

This chapter analyses changes in major fiscal aggregates, based on the audit of the Finance Accounts and an assessment of the Bihar Government's fiscal position as on 31 March 2023.

1.1 Profile of the State

Bihar is a landlocked State, bounded by West Bengal in the east, Uttar Pradesh in the west, Jharkhand in the south, and an international border with Nepal, in the north. The economy of the State is primarily agrarian. It spreads over a geographical area of 94,163 sq. km. and is the twelfth largest State in India in term of area. The State of Bihar has been organised into 38 districts.

It is the third largest state in term of population (12.68 crore). The population density of the State is 1,346 persons per sq. km, higher than national average. State's literacy rate is 61.8 *per cent* (as per 2011 census). The State has a higher poverty level, as compared to the All-India average (*Appendix 1.1*).

1.1.1 Gross State Domestic Product of the State

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

Changes in sectoral contribution to the GSDP is also important to understand the changing structure of economy. The economic activities are generally divided into Primary, Secondary and Tertiary sectors, which correspond to the Agriculture, Industry and Service sectors.

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

Table 1.1: Trends in GSDP compared to the GDP (at current prices)

(₹ in crore)

Year	2018-19	2019-20	2020-21	2021-22	2022-23
INDIA					
GDP (2011-12 Series)	1,88,99,668	2,01,03,593	1,98,29,927	2,34,71,012	2,72,40,712
GVA	1,71,75,128	1,83,81,117	1,81,88,780	2,14,38,883	2,47,42,871
Growth rate of GDP over the previous year (in <i>per cent</i>)	10.59	6.37	(-)1.36	18.36	16.06
Growth rate of GVA over the previous year (in <i>per cent</i>)	10.77	7.02	(-)1.05	17.87	15.41
Per capita GDP (in ₹)	1,42,424	1,49,915	1,46,301	1,71,498	1,96,983
BIHAR					
GSDP (2011-12 Series)	5,27,976	5,81,855	5,67,263	6,50,302	7,51,396
GSVA	5,10,351	5,59,805	5,51,776	6,42,330	7,40,440
Growth rate of GSDP over the previous year (in <i>per cent</i>)	12.64	10.20	(-)2.51	14.64	15.55
Growth rate of GSVA over the previous year (in <i>per cent</i>)	11.33	9.69	(-)1.43	16.41	15.27
Percentage of GSDP to GDP	2.79	2.89	2.86	2.77	2.76
Per capita GSDP (in ₹)	44,451	48,263	46,367	52,379	59,637

(Source: Ministry of Statistics and Programme Implementation, GoI)

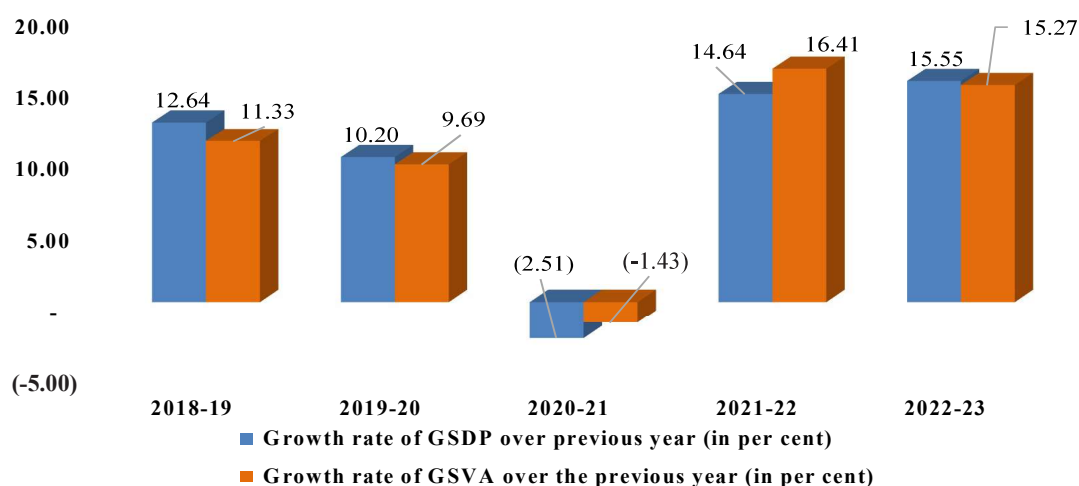
GVA- Gross Value Added GSVA- Gross State Value Added

During the period of FYs 2020-21 to 2022-23, the growth rate of GSDP was lower than the All-India growth rate. At the end of the financial year 2022-23, the growth rate of per capita GSDP was 13.86 *per cent*, which was lower than per capita GDP growth rate of 14.86 *per cent*.

Gross Value Added (GVA) is being used for economic analysis by GoI as GVA is considered better indicator of economic growth compared to GDP, as it ignores the impact of taxes and subsidies. While GDP can be and also is the sum of the various expenditures incurred in the economy including private consumption spending, government consumption spending and gross fixed capital formation or investment spending, reflecting essentially on the demand conditions in the economy. Both have difference in treatment of net taxes as a result of which the inclusion of taxes in GDP may differ from the real output situation.

The trends of GSDP and GSVA for the period from FY 2018-19 to FY 2022-23, are indicated in *Chart 1.1*.

Chart 1.1: Growth rate of GSDP vs GSVA (2018-19 to 2022-23)



(Source: MoSPI, GoI)

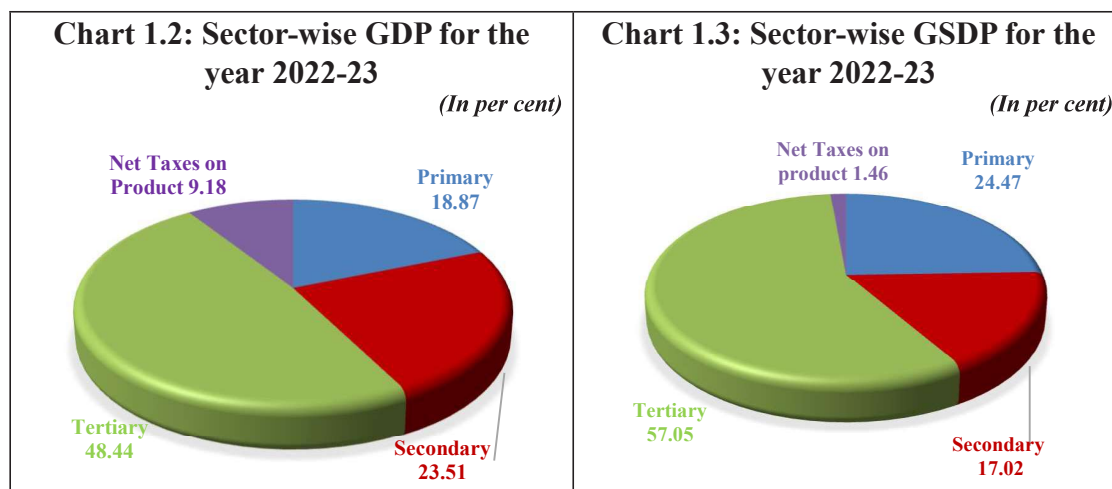
During the year 2020-21 the growth rate of both GSDP and GSVA were negative. GSVA registered the highest growth rate in the year 2021-22, during the last five years, due to higher growth rate in the secondary and tertiary sectors. During the year 2022-23, the GSDP growth rate registered the highest growth rate in the last five years, but the GSVA growth rate dipped to 15.27 *per cent*, from 16.41 *per cent* of the previous year, due to slower growth in the secondary sector.

1.1.2 Sectoral composition

Economic activities are generally divided into Primary, Secondary and Tertiary sectors, which correspond to Agriculture, Industry and Service sectors, respectively.

The GSDP generated from economic activities, is generally classified into Primary, Secondary and Tertiary Sectors, broadly corresponding to Agriculture, Industry and Services respectively. The primary sector includes mainly agricultural activities along with other economic activities of primary nature *viz.*, forestry, animal husbandry, fishing and mining. The secondary sector includes manufacturing, construction and

infrastructure, supply of electricity, gas, *etc.* The tertiary sector includes all service-related activities. The sectoral contribution to GDP and GSDP during 2022-23, is given in **Charts 1.2** and **1.3**, respectively.



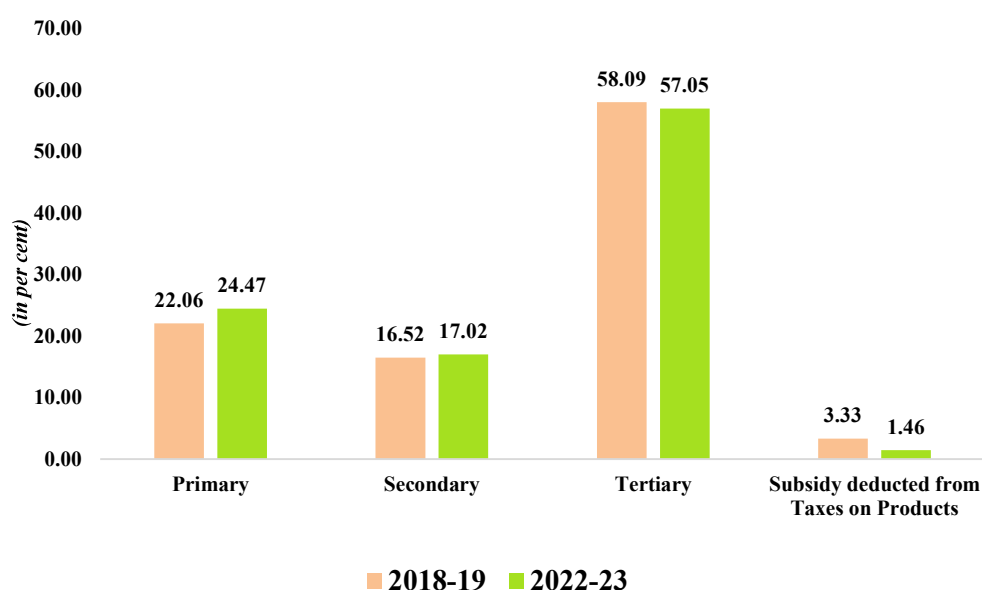
(Source: Bihar Institute of Public Finance and Policy, GoB)

*Net taxes on product = Subsidies on product deducted from taxes on product

GSDP, had a higher percentage of contributions from Service sector (higher by 8.61 *per cent*) and Agriculture and allied sectors (higher by 5.6 *per cent*) than their contributions to the GDP of the country. The contribution from the secondary sector, *i.e.*, Industries and Manufacturing, to the GSDP, was less by 6.49 *per cent* when compared to GDP.

Changes in the sectoral contribution to the GSDP, are important to understand the changing structure of the economy. Changes in the sectoral contribution to GSDP, from 2018-19 and 2022- 23, are shown in **Chart 1.4**.

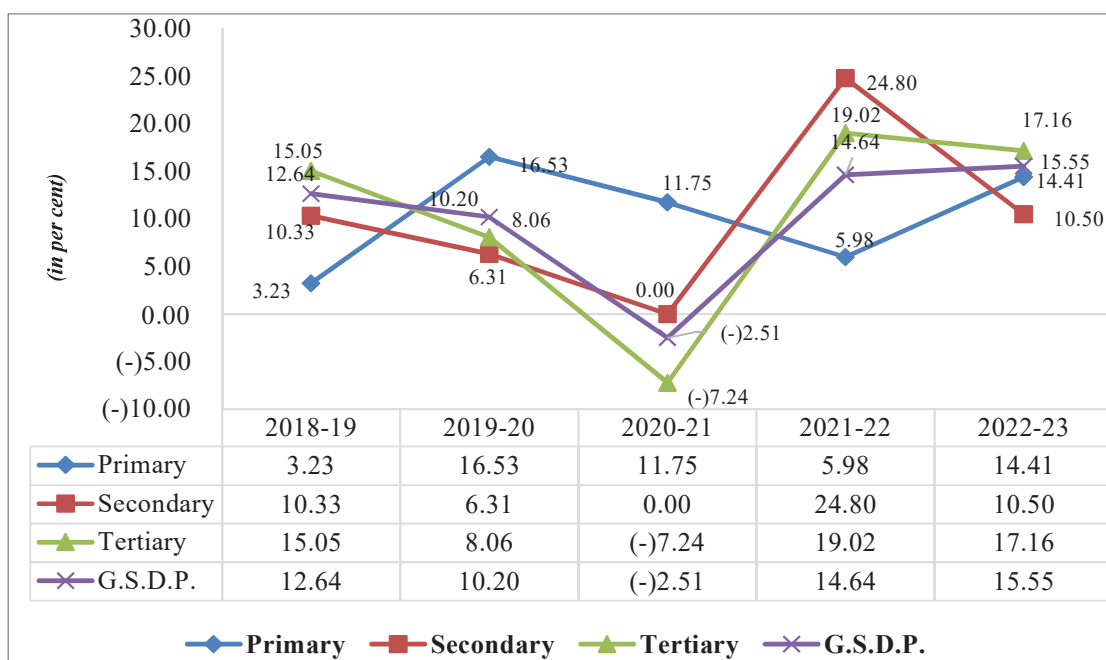
Chart 1.4: Changes in the sectoral contribution to GSDP (2018-19 and 2022-23)



(Source: MoSPI, GoI)

The share of the primary and secondary sectors in GSDP, increased, but the share of tertiary sector slightly decreased, in 2022-23, as compared to 2018-19. **Chart 1.5** captures the trend of sectoral growth rate in GSDP for the period from 2018-19 to 2022-23.

Chart 1.5: Trend analysis of Sectoral growth in GSDP



(Source: MoSPI, GoI)

The sectoral growth rate of Primary sector during 2022-23, showed an increasing trend, as compared to the previous year, but the secondary and tertiary sectors showed declining growth rate in comparison to 2021-22.

Chart 1.5 shows a declining trend in all sectors in 2020-21 due to the Global pandemic. However, during the 2021-22, the secondary and tertiary sectors showed great recovery and registered the highest growth during last five years whereas the primary sector has declined. Further during the year 2022-23 primary sector recovered substantially by 14.41 *per cent* due to increase in agriculture, forestry and fishing by 14.34 *per cent* and in crops output by 14.87 *per cent* and became the second largest contributor in the economy of Bihar after Tertiary sector.

1.2 Basis and Approach to State Finances Audit Report

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

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

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

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

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

Audit analysis/ findings were discussed with the Finance Department, GoB, during ‘Exit Conference’ held on 30.01.2024. Replies received from the Department, have been incorporated suitably in this Report.

1.3 Government Account Structure and Budgetary Processes

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

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

This Fund comprises of all revenues received by the State Government, all loans raised by the State Government (market loans, bonds, loans from the Central Government, loans from Financial Institutions, Special Securities issued to National Small Savings Fund, etc.), Ways and Means advances extended by the Reserve Bank of India and all moneys received by the State Government in repayment of loans. No moneys can be appropriated from this Fund, except in accordance with law and for the purposes and in the manner provided by the Constitution of India. Certain categories of expenditure (e.g., salaries of Constitutional authorities, loan repayments, *etc.*), constitute a charge on the Consolidated Fund of the State (Charged expenditure) and are not subject to vote by the Legislature. All other expenditures (Voted expenditure) are voted by the Legislature.

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

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

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

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

Budget Document

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

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

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

The **Capital Receipts** consists of:

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

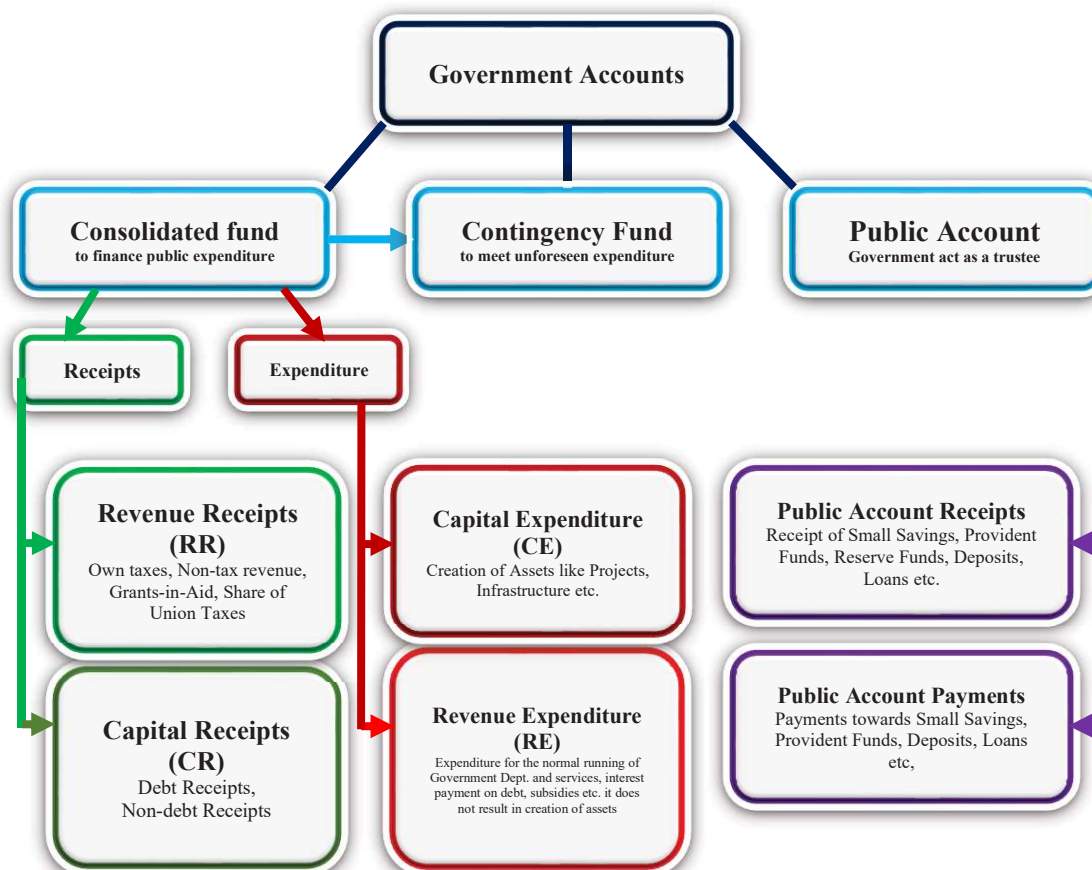
Capital Expenditure includes expenditure on the acquisition of land, building, machinery, equipment, investment in shares, and loans and advances by the government to SPSEs and other parties.

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

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

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

Structure of Government Accounts



Public Debt and Public Liability

In this Report, ‘Public Debt’ has been taken to comprise market borrowings, institutional loans, special securities issued to National Small Savings Fund (NSSF), Loan given by Central Government etc. For this purpose, the major heads 6003 and 6004 - Public Debt have been taken into consideration.

Further, the ‘Public Liability’ has been taken to include transactions under major heads 8001 to 8554 relating to ‘Small Savings, Provident Fund, *etc.*; ‘Reserve Funds’ and ‘Deposit and Advances’ under Public Account are such that the Government incurs a liability to repay the moneys received or has a claim to recover the amounts paid. The transactions relating to ‘Remittances’ and ‘Suspense’ under Public Account, includes

merely adjusting heads such as transactions as remittances of cash between treasuries and currency chests and transfer between different accounting circles.

In this report, ‘Public Liability’ has been taken to include the transactions under major heads 8001 to 8554 relating to ‘small saving, Provident Fund, etc.’, ‘Reserve Funds’ and ‘Deposit and Advances’ along with the transactions under major heads 6003 and 6004.

Budgetary Processes

In terms of Article 202 of the Constitution of India, the Governor of the State causes to be laid before the State Legislature, a statement of the estimated receipts and expenditure of the State for the year, in the form of an Annual Financial Statement. In terms of Article 203, the statement is submitted to the State Legislature in the form of Demands for Grants/ Appropriations and after approval of these, the Appropriation Bill is passed by the Legislature under Article 204, to provide for the appropriation of the required money, out of the Consolidated Fund.

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

1.3.1 Snapshot of Finances

Table 1.2 shows the details of actuals financial results for the year 2021-22 *vis-a-vis* Budget Estimates (BEs) for the year 2022-23.

Table 1.2: Snapshot of Finances

(₹ in crore)

Sl. No.	Components	2021-22 (Actuals)	2022-23		Percentage of Actuals to B.E.	Percentage of Actuals to GSDP
			(Budget Estimate)	2022-23 (Actuals)		
1	Tax Revenue	1,26,207.16	1,32,567.60	1,39,527.58	105.25	18.56
	(i) Own Tax Revenue	34,854.54	41,387.00	44,017.73	106.36	5.86
	(ii) Share of Union Taxes	91,352.62	91,180.60	95,509.85	104.75	12.71
2	Non-Tax Revenue	3,984.34	6,135.62	4,134.90	67.39	0.55
3	Grants-in-aid and Contributions	28,605.83	58,001.29	29,025.54	50.04	3.86
4	Revenue Receipts (1+2+3)	1,58,797.33	1,96,704.51	1,72,688.02	87.79	22.98
5	Recovery of Loans and Advances	27.92	431.55	41.49	9.61	0.01
6	Other Receipts	0.00	0.00	-	-	-
7	Borrowings and other Liabilities (a)	25,551.26	25,885.10	44,823.30	173.16	5.97
8	Capital Receipts (5+6+7)	25,579.18	26,316.65	44,864.79	170.48	5.97
9	Total Receipts (4+8)	1,84,376.51	2,23,021.16	2,17,552.81	97.55	28.95

Sl. No.	Components	2021-22 (Actuals)	2022-23		Percentage of Actuals to B.E.	Percentage of Actuals to GSDP
			(Budget Estimate)	2022-23 (Actuals)		
10	Revenue Expenditure (b)	1,59,219.71	1,91,956.67	1,83,976.22	95.84	24.48
11	Interest Payments	13,821.93	16,305.03	15,183.54	93.12	2.02
12	Capital Expenditure	23,678.29	29,749.64	31,519.82	105.95	4.19
13	Loan and Advances	1,478.51	1,314.85	2,056.77	156.43	0.27
14	Total Expenditure (10+12+13)	1,84,376.51	2,23,021.16	2,17,552.81	97.55	28.95
15	Revenue Surplus / Deficit (4-10)	(-422.38)	4,747.84	(-11,288.20)	237.75	(-1.50)
16	Fiscal Deficit {14-(4+5+6)}	25,551.26	25,885.10	44,823.30	173.16	5.97
17	Primary Deficit (16-11)	11,729.33	9,580.07	29,639.76	309.39	3.94

(Source: Finance Accounts of the year 2021-22 and 2022-23 and Budget Summary 2022-23)
Difference of ₹ 1 crore, if anywhere, is due to rounding off.

- (a) Borrowings and other Liabilities: Net (Receipts – Disbursements) of Public Debt + Net of Contingency Fund + Net (Receipts – Disbursements) of Public Account + Net of Opening and Closing Cash Balance
(b) Expenditure on Revenue Expenditure includes interest payment.

It was observed that:

- ✦ Budget estimates of Revenue Receipts for 2022-23 were 23.87 per cent above from the actuals of 2021-22. Meanwhile, the GoB, in its revised estimate increased the amount of revenue receipts by 2.20 per cent of the original estimates. However, the actual receipts were 12.21 per cent less from original estimation and 14.10 per cent less from revised estimate, which shows inflated estimation of the revenue receipts. Overall decreasing rate of growth was seen in revenue receipts during the current year i.e., only 8.75 per cent growth was registered over the previous year.
- ✦ Short collection of revenue receipts, over the previous year's collection was noticed in Service tax (88.74 per cent), Union excise duties (69.55 per cent), Customs (44.59 per cent) under 'Tax Revenue'. Further Interest receipts (11.13 per cent), Roads and Bridges (100.67 per cent), Other administrative services (47.88 per cent), Education, sports, art and culture (98.86 per cent), Public works (21.89 per cent) and Labour employment and skill development (13.95 per cent), under 'Non-Tax Revenue' over the previous year.
- ✦ However, increase in collection of revenue receipts was noticed in CGST (6.08 per cent), Corporation tax (17.81 per cent), Taxes on income other than Corporation Tax (17.26 per cent), Taxes on sales, trades etc. (43.80 per cent), Non-ferrous mining and Metallurgical industries (54.56 per cent), resulted in increase in Revenue Receipts of the state by ₹ 13,890.69 crore over the previous year.
- ✦ During 2022-23, the Revenue expenditure of the State increased by 15.55 per cent over the previous year and showed positive growth as compared to the growth (14.14 per cent) registered in 2021-22 over the previous year, whereas the Revenue

receipts increased by 8.75 *per cent* over the previous year. However, to meet out State's Revenue expenditure for the year 2022-23, the State Government had to borrow more funds (19.38 *per cent* increase) than the previous year. **Table 1.3** indicates the trends of receipts and expenditure.

Table 1.3: Trend analysis of Receipts and Expenditure

(₹ in crore)

Year	Revenue		Per cent of RE to RR	Capital		Per cent of CE to CR
	Receipts	Expenditure		Receipts	Expenditure	
2018-19	1,31,794	1,24,897	94.77	20,493	21,058	102.76
2019-20	1,24,233	1,26,017	101.44	29,175	12,304	42.17
2020-21	1,28,168	1,39,493	108.84	36,736	18,209	49.57
2021-22	1,58,798	1,59,220	100.27	40,473	23,678	58.50
2022-23	1,72,688	1,83,976	106.54	48,325	31,520	65.23

(Source: Finance Accounts of the respective years)

It may be observed from **Table 1.3** that:

- ✦ For every ₹ 100 received as revenue, an extra ₹ 6.54 has to be borrowed to cover its revenue expenditure.
- ✦ During the year 2022-23, Capital expenditure increased by 33.12 *per cent*, whereas Revenue expenditure increased by 15.55 *per cent* over the previous year. Further, more than 50 *per cent* of the Capital receipts during the year 2022-23 were utilised for creation of capital assets, highest during the last four years but less than the year 2018-19. For every ₹ 100 of Capital Receipts, Capital Expenditure fell from ₹ 102.76 in 2018-19 to ₹ 65.23 in 2022-23. However, it increased by ₹ 7,842 crore over the previous year.
- ✦ The Capital Receipts increased by 19.40 *per cent*, whereas Capital Expenditure increased by 33.12 *per cent* over the previous year. Thus, the Revenue deficit and Fiscal deficit of the State increased by 25.72 times and 75.43 *per cent* over the previous year, respectively.

1.3.2 Snapshot of Assets and liabilities of the Government

Government accounts capture the financial liabilities of the Government and the assets created out of the expenditure incurred. **Appendix 1.2** gives an abstract of such liabilities and assets, as on 31 March 2023, compared with the corresponding position of previous year. The liabilities consist mainly of internal borrowings, loans and advances from GoI, receipts from the public account and reserve funds. The assets comprise mainly of the capital outlay and loans and advances given by the State Government and cash balances. Summarised position of Assets and Liabilities of the Government is given in **Table 1.4**.

Table 1.4: Summarised position of Assets and Liabilities*(₹ in crore)*

Liabilities				Assets					
	2021-22	2022-23	Per cent increase		2021-22	2022-23	Per cent increase		
Consolidated Fund									
A	Internal Debt	1,82,855.32	2,08,098.10	13.80	A	Gross Capital Expenditure	2,59,366.21	2,90,886.03	12.15
B	Loans and Advances from GoI	26,057.96	34,747.63	33.35	B	Loans and Advances	23,194.36	25,209.64	8.69
Contingency Fund		350.00	350.00						
Public Account									
A	Small Savings, Provident Funds, etc.	9,521.65	9,396.88	(-)1.31	A	Advances	249.96	249.96	0.00
B	Deposits	38,033.80	38,437.96	1.06	B	Remittance	1,125.96	1,125.96	0.00
C	Reserve Funds	6,781.61	9,654.72	42.37	C	Suspense and Miscellaneous	15,616.59	14,416.78	(-)7.68
D	Suspense and Miscellaneous balances	207.48	171.31	(-) 17.43		Cash balance (including investment of Earmarked Fund)	29,478.66	22,903.95	(-) 22.30
E	Inter-State Settlement	74.01	74.01	0.00					
F	Surplus on Government Accounts	65,149.91	53,861.71	(-)17.33					
Total		3,29,031.74	3,54,792.32	7.83	Total		3,29,031.74	3,54,792.32	7.83

(Source: Finance Accounts of the respective years)

During 2022-23, the Liabilities of the State increased by 7.83 per cent, as compared to 10.03 per cent in the previous year. Internal debt contributed 58.65 per cent of the total outstanding liabilities during 2022-23. Net increase in liabilities under Internal Debt by 13.80 per cent (₹ 25,242.78 crore), as compared to 14.60 per cent (₹ 23,297.82 crore) in the previous year, in which the Market Loan was the main contributing factor.

1.4 Fiscal Balance: Achievement of deficit and total debt targets

When a government spends more than it collects by way of revenue, it incurs a deficit. There are various measures that capture Government deficit.

Deficits are financed by borrowing giving rise to Government debt. The concepts of deficits and debt are closely related. Deficits can be thought of as a flow which add to the stock of debt. If the Government continues to borrow year after year, it leads to the accumulation of debt and the Government has to pay more and more by way of interest. These interest payments themselves contribute to the debt.

The Government of Bihar (GoB) enacted the BFRBM Act, 2006, and Amendment Act, 2022, with the objective of ensuring prudence in fiscal management by eliminating revenue deficit, reducing the fiscal deficit and bringing the overall/outstanding debt to an acceptable level, establishing improved debt management and improving transparency in a medium-term framework. In this context, the Act provides quantitative targets, to be adhered to by the State, with regard to deficit measures and debt level.

1.4.1 BFRBM targets on key Fiscal Parameters and Achievements

As per XVth Finance Commission's recommendations, State had to maintain debt to GSDP ratio up to 40.80 *per cent* for 2022-23. The Finance Commission allowed additional one *per cent* borrowings, over and above three *per cent* of the GSDP (up to 4 *per cent*) during 2022-23, including additional borrowing of 0.5 *per cent* was allowed, subject to the condition for power sector reforms. The fiscal deficit target and annual borrowing limit for the year 2022-23 had decreased by 0.5 *per cent* over the previous year.

The State Government, through BFRBM (Amendment) Act, 2022, revised fiscal targets as recommended by XVth Finance Commission. Through this amendment, the fiscal deficit target limit for the year 2022-23 was increased up to 3.5 *per cent* of the GSDP and additional borrowing of 0.5 *per cent* of GSDP was allowed, subject to the condition set forth by GoI. The compliance of major fiscal parameters prescribed under respective BFRBM (Amendment) Act, are shown in **Table 1.5 (a)**.

Table 1.5 (a): Compliance with the provisions of the BFRBM (Amendment) Act

Fiscal Parameters	Fiscal targets set in the BFRBM (Amendment) Act	Achievement (₹ in crore)				
		2018-19	2019-20	2020-21	2021-22	2022-23
Revenue Deficit (-) / Surplus (+) (₹ in crore)	Revenue Surplus	6,896.64	(-) 1,784.13	(-) 11,325.11	(-) 422.38	(-) 11,288.20
		✓	✗	✗	✗	✗
Fiscal Deficit (-) / Surplus (+) (as percentage of GSDP)	Within 5.00 <i>per cent</i> for 2020-21, 4.5 [#] <i>per cent</i> , 2021-22 and 4.00 [#] <i>per cent</i> for 2022-23	(-) 13,806.76 (2.62)	(-) 14,723.93 (2.53)	(-) 29,827.25 (5.26)	(-) 25,551.26 (3.93)	(-) 44,823.30 (5.97)
		✓	✓	✗	✓	✗
The ratio of total outstanding liability to GSDP (in <i>per cent</i>)	Within 41.20 <i>per cent</i> up to 2020-21. 40.20 <i>per cent</i> for 2021-22. 40.80 <i>per cent</i> for 2022-23	31.99	33.24	40.05	39.60	39.03
		✗	✗	✓	✓	✓

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

[#]0.5 *per cent* including additional borrowing space for power sector with certain criteria and condition set forth by GoI

It can be seen from the **Table 1.5 (a)** that:

- ✦ Revenue deficit stood at ₹ 11,288.20 crore, against the projections of a revenue surplus. Shortfall in revenue receipts than budget estimates and relatively less control over expenditure were the reasons for the revenue deficit.
- ✦ Targets for outstanding liability to GSDP ratio was within the XVth Finance Commission's recommendations.

The fiscal roadmap revised through BFRBM (Amendment) Act was similar to the targets set by the XVth FC. Fiscal targets projected in the State Budget *vis-à-vis* their achievements in respect of major fiscal aggregates with reference to GSDP during 2022-23 are given in **Table 1.5 (b)**.

Table 1.5 (b): Targets vis-à-vis achievements in respect of major fiscal aggregates for the year 2022-23

Fiscal Variables	Targets as prescribed by XV th FC	Targets in the Budget	Actuals	Variation of actuals over	
				Targets of XV th FC	Targets in Budget
Revenue Surplus/GSDP (<i>per cent</i>)	0.8	0.64	(-) 1.50	(-) 2.3	(-) 2.14
Fiscal Deficit/GSDP (<i>per cent</i>)	4.0 [#]	3.47	5.97	(-) 1.97	(-) 2.5
Total outstanding liability/ GSDP (<i>per cent</i>)	40.8	31.95	39.03	1.77	(-) 7.08

(Source: Recommendations of XVth and Budget document)

Note: Deficit figures have been shown in minus; [#]including 0.5 per cent additional borrowing

During 2022-23, the Government had not achieved the ratios of revenue surplus and fiscal deficit to GSDP, fixed by XVth FC and those set out in the budget estimates. Although, total outstanding liability to GSDP ratio remained within the target fixed by XVth Finance Commission and BFRBM (Amendment) Act, 2022.

The ratio of total outstanding liability to GSDP, as per the Finance Accounts is 39.03 *per cent*. However, the effective ratio (39.13 *per cent*) has been arrived at after inclusion of Off-Budget Borrowings of ₹ 686.77 crore.

1.4.2 Medium Term Fiscal Plan

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

Table 1.6: Actuals vis-à-vis projection in MTFP for 2022-23

(₹ in crore)

Sl. No.	Fiscal Variables	Projection as per MTFP	Actuals (2022-23)	Variation (in <i>per cent</i>)
1	Own Tax Revenue	41,387.00	44,017.73	6.36
2	Non-Tax Revenue	6,135.62	4,134.90	(-) 32.61
3	Share of Central Taxes	91,180.60	95,509.85	4.75
4	Grants-in-aid from GoI	58,001.29	29,025.54	(-) 49.96
5	Revenue Receipts (1+2+3+4)	1,96,704.51	1,72,688.02	(-) 12.21
6	Revenue Expenditure	1,91,956.67	1,83,976.22	(-) 4.16
7	Revenue Deficit (-)/ Surplus (+) (5-6)	4,747.84	(-) 11,288.20	137.75
8	Fiscal Deficit (-)/Surplus (+)	(-) 25,885.10	(-) 44,823.30	73.16
9	Fiscal Deficit as a percentage of GSDP	3.47	5.97	72.04
10	Liability GSDP ratio (<i>per cent</i>)	38.66	39.03	0.37
11	GSDP growth rate at current prices (<i>per cent</i>)	9.70	15.55	5.85

(Source: Finance Accounts for the year 2022-23 and BFRBM Act)

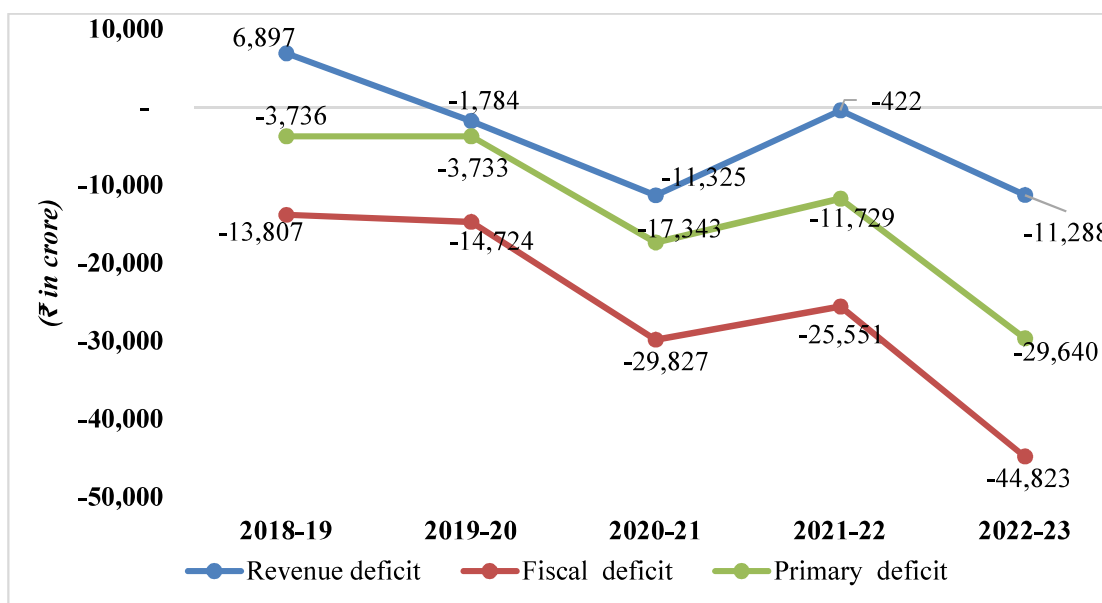
It can be seen from **Table 1.6** that:

- ✦ During 2022-23, MTFP targets could not be achieved, except Own tax revenue and ‘Share of Central Taxes’ increased by 6.36 per cent and 4.75 per cent respectively than projected. The State Government could not achieve its MTFP targets in previous years (2019-20, 2020-21 and 2021-22) also. GoB has registered ₹ 11,288.20 crore revenue deficit which is not in line with the MTFP targets. It has increased by 25.72 times over the previous year. Revenue Surplus of ₹ 6,897 crore in 2018-19, had decreased to (-) ₹ 11,288.20 crore (163.67 per cent) in 2022-23, as shown in **Chart-1.6**. The main reasons for revenue deficit were less receipt of Grants-in-aid from GoI (49.96 per cent) and short collection of Non-Tax Revenue (32.61 per cent) than projected.

1.4.3 Trends of Surplus/Deficit

Three key fiscal parameters, viz. (i) Revenue Surplus/Deficit¹ (ii) Fiscal Deficit² and (iii) Primary Deficit³ help in assessing the fiscal situation of the Government. These deficits are formulated, to assist in assessing the fiscal health of the Government. Trends in fiscal parameters are shown in **Chart 1.6**.

Chart 1.6: Trends in deficit parameters



(Source: Finance Accounts of the respective years)

As can be seen from **Chart 1.6**, all the fiscal indicators/parameters are in negative trend overall and have shown further negative trend in compared to the previous year.

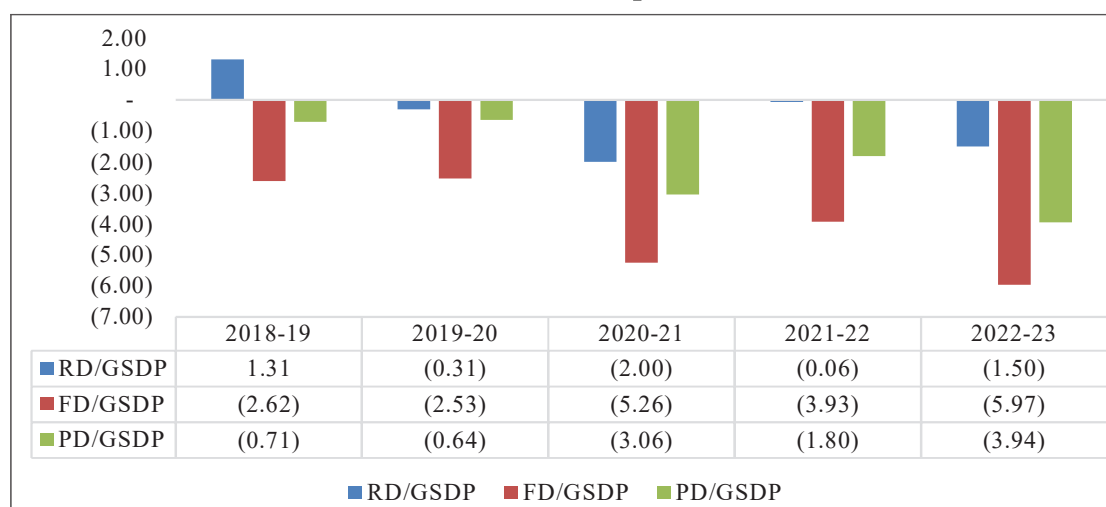
¹ Indicates excess of Revenue Expenditure over Revenue Receipts.

² Represents total borrowings of the State i.e., its total resource gap.

³ Indicates the excess of Primary Expenditure (total expenditure net of interest payments).

Trends in deficit parameters relative to GSDP can be seen in the **Chart 1.7**.

Chart 1.7: Trends in deficit/surplus relative to GSDP



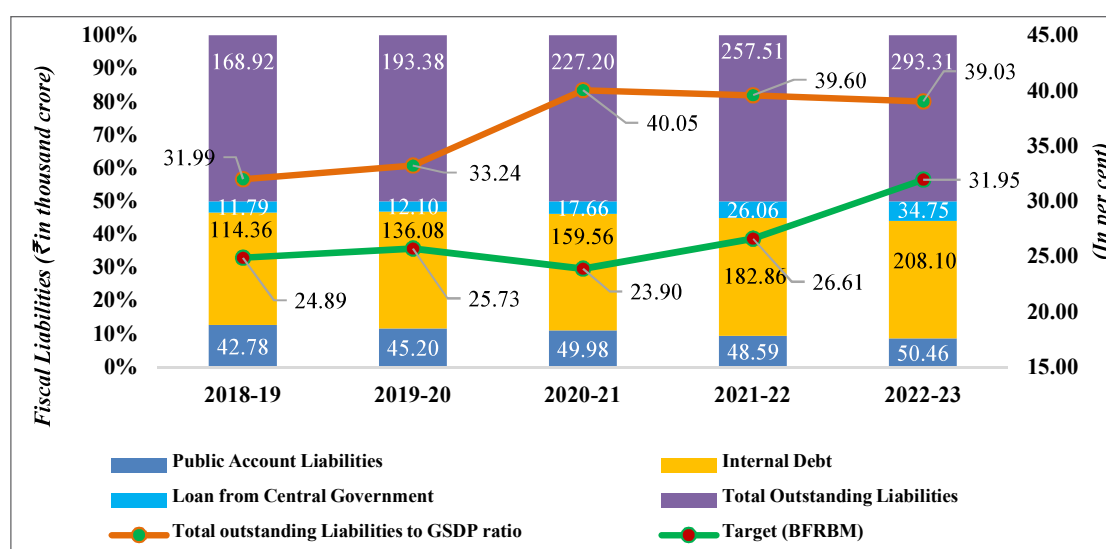
(Source: Finance accounts of the respective years and MoSPI)

As can be seen from **Chart 1.7**, all three deficit/surplus parameters are showing negative trend except Revenue surplus for the year 2018-19. All three parameters for the year 2022-23 registered highest negative percentage with respect to GSDP during last five years.

1.4.4 Fiscal Liabilities and GSDP

The trends in Fiscal Liabilities and its components, during the past five financial years are shown in **Chart 1.8**.

Chart 1.8: Trends in Fiscal Liabilities and GSDP



(Source: Finance Accounts of the respective years)

During 2022-23, Fiscal liabilities increased by 13.90 per cent (₹ 35.80 thousand crore), over the previous year due to increase in Internal Debt by 13.80 per cent (₹ 25.24 thousand crore), and Loans and Advances from GoI by 33.35 per cent (₹ 8.69 thousand crore). Although growth was seen in the Internal Debt and Loans and advances from GoI, negative growth was registered over the growth rate of 2021-22. Overall, the fiscal liability increased by 73.64 per cent from the year 2018-19. Increasing

revenue deficit pressurise the State for further borrowing resulting in increase in liability year by year. This situation may be overcome by exploring the sources/new sources of own revenue of the State.

1.4.5 Performance of the State Government with respect to borrowings according to the limits fixed by Government of India

Article 293 (3) of the Constitution of India, *inter alia*, provides that a State cannot take any loan without the consent of Government of India (GoI) if any part of a loan either given to the State by the Union Government or guaranteed by the Union is still outstanding.

However, in Bihar, the debt to GSDP ratio formulated in BFRBM (Amendment) Act, 2022, was 38.66 *per cent*, whereas the indicative debt path of the State with respect to GSDP had been given as 40.80 *per cent* in XVth Finance Commission Report. The Net Borrowing Ceiling (NBC) of the State, for the financial year 2022-23 was determined at 3.5 *per cent* of GSDP (on the basis of data published by NSO and the methodology prescribed by XVth Finance Commission). Apart from NBC of 3.5 *per cent*, the State was also eligible for additional borrowing of 0.50 *per cent* of GSDP, linked to its performance in the Power Sector. Thus, State's borrowing ceiling, was to be within ₹ 30,056 crore (four *per cent* of the projected GSDP of the State), which included the additional ceiling of ₹ 3,757 crore (0.5 *per cent* of the projected GSDP).

However, as per Statement 6 of the Finance Accounts 2022-23 *viz.*, statement of borrowings and other liabilities, incremental borrowings and other liabilities of the State Government were ₹ 35,796.96 crore (4.76 *per cent* of GSDP) during the financial year 2022-23 which was over and above the borrowing ceiling of ₹ 30,056 crore (four *per cent* of GSDP of ₹ 7,51,396 crore). The State achieved 39.03 *per cent* (Outstanding total liability 2022-23/ GSDP 2022-23) which was within the FC limit but far behind the BFRBM limit.

1.5 Deficits/ Outstanding Liabilities post examination by Audit

Certain financial transactions of Revenue section have been incorrectly booked in under Capital section of expenditure or *vice versa*, resulting in misclassification of expenditure between revenue and capital heads of account. The following section describes such identified financial transactions.

1.5.1 Post audit - Deficits

Misclassification of Revenue Expenditure as Capital impacts deficit figures. Besides, deferment of committed liabilities *viz.*, not depositing Cess/royalty to Consolidated Fund, short contribution to National Pension System, Sinking and Redemption Funds, *etc.*, also impact the revenue and fiscal deficit figures. The impact of such irregularities may be seen in **Table 1.7**.

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

Particulars	Impact on Revenue Deficit	Impact on Fiscal Deficit	Para Reference
	(Understated (+))	(Understated (+))	
	(₹ in crore)	(₹ in crore)	
Misclassification booked under Capital Section instead of Revenue	0.42	-	2.5.3.6
Non-payment of interest on State Compensatory Afforestation Deposit	18.98	18.98	4.2
Employers' short contribution in NPS	46.44	46.44	2.5.2.3
Non-transfer of Building and Other Construction Workers Welfare Cess	12.04	12.04	2.6.2.5
Non-transfer of other Cess (Road Safety Cess)	159.13	159.13	2.6.2.5
Non-transfer of grants NDRF into Public Account	148.70	148.70	2.6.2.3
Non-discharge of Interest liabilities	19.48	19.48	4.2
Disclosure of the Off-Budget borrowings	-	686.77	4.1
Total	405.19	1,091.54	

(Source: Finance Accounts and audit analysis)

During 2022-23, the Revenue deficit and Fiscal deficit of the State, shown as ₹ 11,288.20 crore and ₹ 44,823.30 crore, respectively, would be ₹ 11,693.39 crore and ₹ 45,914.84 crore, respectively, if the above transactions were taken into account. The post-audit Revenue deficit and Fiscal deficit were 1.56 per cent and 6.11 per cent of GSDP respectively, which was over and above the limit fixed by the XVth FC.

1.5.2 Post Audit-Total Outstanding Liabilities

Government entities (one⁴) have obtained loan, amounting to ₹ 686.77 crore, on behalf of the State Government (as on 31 March 2023). This loan comprises instance of Off-Budget Borrowings (OBB) by the State Government. The Government has provided guarantee for this loan. Since this borrowing did not form part of the borrowings of the Government directly, it was not included in the Public Debt of the Finance Accounts; and therefore, did not figure in the calculation of Fiscal Deficit of the State. The Public Debt, as well as Fiscal Deficit of the State stands understated to that extent, for the year 2022-23. *(The Off-Budget borrowings are detailed in Paragraph 4.1 of this report).*

This information on Off-Budget borrowings, has been provided by the concerned entity (SPSE). The reply of the State Government, in this regard, was however, awaited (December 2023).

⁴ Bihar State Road Development Corporation Limited.

Table 1.8: Component-wise outstanding debt/liabilities, post examination by Audit for 2021-22 and 2022-23(*₹ in crore*)

Borrowing and other liabilities as per Finance Account	Amount		Deviation (in per cent)
	2021-22	2022-23	
Internal Debt (A)	1,82,855.32	2,08,098.10	13.80
Market Loans	1,56,575.11	1,84,275.11	17.69
Bonds	2,195.25	1,962.07	(-) 10.62
Loans from Financial Institution	10,111.91	9,776.22	(-) 3.32
Special Securities issued to National Small Savings Fund of Central Government	13,965.60	12,077.25	(-) 13.52
Other Loans	7.45	7.45	0.00
Loans and Advances from Central Government (B)	26,057.96	34,747.63	33.35
Non-Plan Loans	0.58	0.58	0.00
Loans for State Plan Scheme	191.29	191.29	0.00
Loans for Central Plan Schemes	1.01	1.01	0.00
Loans for Centrally Sponsored Plan Scheme	0.53	0.53	0.00
WMA (Ways and Means Advances)	42.96	42.96	0.00
Pre-1984-85 Loans	3.91	3.91	0.00
Loans for Centrally Sponsored Scheme	36.42	33.10	(-) 9.12
Other Loans for States/Union Territory with Legislature Schemes	25,781.26	34,474.25	33.72
Liabilities upon Public Account (C)	48,596.93	50,461.44	3.84
Small savings, Provident Funds etc.	9,521.65	9,396.88	(-) 1.31
Reserve funds bearing interest	1,041.49	2,626.60	152.20
Deposits bearing interest	217.11	257.63	18.66
Deposits not bearing interest	37,816.68	38,180.33	0.96
Total (D) = (A+B+C)	2,57,510.21	2,93,307.17	13.90
Impact on Overall liability (understated) (E)	1,482.50	686.77	(-) 53.67
Bihar State Road Development Corporation Ltd. (Road Construction Department)	520.00	686.77	32.07
Bihar Rural Road Development Agency (Rural Works Department)	962.50	0	
Grand Total (D) + (E)	2,58,992.71	2,93,993.94	13.51

(Source: Finance Accounts of the respective years)

Considering the Off-Budget borrowing of the State, total outstanding debt at the end of March 2023 worked out to be ₹ 2,93,993.94 crore against ₹ 2,93,307.17 crore (39.13 per cent and 39.03 per cent of GSDP, respectively). The overall debt as a percentage of GSDP at the end of the year was understated by 0.10 per cent but was well within the target set by XVth Finance Commission recommendation.