

CHAPTER-II

FINANCES OF THE STATE

2.1 Introduction

This chapter provides a broad perspective of the finances of the State, analyses the critical changes in major fiscal aggregates related to the previous year, overall trends during the five-year period from 2019-20 to 2023-24, debt sustainability of the State and key Public Account transactions, based on the Finance Accounts of the State and the information provided by the State Government.

2.2 Major changes in key fiscal aggregates vis-à-vis 2022-23

Major changes in key fiscal aggregates of the State during the financial year 2023-24, compared to the previous year, are given in Table 2.1.

Table 2.1: Changes in key fiscal aggregates in 2023-24 compared to 2022-23

Revenue Receipts	<div>✓ Revenue Receipts of the State increased by 11.96 per cent.</div> <div>✓ Own Tax Receipts of the State increased by 9.87 per cent.</div> <div>✓ Own Non-Tax Receipts increased by 27.14 per cent.</div> <div>✓ State’s Share of Union Taxes and Duties increased by 18.95 per cent.</div> <div>✓ Grants-in-aid from the Government of India decreased by 9.99 per cent.</div>
Revenue Expenditure	<div>✓ Revenue Expenditure increased by 3.55 per cent.</div> <div>✓ Revenue Expenditure on General Services increased by 5.69 per cent.</div> <div>✓ Revenue Expenditure on Social Services decreased by 5.80 per cent.</div> <div>✓ Revenue Expenditure on Economic Services increased by 21.40 per cent.</div> <div>✓ Expenditure on Grants-in-aid decreased by 218.18 per cent.</div>
Capital Receipts	<div>✓ Debt Capital Receipts increased by 24.72 per cent.</div> <div>✓ Non-Debt Capital Receipts increased by 131.24 per cent.</div>
Capital Expenditure	<div>✓ Capital Expenditure increased by 15.65 per cent.</div> <div>✓ Capital Expenditure on General Services increased by 74.03 per cent.</div> <div>✓ Capital Expenditure on Social Services increased by 17.31 per cent.</div> <div>✓ Capital Expenditure on Economic Services increased by 6.68 per cent.</div>
Loans and Advances	<div>✓ Disbursement of Loans and Advances increased by 3.85 per cent.</div> <div>✓ Recoveries of Loans and Advances increased by 131.24 per cent.</div>
Public Debt	<div>✓ Public Debt Receipts increased by 24.72 per cent.</div> <div>✓ Repayment of Public Debt increased by 60.12 per cent.</div>
Public Account	<div>✓ Public Account Receipts increased by 7.01 per cent.</div> <div>✓ Disbursement of Public Account increased by 8.93 per cent.</div>
Cash Balance	<div>✓ Cash Balance decreased by ₹ 79.22 crore (9.83 per cent) during 2023-24 compared to the previous year.</div>

(Source: Finance Accounts of 2023-24)

2.3 Sources and Application of Funds

Comparison of components of the sources and application of funds of the State during the current year with those of the previous year is given in the **Table 2.2**.

Table 2.2: Sources and application of funds during 2022-23 and 2023-24
(₹ in crore)

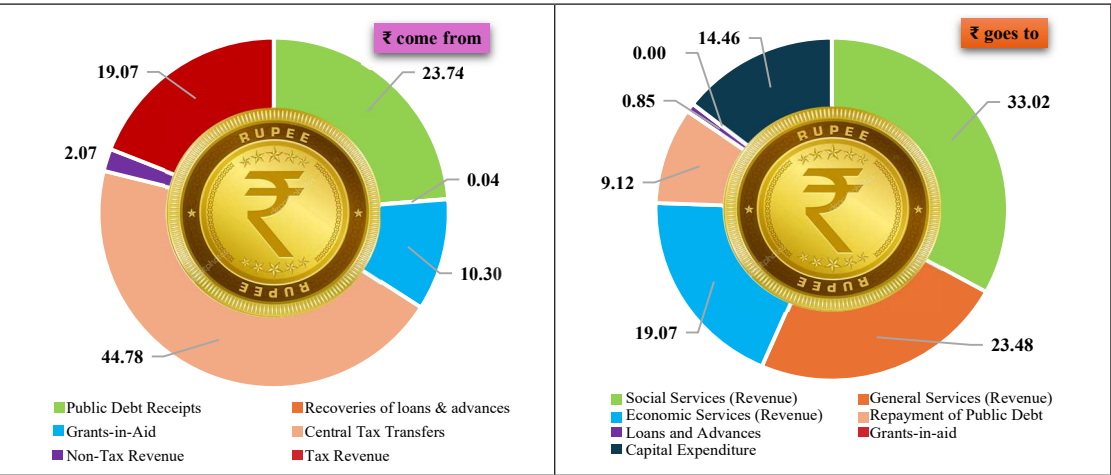
	Particulars	2022-23	2023-24	Increase/ Decrease	Percentage increase/decrease
Sources	Opening Cash Balance	29,479	22,904	(-) 6,575	(-) 22
	Revenue Receipts	1,72,688	1,93,347	20,659	12
	Recoveries of Loans and Advances	41	96	55	134
	Public Debt Receipts (Net)	33,932	37,238	3,306	10
	Public Account Receipts (Net)	4,316	12,500	8,184	190
	Total	2,40,456	2,66,085	25,629	11
Application	Revenue Expenditure	1,83,976	1,90,514	6,538	4
	Capital Expenditure	31,520	36,453	4,933	16
	Disbursement of Loans and Advances	2,056	2,136	80	4
	Closing Cash Balance	22,904	36,982	14,078	61
	Total	2,40,456	2,66,085	25,629	11

(Source: Finance Accounts of the year 2022-23 and 2023-24)

During the year 2023-24, Application¹ of funds (₹ 2,29,103 crore) was more than Sources of funds² (₹ 1,93,443 crore), which indicates that the Government was unable to meet its expenditure through the available funds. To bridge this gap, State had to increase its receipts through Public Debt during 2023-24 by 24.72 *per cent* from the previous year (₹ 48,283.52 crore to ₹ 60,217.54 crore). Details of receipts and disbursements and the overall fiscal position of the State, during the current, as well as previous year, is given in **Appendix 2.1**.

Chart 2.1 shows details of receipts and expenditure from the Consolidated Fund of the State during 2023-24.

Chart 2.1 Composition of Resources/Application
Composition of Resources Application of Resources
(in per cent)



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

¹ Application of funds: Revenue Expenditure + Capital Expenditure + Disbursement of Loans and Advances.
² Sources of funds: Revenue Receipts + Recovery of Loans and Advances.

The share of repayment of Public Debt constituted 9.12 *per cent* of the application of resources and was higher than the previous year's share (6.19 *per cent*). On the other hand, the share of Public Debt in the composition of resources (23.74 *per cent*) was also higher than the previous year's share (21.85 *per cent*). The share of Tax Revenue (19.07 *per cent*) slightly decreased from the previous year's share (19.92 *per cent*) whereas Non-Tax Revenue (2.07 *per cent*) slightly increased in comparison to the previous year's share of 1.87 *per cent*. The share of Central Tax Transfers (44.78 *per cent*) has also increased in comparison to the previous year (43.21 *per cent*). The contribution share of Grants in aid (10.30 *per cent*) has decreased from the previous year (13.13 *per cent*). Higher share of Central Tax Transfer and higher share of Public Debt Receipts in the State's resources indicate that Own Revenue is to be increased to a sufficient level to decrease dependency on the Central transfers and debt.

Share of General, Social and Economic services in application of resources is decreased to 75.58 *per cent* from 79.34 *per cent* of the previous year. Further, the share of Capital Expenditure increased to 14.46 *per cent* against 13.59 *per cent* in the previous year in overall disbursements.

2.4 Resources of the State

The resources of the State are described below:

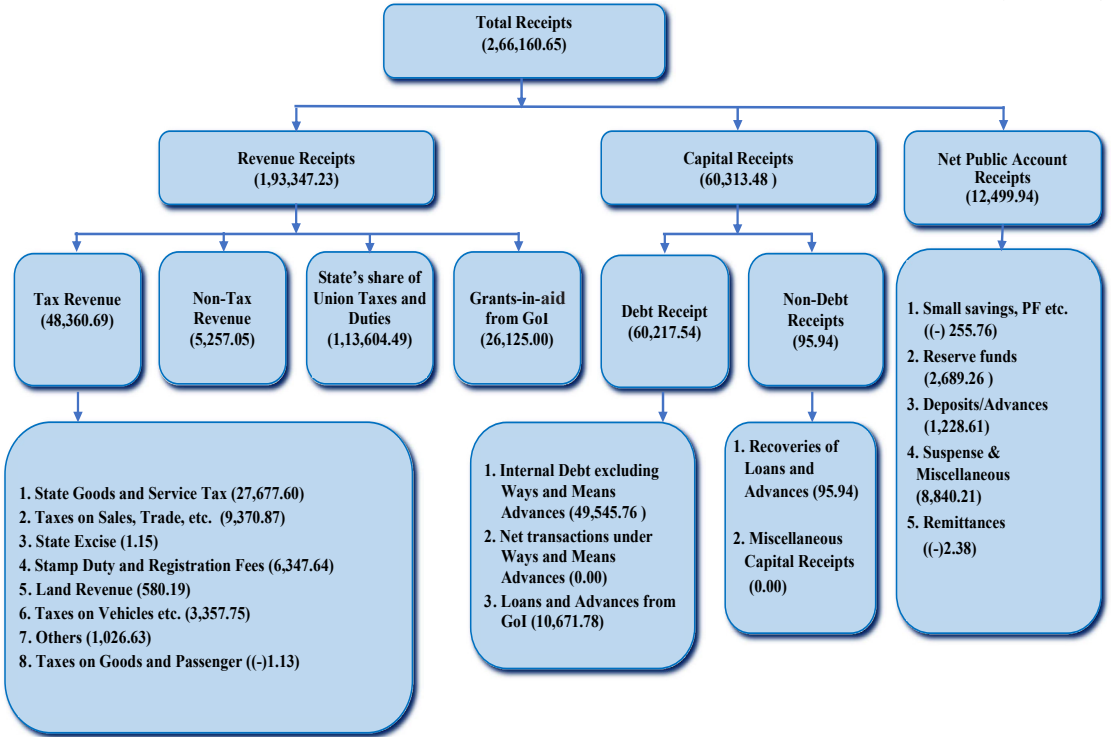
1. **Revenue Receipts** consist of Tax Revenue, Non-Tax Revenue, the State's share of Union Taxes and Duties and Grants-in-aid from the Government of India (GoI).
2. **Capital Receipts** (Debt and Non-Debt Capital Receipts) comprise miscellaneous Capital Receipts, such as proceeds from disinvestments, recoveries of Loans and Advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks), and Loans and Advances from GoI. Both, Revenue and Capital Receipts, form part of the Consolidated Fund of the State.
3. **Net Public Accounts Receipts:** There are receipts and disbursements in respect of certain transactions, such as Small savings, Provident funds, Reserve funds, Deposits, Suspense, Remittances, etc. which do not form part of the Consolidated Fund.

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

2.4.1 Receipts of the State

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

Chart 2.2: Composition of receipts of the State during 2023-24 (₹ in crore)



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

During 2023-24, Revenue Receipts, Capital Receipts and Net Public Account Receipts, constituted 72.64 per cent, 22.66 per cent, and 4.70 per cent of the Total Receipts of the State, respectively. The contribution of Revenue Receipts, in Total Receipts declined to 72.64 per cent from 76.64 per cent in the previous year. Capital Receipts increased to 22.66 per cent from 21.45 per cent in the previous year. The share of Net Public Account Receipts showed a significant increase in the Total Receipts, over the previous year, i.e. increased to 4.70 per cent from 1.91 per cent in 2022-23.

2.4.2 Revenue Receipts

The trends in Revenue Receipts relative to GSDP and the composition of Revenue Receipts are given in Table 2.3.

Table 2.3: Trends in Revenue Receipts

Parameters	2019-20	2020-21	2021-22	2022-23	2023-24
Revenue Receipts (RR)	1,24,233	1,28,168	1,58,798	1,72,688	1,93,347
Rate of growth of RR (per cent)	-5.74	3.17	23.90	8.75	11.96
Own Tax Revenue (OTR)	30,158	30,342	34,855	44,018	48,361
Non-Tax Revenue (NTR)	3,700	6,201	3,984	4,135	5,257
Total Own Revenue (OTR + NTR)	33,858	36,543	38,839	48,153	53,618
Grants-in-aid	26,969	31,764	28,606	29,025	26,125
State's share in Union Taxes and Duties	63,406	59,861	91,353	95,510	1,13,604
Rate of growth of Own Revenue (per cent)	0.95	7.93	6.28	23.98	11.35
Rate of growth of Grants-in-aid (per cent)	9.40	17.78	-9.94	1.46	-9.99

Parameters	2019-20	2020-21	2021-22	2022-23	2023-24
Rate of growth of Own Tax Revenue (<i>per cent</i>)	2.55	0.61	14.87	26.29	9.87
Gross State Domestic Product Current Price (2011-12 Series)	5,81,855	5,67,814	6,47,394	7,46,417	8,54,429
Rate of growth of GSDP (<i>per cent</i>)	10.20	-2.41	14.02	15.30	14.47
RR/GSDP (<i>per cent</i>)	21.35	22.57	24.53	23.14	22.63
Buoyancy Ratios³					
Revenue Buoyancy ⁴ w.r.t GSDP	*	*	1.70	0.57	0.83
State's Own Revenue Buoyancy w.r.t GSDP	0.09	*	0.45	1.57	0.78
Own Tax Revenue Buoyancy w.r.t GSDP	0.25	*	1.06	1.72	0.68

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

*Buoyancy ratio could not be calculated due to negative growth in component

As can be seen from **Table 2.3**, the Revenue Buoyancy with reference to GSDP increased to 0.83 in 2023-24. State's Own Revenue Buoyancy with reference to GSDP also increased considerably from 0.09 in 2019-20 to 0.78 in 2023-24. Similarly, Own Tax Revenue Buoyancy with respect to GSDP also increased from 0.25 of 2019-20 to 0.68 in 2023-24, although, it decreased in comparison to the previous year.

Further:

- State's Revenue Buoyancy, was higher than that of the previous year due to devolution of Central Taxes more than the Budget Estimates (₹ 1,02,737.26 crore) by ₹ 10,867.23 crore, leading to increase in the Revenue Buoyancy to 0.83 from 0.57 in the previous year. Each component of the Revenue increased in comparison to previous year except Grants-in-aid which decreased by ₹ 2,900 crore. Despite decrease in GIA, the Revenue Buoyancy w.r.t GSDP increased over the previous year.
- State's Own Revenue Receipts (ORR) of ₹ 53,618 crore were more than the projection of the XVth Finance Commission (₹ 41,957 crore) by ₹ 11,661 crore. They also exceeded the projection of the VIth State Finance Commission (₹ 44,391 crore) by ₹ 9,227 crore. The ORR of the State was, however, ₹ 2,594 crore, less than the Budget Estimates of ₹ 56,211.79 crore.
- Net proceeds of Union Taxes together with GIA constituted about 72.27 *per cent* of the State's total Revenue Receipts, slightly higher than the previous year's (72.12 *per cent*). More than 70 *per cent* of the revenue of State comes from the Centre, indicating that the State is heavily dependent on Government of India for its Revenue Receipts.

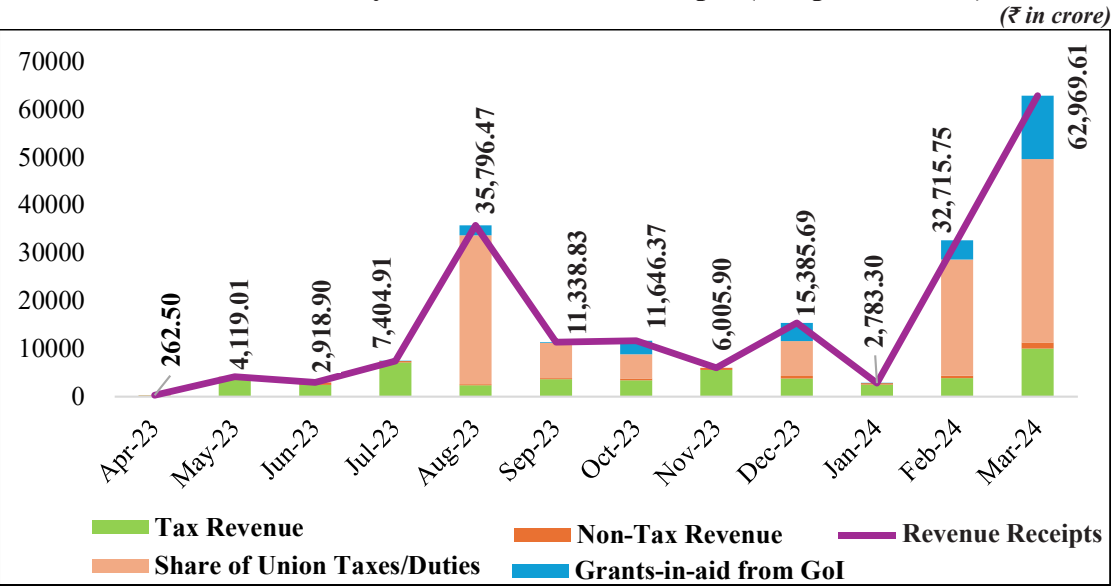
Grants-in-aid from GoI for the year 2023-24 decreased by 9.99 *per cent* from the previous year and was only 48.94 *per cent* of the Budget Estimates. Also, during the current year, GIA decreased by 3.13 *per cent* in comparison to 2019- 20.

³ Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable.

⁴ Revenue Buoyancy refers to the growth rate of Revenue Receipts to growth rate of GSDP.

Monthly flow of Revenue Receipts (component-wise) is shown in **Chart 2.3**.

Chart 2.3: Monthly flow of Revenue Receipts (component-wise)

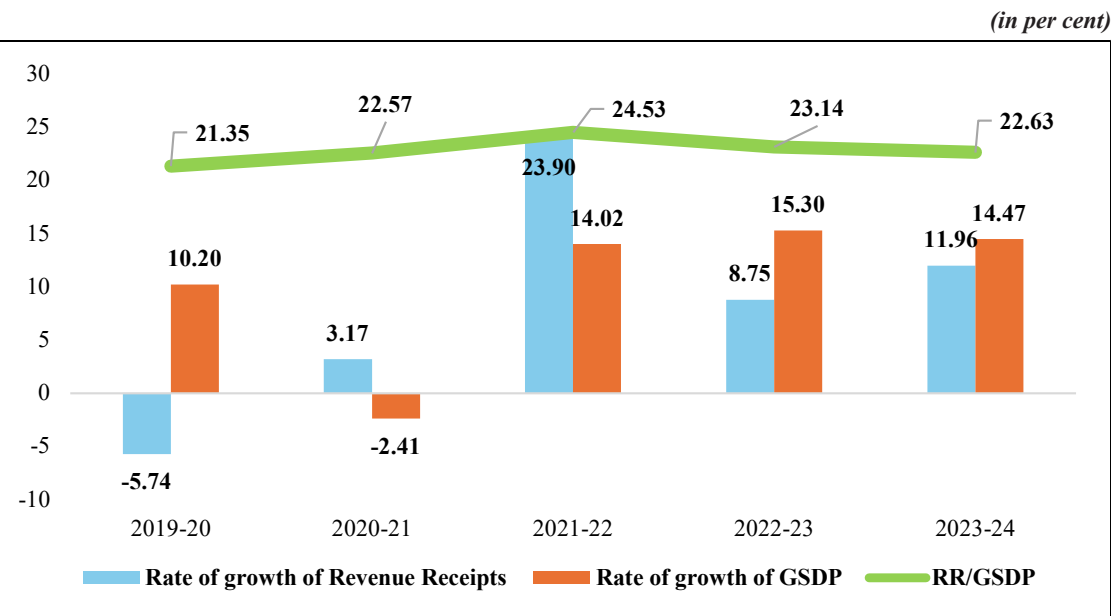


(Source: Monthly Civil Accounts of 2023-24)

During 2023-24, State’s total Revenue Receipts were ₹ 1,93,347 crore, with ‘Share of Union Taxes’ being the largest contributor. Net proceeds of Union Taxes were received mainly in the months of August 2023 (27.40 *per cent*) and March 2024 (33.84 *per cent*). The major chunk of GIA from the Central Government was received in March 2024 (50.77 *per cent*). As such, the State Government’s Revenue Receipts had substantial flow in these months and receipts were nominal during the rest of the year.

Trends of growth of Revenue Receipts, as well as their relative share with respect to the GSDP, are shown in **Chart 2.4**.

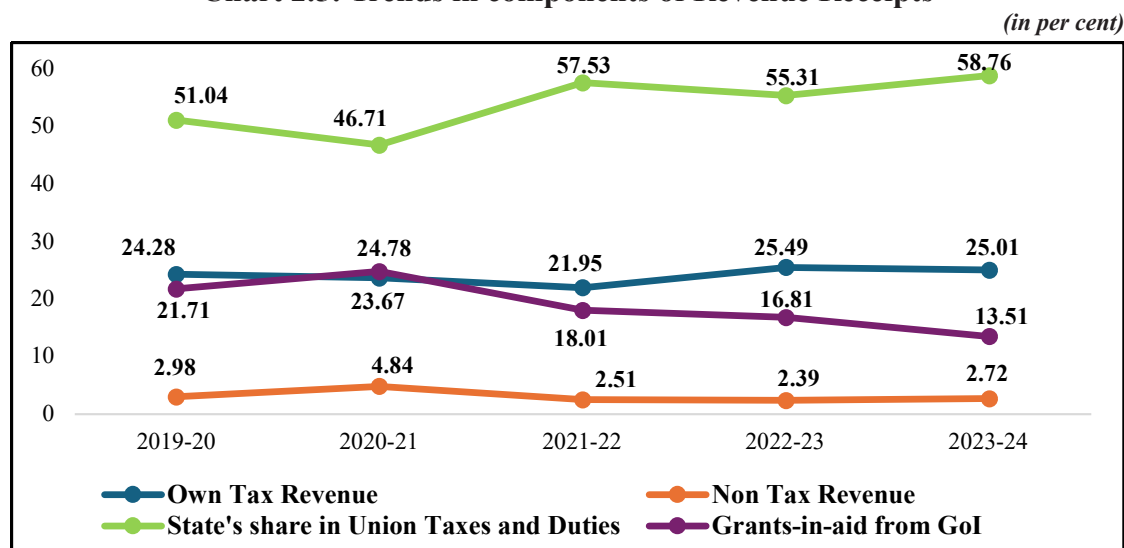
Chart 2.4: Trends of growth of Revenue Receipts, as well as its relative share w.r.t GSDP



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

Trends in the components of Revenue Receipts are shown in **Chart 2.5**.

Chart 2.5: Trends in components of Revenue Receipts



(Source: Finance Accounts of the respective years)

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

- i. Major components of Revenue Receipts were Share of Union Taxes and Duties (58.76 per cent) and Grants-in-aid from GoI (13.51 per cent). State's Own Revenue constituting 27.73 per cent of the Revenue Receipts, decreased marginally from the previous year's share (27.88 per cent).
- ii. Revenue Receipts increased by 11.96 per cent (₹ 20,659.21 crore), over the previous year. Contribution of State's share of Union Taxes and Duties, Own Tax Revenue and Non-Tax Revenue increased by 18.95 per cent (₹ 18,094.64 crore), 9.87 per cent (₹ 4,342.96 crore) and 27.14 per cent (₹ 11,22.15 crore), respectively, although Grants-in-aid from GoI, decreased by 9.99 per cent (₹ 2,900.54 crore).

2.4.2.1 State's own resources

State's performance in mobilisation of additional resources can be assessed in terms of its own resources comprising revenue from its Own Tax and Non-Tax sources. Components of Own Tax Revenue of the State are State GST(SGST), State Excise, Taxes on Vehicles, Stamps and Registration Fees, Land Revenue, Taxes and Duties on Electricity, Taxes on Goods and Passengers, etc. The sources of Non-Tax Revenue include receipts from fiscal services like interest receipts from outstanding Loans and Advances given by Government and investment of Cash Balance, dividends and profits from equity investments, royalty fees for allowing use of assets held as custodian like minerals, forests and wildlife, or other such services and user charges for various social and economic services provided through the apparatus of the Government. The details of collection of Own Tax/Non-Tax Revenue during the period 2019-24 are detailed in subsequent paragraphs.

The XVth Finance Commission projected State's Own Tax Revenue of ₹ 36,557 crore and Non-Tax Revenue of ₹ 5,400 crore for the year 2023-24. The VIth SFC projected ₹ 38,017 crore and ₹ 6,374 crore as Tax Revenue and Non-Tax Revenue, respectively, for this period.

Details of collection of Own Tax/Non-Tax Revenue during the period 2019-24 are detailed in the subsequent paragraphs.

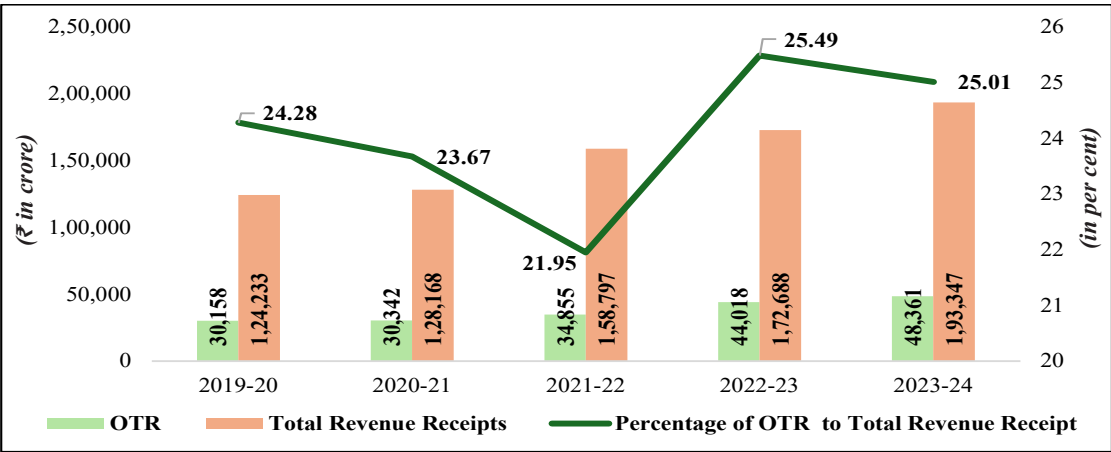
A. Own Tax Revenue

Components of State’s Own Tax Revenue (OTR) of the State are State GST(SGST), State Excise, Taxes on Vehicles, Stamps and Registration Fees, Land Revenue, Taxes and Duties on Electricity, Taxes on Goods and Passengers, etc.

During 2023-24, State’s OTR was ₹ 48,360.69 crore. During the period 2019-24, it increased by 60.36 per cent (₹ 18,203 crore) from ₹ 30,158 crore in 2019-20 to ₹ 48,360.69 crore in 2023-24.

Trends in percentage share of Own Tax Revenue w.r.t the Total Revenue of the State are shown in **Chart 2.6**.

Chart 2.6: Trends of Own Tax Revenue w.r.t the Total Revenue Receipts during 2019-24



(Source: Finance Accounts of the respective years)

The share of OTR in the Total Revenue Receipts ranged from 21.95 per cent to 25.49 per cent in the last five years. During the year 2019-20 to 2021-22 the share of OTR was on a decreasing trend. In 2022-23, the trend turned positive. However, during the current year the OTR has again declined by 0.48 percentage points in comparison to the previous year.

Component-wise details and trends of State’s OTR are shown in **Table 2.4**.

Table 2.4: Components of State’s Own Tax Revenue

						(₹ in crore)	
Component	2019-20	2020-21	2021-22	2022-23	2023-24	Spark line	Trend
Taxes on Sales, Trade etc.	6,121	6,032	6,872	9,881	9,371		
SGST	15,801	16,050	19,264	23,243	27,678		
State excise	-4	-4	-1	1	1		
Stamp duty and Registration fees	4,661	4,206	5,224	6,451	6,348		
Taxes on vehicles	2,713	2,268	2,475	2,936	3,358		
Land revenue	275	302	284	361	580		
Taxes on goods and passengers	23	6	0	1	-1		
Other taxes *	568	1,482	737	1,144	1,027		
Total	30,158	30,342	34,855	44,018	48,361		

(Source: Finance Accounts of the respective years)

* Other taxes include Tax on profession, Trades, Calling and Employment, Taxes and Duties on electricity and other taxes and duties on commodities and services.

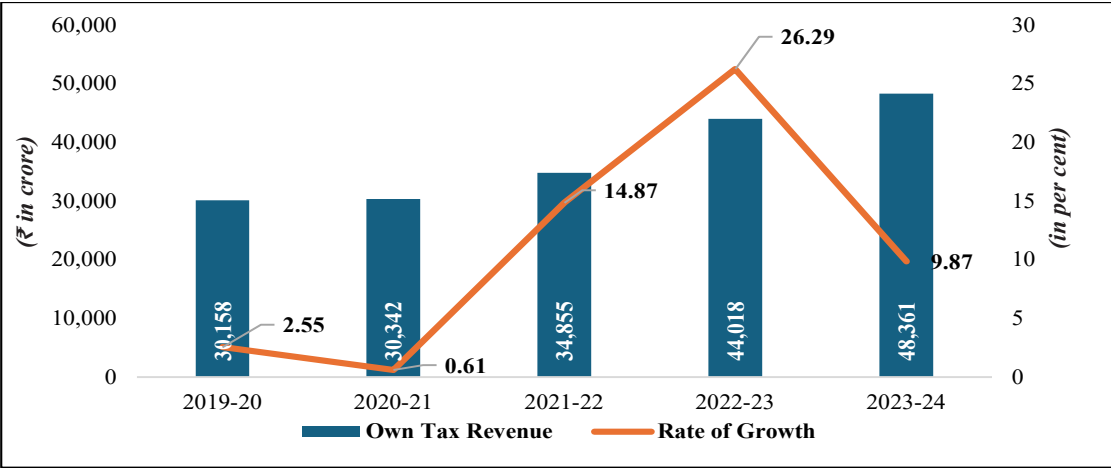
From **Table 2.4** it can be observed that:

- i. The taxes on Sales, Trade, *etc.* were in a decreasing trend till 2020-21. After that, they showed an increasing trend till 2022-23 but declined in the current year by 5.16 *per cent* due to decrease in the Receipts under ‘Central Sales Tax Act’ and ‘Receipts under State Sales Tax Act’ by ₹ 5.29 crore and ₹ 714.48 crore, respectively over the previous year. All the ‘Taxes on Goods and Passengers’ and part of taxes on sales, trade *etc.* were subsumed in GST from July 2017.
- ii. Collection of ‘SGST’ shows an increasing trend year by year and jumped by 75.17 *per cent* from 2019-20 to 2023-24. During the current year it increased by 19.08 *per cent* over the previous year due to more receipts under ‘Tax’ (Minor Head 101) by 13.48 *per cent*, ‘Apportionment of IGST-Transfer-in of Tax components to SGST’ by 129.17 *per cent* and ‘Input tax credit cross-utilisation of SGST and IGST’ by 9.56 *per cent* over the previous year.
- iii. Due to prohibition imposed on liquor in the State from April 2016 the revenue earned through State Excise is negligible. Only ₹ 1.15 crore was received during the current year which is 3.94 *per cent* less than the previous year.
- iv. There was decrease in Stamp duty and Registration fee by 1.60 *per cent*, over the previous year, mainly due to decrease in sale of stamps by ₹ 78.81 crore.
- v. Taxes on Vehicles increased by ₹ 422 crore mainly due to increase in receipts under the ‘State Motor Vehicles Taxation Acts’ by ₹ 347.06 crore. Further Taxes on Vehicle included ₹ 188.12 crore of ‘Road Safety Cess’.
- vi. Fund collection under ‘Land revenue’ increased by 60.66 *per cent* over the previous year, mainly due to increase in revenue under Sub Heads ‘Rates and Cesses on land’, Land Revenue/Tax, Receipts from Management of ex-Zamindari Estates and Receipts from Sale of Government Estates by ₹ 90 crore, ₹ 35.22 crore, ₹ 56.73 crore and 29.13 crore, respectively over the previous year.
- vii. Other Taxes decreased by ₹ 117 crore (10.23 *per cent*) mainly due to decrease in ‘Taxes on consumption and sale of electricity’ by ₹ 146.40 crore and decrease in ‘Share of net proceeds assigned to State’ by ₹ 17.96 crore over the previous year.

The overall share of the State’s OTR in the GSDP was 5.66 *per cent* during the current financial year. Although the OTR has increased by ₹ 4,343 crore over the previous year but it is still far behind by ₹ 1,339 crore from the budget target of ₹ 49,700 crore. However, OTR has achieved the target fixed under the XVth FC and the VIth SFC.

State’s OTR, during 2019-24 and growth rate therein are shown in **Chart 2.7**.

Chart 2.7: Growth of State’s Own Tax Revenue during 2019-20 to 2023-24



(Source: Finance Accounts of the respective years)

The rate of growth of OTR showed a significant decline over the previous year. This was due to decrease in collection of the components of OTR under ‘Taxes on sales, trade etc.’, ‘Stamp duty and registration fee’ and ‘other taxes’ by ₹ 510 crore, ₹ 103 crore and ₹ 117 crore, respectively. Overall growth rate of OTR increased by 60.36 *per cent* in 2023-24 in comparison to 2019-20.

Since the largest component of State’s OTR was State’s Goods and Services Tax during the last five years, a comparative trend of actual receipts in the components of SGST in 2023-24 against the Budget Estimates for 2023-24 and actuals of 2022-23 is shown in the **Table 2.5**.

Table 2.5: State Goods & Services Tax receipts of Bihar

(₹ in crore)

SGST	Actuals for 2022-23	B.E for 2023-24	Actuals for 2023-24	Deviation over 2022-23 (in per cent)	Variation of actuals of 2023-24 with BE (in per cent)
Tax	7,423.21	14,770.00	8,423.88	13.48	57.03
Interest	64.23	50.00	63.87	(-) 0.57	127.74
Penalty	27.89	50.00	17.05	(-) 38.87	34.10
Fees	27.88	21.00	30.11	8.00	143.38
Input tax credit cross utilisation of SGST and IGST	12,437.32	0.00	13,625.80	9.56	--
Apportionment of IGST-Transfer-in of Tax component of SGST	2,551.17	16,220.00	5,846.57	129.17	36.05
Apportionment of IGST-Transfer-in of interest component of SGST	4.08	0.00	4.63	13.62	--
Advance apportionment from IGST	707.07	0.00	(-) 334.80	(-) 147.35	--
Receipts awaiting transfer to other	(-) 1.10	0.00	0.01	100.69	--
Minor heads					
Other receipts	1.18	0.00	0.48	(-) 59.27	--
Total	23,242.93	31,111.00	27,677.60	19.08	88.96

(Source: Finance Accounts and Budget of GoB)

Although SGST increased by ₹ 4,434.67 crore over the previous year, it was below the Budget Estimates of ₹ 31,111 crore. For ‘Input tax credit cross utilisation of SGST and IGST’, the major component of SGST, no estimates were prepared in the BEs. Reason(s)

for non-preparation of these estimates is awaited from the Finance Department, GoB.

GST Receipts

During 2023-24, collection of State GST was ₹ 27,677.60 crore compared to ₹ 23,242.93 crore in 2022-23, registering an increase of ₹ 4,434.67 crore (19.08 per cent). In addition to this, the State received ₹ 34,477.56 crore as its share of net proceeds assigned to the State under Central Goods and Services Tax (CGST). The Total Receipts under GST were thus ₹ 62,155.16 crore in 2023-24. The State received Non-Debt compensation of ₹ 398.19 crore as Revenue Receipt on account of loss of revenue arising out of implementation of GST during 2023-24.

The Government of India's decision to provide access to Pan-India GSTN (Goods and Service Tax Network) data to Audit, was conveyed on 04 November 2020. In Bihar, the access to GST back-end system has been provided by the Commercial Taxes Department to the office of the Principal Accountant General (Audit). Certification of Actual Revenue collected by the State under Section 7(3)(b) of the GST (Compensation to States) Act, 2017, pertaining to the period from July 2017 to June 2022 has been completed.

Analysis of arrears of revenue and arrears of assessment

Arrears in revenue collection indicate delayed realisation of revenue due to the Government. Similarly, arrears of assessment indicate potential revenue which is blocked due to delayed assessment by the concerned department of GoB. Both deprive the State of potential Revenue Receipts and ultimately affect the Revenue Deficit. There were seven⁵ major tax collection departments in the State. Out of these seven departments, only four provided information related to the arrears of revenue and three provided information related to the arrears of assessment. Further, two departments *viz.* Mines and Geology and Energy Departments did not provide the data.

Details of arrears of revenue as per data, provided by four, out of seven major revenue earning departments, are mentioned in **Table 2.6**.

Table 2.6: Arrears of revenue

(₹ in crore)

Sl. No.	Head of revenue	Name of Department	Total amount outstanding as on 31.03.2023	Total amount outstanding as on 31.03.2024	Amount outstanding for more than five years
1	VAT/Sales Trade/GST <i>etc.</i>	Commercial Taxes	2,624.05	3,135.79	NA*
2	Land and Revenue	Revenue and Land Reforms	302.47	311.86	
3	Registration	Stamp and Registration	266.42	284.66	
4	State Excise		58.92	58.59	
5.	Taxes on vehicle	Transport	183.39	192.95	
Total			3,435.25	3,983.85	

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

NA*: Not available

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

⁵ Commercial Taxes Department, Transport Department, Prohibition Excise & Registration Department (Registration), Prohibition Excise & Registration Department (Excise), Mines & Geology Department, Energy Department and Department of Revenue and Land Reforms.

Arrears of Assessment

Cases finalised and the demands for additional tax raised are important indicators of revenue collection efforts of the State Government. Details of cases of arrears of assessment, as furnished by the State Tax Departments, are given in **Table 2.7**.

Table 2.7: Arrears of Assessment

(₹ in crore)

Sl. No.	Department	OB	New cases added during the year	Total no. of cases due for assessment	No. of cases disposed of during the year	Balance at the end of year	Percentage of disposal
1	Commercial Taxes	26,861	522	27,383	1,455	25,928	5.31
2	Transport	31,699	1,647	33,346	1,328	32,018	3.98
3	Registration	1,977	1,010	2,987	655	2,332	21.93

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

Details of evasion of tax detected by the Departments

Details of cases tax evasion detected by Tax collecting Departments, are given in **Table 2.8**.

Table 2.8: Evasion of Tax detected

Sl. No.	Head of revenue	Cases pending as on 31.03.2023	Cases detected during 2023-24	Total	Cases wherein assessment / investigation completed and additional demand with penalty etc. raised		Cases pending for finalisation as on 31.03.2024
					No. of cases	Amount of demand (₹ in crore)	
1	0005 & 0006	128	3,479	3,607	3,529	413.48	76
2	0030	2,051	906	2,957	1,863	11	1,896
3	0039	193	0	193	110	4.28	155

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

Pendency of refund cases

Promptness in the disposal of refund cases is an important indicator of the performance of a department. Two, out of the seven tax collection departments provided data on the pendency of refund cases (including ‘nil’ data provided by the Revenue and Land Reforms Department).

Details of pendency of the refund cases, as reported by the Commercial Taxes Department, are given in **Table 2.9**.

Table 2.9: Pendency of refund cases

(₹ in crore)

Sl. No.	Particulars	GST		Sales tax/VAT	
		No. of cases	Amount	No. of cases	Amount
1	Claims outstanding at the beginning of the year	103	3.74	355	73.52
2	Claims received during the year	1,448	337.47	163	58.73
3	Refunds made during the year	471	133.60	120	41.56
4	Refunds rejected during the year	941	179.87	85	57.20
5	Balance outstanding at the end of year	139	27.74	313	33.49
Total		3,102	682.42	1,036	264.5

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

In absence of complete data, Audit could not assess the actual position of pendency of refund cases of the State.

B. Non-Tax Revenue

The sources of Non-Tax Revenue (NTR) include receipts from fiscal services like interest receipts from outstanding Loans and Advances given by Government and investment of Cash Balance, dividends and profits from equity investments, royalty fees for allowing use of assets held as custodian like minerals, forests and wildlife, or other such services and user charges for various social and economic services provided through the apparatus of the Government.

Trends in components of State's NTR during 2019-24 are shown in **Table 2.10**.

Table 2.10: Components of State's Non-Tax Revenue

(₹ in crore)

Head	2019-20	2020-21	2021-22	2022-23	2023-24	Spark line	Trend
Interest Receipts	1,416.48	3,241.97	722.47	642.03	897.00		
Dividends and Profits	1.62	603.01	6.54	1.49	9.51		
Other non-tax receipts	2,281.50	2,356.40	3,255.33	3,491.38	4,350.53		
(a) Major and medium irrigation	24.32	40.13	40.64	83.06	71.64		
(b) Road Transport	0.20	0.11	0.18	0.19	0.18		
(c) Urban Development	4.80	0.15	1.08	3.47	-		
(d) Education	17.13	11.50	509.13	5.83	3.94		
(e) Non-ferrous mining	1,572.07	1,708.93	1,766.14	2,729.73	3,114.79		
(f) Other or misc.	662.98	595.58	938.16	669.10	1,159.98		
Total	3,699.60	6,201.38	3,984.34	4,134.90	5,257.04		

(Source: Finance Accounts of the respective years)

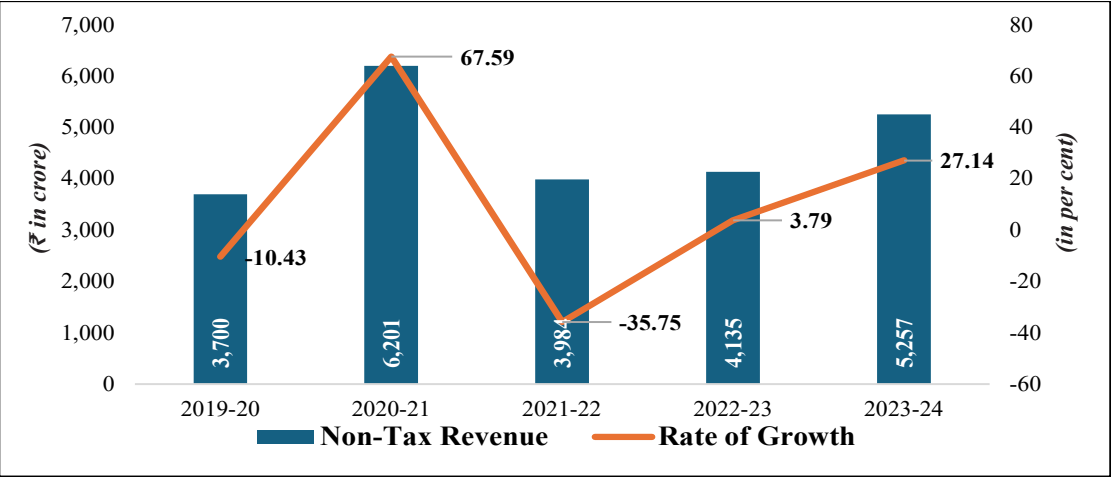
During audit it was observed that:

- NTR increased by 27.14 *per cent* in 2023-24 over the previous year and constituted 2.72 *per cent* of Revenue Receipts. Share of State's NTR in the GSDP was only 0.62 *per cent* in 2023-24. Further, targets fixed under the XVth FC and the VIth SFC for NTR were not achieved during the year 2023-24.
- During 2023-24, NTR increased by ₹ 1,122.14 crore over the previous year mainly due to increase in 'Interest Receipts', 'Dividends and Profits' and other Non-Tax Receipts *viz*; receipts from 'Non-ferrous mining' and 'Other or miscellaneous' components by ₹ 254.97 crore, ₹ 8.02 crore, ₹ 385.06 crore and ₹ 490.88 crore, respectively.
- Substantial increase was observed in 'Interest Receipts and Dividends and Profits' during 2020-21 due to redemption of accrued interest of Consolidated Sinking Fund amounting to ₹ 2,600 crore and release of dividend of ₹ 603.01 crore from the accumulated profit of the SPSEs, respectively.
- Revenue from Non-ferrous mining under Mining Department increased by ₹ 385.06 crore over the previous year and constituted the highest percentage share (59.25 *per cent*) in the State's NTR.

Although, the share of NTR is not much in Revenue Receipts and GSDP, these may be increased by exploring new sources and strengthening the existing resources by rationalising and increasing fees, user charges *etc.*

State’s NTR during 2019-20 to 2023-24 and its growth rate, is shown in **Chart 2.8**.

Chart 2.8: Non-Tax Revenue and its growth rate



(Source: Finance Accounts of the respective years)

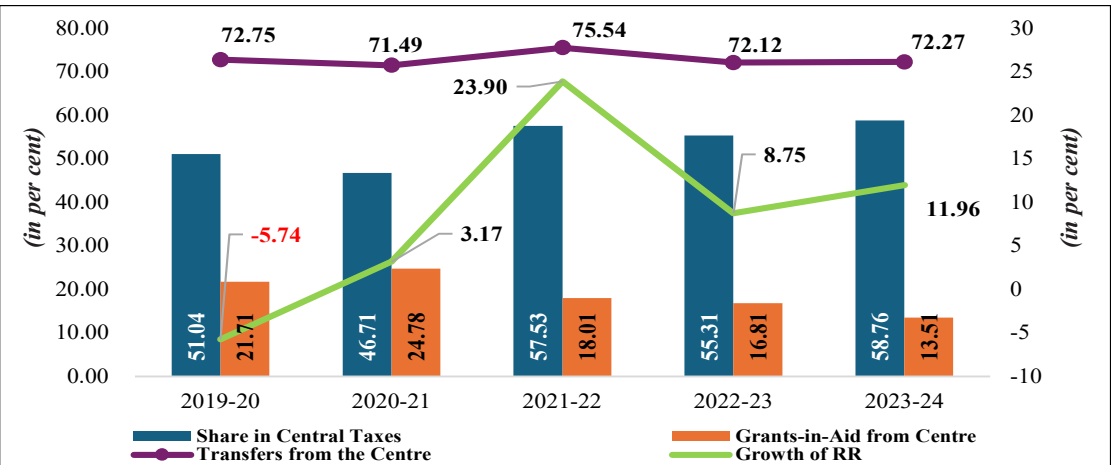
As can be seen from **Chart 2.8**, NTR registered positive growth rate during the current financial year registering an increase of 27.14 *per cent* over the previous year. Exponential growth in 2020-21, was due to redemption of accrued interest in Consolidated Sinking Fund and release of dividend from the accumulated profit of the SPSEs. Although State’s NTR increased by 42.08 *per cent* during 2019-20 to 2023-24, it contributed only 0.62 *per cent* to the GSDP, in the current year.

2.4.2.2 Transfers from the Centre

Fund transfers from the Centre mainly depend upon the recommendation of the Finance Commission. The Union Government transfers funds to the States in two ways (i) Devolution of Central Taxes and (ii) Grants-in-aid.

Trends in transfer of funds from the Central Government to the State *vis-à-vis* its Revenue Receipts are shown in **Chart 2.9**.

Chart 2.9: Trends in transfers from Centre



(Source: Finance Accounts of the respective years)

Transfers from the Central Government play a vital role in the Revenue Receipts of the State. As can be seen from **Chart 2.9**, total central transfers constituted more than 71 *per cent* of the State's Revenue Receipts during the last five years, out of which, share in Central Taxes has been the largest contributor in State's Revenue Receipt ranging from 46.71 *per cent* to 58.76 *per cent* during the years 2019-24. Although share of GIA in State's revenue showed a declining trend after 2020-21, the State has witnessed Revenue Surplus of ₹ 2,833.06 crore in the year 2023-24.

Central Taxes transfer

State's share of Union Taxes as recommended by the XIVth and the XVth Finance Commissions compared with actual devolutions made by the Central Government are summarised in **Table 2.11**.

Table 2.11: Actual devolutions *vis-à-vis* recommended by the Central Finance Commissions

(₹ in crore)

Year	Finance Commission Projections (Inter se Share)	Projected Tax Share	Amount to be Devolved as per FC	Actual Devolution	Difference	<i>per cent</i> Shortfall /Surplus
1	2	3	4	5	6(5-4)	7
2019-20	9.787 <i>per cent</i> of net proceeds of shareable taxes including service tax (XIV th FC)	10,34,745	1,01,270	63,406	37,864	(-) 37.39
2020-21	10.061 <i>per cent</i> of net proceeds of all sharable taxes (XV th FC)	8,55,176	86,039	59,861	26,178	(-) 30.43
2021-22	10.058 <i>per cent</i> of net proceeds of all sharable taxes (XV th FC)	6,58,591	66,241	91,353	25,112	37.91
2022-23		7,32,628	73,688	95,510	21,822	29.61
2023-24		8,24,385	82,917	1,13,604	30,687	37.01

(Source: Finance Commission Report and Finance Accounts of the respective years)

As can be seen from **Table 2.11**, the actual tax devolution was more by 37.01 *per cent* in comparison to the projections made by the Central Finance Commission for the year 2023-24. Actual devolutions have been more than those projected for the period of 2021-22 to 2023-24. In 2023-24, the State received 18.94 *per cent* more devolutions from the Central Government than the previous year. Devolutions from 2019-20 to 2023-24 increased by 79.17 *per cent*. During 2023-24, the State received more share in Central Taxes against the FC recommendation as well as its own Budget projection (₹ 1,02,737.26 crore) by ₹ 10,867.23 crore.

The State's share of Union Taxes, under different components, during 2019-20 to 2023-24, is shown in **Table 2.12**.

Table 2.12: Transfer of Central Taxes

(₹ in crore)

Head	2019-20	2020-21	2021-22	2022-23	2023-24	Sparkline	Trends
Central Goods and Service Tax (CGST)	17,992.97	17,788.67	25,442.20	26,989.02	34,477.56		
Integrated Goods and Service Tax (IGST)	0	0	0	0	0		
Corporation Tax	21,618.94	18,062.14	27,178.50	32,019.47	34,099.01		
Taxes on Income other than Corporation Tax	16,939.90	18,517.49	26,661.32	31,262.19	39,379.86		
Customs	4,019.07	3,179.93	6,775.97	3,754.66	3,981.12		
Union Excise Duties	2,794.34	2,012.03	3,868.86	1,178.03	1,506.54		
Service Tax	0.00	258.09	1,326.22	149.28	21.16		
Other Taxes #	41.11	43.06	99.55	157.20	139.24		
Central Tax Transfers	63,406.33	59,861.41	91,352.62	95,509.85	1,13,604.49		
Percentage of increase over previous year	-13.85	-5.59	52.61	4.55	18.95		
Percentage of Central Tax transfer to Revenue Receipt	51.04	46.71	57.53	55.31	58.76		

(Source: Finance Accounts of the respective years)

Other taxes include Taxes on wealth, other taxes on Income and Expenditure, Other taxes and duties of commodities and services.

During 2023-24, transfer of Central Taxes increased substantially by ₹ 18,094.64 crore over the previous year, the highest in the last five years and reflecting an increase of ₹ 50,198 crore from 2019-20. Taxes on ‘Income other than corporation tax’ constituted the highest share (34.66 per cent) of Central Tax Transfers followed by the ‘share of CGST’ for the year 2023-24. ‘CGST’, ‘Corporation Tax’ and ‘Taxes on income other than Corporation Tax’ were 95.03 per cent of the total Central Tax Transfer during 2023-24.

Grants-in-aid from GoI

The State Government receives Grants-in-aid (GIA) on the recommendations of the Finance Commission. Details of Grants-in-aid from GoI and their components during the last five years, are given in Table 2.13.

Table 2.13: Grants-in-aid from GoI

(₹ in crore)

Head	2019-20	2020-21	2021-22	2022-23	2023-24
Grants for State Plan Schemes	(-) 40.27	(-) 33.57	0.00	(-) 374.48	(-) 167.08
Grants for Centrally Sponsored Schemes (CSS)	15,302.04	16,609.56	17,832.91	22,237.18	17,961.52
Finance Commission Grants	7,343.61	8,850.00	7,077.56	6,732.65	7,662.52
Other transfers/Grants to States/Union Territories with Legislature	4,363.24	6,337.89	3,695.36	430.19	668.05
Total	26,968.62	31,763.88	28,605.83	29,025.54	26,125.00
Percentage of increase over the previous year	9.40	17.78	(-) 9.94	1.47	(-) 9.99
Percentage of GIA to Revenue Receipts	21.71	24.78	18.01	16.81	13.51

(Source: Finance Accounts of the respective years)

Grants-in-aid from GoI comprise those: (i) recommended by the FC for Local Bodies (ii) for Disaster Response Fund and (iii) for Central share of Central Sector and Centrally Sponsored Schemes.

It can be seen from **Table 2.13** that during 2023-24, GIA from GoI, decreased by ₹ 2,900.54 crore, mainly due to decrease in Grants for Centrally Sponsored Schemes (19.23 *per cent*). Also, the percentage of GIA received from GoI w.r.t Revenue Receipts, was lowest, during the last five years.

Further, during 2022-23 and 2023-24 GIA of ₹ 374.48 crore and ₹ 167.08 crore received from GoI under 1601-02-900 (HoA) were returned. The details are given in **Table 2.14**.

Table 2.14: Return of GIA to the Consolidated Fund of India

Sl. No.	Particulars of Minor Head (1601-02-900), Ministry related to	Amount (₹ in crore)	
		2022-23	2023-24
1	Agriculture Ministry, Animal Milk and Fisheries Resources Department	93.93	0.00
2	Ministry of Skill Development Entrepreneurship, Youth Affairs & Sport Department of youth Affairs	2.00	0.00
3	Ministry of Agriculture Department for Agriculture Co-operation & Farmers' Welfare	79.25	22.15
4	Ministry of Food Processing	0.00	0.10
5	Ministry of Social Justice and Empowerment	66.83	1.27
6	Ministry of Women and Child Development	2.09	143.38
7	Ministry of Environment, Forest and Climate Change	4.30	0.00
8	Ministry of Law and Justice	0.00	0.18
9	Urban Ministry	126.09	0.00
Total		374.48	167.08

(Source: Finance Accounts of the respective years)

As can be seen from **Table 2.14**, during 2023-24, 99 *per cent* of the GIA returned, pertained to the Ministry of Women and Child Development (₹ 143.38 crore) and Ministry of Agriculture & Farmers' Welfare (₹ 22.15 crore), to GoI. These GIA were received by the State during FY 2013-14 to 2020-21 and were released for various schemes under the Social Welfare Department and the Agriculture Department. Similarly, during 2022-23 also an amount of ₹ 374.48 crore was returned to GoI.

Grants for Centrally Sponsored Schemes

Details of major amount, out of Grants of ₹ 17,961.52 crore received for various Centrally Sponsored Schemes during 2023-24 are as under:

- ₹ 950.94 crore under 'Flexible pool for RCH and Health system to strengthen National Health Programme and urban health mission' (147.84 *per cent* increase over the previous year).
- ₹ 1,150.07 crore under 'Grant for Village Entrepreneurship "Start-up" programme' (31678.77 *per cent* increase over the previous year).
- ₹ 566.23 crore for Mission for 100 Smart Cities (PFMS code 9478) (188.90 *per cent* increased over the previous year).
- ₹ 145.71 crore Grant for Anganwadi service scheme (648.09 *per cent* increased over the previous year)
- ₹ 3,334.59 crore Grant for Samagra Shiksha (Elementary Education) (130.74 *per cent* increased over the previous year)

vi. ₹ 3,027.96 crore Grant for Special Component Plan for Schedule Caste (46.22 per cent decreased over the previous year)

No amount under Grant for Samagra Shiksha (Secondary education) was received, while ₹ 1,358.84 crore was received in the previous year.

Single Nodal Agency

Ministry of Finance, Government of India vide letter No. 1(13) PFMS/FCD/2020 dated 23 March 2021 notified the procedure for release of funds under Centrally Sponsored Schemes (CSS) and monitoring, as well as utilization of the funds released through SNA. For each CSS, SNA is set up with own bank account in a scheduled Commercial Bank authorised to conduct business by the State Government. As per the procedure, the State Government is to transfer the Central share received in its accounts to the concerned SNA's account along with corresponding State share. The State Government received ₹ 18,231.24 crore being Central share during the year, in its treasury account.

As per PFMS Report (as on 31 March 2024), the Government transferred ₹ 31,145.19 crore, including the Central share and corresponding State share of ₹ 10,865.60 crore, to the SNAs for CSS. Out of total transfer of ₹ 31,145.19 crore, only ₹ 29,130.11 crore was expended, and ₹ 14,738.14 crore remained unspent (including previous years' balances) in the bank accounts of SNAs as of August 2024. Detailed vouchers and supporting documents of actual expenditure were not received in the office of the AG (A&E) from the SNAs. Detailed analysis on SNAs is in **Para 4.19 of Chapter IV of this Report.**

XVth Finance Commission Grants

XVth Finance Commission grants were provided to the State for Local Bodies, State Disaster Response Fund, Sector Specific Grants, State Specific Grants and Revenue Deficit Grant.

Details of Grants provided by the GoI *vis-à-vis* actual release by the State thereagainst are given in **Table 2.15.**

Table 2.15: Grants-in-aid recommended and actually released (₹ in crore)

Grants extended to	Recommendation by XV th FC			Actual release by GoI			Released by the State		
	2021-22	2022-23	2023-24	2021-22	2022-23	2023-24	2021-22	2022-23	2023-24
Local Bodies (PRIs)	3,709.00	3,842.00	3,884.00	3,709.00	3,842.00	3,852.41	3,709.00	3,842.00	3,852.41
Grants to ULB's	1,827.00	1,892.00	2,001.00	836.25	1,552.35	2,256.50	836.25	1,785.00	1,051.50
Grants for Health	1,133.10	1,133.10	1,189.59	1,116.31	0.00	0.00	1,116.31	0.00	0.00
State Disaster Response Fund*	1,416.00	1,487.00	1,561.00	1,416.00	1,338.30	1,553.60	1,416.00	1,487.00	1,561.00
Total	8,085.10	8,354.10	8,635.59	7,077.56	6,732.65	7,662.51	7,077.56	7,114.00	6,464.91

(Source: XVth FC Report and Finance Accounts)
* Includes State Disaster Mitigation Fund

The State could not get its complete share of the XVth FC grants, primarily due to non-achievement of the mandatory criteria. As per the information made available by the Finance Department, GoB, the State Government released grants amounting

to ₹ 6,464.91 crore, which was less by 25.14 *per cent* than that recommended by the XVth FC to GoI. Grants released to ULBs, and PRIs were respectively 47.45 *per cent* and 0.81 *per cent* lesser than the recommendation of the XVth FC. No grant was received for the Health Sector against the recommendation of the XVth FC for ₹ 1,189.59 crore. These grants under Health Sector were to be provided for ‘Support for diagnostic infrastructure to the primary health care facilities’, ‘Block level public health units’, ‘Urban health and wellness centres (HWCs)’, ‘Building-less Sub-Centres, PHCs, CHCs’, ‘Conversion of rural PHCs and Sub-Centres into health and wellness centre’.

Overall, the State released ₹ 6,464.91 crore against receipt of ₹ 7,662.51 crore from GoI, which was 15.63 *per cent* less than the actual released by GoI.

Apart from the above Grants, the XVth FC also recommended some State-Specific Grants *viz.*, Grants for improvement in Statistics, Judiciary and Maintenance of PMGSY, Incentives for Agriculture Reforms, Self-Reliance, Export and Sustainability for the State, but no such grants were received during the year.

Reason/reply for not receiving the grants was awaited (as on 31 December 2024) from the Finance Department, GoB.

2.4.3 Capital Receipts

Capital Receipts comprise of proceeds from disinvestments, recoveries of Loans and Advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks), and Loans and Advances from GoI.

Details of Capital Receipts and their composition, during 2019-20 to 2023-24, are given in **Table 2.16**.

Table 2.16: Trends in growth and composition of Capital Receipts

(₹ in crore)

Sources of Capital Receipts	2019-20	2020-21	2021-22	2022-23	2023-24
Capital Receipts	29,175	36,735	40,473	48,325	60,314
Recovery of Loans and Advances	30	820	28	41.41	96
Public Debt Receipts (a) + (b)	29,145	35,915	40,445	48,284	60,218
Internal Debt (a)	27,866	29,412	30,918	38,129	49,546
Growth rate	72.72	5.55	5.12	23.32	29.94
Loans and Advances from GoI (b)	1,279	6,503*	9,527*	10,155	10,672
Growth rate	(-) 50	408.44	46.50	6.59	5.10
Rate of growth of Debt Capital Receipts (Public Debt) (<i>per cent</i>)	56	23.23	12.61	19.38	24.72
Rate of growth of Non-Debt Capital Receipts (<i>per cent</i>)	(-) 98	2,633.33	(-) 96.59	48.18	131.38
State's GSDP at current prices (2011-12 Series)	5,81,855	5,67,814	6,47,394	7,46,417	8,54,429
Rate of growth of GSDP (<i>per cent</i>)	10.20	(-) 2.41	14.02	15.30	14.47
Rate of growth of Capital Receipts (<i>per cent</i>)	42	25.91	10.18	19.40	24.81

(Source: Finance Accounts of the respective years)

* Loans and Advances from GoI included back-to-back loan in the years 2020-21 and 2021-22 respectively in lieu of GST compensation shortfall, with no repayment liability to the State.

As can be seen from **Table 2.16** during 2023-24, Capital Receipts constituted 23.78 *per cent* of the Total Receipts (₹ 2,53,660.71 crore) and increased by 106.73 *per cent* from 2019-20. Capital Receipts increased at an average rate of 24.46 *per cent* during

the last five years. The State borrowed ₹ 49,546 crore from the open market and other financial institutions and took loans of ₹ 10,672 crore from GoI. In 2023-24, the quantum of borrowing from the open market and Loans from GoI increased by 77.80 *per cent* and 734.40 *per cent*, respectively, w.r.t. 2019-20.

Capital Receipts had increased mainly due to increase in Loans and Advances from GoI and Internal Debt. The share of Public Debt Receipts in Capital Receipts was 99.84 *per cent*. The rate of growth of Debt Capital Receipts grew at the rate of 19.38 *per cent* and 24.72 *per cent* for the year 2022-23 and 2023-24, respectively.

In the current year, Internal Debt (₹ 49,546 crore) contributed 82.15 *per cent* to Capital Receipts and Loans and Advances from GoI and increased by 29.94 *per cent* over the previous year. ₹ 8,814.80 crore under ‘Special Assistance’, and amount of ₹ 1,856.99 crore under ‘Block Loans (under the Major Head 6004 Sub Head 09)’ were the major components.

Non-Debt Capital Receipts, in the form of recoveries of Loans and Advances, increased to ₹ 96 crore. Out of this, 24.17 *per cent* (₹ 23.20 crore) was on account of recovery of loans from the Government Servants. Like previous year, ‘recovery against disbursement from Government servants’ constituted the highest percentage of Non-Debt Capital Receipts.

The rate of growth of Debt Capital Receipt is more than the rate of growth rate of GSDP in the year 2023-24. During 2019-20 to 2023-24, average annual growth rate of Debt Capital Receipts was 27.19 *per cent*, whereas average growth of GSDP was 10.32 *per cent*.

Further, during the current year Capital Receipts increased at the rate of 24.81 *per cent* whereas Capital Expenditure increased by 15.65 *per cent*.

2.4.4 State’s performance in mobilisation of resources

Mobilisation of resources allows governments to ensure sustainable funding for social programmes and for public investments to promote economic growth and development.

The State’s performance in mobilisation of resources is assessed in terms of its own resources, comprising of OTR and NTR, as shown in **Table 2.17**.

Table 2.17: Tax and Non-Tax Receipts *vis-à-vis* projections during 2023-24
(₹ in crore)

	Budget Estimates	XV th FC projection	State VI th FC projection	Actual	Percentage variation of actual over		
					Budget Estimates	XV th FC projection	State VI th FC projection
Own Tax Revenue	49,700.05	36,557	38,017	48,360.69	(-) 2.69	32.29	27.21
Own Non-Tax Revenue	6,511.74	5,400	6,374	5,257.05	(-) 19.27	(-) 2.65	(-) 17.52

(Source: Budget documents of GoB, XVth FC report, VIth SFC and Finance Accounts)

During the current year, State’s performance in mobilisation of OTR was better than projections of the XVth FC and the VIth SFC and close to the Budget Estimates. Actuals of Own NTR were below the projections of the XVth FC and the VIth SFC, as well as Budget Estimates during the year.

2.5 Application of resources

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

Analysis of the allocation of expenditure at the State Government level assumes significance since major expenditure responsibilities are entrusted with it. The expenditure is to be within the framework of fiscal responsibility legislations. Prudent fiscal management should aim at creating savings by raising Revenue Receipts in excess of Revenue Expenditure.

2.5.1 Growth and composition of expenditure

Revenue Expenditure: Charges on maintenance, repair, upkeep and working expenses, which are required to maintain the assets in a running order as also all other expenses incurred for the day-to-day running of the organisation, including establishment and administrative expenses shall be classified as Revenue Expenditure.

Capital Expenditure: All charges for the first construction of a project as well as charges for intermediate maintenance of the work while not opened for service and also charges for such further additions and improvements as may be sanctioned under the rules made by competent authority shall be classified as Capital Expenditure.

Loans and Advances: Loans and Advances by the Government to Public Sector Undertakings (PSU) and other parties.

Trends of overall expenditure and its components along with their percentage of GSDP are shown in **Table 2.18**.

Table 2.18: Total Expenditure and its composition

(₹ in crore)

Parameters	2019-20	2020-21	2021-22	2022-23	2023-24
Total Expenditure (TE)	1,38,987	1,58,816	1,84,377	2,17,552.81	2,29,103.05
Revenue Expenditure (RE)	1,26,017	1,39,493	1,59,220	1,83,976.22	1,90,514.17
Capital Expenditure (CE)	12,304	18,209	23,678	31,519.82	36,453.02
Loans and Advances	666	1,114	1,479	2,056.77	2,135.86
GSDP	5,81,855	5,67,814	6,74,394	7,46,417	8,54,429
As a percentage of GSDP					
TE/GSDP	23.89	27.97	28.48	29.15	26.81
RE/GSDP	21.66	24.57	24.59	24.65	22.30
CE/GSDP	2.11	3.21	3.66	4.22	4.27
Loans and Advances/ GSDP	0.11	0.20	0.23	0.28	0.25

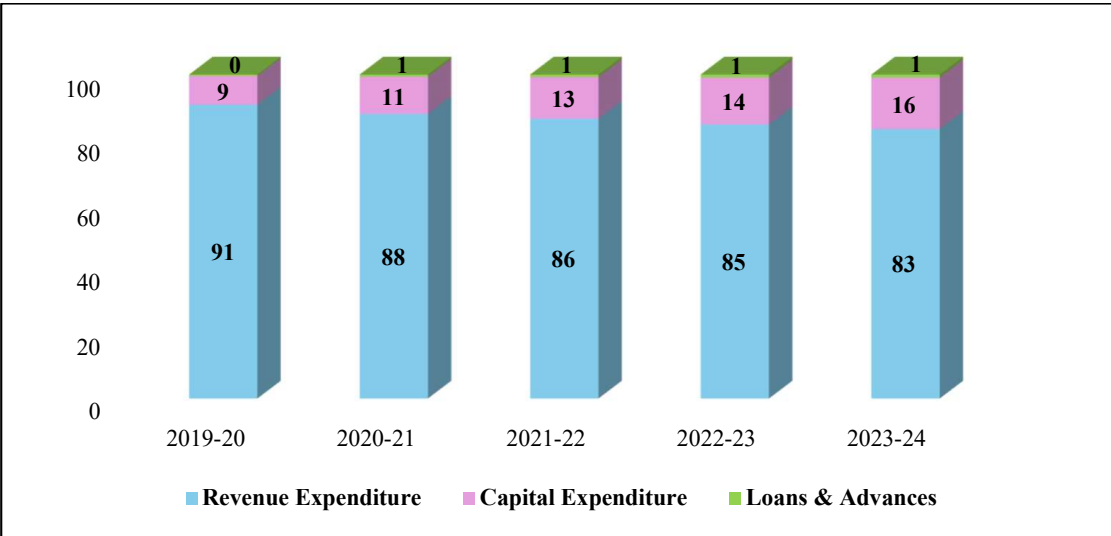
(Source: Finance Accounts of the respective years)

As can be seen from **Table 2.18**, Total Expenditure of the State increased by 64.84 *per cent* (from ₹ 1,38,987 crore to ₹ 2,29,103.05 crore), in the last five years (2019-24). During the current year, it increased by 5.31 *per cent* over the previous year. As a percentage to GSDP, the Total Expenditure, Revenue Expenditure and Loans and Advances have decreased over the previous year whereas Capital Expenditure has increased marginally.

Chart 2.10 depicts the trend of the share of components in Total Expenditure.

Chart 2.10: Trend of share of components in Total Expenditure

(in per cent)



(Source: Finance Accounts of the respective years)

As can be seen from **Chart 2.10**, In the last five years, Capital Expenditure exhibited an increasing trend. It has increased from nine *per cent* (2019-20) to 16 *per cent* (2023-24) of the Total Expenditure of the State. Revenue Expenditure exhibited a decreasing trend from 91 *per cent* (2019-20) to 83 *per cent* (2023-24) of the Total Expenditure of the State.

In terms of activities, Total Expenditure comprises of expenditure on: (i) General Services including Interest Payments, (ii) Social Services, (iii) Economic Services and (iv) Others (includes Grants to Local Bodies, Loans and Advances and Interstate Settlement).

Changes in the composition of the expenditure in terms of economic classification and expenditure by activities are shown in **Table 2.19**.

Table 2.19: Relative share of various sectors of expenditure

(₹ in crore)

Parameters	2019-20	2020-21	2021-22	2022-23	2023-24
General Services	44,016 (31.67)	47,626 (29.99)	52,447 (28.45)	59,284 (27.25)	64,882 (28.32)
Social Services	60,619 (43.61)	70,139 (44.16)	81,268 (44.08)	94,316 (43.35)	90,226 (39.38)
Economic Services	33,684 (24.24)	39,935 (25.15)	49,183 (26.68)	61,896 (28.45)	71,860 (31.37)
Others (Grants to Local Bodies and Loans and Advances)	668 (0.48)	1,116 (0.70)	1,479 (0.80)	2,057 (0.95)	2,136 (0.93)

(Source: Finance Accounts of the respective years)

(Figures in parentheses indicate the percentage of the expenditure on these Sectors, to the Total Expenditure)

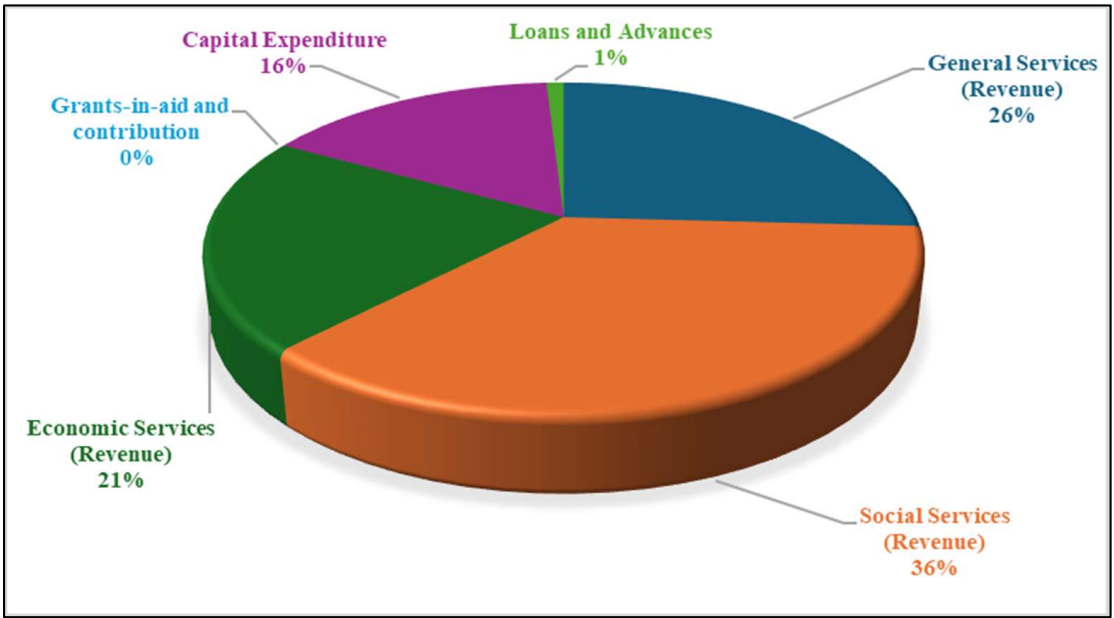
Table 2.19 shows that:

- In comparison to 2022-23, expenditure on Economic and General Services increased marginally (percentage-wise), whereas it decreased in case of Social Services and Others during 2023-24.

- ii. In General Services, the State reduced its expenditure on ‘Appropriation for reduction or avoidance of debt’, by freezing the contribution towards Consolidated Sinking Fund for the FY 2020-21 and 2021-22, under ‘Interest payments and servicing of debt’, which affected the Fiscal Deficit to that extent. During 2023-24, the State contributed ₹ 1,466.57 crore towards the Consolidated Sinking Fund which is higher by 13.86 per cent over the previous year. Further, increase in expenditure was also observed under ‘Administration of Justice’, ‘Land Revenue’, ‘Police’ and ‘Pension’ and ‘Other retirement benefits’ by 11.50 per cent, 29.63 per cent, 17.13 per cent and 5.12 per cent, respectively, over the previous year.
- iii. In Social Services, a substantial decrease of 94.05 per cent under ‘Housing’, 65.96 per cent under ‘Welfare of Schedule Castes, Scheduled Tribes and Other Backward Classless and Minorities’, and 24.07 per cent under ‘Social Security and Welfare’ was observed.
- iv. In Economic Services, substantial increase of 28.07 per cent under ‘Other rural development programme’, 28.05 per cent under ‘Flood control and drainage’, 35.48 per cent under ‘Roads and bridges’ and 102.16 per cent under ‘Rural employment’ was observed during 2023-24, over the previous year.

Details of composition of expenditure by function can be seen in the **Chart 2.11**.

Chart 2.11: Composition of expenditure by function during 2023-24
(in per cent)



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

Expenditure on Social Services was the highest percentage of the Total Expenditure like in the previous year although it declined by five percentage points in comparison to 2022-23. Expenditure in General services was not changed as compared to the previous year. Further, expenditure on Economic Services was increased by three percentage points over 2022-23.

Component-wise budget and expenditure of the State

Details of component-wise expenditure incurred against the budgetary provisions made during the financial year 2023-24, are shown in **Table 2.20**.

Table 2.20: Component-wise budgetary provisions and expenditure incurred

(₹ in crore)

Component	Original Budget	Supplementary Budget	Total Budget	Total Expenditure	Percentage of Total Budget	Percentage of Total Expenditure	Percentage of expenditure against the Total Budget
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8=5/4*100)
Establishment & committed	1,61,855.67	19,017.35	1,80,873.02	1,54,360.50	55.44	59.21	85.34
State Schemes	37,941.34	25,674.70	63,616.04	57,439.07	19.50	22.03	90.29
Central Share for CSS	44,712.64	3,397.08	48,109.72	21,501.41	14.75	8.25	44.69
State Share for CSS	14,613.02	15,791.29	30,404.31	25,370.19	9.32	9.73	83.44
Central Area Schemes	29.73	64.30	94.03	88.67	0.03	0.03	94.30
EAP (Externally Aided Projects)	2,733.00	400.00	3,133.00	1,958.23	0.96	0.75	62.50
Total	2,61,885.40	64,344.72	3,26,230.12	2,60,718.07	100.00	100.00	79.92

(Source: Appropriation Accounts and Budget document of the Government of Bihar)

As can be seen from **Table 2.20**, Total Expenditure of the State did not reach up to its Original Budget and was 79.92 per cent of its Total Budget. Despite this, Supplementary Budget provisions of ₹ 64,344.72 crore were made. Out of the Total Expenditure of the State, 59.21 per cent was incurred on Establishment and Committed (comprising Interest payments, Salary, Pension and Repayment of Loans) component and 17.98 per cent was incurred on CSS.

Function-wise budget and expenditure of the State

Details of function-wise budgetary provisions and expenditure incurred have been shown in **Table 2.21**.

Table 2.21: Function-wise budgetary provisions and expenditure incurred

(₹ in crore)

Function	Budget Estimates	Actuals	Percentage of actuals	Percentage of actuals against Budget Estimates
General Services	74,331.84	64,882.21	25.74	87.29
Social Services	99,878.49	90,225.55	35.79	90.34
Economic Services	62,688.34	71,859.55	28.51	114.63
Public Debt	23,558.69	22,979.38	9.12	97.54
Loans and Advances	1,221.40	2,135.86	0.85	174.87
Grants-in-aid & Contributions	6.64	-0.13	0.00	-1.96
Total	2,61,685.40	2,52,082.42	100.00	

(Source: Finance Accounts and Budget document of the Government of Bihar)

Table 2.21 shows that the actual expenditure incurred on General Services, Social Services, Public Debt and GIA was less and expenditure on Economic Services and Loans and Advances was more than the Budget Estimates for the year 2023-24.

2.5.2 Revenue Expenditure

Revenue Expenditure is incurred to maintain the current level of services and payment for the past obligation. As such, it does not result in any addition to the State's infrastructure and service network. It comprises salaries, interest payments, pensions, expenditure on operations and maintenance of capital works, subsidies and transfers to local bodies, co-operatives, Non-Government Organisations (NGOs) and others. This expenditure is also classified into various functional categories such as General Services, Social Services and Economic Services. Expenditure on Social and Economic Services is incurred to create physical infrastructure and human resource development whereas expenditure on General Services is incurred on fiscal services, administrative services and organs of the State.

Trends of the Revenue Expenditure are shown in **Table 2.22**.

Table 2.22: Revenue Expenditure – Basic Parameters

(₹ in crore)

Parameters	2019-20	2020-21	2021-22	2022-23	2023-24
Total Expenditure (TE)	1,38,987	1,58,816.02	1,84,376.51	2,17,552.81	2,29,103.05
Revenue Expenditure (RE)	1,26,017	1,39,493.45	1,59,219.71	1,83,976.22	1,90,514.17
GSDP	5,81,855	5,67,814	6,47,394	7,46,417	8,54,429
Rate of Growth of RE (<i>per cent</i>)	0.90	10.69	14.14	15.55	3.55
Rate of Growth of RR (<i>per cent</i>)	(-) 5.74	3.17	23.90	8.75	11.96
Rate of growth of GSDP (<i>per cent</i>)	10.20	(-) 2.41	14.02	15.30	14.47
RE as a percentage of TE	90.67	87.83	86.36	84.57	83.16
RE/GSDP (<i>per cent</i>)	21.66	24.57	24.59	24.65	22.30
RE as a percentage of RR	101.44	108.84	100.27	106.54	98.53
The buoyancy of Revenue Expenditure with					
GSDP (ratio)	0.09	-	1.01	1.02	0.25
Revenue Receipts (ratio)	(-) 0.16	3.38	0.59	1.78	0.30

(Source: Finance Accounts of the respective years)

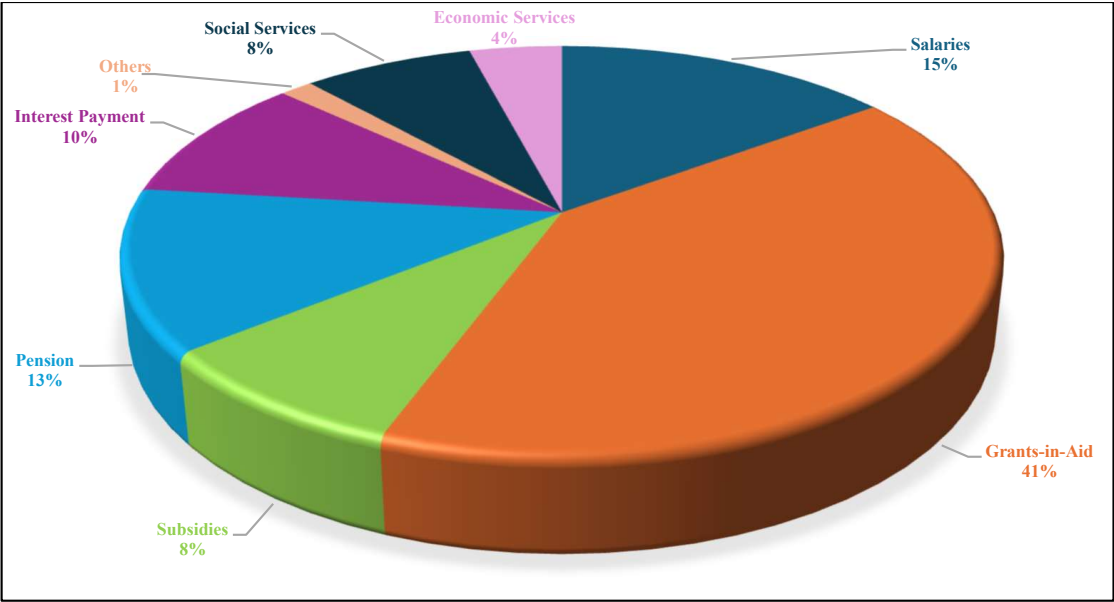
Buoyancy ratio is not calculated for 2020-21 as the GSDP growth was negative.

Table 2.22 shows that:

- Revenue Expenditure constituted 83.16 *per cent* of the Total Expenditure and only 16.84 *per cent* funds were left for Capital Expenditure. Revenue Expenditure increased by 3.55 *per cent* (₹ 6,537.95 crore) over the previous year.
- As per the Finance Accounts, some of the expenditure booked under Revenue Head was misclassified, resulting in overstatement of Revenue Expenditure to that extent (**Para 2.5.3.5**).
- During 2023-24, the buoyancy ratio of Revenue Expenditure with GSDP was lower by 1.48 percentage points over the previous year.
- Buoyancy of Revenue Expenditure with Revenue Receipts was less than 'one' during the year 2023-24 indicating growth of Revenue Receipts at a pace faster than the Revenue Expenditure.

Sector-wise distribution of Revenue Expenditure is shown in **Chart 2.12**.

Chart 2.12: Sector-wise distribution of Revenue Expenditure (in per cent)



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

The major share of Revenue Expenditure was on GIA (41 per cent) and Committed Expenditure (38 per cent) viz., Salary, Pension and Interest Payments.

2.5.2.1 Major changes in Revenue Expenditure

Significant variations under various Head of Accounts, regarding Revenue Expenditure of the State, during the current year and the previous year, are given in Table 2.23.

Table 2.23: Variations in Revenue Expenditure during 2023-24 vis-à-vis 2022-23

(₹ in crore)

Major Heads of Account	2022-23	2023-24	Increase (+)/ Decrease (-)	Percentage Increase/ Decrease
2029-Land Revenue	867.83	1,124.98	257.15	29.63
2049-Interest Payments	15,183.54	17,605.80	2,422.26	15.95
2055-Police	9,235.61	10,817.90	1,582.29	17.13
2217-Urban Development	5000.80	8,788.40	3,787.60	75.74
2801-Power	12,701.36	13,940.41	1,239.06	9.76
2071-Pension and Other Retirement Benefits	23,107.87	24,290.92	1,183.05	5.12
2216-Housing	12,574.94	747.93	(-) 11,827.01	(-) 94.05
2235-Social Security and Welfare	9,840.79	7,472.04	(-) 2,368.75	(-) 24.07
2215-Water Supply and Sanitation	2,551.72	7,691.58	5,139.86	201.43
2505-Rural Employment	1,573.11	3,180.26	1,607.15	102.16
2225-Welfare of Schedule Caste, Schedule Tribe, Other Backward Classes & Minorities	2,864.94	975.10	(-) 1,889.84	(-) 65.96
2210-Medical and Public Health	8,422.46	9,846.24	1,423.78	16.90

(Source: Finance Accounts of the respective years)

Table 2.23 shows that:

- a. There was a decrease in expenditure under:
 - (i) 'Indira Awas Yojana', 'Special component plan for Scheduled Castes' and 'Tribal area sub-plan' by 95.74 *per cent*, 91.57 *per cent* and 84.80 *per cent*, respectively under 'Rural Housing' of Major Head 'Housing' (ii) 'Other rehabilitation Schemes' by 31.85 *per cent*, 'Welfare of aged, Infirm and destitute' by 34.99 *per cent*, 'National Old Age Pension Scheme' by 43.79 *per cent*, 'Special component plan for Scheduled Castes' by 53.10 *per cent* and 'Pension' by 49.03 *per cent* under Major Head 'Social Security and Welfare' (iii) 'Assistance to gram panchayats (Scheduled Castes)' by 53.73 *per cent* and 'Assistance to gram panchayats (Backward Classes)' by 35.14 *per cent* and 'Education' by 23.01 *per cent* under Major Head 'Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes & Minorities'.
- b. There was an increase in expenditure under:
 - (i) 'Sanitation services' by 413.03 *per cent*, 'Special component plan for Scheduled Castes' by 517.29 *per cent*, 'Rural Water Supply Programmes' by 81.46 *per cent*, 'Assistance to Local Bodies, Municipalities etc.' by 12517.08 *per cent* and 'Assistance to Municipalities/Municipal Councils' by 1713.56 *per cent* under Major Head 'Water Supply and Sanitation' (ii) 'National Rural Employment Guarantee Scheme' by 97.82 *per cent* under Major Head 'Rural Employment' (iii) 'Construction' by 109.91 *per cent*, 'Assistance to Local Bodies, Corporations, Urban Development Authorities, Town improvement Boards etc.' by 247.25 *per cent* and 'Special component plan for Scheduled Castes' by 8129.44 *per cent* under Major Head 'Urban Development'.

2.5.2.2 Committed Expenditure

The Committed Expenditure of the State Government on the revenue account consists of Interest Payments, expenditure on Salaries and Pensions. It has the first charge on Government resources. The upward trend in Committed Expenditure leaves the Government with lesser flexibility for the development sector.

Trends in Committed Expenditure and its components are shown in **Table 2.24**.

Table 2.24: Components of Committed Expenditure

(₹ in crore)

Components of Committed Expenditure	2019-20	2020-21	2021-22	2022-23	2023-24
Salaries	20,375.92	21,802.11	23,524.52	24,816.02	28,385.60
Pensions	17,110.38	19,635.15	20,257.58	23,107.87	24,290.92
Interest Payments	10,991.42	12,484.04	13,821.93	15,183.54	17,605.80
Total	48,477.72	53,921.30	57,604.03	63,107.43	70,282.32
As a percentage of Revenue Receipts (RR)					
Salaries	16.40	17.01	14.81	14.37	14.68
Pensions	13.77	15.32	12.76	13.38	12.56
Interest Payments	8.85	9.74	8.70	8.79	9.11
Total	39.02	42.07	36.28	36.54	36.35

Components of Committed Expenditure	2019-20	2020-21	2021-22	2022-23	2023-24
As a percentage of Revenue Expenditure (RE)					
Salaries	16.17	15.63	14.77	13.49	14.90
Pensions	13.58	14.08	12.72	12.56	12.75
Interest Payments	8.72	8.95	8.68	8.25	9.24
Total	38.47	38.66	36.18	34.30	36.89

(Source: Finance Accounts of the respective years)

The share of Committed Expenditure in Total Revenue Expenditure ranged from 34.30 *per cent* in 2022-23 to 38.66 *per cent* in 2020-21. Ratio of Committed Expenditure with reference to Revenue Receipts decreased (marginally by 0.19 percentage points) to 36.35 *per cent* in 2023-24, over the previous year. The Committed Expenditure increased by 44.98 *per cent* between 2019-20 and 2023-24. During the period of 2019-24 ‘Salaries’ has been the major components of Committed Expenditure followed by ‘Pensions’. Further, all the three components *viz.* Salaries, Pensions and Interest payments increased by 39.31 *per cent*, 41.97 *per cent* and 60.18 *per cent*, respectively in 2023-24 over 2019-20.

Interest Payments provide for payment of interest on Public Debt and other interest-bearing liabilities of the Government, which includes Insurance and Pension Funds, Provident Funds, Reserve Funds, Deposits. It also includes expenditure on reduction or avoidance of debt.

During the year, the total Committed Expenditure increased by ₹ 7,174.89 crore (11.37 *per cent*) over the previous year. Interest payments (9.11 *per cent*) were above the target of 8.64 *per cent* of the Revenue Receipts set out in the BFRBM Act, 2022 but were below the projection of the XVth FC (₹ 16,724 crore). Expenditure on the components of Committed Expenditure together accounted for 8.33 *per cent* of GSDP in 2019-20 and decreased to 8.23 *per cent* in 2023-24. During 2020-21, Committed Expenditure w.r.t. GSDP was 9.50 *per cent*, which was highest during the last five years.

As per the Budget Document for 2023-24 of the State Government, “Repayment of Public Debt” is a Committed Expenditure of the State. The repayment of Public Debt is one of the components of expenditure under Capital Head. Therefore, in this report, Revenue Expenditure has been calculated excluding the repayment of Public Debt.

Implementation of the recommendations of Pay Commissions in the past have accounted for enhancement in pensions and salaries pay-outs of the State, thereby impacting its Revenue Expenditure.

During the year, the State has maintained the Committed Expenditure within the MTFP targets. Allocation of larger portion of the budget for Committed Expenditure items limits the State’s flexibility for other expenditure priorities such as Capital Expenditure.

2.5.2.3 Undischarged liabilities in the National Pension System

State Government employees, recruited on or after 01 September 2005, are covered under the National Pension System (NPS), a Defined Contributory Pension Scheme (DCPS). Under the Scheme, the employee contributes 10 *per cent* of his basic pay

and dearness allowance and the State Government contributes equal to 14 *per cent* of basic pay and dearness allowance of the employee. The entire amount (employees' contribution and employer's contribution) is to be transferred to the designated Fund Manager through the National Securities Depository Limited (NSDL)/Trustee Bank.

During 2023-24, the total amount transferred towards the NPS was ₹ 3,402.09 crore (Employees' contribution ₹ 1,387.46 crore at the rate of 10 *per cent* and Government's contribution ₹ 1,984.79 crore at the rate of 14 *per cent* and interest paid by the Government of ₹ 29.84 crore). Detailed information on Government contribution is available in **Statement-15** of the Finance Accounts, Vol-II under Major Heads 2071 and 2049. The Government transferred ₹ 3,402.09 crore to the Public Account under Major Head 8342-117 Defined Contribution Pension scheme. The Government's contribution to the NPS was exceeded by ₹ 42.35 crore (Government's actual contribution ₹ 1,984.79 crore *minus* Government's required contribution ₹ 1,942.44 crore). Opening Balance in the Fund was ₹ 258.15 crore. The Government has transferred ₹ 3,650.00 crore to NSDL, leaving a balance of ₹ 10.24 crore (₹ 3,660.24 crore *minus* ₹ 3,650.00 crore), as on 31 March 2024, which was yet to be transferred to NSDL. Prior to 2020-21, the employer's and employees contribution was credited to Major Head 8011-106. As on 31 March 2024, the closing balance under this head was ₹ 40.87 crore which is yet to be transferred to NSDL. Non-transfer of ₹ 51.11 crore (₹ 10.24 crore + ₹ 40.87 crore) has resulted in overstatement of Cash Balance and Revenue Surplus and understatement of Fiscal Deficit to that extent.

Details of the receipts from employees' share, Government's contribution, interest accrued and investment in pension fund are given in **Table 2.25**.

Table 2.25: Contribution and investment under DCPS

(₹ in crore)

Year	Employees share	Government contribution	Total	Transferred to Pension fund	Short (-)/excess(+) transfer
2015-16	314.72	309.44	624.16	609.72	(-) 14.44
2016-17	381.55	382.64	764.19	741.68	(-) 22.51
2017-18	462.64	472.36	935.00	937.33	2.33
2018-19	573.74	567.54	1,141.28	1,081.26	(-) 60.02
2019-20	688.65	816.58	1,505.23	1,302.58	(-) 202.65
2020-21	802.00	1,099.76	1,901.76	1,976.83	75.07
2021-22	934.55	1,311.04	2,245.59	2,302.76	57.17
2022-23	1,106.56	1,543.25	2,649.81	2,609.30	(-) 40.51
2023-24	1,387.46	1,984.79	3,372.25	3,650.00	277.75

(Source: Finance Accounts of respective years)

Short contribution/transfer of funds to NSDL would impact the pensionary yield of the employees. Besides, due to delay in release of Government's contributions and its transfer to the pension fund, the State Government had to suffer an avoidable interest at the rate applicable on General Provident Fund, creating a future liability and Fiscal Deficit to that extent.

2.5.2.4 Subsidies

Subsidies provided by the State Government can be indirect, in kind or take the shape of tax concessions.

Trends of expenditure on subsidies, are shown in **Table 2.26**.

Table 2.26: Department-wise subsidies during 2019-24

(₹ in crore)

Department	2019-20	2020-21	2021-22	2022-23	2023-24	Sparkline	Trend
Agriculture	518.17	164.30	219.58	496.76	497.77		
Energy	5,193.00	6,759.96	8,180.82	12,223.00	13,160.81		
Food and Consumer Protection	618.13	578.77	720.56	629.93	822.24		
Industry	316.78	234.47	787.07	1,040.42	1,267.08		
Transport	177.17	122.57	89.01	96.18	26.15		
Animal and Fisheries Resources	116.00	99.67	100.71	163.37	307.39		
Others	182.02	207.68	158.27	178.13	163.17		
Subsidies	7,121.27	8,167.42	10,256.02	14,827.79	16,244.61		
Subsidies as a percentage of Revenue Receipts	5.73	6.37	6.46	8.59	8.40		
Subsidies as a percentage of Revenue Expenditure	5.65	5.86	6.44	8.06	8.53		

(Source: Finance Accounts of the respective years)

As can be seen from **Table 2.26**, subsidies for the year 2023-24 constituted 8.40 *per cent* of State’s Total Revenue Receipts, 30.30 *per cent* of State’s Own Revenue and 1.90 *per cent* of GSDP. It is 9.70 *per cent* more than that of the previous year.

81.02 *per cent* of the subsidies were extended to the Energy Sector. Analysis of the last five years (2019-24) shows that the amount of subsidies extended during 2023-24 was the highest during this period. The amount of subsidies was on an increasing trend during the last five years. In view of the maximum subsidy being extended to the Energy Sector, **Table 2.27** shows the details of subsidies provided to this area.

Table 2.27: Subsidies provided to the Energy Sector during 2019-2024

(₹ in crore)

Name of the entity	Year				
	2019-20	2020-21	2021-22	2022-23	2023-24
North Bihar Power Distribution Company Ltd (NBPDCCL)	0.00	0.00	100.00	145.00	46.81
South Bihar Power Distribution Company Ltd (SBPDCL)	0.00	0.00	80.86	0.00	0.00
Bihar State Power Holding Company Ltd (BSPHCL)	5,193.00	6,759.96	7,999.96	12,078.00	13,114.00
Total	5,193.00	6,759.96	8,180.82	12,223.00	13,160.81

(Source: Finance Accounts of the respective years)

As per the certified accounts of both power distribution companies for the year 2022-23, the South Bihar Power Distribution Company (SBPDCL) registered a profit of ₹ 423.79 crore whereas the North Bihar Power Distribution Company (NBPDCCL) incurred a loss of ₹ 243.01 crore.

2.5.2.5 Financial assistance to Local Bodies and Other Institutions

Assistance provided by way of grants and loans, to Local Bodies and others, during the current year, compared to the previous years, is shown in **Table 2.28**.

Table 2.28: Financial Assistance to Local Bodies etc.*(₹ in crore)*

Financial Assistance to Institutions	2019-20	2020-21	2021-22	2022-23	2023-24
(A) Local Bodies					
Municipal Corporations and Municipalities	1,533.24	4,785.08	5,386.53	4,990.73	6,952.16
Panchayati Raj Institutions	9,971.64	12,899.38	13,268.40	14,474.20	16,754.97
Total (A)	11,504.88	17,684.46	18,654.93	19,464.93	23,707.13
(B) Others					
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	3,925.89	3,716.00	3,684.25	4,331.84	4,120.34
Development Authorities	5,839.49	999.15	1,693.64	1,388.63	1,267.63
Other Institutions	25,311.28	32,529.37	40,982.19	54,755.48	48,505.38
Total (B)	35,076.66	37,244.52	46,360.08	60,475.95	53,893.35
Total (A+B)	46,581.54	54,928.98	65,015.01	79,940.88	77,600.48
GIA on Salary	19,666.33	17,788.65	23,813.12	28,092.73	26,627.08
GIA for creation of Capital Assets	11,356.25	10,358.01	14,103.44	31,828.81	19,145.79
GIA for non-salary	25,678.83	29,577.30	33,307.40	2,009.34	31,827.60
GIA given in kind	Information not provided by the State Government				
Revenue Expenditure	1,26,016.66	1,39,493.45	1,59,219.71	1,83,976.22	1,90,514.17
Revenue Receipts	1,24,233	1,28,168	1,58,798	1,72,688	1,93,347
Assistance as percentage of Revenue Expenditure	36.96	39.38	40.83	43.45	40.73
Assistance as percentage of Revenue Receipts	37.50	42.86	41.57	46.29	40.14

(Source: Finance Accounts of the respective years)

Financial assistance of the State Government to Local Bodies (LBs) and Other Institutions decreased by 2.93 *per cent* in comparison to the previous year. As a percentage of the Revenue Expenditure, it decreased to 40.73 *per cent* from 43.45 *per cent* of the Revenue Expenditure in the previous year. This assistance was 40.14 *per cent* of State's Revenue Receipts and it decreased by 6.15 percentage points over the previous year's share of these receipts.

VIth State Finance Commission (SFC)

The State Government constituted (February 2019) the VIth SFC, for 2020-25. The Commission was to devise fiscal transfers from the State Government to the LBs of the State, in the light of the constitutional provisions. The SFC recommended a minimum threshold of Devolution of Taxes and Grants to the local bodies. Thus, if the calculated value of Devolution of Taxes and Grants fell below the minimum threshold, the State Government would have to transfer at least the minimum threshold amount to the LBs.

On the recommendation of the SFC, the State Government adopted a 65:35 formula for provisioning of funds for PRIs and ULBs, for the period from 2021-22 to 2024-25. During 2023-24, out of the total provisioned ₹ 5,520 crore (Devolution: ₹ 3,156 crore and Grants: ₹ 2,364 crore), ₹ 3,588 crore (65 *per cent*) was for PRIs and ₹ 1,932 crore (35 *per cent*) was for ULBs.

Devolution

The State Government was to appropriate the Devolution to the Local Bodies at the rate of 10 *per cent* of the Divisible Pool (State’s Own NTR of the previous year) for the period from 2021-22 to 2024-25 on the recommendation of the VIth SFC. Devolution of funds may be seen in **Table 2.29**.

Table 2.29: Divisible Pool of Taxes for 2023-24

(₹ in crore)

Particulars	Projected	Actual (t-1)
State Own Tax Revenue (A)	38,017	44,018
Cost of collection @ 2.52 <i>per cent</i> (B)	958	1,109
Net State Own Tax Revenue (A-B)	37,059	42,909
Devolution (10 <i>per cent</i> of SONTR)	3,706	4,291

(Source: SFC report and Finance Accounts of the year 2023-24)

The State, however, provided only ₹ 3,156 crore (Devolution) against the recommendation of ₹ 4,291 crore.

Grants

The VIth State Finance Commission recommended calculation of amount of annual Grant during the period 2021-25 at the rate of 2.50 *per cent* of the net revenue of the previous year (Consolidated Fund of the State). Only 50 *per cent* of the Grants was to be transferred directly to the Local Bodies and the remaining 50 *per cent* was to be expended by the different departments, on the schemes whose objective is to develop the Local Bodies. During 2023-24, Grants amounting to ₹ 5,439 crore (₹ 2,17,552.81 crore X 2.50 *per cent*), were to be provisioned, as mentioned in **Table 2.30**.

Table 2.30: Grants to Local Bodies during 2023-24

(₹ in crore)

Grant	Amount projected by SFC	Amount to be provisioned	Amount Provisioned
Direct to Local Bodies (50 <i>per cent</i>)	2,363.50	2,719.50	1,182.00
Expenditure by departments (50 <i>per cent</i>)	2,363.50	2,719.50	1,182.00
Total	4,727.00	5,439.00	2,364.00

(Source: SFC report and Finance Accounts of the year 2023-24)

The State Government provisioned only ₹ 2,364 crore (43.46 *per cent*), against the amount to be provisioned.

Delay in release of funds to LBs: During 2023-24, release orders for each item were to be issued in two instalments *i.e.*; 1st instalment of 50 *per cent* by 30th June 2023 and 2nd instalment of 50 *per cent* by 31st October 2023. During test check, audit noticed that the orders were issued with delays ranging between 37 days to 187 days, contrary to the commission guidelines.

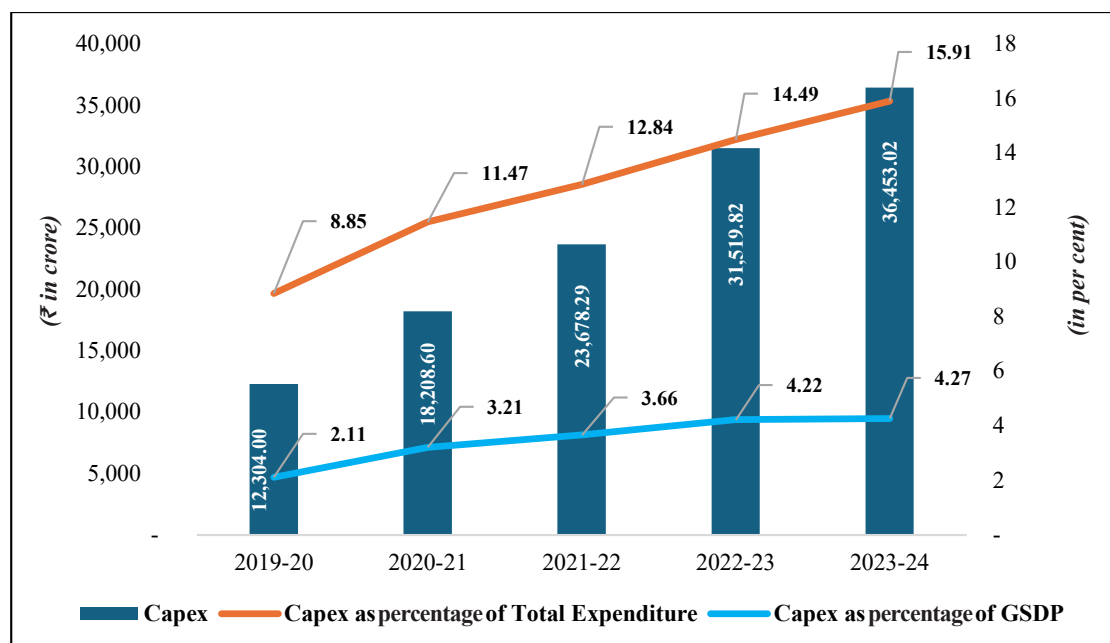
The Panchayati Raj Department while accepting the observation replied that delayed release of grants was due to time taken in following the procedure.

2.5.3 Capital Expenditure

Capital Expenditure (Capex) is primarily expenditure on creation of fixed infrastructure assets, such as roads, buildings, *etc.* Capex in the State was being met from budgetary

support and extra-budgetary resources/Off-budget. It also includes investments made by the State in Companies/Corporations. Trend of Capex in the State, over the last five years, is shown in **Chart 2.13**.

Chart 2.13: Capital Expenditure in the State



(Source: Finance Accounts of the respective years)

From **Chart 2.13**, it may be observed that:

- During 2023-24, Capex was 24.59 *per cent* higher than the Budget Estimates and the projection made in the Mid Term Fiscal Policy Statement, 2023 (₹ 29,257.31 crore) of the State Government.
- The Capex as a percentage of GSDP ranged from 2.11 *per cent* to 4.27 *per cent* during the last five years.
- As per Finance Accounts, some of the expenditure booked under Capital Head was misclassified, resulting in overstatement of Capex to that extent (**Para 2.5.3.5**).

During last five years (2019-24), a major chunk of the Capex has been parked in the Public Account of the State. During 2023-24, Capex amounting to ₹ 11,072 crore (30.37 *per cent* of the total Capex) was transferred to the Public Account. Detailed analysis is covered in **Para 4.4** of **Chapter IV** of this Report.

2.5.3.1 Major changes in Capital Expenditure

Significant variations under various Major Heads of Accounts with regard to Capex of the State, during the current year, as compared to the previous year, are shown in **Table 2.31**.

Table 2.31: Capital Expenditure during 2023-24, compared to 2022-23

(₹ in crore)

Major Heads of Accounts	2022-23	2023-24	Increase (+)/ Decrease (-)	Percentage Increase(+)/ Decrease(-)
4210- Capital Outlay on Medical and Public Health	2,426.48	2,175.00	(-) 251.48	(-) 10.36
4515- Capital Outlay on other Rural Development Programmes	6,218.08	7,083.98	865.90	13.93
4059- Capital Outlay on Public Works	1,596.44	3,270.68	1,674.23	104.87
4801- Capital Outlay on Power Projects	3,078.71	1,782.31	(-) 1,296.40	(-) 42.11
4851- Capital Outlay on Village and Small Industries	1,392.24	419.90	(-) 972.34	(-) 69.40
4700- Capital Outlay on Major Irrigation	1,207.61	2,852.38	1,644.77	136.20
4215- Capital Outlay on Water Supply and Sanitation	1,310.02	1,002.63	(-) 307.39	(-) 23.46
4202- Capital Outlay on Education, Sports, Art and Culture	1,315.54	2,987.77	1,672.23	127.11
4711- Capital Outlay on Flood Control Projects	983.93	2,202.41	1,218.48	123.84
4070- Capital Outlay on other Administrative Services	1,067.39	1442.51	375.11	35.14

(Source: Finance Accounts of the respective years)

As can be seen from the **Table 2.31**:

(a) There was an increase in expenditure under:

(i) Major Head ‘Education, Sports, Art and Culture’ due to increase in expenditure mainly on ‘Engineering College Buildings (Nishchaya) & Building Construction of Government and Government recognised Secondary Schools’ (ii) Major Head ‘Public Works’ due to increase in expenditure mainly on ‘Buildings of Blocks (Rural Development Department), Stadium and Sports Structure and Cultural Structure’ and (iii) Major Head ‘Major Irrigation’ due to increase in expenditure mainly on ‘Irrigation Creation Project (Works) (NABARD Aided and Flood Control Project (Works)’ and ‘Accelerated Irrigation Benefit and Flood Management Programme and Other Programme of Water Resources’ under Flood Control Projects.

(b) There was a decrease in expenditure under:

(i) Major Head ‘Power Projects’ due to decrease in expenditure mainly on ‘Project of Bihar State Power Transmission Company Limited and Irrigation Water to every Field-Saat Nishchaya-2’ (ii) Major Head ‘Medical and Public Health’ due to decrease in expenditure mainly on ‘Dental College and Hospital’ and ‘Pradhan Mantri Ayushman Bharat Health Infrastructure Mission’ and (iii) Major Head ‘Village and Small Industries’ due to decrease in expenditure mainly on ‘Development of Industrial Park’.

2.5.3.2 Quality of Capital Expenditure

If the State Government keeps on making investments in loss making government companies whose net worth is completely eroded, there are no chances of return on investment. Similarly, experience has shown the inevitability of write off of the loans given to loss making corporations and other bodies such as financial corporations *etc.* Requisite steps have to be taken to infuse transparency in such financial operations. This

section presents an analysis of investments and other Capital Expenditure undertaken by the Government during the current year.

Return on Investment (RoI):

Return on investment in share capital invested in SPSEs and history of repayment of loans given to various bodies is an important determinant of the quality of Capital Expenditure. Trend of return on investment, during 2019-20 to 2023-24, is given in Table 2.32.

Table 2.32: Return on Investment (ROI)

Investment/return/cost of borrowings	2019-20	2020-21	2021-22	2022-23	2023-24
Investment at the end of the year (₹ in crore)	31,667.39	32,870.61	35,436.02	39,024.62	41,512.97
Return on Investment (₹ in crore)	1.62	603.01	6.54	1.49	9.51
Return (per cent)	0.01	1.83	0.02	0.00	0.02
Average rate of interest on Government Borrowings (per cent)	6.07	5.94	5.70	5.51	5.62
Difference between rate of interest and rate of return (per cent)	6.06	4.11	5.68	5.51	5.60
Difference between interest on Government borrowings and return on investment (₹ in crore)[#]	1,919.04	1,350.98	2,012.77	2,150.26	2,324.72

(Source: Finance Accounts of the respective years)

[#] (Investment at the end of the year X Difference between rate of interest and rate of return)/100

It can be observed from the Table 2.32 that:

- As on 31 March 2024, the Government had invested ₹ 41,512.97 crore in 46 Government Companies (₹ 38,271.59 crore), three Statutory Corporations (₹ 105.63 crore), one Rural Bank (₹ 30.19 crore), 12 Joint-stock Companies (₹ 2,462.76 crore) and 17 Cooperative institutions/Societies (₹ 642.80 crore). Out of the 46 Government Companies, 22 Companies are working Companies where ₹ 38,100.21 crore was invested and 24 were non-working Companies wherein ₹ 171.38 crore was invested.
- During the current year, the GoB invested ₹ 2,488.35 crore in its five entities⁶, of which 73.07 per cent of investment was made in Energy sector Companies followed by Patna Metro Rail Corporation Ltd. (23.71 per cent of total investments made during the current year by the GoB).
- During 2023-24, RoI increased by ₹ 8.02 crore over the previous year, due to release of Dividend of ₹ 9.51 crore by four entities⁷.
- The State Government incurred a notional loss of ₹ 2,324.72 crore on Return on Investment (highest in the last five years) in various entities on account of the difference between the Government borrowing cost and the return on investment.
- From 2019-20 to 2023-24 investments in SPSEs increased by ₹ 9,845.58 crore and Dividend of ₹ 622.17 crore was received during this five-year period. This Dividend constituted only 6.32 per cent of the total investments made during the last five years.

⁶ Bihar State Minority Finance Corporation Ltd. (₹ 65.00 crore), Investment Venture Capital under Bihar Startup policy 2016 (₹ 10.00 crore), Patna Metro Rail Corp. (₹ 590.00 crore), Other Cooperatives (₹ 5.04 crore) and Bihar State Power (Holding) Comp. Ltd. (₹ 1,818.31 crore).

⁷ Bihar Rajya Pul Nirman Nigam Limited (₹ 2.10 crore); National Projects Construction Corporation Limited (₹ 0.01 crore); Dairy Co-operative (₹ 5.76 crore) and Other Co-operatives (₹ 1.64 crore).

State extended budgetary support of ₹ 37,791.46 crore, in the form of share/equity to two loss-making SPSEs till 2023-24, as shown in **Table 2.33**.

Table 2.33: Investment made in loss making Companies

(₹ in crore)

Sl. No.	Company	Accumulated Losses	Investment made during the year	Cumulative investment as on 31 March 2023	Cumulative investment as on 31 March 2024
1	Bihar State Minorities Finance Corporation Ltd.	15.32	65.00	634.59	699.59
2	Bihar State Power (Holding) Company Ltd.	20,015.68	1,818.31	35,273.56	37,091.87
Total		20,031.00	1,883.31	35,908.15	37,791.46

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

The Government did not furnish any response on the audit observation (December 2024).

Loans and Advances by the State:

The Government has provided Loans and Advances to many co-operative societies, corporations and Companies. Details are given in **Table 2.34**.

Table 2.34: Loans disbursed and recovered during 2019-20 to 2023-24

(₹ in crore)

Quantum of loans disbursed and recovered	2019-20	2020-21	2021-22	2022-23	2023-24
Opening Balance of loans outstanding	20,814.33	21,450.23	21,743.77	23,194.36	25,209.64
Amount advanced during the year	666.30	1,113.97	1,478.51	2,056.77	2,135.86
Amount recovered during the year	30.40	820.43	27.92	41.49	95.93
Closing Balance of the loans outstanding	21,450.23	21,743.77	23,194.36	25,209.64	27,249.57
Net addition	635.90	293.54	1,450.59	2,015.28	2,039.92
Interest received	0.88	3.90	5.68	8.65	269.41
Interest rate on loan and advances given by the government	Not ascertainable				
Rate of interest paid on the outstanding borrowings of the government	7.58	7.12	6.56	6.20	6.31
Difference between the rate of interest paid and interest received (<i>per cent</i>)	Not ascertainable				

(Source: Finance Accounts of the respective years)

It can be observed from **Table 2.34** that:

- During the last five years, Loans and Advances extended by the State Government exhibited an increasing trend and had increased from ₹ 666.30 crore in 2019-20 to ₹ 2,135.86 crore in 2023-24.
- Out of the loans extended by the State Government during 2023-24, ₹ 1,689.82 crore was given to the Government Companies which is 79.11 *per cent* of the total loans disbursed during this year.
- During the year, out of Loans and Advances of ₹ 2,135.86 crore extended to different loanee groups, ₹ 95.93 crore repayment of loans has been made.
- 56.22 *per cent* (₹ 53.94 crore) of the repayment of loans amounting to ₹ 95.93 crore was made by the Government Companies.

- v. During 2023-24, interest received by the State Government against loans extended by it was ₹ 269.41 crore, an increase of ₹ 260.76 crore over the previous year.

As per **Statement 18** of the Finance Accounts of the State Government, it charged interest from loanees at the rate ranging from 10.50 *per cent* to 11.36 *per cent* during 2023-24. The Government, however, had not disclosed the rate(s) of interest to be charged with the loanees in all cases.

Loanee group-wise total disbursements and repayment of loans during the last five years, are shown in **Table 2.35**.

Table 2.35: Loanee group-wise total disbursement and repayment of loans during the last five years (2019-20 to 2023-24)

(₹ in crore)

Loanee Group	Total	
	Disbursement	Repayment
Universities/Academic Institutions	0.00	0.00
Municipalities/Municipal Councils/ Municipal Corporations	0.00	0.00
Housing Boards	0.00	0.00
Government Companies	5,444.47	72.13
Co-operative Societies/ Co-operative Corporations/ Banks	328.71	831.59
Panchayati Raj Institutions	5.97	0.00
Statutory Corporations	615.85	6.05
Government Servant	116.98	100.79
Loans for Miscellaneous purposes	0.00	0.00
Others	939.43	5.61
Total	7,448.41	1,016.17

(Source: Finance Accounts of the respective years)

Table 2.35 shows that:

- Against the loans of ₹ 7,448.41 crore, disbursed during the period of 2019-20 to 2023-24, only ₹ 1,016.17 crore was repaid.
- Loans were advanced to the Government Companies, Co-operative Societies/ Co-operative Corporations Banks, Statutory Corporations and Government servants *etc.*
- During the last five years, the pace of repayment of loans was higher than the pace of their disbursements under Co-operative societies/Co-operative Corporations/ Banks and Statutory Corporations. However, in case of Government Companies, to which 73.07 *per cent* of the loans had been disbursed during the last five years, only 1.32 *per cent* of the loans disbursed to them was repaid during the last five years.
- Recovery from the Govt. Companies constitutes only 7.09 *per cent* of the total recovery from the loanee entities during the last five years.

Amount of interest arrears from different loanee groups is shown in **Table 2.36**.

Table 2.36: Loanee group-wise details of interest payment in arrears for the period 2019-24

(₹ in crore)

Loanee Group	2019-20	2020-21	2021-22	2022-23	2023-24
Universities/Academic Institutions	0.00	0.00	0.00	0.00	0.00
Municipalities/Municipal Councils/ Municipal Corporations	63.40	63.40	63.40	63.40	63.40
Housing Boards	6.40	6.40	6.40	6.40	6.40
Government Companies	4,186.71	5,118.51	6,054.40	6,996.90	7,944.64
Co-operative Societies/ Co-operative Corporations/ Banks	718.02	801.88	887.48	973.13	1,058.78
Panchayati Raj Institutions	26.77	30.00	33.23	36.46	39.69
Statutory Corporations	4,576.75	4,677.63	4,768.52	4,869.33	4,970.14
Government Servant	0.00	0.00	0.00	0.00	0.00
Loans for Miscellaneous purposes	0.00	0.00	0.00	0.00	0.00
Others	685.14	817.04	948.94	1,079.65	1,210.36
Total	10,263.19	11,514.86	12,762.37	14,025.27	15,293.41

(Source: Finance Accounts of the respective years)

As can be seen from **Table 2.36**:

- Total amount of Interest payment in arrears was on an increasing trend and increased by 49.01 *per cent* (₹ 5,030.22 crore) between 2019-20 to 2023-24.
- The amount of Interest payment in arrears from Municipalities/Municipal Councils/ Municipal Corporations and Housing Boards has remained constant during the last five years.
- Interest receivable from the Govt. Companies constituted 51.95 *per cent*, followed by the Statutory corporation (32.50 *per cent* of interest out of total realisable). These two constituted 84.45 *per cent* of total realisable interest from the loanee group.

Non-payment of interest would result not only in accumulation of interest but also deprive the State of its revenue on account of interest on loans provided to these loanees.

The State Government did not furnish any response on the audit observation (December 2024).

2.5.3.3 Inoperative Loan accounts

Under some Major Heads, outstanding balances of loans (₹ 50 crore and above), amounting to ₹ 1,915.99 crore, disbursed to various bodies/authorities during previous years, had remained inoperative *i.e.*, neither principal nor any interest was paid for the last nine years (FY 2014-15 to 2023-24). Inoperative loan accounts are shown in **Table 2.37**.

Table 2.37: Inoperative loan accounts

(₹ in crore)

Major Head	Head of Account	2015-24
6215	Loans for water supply and sanitation	70.04
6216	Loans for housing	136.73
6217	Loans for urban development	260.47
6408	Loans for food storage and warehousing	1,448.75
Total		1,915.99

(Source: Finance accounts of the respective years)

These outstanding loans may be reviewed at appropriate levels by the State Government and steps for recovery or write-off, if required, may be taken.

Apart from the above, some other outstanding loans under four Major Heads where only minor change in outstanding amounts had taken place and substantial amounts thereunder were still inoperative are as given in **Table 2.38**.

Table 2.38: Loans with minor changes in outstanding amount

(₹ in crore)

Major Head ⁸	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
6515	57.64	57.64	57.64	57.64	57.64	57.64	57.64	57.64	63.61
6801	15,445.86	15,520.91	15,745.26	15,571.40	15,622.97	15,865.97	15,943.10	16,034.13	16,118.02
6860	468.78	469.88	469.88	469.88	469.88	469.88	474.13	474.13	474.13
6885	314.08	314.08	314.07	314.06	314.05	314.05	334.05	334.05	334.04

(Source: Finance accounts of the respective years)

Table 2.38 shows that significant loan amounts remained intact during the last eight financial years. Substantial part of these amounts was related to loans given for power projects. During the year, ₹ 86.73 crore was given as loans for the power projects and only ₹ 2.85 crore was recovered. Out of ₹ 86.73 crore, ₹ 67.64 crore was provided to DISCOMs (NBPDC and SBPDCL) under Major Head 6801, for payment of principal and interest on loan amount.

Further, a sum of ₹ 610 crore was observed as minus balance under different Loan heads which requires reconciliation (**Appendix-2.2**). These balances were being carried forwarded from 2003-04 onwards. Negative balance of loans may be reviewed at appropriate level and steps for write-off/reconciliation of this balance, if required, may be taken by the State Government.

During the Entry Conference for SFAR, the Secretary (Resource), Finance Department, GoB, assured that reconciliation of these amounts, at the earliest would be done.

2.5.3.4 Capital blocked in incomplete projects

An assessment of capital blocked in incomplete capital projects would also indicate the quality of Capital Expenditure. Blocking of funds in incomplete projects/ works impinges negatively on the quality of expenditure and deprives the State of the intended benefits of the projects for prolonged periods. Further, funds borrowed for implementation of these projects, during the respective years would lead to an extra

⁸ 6515- Loans for other Rural Development Programmes, 6801-Loans for Power Project, 6860- Loans for Consumer industries and 6885- Other loans to Industries & Minerals.

burden, in terms of servicing of debt and interest liabilities. Details of the incomplete projects are shown in **Table 2.39** (based on information provided by the State Government for *Appendix-IX* of the Finance Accounts for the year 2023-24).

Table 2.39: Capital blocked in incomplete projects

(₹ in crore)

Age profile of incomplete projects as on 31 March 2024			
Year	No. of incomplete projects	Estimated cost	Expenditure incurred
2013-14	1	2.37	-
2014-15	0	-	-
2015-16	0	-	-
2016-17	5	411.86	14.26
2017-18	3	12.71	-
2018-19	10	217.11	2.57
2019-20	23	637.64	45.96
2020-21	37	890.07	115.17
2021-22	32	1,215.09	334.40
2022-23	34	2,747.29	613.29
2023-24	209	3,519.84	886.83
Total	354	9,653.97	2,012.48

Department-wise profile of incomplete projects till 31 March 2024		
Department	No. of incomplete projects	Estimated. Cost (Expenditure incurred)
Water Resources	167	4,861.89
Public Health Engineering	52	241.40
Building Construction	70	2,901.94
Road Construction	46	1,611.74
Rural Works	15	28.64
Local Area Engineering Organisation (Planning and Development)	4	8.36
Total	354	9,653.97

(Source: Finance Accounts of the respective years)

Out of the estimated cost of ₹ 9,653.97 crore on these 354 ongoing projects, ₹ 2,012.48 crore was spent till 2023-24. Therefore, due to non-completion of these 354 projects, Capital Expenditure of ₹ 2,012.48 crore remained blocked.

Due to incomplete information in *Appendix-IX* (Commitments of the Government-List of Incomplete Capital Works) of the Finance Accounts for the year 2023-24 (provided by the State Government), Audit could not ascertain the actual progressive expenditure, physical progress of work, position of pending payment (future liability) and revised cost, if any, as on 31 March 2024.

2.5.3.5 Misclassification of Revenue Expenditure as Capital Expenditure and vice-versa

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

During 2023-24, expenditure of ₹ 0.21 crore was booked under Revenue Section instead of Capital Section and ₹ 22.53 crore under Capital Section instead of Revenue Section.

Misclassification of the Revenue Expenditure as well as Capital Expenditure resulted in the overstatement of Capital Expenditure and understatement of Revenue Expenditure by ₹ 22.32 crore each. Further, it also impacted adversely the Revenue Surplus and Fiscal Deficit to that extent.

2.5.4 Expenditure priorities

Enhancing human development levels requires the State to step up their expenditure on key social services like education, health, etc. Low fiscal priority (ratio of expenditure under a category to aggregate expenditure) is attached to a particular sector if the allocation is below the respective national average. Higher the ratio of these components to Total Expenditure, the quality of expenditure is considered to be better. An analysis of the Expenditure priorities of the State, with regards to Health, Education and Capital Expenditure (CE), is shown in Table 2.40.

Table 2.40: Expenditure priority of the State with regards to Health, Education and Capital Expenditure during 2023-24

	AE* / GSDP	CE/AE	Education/ AE	Health/ AE
General Category States Average (2018-19)	16.38	14.04	14.76	5.07
State	27.92	14.28	19.31	4.96
General Category States Average (2023-24)	15.66	15.38	14.36	5.71
State	26.81	15.91	19.07	5.68

(Source: Economic Advisor of CAG and Finance Accounts)

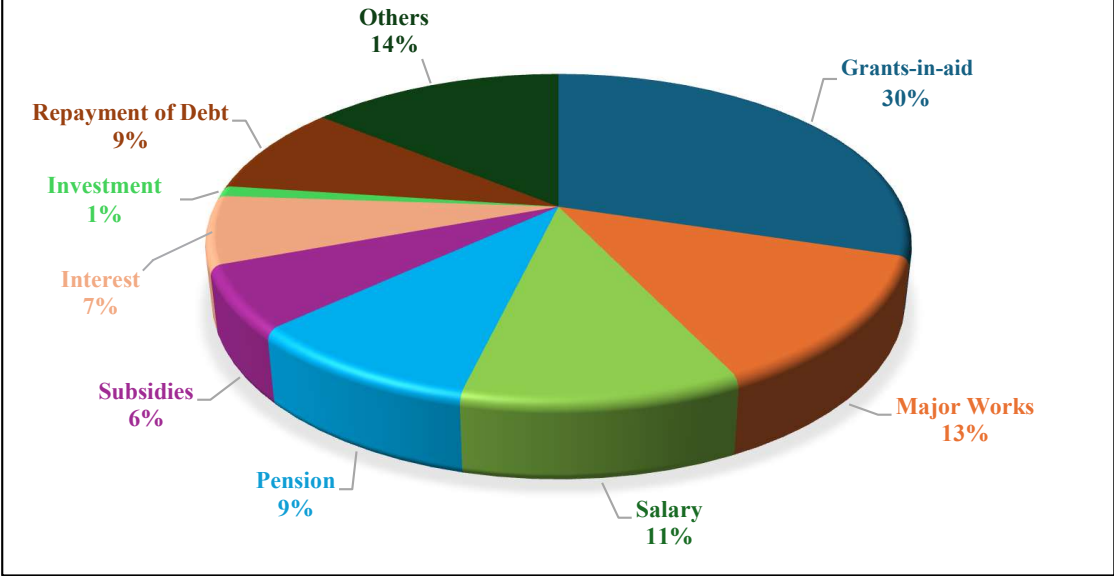
* AE-Aggregate expenditure

It may be seen from Table 2.40 that during 2023-24, the expenditure priorities of the State were above the General Category States Average except expenditure on Health.

2.5.5 Object head-wise expenditure

The Object head-wise expenditure for 2023-24 is shown in Chart 2.14.

Chart 2.14: Object head-wise expenditure



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

2.6 Public Account

Receipts and Disbursements, in respect of certain transactions, such as Small savings, Provident Funds, Reserve Funds, Deposits, Suspense, Remittances, etc., which do not form part of the Consolidated Fund, are kept in the Public Account, set up under Article 266(2) of the Constitution and are not subject to vote by the State Legislature. The

Government acts like a banker in respect of these. The balance, after disbursements during the year, is the fund available with the Government, for use for various purposes.

2.6.1 Net Public Account Balances

Component-wise net balances in the Public Account of the State at the end of March of respective five years are given in **Table 2.41**.

Table 2.41: Component-wise net balances in Public Account of the respective years

(₹ in crore)						
Sector	Sub Sector	2019-20	2020-21	2021-22	2022-23	2023-24
I. Small savings, Provident Funds, etc.	Small savings, Provident Funds, etc.	190.40	166.29	76.28	(-) 124.77	(-) 255.76
J. Reserve Funds	(a) Reserve Funds bearing Interest	522.95	378.12	140.42	1,585.11	1,222.72
	(b) Reserve Funds not bearing Interest	0.00	(-) 26.32	0.00	0.00	0.00
K. Deposits and Advances	(a) Deposits bearing Interest	202.65	(-) 75.05	(-) 57.17	40.52	(-) 247.91
	(b) Deposits not bearing Interest	1,509.34	4,336.01	(-) 1,543.24	363.64	1,476.52
	(c) Advances	0.00	0.00	0.00	0.00	0.00
L. Suspense and Miscellaneous	(a) Suspense (Civil)	(-) 5,773.58	(-) 4,879.88	(-) 238.38	1,199.82	8,804.89
	(b) Other Accounts	(-) 2,735.55	(-) 191.23	(-) 4,148.08	7,961.19	(-) 12,655.59
	(c) Accounts with Governments of Foreign Countries	(-) 0.01	(-) 0.01	(-) 0.01	0.00	0.00
M. Remittances	(a) Money Orders, and other Remittances	(-) 2.44	4.37	(-) 7.53	0.00	(-) 2.36
	(b) Inter- Governmental Adjustment Account	(-) 794.07	794.07	0.00	0.00	(-) 0.01
Total		(-) 6,880.31	506.37	(-) 5,777.71	11,025.51	(-) 1,657.51

(Source: Finance Accounts of the respective years)

During 2023-24, net Public Account receipts of ₹ (-) 1,657.51 crore had a negative contribution in the total resources of the State. The major deficit in net Public Account Payment was seen in other accounts ₹ (-) 12,655.59 crore under Suspense and Miscellaneous due to excess of disbursements over receipts by ₹ 12,692.26 crore under ‘Cash Balance investment account’.

The State Government did not furnish any response on the audit observation (December 2024).

2.6.2 Reserve Funds

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

The State Government had four Reserve Funds (three interest-bearing and one non-interest bearing) at the end of the financial year 2023-24. At the end of 31 March 2024,

total accumulated balance under these funds was ₹ 12,343.97 crore. Details of reserve funds are given in **Table 2.42**.

Table 2.42: Details of Reserve funds

(₹ in crore)

Sl. No.	Name of Reserve Fund	Balance as on 31 March 2024
A	Reserve Funds bearing interest	3,849.31
1	State Disaster Response Fund	2,800.04
2	State Compensatory Afforestation Fund	289.47
3	State Disaster Mitigation Fund	759.80
B	Reserve Funds not-bearing interest	8,494.66
1	Sinking Funds	8,494.66
Grand Total		12,343.97

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

Against the Total Receipts of ₹ 3,863.26 crore under reserve funds, only ₹ 1,174.01 crore was disbursed leading to enhancement of reserve funds by ₹ 2,689.25 crore, over the previous year.

2.6.2.1 Consolidated Sinking Fund (CSF)

The Twelfth Finance Commission recommended that States should set up sinking funds for amortisation of all loans including loans from banks, liabilities on account on National Small Savings Fund, *etc.*, and that these funds should not be used for any other purpose, except for the redemption of loans. The Reserve Bank of India (RBI) guidelines for administering the fund, stipulate a minimum annual contribution of 0.5 *per cent* of Outstanding Liabilities at the beginning of the year towards this fund. The fund is invested by RBI and the details of investment are given in **Statement-22** of Finance Accounts.

The State Government set up a Consolidated Sinking Fund (CSF) in 2008-09, only for amortisation of market loans and from 2014-15 onwards, it was to be utilised for redemption of the Outstanding Liabilities of the Government. During 2023-24, the GoB contributed ₹ 1,466.54 crore (0.57 *per cent* of the Outstanding Liabilities at the beginning of the year) in CSF against required ₹ 1,292.80 crore (0.5 *per cent* of Internal Debt: ₹ 2,08,098.10 crore + Public Account: ₹ 50,461.44 crore of previous year).

There was a total amount of ₹ 10,486.99 crore (Principal: ₹ 8,494.66 crore + Interest: ₹ 1,992.33 crore) under the Fund as on 31 March 2024 which was an increase of 26.03 *per cent* over the previous year's accumulated balance of ₹ 8,320.73 crore.

2.6.2.2 State Disaster Response Fund

The GoI replaced the erstwhile Calamity Relief Fund with the State Disaster Response Fund (SDRF) with effect from 1 April 2010. In terms of the guidelines of the Fund, the Centre and States are required to contribute to the Fund in 75:25 proportion. The contributions are to be transferred to Major Head – 8121 of Public Account and Expenditure is incurred by operating Major Head – 2245.

The State Governments are required to pay interest to the SDRF at the rate applicable to overdrafts under overdraft Regulation Guidelines of the RBI. The interest is to be credited on a half-yearly basis. The accretions to the SDRF together with the income

earned on the investment of SDRF are to be invested in Central Government dated Securities, auctioned Treasury Bills and other interest-earning deposits with Scheduled Commercial Banks.

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

The GoI contributed ₹ 1,248.80 crore and State Government released its share of ₹ 416 crore to SDRF in 2023-24. The State Government transferred ₹ 1,698.57 crore (Central share ₹ 1,248.80 crore, State share ₹ 416 crore and interest received from invested amount of SDRF ₹ 33.77 crore) to the Fund under Major Head 8121-122 SDRF. Out of this ₹ 1,698.57 crore, an amount of ₹ 586.40 crore was spent from SDRF and amount of ₹ 1,000 crore was invested therefrom. The balance under SDRF as on 31 March 2024 stood at ₹ 2,800.04 crore.

The State Government has not received any Grants from the GoI towards National Disaster Response Fund (NDRF) during 2023-24.

2.6.2.3 State Disaster Mitigation Fund (SDMF)

The State Disaster Mitigation Fund (SDMF) was to be constituted under section 48 (1) (c) of the Disaster Management Act, 2005. This Fund is exclusively for the purpose of mitigation projects in respect of disaster covered under SDRF/ NDRF guidelines and the State specific local disaster notified by the State Government from time to time.

The State Government created the SDMF in July 2022, under the Major Head 8121-130-State Disaster Mitigation Fund. Central and State Governments are to contribute to the Fund in the ratio of 75:25. During 2023-24, ₹ 304.80 crore was received from the Central Government under SDMF and State Government's share was ₹ 101.60 crore.

The State Government transferred ₹ 611.30 crore (Central share: ₹ 453.50 crore including ₹ 148.70 crore previous year 2022-23; State share: ₹ 151.20 crore including ₹ 49.60 crore previous year 2022-23 and interest received from invested amount of SDMF ₹ 6.60 crore) to the Fund under Major Head 8121-130 SDMF. Amounts of ₹ 223.52 crore and ₹ 200 crore were spent and invested, respectively, from the Fund leaving a closing balance of ₹ 759.80 crore as on 31 March 2024 therein.

2.6.2.4 Guarantee Redemption Fund

As per the recommendations of the XIIth Finance Commission, the State Government was required to create a Guarantee Redemption Fund (GRF) and contribute an amount equivalent to at least 0.5 *per cent* of the outstanding guarantees at the end of the financial year preceding the current financial year, as reflected in the books of accounts, maintained by the Accountant General (A&E). The accumulations in the Fund are to be utilised only towards payment of the guarantees issued by the Government against the loans not paid by the institutions on whose behalf the guarantee was issued. The State can also avail special drawing facility at a discounted rate from RBI against incremental funds invested in GRF.

The State Government had neither created a GRF, nor it had framed any rules for fixing a ceiling on guarantees. As such, the State Government did not make a minimum annual contribution of ₹ 129.70 crore to the GRF (0.5 *per cent* of outstanding guarantees of ₹ 25,939.25 crore at the beginning of the year 2023-24). Non-contribution in GRF deprived the State from getting special drawing facility at a discounted rate from RBI as well as resulting in overstatement of Revenue Surplus of the State to that extent.

2.6.2.5 Funds outside the Consolidated Fund/Public Account of the State

Article 266 (1) of the Constitution of India, subject to the provisions of Article 267, provides that all revenues received by the Government of a State, all loans raised by that Government by the issue of treasury bills, loans or ways and means advances and all moneys received by that Government in repayment of loans shall form one consolidated fund to be entitled “the Consolidated Fund of the State”. Article 266 (2) provides that all other public moneys received by or on behalf of the Government of a State shall be credited to the Public Account of the State, as the case may be.

The State Government imposed various Cess/Levies for meeting expenditure for specific purposes. Audit collected Information/data regarding cesses being levied by the Departments concerned which are discussed below:

Building and Other Construction Workers Welfare Cess

Keeping in view, the welfare of construction workers of unorganized sector, Central Government formulated Building and other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996 and Building and other Construction Workers Cess Act, 1996, following which, Bihar Building and other Construction Workers (Regulation of Employment and Conditions of Service) Rules, 2005 and Rules (Amendment), 2016 have been formulated by the State Government. In the light of the provisions of the Act and Rules, Govt. of Bihar has constituted the Bihar Building and other Construction Worker Welfare Board in the month of February 2008 for the welfare of Construction Workers.

The main function of the Board is to provide funds under various welfare schemes to construction workers of the State. The Board collects funds at the rate of one *per cent* of the Total Expenditure incurred on ongoing construction works under the GoI, GoB, Semi-Government and Private Sector in the State.

The Departments booked the collection of the Cess under Major Head 8443- Civil Deposit-108-Public Works Deposits, which contains many other receipts apart from the Cess. Consequently, the amount of Labour Cess collected by various departments could not be ascertained. Therefore, a separate Sub Head (8443-00-108-0004) was opened by the Government in June 2019 for booking of the Cess collected by various departments, executing projects involving labour. The Sub Head opened was, however not functional as on 31 March 2024.

As per the Finance Accounts, amounts of collection of the Cess and its transfer to the BBOCWW Board during 2019-20 to 2023-24 are shown below in the **Table 2.43**.

Table 2.43: Collection and transfer of Labour Cess to the Bihar Building and Other Construction Workers Welfare Board

(₹ in crore)

Year	Collected	Transferred	Un-transferred amount
2019-20	89.90	0.14	89.76
2020-21	116.97	31.44	85.53
2021-22	122.23	51.41	70.82
2022-23	104.95	92.91	12.04
2023-24	119.61	153.98	(-) 34.37
Total	553.66	329.88	223.78

(Source: Finance Account of the respective years)

Table 2.43 shows that the GoB transferred ₹ 153.98 crore to the BBOCWW Board whereas ₹ 119.61 crore was collected during the current year, including un-transferred amounts of the earlier years also. Un-transferred balance of ₹ 223.78 crore as of March 2024, represents the liability of the State. Further, this un-transferred amount also led to the overstatement of Revenue Surplus and understatement of Fiscal Deficit to that extent.

Road Safety Cess

Under the provisions of Section 6A of the Bihar Motor Vehicles (MV) Taxation (Amendment) Act, 2016, Road Safety Cess is to be levied and collected as per the rate specified in the Act. Under the provisions of Section 6B of the Act, to manage and administer the Road Safety Cess, the State Government has established (March 2017) the “Bihar Road Safety Fund”.

The Transport Department, GoB, notified (03/2017), 0041-00-102-0002- ‘Receipts from levy of Road Safety Cess’ as HoA for the receipt of the Cess and 2041-00-101-0005- ‘Contribution of receipts from Road Safety Cess’ (RSC) as HoA for incurring expenditure under the designated Major Heads.

During 2019-2024, the State Government collected Road Safety Cess of ₹ 733.01 crore (0041-00-102-0002-Road Safety Cess). Out of this, expenditure of only ₹ 63.47 crore was incurred (2041-00-101-0005-Contribution of Receipts of Road Safety Cess) during this period resulting in parking of funds. Further un-transferred amount of ₹ 164.35 crore in 2023-24 also led to the overstatement of Revenue Surplus and understatement of Fiscal Deficit to that extent.

Other Cesses

During 2023-24, the Government collected Land Cess of ₹ 1.49 crore (2022-23: ₹ 1.26 crore and 2021-22: ₹ 1.28 crore). Although, the Government collected the Cess, it has not established a Fund for this till 31 March 2024.

Besides, the Revenue and Land Reforms Department, GoB, was levying and collecting four cesses viz., Health (50 per cent), Education (50 per cent), Road (25 per cent) and Agriculture (20 per cent) on *Lagaan* levied by it.

Although the above Cesses were being levied and collected by the Revenue and Land Reforms Department, GoB, no separate heads of account were being operated for these Cesses, in the absence of which, details of actual collection, as well as utilisation of these Cesses could not be ascertained.

Although requested, information related to the details of total number of Cesses being levied and collected in the State was not received from the Government.

National Mineral Exploration Trust (NMET)

National Mineral Exploration Trust (NMET) was established in August 2015 under section 9C (1) (inserted vide amendment in 2015) of the Mines and Mineral (Development and Regulation) – MMDR Act, 1957. Section 9C(4) of the Act states that the holder of a mining lease or a mineral concession shall pay to the Trust, a sum equivalent to two *per cent* of the royalty paid in terms of the Second Schedule, in such manner as may be prescribed by the Central Government.

Rule 7(6) of the NMET Rules, 2015 states, that the responsibility of collection and depositing the amount so collected in the Trust Fund and maintaining necessary accounts to be shared with the Central Government shall be that of the State Government. Further, Rule 7(7) states that the State Government shall provide information regarding amount paid pursuant to sub-section (4) of Section 9C of the Act and royalty payments to the India Bureau of Mines on a monthly basis.

As per the accounting procedure, the State Government on receipt of the royalty, classifies the entire receipt under Major Head 0853 – 102 – Mineral concessions, fees and royalties. Thereafter, required amount is transferred in the Public Account of the State under Major Head 8449 – 123 - NMET. The accretions are thereafter periodically transferred to the NMET under Public Account of India. The NMET Fund is non-lapsable and non-interest-bearing fund created under the Public Account of India.

During the year 2023-24, the State Government collected royalty of ₹ 3,117.85 crore (MH 0853-102) on account of mineral concessions, fees and royalties. Therefore, two *per cent* of this amount *viz.* ₹ 62.36 crore was to be deposited in the NMET. The Government, however, has deposited ₹ 0.36 crore under Major Head 8449-Other Deposits-123-National Mineral Exploration Trust Deposits.

Short transfer of ₹ 62 crore from the Consolidated of the State to the Public Account resulted in understatement of Revenue Expenditure and overstatement of Cash Balance, Revenue Surplus, as well as Fiscal Deficit each, by this extent.

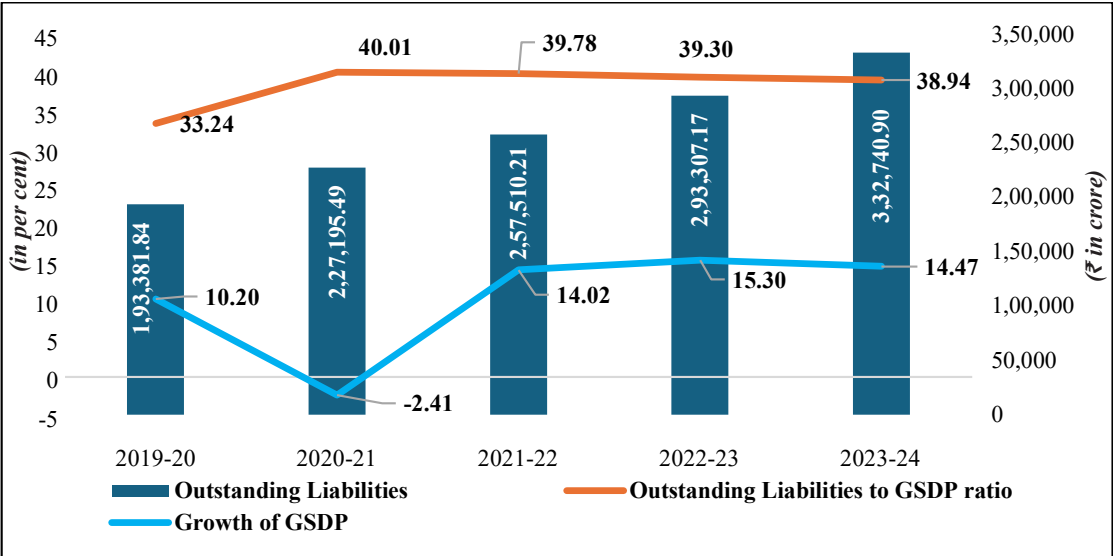
2.7 Public Liability Management

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

The State Government, as on 31 March 2024, has Outstanding Liabilities (Internal Liability, Loans and Advances from GoI and Public Account Liabilities) of ₹ 3,32,740.90 crore. Gross Fiscal Deficit (₹ 35,659.88 crore) increased by ₹ 10,092.05 crore against the Budget Estimates (₹ 25,567.83 crore) in 2023-24. The Primary Deficit (₹ 18,054.08 crore) increased over the Budget Estimates (₹ 7,213.39 crore) by ₹ 10,840.69 crore during the same period. The increased deficit was financed through borrowing. As a result, the Outstanding Liabilities increased from ₹ 2,93,307.17 crore to ₹ 3,32,740.90 crore, in 2023-24.

Outstanding Liabilities increased by 13.44 *per cent* over the previous year, but this growth was lower than the growth of GSDP (14.47 *per cent*). Trend analysis of Outstanding Liabilities of the State is shown in **Chart 2.15**.

Chart 2.15: Outstanding Liabilities of the State vis-à-vis GSDP



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

Chart 2.15 shows that the State’s Outstanding Liabilities increased by 72.06 *per cent* during 2019-20 to 2023-24. During the same period, GSDP of the State increased by 46.85 *per cent* i.e., the growth rate of State’s Outstanding Liabilities is higher to the growth rate of its GSDP, although during the current year, Debt as a percentage of GSDP decreased by 0.36 percentage points over the preceding year.

2.7.1 Liability profile: Components

Total liabilities of the State included Internal liability (Market Loans, Ways and Means advances from RBI, Special Securities issued to National Small savings Fund and loans from Financial Institutions, etc.), Loans and Advances from the Central Government, and the Public Account, as detailed in **Table 2.44**.

Table 2.44: Component-wise liability trends

		(₹ in crore)				
		2019-20	2020-21	2021-22	2022-23	2023-24
Outstanding Overall Liabilities		1,93,381.85	2,27,195.51	2,57,510.21	2,93,307.17	3,32,740.90
Public Debt	Internal Debt	1,36,082.09	1,59,557.50	1,82,855.32	2,08,098.10	2,36,205.15
	Loans from GoI	12,098.16	17,657.35	26,057.96	34,747.63	43,878.74
Liabilities on Public Account		45,201.60	49,980.66	48,596.93	50,461.44	52,657.01
Small savings, Provident Funds etc.		9,279.09	9,445.38	9,521.65	9,396.88	9,141.12
Reserve funds bearing Interest		522.95	901.07	1,041.49	2,626.60	3,849.32
Reserve funds not bearing Interest		26.32	0.00	0.00	0.00	0.00
Deposit bearing Interest		349.33	274.29	217.11	257.63	9.72
Deposit not bearing Interest		35,023.91	39,359.92	37,816.68	38,180.33	39,656.85
Off-budget Borrowings ^s		-	-	1482.50	686.77	53.48
Rate of growth of outstanding Overall debt (percentage)		14.48	17.49	13.34	13.90	13.44

	2019-20	2020-21	2021-22	2022-23	2023-24
Gross State Domestic Product (GSDP)	5,81,855	5,67,814	6,47,394	7,46,417	8,54,429
Liabilities/GSDP (<i>per cent</i>) [#]	33.24	40.01	39.78	39.30	38.94
Total Debt Receipts	94,193.12	1,08,432.31	1,17,527.57	1,29,950.58	1,62,725.19
Total Debt Repayments	69,732.59	74,618.65	87,212.86	94,153.62	1,23,291.46
Total Debt Available	24,460.53	33,813.64	30,314.71	35,796.96	39,433.73
Debt Repayments/Debt Receipts (<i>percentage</i>)	74.03	68.82	74.21	72.45	75.77

(Source: Finance Accounts and data from MoSPI)

^s Off-budget borrowings are not included in the outstanding overall liabilities.

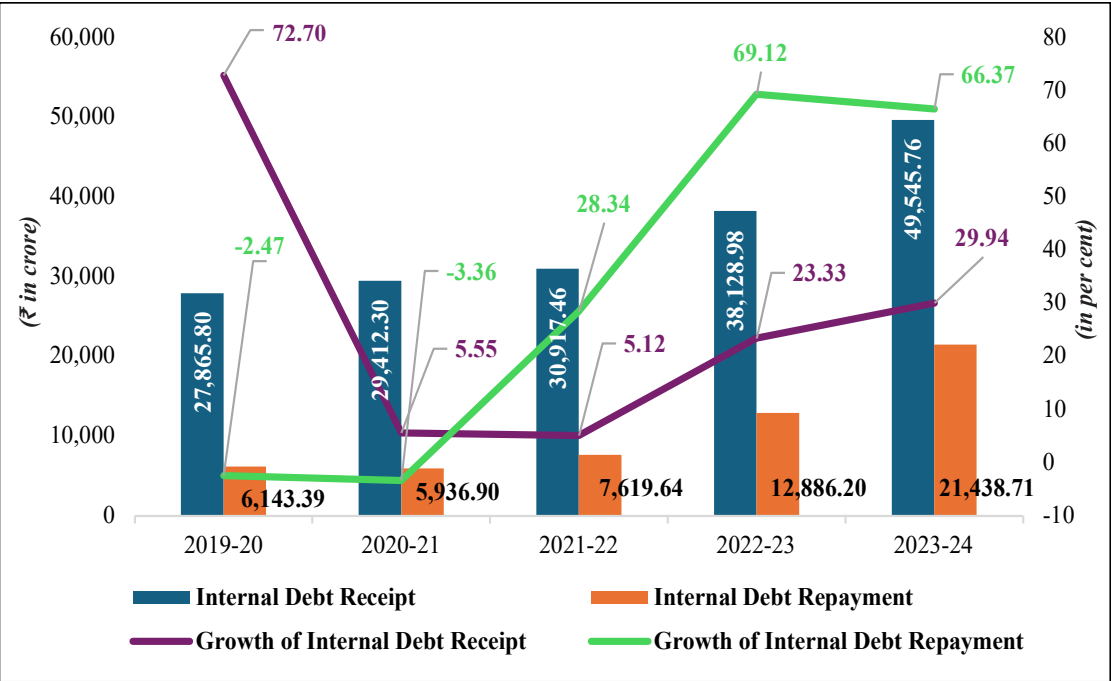
[#] The Liability to GSDP ratio is 38.94 per cent, is arrived at after exclusion of Off-budget borrowings.

From **Table 2.44** it can be seen that:

- The Outstanding Liabilities to GSDP ratio ranged from 33.24 *per cent* to 40.01 *per cent* during 2019-24. The State's overall liabilities have been increasing during the last five years. The major component of the overall liabilities was Internal Debt which constituted 70.99 *per cent*, during the current year. Further, market loans of ₹ 2,14,418.05 crore constituted substantial part of the Internal Debt (90.78 *per cent*) indicating that the Government is dependent mainly on market borrowings for financing its debts.
- Liabilities to GSDP ratio (38.94 *per cent*) of the State was within the XVth FC limit (40.40 *per cent*).
- Outstanding Liabilities of the Public Account have increased from the previous year by 4.35 *per cent*, which was 6.16 *per cent* of GSDP and 15.83 *per cent* of outstanding overall liabilities. Public Account liabilities have increased by 16.49 *per cent* from 2019-20 to 2023-24 and were highest in 2023-24 for the period of last five years. The major components of the Public Account liabilities were 'Small savings, Provident Funds *etc.*' and 'Deposits not bearing interest', as both constituted 92.67 *per cent* of total Public Account liabilities and 14.67 *per cent* of outstanding overall liabilities.
- Outstanding overall liabilities were growing at the rate of 13.44 *per cent*. As a result, outstanding overall liabilities increased from ₹ 2,93,307.17 crore in 2022-23 to ₹ 3,32,740.90 crore in 2023-24.
- During the current year, the GoB, has taken loans of ₹ 1,62,725.19 crore and repaid earlier loans of ₹ 1,23,291.46 crore *i.e.*, more than 75 *per cent* of current year's borrowings were used for repayment of earlier borrowings. On an average more than 73 *per cent* of the loans taken were used for repayment of earlier loans, during the last five years. Incurring expenditure on account of repayment of earlier liability by taking further loan, may become a burden in the long run as it creates repayment liability of principal and interest thereon.

Chart 2.16 depicts the quantum of Internal Debt taken *vis-à-vis* the quantum of internal debt repaid, during 2019-20 to 2023-24.

Chart 2.16: Internal Debt taken *vis-à-vis* Internal Debt repaid



(Source: Finance Accounts of the respective years)

Chart 2.16 shows steady growth of the Internal Debt during 2019-24. During 2023-24, although repayment of Internal Debt increased by 66.37 *per cent*, it was less than the previous year by 2.75 percentage points. The amount of Internal Debt taken was 29.94 *per cent* more than the previous year, and it increased over the previous year by 6.61 percentage points. Internal Debt receipts increased by 77.80 *per cent* from 2019-20 to 2023-24 and repayment of Internal Debt increased by 248.97 *per cent* during the same period.

Out of the current year’s borrowings, 43.27 *per cent* have been used for repayment of Internal Debt taken in earlier years. Higher repayment from Internal Debt led to contraction of productive expenditure.

2.7.1.1 Financing patterns of components of Fiscal Deficit

The deficit in the Government Accounts represents the gap between its receipts and expenditure. Fiscal Deficit is the excess of Revenue and Capital Expenditure including Loans and Advances, over revenue and Non-Debt Capital Receipts. Fiscal Deficit represents the net incremental liabilities of the Government or its additional borrowings. Break-up of Fiscal Deficit reveals the extent of various borrowings resorted to by the State to meet its requirement of funds over and above revenue and Non-Debt receipts.

The composition and financing of Fiscal Deficit for the period from 2019-20 to 2023-24 has been shown in **Table 2.45**.

Table 2.45: Components of Fiscal Deficit and its financing pattern

(₹ in crore)

Sl. No.	Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Composition of Fiscal Deficit						
1	Revenue Surplus (+)/ Deficit (-)	(-) 1784.13	(-) 11,325.11	(-) 422.38	(-) 11,288.20	2,833.06
2	Net Capital Expenditure	12,303.90	18,208.60	23,678.29	31,519.82	36,453.02
3	Net Loans and Advances	635.9	293.54	1,450.59	2,015.28	2,039.93
Financing Pattern of Fiscal Deficit						
1	Market Borrowings	22,572.54	24,684.91	24,517.46	27,700.00	30,142.94
2	Loans from GOI	312.79	5,559.19	8,400.61	8,689.67	9,131.11
3	Special Securities issued to NSSF	(-) 1,888.35	(-) 1,888.35	(-) 1,888.35	(-) 1,888.35	(-) 1,888.35
4	Loans from Financial Institutions	1,038.22	678.85	668.71	(-) 568.87	(-) 147.54
5	Small savings, PF, etc.	190.4	166.29	76.28	(-) 124.77	(-) 255.76
6	Deposits and Advances	1,711.99	4,260.96	(-) 1,600.41	404.16	1,228.61
7	Suspense and Miscellaneous	(-) 5,709.73	(-) 4,832.74	(-) 141.89	1,163.65	8,840.22
8	Remittances	(-) 796.5	798.44	(-) 7.53	-	(-) 2.38
9	Reserve Fund	1367.94	351.8	140.42	2,873.11	2,689.26
10	Overall Deficit	18,799.30	29,779.35	30,165.30	38,248.60	49,738.11
11	Increase/Decrease in cash balance with RBI	(-) 4,075.37	47.90	(-) 4,614.02	6,574.70	(-) 14,078.23
12	Fiscal Deficit	14,723.93	29,827.25	25,551.28	44,823.30	35,659.88

(Source: Finance Accounts of the respective years)

During the year 2023-24, the State registered Fiscal Deficit of ₹ 35,659.88 crore, which was mainly financed through market borrowing and loans from the GoI.

2.7.2 Debt Sustainability Analysis

Debt Sustainability analysis has been carried out on the basis of fiscal and debt parameters: Domar approach and compliance of macro-fiscal parameters to the respective FRBM targets. The results of analysis are given in the following paragraphs:

(A) Debt Sustainability Indicators

Debt Sustainability indicates the ability of the State to service its debts in the future. Sustainability of debt therefore also refers to sufficiency of liquid assets to meet current or committed obligations and the capacity to maintain balance between costs of additional borrowings with returns from such borrowings. Apart from the magnitude of debt of the State Government, it is important to analyse various indicators that determine the debt sustainability of the State.

Table 2.46 presents indicators of Debt Sustainability for the period 2019-24.

Table 2.46: Trends in Debt Sustainability Indicators

(₹ in crore)

Sl. No.	Debt Sustainability Indicators	2019-20	2020-21	2021-22	2022-23	2023-24
1	Overall Liabilities or Overall Debt	1,93,381.85	2,27,189.51	2,57,510.23	2,93,307.16	3,32,740.90
1a	Non-Interest Bearing Debt (Reserve funds and deposits)	35,050.23	39,359.92	37,816.68	38,180.33	39,656.85
1b	Overall Liability or Overall Debt (excluding Non-Interest Bearing Debt)	1,58,331.62	1,87,829.59	2,19,693.55	2,55,126.83	2,93,084.05
2	Rate of Growth of Overall Debt (<i>per cent</i>)	14.48	17.48	13.35	13.90	13.44
3	GSDP (in nominal terms)	5,81,855	5,67,814	6,47,394	7,46,417	8,54,429
4	Nominal GSDP growth (<i>per cent</i>)	10.20	(-) 2.41	14.02	15.30	14.47
5	Overall Debt/GSDP (<i>per cent</i>)	33.24	40.01	39.78	39.30	38.94
6	Maturity profile of all kinds of borrowings (excluding liabilities under Public Accounts, if any)	1,48,130.14	1,73,097.61	1,98,259.56	2,32,204.75	2,69,450.10
6 a	0-2 years	15,455.99	22,132.78	36,011.24	43,536.45	43,394.54
6 b	2-5 years	36,502.65	63,975.81	63,928.72	64,344.71	64,346.68
6 c	5-10 years	86,138.74	76,311.33	87,803.98	1,05,820.84	1,07,359.39
6 d	Over 10 years	10,032.76	10,677.69	10,515.62	18,502.75	54,349.49
7	Gross Borrowings (corresponding to the items accounted for Overall Debt as at Sl. No. 1)	94,193.12	1,08,432.31	1,17,527.57	1,29,950.58	1,62,725.19
8	Repayments of borrowings (corresponding to the items accounted for Overall Debt including Principal and Interest Payments)	80,724.01	87,102.68	1,01,034.79	1,09,337.17	1,40,897.26
9	Repayments to Gross Borrowings (<i>per cent</i>) (8/7*100)	85.70	80.33	85.97	84.14	86.59
10	Net borrowings available as a percentage of Gross Borrowings	14.30	19.67	14.03	15.86	13.41
11	Interest payments on Overall Debt	10,991.42	12,484.03	13,821.93	15,183.54	17,605.80
12	Effective rate of interest on Overall Debt (<i>per cent</i>)	6.94	6.65	6.29	5.95	6.01
13	Revenue Receipts (RR)	1,24,233	1,28,168	1,58,797	1,72,688	1,93,347
14	Revenue Expenditure (RE)	1,26,017	1,39,493	1,59,220	1,83,976	1,90,514

Sl. No.	Debt Sustainability Indicators	2019-20	2020-21	2021-22	2022-23	2023-24
15	Interest payment to Revenue Receipts (<i>per cent</i>)	8.85	9.74	8.70	8.79	9.11
16	Primary Revenue Balance (PRB) (13-14+11)	9,207.42	1,159.03	13,398.93	3,895.54	20,438.80
17	Fiscal Balance	(-) 14,723.93	(-) 29,827.25	(-) 25,551.26	(-) 44,823.30	(-) 35,659.88
18	Primary Balance (PB) (17+11)	(-) 3,732.51	(-) 17,343.22	(-) 11,729.33	(-) 29,639.76	(-) 18,054.08
19	PB/GSDP (<i>per cent</i>)	(-) 0.64	(-) 3.05	(-) 1.81	(-) 3.97	(-) 2.11
20	Outstanding Loan & Advances Disbursed	666.30	1,113.97	1,478.51	2,056.77	2,135.86
21	Interest Receipts on Outstanding Loan & Advances Disbursed	0.88	3.90	5.68	8.65	269.41
22	Return on Investment (RoI)	0.08	0.44	0.44	0.49	12.85
23	Difference between RoI and effective rate of interest on overall liability	(-) 6.86	(-) 6.21	(-) 5.85	(-) 5.46	6.84
24	Liquidity Management (use of financial accommodation instruments available with RBI) (in number of occasions)	NIL	NIL	NIL	NIL	NIL
25	Interest/Rate Spread (GSDP growth rate – interest rate)	3.26	(-) 9.06	7.73	9.35	8.46
26	Quantum Spread (Debt x Interest Spread)	5,161.61	(-) 17,017.36	16,982.31	23,854.36	24,794.91
27	Debt Stabilisation (Quantum spread + Primary Balance)	1,429.10	(-) 34,360.58	5,252.98	(-) 5,785.40	6,740.83

(Source: Finance Accounts of the respective years)

Return on Investment (RoI) based on Loans & Advances disbursed

It can be seen from **Table 2.46** that:

- i During last three years, growth rate of overall debt had been lower than the growth rate of GSDP. State's overall debt (liability) to GSDP ratio had fallen from 40.01 *per cent* in 2020-21 to 38.94 *per cent* in 2023-24, showing a decreasing trend during this period and was within the XVth Finance Commission recommendations. A decreasing debt to GSDP ratio may be considered as leading towards stability. The State has never resorted to Ways and Means Advances (WMA) and Overdraft (OD) facilities from RBI, indicating its sound financial liquidity management.
- ii Primary Balance (PB) was on a positive track over the previous year. During 2023-24, the Primary Revenue Balance was surplus and adequate enough to meet interest payments. Positive Primary Revenue Balance and decreasing

negative Primary Balance over the previous year indicated that debt is on a sustainable path.

- iii Interest payments with respect to Revenue Receipts ranged between 8.70 *per cent* to 9.74 *per cent* during 2019-20 to 2023-24. During the current year they increased by 0.32 percentage points over the previous year. Interest payments as a percentage of Revenue Receipts should be falling over the time so that more resources are left for other productive purposes. Cost effective financing patterns enable the State to mobilise more resources, thereby reducing interest payment burden for better financial management.

A necessary condition for debt stability states that if the rate of growth of the economy exceeds the interest rate or cost of borrowings, the debt-GSDP ratio is likely to be stable provided Primary Balances are either zero or positive or are moderately negative.

Debt sustainability condition states that: (i) if the Quantum Spread together with Primary Balance is zero, then the debt-GSDP ratio would be constant, or debt would stabilise eventually (ii) if the Quantum Spread together with Primary Balance is negative, the debt-GSDP ratio would be rising and (iii) if the Quantum Spread together with the Primary Balance is positive, the debt-GSDP ratio would eventually be falling.

As per **Table 2.46**, during 2023-24, Quantum Spread was positive while the Primary Balance was negative, although improved over the previous year. During the last five years, except for 2020-21, rate of growth of GSDP exceeded the rate of interest or cost of public borrowings resulting in positive Interest/Rate Spread. This has caused Quantum Spread to be positive, during this period (except 2020-21). The Primary Balance, however, remained negative during the last five years. Negative Primary Balance and negative Quantum Spread (during 2020-21) has resulted in non-fulfilment of the necessary condition of debt stabilisation during 2020-21 and 2022-23. For the remaining period, both these indicators, cumulatively, remained positive, thereby satisfying the conditions of debt stabilisation.

During the last five years, the State utilised more than 80 *per cent* of its debt for repayment of earlier debts. Higher proportion of debt being utilised for debt servicing rather than productivity is not suitable.

(B) Debt Sustainability analysis on Domar Model

An analysis on debt sustainability was carried out based on a study by E. D. Domar (The Domar theory was published in 1944). The Domar model states that the interest rate for government loans should not exceed the growth rate of GDP.

Fiscal liabilities are considered sustainable if the Government is able to service the stock of these liabilities over the foreseeable future and the debt-GSDP ratio does not grow to unmanageable proportions. The Domar model is one of the models for analysis of Public Debt, which lays down that the debt-GDP ratio is likely to be stable if the rate of growth of the economy exceeds the rate of interest on the debt. **Table 2.47** provides the Domar sustainability conditions.

Table 2.47: Debt Sustainability criteria under Domar model

g-r (g: real economic growth rate; r: real interest rate), called Domar gap	S<0 (Primary Deficit)	S>0 (Primary Surplus)
g-r > 0 (strong economic growth)	Real economic growth exceeds real interest rate provided that the Primary Deficit registered is stable and consistent with debt/GSDP then the debt is sustainable.	Real economic growth exceeds real interest rate provided that the Primary Surplus then debt/GSDP ratio shall decrease, and debt tends towards stable level therefore sustainable.
g-r < 0 (slow economic growth)	Real economic growth is lower than real interest rate and records Primary Deficit. Then debt tends to increase without limitations and becomes unsustainable.	Real economic growth is lower than real interest rate and records Primary Surplus. Then debt is no longer sustainable provided that it is not decreased in the medium or long run.

The Fiscal Deficit of the State as a proportion of GSDP has increased during the last five years from 2.53 in 2019-20 to 4.17 in 2023-24 (**Table 1.5 (a)**). The State registered Revenue Surplus (₹ 2,833.06 crore) for the first time in the last five years. However, the Primary Deficit ranged from ₹ 3,733 crore to ₹ 29,640 crore during 2019-20 to 2023-24. After applying the Domar, the analysis showed that fiscal liabilities should converge to a stable level, as shown in the **Table 2.48**.

Table 2.48: Debt Sustainability value of the State as per the Domar Model

Sl. No.	Domar Criteria	2019-20	2020-21	2021-22	2022-23	2023-24
a	GSDP (in constant terms) (₹ in crore)	3,98,329	3,68,970	3,87,256	4,25,384	4,64,540
b	Real Growth (in constant terms)	4.44	(-) 7.37	4.96	9.85	9.20
c	Inflation based on CPI (<i>per cent</i>)	2.20	6.59	4.67	5.72	5.83
d	Effective Rate of interest*	6.94	6.65	6.29	5.95	6.01
e	Real effective rate of interest (Effective rate of interest-Inflation)	4.74	0.06	1.62	0.23	0.18
f	Growth Interest Differential (Real Growth-Real effective rate of interest) <i>i.e.</i> , Domar gap (g-r)	(-) 0.30	(-) 7.43	3.34	9.62	9.02
g	Primary Balance (₹ in crore)	(-) 3,733	(-) 17,343	(-) 11,729	(-) 29,640	(-) 18,054

(Source: MoSPI, Government of India)

* *Effective Rate of Interest: Interest Payments/Average Outstanding Debt of Previous and Current Financial Year (excluding the non-interest bearing reserve funds and deposits).*

Bihar has been a fluctuating Primary Deficit ((-) Primary Balance) State for the period 2019-20 to 2023-24. The Domar gap (g-r) remained positive during the last three years from 2021-22 to 2023-24 and was negative during 2019-21 period. 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. Domar gap (g-r) has registered a rising trend from 2020-21 to 2022-23, although during the current year it dipped to 9.02. Debt/GSDP has been on correcting trend during 2020-21 to 2023-24 but the Primary Deficit is neither stable nor it has been consistent with the Debt/GSDP.

This analysis of the available fiscal space is also subject to the impact of contingent liabilities owing to force majeure events, and any other un-inventoried losses of revenue. As these cannot be anticipated or determined statistically, they have not been factored in the analysis. The State Government would need to keep account of these contingent liabilities, while managing its debt and fresh borrowings.

The State should ensure the use of borrowing primarily meant for investment purposes and Revenue Expenditure on Social sectors such as health and education, which aid future growth and a fillip to GSDP growth. Simultaneously, the State should focus on containing its unproductive expenditure on revenue accounts especially the expenditure on subsidies, salary and pension in order to achieve a positive Primary Balance and for improving the long-term sustainability of the economy.

(C) Fiscal Deficit and Debt Sustainability

Details of the achievement *vis-à-vis* targets set in the Finance Commission Report (FCR) are shown in the **Table 2.49**.

Table 2.49: Achievement *vis-à-vis* target set in the FCR

(in per cent)

Fiscal Parameters		Achievement <i>vis-à-vis</i> target set in the FCR				
		2019-20	2020-21	2021-22	2022-23	2023-24
Revenue Deficit (+)/ Surplus (-)	T	3.00	(-) 0.1	(-) 0.5	(-) 0.8	(-) 1.20
	A	0.31	1.99	0.07	1.51	(-) 0.33
Fiscal Deficit (+)/Surplus (-)	T	3.00 ^s	5.0*	4.5 [#]	4.0 [#]	3.5 [#]
	A	2.53	5.25	3.95	6.01	4.17
Ratio of total outstanding liability to GSDP	T	25	41.20	40.20	40.80	40.40
	A	33.24	40.01	39.78	39.30	38.94
Guarantee in terms of percentage of Revenue Receipts of the previous year	T	No target				
	A	4.16	13.21	19.56	16.33	16.24

(Source: XIVth and XVth Finance Commission Report and Finance Accounts of the respective years)

^s 0.25 per cent is conditional. * 2.0 per cent per cent is conditional. [#] 0.5 per cent is conditional.

Breaching the levels of the fiscal indicators continuously may lead to the risk of the fiscal situation becoming unmanageable especially when the State is yet to establish advisory reserve funds like Guarantee Redemption Fund and others.

(D) Debt maturity and repayment profile

Debt maturity and repayment profile indicates commitment on the part of the Government for Debt repayment or Debt servicing as shown in **Table 2.50**.

Table 2.50: Debt Maturity profile of repayment of Public Debt

Period of Repayment (Years)	Category of loan (₹ in crore)			Maturity profile of outstanding Public Debt (in per cent)		
	Market Loans	Loans from GoI	Total	Market Loans	Loans from GOI	Total
0 – 1	20,613.55	780.22	21,393.77	8.73	2.35	7.94
1 – 3	42,102.00	1,357.63	43,459.63	17.83	4.08	16.13
3 – 5	41,459.99	1,427.83	42,887.82	17.55	4.29	15.92
5 – 7	42,583.49	1,565.35	44,148.84	18.03	4.71	16.38
above 7	89,421.41	28,138.65	1,17,560.06	37.86	84.58	43.63
Total	2,36,180.44	33,269.68	2,69,450.12	100.00	100.00	100.00

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

As can be seen from **Table 2.50**, 60.01 *per cent* of the Public Debt is due from five year onwards. The maturity profile of the States debt indicates a year-on-year increase in its repayment burden except for the repayment period of 3-5 years.

The debt maturity profile shows that an amount of ₹ 1,07,741.22 crore is getting due (₹ 1,04,175.54 crore: Market loans and ₹ 3,565.68 crore: Loans from GoI) during next five years and the Government has to make provisions for repayment of the same accordingly. Further, 37.86 *per cent* of Market loans and 84.58 *per cent* of Loans from the GoI are maturing after seven years.

Substantial amount (87.65 *per cent*) under total maturity amount is made up of Internal Debt of the State. 90.79 *per cent* of the Internal Debt is made up of Market loans which mainly include State Development Loans/Bihar Government Stock⁹.

2.7.3 Utilisation of borrowed funds

Borrowed funds should ideally be used to fund capital creation and developmental activities. Using borrowed funds for meeting current consumption and repayment of interest on outstanding loans is not sustainable. Utilisation of borrowed funds during 2019-20 to 2023-24 is shown in **Table 2.51**.

Table 2.51: Utilisation of borrowed funds

(₹ in crore)

Sl. No.	Year	2019-20	2020-21	2021-22	2022-23	2023-24
1	Total Borrowings	94,193.12	1,08,432.31	1,17,527.57	1,29,950.58	1,62,725.19
2	Repayment of earlier borrowings (Principal)*	69,732.59	74,618.65	87,212.86	94,153.62	1,23,291.48
3	Net Capital Expenditure	12,303.90	18,208.60	23,678.29	31,519.82	36,453.02
4	Net Loans and Advances	635.90	293.54	1,450.59	2,015.28	2,039.93
5	Remaining borrowed funds (1-2-3-4)	11,520.73	15,311.52	5,185.83	2,261.86	940.76

(Source: Finance Accounts of the respective years)

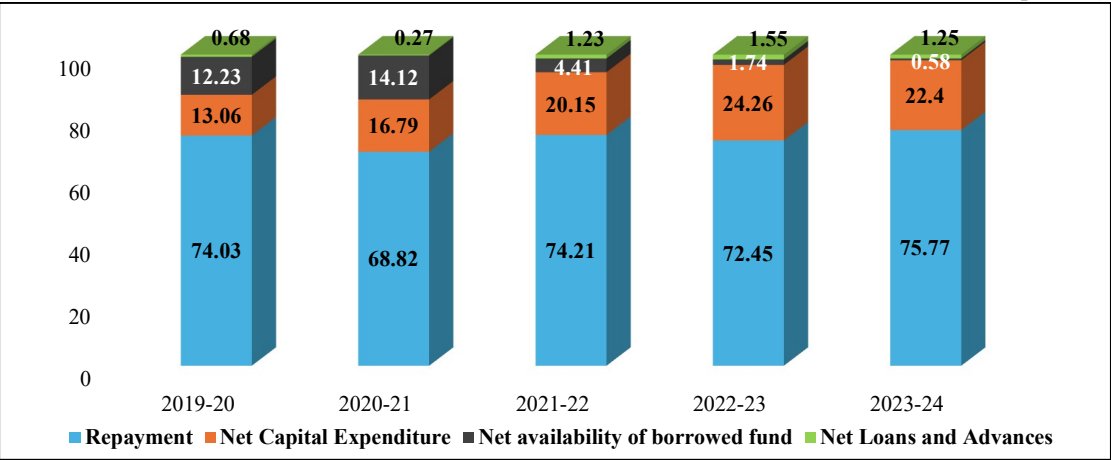
* Only Principal part of the borrowings has been taken. As the Interest part of the borrowings was being serviced through Revenue Receipts of the State.

Table 2.51 shows that State's major part of total borrowings (more than 98 *per cent*) has been spent for repayment of earlier borrowings and on Capital Expenditure during the year. An amount of ₹ 940.76 crore (0.58 *per cent* of total borrowings during the year) was not spent and enhanced the Cash Balance of the State to that extent. Trends of utilisation of borrowed funds are shown in **Chart 2.17**.

⁹ Refers to interest bearing market loans raised by the State Government.

Chart 2.17: Trends of utilisation of borrowed funds

(in per cent)



(Source: Finance Accounts of the respective years)

Chart 2.17 shows that during the last five years more than 68 *per cent* of the State borrowings are being spent for repayment of previous liabilities and during the current year it has increased over the previous year by 3.32 percentage points. Use of borrowings for repayment of previous liabilities, leaves little room for utilisation of borrowed funds for Capital Expenditure. Only 22.40 *per cent* of the borrowed funds have been utilised for creation of productive assets and 0.58 *per cent* of the borrowed funds were not utilised.

Audit observed that although borrowed funds amounting to ₹ 940.76 crore were available as a part of the Cash Balance of the State, ₹ 53.48 crore has been availed as Off-budget borrowing indicating poor financial management.

2.7.4 Status of Guarantees – Contingent Liabilities

Guarantees are contingent liabilities on the Consolidated Fund of the State, in case of default by the borrower for whom the guarantee has been extended. In order to enable SPSEs to obtain financial assistance from banks and financial institutions, the State Government gives a guarantee subject to the limits prescribed under Article 293 of the Constitution of India.

As per the recommendations of the XIIth Finance Commission, the State Government was required to create a Guarantee Redemption Fund and contribute an amount equivalent to at least 0.5 *per cent* of the outstanding guarantees at the end of the financial year preceding the current financial year.

The SPSEs are liable to pay a guarantee fee at 1/8 *per cent* annually on the guarantee amount of more than ₹ 10 lakh. Guarantees given by the GoB, during last five years, are shown in **Table 2.52**.

Table 2.52: Guarantees given by the State Government(*₹ in crore*)

Guarantees	2019-20	2020-21	2021-22	2022-23	2023-24
Ceiling applicable to the outstanding amount of guarantees including interest (Criteria)	21,181.52	25,113.74	37,631.92	40,897.18	51,682.79
GSDP	5,81,855	5,67,814	6,47,394	7,46,417	8,54,429
Revenue Receipts	1,24,233	1,28,168	1,58,798	1,72,688	1,93,347
Percentage of Ceiling amount of Guarantee as of Revenue Receipts	17.05	19.59	23.70	23.68	26.73
Percentage of Ceiling amount of Guarantee as of GSDP	3.64	4.42	5.81	5.48	6.05
Outstanding amount of Guarantees including interest	5,484.56	16,407.71	25,069.78	25,939.25	28,040.96
Percentage of Outstanding amount of Guarantee as of Revenue Receipts	4.41	12.80	15.79	15.02	14.50
Percentage of Outstanding amount of Guarantee as of GSDP	0.94	2.89	3.87	3.48	3.28

(Source: Finance Accounts of the respective years)

Maximum amount to be guaranteed during 2023-24 was ₹ 51,682.79 crore (Principal: ₹ 50,424.66 crore and Interest: ₹ 1,258.13 crore). Further, the State, estimated Government guarantees of ₹ 21,501.95 crore, in its Budget Estimates, for the year 2023-24.

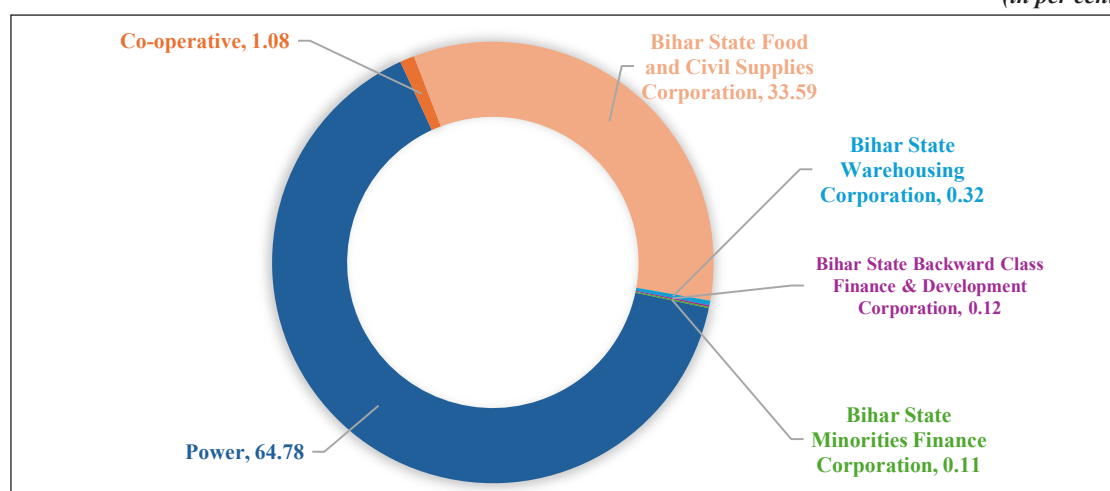
During 2023-24, State extended Guarantees amounting to ₹ 28,040.96 crore (Principal: ₹ 26,715.26 crore and Interest: ₹ 1,325.70 crore), which was over and above the Budget Estimates of ₹ 21,501.95 crore.

The Outstanding amount of Guarantee including interest in the year 2023-24 was ₹ 28,040.96 crore comprised of Power (₹ 18,164.73 crore), Co-operatives (₹ 303.89 crore), Bihar State Food and Civil Supplies Corporation (₹ 9,417.62 crore), Bihar State Warehousing Corporation (₹ 89.47 crore), Bihar State Backward Classes Finance and Development Corporation (₹ 34.42 crore) and Bihar State Minorities Finance Corporation (₹ 30.83 crore). Power Sector constituted 64.78 *per cent* of the total Outstanding Guarantees, as on 31 March 2024, and also constituted a large portion of Guarantees, during the period of last five years.

Chart 2.18 shows the percentage share of the Outstanding Guarantees for 2023-24.

Chart 2.18: Percentage shares of the outstanding amounts of guarantees

(in per cent)



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

The State Government provided substantial guarantees for the borrowings of DISCOMs from financial institutions. Given that the State Government is the guarantor, these resultant contingent liabilities are a risk to the State finances, owing to the large outstanding debt and rising/continued losses of DISCOMs.

As per Clause 2 of IGAS-1 entities are required to pay guarantee commission or fee to the Government for the Guarantee given by it.

During last five years the Government has extended maximum guarantees for power sector. However, no fee/commission was received either from power sector SPSEs or from non-power sector SPSEs, except Bihar State Food and Civil Supplies Corporation. During the last five years the Government has received guarantee fee of ₹ 3.17 crore against receivable guarantee fee of ₹ 100.77 crore (@1/8 per cent). During 2023-24, guarantee fee of ₹ 7.75 crore was receivable from the Bihar Food and Civil Supplies Corporation.

2.8 Management of Cash Balances

As per the agreement, the State has to maintain a minimum daily Cash Balance of ₹ 1.73 crore with RBI. If the balance falls below the agreed minimum on any day, the deficiency is made good by taking Ways and Means Advances (WMA)/Overdrafts (OD) from time to time. The limit for WMA to the State Government, is revised by the RBI, from time to time. From 1 April 2022, the limit is ₹ 2,272.00 crore.

The State Government invests its surplus Cash Balance in short and long-term GoI Securities and Treasury Bills. The profits derived from such investments are credited as receipts under the Major Head ‘0049-Interest Receipts’. The Cash Balances are invested in the Consolidated Sinking Fund and Guarantee Redemption Fund as well.

It is not desirable that the State Government take recourse to market loans, despite having large Cash Balances, leading to further accretion to the Cash Balances, without putting available cash to productive use. Details of Cash Balances and their investment in Cash Balance Investment Accounts are shown in Table 2.53 and Table 2.54, respectively.

Table 2.53: Cash Balances and their investment

(₹ in crore)

Particulars	Opening balance on	Closing balance on
	01 April 2023	31 March 2024
A. General Cash Balance		
Cash in treasuries	0	0
Deposits with Reserve Bank of India	805.90	726.68
Deposits with other Banks	0	0
Remittances in transit – Local	0	0
Investments held in Cash Balance investment account	14,069.82	26,762.09
Total (A)	14,875.72	27,488.77

Particulars	Opening balance on	Closing balance on
	01 April 2023	31 March 2024
B. Other Cash Balances and Investments		
Cash with departmental officers viz., Public Works, Forest Officers	234.65	233.22
Permanent advances for contingent expenditure with department officers	765.46	765.53
Investment in earmarked funds	7,028.12	8,494.66
Total (B)	8,028.23	9,493.41
Total (A + B)	22,903.95	36,982.18
Interest realised	276.23	264.34

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

Balance under the head 'Deposits with RBI' has been arrived at after taking into account the Inter-Government monetary settlement pertaining to transactions of the financial year 2023-24 advised to the RBI till 11 April 2024.

Table 2.53 indicates that:

- The State had maintained a large Cash Balance on a regular basis, while being a Fiscal Deficit State at the same time.
- During 2023-24, the State earned interest of ₹ 264.34 crore against the investment of ₹ 26,762.09 crore made in the securities of GoI and other States.
- The Government maintained the required Cash Balance of ₹ 1.73 crore with RBI without taking any advances throughout the financial year 2023-24.
- Deposits with RBI decreased by ₹ 79.22 crore over the previous year.

Details of the Cash Balance Investment Account, during 2019-20 to 2023-24, are shown in **Table 2.54**.

Table 2.54: Cash Balance Investment Account (Major Head-8673)

(₹ in crore)

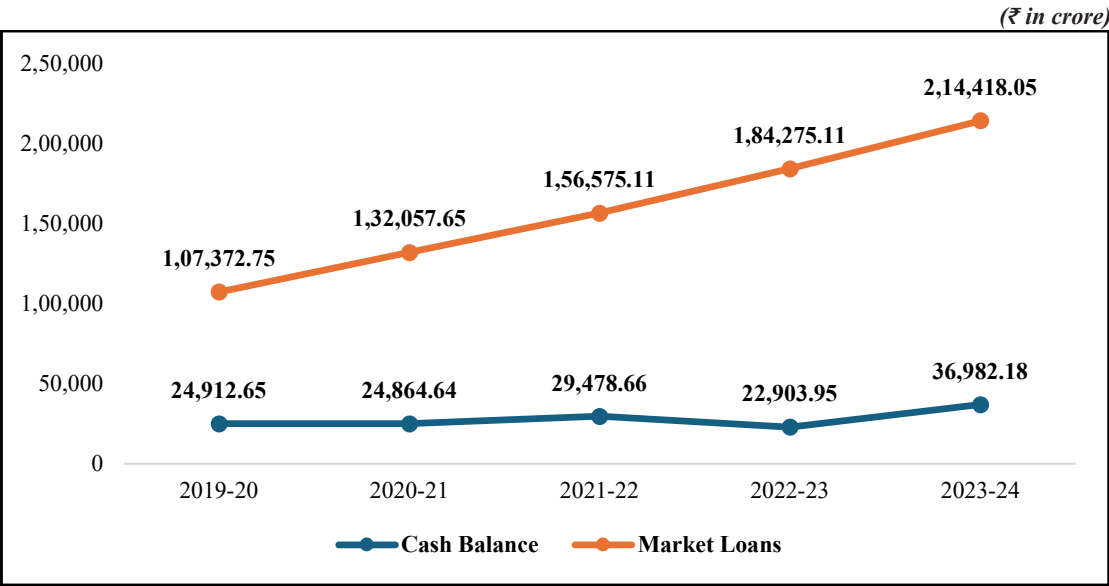
Year	Opening Balance	Closing Balance	Increase (+)/ decrease (-)	Interest earned
2019-20	14,791.80	17,588.74	2,796.94	938.84
2020-21	17,588.74	17,826.65	237.91	174.57
2021-22	17,826.65	22,070.25	4,243.60	189.70
2022-23	22,070.25	14,069.82	(-) 8,000.43	276.23
2023-24	14,069.82	26,762.09	12,692.27	264.34

(Source: Finance Accounts of the respective years)

During 2023-24, the balance in the Cash Balance Investment Account, increased significantly by ₹ 12,692.27 crore.

Year-wise Market loans raised, *vis-à-vis* the Cash Balances available in the Cash Balance Investment Account, for the years from 2019-20 to 2023-24, are compared in **Chart 2.19**.

Chart 2.19: Market loans vis-à-vis Cash Balances

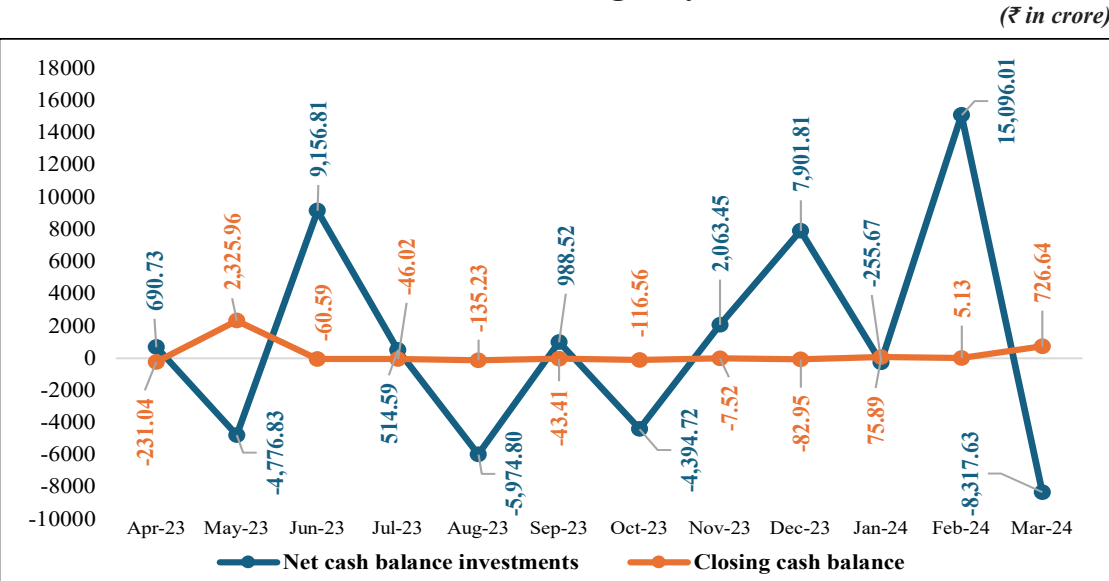


(Source: Finance Accounts of the respective years)

The State could have avoided market borrowings to the extent of the Cash Balance (₹ 36,982.18 crore). The Cash Balance of ₹ 36,982.18 crore included Cash Balance Investment of ₹ 26,762.09 crore. Interest of ₹ 264.34 crore was earned on these investments, during 2023-24.

Month-wise available Cash Balances, vis-à-vis Cash Balances invested in the Cash Balance Investment Account, are shown in **Chart 2.20**.

Chart 2.20: Month-wise movement of Cash Balances and net Cash Balance investments during the year



(Source: Monthly Civil Accounts for the year 2023-24)

A positive ‘net Cash Balance investment’ denotes investment in the Treasury Bills (TB) (MH 8673), while a negative ‘net Cash Balance investment’ indicates that the Government had credited back, into the Government Account, from the TB, by way of Maturity or Discount, during the month.

Chart 2.20 shows:

- i. substantial withdrawals in the Cash Balance investment account during the months of May 2023, August 2023, October 2023 and March 2024, resulting in negative balance in the account. During these months a total sum of ₹ 23,463.98 crore was credited back into the Government Account
- ii. receipt of major chunk (₹ 32,154.63 crore) of the funds in the form of Share of Union Taxes/duties and GIA from GoI, in the months of June 2023, December 2023 and February 2024. This resulted into a positive Cash Balance investment account in these months.

2.9 Conclusions

- i. Revenue Buoyancy with reference to GSDP increased from 0.57 in 2022-23 to 0.83 in 2023-24. State’s Own Revenue Buoyancy with reference to GSDP also increased considerably from 0.09 in 2019-20 to 0.78 in 2023-24. Performance of the State in mobilisation of OTR was better than projections of the XVth FC and the VIth SFC and close to the Budget Estimates.
- ii. The Revenue Receipts of the State had increased by ₹ 20,659 crore (11.96 *per cent*) over the previous year, whereas Revenue Expenditure grew by ₹ 6,537.95 crore (3.55 *per cent*). State’s Own Revenue registered a positive growth of 11.35 *per cent*, over the previous year.
- iii. The total Committed Expenditure increased by ₹ 7,174.89 crore (11.37 *per cent*) over the previous year. Interest payments (9.11 *per cent*) were above the target of 8.64 *per cent* of the Revenue Receipts set out in the BFRBM Act, 2022, but below the projections of the XVth FC (₹ 16,724 crore).
- iv. Subsidies constituted 8.40 *per cent* of the State’s Total Revenue Receipts, 30.30 *per cent* of the State’s Own Revenue and 1.90 *per cent* of GSDP. It was also 9.70 *per cent* more than that of the previous year.
- v. Capital Expenditure was 24.59 *per cent* (₹ 36,453.02 core) higher than the Budget Estimates (₹ 29,257.31 crore).
- vi. Outstanding overall liabilities were growing at the rate of 13.44 *per cent* and increased from ₹ 2,93,307.17 crore to ₹ 3,32,740.90 crore from 2022-23 to 2023-24. The Overall Outstanding Liabilities grew at an average rate of 14.53 *per cent* during the last five years.

The deficit indicators, revenue augmentation and expenditure management, which are major yardsticks for judging the fiscal performance of the Government are shown below:

Positive indicator	Negative indicators
Fiscal Deficit was within the limits of the XV th FC projection	Non-creation of Guarantee Redemption Fund
	Pendency in ‘Arrears of revenue’
	Short transfer of Cesses
	Creation of contingent liabilities beyond recommendation of FC

2.10 Recommendations

The Finance Department may:

- i. review the budget preparation exercise, so that the persisting gap between Budget Estimates and Actuals is bridged.
- ii. devise a mechanism to ensure collection of Arrears of Revenue expeditiously, so that the burden of the State, due to Fiscal Deficit, may be mitigated.
- iii. put in place a mechanism to ensure that complete information related to incomplete projects is made available to AG (A&E), Bihar, for presenting a comprehensive picture in this regard, via the Finance Accounts of the State.
- iv. restructure loans, so that interest payment falls within the budgeted Fiscal Deficit target.
- v. ensure complete transfer of Labour Cess to the Board so that the objectives of improving the quality of life of workers and providing adequate financial assistance to them are met.