

CHAPTER-I

Finances of the State Government

Summary

During 2005-06 there was 21.9 *per cent* growth in revenue receipts and comparatively lower growth (5.0 *per cent*) of revenue expenditure. Consequently during 2005-06 the State achieved a revenue surplus of Rs.1381 crore. Capital expenditure also increased by 17 *per cent* from Rs.1279 crore in 2004-05 to Rs.1497 crore in 2005-06. Fiscal deficit decreased from Rs.1231 crore in 2004-05 to Rs.435 crore in 2005-06.

The substantial growth in revenue receipts during the year was due to increase of 26 *per cent* in tax revenue, 16 *per cent* in grants-in-aid and 34 *per cent* in central tax devolution. The increase in the tax revenue during the year over 2004-05 was mainly on Taxes on Sales trades etc. (Rs.415 crore), State Excise (Rs.177 crore), Stamps and Registration fees (Rs.65 crore) etc. Taxes on Sales, Trades etc., was the major source of State's own tax revenue having contributed 52 *per cent* of the tax revenue followed by State Excise (15 *per cent*), Taxes on Stamps and Registration (8 *per cent*) and Taxes on Goods and Passengers (10 *per cent*) etc. Of non-tax revenue sources, Mining and Metallurgical Industries (59 *per cent*) and Forestry and Wildlife (17 *per cent*) were the principal contributors. State's own resources comprising tax and non tax revenue contributed 60 *per cent* of revenue receipts.

Overall expenditure of the State increased from Rs.8495 crore in 2004-05 to Rs.9291 crore in 2005-06 at a growth rate of 9.4 *per cent*. Revenue expenditure, which constituted 80.3 *per cent* of total expenditure, grew at the rate of 5.0 *per cent* in 2005-06.

The areas of concern included Salaries (including wages) and Pension (Rs.2800 crore) and Interest payments (Rs.962 crore), which consumed 43 *per cent* of total revenue receipts of the State; fiscal liabilities, which increased from Rs.7421 crore in 2001-02 to Rs.13270 crore in 2005-06. These liabilities as ratio to GSDP increased from 25 *per cent* in 2001-02 to 30 *per cent* in 2005-06 and stood at 1.5 times of its revenue receipts.

1.1 Introduction

The Finance Accounts of the Government of Chhattisgarh are laid out in nineteen statements, presenting receipts and expenditure, revenue as well as capital in the Consolidated Fund, Contingency Fund and the Public Account of the State Government. The lay out of the Finance Accounts is depicted in Box 1.1.

Box 1.1

Statement No.1 presents the summary of transactions of the State Government - receipts and expenditure, revenue and capital, public debt receipts and disbursements etc. in the Consolidated Fund, Contingency Fund and Public Account of the State.

Statement No. 2 contains the summarised statement of capital outlay showing progressive expenditure to the end of 2005-06.

Statement No. 3 gives financial results of irrigation works, their revenue receipts, working expenses and maintenance charges, capital outlay, net profit or loss, etc.

Statement No. 4 indicates the summary of debt position of the State, which includes borrowings from internal debt, Government of India, other obligations and servicing of debt.

Statement No. 5 gives the summary of loans and advances given by the State Government during the year, repayments made, recoveries in arrears, etc.

Statement No. 6 gives the summary of guarantees given by the Government for repayment of loans etc. raised by the Statutory Corporation, local bodies and other institutions.

Statement No. 7 gives the summary of cash balances and investments made out of such balances.

Statement No. 8 depicts the summary of balances under Consolidated Fund, Contingency Fund and Public Account as on 31 March 2006.

Statement No. 9 shows the revenue and expenditure under different heads for the year 2005-06 and as a percentage of total revenue/expenditure.

Statement No. 10 indicates the distribution between the charged and voted expenditure incurred during the year.

Statement No. 11 indicates the detailed account of revenue receipts by minor heads.

Statement No. 12 provides accounts of revenue expenditure by minor heads under plan, State plan and centrally sponsored schemes separately and capital expenditure major head wise.

Statement No. 13 depicts the detailed capital expenditure incurred during and to the end of 2005-06.

Statement No. 14 shows the details of investment of the State Government in Statutory Corporations, Government Companies, Other Joint Stock Companies, Cooperative Banks and Societies etc. upto the end of 2005-06.

Statement No. 15 depicts the capital and other expenditure to the end of 2005-06 and the principal sources from which the funds were provided for that expenditure.

Statement No. 16 gives the detailed account of receipt, disbursements and balances under heads of account relating to Debt, Contingency Fund and Public Account.

Statement No. 17 presents detailed account of debt and other interest bearing obligations of the Government of Chhattisgarh.

Statement No. 18 provides the detailed account of loans and advances given by the Government of Chhattisgarh, the amount of loans repaid during the year, the balance as on 31 March 2006, and the amount of interest received during the year.

Statement No. 19 gives the details of earmarked balances of reserved funds.

1.2 Trend of Finances with reference to Previous year

Financial position of the State Government during the current year as compared to that of the previous year was as under:

(Rupees in crore)

2004-05	Sl. No.	Major Aggregates	2005-06
Part-A Receipts			
7249	1	Revenue Receipts (2+3+4)	8838
3228	2	Tax Revenue	4052
1244	3	Non-Tax Revenue	1229
2777	4	Other Receipts	3557
15	5	Non-Debt Capital Receipts	18
15	6	Of which, Recovery of Loans	18
7264	7	Total Receipts (1+5)	8856
Part-B Expenditure			
5509	8	Non-Plan Expenditure (9+11)	5478
5483	9	On Revenue Account	5449
1152	10	Of which, Interest Payments	962
26	11	On Capital Account	29
23	12	Of which Loans disbursed	25
2986	13	Plan Expenditure (14+15)	3813
1620	14	On Revenue Account	2008
1366	15	On Capital Account	1805
90	16	Of which Loans disbursed ¹	312
8495	17	Total Expenditure (8+13)	9291
Part-C Deficit			
1231	18	Fiscal Deficit (17-1-5)	435
(+) 146	19	Revenue Deficit (-) / Surplus (+) (9+14-1)	(+)1381
79	20	Primary Deficit (+)/Surplus (-) (18 - 10)	(-)527

1.3 Summary of Receipts and Disbursement for the year

Table 1 summarises the finances of the State Government of Chhattisgarh for the year 2005-06 covering revenue receipts and expenditure, capital receipts and expenditure, public debt receipts and disbursements and Public Account receipts and disbursements made during the year as emerging from Statement 1 of Finance Accounts and other detailed statements.

¹ Loans and advances include adjustments of Inter State settlements

Table 1: SUMMARY OF RECEIPTS AND DISBURSEMENTS FOR THE YEAR 2005-06

(Rupees in crore)

2004-05	Receipts	2005-06	2004-05	Disbursements	2005-06		
Section-A : Revenue							
					Non-Plan	Plan	Total
7249	I. Revenue receipts	8838	7103	I. Revenue Expenditure	5449	2008	7457
3228	Tax revenue	4052	2494	General Services	2182	4	2186
1244	Non-tax revenue	1229	2431	Social Services	1571	1277	2848
1876	Share of Union Taxes/ Duties	2508	1926	Economic Services	1363	727	2090
901	Grants from Govt. of India	1049	252	Grants-in-aid/ Contributions	333	--	333
Section-B Capital							
	II. Misc. Capital Receipts		1279	II. Capital Outlay	4	1493	1497
15	III. Recoveries of Loans and Advances²	18	113	III. Loans and Advances disbursed²	25	312	337
1910	IV. Public Debt Receipts	1234	1152	IV. Repayment of Public debt	444	--	444
9295	V. Public account receipts	10807	8536	V. Public account disbursements	10551	--	10551
415	Opening cash balance	701	701	Closing cash balance	1312	--	1312
18884	Total	21598	18884	Total	17785	3813	21598

1.4 Audit Methodology

Audit observations on the Finance Accounts bring out the trends in major fiscal aggregates of receipts and expenditure from the statements of the Finance Accounts for the year 2005-06.

The key indicators adopted for the purpose are (i) Resources by volume and sources (ii) Application of resources (iii) Assets and Liabilities and (iv) Management of deficits. Audit observations have also taken into account the cumulative impact of resource mobilization efforts, debt servicing and corrective fiscal measures. Overall financial performance of the State government as a body corporate has been presented by the application of a set of ratios commonly adopted for the relational interpretation of fiscal aggregates.

The reporting parameters are depicted in the Box 1.2.

² Loans and advances include adjustments of inter state settlements

Box 1.2
Reporting Parameters
<p>Fiscal aggregates like tax and non-tax revenue, revenue and capital expenditure, internal and external debt and revenue and fiscal deficits have been presented as percentage to the GSDP at current market prices. The new GSDP series with 1993-94 as base as published by the Bureau of Economics and Statistics Department of the State Government has been used.</p> <p>For tax revenues, non-tax revenues, revenue expenditure etc, buoyancy projections have also been provided for a further estimation of the range of fluctuations with reference to the base represented by GSDP.</p> <p>The ratios with respect to GSDP have also been depicted. Some of the terms used here are explained in <i>Appendix 1.5</i>.</p>

The accounts of the State Government are kept in three parts (i) Consolidated Fund (ii) Contingency Fund and (iii) Public Account. They are defined in Box 1.3.

Box 1.3	
State Government Funds and the Public Account	
<p>Consolidated Fund</p> <p>All revenues received by the State Government, all loans raised by issue of treasury bills, internal and external loans and all moneys received by the Government in repayment of loans shall form one consolidated fund titled the 'Consolidated Fund of the State' established under Article 266(1) of the Constitution of India.</p>	<p>Contingency Fund</p> <p>Contingency Fund of the State established under Article 267(2) of the Constitution is in the nature of an imprest placed at the disposal of the Governor to enable him to make advances to meet urgent unforeseen expenditure pending authorisation by Legislature. Approval of the legislature for such expenditure and for withdrawal of an equivalent amount from the Consolidated Fund is subsequently obtained, whereupon the advances from the Contingency Fund are recouped to the Fund.</p>
<p>Public Account</p> <p>Besides the normal receipts and expenditure of Government which relate to the Consolidated Fund, certain other transactions enter Government Accounts, in respect of which Government acts more as a banker. Transactions relating to provident funds, small savings, other deposits, etc. are a few examples. The public moneys thus received are kept in the Public Account set up under Article 266(2) of the Constitution and the related disbursements are made from it.</p>	

1.5 State Finances by key Indicators

1.5.1 Resources by volume and sources

Resources of the State Government consist of revenue receipts, capital receipts and accruals from the Public Account. Revenue receipts consist of tax revenues, non-tax revenues, state's share of union taxes and duties and grants-in-aid from the Central Government. Capital receipts comprise miscellaneous capital receipts like proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources viz. market loans, borrowings from financial institutions/commercial banks etc. and loans and advances from

the Government of India. The Public Account accruals comprise all credits in the Public Account excluding cash and investment of cash.

Table 2 shows that the total receipts of the State Government for the year 2005-06 were Rs.20897 crore. Of these, the revenue receipts of the State Government were Rs.8838 crore, constituting 42 *per cent* of the total receipts. The balance of receipts came from borrowings and public account receipts.

TABLE 2 - RESOURCES OF CHHATTISGARH (2005-06)

			<i>(Rupees in crore)</i>
I	Revenue Receipts		8838
II	Capital Receipts		1252
	(a)	Miscellaneous Receipts	--
	(b)	Recovery of Loans and Advances	18
	(c)	Public Debt Receipts	1234
III	Public Account Receipts		10807
	(a)	Small Savings, Provident Funds, etc	380
	(b)	Reserve Fund	247
	(c)	Deposits and Advances	1020
	(d)	Suspense and Miscellaneous	6581
	(e)	Remittances	2579
Total Receipts			20897

Table 3 gives the trend of growth in receipts from various sources and that of GSDP. While revenue receipts grew by 102 *per cent* from 2001-02 to 2005-06, debt receipts fluctuated by increasing 144 *per cent* from 2001-02 to 2003-04 and decreased in 2004-05 and 2005-06 (by 21 and 49 *per cent* of 2003-04 respectively).

TABLE 3: SOURCES OF RECEIPTS: TRENDS

Year	Revenue Receipts	Capital Receipts		Receipt from Public Account	Total receipts	Gross State Domestic Product ³
		Non-debt receipts	Debt Receipts			
2001-02	4376	09	995	5620	11000	29545
2002-03	5417	19	1613	6924	13973	31588
2003-04	5959	11	2432	7071	15473	38610
2004-05	7249	15	1910	9295	18469	40220
2005-06	8838	18	1234	10807	20897	44118

1.5.2 Revenue receipts

Statement 11 of the Finance Accounts details the Revenue Receipts of the Government. The Revenue Receipts of the State consist of its own taxes, non-tax revenues, central tax transfers and grants-in-aid from Government of India.

Overall revenue receipts, their annual rate of growth, ratio of these receipts to the State's Gross Domestic Product (GSDP) and their buoyancies are indicated in Table 4.

³ GSDP figures have been revised by the State Government for the years 2001-02 to 2004-05 and for the year 2005-06 final figure awaited; estimated figures provided by the State Government

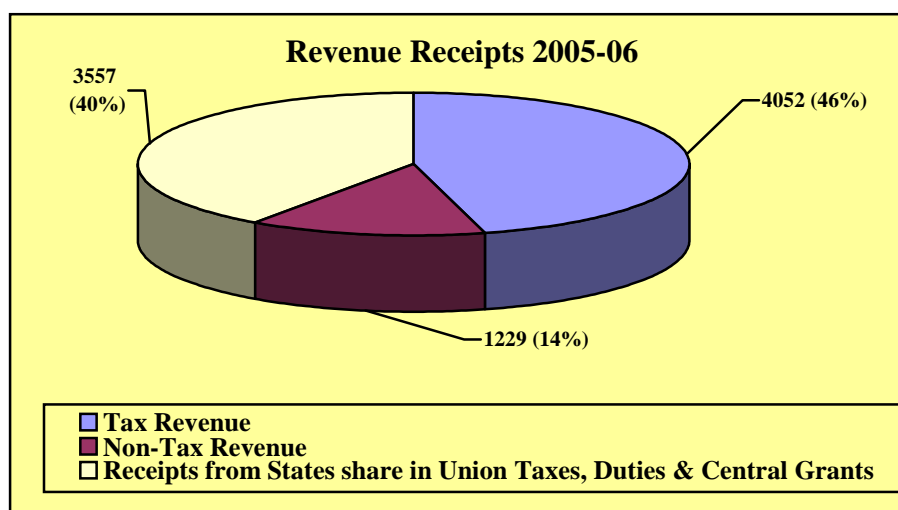
TABLE 4 : REVENUE RECEIPTS-BASIC PARAMETERS

(Rupee in crore)

	2001-02*	2002-03	2003-04	2004-05	2005-06
Revenue Receipts (RR) in crore	4376	5417	5959	7249	8838
Rate of Growth (<i>per cent</i>)	--	23.8	10.0	21.6	21.9
Own taxes (<i>per cent</i>)	1993 (45.5)	2337 (43.0)	2588 (43.4)	3228 (44.5)	4052 (45.8)
Non-Tax Revenue (<i>per cent</i>)	722 (16.5)	957 (17.7)	1124 (18.9)	1244 (17.2)	1229 (13.9)
Central Tax Transfers (<i>per cent</i>)	1176 (26.9)	1350 (24.9)	1570 (26.3)	1876 (25.9)	2508 (28.4)
Grants-in-aid (<i>per cent</i>)	485 (11.0)	783 (14.5)	677 (11.4)	901 (12.4)	1049 (11.9)
Grants for State Plan schemes	148 (30.5)	264 (33.7)	308 (45.5)	442 (49)	525 (50)
Revenue Receipts/ GSDP (<i>per cent</i>)	14.8	17.1	15.4	18.0	20.0
GSDP Growth (<i>per cent</i>)	--	6.91	22.23	4.17	9.69
Revenue Buoyancy (ratio) overall	--	3.44	0.45	5.19	2.26
Own tax buoyancy	-	2.42	0.50	5.93	2.63

* Chhattisgarh was created on 1st November 2000. Hence the rate of growth, revenue buoyancy and GSDP growth were not determined.

Revenue receipts of the State have increased at an average rate of 20 per cent from Rs.4376 crore in 2001-02 to Rs 8838 crore in 2005-06. An average of 60 per cent of the revenue had come from State's own resources. Grants-in-aid and central tax transfers together contributed nearly 40 per cent of the total revenue.



An increase of Rs. 1589 crore in the revenue receipts in 2005-06 was primarily due to 26 per cent increase in tax revenue, 34 per cent increase in states share in Union Taxes and Duties from Government of India. The main sources of tax revenue were Taxes on sales, Trades etc. (52 per cent), State Excise (15 per cent), taxes and duties on electricity (nine per cent), taxes on goods and passengers (10 per cent), Stamps and Registration fees (eight per cent) etc. Increment in own tax revenue was contributed by growth in tax on sales, trades etc. by Rs.415 crore (24.8 per cent), State excise by Rs.177 crore (38.6 per cent) and taxes on goods and passenger by Rs.108 crore (37.6 per cent).

The increase in Grants-in-aid from Rs.901 crore in 2004-05 to Rs.1049 crore was marked by increased contribution from Central Grants for Non Plan Schemes (23 per cent), Grants for States Schemes (19 per cent), Grants for Central and Centrally Sponsored Schemes by 8 per cent.

The contribution of Non-tax revenue in total revenue receipts of the State has marginally declined to Rs. 1229 crore in 2005-06 from the level of Rs. 1244 crore in 2004-05. Non-tax revenue is contributed mainly from Non-ferrous Mining and Metallurgical Industries (59 per cent) and Forestry and Wild life (17 per cent). Under both these heads, the receipts have increased by 6 per cent and 27 per cent respectively. However, the receipts from the power have declined to nil from Rs. 100 crore reported during 2004-05.

1.5.3 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2006 in respect of some principal heads of revenue amounted to Rs.3940.65 crore, of which Rs.2658.49 crore (67 per cent) were outstanding for more than five years.

Arrears were mainly in respect of Commercial Tax (Rs.3897.24 crore), Taxes on Vehicles (Rs.3.80 crore), State Excise (Rs.19.85 crore) and Taxes on duties of electricity (Rs.16.90 crore), Stamps and Registration Fees (Rs.2.86 crore). The arrears of revenue registered an increasing trend and formed 75 per cent of the total tax and non-tax receipts.

1.6 Application of resources

1.6.1 Trend of Growth

Statement 12 of the Finance Accounts depicts total expenditure comprising detailed revenue expenditure by minor heads and major head wise capital expenditure. The total expenditure of the State increased from Rs.5502 crore in 2001-02 to Rs.9291 crore in 2005-06.

Total expenditure of the State, its annual growth and ratio of expenditure to the State's GSDP and to revenue receipts and its buoyancy with regard to GSDP and revenue receipts are indicated in Table 5 below:

TABLE 5: TOTAL EXPENDITURE - BASIC PARAMETERS

	2001-02	2002-03	2003-04	2004-05	2005-06
Total Expenditure (TE) in crore	5502	6409	8174	8495	9291
Rate of Growth (per cent)	--	16.5	27.5	3.9	9.4
TE/GSDP (per cent)	18.6	20.3	21.2	21.1	21.1
Revenue Receipts/TE (per cent)	79.5	84.5	72.9	85.3	95.1
Buoyancy of Total Expenditure with					
GSDP (ratio)	--	2.38	1.24	0.94	0.97
Revenue Receipts (ratio)	--	0.69	2.75	0.18	0.4

The trends in total expenditure indicate that it has consistently increased during 2001-06 but the rate of growth declined specially since 2003-04 from 27 per cent to 9 per cent in 2005-06. The increase in total expenditure during 2005-06 was mainly due to increase in plan expenditure by Rs.827 crore both under

Revenue and Capital accounts. The plan revenue expenditure increased by Rs.388 crore in 2005-06 over the previous year while the plan expenditure under capital account including loans and advances increased by Rs.439 crore during the year. The increase in plan revenue expenditure was mainly due to increase in social welfare and nutrition (82 crore) agriculture and allied activities (78 crore), rural development (74 crore), education, sports and art & culture (59 crore), Welfare of SC/ST and other backward classes (Rs.27 crore) and irrigation and flood control (12 crore). The step in plan capital expenditure was mainly on account of an increase in transport (Rs.120 crore), Welfare of SC/ST and other backward classes (Rs.83 crore), industries and minerals (Rs. 34 crore), education, sports and art and culture (Rs.24 crore) and energy (Rs. 25 crore). Besides, an increase of Rs.158 crore in loans and advances for power projects also resulted in enhancement in expenditure under capital account. The ratio of revenue receipts to total expenditure was increased from 85 *per cent* in 2004-05 to 95 *per cent* in 2005-06 indicating that approximately 95 *per cent* of the State's total expenditure was met from its current revenue, leaving the balance to be financed from borrowings. The buoyancy of TE with respect to GSDP and RR has shown an oscillating trend.

In terms of the activities, total expenditure could be considered as being composed of expenditure on general services including interest payments, social and economic services and loans and advances. The relative share of these components in total expenditure is indicated in Table 6.

TABLE 6: COMPONENTS OF EXPENDITURE - RELATIVE SHARE (IN PER CENT)

	2001-02	2002-03	2003-04	2004-05	2005-06
General Services	32.1	29.0	26.6	29.7	23.8
Social Services	36.7	34.7	30.0	31.6	34.6
Economic Services	27.3	32.9	33.3	34.4	34.4
Grants-in-aid	2.4	2.5	3.2	3.00	3.6
Loans and advances ⁴	1.5	0.9	6.8	1.3	3.6

The non-developmental expenditure during 2005-06 (General services including interest payments) accounted for 24 *per cent*, the developmental expenditure (on Social services and Economic services) accounted for 69 *per cent* and loans and advances and Grants-in-aid accounted for seven *per cent*. There was an increasing trend in the relative share of expenditure on social services, Grants in aid and loans & advances. But there was a declining trend in relative share of expenditure on general services mainly due to decrease in interest payment.

1.6.2 Incidence of revenue expenditure

Revenue expenditure had the predominant share in total expenditure. Revenue expenditure is usually incurred to maintain the current level of assets and services. Overall revenue expenditure, its rate of growth, ratio of revenue expenditure to State's GSDP and revenue receipts and its buoyancy with both GSDP and revenue receipts is indicated in Table 7 below:

⁴ Includes Inter- state settlement

TABLE 7: REVENUE EXPENDITURE - BASIC PARAMETERS

	2001-02	2002-03	2003-04	2004-05	2005-06
Revenue Expenditure (Rupees in crore) of which Non-Plan Revenue Expenditure (NPRE)	4945	5530	6600	7103	7457
Plan Revenue Expenditure (PRE)	3928	4260	5059	5483	5449
Plan Revenue Expenditure (PRE)	1017	1270	1541	1620	2008
Rate of Growth of RE (<i>per cent</i>)	--	11.8	19.3	7.6	5.0
NPRE (<i>per cent</i>)		8.45	18.76	8.38	(-) 0.62
PRE (<i>per cent</i>)		25	21.34	5.13	23.95
NPRE/GSDP (<i>per cent</i>)	13.3	13.5	13.1	13.6	12.35
RE/GSDP (<i>per cent</i>)	16.74	17.51	17.09	17.66	16.9
RE as <i>per cent</i> of TE	89.9	86.3	80.7	83.6	80.3
RE as <i>per cent</i> of Revenue Receipts	113.0	102.0	110.8	98	84.4
NPRE as percentage of TE	71.4	66.47	61.9	64.54	58.65
NPRE as percentage of RR	89.76	78.64	84.9	75.6	61.65
Buoyancy of NPRE	-	1.22	0.84	2.0	(-) 0.06
Buoyancy of PRE	-	3.62	0.96	1.23	2.5
Buoyancy of revenue expenditure with					
GSDP (ratio)	--	1.71	0.87	1.83	0.51
Revenue Receipts (ratio)	--	0.5	1.93	0.35	0.23

Revenue expenditure of the State has increased by 51 *per cent* from Rs. 4945 crore in 2001-02 to Rs.7457 crore in 2005-06. Revenue expenditure accounted for 80 *per cent* of total expenditure during 2005-06. The share of Non-Plan Revenue Expenditure of the State in total revenue expenditure was reduced from an average of 77.5 *per cent* during 2001-05 to 73 *per cent* in 2005-06. The NPRE in 2005-06 at Rs. 5449 crore has declined by Rs. 34 crore from the previous year. The decline although marginal was the result of a decline of Rs.308 crore in general services including interest payments (Rs.190 crore) and pension payments (Rs.72 crore) accompanied with an increase in social services (Rs. 417 crore) and grants in aid (Rs. 81 crore). However, the NPRE at Rs.5449 crore in 2005-06 appears to be excessive if compared with the normatively assessed level of Rs. 4964 crore by Twelfth Finance Commission for the year 2005-06. The plan revenue expenditure although shared on an average only 23 *per cent* of revenue expenditure during 2001-06 but in comparison to NPRE it has increased by 97 *per cent* from Rs.1017 crore in 2001-02 to Rs. 2008 crore in 2005-06. The share of revenue expenditure to revenue receipts declined from 113 *per cent* in 2001-02 to 98 *per cent* in 2004-05 and 84.4 *per cent* in 2005-06 reflecting a surplus in revenue account during the last two years. Given the positive rates of growth in GSDP and plan revenue expenditure, higher buoyancies of plan expenditure with respect to GSDP reflect a stronger correlation between these two variables.

1.6.3 Committed expenditure

➤ Expenditure on salaries

Expenditure on salaries accounted for nearly 26 *per cent* of the Revenue Receipts during 2005-06 and posted an increase of 28 *per cent* over a period of 5 years (Table-8).

TABLE 8

Heads	(Rupees in crore)				
	2001-02	2002-03	2003-04	2004-05	2005-06
Expenditure on salaries (*)	1826.34	1823.09	2061.68	2118.56	2339.01
As percentage of GSDP	6.2	5.8	5.34	5.27	5.3
As percentage of Revenue Receipts	41.7	33.65	34.6	29.22	26.46
As percentage of RE net of interest payments and pension	49	42	41	39	39

(*) Salaries include wages also.

The Twelfth Finance Commission recommended that in States total salary bill relative to revenue expenditure net of interest payments and pensions should not exceed 35 per cent. It is however observed that although share of salaries in revenue expenditure net of interest payments and pensions has consistently declined from 49 per cent in 2001-02 to 39 per cent in 2005-06 but it is still marginally higher than the ceiling prescribed by the TFC.

➤ Pension Payments

Expenditure on pensions accounted for nearly 5.22 per cent of the Revenue Receipts during 2005-06 and posted a decrease of 14 per cent during 2005-06 compared to 2004-05. It ranged between 1.55 to 1.04 per cent of GSDP during the period from 2001-02 to 2005-06 as indicated in Table-9.

TABLE 9

Heads	(Rupees in crore)				
	2001-02	2002-03	2003-04	2004-05	2005-06
Pension expenditure	457.22	390.57	456.01	533.99	461.57 ⁵
As percentage of GSDP	1.55	1.24	1.18	1.33	1.04
As percentage of Revenue Receipts	10.45	7.21	7.65	7.37	5.22

The expenditure on pensions has declined by Rs. 72 crore in 2005-06 over the previous year and reached the level of Rs. 462 crore which is comparable with the normatively assessed expenditure of Rs. 474 crore for 2005-06 by TFC.

1.6.4 Interest Payments

The trends in interest payments of the State are given in Table 10.

TABLE 10

Year	Interest Payment	Percentage of interest payment with reference to	
	(Rupees in crore)	Revenue Receipts	Revenue Expenditure
2001-02	731	16.7	14.8
2002-03	810	15.0	14.6
2003-04	1054	17.7	16.0
2004-05	1152	15.9	16.2
2005-06	962	10.9	12.9

⁵ Sharp decline in pension payment was due to non-incorporation of pension expenditure of Rs.78.61 crore due to late intimation of Chhattisgarh share of pension payment booked by the Madhya Pradesh Government.

Interest payment consistently increased from Rs. 731 crore in 2001-02 to Rs. 1152 in 2004-05 and decreased sharply by Rs.190.37 crore in 2005-06. Although the State Government has not given any specific reason for the decline in interest payments but probably it was on account of the interest rate relief and restructuring of state debt under DCRF recommended by the TFC. Moreover, the interest payments as a percentage of total revenue receipts of the State is within the prescribed ceiling limit of 15 *per cent* prescribed by the TFC.

1.6.5 Subsidies

During 2005-06 an amount of Rs.502.32 crore was given as subsidy by the State Government. Major components of the subsidies disbursed as under:

(Rupees in crore)

Expenditure Heads	Non-plan	CSS	Plan	Total
Agriculture and Allied Activities	337.01	10.35	48.82	396.18
Energy	93.06	0.39	NIL	93.45
Others	0.52	12.17	NIL	12.69
Grand total	430.59	22.91	48.82	502.32

1.7 Expenditure by allocative priorities

The actual expenditure of the State in the nature of plan expenditure, capital expenditure and developmental expenditure emerging from Statement 12 of Finance Accounts reflects the allocative priorities of the State. Higher the ratio of these components to total expenditure, the better the quality of expenditure. Table 11 below gives the percentage share of these components of expenditure in State's total expenditure.

TABLE 11: QUALITY OF EXPENDITURE (PER CENT TO TOTAL EXPENDITURE)⁶

	2001-02	2002-03	2003-04	2004-05	2005-06
Plan expenditure	28.2	33.0	37.7	35.2	41.0
Capital expenditure ⁷	10.1	13.7	19.3	16.4	19.8
Developmental expenditure	64.0	67.6	63.4	66.0	69.0

Plan expenditure increased from 35 *per cent* in 2004-05 to 41 *per cent* in 2005-06. Revenue Plan Expenditure increased by 24 *per cent* from Rs.1620 crore in 2004-05 to Rs.2008 crore (24 *per cent*) and capital plan expenditure increased by 17 *per cent* from Rs.1276 to Rs.1493 (17 *per cent*) and loans and advance under plan component increased from Rs.90 crore to Rs.312 crore (247 *per cent*). Plan expenditure in revenue section under general services increased from Rs.2 crore to Rs.5 crore; under Social Services from Rs.1055 crore to Rs.1277 crore and under economic services increased from Rs.563 crore in 2004-05 to Rs.727 crore in 2005-06.

In 2005-06, out of the developmental expenditure (Rs.6407 crore), social services accounted for 50 *per cent* (Rs.3215 crore), of which General

⁶ Total expenditure includes disbursement of loans and advances and inter state settlement

⁷ Includes loans and advances and inter-state settlement.

Education, Health and Family Welfare and Water Supply and Sanitation consumed 62 per cent (Rs.1987 crore).

TABLE 12 SOCIAL SECTOR EXPENDITURE
(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06
General Education	697	750	969	1190	1301
Health and Family Welfare	244	272	292	316	331
Water Supply and Sanitation	254	281	287	279	355
Sub-total	1195	1303	1548	1785	1987
Other Social Services	826	920	906	902	1228
Total Social Services	2021	2223	2454	2687	3215

Similarly the expenditure of Economic Services (Rs.3192 crore) accounted for 50 per cent of the developmental expenditure, of which Irrigation and Flood Control (Rs.670 crore), Transport (Rs.566 crore) and Energy (Rs.162 crore) consumed 44 per cent (Rs.1398 crore).

TABLE 13 ECONOMIC SECTOR EXPENDITURE

	2001-02	2002-03	2003-04	2004-05	2005-06
Energy	82	86	208	154	162
Irrigation and Flood Control	289	525	550	742	670
Transport	233	428	484	446	566
Sub-total	604	1039	1242	1342	1398
Other Economic Services	896	1068	1483	1578	1794
Total Economic Services	1500	2107	2725	2920	3192

1.7.1 Assistance to local bodies and other institution

Autonomous bodies and authorities provide public utility services on non commercial basis. These bodies/authorities receive substantial financial assistance from the Government. Government also provides substantial financial assistance to other institutions such as those registered under the respective state Co-operative Societies Act, Companies Act, 1956 etc. to implement various programmes of the Government. The grants are given by the Government mainly for maintenance of educational institutions, hospitals, charitable institutions, construction and maintenance of schools and hospital buildings, improvement of roads and other communication facilities under municipalities and local bodies.

The quantum of assistances provided to different bodies during the year 2001-02 to 2005-06 was as follows:

Sl. No.	Assistance for	2001-02	2002-03	2003-04	2004-05	2005-06
1.	Education	86.75	89.94	118.06	145.87	143.00
2.	Power /Energy	64.25	65.00	88.27	146.72	165.67
3	Agriculture	15.6	16.46	12.16	15.13	22.67
4	Housing & Urban Development	8.76	34.91	28.09	17.60	420.13
5	Any other development activity (food & supply and Cooperative society) and other	2.03	4.96	0.86	27.27	484.24
	Total	177.39	211.27	247.44	352.59	1235.71
	Assistances as a percentage of revenue receipts	4.01	3.9	4.2	4.9	14
	Percentage of assistance to revenue expenditure	3.6	3.8	3.7	5.0	16.6

Grants-in-aid rules and sanctions issued by Departments provide that grant for a specific purpose should be utilized in full during the financial year. Balance, if any, should be returned to the Government at the earliest. However, the grants released during the year 2005-06 to various institutions/ bodies were not utilised in full. Out of the total release of Rs.1235.71 crore an amount of Rs.136.50 crore remained unspent during the year and the percentage of saving ranged between 6 per cent and 35 per cent Department wise break up of non- utilization of grants is given in **Appendix 1.6**.

As per instruction, the grantee institution is required to submit the utilisation certificate (UC) for grant received. Scrutiny of records revealed that UCs in respect of grants sanctioned were outstanding for an amount totalling Rs.1051.95 crore from various institutions as detailed in **Appendix 1.7**.

1.7.2 Compliance of Recommendation made by Twelfth Finance Commission and Utilization of Grant

Twelfth Finance Commission (TFC) recommended grant for augmentation of consolidated fund of State for supplementing the recourses of Panchayats, Municipalities etc. Government of India (GOI) released Rs.147.45 crore (2005-06) to State Government on the recommendations of the TFC for conservation of forest, solid waste management, water supply and sanitation.

1.7.2.1 Budget Provision and Expenditure

Scrutiny of records in the Finance Department and review of appropriation account of Govt. of Chhattisgarh for the year 2005-06 revealed that out of Rs.147.45 crore released by the GOI only Rs.139.68 crore was made available to the concerned departments. There were differences in expenditure figures of appropriation account and figures of departments, as shown below:

(Rs.in crore)

Sl No.	Name of Department	Budget Provision as per Appropriation A/c and department figure	Funds provided by the Finance Department	Expenditure	
				As per Appropriation account	As per Departmental figure
1.	Forest	17.00	8.50	1.80	1.80
2.	Urban Administration	7.45	7.45 0.09*	7.46	NIL
3	Panchayat and Social welfare	123.00	123.00 0.64*	123.61	83.74
	Total	147.45	139.68	132.87	85.54

* Interest amount paid to Panchayat Raj Institutions and Urban Local Bodies

1.7.2.2 Avoidable expenditure of Rs.0.73 crore due to delay in transfer of grant to PRIs and ULBs

TFC Guidelines provided that in case of delay in transfer of funds to Panchayat Raj Institutions and Urban Local bodies (PRIs and ULBs) beyond the specified period of 15 days the State shall transfer to PRI & ULB amount of interest at the rate, equal to the RBI rate alongwith such delayed transfer of grant. Scrutiny of records revealed that State Government delayed transfer of

grant to PRIs (63 days) and ULBs (75 days) resulting in avoidable expenditure of Rs.0.73 crore towards interest payment under various heads of accounts as detailed below:-

(Rs. in crore)		
PRI's/ULBs	Head of accounts	Amount of Interest
ULBs	Grant No. 81-2217-05-800 (5704) Grants in Aid to Urban Local Bodies under TFC	0.01
--"	Grant No 81 3604-107(8018) Grants in Aid as compensation of Toll Tax	0.08
PRIs	Grant No 80-2515-101 (5703) Grants in Aid to PRI's under TFC	0.64
	Total	0.73

The expenditure on account of interest payment should have been booked under major Head 2049-"Interest Payment" instead of major Head 2217, 3604 and 2515. Thus the expenditure on avoidable payment of interest was misclassified in the accounts. Consequently the expenditure exceeded from budget provisions. On the other hand scheme's implementation was further delayed to that extent.

1.7.2.3 Diversion of funds

Twelfth Finance Commission (TFC) guideline stipulated that grant for PRIs should be used to improve the services rendered by the Panchayats in respect of water supply and sanitation. Panchayats need to be encouraged to take over water supply assets created under the *Swajaldhara* programme and maintain them with the help of these grants. However, Panchayat and Social welfare Department (PSWD) had under taken the following works:

Sl. No.	Name of work	No. of works and rate	Amount (Rs in crore)
1.	Zila Panchayat Building	3 Nos	2.37
2	Mini Stadium	66 Nos @ 0.25	16.50
3	Gram Panchayat Building Cum fair Price shop	1042 Nos @ 0.035 1 Nos @ 0.010	36.48
	Total		55.35

Thus funds were diverted to other purposes in contravention to the recommendations of TFC to the extent of Rs.55.35 crore.

1.7.2.4 Release of grant against norms

As per TFC guidelines, the State may consider, municipalities of towns having more than one lakh population as per 2001 census to prepare comprehensive scheme for converting composting and waste to energy programmes to be undertaken in the private sector for appropriate funding from the grants recommended by the TFC. TFC has suggested earmarking of at least 50 *per cent* of grant for this purpose. However a sum of Rs.7.54 crore only was made available to 18 ULBs, of which 10 ULBs which had less than one lakh population were also provided Rs.2.48 crore. Neither comprehensive schemes

for composting and waste to energy programmes were prepared nor any expenditure was incurred during the financial year.

1.7.2.5 Release of grant without quantifying target and approval of project

TFC Guidelines provided that every State shall constitute a High level committee (HLC) to ensure proper utilisation of Grants by Local bodies. HLC shall be responsible for approval of the projects at the beginning of each year which are to be taken up in each sector, quantify the targets both in physical and financial terms and lay down a time-table for achievement of specific milestones. However the earmarked work of PRIs were as under.

Sl. No.	Name of work	Amount (Rs. in crore)
1.	Zila Panchayat Building	2.37
2	Gram Panchayat Building	36.48
3.	Mini stadium	16.50
4	Personal Latrines	40.36
5	Water supply	14.73
	Total	110.44

It was noticed that against the total requirement of Rs.110.44 crore, for the sanctioned works, the Panchayat and Social Welfare Department (PSWD) released Rs.123.64 crore resulting in excess grant of Rs.13.20 crore.

There was no co-relation between the cost of sanctioned works and grants provided to Zila Panchayat (ZP) and Janpad Panchayat (JP). Rupees 2.36 crore were less issued to five districts against their cost of sanctioned works whereas Rs.8.82 crore were issued in excess of requirement in 11 districts as detailed in **Appendix 1.8** which indicates that adequate monitoring was not done.

1.7.2.6 Non recovery of user charges

Guidelines provided that the PRIs should be encouraged to take over the assets relating to water supply and sanitation. The PRI should however recover at least 50 per cent of the recurring maintenance cost in the form of user charges, but the PRIs have not recovered the user charges so far. Assets relating to water supply and sanitation were not taken over by PRIs indicating non-compliance of recommendations of TFC.

1.7.2.7 Results of Local Audit

PSWD had provided (2005-06) grants of Rs.123.64 crore (Rs.123.00 crore grant + Rs.0.64 crore interest) to various PRIs with the directions that expenditure on Zila Panchayat building, Mini stadium and Gram Panchayat Bhavan cum fair price shop will be incurred within the amount released to ZP and JP. Chief Executive Officers (CEO) ZP were authorised to decide the share between ZP & JP.

Scrutiny of records revealed that works to be executed under TFC were recommended by the PSWD on 29.3.06, consequently the administrative approval by the CEO, ZP could be accorded only in April 2006 and thereafter. No expenditure was incurred against the grants (Rs.10.78 crore) released at ZP and JP level in four districts and four blocks during year 2005-06 as detailed in *Appendices 1.9 (i) & (ii)*.

JP Takhatpur had diverted the grant of Rs.0.20 crore towards expenses of *Sarva Shiksha Abhiyan*, while JP, Mungeli had kept Rs.0.21 crore in fixed deposit scheme. JP Patharia and Mungeli had selected disputed sites (Rs.0.50 crore) while ZP Bastar had proposed to change the site of eight mini stadiums (Rs.2.00 crore) out of total sanctioned 10 mini stadiums. This indicated that works were sanctioned without proper survey and feasibility study.

1.7.2.8 Utilisation certificate

TFC directed that State Finance Secretary would be required to provide a certificate every year of the percentage of grants spent by the ULBs on solid waste management and water supply and sanitation schemes by the PRIs. State would also be required to provide details of recurring operation and maintenance (O&M) cost recoverable by the PRIs on scheme of water supply. Scrutiny of records in audit revealed that:

- i. No expenditure was incurred during the year 2005-06 against the grant of Rs.7.46 crore on solid waste management by ULBs.
- ii. Details of recurring O&M cost recoverable by the PRIs on scheme of Water supply was not shown in the utilisation certificate.
- iii. State Government delayed transfer of TFC grant to ULBs (75 days) and PRIs (63 days) where as Finance Department while forwarding utilisation certificate (UC) to GOI incorrectly certified that the Local Bodies Grant have been released within 15 days from the date of release of grant by the Central Government, although interest was also paid for the delay.
- iv. Gram Panchyats (GP) were allotted Rs.61.50 crore and directed to spend on Water Supply and Sanitation. However Water Supply Programme is not yet started. Amount of Rs.22.98 crore was spent on construction of personal latrine (Toilet) which was not 40 *per cent* of total grant released to PRIs (i.e. Rs.123 crore) as mentioned in the UC.
- v. In U.C. total utilization of grants of Rs.83.74 crore was shown by PRIs which is not in accordance with the information provided by the selected units. Neither expenditure was incurred from the grant released to ZP & JP nor Gram Panchayat spent any fund on Water Supply Programme. Only Rs.22.96 crore were spent by the GPs on construction of toilets upto 31 March 2006. Further it was also noticed in the selected units that expenditure on construction of toilet was shown as more than the allotment provided for this purpose to the GPs.

(Rs. in crore)

Name of District	Allotment to Gram Panchayat	Expenditure on construction of Toilet upto 31.3.2006	Expenditure shown in UC on construction of Toilet	Excess expenditure over allotment
1. Bilaspur	5.26	2.10	7.05	1.79
2. Bastar	5.02	0.89	6.90	1.88

vi. Out of TFC grant of Rs.147.45 crore, Rs.61.5 crore (41.71 per cent) and Rs.7.46 crore (5.06 per cent) were released to GPs (PRIs) and ULBs respectively by the State Government during 2005-06. Consent of State Government for audit of these bodies by C&AG was awaited (March 2006) where as the Finance Department while forwarding UC to GOI certified that the accounting formats and auditing responsibility have been delegated to the C&AG. Thus there was incorrect reporting to GOI.

1.8 Assets and Liabilities

The Government accounting system does not attempt a comprehensive accounting of fixed assets, i.e. land, buildings etc., owned by the Government. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure. Statement 16 read with details in Statement 17 of Finance Accounts show the year-end balances under the Debt, Deposit and Remittance heads from which the liabilities and assets are worked out.

Appendix 1.1 presents an abstract of such liabilities and the assets as on 31 March 2006, compared to the corresponding position on 31 March 2005. The liabilities in this statement consist mainly of money owed by the State Government such as internal borrowings, loans and advances from the Government of India, receipts from the Public Account and Reserve Fund. The assets comprise mainly the capital expenditure and loans and advances given by the State Government.

The liabilities of Government of Chhattisgarh depicted in the Finance Accounts, however, do not include the pension and other retirement benefits payable to serving/retired State employees and guarantees/letters of comforts issued by the State Government. **Appendices 1.1 to 1.3** depict the comparison of the State Government finances between 2004-05 and 2005-06 while **Appendix 1.4** is a time series data analysis.

1.8.1 Financial results of irrigation works

The expenditure under Major and Medium Irrigation was Rs.20.53 crore and Rs.73.60 crore respectively. The receipt under Major and Medium Irrigation was Rs.25.18 crore and Rs.13.80 crore respectively. The list of projects, expenditure and receipt under Major and Medium Irrigation are given in **Appendix 1.10**.

1.8.2 Incomplete projects

As on 31 March 2006, there were at least 80 ongoing projects with a cumulative investment of Rs.3579.90 crore. The complete list of ongoing and incomplete projects was awaited.

1.8.3 Investments and returns

Investments are made out of the capital outlay by the Government to promote developmental, manufacturing, marketing and social activities. The year-wise details of aggregated investments made to the end of the year and dividend/interest received were as under:

TABLE 14: RETURN ON INVESTMENT
(Rupees in crore)

Year	Investment at the end of the year	Dividend/ Interest received ⁸
2001-2002	15.29	5.00
2002-2003	35.94	25.57
2003-2004	56.94	34.82
2004-2005	87.86	--
2005-2006	102.74	--

As on March 2006, 68 *per cent* of the investment was made in the Cooperatives while 32 *per cent* in statutory corporation.

No amount of dividend declared/interest received was credited to the Government during 2004-05 and 2005-06.

1.8.4 Loans and advances by the State Government

The Government gives loans and advances to Government companies, corporations, local bodies, autonomous bodies, co-operatives, non-Government institutions, etc., for developmental and non-developmental activities. The position for the period from April 2001 to March 2006 is given below:

TABLE 15: LOANS ADVANCED BY THE STATE GOVERNMENT
(Rupees in crore)

	2001-2002	2002-2003	2003-04	2004-05	2005-06
Opening Balance	138.33	184.34	223.58	770.62	868.87
Amount advanced during the year	49.52	57.70	557.68	113.04	337.48
Amount repaid during the year	3.51	18.46	10.64	14.79	17.92
Closing Balance	184.34	223.58	770.62	868.87	1188.43
Net Addition (+)/ Reduction (-)	46.01	39.24	547.04	98.25	319.56
Interest received during the year	0.03	31.54	--	45.81	5.49
Interest received as per cent of loan advanced* during the year	0.02	15.46	--	5.6	0.53

* Loan advanced has been calculated as average of opening and closing balance.

Interest received as *per cent* of Loan advanced during the year 2004-05 was 5.6 *per cent* while it decreased to 0.53 *per cent* in 2005-06.

⁸ Includes dividend and interest on investments made before formation of the State.

1.8.5 Management of cash balances

The general cash balance represents the combined balances of the Consolidated Fund, Contingency Fund and Public Account.

Under an agreement with the Reserve Bank, the Government of Chhattisgarh has to maintain with the Bank a minimum balance of Rs.72 lakh on each day with effect from 1st November 2000. The Bank informs the Government by e-mail of its daily balance with the bank at the close of each working day. If this balance falls below the agreed minimum on weekly settling days, the deficiency is made good by taking Ways and Means Advances (WMA) (Normal and Special) from the Reserve Bank of India or by selling Government of India Treasury Bills. The rate of interest charged on normal WMA is (a) Bank Rate (Currently 6 *per cent*) for the period of 1 to 90 days and (b) one *per cent* above the Bank Rate for the period beyond 90 days. Besides, overdraft (OD) is also resorted to by the State Government whenever necessary. It was observed that during 2005-06 the Government did not utilise any Ways and Means Advances.

1.8.6 Undischarged liabilities

Fiscal liabilities

The Constitution of India provides that a State may borrow within the territory of India, upon the security of the Consolidated Fund of the State within such limits, if any, as may from time to time, be fixed by an Act of the State Legislature. No law had been passed by the State Legislature laying down any such limit.

It would be observed that the overall fiscal liabilities of the State increased from Rs.7421 crore in 2001-02 to Rs.13270 crore in 2005-06. These liabilities as ratio to GSDP increased from 25 *per cent* in 2001-02 to 30 *per cent* in 2005-06 and stood at 1.5 times of the revenue receipts. A sharp reduction in net fund availability was due to increasing trend of repayment.

Table 16 below gives the fiscal liabilities of the State, its rate of growth, ratio to GSDP, revenue receipts and own resources and buoyancy of these liabilities with respect to these parameters.

TABLE 16: FISCAL LIABILITIES-BASIC PARAMETERS

	2001-02	2002-03	2003-04	2004-05	2005-06
Fiscal Liabilities (Rupees in crore)	7421	9245	11144	12240	13270
Rate of growth (<i>per cent</i>)	*	24.6	20.5	9.8	8.4
Ratio of fiscal liabilities to					
GSDP (<i>per cent</i>)	25.1	29.27	28.86	30.43	30.1
Revenue Receipts (<i>per cent</i>)	169.6	170.7	187.0	168.9	150.10
Buoyancy of Fiscal Liabilities to					
GSDP (ratio)	*	3.55	0.92	2.36	0.87
Revenue Receipts (ratio)	*	1.03	2.05	0.45	0.38

* Not considered as the State was created on 1st November 2000

Increasing liabilities had raised the issue of sustainability of the State Government's finances. One of the indicators of sustainability of fiscal liabilities is existence of a positive spread between the rate of growth of GSDP and the weighted interest rate on fiscal liabilities. Sustainability of fiscal liabilities with reference to weighted interest rate, GSDP growth rate and interest spread is indicated in Table-17.

TABLE 17
DEBT SUSTAINABILITY
INTEREST RATE AND GSDP GROWTH (IN PER CENT)

	2001-02*	2002-03	2003-04	2004-05	2005-06
Weighted Interest Rate		9.72	10.34	9.85	7.54
GSDP Growth		6.91	22.23	4.17	9.69
Interest spread		(-) 2.81	11.89	(-) 5.68	2.15

* Not considered as the State was created on 1st November 2000

An important indication of sustainability of fiscal liabilities is net availability of funds after payment of the principal and interest. Table 18 below gives the position of the receipts and repayments of different components of fiscal liabilities over the last five years.

TABLE 18: NET AVAILABILITY OF BORROWED FUNDS
(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06
Internal Debt					
(a) Receipts	653.17	1179.19	1977.60	1480.61	1178.07
(b) Repayments (Principal+ Interest [including sinking fund])	341.51	417.09	588.51	860.14	918.45
(c) Net funds available (a-b)	311.66	762.10	1389.07	620.47	259.62
(d) Net funds available (<i>per cent</i>) NFA x 100/Receipts	48	65	70	42	22
Loans and Advances from Government of India					
(e) Receipts	340.86	434.12	454.39	429.20	56.28
(f) Repayments (Principal + Interest)	501.13	754.39	1096.61	1392.45	374.14
(g) Net funds available (e-f)	(-) 160.27	(-) 320.27	(-) 642.22	(-) 963.25	(-)317.86
(h) Net funds available (<i>per cent</i>)	(-) 47	(-) 74	(-) 141	(-) 224	(-) 565
Total Public Debt					
(i) Receipts	994.61	1613.31	2431.99	1909.81	1234.35
(j) Repayments (Principal + Interest)	842.64	1171.48	1685.14	2252.59	1292.59
(k) Net funds available (i-j)	151.97	441.83	746.85	(-) 342.78	(-)58.24
(l) Net funds available (<i>per cent</i>)	15.3	27.4	30.7	(-) 17.9	(-)4.7

The fiscal liabilities has registered an increasing trend from Rs.7421 in 2001-02 to 13270 crore during 2005-06 coupled with decline in funds available from Rs.151.97 crore in 2001-02 to Rs.(-)58.24 crore in 2005-06. During 2004-05 Rs.2252.59 crore were repaid against receipt of Rs.1909.81 crore and during 2005-06 also repaid amount (Rs.1293 crore) was greater than receipt amount (Rs.1234 crore). Repayment amount was greater than receipt amount, thus net fund availability decreased, though the position has improved 2004-05.

Contingent liabilities

Guarantees are given by the State Government for discharge of certain liabilities like repayment of loans, share capital, etc., raised by the Statutory

Corporations, Government Companies and Co-operative Institutions etc., and payment of interest and dividend by them. These constitute contingent liability of the State. No law under Article 293 of the Constitution had been passed by the State Legislature laying down the maximum limits within which Government may give guarantees on the security of the Consolidated Fund of the State. Statement 6 of the Finance Accounts shows that amount of guarantees given to Joint Stock Companies, Co-operative Banks and Societies and to Municipalities, Corporations and Townships by the Government upto March 2006 was Rs.1782 crore. The guarantees outstanding as on 31st March 2006 was Rs.855 crore. As regards the guarantees of Rs.9710 crore given by the composite State of MP prior to 01 November 2000, Rs.43 crore have been apportioned and remaining guarantees of Rs.9667 crore are yet to be apportioned between the successor States of Madhya Pradesh and Chhattisgarh.

1.9 Management of deficits

1.9.1 Fiscal imbalances

The deficits in Government accounts represent the gap between its receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources so raised and applied are important pointers to the fiscal health.

The revenue deficit (Statement 1 of Finance Account) of the State, which is the excess of its revenue expenditure over revenue receipts, decreased from Rs.569 crore in 2001-02 to Rs.113 crore in 2002-03 but again increased to Rs.641 crore in 2003-04. The deficit was replaced by a revenue surplus (RS) of Rs.146 crore in 2004-05 and it increased to 1381 crore in 2005-06. The fiscal deficit (FD), which represents the total borrowing of the Government and its total resource gap, also decreased from Rs.1117 crore in 2001-02 to Rs.973 crore in 2002-03 and again increased to Rs.2204 crore in 2003-04 and decreased to Rs.435 crore in 2005-06. State Finances also reflected a trend of decrease in primary deficit from Rs.386 crore in 2001-02 to Rs.163 crore in 2002-03 and shows a steep increase to Rs.1150 crore in 2003-04 and sharp decline to Rs.79 crore in 2004-05 and the position of primary surplus was Rs.527 crore in 2005-06 as indicated in Table 19.

TABLE 19: FISCAL IMBALANCES – BASIC PARAMETERS

	2001-02	2002-03	2003-04	2004-05	2005-06
Revenue Deficit(-)/Surplus(+) (Rupees in crore)	(-) 569	(-) 113	(-) 641	(+) 146	(+)1381
Fiscal Deficit (Rupees in crore)	1117	973	2204	1231	435
Primary Deficit (+)/Primary Surplus (-) (Rupees in crore)	386	163	1150	79	(-) 527
RD/GSDP(-)/RS/GSDP(+) (per cent)	(-)1.9	(-)0.3	(-)1.66	(+)0.36	(+)3.13
FD/GSDP (per cent)	3.78	3.08	5.71	3.06	0.99
Primary Deficit/GSDP(+) Primary Surplus/GSDP(-) (per cent)	1.31	0.52	2.98	0.20	(-) 1.19
RD/FD(+), RS/FD(-) (per cent)	(+)50.9	(+)11.6	(+)29.08	(-)11.86	(-)317.47

The ratio of revenue deficit to fiscal deficit has decreased from 51 *per cent* in 2001-02 to 12 *per cent* in 2002-03 and increased to 29 *per cent* in 2003-04. However, due to revenue surplus in the year 2004-05 and 2005-06 the ratio of RS to FD was 12 *per cent* and 317 *per cent* respectively.

1.10 Fiscal Ratios

The finances of a State should be sustainable, flexible and non-vulnerable. Table 20 below presents a summarized position of Government finances over 2001-2006, with reference to certain key indicators that help assess the adequacy and effectiveness of available resources and their applications, highlight areas of concern and capture its important facets.

The ratios of revenue receipts and State's own taxes to GSDP indicate the adequacy of resources. The buoyancy of the revenue receipts indicates the nature of the tax regime and the State's increasing access to resources with increase in GSDP. These ratios showed an improving trend during 2001-06 indicating mobilisation of resources and its sustainability.

The various ratios concerning expenditure management of the State indicate quality of its expenditure and sustainability of these in relation to its resource mobilization. The ratios on Fiscal imbalances show that in 2005-06, the revenue surplus was more than three times of the fiscal deficit.

TABLE 20: RATIOS OF FISCAL EFFICIENCY (IN *PER CENT*)

Fiscal Indicators	2001-02	2002-03	2003-04	2004-05	2005-06
I-Resources Mobilisation					
Revenue Receipts/ GSDP	14.8	17.1	15.4	18.0	20.0
Revenue Buoyancy (ratio)	*	3.44	0.45	5.19	2.26
Own Tax/GSDP	6.75	7.37	6.7	8.03	9.18
Own tax buoyancy	*	2.42	0.5	5.93	2.63
II-Expenditure Management					
Total Expenditure/GSDP	18.6	20.3	21.2	21.1	21.1
Revenue Receipts/Total Expenditure	79.5	84.5	72.9	85.3	95.1
Revenue Expenditure/Total Expenditure	89.9	86.3	80.7	83.6	80.3
Capital Expenditure (including disbursement of loans & advances & inter-State settlement) /Total expenditure	10.1	13.7	19.3	16.4	19.8
Developmental Expenditure (revenue +capital)/Total Expenditure	64.0	67.6	63.4	66.0	69.0
Buoyancy of TE with RR (<i>per cent</i>)	*	69.3	275	18	43
Buoyancy of RE with RR (<i>per cent</i>)	*	49.7	193.3	35.2	22.7

Fiscal Indicators	2001-02	2002-03	2003-04	2004-05	2005-06
III- Management of Fiscal Imbalances					
Revenue deficit (-)/ surplus (+) (Rs. in crore)	(-) 569	(-) 113	(-) 641	(+) 146	(+)1381
Fiscal deficit	1117	973	2204	1231	435
Primary Deficit(+)/Surplus(-) (Rs. in crore)	386	163	1150	79	(-) 527
Revenue Deficit/ Fiscal Deficit(+) or Revenue surplus/fiscal deficit (-) (per cent)	(+)50.9	(+)11.6	(+)29.08	(-) 11.86	(-) 317.47
IV- Management of Fiscal liabilities					
Fiscal Liabilities (FL)/ GSDP	25.1	29.27	28.86	30.43	30.1
FL/RR	169.6	170.7	187	168.9	150.1
Buoyancy of FL with RR (ratio)		1.03	2.05	0.45	0.38
Buoyancy of FL with own resources (ratio)	*	1.17	1.57	0.47	0.46
Interest spread	*	(-) 2.81	11.89	(-) 5.68	2.15
Net funds available	15.3	27.4	30.7	(-) 17.9	(-) 4.7
V- Other Fiscal health Indicators					
BCR	105	612	414	1255	2615
Financial Assets/ Liabilities	0.38	0.47	0.49	0.57	0.70

* Not taken as the state was created in November 2000

Conclusion Chhattisgarh witnessed a growth of 21.9 per cent in revenue receipts and comparatively lower growth (5.0 per cent) of revenue expenditure. Consequently from a revenue surplus of Rs.146 crore during 2004-05 the State achieved a revenue surplus of Rs.1381 crore. Capital expenditure also increased by 17 per cent from Rs.1279 crore in 2004-05 to Rs.1497 crore in 2005-06 and there was a decrease in fiscal deficit from Rs.1231 crore in 2004-05 to Rs.435 crore in 2005-06.

The State of Chhattisgarh, comprising 16 districts of the composite State of MP, came into existence on 1st November 2000. The process of apportionment of pre November 2000 assets and liabilities of the composite State of Madhya Pradesh and of other financial adjustments, to be done in each case with reference to the provisions of the Madhya Pradesh Re-organisation Act, 2000 is not yet complete. A realistic picture of the financial position of the State will emerge only after completion of this process.