

# CHAPTER-I

## OVERVIEW



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 2024.

1.1 Profile of the State

Bihar is an entirely land–locked State. It lies between West Bengal in the East and Uttar Pradesh in the West. It is bounded by Nepal in the North and by Jharkhand in the South. It is the twelfth largest State of India in terms of geographical size (94,163 sq. km.) and the second largest by population (12.86 crore). The State of Bihar has 38 districts. The population density of the State is 1,366 per sq. km, higher than national average (426 per sq. km). The State’s literacy rate is 61.8 *per cent* (as per 2011 census). It has the highest poverty level, as compared to the All- India average (*Appendix 1.1*). The Per Capita Income of Bihar (₹ 66,828) is much lower than neighbouring States *viz.* Jharkhand (₹ 1,15,960), West Bengal (₹ 1,71,184) and Uttar Pradesh (₹ 1,07,468). The State is 13<sup>th</sup> largest by GSDP in 2023-24 at current prices (as per MoSPI).

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

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

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

Year	2019-20	2020-21	2021-22	2022-23	2023-24
INDIA					
GDP (2011-12 Series)	2,01,03,593	1,98,54,096	2,35,97,399	2,69,49,646	2,95,35,667
GVA	1,83,81,117	1,82,10,997	2,16,35,584	2,46,59,041	2,67,62,147
Growth rate of GDP over the previous year (in <i>per cent</i> )	6.37	(-) 1.24	18.85	14.21	9.60
Growth rate of GVA over the previous year (in <i>per cent</i> )	7.02	(-) 0.93	18.81	13.97	8.53
Per capita GDP (in ₹)	1,32,341	1,27,244	1,50,906	1,69,496	1,84,205
BIHAR					
GSDP (2011-12 Series)	5,81,855	5,67,814	6,47,394	7,46,417	8,54,429
GSVA	5,59,805	5,52,327	6,41,107	7,42,817	8,49,750
Growth rate of GSDP over the previous year (in <i>per cent</i> )	10.20	(-) 2.41	14.02	15.30	14.47
Growth rate of GSVA over the previous year (in <i>per cent</i> )	9.69	(-) 1.34	16.07	15.86	14.40
Percentage of GSDP to GDP	2.89	2.86	2.74	2.77	2.89
Per capita GSDP (in ₹)	48,263	46,412	52,144	59,244	66,828

(Source: Ministry of Statistics and Programme Implementation, GoI)  
GVA- Gross Value Added GSVA- Gross State Value Added

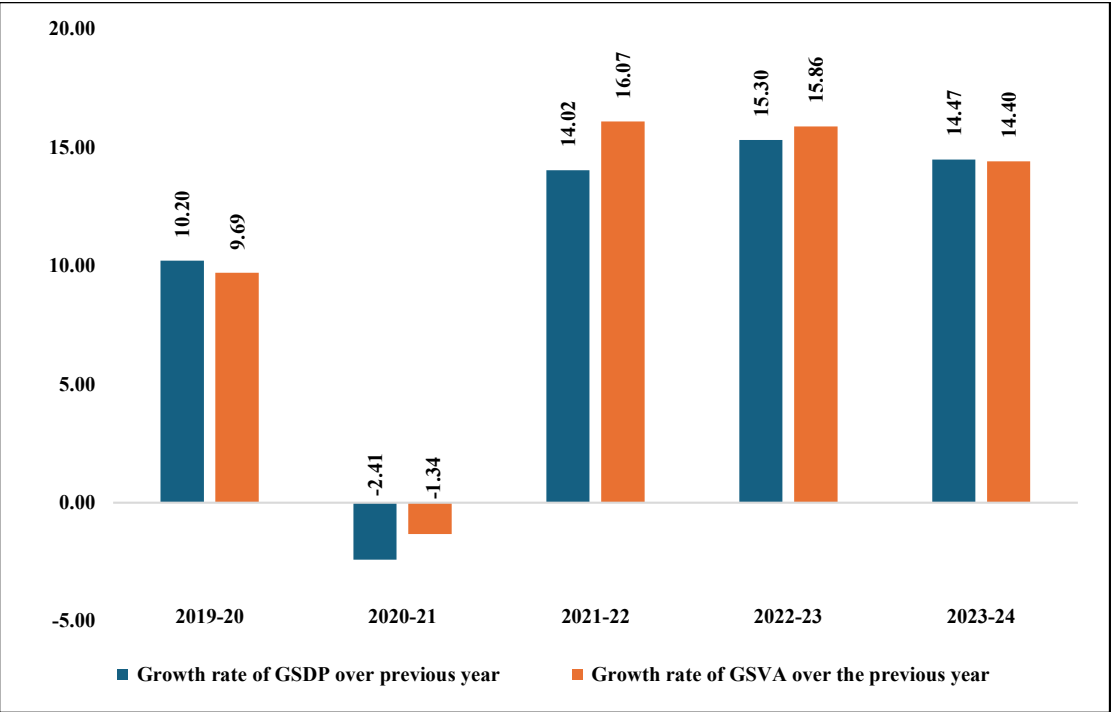
GDP and GSDP at current prices for the years 2020-21 to 2022-23 were revised on the basis of revisions in GVA/GSVA. Percentage ratios/buoyancies of various parameters with reference to GDP/GSDP for 2020-21 to 2022-23 have been revised accordingly.

During 2023-24, the per capita GSDP growth rate (12.80 *per cent*) was higher than the per capita GDP growth rate (8.68 *per cent*). During 2019-20 to 2023-24, the per capita GSDP increased by 38.47 *per cent* but was lower than the per capita GDP growth of 39.19 *per cent*.

Gross Value Added (GVA) is being used for economic analysis by GoI as GVA is considered a better indicator of economic growth compared to GDP as it ignores the impact of taxes and subsidies. GDP can also be 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. As a result of these GDP may differ from the real output situation. From a policymaker’s perspective it is therefore vital to have a comparison of the GVA and GSVA data for better analysis and for making policy interventions.

The trends of GSDP and GSVA for the period from FY 2019-20 to FY 2023-24, are indicated in **Chart 1.1**.

**Chart 1.1: Growth rate of GSDP vs GSVA (2019-20 to 2023-24)**  
(in per cent)



(Source: MoSPI, GoI)

As can be seen from **Chart 1.1**:

- i. the growth rate of both GSDP and GSVA was negative in 2020-21, due to the impact of COVID-19 pandemic.

- ii. during 2021-22, GSVA registered highest growth rate (due to higher growth rate in Secondary Sector and Tertiary Sector).
- iii. during 2022-23 the GSDP registered highest growth rate.
- iv. in 2023-24, growth rate of GSVA slowed by 1.46 percentage points (due to slower growth rate mainly in Secondary Sector). During this year, the GSDP growth rate registered, was slightly lowered by 0.83 percentage points (due to negative growth rate under Secondary and Tertiary Sector over the previous year), although, its growth rate was much higher than the growth rate of GDP during 2023-24.

1.1.2 Sectoral composition

The economic activities are generally divided into Primary, Secondary and Tertiary Sectors, which correspond to Agriculture, Industry and Service Sectors, 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 2023-24, is given in **Charts 1.2** and **1.3**, respectively.

Chart 1.2: Sector-wise GDP  
(in per cent)

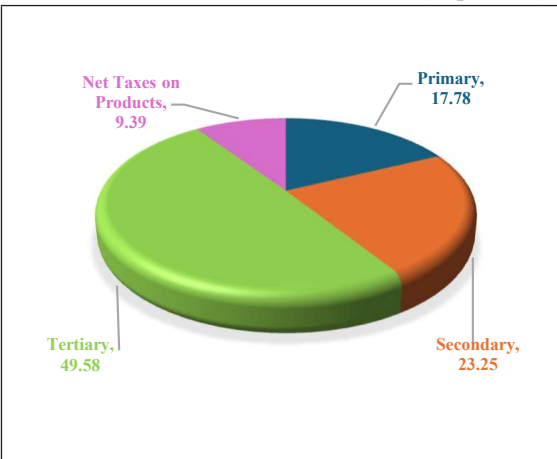
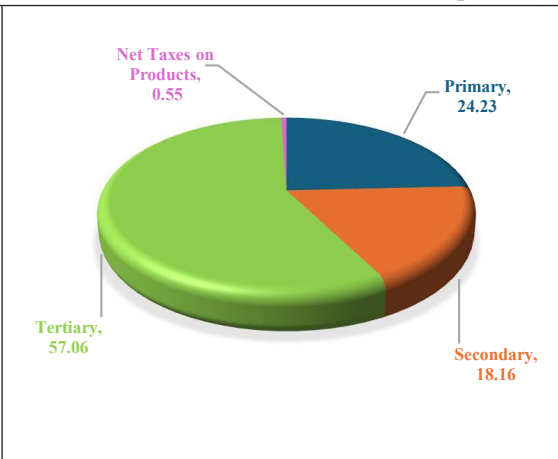


Chart 1.3: Sector-wise GSDP  
(in per cent)



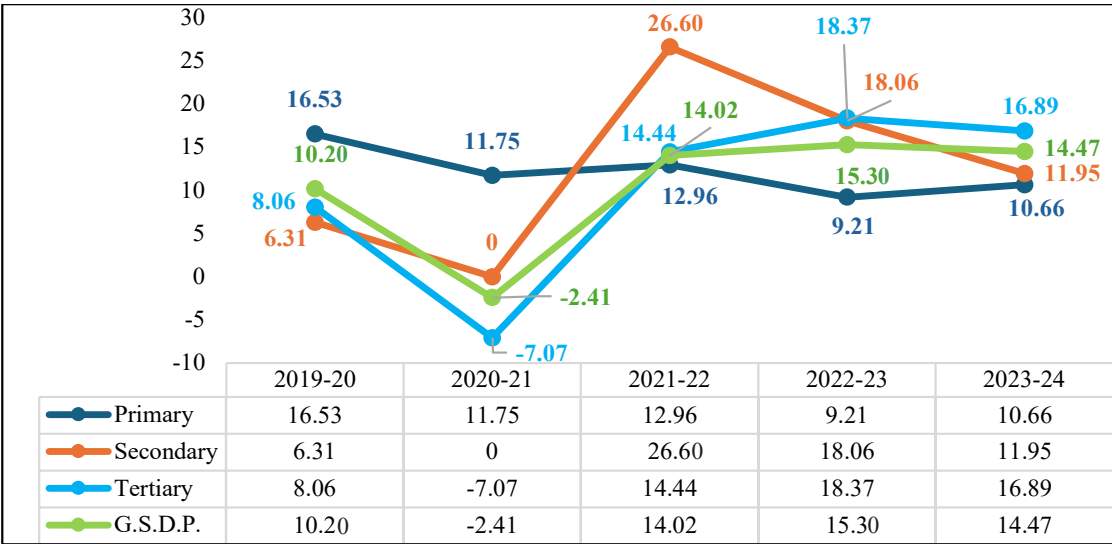
(Source: MoSPI, GoI data as on 01.08.2024 and Bihar Institute of Public Finance and Policy, GoB)  
\*Net taxes on product = Subsidies on product deducted from taxes on product

During 2023-24, contributions of Tertiary and Primary Sectors to GSDP were higher by 7.48 and 6.45 percentage points, respectively, as compared to their contribution in GDP. However, contribution of the Secondary Sector (Industries and Manufacturing) to the GSDP was lesser by 5.09 percentage points, compared to its contribution in GDP. Further, Net Taxes on products were much lower in Bihar, as compared to India.

**Chart 1.4** captures the trend of sectoral growth rate in GSDP for the period from 2019-20 to 2023-24.

Chart 1.4: Trend analysis of Sectoral growth in GSDP

(in per cent)



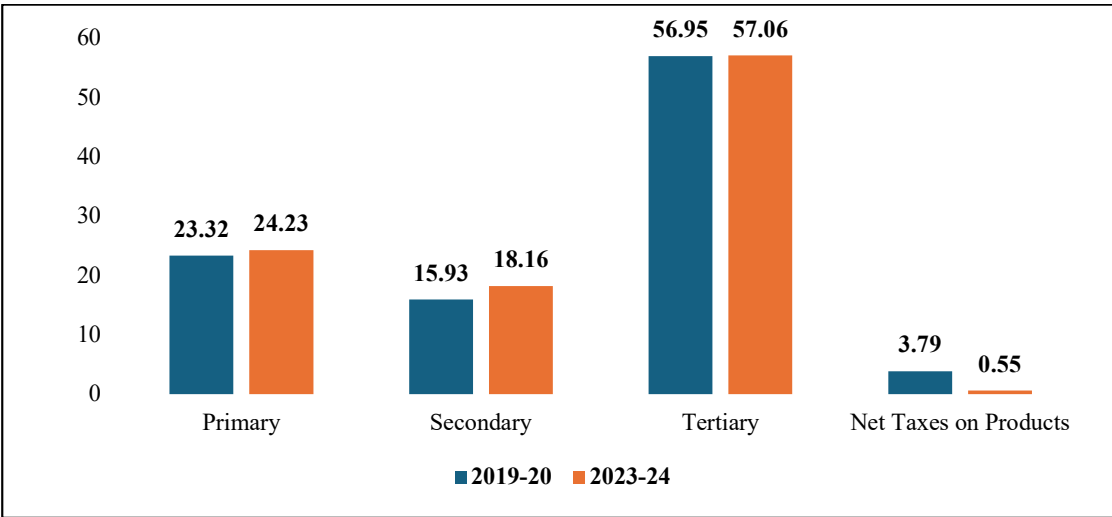
(Source: MoSPI, GoI)

**Chart 1.4** shows a declining trend in all sectors in 2020-21 due to the Global pandemic. However, during 2021-22, the Secondary and Tertiary Sectors showed substantial recovery and registered their highest growth during the last five years. During 2023-24, only Primary Sector showed higher growth rate by 10.66 *per cent* due to increase in crops by 12.03 *per cent*, livestock by 9.28 *per cent* and forestry and logging by 10.29 *per cent* under Agriculture, Forestry and Fishing. Secondary and Tertiary Sectors, however, showed deceleration in growth in comparison to 2022-23.

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 2019-20 and 2023-24 are shown in **Chart 1.5**.

Chart 1.5: Changes in the sectoral contribution to GSDP  
(2019-20 and 2023-24)

(in per cent)



(Source: MoSPI, GoI)

In 2023-24 also, the Tertiary Sector continued to be the major contributor to the State’s economy.

## 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:

- i. 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;
- ii. Results of the Audit carried out by the office of the Pr. Accountant General (Audit);
- iii. Other data with Departments/ Authorities and Treasuries (accounting as well as MIS);
- iv. GSDP data and other State related statistics; and
- v. Various Audit Reports of the CAG of India.

Analysis is also carried out in the context of recommendations of the XIV<sup>th</sup> and XV<sup>th</sup> 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. The scope, methodology, criteria and constraint were discussed with the Finance Department, Govt. of Bihar, during Entry Conference held on 07.08.2024.

## 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 Accounts of the State (Article 266(2) of the Constitution of India)**

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 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** consist 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 do 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).

**Capital Receipts** consist 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.

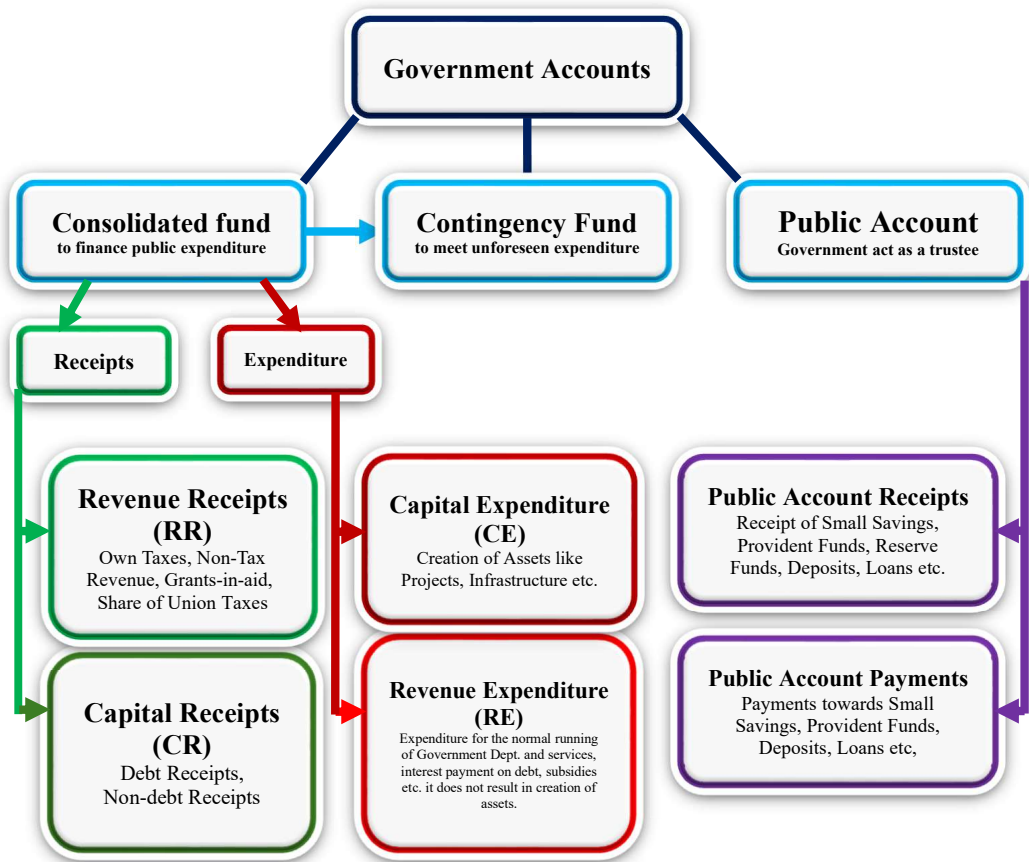
At present, we have an accounting classification system in Government that is both functional and economic.



	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	Schemes	Sub-Head (2-digit)
	Sub-schemes	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 the 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** provides details of actual financial results of 2022-23 and 2023-24 as well as the Budget Estimates (BE) and GSDP for the year 2023-24.

**Table 1.2: Snapshot of Finances**

(₹ in crore)

Sl. No.	Components	2022-23 (Actuals)	2023-24		Percentage of Actual to B.E.	Percentage of Actuals to GSDP
			Budget Estimate	Actuals		
1	Tax Revenue	1,39,527.58	1,52,437.31	1,61,965.18	106.25	18.96
	(i) Own Tax Revenue	44,017.73	49,700.05	48,360.69	97.31	5.66
	(ii) Share of Union Taxes	95,509.85	1,02,737.26	1,13,604.49	110.58	13.30
2	Non-Tax Revenue	4,134.90	6,511.74	5,257.05	80.73	0.62
3	Grants-in-aid and Contributions	29,025.54	53,377.92	26,125.00	48.94	3.06
4	<b>Revenue Receipts (1+2+3)</b>	<b>1,72,688.02</b>	<b>2,12,326.97</b>	<b>1,93,347.23</b>	<b>91.06</b>	<b>22.63</b>
5	Recovery of Loans and Advances	41.49	431.91	95.94	22.21	0.01
6	Other Receipts	0.00	-	0.00	-	-
7	Net Borrowings and other Liabilities (a)	44,823.30	25,567.83	35,659.88	139.47	4.17

Sl. No.	Components	2022-23 (Actuals)	2023-24		Percentage of Actual to B.E.	Percentage of Actuals to GSDP
			Budget Estimate	Actuals		
8	Net Capital Receipts (5+6+7)	44,864.79	25,999.74	35,755.82	137.52	4.18
9	Total Receipts (4+8)	2,17,552.81	2,38,326.71	2,29,103.05	96.13	26.81
10	Revenue Expenditure (b)	1,83,976.22	2,07,848.00	1,90,514.17	91.66	22.30
11	Interest Payments	15,183.54	18,354.44	17,605.80	95.92	2.06
12	Capital Expenditure	31,519.82	29,257.31	36,453.02	124.59	4.27
13	Loan and Advances	2,056.77	1,221.40	2,135.86	174.87	0.25
14	Total Expenditure (10+12+13)	2,17,552.81	2,38,326.71	2,29,103.05	96.13	26.81
15	Revenue Surplus(+)/Deficit(-) (4-10)	(-) 11,288.20	4,478.97	2,833.06	63.25	0.33
16	Fiscal Deficit {14-(4+5+6)}	44,823.30	25,567.83	35,659.88	139.47	4.17
17	Primary Deficit (16-11)	29,639.76	7,213.39	18,054.08	250.29	2.11

(Source: Finance Accounts of the GoB for the year 2023-24 and Budget Summary 2023-24)

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) Revenue Expenditure includes interest payment.

It was observed that:

- Budget estimates of Revenue Receipts for 2023-24 were 22.95 per cent above the actuals of 2022-23. Meanwhile the GoB, in its revised estimates increased the amount of Revenue Receipts (₹ 2,14,494.26 crore) by 1.02 per cent of the original estimates. The actual receipts were 8.94 per cent less from the original estimates and 9.86 per cent less from the revised estimates. Share of Union Taxes (58.76 per cent) was the major contributor in Revenue Receipts.
- Revenue Receipts of the State increased by 11.96 per cent over the previous year. Increase in collection of Revenue Receipts was noticed in CGST (27.75 per cent), SGST (19.08 per cent), Corporation tax (6.49 per cent), Taxes on income other than Corporation Tax (25.97 per cent), Other taxes on income and expenditure (14.99 per cent), Union excise duties (27.89 per cent) under Share of Union Taxes. Also, there was increase in Land revenue (60.91 per cent) and Taxes on vehicle (14.39 per cent) under Own Tax Revenue. Further increase in other receipts (73.16 per cent) under Interest receipts, Public Service commission (353.08 per cent), ₹ 36.05 crore collection of Guarantee fee under Miscellaneous general service, Non-ferrous mining and Metallurgical industries (14.11 per cent) were the major components under Non-Tax revenue of the State resulting in increase in Revenue Receipts of the State by ₹ 20,659.21 crore over the previous year.
- During 2023-24, the Revenue Expenditure of the State increased by 3.55 per cent whereas its Revenue Receipts increased by 11.96 per cent over the previous year. This resulted in the State achieving Revenue Surplus of ₹ 2,833.06 crore after 2018-19. The trend of receipts and expenditure are shown in **Table 1.3**.

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	
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	65.22
2023-24	1,93,347	1,90,514	98.53	60,314	36,453	60.44

(Source: Finance Accounts of the respective years)

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

- For every ₹ 100 received as revenue, ₹ 98.53 was incurred as Revenue Expenditure.
- During the year 2023-24, Capital Expenditure increased by 15.65 *per cent*, whereas Revenue Expenditure increased by 3.55 *per cent* over the previous year. In 2023-24, 60.44 *per cent* of Capital Receipts were utilised for Capital Expenditure. Also, the ratio of Capital Expenditure to Capital Receipts, decreased from 65.22 *per cent* of 2022-23 to 60.44 *per cent* during the current year.
- The Capital Receipts increased by 24.81 *per cent*, whereas Capital Expenditure increased by 15.65 *per cent* over the previous year. A substantial part of the Capital Receipts were utilised to repay the earlier debt of the Government, which had increased from 29.72 *per cent* in 2022-23 to 38.16 *per cent* in 2023-24.
- Increase in Revenue Expenditure and Capital Expenditure at a pace slower than its Revenue Receipts during 2023-24, helped the State to be Revenue Surplus and eventually reduce the Fiscal Deficit to that extant.

### 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 2024, 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				
		2022-23	2023-24	Per cent increase/decrease			2022-23	2023-24	Per cent increase/decrease
Consolidated Fund									
A	Internal Debt	2,08,098.10	2,36,205.16	13.51	A	Gross Capital Expenditure	2,90,886.03	3,27,339.05	12.53
B	Loans and Advances from GoI	34,747.63	43,878.73	26.28	B	Loans and Advances	25,209.64	27,249.57	8.09
Contingency Fund		350.00	350.00						
Public Account									
A	Small Savings, Provident Funds, etc.	9,396.88	9,141.12	-2.72	A	Advances	249.96	249.96	0.00
B	Deposits	38,437.96	39,666.57	3.20	B	Remittance	1,125.96	1,128.33	0.21
C	Reserve Funds	9,654.72	12,343.98	27.85	C	Suspense and Miscellaneous	14,416.78	5,611.89	-61.07
D	Suspense and Miscellaneous balances	171.31	206.63	20.62	Cash balance (including investment of Earmarked Funds)		22,903.95	36,982.18	61.47
E	Inter-State Settlement	74.01	74.01	0.00					
F	Surplus on Government Accounts	53,861.71	56,694.77	5.26					
Total		3,54,792.32	3,98,560.98	12.34	Total		3,54,792.32	3,98,560.98	12.34

(Source: Finance Accounts of the respective year)

During 2023-24, the Liabilities of the State increased by 12.34 *per cent*, over the previous year. Internal Debt contributed 59.26 *per cent* to the total outstanding liabilities during 2023-24. Net liabilities under Internal Debt increased by 13.51 *per cent* (₹ 28,107.06 crore), over the previous year.

#### 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, 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 the XV<sup>th</sup> Finance Commission's recommendations, State had to maintain debt to GSDP ratio up to 40.40 *per cent* for 2023-24. The Finance Commission allowed additional 0.5 *per cent* borrowings, over and above three *per cent* of the GSDP (up to 3.5 *per cent*) during 2023-24, subject to the condition for Power Sector reforms.

The State Government, through the BFRBM (Amendment) Act, 2022, revised fiscal targets as recommended by the XV<sup>th</sup> Finance Commission. Through this amendment, the fiscal deficit target limit for the year 2023-24 was increased up to 3.5 *per cent* of the GSDP including an additional borrowing of 0.5 *per cent* of GSDP, subject to the condition set forth by GoI. The compliance of major fiscal parameters prescribed under BFRBM (Amendment) Act, 2022, are shown in **Table 1.5 (a)**.

**Table 1.5 (a): Compliance with the provisions of the BFRBM (Amendment) Act, 2022**

Fiscal Parameters	Fiscal targets set in the BFRBM	Achievement (₹ in crore)				
		2019-20	2020-21	2021-22	2022-23	2023-24
Revenue Deficit (-) / Surplus (+) (₹ in crore)	Revenue Surplus	-1,784.13	-11,325.11	-422.38	-11,288.20	2,833.06
		✗	✗	✗	✗	✓
Fiscal Deficit (as percentage of GSDP)	Within 3.50 <i>per cent</i> for 2019-20, 5.00 <i>per cent</i> for 2020-21, 4.50 <sup>#</sup> <i>per cent</i> for 2021-22, 4.00 <sup>#</sup> <i>per cent</i> for 2022-23 & 3.50 <sup>#</sup> <i>per cent</i> for 2023-24.	-14,723.93 (2.53)	-29,827.25 (5.25)	-25,551.26 (3.95)	-44,823.30 (6.01)	-35,659.88 (4.17)
		✓	✗	✓	✗	✗
The ratio of total outstanding liabilities to GSDP (in <i>per cent</i> )	Within 25.00 <i>per cent</i> for 2019-20, 41.20 <i>per cent</i> for 2020-21, 40.20 <i>per cent</i> for 2021-22, 40.80 <i>per cent</i> for 2022-23 & 40.40 <i>per cent</i> for 2023-24	33.24	40.01	39.78	39.30	38.94
		✗	✓	✓	✓	✓

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

# 0.5 *per cent* including additional borrowing space for Power Sector with certain criteria and condition set for by the GoI

The fiscal roadmap revised through the BFRBM (Amendment) Act was similar to the targets set by the XV<sup>th</sup> FC.

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

- During the current year, the State witnessed Revenue Surplus of ₹ 2,833.06 crore. Low growth in Revenue Expenditure compared to growth observed in Revenue Receipts enabled the State to generate Revenue Surplus.
- Despite the reduction observed, Fiscal Deficit of the State remained above the BFRBM limits, and the indicative deficit path drawn by the XV<sup>th</sup> Finance Commission.
- Targets for outstanding liability to GSDP ratio were within the XV<sup>th</sup> Finance Commission’s recommendations except for the year 2019-20.

Fiscal targets prescribed by the XV<sup>th</sup> FC and projected in the State Budget *vis-à-vis* their achievements in respect of major fiscal aggregates with reference to GSDP during 2023-24 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 2023-24

(in per cent)

Fiscal Variables	Targets as prescribed by the XV <sup>th</sup> FC	Targets in the Budget	Actuals	Variation of actuals over	
				Targets of the XV <sup>th</sup> FC	Targets in Budget
Revenue Surplus/GSDP	1.20	0.52	0.33	0.87	0.19
Fiscal Deficit/GSDP	3.5 <sup>#</sup>	2.98	4.17	(-) 0.67	(-) 1.19
Total outstanding liability/GSDP	40.40	37.81	38.94	1.46	(-) 1.13

(Source: Recommendations of the XV<sup>th</sup> FC, Budget document and Finance Accounts for the year 2023-24)  
Note: Deficit figures have been shown in minus; <sup>#</sup>including 0.5 per cent additional borrowing

Although a Revenue Surplus was realized in 2023-24, the State could not achieve fiscal targets as fixed by the XV<sup>th</sup> FC. Though the total outstanding liability-GSDP ratio remained within the levels fixed by the Finance Commission, it could not achieve the State’s budget target of 37.81 per cent.

The ratio of total outstanding liabilities to GSDP, as per the Finance Accounts is 38.94 per cent. However, the effective ratio (38.95 per cent) has been arrived at Audit after inclusion of Off-budget Borrowings of ₹ 53.48 crore (Table 1.8). This was still below the FC target of 40.40 per cent.

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 2023-24

(₹ in crore)

Sl. No.	Fiscal Variables	Projection as per MTFP	Actuals (2023-24)	Variation (in per cent)
1	Own Tax Revenue	49,700.05	48,360.69	(-) 2.69
2	Non-Tax Revenue	6,511.74	5,257.05	(-) 19.27
3	Share of Central Taxes	1,02,737.26	1,13,604.49	10.58
4	Grants-in-aid from GoI	53,377.92	26,125.00	(-) 51.06
5	Revenue Receipts (1+2+3+4)	2,12,326.97	1,93,347.23	(-) 8.94
6	Revenue Expenditure	2,07,848.00	1,90,514.17	(-) 8.34
7	Revenue Deficit (-)/Surplus (+) (5-6)	4,478.97	2,833.06	(-) 36.75
8	Fiscal Deficit (-)/Surplus (+)	(-) 25,567.83	(-) 35,659.88	39.47
9	Fiscal Deficit as a percentage of GSDP	2.98	4.17	(-) 1.19
10	Liability-GSDP ratio (per cent)	37.81	38.94	(-) 1.13
11	GSDP growth rate at current prices (per cent)	15.24	14.47	(-) 0.77

(Source: Finance Accounts for the year 2023-24 and BFRBM Act)

It can be seen from Table 1.6 that:

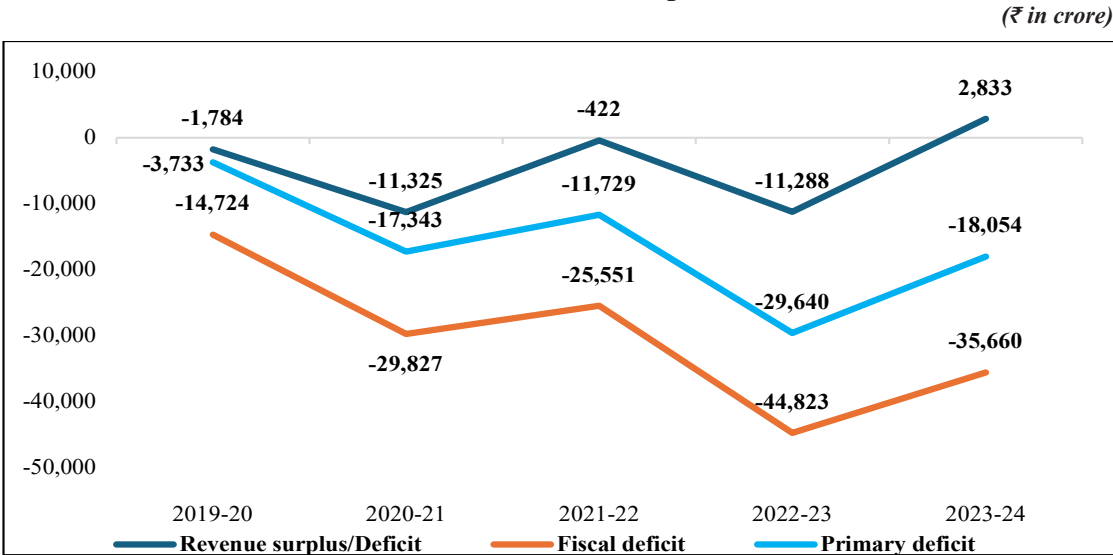
During the current year, the State witnessed Revenue Surplus of ₹ 2,833 crore. The MTFP targets could not be achieved, except ‘Share of Central Taxes’ which increased by 10.58 per cent from the projected figures. Main reasons of Revenue Surplus were increase of devolutions under Revenue Receipts from the GoI, as well as less growth of

Revenue Expenditure over the previous year. The State Government could not achieve its MTFP targets in most of the Fiscal Variables in previous years (2019-20, 2020-21, 2021-22 and 2022-23) also.

1.4.3 Trends of Surplus/Deficit

Three key fiscal parameters, viz. (i) Revenue Surplus/Deficit (ii) Fiscal Deficit and (iii) Primary Deficit help in assessing the fiscal situation of the Government. 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

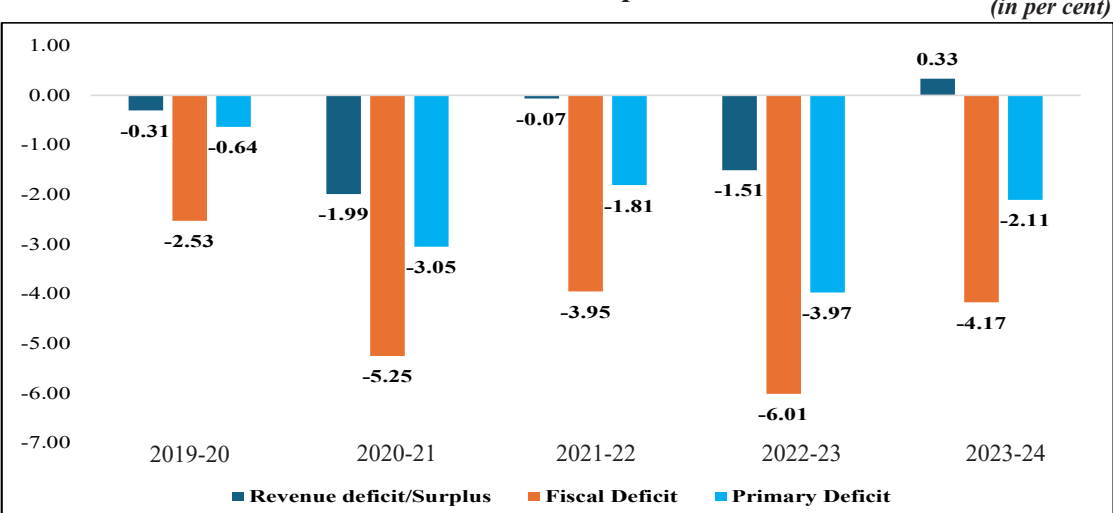


(Source: Finance Accounts of the respective years)

As can be seen from **Chart 1.6** all the fiscal indicators/parameters show a negative trend except Revenue Surplus. Further, despite having negative balance under Fiscal Deficit and Primary Deficit both of them have shown recovery path as compared to the previous year.

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)



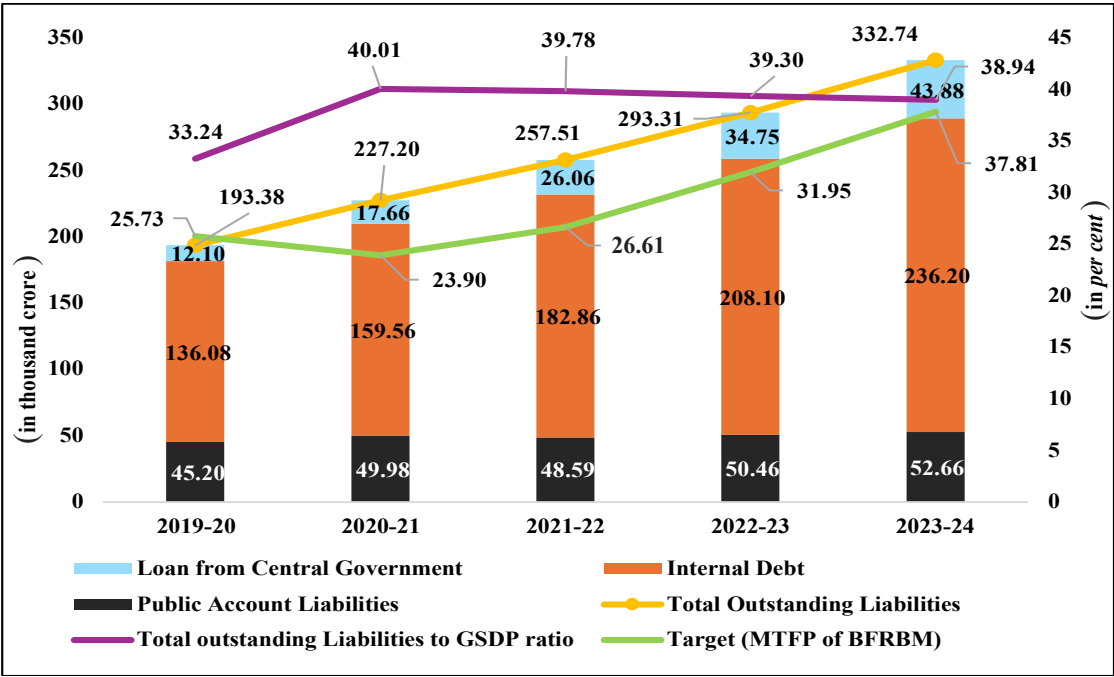
As can be seen from **Chart 1.7**, during the last five years, all the three parameters showed negative trends with respect to GSDP except Revenue Surplus in 2023-24.

1.4.4 Fiscal Liabilities and GSDP

Fiscal Deficit is usually financed by way of borrowings by the State giving rise to Government debt. If the Government continues to borrow year after year, it will lead to accumulation of debt. Government debt is mainly composed of Internal Borrowings (Market loans, Ways and Means Advances *etc.*), Loans and Advances from GoI and receipts on Public Account (Small Savings, Provident Fund, *etc.*).

**Chart 1.8** depicts the trends in the component of fiscal liabilities and GSDP.

Chart 1.8: Trends in Fiscal Liabilities and GSDP



(Source: Finance Accounts of the respective years)

During 2023-24, Fiscal liabilities increased by 13.44 *per cent* (₹ 39,433.73 crore), over the previous year due to increase in Internal Debt by 13.51 *per cent* (₹ 28,107.05 crore), and Loans and Advances from GoI by 26.28 *per cent* (₹ 9,131.11 crore). Overall, the fiscal liability increased by 72.07 *per cent* from the year 2019-20. This situation of incurring liability 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 the 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.

In Bihar, the total outstanding liabilities to GSDP ratio formulated in BFRBM (Amendment) Act, 2022, and as per the XV<sup>th</sup> Finance Commission was 40.40 *per cent*. The Net Borrowing Ceiling (NBC) of the State, for the financial year 2023-24 was

determined at three *per cent* of GSDP (on the basis of GSDP data published by MoSPI and the methodology prescribed by the XV<sup>th</sup> Finance Commission). Apart from NBC of three *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, the State’s borrowing ceiling, was to be within ₹ 30,062.48 crore (3.5 *per cent* of the projected GSDP of the State), which included the additional ceiling of ₹ 4,294.64 crore (0.5 *per cent* of the projected GSDP).

However, as per **Statement 6** of the Finance Accounts 2023-24 viz., Statement of borrowings and other liabilities, incremental borrowings and other liabilities of the State Government were ₹ 39,433.73 crore (4.62 *per cent* of GSDP) during the financial year 2023-24 which was over and above the borrowing ceiling of ₹ 30,062.48 crore (3.5 *per cent* of projected GSDP of ₹ 8,58,928 crore). The State achieved 38.94 *per cent* (Outstanding total liability 2023-24/GSDP 2023-24) which was within the XV<sup>th</sup> FC limit.

1.5 Deficits/ Outstanding Liabilities post examination by Audit

Certain financial transactions of Revenue section have been incorrectly booked 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 and *vice-versa* impacts deficit figures. Besides, deferment of committed liabilities viz., not depositing Cess/Royalty to the 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 Surplus and Fiscal Deficit, post examination by Audit

Particulars	Impact on Revenue Surplus (Understated (+)/ Overstated (-)) (₹ in crore)	Impact on Fiscal Deficit (Understated (+)/ Overstated (-)) (₹ in crore)	Para Reference
Misclassification due to booking of expenditure under Capital Section instead of Revenue	22.53	-	2.5.3.5
Misclassification due to booking of expenditure under Revenue Section instead of Capital	(-) 0.21	-	2.5.3.5
Short payment of interest on State Compensatory Afforestation Fund	(-) 9.59	9.59	4.2
Short payment of interest on State Disaster Response Fund	(-) 99.45	99.45	4.2
Short payment of interest on State Disaster Mitigation Fund	(-) 46.76	46.76	4.2
Short contribution of Employers’ share in NPS	(-) 51.11	51.11	2.5.2.3

Particulars	Impact on Revenue Surplus (Understated (+)/ Overstated (-)) (₹ in crore)	Impact on Fiscal Deficit (Understated (+)/ Overstated (-)) (₹ in crore)	Para Reference
Non-transfer of Building and Other Construction Workers Welfare Cess	(-) 223.78	223.78	2.6.2.5
Non-transfer of other Cesses (Road Safety Cess)	(-) 164.35	164.35	2.6.2.5
Over payment on Defined Contribution Pension Scheme for Government Employees	11.51	(-) 11.51	4.2
Short transfer to NMET Fund	(-) 62.00	62.00	2.6.2.5
Non-transfer of Land Cess	(-) 1.49	1.49	2.6.2.5
Non-disclosure of the Off-Budget borrowings	(-) 53.48	53.48	4.1
<b>Total</b>	<b>(-) 678.18</b>	<b>700.50</b>	

(Source: Finance Accounts and audit analysis)

If the above transactions are taken into account the Revenue Surplus (₹ 2,833.06 crore) and Fiscal Deficit (₹ 35,659.88 crore) of the State, would be ₹ 2,154.88 crore and ₹ 36,360.38 crore, respectively. Thus, the post-audit Revenue Surplus and Fiscal Deficit were 0.25 *per cent* and 4.26 *per cent* of GSDP respectively, which were below the targets recommended by the XV<sup>th</sup> Finance Commission.

1.5.2 Post Audit-Total Outstanding Liabilities

Total outstanding liabilities include Internal Debt, Loans and Advances from GoI and Liabilities on Public Account.

During 2023-24, one entity viz., the Bihar State Road Development Corporation Ltd. under Road Construction Department had taken Off-budget borrowings (OBB) of ₹ 53.48 crore. The Government has provided guarantees for this loan.

Since these borrowings did not form part of the borrowings of the Government directly, these were not included in the Public Debt of the Finance Accounts and therefore, were not included in the calculation of Fiscal Deficit of the State. Due to OBB, the Public Debt, as well as Fiscal Deficit of the State stands understated to that extant for the year 2023-24. (OBB are detailed in **Paragraph 4.1** of this Report).

Component wise trend of liabilities is shown in **Table 1.8**.

Table 1.8: Comparison of Component wise trends of liabilities

(₹ in crore)

Borrowings and other liabilities as per Finance Accounts	Amount		Percentage Deviation
	2022-23	2023-24	
<b>Internal Debt (A)</b>	<b>2,08,098.10</b>	<b>2,36,205.15</b>	<b>13.51</b>
Market Loans	1,84,275.11	2,14,418.05	16.36
Bonds	1,962.07	1,728.88	(-) 11.88
Loans from Financial Institution	9,776.22	9,861.87	0.88
Special Securities issued to National Small Savings Fund of Central Government	12,077.26	10,188.90	(-) 15.64
Other Loans	7.45	7.45	0.00

Borrowings and other liabilities as per Finance Accounts	Amount		Percentage Deviation
	2022-23	2023-24	
<b>Loans and Advances from Central Government (B)</b>	<b>34,747.63</b>	<b>43,878.74</b>	<b>26.28</b>
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	42.96	42.96	0.00
Pre-1984-85 Loans	3.91	3.91	0.00
Loans for Centrally Sponsored Schemes	33.10	30.30	(-) 8.46
Other Loans for States/Union Territory with Legislature Schemes	34,474.25	43,608.16	26.49
<b>Liabilities upon Public Account (C)</b>	<b>50,461.44</b>	<b>52,657.01</b>	<b>4.35</b>
Small Savings, Provident Funds <i>etc.</i>	9,396.88	9,141.12	(-) 2.72
Reserve funds bearing interest	2,626.60	3,849.32	46.55
Deposits bearing interest	257.63	9.72	(-) 96.23
Deposits not bearing interest	38,180.33	39,656.85	3.87
<b>Total (D) = (A+B+C)</b>	<b>2,93,307.17</b>	<b>3,32,740.90</b>	<b>13.44</b>
<b>Impact on Overall liability (understated) (E)</b>	<b>686.77</b>	<b>53.48</b>	
Bihar State Road Development Corporation Ltd. (Road Construction Department)	686.77	53.48	
<b>Total (E)</b>	<b>686.77</b>	<b>53.48</b>	<b>(-) 92.21</b>
<b>Grand Total (D) + (E)</b>	<b>2,93,993.94</b>	<b>3,32,794.38</b>	

(Source: Finance account of the respective years)

OBB of ₹ 53.48 crore will also have an effect of bypassing the Net Borrowing Ceiling (NBC) of the State. Such borrowings would have impact on important fiscal indicators such as the Revenue Surplus and Fiscal Deficit.

Taking into account the OBB of the State, the total outstanding liabilities at the end of March 2024 worked out to be ₹ 3,32,794.38 crore against the ₹ 3,32,740.90 crore which was 38.95 *per cent* of the GSDP. Due to this, total outstanding liabilities as a *per cent* of GSDP were understated by 0.01 percentage point.