

This chapter analyses changes in major fiscal aggregates based on the audit of the Finance Accounts and an assessment of the Bihar Government's fiscal position as on 31 March 2021.

1.1 Profile of the State

Bihar is a landlocked State, bounded by West Bengal in the east, Uttar Pradesh in the west, Jharkhand in the south, and a long international border with Nepal in the north. It is the twelfth largest State in India in terms of geographical size (94,163 sq. km.) and the third largest by population (12.42 crore). The State of Bihar has 38 districts.

The economy of Bihar is primarily agrarian, and the State does not possess any significant mineral wealth. As indicated in *Appendix 1.1*, the density of population has increased from 881 persons per sq. km. (2001) to 1106 persons per sq. km. (2011). Bihar has higher poverty level as compared to the All-India average. State has shown an increase in economic growth for the period 2011-12 to 2020-21(P) as the Compound Annual Growth Rate (CAGR) of its GSDP has been 10.73 *per cent* as compared to 9.48 *per cent* amongst the All India. Bihar is a General Category State and as per XV Finance Commission projection, the normative assessed annual growth rate of GSDP of Bihar was (-) 9.0 *per cent* and the Projected Annual Growth Rate of its GSDP has been 11 *per cent*. The per capita GSDP of the State was ₹ 50,555 at the end of 2020-21 while the per capita GSDP of the Jharkhand, Uttar Pradesh, Odisha and West Bengal was ₹ 81,801, ₹ 73,422, ₹ 1,18,842, and ₹ 1,32,212 respectively.

1.1.1 Gross State Domestic Product (GSDP)

Gross State Domestic Product (GSDP) is the value of all the goods and services produced within the boundaries of the State in a given period of time. Growth of GSDP is an important indicator of the State's economy, as it depicts the extent of changes in the level of economic development of the State over a period of time.

The trends in annual growth of GDP of India and GSDP of the State at current prices and constant prices (Base Year: 2011-12) are in **Table 1.1**.

Table 1.1: Trends in GSDP compared to the GDP

(₹ in crore)

Year	2016-17	2017-18	2018-19	2019-20	2020-21
Current Prices					
GDP at current prices (2011-12 Series)	1,53,91,669	1,70,90,042	1,88,86,957	2,03,51,013	1,97,45,670
Growth rate of GDP over previous year (in <i>per cent</i>)	11.76	11.03	10.51	7.75	(-) 2.97
GSDP at current prices (2011-12 Series)	4,21,051	4,68,746	5,27,976	5,94,016	6,18,628
Growth rate of GSDP over previous year (in <i>per cent</i>)	13.31	11.33	12.64	12.51	4.14
Percentage of GSDP to GDP	2.74	2.74	2.80	2.92	3.13
Constant Prices (Base Year)					
GDP at constant prices (2011-12 Series)	1,23,08,193	1,31,44,582	1,40,03,316	1,45,69,268	1,35,12,740
GSDP at constant prices (2011-12 Series)	3,18,797	3,44,028	3,81,383	4,09,645	4,19,883
Growth rate of GDP over previous year (in <i>per cent</i>)	7.52	6.80	6.53	4.04	(-)7.25
Growth rate of GSDP over previous year (in <i>per cent</i>)	11.43	7.91	10.86	7.41	2.50

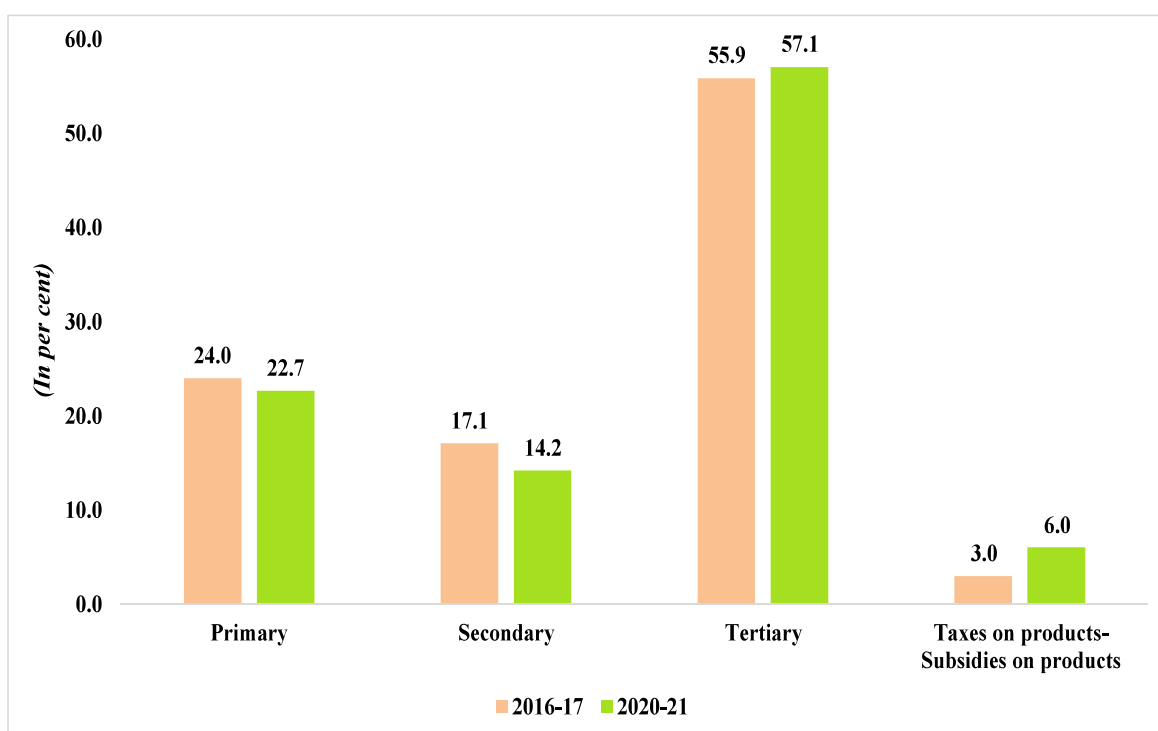
(Source: Central Statistical Organisation)

Growth in GSDP of Bihar was higher than the All-India average at both current and constant prices during last five years.

1.1.2 Sectoral composition

The economic activity is generally divided into Primary, Secondary and Tertiary sectors, which correspond to the Agriculture, Industry and Service sectors respectively. Changes in sectoral contribution to the GSDP are important to understand the changing structure of the economy. Changes in sectoral contribution to GSDP for 2016-17 and 2020-21 is shown in **Chart 1.1**.

**Chart 1.1: Change in sectoral contribution to GSDP
(2016-17 and 2020-21)**

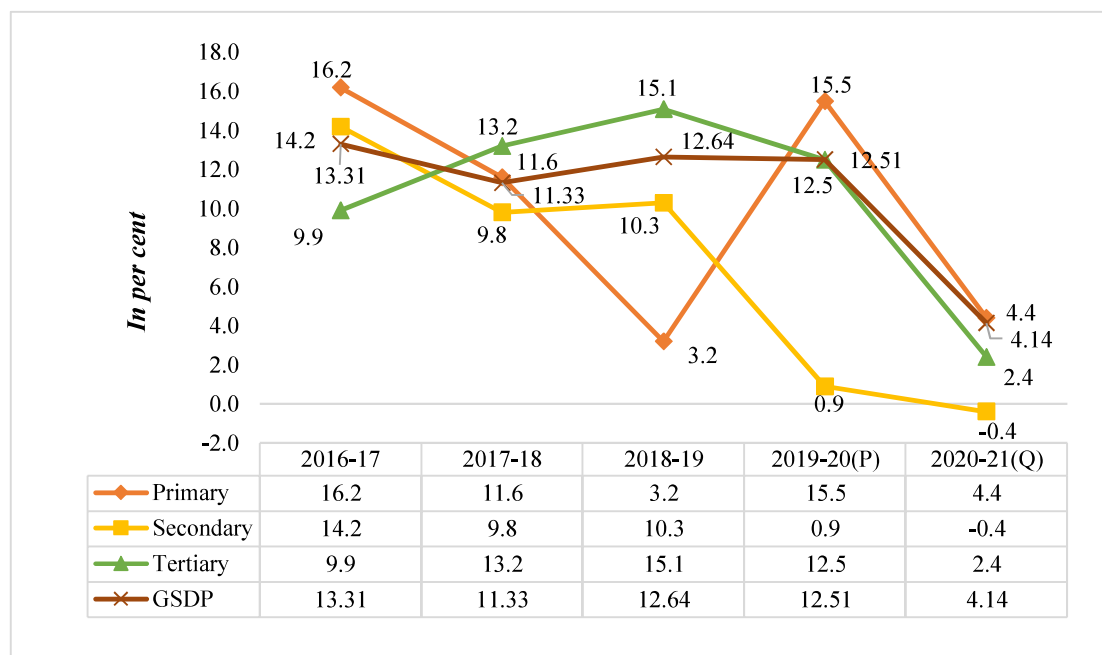


(Source: Central Statistical Organisation)

The sectoral growth in the Primary sector in the year 2020-21 compared to 2019-20 had drastically decreased from 15.50 *per cent* to 4.40 *per cent* due to negative growth in crops, livestock, forestry and logging.

The rate of growth of the Secondary and Tertiary (Service) sectors decreased compared to that of the previous year. **Chart 1.2** captures the sectoral growth rate in GSDP for the period from 2016-17 to 2020-21.

Chart 1.2 Sectoral growth in GSDP



(Source: Central Statistical Organisation)

The Sectoral growth rate of all three sectors during 2020-21, has shown a decreasing trend as compared to the previous year with the primary and tertiary sector showing the steepest decline in comparison to 2019-20.

1.2 Basis and Approach to State Finances Audit Report

In terms of Article 151 (2) of the Constitution of India, the reports of the Comptroller and Auditor General of India (CAG) relating to the accounts of a State are to be submitted to the Governor of the State, who shall cause them to be laid before the Legislature of the State. The State Finances Audit Report (SFAR) is prepared and submitted under Article 151 (2) of the Constitution of India.

Principal Accountant General (Accounts & Entitlements) prepares the Finance Accounts and Appropriation Accounts of the State annually, from the vouchers, challans, and initial and subsidiary accounts rendered by the treasuries, offices and departments responsible for the keeping of such accounts functioning under the control of the State Government, and the statements received from the Reserve Bank of India. These accounts are audited independently by the Accountant General (Audit) and certified by the CAG.

Finance Accounts and Appropriation Accounts of the State constitute the core data for this report. Other sources include the following:

- Budget of the State: for assessing the fiscal parameters and allocative priorities vis-a-vis projections, as well as for evaluating the effectiveness of its implementation and compliance with the relevant rules and prescribed procedures.
- Results of the Audit carried out by the Office of the Accountant General (Audit);
- Other data with Departmental Authorities and Treasuries (accounting as well as MIS);
- GSDP data and other State related statistics; and
- Various Audit Reports of the CAG of India.

The analysis is also carried out in the context of recommendations of the XV Finance Commission (FC), Bihar Fiscal Responsibility and Budget Management (BFRBM) Act 2006, best practices and guidelines of the Government of India.

Audit Findings were discussed with the Finance Department during an Exit conference held in December 2021. The replies, wherever, received from the Department were suitably incorporated in this Report.

1.3 Report Structure

The SFAR is structured into the following five Chapters:

Chapter - I Overview

This chapter describes the basis and approach to the Report and the underlying data, provides an overview of the structure of government accounts, budgetary processes, macro-fiscal analysis of key indices, and the State's fiscal position including the deficits/ surplus.

Chapter - II Finances of the State

This chapter provides a broad perspective of the finances of the State, analyses the critical changes in major fiscal aggregates relative to the previous year, overall trends during the period from 2016-17 to 2020-21, debt profile of the State and key Public Account transactions, based on the Finance Accounts of the State.

Chapter - III Budgetary Management

This chapter is based on the Appropriation Accounts of the State and reviews the appropriations and allocative priorities of the State Government and reports on deviations from Constitutional provisions relating to budgetary management.

Chapter - IV Quality of Accounts & Financial Reporting Practices

This chapter comments on the quality of accounts rendered by various authorities of the State Government and issues of non-compliance with prescribed financial rules and regulations by various departmental officials of the State Government.

Chapter - V State Public Sector Enterprises

This chapter discusses financial performance of Government Companies, Statutory Corporations and Government Controlled Other Companies as revealed from their accounts.

1.4 Government Account Structure and Budgetary Processes

The Accounts of the State Government are kept in three parts:

1. Consolidated Fund of the State (Article 266(1) of the Constitution of India)

This Fund comprises all revenues received by the State Government, all loans raised by the State Government (market loans, bonds, loans from the Central Government, loans from Financial Institutions, Special Securities issued to National Small Savings Fund, etc.), Ways and Means advances extended by the Reserve Bank of India and all moneys received by the State Government in repayment of loans. No moneys can be appropriated from this Fund except in accordance with law and for the purposes and

in the manner provided by the Constitution of India. Certain categories of expenditure (e.g., salaries of Constitutional authorities, loan repayments, etc.), constitute a charge on the Consolidated Fund of the State (Charged expenditure) and are not subject to vote by the Legislature. All other expenditure (Voted expenditure) is voted by the Legislature.

2. Contingency Fund of the State (Article 267(2) of the Constitution of India)

This Fund is in the nature of an imprest which is established by the State Legislature by law and is placed at the disposal of the Governor to enable advances to be made for meeting unforeseen expenditure pending authorisation of such expenditure by the State Legislature. The fund is recouped by debiting the expenditure to the concerned functional major head relating to the Consolidated Fund of the State.

3. Public Accounts of the State (Article 266(2) of the Constitution)

Apart from the above, all other public moneys received by or on behalf of the Government, where the Government acts as a banker or trustee, are credited to the Public Account. The Public Account includes repayable like Small Savings and Provident Funds, Deposits (bearing interest and not bearing interest), Advances, Reserve Funds (bearing interest and not bearing interest), Remittances, and Suspense heads (both of which are transitory heads, pending final booking). The net cash balance available with the Government is also included under the Public Account. The Public Account is not subject to the vote of the Legislature.

There is a constitutional requirement in India (Article 202) to present before the House or Houses of the Legislature of the State, a statement of estimated receipts and expenditures of the government in respect of every financial year. This ‘Annual Financial Statement’ constitutes the main budget document. Further, the budget must distinguish expenditure on the revenue account from other expenditures.

Revenue receipts consists of tax revenue, non-tax revenue, the share of Union Taxes/ Duties and grants from the Government of India (GoI).

Revenue expenditure consists of all those expenditures of the Government which does not result in the creation of physical or financial assets. It relates to those expenses incurred for the normal functioning of the Government Departments and various services, interest payments on debt incurred by the Government and grants given to various institutions (even though some of the grants may be meant for the creation of assets).

The **Capital Receipts** consists of:

- **Debt receipts:** Market Loans, Bonds, Loans from financial institutions, the Net transactions under Ways and Means Advances, Loans and Advances from Central Government, etc.;
- **Non-debt receipts:** Proceeds from disinvestment, Recoveries of loans and advances;

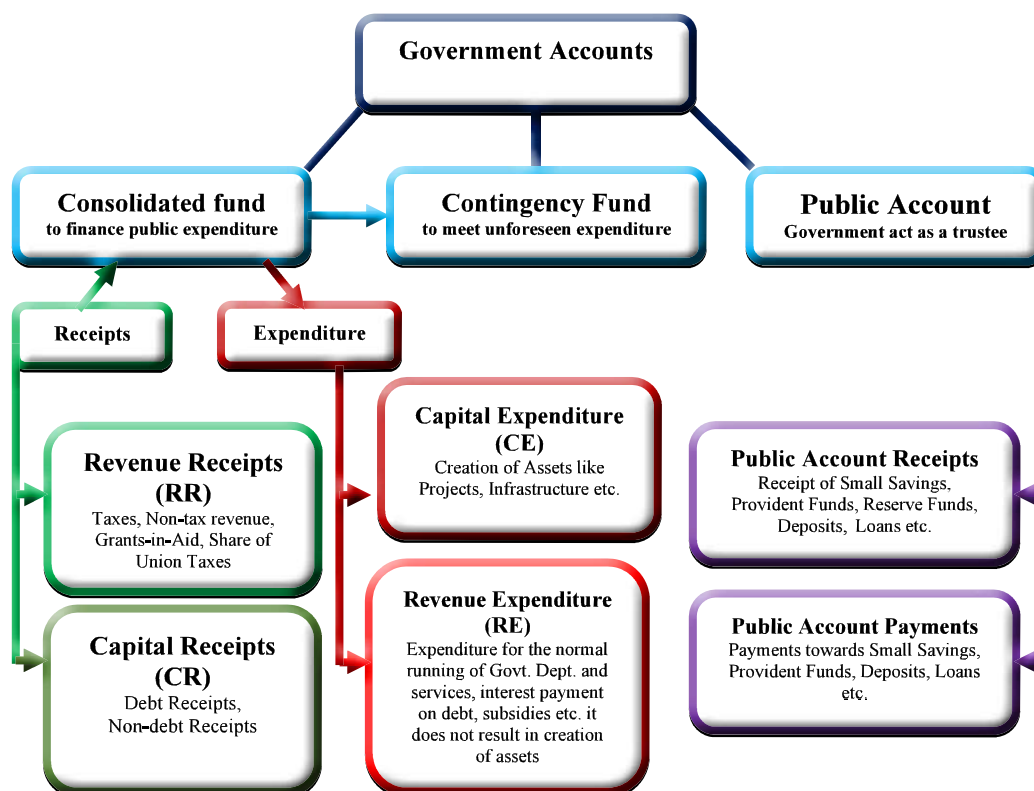
Capital Expenditure includes expenditure on the acquisition of land, building, machinery, equipment, investment in shares, and loans and advances by the government to PSUs and other parties.

At present, we have an accounting classification system in Government that is both functional and economic.

	Attribute of transaction	Classification
Standardised in List of Major and Minor Heads by CGA	Function - Education, Health, etc. / Department	Major Head under Grants (4-digit)
	Sub-Function	Sub Major Head (2-digit)
	Programme	Minor Head (3-digit)
Flexibility left for States	Scheme	Sub-Head (2-digit)
	Sub scheme	Detailed Head (2-digit)
	Economic nature/Activity	Object Head-salary, minor works, etc. (2-digit)

The functional classification lets us know the department, function, scheme or programme and object of the expenditure. Economic classification helps organise these payments as revenue, capital, debt, etc. Economic classification is achieved by the numbering logic embedded in the first digit of 4-digit Major Heads. For instance, 0 and 1 are for revenue receipts, 2 and 3 for revenue expenditure, etc. Economic classification is also achieved by an inherent definition and distribution of some object heads. For instance, generally “salary” object head is revenue expenditure, “construction” object head is capital expenditure. Object head is the primary unit of appropriation in the budget documents.

Structure of Government Accounts



Budgetary Processes

In terms of Article 202 of the Constitution of India, the Governor of the State causes to be laid before the State Legislature, a statement of the estimated receipts and expenditure of the State for the year, in the form of an Annual Financial Statement. In terms of Article 203, the statement is submitted to the State Legislature in the form of Demands for Grants/ Appropriations and after approval of these, the Appropriation Bill is passed by the

Legislature under Article 204 to provide for the appropriation of the required money out of the Consolidated Fund.

The State Budget Manual details the budget formulation process and guides the State Government in preparing its budgetary estimates and monitoring its expenditure activities. Results of audit scrutiny of budget and implementation of other budgetary initiatives of the State Government are detailed in Chapter III of this Report.

1.4.1 Snapshot of Finances

The following table provides the details of actual financial results vis-a-vis Budget Estimates for the year 2020-21 vis-a-vis actuals of 2019-20.

Table 1.2: Actual financial results vis-a-vis Budget Estimates for the year 2020-21 vis-a-vis actual of 2019-20

(₹ in crore)

Sl. No.	Components	2019-20 (Actuals)	2020-21 (Budget Estimate)	2020-21 (Actuals)	Percentage of Actual to B.E.	Percentage of Actuals to GSDP
1.	Tax Revenue	30,158	34,750	30,342	87.32	4.90
2.	Non-Tax Revenue	3,700	5,239	6,201	118.36	1.00
3.	Share of Union Taxes	63,406	91,181	59,861	65.65	9.68
4.	Grants-in-aid and Contributions	26,969	52,754	31,764	60.21	5.13
5.	Revenue Receipts (1+2+3+4)	1,24,233	1,83,924	1,28,168	69.69	20.72
6.	Recovery of Loans and Advances	30	428	821	191.82	0.13
7.	Other Receipts	0	0	0	0	0
8.	Borrowings and other Liabilities (a)	29,145	27,609	35,915	130.08	5.81
9.	Capital Receipts (6+7+8)	29,175	28,037	36,735	131.02	5.94
10.	Total Receipts (5+9)	1,53,408	2,11,961	1,64,904	77.80	26.66
11.	Revenue Expenditure	1,26,017	1,64,751	1,39,493	84.67	22.55
12.	Interest Payments	10,991	12,925	12,484	96.59	2.02
13.	Capital Expenditure	12,304	38,745	18,209	47.00	2.94
14.	Loan and Advances	666	1,230	1,114	90.57	0.18
15.	Total Expenditure (11+13+14)	1,38,987	2,04,726	1,58,816	77.57	25.67
16.	Revenue Surplus /Deficit (5-11)	(-),784	19,173	(-),11,325	(-),59.07	(-),1.83
17.	Fiscal Deficit {15-(5+6+7)}	14,724	20,374	29,827	146.40	4.82
18.	Primary Deficit (17-12)	3,733	7,449	17,343	232.82	2.80

(Source: Finance Accounts of the year 2020-21 and State Budget summary)

Difference of ₹ 1 crore is due to rounding off.

(a) Borrowings and other Liabilities: Net (Receipts – Disbursements) of Public Debt + Net of Contingency Fund + Net (Receipts – Disbursements) of Public Account + Net of Opening and Closing Cash Balance

- It was observed that budget estimates of Revenue Receipt for 2020-21 was 48.05 per cent above from the actuals of 2019-20. However, the actual receipt was 30.31 per cent less from estimation, which shows that the revenue receipt estimation was inflated. The short collection in revenue receipt was noticed in Corporation tax (16.45 per cent) and Customs (20.87 per cent) under Share of Union Taxes over the previous year. Besides, Interest receipts (₹ 2,600 crore) and dividend (₹ 603.01 crore) under Non-Tax Revenue was the reason for increase in revenue receipts by ₹ 3,935 crore over the previous year (details are in subsequent para).
- GST Compensation is the revenue of the State Government under GST (Compensation to States) Act, 2017. However, in addition to receiving the GST compensation of

₹ 4,359.28 crore as revenue receipts, due to inadequate balance in GST compensation fund during the year 2020-21 Bihar also received back-to-back loan of ₹ 3,905.00 crore under debt receipts of the State Government, with no repayment liability for the State. Due to this agreement, the revenue deficit of ₹ 11,325.11 crore and fiscal deficit of ₹ 29,827.25 crore during the year 2020-21 may be read in conjunction with debt receipt of ₹ 3,905.00 crore in lieu of GST compensation.

- During 2020-21, the revenue expenditure increased by 10.69 *per cent*. Revenue receipts, though increased by 3.17 *per cent* over the previous year, was still less than that of 2018-19 (₹ 1,31,794 crore) by 2.75 *per cent*. The State has to borrow more funds than the previous year (23.23 *per cent* increase) to meet its revenue expenditure. **Table 1.3** below indicates the increasing trend of receipts and expenditure.

Table 1.3: Trend analysis of Receipts and Expenditure

(₹ in crore)

Year	Revenue		Per cent of RE to RR	Capital		Per cent of CE to CR
	Receipts	Expenditure		Receipts	Expenditure	
2016-17	1,05,585	94,765	89.75	21,600	27,208	125.96
2017-18	1,17,447	1,02,624	87.38	13,191	28,907	219.14
2018-19	1,31,794	1,24,897	94.77	20,493	21,058	102.76
2019-20	1,24,233	1,26,017	101.44	29,175	12,304	42.17
2020-21	1,28,168	1,39,493	108.84	36,735	18,209	49.57

(Source: Finance Accounts of the respective years)

- For every ₹ 100 received as revenue, an extra nine has to be borrowed to cover its revenue expenditure.
- While capital expenditure has been reducing, the revenue expenditure has been increasing at a much faster rate.

The Capital Receipts increased by 25.91 *per cent*, whereas Capital Expenditure increased by 47.99 *per cent* over the previous year. Thus, the Revenue deficit and Fiscal deficit of the State was increased by 6.35 times and 2.03 times over the previous year respectively.

1.4.2 Snapshot of Assets and Liabilities of the Government

Government accounts capture the financial liabilities of the Government and the assets created out of the expenditure incurred. The liabilities consist mainly of internal borrowings, loans and advances from GoI, receipts from the public account and reserve funds, and the assets comprise mainly of the capital outlay and loans and advances given by the State Government and cash balances.

Table 1.4: Summarised position of assets and liabilities

(₹ in crore)

Liabilities				Assets					
	2019-20	2020-21	Per cent increase		2019-20	2020-21	Per cent increase		
Consolidated Fund									
A	Internal Debt	1,36,082.09	1,59,557.50	17.25	A	Gross Capital Expenditure	2,17,479.32	2,35,687.92	8.37
B	Loans and Advances from GoI	12,098.16	17,657.35	45.95	B	Loans and Advances	21,450.23	21,743.77	1.37
Contingency Fund		350.00	350.00	0.00					

Liabilities					Assets				
		2019-20	2020-21	Per cent increase			2019-20	2020-21	Per cent increase
Public Account									
A	Small Savings, Provident Funds, etc.	9,279.09	9,445.38	1.79	A	Advances	249.96	249.96	0
B	Deposits	35,373.24	39,634.21	12.05	B	Remittance	1,916.87	1,118.43	(-)41.65
C	Reserve Funds	6,289.49	6,641.19	5.6	C	Suspense and Miscellaneous	10,498.30	15,378.20	46.48
D	Suspense and Miscellaneous balances	63.85	110.99	73.83	Cash balance (including investment of Earmarked Fund)		24,912.65	24,864.64	(-)0.19
E	Inter-State Settlement	74.01	74.01	0					
F	Surplus on Government Accounts	76,897.40	65,572.29	(-)14.73					
Total		2,76,507.33	2,99,042.92		Total		2,76,507.33	2,99,042.92	

(Source: Finance Accounts of the respective year)

1.5 Fiscal Balance: Achievement of deficit and total debt targets

The Government of Bihar (GoB) had passed BFRBM Act, 2006 and Amendment Act, 2016 with the objective of ensuring prudence in fiscal management by eliminating revenue deficit, reducing the fiscal deficit and overall/outstanding debt to an acceptable level, establishing improved debt management and improving transparency in a medium-term framework. In this context, the Act provides quantitative targets to be adhered to by the State with regard to deficit measures and debt level.

Table 1.5: Compliance with provisions of the BFRBM Act

(₹ in crore)

Fiscal Parameters	Fiscal targets set in the Act Medium-term Fiscal Policy MTFP	Achievement				
		2016-17	2017-18	2018-19	2019-20	2020-21
Revenue Deficit (-) / Surplus (+) (₹ in crore)	Revenue Surplus	10,819.81 ✓	14,823.01 ✓	6,896.64 ✓	(-) 1,784.13 ✗	(-) 11,325.11 ✗
Fiscal Deficit (-)/ Surplus (+) (as percentage of GSDP)	Within 3.00 per cent upto 2019-20 5.00 ¹ per cent for 2020-21	(-)16,479.15 (3.91) ✗	(-)14,304.83 (3.05) ✗	(-)13,806.76 (2.62) ✓	(-)14,723.93 (2.48) ✓	(-)29,827.25 (4.82) ✓
The ratio of total outstanding debt to GSDP (in per cent)	Within 28 per cent upto 2019-20 41.2 ² per cent for 2020-21	32.95 ✗	33.45 ✗	31.99 ✗	32.56 ✗	36.09 [#] ✓

(Source: Finance Accounts of the respective year and BFRBM Act)

¹ The fiscal deficit target limit for the year 2020-21 had increased by two per cent over and above the limit prescribed in sub-section 2(b)(1) of section 9 of the BFRBM Act, 2006 through Bihar Gazette (Extraordinary) on 31 March 2021.

² Debt to GSDP ratio had to be maintained 41.20 per cent for 2020-21 as per the indicative debt path of State Government recommended in XVth Finance Commission.

[#] Arrived at after exclusion of GST compensation of ₹ 3,905 crore received as back-to-back loan under debt receipts from the total outstanding liabilities.

It can be seen from the above table that the revenue deficit stood at ₹ 11,325.11 crore which was much lower than the projections of a revenue surplus in MTFP (₹ 19,173 crore). Thus, greater fall in revenue receipts than budgeted and relatively less control over expenditure were the reasons for the increase in revenue deficit.

The fiscal deficit target and annual borrowing limit for the year 2020-21 had increased by two *per cent* over and above the limit prescribed in sub-section 2(b)(1) of section 9 of the BFRBM Act, 2006 through Bihar Gazette (Extraordinary) 31 March 2021. State had stated that debt to GSDP ratio had to be maintained 41.20 *per cent* for 2020-21 as per the indicative debt path of State Governments recommended in XVth Finance Commission. Fiscal deficit and debt to GSDP ratio were within the revised target and XVth Finance Commission recommendation respectively.

Comparison of targets for fiscal parameters projected in Medium Term Fiscal Plan (MTFP) presented to the State Legislature with actuals for the current year is provided in **Table 1.6** below:

Table 1.6: Actuals vis-à-vis projection in MTFP for 2020-21

(₹ in crore)

Sl. No.	Fiscal Variables	Projection as per MTFP	Actuals (2020-21)	Variation (in per cent)
1	Own Tax Revenue	34,750.00	30,341.67	(-) 12.69
2	Non-Tax Revenue	5,239.28	6,201.38	18.36
3	Share of Central Taxes	91,180.60	59,861.41	(-) 34.35
4	Grants-in-aid from GoI	52,754.10	31,763.88	(-) 39.79
5	Revenue Receipts (1+2+3+4)	1,83,923.98	1,28,168.34	(-) 30.31
6	Revenue Expenditure	1,64,751.19	1,39,493.45	(-) 15.33
7	Revenue Deficit (-)/ Surplus (+) (5-6)	19,172.79	(-) 11,325.11	159.07
8	Fiscal Deficit (-)/Surplus (+)	(-) 20,374.00	(-) 29,827.25	(-) 46.40
9	Debt-GSDP ratio (<i>per cent</i>)	23.90	36.09	
10	GSDP growth rate at current prices (<i>per cent</i>)	19.72	4.14	

(Source : Finance Accounts of the year 2020-21 and BFRBM Act)

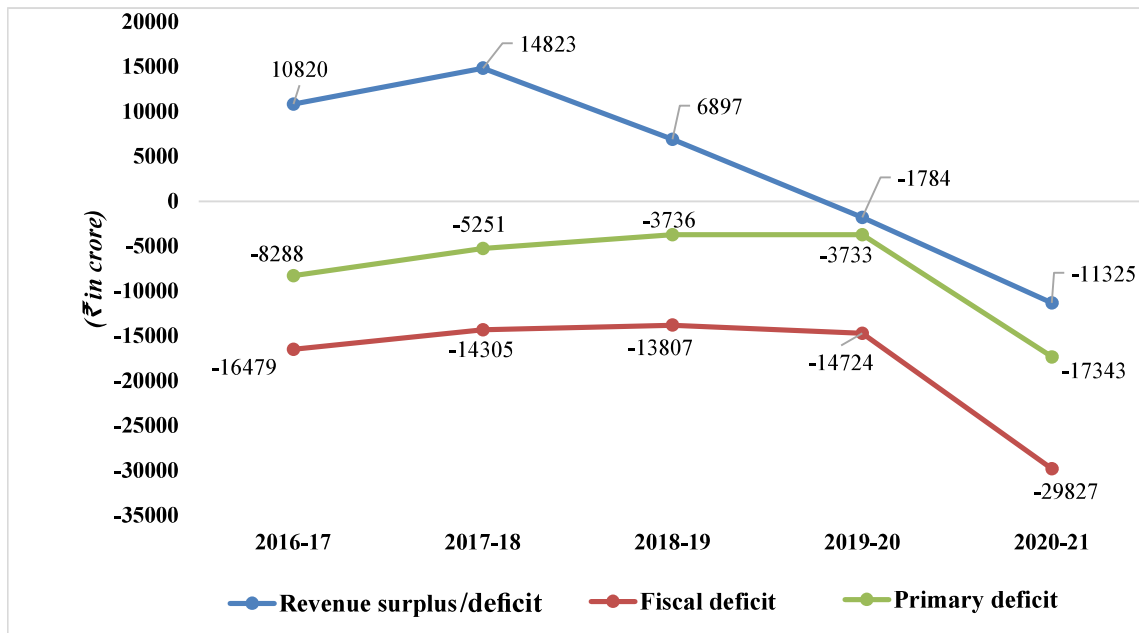
The ratio of total outstanding debt to GSDP as per the Finance Accounts is 36.73 *per cent*. However, the effective debt to GSDP ratio (36.09 *per cent*) has been arrived at after excluding GST compensation of ₹ 3,905 crore received as back-to-back loan under debt receipts from the total outstanding liabilities as the Department of Expenditure, GoI has decided that it will not be treated as debt of the State for any norms which may be prescribed by the Finance Commission.

It is evident from the above table that the State Government did not achieve its MTFP target. The revenue Deficit has been consistently increasing over the last two years. The Revenue Surplus of ₹ 14,823 crore in 2017-18 had decreased to ₹ (-)11,325.11 crore (176.40 *per cent*) in 2020-21 as shown in **Chart 1.4**. The main reason for decrease in all fiscal variables was less receipt of Share of Union Taxes (34.35 *per cent*), Grants in aid from GoI (39.79 *per cent*) and short collection of Own Tax Revenue (12.69 *per cent*) than projected.

Three key fiscal parameters viz., (i) Revenue Surplus/Deficit, (ii) Fiscal Deficit and (iii) Primary Deficit help in assessing the fiscal situation of the Government. The way these deficits are formulated, they assist in assessing the fiscal health of the Government. Trends

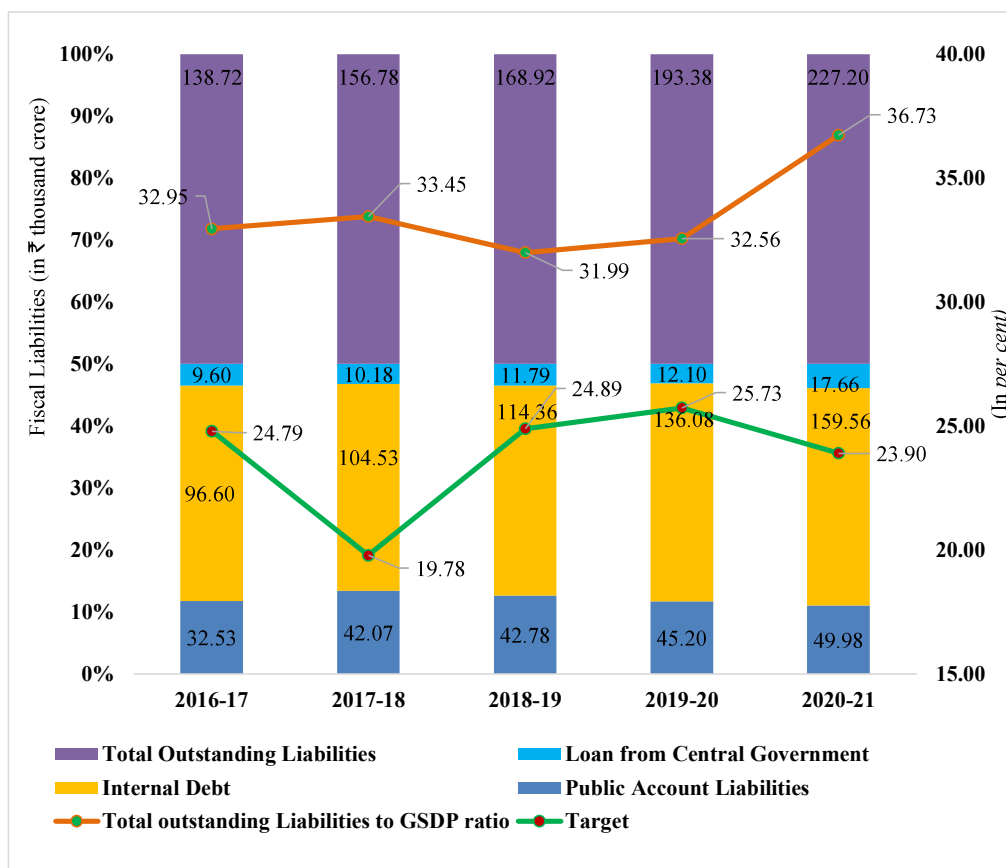
in fiscal parameters and analysis of fiscal liabilities and GSDP are shown in **Chart 1.3** and **Chart 1.4**.

Chart 1.3: Trends in deficit parameters



(Source : Finance Accounts of the respective year)

Chart 1.4: Trends in Fiscal Liabilities and GSDP



(Source : Finance Accounts of the respective year)

During 2020-21, Fiscal liabilities increased by 17.49 *per cent* (₹ 33.82 thousand crore) over the previous year due to an increase in Internal Debt by 17.25 *per cent* (₹ 23.48 thousand crore), Public Account Liabilities by 10.57 *per cent* (₹ 4.78 thousand crore) and Loans and Advances from GoI by 45.95 *per cent* (₹ 5.56 thousand crore).

1.6 Deficits after examination in audit

After examination by Audit, certain financial transactions of the State Government whose corresponding accounting entries have resulted in misclassification of expenditure between revenue and capital heads of account. The following section describes such identified financial transactions.

1.6.1 Post audit - Deficits

Misclassification of Revenue Expenditure as Capital impacts deficit figures. Besides, deferment of clear-cut liabilities, not depositing Cess/royalty to Consolidated Fund, short contribution to New Pension Scheme, Sinking and Redemption Funds, etc., also impacts the revenue and fiscal deficit figures. In order to arrive at actual deficit figures, the impact of such irregularities may be seen in **Table 1.7**.

Table 1.7: Revenue and Fiscal Deficit, post examination by Audit

Particulars	Impact on Revenue Deficit (Understated (+)) (₹ in crore)	Impact on Fiscal Deficit (Understated (-)) (₹ in crore)	Para Reference
Short contribution to New Pension Scheme	23.04	23.04	2.4.2.3
Misclassification booked under Capital Section instead of Revenue	351.96	-	2.4.4.1
State Compensatory Afforestation Deposit	17.78	17.78	4.2
Non-discharge of Interest liabilities	314.40	314.40	4.2
Investment/Loans made in companies, corporations or other bodies which are loss-making or whose net worth is completely eroded (issue of quality of CAPEX)	-	35.64	2.4.3.2
Total	707.18	390.86	

(Source: Finance Accounts and audit analysis)

Effectively, as a result of the examination of records, the Revenue deficit and Fiscal deficit of the State, which were ₹ 11,325 crore and ₹ 29,827 crore respectively, would actually be ₹ 12,032.18 crore and ₹ 30,217.86³ crore respectively to that extent.

³ Excludes expenditure of ₹ 4,548.13 crore kept under Suspense Account as disclosed in NTA.