Chapter I:
Overview of the Finances of the State

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This chapter provides a snapshot of Bihar's finances for 2024-25, covering demographics, economic indicators and the State's fiscal structure. It analyses trends in revenue and expenditure, debt levels and fiscal deficits, highlighting persistent imbalances and reliance on borrowings. The chapter flags issues like high committed expenditure, low returns on investments *etc*.

1.1 Profile of the State

Bihar, a predominantly agrarian State, covers 94,163 sq. km. and comprises 38 districts and 45,103 revenue villages. As of 2025, its population stood at 13.04 crore (9.23 *per cent* of India's total), with a density of 1,385 persons per sq. km. This section provides an overview of the State's demography, GSDP and Per Capita Income of the State.

1.1.1 Demography of the State

The State's demographic details *vis-à-vis* national average are presented in the **Table 1.1**.

Table 1.1: Demographic profile of the State

	Bihar	National average
Rural Population (*per cent*)	88.71	68.86
Urban Population (*per cent*)	11.29	31.14
Population density	1,385	430
Sex Ratio per 1,000 Males (Census of India, 2011)	918	943
Infant Mortality Rate per 1,000 Live births (Sample Registration System bulletin, 2023)	23	25
Maternal Mortality Rate per 1,00,000 women (Sample Registration System bulletin, 2021-23)	10	5
Total Fertility Rate (NFHS-5, 2019-21)	2.98	1.99
Life Expectancy at Birth (Sample Registration System bulletin 2019-23)	69.3	70.3
Population below Poverty Line (Multidimensional Poverty Index, 2023, NITI Aayog)	33.76	14.96
Literacy Rate (*Periodic Labour Force Survey report, 2023-24*)	74.3	80.9

Source: Economic Division, CAG & MoSPI, GoI

1.1.2 Economy of the State

Gross State Domestic Product (GSDP) and Per Capita Income are important indicators of the State's economy as discussed in succeeding paragraphs.

1.1.2.1 Gross State Domestic Product and Per Capita Income

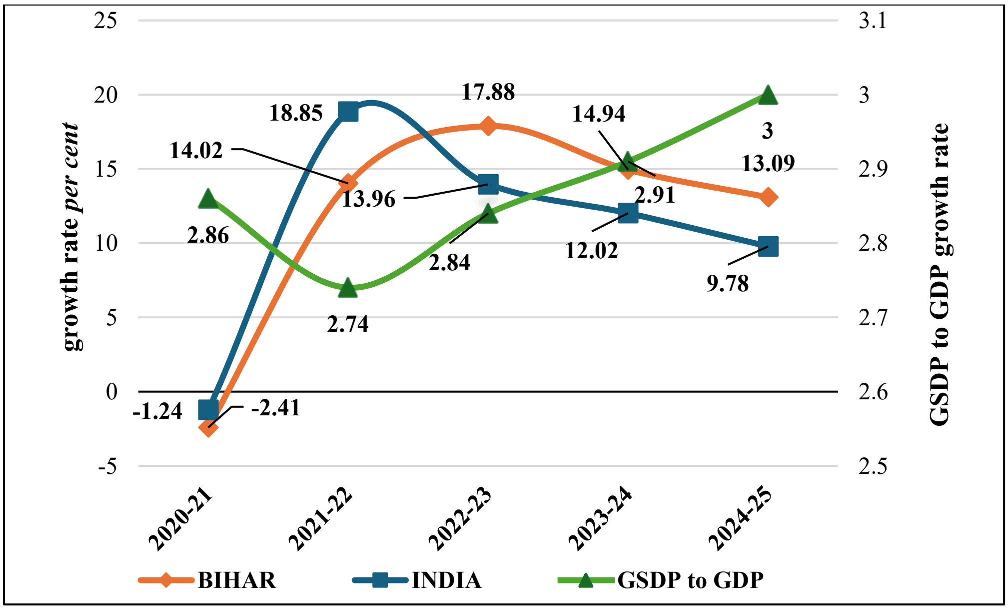
Gross Domestic Product (GDP) refers to the total value of goods and services produced within a country, while GSDP measures the same at the State level and both reflect economic development and overall progress. Trends of GSDP and GDP are given in **Table 1.2**. Year on year growth of GSDP and GDP and GSDP contribution in GDP are given in **Chart 1.1** and Per Capita Income (PCI) of the country and Per Capita Income of the State is depicted in **Chart 1.2**.

Table 1.2: Trends in GSDP compared to GDP of India (at current prices)

Year	2020-21	2021-22	2022-23	2023-24	2024-25
GDP of India (₹ in crore)	1,98,54,096	2,35,97,399	2,68,90,473	3,01,22,956	3,30,68,145
GSDP of Bihar (₹ in crore)	5,67,814	6,47,394	7,63,165	8,77,197	9,91,997
PCI of India (in ₹)	1,46,480	1,72,422	1,94,451	2,15,935	2,34,859
PCI of Bihar (in ₹)	46,412	52,144	60,573	68,609	76,490

Source: MoSPI, GoI

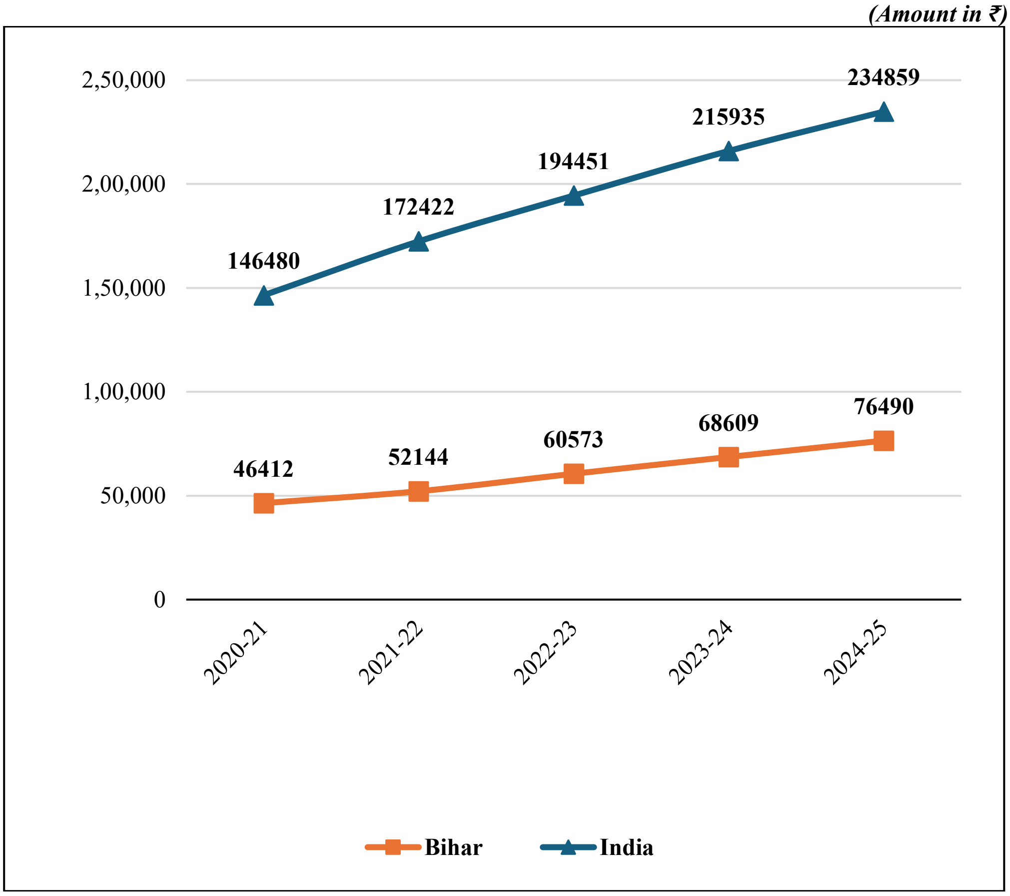
Chart 1.1: Y-o-Y growth of GDP & GSDP and GSDP to GDP growth rate



Source: MoSPI, GoI

Chart 1.2: Per Capita Income of India and Bihar

(Amount in ₹)



Source: MoSPI, GoI

Economies of Bihar and India experienced contraction during 2020-21 due to COVID-19 pandemic. The State demonstrated a robust recovery in 2021-22, with growth marginally below the national level. During the subsequent period from 2022-23 to 2024-25, Bihar's GSDP growth was above India's GDP, recording annual expansion in the range of 13 to 18 *per cent* compared to the national growth range of 10 to 14 *per cent*. The ratio of Bihar's GSDP to India's GDP improved from 2.86 to 3.0, during 2020-21 to 2024-25.

The Per Capita Income of both India and Bihar has shown a consistent upward trend during 2020-21 to 2024-25. Although both have grown at comparable rates, the absolute income gap between Bihar and the national average remained significant, with Bihar's Per Capita Income being less than one-third of India's. This indicates that while State's overall growth has been robust, the benefits are yet to translate into higher income levels for its population.

1.1.2.2 Sectoral contribution to GSDP

The sectoral contribution from various sectors during 2024-25 and sectoral growth in GSDP during the last five years are depicted in **Chart 1.3** and **Chart 1.4**, respectively.

Chart 1.3: Sectoral Contribution 2024-25

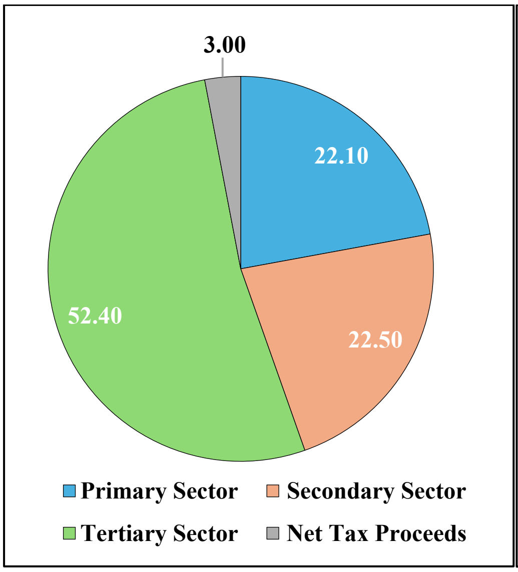
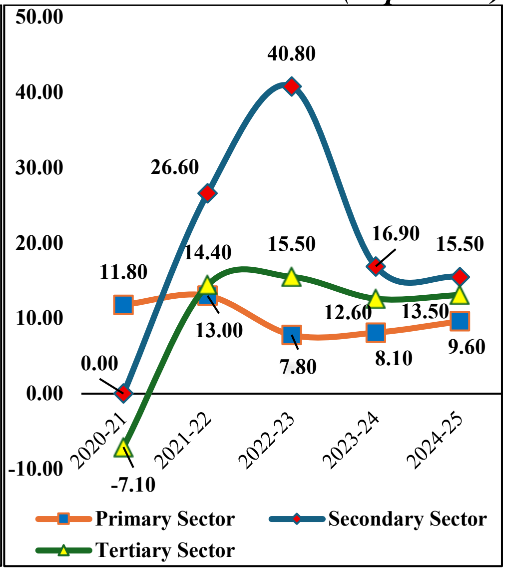


Chart 1.4: Sectoral growth in GSDP

(in per cent)



Source: MoSPI, GoI

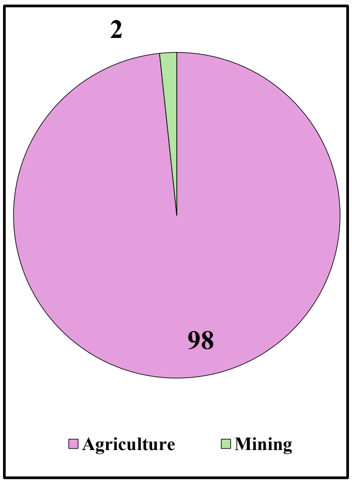
Primary Sector Growth has remained stable but modest, averaging around 8 to 10 *per cent* throughout the period, while the Secondary sector showed highest volatility among all sectors. After contracting in 2020-21, it spiked sharply (over 40 *per cent*) in 2022-23, driven by construction and infrastructure expansion and thereafter its growth remained around 16 to 17 *per cent*. The Tertiary Sector remained the most stable growth pillar, demonstrating consistent expansion with double-digit growth averaging 12-15 *per cent* (except 2020-21) across the period. Growth of Tertiary Sector during 2024-25 was driven by increased activities in trade, transport and other services.

Chart 1.5 shows the composition of each sector during FY 2024-25, in terms of its major contributing segments.

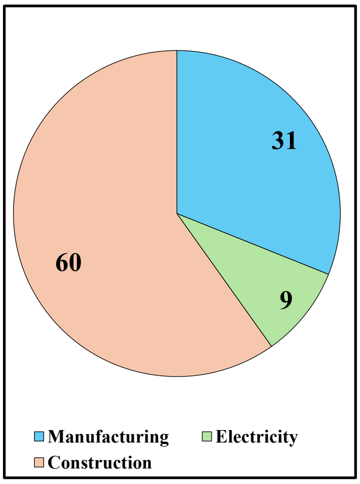
Chart 1.5: Sector-wise composition of activities during FY 2024-25

(in per cent)

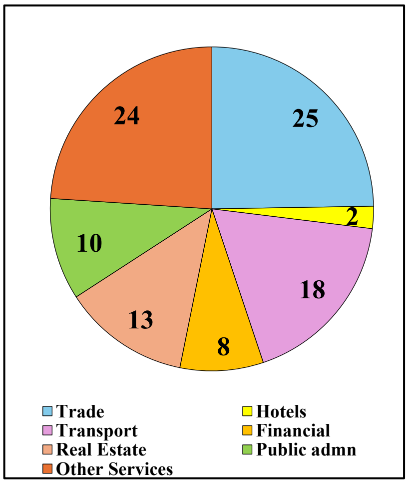
Primary Sector



Secondary Sector



Tertiary Sector



Source: Ministry of Statistics and Programme Implementation, GoI

As per latest data available, employment in Bihar is heavily concentrated in agriculture *i.e.,* 54.20 *per cent* of workers in the State are employed in agriculture/forestry/fishing (2023-24) with 22.20 *per cent* in services and 23.60 *per cent* in manufacturing.

The State needs to shift its labour from low-productivity agriculture into higher productivity industry/services.

1.1.3 Snapshot of Finances

Table 1.3 shows the details of actual financial results of the State Government of Bihar for the years 2023-24 and 2024-25 *vis-a-vis* Budget Estimates (BE), Revised Estimates (RE) and GSDP for the year 2024-25.

Table 1.3: Snapshot of Finances

(₹ in crore)

Sl. No.	Components	2023-24 (Actuals)	2024-25 (BE)	2024-25 (RE)	2024-25 (Actuals)	Percentage of Actuals to BE	Percentage of Actuals to GSDP
1.	Tax Revenue	1,61,965.18	1,67,311.92	1,83,734.93	1,83,013.07	109.38	18.45
	(i) Own Tax Revenue	48,360.69	54,300.00	54,300.00	53,578.14	98.67	5.40
	(ii) Share of Union taxes/duties	1,13,604.49	1,13,011.92	1,29,434.93	1,29,434.93	114.53	13.05
2.	Non-Tax Revenue	5,257.05	7,325.86	7325.86	5,781.37	78.92	0.58
3.	Grants-in-aid and Contributions	26,125.00	52,160.62	53382.03	29,863.39	57.25	3.01
4.	**Revenue Receipts (1+2+3)**	**1,93,347.23**	**2,26,798.40**	**2,44,442.82**	**2,18,657.83**	**96.41**	**22.04**
5.	Recovery of Loans and Advances	95.94	439.18	504.18	115.30	26.25	0.01
6.	Other Receipts	0.00	0.00	0.00	0.00	0.00	0.00
7.	Borrowings and other liabilities*	35,659.88	29,095.43	82,477.79	41,222.50	141.68	4.16
8.	Capital Receipts (5+6+7)	35,755.82	29,534.61	82,981.97	41,337.80	139.96	4.17
9.	**Total Receipts (4+8)**	**2,29,103.05**	**2,56,333.01**	**327424.79**	**2,59,995.63**	**101.43**	**26.21**
10.	Revenue Expenditure	1,90,514.17	2,25,677.00	2,81,230.45	2,19,015.21	97.05	22.08
11.	Interest payments	17,605.80	20,526.19	20,526.19	19,678.14	95.87	1.98
12.	Capital Expenditure	36,453.02	29,415.91	43,686.07	38,527.04	130.97	3.88
13.	Loans and Advances	2,135.86	1,240.09	2,508.27	2,453.38	197.84	0.25
14.	**Total Expenditure (10+12+13)**	**2,29,103.05**	**2,56,333.01**	**3,27,424.79**	**2,59,995.63**	**101.43**	**26.21**
15.	Revenue Surplus (+)/ Deficit (-) (4-10)	2,833.06	1,121.41	(-)36,787.62	(-)357.38[1]	(-)31.87	-0.04
16.	Fiscal Surplus (+)/ Deficit (-) {(4+5+6)-14}	(-) 35,659.88	(-) 29,095.43	(-)82,477.79	(-) 41,222.50	141.68	4.16
17.	Primary Deficit (-)/ Surplus (+) (16-11)	(-) 18,054.08	(-)8,569.24	(-)61,951.60	(-) 21,544.36[2]	251.42	2.17

Source: Finance Accounts for FY 2024-25 and Budget document of the respective years

* ***Borrowings and other Liabilities: Net (Receipts – Disbursements) of Public Debt + Net of Contingency Fund + Net (Receipts – Disbursements) of Public Account + Net of Opening and Closing Cash Balance.***

[1] *Post audit Revenue Deficit is ₹ 2,500.81 crore.*

[2] *Post audit Primary Deficit is ₹ 23,687.79 crore.*

Details of State Government Finances for FY 2020-21 to 2024-25 are given in ***Appendix 1.1***. Audit observed that in FY 2024-25:

- Revenue Receipts of the State Government increased by 13.09 *per cent* over the previous year but remained below the Budget Estimates (BE). In Revenue receipts, Share of Union taxes/duties was the major contributor and was more than BE (114.53 *per cent*). Own Tax Revenue almost met the BE (98.67 *per cent*) but Non-Tax Revenue and Grants-in-aid and Contributions were significantly lower at 79 and 57 *per cent* of the BE, respectively.

- Committed expenditure (₹ 86,235.64 crore)[3], which was the major component (39.37 *per cent*) of the Revenue Expenditure (₹ 2,19,015.21 crore), increased by 19.84 *per cent* (₹ 14,274.67 crore) over the previous year. This resulted in Revenue Deficit of ₹ 357.38 crore, in comparison to the Revenue Surplus of ₹ 1,121.41 crore that had been projected in the BE. Revenue Deficit eventually increased the Fiscal Deficit ₹ 357.38 crore.

- Capital Receipts increased by 15.61 *per cent* over the receipts of the previous year, which is substantially higher than BE. Market borrowings of ₹ 31,123 crore contributed the major portion (75.29 *per cent*) to the Capital Receipts. Total 33.16 *per cent* of Capital Receipts were utilised to repay the earlier debt of the Government. Capital Expenditure of the State Government increased by 5.69 *per cent* over the previous year and was above the BE by 30.97 *per cent*.

- State Government's dependence on borrowings remains significant and its resource mobilisation was mainly driven by the Share of Union Taxes/Duties.]

- The rising interest burden (1.98 *per cent* of GSDP) further limited fiscal flexibility by increasing the share of committed expenditure. Overall, the State's finances reflect underperformance in Non-Tax Revenue mobilisation and over-reliance on Share of Union taxes/duties and market borrowings.

- Excess of Revenue Expenditure over Revenue Receipts and rising committed liabilities create risks for the State's financial health. The Fiscal Deficit of the State (4.16 *per cent* of GSDP) also exceeded the limit prescribed (2.98 *per cent*) in the BFRBM Act, 2006 ***(Paragraph 1.5.3)***.

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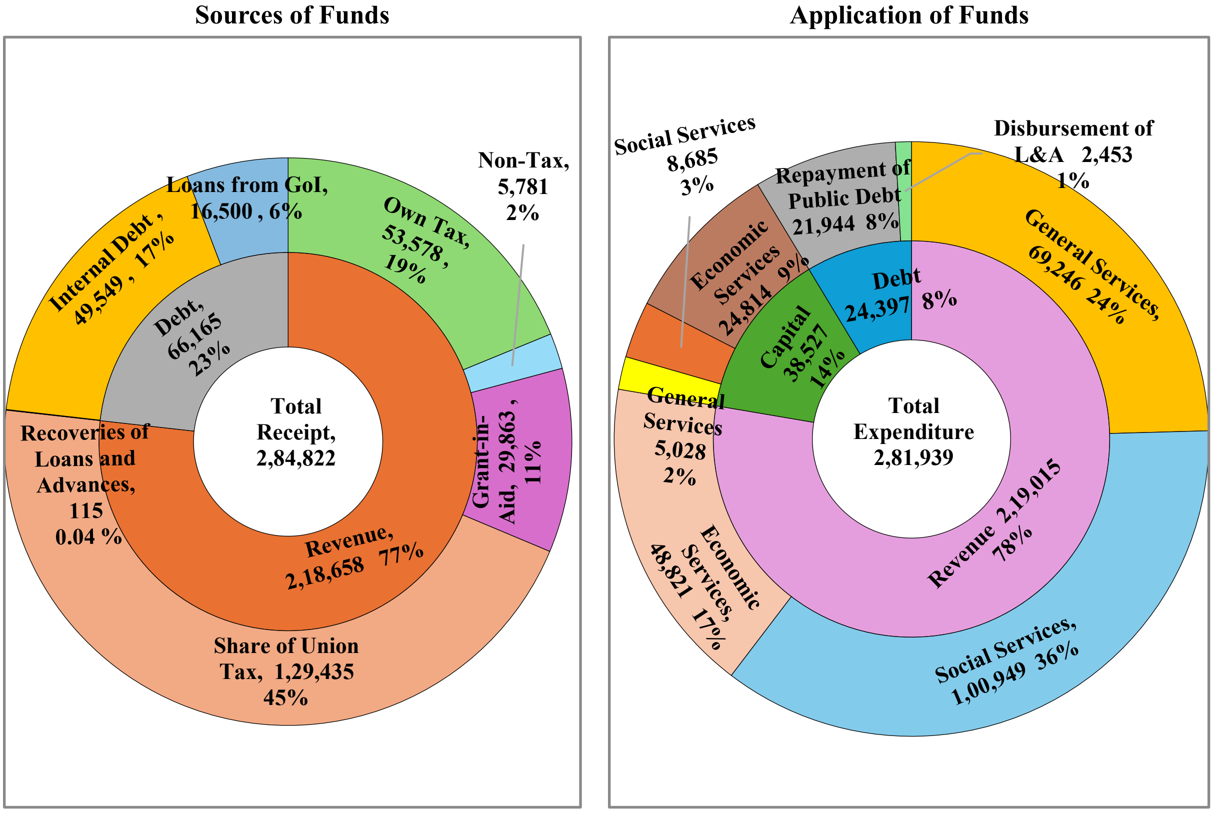
[3] *Included Salaries and wages: ₹ 40,417.89 crore, Pension: ₹ 26,139.61 crore and Interest payments: ₹ 19,678.14 crore.*

1.1.4 Sources and Application of Funds

Comparison of components of the sources and application of funds of the State during 2024-25 is given in **Chart 1.6**.

Chart 1.6: Details of Sources and Application of funds during 2024-25

(₹ in crore)



Source: Finance Accounts for the year 2024-25

Appendix 1.2 provides details of receipts and disbursements and the overall fiscal position of the State during 2024-25 year as well as in the previous year.

1.1.5 Snapshot of Assets and Liabilities of the Government

Government accounts capture the financial liabilities of the Government and the assets created out of the expenditure incurred. ***Appendix 1.3*** gives an abstract of such liabilities and assets, as on 31 March 2025, compared with the corresponding position of the previous year. The liabilities consist mainly of internal borrowings, Loans and Advances from GoI, receipts from the Public Account and Reserve Funds. Assets comprise mainly of the Capital Expenditure and Loans and Advances given by the State Government and cash balances. A summarised position of assets and liabilities, for the financial years 2023-24 and 2024-25, is given in **Table 1.4**.

Table 1.4: Summarised position of assets and liabilities as on 31 March 2025

(₹ in crore)

Liabilities		2023-24	2024-25	*Per cent* increase/ decrease	Assets		2023-24	2024-25	*Per cent* increase/ decrease
Consolidated Fund									
A	Internal Debt	2,36,205.16	2,65,142.06	12.25	A	Gross Capital Expenditure	3,27,339.05	3,65,866.09	11.77
B	Loans and Advances from GoI*	43,878.73	51,219.84	16.73	B	Loans and Advances	27,249.57	29,587.65	8.58
Contingency Fund		**350.00**	**350.00**	0.00					
Public Account									
A	Small Savings, Provident Funds, etc.	9,141.12	8,628.06	-5.61	A	Advances with Departmental officers	249.96	249.96	0.00
B	Deposits	39,666.57	43,647.03	10.03	B	Remittances	1,128.33	1,128.43	0.01
C	Reserve Funds	12,343.98	15,637.03	26.68	C	Suspense and Miscellaneous	5,611.89	2,064.85	-63.21
D	Suspense and Miscellaneous balances	206.63	1,272.58	515.87	**Cash balance (including investment of Earmarked Fund)**		**36,982.18**	**51,238.57**	**38.55**
E	Inter-State Settlement	74.01	74.01	0.00	**Difference on account of rounding-off**		**-0.01**	**-0.03**	
F	Surplus on Government Accounts	56,694.77	64,164.91	13.18					
Total		**3,98,560.97**	**4,50,135.52**	**12.94**	**Total**		**3,98,560.97**	**4,50,135.52**	**12.94**

Source: Finance Accounts of the respective years

****Proforma adjustment for repayment of ₹ 7,827.52 crore back-to-back loan in lieu of GST compensation made by Government of India from GST Compensation fund***

As of 31 March 2025, State's liabilities increased, mainly due to higher balances of internal debt and loans & advances from GoI, along with a rise in Public Account obligations. This indicates a rising dependence on borrowings and greater future repayment pressures. On the assets side, growth was supported by increases in the cumulative balances of capital expenditure and cash balances.

1.1.6 Ten-year Trend Analysis of Major Fiscal Parameters

A comprehensive ten-year trend analysis covering the period from 2015-16 to 2024-25 of the major fiscal and economic parameters of the State (presented in ***Appendix 1.4***), has been carried out to provide a long-term perspective on the State's fiscal sustainability. Ten-year trend analysis of major fiscal parameters is as follows:

- **Revenue Receipts:** Revenue Receipts registered a steady growth over the last ten years (2015-16 to 2024-25), recording a Compounded Annual Growth Rate (CAGR) of 9.57 *per cent*. This growth was primarily driven by higher Own Tax Revenue and increase in the State's share of Union taxes and duties.

- **Own Tax Revenue:** State's Own Tax Revenue grew at a CAGR of 8.62 *per cent*. This growth was supported by improvement in GST collection and higher collections from Tax on Sales, Trade *etc*., Stamps Duties and Registration fee and Taxes on Vehicles *etc.*

- **Non-Tax Revenue:** Non-Tax Revenue showed a CAGR growth of 11.70 *per cent*. The year-to-year fluctuations were mainly due to variable receipts from Interest Receipts, Dividends and Profits, User Charges, Police and Road and Bridges and Other Administrative Services *etc*.

- **State's Share in Union Taxes and Duties:** State's share in Union Taxes and Duties grew at a CAGR of 11.42 *per cent*. There was a gradual upward trend from 2020-21 to 2024-25, with a noticeable decline between 2018-19 to 2020-21. This component continues to play a significant role in the State's fiscal stability.

- **Grants-in-Aid from Government of India:** Grants-in-Aid from GoI showed fluctuating trends during the last ten years period with an overall CAGR of 4.81 *per cent* due to reductions in grants for Centrally Sponsored Schemes and Finance Commission transfers.

- **Revenue Expenditure :** Revenue Expenditure increased with a CAGR of 11.30 *per cent*, which is higher than the CAGR of Revenue Receipts. State had to finance a portion of Revenue Expenditure from borrowings, which is not a fiscally sustainable practice. Rising Committed Expenditure further reduced financial flexibility.

- **Interest Payments:** Interest Payments increased at a CAGR of 12 *per cent,* due to the rise in the Public Debt. This rising interest burden is consuming a significant share (8.98 *per cent* during 2024-25) of Revenue Expenditure and reducing funds available for developmental expenditure. It highlights the need for better debt management and stronger revenue growth.

- **Subsidies:** Subsidies rose at a CAGR of 8.20 *per cent* during the period 2015-16 to 2024-25. Thereafter, the subsidies increased particularly in the power sector, where at least more than 79 *per cent* of the subsidies were being disbursed during 2020-21 to 2024-25. The growing subsidy burden requires periodic review to ensure that such expenditure remains targeted and does not strain the State's finances.

- **Capital Receipts:** Capital Receipts grew at a CAGR of 15.28 *per cent*, mainly because of increased borrowings. Non-debt Capital Receipts, *i.e.*, recoveries of Loans and Advances, remained minimal. This reflects a structural dependence on borrowings to finance Capital Expenditure and bridge fiscal gaps.

- **Capital Expenditure:** Capital Expenditure grew at a CAGR of 5.84 *per cent* with a consistent upward growth trend during the last ten years (except FY 2018-19 and 2019-20). Percentage of Capital Expenditure with respect to the Total Expenditure was relatively higher during 2015-16 to

2017-18. During 2024-25, percentage of Capital Expenditure with respect to the Total Expenditure decreased in comparison to the previous year.

➢ **Revenue Deficit:** From a Revenue Surplus State from 2015-16 to 2018-19, Bihar remained a Revenue Deficit State during 2019-20 to 2024-25, except 2023-24. Reason of this deficit is the lower pace of revenue growth (especially State's Own Tax Revenue) which was insufficient to keep pace with the faster rise in Revenue Expenditure.

➢ **Fiscal Deficit:** Fiscal Deficit (FD) expanded sharply at a CAGR of 14.63 *per cent*. It exceeded the ceiling prescribed under BFRBM for most of the last ten year's period (except for 2018-19, 2019-20 and 2021-22). Its peak was recorded in 2022-23 (5.87 *per cent*). In 2024-25, it increased to 4.16 *per cent* of GSDP from 4.07 *per cent* of the previous year, suggesting continuing fiscal stress.

➢ **Primary Deficit:** During last ten year's period, Bihar remained a Primary Deficit (PD) State (except FYs 2015-16, 2018-19 and 2019-20). PD remained between 1.81 *per cent* and 3.88 *per cent* of the GSDP, during this period. During the last five years it expanded at a CAGR of 5.57 *per cent*. It was highest during 2022–23 (3.88 *per cent*), reflecting decline in revenues. During 2024-25, the PD increased to 2.17 *per cent* of the GSDP from 2.06 *per cent* of the previous year.

➢ **Outstanding Liabilities:** Outstanding liabilities of ₹ 1,16,578 crore in 2015-16 increased to ₹ 3,74,134 crore in 2024-25. Thus, the Outstanding Liabilities increased by more than three times during the period of last ten years by growing at a CAGR of 13.83 *per cent*. During 2015-16 to 2019-20, the Debt to GSDP ratio remained persistently above the limit prescribed in BFRBM (Amendment) Act, 2006, for the respective years. Thereafter, though it remained within the targets prescribed in the BFRBM Act, 2006, the high ratio signified continued dependence on borrowings for financing fiscal gaps. The rising debt level and interest burden raise concerns about long-term debt sustainability.

From above, it may be concluded that:

- The State faces a revenue imbalance, mainly because of low Non-Tax Revenue and dependence on the State's share in Union taxes and duties.
- Rising interest payments, subsidies and committed Expenditure have strained the State's finances.
- Borrowings increased, reflecting higher fiscal and Primary Deficits.
- Capital expenditure exhibited fluctuating trend, limiting long-term asset creation and economic growth.

To strengthen fiscal sustainability, the State may improve its revenue mobilisation, rationalise subsidies, improve the efficiency of Capital Expenditure and manage its debt more prudently.

1.2 Consolidated Fund of the State

All revenues received by the State Government, all loans raised by the State Government, ways and means advances extended by the Reserve Bank of India and all money received by the State Government in repayment of loans form part of the Consolidated Fund of the State.

1.2.1 Revenue Receipts

Trends and growth of revenue receipts with respect to the Gross State Domestic Product (GSDP) over the five-year period (2020-25) are shown in **Table 1.5**.

Table 1.5: Trends in Revenue Receipts

(₹ in crore)

Parameters	2020-21	2021-22	2022-23	2023-24	2024-25
Revenue Receipts (a+b+c)	**1,28,168.34**	**1,58,797.33**	**1,72,688.02**	**1,93,347.23**	**2,18,657.83**
(a) Tax Revenue (i+ii)	90,203.08	1,26,207.16	1,39,527.58	1,61,965.18	1,83,013.07
(i) Own Tax Revenue	30,341.67	34,854.54	44,017.73	48,360.69	53,578.14
(ii) State's share in Union taxes and duties	59,861.41	91,352.62	95,509.85	1,13,604.49	1,29,434.93
(b) Non-Tax Revenue	6,201.38	3,984.34	4,134.90	5,257.05	5,781.37
(c) Grants-in-aid from GoI	31,763.88	28,605.83	29,025.54	26,125.00	29,863.39
State's Own Revenue (Own Tax and Non-tax Revenue)	36,543.05	38,838.88	48,152.63	53,617.74	59,359.51
GSDP (2011-12 series)	5,67,814	6,47,394	7,63,165	8,77,197	9,91,997
Year-on-Year growth rates (in *per cent*)					
Revenue Receipts	3.17	23.90	8.75	11.96	13.09
Own Revenue of the State	7.93	6.28	23.98	11.35	10.71
GSDP	-2.41	14.02	17.88	14.94	13.09
Revenue Receipts /GSDP	22.57	24.53	22.63	22.04	22.04
Buoyancy Ratios[4]					
Revenue Buoyancy w.r.t GSDP	*	1.71	0.49	0.80	1.00
State's Own Revenue Buoyancy w.r.t GSDP	*	0.45	1.34	0.76	0.82

Source: Finance Accounts and MoSPI, GoI

**** Buoyancy ratio was not calculated as GSDP growth was negative.***

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[4] *Buoyancy ratio indicates the degree of responsiveness of a fiscal variable with respect to a given change in the base variable.*

Revenue Receipts as percentage of GSDP and contribution from various sources in revenue receipts is given in **Chart 1.7** and **Chart 1.8**.

Chart 1.7: Revenue Receipts as percentage of GSDP
(in per cent)

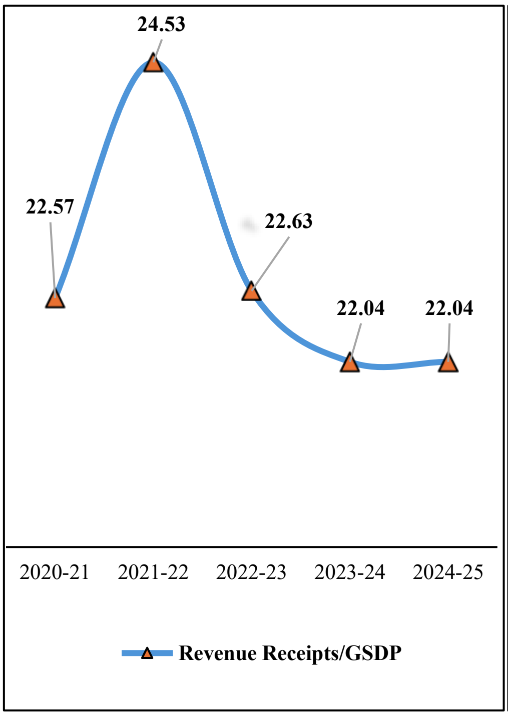
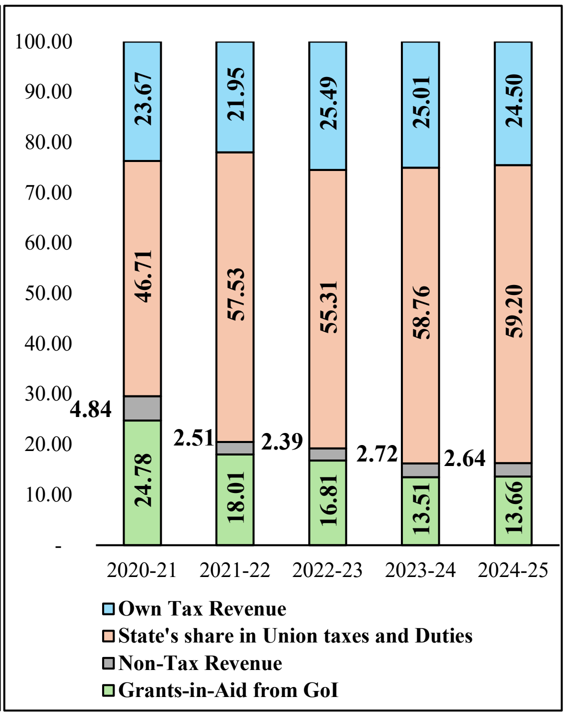


Chart 1.8: Contributions in revenue receipts
(in per cent)



Source: Finance Accounts of the respective years, GoB and MoSPI, GoI

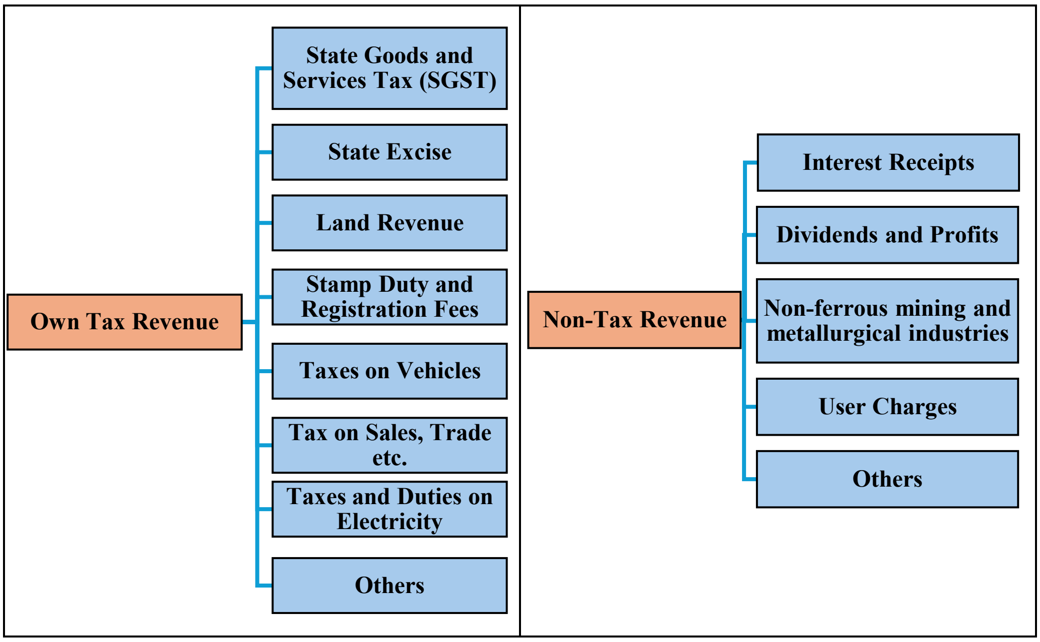
Revenue Receipts to GSDP ratio rose from 22.57 *per cent* in 2020-21 to 24.53 *per cent* in 2021-22 and stabilised during last two years. Grants-in-Aid from GoI declined from 24.78 *per cent* to 13.66 *per cent*, mainly due to withdrawal of GST compensation grants and the Centre's shift toward performance-linked and conditional transfers. Share in Union taxes and duties which is the largest and growing component, increased from 46.71 *per cent* (2020-21) to 59.20 *per cent* (2024-25) and has offset the reduction in receipts of Grants-in-Aid from Union.

Share of State's own tax revenue peaked at 25.49 *per cent* during 2022-23 and thereafter declined to 24.50 *per cent* during 2024-25. This indicates that the State needs greater focus on strengthening its internal revenue base. Non-Tax Revenue remained between two to five *per cent*, showing limited diversification beyond tax-based revenues. Overall, percentage share of State's Own revenue *vis a vis* its Revenue Receipts has fallen consistently despite steady GSDP growth, suggesting that tax administration reforms and policy diversification are yet to be translated into proportionate gains. State's revenue buoyancy with respect to its GSDP showed improvement in the last three years and attained normalisation[5] in 2024-25, after volatility during the pandemic period.

As the higher share of Central devolution indicated limited fiscal autonomy, therefore, to achieve sustainable and self-reliant fiscal management, the State may broaden its tax base, improve collection efficiency and strengthen non-tax revenue streams, ensuring that revenue buoyancy consistently improves.

A State's Own Resources

Chart 1.9: Details of State's Own Revenue



i. Own Tax Revenue

Own Tax Revenue is the revenue collected by the State Government through taxes it is empowered to levy under the Constitution. Actuals for FY 2023-24, Budget Estimate (BE), Revised Estimate (RE) and Actuals of Own Tax Revenue for the FY 2024-25 is given in **Table 1.6**.

Table 1.6: Own Tax Revenue: 2023-24 (Actuals) and 2024-25 (BE, RE and Actuals)

(₹ in crore)

Tax Revenue	2023-24 (Actual)	2024-25 (BE)	2024-25 (RE)	2024-25 (Actuals)
State Goods and Services Tax (SGST)	27,678	31,565	31,565	29,003
Tax on Sales, Trade *etc.*	9,371	10,010	10,010	10,554
Taxes and Duties on Electricity	846	750	750	1570
Land Revenue	580	600	600	571

[5] *When Revenue buoyancy is equal to one revenue receipts of the State increase at the pace of the GSDP of the State.*

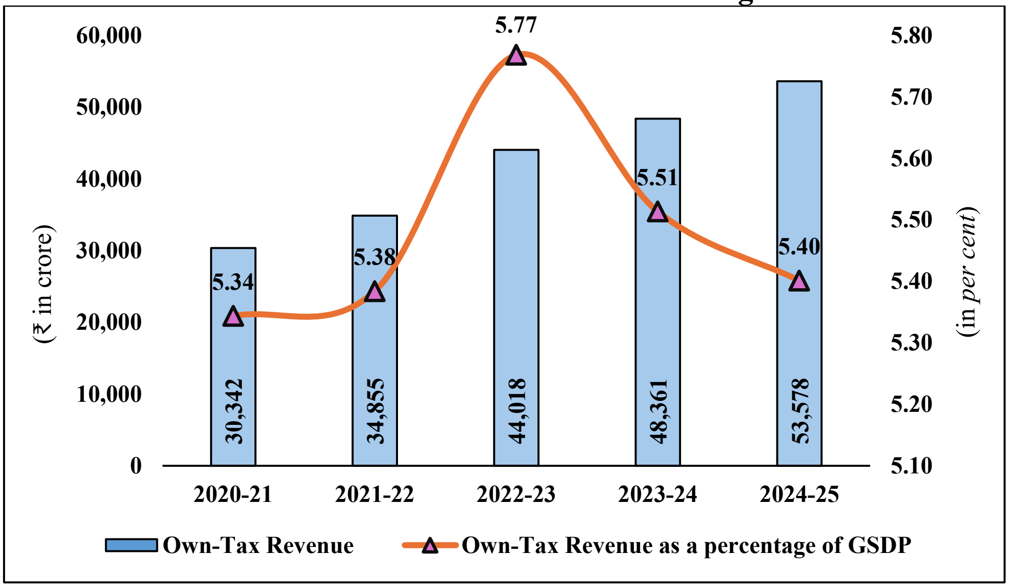
Tax Revenue	2023-24 (Actual)	2024-25 (BE)	2024-25 (RE)	2024-25 (Actuals)
Stamp Duty and Registration Fees	6,348	7,500	7,500	7,975
Taxes on Vehicles	3,358	3,700	3,700	3,678
State Excise	1	0	0	0
Others	179	175	175	227
Total	**48,361**	**54,300**	**54,300**	**53,578**

Source: Finance Accounts and Budget of the State Government

As can be seen from **Table 1.6**, State's Own Tax Revenue (OTR) increased from ₹ 48,361 crore in 2023-24 to ₹ 53,578 crore in 2024-25, registering a growth of 10.79 *per cent*. Despite such growth, the actual realization of OTR fell short of the Budget Estimate (BE) by ₹ 722 crore (-1.30 *per cent*), mainly due to less receipts under SGST, Land Revenue and Taxes on Vehicles with respect to BE. The overall increase is due to growth in Stamp duty and Registration Fee, Taxes on Sales, Trade and Taxes and duties on electricity. Due to prohibition imposed on liquor in the State from April 2016, the revenue earned through State Excise is negligible. Collection under "Others" (including Professional tax, Entertainment tax, etc.) showed a notable increase.

Trends of State's Own Tax Revenue and its components during the period 2020-21 to 2024-25 are shown in **Chart 1.10** and **Chart 1.11**, respectively.

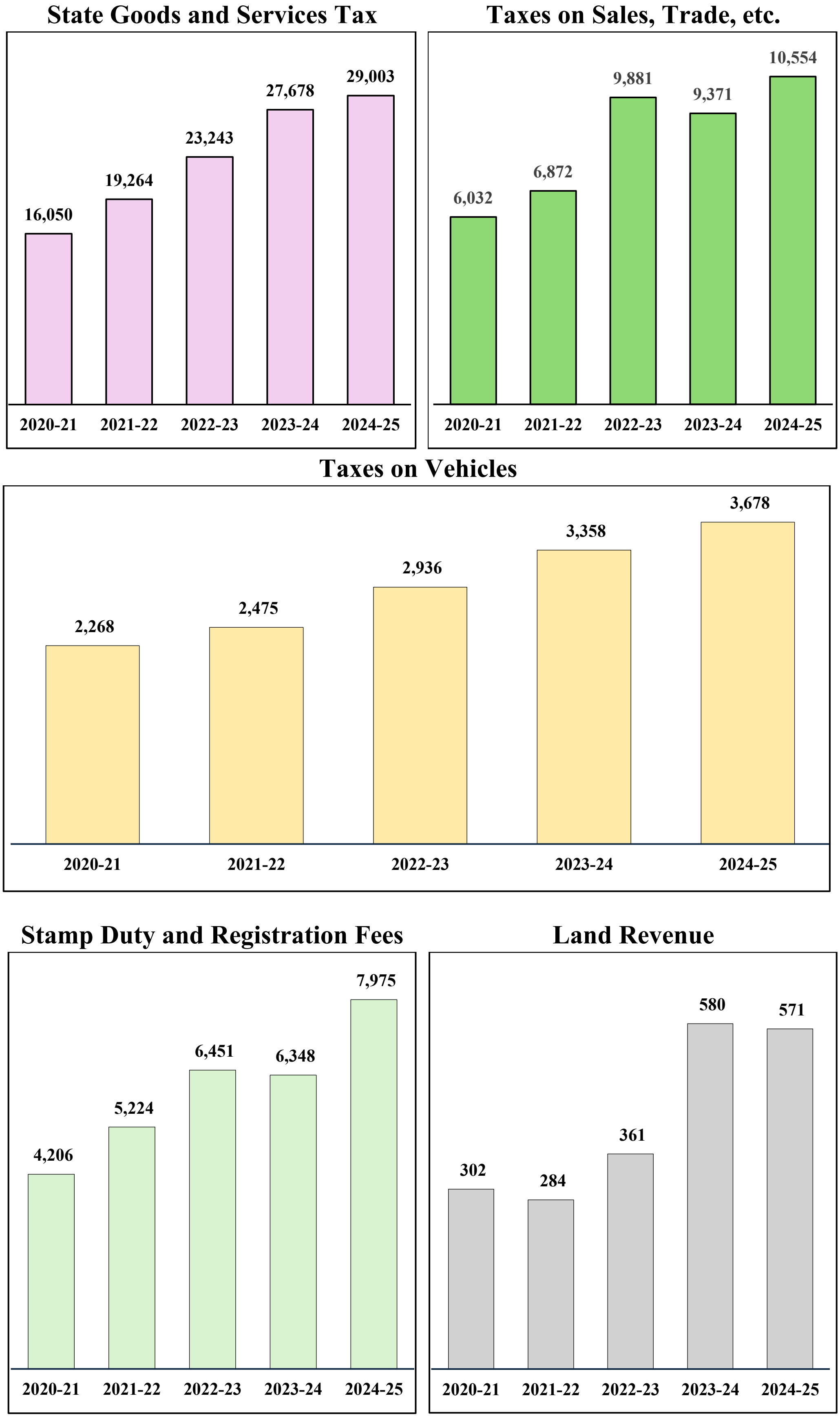
Chart 1.10: Trends of Own Tax Revenue during FY 2020-25

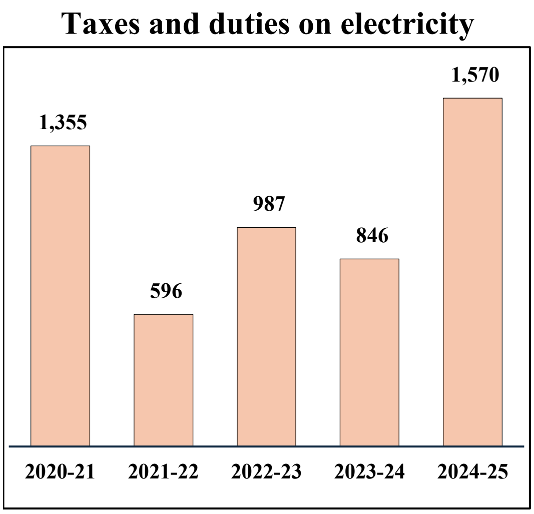


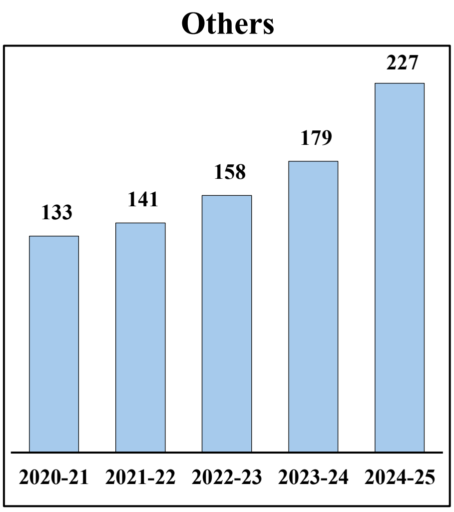
Source: Finance Accounts of the respective years, GoB

Chart 1.11: Major components of State's Own Tax Revenue

(₹ in crore)







Source: Finance Accounts of the respective years

- State Goods and Services Tax (SGST) receipts registered an increase of 81 *per cent* from 2020-21 to 2024-25. Although in 2024-25, its Actuals fell short of Budget Estimates by ₹ 2,562 crore (8 *per cent*). SGST continues to be the largest contributor with nearly 54 *per cent* of the State's Own Tax Revenue. Increase in SGST was on account of increase in receipts mainly under 'Tax' and 'Input Tax credit cross utilisation of SGST and IGST'.

- Taxes on sales, trade *etc*. showed a consistent growth due to increase in 'VAT receipts' (12.02 *per cent*) and 'Receipts under Central Sales Tax Act' (954.13 *per cent*).

- Receipts under 'Taxes on Vehicles' showed consistent rise from ₹ 2,268 crore (2020-21) to ₹ 3,678 crore (2024-25), up by 60 *per cent* due to more receipts mainly under the 'State Motor Vehicles Taxation Acts' (9.67 *per cent*) and 'Receipts under Indian Motor Vehicle Act' (7.16 *per cent*). This was mainly due to growth in vehicle registration and improved collection efficiency through online registration and tax payment systems. This is a high-compliance and buoyant revenue head and its growth aligns closely with infrastructure expansion and rising logistics activity.

- Stamp Duty and Registration Fees rose sharply from ₹ 4,206 crore (2020-21) to ₹ 7,975 crore (2024-25), with a cumulative growth of 90 *per cent* and exhibited a year-on-year growth of 25.6 *per cent* in 2024-25. Increase in Stamp duty and Registration fees was due to increase in more receipts mainly under 'Sale of Stamps-Judicial' (11.32 *per cent*), 'Duty on impressing of documents' (25.49 *per cent*) and 'Fees for registering documents' (24 *per cent*).

- Collections under 'Land Revenue' slightly declined from ₹ 580 crore (2023-24) to ₹ 571 crore (2024-25), mainly due to decrease in 'Receipts from management of ex-Zamindari Estates' (99 *per cent*), 'Receipts on account of survey and settlement operations' (68 *per cent*) and 'Receipts from sale of Government Estates' (40 *per cent*).

- Receipts under 'Taxes and Duties on Electricity' showed volatile but overall increased from ₹ 1,355 crore (2020-21) to ₹ 1,570 crore (2024-25). Increase in receipts during 2024-25 was due to increase in receipts mainly under 'Taxes on consumption and sale of electricity' (88.43 *per cent*) and 'Fees under Indian Electricity Rules' (2.63 *per cent*).

To enhance revenue performance, the State should focus on strengthening tax administration, broadening the tax base, improving GST and property tax compliance and leveraging digital systems for efficient monitoring and collection.

ii Non-Tax Revenue

Non-Tax Revenue refers to the Interest Receipts, Dividend and Profits, Rent and other receipts of the State Government from sources other than taxes.

Actuals for FY 2023-24, Budget Estimate (BE), Revised Estimate (RE) and Actuals of Non-Tax Revenue for the FY 2024-25 is given in **Table 1.7**.

Table 1.7: Major Non-Tax Revenue: 2023-24 (Actuals) and 2024-25 (BE, RE and Actuals)

(₹ in crore)

Non-Tax Revenue	2023-24 (Actuals)	2024-25 (BE)	2024-25 (RE)	2024-25 (Actuals)
Receipts from Non-Ferrous Mining and Metallurgical Industries	3,114.79	3,500.00	3,500.00	3,536.21
Interest Receipts	897.00	1,719.26	1,719.26	1,466.91
Dividends and Profits	9.51	7.30	7.30	3.34
User charges[6]	108.58	189.13	189.13	177.48
Others[7]	1,127.17	1,910.17	1,910.17	597.42
Total	**5,257.05**	**7,325.86**	**7,325.86**	**5,781.36**

Source: Finance Accounts 2024-25 and Budget documents of 2024-25

Bihar's Non-Tax Revenue (NTR) grew moderately by 9.97 *per cent* in 2024-25 compared to 2023-24 but fell short of the Budget Estimate by about ₹ 1,545 crore (-21 *per cent*) *i.e.*, State's achievement in its targeted non-tax revenue was deficient to that extent. This shortfall was primarily due to lower receipts under "Others" and underperformance in interest and dividend receipts, partially offset by higher realizations from mining and user charges.

Trends of Non-Tax Revenue and its components during 2020-21 to 2024-25 are shown in **Chart 1.12** and **Chart 1.13**, respectively.

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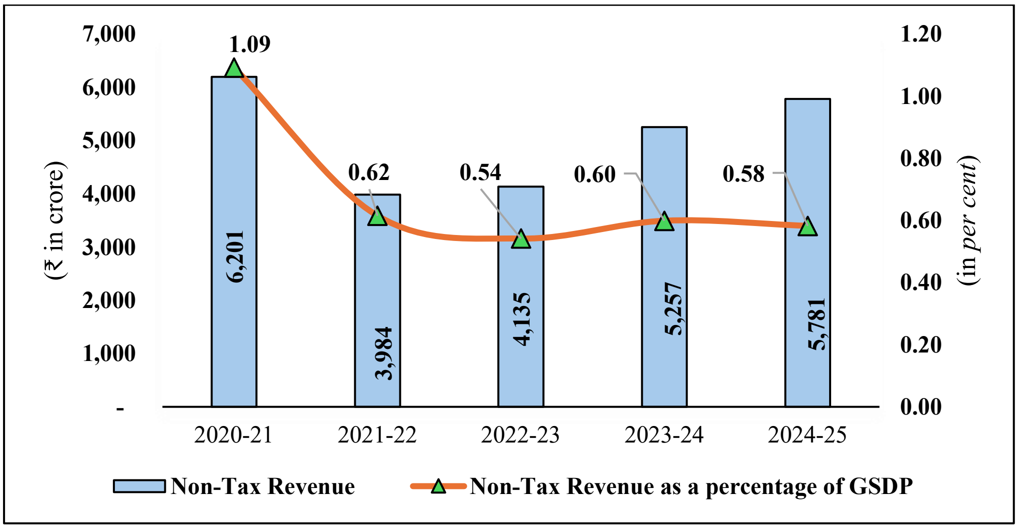
6 *All non-tax revenue under Education, Health, Water Supply and Sanitation, Irrigation, Transport and Tourism pertaining to Major Head 0202, 0210, 0215, 0700, 0701, 1054 and 1452 are user charges from Finance Accounts 2024-25.*

7 *Include mainly Fisheries (-19 %), other Rural Development Programmes (-31 %), Industries (-99.86 %), Road and Bridges (52 %) Tourism (99%).*

Chart 1.12: Trends in Non-Tax Revenue

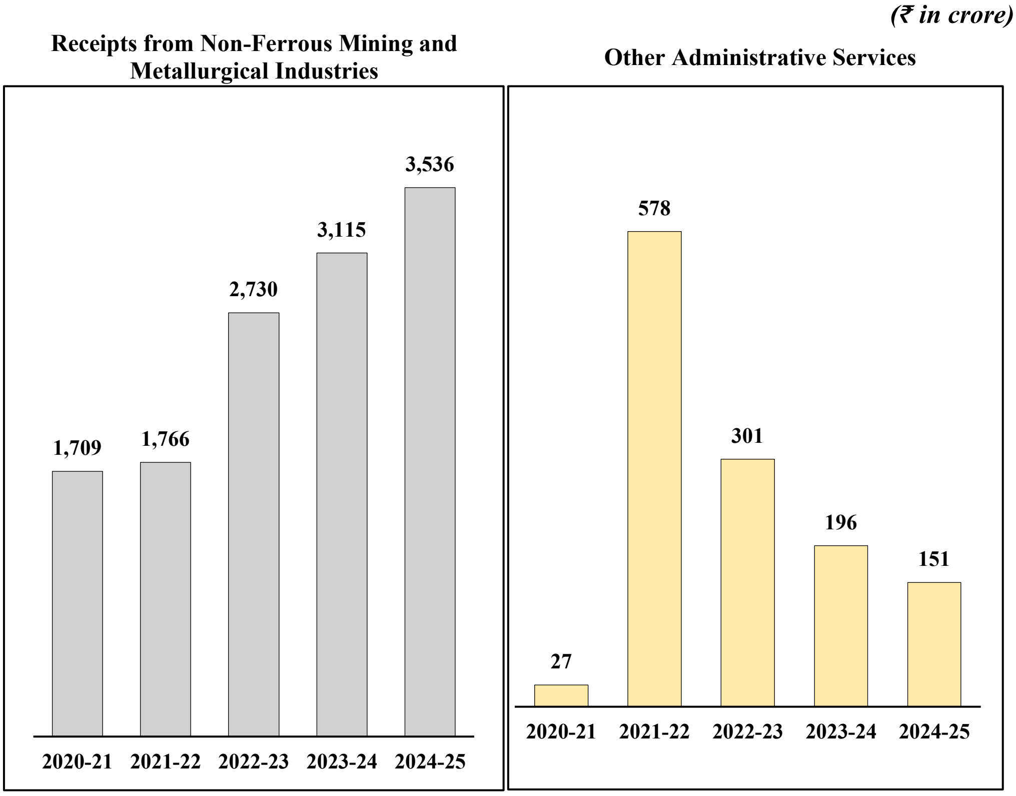


Source: Finance Accounts of the respective years, GoB

Non-Tax Revenue declined sharply from ₹ 6,201 crore in 2020-21 to ₹ 3,984 crore in 2021-22 but has since recovered to ₹ 5,781 crore in 2024-25. However, its share in GSDP has fallen from 1.09 *per cent* to 0.58 *per cent*, indicating limited growth relative to the economy.

Chart 1.13: Major components of State's Non-Tax Revenue

(₹ in crore)



Source: Finance Accounts of the respective years

Audit observed that:

- Non-Tax Revenue (NTR) increased by 9.97 *per cent* in 2024-25 over the previous year and constituted 2.64 *per cent* of Revenue Receipts, which has decreased slightly compared to the previous year (2.72 *per cent*). Share of State's Non-Tax Revenue in the GSDP was only 0.58 *per cent* in 2024-25, which also decreased as compared to 2023-24 (0.60 *per cent*). Further, targets fixed under XVth Finance Commission and BFRBM for NTR were not achieved during the year 2024-25. Non-Tax Revenue composition reveals high dependence on Non-ferrous mining and interest receipts, which together form the backbone of the State's non-tax income.

- Receipts under 'Non-Ferrous Mining and Metallurgical Industries' remained the largest source of Non-Tax Revenue, showing steady and robust growth registering an increase of 107 *per cent*, during the last five years. During 2024-25, increase in receipts was mainly due to increase in receipts under 'Mineral concession fees, rent and royalties'.

- Revenue under 'Interest receipts' remained volatile but increased during the last two years. During 2024-25, increase in Interest receipts was on account of increase in receipts mainly under 'Interest from Departmental Commercial Undertakings' and 'Other Receipts'. Substantial increase in 'Interest Receipts' during 2020-21 was due to redemption of accrued interest from the Consolidated Sinking Fund amounting to ₹ 2,600 crore.

- 'Dividends and Profits' exhibited a sharp contraction, from ₹ 603.01 crore in 2020-21 to ₹ 3.34 crore in 2024-25. In 2020-21, receipts were higher on account of an exceptional inflow due to release of dividend of ₹ 603.01 crore from the accumulated profit of the SPSEs. Persistent low receipts since then indicate weak profitability or delays in dividend declaration by the SPSEs. This underscores need for reforms, improved financial oversight and rational dividend policies.

- Receipts under 'Other Administrative Services' has shown substantial variation, increase in receipts from ₹ 26.53 crore in 2020-21 to ₹ 578.12 crore in 2021-22. Thereafter, receipts gradually declined to ₹ 151.30 crore in 2024-25 indicating scope for revenue strengthening through administrative fee reforms and digital service charges.

- User Charges are an important component of non-tax revenue. An important consideration for collecting user charge is recovery of the current cost of providing services with reasonable return on capital investment. Overall, it remained volatile during the last five years. During 2024-25, it increased by 62.38 *per cent* over the previous year.

- The Non-Tax Revenue from the Police department showed sharp year-to-year variations, with a substantial increase in 2023-24 and thereafter, it declined by 37.27 *per cent* to ₹ 136.18 crore in 2024-25.

To strengthen Non-Tax Revenue, the State should diversify its resources by enhancing profitability in PSU, introducing rational user fees, improving royalty and fee collection mechanisms and digitizing revenue administration.

B State's share in Union Taxes and Duties

Trends in the components of State's share in Union taxes and duties are shown in **Table 1.8**.

Table 1.8: State's share in Union Taxes and Duties

(₹ in crore)

Components	2020-21	2021-22	2022-23	2023-24	2024-25
Central Goods and Services Tax (CGST)	17,788.67	25,442.20	26,989.02	34,477.56	37,802.92
Corporation Tax	18,062.14	27,178.50	32,019.47	34,099.01	36,727.91
Taxes on Income other than Corporation Tax	18,517.49	26,661.32	31,262.19	39,379.86	46,839.17
Customs	3,179.93	6,775.97	3,754.66	3,981.12	6,585.17
Union Excise Duties	2,012.03	3,868.86	1,178.03	1,506.54	1,267.38
Service Tax	258.09	1,326.22	149.28	21.16	4.13
Other Taxes[8]	43.06	99.55	157.20	139.24	208.25
Total	**59,861.41**	**91,352.62**	**95,509.85**	**1,13,604.49**	**1,29,434.93**

Source: Finance Accounts of the respective years

[*]Receipts under 'Apportionment of IGST' and 'Input tax credit of IGST' are included in SGST

During 2020-21 to 2024-25, receipts under 'State's share in Union taxes and duties' have grown significantly, recording a Compound Annual Growth Rate (CAGR) of 21.26 *per cent*, outpacing the 14.97 *per cent* growth in GSDP. This was driven mainly by higher transfers in respect of GST and direct taxes. CGST, Corporation Tax and Taxes on Income other than Corporation Tax remained the dominant contributors.

During 2024-25, CGST had a share of 29.21 *per cent* in total devolved taxes. The State's increasing receipts under 'CGST' indicates its dependence on indirect taxes via the central pool. Receipts under 'Customs' and 'Union Excise Duties', together contributed less than seven *per cent* of Bihar's share and have shown volatility in the last five years. Receipts under 'Other Taxes' and 'Service Tax' became negligible following the GST implementation, contributing less than 0.5 *per cent* to the total transfers.

State's heavy reliance on central devolution (about 59 *per cent* of total revenue receipts) indicated limited fiscal independence. This dependence also highlights the gaps in own revenue generation particularly in other than SGST and non-tax sources that need to be addressed to improve fiscal resilience.

Percentage of 'State's share in Union taxes and duties' to GSDP is given in **Chart 1.14**.

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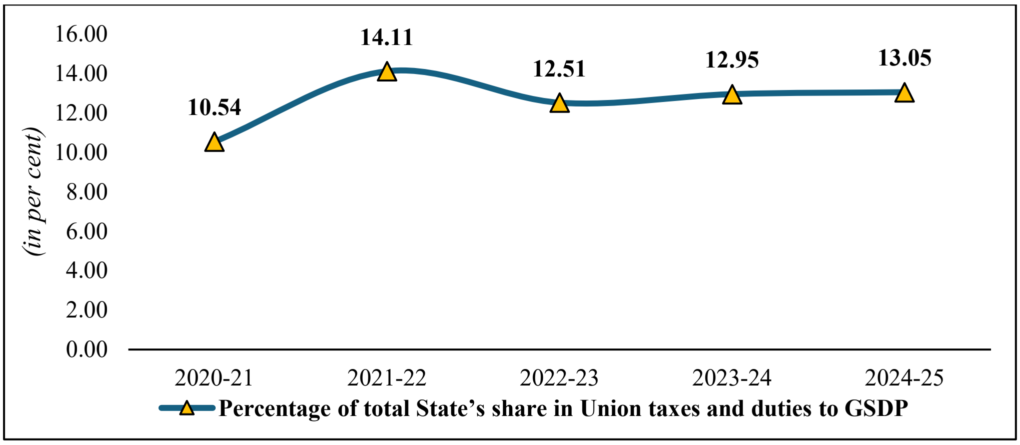
[8] *Include Taxes on Wealth, Other Taxes on Income and Expenditure, Other Taxes and Duties on Commodities and Services.*

Chart 1.14: Percentage of total State's share in Union taxes and duties to GSDP



Source: Finance Accounts of the respective years

Receipts under 'State's share in Union taxes and duties' remained between 11 to 14 *per cent* during the last five years. This trend indicates continued dependence on Union transfers and underscores the need for strengthening the state's own revenue base.

C Grants-in-aid from Government of India

Trend of Grants-in-aid (GIA) from GoI and its components during 2020-21 to 2024-25 are shown in **Table 1.9**.

Table 1.9: Grants-in-aid from Government of India during 2020-21 to 2024-25

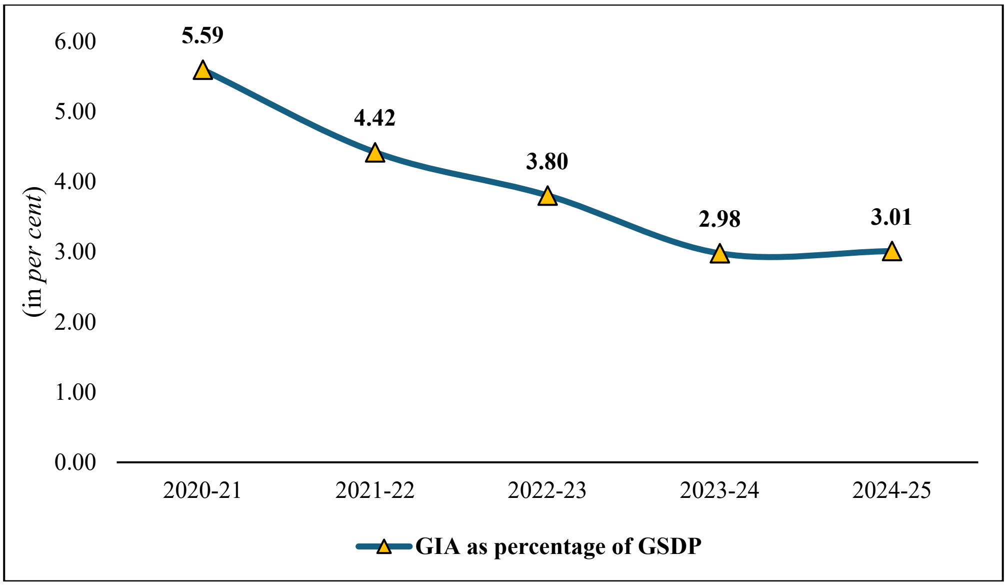
(₹ in crore)

Particulars	2020-21	2021-22	2022-23	2023-24	2024-25
Grants for Centrally Sponsored Schemes	16,609.56	17,832.91	22,237.18	17,961.52	21,217.54
Grants for State Plan Schemes	(-)33.57	0.00	(-)374.48	(-)167.08	(-)85.08
Finance Commission Grants	8,850.00	7,077.56	6,732.65	7,662.52	8,360.34
Other transfers/Grants to States/Union Territories with Legislature	6,337.89	3,695.36	430.19	668.05	370.59
Total	**31,763.88**	**28,605.83**	**29,025.54**	**26,125.00**	**29,863.39**

Source: Finance Accounts of the respective years

Percentage of Grants-in-aid from Government of India to GSDP is given in **Chart 1.15**.

Chart 1.15: Percentage of Grants-in-aid from Government of India to GSDP



Source: Finance Accounts of the respective years

Above trend indicates that the GIA from GoI as a percentage of GSDP, exhibited a gradual reduction in the ratio till 2023-24 but also a marginal increase in 2024-25. Further, during the last five years GIA of ₹ 660.21 crore, pertaining to different ministries of GoI, under 1601-02-900 (HoA), was returned.

To maintain the fiscal balance, the State needs to ensure timely utilization of funds and complement declining GIA with strengthened own-revenue efforts.

i Grants for Centrally Sponsored Schemes

Out of the Grants of ₹ 21,217.54 crore for Centrally Sponsored Schemes during 2024-25, major allocations were made to the schemes as shown in **Table 1.10**.

Table 1.10: Major Centrally Sponsored Schemes receiving grants during 2024-25 *vis-à-vis* 2023-24

(₹ in crore)

Centrally Sponsored Schemes	2024-25	2023-24	Increase/ Decrease (in *per cent*)
Pradhan Mantri Awas Yojana (Gramin)	2,279.61	29.66	7,586.45
Samagra Shiksha Abhiyan	4,217.81	4,241.73	-0.56
National Rural Employment Guarantee Scheme (MGNREGA)	1,915.47	1,915.87	-0.02
Saksham Anganwadi and PM Poshan 2.0	2,262.92	1,859.29	21.71
National Rural Livelihood Mission	1,725.33	263.73	554.20
Flexible Pool for RCH and Health Systems to strengthen National Health Program and Urban Health Mission	1,656.48	1,148.44	44.24
Pradhan Mantri Gram Sadak Yojana	1,180.78	866.05	36.34
PM Poshan	1,225.66	923.24	32.76
National Old Age Pension Scheme	1,085.59	1,153.55	-5.89
National Food Security Mission (NFSM)	852.14	434.73	96.02

Source: Finance Accounts of the respective years

Expenditure on Centrally Sponsored Schemes in 2024-25 showed uneven growth, with significant increase in housing, livelihoods, health, nutrition and rural infrastructure related schemes. Substantial increase in PMAY (Gramin) and NRLM indicates social and livelihood interventions. In contrast, Samagra Shiksha Abhiyan and MGNREGA remained largely stagnant, while social pension expenditure declined. Overall, the pattern reflects the need for balanced sectoral funding and improved predictability to support inclusive development outcomes.

(ii) Fifteenth Finance Commission Grants

The Fifteenth Finance Commission (XVth FC) grants were provided to the States for local bodies and State Disaster Response Fund (SDRF), State Disaster Mitigation Fund (SDMF) and health sector grants. Details of grants provided by GoI are given in **Table 1.11**.

Table 1.11: Recommended amount, actual release and transfers of Grant-in-aid

(₹ in crore)

Transfers		Recommendation of XVth FC for 2024-25	Actual release by GoI, during 2024-25	Release by State Government (Total percentage of the amount released by GoI)
(i) Grants to PRIs		**4,114.00**	**4,111.92**	**4,111.92 (100)**
(a) Performance/Tied Grants		2,468.40	2,467.15	2,467.15 (100)
(b) Untied Grants		1,645.60	1,644.77	1,644.77 (100)
(ii) Grants to ULBs		**2,119.00**	**2,453.31**	**2,453.31 (100)**
(a) Million Plus Cities (Performance/Tied Grant)		358.00	239.00	239.00 (100)
(b) Non-Million Plus Cities (General Basic/Untied Grant)		1,761.00	2,214.31	2,214.31 (100)
(iii) Grant for Health Sector		**1,249.20**	**0.00**	**0.00**
Total for Local Bodies (i+ii+iii)		**7,482.20**	**6,565.23**	**6,565.23**
State Disaster Response Fund (SDRF)	Central Share	1,415.20	1,311.20	1,311.20 (100)
	State Share	471.20	436.80	436.80 (100)
State Disaster Mitigation Fund (SDMF)	Central Share	353.80	483.90	483.90 (100)
	State Share	117.80	161.20	161.20 (100)
Total (SDRF+ SDMF)		**2,358.00**	**2,393.10**	**2,393.10 (100)**

Source: XVth FC Report and departmental information

PRIs -Panchayati Raj Institutions and ULBs - Urban Local Bodies

During 2024-25, the State did not receive any grant in Health Sector against recommendation of ₹ 1,249.20 crore by the XV[th] Finance Commission. Whereas, ULBs received ₹ 334.31 crore more grants from the Government of India than the amount recommended by the XV[th] Finance Commission. Non-release of grants in Health Sector under Local Bodies may adversely affect the achievement of objectives concerned.

Under SDRF and SDMF, total releases exceeded the recommendation of XV[th] Finance Commission and all the receipts were transferred to the respective fund.

1.2.2 Capital Receipts

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.

Trends of capital receipts and its components during 2020-21 to 2024-25 are shown in **Table 1.12**.

Table 1.12: Trends in growth and composition of capital receipts

(₹ in crore)

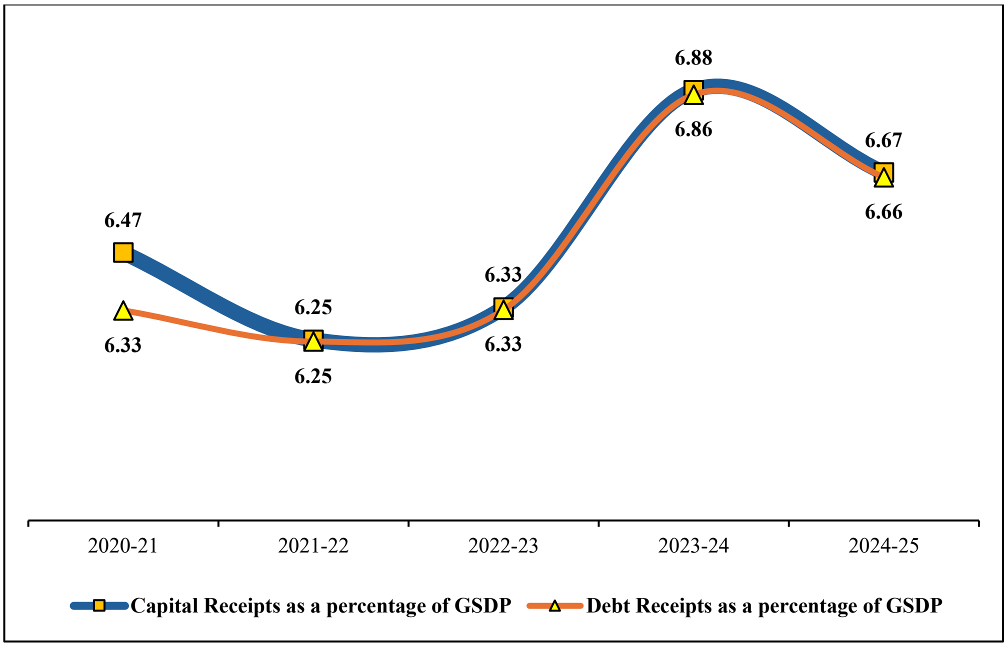
Sources of State's Receipts	2020-21	2021-22	2022-23	2023-24	2024-25
Capital Receipts (a+b+c)	**36,735.00**	**40,473.00**	**48,325.00**	**60,314.00**	**66,164.50**
(a) Miscellaneous Capital Receipts	0	0	0	0	0
(b) Recovery of Loans and Advances	820.00	28.00	41.00	96.00	115.30
(c) Public Debt Receipts (i+ii)	35,915.00	40,445.00	48,284.00	60,218.00	66,049.20
(i) Internal Debt	29,412.00	30,918.00	38,129.00	49,546.00	49,549.32
(ii) Loans and Advances from GoI	6,503.00	9,527.00	10,155.00	10,672.00	16,499.88
Year on Year growth rate (in *per cent*)					
GSDP	(-)2.41	14.02	17.88	14.94	13.09
Capital Receipts	25.91	10.18	19.40	24.81	9.70
Debt Capital Receipts	23.23	12.61	19.38	24.72	9.68
Internal Debt	5.55	5.12	23.32	29.94	0.01
Loans and Advances from GoI	408.44	46.50	6.59	5.09	54.61

Source: Finance Accounts of the respective years

Table 1.12 shows that Public Debt receipts (especially Internal Debt) constituted a significant portion of the Capital receipts, while repayments and other sources contribute very little. The State is relying more and more on loans to meet its financial needs. A high reliance on borrowed funds (internal debt) for capital receipts raises concerns about debt sustainability, interest burden and the quality of investment.

Further, during 2024-25, loans from GoI have also increased significantly, with an increase of 54.61 *per cent* over the previous year. Growth rate of State's Debt Capital Receipts outpaced the growth rate of the State's economy during the last five years except 2021-22 and 2024-25 which may impact adversely its financial sustainability. Capital Receipts as percentage of GSDP is depicted in **Chart 1.16**.

Chart: 1.16 Capital Receipts as percentage of GSDP



Source: Finance Accounts of the respective years

1.2.3 Finance Commission Projections and Actuals

The projected revenue, deficits and GSDP by the XVth Finance Commission and actuals for FYs 2020-21 to 2024-25 are given in the **Table 1.13**.

Table 1.13: XVth FC Projection *vis-à-vis* actuals

(₹ in crore)

	2020-21		2021-22		2022-23		2023-24		2024-25	
	Projection	Actual	Projection	Actual	Projection	Actual	Projection	Actual	Projection	Actual
GSDP	6,48,556	5,67,814	5,67,085	6,47,394	6,12,452	7,63,165	6,67,572	8,77,197	7,30,992	9,91,997
State's Own Revenue Receipts-	44,167	36,543	34,748	38,839	37,980	48,153	41,957	53,618	46,596	59,359
(i) Own Tax Revenue	39,406	30,342	30,232	34,855	33,067	44,018	36,557	48,361	40,632	53,578
(ii) Non-Tax Revenue	4,761	6,201	4,516	3,984	4,913	4,135	5,400	5,257	5,964	5,781

	2020-21		2021-22		2022-23		2023-24		2024-25	
	Projection	Actual	Projection	Actual	Projection	Actual	Projection	Actual	Projection	Actual
State's share in Union Taxes	57,744	59,861	66,241	91,353	73,688	95,510	82,917	1,13,604	94,200	1,29,435
Revenue Deficit/Surplus as percentage of GSDP	-0.1	2.12	-0.50	0.43	-0.80	1.53	-1.20	-0.25	-1.70	0.25
Fiscal Deficit/Surplus as percentage of GSDP	4.50	5.32	4.00	4.60	3.50	6.02	3.00	4.15	3.00	4.37

***Source:** XVth Finance Commission Report and Finance Accounts of the respective years*

**   (-) denotes surplus and (+) denotes deficit*

***Note:** Revenue Deficit/Surplus and Fiscal Surplus/Deficit of the respective year has been taken Post Audit*

1.2.4 Expenditure

Government expenditure is classified into Revenue Expenditure, capital expenditure and Loans and Advances. Revenue Expenditure includes costs for maintenance, repairs and day-to-day functioning of departments, including administrative and establishment expenses. Capital expenditure relates to the initial construction of projects and sanctioned improvements or additions to assets. Loans and Advances comprise funds provided by the government to Public Sector Undertakings and other entities, which are recoverable over time. Details of expenditure, total expenditure as percentage of GSDP and share of its components are given in **Table 1.14**, **Chart 1.17** and **Chart 1.18**, respectively.

Table 1.14: Total expenditure and its composition

(₹ in crore)

Parameters	2020-21	2021-22	2022-23	2023-24	2024-25
Total Expenditure (TE)	1,58,816.02	1,84,376.51	2,17,552.81	2,29,103.05	2,59,995.63
Revenue Expenditure (RE)	1,39,493.45	1,59,219.71	1,83,976.22	1,90,514.17	2,19,015.21
Capital Expenditure (CE)	18,208.60	23,678.29	31,519.82	36,453.02	38,527.04
Loans and Advances	1,113.97	1,478.51	2,056.77	2,135.86	2,453.38
GSDP	5,67,814	6,47,394	7,63,165	8,77,197	9,91,997

***Source:** Finance Accounts of the respective years, GoB*

Chart 1.17: Total Expenditure as a percentage of GSDP

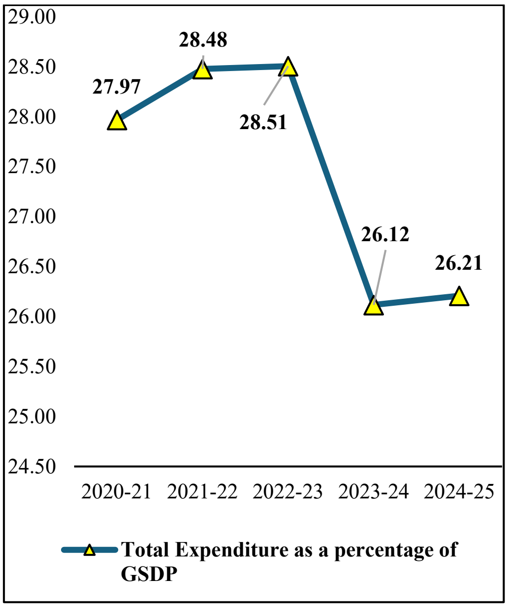
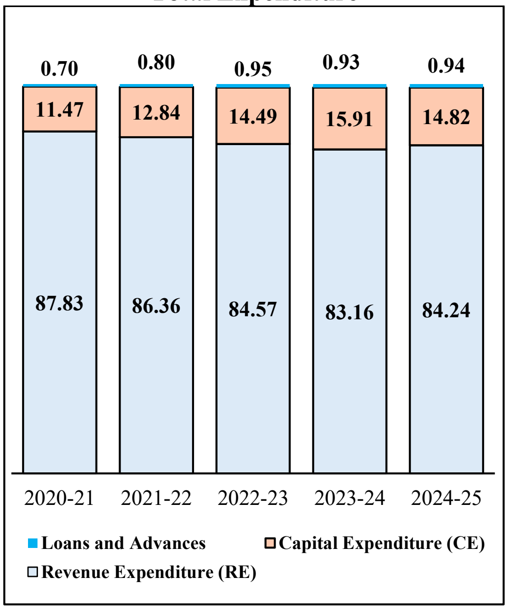


Chart 1.18: Share of components (in *per cent*) in Total Expenditure



Source: Finance Accounts of the respective years

State's expenditure profile shows that Revenue Expenditure continues to dominate, accounting for over four-fifths of the total expenditure during 2020-21 to 2024-25. However, the share of Capital Expenditure has gradually increased since 2020-21 indicating–an overall positive shift towards asset creation and developmental spending.

Out of the total expenditure of ₹ 2,59,995.63 crore incurred by the State during the financial year 2024-25, ₹ 29,863.39 crore pertained to pass-through transactions such as Finance Commission grants (₹ 8,360.34 crore), grants for Centrally Sponsored Schemes (₹ 21,217.54 crore) and other transfers/grants (₹ 370.59 crore) *etc*.

Sector-wise Total Expenditure

Sector-wise composition of expenditure is given in **Table 1.15** and relative share of various sectors in total expenditure is depicted in **Chart 1.19**.

Table 1.15: Sector-wise Total Expenditure

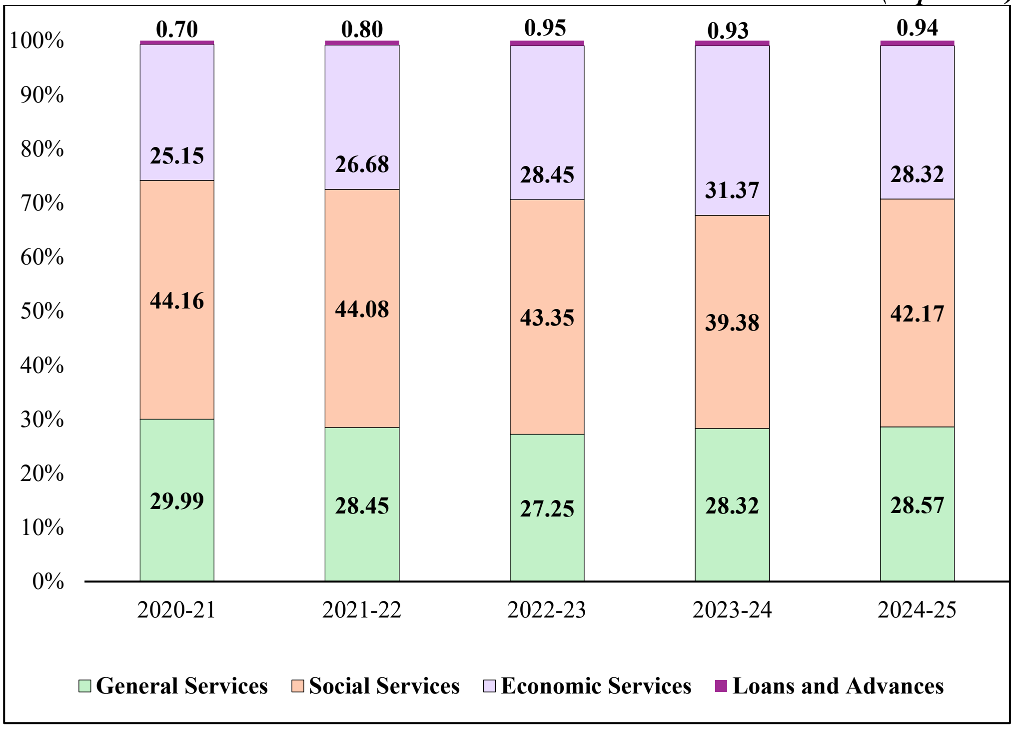
(₹ in crore)

Parameters	2020-21	2021-22	2022-23	2023-24	2024-25
General Services	47,626	52,447	59,284	64,882	74,274
Social Services	70,139	81,268	94,316	90,226	1,09,633
Economic Services	39,935	49,183	61,896	71,860	73,635
Grants to Local Bodies	1.96	0.32	0.11	-0.13	0.00
Loans and Advances	1,114	1,479	2,057	2,136	2,453

Source: Finance Accounts of the respective years

Chart 1.19: Relative share of various sectors in Total Expenditure

(in per cent)



Source: Finance Accounts of the respective years, GoB

Social Services continued to dominate the total spending, reflecting Government's focus on welfare, education, health and social protection priorities, while Economic Services exhibited continuous growth (except 2024-25), indicating increased investment in the growth sector. General Services remained almost stable, showing persistent administrative costs.

1.2.4.1 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. Growth of Revenue Expenditure, its ratio to total expenditure, GSDP and revenue receipts are shown in **Table 1.16**.

Table 1.16: Revenue Expenditure – Basic Parameters

(₹ in crore)

Parameters	2020-21	2021-22	2022-23	2023-24	2024-25
Total Expenditure (TE)	1,58,816.02	1,84,376.51	2,17,552.81	2,29,103.05	2,59,995.63
Revenue Expenditure (RE)	1,39,493.45	1,59,219.71	1,83,976.22	1,90,514.17	2,19,015.21
Revenue Receipts (RR)	1,28,168	1,58,797	1,72,688	1,93,347	2,18,658
RE as percentage of RR	108.84	100.27	106.54	98.53	100.16
RE as percentage of TE	87.83	86.36	84.57	83.16	84.24
RE/GSDP (*per cent*)	24.57	24.59	24.11	21.72	22.08

Parameters	2020-21	2021-22	2022-23	2023-24	2024-25
Year-on-Year growth (in *per cent*)					
Revenue Expenditure	10.69	14.14	15.55	3.55	14.96
GSDP Growth	-2.41	14.02	17.88	14.94	13.09

Source: Finance Accounts of the respective years

Except in 2023-24, Revenue Expenditure exceeded Revenue Receipts of the State. This pattern indicates persistent revenue deficits and that the State is using borrowed funds to meet current obligations. This trend signifies a risk of fiscal stress and limited self-financing capacity.

The Revenue Expenditure as a percentage of Total Expenditure remained above 83 *per cent*, reflecting high consumption and limited fiscal space for capital investment.

A Sector-wise Revenue Expenditure

Sector-wise composition of Revenue Expenditure is given in **Table 1.17** and relative share of various sectors in Revenue Expenditure is depicted in **Chart 1.20**. Detailed Sector-wise expenditure is given in ***Appendix 1.2***.

Table 1.17: Sector-wise Revenue Expenditure

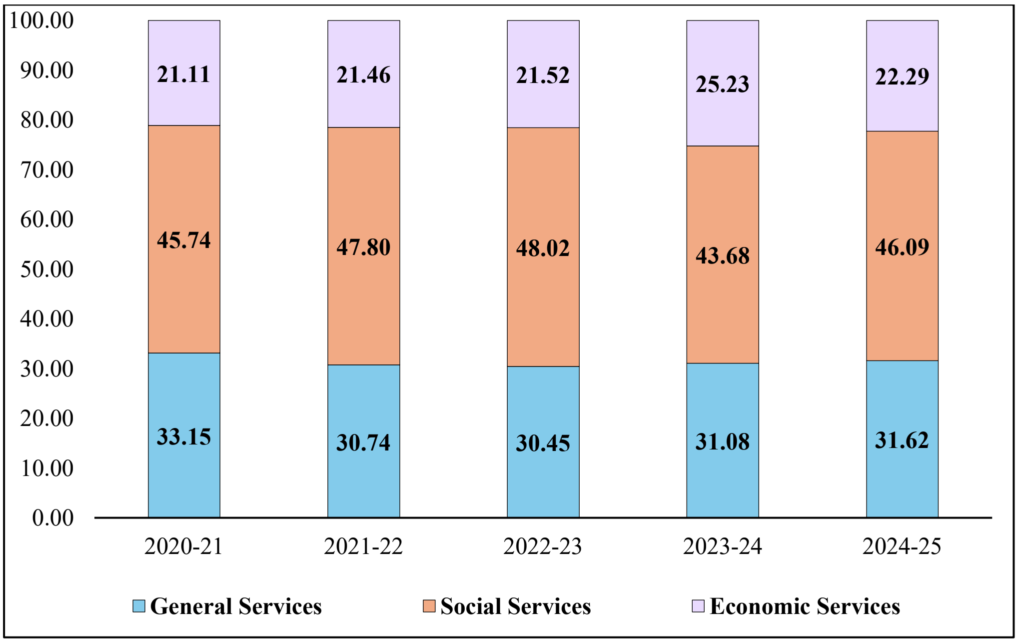
(₹ in crore)

Parameters	2020-21	2021-22	2022-23	2023-24	2024-25
General Services	46,239	48,939	56,029	59,218	69,246
Social Services	63,808	76,115	88,349	83,225	1,00,948
Economic Services	29,445	34,166	39,598	48,071	48,821
Grants-In-Aid And Contributions	1.96	0.32	0.11	-0.13	0.00

Source: Finance Accounts of the respective year, GoB

Chart 1.20: Relative share of various sectors in Revenue Expenditure

(in per cent)



Source: Finance Accounts of the respective years

Sectoral analysis of Revenue Expenditure shows that it is dominated by Social Services and General Services, together consuming at least three-fourths of total spending, in recent years. It highlights State's growing emphasis on welfare and human development. However, at the same time, allocations towards Economic Services have remained inconsistent, indicative of reduced and uneven prioritisation.

B Committed Expenditure

The committed expenditure of the State Government on revenue account consists of interest payments; expenditure on salaries and wages; and pensions. It has first charge on Government resources. The component of committed expenditure is given in **Table 1.18** and committed expenditure as a percentage of revenue receipts and remaining fiscal space for other expenditure is given in **Chart 1.21**.

Table 1.18: Components of Committed Expenditure

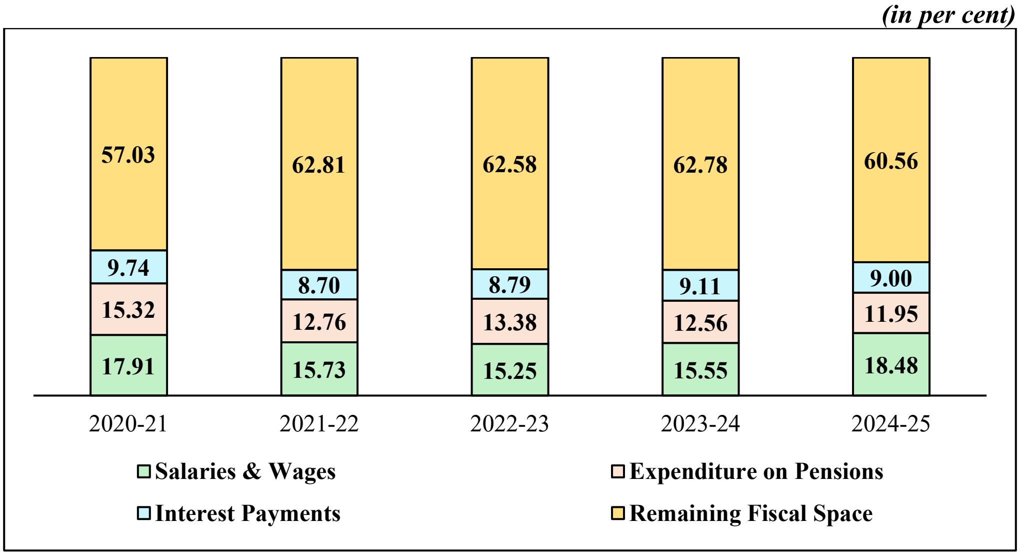
(₹ in crore)

Components of Committed Expenditure	2020-21	2021-22	2022-23	2023-24	2024-25
Salaries & Wages	22,949.17	24,983.79	26,327.56	30,064.25	40,417.89
Pensions	19,635.15	20,257.58	23,107.87	24,290.92	26,139.61
Interest Payments	12,484.04	13,821.93	15,183.54	17,605.80	19,678.14
Total	**55,068.36**	**59,063.30**	**64,618.97**	**71,960.97**	**86,235.64**
Committed Expenditure as a percentage of Revenue Expenditure	39.48	37.10	35.12	37.77	39.37

Source: Finance Accounts of the respective years, GoB

Chart 1.21: Committed Expenditure as a percentage of Revenue Receipts and remaining fiscal space

(in per cent)



Source: Finance Accounts of the respective years

Committed expenditure has the first charge on the receipts of the State. Substantial portion of State's Revenues are being absorbed by committed obligations which leaves limited fiscal space for increasing capital expenditure or welfare outlays without resorting to additional borrowing and greater reliance on debt to fund capital and social spending.

C Subsidies

Subsidies are targeted financial assistance to reduce the cost of specific goods, services, or production. Their aim is to support industries or make essential items more affordable.

The subsidies increased by ₹ 2,065.68 crore (12.71 *per cent*) over the previous year. The increase was mainly due to increase of ₹ 2,182.20 crore on account of power subsidy and ₹ 72.82 crore on account of subsidy to industries.

Department-wise major subsidies for FYs 2020-21 to 2024-25, are shown in **Table 1.19**.

Table 1.19: Department-wise Subsidies during FYs 2020-21 to 2024-25

(₹ in crore)

Sl. No.	Name of Department	2020-21	2021-22	2022-23	2023-24	2024-25
1	Food and Consumer Protection	578.77	720.56	629.93	822.24	767.73
2	Dairy, fisheries and Animal Resources	99.67	100.71	163.37	307.39	242.53
3	Agriculture	164.30	219.58	496.76	497.77	302.42
4	Energy	6,759.96	8,180.82	12,223.00	13,160.80	15,343.00
5	Industries	234.47	787.07	1,040.42	1,267.08	1,339.90
6	Others	330.25	247.28	274.31	189.33	314.71
	Total Subsidy	**8,167.42**	**10,256.02**	**14,827.79**	**16,244.61**	**18,310.29**

Source: Finance Accounts of the respective years

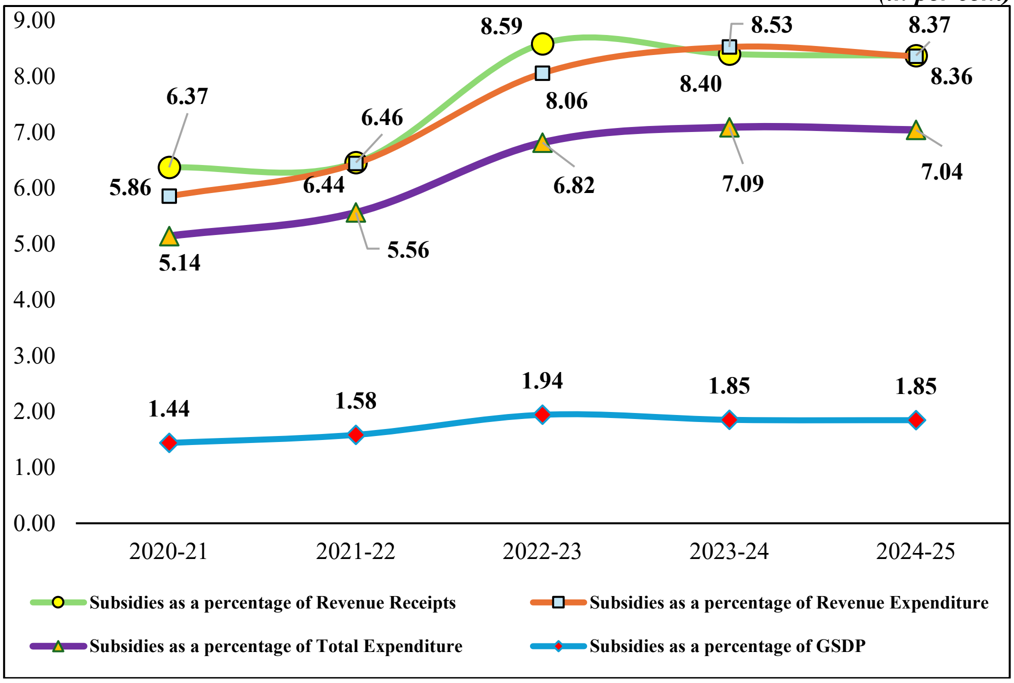
State's total subsidies increased sharply from ₹ 8,167 crore in 2020-21 to ₹ 18,310 crore in 2024-25, marking an overall rise of 124 *per cent* during the last five years. The subsidy commitments of the State was expanding faster (224 *per cent* w.r.t 2020-21) than its GSDP (75 *per cent*) and total expenditure (64 *per cent*), thereby adding fiscal pressure. The Energy Department overwhelmingly dominates the State's subsidy receipts by consuming more than four-fifths of the total subsidy bill. The energy subsidy rose by ₹ 8,583 crore (127 *per cent*) in the last five years.

Trend of substantial growth in subsidies increases fiscal rigidity, leaving less space for capital expenditure while expanding debt dependence. Without rationalization and performance-based targeting, subsidies risk becoming structural drains on fiscal resources.

Trend analysis of subsidies with respect to fiscal parameters is given in **Chart 1.22**.

Chart 1.22: Trend analysis of subsidies

(in per cent)



Source: Finance Accounts of the respective years

Subsidies as a percentage of Revenue Receipts, Revenue Expenditure, Total Expenditure and GSDP increased during 2020-21 to 2023-24 and thereafter, either stabilised or decreased marginally.

During 2024-25, Original Budget provision of ₹ 11,654.92 crore was made for subsidies, which was augmented up to ₹ 19,133.78 crore, for this period. Against this, the expenditure incurred on the subsidies for 2024-25 was ₹ 18,310.29 crore, showing an overall increase of ₹ 6,655.37 crore over the original provisions. During 2024-25, subsidies extended under some of the major schemes/departments of the State, are shown in **Table 1.20**.

Table 1.20: Budget *vis-à-vis* expenditure on subsidies under major schemes/ departments

(₹ in crore)

Name of Scheme/ Department	Original	Supplementary	Surrender	Expenditure
Energy Department (Bihar State Power (Holding) Company Ltd.)	9,000.00	6,343.00	0.00	15,342.99
Scheme for Pre-production and Post-production facilities	497.53	274.50*	0.00	772.02
National Food Security Mission	309.01	475.18	15.85	740.81
Bihar Small Enterprise Scheme	78.00	117.00	0.00	195.00
Chief Minister Yuva Udyami Yojana	121.90	0.00	0.00	121.90
Chief Minister Young Women Entrepreneur Scheme	121.90	0.00	0.00	121.90
Subsidy for extension of quality seed farms	117.91	11.79	6.21	113.64

Name of Scheme/ Department	Original	Supplementary	Surrender	Expenditure
Chief Minister Private Tube well Scheme	25.20	67.20	0.00	92.40
Chief Minister Extremely Backward Caste Udyami Scheme	28.25	33.62	0.00	61.87
Promotion of Agricultural Mechanisation	94.99	0.00	28.60	58.28
Others	1,260.23	156.57	139.27	689.48
Total	**11,654.92**	**7,478.86**	**189.93**	**18,310.29**

Source: ***Appropriation Accounts 2024-25***
**Includes Re-appropriation of ₹ 0.50 crore*

To maintain fiscal sustainability, the State needs to adopt measures such as targeted delivery, regular review and rationalisation of subsidy schemes.

D Fiscal stress from committed expenditure and subsidies

Chart 1.23 and **Chart 1.24** depicts Committed Expenditure and subsidies together as a percentage of Revenue Receipts and Revenue Expenditure during the FY 2020-25.

Chart 1.23:
Committed Expenditure and Subsidies as a percentage of Revenue Receipts

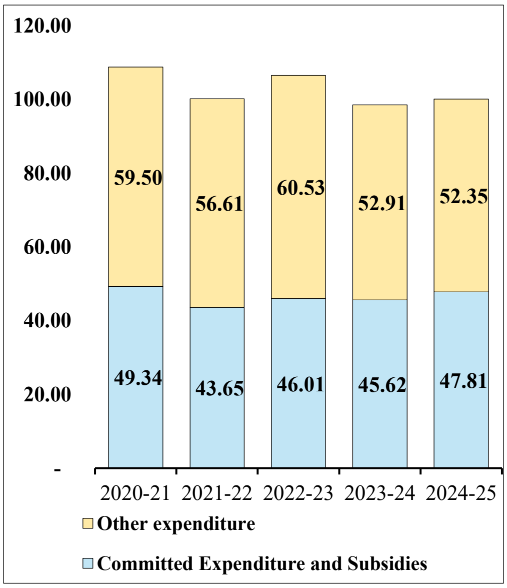
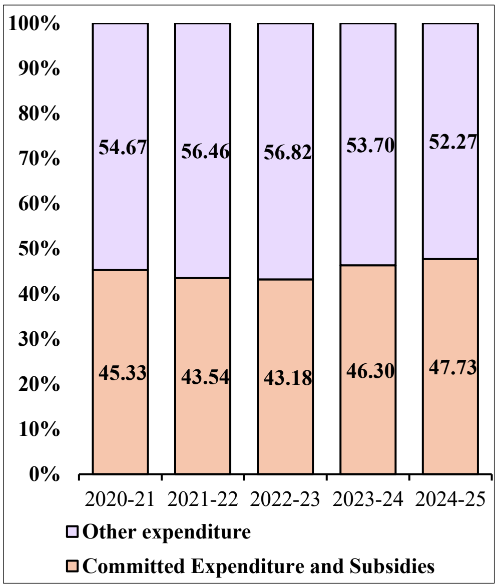


Chart 1.24:
Committed Expenditure and Subsidies as a percentage of Revenue Expenditure



Source: Finance Accounts of the respective years

Between 2021-22 and 2024-25, committed expenditure together with subsidies accounted for 43 to 48 *per cent* of Revenue Receipts. Similarly, committed expenditure together with subsidies accounted for 43 to 48 *per cent* of Revenue Expenditure.

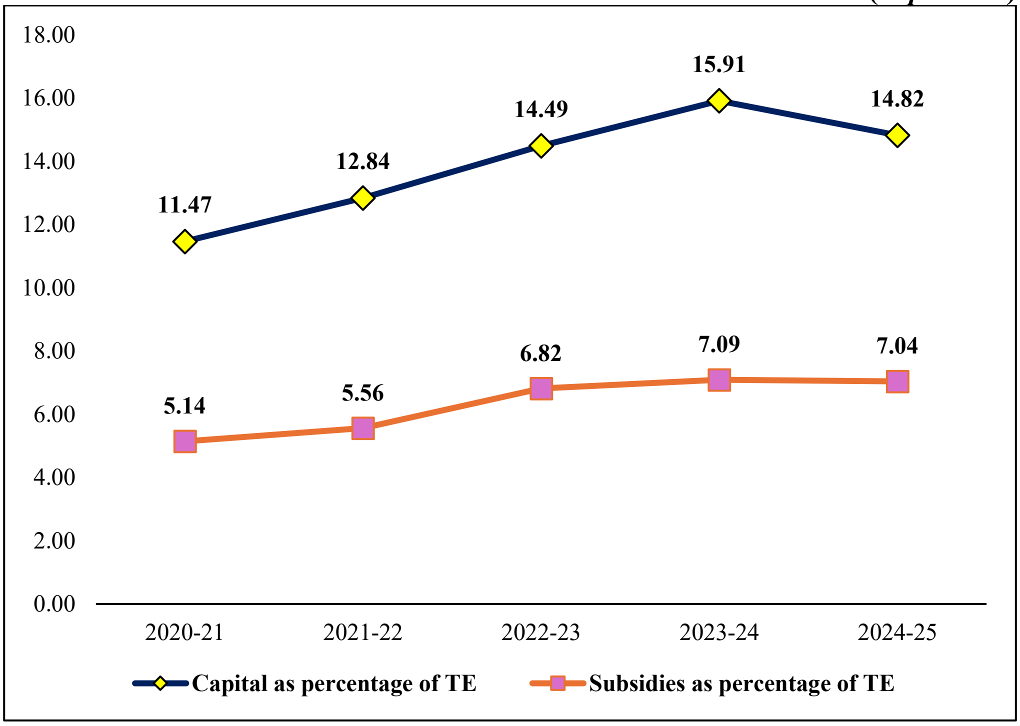
In 2024-25, the State's committed expenditure of ₹ 86,236 crore comprising Salaries (₹ 40,417.89 crore), Pensions (₹ 26,139.61 crore) and Interest Payments (₹ 19,678.14 crore), accounted for approximately 39.44 *per cent* of Revenue Receipts. In addition, subsidies amounted to ₹ 18,310.29 crore, bringing the total rigid expenditure to ₹ 1,04,546 crore, which was nearly 47.81 *per cent* of the State's Revenue Receipts.

Inflexible nature of such expenditure significantly compresses the fiscal space, limiting the State's ability to allocate resources towards economic and social sectors priorities. This structural imbalance increases the risk of persistent revenue and primary deficits, constrains long-term fiscal sustainability and reduces the government's capacity to respond to emergent socio-economic challenges.

Besides, trends of Capital Expenditure and Subsidies as percentage of Total expenditure are shown in **Chart 1.25**.

Chart 1.25: Capital Expenditure and Subsidies as percentage of Total Expenditure

(in *per cent*)



Source: Finance Accounts of the respective years

Analysis of **Chart 1.25** indicates that the share of Capital Expenditure in Total Expenditure (TE) increased from 11.47 *per cent* of 2020-21 to 15.91 *per cent* in 2023-24, reflecting a gradual shift towards asset creation, but declined to 14.82 *per cent* in 2024-25. At the same time, subsidies as a percentage of TE rose steadily from 5.14 *per cent* to 7.09 *per cent* and remained high at 7.04 *per cent* in 2024-25, indicating increasing pressure of revenue-oriented expenditure.

E Financial assistance by the State Government to Local Bodies and Other Institutions

Assistance provided by way of grants to local bodies and other institutions during 2020-21 to 2024-25 is presented in **Table 1.21**.

Table 1.21: Financial assistance to Local Bodies and other institutions

(₹ in crore)

Institutions	2020-21	2021-22	2022-23	2023-24	2024-25
(A) Local Bodies					
Municipal Corporations and Municipalities	4,785.08	5,386.53	4,990.73	6,952.16	8,035.48
GIA for creation of Capital assets to Municipal Corporations and Municipalities	2,100.49	2,551.78	1,878.90	3,418.53	4,086.88
Zilla parishads and other Panchayati Raj Institutions	12,899.38	13,268.40	14,474.20	16,754.97	15,473.26
GIA for creation of Capital assets to PRIs	686.90	2,607.05	2,080.79	3,987.70	3,453.59
Total (A)	**17,684.46**	**18,654.93**	**19,464.93**	**23,707.13**	**23,508.74**
(B) Others					
Educational Institutions (Aided Schools, Colleges, Universities, etc.)	3,716.00	3,684.25	4,331.84	4,120.34	7,708.00
Development Authorities	999.15	1,693.64	1,388.63	1,267.63	1,671.15
Other Institutions	32,529.37	40,982.19	54,755.48	48,505.38	47,063.40
Total (B)	**37,244.52**	**46,360.08**	**60,475.95**	**53,893.35**	**56,442.55**
Grand Total (A+B)	**54,928.98**	**65,015.01**	**79,940.88**	**77,600.48**	**79,951.29**
GIA for creation of Capital assets	10,273.35	14,083.39	20,019.34	19,145.79	15,963.38
Revenue Expenditure	1,39,493.45	1,59,219.71	1,83,976.22	1,90,514.17	2,19,015.21
Assistance as percentage of Revenue Expenditure	39.38	40.83	43.45	40.73	36.50

Source: Finance Accounts of the respective years

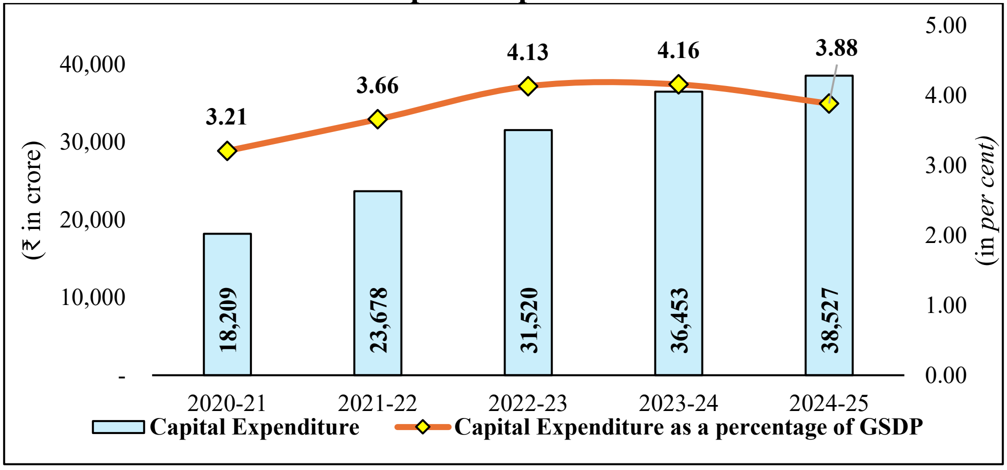
During the current year, financial assistance to the local bodies and other institutions increased by ₹ 2,350.81 crore (3.03 *per cent*) over the previous year. The increase was mainly due to increase in assistance to Educational Institutions and Municipal Corporations and Municipalities. Financial assistance to local bodies and institutions, averaged nearly 40 *per cent* of Revenue Expenditure. Total increase in financial assistance reflects higher support for education and municipal development.

To enhance efficiency, the State must shift toward outcome-linked and capital-oriented assistance and strengthen local revenue mobilization, to ensure that grants translate into durable service delivery and reduced fiscal pressure.

1.2.4.2 Capital Expenditure

Capital expenditure is primarily expenditure on creation of fixed infrastructure assets, such as roads, buildings, etc. Capital expenditure, in both the Centre and the State, is being met from budgetary support and extra budgetary resources/ off-budget borrowings. It also includes investments made by the State Government in Companies/Corporations. Trend of Capital Expenditure in the State over the last five years *i.e.*, 2020-25 is given in **Chart 1.26**.

Chart 1.26: Capital Expenditure in the State



Source: Finance Accounts of the respective years

During 2024-25, apart from Capital Expenditure of ₹ 38,527.04 crore, the State government also transferred ₹ 15,963.38 crore as Grant-in-Aid for creation of capital assets to the local bodies and other institutions. Further, percentage of Capital Expenditure as compared to Debt receipts was 58.33 *per cent*, indicating that the borrowings were not proportionately converted to infrastructural development.

During 2020-25, Capital Expenditure grew consistently with a CAGR of 20.61 *per cent.* As a percentage of GSDP, it showed a consistent upward growth before declining slightly during 2024-25. This indicates that the Capital Expenditure of the State outpaced the GSDP growth and shows prioritisation of long term asset creation. Further, similar trend of Capital Expenditure to the Total Expenditure was also observed during this period ***(Appendix 1.4)***.

It was further noted that during 2020-25, a substantial portion of funds shown as Capital Expenditure was parked in the Public Account of the State ***(Refer: Paragraph 3.6.2)***. During 2024-25 also, ₹ 13,920.16 crore (36.13 *per cent* of the total Capital Expenditure) shown as Capital Expenditure was transferred to the Public Account.

Timely release and utilisation of funds and ensuring strict alignment of expenditure with asset-creation objectives are essential to maximise the development benefits arising from these grants.

A Sector-wise Capital Expenditure

Sector-wise composition of Capital expenditure is given in **Table 1.22**. Detailed Sector-wise expenditure is given in ***Appendix 1.2***.

Table 1.22: Sector-wise Capital expenditure

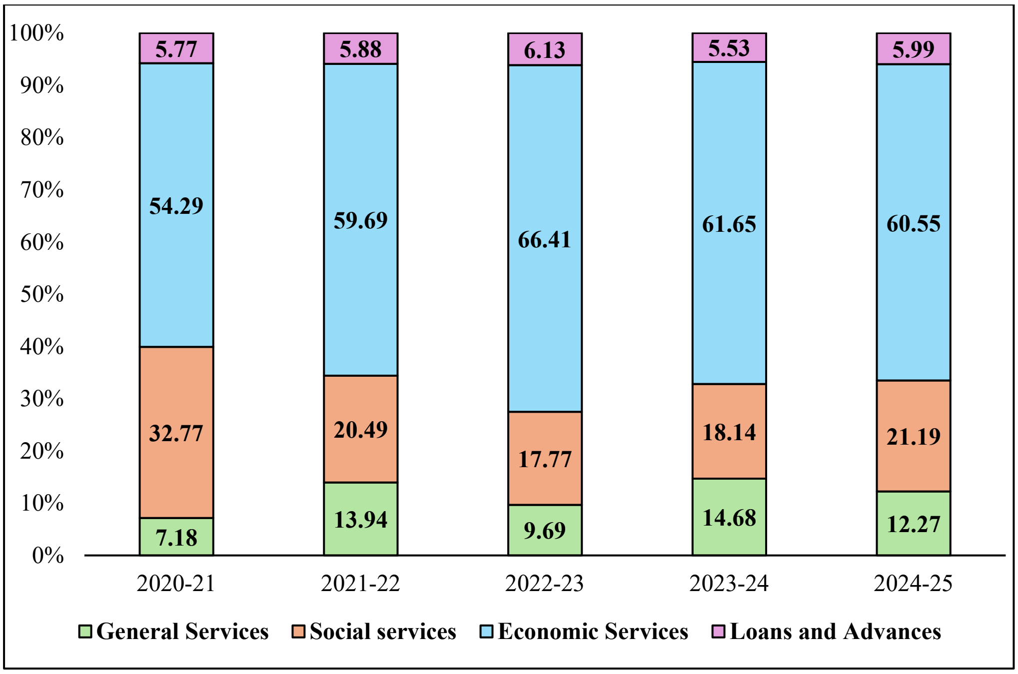
(₹ in crore)

Parameters	2020-21	2021-22	2022-23	2023-24	2024-25
General Services	1,386.50	3,507.49	3,254.88	5,664.41	5,027.89
Social Services	6,331.52	5,153.72	5,967.30	7,000.43	8,684.70

Parameters	2020-21	2021-22	2022-23	2023-24	2024-25
Economic Services	10,490.58	15,017.08	22,297.64	23,788.16	24,814.44
Loans and Advances	1,113.97	1,478.51	2,056.77	2,135.86	2,453.38

Source: Finance Accounts of the respective years

Chart 1.27: Relative share of various sectors in Capital expenditure



Source: Finance Accounts of the respective years

During 2020-23, Bihar's Capital Expenditure has grown strongly, led by economic services, from 54.29 to 66.41 *per cent* indicating a focus on infrastructure-driven growth, but in FYs 2023-24 and 2024-25, the share of economic services has declined to 60.55 *per cent*, in 2024-25, due to shifting of expenditure towards Social Services. Expenditure on Social Services increased from 17.77 *per cent* of 2022-23 to 21.19 *per cent* in 2024-25.

Audit noticed that during 2024-25 there were a substantial increase in Capital Expenditure under 'Power Projects', 'New and Renewable Energy', 'Medical and Public Health', 'Social Security and Welfare' and 'Tourism' over the previous year, whereas there were a decrease in Capital Expenditure under 'Flood Control Project', 'Village and Small Industries' and 'Other Transport Services'.

B Quality of investments in the companies, corporations and other bodies

As of 31 March 2025, the State Government's investment in companies, corporations and other bodies stood at ₹ 45,665.22 crore, comprising Government Companies (₹ 42,263.19 crore), Co-operative Institutions and local bodies (₹ 659.83 crore), Statutory Corporations (₹ 105.63 crore), Other Joint Stock Companies and Partnerships (₹ 2,606.38 crore) and Rural Banks (₹ 30.19 crore).

Trends of investment at the end of the year in companies, corporations and co-operative banks and societies and return on investment on these are shown in **Chart 1.28**. Rate of return on investment made *vis-à-vis* average rate of interest on government borrowings is shown in **Chart 1.29**.

Chart 1.28: Investment and Return

(₹ in crore)

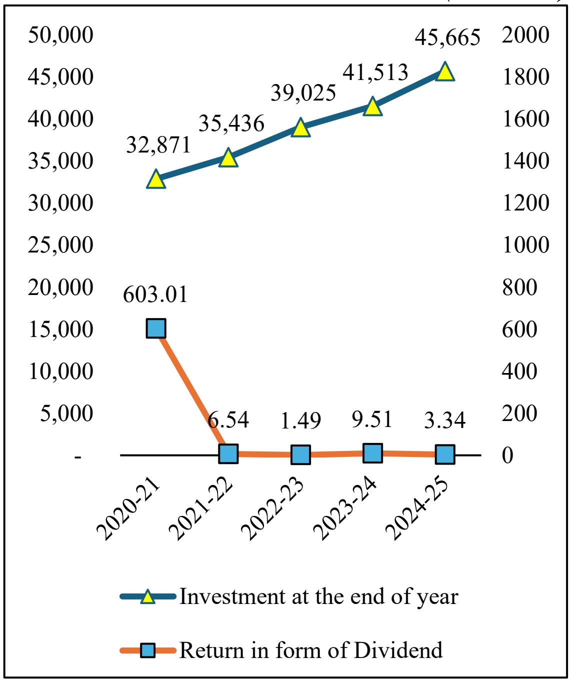
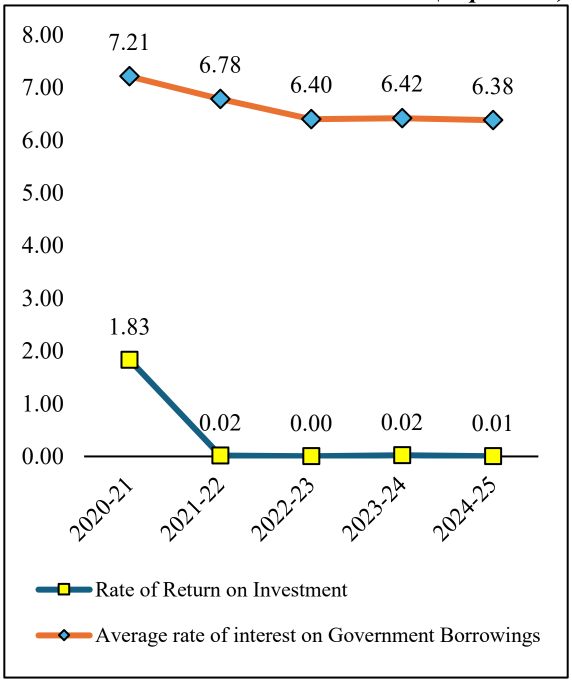


Chart 1.29: Rate of return on investment *vis-a-vis* average rate of interest on Government borrowings

(in per cent)



Source: Finance Accounts of the respective years

During 2024-25, the return on investment in the form of dividend was ₹ 3.34 crore[9] (0.01 *per cent*) (based on historical cost and not on net present value basis). The return was only between 0.01 *per cent* and 0.02 *per cent* during 2021-25. It was found that ₹ 42,263.19 crore was invested in 46 State PSUs (including investment of ₹ 17,137.61 crore in 24 non-working PSUs) up to FY 2024-25. Out of 22 working PSUs, only one PSUs (Bihar Rajya Pul Nirman Nigam Limited) gave dividend of ₹ 1.05 crore during the FY 2024-25, which was only 0.002 *per cent* of the total investment made by the State

During 2024-25, the State extended budgetary support of ₹ 4,152.24 crore in the form of share/equity to different companies. Among this investment, ₹ 3,991.60 crore[10] was made in three loss-making PSUs during 2024-25.

Reviewing the financial viability of loss-making and non-working PSUs, considering strategic disinvestment, restructuring, or closure where necessary and enforcing mandatory dividend declarations from profit-making entities are

[9] *Government Companies (₹ 1.05 crore); and Cooperative Institutions and Local Bodies (₹ 2.29 crore).*

[10] *Bihar State Minorities Finance Corporation Ltd (₹ 105 crore), Bihar State Power (Holding) Company Ltd (₹ 3,881.60 crore) and Bihar State Film Development and Finance Corporation Limited (₹ 5 crore).*

crucial steps to enhance resource mobilisation and reduce pressure on the State finances.

C Lack of Dividend Policy and its Impact

A well-defined dividend policy mandating a minimum return from profitmaking enterprises, enables the State Government to optimise its returns from investments in SPSEs and enhances monitoring of the SPSEs financial performance. The State has not formulated or enforced a dividend policy for its Public Sector Undertakings (PSUs). This has resulted in persistently low returns (0.002 *per cent* of investment) on the government's substantial equity investments, undermining the potential for non-tax revenue generation.

D Loans and Advances by State Government

In addition to the investments in co-operative societies, corporations and companies, the State Government has also been providing Loans and Advances to many institutions/organisations. **Table 1.23** presents the position of outstanding Loans and Advances as on 31 March 2025 and interest receipts *vis-à-vis* interest payments by the State Government on its borrowings during the last five years.

Table 1.23: Quantum of loans disbursed and recovered during 2020-25

(₹ in crore)

Particulars	2020-21	2021-22	2022-23	2023-24	2024-25
Opening Balance of loans outstanding	21,450.23	21,743.77	23,194.36	25,209.64	27,249.57
Amount advanced during the year	1,113.97	1,478.51	2,056.77	2,135.86	2,453.38
Amount recovered during the year	820.43	27.92	41.49	95.93	115.30
Closing Balance of the loans outstanding	21,743.77	23,194.36	25,209.64	27,249.57	29,587.65
Net addition	293.54	1,450.59	2,015.28	2,039.92	2,338.08
Interest received	3.90	5.68	8.65	269.41	1.93
Interest rate on Loans and Advances given by the Government	**Not ascertainable***				
Average rate of interest on Government Borrowings (*per cent*)	7.21	6.78	6.40	6.42	6.38
Difference between the rate of interest received and interest paid (*per cent*)	**Not ascertainable**				

Source: Finance Accounts of the respective years

* ***State did not finalise modalities/ provide information related to Interest rates for all the Loans and Advances given by it***

The amounts recovered each year are minimal compared to the total loans outstanding, resulting in a persistently rising stock of unrecovered advances.

Furthermore, the interest received in these loans is negligible, suggesting either low or non-performing loans, concessional lending without adequate recovery mechanisms, or absence of timely interest accruals. The average interest rate on government borrowings during the same period is significantly higher than the return the State earns on its loans.

State's loan portfolio exhibits significant fiscal inefficiency, with rising advances, poor recoveries and negligible returns. The absence of a clear interest policy and monitoring system undermines accountability and strains the State's fiscal position. Strengthening loan management and enforcing prudent lending norms are essential to prevent erosion of fiscal space and improve overall financial discipline.

E 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 burden, in terms of servicing of debt and interest liabilities. Details of the incomplete projects are shown in **Table 1.24** (based on information provided by the State Government for ***Appendix-IX*** of the Finance Accounts for the year 2024-25).

Table 1.24: Capital blocked in incomplete projects

(₹ in crore)

Age profile of incomplete projects as on 31 March 2025			
Year	**No. of incomplete projects**	**Estimated cost**	**Expenditure (as on 31 March 2025)**
2013-14	1	2.37	0.21
2014-15	0	Nil	Nil
2015-16	0	Nil	Nil
2016-17	2	99.80	0.72
2017-18	5	536.60	52.20
2018-19	3	84.09	4.77
2019-20	13	535.84	18.97
2020-21	24	84.88	5.66
2021-22	9	41.54	26.79
2022-23	10	924.24	99.55
2023-24	35	1,474.46	190.92
2024-25	664	5,476.86	1,025.22
Total	**766**	**9,260.68**	**1,425.02**

Department-wise profile of incomplete projects till 31 March 2025			
Department	**No. of incomplete projects**	**Estimated cost**	**Expenditure (as on 31 March 2025)**
Water Resources	124	4,951.11	402.95
Public Health Engineering	95	340.01	20.03
Building Construction	134	1,675.98	375.03
Road Construction	21	1,076.37	242.19
Rural works	83	351.85	103.54
Planning and Development	309	865.36	281.28
Total	**766**	**9,260.68**	**1,425.02**

Source: Finance Accounts 2024-25

Out of the estimated cost of ₹ 9,260.68 crore on these 766 ongoing projects, ₹ 1,425.02 crore was spent till 2024-25. Therefore, due to non-completion of these 766 projects, Capital Expenditure of ₹ 1,425.02 crore remained blocked.

Out of 766 projects, 24 projects with an expenditure of ₹ 76.87 crore were lying incomplete for more than five years. Planning and Development Department had the most number of incomplete projects, whereas projects with maximum expenditure were related to the Departments of Water Resources and Building Construction.

Due to incomplete information in ***Appendix-IX*** (Commitments of the Government-List of Incomplete Capital Works) of the Finance Accounts for the year 2024-25 (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 2025.

Delays are typically attributed to reasons such as land acquisition problems and litigation, insufficient or delayed release of funds, poor project planning and weak contract management, inadequate coordination among implementing agencies, changes in project scope or design, contractor performance issues *etc*.

Persistent delays in completion not only defer the intended socio-economic benefits but also weaken capital productivity and create avoidable financial burdens.

1.3 Contingency Fund

The Contingency Fund of the Government of Bihar is intended to provide advances for meeting unforeseen expenditure, pending its authorisation by the State Legislature. The fund is recouped once the Legislature approves the additional expenditure. The corpus of the Fund is ₹ 350 crore.

During 2024-25, ₹ 9,650 crore were withdrawn from the fund under various budgetary heads in which ₹ 3.68 crore was withdrawn for non-contingent nature which was contrary the objectives to that extent ***(Paragraph 2.14.1)***. The total amount of ₹ 9,650 crore was replenished by the end of the FY 2024-25. As on 31 March 2025, the Contingency Fund had a balance of ₹ 350 crore.

1.4 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 balance after disbursements during the year is the fund available with the Government for use for various purposes.

1.4.1 Net Public Account balances

The component-wise net balances in Public Account of the State is given in **Table 1.25**.

Table 1.25: Component-wise net balances in Public Account

(₹ in crore)

Sector	Sub-Sector	2020-21	2021-22	2022-23	2023-24	2024-25
Small Savings, Provident Funds, etc.	Small Savings, Provident Funds, etc.	166.29	76.28	-124.77	-255.76	-513.06
Reserve Funds	(a) Reserve Funds bearing Interest	378.12	140.42	1,585.11	1,222.72	1,647.20
	(b) Reserve Funds not bearing Interest	-26.32	0.00	0.00	0.00	0.00
Deposits and Advances	(a) Deposits bearing Interest	-75.05	-57.17	40.52	-247.91	1,290.57
	(b) Deposits not bearing Interest	4,336.01	-1,543.24	363.64	1,476.52	2,689.89
	(c) Advances	0.00	0.00	0.00	0.00	0.00
Suspense and Miscellaneous	(a) Suspense (Civil)	-4,879.88	-238.38	1,199.82	8,804.89	3,547.04
	(b) Other Accounts	-191.23	-4,148.08	7,961.19	-12,655.59	-11,304.45
	(c) Accounts with Governments of Foreign Countries	-0.01	-0.01	0.00	0.00	0.00
	(d) Miscellaneous	-	-	-	-	0.00
Remittances	(a) Money Orders and other Remittances	4.37	-7.53	0.00	-2.36	-0.11
	(b) Inter- Governmental Adjustment Account	794.07	0.00	0.00	-0.01	0.01
	Total	**506.37**	**-5,777.71**	**11,025.51**	**-1,657.51**	**-2,642.91**

Source: Finance Accounts of the respective years, GoB
Note: +ve figures denote debit balance and –ve figures denote credit balances.

In a FY, net minus balances under various sectors/sub sectors of Public Account show excess of disbursement over receipts under these heads, whereas, positive balances under these sectors/sub sectors show less disbursements than receipts.

1.4.2 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 or from outside agencies. It comprises interest bearing reserve funds and reserve funds not bearing interest.

There were three interest bearing funds and one Reserve Fund not bearing interest as on 31 March 2025. Balances lying in these Reserve Funds as on 31 March 2025 are given in **Table 1.26**.

Table 1.26: Details of Major Reserve Funds

(₹ in crore)

Sl. No.	Name of Reserve Fund	Opening Balance	Receipts during the year	Interest receipts	Repayments during the year	Balance as on 31 March 2025
A	**Reserve Funds bearing Interest**	**3,849.31**	**2,734.57**	**89.35**	**1,087.37**	**5,496.51**
1	State Disaster Response Fund	2,800.04	1,830.51	82.51	876.21	3,754.34
2	State Compensatory Afforestation Fund (SCAF)	289.47	252.11	0.00	29.60	511.98

Sl. No.	Name of Reserve Fund	Opening Balance	Receipts during the year	Interest receipts	Repayments during the year	Balance as on 31 March 2025
3	State Disaster Mitigation Fund	759.80	651.95	6.84	181.56	1,230.19
B	**Reserve Funds not bearing Interest**	**8,494.66**	**1,645.86**	**2519.69**	**0.00**	**10,140.52**
1	Sinking fund	8,494.66	1,645.86	2519.69	0.00	10,140.52
	Grand Total	**12,343.97**	**4,380.43**	**2609.04**	**1,087.37**	**15,637.03**

Source: Finance Accounts of the respective years

1.4.3 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). The limit for WMA to the State Government, is revised by the RBI, from time to time. From 1 April 2022, this applicable limit was ₹ 2,272.00 crore.

The State Government invests surplus cash balances, including those from earmarked reserve funds in GoI securities and Treasury Bills. Earnings from these investments are credited under '0049-Interest Receipts'.

It is undesirable for the State Government to raise market loans while holding large unutilized cash balances, as it leads to idle funds rather than productive use. Cash balances and their investment details for FYs 2023-24 and 2024-25 are provided in **Table 1.27**.

Table 1.27: Cash Balances and their investment

(₹ in crore)

Particulars	Opening balance as on 1 April 2024	Closing balance as on 31 March 2025
A. General Cash Balances		
Deposits with Reserve Bank of India	726.68	966.80
Investments held in Cash Balance Investment Account	26,762.09	39,132.93
Total (A)	**27,488.77**	**40,099.73**
B. Other Cash Balances and Investments		
Cash with departmental officers *viz*., Forest and Public Works	233.22	233.22
Permanent advances with departmental officers for contingent expenditure	765.53	765.10
Investment of earmarked funds	8,494.66	10,140.52
Total (B)	**9,493.41**	**11,138.84**
Total (A + B)	**36,982.18**	**51,238.57**
Interest realised	264.34	913.46

Source: Finance Accounts of the respective years

At the end of FY 2024-25, there was a difference of ₹ 947.85 crore (Debit)[11] between the figures under "Deposits with Reserve Bank" reflected in the Finance accounts (Debit - ₹ 966.80 crore) and those intimated by the Reserve Bank of India (Credit[12] - ₹ 18.95 crore). The difference is under reconciliation between the office of the Pr. AG (A&E), Bihar and RBI.

The State Government maintained the minimum cash balance with RBI, throughout the financial year 2024-25 without availing any Ways and Means Advances during this period.

Details of Cash Balance Investment Account during the last five years is given in **Table 1.28**.

Table 1.28: Cash Balance Investment Account (Major Head-8673)

(₹ in crore)

Year	Opening Balance	Closing Balance	Increase (+) / Decrease (-)	Interest earned
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
2024-25	26,762.09	39,132.93	12,370.84	913.46

Source: Finance Accounts of the respective years, GoB

Out of its Cash Balance, the State invested ₹ 39,132.93 crore in the securities of the Government of India (₹ 39,128.28 crore) and securities of other State Governments (₹ 4.65 crore) as on 31 March 2025. Interest realised during the year on investment held in the Cash Balance Investment Accounts was ₹ 913.46 crore.

1.5 Fiscal Sustainability

Fiscal Sustainability is the ability of a government to manage its revenue and expenditure in a manner that ensures it can meet its current and future obligations such as public services, infrastructure and debt repayments without excessive borrowing or accumulating unsustainable debt. It implies maintaining a stable balance between revenue generation and expenditure over the long term. **Chart 1.30** and **Chart 1.31** shows receipts and expenditure of Bihar Government as a percentage of GSDP, during FYs 2020-25, respectively.

[11] *Cash outflow exceeded cash inflows during the accounting year).*

[12] *Credit balance with RBI shows that the State has more cash parked with the RBI than it has drawn during the accounting period.*

Chart 1.30: Receipts as a percentage of GSDP

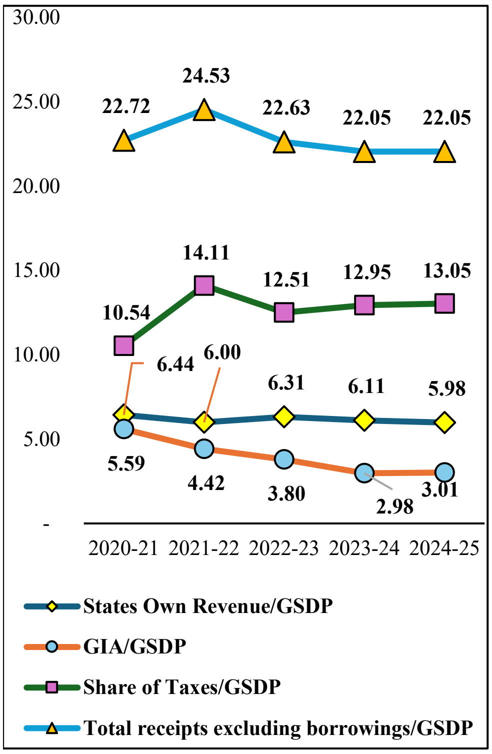
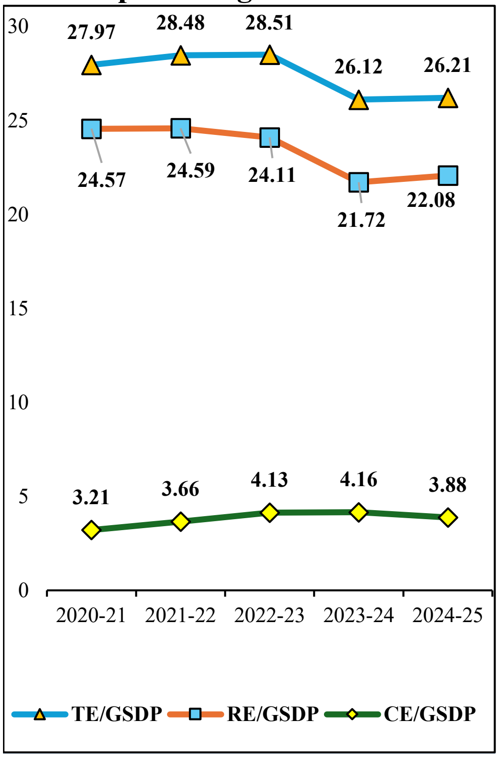


Chart 1.31: Expenditure as a percentage of GSDP



Source: Finance Accounts of the respective years and MoSPI, GoI for GSDP figures

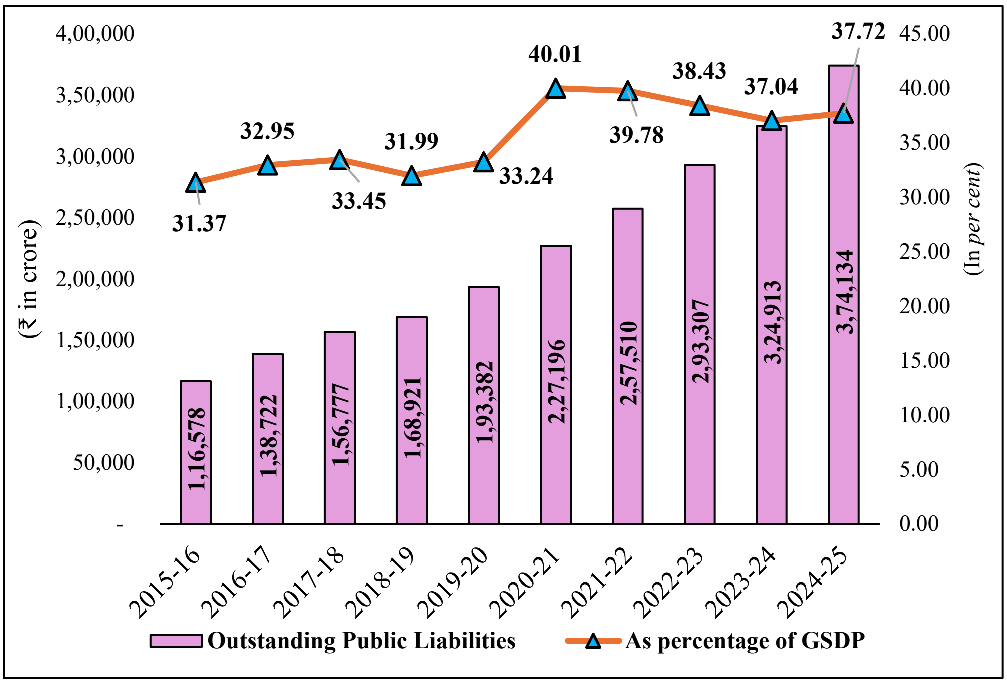
Chart 1.30 shows that State's own revenue to GSDP ratio stagnated around six *per cent*, indicating limited improvement in revenue mobilisation, while the share of Central taxes increased post-pandemic, indicating State's continued dependence on Central transfers. Grants-in-aid declined steadily over the period.

On the expenditure side, **Chart 1.31** shows that Total Expenditure and Revenue Expenditure w.r.t. GSDP peaked during 2022-23 and then declined, reflecting fiscal consolidation. Capital Expenditure as a percentage of GSDP improved gradually, although it remained approximately three to four *per cent* between 2020-21 and 2024-25.

1.5.1 Public Liability Management

Outstanding liabilities of the State along with their percentage to GSDP for the financial years 2020-21 to 2024-25 is depicted in **Chart 1.32**.

Chart 1.32: Outstanding Public Liability and its percentage to GSDP



Source: Finance Accounts of the respective years and MoSPI, GoI for GSDP figures

Note: *Outstanding Public Liabilities refer to Outstanding Public Debt and Public Account Liabilities*

Note: *During the year 2020-21 and 2021-22, overall liabilities included ₹ 3,905.00 crore and ₹ 6,815.63 crore respectively which was received from GoI in lieu of GST compensation. Out of this, ₹ 7,827.52 crore was adjusted in back-to-back loan in lieu of GST by proforma adjustment during the year 2024-25.*

It can be observed from **Chart 1.32** that outstanding Public Liabilities have increased continuously from FY 2015-16 to 2024-25. However, as a percentage of GSDP of the State they peaked at 40.01 *per cent* during 2020-21. Thereafter, they declined continuously up to 2024-25 wherein it was 37.72 *per cent*.

1.5.1.1 Liability profile: Components

Total liabilities of the State Government typically constitute Internal Debt of the State (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 Public Account Liabilities. The component-wise liability trends of the State for the period of five years from 2020-21 to 2024-25 are presented in **Table 1.29**.

Table 1.29: Component-wise liability trends

(₹ in crore)

Components of fiscal liability	2020-21	2021-22	2022-23	2023-24	2024-25
Outstanding Total Liabilities (i+ii)	**2,27,195.51**	**2,57,510.21**	**2,93,307.17**	**3,24,913.39**	**3,74,133.50**
(i) Public Debt	1,77,214.85	2,08,913.28	2,42,845.73	2,72,256.38	3,16,361.90
(a)Internal Debt	1,59,557.50	1,82,855.32	2,08,098.10	2,36,205.16	2,65,142.06
(b)Loans from GoI*	17,657.35	26,057.96	34,747.63	36,051.22	51,219.84

Components of fiscal liability	2020-21	2021-22	2022-23	2023-24	2024-25
(ii) Public Account Liabilities	49,980.66	48,596.93	50,461.44	52,657.01	57,771.60
(a)Small Savings, Provident Funds, etc.	9,445.38	9,521.65	9,396.88	9,141.12	8,628.06
(b)Reserve Funds bearing Interest	901.07	1,041.49	2,626.60	3,849.32	5,496.51
(c)Reserve Funds not bearing Interest	0	0	0	0	0
(d)Deposits bearing Interest	274.29	217.11	257.63	9.72	1,300.29
(e)Deposits not bearing Interest	39,359.92	37,816.68	38,180.33	39,656.85	42,346.74
Rate of growth of outstanding total liability (*per cent*)	17.49	13.34	13.90	10.78	15.15
Gross State Domestic Product (GSDP)	5,67,814	6,47,394	7,63,165	8,77,197	9,91,997
Outstanding Total Liabilities/GSDP (*per cent*)	40.01	39.78	38.43	37.04	37.72
Borrowings and Other Liabilities					
Total Receipts	**1,08,432.31**	**1,17,527.57**	**1,29,950.58**	**1,62,725.19**	**1,70,865.46**
Total Repayments	**74,618.65**	**87,212.86**	**94,153.62**	**1,23,291.46**	**1,21,645.34**
Net funds available	33,813.66	30,314.71	35,796.96	39,433.73	49,220.12
Repayments/ Receipts (*per cent*)	68.82	74.21	72.45	75.77	71.19

Source: Finance Accounts of the respective years, GoB

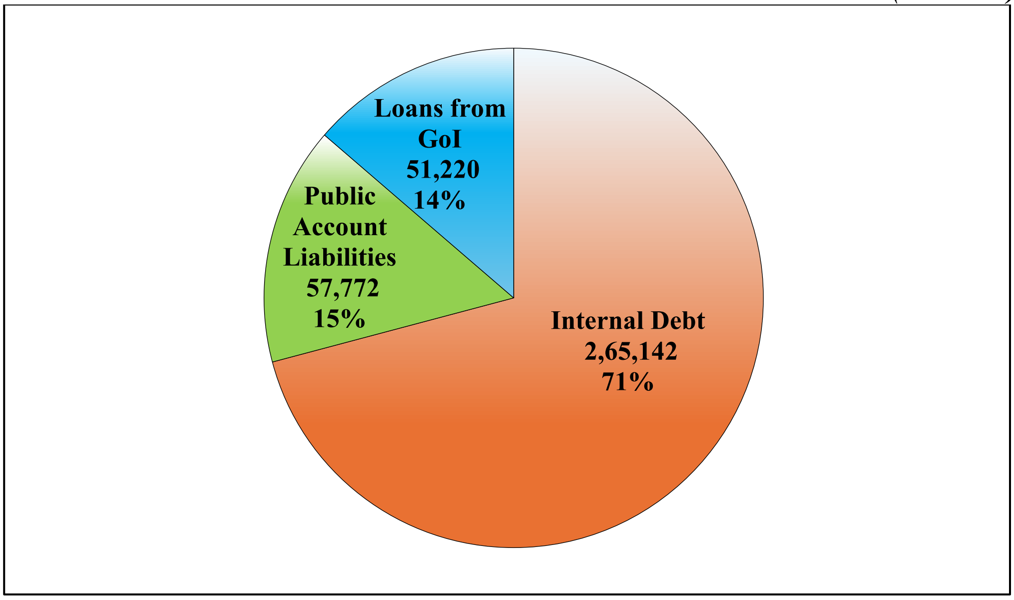
** During the year 2020-21 and 2021-22, overall liabilities included ₹ 3,905.00 crore and ₹ 6,815.63 crore respectively which was received from GoI in lieu of GST compensation. Out of this, ₹ 7,827.52 crore was adjusted in back-to-back loan in lieu of GST by proforma adjustment during the year 2024-25.*

The State's outstanding total liabilities have shown a consistent upward trajectory, driven primarily by increase in Internal Debt and Loans from GoI. During 2020-21 to 2024-25, Internal Debt increased by 66.17 *per cent,* whereas Loans from GoI increased by 190.07 *per cent*, during this period. Although the outstanding total liability-to-GSDP ratio remained within the indicative debt projection of XVth FC, during this period, rising debt service burden and slower revenue growth could pose long-term fiscal sustainability risks.

Break-up of outstanding total liabilities at the end of 2024-25 is shown in **Chart 1.33**.

Chart 1.33: Break-up of outstanding liabilities at the end of 2024-25

(₹ in crore)

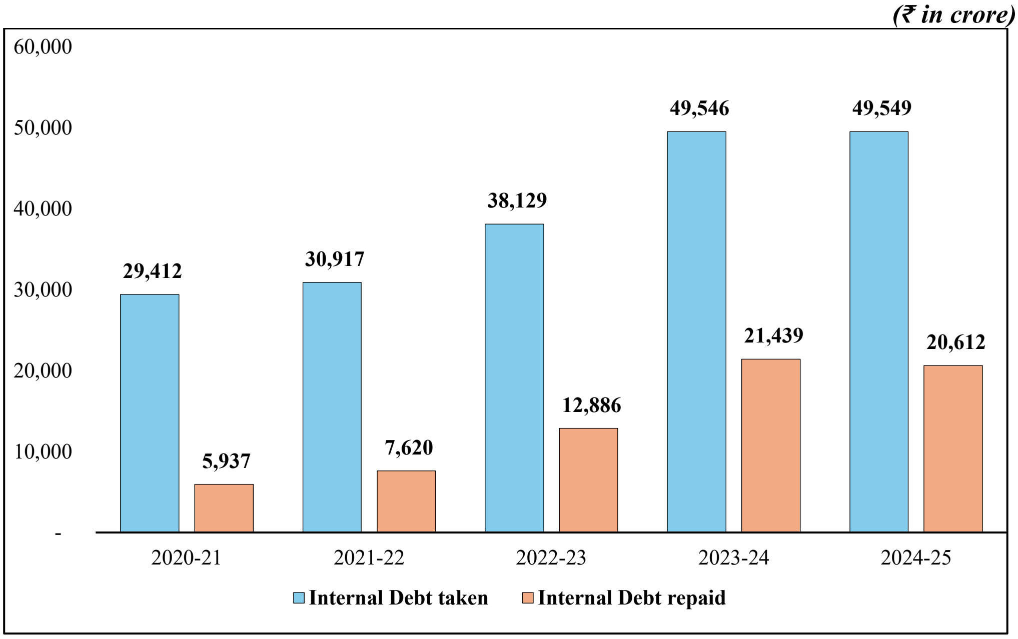


Source: Finance Accounts 2024-25

Chart 1.34 depicts the quantum of internal debt taken *vis-à-vis* that repaid during the period of five years *i.e.*, 2020-25.

Chart 1.34: Internal debt taken *vis-a-vis* repaid

(₹ in crore)



Source: Finance Accounts of the respective years

An amount of ₹ 17,871.56 crore was paid towards interest on Internal Debt during 2024-25.

A high interest burden indicates rising debt servicing obligations, which can push the Revenue Deficit higher, as interest payments are committed Revenue Expenditure s. Also, elevated interest payments contribute directly to a higher

Fiscal Deficit, unless offset by increased revenue mobilisation or expenditure rationalisation.

1.5.1.2 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 a healthy trend. **Table 1.30** and **Chart 1.35** depict the utilisation and trends of borrowed funds during 2020-25, respectively.

Table 1.30: Utilisation of borrowed funds

(₹ in crore)

Sl. No.	Particulars	Financial Year				
		2020-21	2021-22	2022-23	2023-24	2024-25
1	Total borrowings*	1,08,432.31	1,17,527.57	1,29,950.58	1,62,725.19	1,70,865.46
2	Repayment of earlier borrowings (Principal)	74,618.65	87,212.86	94,153.62	1,23,291.48	1,21,645.34
3	Net capital expenditure	18,208.60	23,678.29	31,519.82	36,453.02	38,527.04
4	Net Loans and Advances	293.54	1,450.59	2,015.28	2,039.93	2,338.08
5	Portion of Revenue Expenditure met out of net available borrowings (1-2-3-4)	15,311.52	5,185.83	2,261.86	940.76	8,355.00

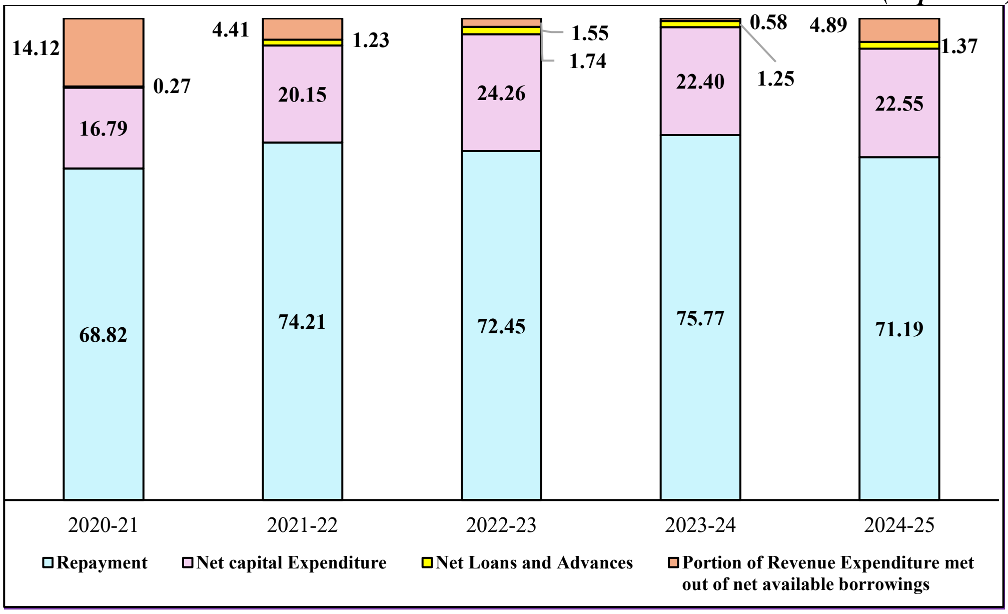
Source: Finance Accounts of the respective years, GoB

****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.***

The State Government's total borrowings increased by 57 *per cent* during the last five years. Between four to 14 *per cent* of the borrowing financed the Revenue Expenditure of the State. In 2024-25, ₹ 8,355 crore of borrowings funded revenue operations, significantly higher than 2023-24 (₹ 941 crore). Although, the State's Net Capital Expenditure as a percentage to Total Borrowings has improved during 2024-25 over the previous year, 71 *per cent* of the total borrowings was used for repayments of earlier borrowings, leaving limited fiscal room for creation of assets.

Chart 1.35: Trends of utilisation of borrowed funds

(in per cent)



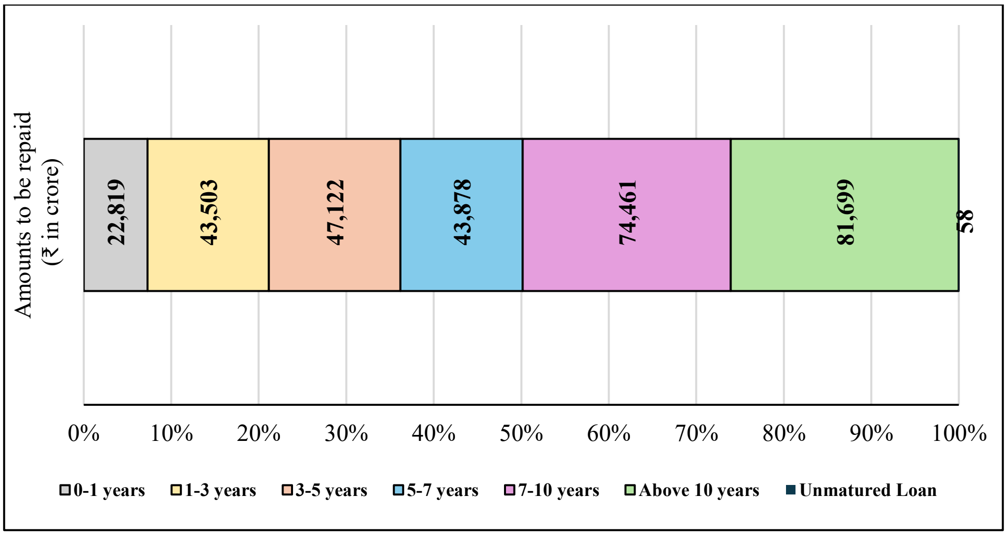
Source: Finance Accounts of the respective years

Although the State's Net Capital Expenditure as a percentage to Total Borrowings has improved during 2024-25 over the previous year, a substantial share of State's borrowings is going toward debt repayment and revenue spending which limits fiscal space and increases its dependence on debt for routine needs. This weakens long-term fiscal sustainability and hampers investment in infrastructure.

1.5.1.3 Debt profile: Maturity and Repayment

Debt maturity and repayment profile indicates commitment on the part of the Government towards debt repayment or debt servicing. Debt maturity profile of the State is depicted in **Chart 1.36**.

Chart 1.36: Maturity Profile of Public Debt



Source: Finance Accounts 2024-25

A substantial portion amounting to ₹ 1,57,322 crore (50.18 *per cent*) of the outstanding debt is due for repayment within the next seven years. Of this, 37.5 *per cent* (₹ 1,13,444 crore) of debt will mature within the next five years, representing significant refinancing and repayment risk in the short to medium term. A high concentration of liabilities maturing within the short to medium term (0-7 years) indicates potential debt bunching, increasing refinancing and liquidity pressure on the State.

1.5.1.4 Financing pattern of fiscal deficit

Table 1.31 depicts financing pattern of the fiscal deficit during 2020-25.

Table 1.31: Components of Fiscal Deficit and its financing pattern

(₹ in crore)

	Particulars	2020-21	2021-22	2022-23	2023-24	2024-25
Fiscal Deficit						
1	Revenue Deficit(-)/ Surplus(+)	-11,325.11	-422.38	-11,288.20	2,833.06	-357.38
2	Net Capital expenditure	18,208.60	23,678.29	31,519.82	36,453.02	38,527.04
3	Net Loans and Advances	293.54	1,450.59	2,015.28	2,039.93	2,338.08
Financing Pattern of Fiscal Deficit						
1	Market Borrowings	24,684.91	24,517.46	27,700.00	30,142.94	31,123.00
2	Loans from GoI	5,559.19	8,400.61	8,689.67	9,131.11	15,168.62
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	678.85	668.71	-568.87	-147.54	-297.74
5	Small Savings, PF, *etc.*	166.29	76.28	-124.77	-255.76	-513.06
6	Remittance	798.44	-7.53	0.00	-2.38	0.01
7	Deposits and Advances	4,260.96	-1,600.41	404.16	1,228.61	3,980.46
8	Suspense and Miscellaneous	-5,071.12	-4,386.46	9,161.01	-3,850.70	-7,757.41
9	Reserve Funds	351.80	140.42	1,585.11	1,222.72	1,647.20
10	**Overall Deficit**	**29,540.97**	**25,920.73**	**44,957.96**	**35,580.65**	**41,462.62**
11	Increase (-)/ Decrease (+) in cash balance	286.28	-369.45	-134.66	79.23	-240.12
12	**Gross Fiscal Deficit**	**29,827.25**	**25,551.28**	**44,823.30**	**35,659.88**	**41,222.50**
13.	Interest Payments	12,484.04	13,821.93	15,183.54	17,605.80	19,678.14
14.	**Primary Deficit**	**17,344**	**11,729**	**29,640**	**18,054**	**21,545**

Source: Finance Accounts of the respective years

Fiscal Deficit of the State increased by ₹ 5,562.62 crore during 2024-25, over previous year mainly due to increase in 'loans from GoI' and 'Deposits and Advances'. Whereas Primary Deficit of the State increased by ₹ 3,491 crore during 2024-25, over the previous year due to increase in 'Interest payments' during 2024-25.

1.5.2 Post Audit Deficit Indicators

As per Finance Accounts of the State for FY 2024-25, the Revenue Deficit of the State was ₹ 357.38 crore (0.04 *per cent* of GSDP), Fiscal Deficit was ₹ 41,222.50 crore (4.16 *per cent* of GSDP) whereas Primary Deficit was ₹ 21,544.36 crore (2.17 *per cent* of GSDP). However, Audit found that the State Government misclassified expenditure amounting to ₹ 33.11 crore of Revenue nature as Capital Expenditure ***(Paragraph 2.5.5)***. Besides, short transfer of interest payment on Reserve Fund, non-transfer of funds to Single Nodal Agency (SNA) and National Pension System (NPS), non-transfer of fund related with the Bihar Building and Other Construction Workers' Welfare Board (BBOCWW), Road Safety Cess, National Mineral Exploration Trust (NMET) were also responsible for enhancing the post audit deficit to that extent.

This resulted in understatement of Revenue deficit and Primary Deficit to that extent and the Revenue Deficit and Primary Deficit (post-audit) worked out to be ₹ 2,500.81 crore and ₹23,687.79 crore (0.25 *per cent* and 2.39 *per cent* of the GSDP), respectively after audit.

1.5.3 Fiscal Balance: Achievement of deficit and total debt targets

As per the Bihar Financial Responsibility and Budget Management (BFRBM) Act, 2006 and its amendments aligned with the XVth Finance Commission, the State aims to:

- Eliminate Revenue Deficit and maintain the Fiscal Deficit within the ceiling of three *per cent* of GSDP, with an additional 0.5 *per cent* permitted on fulfilling reform milestones; and
- Contain the outstanding debt-to-GSDP ratio below 39.90 *per cent*.

Achievements, *vis-à-vis* the fiscal targets, prescribed in the BFRBM Act for FYs 2020-21 to 2024-25, post audit are detailed in **Table 1.32**.

Table 1.32: Compliance with provisions of BFRBM (Amendment) Act

Fiscal Parameters		Achievement vis-a-vis targets set in the FRBM				
		2020-21	2021-22	2022-23	2023-24	2024-25
Revenue Deficit (-) / Surplus (+) (₹ in crore)	T	18,429	3,918	8,976	15,186	22,756
	A	-12,032.18 ✗	-2,792.85 ✗	-11,693.39 ✗	2,154.88 ✗	-2,500.81 ✗
Fiscal Deficit (-) / Surplus (+) (as percentage of GSDP) #	T	-5.00	-4.50	-4.00	-3.50	-3.50
	A	-5.32 ✗	-4.60 ✗	-6.02 ✗	-4.15 ✗	-4.37 ✗
Ratio of Total Outstanding Liability to GSDP (in *per cent*)	T	41.20	40.20	40.80	40.40	39.90
	A	40.01 ✓	39.78 ✓	38.43 ✓	37.04 ✓	37.72 ✓
Interest payment as percentage of Revenue Receipts	T	Targets not set				
	A	9.74	8.7	8.79	9.11	8.99

Source: Finance Accounts and Budget documents of the respective years

#0.5 per cent including additional borrowing space for Power sector with certain criteria and conditions set forth by the GoI

Note 1: T: Target and A: Achievement

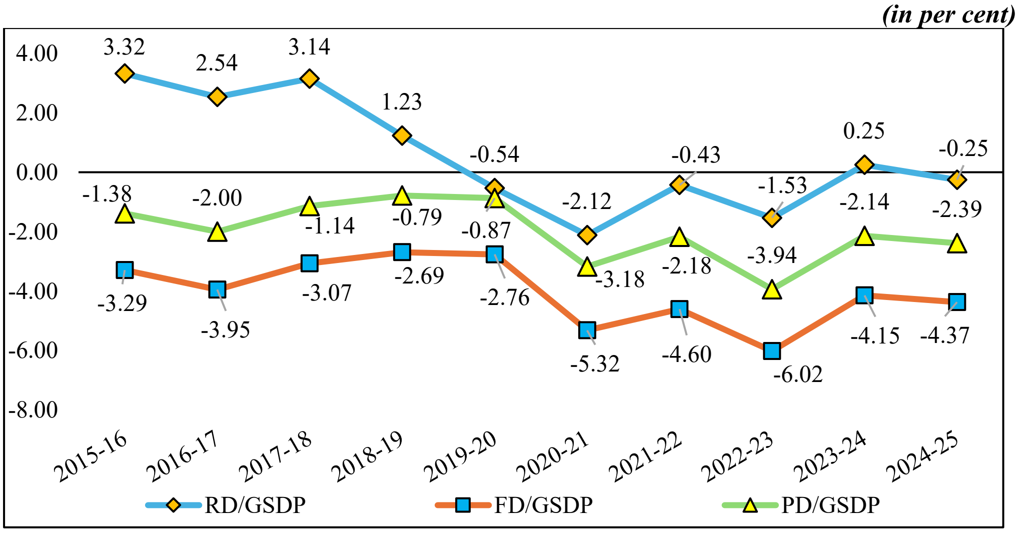
Note 2: '✓' denotes target achieved, '✗' denotes target not achieved

Throughout the period of FYs 2020-21 to 2024-25, the State Government could not achieve the Revenue Surplus targets in line with the BFRBM Act. Fiscal Deficit of the State also remained above the targets prescribed under the BFRBM. Fiscal and Primary Deficits peaked in 2022-23, indicating higher expenditure or borrowing that year. However, both deficits declined thereafter. Besides, although, the State Government did not set any targets for interest payment as percentage of Revenue Receipts, its percentage ranged between 8.7 and 9.7 *per cent* during the last five years. Overall, State's fiscal position improved after 2022-23.

Trend analysis of surplus/ deficits Post Audit is in **Chart 1.37**.

Chart 1.37: Trend analysis of surplus/ deficits post audit

(in per cent)



Source: Finance Accounts of the respective years

The targets set by XVth FC and those projected in the State budget *vis-à-vis* achievements in respect of major fiscal aggregates with reference to GSDP during 2024-25 are given in **Chart 1.38, Chart 1.39** and **Chart 1.40**.

Chart 1.38: Revenue Surplus

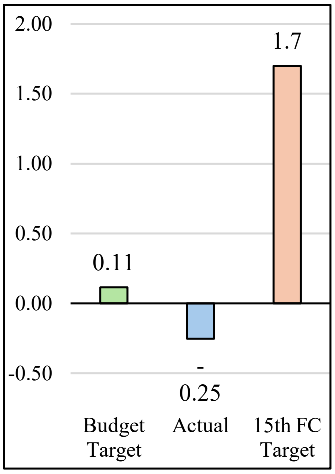


Chart 1.39: Fiscal Deficit

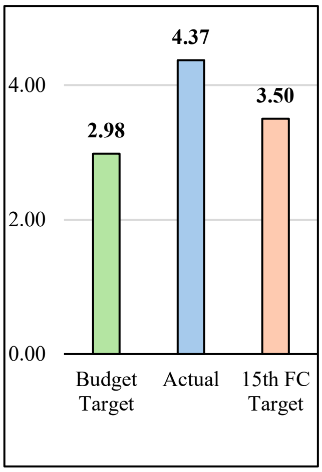
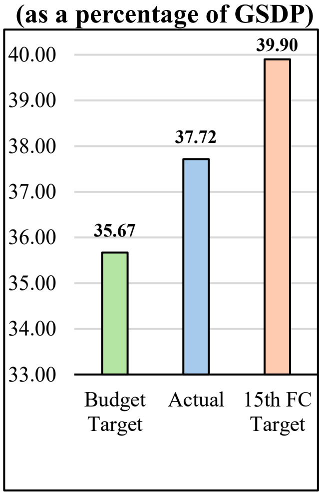


Chart 1.40: Outstanding Liability (as a percentage of GSDP)



Source: Finance Accounts of the respective years

Note: 15th Finance Commission taget included 0.5 per cent including additional borrowing space for power Sector with certain criteria and condition set forth by the GoI

During the year 2024-25, the Government was unable to contain the Revenue Deficit-GSDP and Fiscal Deficit-GSDP ratios within the levels fixed by the XVth FC and those projected in the Budget Estimates. The Total Outstanding Liability-GSDP ratio remained within the levels recommended by the XVth FC, but was beyond the Budgetary Estimates.

1.5.4 Debt Sustainability Analysis

Debt sustainability refers to the ability of the State to service its debt obligation now and in future. Analysis of variations in debt sustainability indicators is given in **Table 1.33**.

Table 1.33: Trends in Debt Sustainability Indicators

(₹ in crore)

Sl. No.	Debt Sustainability Indicators	2020-21	2021-22	2022-23	2023-24	2024-25
1	Overall Liabilities or Overall Debt	2,27,195.51	2,57,510.23	2,93,307.16	3,24,913.38	3,74,133.50
2	Rate of Growth of Overall Liabilities/ Debt (*per cent*)	17.49	13.35	13.90	10.78	15.15
3	GSDP (in nominal terms)	5,67,814	6,47,394	7,63,165	8,77,197	9,91,997
4	Nominal GSDP growth (*per cent*)	-2.41	14.02	17.88	14.94	13.09
5	Overall Debt/GSDP (*per cent*)	40.01	39.78	38.43	37.04	37.72
6	Repayment to Gross Borrowings (*per cent*)	80.33	85.97	84.14	86.59	82.71
a	Gross Borrowings (corresponding to the items accounted for Overall Debt as at Sl. No. 1)	1,08,432.31	1,17,527.57	1,29,950.58	1,62,725.19	1,70,865.46
b	Repayments of Borrowings (corresponding to the items accounted for Overall Debt including Principal and Interest Payments)	87,102.68	1,01,034.79	1,09,337.17	1,40,897.26	1,41,323.48
7	Net borrowings available as a percentage of Gross Borrowings	19.67	14.03	15.86	13.41	17.29
8	Interest payments on Overall Debt	12,484.03	13,821.93	15,183.54	17,605.80	19,678.14
9	Effective rate of interest on Overall[13] Debt (*per cent*)	7.21	6.78	6.40	6.42	6.38
10	Interest payment to Revenue Receipts (*per cent*)	9.74	8.70	8.79	9.11	8.99

[13] *Effective rate of interest on Overall Debt has been calculated after adjusting the Reserve Funds, Deposits not bearing interest and 50 years' interest free Central assistance to State for Capital Expenditure.*

*Effective Rate of Interest = Interest Payment/Average of Opening and Closing Stock of Debt (excluding non-interest bearing liabilities)*100.*

Sl. No.	Debt Sustainability Indicators	2020-21	2021-22	2022-23	2023-24	2024-25
11	Return on Investment (RoI)	0.84	0.65	0.50	13.29	0.09
12	Revenue Deficit/Surplus	-11,325.11	-422.38	-11,288.20	2,833.06	-357.38
13	Primary Revenue Balance (PRB) (8+12)	1,159.03	13,398.93	3,895.54	20,438.86	19,320.76
14	Primary Balance (PB)	-17,343.21	-11,729.34	-29,639.76	-18,054.08	-21,544.36
15	PB/GSDP (*per cent*)	-3.05	-1.81	-3.88	-2.06	-2.17
16	Difference between RoI[14] and effective rate of interest on Overall Debt (11-9)	-6.37	-6.13	-5.90	6.87	-6.29
17	Liquidity Management (use of financial accommodation instruments available with RBI) (in number of occasions)	Nil	Nil	Nil	Nil	Nil
18	Interest Spread (*per cent*) (4-9)	-9.62	7.24	11.48	8.52	6.71
19	Quantum Spread[15] (Interest Spread *x* Debt/100)	-18,080.45	15,887.73	29,306.75	24,035.56	22,259.36
20	Debt Stabilisation (Quantum spread + Primary Balance)	-35,423.67	4,158.40	-333.01	5,981.48	715.00
21	**Domar gap**					
a	GSDP (in constant terms)	3,68,970	3,87,256	4,36,909	4,89,126	5,31,372
b	Real Growth (in constant terms)	-7.37	4.96	12.82	11.95	8.64
c	Inflation based on CPI (*per cent*)	6.59	4.67	5.72	5.83	6.04
d	Effective Rate of interest	7.21	6.78	6.40	6.42	6.38
e	Real effective rate of interest (Effective rate of interest-Inflation)	0.62	2.11	0.68	0.69	0.34
f	Growth Interest Differential (Real Growth-Real effective rate of interest)	-7.99	2.85	12.14	11.36	8.30
g	Primary Balance (PB)	(-)17343.21	(-)11729.34	(-)29639.76	(-)18054.08	(-)21544.36

Source: Finance Accounts of the respective years and MoSPI, GoI for GSDP

Note: During the year 2020-21 and 2021-22, overall liabilities included ₹ 3,905.00 crore and ₹ 6,815.63 crore respectively which was received from GoI in lieu of GST compensation. Out of this, ₹ 7,827.52 crore was adjusted in back-to-back loan in lieu of GST by proforma adjustment during the year 2024-25.

The Debt Sustainability Analysis (DSA) indicates that the State's debt burden, measured by debt-to-GSDP ratio, steadily improved by declining from 40.01 *per cent* in 2020-21 to 37.04 *per cent* in 2023-24, but it registered a slight increase to 37.72 *per cent* in 2024-25. Growth Interest Differential (Real Growth-Real effective rate of interest) has improved (except 2024-25) during this period. However, the Debt to GSDP ratio increased marginally in 2024-25,

[14] *Return on Investment (RoI) as measured by effective rate of interest receipts. RoI = Interest Receipts/Average of Opening & Closing Stock of Loans and Advances Disbursed *100.*

[15] *Quantum Spread = Interest Spread x Debt (excluding non-interest-bearing liabilities).*

compared to the previous year due to decline in Growth Interest Differential, deterioration in the Primary Balance and debt growth outpacing the nominal growth.

Net funds available as a percentage of gross borrowings were low as a substantial share of borrowings was used to repay past debt leaving relatively less fiscal space for Capital Expenditure or new priorities unless supported by higher revenues.

The debt stabilization (quantum spread + primary balance) showed volatile trend across the years signalling no consistent movement to stabilize or reduce the stock of debt through Primary Surplus.

In conclusion, the State's debt-to-GSDP ratio remained below pandemic level for the last four years. This ratio may decline or stabilize if the State allows debt to grow more slowly than nominal growth. A consistent improvement in the growth interest differential and Primary Balance will help the State to manage the debt portfolio without fiscal reactions impacting the growth trajectory.

1.5.5 Status of Guarantees – Contingent Liabilities

Guarantees are contingent liabilities on the Consolidated Fund in case of default by borrower. The State extends guarantees for loans raised by entities like statutory corporations, boards, local bodies and co-operative institutions.

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. 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.

Further, as per the Bihar FRBM (Amendment) Act, 2006, outstanding guarantees must not exceed ₹ 25,256.75 crore during 2024-25. Details of the guarantees and status of outstanding guarantees to State's total receipts for the last five years are given in **Table 1.34**.

Table 1.34: Guarantees given by the State Government

(₹ in crore)

Guarantees	2020-21	2021-22	2022-23	2023-24	2024-25
Ceiling applicable to the outstanding amount of guarantees	25,113.74	37,631.92	40,897.18	51,682.79	51,682.79
Outstanding amount of guarantees at the beginning of the year	5,484.55	16,407.71	25,069.78	25,939.25	28,040.95
Outstanding guarantees at the end of the year	16,407.71	25,069.78	25,939.25	28,040.95	24,370.83

Source: Finance Accounts of the respective years

The outstanding guarantees of ₹ 24,370.83 crore as on 31 March 2025 were in respect of Power (₹ 15,606.23 crore); Co-operatives (₹ 1,660.61 crore); State Finance Companies/ Corporations (₹ 7,103.99 crore). During 2024-25, the Government extended guarantees of ₹ 31,036.15 crore, which were above the limits (₹ 25,256.75 crore) prescribed in the BFRBM Act.

The State Government created (18 July 2025) a GRF along with fixing ceiling for guarantees and amount of Guarantee fee to be realised. State Government transferred ₹ 1,000 crore in the created Guarantee Redemption Fund.

Guarantees are off-budget contingent liabilities; if a beneficiary defaults, the State must honour the guarantee, turning contingent exposure into actual debt. The larger the stock, the larger the fiscal shock that would be arising on default. High guarantee exposure reduces the State's room for new borrowing and can raise borrowing costs.

1.5.6 Pathways to Fiscal Stability

Deficits can be reduced by enhancing revenues and rationalizing expenditures. This includes strengthening tax compliance, widening the tax base, revising user charges and monetizing idle government assets. On the spending side, better targeting of subsidies, controlling salary and pension growth and ensuring proper classification of expenditure are key factors. Prioritizing productive capital investment and improving debt management through transparent and efficient borrowing can further ease fiscal pressure. These measures collectively create fiscal space and help reduce revenue, fiscal and primary deficits in a sustainable manner. These have been discussed in succeeding paragraphs.

1.5.6.1 Improving revenues of the State

Untapped revenue potential, if harnessed effectively, could significantly enhance fiscal space and reduce dependence on debt. Inefficiencies in assessment, undervaluation and limited enforcement mechanisms of key tax streams such as State GST, Stamp Duty and Excise will lead to subdued revenue growth. Under-realized non-tax revenues, with low user charges, poor cost recovery and suboptimal returns on public assets and investments also impede the fiscal space. Timely realization of pending arrears is (tax and non-tax) another step towards enhancing the fiscal space.

A Arrears of revenue

Arrears in revenue collection indicate delayed realisation of revenue due to the Government. These unresolved arrears reduce effective revenue inflows, amplify dependence on borrowings and create contingent fiscal risks. Out of seven major tax collection departments[16] of the State, only five provided information related to the arrears of revenue. As on 31 March 2025, the arrears

[16] *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.*

of revenue in respect of principal heads of revenue were ₹ 4,107.32 crore, as depicted in **Table 1.35**.

Table 1.35: Arrears of revenue

(₹ in crore)

Sl. No.	Head of revenue	Amount outstanding as on 31 March 2025
1	Stamp Duty and Registration Fees	68.81
2	State Excise	59.73
3	Land Revenue	1,120.48
4	VAT/GST	2,632.44
5	Taxes on Vehicles	225.86
Total		**4,107.32**

Source: Information provided by the concerned Departments of GoB

Reasons observed for the arrears of revenue included recoveries stayed by Courts/Appellate authorities, recoveries held up due to assesses/dealers becoming insolvent, *etc*.

B Arrears in assessment

Arrears of assessment indicate potential revenue which is blocked due to delayed assessment by the concerned departments of the State Government. Out of seven major tax collection departments, only four provided information related to the arrears of assessment. The information on number of cases pending at the beginning of the year, cases becoming due for assessment, cases disposed of during the year and number of cases pending for finalisation at the end of the year, as furnished by the Department of Excise and Department of Taxation in respect of Sales Tax/VAT is depicted in **Table 1.36**.

Table 1.36: Arrears of assessment

Sl. No.	Head of Revenue	Cases pending at the beginning of 2024-25	New cases added during 2024-25	Total no. of cases due for assessment	Cases disposed of during 2024-25	Balance at the end of year	Percentage of disposal
1	Excise	506	0	506	6	500	1.18
2	Stamp Duty and Registration Fees	2,332	942	3,274	375	2,899	11.45
3	VAT/ GST	23,186	12,120	35,306	14,182	21,124	40.17
4	Taxes on Vehicles	32,018	853	32,871	3,212	29,659	9.77
Total		**58,042**	**13,915**	**71,957**	**17,775**	**54,182**	

Source: Information provided by the Departments of GoB

Backlog in arrears of assessment of taxes depresses revenue realisation, elevates litigation risk and undermines fiscal predictability.

C Details of evasion of tax detected by the Department, refund cases, *etc.*

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

The details of cases of evasion of tax detected by the Excise and Taxation, cases finalised and the demand for additional tax raised; during the year 2024-25, as reported by the departments concerned, are depicted in **Table 1.37**.

Table 1.37: Evasion of tax detected

Sl. No.	Head of Revenue	Cases pending as on 31 March 2024	Cases detected during 2024-25	Total cases due for assessment	No. of cases in which assessment / investigation completed and additional demand with penalty, etc. raised		Balance at the end of the year	Percentage of disposal
					No. of Cases	Amount of demand (₹ in crore)		
1	Stamp Duty and Registration Fees	684	201	885	259	5.74	626	29.27
2	State Excise	178	0	178	110	4.23	68	61.80
3	VAT/ GST	68	3,323	3,391	3,270	1,853.57	121	96.43
Total		**930**	**3,524**	**4,454**	**3,639**	**1,863.54**	**815**	**81.70**

Source: Information provided by the Departments of GoB

1.5.6.2 Issues on expenditure side

Un-discharged liabilities on Fiscal Space

Undischarged/deferred liabilities, if not addressed timely, will reduce the available fiscal space for future developmental and infrastructure spending. Besides creating lack of transparency and credibility, this impairs the state's ability to raise resources in a sustainable manner, thereby impacting overall fiscal health and long-term sustainability.

Audit observed that the State Government accumulated several undischarged liabilities over the years, which have significant implications for fiscal sustainability. During 2024-25, these include:

- Non-transfer of statutory funds/cess such as National Mineral Exploration Trust (NMET: ₹ 3.95 crore), Building and other Construction Workers' Welfare Board (Labour Cess: ₹ 211.12 crore), Road Safety Cess (₹ 205.41 crore) amounting to ₹ 420.48 crore.

- Un-discharged interest liabilities totalling[17] ₹ 300.83 crore.

- Short/non-transfer of State Government's contribution to the National Pension System (NPS) amounting to ₹ 1,341.37 crore.

- Pending refund cases of taxes amounting to ₹ 77.14 crore.

The cumulative value of these un-discharged liabilities amounted to ₹ 2,139.82 crore, which is equivalent to 0.21 *per cent* of the GSDP and 5.19 *per cent* of the Fiscal Deficit for the year 2024-25.

1.6 Conclusions

- Although total Revenue Receipts of the State kept pace with the GSDP, its Own resource mobilisation displayed moderate buoyancy. The State had continued dependence on central taxes. Such structural dependence constrained the State's capacity to finance development priorities from its own resources and heightened fiscal vulnerability.

- Share of the State's Non-Tax Revenue in the GSDP was only 0.58 *per cent* in 2024-25, which also decreased as compared to 2023-24 (0.60 *per cent*). Further, targets fixed under XVth Finance Commission and Bihar Financial Responsibility and Budget Management (BFRBM) for NTR were not achieved during 2024-25.

- Committed Expenditure together with subsidies consumed a large and growing share (43 to 48 *per cent*) of the State's revenue receipts and expenditure, during 2021-22 to 2024-25. High and inflexible expenditure compressed fiscal space, limiting the State's ability to allocate resources towards economic and social sectors priorities.

- Throughout the period of FYs 2020-21 to 2024-25, the State Government could not achieve the targets of Fiscal Deficit prescribed under the BFRBM, although it improved during last two years. During 2020-25, more than 80 *per cent* of gross borrowings was used in debt servicing and the financing of Revenue Expenditure , leaving limited space for net capital formation.

- The State Government did not set any target for interest payment as percentage of Revenue Receipts, its percentage ranged between 8.7 and 9.7 *per cent*.

- Total Outstanding Liability to GSDP remained between 37.04 *per cent* to 40.10 *per cent* during 2020-25. This ratio was within the targets prescribed under the BFRBM Act aligned with the XVth FC recommendation.

- During 2024-25, undischarged liabilities (arrears, unpaid dues, pending committed payments) amounting to ₹ 2,139.82 crore representing deferred expenditure were 5.19 *per cent* of State's Fiscal Deficit.

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[17] *State Compensatory Afforestation Fund: ₹13.21 crore, State Disaster Respond Fund: ₹219.96 crore, State Disaster Mitigation Fund: ₹67.66 crore.*

- During 2024-25, the State Government extended guarantees of ₹ 31,036.15 crore, which were above the limits (₹ 25,256.75 crore) prescribed in the FRBM Act. High guarantee exposure limits the State's ability to take fresh loans and may increase borrowing costs.

- The State has not formulated a dividend policy for its Public Sector Undertakings (PSUs). Returns on Government's equity were persistently low (0.002 *per cent*) during 2021-25.

1.7 Recommendations

The State Government may:

- strengthen non-tax revenue, by enhancing profitability of its PSUs, introducing rational user fees, improving royalty and fee collection mechanisms and digitizing revenue administration.

- focus on strengthening tax administration, broadening the tax base, improving GST and Property Tax compliance and leveraging digital systems for efficient monitoring and collection.

- consider rationalization of subsidies through reforms and prudent management of committed expenditure, to enhance fiscal flexibility and a sustainable fiscal path.

- enhance Capital Expenditure quality and prioritization by increasing allocations to infrastructure sectors, avoiding misclassification of expenditures and ensuring that capital outlay keeps pace with economic growth.

- improve return on public investments by enforcing a dividend policy for profit-making PSUs, disinvesting from non-performing entities and enhancing monitoring of Loans and Advances to ensure financial discipline and accountability.

- adopt a disciplined borrowing strategy focused on asset creation, strengthen revenue mobilisation, control committed expenditure and strictly adhere to the norms prescribed in the Bihar Fiscal Responsibility and Budget Management Act.

- fix a reasonable ceiling on issuance of guarantees, as their invocation could lead to significant fiscal stress on the State Government.

- disclose and address all undischarged liabilities transparently and make provisions for timely discharge of these obligations to avoid future fiscal stress.