

Chapter 2

Finances of the State

Chapter 2: Finances of the State

Introduction

This chapter attempts to place the State finances in perspective through an analysis of the key 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

A summary of the State Government's fiscal transactions during 2020-21 *vis-à-vis* previous four years (2016-20) is presented in **Table 2.1**.

Appendix 2.1 shows the abstract of receipts and disbursements of the State Government during 2020-21 *vis-à-vis* the previous year while **Appendix 2.2** presents the time series data on the State Government finances for the five-year period from 2016-17 to 2020-21.

Table 2.1: Summary of fiscal transactions during 2016-21

	(₹ in crore)				
Receipts	2016-17	2017-18	2018-19	2019-20	2020-21
Revenue receipts	9565	11054	11438	11297	10440
Tax revenue	4261	4731	4871	4700	4151
Non-tax revenue	2712	3033	2874	2737	2903
Share of Union Taxes/Duties	2299	2544	2878	2480	2296
Grants from Government of India	293	745	815	1380	1090
Capital Receipts	1528	2013	2534	2704	4590
Miscellaneous Capital Receipts	-	-	-	-	-
Recoveries of Loans and Advances	9	7	5	4	3
Public debt receipts*	1519	2006	2529	2700	4587
Appropriation to Contingency Fund	-	-	-	-	-
Public Account Receipts	11128	13377	13684	12736	12957
Opening Cash Balance					
a) Earmarked Balances	671	762	847	954	1031
b) Cash balance	96	220	149	351	454
Total	22987	27426	28652	28042	29472

*Excluding net transactions under ways and means advances and overdrafts

Disbursements	2016-17	2017-18	2018-19	2019-20	2020-21
Revenue expenditure	8866	10543	11083	11622	12093
General services	2872	3517	3793	3942	4144
Social services	2266	2732	2646	2739	2919
Economic services	2403	2659	2869	3137	3049
Grants-in-aid and contributions	1325	1635	1775	1804	1981
Capital Outlay	1639	2094	2149	1660	1997
General services	204	409	515	300	437
Social services	432	654	763	587	603
Economic services	1003	1031	871	773	957
Loans and Advances disbursed	3	34	3	13	1
Repayment of Public Debt*	468	790	920	1025	751
Appropriation from Contingency Fund	-	-	2	(-)1	#
Public Account Disbursements	11029	12969	13189	12237	12704
Closing Cash Balance					
a) Earmarked Balances	763	848	954	1031	968
b) Cash balance	220	148	352	455	958
Total	22987	27426	28652	28042	29472

(Source: Finance Accounts of the State)

*Excluding net transactions under ways and means advances and overdrafts

#Contingency fund (un-recouped) ₹0.08 crore

Changes in key fiscal aggregates in 2020-21 compared to 2019-20

Revenue Receipts	<ul style="list-style-type: none"> ➤ Revenue receipts decreased by 7.59 per cent. ➤ Own tax receipts decreased by 11.68 per cent. ➤ Own non-tax receipts increased by 6.07 per cent. ➤ State's share of Union taxes and duties decreased by 7.42 per cent. ➤ Grants-in-aid from Government of India decreased by 21.01 per cent.
Revenue Expenditure	<ul style="list-style-type: none"> ➤ Revenue expenditure increased by 4.05 per cent. ➤ Revenue expenditure on General Services increased by 5.10 per cent. ➤ Revenue expenditure on Social Services increased by 4.38 per cent. ➤ Revenue expenditure on Economic Services increased by 2.36 per cent. ➤ Expenditure on grants-in-aid increased by 9.81 per cent.

Capital Expenditure	<ul style="list-style-type: none"> ➤ Capital expenditure increased by 20.30 <i>per cent</i>. ➤ Capital expenditure on General Services increased by 45.67 <i>per cent</i>. ➤ Capital expenditure on Social Services increased by 2.73 <i>per cent</i>. ➤ Capital expenditure on Economic Services increased by 23.80 <i>per cent</i>.
Loans and Advances	<ul style="list-style-type: none"> ➤ Disbursement of loans and advances decreased by ₹ 12 crore. ➤ Recoveries of loans and advances decreased by ₹ one crore.
Public Debt	<ul style="list-style-type: none"> ➤ Public debt receipts increased by 69.90 <i>per cent</i>. ➤ Repayment of public debt decreased by 26.73 <i>per cent</i>.
Public Account	<ul style="list-style-type: none"> ➤ Public account receipts increased by 1.74 <i>per cent</i>. ➤ Disbursement of public account increased by 3.82 <i>per cent</i>.
Cash Balance	➤ Cash Balance increased by ₹ 441 crore (29.70 <i>per cent</i>).

2.2 Sources and application of funds

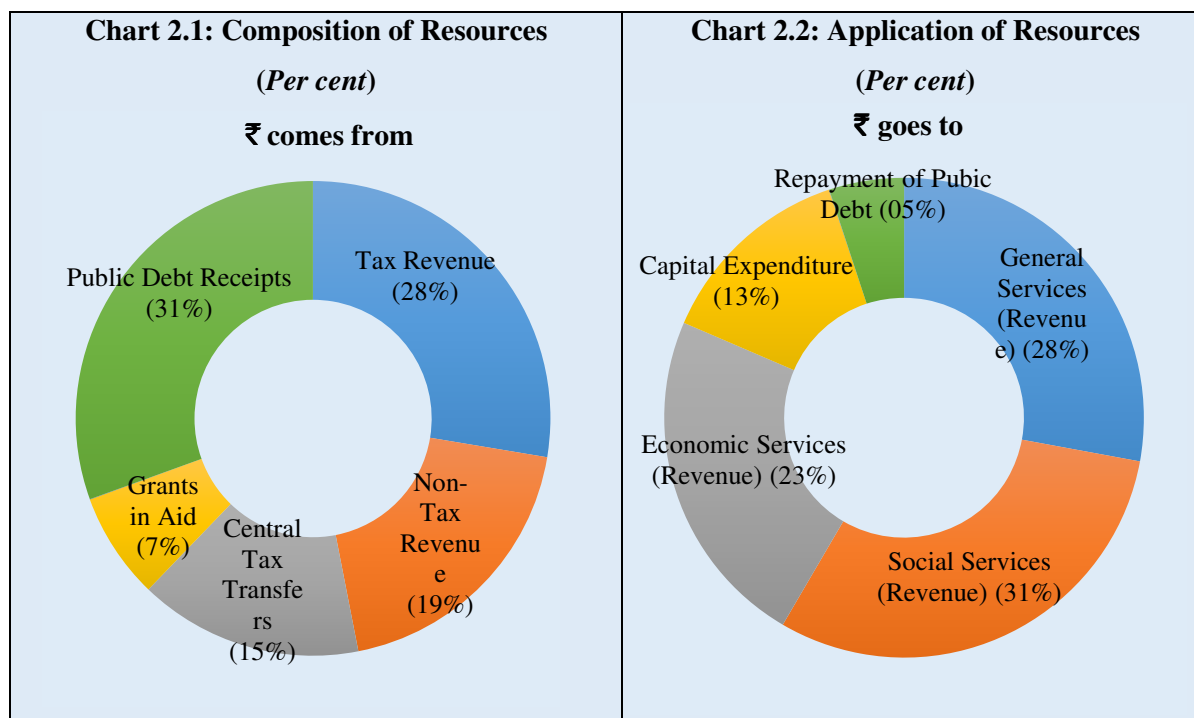
Table 2.2 compares the figures of sources and application of funds of the State during 2020-21 with 2019-20, while Charts 2.1 and 2.2 give the details of receipts into and expenditure from the Consolidated Fund during 2020-21 in percentage.

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 with RBI	1305	1485	(+)180
	Revenue Receipts	11297	10440	(-)857
	Miscellaneous Capital Receipts	Nil	Nil	Nil
	Recoveries of Loans and Advances	04	03	(-)1
	Public Debt Receipts (Net)	1675	3838	(+)2163
	Public Account Receipts (Net)	499	252	(-)247
	Total	14780	16018	1238
Application	Revenue Expenditure	11622	12093	(+)471
	Capital Expenditure	1660	1997	(+)337
	Disbursement of Loans and Advances	13	01	(-)12
	Closing Cash Balance with RBI	1485	1926	(+)441
	Expenditure from contingency fund (un-recouped)	(-)1	(-)0.08	(+)01
	Total	14780	16018	1238

(Source: Finance Accounts of the State)



(Source: Finance Accounts of the State)

Chart 2.1: Percentages have been calculated on total receipts in the Consolidated Fund (₹ 15,030 crore) as shown in Appendix 2.2 (Sl. No. 6)

Chart 2.2: Percentages have been calculated on total disbursement out of Consolidated Fund (₹ 14,843 crore) as shown in Appendix 2.2 (Sl. No. 16)

2.3 Resources of the State

The State's resources comprised of the following:

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

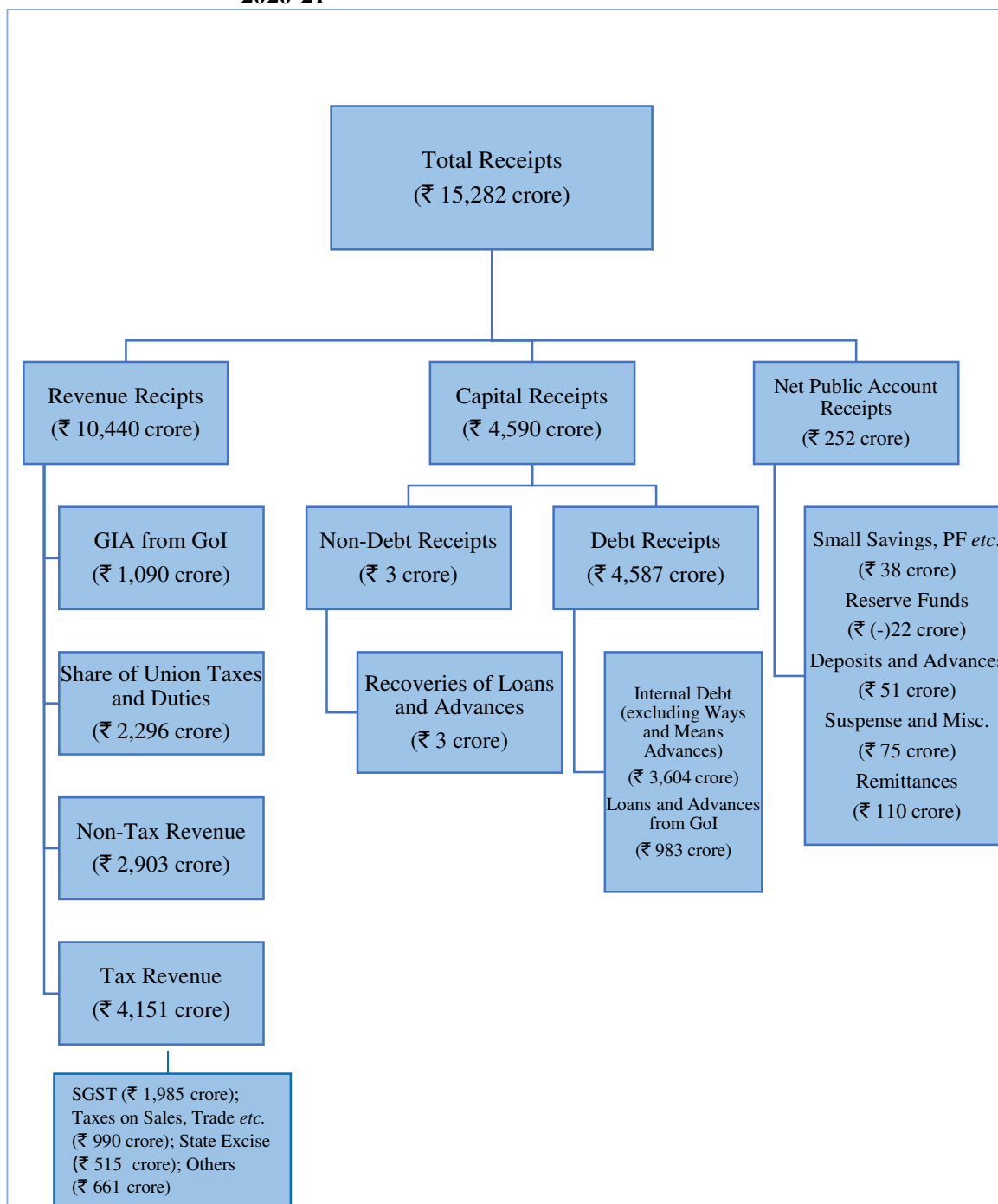
Both revenue and capital receipts form part of the Consolidated Fund of the State.

3. **Net Public Account receipts:** There are receipts and disbursements in respect of certain transactions such as, small savings, provident fund, 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

Revenue receipts and capital receipts are the two streams of receipts that constitute the resources of the State Government. Besides, the funds available in the Public Account after disbursements are also utilised by the Government to finance its deficit. Chart 2.3 shows the components and sub-components of financial resources of the State during 2020-21.

Chart 2.3: Components and sub-components of financial resources during 2020-21



(Source: Finance accounts of the State)

2.3.2 State's revenue receipts

This paragraph gives the trends in total revenue receipts and its components. It is followed by trends in the receipts bifurcated into receipts from the GoI and State's own receipts.

2.3.2.1 Trends and growth of revenue receipts

Table 2.3 provides the trends and growth of revenue receipts as well as revenue buoyancy with respect to GSDP over the five-year period (2016-21).

Table 2.3: Trends in revenue receipts

(₹ in crore)					
Parameters	2016-17	2017-18	2018-19	2019-20	2020-21
Revenue Receipts (RR)	9565	11054	11438	11297	10440
Rate of growth of RR (per cent)	11.84	15.56	3.48	(-)1.23	(-)7.59
Tax Revenue	4261	4732	4871	4700	4151
Non-Tax Revenue	2712	3033	2874	2737	2903
State's Own Resources	6973	7764	7745	7437	7054
Rate of growth of State's Own Resources (per cent)	8.83	11.34	(-)0.24	(-)3.98	(-)5.15
GSDP	62976	69352	73170	80449	81502
Rate of growth of GSDP (per cent)	14.39	10.12	5.51	9.95	1.31
RR/GSDP (per cent)	15.19	15.94	15.63	14.04	12.81
Buoyancy Ratios¹					
Revenue Buoyancy w.r.t GSDP	0.82	1.54	0.63	*	*
State's Own Resources Buoyancy w.r.t. GSDP	0.61	1.12	*	*	*

(Source: Finance Accounts of the State)

*The growth of revenue receipts/State's own resources being negative during the year, buoyancy cannot be calculated.

Table 2.3 shows the following:

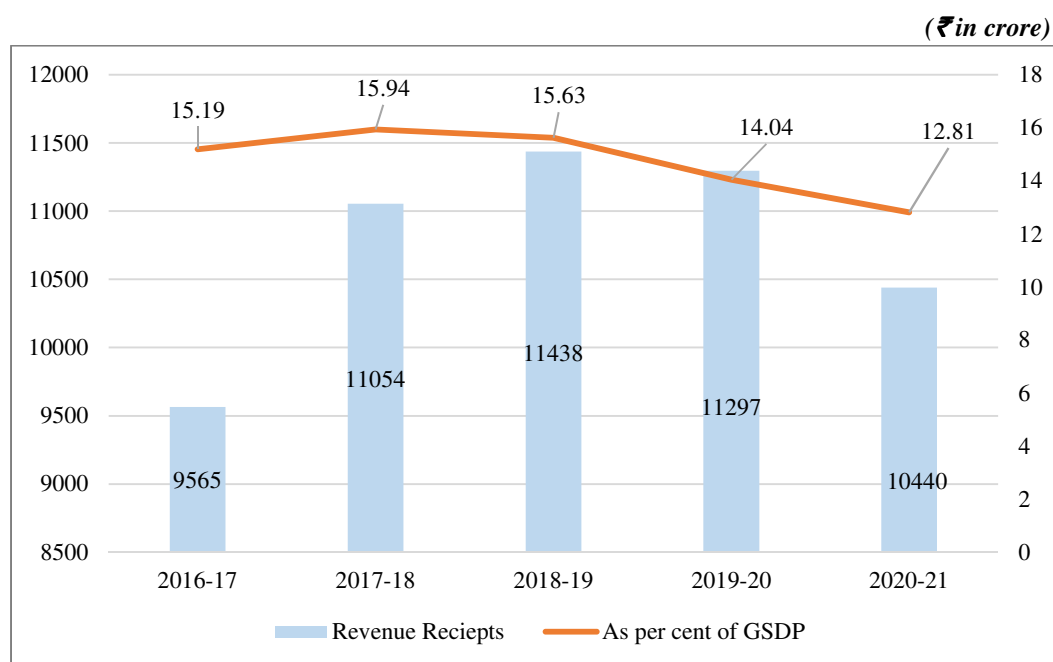
- Revenue receipts increased by 9.15 per cent from ₹ 9,565 crore in 2016-17 to ₹ 10,440 crore in 2020-21. During 2020-21, revenue receipts decreased by ₹ 857 crore (7.59 per cent) over the previous year. The decline in receipts was due to decrease in tax revenue by ₹ 549 crore (11.68 per cent), receipts under State's share of union taxes by ₹ 184 crore (7.42 per cent) and grants-in-aid from GoI by ₹ 290 crore

¹ Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For instance, revenue buoyancy with respect to GSDP at 1.85 implies that revenue receipts tend to increase by 1.85 percentage points, if the GSDP increases by one per cent.

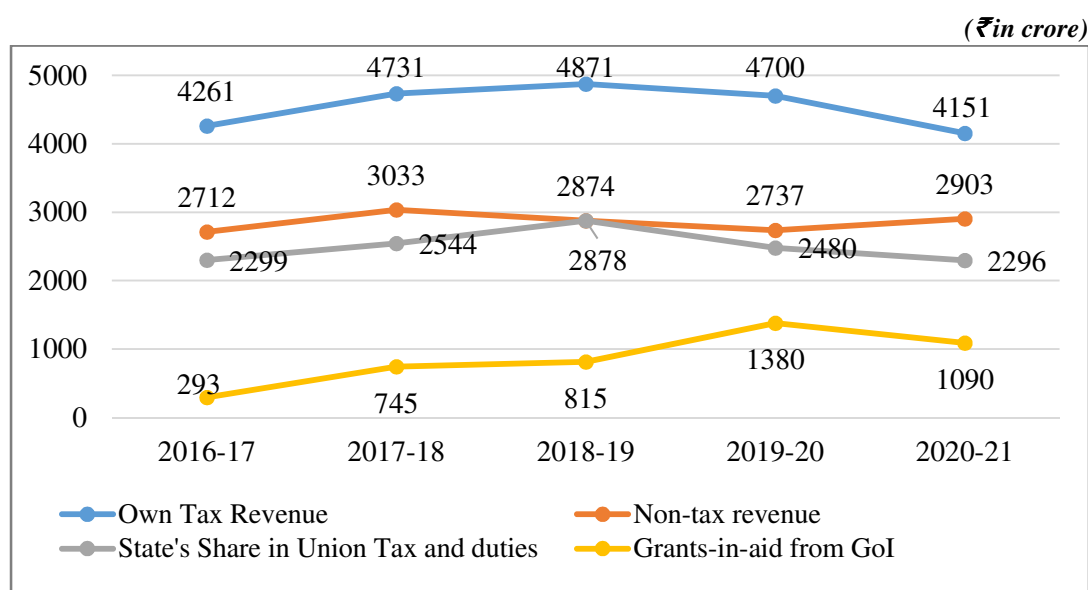
(21.01 *per cent*), partially offset by increase in non-tax revenue by ₹ 166 crore (6.07 *per cent*).

- The growth rate of State's own resources (tax and non-tax revenue) was negative during the period 2018-21. This was mainly due to a declining trend in tax collection under State Goods and Services Tax (SGST), stamp duty and registration and, land revenue. Receipts under non-tax revenue saw a declining trend in collection under 'Other Administrative Services' during 2018-21.
- During 2020-21, 68 *per cent* of revenue receipts came from the State's own resources while central tax transfers and grants-in-aid together contributed 32 *per cent*. This indicated that Government of Goa met its public expenditure largely from its own resources.
- The growth of revenue receipts and State's own resources had been negative since 2019-20 and 2018-19 respectively. The State's revenue buoyancy with respect to GSDP fluctuated between 0.63 and 1.54 during 2016-19. The State's own resources buoyancy with respect to GSDP increased from 0.61 in 2016-17 to 1.12 in 2017-18.
- The growth rate of State's revenue receipts during 2019-20 over 2018-19 was negative (-1.23 *per cent*) while it was 2.08 *per cent* in General Category States (GCS) during the same period. During 2020-21, the growth rate of revenue receipts further reduced to (-7.59 *per cent*) compared to GCS (-4.56 *per cent*) (**Appendix 1.1**).

Trends in revenue receipts relative to GSDP and composition of revenue receipts are shown in Charts 2.4 and 2.5 respectively.

Chart 2.4: Trends of revenue receipts relative to GSDP

(Source: Finance Accounts of the State)

Chart 2.5: Trends of components of revenue receipts

(Source: Finance Accounts of the State)

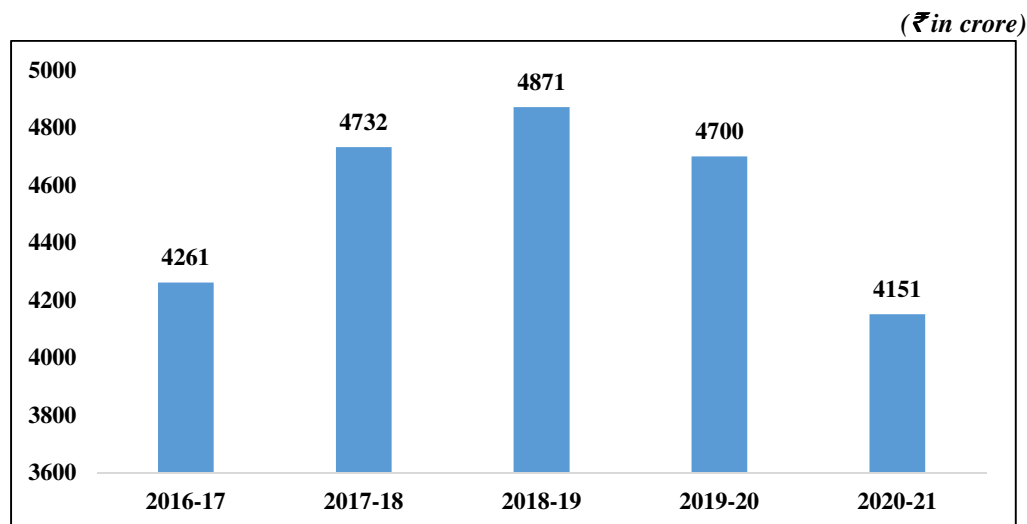
2.3.2.2 State's own resources

State's share of Central taxes is determined on the basis of recommendations of the Finance Commission. Grants-in-aid from Central Government is determined by the quantum of Central tax receipts and anticipated Central assistance for schemes. State's performance in mobilisation of additional resources should be assessed in terms of its own resources comprising revenue from its tax and non-tax sources.

Tax revenue

The own tax revenues of the State consist of taxes such as, SGST, sales tax, State excise, taxes on vehicles, stamp duty and registration fees, land revenue, taxes on goods and passengers *etc.*

Chart 2.6: Growth of own tax revenue during 2016-21



(Source: Finance Accounts of the State)

Table 2.4: Components of State's own tax revenue

(₹ in crore)

Revenue head	2016-17	2017-18	2018-19	2019-20	2020-21	Sparkline
State GST	Not applicable	1464	2529	2438	1985	
Taxes on sales, trades etc.	2438	1622	1013	1033	990	
State excise	321	410	478	492	515	
Taxes on vehicles	244	314	299	269	220	
Stamp duty and registration fee	365	529	432	393	350	
Land revenue	39	42	67	37	34	
Taxes on goods and passengers	454	210	30	32	41	
Other taxes	400	140	23	6	16	
Total	4261	4732	4871	4700	4151	

(Source: Finance Accounts of the State)

The State's tax revenue in 2020-21 decreased by ₹ 549 crore (11.68 per cent) over the previous year. The decrease was mainly due to lower collections under SGST (₹ 453 crore), stamp duty and registration (₹ 43 crore) and taxes on sales, trade *etc.* (₹ 43 crore), partially offset by an increase in collections under State excise (₹ 23 crore)

During the year 2020-21, major contributors of tax revenue were SGST (48 per cent), taxes on sales, trades *etc.* (24 per cent) and State excise (12 per cent).

The growth rate of State's own tax revenue during 2019-20 over 2018-19 was negative (-3.51 *per cent*) compared to GCS (2.12 *per cent*). During 2020-21, the rate of growth of tax revenue in the State further reduced to (-)11.68 *per cent* compared to GCS (- 4.43 *per cent*) (**Appendix 1.1**).

State Goods and Services Tax

Goa implemented GST with effect from 01 July 2017. GST is levied on *intra-State* supply of goods or services (except alcohol for human consumption and five² specified petroleum products) and its components are shared by the Centre (CGST) and the State (SGST). Further, Integrated GST (IGST) is levied and collected by the Central Government on *inter-State* supply of goods and services. The IGST so collected is apportioned between the Centre and the concerned State where the goods and services are consumed.

The GoI enacted the Goods and Services Tax (Compensation to States) Act, 2017 to compensate the states for the shortfall in revenue arising on account of implementation of GST, considering an annual growth of 14 *per cent* from the base year (2015-16) for a period of five years.

For the State of Goa, the audited base year (2015-16) revenue to be subsumed³ by the GST regime was fixed by GoI at ₹ 2,181.38 crore. Thus, the protected revenue for Goa worked out to ₹ 4,200 crore⁴ for the year 2020-21.

The components of SGST receipts during the last four years (2017-21) is shown in **Table 2.5**.

Table 2.5: Components of SGST receipts during 2017-21

SGST	2017-18 (₹ in crore)	2018-19 (₹ in crore)	2019-20 (₹ in crore)	2020-21 (₹ in crore)	Increase (+)/ decrease (-) in 2020-21 over 2019-20 (<i>per cent</i>)
Tax	918.46	1420.95	1484.48	1068.85	(-)28.00
Apportionment of IGST – transfer-in of tax component to SGST	450.29	753.65	880.41	916.07	(+)04.05
Advance apportionment from IGST	95.00	354.49	73.60	0.00	(-)100.00
SGST collection	1463.75	2529.09	2438.49	1984.92	(-)18.60

(Source: Finance Accounts of the State)

² Petroleum crude, high speed diesel, motor spirit (petrol), natural gas and aviation turbine fuel

³ Taxes that have been subsumed under GST are: value added tax, central sales tax, entertainment tax, luxury tax, entry tax, cess & surcharges, duties on excise on medicinal and toilet preparations excluding VAT and CST on alcohol for human consumption and five specified petroleum products.

⁴ Base year revenue of ₹ 2,181.38 crore escalated at compound rate of 14% annually for five years (2016-17 to 2020-21) worked out to ₹ 4,200 crore for 2020-21.

Against the protected revenue of ₹ 4,200 crore, the State Government earned a revenue of ₹ 1,985 crore during 2020-21 and was therefore, entitled to a compensation of ₹ 2,215 crore. GoI released compensation of ₹ 811 crore during 2020-21 of which, ₹ 214 crore pertained to current year while the remaining ₹ 597 crore pertained to previous year. Therefore the deficit⁵ compensation stood at ₹ 1,969 crore. Of the deficit of ₹ 1,969 crore, State Government received ₹ 910 crore from GoI till 31 March 2022, leaving a net deficit of ₹ 1,059 crore for the year 2020-21.

To bridge the shortfall in GST compensation, the GoI implemented the scheme of back-to-back loans to States in lieu of GST shortfall. Under this scheme, ₹ 840 crore was received by Government of Goa during 2020-21. The debt servicing of this loan is to be done from the collection of cess in GST Compensation Fund. Hence the repayment obligations does not rest with the State Government.

Analysis of arrears of revenue

The arrears of revenue indicate delayed realisation of revenue that is due to the Government.

The arrears of revenue as on 31 March 2021 amounted to ₹ 5,245.26 crore of which, ₹ 2,650.49 crore (51 *per cent*) was outstanding for more than three years. Further, ₹ 1,863.01 crore (out of ₹ 5,245.26 crore) was under legal adjudication, leaving arrears of ₹ 3,382.25 crore, which were yet to be recovered. The details are shown in **Table 2.6**.

⁵ ₹ 1,969 crore = ₹ 2,215 crore - ₹ 246 crore

Table 2.6: Revenue arrears as on 31 March 2021

(₹ in crore)

Head of Revenue	Amount of arrears as on 31 March 2021	Arrears more than three years old	Cases pending in Courts		Revenue arrears pending recovery as on 31 March 2021	Amount of arrears as on 31 March 2017
			No.	Amount		
Commercial Taxes	2368.53	1839.10	749	27.50	2341.03	1223.84
Chief Electrical Engineer – Energy charges	517.86	153.03	9426	40.99	476.86	268.77
Chief Engineer – Water Resources Department						
i) Water Tax	2.32	1.12	194	0.10	2.22	Nil
ii) Water Charges	2177.20	555.33	12	1733.85	443.35	94.24
iii) Rent for shops	2.71	2.59	Nil	Nil	2.71	1.49
iv) Hire charges of machinery	0.33	0.33	Nil	Nil	0.33	Nil
Principal Chief Engineer – Public Works Department	110.47	46.26	4494	17.35	93.12	28.80
State Excise	5.37	0.75	Nil	Nil	5.37	1.20
Tourism	1.55	0.58	8	Nil	1.55	0.89
Director General of Police	8.50	7.34	2	0.05	8.45	8.45
Animal Husbandry & Veterinary Services	43.19	43.19	7	43.17	0.02	Nil
Printing and Stationery	7.23	0.87	Nil	Nil	7.24	0.59
Total	5245.26	2650.49	14892	1863.01	3382.25	1628.27

(Source: Information received from departments)

As can be seen from **Table 2.6**, the arrears of revenue increased threefold in the last four years from ₹ 1,628.27 crore in 2016-17 to ₹ 5,245.26 crore in 2020-21. This accounted for 74 per cent of the State's own resources (₹ 7,054 crore) during the year.

Recommendation 1: The State Government may ensure speedy recovery of arrears of revenue. This would not only help the Government to increase its revenue receipts but also facilitate achievement of revenue deficit targets to a large extent.

Evasion of tax detected by Department

Tax evasion cases detected by the Excise Department, cases finalised and demands for additional tax raised are important indicators of revenue collection efforts of the State Government.

Information furnished by the Commissioner of Excise revealed that out of 1,636 cases of tax evasion detected by the Excise Department during 2020-21, assessment/investigation in respect of 661 cases had been completed and an additional demand of ₹ 0.76 crore with penalty had been raised. However, the number of cases awaiting disposal by the Department was still significantly high at 975 at the end of 2020-21.

No case of tax evasion was reported by the Commissioner of State Tax.

Pendency of refund cases

Promptness in disposal of refund cases is also an important indicator of performance of the Department.

Refund cases pending at the beginning of 2020-21, claims received during the year, refunds allowed during the year and the cases pending at the close of 2020-21, as reported by the Commissioner of State Tax and Excise Department, are given in **Table 2.7**.

Table 2.7: Details of refund cases*(₹ in crore)*

Sr. No.	Particulars	GST		Sales tax/VAT		State Excise	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding at the beginning of 2020-21	129	42.83	763	132.93	06	0.03
2.	Claims received during the year	459	251.48	690	198.67	04	0.02
3.	Refunds made during the year	206	123.79	583	81.57	03	0.03
4.	Refunds rejected during the year	297	114.75	01	0.10	00	0.00
5.	Balance outstanding at the end of 2020-21	85	55.77	869	249.93	07	0.02

(Source: Information furnished by concerned departments)

Non-tax revenue

Non-tax revenue consists of interest receipts, dividends and profits, mining receipts, departmental receipts *etc.*

The main components of the State's non-tax revenue receipts during 2016-17 to 2020-21 are shown in **Table 2.8**.

Table 2.8: Components of State's non-tax revenue

(₹ in crore)

Revenue Head	2016-17	2017-18	2018-19	2019-20	2020-21	Sparkline
Interest receipts	20	27	24	63	83	
Other administrative services	152	140	451	260	191	
Water supply and sanitation	120	130	146	148	136	
Power	1766	2119	1920	1960	2051	
Non-ferrous mining and metallurgical industries	348	333	34	9	168	
Other non-tax receipts	306	284	299	297	274	
Total non-tax revenue	2712	3033	2874	2737	2903	

(Source: Finance Accounts of the State)

Non-tax revenue accounted for 24 per cent to 28 per cent of the revenue receipts of the State during the five-year period (2016-21). The non-tax revenue grew by ₹ 166 crore (6.07 per cent) during 2020-21 over the previous year. The increase was mainly on account of increased collections under power (₹ 91 crore) and non-ferrous mining and metallurgical industries (₹ 159 crore), partially offset by decrease in collections under other administrative services (₹ 69 crore).

The growth rate of non-tax revenue during 2019-20 over 2018-19 was negative (-4.77 per cent) while it was 23.38 per cent in GCS during the same period. However, the growth rate of non-tax revenue in the State was 6.07 per cent during 2020-21 which was substantially higher than GCS (-35.60 per cent) (Appendix 1.1).

2.3.2.3 Transfers from the Central Government

Transfers from the Central Government are mainly dependent on Finance Commission recommendations. The trends of Central transfers for the last 10 years covering the periods of FC XIII, FC XIV and FC XV is shown in Table 2.9.

Table 2.9: Transfers from Centre during the last 10 years

(₹ in crore)

Year	State's share of Central taxes	Grants-in-aid from Centre	Total transfers from Centre
1	2	3	4=(2+3)
2011-12	681	236	917
2012-13	777	296	1073
2013-14	849	357	1206
2014-15	901	566	1467
2015-16	1924	221	2145
2016-17	2299	293	2592
2017-18	2544	745	3289
2018-19	2878	815	3693
2019-20	2480	1380	3860
2020-21	2296	1090	3386
Total	17629	5999	23628

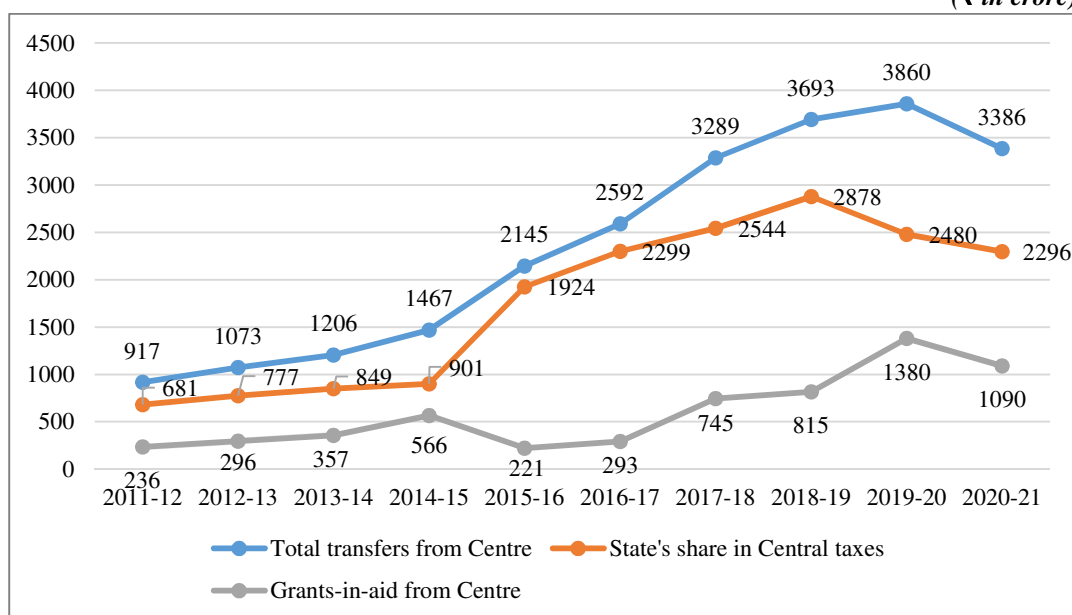
(Source: Finance Accounts of the State)

Transfers from the Centre increased from ₹ 917 crore in 2011-12 to ₹ 3,386 crore in 2020-21. The State's share of Central taxes decreased by ₹ 184 crore and grants-in-aid from the Centre decreased by ₹ 290 crore in 2020-21 over the previous year.

Chart 2.7 shows the trends in transfers from the Central Government during the last 10 years (2011-21).

Chart 2.7: Trends in transfers from Centre

(₹ in crore)



(Source: Finance Accounts of the State)

State's share of Union taxes and duties

FC XV recommended a decrease in the share of States in Central taxes from 42 *per cent* (recommended by FC XIV) to 41 *per cent*. The State's share in Union taxes and duties for 2020-21 was fixed at 0.386 *per cent* by FC XV. The different components of State's share of Union taxes and duties during 2016-21 are shown in **Table 2.10**.

Table 2.10: Transfer of different components of State's share of Union taxes and duties during 2016-21

Components	2016-17	2017-18	2018-19	2019-20	2020-21
	(₹ in crore)				
Central Goods and Services Tax (CGST)	Not Applicable	351	767	704	682
Integrated Goods and Services Tax (IGST)	Not Applicable	257	Nil	Nil	Nil
Corporation tax	739	780	1001	845	694
Taxes on income other than corporation tax	513	658	737	663	711
Other taxes on income and expenditure	Nil	Nil	05	Nil	Nil
Taxes on wealth	02	(-)0.02	0.37	0.04	Nil
Customs	318	188	204	157	121
Union excise duties	363	194	136	109	77
Service tax	364	116	26	Nil	10
Others taxes and duties on commodities and services	0.01	Nil	02	02	01
Total share of net proceeds of tax	2299	2544	2878	2480	2296
Percentage increase(+)/decrease(-) over previous year	(+)19.49	(+)10.66	(+)13.13	(-)13.83	(-)7.42
Central tax transfers as percentage of revenue receipts	24.03	23.02	25.16	21.95	22.00

(Source: Finance Accounts of the State)

During the period 2016-21, the State's share of Union taxes and duties to revenue receipts was highest at 25.16 *per cent* during 2018-19. However, it decreased to 22 *per cent* in 2020-21 but was marginally higher than 21.95 *per cent* registered during 2019-20.

The State's share of Union taxes and duties were lower under corporation tax (₹ 151 crore), customs (₹ 36 crore) and Union excise duties (₹ 32 crore) during 2020-21 compared to 2019-20.

Grants-in-aid from GoI

Grants-in-aid received by the State Government from GoI during 2016-21 are detailed in **Table 2.11**.

Table 2.11: Grants-in-aid from GoI

(₹ in crore)					
Head	2016-17	2017-18	2018-19	2019-20	2020-21
Grants for State plan schemes	91	20	02	Nil	Nil
Non-plan grants	17	66	68	169	74
Grants for central plan schemes	26	24	17	25	40
Grants for centrally sponsored schemes	159	277	252	367	165
Other transfers/grants to States/Union territories with Legislature ⁶	Nil	358	476	819	811
Total	293	745	815	1380	1090
Percentage increase over the previous year	32.58	154.27	9.40	69.33	(-)21.01
Percentage of grants-in-aid to revenue receipts	3.06	6.74	7.12	12.22	10.44

(Source: Finance Accounts of the State)

The grants-in-aid from GoI showed a consistent increase from ₹ 293 crore in 2016-17 to ₹ 1,380 crore in 2019-20 but decreased to ₹ 1,090 crore during 2020-21. The decrease during 2020-21 was mainly due to less receipts under centrally sponsored schemes such as, Atal Mission for Rejuvenation and Urban Transformation (₹ 58 crore), Rajiv Gandhi Scheme for Empowerment of Adolescent Girls (₹ 43 crore) *etc.* Grants-in-aid accounted for 10 *per cent* of the total revenue receipts of the State during 2020-21.

Finance Commission grants

FC XV recommended five type of grants-in-aid to States *viz.* local Government grants, disaster management grants, post-devolution revenue deficit grants, sector-specific grants and performance-based incentives. During 2020-21, the State Government received two types of grants *viz.* grants for local Government and disaster management amounting to ₹ 85.50 crore. The details of grants awarded and received during 2019-20 and 2020-21 are shown in **Table 2.12**.

⁶ Compensation to States in lieu of loss of revenue due to implementation of GST.

Table 2.12: Details of grants awarded and received during 2019-21

(₹ in crore)

Sr. No.	Transfers	2019-20		2020-21	
		Grants awarded	Grants received	Grants awarded	Grants received
1.	Local Bodies				
	General Basic Grants to PRIs	36.12	62.85	75.00	37.50
	General Performance Grants to PRIs	4.41	3.37	Nil	Nil
	General Basic Grants to ULBs	52.76	72.28	36.00	36.00
	General Performance Grants to ULBs	14.51	9.76	Nil	Nil
2.	State Disaster Relief Fund	3.00	3.00	12.00	12.00
	Total	110.80	151.26	123.00	85.50

(Source: Finance Accounts of the State)

For the year 2020-21, FC XV recommended basic grants of ₹ 75 crore and ₹ 36 crore to *Panchayati Raj Institutions* (PRIs) and Urban Local Bodies (ULBs) respectively.

Of the total ₹ 75 crore recommended⁷ for PRIs during 2020-21, the State Government received the first instalment of tied and untied grants in June and July 2020 respectively amounting to ₹ 37.50 crore. This grant was disbursed to 191 *Gram Panchayats* (GPs) after a delay of 78 days (for tied grants) and 51 days (for untied grants), over the prescribed period of 15 days. Due to delay in disbursement of grants, the State Government had to pay an interest of ₹ 47.96 lakh to GPs. The remaining instalments for ₹ 37.50 crore pertaining to the year 2020-21 were received by the State Government in September 2021 (2021-22).

In the case of ULBs, basic grants of ₹ 36 crore was received by the State Government during 2020-21 and disbursed to ULBs within the prescribed time period.

2.3.3 Capital receipts

Capital receipts comprises 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.

Table 2.13 shows the trends in growth and composition of net capital receipts.

⁷ 50 per cent grants were *untied* while the remaining 50 per cent was *tied* as grants for sanitation and water supply which were identified as national priorities.

Table 2.13: Trends in growth and composition of capital receipts

(₹ in crore)

Sources of capital receipts	2016-17	2017-18	2018-19	2019-20	2020-21
Capital receipts	1528	2013	2534	2704	4590
Non-debt capital receipts	09	07	05	04	03
Miscellaneous capital receipts	Nil	Nil	Nil	Nil	Nil
Recovery of loans and advances	09	07	05	04	03
Debt capital receipts	1519	2006	2529	2700	4587
Internal debt*	1427	1928	2459	2654	3604
Growth rate	(-)17.80	35.10	27.54	7.93	35.80
Loans and advances from GoI	92	78	70	46	983
Growth rate	(-)17.12	(-)15.22	(-)10.26	(-)34.29	2036.96
Rate of growth of debt capital receipts (<i>per cent</i>)	(-)17.76	32.06	26.09	6.76	69.89
Rate of growth of non-debt capital receipts (<i>per cent</i>)	(-)10.00	(-)22.22	(-)28.57	(-)20.00	(-)25.00
Rate of growth of GSDP (<i>per cent</i>)	14.39	10.12	5.51	9.95	1.31
Rate of growth of capital receipts (<i>per cent</i>)	(-)17.72	31.74	25.88	6.71	69.75

(Source: Finance Accounts of the State)

*Excluding ways and means advances

Capital receipts increased by 69.75 *per cent* from ₹ 2,704 crore in 2019-20 to ₹ 4,590 crore in 2020-21.

During 2020-21, market borrowings of ₹ 3,354 crore constituted 73 *per cent* of the total debt capital receipts of the State Government. This was followed by GoI loans of ₹ 983 crore (21 *per cent*) and negotiated loans under Internal Debt of ₹ 250 crore (six *per cent*).

2.3.4 State's performance in mobilisation of resources

As the State's share of Union taxes/duties and grants-in-aid is determined on the basis of recommendations of the Finance Commission, the State's performance in mobilisation of resources was assessed in terms of its own resources comprising tax and non-tax revenue.

The State's actual own tax and non-tax revenue *vis-à-vis* assessment made by FC XV and Budget Estimates (BE) are given in **Table 2.14**.

Table 2.14: Tax and non-tax revenue vis-à-vis projections

(₹ in crore)

	FC projections	XV projections	Budget estimates	Actual	Percentage variation of actual over	
					Budget estimates	FC XV projections
Tax revenue		7651	5845	4151	(-)28.98	(-)45.75
Non-tax revenue		1843	3836	2903	(-)24.32	(-)57.51

(Source: Finance Accounts of the State and FC XV report)

The State's receipts under tax and non-tax revenue were lower than the BE by ₹ 1,694 crore and ₹ 933 crore respectively. The lower collections under own tax revenue were mainly due to reduced collections under SGST by ₹ 787 crore, Stamp duty and registration by ₹ 378 crore and taxes on vehicles by ₹ 149 crore. On the other hand, lower collections under non-tax revenue were due to lower receipts under power by ₹ 413 crore, other administrative services by ₹ 104 crore and non-ferrous mining and metallurgical industries by ₹ 343 crore.

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 fiscal consolidation process is not at the cost of expenditure directed towards development of capital infrastructure and social sector. Following is a detailed analysis of the allocative priorities of the State Government.

2.4.1 Growth and composition of expenditure

Table 2.15 presents the trends in total expenditure over a period of five years (2016-21) depicting its composition in terms of 'economic classification'.

Table 2.15: Total expenditure and its composition

(₹ in crore)

Parameters	2016-17	2017-18	2018-19	2019-20	2020-21
Total expenditure (TE)	10508	12671	13235	13295	14091
Revenue expenditure (RE)	8866	10543	11083	11622	12093
Capital expenditure (CE)	1639	2094	2149	1660	1997
Loans and advances	03	34	03	13	01
As a percentage of GSDP					
TE/GSDP	16.69	18.27	18.09	16.53	17.29
RE/GSDP	14.08	15.20	15.15	14.45	14.84
CE/GSDP	2.60	3.02	2.94	2.06	2.45
Loans and advances/GSDP	*	*	*	*	*

(Source: Finance Accounts of the State)

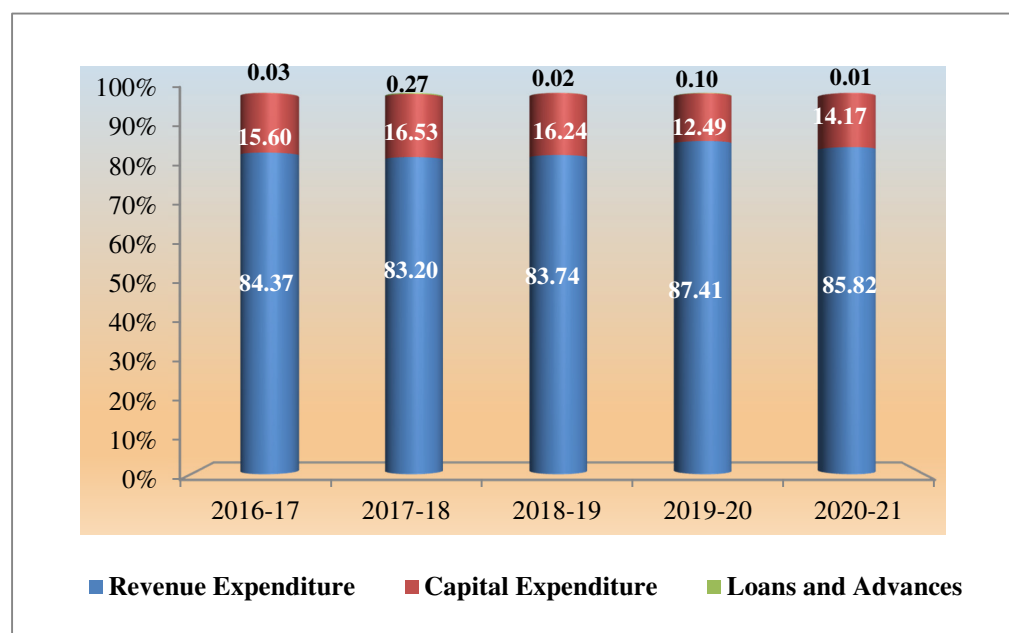
*The percentage of loans and advances to GSDP was negligible.

Total expenditure of the State increased by ₹ 796 crore (5.99 per cent) during 2020-21 over the previous year. However, it increased by ₹ 3,583 crore

(34.10 *per cent*) over the period of last five years (2016-21). As a percentage of GSDP, total expenditure remained in the range of 16.53 *per cent* to 18.27 *per cent* during 2016-21. The percentage of capital expenditure to GSDP increased from 2.06 *per cent* in 2019-20 to 2.45 *per cent* in 2020-21.

The share of revenue expenditure, capital expenditure and, loans and advances disbursed in total expenditure during 2016-21 are shown in Chart 2.8.

Chart 2.8: Total expenditure: Trends in share of its components



(Source: Finance Accounts of the State)

The share of revenue expenditure in total expenditure decreased from 87.41 *per cent* in 2019-20 to 85.82 *per cent* in 2020-21. On the other hand, the share of capital expenditure in total expenditure increased to 14.17 *per cent* in 2020-21 from 12.49 *per cent* in 2019-20.

The State's growth rate of total expenditure in 2019-20 over 2018-19 at 0.45 *per cent* was lower than GCS (4.16 *per cent*). However, the growth rate of total expenditure in the State (5.99 *per cent*) during 2020-21 was higher than GCS (4.54 *per cent*) (**Appendix 1.1**).

In terms of activities, total expenditure could be considered as being composed of expenditure on general services (including interest payments), social and economic services, grants-in-aid and, loans and advances.

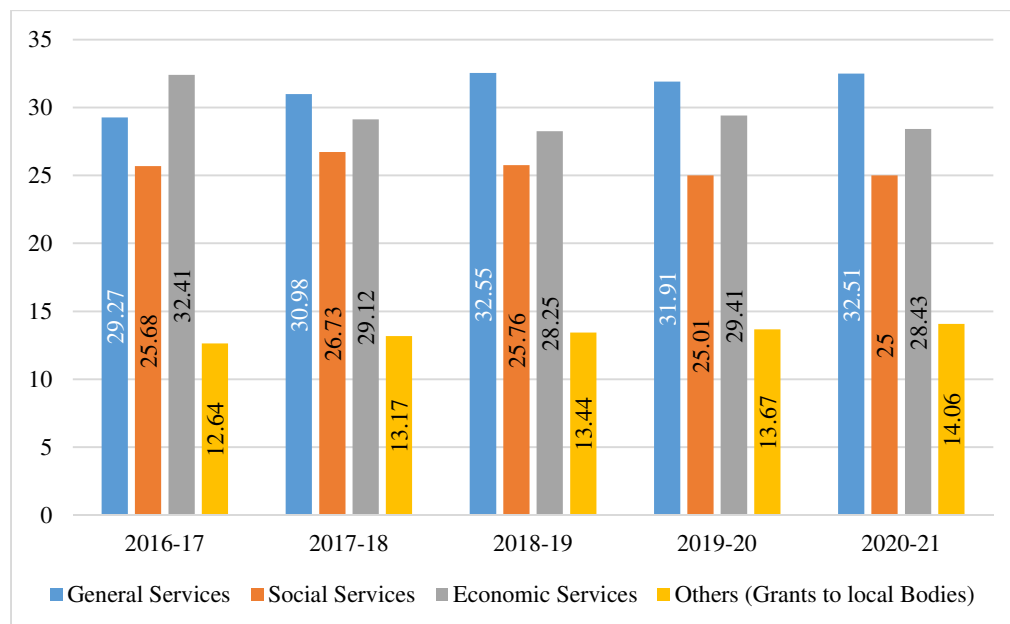
Table 2.16: Relative shares of various sectors of expenditure

Parameters	(in per cent)				
	2016-17	2017-18	2018-19	2019-20	2020-21
General services	29.27	30.98	32.55	31.91	32.51
Social services	25.68	26.73	25.76	25.01	25.00
Economic services	32.41	29.12	28.25	29.41	28.43
Others (Grants-in-aid to local bodies and loans and advances)	12.64	13.17	13.44	13.67	14.06

(Source: Finance Accounts of the State)

Chart 2.9 shows the sector-wise graphical representation of the total expenditure of the State during 2016-21.

Chart 2.9: Sector-wise total expenditure during 2016-21



(Source: Finance Accounts of the State)

Chart 2.9 above shows that the share of general services and grants-in-aid in total expenditure increased during 2020-21 compared to the previous year. Increase in the share of general services was mainly on account of increased interest payments on public debt and pension and other retirement benefits. The increase in the share of general services and grants-in-aid got adjusted by a corresponding decrease in the share of economic services during 2020-21. The decrease in share of economic services during 2020-21 was mainly due to decline in expenditure under irrigation and flood control; energy; and industry and minerals.

2.4.2 Revenue expenditure

Revenue expenditure is incurred to maintain the current level of services and payments for past obligations. As such, it does not result in any addition to the State's infrastructure and services. The overall revenue expenditure, its rate of growth and ratio to GSDP for the last five years are indicated 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)	10508	12671	13235	13295	14091
Revenue expenditure (RE)	8866	10543	11083	11622	12093
Rate of growth of RE (per cent)	5.30	18.91	5.12	4.86	4.05
Revenue expenditure as percentage of TE	84.37	83.20	83.74	87.42	85.82
RE/GSDP (per cent)	14.08	15.20	15.15	14.45	14.84
RE/RR (per cent)	92.69	95.38	96.90	102.88	115.83
Buoyancy of revenue expenditure with					
GSDP	0.37	1.87	0.93	0.49	3.09
Revenue receipts	0.45	1.22	1.47	*	*

(Source: Finance Accounts of the State)

*Revenue receipts growth in 2019-20 & 2020-21 being negative, buoyancy cannot be calculated

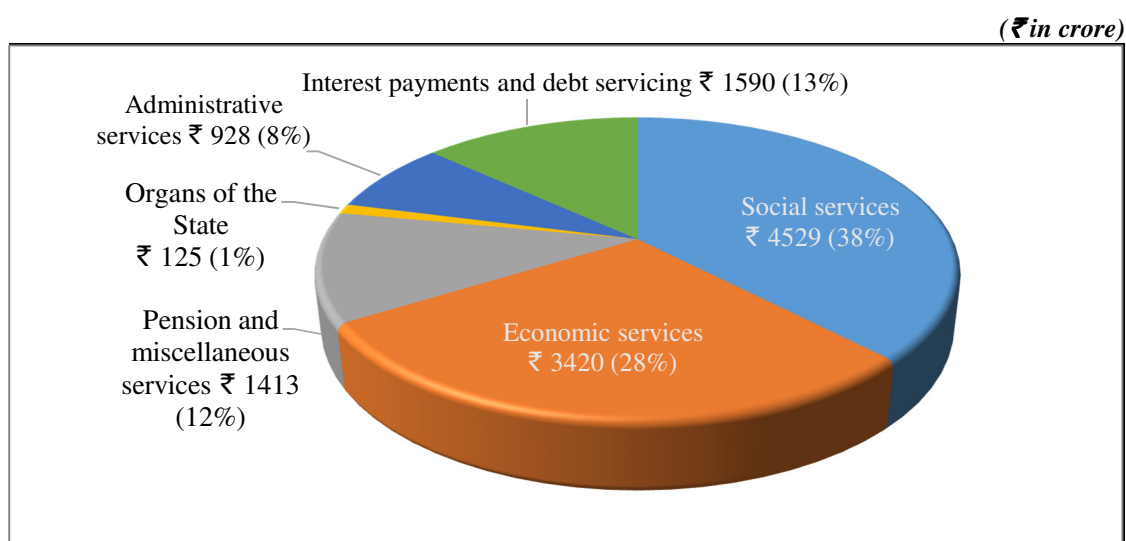
Revenue expenditure increased consistently from ₹ 8,866 crore in 2016-17 to ₹ 12,093 crore in 2020-21 and grew by ₹ 471 crore (4.05 per cent) during 2020-21 over the previous year.

Revenue expenditure constituted 86 per cent of the total expenditure during 2020-21. The growth rate of revenue expenditure declined sharply from 18.91 per cent in 2017-18 to 4.05 per cent in 2020-21. The percentage of revenue expenditure to GSDP exhibited stability during 2016-21 with marginal inter-year variations.

The growth rate of revenue expenditure of the State in 2019-20 and 2020-21 at 4.86 per cent and 4.05 per cent respectively was lower than the growth rate of GCS (5.92 per cent and 5.63 per cent) during the same period (Appendix 1.1).

Sector-wise distribution of revenue expenditure is presented in Chart 2.10.

Chart 2.10: Sector-wise distribution of revenue expenditure



(Source: Finance Accounts of the State)

2.4.2.1 Major changes in revenue expenditure

Table 2.18 shows significant variations in revenue expenditure under various Heads of Accounts during the current year *vis-a-vis* previous year.

Table 2.18: Variations in revenue expenditure during 2020-21 *vis-à-vis* 2019-20

(₹ in crore)

Major Heads of Account	2019-20	2020-21	Increase (+)/ Decrease (-)
2235 – Social Security and Welfare	614	649	(+) 35
2202 – General Education	1682	1756	(+) 74
2210 – Medical and Public Health	960	1072	(+)112
2217 – Urban Development	164	109	(-)55
2401 – Crop Husbandry	97	151	(+) 54
2801– Power	2220	2043	(-)177
3054 – Roads and Bridges	85	142	(+)57

(Source: Finance Accounts of the State)

Increase in revenue expenditure under ‘Medical and Public Health’ was on account of more expenditure under hospitals and dispensaries, prevention and control of diseases and medical stores depots. Expenditure under ‘Social Security and Welfare’ increased due to increased financial assistance under welfare of aged infirm and destitute. Decrease in expenditure incurred under ‘Urban Development’ was due to reduced disbursement of assistance to local bodies, corporations, urban development authorities, town improvement boards *etc.* Expenditure under the Head ‘Power’ also decreased due to reduced spending under transmission and distribution.

2.4.2.2 Committed expenditure

Committed expenditure of the State Government on revenue account consists of interest payments, salaries, wages and pensions. Committed expenditure has the first charge on Government resources. An upward trend in committed expenditure leaves the Government with lesser flexibility for development expenditure. **Table 2.19** presents the trends of committed expenditure in revenue receipts and revenue expenditure of the State during 2016-21.

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 (₹ in crore)	2132.79	2827.20	2798.54	2935.36	2959.15*
Expenditure on pensions (₹ in crore)	844.33	1163.59	1299.13	1313.18	1412.23
Interest payments (₹ in crore)	1148.03	1244.28	1344.45	1465.09	1590.37
Total	4125.15	5235.07	5442.12	5713.63	5961.75
As percentage of revenue receipts (RR)					
Salaries & wages	22.30	25.57	24.47	25.98	28.34
Expenditure on pensions	8.83	10.53	11.36	11.62	13.53
Interest payments	12.00	11.26	11.75	12.97	15.23
Total	43.13	47.36	47.58	50.57	57.10
As a percentage of revenue expenditure (RE)					
Salaries & wages	24.06	26.82	25.25	25.26	24.47
Expenditure on pensions	9.52	11.04	11.72	11.30	11.68
Interest payments	12.95	11.80	12.13	12.61	13.15
Total	46.53	49.65	49.10	49.17	49.30

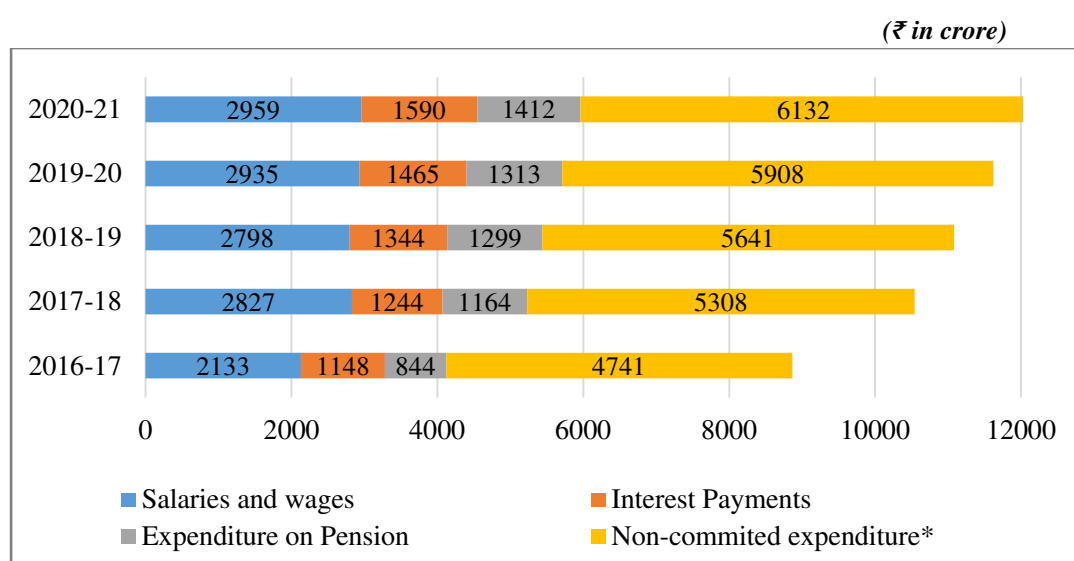
(Source: Finance Accounts of the State)

*Salaries: ₹ 2,922.41 crore and Wages: ₹ 36.74 crore

The committed expenditure showed an increasing trend during 2016-21 and constituted 57 per cent of revenue receipts and 49 per cent of the revenue expenditure during 2020-21. The share of non-committed expenditure in total revenue expenditure during 2020-21 was 51 per cent.

Chart 2.11 presents the trends of various components of committed expenditure and non-committed expenditure during 2016-21.

Chart 2.11: Trends of various components of committed expenditure and non-committed expenditure



(Source: Finance Accounts of the State)

*Non-committed expenditure = total revenue expenditure – committed expenditure. For instance, non-committed expenditure for the year 2020-21 would be ₹ 6,132 crore (₹ 12,093 crore – ₹ 5,961 crore)

Salaries and wages

During 2020-21, expenditure on salaries and wages increased by 0.82 *per cent* over the previous year. Whereas, expenditure on salary and wages during 2016-21 increased at an average annual growth rate of nine *per cent*. As a percentage of revenue receipts, expenditure on salary and wages increased from 26 *per cent* in 2019-20 to 28 *per cent* in 2020-21.

The growth rate of salary and wages during 2019-20 and 2020-21 at five *per cent* and 0.82 *per cent* respectively was significantly lower than the growth rate of GCS (9.07 *per cent* and 2.27 *per cent*) (**Appendix 1.1**).

Pension payments

The expenditure on pension payments during 2016-21 increased by 67 *per cent* from ₹ 844.33 crore in 2016-17 to ₹ 1,412.23 crore in 2020-21. There was an increase in pension payments of ₹ 99 crore (eight *per cent*) during 2020-21 over the previous year. Expenditure on pension in 2020-21 accounted for 14 *per cent* of the total revenue receipts of the State.

Actual expenditure on pension during 2020-21 *vis-à-vis* assessment made by FC XV and projections of the State Government in BE are shown in **Table 2.20**.

Table 2.20: Actual pension payments *vis-à-vis* assessment of FC XV and State's projections in BE

(₹ in crore)

Year	Assessment made by FC XV	Assessment made by State Government in BE	Actuals
2020-21	1500	1442	1421

(Source: Finance Accounts of the State, FC XV report and budget estimates of the State)

During 2020-21, expenditure on pension payments in the State grew by eight *per cent* over the previous year while it grew by 6.02 *per cent* in GCS (**Appendix 1.1**).

Interest payments

Interest payments increased at an average annual growth rate of eight *per cent* from ₹ 1,148 crore in 2016-17 to ₹ 1,590 crore in 2020-21 while the increase during 2020-21 was nine *per cent* over the previous year. Component-wise details of interest payments made by the State Government during 2016-21 are shown in **Table 2.21**.

Table 2.21: Component-wise details of interest payments made by the State Government during 2016-21

(₹ in crore)

Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
Interest payments	1148	1244	1344	1465	1590
Of which, interest payments made on					
1. Internal debt	907	981	1080	1188	1328
i. Market loans	579	669	792	934	1096
ii. National small savings fund (NSSF)	276	265	242	221	189
iii. National bank for agriculture and rural development (NABARD)	41	39	37	25	36
Loans from other financial institutions	05	05	04	04	02
Ways and means advances & overdrafts	04	01	03	01	02
Management of debt (payable to RBI for open market borrowings)	02	02	02	03	03
2. Loans from Govt	19	18	16	19	23
3. Deposits, small savings and PF etc.	222	245	248	258	239
i. Small savings and PF	156	172	178	176	171
ii. Deposits and advances	66	73	70	82	68

(Source: Finance Accounts of the State)

The ratio of interest payments to revenue receipts determines the debt sustainability of the State. The ratio stood at 15 *per cent* during 2020-21, which was higher than the previous year (13 *per cent*).

Interest payments with reference to assessment made by FC XV and projections of the State Government in BE are shown in **Table 2.22**.

Table 2.22: Interest payments vis-à-vis assessment of FC XV and State's projections in BE

(₹ in crore)

Year	Assessment made by FC XV	Assessment made by State Government in BE	Actuals
2020-21	1664	1756	1590

(Source: Finance Accounts of the State, FC XV commission report and budget estimates of the State)

The table indicates that the actual outgo towards interest payments was less than the assessment of FC XV and State Government's own projections made in BE for 2020-21.

2.4.2.3 Undischarged liabilities in National Pension System

In order to limit future pension liabilities, the State Government introduced the Defined Contribution Pension Scheme known as the New Contributory Pension Scheme (NPS) for employees recruited after 05 August 2005. As per the scheme guidelines, it is mandatory for every employee to contribute 10 *per cent* of his/her basic pay and dearness allowance every month, which is matched by the State Government and the entire amount is transferred to the designated fund manager through National Securities Depository Limited (NSDL)/Trustee Bank. The State Government signed (January 2010) an agreement with NPS trust for fund management of the scheme and adopted the central framework for implementation of the scheme.

During the year 2020-21, the State Government collected ₹ 156.41 crore from the employees as contribution towards NPS and also contributed an amount of ₹ 156.43 crore as its share towards the scheme. Further, against the total collected funds of ₹ 463.03 crore (including previous year's balance of ₹ 150.19 crore) the State Government transferred only ₹ 410.25 crore to NSDL during the year. The balance ₹ 52.78 crore together with interest of ₹ 12.04 crore (for late transfer) totaling ₹ 64.82 crore was transferred in two installments between April 2021 and August 2021.

2.4.2.4 Subsidies

The subsidies as a percentage of revenue receipts and revenue expenditure during 2016-21 were as under:

Table 2.23: Expenditure on subsidies during 2016-21

	(₹ in crore)				
	2016-17	2017-18	2018-19	2019-20	2020-21
Subsidies	248	263	301	262	266
Subsidies as percentage of revenue expenditure	2.80 (8866)	2.49 (10543)	2.71 (11083)	2.25 (11622)	2.20 (12093)
Subsidies as percentage of revenue receipts	2.59 (9565)	2.38 (11054)	2.63 (11438)	2.32 (11297)	2.55 (10440)

(Source: Finance Accounts of the State)

Figures in parenthesis indicate revenue expenditure and revenue receipts of the State during 2016-21

During 2020-21, a significant portion of subsidy went to *Kadamba Transport Corporation Limited* (₹ 93 crore), crop husbandry (₹ 48 crore), dairy development (₹ 41 crore) and procurement of food grains (₹ 30 crore).

Expenditure on subsidies marginally increased by 1.53 per cent during 2020-21 over the previous year. During the current year, subsidies constituted 2.55 per cent of revenue receipts and also 2.20 per cent of total revenue expenditure.

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

Financial assistance to local bodies and other institutions constituted 16 per cent of the revenue expenditure during 2020-21.

The quantum of assistance provided by way of grants and loans to local bodies and other institutions during 2016-21 is presented in **Table 2.24**.

Table 2.24: Financial assistance to local bodies and other institutions*(₹ in crore)*

Sr. No.	Institutions	2016-17	2017-18	2018-19	2019-20	2020-21
1	Panchayati Raj Institutions	96.62	92.31	86.12	86.65	183.12
2	Urban Local Bodies	75.52	180.48	74.01	135.52	71.39
3	Public Sector Undertakings	73.65	60.25	41.59	26.85	24.74
4	Autonomous Bodies	862.18	990.41	1278.11	1201.26	1319.52
5	Others	219.12	315.54	300.63	358.82	388.40
	Total	1327.09	1638.99	1780.46	1809.10	1987.17
	Assistance as percentage of revenue expenditure	14.97	15.55	16.06	15.57	16.43

(Source: Finance Accounts of the State)

Financial assistance to local bodies and other institutions continuously increased at an annual average growth rate of 11 *per cent* from ₹ 1,327 crore in 2016-17 to ₹ 1,987 crore in 2020-21.

During 2020-21, financial assistance to local bodies and other institutions increased by ₹ 178 crore (10 *per cent*) compared to 2019-20. The increase was mainly due to increase in the assistance to autonomous bodies.

2.4.3 Capital expenditure

Capital expenditure is primarily an expenditure on creation of fixed infrastructure assets such as roads, buildings *etc.* The overall capital expenditure, its rate of growth and percentage to total expenditure during 2016-21 are indicated in **Table 2.25**.

Table 2.25: Capital expenditure-basic parameters*(₹ in crore)*

	2016-17	2017-18	2018-19	2019-20	2020-21
Total expenditure (TE) <i>(₹ in crore)</i>	10508	12671	13235	13295	14091
Capital expenditure (CE)* <i>(₹ in crore)</i>	1639	2094	2149	1660	1997
Rate of growth of capital expenditure <i>(per cent)</i>	1.05	27.76	2.63	(-)22.75	20.30
CE/TE <i>(per cent)</i>	15.60	16.53	16.24	12.49	14.17

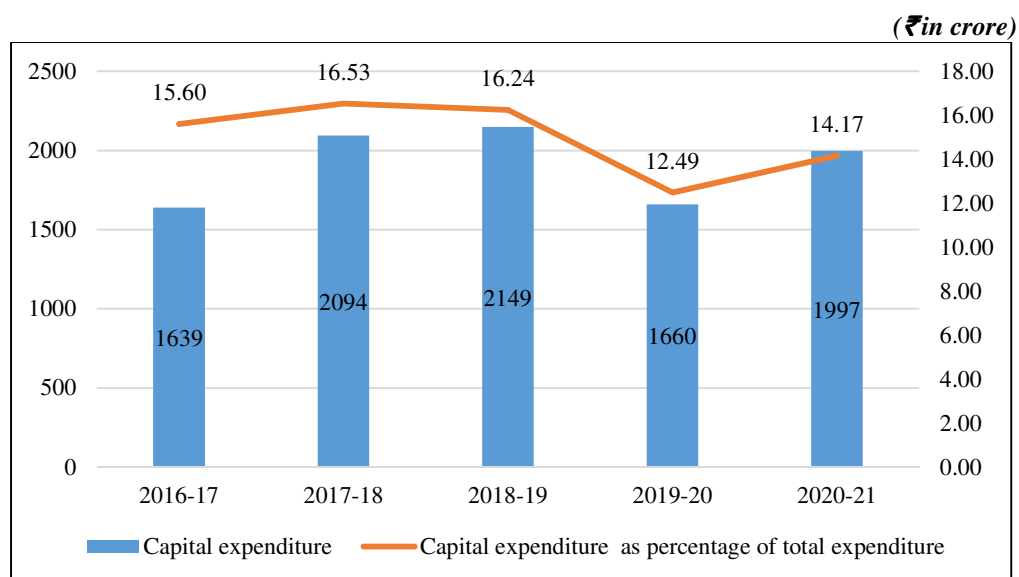
(Source: Finance Accounts of the State)

*Capital expenditure does not include disbursement of loans and advances.

Capital expenditure showed an increase from ₹ 1,639 crore in 2016-17 to ₹ 1,997 crore in 2020-21. During 2020-21, capital expenditure increased by 20 per cent over 2019-20. However, in absolute terms, it was lower compared to 2017-18 and 2018-19. Further, while the percentage of capital expenditure to total expenditure during 2020-21 improved over the previous year, it was still lower compared to the three-year period (2016-19).

Chart 2.12 shows the capital expenditure and its share in total expenditure during 2016-21.

Chart 2.12: Capital expenditure and its share in total expenditure during 2016-21



(Source: Finance Accounts of the State)

2.4.3.1 Major changes in capital expenditure

Table 2.26 highlights cases of significant increase or decrease of capital expenditure in various Heads of Accounts during 2020-21 *vis-à-vis* the previous year.

Table 2.26: Capital expenditure during 2020-21 vis-à-vis 2019-20

(₹ in crore)

Major Heads of Accounts	2019-20	2020-21	Increase (+)/ Decrease (-)
4059- Capital Outlay on Public Works	68	113	(+)45
4075- Capital Outlay on Other Miscellaneous Services	225	320	(+)95
4202- Capital Outlay on Education, Sports, Art and Culture	175	34	(-)141
4210- Capital Outlay on Medical and Public Health	152	119	(-)33
4215- Capital Outlay on Water Supply and Sanitation	206	371	(+)165
4217 – Capital Expenditure on Urban Development	28	60	(+) 32
5425- Capital Outlay on Other Scientific and Environmental Research	30	180	(+)150

(Source: Finance Accounts of the State)

Increase in capital expenditure under ‘Capital Outlay on Water Supply and Sanitation’ was largely due to more allocation to Sewerage and Infrastructural Development Corporation of Goa Limited (₹ 155 crore). The State Government also increased its allocations to ‘Management of Solid Waste and Other Wastes in Goa’ (₹ 135 crore) under ‘Capital Outlay on Other Scientific and Environmental Research’. Further, increase in ‘Capital Outlay on Public Works’ (₹ 45 crore) and ‘Urban Development’ (₹ 32 crore) were primarily on account of construction (buildings) and Smart Cities Mission respectively.

‘Capital Outlay on Education, Sports, Art and Culture’ decreased by ₹ 141 crore during the year mainly due to reduced expenditure on construction of Government colleges and infrastructure development by Sports Authority of Goa.

During 2020-21, the capital expenditure of the State grew by 20 per cent over the previous year. Whereas, expenditure for GCS was negative (-2.36 per cent) during the same period (Appendix 1.1).

2.4.3.2 Quality of capital expenditure

In the post-GFRBM framework, the Government is expected to keep its fiscal deficit (borrowing) at low levels and still meet its capital expenditure/ investment (including loans and advances) requirements. In addition, the State Government needs to initiate measures to earn adequate return on its investments rather than bearing the same in the form of subsidy at the cost of borrowed funds and take requisite steps to infuse transparency in financial operations.

This section presents a broad financial analysis of investments and other capital expenditure undertaken by the Government during 2020-21 *vis-à-vis* previous years.

Quality of investments in companies, corporations and other bodies

Return on investment in share capital invested in State Public Sector Enterprises (SPSEs) and history of repayment of loans given to various bodies are important determinants of quality of capital expenditure. Investments made and loan given to companies, corporations and co-operatives, which are loss-making and whose net worth is completely eroded, affect the quality of capital expenditure.

Statement No. 19 of Finance Accounts of the State Government contains the details of investments of the Government at the end of March 2021. As on 31 March 2021, total Government investment in companies, corporations and other bodies was ₹ 650.10 crore. The return on this investment ranged from 0.15 to 0.32 *per cent* during 2016-21 while the Government paid an average interest of up to 7.09 *per cent* on its borrowings during the same period. This indicated that the returns on investment of the State Government had been very poor.

Table 2.27 shows returns on investment of the State Government during 2016-21.

Table 2.27: Returns on investment

Investment/Returns/Cost of borrowings	2016-17	2017-18	2018-19	2019-20	2020-21
Investment at the end of the year (₹ in crore)	560.94	613.02	630.76	640.71	650.10
Return on investments (₹ in crore)	0.86	1.96	1.46	1.42	1.29
Return on investments (<i>per cent</i>)	0.15	0.32	0.23	0.22	0.20
Average rate of interest on Government borrowings (<i>per cent</i>)	7.09	7.03	6.90	6.82	6.59
Difference between average interest rate on borrowings and return on investments (<i>per cent</i>)	6.94	6.71	6.67	6.60	6.39
Difference between interest paid on Government borrowings and return on investments (₹ in crore)	925	997	1095	1206	1351

(Source: Finance Accounts of the State)

Note: There were differences in investment figures as per the records of SPSEs and those appearing in the Finance Accounts. The State Government was yet to reconcile the differences.

Table 2.27 shows that during 2020-21, the State Government's investments increased by ₹ 11⁸ crore. The Government invested ₹ 10 crore and ₹ one crore in Konkan Railway Corporation Limited and Co-operative Sugar Mill respectively during 2020-21.

Financial performance of SPSEs

Definition of Government companies/corporations

The term SPSEs encompasses State Government-owned companies set up under the Companies Act, 2013 and statutory corporations set up under the statutes enacted by the Legislature. A Government company is defined in Section 2(45) of the Companies Act, 2013 as a company in which not less than 51 *per cent* of the paid-up share capital is held by Central Government or by any State Government or Governments or partly by the Central Government and partly by one or more State Governments and includes a company which is a subsidiary of a Government company.

SPSEs are those Government companies and statutory corporations, wherein more than 50 *per cent* of the share in equity is held by the State Government. The subsidiaries of these companies, if registered in India, are also categorised as SPSEs. It does not cover departmentally-run public enterprises, banking institutions and insurance companies.

Mandate of audit

Audit of Government companies is conducted by the CAG under the provisions of Section 143(5) to 143(7) of the Companies Act, 2013 read with Section 19 of the CAG's (Duties, Powers and Conditions of Service) Act, 1971 and the regulations there under. Under the Companies Act, 2013, the CAG appoints Chartered Accountants as statutory auditors for companies and gives directions on the manner in which the accounts are to be audited. In addition, CAG has a right to conduct a supplementary audit and issue comments upon or supplement the Audit Report of the statutory auditor.

There were 16 SPSEs in the State as on 31 March 2021 under various sectors other than power. These SPSEs include 14 Government companies and two statutory corporations.

Audit of Goa Industrial Development Corporation (Goa-IDC) and Goa Information Technology Development Corporation (GITDC), both statutory corporations, are taken up as per their respective governing acts.

There were no SPSEs which came under or went out from the purview of CAG's audit during 2020-21.

⁸ Actual increase in 2020-21 over 2019-20 was ₹ 9.39 crore. Hence, there was a difference of ₹ 1.61 crore (₹ 11 crore – ₹ 9.39 crore). This difference of ₹ 1.61 crore was on account of refund of share capital of previous years.

Number of SPSEs covered in the Report

Of the 16 SPSEs, financial performance of nine⁹ SPSEs has been covered in this Report. The performance of remaining seven SPSEs, whose accounts were in arrears for three years or more or non-working, has not been included in the Report. Details of these seven SPSEs are shown in **Appendix 2.3**. The coverage of nine SPSEs is indicated in **Table 2.28**.

Table 2.28: Coverage of nine SPSEs

Nature of SPSE	No. of SPSEs covered			
	Accounts received for the year			Total
	2018-19	2019-20	2020-21	
Government companies	00	06	02	08
Statutory corporations	00	01	00	01
Total	00	07	02	09

(Source: Information compiled by office of Accountant General, Goa)

Table 2.29 summarises the financial performance of the nine selected SPSEs as on 31 March 2021.

Table 2.29: Summary of financial performance of nine selected SPSEs

Summary of financial performance of SPSEs covered in this Report	
No. of SPSEs in the State	16
No. of SPSEs selected for audit	09
Paid-up capital (09 SPSEs)	₹ 357.51 crore
Long-term loans (09 SPSEs)	₹ 943.24 crore
Market capitalisation	Not applicable
Net profit (04 SPSEs)	₹ 41.96 Crore
Net loss (05 SPSEs)	₹ 54.03 Crore
Zero profit/loss	None
Dividend declared (01 SPSE) ¹⁰	₹ 1.01 Crore
Total assets (09 SPSEs)	₹ 3313.08 Crore
Value of production (09 SPSEs)	Not applicable
Net worth (09 SPSEs)	₹ 383.76 Crore

(Source: As per information furnished by nine SPSEs based on latest Accounts)

⁹ Eight Government companies viz., (i) Goa State Scheduled Tribes Finance and Development Corporation Limited (GSSTFDCL), (ii) Goa Handicrafts, Rural and Small-Scale Industries Development Corporation Limited (GHRSSIDCL), (iii) Goa State Infrastructure Development Corporation Limited (GSIDCL), (iv) Sewerage and Infrastructural Development Corporation of Goa Limited (SIDCGL), (v) Goa Tourism Development Corporation Limited (GTDCL), (vi) Kadamba Transport Corporation Limited (KTCL), (vii) Economic Development Corporation Limited (EDCL), (viii) Goa Electronics Limited (GEL), and one statutory corporation viz., (ix) Goa Industrial Development Corporation (Goa-IDC)

¹⁰ EDCL

Quantum of investments in SPSEs

The quantum of investments in equity and loans in nine SPSEs as of 31 March 2021 is given in **Table 2.30**.

Table 2.30: Equity investments and loans to nine SPSEs

(₹ in crore)

Sources of investment	As on 31 March 2020			As on 31 March 2021		
	Equity	Long-term loans	Total	Equity	Long-term loans	Total
State Government	291.12*	2.75	293.87	291.12	3.51	294.63
Central Government	49.90	425.09	474.99	49.81	-	49.81
Holding Company	1.80	-	1.80	1.80	-	1.80
Others	14.78	562.00	576.78	14.78	939.73	954.51
Total	357.60	989.84	1347.44	357.51	943.24	1300.75
Percentage of investment of State Government to total investment	81.41	0.28	21.81	81.43	0.37	22.65

(Source: As per information furnished by nine SPSEs based on latest Accounts)

*Figures of 2019-20 updated as per latest Accounts received in 2020-21.

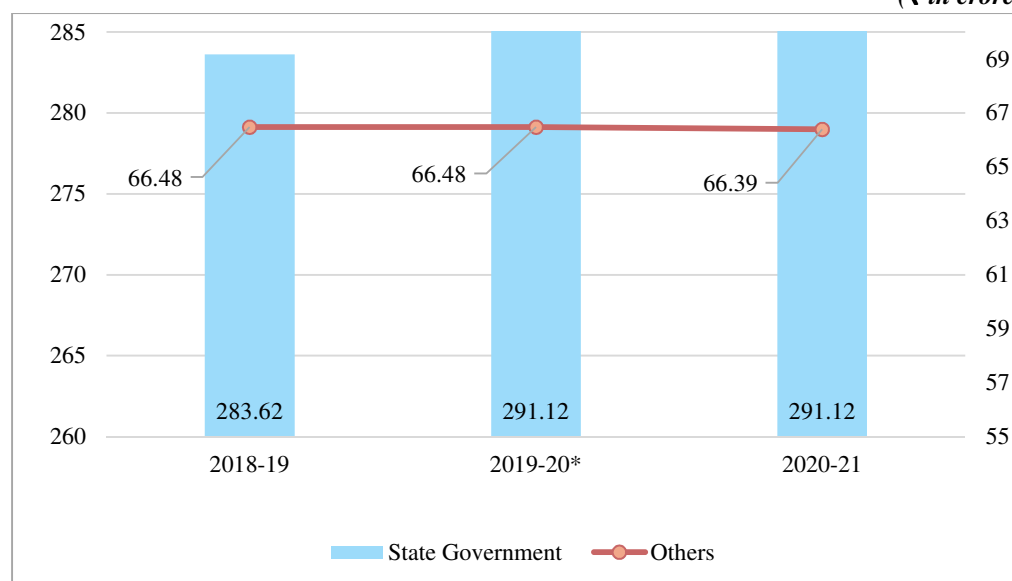
Investment in equity

During 2020-21, the total investment by State Government at face value of equity in the nine SPSEs remained the same as in the previous year (2019-20).

Equity investment by State Government and others in nine SPSEs during last three years ended 31 March 2021 is depicted in Chart 2.13.

Chart 2.13: Equity investment in nine SPSEs

(₹ in crore)



*Figures of 2019-20 updated as per latest Accounts received in 2020-21.

As per latest finalised accounts, the State Government made an investment of ₹ 7.50 crore during 2020-21 in the paid-up capital of one statutory corporation (Goa-IDC).

Budgetary support to SPSEs

Government of Goa provides financial support to SPSEs in various forms through the annual budget.

The summarised details of budgetary outgo towards equity, loans, grants/subsidies, loans written off and loans converted into equity in respect of nine SPSEs for the period 2018-21 are given in **Table 2.31**.

Table 2.31: Budgetary support to nine SPSEs during 2018-21

(₹ in crore)

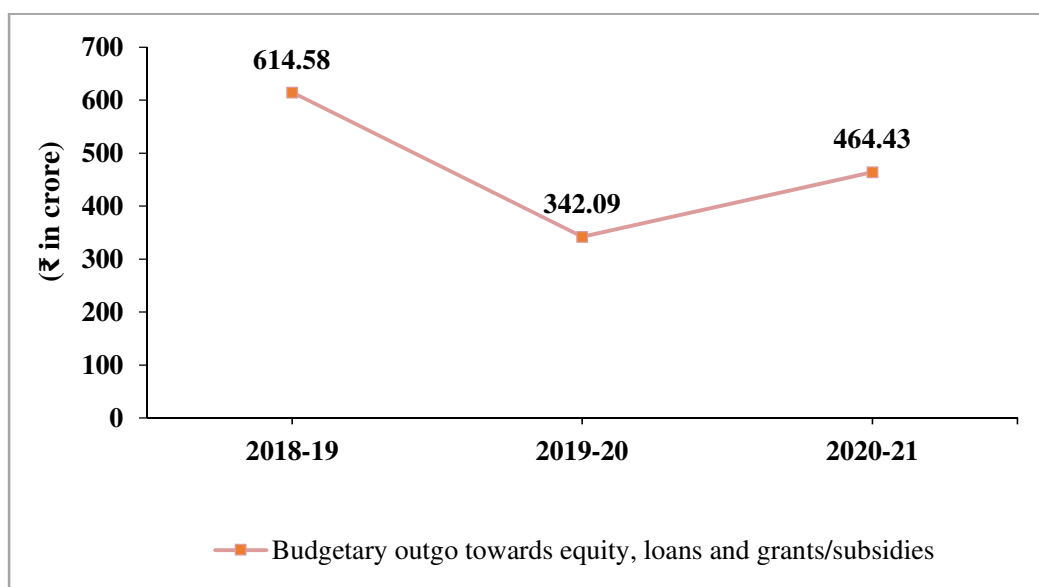
Particulars	2018-19		2019-20		2020-21	
	No. of SPSEs	Amount	No. of SPSEs	Amount	No. of SPSEs	Amount
Equity/capital outgo	01	13.81	01	7.55	Nil	Nil
Loans given	Nil	Nil	01	1.20	Nil	Nil
Grants/subsidy provided	05	600.77	05	333.34	05	464.43
Total budgetary outgo	06	614.58	07	342.09	05	464.43
Loan repayment written off	Nil	Nil	Nil	Nil	Nil	Nil
Loans converted into equity	Nil	Nil	Nil	Nil	Nil	Nil
Guarantees issued	1	30.00	1	30.00	2	312.87
Guarantee commitment outstanding at the end of the year	2	474.09	2	468.53	2	646.37

(Source: As per information furnished by nine SPSEs based on latest Accounts)

The budgetary support to nine SPSEs increased by 36 per cent from ₹ 342.09 crore in 2019-20 to ₹ 464.43 crore in 2020-21. Out of total grants/subsidy of ₹ 464.43 crore provided during 2020-21, ₹ 350.76 crore was allotted for capital purposes while the remaining ₹ 113.67 crore was granted to be used for revenue expenditure such as, salary, arrears, maintenance, subsidy for bus service schemes, vegetable subsidy etc.

The budgetary outgo towards equity, loans and grants/subsidies for the last three years ending 31 March 2021 are depicted in Chart 2.14.

Chart 2.14: Budgetary outgo towards equity, loans and grants/subsidies



(Source: As per information furnished by nine SPSEs based on latest Accounts)

Further, out of the 16 SPSEs in the State, the following two SPSEs were not functional:

- Goa Meat Complex Limited (Government company; non-functioning since 2019-20), and
- Goa Information Technology Development Corporation (Statutory Corporation; non-functioning since 2009-10)

Of these two SPSEs, Goa Meat Complex Limited received financial support of ₹ 4.50 crore from the State Government during 2020-21.

Recommendation 2: Financial support to non-functioning SPSEs places additional financial strain on the Government which is already reporting revenue deficits and a high debt-GSDP ratio. The State Government needs to expeditiously decide on the continuation/closure of non-functioning SPSEs.

Disinvestment, restructuring and privatisation of SPSEs

During 2020-21, no disinvestment, restructuring or privatisation was done by the State Government in SPSEs. In respect of one inactive SPSE¹¹, the National Company Law Tribunal appointed (20 August 2019) a liquidator for conducting liquidation process as per Insolvency and Bankruptcy Board of India (Liquidation Process) Regulations, 2016. The powers of the Board of Directors of GAAL and its key managerial personnel *etc.* ceased to exist and all the powers are now vested with the liquidator.

¹¹ Goa Auto Accessories Limited (GAAL)

Returns from SPSEs

Profits earned by SPSEs

Four¹² out of nine SPSEs registered profits of ₹ 41.96 crore during 2020-21 whereas five incurred losses during the same period. Profit earned by these four SPSEs during the year was higher than the profit earned by six SPSEs (₹ 39.40 crore) during 2019-20.

The list of SPSEs which earned profit of more than one crore during 2020-21 is shown in **Table 2.32**.

Table 2.32: List of SPSEs which earned profit of more than one crore

(₹ in crore)		
Sr. No.	Name of SPSE	Profit
1	Goa State Infrastructure Development Corporation Limited (GSIDCL)	2.10
2	Economic Development Corporation Limited (EDCL)	38.13
3	Goa Electronics Limited (GEL)	1.42
Total		41.65

(Source: As per information furnished by nine SPSEs based on latest Accounts)

The above three SPSEs contributed 99 *per cent* of the total profits earned by the four SPSEs during 2020-21.

The four SPSEs registered profits largely because they were working in a monopolistic or near monopolistic environment. For instance, EDCL, a premier financial institution, lends primarily to Government companies. Similarly, GSIDCL executes works on behalf of the State Government for which it gets development fees, in addition to total costs incurred by it for project implementation. The remaining two SPSEs (GHRSSIDCL and GEL) were mostly engaged in social sector and other activities.

Dividends paid by SPSEs

Only one out of nine SPSEs declared dividend during 2020-21, as shown in the **Table 2.33**.

¹² GSIDCL, EDCL, GEL and GHRSSIDCL

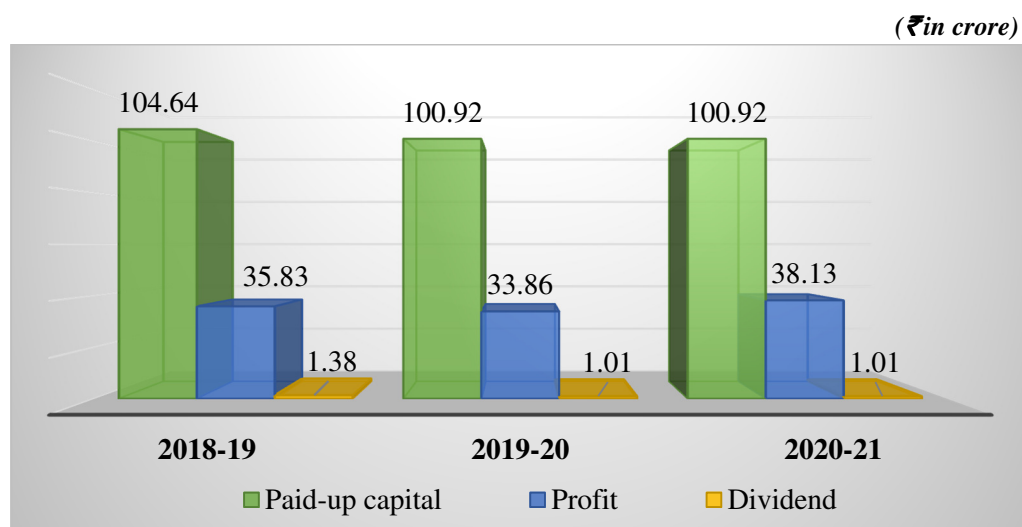
Table 2.33: Profit earned and dividend declared

Name of SPSE	Paid-up capital (₹ in crore)	Profit (₹ in crore)	Dividend declared (₹ in crore)
EDCL	100.92	38.13	1.01

(Source: As per information furnished by nine SPSEs based on latest Accounts)

Dividend declared by EDCL was 2.41 per cent of total profits earned during 2020-21 vis-à-vis 2.56 per cent in 2019-20.

Chart 2.15 depicts dividends declared vis-à-vis profits earned and paid-up capital of SPSEs during the last three years.

Chart 2.15: Dividend declared vis-à-vis profit earned and paid-up capital

(Source: As per information furnished by nine SPSEs based on latest Accounts)

During 2020-21, return on aggregate investment of ₹ 291 crore (Table 2.30) made by the State Government in equity capital of nine SPSEs was 0.35 per cent¹³.

Operating efficiency of Government companies

Rate of real return on Government investment

In view of significant investments in eight¹⁴ out of nine SPSEs where funds had been infused by the State Government, an analysis of earnings vis-à-vis investments was carried out to assess the profitability of these SPSEs.

In order to assess the rate of real return (RORR), the present value (PV) of State Government investment in eight SPSEs has been computed vis-à-vis their historical cost. In order to bring the historical cost of investments to its PV at the end of each year up to 31 March 2021, the past investments/year-wise funds infused by the State Government in the SPSEs have been compounded at the year-wise average interest rate on State Government borrowings, which is

¹³ (Dividend ₹ 1.01 crore ÷ Equity investment of ₹ 291.12 crore) × 100 = 0.35 per cent

¹⁴ GHRSSIDCL, GSSTFDCL, GSIDCL, SIDCGL, GTDCL, KTCL, EDCL and Goa-IDC

considered as the minimum cost of funds to the Government for the concerned year.

The RORR measures the profitability and efficiency with which equity and similar non-interest-bearing capital have been employed after adjusting them for their time value and assume significance when compared with the conventional rate of return (ROR), which is calculated by dividing the profit after tax (PAT) by the sum of all such investments counted on historical cost basis. The RORR is thereafter calculated by dividing PAT by the sum of the PV of the investments.

Table 2.34 shows RORR on State Government investments with reference to historical cost and PV during last five years (2016-21).

Table 2.34: RORR on State Government investments

(₹ in crore)

Year	Profits (+)/ losses (-) for the year	At historical cost		At PV	
		Investment by Govt. in form of equity, IFL and grants	Return on Govt. investment (per cent)	PV of Govt. investment at end of year	Return on PV of Govt. investment (per cent)
2016-17	47.83	829.89	5.76	1486.05	3.22
2017-18	49.52	930.17	5.32	1697.85	2.92
2018-19	53.01	1067.27	4.97	1962.47	2.70
2019-20	(-)101.51	1200.75	(-)8.45	2238.90	(-)4.53
2020-21	(-) 13.49	1315.70	(-)1.03	2509.20	(-)0.54

As could be seen from the table above, when historical cost of investment of State Government is considered, return on investment ranged between (-)8.45 per cent and 5.76 per cent during 2016-21. Whereas, when the PV of investments is considered, the RORR ranged between (-)4.53 per cent and 3.22 per cent during the same period.

Return on equity of SPSEs

Return on equity or ROE is a measure of financial performance of companies calculated by dividing net income by shareholders' equity.

The ROE of all the nine SPSEs (four profit-making and five loss-making) was (-) 25.18 per cent in 2018-19, which improved to (-) 3.15 per cent in 2020-21.

Table 2.35: ROE of nine SPSEs

Year	Net income (₹ in crore)	Shareholders' equity (₹ in crore)	Return on equity (per cent)
2018-19	(-)99.14	393.72	(-)25.18
2019-20	(-)100.34	394.40	(-)25.44
2020-21	(-)12.07	383.76	(-)3.15

(Source: As per information furnished by nine SPSEs based on latest Accounts)

The ROE of the four profit-making SPSEs was 10.12 *per cent* in 2020-21 as compared to 8.90 *per cent* in 2019-20.

The sector-wise ROE of SPSEs, where total equity of the sector was more than ₹ 20 crore during 2018-21, is depicted in **Table 2.36**.

Table 2.36: Sector-wise ROE where total equity was more than ₹ 20 crore

(per cent)

Sr. No.	Sector	ROE during 2018-19	ROE during 2019-20	ROE during 2020-21
1	Industries & Commerce	9.63	9.63	10.29
2	Health & Welfare	3.88	1.38	(-)6.31
3	PWD	5.44	5.44	5.48
4	Culture & Tourism	7.01	7.01	(-)65.27

(Source: As per information furnished by nine SPSEs based on latest Accounts)

SPSEs incurring losses

Five¹⁵ out of nine SPSEs incurred losses of ₹ 54.03 crore during 2020-21, as compared to ₹ 139.74 crore incurred during 2019-20. The details are shown in **Table 2.37**.

Table 2.37: SPSEs that incurred losses during 2018-21

Year	No. of SPSEs that incurred losses	Net loss for the year (₹ in crore)	Accumulated losses (₹ in crore)	Net worth (₹ in crore)
Statutory Corporations				
2019-20	01	115.39	70.71	(-)18.85
2020-21	01	30.72	98.89	(-)39.62
Government Companies				
2019-20	02	24.35	159.87	(-)29.26
2020-21	04	23.31	188.11	8.66
Total				
2019-20	03	139.74	230.58	(-)48.11
2020-21	05	54.03	287.00	(-)30.96

(Source: As per information furnished by nine SPSEs based on latest Accounts)

Out of total loss of ₹ 54.03 crore incurred by five SPSEs during 2020-21, loss of ₹ 30.72 crore (57 *per cent*) was incurred by one statutory corporation (Goa-IDC) which falls under industries, trade and commerce sector.

Two out of five SPSEs listed in **Table 2.38** incurred losses of more than ₹ 10 crore during 2020-21.

¹⁵ GSSTFDCL, SIDCGL, KTCL, GTDCL and Goa-IDC

Table 2.38: SPSEs that incurred losses of more than ₹ 10 crore

Sr. No.	Name of SPSE	Net loss (₹ in crore)
1	Kadamba Transport Corporation Limited	12.68
2	Goa Industrial Development Corporation Limited	30.72
Total		43.40

(Source: As per information furnished by nine SPSEs based on latest Accounts)

Losses incurred by these two SPSEs accounted for 80 *per cent* of the total losses incurred by the five SPSEs during 2020-21.

Erosion of capital in SPSEs

As could be seen from **Table 2.37** above, five out of nine SPSEs had accumulated losses of ₹ 287 crore at the end of March 2021. Due to accumulated losses, net worth of two¹⁶ out of five SPSEs had been completely eroded, as they registered a negative net worth of ₹ 104.26 crore against equity investment of ₹ 167.72 crore (**Appendix 2.4**).

During 2020-21, the State Government did not make any investments in loss-making companies or companies whose net worth was completely eroded.

Loans and advances disbursed by the State Government

In addition to investments in co-operative societies, corporations and companies, the State Government provided loans and advances to many institutions/organisations. **Table 2.39** presents the outstanding loans and advances as on 31 March 2021, interest receipts *vis-à-vis* interest payments during the last five years.

¹⁶ KTCL and Goa-IDC

Table 2.39: Status of loans and advances

(₹ in crore)

Quantum of loans/interest receipts/cost of borrowings	2016-17	2017-18	2018-19	2019-20	2020-21
Opening balance	76.14	71.03	97.81	95.77	105.61
Amount advanced during the year	3.41	33.93	3.10	13.42	1.61
Amount repaid during the year	8.52	7.15	5.14	3.58	3.01
Closing balance	71.03	97.81	95.77	105.61	104.21
Interest received (₹ in crore)	2.30	1.79	2.29	2.05	1.63
Interest receipts as <i>per cent</i> to average of outstanding loans and advances	3.12	2.12	2.37	2.04	1.55
Interest payments as <i>per cent</i> to outstanding borrowings of the Government	6.82	6.71	6.58	6.50	6.00
Difference between interest receipts and interest payments (<i>per cent</i>)	3.70	4.59	4.21	4.46	4.45

(Source: Finance Accounts of the State)

The total amount of outstanding loans and advances increased from ₹ 71 crore in 2016-17 to ₹ 104 crore in 2020-21. The disbursements during the year were only ₹ 1.61 crore compared to ₹ 13.42 crore in the previous year.

The loans were disbursed mainly to Government servants (₹ 1.28 crore) as advances for house building, purchase of motor conveyances and computers. The interest earned by the State Government on disbursed loans decreased from 2.04 *per cent* in 2019-20 to 1.55 *per cent* in 2020-21 while the State Government paid an average interest of six *per cent* to 6.82 *per cent* on its borrowings during 2016-21.

Capital locked in incomplete projects

An assessment of capital blocked in incomplete capital works is also an indicator of the quality of capital expenditure. The year-wise details and age analysis of incomplete projects (more than ₹ one crore each) as on 31 March 2021 are shown in **Table 2.40** and **Table 2.41** respectively.

Table 2.40: Year-wise details of incomplete projects as on 31 March 2021

Year of commencement	No. of incomplete projects	Estimated cost (₹ in crore)	Expenditure (as on 31 March 2021) (₹ in crore)
2009-10	03	24.49	29.86
2010-11	05	37.39	29.85
2011-12	06	44.79	44.07
2012-13	05	67.71	57.84
2013-14	14	117.49	80.67
2014-15	08	75.97	33.02
2015-16	19	82.79	73.69
2016-17	12	46.77	35.85
2017-18	14	51.60	30.67
2018-19	76	275.39	106.57
2019-20	21	49.45	17.94
2020-21	20	51.21	4.66
Total	203	925.05	544.69

(Source: Finance Accounts of the State)

Table 2.40 shows that projects which commenced as long back as 2009-10 remained incomplete as of 2020-21.

Table 2.41: Age-analysis of incomplete projects as on 31 March 2021

Sr. No.	Range of delay (in years)	Incomplete projects		
		No. of incomplete projects	Estimated cost (₹ in crore)	Expenditure (as on 31 March 21) (₹ in crore)
1.	1-3	117	376.05	129.17
2.	3-5	26	98.37	66.52
3.	5-7	27	158.76	106.71
4.	7 and above	33	291.87	242.29
	Total	203	925.05	544.69

(Source: Finance Accounts of the State)

It could be seen from **Table 2.41** that an expenditure of ₹ 242 crore had been incurred as on 31 March 2021 in respect of 33 incomplete projects which were delayed by more than seven years.

Department-wise profile of incomplete projects as on 31 March 2021 is shown in **Table 2.42**.

Table 2.42: Department-wise profile of incomplete projects as on 31 March 2021

Department	No. of incomplete projects	Estimated cost (₹ in crore)	Expenditure (as on 31 March 2021) (₹ in crore)
Roads, Bridges and Buildings	145	408.09	224.68
Irrigation, Water Supply and Sanitation	58	516.96	320.01
Total	203	925.05	544.69

(Source: Finance Accounts of the State)

As per the information furnished by the State Government, there were 203 incomplete projects (more than ₹ one crore each) as on 31 March 2021 on which ₹ 544.69 crore had been spent. Significant time and cost escalation was noticed in *Tillari* Irrigation Project (a joint venture of Government of Maharashtra and Government of Goa) which remained incomplete due to delay in land acquisition. The cost escalation, if any, in other projects was not disclosed by the State Government in the Finance Accounts.

Blocking of funds in incomplete projects/works negatively impacts the quality of expenditure and deprives the State of the intended benefits. Further, the funds borrowed for implementation of these projects during the respective years adds to the fiscal burden in terms of servicing of debt and interest liabilities.

Recommendation 3: The State Government may take effective steps to complete all the projects expeditiously so that benefits may reach the people and further cost and time overruns are avoided.

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 priority¹⁷ 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 better is the quality of expenditure.

Table 2.43 shows the fiscal priority of the State with regard to total expenditure, development expenditure, social sector expenditure, economic sector expenditure and capital expenditure *vis-à-vis* GCS in 2016-17 and 2020-21.

¹⁷ Ratio of expenditure under a category to total expenditure

Table 2.43: Fiscal priority of the State in 2016-17 and 2020-21

	AE/ GSDP	CE/AE	SSE/AE	ESE/AE	DE/AE	Education /AE	Health /AE
General Category States Average (2016-17)	17.12	19.77	35.81	35.16	70.97	14.93	5.49
Goa State (2016-17)	16.28	15.60	35.94	34.74	70.69	14.96	6.38
General Category States Average (2020-21)	16.18	13.03	37.81	28.48	66.29	15.00	6.74
Goa State (2020-21)	17.29	14.17	36.42	31.07	67.48	14.80	8.56

(Source: Finance Accounts of the State and information sent by Economic Advisor)

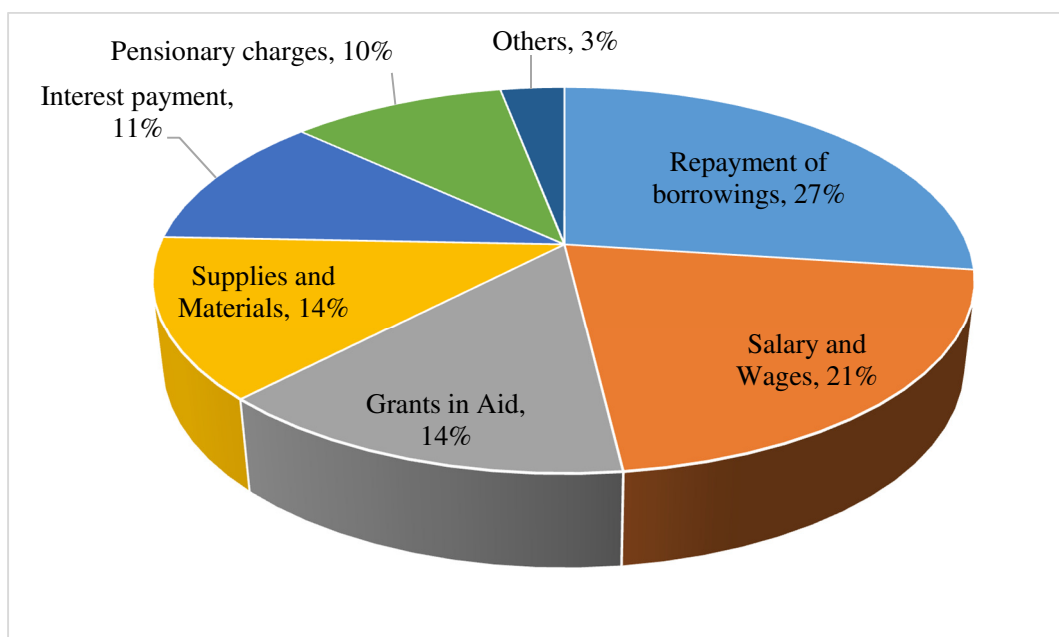
AE: Aggregate expenditure (Total expenditure); DE: Development expenditure; CE: Capital expenditure; SSE: Social sector expenditure; ESE: Economic sector expenditure

Analysis of the fiscal priorities of the State as shown in **Table 2.43**, revealed the following:

- The aggregate expenditure to GSDP in Goa during 2020-21 was higher than GCS. This meant that Goa was spending more (as a proportion of GSDP) than GCS.
- Development expenditure consists of both economic sector expenditure and social sector expenditure. While the economic sector expenditure in Goa (as a proportion of aggregate expenditure) was lower than the GCS average in 2016-17, it was higher in 2020-21. On the contrary, the social sector expenditure in Goa (as a proportion of aggregate expenditure) was higher in 2016-17 but it was lower in 2020-21, as compared to GCS average.
- Development expenditure (as a proportion of aggregate expenditure) in Goa was higher than GCS in 2020-21.
- Capital expenditure increases asset creation and generates opportunities for higher growth. In respect of capital expenditure to aggregate expenditure, Goa spent less than GCS in 2016-17 but spent more in 2020-21.
- Goa's spending on education, sports, art and culture as a proportion of aggregate expenditure was marginally higher than GCS in 2016-17 while it was marginally lower in 2020-21.
- Goa gave higher fiscal priority to health and family welfare than GCS during 2016-17 and 2020-21.

2.4.5 Object Head-wise expenditure

The Object Head-wise expenditure during 2020-21 showing information regarding specific object/purpose of the expenditure is presented in Chart 2.16.

Chart 2.16: Object Head-wise expenditure

(Source: Finance Accounts of the State)

The Chart above shows that during 2020-21, 21 *per cent* of total expenditure was spent on salary and wages. The remaining 79 *per cent* was non-salary expenditure, such as, repayment of borrowings, pension, grants-in-aid, interest payment *etc.*

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 as a banker in respect of these transactions. The balance after disbursements during the year is the fund available with the Government for its use.

2.5.1 Net public account balances

Component-wise net balances in public account during the last five years are given in **Table 2.44**.

Table 2.44: Component-wise net balances in public account as of 31 March 2021

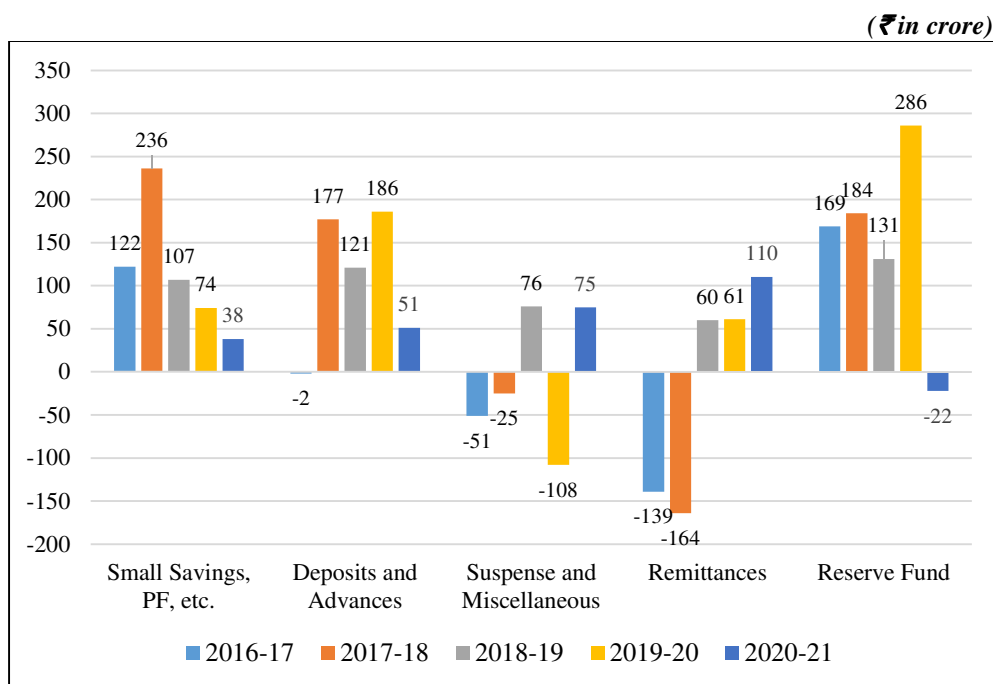
(₹ in crore)

Sector	Sub-Sector	2016-17	2017-18	2018-19	2019-20	2020-21
I. Small Savings, Provident Funds <i>etc.</i>	Small Savings, Provident Funds <i>etc.</i>	122	236	107	74	38
J. Reserve Funds	(a) Reserve Funds bearing Interest	06	06	04	249	(-)16
	(b) Reserve Funds not bearing Interest	163	178	127	37	(-)06
	Sub-total:	169	184	131	286	(-)22
K. Deposits and Advances	(a) Deposits bearing Interest	(-)52	129	111	142	(-)120
	(b) Deposits not bearing Interest	51	48	10	44	171
	(c) Advances	(-)01	-	-	-	-
	Sub-total:	(-)02	177	121	186	51
L. Suspense and Miscellaneous	(b) Suspense	(-)56	23	(-)18	12	(-)32
	(c) Other Accounts	05	(-)48	94	(-)120	107
	(d) Accounts with Governments of Foreign Countries	-	-	-	-	-
	(e) Miscellaneous	-	-	-	-	-
	Sub-total:	(-)51	(-)25	76	(-)108	75
M. Remittances	(a) Money Orders, and other Remittances	(-)139	(-)164	60	61	110
	(b) Inter- Governmental Adjustment Account	-	-	-	-	-
	Sub-total:	(-)139	(-)164	60	61	110
Total		99	408	495	499	252

(Source: Finance Accounts of the State)

The net public account receipts increased from ₹ 99 crore in 2016-17 to ₹ 499 crore in 2019-20. However, during 2020-21, it decreased by ₹ 247 crore over the previous year, mainly due to reduced receipts under reserve funds, deposits and advances, small savings, PF *etc.* The net public account balances at the end of 31 March 2021 stood at ₹ 252 crore.

The yearly changes in composition of balances in public account over the five-year period (2016-21) are given in Chart 2.17.

Chart 2.17: Yearly changes in composition of public account balances

(Source: Finance Accounts of the State)

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 financed from contributions or grants from the Consolidated Fund of the State.

There were nine reserve funds earmarked for specific purposes during 2020-21 of which two funds were inoperative with a balance of ₹ three crore. The total accumulated balance in these funds as on 31 March 2021 was ₹ 2,115 crore of which ₹ 968 crore (46 per cent) was invested. Transactions under reserve fund during 2020-21 are shown in **Table 2.45**. An account of these funds is included in Statement No. 21 and 22 of Finance Accounts 2020-21.

Table 2.45: Transactions under reserve funds

(₹ in crore)

Classification	Opening balance	Receipts	Payment	Closing balance
Active reserve funds				
8121-122-State Disaster Response Fund	61.01	14.17	15.34	59.84
8121-129- State Compensatory Fund	238.16	-	32.56	205.60
8222-101-Sinking Fund	651.61	-28.93 ¹⁸	-	622.68
8229-110-Electricity Development Fund	823.77	145.00	89.28	879.49
8235-117-Guarantee Redemption Fund	330.52	-16.81 ¹⁹	-	313.71
8235-200-Beaches Improvement Fund	28.43	1.99	-	30.42
8229-123-State Consumer Welfare Funds	0.22	0.00	-	0.22
Total	2133.72	115.42	137.18	2111.96
Inactive reserve funds				
8235-119-National Calamity Contingency Fund	2.99	-	-	2.99
8235-200-Special Fund for Compensatory Afforestation	0.08	-	-	0.08
Total	3.07	-	-	3.07
Grand Total	2136.79	115.42	137.18	2115.03

(Source: Finance Accounts of the State)

2.5.2.1 Consolidated sinking fund

The State Governments have set up consolidated sinking fund in line with the recommendations of FC XII for amortisation of market borrowings as well as other loans and debt obligations. The fund is managed by the RBI.

The Government of Goa constituted a consolidated sinking fund in 1999-2000 for amortisation of outstanding liabilities. The scheme for 'Constitution and Administration of the Consolidated Sinking Fund of Government of Goa' notified on 17 December 2009 provided that the State Government may contribute a minimum annual contribution of 0.5 *per cent* of the outstanding liabilities at the end of the previous financial year. During the year, the State Government contributed ₹ 44.44 crore (as interest earned on investments) to the fund, which worked out to 0.20 *per cent* of the outstanding liabilities of ₹ 22,554 crore as on 01 April 2020. Thus, there was short-contribution of ₹ 68.33 crore. There was no expenditure from the fund during the year. The fund had a closing balance of ₹ 623 crore as on 31 March 2021.

¹⁸ Interest accrued on consolidated sinking fund during 2020-21 was ₹ 44.44 crore. However, incorrect redemption of investment (₹ 73.37 crore) of previous years has been rectified during the current year. Therefore, total receipts = ₹ 73.37 crore – ₹ 44.44 crore = ₹ 28.93 crore.

¹⁹ Interest accrued on guarantee redemption fund during 2020-21 is ₹ 22.90 crore. However, incorrect redemption of investment of previous year (₹ 39.71 crore) has been rectified during current year. Therefore, total receipts = ₹ 39.71 crore – ₹ 22.90 crore = ₹ 16.81 crore.

2.5.2.2 State Disaster Response Fund

As per recommendations of FC XIII, the State Government had been operating the State Disaster Response Fund (SDRF) with effect from 2010-11. In terms of GoI guidelines (September 2010), the Central and State Governments were required to contribute to the fund in the ratio of 75:25. The contributions were to be transferred to the public account to Major Head – 8121. Expenditure during the year is incurred by operating Major Head – 2245.

As on 01 April 2020, the fund had an opening balance of ₹ 61 crore. During 2020-21, the State Government received ₹ 13.20 crore (which included ₹ 1.20 crore pertaining to 2019-20) as Central Government share. The State Government's share during the year was ₹ four crore (which included ₹ one crore pertaining to 2019-20). The State Government transferred ₹ 18.59 crore (Central share ₹ 13.20 crore, State share ₹ four crore and interest ₹ 1.39 crore) to the fund under Major Head 8121-122 SDRF.

Table 2.46: Details of expenditure charged to SDRF during 2020-21

(₹ in crore)

Major Head of account	Minor Head of account	Expenditure during 2020-21
2245- Relief on account of natural calamities 02- Floods, cyclones etc.	101-Gratuitous relief	18.93
	106-Repairs and restoration of damaged roads and bridges	Nil
	122-Repairs and restoration of damaged irrigation and flood control works	Nil
	193-Assistance to local bodies and other non-Government bodies/institutions	Nil
	911- Deduct-recoveries of overpayments	Nil
	Sub-Total	18.93
2245- Relief on Account of Natural Calamities 80- General	800-Other expenditure	2.39
	911- Deduct-recoveries of overpayments	Nil
	Sub-Total	2.39
	Grand Total	21.32
05-State Disaster Response Fund	901- Deduct - amount met from state disaster response fund	Nil

(Source: Finance Accounts of the State)

2.5.2.3 Guarantee redemption fund

The State Government set up a guarantee redemption fund during 2009-10 with the objective of meeting payment obligations arising out of guarantees issued by it in respect of bonds issued and other borrowings by the SPSEs or other bodies and invoked by the beneficiaries.

During the year, the State Government contributed ₹ 23 crore (as interest earned on investments) to the fund, which worked out to 2.60 *per cent* of the outstanding guarantees (₹ 883 crore) as on 01 April 2020. This was more than

the required minimum contribution of ₹ 4.41 crore, being 0.5 *per cent* of the outstanding guarantees (₹ 883 crore) as on 01 April 2020.

At the beginning of the year, ₹ 330 crore was available in the fund. Interest received on investment at the end of the year was ₹ 23 crore and the closing balance in the fund was ₹ 314²⁰ crore. The entire balance of ₹ 314 crore was reinvested in Government securities. During 2020-21, no amount was paid by the State Government on account of invocation of guarantees.

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 to meet any other sovereign debt management goals that the Government may have set through enactment or any other annual budget announcements.

According to the GFRBM Act, 2006, "total liabilities" (herein termed as total outstanding debt) means the liabilities under the Consolidated Fund of the State and the public account of the State. The total outstanding debt of the State Government and its rate of growth during the period 2016-21 are shown in Table 2.47.

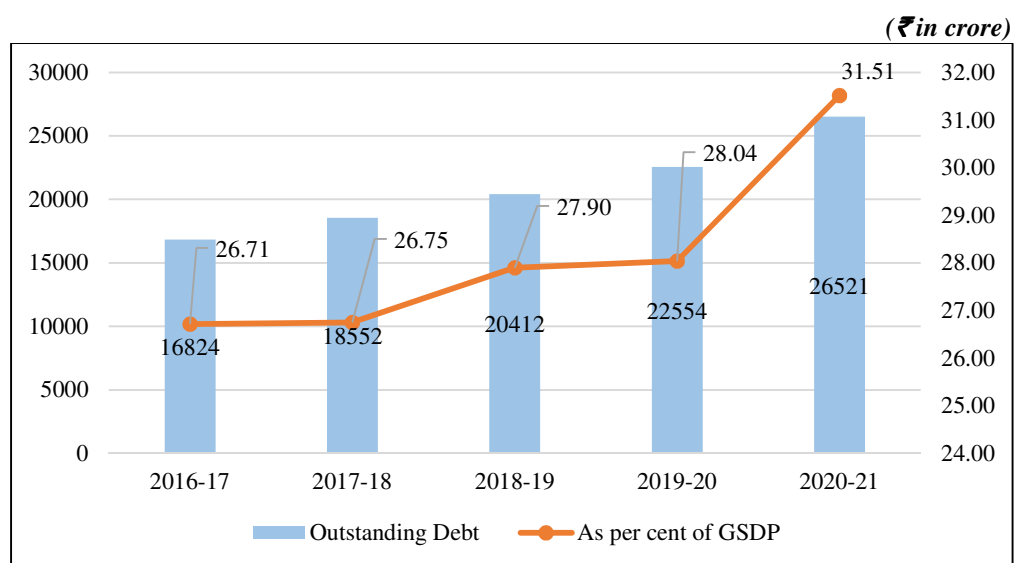
Table 2.47: Total outstanding debt during 2016-21

	2016-17	2017-18	2018-19	2019-20	2020-21
Total outstanding debt (₹ in crore)	16824	18552	20412	22554	26521
Rate of growth of outstanding debt (per cent)	8.02	10.27	10.03	10.49	17.59
GSDP (₹ in crore)	62976	69352	73170	80449	81502
Debt/GSDP (per cent)	26.71	26.75	27.90	28.03	31.51 ²¹

(Source: Finance Accounts of the State)

²⁰ Difference of ₹ 39 crore was due to incorrect redemption of investment of previous years which was rectified during 2020-21.

²¹ As per Department of Expenditure, GoI letter dated 10 December 2021, borrowings under the special window shall not be treated as debt of the State for any norms which may be prescribed by the Finance Commission. Hence, the back-to-back loans of ₹ 840 crore *in-lieu* of shortfall in GST compensation has not been considered as public debt/total outstanding liabilities of the State Government.

Chart 2.18: Trends of outstanding debt during 2016-21

(Source: Finance Accounts of the State)

The overall debt of the State Government increased by 53 *per cent* during the last five years from ₹ 16,824 crore in 2016-17 to ₹ 26,521 crore in 2020-21. During 2020-21, it increased by 17.59 *per cent* over the previous year. The total outstanding debt was two-and-a-half times the revenue receipts (₹ 10,440 crore) and almost four times the State's own resources (₹ 7,054 crore) during 2020-21.

2.6.1 Debt profile: components

Table 2.48 presents the component-wise overall debt indicators for the period 2016-21.

Table 2.48: Component-wise debt trends

		(₹ in crore)				
		2016-17	2017-18	2018-19	2019-20	2020-21
Total outstanding debt		16824	18552	20412	22554	26521
Public debt	Internal debt	11162	12388	14019	15746	18697
	Loans from GoI	1233	1223	1201	1148	2033
Public account liabilities		4429	4941	5192	5660	5791
Rate of growth of outstanding debt (per cent)		8.02	10.27	10.03	10.49	17.59
GSDP		62976	69352	73170	80449	81502
Debt/GSDP (per cent)		26.71	26.75	27.90	28.04	31.51 ²²
Interest payments		1148	1244	1344	1465	1590
Burden of interest payments (IP/RR) (per cent)		12.00	11.25	11.75	12.97	15.23
Total debt receipts		4432	4616	6444	5351	8963
Total debt repayments (debt redemption)²³		4331	4132	5928	4674	6586
Total debt available		101	484	516	677	2377
Debt repayments/debt receipts (per cent)		98	90	92	87	73

(Source: Finance Accounts of the State)

The overall debt (₹ 26,521 crore) of the State Government at the end 2020-21 comprised of internal debt ₹ 18,697 crore (70 *per cent*), public account liability of ₹ 5,791 crore (22 *per cent*) and loans and advances from GoI of ₹ 2,033 crore (eight *per cent*). The internal debt comprised of market loans (₹ 16,064 crore), special securities issued to NSSF (₹ 1,922 crore), NABARD (₹ 680 crore) and loans from financial institutions (₹ 31 crore).

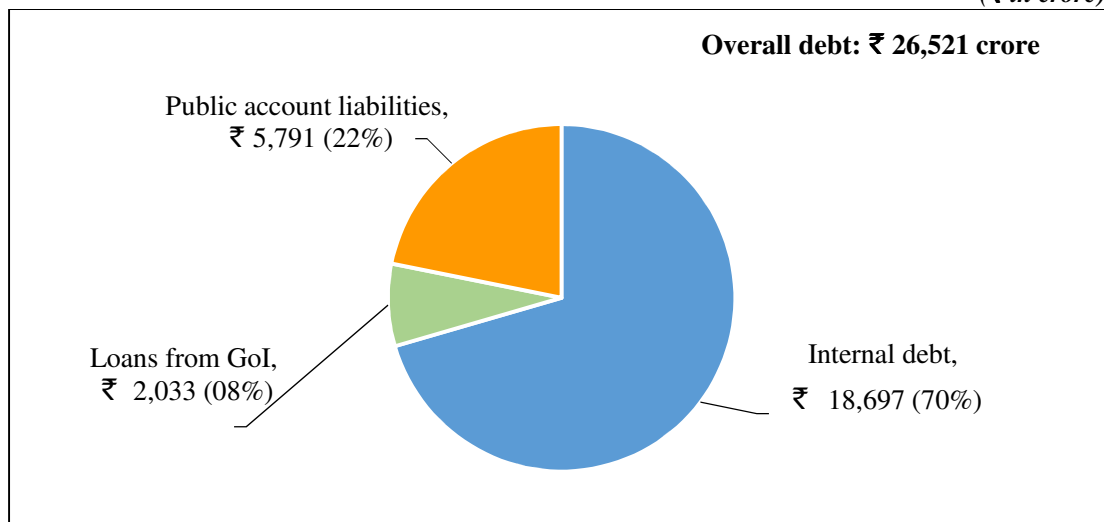
During 2020-21, overall debt increased by ₹ 3,967 crore over the previous year, mainly due to increase in market borrowings (₹ 3,054 crore).

The overall debt-GSDP ratio increased sharply from 26.71 *per cent* in 2016-17 to 31.51 *per cent* in 2020-21. The State, thus, could not achieve the target of 25 *per cent* fixed under GFRBM (First Amendment) Act, 2014.

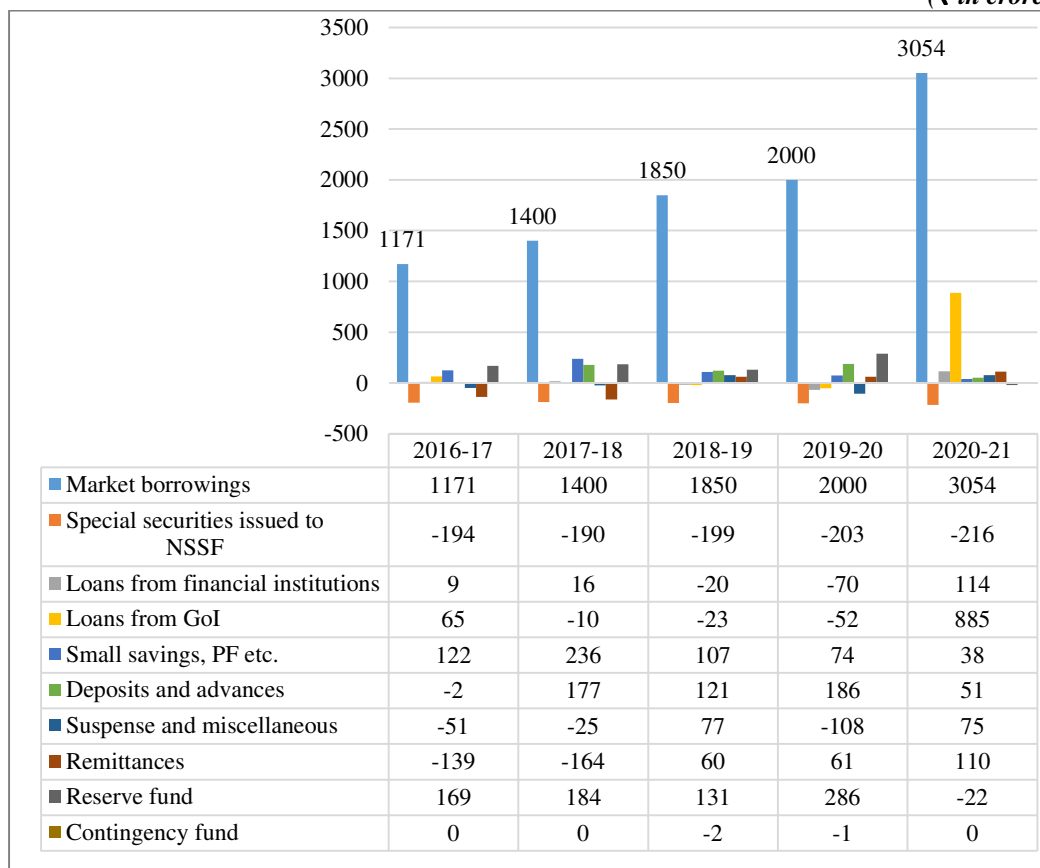
Chart 2.19 presents the break-up of total outstanding debt at the end of 31 March 2021 while the component-wise debt trends during last five years is shown in Chart 2.20.

²² As per Department of Expenditure, GoI letter dated 10 December 2021, borrowings under the special window shall not be treated as debt of the State for any norms which may be prescribed by the Finance Commission. Hence, the back-to-back loans of ₹ 840 crore *in-lieu* of shortfall in GST compensation has not been considered as public debt/total outstanding liabilities of the State Government.

²³ Debt redemption (₹ 6,586 crore) = Total debt repayments during the year (₹ 4,996 crore) + Total interest payments during the year (₹ 1,590 crore)

Chart 2.19: Break-up of total outstanding debt at the end of March 2021(*₹ in crore*)

(Source: Finance Accounts of the State)

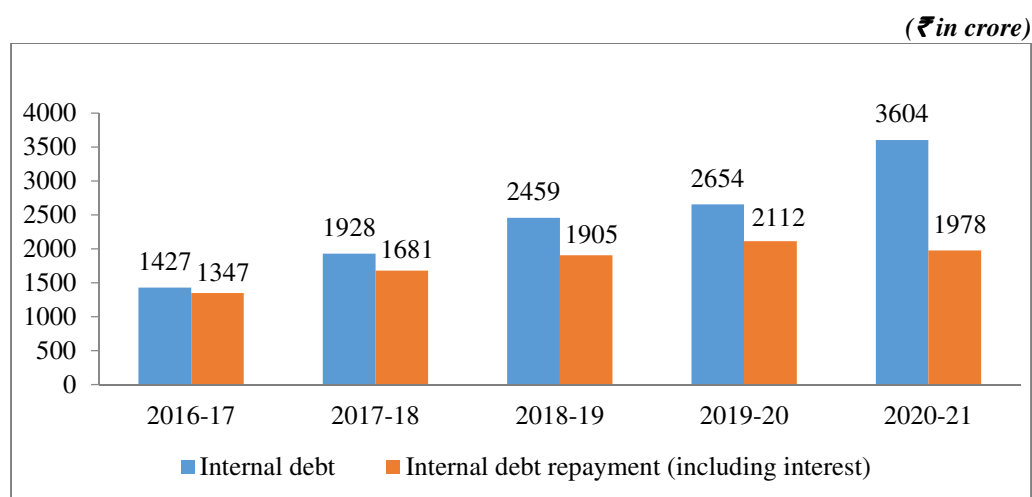
Chart 2.20: Component-wise debt trends(*₹ in crore*)

(Source: Finance Accounts of the State)

Note: Figures shown here are net of receipts and disbursements during each year.

Chart 2.21 shows the trends of internal debt and its repayment during 2016-21.

Chart 2.21: Trends of internal debt vis-à-vis repayments



(Source: Finance Accounts of the State)

Components of fiscal deficit and its financing pattern

Fiscal deficit represents the net incremental liabilities of the Government or its additional borrowings. The shortfall could be met either by additional public debt or by the use of surplus funds from the public account.

Table 2.49 shows the item-wise net disbursements/outflow and financing pattern of fiscal deficit during 2016-21.

Table 2.49: Components of fiscal deficit and its item-wise financing pattern

(₹ in crore)

Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
Components of fiscal deficit	(-)934	(-)1610	(-)1792	(-)1994	(-)3648
1 Revenue deficit ²⁴	699	511	355	(-)325	(-)1652
2 Net capital expenditure ²⁵	(-)1639	(-)2094	(-)2149	(-)1660	(-)1997
3 Net loans and advances	06	(-)27	02	(-)9	01
Financing pattern of fiscal deficit (Net figures)					
1 Market borrowings	1171	1400	1850	2000	3054
2 Loans from GoI	65	(-)10	(-)23	(-)52	885
3 Special securities issued to NSSF	(-)194	(-)190	(-)199	(-)203	(-)216
4 Loans from financial institutions	09	16	(-)20	(-)70	114
5 Small savings, PF etc.	122	236	107	74	38
6 Deposits and advances	(-)2	177	121	186	51
7 Suspense and miscellaneous	(-)51	(-)25	77	(-)108	75
8 Remittances	(-)139	(-)164	60	61	110
9 Reserve fund	169	184	131	286	(-)22
10 Contingency fund	-	-	(-)02	(-)01	0
Overall Deficit	1150	1624	2102	2173	4089
11 Increase(-)/decrease in cash balance(+)	(-)216	(-)14	(-)310	(-)179	(-)441

(Source: Finance Accounts of the State)

²⁴ Actual revenue deficit is ₹ 1,653 crore. The difference of ₹ one crore is due to rounding-off and balancing of total fiscal deficit (₹ 3,648 crore).

²⁵ Net capital expenditure is the total of miscellaneous capital receipts minus capital expenditure

Table 2.49 reveals that during the last five years, market borrowings, loans from GoI and net accretions to public account (small savings, deposits and advances, reserve fund, remittances *etc.*) had been the main sources utilised by the State Government to finance its fiscal deficit. During 2020-21, net market borrowings (₹ 3,054 crore), loans from financial institutions (₹ 114 crore), remittances (₹ 110 crore), deposits and advances (₹ 51 crore) and small savings, PF *etc.* (₹ 38 crore) were used for bridging the fiscal deficit of the State.

2.6.2 Debt profile: maturity and repayment

Debt maturity and repayment profile indicate commitment on the part of the State Government to repay the debt or service the debt.

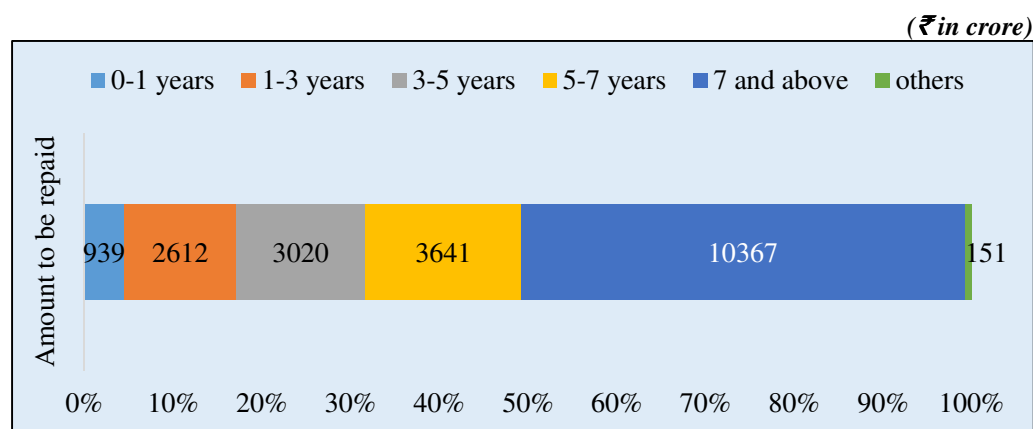
Of the total outstanding debt of ₹ 26,521 crore at the close of 2020-21, ₹ 5,791 crore pertained to 'Other liabilities' (public account liabilities). The maturity profile of the remaining public debt (₹ 20,730 crore) is shown in **Table 2.50** and Chart 2.22.

Table 2.50: Debt maturity profile of repayment of public debt

Period of repayment (Years)	Repayment schedule of total outstanding public debt (₹ in crore)	Repayments vis-à-vis total outstanding public debt (per cent)
0 – 1	939	05
1 – 3	2612	13
3 – 5	3020	15
5 – 7	3641	16
7 and above	10367	50
Loans pertaining to Union Territory	151	01
Total	20730	100

(Source: Finance Accounts of the State)

Chart 2.22: Debt maturity profile



(Source: Finance Accounts of the State)

The maturity profile of outstanding stock of public debt as on 31 March 2021 indicates that 49 *per cent* of the total public debt (₹ 10,212 crore) would be repayable within the next seven years which may put a strain on the Government budget during that period. Remaining 51 *per cent* (₹ 10,518 crore) would become due for servicing after seven years.

The State Government has repeatedly breached the target of debt-GSDP ratio of 25 *per cent*, set out in Goa FRBM (First Amendment) Act, 2014 during the last five years. In fact, the debt-GSDP²⁶ ratio increased from 26.71 *per cent* in 2016-17 to 31.51 *per cent* in 2020-21.

Recommendation 4: *Given the mounting committed expenditure over the last five years and a revenue deficit during the current year, the State Government needs to work out a well-thought out debt management strategy so as to avoid falling into a debt trap.*

Repayment schedule of market loans

Market loans continued to finance a major portion of the State's fiscal deficit. Of the total outstanding public debt of ₹ 20,730 crore, the share of market loans was ₹ 16,064 crore (77 *per cent*) at the end of 2020-21. The repayment schedule of outstanding market loans and interest payable on these loans are depicted in Table 2.51.

Table 2.51: Repayment schedule of market loans and interest on market loans

(₹ in crore)

Period of repayment (Years)	Repayment of market loans (Principal component)	Repayment of market loans (Interest component)
0 – 1	550	1250
1 – 3	1840	2327
3 – 5	2304	2006
5 – 7	3120	1593
7 -10	8250	1244
Total	16064	8420

(Source: Information furnished from Directorate of Accounts, Government of Goa)

²⁶ As per Department of Expenditure, GoI letter dated 10 December 2021, borrowings under the special window shall not be treated as debt of the State for any norms which may be prescribed by the Finance Commission. Hence, the back-to-back loans of ₹ 840 crore *in-lieu* of shortfall in GST compensation has not been considered as public debt/total outstanding liabilities of the State Government.

As can be seen from **Table 2.51**, the State Government would have to repay market loans of ₹ 2,390 crore and pay interest of ₹ 3,577 crore in next three financial years *i.e.* up to 2023-24. In the following two years *i.e.*, up to 2025-26, principal of ₹ 2,304 crore and interest of ₹ 2,006 crore would be payable. The total principal repayment along with interest would be approximately ₹ 10,277 crore during the next five years (up to 2025-26).

During the subsequent periods between 2026-27 and 2030-31, the State Government would have to repay the principal amount of ₹ 11,370 crore together with interest of ₹ 2,837 crore. As such, the average annual outgo on account of principal and interest during the five-year period (2026-31) would be approximately ₹ 2,841 crore.

2.7 Debt sustainability analysis

Debt is considered sustainable if the borrower (State Government) is in a position to service its debt now and in the future. Debt sustainability indicators accordingly seek to assess the credit worthiness and the liquidity position of the borrower by examining the ability of the borrower to service the debt through timely interest payments and repay the debt out of current and regular sources of revenue.

This section assesses the sustainability of debt of the State Government in terms of debt-GSDP ratio, fiscal deficit, burden of interest payments (measured by ratio of interest payments to revenue receipts) and maturity profile of the State Government debts.

The trends of debt sustainability indicators for the period 2016-21 are shown in **Table 2.52**.

Table 2.52: Trends in debt sustainability indicators

Debt Sustainability Indicators	2016-17	2017-18	2018-19	2019-20	2020-21
Outstanding public debt* (₹ in crore)	12395	13611	15220	16894	20730
Rate of growth of outstanding public debt (per cent)	9.26	9.81	11.82	11.00	22.71
GSDP (₹ in crore)	62976	69352	73170	80449	81502
Rate of growth of GSDP (per cent)	14.39	10.12	5.51	9.95	1.31
Outstanding public debt/GSDP (per cent)	19.68	19.63	20.80	21.00	24.40 ²⁷
Net public debt receipts (₹ in crore)	1519	2006	2529	2700	4587
Net public debt repayments (₹ in crore)	468	790	920	1025	751
Interest paid on outstanding public debt (₹ in crore)	926	999	1096	1207	1348
Average interest rate of outstanding public debt (per cent)	7.80	7.68	7.60	7.52	7.17
Percentage of interest payment to revenue receipts	9.68	9.03	9.58	10.68	12.91
Percentage of public debt repayment to public debt receipts	30.81	39.39	36.38	37.96	16.37
Net public debt available to the State# (₹ in crore)	126	217	513	468	2488
Net public debt available as per cent to public debt receipts	8.29	10.82	20.28	17.33	54.24

(Source: Finance Accounts of the State)

*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 excess of public debt receipts over public debt repayment and interest payment on public debt.

An analysis of debt sustainability indicators revealed the following:

- A sustainable fiscal policy is one where debt-GSDP ratio is stable or declining over a period. However, the debt-GSDP ratio shows an increasing trend during the last four years (2017-21), which means higher levels of debt which in turn leads to higher deficits.
- During the past three years (2018-21), outstanding public debt grew at a faster rate than GSDP. During 2020-21, the rate of growth of outstanding public debt was 22.71 per cent as against the growth rate of GSDP at 1.31 per cent.
- Persistently higher interest payments leaves fewer funds for public expenditure. The share of interest payment in revenue receipts showed an increasing trend from 9.03 per cent in 2017-18 to 12.91 per cent in 2020-21.

²⁷ As per Department of Expenditure, GoI letter dated 10 December 2021, borrowings under the special window shall not be treated as debt of the State for any norms which may be prescribed by the Finance Commission. Hence, the back-to-back loans of ₹ 840 crore *in-lieu* of shortfall in GST compensation has not been considered as public debt/total outstanding liabilities of the State Government.

Recommendation 5: The State Government may consider developing a debt sustainability framework for achieving improved long-term sustainability in fiscal deficit management and to guide the borrowing decisions of the State in a way that matches their financing needs with current and prospective repayment.

2.7.1 Utilisation of borrowed funds

Borrowed funds should ideally be used for capital creation and developmental activities. Using borrowed funds for meeting current consumption and repayment of interest on outstanding loans is not a sustainable proposition.

Table 2.53: Utilisation of borrowed funds

(₹ in crore)						
Year		2016-17	2017-18	2018-19	2019-20	2020-21
Total borrowings (public debt receipts)	2	1519	2006	2529	2700	4587
Repayment of principal on total borrowings (Per cent)	3	468 (30.81)	790 (39.38)	920 (36.38)	1025 (37.96)	751 (16.37)
Net capital expenditure on total borrowings (Per cent)	4	1639 (107.90)	2094 (104.39)	2149 (84.97)	1660 (61.48)	1997 (43.54)
Net loans and advances	5	05	(-)27	02	(-)9	01
Portion of revenue expenditure met out of net available borrowings	6=2-3-4-5	(-)593	(-)851	(-)542	24	1838

(Source: Finance Accounts of the State)

Table 2.53 shows that the surplus on revenue account provided more fiscal space to the State Government during 2016-19 to increase its capital spending. During these three years, funds to the extent of 21 *per cent* to 42 *per cent* were used from the revenue account (excluding interest paid on earlier borrowings) for capital creation. However, during the last two years (2019-21), borrowings of ₹ 24 crore (0.89 *per cent*) and ₹ 1,838 crore (40 *per cent*) was used for meeting revenue expenditure.

2.7.2 Status of guarantees – contingent liabilities

Guarantees are liabilities contingent on the Consolidated Fund of the State in cases of default by borrowers for whom guarantees have been extended by the State Government. The maximum amount for which guarantees were given by the State Government and outstanding guarantees for the last five years is given in **Table 2.54**.

Table 2.54: Guarantees given by the State Government during 2016-21

(₹ in crore)

Guarantees	2016-17	2017-18	2018-19	2019-20	2020-21
Ceiling of outstanding guarantees (principal and interest)	1500	1500	1500	1500	1500
Outstanding guarantees (principal and interest)	841.91	740.94	1092.90	882.85	967.18

(Source: Finance Accounts of the State)

The Goa Legislature fixed (September 2015) a limit of ₹ 1,500 crore on outstanding guarantees. The outstanding guarantees at ₹ 967 crore during 2020-21 increased by ₹ 84 crore from the previous year and was within the ceiling limit specified by the State Legislature.

Of the total outstanding guarantees of ₹ 967 crore, ₹ 581 crore (60 per cent) pertained to Goa State Infrastructure Development Corporation Limited and ₹ 64 crore (seven per cent) pertained to Sewerage and Infrastructural Development Corporation of Goa Limited. The outstanding guarantees also included ₹ 262 crore (27 per cent) for loans sanctioned to Government servants by Bank of India for construction/purchase of houses and motor cars. The outstanding guarantees accounted for 9.26 per cent of the total revenue receipts of the State Government (₹ 10,440 crore) and 1.19 per cent of GSDP (₹ 81,502 crore). The State Government has exempted the borrowing institutions from the payment of guarantee fee.

During 2020-21, no amount was paid by the State Government on account of invocation of guarantees.

2.7.3 Cash balances

As per an agreement with the RBI, the State Government has to maintain a minimum daily cash balance of ₹ 0.19 crore with the Bank. The balance in excess of ₹ 0.19 crore is invested by the RBI in 14 days intermediate treasury bills for a minimum amount of ₹ 0.01 crore and in multiples of ₹ 0.01 crore. 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 are revised by the RBI from time to time.

At any given point of time, the State Government could not avail of ordinary WMA of more than ₹ 272 crore and SWMA of ₹ 106.92 crore, with effect from 01 April 2020 to 31 March 2021.

Table 2.55 depicts the cash balances and investments made by the State Government out of cash balances during the year.

Table 2.55: Cash balances and their investment

(₹ in crore)

	Opening balance (01 April 2020)	Closing balance (31 March 2021)
A. General Cash Balance		
Cash in treasuries	Nil	Nil
Deposits with RBI	64.26	(-)5.08
Deposits with other Banks	Nil	Nil
Remittances in transit – Local	Nil	Nil
Investments held in cash balance investment account	387.64	960.89
Total (A)	451.90	955.81
B. Other Cash Balances and Investments		
Cash with departmental officers viz., Public Works Department, Forest Department, District Collectors etc.	1.52	1.48
Permanent advances for contingent expenditure with departmental officers	0.33	0.33
Investment out of earmarked funds	1031.37	968.21
Total (B)	1033.22	970.02
Total (A + B)	1485.12	1925.83
Interest realised	45.66	63.25

(Source: Finance Accounts of the State)

Cash balance of the State Government worked out by the Directorate of Accounts, Government of Goa as on 31 March 2021 was ₹ 5.08 crore (credit). The cash balance reported by RBI as on 31 March 2021 was ₹ 4.57 crore (debit). The Directorate of Accounts stated that the difference of ₹ 0.51 crore (credit) between the two figures was under reconciliation.

The State Government's cash balances of ₹ 1,926 crore at the end of the current year showed an increase of ₹ 441 crore (30 per cent) over the previous year. During the year, the State Government invested ₹ 961 crore in GoI treasury bills which earned an interest of ₹ 63 crore. Further, ₹ 968 crore was invested out of earmarked/reserve funds which earned an interest of ₹ 69 crore²⁸ during the year.

During 2020-21, the State Government obtained WMA on 167 occasions totaling ₹ 3,068 crore. The entire amount was repaid by the State Government along with an interest of ₹ 1.96 crore.

Table 2.56 shows the increase/decrease in cash balance investment account during the last five years (2016-21).

²⁸ State Disaster Response Fund: ₹ 1.39 crore; Consolidated Sinking Fund: ₹ 44.44 crore; Guarantee Redemption Fund: ₹ 22.90 crore.

Table 2.56: Cash balance investment account (Major Head-8673)

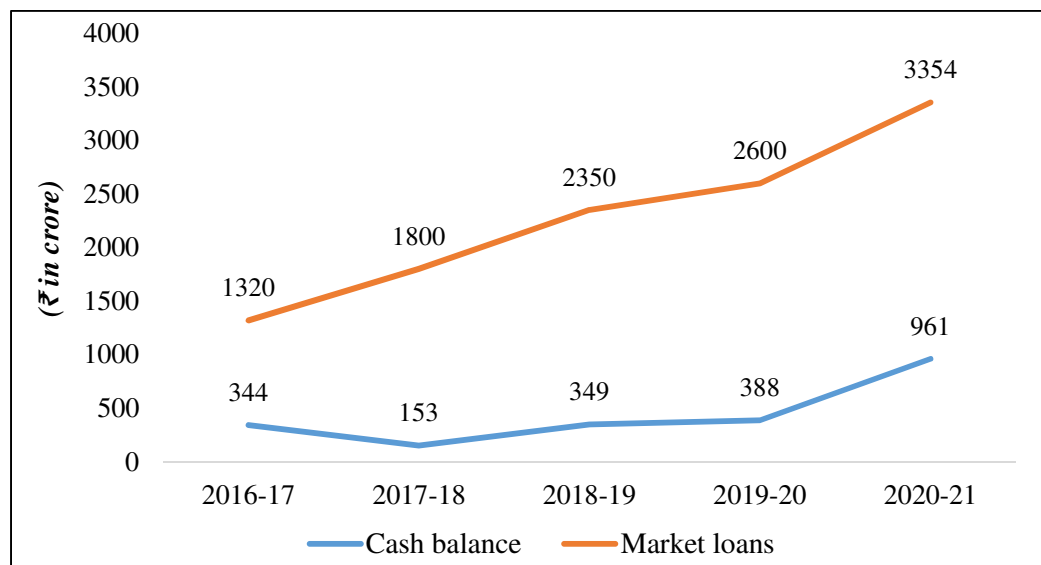
(₹ in crore)

Year	Opening balance	Closing balance	Increase (+) / decrease (-)	Interest earned
2016-17	256.67	344.25	(+)87.58	3.78
2017-18	344.25	153.16	(-)191.09	8.99
2018-19	153.16	349.14	(+)195.98	6.22
2019-20	349.14	387.64	(+)38.50	45.66
2020-21	387.64	960.89	(+)573.25	63.25

(Source: Finance Accounts of the State)

Investment of huge amount (₹ 961 crore) in cash balance investment account at the end of the current year was mainly due to receipt of funds at the fag end of the financial year for compensation of revenue losses (₹ 246 crore), auction of Goa State Development Loans (₹ 200 crore), share of net tax proceeds by Centre (₹ 118 crore) etc.

Chart 2.23 shows a comparison of market loans raised by the State Government and its surplus cash balance during the last five years (2016-21).

Chart 2.23: Market loans vis-à-vis cash balance

(Source: Finance Accounts of the State)

During 2020-21, the State Government raised ₹ 3,354 crore from the market, while at the same time, the balances available in cash balance investment account increased from ₹ 388 crore in 2019-20 to ₹ 961 crore in 2020-21, indicating that Government could have avoided borrowings to that extent.

2.8 Conclusion

- The State Government recorded revenue surplus during 2016-17 to 2018-19 but moved into revenue deficit of ₹ 325 crore and ₹ 1,653 crore during 2019-20 and 2020-21 respectively. The State Government was successful in containing fiscal deficit below three *per cent* of GSDP in

the last four years and below five *per cent* (4.48 *per cent*) during 2020-21.

- During 2016-21, the outstanding debt of the State ranged from 26.71 *per cent* to 31.51 *per cent* of GSDP, breaching the target of 25 *per cent* of GSDP set by the Goa Fiscal Responsibility and Budget Management (First Amendment) Act, 2014.
- During the past three years (2018-21), the outstanding public debt of the State grew at a faster rate than the growth rate of GSDP. Around 49 *per cent* of the total public debt is due for repayment within the next seven years.
- The State Government's expenditure was largely financed from its own resources, with 68 *per cent* of the revenue coming from its own tax and non-tax revenue. The State Government registered a decrease of 7.59 *per cent* in its revenue receipts during 2020-21 compared to the previous year. There was a decrease of 11.68 *per cent* in State's own tax revenue during 2020-21 over 2019-20.
- As on 31 March 2021, the total Government investment in companies, corporations, joint stock companies and co-operative banks/societies was ₹ 650.10 crore. The return on this investment ranged from 0.15 *per cent* to 0.32 *per cent* during 2016-21 while the Government paid an average interest of up to 7.09 *per cent* on its borrowings, indicating that the returns on investment of the State Government have consistently been poor.
- Out of 16 State Public Sector Enterprises (SPSEs), accumulated losses of four SPSEs stood at ₹ 295 crore at the end of 2020-21. Due to accumulated losses, the net worth of two SPSEs had been completely eroded. Further, nine SPSEs registered negative return on equity (-3.15 *per cent*) at the end of March 2021.

