

1. This chapter provides an audit perspective on finances of the State Government during 2016-17 and analyses changes in major fiscal aggregates relative to 2015-16 keeping in view the overall trends of the preceding five years.

The analysis is based on details contained in the Finance Accounts of the Government of Bihar (GoB). The profile of the State is given in *Appendix 1.1*.

1.1 Gross State Domestic Product (GSDP)¹

The trends in annual growth of Gross Domestic Product (GDP) of India and GSDP of the State at current prices and constant prices (Base year: 2011-12) are given in **table 1.1**.

Table 1.1: GDP of India and GSDP of Bihar

Year	2012-13	2013-14	2014-15	2015-16	2016-17
India's GDP (₹ in crore)	99,44,013	1,12,33,522	1,24,45,128	1,36,82,035	1,51,83,709
Growth rate of GDP (percentage) of India	13.82	12.97	10.79	9.94	10.98
State's GSDP at current prices (₹ in crore)	2,82,368	3,17,101	3,42,951	3,81,501	4,38,030
Growth rate of GSDP (percentage) of the State at current prices	14.25	12.30	8.15	11.24	14.82
State's GSDP at constant prices (₹ in crore)	2,56,851	2,69,650	2,79,482	3,00,566	3,31,572
Growth rate of GSDP (percentage) of the State at constant prices	3.93	4.98	3.65	7.54	10.32

(Source: GDP/GSDP figures issued by MoSPI dated 01.08.2017)

The structure of the Government Accounts is explained in *Part A* and the layout of the Finance Accounts in *Part B* of *Appendix 1.2*.

1.1.1 Summary of Fiscal Transactions

Table 1.2 presents a summary of fiscal transactions of the State Government during 2016-17 *vis-à-vis* 2015-16. *Appendix 1.3* provides details of receipts and disbursements as well as the overall fiscal position during 2016-17.

¹ GDP and GSDP are the market value of all officially recognised final goods and services produced within the country and the State respectively in a given period of time and are an important indicator of the country's and the State's economy.

Table 1.2: Summary of Fiscal Transactions in 2016-17

(₹ in crore)

Receipts	2015-16	2016-17	Disbursements	2015-16	2016-17		
					Non-Plan	Plan	Total
Section-A: Revenue							
Revenue Receipts	96,123	1,05,585	Revenue Expenditure	83,616	61,189	33,576	94,765
Tax revenue	25,449	23,742	General services	27,972	30,087	520	30,607
Non-tax revenue	2,186	2,403	Social services	35,943	14,667	26,070	40,737
Share of Union Taxes/ Duties	48,923	58,881	Economic services	19,697	16,431	6,986	23,417
Grants from GoI	19,565	20,559	Grants-in-aid and Contributions	4	4	0	4
Section-B: Capital & Others							
Recoveries of Loans and Advances	19	23	Loans and Advances disbursed	621	42	72	114
Public debt receipts	18,383	21,577	Repayment of Public Debt	4,125	-	-	4,215
Contingency Fund	4,477	5,438	Contingency Fund	4,477	-	-	5,438
Public Account receipts	49,106	61,730	Public Account disbursements	45,923	-	-	57,268
Misc. Receipts under Capital Section	0	0	Capital Expenditure	23,966	16	27,192	27,208
Opening Cash Balance	6,337	11,717	Closing Cash Balance	11,717	-	-	17,062
Total	1,74,445	2,06,070	Total	1,74,445	-	-	2,06,070

(Source: Finance Accounts of 2015-16 & 2016-17)

The trends of Revenue Receipts (RR) / Revenue Expenditure (RE) / Capital Expenditure (CE) relative to GSDP at current as well as constant prices are presented in table 1.3 below:

Table 1.3: Trends in RR/ RE/ CE relative to GSDP

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17	Average
Revenue receipts relative to GSDP						
RR at current prices (₹ in crore)	59,567	68,919	78,417	96,123	1,05,585	
Rate of growth of RR at current prices (<i>per cent</i>)	16.07	15.70	13.78	22.58	9.84	15.59
RR at constant prices (₹ in crore)	54,184	58,606	63,905	75,731	79,924	
Rate of growth of RR at constant prices (<i>per cent</i>)	5.58	8.16	9.04	18.50	5.54	9.36
RR / GSDP (in <i>per cent</i>) at constant prices	21.10	21.73	22.87	25.20	24.10	23.00
Revenue expenditure relative to GSDP						
RE at current prices (₹ in crore)	54,466	62,477	72,570	83,616	94,765	
Rate of growth of RE at current prices (<i>per cent</i>)	17.13	14.71	16.15	15.22	13.33	15.31
RE at constant prices (₹ in crore)	51,442	53,815	59,440	66,366	71,820	
Rate of growth of RE at constant prices (<i>per cent</i>)	6.27	4.61	10.45	11.65	8.22	8.24
RE/ GSDP (in <i>per cent</i>) at constant prices	20.03	19.96	21.27	22.08	21.66	21.00
Capital expenditure relative to GSDP						
CE at current prices (₹ in crore)	9,585	14,001	18,150	23,966	27,208	
Rate of growth of CE at current prices (<i>per cent</i>)	8.28	46.08	29.64	32.04	13.53	25.91
CE at constant prices (₹ in crore)	8,718	11,906	14,791	18,882	20,596	
Rate of growth of CE at constant prices (<i>per cent</i>)	(-)1.51	36.56	24.24	27.65	9.08	19.20
CE/ GSDP (in <i>per cent</i>) at constant prices	3.39	4.42	5.29	6.28	6.21	5.12

(Source: Finance Accounts of the respective years)

As evident from the table above, while, revenue receipts, revenue expenditure and capital expenditure, as a percentage of GSDP, have increased in 2016-17 when compared to 2012-13 even after accounting for inflation their rate of growth reduced in 2016-17. The rate of growth of capital formation, in particular, was significantly lower.

1.1.2 Review of Fiscal Situation

In view of the additional burden on the Government due to taking over of the debt of Power Distribution Companies (DISCOMs) on the implementation of the UDAY (Ujjwal DISCOM Assurance Yojana) scheme discussed in detail in *Para 1.6.4*, the fiscal policy of the State and guidelines of UDAY stipulate that such debt would not be counted against the fiscal deficit limit of the State. The actual fiscal deficit and outstanding liability of the State after excluding UDAY was ₹ 13,985.53 crore and ₹ 1,36,390 crore respectively. Taking into account the various issues discussed in this report, the revenue surplus is overstated by ₹ 157.54 crore and fiscal deficit is understated by ₹ 157.54 crore. In other words, the actual revenue surplus is ₹ 13,155.46 crore and fiscal deficit is ₹ 14,143.07 crore. This is discussed in *Paragraph 3.12* and **table 3.6** at the end of the Report.

The performance of the State during 2016-17 under major variables provided in the budget, recommendations of the Fourteenth Finance Commission (XIV FC) and targeted in the Bihar Fiscal Responsibility and Budget Management (BFRBM) Act as per actuals (excluding UDAY) and as worked out by Audit is given in **table 1.4**.

Table 1.4: Performance of the State during 2016-17

Key fiscal indicators	Targets set by XIV FC	Targets as per BFRBM Act	Targets in Budget Estimates	Actuals (excluding UDAY)	Actuals as worked out by Audit
Revenue Deficit(-)/ Surplus (+) (₹ in crore)	Zero deficit	Zero deficit	Surplus of ₹ 14,649.46	13,313.00	13,155.46
Fiscal Deficit/ GSDP at current prices (in per cent)	3.25	3.00 ²	2.87	3.19	3.23
Ratio of total outstanding debt of the Government to GSDP at current prices (in per cent)	24.79	24.79	18.89	31.14	31.14

(Source: XIV FC, BFRBM Act and Budget figures of the year 2016-17)

As seen from the above, the State has not achieved revenue surplus and ratio of outstanding debt to GSDP targets of the budget estimates 2016-17, XIV FC/FRBM Act.

While the State has not achieved the target of fiscal deficit as envisaged in the budget estimates, the target of fiscal deficit as per XIV FC and BFRBM Act was achieved as it was eligible for flexibility of 0.25 per cent of target set as the interest payment during 2015-16 was only 7.38 per cent of the revenue receipts.

² The State will be eligible for flexibility of 0.25 per cent over and above this for any given year for which the borrowing limits are to be fixed if the debt-GSDP Ratio is less than or equal to 25 per cent in the preceding year. The State will be further eligible for an additional borrowing limit of 0.25 per cent of GSDP in a given year for which the borrowing limits are to be fixed if the interest payments are less than or equal to 10 per cent of the revenue receipts in the preceding year.

1.1.2.1. Composition and financing of Fiscal Deficit

Fiscal deficit represents the total financing the State requires (predominantly by drawing on its cash and investment balances with the RBI and by borrowing) to meet the excess of the revenue and capital expenditure (including loans and advances) over revenue and non-debt receipts. The financing pattern of fiscal deficit is reflected in **table 1.5**.

Table 1.5: Components and financing of Fiscal Deficit

(₹ in crore)

Particulars		2012-13	2013-14	2014-15	2015-16	2016-17
Fiscal Deficit (including UDAY)* (figures in brackets indicate per cent to GSDP)		6,545.26 (2.32)	8,351.92 (2.63)	11,178.50 (3.26)	12,061.59 (3.16)	16,479.15 (3.76)
1	Revenue Surplus	5,100.51	6,441.42	5,847.56	12,507.16	10,819.81
2	Capital expenditure	9,584.52	14,001.00	18,150.41	23,966.02	27,208.40
3	Net Loans and Advances	2,061.25	792.35	1,124.35	602.73	90.56
Financing Pattern of Fiscal Deficit**						
1	Market Borrowings	5,763.88	5,346.77	6,666.51	10,233.12	16,804.96
2	Loans from GoI	23.30	(-) 11.07	84.67	115.86	757.51
3	Special Securities issued to NSSF	292.87	631.52	3,150.22	2,024.86	(-)1,713.12
4	Loans from Financial Institutions	403.96	820.31	407.18	1,884.33	1,512.84
5	Small Savings, PF etc.	(-) 215.55	(-) 297.90	(-) 182.77	(-)73.58	99.63
6	Deposits and Advances	2,199.05	3,668.41	2,222.57	3,731.69	5,393.40
7	Suspense and Miscellaneous	(-) 1,936.34	(-) 2,007.59	(-) 1,231.88	(-) 5,245.97	(-)5,666.65
8	Remittances	19.51	(-) 19.01	(-) 11.98	6.05	(-)7.05
9	Reserve Fund	275.94	262.31	(-) 245.12	(-) 401.15	(-) 712.03
10	Inter State Settlement	-	-	-	-	-
11	Overall Surplus/Deficit	6,826.62	8,393.74	10,859.40	12,275.21	16,469.49
12	Increase / decrease in cash balance#	(-)281.36	(-)41.82	319.10	(-) 213.62	9.66
13	Gross Fiscal Deficit	6,545.26	8,351.92	11,178.50	12,061.59	16,479.15
* The fiscal deficit in this table includes the UDAY impact so as to match the figures in Finance Accounts given in the financing pattern.						
**All figures are net of disbursements/outflows during the year.						
# Cash Balance (Deposit with Reserve bank and remittance in treasury).						

(Source: Finance Accounts of the respective years)

1.1.2.2 Quality of Deficit

Primary deficit is the measure of the current year's fiscal operations after excluding interest payments on borrowings undertaken in the past. The primary deficit of the State is shown in **table 1.6**.

Table 1.6: Primary Deficit

(₹ in crore)					
Year	Non-debt receipts ³	Primary expenditure	Fiscal deficit	Interest payments	Primary deficit
1	2	3	4	5	6 (4-5)
2012-13	59,592	61,709	6,545	4,428	2,117
2013-14	68,934	71,826	8,352	5,460	2,892
2014-15	79,910	84,960	11,179	6,129	5,050
2015-16	96,142	1,01,105	12,061	7,098	4,963
2016-17	1,05,608	1,13,896	16,479	8,191	8,288

(Source: Finance Accounts of the respective years)

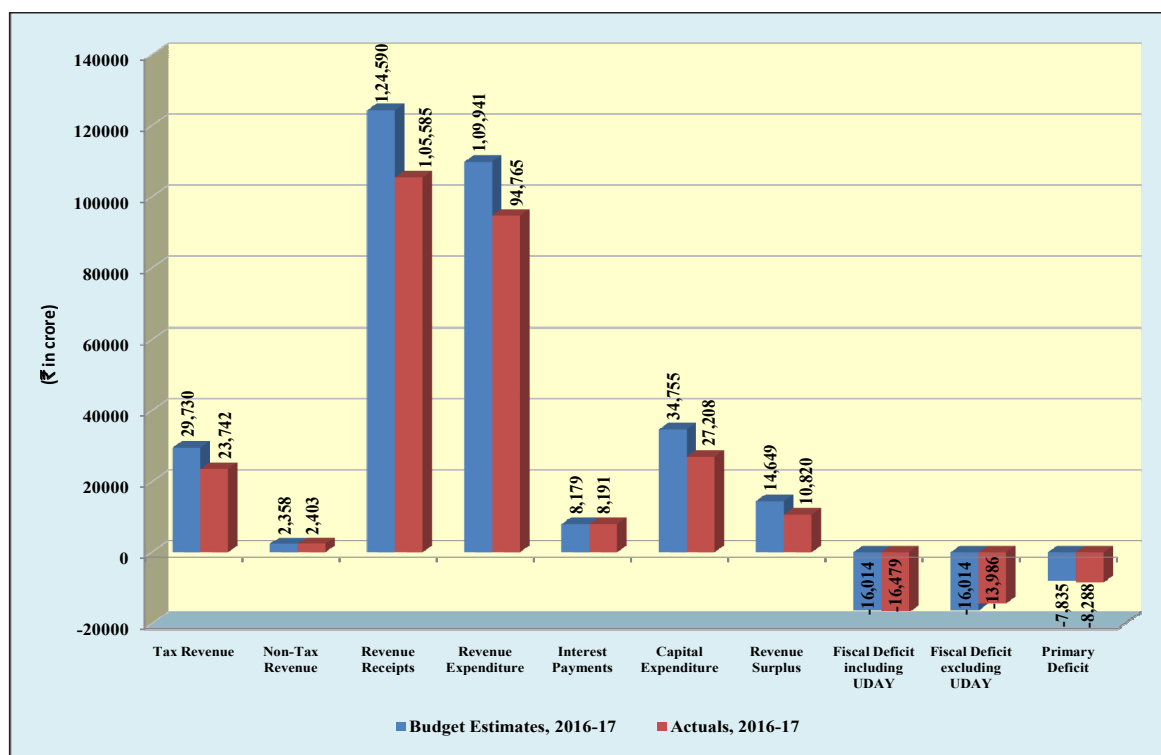
The primary deficit of the State has increased from ₹ 2,117 crore in 2012-13 to ₹ 8,288 crore in 2016-17 indicating that non-debt receipts were increasingly insufficient to meet the primary expenditure of the State.

1.1.3 Budget Estimates and Actuals

Shortfalls of actual receipts and expenditure against budget estimates, either due to unanticipated and unforeseen events or under/over estimation of expenditure or revenue at the stage of budget preparation, adversely impacts the desired fiscal objectives.

Actuals *vis-à-vis* Budget Estimates of selected fiscal parameters for 2016-17 are shown in chart 1.1 and Appendix 1.4.

Chart 1.1: Selected Fiscal parameters: Budget Estimates and Actuals during 2016-17



(Source: Budget documents and Finance Accounts for the year 2016-17)

³ Non-debt receipts are the aggregate of Receipts and Recoveries of loans and advances.

The chart indicates that during 2016-17 the following variations in the Actuals against the Budget Estimates took place as discussed below:

Revenue Receipts	less than the Budget Estimate by 15.25 per cent due to decrease in Tax Revenue by 20.14 per cent (State Excise duty less by 98.57 per cent and Taxes on Sales, Trade etc., less by 15.32 per cent) and Grants from Central Government by 39.78 per cent.
Revenue Expenditure	less than the Budget Estimate by 13.80 per cent due to less expenditure under General Services by 15.41 per cent (Administrative Services less by 13.70 per cent and Pension and Miscellaneous General Services less by 23.19 per cent) and under Social Services by 13.60 per cent (Education, Sports, Arts and Culture by 12.02 per cent and Health and Family Welfare by 31.95 per cent).
Capital Expenditure	less than the Budget Estimate by 21.71 per cent due to less expenditure under General Services by 29.38 per cent and under Economic Services by 7.31 per cent (Agriculture and Allied Services by 47.53 per cent and Energy by 33.14 per cent).
Revenue Surplus	less than the Budget Estimate by 26.14 per cent due to decrease in Revenue Receipts by 15.25 per cent.
Fiscal Deficit	higher than the Budget Estimate by 2.90 per cent due to increase in total expenditure by 12.83 per cent.
Primary Deficit	higher than the Budget Estimate by 5.78 per cent.

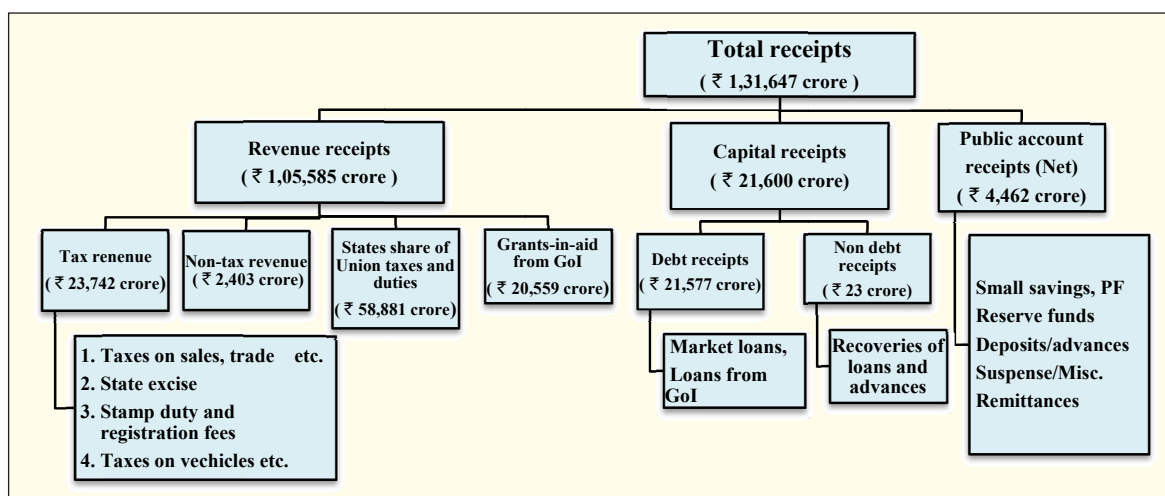
Recommendation: The Finance Department should rationalise the budget preparation exercise, so that the gap between budget estimates and actuals is bridged.

1.2 Financial Resources of the State

1.2.1 Resources of the State as per Annual Finance Accounts

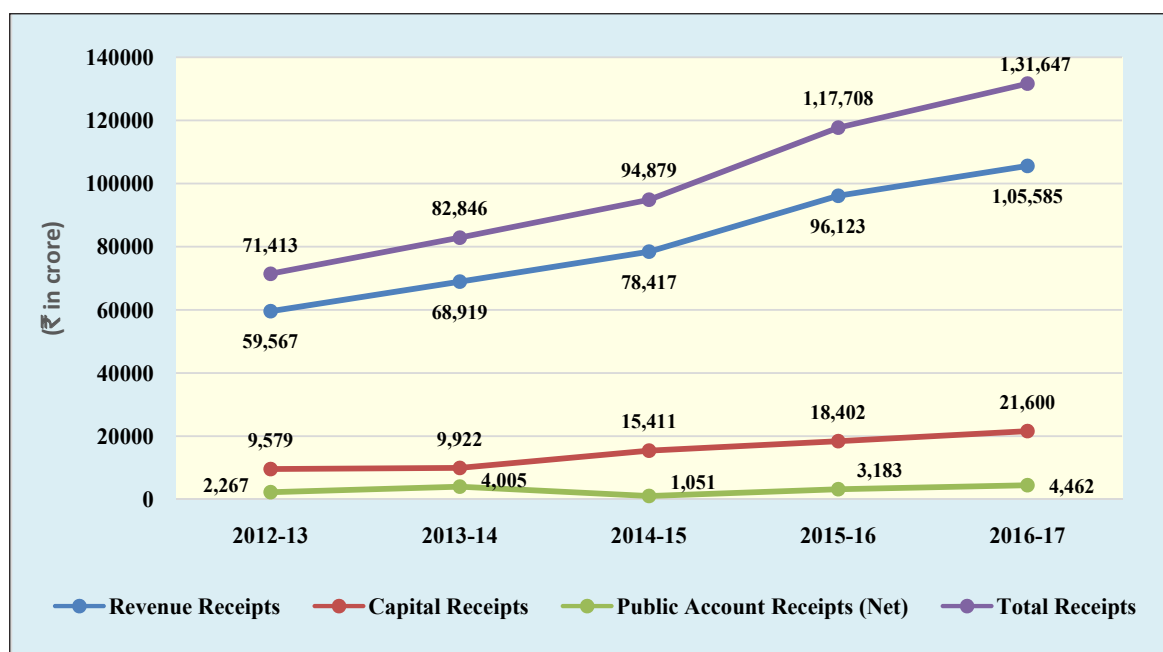
Charts 1.2, 1.3 and 1.4 below depict the composition of aggregate receipts, the trends in various components of receipts during 2012-17 and the composition of resources during 2016-17 respectively.

Chart 1.2: Composition of Aggregate Receipts during 2016-17



(Source: Finance Accounts for the year 2016-17)

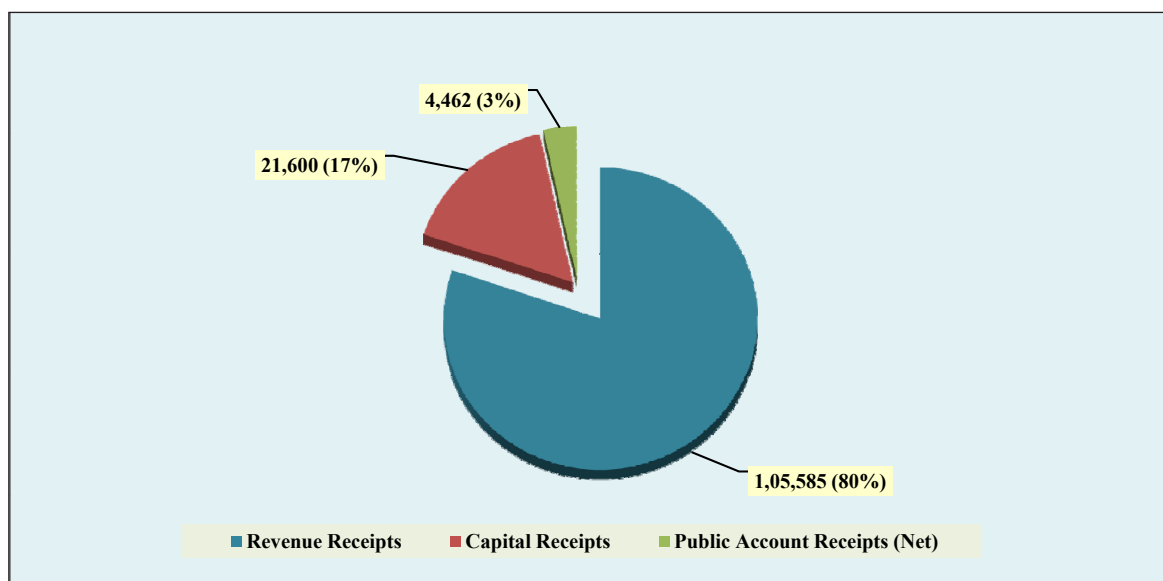
Chart 1.3: Trends of Receipts of the State



(Source: Finance Accounts of the respective years)

Chart 1.4: Composition of Total Receipts during 2016-17

(₹ in crore)

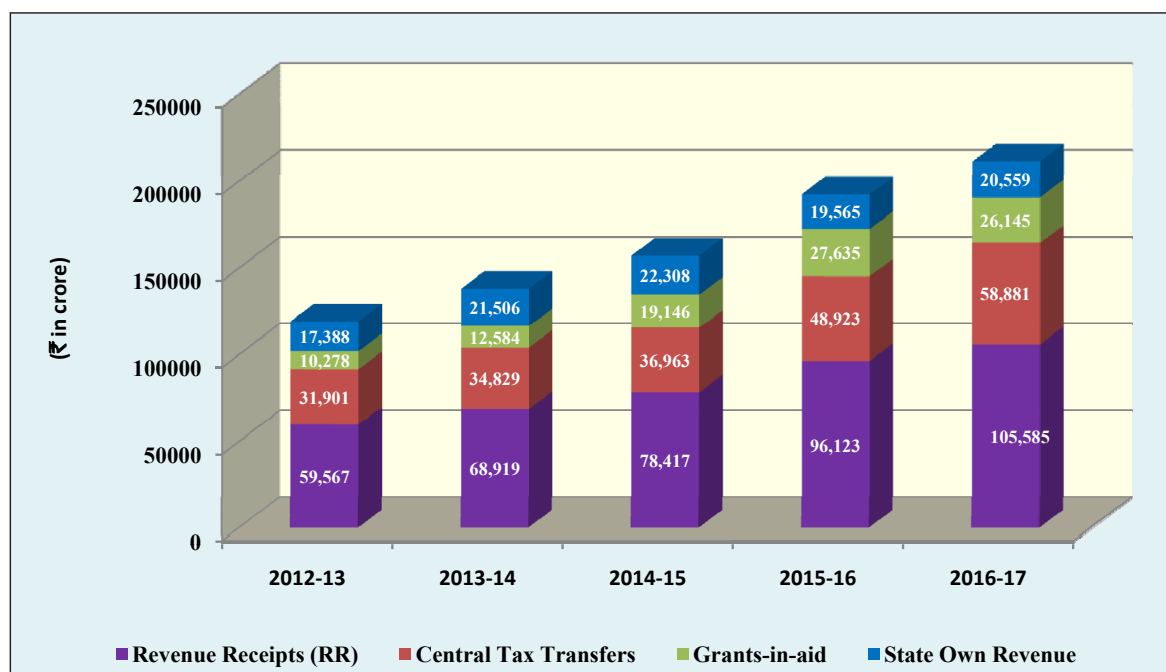


(Source: Finance Accounts for the year 2016-17)

1.2.2 Revenue Receipts

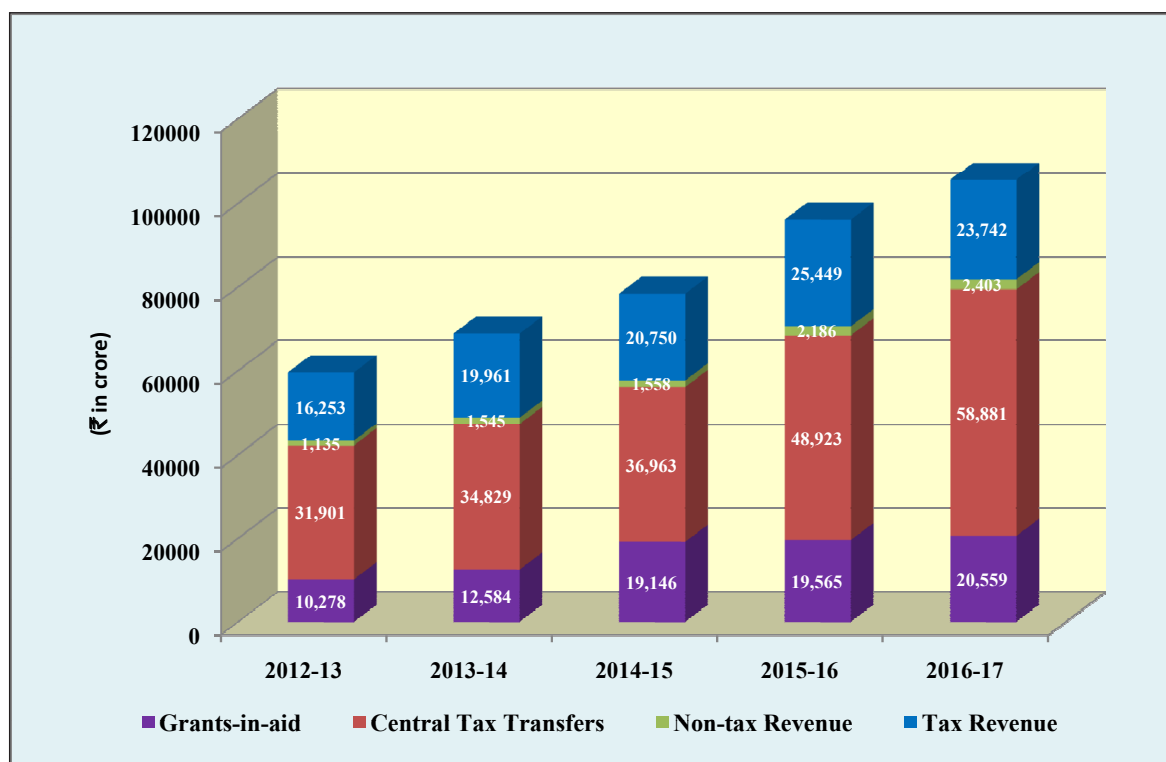
Statement 14 of the Finance Accounts gives details of the revenue receipts of the Government. The trends and composition of revenue receipts during 2012-17 are presented in *Appendix 1.5* and also depicted in **chart 1.5** and **chart 1.6** respectively.

Chart 1.5: Trends in Revenue Receipts



(Source: Finance Accounts of the respective years)

Chart 1.6: Composition of Total Revenue Receipts during 2012-17



(Source: Finance Accounts of the respective years)

1.2.2.1 State's Own Resources

The State's performance in mobilisation of resources is assessed in terms of tax revenue and non-tax revenue, not including the State's share in central taxes and grants-in-aid which is based on the recommendations of the Finance Commission.

The State's tax revenue and non-tax revenue *vis-a-vis* budget projections are shown in **table 1.7** below:

Table 1.7: Projections and Actual receipts for 2016-17

(₹ in crore)

	Budget Projections	Actuals
Tax revenue	29,730.27	23,742.26
Non-tax revenue	2,358.11	2,403.12

(Source: Budget Estimates and Finance Accounts for the year 2016-17)

Tax Revenue

Details of Tax Revenue during 2012-17 are given in **table 1.8** below:

Table 1.8: Components of Tax Revenue

(₹ in crore)

	2012-13	2013-14	2014-15	2015-16	2016-17	Variation (per cent) during 2016-17 over 2015-16
Taxes on sales, trade, etc.	8,671	8,453	8,607	10,603	11,873	11.98
State excise duty	2,430	3,168	3,217	3,142	30 ⁴	(-) 99.05
Stamps and registration fees	2,173	2,712	2,699	3,409	2,982	(-) 12.53
Taxes on vehicles	673	837	964	1,081	1,257	16.28
Land revenue	205	202	277	695	971	39.71
Taxes on goods and passengers	1,932	4,349	4,451	6,087	6,245	2.60
Other taxes	169	240	535	432	384	(-) 11.11
Total	16,253	19,961	20,750	25,449	23,742	(-) 6.71

(Source: Finance Accounts of the respective years)

Own tax revenue relative to GSDP of the State was only 5.42 *per cent* as compared to Chhattisgarh (6.53 *per cent*), Uttar Pradesh (6.74 *per cent*) and Madhya Pradesh (6.90 *per cent*).

⁴ Due to imposition (5 April 2016) of prohibition of liquor.

Non-Tax Revenue

Details of receipts from non-tax revenues during 2012-17 are given in **table 1.9** below:

Table 1.9: Components of Non-Tax Revenue

(₹ in crore)

Non tax revenue	2012-13	2013-14	2014-15	2015-16	2016-17	Variation (per cent) during 2016-17 over 2015-16
Interest receipts	167.12	269.48	344.77	583.66	939.91	61.04
Non-ferrous mining and metallurgical industries	511.08	569.14	879.87	971.34	997.60	2.70
Other non-tax receipts	457.07	706.21	333.34	630.64	465.61	(-26.17)
Total	1,135.27	1,544.83	1,557.98	2,185.64	2,403.12	9.95

(Source: Finance Accounts of the respective years)

The States' own revenue which had been growing year on year suffered a drop of ₹ 1,490 crore in 2016-17 primarily because of reduction in revenue of ₹ 3,112 crore due to imposition of prohibition. By the same token, the expenditure in State Excise increased from ₹ 49.63 crore in 2015-16 to ₹ 91.96 crore in 2016-17, due to increase in enforcement activities.

1.2.2.2 Cost of collection

Details of collection and cost thereof in respect of major revenue receipts during 2016-17 are given in **table 1.10**:

Table 1.10: Cost of collection

Sl. No.	Particulars	Gross collection	Expenditure on collection	Percentage of expenditure to gross collection	All India average of previous year
		(₹ in crore)			
1	VAT/Sales tax	18,502.86	117.81	0.64	0.66
2	State excise	29.66	91.96	310.05	3.21
3	Taxes on vehicles	1,256.67	46.08	3.67	4.99
4	Stamp and registration fees	2,981.95	47.60	1.60	2.87

(Source: Finance Accounts for the year 2016-17)

Though the cost of collection of taxes on VAT/Sales tax, vehicles and stamp duties and registration fees was lower than the all India average of the preceding year, the cost of collection of taxes on State Excise was higher than the All India average due to imposition (5 April 2016) of prohibition on liquor in the State.

1.2.2.3 Grants-in-aid from GoI

The State Government receives grants-in-aid and share of union taxes and duties, based on recommendations of the Finance Commissions. Details of GoI grants are given below in **table 1.11**.

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

(₹ in crore)

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
Non-plan grants	2,412.58	3,288.13	3271.21	3,434.43	4,505.51
Grants for state plan schemes	5,051.97	6,238.39	14,935.68	13,886.33	13,952.92
Grants for central plan schemes	35.69	136.65	117.49	2,083.98	1,422.91
Grants for centrally sponsored schemes	2,777.68	2,920.86	821.88	160.86	677.68
Total grants	10,277.92	12,584.03	19,146.26	19,565.60	20,559.02
Percentage of increase over previous year	4.00	22.44	52.15	2.19	5.08
Revenue receipts	59,567	68,919	78,417	96,123	1,05,585
Total grants as a percentage of revenue receipts	17.25	18.26	24.42	20.35	19.47

(Source: Finance Accounts of the respective years)

1.2.2.4 Arrears of RevenueDetails of arrears of revenue are detailed in **table 1.12** below:**Table 1.12: Arrears of Revenue**

(₹ in crore)

Sl. No.	Head of revenue	Name of department	Total amount outstanding as on 31 March 2017	Amount outstanding for more than five years
1	Taxes on sales, trade etc.	Commercial tax department	3,113.62	547.03
2	Taxes on goods and passengers		2,500.38	11.22
3	Taxes and duties on electricity		61.91	2.23
4	Other taxes and duties on commodities and services		10.10	8.31
5	Taxes on vehicles	Transport department	184.88	N.A
6	Land revenue	Revenue and land reforms department	117.73	34.15
7	State excise	Prohibition, excise and registration department	66.96	23.29
8	Mines and geology	Mines and geology department	271.54	175.52
Total			6,327.12	801.75

(Source: Concerned departments)

Recommendation: The Finance Department should devise a mechanism to ensure that arrears of revenue are expeditiously collected.**1.2.3. Receipts under Capital Section**Trends of receipts under the capital section during 2012-17 are given in **table 1.13**.

Table 1.13: Trends in receipts under the Capital Section

(₹ in crore)

Sources of State's receipts	2012-13	2013-14	2014-15	2015-16	2016-17
Receipts under the capital section	9,579	9,922	15,411	18,402	21,600
Recovery of loans and advances	25	15	1,493	19	23
Public debt receipts	9,554	9,907	13,918	18,383	21,577
Rate of growth of public debt receipts	44	04	40	32	18
Rate of growth of receipts under the capital section (per cent)	42	04	55	19	17

(Source: Finance Accounts of the respective years)

1.2.3.1 Debt Receipts from Internal Sources

Details of debt receipts from internal sources during 2012-13 to 2016-17 are given in table 1.14.

Table 1.14: Debt receipts from Internal Sources

(₹ in crore)

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
Market borrowings	7,100	6,500	8,100	11,500	17,700
Loans from financial institutions	932	1,471	1,154	1,204	1,588
Others ⁵	1,014	1,386	3,946	4,861	777

(Source: Finance Accounts of the respective years)

The impact of borrowings at higher rates of interest than received from investments by the State is discussed in Para 1.4.3.

1.2.3.2. Loans and Advances from GoI

Details of loans and advances received by the State Government from GoI during 2012-17 are given in table 1.15.

Table 1.15: Loans and Advances from GoI

(₹ in crore)

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
Loans and advances from GoI	508	550	718	818	1,512

(Source: Finance Accounts of the respective years)

1.2.3.3 Public Account Receipts

Receipts and disbursements under small savings, provident funds and reserve funds etc., which do not form part of the Consolidated Fund, are kept in Public Accounts set up under Article 266(2) of the Constitution of India and are not subject to vote by the Legislature. Here, the Government acts as a banker or trustee. The status of receipts and disbursements under Public Accounts are shown in statement 21 of the Finance Accounts and the details of Public Accounts Receipts (Net) are given in table 1.16.

⁵ Bonds, Ways and Means Advances from RBI and special securities issued to National Small Saving Fund.

Table 1.16: Status of Public Account Receipts (Net)

	(₹ in crore)				
Resources under various heads	2012-13	2013-14	2014-15	2015-16	2016-17
Public account receipts (net)	2,267.39	4,005.21	1,050.64	3,183.04	4,462.44
A. Small savings, provident funds etc.	(-) 215.64	(-) 297.90	(-) 182.77	(-) 73.58	99.63
B. Reserve funds	530.89	698.58	730.13	90.69	(-) 129.15
C. Deposits and advances	2,199.05	3,668.40	2,222.58	3,731.69	5,393.40
D. Suspense and miscellaneous	(-) 266.52	(-) 44.86	(-) 1,707.32	(-) 571.81	(-) 894.39
E. Remittances	19.52	(-) 19.01	(-) 11.98	6.05	(-) 7.05

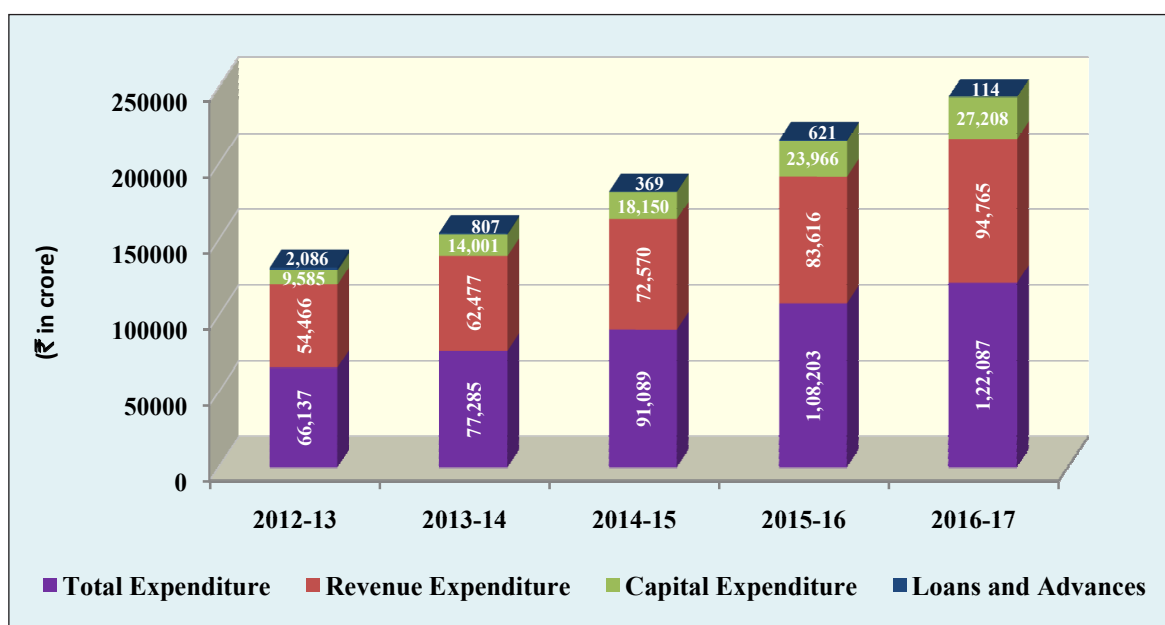
(Source: Finance Accounts of the respective years)

The impact of transactions under Reserve Funds is discussed in *Para 1.5.2*.

1.3 Application of Resources

1.3.1 Growth and Composition of Expenditure

Chart 1.7 presents the trends and composition of total expenditure during 2012-17.

Chart 1.7: Total Expenditure: Trends and composition

(Source: Finance Accounts of the respective years)

1.3.2 Revenue Expenditure

Plan and non-plan revenue expenditure

Details of plan and non-plan revenue expenditure are given in **table 1.17**.

Table 1.17: Plan and Non-plan Revenue Expenditure

(₹ in crore)					
Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
Total revenue expenditure	54,466	62,477	72,570	83,616	94,765
Non-plan revenue expenditure	37,574	43,381	47,059	53,965	61,189
Plan revenue expenditure	16,892	19,096	25,511	29,651	33,576
Rate of growth of non-plan revenue expenditure (in per cent)	10.47	15.45	8.48	14.68	13.39
Rate of growth of plan revenue expenditure (in per cent)	35.28	13.05	33.59	16.23	13.24

(Source: Finance Accounts of the respective years)

1.3.3 Capital Expenditure

Plan and non-plan capital expenditure

Details of plan and non-plan capital expenditure are given in **table 1.18**.

Table 1.18: Plan and Non-plan Capital Expenditure

(₹ in crore)					
Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
Total expenditure	66,137	77,285	91,089	1,08,203	1,22,087
Capital expenditure	9,585	14,001	18,150	23,966	27,208
<i>Non-plan capital expenditure</i>	<i>93</i>	<i>97</i>	<i>58</i>	<i>36</i>	<i>16</i>
<i>Plan capital expenditure</i>	<i>9,492</i>	<i>13,904</i>	<i>18,092</i>	<i>23,930</i>	<i>27,192</i>
Rate of growth of non-plan capital expenditure (in per cent)	132.50	4.30	(-)40.21	(-)37.93	(-)55.56
Rate of growth of plan capital expenditure (in per cent)	7.72	46.48	30.12	32.27	13.63

(Source: Finance Accounts of the respective years)

Capital expenditure relative to GSDP of the State was higher at 6.21 per cent as compared to the neighbouring states of Chhattisgarh (3.26 per cent), Madhya Pradesh (4.26 per cent), Jharkhand (4.28 per cent) and Uttar Pradesh (5.47 per cent).

1.3.4 Committed Expenditure

Committed expenditure of the Government under Revenue head mainly consists of interest payments (₹ 8,190.70 crore), expenditure on salaries and wages (₹ 15,784.04 crore), pensions (₹ 12,514.52 crore) and subsidies (₹ 8,757.44 crore). Committed expenditure (₹ 45,246.70 crore) constitutes a major component of revenue expenditure and consumed 74 per cent of the non-plan revenue expenditure (₹ 61,189 crore).

Table 1.19 presents the trends under the committed expenditure during 2012-17.

Table 1.19: Trends in components of Committed Expenditure

(₹ in crore)

Sl. No.	Components of committed expenditure	2012-13	2013-14	2014-15	2015-16	2016-17	
						BE	Actuals
1	Salaries and wages of which	13,557.88 (22.76)	14,036.67 (20.37)	14,607.44 (18.63)	14,923.73 (15.52)	18,328.59	15,784.04 (14.95)
1(a)	Non-Plan	12,865.06	13,315.36	13,910.31	14,307.22	17,723.37	15,106.13
1(b)	Plan	692.82	721.31	697.13	616.51	605.22	677.91
2	Interest payments	4,428.31 (7.43)	5,459.04 (7.92)	6,128.75 (7.82)	7,097.69 (7.38)	8,178.82	8,190.70 (7.76)
3	Expenditure on pensions	8,363.53 (14.04)	9,481.73 (13.76)	11,344.50 (14.47)	11,830.46 (12.31)	16,285.30	12,514.52 (11.85)
4	Subsidies	4,313.45 (7.24)	1,464.38 (2.12)	4,628.36 (5.90)	9,010.45 (9.37)	7,613.41	8,757.44 (8.29)
5	Total committed expenditure	30,663.17 (51.48)	30,441.82 (44.17)	36,709.05 (46.81)	42,862.33 (44.59)	42,792.71	45,246.70 (42.85)

Figures in the parentheses indicate percentage of actual expenditure to revenue receipts

(Source: Finance Accounts of the respective years and Budget Estimate)

1.3.4.1 New Pension Scheme

State Government employees recruited on or after 1 September 2005 are covered under the New Pension Scheme (NPS) which is a defined contributory pension scheme. In terms of the scheme, the employee contributes 10 per cent of basic pay and dearness allowance, which is matched by the State Government and the entire amount is transferred to the designated fund manager through the National Securities Depository Limited (NSDL)/ Trustee Bank.

The details of pension contributions made by employees under NPS from 2005 to 2013 are not available in the State Accounts due to which Audit has been unable to estimate whether the amounts actually due to be deducted from employees since the inception of the scheme have been deducted, fully matched with Government share, and transferred to NSDL. Failure to ensure appropriate contributions from employees and matching them with Government contributions, and further failure to transfer these amounts through NSDL to the designated fund manager denies employees of the benefits of the New Pension Scheme. Short transfer and diversion of NPS contribution would inevitably lead to bankruptcy of the NPS corpus and eventual failure of the scheme itself. Similar irregularities in management of employees' provident fund by a private company would render them liable to penal action.

Against the employees' contribution of ₹ 1,172.15 crore from 2013-14 to 2016-17, the actual contribution made by the State Government was ₹ 1,115.71 crore, resulting in short contribution of ₹ 56.44 crore. This short contribution, with accrued interest, which could not be estimated, represents outstanding liabilities under the Scheme. This has also resulted in overstatement of the Revenue Surplus and understatement of the Fiscal Deficit in the respective years.

Apart from the above, against the total contribution of ₹ 2,287.86 crore (employees' share and Government share for the period 2013-14 to 2016-17), only ₹ 2,199.32 crore was transferred to NSDL leaving a balance of ₹ 88.54 crore in the Public account under MH 8342.

During 2016-17, against the total contribution of ₹ 764.19 crore, the State Government has remitted only ₹ 741.67 crore to NSDL leaving a balance of ₹ 22.52 crore.

The above mentioned short contributions and short transfers have resulted in denying Government employees of their right to have their balances invested by NSDL under the New Pension Scheme.

Recommendation: *The State Government should initiate action immediately to ensure that employees recruited on or after 1 September 2005 are fully covered under the New Pension Scheme from the date of their recruitment. This is to be done by ensuring that employees' deductions are fully deducted, fully matched by Government contributions, and fully transferred to NSDL in a timely manner.*

1.3.4.2 Subsidies

During 2016-17, the State Government paid ₹ 8,757 crore (8 per cent of the revenue receipts) as subsidies. Details are available in Appendix II of the Finance Accounts. Of the total subsidy paid, ₹ 6,807.69 crore was provided to Energy Department, ₹ 976.89 crore to Food and Consumer Protection Department and ₹ 381.99 crore to Industry Department.

1.3.5 Quality of Expenditure

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 services).

1.3.5.1 Adequacy of Public Expenditure

The fiscal priorities of the State Government with regard to development expenditure, social services expenditure and capital expenditure during 2016-17 are analysed in **table 1.20**.

Table 1.20: Fiscal Priority of the State during 2012-13 and 2016-17

Fiscal priority (percentage of GSDP)	(in per cent)					
	AE/ GSDP	DE [#] / AE	SSE/ AE	CE/ AE	Education/ AE	Health/ AE
General Category States Average (Ratio) 2012-13	14.80	70.00	38.20	13.70	17.70	4.60
Bihar's Average (Ratio) 2012-13	23.42	70.69	36.95	14.49	21.84	3.63
General Category State Average (Ratio) 2016-17	16.70	70.90	32.20	19.70	15.20	4.80
Bihar's Average (Ratio) 2016-17	27.87	73.20	36.31	22.29	16.57	4.50

AE: Aggregate Expenditure, DE: Development Expenditure, SSE: Social Sector Expenditure, CE: Capital Expenditure
[#] *DE includes Development Revenue Expenditure, Development Capital Expenditure and Loans and Advances disbursed.*

(Source: State Finance Accounts of respective years, MoSPI for GSDP)

As evident from the table, the ratio of development expenditure, social services expenditure and education services to aggregate expenditure was higher than the average for the General category states. However, the share of education in aggregate expenditure dropped in 2016-17 over the five year period, while the share of health to aggregate expenditure is less than the average for General category states.

1.3.6 Efficiency of Expenditure

Details of capital and revenue expenditure on maintenance of social and economic services are given in **table 1.21** below:

Table 1.21: Efficiency of expenditure in selected social and economic services

(in per cent)

Social/Economic infrastructure	2015-16		2016-17	
	Ratio of CE to TE	Share of S&W ⁶ in RE	Ratio of CE to TE	Share of S&W in RE
General education	2.77	23.77	3.38	22.59
Health and family welfare	23.86	52.57	15.85	48.34
Water supply, sanitation, housing and urban development	18.23	6.28	15.05	3.12
Total (SS)	8.70	25.16	8.42	21.75
Agriculture & allied activities	14.68	14.64	5.30	22.71
Irrigation and flood control	59.40	56.96	63.14	56.91
Power & energy	31.23	0.00	42.71	0.00
Transport	72.06	13.94	75.81	12.98
Total (ES)	43.13	11.25	50.85	10.51
Total (SS+ES)	23.84	20.59	26.87	18.46

(Source: Finance Accounts of the respective years)

1.4 Government Expenditure and Investments

1.4.1 Financial results of Irrigation Projects

The Thirteenth and Fourteenth Finance Commissions had prescribed cost recovery rates of irrigation projects (revenue receipts as compared to revenue expenditure) for assessing the commercial viability of these projects. The status of irrigation projects in the State for the period 2012-17 is depicted in **table 1.22**.

Table 1.22: Cost recovery position of Irrigation Projects

Year	Revenue expenditure	Revenue receipts	Cost recovery assessment of 13 th FC (2010-15)/14 th FC (2015-20)	Revenue receipts to revenue expenditure	Gap in cost recovery
	₹ in crore)				
2012-13	661.18	22.30	45	3	42
2013-14	724.69	23.52	60	3	57
2014-15	680.96	21.34	75	3	72
2015-16	846.14	31.11	35	4	31
2016-17	680.98	28.23	35	4	31

(Source: Finance Accounts of the respective years and Reports of Thirteenth and Fourteenth Finance Commission)

The gap in cost recovery (31 per cent) is more than that of the neighbouring States i.e., Jharkhand (8.47 per cent), Uttar Pradesh (20 per cent), Madhya Pradesh (-49 per cent) and Chhattisgarh (-87 per cent), indicating that the State has a long way to go.

⁶ Salaries and wages

1.4.2 Incomplete Projects

Blocking of funds on incomplete works impinge negatively on the quality of expenditure. The details of incomplete projects as given in the Finance Accounts are summarised below in table 1.23.

Table 1.23: Department-wise profile of Incomplete Projects as on 31 March 2017

(₹ in crore)

Department	No. of incomplete projects	Estimated cost	Progressive expenditure upto March 2017
Water resources	21	792.27	416.24
Public health engineering	58	206.25	110.22
Road construction	8	193.41	105.62
Building construction	29	1,022.42	853.55
Local area engineering organisation	10	15.70	8.83
Rural works	2	2.81	1.84
National highways	2	36.22	25.01
Total	130	2,269.08	1,521.31

(Source: Finance Accounts of the year 2016-17)

Out of the above 130 projects due for completion during 2009-10 to 2016-17, costs were revised only for four projects⁷. Cost revision of the remaining 126 works⁸ with estimated cost of ₹ 2,157.60 crore has not been done, resulting in the State facing a huge un-estimated liability on these un-fructified projects.

Recommendation: The Finance Department and the concerned departments may evolve a mechanism to ensure timely completion of projects.

1.4.3 Returns on Investments

The position of return on investments⁹ during 2012-17 is given in table 1.24.

Table 1.24: Returns on Investments

Investment/Return/Cost of Borrowings	2012-13	2013-14	2014-15	2015-16	2016-17
Investment at the end of the year (₹ in crore)	941.17	2,867.18	7,068.79	9,940.24	15,916.47
Dividend/Interest received (₹ in crore)	2.55	2.53	2.58	14.84	3.73
Dividend/Interest received (per cent)	0.27	0.09	0.04	0.15	0.02
Average rate of interest ¹⁰ on Government borrowing (per cent)	5.79	6.28	6.19	6.09	5.90
Difference between interest rate on market borrowings and rate of return on investments (per cent)	5.52	6.19	6.15	5.94	5.88
Loss due to difference between interest rate of market borrowings and rate of return on investments (₹ in crore)	51.95	177.48	434.73	590.45	935.89

(Source: Finance Accounts of the respective years)

⁷ Three in Water Resources Department and one in Road Construction Department.

⁸ One work due for completion in 2009-10, 5 in 2011-12, one in 2012-13, 9 in 2013-14, 30 in 2014-15, 36 in 2015-16 and 48 in 2016-17

⁹ In Statutory Corporations, Government Companies, Co-Operative Societies and Banks.

¹⁰ Average rate of interest = interest payment*100/fiscal liabilities.

Over the past five years, the State Government has incurred a loss of ₹ 2,190.50 crore on return on investment in various entities on account of difference between the Government's borrowing cost and the return on investment. The return on investment in non-working PSUs cannot be estimated.

It is of specific interest to observe that in spite of the poor return on investments, the Finance Department has regularly provided budgetary support to these PSUs, by way of infusion of equity, loans, grants in aid/ subsidies, which had not even finalised their accounts as per the provisions of the Companies Act. It was noticed that the State government had extended budgetary support of ₹ 4,476.54 crore to 10 working PSUs. Out of this, ₹ 1,052 crore was extended to seven PSUs during 2014-16 and ₹ 1,414.79 crore was extended to five PSUs during 2016-17 whose accounts were in arrears for more than three years. Further, budgetary support of ₹ 1,007.23 crore was extended to 10 non-working PSUs. Out of this, ₹ 71.61 crore was extended to three non-working companies during 2014-15 to 2016-17, of which ₹ 70.61 crore was extended as loans and grants to two companies viz., BSCCL (₹ 1.34 crore) and BSSCL (₹ 69.27 crore). Since the possibility of returns on equity or loans are non-existent and gives an incorrect representation of the assets of the State Government, such budgetary support to non-working companies should be entirely by way of grants-in aid.

Recommendation: *The Finance Department and the concerned administrative departments should review investment in entities whose financial performance does not even meet the borrowing cost of capital. In any event, no investment should be made or loans extended to entities whose accounts are in arrears.*

1.4.4 Loans and Advances by the State Government

In addition to investments in co-operative societies, corporations and companies, Government has also been providing loans and advances to many of these institutions/organisations. Details are given in table 1.25.

Table 1.25: Outstanding Loans and Advances and Interest in arrears

Particulars	(₹ in crore)				
	2012-13	2013-14	2014-15	2015-16	2016-17
Opening balance of loans and advances	18,525.76	20,587.01	21,379.35	20,255.00	20,857.73
Amounts advanced during the year	2,085.95	807.38	368.71	621.23	113.87
Amounts repaid during the year	24.70	15.03	1,493.06 ¹¹	18.50	23.31
Closing balance of loans and advances	20,587.01	21,379.36	20,255.00	20,857.73	20,948.29¹²
Interest in arrears	2,145.04	3,017.55	3,017.55	5,478.14	6,652.60
Interest in arrears as per cent of outstanding loans and advances	10.42	14.11	14.90	26.26	31.76

(Source: Finance Accounts of the respective years)

(i) The interest in arrears on these loans and advances has increased over the years and was ₹ 6,652.60 crore as of 31 March 2017.

¹¹ Out of this, ₹ 1,475 crore was repaid by Bihar State Electricity Board.

¹² Statutory corporations: ₹ 13,376.82 crore; Government companies: ₹ 5,187.08 crore; Co-operative societies/Co-operative Corporations/Banks: ₹ 1,106.42 crore and others: ₹ 1,277.97 crore.

Details of loans and advances made by the Government are given in Section 1 and details of entities that had arrears in repayments of loans are given in Section 2 of Statement 18 of the Finance Accounts.

(ii) No repayments of the outstanding loans and advances were made or interest received from various entities for the past several years as detailed in **table 1.26**.

Table 1.26: Loans and Advances outstanding

(₹ in crore)

Loanee group	Year from which no repayments have been made or interest received	Loans and advances outstanding	Interest payments in arrears
Municipalities/municipal councils/municipal corporations	2010-11	386.85	56.55
Housing boards	2012-13	127.47	0.00
Panchayati raj institutions	2008-09	57.63	20.28
Loans for miscellaneous purposes	2005-06	0.85	0.00

(Source: Finance Accounts of the respective years)

Recommendation: The Finance Department and the concerned administrative departments should consider initiating action to write off loans and advances made to entities that have not repaid the principal or paid interest for the past several years.

1.4.5 Cash Balances and Investment of Cash Balances

Details of cash balance and investment of cash balances during 2016-17 are given in **table 1.27** below:

Table 1.27: Cash Balances and Investment of Cash Balances

(₹ in crore)

Particulars	Opening balance as on 01 April 2016	Closing balance as on 31 March 2017
(a) General cash balances		
Cash in Treasuries	00.00	00.00
Deposits with Reserve Bank	124.56	114.90
Remittances in Transit-local	00.00	00.00
Total	124.56	114.90
Investments held in Cash Balance Investment Account	8,199.24	13,001.71
Total (a)	8,323.80	13,116.61
(b) Other cash balances and investments		
Cash with Departmental Officers viz., Public Works Departmental officers and Forest Department officers,	215.71	185.60
Permanent advances for contingency expenditure with Department Officers	342.37	342.26
Investment of Earmarked Funds	2,834.84	3,417.73
Total (b)	3,392.92	3,945.59
Grand Total (a) + (b)	11,716.72	17,062.20

(Source: Finance Accounts of the respective years)

Recommendation: The State Government may consider utilizing the existing cash balances before resorting to market borrowings at higher rates of interest.

1.5 Assets and Liabilities

1.5.1 Growth and composition of assets and liabilities

While the Government accounting system does not provide for comprehensive accounting of fixed assets like land and buildings owned by the Government, these can be derived from the accounting of financial liabilities and assets created out of expenditure incurred. **Appendix 1.6** gives an abstract of such liabilities and assets, as on 31 March 2017, compared with the corresponding position on 31 March 2016. While the liabilities consist mainly of internal borrowings, loans and advances from GoI, and receipts from public accounts and reserve funds, the assets comprise mainly of capital outlay and loans and advances given by the State Government and the cash balances.

1.5.2 Transactions under Reserve Funds

As per the Finance Accounts, the State Government has six Reserve Funds¹³ as shown in **table 1.28** below:

Table 1.28: Details of transactions under Reserve Funds

(₹ in crore)

Sl. No.	Head of Accounts	Opening balance as on 1 April 2016	Receipts during 2016-17	Disbursements during 2016-17	Closing balance as on 31 March 2017
(a) Reserve funds bearing interest					
1	8121-General and other Reserve funds (SDRF)	1,408.43	492.00	1,204.03	696.39
(b) Reserve funds not bearing interest					
1	8222-Sinking Fund	0.00	582.89	582.89	0.00 ¹⁴
Total		1,408.43	1,074.89	1,786.92	696.39

(Source: Finance Accounts of the respective years)

There were no transactions under four Reserve Funds viz., Depreciation/Renewal Reserve Funds, Famine Relief Fund, Development and Welfare Funds, General and Other Reserve Funds for the past 16 to 17 years.

Recommendation: The Finance Department and the concerned administrative departments should close all reserve funds which have had no transactions for the past several years.

The receipts and disbursement from the other two Reserve Funds are discussed below:

1.5.2.1 Sinking Fund

The 12th Finance Commission had recommended that States should set up Sinking Funds for amortisation of all loans including loans from banks, liabilities on account on National Small Savings Fund, etc., and that these Funds should not be used for any other purpose, except for redemption of loans. The guidelines of the Reserve Bank of India (RBI), which is responsible for administering the Fund, stipulate a minimum annual contribution of 0.5 per cent of outstanding liabilities at the beginning of the year. The State Government

¹³ State Disaster Response Fund, Sinking Fund, Famine Relief Fund, Development and Welfare Funds, General and other Reserve Fund & Depreciation/Renewal Reserve Funds.

¹⁴ Balances in the fund are invested as shown in Statement 22 of the Finance Accounts. The closing balance of the Sinking Fund Investment Account as on 31 March 2017 was ₹ 3,417.63 crore.

set up a Consolidated Sinking Fund in 2008-09 which was only for amortisation of market loans and not all outstanding liabilities. The Fund was to be utilized for redemption of the outstanding liabilities of the Government commencing from the year 2014-15. However, the Fund has not been utilised for the purpose during 2014-17.

1.5.2.2. State Disaster Response Fund (SDRF)

As per the recommendations of the 13th Finance Commission, the State Government commenced operation of the State Disaster Response Fund in 2010-11. In terms of the guidelines, the Central and State Governments are required to contribute to the fund in the proportion of 75:25. The scheme also stipulates that accretions to the fund together with the income earned on investment of the fund should be invested in Central Government dated securities, auctioned treasury bills, interest earning deposits and certificates of deposits with Scheduled Commercial Banks and interest earning deposits with Co-operative Banks. However, the State Government did not invest the balances in the fund and no interest was being credited to the fund. Consequently, the balances in the fund are only book entries and do not represent actual cash balances.

The opening balance of the fund as on 1 April 2016 was ₹ 1,408.43 crore. During the year, ₹ 492 crore was received and an expenditure of ₹ 1,204.03 crore was incurred on natural calamities leaving a balance of ₹ 696.39 crore in the fund as on 31 March 2017. Further, the interest of ₹ 119.72 crore¹⁵ for the year 2016-17 (at the rate applicable to overdrafts as per RBI guidelines) had not been paid by the State Government. Consequently, the revenue surplus of the State Government has been overstated and the fiscal deficit has been understated to this extent as discussed in *Paragraph 3.12*. The unpaid interest (₹ 931.04 crore) since the operation of SDRF represents the unaccounted liabilities of the State.

Recommendation: *The Finance Department should invest the balances in the SRDF in interest earning deposits as envisaged in the guidelines.*

1.5.3 Guarantees

Guarantee Redemption Fund

The State Government has not created a Guarantee Redemption Fund in terms of the recommendations of the 12th Finance Commission or framed any rules for fixing a ceiling on guarantees. The State Government failed to make minimum annual contributions of ₹ 32.69 crore (0.5 per cent of outstanding guarantees of ₹ 6,537.45 crore at the beginning of the year 2016-17) in terms of the guidelines, resulting in overstatement of revenue surplus and understatement of fiscal deficit to this extent during 2016-17 as discussed in *Paragraph 3.12*. The total liability of the State on this account from 2009-10 to 2016-17 was ₹ 91.81 crore.

The status of guarantees for the last five years, as depicted in Statement 9 of the Finance Accounts, is given in **table 1.29**.

¹⁵ Estimated at repo rate + 2 per cent as per fund guidelines. Differs from the interest worked out in Finance Accounts, where the interest rate is based on average interest rate of Ways and Means Advances (7.5 per cent).

Table 1.29: Guarantees given by the Government

(₹ in crore)

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
Maximum amount guaranteed	2,046.44	2,586.84	5,314.84	9,396.62	13,053.04
Total revenue receipts	59,567	68,919	78,417	96,123	1,05,585
Outstanding amount (principal) of guarantees at the end of the year	1,089.23	1,090.23	2,000.90	4,720.78	4,459.58
Percentage of maximum amount guaranteed to total revenue receipts	3.44	3.75	6.78	9.78	12.36

(Source: Finance Accounts of the respective years)

The composition of the maximum amount guaranteed was towards: Power (₹ 8,885.85 crore), Co-operatives (₹ 1,268.84 crore), Road and Transport (₹ 2,000.00 crore), State Financial Corporation (₹ 183.57 crore), Urban Development and Housing (₹ 90.00 crore), Other Infrastructure (₹ 33.76 crore) and Others (₹ 586.09 crore). No guarantees were invoked during 2016-17.

During 2012 to 2017, guarantee fee amounting to ₹ 4.01 crore¹⁶ was received from Bihar State Food and Civil Supplies Corporation. Information on guarantee fees receivable on outstanding guarantees is not known.

1.6 Debt Management

1.6.1 Net availability of borrowed funds

Details of net availability of borrowed funds during 2012-17 are given in **table 1.30**.

Table 1.30: Net availability of borrowed funds

(₹ in crore)

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
Receipts under public debt and other liabilities	26,995	30,249	41,188	56,030	72,845
Repayments (principal and interest) under public debt and other liabilities	18,304	19,813	29,072	38,508	50,701
Net funds ¹⁷ available	4,263	4,977	5,988	10,424	13,953
Percentage of net funds available to receipts under public debt	18.79	16.45	14.54	18.60	19.15

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

Since 80 to 85 *per cent* of the borrowed funds are being utilised for repayment of borrowings and interest thereon, it implies that the State is spending less on developmental activities. The percentage of net funds available to receipts under public debt during 2016-17 was 19.15 *per cent* compared to 25.75 *per cent* in Uttar Pradesh, 30.54 *per cent* in Madhya Pradesh, 32.43 *per cent* in Jharkhand and 25.44 *per cent* in Chhattisgarh.

1.6.2 Debt Sustainability

Debt sustainability indicates the ability of the State to service its debts in future. **Table 1.31** presents indicators of debt sustainability for the period of five years beginning from 2012-13.

¹⁶ ₹ 1.63 crore during 2014-15, ₹ 0.63 crore during 2015-16 and ₹ 1.75 crore during 2016-17.

¹⁷ Net availability of borrowed funds = Total receipts under public debt and other liabilities - (repayment of public debt and other liabilities + interest payments under non-plan MH2049)

Table 1.31: Debt Sustainability: Indicators and Trends

(₹ in crore)

Indicators of Debt sustainability	2012-13	2013-14	2014-15	2015-16	2016-17
Net availability of borrowed funds	4,263	4,977	5,988	10,424	13,953
Burden of interest payments (interest payment/revenue receipt ratio)	10	10	10	8	8
Revenue receipts	59,567	68,919	78,417	96,123	1,05,585
Outstanding debt excluding UDAY	76,503	86,939	99,056	1,16,578	1,36,391
Rate of growth of outstanding debt excluding UDAY (in per cent)	12.82	13.64	13.94	17.69	17.00
Outstanding debt (fiscal liabilities) / GSDP excluding UDAY (in per cent)	27.09	27.42	28.88	30.56	31.14
Interest payments	4,428	5,459	6,129	7,098	8,191
Average interest rate of outstanding debt	6.14	6.68	6.59	6.58	6.42

(Source: Finance Accounts of the respective years)

1.6.3. Maturity profile of State DebtMaturity profile of State Debt is given in **table 1.32**.**Table 1.32: Maturity Profile of State Debt**

(₹ in crore)

Maturity profile	Internal Debt	Loans & Advances from GoI	Total	Per cent (w.r.t total)
0-1 year	3,462.47	759.07	4,221.54	3.82
1-3 year	16,289.15	2,347.62	18,636.77	16.89
3-5 year	12,477.74	1,544.92	14,022.66	12.71
5-7 year	18,722.39	1,527.18	20,249.57	18.35
7 years and above	49,103.71	4,113.79	53,217.50	48.23
Total	1,00,055.46	10,292.58	1,10,348.04	100.00

(Source: Finance Accounts for the year 2016-17)

1.6.4 Ujjwal Discom Assurance Yojana (UDAY):

UDAY is the revival package for Power Distribution Companies (DISCOMs) and seeks to make DISCOMs financially and operationally viable, so they can supply adequate power at affordable rates. Under the scheme, States will take over 75 per cent of the DISCOM debt (₹ 3,109.05 crore) as on 30 September, 2015 (50 per cent in FY 2015-16 and 25 per cent in FY 2016-17). The State is required to issue Non-SLR Bonds¹⁸ to take over debt and transfer the proceeds to DISCOMs in the form of grants, loans and equity. The liability of the State Government under the package was ₹ 2,331.78 crore.

Pursuant to the revival package for DISCOMs, the State Government took over the debt (₹ 2,331.78 crore¹⁹) of the companies by way of subsidies as per the books and by issuing bonds to the participating lender banks, through the Reserve Bank of India.

The break-up of the financial package to the DISCOMs is shown in **table 1.33**.

¹⁸ Statutory liquidity ratio (SLR) denotes the reserves that commercial banks are required to maintain in the form of cash, gold reserves and government approved securities before providing credit to the customers.

¹⁹ ₹ 1,554.52 crore (50 per cent) in 2015-16 and ₹ 777.26 crore (25 per cent) in 2016-17.

Table 1.33: Financial package to DISCOMs

		<i>(₹ in crore)</i>
Sl. No.	Nature of Assistance	Amount
1.	Subsidy to South Bihar Power Distribution Company Ltd.	1,369.89
2.	Subsidy to North Bihar Power Distribution Company Ltd.	961.89
Total		2,331.78

1.7 Follow up

The Report on State Finances is placed in the State Legislature since 2008-09 and discussed by the Public Accounts Committee. No recommendations were made by the Public Accounts Committee during the year 2016-17.