<b>General Services</b>	26.1%	24.7%	23.9%	22.7%	23.8%	23.9%	21.9%
(a)	Organs of State	0.8%	0.7%	0.9%	0.9%	0.7%	0.6%	0.8%
(b)	Fiscal Services	2.1%	1.6%	2.0%	1.6%	2.1%	2.5%	2.1%
(c)	Interest Payment and Servicing of debt	5.7%	5.0%	4.4%	4.5%	5.4%	6.0%	5.3%
(d)	Administrative Services	9.1%	8.4%	8.2%	7.6%	7.6%	7.5%	7.5%
(e)	Pension and Miscellaneous General Services	8.3%	8.9%	8.4%	8.2%	8.1%	7.2%	6.2%
DEVELOPMENTAL EXPENDITURE		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
B	<b>Social Services</b>	46.3%	42.5%	43.5%	39.0%	37.4%	44.3%	43.9%
(a)	Education, Sports, Art and Culture	21.7%	20.3%	20.8%	23.4%	21.3%	23.0%	21.1%
(b)	Health and Family Welfare	4.2%	4.2%	4.3%	5.3%	5.5%	6.2%	6.2%
(c)	Water Supply, Sanitation, Housing and Urban Development	4.1%	4.4%	4.4%	3.9%	3.2%	8.5%	10.9%
(d)	Information and Broadcasting	0.2%	0.2%	0.2%	0.2%	0.2%	0.3%	0.2%
(e)	Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Castes	5.5%	4.7%	2.2%	0.5%	0.4%	0.4%	0.4%
(f)	Labor and Labor Welfare	0.3%	0.3%	0.4%	0.4%	0.5%	0.5%	0.5%
(g)	Social Welfare and Nutrition	10.2%	8.3%	11.1%	5.2%	6.2%	5.5%	4.5%
(h)	Others	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
C	<b>Economic Services</b>	24.6%	29.7%	29.7%	35.6%	36.7%	29.4%	32.1%
(a)	Agriculture and Allied Activities	10.0%	12.2%	15.7%	19.6%	19.0%	14.1%	16.9%
(b)	Rural Development	7.4%	7.6%	6.4%	9.1%	6.8%	8.9%	5.7%
(c)	Irrigation and Flood Control	1.6%	1.4%	1.3%	1.1%	1.1%	1.1%	0.6%
(d)	Energy	1.5%	3.9%	1.5%	2.2%	6.4%	2.2%	5.0%
(e)	Industry and Minerals	1.7%	1.6%	1.4%	1.6%	1.1%	1.6%	1.5%
(f)	Transport	1.9%	2.5%	3.0%	1.7%	1.8%	1.4%	2.0%
(g)	Communication Services	0.1%	0.3%	0.1%	0.2%	0.3%	0.1%	0.1%
(h)	Science Technology and Environment	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
(i)	General Economic Services	0.3%	0.3%	0.3%	0.2%	0.1%	0.1%	0.2%
D	Grant-in-aid and Contribution	3.0%	3.2%	3.0%	2.7%	2.1%	2.4%	2.1%

The contribution of Interest payment and servicing of debt to total revenue expenditure has fluctuated in a narrow range from 4.4 % in 2013-4 and 6% in 2016-17 and is within manageable limits. Pension and miscellaneous services constituted 6.2% of total revenue expenditure in 2017-18(RE) which was lower than previous years.

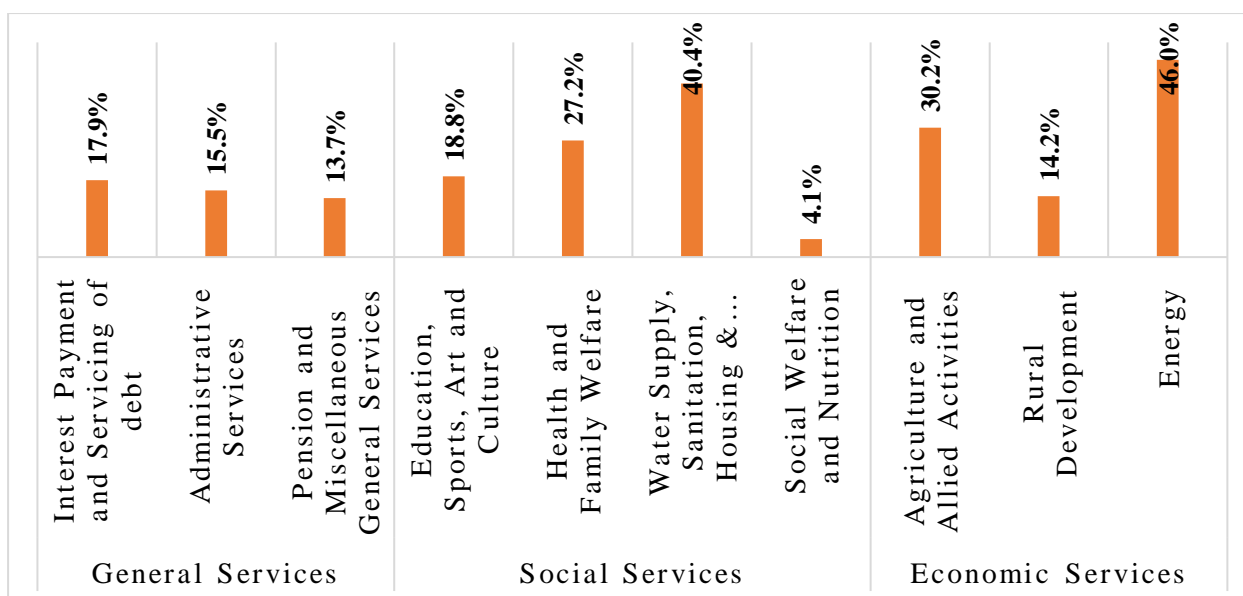
Within Economic Services, the maximum share of revenue expenditure in 2017-18(RE) was Agriculture (16.9%), Rural Development (5.7%) and Energy (5.0%).

Within Social Services, the maximum share of expenditure in 2017-18(RE) was on Education, Sports, Art and Culture (21.1%), Water Supply, Sanitation, Housing and Urban Development (10.9%) and Health and Family Welfare (6.2%).

The CAGR of major components of Revenue Expenditure during the period 2011-12 to 2017-18(RE) are given in Figure 3.3 below. These display growth rates of only those items that had more than 4% share of revenue expenditure.

**Figure 3.2: CAGR for Select Heads of Revenue Expenditure (2011-12 -2017-18(RE))**





### 3.4 Committed Revenue Expenditures

There are 4 items of expenditure that are commonly accepted as committed expenditure - salaries and wages, interest payments, expenditure on pensions, and subsidies. Expenditure on these heads from 2011-12 is given in Table 3.8 below and with the observed rate of growth. (The figures beyond 2015-16 have been updated from the details given by the budget reports of the State)

**Table 3.8: Components of Committed Expenditure (Rs Crores)**

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18(RE)	CAGR
Salaries & Wages	7,382.61	7,686.52	9,137.19	10,003.33	10,864.03	11,423.74	15,395.69	13.0%
Interest Payments	1,193.20	1,153.49	1,350.53	1,726.62	2,148.91	2,686.83	3,277.80	18.3%
Expenditure on Pensions	1,877.87	2,412.14	2,751.87	3,249.52	3,518.57	3,459.19	4,027.57	13.6%
Subsidies	1,870.93	1,790.83	3,155.53	3,746.58	7,397.12	4,189.14	6,659.08	23.6%
<b>Total</b>	<b>12,324.61</b>	<b>13,042.98</b>	<b>16,395.12</b>	<b>18,726.05</b>	<b>23,928.63</b>	<b>21,758.90</b>	<b>29,360.14</b>	15.6%
Total Revenue Expenditure	22,628.00	26,971.80	32,859.60	39,497.20	43,701.10	48,164.60	65,392.10	19.3%
% of Revenue Expenditure	54.50%	48.40%	49.90%	47.40%	54.80%	45.20%	44.90%	

Committed expenditure constituted 54.5% of total revenue expenditure in 2011-12 but since then it has come down to 44.9% in 2017-18 (RE). The highest growth rate is seen in subsidies with a 23.6% growth rate, which exceeds the rate of growth seen in the total revenue expenditure. This is followed by 19.3% growth rate in pensions, and 18.3% growth in Interest payments.

### 3.5 Capital Expenditure

The total Capital expenditure of Chhattisgarh went up from Rs 4,057 crores in 2011-12 to Rs 12,735 crores in 2017-18(RE), showing a CAGR of 21%. The broad breakup of Capital Expenditure by sectors is given in Table 3.9 and Table 3.10 below. The visual representation of the same is shown in Figure 3.3

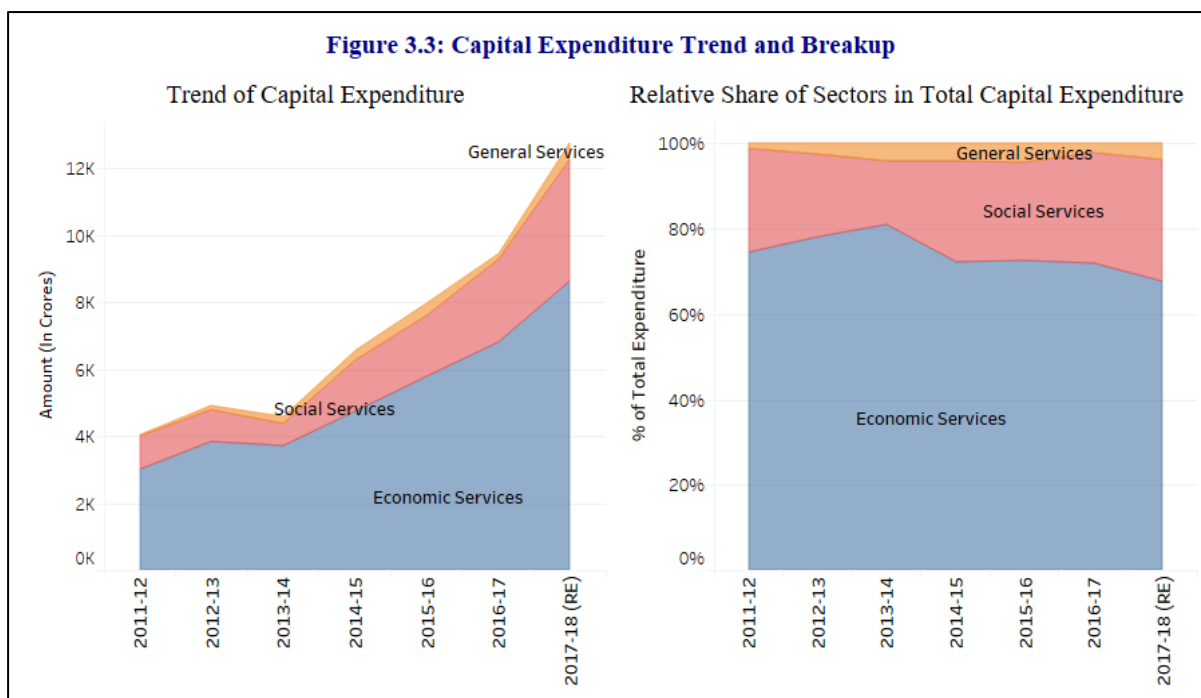
**Table 3.9: Breakup of Capital Expenditure (In Rs Crores)**

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18 (RE)	CAGR
1. General Services	43	125	182	258	362	188	483	49.7%
2. Social Services	989	951	692	1,560	1,807	2,461	3,631	24.2%
3. Economic Services	3,025	3,843	3,700	4,803	5,776	6,822	8,621	19.1%
<b>Total Capital Expenditure</b>	4,057	4,919	4,574	6,621	7,945	9,471	12,735	21.0%
Total Capital Expenditure as % of GSDP	2.6%	2.8%	2.2%	3.0%	3.4%	3.6%	4.4%	

As can be seen in the table above, Capital Expenditure as a percentage of GSDP has steadily increased from 2.6% in 2011-12 to 4.4% in 2017-18(RE)

**Table 3.10: Breakup of Capital Expenditure (as % of Total Capital Expenditure)**

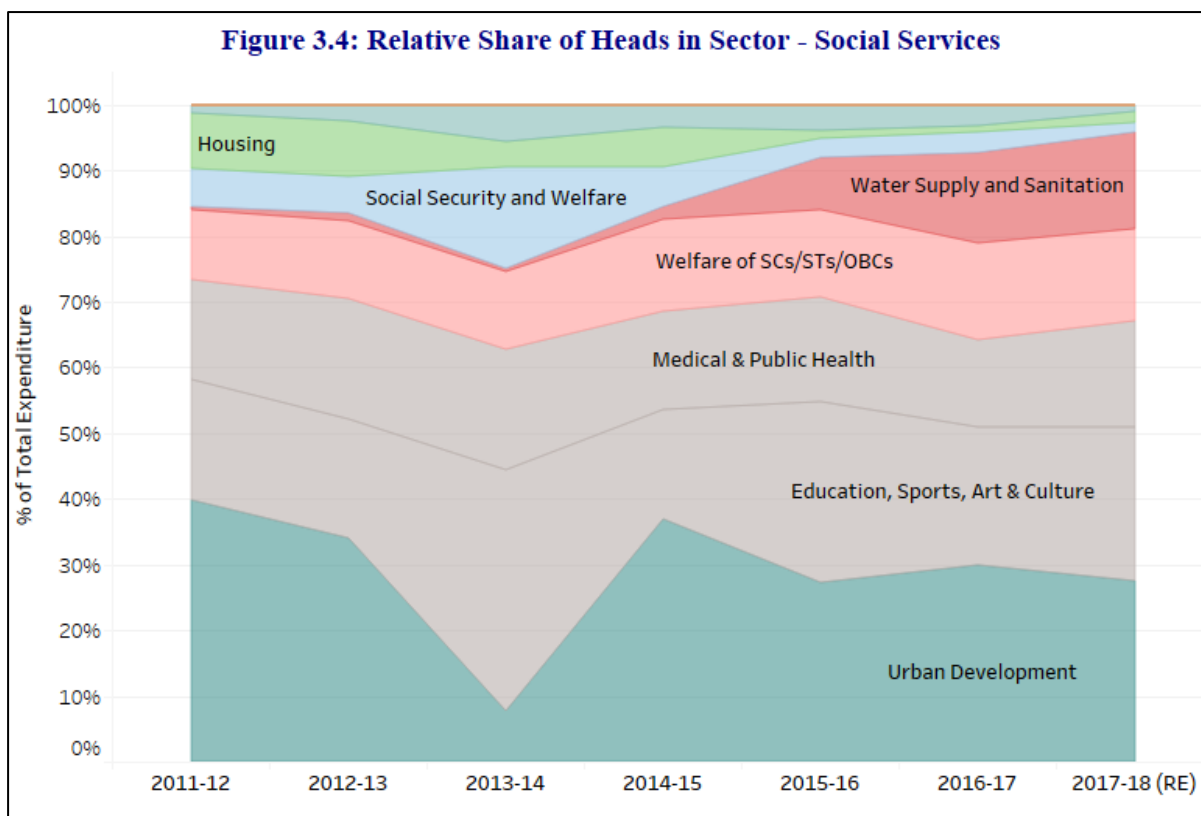
	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18 (RE)
1. General Services	1.1%	2.5%	4.0%	3.9%	4.6%	2.0%	3.8%
2. Social Services	24.4%	19.3%	15.1%	23.6%	22.7%	26.0%	28.5%
3. Economic Services	74.6%	78.1%	80.9%	72.5%	72.7%	72.0%	67.7%
<b>Total Capital Expenditure</b>	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%



Economic Services account for more than 65% of the Capital outlay, with outlay on Social Services showing an increasing share in the last few years, moving from near 15% in 2013-14 to 28% in of the capital expenditure in 2017-18(RE).

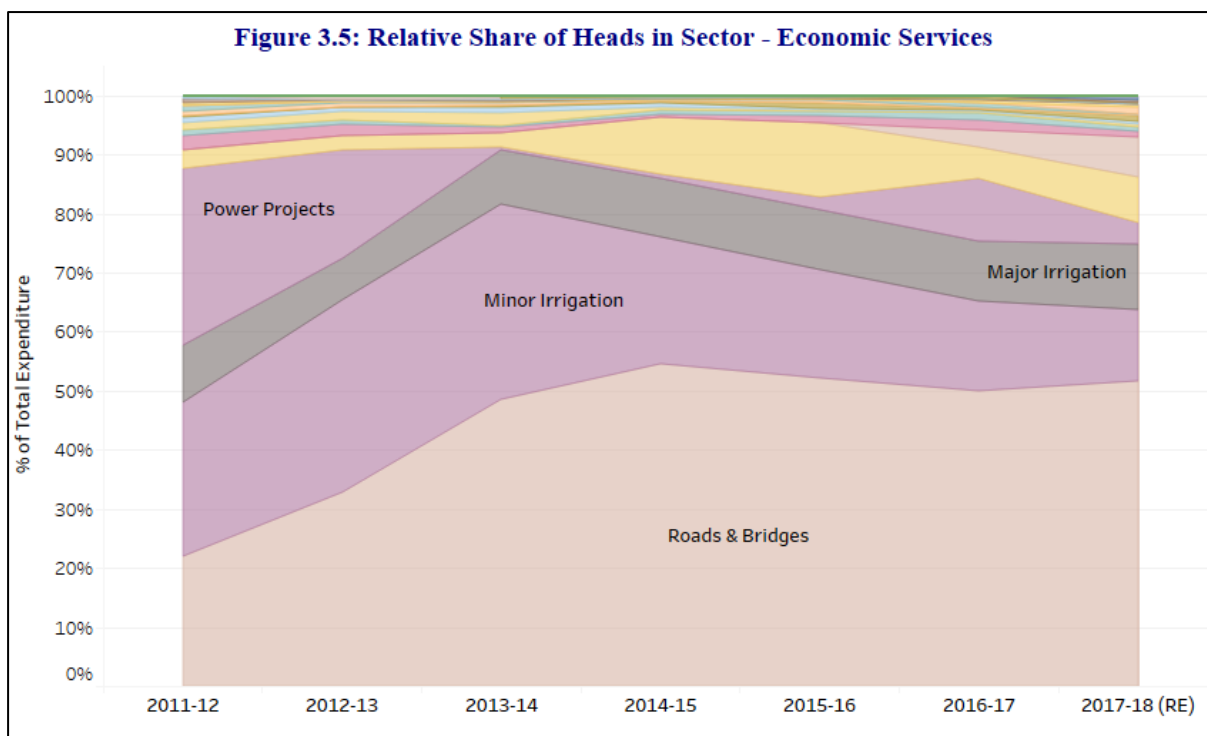
### 3.6. Composition of Capital Expenditure on Social Services

Figure 3.4 below gives the broad percentage composition of Capital Expenditure on Social Services. Most of the Capital Expenditure in this Sector has been devoted to Urban development, Education, Health, and Welfare of SC, ST and OBCs, which together accounts for near 80% of the expenditure. In the 3 to 4 years, there has been a greater focus on Water Supply and Sanitation.



### 3.7 Composition of Capital Expenditure on Economic Services

Figure 3.5 gives a visual representation of the percentage composition of various heads within Economic Services. As can be seen, the primary focus within economic services has been on investment in Roads and Bridges, accounting for nearly 50% of total investment in economic sector in the years from 2014-15 to 2017-18(RE). The next biggest component of expenditure is on Irrigation and Flood Control – Major and Minor Irrigation, which shows a declining trend, constituting around 24% of total capital expenditure in 2017-18(RE). This area absorbed over 40% of the total economic services capital expenditure in 2013-14. Capital investment on Power Projects as a percentage of capital expenditure on economic activities touched a peak of 30% in 2011-12. Its share has been going down. Capital expenditure on rural development as a percentage of total capital expenditure on economic services has been relatively stable year to year and has ranged between 8% to 12% in all the years except for the years 2011-12 to 2013-14 where it was below 5%. The percentage contribution of investment in agriculture and allied activities remains between 1% to 5% of capital expenditure on economic activities.



### 3.8 Efficiency of Expenditure

Efficient use of development expenditure is reflected in the ratio of capital expenditure to total expenditure and GSDP and the proportion of revenue expenditure being incurred on the operation and maintenance of the existing social and economic services. A shift in the composition of public expenditure towards human and physical capital would not only be growth enhancing but also welfare augmenting for the society as a whole as it works through: (i) increase in capital and labour productivity; (ii) crowding in of private investment; (iii) higher fiscal multipliers; and (iv) direct/indirect impact on poverty and unemployment reduction.

One of the areas of expenditure reform envisaged in the FRBM framework is that the State should not only keep its fiscal deficit at low level but also meet its capital expenditure and investment requirement. It is also to use its expenditure efficiently and earn adequate return on investments and recover the cost of borrowed funds.

As we have analysed in the chapter on capital expenditure, the state is spending about 15% of its resources on capital expenditure.

There is a need for greater efficiency in expenditure. Economic growth of the State and growth of GSDP is the outcome of efficient use of financial resources by the State Govt.

Although measuring public sector efficiency is a complex issue, some attempts have been made to measure it. Efficiency in expenditure primarily relates to the relationship between outlays and outcomes. Close monitoring of expenditure and timely evaluation will ensure efficiency in expenditure. The measure of efficiency of expenditure in social sector is social indicators which we have referred to in the first chapter and there has been significant improvement in social indicator of the state.

Public expenditure is efficient when the government, using its given resources, produces a maximum possible benefit to its citizens. *Ceteris paribus*, Governments that produce more outputs while spending less on inputs can be viewed as more efficient than governments that produce fewer outputs and use more inputs. Economic theory suggests that the social sector expenditure especially education and health sectors are a vital source of human capital formation, which enhances economic growth. Therefore, the efficient allocation of resources in such growth-promoting expenditures such as education, health, and social sector can be considered efficient if resources are used efficiently. Chhattisgarh allocates about 45-50 of its total expenditure to social sector.

There is a huge potential for improving the efficiency of public spending. The state have to focus more on spending efficiency by following its peer groups and best practice. However, public expenditure alone might not be sufficient to enhance efficiency. There are various other factors that might affect the efficiency of the social sector in addition to the public expenditure. The effectiveness of public spending could be determined by institutional capacity, extent of leakage in public spending, poor budget management, etc. In addition to public expenditures, efficient outcomes also depend on the quality of governance (Bhanumurthy et al., 2016; Rajkumar & Swaroop, 2008). It means public spending becomes more effective in increasing development outcomes with the presence of good governance. Good governance with high growth helps to improve the efficiency of education, health, and social sector.

NIPF&P (March 2018) in a recent study has tried to quantify the efficiency of public expenditures on education, health and overall social sector expenditures in 27 major states in India. By considering the relevant data for three-time-points, 2002-03, 2008-09 and 2015-16, and by using Data Envelopment Analysis (DEA), the study brings out

some interesting results (NIPF, March, 2018,). The study tries to explain the overall outlay-output-outcome linkage in the social sector. This study has shown that the efficiency score of Chhattisgarh in Social Sector (Health & Education) is quite low and there is ample scope of improvement in efficient use of input in these sectors. The study found Chhattisgarh as ranking 20<sup>th</sup> among 27 states in social sector spending efficiency.

### **3.9 Economy Measures and Administrative Reforms**

The State government has implemented some measures to ensure frugality in the government expenditure.

The approved personnel for a project which has been completed are being redeployed in other projects. There is a ban on foreign travel, except when such travel was desired in public interest.

Departments have been asked to analyse all their existing schemes and if the schemes were not found to be useful in the present circumstances or if the schemes are similar in form to some central government scheme, proceedings to end such schemes are being initiated. The aforementioned initiatives have resulted in some savings for the state government.

**Some suggestions for improving efficiency** are given below

1. Outsourcing certain functions,
2. Encouraging Work Automation,
3. Promoting Innovations,
4. Adopting DBT & PFMS to plug the leakages and enable the beneficiaries to utilize funds in more efficient way,
5. Implementing Digital India Initiatives,
6. Robust Public Procurement policy like E-Procurement and GeM etc.
7. A comprehensive monitoring system in place to ensure greater efficiency in expenditure.

All these measures will help Government mitigate unnecessary expenditure and lead to better utilization of inputs.

### **3.10 Conclusion**

The State has shown a sustained increase in Expenditure – both Revenue and Capital. While Total Expenditure has increased from 17.7% to 27% of the GSDP in the period 2011-12 to 2017-18 (RE), this is also in part due to increase in Capital Expenditure, both in absolute and relative share, and now stands at 4.4% of the GSDP as per 2017-18 RE. The focus on capital spending has largely been on Economic Services which forms 65 to 70% of total capital expenditure, followed by Capital Expenditure on Social Services which accounts for bulk of the remaining share

The increase in Revenue Expenditure has been met by a corresponding increase in Revenue Receipts – most years have seen a significant surplus on Revenue Account which has been funnelled to Capital Expenditure. However, there is uncertainty regarding long run impact of GST on the revenues of the State – insufficient data prevents a clear assessment. But as explained in the chapter on Revenue, revenue increase sustained in the past may not be possible, as GST may set a lower baseline of revenue for the State.

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## Chapter 4: Debt, Deficit and FRBM Act Compliance

### 4.1 Implementation of FRBM Act and Compliance with Requirements

After having analyzed the receipts and expenditure of the State Government, we next look at how the fiscal balance has been maintained by the State. Chhattisgarh Government passed its own Fiscal Responsibility and Budget Management Act in 2005 in compliance with the recommendations of the 12<sup>th</sup> Finance Commission. As per the provisions of this Act, the State Government was meant to take appropriate measures to reduce fiscal deficit and revenue deficit in order to eliminate revenue deficit and bring fiscal deficit down to 3% of the GSDP by the 31<sup>st</sup> March 2009. The State Government managed to achieve revenue surplus five years ahead of the scheduled period of 2008-09. The fiscal deficit as a percentage of GSDP was well within the limit as prescribed in the FRBM Act. In May 2016, the State Government passed the Chhattisgarh Fiscal Responsibility and Budget Management (Amendment) Act, 2016. According to this Act, the State Government shall, by rules, specify the fiscal rules suggested for the FRBM Acts of States by the Finance Commission.

### 4.2 Fiscal Consolidation Roadmap recommended by the 14<sup>th</sup> FC

**4.2.1:** The Fourteenth Finance Commission (14<sup>th</sup> FC) had prescribed a Fiscal Consolidation roadmap, fiscal deficit targets and annual borrowing limits for the States during the award period as enunciated below:

- i. Fiscal deficit of all States will be anchored to an annual limit of three per cent of GSDP. The States will be eligible for flexibility of 0.25 per cent over and above this for any given year for which the borrowing limits are to be fixed if their debt-GSDP ratio is less than or equal to 25 per cent in the preceding year.*
- ii. States will be further eligible for an additional borrowing limit of 0.25 per cent of GSDP in a given year for which the borrowing limits are to be fixed if the interest payments are less than or equal to 10 per cent of the revenue receipts in the preceding year.*

iii. The two options under these flexibility provisions can be availed of by a State either separately, if any of the above criteria is fulfilled, or simultaneously if both the above stated criteria are fulfilled. Thus, a State can have a maximum fiscal deficit-GSDP limit of 3.50 per cent in any given year.

iv. The flexibility in availing the additional limit under either of the two options or both will be available to a State only if there is no revenue deficit in the year in which borrowing limits are to be fixed and the immediately preceding year.

v. If a State is not able to fully utilise its sanctioned borrowing limit of three per cent of GSDP in any particular year during the first four years of the award period (2015-16 to 2018-19), it will have the option of availing this un-utilised borrowing amount (calculated in rupees) only in the following year but within the award period.

**4.2.2:** The performance of Chhattisgarh against the indicators used by the 14<sup>th</sup> FC in recommending the fiscal consolidation roadmap is given in Table 4.1 below.

**Table 4.1: Compliance with Fiscal Consolidation Roadmap**

	Interest Payment as % of Revenue Receipts	Fiscal Deficit as % of GSDP	Public Liabilities as % of GSDP	Revenue Deficit / Surplus (-)
	Threshold: 10%	Threshold: 3% (Enhanced 3.5%)	Ceiling: 25%	Threshold: Revenue Surplus
2015-16	4.66%	1.95%	16.15%	-2,367 Crores
2016-17	5.00%	1.54%	16.56%	-5,521 Crores
2017-18(RE)	4.52%	3.34%	18.18%	-3,188 Crores

Chhattisgarh has complied with the above fiscal consolidation roadmap and has satisfied both the necessary and sufficient conditions for additional borrowing set by the 14<sup>th</sup> FC, whereby Fiscal Deficit upto 3.5% of GSDP is permissible in a given year.

### 4.3 Trend of Fiscal Performance Parameters

**4.3.1:** Table 4.2 below gives the Revenue Deficit, Fiscal Deficit and Primary Deficit of Chhattisgarh, both in absolute terms, and as a % of GSDP.

**Table 4.2: Trend of Fiscal Parameters**

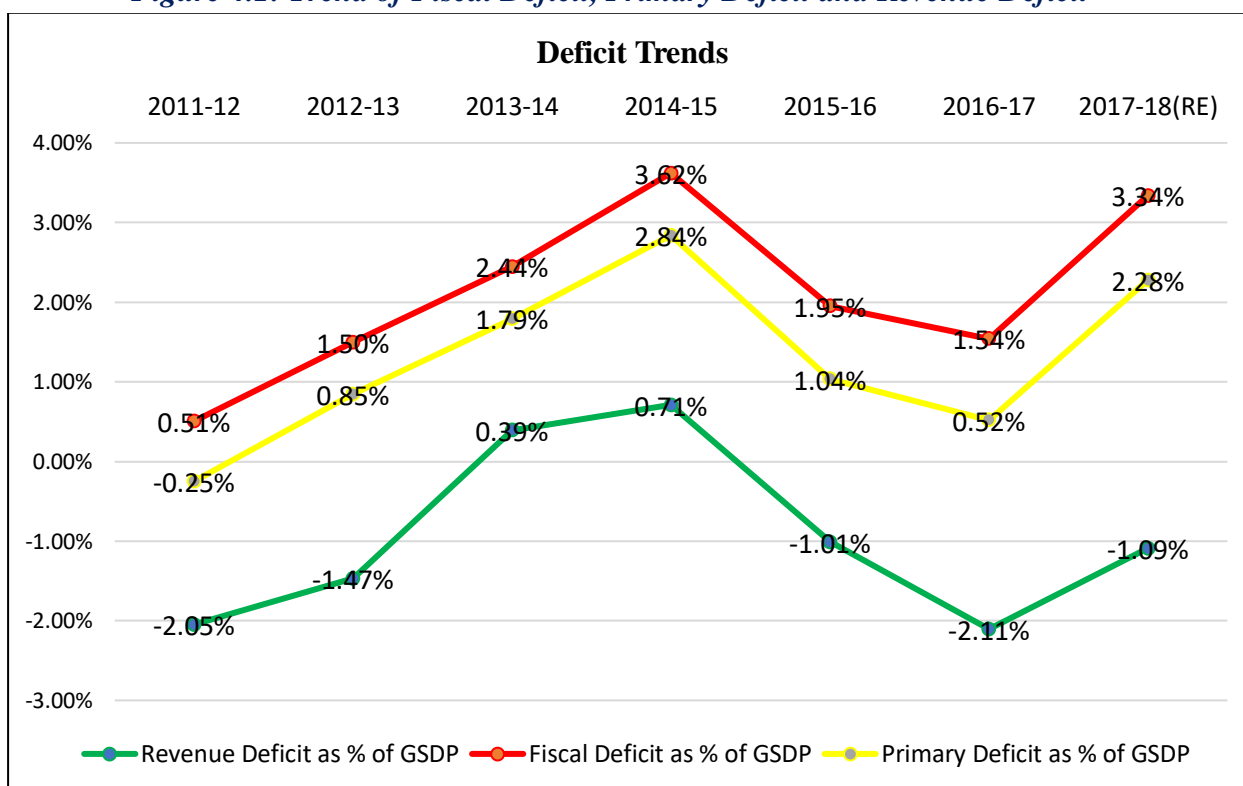
	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18 (RE)
Revenue Deficit*	-3,239	-2,606	809	1,573	-2,367	-5521	-3,188
Fiscal Deficit	801	2,655	5,057	8,008	4,574	4,047	9,738
Primary Deficit*	-392	1,502	3,706	6,281	2,425	1360	6639
GSDP	1,58,074	1,77,511	2,06,833	2,21,142	2,34,212	2,62,263	2,91,681
Revenue Deficit as % of GSDP	-2.05%	-1.47%	0.39%	0.71%	-1.01%	-2.11%	-1.09%
Fiscal Deficit as % of GSDP	0.51%	1.50%	2.44%	3.62%	1.95%	1.54%	3.34%
Primary Deficit as % of GSDP	-0.25%	0.85%	1.79%	2.84%	1.04%	0.52%	2.28%

\*Note: Negative denotes surplus

**4.3.2:** As evident from **Table 4.2** above, State had Revenue Surplus in all the years of the 14<sup>th</sup> FC award period, reaching a Revenue Surplus of Rs.3,188 crore during 2017-18(RE). The Revenue Surplus however, fell short of the projections made in Budget Estimate and Medium-Term Fiscal Policy Statement (MTFPS).

**4.3.3:** The trend of the three critical fiscal parameters as % of GSDP is shown in Figure 4.1 below

**Figure 4.1: Trend of Fiscal Deficit, Primary Deficit and Revenue Deficit**



The fiscal deficit of the State has ranged from 0.51% of the GSDP in 2011-12 to 3.62% of the GSDP in 2014-15. In the FC-14 award period from the year 2015-16 onwards,

the highest deficit has been 3.34% in in 2017-18(RE). The Fiscal Deficit during 2017-18, increased by Rs.5,690.52 crore from Rs.4,047.21 crore in 2016-17 to Rs 9,737.73 crore in 2017-18(RE). As a percentage of GSDP, this was an increase from 1.54% of the GSDP to 3.34% of GSDP. This is within the acceptable threshold level of 3.5 per cent recommended by the 14<sup>th</sup> FC and included in the state FRBM legislation.

**4.3.4:** The State has shown an increasing trend in the Fiscal Deficit despite the increase in Revenue Surplus over the last three years. The additional resource mobilised has been utilised in the higher Capital Expenditure in the corresponding period, as explained in Chapter 3 of this report.

#### 4.4. A comparison of State's Fiscal Performance with other States

Table 4.3 below gives a comparison of all states from 2015-16 to 2018-19(BE) using Fiscal deficit as a percentage of GSDP, Primary Deficit as a percentage of GSDP and Revenue Deficit as a percentage of GSDP. Figures in negative denote surpluses. As can be seen, Chhattisgarh is one of the few states that show surpluses on revenue.

**Table 4.3: Fiscal Performance Parameters of Non-Special Category States (All figures in % of GSDP)**

State	RD/ GSDP			GFD/ GSDP			PD/ GSDP		
	2015-16	2016-17	2017-18(RE)	2015-16	2016-17	2017-18(RE)	2015-16	2016-17	2017-18(RE)
<b>Non-Special Category States</b>	0.1	0.4	0.4	3.3	3.7	2.9	1.7	2	1.1
Andhra Pradesh	1.2	2.5	0.5	3.6	4.4	3.4	2	2.7	1.6
Bihar	-3.3	-2.5	-0.3	3.2	3.8	7.2	1.3	1.9	5.2
<b>Chhattisgarh</b>	-0.9	-1.9	-1	2.1	1.4	3	1.3	0.5	2
Goa	-0.2	-1.1	-0.4	2.7	1.5	4.6	0.8	-0.3	2.9
Gujarat	-0.2	-0.5	-0.5	2.2	1.4	1.7	0.7	-0.1	0.2
Haryana	2.4	2.9	1.4	6.5	4.8	2.8	4.8	2.9	0.9
Jharkhand	-1.8	-0.8	-2.8	5	4	2.5	3.5	2.3	0.9
Karnataka	-0.2	-0.1	0	1.9	2.5	2.8	0.8	1.5	1.7
Kerala	1.7	2.5	1.9	3.2	4.3	3.4	1.2	2.3	1.4
Madhya Pradesh	-1.1	-0.6	-0.1	2.7	4.3	3.4	1.1	2.9	1.7
Maharashtra	0.3	0.4	0.6	1.4	1.7	1.8	0.1	0.4	0.5
Odisha	-3.1	-2.5	-2.1	2.1	2.5	3.5	1.1	1.4	2.3
Punjab	2.2	1.7	3.1	4.4	12.3	4.5	1.9	9.6	1.2
Rajasthan	0.9	2.4	2.4	9.2	6.1	3.5	7.5	3.8	1.1
Tamil Nadu	1	1	1.3	2.8	4.3	2.8	1.3	2.7	1

Telangana	0	-0.2	-0.2	3.3	5.5	3.2	1.9	4.1	1.7
Uttar Pradesh	-1.3	-1.6	-1.4	5.2	4.5	3.1	3.3	2.4	0.8
West Bengal	1	1.5	0.9	2.3	2.4	2.4	-0.2	0	0.2

## 4.5 Debt position of the State

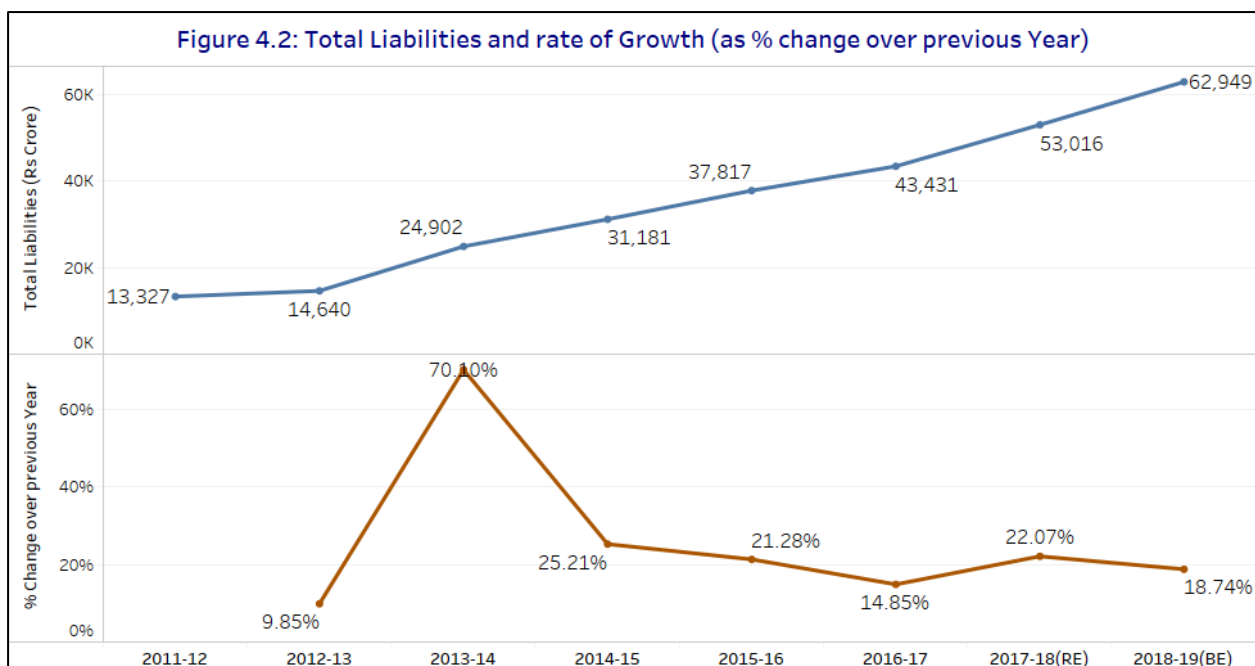
**4.5.1:** The total Liabilities of the State are generally accepted to have two components i.e. Public Debt and Other Liabilities. The first consists of Internal Debt of the State which includes market loans, loans from financial institutions, special securities issued to RBI, and loans and advances received from the Central Government These are liabilities under the Consolidated Fund of the State. Other fiscal liabilities are liabilities under Public Accounts which include deposits under Small Saving schemes, Provident Fund and other deposits.

**4.5.2:** The Debt position of the State with breakup of the components of Debt, both in absolute terms and as % of GSDP is shown in Table 4.4 below:

*Table 4.4: Public Debt and Other Liabilities of the State*

Year	Public Debt (PD)	PD as % of GSDP	Other Liabilities (OL)	OL as % of GSDP	Total Public Debt & other Liabilities	As % of GSDP	GSDP
2011-12	10,686	6.76%	2,641	1.67%	13,327	8.43%	1,58,074
2012-13	11,704	6.59%	2,936	1.65%	14,640	8.25%	1,77,511
2013-14	14,946	7.23%	9,956	4.81%	24,902	12.04%	2,06,833
2014-15	20,049	9.07%	11,132	5.03%	31,181	14.10%	2,21,142
2015-16	26,050	11.12%	11,766	5.02%	37,817	16.15%	2,34,212
2016-17	30,377	11.58%	13,053	4.98%	43,431	16.56%	2,62,263
2017-18 (RE)	39,445	13.52%	13,572	4.65%	53,016	18.18%	2,91,681
2018-19 (BE)	48,759	14.98%	14,190	4.36%	62,949	19.34%	3,25,506

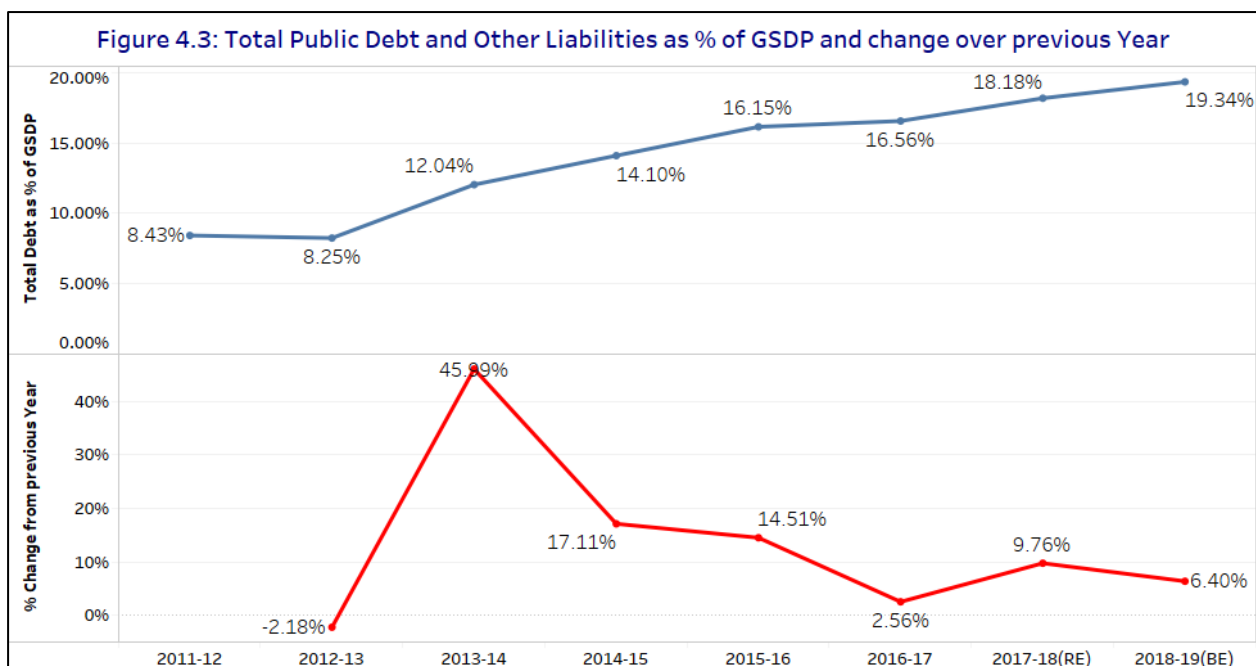
**4.5.3:** The total Public Debt and Liabilities and its rate of growth as measured as change from the previous year is shown in Figure 4.2 below:



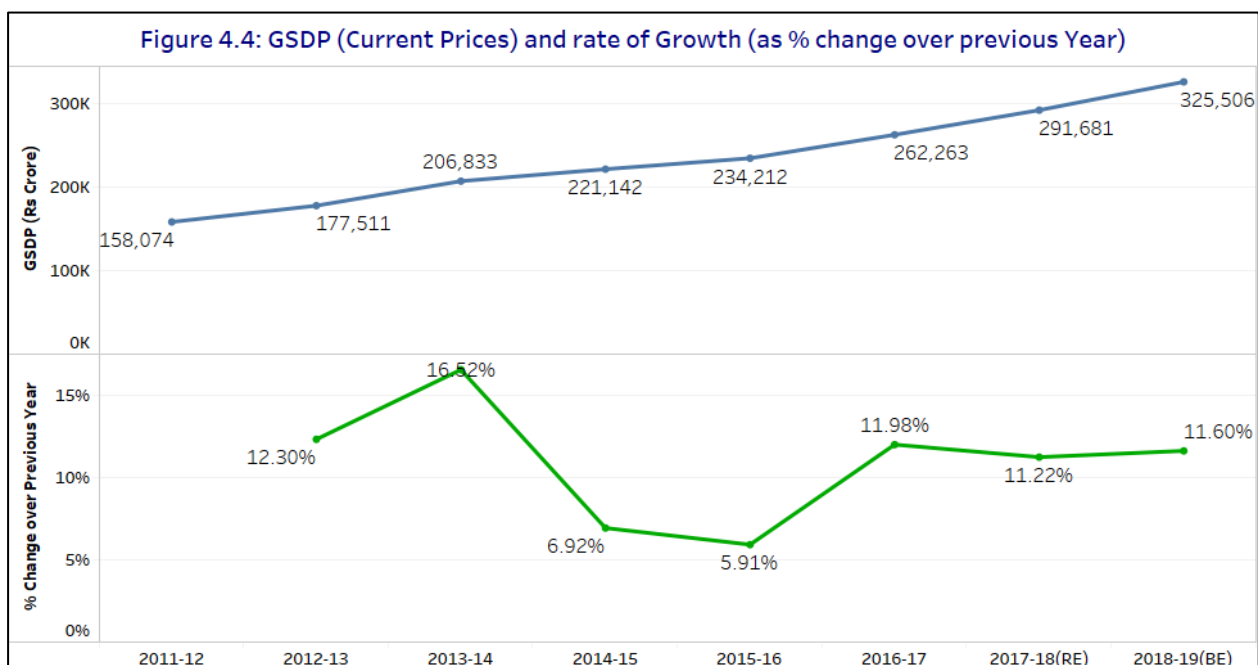
As can be seen in the figure above, the overall fiscal liabilities of the State increased from Rs.13,327 crore in 2011-12 to Rs. 53,016 Crore in 2017-18, and further projected at Rs 62,949 Crores as per 2018-19 (BE). The annual growth rate of fiscal liabilities during the last 5 years has exceeded 20%. The total fiscal liabilities of the State have not only increased over the years in absolute terms, but there is also an overall increase in the liabilities in relation to the GSDP. The Debt to GSDP has increased from 8.34% in 2011-12 to 18.18% in 2017(RE) and is further expected to increase to 19.34% by 2018-19 (BE).

The significant increase in Public Debt and Liabilities in 2013-14, a 70% jump over the previous year was primarily on account inclusion of Reserve Funds as well as Deposit and Advances under Public Account, which amounted to Rs 6753 Crores, in the total outstanding liabilities of the State. This was done in keeping with the instructions from C&AG of India. Further, the state also increased its open market borrowing in 2013-14 by Rs 1500 Crore.

However, the total Public Debt and Other Liabilities as % of GSDP has not increased at the same rate, as can be seen in Figure 4.3 below:



While in absolute terms, the total liabilities has increased four-fold from 2011-12 to 2017-18 (RE), increasing from Rs. 13,327 Crores to Rs. 53,016 Crores, there has not been a similar increase in Debt as a percentage of GSDP on account of the sustained increase in GSDP. Figure 4.4 below shows the growth of GSDP over this period.



**4.5.4:** While there has been a continued increase in the Total Liabilities of the State in both absolute amount and as % of GSDP, the debt-GSDP ratio of the State has

consistently been better than those of all non-special category States since 2004 till date, as may be seen in Table 4.5 below:

**Table 4.5: Debt/GSDP Ratio Comparison with Other States**

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
<b>All States (Non-special Category)</b>	23.5	22.8	22.2	22.0	21.7	23.2	23.9
<b>Chhattisgarh</b>	11.3	12.1	12.6	14.1	16.8	16.6	18.2

#### 4.6 Utilisation of Debt

As mentioned earlier, the State has shown an increasing trend in the Fiscal Deficit despite the increase in Revenue Surplus over the last three years. The additional resource mobilised has been utilised in the higher Capital Expenditure in the corresponding period, as explained in Chapter 3 of this report. Table 4.6 below shows the breakup of total expenditure of the State Government.

**Table 4.6: Breakup of Expenditure**

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18 (RE)
Revenue Expenditure	80.9%	79.8%	84.8%	85.6%	84.3%	83.2%	83.2%
Capital Expenditure (Outlay)	14.5%	14.6%	11.8%	14.2%	15.3%	16.4%	16.2%
Loans and Advances	4.5%	5.6%	3.4%	0.2%	0.3%	0.5%	0.6%
<b>Total Expenditure</b>	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

As can be seen, Capital Expenditure has accounted for about 16% of the total expenditure in the last few years. As per the RBI report on State Finances (July 2018), Chhattisgarh stands 7<sup>th</sup> among the non-special category states with respect to Capital Expenditure as a percentage of GSDP. Table 4.7 below shows the Capital outlay of all non-special category states.

**Table 4.7 Capital Outlay of various States as % of GSDP**

State	2015-16	2016-17 (RE)	2017-18 (BE)	Average
Non-Special Category	2.5	2.6	2.7	2.6
All States	2.4	2.8	2.9	2.7
	<b>More than 4 %</b>			
Bihar	6.3	6.9	6.6	6.6
Uttar Pradesh	5.8	5.9	4.0	5.2
Odisha	5.2	4.8	5.0	5.0



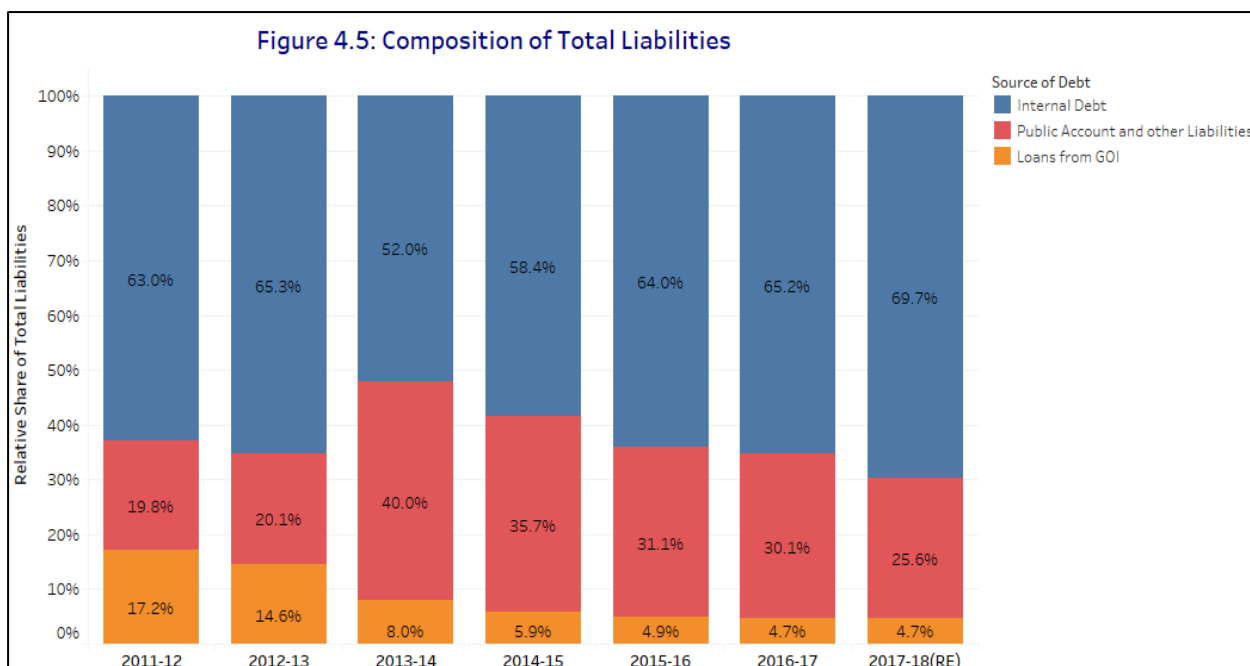
State	2015-16	2016-17 (RE)	2017-18 (BE)	Average
Goa	3.0	4.9	5.7	4.5
Jharkhand	3.5	4.4	4.5	4.1
	<b>Between 2 % and 4%</b>			
Madhya Pradesh	3.2	4.2	4.4	3.9
<b>Chhattisgarh</b>	3.0	4.2	4.4	3.9
Telangana	2.4	3.3	4.2	3.3
Rajasthan	3.2	2.4	3.0	2.9
Andhra Pradesh	2.3	2.0	2.7	2.3
Gujarat	2.4	2.1	2.2	2.2
Karnataka	2.0	2.2	2.5	2.2
	<b>Less than 2 %</b>			
Tamil Nadu	1.6	1.9	1.9	1.8
Haryana	1.4	1.3	1.8	1.5
West Bengal	1.3	1.4	1.6	1.4
Kerala	1.3	1.4	1.3	1.3
Maharashtra	1.1	1.3	1.3	1.2
Punjab	0.8	1.4	1.3	1.2

#### 4.7 Debt Profile and Financing of Debt

The detailed composition of Total Liabilities outstanding during the last 5 years is given in Table 4.8 below. The relative share of the different components of the liabilities is shown in Figure 4.5

*Table 4.8: Composition of Public Debt (in Rs. Cr)*

Year	Internal Debt	Loans from GOI	Public Account and other Liabilities	Total Liabilities
2011-12	8,396	2,290	2,641	13,327
2012-13	9,567	2,137	2,936	14,640
2013-14	12,943	2,003	9,956	24,902
2014-15	18,195	1,854	11,132	31,181
2015-16	24,215	1,836	11,766	37,817
2016-17	28,330	2,047	13,053	43,431
2017-18(RE)	36,959	2,486	13,571	53,016



As can be seen in the figure above, Internal Debt raised from the Market accounts for an increasing share of the total liabilities of the State.

The State has primarily relied on market borrowing to finance the Fiscal Deficit. The decomposition of figures till 2015-16 for internal debt source from the RBI study on States for 2017-18 and 2018-19 show that from 2012-13 onwards the State has been using market loans for its internal debt and that constitutes more than 65% of the internal debt. The State's reliance on loans from the Centre has gone down considerably. However, by 2017-18(RE), there is still Rs. 2,486 Crores of loan from Central Government.

Chhattisgarh, along with most States, is excluded from the investments of National Small Savings Fund from 1.4.2016 onwards. Therefore, market borrowings remain the primary source available to the State to fund its development plan.

#### **4.8 Assessment of Debt Sustainability**

In the simplest terms, Debt is said to be sustainable if the borrower can service it now and in the future. At the same time, Debt sustainability is fundamentally a probabilistic concept: Debt is rarely sustainable with probability of one. The succeeding paragraphs attempt to provide relevant information to assess the debt sustainability of Chhattisgarh.

#### 4.8.1 Performance comparison against 14<sup>th</sup> FC Consolidation Parameters

The key fiscal parameters of Chhattisgarh are given in Table 4.9 below:

*Table 4.9: Key Fiscal Parameters of Chhattisgarh*

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18 (RE)
Revenue Deficit as % of GSDP	-2.05%	-1.47%	0.39%	0.71%	-1.01%	-2.11%	-1.09%
Fiscal Deficit as % of GSDP	0.51%	1.50%	2.44%	3.62%	1.95%	1.54%	3.34%
Primary Deficit as % of GSDP	-0.25%	0.85%	1.79%	2.84%	1.04%	0.52%	2.28%
Interest Payment as % of Revenue Receipts	4.61%	3.90%	4.22%	4.55%	4.66%	5.00%	4.52%
Total Public Liabilities as % of GSDP	8.43%	8.25%	12.04%	14.10%	16.15%	16.56%	18.18%

The value of the various fiscal parameters above of Chhattisgarh are in keeping with Fiscal consolidation roadmap recommended by the 14<sup>th</sup> FC. The emphasis placed by the 14<sup>th</sup> FC on the various parameters and thresholds is given in Table 4.10 below:

*Table 4.10: Fiscal Consolidation Parameters by 14<sup>th</sup> FC*

Parameter	Threshold/Ceiling
Debt to GSDP	Debt should be <b>less than 25%</b> of GSDP
Interest Payment to Revenue Receipts	Interest Payment should be <b>less than 10%</b> of Revenue Receipts
Fiscal Deficit to GSDP	Fiscal Deficit should be <b>less than 3%</b> (enhanced limit of 3.5%) of GSDP
Revenue Deficit to GSDP	There should be <b>no Revenue Deficit</b>

Comparing the above threshold/Ceiling to the various fiscal parameters listed in Table 4.9 above, it is clear that Chhattisgarh has followed the Fiscal consolidation roadmap. However, this by itself does not imply sustainability of Debt. For one, the Debt to GSDP ratio in case of Chhattisgarh is clearly showing an increasing trend. In six years, it has more than doubled from 8.43% of GSDP in 2011-12 to 18.18% of GSDP in 2017-18(RE).

#### 4.8.2 Debt Sustainability Indicators

Blanchard (1990) put forward two conditions of sustainability – (i) the ratio of debt to GNP should eventually converge back to its initial level and (ii) the present discounted value of the ratio of primary surpluses to GNP should be equal to the current level of debt to GNP.

Some of the common debt sustainability indicators have been defined in Table 4.11 below:

**Table 4.11: Debt Sustainability Indicators**

S.no	Indicators	Symbolical Representation	Interpretation
1.	Rate of Growth of GDP(Y) should be more than Rate of Growth of Debt (D)	$Y-D > 0$	Assess the sustainability in aggregate terms and test the essential condition that growth of income must exceed growth of debt. Real output growth (y) should be higher than rate of interest (r).
2a	Real Output Growth (y) should be higher than Real Interest Rate (r) Growth.	$y-r > 0$	
2b	Rate of growth of debt (D) should be lower than effective interest rate (i)	$D-i < 0$	
3a	Primary Deficit (PD) should not be rising faster than GDP	$PD/GDP < 0$	Tests the sustainability from the point of view of revenue account. Additional condition that primary deficit must be declining, and sufficient surplus must be generated to repay current debt stock.
3b	Primary Revenue Balance (PRB) should be in surplus and adequate enough to meet interest payment (IP)	$[PRB-IP > 0]$	
4	Proportion of Repayment (REP) to Gross Borrowing (TGB) should be falling over time.	$[REP/TGB \downarrow \downarrow]$	Measures debt trap situation. If the interest payment and repayment exceed total gross borrowings, economy said to be in debt trap.
5	Interest payments (IP) and Repayments (REP) adjusted for Primary Revenue Balance (PRB) should not exceed Total Gross Borrowing (TGB)	$[(IP+REP-PRB)/TGB] < 1]$	
6a	Interest Burden Defined by Interest Payments (IP) to GDP ratio should decline over time.	$[IP/GDP \downarrow \downarrow]$	Interest payment as proportion to GSDP, revenue receipts, as well as revenue expenditure should be falling over time.
6b	Interest Payments (IP) as per cent of Revenue Expenditure (RE) should decline over time.	$[IP/RE \downarrow \downarrow]$	
6c	Interest Payments (IP) as a per cent of Revenue Receipts (RR) should decline over time.	$[IP/RR \downarrow \downarrow]$	
7a	Debt to revenue receipts ratio should decline over time.	$D/RR \downarrow \downarrow]$	Debt as proportion to revenue receipts, as well as Tax and non -tax revenue should be falling over time.
7b	Debt to tax revenue ratio should decline over time	$D/TR \downarrow \downarrow]$	
7c	Debt to own tax revenue ratio should decline over time	$D/OTR \downarrow \downarrow]$	

Note: (i) Net Primary Revenue Balance (NPRB) = RD-(IP-IR) (ii) Primary Revenue Balance (PRB) = RD-IP (iii) REP- Repayments of Government Debt (iii) TGB=Total Gross Borrowing

### 4.8.3 Recommendations of the FRBM Review Committee on Debt and its sustainability

The FRBM Review Committee report released in January 2017 had made the following key recommendations:

**(a) Debt to GDP ratio:** The Committee suggested using debt as the primary target for fiscal policy. A debt to GDP ratio of 60% should be targeted with a 40% limit for the Centre and 20% limit for the States as a whole. It noted that majority of the countries that have adopted fiscal rules have targeted a debt to GDP ratio of 60%. The targeted debt to GDP ratio should be achieved by 2023. In 2017, this ratio of Debt to GDP for general government was expected to be around 70%.

**(b) Yearly Targets:** To achieve the targeted debt to GDP ratio, the committee recommended adopting fiscal deficit as the key operational target consistent with achieving the medium-term debt ceiling. In case of Centre, it proposed yearly targets to progressively reduce the fiscal and revenue deficits till 2023. The recommended path

for Fiscal deficit for Centre was - 3.0% in FY18-FY20, 2.8% in FY21, 2.6% in FY22, and 2.5% in FY23. Similarly, for Revenue deficit, the Committee recommended in case of Centre, a steady decline by 0.25 percentage points each year with the following path: 2.3% in FY17, 2.05% in FY18, 1.8% in FY19, 1.55% in FY20, 1.30% in FY21, 1.05% in FY22, and 0.8% in FY23.

The Committee however did not recommend inter-se debt levels for individual States, apart from the overall targeted limit of 20% of Debt to GSDP for the States as a whole. It instead recommended that the Union government entrust this task to the 15<sup>th</sup> Finance Commission, as the inter-se debt levels are outcomes of ceilings placed by the Centre on individual states, which in turn is based on the state FRLs and recommendations of the Finance Commission.

#### **4.8.4 Maturity profile of State Debt**

The maturity profile of the State debt for repayment by the State is given in the table below:

*Table 4.12: Maturity Profile of the State Debt (Rs in Crore)*

<b>Years</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>Percentage to Total Debt</b>
0-5	4,252.03	3914.35	4207.57	5828.95	5934.05	23
6-10	3,115.08	3204.48	7937.95	11849.84	17028.20	65
11-15	1,958.45	3312.46	1674.14	1553.25	1846.17	07
16-20	1,012.50	802.49	658.63	528.11	448.46	02
20 and above	347.50	470.22	467.95	289.04	793.26	03
<b>Total</b>	<b>10,685.56</b>	<b>11704.00</b>	<b>14946.24</b>	<b>20049.19</b>	<b>26050.14</b>	

The aging of debt profile is not uniform, which would call for the State to borrow large amounts in certain period for repayment/rolling over of debt. This will put additional burden on meeting the fiscal deficit targets.

#### **4.8.5 Assessing Debt Sustainability**

There are multiple indicators of debt sustainability, which have been listed in para 4.8.2 above. The FRBM Committee too had reviewed various models, and finally taken the considered decision that it is best to keep debt as the primary target of Fiscal policy with a target of 60% for the government as a whole, and fiscal deficit as the operational target. The Committee, in its report, had also made projections of Debt to GDP for a

range of primary and fiscal deficit trajectories. These were based on varying two important parameters – nominal growth rate (g) of GDP, and nominal interest rate (r) of debt.

In case of Chhattisgarh, the nominal rate of GSDP growth (g) over the last three years has been 11.6%, which is greater than rate of Interest at which internal debt has been/is raised.

The FRBM Committee had run simulations of nominal interest rate(r) varying from 7.3% to 8.5% and nominal growth (g) varying from 10.5 to 12%.

A similar simulation was run in case of Chhattisgarh to see the level of Primary Deficit that can be incurred by Chhattisgarh while meeting the Debt to GSDP target of 20% recommended by the FRBM committee.

As per 2018-19(BE), the Debt to GSDP of Chhattisgarh is already at 19.34%, which leaves very little room to incur additional debt. Chhattisgarh has always had a very low interest burden on account of lower debt, hence its primary deficit was very close to its fiscal deficit. However, on account of the sharp rise in Debt to GSDP over the last few years, the interest payments have started increasing.

**Table 4.13: Primary Deficit and Interest Payment Trend**

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18(RE)
<b>Primary Deficit</b> as % of GSDP	-0.25%	0.85%	1.79%	2.84%	1.04%	0.52%	2.28%
<b>Interest Payment</b> as % of Revenue Receipts	4.61%	3.90%	4.22%	4.55%	4.66%	5.00%	4.52%

The permissible level of Primary Deficit which would allow the debt to GSDP to remain stable at the current level of 19.34 % (BE 2018-19), which is close to the 20% limit recommended by FRBM committee, is given in Table 4.14 below for different levels of nominal growth rate (g) of GDP, and interest rate (r) of debt.

**Table 4.14: Permissible Primary Deficit for Debt to be stable at Current Level (19.34% of GSDP)**

		<b>Nominal Interest rate (r) of debt</b>						
		<b>7.00%</b>	<b>7.25%</b>	<b>7.50%</b>	<b>7.75%</b>	<b>8.00%</b>	<b>8.25%</b>	<b>8.50%</b>
<b>Nominal</b>	<b>10.00%</b>	-0.53%	-0.48%	-0.44%	-0.40%	-0.35%	-0.31%	<b>-0.26%</b>
	<b>10.25%</b>	-0.57%	-0.53%	-0.48%	-0.44%	-0.39%	-0.35%	-0.31%
	<b>10.50%</b>	-0.61%	-0.57%	-0.53%	-0.48%	-0.44%	-0.39%	-0.35%

<b>10.75%</b>	-0.65%	-0.61%	-0.57%	-0.52%	-0.48%	-0.44%	-0.39%
<b>11.00%</b>	-0.70%	-0.65%	-0.61%	-0.57%	-0.52%	-0.48%	-0.44%
<b>11.25%</b>	-0.74%	-0.70%	-0.65%	-0.61%	-0.56%	-0.52%	-0.48%
<b>11.50%</b>	-0.78%	-0.74%	-0.69%	-0.65%	-0.61%	-0.56%	-0.52%
<b>11.75%</b>	-0.82%	-0.78%	-0.74%	-0.69%	-0.65%	-0.61%	-0.56%
<b>12.00%</b>	-0.86%	-0.82%	-0.78%	-0.73%	-0.69%	-0.65%	-0.60%
<b>12.25%</b>	-0.90%	-0.86%	-0.82%	-0.78%	-0.73%	-0.69%	-0.65%
<b>12.50%</b>	<b>-0.95%</b>	-0.90%	-0.86%	-0.82%	-0.77%	-0.73%	-0.69%

The maximum permissible Primary deficit as computed in the Table 4.14 above is 0.95%, which occurs under the twin fortuitous circumstance of a GDP growth rate of 12.5% and Interest rate of 7%. At the other extreme, the permissible Primary deficit could be as low as 0.26% if the GSDP growth rate is lower (10%) and Interest rate is higher (8.5%).

Chhattisgarh has averaged a Primary Deficit of 1.28% in the last three years, with 2.28% in 2017-18(RE). This is higher than the best possible case of a permissible Primary Deficit of 0.95 % of GSDP. Thus, Chhattisgarh is left with very little leeway to increase or even sustain its current borrowing rate leading to a Fiscal Deficit of 3% or higher to fund its development expenditure.

Thus, while all fiscal indicators imply that Chhattisgarh has been fiscally prudent, consistently maintaining a Revenue Surplus, while keeping its Debt to GSDP below 20%, which is lower than the levels shown by many other Non-Special category States, it is very likely to exceed the Debt to GSDP level of 20% sooner, rather than later.

As mentioned in the beginning of this section - Debt sustainability is fundamentally a probabilistic concept. It is difficult to say the exact level beyond which the debt becomes unsustainable for sure. Limiting all States to the same limit of Debt to GSDP of 20% may not be the best solution – as each State would have a different initial Debt to GSDP, and different resource base for economic development.

## **4.9 Sustainable Debt Roadmap for Chhattisgarh**

**4.9.1:** As brought out in Section 4.8 above, the Debt to GSDP ratio of Chhattisgarh is estimated at 19.34 % as per BE 2018-19), which is very close to the 20% limit for the States taken together recommended by the FRBM review committee. To maintain the Debt to GSDP ratio at this level would call for a maximum permissible Primary deficit

(computed in Table 4.14 above) of 0.95%. As Chhattisgarh has averaged a Primary Deficit of 1.28% in the last three years, the debt to GSDP is unlikely to remain stable at or below 20%, given the current borrowing rate with a Fiscal Deficit of 3% or higher.

**4.9.2:** The state has ramped up its Capital expenditure in the recent past, and looking at its relatively underdeveloped infrastructure, is likely to continue with this approach of borrowing to fund development projects. It would be possible for the State to stabilise at a Debt to GSDP level of 25% over the next 10 years by incurring a fiscal deficit of maximum 3.5% of GSDP for the five years of the 15<sup>th</sup> FC award period, and thereafter, reduce the Fiscal Deficit to 3% such that the debt to GSDP stabilises around 25% by end of FY 2029-30. From 20130-31, a slight 5% reduction in Fiscal Deficit to 2.85% will see the Debt to GSDP stabilize at 25%. The debt roadmap leading to a stable Debt to GSDP of 25% is shown in Table 4.15 below. This has been prepared assuming a nominal interest rate of 7.3% and a conservative nominal growth rate in GSDP of 11.5%

*Table 4.15: Debt Roadmap with Sustainable Debt to GSDP of 25%*

Financial Year	Beginning Debt to GSDP	Primary Deficit	Fiscal Deficit	Interest Payment	Ending Debt to GSDP
2020-21	20.00%	2.04%	<b>3.50%</b>	1.46%	<b>21.08%</b>
2021-22	21.08%	1.96%	<b>3.50%</b>	1.54%	<b>22.04%</b>
2022-23	22.04%	1.89%	<b>3.50%</b>	1.61%	<b>22.91%</b>
2023-24	22.91%	1.83%	<b>3.50%</b>	1.67%	<b>23.68%</b>
2024-25	23.68%	1.77%	<b>3.50%</b>	1.73%	<b>24.38%</b>
2025-26	24.38%	1.22%	<b>3.00%</b>	1.78%	<b>24.56%</b>
2026-27	24.56%	1.21%	<b>3.00%</b>	1.79%	<b>24.71%</b>
2027-28	24.71%	1.20%	<b>3.00%</b>	1.80%	<b>24.86%</b>
2028-29	24.86%	1.19%	<b>3.00%</b>	1.81%	<b>24.98%</b>
2029-30	24.98%	1.18%	<b>3.00%</b>	1.82%	<b>25.10%</b>
2030-31	25.10%	1.02%	<b>2.85%</b>	1.83%	<b>25.06%</b>
2031-32	25.06%	1.02%	<b>2.85%</b>	1.83%	<b>25.03%</b>
2032-33	25.03%	1.02%	<b>2.85%</b>	1.83%	<b>25.01%</b>
2033-34	25.01%	1.02%	<b>2.85%</b>	1.83%	<b>24.99%</b>
2034-35	24.99%	1.03%	<b>2.85%</b>	1.82%	<b>24.96%</b>

#### **4.10 Contingent Liabilities of State**

State Government guarantees are contingent liabilities on the Consolidated Fund of the State in that it becomes a liability in case of default by the borrower to whom the guarantee has been extended. The maximum amount for which guarantees were



extended by the State and the position of such guarantees during the last five years (2011-12 to 2015-16) are given in the Table 4.15 below:

**Table 4.15: Guarantees given by the Government of Chhattisgarh (Rs. in Crore)**

Guarantees	2011-12	2012-13	2013-14	2014-15	2015-16
Maximum amount guaranteed	7,079.29	6,605.49	7,571.99	9,080.06	14,883.41
Outstanding amount of Guarantees	2,637.40	2,694.90	3,358.27	2,314.47	1,988.24
Revenue Receipts	25,867.38	29,578.09	32,050.26	37,988.01	46,067.71
Percentage of maximum amount guaranteed to total Revenue Receipts	27.37	22.33	23.63	23.90	32.31

Although no separate law under Article 293 of the Constitution has been passed by the State specifying limits within which Government may give guarantee on security of the Consolidated Fund of the State, limits on Government guarantees have been fixed as per the recommendations of 12<sup>th</sup> FC and the 13<sup>th</sup> FC, and made part of the FRBM Act. However, The FRBM Act of the State includes a provision that the State Government shall not give new guarantees in excess of 1.5 per cent of Gross State Domestic Product in nominal terms or 0.5 per cent on risk-weighted basis in a year whichever is lower. The maximum amount for which guarantee was given by the State and outstanding guarantees for the last five years are given in Table above. The guarantees extended as at the end of 2015-16 are much below this limit.

The outstanding guarantees and the end of 2015-16 stood at Rs.1,988 crore. The major portion of these guarantees were given to Co-operatives (Rs 1000.15 crore) and Power (Rs 827.46 crore),

The outstanding amount of guarantees in the nature of contingent liabilities was about 4.32 per cent of the total Revenue Receipts of the State. The new guarantees were within the prescribed limit of 1.5 per cent of GSDP provided in the FRBM Act. The maximum amount guaranteed constituted about 32% of the total revenue receipts of the State. While the outstanding guarantees have come down significantly over the period of five

years, the amount of guarantees with respect to the total revenue has increased significantly from 27% in 2011-12 to 32% in 2015-16. All the guarantees given by the State Government were classified by it as either of medium or low risk.

#### **4.11 Conclusion**

The current level of Debt as a percentage of GSDP is set to rise. Several related developments which have a bearing on the debt/fiscal sustainability of state over the medium term need to be taken into account for a balanced assessment. Firstly, the State is borrowing much more, and incurring a larger Fiscal Deficit, though within the upper limit of 3.5% recommended by the 14<sup>th</sup> FC. Secondly, the interest liabilities due to financial restructuring of DISCOMs (through UDAY) would increase, going forward. Moreover, additional provisions are required to be made by the state governments for extending financial support to these utilities in case they continue to incur losses in future. So far, the state has managed its UDAY liability well. Third, the committed liabilities of State would increase as it has implemented the recommendations of its pay commissions in 2017- 18. Fourthly, any loan waivers announced would worsen the situation. However, all this does not take away the overall assessment of sound fiscal management by the State as evidenced by the fiscal parameters. The inter-se apportionment of Debt to GSDP across the States as to meet the target of 20% for the States as a whole would call for an examination of the development needs of the various States by the Finance Commission. Chhattisgarh is already close to the limit of 20%, and thus has very limited room for incurring additional debt if this ceiling is recommended uniformly for all states. A debt to GSDP of 25% appears to be sustainable target for Chhattisgarh.

Some part of the role played by the erstwhile Planning Commission may have to be taken on by the Finance Commission, through a judicious mix of Grants-in-Aid, inter-se devolution, and inter-se debt levels for individual States, to ensure a balanced development of all States.

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## **Chapter 5: Transfers to Urban and Rural Local Bodies**

### **5.1 Constitutional Amendment**

Twenty-five years ago, the Indian Constitution underwent what is arguably its most significant transformation with the passage of the 73<sup>rd</sup> (mandating the creation of panchayats) and the 74<sup>th</sup> (creation of municipalities) Constitutional Amendments. While the 73<sup>rd</sup> Amendment came into force on April 24, 1993, the 74<sup>th</sup> Amendment came into effect on June 1, 1993. Pursuant to this, Madhya Pradesh, of which Chhattisgarh was earlier a part, took steps to enact necessary State legislation to make the local bodies functional.

### **5.2 Population of the State**

As per details from Census 2011, Chhattisgarh has a population of 25,545,198, an increase from the figure of 20,833,803 in the 2001 census. The total population growth in this decade was 22.61 percent while in the previous decade it was 18.06 percent. The population of Chhattisgarh forms 2.11 percent of India in 2011. Chhattisgarh is a predominantly a rural State. Out of 2.55 crore population in the state, 78% lives in rural areas and 22%, i.e., 58 lakh people live in urban areas. About one-third of the population (37%) belongs to scheduled tribes. About 58.2% of the area falls under Schedule V and 46.03% of the total panchayats in schedule area come under provisions of Panchayat (Extension to Schedule Areas) act, 1996. Of the total 27 districts in the state, 13 are fully covered under PESA while 6 districts are partially covered. There are 14 Left Wing Extremism (LWE) affected districts of which 10 are fully PESA districts and the remaining 04 are partially covered under PESA.

### **5.3 Overview of Rural Local Bodies in Chhattisgarh**

**5.3.1:** In the case of Chhattisgarh, the Panchayati Raj legislation in force in Madhya Pradesh at the time the State was divided became applicable to it. It is that law – now called the *Chhattisgarh Panchayat Raj Adhiniyam, 1993* - which forms the basis of the current panchayat system in place in the State. Chhattisgarh operates a three-tier panchayat system, which is intended to bring government closer to the people. The three-tier system consists

of Gram Panchayats at the village level, Janpad Panchayat at the intermediate (block) level and Zila Panchayat at the district level. Additionally, there is the Gram Sabha, which is the basic unit in the Panchayati Raj mechanism. The present number is given in **Table 5.1** below.

*Table 5.1: Number of Rural Local Bodies in Chhattisgarh*

S.No.	Description	Number
1	Total number of Districts	27
2	Total number of district panchayats (Zila Panchayats - ZP)	27
3	Total number of block panchayats (Janpad Panchayats - JP)	146
4	Total number of Gram panchayats	10,976
5	Total number of villages	20,199

**5.3.2:** As per the 2011 Census, average population served by PRIs is 1786 per gram Panchayat. The average area covered by a Gram Panchayat (GP) as per 2011 census is 6 sq km. In many districts, the habitations in a village are scattered, each area having a few hamlets. A GP, therefore, covers not only the villages, but also a number of habitations, and provides basic civic services like drinking water, street lighting, scavenging, and sanitation.

**5.3.3** The state has a large area covered by the **Panchayats (Extension of Scheduled Areas) Act (PESA)**. One third of the entire population of Chhattisgarh is tribal. The PESA covered PRIs in Chhattisgarh is given in Table 5.2 below:

*Table 5.2: PESA PRIs in Chhattisgarh*

S.No.	Description	Zilla (Districts)	Janpad (Blocks)	Gram Panchayat
1	Fully covered under PESA	13	69	5,050
2	Partly covered under PESA	6	16	
	Total	19	85	5,050

## **5.4 Overview of Urban Local Bodies in Chhattisgarh**

**5.4.1:** Article 243Q of the Constitution envisages that in every state there shall be constituted Municipal Corporations for large areas, Municipal Councils for small areas and

Nagar Panchayats for areas under transition from rural to urban. Article 243W states that the legislature may by law endow the municipalities with such powers and authority as may be necessary to enable them to function as institution of self-governance and any such law may contain provisions for devolution of powers and responsibilities upon municipalities. MP/Chhattisgarh Municipalities Act 1961 was enacted by then undivided MP and was adopted (August 2001) in Chhattisgarh with the objective of consolidating and amending the law relating to municipalities for better governance.

**5.4.2:** The 58-lakh urban population of Chhattisgarh is distributed across 182 towns. In 1991 there were 78 towns which increased to 97 in 2001 and further to 182 as per the most recent census. The number and category of Urban Local Bodies is given in Table 5.2 below:

**Table 5.3: Number and Category of Urban Local Bodies in Chhattisgarh**

Category of ULBs	Number of ULBs 2015	Population as per Census (2011)	Projected Population (2021) 29%* increase to 2011 Census	Projected Population (2025) 45%* increase to 2011 Census
Municipal Corporations	13	35,72,820	46,08,900	51,80,600
Municipal Councils	44	11,70,977	15,10,600	16,97,900
Nagar Panchayats	111	10,14,103	13,08,200	14,70,400
<b>Total</b>	<b>168</b>	<b>57,57,900</b>	<b>74,27,700</b>	<b>83,48,900</b>

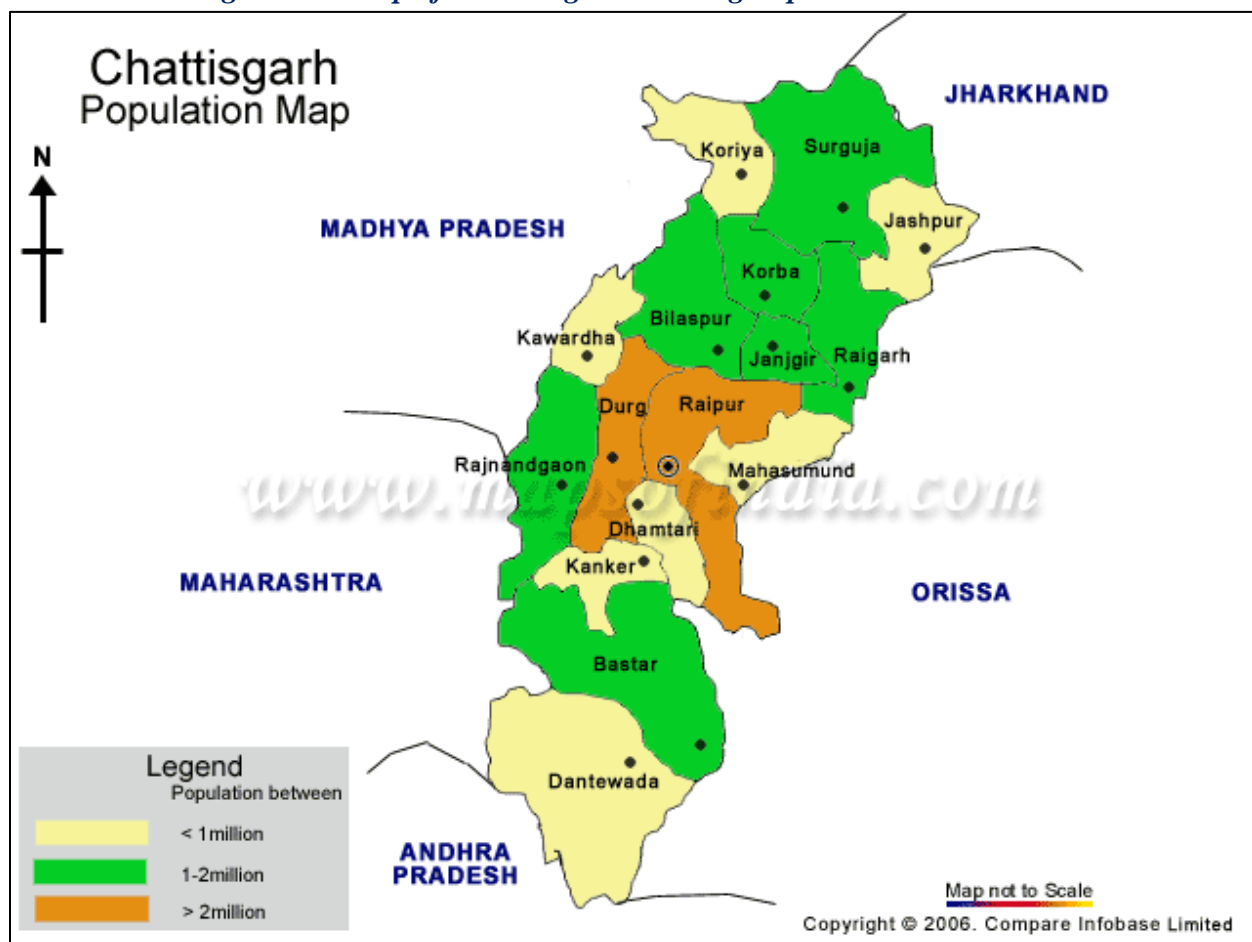
\* Projection made by State Government (With 2.6% annual growth)

Amongst the urban centres, the city Raipur of Chhattisgarh is the largest one having more than one million population. The next largest is the urban agglomerate of Durg and Bilai combined, which together has a population of under one million. The three districts of Chhattisgarh namely Raipur, Korba and Durg were the most urbanized districts (30-40 percent) in the year 2001. But in the 2011 census, Koriya district was also included in the range of 30-40%. These four districts (Raipur, Korba, Durg and Koriya) have the largest share (more than half, at 57.6%) of the urban population of Chhattisgarh. There are 8 cities

between 1 to 10 lakh population and 6 cities between 1 lakh to 50,000 population and 153 towns having population less than 50,000. The urban population is concentrated mainly in the state's midsection and near Raigarh in the east. Raipur, Durg-Bhilai Nagar and Bilaspur have become major urban agglomerations, each with a good industrial base.

Figure 5.1 below shows the broad distribution of the population on the map of Chhattisgarh and Table 5.3 depicts the urban agglomerations.

*Figure 5.1: Map of Chhattisgarh showing Population Distribution*



*Table 5.4: Urban agglomerations with a population above 1 lakh as per 2011 census<sup>3</sup>.*

Urban Agglomeration	District	Type	Population 2011
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<sup>3</sup> ↑ ["Urban Agglomerations and Cities"](#) (PDF). *Provisional Population Totals, Census of India 2011*. Retrieved 2012-04-16.

↑ ["Constituents of urban Agglomerations Having Population 1 Lakh & above"](#) (PDF). *Provisional Population Totals, Census of India 2011*. Retrieved 2012-04-16.

Raipur	Raipur district	M Corp.	1,010,087
Durg - Bhilai	Durg district	M Corp.2	894376
Bilaspur	Bilaspur district	M Corp.	330,106
Korba	Korba district	M Corp.	363,210
Rajnandgaon	Rajnandgaon district	M Corp.	263122
Raigarh	Raigarh district	M Corp.	100,097
Jagdalpur	Bastar district	M Corp.	125,345
Ambikapur	Surguja district	M Corp.	114,575
Chirmiri	Koriya district	M Corp.	103,575
Pakhanjore	kanker district	M	142,240
Dhamtari	Dhamtari district	M	101,677
Mahasamund	Mahasamund district	M	96,850

**5.4.3:** Urbanisation without a corresponding increase in urban infrastructure like safe drinking water, preventive health services, sanitation facility, adequate power supply and provisioning of basic amenities results in poor quality of urban life. The existing urban services are under tremendous pressure in the state to meet the demands of all needy people. According to a report of the World Bank only fifty-eight percent of urban population of India has access to improved sanitation facilities. For the government, the governance of urban areas is a big challenge. The reasons being lack of basic facilities like good roads, water, housing, parks, electricity etc.

**5.4.4:** The Urban Administrative Development Department (UADD) is the administrative department for the various Municipal corporations, Municipal Councils and Nagar Panchayats in the state. A directorate has been established under UADD, with regional offices in each district established under the chairmanship of the respective Collectors, along with a District Urban Development Authority (DUDA). Project Officers have been appointed in each DUDA and have been made responsible for the management. For the

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[↑ "Cities having population 1 lakh and above" \(PDF\). Provisional Population Totals, Census of India 2011. Retrieved 2012-04-16.](#)

fulfilment of responsibilities, each ULB has an elected Municipal Corporation/Municipal Council/Nagar Panchayat.

## 5.5 Overview of transfers to Local Bodies

The internal resources of the Local bodies are insufficient to meet their requirement. These are supplemented by Grants-in-Aid recommended by the Finance Commission, and the State Government.

The amount allocated by the 14<sup>th</sup> Finance Commission to local bodies is given in the table below.

**Table 5.5: Grants-in-Aid recommended by 14<sup>th</sup> FC to Local Bodies (In Rs Crore)**

		2015-16	2016-17	2017-18	2018-19	2019-20
<b>Rural Local Bodies</b>	Basic Grants	566.18	783.98	905.81	1,047.86	1,415.89
	Performance Grants		102.84	116.37	132.16	173.05
	<b>Total (RLB)</b>	<b>566.18</b>	<b>886.82</b>	<b>1,022.18</b>	<b>1,180.02</b>	<b>1,588.94</b>
<b>Urban Local Bodies</b>	Basic Grants	152.39	211.01	243.80	282.04	381.09
	Performance Grants		62.28	70.47	80.03	104.80
	<b>Total (ULB)</b>	<b>152.39</b>	<b>273.29</b>	<b>314.27</b>	<b>362.07</b>	<b>485.89</b>

Source: - Fourteenth Finance Commission, State Government of Chhattisgarh

The financial assistance provided by the State Government to local bodies is give below:

**Table 5.6: Financial Assistance to Local Bodies (In Rs Crore)**

	2011-12	2012-13	2013-14	2014-15	2015-16
<b>Rural Local Bodies</b>	2,811.71	3,897.95	4,954.99	7,797.54	6,246.71
<b>Urban Local Bodies</b>	1,268.53	2,055.21	2,002.56	1,919.54	1,785.97

Source:- C&AG report on State finances of Chhattisgarh 2015-16

## 5.6 Revenue and Expenditure of PRIs

**5.6.1:** The summarised position of revenue and expenditure of three tiers of PRI is given in Table 5.7 and Figure 5.2 below:

**Table 5.7 Total Revenue and Expenditure (Rs Crore) of PRI Institutions in Chhattisgarh**

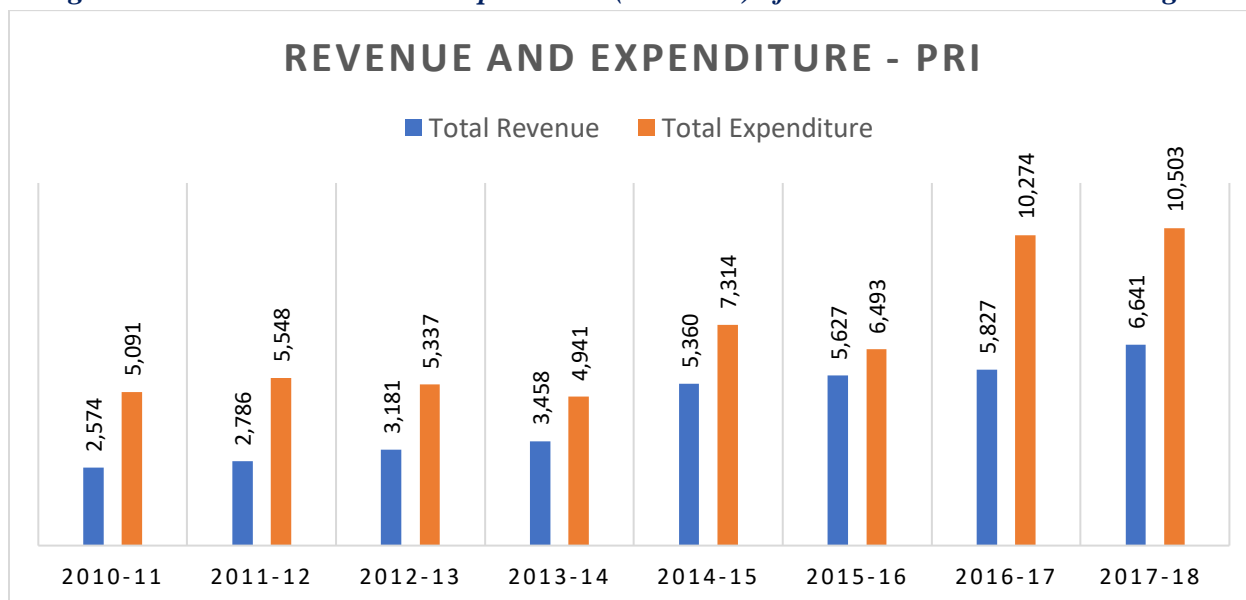
Year	Gram Panchayat (GP)		Janpad Panchayat (JP)		Zila Panchayat (ZP)		Total	
	Revenue	Expend-iture	Revenue	Expend-iture	Revenue	Expend-iture	Revenue	Expend-iture
2010-11	318	255	1,068	962	1,187	3,873	2,574	5,091
2011-12	418	334	1,083	964	1,285	4,251	2,786	5,548



2012-13	584	467	1,296	988	1,301	3,882	3,181	5,337
2013-14	751	601	1,337	992	1,369	3,348	3,458	4,941
2014-15	713	570	1,983	1,637	2,664	5,107	5,360	7,314
2015-16	985	788	1,698	1,640	2,945	4,066	5,627	6,493
2016-17	1,384	1,107	1,770	1,641	2,673	7,526	5,827	10,274
2017-18	1,488	1,190	1,918	1,703	3,235	7,610	6,641	10,503

Source: Govt. of Chhattisgarh (Figures confirmed by CG Govt.)

**Figure 5.2 Total Revenue and Expenditure (Rs Crore) of PRI Institutions in Chhattisgarh**



**5.6.2** The second State Finance Commission (2012-17) had come to the conclusion that the annual average of own revenues of a GP is as low as Rs. 20,000; in predominantly tribal districts the internal resources are practically nil. During the year 2006 to year 2011 on an average, their own revenues did not constitute more than 2.25% of their total receipts. The GPs largely depend on their share in Govt's revenue and State grants to discharge a whole host of functions assigned to them.

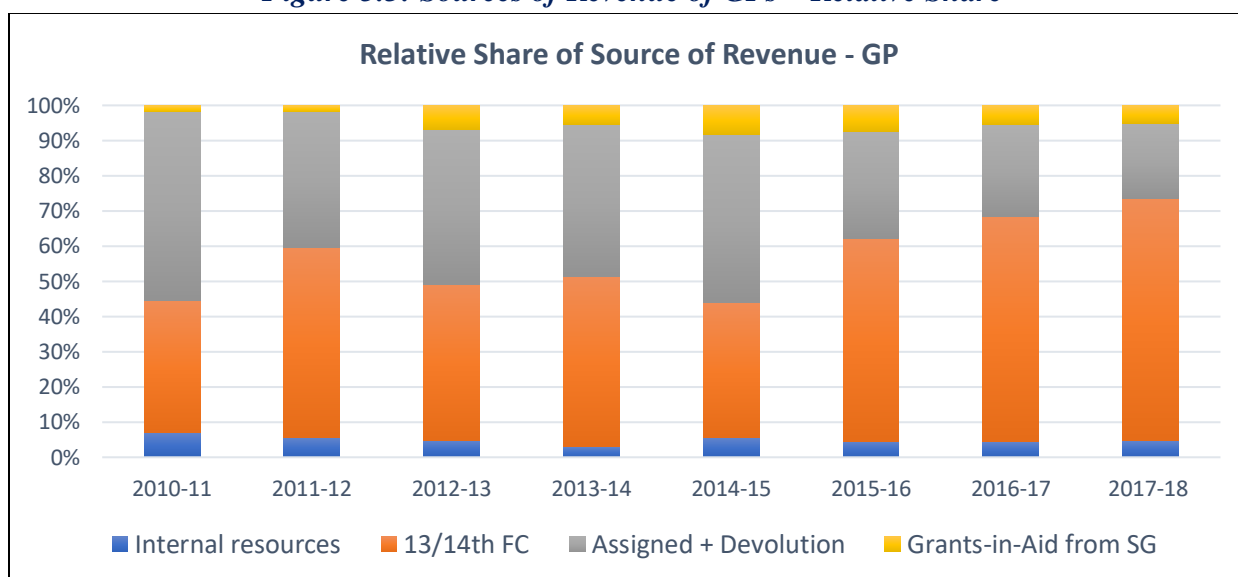
**5.6.3:** The breakup of the sources of revenue and expenditure of three tiers of the PRIs - Village (GP), Block (JP), and District (ZP) for the year 2011-12 to 2017-18 is given in the tables below:

**Table 5.8 Sources of Revenue of GPs, and total Expenditure (Rs Lakh)**

Year	Internal resources	13/14th FC	Assigned + Devolution	Grants-in-Aid from SG	Total Revenue	Total Expenditure
2010-11	2,229	11,939	17,094	585	31,847	25,477

2011-12	2,328	22,602	16,077	764	<b>41,772</b>	<b>33,418</b>
2012-13	2,829	25,864	25,635	4,086	<b>58,415</b>	<b>46,732</b>
2013-14	2,332	36,337	32,342	4,107	<b>75,118</b>	<b>60,094</b>
2014-15	3,922	27,530	33,954	5,902	<b>71,309</b>	<b>57,047</b>
2015-16	4,488	56,618	30,000	7,350	<b>98,456</b>	<b>78,765</b>
2016-17	6,081	88,682	36,036	7,625	<b>1,38,424</b>	<b>1,10,739</b>
2017-18	7,039	1,02,218	31,915	7,631	<b>1,48,802</b>	<b>1,19,041</b>

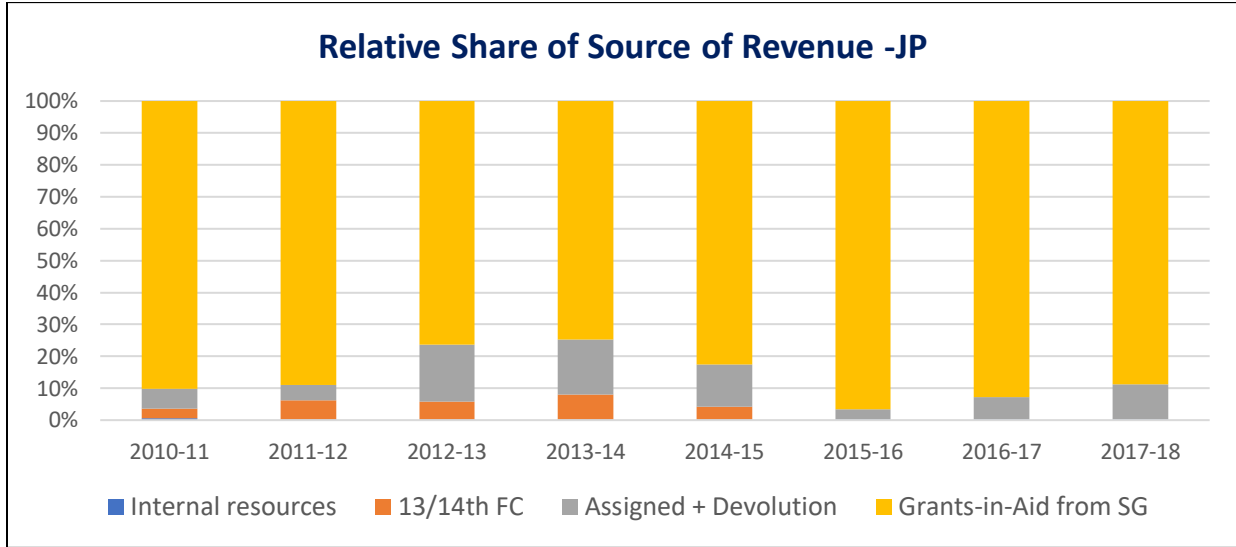
*Figure 5.3: Sources of Revenue of GPs – Relative Share*



*Table 5.9 Sources of finance of JPs, and total Expenditure (Rs Lakh)*

Year	Internal resources	13/14th FC	Assigned + Devolution	Grants-in-Aid from SG	Total Revenue	Total Expenditure
2010-11	535	3,411	6,629	96,236	<b>1,06,811</b>	<b>96,235</b>
2011-12	190	6,458	5,267	96,371	<b>1,08,286</b>	<b>96,358</b>
2012-13	190	7,390	23,125	98,862	<b>1,29,567</b>	<b>98,822</b>
2013-14	250	10,382	23,192	99,877	<b>1,33,702</b>	<b>99,215</b>
2014-15	300	7,866	26,354	1,63,788	<b>1,98,308</b>	<b>1,63,663</b>
2015-16	330	0	5,330	1,64,124	<b>1,69,784</b>	<b>1,63,979</b>
2016-17	330	0	12,366	1,64,322	<b>1,77,019</b>	<b>1,64,065</b>
2017-18	350	0	21,065	1,70,388	<b>1,91,803</b>	<b>1,70,332</b>

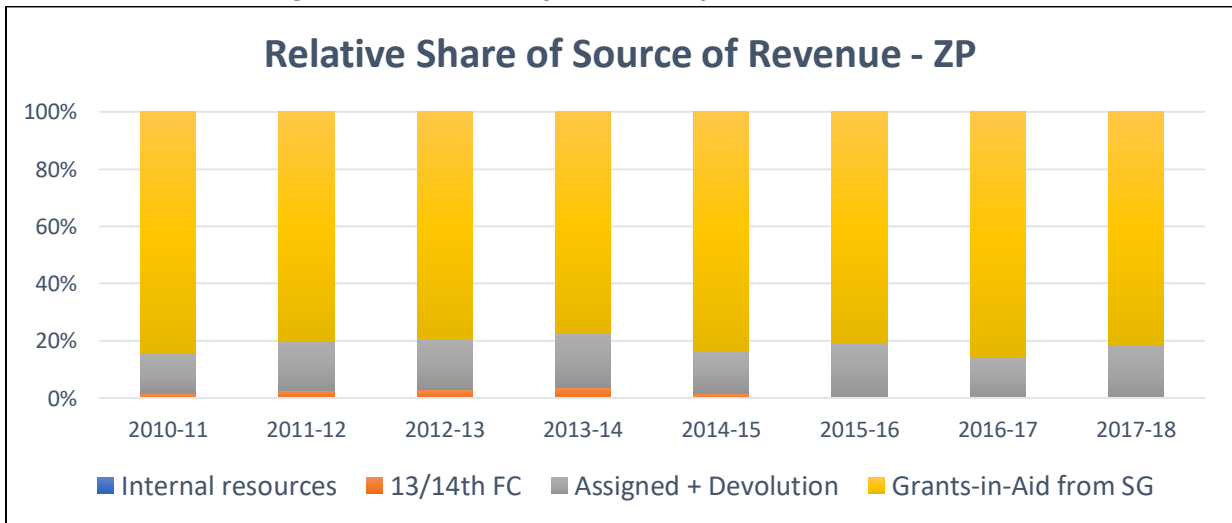
**Figure 5.4: Sources of Revenue of JPs – Relative Share**



**Table 5.10 Sources of finance of ZPs, and total Expenditure (Rs Lakh)**

Year	Internal resources	13/14th FC	Assigned + Devolution	Grants-in-Aid from SG	Total Revenue	Total Expenditure
2010-11	0	1,706	17,190	99,802	<b>1,18,697</b>	<b>3,87,345</b>
2011-12	0	3,229	22,442	1,02,850	<b>1,28,521</b>	<b>4,25,059</b>
2012-13	0	3,695	23,068	1,03,356	<b>1,30,120</b>	<b>3,88,159</b>
2013-14	1	5,191	26,255	1,05,498	<b>1,36,944</b>	<b>3,34,772</b>
2014-15	1	3,933	39,797	2,22,632	<b>2,66,364</b>	<b>5,10,651</b>
2015-16	3	0	57,377	2,37,119	<b>2,94,499</b>	<b>4,06,590</b>
2016-17	3	0	38,301	2,28,966	<b>2,67,270</b>	<b>7,52,563</b>
2017-18	2	0	60,608	2,62,915	<b>3,23,525</b>	<b>7,60,977</b>

**Figure 5.5: Sources of Revenue of JPs – Relative Share**



**5.6.4:** From the above tables, it can be seen that PRIs internal resources are quite low. They are primarily dependent on the grants from state government, SFC and Central Finance Commission.

**5.6.5:** The GPs have been vested with power of levying various obligatory taxes such as property tax, light tax, profession tax and tax from local markets. In the category of optional taxes, the major taxes are vehicle tax and water tax. In the obligatory non-tax components, market fees and fees from registration of cattle and in the optional non-tax categories, there are many fees which the GPs can levy and collect. The table below gives major sources of internal revenue of PRIs.

**Table 5.11: Major Sources of Internal Revenue of PRIs**

	<b>Gram Panchayat</b>	<b>Janpad Panchayat</b>	<b>Zila Panchayat</b>
Obligatory Levies (Tax)	Property Tax on land and building, Tax on private latrines, Light Tax & Profession Tax.	Tax on theatres or theatrical performances and other public entertainments; Development tax on Agricultural land.	Nil
Obligatory Levies (Non-Tax)	Fees on Registration of Cattle sold within the Panchayat area.	Nil	Nil
Optional Levies (Tax)	Tax on building not covered by the property tax; tax on animals; tax on non-motorized vehicles; water rate; tax on persons carrying on the profession of purchaser, agent, Commission agent, weigh man or a measure in the Panchayat area; temporary tax for special works of public utility; tax for the construction or maintenances of public latrines.	Nil	Increase in the cess on land from Rs.0.50 upto Rs.10.00
Optional Levies (Non-Tax)	Fees for the use of <i>sarais</i> , <i>dharmasalas</i> , rest house, slaughter houses and encamping grounds; Drainage fees where system of drainage is introduced by the panchayats; Fees on entry of vehicles into the panchayat area; Fees for bullock-cart stand and <i>tonga</i> stand; Fees for temporary structure or any projection over public place or temporary occupation thereof; Fees for grazing cattle over Panchayat.	Fees for licenses or permissions granted; Fees for use occupation of lands or other properties vested in or mentioned by the Janpad Panchayat	Nil

Source: Chhattisgarh Panchayat Raj Adhiniyam 1993

**5.6.7 Property Tax Rates (by PRIs):** The Gram Panchayats in Chhattisgarh are empowered to collect property tax as per the following rates and structure. The property tax rate varies between 0.2 to 0.3 percent

**Table: 5.11 Property Tax Rate Chargeable by Gram Panchayat**

	Type of Property	Lowest	Highest
1.	Buildings where the capital cost is more than Rs.6000 and less than Rs.12000	20 paisa per Rs.100 of capital cost.	30 paisa per Rs.100 of capital cost.
2.	Those buildings where capital cost is more than Rs.12000	Rs.1 for every Rs.500	Rs.1.50 for every Rs.500

## 5.7 Devolution of Functions to PRIs

Section 49 Chapter 6 of the *Chhattisgarh Panchayati Raj Adhiniyam* enumerates the functions to be carried out by the Gram Panchayat within the finances available in the Gram Panchayat fund. These are Drinking Water, Roads, Bridges & Culverts, Maintenance of Community Assets, Fairs & Festivals, Health and Cleanliness, Public Distribution System among others. Under Section 50, the functions of the Janpad Panchayat to be carried out from within the finances available in the Janpad Panchayat Fund are Agriculture, Social forestry, Animal husbandry, Fisheries, Public health etc. Janpad Panchayat has also been given the responsibility to implement schemes handed over to them for such implementation by the State Government. Under Section 52, the function of the Zilla Panchayat include consolidation of Panchayat plans and preparation of plans for economic development and social justice for the districts, coordination and monitoring of the Gram Panchayat and Janpad Panchayat and implementing schemes allocated by the Centre or the State Government.

The table below gives details of functions and tasks transferred to PRIs:

**Table 8.8 Functions / Services transferred to PRIs and Expenditure thereon (Rs Lakh)**

Name of function / service	Whether function transferred [Yes/No]	Tier to which transferred
(1) Agriculture including agricultural extension.	Yes	ZP/BP/GP

(2) Land improvement, implementation of land reforms, land consolidation and soil conservation.	Yes	ZP/BP/GP
(3) Minor irrigation, water management and watershed development.	Yes	ZP/BP/GP
(4) Animal husbandry, dairying and poultry.	Yes	ZP/BP/GP
(5) Fisheries.	Yes	ZP/BP/GP
(6) Social forestry and farm forestry.	Yes	ZP/BP/GP
(7) Minor forest produce.	Yes	ZP/BP/GP
(8) Small scale industries, including food-processing industries.	Yes	ZP/BP/GP
(9) Khadi, village and cottage industries.	Yes	ZP/BP/GP
(10) Rural housing.	Yes	Individual in GPs
(11) Drinking water.	Yes	ZP/BP/GP
(12) Fuel and fodder.	Yes	ZP/BP/GP
(13) Roads, culverts, bridges, ferries, waterways and other means of communication.	Yes	ZP/BP/GP
(14) Rural electrification, including distribution of electricity.	Yes	ZP/BP/GP
(15) Non-conventional energy sources.	Yes	ZP/BP/GP
(16) Poverty alleviation programme.	Yes	ZP/BP/GP
(17) Education including primary and secondary schools.	Yes	ZP/BP/GP
(18) Technical training and vocational education.	Yes	ZP/BP/GP
(19) Adult and non-formal education.	Yes	ZP/BP/GP
(20) Libraries.	Yes	ZP/BP/GP
(21) Cultural activities.	Yes	ZP/BP/GP
(22) Markets and fairs.	Yes	ZP/BP/GP
(23) Health and sanitation, including hospitals, primary health centres and dispensaries.	Yes	ZP/BP/GP
(24) Family welfare.	Yes	ZP/BP/GP
(25) Women and child development.	Yes	ZP/BP/GP
(26) Social welfare, including welfare of the handicapped and mentally retarded.	Yes	ZP/BP/GP
(27) Welfare of the weaker sections, and in particular, of the Scheduled Castes and the Scheduled Tribes.	Yes	ZP/BP/GP
(28) Public distribution system.	Yes	ZP/BP/GP
(29) Maintenance of community assets.	Yes	ZP/BP/GP

## 5.8 Revenue and Expenditure of Urban Local Bodies

**5.8.1:** Article 243X of the Constitution envisages that the State Legislature may by law, vest power in ULBs to impose various taxes for revenue collection. This constitutional provision has been incorporated in Clause-127 and Clause-132 of the Chhattisgarh

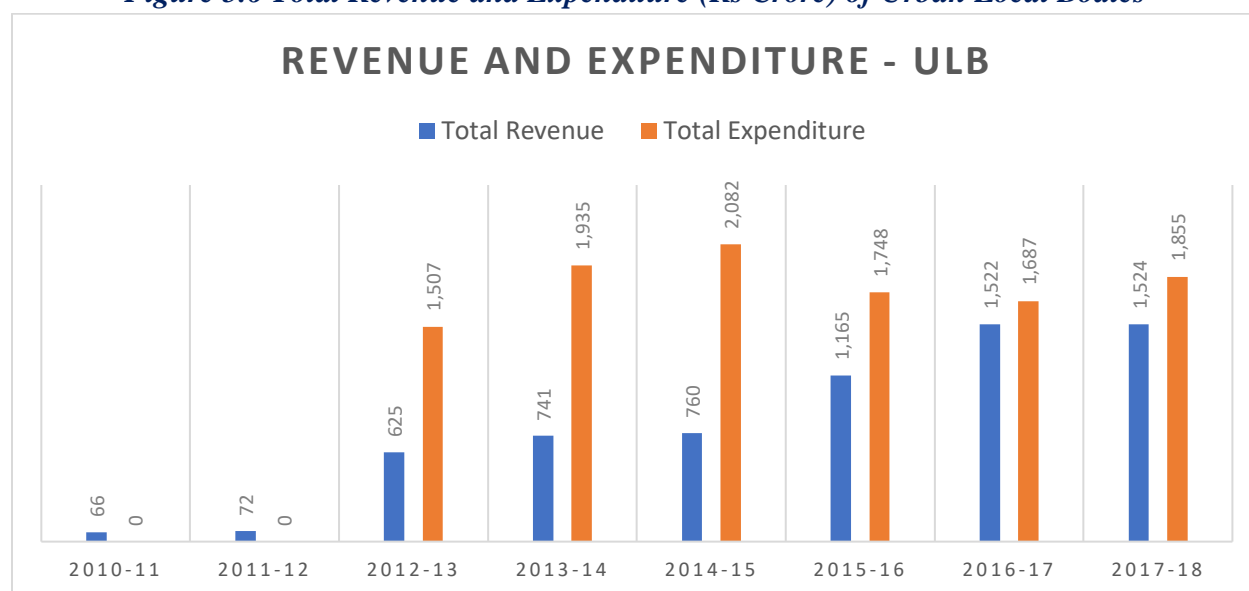
Municipalities Act, 1961. Own revenue resources of ULBs comprise tax and non-tax revenues realised by them amongst tax revenue, property tax remains the main source of revenue of ULBs. Government grants comprise funds released by the State Government and Government of India (GoI) on the recommendations of the SFC and Central Finance Commission respectively, as also GoI share for implementation of various schemes.

**5.8.2** The summarised position of revenue and expenditure of the three kinds of Urban Local Bodies in Chhattisgarh is given in Table and figure below:

**Table 5.11 Total Revenue and Expenditure (Rs Crore) of Urban Local Bodies**

Year	Municipal Corporations		Municipal Councils		Nagar Panchayats		Total	
	Revenue	Expenditure	Revenue	Expenditure	Revenue	Expenditure	Revenue	Expenditure
2010-11	48		14		4		66	0
2011-12	42		18		13		72	0
2012-13	464	906	95	329	66	271	625	1,507
2013-14	554	1,114	128	510	59	311	741	1,935
2014-15	580	1,299	115	426	66	358	760	2,082
2015-16	910	1,050	149	397	106	301	1,165	1,748
2016-17	1,159	1,013	215	403	148	271	1,522	1,687
2017-18	1,184	1,114	205	443	135	298	1,524	1,855

**Figure 5.6 Total Revenue and Expenditure (Rs Crore) of Urban Local Bodies**

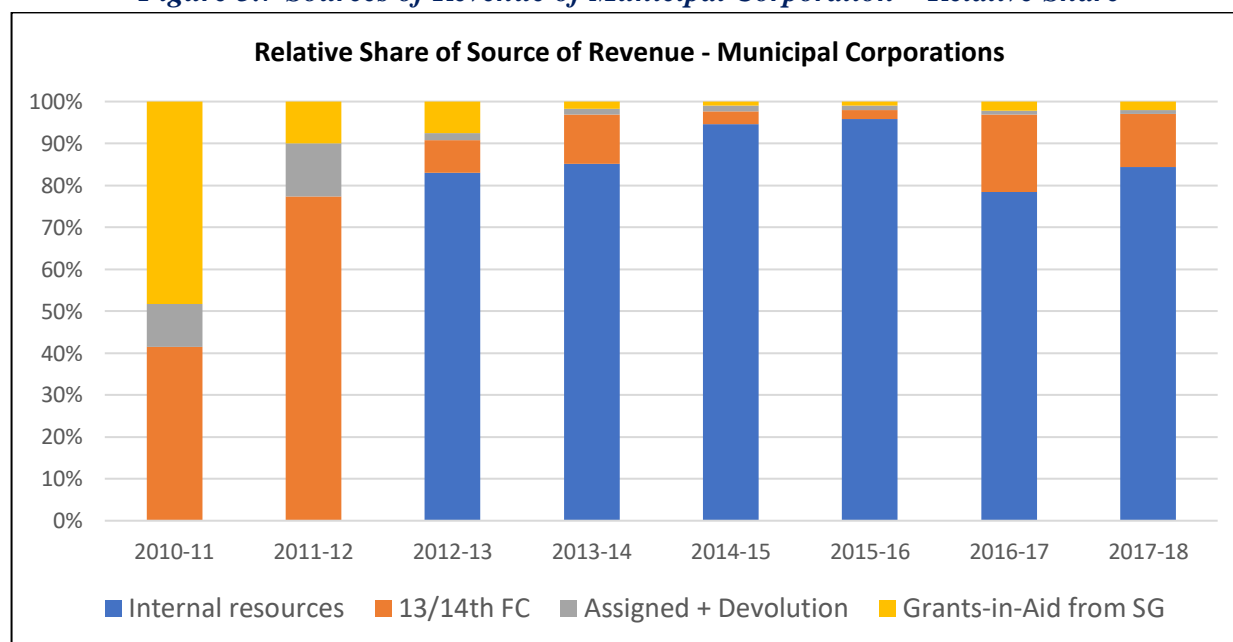


**5.8.3:** The Expenditure and Revenue of Municipal Corporations, Municipalities and Nagar Panchayat for the last five years is given in the table below. As can be seen, the internal revenue of urban local bodies, though relatively higher when compared to the Rural local bodies, still need to be supplemented through grants received through the state government and central finance commission.

**Table 5.12 Sources of Revenue of Municipal Corporation and Total Expenditure (Rs Lakh)**

Year	Internal resources	13/14th FC	Assigned + Devolution	Grants-in-Aid from SG	Total Revenue	Total Expenditure
2010-11	0	2,000	497	2,334	<b>4,831</b>	NA
2011-12	0	3,220	529	414	<b>4,163</b>	NA
2012-13	38,519	3,572	828	3,461	<b>46,380</b>	<b>90,613</b>
2013-14	47,208	6,474	793	930	<b>55,404</b>	<b>1,11,368</b>
2014-15	54,845	1,785	745	585	<b>57,961</b>	<b>1,29,869</b>
2015-16	87,268	1,956	893	927	<b>91,044</b>	<b>1,05,007</b>
2016-17	90,848	21,427	1,024	2,561	<b>1,15,860</b>	<b>1,01,284</b>
2017-18	99,931	14,947	1,119	2,407	<b>1,18,403</b>	<b>1,11,412</b>

**Figure 5.7 Sources of Revenue of Municipal Corporation – Relative Share**



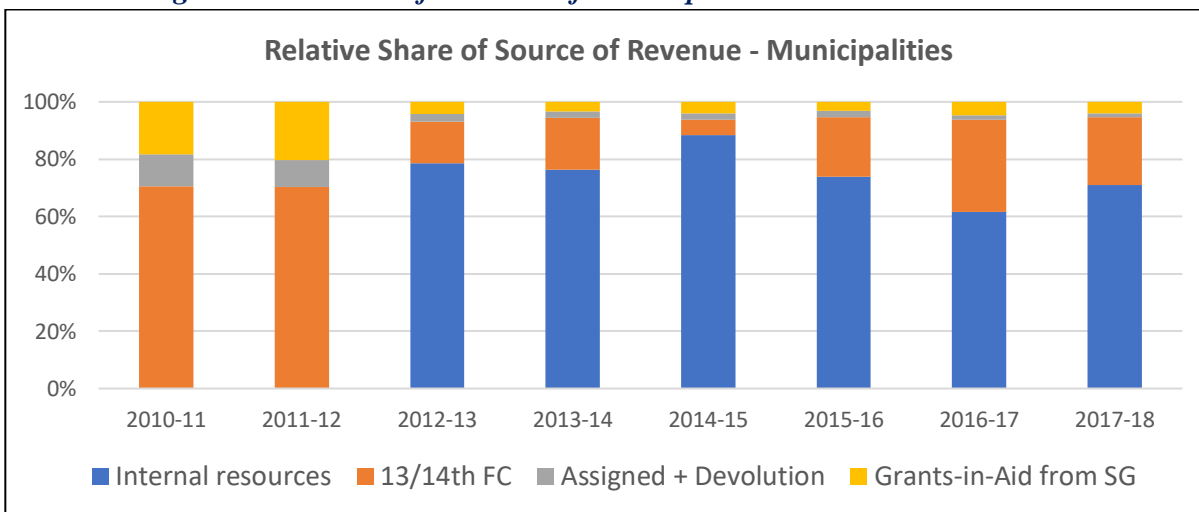
**Table 5.13 Sources of Finance of Municipal Councils and Total Expenditure (Rs Lakh)**

Year	Internal resources	13/14th FC	Assigned + Devolution	Grants-in-Aid from SG	Total Revenue	Total Expenditure
2010-11	0	1,000	157	261	<b>1,418</b>	NA
2011-12	0	1,269	168	366	<b>1,803</b>	NA



2012-13	7,450	1,362	262	399	<b>9,474</b>	<b>32,942</b>
2013-14	9,755	2,290	291	427	<b>12,763</b>	<b>51,022</b>
2014-15	10,129	632	243	468	<b>11,472</b>	<b>42,604</b>
2015-16	11,019	3,084	330	458	<b>14,891</b>	<b>39,738</b>
2016-17	13,246	6,917	358	984	<b>21,504</b>	<b>40,262</b>
2017-18	14,570	4,825	275	842	<b>20,511</b>	<b>44,289</b>

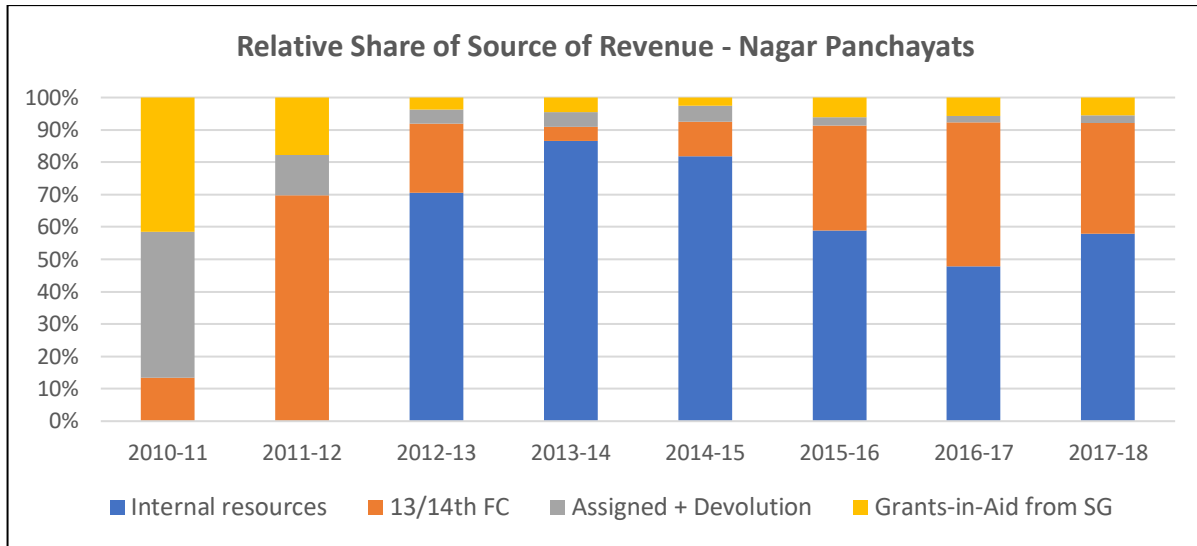
**Figure 5.8 Sources of Finance of Municipal Councils – Relative Share**



**Table 5.14 Sources of Finance of Nagar Panchayats and Total Expenditure (Rs Lakh)**

Year	Internal resources	13/14th FC	Assigned + Devolution	Grants-in-Aid from SG	Total Revenue	Total Expenditure
2010-11	0	52	174	160	<b>386</b>	<b>NA</b>
2011-12	0	875	155	222	<b>1,252</b>	<b>NA</b>
2012-13	4,654	1,406	290	246	<b>6,596</b>	<b>27,101</b>
2013-14	5,113	256	278	262	<b>5,908</b>	<b>31,113</b>
2014-15	5,396	703	332	163	<b>6,594</b>	<b>35,759</b>
2015-16	6,231	3,435	268	641	<b>10,574</b>	<b>30,057</b>
2016-17	7,104	6,605	282	851	<b>14,843</b>	<b>27,119</b>
2017-18	7,814	4,608	318	739	<b>13,479</b>	<b>29,831</b>

**Figure 5.9 Sources of Finance of Nagar Panchayats – Relative Share**



**5.8.4: Property Tax in ULBs:** In Chhattisgarh, Property Tax (PT) is a principal source of revenue of ULBs. There have not been many efforts in the state to reform PT and make it buoyant. As per the Act, Property Tax (PT) needs to be revised once in five years. There are many exemptions from Property Tax, which reduces the financial resource of ULB. The Annual Letting Value (ALV) of the property is the basis for levy of PT. The PT varies between six to twenty percent of the ALV and the actual rate is determined by the council as per Nagar Palik Nigam Act and the guidelines of the Government of Chhattisgarh. As the ULBs decide on tax slab and rate there are wide variations between the taxes levied. Table 5.15 below shows an illustrative rate of Property Tax and its variations in select areas of Chhattisgarh.

**Table 5.15 Property Tax Rates in select areas of Chhattisgarh**

District	Annual Letting Value (Rs)	Percentage of Tax	
		Household	Commercial
Kurud	0-4800	Nil	
	4801-20000	6	
	20001-50000	8	
	>50001	10	
Charama	0 – 5000	3	
	5001-10000	4	
	10001-15000	5	
	15001-20000	6	
	20001-25000	7	

District	Annual Letting Value (Rs)	Percentage of Tax	
		Household	Commercial
	25001-30000	8	
	30001-35000	9	
	35001-40000	10	
<b>Ambikapur</b>	0-6000	Nil	Nil
	6001-15000	6	9
	15001-20000	6	10
	20001-30000	6	12
	30001-40000	8	13
	40001-50000	8	14
	50001-60000	10	15
	60001-70000	12	17
	>70001	14	20
<b>Tifra</b>	0-4800	Nil	
	4801-15000	6	
	15001-35000	8	
	35001-75000	9	
	75001	10	
<b>Kawardha</b>	0-4800	Nil	
	4801-15000	6	
	15001-20000	7	
	20001-50000	8	
	>50001	10	
<b>Birgaon</b>	0-6000	Nil	
	6001-20000	6	
	20001-35000	8	
	35001-50000	10	
	50001-75000	15	
	>75001	20	

## 5.9 Devolution of Functions to ULBs

Table below gives details of function/ Services transferred to ULBs by the State Government:

**Table 5.16: Functions transferred to ULBs**

Name of function / service	Whether function transferred [Yes/No]	Tier to which transferred
1. Urban planning including town planning.	No	NA
2. Regulation of land-use and construction of buildings.	No	NA
3. Planning for economic and social development.	No	NA
4. Roads and bridges.	Yes	All

Name of function / service	Whether function transferred [Yes/No]	Tier to which transferred
5. Water supply for domestic, industrial and commercial purposes.	Yes	All
6. Public health, sanitation conservancy and solid waste management.	Yes	All
7. Fire services.	Yes	M. Councils and N. Panchayat
8. Urban forestry, protection of the environment and promotion of ecological aspects.	Yes	All
9. Safeguarding the interests of weaker sections of society, including the handicapped and mentally retarded.	Yes	All
10. Slum improvement and upgradation.	Yes	All
11. Urban poverty alleviation.	Yes	All
12. Provision of urban amenities and facilities such as parks, gardens, playgrounds.	Yes	All
13. Promotion of cultural, educational and aesthetic aspects.	Yes	All
14. Burials and burial grounds; cremations, cremation grounds; and electric crematoriums.	Yes	All
15. Cattle pounds; prevention of cruelty to animals.	Yes	All
16. Vital statistics including registration of births and deaths.	Yes	All
17. Public amenities including street lighting, parking lots, bus stops and public conveniences.	Yes	All
18. Regulation of slaughter houses and tanneries.	Yes	All

## 5.10 Adequacy of funding and other problems of ULBs

**5.10.1** In the run up to the 14th FC, a detailed study was carried out on Urban Local Bodies<sup>4</sup>. The following major findings were noted through this report:

- i. The abysmally low level of municipal spending in India.
- ii. No concrete estimates are there of the gap between what the urban local bodies (ULBs) raised from their own tax and non-tax instruments and the amount needed to deliver municipal services such as water supply, sewerage, solid waste collection and management, city and town-level roads, and street lighting at some basic minimum levels. The State Financial Corporation reports too have not been able to provide reliable methodologies to calculate such gaps. Given this background,

<sup>4</sup> Approach to the Finances of Municipalities: A Report to the 14th Finance Commission

recommendations of the successive Finance Commissions would be largely *ad hoc* and grossly insufficient given the massive requirements of the Urban Local Bodies.

- iii. There is significant variation in the approaches employed by the SFCs in respect of (a) assessing the financial requirements of the ULBs, (b) determining the revenue sharing arrangements, and (c) fixing the criteria for allocating the grants-in-aid to ULBs of different demographic, economic and social compositions.

**5.10.2:** The revenues of Urban Local Bodies (ULBs), on average, contribute to less than 37 per cent of their total receipts, constraining their ability to make investments to improve services, according to a study by the NGO Janaagraha. Among the 12 states analysed in the study, own revenues ranged from a low of 5% in Manipur to a high of 74% in Punjab. Apart from Punjab only two other states, viz. Goa (55 per cent) and Andhra Pradesh (54 per cent) were the ones whose municipal bodies contributed revenue over half of the total receipts. Chhattisgarh stands well below the national average, at 16%, as per this study.

**5.10.3:** ULBs need to improve collection efficiencies of own revenues, mainly, property tax, advertising tax and parking fees. Buoyant sources of revenues such as stamp duties and entertainment taxes should be devolved to ULBs. States also need to embark on systematic fiscal decentralization.

**5.10.4:** With rapid and uncontrolled urbanization, cities today face a myriad of problems. Amongst those, the five major challenges that are crying out for attention are the issues of Solid Waste Management (SWM), Water Supply, Sanitation, Pollution and Affordable Housing. Devolving more powers to ULBs over taxation and fees is considered more important for the financial sustainability of cities instead of just increasing the amount of State and Central grants.

**5.10.5:** But it is not as though the State has not paid any attention to this critical area. Atal Nagar (formerly Naya Raipur), the state's capital, is being developed as a sustainable, modern 'green city' with major eco-development projects such as rain water harvesting, solar energy and internet connectivity. Compulsory installation of rainwater harvesting systems on all buildings helps in conserving the water resources in the city. The Naya

Raipur Development Authority (NRDA) maintains 55 reservoirs in the region, which is unprecedented. In the Annual Survey of India's City-Systems (ASICS) 2017 report of Janaagraha, Raipur ranks 11 on the following parameters: Urban Planning & Design, Urban Capacities & Resources, Empowered & Legitimate Political Representation and Transparency, Accountability & Participation are the four components of the 'City-Systems' framework used for ASICS evaluation.

### **5.11 Impact of GST on Local Bodies in Chhattisgarh:**

GST has been implemented in the state from 1<sup>st</sup> July 2017. The urban local bodies revenues have been affected adversely by the abolition of Entry tax. Overall local bodies finances have been affected adversely due to GST as it has reduced the flexibility of the state government in raising resources and thus may reduce transfer of funds from the state government to local bodies. The impact of GST on State finances is explained in Chapter-3 of this report.

### **5.12 Mechanisms of Auditing of Accounts of PRIs and ULBs**

**5.12.1:** The funds under the management or control of local and autonomous authorities in the State of Chhattisgarh are audited on the basis of *Chhattisgarh Sthaniya Nidhi Sampariksha Adhiniyam, 1973* {modified in 2004} and Departmental Audit Manual, 2004. Directorate of Local Fund Audit under Finance department, Government of Chhattisgarh, is entrusted with the responsibility for conducting audit of the accounts of PRIs and ULBs. The Directorate compiles and processes the information related to audit findings about major financial irregularities, embezzlement and misappropriation of funds etc.

**5.12.2:** In accordance with the recommendation of 13th CFC, an amendment has been made in the Local Fund Audit Act, 1973. A new section – 8(1)(a) has been inserted in the Act mentioning that the DLFA shall prepare annual audit report of the findings during the audit of PRIs and ULBs and shall place it before the legislative assembly through finance department. As on date four annual reports have been placed before the legislative assembly by DLFA, the most recent one being on 6th July, 2018. In accordance with the recommendation of 13th CFC, the state government has issued a notification mentioning

that the technical guidance and supervision of the functioning of LFA shall be entrusted to C&AG. The test check of certain numbers of accounts of PRIs and ULBs has also been done by C&AG for technical guidance and supervision. Auditors of AG office are also doing the audit functions (test check) of selected PRIs and ULBs. For 2016-17, 100% audit of all 10,976 gram panchayats has been completed.

### **5.13 State Finance Commission**

**5.13.1:** The first State Finance Commission (SFC) was constituted on 22<sup>nd</sup> August, 2003, just a couple of years after the formation of the State in November 2000. Three State Finance Commissions have given their reports on the devolution of the funds to the local bodies. The recommendations made by the First and Second State Finance Commissions have, by and large, been accepted. The third Chhattisgarh State Finance Commission was constituted on 20<sup>th</sup> January 2016 and its report to the Governor has been submitted in September 2018 for the award period from 1.4.2017 to 31.3.2022. Its recommendations are being examined by the State Government.

**5.13.2: Recommendations of the State Finance Commissions -** The first SFC, which gave its Report in May 2007, made a total of 81 recommendations out of which the State Government accepted 36 while 5 others were accepted with modification. The Commission had recommended devolution of 8.287% of the SOTR to the local bodies during its award period year 2007-12. However, the State Government agreed to devolve only 6%, with 4.79% to PRIs and 1.21% to ULBs. The Second State Finance Commission was constituted on 23<sup>rd</sup> July, 2011, and submitted its report in March 2013. The second SFC made a total of 133 recommendations out of which the State Government accepted 103. The Commission had recommended devolution of 8% of the SOTR to the local bodies during its award period year 2012-17; the same was accepted by the State government. Out of recommended devolution of 8%, the share of PRIs was 6.15% and the share of ULBs was 1.85%. The SFC had recommended that the district wise allocation of funds to the PRI shall be on the basis of: Population (weightage 60%), Area (weightage 20%), SC/ST population (weightage 10%) and Households below poverty line (weightage 10%). In case

of ULBs, the SFC recommended that the allocation of funds to the ULBs shall be on the basis of population (Nagar Palik Nigam & Nagar Palika Parishad- weightage 70% Nagar Panchayat- weightage 80%), Slum population (Nagar Palik Nigam & Nagar Palika Parishad- weightage 10%) and Revenue effort (weightage 10%).

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## Chapter 6: State Public Sector Enterprises

### 6.1 Background

The State Public Sector Undertakings (PSUs) consist of State Government companies and Statutory Corporations. As on 31 March 2016, in Chhattisgarh there were 22 PSUs including one Statutory Corporation. During the year 2015-16, one PSU i.e. Kerwa Coal Limited was established, and no PSU/ Statutory corporation was closed.

The financial stake of the state government in these PSUs is in the form of the following:

- Share Capital and Loans - In addition to the share capital contribution, State Government also provides financial assistance by way of loans to the PSUs from time to time.
- Special Financial Support - State Government provides budgetary support by way of grants and subsidies to the PSUs as and when required.
- Guarantees - State Government also guarantees the repayment of loans availed by the PSUs from Financial Institutions. The guarantees cover interest too.

### 6.2 Investment in State PSUs

**6.2.1:** As on 31<sup>st</sup> March 2016, the total investment by the State Government in State PSUs in the form of equity capital and long-term loans is given in Table 6.1 below. The information is summarised by Department, the detailed listing is given in Annexure

**Table 6.1: Total Investment in State PSUs by Department (Rs. Crore)**

Department	# of PSEs	Total Paid-up Capital	Total Loans Outstanding	Total
Energy	6	12,182.73	12,974.63	25,157.36
Geology & Mining	3	105.54	0.00	105.54
Forest	1	26.65	0.00	26.65
Food, Civil Supplies & Consumer Protection	2	8.47	2,559.30	2,567.77
Commerce & Industries	2	6.50	0.00	6.50
Social Welfare	1	5.00	0.00	5.00
Finance	1	4.20	0.00	4.20

Health	1	3.45	0.00	3.45
Home	1	2.00	0.00	2.00
Geology & Mining	2	1.16	1.30	2.46
Agriculture	1	0.50	0.00	0.50
Commercial Tax	1	0.15	0.00	0.15
Urban Administrative & Development	1	0.05	0.00	0.05
<b>TOTAL</b>	<b>23</b>	<b>12,346.40</b>	<b>15,535.23</b>	<b>27,881.63</b>

As can be seen, the investment consisting of capital and long- term loans in 22 State PSUs and one statutory corporation was Rs 27,881 Crore. This translated into a total growth of 57.22% up from Rs 17,734 Crore in 2011-12.

**6.2.2:** Out of the total investment in 2016, 44.28 % was towards capital and 55.72 % was towards long term loans. The bulk of the cumulative investment in state public sector was in the power sector which increased from Rs. 17,301 Crore in 2011-12 to Rs. 25,157 Crore in 2015-16. The State Government contributed Rs 2,524.42 crore towards loans and grants/subsidies to the power sector utilities during 2015-16 itself.

**6.2.3:** The working PSUs collectively registered a turnover of Rs 21,579.75 crore as per finalized accounts as of 30 September 2016 while the overall loss was Rs 1,108.05 crore. The turnover of these 22 PSUs was equal to 8.58 per cent of State Gross Domestic Product (GDP) for 2015-16. The State PSUs do not include the Chhattisgarh State Electricity Regulatory Commission (CSERC), an autonomous body.

**6.2.4:** The State does not have any State Road Transport Corporation under its control.

### **6.3 Performance of State PSUs**

**6.3.1:** As per the finalized accounts (September 2016), out of 22 PSUs, 12 PSUs earned total profit of Rs 488.93 crore and eight PSUs incurred total loss of Rs 1,596.98 crore. One PSU earned neither profit nor loss and one PSUs did not finalize its first accounts. The losses were mainly incurred by Chhattisgarh State Power Distribution Company Limited (Rs 1,554.17 crore) and Chhattisgarh State Power Transmission Company Limited (Rs 40.32 crore). The details of the individual State PSUs are given in **Table 12.2** with respective figures of the paid-up Capital and loans outstanding as on 31<sup>st</sup> of March 2016. The maximum loans outstanding were against Chhattisgarh State Power Distribution

Company Limited of Rs 10,376.75 crores followed by Chhattisgarh State Civil Supplies Corporation Limited of Rs 2,450 crores.

**6.3.2:** The State does not have any dividend policy under which PSUs are required to pay a minimum return on the paid-up share capital contributed by the State Government. A few of the State PSUs have been posting profits. In recent years the picture is as below:

- a) As per the C&AG Report on State Finances for 2017, 12 PSUs earned profit aggregating Rs. 488.93 crore of which only two PSUs (Chhattisgarh Rajya Van Vikas Nigam Limited and Chhattisgarh State Warehousing Corporation) declared dividend of Rs. 4.53 crore.
- b) As per the same report for 2018, nine PSUs with government equity of Rs. 6,146.97 crore earned an aggregate profit of Rs. 74.43 crore. Only *one* PSU, i.e., *Chhattisgarh Rajya Van Vikash Nigam Limited* proposed dividend of Rs. 0.87 crore i.e., *9.94 per cent* of its profit of Rs.8.75 crore during 2016-17.

Given the above position, the C&AG has also recommended strongly that the State Government should formulate a dividend policy for return on its investments as share capital and ensure that profit earning PSUs declare dividend in terms of the policy.

## **6.4 Conclusion**

**6.4.1:** Though the availability of data on the performance of State PSUs was a challenge, with most data obtained from the C&AG's report for the year 2015-16, what is clear is that the State is not making adequate return from its substantial investments in these enterprises. Bulk of the investment is in Power Sector – their poor financial performance has led to other corrective measures like issue of UDAY bonds.

**6.4.2:** The State needs to come up with a clear strategy of managing these PSUs which may include measures to improve their performance, and the decision on whether some of these PSUs are better off with disinvestment etc.

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## Appendix 6.1: Details of State PSUs in Chhattisgarh (as on 31/3/2016)

Name of PSU	Department	Date of Incorporation	Paid up capital	Loans outstanding	Debt Equity
Chhattisgarh Rajya Beej Evam Krishi Vikas Nigam Limited	Agriculture	08/10/2004	0.50	0.00	0.00
Chhattisgarh Rajya Van Vikas Nigam Limited	Forest	22/05/2001	26.65	0.00	0.00
Chhattisgarh Nishakt Jan Vitt Avam Vikas Nigam	Social Welfare	19/07/2004	5.00	0.00	0.00
Chhattisgarh Infrastructure Development Corporation Limited	Finance	26/02/2001	4.20	0.00	0.00
Chhattisgarh State Industrial Development Corporation Limited	Commerce & Industries	16/11/1981	1.60	0.00	0.00
Chhattisgarh Road Development Corporation Limited	Commerce & Industries	11/11/2014	4.90	0.00	0.00
Chhattisgarh Mineral Development Corporation Limited	Geology & Mining	07/06/2001	1.00	0.00	0.00
CMDC ICPL Coal Limited	Geology & Mining	11/04/2008	82.60	0.00	0.00
Chhattisgarh Sondiha Coal Company Limited	Geology & Mining	30/12/2008	21.94	0.00	0.00
CSPGCL AEL Parsa Collieries Limited	Geology & Mining	06/12/2010	0.16	1.30	8.13
Kerwa Coal Limited	Geology & Mining	28/01/2015	1.00	0.00	0.00
Chhattisgarh State Power Distribution Company Limited	Energy	19/05/2003	2326.37	1208.21	0.52
Chhattisgarh State Power Generation Company Limited	Energy	19/05/2003	2287.74	10376.75	4.54
Chhattisgarh State Power Holding Company Limited	Energy	30/12/2008	6757.81	0.00	0.00
Chhattisgarh State Trading Company Limited	Energy	30/12/2008	0.05	0.00	0.00
Chhattisgarh State Power Transmission Company Limited	Energy	19/05/2003	810.76	1389.67	1.71
Chhattisgarh State Beverages Corporation Limited	Commercial Tax	07/11/2011	0.15	0.00	0.00
Chhattisgarh State Civil Supplies Corporation Limited	Food, Civil Supplies & Consumer Protection	13/03/2001	4.43	2450.00	553.05
Chhattisgarh Medical Services Corporation Limited	Health	07/10/2010	3.45	0.00	0.00
Chhattisgarh Police Housing Corporation Limited	Home	14/12/2011	2.00	0.00	0.00
Raipur Nagar Nigam Transport Limited	Urban Administrative & Development	01/10/2001	0.05	0.00	0.00
Chhattisgarh State Electricity Board	Energy	15/11/2002	0.00	0.00	0.00
Chhattisgarh State Warehousing Corporation	Food, Civil Supplies & Consumer Protection	02/05/2002	4.04	109.30	27.05

## **Chapter 7: Impact of Power Sector Reforms on State's Fiscal Health**

### **7.1. Background**

**7.1.1:** The Electricity Act 2003 was one of the most path breaking legislations for comprehensive power sector reforms. The Act introduced and made provisions for open access, power trading, regional/national electricity markets, independent system operators, delicensing of generation, performance-based regulation and measures to reduce transmission and distribution losses. This has been followed by certain proposed changes aimed at bringing in reforms related to segregation of carriage and content to renewable energy and open access to tariff rationalization. These are captured in the revised the Electricity Amendment Bill, 2018 circulated recently. The Bill also aims to infuse healthy competition in each distribution area and deals with aspects pertaining to promotion of renewable energy, open access, smart grid, ancillary services and so on.

**7.1.2:** With the enactment of the Electricity Act, while competition was introduced in the sector, it has mostly impacted the generation and transmission verticals but not so in the case of distribution. This has been due to below-cost tariffs to different consumer groups; supply of un-metered, free electricity to agriculture; and high Aggregate Technical and Commercial (AT&C) losses. These factors have weakened the finances of state utilities and has resulted in huge losses for all the utilities.

**7.1.3:** The state governments being owners to these utilities, profits and losses of the state utilities impacts them directly. The financial gap increases due to increase in the cost of supply without commensurate increase in tariff. The financial gap thus can be segregated into two parts, one related to inadequate tariff increases, and the other related to inefficiencies on part of the distribution utilities i.e. collection inefficiency and technical losses.

**7.1.4:** The causes for poor performance of State DISCOMs have been analysed as being mainly due to lack of efficiency, incomplete metering, inadequate and infrequent tariff

increases, and lack of power purchase optimization by states. The last constitutes around 75-80% of the total cost of distribution utilities, hence escalation in power procurement rates has been a matter of concern.

## **7.2. Reform Measures**

**7.2.1: Power for All:** In order to provide 24x7 power to all consumers barring agricultural consumers by the end of 12th Five Year Plan, as well as ensuring access to electricity to all unconnected consumers by FY 2018-19, the GOI, through the Ministry of Power (MoP), signed specific MOUs with States under the Power for All Scheme. The roadmap for each State was mapped by the Ministry of Power with the respective States/UTs with the MOP monitoring the progress/achievements.

**7.2.2: Integrated Power Development Scheme (Restructured Accelerated Power Development & Reforms Programme (R-APDRP) subsumed under IPDS):** This was launched in 2014 with the objective of strengthening of power distribution sector in urban area. Its main outcomes were intended to be as follows:

- Strengthening of sub-transmission and distribution networks in the urban areas.
- Metering of distribution transformers / feeders / consumers in the urban areas.
- IT enablement of distribution sector and strengthening of distribution network under R-APDRP for 12th and 13th Plans by carrying forward the approved outlay for R-APDRP to IPDS.

**7.2.3: Ujwal DISCOM Assurance Yojana (UDAY):** It was launched on 20<sup>th</sup> November 2015 for operational and financial turnaround of state-owned Power Distribution Companies (DISCOMs). MOUs were entered with 27 states. The Scheme aimed at the following:

- Improving operational efficiency of DISCOMs;
- Reduction in cost of power;
- Financial Turnaround including reduction in interest cost of DISCOMs;
- Enforcing financial discipline on DISCOMs through alignment with State finances.

The salient features of UDAY are:

- States to take over 75% of DISCOM debt as on 30<sup>th</sup> September 2015 over two years - 50% in 2015-16 and 25% in 2016-17.
- Government of India would not include the debt taken over by the States as per the above scheme in the calculation of fiscal deficit (FRBM Limit) of respective States in the financial years 2015-16 and 2016-17.
- States would issue non-SLR bonds including SDL bonds in the market or directly to the respective banks / Financial Institutions (FIs) holding the DISCOM debt to the appropriate extent.
- DISCOM debt not taken over by the State to be converted by the Banks / FIs into loans or bonds with interest rate not more than the bank's base rate plus 0.1%. Alternatively, this debt to be fully or partly issued by the DISCOM as state-guaranteed DISCOM bonds at the prevailing market rates which would be equal to or less than bank base rate plus 0.1%.

The outcomes of operational improvements would be measured through following indicators:

- Reduction of AT&C loss to 15% by 2018-19 as per the loss reduction trajectory to be finalized by Ministry of Power (MoP) and States
- Reduction in gap between Average Cost of Supply (ACS) & Average Revenue Realized (ARR) to zero by 2018-19 as finalized by MoP and States.

### **7.3. Overview of Power Sector in Chhattisgarh**

**7.3.1:** In Chhattisgarh, distribution of power is carried out by Chhattisgarh State Power Distribution Company Limited (CSPDCL), which is a state government undertaking. This is the only DISCOM within Chhattisgarh. Two companies – SAIL and Jindal Steel and Power Limited distribute power generated within their plants and residential colonies. In addition, Jindal Steel and Power Limited also supplies power in Industrial park and in their residential colony at Raigarh District.

**7.3.2: Household Electrification** Chhattisgarh had 63.6 lakh households with electrification rate of 84.5% as on March 2015 with 9.25 lakh households in rural and 62,377 households in urban area still left out. There were another 394 villages which are

affected by Left Wing Extremist (LWE) where access to any kind of survey is extremely difficult. Despite these issues the state government planned to achieve 100% household electrification by the end of FY 2017-18.

**7.3.3:** Under SAUBHAGYA Scheme (*Pradhan Mantri Sahaj Bijli Har Ghar Yojana*), electrification of 7,20,669 households (6,75,252 HH with Grid and 45,417 HH with off grid) were to be done. As of November 2018, a total 6,31,648 HH are already electrified with grid/off grid i.e. **93.54 % HH are electrified.**

**7.3.4:** Of the 27 districts in Chhattisgarh, 12 are 100% electrified. Five (5) districts are in LWE region and status of un-electrified HH in remaining 10 districts is given in table below. The State government has targeted to achieve 100% HH electrification by March, 2019.

**Table 7.1: Target for HH Electrification in 10 Districts**

SN	District	Target	Balance
1	Mungeli	21,390	15
2	Korba	24,961	344
3	Bilaspur	40,367	743
4	Kabirdham	27,527	1,569
5	Bastar	56,871	1,807
6	Surajpur	33,624	2,358
7	Koria	21,973	1,938
8	Sarguja	42,441	4,324
9	Balrampur	39,137	4,546
10	Jashpur	57,189	8,788
TOTAL		3,65,480	26,432

**7.3.5:** In keeping with the Ministry of Power requirement, the State Government has electrified all 19,567 villages. Of these, 18,180 villages electrification from grids and 1,387 villages electrification by off-grid (solar energy). In LWE Bastar region with uneven geographical condition, solar lanterns are provided in 10 % households in the districts - Dantewada, Narayanpur, Sukma, and Bijapur.

**7.3.6:** As of 2015, Chhattisgarh State Power Distribution Corporation Limited (CSPDCL) gets 2,424 MW of power from state generating stations, 1192 MW from central generating

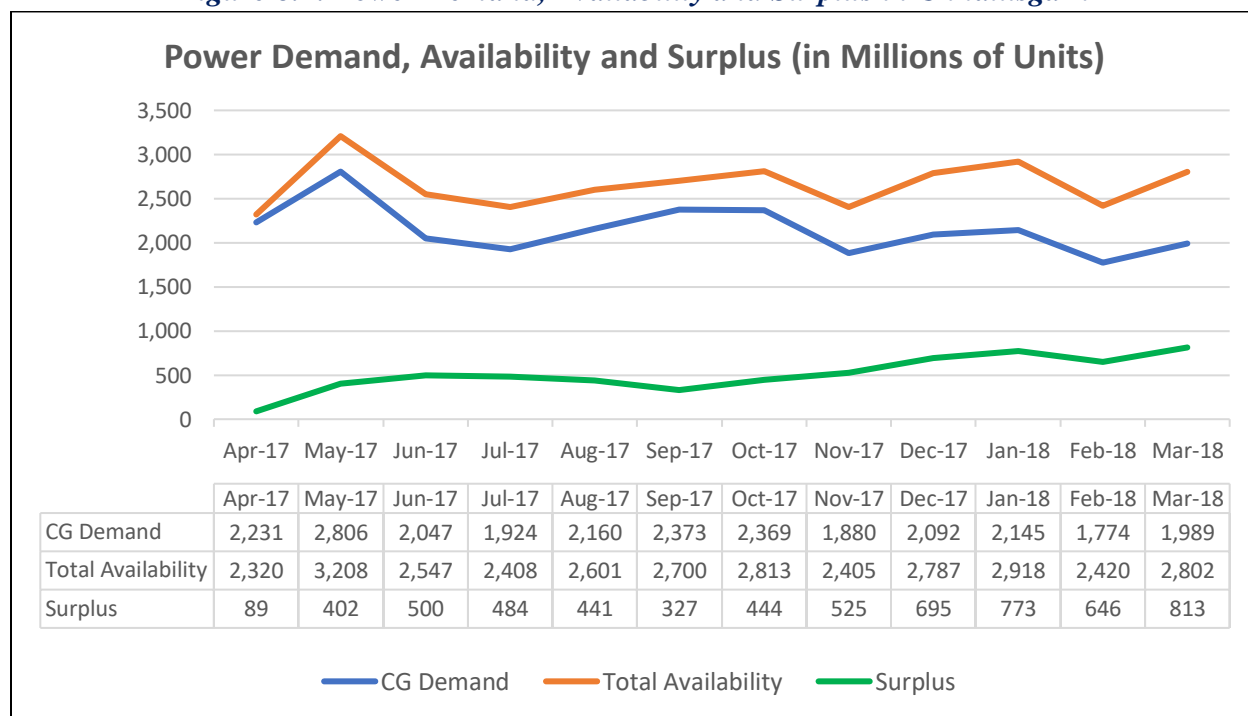


stations and 406 MW from other sources. This is expected to increase by 2,644 MW by FY 2018, which will create surplus situation for the state considering the demand of 3.766 MW projected. Therefore, the state has planned to sell this surplus power to other states.

**7.3.7: Capacity and Surplus:** The transmission capacity in the state is around 21,000 MVA at kV, which is mainly being used for exporting power outside the state. This capacity is planned to be ramped up by FY 2018 for meeting the export requirement of the state which is expected to increase by 20,709 MW. In addition, the Chhattisgarh State Power Transmission Corporation Limited (CSPTCL) has currently planned to increase the 220 KV transformation capacity in the state from 6030 MVA to 10,225 MVA by the end of FY 2017-18.

**7.3.8:** In FY 2017-18 Chhattisgarh had a total demand of 25,790 MU, compared to a total availability of 31,929 MU, leading to a surplus of 6,139 MU. The monthly power demand, availability and Surplus in Chhattisgarh for FY 2017-18 is shown in Figure 8.1 below:

**Figure 8.1: Power Demand, Availability and Surplus in Chhattisgarh**



## **7.4 Implementation of UDAY in Chhattisgarh**

**7.4.1:** The Government of India, the State of Chhattisgarh and the CSPDCL (Chhattisgarh State Power Distribution Company Limited) signed a Memorandum of Understanding (MOU) under the UDAY Scheme on 25<sup>th</sup> January 2016 for operational and financial turnaround of the CSPDCL. Chhattisgarh was expected to derive an overall net benefit of approximately Rs.3100 cr. through UDAY.

**7.4.2:** Tripartite Memorandum of Understanding was executed amongst Ministry of Power, Government of India; Government of Chhattisgarh and Chhattisgarh State Power Distribution Company (CSPDCL) for facilitating State Government to take over 75 *per cent* of total debt as on 30 September 2015 (Rs. 1,740.24 crore) i.e., Rs. 1,305.18 of CSPDCL by issuing SLR bonds of which 50 *per cent* (Rs. 870.12 crore) was to be taken over in 2015-16 and remaining 25 *per cent* (Rs. 435.06 crore) in 2016-17 and the debt taken over by the State Government would not be counted against the Fiscal Deficit. Accordingly, the State Government took over Rs. 870.12 core in 2015-16.

**7.4.3:** In April 2016, Ministry of Power, Government of India directed that Loans under Restructured Accelerated Power Development and Reforms Programme (R-APDRP) should not be taken over by the State Government. In view of the above direction, the total debt to be taken over by the State Government stood reduced by Rs. 586.64 crore and pegged at Rs. 1,153.60 crore (Rs. 1,740.24 crore - Rs. 586.64 crore) of which 75 *per cent* i.e. Rs. 865.20 crore only was to be taken over by the State Government. Since the debt amounting to Rs. 870.12 crore was already taken over by the State Government in 2015-16, no additional debt was taken over during 2016-17. The excess debt of Rs. 4.92 crore (Rs. 870.12 crore - Rs. 865.20 crore) taken over by the State Government requires adjustment from CSPDCL.

**7.4.4:** Sustainability of operational and financial performance being at the CORE of UDAY, the State of Chhattisgarh and CSPDCL, through this scheme, were to bring about operational efficiencies through compulsory feeder and distribution transformer metering, consumer indexing & GIS mapping of losses, upgrade/change transformers, meters etc.,

smart metering of high-end consumers, reduction in transmission losses and increased power supplies in areas with reduced AT&C losses. The reduction in AT&C losses and transmission losses itself was expected to bring additional revenues of around Rs. 2350 cr. to CSPDCL till FY 19.

**7.4.5:** Demand Side interventions in UDAY, such as usage of energy-efficient LED bulbs, fans and air-conditioners and efficient industrial equipment through PAT (Perform, Achieve, and Trade) were to help in reducing peak load, flatten load curve and thus help in reducing energy consumption in the State of Chhattisgarh. This gain was expected to be around Rs.630 cr. till FY 19.

**7.4.6:** The scheme envisaged Central government to provide incentives to the DISCOMs and the State government aimed at improving Power infrastructure growth in the State and lowering the cost of power. The State of Chhattisgarh would get additional/priority funding through the Central schemes such as DDUGJY, IPDS, Power Sector Development Fund or such other schemes of MOP and MNRE, if they meet the operational milestones outlined in the scheme. It was expected that with the financial turnaround through financial and operational efficiencies, the DISCOM rating would improve, thereby reducing their Cost of Borrowing for future capital investment requirement for sustainable operational improvements.

**7.4.7:** The debt takeover helped in lowering interest rates to 7%-8.5% from 11-12%. The State Government has started taking over losses of DISCOMS in a gradual manner, starting with taking over 5% of losses in 2017.

## **7.5 Impact of UDAY on State Finances**

Table 7.1 below shows the total state government's liabilities on account of UDAY. Over the period 2018-19 to 2030-13, the liabilities would be at the tune of Rs. 1502.81 Since the payouts (both Interest & Principal) are not very significant, this would not have any adverse impact on State's fiscal health.

**Table 7.2: State Government Liabilities on Account of UDAY**

Year	Principal	Interest	Total
2018-19		74.31	74.31
2019-20		74.31	74.31
2020-21		74.31	74.31
2021-22	87.01	74.31	161.32
2022-23	87.01	66.87	153.88
2023-24	87.01	59.49	146.50
2024-25	87.01	52.07	139.08
2025-26	87.01	44.67	131.68
2026-27	87.01	37.48	124.49
2027-28	87.01	29.96	116.97
2028-29	87.01	22.41	109.42
2029-30	87.01	15.05	102.06
2030-31	87.01	7.57	94.58
<b>Total</b>	<b>870.1</b>	<b>632.81</b>	<b>1,502.91</b>

## 7.6 Status of implementation of UDAY

CSPDCL has reported marginal losses for the period FY 2018-19 to 2020-21. Accordingly, the projected takeover of losses by state during the said period is indicated in the table below:-

**Table 7.3: Projected Losses of CSPCL to be taken over by the State**

2018-19	2019-20	2020-21	Remark
Projected Takeover of loss @ 10% loss of 2017-18 i.e. Rs. 32.80 crores.	Projected Takeover of loss @ 25% loss of 2018-19 i.e. Rs. 50 crores.	Projected Takeover of loss @ 50% loss of 2019-20 i.e. Rs. 50 crores.	CSPDCL projected marginal loss based on the assumption that the ARR as mentioned in the petition for tariff revision in the respective year shall be allowed by CSERC. The actual loss take over figures would be subjected to the tariff order and notified/ published balance sheet of the CSPDCL.

It appears some of the power reform measures and initiatives are bearing fruit since the overall book losses of power utilities reduced by Rs. 768 crores - from a negative Rs.1273 cores in year 2014-15 to Rs.473 crores in 2015-16. The same level of improvement was with respect to loss on subsidy received basis for the state. Further, the state utilities were able to reduce its losses without subsidy from Rs.1705 cores to Rs. 880 crores in 2015-16.

## 7.7 Progress on UDAY barometer Targets

**7.7.1:** UDAY barometer depicts improvements made by distribution sector of the State Post joining of UDAY in line with Targets/Projections as per MoU. It is graded Quarterly on the basis of 14 financial/ operational parameters of UDAY. The pre-UDAY position is as on 31.03.2016.

**7.7.2:** The progress on UDAY Barometer target is given below:-

*Table 7.4: Progress against UDAY Barometer Target*

SNo	Parameter	Progress	Target	%
1	Feeder Metering	2151	2361	91
2	DT Metering Urban	2768	92811	3
3	DT metering Rural	4663	104488	4
4	Feeder Segregation	133	1179	11
5	Rural Feeder audit	1020	2793	37
6	Electricity access to unconnected household	5.58 lakh	8.6 lakh	65
7	Smart metering	0	681272	0
8	Distribution of LED under Ujala	135.47 Lakh	75 Lakh	100
9	RPOs	317.09	0	100
10	AT&C losses %	31.62	15	0
11	ACS ARR gap Rs per unit	0.5	-0.52	0
12	Profit/loss including subsidy (in Crore)	4.21	0	0
13	Power charges payables to yearly PP expenditure	1080.29	12874.68	<=90 days 100 Marks
14	Receivable outstanding to yearly turn over	2818.74	13761.4	<=90 days 100 Marks

Source: Data provided by State Govt. of Chhattisgarh

**7.7.3:** Performance of Chhattisgarh State Power Distribution Company (CSCPDCL) on Financial and operational performance parameters is given in Table 7.5 and Table 7.6 below:

*Table 7.5: Financial performance parameters (UDAY) of CSCPDCL*

Financial Parameters	FY 16 (Base Year)	FY 17 (ACHV)	FY 18 (ACHV)
Profit/Loss (Rs. Cr.)	-540.64	451.17	103.44

ACR-ARR Gap (Rs./kWh)	0.18	-0.14	-0.03
Billing Efficiency (%)	78.47	81.44	81.91
Collection Efficiency (%)	99.66	99.04	99.13
AT&C Losses (%)	21.79	19.34	18.8
Power Purchase Cost (Rs./ kWh)	3.68	4.2	3.84
Interest Cost (Rs./kWh)	0.12	0.08	0.37

**Table 7.6: Operational performance parameters (UDAY) of CSCPDCL**

Operational Parameters	Unit	FY 16 (Base Year)	FY 17 (ACHV)	FY 18 (ACHV)	Total Target#	Overall (ACHV)	Overall ACHV (%)
Smart Metering (more than 500 kWh)	(In No.)	0	0	0	488307	0	0
Smart Metering (less than 500 kWh)	(In No.)	0	0	0	652146	0	0
DT Metering (Urban)	(In No.)	33271	0	911	126082	36039	28.6
DT Metering (Rural)	(In No.)	29046	0	804	133534	33709	25.2
UJALA - LED	(In Lacs)	0.04	0	10.62	75.04	135.51	100
Distributions							
Rural Feeder Audit	(In No.)	0	48	99	2793	1020	36.5
Feeder Metering (Rural)	(In No.)	1798	182	211	3821	3696	96.7
Feeder Metering (Urban)	(In No.)	719	0	0	1057	972	92
Feeder Segregation	(In No.)	333	0	30	1512	466	30.8

#(Base Year +Total UDAY)

**7.7.4: AT&C Losses:** The AT&C losses has been exhibiting a steady decline since 2011-12. The figures for AT&C and related parameters are shown in Table 7.7 below:

**Table 7.7: AT&C Loss and related parameter trend**

Parameter	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Distribution Loss (in %)	28.11	25.75	24.36	22.15	21.52	18.56	18.08
Billing Efficiency (in %)	71.89	74.25	75.64	77.85	78.48	81.44	81.92
Collection Efficiency (in %)	96	93.26	98.36	99.66	99.67	99.04	99.09
Target AT&C loss (in %)	-	-	-	22.5	21	19	18
AT&C Loss (in %)	<b>30.99</b>	<b>30.75</b>	<b>25.60</b>	<b>22.41</b>	<b>21.79</b>	<b>19.34</b>	<b>18.83</b>

## 7.8 Revenue and Capital Expenditure on Power Sector

Table 7.3 below gives the overall revenue and capital expenditure on power and energy.

*Table 7.8: Revenue and Capital Expenditure*

	Revenue Expenditure			Capital Expenditure			Total
	Power	Non- Conventional Energy	Total Revenue	Power Project	Drought energy Development Fund	Total Capital	
2006-07	168	15	<b>184</b>	-	-		184
2007-08	156	15	<b>171</b>	-	-		171
2008-09	180	16	<b>196</b>	-	-		196
2009-10	198	16	<b>213</b>	-	-		213
2010-11	282	16	<b>298</b>	-	-		298
2011-12	321	16	<b>337</b>	900	-	<b>900</b>	1,237
2012-13	996	46	<b>1,041</b>	704	-	<b>704</b>	1,745
2013-14	485	11	<b>496</b>	22	-	<b>22</b>	518
2014-15	849	12	<b>861</b>	109	-	<b>109</b>	969
2015-16	2,699	118	<b>2,816</b>	130	-	<b>130</b>	2,946
2016-17	1,010	26	<b>1,036</b>	720	187	<b>908</b>	1,943
2017- 18(RE)	3,225	39	<b>3,265</b>	325	564	<b>889</b>	4,154
2018- 19(BE)	3,540	53	<b>3,593</b>	186	466	<b>652</b>	4,245

Precise figures of actual budgetary figures to power utilities is not available but it can be seen that the state was spending far more on power from the year 2012-13 onwards. In fact, expenditure on power and related sectors constituted as high as 3.9% of total revenue expenditure in that year. It was similarly high at 6.4% and 5.0% in 2015-16 and 2017-18(RE) respectively of total revenue expenditure for that year.

Capital expenditure on power on the other hand was non-existent till 2010-11. In 2011-12, the State made a huge investment in energy, so much so that it was 14.6% of total capital expenditure in that year. This was followed up by 9% of capital expenditure in the next year. Between 2013-14 and 2015-16, it remained low before once again increasing to 8.3% of total capital expenditure. This was reduced to 5.9% in 2017-18(RE) while budgetary estimates of 2018-19 have pegged it at only 3.9% of total capital expenditure. The significant increase and decrease in growth rates from year to year while being partly as a

result of the lumpy nature of investment in energy is also indicative of massive spending by the State on power sector.

## **7.9 Conclusion**

Power sector reforms are structural reforms; hence they will take time to reflect in the financial sustainability of the power utilities. As far as the UDAY scheme is concerned, it has been successfully executed by the State, and it is assessed that this has not and will not adversely impact the finances of the State in the days to come. The total amount of debt taken over by the state under this scheme is less than 0.4% of the GSDP of the state in 2015-16.

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## Chapter 8: Subsidies

### 8.1. Subsidies given by State Government

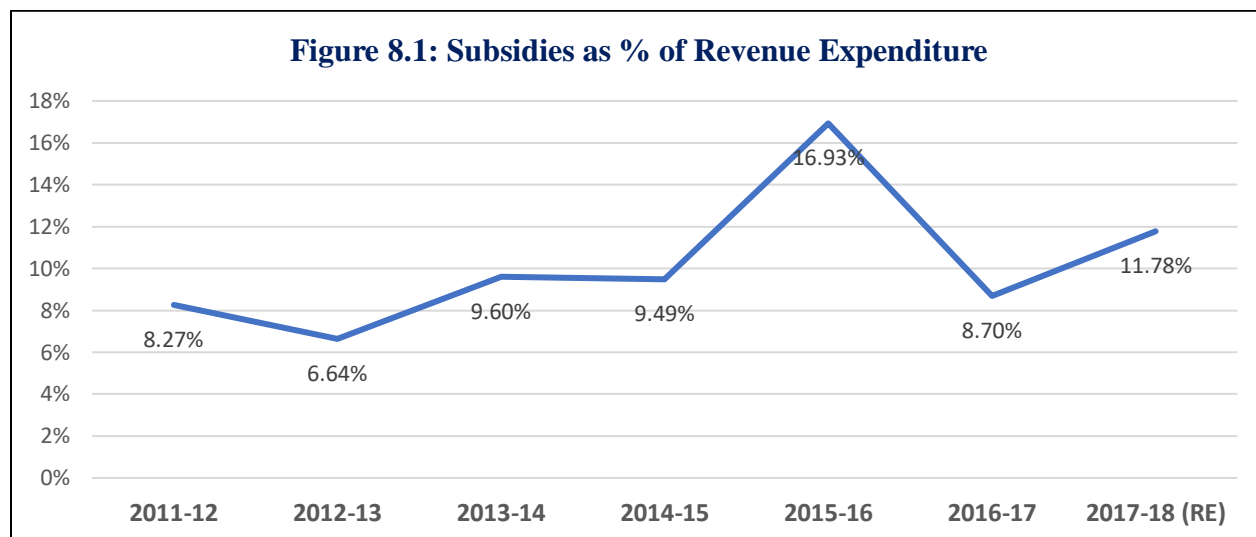
**8.1.1:** The subsidies provided by the State Government is shown in Table 81 below. These figures have been largely taken from C&AGs report on the State. Figures of years 2016-17 and 2017-18 (RE) have been provided by the State Government.

*Table 8.1: Subsidies by State Government (In Rs Crores)*

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18 (RE)
Food Storage and Warehousing	383.7	395.2	463.7	2,328.2	5,319.7	2,713.0	3,832.9
Power	321.1	426.1	443.8	915.0	1,708.4	824.9	1,915.2
Social Security, Welfare and Nutrition	950.5	722.3	1,754.2	9.3	10.2	11.3	19.8
Crop Husbandry	46.4	75.5	300.5	322.4	243.9	307.9	440.2
Co-operation	95.3	103.1	111.9	87.2	9.3	212.1	197.3
Industries	1.9	8.0	20.4	29.2	49.3	80.4	1,228.0
Village and Small Industries	52.5	44.3	41.6	33.6	37.5	36.5	40.0
Fisheries	0.6	1.3	1.4	1.4	1.8	2.2	2.2
Forestry and Wild Life	8.1	15.1	15.0	19.6	16.3	0.1	26.0
Minor Irrigation	10.9	0.0	0.0	0.0	0.0	0.0	0.0
Administrative Services	0.0	0.0	0.4	0.7	0.7	0.0	0.0
Rural Development	0.0	0.0	2.7	0.0	0.0	0.0	0.0
<b>Total Subsidies</b>	1,870.9	1,790.8	3,155.5	3,746.6	7,397.1	4,188.4	7,701.7

**8.1.2:** Overall the subsidy bill has risen from Rs. 1,871 Crore in 2011-12 to Rs. 7,397.1 Crore in 2015-16, a three-fold increase in just four years. Thereafter it dropped to Rs. 4,188.39 Crore in 2016-17 but is again slated to rise in 2017-18 (RE). The most important subsidy scheme of the State Government is on food security - *Mukhya Mantri khadhyan sahayata Yojana*. Earlier, this scheme was run under the head- Social Welfare & Nutrition, but from 2013-14, this was shifted to the head Food storage & Warehousing, resulting in a steep decline of expenditure under Social Welfare & Nutrition in 2014-15 and a commensurate increase in Food storage & Warehousing.

**8.1.3:** Figure 8.1 below shows Subsidies as a % of Revenue Expenditure of the State.

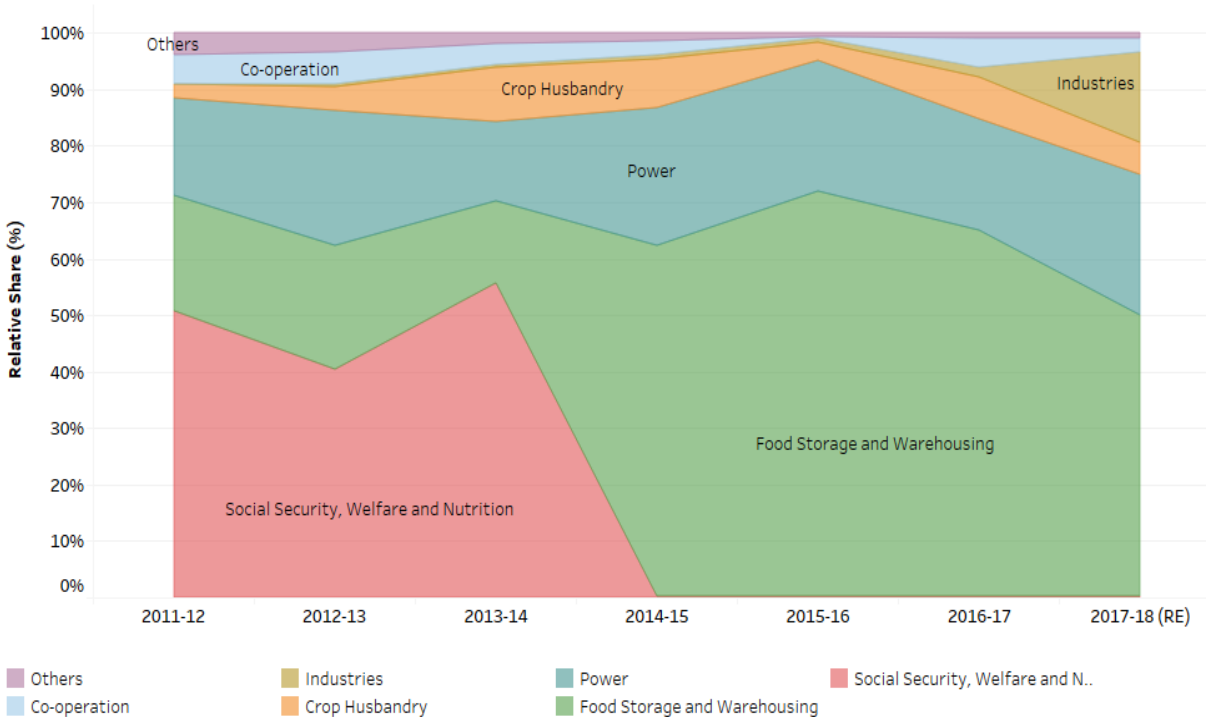


As can be seen, Subsidies has formed a significant portion of the Revenue Expenditure of the State, varying from a low of 6.64% in 2012-13 to 16.93% in 2015-16. Subsidies have gone up considerably over the last five years, both in absolute terms as well as a percentage of revenue expenditure.

## 8.2 Composition of Subsidy

**8.2.1:** The lion's share of the subsidy outgo is towards food subsidy. Till the year 2013-14, this subsidy was distributed under two heads viz., nutrition and food storage and warehousing. But 2014-15 onwards, it is entirely under food storage and warehousing. As a percentage of the total subsidy bill, food storage and warehousing went up to 62.1% in 2014-15, and thereafter to 71.9% and 64.71% in 2015-16 and 2016-17 respectively, before dropping to about 50% in 2017-18 (RE). The figure 10.2 below shows the relative share of various subsidies.

Figure 8.2: Relative Share of Subsidies



**8.2.2: Food Subsidy:** The substantial PDS reforms implemented in Chhattisgarh are widely believed to be responsible for the state’s success in improving the distribution of food grains through PDS. In fact, many of the reforms introduced under the National Food Security Act are modelled on Chhattisgarh’s reforms. From 2011-12 till 2013-14, the scheme of CM Food Assistance was operating under Major Head 2235-Social Securities and Welfare. Since this scheme was launched from state budgetary resources, initially every BPL family was entitled to get 35 kg. rice per month. The assumption was that the average family size was of 5 members, and the subsidy amount was accordingly budgeted. From 2014-15, the scheme was shifted to Major Head 2408- Food and Civil Supplies and this shift is reflected in the pattern of expenditure, as commented upon earlier. From 2011-12 to 2015-16 the food subsidy bill escalated steeply, as the number of beneficiary families kept increasing due to newer registration and splitting up of hitherto joint families. From 2016-17 onwards however, the trend reversed, and the subsidy amount started decreasing since the provisions of National Food Security Act involved a shift from family based

entitlement to an individual. Every member got entitled for 7 Kg. rice per month. At the same time state government started Aadhaar seeding of the beneficiaries. This resulted in proper targeting of subsidy and further led to rationalization of the same.

**8.2.3: Power Subsidy:** The next largest amount is on power. The data shows that subsidies on power picked up in 2014-15 and 2015-16 to 24.4% and 23.1% of total subsidies respectively.

**8.2.4: Other Subsidies:** The other noteworthy amount is the subsidies directed towards Crop Husbandry, Forestry and Wild Life. This has however varied from year to year. Crop Husbandry was 10% of total subsidies in year 2006-07 but declined thereafter in the next couple of years to pick up again in 2013-14 and 2014-15. It subsequently again declined again and dropped to 3.3% of the total subsidies. Forestry and Wildlife subsidy was 7.9% in 2006-07 but declined sharply in following years.

### **8.3 Conclusion**

The State incurs significant expenditure on Subsidies, accounting for near 12% of the Revenue Expenditure in 2017-18(RE). More than 50% of the subsidy expenditure is on Food Subsidy, the implementation of which has also been universally lauded.

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## Chapter-9: Outcome Evaluation – 14<sup>th</sup> FC Recommendations

### 9.1 Overview of Projections made by 14<sup>th</sup> FC

Finance Commission has the challenging the task of making projections for various fiscal parameters for both the Centre and the States. These projections form a critical input to the final award recommended by the Commission. In this chapter, we will provide a comparison between the projections made by the 14<sup>th</sup> FC for important fiscal parameters relating to the Government of Chhattisgarh, and the actual value of the parameter as available on date. The parameters that would be so assessed are: GSDP, Own Tax and Non-Tax Revenue, Expenditure on Interest payment and pension, Fiscal Deficit and Debt as a percentage of GSDP.

### 9.2 Projection of GSDP

**9.2.1:** The 14<sup>th</sup> FC first obtained the comparable current price GSDP data at factor cost for the period 1999-00 to 2012-13 from CSO. Next, using the trend growth rate of comparable aggregate GSDP for the period from 2004-05 to 2012-13, the FC estimated the growth rates of individual States, estimated the GSDP for the base year 2014-15, and projected it forward for the award period. In case of Chhattisgarh, the FC estimated the growth rate of GSDP at 14.24% for the period 2015-20, 14.27% for the base year 2014-15, and the base years GSDP at Rs 2,41,317 Crores.

**9.2.2:** A comparison of the GSDP, as estimated by the FC, and actual is shown in Table 9.1 below (and Figure 9.1)

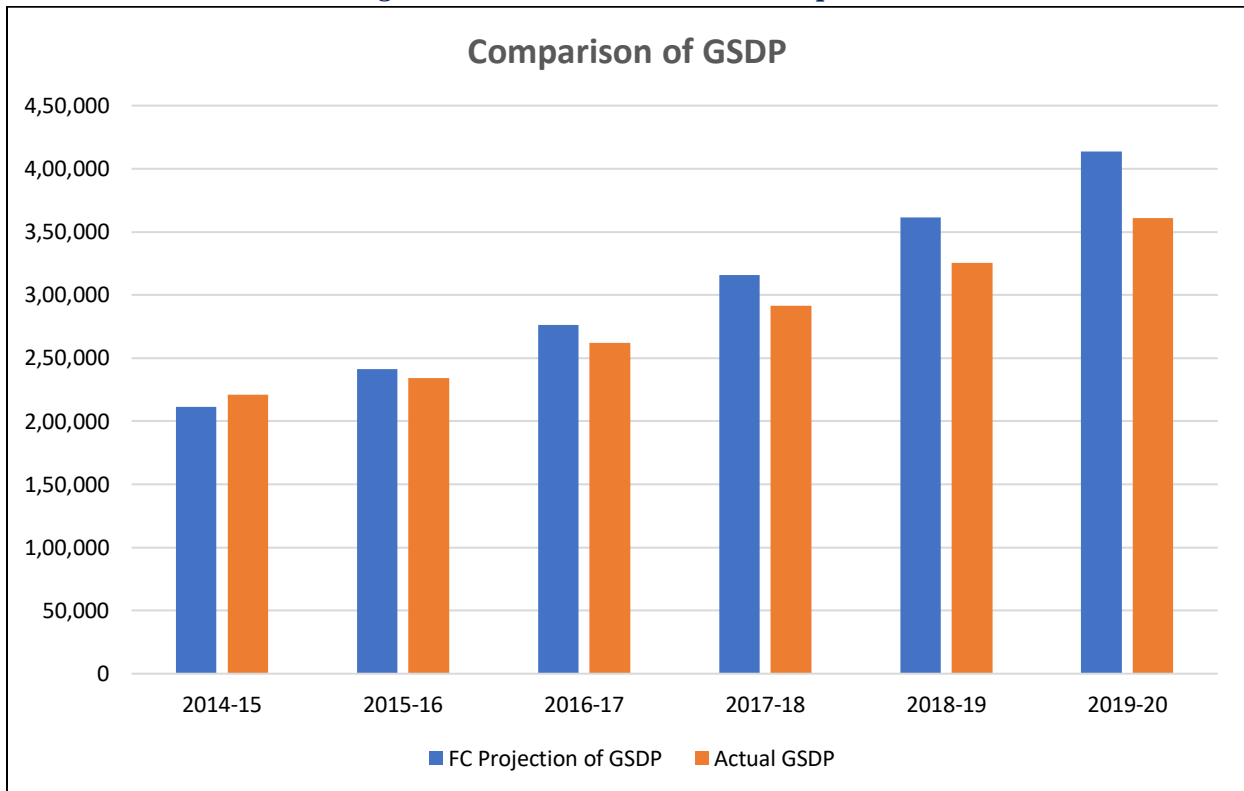
*Table 9.1: GSDP Assessment Comparison (GSDP figures in Rs Crore)*

Year	FC Projection of GSDP	Projected Growth Rate	Actual GSDP	Observed Growth Rate*	GSDP Overestimation - %	Growth Overestimation - %
2014-15	2,11,181	14.27%	2,21,142	5.91%	-4.5%	141.4%
2015-16	2,41,317	14.42%	2,34,212	11.98%	3.0%	20.4%
2016-17	2,76,117	14.42%	2,62,263	11.22%	5.3%	28.6%
2017-18	3,15,935	14.42%	2,91,681	11.60%	8.3%	24.4%

Year	FC Projection of GSDP	Projected Growth Rate	Actual GSDP	Observed Growth Rate*	GSDP Overestimation - %	Growth Overestimation - %
2018-19	3,61,495	14.42%	3,25,506		11.1%	
2019-20	4,13,625	14.42%	3,61,048	10.92%	14.6%	32.1%

\*GSDP and associated growth rates of FY 2018-19 and 2019-20 are estimates

**Figure 9.1: GSDP Assessment Comparison**



**9.2.3:** As can be seen in Table 9.1 above, the actual GSDP growth was lower than was assessed by the 14<sup>th</sup> FC for the award period of 2015-16 and beyond. Against the estimate of a CAGR of 14.39% from 2014-15 to 2019-20, the observed CAGR for GSDP was 10.30%, an overestimation by 39.7%. The significant overestimation by 141.4% in the base year of 2014-15 is on account of the bad drought situation in the State leading to GSDP growing in nominal terms by only 5.91% against the 14<sup>th</sup> FC estimate of 14.27%.

## 9.2 Projection of Tax Revenue

**9.2.1:** The 14<sup>th</sup> FC had followed a two-stage process for projecting the Own Tax Revenue. The first step involved reassessment of the base year 2014-15, which was assessed as 8.26

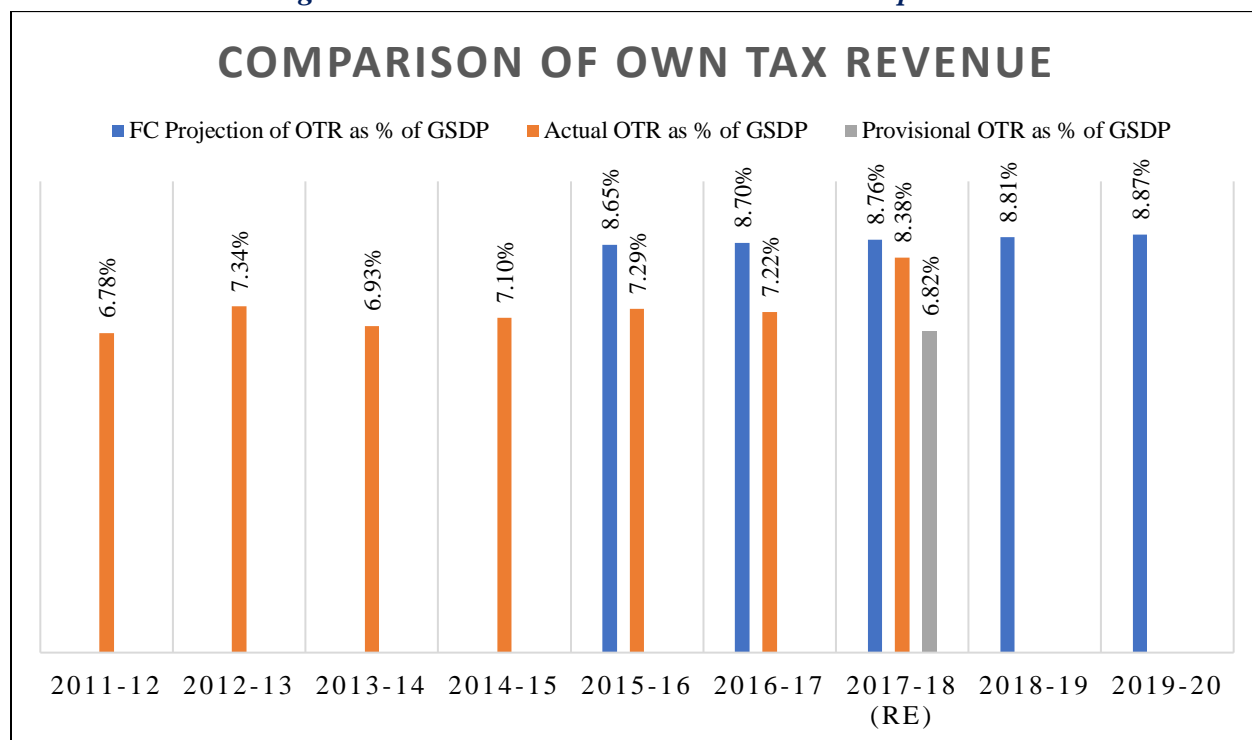
per cent for all States. In the second step, normative growth rate was applied to the projections. For States with tax-GSDP ratio higher than the average, that is, 8.26, the FC assumed an own tax buoyancy of 1.05 implying a moderate increase in own tax revenue to GSDP ratio during the assessment period. For those States with tax-GSDP ratio below the average of 8.26, the FC assumed a higher buoyancy of 1.5. However, once a State reaches the target tax-GSDP ratio or exceeds the tax-GSDP ratio of 8.26 in any particular year of assessment, the lower buoyancy at 1.05 has been assumed for the remaining years and a tax-GSDP ratio of 8.26 for that particular year.

**9.2.2:** The Table 9.2 shows the actual Own Tax Revenue to GSDP for Chhattisgarh from 2011-12, along with comparison with 14<sup>th</sup> FC assessment for the relevant period.

***Table 9.2: Own Tax Revenue Assessment Comparison***

<b>Year</b>	<b>State's Own Tax Revenue as % of GSDP</b>	<b>FC Projection</b>	<b>Overestimation %</b>
2011-12	6.78%		
2012-13	7.34%		
2013-14	6.93%		
2014-15	7.10%		
2015-16	7.29%	8.65%	18.59%
2016-17	7.22%	8.70%	20.44%
2017-18 (RE)	8.38%	8.76%	4.56%
2018-19		8.81%	
2019-20		8.87%	

*Figure 9.2: Own Tax Revenue Assessment Comparison*



**9.2.3:** As can be seen in the Table and Figure above, the Own Tax Revenue to GSDP of Chhattisgarh has not exceeded 8% in any of the years from 2011-12. Only in 2017-18 RE does it show to be in excess of 8%, but as per provisional figures, the actual ratio is 6.82%. Combined with a lower actual GSDP vis-à-vis projection, the actual Own Tax Revenue of Chhattisgarh has been significantly lower than the projected Own Tax Revenue.

**9.2.4:** Chhattisgarh has a significant non-tax revenue on account of royalty from mining and some forest revenue. The table below shows the FC-projected and actual tax and non-tax revenue for Chhattisgarh:

*Table 9.3: Projected and Actual Tax and Non-Tax Revenue (in Rs Crore)*

Year	FC Projected - Own Tax Revenue	Actual - Own Tax Revenue	FC Projected – Own Non-Tax Revenue	Actual - Own Non-Tax Revenue
2015-16	20,872	17,075	5,324	5,215
2016-17	24,033	18,945	5,569	5,669
2017-18 (RE)	27,672	24,438	5,833	7,715
2018-19 (BE)	31,862	26,030	6,116	8,170
2019-20	36,686		6,420	



As can be seen, while the actual Own Tax Revenue has been lower than the amount estimated by the FC, Non-Tax revenue was higher in all years barring 2015-16.

### 9.3 Projection of Fiscal Deficit and Debt to GSDP

**9.3.1:** The 14<sup>th</sup> FC had projected the roadmap for the States after factoring in the additional fiscal space they could avail during the 2015-20 period. As per this fiscal roadmap, at the aggregate level, the State's debt-GSDP ratio would increase from 25.9 per cent in 2015-16 to 26.3 per cent in 2019-20.

**9.3.2:** As detailed in Chapter-4 of this report, Chhattisgarh has complied with the requirements of the fiscal consolidation roadmap recommended by the 14<sup>th</sup> FC. It did not however avail of the additional fiscal space of borrowing till the permitted limit of 3.5% of GSDP. The Table below shows a comparison between the projected and actual Fiscal deficit and Debt to GSDP ratio for Chhattisgarh.

*Table 9.4: Debt-GSDP and Fiscal Deficit-GSDP ratio Assessment Comparison*

Year	FC Projection - Debt to GSDP	Actual Total Liabilities as % of GSDP	FC Projection - Fiscal Deficit	Actual Fiscal Deficit
2011-12		8.43%		0.51%
2012-13		8.25%		1.50%
2013-14		12.04%		2.45%
2014-15	11.71%	14.10%		3.62%
2015-16	13.73%	16.15%	3.50%	1.95%
2016-17	15.50%	16.56%	3.50%	1.54%
2017-18 (RE)	17.05%	18.18%	3.50%	3.34%
2018-19	18.40%		3.50%	
2019-20	19.58%		3.50%	

In the 14<sup>th</sup> FC award period, Chhattisgarh has restrained its fiscal deficit below the permitted level. The provisional figure of fiscal deficit for 2017-18 at 2.34% is lower than the RE figure of 3.34%. The growth in Debt to GSDP has accordingly been lower than projected. There is a significant difference in the base year (2014-15) Debt to GSDP figure as assessed by FC, and the actual taken here. While FC had assessed it to be 11.71%, the actual Debt to GSDP was 14.10%. This difference is likely caused by the sharp increase in

the total liabilities of the State in 2013-14 on account of inclusion of Reserve Funds as well as Deposit and Advances under Public Account, which amounted to Rs 6753 Crores, in the total outstanding liabilities of the State, done as per instructions of C&AG of India.

## 9.4 Projection of Interest Payment

**9.4.1:** The FC had treated Interest payments as committed expenditure on account of it being a charged expenditure. To project the Interest payment over the award period, the 14<sup>th</sup> FC first considered the 2014-15 (BE) data provided by the States as the base year estimate for interest payment. It then assessed the effective rate of interest, and after projecting the outstanding debt stock of each State, and using the rate of interest, arrived at the projected interest payment.

**9.4.2:** Table 9.4 below shows the comparison between the projected and actual interest payment by government of Chhattisgarh. The amount projected by 14<sup>th</sup> FC has been lower than the actual interest payment. However, the difference is small, ranging from 3 to 6%.

*Table 9.5: Interest payment Assessment Comparison (Amount in Rs Crore)*

	2015-16	2016-17	2017-18 (RE)	2018-19 (BE)	2019-20
<b>FC Projected Interest Payment</b>	2,030	2,518	3,077	3,716	4,448
<b>Actual Interest Payment</b>	2,149	2,687	3,278	3,848	
<b>Underestimation %</b>	5.53%	6.28%	6.13%	3.42%	

## 9.5 Projection of Pension

**9.5.1:** The 14<sup>th</sup> FC had considered Pension payments as committed expenditure of the government, along with expenditure on salary and interest. It took the state-wise 2014-15 (BE) data on pension payments as the base year estimate and made projections by adopting a normative annual growth rate of 10 per cent for pension payments.

**9.5.2:** Table 9.4 below shows the comparison between the projected and actual pension payment by government of Chhattisgarh. The amount projected by 14<sup>th</sup> FC has been significantly lower than the actual expenditure on pension payment incurred by the State Government.

*Table 9.6: Pension payment Assessment Comparison (Amount in Rs Crore)*

	2015-16	2016-17	2017-18 (RE)	2018-19 (BE)	2019-20
<b>FC Projected Pension Payment</b>	2,756	3,031	3,334	3,668	4,035
<b>Actual Pension Payment</b>	3,519	3,486	4,052	5,360	
<b>Underestimation %</b>	21.67%	13.06%	17.72%	31.56%	

## **9.6 Conclusion**

As stated at the beginning of this chapter, the task before FC in making projections on multiple Fiscal parameters is not easy. In case of Chhattisgarh, the projections have overestimated the revenue, and underestimated the committed expenditure on Interest and Pension. However, the key assessment relates to the post-devolution revenue surplus. This was on target, hence the impact of the deviation from projections was contained. With strong commitment shown by the States overall in meeting the FRBM targets, in some ways, it is the revenue which is seen to be driving the expenditure.

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## **Annexure: Analysis of Fiscal Parameters (2006-07 to 2017-18 RE)**

### **A. Fiscal Parameters for Analysis**

The following parameters were selected for analysis over a long time period i.e. from 2006-07 to 2017-18(RE). Where relevant, their ratio to GSDP has also been displayed.

#### **A1: Revenue Related Parameters**

- i. Total Revenue Receipts
- ii. Breakup of Total Revenue Receipts in terms of:
  - a. State's Own Tax Revenue
  - b. State's Own Non-Tax Revenue
  - c. Share of State in Union Taxes and Duties
  - d. Grants in aid from GOI

#### **A2: Expenditure Related Parameters**

- i. Total Expenditure
- ii. Breakup of Total Expenditure in terms of:
  - a. Revenue Expenditure
  - b. Capital Expenditure (Outlay)
  - c. Loans and Advances

#### **A3: Committed Expenditure Related Parameters**

- i. Total Committed Expenditure
- ii. Breakup of Total Committed Expenditure in terms of:
  - a. Salaries & Wages
  - b. Interest Payments
  - c. Expenditure on Pensions
  - d. Subsidies

#### **A4: Deficit Related Parameters**

- i. Revenue Deficit / Surplus
- ii. Fiscal Deficit / Surplus

- iii. Primary Deficit / Surplus
- iv. Revenue Deficit / Surplus as % of GSDP
- v. Fiscal Deficit / Surplus as % of GSDP
- vi. Primary Deficit / Surplus as % of GSDP

## B. Data Table for Fiscal Parameters

All figures in Rs Crore. GSDP at Current Prices. Series for 2004-105 till FY 2010-11, subsequently, 2011-12 Series

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18 (RE)
<b>GSDP (2004-05 series) &amp; (2011-12 series)</b>	66,875	80,255	96,972	99,364	1,19,420	1,58,074	1,77,511	2,06,833	2,21,142	2,34,212	2,62,263	2,91,681
<b>Total Revenue Receipts</b>	<b>11,449</b>	<b>13,878</b>	<b>15,662</b>	<b>18,153</b>	<b>22,719</b>	<b>25,867</b>	<b>29,578</b>	<b>32,050</b>	<b>37,933</b>	<b>46,068</b>	<b>53,685</b>	<b>68,580</b>
State's Own Tax Revenue	5,046	5,618	6,594	7,123	9,005	10,712	13,034	14,343	15,707	17,084	18,945	24,438
State's Own Non-Tax Revenue	1,451	2,020	2,202	3,043	3,835	4,059	4,616	5,101	4,875	5,215	5,669	7,715
Share of State in Union Taxes and Duties	3,199	4,035	4,258	4,381	5,425	6,320	7,218	7,880	8,363	15,707	18,809	21,280
Grants in aid from GOI	1,754	2,205	2,608	3,607	4,453	4,776	4,710	4,726	8,988	8,062	10,262	15,147
<b>Total Expenditure</b>	<b>11,771</b>	<b>14,471</b>	<b>17,225</b>	<b>20,907</b>	<b>22,875</b>	<b>27,953</b>	<b>33,780</b>	<b>38,752</b>	<b>46,130</b>	<b>51,811</b>	<b>57,908</b>	<b>78,623</b>
Revenue Expenditure	8,802	10,840	13,794	17,265	19,356	22,628	26,972	32,860	39,497	43,701	48,165	65,392
Capital Expenditure (Outlay)	2,198	3,131	2,940	2,745	2,952	4,056	4,919	4,574	6,544	7,945	9,471	12,735
Loans and Advances	771	500	491	897	567	1,269	1,889	1,319	88	165	273	495
<b>Total Committed Expenditure</b>	<b>4,545</b>	<b>5,592</b>	<b>6,993</b>	<b>9,969</b>	<b>11,135</b>	<b>12,325</b>	<b>13,043</b>	<b>16,395</b>	<b>18,726</b>	<b>23,929</b>	<b>21,759</b>	<b>29,360</b>
<b>Committed Expenditure as % of Revenue Expenditure</b>	51.6%	51.6%	50.7%	57.7%	57.5%	54.5%	48.4%	49.9%	47.4%	54.8%	45.2%	44.9%
Salaries & Wages	2,534	2,965	3,670	5,646	6,363	7,383	7,687	9,137	10,003	10,864	11,424	15,396
Interest Payments	1,026	1,140	1,078	1,095	1,198	1,193	1,153	1,351	1,727	2,149	2,687	3,278
Expenditure on Pensions	625	685	931	1,234	1,810	1,878	2,412	2,752	3,250	3,519	3,459	4,028
Subsidies	361	803	1,315	1,994	1,764	1,871	1,791	3,156	3,747	7,397	4,189	6,659
<b>Revenue Deficit / Surplus</b>	<b>-2,647</b>	<b>-3,038</b>	<b>-1,868</b>	<b>-888</b>	<b>-3,363</b>	<b>-3,239</b>	<b>-2,606</b>	<b>810</b>	<b>1,564</b>	<b>-2,367</b>	<b>-5,520</b>	<b>-3,188</b>
<b>Fiscal Deficit / Surplus</b>	<b>-37</b>	<b>128</b>	<b>1,027</b>	<b>1,759</b>	<b>-410</b>	<b>801</b>	<b>2,655</b>	<b>5,057</b>	<b>8,008</b>	<b>4,574</b>	<b>4,047</b>	<b>9,738</b>
<b>Primary Deficit / Surplus</b>	<b>-1,063</b>	<b>-1,012</b>	<b>-51</b>	<b>664</b>	<b>-1,608</b>	<b>-392</b>	<b>1,502</b>	<b>3,706</b>	<b>6,281</b>	<b>2,425</b>	<b>1,360</b>	<b>6,460</b>
<b>Revenue Deficit / Surplus as % of GSDP</b>	-3.96%	-3.79%	-1.93%	-0.89%	-2.82%	-2.05%	-1.47%	0.39%	0.71%	-1.01%	-2.10%	-1.09%
<b>Fiscal Deficit / Surplus as % of GSDP</b>	-0.06%	0.16%	1.06%	1.77%	-0.34%	0.51%	1.50%	2.44%	3.62%	1.95%	1.54%	3.34%
<b>Primary Deficit / Surplus as % of GSDP</b>	-1.59%	-1.26%	-0.05%	0.67%	-1.35%	-0.25%	0.85%	1.79%	2.84%	1.04%	0.52%	2.21%

## C-Analysis of Fiscal Parameters

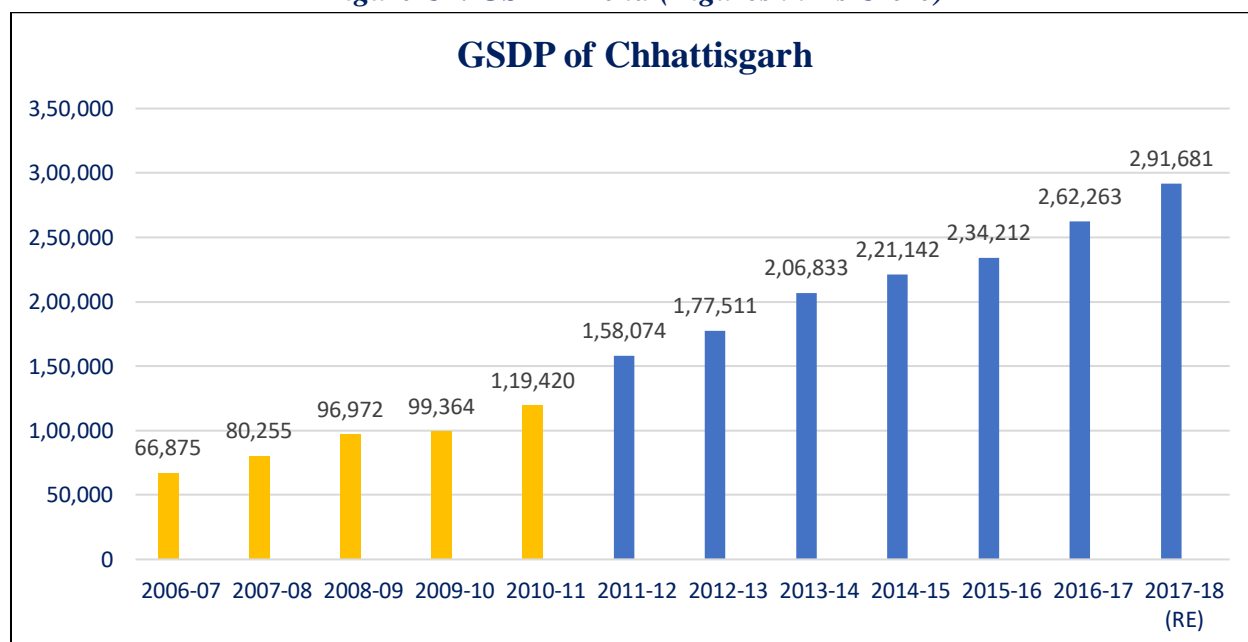
### C1: GSDP

*Table C1-GSDP of Chhattisgarh (Figures in Rs Crore)*

	2006-07	2007-08	2008-09	2009-10	2010-11
<b>GSDP</b>	66,875	80,255	96,972	99,364	1,19,420
Series	2004-05	2004-05	2004-05	2004-05	2004-05
Nominal Growth Rate		20.0%	20.8%	2.5%	20.2%

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18 (RE)
<b>GSDP</b>	1,58,074	1,77,511	2,06,833	2,21,142	2,34,212	2,62,263	2,91,681
Series	2011-12	2011-12	2011-12	2011-12	2011-12	2011-12	2011-12
Nominal Growth Rate	<b>32.4%</b>	12.3%	16.5%	6.9%	5.9%	12.0%	11.2%

*Figure C1: GSDP Trend (Figures in Rs Crore)*



2004-2005 Series, 2011-12 Series

The table and figure above show the sharp discontinuity in the GSDP of Chhattisgarh when moving the 2004-05 Series to 2011-12 series in FY 2011-12, where an increase in GSDP by 32.4% is seen.

The GSDP of Chhattisgarh from 2006-07 to 2017-18 is not available at one base year. The figures for the period spanning 2006-07 to 2014-15 are available at the base year 2004-05 and for the period spanning 2011-12 onwards is available at 2011-12 as the base year. In order to create a consistent data series from 2006-07 to 2017-18, the splicing technique was attempted to rebase the base year from 2004-05 to 2011-12, by using the ‘overlapping year’ 2011-12, for which the GSDP is available at the base year of both 2004-05 and 2011-12. However, this approximation has many limitations as change in base year reflect not only change in prices but also change in structure of the economy and commodities basket. Attempt at creating a common series was therefore not taken forward, as the transition year of 2011-12 is sufficiently distant from the 15<sup>th</sup> FC Award period.

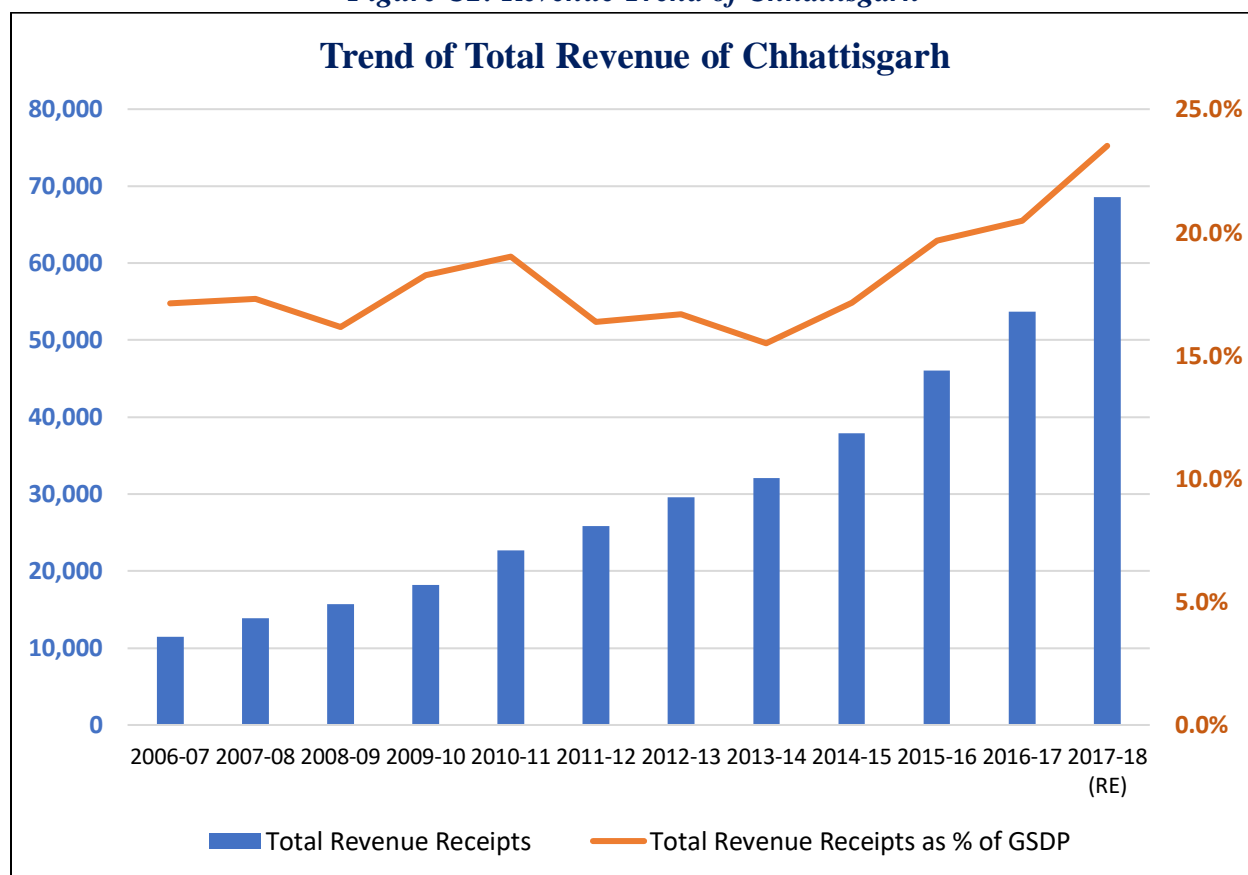


## C2: Revenue

*Table C2: Revenue Trend of Chhattisgarh*

	Total Revenue Receipts	Total Revenue Receipts as % of GSDP	State's Own Tax Revenue	State's Own Non-Tax Revenue	Share of State in Union Taxes and Duties	Grants in aid from GOI
2006-07	11,449	17.1%	5,046	1,451	3,199	1,754
2007-08	13,878	17.3%	5,618	2,020	4,035	2,205
2008-09	15,662	16.2%	6,594	2,202	4,258	2,608
2009-10	18,153	18.3%	7,123	3,043	4,381	3,607
2010-11	22,719	19.0%	9,005	3,835	5,425	4,453
2011-12	25,867	<b>16.4%</b>	10,712	4,059	6,320	4,776
2012-13	29,578	16.7%	13,034	4,616	7,218	4,710
2013-14	32,050	15.5%	14,343	5,101	7,880	4,726
2014-15	37,933	17.2%	15,707	4,875	8,363	8,988
2015-16	46,068	19.7%	17,084	5,215	15,707	8,062
2016-17	53,685	20.5%	18,945	5,669	18,809	10,262
2017-18 (RE)	68,580	23.5%	24,438	7,715	21,280	15,147

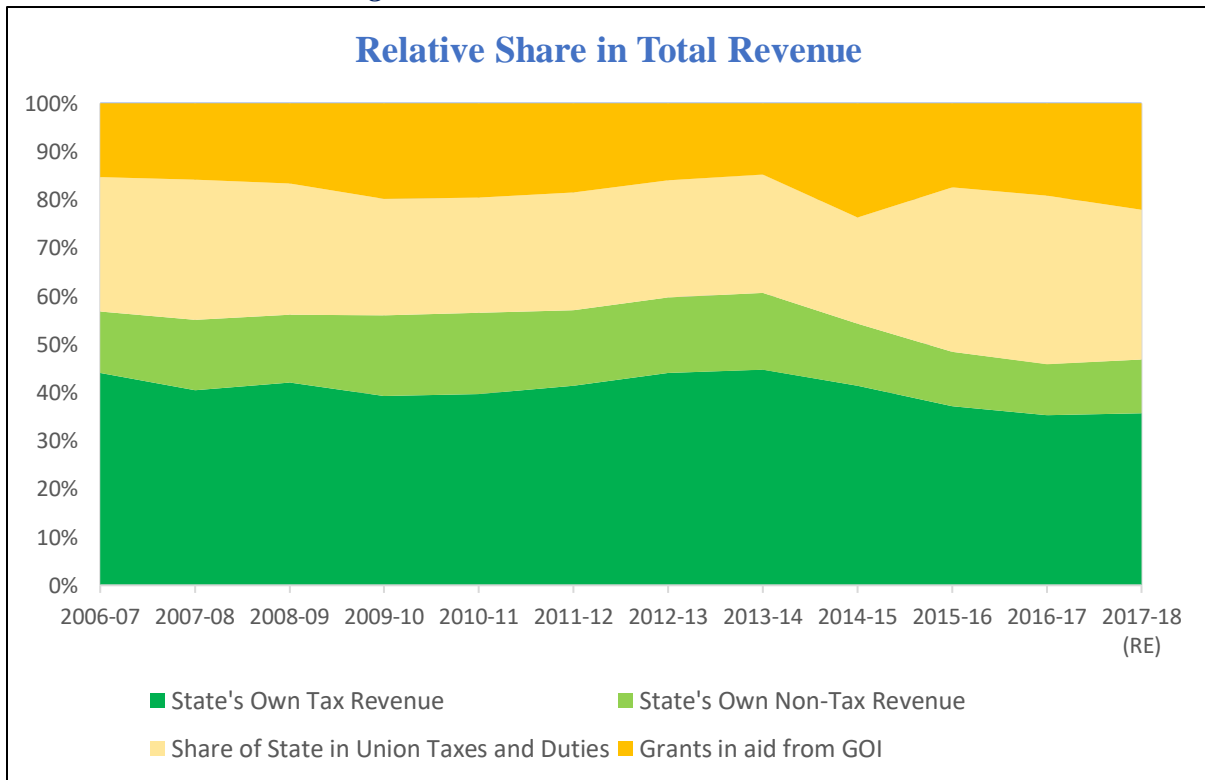
*Figure C2: Revenue Trend of Chhattisgarh*



**Table C3: Revenue Trend of Chhattisgarh (As % of GSDP)**

Year	State's Own Tax Revenue	State's Own Non-Tax Revenue	Share of State in Union Taxes and Duties	Grants in aid from GOI	Total Revenue
2006-07	7.5%	2.2%	4.8%	2.6%	17.1%
2007-08	7.0%	2.5%	5.0%	2.7%	17.3%
2008-09	6.8%	2.3%	4.4%	2.7%	16.2%
2009-10	7.2%	3.1%	4.4%	3.6%	18.3%
2010-11	7.5%	3.2%	4.5%	3.7%	19.0%
2011-12	6.8%	2.6%	4.0%	3.0%	16.4%
2012-13	7.3%	2.6%	4.1%	2.7%	16.7%
2013-14	6.9%	2.5%	3.8%	2.3%	15.5%
2014-15	7.1%	2.2%	3.8%	4.1%	17.2%
2015-16	7.3%	2.2%	6.7%	3.4%	19.7%
2016-17	7.2%	2.2%	7.2%	3.9%	20.5%
2017-18 (RE)	8.4%	2.6%	7.3%	5.2%	23.5%

**Figure C3: Relative Share in Total Revenue**



**Observations:**

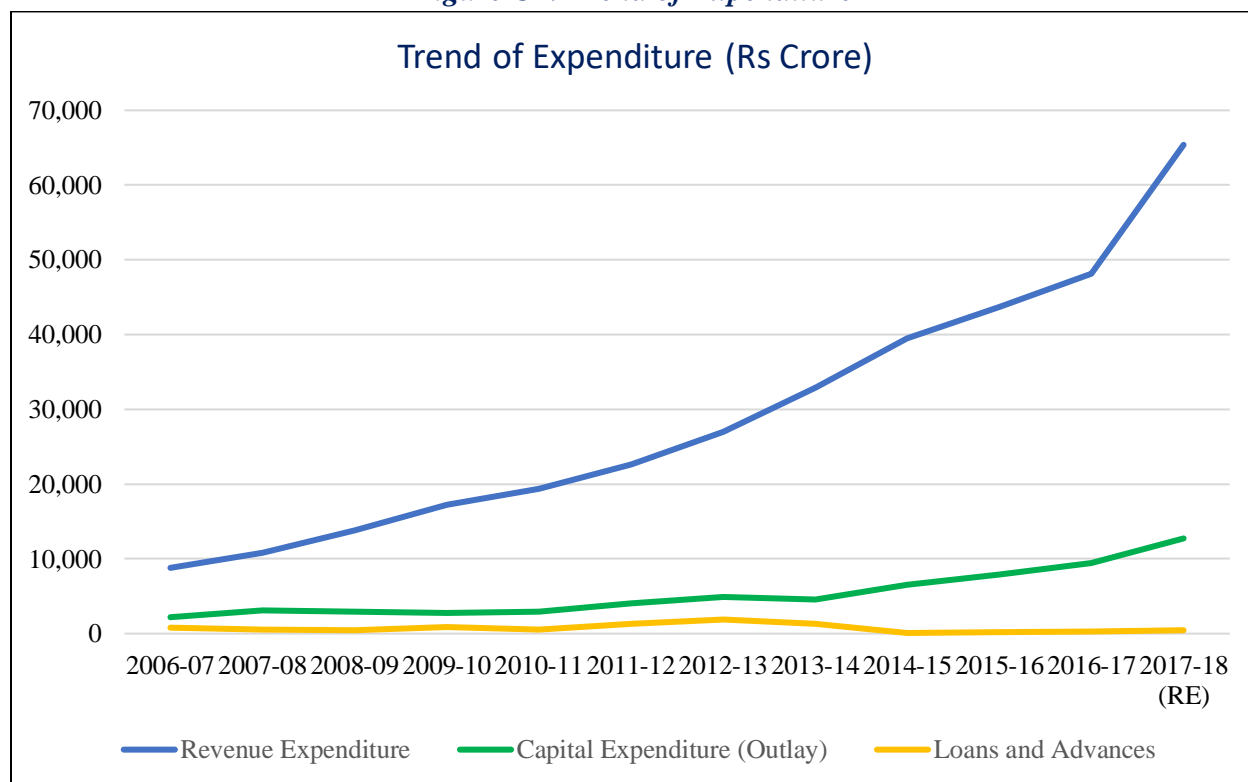
- i. Total Revenue has shown remarkable increase, both in absolute terms and as a share of GSDP, rising from 17.1% to 23.5% of GSDP. (The Actual for 2017-18 is expected to be lower, so 2016-17 figure of 20.5% is a better measure of the rise)
- ii. Total Revenue as % of GSDP shows a pronounced dip on account of the change in GSDP series.
- iii. The relative share in total revenue shows the increased importance of Central transfers – primarily tax devolution, on account of the larger inter-se share awarded by 14<sup>th</sup> FC to Chhattisgarh.

### C3: Expenditure

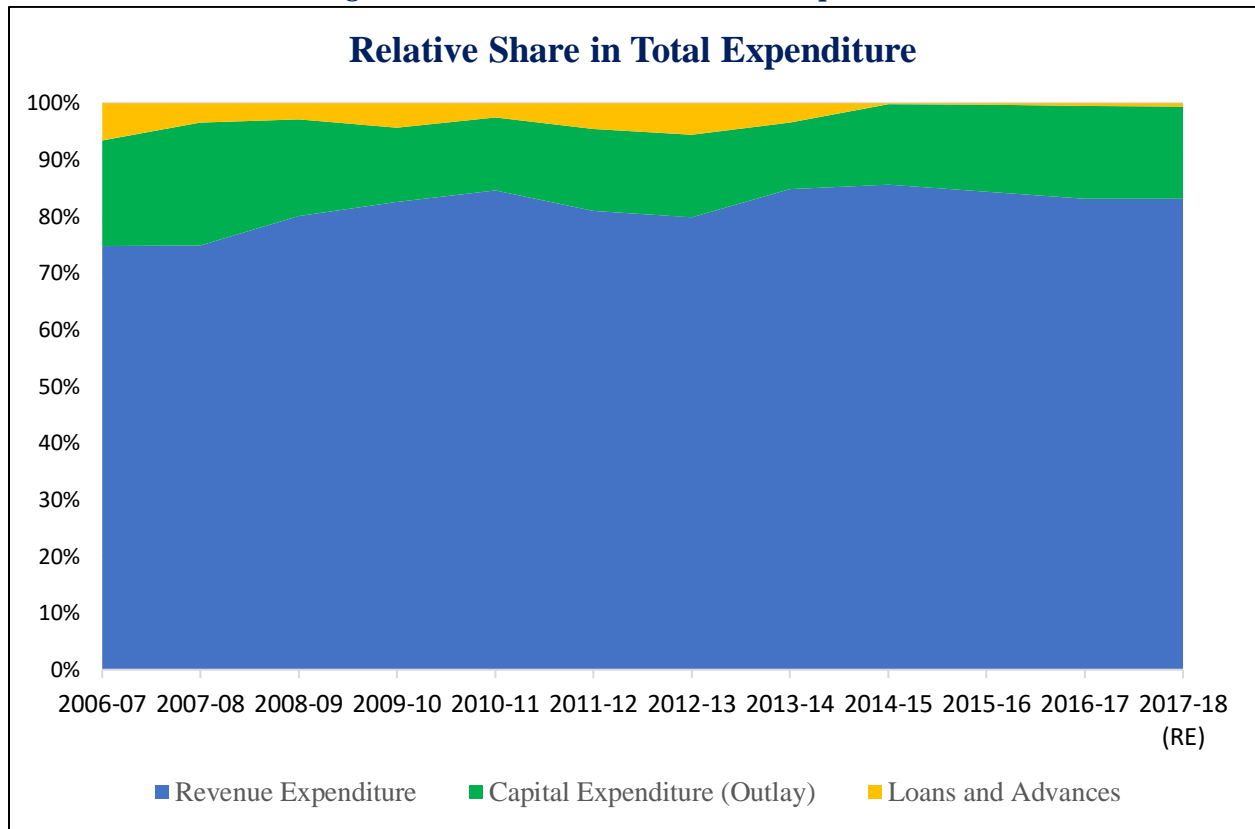
*Table C4: Trend of Expenditure*

Year	Amount in Rs Crore				As % of GSDP			
	Total Expenditure	Revenue Expenditure	Capital Expenditure (Outlay)	Loans and Advances	Total Expenditure	Revenue Expenditure	Capital Expenditure (Outlay)	Loans and Advances
2006-07	11,771	8,802	2,198	771	17.6%	13.2%	3.3%	1.2%
2007-08	14,471	10,840	3,131	500	18.0%	13.5%	3.9%	0.6%
2008-09	17,225	13,794	2,940	491	17.8%	14.2%	3.0%	0.5%
2009-10	20,907	17,265	2,745	897	21.0%	17.4%	2.8%	0.9%
2010-11	22,875	19,356	2,952	567	19.2%	16.2%	2.5%	0.5%
2011-12	27,953	22,628	4,056	1,269	17.7%	14.3%	2.6%	0.8%
2012-13	33,780	26,972	4,919	1,889	19.0%	15.2%	2.8%	1.1%
2013-14	38,752	32,860	4,574	1,319	18.7%	15.9%	2.2%	0.6%
2014-15	46,130	39,497	6,544	88	20.9%	17.9%	3.0%	0.0%
2015-16	51,811	43,701	7,945	165	22.1%	18.7%	3.4%	0.1%
2016-17	57,908	48,165	9,471	273	22.1%	18.4%	3.6%	0.1%
2017-18(RE)	78,623	65,392	12,735	495	27.0%	22.4%	4.4%	0.2%

*Figure C4: Trend of Expenditure*



*Figure C5: Relative Share in Total Expenditure*



**Observations:**

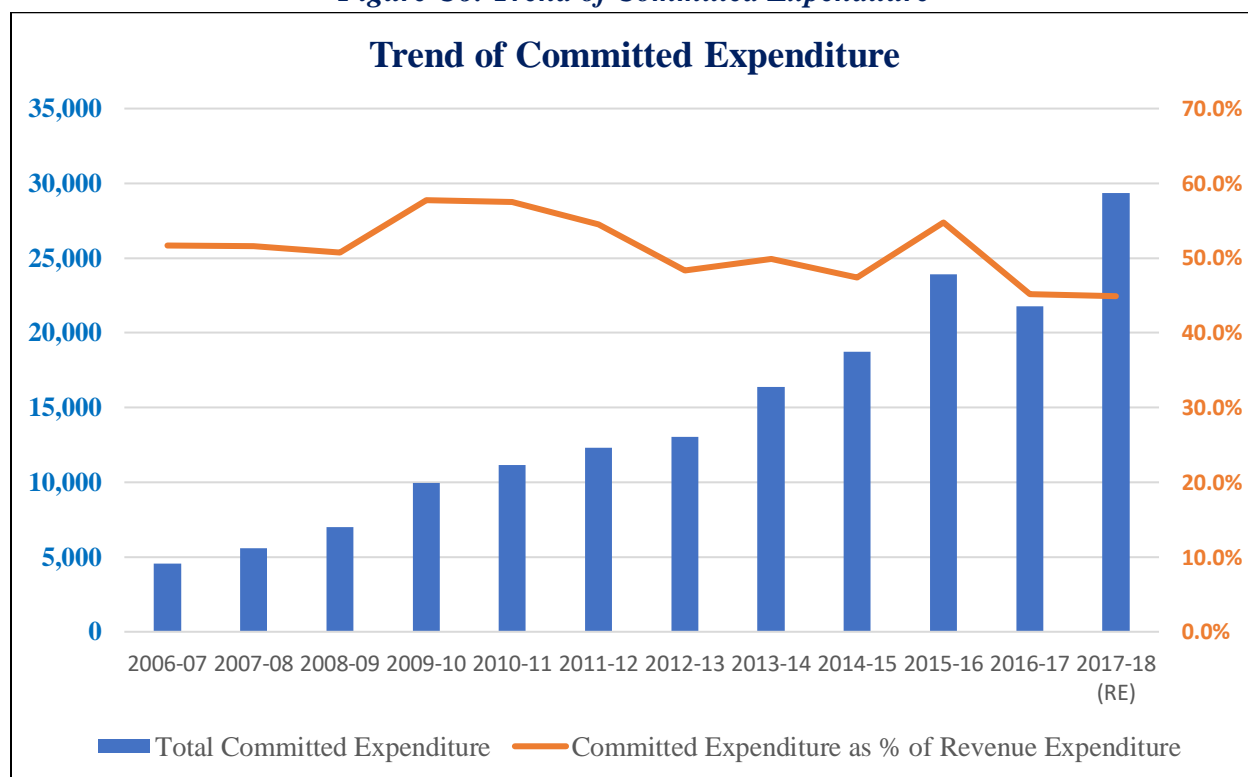
- i. The size of the government, as measured by Total expenditure has shown a significant increase in the last 10-12 years, rising from 17.6% in 2006-07 to 22.1% of GSDP by 2016-17.
- ii. Share of Capital Expenditure accounts for about 20% of the total expenditure. In the last few years, outlay on capital expenditure has shown a marked increase, rising to 3.6% of the GSDP in 2016-17 and a projected 4.4% of GSDP as per RE 2017-18
- iii. Despite the increase in expenditure, the state has maintained Revenue Surplus in most years (examined in subsequent sections)

## C4: Committed Expenditure

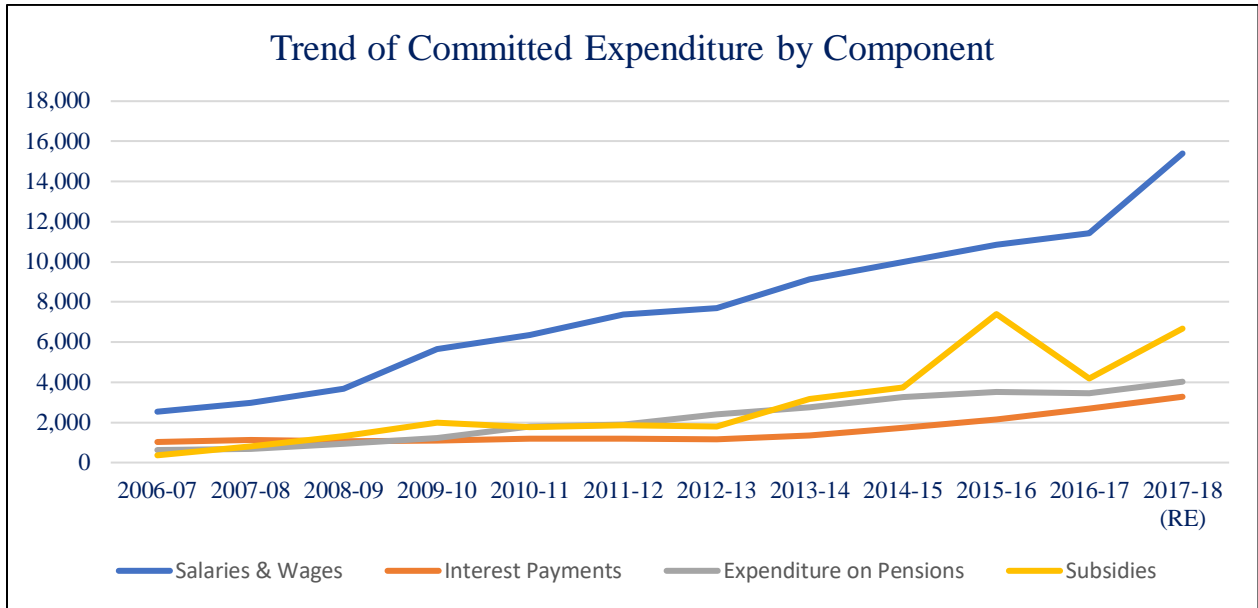
*Table C5: Trend of Committed Expenditure (Amount in Rs Crore)*

Year	Total Committed Expenditure	Committed Expenditure as % of Revenue Expenditure	Salaries & Wages	Interest Payments	Expenditure on Pensions	Subsidies
2006-07	4,545	51.6%	2,534	1,026	625	361
2007-08	5,592	51.6%	2,965	1,140	685	803
2008-09	6,993	50.7%	3,670	1,078	931	1,315
2009-10	9,969	57.7%	5,646	1,095	1,234	1,994
2010-11	11,135	57.5%	6,363	1,198	1,810	1,764
2011-12	12,325	54.5%	7,383	1,193	1,878	1,871
2012-13	13,043	48.4%	7,687	1,153	2,412	1,791
2013-14	16,395	49.9%	9,137	1,351	2,752	3,156
2014-15	18,726	47.4%	10,003	1,727	3,250	3,747
2015-16	23,929	54.8%	10,864	2,149	3,519	7,397
2016-17	21,759	45.2%	11,424	2,687	3,459	4,189
2017-18 (RE)	29,360	44.9%	15,396	3,278	4,028	6,659

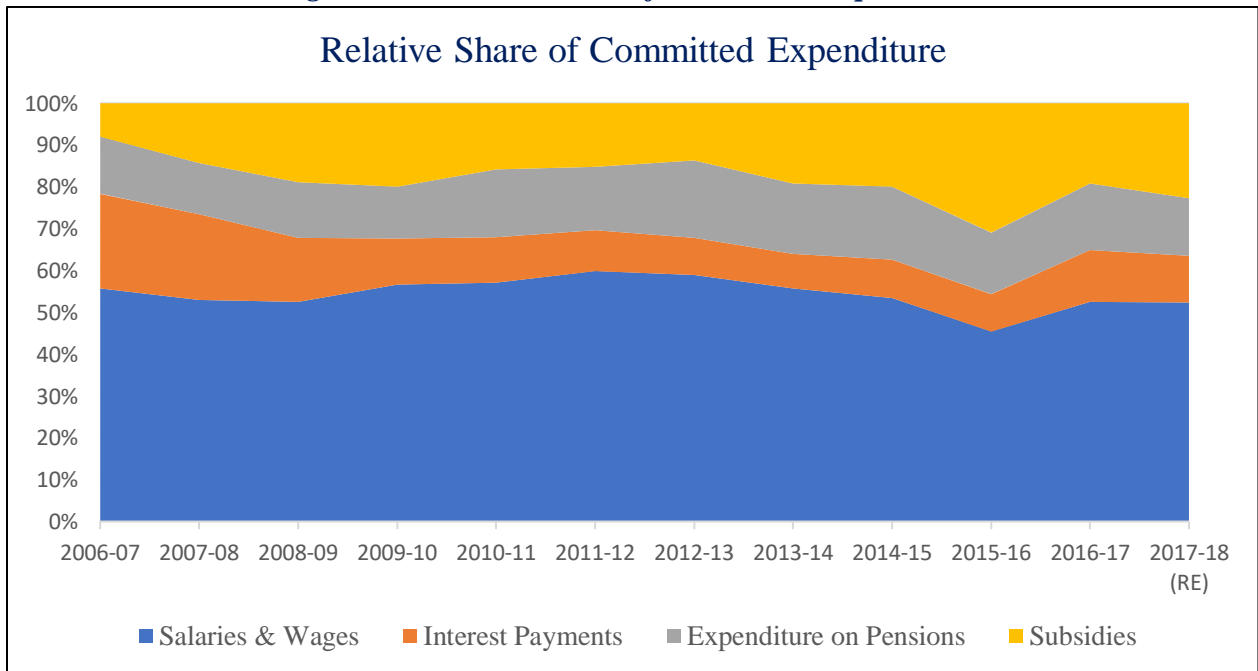
*Figure C6: Trend of Committed Expenditure*



**Figure C7: Trend of Committed Expenditure – by Components**



**Figure C8: Relative Share of Committed Expenditure**



**Observations:**

- i. Committed Expenditure forms about half (50%) of the Total Revenue Expenditure. This has declined in the recent past, with even a reduction in absolute amount in 2016-17 on

account of reduction on Subsidies brought about by implementation of National Food Security Act with individual based entitlement against the earlier family-based entitlement, and better targeting through Aadhar seeding.

- ii. The share of the four components in total committed expenditure are largely stable, with Salaries accounting to about 50% of the total committed expenditure. In absolute terms, the sharp increase in committed expenditure in 2017-18 (RE) is on account of increase in salary expenditure due to pay revision on account of 7<sup>th</sup> CPC.

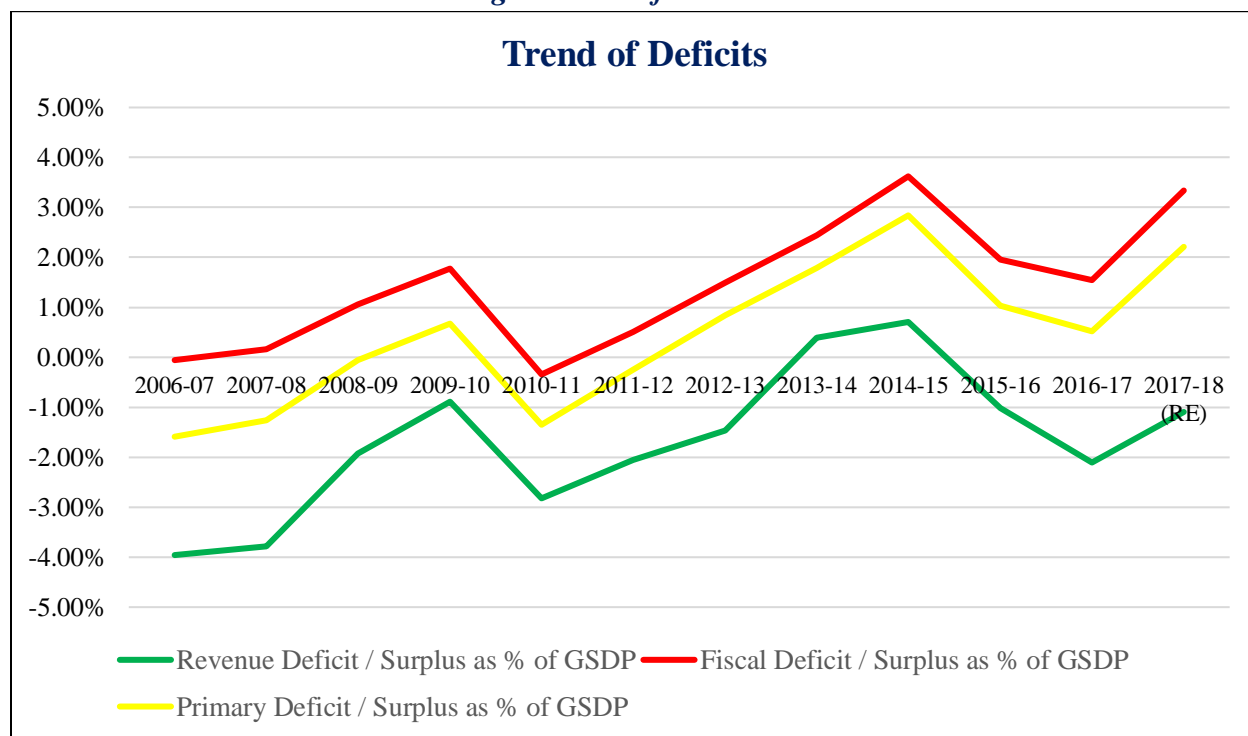


## C5: Deficits

**Table C6: Deficit Trends**

Year	Amount in Rs Crore			As % of GSDP		
	Revenue Deficit / Surplus	Fiscal Deficit / Surplus	Primary Deficit / Surplus	Revenue Deficit / Surplus as % of GSDP	Fiscal Deficit / Surplus as % of GSDP	Primary Deficit / Surplus as % of GSDP
2006-07	-2,647	-37	-1,063	-3.96%	-0.06%	-1.59%
2007-08	-3,038	128	-1,012	-3.79%	0.16%	-1.26%
2008-09	-1,868	1,027	-51	-1.93%	1.06%	-0.05%
2009-10	-888	1,759	664	-0.89%	1.77%	0.67%
2010-11	-3,363	-410	-1,608	-2.82%	-0.34%	-1.35%
2011-12	-3,239	801	-392	-2.05%	0.51%	-0.25%
2012-13	-2,606	2,655	1,502	-1.47%	1.50%	0.85%
2013-14	810	5,057	3,706	0.39%	2.44%	1.79%
2014-15	1,564	8,008	6,281	0.71%	3.62%	2.84%
2015-16	-2,367	4,574	2,425	-1.01%	1.95%	1.04%
2016-17	-5,520	4,047	1,360	-2.10%	1.54%	0.52%
2017-18 (RE)	-3,188	9,738	6,460	-1.09%	3.34%	2.21%

**Figure C9: Deficit Trends**



**Observations:**

- i. The State has largely run a revenue surplus, except for a few years
- ii. The Fiscal Deficit has been within the limit proposed by successive FCs.
- iii. There are two pronounced dips in deficits – the first one in 2010-11 and the second one in 2015-16 (and the succeeding year). The first dip corresponds to the achievement of the targets set in the State specific FRBM act. The subsequent period was also aided by the increase in GSDP in the new series from 2011-12. The second dip is likely caused by the higher inter-se share recommended by the 14<sup>th</sup> FC vis-à-vis 13<sup>th</sup> FC (an increase in inter-se share by 25%)

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