

## CHAPTER I

### Finances of the State Government

#### In summary

The financial year 2002-03 was comparatively comfortable year for the State with moderate growth in revenue receipts and no growth in revenue expenditure. As a result, all deficit indicators have improved during the year. The revenue deficit has shown drastic improvements from Rs 6732 crore in 2001-02 to Rs 3565 crore in 2002-03 primarily due to un-surrendered savings of Rs.3860.85 crore. A large portion of un-surrendered saving was due to non-release of Rs.2084 crore to GEB as envisaged in the Budgetary estimates. The fiscal deficit has also reduced from Rs 6511 crore in 2001-02 to Rs 6081 crore in 2002-03. The Government has however released Rs.3044 crore to the GEB during 2003-04 (December 2003).

Revenue receipts of the State increased from Rs. 12743 Crore in 1998-1999 to Rs 17,875 crore in 2002-2003 at an average trend of rate of growth of 9.48 *per cent* per annum. The moderate growth in 2002-03 was however attained primarily due to 101 *per cent* jump in the Central Grants-in-aid during the year, which incidentally happened to be an election year in the State. During the year, central grants-in-aid exceeded the state's share of union taxes and duties by more than 120 *per cent*.

The increase in the tax revenue during the year 2002-2003 was mainly on Sales Tax (Rs 395 crore), Taxes on vehicles (Rs 131 crore) and Stamps and Registration fees (Rs.111 crore) etc. Of non-tax revenue sources, interest receipts (42 *per cent*) and non-ferrous mining and metallurgical industries receipts (27 *per cent*) were principal contributors. However, 95 *per cent* of interest receipts (Rs.1603 crore) was notional in nature, having arisen out of book adjustments.

The total expenditure of the State increased from Rs 18628 crore in 1998-1999 to Rs.24127 crore in 2002-2003 at an average trend rate of 10.95 *per cent* per annum. Revenue expenditure of the State increased from Rs 15606 crore in 1998-1999 to Rs 21440 crore in 2002-2003 at an average trend rate of 12.75 *per cent* per annum. However, there was a decrease in the revenue expenditure during the year mainly due to un-surrendered saving of Rs1332 crore on lesser assistance to Gujarat Electricity Board and less expenditure on relief on account of natural calamities (Rs.2184.58 crore) in comparison to previous year. Salaries, interest payments, and Pensions together consumed 49 *per cent* of total revenue receipts of the State during the year

The over all fiscal liabilities of the State increased from Rs.24757 crore in 1998-1999 to Rs.52572 crore in 2002-2003 at average growth rate of 21.61 *per cent*. Although it is not uncommon for a State to borrow for increasing its social and economic infrastructure and for creating additional income generating assets, an increasing ratio of fiscal liabilities to Gross State Domestic Product (GSDP) and revenue receipts together with a low or negligible return on investments are cause for concern. Ever increasing guarantees for Government Corporations and Companies also need to be discouraged.

Only through hard measures like reduction of revenue deficit/fiscal deficit by compressing non-developmental revenue expenditure and enhanced additional resource mobilization through prudent tax reforms and periodic revision of user charges for increased cost recoveries for Government services, Prudent debt management and greater fiscal transparency in medium term framework, the State Government can achieve long term fiscal stability. Hence, the state should enter into Memorandum of Understanding with the Government of India for medium term fiscal reforms programme and announce their goals through appropriate legislation on the pattern of Central Government and many other progressive state Governments.

## **1.1 Introduction**

The Finance Accounts of the Government of Gujarat are laid out in nineteen statements, presenting receipts and expenditure, revenue as well as capital, in the Consolidated Fund, Contingency Fund and the Public Accounts of the State Government. The layout of the Finance Accounts is depicted in the Box 1.

### **Box 1**

#### **Lay out of Finance Accounts**

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 the Public Accounts of the State.

Statement No 2 contains the summarised statement of Capital Outlay showing progressive expenditure to the end of 2002-03.

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 Corporations, 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 Accounts as on 31 March 2003.

Statement No.9 shows the Revenue and Expenditure under different heads for the year 2002-03 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 non-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 2002-03.

Statement No.14 shows the details of investment of the State Government in statutory corporations, government companies, other joint stock companies, co-operative banks and societies etc. up to the end of 2002-03.

Statement No.15 depicts the capital and other expenditure to the end of 2002-03 and the principal sources from which the funds were provided for that expenditure.

Statement No.16 gives the detailed account of receipts, disbursements and balances under the heads of account relating to debt, Contingency Fund and Public Accounts.

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

Statement No.18 provides the detailed account of loans and advances given by the Government of Gujarat, the amount of loan repaid during the year, the balance as on 31 March 2003, 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

Finances of State Government during the current year compared to previous year were as under: **(Rupees in crore)**

2001-02	Sl. No	Major Aggregates	2002-03
<b>15986</b>	<b>1.</b>	<b>Revenue Receipts (2+3+4)</b>	<b>17875</b>
9247	<b>2.</b>	Tax Revenue	9521
3761	<b>3.</b>	Non-Tax Revenue	3995
2978	<b>4.</b>	Other Receipts	4359
<b>2207</b>	<b>5.</b>	<b>Non-Debt Capital Receipts (6)</b>	<b>171</b>
2207	<b>6.</b>	<i>Of which</i> Recovery of Loans	171
<b>18193</b>	<b>7.</b>	<b>Total Receipts (1+5)</b>	<b>18046</b>
<b>21243</b>	<b>8.</b>	<b>Non-Plan Expenditure (9+11+12)</b>	<b>19676</b>
20897	<b>9.</b>	On Revenue Account	19373
4206	<b>10.</b>	Of which, interest payments	4949
133	<b>11.</b>	On Capital Account	131
213	<b>12.</b>	Of which Loans disbursed	172
<b>3461</b>	<b>13.</b>	<b>Plan Expenditure (14+15+16)</b>	<b>4451</b>
1821	<b>14.</b>	On Revenue Account	2067
1624	<b>15.</b>	On Capital Account	2210
16	<b>16.</b>	Of which Loans disbursed	174
<b>24704</b>	<b>17.</b>	<b>Total Expenditure (8+13)</b>	<b>24127</b>
<b>6732</b>	<b>18.</b>	<b>Revenue Deficit (9+14-1)</b>	<b>3565</b>
<b>6511</b>	<b>19.</b>	<b>Fiscal Deficit (17-7)</b>	<b>6081</b>
<b>2305</b>		<b>Primary Deficit (18-10)</b>	<b>1132</b>

## 1.3 Summary of Receipts and Disbursements for the year

Table 1 summarises the finances of the State Government of Gujarat for the year 2002-03 covering revenue receipts and expenditure, capital receipts and expenditure, public debt receipts and disbursements and Public Accounts receipts and disbursements made during the year as emerging from Statement-1 of Finance Accounts and other detailed statements.

**Table 1: Summary of Receipts and Disbursements for the year 2002-2003**

(Rupees in crore)							
2001-02	Receipts	2002-03	2001-02	Disbursements	2002-03		
<b>Section-A: Revenue</b>							
					<b>Non-Plan</b>	<b>Plan</b>	<b>Total</b>
<b>15986.06</b>	<b>I Revenue receipts</b>	<b>17875.33</b>	<b>22717.60</b>	<b>I. Revenue expenditure</b>	<b>19373.37</b>	<b>2066.76</b>	<b>21440.13</b>
9246.57	Tax revenue	9520.66	7165.08	General Services	8228.24	74.26	8302.50
3760.94	Non-tax revenue	3995.58	7722.20	Social Services	5444.23	1094.99	6539.22
1488.29	Share of Union Taxes/Duties	1363.22	7774.34	Economic Services	5596.76	897.51	6494.27
1490.26	Grants from Govt. of India	2995.87	55.98	Grants-in-aid / Contributions	104.14	-	104.14
<b>Section-B: Capital</b>							
<b>1.50</b>	<b>II Misc. Capital Receipts</b>	<b>52.00</b>	<b>1756.87</b>	<b>II Capital Outlay</b>	<b>131.09</b>	<b>2210.21</b>	<b>2341.30</b>
<b>2206.66</b>	<b>III Recoveries of Loans and Advances</b>	<b>171.45</b>	<b>229.04</b>	<b>III Loans and Advances disbursed</b>	<b>171.99</b>	<b>173.67</b>	<b>345.66</b>
<b>8158.32</b>	<b>IV Public debt receipts*</b>	<b>9683.67</b>	<b>1383.95</b>	<b>IV Repayment of Public Debt</b>	<b>3203.31<sup>#</sup></b>		<b>3203.31</b>
<b>23702.55</b>	<b>V Public accounts receipts</b>	<b>20665.87</b>	<b>24603.34</b>	<b>V Public accounts disbursements</b>	<b>20064.80<sup>#</sup></b>		<b>20064.80</b>
<b>966.25</b>	<b>Opening Balance</b>	<b>580.14</b>	<b>580.14</b>	<b>Closing Balance</b>			<b>1483.20</b>
<b>51021.34</b>	<b>Total</b>	<b>49028.46</b>	<b>51270.94</b>	<b>Total</b>	<b>42944.56</b>	<b>4450.64</b>	<b>48878.40</b>

Note : \*- Includes net ways and means advances and over draft also

#- Bifurcation of plan and non- plan not available

### 1.4 Audit Methodology

Audit observations on the Finance Accounts bring out the trends in the major fiscal aggregates of receipts and expenditure and from the statements of the Finance Accounts for the year 2002-03 and wherever necessary, show these in the light of time series data (**Appendix I to IV**) and periodic comparisons.

The key indicators adopted for the purpose are (i) Resources by volumes 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.

<b>Box 1. 2</b>
<b>Reporting Parameters</b>
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 have been used.
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
For most series a trend growth during 1998-2003 has been indicated. The ratios with respect to GSDP have also been depicted. Some of the terms used here are explained in <b>Appendix- V</b> .

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.

<b>Box 1.3</b>	
<b>State Government Funds and the Public Account</b>	
<p><b>Consolidated Fund</b> 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 entitled 'The Consolidated Fund of State' established under Article 266(1) of the Constitution of India.</p>	<p><b>Contingency Fund</b> Contingency Fund of 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><b>Public Account</b></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 disbursement are made from it.</p>	

## State Finances by key Indicators

### 1.5 Resources by volumes and sources

Resources of the State Government consist of revenue receipts and capital receipts. Revenue receipts consists 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 of 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 Government of India as well as accruals from Public Accounts.

Table 2 shows that the total receipts of the State Government for the year 2002-03 was Rs 48,448 crore. Of these, the revenue receipts of the State Government was Rs 17,875 crore only, constituting 37 *per cent* of the total receipts. The balance of receipts came from borrowings and public account receipts.

**Table 2: Resources of Gujarat**

		(Rupees in crore)
<b>I Revenue Receipts</b>		<b>17,875</b>
<b>II Capital Receipts</b>		<b>9,907</b>
a	Miscellaneous Receipts	52
b	Recovery of Loans and Advances	171
c	Public Debt Receipts	9,684
<b>III Public Account Receipts</b>		<b>20,666</b>
a	Small Savings, Provident Fund, etc.	842.13
b	Reserve Fund	878.65
c	Deposits and Advances	9,277.37
d	Suspense and Miscellaneous	6,705.45
e	Remittances	2,962.27
<b>Total Receipts</b>		<b>48,448</b>

**1.5.1 Revenue receipts**

Statement-11 of the Finance Accounts details the Revenue Receipts of the Government. The Revenue Receipts of the State consist mainly of its own tax and non-tax revenues, central tax transfers and grants-in-aid from Government of India. Overall revenue receipts, its annual rate of growth, ratio of these receipts to the State's Gross Domestic Product (GSDP) and its buoyancy is indicated in Table 3.

**Table 3: Revenue Receipts – Basic Parameters**

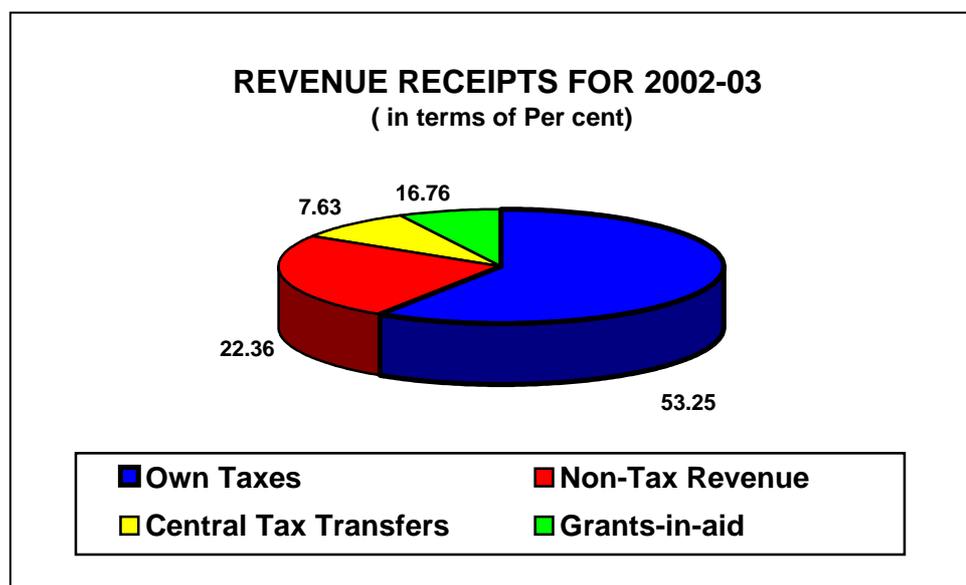
(Value: Rupees in crore and others in per cent)

	1998-99	1999-2000	2000-01	2001-02	2002-03	Average
Revenue Receipts	12743.000	13971.000	15739.000	15986.000	17875.000	15263.000
Own Taxes	59.760	58.420	57.480	57.840	53.250	57.360
Non-Tax Revenue	21.710	21.400	21.280	23.530	22.360	22.050
Central tax Transfers	12.890	11.920	10.000	9.310	7.630	10.350
Grants-in aid	5.640	8.260	11.240	9.320	16.760	10.240
Rate of Growth	14.540	9.640	12.650	1.570	11.820	9.480
Revenue Receipt/GSDP	12.100	12.980	14.250	12.800	13.410	13.120
Revenue Buoyancy	0.939	4.387	4.811	0.120	1.751	1.314
GSDP Growth	15.480	2.200	2.630	13.090	6.750	7.210

Note:-Due to revision of GSDP figures, the ratios and percentages involving GSDP figures (1998-2002) have undergone change from last Audit Report.

Revenue receipts of the State increased from Rs. 12743 Crore in 1998-1999 to Rs 17875 crore in 2002-2003 at an average trend of rate of growth of 9.48 per cent per annum. There were, however, significant inter year variations in the growth rates with the growth dipping from 12.65 per cent in 2000-01 to 1.57 per cent in 2001-02 and again reached at 11.82 per cent in 2002-03. The moderate growth in 2002-03 was however attained primarily due to 101 per cent jump in the central grants-in-aid during the year, which incidentally happens to be an election year.

The increase in the tax revenue during the year 2002-2003 was mainly on Sales Tax (Rs 395 crore), Taxes on vehicles (Rs 131 crore) and Stamps and Registration fees (Rs.111 crore) etc. The contribution of own tax revenue to the revenue receipts has however shown significant steady decline from 59.76



per cent in 1998-99 to 53.25 per cent in 2002-03. While on an average around 22 per cent of the revenue receipts had come from the non-tax revenue during 1998-2003, central tax transfers have declined sharply over the years from 12.89 per cent in 1998-99 to 7.63 per cent in 2002-03. Central grants-in-aid has however suddenly jumped from 9.32 per cent in 2001-02 to 16.76 per cent in 2002-03.

Sales tax was the major source of State's own tax revenue having contributed 66 per cent of the tax revenue followed by taxes and duties on electricity (15 per cent), taxes on Vehicles (8 per cent) etc.

Of non-tax revenue sources, interest receipts (42 per cent) and non ferrous mining and metallurgical industries receipts (27 per cent) were principal contributors. However, 95 per cent of interest receipts (Rs.1603 crore) was notional in nature, having arisen out of book adjustments. The current levels of cost recovery in supply of merit goods and services by Government are 0.22 per cent for secondary education, 0.14 per cent for university and higher education, 0.03 per cent for technical education, 0.99 per cent in health and family welfare, 0.30 per cent in water supply and sanitation, 6.69 per cent in major and medium irrigation and 0.12 per cent in minor irrigation.

Besides, the arrears of revenues increased by 290 per cent from Rs.1686 crore in 1998-99 to Rs.6575 crore at the end of 2002-03. Of these, Rs 6085 crore were outstanding for a period of more than 5 years. Arrears were mainly in respect of Taxes on Sales, Trade, etc. (Rs 6085 crore). The deterioration in the position of arrears of revenue showed a slackening of the revenue realising efforts of the State Government.

The source of receipts under different heads and GSDP during 1998-2003 is indicated in Table 4.

**Table 4: Sources of Receipts: Trends**

(Rupees in crore)

Year	Revenue Receipts	Capital Receipts			Total Receipts	Gross State Domestic Product
		Non-Debt Receipts	Debt Receipts	Accruals in Public Account		
1998-99	12743	267	3563	19344	35917	105305
1999-00	13971	146	4623	22453	41193	107618
2000-01	15739	2227	7686	25129	50781	110449
2001-02	15986	2207	8158	23703	50054	124905
2002-03	17875	171	9684	20666	48396	133334

## 1.6 Application of resources

### 1.6.1 Trend of Growth

Statement 12 of the Finance Accounts depicts the detailed revenue expenditure by minor heads and capital expenditure by major head wise. The total expenditure of the State increased from Rs 18628 crore in 1998-1999 to Rs.24127 crore in 2002-2003 at an average trend rate of 10.95 per cent per annum.

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

**Table 5: Total Expenditure – Basic Parameters**

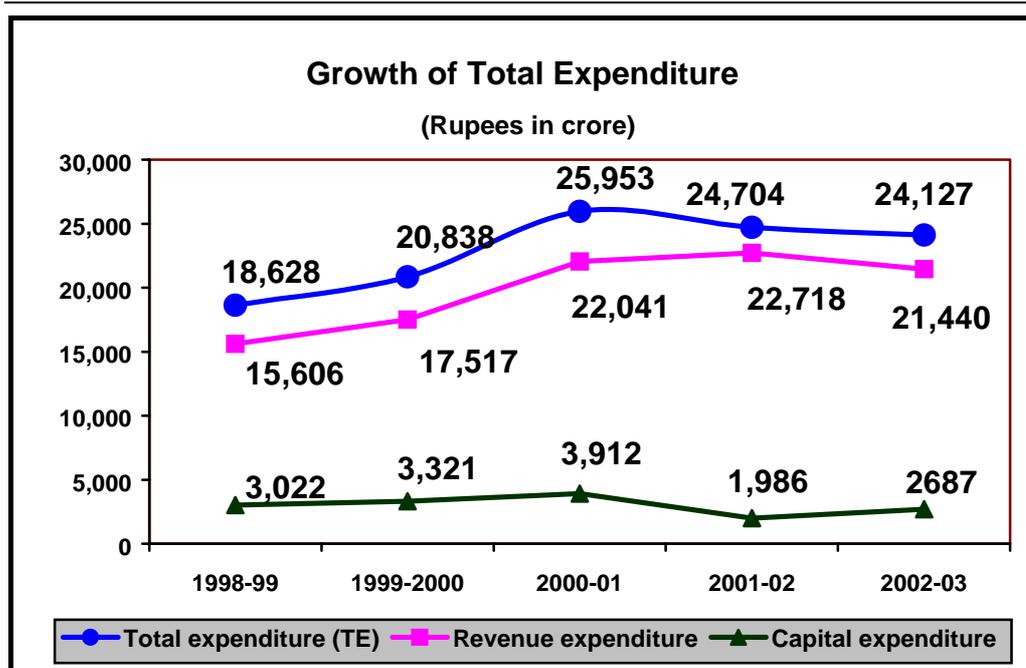
(Value: Rupees in crore and others in per cent)

	1998-99	1999-2000	2000-2001	2001-02	2002-03	Average
Total Expenditure	18628.000	20838.000	25953.000	24704.000	24127.000	22850.000
Rate of Growth	29.110	11.860	24.550	-4.810	-2.340	10.950**
TE/GSDP	17.690	19.360	23.500	19.780	18.100	19.640
Revenue Receipt /TE Ratio	68.410	67.050	60.640	64.710	74.090	66.980
<b>Buoyancy of Total Expenditure with</b>						
GSDP	1.880	5.401	9.331	Negative	Negative	1.518
Revenue Receipts	2.002	1.231	1.940	Negative	Negative	1.155

\*\* Average trend of rate of growth.

(Due to revision of GSDP figures, the ratios and percentages involving GSDP figures (1998-2002) have undergone change from last Audit Report)

The slight decline in expenditure in the current year was primarily due mainly to compression of expenditure on Social and Economic services. There was upward trend in the ratio of revenue receipts to total expenditure from 68.41 per cent in 1998-1999 to 74.09 per cent in 2002-2003, indicating that 74 per cent of the State's total expenditure was met from its revenue receipts, leaving the balance to be met from borrowings.

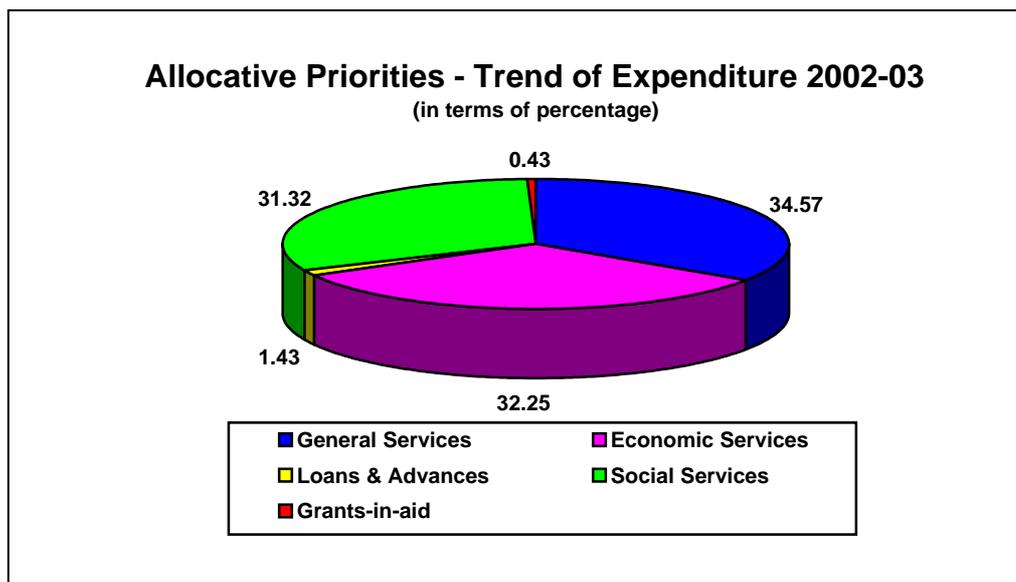


In terms of activities, total expenditure comprised of expenditure on General Services including interest payments, social and economic services and Loans and Advances. The relative share of these components in total expenditure is indicated in Table 6.

**Table 6: Components of expenditure – Relative Share (in per cent)**

	1998-99	1999-2000	2000-01	2001-02	2002-03	Average
General Services	25.76	27.76	23.83	29.12	34.57	28.20
Social Services	31.60	32.92	33.78	34.74	31.32	32.87
Economic Services	38.43	36.08	38.67	34.99	32.25	36.08
Grants-in-aid and contributions	0.28	0.24	0.19	0.22	0.43	0.26
Loans & Advances	3.93	3.00	3.53	0.93	1.43	2.57

The movement of relative share of these components indicate that while the share of Economic Services in total expenditure declined sharply from 38.43 per cent in 1998-99 to 32.25 per cent in 2002-2003; the relative share of General Services considered as non-developmental, increased from 25.76 per cent in 1998-99 to 34.57 per cent in 2002-2003. The share of Social Services however remained almost steady.



### 1.6.2 Incidence of Revenue expenditure

Revenue expenditure had the predominant share in the total expenditure of the state. Revenue expenditure is usually incurred to maintain the current level of assets and services. Revenue expenditure of the State increased from Rs 15606 crore in 1998-1999 to Rs 21440 crore in 2002-2003 at an average trend rate of 12.75 *per cent* per annum. However, there was a decrease in the revenue expenditure during the year mainly due to un-surrendered saving of Rs1332 crore on lesser assistance to Gujarat Electricity Board and less expenditure on relief on account of natural calamities (Rs.2184.58 crore) in comparison to previous year.

Over all 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:

**Table 7: Revenue Expenditure – Basic Parameters**

(Value: Rupees in crore and others in *per cent*)

	1998-99	1999-2000	2000-01	2001-02	2002-03	Average
Revenue Expenditure	15606.000	17517.000	22041.000	22718.000	21440.000	19864.400
Rate of Growth	28.520	12.250	25.830	3.070	-5.630	12.750*
RE/GSDP	14.820	16.280	19.960	18.190	16.080	17.080
RE as <i>per cent</i> of TE	83.780	84.060	84.930	91.960	88.860	86.930
RE as <i>per cent</i> to Revenue Receipt	122.470	125.380	140.040	142.110	119.940	130.150
<b>Buoyancy of Revenue Expenditure with</b>						
GSDP	1.842	5.575	9.818	0.235	Negative	1.767
Revenue Receipts	1.961	1.271	2.041	1.957	Negative	1.344

\* Average trend rate of growth.

**Note-Due to revision of GSDP figures, the ratios and percentages involving GSDP figures (1998-2002) have undergone change from last Audit Report.**

Revenue expenditure accounted for 86 *per cent* of total funds available during 2002-2003. This was higher than the share of revenue receipts (71 *per cent* in total receipts) of the State Government, which has led to revenue deficit. Though the ratio of revenue expenditure to revenue receipts declined from

122.47 *per cent* in 1998-99 to 119.94 *per cent* in 2002-03, dependence of the State on borrowings, for meeting its current expenditure continues primarily due to the fact that Salaries (Rs.2247 crore), interest payments (Rs.4949 crore), and Pensions (Rs.1588 crore) alone consumed 49 *per cent* of total revenue receipts of the State during the year.

• **Huge expenditure on pension payments**

Pension payments have increased by 28.39 *per cent* from Rs.1237.10 crore in 1998-99 to Rs.1588.33 crore in 2002-03. Year-wise break-up of expenditure incurred on pension payments during the years 1998-99 to 2002-2003 was as under:

**Table 8**

Year	Expenditure Rupees in crore	Percentage to total revenue
1998-1999	1237.10	10
1999-2000	1506.51	11
2000-2001	1438.60	9
2001-2002	1502.17	9
2002-2003	1588.33	9

With the increase in the number of retirees, the pension liabilities are likely to increase further in future. The State Government has not constituted any fund to meet the fast rising pension liabilities of the retired state employees. Considering the rate at which pension liabilities are increasing, reforms in the existing pension schemes assume critical importance.

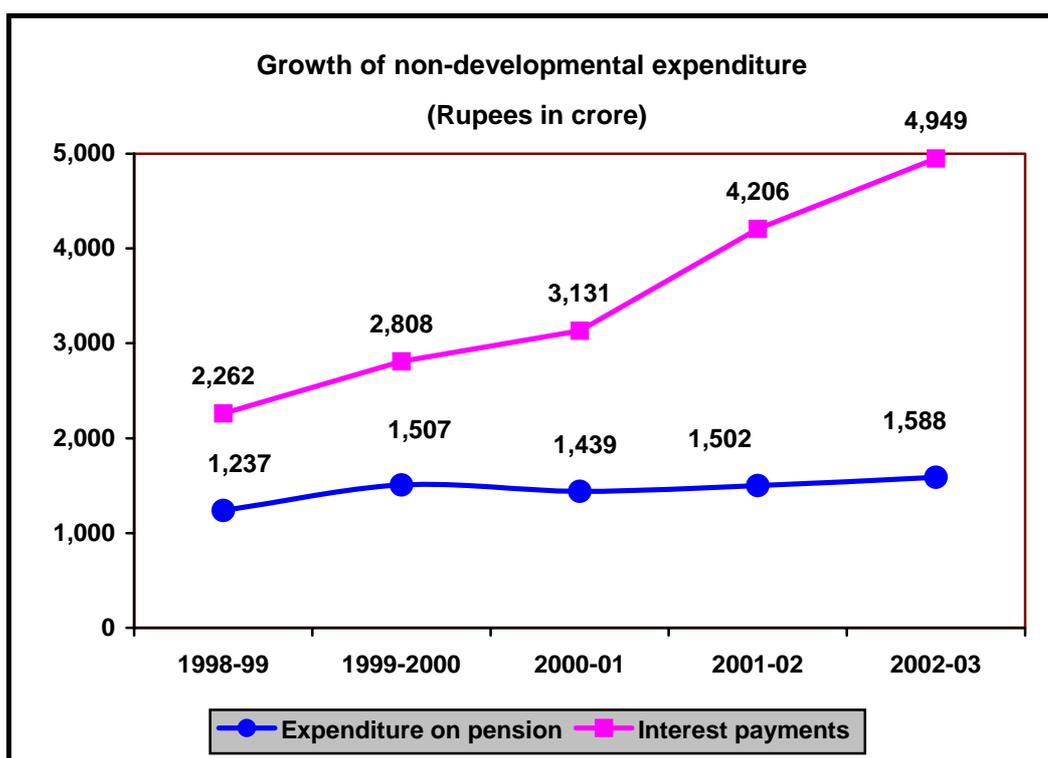
• **Interest payments**

The Eleventh Finance Commission (August 2000) has recommended that as a medium term objective, States should endeavour to keep interest payment as a ratio to revenue receipts to 18 *per cent*. It was however observed that interest payments as percentage of revenue receipts has reached the all time high of 28 *per cent* during the year 2002-03.

**Table 9**

Year	Interest payment (Rupees in crore)	Percentage of interest payment with reference to	
		Revenue Receipts	Revenue Expenditure
1998-1999	2262	18	14
1999-2000	2808	20	16
2000-2001	3131	20	14
2001-2002	4206	26	19
2002-2003	4949	28	23

In absolute terms, interest payments increased steadily by 119 *per cent* from Rs.2262 crore in 1998-99 to Rs.4949 crore in 2002-03 primarily due to continued reliance on borrowings for financing the fiscal deficit. The increase in interest payments was mainly due to increased Interest on Internal Debt (Rs.546 crore), and Loans received from Central Government (Rs.178 crore). The growth of non-developmental expenditure i.e. Pension and interest payments for the years 1998-2003 are depicted in the table below:



• **Subsidies by the Government**

Though the finances of the State are under strain, State Government has been paying subsidies to the various Nigams, Corporations, etc. During the last two years, State Government paid the subsidies under various schemes as under:

**Table 10** (Rupees in crore)

Sr. No	Particulars	1998-99	1999-2000	2000-01	2001-02	2002-03
1	Gujarat Electricity Board (GEB)	1673.17 <sup>#</sup>	1329.87 <sup>#</sup>	2021.26 <sup>#</sup>	3359.93	1858.75
2	Others	N.A	N.A	N.A	715.92	191.41
	<b>Total</b>	<b>1673.17</b>	<b>1329.87</b>	<b>2021.26</b>	<b>4075.85</b>	<b>2050.16</b>
1	Percentage of subsidy with total expenditure*	9.35	6.58	8.07	16.65	8.62

\* Total Expenditure excludes Loans and Advances; N.A: information not furnished by the concerned department

<sup>#</sup> Figures adopted from AR(Commercial)

Incidentally, the sharp reduction in the subsidy to Gujarat Electricity Board (GEB) during 2002-03 was due to un-surrendered saving of Rs.2084 crore under grant number 12 on account of subsidy for compensation for Gujarat Electricity Regulatory Commission Agricultural Tariff (Rs.479.22 crore), loan for Central Public Sector Undertakings Bonds as one time settlement of GEB's dues (Rs.1411.49 crore) and due to non-release of second tranche of loan by Asian Development Bank (Rs.113.74 crore).

**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 reflect the allocative priorities of the State. Higher the ratio

of these components to total expenditure, better is deemed to be 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\*)**

	1998-99	1999-2000	2000-01	2001-02	2002-03	Average
Plan Expenditure	24.39	26.44	23.42	14.08	17.98	20.91
Capital Expenditure	12.79	13.33	11.96	7.18	9.84	10.84
Development Expenditure	72.90	71.14	75.10	70.38	64.49	70.73

\* Total expenditure exclude expenditure on loans and advances.

An increase in the expenditure on the pre-occupied sector of Administrative expenditure (General Services) resulted in contraction of expenditure under all the three components of expenditure. The relative shares of this components declined during 1998-2003. Plan Expenditure declined from 24.39 per cent of total expenditure in 1998-99 to 17.98 per cent in 2002-2003. Similarly, Capital Expenditure also declined from 12.79 to 9.84 per cent. There was also a decline in the share of Development Expenditure from 72.90 per cent in 1998-99 to 64.49 per cent in 2002-2003.

Out of the Development Expenditure (Rs.15,337 crore), Social Services (Rs.7557 crore) accounted for 49 per cent of the Development Expenditure during the year. General Education, Health and Family Welfare, Water Supply, Sanitation, Housing and Urban development consumed 75 per cent of the expenditure on social sector.

**Table 12: Social Sector Expenditure**

(Rupees in crore)

	1998-99	1999-2000	2000-01	2001-02	2002-03
General Education	3141 (2.98)*	3412 (3.17)	3685 (3.34)	3264 (2.61)	3634 (2.73)
Health & Family Welfare	877 (0.83)	951 (0.88)	919 (0.83)	729 (0.58)	864 (0.65)
Water Supply, Sanitation, Housing and Urban Development	857 (0.81)	1189 (1.10)	1701 (1.54)	796 (0.64)	1142 (0.86)
<b>Total</b>	<b>4875</b>	<b>5552</b>	<b>6305</b>	<b>4789</b>	<b>5640</b>

\* the expenditure as percentage of GSDP in brackets

Similarly, the expenditure on Economic Services (Rs.7,780 crore) accounted for 51 per cent of the Developmental Expenditure. Of which Energy (Rs.2133 crore), Irrigation and Flood Control (Rs.2787 core) and Transport (Rs.1086 crore) accounted for 77 per cent of the expenditure on Economic sector.

**Table 13: Economic Sector Expenditure**

(Rupees in crore)

	1998-99	1999-2000	2000-01	2001-02	2002-03
Energy	1583	1392	3578	3503	2133
Irrigation and flood control	2898	3200	3101	2335	2787

Transport	850	924	1006	838	1086
<b>Total</b>	<b>5331</b>	<b>5516</b>	<b>7685</b>	<b>6676</b>	<b>6006</b>

### 1.7.1 Financial assistance to Local bodies and other institutions

(a) Autonomous bodies and authorities perform non-commercial functions of public utility services. These bodies/authorities receive substantial financial assistance from 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 Government. The quantum of assistance provided to different Bodies etc., during the period of five years ending 2002-2003 was as follows:

**Table 14**

(Rupees in crore)

Sr. No.	Bodies/authorities, etc.	1998-99	1999-2000	2000-2001	2001-2002	2002-03
1.	Universities and Educational Institutions	*N.A.	1066.00	*N.A.	100.63	95.45
2.	Municipal Corporations and Municipalities	152.89	311.22	331.72	208.89	222.71
3.	Zilla Parishads and Panchayati Raj Institutions	343.28	694.21	288.83	1470.91	1637.43
4.	Other Institutions (including statutory bodies)	332.62	491.87	213.32	1191.95	1011.97
	<b>Total</b>	<b>828.79</b>	<b>2563.30</b>	<b>833.87</b>	<b>2972.38</b>	<b>2967.56</b>
	Percentage increase (+) / decrease (-) over previous year	(-)/70	209	(-)/67	256	negligible
	Assistance as a percentage of revenue receipts	7	18	5	19	17

\* N.A.: information not furnished by the concerned department

### (b) Delay in submission of accounts by Autonomous Bodies

The status of submission of accounts by the autonomous bodies and submission of Audit Reports thereon to the State Legislature as of September 2003 is given in **Appendix VI**.

### 1.7.2 Misappropriations, defalcations, etc.

The State Government reported that 175 cases involving Rs 3.05 crore on account of misappropriations, defalcations etc. of Government money, pertaining to the period from 1952-53 to the end of March 2003 was pending at the end of September 2003. The department-wise/year-wise and category-wise break-up of pending cases is given in **Appendix-VII and VIII** respectively.

### 1.7.3 Write off of losses, etc.

During 2002-2003, Rs.5.62 lakh representing losses due to theft, fire and irrecoverable revenue etc. were written off in 14 cases by competent authorities as reported to audit. The relevant details were as under:

**Table 15**

Sr. No.	Department	Number of cases	Amount (Rs. in lakh)
1.	Agriculture & Co-operation	1	0.07
2.	Information & Publicity	3	0.36
3.	Labour & Employment	3	0.43
4.	Industries, Mines & Power	1	0.07

5.	Home	3	4.06
6.	Food & Civil Supplies	2	0.58
7.	Revenue	1	0.05
	<b>TOTAL</b>	<b>14</b>	<b>5.62</b>

## 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-I presents an abstract of such liabilities and the assets as on 31 March 2003, compared with the corresponding position on 31 March 2002. 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 Accounts and Reserve Funds, the assets comprise mainly the capital expenditure and loans and advances given by the State Government.

The liabilities of Government of Gujarat depicted in the Finance Accounts, however, do not include the pension, other retirement benefits payable to serving/retired State employees, guarantees/ letters of comforts issued by the State Government. Appendix - IV depicts the Time Series Data on State Government Finances for the period 1998-2003.

### 1.8.1 Financial results of irrigation works

The financial results of one major and four medium irrigation projects<sup>®</sup> with capital expenditure of Rs.228.57 crore showed that revenue realized during 2002-2003 (Rs.63.98 crore) was only 27.99 per cent of the capital expenditure. After meeting the working and maintenance expenditure (Rs.15.13 crore) and interest charges (Rs.33.94 crore), the net profit was Rs.14.91 crore.

As per information received from the State Government, as of 31 March 2003, there were 70 incomplete projects in which Rs.315 crore were blocked.

### 1.8.2 Investments and returns

As on 31 March 2003, Government had invested Rs 5014 crore in Statutory Corporations, Joint Stock Companies and Co-operatives. Government's return on this investment was not only meagre (less than one per cent) and it was also on a continuous decline till 2001-02 as indicated in Table 16 below.

**Table 16: Return on Investment**

(Rupees in crore)				
Year	Investment at the end of the year*	Return*	Percentage of Return	Average Rate of Interest paid by the State
1998-1999	3662	22.37	0.61	12.33
1999-2000	3772	27.03	0.72	12.20
2000-2001	4707	26.07	0.55	12.05

<sup>®</sup> The details of other irrigation projects could not be compiled for want of proforma accounts from the State Government.

\* Figures adopted from Finance Accounts.

2001-2002	4978	27.52	0.55	9.34
2002-2003	5014	42.02	0.84	7.57

Of these, 4 Statutory Corporations and 28 Government Companies with an aggregate investment of Rs.1007 crore upto 2002-2003 were incurring losses and their accumulated losses amounted to Rs.9197 crore as per the accounts furnished by these companies (**Appendix-IX**).

### 1.8.3 Loans and Advances by State Government

In addition to its investment, Government has also been providing loans and advances to many of these bodies. Total outstanding balance of the loans advanced was Rs.2942 crore as on 31 March 2003 (Table 17). Overall, interest received against these advances declined to 2.87 per cent during 2002-2003. Further, in most cases, Government orders sanctioning the loans did not specify the terms and conditions for these loans.

**Table 17: Average Interest Received on Loans Advanced by the State Government**

	(Rupees in crore)				
	1998-99	1999-2000	2000-01	2001-02	2002-03
Opening Balance	5107.00	5574.00	6054.00	4744.00	2767.00
Amount advanced during the year	733.00	626.00	917.00	229.00	346.00
Amount repaid during the year	266.00	146.00	2227.00	2206.00	171.00
Closing Balance	5574.00	6054.00	4744.00	2767.00	2942.00
Net addition	467.00	480.00	-1310.00	-1977.00	175.00
Interest Received	368.00	347.00	371.00	67.00	82.00
Interest received as percent to Loans advanced	6.89	5.97	6.87	1.78	2.87
Average rate of interest paid by the State	12.33	12.20	12.05	9.34	7.57
Difference between interest paid and received	-5.44	-6.23	-5.18	-7.56	-4.70

### 1.8.4 Management of cash balances

It is generally desirable that State's flow of resources should match its expenditure obligations. However, to take care of any temporary mis-matches in the flow of resources and the expenditure obligations, a mechanism of Ways and Means Advances (WMA) from Reserve Bank of India has been put in place. Gujarat had the WMA limit of Rs 445 crore from April 1 2002 and Rs 485 crore from March 3 2003. During the year, the State has used this mechanism for 219 days as against 307 days last year although it raised borrowings of Rs 2537 crore from the market on eight occasions. Resort to Overdraft, which is over and above the WMA limits, is all the more undesirable. The State used the OD facilities for 47 days on 13 occasions during the year as against for 72 days on 11 occasions last year.

**Table 18: Ways and Means and Overdrafts of the State and Interest paid thereon**

	(Rupees in crore)					
	1998-99	1999-2000	2000-01	2001-02	2002-03	Average
<b>Ways and Means Advances</b>						
Taken in the Year	84.25	1311.69	1371.57	7059.00	5092.13	2983.73
Outstanding	Nil	227.05	888.89	452.20	42.44	--
Interest Paid	0.06	1.36	7.32	21.78	12.28	8.56
<b>Overdraft</b>						
Taken in the Year	Nil	20.44	3259.90	10212.54	9624.93	4623.56

Outstanding	Nil	Nil	Nil	145.05	Nil	--
Interest Paid	Nil	0.01	0.82	1.54	3.00	1.07
Number of Days State was in Overdraft	Nil	1	45	72	47	33

### 1.8.5 Undischarged Liabilities

#### • Fiscal liabilities – public debt and guarantees

The Constitution of India provides that 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 an act of Legislature. However, no such law was passed by the State to lay down any such limit. Statement 4 read with Statements 16 and 17 of Finance Accounts show the year-end balances under Debt, Deposit and Remittances heads from which the liabilities are worked out.

It would be observed that the over all fiscal liabilities of the State increased from Rs.24757 crore in 1998-1999 to Rs.52572 crore in 2002-2003 at an average growth rate of 21.61 *per cent*. These liabilities as ratio to GSDP increased from 23.50 *per cent* in 1998-1999 to 39.40 *per cent* in 2002-2003 and stood at 2.94 times of its revenue receipts and 3.89 times of its own resources comprising its own tax and non-tax revenue.

Table 19 below gives the Fiscal Liabilities of the State, its rate of growth, ratio of these liabilities to GSDP, revenue receipts and own resources and buoyancy of these liabilities with respect to these parameters.

**Table 19: Fiscal Imbalances–Basic Parameters**

(Rupees in crore and Ratios in *per cent*)

	1998-99	1999-2000	2000-01	2001-02	2002-03	Average
Fiscal Liabilities	24757.000	31561.000	40007.000	45301.000	52572.000	38840.000
Rate of Growth	22.930	27.480	26.760	13.230	16.050	21.610
<b>Ratio of Fiscal Liabilities to</b>						
GSDP	23.500	29.300	36.200	36.300	39.400	33.400
Revenue Receipt	194.300	225.900	254.200	283.400	294.100	244.700
Own Resources	238.500	283.000	322.700	348.300	389.000	307.400
<b>Buoyancy of Fiscal Liabilities to</b>						
GSDP	1.481	12.512	10.173	1.011	2.378	2.996
Revenue Receipt	1.577	2.852	2.115	8.432	1.358	2.279
Own resources	1.287	3.706	2.399	2.680	4.110	2.045

(Due to revision of GSDP figures, the ratios and percentages involving GSDP figures (1998-2002) have undergone change from last Audit Report)

On average for each one *per cent* increase in GSDP, the direct fiscal liabilities of the State have gone up by 2.045 *per cent*.

#### • Guarantees

In addition to the above liabilities, Government had guaranteed loans of its various Corporations and others, which in 2002-2003 stood at Rs 18,866 crore. The guarantees are in the nature of contingent liabilities of the State and in the event of non-payment of loans, there exist an obligation on the State to honour these commitments. The State has been resorting to guarantees for raising the resources in a big way during last five years. The year-wise position of

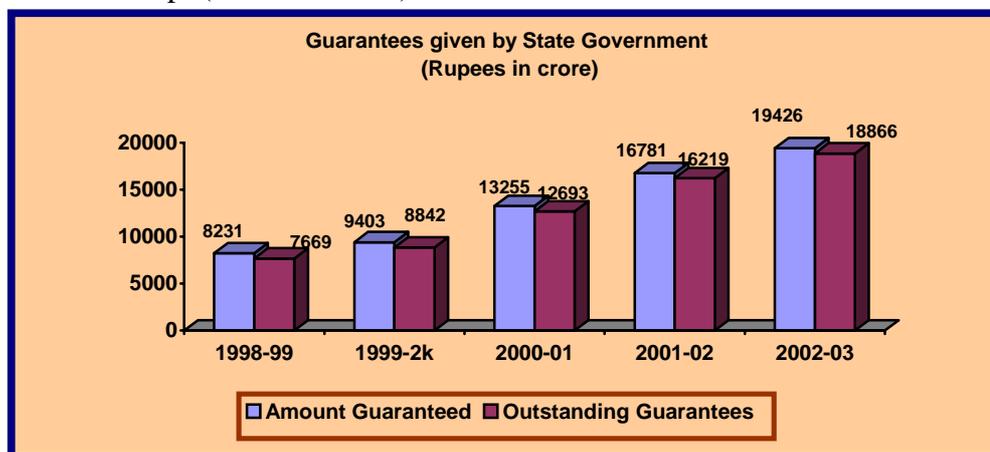
maximum amount for which guarantee given by the State Government to the end of March 2003 was as under:

**Table-20: Guarantees given by the Government of Gujarat**

(Rupees in crore)

Year	Maximum amount guaranteed	Outstanding <sup>A</sup> amount of guarantees	Percentage to total revenue
1998-1999	8231	7669	65
1999-2000	9403	8842	67
2000-2001	13255	12693	84
2001-2002	16781	16219	105
2002-2003	19426	18866	109

The outstanding guarantees (Rs.18866 crore) amounted to 109 *per cent* of the revenue receipt (Rs.17875crore) of the State Government.



Out of the total outstanding guarantee of Rs.18866 crore almost 70 per cent was towards Sardar Sarovar Narmada Nigam Limited(SSNNL) and Gujarat Electricity Board(GEB). SSNNL was formed in March 1988 with the objective to construct a dam over river Narmada in the State for irrigation and generating hydel power. The share capital of the company of Rs.8970 crore (as on 31 March 2003) was fully subscribed by the Government of Gujarat. Out of which investment of Rs.928 crore was made during the year.

The Government further extended guarantees to them for the loans/bonds amounting to Rs.950 crore raised during 2002-03. The total guarantees given by the Government to SSNNL were Rs.6210 crore, but the total loans availed by the Nigam totalled Rs.8644 crore which included secured loan of Rs.5774<sup>▼</sup> crore in form of deep discount bond/non-convertible bonds and unsecured loan of Rs.2870 crore. Therefore Government's liability remains extended on the differential amount of Rs.2434 crore too. The maximum outstanding guarantees as on March 2003 were Rs.18866 crore and with this additional sum of Rs.2434 crore the amount crossed the limit of Rs.20000 crore laid down under Article 293 passed by the State Legislature within which Government may give guarantees on the security of the Consolidated Fund of the State.

<sup>A</sup> As per Finance Accounts of respective years

<sup>▼</sup> out of which 50 *per cent* of loan amount carried interest rate of above 12 *per cent*

Despite infusing funds of this magnitude the project remained non-remunerative even after fourteen years of its inception. The entire expenditure on the project was being capitalised since its inception leading to huge excess capitalization. During the year, against the total receipt of Rs.14 crore, the interest expenses itself was of Rs.714 crore. Thus the entire borrowing of SSNNL along with interest was likely to be met from Government funding.

Currently, the fiscal liabilities including the contingent liabilities exceed four times the revenue receipts of the State. The direct fiscal liabilities of the State have grown much faster as compared to its rate of growth of GSDP.

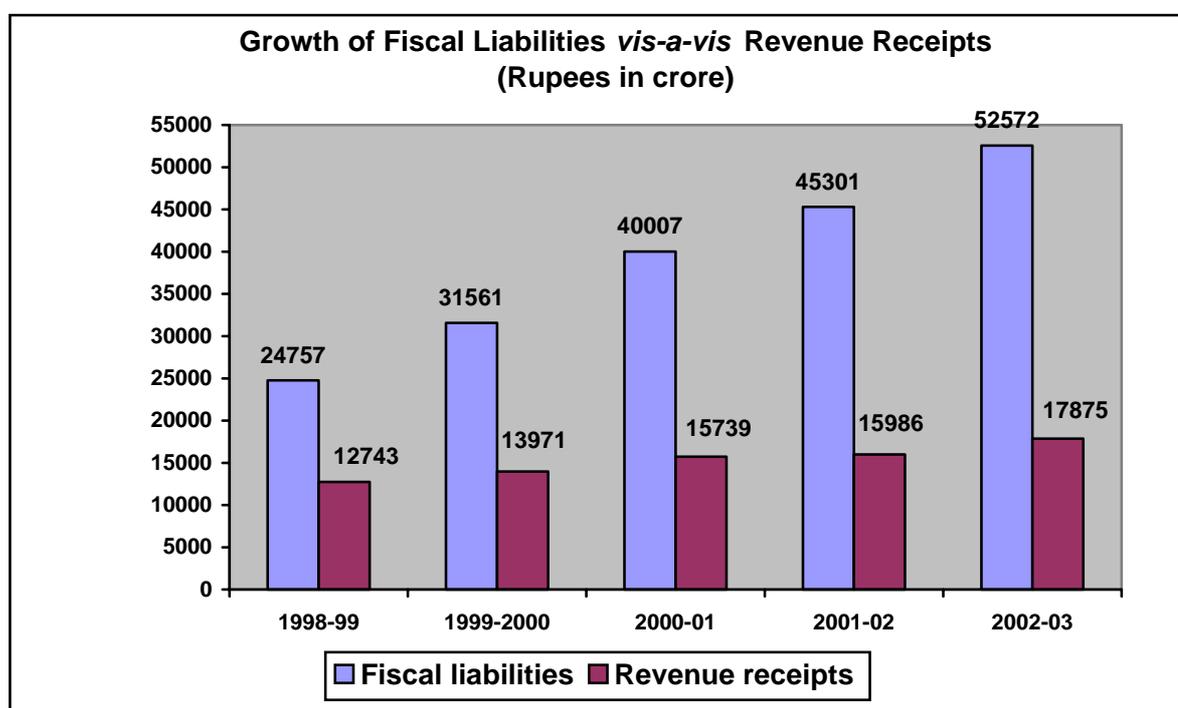
Increasing liabilities had raised the issue of sustainability of State Government's finances. Fiscal liabilities are considered sustainable if the average interest paid on these liabilities is lower than the rate of growth of GSDP.

Debt sustainability with reference to weighted interest rate, GSDP growth rate and interest spread is indicated in Table 21.

**Table 21: Debt Sustainability–Interest Rate and GSDP Growth** (in per cent)

	1998-99	1999-2000	2000-01	2001-02	2002-03	Average
Weighted Interest Rate	10.08	9.97	8.75	9.86	10.11	9.75
GSDP Growth	15.48	2.20	2.63	13.09	6.75	7.21
Interest spread	5.40	-7.78	-6.12	3.23	-3.36	-2.54

(Due to revision of GSDP figures, the ratios and percentages involving GSDP figures (1998-2002) have undergone change from last Audit Report)



Another important indication of debt sustainability is net availability of the funds after payment of the principal on account of the earlier contracted liabilities and interest. Table 22 below gives the position of the receipts and repayments of internal debt over the last 5 years. The net funds available on account of the internal debt and loans and advances from Government of India

after providing for the interest and repayments declined from 17 per cent to 7 per cent during 1998 to 2003.

**Table 22: Net Availability of Borrowed Funds**

(Rupees in crore)						
	1998-99	1999-2000	2000-01	2001-02	2002-03	Average
<b>Internal Debt *</b>						
Receipt	807	2126	11753	23198	23082	12193
Repayment(Principal + Interest)	511	1636	4641	19278	17611	8735
<b>Loans and Advances from GOI</b>						
Receipt	2842	3581	-98	2231	1318	1975
Repayment(Principal + Interest)	1940	2397	3060	2834	4780	3002
<b>Other Liabilities</b>						
Receipt	10620	12704	15259	10759	10898	12048
Repayment(Principal + Interest)	9454	10374	13898	12989	10470	11437
<b>Total Liabilities</b>						
Receipt	14269	18411	26914	36188	35298	26216
Repayment(Principal + Interest)	11905	14407	21599	35101	32861	23174
Net Fund Available	2364	4004	5315	1087	2437	3042
Net Fund Available ( <i>per cent</i> )	16.57	21.75	19.75	3.00	6.90	11.60

\* Internal debt including ways and means advances

The State Government raised market loans of Rs 2537.46 crore during the year. The weighted average rate of market borrowing (Rs.2537 crore) during the year was 7.57 per cent. As on 31 March 2003, 53 per cent of the existing market loans of the State Government carried the interest rate exceeding 10 per cent. Thus, the effective cost of borrowings on their past loans is much higher than the rate at which they are able to raise resources at present from the market. The maturity profile of the State Government market loans indicate that barely 18 per cent of the total market loans are repayable within next five years while remaining 82 per cent loans are required to be repaid within 5 to 10 years.

## **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 are applied are important pointers to the fiscal health.

During the year, all deficit indicators have improved. The revenue deficit has shown drastic improvements from Rs 6732 crore in 2001-02 to Rs 3565 crore in 2002-03 primarily due to un-surrendered savings of Rs3860.85 crore. The

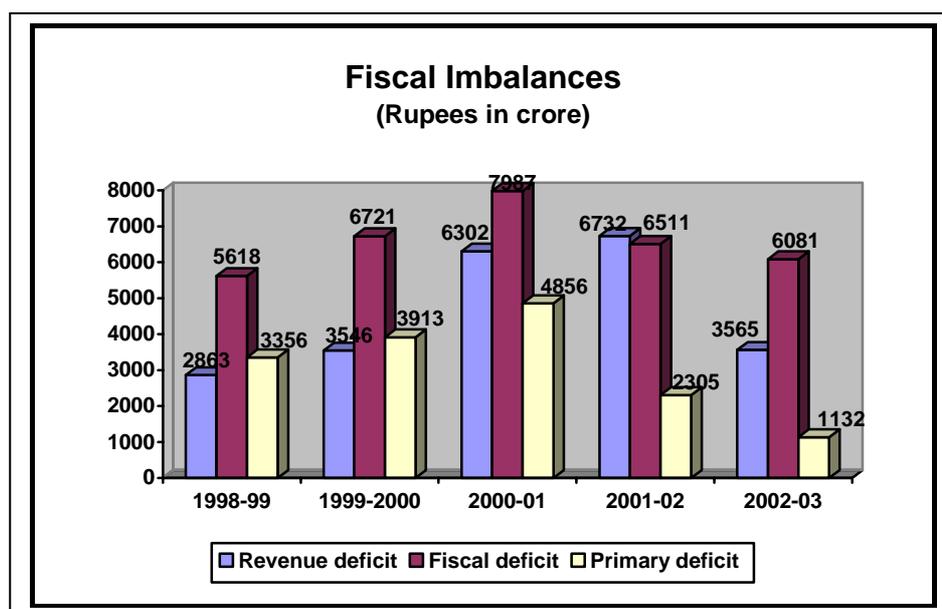
fiscal deficit has also reduced from Rs 6511 crore in 2001-02 to Rs 6081 crore in 2002-03. A large portion of un-surrendered saving was due to non-release of Rs.2084 crore to GEB as envisaged in the Budgetary estimates (original as well as supplementary). The Government has however released Rs.3044<sup>▼</sup> crore to the GEB during 2003-04 (December 2003).

**Table 23: Fiscal Imbalances – Basic Parameters**

(Value: Rupees in crore and Ratios in per cent)

	1998-99	1999-2000	2000-01	2001-02	2002-03	Average
Revenue deficit	2863	3546	6302	6732	3565	4602
Fiscal deficit	5618	6721	7987	6511	6081	6584
Primary Deficit	3356	3913	4856	2305	1132	3112
RD/GSDP	2.72	3.29	5.71	5.39	2.67	3.96
FD/GSDP	5.33	6.25	7.23	5.21	4.56	5.66
PD/GSDP	3.19	3.64	4.40	1.85	0.85	2.68
RD/FD	50.96	52.76	78.90	103.39	58.63	69.89

(Due to revision of GSDP figures, the ratios and percentages involving GSDP figures (1998-2002) have undergone change from the Audit Report for 2001-02)



As proportion to GSDP also, revenue deficit had decreased to 2.67 per cent in 2002-2003 and fiscal deficit to 4.56 per cent.

### 1.10 Fiscal Ratios

The finances of a State should be sustainable, flexible and non-vulnerable. Table 24 below presents a summarised position of Government finances over a period 1998-2003, with reference to certain key indicators that help assess

<sup>▼</sup> Includes Subsidy Rs.1380 crore and Loans and Advances Rs.1664 crore

the adequacy and effectiveness of available resources and their applications, highlight areas of concern and captures its important facets.

The ratio of revenue receipt and State's own taxes to GSDP indicate the adequacy of the resources. The buoyancy of the revenue receipt indicates the nature of the tax regime and the State's increasing access to resources with increase in GSDP.

Various ratios concerning the expenditure management of the State indicate quality of its expenditure and sustainability of these in relation to its resource mobilisation. The ratio of revenue expenditure to total expenditure has shown continuous increase till 2001-02 with a nominal decrease in 2002-03 (88.86 per cent). The capital expenditure as well as development expenditure in terms of percentage of total expenditure had declined. All these indicate State's dependency on borrowings for meeting its revenue expenditure and inadequate expansion of its developmental activities.

**Table 24: Indicators of Fiscal Health (in per cent)**

Fiscal ratio	1998-99	1999-2000	2000-01	2001-02	2002-03	Average
<b>Resource Mobilisation</b>						
Revenue Receipt/GSDP	12.100	12.980	14.250	12.800	13.410	13.120
Revenue Buoyancy	0.939	4.387	4.811	0.120	1.751	1.314
Own tax/GSDP	7.230	7.580	8.190	7.400	7.140	7.510
<b>Expenditure Management</b>						
Total Expenditure/GSDP	17.690	19.360	23.500	19.780	18.100	19.640
Revenue Receipts / Total Expenditure	68.410	67.050	60.640	64.710	74.090	67.070
Revenue Expenditure/ Total Expenditure	83.780	84.060	84.930	91.960	88.860	86.930
Capital Expenditure / Total Expenditure	12.790	13.330	11.960	7.180	9.840	10.840
Development Expenditure/ Total Expenditure (RE + CE)	72.900	71.140	75.100	70.380	64.490	70.730
Buoyancy of TE with RR	2.002	1.231	1.940	-3.067	-0.198	1.155
Buoyancy of RE with RR	1.961	1.271	2.041	1.957	-0.476	1.344
<b>Management of Fiscal Imbalances</b>						
Revenue deficit (Rs in crore)	2863.000	3546.000	6302.000	6732.000	3565.000	4602.000
Fiscal deficit (Rs in crore)	5618.000	6721.000	7987.000	6511.000	6081.000	6584.000
Primary Deficit (Rs in crore)	3356.000	3913.000	4856.000	2305.000	1132.000	3112.000
Revenue Deficit/Fiscal Deficit	50.960	52.760	78.900	103.390	58.630	69.890
<b>Management of Fiscal Liabilities (FL)</b>						
Fiscal Liabilities/GSDP	23.500	29.300	36.200	36.300	39.400	33.400
Fiscal Liabilities/RR	194.300	225.900	254.200	283.400	294.100	244.700
Buoyancy of FL with RR	1.577	2.852	2.115	8.432	1.358	2.278
Buoyancy of FL with OR	1.287	3.706	2.399	2.680	4.110	2.045
Interest spread	5.400	-7.780	-6.120	3.230	-3.360	-2.540
Net Fund Available	16.570	21.750	19.750	3.000	6.900	11.600
<b>Other Fiscal Health Indicators</b>						
Return on Investment	0.610	0.720	0.550	0.550	0.840	0.560
BCR (Rs in crore)	-1221.000	-1759.000	-4246.000	-6048.000	-2370.000	-3129.000
Financial Assets/Liabilities	0.830	0.760	0.650	0.560	0.550	0.670

(Due to revision of GSDP figures, the ratios and percentages involving GSDP figures (1998-2002) have undergone change from last Audit Report)

It is not uncommon for a State to borrow for increasing its social and economic infrastructure support and creating additional income generating assets. However, large revenue and fiscal deficits year after year, together with low or no return on investments indicate that the State is gradually getting into a debt trap. Similarly, the higher buoyancy of the debt with regard to its revenue receipts indicate its increasing unsustainability. The State's continuous declining low return on investment indicates an implicit subsidy and use of high cost borrowing for investments, which yields very little to it.

Investments in loss making companies are not sustainable. The ratio of State's total financial assets to liabilities has also deteriorated indicating that a greater part of liabilities are without an asset back-up. This indicates that either the State has to generate more revenue out of its existing assets or need to provide from its current revenues for servicing its debt obligations. The balance of current revenue of the State has also continued to be negative. The BCR plays a critical role in determining its plan size and a negative BCR adversely affects the same and reduces availability of fund for additional infrastructure support and other revenue generating investment.