

Chapter I

Finances of the State Government

This chapter provides an audit perspective on finances of the State Government during 2017-18 and analyses changes in major fiscal aggregates relative to 2016-17 keeping in view overall trends during the preceding five years.

The analysis is based on details contained in the Finance Accounts of the Government of West Bengal (GoWB). A profile of the State with demographic and other details is in *Appendix 1.1*. 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 Gross State Domestic Product (GSDP)

The Gross State Domestic Product (GSDP)¹ of West Bengal in 2017-18 at current prices was ₹ 10,20,858 crore. 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 in **Table 1.1**. Growth of West Bengal was higher than the all-India average during 2017-18 at both current prices and constant prices.

Table 1.1: GDP of India and GSDP of the State

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Current Prices (Base year: 2011-12)					
India's GDP (₹ in crore)	1,12,33,522	1,24,67,959	1,37,64,037	1,52,53,714	1,67,73,145
Growth rate (in per cent)	12.97	10.99	10.40	10.82	9.96
State's GSDP (₹ in crore)	6,76,848	7,18,082	7,97,300	8,79,167	10,20,858
Growth rate (in per cent)	14.44	6.09	11.03	10.27	16.12
Constant Prices (Base year: 2011-12)					
India's GDP (₹ in crore)	98,01,370	1,05,27,674	1,13,86,145	1,21,96,006	1,30,10,843
Growth rate (in per cent)	6.39	7.41	8.15	7.11	6.68
State's GSDP (₹ in crore)	5,58,497	5,74,364	6,09,545	6,57,883	7,18,054
Growth rate of GSDP (in per cent)	3.01	2.84	6.13	7.93	9.15

Source: GDP/GSDP figures issued by Ministry of Statistics and Programme Implementation (MoSPI) dated 28 Feb 2019

The per capita GSDP of West Bengal is ₹ 1,07,692 against the all-India average of ₹ 1,29,800.

1.2 Summary of Fiscal Transactions

Table 1.2 presents the summary of fiscal transactions of State Government during 2017-18 *vis-à-vis* 2016-17 and 2015-16. *Appendix 1.3 (Part A)* provides details of Receipts and Disbursements as well as overall fiscal position during 2016-17 and 2017-18. Time series data of State Government Finances for the years 2013-18 are given in *Appendix 1.4*.

¹ Gross Domestic Product (GDP) and Gross State Domestic Product (GSDP) refer to the market value of all officially recognized final goods and services produced within the Country and the State respectively in a given period of time, accounted without duplication and are an important indicator of the Country and State's economy.

Table 1.2: Summary of Fiscal Transactions in 2017-18

(₹ in crore)

Receipts				Disbursements			
	2015-16	2016-17	2017-18		2015-16	2016-17	2017-18
Section A: Revenue Account²							
Revenue Receipts	1,09,732	1,17,832	1,31,270	Revenue Expenditure	1,18,827	1,33,918	1,41,077
Tax Revenue	42,492	45,466	52,721	General Services	45,689	50,131	52,416
Non-Tax Revenue	1,862	2,950	3,117	Social Services	47,389	57,067	59,591
State's share of Union Taxes/Duties	37,164	44,625	49,321	Economic Services	24,973	26,156	28,582
Grants from GoI	28,214	24,791	26,111	Grants-in-Aid and Contributions	776	564	488
Section B: Capital Account³ and others							
Misc. Receipts under Capital Section	653	Nil	Nil	Capital Expenditure	12,420	11,336	19,368
Recoveries of Loans and Advances	832	3,233	214	Loans and Advances Disbursed	861	1,197	(-31)
Public Debt Receipts*	45,747	37,524	45,743	Repayment of Public Debt*	20,179	12,304	25,011
Contingency Fund	-	-	-	Contingency Fund	-	-	1
Public Account Receipts	1,49,608	1,69,633	2,02,108	Public Account Disbursements	1,49,400	1,62,817	1,97,543
Opening Cash Balance ⁴	10,958	15,843	22,493	Closing Cash Balance ⁴	15,843	22,493	18,859
Total	3,17,530	3,44,065	4,01,828	Total	3,17,530	3,44,065	4,01,828

Source: Finance Accounts of Government of West Bengal of respective years

*Includes Ways and Means advances of ₹ 11,139 crore, ₹ 1,208 crore and ₹ 5,395 crore during 2015-16, 2016-17 and 2017-18 respectively.

Composition of resources and application of funds in the Consolidated Fund of the State in the year 2017-18 is in **Appendix 1.5**.

1.3 Review of Fiscal Situation

1.3.1 Fiscal Parameters

Three key fiscal parameters viz. (i) Revenue Deficit⁵, (ii) Fiscal Deficit⁶ and (iii) Primary Deficit⁷ help in assessing the fiscal situation of the Government. The way these deficits are financed assists in assessing the fiscal health of the Government. Trends in fiscal parameters (**Chart 1.1** and **Chart 1.2**) as per Finance Accounts indicate an improvement in Revenue Deficit and Fiscal Deficit in State's performance during 2017-18 over the previous year. Trends in Debt Sustainability (Ratio between debt and GSDP in *per cent*) and Total Outstanding Liabilities to GSDP are shown in **Chart 1.3** and **Chart 1.4**.

² Revenue Account is the account of the current income and expenditure of the State. The income is derived mainly from taxes and duties, fees for services rendered, fines and penalties, revenue from Government estates such as forests and other miscellaneous items.

³ Capital Account is the account of expenditure of a capital nature such as construction of buildings, laying of roads, irrigation and electricity projects. Such expenditure is met from sources other than current revenues, e.g. loans, surplus revenue of previous years, if any, and capital receipts.

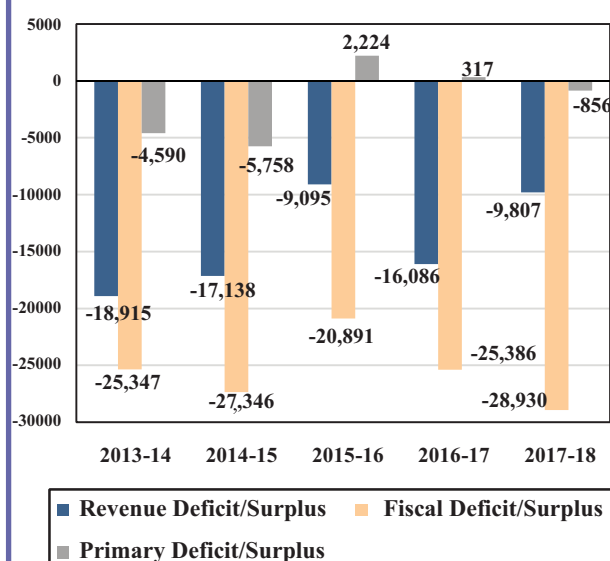
⁴ Cash balance includes i) Cash in Treasuries and Local Remittances, ii) Departmental Balances, iii) Permanent Imprest, iv) Cash Balance Investments, v) Deposit with RBI and vi) Investments from Earmarked Funds.

⁵ Revenue Deficit = Revenue Expenditure - Revenue Receipts

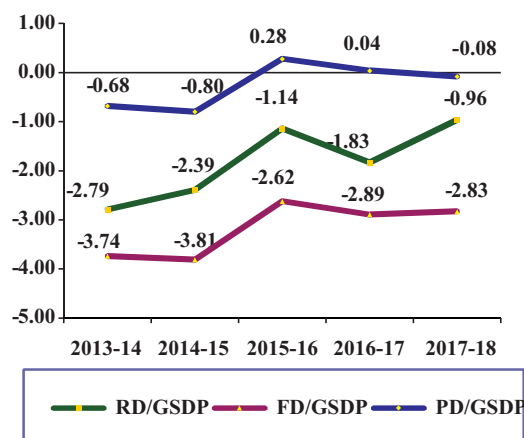
⁶ Fiscal Deficit = Revenue Expenditure + Capital Expenditure + Net Loans and Advances (-) Revenue Receipts (-) Miscellaneous Capital Receipts

⁷ Primary Deficit = Fiscal Deficit - Interest payments

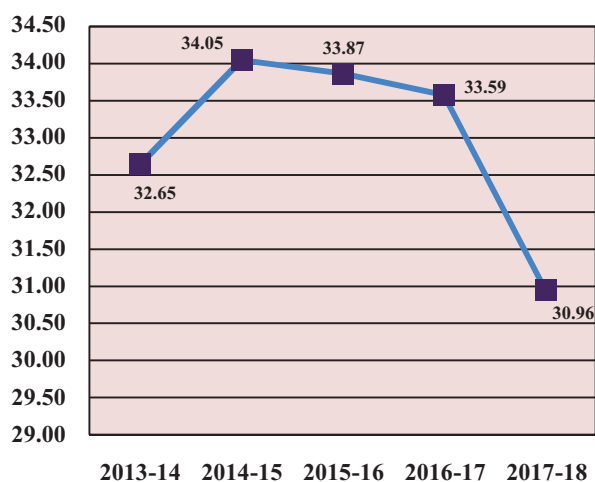
**Chart 1.1: Trend in Fiscal Parameters
(₹ in crore)**



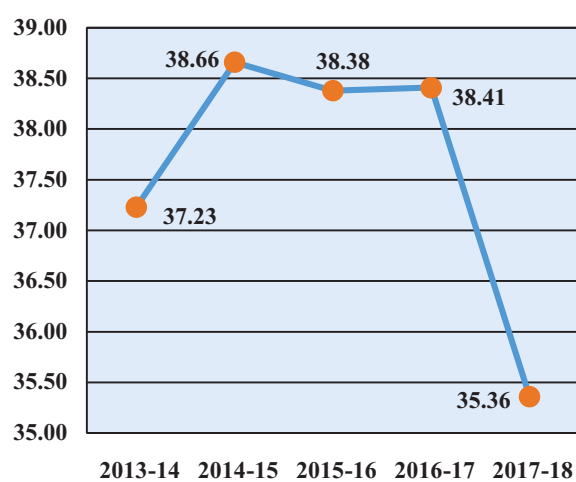
**Chart 1.2: Fiscal Parameters vis-à-vis GSDP
(in percentage)**



**Chart 1.3: Debt Sustainability (in per cent)
(i.e. Debt to GSDP ratio)**



**Chart 1.4: Total Outstanding Liabilities
to GSDP ratio (in per cent)**



Source: Finance Accounts of Government of West Bengal and GSDP figures issued by Ministry of Statistics and Programme Implementation (dated 28 February 2019) of respective years

The following are observed from the above charts with regard to the fiscal parameters:

● **Revenue Deficit**

Fourteenth Finance Commission assessed the Post-Devolution Revenue Deficit and accordingly sanctioned ₹ 11,760 crore of Revenue Deficit grant for the period 2015-17 in order to eliminate the Revenue Deficit.

The details of Post-devolution Revenue Deficit Grant received and Revenue Deficit for the years from 2015-16 to 2017-18 are given in **Table 1.3**.

Table 1.3: Revenue Deficit - Actuals vis-à-vis Targets for the years 2015-18
(₹ in crore)

Year	Projections of Revenue Deficit made in MTFPS	Post-devolution Revenue Deficit Grant received as per the recommendations of 14 th Finance Commission	Revenue Deficit (After receipt of Post-devolution Grant)
2015-16	9,673	8,449	9,095
2016-17	9,469	3,311	16,086
2017-18	11,006	-	9,807

Source: Finance Accounts of respective years, 14th FC report; Medium Term Fiscal Policy Statement (MTFPS)

Despite the receipt of Post-devolution Revenue Deficit Grants from GoI as per the recommendations of 14th FC the Revenue Deficit of the State during the period 2015-18 had not been eliminated. At 0.96 per cent of the GSDP it was, however, within the target of 1.11 per cent set out in the MTFPS under WBFRBM Act.

- **Fiscal Deficit** (₹ 28,930 crore), in 2017-18, increased by ₹ 3,544 crore (13.96 per cent) in comparison to preceding year (₹ 25,386 crore). Fiscal Deficit as a percentage to GSDP was 2.83 per cent which was within the target of 3.00 per cent fixed under the WBFRBM Act in the MTFPS and the ceiling fixed by 14th Finance Commission.
- Ratio of Revenue Deficit to Fiscal Deficit came down to 33.90 per cent during 2017-18 from 74.62 per cent during 2013-14.
- **Primary Deficit in 2017-18 was ₹ 856 crore while the State was Primary Surplus in 2016-17 (₹ 317 crore). With deficit increasing by 370.03 per cent** over the preceding year, non-debt receipts (₹ 1,31,484 crore) in 2017-18 were insufficient to meet the Primary Expenditure (₹ 1,32,340 crore) of the State.
- The outstanding **Debt to GSDP** ratio (30.96 per cent) in 2017-18 was within the ceiling of the 14th Finance Commission (35.20 per cent).
- In 2017-18, as per Medium Term Fiscal Policy Statement (MTFPS) of the State Government, the total outstanding **liabilities** was to be less than 36.77 per cent of the GSDP. In 2017-18, the total outstanding liabilities was 35.36 per cent of the GSDP, which was within the prescribed limit. The outstanding liabilities (₹ 3,60,961 crore) grew by 6.89 per cent (₹ 23,279 crore) over the previous year (₹ 3,37,682 crore).

It was observed that the Revenue Deficit was understated by ₹ 5,106.68 crore and the Fiscal Deficit was understated by ₹ 1,827.59 crore on account of (i) Misclassification, (ii) Erroneous booking, (iii) Excess/Short accounting and (iv) Non/Short contribution to statutory funds as detailed in **Table 1.4** below. Effectively there was a Revenue Deficit of ₹ 14,913.68 crore and Fiscal Deficit was ₹ 30,757.59 crore (3.01 per cent of GSDP).

Table 1.4: Impact on Revenue and Fiscal Deficits (₹ in crore)

Particulars	Impact on revenue deficit		Impact on fiscal deficit	
	Over-statement	Under-statement	Over-statement	Under-statement
(i) Misclassification				
Revenue expenditure booked as Capital expenditure (Notes to Finance Accounts)		1,412.98		
Capital expenditure booked as Revenue expenditure (Notes to Finance Accounts)	2.65			

(₹ in crore)

Particulars	Impact on revenue deficit		Impact on fiscal deficit	
	Over-statement	Under-statement	Over-statement	Under-statement
(ii) Erroneous booking				
West Bengal Compensatory Entry Tax Fund (Para No.1.5.3.1)		1,526.96		
West Bengal Transport Infrastructure Development Fund (Para No.1.5.3.1)		341.80		
(iii) Excess accounting of Revenue Receipt				
Excess accounting of Revenue Receipt (Para No.1.4.2)		29.87		29.87
(iv) Non/ short contribution to Statutory funds				
Non-transferring the amount of NDRF to SDRF(Para No.1.7.1)		325.00		325.00
Non contribution to Guarantee Redemption Fund (Para No.1.7.1)		23.89		23.89
Short contribution to Sinking Fund (Notes to Finance Accounts)		1,488.41		1,488.41
Shortfall in collection of Guarantee Commission (Notes to Finance Accounts)	73.06		73.06	
Non accountal of interest payment on Reserve Funds and Deposits bearing interest (Notes to Finance Accounts)		32.84		32.84
Non-recoupment of Contingency Fund drawal (Notes to Finance Accounts)		0.64		0.64
Total	75.71	5,182.39	73.06	1,900.65
Net		5,106.68 (Understatement)		1,827.59 (Understatement)

1.3.1.1 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 Reserve Bank of India (RBI) and by borrowing) to meet the excess of the revenue and capital expenditure (including loans and advances) over revenue and non-debt capital receipts. The composition and financing of fiscal deficit is reflected in Table 1.5.

Table 1.5: Components of Fiscal Deficit and its Financing Pattern

Particulars		2013-14	2014-15	2015-16	2016-17	2017-18		
Decomposition of Fiscal Deficit (1 to 3) (a)		25,347	27,346	20,891	25,386	28,930		
1	Revenue Deficit	18,915	17,138	9,095	16,086	9,807		
2	Net Capital Expenditure	6,927	9,879	11,767	11,336	19,368		
3	Net Loans and Advances	(-) 495	329	29	(-) 2,036	(-)245		
Financing Pattern of Fiscal Deficit (b)		Net disbursements/outflows				Receipts	Disbursement	Net
1	Net Borrowings	18,129	23,512	25,569	25,220	45,744	25,012	20,732
a	Market Borrowings	17,098	18,518	20,824	31,230	36,911	11,607	25,304
b	Loans from GoI	59	680	(-) 158	(-) 457	2,025	1,001	1,024
c	Special Securities Issued to NSSF	1,151	4,473	4,329	(-) 5,893	0	5,976	(-)5,976
d	Loans from Financial Institutions and Bonds	(-)179	(-)159	574	340	1,413	1,033	380
e	Ways and Means	-	-	-	-	5,395	5,395	0

State Finances Audit Report for the year ended March 2018

	Particulars	2013-14	2014-15	2015-16	2016-17	2017-18		
2	Net Public Account	7,978	2,513	208	6,816	2,02,108	1,97,543	4,565
a	Small Savings, PF, etc.	841	1,007	741	857	3,728	2,564	1,164
b	Reserve Fund	1,189	1,268	(-)1,037	2,223	2,997	3,842	(-)845
c	Deposits and Advances	2,627	1,173	3,416	4,488	75,112	72,505	2,607
d	Suspense and Miscellaneous	2,928	(-)1,107	(-)1,177	(-) 729	1,20,272	1,18,638	1,634
e	Remittances	393	172	(-)1,735	(-) 23	(-)1	(-)6	5
3	Contingency Fund	-	-	-	-	0	1	(-)1
4	Total (1 to 3)	26,107	26,025	25,777	32,036			25,296
5	Increase (-) / Decrease (+) in Cash Balance	(-) 760	1,321	(-) 4,886	(-) 6,650			3,634
6	Overall Surplus / Deficit (4 +5)	25,347	27,346	20,891	25,386			28,930

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

Differences with Finance Accounts are due to rounding.

Source: Finance Accounts of Government of West Bengal (2013-14 to 2017-18)

Borrowed funds used for meeting revenue expenditure create liability for future years without creating any assets. It is evident from **Table 1.5** that, substantial part (47.30 per cent) of net borrowings were continued to be committed to finance the deficit on Revenue account thereby impeding the asset creation in the State. Net borrowings financed 71.66 per cent of the fiscal deficit, net public account receipts financed 15.78 per cent and cash balance financed 12.56 per cent of the fiscal deficit.

1.3.1.2 Quality of Deficit / Surplus

The ratio of Revenue Deficit to Fiscal Deficit and decomposition of Primary Deficit into Primary Revenue Deficit and Capital Expenditure (including Loans and Advances) indicate the quality of deficit in the State's Finances. A persistently high ratio of Revenue Deficit to Fiscal Deficit also indicates that the asset base of the State was shrinking and a part of borrowings (Total Outstanding Liabilities) did not have any asset backup. The bifurcation of Primary Deficit (**Table 1.6**) indicates the extent to which deficit has been on account of enhancement in capital expenditure, which may be desirable to improve productive capacity of the Government.

Table 1.6: Primary Deficit / Surplus

(₹ in crore)

Year	Non-debt Receipts	Primary Revenue Expenditure	Capital Expenditure	Loans and Advances	Primary Expenditure	Primary Revenue Deficit (-) / Surplus (+)	Primary Deficit (-)/ Surplus(+)
1	2	3	4	5	6 (3+4+5)	7(2-3)	8(2-6)
2013-14	74,040	71,040	6,927	663	78,630	3,000	(-)4,590
2014-15	86,690	82,064	9,879	505	92,448	4,626	(-)5,758
2015-16	1,11,217	95,712	12,420	861	1,08,993	15,505	2,224
2016-17	1,21,065	1,08,215	11,336	1,197	1,20,748	12,850	317
2017-18	1,31,484	1,13,003	19,368	(-) 31	1,32,340	18,481	(-)856

Source: Finance Accounts of Government of West Bengal of the respective years

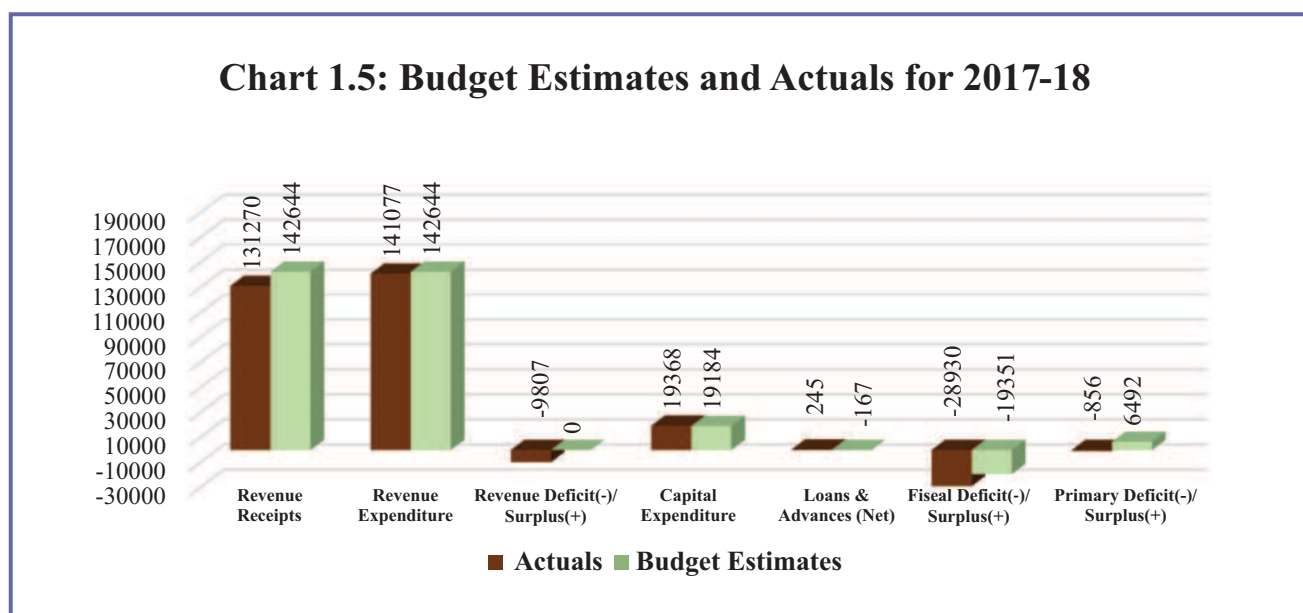
The fact that Primary Deficit of the Government of West Bengal increased to ₹ 856 crore during 2017-18 from the Primary Surplus of ₹ 317 crore during 2016-17 indicates that the

non-debt receipts were insufficient to meet the primary expenditure of the State.

1.3.2 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 impact the desired fiscal objectives. Significant variations were noticed between Budget Estimates and Actuals as detailed below (Chart 1.5).

(₹in crore)



Source: Finance Accounts & Budget Publications of Government of West Bengal (2017-18)

Revenue Receipts (₹ 1,31,270 crore) fell short of the Budget Estimates (₹ 1,42,644 crore) by 7.97 per cent. The decrease in Revenue Receipts during 2017-18 when compared to Budget Estimates was mainly due to decrease in State's Own Tax Revenue by 5.50 per cent and Grants-in-Aid from Government of India (GoI) by 25.66 per cent.

Under State's Own Tax Revenue, major taxes where there was shortfall when compared to budget estimates were taxes on Sales, Trade etc. and GST by 34.89 per cent (₹ 14,986 crore) and taxes and duties on electricity by 26.65 per cent (₹ 848 crore).

Revenue Expenditure decreased by ₹ 1,567 crore (1.10 per cent) over the budget estimates, mainly because of less expenditure under Water Supply & Sanitation (44.54 per cent) and General Education (15.51 per cent) under Social Services which was partly offset by excess expenditure mainly under Power (225.29 per cent) and Rural Employment (19.89 per cent) under Economic Services.

Revenue Deficit of ₹ 9,807 crore against the budget estimates of zero was due to decrease in revenue receipts by ₹ 11,374 crore.

The actual Capital Expenditure was more by ₹ 184 crore (0.96 per cent) against the budget estimates of 2017-18.

Fiscal deficit (₹ 28,930 crore) was more than the assessment made in the budget estimates (₹ 19,351 crore) by 49.50 per cent, mainly due to decrease in revenue receipts of ₹ 11,374 crore, decrease in recovery of Loans and Advances by ₹ 590 crore and increase in capital expenditure of ₹ 184 crore from the budget estimates.

Recommendation 1: The Finance Department may rationalise the budget preparation exercise, so that the gap between the budget estimates and actuals is bridged.

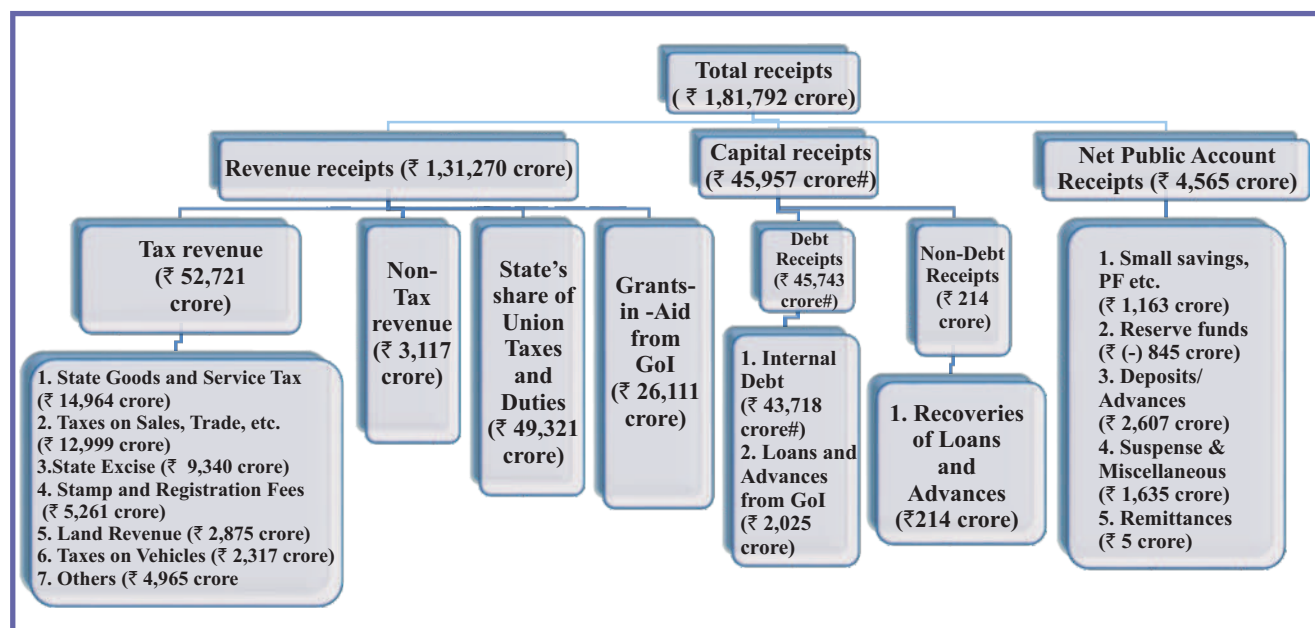
1.4 Financial Resources of the State

1.4.1 Resources of the State as per Annual Finance Accounts

Revenue and Capital are the two streams of receipts that constitute the resources of the State in the Consolidated Fund apart from the net receipts of Public Account. Revenue receipts consist of tax revenues, non-tax revenues, State's share of union taxes and duties and Grants-in-aid from Government of India (GoI). Receipts under Capital Section comprise miscellaneous receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market borrowings, borrowings from financial institutions) and loans and advances from GoI. The net of Public Account comprises the balance after disbursements in small savings, provident funds, reserve funds, deposits, suspense and remittances, etc. The balance, after disbursements in the Public Account is the fund available with the Government for use.

The overall composition of the State's resources (₹ 1,81,792 crore) in 2017-18 is in **Chart 1.6**.

Chart 1.6: Composition of Resources in 2017-18



Source: Finance Accounts of Government of West Bengal (2017-18)

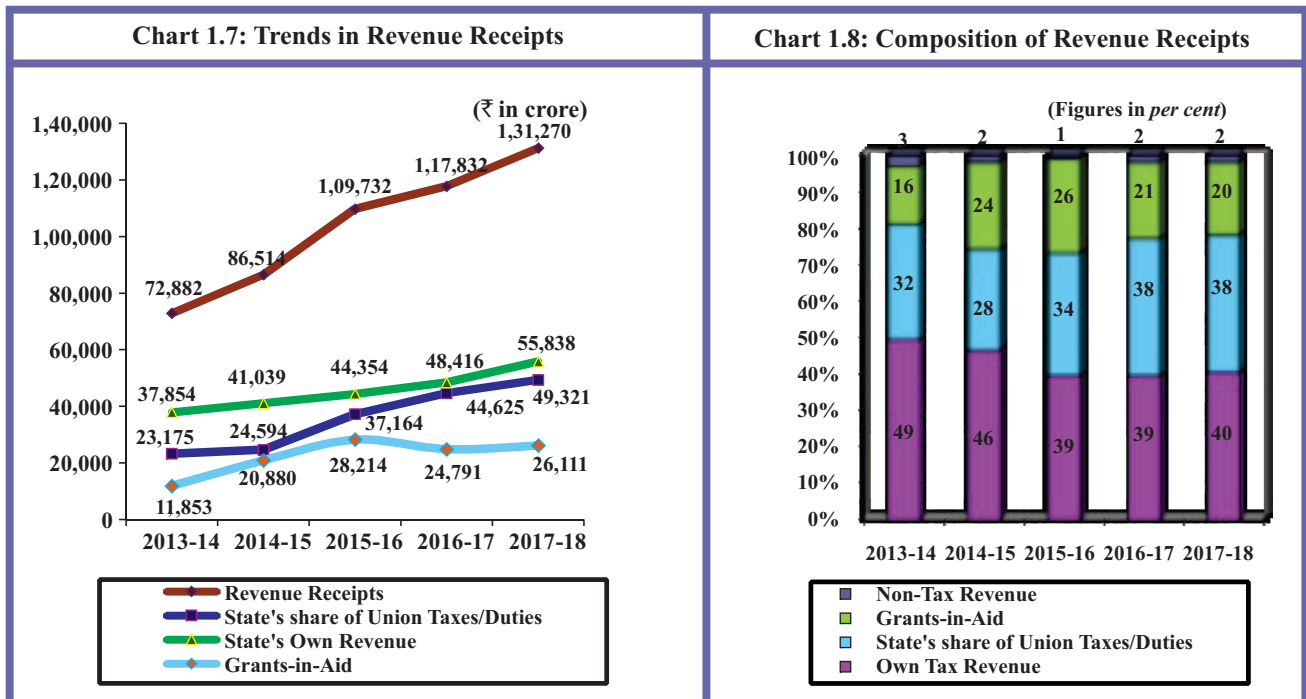
#includes Ways and Means Advances of ₹ 5,395 crore

Out of the total resources of ₹ 1,81,792 crore of the State Government during the year 2017-18, Revenue Receipts (₹ 1,31,270 crore) constituted 72.21 per cent of total

resources, while Capital Receipts (₹ 45,957 crore) and net Public Account Receipts (₹ 4,565 crore) constituted 25.28 per cent and 2.51 per cent respectively.

1.4.2 Revenue Receipts

Statement 14 of the Finance Accounts gives details of the revenue receipts of the Government. **Revenue Receipts (₹ 1,31,270 crore) of the Government constituting 12.86 per cent of the Gross State Domestic Product (GSDP) (₹ 10,20,858 crore), increased by 11.40 per cent over the previous year (₹ 1,17,832 crore).** The trends and composition of revenue receipts during the period 2013-18 are presented in **Charts 1.7** and **1.8** respectively.



Source: Finance Accounts of Government of West Bengal (2013-14 to 2017-18)

As can be seen from **Chart 1.7** all components of Revenue Receipts registered an increase in 2017-18 over the previous year. **Chart 1.8** shows that 42 per cent of the revenue came from the State's own resources of tax and non-tax revenue during 2017-18 while the balance 58 per cent came from GoI as the State's share of Union Taxes and Duties and Grants-in-Aid.

The increase (₹ 13,438 crore; 11.40 per cent) in revenue receipts during 2017-18 was mainly due to (i) increased net proceeds assigned to the State by GoI (10.52 per cent), (ii) more collection on State Excise (78.72 per cent) owing to imposition of additional excise duty of 27 and 15 per cent on foreign liquor and country spirits, (iii) realisation of more taxes and duties on electricity (76.95 per cent), (iv) more receipts from GoI for PMAY⁸ (106.45 per cent). This was partly counterbalanced by (i) short collection on Taxes/VAT on Sales, Trade, etc. (53.55 per cent) owing to subsuming of various components into SGST⁹ and (ii) short receipt from GoI for MGNREGA¹⁰ (60.56 per cent).

⁸ Pradhan Mantri Awas Yojana

⁹ State Goods and Service Tax

¹⁰ Mahatma Gandhi National Rural Employment Guarantee Act

Box 1.1: Inflated Revenue Receipts

Government Receipt Portal System (GRIPS) is the official payment portal of the Government of West Bengal for collection of taxes and non-tax revenues. GRIPS is integrated with various banks and Payment Gateway of State Bank of India enabling on-line payment through various channels. Receipts are collected also through off-line (through bank counters) mode of payment. As per Finance Department's order (October 2012), e-receipts shall be compulsorily deposited through this portal for proper credit to the State exchequer. The objective *inter-alia* was to ensure faster credit of receipts into the Government Account. The collections made up to 8 PM of a day by banks were to be remitted latest by 1 PM of the following day.

Test-check of records of the date-wise monthly statements furnished by the Directorate of Treasuries and Accounts and RBI revealed that transactions of ₹ 37.97 crore pertaining to 2016-17 routed through GRIPS were remitted in 2017-18. Similarly, GRIPS transaction of ₹ 8.10 crore relating to 2017-18, was remitted in 2018-19. A delay of one to 17 months was noticed in remittance of receipts by the banks to the Government Account.

Thus, the intended objective was not fully realised and there was overstatement of revenue receipts by ₹ 29.87 crore in 2017-18. Consequently, revenue deficit and fiscal deficit were understated by ₹ 29.87 crore.

1.4.2.1 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 of Union Taxes and Duties and Grants-in-Aid which is based on the recommendations of the Finance Commission.

State's Own Tax Revenue

Components of State's own Tax Revenue are given in **Table 1.7**.

Table 1.7: Components of Tax Revenue

Revenue Head	2013-14	2014-15	2015-16	2016-17	2017-18		Variation (per cent) during 2017-18 over 2016-17
					Budget Estimates	Actuals	
State Goods and Service Tax (SGST)	-	-	-	-	8,270*	14,964	NA
Taxes/VAT on Sales, Trade, etc.	21,931	24,022	26,050	27,983	34,679	12,999	(-) 53.55
Stamp Duty and Registration Fees	4,053	4,196	4,175	4,383	4,700	5,261	20.03
State Excise	3,018	3,587	4,015	5,226	5,781	9,340	78.72
Land Revenue	2,254	2,276	2,456	2,569	2,760	2,875	11.91
Taxes on Vehicles	1,351	1,505	1,707	1,870	2,141	2,317	23.90
Taxes on Goods and Passengers	1,000	859	838	934	1,089	1,532	64.03
Taxes and Duties on Electricity	1,213	1,947	2,092	1,319	3,182	2,334	76.95
Other taxes	1,011	1,020	1,159	1,182	1,455	1,099	(-) 7.02
Total	35,831	39,412	42,492	45,466	64,057	52,721	15.96

Source: Finance Accounts of Government of West Bengal (2013-14 to 2017-18)

*In case of SGST, Revised Estimate figure for 2017-18 is mentioned

State's Own Tax Revenue (SOTR) in 2017-18 was ₹ 52,721 crore and constituted 40.16 per cent of total Revenue Receipts. Tax Revenue grew by 15.96 per cent almost in tandem with increase (16.12 per cent) in the economic base measured in terms of GSDP.

The increase in State Excise (₹4,114 crore) was mainly due to revision of rates of taxation.

To assess the adequacy of own tax revenue of the State, the same was compared with the projections made by the Finance Commissions and it was observed that during the entire period of 2013-14 to 2017-18, the actual revenue realisation fell short by 13.52 to 30.80 per cent.

Tax to GSDP ratio is a useful indicator, effective in tax policy making; for studying the efficiency of taxes, systems and addressing the problem of budget deficits. To evaluate the tax to GSDP (at current prices) ratio for the State of West Bengal, a comparison of the indicator was made with the projection of the Finance Commissions for the State of West Bengal and also with that of neighbouring States of Odisha, Jharkhand and Bihar, as shown in **Table 1.8**.

Table 1.8: Own Tax Revenue to GSDP

Year	13 th and 14 th FC projections for the State of West Bengal	West Bengal	Odisha	Jharkhand	Bihar
2013-14	6.43	5.29	5.70	4.97	6.29
2014-15	6.75	5.49	6.31	4.74	6.05
2015-16	6.36	5.33	6.81	5.56	6.89
2016-17	6.72	5.17	6.06	5.65	5.57
2017-18	7.09	5.16	6.71	4.84	4.74

Source 13th & 14th FC Report and respective Pr.AG/AG offices

As noted in the table above the State of West Bengal could not achieve the projections of Finance Commissions and while it did better than the States of Bihar and Jharkhand in 2017-18 it fared poorly compared to Odisha.

This scenario indicated that there was an urgent need to put in place a well-planned strategy to ensure that the growth in GSDP duly translates to the augmentation of own tax revenue. This assumes significance as an increase in tax-GSDP ratio will open up space for the Government to spend more on development schemes without borrowing heavily from the market and thereby affecting the fiscal deficit favourably.

1.4.2.2 Efficiency in Tax Collection

The cost of collection of Taxes/VAT on Sales of the State increased during last three years indicating lesser efficiency (measured as cost of collection of tax as a percentage of the tax collection). There was, however, a decline in the cost of collection for other components of tax revenue (**Table 1.9**).

Table 1.9: Tax Collected and Cost of Collection

(₹ in crore)

		2015-16	2016-17	2017-18
Taxes/VAT on sales	Gross Revenue collection (₹ in crore)	26,050	27,983	27,963*
	Cost of Collection (₹ in crore)	182	203	226
	Percentage to Gross collection	0.70	0.73	0.81
State Excise	Gross Revenue collection (₹ in crore)	4,015	5,226	9,340
	Cost of Collection (₹ in crore)	100	109	118
	Percentage to Gross collection	2.49	2.09	1.26
Stamp Duty and Registration Fees	Gross Revenue collection (₹ in crore)	4,175	4,383	5,261
	Cost of Collection (₹ in crore)	114	130	137
	Percentage to Gross collection	2.73	2.97	2.60
Taxes on Vehicles	Gross Revenue collection (₹ in crore)	1,707	1,870	2,317
	Cost of Collection (₹ in crore)	23	25	26
	Percentage to Gross collection	1.35	1.34	1.12

Source: Finance Accounts of Government of West Bengal of respective years

*includes collection on SGST

1.4.2.3 GST Compensation

The West Bengal Goods and Services Tax Act, 2017 was made effective from 01 July 2017 in the State through an ordinance issued on 15 June, 2017 which was later passed by legislature on 9 August, 2017. GST is levied on intra-State supply of goods or services (except alcohol for human consumption and five specified petroleum products¹¹) and its components are shared by the Centre (CGST) and the State (SGST). Further, IGST is levied and collected by the Central Government on inter-State supply of goods and services. The IGST so collected is apportioned between the Centre and the connected State where the goods and services are consumed.

The GoI enacted the Goods and Services Tax (Compensation to States) Act, 2017 to compensate the States, should the share of a State falls short of the revenue earned in the pre-GST regime for taxes subsumed¹² under GST. According to GST (Compensation to States) Act, 2017, the Central Government will compensate the States for loss of revenue on account of implementation of GST for a period of five years. The amount of compensation to be paid is calculated on the basis of protected revenue¹³ by taking into account revenue collected from taxes subsumed into GST in 2015-16, the base year. The provisional compensation was to be calculated every two months and the final 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. For the State of West Bengal, the revenue collected during the Base Year (2015-16) was ₹ 20,097.72 crore. The protected revenue of State during the period from July 2017 to March 2018 was worked out to ₹ 19,589.25 crore¹⁴.

Details of SGST, pre-GST taxes and compensation received by the State during July 2017 to March 2018 is given in **Table 1.10** below:

Table 1.10: Details of SGST, pre-GST taxes and compensation received by the State during July 2017 to March 2018 (₹ in crore)

Particulars	Amount
Revenue to be protected (A)	19,589.25
State Goods & Service Tax (including IGST advance apportionment of ₹ 879 crore) (B)	14,963.74
Collection of pre-GST Taxes (July 2017 to March 2018) (C)	2,956.89
Total Collection (D) = (B+C)	17,920.63
Compensation received (E)	1,608.00

Source: Finance Accounts and Director of Commercial Taxes, GoWB

The compensation amount released by GoI to the State was however, provisional and subject to adjustment in subsequent financial year on receipt of audited figures.

¹¹ Petroleum products: Crude oil, high speed diesel, petrol, aviation turbine fuel and natural gas

¹² Taxes that have subsumed under GST i.e., Value Added Tax, Central Sales Tax, Entertainment Tax, Luxury Tax, Entry Tax, Cesses & Surcharges, Duties on Excise on medicinal and toilet preparations excluding VAT and CST on alcohol for human consumption and five specified petroleum products.

¹³ Protected revenue is calculated/ arrived at by taking into consideration the revenue collected during the base year (2015-16) plus 14 per cent cumulative increase for each following year.

¹⁴ Base year revenue of ₹ 20,097.72 crore escalated at compound rate 14 per cent annually for two years (2016-17 and 2017-18) worked out to ₹ 26,118.99 crore for 2017-18. Therefore, the pro-rata protected revenue for nine months (01 July 2017 to 31 March 2018) was ₹ 19,589.25 crore

Non-Tax Revenue

The components of Non-Tax Revenue during the period from 2013-14 to 2017-18 are shown in **Table 1.11**.

Table 1.11: Components of Non-Tax Revenue (₹ in crore)

Revenue Head	2013-14	2014-15	2015-16	2016-17	2017-18	Variation (per cent) during 2017-18 over 2016-17
Interest receipts	986 (48.74)	277 (17.02)	335 (17.99)	1,201 (40.71)	1,396 (44.79)	16.24
Dividends and Profit	8 (0.40)	6 (0.37)	12 (0.65)	1 (0.03)	37 (1.19)	3,600.00
Other non-tax receipts	1,029 (50.86)	1,344 (82.61)	1,515 (81.36)	1,748 (59.26)	1,684 (54.02)	(-) 3.66
Total	2,023	1,627	1,862	2,950	3,117	5.66

Source: Finance Accounts of Government of West Bengal (2013-14 to 2017-18)

Figures in brackets indicate the share of the components.

Non-Tax Revenue constituted 2.37 per cent of Revenue Receipts during 2017-18. The following was observed in audit.

Short Accounting of Non-Tax Receipts

As per West Bengal Budget Manual (WBBM), the income derived from cess imposed by law was to be credited to the Consolidated Fund.

Government of West Bengal did not give cognizance to the directive stated in the West Bengal Motor Transport Workers' Welfare Cess Act, 2010¹⁵. They also did not give cognizance to the directives stated in the Manual and changed the accounting procedures through administrative orders¹⁶. The Finance Department did not comply with the conditions stated in the WBBM.

The cess (₹ 30.43 crore) collected during 2017-18 was, however, directly booked under the Public Account instead of booking it as Non-Tax receipts. Consequently, Non-Tax receipts were understated by ₹ 30.43 crore.

Inflated Non-Tax Receipts

According to General Direction contained in Para 3.10 of List of Major and Minor Heads of Accounts, recoveries of overpayments should be recorded as reduction of expenditure under the concerned expenditure head.

It was noticed that due to deficient budget provisions by Government of West Bengal during 2017-18, under four head of accounts¹⁷, an amount of ₹10.48 crore recovered was booked as 'revenue receipts' instead of 'reduction of expenditure'. Consequently, Non-tax receipts were overstated to that extent.

1.4.2.4 State's Share of Union Taxes

The devolution of different components of State's share of Union Taxes during 2015-16 to 2017-18 is given in **Table 1.12**.

¹⁵ The Act did not prescribe the accounting procedure to be followed as per the prevalent accounting principle.

¹⁶ Issued by the Finance Department in June 2014 and September 2016

¹⁷ ₹ 858.52 lakh under '1054-Roads and Bridges'; ₹ 116.82 lakh under '0071-Contributions and Recoveries towards Pension and Other Retirement Benefits'; ₹ 72.44 lakh under '0210-Medical and Public Health' and ₹ 0.58 lakh under '0401-Crop Husbandry'

Table 1.12: Devolution of different components of State's share of Union Taxes
(₹ in crore)

Components of State's share of Union taxes	14 th FC award period			Difference in 2017-18 over previous year	Percentage variation in 2017-18 over previous year
	2015-16	2016-17	2017-18		
Corporation Tax	11,702	14,314	15,107	793	5.25
Customs	5,951	6,157	4,979	(-)1,178	(-)19.13
Income Tax	8,129	9,948	12,757	2,809	22.02
Other taxes and duties on commodities and services	27	-	-	-	-
Service Tax	6,394	7,142	5,594	(-)1,548	(-)27.67
Wealth Tax	3	33	-	(-)33	(-)100
Union Excise Duties	4,958	7,031	5,204	(-)1,827	(-)35.11
CGST	NA	NA	701	NA	NA
IGST	NA	NA	4,980	NA	NA
Grand total	37,164	44,625	49,321	4,696	10.52
Devolution as percentage of Revenue Receipts of the State	33.87	37.87	37.57	-	-

Source: Finance Accounts of Government of West Bengal (2015-16 to 2017-18)

It is observed that State's share of Union Taxes increased by 10.52 per cent over the previous year. The State's share of Union Taxes was primarily aimed at meeting the revenue expenditure needs of the State. Despite increased central funding, the State, however, failed to eliminate the Revenue Deficit, which in the year 2017-18 stood at ₹ 9,807 crore (0.96 per cent of GSDP).

1.4.2.5 Grants-in-Aid from Government of India

The details of Grants-in-Aid and its composition during the years 2013-18 are given in Table 1.13.

Table 1.13: Components of Grants-in-Aid
(₹ in crore)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Non-Plan Grants	3,790	3,271	11,753	10,217	-
Grants for State Plan Schemes	4,149	17,250	14,997	14,443	-
Grants for Central Plan Schemes	187	365	1,464	131	-
Grants for Centrally Sponsored Schemes	3,727	(-) 6	-	-	15,734
Finance Commission Transfers	-	-	-	-	5,283
Other Transfer/Grants to States/Union Territories with Legislature	-	-	-	-	5,094
Total grants	11,853	20,880	28,214	24,791	26,111
Total grants as a percentage of Revenue Receipts	16.26	24.13	25.71	21.04	19.89

Source: Finance Accounts of Government of West Bengal (2013-14 to 2017-18)

It is observed that Grants-in-Aid from Government of India increased by 5.32 per cent over the previous year. This was mainly due to increase in Grants-in-Aid to Pradhan Mantri Awas Yojana by ₹ 1,958 crore, National Health Mission by ₹ 799 crore, Integrated Child Development Scheme by ₹ 388 crore and Pradhan Mantri Gram Sadak Yojana by ₹ 239 crore. The central share was, however, reduced in schemes such as, Mahatma Gandhi National Rural Employment Guarantee Act by ₹ 2,450 crore and Mid-Day Meal Scheme by ₹ 98 crore.

Allocation of the 14th FC Grants

The status of release of 14th FC grants vis-à-vis allocation is depicted in Table 1.14.

Table 1.14: Release of 14th FC Grants vis-à-vis Allocation

(₹ in crore)

Sl. No.	Transfer	Recommendation of the FC (Allocations up to 2017-18)	Actual release by GoI	Shortfall
(A)	(B)	(C)	(D)	(C-D)
(I)	Local Bodies	9,792.51	8,879.90	912.61
(a)	Grants to PRIs	6,698.41	6,159.52	538.89
(b)	Grants to ULBs	3,094.10	2,720.38	373.72
(II)	Grants for Disaster Relief	1,220.00	1,220.00	0.00
	Total	11,012.51	10,099.90	912.61

Source: 14th FC Report and departmental figures

Shortfall in receipt of Local Bodies grant

As noted in Table 1.14 there was a shortfall in receipt of Local Bodies grants of ₹ 912.61 crore (*Appendix 1.6*) of which the share of basic grants and performance grants were ₹ 293.66 crore and ₹ 618.95 crore respectively. No record/reason was furnished by the Finance Department, GoWB to explain this shortfall.

It was, however, apparent that non-fulfilment of pre-release conditions viz., (i) timely submission of utilisation certificates (UCs) and (ii) submission of audited accounts for two preceding years, were the reasons behind the shortfall. Further, non-fulfilment of other parameters such as, (i) increase in own revenues by the panchayats and municipalities and (ii) publication of service level benchmarks by the municipalities¹⁸ for basic services, also apparently contributed to this.

Avoidable payment of interest

Fourteenth FC recommended that State should release the grants to the gram panchayats and municipalities within 15 days of its being credited to State Government's account by the Union Government. Further, as per State Disaster Response Fund¹⁹ guidelines the state along with its own share, was to transfer the Union share of SDRF in the Public Account within 15 days of its receipt. Any delay in release of the above two types of grants would attract penal interest at RBI bank rate.

Audit observed that 14th FC grants of ₹6,246.42 crore (Local Bodies grants of ₹ 4,877.42 crore²⁰ plus SDRF of ₹ 1,369.00 crore) were released with delays up to 398 days (*Appendix 1.7*). GoWB had to pay interest of ₹ 45.75 crore due to this delay.

1.4.3 Receipts under capital section

Trend of capital receipts during 2013-18 are given in Table 1.15.

Table 1.15: Trends in growth and composition of capital receipts

(₹ in crore)

Sources of State's Receipts	2013-14	2014-15	2015-16	2016-17	2017-18
Capital Receipts (CR)	52,108	55,369	47,232	40,757	45,957
Misc. Capital Receipts	Nil	Nil	653	Nil	Nil
Recovery of Loans and Advances	1,158	176	832	3,233	214
Rate of growth of non-debt receipts under the capital section (in per cent)	313.57	(-84.80)	743.75	117.71	(-93.38)
Public Debt Receipts*	50,950	55,193	45,747	37,524	45,743
Rate of growth of Debt Receipts (in per cent)	15.84	8.33	(-17.11)	(-17.97)	21.90

Source: Finance Accounts of Government of West Bengal (2013-14 to 2017-18)

* includes Ways and Means Advances of ₹ 20,018 crore in 2013-14, ₹ 19,381 crore in 2014-15, ₹ 11,139 crore in 2015-16, ₹ 1,208 crore in 2016-17 and ₹ 5,395 crore in 2017-18.

¹⁸ As per 14th FC Report, ULBs were to publish the service level benchmarks relating to basic urban services each year for the award period and make it publically available.

¹⁹ State Disaster Response Fund

²⁰ 55 per cent of the GoI release

During 2017-18, Capital Receipts (₹ 45,957 crore) constituted 25.28 *per cent* of the total receipts (₹ 1,81,792 crore) of the State. Public debt receipts constituted major component of Capital Receipts (99.53 *per cent*). Non-debt capital receipts saw a decline over the previous year. State Government availed ₹ 5,395 crore as Ways and Means Advances from the Reserve Bank of India.

1.4.4 Public Account Receipts

Receipts and disbursements under small savings, provident funds, 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. These are not subject to vote by the State Legislature. Government acts as a banker or trustee. The balance after disbursements is the fund available with the Government for its own use. Composition of Public Account (net) are shown in **Table 1.16**.

Table 1.16: Composition of Public Account Receipts (₹ in crore)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18	
					Budget Estimates	Actuals
A. Public Account Receipts						
Small Savings, Provident Fund, etc.	3,138	3,441	3,216	3,268	3,721	3,728
Reserve Fund	2,281	2,951	2,051	3,831	3,977	2,997
Deposits and Advances	40,879	43,035	49,747	60,273	72,221	75,112
Suspense and Miscellaneous	60,795	72,744	94,597	1,02,260	4,04,086	1,20,272
Remittances	9,086	9,694	(-3)	1	13	(-1)
Total (A)	1,16,179	1,31,865	1,49,608	1,69,633	4,84,018	2,02,108
B. Public Account Disbursements						
Small Savings, Provident Fund, etc.	2,297	2,434	2,475	2,411	2,707	2,564
Reserve Fund	1,092	1,683	3,087	1,608	4,171	3,842
Deposits and Advances	38,252	41,862	46,331	55,785	70,053	72,505
Suspense and Miscellaneous	57,867	73,851	95,775	1,02,989	4,17,148	1,18,638
Remittances	8,693	9,522	1,732	24	13	(-6)
Total (B)	1,08,201	1,29,352	1,49,400	1,62,817	4,94,092	1,97,543
Public Account Net (A) – (B)	7,978	2,513	208	6,816	(-10,074)	4,565

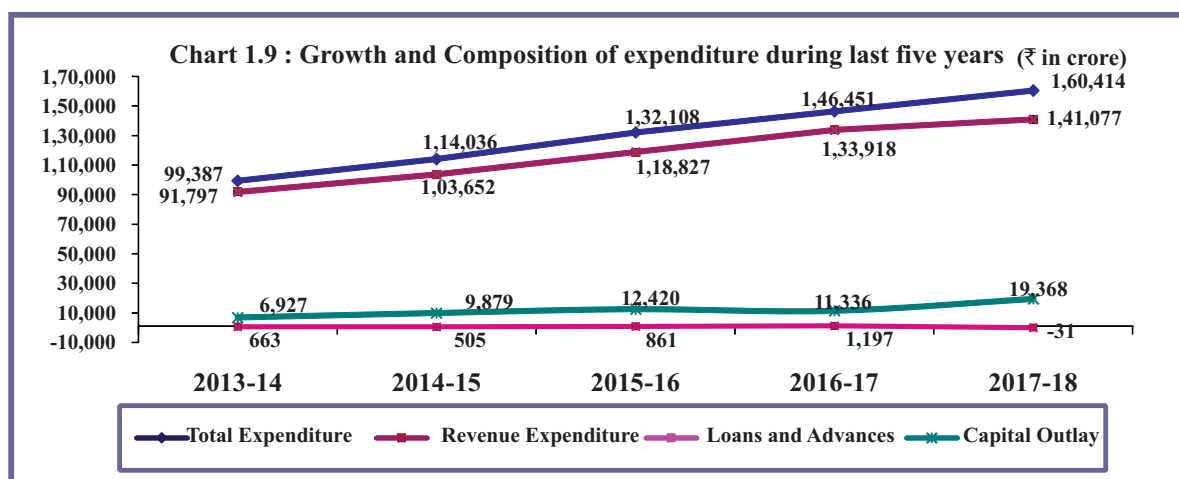
Source: Finance Accounts of Government of West Bengal (2013-14 to 2017-18)

During the year 2017-18, net Public Account receipts (₹ 4,565 crore) contributed 2.51 *per cent* of the total resources (₹ 1,81,792 crore) of the State. The net Public Account receipts decreased by ₹ 2,251 crore (33.03 *per cent*) over the previous year 2016-17 mainly due to decrease in net Reserve Fund and net Deposits and Advances by ₹ 3,068 crore and ₹ 1,881 crore respectively over the year 2016-17. This was counterbalanced by increase in net Suspense and Miscellaneous by ₹ 2,363 crore over the previous year.

1.5 Application of Resources

1.5.1 Growth and composition of expenditure

The total expenditure in 2017-18 was ₹ 1,60,414 crore. **Chart 1.9** presents the trends and composition of total expenditure during 2013 to 2018.



Source: Finance Accounts of Government of West Bengal (2013-14 to 2017-18)

Around 87.95 per cent of the total expenditure in 2017-18 was Revenue Expenditure. As a percentage to GSDP at current prices, Revenue Expenditure reduced to 13.82 per cent during 2017-18 from 15.23 per cent during 2016-17. Social Services²¹ expenditure took precedence with 41.89 per cent over General Services (33.30 per cent) and Economic Services (24.52 per cent) in the total expenditure. Capital Expenditure, targeted towards creation of assets, constituted 12.07 per cent of the total expenditure, with the Economic Services²² (55.55 per cent) receiving priority. As a percentage to GSDP, Capital Expenditure improved to 1.90 per cent during 2017-18 from 1.29 per cent during 2016-17.

Component-wise major expenditure in Revenue and Capital sections incurred in 2016-17 and 2017-18 is shown in Table 1.17.

Table 1.17: Major expenditure components under Revenue and Capital

Component	Revenue			Capital			
	Sector	2016-17	2017-18	Component	Sector	2016-17	2017-18
		(₹ in crore)				(₹ in crore)	
Education, Sports, Art and Culture	Social	23,474	24,614	Water supply, Sanitation, Housing and Urban Development	Social	2,241	5,405
Rural Development	Economic	12,838	18,162	Transport	Economic	2,022	3,766
Social Welfare and Nutrition	Social	16,506	16,658	Rural Development	Economic	7	1,776
Health and Family Welfare	Social	7,021	7,925	Irrigation and Flood Control	Economic	1,615	1,562
Water supply, Sanitation, Housing and Urban Development	Social	7,606	7,482	Special Areas Programmes	Economic	766	1,228
Agriculture and allied activities	Economic	3,265	3,730	Energy	Economic	725	827
Welfare of SCs, STs, Minorities and OBCs	Social	1,638	2,200	Social Welfare and Nutrition.	Social	452	700
Energy	Economic	4,620	2,158				

Source: Finance Accounts of Government of West Bengal (2016-17 and 2017-18)

²¹ Refers to welfare activities of the Government and includes (i) Education, Sports, Art and Culture, (ii) Health and Family Welfare, (iii) Water Supply, Sanitation, Housing and Urban Development, (iv) Information and Broadcasting, (v) Welfare of Scheduled Castes, Scheduled Tribes and Backward Classes, (vi) Labour and Labour Welfare, (vii) Social Welfare and Nutrition and (viii) Others.

²² Refers to economic development activity sectors of the Government and includes (i) Agriculture and allied services, (ii) Irrigation and Flood Control, (iii) Energy, (iv) Industry and Minerals, (v) Transport, (vi) Science Technology and Environment, (vii) Rural Development and (viii) General Economic Services.

- Revenue Expenditure (₹ 1,41,077 crore) was higher than the previous year's figure (₹ 1,33,918 crore) by 5.35 per cent (₹ 7,159 crore). The increase over the previous year was mainly due to higher outgo under rural development programmes²³ (₹ 5,324 crore), assistance to Non-Government Primary Schools²⁴ (₹ 1,048 crore) and payment of interest on market borrowings²⁵ (₹ 2,427 crore). The decreases during 2017-18 were mainly under energy²⁶ (₹ 2,462 crore) due to lower expenditure on Rural Electrification and Solar Energy and industry and minerals²⁷ (₹ 823 crore) due to lower expenditure on Village and Small Industries and Other Expenditure.
- Capital expenditure during 2017-18 (₹19,368 crore) was higher than previous year's figure (₹11,336 crore) by ₹8,032 crore (70.85 per cent). This was mainly due to increase under water supply and sanitation projects²⁸ by ₹ 1,979 crore, Roads and Bridges²⁹ by ₹1,641 crore which included an outstanding loan of ₹ 700 crore disbursed to West Bengal Highway Development Corporation Limited during 2012-13 converted into equity in 2017-18 and Urban Development Programmes³⁰ by ₹ 946 crore. Further, while the expenditure (₹ 1,738.01 crore) on Road works under Pradhan Mantri Gram Sadak Yojana (PMGSY) in respect of Panchayat and Rural Development Department was booked as Revenue expenditure in 2016-17 in compliance with IGAS 2 as it was a pass through grant to the Panchayati Raj Institutions, expenditure under PMGSY amounting to ₹ 1,650.64 crore incurred during the year 2017-18 by the Panchayat and Rural Development Department was booked as Capital expenditure. There was, therefore, an increase of Capital Expenditure by ₹1,650.64 crore under PMGSY. **It was also noted that the Capital expenditure during 2017-18 was inflated by ₹ 3,281.74 crore owing to misclassification of expenditure of Revenue nature as Capital expenditure, as detailed in Para 1.5.3.** The Capital expenditure decreased mainly under Medical and Public Health³¹ (₹ 311 crore).

1.5.2 Revenue Expenditure

1.5.2.1 Committed Expenditure

Committed Expenditure of Government consists of expenditure on Salaries and Wages (₹ 37,803 crore), Interest payments (₹ 28,074 crore), Pensions (₹ 14,588 crore) and Subsidies (₹11,677 crore). The committed expenditure in 2017-18 was ₹ 92,142 crore and consumed 65.31 per cent of Revenue Expenditure.

The burden of committed expenditure measured as a percentage of Revenue Expenditure of the State showed an increasing trend during the years 2016-18 (**Chart 1.10**).

²³ Expenditure during 2016-17: ₹ 12,838 crore; 2017-18: ₹ 18,162 crore

²⁴ Expenditure during 2016-17: ₹ 4,635 crore; 2017-18: ₹ 5,683 crore

²⁵ Expenditure during 2016-17: ₹ 14,152 crore; 2017-18: ₹ 16,579 crore

²⁶ Expenditure during 2016-17: ₹ 4,620 crore; 2017-18: ₹ 2,158 crore

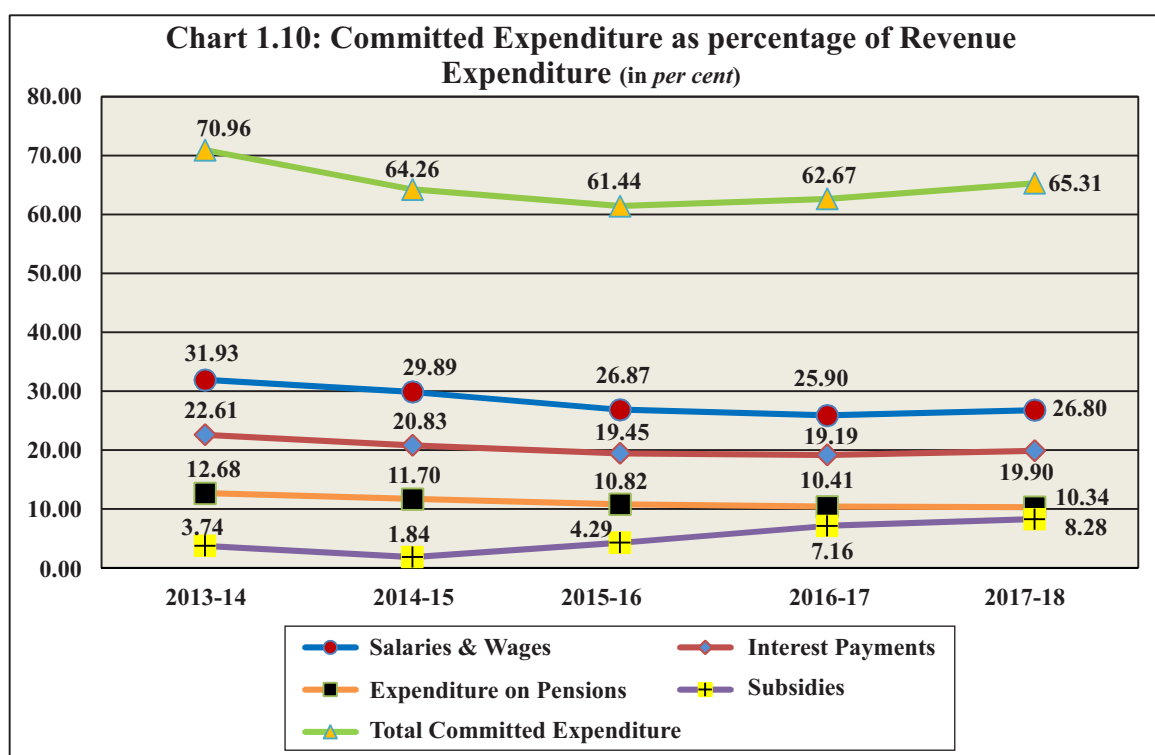
²⁷ Expenditure during 2016-17: ₹ 1,127 crore; 2017-18: ₹ 304 crore

²⁸ Expenditure during 2016-17: ₹ 116 crore; 2017-18: ₹ 2,095 crore

²⁹ Expenditure during 2016-17: ₹1,887 crore; 2017-18: ₹ 3,528 crore

³⁰ Expenditure during 2016-17: ₹1,418 crore; 2017-18: ₹ 2,364 crore

³¹ Expenditure during 2016-17: ₹1,242 crore; 2017-18: ₹ 931 crore



Source: Finance Accounts of Government of West Bengal (2013-14 to 2017-18)

The following observations were noted:

- The share of Salaries in 2017-18 was 26.80 per cent of Revenue Expenditure and was more or less around the same percentage during 2016-2018.
- The share of subsidy in Revenue Expenditure increased to 8.28 per cent from 7.16 per cent during 2016-17. Expenditure on subsidy (₹ 11,677 crore) increased by ₹ 2,090 crore (21.80 per cent) over 2016-17. Share of subsidies on Food & Supplies (₹ 8,943 crore) which accounts for 76.59 per cent of the total subsidies, decreased marginally (5.50 per cent) over previous year. Subsidies on Transport increased by ₹ 164 crore due to implementation of Voluntary Retirement Scheme. In Power Sector, subsidy increased by ₹ 423 crore due to subsidy to WBSEDCL³² for subsidisation in power tariff to its consumers.

Apart from the above, seven departments incurred implicit subsidies of ₹ 977 crore during 2017-18 (Table 1.18).

Table 1.18: Details of implicit subsidies

Sl. No.	Schemes/ Subsidy	Name of Department	Amount (₹ in crore)
1.	Grants to Kolkata Municipal Corporation/Howrah Municipal Corporation/Urban Local Bodies for adjustment of Energy Bills of Calcutta Electric Supply Corporation Limited	Urban Development & Municipal Affairs	802
2.	New Incentive Scheme for encouraging the setting up of new industrial units	Large Industries & Enterprises	105
3.	Incentive for encouraging the setting up of New Enterprises and Expansion of Existing Enterprises	Micro, Small & Medium Enterprises and Textiles	33

³² West Bengal Electricity Distribution Company Limited

Sl. No.	Schemes/ Subsidy	Name of Department	Amount (₹ in crore)
4.	Financial assistance to bereaved family members of deceased person who are in extreme financial necessity under <i>Somobyathi</i>	Urban Development & Municipal Affairs and Panchayat & Rural Development	28
5.	Subsidies for interest liabilities in respect of share croppers, small farmers and self-employed persons	Cooperation	7
6.	Subsidised distribution of seed planting materials	Food Processing Industries & Horticulture	1
7.	Assistance for revival of Urban co-operative banks	Cooperation	1
	Total		977

Source: Appropriation Accounts of Government of West Bengal (2017-18)

Though these are in the nature of subsidies, they are, however, not reflected as subsidies. **Committed expenditure, may, therefore, have been understated to that extent.**

- Expenditure on Interest Payments grew by 9.22 per cent (₹ 2,371 crore) over the previous year (₹ 25,703 crore). Interest payments relative to Revenue Receipts was, however, **21.39 per cent during 2017-18, which was slightly higher than the ceiling of 20.34 per cent fixed by 14th Finance Commission.** Interest on market borrowings and interest on special securities issued to NSSF constituted 59.05 and 28.02 per cent respectively, of the interest payments during 2017-18.

1.5.2.2 Financial assistance to Local Bodies and Other Institutions

Financial assistance to the tune of ₹ 54,965 crore was provided by the State Government to local bodies and other institutions by way of grants in 2017-18 (**Table 1.19**). There was an increase in the overall quantum of assistance in comparison to previous year (₹ 52,675 crore) mainly due to 25.12 per cent and 5.81 per cent increase in assistance to Urban Local Bodies and Panchayati Raj Institutions, respectively.

Table 1.19: Financial Assistance to Local Bodies and Other Institutions

(₹ in crore)					
Financial Assistance to Local Bodies/ Institutions	2013-14	2014-15	2015-16	2016-17	2017-18
Panchayati Raj Institutions (PRIs)	5,672	12,775	15,153	14,347	15,180
Educational Institutions (Universities)	1,068	1,105	1,125	1,530	1,419
Urban Local Bodies (ULBs)	2,808	3,960	3,562	3,825	4,786
Development Authorities	1,692	473	556	382	320
Other Autonomous Bodies	0	0	86	2,137	2,008
Cooperative Institutions	13	16	20	211	305
Public Sector Undertakings (PSUs)	97	64	72	4,872	1,893
Non-Government Organisations	353	349	367	15,941	21,123
Others*	21,463	25,138	28,519	9,430	7,931
Total	33,166	43,880	49,460	52,675	54,965
Assistance as per percentage of Revenue Expenditure	36	42	42	39	39

Source: Finance Accounts of Government of West Bengal (2013-14 to 2017-18)

* Others include Grants for National Old Age Pension Scheme (State Share), Implementation of Annapurna Scheme for Welfare of Aged, Infirm and Destitute, etc.

It is pertinent to note that financial assistance was increasing to ULBs (Municipal Corporations/Municipalities), Development Authorities, Universities and Other Autonomous Bodies though they had arrears of accounts as of March 2018. This is

detailed in Paras 3.5 and 3.7. Release of financial assistance without insisting on rendering timely accounts was detrimental to public accountability and indicated poor financial management.

1.5.2.3 National Pension System

State Government employees recruited on or after 1 January 2004 are required to be covered under the National Pension System (NPS), which is a defined contributory pension scheme. It is mandatory for employees to contribute 10 *per cent* of basic pay and dearness allowance every month. The State Government has to make equal contribution. The Government has to transfer these contribution amounts along with details to the National Securities Depository Limited (NSDL) and to the fund managers appointed by the NPS Trust. Audit analysis showed the following:

- The State did not adopt the NPS for its own employees recruited on or after 1 January 2004. The scheme was, however, implemented only for the All India Service Officers and other Central/State Government employees on deputation to the State recruited on or after 1 January 2004. The rationale followed by the State Government for not bringing its own employees under the ambit of NPS was not explained to audit, though called for (February and April 2019).
- During 2017-18, the employees' contribution was ₹ 2.27 crore and the Government's contribution was ₹ 2.41 crore. In 2014-15 and 2016-17 also, the Government contributed more by ₹ 0.35 crore *vis-a-vis* employees' contribution of ₹ 2.46 crore. There was short contribution of ₹ 0.07 crore by Government in 2015-16.

As Principal Accountant General (Accounts and Entitlement) is not maintaining the accounts of individual employees' contribution, the correctness of recovery from the employees' salary bills could not be verified. No records relating to reconciliation of the amounts transferred to NSDL/Trustee Bank was produced to audit, though called for (March 2019).

Further, due to non-production of records by the State Government relating to the estimated amount of employees' and Government's contributions receivable under the scheme, since inception, Audit could neither assess the total liability nor ascertain whether the amounts actually due to be deducted from employees have actually been deducted, fully matched with Government share, and transferred to NSDL.

- The Annual Review on Working of the Treasuries-2017-18³³ indicated that, in respect of 8 out of 71 treasuries, there was a mismatch of ₹ 23.67 lakh³⁴ (2015-16 and 2016-17) between the employees' and Government's contributions.
- The balance in the Pension Fund under Defined Contribution Pension Scheme for Government Employees (MH- 8342, MIH- 117) as on 31 March 2017 was ₹ 0.54 lakh. The receipts into the fund in 2017-18 were ₹ 4.69 crore. The Government transferred ₹ 4.70 crore to NSDL/Trustee Bank leaving balance of ₹ 0.53 crore in the fund as on 31 March 2018. The Government was liable to pay interest on this amount also. The interest liability on the opening balance of ₹ 0.54 crore was ₹ 0.04 crore

³³ The Report is brought out by the office of the Principal Accountant General (A and E), West Bengal

³⁴ The treasury-wise details relating to the difference between Employer's and Employees' contribution – (i) Barasat-I: ₹ (-) 0.44 lakh, (ii) Birbhum-II: ₹ 0.16 lakh, (iii) Contai: ₹ 0.01 lakh, (iv) Cooch Behar-I: ₹ 4.98 lakh, (v) Kolkata Pay and Accounts Office-I: ₹ 1.48 lakh, (vi) Kolkata Pay and Accounts Office-II: ₹ (-) 0.15 lakh, (vii) Kolkata Pay and Accounts Office-III: ₹ 14.77 lakh and (viii) Medinipur: ₹ 2.86 lakh

(calculated at a rate of 7.9 per cent, 7.8 per cent and 7.6 per cent³⁵ for the first three, next six and last three months respectively in 2017-18), for which the Government did not make any provision.

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 increasing risk of failure of the Scheme itself.

1.5.3 Capital Expenditure

Capital Expenditure, which had registered a steady increase during 2013-15, however, saw a dip in 2016-17 (decrease of ₹ 1,084 crore from the previous year). Capital expenditure during 2017-18 (₹ 19,368 crore) stood enhanced by ₹ 8,032 crore over the previous year. An amount of ₹ 1,412.98 crore representing expenditure of revenue nature was, however, misclassified as Capital expenditure. As a result, Revenue Deficit stood understated to that extent (Refer **Table 1.4**). Also, expenditure of ₹ 1,868.76 crore out of WBCETF³⁶ and WBTIDF³⁷ were misclassified as Capital Expenditure (as discussed in **Para 1.5.3.1** and **Table 1.4**). Besides this, ₹ 2.65 crore of capital nature was misclassified as Revenue Expenditure. Fourteenth Finance Commission had opined that any fall in capital expenditure to Gross Domestic Product (GDP) could be indicative of the need to address the state-specific issue of resource constraint, policy inertia, etc. In this backdrop, the Capital Expenditure to Gross State Domestic Product (GSDP) of the State of West Bengal was assessed *vis-à-vis* that of the neighbouring States. **Table 1.20** shown below, disclosed that in regard to Capital Expenditure to GSDP (at current prices) during 2013-18, the State of West Bengal stood at the lowest compared with that of the neighbouring States of Odisha, Jharkhand and Bihar.

Table 1.20: Capital Expenditure to GSDP

Name of the State	2013-14	2014-15	2015-16	2016-17	2017-18
West Bengal	1.02	1.38	1.56	1.29	1.90
Odisha	2.62	3.52	5.17	4.90	5.07
Jharkhand	2.50	2.54	3.95	4.61	4.68
Bihar	4.42	5.29	6.49	6.39	5.93

Source: Finance Accounts of respective States and GSDP figures issued by Ministry of Statistics and Programme Implementation (MoSPI)

This scenario indicated that there was a need to review the fiscal strategy and a need to create the fiscal space for increased capital expenditure, which in turn, would help to accelerate growth and promote equitable growth.

1.5.3.1 Inflated Capital Expenditure

(i) As per the West Bengal Entry Tax Rules, 2012 (Rules), proceeds of the levy on collection of taxes on the entry of certain goods into the local area of the State of West Bengal were to be credited to the Consolidated Fund of the State and subsequently to be appropriated to the Reserve Fund operated in the Public Account. As per the LMMHA³⁸,

³⁵ General Provident Fund interest rate

³⁶ West Bengal Compensatory Entry Tax Fund

³⁷ West Bengal Transport Infrastructure Development Fund

³⁸ List of Major and Minor Heads of Accounts

funds were to be transferred by crediting the Reserve Fund (WBCETF³⁹) through operation of the minor head '797-Transfer to Reserve Funds' under revenue expenditure heads.

During 2017-18, of ₹ 1,531.96 crore collected on account of entry tax, ₹ 1,526.96 crore⁴⁰ was credited to the Reserve Fund through four capital expenditure heads.

This resulted in overstatement of capital expenditure by ₹ 1,526.96 crore with corresponding understatement of revenue expenditure and revenue deficit (Refer Table 1.4).

(ii) WBTIDF⁴¹ was constituted (March 2004) for creation, development, maintenance and improvement of transport infrastructure out of collection of cess imposed on sale of motor spirits used for commercial and industrial purposes. In terms of the accounting procedure prescribed (March 2004) by the State Government for maintenance of proper accounts and administration of WBTIDF, the receipts by way of collection of cess were to be transferred to WBTIDF through Revenue Expenditure heads. During 2017-18, pursuant to orders of Finance Department (June 2018), ₹ 341.80 crore⁴² was contributed through capital expenditure heads instead of the revenue heads of account.

To that extent, capital expenditure remained overstated with corresponding understatement of revenue expenditure and revenue deficit (Refer Table 1.4).

1.5.3.2 Treatment of Pass through grants as Capital Expenditure

In June 2015, GoI had launched the centrally sponsored scheme, AMRUT⁴³ for development of sewerage, water supply and other infrastructure through implementation of urban renewal projects. As per guidelines of the scheme, the AMRUT will provide project funds to Urban Local Bodies through the States. Accordingly, these grants are pass-through grants and as per the Indian Government Accounting Standards-2 (IGAS-2), these were to be booked by the State Government under the revenue head.

It was, however, noted that during 2017-18, expenditure of ₹ 234.51 crore in respect of AMRUT was booked under capital head instead of revenue head departing from the IGAS-2 stipulations.

1.5.4 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).

1.5.4.1 Adequacy of Public Expenditure

A comparison of fiscal priority of West Bengal with other General Category States⁴⁴ (**Chart 1.11**) revealed that in ratios of TE to GSDP, DE to TE, ESE to TE and CE to TE, the State of West Bengal compared unfavourably to the General Category States' (GCS)

³⁹ West Bengal Compensatory Entry Tax Fund

⁴⁰ ₹ 600 crore under H/A:5054-03-797, ₹ 476.96 crore under H/A:4217-60-797; ₹ 250 crore under H/A: 4851-00-797 and ₹ 200 crore under H/A:4575-02-797

⁴¹ West Bengal Transport Infrastructure Development Fund

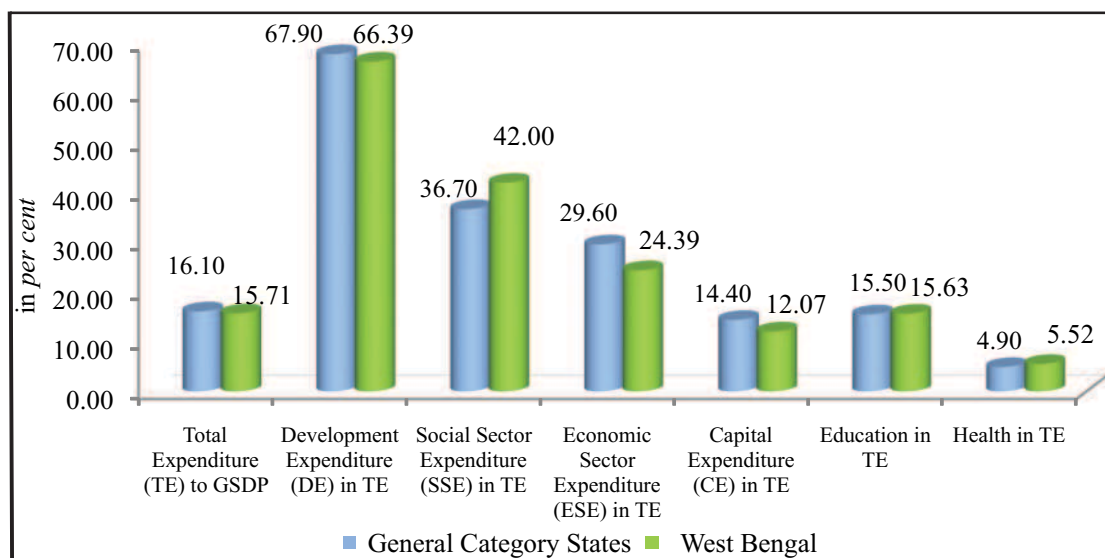
⁴² ₹ 95.14 crore under the H/A :5055-00-797 and ₹ 246.66 crore under the H/A :5054-80-797

⁴³ Atal Mission for Rejuvenation and Urban Transformation

⁴⁴ Andhra Pradesh, Bihar, Chhattisgarh, Gujarat, Haryana, Jharkhand, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Odisha, Punjab, Rajasthan, Tamil Nadu, Telangana, Uttar Pradesh and West Bengal

average. The SSE to TE ratio has, however, managed to stay above the average of GCS. As the fiscal deficit compared to the previous year has increased by nearly 13.96 per cent to ₹ 3,544 crore, the future of Social Sector spending may become a cause for concern.

Chart 1.11: Prioritisation in public expenditure in percentage



Source: Finance Accounts

West Bengal fared favourably in its focus on Education (₹ 25,068 crore) and Health (₹ 8,857 crore) in comparison to other General Category States. The State, however, lagged behind in the area of Development Expenditure (₹ 1,06,505 crore) and Capital Expenditure (₹ 19,368 crore).

1.5.4.2 Efficiency of Expenditure Use

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 Use in selected Social and Economic Services

Social/Economic Infrastructure	2016-17			2017-18		
	Ratio of CE to TE	In RE, the share of		Ratio of CE to TE	In RE, the share of	
		S & W	O&M		S & W	O&M
in per cent						
Social Services (SS)						
Education, Sports, Art and Culture	1.63	73.06	0.02	1.81	77.70	0.00
Health and Family Welfare	15.03	48.76	0.28	10.51	47.54	0.27
Water Supply, Sanitation, Housing and Urban Development	22.57	20.16	4.48	41.38	20.69	4.94
(Total SS)	7.21	41.40	0.66	11.29	43.82	0.67
Economic Services (ES)						
Agriculture and Allied Activities	14.81	39.78	0.35	13.21	36.69	0.31
Irrigation and Flood Control	62.34	58.28	12.25	59.68	55.37	13.92
Power and Energy	12.68	0.00	0.00	27.38	0.05	0.00
Transport	50.70	9.55	16.43	74.36	9.27	14.86
Total (ES)	18.15	14.89	1.51	27.50	14.44	1.45
Total (SS+ES)	11.05	33.07	0.92	17.24	34.29	0.92

Source: Finance Accounts of Government of West Bengal (2017-18) and Voucher Level Computerisation data

TE: Total Expenditure; CE: Capital Expenditure (excluding Loans and Advances); RE: Revenue Expenditure; S&W: Salaries and Wages; O&M: Operations & Maintenance

The ratio of Capital Expenditure to Total Expenditure in the Power and Transport services under Economic Sector has increased significantly, indicating the focus of the Government on asset creation under this sector.

In respect of Revenue Expenditure, the share of Operations and Maintenance (O&M) in respect of Irrigation and Flood Control under Economic Sector has grown considerably over the preceding year indicating increasing burden of O&M. The share of salaries and wages in respect of General Education has increased whereas in Health and Family Welfare the share of salaries and wages has marginally decreased over the preceding year.

1.6 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 1.3 (Part B)* gives an abstract of liabilities and assets, as on 31 March 2018, compared with the corresponding position on 31 March 2017.

1.6.1 Government Assets

Government assets mainly comprise Capital Outlay, Investments, Loans and Advances given by the State Government and cash balances.

Financial results of irrigation works

The Capital Expenditure on 15 irrigation projects⁴⁵ was ₹ 2,377 crore as of March 2018. The financial results of these projects showed that an amount of ₹ 6.89 crore (0.29 per cent) was realised from these projects during 2017-18. After meeting the working expenses and interest charges of ₹ 213 crore, the schemes suffered a net loss of ₹ 207 crore during the current year as compared to net loss of ₹ 234 crore during the previous year. The major loss making projects in 2017-18 were *Kangsabati* Reservoir Project (₹ 45 crore), *Teesta* Barrage Project (₹ 41 crore) and *Mayurakshi* Reservoir Project (₹ 32 crore). The profit making projects in 2017-18 were *Damodar* Canal (₹ 4 lakh) and *Medinipur* Canal (₹ 5 lakh).

1.6.2 Investment and Returns in Public Sector Undertakings

As of 31 March 2018, the State Government's investment stood at ₹ 15,884 crore in Statutory Corporations, Government Companies, Joint Stock Companies and Co-operatives. In 2017-18, Government of West Bengal invested mainly in WBHIDCL⁴⁶ (₹ 850 crore), WBIDCL⁴⁷ (₹ 300 crore) and WBPDCCL⁴⁸ (₹ 100 crore). The average return on this investment remained negligible. The position of return on investments⁴⁹ during 2013-18 is given in **Table 1.22**.

⁴⁵ Three drainage projects, five major projects and seven medium projects

⁴⁶ West Bengal Highway Development Corporation Limited

⁴⁷ West Bengal Industrial Development Corporation Limited

⁴⁸ West Bengal Power Development Corporation Limited

⁴⁹ In Statutory Corporations, Government Companies, Co-operative Societies and Banks

Table 1.22: Return on Investments

Sl. No.	Investment/Return/Cost of Borrowings	2013-14	2014-15	2015-16	2016-17	2017-18
1.	Investment at the end of the year (₹ in crore)	12,358	12,653	13,390	14,015	15,884
2.	Return in the form of Dividend (₹ in crore)	9	6	12	1	37
3.	Rate of Return (<i>per cent</i>)	0.07	0.05	0.09	0.01	0.25
4.	Average rate of interest on Government borrowings ⁵⁰ (<i>per cent</i>)	8.62	8.15	7.92	7.99	8.04
5.	Difference between rate of return and interest rate (<i>per cent</i>) (3-4)	(-)8.55	(-)8.10	(-)7.83	(-)7.98	(-)7.79

Source: Finance Accounts of Government of West Bengal (2013-14 to 2017-18)

The Government earned a meager return of ₹ 37 crore in 2017-18 on its investments of ₹ 15,844 crore in various Corporations/Companies. The return on investment was negligible at 0.25 *per cent* during 2017-18, far lower than the average rate of interest (8.04 *per cent*), the Government paid on its borrowings. Government investments are highest in the power sector. Losses from the power sector (₹ 766.44 crore) accounted for 9.92 *per cent* of total losses (₹ 7,723.35 crore) incurred by the State Working PSUs as of 31 March 2018.

In spite of poor return from its investment to the State PSUs, the State Government extended budgetary support of ₹ 6,963.45 crore⁵¹ to these PSUs during 2017-18. The budgetary support included ₹ 1,100.91 crore extended to 22 PSUs (including seven inactive PSUs) having negative net worth of ₹ 8,545.62 crore, as per their latest available accounts. Further, 46 Government companies (Working companies – 31 and Inactive companies -15) had not even finalized their accounts, as required under Section 394 and 395 of Companies Act, 2013 and the delay ranged between one year to 12 years. Even in the absence of accounts to assess the demands for financial support from these Companies, the State Government had regularly extended budgetary support to these Companies.

1.6.2.1 Overstatement of investment

- Government of West Bengal (GoWB) sanctioned ₹ 300 crore to WBIDCL between October 2017 and January 2018 for investments through equity infusion in BAPL⁵². WBIDCL as an investor was allotted 12 crore equity shares of ₹ 10 each of BAPL, value of investment being ₹ 120 crore and 1.80 crore preference shares of ₹ 100 each, value of investment being ₹ 180 crore. As per the Finance Accounts this was booked as the investment of Government of West Bengal in WBIDCL. The increase in shareholding of GoWB as a result of this investment was, however, not reflected in the annual accounts (2017-18) of WBIDCL.
- GoWB sanctioned (December 2017) ₹ 2.18 crore to District Magistrate, North 24 Parganas for payment of compensation to the owners of buildings at Mahisbathan in

⁵⁰ Interest Payments/[(Amount of previous year's outstanding liabilities + current year's outstanding liabilities)/2]*100

⁵¹ ₹ 1,868.94 crore in shape of equity, ₹ 657.14 crore by way of loans, ₹ 4,437.37 crore in shape of Grants-in-Aid and subsidies

⁵² Bengal Aerotropolis Projects Limited, a Non-Government Company, registered under Companies Act, 1956

connection with construction of metro corridor in the New Garia-Bimanbandar section of the Metro Railway. This amount was, however, shown as investment in Metro Railway instead of Grants-in-Aid.

1.6.2.2 Understatement of equity investment

Due to defective⁵³ sanction order, conversion of loan to equity of ₹ 380 crore provided to WBPDCCL for setting up of Units 3 and 4 of *Sagardighi* Thermal Power Station could not be exhibited in the accounts up to 2017-18.

Consequently, loans and advances disbursed by GoWB remained overstated with corresponding understatement of investment and by ₹ 380 crore.

1.6.2.3 Non-realisation of disinvestment proceeds

Disinvestment proceeds amounting to ₹ 147 crore could not be realised despite completion of the legal procedure for transfer of equity shares of Kolkata Metro Rail Corporation Limited (KMRCL) in favour of Ministry of Railways (in November 2012 and February 2013) by GoWB.

1.6.3 Loans and Advances given by the State Government

In addition to investments in co-operative societies, corporations and companies, Government also provided loans and advances to many other institutions / organisations. Details are given in **Table 1.23**.

Table 1.23: Details of loans and advances by State Government (₹ in crore)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Opening Balance (A)	15,136	14,641	14,970	14,999	12,963
Amount advanced during the year (B)	663	505	861	1,197	(-)31 ⁵⁴
Amount recovered during the year (C)	1,158 ⁵⁵	176	832	3,233 ⁵⁶	214
Closing Balance (D=A+B-C)	14,641	14,970	14,999	12,963	12,718
Net addition of loans and advances (B-C)	(-) 495	329	29	(-) 2,036	(-) 245
Interest receipts	274	126	95	833	1031
Interest receipts as <i>per cent</i> to outstanding loans and advances ⁵⁷ (E)	1.84	0.85	0.63	5.96	8.03
Interest payments	20,757	21,588	23,115	25,703	28,074
Outstanding liabilities	2,51,997	2,77,579	3,06,043	3,37,682	3,60,961
Average rate of Interest on Government borrowings (<i>per cent</i>) (F)	8.62	8.15	7.92	7.99	8.04
Difference between interest receipts on loans and interest payments on Government borrowings (<i>in per cent</i>) (G=E-F)	(-)6.78	(-)7.30	(-)7.29	(-)2.03	(-)0.01

Source: Finance Accounts of Government of West Bengal of the respective years

- As of 31 March 2018, Loans and Advances of ₹ 12,718 crore were given by the Government mainly to Government Companies (₹ 7,125 crore), Municipalities / Municipal Corporations (₹ 1,084 crore) and Statutory Corporations (₹ 280 crore). The current recovery of loan was low.

⁵³ Sub-head (003) specified in the sanction order was not consistent with the sub-head (057) under which the loans were originally disbursed to WBPDCCL.

⁵⁴ As outstanding loans converted to equity in respect of West Bengal Highway Development Corporation Limited (₹ 700 crore) surpassed the loans disbursed during the year.

⁵⁵ The high recovery of loans and advances in 2013-14 was due to conversion of outstanding Externally Aided Project loans into equity in favour of WBPDCCL for implementation of Sagardighi Thermal Power Station.

⁵⁶ The high recovery of loans and advances in 2016-17 was due to higher repayment of loans from WBSEDCL under West Bengal Power Sector Reforms Transfer Scheme, 2007.

⁵⁷ Interest received / [(opening balance + closing balance of loans and advance) / 2] * 100

- Interest receipts increased from ₹ 833 crore in 2016-17 to ₹ 1,031 crore in 2017-18 but the percentage of interest received to total outstanding loans and advances was 8.03 *per cent* while interest payment on the other hand (₹ 28,074 crore) during 2017-18 was 8.04 *per cent* of its total outstanding liabilities (₹ 3,60,961 crore). As a result, interest spread of Government borrowings was negative (-0.01 *per cent*) during the year which meant that the State's borrowings were more expensive than the loans advanced by it.

Government loans to five Government Companies⁵⁸ / Statutory Corporations/ Cooperatives amounting to ₹ 182.17 crore in 2017-18 did not specify any terms and conditions, like schedule of repayment, rate of interest, number of instalments etc. Government was providing loans to Government Companies/ Statutory Corporations and Autonomous Bodies, whose annual accounts were in arrears (Refer Paragraphs 1.6.2, 3.5 and 3.7).

Details of loans and advances made by the Government are shown in **Section 1 of Statement 18** of Finance Accounts and details of entities that were in arrears of repayment of loans are shown in **Section-2 of Statement 18** of Finance Accounts.

Arrears of Principal and Interest

The current level of recovery of loans was low. Against the estimation of ₹ 804 crore in the budget to be recovered in 2017-18, the actual recovery was only ₹ 214 crore (26.62 *per cent*). Low recovery led to arrears of ₹ 5,044 crore on account of principal (mainly from Government Companies: ₹ 3,377 crore, Development Authorities: ₹ 254 crore) and ₹ 8,133 crore on account of interest (mainly from Government Companies: ₹ 6,319 crore, Municipalities/Municipal Corporations: ₹ 439 crore) overdue for realization as of 31 March 2018. None of the unrecoverable loans were, however, written off during the year.

Recommendation 2: The State Government may ensure that future loans and advances to autonomous bodies are predicated on furnishing of audited accounts of the previous year.

1.6.4 Cash Balance

The cash balance at the end of March 2018 was ₹ 18,859.18 crore (*Appendix 1.3-Part A*) comprising (i) cash balance investments (₹ 8,570.10 crore), (ii) deposits with RBI (₹ (-)20.96 crore), (iii) departmental cash balance including permanent advances (₹ 2.14 crore) and (iv) investments in earmarked funds (₹ 10,307.52 crore) including Sinking Fund (₹ 9,745.23 crore) and Guarantee Redemption Fund - Investment Account (₹ 380.78 crore).

State Government maintained the mandatory minimum daily cash balance of ₹ 2.48 crore with the Reserve Bank of India (RBI) for 343 days during the year without taking Ways and Means Advances (WMA). For 22 days, the State Government depended on special WMA (₹ 5,395 crore) for maintaining the minimum balance with RBI. In monetary terms, however, WMA increased by ₹ 4,187 crore (346.61 *per cent* increase) in 2017-18 over 2016-17 (₹ 1,208 crore). The interest payment on WMA during 2017-18 was ₹ 1.05 crore as against ₹ 0.29 crore in 2016-17, *i.e.*, 262.07 *per cent* increase.

⁵⁸ Hooghly River Bridge Commissioner, Kolkata Metropolitan Development Corporation, Electro medical and allied industries Ltd., West Bengal State Beverages Ltd. and Primary/ Central Fisherman's Co-operative

1.7 Government Liabilities

Liabilities of the Government consist mainly of internal borrowings, loans and advances from GoI and balances in the Public Account. The total liabilities of the State as on 31 March 2018 were ₹ 3,60,961 crore; its composition is shown in **Chart 1.12**.

Chart 1.12: Composition of Liabilities

Total Liabilities (₹ 3,60,961 crore)		
Internal Debt from Market, financial institutions, etc. (₹ 3,01,778 crore)	Loans and Advances from Government of India (₹ 14,233 crore)	Public Account Liabilities where Government acts as a banker (₹ 44,950 crore)
Market Borrowings (₹ 2,18,943 crore)	Loans for Plan Schemes (₹ 13,917 crore)	Small Savings, Provident Fund, etc.(₹ 14,510 crore)
Bonds(₹ 2 crore)	Non Plan Loans (₹ 311 crore)	Reserve Fund bearing interest (₹ 50 crore)
Loans from Financial Institutions (₹ 7,032 crore)	Pre-1984-85 Loans (₹ 5 crore)	Reserve Fund not bearing interest (₹ (-)278 crore)
Special Securities issued to NSSF (₹ 75,801 crore)		Deposits bearing interest (₹ 13,465 crore)
		Deposits not bearing interest (₹ 17,203 crore)

Source: Finance Accounts of Government of West Bengal (2017-18)

Audit analysis showed that **the liabilities are on an ascending trend (Table 1.24) over the last five years. The total liabilities of the Government as of 31st March 2018 was ₹ 3,60,961 crore and was 2.75 times of its Revenue Receipts.** They constitute 35.36 per cent of the Gross State Domestic Product (GSDP), which, however, is within the limit of 36.77 per cent prescribed by Medium Term Fiscal Policy Statement (MTFPS). The liabilities grew by 6.89 per cent over previous year.

Table 1.24: Trends in Outstanding Liabilities of the State

	2013-14	2014-15	2015-16	2016-17	2017-18
Outstanding Liabilities (₹ in crore)	2,51,997	2,77,579	3,06,043	3,37,682	3,60,961
Rate of growth (in per cent)	9.67	10.15	10.25	10.34	6.89
Ratio of Outstanding Liabilities to					
GSDP (in per cent)	37.23	38.66	38.38	38.41	35.36
Revenue Receipts (in per cent)	345.76	320.85	278.90	286.58	274.98
Own resources (in per cent)	665.71	676.38	690.00	697.46	646.44

Source: Finance Accounts of Government of West Bengal (2013-14 to 2017-18)

Box : 1.2

Apart from the above, two instances of outstanding liabilities amounting to ₹ 2,587 crore as of March 2018 is detailed below:

- As per Ministry of Home Affairs, GoI's demand (May 2018) , deployment claims amounting to ₹ 2,111.39 crore on account of deployment of CRPF / RAF detachments was outstanding from the Government of West Bengal up to 31 March 2018. The liability

amounted to ₹ 2,159.20 crore including the penalty (₹ 47.81 crore) on the outstanding amount pending for more than 90 days.

- GoWB introduced (February 2001) the State Assisted Scheme of Provident Fund for Unorganized Workers (SASPFUW) to provide scope of Provident Fund to the workers in the Unorganised Sector. Each subscriber has to contribute to this fund and the State Government will contribute an equal matching amount. Interest on the balance at credit of the subscribers will also be paid by the State Government annually at the rate at which interest is allowed on deposit under the General Provident Fund by the Government.

It was seen that during 2017-18, GoWB paid interest of only ₹ 33 crore out of ₹ 109 crore due to this Provident Fund. Since inception till March 2018, the total outstanding interest amounted to ₹ 428 crore.

1.7.1 Reserve Funds

Reserve Funds are created for specific and defined purposes. These are funded by contributions/ grants from the Consolidated Fund of the State. Against the gross accumulated balance of ₹ 10,080 crore lying in these funds as on 31 March 2018, an amount of ₹ 10,126 crore was invested in GoI securities and ₹ 171 crore in fixed deposit, hence the fund was with an adverse balance of (-) ₹ 217 crore as on 31 March 2018. The main reason for adverse balance was owing to adverse balances under West Bengal Compensatory Entry Tax Fund (WBCETF), as explained in Paragraph (iii) below. Out of 41 Reserve Funds, 23 funds were not in operation for more than five years, with a balance of ₹ 20.48 crore as on 31 March 2018. The transactions relating to following reserve funds during 2017-18 are analysed as below:

Box : 1.3

(i) Consolidated Sinking Fund (CSF)

The Sinking Fund was created in the year 1999-2000 for amortization of the State's liabilities. As per the guidelines⁵⁹, the State Government was required to make annual contributions to the Sinking Fund at 0.5 *per cent* of the outstanding liabilities⁶⁰ at the end of the previous financial year. The State Government, against the required amount of ₹ 1,688.41 crore, had contributed ₹ 200 crore and thereby made short contribution of ₹ 1,488.41 crore to the Consolidated Sinking Fund during the financial year 2017-18. This had the impact of understating the Fiscal Deficit to that extent. Further, there was persistent short contribution from 2013-14 to 2016-17 of ₹ 4,476.98 crore to the CSF. Thus the aggregate shortfall of contribution to the Fund for the years 2013-18 was ₹ 5,965.39 crore which resulted in understatement of outstanding liabilities to the same extent during 2013-18. During this period, the State's liabilities rose by 43.24 *per cent* from ₹ 2,51,997 crore as of March 2014 to ₹ 3,60,961 crore in March 2018. The balance in the fund as of March 2018 was ₹ 9,745 crore.

(ii) State Disaster Response Fund (SDRF)

Government of India (GoI) replaced the erstwhile Calamity Relief Fund with the State Disaster Response Fund (SDRF) with effect from 1 April 2010. The guidelines of SDRF stipulated the following.

- The fund should be operated under the category "Reserve Fund bearing interest" below Major Head '8121- General and other Reserve Fund'.
- The State Government shall pay interest on a half-yearly basis to the SDRF at the rate applicable to RBI overdrafts.

⁵⁹ Revised in November 2007 as per the recommendations of 12th Finance Commission

⁶⁰ Defined as comprising internal debt and Public Account liabilities of the State Government

It was, however, observed that the GoWB operated its SDRF under the category 'Reserve funds bearing interest-8121' from June 2011 onwards but depicted the old balance (₹ 15.69 crore) of the calamity relief fund under 'Reserve funds not bearing interest-8235'. Transactions in SDRF during 2017-18 is indicated in the **Table 1.25** below.

Table 1.25: Transactions in SDRF

(₹ in crore)

Type of Reserve Fund / Head of Account	Opening Balance (1 April 2017)	Receipts	Total funds Available during the year	Disbursement	Closing Balance (31 March 2018)
Reserve Fund bearing interest/ Major Head 8121	1,028.14	587.54 ⁶¹	1,615.68	1,575.65	40.03
Reserve Fund not bearing interest/ Major Head 8235	15.69	0.00	15.69	0.00	15.69
Total	1,043.83	587.54	1,631.37	1,575.65	55.72

Source: Finance Accounts of Government of West Bengal (2017-18)

SDRF had significant amount of un-invested balances ranging from ₹ 155.27 crore to ₹ 878.58 crore during 2017-18. GoWB was required to provide interest to SDRF (at RBI overdraft rates⁶²) on the un-invested balances of SDRF, which worked out to ₹ 38.25 crore during 2017-18. Non-payment of interest in violation of the provisions of the guidelines resulted in understatement of SDRF (MJH 8121) by ₹ 38.25 crore. The unpaid interest represented the unaccounted liability of the State Government.

Further, the closing balance of ₹ 55.72 crore under the fund remained un-invested and merely continued to be depicted as a book balance in the accounts. Such non-investment not only goes against the spirit of the SDRF but also the principles of cash basis of Accounting which forms the cornerstone of Government Accounting.

In terms of the guidelines of National Disaster Response Fund (NDRF), the State Government was to ensure that the fund received from NDRF was duly transferred to the SDRF. In 2017-18, the State Government received ₹ 325 crore from NDRF. The amount was, however, transferred to the SDRF only in the year 2018-19. Due to non-transfer of fund received from NDRF to the SDRF during 2017-18, Revenue Deficit as well as Fiscal Deficit stood understated by ₹ 325 crore.

(iii) West Bengal Compensatory Entry Tax Fund (WBCETF)

WBCETF was established (July 2012) to develop and facilitate trade, commerce and industry. This fund was created for (i) constructing roads, transport, electricity infrastructure etc. in the state and (ii) providing finance, grants and subsidies to the local bodies/ government agencies for the specified purpose. Entry tax collected in the state was credited to the fund.

According to West Bengal Tax on Entry of Goods into Local Areas Act, 2012, the State Government may credit the fund by way of grants or loans, such sums or money as the State Government may consider necessary.

The transactions in WBCETF during 2013-14 to 2017-18 are shown in **Table 1.26**.

⁶¹ GoI Release-₹ 426.75 crore, GoWB Release-₹ 142.25 crore, Interest for delayed transfer during FY 2015-16 to 2017-18-₹ 8.72 crore and Interest earned during 2017-18-₹ 9.82 crore

⁶² Overdraft rate was 8.25 per cent from April 2017 to July 2017 and 8 per cent from August 2017 to March 2018

Year	Opening Balance	Receipt	Payment	Closing Balance
2013-14	0	989	336	653
2014-15	653	856	969	540
2015-16	540	838	1,666	(-)288
2016-17	(-)288	934	713	(-)67
2017-18	(-)67	1,532	1,758	(-)293

Source: Finance Accounts of Government of West Bengal (2013-14 to 2017-18)

Above table shows that the fund had a negative closing balance of ₹ 293 crore as of March 2018, indicating excess of disbursement over available balances. This negative figure has been appearing in the accounts from 2015-16 onwards. The negative balance is to be regularised by appropriation from the Consolidated Fund.

(iv) Guarantee Redemption Fund (GRF)

Twelfth Finance Commission had recommended opening of the GRF for discharging the liability of the Government towards invocation of the guarantees extended by it. State Government had constituted the GRF in January 2015 and the closing balance as of March 2018 stood at ₹ 381 crore. The guidelines of GRF *inter alia* stipulated that guarantee commission collected was to be transferred to the fund.

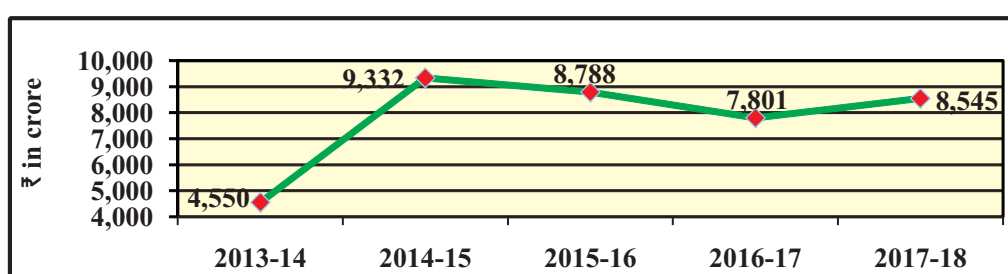
During 2014-18, in spite of earning guarantee commission⁶³ of ₹ 23.89 crore, no amount was transferred to GRF. This led to non-investment of fund as well as loss of interest of ₹ 0.84 crore. Non-transfer of guarantee commission resulted in understatement of revenue deficit and fiscal deficit by ₹ 23.89 crore.

Recommendation 3: The State Government may ensure that the contributions to Reserve Funds are made annually as stipulated, to enable a firm funding stream to meet the defined purposes of the funds.

1.7.2 Guarantees

Guarantees are contingent liabilities on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee has been extended by the State Government. WBCGA⁶⁴ 2001 stipulated that the total outstanding Government guarantees as on the first day of April of any year shall not exceed 90 per cent of the State Revenue Receipts of the second preceding year. Finance Department acts as the tracking authority in respect of guarantees. The outstanding guarantees (₹ 8,545 crore) (Chart 1.13) at the end of 2017-18 stood at 7.79 per cent of the total Revenue Receipts of the second preceding year (₹ 1,09,732 crore) and was thus within the ceiling of the WBCGA.

Chart 1.13: Status of Outstanding Guarantees



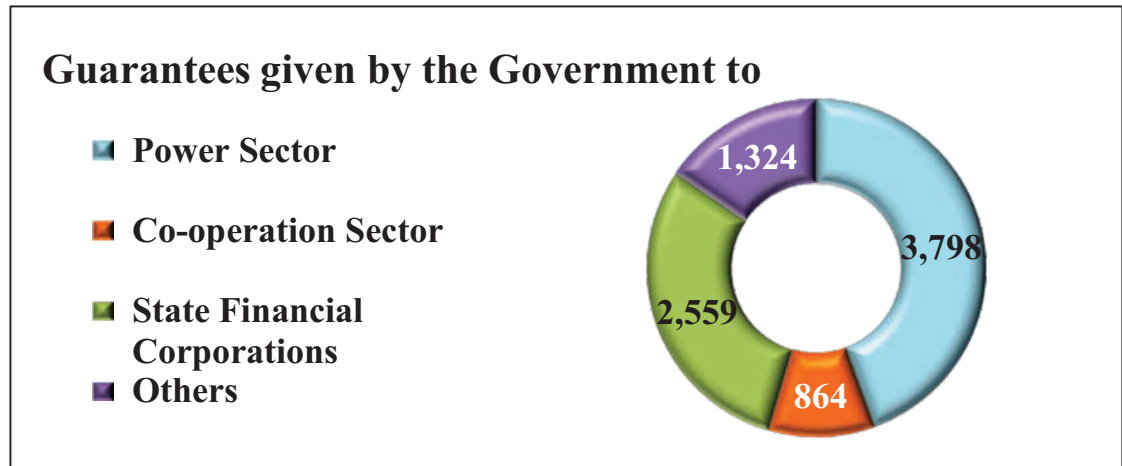
Source: Finance Accounts of Government of West Bengal (2013-14 to 2017-18)

⁶³ Booked under '0075-Misellaneous General Service-108-Guarantee Fees'

⁶⁴ West Bengal Ceiling on Government Guarantees Act

Out of total outstanding guarantees as on 31 March 2018, share of Power Sector, State Financial Corporation and Co-operation Sector stood at ₹ 3,798 crore (44.45 per cent), ₹ 2,559 crore (29.95 per cent) and ₹ 864 crore (10.11 per cent), respectively (**Chart 1.14**). No guarantee, had been invoked during 2017-18.

Chart 1.14: Sectors in receipt of guarantees at the end of 31 March 2018 (₹ in crore)



Source: Finance Accounts of Government of West Bengal (2017-18)

Further, in terms of Section 10 of West Bengal Finance Act, 2002, the loanees for whom the State Government had provided guarantees to the financial institutions, were required to pay guarantee commission at the rate of one per cent (minimum) on the total amounts guaranteed. Accordingly, during 2017-18, the State Government was to receive guarantee commission of ₹ 85.45 crore against which only ₹ 12.39 crore was received.

Short receipt of guarantee commission overstated the Revenue Deficit by ₹ 73.06 crore.

Recommendation 4: The State Government may comply with its own orders to ensure optimum receipt of guarantee commission.

1.7.3 Debt Management

Outstanding debt of the State Government (internal debt and loans & advances from Government of India) as on 31 March 2018 is ₹ 3,16,011 crore. **The outstanding debt increased by 7.02 per cent over the preceding year, at a slower pace than the growth of GSDP (16.12 per cent).**

1.7.3.1 Net availability of borrowed funds

The Net availability (₹ (-)7,342 crore) of borrowed⁶⁵ funds (₹ 40,348 crore) after providing for interest payments (₹ 28,074 crore) and repayment of borrowings (₹ 19,616 crore), was negative (18.20 per cent), indicating non-availability of borrowed funds for purposes other than debt repayment significantly limiting the scope for development activities.

1.7.3.2 Debt analysis – Debt Sustainability and trends of debt repayment

The Public debt sustainability is defined as the ability of the State to service its debt in future. **Table 1.27** and **Charts 1.15, 1.16** and **1.17** analyses the debt sustainability of the States during the five year period 2013-18.

⁶⁵ excluding Ways and Means advances in Public Debt

Table 1.27: Debt Sustainability: Indicators during 2013-18

Indicators of Public Debt* Sustainability	2013-14	2014-15	2015-16	2016-17	2017-18
Outstanding Debt (₹ in crore)	2,20,978	2,44,490	2,70,059	2,95,278	3,16,011
Rate of growth of Outstanding Debt (in per cent)	8.94	10.64	10.46	9.34	7.02
GSDP (at current prices) (₹ in crore)	6,76,848	7,18,082	7,97,300	8,79,167	10,20,858
Debt/ GSDP ratio (in per cent)	32.65	34.05	33.87	33.59	30.96
Debt Receipts ^{&} (₹ in crore)	30,932	35,812	34,608	36,316	40,348
Debt Repayments ^{&} (₹ in crore)	12,802	12,300	9,040	11,096	19,616
Interest Payment (₹ in crore)	20,757	21,588	23,115	25,703	28,074
Tax Revenue (₹ in crore)	35,831	39,412	42,492	45,466	52,721

Source: Finance Accounts of Government of West Bengal (2013-14 to 2017-18); [&] Excludes Ways and Means Advances availed and repaid by the State Government; *Internal Debt and Loans from Gol

<p>Chart 1.15: Interest payments as a per cent of Revenue Receipts</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Interest payments as a per cent of Revenue Receipts</th> </tr> </thead> <tbody> <tr> <td>2013-14</td> <td>28.48</td> </tr> <tr> <td>2014-15</td> <td>24.95</td> </tr> <tr> <td>2015-16</td> <td>21.06</td> </tr> <tr> <td>2016-17</td> <td>21.81</td> </tr> <tr> <td>2017-18</td> <td>21.39</td> </tr> </tbody> </table>	Year	Interest payments as a per cent of Revenue Receipts	2013-14	28.48	2014-15	24.95	2015-16	21.06	2016-17	21.81	2017-18	21.39	<p>Chart 1.16: Trend of Debt Repayment versus Tax Revenue (in per cent)</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Trend of Debt Repayment versus Tax Revenue (in per cent)</th> </tr> </thead> <tbody> <tr> <td>2013-14</td> <td>35.73</td> </tr> <tr> <td>2014-15</td> <td>31.21</td> </tr> <tr> <td>2015-16</td> <td>21.27</td> </tr> <tr> <td>2016-17</td> <td>24.41</td> </tr> <tr> <td>2017-18</td> <td>37.21</td> </tr> </tbody> </table>	Year	Trend of Debt Repayment versus Tax Revenue (in per cent)	2013-14	35.73	2014-15	31.21	2015-16	21.27	2016-17	24.41	2017-18	37.21
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<p>Chart 1.17: Trend of Debt Repayment versus Debt Receipts (in per cent)</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Trend of Debt Repayment versus Debt Receipts (in per cent)</th> </tr> </thead> <tbody> <tr> <td>2013-14</td> <td>41.39</td> </tr> <tr> <td>2014-15</td> <td>34.35</td> </tr> <tr> <td>2015-16</td> <td>26.12</td> </tr> <tr> <td>2016-17</td> <td>30.55</td> </tr> <tr> <td>2017-18</td> <td>48.62</td> </tr> </tbody> </table>	Year	Trend of Debt Repayment versus Debt Receipts (in per cent)	2013-14	41.39	2014-15	34.35	2015-16	26.12	2016-17	30.55	2017-18	48.62	<p>It was observed that the interest payments relative to Revenue Receipts were higher at 21.39 per cent as compared to the target of 20.34 per cent fixed by 14th Finance Commission.</p> <p>The Public Debt Repayment as a percentage of Tax Revenue increased from 24.41 per cent during 2016-17 to 37.21 per cent in 2017-18.</p>												
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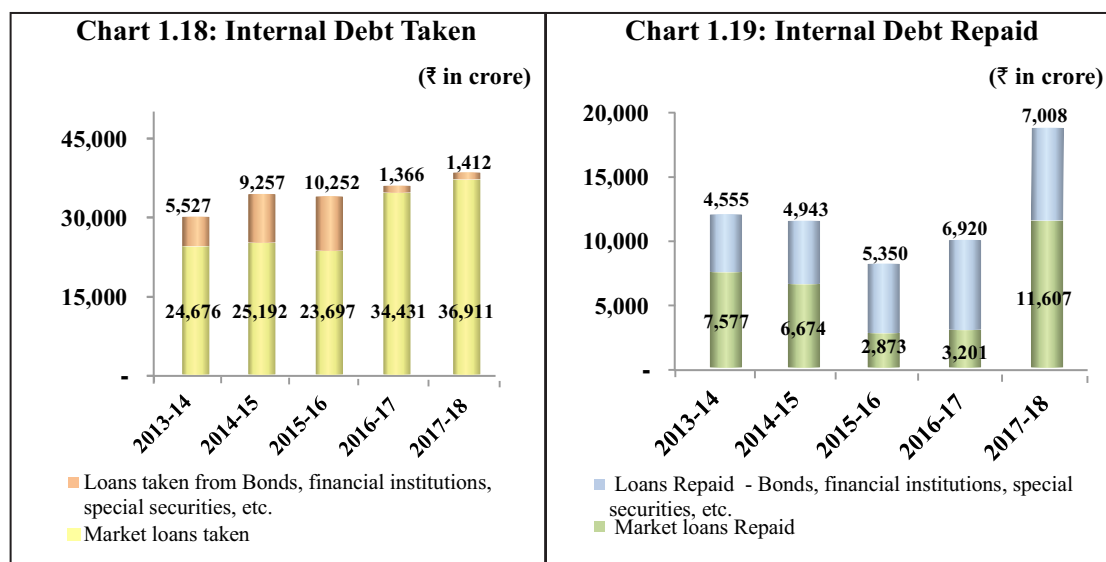
Source: Finance Accounts of Government of West Bengal (2013-14 to 2017-18);

Note: excluding Ways and Means Advances

Public Debt repayment as a percentage of Public Debt Receipts increased from 30.55 per cent in 2016-17 to 48.62 per cent during the year 2017-18 indicating increase in utilisation of Public Debt Receipts for repayment of earlier Public Debt thereby impeding its utilisation for asset creation.

The outstanding market borrowings as of 31 March 2018 (₹ 2,18,943 crore) formed a major portion (72.55 per cent) of the internal debt (₹ 3,01,778 crore) of the State Government, with interest rates ranging from 7.20 to 8.42 per cent. In 2017-18, the State Government availed fresh market borrowings of ₹ 36,911 crore and repaid ₹ 11,607 crore. The net increase of market borrowings during the year was 13.07 per cent (₹ 25,304 crore) over the previous year (₹ 1,93,638 crore).

Charts 1.18 and 1.19 represent the internal debt taken and internal debt repaid during the five years period 2013-18.



Source: Finance Accounts of Government of West Bengal (2013-14 to 2017-18)

1.7.3.3 Maturity Profile of Public Debt

Fiscal Responsibility and Budget Management (FRBM) Act, 2010 *inter-alia* stipulates that the Government of West Bengal (GoWB) is responsible to ensure judiciousness in fiscal management and fiscal stability through prudent debt management.

The maturity profile of Public Debt outstanding as on 31 March 2018 is shown in Table 1.28.

Table 1.28: Maturity Profile of Public Debt

Maturity Profile	Internal Debt	Loans and Advances from GoI	Total	Per cent (w.r.t. total)
	(₹ in crore)			
Details of Maturity year not available	82,835	6,959	89,794	28.41
0-1 year	12,401	672	13,073	4.14
2-4 years	47,801	2,017	49,818	15.77
5-7 years	63,400	2,016	65,416	20.70
8-10 years	95,341	1,625	96,966	30.68
11 years and above	0	944	944	0.30
Total	3,01,778	14,233	3,16,011	100

Source: Finance Accounts of Government of West Bengal (2017-18)

As can be seen from the table that the liability of the State would steeply rise from 2018-19 onwards and put a strain on the State finances in forthcoming years. The table further showed that 40.61 to 71.29 per cent of the maturity would take place between seven and ten years. This meant that the state was to mobilise required resources for repayment of debt commitments of ₹ 1,28,307 crore to ₹ 2,25,273 crore. The debt maturity position during the forthcoming years could be more alarming given the fact that maturity details of around 28.41 per cent of the outstanding borrowings was not available.

This scenario indicated that there was an urgent need to put in place a debt management strategy to ensure that the State does not head towards a debt stress and the prospect of shrinkage of resources available for development purposes. For this purpose, the Medium Term Fiscal Policy Statement (MTFPS) and the Fiscal Policy Strategy Statement (FPSS) for 2017-18 were reviewed to assess the extent of compliance to the principles of FRBM Act referred *ibid*. It was noted that no debt management strategy was included therein to factor in the modalities for mitigating such impending quantum of debt.

1.8 Fiscal Reform Path

The State Government, in compliance with the recommendations of the Twelfth Finance Commission, enacted the Fiscal Responsibility and Budget Management (FRBM) Act, 2010 (amended in 2011). Important targets relating to fiscal variables can be amended from time to time in accordance with the Central Finance Commissions' recommendations. **Government of West Bengal is, however, yet to amend its FRBM Act in accordance with the recommendations of the Fourteenth Finance Commission, especially on key fiscal indicators of the State Government, viz., Revenue Deficit, Fiscal Deficit and Primary Deficit.**

1.8.1 Disclosures not made

Fiscal Responsibility and Budget Management (FRBM) Act, 2010 (amended in 2011) places an onus on the State Government to monitor and control the fiscal deficit. It also requires the State Government to make disclosures and statements under Section 5 of FRBM Act, 2010 together with Rule 7 of Fiscal Responsibility and Budget Management Rules, 2011. The State Government, however, did not make the following three out of eight disclosures required to be made:

- Significant changes in the Accounting Standards, policies and practices affecting or likely to affect the compliance of the prescribed fiscal indicators;
- Major works and contracts, committed liabilities in respect of land acquisition charges, claims in respect of unpaid bills on works and supplies; and
- Statement of Assets in respect of weighted average interest rates on Government liabilities.

1.8.2 Fourteenth Finance Commission Ceiling and Achievements

Achievement of Government in key indicators in terms of targets prescribed by the 14th FC with regards to fiscal reform path is as below:

- Revenue deficit was to be eliminated as per recommendation of the 14th FC. The State failed to achieve the target since Revenue Deficit stood at ₹ 9,807 crore (0.96 per cent of GSDP);
- The ceiling limit prescribed by the 14th FC for Fiscal deficit was 3 per cent of the GSDP. The achievement in 2017-18 (₹ 28,930 crore) was 2.83 per cent, which is within the permissible limit; and
- The outstanding Debt to GSDP (in per cent) was to be less than 35.20 per cent for the year 2017-18. The achievement of the Government was 30.96 per cent, which is within the permissible limit.