

CHAPTER I

FINANCES OF THE STATE GOVERNMENT

1.1 Introduction

The accounts of the State Government are kept in three parts (i) Consolidated Fund, (ii) Contingency Fund and (iii) Public Account (**Appendix 1.1-Part A**). The Finance Accounts of the Government of Goa 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 of Goa. The layout of the Finance Accounts is depicted in **Appendix 1.1 - Part B**.

1.1.1 Summary of Receipts and Disbursements

Table-1.1 summarises the finances of the Government of Goa for the year 2007-08 covering revenue receipts and expenditure, capital receipts and expenditure and public accounts receipts/disbursements as emerging from Statement-1 of Finance Accounts and other detailed statements.

Table-1.1: Summary of receipts and disbursements for the year 2007-08

(Rupees in crore)

2006-07	Receipts	2007-08	2006-07	Disbursements	2007-08		
Section-A: Revenue					Non Plan	Plan	Total
2609.76	Revenue receipts	2943.90	2468.31	Revenue expenditure	2212.27	565.49	2777.76
1291.54	Tax revenue	1358.91	785.52	General Services	830.71	6.47	837.18
917.62	Non-tax revenue	1042.82	568.52	Social Services	329.82	307.98	637.80
312.11	Share of Union Taxes/Duties	393.72	805.10	Economic Services	816.52	153.59	970.11
88.49	Grants from Government of India	148.45	309.17	Grant-in-aid and Contributions	235.22	97.45	332.67
Section-B: Capital and others							
-	Misc Capital Receipts	--	626.34	Capital Outlay	5.05	683.47	688.52
5.78	Recoveries of Loans and Advances	6.18	8.14	Loans and Advances Disbursed	13.34	11.25	24.59
639.48	Public Debt Receipts*	504.78	73.28	Repayment of Public Debt*	-	68.30	68.30
-	Contingency Fund	170.00	-	Contingency Fund	-	-	170.00
3611.39	Public Account Receipts	4038.07	3519.36	Public Account Disbursements	-	3704.41	3704.41
324.80	Opening Cash Balance	495.78	495.78	Closing Cash Balance	-	725.13	725.13
7191.21	Total	8158.71	7191.21	Total	2230.66	5758.05	8158.71

* Excluding Ways and Means Advances and Overdraft

- The revenue receipts grew by Rs 334 crore (12.80 *per cent*) over previous year. The increase was mainly contributed by tax revenue (Rs 67 crore), non-tax revenue (Rs 125 crore), state's share of union taxes and duties (Rs 82 crore), and grants from Government of India (Rs 60 crore).
- Revenue Expenditure and Capital Expenditure increased by Rs 309 crore (12.54 *per cent*) and Rs 62 crore (9.93 *per cent*) respectively.
- Recoveries of Loans and Advances increased by Rs 40 lakh (6.92 *per cent*) whereas disbursement of Loans and Advances increased by Rs 16.45 crore (202.09 *per cent*).
- Public debt receipts have decreased by Rs 135 crore (21.06 *per cent*) over previous year, and repayments also decreased by Rs five crore (6.80 *per cent*) in 2007-08 over the previous year.
- Public Accounts receipts have increased by Rs 427 crore (11.81 *per cent*) while disbursement increased by Rs 185 crore (5.26 *per cent*) over previous year resulting in net inflow of Rs 242 crore during the year.
- Cash balances at the close of 2007-08 as a result of cash flows listed above increased by Rs 229 crore (46.26 *per cent*) over previous year.

1.1.2 State Fiscal Position by Key Indicators

The fiscal position of the State Government as reflected by the key fiscal indicators during the current year as compared to the previous year is given in **Table 1.2.**

Table 1.2: Key Fiscal Indicators

(Rupees in crore)

2006-07	Sr. No	Major Aggregates	2007-08
2610	1.	Revenue Receipts (2+3+4)	2944
1292	2.	Tax Revenue (Net)	1359
918	3.	Non-Tax Revenue	1043
400	4.	Other Receipts	542
6	5.	Non-Debt Capital Receipts	6
6	6.	<i>Of which</i> Recovery of Loans & Advances	6
2616	7.	Total Receipts (1+5)	2950
1992	8.	Non-Plan Expenditure	2231
1985	9.	On Revenue Account	2212
427	10.	<i>Of which</i> Interest Payments	447
4	11.	On Capital Account	5
3	12.	On Loans disbursed	14
1111	13.	Plan Expenditure	1260
484	14.	On Revenue Account	566
622	15.	On Capital Account	683
5	16.	On Loans disbursed	11
3103	17.	Total Expenditure (13+8)	3491
(+) 141	18.	Revenue Deficit (-)/Surplus (+) (1-9-14)	(+)166
(-) 487	19.	Fiscal Deficit (1+5-17)	(-)541
(-) 60	20.	Primary Deficit (1+5)-(17-10)	(-) 94

During the current year revenue receipts increased by Rs 334 crore (12.8 per cent) and revenue expenditure by Rs 309 crore (12.54 per cent) resulting in an increase in revenue surplus by Rs 25 crore from the level of Rs 141 crore in 2006-07. Given the increase in revenue surplus along with an increase of Rs 79 crore in capital expenditure together with disbursement of loans and advances, the fiscal deficit increased by Rs 54 crore from Rs 487 crore in 2006-07. Similarly, an increase of Rs 54 crore in fiscal deficit together with an increase of Rs 20 crore in interest payments resulted in increase of primary deficit from Rs 60 crore in 2006-07 to Rs 94 crore in 2007-08.

1.2 Methodology Adopted for the Assessment of Fiscal Position

The trends in the major fiscal aggregates of receipts and expenditure as emerged from the Statements of Finance Accounts are analyzed wherever necessary over the period of last five years and observations are made on their behaviour. In its Restructuring Plan of State finances, Twelfth Finance Commission (TFC) recommended the norms/ceiling for some fiscal aggregates and also made normative projections for others. In addition, TFC also recommended that all States are required to enact the Fiscal Responsibility Acts and draw their fiscal correction path accordingly for the five year period (2005-10) so that fiscal position of State could be improved as committed in their respective FR Acts/Rules during the medium to long run. The norms/ceilings prescribed by the TFC as well as its projections for fiscal aggregates along with the commitments/projections made by the State Governments in their Fiscal Responsibility Acts and in other Statements required to be laid in the legislature under the Act are used to make a qualitative assessment of the trends and pattern of major fiscal aggregates during the current year. Assuming that GSDP is a good indicator of the performance of the State's economy, major fiscal aggregates like tax and non-tax revenue, revenue and capital expenditure, internal debt and revenue and fiscal deficits have been presented as percentage to the Gross State Domestic Product (GSDP) at current market prices.

Table 1.3: Trends in growth and composition of GSDP

	2003-04	2004-05	2005-06	2006-07	2007-08
Gross State Domestic Product (GSDP) (Rupees in crore)	9290	10219	11685	13796*	15176
Growth rate of GSDP	(-) 6.60	10.00	14.36	18.07	10.00

The buoyancy coefficients for tax revenues, non-tax revenues, revenue expenditure etc., with reference to the base represented by GSDP have also been worked out to assess whether the mobilization of resources, pattern of expenditure etc., are keeping pace with the change in the base or these fiscal aggregates are affected by factors other than GSDP. The key fiscal aggregates for the purpose are grouped under four major heads: (i) Resources by Volume and Sources, (ii) Application of Resources, (iii) Assets and Liabilities, and

* GSDP figures for 2006-07 have been revised by the State Government as Rs 13,796 crore.

(iv) Management of Deficits. The 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 definitions of some of the selected terms used in assessing the trends and pattern of fiscal aggregates are given in **Appendix 1.1 Part C**.

1.2.1 The Fiscal Responsibility and Budget Management (FRBM) Act, 2006

The State Government enacted “The Goa Fiscal Responsibility and Budget Management (FRBM) Act, 2006” in May 2006 to ensure fiscal stability and sustainability through progressive elimination of revenue deficit, planned reduction of fiscal deficit and prudent and sustainable debt management consistent with fiscal stability through limits on State Government’s borrowings including off-budget borrowings. To give effect to the fiscal management principles as laid down in the Act, the following fiscal targets have been prescribed for the State Government:

- Reduce the revenue deficit to nil by 31 March 2009 and adhere to it thereafter;
- reduce the ratio of fiscal deficit to Gross State Domestic Product beginning from the financial year 2006–2007 with medium term goal of not being more than three *per cent* to be attained by 31 March 2009 and adhere to it thereafter;
- ensure that by 31 March 2009, the total liabilities do not exceed 30 *per cent* of the GSDP and adhere to it thereafter; and
- cap the total outstanding guarantees within the specified limit under the Goa State Guarantees Act, 1993. Currently, the limit has been fixed at Rs 800 crore.

The State Government has since framed the Fiscal Responsibility and Budget Management Rules.

1.2.2 The Medium Term Fiscal Plan

As the FRBM Act 2006 was enacted in May 2006, the Medium Term Fiscal Policy (MTFP) was presented along with the Budget for 2007-08. The MTFP 2006-10 projected revenue surplus of 0.70 *per cent* of GSDP and fiscal deficit of three *per cent* of GSDP by 2009-10. The outstanding debt was projected at 33.15 *per cent* of GSDP.

During 2007-08 Government has achieved the target in respect of revenue surplus registering a revenue surplus of Rs 166 crore being 1.09 *per cent* of GSDP. However, the fiscal deficit stood at 3.56 *per cent* of GSDP and outstanding debt stood at 41.44 *per cent* which needs monitoring to keep the same within the ceiling limit prescribed under FRBM Act.

1.3 Trends in Aggregate Resources: By Volumes and Sources

Resources of the State Government consist of revenue receipts and capital receipts. Revenue receipts consist of tax revenues, non-tax revenues, State's share of union taxes and duties and grants-in-aid from the Government of India (GoI). Capital receipts comprise of 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 as well as accruals from Public Account. **Table-1.4** presents the trends in growth and composition of the total receipts of the State Government during the period 2003-08.

Table-1.4: Trends in Growth and Composition of the Total Receipts

(Rupees in crore)

Sources of State's Receipts	2003-04	2004-05	2005-06	2006-07	2007-08
I Revenue Receipts	1623.00	1820.00	2168.87	2609.76	2943.90
II Capital Receipts	799.00	708.00	704.72	645.26	510.96
Recovery of Loans and Advances	7.00	6.00	6.33	5.78	6.18
Public Debt Receipts	792.00	702.00	698.39	639.48	504.78
Miscellaneous Capital Receipts	-	-	-	-	-
III Contingency Fund	-	1.00	0.22	-	170.00
IV Public Account Receipts	3239.00	3157.00	3285.19	3611.39	4038.07
a. Small Savings, Provident Fund etc.	111.00	118.00	126.16	135.82	151.62
b. Reserve Fund	20.00	28.00	29.54	32.94	38.22
c. Deposits and Advances	119.00	93.00	86.34	113.08	154.58
d. Suspense and Miscellaneous	1537.00	1430.00	1521.83	1567.22	1687.51
e. Remittances	1452.00	1488.00	1521.32	1762.33	2006.14
Total Receipts	5661.00	5686.00	6159.00	6866.41	7662.93

The revenue and capital receipts constituted 38 and seven *per cent* of total receipts while public account receipts constituted 53 *per cent*. The total receipts of the state increased from Rs 5,661 crore in 2003-04 to Rs 7,663 crore in 2007-08. The Debt Capital Receipts which creates future re-payment obligation has declined from Rs 792 crore in 2003-04 to Rs 505 crore in 2007-08.

1.3.1 Revenue Receipts

Statement-11 of the Finance Accounts details the revenue receipts of the Government. The revenue receipts consist of own tax and non-tax revenues, central tax transfers and grants-in-aid from GoI. Overall revenue receipts, its annual rate of growth, ratio of these receipts to the GSDP and its buoyancies are indicated in **Table-1.5**.

Table-1.5: Revenue Receipts - Basic Parameters

Sources of Revenue Receipts	2003-04	2004-05	2005-06	2006-07	2007-08
Revenue Receipts (RR) (Rupees in crore)	1623	1820	2169	2610	2944
Own Taxes (Rupees in crore) (Percentage share in RR)	710 (43.75)	857 (47.09)	1096 (50.53)	1292 (49.50)	1359 (46.16)
Non-Tax Revenue (Rupees in crore) (Percentage share in RR)	725 (44.67)	729 (40.05)	761 (35.09)	918 (35.17)	1043 (35.43)
Central Tax Transfers (Rupees in crore) (Percentage share in RR)	136 (8.38)	162 (8.90)	245 (11.30)	312 (11.96)	394 (13.37)
Grants-in-aid (Rupees in crore) (Percentage share in RR)	52 (3.20)	72 (3.96)	67 (3.09)	88 (3.37)	148 (5.04)
Rates of growth					
Revenue Receipts (per cent)	(-) 11.46	12.14	19.18	20.33	12.80
State's own taxes	17.94	20.70	27.89	17.88	5.18
Non-Tax Revenue	(-) 30.22	0.55	4.39	20.63	13.62
RR/GSDP (per cent)	17.47	17.81	18.56	18.92	19.40
Buoyancy Ratios					
Revenue Receipts with GSDP	r	1.21	1.34	1.13	1.28
State's own taxes with GSDP (ratio)	r	2.07	1.94	0.99	0.52
Revenue buoyancy with reference to State's own taxes	r	0.59	0.69	1.14	2.47
GSDP Growth (per cent)	(-) 6.61	10.00	14.35	*18.07	10.00

General Trends: Revenue receipts of the State increased from Rs 1,623 crore in 2003-04 to Rs 2,944 crore in 2007-08. The trends in relative share of various components of revenue receipts indicate a decline in the share of tax revenue during the period 2007-08, while relative share of non-tax revenue exhibited relative stability since 2005-06. The share of central tax transfers and grants-in-aid exhibited improvement during the period.

Tax Revenue: The State's own Tax Revenue mainly consisting of Sales Tax/VAT, Taxes on Goods and Passengers, Stamps and Registration fees, State Excise, Luxury Tax, etc. have increased from Rs 710 crore in 2003-04 to Rs 1,359 crore in 2007-08. There was an increase of Rs 67 crore over Tax Revenue of Rs 1,292 crore during the previous year. While taxes under all other heads registered a moderate increase over the previous year, taxes on goods and passengers sharply declined from Rs 138 crore during the previous year to Rs 113 crore during 2007-08. The details are indicated in **Table-1.6**.

r Growth in revenue receipts during 2003-04 was negative as also GSDP growth during 2003-04.

* GSDP figures for 2006-07 have been revised by the State Government as Rs 13,796 crore.

Table-1.6: Tax Revenue*(Rupees in crore)*

Sr. No.	Head of Revenue	2003-04	2004-05	2005-06	2006-07	2007-08	Percentage of increase (+) or decrease (-) in 2007-08 over 2006-07
1.	• Sales tax/VAT	463.52	502.70	671.83	783.28	819.66	(+) 4.64
	• Central sales tax	38.84	64.49	71.48	61.54	59.62	(-) 3.12
2.	State excise	53.44	55.34	55.35	57.23	75.94	(+) 32.69
3.	Stamps and registration fees	28.96	35.69	60.49	115.92	117.59	(+) 1.44
4.	Taxes on vehicles	50.76	58.78	63.84	74.56	81.96	(+) 9.92
5.	Taxes on goods and passengers	41.14	103.10	130.80	138.02	112.72	(-) 18.33
6.	Luxury tax	24.73	27.01	29.92	42.73	66.94	(+) 56.66
7.	Entertainment tax	2.11	2.48	5.18	5.09	11.17	(+) 119.45
8.	Other taxes and duties on commodities and services	1.46	1.79	2.52	6.94	6.12	(-) 11.82
9.	Land revenue	5.29	5.15	5.08	6.23	7.19	(+) 15.41
TOTAL		710.25	856.53	1096.49	1291.54	1358.91	(+) 5.22

While the increase under sales tax was stated to be mainly due to more receipts under Value Added Tax (VAT); in case of State excise the increase was mainly due to more receipts under malt liquor and foreign liquors and spirits. The decrease in taxes on goods and passengers was mainly due to less receipts under Tax on entry of goods in the State.

Non-Tax Revenue: The non-tax revenue of the State has increased from Rs 725 crore in 2003-04 to Rs 1,043 crore in 2007-08. **The Table-1.7** presents the details of major non-tax revenue raised during the period 2003-04 to 2007-08. The receipts from the power sector have been the major contributor in non-tax revenue of the State. During 2007-08, receipts from power not only contributed 76 per cent of total non tax revenue receipts of the State but it contributed 92 per cent (Rs 114 crore) in total incremental non-tax revenue receipts during the current year as indicated in **Table-1.7**.

Table-1.7: Non-Tax Revenue*(Rupees in crore)*

Sr. No.	Head of Revenue	2003-04	2004-05	2005-06	2006-07	2007-08	Percentage of increase (+) or decrease (-) in 2007-08 over 2006-07
1.	Interest receipts	2.23	3.73	12.95	15.60	16.70	(+) 7.05
2.	Dairy development	0.26	0.20	0.20	0.35	0.64	(+) 82.86
3.	Forestry and wild life	1.81	2.08	1.91	1.99	2.49	(+) 25.13
4.	Non ferrous mining and metallurgical industries	19.39	23.66	27.15	34.30	36.40	(+) 6.12
5.	Power	592.15	584.66	594.91	681.67	796.26	(+) 16.81
6.	Major and medium irrigation	2.94	3.49	10.32	2.93	3.56	(+) 21.50
7.	Medical and public health	7.30	8.82	12.67	9.06	8.33	(-) 8.06
8.	Public works	1.41	1.37	1.67	1.79	1.67	(-) 6.70
9.	Other Administrative services	5.50	10.26	5.52	62.68	22.16	(-) 64.65
10.	Water Supply and Sanitation	--	--	--	58.09	61.23	(+) 5.41
11.	Other non tax receipts	91.74	90.99	93.86	49.16	93.38	(+) 89.95
Total		724.73	729.26	761.16	917.62	1,042.82	(+) 13.64

Central Tax Transfers: The Central Tax Transfers have increased from Rs 136 crore in 2003-04 to Rs 394 crore in 2007-08. The increase was due to higher realization of Central Tax revenue by the Central Government.

Grants-in-aid: The position of flow of grants from the Centre to the States in respect of State Plan Scheme, Central Plan, Centrally Sponsored Scheme and Non-Plan Grant during 2003-04 to 2007-08 is indicated in **Table-1.8**.

Table-1.8: Flow of Grants

(Rupees in crore)

	2003-04	2004-05	2005-06	2006-07	2007-08
Non Plan grants	5.19	1.48	6.84	20.21	22.15
State Plan Schemes	30.97	55.03	29.95	49.18	82.70
Central Plan Schemes	2.97	4.05	4.95	4.53	11.07
Centrally sponsored schemes	13.42	11.60	24.78	14.57	32.53
Total	52.55	72.16	66.52	88.49	148.45

- **Non Plan Grant:** There was a moderate increase in receipt towards Non Plan Grant from the year 2006-07. The increase in Non Plan Grant in 2007-08 was due to increase in receipt of Rs two crore under the head 'other Grants'.
- **State Plan Schemes:** There was an increase in receipt of grants pertaining to State Plan Scheme from Rs 29.95 crore in 2005-06 to Rs 49.18 crore during 2006-07, which again increased to Rs 82.70 crore in 2007-08. The major increase was under 'other grants' which increased by Rs 32.06 crore over Rs 17.19 crore during the previous year.
- **Centrally Sponsored Schemes:** Though there was a sharp decline in grants under centrally sponsored schemes during the year 2006-07, in comparison to 2005-06, the same has increased to Rs 32.53 crore in 2007-08.

Revenue arrears

The arrears of revenue as on 31 March 2008 in respect of some principal heads of revenue amounted to Rs 460.37 crore as indicated in **Table-1.9**.

Table-1.9: Revenue arrears

(Rupees in crore)

Head of Revenue	Amount of arrears as on 31 March 2008	Arrears more than three years old	Cases pending in court		Amount involved in Cases pending due to other reasons
			No.	Amount	
Commercial Taxes	216.56	78.94	1725	14.71	201.85
Excise	0.27	0.07	--	--	0.27
Taxes on vehicles	7.51	3.94	--	--	7.51
Chief Engineer – Water Resources Department					
i) Water Tax	1.00	0.74	147	0.03	0.97
ii) Water Charges	41.46	6.18	--	--	41.46
iii) Rent on shops	1.89	0.69	19	0.06	1.83
iv) Hire charges of machinery	0.35	0.24	--	--	0.35
Chief Engineer - Public works Department					
i) Rent of Building / Shops	0.42	0.20	--	--	0.42
ii) Water charges, meter rent and sewerage charges	15.03	5.18	1775	5.20	9.83
Chief Electrical Engineer Energy charges	168.09	Not available	5977	7.23	160.86
Agriculture	3.15	2.95	--	--	3.15
River Navigation	0.56	0.50	5	0.07	0.49
Printing & Stationery	1.61	0.61	--	--	1.61
Mines & Geology	1.94	0.96	--	--	1.94
Tourism	0.53	0.04	12	0.35	0.18
Total	460.37	101.24	9660	27.65	432.72

The arrears of revenue have increased by 43 *per cent* during the last five years from Rs 321 crore in 2003-04 to Rs 460.37 crore at the end of 2007-08 amounting to 19 *per cent* of state's own resources during the year. The outstanding arrears have however declined by Rs 72 crore in 2007-08 from the level of Rs 532 crore in 2006-07. Of the total outstanding arrears in 2007-08, Rs 101.24 crore was outstanding for more than three years and only Rs 27.65 crore was pending in Revenue Recovery courts. The Government needs to step up its efforts for improvement in recovery of revenue arrears.

1.4 Application of resources

1.4.1 Growth of Expenditure

Statement 12 of the Finance Accounts depicts the detailed Revenue Expenditure by minor heads and Capital Expenditure by major heads. States raise resources to perform their sovereign functions, maintain their existing nature of delivery of social and economic services, extend the network of these services through capital expenditure and investments and discharge their debt service obligations. The total expenditure of the State increased from Rs 2,075 crore in 2003-04 to Rs 3,491 crore in 2007-08. Total expenditure, its annual growth rate and ratio of expenditure to the State GSDP and to revenue receipts and its buoyancy with respect to GSDP and revenue receipts are indicated in **Table-1.10**.

Table-1.10: Total Expenditure – Basic Parameters

	2003-04	2004-05	2005-06	2006-07	2007-08
Total expenditure (TE) [^] (Rupees in crore)	2075	2376	2778	3103	3491
Rate of Growth (<i>per cent</i>)	- 6.45	14.51	16.92	11.70	12.50
TE/GSDP Ratio (<i>per cent</i>)	22.34	23.25	23.77	22.49	23.00
RR /TE Ratio (<i>per cent</i>)	78.22	76.60	78.08	84.11	84.33
Buoyancy of Total Expenditure with reference to:					
GSDP (ratio)	▼	1.45	1.18	0.65	1.25
RR (ratio)	▼	1.20	0.88	0.58	0.98

The Total Expenditure during the current year was Rs 3,491 crore of which Revenue Expenditure was Rs 2,778 crore; Capital Expenditure contributed Rs 688 crore and disbursement of Loans and Advances only Rs 25 crore. Out of Rs 3,491 crore, the non-plan expenditure stood at Rs 2,231 crore and plan expenditure at Rs 1,260 crore. The increase in total expenditure during current year was due to an increase of Rs 309 crore in revenue expenditure and Rs 62 crore in capital expenditure and Rs 17 crore in disbursement of loans and advances over previous year.

Ratio of revenue receipts to total expenditure indicated that 84.33 *per cent* of State's total expenditure during 2007-08 was met from its current revenues and the balance financed mostly from borrowings. The buoyancy of Total Expenditure to Revenue Receipts and GSDP stood at 0.98 and 1.25 respectively in 2007-08. The buoyancy ratio of expenditure with respect to GSDP being higher during the period 2004-08 indicates the fact that Government tend to spend more with the improvement in the overall state economy.

Trends in Total Expenditure by Activities: 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, grants-in-aid and loans and advances. Relative share of these components in total expenditure is indicated in **Table-1.11**.

Table-1.11: Components of Expenditure – Relative Share

	2003-04	2004-05	2005-06	2006-07	2007-08
<i>(In per cent)</i>					
General Services	29.40	29.59	30.17	28.01	26.75
Of which Interest payments	13.17	12.61	14.39	13.77	12.80
Social Services*	31.47	31.94	29.99	30.72	30.72
Economic Services *	38.65	38.18	39.60	41.01	41.82
Loans and Advances	0.48	0.29	0.25	0.26	0.71
*The expenditure on Social and economic services are inclusive of grants-in-aid components.					

- [^] Total expenditure includes revenue expenditure, capital expenditure and loans and advances.
[▼] Growth in revenue receipts during 2003-04 was negative as also GSDP growth during 2003-04.

The shares of various components of total expenditure indicated only minor variations during the period of five years (2003-08) exhibiting relative stability in the components of total expenditure.

1.4.2 Incidence of Revenue Expenditure

Revenue expenditure had the predominant share in the total expenditure. Revenue expenditure is incurred to maintain the current level of services and payments, for the past obligations and as such does not result in any addition to the State's infrastructure and service network. The overall revenue expenditure, its rate of growth, ratio of revenue expenditure to GSDP and to revenue receipts and its buoyancy are indicated in **Table-1.12**.

Table-1.12: Revenue Expenditure - Basic Parameters

(Rupees in crore)

	2003-04	2004-05	2005-06	2006-07	2007-08
Revenue Expenditure (RE) Of which	1764	1943	2191	2469	2778
Non-Plan Revenue Expenditure (NPRE)	1480	1578	1776	1985	2212
Plan Revenue Expenditure (PRE)	284	365	415	484	566
Rate of Growth (per cent)					
Revenue Expenditure	(-)11.46	10.15	12.76	12.69	12.54
NPRE	(-)16.95	6.62	12.55	11.77	11.44
PRE	30.28	28.52	13.70	16.63	16.94
Ratios					
RE as <i>per cent</i> of TE	85.01	81.78	78.87	79.57	79.57
NPRE as <i>per cent</i> of TE	71.33	66.41	63.93	63.97	63.37
NPRE as <i>per cent</i> of RR	91.19	86.70	81.88	76.05	75.14
Buoyancy Ratio of RE with reference to					
GSDP	∞	1.01	0.89	0.70	1.25
Revenue Receipts	1.03	0.84	0.67	0.62	0.98

∞ Growth in Revenue Expenditure and GSDP were negative during 2003-04.

The revenue expenditure indicated an increasing trend both in plan and non-plan components during 2003-08. The NPRE continued to share the dominant proportion consisting of 80 *per cent* of Revenue Expenditure. During 2007-08, the non-plan revenue expenditure increased from Rs 1,985 crore to Rs 2,212 crore (11.44 *per cent*) over the previous year mainly due to increase under "power and energy" from Rs 525 crore to Rs 620 crore (Rs 95 crore: 18.12 *per cent*), in education, sports, art and culture from Rs 279.90 crore to Rs 315.63 crore (Rs 35.73 crore: 12.77 *per cent*) and interest payments from Rs 427 crore to Rs 447 crore (Rs 20 crore: 4.70 *per cent*).

The plan revenue expenditure increased from Rs 484 crore in 2006-07 to Rs 566 crore in 2007-08 mainly due to increase under social welfare and nutrition (Rs 76.20 crore: 89.13 *per cent*; industry and minerals (Rs 29.49 crore: 131.30 *per cent*) over 2006-07 which was partly off set by a considerable

decrease of Rs 40.58 crore (32.40 *per cent*) in education, sports, art and culture over the previous year.

The assessed non-plan revenue expenditure as per 12th Finance Commission projections from 2005-06 to 2007-08 was Rs 1,217 crore, Rs 1,321 crore and Rs 1,483 crore respectively. However, the actual NPRE at Rs 1,776 crore, Rs 1,985 crore and Rs 2,212 crore respectively during the period 2005-08 far exceeded the TFC's normative projections.

1.4.3 Committed Expenditure

1.4.3.1 Expenditure on Salaries

Table 1.13: Expenditure on Salaries

(Rupees in crore)

Heads	2003-04	2004-05	2005-06	2006-07	2007-08
Expenditure on Salaries	381.04	422.05	440.22	471.50	578.53
Of which:					
Non-Plan Head	319.93	352.79	367.76	391.87	467.39
Plan Head	61.11	69.26	72.46	79.63	111.14
As per cent of GSDP	4.10	4.13	3.77	3.42	3.81
As per cent of RR	23.48	23.19	20.30	18.07	19.65

There was an increasing trend on expenditure on salaries during the period 2003-08, which grew by 22.70 *per cent* during 2007-08 over the previous year which was mainly due to increase in salary under education, sports and art & culture from Rs 91 crore in 2006-07 to Rs 123 crore (35.16 *per cent*) in 2007-08 due to filling of vacant posts. Similarly, under power and energy sector it increased from Rs 50 crore to Rs 61 crore (22 *per cent*) over the previous year due to revision of pay scales of engineering staff. However, the salary expenditure at 26 *per cent* of revenue expenditure net of interest and pension payment during 2007-08 was well within the norm of 35 *per cent* recommended by the TFC.

1.4.3.2 Pension Payments

Table 1.14: Expenditure on Pensions

(Rupees in crore)

Heads	2003-04	2004-05	2005-06	2006-07	2007-08
Expenditure on Pensions [®]	113.33	140.34	158.86	150.28	144.36
As per cent of GSDP	1.22	1.37	1.36	1.09	0.95
As per cent of RR	6.98	7.71	7.32	5.76	4.90

Pension payments increased from Rs 113.33 crore in 2003-04 to Rs 158.86 crore in 2005-06 and declined to Rs 144.36 crore in 2007-08. The Government has adopted the new defined pension scheme with effect from

[®] Expenditure on pension includes expenditure on pension under social security schemes.

August, 2005. The decrease was due to enhancement of retirement age from 58 to 60 years in respect of teachers from April 2006 and for other government officials from March 2007.

1.4.3.3 Interest payments

Table-1.15: Interest payments

Interest payments	2003-04	2004-05	2005-06	2006-07	2007-08
Interest payments (Rupees in crore)	321	323	400	427	447
Interest payments as <i>per cent</i> to					
Revenue Receipts	20	18	18	16	15
Revenue Expenditure	18	17	18	17	16

In absolute terms, interest payment increased by Rs 126 crore from Rs 321 crore in 2003-04 to Rs 447 crore in 2007-08 primarily due to continued reliance on borrowings for financing the fiscal deficit. An interest payment of Rs 357.36 crore was incurred on internal debt, Rs 52.41 crore on small saving and provident fund etc., Rs 19.77 crore on Loans and Advances from Central Government and Rs 17.32 crore on other obligations. The ratio of interest payments to revenue receipts fluctuated within the range of 15 to 20 *per cent* during the period 2003-08 and was at the lowest (15 *per cent*) during the current year, which was as per norms of TFC and need to be sustained at that level during ensuing years.

1.4.3.4 Subsidies

The State Government has been paying subsidies to various Corporations, etc. The trends in the subsidies given by the State Government are given in **Table 1.16**.

Table-1.16: Subsidies

	2003-04	2004-05	2005-06	2006-07	2007-08
Total Subsidies (Rupees in crore)	29.21	30.44	43.70	39.72	36.28
Percentage change over the previous year	(-) 4.73	4.21	43.56	(-) 9.11	(-) 8.66
Total subsidies as <i>per cent</i> of					
Revenue Expenditure	1.66	1.57	1.99	1.61	1.31
Total Expenditure	1.41	1.28	1.57	1.28	1.04

In absolute terms the disbursement of subsidy increased from Rs 29.21 crore in 2003-04 to Rs 43.70 crore in 2005-06 and then decreased to Rs 36.28 crore in 2007-08. The areas which received major chunk of subsidies are Transport (Rs 8.45 crore), Fisheries (Rs 12.18 crore), Crop Husbandry (Rs 7.69 crore) and Dairy Development (Rs 2.80 crore).

1.5 Expenditure by Allocative Priorities

1.5.1 Quality of Expenditure

The availability of better social and physical infrastructure in the State reflects its quality of expenditure. Therefore ratio of capital expenditure to total expenditure as well as to GSDP and proportion of revenue expenditure being spent on running efficiently and effectively the existing social and economic services would determine the quality of expenditure. Higher the ratio of these components to total expenditure and GSDP better is quality of expenditure. **Table 1.17** gives these ratios during 2003-08.

Table 1.17 – Indicators of Quality of Expenditure

(Rupees in crore)

Components of Expenditure	2003-04	2004-05	2005-06	2006-07	2007-08
Capital Expenditure	301	426	580	626	688
Revenue Expenditure	1764	1943	2191	2469	2778
Revenue Expenditure on Social and Economic Services, of which					
(i) Salary Component	- Not available -		319	341	416
(ii) Non-Salary Component	▲1455	▲1666	1129	1342	1524
As per cent of Total Expenditure					
Capital Expenditure	14.51	17.93	20.88	20.17	19.71
Revenue Expenditure	85.01	81.78	78.87	79.57	79.57
As per cent of GSDP					
Capital Expenditure	3.24	4.17	4.96	^ø 4.54	4.53
Revenue Expenditure	18.99	19.01	18.75	^ø 17.90	18.30

▲ Includes both salary and non-salary components. Separate breakup is not available.

The ratio of capital expenditure to total expenditure exhibited stability around 20 per cent during the last three years i.e. 2005-08. Similarly, the ratio of capital expenditure to GSDP varied within the narrow range of 4.17 to 4.96 per cent during the period 2004-08. During the current year, Roads and Bridges (Rs 127.72 crore), Power Projects (Rs 116.38 crore) and Major and Medium Irrigation (Rs 114.58 crore) were the major beneficiary sectors. Although in the absence of non-availability of detailed pattern of capital and revenue expenditure incurred on social and economic services it is difficult to make comments on the quality of expenditure, however, the progressive increase in capital expenditure during the last five years along with relatively higher share of non-salary component of revenue expenditure could be considered as an indicator of improvement in the quality of expenditure and it seems that the impetus is being given to asset formation.

1.5.2 Expenditure on Social Services

Given the fact that the human development indicators such as access to basic education, health services and drinking water and sanitation facilities, etc., have a strong linkage with eradication of poverty and economic progress, it

^ø change in GSDP figure

would be prudent to make an assessment with regard to the expansion and efficient provision of these services in the State. **Table 1.18** summarises the expenditure incurred by the State Government in expanding and strengthening of social services in the State during 2003-08.

Table 1.18: Expenditure on Social Services

(Rupees in crore)

	2003-04	2004-05	2005-06	2006-07	2007-08
General Education	292.34	354.38	349.55	434.08	439.39
<i>Revenue Expenditure, of which</i>	280.62	336.51	333.08	405.14	400.28
<i>Salary component</i>	-	-	85.07	90.87	122.77
<i>Non-salary component</i>	-	-	248.01	314.27	277.51
Capital expenditure	11.72	17.87	16.47	28.94	39.11
Health and Family Welfare	108.91	119.49	139.23	145.38	162.73
<i>Revenue Expenditure, of which</i>	101.98	112.39	124.06	135.48	148.71
<i>Salary component</i>	-	-	81.61	88.69	102.53
<i>Non-salary component</i>	-	-	42.45	46.79	46.18
Capital expenditure	6.93	7.10	15.17	9.90	14.02
Water Supply, Sanitation, Housing and Urban Development	148.18	161.51	212.35	237.11	252.74
<i>Revenue Expenditure, of which</i>	80.03	96.02	149.21	155.01	166.57
<i>Salary component</i>	-	-	10.98	12.06	14.96
<i>Non-salary component</i>	-	-	138.23	142.95	151.61
Capital expenditure	68.15	65.49	63.14	82.10	86.17
Other Social Services	103.50	123.18	131.86	136.72	217.44
<i>Revenue Expenditure, of which</i>	101.62	122.80	130.76	135.72	214.86
<i>Salary component</i>	-	-	22.19	23.39	25.64
<i>Non-salary component</i>	-	-	108.57	112.33	189.22
Capital expenditure	1.88	0.38	1.10	1.00	2.58
Total (Social Services)	652.93	758.56	832.99	953.29	1072.30
<i>Revenue Expenditure, of which</i>	564.25	667.72	737.11	831.35	930.42
<i>Salary component</i>	-	-	199.85	215.01	265.90
<i>Non-salary component</i>	-	-	537.26	616.34	664.52
Capital expenditure	88.68	90.84	95.88	121.94	141.88

- Not available

The expenditure in the social sector increased from Rs 653 crore in 2003-04 to Rs 1,072 crore in 2007-08. Expenditure on social sector during 2007-08 accounted for 31 *per cent* of total expenditure and 42.34 *per cent* of development expenditure[@]. Education, health and family welfare, and water supply, sanitation, housing and urban development together constituted around 2/3rd of total expenditure incurred on social services. The Revenue and Capital Expenditure under Social Services during the period 2003-08 have increased by 65 *per cent* (Rs 366.17 crore) and 60 *per cent* (Rs 53.20 crore) respectively but the share of Revenue Expenditure in total expenditure incurred on social services remained on an average around 88 *per cent* during the period.

Recognizing the need to improve the quality of education and health services, TFC recommended that the non-plan salary expenditure under Education and

[@] Development Expenditure is defined as the total expenditure made on Social and Economic Services.

Health and Family Welfare should increase only by five to six *per cent* while non-salary expenditure on non-plan heads should increase by 30 *per cent* per annum during the award period. However, trends in expenditure (taking expenditure under both plan and non-plan heads) reveal that the salary component under education increased by 35 *per cent* and in Health and Family Welfare the increase was 16 *per cent*. However the non-salary component in both sectors declined during 2007-08. The expenditure pattern both in education and health services needs correction in the coming years.

1.5.3 Expenditure on Economic Services

The expenditure on Economic Services includes all such expenditure as to promote directly or indirectly, productive capacity within the State's economy. The expenditure on Economic Services (Rs 1,460 crore in 2007-08) accounted for 42 *per cent* of the total expenditure (**Table 1.19**). Of this, Agriculture and Allied Activities, Irrigation and Flood Control, Energy and Transport constituted nearly 89 *per cent* of the expenditure.

Table-1.19: Expenditure on Economic Sector

(Rupees in crore)

	2003-04	2004-05	2005-06	2006-07	2007-08
(1) Agriculture, Allied Activities	52.30	59.98	80.35	82.57	96.86
<i>Revenue Expenditure, of which</i>	44.41	47.26	66.37	69.81	79.22
<i>Salary component</i>	-	-	28.97	30.45	35.14
<i>Non-salary component</i>	-	-	37.40	39.36	44.08
Capital expenditure	7.89	12.72	13.98	12.76	17.64
(2) Irrigation and Flood Control	54.07	74.20	181.03	184.01	194.70
<i>Revenue Expenditure, of which</i>	15.33	17.43	22.34	26.06	34.83
<i>Salary component</i>	-	-	10.53	10.85	13.72
<i>Non-salary component</i>	-	-	11.81	15.21	21.11
Capital expenditure	38.74	56.77	158.69	157.95	159.87
(3) Power & Energy	472.82	508.03	531.83	639.94	750.28
<i>Revenue Expenditure, of which</i>	421.48	419.89	429.55	536.99	633.90
<i>Salary component</i>	-	-	46.71	50.23	60.59
<i>Non-salary component</i>	-	-	382.84	486.76	573.31
Capital expenditure	51.34	88.14	102.28	102.95	116.38
(4) Transport	131.04	163.04	198.40	229.24	259.27
<i>Revenue Expenditure, of which</i>	57.51	66.27	95.62	105.95	123.88
<i>Salary component</i>	-	-	16.75	18.28	21.23
<i>Non-salary component</i>	-	-	78.87	87.67	102.65
Capital expenditure	73.53	96.77	102.78	123.29	135.39
(5) Other Economic Services	92.41	102.91	108.37	136.88	158.95
<i>Revenue Expenditure, of which</i>	78.95	91.81	96.78	112.63	138.33
<i>Salary component</i>	-	-	16.08	16.55	19.79
<i>Non-salary component</i>	-	-	80.70	96.08	118.54
Capital expenditure	13.46	11.10	11.59	24.25	20.62
Total (Economic Services)	802.64	908.16	1099.98	1272.64	1460.06
<i>Revenue Expenditure, of which</i>	617.68	642.66	710.66	851.44	1010.16
<i>Salary component</i>	-	-	119.04	126.36	150.47
<i>Non-salary component</i>	-	-	591.62	725.08	859.69
Capital expenditure	184.96	265.50	389.32	421.20	449.90

- Not available

The expenditure incurred on provision of economic services increased from Rs 803 crore in 2003-04 to Rs 1,460 crore in 2007-08. Expenditure on economic services during 2007-08 accounted for 42 *per cent* of total expenditure and 57.66 *per cent* of development expenditure. Out of the total expenditure on Economic Services during 2007-08, 6.64 *per cent* (Rs 96.86 crore) was incurred on Agriculture and Allied Activities, 17.76 *per cent* (Rs 259.27 crore) on Transport and 13.34 *per cent* (Rs 194.70 crore) on Irrigation and Flood Control and 51.39 *per cent* (Rs 750.28 crore) on power and energy during 2007-08. As compared to 2003-04, significant increase in expenditure was observed during 2007-08 in power and energy (58.68 *per cent*), Irrigation and Flood Control (260.09 *per cent*), and Transport Services (97.71 *per cent*).

The trends in revenue and capital expenditure on Economic Services indicate that the capital expenditure increased by 143.2 *per cent* from Rs 185 crore in 2003-04 to Rs 450 crore in 2007-08, while the revenue expenditure consistently increased by 63.4 *per cent* from Rs 618 crore in 2003-04 to Rs 1,010 crore in 2007-08 with however wide inter year variations. Within the revenue expenditure, the salary and wage component increased by 26 *per cent* while non-salary and wage component increased by 45 *per cent* from 2005-06 to 2007-08.

1.5.4 Financial Assistance by State Government to local bodies and other institutions

The quantum of assistance provided by way of grants and loans to local bodies and others during the period 2003-08 is presented in **Table 1.20**.

Table-1.20: Financial Assistance

(Rupees in crore)

	2003-04	2004-05	2005-06	2006-07	2007-08
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	162.36	153.60	196.47	206.82	232.32
Municipal Corporations and Municipalities	17.72	16.96	35.96	40.39	43.77
Zilla Parishads and Other Panchayati Raj Institutions	24.87	32.75	39.70	41.98	35.68
Other Institutions	9.54	15.02	23.99	24.81	32.16
Total	214.49	218.53	296.12	314.00	343.93
Assistance as per percentage of RE	12.16	11.25	13.52	12.72	12.38

The financial assistance to local bodies and other institutions has increased by 9.53 *per cent* during the year 2007-08 over the previous year due to delegation of more powers to Urban Local Bodies, more grants to social security welfare, rural employment, etc. Under other institutions social security and welfare

sector received a financial assistance of Rs 9.43 crore, art and culture institutions Rs 10.79 crore and tourism sector Rs 6.50 crore during 2007-08.

1.5.5 Delay in furnishing utilisation certificates

Of the 4,322 utilisation certificates (UCs) due in respect of grants and loans aggregating Rs 299.87 crore paid upto 2006-07, 3,977 UCs for an aggregate amount of Rs 263.43 crore were in arrears. Details of department-wise break-up of outstanding UCs are given in **Appendix 1.2**.

1.5.6 Non-submission of accounts

In order to identify the institutions which attract audit under Sections 14 and 15 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, the Government/Heads of the Department are required to furnish to Audit every year, detailed information about the financial assistance given to various institutions, the purpose of assistance granted and the total expenditure of the institutions. As of 30 June 2008, nine departments of the Government had not furnished details for the year 2006-07 as shown in **Appendix 1.3**.

1.5.7 Abstract of performance of the autonomous bodies

The status of entrustment of audit, rendering of accounts to audit, issuance of Separate Audit Report and its placement in the Legislature of five bodies in respect of which the Separate Audit Reports are to be placed in the legislature is indicated in **Appendix 1.4**.

1.6 Misappropriations, losses, defalcations, etc.

State Government reported 17 cases of misappropriation, losses, etc., involving Government money amounting to Rs 153.07 lakh up to the period June 2008 on which final action was pending. The department-wise break up of pending cases is given in **Appendix 1.5**.

1.6.1 Write off of losses, etc.

During the year 2007-08, losses amounting to Rs 2.16 lakh in 112 cases were written off by competent authorities. The losses mainly pertained to unserviceable articles, loss of planting materials due to heavy rains, pest infestation, etc. The Department-wise details of write off are given in **Appendix 1.6**.

1.7 Assets and Liabilities

1.7.1 Trends in Growth and Composition of Assets and Liabilities

In the Government accounting system, comprehensive accounting of fixed assets like land and buildings owned by the Government is not done. However,

the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred. **Appendix 1.7** gives an abstract of such liabilities and the assets as on 31 March 2008, compared with the corresponding position on 31 March 2007. While the liabilities in this Appendix consist mainly of internal borrowings, loans and advances from the GoI, receipts from the Public Account and Reserve Funds, the assets comprise mainly the capital outlay and loans and advances given by the State Government and cash balances. **Appendix 1.8** depicts the time series data on State Government finances for the period 2003-08.

1.7.2 Financial Analysis of Government Investments

1.7.2.1 Financial Results of Irrigation Works

Irrigation works have not been declared as Commercial Undertakings in the State of Goa, hence the financial results in respect of Irrigation works have not been worked out.

1.7.2.2 Incomplete projects

The department-wise information pertaining to incomplete projects as on 31 March 2008 is given in **Table 1.21**.

Table 1.21: Department-wise Profile of Incomplete Projects

(Rupees in crore)

Department	Number of Incomplete Projects	Initial Budgeted Cost	Revised Total Cost of Projects	Cost Over Runs	Cumulative Actual Expenditure as on 31.3.2008
State Directorate of craftsmen training	1	1.19	2.09	0.90	0.82
Water Resources Department (i) Tillari Irrigation Project	1	161.18	698.17 ¹	536.99	608.48
Total	2	162.37	700.26	537.89	609.30

The cost overrun in Tillari Irrigation Project was due to delay in execution of the Project.

1.7.2.3 Departmental Commercial Undertakings

Activities of *quasi*-commercial nature are performed by departmental undertakings of certain Government departments. These undertakings are required to prepare annually *Proforma* accounts in prescribed format showing the results of financial operations so that Government can assess the results of their working. The department-wise position of arrears in preparation of *proforma* accounts and the investment made by the Government are given in **Appendix 1.9**. The summarized financial statement of these undertakings is given in **Appendix 7.7**.

¹ Indicates the share of the Government of Goa in revised total cost of the project (Rs.952.44crore) as per the last revision by the State Government in 2000-01.

1.7.2.4 Investments and returns

As of 31 March 2008, Government had invested Rs 299.17 crore in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives (**Table 1.22**). The return on this investment ranged between 0.15 and 0.01 *per cent* in the last five years while the Government paid interest at an average rate of 7.46 to 8.95 *per cent* on its borrowings during 2003-08.

Table-1.22: Return on Investment

	2003-04	2004-05	2005-06	2006-07	2007-08
Investment at the end of the year (Rupees in crore)	202.93	220.93	235.84	266.06	299.17
Return (Rupees in crore)	0.03	0.27	0.18	0.40	0.33
Return (<i>per cent</i>)	0.01	0.12	0.07	0.15	0.11
Average rate of interest on Government borrowing (<i>per cent</i>)	8.95	7.89	8.54	7.97	7.46
Difference between interest rate and return (<i>per cent</i>)	8.94	7.77	8.47	7.82	7.35

The State Government has invested Rs 18.02 crore in two statutory corporations viz. Goa Industrial Development Corporation and Goa Information Technology Development Corporation. However, Government has not received any returns on this investment. Further, the investment in Co-operatives and Joint Stock Companies was Rs 46.43 crore as on 31 March 2008. Similarly, Government has invested Rs 234.72 crore in 17 Government Companies and Dividend/interest received during the year 2007-08 was only Rs 0.15 crore. Of these, 11 Government Companies were incurring losses and their accumulated losses amounted to Rs 195.49 crore as per the latest accounts furnished by these companies. The major loss making companies are indicated in **Table-1.23**.

Table-1.23: Major loss making companies

(Rupees in crore)

Sr. No.	Name of the company	Period of accounts	Accumulated loss
1	Goa Auto Accessories Limited	2007-08	5.24
2	Goa Electronics Limited	2007-08	19.78
3	Goa Antibiotics and Pharmaceuticals Limited	2006-07	26.86
4	Kadamba Transport Corporation Limited	2006-07	71.47
5	EDC Limited	2006-07	67.00

1.7.2.5 Loans and advances by State Government

In addition to investments in Co-operative societies, Corporations and Companies, Government has also been providing loans and advances to many of these institutions/organizations. Total outstanding loans and advances as on 31 March 2008, was Rs 71.15 crore (**Table 1.24**). Interest received as *per cent* to average outstanding loans during the year remained on an average around four *per cent* during 2003-08 as against average interest rate varying between

7.46 and 8.95 *per cent* paid by the Government on its borrowings during 2003-08.

Table-1.24: Average Interest Received on Loans Advanced by the State Government

(Rupees in crore)

	2003-04	2004-05	2005-06	2006-07	2007-08
Opening Balance	44.50	47.78	49.66	50.38	52.74
Amount advanced during the year	9.83	7.46	7.05	8.14	24.59
Amount repaid during the year	6.55	5.58	6.33	5.78	6.18
Closing Balance	47.78	49.66	50.38	52.74	71.15
Net addition	(+) 3.28	(+) 1.88	(+) 0.72	(+) 2.36	(+) 18.41
Interest Receipts	1.65	2.44	2.10	2.03	2.19
Interest receipts as <i>per cent</i> to average outstanding Loans and advances	3.58	5.01	4.20	3.94	3.54
Interest payments as <i>per cent</i> to outstanding Fiscal liabilities of the State Government	8.46	7.43	7.97	7.50	7.11
Difference between interest payments and interest receipts (<i>per cent</i>)	(-) 5.37	(-) 2.88	(-) 4.28	(-) 4.03	(-) 3.57

Out of Loans and Advances of Rs 24.59 crore advanced during the year, Rs 4.50 crore was advanced to Secondary Education, Rs 6.50 crore to Tourism Infrastructure and Rs 13.35 crore to Government servants. Out of Rs 2.19 crore of interest received, Rs 1.81 crore was from Government servants and Rs 17 lakh from Agriculture and Allied Activities.

1.7.3 Management of cash balances

It is generally desirable that the State's flow of resources should match its expenditure obligations. However, to take care of any temporary mismatches in the flow of resources and expenditure obligations, a mechanism of Ways and Means Advances (WMA) – ordinary and special - from Reserve Bank of India has been put in place. The operative limit for Normal Ways and Means Advances is reckoned on the three year average of revenue receipts and the operative limit for Special Ways and Means Advances is fixed by Reserve Bank of India from time to time depending on the holding of Government securities. Ways and Means Advances and Overdrafts availed, the number of occasions it was availed and interest paid by the State are detailed in **Table 1.25**. The Government has not availed any WMA and overdraft during the period of last four years with effect from 2004-05 to 2007-08.

Table-1.25: Ways and Means Advances and Overdrafts of the State

(Rupees in crore)

	2003-04	2004-05	2005-06	2006-07	2007-08
Ways and Means Advances					
Availed in the Year	498.60				
Number of Occasions	Not available	Nil	Nil	Nil	Nil
Outstanding WMAs, if any	-				
Interest Paid	1.13				
Overdraft					
Number of Days	221				
Availed in the year	37.30				
Number of Occasions	7	Nil	Nil	Nil	Nil
Number of Days	12				
Interest Paid	0.05				

During the last three years the cash balance showed a gradual increase from Rs 324.80 crore to Rs 495.78 crore and Rs 725.13 crore as on 31 March 2006, 2007 and 2008 respectively. The investment held in cash balance at the end of the year was Rs 655.46 crore.

1.8 Undischarged Liabilities

1.8.1 Fiscal Liabilities – Public Debt and Guarantees

There are two sets of liabilities namely, public debt and other liabilities. Public debt consists of internal debt of the State and is reported in the Annual Financial Statements under the Consolidated Fund (Capital Accounts). It includes market loans, special securities issued by RBI and loans and advances from the Central Government. The Constitution of India provides that a State may borrow, within the territory of India, upon the security of its Consolidated Fund, within such limits, as may from time to time, be fixed by the Act of its Legislature and give guarantees within such limits as may be fixed. Other liabilities, which are a part of public account, include deposits under small savings scheme, provident funds and other deposits.

Table-1.26 gives the fiscal liabilities of the State, its rate of growth, ratio of these liabilities to GSDP, to revenue receipts and to own resources as also the buoyancy of fiscal liabilities with respect to these parameters.

Table-1.26: Fiscal Liabilities – Basic Parameters

	2003-04	2004-05	2005-06	2006-07	2007-08
Fiscal Liabilities (Rs in crore)	3838	4350	5018	5694	6289
Rate of Growth (per cent)	15.08	13.34	15.36	13.47	10.45
Ratio of Fiscal Liabilities to					
GSDP (per cent)	41.31	42.57	42.94	41.27	41.44
Revenue Receipts (per cent)	236.48	239.01	231.35	218.16	213.63
Own Resources (per cent)	267.46	274.27	270.22	257.65	261.85
Buoyancy of Fiscal Liabilities to					
GSDP (ratio)	--	1.33	1.07	0.74	1.04
Revenue Receipts (ratio)	--	1.10	0.80	0.66	0.82
Own Resources (ratio)	--	1.27	0.90	0.71	1.20

Overall fiscal liabilities of the State increased from Rs 3,838 crore in 2003-04 to Rs 6,289 crore in 2007-08. This included Rs 409.35 crore being loan given by GoI to the erstwhile Union Territory of Goa, Daman and Diu. The growth rate of fiscal liabilities was 10.45 *per cent* during 2007-08 over the previous year. The ratio of fiscal liabilities to GSDP also increased from 41.31 *per cent* in 2003-04 to 41.44 *per cent* in 2007-08. This ratio is on the higher side keeping in view the target of 30 *per cent* to be achieved by 31 March 2009 as laid down in Goa Fiscal Responsibility and Budget Management Act, 2006. The buoyancy of these liabilities with respect to GSDP during the year was 1.04 indicating that for each one *per cent* increase in GSDP, fiscal liabilities grew by 1.04 *per cent*. Fiscal Liabilities constituted Market Loans comprising of Rs 1,477.36 crore, Loans and Advances from Central Government of Rs 3,539.43 crore, Loans from Financial Institutions to the extent of Rs 109.71 crore and Public Account liabilities of Rs 1,162.23 crore.

Government constituted a sinking fund for amortization of loans raised in the open market and Rs 10 crore was contributed towards the fund during 2007-08. The balance in the sinking fund as on 31 March 2008 was Rs 107.55 crore and the entire balance was invested in GoI securities.

1.8.2 Status of Guarantees – Contingent liabilities

Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee has been extended.

As per the Statement-6 of the Finance Accounts, the maximum amount for which guarantees were given by the State and outstanding guarantees at the end of year since 2003-04 are given in **Table 1.27**.

Table-1.27: Guarantees given by the Government of Goa

(Rupees in crore)

<i>Guarantees</i>	2003-04	2004-05	2005-06	2006-07	2007-08
Maximum amount guaranteed	612.20	719.32	709.32	714.62	527.77
Outstanding amount of guarantees	513.76	621.05	631.33	623.99	311.09
Percentage of maximum amount guaranteed to total revenue receipt	37.72	39.52	32.70	27.38	17.93

The Goa Fiscal Responsibility and Budget Management Act, 2006 specified that the Government shall cap the total outstanding guarantees within the specified limit under the Goa State Guarantees Act, 1993. The Goa Legislature fixed a limit of Rs 800 crore on the outstanding guarantees in March 2005. The outstanding guarantees at Rs 311.09 crore during 2007-08 were well within the ceiling limit specified by the Legislature. The State has set up the Guarantee Redemption Fund. The amount invested against this fund as on 31 March 2008 was Rs 53.83 crore. No guarantee fee has been received by the State during 2007-08.

1.9 Debt Sustainability

The debt sustainability is defined as the ability of the State to maintain a constant debt-GDP ratio over a period of time and also embodies the concern

about the ability to service its debt. Sustainability of debt therefore also refers to sufficiency of liquid assets to meet current or committed obligations and the capacity to keep balance between cost of additional borrowings with returns from such borrowings. It means that rise in fiscal deficit should match with the increase in capacity to serve the debt.

1.9.1 Debt Stabilisation

A necessary condition for stability states that if the rate of growth of economy exceeds the interest rate or cost of public borrowings, the debt-GDP ratio is likely to be stable provided primary balances are either zero or positive or are moderately negative. Given the rate spread (GSDP growth rate – interest rate) and quantum spread (Debt * rate spread), debt sustainability condition states that if quantum spread together with primary deficit is zero, debt-GSDP ratio would be constant or debt would stabilize eventually. On the other hand, if primary deficit together with quantum spread turns out to be negative, debt-GSDP ratio would be rising and in case it is positive, debt-GSDP ratio would eventually be falling.

Table-1.28: Debt Stabilisation: Indicators and Trends

(In per cent)

	2003-04	2004-05	2005-06	2006-07	2007-08
Average Interest Rate (<i>per cent</i>)	8.95	7.89	8.54	7.97	7.46
GSDP Growth (<i>per cent</i>)	(-) 6.61	10.00	14.35	▼18.07	10.00
Interest spread (<i>per cent</i>)	(-) 15.56	2.11	5.81	10.10	2.54
Outstanding Debt (<i>Rupees in crore</i>)	3335	3838	4350	5018	5694
Quantum Spread (<i>Rupees in crore</i>)	(-)518.93	80.98	252.74	506.82	144.63
Primary Deficit (-)/surplus (+) (<i>Rupees in crore</i>)	(-) 124	(-) 227	(-) 203	(-) 60	(-) 94

Table 1.28 reveals that quantum spread together with primary deficit was negative in 2003-04 resulting in increase in debt-GSDP ratio from 41 to 43 during the period. Thereafter, although quantum spread together with primary deficit was positive but persistent prevalence of fiscal and primary deficit mitigated the favorable impact of positive quantum spread and the debt-GSDP ratio stabilized around 42 *per cent* during the last three years (2005-08). The State needs to reduce primary deficit to zero or negligible for stabilization of debt as well as to improve the debt sustainability position.

1.9.2 Sufficiency of Non-debt Receipts

Another indicator for debt stability and its sustainability is the adequacy of incremental non-debt receipts of the State to cover the incremental interest liabilities and incremental primary expenditure. The debt sustainability could be significantly facilitated if the incremental non-debt receipts could meet the incremental interest burden and the incremental primary expenditure. The persistent negative resource gap indicates the non sustainability of debt while

▼ GSDP figures for 2006-07 have been revised by the State Government, hence change in growth rate.

the positive resource gap strengthens the capacity of the State to sustain the debt. **Table 1.29** indicates the resource gap as defined for the period 2003-08.

Table 1.29: Incremental revenue receipts and Revenue Expenditure

(Rupees in crore)

Period	Incremental				Resource Gap
	Non-Debt Receipts	Primary Expenditure	Interest Payments	Total Expenditure	
2003-04	(-)210	(-) 172	29	(-)143	(-) 67
2004-05	196	299	2	301	(-)105
2005-06	349	325	77	402	(-) 53
2006-07	441	298	27	325	(+)116
2007-08	334	368	20	388	(-) 54

During the period 2003-08 at four occasions the State reflected the negative resource gaps primarily due to the fact that primary expenditure indicated an increasing trend while incremental non-debt receipts exhibited wide variations during these years. For debt stability and enhancing the capacity of the State to sustain the debt in the medium to long run the positive resource gap needs to be maintained in ensuing years.

1.9.3 Net Availability of Borrowed Funds

The debt sustainability of the State also depends on (i) the ratio of the debt redemption (Principal+Interest Payments) to total debt receipts and (ii) application of available borrowed funds. The ratio of debt redemption to debt receipts indicates the extent to which the debt receipts are used in debt redemption indicating the net availability of borrowed funds. The solution to the Government debt problem lies in application of borrowed funds, i.e. they are (a) not being used for financing Revenue Expenditure; and (b) being used efficiently and productively for Capital Expenditure which either provides returns directly or results in increased productivity of the economy in general which may result in increase in Government revenue.

Table 1.30 gives the position of the receipt and repayment of internal debt and other fiscal liabilities of the State as well as the net availability of the borrowed funds over the last five years.

Table-1.30: Net Availability of Borrowed Funds

(Rupees in crore)

	2003-04	2004-05	2005-06	2006-07	2007-08
Internal Debt					
Receipt	273	151	86	100	414
Repayment (Principal + Interest)	202	246	324	352	408
Net Fund Available	71	(-) 95	(-) 239	(-) 252	6
Net Fund Available (<i>per cent</i>)	26	-	-	-	1
Loans and Advances from GoI					
Receipt	519	551	613	539	91
Repayment (Principal + Interest)	409	191	89	86	37
Net Fund Available	110	360	524	453	54
Net Fund Available (<i>per cent</i>)	21	65	85	84	59
Other obligation					
Receipt	226	207	208	245	300
Repayment (Principal + Interest)	250	217	226	196	211
Net Fund Available	(-) 24	(-) 10	(-) 18	49	89
Net Fund Available (<i>per cent</i>)	-	-	-	20	30
Total liabilities					
Receipt	1018	909	907	884	805
Repayment (Principal + Interest)	861	654	639	634	656
Net Fund Available	157	255	268	250	149
Net Fund Available (<i>per cent</i>)	15	28	29	28	19

The net fund available on account of internal debt and loans and advances from Government of India and other obligations after providing for the interest and repayment of the principal varied from 15 to 29 *per cent* during the period 2003-08. Debt redemption ratio being less than unity through the period 2003-08 also reveal the fact that borrowed funds are used to finance the fiscal deficit of the state during the period.

1.10 Management of deficits

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

1.10.1 Trends in Deficit/Surplus

Trends presented in **Table 1.31** reveal that the revenue account after experiencing a situation of deficit from 2003-04 to 2005-06 turned into a surplus of Rs 141 crore in 2006-07 which is further increased to Rs 166 crore during 2007-08. The improvement in revenue surplus during the current year was mainly on account of increase of Rs 334 crore in revenue receipts against increase of Rs 309 crore in revenue expenditure. It was however observed that 42.5 *per cent* of incremental revenue receipts was contributed in the form of central transfers comprising of State's share in Union taxes and duties and grants-in-aid from GoI. Another one third of incremental revenue receipts was

shared by receipts from the power sector which is yet to be unbundled by the State Government.

Given the increase in revenue surplus along with an increase of Rs 79 crore in capital expenditure together with disbursement of loans and advances, the fiscal deficit increased to Rs 541 crore from Rs 487 crore in 2006-07.

The primary deficit continued to persist during the years 2003-08. An increase of Rs 54 crore in fiscal deficit together with an increase of Rs 20 crore in interest payments resulted in an increase of primary deficit from Rs 60 crore in 2006-07 to Rs 94 crore in 2007-08.

Table-1.31: Fiscal Imbalances: Basic Parameters

(Rupees in crore)

Parameters	2003-04	2004-05	2005-06	2006-07	2007-08
Revenue deficit (-)/Surplus (+)	(-) 141	(-) 123	(-) 22	(+) 141	(+) 166
Fiscal deficit (-)/Surplus (+)	(-) 445	(-) 550	(-) 603	(-) 487	(-) 541
Primary deficit (<i>Rupees in crore</i>)	(-) 124	(-) 227	(-) 203	(-) 60	(-) 94
RD/GSDP (<i>per cent</i>)	1.52	1.20	0.19	∞	∞
FD/GSDP (<i>per cent</i>)	4.79	5.38	5.16	3.53	3.56
PD/GSDP (<i>per cent</i>)	1.33	2.22	1.74	0.43	0.62
RD/FD (<i>per cent</i>)	31.69	22.36	3.65	∞	∞

As per the Goa FRBM Act 2006, the Government shall reduce the revenue deficit to nil by 31 March 2009 and adhere to it thereafter. The revenue deficit was reduced from Rs 141 crore in 2003-04 to a revenue surplus of Rs 166 crore in 2007-08. The Goa FRBM Act 2006 prescribed a road map of reducing the Fiscal Deficit (FD) by 0.5 *per cent* of GSDP in each of the financial year beginning from 1 April 2006. Though the ratio of FD to GSDP was reduced by 1.63 *per cent* during the year 2006-07 over the previous year, there was an increase of 0.03 *per cent* during 2007-08 over the previous year.

1.10.2 Quality of Deficit/Surplus

The ratio of RD to FD and the decomposition of Primary deficit into primary revenue deficit and capital expenditure (including loans and advances) would indicate the quality of deficit in the States' finances. The ratio of revenue deficit to fiscal deficit indicates the extent to which borrowed funds were used for current consumption. Further, persistently, high ratio of revenue deficit to fiscal deficit also indicates that the asset base of the State was continuously shrinking and a part of borrowings (fiscal liabilities) were not having any asset backup. The ratio of revenue deficit to fiscal deficit has consistently declined from 2003-04 to 2005-06 and the revenue deficit was completely wiped out since 2006-07. This trajectory indicates significant improvement in the quality of the deficit over the period 2003-08. Further analysis of the primary deficit would indicate the extent to which the deficit has been on account of enhancement in capital expenditure which may be desirable to improve the productive capacity of the State's economy.

[∞] There were no revenue deficits during 2006-07 and 2007-08.

Table 1.32: Primary Deficit/Surplus – Bifurcation of factors

(Rupees in crore)

Year	Non-debt receipts	Primary Revenue Expenditure	Capital Expenditure	Loans and Advances	Primary Expenditure	Non debt Receipts vis-à-vis primary revenue expenditure	Primary deficit (-) /surplus (+)
1	2	3	4	5	6 (3+4+5)	7 (2-3)	8 (2-6)
2003-04	1630	1443	301	10	1754	187	(-) 124
2004-05	1826	1620	426	7	2053	206	(-) 227
2005-06	2175	1791	580	7	2378	384	(-) 203
2006-07	2616	2042	626	8	2676	574	(-) 60
2007-08	2950	2331	688	25	3044	619	(-) 94

The bifurcation of factors resulting into primary deficit or surplus of the State during the period 2003-04 to 2007-08 reveals that the deficit was mainly on account of capital expenditure incurred and disbursement of loans and advances by the State Government. The non-debt receipts of the State were enough to meet the primary revenue expenditure requirements in the revenue account and left some receipts to meet the expenditure under capital account. But the surplus non-debt receipts were not enough to meet the expenditure requirements under capital account resulting in primary deficit. This indicates the extent to which the primary deficit has been on account of enhancement in capital expenditure including loans and advances which may be desirable to improve the production capacity of the State's economy.

1.11 Fiscal Ratios

The finances of a State should be sustainable, flexible and non-vulnerable. **Table-1.33** below presents a summarized position of Government finances over 2003-08, with reference to certain key indicators classified in five groups: (i) Resource Mobilization, (ii) Expenditure Management, (iii) Management of Fiscal Imbalances, (iv) Management of Fiscal Liabilities and (v) Other Fiscal Health Indicators that help to assess the adequacy and effectiveness of available resources and their applications, highlights areas of concern and captures its important facts.

Table-1.33: Indicators of Fiscal Health (in per cent)

Fiscal Indicators	2003-04	2004-05	2005-06	2006-07	2007-08
1	2	3	4	5	6
I Resource Mobilization					
Revenue Receipts/GSDP	17.47	17.81	18.56	18.92	19.40
Revenue Buoyancy	^Y	1.21	1.92	1.13	1.28
Own Tax Revenue/GSDP	7.64	8.39	9.38	9.37	8.95
Own Non Tax Revenue/GSDP	7.80	7.13	6.51	6.65	6.87
II Expenditure Management					
Revenue Receipts/Total Expenditure	78.22	76.60	78.08	84.11	84.33
Revenue Expenditure/Total Expenditure	85.01	81.78	78.87	79.57	79.57
Capital Expenditure/Total Expenditure	14.58	17.98	20.93	20.17	19.72
Buoyancy of TE with RR	^Y	1.20	0.88	0.58	0.98
Buoyancy of RE with RR	1.03	0.84	0.67	0.62	0.98
III Management of Fiscal Imbalances					
Revenue deficit(Surplus)/GSDP	-1.52	-1.20	-0.19	1.02	1.09
Fiscal deficit/GSDP	-4.79	-5.38	-5.16	3.53	3.56
Primary Deficit (Surplus)/GSDP	-1.33	-2.22	-1.74	0.04	0.62
Revenue Deficit/Fiscal Deficit	31.69	22.36	3.65	Revenue surplus	
IV Management of Fiscal Liabilities					
Fiscal Liabilities/GSDP	41.31	42.57	42.94	41.27	41.44
Fiscal Liabilities/RR	236.48	239.01	231.35	218.16	213.63
Interest spread	-15.56	2.11	5.81	10.10	2.54
Net fund available	15	28	29	28	19
V Other Fiscal Health Indicators					
Return on Investment	0.01	0.12	0.07	0.15	0.11
Balance from Current Revenue (<i>Rs in crore</i>)	109.65	191.33	353.15	576.98	625.34
Financial Assets/Liabilities	0.73	0.74	0.78	0.83	0.87

The trends in ratios of revenue receipts and State's own taxes to GSDP indicate the adequacy and accessibility of State to resources. Revenue receipts are comprised not only of the tax and non-tax resources of the State but also the transfers from Union Government. The ratio of revenue receipts to GSDP has consistently increased from 17.47 *per cent* in 2003-04 to 19.40 *per cent* during the current year. During 2003-08 the ratio of own taxes to GSDP also consistently increased with a marginal decline during the current year.

Various ratios concerning the expenditure management of the State indicate quality of its expenditure and sustainability of these in relation to its resource mobilization efforts. Though the Revenue Expenditure as a percentage to total expenditure reduced to 78.87 *per cent* in 2005-06 from 85.01 *per cent* in 2003-04, it subsequently increased and stabilized at 79.5 *per cent* during 2006-07 and 2007-08. The increasing trends in the proportion of Capital Expenditure in the total expenditure however indicated improvement in the quality provided it resulted in creation of assets. Increasing reliance on revenue receipts to finance the total expenditure which amounts to 84 *per cent* during 2007-08 indicates decreasing dependence on borrowed funds. This is also reflected by the decreasing ratio of fiscal liabilities to revenue receipts especially during the last three years. The negligible return on Government investment continued to be a cause of concern and low productivity of capital expenditure would not only put strain on the Government but also adversely

^Y Growth in revenue receipts during 2003-04 was negative as also GSDP growth during 2003-04.

affect the maintenance and efficiency in delivery of social and economical services in the State.

Although the emergence of revenue surplus along with increasing fiscal deficit indicates a mixed trend in fiscal position of the State but the steep increase in the Balance from Current Revenue (Rs 625.34 crore) during the last two years indicates the availability of funds for state development plans and programmes.

1.12 Conclusion

During 2007-08 the overall fiscal position of the State as reflected in terms of key parameters-revenue, fiscal and primary deficits indicates a mixed trend as revenue surplus has increased while fiscal and primary deficit position has deteriorated over the previous year. The improvement in revenue surplus of the State may however be seen in view of the fact that little more than 42 *per cent* of the incremental revenue receipts of the State during 2007-08 (Rs 334 crore) was contributed by the central transfers comprising of State's share in central taxes and duties and grants-in-aid from the Union of India. Moreover, another one third of incremental revenue receipts was shared by receipts from the power sector which is yet to be unbundled by the State Government. The expenditure pattern of the State reveals that the revenue expenditure continued to share the dominant proportion in the total expenditure of the State which was around 79 *per cent* during 2007-08. Moreover, within the revenue expenditure, non-plan revenue expenditure at Rs 2,212 crore in 2007-08 was significantly higher than the normative assessment of TFC (Rs 1,483 crore) for the State for the year. Notwithstanding these facts, State has achieved the target of eliminating the revenue deficit as laid down in its FRBM Act two years prior to the stipulated time frame. The continued prevalence of fiscal deficit in the finance accounts indicate the reliance on the borrowed funds resulting in increasing the fiscal liabilities of the State. The fiscal liabilities increased consistently and stood at 41.44 *per cent* of GSDP as on 31 March 2008 and appear to be quite high especially in view of the fact that Goa FRBM Act, 2006 envisaged the fiscal liabilities level at 30 *per cent* of GSDP by March 2009. The increasing fiscal liabilities accompanied with negligible rate of return on Government investments and inadequate interest cost recovery on loans and advances might put a fiscal stress on the State in the medium to long run unless suitable measures are initiated especially to compress the non-plan revenue expenditure and to mobilize the additional resources both through the tax and non-tax sources in ensuing years.