

1. This chapter provides an audit perspective of the finances of the Government of Bihar (GoB) for the year 2018-19 and analyses critical changes in major fiscal aggregates based on the details contained in the Finance Accounts of the State related to the previous years and an assessment of the fiscal position as on 31 March 2019.

The profile of the State is given in *Appendix 1.1*.

1.1 Gross State Domestic Product (GSDP)

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. 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: Comparative statement of GDP of India Vis-à-vis GSDP of Bihar

Year	2014-15	2015-16	2016-17	2017-18	2018-19
India's GDP at current prices (₹ in crore)	1,24,67,959	1,37,71,874	1,53,62,386	1,70,95,005	1,90,10,164
Growth rate of GDP (percentage) of India	10.99	10.46	11.55	11.28	11.20
State's GSDP at current prices (₹ in crore)	3,42,951	3,71,602	4,22,316	4,84,740	5,57,490
Growth rate of GSDP (percentage) of the State at current prices	8.15	8.35	13.65	14.78	15.01
State's GSDP at constant prices (₹ in crore)	2,79,482	2,96,488	3,23,004	3,56,768	3,94,350
Growth rate of GSDP (percentage) of the State at constant prices	3.65	6.08	8.94	10.45	10.53

(Source: GDP/GSDP figures issued by MoSPI dated 01.08.2019)

Contribution of GSDP of Bihar to India's GDP has increased from its share of 2.75 *per cent* in 2016-17 to 2.93 *per cent* in 2018-19. Further, per capita GSDP for the year 2018-19 of the State was ₹47,541 whereas all-India per capita GDP was ₹ 1,42,719.

The structure of 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 and **1.3** present a summary of fiscal transactions of the State Government during 2014-19. *Appendix 1.3* provides details of receipts and disbursements as well as the overall fiscal position during 2018-19.

Table 1.2: Summary of Receipts during 2014-19

(₹ in crore)

Receipts	2014-15	2015-16	2016-17	2017-18	2018-19	Percentage of increase/decrease in 2018-19 over 2017-18
Section-A: Revenue						
Revenue Receipts	78,417	96,123	1,05,585	1,17,447	1,31,794	12.22
Tax Revenue	20,750	25,449	23,742	23,137	29,408	27.10
Non-Tax Revenue	1,558	2,186	2,403	3,507	4,131	17.79
Share of Union Taxes/Duties	36,963	48,923	58,881	65,083	73,603	13.09
Grants from GoI	19,146	19,565	20,559	25,720	24,652	(-) 4.15
Section-B: Capital & Others						
Misc. Capital Receipts	0	0	0	0	0	0
Recoveries of Loans and Advances	1,493	19	23	22	1,825	8195.45
Inter-State Settlement	0	0	0	0	0	0
Public Debt Receipts*	13,918	18,383	21,577	13,169	18,668	41.76
Contingency Fund	1,650	4,477	5,438	6,053	6,730	11.18
Public Account Receipts	40,251	49,106	61,730	57,107	68,259	19.53
Opening Cash Balance	6,156	6,337	11,717	17,062	22,081	29.42
Total	1,41,885	1,74,445	2,06,070	2,10,860	2,49,357	18.26

* No ways & means advances were drawn during the year.

(Source: Finance Accounts of the respective years)

Table 1.3: Summary of Expenditure during 2014-19

(₹ in crore)

	2014-15	2015-16	2016-17	2017-18	2018-19	Percentage of increase/decrease in 2018-19 over 2017-18
Section-A: Revenue						
Revenue Expenditure	72,570	83,616	94,765	1,02,624	1,24,897	21.70
General Services	26,408	27,972	30,607	33,374	38,691	15.93
Social Services	31,713	35,943	40,737	45,770	58,284	27.34
Economic Services	14,445	19,697	23,417	23,476	27,918	18.92
Grants-in-aid & Contributions	4	4	4	4	4	0
Section-B: Capital & Others						
Capital Expenditure	18,150	23,966	27,208	28,907	21,058	(-) 27.15
Loans and Advances disbursed	369	621	114	243	1,470	504.94
Repayment of Public Debt	3,609	4,125	4,215	4,654	7,230	55.35
Contingency Fund	1,650	4,477	5,438	6,053	6,730	11.18
Public Account disbursement	39,200	45,923	57,268	46,298	67,135	45.01
Closing Cash Balance	6,337	11,717	17,062	22,081	20,837	(-) 5.63
Total	1,41,885	1,74,445	2,06,070	2,10,860	2,49,357	18.26

(Source: Finance Accounts of the respective years)

The trends of revenue receipts (RR)/revenue expenditure (RE)/capital expenditure (CE) relative to GSDP at current prices as well as constant prices are presented in **Table 1.4** below:

Table 1.4: Trends in RR/ RE/ CE relative to GSDP¹

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Revenue receipts relative to GSDP					
RR at current prices (₹ in crore)	78,417	96,123	1,05,585	1,17,447	1,31,794
Rate of growth of RR at current prices (per cent)	13.78	22.58	9.84	11.23	12.22
RR at constant prices (₹ in crore)	63,754	76,898	80,599	86,358	93,471
Rate of growth of RR at constant prices (per cent)	9.16	20.62	4.81	7.15	8.24
RR / GSDP at current prices (in per cent)	22.87	25.87	25.00	24.23	23.64
Revenue expenditure relative to GSDP					
RE at current prices (₹ in crore)	72,570	83,616	94,765	1,02,624	1,24,897
Rate of growth of RE at current prices (per cent)	16.15	15.22	13.33	8.29	21.70
RE at constant prices (₹ in crore)	59,000	66,893	72,340	75,459	88,579
Rate of growth of RE at constant prices (per cent)	11.43	13.38	8.14	4.31	17.39
RE/ GSDP at current prices (in per cent)	21.16	22.50	22.44	21.17	22.40
Capital expenditure relative to GSDP					
CE at current prices (₹ in crore)	18,150	23,966	27,208	28,907	21,058
Rate of growth of CE at current prices (per cent)	29.64	32.04	13.53	6.24	(-)27.15
CE at constant prices (₹ in crore)	14,756	19,173	20,769	21,255	14,935
Rate of growth of CE at constant prices (per cent)	24.37	29.93	8.32	2.34	(-)29.73
CE/GSDP at current prices (in per cent)	5.29	6.45	6.44	5.96	3.78

(Source: Finance Accounts of the respective years)

After accounting for inflation (at constant price), the rate of growth increased in revenue expenditure and decreased in revenue receipts and capital expenditure in 2018-19, as compared to that of 2014-15. In comparison to 2017-18, there was increase in rate of growth in revenue receipts and revenue expenditure. The rate of growth of capital expenditure, however, was significantly lower than the previous year.

1.1.2 Review of fiscal situation

The performance of the State during 2018-19 under major variables provided in the budget, recommendations of the 14th Finance Commission (XIV FC) and targeted in the Midterm fiscal policy (MTFP) under Bihar Fiscal Responsibility and Budget Management (BFRBM) Act as per actuals is given in **Table 1.5**.

Table 1.5: Performance of the State during 2018-19

Key fiscal indicators	Targets set by XIV FC	Targets as per Mid-term fiscal policy (MTFP) under BFRBM	Targets in Budget Estimates	Actuals
(1)	(2)	(3)	(4)	(5)
Revenue deficit(-)/ surplus (+) (₹ in crore)	Zero deficit	Attain revenue surplus in 2007-08 and maintain surplus thereafter	21,311.74	6,896.65
Fiscal deficit/ GSDP at current prices (in per cent)	3.50	3.00	2.17	2.48
Ratio of total outstanding debt of the Government to GSDP at current prices (in per cent)	24.89	24.89	32.62	30.30

(Source: Information received from State Government)

¹ GSDP deflator = GSDP at current price/GSDP at constant price.

As seen from the above table, the State has achieved the target of fiscal deficit and revenue surplus but not the ratio of outstanding debt to GSDP as envisaged by XIV FC and MTFP under BFRBM. Further, the State has achieved the target of ratio of outstanding debt to GSDP with respect to budget estimates of 2018-19 but not of revenue surplus and fiscal deficit.

Though the State has achieved revenue surplus of ₹ 6,896.65 crore, the same is overstated by ₹ 600.75 crore. Similarly, the fiscal deficit (₹ 13,806.76 crore) was also understated by ₹ 600.75 crore as detailed in **paragraph 3.11**. In other words, the actual revenue surplus is ₹6,295.90 crore and fiscal deficit is ₹ 14,407.51 crore.

1.2 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 deficits are financed and the resources raised are applied are important pointers to its fiscal health. This section presents trends, nature, magnitude and the manner of financing these deficits and also the assessment of actual levels of revenue and fiscal deficits *vis-à-vis* the targets set under the BFRBM Act/Rules for the financial year 2018-19.

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 1.6**.

Table 1.6: Components and financing of fiscal deficit

(₹ in crore)

Particulars		2014-15	2015-16	2016-17	2017-18	2018-19
Fiscal deficit² (figures in brackets indicate <i>per cent</i> to GSDP)		11,178.50 (3.26)	12,061.59 (3.26)	16,479.15 (3.87)	14,304.83 (2.93)	13,806.76 (2.48)
1	Revenue Surplus	5,847.56	12,507.16	10,819.81	14,823.01	6,896.65
2	Net Capital Expenditure	18,150.41	23,966.02	27,208.40	28,906.95	21,058.25
3	Net Loans and Advances	(-)1,124.35	602.73	90.56	220.90	(-)354.84
Financing Pattern of Fiscal Deficit*						
1	Market Borrowings	6,666.51	10,233.12	16,804.96	8,908.00	10,903.07
2	Loans from GoI	84.67	115.86	757.51	586.11	1,603.45
3	Special Securities issued to NSSF	3,150.22	2,024.86	(-)1,713.12	(-)1,768.75	(-)1,819.02
4	Loans from Financial Institutions	407.18	1,884.33	1,512.84	790.51	750.88
5	Small Savings, PF etc.	(-) 182.77	(-)73.58	99.63	(-)80.25	277.80
6	Deposits and Advances	2,222.57	3,731.69	5,393.40	10,314.32	331.52
7	Suspense and Miscellaneous	(-) 1,231.88	(-) 5,245.97	(-)5,666.65	(-)3,813.95	1,793.23

² Includes the expenditure on UDAY package amounting to ₹ 1,554.52 crore for 2015-16 and ₹ 777.26 crore for 2016-17 so as to match the figures in Finance Accounts given in the financing pattern. As per the guidelines of UDAY, the debt taken over by the State under UDAY would not be counted against the fiscal deficit limit of the State. The fiscal deficit excluding UDAY was ₹ 10,507.07 crore and ₹ 15,701.89 crore for 2015-16 and 2016-17 respectively.

Particulars		2014-15	2015-16	2016-17	2017-18	2018-19
8	Remittances	(-) 11.98	6.05	(-) 7.05	(-) 2.76	76.05
9	Reserve Fund	(-) 245.12	(-) 401.15	(-) 712.03	(-) 696.39	0.00
10	Inter State Settlement	-	-	-	-	-
11	Increase / decrease in cash balance#	319.10	(-) 213.62	9.66	68.00	(-)110.22
12	Fiscal deficit	11,178.50	12,061.59	16,479.15	14,304.83	13,806.76

* 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)

1.2.2 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 1.7.

Table 1.7: Primary deficit

(₹ in crore)

Year	Non-debt receipts ³	Primary ⁴ expenditure	Fiscal deficit	Interest payments	Primary deficit
1	2	3	4	5	6 (4-5)
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
2017-18	1,17,469	1,22,720	14,305	9,054	5,251
2018-19	1,33,619	1,37,354	13,807	10,071	3,736

(Source: Finance Accounts of the respective years)

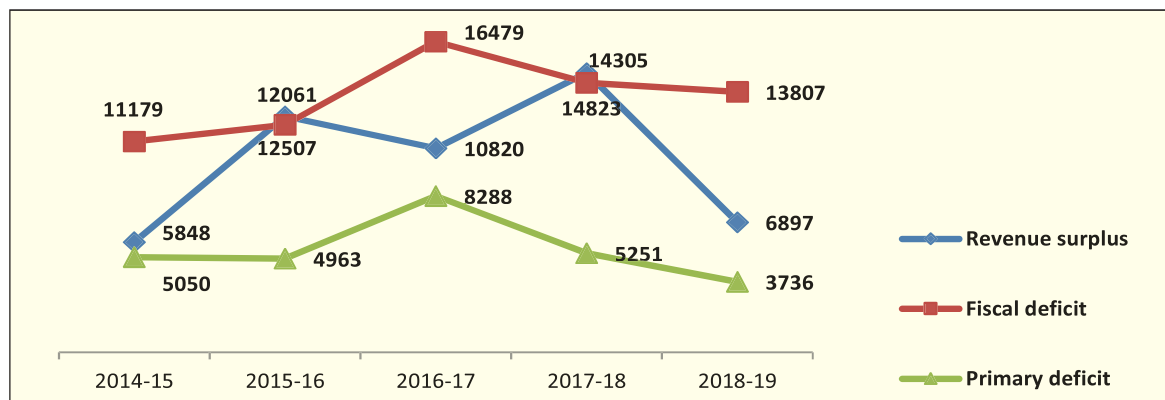
During 2018-19, the fiscal deficit and primary deficit decreased by three *per cent* and 29 *per cent* respectively with respect to 2017-18 mainly due to less capital expenditure by ₹ 7,848.70 crore.

1.2.3 Trends in Deficits

Chart 1.1 presents the trends in deficit indicators over the period 2014-15 to 2018-19.

Chart 1.1: Trends in deficit indicators

(₹ in crore)



(Source: Finance Accounts of the respective years)

³ Non-debt receipts are the aggregate of Receipts and Recoveries of Loans and Advances.

⁴ Primary Expenditure (Revenue Expenditure – Interest Payment) + Capital Expenditure + Loans and Advances.

Table 1.8 Trends in deficit indicators over the period 2014-19*(figures in per cent)*

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Revenue surplus/GSDP	1.71	3.37	2.56	3.06	1.24
Fiscal deficit/GSDP	3.26	3.25	3.90	2.95	2.48
Primary deficit /GSDP	1.47	1.34	1.96	1.08	0.67

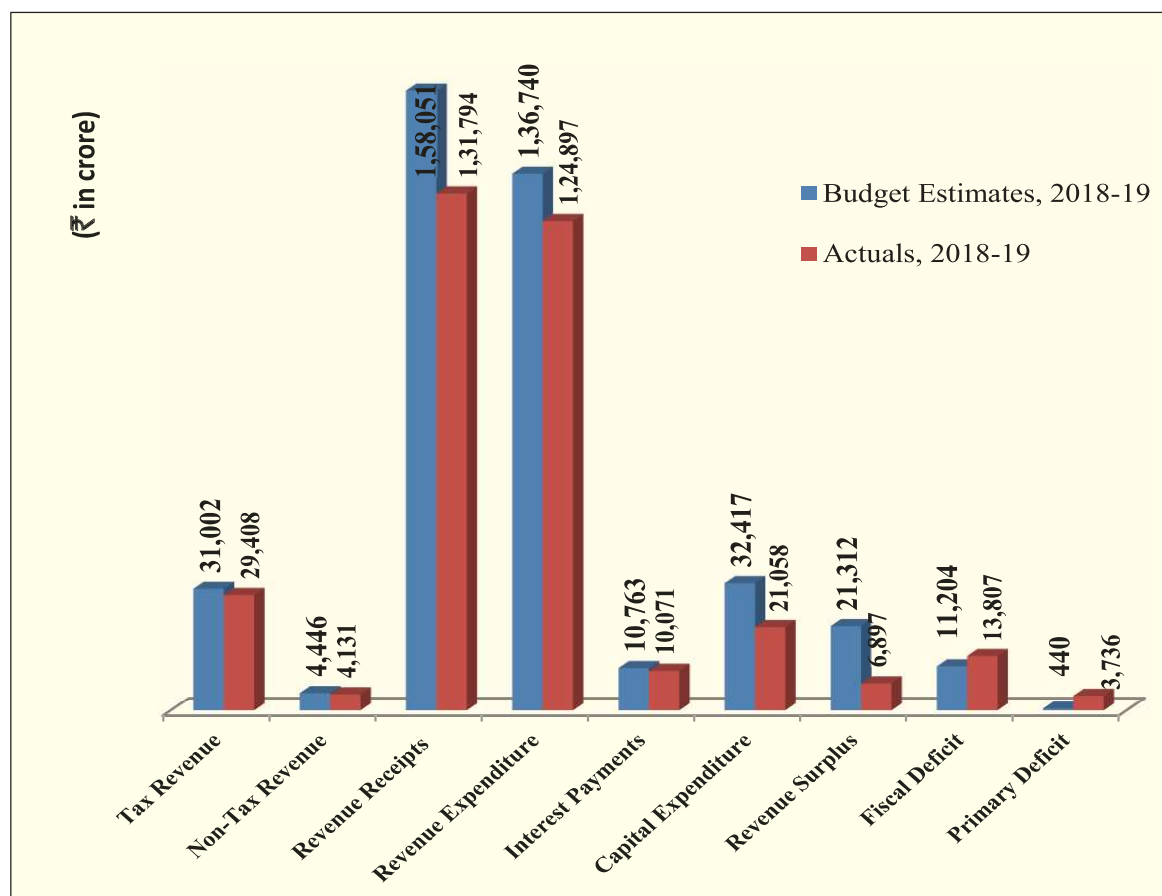
(Source: Finance Accounts of the state for the respective years)

It would be seen from **Chart 1.1** that in 2018-19, the revenue surplus decreased by ₹ 7,926 crore whereas fiscal deficit decreased by ₹ 498 crore. The ratio of fiscal deficit to GSDP was 2.48 *per cent* which was well within the limit prescribed in the FRBM Act and FFC for the year 2018-19. Both fiscal deficit and primary deficit have been on a decreasing trend since 2017-18.

1.2.4 Budget estimates and actuals

Shortfall 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 2018-19 are shown in **Chart 1.2** and *Appendix 1.4*.

Chart 1.2: Selected fiscal parameters: budget estimates and actuals during 2018-19*(Source: Budget documents and Finance Accounts for the year 2018-19)*

The chart indicates that during 2018-19 the following variations in the actuals against the budget estimates took place as discussed below:

- Revenue receipts was less than the budget estimate by 16.61 *per cent* due to decrease in Grants-in-aid from Central Government by 46.91 *per cent* and tax revenue by 5.14 *per cent*.
- Revenue expenditure was less than the budget estimate by 8.66 *per cent* due to less expenditure under General Services by 3.83 *per cent* (Fiscal Services less by 20.91 *per cent* and Administrative Services less by 6.10 *per cent*) and under Social Services by 12.91 *per cent* (Welfare of SC, ST and other BCs by 26.26 *per cent* and Labour and Labour Welfare by 24.48 *per cent*).
- Capital expenditure was less than the budget estimate by 35.04 *per cent* due to less expenditure under Social Services by 21.59 *per cent* and under Economic Services by 42.84 *per cent* (Rural Development by 90.20 *per cent* and Agriculture and Allied Services by 56.73 *per cent*).
- Revenue surplus was lower than the budget estimate by 67.64 *per cent* due to increase in revenue expenditure by 21.70 *per cent*.
- Fiscal deficit was higher than the budget estimate by 23.23 *per cent* due to less receipt in Grants-in-aid by 46.91 *per cent*.
- Primary deficit was higher than the budget estimate by 748.12 *per cent*.

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

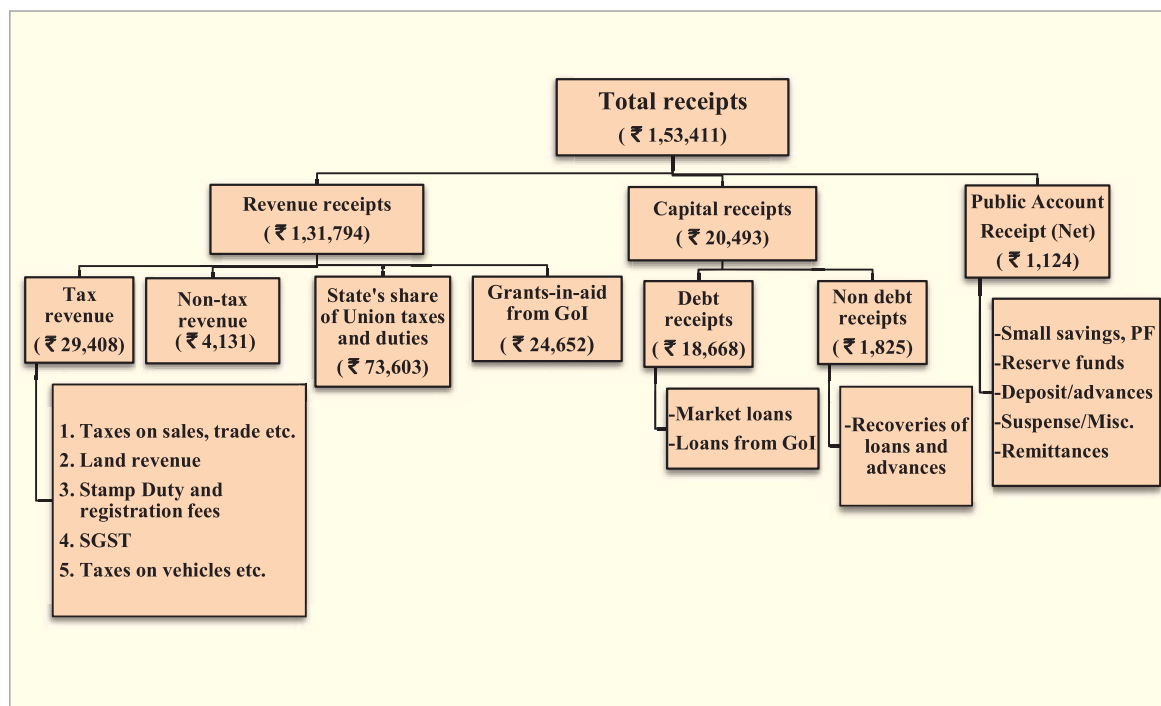
1.3 Financial resources of the State

1.3.1 Resources of the State as per annual finance accounts

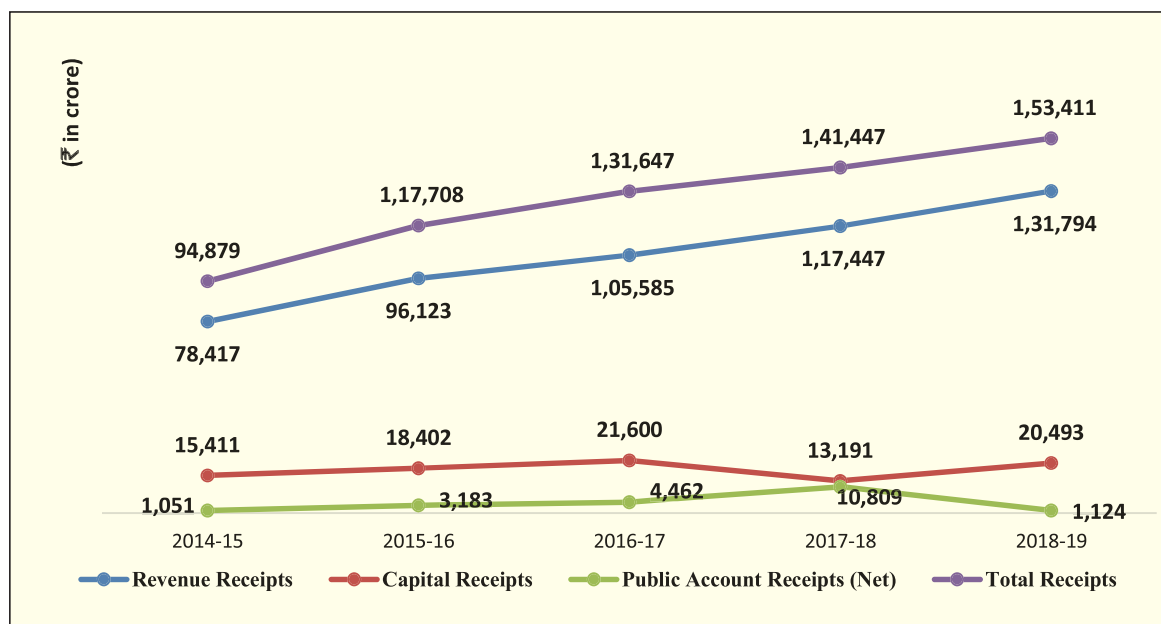
Charts 1.3, 1.4 and 1.5 below depicts the composition of aggregate receipts, the trends in various components of receipts during 2014-19 and the composition of resources during 2018-19 respectively.

Chart 1.3: Composition of aggregate receipts during 2018-19

(₹ in crore)



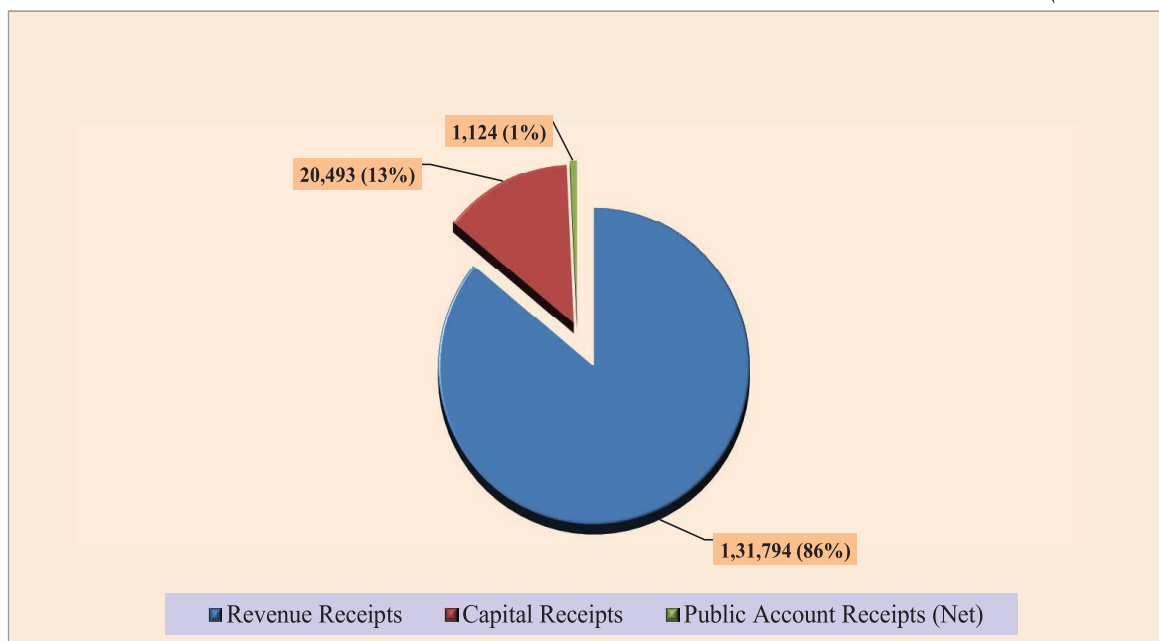
(Source: Finance Accounts for the year 2018-19)

Chart 1.4: Trends of receipts of the State

(Source: Finance Accounts of the respective years)

Chart 1.5: Composition of total receipts during 2018-19

(₹ in crore)



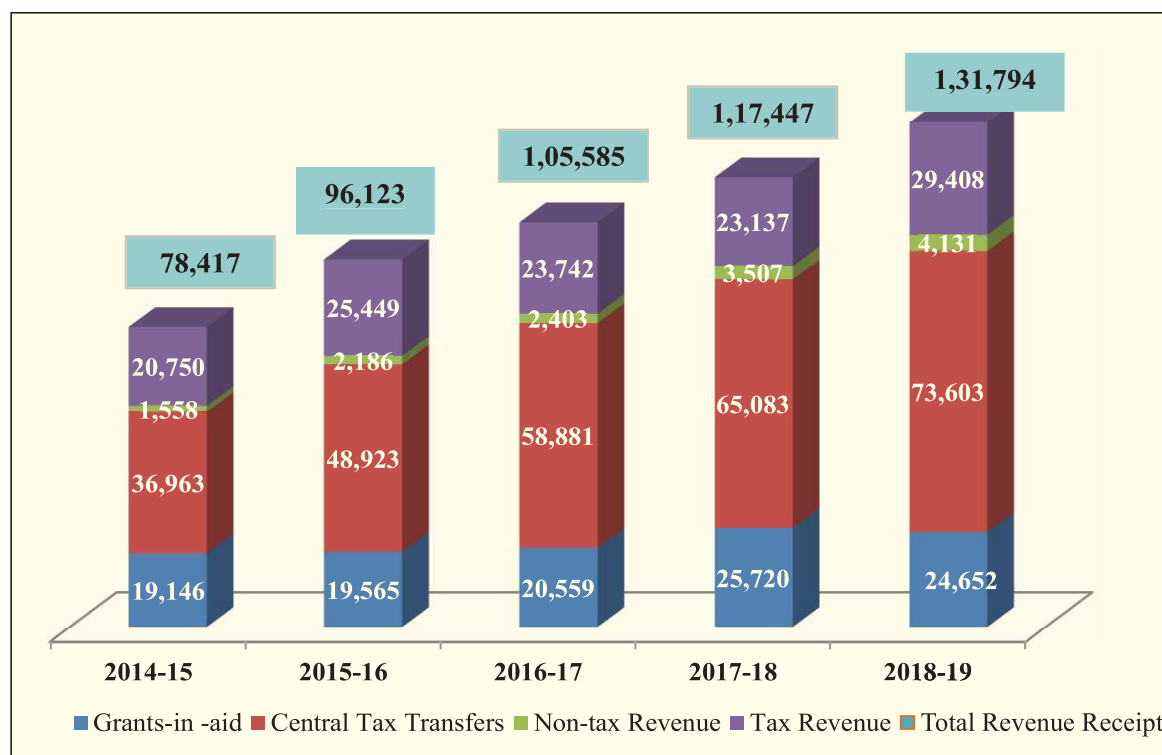
(Source: Finance Accounts for the year 2018-19)

1.3.2 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 2014-19 are presented in **Appendix 1.5** and also depicted in **Chart 1.6**.

Chart 1.6: Composition of total revenue receipts during 2014-19

(₹ in crore)



(Source: Finance Accounts of the respective years)

During 2014-19, the own revenue (tax and non-tax) of the State constituted 23 *per cent* to 29 *per cent* of total revenue receipts. The major component of revenue receipts was Central tax transfers which ranged from 47 *per cent* to 56 *per cent*.

1.3.2.1 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 are based on the recommendations of the Finance Commission.

The State's own resources (tax and non-tax revenue) has increased from ₹ 26,643.23 crore to ₹ 33,538.70 crore from 2017-18 to 2018-19. The State's tax revenues and non-tax revenues *vis-à-vis* budget projections are shown in **Table 1.9** below:

Table 1.9: Projections and actual receipts for 2018-19

(₹ in crore)

	Budget projections	Actuals	Variation in percentage
Tax revenue	31,002.03	29,408.14	5.14
Non-tax revenue	4,445.89	4,130.56	7.09

(Source: Finance Accounts and budget document for the year 2018-19)

Tax revenue

Details of tax revenue during 2014-15 to 2018-19 along with variation during 2018-19 over 2017-18 are shown in the **Table: 1.10**.

Table 1.10: Components of tax revenue

(₹ in crore)

	2014-15	2015-16	2016-17	2017-18	2018-19	Variation (per cent) during 2018-19 over 2017-18
Taxes on Sales, Trade, etc.	8,607	10,603	11,873	8,298	6,584	(-) 20.65
State Goods and Service Tax	-	-	-	6,747	15,288	126.59
State Excise duty	3,217	3,142	30	(-) 3	(-)10	(-)233.33
Stamps and Registration fees	2,699	3,409	2,982	3,726	4,189	12.43
Taxes on vehicles	964	1,081	1,257	1,599	2,086	30.46
Land Revenue	277	695	971	779	477	(-) 38.77
Taxes on Goods and Passengers	4,451	6,087	6,245	1,645	399	(-) 75.74
Other Taxes ⁵	535	432	384	346	395	14.16
Total	20,750	25,449	23,742	23,137	29,408	27.10

(Source: Finance Accounts of the respective years)

The decrease in Taxes on Sales, Trade etc. and Goods and Passengers was due to implementation of Goods and Service Tax (GST) from July 2017.

⁵ Other taxes include – Corporation Tax, Taxes on income other than Corporation tax, Other Taxes on income and expenditure, Taxes on Wealth, Taxes and duties of Electricity, Other taxes and duties on commodities and services.

Non-tax revenue

Non-tax revenue accounts for receipts for services rendered and supplies made by various Departments of Government and interest receipts. Non-tax revenue constituted 3.13 *per cent* of the total revenue receipts of the year 2018-19. Details of receipts from non-tax revenues during 2014-19 are given in **Table 1.11** below:

Table 1.11: Components of non-tax revenue

(₹ in crore)

Non Tax Revenue	2014-15	2015-16	2016-17	2017-18	2018-19	Variation (per cent) during 2018-19 over 2017-18
Interest receipts	344.77	583.66	939.91	1,577.24	1,371.94	(-) 13.02
Non-ferrous mining and metallurgical industries	879.87	971.34	997.60	1,082.67	1,560.65	44.15
Other non-tax receipts ⁶	333.34	630.64	465.61	846.83	1,197.97	41.47
Total	1,557.98	2,185.64	2,403.12	3,506.74	4,130.56	17.79

(Source: Finance Accounts of the respective years)

Reasons for increase in mining receipts during 2018-19 was imposition of penalties and receipts from limestone, deposit of royalty from works divisions in mining head instead of miscellaneous deposit head and increase in settlement amount of sand.

1.3.2.2 Goods and Services Tax (GST)

State Government implemented the Goods and Services Tax (GST) Act which became effective from 1 July 2017. According to GST (Compensation to the States) Act 2017, Central Government will compensate the States for loss of revenue arising on account of implementation of GST for a period of five years. The compensation payable to the State shall be calculated for every financial year after the receipt of final revenue figures, as audited by the CAG of India. A base year (2015-16) revenue figure of taxes subsumed under GST was finalised under GST Act. In case of Bihar, the revenue was ₹ 12,620.56 crore during the base year (2015-16). The projected revenue for any year in a State shall be calculated by applying the projected growth rate (14 *per cent* per annum) over the base year revenue of that state.

The projected revenue for the year 2018-19 in accordance with the base year figure was ₹ 18,697.92 crore. Revenue figure under GST for the year 2018-19 has been depicted in Finance Accounts as per nature of receipts i.e. State Goods and Services Tax (SGST), Input Tax Credit cross utilisation of SGST and IGST (Integrated Goods & Services Tax), apportionment of IGST-transfer-in of Tax component of SGST and advance apportionment from IGST. Against the projected revenue of ₹ 18,697.92 crore, the total receipt of the State on account of GST was ₹ 14,644.54 crore. After receipt of compensation amounting to ₹ 2,571.00 crore from the GoI, the deficit on account of implementation of GST was ₹ 1,482.38 crore for the year 2018-19. GoB received ₹ 552.00 crore as advance apportionment of IGST in 2017-18 which was to be deducted in 10 equal instalments in the financial year

⁶ Other non-tax receipts include receipts of Police, Public Works, Crop Husbandry, Roads and Bridges, Medical and Public Health, Water supply and sanitation etc.

2018-19. However, only two installments amounting to ₹ 110.40 crore have been deducted and outstanding balances remain unadjusted.

With automation of the collection of GST having taken place, it is essential for Audit to transition from sample checks to a comprehensive check of all transactions, to fulfil the CAG's Constitutional mandate of certifying the accounts. The required access to data is however yet to be provided. Not having access to the data pertaining to all GST transactions has come in the way of comprehensively auditing the GST receipts. The accounts for the year 2018-19 are, therefore, certified on the basis of test audit, as was done when records were manually maintained, as a one-time exception.

1.3.2.3 Cost of collection

Details of collection and cost thereof in respect of major revenue receipts during 2018-19 are given in **Table 1.12**:

Table 1.12: Gross collection and expenditure of revenue receipts

Sl. No.	Particulars	Gross collection	Expenditure on collection	Percentage of expenditure to gross collection	All India average of previous year
		(₹ in crore)			
(1)	(2)	(3)	(4)	(5)	(6)
1.	SGST	15,288.06	113.87	0.74	0.69
2.	Taxes on Sales, Trade etc.	6,584.24	(-) 0.07	0.00	
3.	State Excise	(-) 9.63	97.54	1,012.88	1.83
4.	Taxes on Vehicles	2,085.94	55.89	2.68	2.61
5.	Stamp and Registration fees	4,188.61	64.55	1.54	2.96

(Source: Finance Accounts of the year 2018-19)

As evident from the table above, the percentage of expenditure on collection of taxes on State Excise was higher than the all-India average of the preceding year. This was mainly attributed to prohibition imposed in the State since April 2016.

Table 1.13: Cost of collection

(figures in percentage)

Year	VAT/Sales Tax		Taxes on Vehicles		Stamp and Registration fees		State Excise	
	GoB	All-India average	GoB	All-India average	GoB	All-India average	GoB	All-India average
2014-15	1.11	0.91	3.97	6.08	1.40	3.59	1.53	2.09
2015-16	0.53	0.66	3.68	4.99	1.62	2.87	1.58	3.21
2016-17	0.64	0.69	3.67	2.61	1.60	2.99	310.05	2.01
2017-18	0.87	0.69	3.85	2.61	1.45	2.96	2,403.50	1.83
2018-19	0.00		2.68		1.54		1,012.88	

(Source: Finance Accounts of the respective year)

The cost of collection on Stamp and Registration fees increased in 2018-19 with respect to 2017-18 due to less receipts from court fees and increase in expenditure in cost of stamps received from Central Stamp Depot, Nasik. Further, cost of collection of taxes on vehicles went down to 2.68 per cent due to decrease in revenue expenditure and increase in revenue receipts.

1.3.2.4 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 Commission. Details of GoI grants are given below in **Table 1.14**.

Table 1.14: Grants-in-aid from Government of India

(₹ in crore)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Non-plan grants	3271.21	3,434.43	4,505.51	(-) 5.00	0.00
Grants for State Plan schemes	14,935.68	13,886.33	13,952.92	(-) 2.20	(-)2.82
Grants for Central and Centrally Sponsored Plan schemes	117.49	2,083.98	1,422.91	(-) 1.00	0.00
Grants for Centrally Sponsored schemes	821.88	160.86	677.68	13,312.26	16,322.72
Finance Commission grants	-	-	-	4,525.06	4,775.20
Other Transfers/Grants to States/UTs with Legislature	-	-	-	7,891.01	3,556.52
Total	19,146.26	19,565.60	20,559.02	25,720.13	24,651.62
Percentage of increase/ decrease over previous year	52.15	2.19	5.08	25.10	(-)4.15
Revenue receipts	78,417	96,123	1,05,585	1,17,447	1,31,794
Total grants as a percentage of revenue receipts	24.42	20.35	19.47	21.90	18.70

(Source: Finance Accounts of the respective years)

The decrease in grants-in-aid by ₹ 1,068.51 crore in 2018-19 over the previous year was mainly due to less receipts under Other Transfers/Grants to States/UTs with Legislature as in 2017-18, amounts were especially given for National Population Register, National Disaster Response Fund (NDRF) and special assistance for diesel subsidy scheme for drought and deficit rainfall affected areas.

1.3.2.5 Arrears of revenue

Details of arrears of revenue are detailed in **Table 1.15** below:

Table 1.15: Arrears of revenue

(₹ in crore)

Sl. No.	Head of revenue	Name of Department	Total amount outstanding as on 31 March 2019	Amount outstanding for more than five years
1.	Taxes on vehicles	Transport	179.30	N.A.
2.	State excise	Prohibition, excise and registration	46.54	28.38
3.	VAT/Sales trade/GST	Commercial tax	3,351.16	2,185.91
Total			3577.00	2,214.29

(Source: Concerned departments)

Information regarding arrears of revenue from other departments was awaited (February 2020). Arrears increased in VAT/Sales Trade/GST by ₹ 405.91 crore (14 per cent) from 2017-18 whereas decrease of arrears in Taxes on vehicles and State excise was by five and six per cent respectively.

Recommendation: The Finance Department should devise a mechanism to ensure that arrears of revenue are expeditiously collected so that the burden of the State on fiscal deficit may be mitigated.

1.3.3 Receipts under Capital section

Trends of receipts under Capital section during 2014-19 are given in **Table 1.16**.

Table 1.16: Trends in receipts under Capital section

(₹ in crore)

Sources of State's Receipts	2014-15	2015-16	2016-17	2017-18	2018-19
Receipts under Capital section	15,411	18,402	21,600	13,191	20,493
Recovery of loans and advances	1,493	19	23	22	1,825
Public debt receipts	13,918	18,383	21,577	13,169	18,668
Rate of growth of public debt receipts (<i>per cent</i>)	40	32	17	(-)39	42
Rate of growth of receipts under the capital section (<i>per cent</i>)	55	19	17	(-)39	55

(Source: Finance Accounts of the respective years)

The increase in capital section was mainly due to recovery of loans and advances from ₹ 22 crore in 2017-18 to ₹ 1,825 crore in 2018-19 (₹ 1,803 crore).

The major portion of the repayment was by Bihar State Road Transport Corporation (BSRTC), Bihar State Power Holding Company Limited (BSPHCL) and Bihar State Co-operative Bank Limited (BSCBL) who repaid ₹ 874.81 crore, ₹ 257.03 crore and ₹ 290.00 crore respectively. However, these loans were repaid from budgetary support of the State Government as subsidy of ₹ 874.81 crore and ₹ 5,120 crore was provided to BSRTC and BSPHCL respectively and loan of ₹ 800.00 crore was provided to BSCBL during 2018-19.

1.3.3.1 Debt receipts from internal sources

Details of debt receipts from internal sources during 2014-15 to 2018-19 are given in **Table 1.17**.

Table 1.17: Debt receipts from internal sources

(₹ in crore)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Market borrowings	8,100	11,500	17,700	10,000	14,300
Loans from financial institutions	1,154	1,204	1,588	1,771	1,834
Others ⁷	3,946	4,861	777	0	0

(Source: Finance Accounts of the respective years)

The impact of borrowing at higher rates of interest than that received from investments by the State is discussed in **Para 1.5.3**.

1.3.3.2. Loans and advances from GoI

Details of loans and advances received by the State Government from GoI for State plan, Central plan, Centrally sponsored schemes etc., during 2014-19 are given in **Table 1.18**.

Table 1.18: Loans and advances from GoI

(₹ in crore)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Loans and advances from GoI	718	818	1,512	1,398	2,534

(Source: Finance Accounts of the respective years)

⁷ Bonds, Ways and Means Advances from RBI and special securities issued to National Small Saving Fund.

Loans and advances from GoI in 2018-19 increased by ₹ 1,136 crore over the previous year. The amount received during 2018-19 was under the Head “other loans for States”. The rate of interest for the loan ranges from below 6 per cent to 14.99 per cent.

1.3.3.3 Public Accounts receipts (Net)

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 Account 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 Account receipts (net) are given in **Table 1.19**.

Table 1.19: Status of Public Accounts receipts (Net)

(₹ in crore)

Resources under various heads	2014-15	2015-16	2016-17	2017-18	2018-19
Public Account receipts (net)	1,050.64	3,183.04	4,462.44	10,808.32	1,124.14
A. Small savings, provident funds etc.	(-) 182.77	(-) 73.58	99.63	(-)80.25	277.79
B. Reserve funds	730.13	90.69	(-) 129.15	(-)2.79	783.89
C. Deposits and advances	2,222.58	3,731.69	5,393.40	10,314.32	331.51
D. Suspense and miscellaneous	(-) 1,707.32	(-) 571.81	(-) 894.39	579.80	(-)345.12
E. Remittances	(-) 11.98	6.05	(-) 7.05	(-)2.76	76.05

(Source: Finance Accounts of the respective years)

The impact of transactions under Reserve Funds is discussed in **Para 1.6.2**.

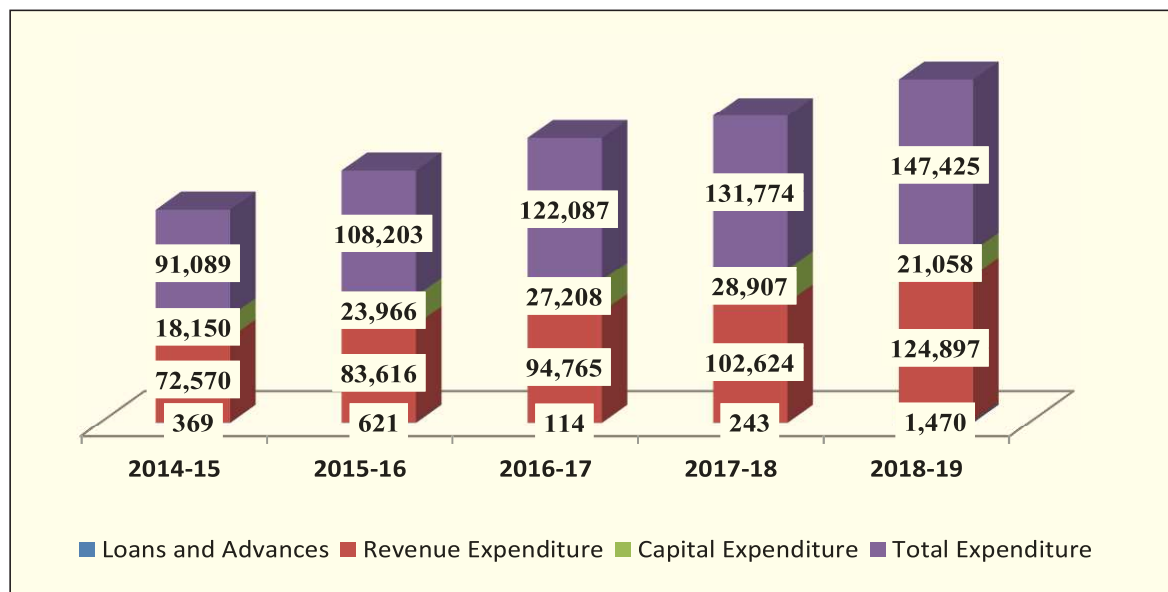
1.4 Application of resources

1.4.1 Growth and composition of expenditure

Chart 1.7 and **Table 1.20** present the trends and composition of total expenditure during 2014-19.

Chart 1.7: Total Expenditure: Trends and composition

(₹ in crore)



(Source: Finance Accounts of the respective years)

Table: 1.20: Total Expenditure- Trends by activities**(₹ in crore)**

Sectors	2014-15	2015-16	2016-17	2017-18	2018-19
General Services	28,157 (30.91)	31,589 (29.19)	32,697 (26.78)	36,139 (27.43)	42,002 (28.49)
Social Services	33,386 (36.65)	38,684 (35.75)	44,329 (36.31)	50,028 (37.97)	62,346 (42.29)
Economic Services	29,173 (32.03)	37,305 (34.48)	44,943 (36.81)	45,360 (34.42)	41,603 (28.22)
Loans and advances	369 (0.40)	621 (0.57)	114 (0.09)	243 (0.18)	1,470 (1.00)
Grants-in-aid	4	4	4	4	4
Total Expenditure	91,089	1,08,203	1,22,087	1,31,774	1,47,425
Figures in parentheses indicate percentage to Total expenditure					

(Source: Finance Accounts of the respective years)

A marginal variation among the activity-wise components of total expenditure was noticed during the period 2014-19.

1.4.2 Revenue expenditure

Details of scheme⁸ (Plan) and establishment and committed (Non-plan) revenue expenditure are given in **Table 1.21**.

Table 1.21: Scheme and establishment and committed revenue expenditure**(₹ in crore)**

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Total revenue expenditure	72,570	83,616	94,765	1,02,624	1,24,897
Establishment and committed revenue expenditure	47,059	53,965	61,189	66,673	77,532
Scheme revenue expenditure	25,511	29,651	33,576	35,951	47,365
Rate of growth of establishment and committed revenue expenditure (in per cent)	8.48	14.68	13.39	8.96	16.29
Rate of growth of scheme revenue expenditure (in per cent)	33.59	16.23	13.24	7.07	31.75

(Source: Finance Accounts of the respective years)

1.4.3 Committed expenditure

Total committed expenditure (₹ 54,391.25 crore) constitutes a major component of revenue expenditure and consumed 70.15 per cent of the establishment and committed revenue expenditure (₹ 77,531.83 crore). **Table 1.22** presents the trends under committed expenditure during 2014-19.

Table 1.22: Trends in components of committed expenditure**(₹ in crore)**

Sl. No.	Components of committed expenditure	2014-15	2015-16	2016-17	2017-18	2018-19	
						BE	Actuals
1	Salaries and wages of which	14,607.44	14,923.73	15,784.04	17,778.74	21,272.03	19,968.39
		<i>(18.63)</i>	<i>(15.52)</i>	<i>(14.95)</i>	<i>(15.14)</i>		<i>(15.15)</i>
1(a)	Establishment and committed	13,910.31	14,307.22	15,106.13	16,948.39	20,232.37	18,963.75
1(b)	Scheme	697.13	616.51	677.91	830.35	1,039.66	1004.64

⁸ Scheme includes State Schemes, Central Assistance to State Schemes, Centrally Sponsored Schemes and Central Area Schemes

Sl. No.	Components of committed expenditure	2014-15	2015-16	2016-17	2017-18	2018-19	
						BE	Actuals
2	Interest payments	6,128.75 (7.82)	7,097.69 (7.38)	8,190.70 (7.76)	9053.78 (7.71)	10,763.49	10,071.14 (7.64)
3	Expenditure on pensions	11,344.50 (14.47)	11,830.46 (12.31)	12,514.52 (11.85)	14,293.48 (12.17)	15,872.14	16,027.75 (12.16)
4	Subsidies	4,628.36 (5.90)	9,010.45 (9.37)	8,757.44 (8.29)	5023.06 (4.27)	5,455.48	8,323.97 (6.32)
5	Total committed expenditure	36,709.05 (46.81)	42,862.33 (44.59)	45,246.70 (42.85)	46,149.06 (39.29)	53,363.14	54,391.25 (41.27)
Figures in the parenthesis indicate percentage of actual expenditure to revenue receipts							

(Source: Finance Accounts of the respective years and Budget Document for the year 2018-19)

1.4.3.1 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. Records and accounts of the NPS were to be maintained by the Government of Bihar (GoB) till regular arrangement of Centralised Record Keeping and Accounting Agency (CRA) and Pension Fund Manager (PFM) i.e. 31 March 2010. NSDL-CRA is managing the NPS accounts in respect of the employees of Bihar w.e.f. 1 April 2010.

During the year 2018-19, ₹ 1,141.28 crore was credited to MH 8342⁹ and ₹ 0.02 crore under MH 8011¹⁰. This included ₹ 6.52 crore as interest credited by the Government on the available balances not transferred to NSDL/Trustee Bank against the due amount of ₹ 10.26 crore. The State Government deposited only ₹ 1,081.26 crore to NSDL/Trustee Bank and failed to deposit ₹ 60.04 crore collected on account of NPS during the year 2018-19. The total amount not deposited to NSDL/Trustee Bank as on 31 March 2019 was ₹ 188.32 crore¹¹ (₹ 41.11 crore under MH 8011 and ₹ 147.21 crore under MH 8342). Thus, the current liability stands deferred to future years. Further, the State Government has created interest liability on the amount not transferred to NSDL, has incorrectly used the funds that belongs to its employees, leading to possible uncertainty in the rate of return to the employees/avoidable financial liability to the Government, and thus failure of the scheme itself.

Recommendation: The State Government should ensure that employees' deductions are fully deducted, fully matched by Government contributions, and fully transferred to NSDL in a timely manner.

⁹ Other Deposits

¹⁰ Insurance and Pension Funds

¹¹ Includes ₹ 128.28 crore of previous years

1.4.3.2 Financial assistance by the State Government to local bodies and other institutions

The quantum of assistance provided by way of grants and loans to local bodies and others during the current year relative to the previous years is presented in **Table 1.23**.

Table 1.23: Financial Assistance by the State Government to local bodies and other institutions

(₹ in crore)

Financial Assistance to Institutions	2014-15	2015-16	2016-17	2017-18	2018-19
Panchayati Raj Institutions (PRIs)	2,425.69	3,178.20	2,659.04	7,572.94	7,517.61
Urban Local Bodies	626.45	1,826.28	3,135.50	1,794.52	2,892.56
Public Sector Undertakings	232.87	72.49	25.92	109.00	193.46
Autonomous Bodies	19,066.20	21,343.38	30,348.88	33,868.65	41,160.66
Others	8.08	5.86	40.00	13.62	0.00
Total	22,359.29	26,426.21	36,209.34	43,358.73	51,764.29
Revenue Expenditure	72,569.98	83,615.94	94,765.18	1,02,623.73	1,24,896.80
Assistance as <i>percentage</i> of Revenue Expenditure	30.81	31.60	38.21	42.25	41.45

(Source: Finance Accounts of the respective years)

1.4.4 Capital expenditure

Details of scheme and establishment and committed capital expenditure are given in **Table 1.24**.

Table 1.24: Scheme and establishment and committed capital expenditure

(₹ in crore)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Total expenditure	91,089	1,08,203	1,22,087	1,31,774	1,47,425
Capital expenditure	18,150	23,966	27,208	28,907	21,058
Establishment and committed capital expenditure	58	36	16	41	59
Scheme capital expenditure	18,092	23,930	27,192	28,866	20,999
Loans & Advances	369	621	114	243	1,470
Rate of growth of capital expenditure (in <i>per cent</i>)	29.63	32.04	13.53	6.24	(-) 27.15
Rate of growth of establishment and committed capital expenditure (in <i>per cent</i>)	(-) 40.21	(-) 37.93	(-) 55.56	156.25	43.90
Rate of growth of scheme capital expenditure (in <i>per cent</i>)	30.12	32.27	13.63	6.16	(-)27.25
Capital expenditure as a percentage of GSDP at current prices (in <i>per cent</i>)	5.29	6.45	6.44	5.96	3.78

(Source: Finance Accounts of the respective years)

Out of total capital expenditure of ₹ 21,058 crore, State Government made an investment of ₹ 5,289.70 crore in PSUs and Co-operative Societies, of which ₹ 5,035.36 crore was invested in projects of Bihar State Power (Holding) Company Limited. Other major areas included expenditure of ₹ 5,263 crore on roads and bridges, ₹ 1,485 crore on water supply and sanitation and ₹ 1,056 crore on education, sports, art and culture.

The expenditure on capital account decreased from ₹ 28,907 crore in 2017-18 to ₹ 21,058 crore in 2018-19 mainly due to decrease in capital expenditure on rural development programmes by ₹ 5,427.26 crore¹², power projects by ₹ 1,895.74 crore¹³ and secondary education by ₹ 462.48 crore.

1.4.5 Quality of expenditure

Quality of expenditure involves adequacy of the expenditure i.e. (adequate provisions for providing public services) and efficiency of expenditure use. Broadly, social and economic services constitute development expenditure while expenditure on general services is treated as non-development expenditure.

1.4.5.1 Adequacy of public expenditure

The fiscal priorities of the State Government with regard to development expenditure, social services expenditure and capital expenditure during 2018-19 are analysed in **Table 1.25**.

Table 1.25: Fiscal priority of the State during 2014-15 and 2018-19

(in per cent)

Fiscal priority (percentage of GSDP)	AE/ GSDP	DE [#] / AE	ESE/ AE	SSE/ AE	CE/ AE	Education/ AE	Health/ AE
General Category States ¹⁴ average 2014-15	15.99	68.51	32.36	36.15	14.02	16.54	4.92
Bihar's average 2014-15	26.56	69.07	32.42	36.65	19.93	18.15	3.96
General Category State' average 2018-19	16.05	67.04	30.45	36.59	14.28	14.99	5.07
Bihar's average 2018-19	26.44	71.49	28.87	42.62	14.28	19.38	4.96
AE: Aggregate Expenditure, DE: Development Expenditure, SSE: Social Sector Expenditure, ESE: Economic 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)

During 2018-19, as evident from the table, the ratio of development expenditure, social sector expenditure and education services expenditure to aggregate expenditure was higher than the average for the General Category States. However, the share of economic sector expenditure in aggregate expenditure dropped in 2018-19 over the five year period, while the share of health to aggregate expenditure was less than the average for General Category States.

1.4.6 Efficiency of expenditure

Details of capital and revenue expenditure on maintenance of social and economic services are given in **Table 1.26** below:

¹² Includes Pradhan Mantri Gram Sadak Yojana- ₹ 2,142.74 crore, Rural Colony Connectivity- ₹ 729.64 crore, CM Rural Sampark Path Yojana- ₹ 766.00 crore

¹³ Includes Bihar State Power Generation Company Limited- ₹ 1,224.54 crore and Bihar State Power Holding Company Limited- ₹ 176.97 crore

¹⁴ General Category States are states other than those 11 states which are defined as Special Category States which have a low resource base and are not in a position to mobilise resources for their developmental needs.

Table 1.26: Efficiency of expenditure use in selected social and economic services*(in per cent)*

Social/Economic infrastructure	2017-18		2018-19	
	Ratio of CE to TE	Share of S and W ¹⁵ in RE	Ratio of CE to TE	Share of S and W in RE
Major components of Social Services (SS)				
General Education	4.99	22.00	1.56	18.58
Health and Family Welfare	9.14	46.86	15.66	49.12
Water Supply, Sanitation, Housing and Urban Development	25.40	4.55	10.98	1.92
Total (SS)	9.74	22.00	6.58	17.65
Major components of Economic Services (ES)				
Agriculture and Allied Activities	5.18	16.27	2.80	20.74
Irrigation and Flood Control	67.20	51.20	60.08	50.84
Power and Energy	61.69	0.00	42.11	0.00
Transport	79.40	19.05	65.36	10.18
Total (ES)	58.83	14.32	45.86	11.76
Total (SS+ES)	29.59	20.18	20.39	16.24

(Source: Finance Accounts of the respective years)

1.5 Government expenditure and investments

1.5.1 Financial results of irrigation works

The 13th and 14th 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 cost recovery of irrigation projects in the State for the period 2014-19 is depicted in **Table 1.27**.

Table 1.27: 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)		(in per cent)		
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
2017-18	792.06	44.70	35	6	29
2018-19	930.08	64.17	35	7	28

(Source: Finance Accounts of the respective years and Reports of 13th and 14th Finance Commission)

The gap in cost recovery (28 *per cent*) has decreased with respect to the year 2017-18.

1.5.2 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 1.28**.

¹⁵ Salaries and Wages

Table 1.28: Department-wise profile of incomplete projects as on 31 March 2019

(₹ in crore)

Department	No. of incomplete projects	Estimated cost	Progressive expenditure upto March 2019
Water resources	6	98.56	27.38
Public health engineering	16	197.24	87.16
Road construction	21	309.65	121.62
Building construction	13	164.70	66.16
Local area engineering organisation	5	8.63	5.33
Rural work	7	12.21	7.46
Total	68	790.99	315.11

(Source: Finance Accounts of the year 2018-19)

The above 68 projects were due for completion during the period 2011-12 to 2018-19. The details are presented in *Appendix IX* of Finance Accounts Vol-II. Since the details of all the 68 projects with an estimated cost of ₹ 790.99 crore were not furnished by the Departments, their revised cost was not exhibited in the Finance Accounts and was thus not ascertainable.

Recommendation: The Finance Department and the concerned departments may evolve a mechanism to ensure timely completion of projects to minimise cost overrun. The revised estimates of all the incomplete projects should be prepared and approved on priority so as to have a realistic assessment of the funds required to complete these projects.

1.5.3 Returns on investment

The position of return on investment¹⁶ during 2014-19 is given in **Table 1.29**.

Table 1.29: Returns on investment

Investment/Return/Cost of Borrowings	2014-15	2015-16	2016-17	2017-18	2018-19
Investment at the end of the year (₹ in crore)	7,068.79	9,940.24	15,916.47	23,037.29	28,327.00
Dividend/Interest received (₹ in crore)	2.58	14.84	3.73	1.34	11.34
Dividend/Interest received (<i>per cent</i>)	0.04	0.15	0.02	0.01	0.04
Average rate of interest ¹⁷ on Government borrowing (<i>per cent</i>)	6.59	6.58	6.42	6.13	6.18
Difference between interest rate on market borrowings and rate of return on investments (<i>per cent</i>)	6.15	5.94	5.88	5.82	6.14
Notional loss due to difference between interest rate of market borrowings and rate of return on investments (₹ in crore)	434.73	590.45	935.89	1,340.77	1,739.28

(Source: Finance Accounts of the respective years)

During the year 2018-19, the State Government incurred a notional loss of ₹ 1,739.28 crore on return on investment in various entities on account of difference between the Government's borrowing cost and the return on investment.

¹⁶ In Statutory Corporations, Government Companies, Co-operative Societies and Banks.

¹⁷ Average rate of interest = Interest Payment*100/ (Previous year's fiscal liabilities + current year's fiscal liabilities/2).

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 entities, 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 ₹ 5,289.70 crore in the form of equity to 12 PSUs/Joint Stock Companies and co-operative institutions during 2018-19 as given in **Table 1.30**.

Table 1.30: Investment made by the State government during 2018-19

(₹ in crore)

Sl. No.	Name of Concern	Amount invested during the year	Remarks
1.	Bihar State Financial Corporation	5.00	The accounts were finalised up to 2017-18.
2.	Bihar State Mineral Development Corporation Limited	13.84	The accounts were finalised up to 2000-01.
3.	Bihar Police Building Construction Corporation Limited	9.90	The accounts were finalised up to 2014-15.
4.	Bihar Medical Services and Infrastructure Corporation Limited	50.00	The accounts were finalised up to 2014-15.
5.	Bihar State Education Finance Corporation Limited	9.50	Not available.
6.	Bihar State Credit and Investment Corporation Limited	5.00	The accounts were finalised up to 2014-15.
7.	Bihar State Power (holding) company limited	5,035.36	The accounts were finalised up to 2017-18.
8.	Bihar State Industrial Development Corporation Limited	5.00	The accounts were finalised up to 2008-09.
9.	Bihar State Minority Finance Corporation Limited	108.00	The accounts were finalised up to 2012-13.
10.	Other co-operatives	5.10	Not available.
11.	Indian Institute of Technology, Bhagalpur	40.00	Not available.
12.	Patna Metro Rail Corporation Limited	3.00	Not available.
Total		5,289.70	

(Source: Finance Accounts of the year 2018-19)

As per Finance Accounts, only three companies have contributed dividend i.e., Bihar Rajya Pul Nirman Nigam Limited (₹ 1.05 crore), Bihar State Road Development Corporation Limited (₹ 10.00 crore) and Credit Co-operatives (₹ 0.29 crore) during the year.

Recommendation: The Finance Department and the concerned administrative departments should review investment in entities and ensure that no investment is made in those entities whose accounts are in arrears.

1.5.4 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 1.31**.

Table 1.31: Outstanding loans and advances and interest in arrears**(₹ in crore)**

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Opening balance of loans and advances	21,379.35	20,255.00	20,857.73	20,948.29	21,169.17
Amounts advanced during the year	368.71	621.23	113.87	242.78	1,470.56
Amounts repaid during the year	1,493.06	18.50	23.31	21.89	1,825.40
Closing balance of loans and advances	20,255.00	20,857.73	20,948.29	21,169.18	20,814.33
Interest in arrears	3,017.55	5,478.14	6,652.60	7,823.47	9,038.12
Interest in arrears as <i>per cent</i> of outstanding loans and advances	14.90	26.26	31.76	36.96	43.42

(Source: Finance Accounts of the respective years)

- (i) The interest in arrears on these loans and advances has increased over the years and was ₹ 9,038.12 crore as on 31 March 2019.

During 2018-19, Bihar State Co-operative Bank Ltd has received an amount of ₹ 800 crore for Agriculture Credit Stabilisation Fund and also repaid ₹ 290 crore from the same fund. Further, Bihar State Road Transport Corporation had also repaid an amount of ₹ 874.81 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 1.32**.

Table 1.32: Summary of repayments in arrears from loanee entities**(₹ in crore)**

Loanee Entity	Amount of arrears as on 31 March 2019*			Earliest period to which arrears relate*	Total loans outstanding against the entity on 31 March 2019
	Principal	Interest	Total		
Municipalities/Municipal councils/Municipal corporations	19.54	63.40	82.94	2001-02	386.85
Housing Boards	4.75	6.40	11.15	2001-02	127.47
Government companies	3,273.63	3,273.51	6,547.14	2001-02	5,729.80
Co-operative societies/Co-operative corporations/ Banks	735.57	632.37	1,367.94	2001-02	1,301.49
Panchayati Raj institutions	17.47	23.54	41.01	2001-02	57.63
Statutory corporations	3,587.35	4,485.87	8,073.22	2001-02	12,502.01
Others	216.90	553.03	769.93	2001-02	615.00
Total	7,855.21	9,038.12	16,893.33		20,720.25

*An amount of ₹ 3,446.27 crore (principal ₹ 1,522.50 crore and interest ₹ 1,923.77 crore) relating to arrears upto 2000-01 has not been included as the details of the same are not available.

(Source: Finance Accounts of the year 2018-19)

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

1.5.5 Differences in cash balance

The Cash Balance of the State as on 31 March 2019 as worked out by the Accountant General (A&E) was ₹ 157.12 crore (Debit) while the Cash Balance with the Reserve Bank of India (RBI) was ₹ 109.73 crore (Credit). The difference of ₹ 47.39 crore (Debit) was mainly due to incorrect reporting of transactions and non-reconciliation by the Agency Banks. Accountant General (A&E) stated that the difference is under reconciliation.

1.5.6 Cash balances and investment of cash balances

Details of cash balance and investment of cash balances during 2018-19 are given in Table 1.33 below:

Table 1.33: Cash balances and investment of cash balances

(₹ in crore)

Sl. No.	Particulars	Opening balance as on 01 April 2018	Closing balance as on 31 March 2019
	(a) General cash balances		
1	Deposits with Reserve Bank	46.90	157.12
2	Investments held in Cash Balance Investment Account	17,395.63	14,791.80
	Total (a)	17,442.53	14,948.92
	(b) Other cash balances and investments		
1	Cash with Departmental Officers viz., Public Works Department officers and Forest Department officers	185.73	234.65
2	Permanent advances for contingent expenditure with Departmental Officers	341.97	758.52
3	Investment in Earmarked Funds	4,111.33	4,895.22
	Total (b)	4,639.03	5,888.39
	Grand Total (a) + (b)	22,081.56	20,837.31

(Source: Finance Accounts of the year 2018-19)

The position of closing cash balance during the last five years indicates that the closing cash balance has increased from ₹ 6,337 crore (March 2015) to ₹ 20,837 crore (March 2019). During 2018-19, the cash balance decreased by ₹ 1,244.25 crore from opening cash balance of ₹ 22,081.56 crore to ₹ 20,837.31 crore. The cash balance investment decreased (₹ 2,603.83 crore) from ₹ 17,395.63 crore to ₹ 14,791.80 crore which was 12.93 per cent of the internal debt (₹ 1,14,360 crore). Most of the cash balance was invested in treasury bills. The investment in cash balance increased from ₹ 3,439.74 crore (March 2015) to ₹ 14,948.92 crore (March 2019) while at the same time State Government had resorted to marked borrowings of ₹ 14,300 crore to finance the fiscal deficit during the year 2018-19. Had the State Government brought down the cash surpluses held in cash balance investment accounts, there was a scope for reducing the quantum of market borrowings.

1.6 Assets and liabilities

1.6.1 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 2019, compared with the corresponding position as on 31 March 2018. 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 expenditure and loans and advances given by the State Government and the cash balances.

There was an increase in assets and liabilities in 2018-19 by 8.5 *per cent* with respect to 2017-18. The increase in liabilities were mainly in market loans bearing interest and loans and advances from GoI and increase in assets was in gross capital outlay on fixed assets.

1.6.2 Transactions under Reserve Funds

As per the Finance Accounts, the State Government has six Reserve Funds¹⁸ as shown in **Table 1.34** below:

Table 1.34: Details of transactions under Reserve Funds

(₹ in lakh)

Sl. No.	Head of Accounts	Opening balance as on 1 April 2018	Receipts during 2018-19	Disbursements during 2018-19	Closing balance as on 31 March 2019
(a) Reserve Funds bearing interest					
1	8115-Depreciation/Renewal Reserve Funds (Government Commercial Department and Undertakings)	0.14	0.01	0.00	0.15
2	8121-General and other reserve funds (SDRF)	0.06	1,43,065.50	1,43,064.77	0.79
(b) Reserve Funds not bearing interest					
1	8222-Sinking Fund	0.00	78,388.39	78,388.39	0.00 ¹⁹
Total		0.20	2,21,453.90	2,21,453.16	0.94

(Source: Finance Accounts of the year 2018-19)

There were no transactions under three Reserve Funds *viz.*, Famine Relief Fund (balance ₹ 24.37 lakh), Development and Welfare Funds (balance ₹ 0.54 lakh) and General and other reserve funds (balance ₹ 2606.95 lakh) for the past 18 to 19 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 disbursements from the two main reserve funds are discussed below:

1.6.2.1 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 set up a Consolidated Sinking Fund in 2008-09 which was only for amortisation of market

¹⁸ State Disaster Response fund, Sinking Fund, Famine Relief Fund, Development and Welfare Funds, General and other Reserve Fund and Depreciation/Renewal Reserve Funds.

¹⁹ 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 2019 was ₹ 4,895.12 crore.

loans and from 2014-15, it was to be utilised for redemption of the outstanding liabilities of the Government. However, it has not been utilised since its inception. The closing balance of the fund as on 31 March 2019 was ₹ 4,895.12 crore.

1.6.2.2. State Disaster Response Fund (SDRF)

As per the recommendations of the 13th Finance Commission, the State Government commenced operation of the SDRF in 2010-11. It 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.

The opening balance of the fund as on 1 April 2018 was ₹ six thousand only. During the year, ₹ 1,430.66 crore (Centre: ₹ 1,362.79 crore and State: ₹ 67.87 crore) was received and an expenditure of ₹ 1,430.65 crore was incurred on natural calamities leaving a balance of ₹ 78,850.00 in the fund as on 31 March 2019.

1.6.3 Guarantees

Guarantee Redemption Fund

The State Government has not created a Guarantee Redemption Fund in terms of the recommendations of the 12th Finance Commission nor framed any rules for fixing a ceiling on guarantees. The State Government did not make minimum annual contribution of ₹ 26.73 crore (0.5 *per cent* of outstanding guarantees of ₹ 5,346.42 crore at the beginning of the year 2018-19) in terms of those recommendations.

The status of guarantees for the last five years, as depicted in Statement 9 of the Finance Accounts, is given in **Table 1.35**.

Table 1.35: Guarantees given by the government

(₹ in crore)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Maximum amount guaranteed	5,314.84	9,396.62	13,053.04	20,234.10	20,834.10
Total revenue receipts	78,417	96,123	1,05,585	1,17,446.74	1,31,793.45
Outstanding amount (principal) of guarantees at the end of the year	2,000.90	4,720.78	4,459.58	5,174.49	5,397.88
Percentage of maximum amount guaranteed to total revenue receipts	6.78	9.78	12.36	17.23	15.81

(Source: Finance Accounts of the respective years)

The composition of the outstanding amount guaranteed was towards power (₹ 12,166.91 crore), co-operatives (₹ 1268.84 crore), irrigation (₹ 4.93 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 (₹ 5,086.09 crore).

In order to enable PSUs to obtain financial assistance from banks and financial institutions, the State government gives guarantee subject to limits prescribed by the Constitution of India for which a guarantee fee is charged. As per the resolution of GoB 7498 dated 5th of July, 1974 the PSUs are liable to pay guarantee fee at 1/8 *per cent* annually on the guarantee amount of more than ₹ 10 lakh. There was no clause in the guarantee deed for recovery of guarantee fee. GoB also did not claim guarantee fee from the PSUs. However, guarantee fee amounting to ₹ 2.64 crore was received from only one company (Bihar State Food and Civil Supplies Corporation) in 2018-19.

1.7 Debt management

1.7.1 Composition of fiscal liabilities of the State Government

The composition of fiscal liabilities of the State Government during 2014-15 to 2018-19 was as detailed in **Table 1.36**.

Table 1.36: Composition of fiscal liabilities of the State Government

Nature of Borrowings	Balances (₹ in crore)				
	31 March 2015	31 March 2016	31 March 2017	31 March 2018	31 March 2019
(A) Public Debt					
Internal debt of the State Government ²⁰	65,848	79,990	96,595	1,04,525	1,14,360
Loans and Advances from GoI	8,723	8,839	9,596	10,182	11,785
Total (A)	74,571	88,829	1,06,191	1,14,707	1,26,145
(B) Other Public Account Liabilities					
Small Savings, Provident Fund	8,865	8,791	8,891	8,811	9,089
Reserve Funds	1,836	1,435	723	26	26
Deposits	13,784	17,523	22,917	33,233	33,661
Total (B)	24,485	27,749	32,531	42,070	42,776
Total debt stock of the State Government²¹	99,056	1,16,578	1,38,722	1,56,777	1,68,921

(Source: Finance Accounts of respective years)

During the years 2014-15 to 2018-19, the total debt stock of the Government increased from ₹ 86,939 crore (1 April 2014) to ₹ 1,68,921 crore (31 March 2019). Maturity profile of public debt is detailed in **Table 1.37**.

Table 1.37: Maturity Profile of Public Debt

(₹ in crore)

Maturity Year	Internal Debt	Loans and Advances from GoI	Total	Per cent of Total
2019-20	6,162	717	6,879	5.45
2020-21	5,945	752	6,697	5.31
2021-22	7,552	793	8,345	6.62
2022-23	10,499	863	11,362	9.01
2023-24	9,658	804	10,462	8.29
2024-25	10,939	740	11,679	9.26
2025-26	13,518	683	14,201	11.26
2026-27	18,977	586	19,563	15.51
2027-28	11,211	430	11,641	9.23
2028-29	15,433	429	15,862	12.57
2029-30 onwards	4,445	4,931	9,376	7.43

²⁰ Internal debt consists of market loans and loans from Financial Institutions, viz., Life Insurance Corporations of India, General Insurance Corporations of India, National Bank for Agriculture and Rural Development, National Co-operative Development Corporation and other institutions.

²¹ In Table 1.36, debt stock during 2015-16 and 2016-17 includes borrowings on account of UDAY so as to match Finance Accounts figures. The debt stocks excluding UDAY borrowings were ₹ 1,15,024 crore (2015-16) and ₹ 1,36,390 crore (2016-17), which have been taken for computing debt sustainability and other fiscal parameters for 2015-16 and 2016-17.

Maturity Year	Internal Debt	Loans and Advances from GoI	Total	Per cent of Total
Under reconciliation with the State Government	21	57	78	0.06
Total	1,14,360	11,785	1,26,145	100

(Source: Finance Accounts 2018-19)

The maturity profile of public debt revealed that the redemption pressure would likely to rise from the year 2023-24 and would reach a peak in the year 2026-27 due to maturity of Bihar Government stock.

1.7.2 Net availability of borrowed funds

Details of net availability of funds on account of receipts and repayments under public debt and public account liabilities during 2014-19 are given in **Table 1.38**.

Table 1.38: Net available fund on account of public debt and other obligations

(₹ in crore)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Receipts under public debt and other liabilities	41,188	56,030	72,845	59,412	73,806
Repayments (principal and interest) under public debt and other liabilities	35,200	45,606	58,892	50,411	71,733
Net funds available	5,988	10,424	13,953	9,001	2,073
Percentage of net funds available to receipts under public debt	14.54	18.60	19.15	15.15	2.81

(Source: Finance Accounts of respective years)

As evident from **Table 1.38**, 97.19 per cent of borrowed funds were used for discharging existing liabilities during 2018-19 and could not be used for capital formation/development activities of the State.

1.7.3 Debt Sustainability

Fiscal liabilities are considered sustainable if the government is able to service the stock of these liabilities over the foreseeable future and the debt-GSDP ratio does not grow to unmanageable proportions. The Domar model is one of the models for analysis of public debt, which lays down that the debt-GDP ratio is likely to be stable if the rate of growth of the economy exceeds the rate of interest on the debt. **Table 1.39** provides the Domar sustainability condition:

Table 1.39: Debt sustainability criteria under Domar model

g-r (g: real economic growth rate; r: real interest rate), called Domar gap	s<0 (primary deficit)	s>0 (primary surplus)
g-r > 0 (strong economic growth)	Public debt as a percentage of GSDP tends towards a stable value and is therefore sustainable. Depending on the stock of debt, it will either increase or decrease in time to reach a stable level greater than zero.	Public debt as a percentage of GSDP should converge to a stable level less than zero leading to public savings.
g-r < 0 (slow economic growth)	Public debt as a percentage of GSDP will increase indefinitely, without converging to a stable level	Undefined situation

Applying the Domar analysis to Bihar showed that fiscal liabilities should converge to a stable level, as shown in the following **Table 1.40**.

Table 1.40: Sustainability of debt stock of the State during 2014-19

Year	Real economic growth (g)	Real interest rate (r)	Domar gap (g-r)	Primary deficit (-) / Surplus (+)
	(in per cent)			(₹ in crore)
2014-15	3.65	(-) 0.29	3.94	(-) 5,050
2015-16	6.08	2.13	3.95	(-) 4,963
2016-17	8.94	2.50	6.44	(-) 8,288
2017-18	10.45	3.45	7.00	(-) 5,251
2018-19	10.53	2.28	8.25	(-) 3,736
■ Real economic growth rate has been calculated for real GSDP i.e. at constant price). ■ Real interest rate is calculated as average interest rate on fiscal liabilities minus inflation. Average inflation has been computed with reference to current series (2012) monthly inflation rates for Bihar as per MoSPI.				

Bihar has been a primary deficit State for the period 2014-19. The Domar gap (g-r) was positive during the entire period from 2014-15 to 2018-19. In view of the debt sustainability conditions under Domar model as detailed in **Table 1.39**, the fiscal liabilities of the State Government satisfied the condition of debt sustainability ($g-r > 0$). It is noteworthy that the Domar gap (g-r) has been registering a rising trend. However, other factors such as public account liabilities, *force majeure* events²² and/or any other un-inventoried losses of revenue also have to be reckoned in assessing the debt sustainability/stability of the State²³.

Fiscal Deficit and Debt Sustainability

In the above context of fiscal sustainability, the Thirteenth Finance Commission defined debt sustainability in terms of debt-GDP ratio and also in terms of interest payments relative to revenue receipts. The Fourteenth Finance Commission (FFC) recommended for fiscal consolidation for the Central and State Government and provided limits for fiscal deficit and debt stock as a percentage of GSDP. In view of recommendations of the FFC, Government of Bihar amended (August 2016) the FRBM Act, 2006. The Bihar FRBM (Amendment) Act, 2016 provided to maintain fiscal deficit at not more than three *per cent* of the estimated GSDP in each of the years 2016-17 to 2019-20.

The status of debt stock vis-à-vis the FFC targets and BFRBM targets were as provided in **Table 1.41**.

Table 1.41: Debt sustainability – BFRBM indicator based analysis

Year	Fiscal Deficit to GSDP (in per cent)		Debt stock to GSDP (in per cent)		Interest Payment to Revenue Receipts (in per cent)	
	BFRBM target	Achievement	FFC targets	Achievement	FFC targets	Achievement
2015-16	3.00	2.92	25.02	28.19	6.50	7.38
2016-17	3.00	3.19	24.79	31.14	6.40	7.75
2017-18	3.00	2.93	24.84	32.15	6.23	7.70
2018-19	3.00	2.48	24.89	30.30	6.13	7.64

(Source: Finance Accounts of the respective years and BFRBM Amendment Act 2016)

²² Like the current Coronavirus pandemic and its effect on GSDP.

²³ As these cannot be determined statistically, they have not been factored in the analysis.

The State Government was able to contain the fiscal deficit below the BFRBM targets continuously during the last two years 2017-18 and 2018-19. However, targets for ratio of interest payment to revenue receipts (burden of interest payment) were not achieved, though it declined from 7.75 *per cent* (2016-17) to 7.64 *per cent* (2018-19). The debt to GSDP ratio was also not within the FFC targets; besides, it spiked from 28.19 *per cent* to 32.15 *per cent* during 2015-2019. Thus, despite achieving the targets for fiscal deficit to GSDP, the movements in interest payment and fiscal liabilities relative to GSDP do not seem to be on the path anticipated by the FFC and BFRBM for fiscal consolidation at the targeted level by the year 2019-20.

1.7.4 Ujjwal Discom Assurance Yojana (UDAY)

UDAY, launched by GoI in November 2015, was the revival package for power distribution companies (DISCOMs) and seeks to make DISCOMs financially and operationally viable, to facilitate supply of adequate power at affordable rates.

Under the Scheme, the State was required to take over 75 *per cent* of the DISCOM's 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) by issuing non-SLR Bonds 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.

Provisional accounts of DISCOMs for the year 2018-19 revealed that the return on capital employed of both the DISCOMs was yielding negative return and the same was (-) 0.42 *per cent* (SBPDCL) and (-) 4.72 *per cent* (NBPDCCL). Further, as on 31 March 2019, ₹ 96.38 crore of loan was outstanding on both the DISCOMs (SBPDCL ₹ 56.56 crore and NBPDCCL ₹ 39.82 crore). Despite all tariff subsidies and loan obligation being met by the State Government, the DISCOMs are still having operational losses.

The break-up of the financial package to the DISCOMs is shown in **Table 1.42**.

Table 1.42: Financial package to DISCOMs

(₹ in crore)		
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

The State Government has paid interest of ₹ 191.36 crore in 2018-19 on the bonds issued under UDAY scheme.