

CHAPTER – I

FINANCES OF THE STATE GOVERNMENT

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Profile of Goa

Goa is situated in the western coastal region known as Konkan, bounded by Arabian sea in the west, Maharashtra in the north and Karnataka to the east and south. Goa is the smallest State in terms of geographical area (3,702 sq.km) and has a coastline of about 131 km. Goa was incorporated as a Union Territory with Legislature in 1962. It was granted Statehood on 30 May 1987. The basic statistics of the State is given in **Appendix 1.1**.

The State population increased from 0.13 crore in 2001 to 0.15 crore in 2011 recording a decadal growth of 8.17 *per cent*. The density of population in the State increased from 258 persons per sq. km. to 394 persons per sq. km in the last decade from 2001 to 2011 as against the all India average of 382.

The population below the poverty line was 9.90 *per cent* as compared to 21.90 *per cent* for the Country. The State's Gross State Domestic Product (GSDP) in 2016-17 at current prices was ₹ 64,544 crore¹. The social indicators *viz.*, literacy rate, rate of infant mortality and life expectancy were better than the all India average (**Appendix 1.1, Part A**).

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 is an important indicator of the State economy as it indicates the standard of living of the State population. The trends in the annual growth rate of State GSDP at current prices from 2012-17 are indicated below:

Table 1.1: Annual growth rate of GSDP at current prices

| Year | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---|-----------|-------------|-------------|-------------|-------------|
| India's GDP (₹ in crore) (base year 2011-12) | 99,44,013 | 1,12,33,522 | 1,24,45,128 | 1,36,82,035 | 1,51,83,709 |
| Growth rate of GDP (in <i>per cent</i>) | 13.82 | 12.97 | 10.79 | 9.94 | 10.98 |
| State GSDP (₹ in crore) # ² (base year 2011-12) | 38,120 | 35,921 | 47,814 | 54,275 | 64,544 (Q) |
| Growth rate of GSDP (in <i>per cent</i>) | -10.02 | -5.77 | 33.11 | 13.51 | 18.92 |

figures changed w.r.t previous reports due to adoption of GSDP figures (base year 2011-12).

Source: Ministry of Statistics and Programme Implementation, Central Statistical Organisation and Directorate of Planning, Statistics and Evaluation, Government of Goa

(Q) Quick estimates

The GSDP figures of the State grew at the rate of 18.92 *per cent* which was higher than the projection made by the Fourteenth Finance Commission (FC XIV) (14.52 *per cent*). Comparison of Country's GDP and State's GSDP is depicted in **Chart 1.1**.

¹ Quick estimates for 2016-17 provided by Directorate of Planning, Statistics and Evaluation, Government of Goa

² Figures changed with reference to previous reports due to adoption of revised GSDP figures (base year 2011-12)

Chart 1.1: Comparison of growth rate of Country’s GDP to State’s GDP

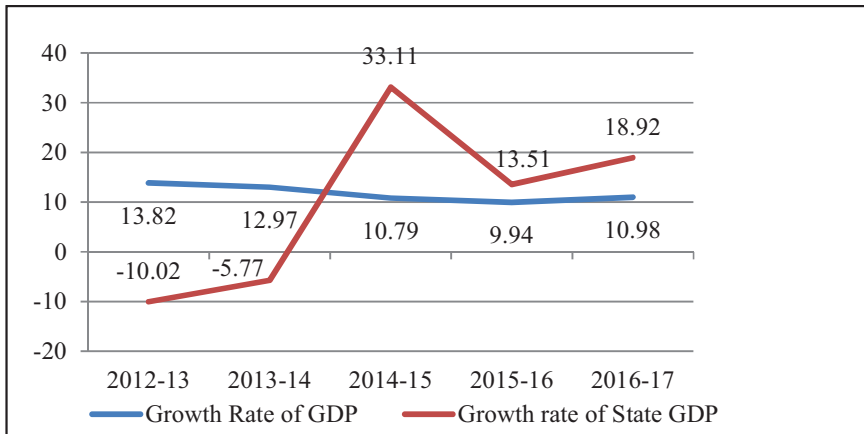
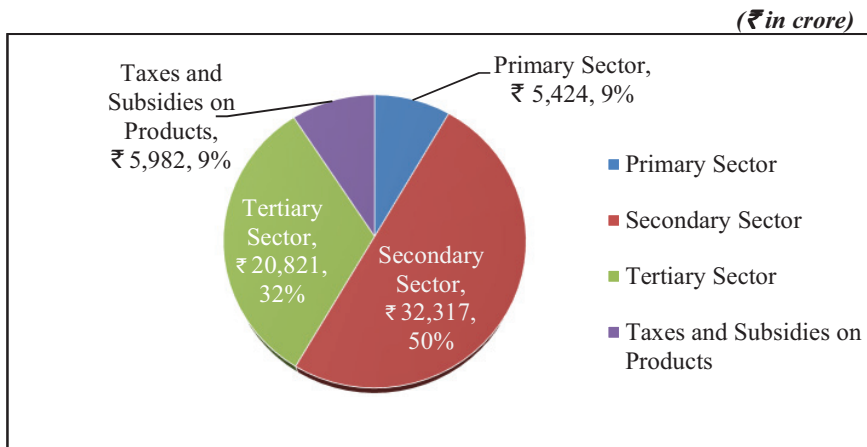


Chart 1.1 shows that though the annual growth rate of GSDP of the State during 2012-13 to 2013-14 recorded a negative growth, it showed a positive trend in the subsequent years. The GSDP of the State grew at a higher pace compared to India’s GDP during the period 2014-15 to 2016-17.

The sector-wise comparison of GSDP at market price by industry of origin of the State for the year 2016-17 is presented below.

Chart 1.2: Sector-wise composition of GSDP during 2016-17



(Source: Department of Planning, Statistics and Evaluation)

Chart 1.2 shows that the secondary sector and tertiary sector continued to be a dominant source of GSDP and it accounted for 50.07 per cent and 32.26 per cent respectively. Out of remaining 17.67 per cent, primary sector contributed 8.40 per cent and taxes and subsidies on products contributed 9.27 per cent.

1.1 Introduction

This chapter is based on the audit of Finance Accounts and makes an assessment of the State’s fiscal position as on 31 March 2017. It provides a broad perspective of the finances of the State during 2016-17. It analyses critical changes observed in the major fiscal aggregates in relation to the previous year and the trends of last five years. The structure and form of Government accounts is depicted in **Appendix 1.1, Part B** and layout of the

Finance Accounts is depicted in **Appendix 1.1, Part C**. The methodology and criteria adopted for assessment of the fiscal position are given in **Appendix 1.2**.

1.1.1 Summary of current year's fiscal operations

A summary of the State Government's fiscal transactions during 2016-17 *vis-à-vis* the previous year is presented in **Table 1.2** below. Details of receipts and disbursements and the overall fiscal position during 2016-17 are given in **Appendix 1.3**.

Table 1.2: Summary of current year's fiscal operations

(₹ in crore)

| Receipts | 2016-17 | 2015-16 | Disbursements | 2016-17 | | | 2015-16 |
|----------------------------------|-----------------|-----------------|---------------------------------|-----------------|----------------|----------------|-----------------|
| Section-A: Revenue | | | | Total | Non-Plan | Plan | |
| Revenue receipts | 9564.97 | 8552.24 | Revenue expenditure | 8865.98 | 6739.52 | 2126.47 | 8419.56 |
| Tax revenue | 4261.16 | 3975.37 | General services | 2872.43 | 2834.16 | 38.28 | 2560.08 |
| Non-tax revenue | 2712.00 | 2431.93 | Social services | 2265.44 | 1011.91 | 1253.53 | 2190.58 |
| Share of Union taxes/duties | 2299.20 | 1923.76 | Economic services | 2402.80 | 1966.07 | 436.73 | 2472.32 |
| Grants from Government of India | 292.61 | 221.18 | Grants-in-aid and Contributions | 1325.31 | 927.38 | 397.93 | 1196.58 |
| Section-B: Capital and others | | | | | | | |
| Misc Capital receipts | - | - | Capital Outlay | 1638.73 | 15.61 | 1623.12 | 1622.27 |
| Recoveries of Loans and Advances | 8.52 | 10.20 | Loans and Advances disbursed | 3.41 | 3.28 | 0.13 | 2.69 |
| Public Debt receipts* | 1518.98 | 1847.39 | Repayment of Public Debt* | 467.75 | - | - | 439.23 |
| Contingency Fund | - | 130.00 | Contingency Fund | - | - | - | 130.00 |
| Public Account receipts | 11127.77 | 10940.75 | Public Account disbursements | 11028.59 | - | - | 10892.91 |
| Opening Cash Balance | 766.42 | 792.50 | Closing Cash Balance | 982.20 | - | - | 766.42 |
| Total | 22986.66 | 22273.08 | Total | 22986.66 | - | - | 22273.08 |

(Source: Finance Accounts of the State)

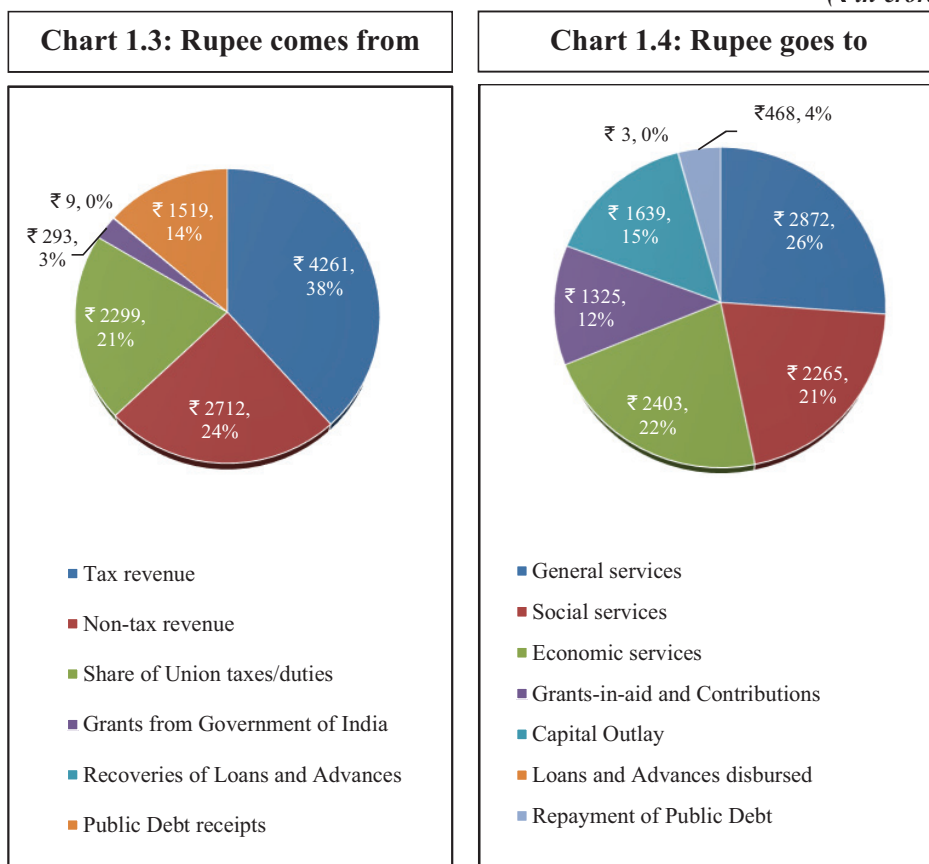
*Excluding net transactions under ways and means advances and overdrafts

Significant changes in fiscal position of the State during 2016-17 over the previous year are given below:

| | |
|----------------------------|--|
| Revenue Receipts | <ul style="list-style-type: none"> Increased by 11.84 per cent Non-tax revenue increased by 11.52 per cent Tax revenue increased by 7.19 per cent |
| Revenue Expenditure | <ul style="list-style-type: none"> Increased by 5.30 per cent Non-Plan Revenue Expenditure increased by 6.63 per cent Plan Revenue Expenditure increased by 1.29 per cent |
| Capital Expenditure | <ul style="list-style-type: none"> Increased by 1.01 per cent |
| Public Accounts | <ul style="list-style-type: none"> Receipts increased by 1.71 per cent Disbursements increased by 1.25 per cent |
| Public Debt | <ul style="list-style-type: none"> Receipts decreased by 17.76 per cent Disbursements increased by 6.61 per cent |
| Cash Balance | <ul style="list-style-type: none"> Increased by 28.15 per cent |

1.1.2 Composition of sources and application of funds in the consolidated fund during 2016-17

(₹ in crore)



1.1.3 Review of fiscal reforms

In pursuance of the recommendations of the Twelfth Finance Commission, Government of Goa enacted the Goa Fiscal Responsibility and Budget Management Act (FRBM) 2006. It came into force on 15 May 2006 to ensure prudence in fiscal management and fiscal stability by progressive elimination of revenue deficit, greater transparency in fiscal operations of the Government in a Medium Term Fiscal Framework. In compliance with the Act, Goa FRBM Rules, 2007 were introduced by the Finance Department in November 2007. The Act was amended with effect from March 2014 by passing the Goa FRBM (First Amendment) Act, 2014 in March 2014.

As per the Goa FRBM Act, 2006 and Rules 2007, the State Government was required to prepare Medium Term Fiscal Plan (MTFP) and fiscal indicators covering fiscal rolling targets for the ensuing three financial years and submit these disclosures along with the budget documents to the State legislature.

However, the Government has not prepared MTFP and set rolling targets for fiscal indicators from the year 2011-12 onwards for fiscal indicators specified in the FRBM Act (December 2017).

The FC XIV has recommended (December 2014) a revised fiscal roadmap to consolidate the finances of the State Government from the financial year

2015-16 onwards. Major fiscal variables provided in the recommendation of the FC XIV and the targets set by the State Government in the Goa FRBM (First Amendment) Act, 2014 *vis-à-vis* actuals are depicted in **Table 1.3**.

Table 1.3: Major fiscal variables

(₹ in crore)

| Fiscal variables | 2016-17 | | Actual Achievement |
|---|-----------------------------|---------------------------------|--------------------|
| | FC XIV targets of the State | Targets set in the Goa FRBM Act | |
| Revenue Deficit (+)/Surplus (-) | 0.00 | 0.00 ³ | -699 |
| Fiscal deficit/GSDP (in per cent) | 3 | 3 | 1.45 |
| Ratio of fiscal liabilities to GSDP (in per cent) | 25.55 | 25 | 26.07 |
| Ratio of Public debt to GSDP (in per cent) | -- | -- | 19.20 |

(Source: FC XIV Report and Fiscal Responsibility and Budget Management Act (Goa State), 2014)

The State had achieved the target of reduction of revenue deficit to zero in 2014-15 as projected in Goa FRBM (first amendment) Act, 2014. The revenue surplus stood at ₹ 699 crore in 2016-17.

At the end of 2016-17, the fiscal deficit as percentage to GSDP was 1.45 per cent, which was within the limit of three per cent as recommended by FC XIV and Goa FRBM (first amendment) Act, 2014. In the fiscal consolidation roadmap, the FC XIV had recommended that percentage of outstanding liabilities⁴ to GSDP be brought to 25.55 per cent in 2016-17. Over a period of four years, fiscal liabilities to GSDP ratio had reduced from 35.34 per cent in 2013-14 to 26.07 per cent in 2016-17. This was however, higher than the target fixed (25 per cent) in the Goa FRBM (first amendment) Act, 2014.

The State had non-debt capital receipts of ₹ nine crore and revenue surplus of ₹ 699 crore available during 2016-17. During the year, the State expended ₹ 2,110 crore for capital outlay, disbursement of loans and repayment of loans and advances which necessitated the need for borrowings to meet capital expenditure.

1.1.4 Budget estimates vis-à-vis actuals

The budget papers presented by the State Government provide estimation of revenue and expenditure for a particular fiscal year. The importance of accuracy in estimation of revenue and expenditure is widely accepted in the context of effective implementation of fiscal policies for overall economic management. Deviations from Budget Estimates (BE) are indicative of non-attainment/non-optimisation of desired fiscal objectives due to various reasons, some within the control of the Government and some beyond its

³ The Revenue Deficit was to be brought to zero by 31 March 2015 according to Goa FRBM Act 2014

⁴ Total Outstanding Liabilities include Public Debt and Public Account Liabilities. Public Debt includes only Internal Debt and Loans from Government of India. Public Account Liability includes liabilities under small saving funds, GPF, Reserve funds etc.

control. The State Government presented its Revised Estimates (RE) of financial year 2016-17 along with BE of 2017-18 on 24 March 2017.

A comparison of Actuals *vis-à-vis* BE and RE for the year 2016-17 is given in **Table 1.4** below and detailed comparison is shown in **Appendix 1.4**.

Table 1.4: Budget estimates, revised estimates and actual for the year 2016-17

(₹ in crore)

| Fiscal Parameters | Budget estimates | Revised estimates | Actuals | Difference between actuals and BE | Difference between actuals and RE |
|---|------------------|-------------------|---------|-----------------------------------|-----------------------------------|
| Tax revenue | 4916.36 | 4445.72 | 4261.16 | -655.20 | -184.56 |
| Non-tax revenue | 2811.49 | 2572.53 | 2712.00 | -99.49 | 139.47 |
| State's share of Union taxes and duties | 2156.77 | 2247.48 | 2299.20 | 142.43 | 51.72 |
| Grants-in-aid from GoI | 757.34 | 771.67 | 292.61 | -464.73 | -479.06 |
| Revenue receipts | 10641.96 | 10037.40 | 9564.97 | -1076.99 | -472.43 |
| Revenue expenditure | 10483.14 | 9988.45 | 8865.98 | -1617.16 | -1122.47 |
| Interest Payments | 1209.54 | 1209.54 | 1148.03 | -61.51 | -61.51 |
| Capital expenditure | 3424.21 | 3032.50 | 1638.73 | -1785.48 | -1393.77 |
| Net Loans and Advances | -5.87 | -6.66 | -6.00 | -0.13 | 0.66 |
| Revenue Deficit (+)/surplus (-) | -158.82 | -48.95 | -698.99 | -540.17 | -650.04 |
| Fiscal Deficit (+)/surplus (-) | 3259.52 | 2976.89 | 933.74 | -2325.78 | -2043.15 |
| Primary Deficit (+)/surplus(-) | 2049.86 | 1767.35 | -214.29 | -2264.15 | -1981.64 |

(Source: Finance Accounts of the State and the budget publication of the State)

It could be seen from above that the RE prepared in March 2017 was less compared to BE during the year. Analysis of the important parameters is given below:

Revenue receipts

Revenue receipts were lower than the BE and RE by ₹ 1,076.99 crore (10.12 *per cent*) and ₹ 472.43 crore (4.70 *per cent*) respectively mainly due to less collections under land revenue, Stamp duty and registration fees and less receipt of grants-in-aid from GoI. However, the State was able to collect more revenue under non-tax revenue compared to RE.

Revenue expenditure

Revenue expenditure was less than BE and RE by ₹ 1,617.16 crore (15.43 *per cent*) and ₹ 1,122.47 crore (11.24 *per cent*). Revenue expenditure was less than RE mainly because of less expenditure under general services (six *per cent*), social services (13 *per cent*) and economic services (14 *per cent*).

Capital expenditure

During 2016-17, the capital expenditure was lower by ₹ 1,785.48 crore (52.14 *per cent*) and ₹ 1,393.77 crore (45.96 *per cent*) than BE and RE respectively. The shortfall in capital expenditure as compared to RE was mainly under energy (₹ 405 crore), transport (₹ 220 crore), education, sports,

art and culture (₹ 165 crore), water supply, sanitation, housing and urban development (₹ 97 crore) and health and family welfare (₹ 35 crore).

Deficit/surplus

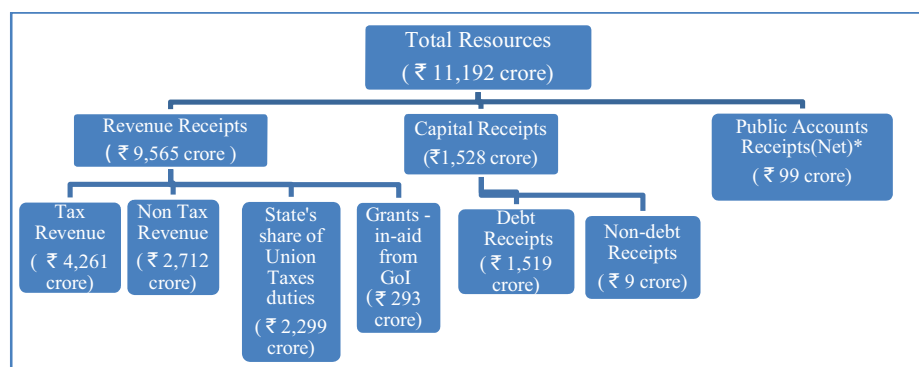
Against the projected revenue surplus of ₹ 158.82 crore and ₹ 48.95 crore as projected in BE and RE respectively, the State had actual revenue surplus of ₹ 699 crore. Against primary deficit⁵ of ₹ 2,049.86 crore and ₹ 1,767.35 crore as projected in BE and RE respectively, the State had primary surplus at ₹ 214.29 crore. In 2016-17, fiscal deficit stood at ₹ 933.74 crore (1.45 per cent of GSDP) which was lower than estimated in BE and RE by ₹ 2,326 crore and ₹ 2,043 crore respectively. Further details are provided in paragraph 1.11.

1.2 Resources of the State

1.2.1 Resources of the State as per 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 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. Besides, the funds available in the Public Accounts after disbursement is also utilised by the Government to finance its deficits. **Table 1.2** (at page 3) presents the receipts and disbursements of the State during the year 2016-17 as recorded in the Finance Accounts. Flow chart showing the components and sub-components of resources is given in **Chart 1.5**.

Chart 1.5: Flowchart of components and sub-components of the resources of the State



Of the total receipts⁶ of ₹ 11,192 crore of the State Government during the year 2016-17, revenue receipts were ₹ 9,565 crore constituting

* Public Account Receipts-Public Account Disbursements (₹ 11128 - ₹ 11028 = ₹ 99)

⁵ Primary Deficit = Fiscal Deficit - Interest payments

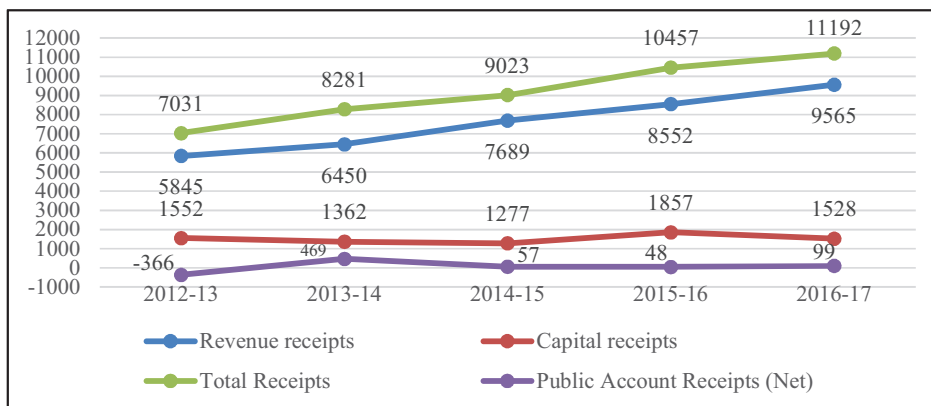
⁶ Consists of Revenue receipts, Capital receipts (including debt receipts but excluding Ways and Means advances) and Public Account receipts (net)

85.46 per cent of total resources. Capital receipts (₹ 1,528 crore) and net Public Accounts receipts (₹ 99 crore) constituted 13.65 per cent and 0.89 per cent of the total resources respectively.

Chart 1.6 depicts the trends in various components of receipts of the State during the period 2012-17.

Chart 1.6: Trends in aggregate receipts

(₹ in crore)



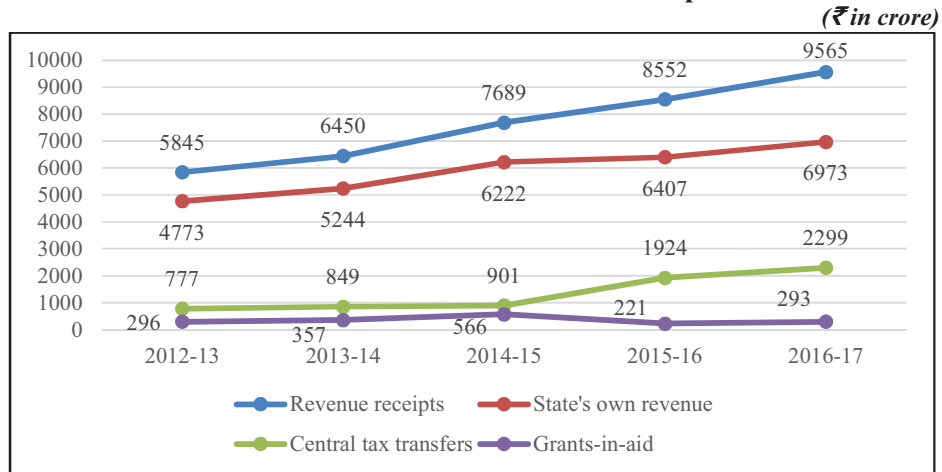
(Source: State Finance Accounts of the respective years)

The total receipts of the State increased from ₹ 7,031 crore in 2012-13 to ₹ 11,192 crore in 2016-17 showing an increase of 59.18 per cent during the last five years. Share of revenue receipts to total receipts fluctuated between 78 per cent to 85 per cent during the last five years.

1.3 Revenue receipts

Statement 14 of the Finance Accounts details the revenue receipts of the Government. These consist of the State's own tax and non-tax revenues, Central tax transfers and grants-in-aid from GoI. The trends of revenue receipts over the period 2012-17 are presented in **Chart 1.7** and also in **Appendix 1.5**.

Chart 1.7: Trends in revenue receipts

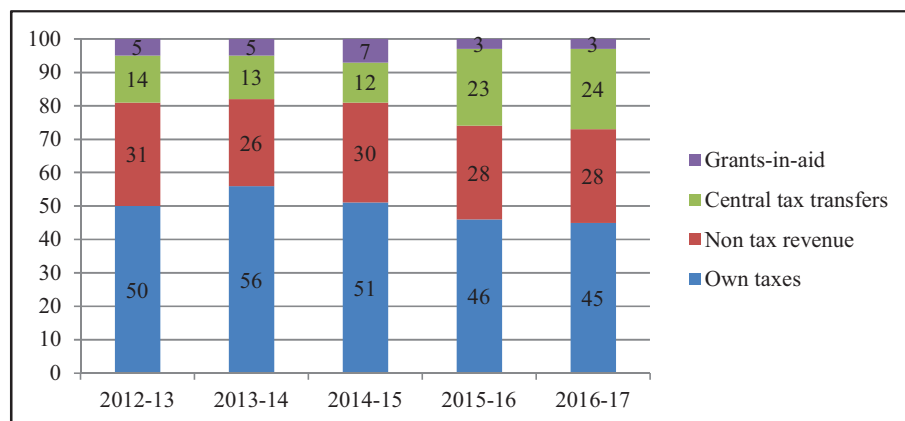


(Source: State Finance Accounts of the respective years)

Revenue receipts grew by ₹ 1,013 crore (11.84 per cent) over 2015-16. The increase in revenue receipts (₹ 1,013 crore) was the net effect of increase in non-tax revenue by ₹ 280 crore (11.52 per cent), tax revenue by ₹ 286 crore (7.19 per cent), share of Union taxes and duties by ₹ 375 crore (19.49 per cent) and in grants from the GoI by ₹ 72 crore (32.58 per cent).

The composition of revenue receipts over the period 2012-17 are presented in Chart 1.8.

Chart 1.8: Comparison of State's revenue receipts through the last five years



(Source: State Finance Accounts of the respective years)

Chart 1.8 shows that 73 per cent of the revenue came from State's own resources during 2016-17 and the balance (27 per cent) was from GoI in the form of State's share of taxes and grants-in-aid. The share of own tax revenue decreased steadily from 56 per cent in 2013-14 to 45 per cent in 2016-17.

During 2007-08 to 2015-16, the compound growth rate (CAGR) of State revenue receipts (14.26 per cent) was lower than growth rate of GCS (14.58 per cent). During 2016-17, the growth rate in the State revenue receipts at 11.84 per cent was higher than GCS (11.52 per cent) (Appendix 1.1).

The trends in revenue receipts relative to GSDP at current prices are presented in **Table 1.5**.

Table 1.5: Trends of revenue receipts relative to GSDP

| | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|--|--------------|--------------|--------------|--------------|--------------|
| Revenue Receipts (RR) (₹ in crore) | 5845 | 6450 | 7689 | 8552 | 9565 |
| State's own taxes(₹ in crore) | 2940 | 3582 | 3896 | 3975 | 4261 |
| Rate of growth of RR (per cent) | 1.11 | 10.35 | 19.21 | 11.22 | 11.84 |
| Rate of growth of own taxes (per cent) | 15.24 | 21.84 | 8.77 | 2.03 | 7.19 |
| RR/GSDP (per cent) | 15.33 | 17.96 | 16.08 | 15.76 | 14.82 |
| State's own taxes/GSDP | 7.71 | 9.97 | 8.15 | 7.32 | 6.60 |
| Gross State Domestic Product (GSDP) | 38120 | 35921 | 47814 | 54275 | 64544 |
| Growth rate of GSDP | -10.02 | -5.77 | 33.11 | 13.51 | 18.92 |
| Buoyancy ratios | | | | | |
| Revenue Buoyancy w.r.t. GSDP | -* | -* | 0.58 | 0.83 | 0.63 |
| State's own taxes buoyancy w.r.t. GSDP | -* | -* | 0.26 | 0.15 | 0.38 |

(Source: Finance Accounts for the years 2012-13 to 2016-17)

*GSDP growth rate in 2012-13 and 2013-14 being negative, buoyancy ratios cannot be calculated

The revenue receipts grew at an average growth rate of 10.75 per cent and increased from ₹ 5,845 crore in 2012-13 to ₹ 9,565 crore in 2016-17. Revenue Receipts grew by 11.84 per cent (₹ 1,013 crore) during 2016-17 over the previous year.

Buoyancy ratio indicates the elasticity or degree or responsiveness of a fiscal variable with respect to a given change in the base variable. Tax to GSDP ratio declined over the last five years. The buoyancy of revenue receipts to GSDP was less than one during the period 2014-15 to 2016-17 indicating that revenue receipts grew at a lower rate than the growth rate of GSDP. The State's own tax buoyancy with respect to GSDP stood at 0.38 in 2016-17.

1.3.1 State's own resources

The State's share in Central taxes and grants-in-aid are determined on the basis of recommendations of the Finance Commission and collection of Central tax receipts. The State's performance in mobilisation of additional resources should be assessed in terms of its own resources comprising of own tax and non-tax sources.

The State's actual tax and non-tax receipts for the year 2016-17 *vis-a-vis* assessment made by FC XIV and BE and RE of the State Government are given in **Table 1.6** and the growth rate of tax/non-tax revenue during 2012-17 is shown in **Table 1.7**.

Table 1.6: Projections and actuals of tax and non-tax revenue

(₹ in crore)

| | FC XIV projection | Budget Estimates | Revised Estimates | Actual |
|-----------------|-------------------|------------------|-------------------|--------|
| Tax revenue | 5965 | 4916 | 4446 | 4261 |
| Non-tax revenue | 929 | 2811 | 2573 | 2712 |

(Source: Finance Accounts 2016-17, Budget estimates, FC XIV report)

Table 1.6 shows that the actual realisation of tax revenue during the year was lower than the assessment of FC XIV by ₹ 1,704 crore. The State also could

not achieve the targets set in the BE and RE during the year. The actual non-tax revenue was more than RE which was mainly due to increase in collections under power and non-ferrous mining and metallurgical industries. However, the actual non-tax revenue was less than BE by ₹ 99 crore.

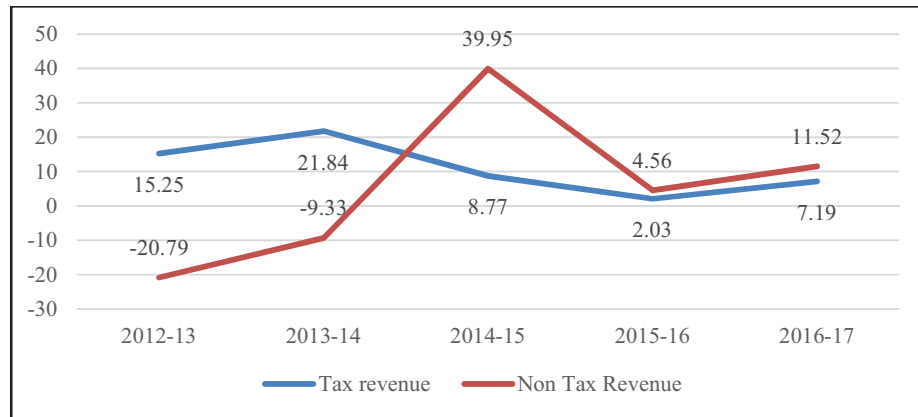
Table 1.7: Growth rate of Tax/Non-Tax revenue during the period 2012-17

| | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|------------------------------|---------|---------|---------|---------|---------|
| Tax revenue (₹ in crore) | 2940 | 3582 | 3896 | 3975 | 4261 |
| Rate of growth (in per cent) | 15.25 | 21.84 | 8.77 | 2.03 | 7.19 |
| Non-Tax revenue (₹ in crore) | 1833 | 1662 | 2326 | 2432 | 2712 |
| Rate of growth (in per cent) | -20.79 | -9.33 | 39.95 | 4.56 | 11.52 |

(Source: Finance Accounts of the respective years)

The rate of growth of tax and non-tax revenue during 2012-17 is shown in **Chart 1.9** below.

Chart 1.9: Growth rate of Tax/Non-Tax revenue during the period 2012-17



It could be seen from **Chart 1.9** that the rate of growth of tax and non-tax revenue during 2016-17 over previous year increased by five percentage points and seven percentage points respectively.

Tax revenue

The gross collection of major taxes and duties during the last five financial years is given in **Table 1.8**.

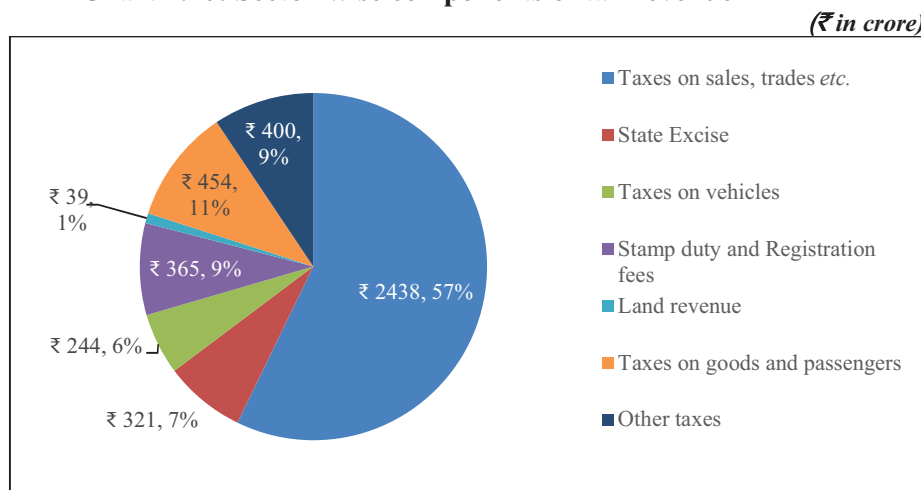
Table 1.8: Components of State's resource mobilisation

| Revenue head | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | Percentage increase (+) decrease(-) during the year |
|----------------------------------|--------------|-------------|-------------|-------------|-------------|---|
| | (₹ in crore) | | | | | |
| Taxes on sales, trades etc. | 1577 | 1708 | 1860 | 2116 | 2438 | 15.22 |
| State excise | 213 | 236 | 268 | 319 | 321 | 0.63 |
| Taxes on vehicles | 148 | 154 | 181 | 196 | 244 | 24.49 |
| Stamp duty and Registration fees | 525 | 396 | 660 | 525 | 365 | -30.48 |
| Land revenue | 11 | 454 | 25 | 24 | 39 | 62.50 |
| Taxes on goods and passengers | 258 | 386 | 404 | 464 | 454 | -2.16 |
| Other taxes | 208 | 248 | 498 | 331 | 400 | 20.85 |
| Total | 2940 | 3582 | 3896 | 3975 | 4261 | 7.19 |

(Source: State Finance Accounts of the respective years)

The components of tax revenue for the year 2016-17 are presented in Chart 1.10:

Chart 1.10: Sector-wise components of tax revenue



(Source: State Finance Accounts of the respective years)

The State's tax revenue in 2016-17 increased by ₹ 286 crore (7.19 per cent) over the previous year. 'Taxes on Sales, Trade etc.', was the major source of State's own revenue during the last five years. The increase in revenue over the previous year under 'Taxes on Sales, Trade etc.', was mainly due to improved collection under Central Sales Tax Act (₹ 21 crore) and Value Added Tax (₹ 326 crore). The increase in tax receipt under 'Other taxes' (₹ 69 crore) was mainly under 'Entertainment tax' (₹ 31 crore) and 'Luxury tax' (₹ 45 crore).

The decrease in collections under Stamps and Registration fee (₹ 160 crore) was mainly due to less sale of non-judicial stamps (₹ 117 crore) and low collection in registration fee (₹ 42 crore).

During 2016-17 tax revenue as a percentage of GSDP (6.60 per cent) was less than the normative assessment of FC XIV (8.26 per cent).

During 2007-08 to 2015-16, the CAGR of tax revenue (14.36 per cent) was lower than the growth rate of GCS (14.80 per cent). The growth rate of own tax revenue in 2016-17 over 2015-16 (7.19 per cent) was lower than the growth of GCS (13.50 per cent) (Appendix 1.1).

1.3.1.2 Non-tax revenue

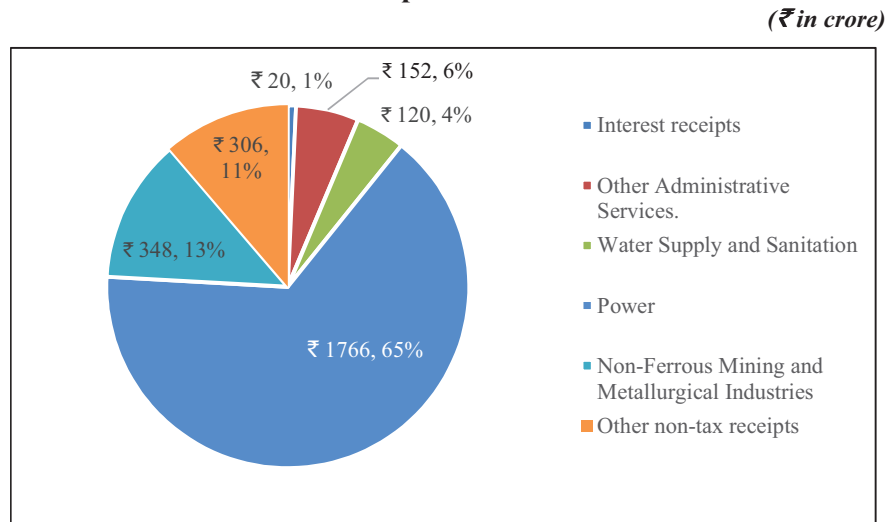
Details of components of non-tax revenue receipts are shown in Table 1.9.

Table 1.9: Components of Non-Tax Revenue

| Revenue head | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | Percentage increase(+)/ decrease(-) in 2016-17 over 2015-16 |
|---|----------------|----------------|----------------|----------------|----------------|---|
| | ₹ in crore | | | | | |
| Interest receipts | 18.37 | 14.12 | 17.18 | 17.74 | 20.51 | 15.61 |
| Other Administrative Services | 64.89 | 88.01 | 123.45 | 108.98 | 152.52 | 39.95 |
| Water Supply and Sanitation | 97.99 | 103.96 | 101.91 | 115.40 | 119.69 | 3.72 |
| Power | 1139.97 | 1187.95 | 1321.66 | 1708.91 | 1765.80 | 3.33 |
| Non-Ferrous Mining and Metallurgical Industries | 339.26 | 46.12 | 530.55 | 216.53 | 347.63 | 60.55 |
| Other non-tax receipts | 172.42 | 221.40 | 231.08 | 264.37 | 305.85 | 15.69 |
| Total non-tax revenue | 1832.90 | 1661.56 | 2325.63 | 2431.93 | 2712.00 | 11.52 |

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

Chart 1.11: Sector-wise components of non-tax revenue



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

Collection under non-tax revenue increased by 11.52 per cent from ₹ 2,432 crore in 2015-16 to ₹ 2,712 crore in 2016-17. Receipt under 'Power' (₹ 1,766 crore) has been the major source of non-tax revenue (65 per cent) of the State during the year. The net yield from 'Power' was

₹ 203 crore as there was equally high expenditure (₹ 1,563 crore) under revenue head by the Electricity Department. There was increase in collections under non-ferrous mining and metallurgical industries by ₹ 131 crore (61 per cent) compared to last year. Revenue from Other Administrative Services include ‘fees from casino operation’ (₹ 108 crore), ‘Goa tax on Infrastructure Act, 2009’ (₹ 66 crore), Roads and Bridges (₹ 44 crore) and Miscellaneous General Services (₹ 43 crore).

The BE and RE for interest receipts was projected at ₹ 23 crore and ₹ 17 crore respectively. Against this, the actual interest realised was ₹ 20.51 crore of which 14-day treasury bills yielded ₹ 3.78 crore. The interest realised on loans and advances given to co-operative societies was ₹ 0.05 crore and the receipts also included ₹ 12.77 crore, being the interest on deposits towards land acquisition.

During 2007-08 to 2015-16, the CAGR of non-tax revenue (11.16 per cent) was higher than the growth rate of GCS (9.45 per cent). The growth rate of non-tax revenue (11.52 per cent) in 2016-17 over 2015-16 was lower than GCS (12.10 per cent) (Appendix 1.1).

1.3.1.3 Cost of collection

The cost of collection of major tax revenue is given in Table 1.10.

Table 1.10: Cost of collection of tax revenue

| Head of revenue | Year | Gross collection | Expenditure on collection | Percentage of expenditure to gross collection | All India average percentage for the year |
|---------------------------------|----------|------------------|---------------------------|---|---|
| | | (₹ in crore) | (₹ in crore) | | |
| Taxes on sales, trade etc. | 2013-14 | 1708.05 | 12.69 | 0.74 | 0.88 |
| | 2014-15 | 1859.86 | 13.69 | 0.74 | 0.91 |
| | 2015-16 | 2115.69 | 16.45 | 0.78 | 0.66 |
| | 2016-17* | 2438.17 | 20.21 | 0.83 | -- |
| State Excise | 2013-14 | 235.76 | 11.74 | 4.98 | 1.81 |
| | 2014-15 | 268.00 | 12.80 | 4.77 | 2.09 |
| | 2015-16 | 319.52 | 13.25 | 4.15 | 3.21 |
| | 2016-17* | 320.90 | 14.80 | 4.61 | -- |
| Taxes on Vehicles | 2013-14 | 153.91 | 3.08 | 2.00 | 6.25 |
| | 2014-15 | 180.88 | 3.37 | 1.86 | 6.08 |
| | 2015-16 | 195.63 | 3.87 | 1.98 | 4.99 |
| | 2016-17* | 244.00 | 5.00 | 2.05 | -- |
| Stamp duty and Registration fee | 2013-14 | 396.10 | 7.04 | 1.78 | 3.37 |
| | 2014-15 | 659.84 | 8.07 | 1.22 | 3.59 |
| | 2015-16 | 524.90 | 8.55 | 1.63 | 2.87 |
| | 2016-17* | 365.11 | 8.41 | 2.30 | -- |

(Source: Finance Accounts of the State)

*Note: All India Averages for the year 2016-17 not yet available

The State expenditure on tax collection (2015-16) in respect of State Excise and Taxes on sales, trade etc. was higher than the all India average. It was less than the all India average in case of Taxes on Vehicles and Stamp Duty and Registration fee etc.

1.3.2 Grants-in-aid from Government of India

Details of Grants-in-aid from GoI are shown in **Table 1.11**.

Table 1.11: Grants-in-aid from Government of India

| | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | Percentage of increase during the year |
|--|---------------|---------------|---------------|---------------|---------------|--|
| | (₹ in crore) | | | | | |
| Grants for State Plan schemes | 155.79 | 185.88 | 116.55 | 45.21 | 90.95 | 101.17 |
| Non-Plan grants | 29.63 | 95.60 | 257.23 | 21.19 | 17.16 | -19.02 |
| Grants for Central Plan Schemes | 5.07 | 6.28 | 40.30 | 28.22 | 26.03 | -7.76 |
| Grants for Centrally Sponsored Schemes | 105.17 | 69.44 | 152.48 | 126.56 | 158.47 | 25.21 |
| Total | 295.66 | 357.20 | 566.56 | 221.18 | 292.61 | 32.29 |
| Total grants as a percentage of Revenue Receipts | 5.06 | 5.54 | 7.37 | 2.59 | 3.06 | - |

(Source: Finance Accounts of the State)

The grants-in-aid from GoI increased by 32.29 per cent from ₹ 221.18 crore in 2015-16 to ₹ 292.61 crore in 2016-17. This increase was mainly due to an increase of allocation by GoI under Atal Mission for Rejuvenation and Urban Transformation (AMRUT), Central Road fund and grants for Infrastructure Development and minor irrigation.

1.3.3 Central tax transfers

Consequent upon acceptance of the recommendations of the FC XIV (award period 2015-16 to 2019-20) by GoI, the devolution to States with effect from 2015-16 has been increased from 32 per cent to 42 per cent. The State's share in the net proceeds of Central tax (excluding service tax) and net proceeds of Service tax has been fixed at 0.378 per cent and 0.379 per cent respectively. The devolution of different components of State's share of union taxes during the period 2012-13 to 2016-17 is given in **Table 1.12**.

Table 1.12: Components of Central tax transfers

| | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | Percentage of increase during the year |
|---|---------------|---------------|---------------|----------------|----------------|--|
| | (₹ in crore) | | | | | |
| Corporation tax | 279.21 | 285.42 | 314.46 | 609.34 | 738.76 | 21.24 |
| Taxes on income other than corporation tax | 167.16 | 187.94 | 224.61 | 426.38 | 513.44 | 20.42 |
| Taxes on wealth | 0.47 | 0.78 | 0.90 | 0.10 | 1.69 | 1590.00 |
| Customs | 129.16 | 138.46 | 145.69 | 307.39 | 317.78 | 3.38 |
| Union Excise duties | 87.79 | 97.78 | 82.23 | 253.10 | 362.89 | 43.38 |
| Service tax | 113.42 | 138.15 | 132.69 | 326.47 | 364.63 | 11.69 |
| Others taxes and duties on commodities and services | 0 | 0 | 0 | 0.98 | 0.01 | -98.98 |
| Total share of net proceeds of tax | 777.21 | 848.53 | 900.58 | 1923.76 | 2299.20 | 19.52 |
| Devolution as a percentage of revenue receipts | 13.30 | 13.16 | 11.71 | 22.50 | 24.03 | |

(Source: Finance Accounts of the State)

In 2016-17, the State Government received ₹ 2,299 crore as share of Union taxes and duties which was ₹ 375 crore more than the devolution in 2015-16. However, capital expenditure incurred in 2016-17 was ₹ 1,639 crore which was ₹ 17 crore more than the previous year, while there was an increase of ₹ 446 crore revenue expenditure over the previous year. Thus, the share of capital expenditure was meagre despite increase in share of union taxes and duties during 2015-16 and 2016-17.

Grants awarded by the Fourteenth Finance Commission

The FC XIV had recommended devolution of funds under only three types of grants-in-aid to States viz. local Government, disaster management and post-devolution revenue deficit. For the period 2016-17, the State received two types of grants from GoI i.e., grants for local Government and disaster management amounting ₹ 14.24 crore. The FC XIV has not recommended the post-devolution revenue deficit grants to the State Government, being a revenue surplus State. The details of amounts awarded and received for the year 2016-17 are shown in **Table 1.13**.

Table 1.13: Details of amounts awarded and received for the award period 2016-17

| (₹ in crore) | | | |
|--------------|-----------------------------------|----------------|-----------------|
| Sl. No. | Transfers | Amount awarded | Amount received |
| 1. | Local bodies | | |
| | Grants to PRIs | 20.00 | -* |
| | Performance grants to PRIs | 2.62 | 2.62 |
| | Grants to ULBs | 29.21 | -* |
| | Performance grants to ULBs | 8.62 | 8.62 |
| 2 | State disaster relief fund | 3.00 | 3.00 |
| | Total | 63.45 | 14.24 |

(Source: Finance Department, Government of Goa and information provided by departments)

* The Grants to PRI (₹ 20 crore) and ULB (₹ 29.21 crore) for the year 2016-17 were received in January 2018 from GoI.

1.4 Capital receipts

The Capital receipts of the State include non-debt and debt receipts, whose composition is discussed in **Paragraph 1.2**. The Public debt receipt during the year (₹ 1,519 crore) comprised internal debt of ₹ 1,427 crore (94 per cent) and loans and advances from GoI ₹ 92 crore (six per cent). Market borrowings had a predominant share under internal debt comprising 93 per cent followed by negotiated loans (seven per cent) and Loans and Advances from GoI of ₹ 91.87 crore. The trends and composition of Capital receipts and Time series data on Public Debt Receipts are shown in **Table 1.14** and **Table 1.15**.

Table 1.14 Trends in growth and composition of Capital receipts*(₹ in crore)*

| Sources of Capital Receipts | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---|---------------|---------------|--------------|--------------|---------------|
| Capital Receipts | 1552 | 1362 | 1277 | 1857 | 1528 |
| Miscellaneous Capital Receipts | 0 | 0 | 0 | 0 | 0 |
| Recovery of Loans and Advances | 15 | 13 | 10 | 10 | 9 |
| Public Debt Receipts | 1537 | 1349 | 1267 | 1847 | 1519 |
| Growth rate of debt capital receipts (in percentage) | 186.22 | -12.23 | -6.08 | 45.78 | -17.76 |
| Growth rate of non-debt capital receipts (in percentage) | -6.25 | -13.33 | -23.08 | 0.00 | -10.00 |
| Growth rate of GSDP (in percentage) | -10.02 | -5.77 | 33.11 | 13.51 | 18.92 |
| Rate of growth of CR (percentage) | 180.65 | -12.24 | -6.24 | 45.42 | -17.72 |

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

Table 1.14 shows that capital receipts decreased by ₹ 329 crore (17.72 per cent) from ₹ 1,857 crore in 2015-16 to ₹ 1,528 crore in 2016-17. Non-debt capital receipts registered a negative growth of 10 per cent from ₹ 10 crore in 2015-16 to ₹ nine crore in 2016-17.

Table 1.15: Time series data on Public Debt Receipts*(₹ in crore)*

| Public debt receipts | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|------------------------------|-----------------|----------------|----------------|-----------------|-----------------|
| Open market borrowings | 1150 (74.82) | 990 (76.33) | 800 (63.14) | 1450 (78.50) | 1320 (86.89) |
| National Small savings fund | 87 (5.66) | 50 (3.86) | 115 (9.08) | 165 (8.93) | 0.00 (0.00) |
| Other financial institutions | 133 (8.65) | 107 (8.25) | 149 (11.76) | 121 (6.56) | 107 (7.05) |
| Loans and Advances from GoI | 167 (10.87) | 150 (11.56) | 203 (16.02) | 111 (6.01) | 92 (6.06) |
| Public debt Receipts | 1537 | 1297 | 1267 | 1847 | 1519 |
| Public debt Repayments | 339 | 385 | 366 | 439 | 468 |

*(Source: Finance Accounts of the respective years)**Figures in parenthesis indicate percentages to Public Debt Receipts*

During 2016-17 the decrease in growth rate of Capital Receipt was 17.22 per cent mainly due to 17.76 per cent decrease in Public Debt over previous year. Debt receipts had a prominent share of 99 per cent in capital receipts during the period 2012-17. As per FC XIV recommendations, the involvement of the State in the National Small Savings Fund (NSSF) scheme is limited solely to discharging the debt obligations already incurred by the Government till April 2015. During 2016-17, the amount discharged towards NSSF was ₹ 193.52 crore.

During 2016-17, the public debt receipts decreased by 17.76 per cent (₹ 328 crore) and public debt repayment increased by 6.60 per cent (₹ 29 crore) resulting in net decrease of ₹ 357 crore in public debt receipts over the previous year.

Recoveries of loans and advances

During the year, the State Government had released an amount of ₹ 3.41 crore as loans and advances to various institutions. At the end of March 2017, an amount of ₹ 71.03 crore was outstanding under this head. Principal amount recovered during the year was ₹ 8.52 crore, which was 12 per cent of the outstanding balance as on 31 March 2017 under loans and advances.

1.5 Public Account receipts

Receipts and disbursements in respect of certain transactions such as small savings, provident funds, reserve funds, deposits, suspense, remittances *etc.*, do not form part of the consolidated fund. These 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/trustee for public money. The balance after disbursements is the fund available with the Government for use for various activities.

The net transactions under Public Account covering the period 2012-17 are indicated in **Table 1.16**.

Table 1.16: Net transactions under Public Account

(₹ in crore)

| Resources under various heads | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|--|-------------|------------|-----------|-----------|-----------|
| Net Public Account Receipts⁷ | | | | | |
| a. Small Savings, Provident Fund <i>etc</i> | 150 | 115 | 112 | 113 | 123 |
| b. Reserve Fund | 169 | 112 | 128 | 286 | 169 |
| c. Deposits and Advances | 192 | 336 | 110 | -72 | -2 |
| d. Suspense and Miscellaneous | -699 | -179 | -180 | -185 | -51 |
| e. Remittances | -178 | 85 | -113 | -94 | -139 |
| Total | -366 | 469 | 57 | 48 | 99 |

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

The net public account increased from ₹ 48 crore in 2015-16 to ₹ 99 crore in 2016-17. In reserve fund, the decrease was mainly on account of decrease in balances under electricity development fund. In suspense and miscellaneous, the balance decreased mainly due to increase in investment account. The State Government had transferred balances lying under New Pension scheme to the Pension fund manager during the year which had reduced the balances under Deposits and Advances.

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 the 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 directed towards development and social sectors.

⁷Net Public Account receipts= Public Account Receipts-Disbursement and Suspense and Miscellaneous and Reserve fund figures depicted after excluding Investment figures

1.6.1 Growth and composition of expenditure

The total expenditure of the State Government consists of revenue expenditure as well as capital expenditure which include expenditure on loans and advances. The trends in various components of total expenditure, Plan and Non-Plan revenue expenditure, committed expenditure such as salaries and wages, interest payments, pension payments and subsidies, financial assistance to local bodies, *etc.*, are discussed in succeeding paragraphs.

The total expenditure and its composition during the years 2012-13 to 2016-17 are presented in the **Table 1.17**.

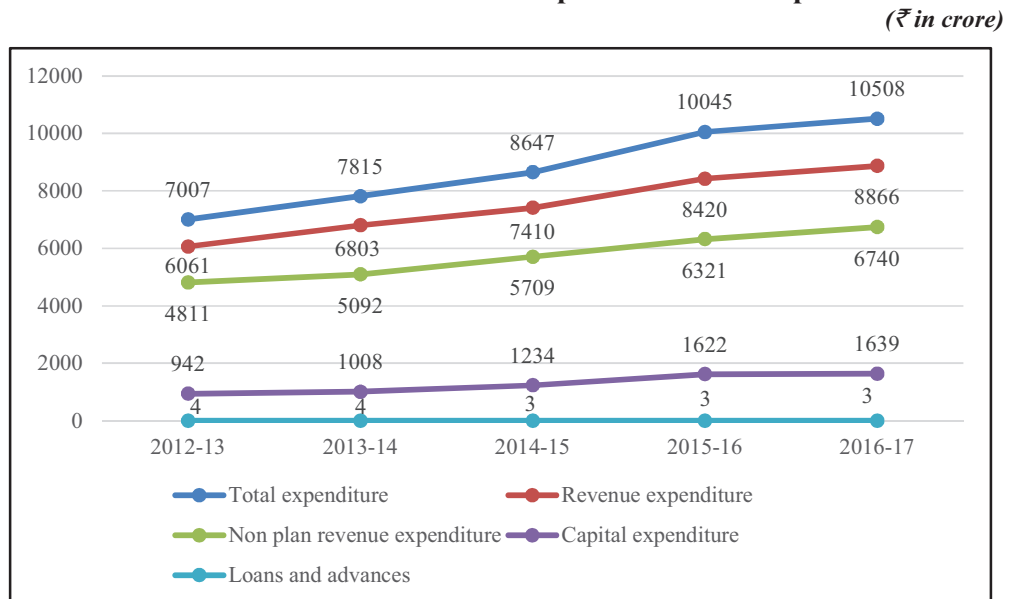
Table 1.17: Total expenditure and its composition

| | (₹ in crore) | | | | |
|---|--------------|--------------|--------------|--------------|--------------|
| | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
| Total Expenditure | 7007 | 7815 | 8647 | 10045 | 10508 |
| Revenue Expenditure | 6061 (87) | 6803 (87) | 7410 (86) | 8420 (84) | 8866 (84) |
| <i>of which, Non-Plan Revenue Expenditure</i> | <i>4811</i> | <i>5092</i> | <i>5709</i> | <i>6321</i> | <i>6740</i> |
| Capital Expenditure | 942 (13) | 1008 (13) | 1234 (14) | 1622 (16) | 1639 (16) |
| Loans and Advances | 4 | 4 | 3 | 3 | 3 |

(Source: Finance Accounts of the State)
 Figures in parentheses indicate percentage to total expenditure

Chart 1.12 presents the trends in total expenditure over a period of last five years (2012-17) and its composition in terms of expenditure by activities is depicted in **Chart 1.13**.

Chart 1.12: Trends in various components of total expenditure



(Source: Finance Accounts of the State)

Total expenditure

The average growth rate in total expenditure of the State was 9.58 per cent during the five-year period from 2012-13 to 2016-17. However, the

percentage of capital expenditure to total expenditure increased from 13.44 *per cent* in 2012-13 to 15.60 *per cent* in 2016-17. The total expenditure, its annual growth rate, the ratio of expenditure to the GSDP and to revenue receipts and its buoyancy with respect to GSDP and revenue receipts are indicated in **Table 1.18**.

During 2007-08 to 2015-16, the CAGR of total expenditure (14.12 *per cent*) was lower than the growth rate of other GCS (15.84 *per cent*). The growth rate in the State was 4.61 *per cent* in 2016-17 over the previous year and was lower than GCS (15.31 *per cent*) (**Appendix 1.1**).

Table 1.18: Total expenditure – basic parameters

(₹ in crore)

| | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|--|---------|---------|---------|---------|---------|
| Total expenditure (TE) | 7007 | 7815 | 8647 | 10045 | 10508 |
| Rate of growth of TE (per cent) | 4.94 | 11.53 | 10.65 | 16.17 | 4.61 |
| Revenue receipts (RR) | 5845 | 6450 | 7689 | 8552 | 9565 |
| Rate of growth of RR (per cent) | 1.11 | 10.35 | 19.21 | 11.22 | 11.84 |
| TE/GSDP ratio (per cent) | 18.38 | 21.76 | 18.08 | 18.51 | 16.28 |
| RR /TE ratio (per cent) | 83.42 | 82.53 | 88.92 | 85.14 | 91.03 |
| Buoyancy of total expenditure with reference to : | | | | | |
| GSDP (ratio) | --* | --* | 0.32 | 1.20 | 0.24 |
| RR (ratio) | 4.46 | 1.11 | 0.55 | 1.44 | 0.39 |

(Source: Finance Accounts of the State)

*GSDP figures in 2012-13 and 2013-14 being negative, buoyancy ratio could not be calculated

The increase of ₹ 463 crore (4.61 *per cent*) in total expenditure during 2016-17 over the previous year was on account of an increase of ₹ 446 crore and ₹ 17 crore in revenue and capital expenditure respectively.

The ratio of total expenditure to GSDP peaked to 21.76 *per cent* during the year 2013-14 and stayed around 18 *per cent* for the remaining years up to 2015-16 but reduced to 16.28 *per cent* during 2016-17. The ratio between revenue receipts and total expenditure at 91.03 *per cent* recorded the highest during the five-year period which shows that 91.03 *per cent* of the total expenditure was met from revenue receipts.

The ratio of buoyancy of total expenditure with reference to GSDP was 0.24 in 2016-17. This indicated that during 2016-17 for each one *per cent* increase in GSDP total expenditure grew by 0.24 *per cent*.

Buoyancy of total expenditure with revenue receipt was less than one during 2016-17 indicating that the growth of revenue receipts exceeded the growth of total expenditure.

Of the total expenditure of ₹ 10,508 crore during 2016-17, Non-Plan expenditure contributed 64 *per cent* while Plan expenditure was 36 *per cent*. Of the increase of ₹ 463 crore in total expenditure, the Non-Plan expenditure accounted for 92 *per cent*, while the contribution of Plan expenditure was eight *per cent*.

During 2007-08 to 2015-16, the CAGR of capital expenditure (11.32 *per cent*) was lower than the growth rate of GCS (14.53 *per cent*). The growth rate of capital expenditure (1.01 *per cent*) during 2016-17 over 2015-16 was lower than GCS (17.91 *per cent*) (**Appendix 1.1**).

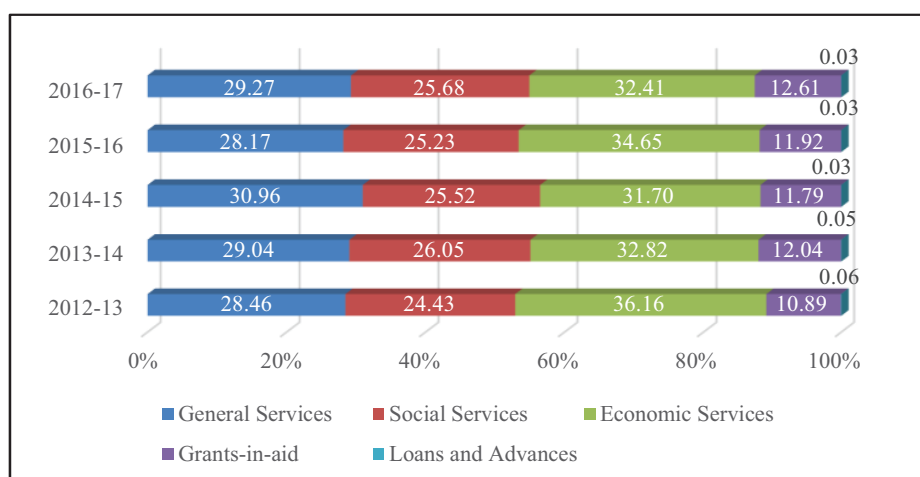
Trends in total expenditure in terms of activities

In terms of the activities, total expenditure could be considered as being composed of expenditure on General Services including interest payments, Social and Economic Services, grants-in-aid and loans and advances. Relative shares of these components in the total expenditure are indicated in **Table 1.19** and **Chart 1.13**.

Table 1.19: Components of expenditure – relative shares

| | <i>(in per cent)</i> | | | | |
|------------------------------------|----------------------|---------|---------|---------|---------|
| | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
| General Services | 28.46 | 29.04 | 30.96 | 28.17 | 29.27 |
| <i>of which, Interest Payments</i> | 11.43 | 11.40 | 11.66 | 10.70 | 10.93 |
| Social Services | 24.43 | 26.05 | 25.52 | 25.23 | 25.68 |
| Economic Services | 36.16 | 32.82 | 31.70 | 34.65 | 32.41 |
| Grants-in-aid | 10.89 | 12.04 | 11.79 | 11.92 | 12.61 |
| Loans and Advances | 0.06 | 0.05 | 0.03 | 0.03 | 0.03 |

(Source: Finance Accounts of the State)

Chart 1.13: Trends in composition of Total Expenditure by Activities during 2012-17

The movement of relative share of the components of total expenditure shown in **Table 1.19** indicated that share of General Services and Social Services in the total expenditure increased during 2016-17 while there was a decrease in the share of Economic Services. The share of loans and advances in total expenditure remained constant compared to previous year.

Relative shares of three components of the total expenditure showed that during the last five years Economic Services had the largest share amongst all three services. However, there was a decrease in its share during 2016-17 compared to previous year. The decrease can be attributed to less expenditure under Energy (₹ 85.43 crore), Industry and Minerals (₹ 26.78 crore) and General Economic Services (₹ 53.55 crore).

The increase in Social Services was mainly under Education, Sports and Culture (₹ 76.68 crore), Health and Family Welfare (₹ 96.35 crore) and Water Supply, Sanitation, Housing and Urban Development (₹ 82.44 crore). Under General Services, the increase was mainly under Pension and Miscellaneous

General Services (₹ 97.90 crore) and Interest Payments and debt servicing (₹ 103.33 crore).

The share of General Services and Social Services in the total expenditure has fluctuated over the last five years. But of the two, the share of General Services has been consistently higher than that of Social Services.

Revenue expenditure

In the context of State finances, the quality of expenditure has always been an important issue. Currently, revenue expenditure accounts for around 84.37 per cent of the State's aggregate expenditure, which is in the nature of current consumption, leaving only 15.63 per cent for investment and asset creation. During the current year, revenue expenditure increased by ₹ 446 crore (5.30 per cent) over 2015-16, mainly due to increase in expenditure on General Services (₹ 309 crore), Social Services (₹ 162 crore), and decrease in Economic Services (₹ 25 crore). As compared to previous year the growth rate of general and social sector was 12.05 per cent and 5.08 per cent respectively, while there was negative growth rate under economic sector by one per cent.

The major heads that registered increases include Pension and other retirement benefits (₹ 127 crore), General Education (₹ 98 crore), Power (₹ 74 crore), Interest payments (₹ 73 crore), Medical and Public health (₹ 68 crore) and Road transport (₹ 28 crore).

Incidence of revenue expenditure

Revenue expenditure is incurred to maintain the current level of services and payment for past obligations and as such, does not result in any addition to the State infrastructure and service network. The overall revenue expenditure, its rate of growth, the ratio of non-plan revenue expenditure to GSDP and to revenue receipts and buoyancy of revenue expenditure with GSDP and revenue receipts during the last five years is indicated in **Table 1.20**.

Table 1.20: Revenue expenditure – basic parameters

(₹ in crore)

| | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---|-------------|-------------|-------------|-------------|-------------|
| Revenue Expenditure (RE) | 6061 | 6803 | 7410 | 8420 | 8866 |
| <i>of which</i> | | | | | |
| Non-Plan Revenue Expenditure (NPRE) | 4811 | 5092 | 5709 | 6321 | 6740 |
| Plan Revenue Expenditure (PRE) | 1250 | 1711 | 1701 | 2099 | 2126 |
| Rate of Growth of | | | | | |
| RE (per cent) | 10.52 | 12.24 | 8.92 | 13.63 | 5.30 |
| NPRE (per cent) | 10.02 | 5.84 | 12.12 | 10.72 | 6.63 |
| PRE (per cent) | 12.61 | 36.88 | -0.58 | 23.40 | 1.29 |
| Revenue Expenditure as percentage to TE | 86.50 | 87.05 | 85.69 | 83.82 | 84.37 |
| NPRE/GSDP (per cent) | 12.62 | 14.18 | 11.94 | 11.65 | 10.44 |
| NPRE as percentage of TE | 68.66 | 65.16 | 66.02 | 62.93 | 64.14 |
| NPRE as percentage of RR | 82.31 | 78.95 | 74.25 | 73.91 | 70.47 |
| Buoyancy of Revenue Expenditure with | | | | | |
| GSDP (ratio) | --* | --* | 0.27 | 1.01 | 0.28 |
| Revenue Receipts (ratio) | 9.50 | 1.18 | 0.46 | 1.21 | 0.45 |

(Source : Finance Accounts of the State)

*GSDP growth rate in 2012-13 and 2013-14 being negative, buoyancy could not be calculated

The growth rate of revenue expenditure was generally lower than the GSDP during the period 2014-17 except for the year 2015-16. The buoyancy ratio of the growth rate of Revenue expenditure with reference to both GSDP and revenue receipts showed a fluctuating trend.

Plan Revenue Expenditure

The Plan Revenue Expenditure increased by ₹ 27 crore (1.29 per cent) during 2016-17 over the previous year mainly due to expenditure under health and family welfare (₹ 60 crore), education, sports, arts and culture (₹ 38 crore) offset by decrease in industry and minerals (₹ 31 crore) and water supply, sanitation, housing and urban development (₹ 10 crore).

Non-Plan Revenue Expenditure

The Non-Plan Revenue Expenditure (NPRE) in 2016-17 constituted a dominant share of 76 per cent in the revenue expenditure and increased by ₹ 419 crore (6.63 per cent) over the previous year. The variations in NPRE under the major heads indicate increase in expenditure under Pension and other retirement benefits and Miscellaneous General Services (₹ 138 crore), Education, Sports, Art and Culture (₹ 91 crore), Energy (₹ 75 crore), Interest payments (₹ 73 crore) and Administrative Services (₹ 29 crore).

The NPRE as percentage of revenue receipts (**Table 1.20**) showed that on an average 76 per cent of the revenue receipts were used to meet the NPRE during the period 2012-17.

Subsidies

Subsidies given during the years 2012-13 to 2016-17 are presented in **Table 1.21**.

Table 1.21: Subsidies

| | (₹ in crore) | | | | |
|---------------------------|------------------|------------------|------------------|------------------|------------------|
| | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
| Subsidies | 132.34 (2.26) | 160.15 (2.48) | 192.55 (2.50) | 244.21 (2.85) | 247.90 (2.59) |
| Total Revenue Expenditure | 6061 | 6803 | 7410 | 8420 | 8866 |
| Revenue Receipts | 5845 | 6450 | 7689 | 8552 | 9565 |

(Figures in parenthesis indicate percentage w.r.t to revenue receipts)

The expenditure on subsidies increased by 1.51 per cent from ₹ 244.21 crore in 2015-16 to ₹ 247.90 crore in 2016-17. The major recipients of subsidy during 2016-17 were Agriculture and Allied activities subsidies ₹ 130.80 crore and Transport ₹ 74.53 crore. During the current year, subsidies constituted 2.59 per cent of revenue receipts and about 2.80 per cent of the total revenue expenditure.

Capital expenditure

Capital expenditure (₹ 1,639 crore) constituted 15.59 per cent of the total expenditure in 2016-17. The increase of ₹ 17 crore (1.01 per cent) in capital expenditure during 2016-17 over previous year was mainly on account of increase in expenditure on capital outlay on water supply, sanitation, housing,

and urban development (₹ 118 crore), irrigation and flood control (₹ 53 crore) Health and Family Welfare (₹ 28 crore), Agriculture and Allied Activities (₹ 25 crore) offset by decrease in energy (₹ 159 crore) and expenditure in education, sports, arts and culture (₹ 53 crore).

1.6.2 Committed expenditure

The committed expenditure of the State Government on revenue account mainly consists of interest payments, expenditure on salaries and wages and pensions. **Table 1.22** and **Chart 1.14** present the trends in the expenditure on these components during 2012-17.

Table 1.22: Components of Committed expenditure

(₹ in crore)

| Components of Committed Expenditure | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|--|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| Salaries and Wages | | | | | |
| Non-Plan Head | 1196.83 (20.47) | 1324.07 (20.53) | 1447.73 (18.83) | 1589.20 (18.58) | 1708.00 (17.86) |
| Plan Head | 257.50 (4.41) | 287.92 (4.46) | 326.52 (4.25) | 390.50 (4.57) | 424.79 (4.44) |
| Total | 1454.33 (24.88) | 1611.99 (24.99) | 1804.25 (23.47) | 1979.70 (23.15) | 2132.79* (22.30) |
| Interest Payments | 800.71 (13.70) | 890.66 (13.81) | 1007.53 (13.10) | 1074.70 (12.57) | 1148.03 (12.00) |
| Pensions | 487.41 (8.34) | 564.99 (8.76) | 659.96 (8.58) | 716.85 (8.38) | 844.33 (8.83) |
| Total Committed expenditure | 2742.45 (46.91) | 3067.64 (47.56) | 3471.74 (45.15) | 3771.25 (44.10) | 4125.15 (43.13) |
| Other Components | 3318.89 (56.78) | 3735.64 (57.92) | 3938.51 (51.22) | 4648.31 (54.35) | 4740.83 (49.56) |
| Total Revenue Expenditure | 6061.34 | 6803.28 | 7410.25 | 8419.56 | 8865.98 |
| Revenue Receipts | 5845.43 | 6449.77 | 7688.69 | 8552.24 | 9564.97 |
| Percentage of committed expenditure to Revenue receipts | 45.24 | 45.09 | 46.85 | 44.79 | 46.53 |

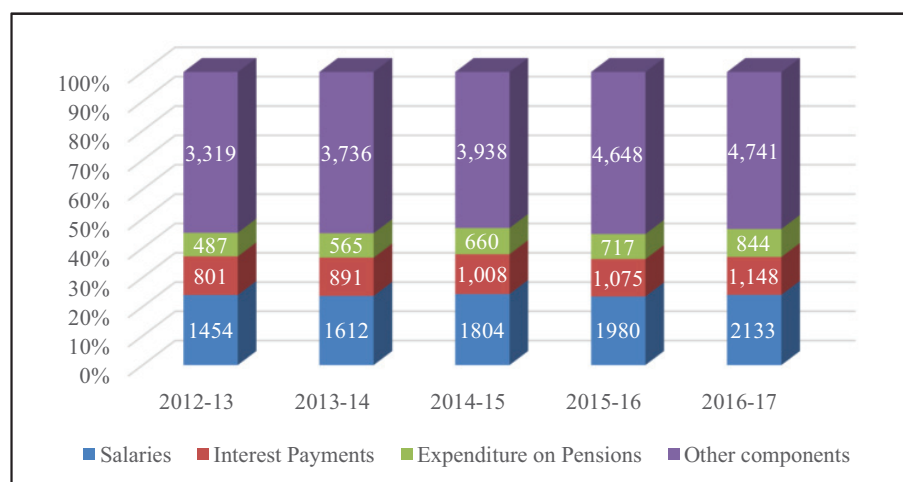
(Source: Finance Accounts of the State)

Figures in parentheses indicate percentage to Revenue Receipts

*Salaries: ₹ 2,106.81 crore + Wages: ₹ 25.98 crore (Finance Accounts)

Chart 1.14: Committed expenditure Trends in share of its components (2012-17)

(₹ in crore)



(Source: Finance Accounts of the State)

The committed expenditure amounted to ₹ 4,125.15 crore in 2016-17, which was 43.13 *per cent* and 46.53 *per cent* of the revenue receipts and revenue expenditure respectively.

Salaries and Wages

The average annual growth in salaries and wages during 2012-17 was 11.66 *per cent*. The expenditure on salaries and wages (including grants-in-aid component) increased by ₹ 153.09 crore (7.73 *per cent*) from ₹ 1,979.70 crore in 2015-16 to ₹ 2,132.79 crore in 2016-17. Salaries and wages were 22.30 *per cent* of the revenue receipts. During the year, expenditure on salary constituted 24.05 *per cent* of revenue expenditure.

During 2007-08 to 2015-16, the CAGR of salary and wages (16.61 *per cent*) was higher than growth rate of GCS (14.89 *per cent*). The growth of salary and wages in 2016-17 over 2015-16 (7.73 *per cent*) was lower than GCS (13.06 *per cent*) (**Appendix 1.1**).

Pension payments

The expenditure on pension payments increased at an average annual growth of 13.98 *per cent*. There was increase in pension payments of ₹ 127.48 crore (17.78 *per cent*) during 2016-17 over the previous year. The increase in pension payment liabilities over the previous year was mainly on account of implementation of Pay Commission.

During 2007-08 to 2015-16, the CAGR of pension (22.22 *per cent*) was higher than the growth rate of GCS (17.17 *per cent*). The growth of pension in 2016-17 over 2015-16 (17.71 *per cent*) was higher than GCS (10.63 *per cent*) (**Appendix 1.1**).

Migration to New Pension Scheme

In order to limit future pension liabilities, the Government had introduced the Defined Contribution Pension Scheme for employees recruited after 05 August 2005. During the year 2016-17, an amount of ₹ 191.20 crore (towards employees' contribution and employer's share) was deposited under the head '8342-Other Deposits, 117-Defined Contribution Pension Scheme for Government employees'. The State Government's liability on this account as on 31 March 2017 was ₹ 187.46 crore.

The Director of Accounts stated (November 2017) that 29,685 employees of the State Government were registered under New Pension Scheme and an amount of ₹ 699.53 crore has been transferred to National Securities Depository Limited as on 31 March 2017. The process for transferring the balance funds (₹ 187.46 crore) was stated to be under consideration.

Interest payments

The expenditure on interest payments increased by 43 *per cent* from ₹ 800.71 crore in 2012-13 to ₹ 1,148.03 crore in 2016-17 due to an increase in debt liabilities. The interest payments-revenue receipts ratio decreased from 13.81 *per cent* to 12 *per cent* during the period 2013-17. Component wise details of interest payments made by the State Government during 2012-17 is shown in **Table 1.23**.

Table 1.23: Component wise details of interest payments made by the State Government during 2012-17

| (₹ in crore) | | | | | |
|--|------------|------------|-------------|-------------|-------------|
| Particulars | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
| Interest payments | 801 | 891 | 1008 | 1075 | 1148 |
| <i>of which, interest payments on</i> | | | | | |
| 1. Internal debt | 578 | 656 | 749 | 814 | 907 |
| i Market loans | 258 | 325 | 416 | 478 | 579 |
| ii NSSF | 289 | 292 | 288 | 284 | 276 |
| iii NABARD | 21 | 27 | 34 | 40 | 41 |
| Loans from other financial institutions | 10 | 11 | 9 | 7 | 5 |
| Ways and Means advances | - | - | 1 | 4 | 4 |
| Management of debt (payable to RBI for open market borrowings) | - | 1 | 1 | 2 | 2 |
| 2.Loans from GoI | 28 | 23 | 23 | 21 | 19 |
| 3 Small savings PF etc. | 195 | 212 | 236 | 239 | 222 |
| i.Small savings PF | 130 | 140 | 148 | 159 | 156 |
| ii.Deposits | 65 | 72 | 88 | 80 | 66 |

(Source: Finance Accounts of respective years)

Interest payment of ₹ 1,148 crore during 2016-17 constituted interest on internal debt (₹ 907 crore), loans and advances from Central Government (₹ 19 crore) and interest on Small Savings, PF etc. (₹ 222 crore).

The interest on internal debt increased by ₹ 93 crore (11.42 per cent) from ₹ 814 crore in 2015-16 to ₹ 907 crore in 2016-17 mainly on account of increase in payment of interest on market loans (₹ 101 crore), interest on loans from NABARD (₹ one crore) set off by decrease in payment of interest on NSSF (₹ eight crore), loans from financial institutions (₹ two crore). Loans and advances from GoI and Small savings, PF etc. also decreased by ₹ two crore (9.52 per cent) and ₹ 17 crore (7.11 per cent) respectively.

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

Financial assistance to local bodies and other institutions constituted 14.95 per cent of the revenue expenditure during 2016-17.

The quantum of assistance provided by way of grants and loans to local bodies and others during 2016-17 relative to the previous years is presented below:

Table 1.24: Financial assistance to local bodies and other institutions

(₹ in crore)

| Sl. No. | Institutions | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---------|--|---------------|---------------|----------------|----------------|----------------|
| 1 | Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.) | 607.70 | 656.72 | 752.31 | 836.86 | 915.31 |
| 2 | Municipal Corporation and Municipalities | 53.97 | 51.82 | 58.29 | 67.80 | 79.37 |
| 3 | Zilla Panchayats and Other Panchayati Raj Institutions | 72.73 | 79.31 | 51.78 | 110.10 | 119.05 |
| 4 | Other Institutions | 61.55 | 153.34 | 157.35 | 182.06 | 211.72 |
| | Total | 795.95 | 941.19 | 1019.73 | 1196.82 | 1325.45 |
| | Assistance as percentage of RE | 13.13 | 13.83 | 13.76 | 14.21 | 14.95 |

(Source : Finance Accounts of the State)

It could be seen from **Table 1.24** that the financial assistance by the Government increased from ₹ 795.95 crore in 2012-13 to ₹ 1,325.45 crore in 2016-17. The assistance in 2016-17 increased by 10.74 *per cent* compared to previous year. As a percentage of revenue expenditure, the assistance continuously increased from 13.13 *per cent* in 2012-13 to 14.95 *per cent* in 2016-17.

During the year 2016-17, financial assistance given to Educational institutions (Aided schools, Aided colleges, Universities *etc.*) increased by ₹ 78 crore mainly due to payment of more assistance to Government aided schools and colleges.

1.6.3.1 State Finance Commission

The Second State Finance Commission (SSFC) recommended (December 2007) devolution of all the 11 functions to ULBs for economic development and social justice as listed in the Goa Municipalities Act, 1968. But only seven functions and one activity in one function have been transferred as of November 2017. In addition to this, the function of Urban Poverty Alleviation and the activity of Solid Waste Management under Public Health and Sanitation not envisaged in the recommendations of the SSFC have also been transferred to ULBs.

Similarly, the SSFC recommended devolution of all the 28 functions and 74 activities to Village Panchayats (VPs) and 25 functions and 47 activities to Zilla Panchayats (ZPs) for economic development and social justice as listed in Schedule I and II of the Goa Panchayat Raj Act, 1994 respectively.

The Government constituted a committee of Group of Ministers (February 2013) to study/examine the recommendations of the SSFC on activity mapping and prepare explanatory memorandum on the recommendations of the SSFC. The report of the committee is awaited (November 2017).

The Third State Finance Commission was constituted (January 2017), it was to submit its report within one year. The report of the commission is awaited (January 2018).

1.6.3.2 Audit arrangements

The audit of ULBs and VPs is carried out by the CAG under Section 14 of CAG's (Duties, Powers and Conditions of Service) Act, 1971. The Government of Goa has entrusted Technical Guidance and Supervision over accounts and audit of Local Bodies to the CAG in November 2006. By virtue of Section 194 of the Goa Panchayat Raj Act, 1994, the CAG is the sole auditor for ZPs. The audit is conducted under Section 20 (1) of the CAG's DPC Act, 1971.

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 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 effectiveness (assessment of outlay-outcome relationships for select services).

1.7.1 Adequacy of public expenditure

The expenditure responsibilities relating to the social sector and the economic infrastructure assigned to the State Governments are largely State subjects. Enhancing human development levels requires the States to step up their expenditure on key social services like education, health *etc.* Low fiscal priority (ratio of expenditure under a category to aggregate expenditure) is attached to a particular sector, if it is below the respective national average. The fiscal priority given by the State Government for development expenditure, social expenditure and capital expenditure during 2013-14 and 2016-17 has been indicated in **Table 1.25**.

Table 1.25: Fiscal priority of the State in 2013-14 and 2016-17

| Fiscal priority by the State | AE/ GSDP | DE [#] /AE | SSE/ AE | ESE/ AE | CE/ AE | Education, sports, art and culture/ AE | Health and family welfare/AE |
|---|-------------|---------------------|------------|------------|-----------|---|------------------------------------|
| General Category States Average (Ratio) 2013-14 | 14.80 | 70.00 | 38.20 | 29.80 | 13.70 | 17.70 | 4.60 |
| Goa's Average (Ratio) 2013-14 | 21.75 | 70.91 | 35.92 | 35.00 | 12.90 | 16.42 | 5.91 |
| General Category States Average (Ratio) 2016-17 | 16.70 | 70.90 | 32.20 | 35.10 | 19.70 | 15.20 | 4.80 |
| Goa's Average (Ratio) 2016-17 | 16.28 | 70.69 | 35.94 | 34.74 | 15.60 | 14.96 | 6.38 |

(Source: GSDP of 2016-17 Provided by Directorate of Planning, Statistics and Evaluation)

AE: Aggregate Expenditure; DE: Development Expenditure, SSE: Social Sector Expenditure, ESE: Economic Sector Expenditure, CE: Capital Expenditure

Development Expenditure includes Development Revenue Expenditure, Development Capital Expenditure and Loans and Advances disbursed

Analysis of the fiscal priorities of the State as shown in **Table 1.25** reveals the following:

- The ratio of Aggregate Expenditure (AE) to GSDP for Goa in 2013-14 (21.75 *per cent*) was higher than the GCS (14.80 *per cent*). During 2016-17, the State's proportion of its GSDP on AE was 16.28 *per cent* as compared to GCS (16.70 *per cent*). This meant that Goa was spending less as a proportion of its GSDP when compared to GCS.
- Development expenditure⁸ as a proportion of aggregate expenditure in the State (70.91 *per cent*) was higher than the GCS average (70 *per cent*) in 2013-14 whereas in 2016-17 the expenditure incurred by the State was marginally less (70.69 *per cent*) compared to GCS (70.90 *per cent*).
- Capital expenditure increases the asset creation which will generate opportunities for higher growth. In respect of CE to AE, the State could

⁸The expenditure data is segregated into development and non-development expenditure. All expenditure relating to Revenue Account, Capital Outlay and Loans and Advances are 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.

not improve its position as compared to GCS during 2013-14 and 2016-17.

- In Goa, the ratio of SSE to AE in 2013-14 (35.92 *per cent*) was lower than the GCS (38.20 *per cent*) but improved in 2016-17 (35.94 *per cent*) as compared to GCS (32.20 *per cent*).
- The ratio of ESE to AE in 2013-14 (35 *per cent*) was higher in the State as compared to GCS in 2013-14 (29.80 *per cent*) but was less in 2016-17 (34.74 *per cent*) as compared to GCS (35.10 *per cent*).
- Less priority was given to education, sports, art and culture as the ratio of education, sports, art and culture to AE was lower in 2013-14 and 2016-17 (16.42 *per cent* and 14.96 *per cent*) as compared to GCS (17.70 *per cent* and 15.20 *per cent*).
- The State Government has given higher fiscal priority to Health and Family Welfare during 2013-14 and 2016-17, as their ratios to AE were higher than the ratios of GCS.

1.7.2 Efficiency of expenditure use

In view of the importance of public expenditure in social and economic development, it is important for the State Governments to take appropriate expenditure rationalisation measures and lay emphasis on provision of core public⁹ and merit goods¹⁰. 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 1.26** and **Chart 1.15** present the trends in DE relative to the AE of the State during the current year *vis-à-vis* budget estimates of the current year and the actual expenditure during the previous years.

⁹Core public goods are those which all citizens enjoy in common in the sense that each individual's consumption of such goods leads to no subtractions from any other individual's consumption of those goods, e.g. enforcement of law and order, security and protection of citizen's rights; pollution free air and other environmental goods and road infrastructure etc.

¹⁰Merit 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 concept of need, rather than ability and willingness to pay the Government and therefore wishes to encourage their consumption. Examples of such goods includes 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 1.26: Development expenditure

(*₹ in crore*)

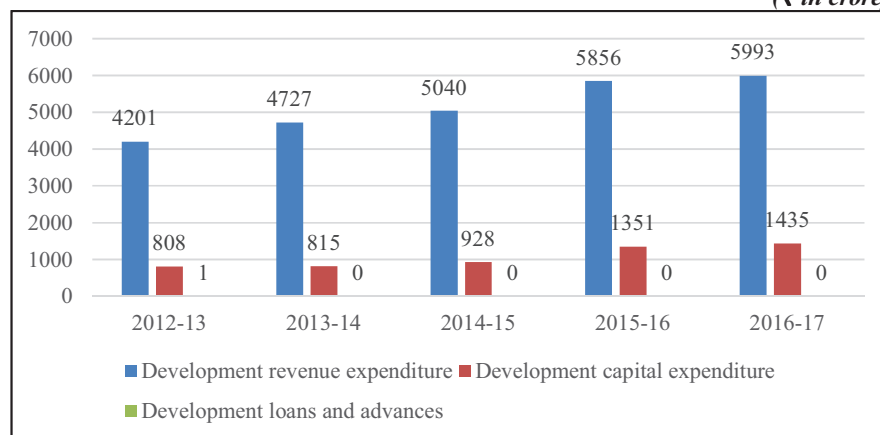
| Components of Development Expenditure | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| a. Development Revenue Expenditure | 4201 (59.95) | 4727 (60.48) | 5040 (58.28) | 5856 (58.30) | 5993 (57.03) |
| b. Development Capital Expenditure | 808 (11.53) | 815 (10.42) | 928 (10.73) | 1351 (13.45) | 1435 (13.66) |
| c. Development Loans and Advances | 1 (0.01) | 0 (0.00) | 0 (0.00) | 0 (0.00) | 0 (0.00) |
| Development Expenditure (a to c) | 5010 (71.50) | 5542 (70.91) | 5968 (69.01) | 7207 (71.75) | 7428 (70.69) |
| Total expenditure | 7007 | 7815 | 8647 | 10045 | 10508 |

(Source: Finance Accounts of the State)

Figures in the parentheses indicate percentage of total expenditure

During 2016-17, growth rate of total expenditure was 4.61 per cent while the growth rate of development expenditure was 3.07 per cent over the previous year. Though 70.69 per cent of the total expenditure was utilised for development expenditure, major share (57.03 per cent) was that of revenue expenditure. The share of capital expenditure in total development expenditure was 13.66 per cent which was the highest during the last five-year period.

Chart 1.15: Development expenditure for the years 2012-13 to 2016-17

(*₹ in crore*)

(Source: Finance Accounts of the State)

Development expenditure

The development expenditure increased by 48 per cent (₹ 2,418 crore) from ₹ 5,010 crore in 2012-13 to ₹ 7,428 crore in 2016-17. The share of development revenue expenditure to development expenditure was on an average 84 per cent during 2012-15, which reduced to 81 per cent in 2015-17 indicating that priority was given to capital expenditure by the State during the last two years.

Development revenue expenditure

Development revenue expenditure increased by ₹ 137 crore (2.33 per cent) from ₹ 5,856 crore in 2015-16 to ₹ 5,993 crore in 2016-17. The increase was mainly due to increase in expenditure under Social services (₹ 162 crore) offset by decrease in Economic services (₹ 25 crore). Out of ₹ 5,993 crore expenditure under social and economic services ₹ 1,452 crore (24.22 per cent) was incurred on salaries and wages.

In Social Services, the increase was mainly under sub-sectors ‘General Education’ ₹ 99 crore, ‘Art and Culture’ ₹ 130 crore, ‘Sports and Youth Affairs’ ₹ 24 crore.

Development capital expenditure

The development capital expenditure increased by ₹ 84 crore (6.21 per cent) from ₹ 1,351 crore in 2015-16 to ₹ 1,435 crore in 2016-17. The development capital expenditure was mainly seen under social sector, viz., health and family welfare (₹ 28 crore) and water supply sanitation, housing and urban development (₹ 118 crore).

Development loans and advances

Development expenditure in respect of loans and advances during 2016-17 was ‘nil’. Whereas the projection of the State in the BE and RE of 2016-17 under development loans and advances was ₹ seven crore and ₹ five crore respectively.

Efficiency of expenditure use in selected social and economic services

Table 1.27 provides the details of capital expenditure and the component of revenue expenditure incurred on the maintenance of the selected social and economic services.

Table 1.27: Efficiency of expenditure use in selected Social and Economic Services

| Social/Economic Infrastructure | 2015-16 | | 2016-17 | |
|---|-------------------|-------------------------|-------------------|-------------------------|
| | Share of CE to TE | Share of salaries in RE | Share of CE to TE | Share of salaries in RE |
| Social Services (SS) | | | | |
| Education, Sports, Art and Culture | 10.57 | 24.68 | 6.69 | 25.04 |
| Health and Family Welfare | 5.42 | 73.24 | 8.84 | 71.37 |
| Water supply, Sanitation, Housing and Urban Development | 25.41 | 10.07 | 40.39 | 11.77 |
| Total (SS) | 9.74 | 26.89 | 11.43 | 28.03 |
| Economic Services (ES) | | | | |
| Agriculture and Allied Activities | 12.63 | 32.54 | 19.07 | 35.28 |
| Irrigation and Flood Control | 44.85 | 39.48 | 52.72 | 37.16 |
| Power and Energy | 20.36 | 14.29 | 12.45 | 14.65 |
| Transport | 56.36 | 29.04 | 58.64 | 31.15 |
| Total (ES) | 27.40 | 19.00 | 27.05 | 20.34 |
| Total (SS+ES) | 18.76 | 23.29 | 19.32 | 24.63 |

(Source: Finance Accounts of the State for the years 2015-16 and 2016-17)

TE: Total expenditure in the concerned sub sector; CE: Capital Expenditure; RE: Revenue Expenditure

The trends presented in **Table 1.27** reveal that development capital expenditure as a percentage to total expenditure in the sub-sector increased from 18.76 per cent in 2015-16 to 19.32 per cent in 2016-17. The percentage of capital expenditure on Social Services to the total expenditure in the sub-sector increased from 9.74 per cent in 2015-16 to 11.43 per cent in 2016-17. The increase was mainly seen under health and family welfare and water supply, sanitation, housing and urban development. The percentage of capital expenditure on Economic Services to the total expenditure in the sub-sector

decreased from 27.40 per cent in 2015-16 to 27.05 per cent in 2016-17. The decrease was mainly seen under Power and Energy.

The share of salaries in revenue expenditure increased from 23.29 per cent in 2015-16 to 24.63 per cent in 2016-17.

1.8 Analysis of Government expenditure and investments

In the post-FRBM framework, State is expected to keep its fiscal deficit (and borrowings) not only at low levels but also meet its capital expenditure/investment (including loans and advances) requirements. In addition, in a transition to complete dependence on market-based resources, State Government needs to initiate measures to earn adequate returns on its investments and recover its cost of borrowed funds rather than bearing the same on its budget in the form of implicit subsidy and take requisite steps to infuse transparency in financial operations. This section presents the broad financial analysis of investments and other capital expenditure undertaken by the Government during the current year *vis-à-vis* previous years.

1.8.1 Financial results of irrigation works

The financial results in respect of irrigation works have not been worked out. The Government incurred expenditure of ₹ 66.99 crore on maintenance of irrigation projects in the State during 2016-17, which was ₹ 5.87 crore more than the maintenance expenditure during the previous year (₹ 61.12 crore).

1.8.2 Incomplete projects

Department-wise information of the incomplete projects is given in Table 1.28.

Table 1.28: Department-wise profile of incomplete projects

(₹ in crore)

| Department | Number of incomplete projects | Initial budgeted cost | Revised total cost of projects | Cumulative actual expenditure as on 31 March 2017 |
|----------------------------|-------------------------------|-----------------------|--------------------------------|---|
| Public Works Department | 104 | 563.96 | - | 131.04 |
| Water Resources Department | 28 | 591.91 | 1646.57 | 1377.99 |
| Total | 132 | 1155.87 | 1646.57 | 1509.03 |

(Source: Finance Accounts of the State and information received from Water Resources Department)

As of 31 March 2017, there were 132 incomplete projects valuing more than ₹ one crore each, on which ₹ 1,509.03 crore had already been expended.

The Tillari Irrigation project, a joint venture of the Government of Maharashtra and the Government of Goa, which commenced in 1986 remained incomplete mainly due to delay in land acquisition.

1.8.3 Investments and returns

Statement No. 19 of the Annual Finance Accounts of the State Government contains the details of investments made by the State in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives. As of 31 March 2017, Government had invested ₹ 561 crore in these Statutory

Corporations, Rural Banks, Joint Stock Companies and Co-operatives (Table 1.29).

The average return on this investment was 0.28 per cent on an average investment of ₹ 493.75 crore in the last five years while the Government paid average interest rate ranging from 7.09 per cent to 7.69 per cent on its borrowings during 2012-17.

Table 1.29: Return on investment

| Investment/Return/Cost of Borrowings | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---|---------|---------|---------|---------|---------|
| Investment at the end of the year (₹ in crore) | 445.72 | 449.13 | 488.00 | 525.00 | 560.94 |
| Return (₹ in crore) | 1.73 | 1.10 | 1.82 | 1.43 | 0.86 |
| Return (in percentage) | 0.39 | 0.24 | 0.37 | 0.27 | 0.15 |
| Average rate ¹¹ of interest on Govt. borrowing (in percentage) | 7.69 | 7.44 | 7.59 | 7.30 | 7.09 |
| Difference between interest rate and return (in percentage) | 7.30 | 7.20 | 7.22 | 7.03 | 6.94 |

(Source : Finance Accounts of the State)

The increase in investments by ₹ 35.94 crore during 2016-17 over the previous year was mainly due to increased capital contributions in Information Technology Corporation of Goa (₹ 25 crore), Goa State Infrastructure Development Corporation (₹ five crore) and Goa State Scheduled Tribe Finance Development Corporation Limited (₹ 4.52 crore).

The Government had acquired shares totalling ₹ 3.60 lakh in joint stock companies during the takeover of assets of the Hospicio Trust. The acquired shares include shares of several different companies like Associated Cement Company, M/s Mahindra and Mahindra, Hindustan Unilever Limited, Forbes Gokak Limited, Bombay Dyeing, Bombay Suburban Electricity Supply Company Limited, Wimco Limited etc. The Government has not earned any return on this investments as it has failed to get the shares acquired transferred to its name¹². Further details are provided in **Paragraph 3.8**.

1.8.4 Departmental commercial undertakings

There are two departmentally managed quasi-commercial undertakings viz., the Electricity Department and the River Navigation Department in the State. **Table 1.30** depicts the Department-wise position of the investments made by the Government up to the year for which proforma accounts have been audited, net profits/loss as well as return on capital invested in these undertakings.

¹¹Interest payment/[(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities)/2]*100

¹² Except for ₹ 333 and ₹ 315 received as dividend from Laxmi Mills Co. Limited and Peria Karmalai Tea and Produce Company Limited which were misclassified under the Major Head 0210-01-800 instead of MH 0050 Dividends and Profits

Table 1.30: Summarised financial Statement of departmentally managed quasi-commercial undertakings

(₹ in crore)

| Sl. No. | Name of the undertaking | Period of accounts audited | Amount invested by Government | Turn-over/ income | Net profit/ loss | Accumulated profit/ loss | Interest on capital | Total return | Percentage of return on capital |
|---------|-----------------------------|----------------------------|-------------------------------|-------------------|------------------|--------------------------|---------------------|--------------|---------------------------------|
| 1 | Electricity Department | 2013-14 | 1266.53 | 1088.96 | (-)244.91 | (-)117.27 | - | (-)244.91 | -19 |
| 2 | River Navigation Department | 2005-06 | 108.29 | 1.07 | (-) 10.53 | (-) 106.68 | 0.41 | (-) 10.12 | Nil |

An amount of ₹ 1,374.82 crore had been invested by the State Government in the Electricity Department and the River Navigation Department at the end of the financial year up to which their accounts were finalised. As per the accounts for the year 2013-14, the Electricity Department suffered a net loss amounting to ₹ 244.91 crore against a capital investment of ₹ 1,266.53 crore, thereby yielding negative return of 19 per cent.

The River Navigation Department (RND) was incurring losses every year and the accumulated loss as at the end of the year 2005-06 was ₹ 106.68 crore against the total investment of ₹ 108.29 crore. The Government needs to review the working of RND so as to wipe out its losses in the short run and to make itself sustaining in the medium to long term.

1.8.5 Loans and advances by State Government

In addition to investments in co-operative societies, corporations and companies, the Government has also been providing loans and advances to many of these institutions/organisations. Table 1.31 presents the outstanding loans and advances as on 31 March 2017, interest receipts *vis-à-vis* interest payments during the last three years.

Table 1.31: Average interest received on loans and advances by the State Government

(₹ in crore)

| Quantum of loans/interest receipts/cost of borrowings | 2014-15 | 2015-16 | 2016-17 |
|---|--------------|--------------|--------------|
| Opening Balance | 90.69 | 83.65 | 76.14 |
| Amount advanced during the year | 2.92 | 2.69 | 3.41 |
| Amount repaid during the year | 9.96 | 10.20 | 8.52 |
| Closing Balance | 83.65 | 76.14 | 71.03 |
| <i>of which</i> Outstanding balance for which terms and conditions have been settled | - | - | - |
| Net addition | (-)7.04 | (-)7.51 | (-) 5.11 |
| Interest Receipts | 2.02 | 2.58 | 2.30 |
| Interest receipts as percentage of outstanding Loans and advances | 2.31 | 3.22 | 3.12 |
| Interest payments as percentage of outstanding fiscal liabilities of the State Government | 7.26 | 6.90 | 6.82 |
| Difference between interest payments and interest receipts (<i>per cent</i>) | (-) 4.95 | (-) 3.68 | (-) 3.70 |

(Source: Finance Accounts of the State)

The total outstanding loans and advances as on 31 March 2017 decreased by ₹ 5.11 crore as compared to previous year. The total amount of loans disbursed during the year increased from ₹ 2.69 crore in 2015-16 to ₹ 3.41 crore in 2016-17. Of the total amount loans and advances disbursed

during the year ₹ 3.27 crore was disbursed to Government servants¹³ and the balance amount of ₹ 0.14 crore went to Economic sector.

Interest received against these loans and advances decreased from ₹ 2.58 crore in 2015-16 to ₹ 2.30 crore in 2016-17. Interest spread on Government borrowings was negative during the period 2014-17 which indicated that the State borrowings were more expensive than the loans advanced by it.

1.8.6 Cash balances and investment of cash balances

Table 1.32 depicts the cash balances and investments made by the State Government out of cash balances during the year.

Table 1.32: Cash balances and investment of cash balances

| Particulars | (₹ in crore) | | |
|--|------------------------|------------------------|------------------------------|
| | As on 31 March 2016 | As on 31 March 2017 | Increase (+)/ Decrease(-) |
| Cash in treasuries | - | - | - |
| Deposits with Reserve Bank | -162.74 | -126.49 | 36.25 |
| Remittances in transit-Local | - | - | - |
| Cash with the Departmental officers | 1.48 | 1.48 | - |
| Permanent advance for contingent expenditure with Departmental officers | 0.27 | 0.29 | 0.02 |
| Investments from cash balances (a to d) | 256.67 | 344.25 | 87.58 |
| a. GoI Treasury Bills | 254.56 | 341.80 | 87.24 |
| b. GoI Securities | - | - | - |
| c. Other Securities | - | - | - |
| d. Other Investments | 2.11 | 2.45 | 0.34 |
| Funds-wise break-up of investment from Earmarked balances (a to c) | 670.74 | 762.67 | 91.93 |
| a. General and other Reserve Funds | 239.64 | 271.66 | 32.02 |
| b. Sinking Fund | 431.10 | 491.01 | 59.91 |
| c. Miscellaneous Deposits | - | - | - |
| Total Cash Balances | 766.42 | 982.20 | 215.78 |
| <i>Interest Realised</i> | 1.09 | 3.78 | 2.69 |

(Source: Finance Accounts of the State)

The State Government's cash balances of ₹ 982 crore at the end of the current year showed an increase of 28.15 per cent (₹ 216 crore) over the previous year. Of the above, ₹ 342 crore was invested in GoI Treasury Bills which earned an interest of ₹ 3.78 crore during the year. Further, ₹ 763 crore was invested in earmarked funds. The cash balances of the State Government at the end of March 2017 was around nine per cent of the total expenditure (₹ 10,508 crore) of the State Government during the year.

Under an agreement with the RBI, the State Government has to maintain a minimum cash balance of ₹ 19 lakh with the Bank on all days. The balance in excess of ₹ 19 lakh is invested by the RBI in 14 days Intermediate Treasury bills for a minimum amount of ₹ one lakh and in multiple of ₹ one lakh. Whenever the balance falls below the agreed minimum limit on any day, treasury bills are rediscounted and the balance restored. In the event of balance remaining low the deficiency is made good by taking normal/special ways and means advances/overdraft from the bank.

¹³ Purchase of computers- ₹ 1.45 crore, advances for purchase of motor conveyances ₹ 1.28 crore and advances for House Building - ₹ 0.54 crore

During the year 2016-17, the State Government had obtained ways and means advances on 174 occasions (₹ 1,738.11 crore) and overdrafts (₹ 47 crore) on 14 occasions. The Government repaid ₹ 1,785.11 crore to RBI during the year. The State also paid ₹ 4.09 crore as interest on these ways and means advances and overdrafts.

1.8.7 Outstanding balances under the head ‘Cheques and Bills’

This head is an intermediary accounting head for initial recording of transactions which are to be cleared eventually. As per accounting rules, when a cheque is issued, the functional head is debited and the Major Head-8670-Cheques and Bills is credited. On clearance of the cheque by the Bank, the minus credit is given to Major Head 8670-Cheques and Bills by crediting the Major Head 8675-Deposits with Reserve Bank and thereby reducing the cash balance of the Government. Thus, the outstanding balance under the Major head 8670-Cheques and Bills represents the amount of un-encashed cheques.

As on 31 March 2017, there was an outstanding balance (cumulative) of ₹ 39.62 crore. This represents expenditure originally booked under different major heads of consolidated fund, which has not resulted in any cash outflow till the end of March 2017.

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 fiscal liabilities¹⁴ of the Government and the assets created out of the expenditure incurred. **Appendix 1.3, Part B** gives an abstract of such liabilities and the assets as on 31 March 2017, compared with the corresponding position as on 31 March 2016. While the liabilities consist mainly of internal borrowings, loans and advances from the GoI, receipts from the Public Account and Reserve Funds, the assets mainly comprise the capital outlay and loans and advances given by the State Government and cash balances.

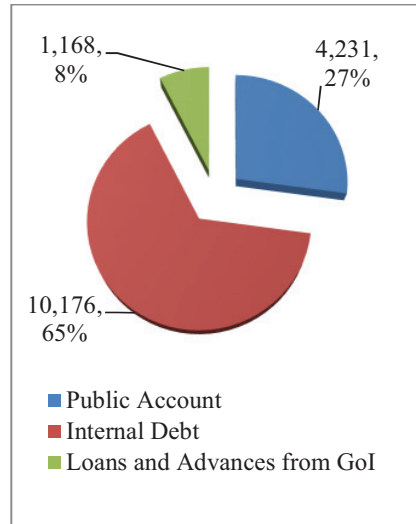
¹⁴Internal debt (market loans, loans from NSSF, ways and means advances and loans from other financial institutions), loans and advances from GoI, the liabilities arising from the transactions in the Public Account of the State

1.9.2 Fiscal liabilities

The composition of fiscal liabilities during the year 2016-17 vis-à-vis the previous year is presented in Charts 1.16 and 1.17.

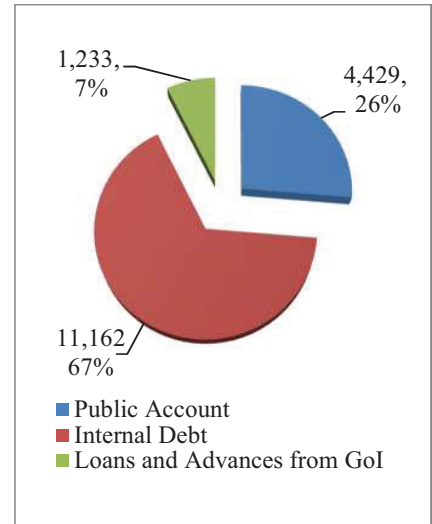
(₹ in crore)

Chart 1.16: Composition of outstanding fiscal liabilities as on 31 March 2016



(Source: Finance Accounts of the State)

Chart 1.17: Composition of outstanding fiscal liabilities as on 31 March 2017



(Source: Finance Accounts of the State)

The outstanding loans and advances from GoI as percentage of fiscal liabilities (seven per cent) decreased by one percentage from the last year, internal debt increased by two percentage points over the same period. The Public Account liabilities decreased from 27 per cent in 2015-16 to 26 per cent in 2016-17.

Table 1.33 gives the fiscal liabilities of the State, their rate of growth, the ratio of these liabilities to GSDP, to revenue receipts and to the State’s own resources as also the buoyancy of fiscal liabilities with reference to these parameters.

Table 1.33: Fiscal liabilities – basic parameters

| | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|--|---------|---------|---------|---------|---------|
| Fiscal Liabilities (₹ in crore) | 11232 | 12695 | 13877 | 15575 | 16824 |
| Rate of Growth (per cent) | 17.26 | 13.03 | 9.31 | 12.24 | 8.02 |
| Ratio of fiscal liabilities to: | | | | | |
| GSDP (per cent) | 29.46 | 35.34 | 29.02 | 28.70 | 26.07 |
| Revenue Receipts (per cent) | 192.16 | 196.82 | 180.48 | 182.12 | 175.89 |
| Own Resources (per cent) | 235.32 | 242.09 | 223.03 | 243.09 | 241.24 |
| Buoyancy of Fiscal Liabilities with reference to: | | | | | |
| GSDP (ratio) | --* | --* | 0.28 | 0.90 | 0.42 |
| Revenue Receipts (ratio) | 15.58 | 1.25 | 0.48 | 1.09 | 0.68 |
| Own Resources (ratio) | -9.22 | 1.32 | 0.50 | 4.12 | 0.91 |

(Source: Finance Accounts of the State)

*GSDP growth rate in 2012-13 and 2013-14 being negative, buoyancy ratio could not be calculated

The overall fiscal liabilities of the State increased at an average annual rate of 11.97 per cent during the period 2012-17. The growth rate decreased continuously from 17.26 per cent in 2012-13 to 8.02 per cent in 2016-17 except during 2015-16 which was 12.24 per cent.

Over a period of four years, fiscal liabilities to GSDP ratio had reduced from 35.34 per cent in 2013-14 to 26.07 per cent in 2016-17. This was however, higher than the target fixed (25 per cent) in the GFRBM (first amendment) Act, 2014 and projections made in FC XIV (25.55 per cent). These liabilities were nearly twice the revenue receipts and more than twice the State's own resources at the end of 2016-17.

Of the total fiscal liabilities during 2016-17, the share of public debt was maximum (74 per cent), followed by Small Savings, Provident fund¹⁵ etc., (12 per cent), deposits¹⁶ (9 per cent) and Reserve funds (five per cent). Fiscal liabilities increased by ₹ 1,249 crore as compared to previous year mainly due to increase in Public Debt (₹ 1,051 crore), Small Savings and Provident Funds (₹ 122 crore) and Reserve Funds (₹ 77 crore), offset by decrease in Deposits (₹ one crore).

1.9.3 Transactions under Reserve Fund

There were eight reserve funds earmarked for specific purposes of which, four funds were active and four funds were inactive, as shown in **Appendix 1.6**. The total accumulated balance as on 31 March 2017 in these funds was ₹ 1,535.86 crore (₹ 1,513.69 crore active funds and ₹ 22.17 crore in inactive funds). However, the investment out of these balances was only ₹ 762.67 crore (49.65 per cent). An account of these funds is included in **Statement No. 22** of Finance Accounts 2016-17.

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 maximum amount for which guarantees were given by the State and outstanding guarantees is given in the **Statement No. 9** of the Finance Accounts (Volume I). The summarised position in respect of the last three years is shown in **Table 1.34**.

Table 1.34: Guarantees given by the Government of Goa

(₹ in crore)

| Guarantees | 2014-15 | 2015-16 | 2016-17 |
|--|---------|---------|---------|
| Maximum amount guaranteed | 695.65 | 712.65 | 932.01 |
| Outstanding amount of guarantees | 337.06 | 622.55 | 841.91 |
| Percentage of maximum amount guaranteed to total revenue receipt | 9.04 | 8.33 | 9.74 |

(Source: Finance Accounts of the State)

¹⁵Small Savings and Provident Fund include State Provident Fund and Pension Funds which are liable to be repaid by the Government to the subscribers and depositors

¹⁶Deposits include Security Deposits, Deposits from Government Companies, Corporations etc., Defined Contribution Pension Scheme for Government Employees and Civil Deposits, which are liable to be repaid by the Government to the subscribers and depositors

The Goa Legislature had fixed a limit of ₹ 1,500 crore on the outstanding guarantees in September 2015. The outstanding guarantees at ₹ 842 crore during 2016-17 were well within the ceiling limit specified by the Legislature. The outstanding guarantee during 2016-17 was 1.30 *per cent* of the GSDP.

The State has set up a Guarantee Redemption Fund during 2003-04 with the objective of meeting the payment of obligations arising out of the guarantees issued by the State Government on behalf of State level autonomous bodies. The State Government has exempted the borrowing institutions from the payment of guarantee fee. At the beginning of the year ₹ 216.15 crore was available in the fund. With contribution of ₹ 10 crore and the interest received on the investment at the end of the year (₹ 19.81 crore) the closing balance was ₹ 245.96 crore. The entire balance of ₹ 245.96 crore was reinvested in Government securities. No guarantee was invoked during 2016-17.

1.10 Debt management

Debt sustainability

Debt sustainability implies State's ability to service the debt in future. Apart from the magnitude of debt of the State Government, it is important to analyse the various indicators that determine the debt sustainability of the State. The analysis of various debt sustainability indicators of the State for the period of five years beginning from 2012-13 is presented in **Table 1.35**.

Table 1.35: Debt Sustainability: Indicators and Trends

| Indicators of Debt Sustainability | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---|---------|---------|---------|---------|---------|
| Outstanding Debt (₹ in crore) | 11232 | 12695 | 13877 | 15575 | 16824 |
| Rate of growth of outstanding Debt (in per cent) | 17.26 | 13.03 | 9.31 | 12.24 | 8.02 |
| Rate of growth of GSDP (in per cent) | -10.02 | -5.77 | 33.11 | 13.51 | 18.92 |
| Debt/GSDP (in per cent) | 29.46 | 35.34 | 29.02 | 28.70 | 26.07 |
| Debt/RR (in per cent) | 192.16 | 196.82 | 180.48 | 182.12 | 175.89 |
| Average interest rate of outstanding debt ¹⁷ (in per cent) | 7.69 | 7.44 | 7.59 | 7.30 | 7.09 |
| Burden of Interest payment in per cent (IP/RR) | 13.70 | 13.81 | 13.11 | 12.58 | 12.00 |
| Debt repayment/debt receipts | 0.22 | 0.25 | 0.29 | 0.23 | 0.30 |
| Public debt repayment/tax revenue (in per cent) | 11.53 | 9.26 | 9.39 | 11.04 | 10.98 |
| Net Debt available to the State (₹ in crore) | 851 | 572 | 175 | 623 | 101 |

(Source: Finance Accounts of the State)

The **Table 1.35** reveals that while outstanding debt increased from ₹ 11,232 crore in 2012-13 to ₹ 16,824 crore in 2016-17, the debt to GSDP ratio depicted a declining trend from 35.34 *per cent* in 2013-14 to 26.07 *per cent* in 2016-17. The ratio of outstanding debt to revenue receipt fell from 196.82 *per cent* in 2013-14 to 175.89 *per cent* in 2016-17. While this is an improving trend, the State Government may continue to make efforts

¹⁷ = interest paid / ((O.B. of Public debt + C.B. of Public debt) / 2)

to bring the debt-GSDP ratio to 25 per cent as per target fixed in the GFRBM (first amendment) Act, 2014.

The ratio of interest payments relative to revenue receipts, during the year 2016-17 was 12.00 per cent. This was less than the projected ratio (12.43 per cent) prescribed by the FC XIV.

The net funds available from borrowed funds after providing interest payment and repayment declined from ₹ 851 crore in 2012-13 to ₹ 175 crore in 2014-15 and again increased to ₹ 623 crore in 2015-16. During 2016-17, Government raised internal debt of ₹ 1,427 crore, loans and advance from GoI of ₹ 92 crore and other obligations of ₹ 1,128 crore. The Government repaid internal debt of ₹ 441 crore, GoI loans of ₹ 27 crore and discharged other obligations of ₹ 930 crore and paid interest of ₹ 1,148 crore resulting in net availability of debt receipts by ₹ 101 crore.

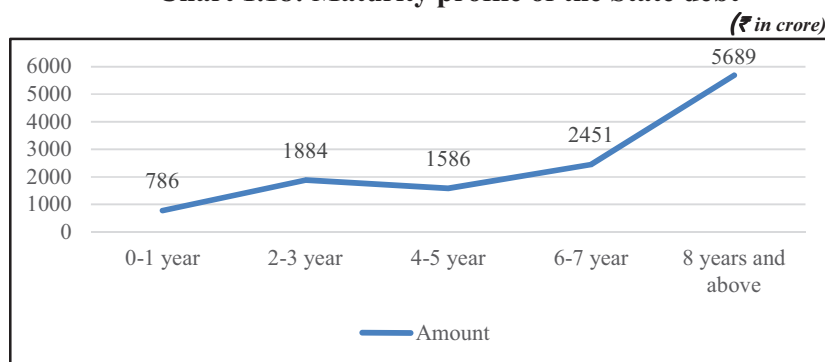
The maturity profile of the State Debt is shown in **Table 1.36** and **Chart 1.18**.

Table 1.36: Maturity profile of State debt

| Maturity Profile (in years) | Amount (₹ in crore) | Per cent |
|--|---------------------|------------|
| 0 – 1 | 785.60 | 6.34 |
| 2 – 3 | 1883.74 | 15.20 |
| 4 – 5 | 1585.74 | 12.79 |
| 6 – 7 | 2451.22 | 19.78 |
| 8 and above | 5597.81 | 45.15 |
| Loans pertaining to Ex-Union Territory | 91.30 | 0.74 |
| Total | 12,395.41 | 100 |

(Source: Finance Accounts of the State)

Chart 1.18: Maturity profile of the State debt



(Source: Finance Accounts of the State)

The maturity of the State debt as per **Table 1.36** and **Chart 1.18** indicates that 54.11 per cent of the total debts is repayable within the next seven years. It further indicates that the liability of the State to repay the debt would be ₹ 1,884 crore during the period 2018-20 and ₹ 4,037 crore during 2020-25 which would put a strain on the Government budget during that period.

1.11 Fiscal Imbalances

Three key fiscal parameters 'revenue, fiscal and primary deficits' indicate the extent of overall fiscal imbalances in the finances of the State Government

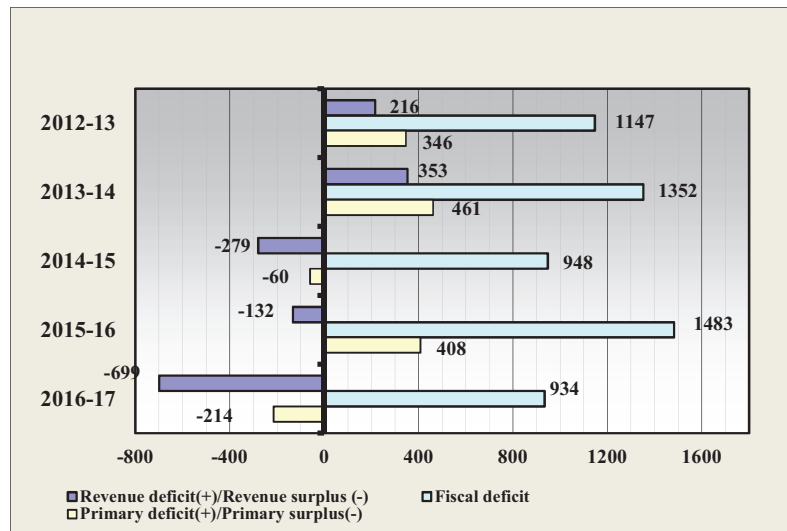
during a specified period. The deficit in the Government accounts represents the gap between its receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources raised are applied are important pointers to its fiscal health. This section presents trends, nature, magnitude and the manner of financing these deficits *vis-à-vis* targets set under GFRBM (first amendment) Act, 2014.

1.11.1 Trends in deficits

Charts 1.19 and 1.20 present the trends in deficit indicators over the period 2012-17.

Chart 1.19: Trends in deficit indicators

(₹ in crore)



(Source: Finance Accounts of the State)

As per GFRBM (first amendment) Act, 2014, the revenue deficit was to be brought down to ‘zero’ by March 2015. The State recorded a revenue deficit during the period 2012-14 which turned into revenue surplus during the period 2014-17. Thus, the State has achieved the target as envisaged in GFRBM (first amendment) Act, 2014 in 2014-15.

The revenue surplus of the State at ₹ 699 crore during 2016-17 was due to increase of ₹ 1,013 crore (11.84 per cent) in revenue receipts as against the increase of ₹ 446 crore (5.30 per cent) in revenue expenditure over the previous year.

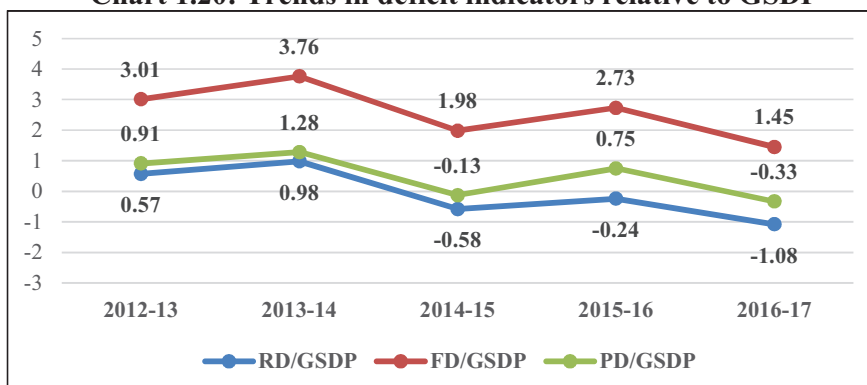
The fiscal deficit, which represents the total borrowings of the State *i.e.*, total resource gap, increased steadily during the period 2012-14. The fiscal deficit of ₹ 1,352 crore in 2013-14 decreased to ₹ 948 crore in 2014-15. Thereafter, the fiscal deficit increased to ₹ 1,483 crore in 2015-16 which decreased to ₹ 934 crore in 2016-17. The fiscal deficit of ₹ 934 crore in 2016-17 was the net result of revenue surplus (₹ 699 crore), capital expenditure (₹ 1,639 crore) and increase of net loans and advances (₹ six crore).

However, the fiscal deficit as a percentage of GSDP (1.45 per cent) in the current year was within the limit of three per cent fixed by the GFRBM

(first amendment) Act, 2014 and the FC XIV. The State achieved a primary surplus of ₹ 214 crore against a deficit of ₹ 408 crore recorded in 2015-16.

A decrease of ₹ 549 crore in fiscal deficit together with an increase in interest payment of ₹ 73 crore turned the primary deficit into primary surplus of ₹ 214 crore.

Chart 1.20: Trends in deficit indicators relative to GSDP



1.11.2 Composition of fiscal deficit and its financing pattern

Fiscal deficit normally represents the net incremental liabilities of the Government or its additional borrowings. The shortfall could be met either by additional public debt (internal or external) or by the use of surplus funds from Public Account. The financing patterns of the fiscal deficit during the period 2012-13 to 2016-17 are reflected in the **Table 1.37**.

Table 1.37: Components of fiscal deficit and its financing pattern

(₹ in crore)

| Particulars | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|--|-------------|-------------|------------|-------------|------------|
| Composition of Fiscal Deficit (a) | 1147 | 1352 | 948 | 1483 | 934 |
| | (3.01) | (3.76) | (1.98) | (2.73) | (1.45) |
| 1 Revenue Deficit/Surplus | 216 | 353 | -279 | -132 | -699 |
| | (0.57) | (0.98) | (-0.58) | (-0.24) | (-1.08) |
| 2 Capital Expenditure | 942 | 1008 | 1234 | 1622 | 1639 |
| | (2.47) | (2.81) | (2.58) | (2.99) | (2.54) |
| 3 Net Loans and Advances | - 11 | - 9 | -7 | -7 | -6 |
| | (-0.03) | (-0.03) | (-0.01) | (-0.01) | (-0.01) |
| Financing Pattern of Fiscal Deficit | | | | | |
| 1 Market Borrowings | 995 | 881 | 667 | 1285 | 1171 |
| | (2.61) | (2.45) | (1.39) | (2.37) | (1.81) |
| 2 Loans from GoI | 139 | 124 | 175 | 85 | 65 |
| | (0.36) | (0.35) | (0.37) | (0.16) | (0.10) |
| 3 Loans from Financial Institutions | 65 | -42 | 59 | 38 | -185 |
| | (0.17) | (-0.12) | (0.12) | (0.07) | (-0.29) |
| 4 Ways and Means advances | - | - | - | - | - |
| | - | - | - | - | - |
| 5 Small Savings, PF etc. | 150 | 115 | 112 | 113 | 122 |
| | (0.39) | (0.32) | (0.23) | (0.21) | (0.19) |
| 6 Deposits and Advances | 192 | 336 | 110 | -72 | -2 |
| | (0.50) | (0.94) | (0.23) | (-0.13) | (0.00) |

| | | | | | | |
|----|--|------------|-------------|------------|-------------|-------------|
| 7 | Suspense and Miscellaneous | - 699 | -179 | -180 | -186 | -51 |
| | | (-1.83) | (-0.50) | (-0.38) | (-0.34) | (-0.08) |
| 8 | Remittances | - 178 | 86 | -114 | -93 | -139 |
| | | (-0.47) | (0.24) | (-0.24) | (-0.17) | (-0.22) |
| 9 | Reserve Fund | 169 | 111 | 128 | 286 | 169 |
| | | (0.44) | (0.31) | (0.27) | (0.53) | (0.26) |
| 10 | Contingency Fund | - | -1 | - | - | - |
| | | - | (0.00) | - | - | - |
| 11 | Total (1 to 10) (b) | 833 | 1431 | 957 | 1456 | 1150 |
| 12 | Increase(-)/Decrease(+) in cash balance(a) - (b) | 314 | -79 | -9 | 27 | -216 |
| | | (0.82) | (-0.22) | (-0.02) | (0.05) | (-0.33) |
| 13 | Overall deficit (11+12) | 1147 | 1352 | 948 | 1483 | 934 |
| | | (3.01) | (3.76) | (1.98) | (2.73) | (1.45) |

(Source: Finance Accounts of the State)
 Figures in parenthesis indicate per cent to GSDP

Table 1.37 reveals that during the last five years, market borrowings and net accretions in Public Account (small savings, reserve fund *etc.*) are the main sources utilised by the State Government to finance the fiscal deficit. During 2016-17, net market borrowings (₹ 1,171 crore) and net accretions in Small savings PF *etc.*, (₹122 crore) were used for bridging the fiscal deficit of the State.

During 2016-17, the State Government raised ₹ 1,320 crore as market loans at an average rate of 7.42 *per cent*, ₹ 107 crore from National Bank for Agriculture and Rural Development at an interest rate of 5.55 *per cent*. The Government also received loans amounting to ₹ 92 crore¹⁸ from GoI during the year for Externally Aided Projects.

Table 1.38 shows an overall deficit (increase in cash balance) after financing the fiscal deficit during the period 2016-17.

Table 1.38: Receipts and disbursements under components financing the fiscal deficit during 2016-17

| | | (₹ in crore) | | |
|-------------|--|--------------|---------------|-------------|
| Particulars | | Receipts | Disbursements | Net |
| 1 | Market Borrowings | 1320 | 149 | 1171 |
| 2 | Loans from GoI | 92 | 27 | 65 |
| 3 | Loans from Financial Institutions* | 1892 | 2077 | -185 |
| 4 | Small Savings, PF <i>etc.</i> | 392 | 270 | 122 |
| 5 | Deposits and Advances | 502 | 504 | -2 |
| 6 | Suspense and Miscellaneous | 6065 | 6116 | -51 |
| 7 | Remittances | 3950 | 4089 | -139 |
| 8 | Reserve Funds | 219 | 50 | 169 |
| 9 | Contingency Fund | 0 | 0 | 0 |
| 10 | Appropriation to/from Contingency Fund | 0 | 0 | 0 |
| 11 | Total (1 to 10) | 14432 | 13281 | 1150 |
| 12 | Increase(-)/Decrease (+) in Cash Balance | | | -216 |
| 13 | Overall deficit (11+12) | | | 934 |

(Source: Finance Accounts of the State)
 * includes ways and means advances

¹⁸ ₹ 40.14 crore (Int @ 0.75 *per cent*) of Additional Central assistance for Externally aided projects under direct procedure and ACA for EAP for ₹ 51.72 crore (interest at the rate of 1.30 *per cent*) under reimbursement procedure for projects on back to back basis

1.11.3 Quality of deficit/surplus

The ratio of revenue deficit to fiscal deficit and the bifurcation of primary deficit into primary revenue deficit and capital expenditure (including loans and advances) would 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.

Non-debt receipts of the State were sufficient to meet the primary expenditure requirements under revenue account. During 2012-14 and 2015-16, non-debt receipts were insufficient to meet the expenditure requirements under revenue and capital account resulting in primary deficit. However, during 2014-15 and 2016-17, incremental non-debt receipts were sufficient to meet the primary expenditure resulting in primary surplus. During 2016-17, incremental non-debt receipts (₹ 1,012 crore) was able to cover the incremental primary expenditure of ₹ 390 crore and incremental interest burden (₹ 73 crore); these were sufficient to meet the primary expenditure resulting in primary surplus. The details are indicated in **Table 1.39**.

Table 1.39: Primary deficit/surplus – bifurcation of factors

(₹ in crore)

| Year | Non-debt receipts | Primary Revenue Expenditure | Capital Expenditure | Loans and Advances | Primary Expenditure | Primary revenue deficit(+)/surplus(-) | Primary deficit (+)/surplus (-) |
|---------|-------------------|-----------------------------|---------------------|--------------------|---------------------|---------------------------------------|---------------------------------|
| 1 | 2 | 3 | 4 | 5 | 6(3+4+5) | 7(3-2) | 8(6-2) |
| 2012-13 | 5860 | 5260 | 942 | 4 | 6206 | (-) 600 | 346 |
| 2013-14 | 6463 | 5912 | 1008 | 4 | 6924 | (-) 551 | 461 |
| 2014-15 | 7699 | 6402 | 1234 | 3 | 7639 | (-) 1297 | (-) 60 |
| 2015-16 | 8562 | 7345 | 1622 | 3 | 8970 | (-) 1217 | 408 |
| 2016-17 | 9574 | 7718 | 1639 | 3 | 9360 | (-) 1856 | (-) 214 |

(Source: Finance Accounts of the State)

The capital expenditure as a percentage to primary expenditure¹⁹ increased from 15.17 *per cent* during 2012-13 to 18.08 *per cent* during 2015-16. However, it decreased to 17.51 *per cent* during 2016-17.

1.12 Follow up

State Finance Report is being presented to the State Legislature from 2008-09 onwards. The Public Accounts Committee discussed the paragraphs on State Finance Report for the years 2008-09 and 2009-10 and recommendations of the PAC have been issued for these reports.

1.13 Conclusion and Recommendations

Fiscal position

The growth of GSDP was 18.92 *per cent* which was higher than the projection made by the Fourteenth Finance Commission of 14.52 *per cent* during the year. The fiscal position of the State had shown improvement over the last year in terms of key parameters. The State continued to maintain revenue surplus

¹⁹ Primary expenditure of the State defined as the total expenditure net of the interest payments indicates the expenditure incurred on the transactions undertaken during the year

during the period 2014-17 and kept the fiscal deficit relative to GSDP within the limit laid down by the Finance Commission.

During 2016-17, revenue surplus stood at ₹ 699 crore was higher than the previous years' surplus by ₹ 567 crore. This was due to increase of ₹ 1,013 crore (11.84 per cent) in revenue receipts as against the increase of ₹ 446 crore (5.30 per cent) in revenue expenditure over the previous year. Fiscal deficit during 2016-17 was 1.45 per cent of GSDP, below the target of three per cent set forth in GFRBM (first amendment) Act, 2014 and FC XIV. The State had attained primary surplus (₹ 214 crore) during 2016-17 as compared to primary deficit of ₹ 408 crore in 2015-16. During 2016-17, significant increase in non-debt receipts (₹ 1,012 crore) was able to cover the incremental primary expenditure of ₹ 390 crore and incremental interest burden (₹ 73 crore); these were sufficient to meet the primary expenditure resulting in primary surplus.

The cash balances at the end of 2016-17 (₹ 982 crore) increased by ₹ 216 crore over the previous year.

Resource mobilisation

Revenue receipts (₹ 9,565 crore) during 2016-17 increased by ₹ 1,013 crore (11.84 per cent) as compared to previous year. Though State's own tax revenue increased by ₹ 286 crore, its growth rate (7.19 per cent) was less than the projection of 8.26 per cent prescribed by the FC XIV. Ratio of non-tax revenue to revenue receipts was 28.35 per cent. Tax devolution from GoI including Grants-in-aid contributed 27 per cent.

The Government may explore mobilising the additional resources through tax revenues by ensuring better tax compliance.

Expenditure management and fiscal priorities

Revenue expenditure (₹ 8,866 crore) continued to be a dominant component (84.37 per cent) of the State's aggregate expenditure in 2016-17. The non-plan revenue expenditure contributed 76.02 per cent of revenue expenditure and increased by ₹ 419 crore from ₹ 6,321 crore in 2015-16 to ₹ 6,740 crore in 2016-17. The expenditure on salaries accounted for 22.30 per cent of revenue receipts, while expenditure on pension payments was ₹ 844 crore in 2016-17 which constituted nine per cent of revenue receipts. The ratio of interest payments to revenue receipts was 12 per cent which was less than the FC XIV norm of 12.43 per cent. Expenditure under General and Social sector registered growth of 12 per cent and five per cent respectively, while there was negative growth rate in economic sector by one per cent over the previous year.

The Government may like to closely monitor revenue expenditure so that revenue surplus could be maintained.

Capital expenditure of the State (₹ 1,639 crore) increased by ₹ 17 crore during 2016-17 over the previous year. The overall development expenditure decreased from 71.75 per cent in 2015-16 to 70.69 per cent in 2016-17. During 2013-14 and 2016-17, the State's share of expenditure on health and family welfare to aggregate expenditure were better than General Category

States, but the State's share in respect of education and capital expenditure to aggregate expenditure was lower as compared to General Category States.

The return from investment of ₹ 561 crore as of March 2017 in companies/corporations was negligible (₹ 0.86 crore) while the average return on this investment was 0.28 *per cent* in the last five years. On the other hand, the Government paid average interest rate of 7.09 *per cent* on its borrowings during 2016-17.

The Government may take suitable measures to improve the working of the companies/corporations for ensuring reasonable returns on investment.