



Outcome Evaluation of Finances of the State of Uttarakhand

Prepared for the 16th Finance Commission

by

**Arun Jaitley National Institute of Financial Management
(AJNIFM)**

**Autonomous Institute under the Department of
Expenditure**

**Ministry of Finance
Government of India**

Sector-48, Pali Road, Faridabad-121001

July 2025

Table of Content

Content	Page No
Acknowledgement	1
Preface	2-5
Executive Summary	6-17
Chapter-1 Social and Economic Profile of Uttarakhand	18-24
Chapter-2 Revenue Receipts	25-37
Chapter 3 Expenditure	38-50
Chapter 4 Debt, Deficit, and FRBM Act Compliance	51-66
Chapter 5 Local Bodies of Uttarakhand	67-78
Chapter 6 State Public Sector Enterprises	79-87
Chapter 7 Impact of Power Sector Reforms on State's Fiscal Health	88-94
Chapter 8 Subsidies	95-103
Chapter 9 Outcome Evaluation – 15th FC Recommendations	104-110

Acknowledgment

We express our sincere appreciation to all those who have contributed to the preparation of the Outcome Evaluation of Finances of the State of Uttarakhand for the 16th Finance Commission. This document is the outcome of the collective efforts, valuable insights, and contributions of numerous individuals and departments.

We extend our profound gratitude to Shri. K.K. Mishra, Joint Secretary, Sixteenth Finance Commission, Shri. Raghvendra Singh, Joint Director, Sixteenth Finance Commission, Ms. P. Amrutha Varshini, Joint Director, Sixteenth Finance Commission, Shri. Abhay Mittal (OSD), Sixteenth Finance Commission, for their support, guidance, and encouragement throughout this process.

We also extend our sincere gratitude to the people of Uttarakhand, in particular Shri Tejpal Singh, Senior Research Officer, Finance Department, Government of Uttarakhand, along with other government officials, for their valuable cooperation and support in providing the necessary data, which greatly facilitated the preparation of this Evaluation Report.

We are deeply grateful to Shri Praveen Kumar, Director, AJNIFM, for his consistent support and encouragement. His leadership helped foster a research environment that values practical insights and policy relevance.

We would like to specially acknowledge Dr. B. K. Pandey (Professor of Practice), Project Coordinator, Shri. R.K. Karna (Professor of Practice), Lead Author, and Dr. Jaya Bhalla, Associate Professor (SG), for their insightful contributions and kind assistance in the preparation of this report for the State of Uttarakhand.

This document represents the culmination of the hard work and dedication of our research team. We extend our heartfelt appreciation to Ms. Areeba Furquan, Ms. Meghna Agarwal, Ms. Sonu Tewatia & Ms. Dibyani Sinha for their tireless efforts in designing research tools, conducting detailed analyses, and ensuring that the findings presented in this report are both rigorous and relevant. Additionally, we thank Ms. Jyoti Sharma, Project Assistant, for her invaluable support in formatting and documenting the report.

Finally, this report is a testament to the collective effort of the AJNIFM Consultancy Team. We sincerely hope that it serves as a meaningful contribution to the State of Uttarakhand and proves useful in guiding the 16th Finance Commission's deliberations. We extend our deepest thanks to all those who have supported us in this endeavour.

Preface

Evaluation of Finances of State of Uttarakhand

Study Overview:

The study on the “Evaluation of the finances of Uttarakhand” has been awarded to Arun Jaitley National Institute of Financial Management (AJNIFM) by the 16th Finance Commission of India.

The study has analyzed the state's financial performance over the last decade comprehensively and provided a roadmap for securing its fiscal sustainability in the coming years. It provides an in-depth analysis of Uttarakhand's finances from 2012-13 to 2023-24, covering various aspects like revenue capacities, expenditure patterns and deficits, debt sustainability, implementation of fiscal rules, and recommendations for improvement.

Terms of Reference for Study on Evaluation of Finances of State of Uttarakhand:

The study covers the following aspects:

- i. Estimation of revenue capacities of the State and Measures to improve the tax GSDP ratio during the last five years. Suggestions for enhancing the revenue productivity of the tax system in the State.
- ii. Analysis of the state’s non-tax revenues and suggestion to enhance revenues from user charges and profits from departmental enterprises and dividends from non-departmental commercial enterprises.
- iii. Expenditure pattern and trends separately for Revenue and Capital, and major components of expenditure thereunder. Measures to enhance allocative and technical efficiency in expenditures during the last 5 years. Suggestions for improving efficiency in public spending.
- iv. Analysis of deficits – fiscal and revenue
- v. The level of debt to 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, off-budget borrowings, 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 borrowings from agencies such as NABARD, LIC etc.
- vi. Implementation of FRBM Act and commitment towards targets. Analysis of MTFP of various departments and aggregate.

- vii. Analysis of the state's transfers to urban and rural local bodies in the State. Major decentralization initiatives.
- viii. 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.
- ix. Impact of Power Sector Reforms on States' fiscal health. In case reforms have not been implemented, the likely outcome is on the States' fiscal health.
- x. Analysis of contingent liabilities of the State.
- xi. Subsidies are given by the States (Other than Central subsidies), their costs and benefits, targeting and evaluation. xii. Outcome Evaluation of State Finances in the context of recommendations of the 14th and 15th FC, in particular
 - (a) analysis of the flow of resources from Centre to States through various schemes, the expenditure of States in those schemes, resources of States channelled towards these schemes, and the overall impact on development spending of the States;
 - (b) States' schemes for different development objectives xiii. Determination of a sustainable debt roadmap for 2026-31, considering tax/non-tax trend forecasts.

Objectives and Scope:

The study aimed to address various aspects of Uttarakhand's financial management, including revenue capacities, expenditure patterns, debt levels, fiscal deficits, and the effectiveness of financial reforms. The primary objectives were to assess the state's current financial conditions, identify areas for improvement, and provide strategic recommendations for future fiscal sustainability.

The study examined the state's own non-tax revenue sources, including user charges, fees, fines, and income from state-owned enterprises. Strategies were proposed to increase revenues from these sources. A detailed analysis was conducted on the state's expenditure trends, distinguishing between revenue expenditure (day-to-day operational costs) and capital expenditure (long-term investments). Measures were suggested to enhance both allocative efficiency (ensuring funds are used where most needed) and technical efficiency (ensuring resources are used most effectively).

An assessment of the state's fiscal and revenue deficits was undertaken, identifying key drivers and trends over the study period. Recommendations focused on strategies to reduce deficits through better fiscal management, expenditure control, and revenue enhancement. The study analyzed the state's debt levels in relation to its GSDP, evaluating the sustainability of current debt practices. The composition of the state's debt, including market borrowings, central government loans, and other liabilities, was reviewed. The use of debt for capital versus operational expenditures was scrutinized to ensure prudent fiscal management.

The implementation of the Fiscal Responsibility and Budget Management (FRBM) Act was assessed, examining whether the state had met its fiscal targets. Medium-Term Fiscal Plans (MTFPs) of various departments were analyzed to ensure alignment with overall fiscal goals and sustainability.

One of the critical objectives of the study was to determine a sustainable debt roadmap for Uttarakhand for the period 2026-31, taking into account forecasts of tax and non-tax revenue.

Data Sources:

The study was primarily based on secondary data sources, including data from the RBI website on 'State Finances: A Study of Budgets.' This was supplemented by State Budget documents, State Finance and Appropriation Accounts, the CAG report on State Finances, and other audit reports. Additional sources included Annual Plan documents of the State, Reports of the State Finance Commission, Outcome Budgets, and the Annual Reports of State Government departments, particularly those of the Power Sector and State Public Enterprises. GSDP data was sourced from CSO reports. Primary data sources were limited to interviews and discussions with State officials.

Description of Methodology:

The study examined the fiscal situation of Uttarakhand over the period 2012-13 to 2023-24, with a comparative analysis against other major states of India, to construct a sustainable debt roadmap for 2026-31. It evaluated the performance of Uttarakhand's economy, focusing on structural changes, growth rates, and growth directions. The study also identified factors that could accelerate or retard economic growth, which might impact the taxable capacity of the state and other key parameters.

Assuming that the Gross State Domestic Product (GSDP) is a good indicator of the state's economic performance, the study analysed major fiscal aggregates such as tax and non-tax revenue, revenue and capital expenditure, internal debt, and revenue and fiscal deficits to GSDP. The buoyancy coefficients for relevant fiscal variables, with reference to GSDP as the base, were calculated to assess whether resource mobilization, expenditure patterns, and other fiscal aggregates were keeping pace with changes in the economic base or were influenced by factors unrelated to GSDP.

A detailed review of state finances was carried out, examining the trends and patterns of revenue and capital expenditure. In line with the Terms of Reference (TOR), the study focused on estimating the revenue capacity of the state, measures taken to improve the tax-GSDP ratios, the analysis of the state's non-tax revenues, expenditure patterns, and the sustainability of debt. Fiscal imbalances were analysed through a quantitative assessment of key fiscal aggregates, alongside a review of the fiscal reforms implemented by Uttarakhand in recent years, with lessons drawn from these reforms.

Where necessary, the study included a comparative analysis of Uttarakhand's performance with other states and national averages. The study also examined the state's performance on various parameters, such as:

- Conformity to the FRBM Act
- Decentralization initiatives and transfers to urban and local bodies

- The impact of state-level public sector enterprises on state finances and measures to improve their performance
- Public expenditure reforms
- Impact of power sector reforms on state finances
- Analysis of contingent liabilities
- Evaluation and targeting of subsidies
- Determination of a sustainable debt roadmap

Finally, the study made suggestions regarding the need to enhance tax and non-tax revenues, improve the allocative and technical efficiency of public expenditures, and provide a fiscally sustainable roadmap for Uttarakhand for the period 2026-31.

Tools of Analysis and Visualization:

The study appraised the state government finances by analysing data on various fiscal variables through relevant statistical techniques to derive meaningful insights. Time series analysis, ratio analysis, and the calculation of trend and growth rates, along with period averages, were employed to examine trends in fiscal performance. Multivariate regression analysis was utilized to construct coefficients for estimating revenue and expenditure, which were then applied to model debt sustainability.

The analysis was conducted using appropriate Business Intelligence tools, MS Excel, and statistical packages such as Stata and R. In addition, the study made use of tables and visualizations in the form of graphs and charts to effectively communicate the findings.

Expected Outcomes:

The evaluation study delivers a comprehensive report detailing the financial status of Uttarakhand, identifying strengths and weaknesses, and providing actionable recommendations. The outcomes serve as a crucial input for policymakers, assisting them in devising strategies for improved fiscal discipline, enhanced revenue generation, and sustainable economic growth.

Executive Summary

This report- “Evaluation of the finances of Uttarakhand”- in the context of the recommendations of the 15th Finance Commission has been prepared by Arun Jaitley National Institute of Financial Management (AJNIFM) and awarded by the 16th Finance Commission of India.

Methodology

The study examined the fiscal situation of Uttarakhand over the period 2012-13 to 2023-24, with a comparative analysis against other major states of India, in order to construct a sustainable debt roadmap for 2026-31. It evaluated the performance of Uttarakhand's economy, focusing on structural changes, growth rates, and growth directions. The study also identified factors that could accelerate or retard economic growth, which might impact the taxable capacity of the state and other key parameters.

Assuming that the Gross State Domestic Product (GSDP) is a good indicator of the state's economic performance, the study analysed major fiscal aggregates such as tax and non-tax revenue, revenue and capital expenditure, internal debt, and revenue and fiscal deficits in relation to GSDP. The buoyancy coefficients for relevant fiscal variables, with reference to GSDP as the base, were calculated to assess whether resource mobilization, expenditure patterns, and other fiscal aggregates were keeping pace with changes in the economic base or were influenced by factors unrelated to GSDP.

A detailed review of state finances was carried out, examining the trends and patterns of revenue and capital expenditure. In line with the Terms of Reference (TOR), the study focused on estimating the revenue capacity of the state, measures taken to improve the tax GSDP ratios, the analysis of the state's non-tax revenues, expenditure patterns, and the sustainability of debt. Fiscal imbalances were analysed through a quantitative assessment of key fiscal aggregates, alongside a review of the fiscal reforms implemented by Uttarakhand in recent years, with lessons drawn from these reforms.

Where necessary, the study included a comparative analysis of Uttarakhand's performance with other states and national averages. The study also examined the state's performance on various parameters, such as:

- Conformity to the FRBM Act
- Decentralization initiatives and transfers to urban and local bodies
- The impact of state-level public sector enterprises on state finances and measures to improve their performance
- Public expenditure reforms
- Impact of power sector reforms on state finances
- Analysis of contingent liabilities
- Evaluation and targeting of subsidies
- Determination of a sustainable debt roadmap

The study concludes with recommendations to enhance revenue generation, improve expenditure efficiency, and establish a fiscally sustainable roadmap for Uttarakhand for the period 2026-31.

Reference period of the study

This evaluation of finances of the State of Uttarakhand covers a period of twelve years commencing with the year 2012-13.

Data Sources

The study is primarily based on secondary data sources, including data from the RBI website on 'State Finances: A Study of Budgets.' This was supplemented by State Budget documents, State Finance and Appropriation Accounts, the CAG report on State Finances, and other audit reports. Additional sources included Annual Plan documents of the State, Reports of the State Finance Commission, Outcome Budgets, and the Annual Reports of State Government departments, particularly those of the Power Sector and State Public Enterprises. GSDP data was sourced from CSO reports. Primary data sources were limited to interviews and discussions with State officials.

1. Social and Economic Profile of Uttarakhand

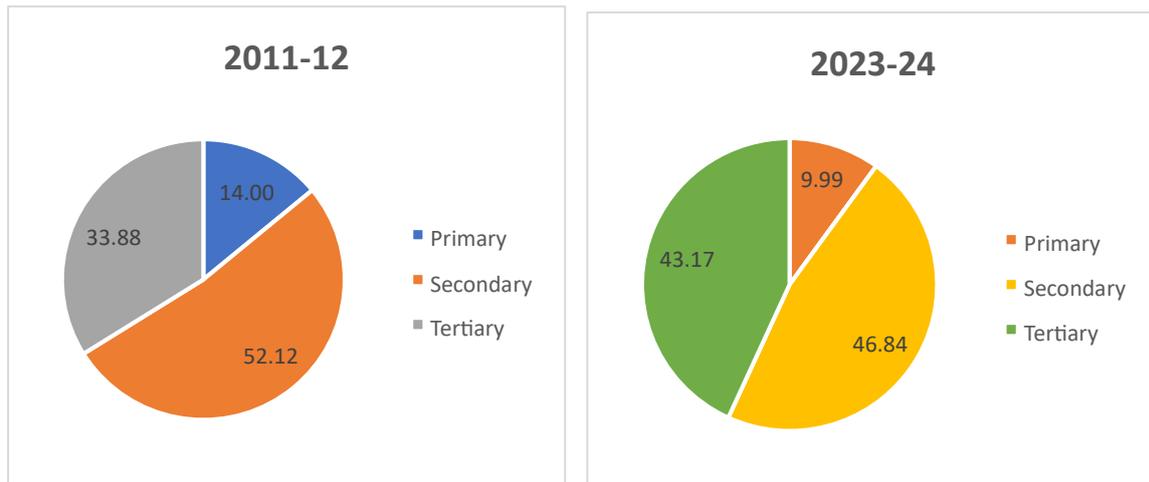
Uttarakhand, established in 2000, is a Special Category State with a total area of 53,483 sq km, of which 46,035 sq. km are mountainous and 38,000 sq km are forested, covering 71% of the state's geography. This extensive forest cover plays a crucial role in supporting biodiversity, maintaining ecological balance, and providing livelihoods. The state shares international borders with China (Tibet) and Nepal and domestic borders with Himachal Pradesh and Uttar Pradesh. It comprises 13 districts, with Dehradun as the capital and largest city. The predominantly mountainous terrain features the Greater Himalayas, high peaks, and glaciers that give rise to the Ganges and Yamuna rivers. The state is also home to renowned national parks such as Jim Corbett, Nanda Devi, and Valley of Flowers. Languages spoken include Hindi, Garhwali, Kumaoni, and Jaunsari.

The economy of Uttarakhand is diverse, spanning agriculture, industry, and tourism. While agriculture supports nearly 70% of the population, the tertiary sector, led by tourism, education, and healthcare, is a key driver of economic growth. The state enjoys higher-than-average literacy rates, health indicators, and household expenditures compared to national averages. However, rural areas face challenges, particularly among vulnerable groups such as Scheduled Castes (15.17% of the population), Scheduled Tribes (2.56%), and women. STs, due to their small and unevenly distributed population, experience compounded social and physical isolation. Rural women bear the burden of male outmigration, taking on responsibilities in agriculture, livestock care, household chores, and fuelwood collection, often involving long and strenuous efforts. A persistent gender gap in literacy further exacerbates their vulnerability.

Infrastructure in Uttarakhand includes a road network of 35,000 km, a railway network of 345 km, and two airports (Dehradun and Pantnagar), supporting connectivity and economic activities. Despite these developments, the state faces the need for continued infrastructure modernization to meet growing demands and ensure sustainable growth.

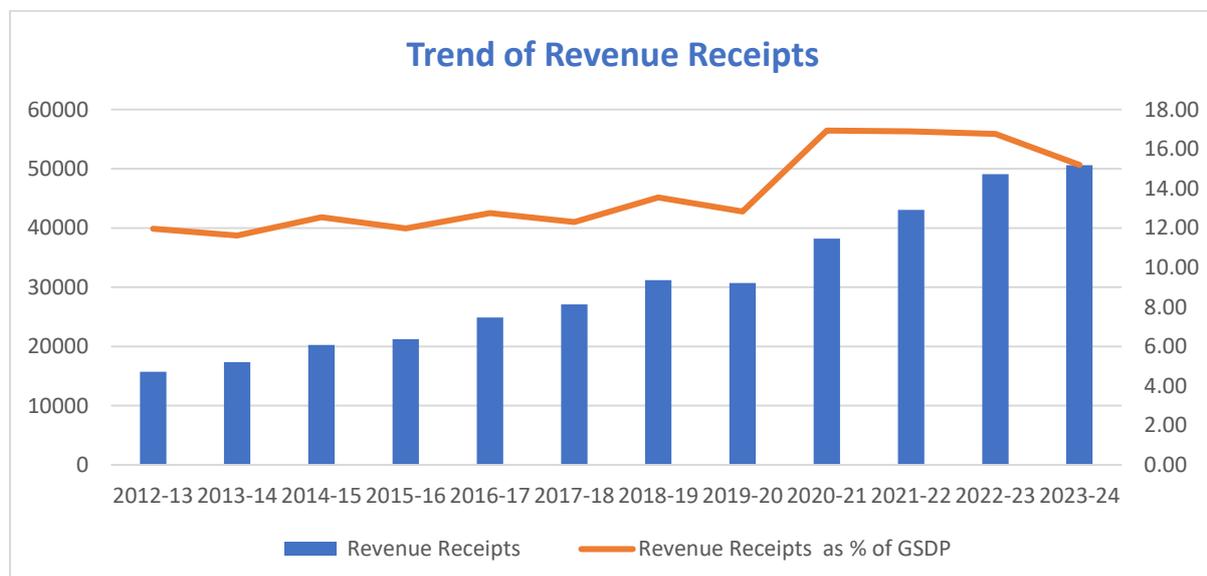
The state's GSDP composition has undergone notable shifts between 2011-12 and 2023-24. In 2011-12, the secondary sector dominated with 52.12%, followed by the tertiary sector at 33.88% and the primary sector at 14.00%. By 2023-24, this structure had shifted considerably. While the secondary sector remains the largest, its share decreased to 46.84%. In contrast, the tertiary sector saw significant growth, rising to 43.17% and nearly matching the secondary sector's contribution. The primary sector experienced the most

significant relative decline, dropping to 9.99%. These changes indicate a clear shift towards a more service-oriented economy, with the tertiary sector showing remarkable growth of 9.29 percentage points. The secondary sector's decline suggests a potential industrial growth slowdown or a change in economic focus. The primary sector's reduced contribution points to either economic modernization or possible challenges in agriculture and allied activities. Overall, the state's economy appears to be moving towards a more balanced structure, with services gaining prominence while industrial and agricultural sectors relatively decline.

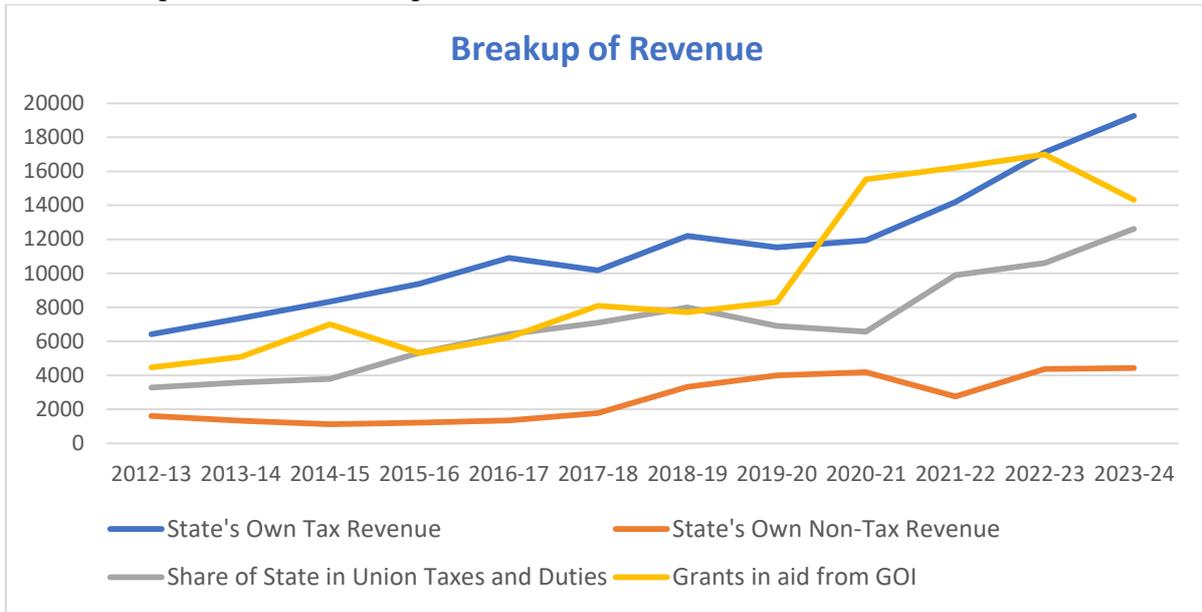


2. Revenue Receipts of the State

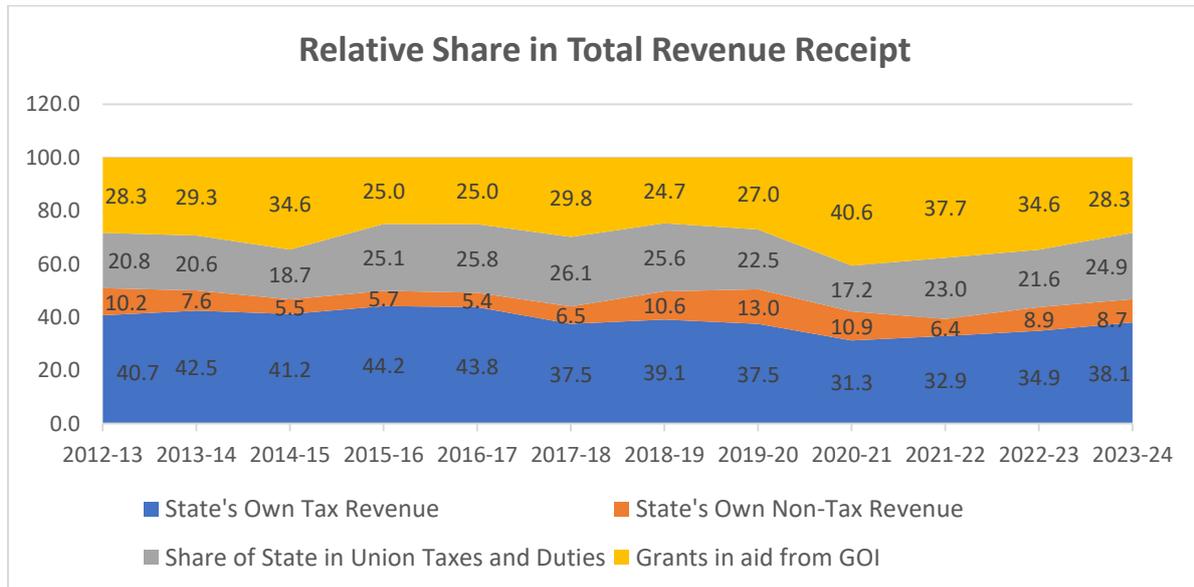
The State of Uttarakhand has demonstrated significant growth in its Total Revenue Receipts over the past decade. From Rs 15,747 crores in 2012-13, the revenue has risen to Rs 50,615 crore in 2023-24, reflecting a compound annual growth rate (CAGR) of approximately 11.0%. This growth has outpaced the state's Gross State Domestic Product (GSDP) expansion, which grew at a CAGR of about 9% during the same period, increasing from Rs 131,613 crores in 2012-13 to Rs 3,32,998 crore in 2023-24. The trend in growth of Revenue Receipt, both in absolute terms and in relation to GSDP is shown in Figure below:



The break-up of Revenue Receipts of the State is shown below:



The revenue profile of the State has undergone significant changes over the past 12 years, from 2012-13 to 2023-24. Contrary to the original assessment of stability, the composition of revenue sources has shifted considerably, revealing varying levels of dependence on different revenue streams.



In 2012-13, the State's own revenue (tax + non-tax) constituted 50.9% of total receipts, but this decreased to 46.8% by 2023-24. This trend towards increased reliance on central government transfers, particularly in recent years, may have implications for the state's fiscal autonomy and long-term financial planning. It suggests a need for Uttarakhand to focus on enhancing its own revenue generation capacity to achieve a more balanced and sustainable fiscal structure in the coming years.

3. Expenditure

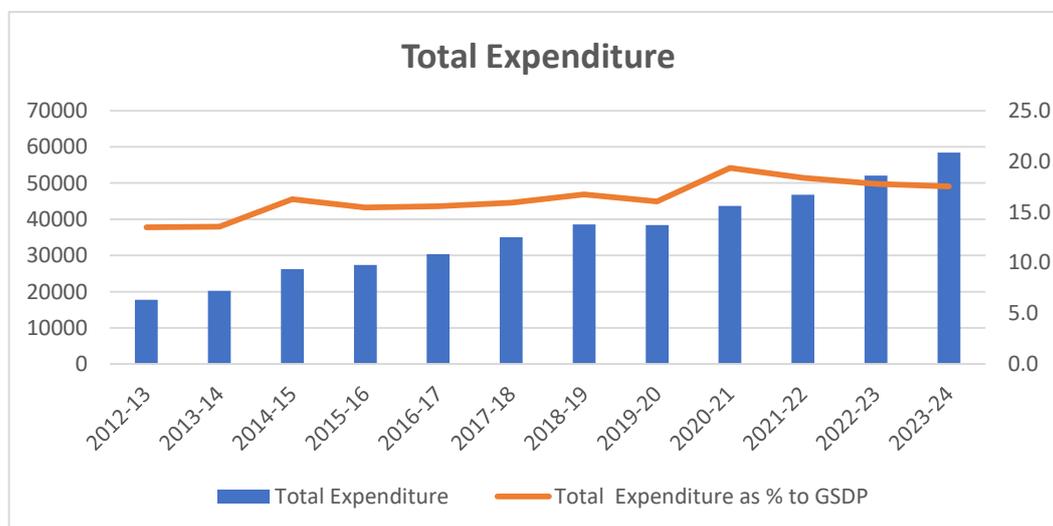
The total expenditure of the State, comprising Revenue Expenditure, Capital Expenditure, and Loans & Advances, has grown in absolute terms from Rs. 17,774 Crores in 2012-13 to Rs 58,380 crores in 2023-24, registering a CAGR of 11.4%.

Breakup of Expenditure (in Rs Crores)

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	CAGR (%)
Revenue Expenditure	13960	16216	21163	23086	25271	29082	32196	32858	37091	38929	43773	47274	11.7%
Capital Outlay	3542	3712	4939	4217	4954	5914	6184	5414	6538	7534	8194	10982	10.8%
Loans and Advances Given	273	278	151	83	165	77	183	126	38	347	94	124	-7%
Total Expenditure	17774	20206	26254	27387	30391	35074	38564	38398	43666	46810	52061	58380	11.4%
Total Expenditure (as % of GSDP)	13.5	13.6	16.3	15.5	15.6	15.9	16.7	16.0	19.4	18.4	17.8	17.5	

Source: CAG report on State Finance Accounts Report for the respective years

In relation to GSDP, the total expenditure showed a moderate increase from 13.5% in 2012-13 to 17.5% in 2023-24.



The expenditure breakup between Revenue Expenditure and Capital Expenditure has remained largely constant, with Capital Expenditure constituting 15-18% and revenue expenditure constituting about 78-80% of the total expenditure. The share of Loans and Advances has been low and dipped sharply to 0.2% of the total expenditure by 2023-24.

Throughout the period, revenue expenditure consistently increased year on year, from ₹13,960 crore in 2012-13 to ₹47,274 crore in 2023-24, reflecting growing commitments or costs.

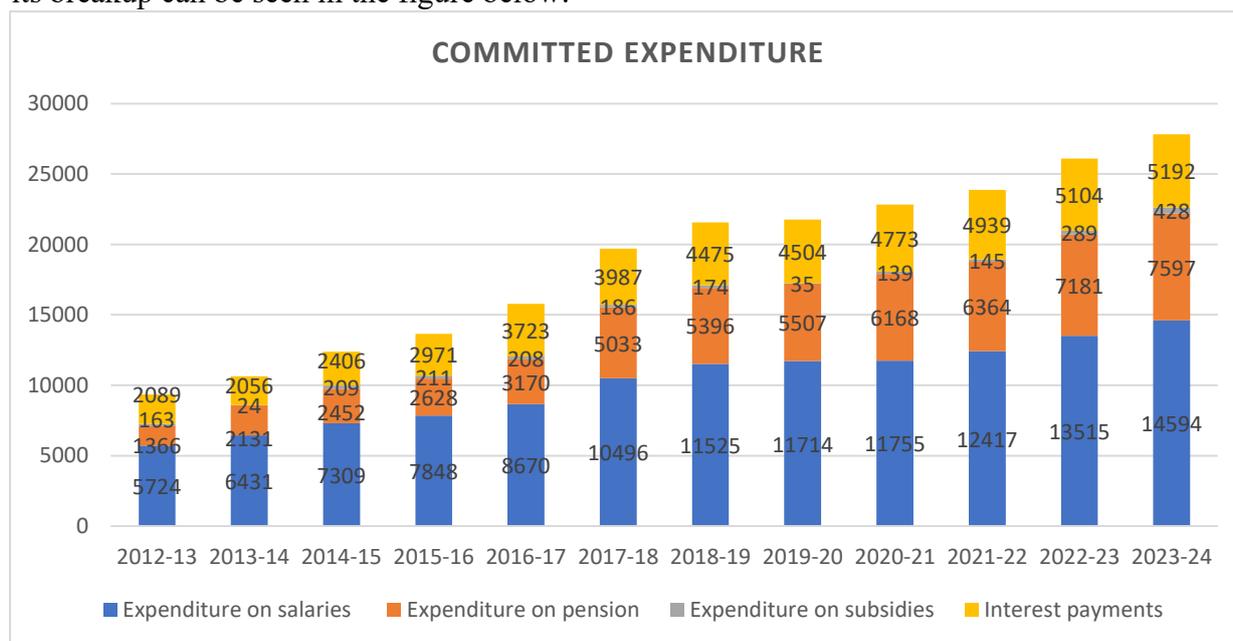
Revenue receipts also generally increased, but not consistently in proportion to expenditure, especially from 2014-15 to 2019-20, leading to the revenue deficits.

Revenue Deficit / Surplus

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Revenue Expenditure	13960	16216	21163	23086	25271	29082	32196	32858	37091	38929	43772	47274
Revenue Receipts	15747	17320	20246	21234	24889	27104	31216	30722	38204	43057	49082	50615
Deficit (+) / Surplus (-)	-1787	1104	917	1852	382	1978	979	2136	1113	4128	5310	-3341

Source: CAG report on State Finance Accounts Report for respective years

The total revenue expenditure of Uttarakhand increased from Rs 13,960 crores in 2012-13 to Rs 47,274 crores in 2023-24, reflecting a CAGR of 11.7%. The share of total committed expenditure of Uttarakhand increased from Rs 9,342 crores in 2012-13 to Rs 27,812 crore in 2023-24, reflecting a CAGR of 10%. The growth in committed expenditure along with its breakup can be seen in the figure below:



The share of total committed expenditure of Uttarakhand increased from Rs 9,342 crores in 2012-13 to Rs 27,812 crores in 2023-24, reflecting a CAGR of 10%.

4. Debt, Deficit, and FRBM Act Compliance

The Uttarakhand Fiscal Responsibility and Budget Management (FRBM) Act, enacted in 2005, aims to ensure fiscal stability, sustainability, and improved infrastructure development. Over time, the Act has evolved through amendments to adapt to changing economic conditions and challenges. Key updates include the elimination of the revenue deficit by 2015, enhanced monitoring mechanisms, and provisions for greater fiscal flexibility during crises like the COVID-19 pandemic.

The most recent 2023 amendment aligns fiscal targets with the 15th Finance Commission's recommendations, setting a phased reduction in fiscal deficit and liabilities as a percentage of GSDP while allowing unutilized borrowing limits to be carried forward. Provisions for exceeding deficit limits in emergencies reflect a balance between fiscal prudence and adaptability, positioning the Act as a cornerstone of Uttarakhand's financial management and economic resilience.

The Fifteenth Finance Commission (15th FC) prescribed the following fiscal consolidation roadmap and fiscal deficit targets for states during 2021-26:

Deficit and Debt Path for States (as % to GSDP)

Year	2021-22	2022-23	2023-24	2024-25	2025-26
Revenue Deficit#	-0.5	-0.8	-1.2	-1.7	-2.5
Fiscal Deficit	4	3.5	3	3	3
Total Liabilities	32.6	33.3	33.1	32.8	32.5

Negative values indicate surplus and positive values indicate deficit.

The 15th FC has provided a more relaxed fiscal consolidation roadmap compared to the 14th FC, recognizing the fiscal stress on states. It has given states like Uttarakhand greater flexibility while incentivizing reforms. Uttarakhand will need to undertake measures to reduce its revenue deficit and adhere to the prescribed fiscal deficit targets to avail the full benefits.

The table below gives the Revenue Deficit, Fiscal Deficit and Primary Deficit of Uttarakhand, both in absolute terms (Rs Crore), and as a % of GSDP, as also Interest Payment as % of Revenue Receipts.

Trend of Fiscal Parameters

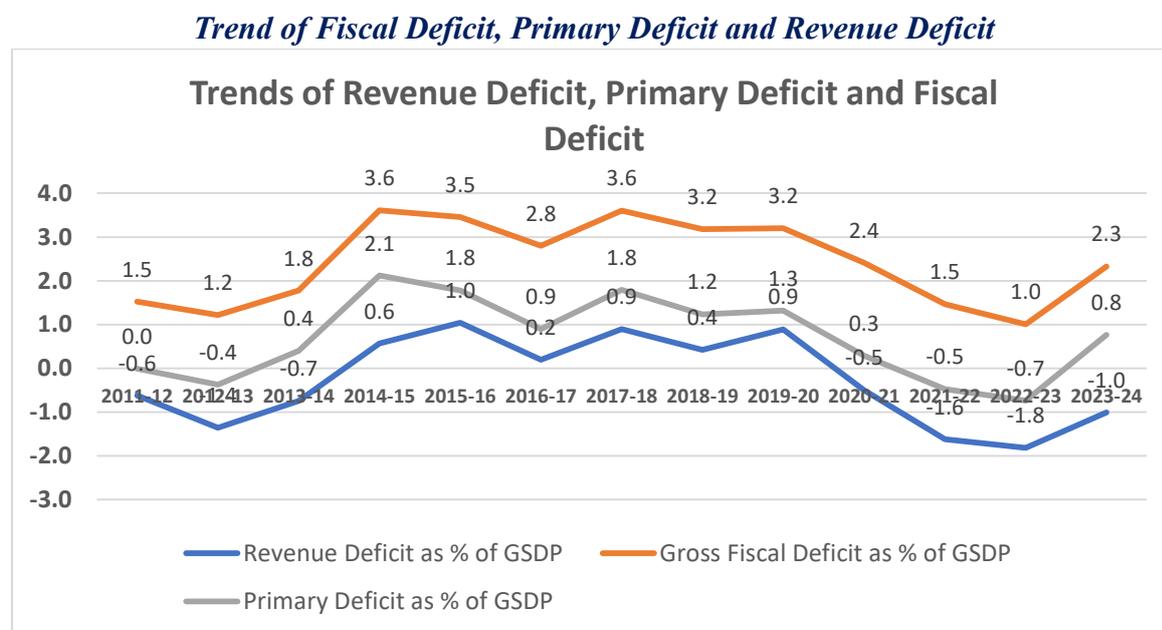
	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Revenue Deficit	-1787	-1104	917	1852	382	1978	979	2136	-1113	-4128	-5310	-3341
Fiscal Deficit	1599	2650	5826	6125	5467	7936	7320	7657	5439	3736	2949	7749
Primary Deficit	-490	594	3421	3154	1744	3948	2846	3153	666	-1203	-2155	2556
Interest payments	2089	2056	2406	2971	3723	3987	4475	4504	4773	4939	5104	5192
GSDP	131613	149074	161439	177163	195125	220222	230327	239263	225617	254966	292670	332998
Revenue Deficit* as % of GSDP	-1.36	-0.74	0.57	1.05	0.20	0.90	0.43	0.89	-0.49	-1.62	-1.81	-1.00
Fiscal Deficit as % of GSDP	1.21	1.78	3.61	3.46	2.80	3.60	3.18	3.20	2.41	1.47	1.01	2.33
Primary Deficit* as % of GSDP	-0.37	0.40	2.12	1.78	0.89	1.79	1.24	1.32	0.30	-0.47	-0.74	0.77
Interest Payment (as% of Revenue Receipts)	13.26	11.87	11.88	13.99	14.96	14.71	14.33	14.66	12.49	11.47	10.40	10.26

*Negative values indicate surplus and positive values indicate deficit.

Source: CAG report on State Finance Accounts Report for the respective years

During the 14th Finance Commission award period, Uttarakhand consistently struggled with revenue deficits, failing to achieve a revenue surplus in any year. The last revenue surplus was recorded in 2013-14, after which the state's finances deteriorated. The revenue deficit worsened significantly in 2015-16 and remained high for several years. However, there's a notable improvement starting in 2020-21, with the state achieving revenue surpluses in the following years.

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



The fiscal indicators for Uttarakhand from 2012-13 to 2023-24 show a period of initial stability followed by deterioration and then significant improvement. The state started with revenue surpluses in 2012-13 and 2013-14, but then experienced revenue deficits for six consecutive years from 2014-15 to 2019-20, peaking at 1.05% of GSDP in 2015-16. However, the situation improved markedly from 2020-21 onwards, with the state returning to revenue surpluses. The fiscal deficit followed a similar pattern, rising sharply from 1.78% in 2013-14 to a high of 3.61% in 2014-15, and remaining above 3% for several years before gradually declining to 1.01% by 2022-23. However, in 2023-24, the fiscal deficit widened again to 2.33% of GSDP. The primary deficit, which excludes interest payments, mirrored these trends, peaking at 2.12% in 2014-15 before transitioning to primary surpluses in the last two years. This overall trajectory suggests that while Uttarakhand faced significant fiscal challenges in the middle of the decade, it has made substantial progress in recent years towards fiscal consolidation and improved financial management.

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

Public Debt and Other Liabilities of the State

Year	Internal Debt	Loans from GOI	Public Debt Outstanding	Total Outstanding Liabilities	Total Outstanding Liabilities as % of GSDP	GSDP
2012-13	18337	462	18799	22867	17.37%	131613
2013-14	20910	445	21355	26263	17.62%	149074
2014-15	24557	478	25035	31647	19.60%	161439

2015-16	29292	544	29836	37867	21.37%	177163
2016-17	34555	655	35210	44320	22.71%	195125
2017-18	40286	729	41015	52396	23.79%	220222
2018-19	45443	790	46233	59594	25.88%	230314
2019-20	49437	813	50250	66620	27.85%	239247
2020-21	53302	3813	57115	71856	31.85%	236860
2021-22	53759	7443	61202	75313	29.54%	272159
2022-23	53558	8600	62159	77927	26.63%	302621
2023-24	57379	10582	67961	85836	25.78%	332998

Source: CAG report on State Finance Accounts Report for the respective years

The internal debt, which forms the majority of the public debt, has nearly tripled from Rs. 18,337 crores in 2012-13 to Rs 57,379 crore in 2023-24. Loans from GOI have seen an even more dramatic increase, particularly in the last few years, jumping from Rs. 813 crores in 2019-20 to Rs. 10,582 crore in 2023-24.

The Fiscal consolidation roadmap required all States to be revenue surplus, such that the permitted Fiscal Deficit is utilized for productive Capital Expenditure. Table and Figure 4.6 below show the broad breakup of utilization of Fiscal Deficit.

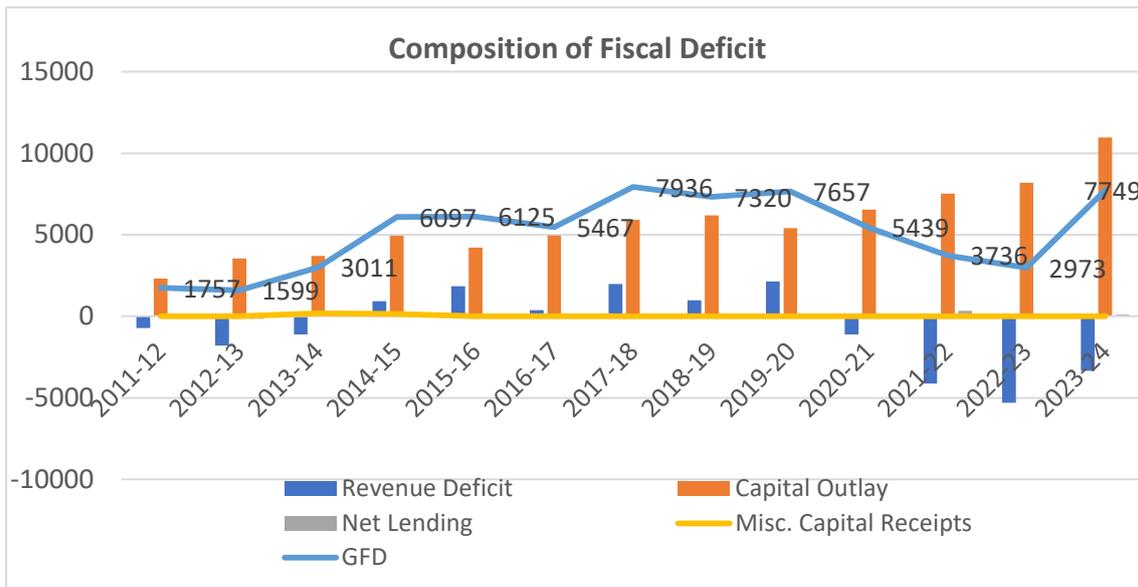
Utilisation of Fiscal Deficit

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Revenue Deficit	-1787	-1104	917	1852	382	1978	979	2136	-1113	-4128	-5310	-3341
Capital Outlay	3542	3712	4939	4217	4954	5914	6184	5414	6538	7534	8194	10982
Net Loans and Advances	-156	223	105	56	130	43	157	107	15	330	76	108
Fiscal Deficit	1599	2650	5826	6125	5467	7936	7320	7657	5439	3736	2949	7749
<i>Revenue Deficit / Surplus (-) as % of Fiscal Deficit</i>	-111.76	-41.66	15.74	30.23	7.00	24.93	13.38	27.90	-20.47	-110.51	-180.06	-43.12
<i>Net Capital Expenditure as % of Fiscal Deficit</i>	221.51	140.07	84.78	68.85	90.62	74.53	84.48	70.71	120.20	201.66	277.87	141.72
<i>Net Loans and Advances as % of Fiscal Deficit</i>	-9.75	8.41	1.81	0.91	2.38	0.55	2.14	1.40	0.27	8.84	2.59	1.40

Negative values indicate surplus and positive values indicate deficit.

Source: CAG report on State Finance Accounts Report for the respective years

Composition of Fiscal Deficit



Over the years, Uttarakhand's fiscal deficit has shown significant variation, peaking at ₹7,936 crore in 2017-18 before gradually declining to ₹2,949 crore in 2022-23 before increasing again to Rs 7,749 crore in 2023-24, indicating a renewed expansion in borrowing. The revenue deficit displayed a mixed trend, with surpluses in 2012-13 and 2013-14, followed by a steep increase from 2014 to 2020, peaking at ₹2,136 crore in 2019-20. Since 2020-21, the state has consistently achieved a revenue surplus, reaching ₹3341 crore in 2023-24. The revenue deficit as a percentage of the fiscal deficit stood at -43.12% in 2023-24, suggesting that while there was still a surplus element reducing the fiscal deficit. This surplus has significantly contributed to reducing the fiscal deficit, as reflected in a sharp improvement in the revenue deficit's share of the fiscal deficit in recent years.

Debt Sustainability: Assessing debt sustainability involves assumptions about future fiscal conditions and economic performance, making precise predictions challenging. Generally, high public debt levels are considered unsustainable due to the need for consistently high primary surpluses, which are often difficult to achieve both economically and politically. Elevated debt levels also pose challenges such as increased borrowing requirements, exposure to interest rate fluctuations, and refinancing risks, where accessing debt markets becomes costly or unfeasible. Additionally, high public debt can hinder economic growth, further complicating long-term sustainability.

The principle of sustainability aims to prevent unchecked debt growth, alleviating the need for drastic tax increases or spending cuts to manage debt and its associated interest burden. The analysis below evaluates Uttarakhand's debt sustainability by examining fiscal and debt parameters alongside compliance with FRBM-mandated macro-fiscal targets. The findings are detailed in the subsequent sections.

5. Transfers to Urban and Rural Local Bodies

Both urban and rural local bodies in Uttarakhand depend on Central government, Central Finance Commission and State Government for their finances. The 5th SFC kept in mind the recommendations of the 4th SFC by accepting the share of PRIs (45%) and ULBs (55%) of the total divisible pool. The addition of 28 new ULBs which took the number to total of 91 was

also noted. No devolution was recommended to the ZPs (Zilla Panchayats) and KPs (Kshetra Panchayats) since they were usually not providing any specific services.

Expenditure by Urban Local Bodies (Rs in Crore)

Year's	Revenue		Capital		Total	
	Amount	Growth Rate	Amount	Growth Rate	Amount	Growth Rate
2011-12	143.60	1.3%	206.87	2.1%	350.47	1.8%
2012-13	145.80	1.5%	213.21	3.1%	359.01	2.4%
2013-14	256.19	75.7%	102.08	-52.1%	358.26	-0.2%
2014-15	272.59	6.4%	118.43	16.0%	391.01	9.1%
2015-16	312.55	14.7%	227.09	91.8%	539.64	38.0%
2016-17	317.34	1.5%	216.38	-4.7%	533.72	-1.1%
2017-18	405.91	27.9%	312.27	44.3%	718.18	34.6%
2018-19	564.80	39.14%	256.50	-17.86%	821.30	14.36%
2019-20	690.01	22.17%	258.26	0.69%	948.27	15.46%
2020-21	722.87	4.76%	379.72	47.03%	1102.59	16.27%
2021-22	700.91	-3.04%	353.61	-6.88%	1054.52	-4.36%
2022-23	931.63	32.92%	407.20	15.16%	1338.83	26.96%
2023-24	969.48	4.06%	640.59	57.32%	1610.07	20.26%

Expenditure of Rural Local Bodies (Rs in Crore)

Years	Revenue		Capital		Total	
	Amount	Growth Rate	Amount	Growth Rate	Amount	Growth Rate
2011-12	16.65	-7.30%	170.07	-35.70%	186.72	-33.90%
2012-13	25.23	51.50%	255.12	50.00%	280.35	50.10%
2013-14	21.68	-14.10%	282.68	10.80%	304.36	8.60%
2014-15	28.55	31.70%	306.1	8.30%	334.65	10.00%
2015-16	32.5	13.80%	443.26	44.80%	475.76	42.20%
2016-17	34.08	4.90%	523.21	18.00%	557.29	17.10%
2017-18	35.87	5.30%	682.41	30.40%	718.29	28.90%
2018-19	241.96	574.54%	571.32	-16.28%	813.28	13.22%
2019-20	281.42	16.31%	658.2	15.21%	939.62	15.53%
2020-21	298.15	5.94%	691.56	5.07%	989.71	5.33%
2021-22	235.86	-20.89%	576.05	-16.70%	811.91	-17.96%
2022-23	346.96	47.10%	773.01	34.19%	1119.97	37.94%
2023-24	161.3	-53.51%	368.29	-52.36%	529.59	-52.71%

The financial health of local bodies presents a mixed picture. On the one hand, there has been a noticeable increase in receipts for both urban and rural local bodies, driven primarily by augmented transfers from the Finance Commission (FC) and a partial devolution of funds by the State Government. These measures have significantly bolstered the financial capacities of local bodies, particularly following the recommendations of the 14th Finance Commission. However, despite these improvements, a major concern remains the relatively low levels of own-source revenue generation among local bodies, both rural and urban.

6. State Public Sector Enterprises

Uttarakhand's public sector includes 33 State Public Sector Undertakings (SPSUs) that play a vital role in the state's socio-economic development. As of 31 March 2023, this comprises four statutory corporations, 28 government companies (including nine inactive entities), and one government-controlled other company. Among the nine inactive SPSEs, seven are under liquidation, with a total investment of ₹36.19 crore, including ₹12.31 crore in capital and ₹23.88 crore in long-term loans. Investments in these inactive SPSEs, which do not contribute to the state's economic growth, remain a matter of concern.

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

Uttarakhand has been talked of as an 'Urja Pradesh' (Energy State) owing to its abundant hydrological potential, which is estimated to be of the order of 25,000 MW. 86 percent of the geographical area of Uttarakhand, however, is hilly and forest area comprises more than 70 percent of it. The evacuation of power over hilly terrains and its subsequent distribution poses its own set of challenges. As of August 2024, the total installed capacity in Uttarakhand is 5701.30 MW, of which the hydroelectric component is 4035.35 MW (70%).

The State has progressively improved its performance with respect to the ARR-ACS gap since 2016, when the MoU was signed. It is committed to realizing the target of reducing AT&C losses as well and bringing them below 10 percent. Uttarakhand's collections from Electricity Duty, which accounts for 0.2 percent of GSDP have remained higher than the average for the North Eastern and Himalayan states (NEHS) average at 0.1 percent of GSDP.

8. Subsidies

From 2012-13 to 2024-25 (BE), the state's subsidy allocations have fluctuated across sectors, reflecting evolving priorities. Agriculture and allied sectors, while dominant, show reduced emphasis as allocations shift towards urban development, industry, and tourism. Crop Husbandry subsidies grew significantly, while Dairy, Fisheries, and Cooperation saw strategic increases. Urban Development surged from negligible support to Rs 92.96 crore in 2024-25, indicating a focus on infrastructure. However, sectors like energy and environment remain underfunded, signaling potential areas for future investment.

9. Outcome Evaluation based on Recommendations of 15th FC

Finance Commission has the challenging 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. It is observed that the state of Uttarakhand has demonstrated remarkable performance across all parameters, except for non-tax revenue and pension payments. During the award period, the state has surpassed the 15th Finance Commission's projections in areas such as GSDP growth, Own Tax Revenue growth, Total Debt and Liabilities, Fiscal Deficit, and Interest Payments.

Chapter 1: Social and Economic Profile of Uttarakhand

1.1 Background of the State

The State of Uttarakhand came into existence in year 2000. It is classified as one of the Special Category States (SCS) as per the categorization made by the Government of India (GoI). Uttarakhand is divided into 13 districts: Almora, Bageshwar, Chamoli, Champawat, Dehradun, Haridwar, Nainital, Pauri Garhwal, Pithoragarh, Rudrapur, Tehri Garhwal, Udham Singh Nagar, and Uttarkashi. Uttarakhand shares its international borders with two countries: China (Tibet) to the north and Nepal to the east. Domestically, it is bordered by Himachal Pradesh to the west and northwest and Uttar Pradesh to the south. The capital and largest city of Uttarakhand is Dehradun. The total geographic area of the state is 53,483 sq. km, comprising 46,035 sq. km of mountainous terrain, 7,448 sq. km of plains, and 38,000 sq. km of forested land. Uttarakhand is renowned for its rich forest cover, which spans approximately 38,000 square kilometres, accounting for around 71% of the state's total geographical area. This extensive forest cover is crucial for maintaining ecological balance, supporting biodiversity, and providing livelihood opportunities for many local communities. The state government is actively involved in forest conservation and sustainable management practices.

Most of the northern parts of the state are part of the Greater Himalaya ranges, covered by the high Himalayan peaks and glaciers. Two of India's mightiest rivers, the Ganges and the Yamuna take birth in the glaciers of Uttarakhand. Many national parks and sanctuaries such as the Jim Corbett National Park, Valley of Flowers National Park, Nanda Devi National Park, Rajaji National Park, Govind Pashu Vihar National Park, and Gangotri National Park are situated in Uttarakhand. In addition to Hindi, the languages spoken in Uttarakhand include Garhwali, Kumaoni, and Jaunsari.

Uttarakhand is primarily a mountainous state, with only about ten percent of its total geographical area located in the plains. Of the thirteen districts, Haridwar, Udham Singh Nagar, and parts of Dehradun and Nainital are in the plains, while the rest of the state is hilly.

Uttarakhand's economy is diversified across primary, secondary, and tertiary sectors. The primary sector includes agriculture, horticulture, and livestock, which are vital for the rural economy. The secondary sector encompasses manufacturing, construction, and mining, contributing significantly to the state's industrial output. The tertiary sector, driven by tourism, education, and healthcare, plays a crucial role in the state's economic development. Uttarakhand's picturesque landscapes and cultural heritage make tourism a key economic driver, attracting millions of visitors annually.

It has a population of just around 10 million¹ and exceeds above the national average for average household expenditures, literacy, and on many health indicators².

¹ Census of India 2011

² Jean Drèze and Amartya Sen, *An Uncertain Glory: India and Its Contradictions*, (London: Penguin, 2013)

Additionally, nearly three-fourths (70 percent) of its total population depends on agriculture for their livelihood, making the economy of Uttarakhand predominantly reliant on mountain agriculture.

The state's infrastructure includes a road network of 35,000 kilometres, a railway network of 345 kilometres, and two airports (Jolly Grant Airport in Dehradun and Pantnagar Airport in Udham Singh Nagar). This infrastructure supports connectivity and economic activities, although there is a continuous need for development and modernization to meet growing demands. Improved infrastructure is essential for promoting economic growth, enhancing trade and tourism, and ensuring efficient transportation and communication.

1.2 Sectoral Allocation

The state has demonstrated a strong commitment to human resource development by allocating Rs. 9,354 crores to Education, Sports, Arts, and Culture. Public Health and Family Welfare were given Rs. 3,693 crores, highlighting a focus on enhancing healthcare services. Recognizing the agricultural sector's importance to the economy, Rs. 2,901 crores were designated for Agriculture and Allied Activities. Additionally, Rs. 2,184 crores were dedicated to Rural Development schemes to improve rural infrastructure and livelihoods. Given Uttarakhand's susceptibility to natural disasters due to its mountainous terrain, the state allocated Rs. 1,050 crores for relief efforts in 2022-23. This significant allocation highlights the state's proactive strategy for disaster management and mitigation.

1.3 Population Profile of the State

The growth rate of Uttarakhand's population has shown a consistent decline over the last three decades: 1981-1991, 1991-2001, and 2001-2011. As of the decade 2001-2011, the growth rate stands at 18.8%. Despite this reduction, Uttarakhand ranks 15th among all states in terms of population growth rate.

Uttarakhand is primarily a rural state, with 69.5 percent of its population living in 15,761 villages. The urban population is mainly concentrated in the southern Terai region and the Doon Valley. While the rural population was as high as 86% in 1951, it decreased to 70% by 2011. Despite this reduction, the rural population percentage remains significantly higher than in other states, indicating a comparatively lower shift towards urbanization. The state's urbanization level stands at 30.2 percent, and as development progresses, the pace and extent of urbanization are expected to increase.

More than 90 percent of the people in the mountain districts of Uttarakhand live in rural areas. There is a rapid increase in population growth in the plain's districts, while regions such as Pauri Garhwal, Rudrapur, and Pithoragarh have the highest number of uninhabited villages in the state. Census data reveals that the decade-wise population growth in hill districts is 12.75%, compared to 32% in the plains. This variation significantly increases the socio-economic burden on the plain's districts. The Great Himalaya region remains largely remote, sparsely populated, and unspoiled.

1.3.4: Migration: Earlier, able-bodied men from impoverished mountain families typically migrated to other parts of the country in search of jobs or joined the army. However, in recent years, entire families are migrating from mountain villages to the four southern districts. This demographic shift is evident in the 2001–2011 decadal population growth data, where areas like Pauri Garhwal and Almora have experienced population decline. As a result, many villages in Uttarakhand have become 'ghost villages' with very few or no residents left.

1.3.5: Education: The transition rate in Uttarakhand's schools, measured between 2015-2017, indicates that 67.5% of students from state board schools, 76% from CBSE, and 63% from other boards continue their education to the next level. District-wise, the Gross Enrolment Ratio (GER) in higher education varies significantly, with Dehradun leading at 54.75%, followed by Haridwar at 30.20%, and other districts showing GERs ranging from 12.39% to 34.57%. These figures highlight the need for targeted interventions to improve higher education access across all districts.

1.3.6: Sex Ratio: The sex ratio in Uttarakhand has changed marginally over the last decade from 962 in 2001 as compared to 963 females per 1000 males in 2011 as per Census figures, and is better than the all-India sex ratio of 943. This ratio highlights the gender demographics of the state and underscores the importance of promoting gender equality and addressing issues such as female infanticide and gender-based discrimination.

1.3.7: Literacy Rate: So far as literacy is concerned, the state shows an improvement from 71.62% literacy rate in 2001 to 78.82% in 2011. In the same period, male literacy increased from 83.28% to 87.40%, while female literacy showed a quantum increase from 59.63% to 70.01%. As per the 2001 census, it was ranked 9th among all states in terms of literacy levels but has come down to 12th in 2011 since other states did far better in terms of improving literacy rate. The all-India average literacy rate is 72.99% in 2011, hence the State fares better based on all India averages. However, the gap between the male and female literacy levels remains stubbornly high at about 18 per cent.

1.3.8: Mortality Rates: The overall mortality rate is about 89 per 100,000 live births in the State in 2022-23 down from most other states. This makes Uttarakhand one of the better performing states.

1.3.9: Birth Rate is 16.6 per 1000 population & the state's **life expectancy** at birth is 67.66 years.

1.3.10: Infant Mortality Rate: The overall infant mortality rate in the state of Uttarakhand stands at 34 per 1000 births in the year 2015. The Infant Mortality Rate (IMR) in Uttarakhand is 24 per 1,000 live births. This is significantly lower than the all-India average. Notwithstanding that, the state can be justifiably be proud of the fact that it regarded as one of the safest states in the country for newborns.

1.3.11: Health: Uttarakhand's healthcare infrastructure comprises 110 hospitals, 257 Primary Health Centres (PHCs), and 2,067 Sub-Health Centres (SHCs), designed to

offer accessible healthcare services to its population. However, challenges persist in terms of service quality, geographical reach, and resource allocation. Ongoing initiatives are focused on improving healthcare facilities and promoting equitable access to healthcare across the state.

1.3.12: Maternal Mortality Ratio (MMR): The Maternal Mortality Ratio (MMR) in Uttarakhand is 201 per 100,000 live births. This figure highlights the challenges faced by the state's healthcare system in providing adequate maternal care. Efforts to reduce MMR include improving healthcare infrastructure, increasing the number of skilled birth attendants, and promoting awareness about maternal health.

1.4 Social profile

The SC and ST population in Uttarakhand is just under 18 per cent. The small ST population is unevenly distributed in the state. The scheduled castes, the scheduled tribes, and women are amongst the vulnerable social groups in the state. Although the scheduled tribes constitute only 2.56 percent of the population as compared to 15.17 percent in the case of the scheduled castes, there is an added complication in that their social isolation is combined with physical isolation as well. Finally, women, especially rural women, are a particularly vulnerable group in Uttarakhand. As a result of a large section of the able-bodied men having moved out, the women constitute the main workforce in agriculture. They also take care of the cattle, collect fuel wood and fodder from forests, often situated at considerable distance from the villages involving four to five hours of walking both ways, and do all household chores. As mentioned earlier, there is also a considerable gap in the male and female literacy rates.

1.5 Infrastructure inequality

More than these social inequalities however, it is the geographical inequality between the hills and the plains of Uttarakhand that divides the state most critically. This geographical disparity manifests itself in the form of inter-district inequality. Four of the thirteen districts, namely, Nainital, Haridwar, Dehradun and Udham Singh Nagar, are in the plains or have large parts in the plains. Compared to the other nine districts, these districts are way ahead in terms of various indicators of development. The districts (Dehradun, Haridwar and Udham Singh Nagar) have a relatively high level of development, and three districts (Tehri Garhwal, Champawat and Chamoli) figure low in the development scale. The inter-district inequality is most acute in terms of various forms of infrastructure. The districts in the plains have much better infrastructure as compared to the districts in the hills. The inter-district inequality in infrastructure leads to inequality in terms of income and livelihood between the hills and the plains. The quality of life is particularly poor in the hilly areas compared to the plains.

1.6 Role of Tourism

Over a million pilgrims and tourists annually visit the five prominent shrines – Yamunotri, Gangotri, Kedarnath, Badrinath and Hemkund Sahib – in this region. Other tourists visit the state for adventure, its wilderness and scenic vistas. The tourism sector

has to be developed extensively as a part of any policy programme for growth in Uttarakhand. However, the adverse impact of unregulated growth in this sector, particularly in terms of environmental degradation, cannot be ignored. An optimal tourism policy will have to assess the volume and quality of tourism that will not cause environmental degradation or overuse of urban infrastructure in the tourist destinations, and hence will be sustainable in the long run.

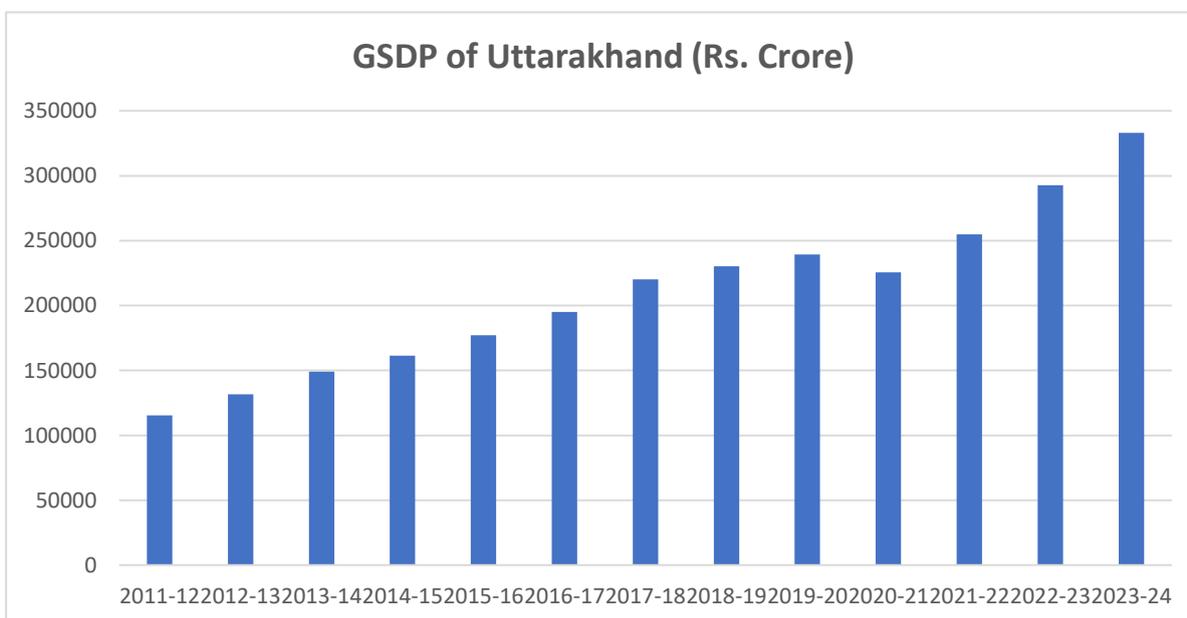
1.7 Economic Profile of Uttarakhand

1.7.1 Data estimates and sources

For the purposes of this study, the Gross State Domestic Product figures at current prices, with base year 2011-12, has been relied upon as a measure of the productivity of the state economy. This is because in 2014-15, the Central Government changed the base year of national income estimates to 2011-12. The series are not comparable with earlier 2004-05 series for multiple reasons, prominent among them being the change in the data sources to compute income estimates. The estimates of GSDP as well as the sectoral composition of GSDP have been taken from the website of the CSO, MOSPI.

1.7.2 Estimates of GSDP

The Gross Domestic State Product (GSDP) of Uttarakhand grew from Rs 115,328 crore in 2011-12 to Rs 332,998 crore in 2023-24, registering a compound annual growth rate of around 8.8% during this period.



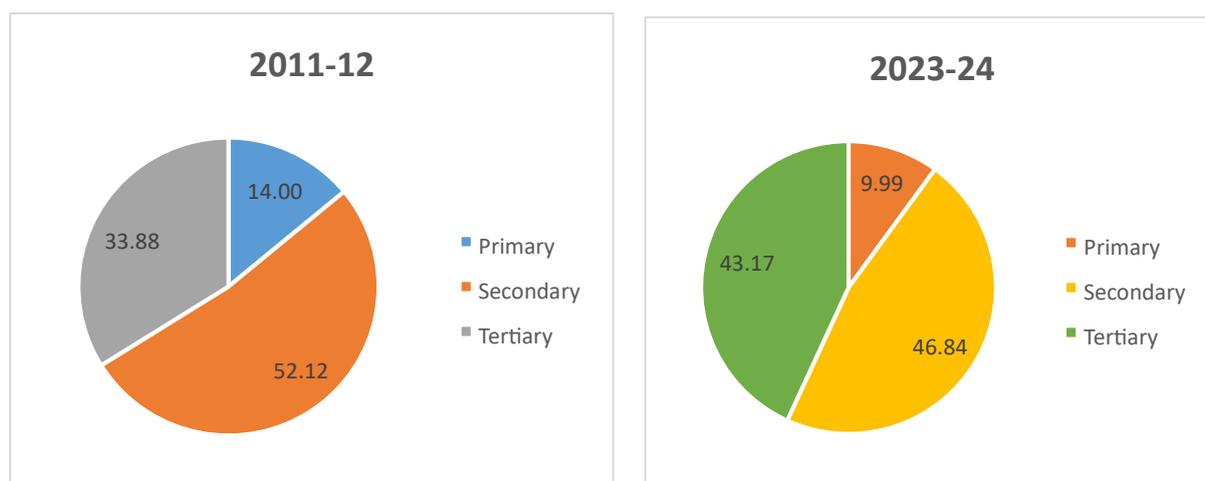
1.7.3 Sectoral Composition of GSDP and NSDP

The distribution of the state Gross State Domestic Product (GSDP) across Primary, Secondary, and Tertiary sectors is illustrated **in the charts below**, covering the period from 2011-12 to 2023-24. The state's GSDP composition has undergone notable shifts

between 2011-12 and 2023-24. In 2011-12, the secondary sector dominated with 52.12%, followed by the tertiary sector at 33.88% and the primary sector at 14.00%. By 2023-24, this structure had shifted considerably. While the secondary sector remains the largest, its share decreased to 46.84%. In contrast, the tertiary sector saw significant growth, rising to 43.17% and nearly matching the secondary sector's contribution. The primary sector experienced the most significant relative decline, dropping to 9.99%. These changes indicate a clear shift towards a more service-oriented economy, with the tertiary sector showing remarkable growth of 9.29 percentage points. The secondary sector's decline suggests a potential industrial growth slowdown or a change in economic focus. The primary sector's reduced contribution points to either economic modernization or possible challenges in agriculture and allied activities. Overall, the state's economy appears to be moving towards a more balanced structure, with services gaining prominence while industrial and agricultural sectors relatively decline.

The overall health, social, and demographic profile of the state has shown improvement as compared to the previous figures.

1.8 Fiscal Management



Uttarakhand's fiscal deficit for 2022-23 was Rs. 2,949 crores, representing 0.1.01% of the GSDP. This figure suggests prudent fiscal management, keeping the deficit within reasonable limits. However, the state's outstanding liabilities as of April 1, 2024, stood at Rs. crores, which is 25.78% of the GSDP. The public debt component of these liabilities amounted to Rs. 67,961 crores, comprising Rs. 57,379 crores in internal debt and Rs. 10,582 crores in central loans.

1.9 Conclusion

Uttarakhand's demographic indicators and economic performance reflect a state focused on balanced growth across various sectors. While showing promising economic growth, the state continues to face challenges in managing its debt and reducing its dependence on central transfers. The significant allocations to social

sectors and disaster management demonstrate a commitment to inclusive development and resilience building. Moving forward, Uttarakhand's strategies for improving social indicators and fiscal management will play a crucial role in sustaining its growth trajectory and addressing developmental challenges.

Uttarakhand's profile on various parameters reveals a state with significant achievements and ongoing challenges. Efforts are directed towards improving healthcare, education, infrastructure, and economic development, with a focus on sustainability and inclusivity.

Moving forward, Uttarakhand needs to make concerted efforts to augment its revenue streams through better tax administration, harnessing tourism potential, and promoting industries with low environmental footprints. On the expenditure side, it needs to reprioritize spending towards asset creation, while controlling wasteful expenditures. Improving the financial position of state public enterprises, especially in the power sector, is crucial to ease the burden on state finances. Overall fiscal consolidation through prudent debt management and expenditure restructuring will be essential for the state to create adequate fiscal space for sustainable development.

Uttarakhand has made significant progress in various economic and financial parameters over the past decade. *However, challenges remain, particularly in managing fiscal deficits and outstanding liabilities.* This study aims to provide actionable insights and recommendations to enhance the state's financial management and ensure sustainable economic growth. This study estimates the state's revenue-generating capacities and identify potential areas for growth. This includes analyzing current tax policies, collection efficiencies, and potential new revenue streams. Recommendations include enhancing the tax-GSDP ratio, aiming to increase the overall tax revenue without imposing undue burden on the taxpayers. This could involve tax base broadening, rate adjustments, and improving compliance mechanisms.

Chapter 2: Revenue Receipts

2.1. Overview of Revenue Receipts of the State

2.1.1: The State of Uttarakhand has demonstrated significant growth in its Total Revenue Receipts over the past decade. From Rs 15,747 crores in 2012-13, the revenue has risen to Rs 50,615 crore in 2023-24, reflecting a compound annual growth rate (CAGR) of approximately 11%. This growth has outpaced the state's Gross State Domestic Product (GSDP) expansion, which grew at a CAGR of about 9% during the same period. 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.

The journey of Uttarakhand's revenue growth has been marked by notable fluctuations. Annual growth rates have shown considerable volatility, ranging from a contraction of 1.6% in 2019-20 to a robust expansion of 24.4% in 2020-21. This volatility underscores the sensitivity of the state's revenue to economic conditions and policy changes. The ratio of Revenue Receipts to GSDP has also fluctuated, varying between 12% and 15.2% over the years, indicating changing fiscal dynamics within the state economy. An examination of revenue components reveals diverse growth patterns.

State's Own Tax Revenue has shown steady growth, increasing from Rs 6,414 crores in 2012-13 to Rs 19,260 crore in 2023-24. The State's Own Non-Tax Revenue, while more volatile, has also seen overall growth. Notably, there has been a substantial increase in central transfers, with the Share of State in Union Taxes and Duties rising from Rs 3,273 crores to Rs 12,612 crore during the period. Grants in aid from the Government of India have seen even more dramatic growth, escalating from Rs 4,457 crores in 2012-13 to Rs 14,324 crores in 2023-24.

The data reflects the impact of significant economic events, particularly the COVID-19 pandemic. The negative growth in Revenue Receipts in 2019-20 (-1.6%) was likely a result of the pandemic's initial economic shock. However, the state demonstrated remarkable resilience with a sharp recovery in subsequent years, posting growth rates of 24.4%, 12.7%, and 14.0% in the following three years. While the overall trend in revenue growth is positive, the changing composition of revenue sources presents both opportunities and challenges. The increasing share of central transfers and grants in the state's revenue mix, while beneficial for immediate fiscal health, may pose long-term risks if not balanced with growth in the state's own revenue sources. This trend suggests that Uttarakhand may need to focus on strengthening and diversifying its own revenue streams to ensure sustainable fiscal autonomy and stability in the future. In conclusion, Uttarakhand's revenue performance over the past decade demonstrates robust growth and resilience in the face of economic challenges. However, the state's fiscal strategy may benefit from efforts to enhance own-source revenues alongside the effective utilization of central support, ensuring a balanced and sustainable approach to fiscal management in the coming years.

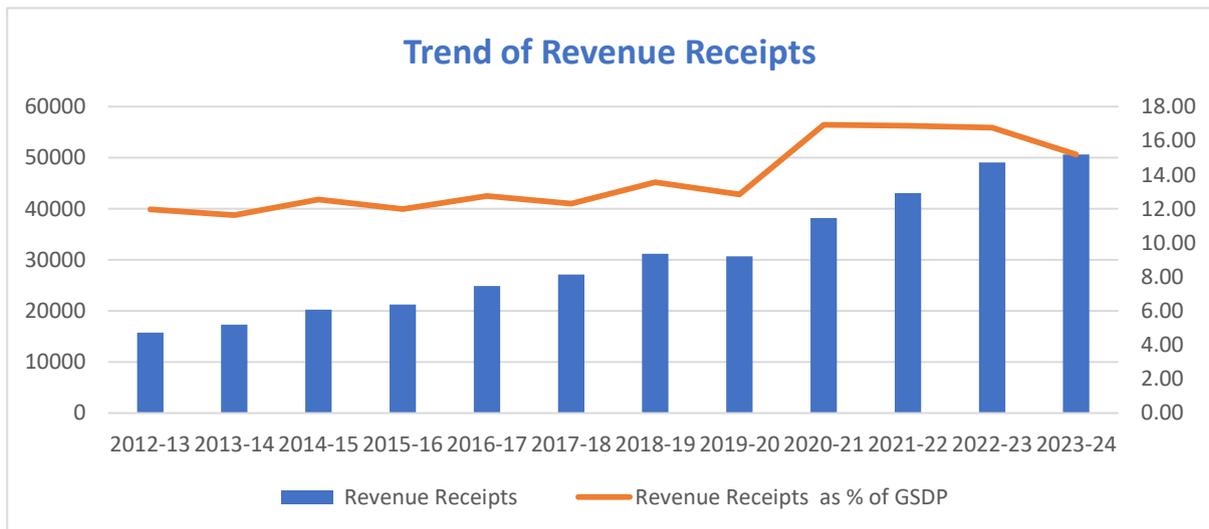
Table 2.1: Trend of Revenue Receipts (All Figures in Rs Crore)

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Revenue Receipts (RR)	15747	17320	20246	21234	24889	27104	31216	30722	38204	43057	49082	50615
Rate of Growth of Revenue Receipts (%)	15%	10%	17%	5%	17%	9%	15%	-2%	24%	13%	14%	3%

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
RR as % of GSDP	11.96%	11.62%	12.54%	11.99%	12.76%	12.31%	13.55%	12.84%	16.93%	16.89%	16.77%	15.20%
GSDP (2011-12 Series - Current Price)	131613	149074	161439	177163	195125	220222	230327	239263	225617	254966	292670	332998
Breakup of Revenue Receipts												
State's Own Tax Revenue	6414	7355	8338	9382	10897	10165	12207	11518	11942	14186	17120	19260
State's Own Non-Tax Revenue	1603	1316	1110	1219	1346	1769	3310	3999	4170	2756	4366	4418
Share of State in Union Taxes and Duties	3273	3573	3792	5329	6412	7085	7993	6897	6564	9897	10600	12612
Grants in aid from GOI	4457	5075	7005	5304	6234	8085	7707	8309	15527	16219	16997	14324

Source: CAG report on State Finance Accounts Report for the respective years

Figure 2.1: Trend of Revenue Receipts



2.1.1: Figure 2.2 below shows the growth trend of break-up of the four components of Revenue Receipts, while Figure 2.3 below shows the change in relative share in total Revenue in the period 2012-13 to 2023-24.

Figure 2.2: Trend of Revenue Receipt by Source (In Rs Crore)

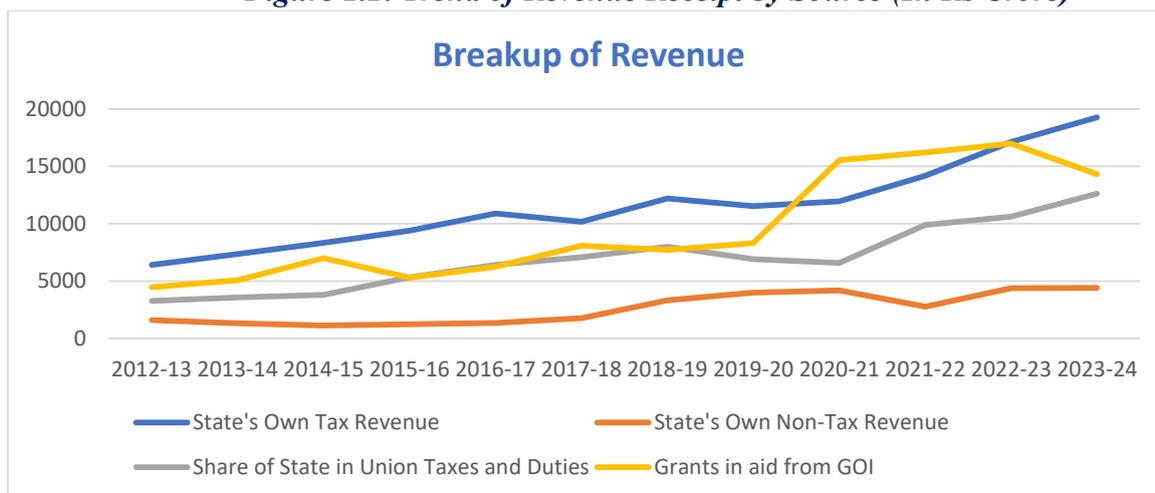
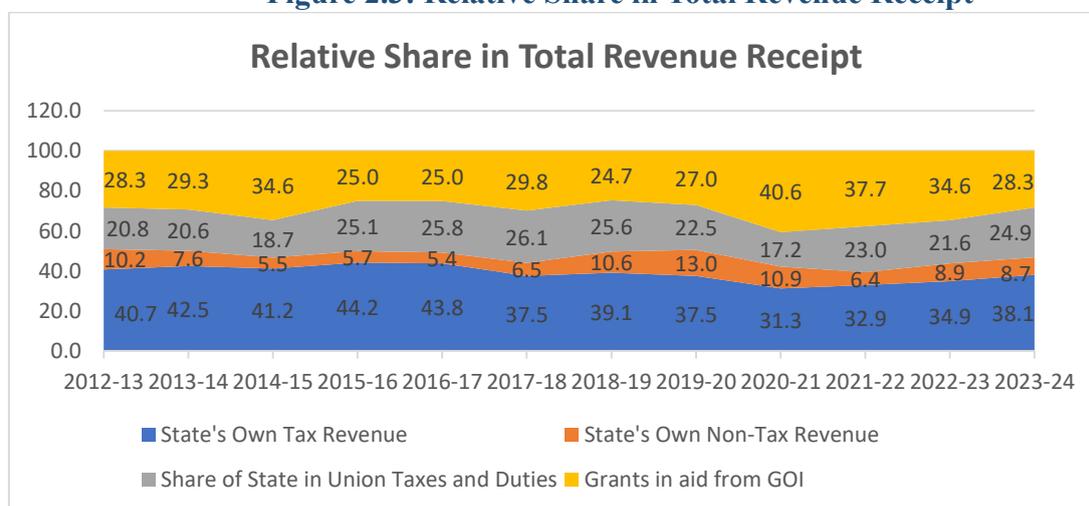


Figure 2.3: Relative Share in Total Revenue Receipt



As can be seen in Figure 2.3 above, the revenue profile of the State has undergone significant changes over the past 12 years, from 2012-13 to 2023-24. Contrary to the original assessment of stability, the composition of revenue sources has shifted considerably, revealing varying levels of dependence on different revenue streams.

One notable trend is the decline in the State's Own Tax Revenue, which has decreased from 40.7% of total revenue in 2012-13 to 38.1% in 2023-24. This suggests a reduction in the state's ability to generate its own tax revenue over time. Simultaneously, the State's Own Non-Tax Revenue has shown considerable volatility, fluctuating between 5.4% and 13.0% of total revenue, before settling at 8.7% in 2023-24. In contrast, there has been an increased dependence on central transfers. The combined share of Union Taxes and Grants from the Government of India has generally increased over the period, rising from 49.1% in 2012-13 to 53.2% in 2023-24, with a peak of 57.8% in 2020-21. This shift is particularly evident in the surge of Grants in Aid from GOI, which saw a notable increase in 2020-21 (40.6%) and 2021-22 (37.7%), likely due to additional support during the COVID-19 pandemic.

These changes indicate a clear shift in Uttarakhand's revenue structure from state generated revenue to central transfers. In 2012-13, the states own revenue (tax + nontax) constituted 50.9% of total receipts, but this decreased to 46.8% by 2023-24. This trend towards increased

reliance on central government transfers, particularly in recent years, may have implications for the state's fiscal autonomy and long-term financial planning. It suggests a need for Uttarakhand to focus on enhancing its own revenue generation capacity to achieve a more balanced and sustainable fiscal structure in the coming years.

2.1.1 The growth in Revenue Receipts of Uttarakhand has shown a dynamic relationship with the state's GSDP over the past decade. The total Revenue Receipts as a percentage of GSDP have fluctuated, rising from 12.0% in 2012-13 to 15.2% in 2023-24, with notable variations in between. This trend indicates that revenue growth has generally outpaced GSDP growth, particularly in recent years.

Table 2.2: Total Revenue Receipt Break-Up (by Source)

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
State's Own Tax Revenue (Rs Crore)	6414	7355	8338	9382	10897	10165	12207	11518	11942	14186	17120	19260
State's Own Non-Tax Revenue (Rs Crore)	1603	1316	1110	1219	1346	1769	3310	3999	4170	2756	4366	4418
Share of State in Union Taxes and Duties (Rs Crore)	3273	3573	3792	5329	6412	7085	7993	6897	6564	9897	10600	12612
Grants in aid from GOI (Rs Crore)	4457	5075	7005	5304	6234	8085	7707	8309	15527	16219	16997	14324
Total Revenue Receipts (Rs Crore)	15747	17320	20246	21234	24889	27104	31216	30722	38204	43057	49082	50615
As per cent of Total Revenue Receipts (%)												
State's Own Tax Revenue	40.7	42.5	41.2	44.2	43.8	37.5	39.1	37.5	31.3	32.9	34.9	38.1
State's Own Non-Tax Revenue	10.2	7.6	5.5	5.7	5.4	6.5	10.6	13.0	10.9	6.4	8.9	8.7
Share of State in Union Taxes	20.8	20.6	18.7	25.1	25.8	26.1	25.6	22.5	17.2	23.0	21.6	24.9
Grants in aid from GOI	28.3	29.3	34.6	25.0	25.0	29.8	24.7	27.0	40.6	37.7	34.6	28.3
As per cent of GSDP (%)												
State's Own Tax Revenue	4.9	4.9	5.2	5.3	5.6	4.6	5.3	4.8	5.3	5.6	5.8	5.8
State's Own Non-Tax Revenue	1.2	0.9	0.7	0.7	0.7	0.8	1.4	1.7	1.8	1.1	1.5	1.3
Share of State in Union Taxes and Duties	2.5	2.4	2.3	3.0	3.3	3.2	3.5	2.9	2.9	3.9	3.6	3.8
Grants in aid from GOI	3.4	3.4	4.3	3.0	3.2	3.7	3.3	3.5	6.9	6.4	5.8	4.3
Total Revenue Receipts	12.0	11.6	12.5	12.0	12.8	12.3	13.6	12.8	16.9	16.9	16.8	15.2

Source: CAG report on State Finance Accounts Report for the respective years

An analysis of the revenue components reveals significant shifts in the state's fiscal landscape. The State's Own Tax Revenue, while growing in absolute terms, has seen its share of total revenue decrease from 40.7% in 2012-13 to 38.1% in 2023-24. This suggests a relative weakening of the state's internal tax generation capacity. Conversely, the State's Own Non-Tax Revenue has shown considerable volatility, ranging from 5.4% to 13.0% of total revenue over the period. The share of Central transfers in Uttarakhand's revenue has grown substantially. The combined share of State in Union Taxes and Duties and Grants in Aid from GOI increased from 49.1% in 2012-13 to 53.2% in 2023-24. This shift was particularly pronounced during the COVID-19

pandemic years, with Grants in Aid reaching a peak of 40.6% of total revenue in 2020-21.

Table 2.3 below provides insight into the long-term growth rates of different revenue sources. The Share of State in Union Taxes and Duties showed the highest Compound Annual Growth Rate (CAGR) at 13% from 2012-13 to 2023-24, indicating a growing dependence on this revenue stream. State's Own Non-Tax Revenue also demonstrated strong growth with a CAGR of 9.7%. The overall Revenue Receipts and Grants in Aid from GOI both grew at a CAGR of 11.2%, while State's Own Tax Revenue grew slightly lower at 10.5%.

Table 2.3: CAGR of Revenue 2012-13 to 2023-24

	CAGR (2012-13 to 2023-24)
Revenue Receipts (RR)	11.2%
State's Own Tax Revenue	10.5%
State's Own Non-Tax Revenue	9.7%
Share of State in Union Taxes and Duties	13.0%
Grants in aid from GOI	11.2%

These trends highlight the changing nature of Uttarakhand's fiscal federalism. The state has become increasingly reliant on central transfers, particularly in the form of its share in Union Taxes and Duties. While this has contributed to overall revenue growth, it also poses potential risks to the state's fiscal autonomy. In conclusion, while Uttarakhand has seen robust growth in its overall revenue receipts, the composition of this growth raises questions about fiscal sustainability. The state may need to focus on strengthening its own tax and non-tax revenue sources to reduce dependence on central transfers. This balanced approach could help ensure more stable and self-reliant fiscal health in the long run, especially in the face of potential changes in central government policies or economic shocks.

2.2. Tax Revenue of State

2.2.1: The total tax revenue of Uttarakhand, encompassing both its own tax revenue and central tax transfers, has demonstrated significant growth over the period from 2012-13 to 2023-24. This revenue stream increased from Rs 9,687 crore in 2012-13 to Rs 31,873 crore in 2023-24, reflecting a Compound Annual Growth Rate (CAGR) of 11.4% as in Table 2.4. This robust growth has resulted in tax revenue forming a substantial portion of the state's overall revenue, though its share has fluctuated over the years.

The composition of the state's revenue has seen notable shifts during this period. In 2012-13, tax revenue constituted 61.5% of the total revenue receipts. This share peaked at 69.5% in 2016-17 before declining to 48.4% in 2020-21 and rising again to 63.0% in 2023-24.. The fluctuation suggests changing dynamics in the state's revenue sources and potentially, the impact of policy changes such as the introduction of the Goods and Services Tax (GST) in July 2017.

When viewed as a percentage of the Gross State Domestic Product (GSDP), the total tax revenue has shown an overall increasing trend, rising from 7.4% in 2012-13 to 9.6% in 2023-24. This increase indicates that the growth in tax revenue has generally outpaced the growth in

the state's economic output, pointing to improved tax collection efficiency or expansion of the tax base.

However, the growth in tax revenue has not been uniform throughout the period. The annual growth rate has shown considerable volatility, ranging from a contraction of 8.8% in 2019-20 to a substantial increase of 30.1% in 2021-22. The contraction in 2019-20 and the subsequent rebound likely reflect the impact of the COVID-19 pandemic and the following economic recovery.

Notably, the introduction of GST in July 2017 appears to have had a significant impact on the state's tax revenue. The data shows a slight contraction of 0.3% in 2017-18, which aligns with the initial adjustment period following the GST implementation. However, the subsequent years have seen a recovery and growth in tax revenue, suggesting that the state has adapted to the new tax regime.

The volatility in growth rates and the changing share of tax revenue in total receipts underscore the challenges Uttarakhand faces in maintaining a stable revenue base. While the overall trend shows growth, the fluctuations highlight the need for diversification of revenue sources and continued efforts to enhance tax collection efficiency.

In conclusion, Uttarakhand's tax revenue has shown resilience and growth over the past decade, despite facing challenges such as policy changes and economic disruptions. The state's ability to maintain tax revenue at over 50% of its total revenue receipts and increase its share of GSDP is commendable. However, the variability in growth rates suggests that there is room for further stabilization and enhancement of the tax revenue base to ensure sustainable fiscal health for the state in the coming years.

Table 2.4: Total Tax Revenue of the State (2012-13 to 2023-24)

(In Rs Crore)

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	CAGR
Total Tax Revenue of the State	9687	10929	12131	14711	17309	17250	20200	18415	18506	24082	27719	31873	11.4%
% of Revenue Receipts	61.5%	63.1%	59.9%	69.3%	69.5%	63.6%	64.7%	59.9%	48.4%	55.9%	56.5%	63.0%	
% of GSDP	7.4%	7.3%	7.5%	8.3%	8.9%	7.8%	8.8%	7.7%	8.2%	9.4%	9.5%	9.6%	
Annual Growth Rate (%)	14.2%	12.8%	11.0%	21.3%	17.7%	-0.3%	17.1%	-8.8%	0.5%	30.1%	15.1%	15.0%	

Source: CAG report on State Finance Accounts Report for the respective years

2.2.2: The composition of Uttarakhand's total tax revenue has undergone significant changes from 2012-13 to 2023-24, as shown in Table 2.5. This period has seen shifts in the relative importance of different tax categories and the introduction of the Goods and Services Tax (GST), which has substantially impacted the state's tax structure.

Taxes on Income and Expenditure have shown robust growth, with a CAGR of 14%, increasing their share of total tax revenue from 19.6% in 2012-13 to 25.6% in 2023-24. Taxes on Property and Capital Transactions have also grown significantly, with a CAGR of 13%, and their share of total tax revenue has risen from 6.8% to 7.7% over the period.

The most dramatic changes have occurred in Taxes on Commodities and Services. This category initially showed strong growth but experienced a significant decline following the introduction of GST. Its share of total tax revenue decreased substantially from 73.6% in 2012-13 to 28.6% in 2023-24, with a modest CAGR of 2%.

The introduction of GST in 2017-18 has had a transformative effect on the state's tax structure. GST revenue has grown rapidly, with a CAGR of 28% since its introduction, accounting for 38.1% of the state's total tax revenue by 2023-24.

These shifts reflect the changing landscape of taxation in Uttarakhand and the broader Indian context. The growth in income and expenditure taxes suggests an expanding economic base, while the rise of GST represents a major structural change in the state's tax system. This transformation presents both challenges and opportunities for Uttarakhand's fiscal management, requiring continued adaptation to ensure stable and growing tax revenues in the future.

Table 2.5: Composition of Total Tax Revenue of the State (2012-13 to 2023-24)

In Rs Crore

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	CAGR
Taxes on Income and Expenditure	1897	2011	2292	2864	3514	4021	4853	4197	4012	5925	7035	8167	14.19%
As % of Total Tax Revenue	19.58	18.40	18.89	19.47	20.30	23.31	24.02	22.79	21.68	24.60	25.38	25.6	
Taxes on Property and Capital Transactions	661	712	757	899	942	906	1051	1096	1124	1529	2052	2446	12.63%
As % of Total Tax Revenue	6.8	6.5	6.2	6.1	5.4	5.3	5.2	6.0	6.1	6.3	7.4	7.7	
Taxes on Commodities and Services	7129	8206	9082	10948	12853	9535	7359	6232	6363	7826	8292	9130	2.27%
As % of Total Tax Revenue	73.6	75.1	74.9	74.4	74.3	55.3	36.4	33.8	34.4	32.5	29.9	28.6	
Goods and Services tax	0	0	0	0	0	2788	6937	6890	7007	8803	10341	12129	27.77%
As % of Total Tax Revenue	0	0.0	0.0	0.0	0.0	16.2	34.3	37.4	37.9	36.6	37.3	38.1	

Source: CAG report on State Finance Accounts Report for the respective years

2.3. State's Own Tax Revenue

2.3.1 The own tax revenue of the State has grown from Rs 6,414 crore to Rs 19,260 crore in the reference period of 2012-13 to 2023-24, showing a CAGR of 10.5%. Despite this growth, the share of Own Tax Revenue in total Revenue Receipts declined from 40.7% to 38.1% over the period. Annual growth rates fluctuated significantly, with notable dips in 2017-18 and 2019-20, likely due to GST implementation and the COVID-19 pandemic. However, strong growth in recent years (18.8% in 2021-22 and 20.7% in 2022-23) indicates recovery. As a % of GSDP, Own Tax Revenue slightly improved from 4.9% to 5.8% over the reference period, suggesting tax revenue growth marginally outpaced economic growth.

Table 2.6: Own Tax Revenue of the State (2012-13 to 2023-24) (figures in Rs Crore)

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	CAGR
Own Tax Revenue	6414	7355	8338	9382	10897	10165	12207	11518	11942	14186	17120	19260	10.5 %
% of Revenue Receipts	40.7	42.5	41.2	44.2	43.8	37.5	39.1	37.5	31.3	32.9	34.9	38.1%	
% of GSDP	4.9	4.9	5.2	5.3	5.6	4.6	5.3	4.8	5.0	5.2	5.7	5.8%	
Annual Growth Rate	14.2	14.7	13.4	12.5	16.2	-6.7	20.1	-5.6	3.7	18.8	20.7	12.5%	

Source: CAG report on State Finance Accounts Report for the respective years

2.1.1 The share of different taxes in States own tax revenue, and their growth rate is given in Table 2.7 below. The composition of Uttarakhand's Own Tax Revenue has undergone significant changes from 2012-13 to 2023-24, primarily due to the introduction of the GST in 2017-18. Prior to GST, Taxes on Sales and Trade were the dominant source, contributing over 65% of own tax revenue. However, this share dramatically decreased to 13.1% by 2023-24, replaced largely by the State GST, which grew to account for 43.1% of own tax revenue. State Excise has maintained a significant and relatively stable share, increasing from 17.43% to 21.0% over the period. Stamps and Registration taxes have shown resilience, with their share growing from 10.1% to 12.6%. Taxes on Vehicles have seen a notable increase in their relative contribution, from 4.7% to 7.2%. The 'Other Taxes' category has fluctuated considerably, peaking at 5.95% in 2018-19 before settling at 3.0% in 2023-24. These shifts reflect a major restructuring of the state's tax system, with GST becoming the primary revenue source, while other traditional tax streams have either maintained or slightly increased their relative importance in the state's overall tax composition.

Table 2.7: Composition of Own Tax Revenue of the State (figures in Rs Crore)

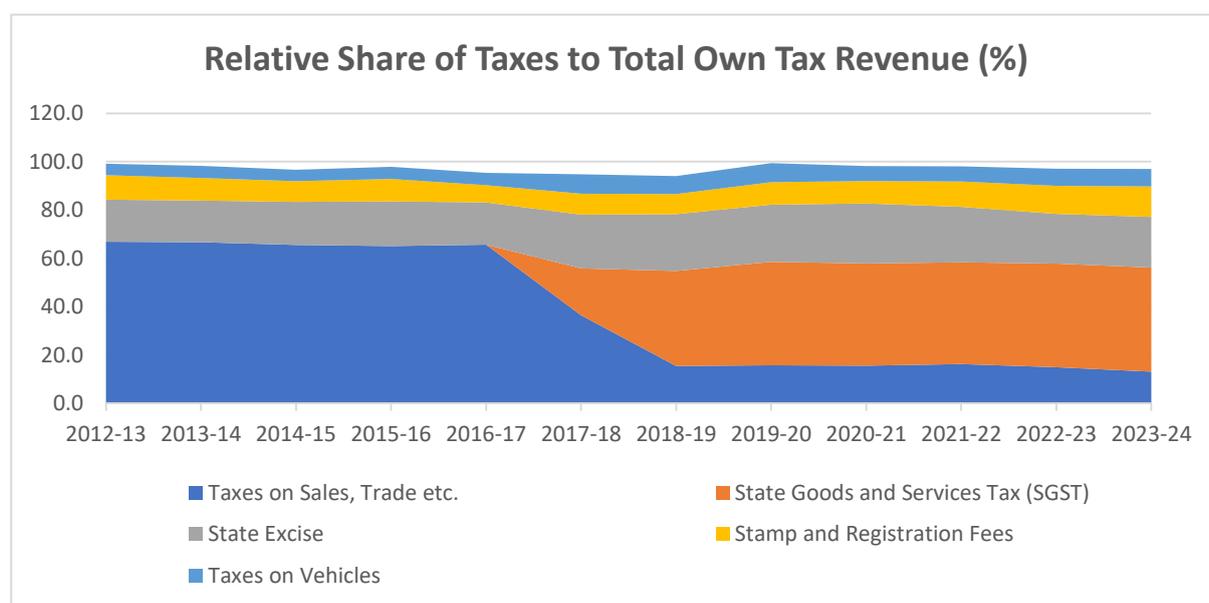
	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Taxes on Sales, Trade etc.,	4289	4903	5465	6105	7154	3703	1883	1811	1858	2302	2555	2519
State Goods and Service Tax	0	0	0	0	0	1972	4802	4931	5053	5973	7341	8297
State Excise	1118	1269	1487	1735	1906	2262	2871	2727	2966	3258	3526	4041
Stamps and Registration	648	687	714	871	778	882	1015	1072	1107	1488	1987	2432
Taxes on Vehicles	304	369	394	471	556	816	909	908	741	889	1212	1390
Other Taxes	54	128	279	200	504	530	727	70	216	275	500	581
Total Own Tax Revenue	6414	7355	8338	9382	10897	10165	12207	11518	11942	14186	17120	19260

Relative Share of Taxes to total own Tax Revenue												
Taxes on Sales, Trade etc.,	66.87	66.66	65.54	65.08	65.65	36.43	15.42	15.72	15.56	16.23	14.93	13.1
State Goods and Service Tax	0.00	0.00	0.00	0.00	0.00	19.40	39.34	42.81	42.32	42.11	42.88	43.1
State Excise	17.43	17.26	17.83	18.50	17.49	22.25	23.52	23.68	24.84	22.97	20.59	21.0
Stamps and Registration	10.11	9.34	8.56	9.28	7.14	8.68	8.32	9.31	9.27	10.49	11.61	12.6
Taxes on Vehicles	4.74	5.01	4.72	5.02	5.11	8.03	7.44	7.88	6.20	6.27	7.08	7.2
Other Taxes	0.84	1.73	3.35	2.13	4.63	5.22	5.95	0.60	1.81	1.94	2.92	3.0
Total Own Tax Revenue	100.00											

Source: CAG report on State Finance Accounts Report for the respective years

The trend of relative share of taxes in Uttarakhand's Own Tax Revenue has undergone significant changes from 2012-13 to 2023-24, primarily due to the implementation of the Goods and Services Tax (GST) in July 2017 as can be seen in Figure 2.4 below. Prior to GST implementation, taxes on Sales, Trade etc. constituted the largest portion of the state's tax revenue, accounting for about two-thirds of the total. The State Goods and Services Tax (SGST), introduced in 2017-18, quickly became a major revenue source. When combined with the residual taxes on Sales and Trade, this category still forms the backbone of the state's tax revenue, though its share has decreased compared to the pre-GST era. State Excise has emerged as the second most important tax for Uttarakhand. It now accounts for about 21% of the total tax revenue, maintaining its significance in the state's tax portfolio. Other tax categories have also shown growth. Overall, while the introduction of GST has reshaped Uttarakhand's tax structure, the state has managed to maintain growth in various tax categories, demonstrating adaptability in its fiscal management.

Figure 2.4: Composition of Own Tax Revenue of the State (figures in Rs Crore)



2.2. Non-Tax Revenue of the State

As seen in **Table 2.8**, the non-tax revenue of the State grew from Rs 1603 Cr to 4366 Cr from 2012-13 to 2023-24. The non-tax revenue of the State grew at a CAGR of 9.7% over the period,

Table 2.8: Non-Tax Revenue of the State (figures in Rs Crore)

	2012 -13	2013 -14	2014 -15	2015 -16	2016 -17	2017 -18	2018 -19	2019 -20	2020 -21	2021 -22	2022 -23	2023- 24
Non- Tax Revenue	1603	1316	1110	1219	1346	1769	3310	3999	4170	2756	4366	4418
% of Revenue Receipts	10.2	7.6	5.5	5.7	5.4	6.5	10.6	13.0	10.9	6.4	8.9	8.7%
% of GSDP	1.2	0.9	0.7	0.7	0.7	0.8	1.4	1.7	1.8	1.0	1.4	1.3%
Annual Growth Rate	41.0	-17.9	-15.7	9.8	10.3	31.5	87.1	20.8	4.3	-33.9	58.4	1%

Source: CAG report on State Finance Accounts Report for the respective years

Non-Tax revenue constituted 8.7% of the total revenue receipts of the State, and less than 2% of GSDP in 2023-24. A major portion of the total non-tax revenue in 2023-24 was accounted for by Contributions and Recoveries for Pension etc., along with revenues from Non-Ferrous Mining and Metallurgical Industries and Forestry and Wildlife.

2.5. Grants in Aid from GOI

The grants-in-aid from GOI grew at a CAGR of 11.2 % over the period of 2012-13 to 2023-24, as can be seen in Table 2.3. With the absolute figures increasing from Rs 4457 crore in 2012-13 to Rs 14,324 crore in 2023-24. The percentage of these grants in relation to total revenue receipts fluctuated, peaking at 40.6% in 2020-21 and reaching its lowest point at 24.7% in 2018-19.

As a proportion of the GSDP, the grants varied, showing a general upward trend, especially notable in 2020-21 when it reached 6.6%. Annual growth rates were highly variable, with significant increases in certain years (e.g., 38.0% in 2014-15 and 86.9% in 2020-21) and decreases in others (-24.3% in 2015-16, -4.7% in 2018-19 and again to -15.7% in 2023-24). This variability indicates fluctuations in the fiscal relationship between the GoI and the region, potentially influenced by changing economic conditions and policy decisions.

Table 2.9: Grants-in-Aid from GoI (figures in Rs Crore)

	2012 -13	2013 -14	2014 -15	2015 -16	2016 -17	2017 -18	2018 -19	2019 -20	2020 -21	2021 -22	2022 -23	2023- 24
Grants in aid from GOI	4457	5075	7005	5304	6234	8085	7707	8309	15527	16219	16997	14324
% of Revenue	28.3	29.3	34.6	25.0	25.0	29.8	24.7	27.0	40.6	37.7	34.6	28.3

Receipts												
% of GSDP	3.4	3.4	4.3	3.0	3.2	3.7	3.3	3.5	6.6	6.0	5.6	4.3
Annual Growth Rate	9.4	13.9	38.0	-24.3	17.5	29.7	-4.7	7.8	86.9	4.5	4.8	-15.7%

Source: CAG report on State Finance Accounts Report for the respective years

2.6. Impact of GST

2.6.1: The introduction of Goods and Services Tax (GST) in India had a significant impact on Uttarakhand's revenue structure. Prior to GST, the Tax on Sales, Trade, etc. accounted for 66% of the state's own tax revenue in FY 2016-17. The GST regime subsumed this major revenue source, potentially disrupting the state's financial stability. To mitigate the impact, the central government implemented the Compensation to States Act, guaranteeing all states a 14% revenue growth over the 2015-16 baseline for taxes subsumed under GST. This compensation was to be provided for five years from the GST rollout, offering a temporary buffer for states like Uttarakhand.

2.6.2: Despite this safeguard, Uttarakhand experienced a significant shortfall in GST collection. In the first year of GST operation (July 2017 to March 2018), the state saw a 31% reduction in revenue compared to the projected growth of the subsumed taxes. This substantial decline was attributed to Uttarakhand's status as an exporting state, coupled with GST being a consumption and destination-based tax, as can be seen in Table 2.11.

2.6.3 Since its implementation in Uttarakhand, there has been a significant increase in total GST collection. The total GST revenue grew from Rs 2,788 crore in 2017-18 to Rs 12129 crore in 2023-24, representing a more than 100% increase over these years. Among the components, State GST (SGST) consistently forms the largest portion of the total GST revenue. SGST has shown remarkable growth, increasing from Rs 1,972 crore in 2017-18 to Rs 8,297 crore in 2023-24, a more than 100% rise. This suggests that the state's own tax collection under the GST regime has been robust and growing steadily.

2.6.4 Central GST (CGST) also demonstrates steady growth, albeit starting from a lower base. It increased from Rs 101 crore in 2017-18 to Rs 3,832 crore in 2023-24, an impressive growth. This indicates a significant improvement in the central government's tax collection from the state under the GST system.

2.6.5 Interestingly, Integrated GST (IGST) shows a different pattern. It was highest in the first year of implementation (Rs 715 crore in 2017-18), dropped to Rs 158 crore the following year, and then became zero from 2019-20 onwards. This is due to changes in inter-state trade patterns or adjustments in the GST settlement mechanism between the state and the center.

2.6.6 Overall, the table demonstrates a clear upward trend in GST collections in Uttarakhand since its implementation, with both SGST and CGST showing consistent

growth. This suggests an expanding tax base and potentially improved compliance in the state under the GST regime.

Table 2.11: GST Composition in Uttarakhand:

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Central Goods and Services Tax (CGST)	0	0	0	0	0	0	101	1977	1958	1953	2830	3000	3832
State Goods and Services Tax (SGST)	0	0	0	0	0	0	1972	4802	4931	5053	5973	7341	8297
Integrated Goods and Services Tax (IGST)	0	0	0	0	0	0	715	158	0	0	0	0	0
Total	0	0	0	0	0	0	2788	6937	6890	7007	8803	10341	12129

Source: CAG report on State Finance Accounts Report for the respective years

2.7. Measures taken to improve State's Own Revenue

The Uttarakhand State Government has taken various measures to improve its State's Own Revenue. Below are some key initiatives and strategies:

1. **GST Mitra Program:** Uttarakhand introduced the innovative "GST Mitra" program to facilitate GST compliance and awareness. This initiative involved: Training local youth as "GST Mitras" (GST Friends) to assist small businesses and traders in GST registration, filing returns, and addressing queries, setting up GST help desks in various districts, manned by these GST Mitras and organizing regular workshops and seminars conducted by GST Mitras to educate businesses about GST regulations and best practices. This program significantly improved GST compliance rates and reduced confusion among small business owners, ultimately leading to increased revenue collection.
2. **Tourism Development (Char Dham Project):** Uttarakhand launched the ambitious Char Dham project to boost religious tourism. This included developing all-weather roads connecting the four major pilgrimage sites: Yamunotri, Gangotri, Kedarnath, and Badrinath, improving accommodation facilities and amenities along the pilgrimage routes and implementing a robust online booking system for pilgrims. These improvements led to a substantial increase in tourist footfall and, consequently, higher tourism-related revenue for the state.
3. **Agriculture and Allied Sectors (Organic Farming Initiative):** Uttarakhand launched the "Organic Uttarakhand" program, providing subsidies and training to farmers for organic certification. The state established organic produce collection centers and tied up with major retailers for direct marketing and promoted Uttarakhand's organic products in national and international markets. This initiative not only increased farmers' incomes but also boosted the state's revenue through increased agricultural exports and eco-tourism.
4. **Industrial Development (Single Window Clearance System):** To improve ease of doing business, Uttarakhand implemented a robust single window clearance system. The state launched an online portal "Nivesh Mitra" for all business-related applications and approvals which integrated various departments to provide time-bound clearances and implemented a tracking system for investors to monitor their application status. This system significantly reduced the time for obtaining industrial permits and attracted more investments to the state, enhancing industrial revenue.

5. Capacity Building and Training- Revenue Officer Training Program:

Uttarakhand implemented a comprehensive training program for revenue officers. This program improved the efficiency of tax collection and reduced instances of tax evasion, leading to increased revenue collection.

6. Digitization of Tax Systems: The introduction of online portals for tax payments and filing returns has made the process more transparent and efficient. This includes plugging revenue leakages through IT enabled services, an online trip-sheet for inward supply of goods for seamless entry of vehicles in the state and a camera-based Automated Number Plate Recognition System (ANPR). Others include online filing of returns with attendant business intelligence, analytics tools to identify wrong IT claims, online form issuance, and verification systems for checking of exemption claims.

7. Stamps and Registration: One of the major initiatives taken is GIS mapping aimed at helping pinpoint the property correctly so that the correct circle rate in the area can be identified. The district valuation committee too undertook a detailed exercise to work out circle rates of different properties based on their spatial location, geographical setting, economic viability and future potentialities.

2.8. Conclusion

The State of Uttarakhand has shown significant growth in Total Revenue Receipts over the past decade, with revenue increasing from Rs 15,747 crore in 2012-13 to Rs 50,615 crore in 2023-24, more than tripling over this period. However, the share of Total Revenue Receipts to GSDP has fluctuated over the years, ranging from 11.6% to 16.1%, with the most recent figure for 2023-24 standing at 15.20%.

The revenue growth has been inconsistent, with notable variations in the rate of growth year-over-year. While some years saw substantial increases (such as 24.4% growth in 2020-21), others experienced slower growth or even decline (-1.6% in 2019-20).

The state's dependence on central transfers (Share of State in Union Taxes and Duties plus Grants-in-Aid from GOI) remains significant. In 2022-23, these central transfers accounted for approximately 56% of the total revenue receipts, which is consistent with the trend observed in previous years.

The State's Own Tax Revenue has shown steady growth, increasing from Rs 6,414 crore in 2012-13 to Rs 19,260 crore in 2023-24. However, the State's Own Non-Tax Revenue has been more volatile, with significant fluctuations over the years.

The impact of GST implementation, which began in 2017, is evident in the data. There was a dip in the State's Own Tax Revenue in 2017-18, likely due to the transition to the new tax system. However, the state has since shown recovery and growth in this category.

Given the continued reliance on central transfers, Uttarakhand will need to focus on enhancing its own revenue sources and improving the efficiency of tax collection to maintain and improve its fiscal health. The state's ability to sustain and increase its revenue growth will be crucial for its economic development and financial autonomy in the coming years.

Chapter 3: Expenditure

3.1. Expenditure Overview

3.1.1 The total expenditure of the State, comprising Revenue Expenditure, Capital Expenditure, and Loans & Advances, has grown in absolute terms from Rs. 17,774 crore in 2012-13 to Rs. 58,380 crore in 2023-24, registering a CAGR of 11.4%.

3.1.2 In relation to GSDP, the total expenditure showed a moderate increase from 13.5% in 2012-13 to 17.5% in 2023-24. Table 3.1 and Figure 3.1 below present the growth trend of the different types of expenditure over the period 2012-2023.

Table 3.1: Breakup of Expenditure (in Rs Crores)

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	CAGR (%)
Revenue Expenditure	13960	16216	21163	23086	25271	29082	32196	32858	37091	38929	43773	47274	11.7%
Capital Outlay	3542	3712	4939	4217	4954	5914	6184	5414	6538	7534	8194	10982	10.8%
Loans and Advances Given	273	278	151	83	165	77	183	126	38	347	94	124	-7%
Total Expenditure	17774	20206	26254	27387	30391	35074	38564	38398	43666	46810	52061	58380	11.4%
Total Expenditure (as % of GSDP)	13.5	13.6	16.3	15.5	15.6	15.9	16.7	16.0	19.4	18.4	17.8	17.5	

Source: CAG report on State Finance Accounts Report for the respective years

Figure 3.1: Trend of Total Expenditure

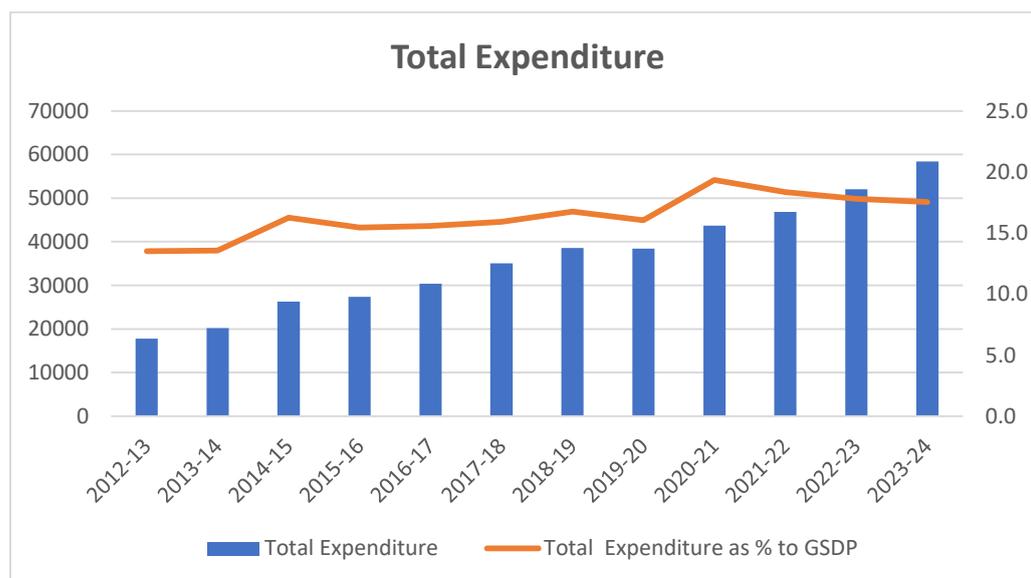


Figure 3.2: Trend of Total Expenditure

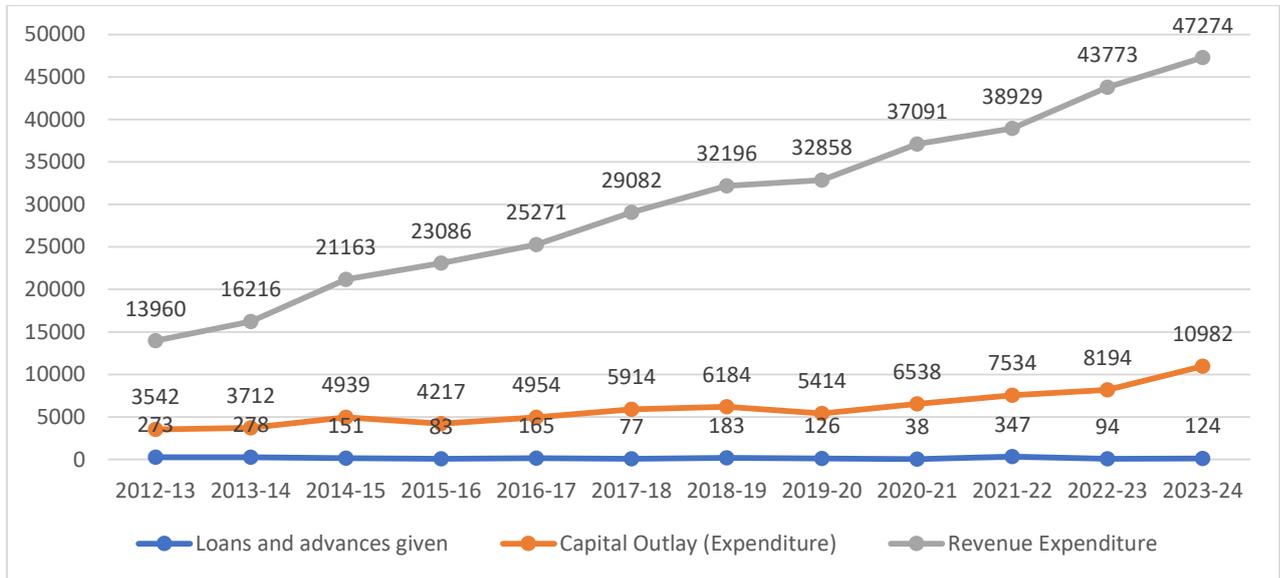
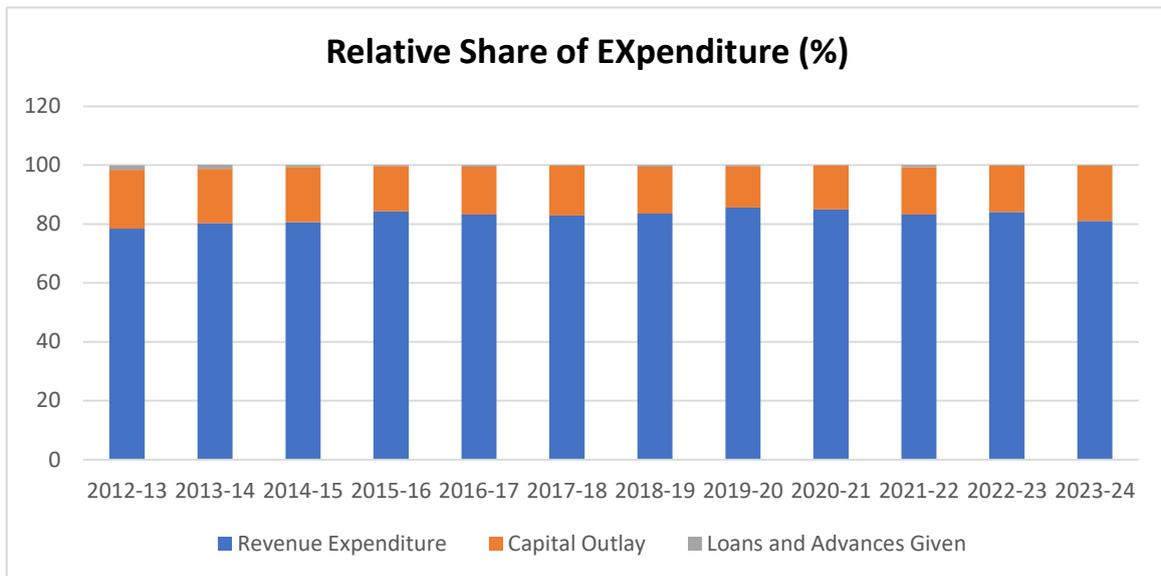


Table 3.2: Relative Share of Expenditure

As Share of Total Expenditure	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Revenue Expenditure	78.5	80.3	80.6	84.3	83.2	82.9	83.5	85.6	84.9	83.2	84.1	81.0
Capital Outlay	19.9	18.4	18.8	15.4	16.3	16.9	16.0	14.1	15.0	16.1	15.7	18.8
Loans and Advances Given	1.5	1.4	0.6	0.3	0.5	0.2	0.5	0.3	0.1	0.7	0.2	0.2
As Share of GSDP	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Revenue Expenditure	10.61	10.88	13.11	13.03	12.95	13.21	13.98	13.73	16.44	15.27	14.96	14.20
Capital Outlay	2.69	2.49	3.06	2.38	2.54	2.69	2.69	2.26	2.90	2.95	2.80	3.30
Loans and Advances Given	0.21	0.19	0.09	0.05	0.08	0.03	0.08	0.05	0.02	0.14	0.03	0.04
Total Expenditure	13.5	13.6	16.3	15.5	15.6	15.9	16.7	16.0	19.4	18.4	17.8	17.5

Source: CAG report on State Finance Accounts Report for the respective years

Figure 3.3: Relative Share of Total Expenditure



As can be seen in the figures above, while expenditure has seen an increase both in absolute terms and as a percentage of GSDP, the expenditure breakup between Revenue Expenditure and Capital Expenditure has remained largely constant, with Capital Expenditure constituting 15-18% and revenue expenditure constituting about 78-80% of the total expenditure. The share of Loans and Advances has been low and dipped sharply to 0.2% of the total expenditure by 2023-24.

The increase in Revenue Expenditure from 10.6% to 14.2% of GSDP during the period 2012-13 to 2023-24 has only been partially matched by a corresponding increase in Revenue Receipts, which rose from 11.9% to 15.2% of GSDP. Table 3.3 below shows that over the span of these years; there have been significant fluctuations in the financial health as indicated by the revenue deficit/surplus figures.

In 2012-13, the government had a revenue surplus of Rs 1,787 crore, this surplus decreased in the following year, 2013-14, to Rs 1,104 crore. However, the situation deteriorated from 2014-15 onwards, when the state ran a revenue deficit of Rs 917 crore, indicating that the revenue receipts were lower than the expenditure. The deficit continued into 2015-16, where it further increased to Rs 1,852 crore, suggesting gaps in state financial management or lower revenue generation relative to expenditure. However, in the subsequent year, 2016-17, the deficit reduced to Rs 382 crore, showing a slight improvement in the financial situation.

The years 2017-18 and 2018-19 saw a resurgence in deficit, with figures of Rs 1,978 crore and Rs 979 crore, respectively. However, in 2019-20, the deficit once again surged to ₹2,136 crore. The state managed a significant turnaround in its finances by achieving revenue surplus in 2020-21 of Rs 1,113 crore. The financial situation continued to improve in the following years, with the surplus expanding to Rs 4,128 crore in 2021-

22 and further to Rs 5,310 crore in 2022-23. The positive turnaround may be attributed to significant transfers from the central government, notably on account of Grants-in-Aid. However, the surplus slightly declined to Rs 3,341 crore in 2023-24. These fluctuations in the revenue situation of the state over last 12 years or so indicate that the state faced uncertainties in its revenue generation capacity potentially due to economic challenges.

Throughout the period, revenue expenditure consistently increased year on year, from Rs 13,960 crore in 2012-13 to Rs 47,274 crore in 2023-24, reflecting growing commitments or costs. Revenue receipts also generally increased, but not consistently in proportion to expenditure, especially from 2014-15 to 2019-20, leading to the revenue deficits. This analysis highlights the fluctuating trends of the government's fiscal position, with periods of surplus followed by deficits than by surplus in the last few years from 2020-21 onwards. This momentum in revenue generation and revenue expenditure management needs to be continued to have healthy fiscal profile going forward.

3.1.3 Table 3.3: Revenue Deficit / Surplus

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Revenue Expenditure	13960	16216	21163	23086	25271	29082	32196	32858	37091	38929	43772	47274
Revenue Receipts	15747	17320	20246	21234	24889	27104	31216	30722	38204	43057	49082	50615
Deficit (+) / Surplus (-)	-1787	-1104	917	1852	382	1978	979	2136	-1113	-4128	-5310	3341

Source: CAG report on State Finance Accounts Report for the respective years

3.2. Revenue Expenditure

3.2.1 The total revenue expenditure of Uttarakhand increased from Rs 13,960 crores in 2012-13 to Rs 47,274 crores in 2023-24, reflecting a CAGR of 11.7%. The broad breakup of revenue expenditure by nature of service is provided in Tables 3.4 and 3.5 below:

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

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	CAGR (%)
General Services	5372	6182	7402	8410	9934	12408	13525	13844	14826	15668	16889	17579	11%
Social Services	6096	7298	9224	9927	10528	10929	12209	12593	14762	15573	18156	19653	11%
Economic Services	1995	2068	3856	3983	3903	4276	5002	4704	5571	6148	6687	7485	13%
Grants in Aid & Contributions	497	668	681	767	906	1469	1459	1717	1932	1540	2041	2557	16%
Total	13960	16216	21163	23086	25271	29082	32196	32858	37091	38929	43772	47274	12%

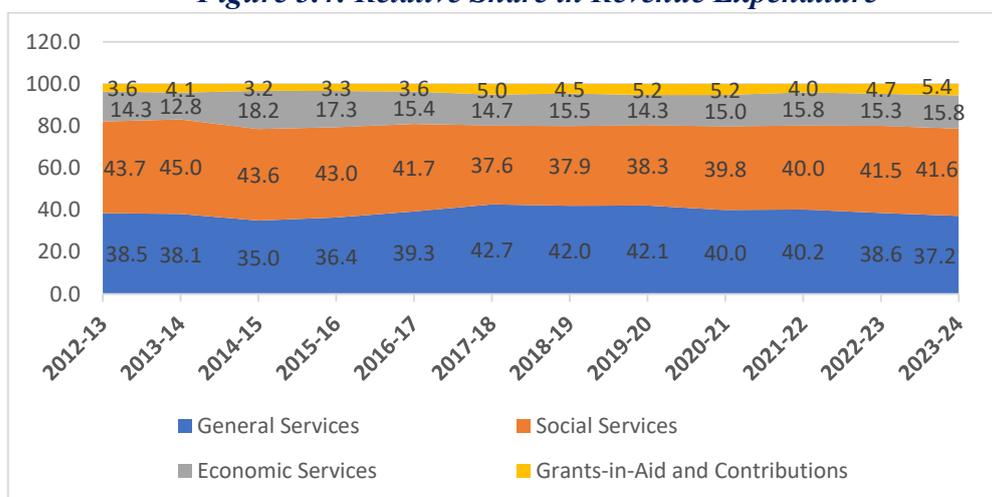
Source: CAG report on State Finance Accounts Report for the respective years

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

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
General Services	38.5	38.1	35.0	36.4	39.3	42.7	42.0	42.1	40.0	40.2	38.6	37.2
Social Services	43.7	45.0	43.6	43.0	41.7	37.6	37.9	38.3	39.8	40.0	41.5	41.6
Economic Services	14.3	12.8	18.2	17.3	15.4	14.7	15.5	14.3	15.0	15.8	15.3	15.8
Development Expenditure (Social + Economic)	58.0	57.8	61.8	60.3	57.1	52.3	53.5	52.6	54.8	55.8	56.8	57.4
Grants in Aid & Contributions	3.6	4.1	3.2	3.3	3.6	5.0	4.5	5.2	5.2	4.0	4.7	5.4

Source: CAG report on State Finance Accounts Report for the respective years

Figure 3.4: Relative Share in Revenue Expenditure



3.2.2 As depicted in the figure and tables above, the relative share of Development Expenditure, which includes expenditure on Social and Economic Services, has decreased from 58.0% in 2012-13 to 57.4% in 2023-24. Conversely, the share of expenditure on General Services has increased from 38.5% to 37.2% during the same period.

3.2.3 The expenditure on Grants-in-Aid has grown at a CAGR of 16% over the reference period. As a result, it constituted 5.4% of total revenue expenditure in 2023-24, compared to 3.6% in 2012-13. The expenditure itself increased from Rs 497 Crores in 2012-13 to Rs 2,557 crores in 2023-24.

3.3. Composition of Revenue Expenditure

A detailed breakdown of revenue expenditure at the sub-sector level for Social and Economic Services during the period 2012-13 to 2023-24 is provided in Table 3.6 and Table 3.7 below.

Table 3.6: Breakup of Expenditure on Social Services (In Rs Crore)

Major Head	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	CAGR (%)
Education	3690	4006	4660	4875	5311	6395	7223	7514	7924	8217	9236	9580	9%
Medical and Public Health	723	801	1136	1216	1281	1438	1783	1877	2199	2590	3548	3614	16%
Social Security and Welfare	545	676	1127	1226	1297	1341	1563	1681	1740	1885	2615	2811	16%
Relief on account of Natural calamities	629	135	670	710	1354	1225	519	404	358	1103	1298	1050	23%
Water Supply and Sanitation	416	478	786	447	599	443	435	411	400	470	609	813	6%
Welfare of SC, ST and OBCs	205	252	336	216	163	246	206	206	237	180	176	174	-1%
Urban Development	91	68	53	257	228	174	138	111	630	101	303	418	15%
Labour and Employment	71	98	128	92	117	135	136	160	209	210	179	265	13%
Family welfare	83	98	109	107	109	117	126	126	117	116	145	175	7%
Information and Publicity	41	48	53	43	98	40	119	56	107	384	168	260	18%
Sports & Youth Services	36	47	38	37	34	40	40	54	64	95	101	143	13%
Other social services	44	38	67	33	40	19	10	12	0	0	0	0	-100%
Art & Culture	13	15	20	19	21	19	19	20	25	20	18	22	5%
Housing	2	2	2	2	3	2	6	5	7	8	9	10	16%
Total Social Services	6096	7298	9224	9927	10528	10929	12209	12593	14762	15573	18156	19653	11%

Source: CAG report on State Finance Accounts Report for the respective years

Table 3.7: Breakup of Expenditure on Economic Services (In Rs Crore)

Major Head	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	CAGR (%)
Agriculture and Allied Activities	1058	1013	1550	1586	1775	2132	2485	2264	2715	3058	2901	2795	9%
Rural development	285	357	1502	1614	1248	1266	1478	1396	1581	1672	2184	2456	22%
Irrigation and Flood Control	309	319	357	358	360	407	428	424	431	452	501	527	5%
Transport	210	225	274	214	315	236	312	302	497	557	572	1066	16%
Industry and Minerals	43	54	58	68	93	108	155	177	174	223	248	263	18%
General Economic Services	67	84	102	77	74	93	101	95	113	126	198	258	13%
Science, Technology and Environment	9	9	9	46	20	21	32	33	39	46	66	83	22%
Energy	14	7	5	19	18	12	12	13	21	14	17	37	9%
Total Economic Services	1995	2068	3856	3983	3903	4276	5002	4704	5571	6148	6687	7485	13%

Source: CAG report on State Finance Accounts Report for the respective years

3.4. Committed Revenue Expenditures

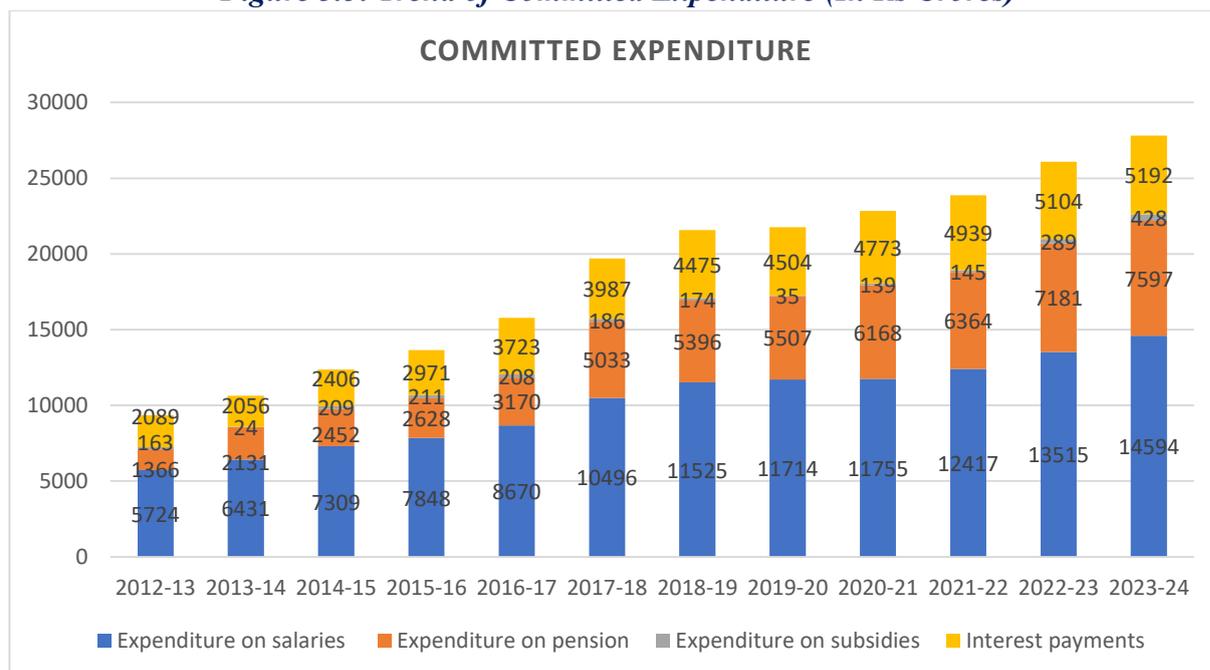
3.4.1 There are 4 items of expenditure that are commonly accepted as committed expenditure - salaries and wages, interest payments, expenditure on pensions, and subsidies. Expenditure on these heads from 2012-13 is given in Table 3.8 below and with the observed rate of growth.

Table 3.8: Components of Committed Expenditure (Rs Crores)

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	CAGR (%)
Salaries and wages	5724	6431	7309	7848	8670	10496	11525	11714	11755	12417	13515	14594	9%
% of revenue expenditure	41.0	39.7	34.5	34.0	34.3	36.1	35.8	35.6	31.7	31.9	30.9	30.9	
% of revenue receipts	36.3	37.1	36.1	37.0	34.8	38.7	36.9	38.1	30.8	28.8	27.5	28.8	
Interest Payments	2089	2056	2406	2971	3723	3987	4475	4504	4773	4939	5104	5192	9%
% of revenue expenditure	15.0	12.7	11.4	12.9	14.7	13.7	13.9	13.7	12.9	12.7	11.7	11.0	
% of revenue receipts	13.3	11.9	11.9	14.0	15.0	14.7	14.3	14.7	12.5	11.5	10.4	10.3	
Expenditure on Pensions	1366	2131	2452	2628	3170	5033	5396	5507	6168	6364	7181	7597	17%
% of revenue expenditure	9.8	13.1	11.6	11.4	12.5	17.3	16.8	16.8	16.6	16.3	16.4	16.1	
% of revenue receipts	8.7	12.3	12.1	12.4	12.7	18.6	17.3	17.9	16.1	14.8	14.6	15.0	
Subsidies	163	24	209	211	208	186	174	35	139	145	289	428	9%
% of revenue expenditure	1.2	0.1	1.0	0.9	0.8	0.6	0.5	0.1	0.4	0.4	0.7	0.9	
% of revenue receipts	1.0	0.1	1.0	1.0	0.8	0.7	0.6	0.1	0.4	0.3	0.6	0.8	
Total Committed Expenditure	9342	10641	12375	13658	15771	19703	21570	21760	22834	23865	26088	27812	10%
% of revenue expenditure	66.9	65.6	58.5	59.2	62.4	67.7	67.0	66.2	61.6	61.3	59.6	58.8	
% of revenue receipts	59.3	61.4	61.1	64.3	63.4	72.7	69.1	70.8	59.8	55.4	53.2	54.9	

Source: CAG report on State Finance Accounts Report for the respective years

Figure 3.5: Trend of Committed Expenditure (In Rs Crores)



3.4.2 The share of total committed expenditure of Uttarakhand increased from Rs 9,342 crores in 2012-13 to Rs 27,812 crore in 2023-24, reflecting a CAGR of 10%. As illustrated in the table above, the share of committed expenditure in total revenue expenditure has remained relatively stable and decreased up to 59% in 2023-24. However, expenditure on Interest Payments has demonstrated a CAGR of 9% and now constitutes 10.3% of total revenue receipts in 2023-24, up from 13.3% in 2012-13. This reflects the increasing burden of interest payments on the state's finances. The expenditure on Salaries and Wages grew at a CAGR of 9%, forming 30.9% of total revenue expenditure in 2023-24, compared to 41.0% in 2012-13. Meanwhile, expenditure on Pensions, with a CAGR of 17%, has significantly increased, making up to 16.1% in 2023-24 up from 9.8% in 2012-13. The share of Subsidies remains minimal, with fluctuations in expenditure over the years.

3.5. Capital Expenditure

The total capital expenditure of Uttarakhand increased from Rs 3,542 crores in 2012-13 to Rs 10,982 crore in 2023-24, reflecting a CAGR of 11%. The broad breakdown of capital expenditure by sectors is detailed in Tables 3.9 and 3.10 below. The visual representation of the same is shown in Figure 3.4 and Figure 3.5

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

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	CAGR (%)
General Services	129	138	214	111	72	804	454	362	755	1085	1608	2360	30%
Social Services	715	841	1231	864	948	1086	1099	1610	1938	2262	2013	3496	16%
Economic Services	2698	2733	3495	3242	3934	4024	4631	3442	3845	4187	4573	5126	6%

Total Capital Outlay (Expenditure)	3542	3712	4939	4217	4954	5914	6184	5414	6538	7534	8194	10982	11%
Total Capital Outlay (Expenditure) as % of GSDP	2.69	2.49	3.06	2.38	2.54	2.69	2.69	2.26	2.90	2.95	2.80	3.30	

Source: CAG report on State Finance Accounts Report for the respective years

As illustrated in the tables, capital expenditure as a percentage of GSDP has increased from 2.69% in 2012-13 to 3.30% in 2023-24.

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

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
General Services	3.7	3.7	4.3	2.6	1.5	13.6	7.3	6.7	11.5	14.4	19.6	21.5
Social Services	20.2	22.7	24.9	20.5	19.1	18.4	17.8	29.7	29.6	30.0	24.6	31.8
Economic Services	76.2	73.6	70.8	76.9	79.4	68.0	74.9	63.6	58.8	55.6	55.8	46.7

Source: CAG report on State Finance Accounts Report for the respective years

The allocation for Economic Services has the largest share of the total capital outlay, while Social Services typically receive around 20% of the expenditure. However, in recent years, share of Economic services has been coming down with some of the share going to Social Services. General Services, while contributing a smaller proportion historically, has seen a notable increase in recent years.

Figure 3.5: Trend of Capital Expenditure

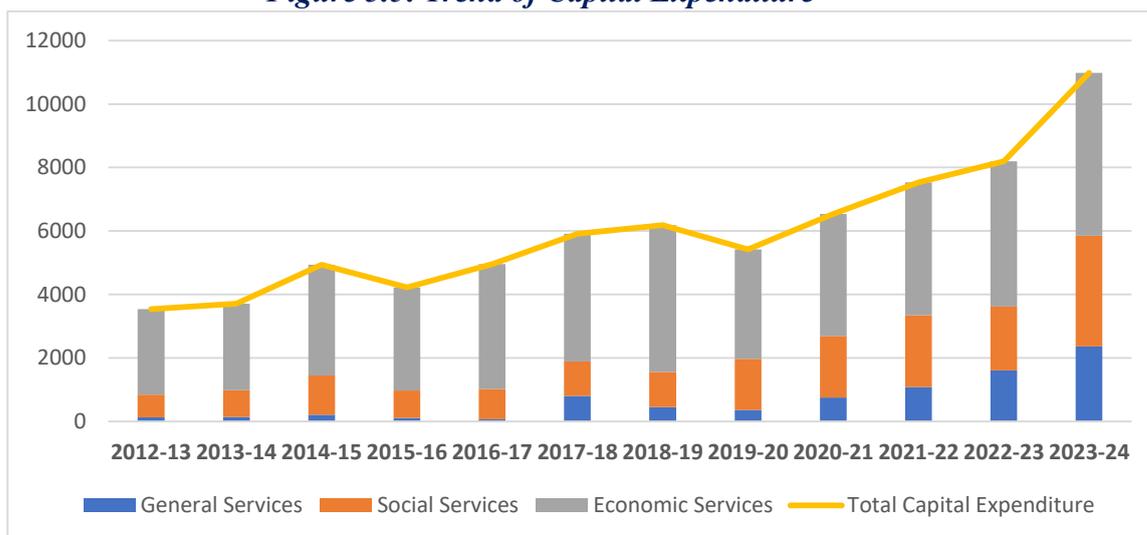
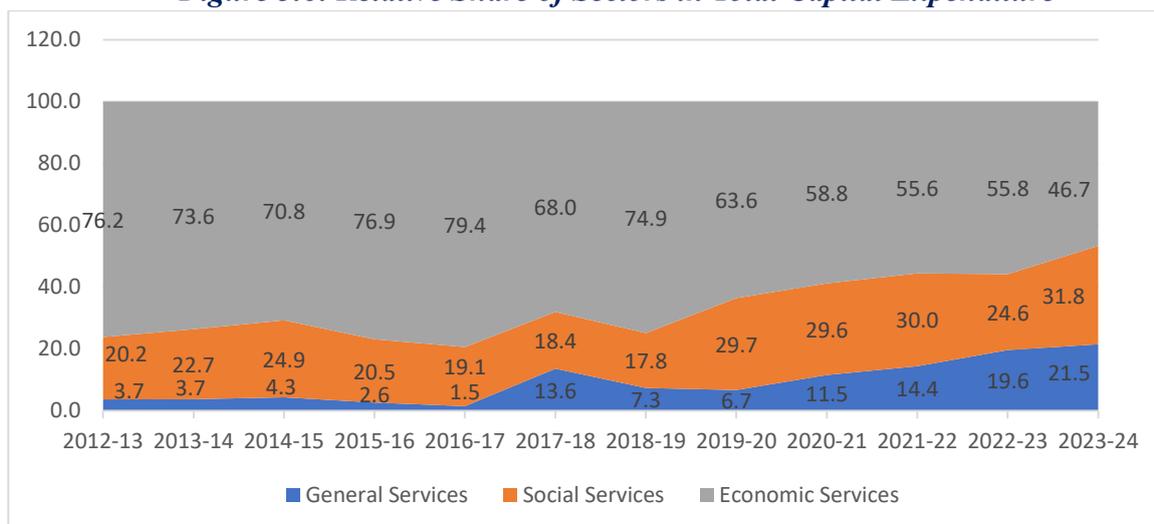


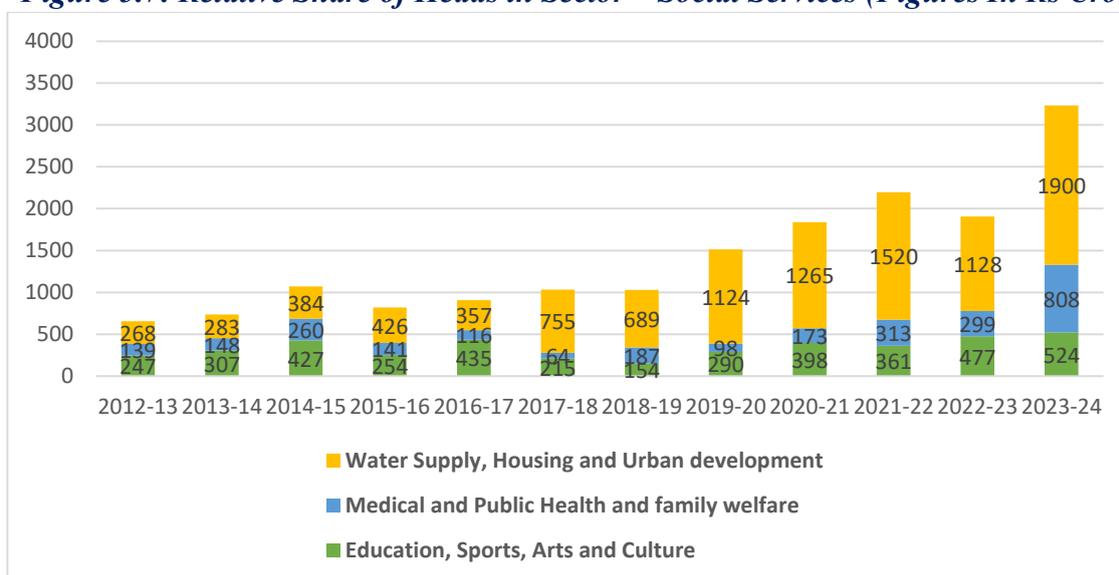
Figure 3.6: Relative Share of Sectors in Total Capital Expenditure



3.6. Composition of Capital Expenditure on Social Services

Figure 3.7 below gives the broad percentage composition of Capital Expenditure on Social Services. Most of the Capital Expenditure in this Sector has been devoted to four heads - Education, Sports, Art & Culture, Urban Development, Water Supply and Sanitation, and Medical & Public Health, which together account for over 80% of the total capital expenditure on the Social Sector. The last few years have seen a greater focus on Water Supply and Sanitation, becoming the largest single head in 2023-24

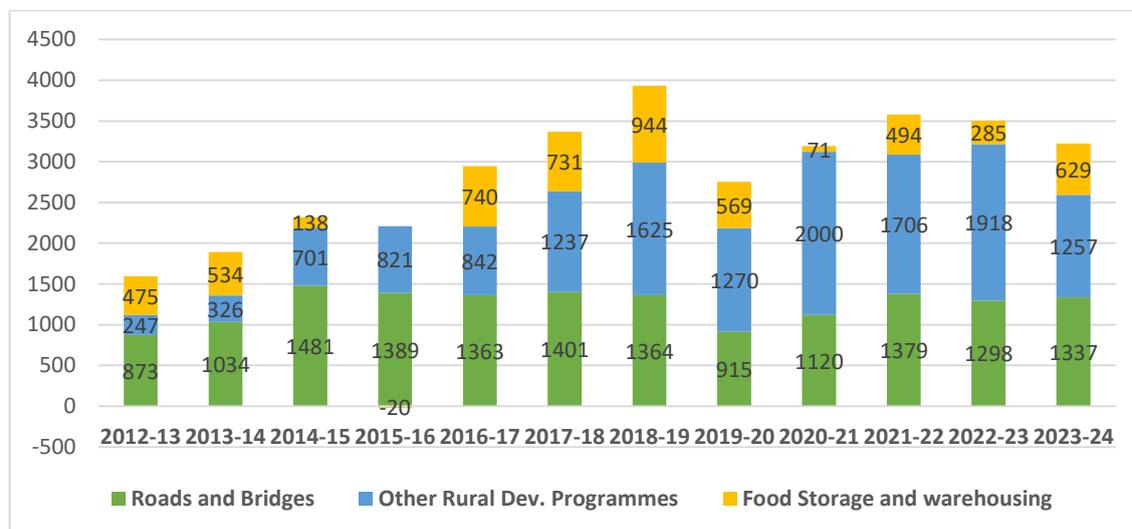
Figure 3.7: Relative Share of Heads in Sector – Social Services (Figures In Rs Crore)



3.7. Composition of Capital Expenditure on Economic Services

Figure 3.7 below shows the broad percentage composition of Capital Expenditure on Economic Service over the period 2012-13 to 2023-24.

As can be seen, bulk of the capital expenditure on economic services was on Roads & Bridges, Other Rural Development Programme, and Food, Storage & Warehousing, which together accounted for over 80% of the capital expenditure devoted to this sector.



3.8. Economy Measures to Reduce Revenue Expenditure

3.8.1 Some of the major steps taken by the Government to stop leakages and improve efficiency in expenditure include:

- Outsourcing certain functions,
- Encouraging work automation,
- Promoting innovations,
- Adopting DBT and PFMS to plug the leakages and enable the beneficiaries to utilize funds in more efficient way,
- Implementing Digital India initiatives,
- Robust public procurement measures like E-Procurement and GeM etc.

3.8.2 Some specific departmental initiatives to reduce expenditure are as follows:

- **Department of Education:** Decision to merge unviable schools with viable schools.
- **Public Works:** Use of innovative materials for road construction as well as new technology including use of recycled construction material. It also includes use of new technology in surveying, use of waste material to reduce pollution.
- **Food and Supply Department:** Adoption of DBT in lieu of food grains under the Rajya Khadya Yojana, automation of fair price shops, digitization of beneficiary database, computerization of supply chain in case of food grains as also implementation of *E-Khareed* scheme for online purchase of wheat and paddy from farmers under the Market Support Scheme
- **Department of Water Supply:** This includes the installation of energy efficient motor pump sets, and installation of water meters.

- **Department of Energy:** Energy conservation measures for existing and new buildings and special courts for trial of offenses relating to theft of energy.
- **Social Welfare Department:** Use of Aadhar number seeding for identification of beneficiaries under various social welfare schemes
- **Mining Department:** Regulation of stone crushers and screening of plants, checks on illegal mining, revision of royalty rates and introduction of online e-transit pass system and e-tendering and e-auctions.
- **Department of Technical Education:** Extensive use of e-learning to save on TA and DA expenses
- **Excise Department:** Introduction of online system for permit generation and inventory management.
- **Forest Department:** Reduction of administrative costs by bringing different offices under one roof and reducing expenditure on hiring of vehicles
- **Transport Department:** Extensive outsourcing of human resources in place of regular employees.
- **Soldier Welfare Department:** Online payment of monetary grants and issuance of Digital life Certification (DLC) at all Zila Sainik Kalyan Officer (ZSKOs) for continuation of ESM as also pensioners benefits to widows.
- **Department of Agriculture:** Reducing cost of cultivation through issuance of soil health cards and better targeting of fertilizer consumption.
- **Department of Animal Husbandry:** Better targeting of beneficiary- oriented schemes through DBT.

3.9 Conclusion

The total expenditure of Uttarakhand has increased significantly in absolute terms, rising from Rs. 17,774 Crores in 2012-13 to Rs. 58,380 crore in 2023-24, reflecting a CAGR of 11.4%. In relation to GSDP, the total expenditure has shown a moderate increase 14.64% in 2012-13 to 17.5% in 2023-24.

The share of capital expenditure in the total expenditure has generally remained between 15-18%, translating to approximately 3.3% of GSDP. This figure remains relatively low compared to other states, indicating a constrained capacity for investment in infrastructure and development.

During 2014-15 to 2020-21, Uttarakhand ran a significant revenue deficit, with the state experiencing a consistent shortfall between revenue receipts and expenditures. Although the situation has improved since 2020-21, the turnaround can majorly be attributed to significant increase in Grants-in-Aid from the central government. This dependency reduces the headroom for increasing further expenditure, highlighting the need for careful management of limited resources and optimal allocation of funds.

To address these challenges, the state will need to adopt strategies for improving revenue generation, controlling expenditure, and enhancing fiscal efficiency. Effective resource management and prioritization of critical investments will be essential for ensuring sustainable economic growth and development in the future.

Chapter 4: Debt, Deficit and FRBM Act Compliance

4.1 Implementation of FRBM Act and Compliance with Requirements

The Uttarakhand Fiscal Responsibility and Budget Management (FRBM) Act, enacted in 2005, was designed to ensure fiscal stability, sustainability, and improve the state's social and physical infrastructure. This landmark legislation aimed to achieve sufficient revenue surplus, reduce fiscal deficit, and establish prudent debt management through limits on state government borrowings, guarantees, and deficits. The Act mandated greater transparency in fiscal operations and introduced the use of a medium-term fiscal framework.

At its core, the Act required the state government to present a Medium-Term Fiscal Policy alongside the annual budget. This policy was to set forth three-year rolling targets for prescribed fiscal indicators and provide an assessment of sustainability relating to the balance between revenue receipts and expenditure, as well as the use of capital receipts for generating productive assets.

The original Act laid out several fiscal management principles to guide the state government. These included maintaining government debt at prudent levels, managing guarantees and contingent liabilities carefully, ensuring policy decisions consider their financial implications on future generations, and using borrowings primarily for development activities and capital asset creation. It also emphasized the importance of maintaining stability in tax burden, pursuing efficient tax and non-tax revenue policies, and focusing on expenditure policies that promote economic growth and poverty reduction.

Over the years, the Uttarakhand FRBM Act has undergone several amendments to adapt to changing economic conditions and fiscal realities. The 2011 amendment brought significant changes to the Act. It revised the target for reducing revenue deficit, aiming to bring it to nil in the four years from April 1, 2011 to March 31, 2015. This amendment also introduced a provision to constitute a committee under the Chief Secretary to review progress against fiscal targets every six months, enhancing the monitoring and accountability aspects of the Act.

In 2016, another amendment was made to the Act, adding a definition for "Interest Payment". This addition clarified the scope of financial obligations, providing more precision to the fiscal management framework.

The year 2020 saw substantial amendments to the Act in response to the unprecedented challenges posed by the COVID-19 pandemic. These amendments introduced new annexures that outlined reforms and conditions for additional borrowing limits. The reforms covered various areas including the implementation of the One Nation One Ration Card system, ease of doing business reforms, measures for strengthening local bodies, and power sector reforms. These changes reflected the need for greater fiscal flexibility while also pushing for structural reforms in key areas of governance and economic management.

The most recent amendment to the Uttarakhand FRBM Act came in 2023, bringing further updates to the fiscal targets in accordance with indicative deficit and debt path for state governments recommended by 15th FC. This amendment set new fiscal deficit targets as a

percentage of Gross State Domestic Product (GSDP) for the years 2021-22 to 2025-26. The targets were set to gradually decrease from 4.0% to 3.0% over this period, indicating a path towards fiscal consolidation. Additionally, the amendment established new limits for total liabilities as a percentage of GSDP, ranging from 32.6% to 32.5% over the same period.

The 2023 amendment also introduced a provision allowing the state to utilize any unutilized borrowing limit from the first four years of the 15th Finance Commission period (2021-22 to 2024-25) in subsequent years within the stipulated time period. This provision added flexibility to the state's fiscal management, allowing it to adjust its borrowing strategy based on evolving needs and circumstances.

Importantly, the latest amendment recognized the potential for unforeseen fiscal pressures. It provided the state government with the flexibility to exceed deficit limits in cases of unforeseen demands due to internal security or natural calamities, subject to certain conditions. This change acknowledged the need for fiscal rules to be responsive to extraordinary circumstances while maintaining overall discipline.

Through these successive amendments, the Uttarakhand FRBM Act has evolved into a more nuanced and flexible fiscal framework. While maintaining its core objective of fiscal discipline, the Act now provides the state government with tools to respond to economic shocks and pursue development priorities. The amendments reflect a balance between the imperatives of fiscal prudence and the need for economic resilience and growth, particularly in the face of challenges like the COVID-19 pandemic. As Uttarakhand continues to navigate its fiscal path, the FRBM Act remains a crucial piece of legislation guiding the state's financial management and economic development strategies.

4.2 Fiscal Consolidation Roadmap Recommended by the 15th FC

The Fifteenth Finance Commission (15th FC) prescribed the following fiscal consolidation roadmap and fiscal deficit targets for states during 2021-26:

Table 4.2 A-Deficit and Debt Path for States (as % to GSDP)

Year	2021-22	2022-23	2023-24	2024-25	2025-26
Revenue Deficit#	-0.5	-0.8	-1.2	-1.7	-2.5
Fiscal Deficit	4	3.5	3	3	3
Total Liabilities	32.6	33.3	33.1	32.8	32.5

Negative values indicate surplus and positive values indicate deficit.

Source: CAG report on State Finance Accounts Report for the respective years

Table 4.2 B-Revenue Deficit Grant for the State of Uttarakhand

The 15th FC recommended Revenue Deficit Grant of Rs 28,147 crore over 2021-26 to eliminate revenue deficit as below:

21-22	22-23	23-24	24-25	25-26
Rs.7772 crore	Rs. 7137 crore	Rs. 6223 crore	Rs. 4916 crore	Rs. 2099 crore

The 15th FC provided additional borrowing flexibility to states: If a state is unable to fully utilize its sanctioned borrowing limit as specified above during the first four years (2021-25), it can avail the unutilized borrowing amount (calculated in rupees) in subsequent

years (within the 2021-26 period). ii. Extra annual borrowing worth 0.5% of GSDP will be allowed to the states during the first four years (2021-25) upon undertaking power sector reforms including:

- a) Reduction in operational losses
- b) Reduction in revenue gap
- c) Reduction in payment of cash subsidy by adopting direct benefit transfer
- d) Reduction in tariff subsidy as a percentage of revenue

The 15th FC has provided a more relaxed fiscal consolidation roadmap compared to the 14th FC, recognizing the fiscal stress on states. It has given states like Uttarakhand greater flexibility while incentivizing reforms. Uttarakhand will need to undertake measures to reduce its revenue deficit and adhere to the prescribed fiscal deficit targets to avail the full benefits.

4.3 Trend of Fiscal Performance Parameters

4.3.1 Table 4.3 below gives the Revenue Deficit, Fiscal Deficit, and Primary Deficit of Uttarakhand, both in absolute terms (Rs Crore), and as a % of GSDP, as also Interest Payment as % of Revenue Receipts.

Table 4.3: Trend of Fiscal Parameters

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Revenue Deficit	-1787	-1104	917	1852	382	1978	979	2136	-1113	-4128	-5310	-3341
Fiscal Deficit	1599	2650	5826	6125	5467	7936	7320	7657	5439	3736	2949	7749
Primary Deficit	-490	594	3421	3154	1744	3948	2846	3153	666	-1203	-2155	2556
Interest payments	2089	2056	2406	2971	3723	3987	4475	4504	4773	4939	5104	5192
GSDP	131613	149074	161439	177163	195125	220222	230327	239263	225617	254966	292670	332998
Revenue Deficit* as % of GSDP	-1.36	-0.74	0.57	1.05	0.20	0.90	0.43	0.89	-0.49	-1.62	-1.81	-1.00
Fiscal Deficit as % of GSDP	1.21	1.78	3.61	3.46	2.80	3.60	3.18	3.20	2.41	1.47	1.01	2.33
Primary Deficit* as % of GSDP	-0.37	0.40	2.12	1.78	0.89	1.79	1.24	1.32	0.30	-0.47	-0.74	0.77
Interest Payment (as % of Revenue Receipts)	13.26	11.87	11.88	13.99	14.96	14.71	14.33	14.66	12.49	11.47	10.40	10.26

*Note: Negative here denotes surplus.

Source: CAG report on State Finance Accounts Report for the respective years

The fiscal trends for Uttarakhand, as shown in Table 4.3, reveal a mixed picture of the state's financial health over the past decade. During the 14th Finance Commission award period,

Uttarakhand consistently struggled with revenue deficits, failing to achieve a revenue surplus in any year. The last revenue surplus was recorded in 2013-14, after which the state's finances deteriorated. The revenue deficit worsened significantly in 2015-16 and remained high for several years. However, there's a notable improvement starting in 2020-21, with the state achieving revenue surpluses in the following years.

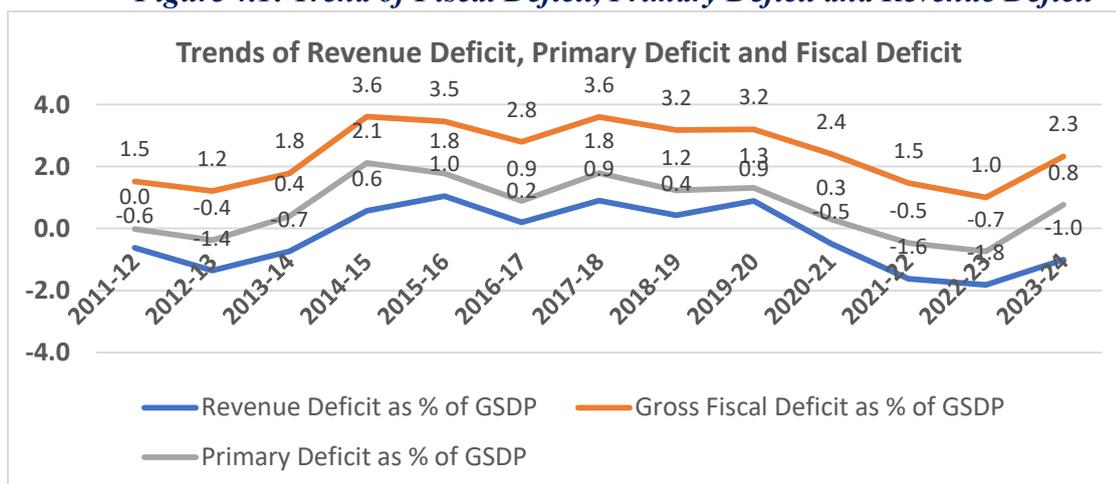
The fiscal deficit as a percentage of GSDP peaked in 2014-15 at 3.61% and remained elevated for several years. However, a clear trend of fiscal consolidation is evident from 2018-19 onwards, with the fiscal deficit reducing significantly to 1.01% of GSDP by 2022-23. This improvement is mirrored in the primary deficit figures, with the state moving from primary deficits to primary surpluses in recent years (2021-22 and 2022-23), indicating improved fiscal management.

Interest payments as a percentage of revenue receipts were consistently high (above 14%) from 2015-16 to 2019-20, but have shown a noticeable decline from 2020-21 onwards, reaching 10.40% in 2022-23. This trend suggests better debt management in recent years. Throughout this period, the state's GSDP has shown steady growth, with a slight dip in 2020-21 (likely due to the COVID-19 pandemic) followed by a strong recovery.

In summary, while Uttarakhand faced significant fiscal challenges during the 14th Finance Commission period, there's a clear trend of fiscal consolidation and improved financial management in recent years. The state has moved from a situation of high deficits to achieving revenue surpluses and reducing its fiscal deficit, far ahead of indicative fiscal path recommended by 15th FC. It would be important to note that the state has managed to reach a revenue surplus without recourse to revenue deficit grant recommended by 15th FC. However, sustaining this positive trajectory will be crucial for ensuring long-term fiscal sustainability. It may be mentioned that in BE of 2024-25, revenue surplus of 1.20% has been projected which as per the fiscal path recommended by the 15th FC.

4.3.2: 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 indicators for Uttarakhand from 2012-13 to 2023-24 show a period of initial stability followed by deterioration and then significant improvement. The state started with revenue surpluses in 2012-13 and 2013-14, but then experienced revenue deficits for six consecutive years from 2014-15 to 2019-20, peaking at 1.05% of GSDP in 2015-16. The situation improved

markedly from 2020-21 onwards, with the state returning to revenue surpluses for three consecutive years. However, in 2023-24, the state again slipped into a revenue deficit of 1.00% of GSDP, indicating renewed fiscal pressure.

The fiscal deficit followed a similar pattern, rising sharply from 1.78% in 2013-14 to a high of 3.61% in 2014-15, and remaining above 3% for several years before gradually declining to 1.01% by 2022-23. In 2023-24, however, the fiscal deficit rose again to 2.33% of GSDP, suggesting a temporary setback in the consolidation path. The primary deficit, which excludes interest payments, mirrored these trends—peaking at 2.12% in 2014-15, transitioning to primary surpluses in 2021-22 and 2022-23, but reverting to a deficit of 0.77% in 2023-24.

This overall trajectory suggests that while Uttarakhand faced significant fiscal challenges in the middle of the decade, it has made substantial progress in recent years towards fiscal consolidation and improved financial management.

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

Table 4.4 below gives a comparison of Fiscal deficit for Special Category states from 2012-13 to 2021-22.

Table 4.4: Gross Fiscal Deficit/GSDP

States	Gross Fiscal Deficit/GSDP												Average of ratios
	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	
Arunachal Pradesh	1.85	11.01	-2.89	-1.03	-4.20	1.39	7.80	3.44	3.56	3.36	4.95	4.06	2.41
Assam	0.97	2.13	2.77	-1.32	2.41	3.28	1.54	4.27	3.42	4.81	5.93	3.65	2.43
Himachal Pradesh	3.60	4.23	4.05	1.8s9	4.65	2.79	2.37	3.52	3.67	2.98	6.34	5.35	3.79
Manipur	0.01	-1.69	3.31	1.75	2.57	1.32	3.35	2.38	6.35	4.93	4.37	3.99	2.72
Meghalaya	1.81	1.67	4.21	2.21	2.55	0.46	6.30	3.18	7.71	5.57	6.01	5.94	3.95
Mizoram	6.94	7.28	7.70	-2.73	-1.47	1.65	1.61	4.90	7.81	1.40	3.61	1.98	3.39
Nagaland	4.61	2.76	0.73	3.06	1.31	1.83	4.08	4.81	4.36	0.81	4.38	4.41	3.10
Sikkim	0.53	0.38	1.78	2.88	-0.42	1.78	2.26	6.62	6.88	2.41	4.46	5.17	2.89
Tripura	-1.56	-0.18	3.55	4.59	6.41	4.74	2.69	6.02	3.57	-0.11	2.13	0.77	2.72
Uttarakhand	1.21	1.78	3.61	3.46	2.80	3.60	3.18	3.20	2.41	1.47	1.01	2.33	2.50

Source: CAG report on State Finance Accounts Report for the respective years

As can be seen in the table above, Uttarakhand's fiscal performance from 2012-13 to 2023-24, as measured by the Gross Fiscal Deficit to GSDP ratio, demonstrates relative stability compared to other special category states. With an average ratio of 2.50% over the decade, Uttarakhand falls in the middle range among its peers. Unlike states such as Arunachal Pradesh, Mizoram, and Meghalaya, which experienced significant volatility and high deficits in some years, Uttarakhand maintained a more consistent fiscal position. Its deficit ratio peaked at 3.61% in 2014-15 and remained around 3-3.5% for several years before showing improvement in recent years, reaching a low of 1.01% in 2022-23. However, there was a moderate reversal in 2023-24, with the ratio rising to 2.33%, suggesting a temporary deviation from the earlier trend of consolidation.

This trajectory is more stable than states like Tripura, which swung from surpluses to high deficits, or Sikkim, which saw a sharp increase in deficits in later years. Uttarakhand's fiscal management appears more controlled than Manipur and Assam, which saw their deficits spike in the last two years. Overall, Uttarakhand's fiscal management shows a trend of gradual

improvement and relative stability compared to the fluctuations seen in many other special category states.

4.5. Interest Payment Burden

The table below shows the comparative position of burden of Interest Payment for Special Category states 2012-13 to 2023-24. Uttarakhand's interest payment burden, as measured by the ratio of interest payments to revenue expenditure, stands out as one of the highest among the special category states from 2012-13 to 2021-22. With an average ratio of 13.0% over the decade, Uttarakhand is second only to Himachal Pradesh (13.5%) in terms of interest payment burden. This is significantly higher than most other states in the comparison group. For instance, Arunachal Pradesh maintained the lowest average at 4.9%, while states like Assam, Manipur, and Meghalaya had averages between 6.7% and 6.9%. Uttarakhand's ratio peaked at 15% in 2012-13 and remained consistently high throughout the period, rarely falling below 12% until recent years. Although there has been a gradual decline—dropping to 11.0% in 2023-24—the state's burden still remains substantially above that of most of its peers. This contrasts sharply with states like Mizoram, which maintained a much lower average of 5.3% and even saw its ratio drop to 3.6% in 2019-20. Even compared to Tripura, which had the third highest average at 8.8%, Uttarakhand's interest payment burden is notably higher.

While there's been a slight downward trend in recent years for Uttarakhand, with the ratio decreasing from 14.7% in 2016-17 to 11.0% in 2023-24, it still remains one of the most heavily burdened states in terms of interest payments relative to revenue expenditure. This high interest payment burden suggests that Uttarakhand faces significant challenges in managing its debt and may have less fiscal space for developmental expenditure compared to its peers.

Table 4.5: Comparative Position of burden of Interest Payment (All figures in % to Revenue Expenditure)

States	Interest Payments/ Revenue Expenditure												Average of ratios
	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	
Arunachal Pradesh	5.7	5.5	4.9	5.0	4.2	4.3	4.2	5.0	5.7	4.9	4.8	4.2	4.9
Assam	7.3	6.9	6.0	7.1	6.0	5.8	6.8	6.7	8.1	7.3	6.8	8.6	6.9
Himachal Pradesh	14.7	14.3	14.4	14.1	13.3	14.0	13.7	13.8	13.3	12.8	10.9	12.6	13.5
Manipur	8.1	7.8	6.5	7.0	6.6	6.1	5.9	6.5	6.7	5.5	6.2	7.1	6.7
Meghalaya	6.3	6.7	6.5	7.3	6.3	7.0	6.4	7.9	7.5	7.1	6.9	6.9	6.9
Mizoram	6.4	5.8	5.4	6.6	5.5	4.9	4.9	3.6	4.7	5.3	4.9	5.4	5.3
Nagaland	8.0	8.6	8.2	7.7	7.3	6.7	7.1	7.0	7.8	7.9	7.4	7.2	7.6
Sikkim	6.6	6.0	6.4	7.2	8.6	8.7	8.3	8.2	8.6	9.5	9.4	10.0	8.1
Tripura	10.2	9.9	9.2	9.3	9.0	8.6	8.6	8.4	8.9	8.7	7.7	7.3	8.8
Uttarakhand	15.0	12.7	11.4	12.9	14.7	13.7	13.9	13.7	12.9	12.7	11.7	11.0	13.0

Source: CAG report on State Finance Accounts Report for the respective years

4.6.1 Debt position of the State

4.6.1: The total Liabilities of the State are generally accepted to have two components i.e. Public Debt and Other Liabilities. The Public Debt itself has two components, the first consisting of Internal Debt of the State which includes market loans, loans from financial institutions, special securities issued to RBI, and the second is loans and advances received from the Central Government These are liabilities under the Consolidated Fund of the State.

The Other Liabilities are fiscal liabilities under Public Accounts which include deposits under Small Saving schemes, Provident Fund and other deposits.

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

Table 4.6: Public Debt and Other Liabilities of the State

Year	Internal Debt	Loans from GOI	Public Debt Outstanding	Total Outstanding Liabilities	Total Outstanding Liabilities as % of GSDP	GSDP
2012-13	18337	462	18799	22867	17.37%	131613
2013-14	20910	445	21355	26263	17.62%	149074
2014-15	24557	478	25035	31647	19.60%	161439
2015-16	29292	544	29836	37867	21.37%	177163
2016-17	34555	655	35210	44320	22.71%	195125
2017-18	40286	729	41015	52396	23.79%	220222
2018-19	45443	790	46233	59594	25.88%	230327
2019-20	49437	813	50250	66620	27.85%	239263
2020-21	53302	3813	57115	71856	31.85%	225617
2021-22	53759	7443	61202	75313	29.54%	254966
2022-23	53558	8600	62159	77927	26.63%	292670
2023-24	57379	10582	67961	85836	25.78%	332998

Source: CAG report on State Finance Accounts Report for the respective years

The above table presents the evolution of public debt and other liabilities for a state government over a period of 11 fiscal years, from 2012-13 to 2023-24. The data shows a consistent upward trend in both internal debt and loans from the Government of India (GOI), resulting in a significant increase in total outstanding liabilities over the years.

The internal debt, which forms the majority of the public debt, has nearly tripled from Rs. 18,337 crores in 2012-13 to Rs. 57,379 crore in 2023-24. Loans from GOI have seen an even more dramatic increase, particularly in the last few years, jumping from Rs. 813 crores in 2019-20 to Rs. 10,582 crore in 2023-24. This surge in GOI loans could be attributed to increased financial support during the COVID-19 pandemic and its aftermath. The total outstanding liabilities have grown from Rs. 22,867 crores in 2012-13 to Rs. 85,836 crore in 2023-24, more than tripling over the decade.

An important metric to consider is the total outstanding liabilities as a percentage of Gross State Domestic Product (GSDP). This ratio has increased from 17.37% in 2012-13 to a peak of 31.85% in 2020-21, before slightly declining to 25.78% in 2023-24. The rise in this percentage indicates that the state's debt burden has been growing faster than its economy for most of the period. However, the recent decline in this ratio, coupled with the significant growth in GSDP from Rs.131,613 crores in 2012-13 to Rs. Rs 332,998 crore in 2023-24, suggests that the state's economy has been expanding robustly in recent years, potentially improving its capacity to manage its debt burden.

Figure 4.2: Growth trend of Total Liabilities

4.5.1 The total Public Debt and Liabilities and its rate of growth as measured as change from the previous year is shown in Figure 4.4 below.

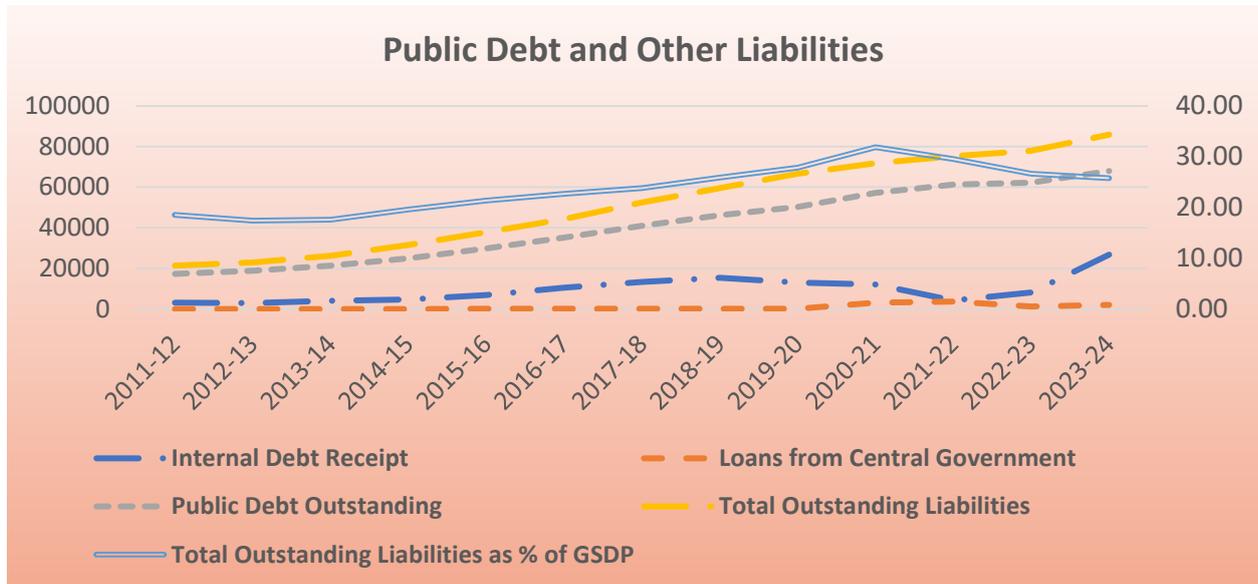
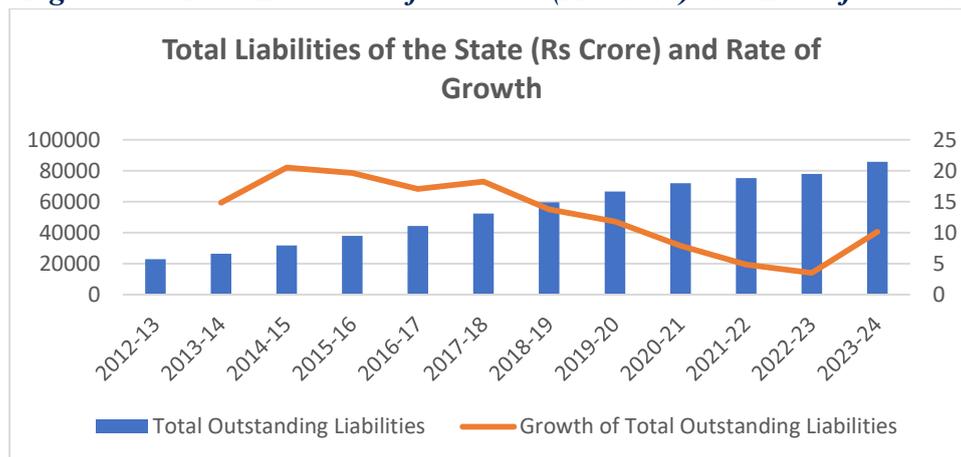


Table 4.7: Total Liabilities of the State (Rs Crore) and Rate of Growth

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Total Outstanding Liabilities	22867	26263	31647	37867	44320	52396	59594	66620	71856	75313	77927	85836
Growth of Total Outstanding Liabilities		14.85	20.50	19.65	17.04	18.22	13.74	11.79	7.86	4.81	3.47	10.15

Source: CAG report on State Finance Accounts Report for the respective years

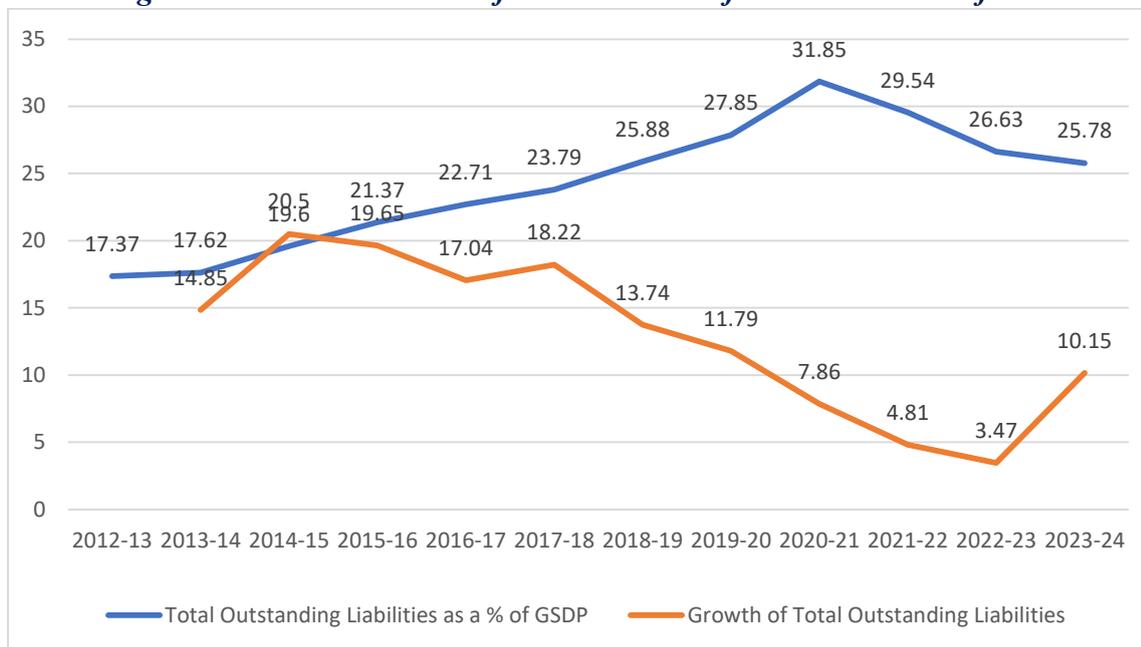
Figure 4.4: Total Liabilities of the State (Rs Crore) and Rate of Growth



As can be seen in the figure above, the total outstanding liabilities and their year-over-year growth rates for a state from 2012-13 to 2023-24, the liabilities have consistently increased over this period, more than tripling from Rs. 22,867 crores to Rs 85,836 crore- tripling in size. However, the growth rate has shown a clear downward trend since 2017-18. It peaked at 20.50% in 2014-15 and has since declined steadily, reaching just 3.47% in 2022-23. In 2023-

24, the growth rate increased slightly to 10.15%, reversing the steady deceleration observed in the previous years. This uptick may reflect increased borrowing needs or higher capital expenditure commitments during the year.

Figure 4.5: Total Liabilities of the State as % of GSDP and Rate of Growth



The growth of total outstanding liabilities shows a fluctuating trend, peaking in 2014-15 at 20.50% and gradually declining to a low of 3.47% in 2022-23, before rising again to 10.15% in 2023-24. While the earlier decline reflected a significant reduction in the rate of debt accumulation, the recent uptick suggests renewed borrowing, possibly for capital or developmental expenditure

Simultaneously, the total outstanding liabilities as a percentage of GSDP showed a consistent upward trend until 2020-21, reaching a peak of 31.85%, indicating a growing burden of debt relative to the state’s economic output. However, this ratio has declined in the following years, falling to 25.78% by 2023-24.

The performance of the state in reducing the overall public debt has been notable in the sense that the outstanding liabilities of the state in 2023-24 has been far below the indicative level of debt recommended by 15th FC for the year 2023-24 (25.78% of GSDP).. The contrasting trends of declining growth in liabilities and a high, though slightly decreasing, debt-to-GSDP ratio underscore the complex fiscal dynamics at play, with potential implications for the state's financial sustainability and debt management strategies.

4.6 Utilization of Debt

4.7.1: The Fiscal consolidation roadmap required all States to be revenue surplus, such that the permitted Fiscal Deficit is utilized for productive Capital Expenditure. Table and Figure 4.6 below show the broad breakup of utilization of Fiscal Deficit.

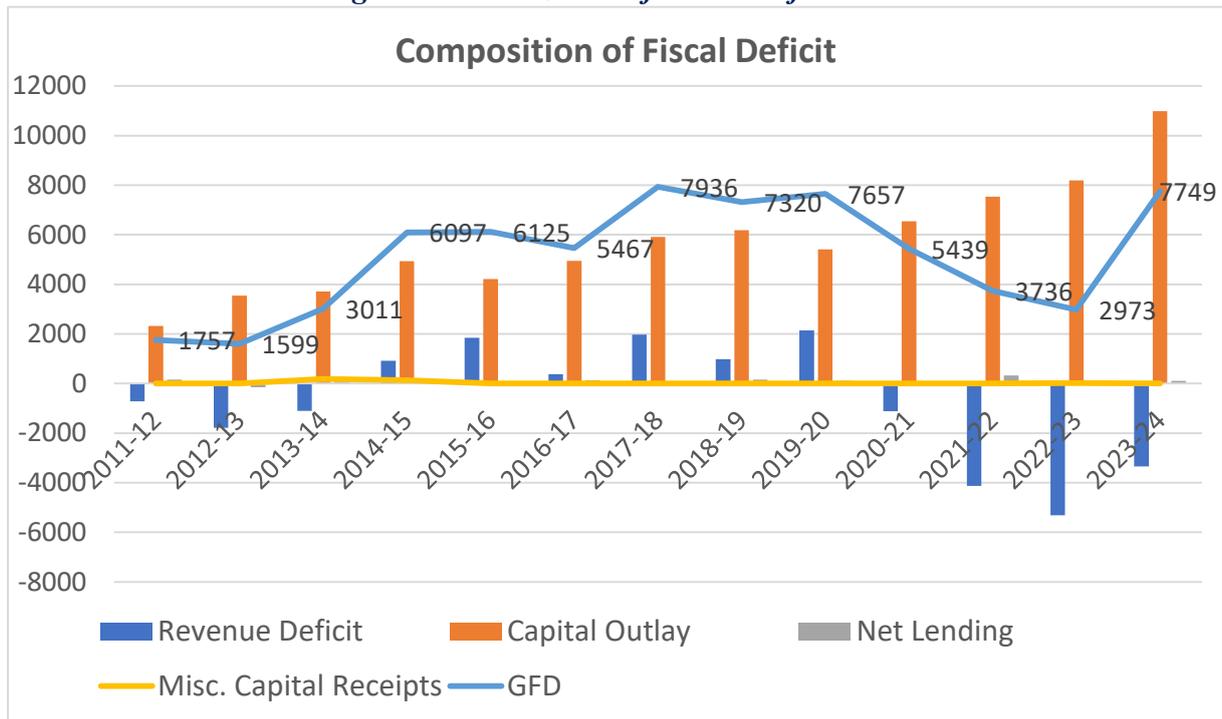
Table 4.8: Utilization of Fiscal Deficit

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
--	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------

Revenue Deficit	-1787	-1104	917	1852	382	1978	979	2136	-1113	-4128	-5310	-3341
Capital Outlay	3542	3712	4939	4217	4954	5914	6184	5414	6538	7534	8194	10982
Net Loans and Advances	-156	223	105	56	130	43	157	107	15	330	76	108
Fiscal Deficit	1599	2650	5826	6125	5467	7936	7320	7657	5439	3736	2949	7749
<i>Revenue Deficit / Surplus (-) as % of Fiscal Deficit</i>	-111.76	-41.66	15.74	30.23	7.00	24.93	13.38	27.90	-20.47	-110.51	-180.06	-43.12
<i>Net Capital Expenditure as % of Fiscal Deficit</i>	221.51	140.07	84.78	68.85	90.62	74.53	84.48	70.71	120.20	201.66	277.87	141.72
<i>Net Loans and Advances as % of Fiscal Deficit</i>	-9.75	8.41	1.81	0.91	2.38	0.55	2.14	1.40	0.27	8.84	2.59	1.40

Source: CAG report on State Finance Accounts Report for the respective years

Figure 4.6: Utilization of Fiscal Deficit



4.7.2: The table and figure above provide a detailed breakdown of the utilization of the fiscal deficit from 2012-13 to 2023-24, highlighting the roles played by revenue deficit, net capital expenditure, and net loans and advances. Over the period, the fiscal deficit has varied significantly, with a marked increase during the middle, peaking in 2017-18 at ₹7,936 crore. The fiscal deficit then experienced a gradual decline, reaching ₹2,949 crore in 2022-23 before increasing again to Rs 7,749 crore in 2023-24, indicating a renewed expansion in borrowing.

The revenue deficit, which reflects the difference between revenue receipts and revenue expenditure, shows a mixed trend. In some years, such as 2012-13 and 2013-14, there was a revenue surplus, indicated by negative values of the revenue deficit, whereas during 2014 to 2020, the revenue deficit significantly increased, with the highest value of ₹2,136 crore recorded in 2019-20. However, the state has been able to achieve revenue surplus since 2020-21 and in 2022-23, the budget has a revenue surplus of Rs. 5310 crore. However, this trend reversed in the latest year, with a revenue deficit of Rs 3,341 crore in 2023-24. The revenue deficit as a percentage of the fiscal deficit stood at -43.12% in 2023-24, suggesting that

while there was still a surplus element reducing the fiscal deficit, its contribution declined compared to the previous two years, reflecting rising revenue pressures.

4.7.3 Net capital expenditure, which represents the government's investment in physical assets, has consistently constituted a significant portion of the fiscal deficit throughout the period. It increased steadily from ₹3,542 crore in 2012-13 to Rs 10,982 crore in 2023-24. The share of capital expenditure in the fiscal deficit, while slightly lower than the previous year's peak, was still high at 141.72% in 2023-24, indicating that a major portion of the fiscal deficit continues to be directed toward capital formation and infrastructure investment.

In actuals of 2023-24 and BE of 24-25, capital outlay of Rs. 10,982 crore and Rs. 13780 crore has been provided while continuing to maintain lower trend of fiscal deficit. In BE of 2024-25, fiscal deficit of 2.39% has been projected. This indicates that the state's fiscal deficit has increasingly been used for capital formation, reflecting a focus on infrastructure and long-term investments. On the other hand, net loans and advances, which form a minor component of fiscal deficit utilization, have fluctuated with relatively modest contributions, both in absolute terms and as a percentage of the fiscal deficit, peaking at 8.84% in 2021-22 before declining again.

The data suggests that in recent years, the state has increasingly utilized its fiscal deficit for capital expenditure, while keeping total outstanding liabilities well below FRBM targets. This may suggest that the state has the headroom for ramping up capital expenditure further. However, relatively high share of interest payment burden in terms of revenue receipt constricts the available fiscal space to support higher capital expenditure.

4.8 Assessment of Debt Sustainability

Assessment of the debt sustainability is based on certain assumptions about the future and therefore, can't be predicted with 100% accuracy. But the common wisdom is that the higher level of public debt is unsustainable as higher debt require higher primary surplus to maintain it and higher primary surpluses are difficult to sustain economically and politically. The other challenges associated with high debt level are higher borrowing requirements, interest rate risk and refinancing risks (i.e., being unable to refinance the debt from the market or being able to do so only at very high interest rates).

High level of public debt may impact economic growth adversely, which may, in turn, have bearing on debt sustainability in the long term. Sustainability principle ensures unchecked growth of public debt, and thereby reducing pressure on the governments to significantly increase taxes or decrease spending to manage the high level of debt and interest burden.

The succeeding paragraphs attempt to assess the debt sustainability of Uttarakhand on the basis of fiscal and debt parameters and compliance of macro-fiscal parameters to the respective FRBM targets. The results of the analysis are given in the following paragraphs:

4.8.1 Performance comparison against 15th FC Consolidation Parameters

The key fiscal parameters of Uttarakhand are given in Table below:

Table 4.9: Key Fiscal Parameters of Uttarakhand

Parameter	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021- 22	2022-23	2023-24	2024-25 (BE)
-----------	---------	---------	---------	---------	---------	---------	----------	---------	---------	--------------

Revenue Deficit* as % of GSDP	1.05	0.20	0.90	0.43	0.89	-0.49	-1.62	-1.81	-1	-1.2
Fiscal Deficit as % of GSDP	3.46	2.80	3.60	3.18	3.20	2.41	1.47	1.01	2.33	2.4
Primary Deficit* as % of GSDP	1.78	0.89	1.79	1.24	1.32	0.30	-0.47	-0.74	0.77	0.7
Interest Payment (as % of Revenue Receipts)	13.99	14.96	14.71	14.33	14.66	12.49	11.47	10.40	11.09	10.96
Total Public Liabilities as % of GSDP	21.37	22.71	23.79	25.88	27.85	31.85	29.54	26.63	25.78	24.23

*Note: Negative here denotes surplus.

Source: CAG report on State Finance Accounts Report for the respective years

Table 4.10: Achievements vis-à-vis Targets set in the 15th FCR (% GSDP)

Fiscal Parameters		2020-21	2021-22	2022-23	2023-24	2024-25
Revenue Deficit (-)/ Surplus (+)	Target	0.10	0.50	0.80	1.20	1.70
	Achievement	0.49	1.62	1.81	1	1.20
Fiscal Deficit (-)/Surplus (+)	Target	-4.50	-4.00	-3.50	-3.00	-3.00
	Achievement	-2.41	-1.47	-1.01	-2.33	-2.39
Ratio of total outstanding liability to GSDP	Target	33.10	32.60	33.30	33.10	32.80
	Achievement	31.85	29.54	26.63	25.78	24.23

Note: Achievement figures for 2024-25 is BE.

It may be observed from the above table that the ratio of revenue deficit improved with a positive change to revenue surplus from 2020-21 onwards. Fiscal deficit-GSDP and Outstanding liability-GSDP ratio remained well below the targets fixed by the Finance Commission during 2020-21 onwards. Further, there has been a decrease in the committed expenditure as a percentage of the revenue receipts from 69 percent in 2018-19 to 54.9 percent in 2023-24. As per BE of 2024-25, it will be 56.75%. This trend is showing sufficient availability of revenue resources for other purposes including debt servicing.

4.8.2. Debt Sustainability Indicators

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

Table 4.11: Debt Sustainability Indicators

Interest payment to GSDP	IP/GSDP ↓↓	Interest payments as a proportion of GSDP should decline over time.
Interest payments to revenue expenditure	IP/RE ↓↓	Interest payment as a proportion to Revenue Expenditure should decline over time.
Interest payments to revenue receipts	IP/RR ↓↓	Interest payment as a proportion to Revenue Receipt should decline over time
Primary revenue balance to GSDP	PRB/GSDP > 0	Test the sustainability from the angle of the revenue account
Public debt to revenue receipts	PD/RR ↓↓	--do--
Revenue receipts to GSDP	RR/GSDP ↑↑	--do-

Rate of growth of public debt to GSDP	PDG-GSDPG < 0	Assess the sustainability in aggregate terms and test the essential condition that growth of income must exceed growth of debt.
Outstanding Liabilities to GSDP	OL/GSDP < 25%	Test the sustainability from the angle of revenue account
Gross fiscal deficit to GSDP	GFD/GSDP < 3%	--do--
Revenue deficit to GSDP	RD/GSDP = 0	--do--

Note: Primary Revenue Balance (PRB) = RD-IP

Debt Sustainability Indicators for Uttarakhand has been worked out for the period 2018-19 to 2024-25 as below.

Table 4.12; Debt Sustainability Indicators for Uttarakhand

Indicators	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25 (BE)
Interest payment to GSDP	1.66	1.88	2.12	1.94	1.74	1.56	1.68
Interest payments to revenue expenditure	13.9	13.7	12.9	12.7	11.7	11.00	11.89
Interest payments to revenue receipts	14.33	14.66	12.49	11.47	10.4	10.26	10.96
Primary Deficit to GSDP	1.24	1.32	0.30	-0.47	-0.74	0.77	0.7
Public debt to revenue receipts	190.91	216.85	188.08	174.92	158.77	134.27	157.93
Revenue receipts to GSDP	13.55	12.84	16.93	16.89	16.77	15.2	15.34
Rate of growth of public debt to GSDP growth rate	8.14	4.80	19.37	-5.85	-13.23	-4.44	-3.11
Outstanding Liabilities to GSDP	25.88	27.85	31.85	29.54	26.63	25.78	24.23
Gross fiscal deficit to GSDP	3.18	3.20	2.41	1.47	1.01	2.33	3.00
Revenue deficit to GSDP	0.43	0.89	-0.49	-1.62	-1.81	-1.00	-1.70

Source: CAG report on State Finance Accounts Report for the respective years

- The outstanding liabilities has declined to 25.78% in 2023-24 after sharp rise in 2020-21. The ratio of public debt to revenue receipt has been declining over the time indicating that debt is sustainable from the revenue angle. Falling debt-GSDP ratio can be considered as leading towards stability.
- It may be observed that interest payment as proportion to GSDP has been range bound around 1.6%. However, interest payment as proportion to Revenue Expenditure and Revenue Receipt has been on downward path. The ratio of interest payments to revenue receipts is also a good measure of debt sustainability. This ratio fell from 14.3 per cent in 2018-19 to 11% in 2023-24.
- On the deficit side, it may be noted that the state is having revenue surplus consistently from 2020-21 onwards. Though Gross Fiscal Deficit has increased to 2.33% of GSDP after sharp decline in 2022-23, it is within the prescribed FRBM target.
- Revenue Receipt as a percentage to GSDP has been showing upward trend signifying sustainability of debt from revenue angle. It has grown to 15.22% in 2023-24 from 13.55% in 2018-19.
- The ratio of Public Debt to Revenue Receipts has been on a downward path indicating debt sustainability from the revenue perspective.

- Public debt growth rate has been below GSDP growth rate from 2021-22 onwards reflecting sufficient income to cover debt repayments. In case of Uttarakhand, the nominal rate of GSDP growth (g) since 2021-22 has averaged about 13% which is greater than rate of Interest at which internal debt has been/is raised. In BE 2024-25, GSDP growth rate has been projected at 14%. However, Uttarakhand's total Liabilities to GSDP as per BE 2024-25 is at 24.23%, higher than the target for all-States of 20%, which implies that Uttarakhand needs to generate sufficient revenue surplus as to bring down debt to 20% of GSDP.
- Uttarakhand has had a relatively high interest burden at almost 1.7 % of GSDP. to that extent, the target of 20% of Debt to GSDP for Uttarakhand appears difficult to achieve in the short to medium run. However, Uttarakhand has been able to bring down its debt well below the target set by 15th FC and as per MTFP statement, the debt level in 2027-28 has been projected to be 24.1%. Therefore, the debt to GSDP appears to be stable around 24%.

4.8.3 Maturity profile of State Debt

The maturity profile of the State Public debt (excluding Other Liabilities in Public Account) at the end of FY 2016-17 is given in the table below:

Table 4.13: Maturity Profile of the State Public Debt (Rs in Crore) – 31st March 2023

Maturity profile	Amount	Percentage to total Public Debt
0-1 year	3317	5.87%
1-3 years	7859	13.91%
3-5 years	13067	23.12%
5-7 years	12249	21.68%
More than 7 years	14577	25.80%
Others	5440	9.63%
Total	56509	100.0%

Source: CAG report on State Finance for 2022-23

The maturity profile of outstanding stock of public debt as of 31 March 2023 shows that 64.58% of the Public Debt has a maturity of less than 7 years, and about 25.80% has a maturity of 7 years or more. The remaining are internal institutional loans and loans from the central government (maturity profile is not available). The amount of outstanding market loans and interest to be paid thereon over the period of the next ten years is detailed in **Table 4.14 below**.

Table 4.14; Repayment of Debt and Interest

(₹ in crore)

Year	Repayment of Debt and Interest		
	Public Debt (Market Loan)**	Interest	Total
2023-24	2,500	3,484.12	5,984.12
2024-25	2,400	3,256.22	5,656.22
2025-26	3,900	3,046.11	6,946.11
2026-27	5,450	2,721.57	8,171.57
2027-28	6,660	2,313.61	8,973.61
2028-29	6,300	1,798.72	8,098.72
2029-30	5,100	1,269.78	6,369.78
2030-31	6,200	901.81	7,101.81
2031-32	3,200	475.73	3,675.73

2032-33	3,200	247.25	3,447.25
Total	44,910	19,514.92	64,424.92

Source: CAG report on State Finance for 2022-23

It may be seen from the above table that repayment liabilities including interest will increase till 2027-28 and will decrease thereafter. Most of the loan will be repayable in the next 7 years.

4.8.3. 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 FRBM Act, 2005 of the State prescribed that the State Government shall not give guarantee for any amount exceeding the limit stipulated under any rule or law of the State Government existing at the time of the coming into force of such rule or law made the relevant provision in the amended FRBM, Act only in December 2016. As per the provision, outstanding guarantees has been capped within one *per cent* of the GSDP of that particular year and new guarantees given during any year should not be more than 0.3 *per cent* of the GSDP for that year. The outstanding guarantees along with the percentage of outstanding guarantee to total revenue receipts of Uttarakhand is given in Table 4.15 below

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

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Outstanding Amount of Guarantees	893	854	717	374	117	119
Amt Guaranteed as % to total revenue receipts	2.86	2.78	1.88	0.87	0.24	0.24
Amt Guaranteed as % to GSDP	0.39	0.36	0.30	0.14	0.04	0.04

Source: CAG report on State Finance Accounts Report for the respective years

The outstanding guarantees and the end of 2022-23 stood at Rs.117 crore only, which comprises the Power Sector (₹ 32 crore), Co-operatives (₹ 82 crore), and others (₹ three crore). Total outstanding guarantees as of 31 March 2023 were 0.04 *percent* of GSDP for the year and hence were within the FRBM ceiling. The outstanding amount of guarantees in the nature of contingent liabilities was about 0.24 *percent* of the total Revenue Receipts of the State. The outstanding guarantees with respect to the total revenue have decreased significantly from 5.05 % in 2016-17 to 0.24% in 2022-23.

4.9. Conclusion

The level of Total Liabilities of Uttarakhand as per BE 2024-25 will be 24.23% of GSDP which though well below the debt consolidation target recommended by 15th FC, is higher than the target of 20% for the states as a whole set by FRBM review. The fiscal deficit of the state is on upward trajectory as per the actual of 2023-24 and BE of 2024-25 but well below the path set by the 15th FC. Further, the state has increasingly utilized its fiscal deficit for capital expenditure, while keeping total outstanding liabilities well below FRBM targets. This may suggest that the state has the headroom for ramping up capital expenditure further. However, relatively high share of interest payment burden in terms of revenue receipt constricts the available fiscal space to support higher capital expenditure.

Chapter 5: Transfers to Urban and Rural Local Bodies

5.1. Devolution Scheme of State Finance Commission

In accordance with articles 243I(1)(a)(i) and 243Y(1)(a)(i) of the Constitution and para 3 (a)(i) of the TOR, the 5th State Finance Commission of Uttarakhand made certain recommendations for the award period commencing from 1st April 2021 till 31st March 2026. The State's own tax revenue is sharable with PRIs and ULBs. The non-tax revenue from duties, tolls and fees is shown separately in the State Government budgets as income from non-tax revenue. The main highlights of the schemes of devolution are as follows:

5.1.1. Devolution Recommendation: The 5th SFC kept in mind the recommendations of the 4th SFC by accepting the share of PRIs (45%) and ULBs (55%) of the total divisible pool. The addition of 28 new ULBs which took the number to total of 91 was also noted. No devolution was recommended to the ZPs (Zilla Panchayats) and KPs (Kshetra Panchayats) since they were usually not providing any specific services. In the event the state government intended to give them any responsibility for specific provisions, budgetary allocation could then be made. Similarly, because of unused funds, no case was made out for increasing the share of PRIs in the divisible pool. The ULBs, on the other hand, were under increased pressure due to the responsibility of providing civic services to a larger population. They also had a large workforce with committed liability towards payments of salaries at par with the 6th Central Pay Commission, and therefore had to be commensurately funded. Therefore the 4th SFC fixed the share of ULBs at 55% and that of the PRIs at 45% of the divisible pool.

Table 5.1 The Scheme of devolution recommended by the earlier Commission

SFC	Total Devolution Recommended	Accepted by the Govt.	Share of PRIs	Share of ULBs	Interest Distribution Between ULB in %			Interest Distribution Between PRIs in %		
					NN	NPP	NP	ZP	KP	GP
1st FC	429.65	370.39	43.13	56.7	23.01	67.95	9.09	17.05	—	82.95
2nd FC	10% of gross tax and non-tax revenue (-) income from forest, mining, Power, Pension Contribution and Interest.	10%	60	40	20.17	64.97	14.86	20	30	50
		-1373.7								
3rd FC	Own tax revenue of 10.5% -3373.53	10.50%	50	50	25	60	15	50	20	30
		-2039.4								
4 th FC	11% (5955.57)	10.50% - 4045	45	55	40	45	15	35	30	35

Source: 5th SFC report

5.1.2. Vertical Devolution

Considering the increased responsibilities due to the COVID-19 pandemic, growing urbanization, and the heightened need for quality civic services, the Commission had recommended an 11% devolution of the state's own tax revenues (including GST compensation). This amount was to be divided between Urban Local Bodies (ULBs) and Rural Local Bodies (RLBs) in a 60:40 ratio. ULBs included Nagar Nigams, Nagar Palika

Parishads, and Nagar Panchayats, while RLBs comprised Zila Parishads, Kshetra Panchayats, and Gram Panchayats.

5.1.3. Horizontal Distribution Criteria: The 5th State Finance Commission used the following principles for allocation of inter se shares among ULBs.

Population: A high weightage to population has been given in the devolution schemes. The criterion of population was chosen as the most important indicator to reflect the needs of residents because it serves as a simple, neutral, and transparent measure with a significant equalizing impact, free from statistical bias. However, some Urban Local Bodies (ULBs), particularly in the hill regions, have a very small population, yet they still need to provide essential municipal services. Hence, a minimum floor amount was established: for Nagar Palika Parishads (NPPs), Rs 10,000, for Nagar Panchayats (NPs), Rs 5,000; and for Gram Panchayats (GPs), Rs 500.

Area: A body with a larger area must incur additional costs to deliver a comparable service. However, while the cost of providing services increases with the size of the unit, it is at a decreasing rate, which at some level will lead to the incremental cost becoming negligible. Units with very small area too need to incur certain minimum costs. Hence area was used as cost disability factor for determining the share. Hence, a criterion of minimum and maximum area because there appears to be considerable inconsistency in the data reported by various Urban Local Bodies (ULBs). The maximum and minimum area of a GP has been fixed at 600 and 200 hectares respectively as was done by the previous Commission.

Table 5.2: Criterion of Minimum and Maximum Area of NPPs & NPs

Name of Local Bodies	Minimum Area (in sq. km)	Maxim Area (in sq.km)
Nagar Palika Parishads	10	40
Nagar Panchayats	10	40

Source: 5th SFC Report

Remoteness: This factor has been included since the area factor does not fully capture the cost disability factor due to the remoteness of the location where services must be provided. Since the only available reliable data is the distance of the block headquarters from the nearest railhead, that has been taken as a criterion. Hence, distance from the nearest railhead as an indicator of remoteness has been classified in the following manner:

For NPPs & NPs

- (i) 0-20 Km
- (ii) 21-80 Km
- (iii) 81-180 Km
- (iv) More than 180 Km.

For ZPs, KPs & GPs

- (i) 0-50 Km
- (ii) 51-100 Km
- (iii) 101-150 Km
- (iv) More than 150 Km

Zila Parishads (ZPs) have been allocated a weightage of 10%, while Kshetra Panchayats (KPs) and Gram Panchayats (GPs) have been given a weightage of 20% based on their distance from the nearest railhead.

Tax Effort: The ULBs and PRIs have been reluctant to increase their revenues through levy and collection of taxes. The main source of income of ULBs is property tax which however has not been reliably estimated and collected. Under these circumstances, the Commission has decided to make tax effort as a devolution parameter so that the ULBs imposing/ collecting tax aggressively are rewarded and those that are not sufficiently active in imposing or collecting tax are accordingly punished. A 50% weightage is assigned to tax effort, as demonstrated by per capita tax incidence, while the remaining 50% is allocated to per capita realization.

Centrality Index: This relates to the issue of floating population which puts pressure on ULBs without any earnings from them. Since no reliable data is available of floating population, the Commission has given a Centrality Index as a proxy for floating population. This parameter has been included in the devolution formula for NNs and NPPs only.

The *inter-se* share of the three levels of ULBs shall be, Nagar Nigam's- 40%, Nagar Palika Parishads-47% and Nagar Panchayats- 13%. The horizontal share of each level of ULBs shall be determined as per the following weightage given to the different parameters as given in **Table 5.2**.

Table 5.3: Devolution Formula for Urban Local Bodies

	Population	Area	Tax Effort	Remoteness	Special Dispensation
NNs	60	20	10	10	10
NPPs	65	10	15	5	10
NPs	65	10	15	5	-

Source: 5th State Finance Report of Uttarakhand

The 25 newly established NPs and 3 newly established NPPs are excluded from the above formula, and the grant-in-aid allocated to them will be subtracted from the total grant eligible for their respective group of NPs or NPPs.

5.1.2. Final Devolution Formula: After considering all parameters, the Commission recommended 11% of the States own tax revenue as the devolution amount. The *inter-se* share of ZPs, KPs, and GPs shall be 37.5%, 17.5%, and 45% respectively. The horizontal share of different panchayats has been determined based on weights given to different parameters as shown in **Table 5.3**

Table 5.4: Criteria and Weights for Horizontal Devolution of RLBs

	Population	Area	Tax Effort	Remoteness
ZPs	60.00	20.00	10.00	10.00
KPs	60.00	20.00	-	20.00
GPs	60.00	20.00	-	20.00

Source: 5th State Finance Report of Uttarakhand

5.2 Transfers to Various Institutions

The following data has been sourced from the reports of the CAG and gives the transfers to institutions across the years. Table 5.3 gives the transfers across the period 2016-17 to 2022-23 and compares the CAGR of transfers between the periods of 2016-17 to 2022-23. The CAGR of transfers in the latter period has been more than that of the previous period except in the

case of Educational Institutions and Social Security. The most noticeable increase has been in Hospitals & Charitable Institutions, Agriculture, Land Reforms, Wildlife Preservation, and Economic Services & Tourism. The transfers as a percentage of Revenue Expenditure increased from 15.2% in 2016-17 to 17.43% in 2022-23. This percentage has, however varied from year to year. The maximum transfers, however, are made to Development Agencies and Educational Institutions.

Table 5.5: Transfers to Institutions (Rs in Crore)

	2016- 17	2017-18	2018-19	2019- 20	2020- 21	2021- 22	2022- 23	CAGR (2016-17 to 2022-23)
Educational Institutions	650.6	464.93	544.7	573.62	1531.82	901.68	1079.12	8.80%
Municipal Corporations and Municipalities	397.8	753.33	717.07	902.05	976.91	734.27	1044.05	17.45%
Zila Parishads & Panchayati Raj Institutions	508.4	715.21	742.25	814.62	955.29	655.97	996.62	11.87%
Development Agencies	953.3	546.93	555.82	494.84	539.27	483.71	523.97	-9.49%
Hospitals & Charitable Institutions	319.2	252.98	436.19	353.03	552.66	630.04	1068.47	22.31%
Energy (Rural Electrification)	18.1	11.78	11.69	13.3	9.17	13.81	11.07	-7.87%
Agriculture, Land Reforms, Wildlife Preservation	337.8	476.94	593.57	585.49	915.03	902.3	947.26	18.75%
Co-operatives	5.1	3.73	2.67	1.55	15.18	14.26	16.85	22.04%
Animal Husbandry, Dairy Development and Fisheries	32	38.77	41.8	51.17	55.77	70.97	76.63	15.67%
Economics Services & Tourism	30.7	46.92	51.12	47.27	56.38	64.19	98.14	21.37%
Social Security & Welfare of SC, ST & OBC	447	232.65	216.54	238.66	250.85	178.48	433.53	-0.51%
Other Institutions	150.3	119.64	552.36	724.6	582.44	1208.77	1335.6	43.92%
Total	3850	3,663.81	4465.78	4800.18	6440.77	5858.45	7631.31	12.08%
Assistance as % of Rev Exp.	15.2	12.6	13.87	14.61	17.36	15.05	17.43	

Source: CAG reports on State Finances

Overall, the total transfers to institutions under the Local Body Chapter grew from ₹3850 crore in 2016-17 to ₹7631.31 crore in 2022-23, registering a healthy CAGR of 12.08%. The increase in assistance as a percentage of revenue expenditure, from 15.2% in 2016-17 to 17.43% in 2022-23, reflects an expanding financial commitment to these institutions, likely driven by the state's growing governance needs, demographic pressures, and developmental priorities.

5.3 Transfers to Local Bodies as recommended by 15th FC

The 15th Finance Commission had recommended a total grant of Rs. 4,36,361 crores for award period 2021-26. Out of this, Rs. 2,36,805 crores have been recommended for rural Local Bodies (RLBs). The 15th FC recommended two types of grants for PRIs—Basic Grants and Tied Grants. Basic Grants can be used for general developmental activities, while Tied Grants are specifically earmarked for water supply, sanitation, and solid waste management. In Uttarakhand, 50% of the grants to PRIs are Basic Grants, while the remaining 50% are Tied Grants. Urban Local Bodies (ULBs) have been allocated 55% of the divisible pool, while Panchayati Raj Institutions (PRIs) have been assigned 45%, as per the SFC's recommendation.

Table: 5.7 Recommended Transfers to Rural Local Bodies of Uttarakhand by 15th FC (Rs in crores)

Year	Untied Grant		Tied Grant		Total	
	Recommended	Release	Recommended	Release	Recommended	Release
2020-21	229.60	287.00	344.40	287.00	574.00	574.00
2021-22	170.00	167.48	255.00	251.22	425.00	418.70
2022-23	176.00	175.67	264.00	263.54	440.00	439.21
2023-24	178.00	177.46	267.00	266.67	445.00	444.13
2024-25	188.40	0.00	282.60	0.00	471.00	0.00
2025-26	183.20	0.00	274.80	0.00	458.00	0.00
Total	1125.20	807.61	1687.80	1068.43	2813.00	1876.04

The table provides a comparative analysis between the grants recommended by the 15th Finance Commission and the actual releases by the Government of India from 2020-21 to 2025-26. For the initial years (2020-21 to 2023-24), the releases largely align with the recommendations, with only minor variations in untied and tied grants. In particular, 2020-21 saw a higher release of untied grants than recommended.

Table 5.8: Recommended Transfers to Urban Local Bodies of Uttarakhand by 15th FC (Rs in crores)

Year	Untied Grant		Tied Grant		Total	
	Recommended	Release	Recommended	Release	Recommended	Release
2020-21	111.20	139.00	166.80	139.00	278.00	278.00
2021-22	83.60	83.60	125.40	125.40	209.00	209.00
2022-23	86.80	86.80	130.20	130.20	217.00	217.00
2023-24	91.60	44.65	137.40	67.57	229.00	112.22
2024-25	97.20	0.00	145.80		243.00	0.00
2025-26	98.80	0.00	148.20		247.00	0.00
Total	569.20	354.05	853.80	462.17	1423.00	816.22

From 2020-21 to 2023-24, the recommended and released grants show a consistent pattern in the initial years but diverge significantly in 2023-24. In 2020-21, the total grant release matched the recommended amount of ₹278.00 crores. The same trend continued in 2021-22 and 2022-23, where the total grants of ₹209.00 crores and ₹217.00 crores, respectively, were fully released. However, in 2023-24, the released amount sharply dropped to ₹112.22 crores against a recommendation of ₹229.00 crores, indicating a significant shortfall in disbursement.

Table 5.9: Recommended Transfers to Local Bodies of Uttarakhand by 14th FC (Rs in crores)

Year	Basic Grants		Performance Grants	
	Rural Local Bodies	Urban Local Bodies	Rural Local Bodies	Urban Local Bodies
2015-16	203.26	78.29	-	-
2016-17	281.45	108.41	36.92	32
2017-18	325.19	125.26	41.78	36.21
2018-19	376.19	144.9	47.45	41.12
2019-20	508.31	195.79	62.13	53.84
2015-20	1694.42	652.66	188.27	163.17

Source: 14th Finance Commission Report

The data reveals a significant increase in both basic and performance grants for rural and urban local bodies between 2015-16 and 2019-20. This trend suggests a growing emphasis on empowering local self-governance.

Rural local bodies have consistently received higher grants, likely due to their larger population and infrastructure needs. For example, in 2019-20, rural local bodies received 508.31 crore rupees in basic grants, while urban local bodies received 195.79 crore rupees. This represents a difference of 312.52 crore rupees.

Table 5.10: Recommended Transfers to Local Bodies of Uttarakhand by 13th FC (Rs in crores)

Year	Basic Grants		Performance Grants	
	Rural Local Bodies	Urban Local Bodies	Rural Local Bodies	Urban Local Bodies
2010-11	55.00	17.70	-	-
2011-12	63.85	20.55	21.79	7.01
2012-13	74.59	24.01	51.22	16.48
2013-14	88.36	28.44	60.37	19.43
2014-15	104.62	33.68	71.19	22.91

Source: 13th Finance Commission Report

The data indicates a significant increase in both basic and performance grants for rural and urban local bodies between 2010-11 and 2014-15. This trend suggests a growing emphasis on empowering local self-governance. However, the disparity in grant allocation between rural and urban areas, with rural bodies consistently receiving a larger share, warrants further investigation.

For instance, in 2014-15, rural local bodies received 104.62 crore rupees in basic grants, while urban local bodies received 33.68 crore rupees. This substantial difference highlights the government's focus on rural development and infrastructure.

Highlights of Grants to Local Bodies across Finance Commissions

The grants allocated to rural local bodies in Uttarakhand have significantly increased across the Finance Commissions, reflecting a growing emphasis on rural development. The 13th Finance Commission recommended ₹591 crore, which included basic and performance grants. The 14th Finance Commission saw a substantial rise, with total recommended grants of ₹1,882.69 crore, fully released, demonstrating effective fund utilization. The 15th Finance Commission further increased the recommended grants to ₹2,813 crore, focusing heavily on tied grants for specific development needs.

The grants allocated to urban local bodies (ULBs) in Uttarakhand have seen substantial growth across the 13th, 14th, and 15th Finance Commissions. The total allocation increased from ₹652.66 crore under the 13th Finance Commission to ₹1,423 crore in the 15th Finance Commission. The 14th Commission emphasized basic grants, accounting for nearly 46% of the total, while the 15th Commission introduced a significant focus on tied grants, which comprised about 60% of the allocation.

5.4. Finances of Urban Local Bodies

Table 5.5 gives the expenditure of Urban Local Bodies while **Table 5.6** gives the revenue of Urban Local Bodies during the period 2011-12 to 2023-24.

Table 5.5: Expenditure by Urban Local Bodies (Rs in Crore)

Year's	Revenue		Capital		Total	
	Amount	Growth Rate	Amount	Growth Rate	Amount	Growth Rate
2011-12	143.60	1.3%	206.87	2.1%	350.47	1.8%
2012-13	145.80	1.5%	213.21	3.1%	359.01	2.4%
2013-14	256.19	75.7%	102.08	-52.1%	358.26	-0.2%
2014-15	272.59	6.4%	118.43	16.0%	391.01	9.1%
2015-16	312.55	14.7%	227.09	91.8%	539.64	38.0%
2016-17	317.34	1.5%	216.38	-4.7%	533.72	-1.1%
2017-18	405.91	27.9%	312.27	44.3%	718.18	34.6%
2018-19	564.80	39.14%	256.50	-17.86%	821.30	14.36%
2019-20	690.01	22.17%	258.26	0.69%	948.27	15.46%
2020-21	722.87	4.76%	379.72	47.03%	1102.59	16.27%
2021-22	700.91	-3.04%	353.61	-6.88%	1054.52	-4.36%
2022-23	931.63	32.92%	407.20	15.16%	1338.83	26.96%
2023-24	969.48	4.06%	640.59	57.32%	1610.07	20.26%

Source: Rs Figures provided by the State Government of Uttarakhand

Table 5.5 highlights critical trends in expenditure and revenue. The overall growth in expenditure post-2015-16 shows significant momentum, with a notable 38% growth in 2015-16 driven by a 91.8% increase in capital expenditure. However, the fluctuations in growth rates, including periods of contraction such as -1.1% in 2016-17 and -4.36% in 2021-22, indicate inconsistency in expenditure patterns. The 57.32% growth in capital expenditure in 2023-24 reflects a focus on infrastructure development.

Revenue growth, while strong in certain years, has generally not kept pace with expenditure, leading to fiscal gaps. Revenue exceeded expenditure in only three years: 2013-14, 2014-15, and 2016-17. The reliance on grants and devolutions has supported revenue growth, but self-generated sources like property tax and user charges remain underutilized. Although revenue grew by 32.92% in 2022-23, the overall trend underscores the need for better alignment between revenue and expenditure to ensure financial sustainability.

Table 5.6: Revenue of Urban Local Bodies

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	CAGR from 2011-12 to 2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	CAGR from 2018-19 to 2023-24
Immovable Tax	12.4	12.8	22.5	27.5	30.2	43	55.1	28.30 %	58.24	64.5	61.8	64.17	89.05	99.58	11%
Other Tax	8.2	8.7	4.5	4.5	4.7	10.1	11	5.00%	10.7	15.14	13.52	13.52	19.63	46.41	34%
User Charges	23.6	12.4	24.5	34.5	37.8	41.8	47.4	12.30 %	6.14	7.98	7.96	10.04	13.39	22.77	30%

Transfer from Central Government	0	0	21	29.5	118.1	76.3	123.8	NA	241.72	302.67	378.44	371.15	519.95	398.98	11%
Transfer from 13th FC/14th FC up till 2017-18 and 14th/15th Finance Commission from 2018-19 onwards	23.8	27.8	33.4	14.6	96.4	45.1	161	37.50%	108	188	278	209	217	112.22	1%
Assigned+ Devolution (SFC)	140.5	305	296.3	335.9	291.7	287.1	602.4	27.50%	593.84	594.96	593.97	627.76	896.77	1076.93	13%
Grant in Aid from State-Government	0	0	8.4	27.1	45.7	29.9	21.3	NA	20.43	23.34	45.78	57.37	58.8	132.45	45%
Total	200.53	208.5	366.73	410.47	473.66	624.58	533.28	0.303	1039.07	1196.59	1379.47	1353.01	1814.59	1889.34	13%

Source: Department of Urban Development, Govt, UK

Table 5.6 provides revenue analysis of ULBs from 2011-12 to 2023-24 highlights critical trends. Immovable property tax showed robust growth with a CAGR of 28.3% until 2017-18 but slowed significantly to 11% thereafter, indicating reduced momentum in leveraging this revenue source. User charges, despite their potential, have seen inconsistent growth, reflecting underutilization.

Transfers from the Central Government and Finance Commissions have remained key revenue contributors, but the sharp decline in growth rates from the 14th to 15th Finance Commission indicates a dependency on periodic policy interventions rather than sustainable mechanisms. Assigned and devolved revenues have been consistent but are not growing rapidly enough to match rising financial demands.

The total revenue growth of 13% in recent years, while significant, falls short of keeping pace with expenditure growth, exposing a persistent fiscal gap. This reliance on external grants and insufficient focus on expanding self-generated revenue streams is a key area requiring strategic intervention to enhance the financial autonomy of ULBs.

5.5. Percentage Composition of Revenues of ULBs

Table 5.7 below shows the composition of the revenues of the ULBs

Table 5.7: Composition of Revenue of Urban Local Bodies (in percentage (%))

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Immovable Tax	5.90	3.50	5.50	5.80	4.80	8.10	5.40	5.61	5.39	4.48	4.74	4.91	5.27
Other Tax	3.90	2.40	1.10	1.00	0.70	1.90	1.10	1.03	1.27	0.98	1.00	1.08	2.46
User Charges	11.30	3.40	6.00	7.30	6.10	7.80	4.60	0.59	0.67	0.58	0.01	0.74	1.21
Transfer from Central Government	0.00	0.00	5.10	6.20	18.90	14.30	12.10	23.26	25.29	27.43	27.43	28.65	21.12
Transfer from 14th/15th Finance Commission	11.40	7.60	8.10	3.10	15.40	8.50	15.80	10.39	15.71	20.15	15.45	11.96	5.94

Assigned+ Devolution (SFC)	67.40	83.20	72.20	70.90	46.70	53.80	58.90	57.15	49.72	43.06	46.40	49.42	57.00
Grant in Aid from State-Government	0.00	0.00	2.00	5.70	7.30	5.60	2.10	1.97	1.95	3.32	4.24	3.24	7.01

Source: Computed from Rs Figures provided by the State Government of Uttarakhand

Table 5.7 presents a comprehensive view of revenue trends for local bodies in Uttarakhand from 2011-12 to 2023-24, highlighting the distribution and evolution of key revenue sources. It reveals a dynamic fiscal structure where external transfers and devolutions dominate the revenue profile, while own-source revenue contributes a relatively smaller share.

Transfers from the Central Government, particularly since 2014-15, have shown a notable upward trend, peaking at over 27% in 2020-21. Similarly, allocations from the Finance Commissions have played a significant role, though their contribution fluctuated, with a decline observed in 2023-24. Devolutions from the State Finance Commission (SFC) consistently form the largest share of revenues, indicating their critical role in ensuring the fiscal viability of local bodies.

Own-source revenue, encompassing immovable tax, other taxes, and user charges, remains limited. Immovable tax contributions show moderate variability, hovering around 5%, while other taxes consistently contribute less than 3%. User charges, after an initial decline, are recovering but remain a minor contributor to the total revenue.

Grant-in-aid from the state government has gradually increased, though it remains a relatively small fraction of the total revenues. This demonstrates a supplementary role in supporting local bodies alongside major transfers from the Centre and SFC.

The analysis underscores the evolving dynamics of local body financing in Uttarakhand, providing insights into the reliance on external transfers and the scope for strengthening revenue mobilization mechanisms.

5.6. Finances of Rural Local Bodies

Table 5.8 gives the expenditure of Rural Local Bodies while Table 5.9 gives the revenue of Rural Local Bodies during the period 2011-12 to 2023-24.

Table 5.8: Expenditure of Rural Local Bodies (Rs in Crore)

Years	Revenue		Capital		Total	
	Amount	Growth Rate	Amount	Growth Rate	Amount	Growth Rate
2011-12	16.65	-7.30%	170.07	-35.70%	186.72	-33.90%
2012-13	25.23	51.50%	255.12	50.00%	280.35	50.10%
2013-14	21.68	-14.10%	282.68	10.80%	304.36	8.60%
2014-15	28.55	31.70%	306.1	8.30%	334.65	10.00%
2015-16	32.5	13.80%	443.26	44.80%	475.76	42.20%
2016-17	34.08	4.90%	523.21	18.00%	557.29	17.10%
2017-18	35.87	5.30%	682.41	30.40%	718.29	28.90%

2018-19	241.96	574.55	571.32	-16.28	813.28	13.22
2019-20	281.42	16.31	658.2	15.21	939.62	15.53
2020-21	298.15	5.94	691.56	5.07	989.71	5.33
2021-22	235.86	-20.89	576.05	-16.70	811.91	-17.96
2022-23	346.96	47.10	773.01	34.19	1119.97	37.94
2023-24	161.3	-53.51	368.29	-52.36	529.59	-52.71

Source: Department of Panchayati Raj, Govt. of UK

The revenue trends of local bodies in Uttarakhand over the period 2011-12 to 2023-24 reveal significant structural characteristics and areas requiring intervention to enhance fiscal sustainability. Immovable Tax, a primary own-source revenue, has maintained a stable contribution of 4-6% annually, but its modest growth underscores the need for strengthening tax administration and broadening the base to optimize its potential. Other tax revenues, persistently below 3%, reflect a glaring underutilization of taxation capacity at the local level. The sharp decline in user charges, from 11.3% in 2011-12 to less than 1% in recent years, indicates inefficiencies in cost recovery mechanisms and a pressing need for reforms in pricing and collection strategies to ensure the financial viability of public services.

The rising share of transfers from the Central Government, which now constitutes a substantial portion of local body revenues, has provided critical fiscal support, with the proportion peaking at over 28% in recent years. However, this increasing dependence on central transfers highlights the vulnerability of local finances to changes in central policies, underscoring the importance of enhancing local revenue autonomy. Similarly, while devolutions and assigned revenues from the State Finance Commission remain the largest revenue source, averaging over 50%, their declining trend—from 83.2% in 2012-13 to 43% in 2020-21—raises concerns about the adequacy and predictability of these transfers. Contributions from the 14th and 15th Finance Commissions, while significant at times, have shown considerable variability, requiring a focus on ensuring regular and adequate allocations to local bodies to meet developmental priorities effectively.

Grants-in-aid from the State Government have increased marginally but remain insufficient to bridge the resource gap, particularly in light of declining performance in own-source revenue mobilization. The overall revenue trends underscore an urgent need for strategic interventions to enhance fiscal capacity, rationalize revenue streams, and reduce dependence on higher-tier government transfers. This requires a coordinated effort to strengthen local governance, improve tax administration, optimize cost recovery mechanisms, and advocate for equitable and stable intergovernmental fiscal arrangements to secure the financial resilience of local bodies in Uttarakhand.

Table 5.9: Revenue of Rural Local Bodies (Rs in Crore)

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	CAGR	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	CAGR
Immovable Tax	1.8	1.9	1.9	2	2.3	2.2	2	0.015	5.85	4.9	5.42	5.45	7.26	7.63	12%
Other Tax	12.4	24.5	15.5	14.1	18.2	20	26.6	0.135	12.54	12	7.23	10.94	17.18	18.04	3%
User Charges	2.6	3.7	4.1	4.1	4.7	5	5.1	0.117	13.06	14.69	12.34	14.53	13.83	14.52	14%
Transfer from Central Govt.	0.8	1	1.3	1	1.4	1.3	0	-1	36.64	26.58	29.72	0	46.3	71.85	41%

Transfer from 14th/15th Finance Commission	72.7	84	97	98.8	203.3	318.4	325.2	0.283	376.19	508.3	574	420	440	439	15%
Assigned + Devolution (SFC)	105.8	186.6	177.7	191.9	225.9	227	341.2	0.215	368.82	373.15	360.99	360.99	595.4	718	16%
Grant in Aid from State-Government	28.5	8.1	8.5	8.3	7.9	7.2	11.6	-0.139	0	0	0	0	0	0	-100%
Others	0	0.3	1.3	3.7	2.1	2.6	0.8	NA	0	0	0	0	0	0	-100%
Total	224.7	310.1	307.4	323.9	465.8	583.7	712.4	0.212	813.1	939.62	989.7	811.91	1119.97	1269.04	469%

Source: Department of Panchayati Raj, Govt. of UK

The local government's revenue structure has undergone a significant shift. While traditional sources like property taxes and user charges have shown modest growth (CAGR of 15% to 25%), a dramatic increase in reliance on external funding is evident.

Transfers from the central government and Finance Commission have experienced exponential growth (CAGR > 200%), becoming the primary drivers of revenue growth. This increased reliance on external funding could potentially limit the government's financial autonomy and its ability to implement independent policy decisions.

To ensure long-term financial sustainability, the government should diversify revenue sources, enhance tax collection efficiency, optimize expenditure, and strengthen financial management practices.

5.7. Percentage Composition of Revenues of Rural Local Bodies

Table 5.10 below shows the composition of the revenues of Rural Local Bodies. By the end of 2017-18, the transfer from the FC has contributed to 45.6% of total revenues an assigned devolution by 47.9% of total revenues. The share of grant-in-aid has substantially come down.

Table 5.10: Composition of Revenue of Rural Local Bodies (in percentage (%))

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Immovable Tax	0.80	0.60	0.60	0.60	0.50	0.40	0.30	0.72	0.52	0.55	0.67	0.65	0.60
Other Tax	5.50	7.90	5.00	4.40	3.90	3.40	3.70	1.54	1.28	0.73	1.35	1.53	1.42
User Charges	1.20	1.20	1.30	1.30	1.00	0.90	0.70	1.61	1.56	1.25	1.79	1.23	1.14
Transfer from Central Govt.	0.40	0.30	0.40	0.30	0.30	0.20	0.00	4.51	2.83	3.00	0.00	4.13	5.66
Transfer from 14th/15th Finance Commission	32.40	27.10	31.60	30.50	43.60	54.50	45.60	46.27	54.10	58.00	51.73	39.29	34.59
Assigned+ Devolution (SFC)	47.10	60.20	57.80	59.30	48.50	38.90	47.90	45.36	39.71	36.47	44.46	53.16	56.58
Grant in Aid from State Govt	12.70	2.60	2.80	2.60	1.70	1.20	1.60	0.00	0.00	0.00	0.00	0.00	0.00
Others	0.00	0.10	0.40	1.10	0.50	0.40	0.10	0.00	0.00	0.00	0.00	0.00	0.00

Source: Department of Panchayati Raj, Govt. of UK

The local government's revenue structure has undergone significant changes over the period 2011-12 to 2023-24. The reliance on traditional sources like property taxes and user charges has declined significantly. The share of immovable tax in total revenue decreased from 0.80%

in 2011-12 to 0.30% in 2017-18. Similarly, the share of user charges decreased from 1.20% in 2011-12 to 0.70% in 2017-18.

Conversely, there has been a substantial increase in dependence on central government transfers and devolution funds from the Finance Commission. The share of transfers from the central government increased from 0.40% in 2011-12 to 451% in 2018-19. The share of transfers from the 14th/15th Finance Commission increased from 32.40% in 2011-12 to 4625% in 2018-19.

The local government should focus on diversifying its revenue sources, improving tax collection efficiency, and prioritizing cost-effective service delivery. Long-term financial planning, transparency, and accountability are crucial for ensuring fiscal sustainability and public trust.

5.8. Summary

The financial health of local bodies presents a mixed picture. On the one hand, there has been a noticeable increase in receipts for both urban and rural local bodies, driven primarily by augmented transfers from the Finance Commission (FC) and a partial devolution of funds by the State Government. These measures have significantly bolstered the financial capacities of local bodies, particularly following the recommendations of the 14th Finance Commission. However, despite these improvements, a major concern remains the relatively low levels of own-source revenue generation among local bodies, both rural and urban.

While urban local bodies have some potential to enhance their revenues through user charges, their capacity to do so remains limited. The rural local bodies, on the other hand, are almost entirely dependent on state transfers and grants-in-aid. With little scope for levying user charges, their financial autonomy remains significantly constrained. This disparity in revenue generation abilities underscores the continued financial vulnerability of rural local bodies, emphasizing the need for innovative revenue models and a more robust system of local taxation to ensure financial sustainability.

Chapter 6: State Public Sector Enterprises

6.1 Background

Uttarakhand's public sector landscape comprises a total of 33 State Public Sector Undertakings (SPSUs), which play a significant role in the socio-economic development of the state. As of 31 March 2023, there were 33 State Public Sector Enterprises (SPSEs) including four² Statutory Corporations and 28 Government Companies (including nine inactive government companies³) and one⁴ Government Controlled Other Companies (GCOCs). The state has nine inactive State Public Sector Enterprises (SPSEs), including seven under liquidation, with a total investment of ₹36.19 crore. This comprises ₹12.31 crore in capital (₹9.54 crore from the State Government and ₹2.77 crore from other sources) and ₹23.88 crore in long-term loans (₹5.15 crore from the State Government and ₹18.73 crore from other sources). This situation poses a significant concern, as investments in inactive SPSEs yield no contribution to the State's economic growth.

6.2 Investment & Return on Investment in PSUs

The total investment (equity and long-term loans) in 14 SPSUs which submitted their accounts up to 2019-20 and onwards was ₹8,449.81 crore. The investment consisted of 43.71 per cent as equity and 56.29 per cent as long-term loans. Out of this, GoU had investment of ₹4,393.17 crore in these SPSUs consisting of equity of ₹ 3,553.58 crore and long-term loans of ₹839.59 crore. Government of Uttarakhand had invested ₹ 3,818.94 crore in one Statutory Corporation and 16 Government Companies, in the State as of 31st March 2022. The State Government earned a return of ₹35.05 crore on these investments during 2021-22. Year-wise details of investment by Government of Uttarakhand over the decade 2012-13 to 2021-22 are given in the Table-6.2 below.

Table 6.2: Return on Investment

	Investment at the end of the year	Return	Return (percent)	Average rate of interest on Government borrowings (percent)	Difference between interest rate and return (percent)
2012-13	1858	0.19	0.01	8.50	8.49
2013-14	2677	0.3	0.01	7.57	7.56
2014-15	2809	0.11	0.004	7.73	7.73
2015-16	2,914	5.10	0.18	8.19	8.01
2016-17	3,124	15.21	0.49	8.90	8.41
2017-18	3,209.24	22.69	0.71	8.27	7.56
2018-19	3,402.45	18.69	0.55	8.15	7.60
2019-20	3,534.95	14.08	0.40	7.26	6.86
2020-21	3,683.54	40.02	1.09	6.83	5.74
2021-22	3,818.94	35.05	0.92	6.55	5.63

Source: CAG report on State Finances of Uttarakhand for various years

*Data is not available beyond this year.

The table demonstrates the trend in investments at the end of each financial year from 2012-13 to 2021-22, along with the corresponding returns, return percentages, average government borrowing rates, and the differences between borrowing rates and returns. Over the period, the investment portfolio showed consistent growth, rising from ₹1,858 crore in 2012-13 to

₹3,818.94 crore in 2021-22. This indicates a robust expansion in the capital base, likely reflecting the scaling up of financial commitments or reserves.

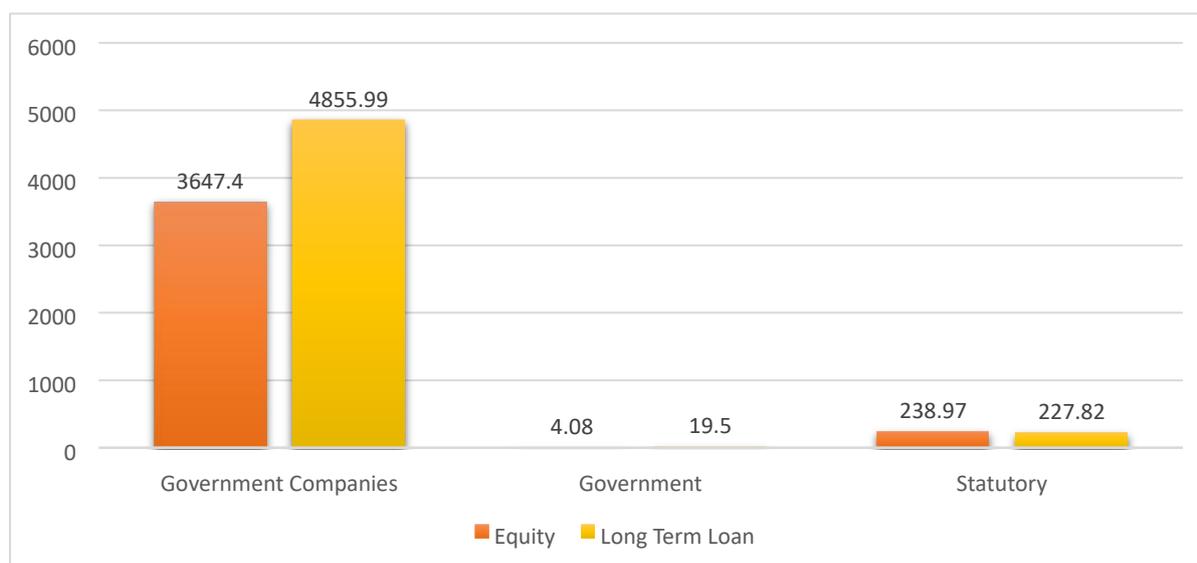
Despite the growth in investments, the return percentages remained persistently low throughout the decade, peaking at just 1.09% in 2020-21. This is in stark contrast to the average government borrowing rates, which ranged from 8.5% in 2012-13 to 6.55% in 2021-22. The difference between borrowing rates and returns remained significant, although it narrowed slightly over the years—from 8.49% in 2012-13 to 5.63% in 2021-22—highlighting an enduring mismatch between investment performance and borrowing costs.

While the nominal returns showed occasional spikes, such as ₹40.02 crore in 2020-21, these remained insufficient to offset the high cost of borrowing. This underperformance suggests inefficiencies in the investment strategy or the need for diversification to improve returns. The consistently negative gap between returns and interest rates underscores the opportunity cost of maintaining this investment portfolio under the prevailing conditions. This analysis calls for a revaluation of investment strategies to achieve a more balanced financial outcome.

6.3: Investments in State Public Sector Undertakings and Budgetary Support

The capital invested by the Central Government, State Government, and others in the State Public Sector Undertakings (SPSUs) as of 31 March 2022 is illustrated in Chart 6.1.

Chart 6.1: Composition of Investments in Government Companies, GCOs & Statutory Corporations



Source: State finances Audit Report of Uttarakhand for the year ended 31st March 2022

6.4: Sector-wise Investment

Table 6.3 points out the sectoral distribution of Total Equity, Equity Contributions by the State Government, and Long-Term Loans including, the loans given by State Government in 21 working SPSEs. This excludes three⁶ working companies, where the State Government had not made any investments as of March 31, 2023.

Table 6.3: Sectoral Investment in Public Sector Undertakings

Particulars	Investment					Percentage of Total Equity and Long-Term Loans
	Total Equity	State Government Equity	Total Long-Term Loans	State Government Loans	Total Equity and Long-Term Loans	
Power Sector	3660.29	3655.29	4431.5	581.77	8091.79	90.49
Other SPSEs	375.67	334.23	474.49	353.74	850.16	9.51
Total	4035.96	3989.52	4905.99	935.51	8941.95	100

Source: CAG report on State Public Sector Enterprises as on 31st March 2023

The investment portfolio is heavily skewed towards the power sector, which accounts for approximately 90.49% of the total equity and long-term loans. This is evident from the data, which shows that the power sector has a total investment of ₹8,091.79 crores, out of which ₹3,660.29 crores is equity and ₹4,431.5 crores is long-term loans.

The State Government's equity investment in the power sector is substantial, with a total investment of ₹3,655.29 crores, which accounts for over 99% of the total equity in the power sector. This underscores the State Government's commitment to the development of the power sector. In contrast, other SPSEs have a relatively modest investment of ₹850.16 crores, which accounts for approximately 9.51% of the total equity and long-term loans. This suggests that the investment portfolio is not well diversified, with a heavy concentration in the power sector.

The data also highlights the significant role of long-term loans in financing the power sector and other SPSEs. The power sector has ₹4,431.5 crores in long-term loans, while other SPSEs have ₹474.49 crores. This underscores the need for careful monitoring of debt sustainability and potential liquidity risks.

Overall, the analysis suggests that while the power sector is a critical component of the economy, the investment portfolio is not well diversified, with a heavy concentration in this sector. The State Government's commitment to the development of the power sector is evident, but careful monitoring of debt sustainability and potential liquidity risks is essential. Moreover, Table 6.4 below presents investment summary (equity and long-term loans) and financial reporting status of Public Sector Enterprises in 32 State Public Sector Undertakings (SPSUs) as of 31 March 2022.

Table 6.4: Investment Summary and Financial Reporting Status of PSUs**(Rs. in crore)**

Sector	No. of SPSUs	Investment								Grand Total
		Equity				Long Term Loans				
		GoU	GoI	Other	Total	GoU	GoI	Other	Total	
SPSUs that submitted its accounts up to 2019-20 or onwards										
Power Sector SPSUs	4	3522.47	0.00	5.00	3527.47	551.76	0.00	3990.51	4542.27	8069.74
Other than Power Sector SPSUs	10	31.11	0.00	3.53	34.64	287.83	0.00	57.60	345.43	380.07
Total SPSUs covered in this Chapter	14	3553.58	0.00	8.53	3562.11	839.59	0.00	4048.11	4887.70	8449.81
SPSUs submitted its accounts up to 2018-19										
Power Sector SPSUs	-	Nil								

Sector	No. of SPSUs	Investment								Grand Total
		Equity				Long Term Loans				
		GoU	GoI	Other	Total	GoU	GoI	Other	Total	
Other than Power Sector SPSUs	18	302.66	15.41	10.27	328.34	130.24	18.56	66.81	215.61	543.95
Total SPSUs not covered in this Chapter	18	302.66	15.41	10.27	328.34	130.24	18.56	66.81	215.61	543.95
Grand Total	32	3856.24	15.41	18.80	3890.45	969.83	18.56	4114.92	5103.31	8993.76

Source: CAG report on State Finance Audit Report as of 31st March 2022

Table 6.4 highlights the investment distribution in State Public Sector Undertakings (SPSUs) under the categories of equity and long-term loans, differentiated by Power Sector and non-Power Sector entities. It also includes a distinction between SPSUs that submitted accounts up to 2019-20 and those up to 2018-19. The analysis offers insights into sectoral priorities, financial structuring, and overall funding patterns. Of the 32 SPSUs, 14 entities, including 4 in the power sector, have submitted their accounts up to 2019-20 or later. The remaining 18 SPSUs, which submitted accounts only up to 2018-19, are entirely from sectors other than power, with a total investment of Rs. 543.95 crore.

Power Sector SPSUs dominate the investment landscape, accounting for ₹8,069.74 crore out of the total ₹8,993.76 crore across all SPSUs. This reflects the critical emphasis placed on the power sector as a driver of state development. Within this, government equity injections accounted for ₹3,522.47 crore, supplemented by substantial long-term loans, particularly sourced from other institutions, amounting to ₹3,990.51 crore. The non-Power Sector SPSUs, while more numerous, received significantly less financial backing, with a cumulative investment of ₹380.07 crore, indicating a secondary priority compared to the power sector.

The data also points to variations in the financial contributions from different sources. The Government of Uttarakhand emerged as the principal investor, with equity and loans contributing substantially across both sectors. However, investments from the Government of India and other entities were minimal, primarily restricted to non-power Sector SPSUs, where they comprised a small share of funding.

Overall, the financial structuring across SPSUs shows a dependency on equity and institutional loans, particularly for Power Sector entities. The marginal investment in non-power Sector SPSUs suggests an opportunity to reassess sectoral priorities and funding strategies to foster diversification and reduce dependency on power-intensive growth models.

6.5 State Public Sector Undertakings: Budgetary Support Overview

Table 6.4 outlines the financial support received by PSUs in various forms as of 31st March 2016.

Table 6.4: Details regarding budgetary support to PSUs

Particulars	2013-14		2014-15		2015-16	
	No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
i. Equity Capital outgo from budget	4	259.91	4	171.96	4	57.76
ii. Loans given	6	190.07	5	374.43	3	17.35
iii. Grants/ Subsidies provided	4	69.71	3	32.6	4	44.42

Total outgo (i +ii +iii)	84	519.69	74	578.99	64	119.53
Waiver of loans and interest	-	-	-	-	-	-
Guarantees issued	1	1.54	2	57.87	4	509.52
Guarantees commitment	4	906.66	4	1471.97	4	852.55

Source: CAG report on Social and Economic Sectors PSUs as on 31st March 2016

Table 6.4 suggests that there is a significant decrease in equity capital outgo from the budget, indicating a strategic move away from direct government investment. This is supported by the data, which shows a 66.41% decrease in equity capital outgo from 2013-14 to 2015-16. However, a substantial increase in guarantees issued and committed suggests a shift towards risk mitigation strategies. The government appears to be leveraging its creditworthiness to facilitate PSU borrowing. Loan disbursements and grant/subsidy distribution have shown mixed trends, with some fluctuations. This shift in strategy aims to balance fiscal discipline with support for PSUs, while mitigating risks through guarantees.

Further, the summary of sector wise budgetary outgo, including equity, loans, and grants/subsidies, for 14 SPSUs ending March 2022, is detailed in **Table 6.5**.

Table 6.5: State Public Sector Undertakings: Budgetary Support Overview (in crore)

Particulars	2016-17		2017-18		2018-19		2019-20		2020-21		2021-22	
	No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
A. Power Sector SPSUs												
i. Equity Capital outgo	4	130.01	3	53.00	3	193.01	3	133.19	3	142.59	3	100.91
ii. Loans given	3	129.27	2	35.49	3	53.92	1	12.18	1	30.42	1	40.08
iii. Grants/ Subsidies provided	1	46.4	1	14.96	3	13.54	1	24.38	1	0.1	1	2.94
Total outgo (i +ii +iii)		305.68		103.45		260.47	3	169.75	3	173.11	3	143.93
B. Other than Power Sector SPSUs												
i. Equity Capital outgo	2	78.42	4	63.02	3	1.52	1	0.15	0	0	0	0
ii. Loans given	-	-	-	-	-	-	0	0	0	0	0	0
iii. Grants/ Subsidies provided	5	490.8	5	649.21	9	1203.9	5	1041.28	5	789.31	6	1264.31
Total outgo (i +ii +iii)		569.2		712.23		1208.43	6	1041.43	5	789.31	6	1264.31
Grand Total							9	1211.18	8	962.42	9	1408.24

Source: CAG report on State Finance Audit Report as of 31st March 2022

* Represent the actual number of companies/corporations that received budgetary support in the form of equity/loans/subsidies during the respective year

From 2016-17 to 2021-22, the financial outgo in the public sector undertakings (PSUs) of Uttarakhand showed significant fluctuations, particularly between the power sector and other sectors. In the power sector, equity capital outgo remained relatively steady, peaking at Rs. 193.01 crore in 2018-19 before declining to Rs. 100.91 crore in 2021-22. Similarly, loans provided to these PSUs followed a downward trend, with Rs. 129.27 crore in 2016-17 dropping to Rs. 40.08 crore by 2021-22. Grants and subsidies in the power sector also saw a sharp decline from Rs. 46.4 crore in 2016-17 to Rs. 2.94 crore in 2021-22. Overall, the total outgo in the

power sector fluctuated, with a high of Rs. 305.68 crore in 2016-17 dropping to Rs. 143.93 crore in 2021-22.

On the other hand, other-than-power sector PSUs experienced much larger fluctuations, especially in the grants and subsidies provided. Grants surged from Rs. 490.8 crore in 2016-17 to Rs. 1,264.31 crore in 2021-22, peaking at Rs. 1,203.9 crore in 2018-19. The equity capital outgo in these PSUs saw a substantial decline from Rs. 78.42 crore in 2016-17 to Rs. 0 in 2020-21. No loans were given during the period from 2020-21 to 2021-22, indicating a lack of new financial injections into the sector.

Overall, the grand total of outgo from both sectors combined followed a similar trend, with the total declining from Rs. 1,211.18 crore in 2016-17 to Rs. 962.42 crore in 2017-18 but reaching a peak of Rs. 1,408.24 crore in 2018-19. The significant shift in outflows across both sectors points to a dynamic fiscal environment where the power sector saw reduced financial support, while other sectors experienced a surge in grants and subsidies. This trend suggests a reallocation of resources, likely driven by policy shifts or operational needs, but also reflects the growing dependency on grants and subsidies for maintaining PSU operations.

6.6: Dividend paid by State Public Sector Undertakings

The Government of Uttarakhand (GoU) has not established a dividend policy requiring State Public Sector Undertakings (SPSUs) to provide a minimum return on the paid-up share capital contributed by the State Government. The dividends paid by SPSUs, where equity was infused by the Government of Uttarakhand (GoU), are detailed in **Table 6.6**

Table 6.6: Dividend Pay-out by SPSUs (in crore)

Year	No. of SPSUs which declared dividend	Paid-up Capital as per latest finalised accounts	Net Profit	Dividend Declared
1	2	3	4	5
2018-19	1	1,190.99	26.24	22.55
2019-20	2	1,829.06	220.35	16.94
2020-21	2	1,941.65	178.56	44.87
2021-22	2	1,372.68	121.86	30.00
2022-23	2	2120.38	134.88	25.01

Source: State Audited report from CAG Report 2022.

During 2018-19 only UJVN paid dividends. Between 2019-20 and 2021-22, UJVN and PTCUL declared and paid dividends. In the fiscal year 2021-22, UJVN¹ paid a dividend at a rate of 2.42 percent, while PTCUL² paid a dividend at a rate of 1.71 percent of their retained earnings. None of the other six profit-making SPSUs declared or paid dividends during 2021-22. During 2022-23, among the 12 State Public Sector Enterprises (SPSEs) that reported profits based on their latest finalized accounts, only two—UJVN Limited and Power Transmission Corporation of Uttarakhand Limited (PTCUL)—declared or paid dividends. UJVN Limited and PTCUL declared dividends at rates of 1.50 percent and 1.46 percent, respectively, of their retained earnings for the year. The remaining 10 profit-making SPSEs did not declare or pay any dividends during 2022-23.

¹ Uttarakhand Jal Vidyut Nigam Limited

² Power Transmission Corporation of Uttarakhand Limited

6.3 Financial Performance of PSUs

Table 6.7 shows details of Return on Capital Employed (RoCE) during the period from 2020-21 to 2022-23.

Table 6.7: Return on Capital Employed

Year	Particulars	EBIT (in cr.)	Capital Employed (in cr.)	RoCE (%)
2020-21	Power Sector SPSEs	308.32	5601.92	5.5
	Other SPSEs	69.91	370.82	18.85
	Total	378.23	5972.74	6.33
2021-22	Power Sector SPSEs	464.13	5769.31	8.04
	Other SPSEs	119.81	366.14	32.72
	Total	583.94	6135.45	9.52
2022-23	Power Sector SPSEs	(-)666.83	4475.66	(-)14.90
	Other SPSEs	120.76	366.08	32.99
	Total	(-)546.07	4841.74	(-)11.28

Source: CAG Audit report Chapter 10

The analysis indicates that while the Return on Capital Employed (RoCE) remained positive during 2020-21 and 2021-22, it turned negative in 2022-23. This decline in RoCE in 2022-23 can be attributed to a reduction in both EBIT and Capital Employed. A significant contributing factor was an exceptional loss reported by Uttarakhand Power Corporation Limited (UPCL), driven by elevated power purchase costs.

Further, Return on Equity¹¹ (RoE) for the 12 profit-earning working SPSEs was recorded at 5.07 percent in 2022-23. However, when considering all 19¹² working SPSEs, including the seven loss-making entities, the overall RoE turned negative for the year 2022-23. The details of the Shareholder's fund and RoE relating to working SPSEs are outlined in **table 6.8** below:

Table 6.8: Return on Equity

Year	Particulars	Net Income (in cr.)	Shareholder's Fund (in Cr.)	ROE (%)
2020-21	Power Sector SPSEs	26.81	1023.69	2.62
	Other SPSEs	(-)2.13	(-)215.33	–
	Total	24.68	808.36	3.05
2021-22	Power Sector SPSEs	138.45	1227.04	11.28
	Other SPSEs	47.28	(-)219.23	–
	Total	185.73	1007.81	18.43
2022-23	Power Sector SPSEs	(-)1088.76	44.16	–
	Other SPSEs	48.06	(-)219.29	–
	Total	(-)1040.70	(-)175.13	–

Source: CAG Audit report Chapter 10

In 2020-21 and 2021-22, the overall Return on Equity (RoE) was positive, primarily due to profits reported by two power sector SPSEs. However, in 2022-23, the RoE could not be determined as the overall net income of the SPSEs turned negative. This was largely driven by

a substantial loss of ₹1,223.64 crore incurred by Uttarakhand Power Corporation Limited (UPCL) during the year.

The year-wise status of the Government of Uttarakhand's (GoU) investment in the form of equity and long-term loans in the three working power sector PSUs during the period 2014-15 to 2018-19 is detailed in Chart 6.2.

Table 6.8: Financial Performance of PSUs (in Rs Crore)

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Turnover	3,258.60	4,042.00	5,103.42	5,741.42	7,173.33	5,883.21	6,780.91	7,291.08
State GDP	1,15,328	1,31,613	1,49,074	1,61,439	1,75,772	1,95,125	2,22,836	2,45,895
% of Turnover to State GDP	2.80%	3.10%	3.40%	3.60%	4.10%	3.02%	3.04%	2.97%
Overall Profit (Loss)	-562.75	-234.25	-42.45	283.09	100.57	(-)175.02	(-)136.60	(-)464.53
ROCE (Return on Capital Employed)	-3.56	0.59	-6.31	8.74	5.74	3.80	4.77	-5.63
Debt	2,883.12	2,702.00	2,929.57	3,245.73	3,216.60	3,392.46	3,361.23	2,908.25
Interest Payments	288.64	276.93	281.65	358.33	391.13	368.88	366.46	240.61
Accumulated Profits/losses	-1,905.97	-2,081.42	-2,034.59	-1,883.90	-1,948.47			

Source: CAG report on Social and Economic Sectors of Uttarakhand for the year ended 31st March 2017

*Data is not available for the year 2018-19 and 2019-2020.

From 2011-12 to 2015-16, working Public Sector Undertakings (PSUs) experienced significant growth in turnover, rising from Rs. 3,258.60 crore to Rs. 7,173.33 crore. This growth also increased their contribution to the State GDP, from 2.8% to 4.1% over the same period. The PSUs achieved a milestone in 2014-15 by recording their first profit of Rs. 283.08 crore. However, this profit decreased to Rs. 100.57 crore in the following year.

Despite these positive developments, the financial health of PSUs remains concerning. While some individual PSUs were profitable, the collective loss for all PSUs in 2015-16 was substantial, amounting to Rs. 1,948.47 crore. This indicates significant financial challenges across the sector.

From 2016-17 to 2018-19 Uttarakhand's working Public Sector Undertakings (PSUs) saw moderate growth in turnover, rising from Rs. 5,883.21 crore in 2016-17 to Rs. 7,291.08 crore in 2018-19. However, their contribution to the State GDP declined from 4.1% in 2015-16 to 2.97% in 2018-19, indicating a reduced role in the state's economy. Despite turnover growth, the PSUs experienced continued financial struggles, with losses increasing from Rs. 175.02 crore in 2016-17 to Rs. 464.53 crore in 2018-19. The Return on Capital Employed (ROCE) also worsened, dropping from 5.74% in 2015-16 to -5.63% by 2018-19, signaling inefficiencies in capital utilization.

Debt levels fluctuated but ultimately decreased from Rs. 3,392.46 crore in 2016-17 to Rs. 2,908.25 crore in 2018-19, leading to a reduction in interest payments from Rs. 391.13 crore in 2015-16 to Rs. 240.61 crore in 2018-19. Despite this, the PSUs' profitability remained negative, with no dividends declared in the entire period due to the absence of a formal dividend policy. Overall, the PSUs continued to face significant financial challenges, impacting their sustainability and contribution to the state's economic growth.

6.4 Conclusion

The financial performance of Uttarakhand's State Public Sector Undertakings (SPSUs) presents a mix of progress and ongoing challenges. Although state investment has increased steadily, reaching ₹3,818.94 crore by March 2022, returns have consistently fallen short of government borrowing costs, with a peak return of just 1.09% in 2020-21 compared to an average borrowing rate of 7.41%. The power sector, with an investment of ₹8,069.74 crore, significantly outweighs non-power sectors, which received ₹924.02 crore. Despite this growth, substantial budgetary support continues, highlighting the SPSUs' ongoing reliance on government funding.

In addition, the performance of nine inactive SPSUs, which remain non-functional and have failed to contribute to the state's economic development, exacerbates the financial strain. The liquidation process for the seven SPSUs currently under liquidation should be expedited, and decisions should be made swiftly regarding the two other non-functional SPSUs to minimize inefficiencies and release valuable resources.

The absence of a formal dividend policy has further limited returns, with only UJVN and PTCUL paying dividends. This contributes to the wider issue of lagging returns relative to the state's borrowing costs. Establishing a comprehensive dividend policy would help close this gap, ensuring that investments in SPSUs yield better financial returns. Alongside this, strategies to enhance profitability, improve financial performance, and optimize budgetary support should be implemented.

While some positive trends are evident in Uttarakhand's SPSUs, there remains considerable scope for improvement. To foster long-term financial sustainability, the state must reform its dividend policy, streamline investment strategies, and prioritize performance accountability. These actions will reduce financial dependency and enhance the financial health of the SPSUs, enabling them to play a more effective role in the state's economic growth.

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

7.1. Background

7.1.1 The power sector in Uttarakhand operates under the framework of the Electricity Act, of 2003, which mandates the unbundling of the power industry into independent utilities to enhance efficiency and transparency. In Uttarakhand, three key entities manage the state's electricity needs: Uttarakhand Jal Vidyut Nigam Limited (UJVNL) is responsible for power generation, Power Transmission Corporation of Uttarakhand (PTCUL) handles power transmission, and Uttarakhand Power Corporation Limited (UPCL) oversees power distribution. The regulatory oversight of these utilities is provided by the Uttarakhand Electricity Regulatory Commission (UERC), established in January 2002. UERC's mandate includes determining tariffs for generation, supply, transmission, and wheeling of electricity, whether at wholesale, bulk, or retail levels within the state. To ensure the orderly functioning of the power sector, UERC has implemented several key regulations, including the grid code, multiyear tariff regulations (2011), intrastate open access regulations (2010), and Renewable Purchase Obligation (RPO) regulations (2010). Additionally, it lays down the terms and conditions for tariffs, fees, fines, and charges.

7.1.2 The Electricity Act, of 2003, aims to create a competitive, efficient, and economically viable power sector. It seeks to promote transparency and competition in the industry by unbundling the power sector into generation, transmission, and distribution entities. This separation allows for specialized focus and improved management of each segment. The act also aims to protect consumer interests by ensuring fair tariffs and reliable electricity supply. Additionally, it encourages the adoption of renewable energy sources and the implementation of energy conservation measures to achieve long-term sustainability and energy security.

7.2 Power Industry Structure in Uttarakhand

According to the Electricity Act of 2003, Uttarakhand has three unbundled and independent utilities: Uttarakhand Jal Vidyut Nigam Limited (UJVNL) for generation, Power Transmission Corporation of Uttarakhand (PTCUL) for transmission, and Uttarakhand Power Corporation Limited (UPCL) for distribution. The Uttarakhand Electricity Regulatory Commission (UERC) regulates the power business, which was established in January 2002. The UERC sets pricing for the generation, supply, transmission, and wheeling of electricity within the state, whether wholesale, bulk, or retail. UERC issued several major laws, including the grid code, multiyear tariff regulations (2011), intrastate open access regulations (2010), RPO regulations (2010), and tariff terms and conditions. The Uttarakhand Renewable Energy Development Agency was founded in July 2001 to promote renewable energy, energy efficiency, and conservation.

7.3 Power System Complexities

The rapidly growing energy demand, both industrial and domestic, along with the resulting congestion in power evacuation facilities, poses a significant threat to Uttarakhand's power infrastructure. Consequently, in 2022 and 2023, the state administration implemented power outages. Through the Saubhagya program, Uttarakhand achieved 100% household electrification (adding 248,000 new connections) in March 2019, which increased the residential consumer base by about 20% and added to the system's capacity constraints. From

2023 to 2027, the state's electricity demand is projected to grow at a compound annual growth rate of nearly 5.5%. Significant investments in the current power networks will be necessary to increase capacity, accommodate future demand, and enhance the quality and reliability of the supply.

One of the pressing issues facing the State is reducing AT&C losses to below 10% and eliminating the gap between the average cost of supply and the average revenue realized to minimize the financial burden on the DISCOM¹ and the State.

7.4 Power demand scenario

Uttarakhand has made significant progress in expanding access to and availability of electricity. The peak deficit fell from 6.00% in FY2010 to zero in FY2023², and the energy deficit decreased from 6.5% to 1.7% over the same period. The state achieved 100% electrification in all inhabited villages covered by the census and 100% household electrification for all willing households under the Saubhagya scheme. It now supplies power for nearly 24 hours per day in urban areas and for 22–24 hours in rural areas and to industries. As of January 2023, Uttarakhand Power Corporation Limited (UPCL) serves about 2.81 million consumers, with 60% being rural and 40% urban. The total connected load is 8,044 megawatts (MW). Per capita electricity consumption in Uttarakhand is 1,520 kilowatt-hours, which is above the national average. Domestic consumers form the bulk of total consumers (86.7%) but account for only 27% of total electricity sold. In contrast, industrial consumers make up just 0.62% of the total consumer base but account for 56% of total electricity sold. Power demand is expected to increase at an annual rate of 5.5%, driven by growth in the domestic and industrial sectors.

7.5 Power Generation Landscape

Uttarakhand is endowed with abundant hydropower resources, boasting a generation potential of approximately 25 GW. Uttarakhand has a potential of 14.5 GW, with 4 GW already developed and 5.6 GW currently under development. As of March 31, 2023, Uttarakhand has a total installed electricity generation capacity of 4,203 MW, up from 4,092 MW in October 2022. Of this capacity, 2,095 MW (51.20%) comes from hydropower, 520 MW (12.7%) from natural gas, 512 MW (12.5%) from coal, 933 MW (22.8%) from small hydro, wind, and solar sources, and 31 MW (0.77%) from nuclear power³.

In FY2023, the total energy consumed in the state was about 17,787 million units (MUs)⁴, of this, approximately 54% is generated by large hydropower plants, 35% by thermal plants (coal and gas), 2% by nuclear plants, and 9% by renewable sources (excluding large hydropower). Of Uttarakhand's 3,855 MW of installed hydropower capacity, the state government owns 1,250 MW (32%) through UJVNL and 1,775 MW (46%) through central power sector utilities, while the private sector owns 830 MW (22%). The state government plans to add 7,200 MW of new hydropower capacity, with approximately 5,800 MW slated for development by central power sector utilities, 2,536 MW by UJVNL, and 1,361 MW by independent producers.

¹ Distribution Company

² Uttarakhand Climate Resilient Power System Development Project (RRP IND 51308-008)

³ CEA. 2022. *All India Installed Capacity (In Megawatts) of Power Stations*. Delhi.

⁴ In 2023, the total energy consumption included 13,694 MUs from state allocations, with a deficit of 4,093 MUs covered through purchases on the open market.

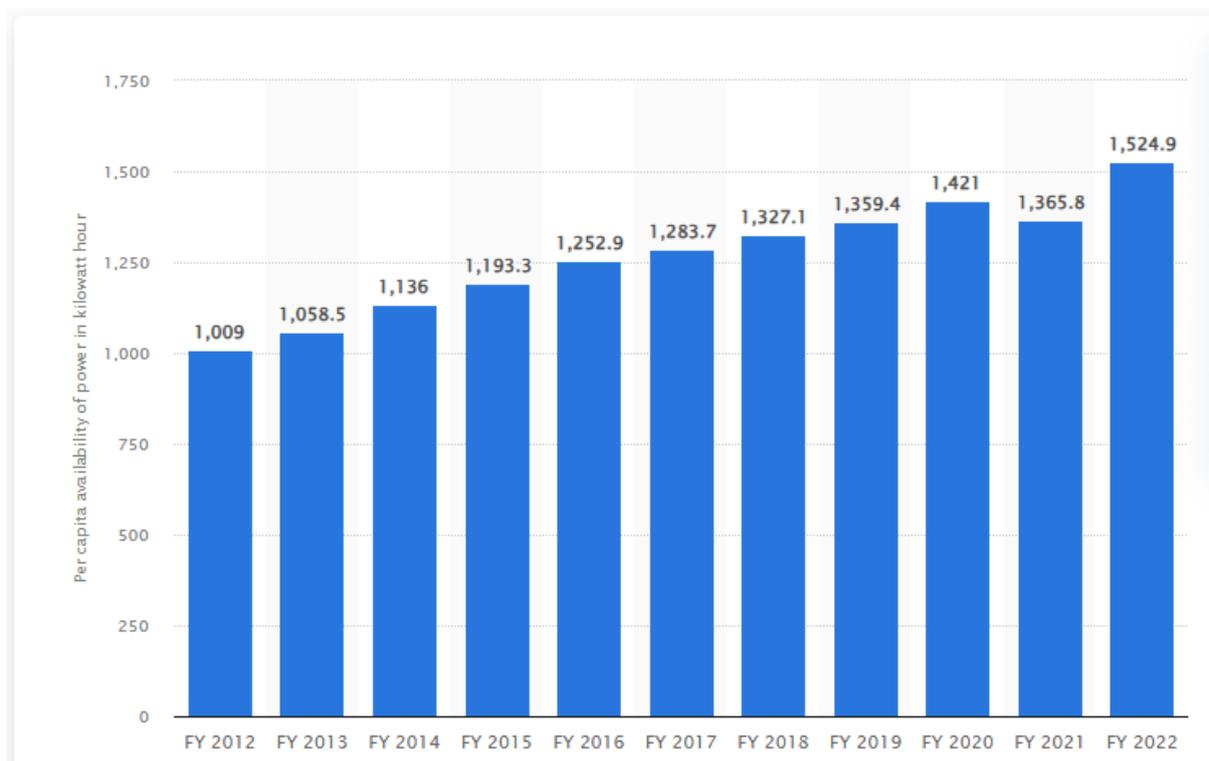
7.6 Overview on Financial Performance of Utility

Uttarakhand Power Corporation Limited (UPCL) was established under the Companies Act, 1956, with the initial responsibility for the transmission and distribution of electricity in Uttarakhand. However, in accordance with the Electricity Act, 2003, the transmission business was transferred to a newly formed state-owned entity, Power Transmission Corporation of Uttarakhand Limited, effective June 1, 2004. UPCL, a state distribution utility, operates as a deemed trading licensee under Section 14 of The Electricity Act, 2003. UPCL acquires power from Central and State sector generating stations, Independent Power Producers (IPPs), and Captive Generating Plants (CGPs) through Power Purchase Agreements (PPAs) or Letters of Intent. The procured power is then supplied to consumers using the transmission network of the State Transmission Utility.

7.7 Per capita availability of power across Uttarakhand

The per capita availability of power in Uttarakhand shows a general upward trend from FY 2012 to FY 2022, with some fluctuations-

Chart 7.1 Per-Capita Availability of Power across Uttarakhand in India from FY 2012 to FY 2022



Source: <https://www.statista.com/statistics/1079029/india-per-capita-availability-of-poweruttarakhand/>

Starting at 1099 units in FY 2012, it reached 1524.9 units by FY 2022, marking a substantial 38.75% increase over the decade. The period saw a brief dip in FY 2013 to 1058.5 units, followed by consistent growth in subsequent years. Notably, rapid growth occurred from FY 2013 to FY 2016, followed by a period of slower increases until FY 2019. FY 2021 experienced an unusual decrease to 1365.8 units, but this was followed by a strong recovery in FY 2022, which showed the highest single-year increase of 11.65%. The compound annual growth rate (CAGR) for the entire period stands at approximately 3.33%. These figures suggest that

Uttarakhand has made significant progress in enhancing its power infrastructure and distribution capabilities, particularly evident in the strong rebound observed in the most recent fiscal year.

7.8 Performance of State Power Utilities

The summarized position of Financial Performance of State Utilities is given below:

Table 7.2: Summary of Financial Performance of State Power Sector Utilities (In Rs Crore)

Entity	Parameter	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
UPCL – Uttarakhand Power Corporation Ltd. (Distribution)	Total Income-excluding subsidy	3,885	4,466	4,896	5170.77	5911.61	6311.12	6940.91	6541.59	7469.12	8843.42	
	Profit after tax	323	-260	-96	-288.78	-229.21	-553.22	-577.31	-151.75	-21.42	-1223.63	
UJVNL – Uttarakhand Jal Vidyut Nigam Ltd. (Generation)	Total Income-excluding Subsidy	396	493	798	641.03	777.69	797.72	964.07	958.90	950.18	1045.12	1038.18
	Profit After Tax	13	4	182	79.57	63.73	26.24	123.82	136.95	121.84	115.64	43.36
PTCUL – Power Transmission Corporation of Uttarakhand Limited (Transmission)	Total Income-excluding Subsidy	205	245	316	288.79	298.31	358.49	406.69	377.57	372.55	432.51	572.24
	Profit After Tax	3	121	69	39.17	28.89	62.46	97.33	42.16	14.40	21.87	104.46

Source: Financial statements from the official websites of the above entities

The table summarizes the financial performance of Uttarakhand's power sector entities from 2013-14 to 2022-23. UPCL (Distribution) shows consistent income growth from ₹3,885 crore to ₹8,843.42 crore, with fluctuating profitability, peaking at ₹1,223.63 crore in 2022-23. UJVNL (Generation) also saw steady income growth from ₹396 crore to ₹1,045.12 crore, with profits varying, peaking in 2015-16 and stabilizing near ₹115.64 crore in 2022-23. PTCUL (Transmission) had moderate income growth from ₹205 crore to ₹432.51 crore, with fluctuating profits, recovering to ₹21.87 crore in 2022-23 after a dip.

7.9 Reform Measures in the Power Sector of Uttarakhand

The power sector in Uttarakhand has witnessed significant reforms aimed at enhancing its efficiency, sustainability, and financial viability. These measures address various challenges faced by the sector and align with the broader objectives of ensuring reliable power supply, promoting renewable energy, and fostering economic growth. The following key reforms highlight the transformative changes in the state's power sector:

7.9.1 Sale of Power/Electricity: Previously, the State DISCOM had the first right of refusal for purchasing power generated from Small Hydro Power projects. This policy has now been revised to mandate the purchase of all power generated by projects with capacities up to 25 MW by Uttarakhand Power Corporation Limited (UPCL) at tariffs determined by the

Uttarakhand Electricity Regulatory Commission (UERC). This reform ensures a stable market for small hydro producers and supports the state's commitment to renewable energy.

7.9.2: Transfer of Shareholding: The policy regarding the transfer of project equity during the construction period has been liberalized. Developers can now transfer 100% of their equity to third parties possessing equivalent or superior technical and financial strengths, subject to government approval and a fee of ₹50,000 per MW, capped at ₹50 lakhs. This change facilitates greater flexibility in project financing and management, potentially accelerating project completion and enhancing investor confidence.

7.9.3: Agreement Period: The operational challenges due to delays in obtaining statutory clearances have been addressed by extending the agreement period for hydro projects. The agreement period for all existing hydro projects now extends to 40 years from the Scheduled Commercial Operation Date (SCOD) rather than from the date of the Implementation Agreement. This extension ensures developers have sufficient time to realize the full potential of their investments.

7.9.4: Establishment of Captive Stone Crusher: To mitigate the challenges faced by developers regarding the availability of construction materials, a new policy has been approved for setting up captive stone crushers within project areas. These crushers, compliant with Uttarakhand Mining Department rules, will provide essential materials for hydro power project construction. Additionally, excavated materials can be used for state government development works, enhancing resource utilization.

7.9.5: One-Time Amnesty Scheme: A "One-Time Amnesty Scheme" has been introduced for under-development and under-construction hydro power projects. This scheme allows projects delayed due to various reasons to reschedule their timelines without incurring liquidated damages by revising the construction start date (Zero Date) and the Scheduled Commercial Operation Date (SCOD). This measure provides much-needed relief to developers, encouraging the completion of stalled projects.

7.9.6: Capacity Enhancement Charges: The state has reduced the capacity enhancement charges for hydro power projects. For projects allocated before and after the formation of Uttarakhand, the charges have been standardized to ₹1 lakh per MW. This reduction aims to lower the financial burden on developers, fostering an environment conducive to capacity expansion and increased hydro power generation.

These reforms collectively aim to streamline project execution, enhance financial viability, and support the growth of the power sector in Uttarakhand. By addressing critical operational and regulatory challenges, the state is poised to achieve significant advancements in its renewable energy goals and infrastructure development. **Equity Holding and Loans in the Power Sector**

Total Equity, Equity contribution by the Government of Uttarakhand (GoU), and Long-term Loans including the loans given by GoU to the power sector are tabled below:

Table: 7.3: Power Sector investment

Investment (Rs. Crore)				
Equity		Long Term Loans		Total (Equity & Long- term Loans)
Total	GoU	Total	GoU	
3,422.31	3,421.56	4,578.23	527.50	8,000.54

Source: State Finance Audit report as on March 2021.

The figures for the year 2021 indicate that the majority of SPSEs' investments were concentrated in the power sector, which accounted for 88.87 percent of the total investment. Specifically, out of the ₹9,003.02 crore invested, ₹8,000.54 crore was directed towards this sector.

7.10 Summing Up:

Against the above backdrop, the below-mentioned submissions assume relevance from the perspective of the Sixteenth Finance Commission and deserve its appreciation, appropriate consideration, and support in recommending adequate devolution to Uttarakhand:

- i. Uttarakhand has been talked of as an 'Urja Pradesh' (Energy State) owing to its abundant hydrological potential, which is estimated to be of the order of 25,000 MW. 86 percent of the geographical area of Uttarakhand, however, is hilly and forest area comprises more than 70 percent of it. The evacuation of power over hilly terrains and its subsequent distribution poses its own set of challenges. As of August 2024, the total installed capacity in Uttarakhand is 5701.30 MW, of which the hydroelectric component is 4035.35 MW (70%).
- ii. The proportion of rural: urban population in the state is 70:30. Although the literacy rate is fairly high the availability of requisite human resources, administrative capacity, and technical support is constrained at the cutting edge. Also, due to its geotectonic setting, physiographic condition, and extreme seasonal precipitation, the state is vulnerable to various natural disasters, the frequency of which has increased in recent times. These peculiar socio-economic characteristics of the state coupled with its precarious geographical and geological status constrain the accelerated exploitation of the hydroelectric power potential.
- iii. At the same time, the state has been conscious of conserving its natural wealth in accordance with the national and global environmental goals. Also, the exploitation of natural resources for genuine productive economic activities in keeping with the imperative of faster development has to put up with various legal provisions as well as the decision of courts and regulatory authorities.
- iv. Although the direct contribution of the electricity sector, including gas, water supply, and other utility services, to the GSDP of Uttarakhand is of the order of 3 percent only, the power sector is an important driver of economic growth in the State. The State is making concerted efforts to expedite the execution of the ongoing power projects so as to exploit the potential for development of the state and to increase its revenue earnings. Uttarakhand's collections from Electricity Duty, which account for a 0.2 percent of GSDP have remained higher than the average for the North Eastern and Himalayan states.
- v. Uttarakhand signed an UDAY MoU for operational parameters only, without any debt takeover commitment. The status regarding the key UDAY barometers is as below:

Key UDAY barometers	Target (2018-19)	Status (2023-24)
AT&C Losses (%)	14.5	17.19
ARR-ACS Gap (Rs per unit)	0.03	0.01

Source: (i) MoU signed by the Government of Uttarakhand (ii) UDAY dashboard of Ministry of Power

The State has progressively improved its performance with respect to the ARR-ACS gap since 2016 when the MoU was signed. It is committed to realizing the target of reducing the AT&C losses as well as bringing them below 10 percent. On all other relevant parameters, the progress has been encouraging.

- i. It is pertinent that the Government of Uttarakhand is not subsidizing the power sector utilities in the state. Therefore, the power sector is not exerting pressure on the state finances on this account. Also, the participation of the state in UDAY was based with a view to effecting improvement in the key operational parameters, with no requirement for issue of bonds to take over the debt of the utilities. Only some loans were converted into equity. Accordingly, there was no impact of UDAY bonds on state finances.
- ii. Various reform measures have been initiated in the power sector, which are aimed at enhancing its efficiency, sustainability, and financial viability. The focus of management of the power sector in Uttarakhand has witnessed a transformation from the traditional administrative and performance budgeting and it is now concentrated on outcome monitoring that provides a more meaningful criteria for evaluation. By streamlining project execution, and addressing the critical operational and regulatory challenges, the power sector in Uttarakhand is poised to realize its energy goals and contribute to the development of the state.

Chapter 8: Subsidies

8.1. Introduction:

Subsidies are an essential component of state financial management, aimed at supporting various sectors to promote economic stability, social welfare, and overall development. This Chapter focuses on the subsidies provided by the Government of Uttarakhand from the fiscal year 2012-13 to the projected budget estimates of 2024-25. The data spans multiple departments, including Urban Development, Crop Husbandry, Animal Husbandry, and others. The trends, fluctuations, and implications of these subsidies over the specified period will be examined.

8.2. Overview of Subsidy Allocation:

The total subsidy allocation has seen significant variation over the years, reflecting the state's changing priorities and fiscal policies. The analysis covers the time period from 2012-13 to the budget estimates of 2024-25.

The total subsidy allocation data presented in Table 8.1 reveals a complex pattern of fluctuations over the years, with a general upward trend becoming particularly pronounced in recent years. The period from 2012 to 2015 was marked by significant volatility. Starting at a relatively high point of Rs 163.21 crore in 2012-13, the allocation plummeted to just Rs 23.60 crore in 2013-14, only to rebound strongly to Rs 208.68 crore in 2014-15. From 2015 to 2019, the subsidy allocation entered a period of relative stability, ranging between Rs 170-211 crore. The peak during this period was observed in 2015-16 at Rs 211.35 crore, followed by a gradual decline until 2018-19. However, this stability was disrupted in 2019-20 when the allocation sharply decreased to Rs 34.60 crore, the second-lowest figure in the entire dataset. The period from 2020 onwards marks a dramatic shift in the subsidy allocation trend. There has been a rapid year-over-year increase, with projections indicating that the allocation could reach an unprecedented Rs 671.63 crore by 2024-25. This represents a staggering 387% increase over a five-year period from 2020-21. Notably, the allocation nearly doubled from 2022-23 to 2023-24 (RE), with another projected increase of 36.6% from 2023-24 (RE) to 2024-25 (BE).

8.2.1 The data exhibits high volatility throughout the period, with several sharp increases and decreases. The most notable drops occurred in 2013-14 and 2019-20, while the most significant increases were seen in 2014-15, 2020-21, and the projected figures for 2023-24 and 2024-25. These fluctuations could be attributed to various factors such as changing economic conditions, policy shifts, specific sector needs, budget priorities of different governments, or responses to global events like the COVID-19 pandemic.

If the projected figures for 2023-24 and 2024-25 are realized, it would represent a significant shift in subsidy policy, with allocations far exceeding historical levels. This could indicate a strong focus on subsidies as a tool for economic growth or support in the coming years.

Overall, the data reflects a cyclical pattern of subsidy allocation characterized by initial fluctuations, a period of stabilization, and subsequent variability leading to substantial increases in recent years. These trends are influenced by several factors including economic conditions, policy shifts, fiscal management, and sectoral focus. The substantial increases in recent years, particularly in the projections for 2023-24 and 2024-25, underscore a significant policy shift towards higher subsidies, likely aimed at addressing contemporary economic

challenges, supporting vulnerable populations, and stimulating growth. Understanding the underlying drivers and implications of these allocations is crucial for informed policy-making and effective economic governance.

Table 8.1: Total Subsidy Allocation

Year	Total Subsidies (Rs Crore)
2012-13	163.21
2013-14	23.60
2014-15	208.68
2015-16	211.35
2016-17	207.96
2017-18	185.89
2018-19	173.49
2019-20	34.60
2020-21	137.93
2021-22	145.05
2022-23 (Actual)	289.20
2023-24 (RE)	491.59
2024-25 (BE)	671.63

8.3. Quantum of Subsidies:

As in Table 8.2, from 2012-13 to 2024-25 (BE), the state has experienced significant fluctuations in its subsidy allocations across various sectors.

Crop Husbandry: Subsidies for Crop Husbandry have fluctuated but show an overall increasing trend:

- **2012-13 to 2018-19:** Starting at Rs 7.65 crore in 2012-13, the subsidies varied each year, reaching Rs 3.65 crore in 2018-19.
- **2019-20 to 2024-25:** The allocation grew significantly, from Rs 2.98 crore in 2019-20 to a projected Rs 39.77 crore in 2024-25. This reflects increased support for agricultural productivity and farmer welfare.
- **Animal Husbandry:** Support for Animal Husbandry was inconsistent, with no subsidies from 2012-13 to 2013-14, a peak at Rs 2.58 crore in 2014-15, and again, no subsidies from 2019-20 to 2021-22. However, a subsidy of Rs 15 crore is projected for 2024-25, indicating renewed interest in this sector.
- **Dairy and Fisheries:** For Dairy, no subsidies were allocated until 2024-25, when a significant amount of Rs 71 crore is projected, suggesting a new strategic focus on the dairy industry.
- The fisheries sector saw no subsidies until 2021-22, with small allocations thereafter, reaching Rs 12 crore in 2024-25.
- **Food Storage and Warehousing:** Subsidies for this sector were substantial in the early years, peaking at Rs 171.24 crore in 2014-15. After a significant drop, there was a

resurgence from 2020-21, with a notable increase projected in 2023-24 and 2024-25, reaching Rs 216.54 crore and Rs 168.36 crore, respectively.

- **Cooperation:** The subsidies for Cooperation started at Rs 13.70 crore in 2012-13, with notable fluctuations, peaking at Rs 39.32 crore in 2018-19. The trend continued upward, with Rs 85.25 crore projected for 2024-25.
- **Rural Development:** Support for Rural Development remained minimal throughout the years, with occasional spikes, such as Rs 25.08 crore in 2016-17. Recent years show a reduction, with only Rs 1 crore projected for 2024-25.
- **Energy:** Subsidies for Energy have been minimal and sporadic, with a small peak in 2022-23 at Rs 5.40 crore. This reflects limited state intervention in energy subsidies.
- **Industry:** Support for Industry saw significant variation, with a notable increase projected for 2024-25 at Rs 94 crore, emphasizing a strategic push towards industrial growth.

Civil Supplies, Tourism, and Environment

- **Civil Supplies:** Minimal support initially, with a gradual increase to Rs 55 crore by 2024-25.
- **Tourism:** Only recent subsidies starting in 2021-22, projected to grow to Rs 27 crore by 2024-25.
- **Environment:** No significant subsidies except a small amount in 2023-24.
- **Urban Development:** subsidies were non-existent from 2012-13 to 2018-19. However, starting in 2022-23, there was a marked change, with subsidies reaching Rs 22 crore and rising to Rs 92.96 crore by 2024-25. This increase indicates a focused investment in urban infrastructure and services.

The agriculture and allied sectors remain the largest beneficiaries throughout the period, but their dominance has somewhat reduced in recent years as other sectors gain prominence. It's worth noting that some sectors, such as irrigation and flood control, and energy, have seen minimal or inconsistent subsidy allocations over the years. The environment sector received a small allocation only in the 2023-24 (RE) budget, indicating a possible new area of focus that will require monitoring in future years.

8.4. Conclusion

The analysis of subsidies in Uttarakhand from 2012-13 to 2024-25 reveals a strategic shift towards higher subsidy allocations in recent years, particularly for urban development, agriculture, industry, and food storage. This reflects the state's evolving priorities to bolster infrastructure, support farmers, stimulate industrial growth, and ensure food security. The fluctuations and trends indicate dynamic policy adjustments to address changing economic and social needs, aiming for sustainable development and enhanced welfare.

In conclusion, Uttarakhand's subsidy structure has undergone significant transformations over the past decade. From an initial focus primarily on agriculture and allied sectors, it has evolved into a more diversified approach, encompassing urban development, industry, tourism, and civil supplies. The projected figures for 2024-25 suggest a robust expansion of the subsidy program across multiple sectors, potentially reflecting the state's evolving economic priorities

and development strategies. This shift may indicate a more holistic approach to economic development, balancing traditional agricultural support with emerging urban and industrial needs.

Table 8.2: Quantum of Subsidies (In Rs Crore)

Department	Major Head	Description	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Urban Development	2217	Urban Development	0	0	0	0	0	0	0
		Water Supply, Sanitation, Housing and Urban Development	0	0	0	0	0	0	0
Crop Husbandry	2401	Crop Husbandry	7.65	4.11	7.66	7.45	3.89	6.03	3.65
Animal Husbandry	2403	Animal Husbandry	0	0	2.58	1.83	1.83	1.79	0
Dairy	2404	Dairy	0	0	0	0	0	0	0
Fisheries	2405	Fisheries	0	0	0	0	0	0	0
Food Storage and Warehousing	2408	Food Storage and Warehousing	128.77	0	171.24	168.87	167.7	139.27	122.83
Cooperation	2425	Cooperation	13.7	9.76	21.44	21.64	7.82	34.2	39.32
		Agri and Allied	150.12	13.87	202.92	199.79	181.24	181.29	165.8
Rural Development	2501	Special Programme for Rural Development -concl'd.	5.75	3.55	0.23	0	0	0	0
	2515	Other Rural Development Programmes	3.02	3.87	2.42	2.45	25.08	2.96	2.2
		Rural Development	8.77	7.42	2.65	2.45	25.08	2.96	2.2
Irrigation and Flood Control	2702	Minor Irrigation	0	0	0	0	0	0	0.21
		Irrigation and Flood Control	0	0	0	0	0	0	0.21
Energy	2801	Power	0	0	0	0	0	0	0
	2810	Non - Conventional Sources of Energy	0.97	0.41	0.12	0.24	0.01	0.01	0
		Energy	0.97	0.41	0.12	0.24	0.01	0.01	0
Industry	2851	Village and Small Industries	3.35	1.9	2.99	8.87	1.63	1.4	4.4
		Industry and Mineral	3.35	1.9	2.99	8.87	1.63	1.4	4.4
Civil Supplies	3456	Civil Supplies	0	0	0	0	0	0.23	0.88
Tourism	3452	Tourism	0	0	0	0	0	0	0
Environment	3435	Environment	0	0	0	0	0	0	0
		General Economic Services	0	0	0	0	0	0.23	0.88
		Total	163.21	23.6	208.68	211.35	207.96	185.89	173.49

Department	Major Head	Description	2019-20	2020-21	2021-22	2022-23 (Actual)	2023-24 (RE)	2024-25 (BE)
	2217	Urban Development	0	0	0	22	25	92.96

		Water Supply, Sanitation, Housing and Urban Development	0	0	0	22	25	92.96
Crop	2401	Crop Husbandry	2.98	4	6.99	11.96	17.15	39.77
Husbandry								
Animal Husbandry	2403	Animal Husbandry	0	0	0	0	0	15
Dairy	2404	Dairy	0	0	0	0	0	71
Fisheries	2405	Fisheries	0	0	2.5	2.75	4	12
Food Storage and Warehousing	2408	Food Storage and Warehousing	0	41.31	41.36	94.47	216.54	168.36
Cooperation	2425	Cooperation	25.56	52	47	65	82.9	85.25
		Agri and Allied	28.54	97.31	97.85	174.18	320.59	391.38
Rural Development	2501	Special Programme for Rural Development-concltd.	0	0	0	0	0	0
	2515	Other Rural Development Programmes	1.83	0.62	5.75	0.61	2	1
		Rural Development	1.83	0.62	5.75	0.61	2	1
Irrigation and Flood Control	2702	Minor Irrigation	0	0	0	0	0	0
		Irrigation and Flood Control	0	0	0	0	0	0
Energy	2801	Power	0	0	0	0	0	0
	2810	Non- Conventional Sources of Energy	0	0	0	5.4	10	10.29
		Energy	0	0	0	5.4	10	10.29
Industry	2851	Village and Small Industries	4	40	36	54.5	75	94
		Industry and Mineral	4	40	36	54.5	75	94
Civil Supplies	3456	Civil Supplies	0.23	0	0	20.38	35	55
Tourism	3452	Tourism	0	0	5.45	12.13	20	27
Environment	3435	Environment	0	0	0	0	4	0
		General Economic Services	0.23	0	5.45	32.51	59	82
		Total	34.6	137.93	145.05	289.2	491.59	671.63

During the period from 2015-16 to 2020-21, Uttarakhand witnessed significant fluctuations in the allocation of subsidies as a percentage of its total budget size. In 2015-16, subsidies accounted for 0.65% of the state's budget, with an absolute subsidy allocation of ₹211 crore against a total budget size of ₹32,693 crore. However, this percentage consistently declined over the subsequent years, dropping to 0.51% in 2016-17 and further to 0.46% in 2017-18, despite a growing budget size. The trend continued with subsidies as a share of the budget falling to 0.38% in 2018-19. Notably, in 2019-20, the subsidy allocation plummeted to just ₹35 crore, representing a mere 0.07% of the state's budget of ₹48,664 crore. Although there was a slight increase in 2020-21, where subsidies rose to ₹139 crore, the percentage of the budget remained low at 0.25%. This declining trend in subsidies as a percentage of the budget reflects

Uttarakhand's fiscal strategy to limit subsidy expenditures relative to the overall budget, possibly indicating a shift towards other priorities in its financial planning.

Year	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Subsidies	211	208	186	174	35	139
Budget size	32693	40422	39958	45585	48664	53527
Subsidy as a percentage of budget	0.65	0.51	0.46	0.38	0.07	0.25

8.4.1 Percentage Composition of Subsidies across Departments in Uttarakhand (2012-13 to 2022-23)

The distribution of subsidies among various departments in Uttarakhand has seen notable changes from 2012-13 to 2022-23. The Agriculture and Allied Department consistently dominated the subsidy landscape, receiving the majority share each year. In 2012-13, this department accounted for a staggering 91.98% of total subsidies, and while its share slightly fluctuated over the years, it remained the predominant recipient, commanding 60.23% in 2022-23.

The Rural Development Department's share, however, exhibited more variability. Starting at 5.37% in 2012-13, its allocation peaked at 31.44% in 2013-14 but generally declined in subsequent years, reaching a low of 0.21% by 2022-23. Meanwhile, the Industry and Mineral Department's share showed a gradual increase, particularly in the latter years, growing from 2.05% in 2012-13 to 18.85% in 2022-23.

The Energy Department, while receiving minimal subsidies throughout the period, did see a small uptick in 2022-23, reaching 1.87%. The Tourism Department also emerged as a new recipient of subsidies in the last two years, capturing 4.19% by 2022-23. Notably, the Urban Development Department, which previously did not receive any subsidies, saw a significant allocation of 7.61% in 2022-23. The Civil Supplies Department also received a considerable share of 7.05% in the same year, reflecting a diversification in the allocation of subsidies across different sectors in the state's budget.

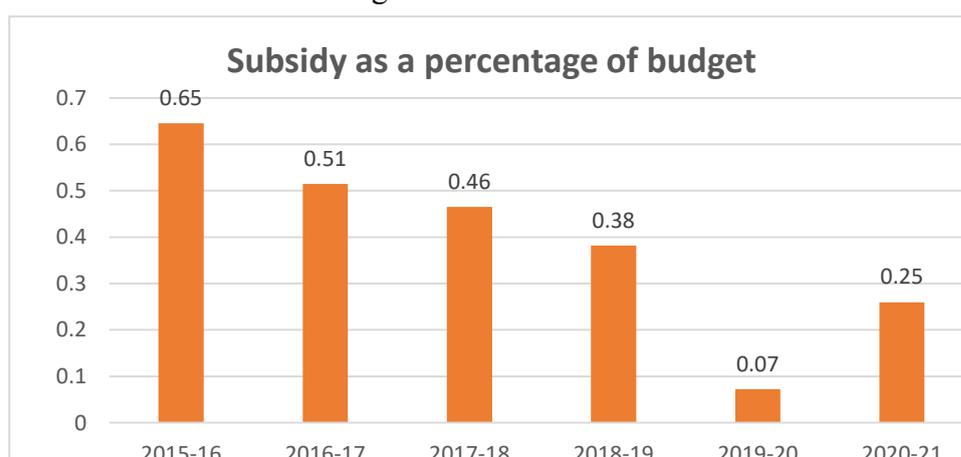


Table 8.4: Percentage Composition of Subsidies

Name of the Department Receiving Subsidy	201213	201314	201415	201516	201617	201718	201819	201920	2020-21	2021-22	2022-23
Urban Development Department	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	7.61
Agriculture and Allied Department	91.98	58.77	97.24	94.53	87.15	97.53	95.57	82.49	70.55	67.46	60.23
Rural Development Department	5.37	31.44	1.27	1.16	12.06	1.59	1.27	5.29	0.45	3.96	0.21
Irrigation and Flood Control Department	0.00	0.00	0.00	0.00	0.00	0.00	0.12	0.00	0.00	0.00	0.00
Energy Department	0.59	1.74	0.06	0.11	0.00	0.01	0.00	0.00	0.00	0.00	1.87
Industry and Mineral Department	2.05	8.05	1.43	4.20	0.78	0.75	2.54	11.56	29.00	24.82	18.85
Civil Supplies Department	0.00	0.00	0.00	0.00	0.00	0.12	0.51	0.66	0.00	0.00	7.05
Tourism Department	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.76	4.19
Environment Department	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Subsidy	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: Computed from Rs Figures provided by the State Government of Uttarakhand

Schemes drawing maximum subsidy by department

In the fiscal years 2019-20 and 2020-21, certain schemes and departments in Uttarakhand received notable subsidy allocations, reflecting the state's focus on key welfare and development initiatives. The Deen Dayal Upadhyay Cooperative Farmer Welfare Scheme, under the Department of Agriculture and Farmers Welfare, saw a significant increase in subsidy allocation, with funds rising from ₹26 crore in 2019-20 to ₹50 crore in 2020-21. This reflects the state's commitment to enhancing farmer welfare through cooperative structures.

The Food Subsidy under Food Storage and Warehousing, managed by the Department of Food and Public Distribution, emerged as a major allocation in 2020-21 with ₹41 crore, highlighting the state's efforts to ensure food security and efficient food distribution, although no allocation was recorded for this scheme in 2019-20.

In the agriculture sector, the Polly House Diversification and Scheme Sprinkler Water Pump Set, also under the Department of Agriculture, received ₹3 crore in 2019-20, which increased slightly to ₹4 crore in 2020-21, supporting diversification and modern irrigation techniques.

The Mukhya Mantri Swarojgaar Yojana, aimed at promoting self-employment, under the Department of Industries, saw a substantial allocation of ₹35 crore in 2020-21, signifying the state's emphasis on fostering entrepreneurship and local industry, although no allocation was recorded in the previous year.

In the textile sector, the Discount on Sales of Khadi Clothes, administered by the Khadi and Village Industries Commission (KVIC), under the Ministry of MSME, received a modest increase from ₹4 crore in 2019-20 to ₹5 crore in 2020-21, supporting traditional handicrafts and rural industries.

Lastly, the Indra Amma Bhojanalay Scheme, which received ₹2 crore in 2019-20 for providing subsidized meals, did not receive any allocation in 2020-21, indicating a possible shift in focus or restructuring of the scheme.

These allocations underscore the diverse areas of focus within Uttarakhand's subsidy distribution, ranging from agriculture and food security to self-employment and support for traditional industries.

Table 8.5: Schemes and Departments with Major Subsidy Allocation

S. No.	Scheme Name	2019-20	2020-21
1.	Deen Dayal Upadhyay Cooperative Farmer Welfare Scheme (Department of Agriculture and Farmers Welfare, Ministry of Agriculture and Farmers Welfare)	26 crore	50 crore
2.	Food Subsidy under Food Storage and Warehousing (Department of Food and Public Distribution, Ministry of Consumer Affairs, Food and Public Distribution)	NA	41 crore
3.	Polly House diversification and scheme sprinkler water pump set (Department of Agriculture, Ministry of Agriculture and Farmers Welfare)	3 crore	4 crore
4.	Mukhya Mantri Swarojgaar Yojana (Department of Industries)	NA	35 crore
5.	Discount on Sales of Khadi Clothes (Khadi and Village Industries Commission (KVIC), MSME)	4 crore	5 crore
6.	Payment of Subsidy under Indra Amma Bhojanalay Scheme	2 crore	NA

Schemes with Highest Subsidy Expenditure in FY 2021-22 and Their Percentage Increase from FY 2020-21:

In the fiscal year 2021-22, several schemes in Uttarakhand experienced notable expenditure on subsidies, with varying degrees of increase compared to the previous fiscal year, 2020-21.

1. Garden Insurance Scheme (50% Premium Subsidy) under the Horticulture Department saw the highest expenditure, with ₹ 6,63,632 allocated, reflecting a substantial increase of 52.7% from FY 2020-21. This increase indicates a growing emphasis on protecting horticultural investments through insurance support.
2. Deen Dayal Upadhyay Co-operative Farmer Welfare Scheme in the Cooperative Department experienced a decrease in subsidy expenditure, with ₹ 4,00,000 allocated in FY 2021-22, marking an 11.11% reduction from the previous year. This decrease suggests a potential reallocation of resources or adjustments in the scheme's implementation.
3. Food Subsidy under the Food Security Act, managed by the Food Department, saw a slight increase in expenditure, reaching ₹ 3,85,130 in FY 2021-22, a 1.3% rise from FY 2020-21. This modest increase reflects ongoing support for food security initiatives.
4. Chief Minister Self-Employment Scheme under the Industry Department had an allocation of ₹ 3,10,000 in FY 2021-22. However, there was no available data on the percentage increase from the previous fiscal year.
5. Polyhouse Diversification and Scheme Sprinkler Water Pump Set (Top-up 30%) within the Crop Husbandry & Research Department saw a significant rise, with an expenditure of ₹69,934, which represents a 74.8% increase from FY 2020-21. This notable increase

underscores the state's focus on enhancing agricultural productivity through advanced irrigation and infrastructure support.

These figures illustrate the dynamic adjustments in subsidy allocations across various sectors, reflecting shifts in policy priorities and resource allocation strategies in Uttarakhand.

Sl. No.	Department	Scheme Code	Scheme Name	Actual 21-22	% increase from 20-21
1	Horticulture	240100119031700	Garden Insurance Scheme (50% premium subsidy)	663632	52.7
2	Cooperative	2425008003150	Deen Dayal Upadhyay Cooperative farmer welfare scheme	400000	-11.11
3	Food	240801102010150	Food Subsidy under Food Security Act	385130	1.3
4	Industry	2851001025050	Chief Minister Self-Employment Scheme	310000	--
5	Crop Husbandry & Research	2401000010850	Polyhouse Diversification and scheme sprinkler water pump set (Top-up 30%)	69934	74.8

Chapter-9: Outcome Evaluation – 15th FC Recommendations

9.1 Overview of Projections Made by 15th FC

The Finance Commission has the challenging 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, a comparison has been made between the projections made by the 15th FC for important fiscal parameters relating to the Government of Uttarakhand, and the actual value of the parameter as available on date. The parameters that would be so assessed are GSDP, Own Tax, 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 15th FC used the comparable estimates of gross state domestic product (GSDP) of States for the period 2011-12 to 2018-19 from the National Statistical Office (NSO) to make projections for the award period. Using the GSDP of 2018-19, as the base year data, the commission assessed the GSDP growth of States in two stages. In the first stage, for the year 2019-20, trend of GSDP growth rate was extrapolated using the GSDP growth rate during 2011-12 to 2018-19 for each State. Further, the assessed data on the elasticities of sectoral growth rates of States during 2011-2019 was combined with the assessment of national growth in the sector for 2020-21 to arrive at the State-wise growth in the sector. Accordingly, the initial estimates of the aggregate GSDP growth rate for each State in 2020-21 was arrived at. For the period 2021-22 to 2025-26, sharp differences in GSDP growth were ironed out by grouping States in six categories (four for General States and two for NEH States) and assigning the average growth of each group to all states within that group.

In the second stage, states were grouped into five categories in terms of their per capita revenue expenditure, averaged for 2017-18 and 2018-19- (a) those with per capita revenue expenditure at 140 percent or more of the average for all States; (b) those with such expenditure between 130 percent and 140 percent of the all-State average; (c) those with such expenditure between 100 percent and 130 percent of the all-State average; (d) those with such expenditure between 80 percent and 100 percent of the all-State average; and, (e) those with such expenditure at 80 percent or less of the all-State average. Based on the assumption that the higher per capita public spending, with proper allocations and efficient use, also yields higher growth, 15th FC normatively assessed that the higher the per capita revenue expenditure, the higher should be the GSDP growth to support such higher expenditure, and vice versa. The method also distinguished between the NEH States and general States at this stage and benchmarked them around the group average. This principle was extended broadly to the following years also with adjustment of extreme values. This method ensured that the all-State growth rate in each year is identical to national growth rate projected for the award period.

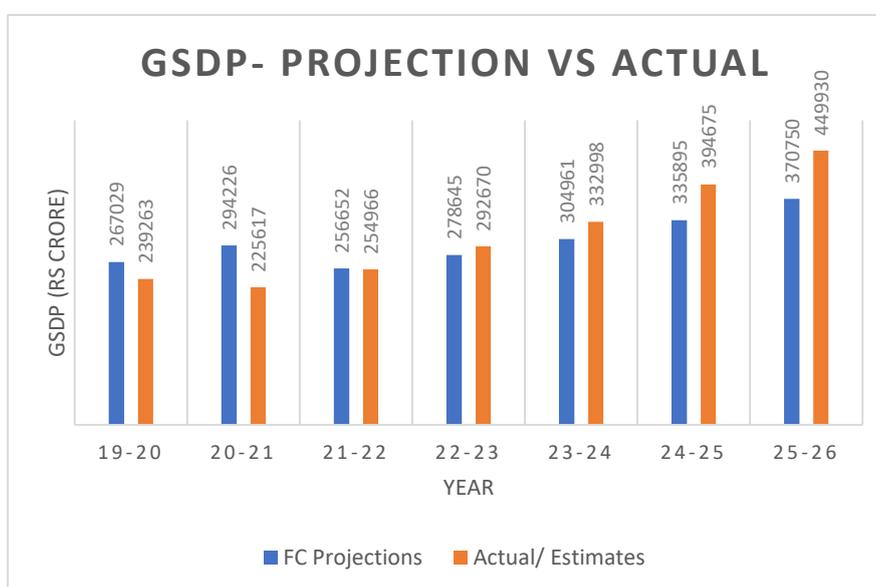
A comparison of the GSDP of Uttarakhand, as estimated by the FC, and actual is shown in Table 9.1 below (and Figure 9.1)

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

Year	FC Projections	Projected Growth Rate	Actual/ Estimates	Observed Growth Rate	Deviation in % terms	% Overestimation
19-20	267029	9.20	239263	4	5.20	57
20-21	294226	10.20	225617	-6	15.90	156
21-22	256652	-9.10	254966	13	-22.11	243
22-23	278645	8.57	292670	15	-6.43	-75
23-24	304961	9.44	332998	14	-4.56	-48
24-25	335895	10.14	394675	14	-3.86	-38
25-26	370750	10.38	449930	14	-3.62	-35

*GSDP and associated growth rates of FY 23-24 and 24-25 are estimates and 25-26 is MTFP projection.

Figure 9.1: GSDP Assessment Comparison



9.2.2: As can be seen in Table 9.1 above, the actual GSDP growth was significantly lower than was assessed by the 14th & 15th FC for 2019-20 and 2020-21 and significantly higher for the award period of 2021-26 except in 2021-22. However, the base year estimate of GSDP for 2019-20 of Rs. 2,67,029 Crore was higher than the actual GSDP of 2,39,247 Crores. Likewise, the projection for 2020-21 was higher at Rs. 2,94,226 than the actual of Rs. 2,25,617. For 2021-22, the gap between projection and the actual was marginal. Thereafter, the gap between the projected and actual GSDP kept increasing on account of the lower growth rate assumed by the FC vis-à-vis what has been achieved so far.

9.2 Projection of Tax Revenue

9.2.1: For projecting own tax revenue, 15th FC combined past trends with the imperatives of raising resources to cope up with pandemic effect on the economy and personal income. The commission also took the view that the tax to GSDP ratio has to improve considerably going forward. For 2020-21, FC considered that states' own tax revenue will contract. For the award period, the FC projected states' own tax revenue in two stages.

9.2.2 In the first stage, States were categorized in two groups viz. general states and NEH (North East and Hill) states and for these two groups, deviation of a state from the average ratio of

SGST and non-GST tax collections to GSDP respectively was calculated. For NEH States, the non- GST taxes to GSDP ratio averaged 2.49 per cent and for general States, this ratio averaged 3.87 per cent and the average SGST to GSDP ratio was 2.35 per cent and 2.79 per cent respectively for the NEH States and general States in 2018-19. For 2021-22, a buoyancy of 1.15 was taken as the general norm for both NEH and general States in the first stage for non-SGST taxes and a buoyancy of 1.10 was taken as the general norm in respect of SGST for both NEH and general States. For the period 2022-23 to 2025-26, two sets of buoyancies of 1.15 and 1.20 during 2022-23 to 2025-26 in respect of non-SGST taxes was used for NEH states, and higher buoyancy was applied for States with lower ratio of non-GST taxes to GSDP and vice versa. Similarly, buoyancies of 1.25 and 1.30 for the period 2022-23 to 2025-26 was used for the general States. With respect to SGST for the period 2022-23 to 2025-26, three sets of buoyancies of 1.30, 1.25 and 1.10 were applied, with the highest buoyancy for States with lowest SGST to GSDP ratio.

9.2.3 At the second stage, buoyancy factor was further refined based the average per capita revenue expenditure (averaged separately for general States and NEH States for 2017-18 and 2018-19) for projection with effect from 2021-22 considering the norm that a higher tax buoyancy is needed to support their higher expenditure. This norm was applied for the states having per capita revenue expenditure at 40% higher than the average. For the other States, the buoyancies determined at the first stage was used.

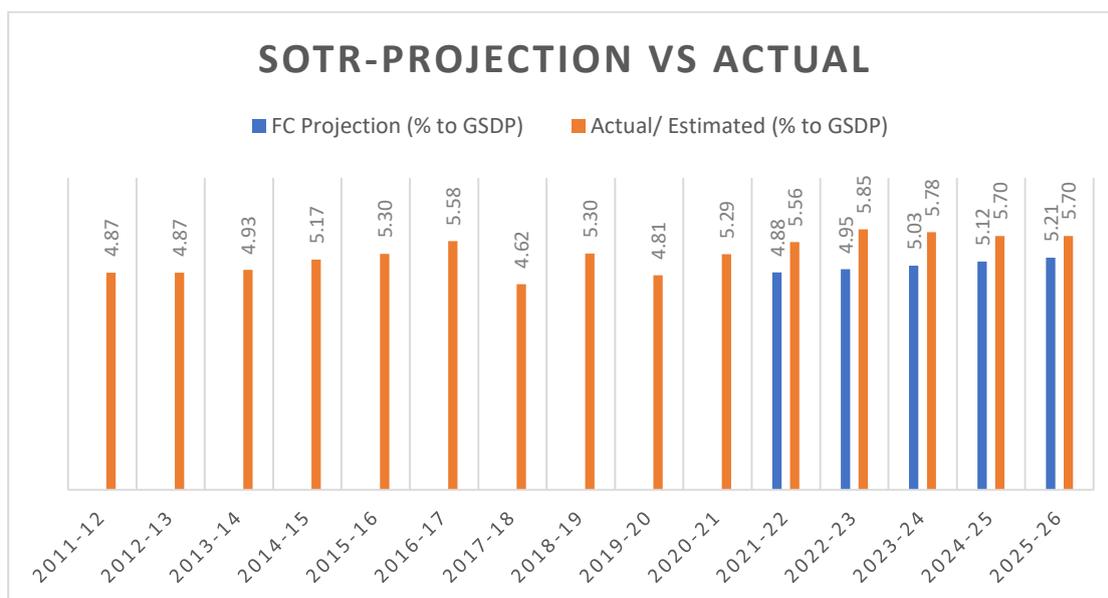
9.2.4: The Table 9.2 shows the actual Own Tax Revenue to GSDP for Uttarakhand from 2011-12, along with comparison with 15th FC assessment for the award period.

Table 9.2: Own Tax Revenue Assessment Comparison

Year	FC Projection (% to GSDP)	Actual/ Estimated (% to GSDP)	Underestimation
2011-12		4.87	
2012-13		4.87	
2013-14		4.93	
2014-15		5.17	
2015-16		5.30	
2016-17		5.58	
2017-18		4.62	
2018-19		5.30	
2019-20		4.81	
2020-21		5.29	
2021-22	4.88	5.56	13.98
2022-23	4.95	5.85	18.16
2023-24	5.03	5.78	14.86
2024-25	5.12	5.70	11.33
2025-26	5.21	5.70	9.38

Figures for 24-25 are budget estimates and for 25-26, MTFP projection.

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 Uttarakhand has been range bound around 5%. However, the ratio has improved during 15th FC period so far, exceeding the FC projections. This combined with higher actual GSDP during the award period so far has significantly improved state’s finances resulting in revenue surplus.

9.2.4 Non-Tax Revenue

9.2.4.1; Own non-tax revenues of the States include interest receipts, dividends and profits, royalties, irrigation receipts, receipts from forestry and wildlife, receipts from elections, etc. As per 15th FC, these revenues grew at a trend rate of 10.4 per cent during 2011-12 to 2018-19 with a buoyancy of 0.9. The FC adopted two stage approach as in the case of the states’ own tax revenue for assessing these revenues till 2025-26. The commission expected that rate of growth of non-tax revenue will outpace GSDP growth rate of each state with a buoyancy of 1.1, subject to rationalising and increasing fees and user charges. In the second stage, a higher buoyancy of 1.30 was applied for the states exceeding the average per capita revenue expenditure by 40% or more. The table below shows the actual Non- Tax Revenue to GSDP for Uttarakhand from 2011-12, along with comparison with 15th FC assessment for the award period.

Table-9.3- Non-tax Revenue Assessment

Year	Actual/ Estimates (% to GSDP)	FC Projection (% to GSDP)	Overestimation
2011-12	0.98		
2012-13	1.22		
2013-14	0.88		
2014-15	0.69		
2015-16	0.69		
2016-17	0.69		
2017-18	0.80		
2018-19	1.44		
2019-20	1.67		

Year	Actual/ Estimates (% to GSDP)	FC Projection (% to GSDP)	Overestimation
2020-21	1.85		
2021-22	1.08	1.41	30.27
2022-23	1.49	1.42	-4.84
2023-24	1.33	1.43	7.54
2024-25	1.23	1.44	17.37
2025-26	1.15	1.46	26.70

Figures for 24-25 are budget estimates and for 25-26, MTFP projections.

9.2.5 The table below shows the FC-projected and actual tax and non-tax revenue for Uttarakhand. The actual collection of Tax revenue has been higher than FC projections but non-tax revenue has been lower than the revenue projected by the FC.

Table 9.4: Projected and Actual Tax and Non-Tax Revenue (in Rs Crore)

Year	OTR		ONTR	
	FC Projections	Actual/ Estimates	FC Projection	Actual/ Estimates
21-22	12520	14186	3611	2756
22-23	13796	17120	3951	4366
23-24	15346	19260	4362	4418
24-25	17198	22509	4849	4873
25-26	19321	25661	5402	5159

Figures for 24-25 are budget estimates and for 25-26, MTFP projections.

9.3 Projection of Fiscal Deficit and Debt to GSDP

9.3.1 The 14th 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 (for all States taken together) would increase from 25.9 percent in 2015-16 to 26.3 percent in 2019-20.

9.3.2 As detailed in Chapter 4 of this report, Uttarakhand has been largely unable to comply with the fiscal consolidation roadmap recommended by the 14th FC. The Table below shows a comparison between the projected and actual Fiscal deficit and Debt to GSDP ratio for Uttarakhand.

Table 9.5: Debt-GSDP and Fiscal Deficit-GSDP ratio Assessment Comparison

Year	FC Projection- Liabilities as % to GSDP	Actual Liabilities as % to GSDP	FC Projection-Fiscal Deficit as % to GSDP	Actual Fiscal Deficit as % to GSDP
2011-12		18.54		1.52
2012-13		17.37		1.21
2013-14		17.62		1.78
2014-15		19.60		3.61
2015-16		21.37		3.46
2016-17		22.71		2.80
2017-18		23.79		3.60
2018-19		25.88		3.18
2019-20		27.85		3.20
2020-21	33.20	31.85	4.50	2.30
2021-22	33.10	29.54	4.00	1.37

Year	FC Projection- Liabilities as % to GSDP	Actual Liabilities as % to GSDP	FC Projection-Fiscal Deficit as % to GSDP	Actual Fiscal Deficit as % to GSDP
2022-23	33.90	26.63	3.50	1.01
2023-24	34.00	25.78	3.00	2.33
2024-25	33.90	24.23	3.00	2.39
2025-26	33.70	24.07	3.00	2.82

Figures for 24-25 are budget estimates and for 25-26, MTFP projection.

It may be observed that State Government has performed quite well on these two parameters viz. the Debt to GSD and the Fiscal Deficit. The State Government has been able keep the level of debt and the Fiscal Deficit below the permissible limit so far during 15th FC award period.

9.4 Projection of Interest Payment

9.4.1 The FC projected the Interest payment over the award period using the base figure of 2020-21. 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 growth rate.

9.4.2 Table 9.6 below shows the comparison between the projected and actual interest payment by Government of Uttarakhand. The amount projected by 14th FC has been lower than the actual interest payment. However, the difference is reasonably small, at below 10%.

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

	2021-22	2022-23	2023-24	2024-25	2025-26
FC Projection	6423	7001	7624	8259	8958
Actual	4939	5104	5192	6636	7779
Overestimation	1484	1897	2432	1623	1179
Overestimation (%)	30.05	37.18	46.84	24.46	15.16

Figures for 24-25 are budget estimates and for 25-26, MTFP projections.

9.5 Projection of Pension

9.5.1 The 15th FC had considered Pension payments as committed expenditure of the government, along with expenditure on salary and interest. It took the state-wise 2019- 20 (RE) and 2020-21 (BE) data on pension payments as the base year estimate and made projections by adopting a normative annual growth rate of 5.5 percent for pension payments.

9.5.2 Table 9.7 below shows the comparison between the projected and actual pension payments by Government of Uttarakhand. The amount projected by 15th FC has been lower than the actual expenditure on pension payment incurred by the State Government although actual payment in terms of percentage to GSDP has been only marginally higher than the projection.

Table 9.7: Pension payment Assessment Comparison (Amount in Rs Crore)

Year	FC Projections	% to GSDP	Actual/ Estimates	% to GSDP
2021-22	5961	2.32	6364	2.50
2022-23	6289	2.26	7181	2.45
2023-24	6635	2.18	7597	2.28

2024-25	7000	2.08	8146	2.06
2025-26	7385	1.99	8960	1.99

Figures for 24-25 are budget estimates and for 25-26, MTFP projection.

9.6 To sum up, it may be observed that the state of Uttarakhand has performed better on all parameters barring non-tax revenue and pension payment. The state beat the 15th FC projections on GSDP growth, Own Tax Revenue growth, Total Debt & Liabilities, Fiscal Deficit and Interest Payment so far during the award period.
