

Chapter 1

Finances of the State Government

Profile of West Bengal

The State is located in the eastern part of the Gangetic basin. It is the 13th largest State in terms of geographical area (88,752 sq. km) and the fourth largest by population. As indicated in *Appendix 1.1* the State's population increased from 801.76 lakh in 2001 to 913.48 lakh¹ in 2011 recording a decadal growth of 13.93 *per cent*. The percentage of population below the poverty line was lower than the all-India average². The State's Gross State Domestic Product (GSDP) in 2012-13 at current prices was ₹ 622263 crore. The State's literacy rate increased from 68.64 *per cent* (as per 2001 census) to 77.08 *per cent* (as per 2011 census). The per capita income of the State³ stands at ₹ 63530 at current prices against the country average of ₹ 77729. General data relating to the State is given in *Appendix 1.1*.

Gross State Domestic Product (GSDP)

GSDP is the market value of all officially recognised final goods and services produced within the State in a year. The trends in the annual growth of India's GDP and that of the State's GSDP at current prices are indicated below:

Table 1.1 Growth of GSDP of the State vis-à-vis GDP of India

Year	2008-09	2009-10	2010-11	2011-12	2012-13	CAGR ⁴ (in <i>per cent</i>)
India's GDP (in crore)	5303567	6108903	7266967	8353495	9461013	15.57
Growth rate of GDP (percentage)	15.75	15.18	18.96	14.95	13.26	
State's GSDP (in crore)	341942	398880	462240	532329	622263	16.15
Growth rate of GSDP (percentage)	14.18	16.65	15.88	15.16	16.89	

Source: Central Statistics office, Ministry of Statistics and Programme implementation as on 1 August 2013.

During 2008-09 to 2012-13, West Bengal's GSDP grew at a CAGR of 16.15 *per cent* while India's GDP grew at a CAGR of 15.57 *per cent*.

1.1 Introduction

This chapter provides a broad perspective of the finances of the Government of West Bengal (GoWB) during the current year and analyses critical changes in the major fiscal aggregates relative to the previous year keeping in view the overall trends during the last five years. The structure of Government Accounts

¹ Provisional figure

² Source: Press note July 2013 Planning Commission BPL 2011-12

³ Source: Economic Review 2012-13

⁴ Compound Annual Growth Rate

and the layout of Finance Accounts are shown in *Appendix 1.2*. The methodology adopted in analysing the trends of State Government finances has been discussed in *Appendix 1.3*.

1.1.1 Summary of Fiscal Transactions in 2012-13

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

Table 1.2 Summary of Fiscal Operations in 2012-13

(₹ in crore)

Receipts			Disbursements				
	2011-12	2012-13		2011-12	2012-13		
					Non-Plan	Plan	Total
Section-A: Revenue							
Revenue Receipts	58755	68296	Revenue Expenditure	73326	64436	17675	82111
Tax Revenue	24938	32809	General Services	32289	35191	134	35325
Non-Tax Revenue	1340	1918	Social Services	31564	22236	11976	34212
Share of Union Taxes/Duties	18588	21226	Economic Services	8969	6500	5543	12043
Grants from Government of India	13889	12343	Grants-in-aid and Contributions	504	509	22	531
Section-B: Capital							
Misc. Capital Receipts	-	-	Capital Outlay	2764	1	4546	4547
Recoveries of Loans and Advances	78	280	Loans and Advances Disbursed	448	795	269	1064
Public Debt Receipts*	26555	28291	Repayment of Public Debt*	9299			10142
Contingency Fund	-	1	Contingency Fund	1			-
Public Account Receipts	94384	105827	Public Account Disbursements	91187			101736
Opening Cash Balance ⁵	5676	8423	Closing Cash Balance ⁵	8423			11518
Total	185448	211118	Total	185448			211118

Source: Finance Accounts; Differences of one is due to rounding.

*Including net transactions under ways and means advances and overdraft

Significant changes in fiscal position of the State during 2012-13 over the previous year are given below:

Revenue Receipts	<ul style="list-style-type: none"> Increased by 16.24 per cent. Own tax revenue increased by 31.56 per cent.
Revenue Expenditure	<ul style="list-style-type: none"> Increased by 11.98 per cent. Plan expenditure increased by 25.10 per cent. Non-plan expenditure increased by 8.85 per cent.
Capital expenditure	<ul style="list-style-type: none"> Increased by 25.91 per cent. Capital outlay increased by 64.51 per cent.
Loans and Advances	<ul style="list-style-type: none"> Recoveries increased by 258.97 per cent. Disbursements increased by 137.50 per cent.
Public Debt	<ul style="list-style-type: none"> Receipts increased by 6.54 per cent. Repayments increased by 9.07 per cent.
Cash Balance	<ul style="list-style-type: none"> Increased by 36.74 per cent.

⁵ Cash balance includes i) Cash in Treasuries and Local Remittances, ii) Departmental Balances, iii) Permanent Imprest, iv) Cash Balance Investments, v) Deposit with RBI and vi) Investments from Earmarked Funds.

1.1.2 Review of the fiscal situation

With a view to ensuring prudence in fiscal management and fiscal stability by progressive elimination of revenue deficit, reduction of fiscal deficit, prudent debt management and greater transparency in fiscal operation of the State Government, West Bengal Fiscal Responsibility and Budget Management Act, 2010 was passed by the West Bengal State Legislature in July 2010. In compliance with the Act, WBFRBM Rules, 2011 was introduced by the Finance department in February 2011. The Act was amended with effect from 7 February 2011 by passing the WBFRBM (Amendment) Act 2011 in April 2011. Extract of the WBFRBM Act 2010 and the Amendment Act are given in **Appendix 1.5**.

As per the Act, the State Government was required to bring out the following fiscal documents in prescribed *pro forma* and table the same along with the Budget before the Legislative Assembly :

- Medium-Term Fiscal Policy Statement (MTFPS);
- Fiscal Policy Strategy Statement (FPSS);
- Documents in the nature of Budget in brief, containing separate statements on indicators of fiscal situation, components of State Government's liabilities and interest i.e. cost of borrowing, guarantee given by the State, Guarantee Redemption Fund, Statement of Assets, etc.

The second MTFPS and FPSS were presented before the Legislature along with the Budget for the year 2013-14 in March 2013.

Major fiscal variables provided in the budget based on the recommendations of the 13th Finance Commission (FC) and as targeted in the WBFRBM Act along with the actuals for 2012-13 are depicted in **Table 1.3**:

Table 1.3 Targets for major fiscal variables

Fiscal variables	2012-13				
	13th FC targets for the State	Targets as prescribed in FRBM Act	Targets proposed in the Budget	Projections made in Five Year Fiscal plan/MTFP	Actuals for 2012-13
Revenue Deficit/GSDP (In per cent)	1.10	1.10	1.10	1.16	2.22
Fiscal Deficit/GSDP (In per cent)	3.50	3.50	2.56	2.65	3.08
Ratio of total Outstanding Debt of the Government to GSDP (In per cent)	37.70	37.70	36.41	37.74	36.93

Source: 13th FC Report, WBFRBM Act, Budget Publication 2012-13 and MTFPS

It transpires from **Table 1.3** that the targets for revenue deficit could not be achieved. In the FPSS for the year 2013-14, it was stated that due to excessive financial burden on the State, the fiscal indicators have not moved towards the targets prescribed in the WBFRBM Act.

According to WBFRBM Act 2010, the State Government at the time of presentation of the budget is required to disclose significant changes in the Accounting Standard, policies and practices affecting or likely to affect the

compliance of the prescribed fiscal indicators. However, no such disclosure has been made by the State Government. Similarly, no disclosure has been made regarding Major Works and Contracts, Committed liabilities in respect of land acquisition charges, Claims in respect of unpaid bills on works and supplies, and Statement of Assets and also in respect of weighted average interest rates on Government liabilities.

1.1.3 Budget Estimates vis-à-vis Actuals

Budget papers presented by the State Government provide projections or estimations of revenue and expenditure for a particular fiscal year. The importance of accuracy in the estimation of revenue and expenditure is widely accepted in the context of effective implementation of fiscal policies for overall financial management. Deviations from budget estimates are indicative of non-attainment and non-optimisation of the desired fiscal objectives due to a variety of causes, some within and some beyond the control of the Government.

Budget estimates *vis-à-vis* actual for the major fiscal variables for the year 2012-13 is depicted in **Appendix 1.6** and in **Table 1.4**.

Table 1.4: Budget estimate vis-a-vis actuals during 2012-13

Particulars	Budget Estimates	Actual	Percentage variations
	₹ in crore		
Revenue Receipts	76743	68296	(-)11.01
Tax Revenue	31222	32809	5.08
Stamps and Registration fees	2941	4357	48.15
Taxes on Goods and Passengers	0.06	1284 ⁶	
Non-Tax Revenue	3263	1918	(-)41.22
Food Storage and Warehousing	1432	1	(-)99.93
Revenue Expenditure	83719	82111	(-)1.92
Irrigation and Flood Control	1229	871	(-)29.13
Power	645	1865	189.15
Capital Outlay	8281	4547	(-)45.09
Revenue Deficit (-)/Surplus(+)	(-)6858	(-) 13815	101.44
Fiscal Deficit(-)/Surplus(+)	(-)15923	(-) 19146	20.24
Primary Deficit(-)/Surplus(+)	2186	(-) 1575	(-)172.05

Source: Budget publications and Finance Accounts

In order to fund the increased development expenditure, the State Government in the budget for the year 2012-13 proposed a strategy which included on the one hand simplifying the tax administration of the State and on the other hand mobilizing additional resources. New initiatives were taken in respect of e-Governance in tax administration. In order to meet the cost of better road connectivity, better transport facilities, etc., a tax on entry of goods into local areas of the State was introduced. Further, a higher rate of tax was proposed to be levied in respect of a few high value luxury goods. Actual receipts under tax revenue surpassed the budgetary estimates by ₹ 1587 crore (five *per cent*) primarily due to significant collections in taxes on goods and passengers and Stamps and Registration fees. Non-tax revenue was, however, significantly

⁶ Increase on account of a new tax on entry of goods into local areas introduced w.e.f 1 April 2012 in the State.

lower (41 *per cent*) than that projected in the BE, mainly because of less receipts under Food Storage and Warehousing.

Capital outlay fell significantly short of the budgetary estimates (by 45 *per cent*) due to significant shortfalls in respect of Health and Family Welfare (66 *per cent*), Education, Sports, Art and Culture (61 *per cent*) under social services and in Irrigation and Flood Control (74 *per cent*) and Agriculture and Allied Activities (62 *per cent*) under economic services.

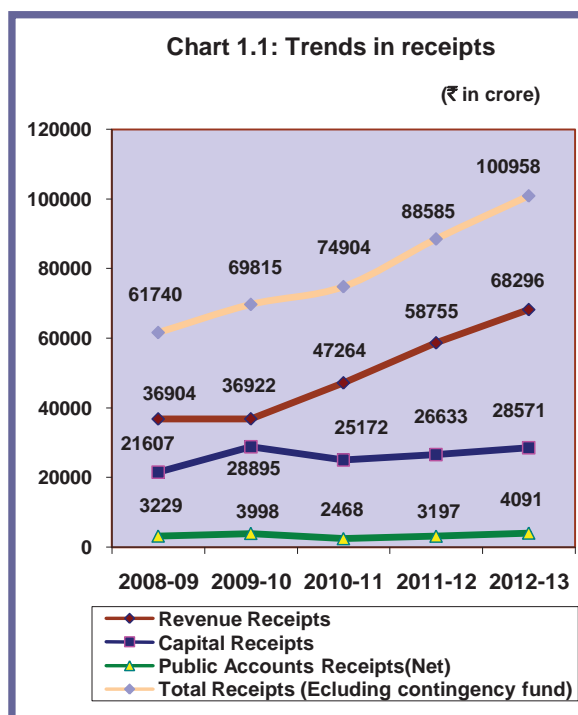
1.2 Resources of the State

1.2.1 Resources of the State as per Annual Finance Accounts

Revenue and Capital are the two streams of receipts that constitute the resources of the State Government. Revenue receipts consist of tax revenue, non-tax revenue, State's share of union taxes and duties and grants-in-aid from the Government of India (GoI). Capital Receipts comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GoI. **Table 1.2** presents the receipts and disbursements of the State during the current year as recorded in its Annual Finance Accounts while **Chart 1.1** depicts the trends in various components of the receipts of the State during the years 2008-13.

Total receipts (including net Public Accounts receipts) of the State grew at a CAGR of 13.08 *per cent* during the period 2008-09 to 2012-13. Increase of receipts in 2012-13 over the previous year was ₹ 12373 crore (14 *per cent* excluding contingency fund receipts).

Revenue receipts grew at a CAGR of 16.64 *per cent* while capital receipts grew at a CAGR of 7.23 *per cent* during 2008-09 to 2012-13. The share of revenue receipts in total receipts varied between 53 *per cent* and 68 *per cent* during 2008-13 and stood at 68 *per cent* during 2012-13.



Source: Finance Accounts

The share of capital receipts in total receipts fluctuated during the last five years and accounted for 28 *per cent* of total receipts during 2012-13.

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

Government of India has been transferring a sizeable quantum of funds directly to the State implementing agencies⁷ for implementation of various schemes/programmes in social and economic sectors, which are recognised as critical. Under the existing mechanism, these funds are not routed through the State Budget/ State Treasury System and hence the flow of these funds are not captured in the Finance Accounts of the State. The total funds directly transferred to State Implementing Agencies are presented in **Table 1.5**.

Table 1.5: Overall position of release of funds by GoI Ministries

Type of Schemes Recipient agency	Assistance to State Plan	Central Sector	Centrally sponsored	Amount released during 2012-13	Amount released during 2011-12
(₹ in crore)					
State PSUs	--	47	1	48	167
Statutory bodies	--	548	25	573	583
Local bodies	292	4	--	296	196
Government Autonomous bodies	--	955	8207	9162	8323
State Government institutions	--	6	65	71	20
NGOs	--	67	1	68	70
Others ⁸	1	64	--	65	50
Total direct transfer	293	1691	8299	10283	9409

Source: Website of CGA

The funds transferred directly to the State Implementing Agencies by various GoI Ministries outside the State budget are captured in the Central Plan Scheme Monitoring System (CPSMS) portal of the website of Controller General of Accounts (CGA). During 2012-13, ₹ 10283 crore was transferred by the Central Government to the State implementing agencies outside the State budget, while the total grants received by the State Government from the Centre within their budget amounted to ₹ 12343 crore during the year. **Table 1.5** shows that there has been nine *per cent* increase in direct transfer of funds in 2012-13 compared to previous year. There is a need for an institutionalized mechanism to monitor utilisation of these funds.

The major centrally sponsored schemes where funds were directly transferred by the Central Government is presented in **Table 1.6**:

⁷ State implementing agencies include any organisation/institution including Non-Governmental organisation which is authorised by the State Government to receive funds from GoI for implementing specific programmes in the State

⁸ Other include private section companies, trusts and individuals.

Table :1.6 Funds transferred directly to State Implementing Agencies

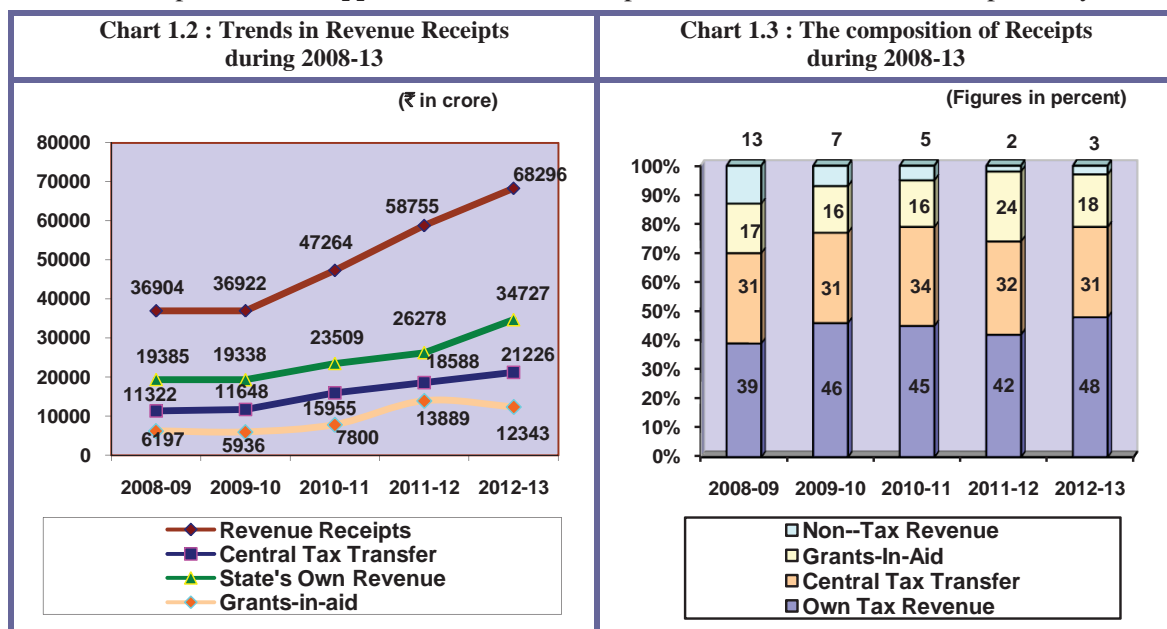
Programme/Scheme	Implementing Agency in the State	Funds transferred directly by GoI during 2012-13 (₹ in crore)
Mahatma Gandhi National Rural Employment Guarantee Scheme	State Employment Guarantee Funds (WB)	3395
Sarva Shiksha Abhiyan (SSA)	Paschim Banga Sarva Shiksha Mission (PBSSM)	2581
National Rural Health Mission (NRHM) Centrally Sponsored	West Bengal State Health & Family Welfare Samiti	518
National Rural Drinking Water Programme	State Water and Sanitation Mission, Kolkata	510
Rural Housing -IAY	District Rural Development Agencies (DRDAs)	370
MPs Local Area Development Scheme (MPLADS)	Commissioner, Kolkata Municipal Corporation & Others	292
Aajeevika-Swarna Jayanti Gram Swarojkar Yojana SGSY/NRLM	District Rural Development Agencies (DRDAs)	77
District Hospitals	National Medical College	75
Swarna Jayanti Shahari Rojgar Yojana (SJSRY)	State Urban Development Agency	63
National Food Security Mission	State Food Security Agency	42
Total		7923

Source: Finance Accounts

Amount utilised during 2012-13, out of the funds directly transferred to the State implementing agencies outside State budget in respect of the programmes listed above, were not readily available except in case of Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS). During 2012-13, out of available fund of ₹ 4124.21 crore⁹ for MGNREGS, Utilisation Certificates for ₹ 3909.98 crore (May 2013) were submitted on the basis of amounts released, and hence actual utilisation of these funds could not be ascertained.

1.3 Revenue Receipts

The trends and composition of revenue receipts over the period 2008-13 are presented in *Appendix 1.7* and also depicted in *Chart 1.2* and *1.3* respectively.



Source: Finance Accounts

⁹ ₹ 3395.48 crore received from GoI, ₹ 497.33 crore from GoWB and ₹ 231.40 crore as unspent balances of earlier years and miscellaneous receipts

Revenue Receipts have shown progressive increase during 2008-13. The growth rate of revenue (16 per cent) during the current year was, however, lower than the growth rate during 2011-12 (24 per cent), primarily due to decrease in grants-in-aid from GoI as discussed in para 1.3.2. Revenue from State's own resources ranged between 44 per cent and 53 per cent of the revenue receipt during the period 2008-13. Non-tax revenue constituted only three per cent of revenue receipts during 2012-13.

The trend in revenue receipts relative to GSDP is presented in **Table 1.7** below:

Table 1.7: Trends in Revenue Receipts relative to GSDP

	2008-09	2009-10	2010-11	2011-12	2012-13
Revenue Receipts (RR) (₹ in crore)	36904	36922	47264	58755	68296
Rate of growth of RR (per cent)	22.33	0.05	28.01	24.31	16.24
RR/GSDP (per cent)	10.79	9.26	10.22	11.04	10.98
Buoyancy Ratio					
State's Own Tax Buoyancy w.r.t. GSDP	0.69	1.03	1.58	1.19	1.87

Source: Finance Accounts

Though revenue receipts registered significant growth in four of the above five year period, the ratio of revenue receipts to GSDP has remained practically the same over the period except for minor fluctuations. It can also be seen that the State's own tax revenue with respect to the GSDP remained buoyant in 2012-13 indicating their potential to yield more revenue for the State.

1.3.1 State's Own Resources

As the State's share in central taxes and grants-in-aid is determined on the basis of recommendations of the Finance Commission, collection of central tax receipts, central assistance for plan schemes, etc., the State's performance in mobilization of resources was assessed in terms of its own resources comprising own tax and non-tax sources. The gross collection in respect of major taxes and duties as well as collection under non-tax receipts are given in **Appendix-1.7**.

The State's actual tax and non-tax receipts for the year 2012-13 *vis-à-vis* assessment made by 13th FC and MTFPS (2013-14) is given in **Table 1.8**:

Table 1.8: Actual tax and Non-Tax Revenue *vis-à-vis* projections

	13 th FC projection	Budget estimates	MTFP projection ¹⁰	Actual
Tax Revenue	34338	31222	32405	32809
Non-Tax Revenue	3612	3263	1598	1918

(Source: 13th FC Report, Budget Publication 2012-13, MTFPS and Finance Accounts)

Non tax revenue fell significantly short of the 13th FC projections and the budget estimates. Shortfall in collection of non-tax receipts was mainly due to low collections under Food storage and warehousing.

¹⁰ In the MTFPS, RE figures for 2012-13 were mentioned

1.3.1.1 Tax Revenue

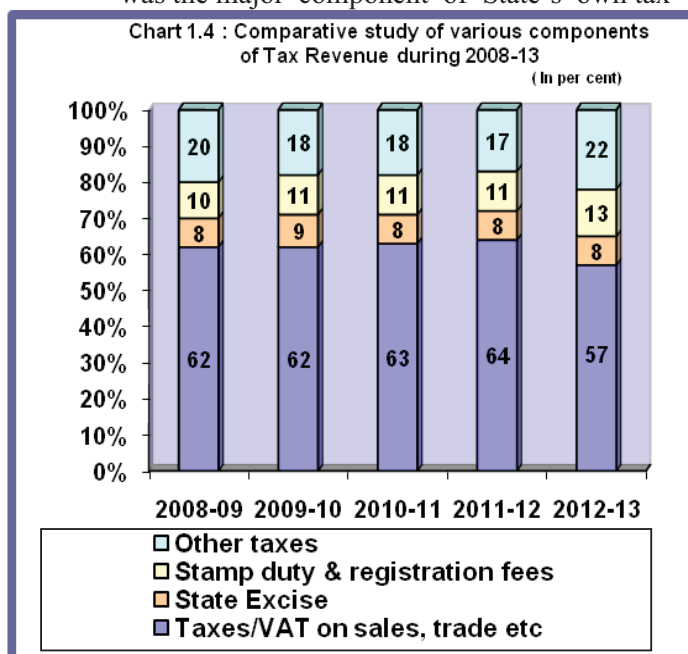
The gross collection in respect of major taxes and duties for the period 2008-13 is given in **Table 1.9**.

Table 1.9: Components of State's own tax revenue (₹ in crore)

Revenue Head	2008-09	2009-10	2010-11	2011-12	2012-13	CAGR
Taxes/VAT on sales, trade etc.	8955	10510	13276	15888	18555	19.98
State excise	1083	1444	1783	2117	2621	24.73
Stamp duty and registration fees	1509	1814	2265	2732	4357	30.35
Taxes on vehicles	608	774	936	1007	1222	19.07
Land revenue	984	929	1254	1872	2024	19.76
Taxes on goods and passengers	-	-	-	(-)	1284	-
Taxes and duties on electricity	588	665	769	408	1837	32.95
Other taxes	692	764	846	915	909	7.06
	14419	16900	21129	24938	32809	

Source: Finance Accounts

Increase in taxes on sales, trades, etc during 2012-13 was attributable to increase in the rate of tax from 13.5 per cent to 14.5 per cent in respect of a few high value luxury goods. Receipts for adjustment for energy charges, waiving of Government electricity duty as per incentive scheme, etc. resulted in increase in taxes and duties on electricity. Increase in Stamp duty and registration fees was due to increase in the market value of properties and accommodation of the same in the software, increase in number of special housing project, computerization of registration offices, increased transaction of the real estates, etc. During the period 2008-13, taxes on sales, trade, etc. was the major component of State's own tax revenue (57 to 64 per cent).



There were significant variations among relative shares of the major components of tax revenue in 2012-13 compared to 2008-09. While contribution of sales tax to total revenue declined from 62 per cent in 2008-09 to 57 per cent in 2012-13, the share of stamps and registration fees increased from 10 per cent to 13 per cent during the aforesaid period.

Source: Finance Accounts

Note-Other taxes also includes Land revenue, taxes on vehicles, goods and passenger and Taxes and duties on electricity

Cost of collection

The gross collection from major taxes and expenditure incurred on collection during the years 2010-11 to 2012-13 along with All India Average is given in Table 1.10:

Table 1.10: Gross collection vis-a-vis expenditure on collection

Particulars	Year	Gross collection	Expenditure on collection	Percentage of expenditure to gross collection	
		₹ in crore		State's figure	All India Average
Taxes/VAT on sales	2010-11	13276	165	1.24	0.75
	2011-12	15888	175	1.10	0.83
	2012-13	18555	191	1.03	NA
State Excise	2010-11	1783	92	5.16	3.05
	2011-12	2117	77	3.64	2.98
	2012-13	2621	80	3.05	NA
Stamp Duty & Registration Fees	2010-11	2265	94	4.15	1.60
	2011-12	2732	97	3.55	1.89
	2012-13	4357	101	2.32	NA
Taxes on Vehicles	2010-11	936	20	2.14	3.71
	2011-12	1007	20	1.99	2.96
	2012-13	1222	21	1.72	NA

Source: Finance Accounts

As depicted in Table 1.10, the cost of collection as percentage of total collection in respect of sales tax/VAT, state excise and stamp duty and registration fees were above the All India Average.

1.3.1.2 Non Tax Revenue

Table 1.11: Components of Non Tax Revenue

(₹ in crore)

Revenue Head	2008-09	2009-10	2010-11	2011-12	2012-13	Percentage increase over previous year
Interest receipts	4000 ¹¹ (80.55)	363(14.89)	717(30.13)	292 (21.79)	934(48.70)	219.86
Dividends and Profit	6 (0.12)	1 (0.04)	1 (0.04)	1(0.07)	2 (0.10)	100
Other non-tax receipts	960(19.33)	2074(85.07)	1662(69.83)	1047 (78.14)	982 (51.20)	(-) 6.21
Total	4966	2438	2380	1340	1918	

Source: Finance Accounts

Figures in brackets indicate the share of the components.

Non-tax revenue was three per cent of the revenue receipts during 2012-13. Increase in collection (₹ 578 crore) over the previous year was attributable to significant increase in interest receipts from investment of Cash Balances, interest earned on loans given to West Bengal State Electricity Distribution Company Ltd. (WBSEDCL) and West Bengal Electronic Industries Development Corporation, 13th FC benefit on interest relief on NSSF, etc.

¹¹ Inflation of the figures for the year 2008-09 was due to book adjustment of waiver of interest.

1.3.2 Grants-in-aid from Government of India

The trends of release of grants-in-aid by GoI under non-plan, State plan, centrally sponsored and central plan schemes is shown in **Table 1.12**.

Table 1.12: Components of Grants-in-aid (₹ in crore)

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
Non-Plan Grants	1420	1395	2536	3537	4032
Grants for State Plan Schemes	3016	2734	3127	6529	5004
Grants for Central Plan Schemes	74	89	163	203	150
Grants for Centrally Sponsored Schemes	1687	1718	1974	3620	3157
Grants for Special Plan Schemes	-	-	-	-	-
Total	6197	5936	7800	13889	12343
Percentage of increase over previous year	28.06	(-) 4.21	31.42	78.06	(-) 11.13
Total grants as a percentage of Revenue Receipts	16.79	16.07	16.50	23.64	18.07

Source: Finance Accounts

During 2012-13, grants-in aid from GoI decreased by ₹1546 crore mainly due to decrease in grants for State plan schemes (₹ 1525 crore). Under State plan schemes, the decrease was in Additional Central Assistance (ACA) grants for Externally Aided Projects (EAPs), Central Assistance grants under Accelerated Irrigation Benefits Programme, ACA grants for Urban Infrastructure Development for Small and Medium town under JNNURM, ACA grants for Integrated Housing and Slum Development Programme, etc. due to, *inter alia*, non-submission of UCs for previously released grants, failure to submit action plans, etc.

1.3.3 Central Tax Transfers

The 13th FC recommended that the State's share of central taxes be increased to 32 *per cent* from 30.50 *per cent* as recommended by Twelfth Finance Commission. The State's share in the net proceeds of central tax (excluding Service Tax) and net proceeds of Service Tax has been fixed at 7.26 and 7.38 *per cent*, respectively.

During 2012-13, central tax transfers stood at ₹ 21226 crore with an increase of 14 *per cent* over the previous year and constituted 31 *per cent* of revenue receipts. The increase was mainly under Service Tax (₹ 881.03 crore) and Taxes on Income other than Corporation Tax (₹ 848.33 crore).

1.3.4 Optimisation of the 13th FC grants

The status on utilisation of 13th FC grants allocated upto the year 2012-13 is depicted below.

Table 1.13: Status on utilisation of 13th FC grants (₹ in crore)

Sl. No.	Transfer	Recommendation of the FC (Allocation upto 2012-13)	Actual release by GoI	Expenditure ¹²	Unutilised amount ¹³
1	Local Bodies	2604	1926	1116	810
	Grants to PRIs	1875	1347	873	474
	General performance grants to PRIs	512	212	0	212
	Grants to ULBs	728	579	243	336

¹² As per UCs received

¹³ As deduced from UCs not received

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Sl. No.	Transfer	Recommendation of the FC (Allocation upto 2012-13)	Actual release by GoI	Expenditure ¹²	Unutilised amount ¹³
	General performance grants to ULBs	200	138	0	138
2	Disaster Relief	736	736	1	735
3	Improving outcome grants	275	100	14	86
4	Environment related grants	188	114	67	47
5	Elementary education	1251	1251	771	480
6	Roads and bridges	307	307	212	95
7	State specific grants	852	423	211	212
	Total	9528	7133	3508	3625

Source: FC Report and departmental figures

Failure to avail 13th FC grants

Audit scrutiny (July 2013) of Finance department revealed that various departments of GoWB could not avail the 13th FC grants amounting to ₹ 66.38 crore and ₹ 589.01 crore allocated by the GoI for the various sector/components as detailed in **Appendix 1.8** for the period 2011-12 and 2012-13 respectively due to non-compliance with the conditions / prerequisites imposed by 13th F.C and suitably adopted by GoI. Had the departments paid due attention to the requirements of submission of annual action plan/ timely submission of utilisation certificate for funds released in previous years, the situation could have been avoided.

Short receipt of 13th FC grants from GoI

Out of ₹ 1227 crore allocated by the GoI of 13th FC grants pertaining to award period 2012-13 for Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs), GoWB could not avail ₹ 601 crore due to non fulfillment of preconditions and delayed submission of UC for the initial installments released by GoI as detailed in **Appendix 1.9**.

1.4 Capital Receipts

The trends in growth and composition of capital receipts for the period 2008-13 is depicted in **Table 1.14**.

Table 1.14: Trends in growth and composition of capital receipts

(₹ in crore)					
Sources of State's Receipts	2008-09	2009-10	2010-11	2011-12	2012-13
Capital Receipts (CR)	21607	28895	24566	26633	28571
Recovery of Loans and Advances	5616 ¹⁴	387	372	78	280
Public Debt Receipts ¹⁵	15991	28508	24194	26555	28291
<i>of which Market Loans</i>	12397	18353	10556	23591	23006
Rate of growth of Public Debt	4.29	78.28	(-) 15.13	9.76	6.54
Rate of growth of GSDP	14.18	16.65	15.88	15.16	16.89

Source: Finance Accounts

During 2012-13, capital receipts increased by 7.28 per cent over the previous year. This was mainly on account of increase in public debt receipts by

¹⁴ High recovery of loans and advances was attributable to contra credit of ₹ 4874 crore in the loan head, in connection with waiver of dues.

¹⁵ Excluding Ways and means advances from RBI

₹ 1736 crore and recovery of loans and advances by ₹ 202 crore. Increase in public debt receipts was due to increase in receipts from Special Securities issued to NSSF and loans and advances from GoI. Recovery of loans and advances was due to increased recoveries from Government companies in economic sector. There were no miscellaneous capital receipts from disinvestment, sale of land, etc. during the period 2008-13. Non-debt capital receipts thus comprised only of recovery of loans and advances.

1.5 Public Accounts Receipts

Receipts and disbursements in respect of certain transactions such as small savings, provident funds, reserve funds, deposits, suspense, remittances, etc. which do not form part of the Consolidated Fund, are kept in the Public Account set up under Article 266(2) of the Constitution and are not subject to vote by the State Legislature. Here the Government acts as a banker. The net accrual to the Public Account is available with the Government for financing the fiscal deficit. The trends and composition in net Public Accounts receipts for the period 2008-13 is depicted in **Table 1.15**.

Table 1.15: Trends in growth and composition of Net Public Accounts Receipts

(₹ in crore)

Resources under various heads	2008-09	2009-10	2010-11	2011-12	2012-13
Public Accounts Receipts					
a. Small Savings Provident Fund, etc.	355	738	1129	1032	945
b. Reserve Fund	985	676	1192	1296	533
c. Deposits and Advances	1231	1364	870	1367	2944
d. Suspense and Miscellaneous	384	1162	- 458	-823	-559
e. Remittances	274	58	-265	325	228
Total	3229	3998	2468	3197	4091

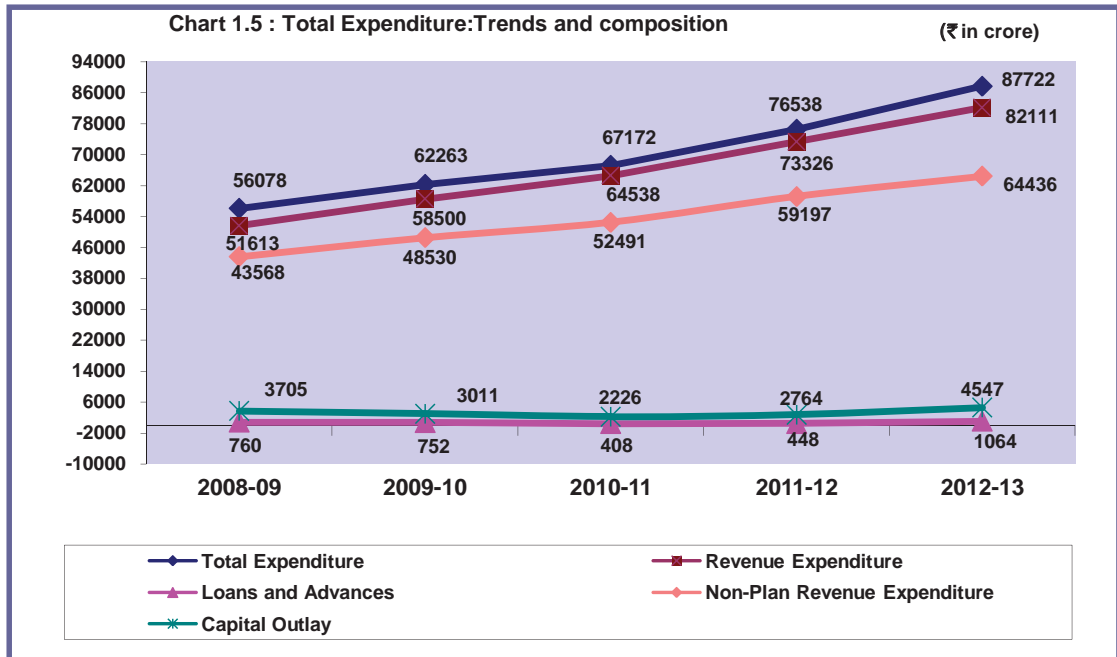
Source: Finance Accounts

1.6 Application of Resources

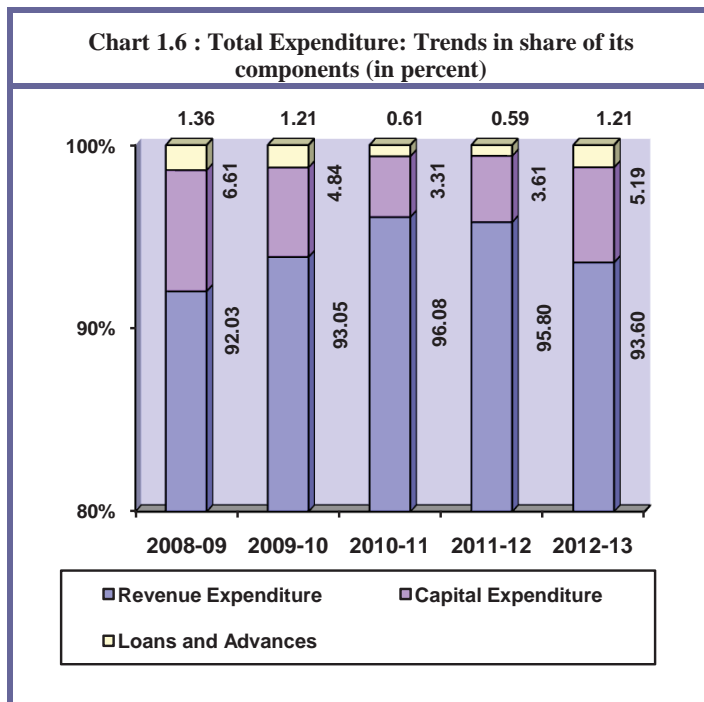
Analysis of the allocation of expenditure at the State Government level assumes significance since major expenditure responsibilities are entrusted with them. Within the framework of fiscal responsibility legislations, there are budgetary constraints in raising public expenditure financed by deficit or borrowings. It is, therefore, important to ensure that the ongoing fiscal correction and consolidation process at the State level is not at the cost of expenditure, especially the expenditure directed towards development of social sector.

1.6.1 Growth and composition of expenditure

Chart 1.5 presents the trends in total expenditure over the period 2008-13 and its composition both in terms of 'economic classification' and 'expenditure by activities' are depicted in **Charts 1.6 and 1.7** respectively.



Source: Finance Accounts



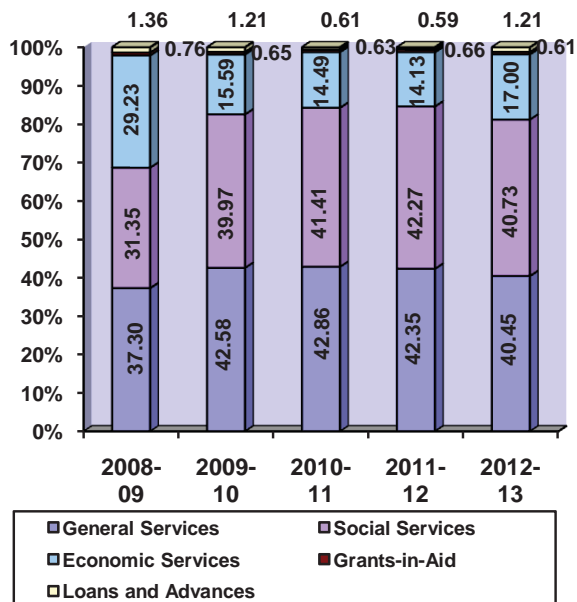
Source: Finance Accounts

Total expenditure during 2012-13 increased by ₹11184 crore (14.61 per cent) over the previous year mainly due to increases in revenue expenditure (₹ 8785 crore) and capital outlay (₹ 1783 crore). Revenue expenditure constituted 93.60 per cent while Capital outlay constituted only 5.19 per cent of the total expenditure during 2012-13.¹⁶

¹⁶Total expenditure shown here does not include repayment of public debt.

In terms of activities, total expenditure is composed of expenditure on general services (which includes interest payments as one of its major components), social and economic services, grants-in-aid and loans and advances. The structure of expenditure in terms of the relative shares of these components has undergone some significant change since the last five years wherein the developmental expenditure, in particular the expenditure on social services has been gaining increased focus at the cost of expenditure on economic services.

Chart 1.7 : Total Expenditure : Trends by activities (in percent)



Source: Finance Accounts

Significant Capital Outlays

During 2012-13, plan capital outlay amounting to ₹ 159.25 crore was incurred for development of schools and hostels under Backward Region Grant Fund and ₹ 31.74 crore incurred for establishment of new polytechnics, new ITIs, etc. In the Health and Family Welfare sector, plan capital expenditure of ₹ 15.31 crore was incurred for setting up of new medical colleges. During 2012-13, under capital outlay on power projects, equity participation of the State Government for implementation of the Sagardighi Thermal Power Project and implementation of DPL unit amounted to ₹ 70 crore and ₹ 44 crore respectively. Grants for creation of capital assets stood at ₹ 2883.69 crore during 2012-13 against ₹ 1143.63 crore during 2011-12.

1.6.2 Revenue Expenditure

During the period 2008-09 to 2012-13, revenue expenditure increased consistently at a CAGR of 12.31 per cent. Non-Plan Revenue Expenditure (NPRE) (₹ 64436 crore) constituted 78 per cent of the total revenue expenditure during 2012-13 and was substantially higher (by 26 per cent) than the normative projections of 13th FC (₹ 51229 crore).

1.6.3 Committed Expenditure

Committed expenditure of the State Government on revenue account mainly consists of interest payments, expenditure on salaries and wages, pensions and

subsidies. **Table 1.16** presents the trends in the expenditure on these components during 2008-13.

Table-1.16: Components of Committed Expenditure

(₹ in crore)

Components of Committed Expenditure	2008-09	2009-10	2010-11	2011-12	2012-13	
					BE	Actuals
Salaries* & Wages, Of which	13779(37)	21903(59)	24954(53)	27031 (46)	31185	28342(41)
Non-Plan Head	12996	20849	23728	25537		26685
Plan Head**	783	1054	1226	1494		1657
Interest Payments	12069(33)	13305(36)	13817(29)	15896(27)	18109	17571(26)
Expenditure on Pensions	4433(12)	6511(18)	8078(17)	10066(17)	9582	11036(16)
Subsidies	1256(3)	2556 (7)	2093 (4)	2564 (4)	1513	4404(6)
Total	31537	44275	48942	55557		61353

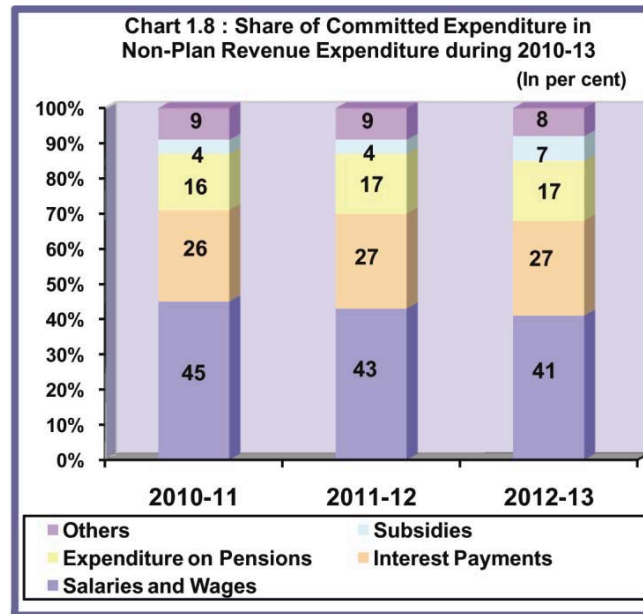
Source: Finance Accounts, Voucher Level Computerisation (VLC) done by Pr. A.G. (A&E) and Budget Publications

Figures in the parentheses indicate percentage to revenue receipts,

* It also includes the salaries paid out of grants-in-aid,

**Plan Head also includes the salaries and wages paid under Centrally Sponsored Schemes

Committed expenditure of the State grew at a CAGR of 18.10 per cent during 2008-13. Proportion of committed expenditure with respect to revenue expenditure hovered between 75 and 76 per cent during 2009-13 indicating little improvement in terms of flexibility enjoyed by the State in managing the



Source: Finance Accounts

Expenditure on salaries and wages:

Expenditure on salaries and wages grew at a CAGR of 19.76 per cent during 2008-13. During 2012-13, salary expenditure was lower than the budgetary estimates (₹ 31185 crore) by ₹ 2843 crore (nine per cent).

Pension payments:

Expenditure on Pensions grew at a CAGR of 25.61 per cent during 2008-13. It surpassed the budgetary estimates (₹ 9582 crore) by ₹ 1454 crore in 2012-13. Expenditure on pensions constituted 16 per cent of the revenue receipts and 17 per cent of the NPRES during the current year.

The expenditure on pension during 2012-13 surpassed the 13th FC projection (₹7119 crore) by 55 per cent.

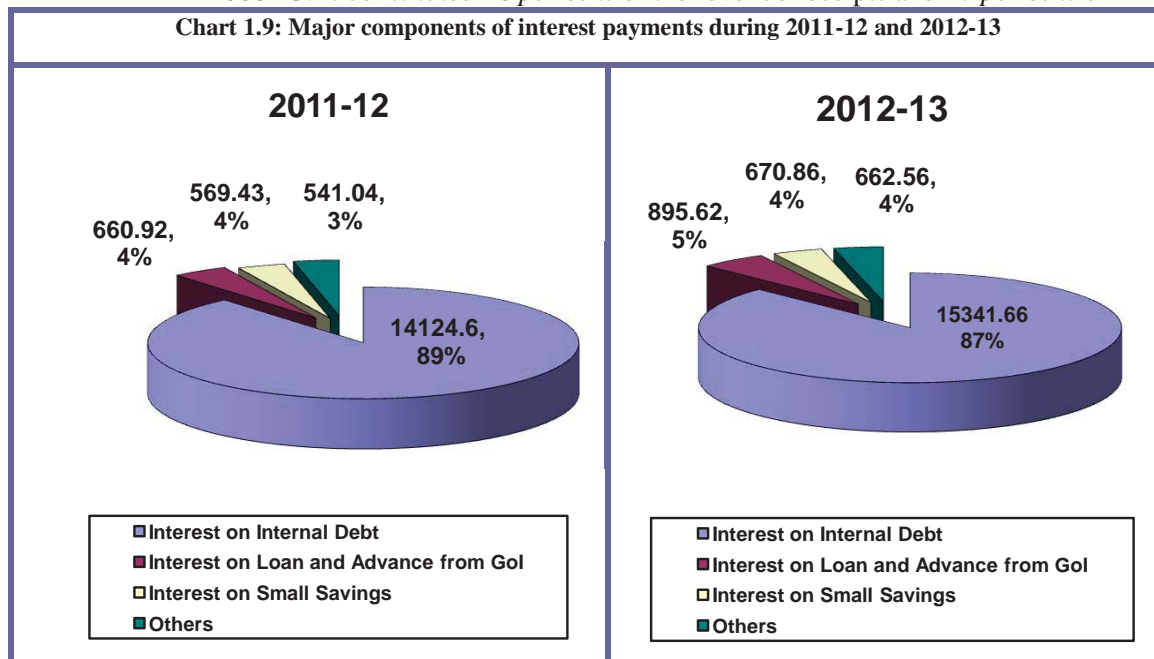
Contributory Pension Scheme for All India Service officers:

All India Service (AIS) officers recruited on or after 01 January 2004 are covered under the New Pension Scheme, which is a defined contributory pension scheme. In terms of the scheme, the employee contributes 10 per cent of his basic pay and dearness allowance, which is matched by the State Government and the entire fund is transferred to the designated fund manager through the National Securities Depository Limited (NSDL)/Trustee bank. The amount of employees' and employer's contributions receivable in the scheme during inception was not estimated. During 2012-13, the State Government transferred ₹ 0.39 crore to NSDL/Trustee bank, which included ₹ 0.11 crore towards employees' contribution and ₹ 0.28 crore towards employer's contribution, leaving a balance of ₹ 0.13 crore (₹ 0.09 crore employers' contribution and ₹ 0.04 crore employee's contribution) as on March 2013 remaining to be transferred to NSDL/Trustee bank. Uncollected, unmatched and untransferred amounts, with accrued interest, represented outstanding liabilities under the scheme.

Interest payments:

Expenditure on Interest Payments grew at a CAGR of 9.85 per cent during 2008-13. It constituted 26 per cent of the revenue receipts and 27 per cent of

Chart 1.9: Major components of interest payments during 2011-12 and 2012-13



Source: Finance Accounts;
"Others" include interest on Reserve Funds and interest on Deposits.

NPRE during 2012-13. As depicted in **Chart 1.9** interest on internal debt comprised the major share of interest payments being 87 per cent in 2012-13. In Internal Debt, interest on market loans and interest on special securities issued to NSSF constituted 97 per cent of the interest payments during 2012-13.

Against the 13th FC projection of ₹16461 crore during 2012-13, actual expenditure incurred on interest payment was higher by seven per cent.

Interest payment on market loans as percentage of revenue receipts is depicted in **Table 1.17**:

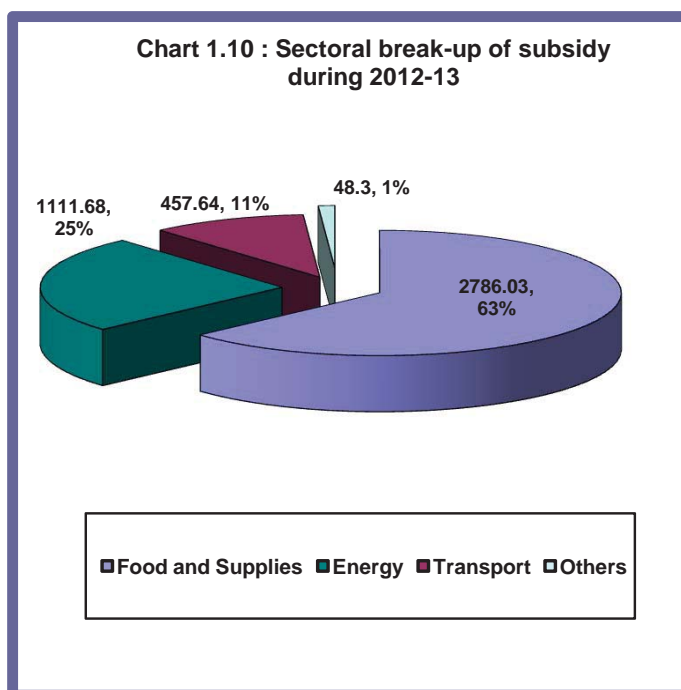
Table 1.17: Interest payment as percentage of Revenue Receipts

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
Interest payment on market loans (₹ in crore)	3002	3831	4899	5839	7455
Percentage of Revenue Receipts	8	10	10	10	11

Source: Finance Accounts

Payment of subsidies

Expenditure on subsidies grew at a CAGR of 36.84 per cent during the period 2008-13. The sectoral segregation of subsidies is depicted in **Chart 1.10**.



Subsidy in the Food and Supplies department increased by ₹ 701.36 crore during 2012-13 over the previous year and predominantly related to subsidy for supply of rice to the APL/BPL families in the TPDS as well as transport subsidy on distribution of rice and wheat. Under energy sector subsidy related to WBSEDCL for subsidisation of power tariff to its consumers. Subsidy under Transport sector was in the form of assistance to the Public Sector and other undertakings. Further, Government provided a subsidy of ₹ 55.73 crore in the form of grants-in-aid on various other schemes.

Source: Finance Accounts

Significant policies, projects entailing committed expenditure on the State

Major policy decisions during the year 2012-13 on 21 new schemes proposed in the budget had implications for annual revenue expenditure amounting to

₹ 1635.22 crore¹⁷ including committed expenditure of ₹ 222.54 crore. Substantial plan revenue expenditure was involved in respect of housing for economically weaker section (₹ 158.00 crore), distribution of bicycles among girl students of recognized and aided Madrasah (₹ 44.91 crore) and Talent Support Programme for meritorious minority students (₹ 34.32 crore).

1.6.4 Financial assistance by State Government to local bodies and other institutions

Introduction to Local Bodies

The West Bengal Panchayat Act, 1973 was enacted, *inter alia* to reorganise Panchayats in rural areas of West Bengal. The Act depicted the broad aspects of duties, powers and functions of three tier Panchayati Raj Institutions (PRIs) in West Bengal. Municipal Bodies have been accorded constitutional status in the 74th Constitutional Amendment Act of 1992 and raised to the status of 'Government' at the local level. The Urban Local Bodies (ULBs) in West Bengal are governed by the West Bengal Municipal Act, 1993. With effect from November 2008, all municipal corporations (except Kolkata and Howrah) have been brought under the West Bengal Municipal Corporation Act, 2006. The PRIs and ULBs were entrusted with the implementation of key socio-economic development programmes through devolution of funds and functions as per recommendations of the successive Central/ State Finance Commissions.

In exercise of the powers conferred by the above stated Panchayat Act and Municipal Acts of the State, the Examiner of Local Accounts (ELA), West Bengal was appointed as the Auditor entrusted with the responsibility to audit the PRIs and ULBs. The Panchayat Act stipulates that the report of the ELA on PRIs shall be laid before the State Legislature and in terms of the Rules of Procedure and Conduct of Business in the WBLA, matters relating to scrutinising the Report have been entrusted to the Standing Committee on Panchayats and Rural Development (P & RD), Land & Land Reforms and Sundarban Development, WBLA. The Municipal Acts envisage that the Auditor shall prepare a report on the accounts examined and send it to the Chairman / Mayor and a copy thereof to the Director of Local Bodies. For examining Audit Reports on ULBs, a State Level Audit Committee¹⁸ (SLAC) was constituted in February 2006.

Financial Assistance to Local Bodies and others

The quantum of assistance provided by way of grants and loans to local bodies and others during the current year relative to the previous years is presented below:

¹⁷ Plan: ₹262.11 crore and Non-plan: ₹1373.11 crore

¹⁸ Comprising the Chief Secretary (Chairman), Principal Secretary / Secretary of the P & RD Department (Member), Principal Secretary / Secretary of the Municipal Affairs Department (Member), Principal Secretary of the Finance Department (Member), Pr. Accountant General, West Bengal (Member) and Principal Secretary of the Finance (IA) Department (Member-Secretary)- Notification No. 4010-F.B. dated 23 February 2006 of the Finance Department, Government of West Bengal.

Table 1.18: Financial Assistance to Local Bodies/Institutions, etc.

Financial Assistance to Local Bodies/Institutions	2008-09	2009-10	2010-11	2011-12	2012-13
	(₹ i n c r o r e)				
Panchayati Raj Institutions (PRIs)	1355	2180	2192	2670	5623
Urban Local Bodies	1718	2105	2435	2365	2500
Public Sector Undertakings	8554	86	66	67	89
Autonomous Bodies	1639	1712	2028	2332	2310
Others	9081	13508	16935	19334	17611
Total	22347	19591	23656	26768	28133
Assistance as per percentage of Revenue Expenditure	43	33	37	37	34

Source: Finance Accounts

Table 1.18 indicates that as compared to last year, financial assistance to local bodies/institutions increased by ₹ 1365 crore during 2012-13. Substantial increase (₹ 2953 crore) was noticed in assistance provided to Panchayati Raj Institutions (PRIs).

1.7 Quality of Expenditure

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

1.7.1 Adequacy of Public Expenditure

Enhancing human development levels require the States to step up their expenditure on key social services like education, health, etc. **Table 1.19** analyses fiscal priority of the State Government with regard to Development Expenditure (DE), Social Sector Expenditure (SSE), Capital Expenditure (CE) and expenditure under Education¹⁹ and Health²⁰ sectors during 2009-10 and 2012-13.

Table-1.19: Fiscal priority of the State for 2009-10 and 2012-13: (in per cent)

	AE/GSDP	DE [#] /AE	SSE/AE	CE/AE	Expenditure on Education / AE	Expenditure on Health / AE
2009-10	General category States' Average (Ratio)	17.06	66.05	35.73	14.96	4.24
	West Bengal's figure (Ratio)	15.61	56.76	40.09	4.84	5.20
2012-13	General category States' Average (Ratio)	15.93	65.79	32.77	13.23	4.47
	West Bengal's figure (Ratio)	14.10	58.94	40.85	5.19	4.59

* States other than 11 states termed as Special Category States (Arunachal Pradesh, Assam, Jammu and Kashmir, Himachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura and Uttarakhand). All India average of General Category States has been calculated on the basis of figures provided by 16 General Category States excluding Delhi, Goa and Puducherry.

[#] Development Expenditure includes Development Revenue Expenditure, Development Capital Expenditure and Development Loans and Advances disbursed

Source: Ratios relating to West Bengal were arrived at on the basis of Finance Accounts figures

AE: Aggregate Expenditure; DE: Development Expenditure; SSE: Social Sector Expenditure; CE: Capital Expenditure
Source: For GSDP, Central Statistics office of Ministry of Statistics and Programme Implementation.

¹⁹ Education, Sports, Art and Culture sector

²⁰ Health and Family Welfare sector

- The above table shows that during both the years, the **ratio of aggregate expenditure to the GSDP** for West Bengal was lower compared to that of all general category States.
- Expenditure incurred on social and economic sectors taken together is considered as **Developmental Expenditure**. The proportion of expenditure in these sectors was lower compared to corresponding all general category States' averages in both these years. However, the State incurred higher percentage of expenditure on Health and Education sectors, as compared to what the general category States were spending on an average during 2012-13. Consequently, in the **Social Sector**, level of expenditure has been higher than the average of all general category States' expenditure in 2012-13.
- Proportion of capital expenditure in aggregate expenditure (4.84 and 5.19 *per cent*) was significantly lower compared to general category States' average of 14.96 and 13.23 *per cent* during 2009-10 and 2012-13 respectively, which is a matter of concern.

Table 1.20 and **Chart 1.11** present the trends in various components of development expenditure relative to the aggregate expenditure of the State during the current year *vis-à-vis* that budgeted and of the previous years.

Table-1.20: Development Expenditure

(₹ in crore)

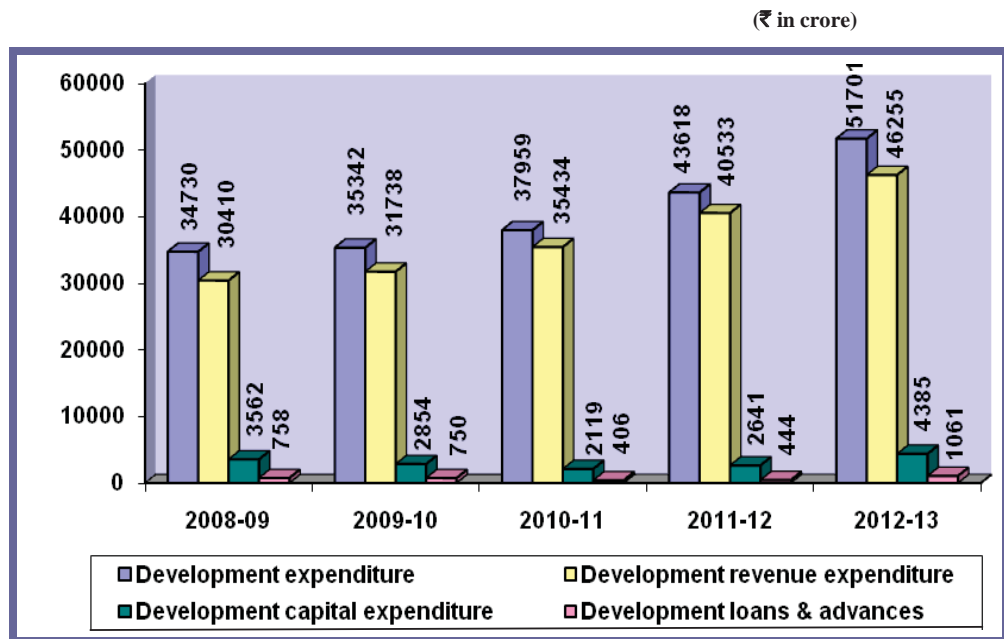
Components of Development Expenditure	2008-09	2009-10	2010-11	2011-12	2012-13	
					BE	Actuals
Revenue Expenditure	51613 (92)	58500 (94)	64538 (96)	73326 (96)	83719	82111 (94)
Development Revenue Expenditure	30410 (54)	31738 (51)	35434 (53)	40533 (53)	47028	46255 (53)
Capital Expenditure	3705 (7)	3011 (5)	2226 (3)	2764 (4)	8281	4547 (5)
Development Capital Expenditure	3562 (6)	2854 (5)	2119 (3)	2641 (3)	7923	4385 (5)
Loans and Advances	760 (1)	752 (1)	408 (1)	448 (1)	716	1064 (1)
Development Loans and Advances	758 (1)	750 (1)	406 (1)	444 (1)	711	1061 (1)
Development Expenditure	34730 (62)	35342 (57)	37959 (57)	43618 (57)	55662	51701 (59)
Aggregate Expenditure	56078	62263	67172	76538	92716	87722
Planned Expenditure	12469	13926	14616	17216	27692	22491
Non-planned Expenditure	43609	48337	52556	59322	65024	65231

Source: Finance Accounts and Budget Publications

Figures in parentheses indicate percentage to aggregate expenditure

As depicted in **Table 1.20**, development capital expenditure fell significantly short of the budgetary estimates during 2012-13. As a whole, development expenditure during 2012-13 fell short of the budgetary estimates by ₹ 3961 crore. Shortfall in development capital expenditure was mainly due to significantly low capital expenditure on Water Supply, Sanitation, Housing and Urban Development and Education, Sports, Art and Culture in social sector and Irrigation and Flood Control and Agriculture and Allied Activities in economic sector.

Chart 1.11 : Trend in Development Expenditure during 2008-2013



Source: Finance Accounts

1.7.2 Efficiency of Expenditure Use

In view of the importance of public expenditure on development heads from the point of view of social and economic development, it is important for State Governments to take appropriate expenditure rationalisation measures and lay emphasis on provision of core public and merit goods²¹. Apart from improving the allocation towards development expenditure, particularly in view of the fiscal space being created on account of decline in debt servicing in recent years, the efficiency of expenditure use is also reflected by the ratio of capital expenditure to total expenditure (and/or GSDP) and proportion of revenue expenditure being spent on operation and maintenance of the existing social and economic services. The higher the ratio of these components to total expenditure (and/or GSDP), the better would be the quality of expenditure. **Table 1.21** presents the efficiency of expenditure in selected social and economic services.

²¹ Core public goods are which all citizens enjoy in common in the sense that each individual's consumption of such a good leads to no subtractions from any other individual's consumption of that good, e.g. enforcement of law and order, security and protection of our rights; pollution free air and other environmental goods and road infrastructure etc. Merit goods are commodities that the public sector provides free or at subsidised rates because an individual or society should have them on the basis of some concept of need, rather than ability and willingness to pay the government and therefore wishes to encourage their consumption. Examples of such goods include the provision of free or subsidised food for the poor to support nutrition, delivery of health services to improve quality of life and reduce morbidity, providing basic education to all, drinking water and sanitation etc.

Table 1.21 –Efficiency of Expenditure Use in Selected Social and Economic Services

Social/Economic Infrastructure	2011-12			2012-13		
	Ratio of CE to TE	In RE, the share of		Ratio of CE to TE	In RE, the share of	
		S &W	O&M**		S&W	O &M**
In per cent						
Social Services (SS)						
Education, Sports, Art and Culture	0.56	82.79	0.16	1.78	79.57	0.01
Health and Family Welfare	9.86	74.72	0.33	2.93	71.65	0.32
WS, Sanitation, & HUD	5.31	32.57	2.84	14.61	29.35	3.19
Total (SS)	2.45	58.55	0.49	4.23	56.05	0.50
Economic Services (ES)						
Agriculture & Allied Activities	7.51	60.05	0.53	7.64	57.42	0.48
Irrigation and Flood Control	32.97	68.48	14.94	42.27	67.12	12.90
Power & Energy	24.56	0.33	-	5.71	0.08	-
Transport	42.91	15.00	30.24	43.50	15.19	30.98
Total (ES)	17.09	37.44	5.00	18.09	30.00	3.72
Total (SS+ES)	6.12	53.88	1.49	8.48	49.26	1.34

Source: Finance Accounts and VLC

TE: Total Expenditure; CE: Capital Expenditure (excluding loans and advances); RE: Revenue Expenditure; S&W: Salaries and Wages; O&M: Operations & Maintenance ** As could be identified, may not reflect the complete picture

Though the ratio of capital expenditure to total expenditure increased both under social and economic services during 2012-13 over the previous year, there has been considerable decrease in capital outlay on Health and Family Welfare under social services and on Power and Energy under economic services.

1.8 Financial Analysis of Government Expenditure and Investments

In the post-WBFRBM framework, the State is expected to keep its Fiscal Deficit (and borrowings) at low levels. In addition, the State Government needs to initiate measures to earn adequate returns on its investments and recover its cost of borrowed funds. This section presents the broad financial analysis of investments and other capital expenditure undertaken by the Government during the current year *vis-à-vis* the previous years.

1.8.1 Financial Results of Irrigation Works

Works in Irrigation department are classified as productive or unproductive according to whether the net revenue (gross revenue less working expenses) derived from each work on the expiry of ten years from the date of closure of the construction covers or does not cover the prescribed annual interest charges on the capital invested. Going by this defined criterion, there was no productive work in the State at the end of 2012-13. Revenue realised from 15 schemes during 2012-13 was only ₹ 6.11 crore (0.27 per cent of the capital outlay of ₹ 2238.74 crore). The revenue receipts of none of these schemes were sufficient to cover even the direct working expenses. After meeting the working expenses and interest charges, the 15 schemes suffered a net loss of ₹ 212.75 crore (9.50 per cent of the capital outlay). The major loss making projects were Damodar Valley Project (₹ 62.62 crore), Kangsabati Reservoir

Project (₹ 55.22 crore), Teesta Barrage Project (₹ 47.71 crore) and Mayurakshi Reservoir Project (₹ 30.47 crore).

1.8.2 Incomplete projects

As of March 2013, there were 710 incomplete capital works²². A total of ₹ 1481 crore was invested in these projects by the Government.

Table 1.22: Work-wise Profile of Incomplete Projects

(₹ in crore)

Types of Works	Number	Estimated cost of works	Expenditure up to March 2013	Cases for which revised estimates were available		
				Number	Original estimates	Revised estimates
Roads	229	2440	748	15	413	514
Buildings	366	2737	533	-	-	-
Canal	17	144	39	3	26	26
Irrigation	54	481	111	1	30	32
Sundarban Affairs	44	140	50	-	-	-
Total	710	5942	1481	19	469	572

Source: Finance Accounts

There have been cost over-runs, since initial budgeted costs have been scaled up in the cases of time over-run. In 19 out of 710 cases, for which original as well as revised estimates were available, there were escalation of ₹ 103 crore over the estimated cost. Non-completion of these projects/ works within the stipulated period not only resulted in increase of cost, but also deprived the State of the intended benefits for prolonged periods.

1.8.3 Investment and returns

As on 31 March 2013, Government invested ₹ 11521 crore in statutory corporations, banks, Government companies, joint stock companies and co-operatives (Table 1.23). The average return on this investment was negligible while the Government paid interest rate of 7.78 to 8.70 per cent on its borrowings during 2008-09 to 2012-13.

Table 1.23: Return on Investment

Investment/Return/Cost of Borrowings	2008-09	2009-10	2010-11	2011-12	2012-13
Investment at the end of the year (₹ in crore)	10163	10676	10850	11156	11521
Return (₹ in crore)	6	-	1	1	2
Return (per cent)	0.06	-	0.01	0.01	0.02
Average rate of interest on Government borrowing (per cent)	8.70	8.51	7.78	8.05	8.03
Difference between interest rate and return (per cent)	8.64	8.51	7.77	8.04	8.01

Source: Finance Accounts

During 2012-13, Government earned a meager return of ₹ two crore on its investment of ₹ 11521 crore. Further scrutiny showed that in many cases the companies having Government investment have suffered substantial losses leading to erosion of their net worth. Appendix 1.10 shows an illustrative list of some such companies. Of these, in 12 non-working Government companies and one non-working statutory corporation, accumulated losses amounted to

²² Works costing ₹ one crore and above have only been included. Works with incomplete information, works which have not been commenced and works clubbed under broad scheme names were excluded.

₹ 713 crore as per the latest accounts received. The negative net worth of these companies amounted to ₹ 622 crore.

The possibility of any return on Government investments made in these companies is remote.

1.8.4 Loans and advances by State Government

In addition to investments in co-operative societies, corporations and companies, Government also provided loans and advances to many of these institutions/ organisations. **Table 1.24** presents the outstanding loans and advances, interest receipts *vis-à-vis* interest payments during the last five years.

Table-1.24: Average interest received on loans given by the State (₹ in crore)

Quantum of Loans/Interest Receipts/ Cost of Borrowings	2008-09	2009-10	2010-11	2011-12	2012-13	
					BE	Actual
Opening Balance	18438	13582	13947	13982		14352
Amount advanced during the year	760	752	408	448	716	1064
Amount repaid during the year	5616	387	373	78	54	280
Closing Balance	13582	13947	13982	14352		15136
<i>Of which</i> Outstanding balance for which terms and conditions have not been settled	1050	1435	1300	1303		1302
Net addition to outstanding loans and advances during the year	(-) 4856	365	35	370		784
Interest receipts from loans and advances	3866 ²³	234	580	163		516

Source: Finance Accounts

During 2012-13, major portion of the loan went to West Bengal Highway Development Corporation Limited (₹ 700 crore) in economic sector while in social sector, major portion went to Kolkata Municipal Corporation for Kolkata Environmental Improvement Project (₹ 105.73 crore). Recovery of loans and advances increased during 2012-13, mainly on account of increased recoveries from Government companies under economic services. Substantial increase in interest receipts was due to increase in interest receipts under energy sector. At the end of the year, however, arrears of ₹ 4420.94 crore on account of principal and ₹ 6692.60 crore on account of interest was overdue for realisation. No irrecoverable loans were, however, written off during the year.

Only 13 loanees out of 167 loanees confirmed the loan balances. Confirmation/acceptance of the outstanding balance of loans advanced (₹ 11816.60 crore) as at the end of March 2013, was not available. Such non-confirmation/acceptance served as a hindrance to the authentic depiction of loan balances.

Scrutiny revealed that loans amounting to ₹ 866.27 crore relating to 17 departments remained unaltered for long period, the oldest item being 47 years. Fifteen of these departments had such loans worth more than ₹ one crore, as shown in **Table 1.25**. In addition, 7026 Government loans aggregating to ₹ 4501.73 crore were sanctioned to 42 Autonomous

²³ Of ₹ 3865.93 crore, ₹ 3245.50 crore was book adjustment.

Bodies/Authorities, etc. by nine departments by the end of 2012-13, though no repayments were made in respect of previous loans by the concerned loanees.

Table 1.25: Cases of old loans without any recovery

	Name of the Department	Loans with no recovery	Period of drawal
		Amount (₹ in crore)	
1	Industrial Reconstruction	260	1976-77 to 2005-06
2	Public Enterprise	193	1975-76 to 2005-06
3	Power and Non-Conventional Energy Sources	151	1995-96 to 2004-05
4	Commerce and Industries	123	1974-75 to 2004-05
5	Micro & Small Scale Enterprises and Textiles	38	1974-75 to 1998-99
6	Urban Development	38	1966-67 to 1994-95
7	Agriculture	28	1984-85 to 1992-93
8	Water Resources Investigation & Development	15	1984-85 to 1990-91
9	Transport	9	1982-83 to 1989-90
10	Fisheries	2	1977-78 to 1993-94
11	Food Processing Industries and Horticulture	2	1988-89 to 1998-99
12	Municipal Affairs	2	1966-67 to 1969-70
13	Panchayat and Rural Development	2	1968-69
14	Public Health Engineering	2	1983-84 to 1997-98
15	Tourism	1	1975-76 to 1992-93
	Total	866	

Source: Finance Accounts 2012-13

Sanction of loan without assessing the loan repayment capacity of the loanee coupled with poor monitoring resulted in huge accumulation of unpaid loans for years together which has resulted in adverse fund position of the State Government.

1.8.5 Cash Balances and investment of Cash Balances

Under an agreement with the Reserve Bank of India, the State Government has to maintain with the Bank a daily minimum balance of ₹ 2.48 crore with effect from 1 May 2000. If the balance falls below the agreed minimum limit on any day, the deficiency is made good by taking special or normal ways and means advance/overdraft from the bank. During the year 2012-13, the State Government had to resort to special and normal ways & means advances and overdrafts for 96, 33 and 14 days respectively (total 143 days). During 2012-13, the quantum of such advances was ₹ 15693.20 crore. The State had to pay ₹ 18.81 crore as interest on ways and means advances and overdrafts. Treasury bills amounting to ₹ 35217.66 crore and ₹ 33821.13 crore respectively were purchased and sold during the period 2012-13. An amount of ₹ 68.38 crore was received as interest on investment under treasury bills during the year. The investment made out of general cash balance and earmarked funds up to end of March 2013 is given in **Table 1.26**.

Table-1.26: Cash Balances and Investment of Cash Balances

	(₹ in crore)		
	As on 1 April 2012	As on 31 March 2013	Increase/ Decrease
(a) General Cash Balance			
Cash in Treasuries	0.39	0.42	0.03
Deposits with Reserve Bank of India	(-) 791.88	404.90	1196.78
Deposits with other Banks (B)	-	-	-
Remittances in transit – Local	-	-	-
Total	(-) 791.49	405.32	1196.81
Investments held in Cash Balance investment account	3067.74	4464.27	1396.53
Total (a)	2276.25	4869.59	2593.34
(b) Other Cash Balances and Investments			
Cash with departmental officers viz. Public Works, Department Officers, Forest Department Officers, District Collectors	27.84	34.21	6.37
Permanent advances for contingent expenditure with departmental officers	1.65	1.81	0.16
Investment of earmarked funds	6117.64	6612.34	494.70
Total (b)	6147.13	6648.36	501.23
Grand total (a) + (b)	8423.38	11517.95	3094.57

Source: Finance Accounts

1.9 Assets and Liabilities

1.9.1 Growth and composition of Assets and Liabilities

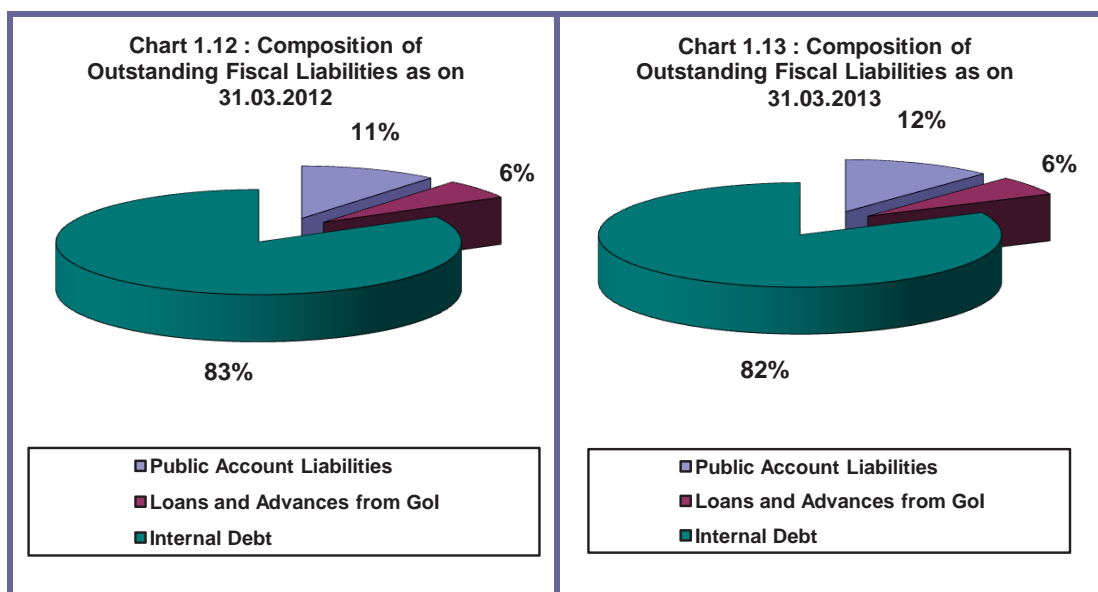
In the existing cash-based Government accounting system, comprehensive accounting of fixed assets like land and buildings owned by the Government is not done. However, the Government accounts do capture the financial liabilities of the Government and assets created out of the expenditure incurred. *Appendix 1.4* gives an abstract of such Assets and Liabilities as on 31 March 2013, compared with the corresponding position on 31 March 2012. While the liabilities consist mainly of internal borrowings, loans and advances from the GoI, receipts from the Public Account and Reserve Funds, assets comprise mainly the capital outlay and loans and advances given by the State Government and cash balances. During 2008-13, assets-liability ratio hovered around 0.26 to 0.28 and stood at 0.27 in 2012-13.

1.9.2 Fiscal Liabilities

There are two sets of liabilities namely, public debt and other liabilities. Public debt consists of internal debt of the State and is reported under the Consolidated Fund – Capital Accounts. It includes market loans, special securities issued by RBI and loans and advances from the Central Government. Other liabilities, which are part of Public Account, include net accruals under small savings, provident funds and other accounts, reserve funds as well as deposits & advances heads.

The trends in outstanding fiscal liabilities of the State are presented in *Appendix 1.7*. The composition of fiscal liabilities during the current year

vis-à-vis the previous year almost remained the same as depicted in **Charts 1.12** and **1.13**.



Source: Finance Accounts

Fiscal Liabilities of the State, their rate of growth, ratio of these liabilities to GSDP, revenue receipts and own resources is brought out in **Table 1.27**.

Table-1.27: Trend in Fiscal Liabilities of the State

(₹ in crore and ratios in percentage)

	2008-09	2009-10	2010-11	2011-12	2012-13
Fiscal Liabilities	145075	167682	187387	207702	229779
Rate of growth	9.51	15.58	11.75	10.84	10.63
Ratio of Fiscal Liabilities to					
GSDP	42.43	42.04	40.54	39.02	36.93
Revenue Receipts	393.11	454.15	396.47	353.51	336.45
Own resources	748.39	867.11	797.09	790.40	661.67

Source: Finance Accounts

The overall fiscal liabilities of the State has depicted an increasing trend growing at a CAGR of 12.18 *per cent* during the period 2008-09 to 2012-13. The ratio of fiscal liabilities to GSDP, however, depicted a declining trend and the same was well within the targets stipulated in WBFRRM (Amendment) Act, 2011 (37.70 *per cent*) during 2012-13. The buoyancy of fiscal liabilities to GSDP during 2012-13 was 0.6 indicating that for each one *per cent* increase in GSDP, fiscal liabilities grew by 0.6 *per cent*.

1.9.3 Transactions under Reserve Funds

There were 31 Reserve Funds earmarked for specific purposes, out of which eight funds were active and 23 inactive²⁴. As of 31 March 2013, the total accumulated balance in these funds was ₹ 7282.44 crore²⁵. Investment out of

²⁴ For more than five years.

²⁵ Of which ₹7261.96 crore was in active funds and ₹20.48 crore in the inoperative ones.

this balance was ₹ 6612.34 crore (90.80 *per cent*). During the year, an amount of ₹ 1108.70 crore was transferred as annual contribution in various reserve funds. Action needs to be taken to close the inoperative reserve funds and remit the balances into the Consolidated Fund.

State Disaster Response Fund

On the recommendation of the 13th FC, the State Disaster Response Fund (SDRF) was constituted in July 2011 with the corpus of contribution by Centre (75 *per cent*) and State (25 *per cent*). During the year 2012-13, an amount of ₹ 336.07 crore²⁶ was transferred to SDRF. According to the guidelines for administration of SDRF, the accumulation in SDRF were to be invested in Central Government dated securities and/ or auctioned treasury bills and/ or interest earning deposits and certificates of deposits with scheduled commercial banks. In 2012-13, only ₹ 50 crore was invested in interest bearing deposits leaving an amount of ₹ 286.07 crore lying in the fund without investment as of March 2013.

Consolidated Sinking Fund

As per reports of the 12th FC and reports of the Technical Group (RBI) on borrowings by States, GoWB has set up a revised model scheme for Consolidated Sinking Fund (CSF) from the financial year 2008-09. The fund was to be utilised as an amortisation fund for redemption of the outstanding liabilities of the Government commencing from the financial year 2013-14. The corpus of the fund was to consist of periodic contributions as well as income accruing to the fund. The contribution was to be on a modest scale of at least 0.5 *per cent* of the outstanding liabilities (internal debt and public account liabilities) as at the end of the previous year. Accordingly, the State Government was to contribute ₹ 1038.51 crore²⁷ during 2012-13. However, during 2012-13 there was a meager contribution of only ₹ 50.00 crore to the fund.

1.9.4 Contingent liabilities

Status of Guarantees

Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee has been extended. The West Bengal Ceiling on Government Guarantees Act, 2001 stipulated that the total outstanding Government guarantees as on the first day of April of any year shall not exceed 90 *per cent* of the State revenue receipts of the second preceding year. Finance department acts as the tracking authority for guarantees.

As per Finance Accounts, the maximum amount for which guarantees were given by the State and outstanding guarantees for the last five years is given in **Table 1.28**.

²⁶ Central share: ₹252.05 crore and State share: ₹84.02 crore.

²⁷ Outstanding liabilities as at the end of the year 2011-12 was ₹ 207702 crore

Table-1.28: Guarantees given by the Government of West Bengal

	(₹ in crore)				
	1 April 2009	1 April 2010	1 April 2011	1 April 2012	1 April 2013
Maximum amount guaranteed	19974	20298	19860	20106	18981
Outstanding amount of guarantees	11973	10355	11943	10192	8821
Ceiling fixed by State Government Act (90 per cent of Revenue Receipt of the second preceding year)	27150	33214	33230	42538	52880
Percentage of outstanding amount guaranteed to Revenue Receipts of second preceding year	40	28	32	22	15

Source: Finance Accounts

The outstanding Government guarantees during 2008-13 were well within the limits prescribed under the West Bengal Ceiling on Government Guarantees Act, 2001. Out of a total 606 guarantees outstanding as on 31 March 2013, Power sector alone accounted for 411 guarantees. No guarantees, however, have been invoked during 2012-13.

Further, in terms of Section 10 of West Bengal Finance Act of 2002, the loanee for whom the State Government provided guarantee to the financial institutions, was required to pay guarantee fee at the rate of one per cent (minimum) on the total amount guaranteed. However, ₹ 150.73 crore towards guarantee commission or fee was outstanding as on 31 March 2013, of which Power sector alone accounted for ₹ 114.91 crore (76 per cent). During 2012-13, the State Government received ₹ 6.37 crore towards guarantee fee.

Sums paid by the Government in the event of invocation of guarantees are charged to the Consolidated Fund of the State under the concerned loan head and irrecoverable sums are adjusted under the concerned revenue expenditure heads, where the Guarantee Redemption Fund does not exist and to the Guarantee Redemption Fund, where it exists. In the FPSS for 2013-14, it was stated that State Government has not created "Guarantee Redemption Fund"; instead contribution to Consolidated Sinking Fund has been increased. However it was found that the contribution to the Consolidated Sinking Fund fell significantly short of the prescribed norms both during 2011-12 and 2012-13 as discussed in para 1.9.3.

1.9.5 Analysis of Borrowings of Government

Market loans comprised the major source of borrowing by the State Government during 2012-13. During the year the State Government raised an amount of ₹ 20500.00 crore as market loan bearing interest rates ranging between 8.60 per cent and 9.31 per cent. During 2012-13, market loans amounting to ₹ 2506.57 crore was repaid leaving an outstanding balance of ₹ 105968.96 crore. Besides, ways and means advances for ₹ 15693.20 crore was taken from the bank which was repaid in full during the year and an amount of ₹ 18.81 crore was paid as interest on this advance. The State also borrowed an amount of ₹ 2978.25 crore as special securities issued to NSSF and ₹ 1489.33 crore as loans from GoI during 2012-13.

1.10 Debt Management

Apart from the magnitude of debt of the State Government, it is important to analyse various indicators that determine the debt sustainability²⁸ of the State. This section assesses the sustainability of debt of the State Government in terms of debt stabilisation²⁹, net debt utilised, burden of interest payments (measured by ratio of interest payments to revenue receipts) and maturity profile of State Government securities. **Table 1.29** analyses the debt sustainability of the State according to these indicators during the five year period 2008-13.

Table 1.29: Debt Sustainability: Indicators and Trends

(₹ in crore)

Sustainability Indicators of Debt	2008-09	2009-10	2010-11	2011-12	2012-13
Debt Stabilisation (Quantum Spread + Primary Deficit)	6116 {7605+ (-) 1489}	1080 {12729+ (-) 11649}	8661 {14380+ (-)5719}	12236 {14045+ (-)1809}	17805 {19380+ (-)1575}
Debt-GSDP ratio	0.42	0.42	0.41	0.39	0.37
Net debt utilised ³⁰	4890	8104	5099	2100	1129
Ratio of Net Debt utilised to Total Debt Received (<i>per cent</i>)	30.58	28.43	20.56	7.91	3.99
Burden of Interest Payments (IP/RR Ratio)	0.33	0.36	0.29	0.27	0.26

Source: Figures from Finance Accounts

Changes in figures of previous years are due to changes in GSDP figures

The sum of quantum spread and primary deficit was positive during all five years resulting in declining trend in debt-GSDP ratio from 42.43 *per cent* in 2008-09 to 36.93 *per cent* in 2012-13. These trends indicate that the State is moving towards debt stabilisation. Burden of interest payments also declined from 33 *per cent* in 2008-09 to 26 *per cent* of revenue receipts in 2012-13 depicting a healthy trend. There was, however, noticeable decline in the ratio of net debt utilised to total debt received during the last five years, indicating increasing non-availability of borrowed funds for purposes other than debt repayment.

Maturity profile of the State Debt

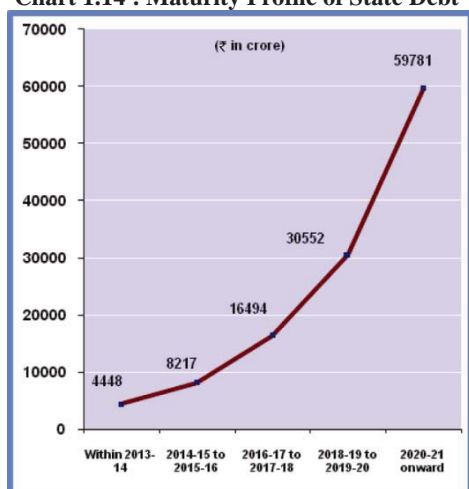
The maturity profile of the State debt as depicted in **Table 1.30** and **Chart 1.14** indicates that the liability of the State to repay the debt would be on the rise in coming years which would put a strain on the state finances during those periods. The State will have to borrow further to repay those loans and an appropriate debt repayment strategy will have to be worked out by the Government to ensure that no additional borrowings, which mature in these critical years, are made. Non-availability of maturity profile of ₹ 83356 crore (41.09 *per cent*) of the State debt would seriously affect the planning and preparedness of the State in repaying its debt.

²⁸ See glossary at page 128

²⁹ See glossary at page 128

³⁰ Total public debt received less debt repayment including interest less net disbursement of loans and advances by the State

Chart 1.14 : Maturity Profile of State Debt



Source : Finance Accounts

Table 1.30 : Maturity Profile of State Debt

Period	Maturity amount of State debt (₹ in crore)	Maturity amount of Market loans (₹ in crore)	Maturity amount as % of total outstanding market loans
Details of Maturity year not available	83356	Nil	-
Within 2013-14	4448	3680	3.47
2014-15 to 2015-16	8217	6341	5.98
2016-17 to 2017-18	16494	14808	13.97
2018-19 to 2019-20	30552	28949	27.32
2020-21 onwards	59781	52191	49.25
Total redeemable debt	202848	105969	

Source : Finance Accounts

1.10.1 Debt consolidation and relief facility

NSSF loan contracted till 2006-07 and outstanding at the end of 2009-10 was to be reset at a common interest rate of nine *per cent* in place of 10.5 *per cent* or 9.5 *per cent*. In terms of the recommendation of the 13th FC, benefit in respect of interest relief on loans availed from NSSF would be made available to the States on bringing the necessary amendments/enactments of FRBM Acts. The interest relief recommended by 13th FC was ₹ 1291.66 crore³¹ during 2010-13 against which GoWB received ₹ 274.05 crore³² as arrear amount of relief under “Debt Relief to States - Reset of NSSF Interest Rates” upto December 2012. The shortfall in receipt of interest relief as on 31 December 2012 worked out to ₹ 613.08 crore during 2010-12. Shortfall for the year 2010-11 was attributable to the delay in amendment/enactment of the FRBM Act.

1.11 Fiscal Imbalances

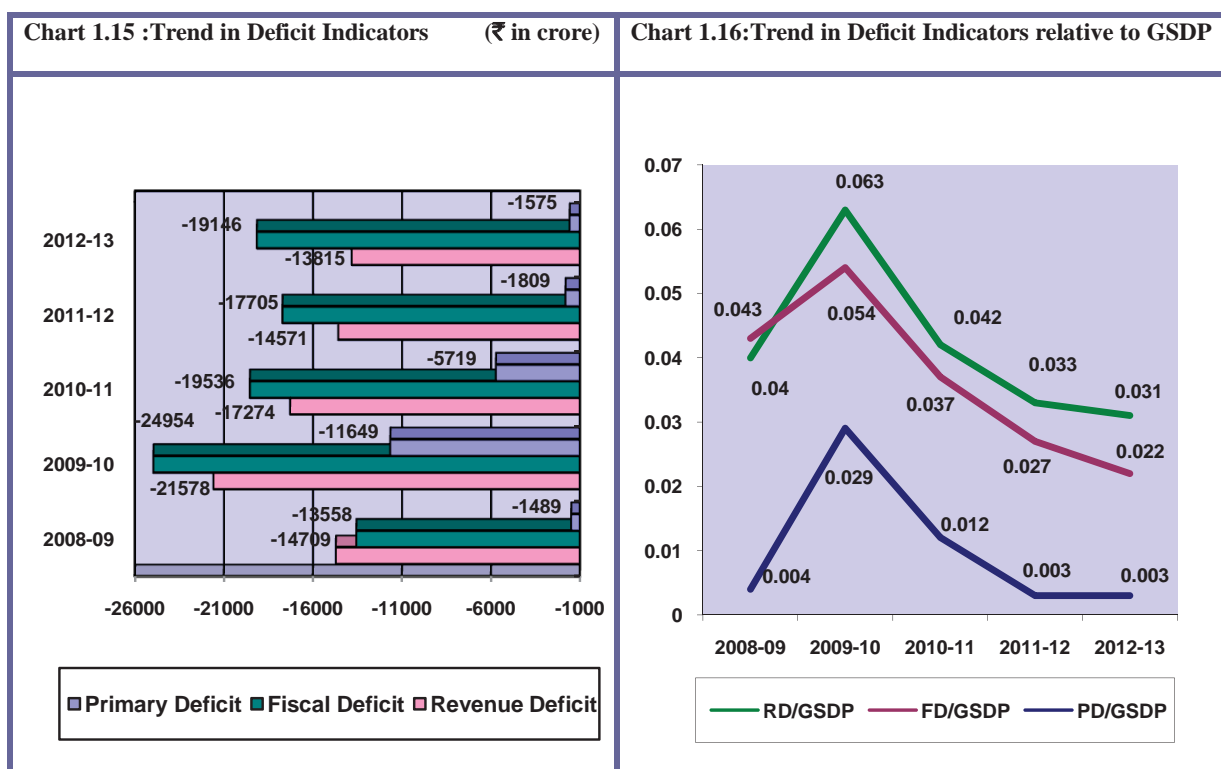
Three key fiscal parameters - revenue, fiscal and primary deficits - indicate the extent of overall fiscal imbalance in Government finances. Deficit in Government accounts represents the gap between receipts and expenditure. Nature of deficit is an indicator of prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources raised are applied are important pointers to its fiscal health. This section presents trends, nature, magnitude and the manner of financing these deficits and also the assessment of actual levels of revenue and fiscal deficits for the financial year 2012-13.

³¹ 2010-2011 - ₹455.85 crore, 2011-2012 - ₹431.28 crore and 2012-2013 - ₹404.53 crore

³² 2010-2011 & 2011-2012 - ₹274.05 crore and 2012-2013, up to December 2012 - Nil

1.11.1 Trends in Deficits

Charts 1.15 and 1.16 present trends in deficit indicators over the period 2008-09 to 2012-13.



Source : Finance Accounts and data furnished by Ministry of Statistics and Programme Implementation for GSDP

Decrease in revenue deficit in 2012-13 was attributable to 16 *per cent* increase in revenue receipts compared to 12 *per cent* increase in revenue expenditure over the previous year. The increase in fiscal deficit during 2012-13 was attributable to significant increases in capital outlay as well as disbursement of loans and advances. Revenue, fiscal and primary deficits relative to GSDP showed declining trends commencing from the year 2009-10.

1.11.2 Components of Fiscal Deficit and its financing pattern

Fiscal Deficit is the total borrowing requirement of the State and is the excess of revenue expenditure and capital expenditure including loans and advances over revenue and non-debt receipts. Decomposition of fiscal deficit reveals the extent of various borrowings resorted to by the State to meet its requirement of funds over and above revenue and non-debt receipts. Financing pattern of fiscal deficit has undergone a compositional shift as reflected in **Table 1.31**.

Table 1.31: Components of Fiscal Deficit and its Financing Pattern

(₹ in crore)

	Particulars					2012-13		
		2008-09	2009-10	2010-11	2011-12			
Decomposition of Fiscal Deficit (1 to 3) (a)		13558(3.96)	24954(6.26)	19536(4.23)	17705(3.33)	19146 (3.08)		
1	Revenue Deficit	14709(4.30)	21578(5.41)	17274(3.74)	14571(2.74)	13815(2.22)		
2	Capital Outlay	3705	3011	2226	2764	4547		
3	Net Loans and Advances	(-) 4856	365	36	370	784		
Financing Pattern of Fiscal Deficit (b)		Net disbursements/outflows				Receipts	Disbursement	Net
1	Market Borrowings	11543	15605	8445	20800	23006	5013	17993
2	Loans from GoI	(-) 586	(-)1009	(-) 249	(-)91	1490	632	858
3	Special Securities Issued to NSSF	520	6431	10089	(-)989	2978	3027	(-) 49
4	Loans from Financial Institutions and Bonds	(-) 341	(-)191	(-) 936	(-)1859	817	1470	(-) 653
5	Ways and Means	-	-	606	(-) 606	15693	15693	-
6	Small Savings, PF, etc.	355	738	1129	1032	2927	1982	945
7	Reserve Fund	985	676	1192	1296	1109	576	533
8	Deposits and Advances	1231	1364	870	1367	38435	35491	2944
9	Suspense and Miscellaneous	384	1162	(-) 458	(-) 823	55934	56493	(-) 559
10	Remittances	274	58	(-) 265	325	7422	7194	228
11	Contingency Fund	6	(-) 1	3	-	1	0	1
12	Appropriation to/from Contingency Fund	-	-	-	-	-	-	-
13	Total (1 to 12)	14371	24833	20426	20452			22241
14	Increase (-) / Decrease (+) in Cash Balance	(-) 813	(+) 121	(-) 890	(-) 2747			(-) 3095
15	Overall Surplus/Deficit (13 +14)	13558	24954	19536	17705			19146

Figures in brackets indicate the per cent to GSDP
Differences with Finance Accounts are due to rounding
Source: Finance Accounts

It is evident from **Table 1.31** that during 2012-13, capital outlay accounted for only 23.75 per cent of the fiscal deficit while market borrowings financed the major portion of the fiscal deficit (93.98 per cent).

1.11.3 Quality of Deficit/Surplus

The ratio of revenue deficit to fiscal deficit and the decomposition of primary deficit into primary revenue deficit and capital expenditure (including loans and advances) indicate the quality of deficit. The ratio of revenue deficit to fiscal deficit indicates the extent to which borrowed funds were used for current consumption. Further, persistently high ratio of revenue deficit to fiscal deficit also indicates that asset base of the State was continuously shrinking and a part of borrowings (fiscal liabilities) did not have asset backup. The bifurcation of primary deficit (**Table 1.32**) indicates the extent to which deficit has been on account of enhancement in capital expenditure which is desirable for improvement of the productive capacity of the State's economy.

Table 1.32: Analysis of Primary Deficit/Surplus

(₹ in crore)

	Primary Revenue Deficit (-) / Surplus (+)	Capital Outlay	Loans and Advances	Primary Deficit (-) / Surplus (+)
2008-09	(+) 2976	3705	760	(-) 1489
2009-10	(-) 7886	3011	752	(-) 11649
2010-11	(-) 3085	2226	408	(-) 5719
2011-12	(+) 1403	2764	448	(-) 1809
2012-13	(+) 4036	4547	1064	(-) 1575

Source: Finance Accounts

It can be seen that the State generated primary revenue surpluses only in three years during the period 2008-13 as depicted in **Table 1.32**.

1.12 Conclusion and Recommendations

Fiscal position of the State: The State Government has improved its fiscal situation during 2012-13. Revenue receipts grew at a rate of 16 *per cent*, while the growth of revenue expenditure was 12 *per cent*. As a result, there was reduction in revenue deficit. Revenue deficit and fiscal deficit during 2012-13 stood at 2.22 *per cent* and 3.08 *per cent* of GSDP against FRBM Act target of 1.1 *per cent* and 3.5 *per cent* respectively.

Enactment of Fiscal Responsibility Legislations: The State introduced the FRBM Legislation in July 2010 and amended it in February 2011 fixing the rolling fiscal targets for 2010-15. The second Medium Term Fiscal Policy and Strategy Statement detailing the fiscal indicators and rolling plan for additional resource mobilisation was presented before the West Bengal Legislative Assembly in March 2013.

Prioritisation of Capital Expenditure: Capital outlay as well as expenditure under economic sector are the major indicators of development activity. In both the cases, not only was the actual expenditure far below the budget estimates, but capital outlay was only 5.19 *per cent* of total expenditure. Thus, most of the borrowed funds were utilised to meet revenue expenditure.

Review of Government investment: Government is getting meagre return from its capital outlay on irrigation works. Return on investment in Statutory Corporations, rural banks, etc. was less than 0.1 *per cent*, while Government paid interest at the average rate of 7.78 to 8.70 *per cent* on its borrowings during 2008-09 to 2012-13.

Recommendations:

The Government may consider:

- *assigning priority to expenditure on economic sector and capital expenditure.*
- *ensuring better value for money for its investment.*