

# EXECUTIVE SUMMARY



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## **About the Report**

*This Report of the CAG of India is on the State Finances for the year 2023-24. It provides an overview of the finances, budgetary management and quality of accounts, financial reporting practices and other matters relevant to State Finances.*

*This executive summary highlights the contents of this report and through snapshots of the important figures and aspects, provides insight into fiscal sustainability, performance against the budget intent, revenue and expenditure projection, the reasons for variations and their impact.*

Gross State Domestic Product (GSDP) (at current prices) grew at an average growth rate of 10.32 *per cent* from ₹ 5,81,855 crore in 2019-20 to ₹ 8,54,429 crore in 2023-24. Expenditure of the State grew from ₹ 1,38,987 crore in 2019-20 to ₹ 2,29,103.05 crore in 2023-24.

There was 14.47 *per cent* growth in GSDP over 2022-23. The Revenue Receipts grew at 11.96 *per cent* over the previous year and the percentage of Revenue Receipts against GSDP fell from 23.14 *per cent* in 2022-23 to 22.63 *per cent* in 2023-24. The Tax Revenue increased by 16.08 *per cent* during the period and the State's Own Tax Revenue increased by 9.87 *per cent* over the year 2022-23. The total expenditure (Revenue Expenditure, Capital Expenditure and loans and advances) of the State increased from ₹ 2,17,552.81 crore in 2022-23 to ₹ 2,29,103.05 in 2023-24, *i.e.*, an increase of 5.31 *per cent*. Of this, Revenue Expenditure showed 3.55 *per cent* increase from 2022-23. The State has achieved revenue surplus of ₹ 2,833.06 crore from Revenue Deficit of ₹ 11,288.20 crore during the previous year. The Fiscal Deficit reduced from ₹ 44,823.30 crore in 2022-23 to ₹ 35,659.88 crore in 2023-24.

## **Receipt-Expenditure**

The State has different sources of receipts such as State Own Tax Revenue, Non-tax Revenue, Devolution of States' share in taxes, Grants-in-aid transfers from the Union Government and non-debt Capital Receipts. The State Government's expenditure includes expenditure on revenue accounts as well as Capital Expenditure (assets creation, loans and advances, investments, *etc.*).

The Revenue Receipts of the State grew from ₹ 1,24,233 crore in 2019-20 to ₹ 1,93,347 crore in 2023-24, with an average annual growth rate of 8.41 *per cent*. State's share in Union Taxes and Duties increased by ₹ 50,198 (79.17 *per cent*) during 2019-20 (₹ 63,406 crore) to 2023-24 (₹ 1,13,604 crore). Capital Receipts also increased from ₹ 29,175 crore to ₹ 60,314 crore during this period. The share of Grants-in-aid in Revenue Receipts decreased from 21.71 *per cent* in 2019-20 to 13.51 *per cent* in 2023-24. The State Government received ₹ 17,961.52 crore as central share for the Centrally Sponsored Schemes (CSSs) in the year 2023-24.

Revenue Expenditure is incurred by States to maintain the current level of services and interest payment for past obligations. As such, it does not result in any addition to the State's infrastructure and services network. Between 2019-20 and 2023-24,

Revenue Expenditure increased from ₹ 1,26,017 crore (21.66 *per cent* of GSDP) to ₹ 1,90,514.17 crore (22.30 *per cent* of GSDP). It consistently made up a significant portion 90.67 to 83.16 *per cent* of the Total Expenditure during this period.

### ***Result of expenditure beyond means***

The excess of Revenue Receipts over Revenue Expenditure in 2023-24, led to the State realizing a Revenue Surplus of ₹ 2,833.06 crore.

The State Government spent ₹ 36,453 crore on Capital Expenditure, which was 15.91 *per cent* of the Total Expenditure and 22.40 *per cent* of the total borrowings during the year 2023-24. The rest of the borrowed funds were being used mainly for meeting current consumption and repayment of borrowings instead of capital creation/development activities.

The gap between the Total Expenditure and total non-debt receipt of the State resulted in Fiscal Deficit. The Fiscal Deficit of the State increased to ₹ 35,659.88 crore (4.17 *per cent* of GSDP) in 2023-24 from ₹ 14,723.93 crore (2.53 *per cent* of GSDP) in 2019-20.

Under the Revenue Expenditure, the quantum of Committed Expenditure constituted the largest share. Committed Expenditure has the first charge on the resources and consists of interest payments, expenditure on salaries and pensions. Committed Expenditure on interest payments, salaries and pensions constituted 34.30 to 38.66 *per cent* of the Revenue Expenditure during 2019-20 (38.47 *per cent*) and 2023-2024 (36.89 *per cent*). The Committed Expenditure increased from ₹ 48,477.72 crore in 2019-20 to ₹ 70,282.32 crore in 2023-24.

### ***Subsidies as a major portion of the Non-Committed Expenditure***

Within the Non-Committed Expenditure, there was an increasing trend of subsidies, which increased from ₹ 7,121.27 crore in 2019-2020 to ₹ 16,244.61 crore in 2023-24 *i.e.*, from 5.65 *per cent* of the total Revenue Expenditure in 2019-20 to 8.53 *per cent* in 2023-24. Power subsidies constituted a significant portion of this, ranging from 72.92 *per cent* to 82.77 *per cent* of the total subsidies during the period 2019-20 to 2023-24.

### ***Off-budget borrowings***

The State Government, through a Public Sector Undertaking (Bihar State Road Development Corporation Limited), raised ₹ 53.48 crore as Off-budget borrowing during 2023-24. This did not flow into the Consolidated Fund of the State but is required to be repaid and serviced through State budget.

### ***Contingent Liabilities on account of Guarantees***

Up to the financial year 2023-24, the Government provided guarantees against borrowings including interest of ₹ 28,040.96 crore. Contingent Liabilities ranged from 4.41 *per cent* to 15.79 *per cent* of the State's Revenue Receipts and from 0.94 *per cent* to 3.87 *per cent* of the GSDP, during the last five years.

### ***Fiscal sustainability***

Fiscal sustainability is examined in terms of macro-fiscal parameters such as deficits, level of debt and liabilities, commitments on account of Off-budget borrowings,

guarantees, subsidies, *etc.* As far as revenue and expenditure mismatch is concerned, one of the important constraints is committed and inflexible expenditure, which includes salaries, pension payments, interests, *etc.* and also other inflexible expenditure such as those arising out of commitment for Centrally Sponsored Schemes, transfer to reserve funds, transfer to local bodies, *etc.*

### ***Bihar Fiscal Responsibility and Budget Management (BFRBM) requirements and compliance with fiscal parameters***

The BFRBM Act prescribes certain limits within which Revenue Deficit, Fiscal Deficit, debt as a percentage of the GSDP should be. In 2023-24, the State achieved revenue surplus after 2018-19; Fiscal Deficit was 4.17 *per cent* as against the limit of maximum 3.50 *per cent* and total outstanding liabilities were 38.94 *per cent* as against limit of 40.40 *per cent*.

Further, if the quantum of the Off-budget borrowings is included as part of debt, the overall liability (including Public Debt and Public Account Liabilities) of the Government was 38.95 *per cent* of the GSDP.

As per the debt stabilization analysis, the public debt of the Government of Bihar has grown on an average at a rate of 17.30 *per cent* annually of the outstanding public debt between 2019-20 to 2023-24. The public debt-GSDP ratio of Bihar has increased from 25.47 *per cent* in 2019-20 to 32.78 *per cent* in 2023-24, which indicates entailing risk in debt stabilization.

Bihar has been a Primary Deficit State for the period 2019-20 to 2023-24. The Domar gap (g-r) remained positive during the period from 2021-22 to 2023-24 and was negative during 2019-20 and 2020-21. The Domar gap (g-r) has registered a positive trend in the last three years. Considering the debt sustainability conditions under the Domar model, the fiscal liabilities of the State Government satisfied the condition of debt sustainability ( $g-r > 0$ ), except in 2019-20 and 2020-21.

During the years 2021-22 to 2023-24, though the Domar gap (expressed as g-r) was positive, and its value also increased from the preceding years, the Primary Deficit was not stable and increased by more than two times in 2022-23, over the previous year but corrected in 2023-24. Further, a substantial proportion of public debt receipts was being used for repayment for Borrowings, which ranged between 68.82 *per cent* and 75.77 *per cent* during the period 2019-2024.

### ***Budget performance***

#### ***Aggregate Budget outturn (Expenditure in relation to Budget Estimates)***

Budget performance in terms of budgetary intent and budget implementation is examined to assess the extent to which the aggregate expenditure outturn reflects the amount originally approved both in terms of excess and savings.

Deviation in outturn compared with Budget Estimates (BE) was (-) 4.65 *per cent* in the Revenue section, and (+) 15.73 *per cent* in the Capital section.

#### ***Expenditure composition outturn (Expenditure in relation to Revised Estimates)***

Budget performance also looks at the extent to which the re-allocation between the Budget Estimates (BE) budget categories during the execution has contributed to

variance in expenditure composition. This measure indicate the extent of variation between the Revised Estimates (RE) and the actual expenditure.

Deviation in outturn compared with Revised Estimates (RE) was (-) 20.74 *per cent* in the Revenue section and (-) 3.68 *per cent* in the Capital Section.

#### ***Unnecessary/excess supplementary grants***

Supplementary provisions of ₹ 11,042.66 crore during the year 2023-24 in 13 cases (more than ₹ 100 crore in each case) under 13 different grants proved unnecessary, as the expenditure did not come up even to the level of original provisions.

#### ***Excess expenditure***

Excess expenditure of ₹ 39.47 crore was incurred over Budget Provision majorly in the Road Construction Department (₹ 39.43 crore). Excess expenditure is contrary to the budget provisions and needs to be regularised.

#### ***Inflated Budgeting / Large savings in Centrally Sponsored Scheme***

Out of total saving amount of ₹ 65,512.05 crore in F.Y. 2023-24, Centrally Sponsored Schemes alone accounted for savings of ₹ 31,663.68 crore, which is 48.33 *per cent* of total savings. The total budget provisions for these schemes was 24 *per cent* of State's total budget.

Overall Budget reliability assessment indicates that though the deviations between the actual expenditure and original budget was only (-) 0.45 *per cent*, the deviation between the actual expenditure and the total budget was (-) 20.08 *per cent*. There were deviations up to 25 *per cent* and even above in different grants. Moreover, it was also noticed that in several cases, there were supplementary grants where expenditure was not even up to the original grant.

#### ***Quality of Accounts and Financial Reporting***

Quality of accounts and financial reporting covers items, transactions and events which relate to gaps in compliance, regularity weaknesses and issues relating to delay in receipt of those accounting records or adjustment records which evidence the actual expenditure. It also highlights issues pertaining to the accounts and financial reporting such as parking of funds outside the Government accounts, non-discharging of liabilities and misclassification of transactions and data gaps.

#### ***Compliance with Indian Government Accounting Standards (IGAS)***

As against the requirements of the Indian Government Accounting Standards (IGAS), the State Government did not comply with IGAS-1: Guarantees given by the Government, IGAS-2: Accounting and classification of Grants-in-aid (GIA), and IGAS-3: Loans and Advances, made by the Government.

#### ***Operation of Personal Deposit (PD) Accounts***

The Government has not migrated four PD Accounts with a combined balance of ₹ 1.54 crore, to Comprehensive Financial Management System (CFMS).

### ***Funds to Single Nodal Agency (SNA)***

The Government of India and the State Government have introduced a system of Single Nodal Agency (SNA) for implementation and fund flow for each Centrally Sponsored Scheme (CSS).

As per CFMS, in 2023-24, out of total transferred amount of ₹ 31,145.19 crore, the State Government received ₹ 18,231.24 crore as Central Share for Centrally Sponsored Schemes. However, as per the PFMS report, out of total receipt of ₹ 30,847.49 crore, the State Government transferred Central share of ₹ 18,173.89 crore and State share of ₹ 12,673.60 crore to the SNAs. As per CFMS, ₹ 22,470.94 crore was transferred through Grants-in-aid Bills. Detailed vouchers and supporting documents of actual expenditure were not received in the office of the AG (A&E) from the SNAs.

### ***Utilisation Certificates (UCs)***

Despite the requirement of submitting Utilisation Certificates (UCs) within a stipulated time period, 49,649 outstanding UCs of ₹ 70,877.61 crore were not received by the Accountant General (Accounts & Entitlements), Bihar, as on 31 March 2024.

In the absence of UCs, there is no assurance that funds disbursed have been used for the intended purpose. Moreover, high pendency of UCs is fraught with the risk of embezzlement, misappropriation, and diversion of funds.

### ***Detailed Contingent (DC) bills against Abstract Contingent (AC) bills***

Despite the requirement of submitting Detailed Contingent (DC) Bills against the advance money withdrawn through Abstract Contingent (AC) Bills, DC Bills against 22,130 AC bills of ₹ 9,205.76 crore were pending for submission as on 31 March 2024. Non-submission of DC bills within the prescribed period breaches financial discipline and enhances the risk of misappropriation of public money.

Compliance with prevailing rules and codal provisions are meant to ensure control and accountability in accounting and financial reporting. Non-compliance and deviations impact the quality of accounting and financial reporting adversely. Non-timely submission of UCs against grants; non-submission of DC bills against AC bills; and non-supply of details of expenditure from SNAs have impacted the quality of accounts adversely.