

CHAPTER I
FINANCES OF THE STATE GOVERNMENT

1. Profile of Bihar

Bihar is a landlocked State, bounded by West Bengal in the east, Uttar Pradesh in the west, Jharkhand in the south and a long international border with Nepal in the north. It is the thirteenth largest State in India in terms of geographical size (94163 sq. km) and the third largest by population. The State of Bihar has 38 districts.

Economy of Bihar is primarily agrarian and the State does not possess any significant mineral wealth. As indicated in *Appendix 1.1*, the density of population has increased from 881 persons per sq. km (2001) to 1106 persons per sq. km (2011). Bihar has higher poverty levels as compared to the all-India average. However, the State has shown higher economic growth for the period 2005-06 to 2014-15 as the compound annual growth rate (CAGR) of its Gross State Domestic Product has been 17.86 per cent as compared to 15.44 per cent amongst the General Category States¹. During this period, its population also grew by 15.33 per cent against the average growth² of 12.76 per cent in General Category States. The per capita income CAGR for the period 2005-06 to 2014-15 in Bihar at 16.40 per cent has been higher than that of the General Category States at 13.86 per cent.

Gross State Domestic Product (GSDP)

GSDP is the market value of all officially recognised final goods and services produced within the State in a given period of time. The growth of GSDP of the State is an important indicator of the States economy as it indicates the standard of living of the State's population. The trends in annual growth of India's Gross Domestic Product (GDP) and State's GSDP at current prices (2004-05 base year) are given in **Table 1.1**.

Table 1.1: Gross State Domestic Product at current prices

Year	2010-11	2011-12	2012-13	2013-14	2014-15
India's GDP (₹ in crore)	7248860	8391691	9388876	10472807	11509810 [#]
Growth rate of GDP (percentage) of India	18.66	15.77	11.88	11.54	-
State's GSDP (₹ in crore)	203555	243269	293616	343663	402283
Growth rate of GSDP (percentage) of State	24.94	19.51	20.70	17.05	17.06

[#] Exclude three States namely Goa, A&N Islands and Chandigarh.

(Source: For GSDP, the information as available on CSO website as on 31 July 2015, MoSPI and Directorate of Economic and Statistical, Government of Bihar)

¹ States other than 11 states termed as Special Category States (Arunachal Pradesh, Assam, Jammu & Kashmir, Himachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura and Uttarakhand).

² The 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).

1.1 Introduction

This chapter provides a broad perspective of the finances of the Government of Bihar during the current year. It analyses the significant changes in the major fiscal aggregates relative to the previous year keeping in view the overall trends during the last five years. The structure and form of Government accounts have been explained in *Appendix 1.2 Part A* and the layout of the Finance Accounts is depicted in *Appendix 1.2 Part B*. This analysis has been made based on the Finance Accounts of the State and information obtained from the State Government. In order to comply with the recommendation of the Thirteenth Finance Commission (ThFC), the State Government enacted the Bihar Fiscal Responsibility and Budget Management (Amendment) Act, 2010 (FRBM) as given in *Appendix 1.3 Part A*. The methodology adopted for assessment of the fiscal position and norms/ceilings prescribed by the FRBM (Amendment) Act, 2010 are given in *Appendix 1.3 Part B*.

1.1.1 Summary of fiscal transactions

Table 1.2 presents the summary of the State Government's fiscal transactions during the current year (2014-15) *vis-à-vis* the previous year (2013-14), while *Appendix 1.4* provides details of receipts and disbursements as well as the overall fiscal position during the current year.

Table 1.2: Summary of Fiscal Operations in 2014-15

(₹ in crore)

Receipts	2013-14	2014-15	Disbursements	2013-14	2014-15		
					Non-Plan	Plan	Total
Section-A: Revenue							
Revenue Receipts	68918.65	78417.54	Revenue Expenditure	62477.23	47058.87	25511.11	72569.98
Tax revenue	19960.68	20750.23	General services	22018.47	26303.07	105.11	26408.18
Non-tax revenue	1544.83	1557.98	Social services	26394.85	12019.55	19693.16	31712.71
Share of Union Taxes/Duties	34829.11	36963.07	Economic services	14060.06	8732.21	5712.84	14445.05
Grants from Government of India	12584.03	19146.26	Grants-in-aid and Contributions	3.85	4.04	0.00	4.04
Section-B: Capital & Others							
Misc. Capital Receipts	0.00	0.00	Capital outlay	14001.00	58.34	18092.07	18150.41
Recoveries of Loans and Advances	15.03	1493.06	Loans and Advances disbursed	807.38	32.35	336.36	368.71
Public debt receipts	9907.09	13917.53	Repayment of Public Debt	3119.56			3608.95
Inter State Settlement	0.00	0.00	Inter State Settlement	0.00			0.00
Contingency Fund	1450.43	1650.00	Contingency Fund	1450.43			1650.00
Public Account receipts	33457.78	40251.12	Public Account disbursements	29452.57			39200.48
Opening Cash Balance	3715.58	6156.39	Closing Cash Balance	6156.39			6337.11
Total	117464.56	141885.64	Total	117464.56			141885.64

(Source: Finance Accounts of the State for the year 2014-15)

The significant changes during 2014-15 over the previous year are given below:

- Revenue Receipts during the year increased by 13.78 *per cent* (₹ 9498.89 crore). The increase was due to increase in own tax revenue by 3.96 *per cent* (₹ 789.55 crore) and State's share of Union taxes/duties by 6.13 *per cent* (₹ 2133.96 crore).
- State's Own Tax Revenue (₹ 20750.23 crore) exceeded the ThFC assessment (₹ 13510.40 crore) by 53.59 *per cent* (₹ 7239.83 crore) and below the Budget Estimate (₹ 25662.95 crore) by 19.14 *per cent* (₹ 4912.72 crore). The increase was mainly due to increase in Taxes on vehicles by 15.05 *per cent* (₹ 126.08 crore), Taxes on Goods and Passengers by 2.35 *per cent* (₹ 102.25 crore) and State Excise by 1.54 *per cent* (₹ 48.86 crore).
- Non-Tax Revenue (NTR) (₹ 1557.98 crore) increased by 0.85 *per cent* (₹ 13.15 crore) over the previous year. However, the Non-Tax Revenue was 49.44 *per cent* (₹ 1523.70 crore) below the Budget Estimate (₹ 3081.68 crore) and 36.84 *per cent* (₹ 908.88 crore) below the assessment made by ThFC (₹ 2466.86 crore). The increase in Non-Tax Revenue was mainly owing to increase in non ferrous mining and metallurgical industries by ₹ 310.73 crore.
- Revenue expenditure (₹ 72569.98 crore) during the year increased by 16.15 *per cent* (₹ 10092.75 crore). The increase was mainly due to increase in expenditure on Social Services by 20.15 *per cent* (₹ 5317.86 crore), General Services by 19.94 *per cent* (₹ 4389.71 crore) and Economic Services by 2.74 *per cent* (₹ 385 crore). However, Revenue expenditure during the year was 20.92 *per cent* (₹ 19195.45 crore) below the Budget Estimate (₹ 91765.43 crore).
- During the year the Non-Plan expenditure (revenue and capital) increased by 8.37 *per cent* (₹ 3639.54 crore) and the Plan expenditure (revenue and capital) increased by 32.13 *per cent* (₹ 10602.61 crore), when compared with the year 2013-14.
- Recoveries of Loans and Advances increased by ₹ 1478.03 crore. Similarly, disbursements of Loans and Advances decreased by 54.33 *per cent* (₹ 438.67 crore). Capital Expenditure increased by 29.64 *per cent* (₹ 4149.41 crore) during the year.
- Public Account Receipts increased by 20.30 *per cent* (₹ 6793.34 crore) whereas disbursements increased by 33.10 *per cent* (₹ 9747.91 crore).
- The receipts under Public Debt increased by 40.48 *per cent* (₹ 4010.44 crore) whereas its repayment increased by 15.69 *per cent* (₹ 489.39 crore).
- The net impact of these transactions led to an increase by 2.94 *per cent* (₹ 180.72 crore) in the cash balance at the end of the year.

1.1.2 Review of the fiscal situation

The Government of Bihar had enacted the Bihar Fiscal Responsibility and Budget Management Act, 2006. Fiscal Responsibility and Budget Management (FRBM) Act 2006 was amended in the year 2010 and named as “The Bihar Fiscal Responsibility and Budget Management (Amendment) Act, 2010”.

In compliance to this Act, State Government had prepared (February 2014) Medium Term Fiscal Plan (MTFP) with projection for the period 2014-15. In line with the recommendation of the Thirteenth Finance Commission (ThFC), the State was to eliminate revenue deficit and contain the fiscal deficit as a percentage of Gross State Domestic Product (GSDP) within three *per cent*.

Section (12) of FRBM Act, 2006 stipulates that the State Government will make rules for carrying out the provisions of this Act by issue of notification. But no rules have been framed under the Act till September 2015.

Table 1.3: Review of the Fiscal Situation

Fiscal variables	2014-15				
	ThFC targets for the State	Targets as prescribed in FRBM Act	Targets proposed in the Budget	Projections made in Five Year Fiscal plan/MTFP	Actuals
Revenue Deficit(-)/ Surplus (+) (₹ in crore)	0.00	0.00	10174.03	10174.03	5847.56
Fiscal Deficit/ GSDP (in per cent)	3.00	3.00	2.96	2.96	2.78
Ratio of total outstanding debt of the Government to GSDP (in per cent)	41.60	41.60	19.66	19.66	24.62

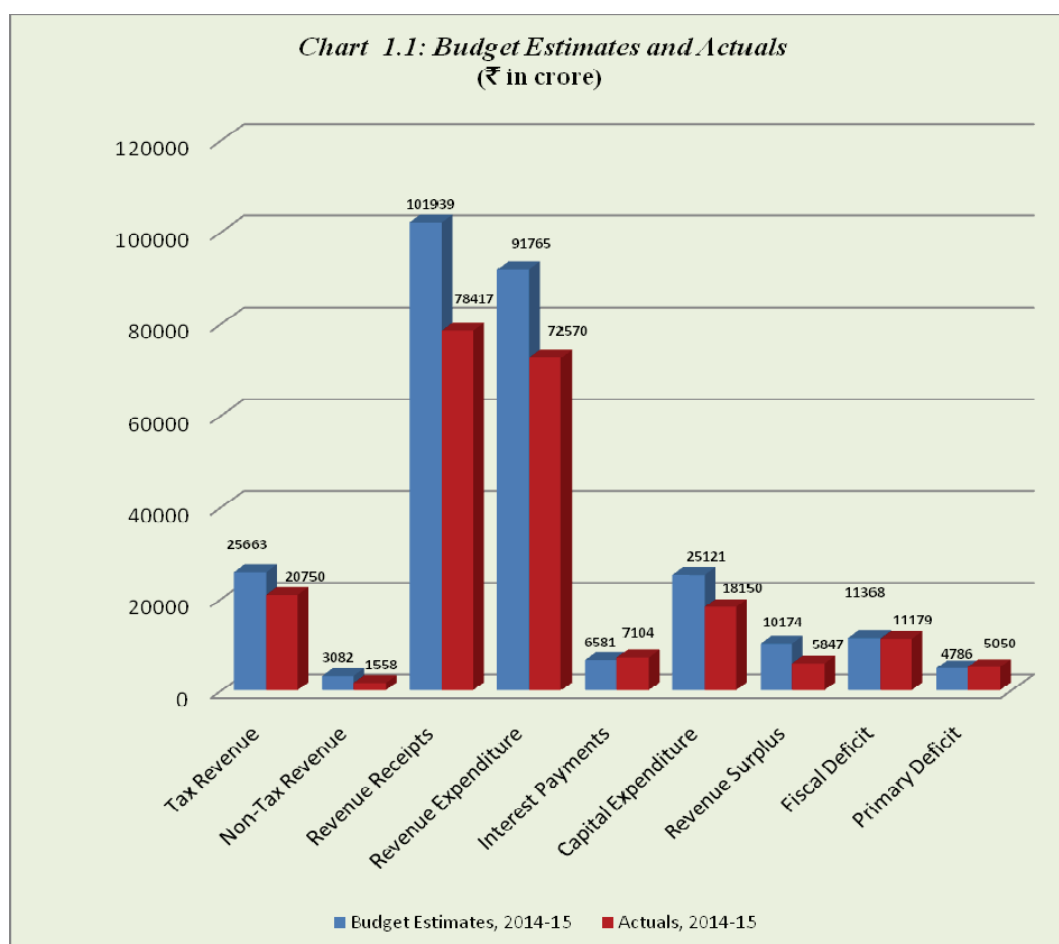
(Source: ThFC, FRBM Act, Budget and MTFP figures for the year 2014-15 and State Finance Accounts for the year 2014-15)

The State Government had revenue surplus since 2009-10 to 2014-15. The fiscal deficit as a percentage of GSDP was well within the limit prescribed in the FRBM Act.

1.1.3 Budget estimates and actuals

The budget presented by the State Government provides descriptions of 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 economic management. Deviations from the Budget Estimate are indicative of non-attainment and non-optimisation of the desired fiscal objectives.

A **Chart 1.1** representing the Budget Estimates and actuals for some important Fiscal Parameters for year 2014-15 are depicted below. The details of actual *vis-à-vis* Budget Estimates are also given in **Appendix 1.5**.



(Source: Budget and State Finance Accounts for the year 2014-15)

The above chart indicates that during 2014-15 the following variations in the actuals against the BE took place as discussed below:

- Revenue receipts were lower than the projections made in the Budget Estimate by ₹ 23522 crore (23 per cent) mainly as a result of decrease in Tax revenue by ₹ 4913 crore (19 per cent) and non-tax revenue by ₹ 1524 crore (49 per cent) as compared to Budget Estimate.
- Revenue expenditure and Capital Expenditure were less than the Budget Estimate by ₹ 19195 crore (21 per cent) and ₹ 6971 crore (28 per cent). The variation in revenue expenditure was due to less expenditure of ₹ 11905 crore under Social services, ₹ 5543 crore under Economic services and ₹ 1747 crore under General services.
- Revenue surplus was less than the Budget Estimate by ₹ 4327 crore (43 per cent) mainly due to decrease in revenue receipts by ₹ 23522 crore than the projections made in the Budget Estimate.
- Fiscal deficit was less by ₹ 189 crore over the projections made in the Budget Estimates (₹ 11368 crore) mainly due to decrease in revenue expenditure by ₹ 19195 crore than that provisioned in the Budget Estimate.
- Primary deficit increased by ₹ 264 crore over the projection made in the Budget Estimate.

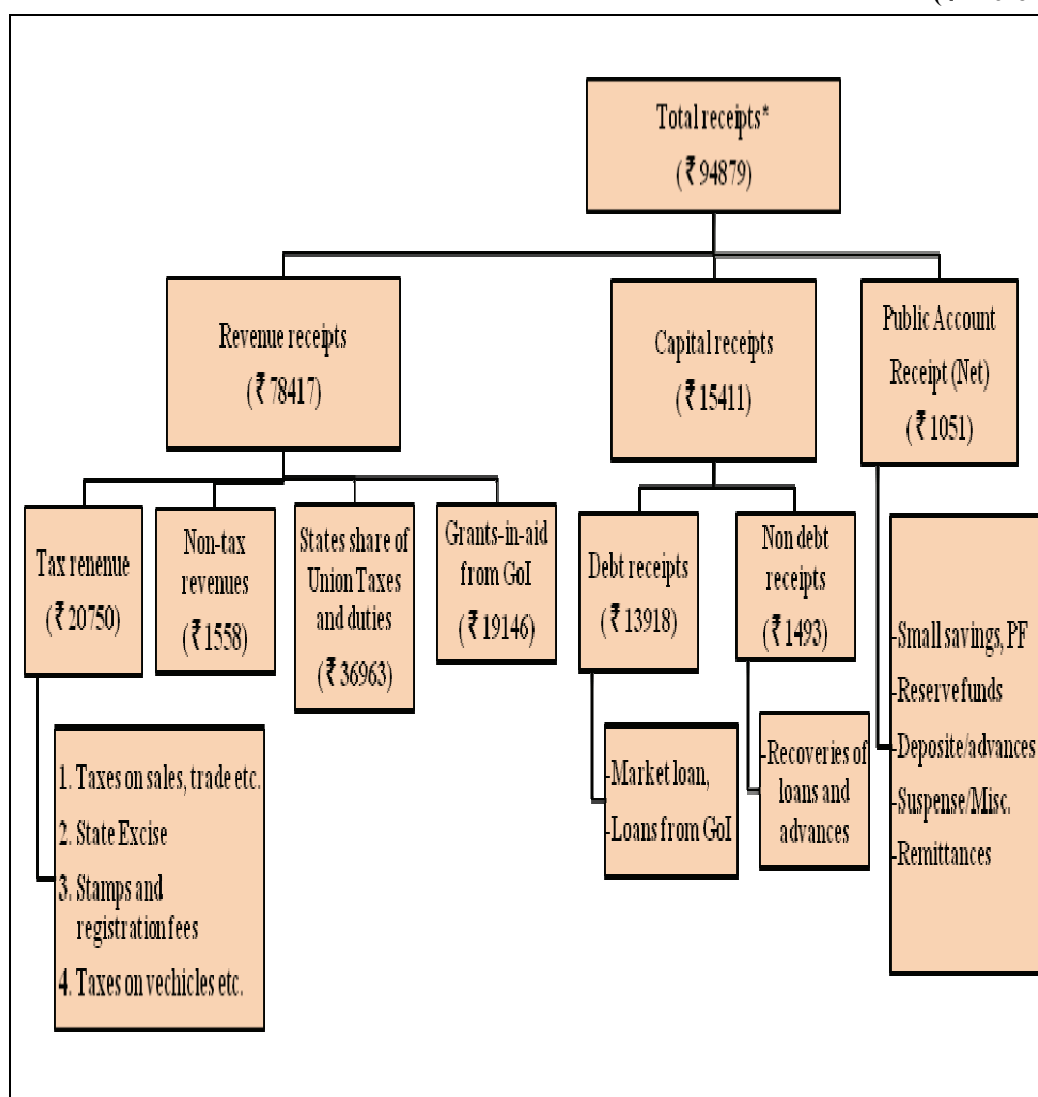
1.2 Resources of the State

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 revenues, non-tax revenues, State's share of Union taxes/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. Besides the funds available in the Public Accounts after disbursement is also utilised by the Government to finance its deficit. **Table 1.2** presents the receipts and disbursements of the State during the current year as recorded in its Annual Finance Accounts while **Chart 1.2** depicts the trend in various components of the receipts of the State during 2014-15.

Chart 1.2: Components and Sub-components of resources

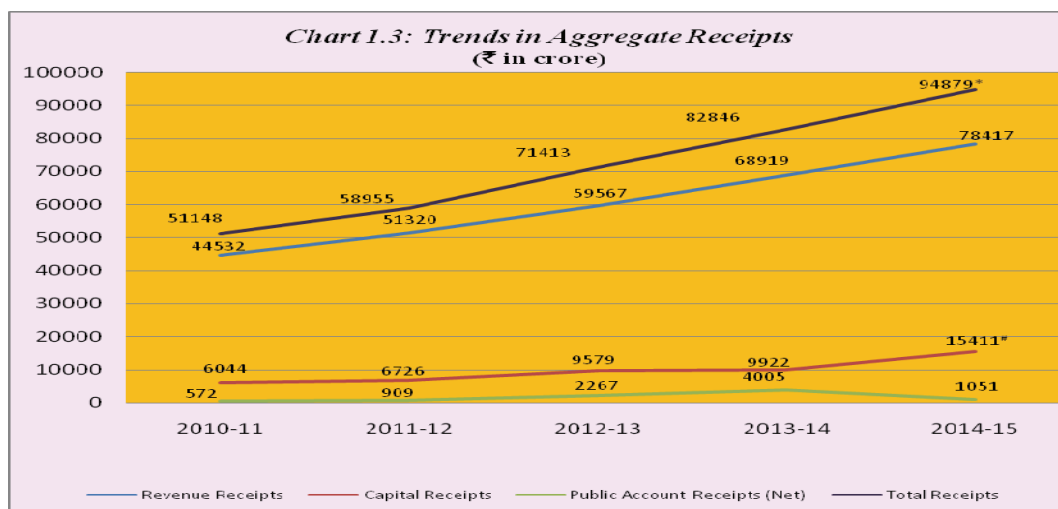
(₹ in crore)



* Total receipts include Revenue receipts, Capital receipts and Public Account Receipts (net).

(Source: Finance Accounts of the State for the year 2014-15)

The **Chart-1.3** depicts the trend of receipts during 2010-15 and **Chart 1.4** indicates the composition of these receipts during 2014-15.



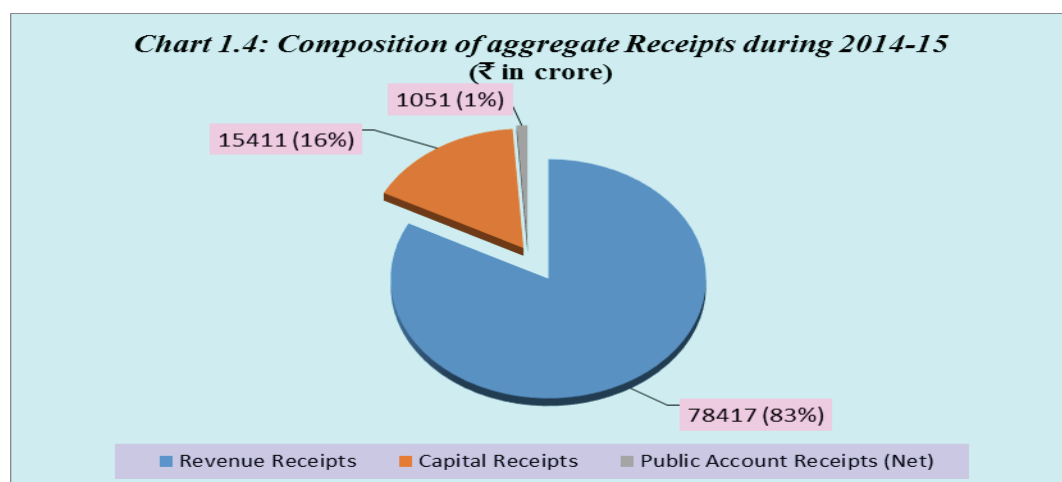
* Total receipts include Revenue receipts, Capital receipts and Public Account Receipts (Net).

Capital receipts include Public Debt Receipts, Recovery of Loans and Advances and Inter State Settlement.

(Source: Finance Accounts of the State for the respective years)

Total receipts increased by 86 per cent from ₹ 51148 crore in 2010-11 to ₹ 94879 crore in 2014-15. Further, there was an increase of receipts over the previous year by ₹ 12033 crore (15 per cent).

The following chart depicts the status of composition of receipts during 2014-15 as a percentage to the total receipts (₹ 94879 crore):



(Source: Finance Accounts of the State for the year 2014-15)

The share of revenue receipts in total receipts during 2014-15 was 83 per cent and it increased by ₹ 9498 crore (14 per cent) from ₹ 68919 crore in 2013-14 to ₹ 78417 crore in 2014-15.

The share of capital receipts in total receipts during 2014-15 was 16 per cent and it increased by ₹ 5489 crore (55 per cent) from ₹ 9922 crore in 2013-14 to ₹ 15411 crore in 2014-15.

Public Account Receipts represent the receipts for which the Government acts as banker /trustee for the Public money. Public Account Receipts (Net) in total receipts during 2014-15 was at one per cent and it decreased by ₹ 2954 crore (74 per cent) from ₹ 4005 crore in 2013-14 to ₹ 1051 crore in 2014-15.

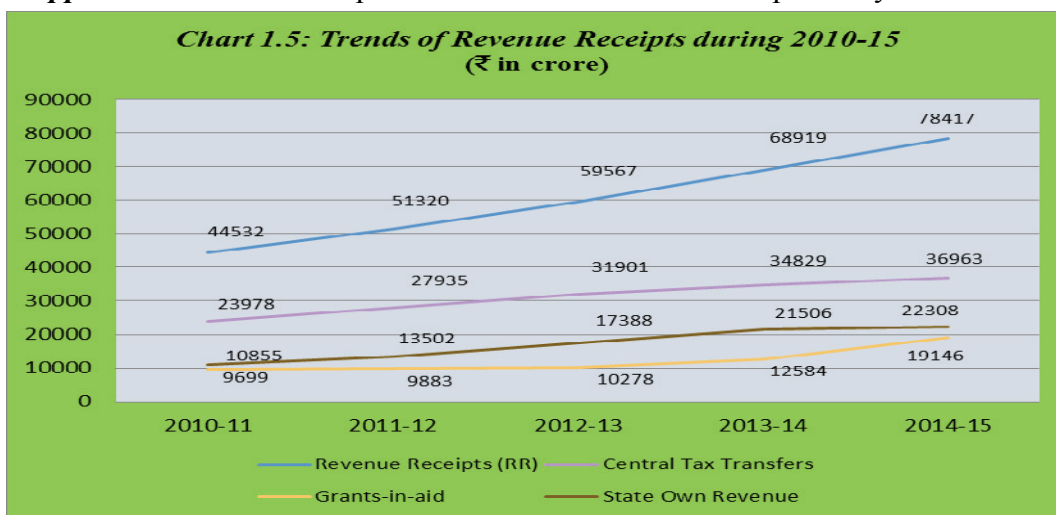
1.2.2 Funds transferred to State Implementing Agencies outside the State Budget

The Government of India (GoI) has been transferring a sizeable quantum of funds directly to the State implementing agencies³ for implementation of various schemes/programmes in social and economic sectors, which are recognised as critical. As in the present mechanism these funds are not routed through the State Budget/State Treasury System, these are not reflected in the accounts of the State Government. As such, the Annual Finance Accounts of the State do not provide a complete picture of the resources under the control of the State Government. To present the holistic picture on availability of aggregate resources, funds directly transferred to State Implementing Agencies are presented in **Appendix 1.6**. However, Government of India decided (July 2013) to transfer funds for Centrally Sponsored Schemes/Additional Central Assistance directly to the State Governments through Consolidated Fund of the States in a phased manner from 2014-15 onwards.

During the year 2014-15 the Government of India directly transferred ₹ 651.74 crore only to the State implementing agencies which was less than the previous year by ₹ 8812.76 crore (93.11 per cent). The major recipients were District Planning Officer (Local Bodies) (₹ 246.50 crore i.e. 37.82 per cent), Indian Institute of Technology, Patna (Government Autonomous Bodies) (₹ 206.97 crore i.e. 31.76 per cent), All India Institute of Medical Sciences (Government Autonomous Bodies) (₹ 82.00 crore i.e. 12.58 per cent), Support to National Institute of Technology (NITs) including Ghani Khan Institute (₹ 46.00 crore i.e. 7.06 per cent) and National Child Labour Project including Grants-in-aid to Voluntary Agencies (₹ 10.72 crore i.e. 1.64 per cent).

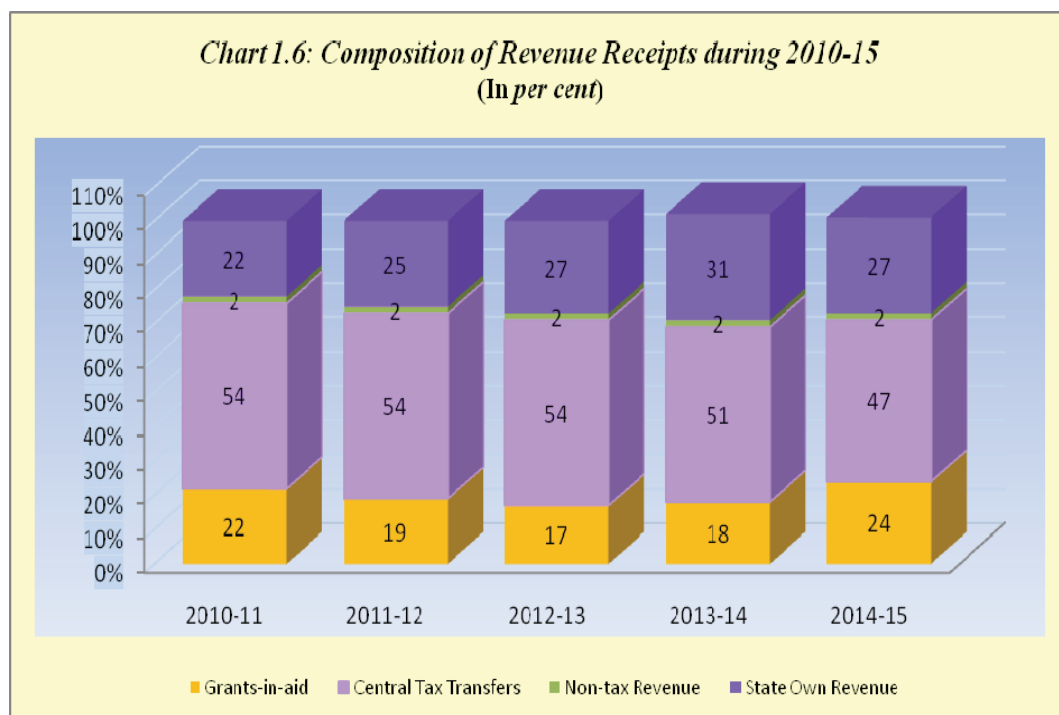
1.3 Revenue Receipts

Statement-14 of the Finance Accounts details the revenue receipts of the State Government. The State's revenue receipts consist of its own tax and non-tax revenue, central tax transfers and Grants-in-aid from GoI. The trends and composition of revenue receipts over the period 2010-15 are presented in **Appendix 1.7** and also depicted in **Charts 1.5** and **1.6** respectively.



(Source: Finance Accounts of the State for the respective years)

³ State implementing agencies include any organisation/institution including Non-Governmental organisation which is authorised by the State Government to receive funds from the Government of India for implementing specific programmes in the State.



(Source: Finance Accounts of the State for the respective years)

The Charts 1.5 and 1.6 indicate the following:

- Revenue receipts showed progressive increase from ₹ 44532 crore in 2010-11 to ₹ 78417 crore in 2014-15. The share of Grants-in-aid (GIA) from the Government of India increased from 22 per cent in 2010-11 to 24 per cent in 2014-15.
- State's own resources consist of tax revenue and non-tax revenue. The share of tax revenue in revenue receipt ranged between 22 and 31 per cent during 2010-15. The share of State Central Tax Transfer in revenue receipt ranged between 47 and 54 per cent during 2010-15. The share of State Non-tax Revenue in revenue receipt was two per cent during 2010-15.

The trends of revenue receipts relative to GSDP are presented in Table 1.4.

Table 1.4: Trends in Revenue Receipts relative to GSDP

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Revenue Receipts (RR) (₹ in crore)	44532	51320	59567	68919	78417
Rate of growth of RR (per cent)	25.35	15.24	16.07	15.70	13.78
State's own tax (₹ in crore)	9870	12612	16253	19961	20750
Rate of growth of State's own tax (per cent)	22.00	27.78	28.87	22.81	3.95
GSDP (₹ in crore)	203555	243269	293616	343663	402283
Rate of growth of GSDP	24.94	19.51	20.70	17.05	17.06
R R/GSDP (per cent)	21.88	21.10	20.29	20.05	19.49
Buoyancy Ratios⁴					
Revenue Buoyancy w.r.t. GSDP	1.02	0.78	0.78	0.92	0.81
State's own tax buoyancy w.r.t. GSDP	0.88	1.42	1.39	1.34	0.23

(Source: Finance Accounts of the State for the respective years)

⁴ Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For instance, revenue buoyancy at 0.6 implies that revenue receipts tend to increase by 0.6 percentage points, if the GSDP increases by one per cent.

The growth rate of revenue receipts of the State was in double digits during the period 2010-15. It declined from 25.35 *per cent* in 2010-11 to 13.78 *per cent* in 2014-15 (year to year downward).

The State's own-tax buoyancy ratio with reference to GSDP ranged between 0.23 *per cent* and 1.42 *per cent* during the year 2010-11 and 2014-15.

1.3.1 State's Own Resources

As the State's share in Central taxes and grants-in-aid are determined on the basis of recommendations of the Finance Commission, the State's performance in mobilisation of resources was assessed in terms of its own resources comprising own tax and non-tax sources.

The State's actual tax and non-tax revenues (NTR) for the year 2014-15 *vis-a-vis* assessment made by ThFC and State Government Budget projection are given in **Table 1.5** below:

Table 1.5: Projections and Actual receipt during 2014-15

(₹ in crore)			
	ThFC Projection	Budget projections	Actuals
Tax revenue	13510.40	25662.95	20750.23
Non-tax revenue	2466.86	3081.68	1557.98

(Source: State Finance Accounts, Budget and ThFC figures)

Though the State's tax revenue during 2014-15 exceeded the ThFC projections by ₹ 7239.83 crore but was less than the budget projections by ₹ 4912.72 crore. However, the non-tax revenue was alarmingly less than the projections of the ThFC and the State's budget projections by ₹ 908.88 crore and ₹ 1523.70 crore respectively which indicates unrealistic budget projections by the State.

1.3.1.1 Tax Revenue

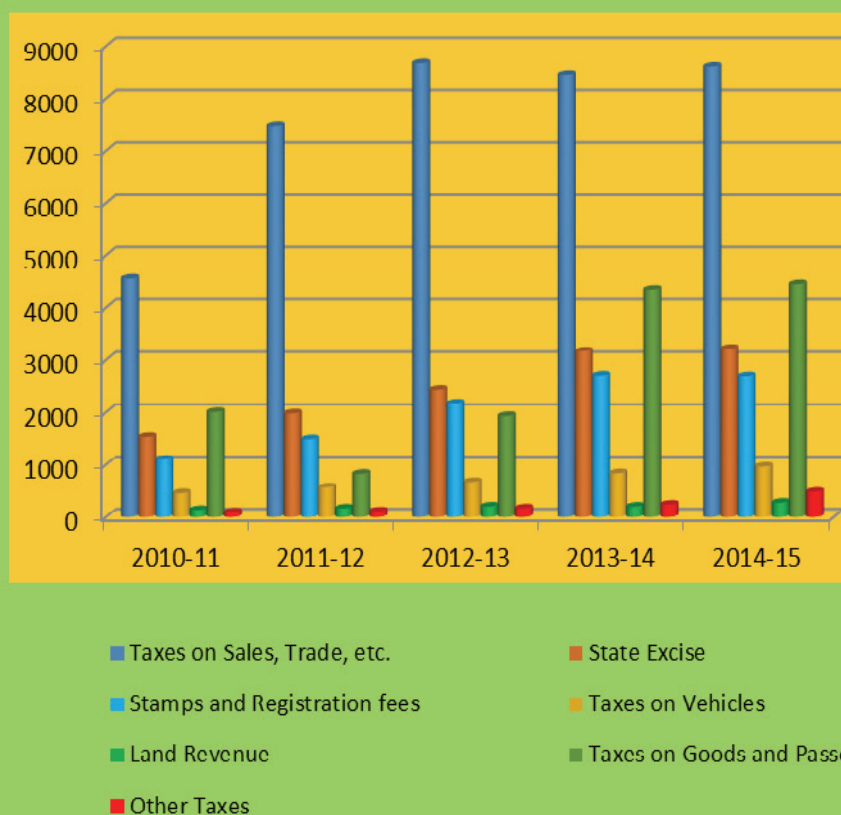
The tax revenues of the State increased by 110 *per cent* from ₹ 9870 crore in 2010-11 to ₹ 20750 crore during 2014-15. Major components of increase are shown in **Table 1.6** and **Chart 1.7**.

Table 1.6: Components of State's Own Tax Resources during 2010-15

(₹ in crore)						
	2010-11	2011-12	2012-13	2013-14	2014-15	Percentage of increase over previous year
Taxes on Sales, Trade, etc.	4557	7476	8671	8453	8607	1.82
State Excise	1523	1981	2430	3168	3217	1.55
Stamps and Registration fees	1099	1480	2173	2712	2699	(-) 0.48
Taxes on Vehicles	456	569	673	837	964	15.17
Land Revenue	139	168	205	202	277	37.13
Taxes on Goods and Passengers	2006	828	1932	4349	4451	2.35
Other Taxes	90	110	169	240	535	122.92
Total	9870	12612	16253	19961	20750	3.95

(Source: Finance Accounts of the State for the respective years)

Chart 1.7: Major Component of Tax Revenue during 2010-15
(₹ in crore)



(Source: Finance Accounts of the State for the respective years)

Appendix 1.7 presents the time series data on the State Government finances during 2010-15. A perusal of the components of tax revenue in the *Appendix* reveals that:

- The revenue from taxes on sales, trade etc comprised the major share of tax revenue and was decreased from 46 *per cent* in 2010-11 to 41 *per cent* 2014-15.
- The share of State Excise remained static at 16 *per cent* in 2010-11 to 2014-15, except in 2013-14 (15 *per cent*).
- The share of Stamps and Registration fees increased from 11 *per cent* in 2010-11 to 13 *per cent* in 2014-15.
- The share of taxes on vehicles remained static at five *per cent* in 2010-11 and 2014-15.
- The share of taxes on goods and passengers increased from 20 *per cent* in 2010-11 to 21 *per cent* in 2014-15.
- The share of other taxes increased from one *per cent* in 2010-11 to three *per cent* in 2014-15.

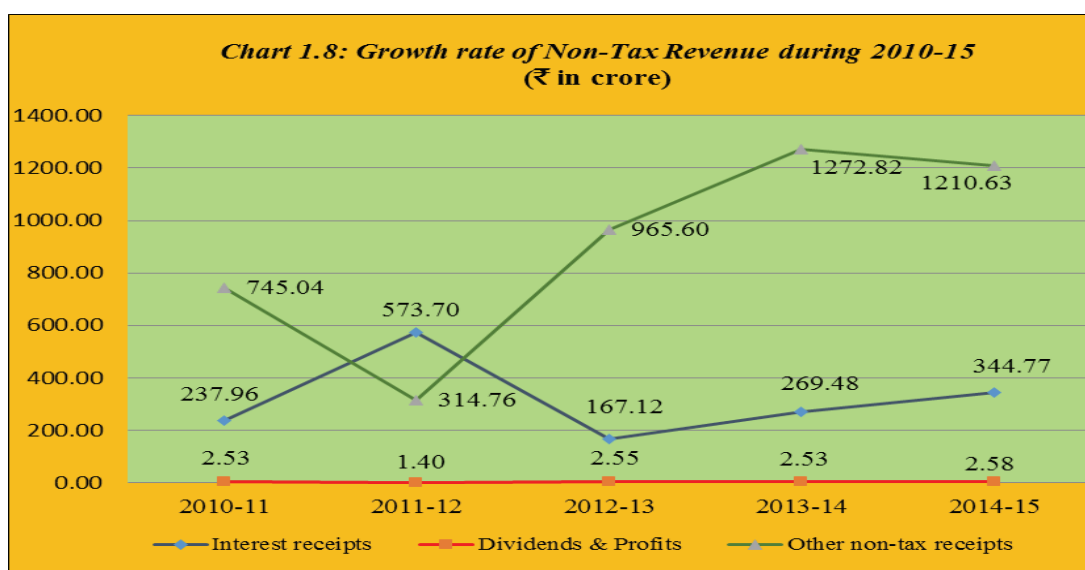
1.3.1.2 Non-Tax Revenue

Non-Tax Revenue (₹ 1557.98 crore) constituted 1.99 per cent of total revenue receipts during 2014-15. NTR collection was higher by ₹ 13.15 crore than the previous year. Comparative study of various component of Non-tax Revenue from 2010-11 to 2014-15 is shown in **Table 1.7** and **Chart 1.8**.

Table 1.7: Growth rate of Non-Tax Revenue

(₹ in crore)						
Revenue Head (NTR)	2010-11	2011-12	2012-13	2013-14	2014-15	Percentage increase over previous year
Interest receipts	237.96	573.70	167.12	269.48	344.77	27.94
Dividends & Profits	2.53	1.40	2.55	2.53	2.58	1.98
Other non-tax receipts	745.04	314.76	965.60	1272.82	1210.63	(-) 4.89
Total	985.53	889.86	1135.27	1544.83	1557.98	0.85

(Source: Finance Accounts for the State for the respective years)



(Source: Finance Accounts of the State for the respective years)

1.3.2 Grants-in-aid from GoI

Grants-in-aid from GoI increased from ₹ 9698.56 crore in 2010-11 to ₹ 19146.26 crore in 2014-15 as shown in **Table 1.8**.

Table 1.8: Grants-in-aid from GoI

(₹ in crore)						
Particulars	2010-11	2011-12	2012-13	2013-14	2014-15	
Non-Plan Grants	1924.78	2562.62	2412.58	3288.13	3271.21	
Grants for State Plan Schemes	5456.95	5065.39	5051.97	6238.39	14935.68	
Grants for Central Plan Schemes	175.70	95.78	35.69	136.65	117.49	
Grants for Centrally Sponsored Schemes	2141.13	2159.19	2777.68	2920.86	821.88	
Grants for Special Plan Schemes	0.00	0.00	0.00	0.00	0.00	
Total	9698.56	9882.98	10277.92	12584.03	19146.26	
Percentage of increase over previous year		28.22	1.90	4.00	22.44	52.15
Revenue Receipts	44532	51320	59567	68919	78417	
Total grants as a percentage of Revenue Receipts	21.78	19.26	17.25	18.26	24.42	

(Source: Finance Accounts of the State for the respective years)

The increase of GoI Grants by ₹ 6562.23 crore in 2014-15 over the previous year was due to increase in Grants for State Plan Schemes (₹ 8697.29 crore).

1.3.3 Debt waiver under the debt consolidation and relief facilities

The ThFC had framed a scheme of debt relief of central loans called the Debt consolidation and relief facilities based on the fiscal performance of the State linked to the reduction of deficits in the States. The ThFC had extended this facilities to few States which includes GoB. Under this scheme, Government of Bihar availed no Debt consolidation and relief facilities during 2014-15.

1.3.4 Central Tax transfers

The ThFC had recommended the State's share of Central Taxes to be increased to 32 per cent from 30.50 per cent as recommended by Twelfth Finance Commission (Twelfth-FC). The State's share in the net proceeds of Central Tax (excluding Service Tax) and net proceeds of Service Tax has been fixed at 10.917 and 11.089 per cent respectively. The share of Union Taxes received during 2014-15 (₹ 36963.07 crore) was less by ₹ 4811.98 crore than the estimate (₹ 41775.05 crore). However, there was an increase in State's share of Union Taxes/Duties by ₹ 2133.96 crore over previous year mainly under Corporation Tax (₹ 1194.25 crore), Taxes on Income other than Corporation Tax (₹ 1504.39 crore), Customs (₹ 295.24 crore) and decrease in Service Tax (₹ 224.92 crore).

1.3.5 Optimisation of the ThFC Grants

The ThFC had recommended ₹ 11588.70 crore as transfer to the State during 2010-15. The actual release of funds and utilisation of the transfer to the State on the recommendation of the ThFC are summarised in the **Table 1.9**.

Table 1.9: Position of the transfer and expenditure

Sl. No.	Transfers	Recommen- -dation of ThFC	Actual release	Expen- -diture	(₹ in crore)
					Unutilised Grants
1.	Basic Grant (ULBs)	476.00	482.34	482.34	0.00
2.	Performance Grants (ULBs)	252.03	68.77	68.77	0.00
3.	Basic Grant (PRIs)	3239.10	3282.27	3282.27	0.00
4.	Performance Grant (PRIs)	1714.97	1690.65	1690.65	0.00
5.	Roads & Bridges	464.00	464.00	464.00	0.00
6.	Elementary education	4018.00	4018.00	4018.00	0.00
7.	Disaster relief	1386.20	1383.21	250.94	1132.27
8.	Environment (Forest) related grant	38.40	21.13	5.14	15.99
9.	Reduction in the Infant Mortality Rate	0.00	36.81	0.00	36.81
Total		11588.70	11447.18	10262.11	1185.07

(Source: Information furnished by Government of Bihar)

Analysis of above information pertaining to releases made by GoI in pursuance of ThFC recommendations during 2010-15 and its utilisation under the respective heads of accounts by the State Government showed that against release of ₹ 11447.18 crore, ₹ 10262.11 crore (89.65 per cent) was expended during 2010-15 leaving unspent balance of ₹ 1185.07 crore. The amount of Disaster relief and Environment (Forest) related grants of ₹ 1132.27 crore and ₹ 15.99 crore respectively remained unutilised along with the entire GIA of ₹ 36.81 crore for Reduction in the Infant Mortality Rate.

1.4 Capital Receipts

Capital Receipt increased from ₹ 6044 crore in 2010-11 to ₹ 15411 crore (155 *per cent*) in 2014-15. The trends in growth and composition of Capital Receipts are given in **Table 1.10**.

Table 1.10: Trends in growth and composition of receipts

Sources of State's Receipts	2010-11	2011-12	2012-13	2013-14	2014-15
Capital Receipts (CR)	6044	6726	9579	9922	15411
Miscellaneous Capital Receipts	Nil	Nil	Nil	Nil	Nil
Loans and advances from GoI	781.53	826.56	508.02	549.66	718.25
Recovery of Loans and Advances	12	23	25	15	1493
Public Debt Receipts	6032	6628	9554	9907	13918
Rate of growth of public debt receipts	(-) 2	10	44	04	40
Rate of growth of non-debt capital receipts	-	-	-	-	-
GSDP	203555	243269	293616	343663	402283
Rate of growth of GSDP	24.94	19.51	20.70	17.05	17.06
Rate of growth of CR (<i>per cent</i>)	(-) 2	11	42	04	55

(Source: Finance Accounts of the State for the respective years)

1.4.1 Recoveries of loans and advances

Recovery of loans and advances increased from ₹ 15.03 crore in 2013-14 to ₹ 1493.06 crore in 2014-15. It consists of loans for Statutory Corporations (₹ 1475.06 crore), Government Servant (₹ 15.04 crore) and Co-operative Societies/Co-operative Corporations/Banks (₹ 2.96 crore).

1.4.2 Debt Receipts from internal sources

Public debt receipts increased from ₹ 9907 crore in 2013-14 to ₹ 13918 crore (40.49 *per cent*) in 2014-15 which mainly consists of Market loan (₹ 8100 crore), loans from National Bank for Agricultural and Rural Development (₹ 1151 crore) and special securities issued to National Small Saving fund of Central Government (₹ 3945 crore).

1.5 Public Account Receipts (Net)

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 balance after disbursement is the fund available with the Government for use. **Table 1.11** below depicts the components of public account receipts (Net) during the period 2010-15.

Table 1.11: Components of Public Account Receipts (Net)

Resources under various heads	2010-11	2011-12	2012-13	2013-14	2014-15
Public Account Receipts (Net)					
a. Small Savings, Provident Fund etc.	252.70	(-) 2.13	(-) 215.64	(-) 297.90	(-) 182.77
b. Reserve Fund	183.72	572.36	530.89	698.58	730.13
c. Deposits and Advances	50.94	932.91	2199.05	3668.40	2222.58
d. Suspense and Miscellaneous	4.91	(-) 556.93	(-) 266.52	(-) 44.86	(-) 1707.32
e. Remittances	79.96	(-) 36.82	19.52	(-) 19.01	(-) 11.98
Total	572.23	909.39	2267.39	4005.21	1050.64

(Source: Finance Accounts of the State for the respective years)

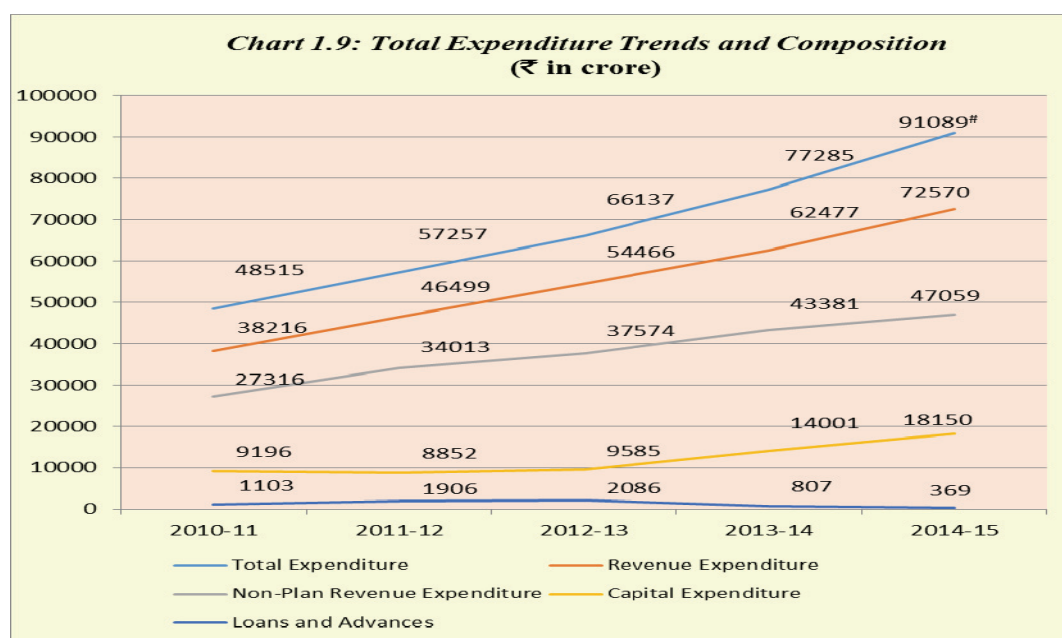
Public Account Receipts (Net) increased from ₹ 572.23 crore in 2010-11 to ₹ 1050.64 crore in 2014-15. Major increase in Public Account Receipts was due to increase in Deposit and Advances (₹ 2171.64 crore) and Reserve Fund (₹ 546.41 crore) during 2014-15.

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 corrections and consolidation process at the State level is not at the cost of expenditure, especially the expenditure directed towards development and social sectors.

1.6.1 Growth and Composition of Expenditure

Chart 1.9 presents the trends in total expenditure over a period of five years (2010-15).



[#] Total expenditure does not include public debt repayment.

(Source: Finance Accounts of the State for the respective years)

- The total expenditure comprising revenue expenditure, capital expenditure and loans and advances, increased from ₹ 48515 crore in 2010-11 to ₹ 91089 crore (88 per cent) in 2014-15.
- The increase of ₹ 13804 crore in total expenditure in 2014-15 over the previous year was mainly due to increase of ₹ 10093 crore (16 per cent) in revenue expenditure and ₹ 4149 crore (30 per cent) in capital expenditure.
- Major Capital expenditure increased on other rural development programme from ₹ 1934 crore in 2013-14 to ₹ 4648 crore in 2014-15 (140 per cent), on public works from ₹ 412 crore in 2013-14 to ₹ 985 crore in 2014-15 (139 per cent) and on Water Supply and Sanitation ₹ 618 crore in 2013-14 to ₹ 885 crore (43 per cent) in 2014-15.

- Major Revenue expenditure increased in Medical and Public Health from ₹ 1753 crore in 2013-14 to ₹ 2915 crore (66 *per cent*) in 2014-15, Social Securities and Welfare from ₹ 2698 crore in 2013-14 to ₹ 4311 crore (60 *per cent*) in 2014-15 and Police from ₹ 3805 crore in 2013-14 to ₹ 4620 crore (21 *per cent*) in 2014-15.

1.6.2 Revenue expenditure

Revenue expenditure is incurred to maintain the current level of services and make payment for past obligations and as such does not result in any addition to the State's infrastructure and services network. Trends in Revenue expenditure-basic parameters are given below **Table 1.12**.

Table 1.12: Revenue expenditure-basic parameters

	2010-11	2011-12	2012-13	2013-14	2014-15
Revenue expenditure (RE), of which (₹ in crore)	38216	46499	54466	62477	72570
Non-Plan revenue expenditure (NPRE)	27316	34012	37574	43381	47059
Plan revenue expenditure (PRE)	10900	12487	16892	19096	25511
Rate of Growth of					
RE (<i>per cent</i>)	17.28	21.67	17.13	14.71	16.15
NPRE (<i>per cent</i>)	13.13	24.51	10.47	15.45	8.48
PRE (<i>per cent</i>)	29.16	14.56	35.28	13.05	33.59
Revenue expenditure as percentage of TE	78.77	81.21	82.35	80.84	79.67
NPRE/GSDP (<i>per cent</i>)	13.42	13.98	12.80	12.62	11.70
NPRE as percentage of TE	56.30	59.40	56.81	56.13	51.66
NPRE as percentage of RR	61.34	66.27	63.08	62.94	60.01
Buoyancy of revenue expenditure with					
GSDP (ratio)	0.69	1.11	0.83	0.86	0.95
Revenue receipts (ratio)	0.68	1.42	1.07	0.94	1.17

(Source: Finance Accounts of the State for the respective years)

Revenue Expenditure

It would be seen from the above table that the Revenue expenditure increased during 2014-15 by ₹ 10093 crore (16.15 *per cent*) over the previous year and was 79.67 *per cent* of the total expenditure⁵.

Non-plan revenue expenditure

The non-plan revenue expenditure (NPRE) during 2014-15 increased by ₹ 3678 crore (8.48 *per cent*) mainly due to increase in the expenditure under Information and Broadcasting by ₹ 30.50 crore (45.73 *per cent*), Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes by ₹ 42.05 crore (38.00 *per cent*) and General Economic Services by ₹ 50.21 crore (26.22 *per cent*) as detailed in **Appendix 1.4**.

Plan revenue expenditure

The plan revenue expenditure (PRE) during 2014-15 increased by ₹ 6415 crore (33.59 *per cent*) mainly due to increase in the expenditure under Health and Family Welfare by ₹ 1026.16 crore (351.06 *per cent*), Social Welfare and

⁵ It includes Revenue Expenditure, Capital Expenditure and Disbursement of Loans and Advances

Nutrition by ₹ 1583.55 crore (41.12 per cent) and Rural Development by ₹ 277.07 crore (16.47 per cent) as detailed in **Appendix 1.4**.

1.6.3 Committed Expenditure

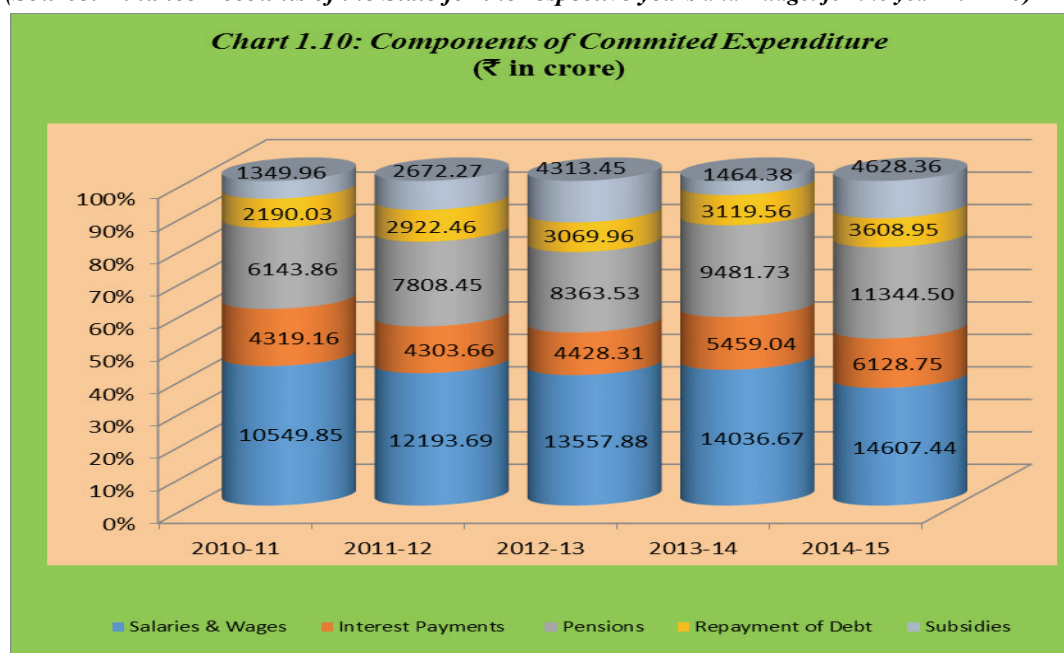
The committed expenditure of the State Government on revenue account mainly consists of interest payments, expenditure of salaries and wages, pensions and subsidies. **Table 1.13** and **Chart 1.10** present the trends in the expenditure on these components during 2010-15.

Table 1.13: Components of committed expenditure during 2010-15

Sl. No.	Components of Committed Expenditure	2010-11	2011-12	2012-13	2013-14	2014-15	
						BE	Actual Expenditure
1	Salaries & wages of which	10549.85 (23.69)	12193.69 (23.76)	13557.88 (22.76)	14036.67 (20.37)	19058.83	14607.44 (18.63)
1(a)	Non-Plan head	9954.35 (22.35)	11494.50 (22.40)	12865.06 (21.60)	13315.36 (19.32)	18204.75	13910.31 (17.74)
1(b)	Plan head	595.51 (1.34)	699.19 (1.36)	692.82 (1.16)	721.31 (1.05)	854.09	697.13 (0.89)
2	Interest Payments	4319.16 (9.70)	4303.66 (8.39)	4428.31 (7.43)	5459.04 (7.92)	6581.46	6128.75 (7.82)
3	Expenditure on Pensions	6143.86 (13.80)	7808.45 (15.22)	8363.53 (14.04)	9481.73 (13.76)	11666.33	11344.50 (14.47)
4	Repayment of Debt	2190.03 (20.76)	2922.46 (23.97)	3069.96 (5.15)	3119.56 (4.53)	3562.90	3608.95 (4.60)
5	Subsidies	1349.96 (3.03)	2672.27 (5.21)	4313.45 (7.24)	1464.38 (2.12)	0.00	4628.36 (5.90)
6	Total (1+2+3+4+5)	24552.86 (55.13)	29900.53 (58.26)	33733.13 (56.63)	33561.38 (48.70)	59928.36	54925.44 (70.04)
7	Other Components (8-6)	13663.06 (30.68)	16598.96 (32.34)	20733.02 (34.81)	28915.85 (41.96)	31837.07	17644.54 (22.50)
8	Revenue Expenditure	38215.92	46499.49	54466.15	62477.23	91765.43	72569.98
9	Revenue Receipts	44532.32	51320.17	59566.66	68918.65	101939.46	78417.54

Figures in the parentheses indicate percentage of Actual Expenditure to Revenue Receipts

(Source: Finance Accounts of the State for the respective years and Budget for the year 2014-15)



(Source: Finance Accounts of the State for the respective years)

Expenditure on Salaries

Expenditure on salaries as a percentage of revenue receipts decreased from 20.37 *per cent* in 2013-14 to 18.63 *per cent* in 2014-15. The expenditure of ₹ 14607.44 crore on salaries was higher than ThFC assessment (₹ 11536.84 crore) by ₹ 3070.60 crore but were lower than the budget estimates (₹ 19058.83 crore) by ₹ 4451.39 crore.

Expenditure on pension payment

Expenditure on Pension payment grew up from ₹ 6143.86 crore in 2010-11 to ₹ 11344.50 crore in 2014-15 i.e. an increase of ₹ 5200.64 crore (84.65 *per cent*), pension payments alone accounted for 14.47 *per cent* of revenue receipts of the State during the year and increased by ₹ 1862.77 crore (19.65 *per cent*) over the previous year.

Interest Payments

Expenditure on interest payments (₹ 6128.75 crore) was 12.27 *per cent* higher than the last year. The percentage of interest payment to revenue receipts decreased from 9.70 *per cent* in 2010-11 to 7.82 *per cent* in 2014-15. Interest payments (₹ 6128.75 crore) during 2014-15 were higher than the assessment made by ThFC (₹ 5978.32 crore) and below the budget estimates (₹ 6581.46 crore).

Expenditure on Repayment of Debt

Expenditure on Repayment of Debt as a percentage of revenue receipts decreased from 20.76 *per cent* in 2010-11 to 4.60 *per cent* in 2014-15. This expenditure was marginally higher than the Budget estimates (₹ 3562.90 crore) by ₹ 46.05 crore (1.29 *per cent*).

Subsidies

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

The total subsidies during the current year was ₹ 4628.36 crore which was 216.06 *per cent* higher than previous year and constituted 5.90 *per cent* of revenue receipt. Of this, ₹ 3088.86 crore was provided to Social Welfare Department, ₹ 564.66 crore to Food and Consumer Protection Department and ₹ 105.30 crore to Sugarcane Industries Department.

Implicit Subsidies

The State Government incurred expenditure on implicit subsidies which are enumerated in the **Table 1.14** below:

Table 1.14: Implicit Subsidies given in 2014-15

(₹ in crore)

Sl. No.	Name of the Scheme	Expenditure
1.	Chief Minister Uniform Scheme (Elementary Education)	326.34
2.	Chief Minister Girls Uniform Scheme (Elementary Education)	213.50
3.	Chief Minister Uniform Scheme (Elementary Education for SCs)	47.59
4.	Chief Minister Girls Uniform Scheme (Secondary Education)	131.66
5.	Chief Minister Uniform Scheme (Secondary +2 Education)	37.26
6.	Chief Minister Boys Bicycle Scheme (Secondary Education)	148.93
7.	Chief Minister Girls Bicycle Scheme (Secondary Education)	143.97
8.	Chief Minister Boys Bicycle Scheme (Secondary Education for SCs)	24.81
9.	Chief Minister Girls Bicycle Scheme (Secondary Education for SCs)	24.10
Total		1098.16

(Source: Information furnished by Education Department of Government of Bihar)

It would be seen from the **Table 1.14** that during 2014-15, the State Government incurred an expenditure of ₹ 1098.16 crore for providing uniform and bicycle to the students of Primary and Secondary Education.

1.6.4 Financial Assistance by the State Government to local bodies and other institutions

The status of assistance provided by the State Government by way of grants-in-aid to Local bodies and other institutions during the period 2010-15 is presented in the **Table 1.15** below:

Table 1.15: Financial Assistance to Local Bodies and other institutions

(₹ in crore)					
Financial Assistance to Institutions	2010-11	2011-12	2012-13	2013-14	2014-15
Educational Institutions (Aided Schools, Aided Colleges, Universities)	1940.11	5581.07	8331.34	8420.44	11477.94
Municipal Corporations and Municipalities	690.21	557.30	873.56	1009.88	626.46
Zila Parishad and other Panchayati Raj Institutions	1515.34	2534.41	2595.15	3506.69	2425.69
Development Agencies	394.24	3029.74	3079.26	5683.72	6938.67
Hospitals and other Charitable Institutions	53.67	25.00	-	67.12	101.05
Other Institutions	28.25	2716.16	2574.43	247.16	789.48
Total	4621.82	14443.68	17453.74	18935.01	22359.29
Assistance as per percentage of RE	12.09	31.06	32.05	30.31	30.81

(Source: Finance Accounts of the State for the respective years)

An analysis of the above table reveals that the financial assistance during 2014-15 increased to ₹ 22359.29 crore from ₹ 18935.01 crore in 2013-14. The increase of ₹ 3424.28 crore (18.08 per cent) over the previous year was primarily due to increase in assistance to Educational Institutions (₹ 3057.50 crore), Development agencies (₹ 1254.95 crore), Hospitals and other Charitable Institutions (₹ 33.93 crore) and Other Institutions (₹ 542.32 crore). The assistance to Municipal Corporations and Municipalities and Zila Parishad and other Panchayati Raj Institutions however, decreased by ₹ 383.42 crore and ₹ 1081 crore respectively.

1.7 Quality of Expenditure

The availability of better social and physical infrastructure in the State generally reflects the quality of its expenditure. The improvement in the quality of expenditure basically involves three aspects, viz., adequacy of expenditure (i.e. adequate provisions for providing Public Services); efficiency of expenditure use and effectiveness (assessment of outlay-outcome relationship for selected services).

1.7.1 Adequacy of Public Expenditure

The expenditure responsibilities relating to social sector and economic infrastructure are largely State subjects. Enhancing human development levels requires the States to step up their expenditure on key social services like, education, health etc.

Table 1.16 analyses the fiscal priority of the State Government with regard to development expenditure, social expenditure and capital expenditure during 2014-15.

Table 1.16: Fiscal Priority and Fiscal capacity of the State in 2011-12 and 2014-15

Fiscal Priority by the State	(In per cent)					
	AE/ GSDP	DE ⁵ / AE	SSE/ AE	CE/ AE	Edn/ AE	Health/ AE
#General Category States Average (Ratio) 2011-12*	15.98	65.39	36.63	13.23	17.10	4.68
Bihar's Average (Ratio) 2011-12	23.54	67.93	34.12	15.46	17.84	3.71
General Category State Average (Ratio) 2014-15	16.49	69.12	36.50	14.01	16.23	5.04

Fiscal Priority by the State	AE/ GSDP	DE ⁵ / AE	SSE/ AE	CE/ AE	Edn/ AE	Health/ AE
Bihar's Average (Ratio) 2014-15	22.64	69.07	36.65	19.93	18.15	3.96
# All India average of General Category States has been calculated on the basis of figures provided by 18 General Category States and nine Special Category States. * As per cent of GSDP AE: Aggregate Expenditure, DE: Development Expenditure, SSE: Social Sector Expenditure, CE: Capital Expenditure, Edn: Education ⁵ DE includes Development Revenue Expenditure, Development Capital Expenditure and Loans and Advances disbursed.						

(Source: State Finance Accounts of respective years, Directorate of Economics and Statistics, Government of Bihar for GSDP)

1.7.2 Efficiency of Expenditure Use

In view of the importance of public expenditure on development heads⁶ for social and economic development, it is important for the State Governments to take appropriate expenditure rationalisation measures and lay emphasis on provision of core public and merit goods⁷. Apart from improving the allocation towards development expenditure⁸, particularly in view of the fiscal space being created on account of the decline in the expenditure debt servicing in the recent years, the efficiency of expenditure use is also reflected in the ratio of capital expenditure to total expenditure (and/or GSDP) and proportion of revenue expenditure being spent on the operation and maintenance of the existing social and economic services. The higher the ratio of these components to total expenditure, the better would be quality of expenditure.

The status of efficiency of expenditure and its use in selected services is depicted in the **Table 1.17**.

Table 1.17: Efficiency of Expenditure and its use in selected Services

Sector	2013-14		2014-15	
	Ratio of CE to TE	In RE share of S&W	Ratio of CE to TE	In RE share of S&W
Social Services (SS)				
General Education	4.67	33.52	1.47	28.49
Health and Family Welfare	17.88	74.76	8.76	50.99
Water Supply, Sanitation, Housing and Urban Development	17.69	7.87	19.88	6.63
Total (SS)	8.51	34.09	5.96	28.25
Economic Services (ES)				
Agriculture & Allied Activities	13.00	14.93	5.11	14.37
Irrigation and Flood Control	63.39	56.27	58.26	58.00
Power & Energy	36.96	0.00	52.53	0.00
Transport	74.76	15.44	80.83	22.81
Total (ES)	48.29	14.40	51.99	14.23
Total (SS+ES)	26.33	27.90	26.18	24.24

TE: Total Expenditure; CE: Capital Expenditure; RE: Revenue Expenditure; S&W: Salaries and Wages.

(Source: Finance Accounts of the State for the respective years)

⁶ Development heads include Development Revenue Expenditure, Development Capital Expenditure and Loans and Advances disbursed.

⁷ Core public goods are goods which all citizens enjoy in common in the sense that each individual's consumption of such a goods leads to no subtractions from any other individual's consumption of that goods, e.g. enforcement of law and order, security and protection of rights; pollution free air and other environmental goods and road infrastructure, etc. Merit goods are commodities that the public sector provides free or at subsidized rates because an individual or society should have them on the basis of some concept of need, rather than ability and willingness to pay to 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.

⁸ The analysis of expenditure data is disaggregated into development and non-development expenditure. All expenditure relating to Revenue Account, Capital Outlay and Loans and Advances is categorised into Social Services, Economic Services and General Services. Broadly, the Social and Economic Services constitute development expenditure, while expenditure on General Services is treated as non-development expenditure.

Analysis on the sector wise expenditure and its relation to developmental indices indicates that capital expenditure of these selected socio-economic services as a percentage of the total expenditure on these heads decreased from 26.33 *per cent* in 2013-14 to 26.18 *per cent* in 2014-15. Share of salaries and wages in revenue expenditure of these heads decreased from 27.90 *per cent* in 2013-14 to 24.24 *per cent* in 2014-15, which indicated a positive shift in the State finances.

In the selected services, the percentage of capital expenditure on Social Services to total expenditure decreased from 8.51 *per cent* in 2013-14 to 5.96 *per cent* in 2014-15. The percentage of capital expenditure on the selected Economic Services to total expenditure increased from 48.29 *per cent* in 2013-14 to 51.99 *per cent* in 2014-15. The decrease observed was mainly under Health and Family Welfare in Social Services and Agriculture and Allied Activities and Irrigation and Flood Control in Economic Services.

The share of salary and wages in revenue expenditure on the selected social services decreased from 34.09 *per cent* in 2013-14 to 28.25 *per cent* in 2014-15 while the share of salary and wages in revenue expenditure on the selected Economic Services decreased from 14.40 *per cent* in 2013-14 to 14.23 *per cent* in 2014-15. The decrease observed was mainly under General Education (5.03 *per cent*), Health and Family Welfare (23.77 *per cent*) and Water Supply, Sanitation, Housing and Urban Development (1.24 *per cent*). The increase observed was mainly under Irrigation and Flood Control (1.73 *per cent*) and Transport (7.37 *per cent*) in the Economic Services.

1.8 Financial Analysis of State Government Expenditure and Investment

1.8.1 Incomplete projects/works

The blocking of funds on incomplete projects/works (including projects/works stopped due to litigation) impinges negatively on the quality of expenditure. The department-wise information pertaining to incomplete projects/works as on 31 March 2015 is given in **Table 1.18**. Altogether, 211 projects/works (estimated cost ₹ 3404.88 crore) were due for completion up to March 2015, but remained incomplete resulting in blocking of ₹ 1300.78 crore. The physical progress of incomplete projects/works ranged between zero to 96 *per cent* as of March 2015⁹.

Table 1.18: Department-wise Profile of Incomplete Projects/works

(₹ in crore)			
Name of Department	No. of Incomplete Projects/works	Estimated cost	Progressive expenditure upto March 2015
Water Resources	41	2161.60	767.55
Public Health Engineering	104	459.79	204.23
Road Construction	23	571.24	236.02
Building Construction	18	129.95	55.59
Local Area Engineer Organisation	14	31.12	11.53
Rural Work	9	36.95	22.12
National Highways	2	14.23	3.74
Total	211	3404.88	1300.78

(Source: Finance Accounts of the State for the year 2014-15)

⁹ Appendix-IX of the Finance Accounts for the year 2014-15.

Delay in completion of projects/works invites the risk of cost escalation. Besides, due to delay in completion of the projects, the intended benefits from the projects could not be achieved. Thus, works need to be completed in time to avoid time and cost overruns.

1.8.2 Investments and returns

As of 31 March 2015, the State Government had invested ₹ 7068.79 crore in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operative Institutions as indicated in **Table 1.19**.

Table 1.19: Return on Investment

Investment/Return/Cost of Borrowings	2010-11	2011-12	2012-13	2013-14	2014-15
Investment at the end of the year (₹ in crore)	905.24	920.82	941.17	2867.18	7068.79
Return (₹ in crore)	2.53	1.40	2.55	2.53	2.58
Return (<i>per cent</i>)	0.28	0.15	0.27	0.09	0.04
Average rate of interest ¹⁰ on Government borrowing (<i>per cent</i>)	6.87	6.35	5.79	6.28	6.19
Difference between interest rate and return (<i>per cent</i>)	6.59	6.20	5.52	6.19	6.15

(Source: Finance Accounts of the State for the respective years)

There was return of ₹ 2.58 crore only against the investment of ₹ 7068.79 crore during 2014-15.

As may be seen from **Table 1.19** above, the average return on these investments was 0.17 *per cent* during last five years while the State Government paid average interest rate of 6.30 *per cent* on its borrowings during 2010-15. Gap between the interest rate on borrowings and the rate of return on investment has progressively shown a decreasing trend since 2010-11 to 2012-13.

Of ₹ 7068.79 crore invested by the State Government in the share capital of different entities, ₹ 6545.39 crore in 53 Government Companies, ₹ 383.90 crore in 16 Co-operative Institutions and Local Bodies, ₹ 105.63 crore in three Statutory Corporations, ₹ 30.19 crore in one Rural Bank and ₹ 3.68 crore in nine Other Joint Stock Companies and Partnerships was invested. Government invested ₹ 4201.61 crore during the year. Out of this ₹ 4200.61 crore was invested in Government companies and ₹ one crore was invested in Co-operative Institutions and Local Bodies.

1.8.3 Loans and advances by the State Government

In addition to the investments in Co-operative Institutions, Corporations and Companies, State Government has also been providing loans and advances to many of these institutions/organisations.

Table 1.20 presents the outstanding loans and advances as on 31 March 2015 and interest receipts *vis-à-vis* interest payments during the last three years.

Table 1.20: Average Interest received on Loans Advanced by the State Government
(₹ in crore)

Amount of Loans/Interest Receipts/ Cost of Borrowings	2012-13	2013-14	2014-15
Opening Balance	18525.76	20587.01	21379.36
Amount advanced during the year	2085.95	807.38	368.71
Amount repaid during the year	24.70	15.03	1493.06
Closing Balance	20587.01	21379.36	20255.01
Net addition	2061.25	792.35	(-) 1124.35

¹⁰ Average rate of interest = Interest Payment*100/Fiscal Liabilities.

Amount of Loans/Interest Receipts/ Cost of Borrowings	2012-13	2013-14	2014-15
Interest Receipts	167.12	269.48	344.77
Interest receipts as percentage of outstanding Loans and advances	0.81	1.26	1.70
Interest payments as percentage of outstanding fiscal liabilities of the State Government.	5.79	6.28	6.19
Difference between interest payments and interest receipts (<i>per cent</i>)	(-) 4.98	(-) 5.02	(-) 4.49

(Source: Finance Accounts of the State for the respective years)

The quantum of loans advanced decreased from ₹ 807.38 crore in 2013-14 to ₹ 368.71 crore in 2014-15. Repayments also increased from ₹ 15.03 crore in 2013-14 to ₹ 1493.06 crore in 2014-15. The difference between the interest payments and interest receipts decreased from 5.02 *per cent* in 2013-14 to 4.49 *per cent* in 2014-15 due to higher recovery of interest receipt.

1.8.4 Cash Balances and Investment of Cash balances

Table 1.21 depicts the cash balances and investments made by the State Government during the year.

Table 1.21: Cash Balances and Investment of Cash balances

Particulars	(₹ in crore)		
	As on 31 March 2014	As on 31 March 2015	Increase/Decrease
Cash Balances	6156.39	6337.11	180.72
Investments from Cash Balances (a to d)	4038.80	3528.80	(-) 510.00
a. GoI Treasury Bills	0.00	0.00	0.00
b. GoI Securities	4034.15	3524.15	(-) 510.00
c. Securities of other State Government	4.65	4.65	0.00
d. Other Investments	0.00	0.00	0.00
Fund-wise break-up of Investment in Earmarked balances (a and b)	1367.75	2343.00	975.25
a. Famine Relief Fund	0.10*	0.10*	0.00
b. Sinking Fund	1367.65	2342.90	975.25
Interest Realised	233.07	311.77	78.70

*No increase, figures adopted by rounding of 0.0961

(Source: Finance Accounts of the State for the respective years)

Cash balances increased from ₹ 6156.39 crore to ₹ 6337.11 crore during the year. Further, the State Government's investments in GoI securities decreased from ₹ 4034.15 crore to ₹ 3524.15 crore as on 31 March 2015. The investment in earmarked balances increased by ₹ 975.25 crore in the year ending 31 March 2015. Interest of ₹ 311.77 crore realised on investment during 2014-15 was higher by ₹ 78.70 crore than the interest realised (₹ 233.07 crore) during 2013-14.

1.9 Assets and Liabilities

1.9.1 Growth and composition of assets and liabilities

In the existing Government accounting system, accounting of fixed assets like lands and buildings owned by the Government is not done in a comprehensive manner. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of expenditure incurred. **Appendix 1.8** gives an abstract of such liabilities and assets as on 31 March 2015 compared with the corresponding position as on 31 March 2014.

Total liabilities are the liabilities under the Consolidated Fund and Public Accounts of the State. Consolidated fund liabilities consist of internal debt and loans and advances from GoI. It also includes borrowings by Public Sector

Undertakings and special purpose vehicles and other equivalent instruments where liability for repayment rests with the State Government.

1.9.2 Fiscal Liabilities

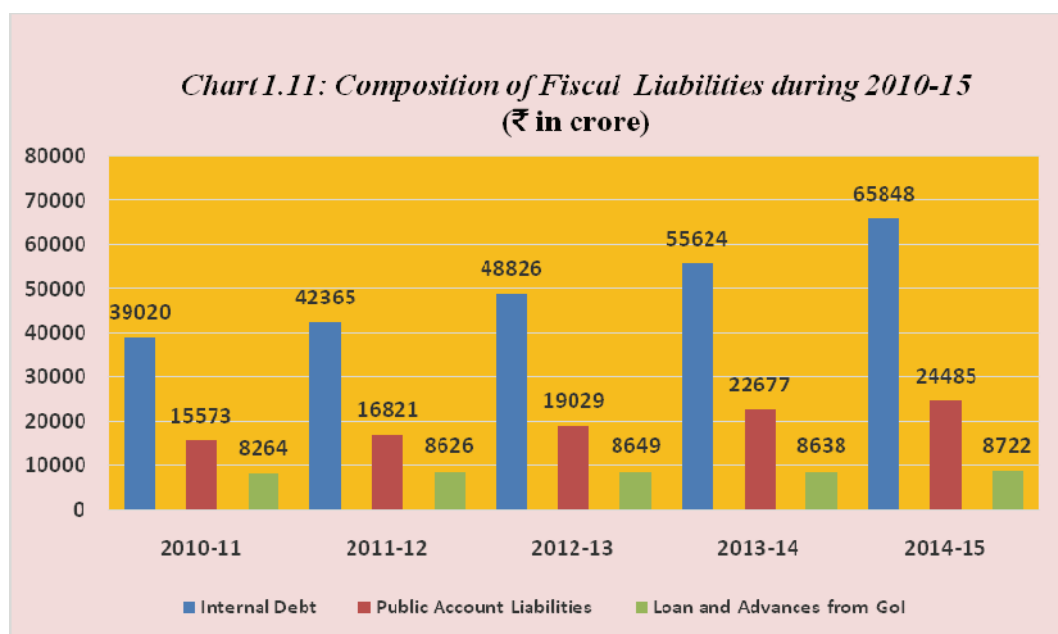
The trends in outstanding Fiscal liabilities of the State are presented in **Table 1.22**.

Table 1.22: Outstanding Fiscal Liabilities¹¹

Year	2010-11	2011-12	2012-13	2013-14	2014-15
Amount (₹ in crore)	62858.01	67811.84	76503.07	86939.10	99055.82
Growth Rate	7.10	7.88	12.82	13.64	13.94
Ratio of fiscal liabilities to					
GSDP	0.309	0.279	0.261	0.253	0.246
Revenue receipts	1.412	1.321	1.284	1.261	1.263
Own resources	5.791	5.022	4.400	4.043	4.440
Buoyancy ratio of fiscal liabilities to					
GSDP	0.285	0.404	0.619	0.800	0.817
Revenue receipts	0.280	0.517	0.798	0.869	1.011
Own resources	0.633	0.323	0.445	0.576	3.737

(Source: Finance Accounts of the State for the respective years)

Fiscal liabilities of the State increased from ₹ 62858.01 crore in 2010-11 to ₹ 99055.82 crore in 2014-15. The composition of the fiscal liabilities during the current year *vis-à-vis* the previous year is presented in **Chart 1.11**.



(Source: Finance Accounts of the State for the respective years)

As can be seen from **Table 1.22** above the overall fiscal liabilities of the State increased from ₹ 86939.10 crore in 2013-14 to ₹ 99055.82 crore in 2014-15. The growth rate of fiscal liabilities increased from 13.64 *per cent* in 2013-14 to 13.94 *per cent* in 2014-15. However, the ratio of fiscal liabilities to GSDP decreased from 30.90 *per cent* in 2010-11 to 24.60 *per cent* during 2014-15 and was lower than norm as recommended by ThFC of 41.60 *per cent*. It was also significantly lower than the FRBM target of 41.60 *per cent* for the current year. The liabilities stood at 1.26 times the revenue receipts and 4.44 times the State's own resources at the end of 2014-15. The buoyancy of these liabilities with respect to GSDP during the year was 0.817 as compared to 0.800 during preceding year. The decreasing trend of ratio of fiscal liabilities to GSDP indicates the State's capability to discharge its liabilities.

¹¹ Market loan, Loans and advances from GoI, Loans from Small Savings, PF etc. and other obligation.

1.9.3 Transaction under Reserve Fund

Reserves and Reserve Funds are created for specific and well defined purposes under the sector 'J' in the accounts of the State Government (Public Accounts). These funds are fed by contributions or grants from the consolidated fund of India or State or from outside agencies. The funds may be further classified as "Funds carrying interest" and 'Funds not carrying interest'. Generally the reserve funds are classified under the following three categories based on the sources from which they are fed.

- Funds accumulated from grants made by another Government and at times aided by public subscriptions, example: Fund formed from subventions from the Central Road Fund.
- Funds accumulated from sums set aside by the Union/State from the Consolidated Fund of India or Consolidated Fund of State, as the case may be, to provide reserves for expenditure to be incurred by them for particular purposes e.g. Depreciation Fund.
- Funds accumulated from the contributions made by outside agencies to the State Government.

As per Finance Accounts, six Reserve funds¹² have been created and maintained in the accounts of the State Government.

State Disaster Response Fund

Opening balance of this fund as on 1 April 2014 was ₹ 2054.69 crore. During the year an amount of ₹ 428.37 crore was received and ₹ 673.49 crore was disbursed from the State Disaster Response Fund leaving a balance of ₹ 1809.57 crore as on 31 March 2015.

Sinking Fund

Opening balance as on 1 April 2014 was ₹ 1367.65 crore and during the year a sum of ₹ 975.25 crore was invested in Sinking Fund-Investment Account. The closing balance in Sinking Fund as on 31 March 2015 was ₹ 2342.90 crore.

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. No law under Article 293 of the Constitution has been passed by the State legislature laying down the limit within which the Government may give guarantees on the security of the Consolidated Fund of the State. The position of guarantees given by the State Government for the last three years is shown in **Table 1.23**.

Table 1.23: Guarantees given by the Government

Guarantees	₹ in crore)		
	2012-13	2013-14	2014-15
Maximum amount guaranteed	2046.44	2586.84	5314.84
Outstanding amount (Principal) of guarantees	1089.23	1090.23	2000.90
Percentage of maximum amount guaranteed to total revenue receipts	3.44 (59567)	3.75 (68919)	6.78 (78417)
(Figures in brackets indicate revenue receipts)			

(Source: Finance Accounts of the State for the respective years)

¹² State Disaster Response Fund, Sinking Fund, Famine Relief Fund, Development and Welfare Funds, General and other Reserve Fund & Depreciation/Renewal Reserve Funds. No transactions were made in remaining funds during the year. Hence, no comments.

From the scrutiny of statement No. 9 of Finance Account it was observed that the Government did not furnish the status/information about the guarantees given by the State Government during the year 2014-15 and maximum amount guaranteed at the end of March 2015 has been increased by ₹ 2728 crore from that of previous year. The outstanding amount of ₹ 2000.90 crore of guarantees as on 31 March 2015 was mainly in respect of Power (₹ 734.35 crore), Co-operative (₹ 348.69 crore), Road and Transport (₹ 193 crore), State Financial Corporation (₹ 127.47 crore), Urban Development and Housing (₹ 17.21 crore), Other Infrastructure (₹ 16.06 crore) and Any other (₹ 564.12 crore). Further, the State Government had not yet established a guarantee redemption fund by charging guarantee fees for the discharge of any liability as was recommended by Twelfth FC.

- **Off-Budget Borrowings**

Government companies/corporations borrow funds from the market/financial institutions for implementation of various State Plan programmes projected outside the State budget. The borrowings of many of these concerns may sometimes turn out to be the liabilities of the State Government termed as ‘off-budget borrowings’. The State Government informed that it did not resort to any off budget borrowings during 2010-15.

1.9.5 Analysis of Borrowings of the Government including Market Borrowings

The cash balances and the borrowings made by the State during 2010-15 are given in **Table 1.24**.

Table 1.24: Details of borrowings and cash balances

Year	Fiscal Deficit	Total Borrowings (including market borrowings)	Excess of borrowings over fiscal deficit	(₹ in crore)
				Cash Balance of March
2010-11	3971	6871	2900	2735
2011-12	5914	7660	1746	1509
2012-13	6545	10850	4305	3716
2013-14	8351	30249	21898	6156
2014-15	11179	41188	30009	6337

(Source: Finance Accounts of the State for the respective years)

It would be seen from the above that borrowings exceeded the fiscal deficit by ₹ 2900 crore, ₹ 1746 crore, ₹ 4305 crore, ₹ 21898 crore and ₹ 30009 crore during the years 2010-11, 2011-12, 2012-13, 2013-14 and 2014-15 respectively, despite there were huge cash balances in these years. The huge cash balance ranged between ₹ 1509 crore to ₹ 6337 crore during 2010-15 could be attributed to the borrowings made in excess to the level of the fiscal deficits, as indicated in **Table 1.24**.

1.10 Debt Management

Fiscal deficit is usually financed by way of borrowings by the State. The rate of growth of debt, the debt repayment liability, Public debt repayment, reliance on debt for financing current expenditure (not Capital expenditure) the debt liability on account of loans raised by the SPV on the strength of Government guarantee and the commitments on account of debt servicing are depicted as under:

- **Debt Profile**

A time series analysis of previous five years showing the per capita debt is given below **Table 1.25**.

Table 1.25: Debt Profile: Indicators and Trends

(₹ in crore)

Indicators of Debt Profile	2010-11	2011-12	2012-13	2013-14	2014-15
Net Availability of borrowed funds ¹³	71	651	4263	4977	5988
Burden of Interest Payments (IP/RR Ratio)	0.10	0.10	0.10	0.10	0.10

(Source: Finance Accounts of the State for the respective years)

Net availability of borrowed funds increased from ₹ 4977 crore in 2013-14 to ₹ 5988 crore in 2014-15.

As per Statement No.6 of Finance Accounts for the year 2014-15, the Government raised internal debt of ₹ 13199.28 crore, loans and advances from GoI ₹ 718.25 crore, other liabilities ₹ 27270.73 crore and repaid internal debts of ₹ 2975.36 crore, loans and advances to GoI ₹ 633.59 crore, discharged other liabilities worth ₹ 25462.59 crore and also repaid interest on internal debt worth ₹ 4951.85 crore, interest on loans and advances from Central Government ₹ 401.74 crore and interest on small saving, provident fund etc. worth ₹ 771.89 crore.

- **Debt Sustainability**

Apart from the magnitude of debt of the State Government, it is important to analyse the various indicators that determine the debt sustainability¹⁴ of the State. This section assesses the sustainability of debt of the State Government in terms of debt stabilisation¹⁵; sufficiency of non-debt receipts¹⁶; Non-availability of borrowed funds¹⁷, burden of interest payments (measured by interest payments to revenue receipts ratio) and maturity profile of the State Government securities.

¹³ Net availability of borrowed funds=Total receipts under Public Debt and Other Liabilities-(Repayment of Public Debt and Other Liabilities +Interest Payment under Non-plan MH 2049)

¹⁴ The Debt sustainability is defined as the ability of the State to maintain a constant debt-GSDP ratio over a period of time and also embodies the concern about ability to service its debt. Sustainability of debt therefore also refers to sufficiency of liquid assets to meet current or committed obligations and the capacity to keep balance between costs of additional borrowings with return from such borrowings. It means that rise in fiscal deficit should match with the increase in capacity to service the debt.

¹⁵ A necessary condition for stability states that if the rate of growth of economy exceeds the interest rate or cost of public borrowings, the debt-GSDP ratio is likely to be stable provided balances are either zero or positive or are moderately negative. Given the rate spread (GSDP growth rate-interest rate) and quantum spread (Debt multiplied by rate spread), debt sustainability condition states that if quantum spread together with primary deficit is zero, debt-GSDP ratio would be constant or debt would stabilize eventually. On the other hand, if primary deficit together with quantum spread turns out to be negative, debt-GSDP ratio would be rising and in case it is positive, debt-GSDP ratio would eventually starts falling.

¹⁶ Adequacy of incremental non-debt receipts of the State to cover the incremental interest liabilities and incremental primary expenditure. The debt sustainability could be significantly facilitated if the incremental non-debt receipts could meet the incremental interest burden and incremental expenditure.

¹⁷ Defined as the ratio of the debt redemption (Principal plus Interest Payments) to total debt receipts and indicates the extent to which the debt receipts are used in debt redemption indicating the net availability of borrowed funds.

Table 1.26 analyses the debt sustainability of the state according to these indicators for the period 2010-15.

Table 1.26: Debt Sustainability: Indicators and Trends

(₹ in crore)					
Indicators of Debt Sustainability	2010-11	2011-12	2012-13	2013-14	2014-15
Public Debt and Other Liabilities	62858.01	67811.84	76503.07	86939.10	99055.82
Public Debt and Other Liabilities/GSDP Ratio	30.88	27.88	26.06	25.30	24.62
Debt Stabilisation (Quantum Spread + Primary Surplus)	9449.84	7910.80	8318.02	5419.37	5718.37
Debt Stabilisation/GSDP	0.05	0.03	0.03	0.02	0.01
Sufficiency of non-debt receipts (Resource Gap)	3372	(-) 1485.07	282.02	1331.24	(-) 46710.98
Net Availability of borrowed funds	71	651	4263	4977	5988
Burden of Interest Payments (IP/RR Ratio)	0.10	0.10	0.10	0.10	0.10
Maturity Profile of State Debt (in years)*					
Zero to one year (2015)					1266.89 (3.34)
One to three years (2016-2018)					2737.05 (7.21)
Three to five years (2019-2020)					6646.93 (17.51)
Five to seven years (2021-2022)					9600.00 (25.30)
More than seven years (2023 and thereafter)					17700.00 (46.64)
Total market borrowing					37950.86 (100.00)#
* The table contains maturity profile of market loans only for which year of maturity was available in Finance Accounts for the year 2014-15					
# Figures in bracket indicate per cent of repayment due.					

(Source: Finance Accounts of the State for the respective years)

After debt maturity profile of State as given in **Table 1.26** indicates that the State Government has to repay 7.21 per cent (₹ 2737.05 crore) of its debt between 1-3 years, 17.51 per cent (₹ 6646.93 crore) between 3-5 years and 25.30 per cent (₹ 9600 crore) between 5-7 years. It signifies that State has to repay about 50 per cent of its debt (₹ 18983.98 crore) in the next seven years which is very high.

The State has to worked out a well thought debt management strategy to ensure debt stability. This involves containing additional borrowing and stepping up resource mobilisation efforts. Unless serious efforts are made to ensure debt stability, the State will have serious problem in debt servicing and leading to situation of debt trap.

1.10.1 Debt consolidation and relief facility

As per the ThFC Finance Commission recommendations, benefit of interest relief on loan availed from National Small Savings Fund (NSSF) and the write-off of outstanding loan by Government of India and State specific grants were to be made available to the States on bringing the necessary amendments/enactments of FRBM Act to include targets for debt-GSDP ratio for the period from 2011-12 to 2014-15. The State Government was able to maintain the debt-GSDP ratio within the limits as set in the FRBM Act, 2006 as amended in 2010. Government of Bihar availed no Debt consolidation and relief facilities during 2014-15.

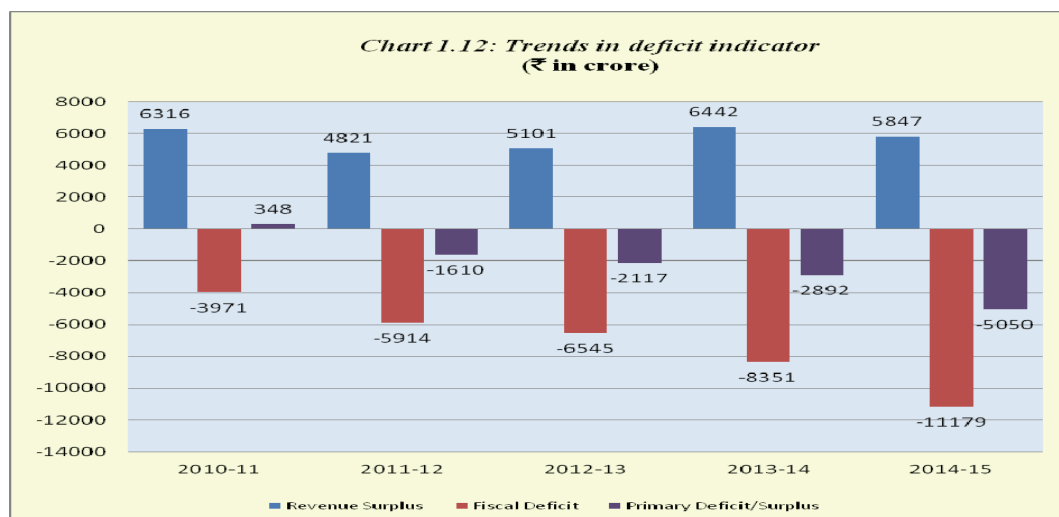
1.11 Fiscal Imbalances

Three key fiscal parameters-revenue, fiscal and primary deficits, indicate the extent of overall fiscal imbalances in the Finances of the State Government during a specified period. The deficit in the Government accounts represents the gap between its receipts and expenditure. The nature of the deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources raised and applied are important pointers to its

fiscal health. This section represents the trend, nature, magnitude and the manner of financing of these deficits and the assessment of the actual levels of revenue and fiscal deficits *vis-à-vis* targets set for the financial year 2014-15 under FRBM Act.

1.11.1 Trends of Deficits

The State achieved revenue surplus in 2010-11 and remained in revenue surplus thereafter. **Chart 1.12** indicates that the actual surplus increased by ₹ 1341 crore in 2013-14 and decreased by ₹ 595 crore in 2014-15 compared to the previous year. The revenue surplus of ₹ 5847 crore during 2014-15 was significantly less than the States' Budget projection of ₹ 10174 crore.



(Source: Finance Accounts of the State for the respective years)

Table 1.27: Trends in deficit indicators over the period 2010-15

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Revenue surplus/GSDP	0.031	0.020	0.017	0.019	0.015
Fiscal deficit/GSDP	(-) 0.020	(-) 0.024	(-) 0.022	(-) 0.024	(-) 0.028
Primary surplus/GSDP	0.002	(-) 0.007	(-) 0.007	(-) 0.008	(-) 0.013

(Source: Finance Accounts of the State for the respective years)

It would be seen from the **Chart 1.12 & Table 1.27** that during the year, the revenue surplus decreased by ₹ 595 crore whereas fiscal deficit increased from ₹ 8351 crore in 2013-14 to ₹ 11179 crore in 2014-15. The ratio of fiscal deficit to GSDP (0.028) was however well within three *per cent* as laid down in FRBM Act and projections recommended by the ThFC's for the year 2014-15.

Further, the primary deficits of ₹ 2892 crore (2013-14) increased to ₹ 5050 crore (2014-15).

1.11.2 Composition of Fiscal Deficit and its Financing Pattern

The financing pattern of fiscal deficit has undergone a compositional shift as reflected in the **Table 1.28**.

Table 1.28: Components of Fiscal Deficit and its Financing Pattern

Particulars		2010-11	2011-12	2012-13	2013-14	2014-15
Composition of Fiscal Deficit		(-) 3970.31	(-) 5914.90	(-) 6545.26	(-) 8351.92	(-) 11178.50
1	Revenue Deficit/ Revenue Surplus	6316.40	4820.68	5100.51	6441.42	5847.56
2	Net Capital Expenditure	(-) 9195.94	(-) 8852.01	(-) 9584.52	(-) 14001.00	(-) 18150.41
3	Net Loans and Advances	(-) 1090.77	(-) 1883.57	(-) 2061.25	(-) 792.35	(-) 1124.35

Particulars		2010-11	2011-12	2012-13	2013-14	2014-15
Financing Pattern of Fiscal Deficit*						
1	Market Borrowings	1707.78	2593.90	5763.88	5346.77	6666.51
2	Loans from GoI	316.03	361.08	23.30	(-) 11.07	84.67
3	Special Securities Issued to NSSF	1533.39	505.56	292.87	631.52	3150.22
4	Loans from Financial Institutions	285.20	244.96	403.96	820.31	407.18
5	Small Savings, PF etc.	252.70	(-) 2.13	(-) 215.55	(-) 297.90	(-) 182.77
6	Deposits and Advances	50.94	932.91	2199.05	3668.41	2222.57
7	Suspense and Miscellaneous	1830.68	1238.71	(-) 1936.34	(-) 2007.59	(-) 1231.88
8	Remittances	79.96	(-) 36.82	19.51	(-) 19.01	(-) 11.98
9	Reserve Fund	23.72	335.93	275.94	262.31	(-) 245.12
10	Inter State Settlement	-	74.02	-	-	-
11	Overall Surplus/Deficit	6080.37	6248.12	6826.62	8393.74	10859.40
12	Increase / decrease in cash balance#	(-) 2110.06	333.22	281.36	41.82	319.10
13	Gross Fiscal Deficit	3970.31	5914.90	6545.26	8351.92	11178.50

* All these figures are net of disbursements/outflows during the year.

Cash balance (Deposit with Reserve bank and remittance in treasury)

(Source: Finance Accounts of the State for the respective years)

Table 1.29: Receipts and Disbursements financing the fiscal deficit during 2014-15
(₹ in crore)

Sl. No.	Particulars	Receipts	Disbursements	Net
1	Market Borrowings	8100.00	1433.49	6666.51
2	Loans from GoI	718.25	633.58	84.67
3	Special Securities Issued to National Small Savings Fund	3944.84	794.62	3150.22
4	Loans from Financial Institutions	1154.44	747.26	407.18
5	Small Savings, PF etc.	1103.76	1286.53	(-) 182.77
6	Deposits and Advances	24971.54	22748.97	2222.57
7	Suspense and Miscellaneous	166624.10	167855.98	(-) 1231.88
8	Remittances	12221.55	12233.53	(-) 11.98
9	Reserve Funds	1403.62	1648.74	(-) 245.12
10	Inter State Settlement			-
11	Overall surplus (+) deficit (-)			10859.40
12	Increase / decrease in cash balance			319.10
13	Gross Fiscal Deficit			11178.50

(Source: Finance Accounts of the State for the year 2014-15)

The fiscal deficit, which represents the borrowing of the Government and its resource gap increased from ₹ 8351.92 crore in 2013-14 to ₹ 11178.50 crore in 2014-15 but was less than that projected in the Budget estimate (₹ 11367.84 crore). During 2013-14, fiscal deficit was 59.65 per cent of Capital Expenditure but it increased to 61.59 per cent during 2014-15. There was decrease in loans from Financial Institutions, Small Savings, PF etc., Deposits and Advances, Remittances, Reserve fund over previous year. However, there was increase in Market borrowings, loans from GoI and Special Securities issued to NSSF.

1.11.3 Quality of Deficit/Surplus

The ratio of revenue deficit to fiscal deficit and the decomposition of primary deficit into primary revenue deficit¹⁸ and capital expenditure (including loans and advances) indicate the quality of deficit in the States' Finances. 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 the asset base of the State was continuously

¹⁸ Primary revenue deficit is defined as the gap between non-interest revenue expenditure of the State and its non-debt receipts and indicates the extent to which the non-debt receipts are able to meet the primary expenditure incurred under revenue account.

shrinking and a part of borrowings (fiscal liabilities) was not having any asset backup. The bifurcation of the primary deficit (**Table 1.30**) indicates the extent to which the deficit was on account of enhancement in capital expenditure which might be desirable to improve the productive capacity of the State's economy.

Table 1.30: Primary deficit/Surplus – Bifurcation of factors

Year	Non-debt receipts ¹⁹	Primary Revenue Exp- enditure ²⁰	Capital Exp- enditure	Loans and Advances	Primary Exp- enditure	₹ in crore)	
						Primary revenue deficit (-) / surplus (+)	Primary deficit (-) / surplus (+)
1	2	3	4	5	6 (3+4+5)	7 (2-3)	8 (2-6)
2010-11	44544	33897	9196	1103	44196	10647	(+) 348
2011-12	51343	42195	8852	1906	52953	9148	(-) 1610
2012-13	59592	50038	9585	2086	61709	9554	(-) 2117
2013-14	68934	57018	14001	807	71826	11916	(-) 2892
2014-15	79910	66441	18150	369	84960	13469	(-) 5050

(Source: Finance Accounts of the State for the respective years)

Table above indicates that the Government had a primary revenue surplus of ₹ 10647 crore in 2010-11 which decreased to ₹ 9148 crore in 2011-12 and increased to ₹ 13469 crore in 2014-15. This was due to increase in primary expenditure (which includes primary revenue expenditure, capital expenditure and loans and advances) from ₹ 44196 crore in 2010-11 to ₹ 84960 crore in 2014-15. The details indicate that non-debt receipts were enough to meet the primary revenue expenditure and part of these receipts were utilised to meet capital expenditure. Though the State had primary surplus of ₹ 348 crore in 2010-11, it turned into primary deficit of ₹ 5050 crore in 2014-15.

1.12 Follow Up

The Report on State Finances is being placed in the State Legislature from 2008-09 onwards. A discussion in the Public Accounts Committee on this report is being carried out.

However, no recommendation was made on any para for the year 2008-09 to 2013-14 by the Public Accounts Committee.

1.13 Conclusion and Recommendations

Fiscal situation

- The State had a Revenue Surplus of ₹ 5847.56 crore during 2014-15. During the current year, Fiscal Deficit was increased to ₹ 11178.50 crore. It was 2.78 per cent of GSDP, well within the ceiling (three per cent) recommended by the ThFC.

Transfer of funds to State Implementing Agencies

- During 2014-15, Government of India (GoI) directly transferred ₹ 651.74 crore to the State implementing agencies which was less than the previous year by 93.11 per cent. The major recipients were District Planning Officer (Local Bodies) (₹ 246.50 crore i.e. 37.82 per cent), Indian Institute of Technology, Patna (Government Autonomous Bodies) (₹ 206.97 crore i.e. 31.76 per cent) and All India Institute of Medical Sciences (Government Autonomous Bodies) (₹ 82.00 crore i.e. 12.58 per cent).

¹⁹ Non-debt receipts are the aggregate to Revenue Receipts and recovery of loans and advances.

²⁰ Primary revenue expenditure is the difference between revenue expenditure and interest payment.

A system should be put in place to ensure proper accounting and monitoring of the use of funds directly transferred by Government of India to State Implementing Agencies.

Resource mobilisation

- While the Revenue Receipts (₹ 78417.54 crore) of the State grew at 13.78 per cent during 2014-15 over the previous year, these were less than the Budget Estimate by ₹ 23522 crore.

The State Government should make efforts to achieve its own target of receipts given in the Budget document.

Quality of expenditure

- Capital Expenditure (CE) increased to ₹ 18150.41 crore in 2014-15 from ₹ 14001 crore in 2013-14, while, the percentage of Capital Expenditure on the selected Economic Services to total expenditure increased from 48.29 per cent in 2013-14 to 51.99 per cent in 2014-15. However, decrease was observed mainly under Health and Family Welfare in Social Services and Agriculture and Allied services, Irrigation and Flood Control in Economic Services.

The State Government should give more priority to Social Sector Expenditure with emphasis on Health Sector.

- Share of salaries and wages in revenue expenditure of selected socio-economic services decreased from 27.90 per cent in 2013-14 to 24.24 per cent in 2014-15, which indicated a positive shift in the State finances.
- As of 31 March 2015, the State Government invested ₹ 7068.79 crore in Government Companies, Co-operative Institutions and Local Bodies, Statutory Corporations, Rural Bank and Other Joint Stock Companies and Partnerships against which the return during 2014-15 was only ₹ 2.58 crore.

The State Government should take initiate steps to maximise the return on investments made in institutions/organisations.

Fiscal Liabilities

- Fiscal liabilities of the State increased from ₹ 62858.01 crore in 2010-11 to ₹ 99055.82 crore in 2014-15. During the year, the revenue surplus decreased by ₹ 595 crore whereas fiscal deficit increased from ₹ 8351 crore in 2013-14 to ₹ 11179 crore in 2014-15. The ratio of fiscal deficit to GSDP (0.028) was, however, well within three per cent as laid down in Fiscal Responsibility and Budget Management Act and projections recommended by the ThFC for the year 2014-15. The State Government had not yet established a Guarantee Redemption fund.

The State should set up a Guarantee Redemption fund for the discharge of any liability.