

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 five-year period from 2016-17 to 2020-21, debt sustainability of the State and key Public Account transactions, based on the Finance Accounts of the State and the information provided by the State Government.

## 2.1 Major changes in key fiscal aggregates vis-à-vis 2019-20

This section gives a bird's eye view of the major changes in key fiscal aggregates of the State during the financial year, compared to the previous year. Each of these indicators is analysed in the following paragraphs.

**Table 2.1: Changes in key fiscal aggregates in 2020-21 compared to 2019-20**

Revenue Receipts	<ul style="list-style-type: none"> <li>✓ Revenue receipts of the State increased by 3.17 <i>per cent</i>.</li> <li>✓ Own Tax receipts of the State increased by 0.61 <i>per cent</i>.</li> <li>✓ Own Non-tax receipts increased by 67.62 <i>per cent</i>.</li> <li>✓ State's Share of Union Taxes and Duties decreased by 5.59 <i>per cent</i>.</li> <li>✓ Grants-in-Aid from the Government of India increased by 17.78 <i>per cent</i>.</li> </ul>
Revenue Expenditure	<ul style="list-style-type: none"> <li>✓ Revenue expenditure increased by 10.69 <i>per cent</i>.</li> <li>✓ Revenue expenditure on General Services increased by 11.08 <i>per cent</i>.</li> <li>✓ Revenue expenditure on Social Services increased by 10.36 <i>per cent</i>.</li> <li>✓ Revenue expenditure on Economic Services increased by 10.82 <i>per cent</i>.</li> <li>✓ Expenditure on Grants-in-Aid increased by 23.27 <i>per cent</i>.</li> </ul>
Capital Expenditure	<ul style="list-style-type: none"> <li>✓ Capital expenditure increased by 47.99 <i>per cent</i>.</li> <li>✓ Capital expenditure on General Services decreased by 41.95 <i>per cent</i>.</li> <li>✓ Capital expenditure on Social Services increased by 125.92 <i>per cent</i>.</li> <li>✓ Capital expenditure on Economic Services increased by 47.48 <i>per cent</i>.</li> </ul>
Loans and Advances	<ul style="list-style-type: none"> <li>✓ Disbursement of Loans and Advances increased by 67.19 <i>per cent</i></li> <li>✓ Recoveries of Loans and Advances increased by 2598.78 <i>per cent</i></li> </ul>
Public Debt	<ul style="list-style-type: none"> <li>✓ Public Debt Receipts increased by 23.23 <i>per cent</i></li> <li>✓ Repayment of Public Debt decreased by 3.23 <i>per cent</i>.</li> </ul>
Public Account	<ul style="list-style-type: none"> <li>✓ Public Account Receipts decreased by 22.06 <i>per cent</i>.</li> <li>✓ Disbursement of Public Account decreased by 22.89 <i>per cent</i>.</li> </ul>
Cash Balance	<ul style="list-style-type: none"> <li>✓ Cash balance decreased by ₹ 286.28 crores (48.68 <i>per cent</i>) during 2020-21 compared to the previous year.</li> </ul>

## 2.2 Sources and Application of Funds

This section compares the components of the sources and application of funds of the State during the financial year compared to the previous year. The details are included in *Appendix 2.1*.

**Table 2.2: Details of Sources and Application of funds during 2019-20 and 2020-21**  
(₹ in crore)

	Particulars	2019-20	2020-21	Increase/ Decrease
Sources	Opening Cash Balance	20,837	24,913	4,076
	Revenue Receipts	1,24,233	1,28,168	3,935
	Recoveries of Loans and Advances	30	820	790
	Public Debt Receipts (Net)	22,035	29,035	7,000
	Public Account Receipts (Net)	(-) 3,235	745	3,980
	<b>Total</b>	<b>1,63,900</b>	<b>1,83,681</b>	<b>19,781</b>
Application	Revenue Expenditure	1,26,017	1,39,493	13,476
	Capital Expenditure	12,304	18,209	5,905
	Disbursement of Loans and Advances	666	1,114	448
	Closing Cash Balance	24,913	24,865	(-) 48
	<b>Total</b>	<b>1,63,900</b>	<b>1,83,681</b>	<b>19,781</b>

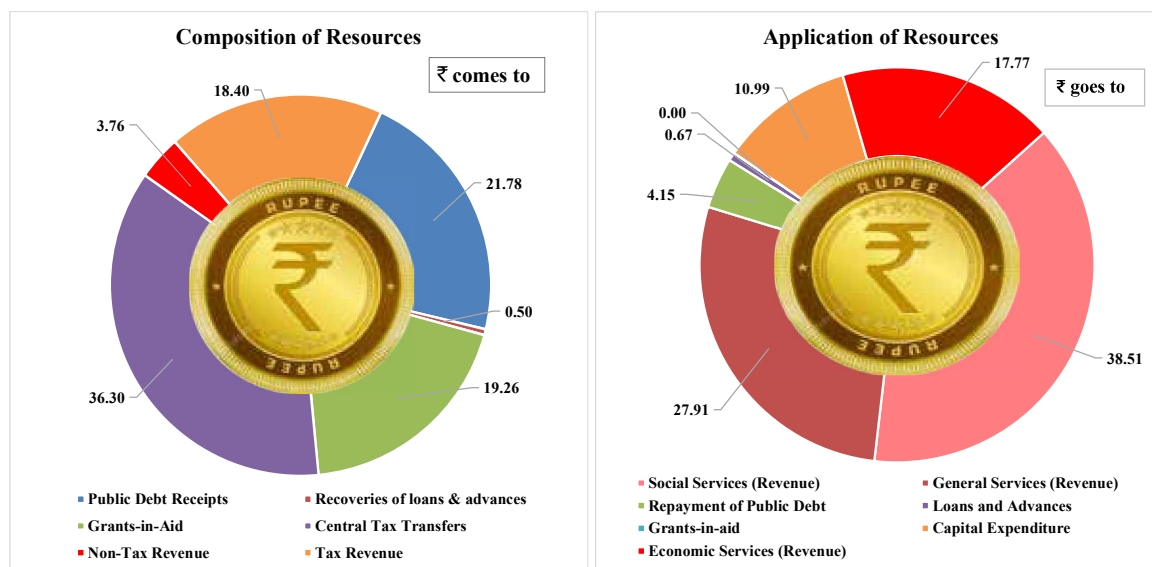
(Source: Finance Accounts for the year 2020-21)

Application<sup>4</sup> of fund (₹ 1,58,816 crore) was more than Sources<sup>5</sup> of fund (₹ 1,28,988 crore), which indicates that the Government is unable to meet out its application of fund through the available source of fund. To bridge this gap, State had to increase its receipt through Public debt by 23.23 per cent from the previous year (₹ 29,145 crore to ₹ 35,915 crore).

**Chart 2.1** gives the details of receipts and expenditure from the Consolidated Fund during 2020-21 in terms of percentages.

**Chart 2.1: Composition / Application of Resources**

(in per cent)



(Source: Finance Accounts for the year 2020-21)

## 2.3 Resources of the State

The resources of the State are described below:

- Revenue receipts** consist of tax revenue, non-tax revenue, the State's share of Union taxes and duties and grants-in-aid from the Government of India (GoI).

<sup>4</sup> Revenue Expenditure + Capital Expenditure + disbursement of Loan & advances

<sup>5</sup> Revenue Receipt + recovery of loans and advances

2. **Capital receipts** comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks), and loans and advances from GoI.

Both revenue and capital receipts form part of the Consolidated Fund of the State.

3. **Net Public Accounts receipts:** There are receipts and disbursements in respect of certain transactions such as small savings, provident funds, reserve funds, deposits, suspense, remittances, etc. which do not form part of the Consolidated Fund.

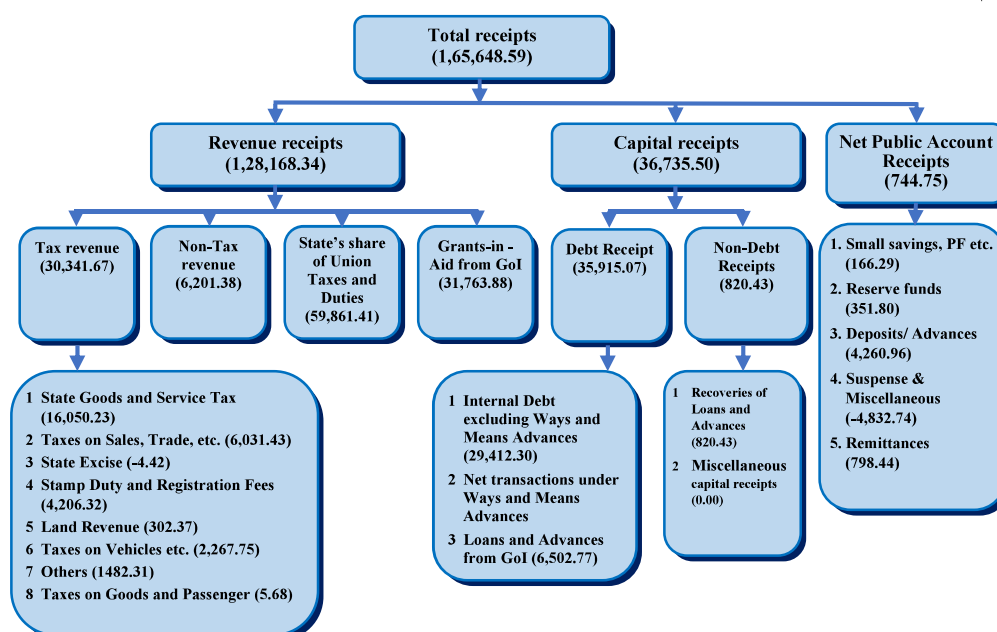
These are kept in the Public Account set up under Article 266 (2) of the Constitution and are not subject to vote by the State Legislature. Here, the Government acts as a banker. The balance after disbursements is the fund available with the Government for use.

### 2.3.1 Receipts of the State

It provides the composition of the overall receipts. Besides, the Capital and Revenue Receipts, funds available in the Public Account (net of disbursement made from it) are also utilised by the Government to finance its deficit.

**Chart 2.2: Composition of receipts of the State during 2020-21**

(₹ in crore)



(Source: Finance Accounts for the year 2020-21)

During 2020-21, the contribution from Revenue Receipts, Capital Receipts and Net Public Account Receipts was 77.37 per cent, 22.18 per cent and 0.45 per cent respectively of total receipts. Details of which have been discussed in subsequent paragraphs.

### 2.3.2 State's Revenue Receipts

It gives the trends in total revenue receipts and their components. It is followed by trends in the receipts bifurcated into receipts from the Central Government and State's own receipts.

### 2.3.2.1 Trends and growth of Revenue Receipts

The trends in revenue receipts relative to GSDP and the composition of revenue receipts are given in **Table 2.3**.

**Table 2.3: Trend in Revenue Receipts**

Parameters	2016-17	2017-18	2018-19	2019-20	2020-21
Revenue Receipts (RR) (₹ in crore)	1,05,585	1,17,447	1,31,794	1,24,233	1,28,168
Rate of growth of RR ( <i>per cent</i> )	9.84	11.23	12.22	(-) 5.74	3.17
Own Tax Revenue (₹ in crore)	23,742	23,137	29,408	30,158	30,342
Non-Tax Revenue (₹ in crore)	2,403	3,507	4,131	3,700	6,201
Rate of growth of Own Revenue ( <i>per cent</i> )	(-) 5.39	1.91	25.88	0.95	7.93
Gross State Domestic Product Current Price (₹ in crore) (2011-12 Series)	4,21,051	4,68,746	5,27,976	5,94,016	6,18,628
Rate of growth of GSDP ( <i>per cent</i> )	13.31	11.33	12.64	12.51	4.14
RR/GSDP ( <i>per cent</i> )	25.08	25.06	24.96	20.91	20.72
<b>Buoyancy<sup>6</sup> Ratios<sup>7</sup></b>					
Revenue Buoyancy w.r.t GSDP	0.74	0.99	0.97	(-) 0.46	0.77
State's Own Revenue Buoyancy w.r.t GSDP	(-) 0.40	0.17	2.05	0.08	1.92

(Source : Finance Accounts of the respective years and GSDP figures from Planning & Development Department under GoB)

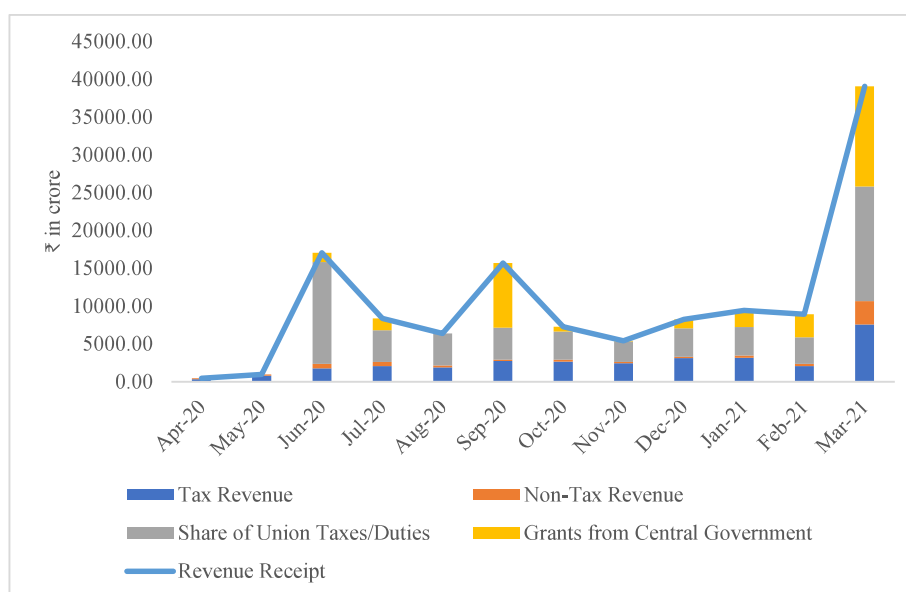
- As can be seen from **Table 2.3**, State's Own Revenue Buoyancy, though higher than one over the previous year. As GSDP grows, the ability of the State Government to mobilise its own revenue should also increase. It also shows that the State was able to increase its own revenue resources during 2020-21 keeping in tandem with GSDP. However, an increase in the collection of non-tax revenue during 2020-21, increased the revenue buoyancy to a higher level which was more than the projected figure in the Budget Estimates.
- The reason for increase in revenue receipts was due to an increase in the share of GIA by ₹ 4,795.26 crore and the State's non-tax revenue by ₹ 2,501.78 crore. During this year, revenue buoyancy w.r.t GSDP was positive. The percentage of revenue receipts to GSDP has come down to 20.72 *per cent* which was the lowest during the last five years.
- The collection of Own Revenue Receipt was ₹ 36,543 crore which was far away from the projection of XV Finance Commission (FC) of ₹ 44,167 crore and Budget Estimates of ₹ 39,989 crore.

The net proceeds of union taxes and GIA together constitutes about 71 *per cent* of the State's total revenue receipts. The monthly flow of revenue receipt (component-wise) is depicted in **Chart 2.3**.

<sup>6</sup> Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable.

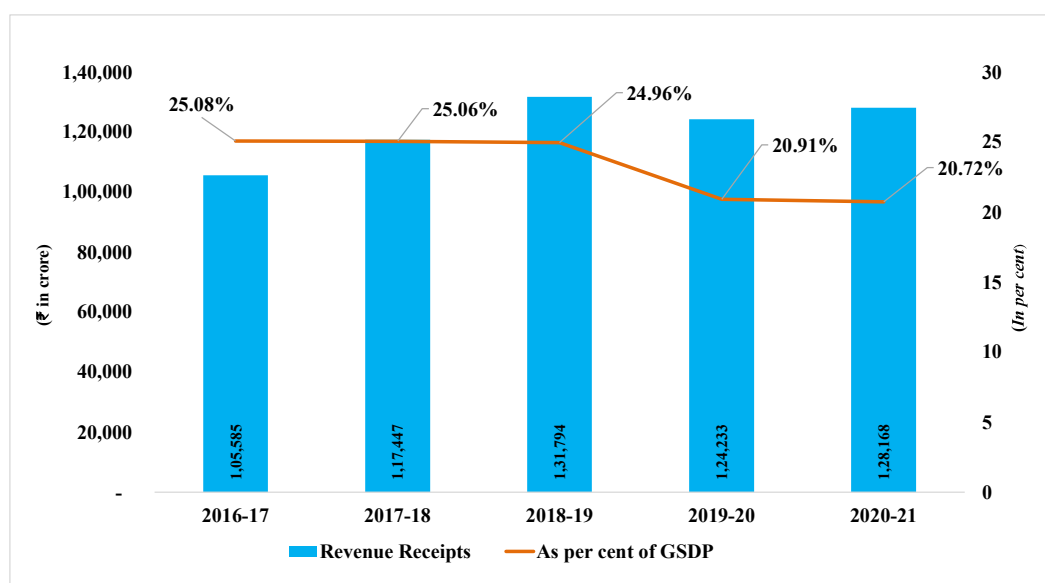
<sup>7</sup> Revenue buoyancy refers to the growth rate of revenue receipts to growth rate of GSDP.



**Chart 2.3: Monthly flow of revenue receipt (component-wise)**

(Source: Monthly Civil Accounts of 2020-21)

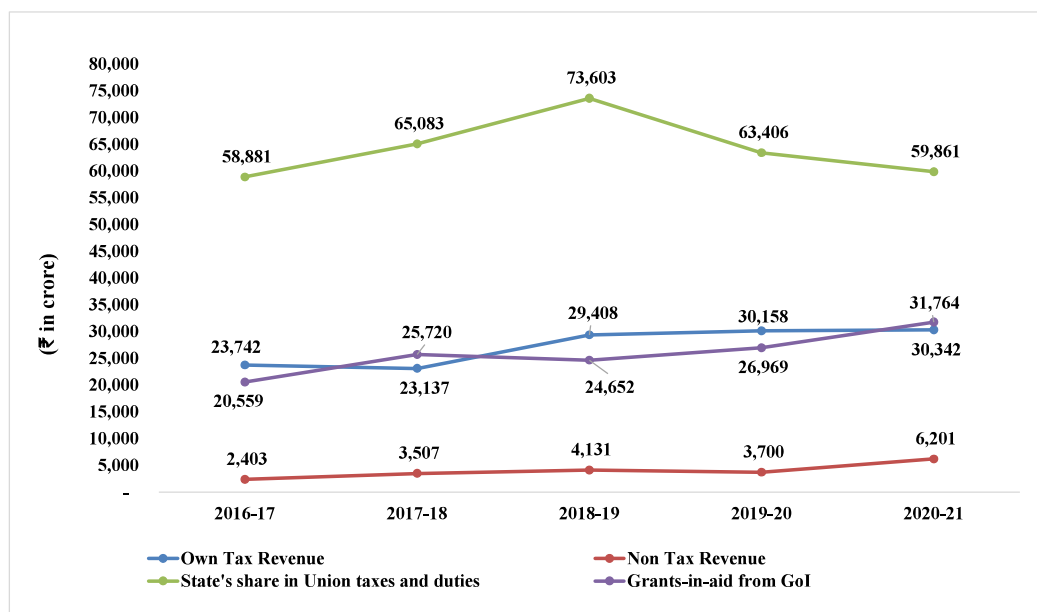
The State Government has got its net proceeds of union taxes mainly in the months of June 2020 (22.53 *per cent*) and March 2021 (25.28 *per cent*). Major chunk of Grants-in-aid (GIA) from the Central Government was also received in September 2020 (26.90 *per cent*) and March 2021 (40.02 *per cent*). Due to this, the State Government's revenue receipts have more fund flow in the above said periods whereas fund receipts were nominal during rest of the months of the financial year 2020-21 except for April 2020 and May 2020 where receipt was nil. Therefore, the State maintained its expenditure from April 2020 to May 2020 from Cash balance investment accounts, States own tax revenue and non-tax revenue. The trend of Revenue Receipt as well as relative share with respect to GSDP is depicted in Chart 2.4.

**Chart 2.4: Trend of Revenue Receipts as well as relative share w.r.t GSDP**

(Source: Finance Accounts of the respective years and Economic Survey of GoB)

Revenue Receipts as *per cent* of GSDP for the year 2020-21 decreased in comparison to 2019-20 due to less receipt of State share of Union Taxes (₹ 59,861.41 crore) as compared to previous year (₹ 63,406.33 crore). Trend of components of revenue receipts is depicted in **Chart 2.5**.

**Chart 2.5: Trend of components of Revenue Receipts**



(Source: Finance Accounts of the respective years)

General trends of Revenue Receipts of the State are as follows:

- The major components of revenue receipts were Share of union taxes and duties (46.71 *per cent*) and Grants-in-aid from GoI (24.78 *per cent*). Only 28.51 *per cent* of revenue receipts is part of the State's own revenue. This is indicative of the fact that Bihar's fiscal position is largely influenced by tax transfers and Grants-in-Aid from GoI.
- Revenue Receipts increased by ₹ 3,936 crore (3.17 *per cent*) during 2020-21 over the previous year. State's share of Union Taxes and Duties decreased by ₹ 3,545 crore (5.59 *per cent*), whereas tax revenue increased by ₹ 184 crore (0.61 *per cent*), non-tax revenue by ₹ 2,501 crore (67.62 *per cent*) and Grants-in-aid from GoI by ₹ 4,795 crore (17.78 *per cent*).

### 2.3.2.2 State's own resources

State's performance in mobilisation of additional resources can be assessed in terms of its own resources comprising revenue from its own tax and non-tax sources. As per XV Finance Commission, the projection of Own Tax Revenue and Non-tax Revenue were ₹ 39,406 crore and ₹ 4,761 crore for the year 2020-21 which was an increase of 12.76 *per cent* and 11.00 *per cent* respectively over the previous<sup>8</sup> year.

#### Own Tax revenue

Own tax revenues of the State consist of State GST, Stamp duty and Registration fees, taxes on vehicles, taxes on Sales, Trade, etc., land revenue, taxes on goods and passengers, etc.

<sup>8</sup> XIV FC projection of Tax Revenue-₹ 34,946 crore and Non-Tax Revenue-₹ 4,289 crore for 2019-20.

**Table 2.4: Components of State's own tax revenue**

(₹ in crore)

Component	2016-17	2017-18	2018-19	2019-20	2020-21	Spark line
Taxes on Sales, Trade etc.	11,873	8,298	6,584	6,121	6,032	
SGST	0	6,747	15,288	15,801	16,050	
State excise	30	(-)3	(-)10	(-)4	(-)4	
Stamp duty and Registration fees	2,982	3,726	4,189	4,661	4,206	
Taxes on vehicles	1,257	1,599	2,086	2,713	2,268	
Land revenue	971	779	477	275	302	
Taxes on goods and passengers	6,245	1,645	399	23	6	
Other taxes *	384	346	395	568	1,482	
<b>Total</b>	<b>23,742</b>	<b>23,137</b>	<b>29,408</b>	<b>30,158</b>	<b>30,342</b>	

\*Other taxes includes<sup>9</sup>

(Source: Finance Accounts of the respective years)

From the above table, it can be observed that:

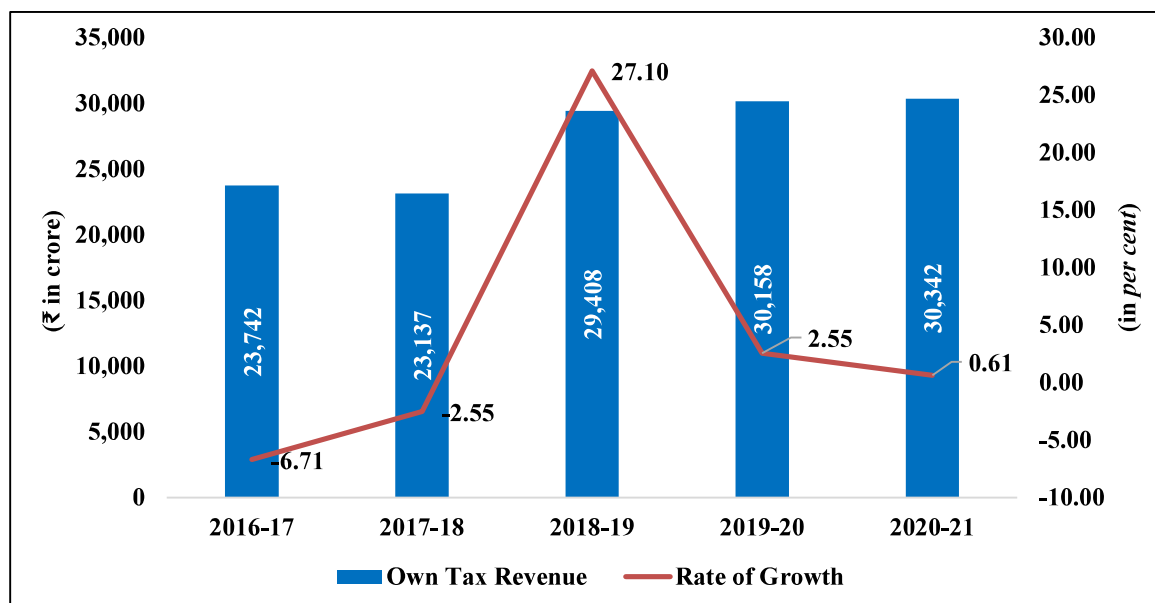
- The decreasing trend in taxes on Sales, Trade, etc., and Goods and Passengers were due to the implementation of the Goods and Services Tax (GST) from July 2017. Taxes on Goods and Passengers and partially taxes on sales, trade were subsumed in GST. The increase in SGST was mainly due to more receipts under Tax and input tax credit cross-utilisation of SGST and IGST. A decrease in state excise duty was due to prohibition imposed in the state from April 2016. The negative balance appearing under State Excise was due to refunds.
- The short collection was noticed in sale of judicial and non-judicial stamps, duty on impressing of document and fee from registering documents under Stamps and Registration fee and receipts under Indian and State Motor Vehicle Acts under Tax on Vehicles to the tune of ₹ 454.66 crore and ₹ 445 crore respectively.
- There was decrease in land revenue by (69 per cent) from 2016-17 to 2020-21 mainly due to decrease in revenue under sub heads 'Receipt from Survey and Settlement Project (72 per cent)', 'Recoveries for land acquisition establishment (88 per cent)' and 'Revision of Cess on Khas Mahal land (58 per cent)' under the Minor Head 800 – Other Receipts.
- Other taxes have seen significant increase due to an increase in taxes and duties on electricity by ₹ 915.56 crore over the previous year.
- As per Monthly Civil Accounts, the State receives less revenue in April 2020 and May 2020, whereas a major chunk was received in the months of January 2021 (10.43 per cent) and March 2021 (24.69 per cent).

The Own Tax revenue of the State during the years 2016-17 to 2020-21 and the growth rate

<sup>9</sup> Tax on profession, Trades, Calling and Employment, Taxes and duties on electricity and other taxes and duties on commodities and services

is depicted in **Chart 2.6** below. The rate of growth was highest in 2018-19 during the last five years.

**Chart 2.6: Growth of Own Tax Revenue during 2016-21**



(Source: Finance Accounts of the respective years)

### State Goods and Services Tax (SGST)

The State Government implemented the Goods and Services Tax (GST) Act from 01 July 2017. According to GST (Compensation to States) Act, 2017, Central Government will compensate the States for loss of revenue arising on account of implementation of GST for a period of five years starting from 2017-18. The compensation payable to the State shall be calculated for every financial year after the receipt of final revenue figures, as audited by the CAG. The protected revenue for any year of a State shall be calculated by applying the projected growth rate (14 *per cent* per annum) over the base year revenue of that State. The base year for calculation of revenue figures of taxes subsumed under GST was fixed as 2015-16.

In the case of Bihar, the revenue figure was ₹ 12,620.56 crore during the base year 2015-16. The projected revenue for the year 2020-21 (1st April 2020 to 31st March 2021) in accordance with the base year figure was ₹ 24,299.80 crore. Against this projected revenue, the revenue receipt under SGST was ₹ 16,050.23 crore (including ₹ 1,197.51 crore received advance apportionment of IGST). GoB received GST compensation of ₹ 4,359.28 crore as GIA under revenue receipt and ₹ 3,905 crore as back-to-back loan with no repayment liability under debt receipt.

Despite the Government of India's decision to provide access to Pan-India data of GSTN (Goods and Services Tax Network), only limited access to GST data was provided to audit.

### Analysis of arrears of revenue and arrears of assessment

The arrears of revenue indicate delayed realisation of revenue due to the Government. Similarly, arrears of assessment indicate potential revenue which is blocked due to delayed assessment. Both deprive the State of potential revenue receipts and affect ultimately the

revenue deficit. Only two revenue earning departments have made the data available. Details of arrears of revenue are in **Table 2.5**.

**Table 2.5: Arrears of revenue***(₹ in crore)*

Sl. No.	Head of revenue	Name of Department	Total amount outstanding as on 31 March 2020	Total amount outstanding as on 31 March 2021	Amount outstanding for more than five years
1.	VAT/Sales trade etc.	Commercial tax	3,696.69	2,262.17	NA
2.	Non-ferrous Mining and Metallurgical Industries	Mines and Geology	360.33	387.71	246.62
<b>Total</b>			<b>4,057.02</b>	<b>2,649.88</b>	

*(Source: Information provided by the concerned departments of GoB)*

The various reasons observed for the arrear of revenue were recoveries of arrears of land revenue, recoveries stayed by Courts/Appellate authorities, recoveries held up due to assesses/dealers becoming insolvent, etc.

### Arrears of Assessment

The details of cases of arrear in assessment as furnished by the State Tax Department are given below in **Table 2.6**.

**Table 2.6: Arrear in Assessment**

Department	OB	New cases during the year	Total due for assessment	Cases disposed of during the year	Balance at the end of year	Percentage of disposal
Mines and Geology	23,302	556	23,858	17	23,841	0.07
Commercial Tax Department	82,116	12,854	94,970	33,512	61,458	35.29

*(Source: Information provided by the concerned departments of GoB)*

### Details of evasion of tax detected by the Department, refund cases, etc.

The cases of evasion of tax detected by the Department, cases finalised and the demands for additional tax raised are important indicators of revenue collection efforts of the State Government. Promptness in the disposal of refund cases is an important indicator of the performance of the Department. High pendency of refund cases may indicate red tape, vested interests, the prevalence of speed money, etc. The details of evasion of tax detected by the Department are given in **Table 2.7**.

**Table 2.7: Evasion of Tax Detected**

Sl. No.	Head of revenue	Cases pending as on 31 March 2020	Cases detected during 2020-21	Total	No. of cases in which assessment / investigation completed and additional demand with penalty etc. raised		No. of cases pending for finalisation as on 31 March 2021
					No. of cases	Amount of demand (₹ in crore)	
1.	Taxes/GST on sales, Trade	531	2,095	2,626	2,098	50.27	497
2.	Mines and geology	23,302	556	23,858	17	100.70	23,841

*(Source: Information provided by the concerned departments of GoB)*

As can be seen from the table above, the additional demand with penalty raised by the Department of Mines and Geology was to the tune of ₹ 100.70 crore for 17 cases only. This indicates high materiality associated with each case and hence it becomes imperative for the Department to clear the pending cases at the earliest.

### Pendency of refund cases

The details of pendency of refund cases as reported by the Departments are given in Table 2.8.

**Table 2.8: Pendency of refund cases**

Sl. No.	Particulars	GST		Sales tax/VAT	
		No. of cases	Amount (₹ in crore)	No. of cases	Amount (₹ in crore)
1	Claims outstanding at the beginning of the year	323	1.87	1,448	121.05
2	Claims received during the year	1,414	743.01	437	126.25
3	Refunds made during the year	1,039	705.66	477	120.60
4	Rejected during the year	561	35.30	614	48.87
5	Balance outstanding at the end of year	137	3.92	794	77.83

(Source: Information provided by the concerned departments of GoB)

Only two departments have made available the data on the subject's arrear of revenue, arrear of assessment, evasion of tax and refund cases. In absence of complete data, audit could not assess the actual position of the State as a whole despite of several letters to major revenue earning departments of GoB.

### Non-Tax Revenue

Non-Tax revenue consists of interest receipts, dividends and profits, mining receipts, departmental receipts, etc. Components of non-tax revenue of the State are depicted in Table 2.9.

**Table 2.9: Components of State's non-tax revenue**

(₹ in crore)

Head	2016-17	2017-18	2018-19	2019-20	2020-21	Spark line
Interest Receipts	939.91	1577.24	1371.94	1416.48	3241.97	
Dividends and Profits	3.73	1.34	13.67	1.62	603.01	
<b>Other non-tax receipts</b>	1459.48	1928.16	2744.95	2281.50	2356.40	
(a) Major and medium irrigation	16.58	27.43	52.77	24.32	40.13	
(b) Road Transport	0.19	0.17	0.19	0.20	0.11	
(c) Urban Development	0.71	7.43	0.94	4.80	0.15	
(d) Education	17.09	21.47	18.85	17.13	11.50	
(e) Non-ferrous mining	997.60	1082.67	1560.65	1572.07	1708.93	
(f) Other or misc.	427.31	788.99	1111.55	662.98	595.58	
<b>Total</b>	<b>2403.12</b>	<b>3506.74</b>	<b>4130.56</b>	<b>3699.60</b>	<b>6201.38</b>	

(Source: Finance Accounts of the respective years)

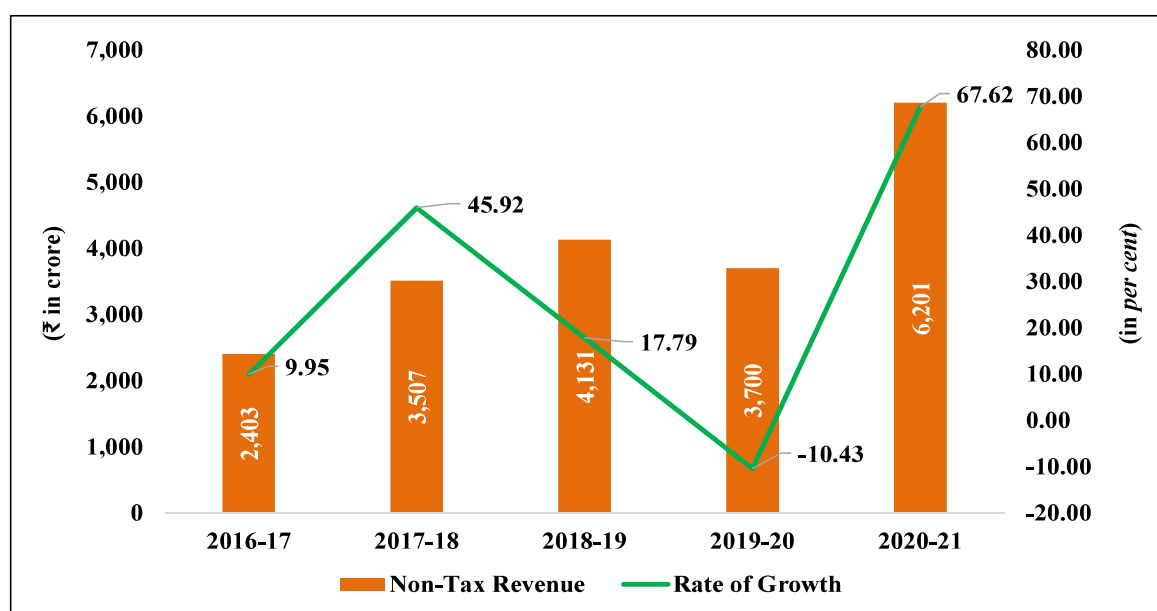


The following was observed in the Audit:

- The Non-Tax Revenue (NTR) in 2020-21 was ₹ 6,201.38 crore which was increased by ₹ 2,501.78 (67.62 *per cent*) over the previous year and constituted 4.84 *per cent* of Revenue Receipt.
- It was observed that Interest Receipts increased due to redemption of accrued interest of Consolidated Sinking Fund ₹ 2,600 crore and Dividends and Profits increased due to release of dividend ₹ 603.01 crore from the accumulated profit of the PSU's.

The Non-Tax revenue of the State during the years 2016-17 to 2020-21 and the growth rate is depicted in **Chart 2.7** below. The rate of growth was highest in 2020-21 in the last five years.

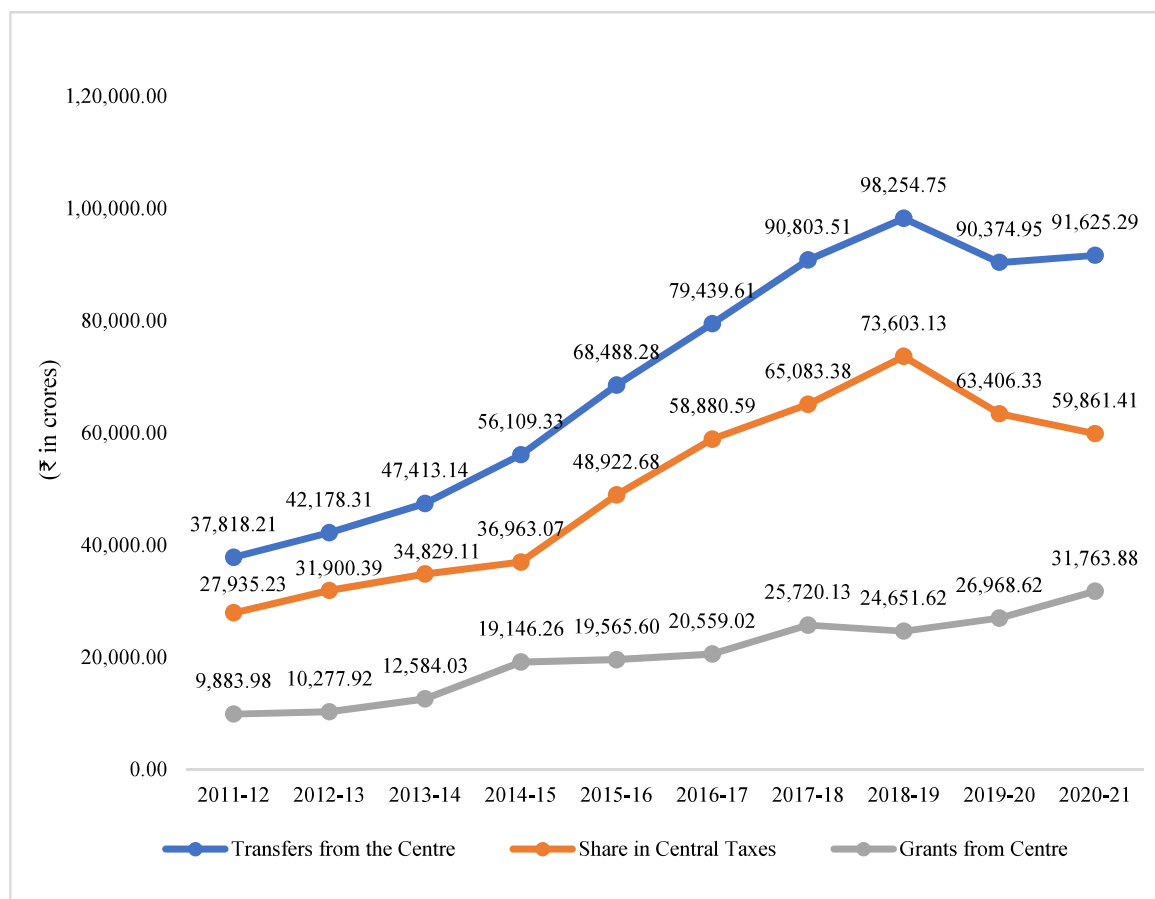
**Chart 2.7: Non-tax revenue and growth rate**



(Source: Finance Accounts of the respective years)

### 2.3.2.3 Transfers from the Centre

Fund transfers from the Centre mainly depends upon Finance Commission recommendations and for the last five years, it had constituted more than 70 *per cent* of the Revenue receipts of the State. The Union Government transfers funds to States in two ways (i) Devolution of Central taxes to States and (ii) Grants in Aid given by the Centre. Details of transfers from the GoI are given below in **Chart 2.8**:

**Chart 2.8: Trends in transfers from Centre**

(Source: Finance Accounts of the respective years)

As can be seen from the chart above:

- Transfers from the Centre increased from ₹ 37,818.21 crore in 2011-12 to ₹ 91,625.29 crore in 2020-21. However, the share in Central Taxes received from GoI decreased significantly by ₹ 3,544.92 crore (5.59 per cent) as compared to the previous year.
- This decrease in share in Central Taxes significantly impacted the Revenue Receipt of the State as the former makes up nearly 70 per cent of the State's total revenue receipt.
- The Budget Estimates for the share of Central Tax transfer was ₹ 91,180.60 crore, while the actual receipt was only ₹ 59,861.41 crore during 2020-21. This shortfall in receipt of Central Tax Transfer leads the estimated revenue surplus to be converted into revenue deficit by the end of financial year 2020-21.
- Fiscal Deficit was higher due to excess revenue expenditure in the year 2020-21.

### Central tax transfer

State's share of Union taxes recommended by XIV FC (2015-16 to 2019-20) and XV FC (2020-21) as compared with actual devolution made by Centre are summarised in **Table 2.10**.

**Table 2.10: Actual devolution vis-à-vis projection in finance commission**

(₹ in crore)

Year	Finance commission Projections	Projection tax share to state	Projection in FCR	Actual devolution	Difference	% shortfall
1	2	3	4	5	6 (4-5)	7
2015-16	9.665 per cent of net proceeds of all shareable taxes	5,79,282	56,694	48,923	7,771	13.70
2016-17	excluding service tax and	6,68,425	65,419	58,881	6,538	9.99
2017-18	9.787 per cent of net proceeds of sharable service tax (As per recommendations of XIV <sup>th</sup> FC)	7,72,304	75,585	65,083	10,502	13.89
2018-19	10.061 per cent of net proceeds of all shareable taxes (As per recommendations of XV <sup>th</sup> FC)	8,93,430	87,440	73,603	13,837	15.82
2019-20		10,34,745	1,01,270	63,406	37,864	37.39
2020-21		8,55,176	86,039	59,861	26,178	30.43

(Source: Finance Commission Report and Finance Accounts)

Thus, the actual tax devolution was less by 30.43 per cent in comparison to the Finance Commission projection for the year 2020-21. As a result, State was compelled to borrow more Public Debt for meeting the application of funds. The State's share of Union taxes under different components during 2016-17 to 2020-21 are shown in **Table 2.11**.

**Table 2.11: Central Tax Transfers**

(₹ in crore)

Head	2016-17	2017-18	2018-19	2019-20	2020-21	Sparkline
Central Goods and Service Tax (CGST)	-	925.48	18,166.79	17,992.97	17,788.67	
Integrated Goods and Service Tax (IGST)	-	6,572	1,449.80	0	0	
Corporation Tax	18,889.20	19,935.56	25,596.84	21,618.94	18,062.14	
Taxes on Income other than Corporation Tax	13,128.06	16,834.16	18,850.99	16,939.90	18,517.49	
Customs	8,125.40	6,570.00	5,217.40	4,019.07	3,179.93	
Union excise Duties	9,278.51	6,867.50	3,467.28	2,794.34	2,012.03	
Service Tax	9,416.01	7,379.29	673.31	0.00	258.09	
Other Taxes #	43.41	(-) 0.61	180.72	41.11	43.06	
<b>Central Tax Transfers</b>	<b>58,880.59</b>	<b>65,083.38</b>	<b>73,603.13</b>	<b>63,406.33</b>	<b>59,861.41</b>	
Percentage of increase over previous year	20.35	10.53	13.09	(-) 13.85	(-) 5.59	
Percentage of Central Tax transfer to Revenue receipt	55.77	55.42	55.85	51.04	46.70	

(Source: Finance Accounts of the respective years)

# Other taxes include Taxes on wealth, Other taxes on Income &amp; Expenditure, Other taxes &amp; duties of commodities and services.

Central tax transfers decreased by ₹ 3,544.92 crore (5.59 per cent) over the previous year due to the reduced share of net proceeds assigned to the State. Apportionment of IGST and Advance apportionment from IGST are being booked as Minor Head 106 and 110 under Major Head 0006 SGST.

### Grants-in-aid from GoI

The State Government receives Grants-in-aid (GIA) and share of Union taxes and duties, based on recommendations of the Finance Commission. Details of GoI grants are given below in **Table 2.12**.

**Table 2.12: Grants-in-aid from Government of India**

(₹ in crore)

Head	2016-17	2017-18	2018-19	2019-20	2020-21
Non-Plan Grants	4,505.51	(-) 5.00	-	-	-
Grants for State Plan Schemes	13,952.92	(-) 2.20	(-) 2.82	(-) 40.27	(-) 33.57
Grants for Central Plan Schemes*	1,422.91	-	-	-	-
Grants for Centrally Sponsored Schemes (CSS)	-	13,312.26	16,322.72	15,302.04	16,609.56
Grants for Centrally Sponsored Plan Schemes	677.68	(-) 1.00	-	-	-
Finance Commission Grants	-	4,525.06	4,775.20	7,343.61	8,850.00
Other transfers/Grants to States/ Union Territories with Legislature	-	7,891.01	3,556.52	4,363.24	6,337.89
<b>Total</b>	<b>20,559.02</b>	<b>25,720.13</b>	<b>24,651.62</b>	<b>26,968.62</b>	<b>31,763.88</b>
Percentage of increase over the previous year	5.08	25.10	(-) 4.15	9.40	17.78
Percentage of GIA to Revenue Receipts	19.47	21.90	18.70	21.71	24.78

(Source: Finance Accounts of the respective years)

\* There are no figures since the nomenclature of plan and non-plan grants was removed with effect from the year 2017-18 and replaced by Grants for CSS, Finance Commission Grants, and Other Grants to States.

With the removal of the Plan and Non-Plan distinction (2017-18), Grants-in-Aid from Center comprises only of (i) Finance Commission recommended grants for Local Bodies (ii) Grants for Disaster Response and (iii) Grants for Central share of Central Sector and Centrally Sponsored Schemes. As can be seen from above:

- The increase in GIA from GoI was mainly due to an increase in ‘Other transfers/ Grants’ (45.25 *per cent*) consisting of grants released under GST Compensation (23.67 *per cent*), contribution on NDRF (126.92 *per cent*) and Finance Commission Grants (20.51 *per cent*) for the FY 2020-21.
- The trend of total grants from GoI as a percentage of revenue receipts ranged between 18.70 *per cent* to 24.78 *per cent* during 2016-21.

### XIV and XV Finance Commission Grants

XIV and XV Finance Commission Grants were provided to the state for local bodies, SDRF and as compensation to States for any revenue loss suffered after devolution of taxes. The details of Grants provided by the GoI vis-a-vis actual receipt are given in **Table 2.13**.

**Table 2.13: Recommended, actual and release of Grant-in-aid**

(₹ in crore)

	Recommendation		Actual release by GoI		Release by State	
	XIV FC 15-20	XVFC 20-21	XIV FC 15-20	XVFC 20-21	XIV FC 15-20	XVFC 20-21
<b>Local Bodies (PRI)</b>	<b>21,017.83</b>	<b>5,018</b>	<b>18,916.06</b>	<b>5,018</b>	<b>18,916.06</b>	<b>5,018</b>
<i>Basic Grants</i>	18,916.05	-	18,916.06	-	18,916.06	-
<i>Performance Grant</i>	2,101.78	-	0.00	-	0.00	-
<b>Grants to ULB's</b>	<b>2,676.24</b>	<b>2,416</b>	<b>2,227.63</b>	<b>2,416</b>	<b>2,227.63</b>	<b>2,416</b>
<i>Basic Grants</i>	2,140.99	-	2,227.63	-	2,227.63	-
<i>Performance Grant</i>	535.25	-	0.00	-	0.00	-
<b>State Disaster Response Fund*</b>	<b>2,591</b>	<b>1,888 (1416+472)</b>	<b>2,343.24</b>	<b>1,416</b>	<b>2,343.24</b>	<b>1,416</b>

\*Including State share of 25 per cent of total grant.

(Source: XIV &amp; XV FC Report and Finance Account)

It is clear from the above table that the State could not get its complete share of XIV FC grant primarily due to non-achievement of mandatory criteria for getting performance grant<sup>10</sup> in both PRIs and ULBs. Further, as per the Finance Accounts 2020-21, ₹ 5,018 crore was released as recommended by the XV FC.

### 2.3.3 Capital receipts

Capital receipts comprise of proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks), and loans and advances from GoI. The details of Capital Receipts and their composition for the years 2016-17 to 2020-21 are given in **Table 2.14**.

During 2020-21, Capital Receipts constituted 22.27 *per cent* of the total receipts (₹ 1,64,903.84 crore) of the State. The State Government borrowed ₹ 29,412.30 crore from the open market and other financial institutions and took loans of ₹ 6,502.77 crore from GoI.

**Table 2.14: Trends in growth and composition of capital receipts**

(₹ in crore)

Sources of State's Receipts	2016-17	2017-18	2018-19	2019-20	2020-21
<b>Capital Receipts</b>	<b>21,600</b>	<b>13,191</b>	<b>20,493</b>	<b>29,175</b>	<b>36,735</b>
Recovery of Loans and Advances	23	22	1,825	30	820
<b>Public Debt Receipts</b>	<b>21,577</b>	<b>13,169</b>	<b>18,668</b>	<b>29,145</b>	<b>35,915</b>
<i>Internal Debt</i>	20,065	11,771	16,134	27,866	29,412
<i>Growth rate</i>	14.23	(-)41.34	37.07	72.72	5.55
<i>Loans and advances from GoI</i>	1,512	1,398	2,534	1,279	6,503
<i>Growth rate</i>	85	(-) 8	81	(-) 50	408.44
Rate of growth of debt Capital Receipts	17	(-) 39	42	56	23.23
Rate of growth of non-debt capital receipts	21	(-) 4	8,195	(-) 98	2,633.33
Rate of growth of GSDP	13.31	11.33	12.64	12.51	4.14
Rate of growth of Capital Receipts (per cent)	17	(-) 39	55	42	25.91

(Source: Finance Accounts of the respective years)

Capital receipts increased mainly due to an increase in loans and advances from GoI and internal debt. The share of public debt receipt in capital receipts was 97.77 *per cent*. The rate of growth of debt capital receipts had a fluctuating trend over the previous years.

<sup>10</sup> Submission of audited annual accounts, increase in own revenue, publish service level benchmarks etc.

In the current year, ₹ 29,412 crore was taken as internal debt and its contribution in capital receipts was 80.06 *per cent*. Loans and advances from GoI increased by 408.44 *per cent* in which credit against GST reimbursement (₹ 3,905.00 crore) and special assistance to States for Capital Expenditure (₹ 843 crore) under Special Assistance and Received Block debt since 1989-90 (₹ 2,050.24 crore) under Block Loan were the major component.

Net Public Debt Receipts with respect to GSDP in the current year (4.69 *per cent*) remained more buoyant than the previous year (3.70 *per cent*). This was due to an increase in capital receipts of ₹ 7,560.50 crore (25.91 *per cent*) in 2020-21.

Non-debt capital receipts, in the form of recoveries of loans and advances had shown an increase due to recovery of loans from PSEs/Bodies/Authorities over the previous year.

Although Capital Receipts increased by 25.91 *per cent* over the previous year, the Capital Expenditure increased by 47.99 *per cent* during the same period.

## 2.4 Application of resources

The State Government is vested with the responsibility of incurring expenditure within the framework of fiscal responsibility legislations, while at the same time ensuring that the ongoing fiscal correction and consolidation process of the State is not at the cost of expenditure directed towards the development of capital infrastructure and social sector.

### 2.4.1 Growth and composition of expenditure

Trend analysis of overall expenditure and its components along with their percentage of GSDP is depicted in **Table 2.15**.

**Table 2.15: Total expenditure and its composition**

(₹ in crore)

Parameters	2016-17	2017-18	2018-19	2019-20	2020-21
Total Expenditure (TE)	1,22,087	1,31,774	1,47,425	1,38,987	1,58,816
Revenue Expenditure (RE)	94,765	1,02,624	1,24,897	1,26,017	1,39,493
Capital Expenditure (CE)	27,208	28,907	21,058	12,304	18,209
Loans and Advances	114	243	1,470	666	1,114
As a percentage of GSDP					
TE/GSDP	29.00	28.11	27.92	23.40	25.67
RE/GSDP	22.51	21.89	23.66	21.21	22.55
CE/GSDP	6.46	6.17	3.99	2.07	2.94
Loans and Advances/ GSDP	0.03	0.05	0.28	0.11	0.18

(Source: Finance Accounts of respective years)

The overall revenue and capital expenditure as a percentage of GSDP has increased over the previous year. Changes in the composition of the expenditure in terms of economic classification and expenditure by activities are depicted in **Table 2.16**.



**Table 2.16: Relative share of various sectors of expenditure**(*₹ in crore*)

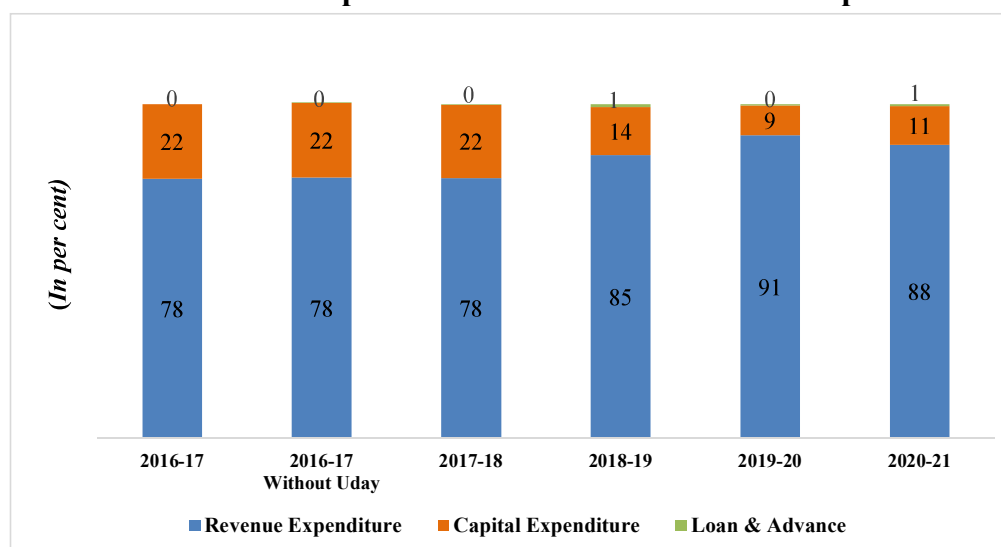
Parameters	2016-17	2017-18	2018-19	2019-20	2020-21
General Services	32,697 (26.78)	36,139 (27.43)	42,002 (28.49)	44,016 (31.67)	47,626 (29.99)
Social Services	44,329 (36.31)	50,028 (37.97)	62,345 (42.29)	60,619 (43.61)	70,139 (44.16)
Economic Services	44,943 (36.81)	45,360 (34.42)	41,604 (28.22)	33,684 (24.24)	39,935 (25.15)
Others (Grants to Local Bodies and Loans and Advances)	118 (0.10)	247 (0.19)	1,474 (1)	668 (0.48)	1,116 (0.70)

(Figures in parentheses indicate percentage to Total expenditure)

(Source: Finance Accounts of respective years)

From the above table, it can be seen that

- The State has spent more amount in Social Services and Economic Services whereas marginal variation has been seen in General Services w.r.t the activity components of total expenditure during 2020-21.
- In General Services, State reduced its expenditure on Appropriation for reduction or avoidance of debt under Interest payment and servicing of debt by ₹ 844.96 crore as compared to the previous year, due to the decision taken by the State Government to freeze the contribution towards Sinking Fund for FY 2020-21 and 2021-22.
- In Social services, a major increase in expenditure was seen in Integrated Development of Small and Medium Towns under Urban Development (114 *per cent*), Public health (96 *per cent*) and Family Welfare (30 *per cent*) under Health and Family welfare (25 *per cent*) over the previous year.
- Further, in Economic Services, the major increase was seen in maintenance of Minor Irrigation (468.14 *per cent*) under Irrigation and Flood Control and Rural Employment (132.77 *per cent*) under Rural Development Department. **Chart 2.9** presents the trends in the share of components of total expenditure during 2016-21.

**Chart 2.9: Total Expenditure: Trends in share of its components**

(Source: Finance Accounts of respective years)

Further, the debt of DISCOMs which have been taken by the State did not impact much on the State debt profile. The loans and advances given by the State are negligible.

## 2.4.2 Revenue Expenditure

Revenue expenditure is incurred to maintain the current level of services and payment for the past obligation. As such, it does not result in any addition to the State's infrastructure and service network. Trend analysis of the growth of revenue expenditure is depicted in **Table 2.17**.

**Table 2.17: Revenue Expenditure – Basic Parameters**

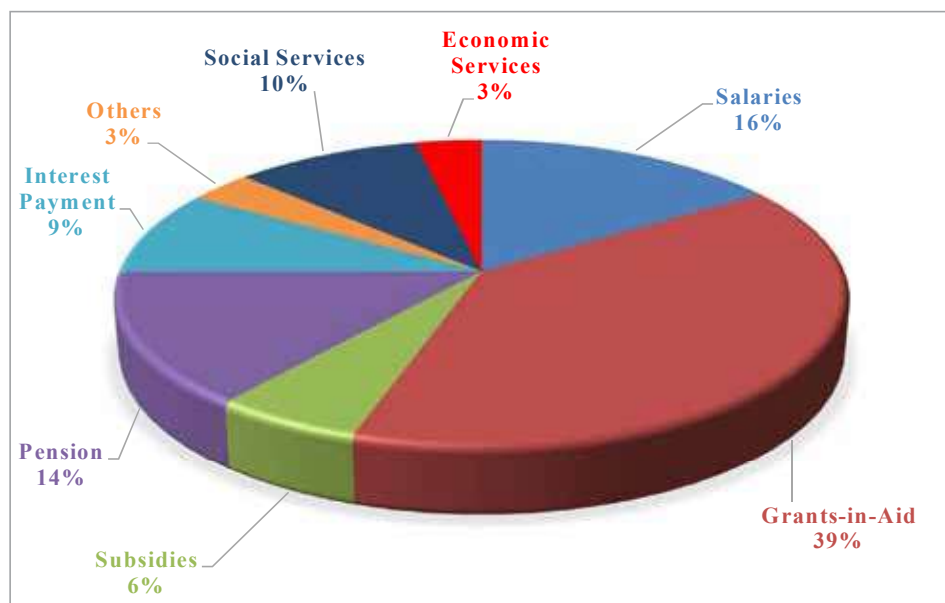
(₹ in crore)

Parameters	2016-17	2017-18	2018-19	2019-20	2020-21
Total Expenditure (TE)	1,22,087	1,31,774	1,47,425	1,38,987	1,58,816.02
Revenue Expenditure (RE)	94,765	1,02,624	1,24,897	1,26,017	1,39,493.45
Rate of Growth of RE ( <i>per cent</i> )	13.33	8.29	21.70	0.90	10.69
Rate of growth of GSDP ( <i>per cent</i> )	13.31	11.33	12.64	12.51	4.14
RE as a percentage of TE	77.62	77.88	84.72	90.67	87.83
RE/GSDP ( <i>per cent</i> )	22.51	21.89	23.66	21.21	22.55
RE as a percentage of RR	89.75	87.38	94.77	101.44	108.84
The buoyancy of Revenue Expenditure with					
GSDP (ratio)	1	0.73	1.72	0.07	2.58
Revenue Receipts (ratio)	1.35	0.74	1.78	-0.16	3.37

(Source: Finance Accounts of the respective years)

From the above table:

- Revenue expenditure constituted 88 *per cent* of the total expenditure and only 11 *per cent* was left for capital expenditure. The State has revenue deficit because revenue expenditure (109 *per cent*) was higher than revenue receipts during this year for the 2<sup>nd</sup> time since 2004-05.
- Revenue expenditure increased by 10.69 *per cent* whereas revenue receipts increased by 3.17 *per cent* only. Consequently, the gap has been met by State's public debt. Revenue expenditure as a percentage of revenue receipts has been increasing for the last five years except 2017-18.
- The buoyancy ratio of revenue expenditure with GSDP was highest in the last five years because of decreasing growth rate in GSDP from 12.51 *per cent* to 4.14 *per cent*. However, the buoyancy ratio of revenue expenditure with revenue receipt was 3.37 *per cent* which was not a good sign of the State's finances. Sector-wise distribution of revenue expenditure is depicted in **Chart 2.10**.

**Chart 2.10: Sector-wise distribution of revenue expenditure**

(Source: Finance Accounts 2020-21)

As can be seen that major revenue expenditure was made in two components, (committed expenditure and GIA- 39 *per cent* each), constituting 78 *per cent* of the total revenue expenditure during the year.

#### 2.4.2.1 Major changes in Revenue Expenditure

Significant variations under various Heads of Account with regard to revenue expenditure of the State during the current year and the previous year are given in **Table 2.18**.

**Table 2.18: Variation in Revenue Expenditure during 2020-21 compared to 2019-20**

(₹ in crore)

Major Heads of Account	2019-20	2020-21	Increase (+)/ Decrease (-)
2505-Rural Development	871.28	2,028.04	1,156.76
2245-Relief on account of Natural Calamities	3,592.41	6,635.65	3,043.24
2217-Urban Development	2,765.86	5,001.32	2,235.46
3054-Roads and Bridges	2,293.99	3,371.89	1,077.90
2210-Medical and Public Health	6,117.98	7,599.63	1,481.65
2235-Social Security and Welfare	6,050.00	7,080.50	1,030.50
2071-Pensions and Other Retirement Benefits	17,110.38	19,635.15	2,524.77
2049-Interest Payments	10,991.42	12,484.04	1,492.62
2048-Appropriation for reduction or avoidance of Debt	845.01	0.05	(-) 844.96
2225-Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	2,419.48	830.08	(-)1,589.40
2401-Crop Husbandry	1,862.07	1,318.43	(-)543.64
2801-Power	5,950.24	7,517.57	1,567.33
2215-Water Supply and Sanitation	2,071.76	1,741.10	(-) 330.66
2216-Housing	5,483.00	4,719.81	(-)763.19
2515-Other Rural Development Programmes	9,774.24	9,013.74	(-) 760.50

(Source: Finance Accounts of the respective years)

- The expenditure increased in relief on account of natural calamities (especially in gratuitous relief) for assistance to farmers for purchase of agriculture inputs and gratuitous relief. Pension (14.76 *per cent*) and other retirement benefits (under government contribution to defined contributory pension scheme) and Interest Payment (13.58 *per cent*) were also some of the reasons for the increase in the State's revenue expenditure.
- Less expenditure was incurred in Welfare of Scheduled Castes (-56.31 *per cent*) and Welfare of Backward Classes (-76.35 *per cent*) under Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes. The expenditure decreased in extension and farmers training (62.92 *per cent*) and agricultural engineering (71.41 *per cent*) under Crop Husbandry over the previous year. No expenditure was made in the Special Component Plan for Scheduled Castes and Tribal Area Sub-Plan under Housing.

#### 2.4.2.2 Committed Expenditure

The Committed Expenditure of the State Government on revenue account consists of Interest payments, expenditure on Salaries and Wages and Pensions. It has the first charge on Government resources. The upward trend on committed expenditure leaves the Government with lesser flexibility for the development sector. Trend analysis of committed expenditure is depicted in **Table 2.19**.

**Table 2.19: Components of Committed Expenditure**

(₹ in crore)					
Components of Committed Expenditure	2016-17	2017-18	2018-19	2019-20	2020-21
Salaries & Wages	15,784.04	17,778.74	19,968.39	20,418.41	21,841.65
Expenditure on Pensions	12,514.52	14,293.48	16,027.75	17,110.38	19,635.15
Interest Payments	8,190.70	9,053.78	10,071.14	10,991.42	12,484.04
<b>Total</b>	<b>36,489.26</b>	<b>41,126.00</b>	<b>46,067.28</b>	<b>48,520.21</b>	<b>53,960.84</b>
<b>As a percentage of Revenue Receipts (RR)</b>					
Salaries & Wages	14.95	15.14	15.15	16.44	17.04
Expenditure on Pensions	11.85	12.17	12.16	13.77	15.32
Interest Payments	7.76	7.71	7.64	8.85	9.74
<b>Total</b>	<b>34.56</b>	<b>35.02</b>	<b>34.95</b>	<b>39.06</b>	<b>42.10</b>
<b>As a percentage of Revenue Expenditure (RE)</b>					
Salaries & Wages	16.66	17.32	15.99	16.2	15.66
Expenditure on Pensions	13.21	13.93	12.83	13.58	14.08
Interest Payments	8.64	8.82	8.06	8.72	8.95
<b>Total</b>	<b>38.51</b>	<b>40.07</b>	<b>36.88</b>	<b>38.50</b>	<b>38.68</b>

(Source: Finance Accounts of the respective years)

The share of committed expenditure in total revenue expenditure remained almost constant and ranged from 38.51 *per cent* in 2016-17 to 38.68 *per cent* in 2020-21 except during 2017-18, where it increased to 40.07 *per cent*. The ratio of committed expenditure also increased to 42.10 *per cent* of revenue receipts in 2020-21 from 34.56 *per cent* in 2016-17.

During the year, the total committed expenditure increased by ₹ 5,440.63 crore (11.21 *per cent*) over the previous year. Interest payments (9.74 *per cent*) was well below the fiscal target of 10 *per cent* of the Revenue Receipt set out in the BFRBM (Amendment) Act, 2016 but exceeded the projection of XV FC of 1.9 *per cent* of GSDP.

State has maintained the committed expenditure within MTFP. A larger proportion of the budget allocated for committed expenditure items limits the State's flexibility to decide the other expenditure priorities such as capital outlay.

### 2.4.2.3 Undischarged liabilities in National Pension System

State Government employees recruited on or after 1 September 2005 are covered under the National Pension System (NPS), which is a Defined Contributory Pension Scheme. Under the Scheme, the employee contributes 10 *per cent* of his basic pay and dearness allowance and an equal contribution is made by the State Government. The State Government has increased its contribution to 14 *per cent* from July 2019. The entire amount (employees' contribution and employer's contribution) is to be transferred to the designated Fund Manager through the National Securities Depository Limited (NSDL)/Trustee Bank.

Total contribution towards NPS was to be ₹ 1,924.80 crore (employees' contribution ₹ 802.00 crore and Government Contribution ₹ 1,122.80 crore) for the period 2020-21 against which an amount of ₹ 1,901.76 crore was transferred to the NSDL. There was a short contribution of ₹ 23.04 crore (₹ 1,122.80 crore minus ₹ 1,099.76 crore) by the Government during the year which has resulted in an understatement of the Revenue deficit to that extent.








The State Government deposited ₹ 1,976.81 crore with NSDL/Trustee Bank during the year. As on 31 March 2021, ₹ 338.96 crore (₹ 315.92 crore previous balance and ₹ 23.04 crore short transferred) was lying in the Public Account as closing balance which is yet to be deposited to the NSDL/Trustee Bank.

### 2.4.2.4 Subsidies

In any welfare State, it is common to provide subsidies/subventions to disadvantaged sections of the society. Subsidies are dispensed not only explicitly but also implicitly by providing subsidised public services to the people. Budgetary support to financial institutions, inadequate returns on investments and poor recovery of user charges from social and economic services provided by the Government fall in the category of implicit subsidies.

The total subsidies during the current year were ₹ 8,167.42 crore which was 14.66 *per cent* more than the previous year and constituted 6.37 *per cent* of revenue receipts. Trend analysis of expenditure on subsidies is depicted in **Table 2.20**.

**Table 2.20: Department wise subsidies during 2016-21**

Department	2016-17	2017-18	2018-19	2019-20	2020-21	Sparkline
Agriculture	344.26	406.41	490.52	518.17	164.30	
Energy	6,807.69	3,491.66	5,737.03	5,193.00	6,759.96	
Food and consumer Protection	976.89	490.89	638.81	618.13	578.77	
Industry	381.99	401.59	322.00	316.78	234.47	
Transport	0.00	0.00	962.77	177.17	122.57	
Animal and Fisheries Resources	122.44	127.00	112.92	116.00	99.67	
Others	124.18	105.51	59.92	182.02	207.68	

Department	2016-17	2017-18	2018-19	2019-20	2020-21	Sparkline
<b>Subsidies</b>	<b>8,757.44</b>	<b>5,023.06</b>	<b>8,323.97</b>	<b>7,121.27</b>	<b>8,167.42</b>	
Subsidies as a percentage of Revenue Receipts	8.29	4.27	6.32	5.73	6.37	
Subsidies as a percentage of Revenue Expenditure	9.24	4.89	6.66	5.65	5.85	

(Source: Finance Accounts of the respective years)

Trend analysis revealed that more than 82 *per cent* of subsidies went to the Energy Sector. Despite the fact that the Energy Department provided the subsidies to DISCOMs for power purchase but the financial health of both DISCOMs are still miserable.

#### 2.4.2.5 Financial assistance by the State Government to Local Bodies and Other Institutions

The quantum of assistance provided by way of grants and loans to local bodies and others during the current year compared to the previous years is presented in **Table 2.21**.

**Table 2.21: Financial Assistance to Local Bodies etc.**

(₹ in crore)

Financial Assistance to Institutions	2016-17	2017-18	2018-19	2019-20	2020-21
<b>(A) Local Bodies</b>					
Municipal Corporations and Municipalities	3,135.50	1,794.52	2,892.56	1,533.24	4,785.08
Panchayati Raj Institutions	2,659.04	7,572.94	7,517.61	9,971.64	12,899.38
<b>Total (A)</b>	<b>5,794.54</b>	<b>9,367.46</b>	<b>10,410.17</b>	<b>11,504.88</b>	<b>17,684.46</b>
<b>(B) Others</b>					
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	3,101.99	4,683.27	1,905.37	3,925.89	3,716.00
Development Authorities	11,645.91	1,786.76	5,860.77	5,839.49	999.15
Hospitals and Other Charitable Institutions	0.00	0.00	0.00	0.00	0.00
Other Institutions	15,666.90	27,521.24	33,587.98	25,311.28	32,529.37
<b>Total (B)</b>	<b>30,414.80</b>	<b>33,991.27</b>	<b>41,354.12</b>	<b>35,076.66</b>	<b>37,244.52</b>
<b>Total (A+B)</b>	<b>36,209.34</b>	<b>43,358.73</b>	<b>51,764.29</b>	<b>46,581.54</b>	<b>54,928.98</b>
Revenue Expenditure	94,765.18	1,02,623.73	1,24,896.81	1,26,016.66	1,39,493.45
Assistance as percentage of Revenue Expenditure	38.21	42.25	41.45	36.96	39.38

(Source: Finance Accounts of the respective years)

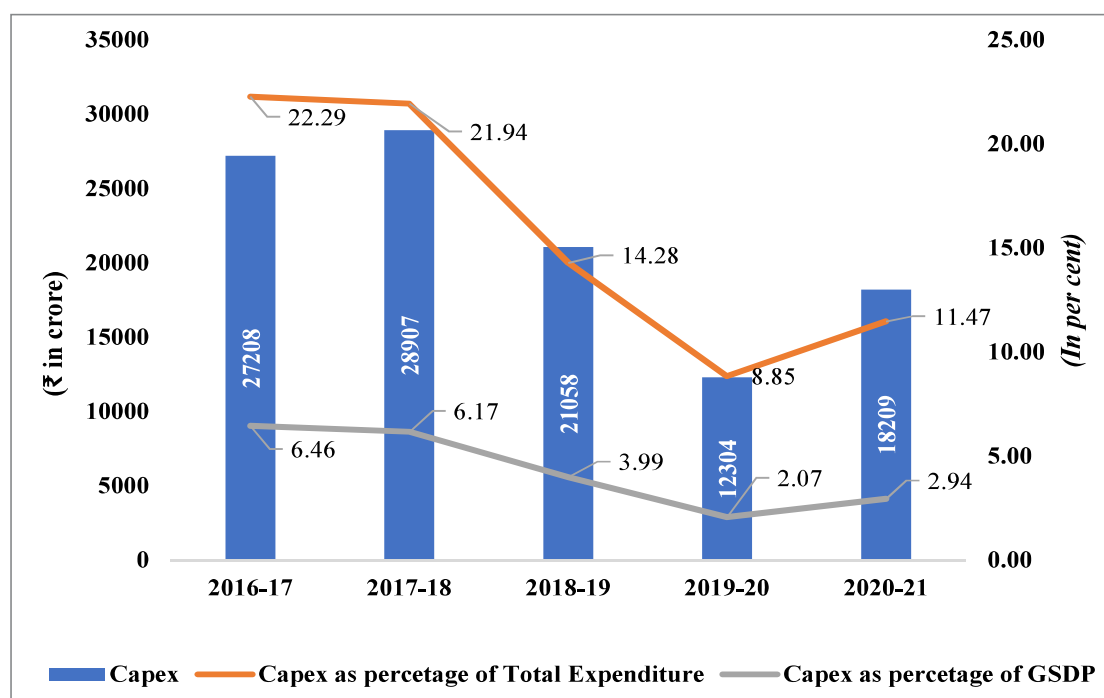
Financial assistance to Local Bodies and Other Institutions by the State Government has increased by 17.92 *per cent* in comparison to the previous year (₹ 46,581.54 crore) and its percentage of revenue expenditure has increased to 39.38 *per cent* due to implementation of 'Saat Nishchay'. Release of financial assistance without insisting on rendering timely accounts is detrimental to public accountability and indicative of poor financial management (detailed in Chapter-IV).

#### 2.4.3 Capital Expenditure

Capital expenditure (Capex) is primarily expenditure on creation of fixed infrastructure assets such as roads, buildings, etc. Capex in the State is being met from budgetary support and extra-budgetary resources. Trend analysis of Capex is depicted in **Chart 2.11**.



Chart 2.11: Capital expenditure in the State



(Source: Finance Accounts of the respective years)

- The capital expenditure was 53.00 *per cent* lower than the assessment made by the State Government in Budget Estimates and the projection made in MTFPS 2020-21 (₹ 38,744.59 crore).
- During analysis, it was observed that capital expenditure decreased in General Services from ₹ 2,388.26 crore to ₹ 1,386.50 crore. The main decrease was in Police by ₹ 276.02 crore, Public works by ₹ 452.08 crore and Other administration services by ₹ 278.88 crore. However, it was increased in Social Services from ₹ 2,802.51 crore to ₹ 6,331.52 where mainly the increase was in Water Supply and Sanitation by ₹ 3,191.89 crore and General Education by ₹ 538.68 crore. Economic Services increased from ₹ 7,113.13 crore to ₹ 10,490.58 crore mainly in Other Rural Development Programme by ₹ 1,967.72 crore, Roads and Bridges by ₹ 2,001.53 crore and Major Irrigation by ₹ 838.92 crore over the previous year 2019-20.
- The ratio of capital expenditure to capital receipts had a decreasing trend during the 2017-18 to 2019-20, which was the outcome of the overall economic downturn, but a positive response was seen in 2020-21.
- Audit noticed that some of the expenditure booked under Capital Head was misclassified which resulted in overstatement of Capital Expenditure to that extent.

Further, the amount of capital expenditure is only treated as book expenditure as its major chunk has been parked in the Public Account of the State. The detailed analysis has been covered in Para 4.4 of Chapter IV of this Report.

#### 2.4.3.1 Major changes in Capital Expenditure

Significant variations under various Major Heads of Account with regard to capital expenditure of the state during the current year compared to the previous year are depicted in **Table 2.22**.

**Table 2.22: Capital expenditure during 2020-21 compared to 2019-20***(₹ in crore)*

Major Heads of Accounts	2019-20	2020-21	Increase (+)/ Decrease (-)
4711-Capital Outlay on Flood Control Projects	(-)39.10	736.96	776.06
4700-Capital Outlay on Major Irrigation	379.92	1,218.84	838.92
4215-Capital Outlay on Water Supply and Sanitation	1,453.84	4,645.73	3,191.89
5054-Capital Outlay on Roads and Bridges	1,202.05	3,203.58	2,001.53
4515-Capital Outlay on other Rural Development Programmes	1,590.73	3,558.45	1,967.72
5053-Capital Outlay on Civil Aviation	152.44	0	(-) 152.44
5075-Capital Outlay on other Transport Services	160	50	(-) 110.00
4801-Capital Outlay on Power Projects	3,067.32	1,125.96	(-) 1,941.36
4059-Capital Outlay on Public Works	1,029.04	576.96	(-) 452.08
4210-Capital Outlay on Medical and Public Health	862.34	647.99	(-) 214.35

*(Source: Finance Accounts of the respective years)*

The increase in expenditure on Water Supply and Sanitation was mainly due to expenditure for Chief Minister Drinking Water Determination Plan, Chief Minister Drinking Water Sure Plan (Quality affected area) and Chief Minister Drinking Water Policy. Increase in expenditure on Other Rural Development programmes was due to expenditure for Panchayati Government Building, Chief Minister's Rural Sampark Path Yojana, Pradhan Mantri Gram Sadak Yojana and Chief Minister's Rural Sampark Path Yojana (NDB aided). Further, increase in expenditure on Roads and Bridges was due to construction of Bridges by NABARD Loan and increase in expenditure on Major Irrigation projects was due to more expenditure in Irrigation Creation Project (Works) (NABARD aided) and Irrigation Creation Project (Works).

As compared to the previous year, less expenditure was incurred in investment in Bihar State Power (Holding) Company Ltd. Under Capital Outlay on Power Projects, Auxiliary Nurse Midwifery and Special Component Plan for Scheduled Caste for Medical College under Capital Outlay on Medical and Public Health, and building for scheduled caste under Capital Outlay on Public Works.

#### 2.4.3.2 Quality of capital expenditure

If the State Government keeps on making investments in loss-making government companies, whose net worth has completely eroded, there are no chances of return on investment. Similarly, experience has shown the inevitability of the write-off of the loans given to loss-making corporations and other bodies such as sugar mills, financial corporations, etc. Requisite steps have to be taken to infuse transparency in such financial operations. This section presents an analysis of investments and other capital expenditures undertaken by the Government during the current year.

Capital expenditure in the companies, corporations, and other bodies, which are loss-making or where net worth is completely eroded is not sustainable.

Return on investment in share capital invested in SPSEs and history of repayment of loans given to various bodies is an important determinant of quality of capital expenditure. Trend analysis of return on investment is given in **Table 2.23**.

**Table 2.23: Return on Investment (ROI)**

Investment/return/cost of borrowings	2016-17	2017-18	2018-19	2019-20	2020-21
Investment at the end of the year (₹ in crore)	15,916.47	23,037.29	28,327.00	31,667.39	32,870.61
Return (₹ in crore)	3.73	1.34	11.34	1.62	603.01
Return ( <i>per cent</i> )	0.02	0.01	0.04	0.01	1.83
Average rate of interest on Government Borrowings ( <i>per cent</i> )	6.42	6.13	6.18	6.07	5.94
Difference between interest rate and return ( <i>per cent</i> )	5.88	5.82	6.14	6.06	4.11
<b>Difference between interest on Government borrowings and return on investment (₹ in crore)<sup>#</sup></b>	<b>935.89</b>	<b>1,340.77</b>	<b>1,739.28</b>	<b>1,919.04</b>	<b>1,350.98</b>

(Source: Finance Accounts of the respective years)

<sup>#</sup> Investment at the end of the year \* Difference between interest rate and return

- As on 31 March 2021, the total Government investment was ₹ 32,870.61 crore in 46 Government Companies (₹ 31,809.38 crore), three Statutory Corporations (₹ 105.63), one Rural Banks (₹ 30.19 crore), 12 Joint-stock Companies (₹ 305.17 crore), and 17 Cooperative institution and local bodies (₹ 620.24 crore).
- The State has invested ₹ 30,764.85 crore in power sector companies (BSPHCL) which was 93.59 *per cent* of the total investment of the State Government till 2020-21.
- The ROI increased by ₹ 601.39 crore over the previous year was due to the directions issued by Finance Department to PSU's for releasing of 50 *per cent* dividend from their total accumulated reserve and surplus.
- The State Government has incurred a notional loss of ₹ 1,350.98 crore on return on investment in various entities on account of the difference between the Government borrowing cost and the return on investment.

It was noticed that the State Government had extended the budgetary support of ₹ 564.39 crore, in the form of equity to one loss-making PSU till 2020-21 which is depicted in **Table 2.24**.

**Table 2.24: Investments made in loss-making companies**

(₹ in crore)

Sl. No.	Company/ Corporation	Accumulated Loss	Investment made during the year	Cumulative investment as on 31 March 2020	Cumulative investment as on 31 March 2021
1	Bihar State Minority Finance Corporation Ltd.	7.58	35.64	528.75	564.39

(Source: Finance Accounts 2020-21)

Further, ₹ 1,211.60 crore which was actually invested in three PSUs have been classified as capital expenditure during the year 2020-21 as depicted in **Table 2.25**.

**Table 2.25: Investments treated as capital expenditure**

(₹ in crore)

Sl. No.	Company/ Corporation	Major Head of Capital Expenditure	Amount
1	Bihar State Minority Finance Corporation Ltd.	5465	35.64
2	Patna Metro Rail Corporation Ltd.	5075	50.00
3	Bihar State Power (Holding) Company Ltd.	4801	1,125.96
	<b>Total</b>		<b>1,211.60</b>

(Source: Finance Accounts 2020-21)

Accordingly, the effective capital expenditure during this year was ₹ 16,997 crore (₹ 18,208.60 crore less ₹ 1,211.60 crore).

State Government has not formulated any dividend policy of PSUs as on 31 March 2021. As per Finance Accounts, seven<sup>11</sup> companies/co-operatives paid a dividend of ₹ 603.01 crore during 2020-21. Besides, ₹ 16.51 crore was shown as disinvestment under four companies.

In addition to investments in co-operative societies, corporations and companies, the government has also provided loans and advances to many of these institutions & organisations. Details are given in **Table 2.26**.

**Table 2.26: Quantum of loans disbursed and recovered during five years**

(₹ in crore)

Quantum of loans disbursed and recovered	2016-17	2017-18	2018-19	2019-20	2020-21
Opening Balance of loans outstanding	20,857.73	20,948.29	21,169.17	20,814.33	21,450.23
Amount advanced during the year	113.87	242.78	1470.56	666.30	1,113.97
Amount recovered during the year	23.31	21.89	1825.40	30.40	820.43
Closing Balance of the loans outstanding	20,948.29	21,169.18	20,814.33	21,450.23	21,743.77
Net addition	90.56	220.89	(-) 354.84	635.90	293.54
Interest received	-	-	-	-	2.20
Interest rate on loan and advances given by the government	Not ascertainable				
Rate of interest paid on the outstanding borrowings of the government	5.90	5.77	5.96	5.68	5.49
Difference between the rate of interest paid and interest received ( <i>per cent</i> )	Not ascertainable				

(Source: Finance Accounts of the respective years)

- As per Finance Accounts, the interest received by the State Government against loans given was ₹ 2.20 crore.
- Out of the total loans and advances (₹ 21,743.77 crore) disbursed by the State Government, an amount of ₹ 19,811.01 crore was given to Govt. Companies and Statutory Corporations.
- Despite the disbursement of a loan of ₹ 934.89 crore to the loanee group during the year, no repayment of the loan was seen.

Scrutiny of documents revealed that in many cases, even the rate of interest charged by the Government is not finalised with the loanee. In some cases, the rate of interest is not disclosed with the loan amount. As a result, it is difficult for the audit to determine the rate of interest charged by the Government to the loanee.

### 2.4.3.3 Capital locked in incomplete projects

An assessment of trends in capital blocked in incomplete capital works would also indicate the quality of capital expenditure. Blocking of funds on incomplete projects/ works impinges negatively on the quality of expenditure and deprives the State of the intended benefits for prolonged periods. Further, the funds borrowed for the implementation of these projects

<sup>11</sup> Bihar Rajya Pul Nirman Nigam Limited- ₹ 193.38 crore, Bihar State Electronics Development Corporation Limited - ₹ 50.00 crore, Bihar State Road Development Corporation Limited- ₹ 278.00 crore, Bihar State Education Infrastructure Development Corporation Limited- ₹ 40.00 crore, Bihar Medical Services and Infrastructure Corporation Limited - ₹ 3.12 crore, Credit Co-operative- ₹ 38.22 and other Co-operatives - ₹ 0.29 crore

during the respective years lead to the extra burden in terms of servicing of debt and interest liabilities. The details of the incomplete projects are depicted in **Table 2.27**.

**Table 2.27: Capital locked in incomplete projects**

Age profile of incomplete projects as on 31 March 2021 (₹ in crore)				Department-wise profile of incomplete projects till 31 March 2021 (₹ in crore)			
Year	No. of incomplete projects	Estimated cost	Expenditure (till 31 March)	Department	No. of incomplete projects	Estimated cost	Expenditure
2011-12	380	3,395.35	1,579.46	Water Resources Department	46	758.26	292.84
2012-13	298	3,829.75	1,487.57	Public Health Engineering Department	57	1,130.68	497.31
2013-14	227	3,129.86	1,273.67	Building Construction Department	31	1,387.80	653.49
2014-15	211	3,404.88	1,300.78	Local Area Engineering Organisation	2	2.46	1.42
2015-16	144	1,728.18	731.56	Road Construction Department	19	387.81	207.74
2016-17	130	2,269.08	1,521.31	Rural works	2	3.54	0.84
2017-18	127	1,819.64	892.21	<b>Total</b>	<b>157</b>	<b>3,670.54</b>	<b>1,653.64</b>
2018-19	68	790.99	315.11				
2019-20	143	3,396.64	1,000.95				
2020-21	157	3,670.54	1,653.64				

(Source: Finance Accounts of the respective years)

Out of the estimated cost of ₹ 3,670.54 crore, only ₹ 1,653.64 crore has been spent till 2020-21 and out of 157 projects, costs were revised for five projects only. The details are presented in Appendix IX of Finance Accounts Vol-II. Since the details of remaining 152 projects with an estimated cost of ₹ 2,016.90 crore were not furnished by the Departments, their revised cost was not exhibited in the Finance Accounts and thus was not ascertainable.

Against the estimated cost of ₹ 3,670.54 crore, the expenditure of only ₹ 1,653.64 crore was made up to March 2021. Details of major Incomplete Projects (estimated cost more than 100 crore), which were due for completion during 2020-21, are detailed in **Table 2.28**.

**Table 2.28: Details of Incomplete Projects during 2020-21**

(₹ in crore)

Sl. No	Name of Scheme/Project (having estimated cost of ₹ 100 crore or more)	Scheduled date of completion	Estimated cost of scheme/project	Expenditure during 2020-21	Expenditure as of 31 March 2021	Pending Payments
1	Raising and strengthening of existing Hayaghat Karadhin embankment from 123.52 km (0.0 km) to 165.52 km (42 km) under Bagmati flood management system III A	2020-21	389.35	12.16	135.56	5.59

Sl. No	Name of Scheme/Project (having estimated cost of ₹ 100 crore or more)	Scheduled date of completion	Estimated cost of scheme/project	Expenditure during 2020-21	Expenditure as of 31 March 2021	Pending Payments
2	Protection works of left Edge of River Ganga from Kewala village to Baghmara village in the length of 5200 M (Agenda No. 133/198) in Katihar	2020-21	100.28	13.48	75.23	75.23
3	Mukhya Mantri Nishchay Yojna (Quality) Iron Effected Mini Jalapurti Yojna in Kishanganj	2020-21	177.60	53.51	81.45	96.15
4	Mukhya Mantri Nishchay Yojna (Quality) Iron Effected Mini Jalapurti Yojna in Kishanganj	2020-21	146.89	45.42	57.06	89.83
5	Mukhya Mantri Nishchay Yojna (Quality) Iron Effected Mini Jalapurti Yojna in Kishanganj	2020-21	110.51	38.86	45.61	64.90
6	Construction of Vidhayak Awasan M.L.C. Parisar of work in Patna	2020-21	116.43	0.08	88.65	*
7	Construction of Vidhayak Awasan M.L.A. Parisar of work in Patna	2020-21	258.91	0.01	89.75	*
8	Construction of Mahabodhi Cultural Center at Bodhgaya at Gaya	2020-21	145.14	22.82	81.09	63.91
9	Construction of state Sports Academy cum International Standard Modern Cricket Stadium at Rajgir in Nalanda	2020-21	633.00	49.03	262.40	478.43
<b>Total</b>			<b>2,078.10</b>	<b>235.37</b>	<b>916.80</b>	<b>874.04</b>

(Source: Finance Accounts for the year 2020-21)

\* Data has not been provided by the State Government

As evident from the table, only 44 per cent expenditure was incurred against the estimated cost ₹ 2,078.10 crore, which was scheduled to be completed by 2020-21. Reason for non-completion of projects in time were not intimated by the respective Departments. As per the information provided by the State Government in Appendix-IX of the Finance Accounts, in case of 129 projects which were due to be completed by 2020-21, an amount of ₹ 1,460.21 crore was due for payment (*Appendix 2.2*).

Deferred or withheld payments of bills to contractors, despite delivery of work and submission of bills, create the liabilities for the government and show incompleteness and non-transparency of Accounts. The intended benefit of such schemes could not be extended to the public at large, as they remained unfinished. Further, this lead to escalation of the project cost. Effective steps need to be taken to complete all these projects without further delay to avoid cost overrun due to time overrun.



#### 2.4.3.4 Implementation of Ujjwal Discom Assurance Yojana (UDAY)

The Ministry of Power, Government of India (GoI) had launched (November 2015) the Ujjwal Discom Assurance Yojana (UDAY) Scheme for the financial turnaround of Power Distribution Companies (DISCOMs).

With an objective to improve the operational and financial efficiency of the State DISCOMs, a tripartite Memorandum of Undertaking (MoU) was executed between the Ministry of Power (GoI), the concerned State Government and the State Power Distribution Companies. This scheme facilitated State Governments to take over 75 per cent of DISCOM's outstanding debt over a period of two years.

The outstanding debt of the DISCOMs was taken over in the form of equity, loan and grant/subsidy. The loan extended to DISCOMs under UDAY has to be converted into grant and equity in the subsequent three years. Accordingly, the States had to convert the loan into equity and subsidy.

Further, the State Government will have to takeover losses, if any, of the DISCOMs in a graded manner as mentioned in **Table 2.29**.

**Table 2.29: Loss to be taken over by State**

Year	2015-16	2016-17
Loss to be taken over by State.	50% of loss of 2015-16	25% of loss of 2016-17

(Source: Finance Accounts of the respective years)

Under the scheme, State was to take over 75 per cent of the DISCOM debt (₹ 3,109.05 crore) as on 30 September 2015 by issuing Non-Statutory Liquidity Ratio Bonds to take over the debt and transfer the proceeds to DISCOMs in the form of grants, loans, and equity. The liability of the State Government under the package was ₹ 2,331.78 crore depicted in **Table 2.30**.

**Table 2.30: Position of Equity/Loan/ Subsidy under UDAY**

(₹ in crore)

Year	Equity Investment	Loan	Subsidy	Total
2015-16	-	-	1,369.89	1,369.89
2016-17	-	-	961.89	961.89
<b>Total</b>			<b>2,331.78</b>	<b>2,331.78</b>

(Source: Finance Accounts of the respective years)

Annual Accounts of DISCOMs for the year 2020-21 was not prepared hence the status of capital employed could not be ascertained. Further as on 31 March 2021, ₹ 6,150.26 crore of the loan was outstanding on both the DISCOMs (SBPDCL ₹ 4,204.67 crore and NBPDCCL ₹ 1,945.60 crore). The State Government has paid interest of ₹ 191.36 crore in 2020-21 on the bonds issued under the UDAY Scheme.

Despite all tariff subsidies and loan obligations being met by the State Government, the DISCOMs are still having ₹ 4,111.25 crore operational losses upto 2019-20.

### 2.4.3.5 Misclassification of Revenue Expenditure as Capital Expenditure and vice versa

Capital Expenditure is broadly the expenditure incurred with the objective of creating/ acquiring/ increasing concrete assets of a material and permanent character or reducing permanent liabilities. All other expenditure incurred for the running of the entity including the establishment and administrative expenditure and for maintenance of its assets is classified as Revenue Expenditure.

Audit noticed that an expenditure of ₹ 49.49 crore incurred on establishment and administrative heads was classified as Capital expenditure during 2020-21.

During audit it was also noticed that an amount of ₹ 302.47 crores (₹ 234.26 crore + ₹ 68.21 crore), extended as Grants-in-Aid for both revenue purposes and for creation of assets has been classified as Capital Expenditure for the year 2020-21 under Grant no. 37 Rural Works Department. At the instance of audit, Department accepted the mistake and stated that under the direction of Finance Department these expenditures shall be booked under revenue head now and after.

Misclassification of the revenue expenditure as capital expenditure resulted in the overstatement of capital expenditure and understatement of revenue expenditure upto that extent. It has a great impact on the integrity of the financial statements.

### 2.4.4 Expenditure priorities

Enhancing human development levels requires the States to step up their expenditure on key social services like education, health, etc. Low fiscal priority (ratio of expenditure under a category to aggregate expenditure) is attached to a particular sector if the allocation is below the respective national average. The higher the ratio of these components to total expenditure, the quality of expenditure is considered to be better. Analysis on Expenditure priority of the State with regards to Health, Education and Capital expenditure are depicted in **Table 2.31**.

**Table 2.31: Expenditure priority of the State with regards to Health, Education and Capital expenditure during 2020-21**

	<i>(In per cent)</i>			
	AE/GSDP	CE/AE	Education/AE	Health/ AE
All India Average/ General Category States Average (2014-15)	15.99	13.98	16.54	4.92
State	26.56	19.93	18.15	3.96
All India Average/ State other than NE and Himalayan States (2020-21)	16.18	13.03	15.00	6.74
State	25.67	12.16	16.71	5.35

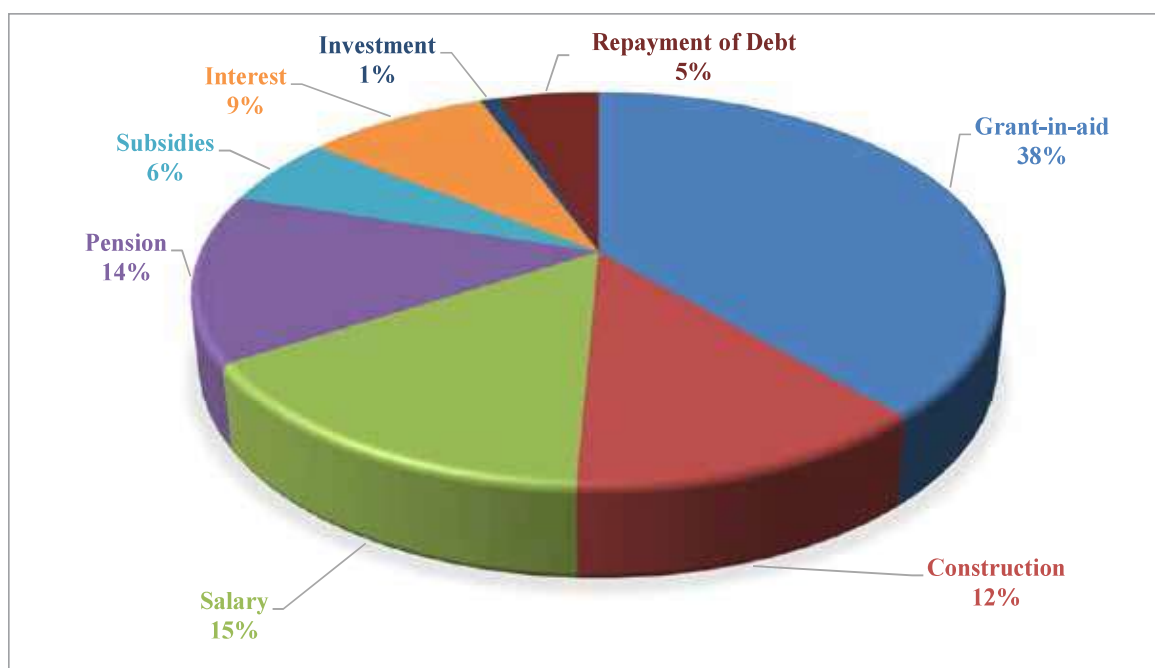
*(Source: MOSPI & Finance Accounts)*

The expenditure priority of the State with regards to health and capital expenditure except education were lower than the All India Average (State other than NE and Himalayan States) during 2020-21, which is a not good sign for the state for capacity building.

### 2.4.5 Object head wise expenditure

Object head-wise expenditure is depicted in **Chart 2.12** below.

**Chart 2.12: Object head wise expenditure**



(Source: VLC system)

- From above, a larger proportion of budget allocated for committed<sup>12</sup> expenditure (38.68 per cent of revenue expenditure) limits the flexibility to increase the other developmental expenditure priorities such as investment, construction, etc.
- Further, the expenditure on salary was 6.97 per cent higher than the previous year, was 3.53 per cent of GSDP and constituted 15.66 per cent of revenue expenditure. The expenditure on pension was 14.75 per cent higher than the previous year, was 3.17 per cent of GSDP and 14.08 per cent of revenue expenditure.

This shows that the major components of committed expenditure are increasing year on year. During 2020-21, expenditure on committed liabilities was 34 per cent of total expenditure while capital expenditure was only 11.46 per cent of total expenditure which is not a good sign for the State's financial health.

## 2.5 Public Account

Receipts and Disbursements in respect of certain transactions such as Small Savings, Provident Funds, Reserve Funds, Deposits, Suspense, Remittances, etc., which do not form part of the Consolidated Fund, are kept in the Public Account set up under Article 266(2) of the Constitution and are not subject to vote by the State Legislature. The Government acts like a banker in respect of these. The balance after disbursements during the year is the fund available with the Government for use for various purposes.

<sup>12</sup> During 2020-21, Salaries & Wages-₹ 21,841.65 crore, Pension-₹ 19,635.15 crore, Interest payment- ₹ 12,484.04 crore

### 2.5.1 Net Public Account Balances

The component-wise net balances in the Public Account of the State are given in **Table 2.32**.

**Table 2.32: Component-wise net balances in Public Account as of 31 March of the year 2021**

(₹ in crore)

Sector	Sub Sector	2016-17	2017-18	2018-19	2019-20	2020-21
I. Small Savings, Provident Funds, etc.	Small Savings, Provident Funds, etc.	99.63	(-)80.24	277.79	190.40	166.29
J. Reserve Funds	(a) Reserve Funds bearing Interest	(-)712.03	(-)696.39	0.01	522.95	378.12
	(b) Reserve Funds not bearing Interest	0	0	0	0	(-)26.32
K. Deposits and Advances	(a) Deposits bearing Interest	24.46	(-)1.62	60.25	202.65	(-)75.05
	(b) Deposits not bearing Interest	5,369.64	10,317.65	368.13	1,509.34	4,336.01
	(c) Advances	(-)0.71	(-)1.72	(-)96.85	0	0.00
L. Suspense and Miscellaneous	(a) Suspense	(-)894.39	579.80	(-)345.13	(-)5,773.58	(-)4,879.88
	(b) Other Accounts	(-)4,772.25	(-)4,393.75	2,138.36	(-)2,735.55	(-)191.23
	(c) Accounts with Governments of Foreign Countries	0	0	(-)0.01	(-)0.01	(-)0.01
	(d) Miscellaneous	-	-	-	-	-
M. Remittances	(a) Money Orders, and other Remittances	(-)7.05	(-)2.76	76.05	(-)2.44	4.37
	(b) Inter- Governmental Adjustment Account	0	0	0	(-)794.07	794.07
<b>TOTAL</b>		<b>(-)1982.95</b>	<b>(-)892.70</b>	<b>5,720.97</b>	<b>2,478.60</b>	<b>506.37</b>

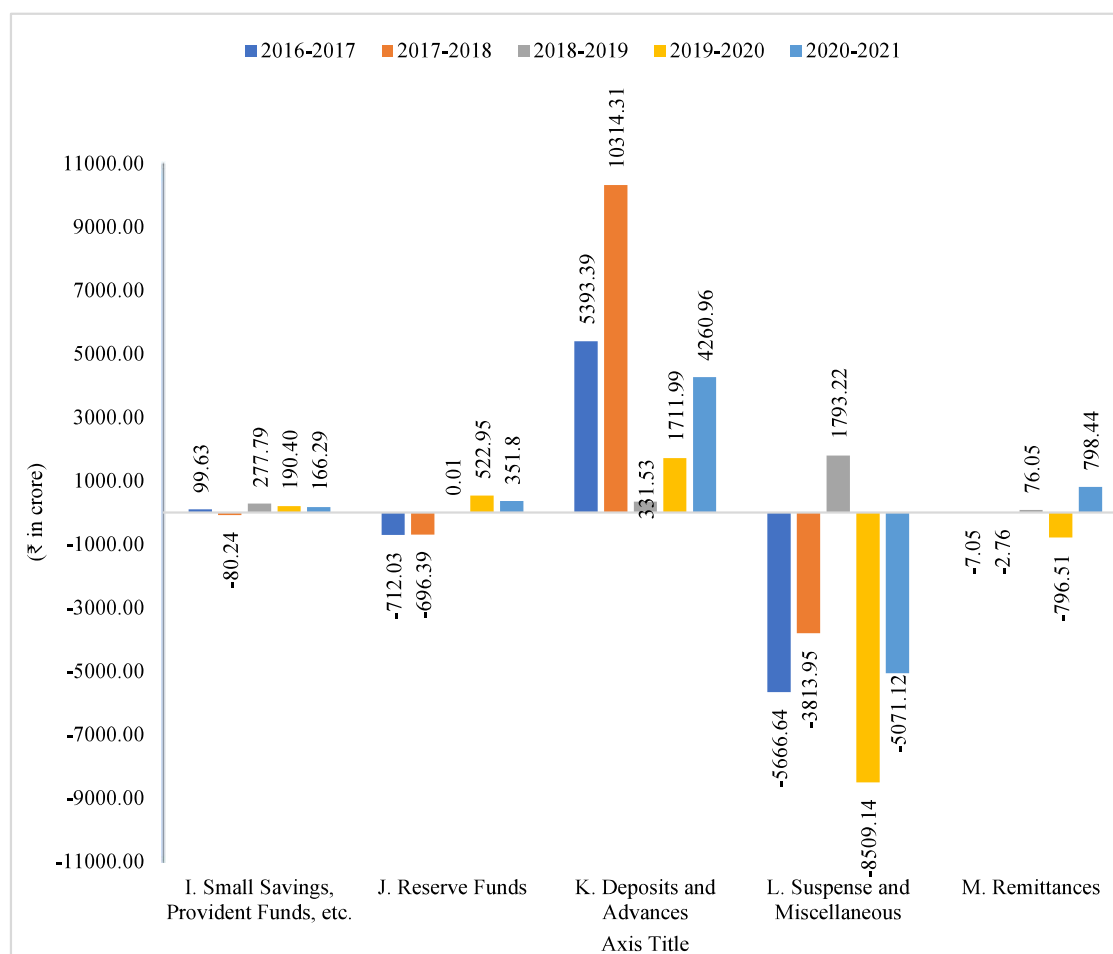
Note: (+ve) denotes debit balance and (-ve) denotes credit balances.

(Source: Finance Accounts of the respective years)

From the above table, it can be seen that during the year 2020-21, net Public Account receipts of ₹ 506.37 crore contributed to the total resources of the State. The major source of net Public Account receipts was Deposit Fund (₹ 4,260.96 crore) under the purview of Public Accounts.

The outstanding cash balance of the Public Account has increased due to negative balances under suspense and miscellaneous funds particularly shown in the suspense account (civil). Negative figures could not be taken to the final head of expenditure or receipts due to the non-availability of vouchers. Office of the PAG (A&E) has made an objection to vouchers amounting to ₹ 4,548.13 crore, and this is excluded from total expenditure.

During 2020-21, the State Government received ₹ 0.12 crore interest receipt against ₹ 522.95 crore for credit to the CAMPA Fund under reserve funds bearing interest. The State Government did not incur any expenditure out of the fund. Yearly changes in the composition of Public Account balances are depicted in **Chart 2.13**.

**Chart 2.13: Yearly changes in the composition of Public Account balances**

(Source: Finance Accounts of the respective years)

## 2.5.2 Reserve Funds

Reserve Funds are created for specific and defined purposes under the Public Account of the State Government. These funds are met from contributions or grants from the Consolidated Fund of the State.

As per the Finance Accounts, the State Government has nine active Reserve Funds (three interest-bearing and six non-interest bearing) at the beginning of the financial year. The total accumulated balance, at the end of 31 March 2021 was ₹ 901.07 crore under interest-bearing Reserve Funds.

Further, Reserve Funds valued at ₹ 26.32 crore as on 31.03.2020, which have not been operated since 2001-02 were transferred to the Consolidated Fund of the State during 2020-21.

### 2.5.2.1 Consolidated Sinking Fund (CSF)

The 12<sup>th</sup> Finance Commission had recommended that States should set up sinking funds for amortisation of all loans including loans from banks, liabilities on account on national small savings fund, etc., and that these funds should not be used for any other purpose, except for the redemption of loans. The guidelines of the Reserve Bank of India (RBI), which is responsible for administering the fund, stipulate a minimum annual contribution of

0.5 per cent of outstanding liabilities at the beginning of the year towards this fund. Further, the entire fund is invested by RBI and the details of investment are given in Statement-22 of Finance Accounts.

The State Government set up a Consolidated Sinking Fund in 2008-09, which was only for amortisation of market loans and from 2014-15, it was to be utilised for redemption of the outstanding liabilities of the Government. However, it has not been utilised since its inception. The closing balance of the fund as on 31 March 2021 was ₹ 5,996.23 crore in which accrued interest as on 31 March 2021 was ₹ 256.11 crore. Due to Covid-19 epidemic, State Government, decided not to contribute to Consolidated Sinking Fund during 2020-21.

#### **2.5.2.2 State Disaster Response Fund**

The GoI replaced the erstwhile Calamity Relief Fund with the State Disaster Response Fund (SDRF) with effect from 1 April 2010. In terms of the guidelines of the Fund, the Centre and States are required to contribute to the Fund in a certain proportion. The contributions are to be transferred to the Public Account to Major Head – 8121 and expenditure incurred by operating Major Head – 2245.

The State Governments are required to pay interest to the SDRF at the rate applicable to overdrafts under overdraft Regulation Guidelines of the RBI. The interest is to be credited on a half-yearly basis. The accretions to the SDRF together with the income earned on the investment of SDRF are to be invested in Central Government dated Securities, auctioned Treasury Bills and other interest-earning deposits with Scheduled Commercial Banks.

The SDRF is to be used only for meeting the expenditure for providing immediate relief to the victims of a disaster and the provision for disaster preparedness, restoration, reconstruction and mitigation should not be a part of SDRF. Such expenditure has to be built into the normal budgetary heads/ State Plan Funds, etc.

During the year 2020-21, Central Government contributed ₹ 1,416 crore and State Government contributed ₹ 472 crore to SDRF. Grants from National Disaster Response Fund (NDRF) amounting to ₹ 553.17 crore were also received. Total funds in SDRF amounted to ₹ 2,441.17 crore (including Opening Balance of ₹ 73,850/- only). Out of this Fund, State Government incurred an expenditure of ₹ 2,063.18 crore during the year leaving a balance of ₹ 378 crore as on 31 March 2021.

State Government incurred expenditure of ₹ 2,063.18 crore (under MH 2245-05) towards different entities for immediate repair and restoration of power supply, water supply and other infrastructure. The expenditure was booked under SDRF for 2020-21 against which Utilisation Certificates are yet to be obtained so as to provide assurance that the money was actually been utilised fully and the expenditure was on permitted activities.

#### **2.5.2.3 Guarantee Redemption Fund**

State Government constitutes ‘Guarantee Redemption Fund’ for meeting the payment obligations arising out of the guarantees issued by the Government in respect of bonds issued and other borrowings by the State Public Sector Undertakings or other Bodies and invoked by the beneficiaries. The accumulations in the Fund are to be utilised only towards payment of the guarantees issued by the Government and not paid by the institutions on whose behalf the guarantee was issued.



The State Government has neither created a Guarantee Redemption Fund in terms of the recommendations of the 12<sup>th</sup> Finance Commission nor framed any rules for fixing a ceiling on guarantees.

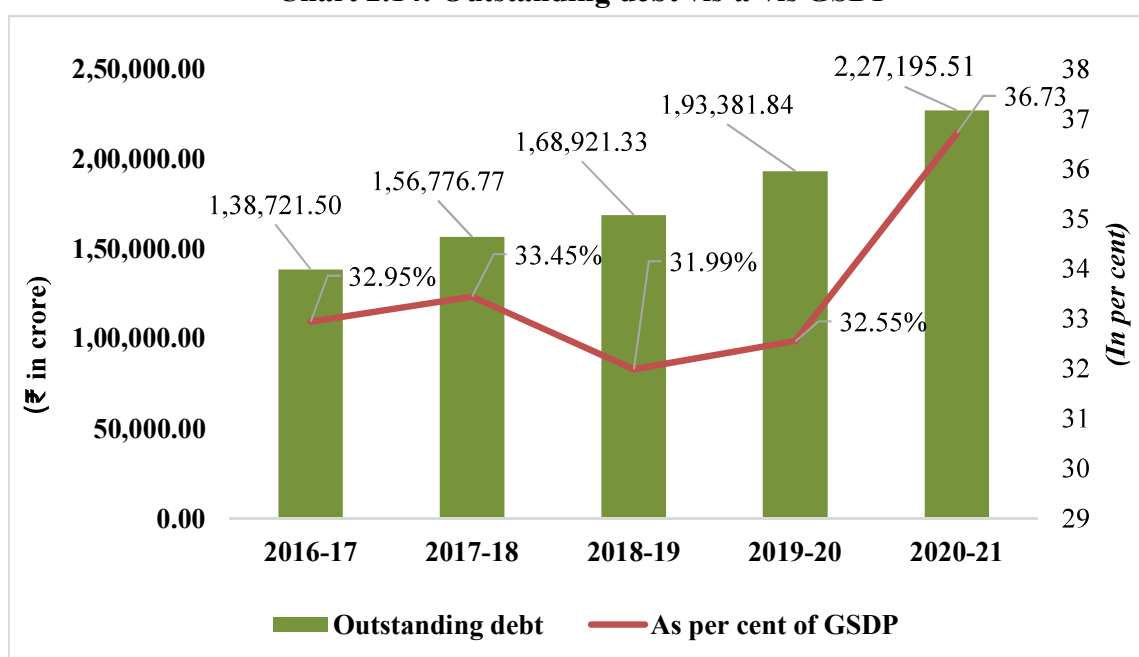
The State Government was required to contribute an amount equivalent to at least 0.5 *per cent* of the outstanding guarantees at the end of the second financial year preceding the current financial year as reflected in the books of accounts maintained by the office of the Principal Accountant General (A&E). As such, the State Government did not make a minimum annual contribution of ₹ 27.42 crore (0.5 *per cent* of outstanding guarantees of ₹ 5,484.55 crore at the beginning of the year 2020-21) in terms of those recommendations. The funds are to be invested by the RBI.

## 2.6 Debt management

Debt management is the process of establishing and executing a strategy for managing the Government's debt in order to raise the required amount of funding, achieve its risk and cost objectives, and meet any other sovereign debt management goals that the Government may have set through enactment or any other annual budget announcements.

Outstanding Debt of the State Government (Internal Debt, Loans and Advances from GoI and Public Account Liabilities) as on 31 March 2021 stood at ₹ 2,27,195.49 crore. The Outstanding debt increased by 17.49 *per cent* over the preceding year, at a rate higher than the growth of GSDP (4.14 *per cent*). Out of the ₹ 2,27,195.49 crore of Outstanding debt, ₹ 39,359.93 crore carried no interest obligations (Deposits not bearing interest ₹ 39,359.92 crore and Reserve Fund not bearing interest ₹ 0.01 crore), of which ₹ 24,864.64 crore of Cash Balance was available with the State Government. An abstract of liabilities and assets as on 31 March 2021 compared with the corresponding position of last year is given in **Table 1.4** Trend analysis of outstanding debt of the State is depicted in **Chart 2.14**.

**Chart 2.14: Outstanding debt vis-à-vis GSDP**



(Source: Finance Accounts & MoSPI of the respective years)

### 2.6.1 Debt profile: Components

Total debt of the State Government typically constitutes of Internal debt of the State (market loans, ways and means advances from RBI, special securities issued to National Small Savings Fund and loans from financial institutions, etc.), loans and advances from the Central Government, and Public Account.

**Table 2.33: Component wise Debt trends**

(₹ in crore)

		2016-17	2017-18	2018-19	2019-20	2020-21
<b>Outstanding Overall Debt</b>		<b>1,38,721.50</b>	<b>1,56,776.77</b>	<b>1,68,921.33</b>	<b>1,93,381.85</b>	<b>2,27,195.51</b>
Public Debt	Internal Debt	96,595	1,04,524.76	1,14,359.69	1,36,082.09	1,59,557.50
	Loans from GoI	9,595.81	10,181.92	11,785.37	12,098.16	17,657.35
Liabilities on Public Account		32,530.69	42,070.09	42,776.27	45,201.60	49,980.66
Rate of growth of outstanding Overall debt (percentage)		18.99	13.02	7.75	14.48	17.49
Gross State Domestic Product (GSDP)		4,21,051	4,68,746	5,27,976	5,94,016	6,18,628
Debt/GSDP ( <i>per cent</i> )		32.95	33.45	31.99	32.55	36.09 <sup>#</sup>
Total Debt Receipts		72,845.19	59,412.45	73,806.02	94,193.12	1,08,432.31
Total Debt Repayments		50,701.29	41,357.18	61,661.46	69,732.59	74,618.65
Total Debt Available		22,143.90	18,055.27	12,144.56	24,460.53	33,813.64
Debt Repayments/Debt Receipts (percentage)		69.60	69.61	83.55	74.03	68.82

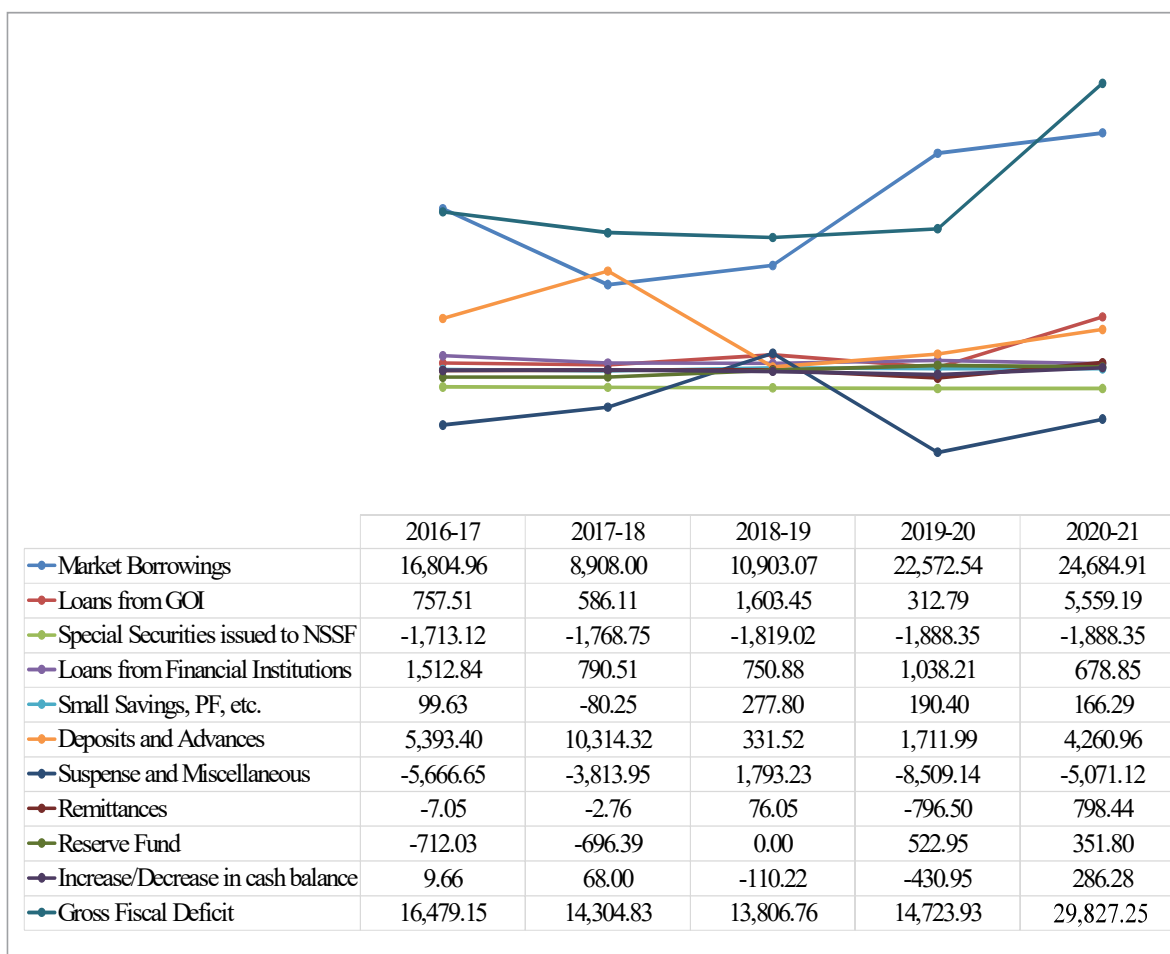
(Source: Finance Accounts & data from MoSPI)

<sup>#</sup> The Debt to GSDP ratio as per the Finance Accounts is 36.73 per cent. However, the effective debt to GSDP ratio has been arrived at after exclusion of GST compensation of ₹ 3,905 crore received as back to back loan under debt receipts from the outstanding overall debt.

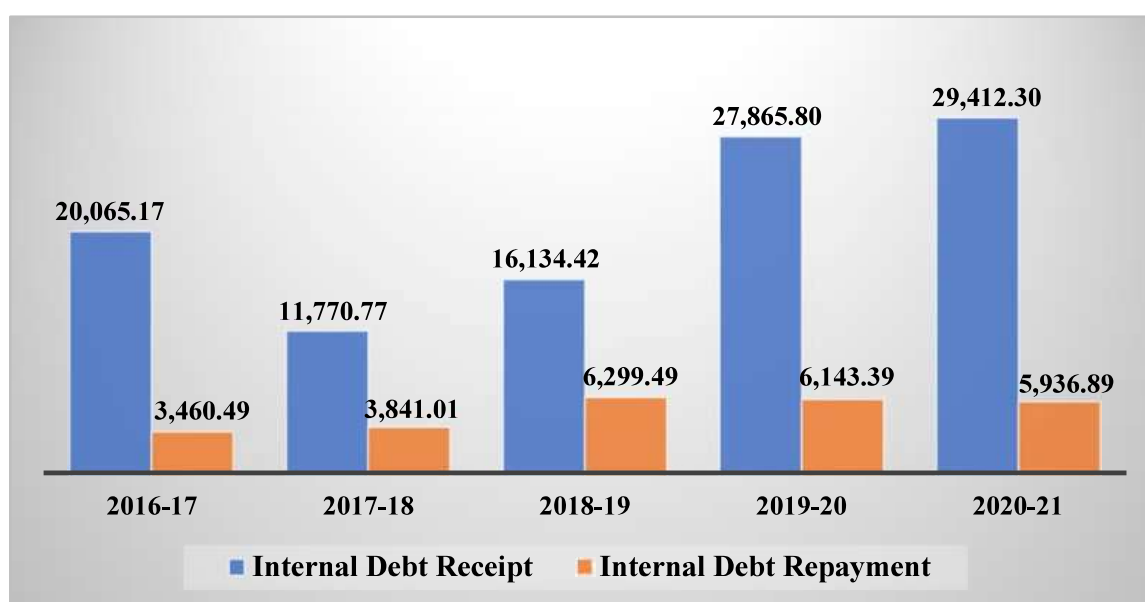
The effective outstanding overall debt would be ₹ 2,23,290.51 crore as the Department of Expenditure, GoI has decided that GST compensation of ₹ 3,905 crore given to the State as back to back loan under debt receipts would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission

From the above table it can be seen that:

- The outstanding debt to GSDP ratio ranged from 31.99 *per cent* to 36.09 *per cent* during 2016-21. The State's overall debt has been increasing for the last five years. The major component was internal debt (70 *per cent*) which includes market borrowings.
- The debt to GSDP ratio was not formulated in BFRBM 2020, whereas indicative debt path of the State with respect to GSDP has been defined (41.2 *per cent*) in XV<sup>th</sup> Finance Commission Report. The State's ratio was within the FC limit.
- The outstanding liabilities of Public Account have also increased from the previous year which was 8.08 *per cent* of GSDP and 21.99 *per cent* of outstanding overall debt.
- The outstanding overall debt was growing at the rate of 17.49 *per cent*. During 2020-21, the State suffered a revenue deficit for the 2<sup>nd</sup> time since 2004-05 and this has been compensated from Public debt.

**Chart 2.15: Component wise Debt trends**(**₹ in crore**)

(Source: Finance Accounts of the respective years)

**Chart 2.16: Internal debt taken vis-a-vis repaid**(**₹ in crore**)

(Source: Finance Accounts of the respective years)

**Table 2.34: Components of fiscal deficit and its financing pattern**

(₹ in crore)

Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
<b>Composition of Fiscal Deficit</b>					
1 Revenue Surplus (+)/ Deficit (-)	10,819.81	14,823.01	6,896.65	(-)1,784.13	(-)11,325.11
2 Net Capital Expenditure	27,208.40	28,906.95	21,058.25	12,303.90	18,208.60
3 Net Loans and Advances	90.56	220.90	(-)354.84	635.90	293.54
<b>Financing Pattern of Fiscal Deficit</b>					
1 Market Borrowings	16,804.96	8,908.00	10,903.07	22,572.54	24,684.91
2 Loans from GoI	757.51	586.11	1,603.45	312.79	5,559.19
3 Special Securities issued to NSSF	(-)1,713.12	(-)1,768.75	(-)1,819.02	(-)1,888.35	(-)1,888.35
4 Loans from Financial Institutions	1,512.84	790.51	750.88	1,038.22	678.85
5 Small Savings, PF, etc.	99.63	(-)80.25	277.80	190.40	166.29
6 Deposits and Advances	5,393.40	10,314.32	331.52	1,711.99	4,260.96
7 Suspense and Miscellaneous	(-)5,666.65	(-)3,813.95	1,793.23	(-)8,509.14	(-)5,071.12
8 Remittances	(-)7.05	(-)2.76	76.05	(-)796.50	798.44
9 Reserve Fund	(-)712.03	(-)696.39	0	522.95	351.80
10 Overall Deficit	16,469.49	14,236.84	13,916.98	15,154.90	29,540.96
11 Increase/Decrease in cash balance	9.66	68	(-)110.22	(-)430.95	286.28
12 Fiscal Deficit	16,479.15	14,304.83	13,806.76	14,723.93	29,827.25

(Source: Finance Accounts of the respective years)

The fiscal deficit target and annual borrowing limit for the year 2020-21 shall be increased by two *per cent* over and above the limit prescribed in sub-section 2(b)(1) of section 9 of the BFRM Act, 2006 (Amendment 2021) through Bihar (Extraordinary) Gazette notification dated 31 March 2021. Fiscal Deficit (FD), both in quantitative terms and in comparison, to GSDP was 4.82 *per cent* which was within XV<sup>th</sup> FC prescribed ceiling of 5.00 *per cent*. In the Budget estimates, target for FD was set as 2.97 *per cent*. During 2020-21, Capital expenditure registered a 47.99 *per cent* increase compared to the previous year indicating that the creation of productive assets from the FD was relatively much higher in the current year.

## 2.6.2 Debt profile: Maturity and Repayment

Debt maturity and repayment profile indicate a commitment on the part of the Government for debt repayment or debt servicing.

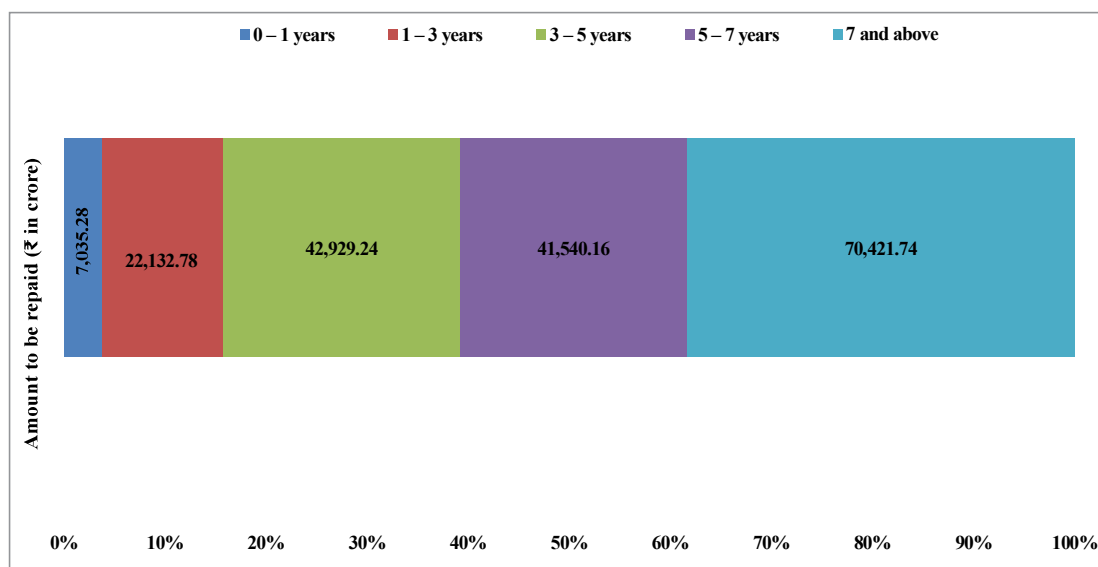
**Table 2.35: Debt Maturity profile of repayment of State debt**

Period of repayment (Years)	Amount (₹ in crore)	Percentage (w.r.t. Public debt)
0 – 1	7,035.28	3.82
1 – 3	22,132.78	12.02
3 – 5	42,929.24	23.32
5 – 7	41,540.16	22.57
7 and above	70,421.74	38.26
<b>Total</b>	<b>1,84,059.20</b>	<b>100.00</b>

(Source: Finance Accounts for the year 2020-21)

From the above table, it can be noticed that more than 60 *per cent* of the State's debt is due for five and above years. The maturity profile of the States debt indicates a year-on-year increase in its repayment burden. The debt maturity profile is depicted in **Chart 2.17**.

Chart 2.17: Debt Maturity Profile



(Source: Finance Accounts for the year 2020-21)

From the debt maturity profile shown above, it is clear that an amount of ₹ 72,097.30 crore is getting due during next five years, and the Government has to make provisions for repayment of the same accordingly.

## 2.7 Debt Sustainability Analysis (DSA)

Debt sustainability indicates the ability of the State to service its debts in the future. Apart from the magnitude of debt of the State Government, it is important to analyse various indicators that determine the debt sustainability of the State. **Table 2.36** presents indicators of debt sustainability for the period 2016-21.

Table 2.36: Trends in debt Sustainability indicators

(₹ in crore)

Debt Sustainability Indicators	2016-17	2017-18	2018-19	2019-20	2020-21
Outstanding Public Debt*	1,06,190.81	1,14,706.68	1,26,145.06	1,48,180.25	1,77,214.85
Rate of Growth of Outstanding Public Debt	19.55	8.02	9.97	17.47	19.59
GSDP	4,21,051	4,68,746	5,27,976	5,94,016	6,18,628
Rate of Growth of GSDP	13.31	11.33	12.64	12.51	4.14
Debt/GSDP	25.22	24.47	23.89	24.95	28.65
The debt Maturity profile of repayment of State debt – including default history, if any	4,214.57	4,653.55	7,229.82	7,109.83	6,880.47
Average interest Rate of Outstanding Public Debt ( <i>per cent</i> )	7.67	7.73	7.68	7.58	7.67
Percentage of Interest payment to Revenue Receipt	7.09	7.27	7.02	8.37	9.74
Percentage of Debt Repayment to Debt Receipt	19.53	35.34	38.73	24.39	19.16
Net Debt available to the State#	9,881.42	(-)24.97	2,190.02	11,631.63	17,446.64
Net Debt available as <i>per cent</i> to Debt Receipts	45.80	(-)0.19	11.73	39.91	48.58
Interest Spread	5.64	3.6	4.96	4.93	(-)3.53

Debt Sustainability Indicators	2016-17	2017-18	2018-19	2019-20	2020-21
Quantum Spread	5,989.16	4,129.44	6,256.79	7,305.29	(-)6,255.68
Primary Deficit	(-)8,288	(-)5,251	(-)3,736	(-)3,733	(-)17,343
Debt Stabilisation (Quantum spread + Primary Deficit)	(-)2,298.84	(-)1,121.56	2,520.79	3,572.29	(-)23,598.68

(Source: Finance Accounts of the respective years)

\* Outstanding Public Debt is the sum of outstanding balances under the heads 6003-Internal Debt and 6004- Loans and Advances from the Central Government.

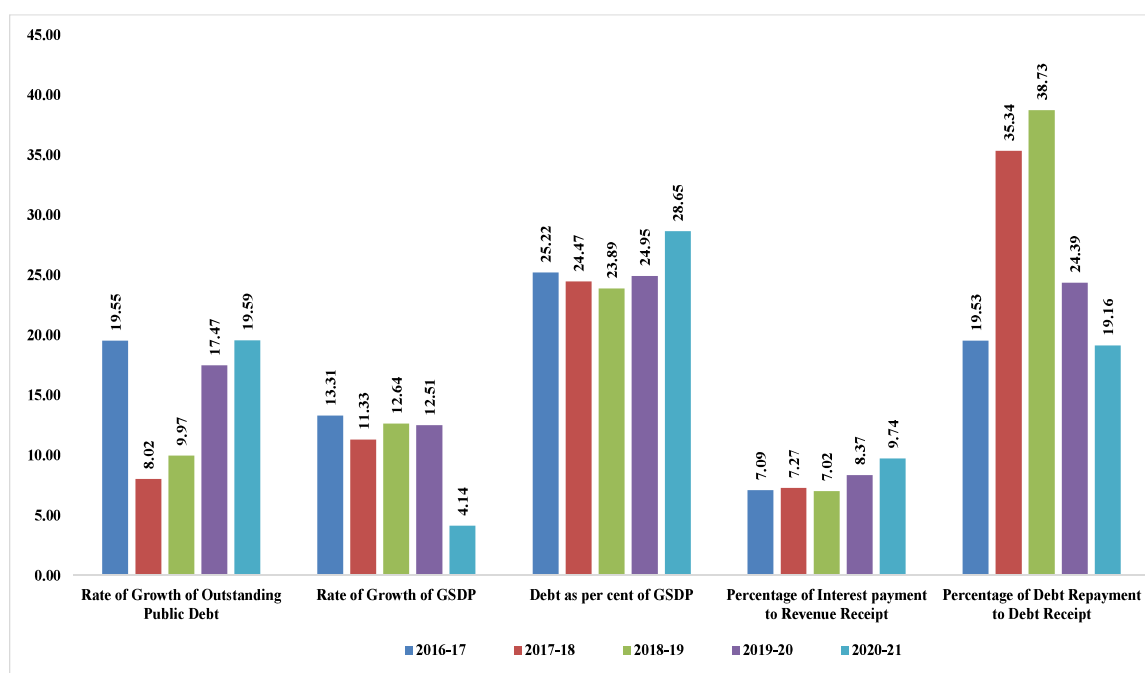
# Net debt available to the State Government is calculated as the excess of Public debt receipts over Public debt repayment and interest payment on Public Debt.

A necessary condition for stability is that if the rate of growth of the economy exceeds the interest rate or cost of public borrowings, the debt-GSDP ratio is likely to be stable provided primary balances are either zero or positive or are moderately negative. Given the Interest Spread (GSDP growth – interest rate) and Quantum Spread (Debt x Interest spread), debt sustainability condition states that if quantum spread together with primary deficit is zero, the debt-GSDP ratio would be constant, or debt would stabilise eventually. On the other hand, if primary deficit together with quantum spread turns out to be negative, debt-GSDP ratio would be rising and in case it is positive, the debt-GSDP ratio would eventually be falling.

It can be seen from **Table 2.36** that during the last five years, except for 2020-21, in all the four years rate of growth of the economy (rate of growth of GSDP) exceeded the interest rate or cost of public borrowings. However, primary balances (primary deficit) remained negative resulting in non-fulfilment of the necessary condition of debt stabilisation.

The primary deficit, the sum of Quantum Spread and the Primary Deficit and Public debt to GSDP ratio were highest in 2020-21, which is a matter of concern. If the quantum spread vis-à-vis primary deficit continues to be negative, it might result in debt un-stabilisation in the ensuing years. Details of trends of debt sustainability indicators are depicted in **Chart 2.18**.

**Chart 2.18: Trends of Debt Sustainability indicators**



(Source: Finance Accounts of the respective years)



Above chart reveals that the percentage of debt repayment to debt receipt has been decreasing from the previous year which indicates that the State has more debt fund at its disposal and this liquidity of the fund could be utilised for other purposes. The growth rate of public debt is higher than the growth rate of GSDP during the year.

### 2.7.1 Utilisation of borrowed funds

Borrowed funds should ideally be used to fund capital creation and developmental activities. Using borrowed funds for meeting current consumption and repayment of interest on outstanding loans is not sustainable. Utilisation of borrowed funds is shown in **Table 2.37** below:

**Table 2.37: Utilisation of borrowed funds**

(₹ in crore)

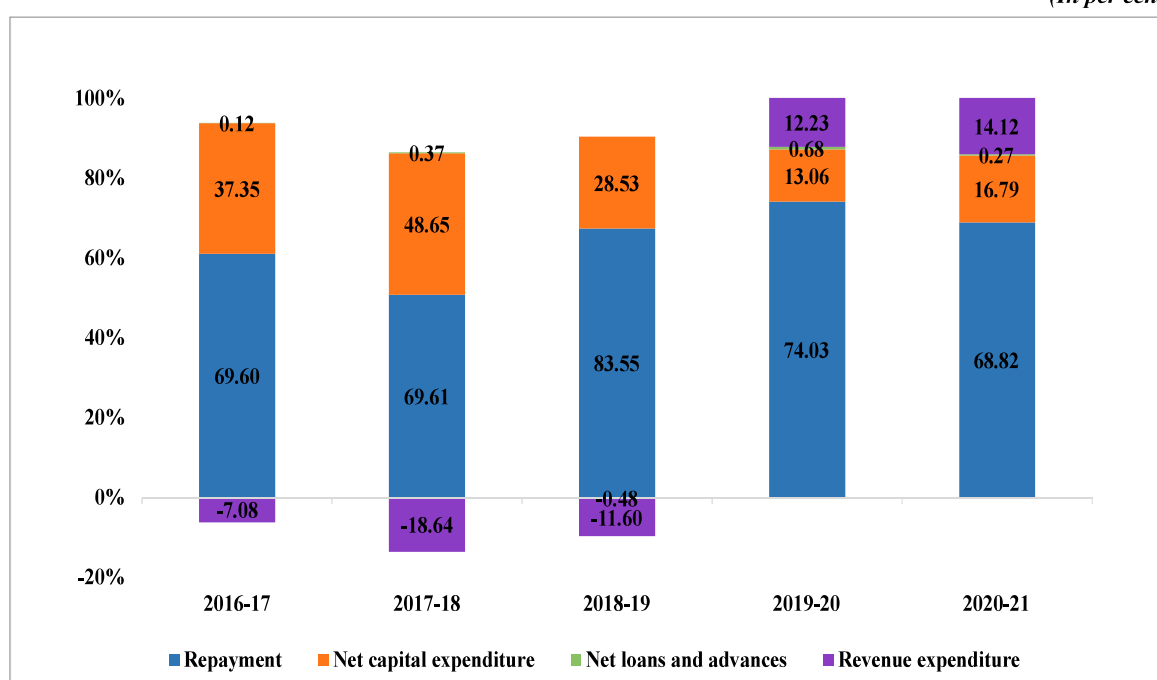
Year		2016-17	2017-18	2018-19	2019-20	2020-21
Total Borrowings	2	72,845.19	59,412.45	73,806.02	94,193.12	1,08,432.31
Repayment of earlier borrowings (Principal)	3	50,701.29	41,357.18	61,661.46	69,732.59	74,618.65
Net capital expenditure	4	27,208.40	28,906.95	21,058.25	12,303.90	18,208.60
Net loans and advances	5	90.56	220.90	(-)354.84	635.90	293.54
Portion of Revenue expenditure met out of net available borrowings	6 = 2-3-4-5	(-) 5,155.06	(-)11,072.58	(-) 8,558.85	11,520.73	15,311.52

(Source: Finance Accounts of the respective years)

From the above table, it can be seen that the State's major part of total borrowings has been spent for repayment of earlier borrowings and on capital expenditure but during 2020-21, an amount of ₹ 15,311.52 crore has been spent on revenue expenditure met out of net available borrowings. Trends of utilisation of borrowed funds are depicted in **Chart 2.19**.

**Chart 2.19: Trends of Utilisation of borrowed funds**

(In per cent)



(Source: Finance Accounts of the respective years)

It is evident from **Chart 2.19**, that more than 68 *per cent* of the State debt is being spent for repayment of previous debts for the last five years. This leaves little room for utilisation of borrowed funds for capital expenditure. The graph shows a reducing trend of using borrowed funds for capital expenditure, though there was a slight increase in 2020-21 as compared to 2019-20. For the year 2020-21, 14.12 *per cent* of the borrowed funds has been utilised as revenue expenditure in light of the State's revenue deficit.

### 2.7.2 Status of Guarantees – Contingent Liabilities

Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee has been extended. The State Governments have come out with legislations or instructions with regard to the cap on the guarantees. For instance, in some States, the Government guarantees are to be restricted to a certain percentage of the State's Tax and Non-Tax Revenue of the second preceding year. Guarantees given by the GoB are shown in **Table 2.38**.

**Table 2.38: Guarantees given by the State Government**

(₹ in crore)

Guarantees	2016-17	2017-18	2018-19	2019-20	2020-21
Ceiling applicable to the outstanding amount of guarantees including interest (Criteria)	13,459.21	20,581.52	21,181.52	21,181.52	25,113.74
Outstanding amount of guarantees including interest	4,637.62	5,271.70	5,501.86	5,484.56	16,407.71

(Source: Finance Accounts of the respective years)

The composition of the outstanding amount guaranteed was towards power (₹ 10,435.04 crore), co-operatives (₹ 1,882.87 crore), Bihar State Food and Civil Supplies Corporation (₹ 4,027.62 crore), Bihar State Financial Corporation (₹ 29.97 crore), Bihar State Backward Class Finance and Development Corporation (₹ 31.61 crore) and others (₹ 0.60 crore).

In order to enable PSUs to obtain financial assistance from banks and financial institutions, the State government gives a guarantee subject to limits prescribed by the Constitution of India. A guarantee fee is charged for extending such types of guarantee. PSUs are liable to pay a guarantee fee at 1/8 *per cent* annually on the guarantee amount of more than ₹ 10 lakh. There was no clause in the guarantee deed for the recovery of the guarantee fee. GoB also did not claim the guarantee fee from the PSUs. However, a guarantee fee amounting to ₹ 4.25 crore was received from only one company (Bihar State Food and Civil Supplies Corporation) in 2020-21.

### 2.7.3 Management of Cash Balances

As per an agreement with the Reserve Bank of India, State Governments have to maintain a minimum daily cash balance of ₹ 1.73 crore with the Bank. If the balance falls below the agreed minimum on any day, the deficiency is made good by taking ordinary Ways and Means Advances (WMA)/Special Ways and Means Advances (SWMA)/Overdrafts (OD) from time to time. The limit for ordinary WMA to the State Government is revised by the RBI from time to time. From 1 April 2006, the limit was restricted to ₹ 425.00 crore.

State Government invests its surplus cash balance in short and long-term GoI Securities and Treasury Bills. The profits derived from such investments are credited as receipts under the head '0049-Interest Receipts'. The cash balances are invested in the Consolidated Sinking Fund and Guarantee-redemption Fund as well.

It is not desirable that State Government take recourse to market loans despite having large cash balances leading to further accretion to cash balances without putting it to productive use. Details of Cash Balances and their investment and Cash Balance Investment Accounts are shown in **Table 2.39** and **2.40** respectively.

**Table 2.39: Cash Balances and their investment**

(₹ in crore)

	Opening balance on 1 April 2020	Closing balance on 31 March 2021
<b>A. General Cash Balance</b>		
Cash in treasuries	-	-
Deposits with Reserve Bank of India	588.07	301.79
Deposits with other Banks	-	-
Remittances in transit – Local	-	-
Investments held in Cash Balance investment account	17,588.74	17,826.65
<b>Total (A)</b>	<b>18,176.81</b>	<b>18,128.44</b>
<b>B. Other Cash Balances and Investments</b>		
Cash with departmental officers viz., Public Works, Forest Officers	234.65	234.65
Permanent advances for contingent expenditure with department officers	760.97	761.43
Investment in earmarked funds	5,740.22	5,740.12
<b>Total (B)</b>	<b>6,735.84</b>	<b>6,736.20</b>
<b>Total (A + B)</b>	<b>24,912.65</b>	<b>24,864.64</b>
<b>Interest realised</b>	<b>938.84</b>	<b>174.57</b>

(Source: Finance Accounts for the year 2020-21)

This indicates that the State has maintained a large Cash Balance on regular basis, while being a fiscal deficit State at the same time.

- The balance under the head "Deposit with RBI" is arrived after taking into account the Inter-Government monetary settlement pertaining to transactions of the financial year 2020-21 advised to the RBI till 11 April 2021.
- The Government invested cash balances amounting to ₹ 17,822.00 crore in securities of GoI and ₹ 4.65 crore in securities of other States. On these investments, the Government earned interest of ₹ 174.57 crore during the year.
- The Govt. has maintained the cash balance without taking any advances throughout the financial year 2020-21 and it decreased by ₹ 286.28 crore from the previous year.

Details of Cash Balance Investment Account from 2016-17 to 2020-21 are depicted in **Table 2.40**.

**Table 2.40: Cash Balance Investment Account (Major Head-8673)**

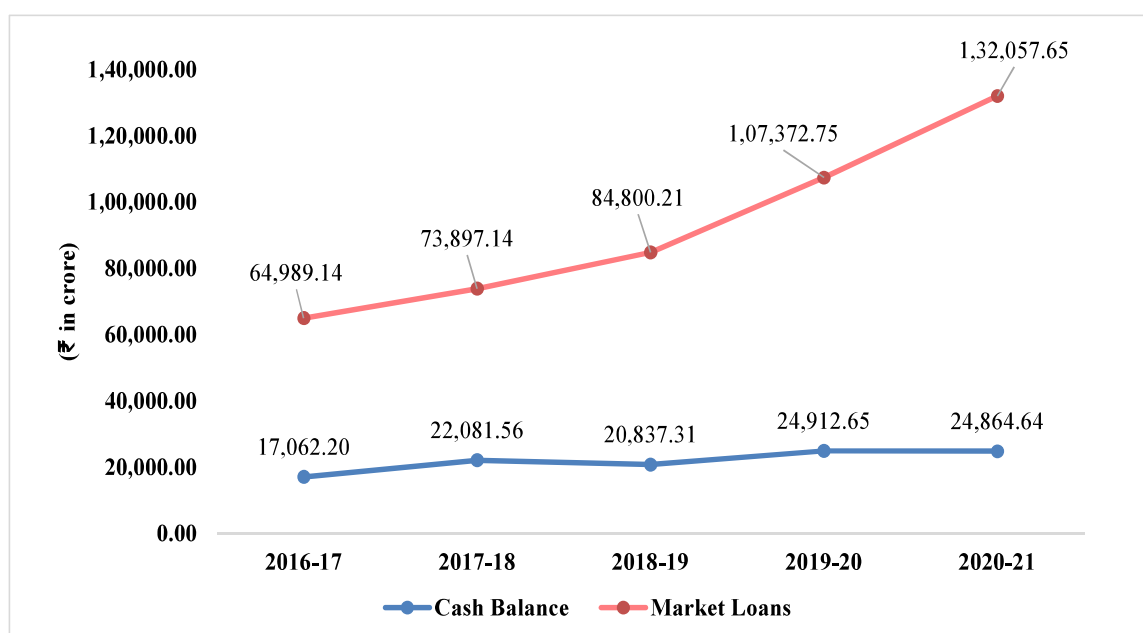
(₹ in crore)

Year	Opening Balance	Closing Balance	Increase (+)/ decrease (-)	Interest earned
2016-17	8,199.24	13,001.71	4,802.47	804.44
2017-18	13,001.71	17,395.63	4,393.92	799.82
2018-19	17,395.63	14,791.80	(-)2,603.83	909.08
2019-20	14,791.80	17,588.74	2,796.94	938.84
2020-21	17,588.74	17,826.65	237.91	174.57

(Source: Finance Accounts of the respective years)

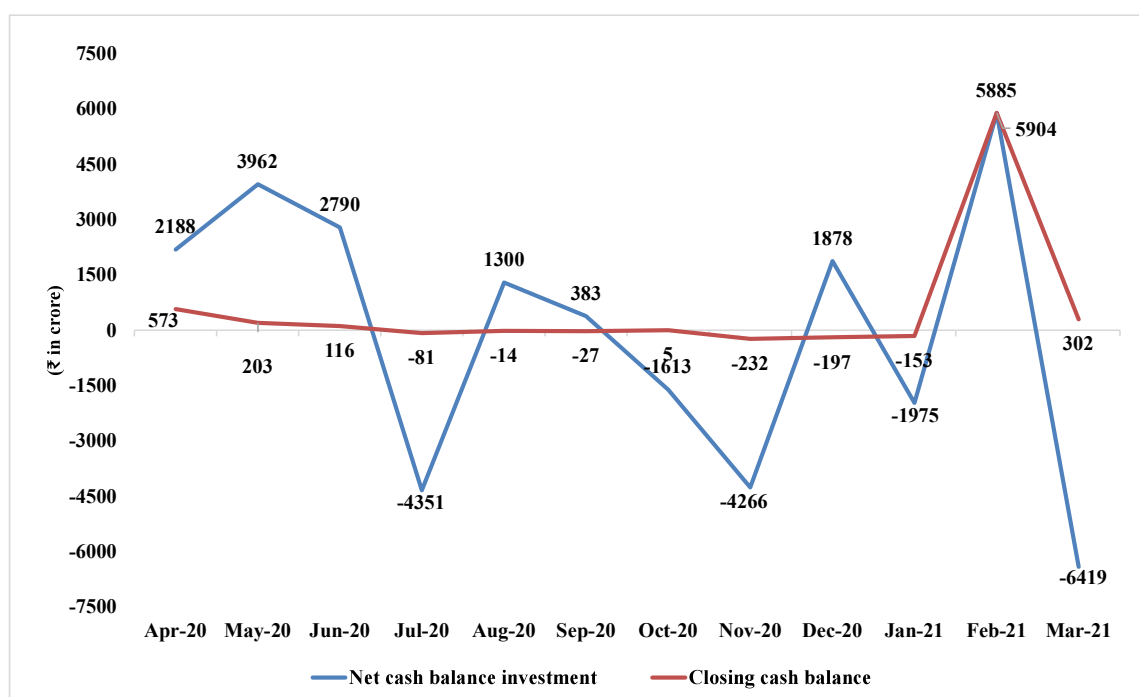
- Trend analysis of the cash balance investment of the State during 2016-21 revealed that investment increased significantly in 2020-21 and stood at 9.56 per cent of the Budget Estimates (Receipt).
- Market loans were taken at higher interest rates whereas investment in treasury bills yielded interests at lower rates. Investment in securities was realized before maturity was the reason of less interest earned during the year.

Year-wise Market loan raised vis-à-vis cash balance available in the cash balance investment account for the year 2016-17 to 2020-21 is compared in **Chart 2.20**.

**Chart 2.20: Market loans vis-à-vis Cash Balance**

(Source: Finance Accounts of the respective years)

The Government took recourse to market loans despite having a closing balance of ₹ 17,826.65 crore in the Cash Balance investment account. The market loan for this year was ₹ 24,684.91 crore. It is worth mentioning that the amount in Cash Balance Investment Account is cumulative. Month-wise cash balance available vis-à-vis cash balance invested in cash balance investment account is shown in **Chart 2.21**.

**Chart 2.21: Month wise movement of Cash Balances and net cash balance investments during the year**

(Source: Monthly Civil Accounts for the year 2020-21)

The chart above shows that the closing cash balances were almost uniform throughout the year but in the month of February they were the highest due to the fact that the majority of funds from GoI (70 *per cent*) had come in this period. Further, March 2021 also shows that State has been debiting the cash balance investment accounts in this period owing to surplus cash.

## 2.8 Conclusion

Deficit indicators, revenue augmentation and expenditure management are major yardsticks for judging the fiscal performance of the Government.

Positive indicators	Negative indicators
Fiscal Deficit was well within the limit of the XV <sup>th</sup> FC projection	Increase in Primary Deficit
The State's own resources (tax and non-tax revenue) have slightly increased.	Increasing debt to GSDP ratio beyond FRBM Act ceiling.
Grants-in-aid from the Government of India have increased.	Worsening debt sustainability indicators
Investment in sinking fund investment account has been increased.	Non-creation of Guarantee Redemption Fund.
	Increasing committed expenditure
	Holding of Cash Balances

## 2.9 Recommendations

The Finance Department should review

- The budget preparation exercise, so that the persisting gap between budget estimates and actual may be bridged.

- Devise a mechanism to ensure that arrears of revenue can be collected expeditiously so that the burden of the State due to fiscal deficit may be mitigated.
- To ensure that employee's deductions are fully deducted, fully matched by government contributions, and fully transferred to NSDL in a timely manner.
- A mechanism should be put in place to ensure the timely completion of projects. The revised estimates of all the incomplete projects should be prepared and approved on priority so as to have a realistic assessment of the funds required to complete these projects.
- That no investment should be made in entities whose financial performance does not even meet the borrowing cost of capital. Similarly, no loans should be extended to entities whose accounts were in arrears.
- To look out for restructuring of loans so that interest payment falls within the budgeted fiscal deficit target.