

CHAPTER I

FINANCES OF THE STATE GOVERNMENT

In summary

After an improvement in the finances of the State during 2002-03 all deficit indicators have increased during the year 2003-04. The revenue deficit increased from Rs.3565 crore to Rs.3706 crore from 2002-03 to 2003-04, the fiscal deficit shared a quantum jump during this period from Rs.6029 crore to Rs.9142 crore.

However, the Revenue receipts of the State increased from Rs. 13971 Crore in 1999-2000 to Rs 18248 crore in 2003-2004. The moderate growth in 2003-04 was attained primarily due to increase in the tax revenue during the year 2003-2004 on account of Sales Tax (Rs 917 crore), Taxes on vehicles (Rs 128 crore) and Stamps and Registration fees (Rs.175 crore). Of non-tax revenue sources, interest receipts (27 *per cent*) and non-ferrous mining and metallurgical industries receipts (41 *per cent*) were principal contributors. During the year, there was a reduction of central grants in aid by 39 *per cent* when compared to the last year.

The total expenditure of the State increased from Rs 20838 crore in 1999-2000 to Rs.27590 crore in 2003-2004. Interest payments and Pensions together consumed 35 *per cent* of total revenue receipts of the State during the year

The overall fiscal liabilities of the State almost doubled from Rs.31561 crore in 1999-2000 to Rs.62876 crore in 2003-2004. 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 some hard measures for reduction of revenue deficit/fiscal deficit like compressing non-developmental revenue expenditure and enhanced additional resource mobilisation through improved tax collection mechanism and periodical revision of user charges for increased cost recoveries of Government services, prudent debt management and greater fiscal management 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 its goals through appropriate legislation on the pattern of Central Government and many other 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 2003-04.

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 2004.

Statement No.9 shows the Revenue and Expenditure under different heads for the year 2003-04 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 2003-04.

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 2003-04.

Statement No.15 depicts the capital and other expenditure to the end of 2003-04 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 2004 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)

| 2002-03 | Sl. No | Major Aggregates | 2003-04 |
|--------------|------------|--|--------------|
| 17875 | 1. | Revenue Receipts (2+4+5) | 18248 |
| 9521 | 2. | Tax Revenue (Own tax Revenue) | 11173 |
| 1363 | 3. | Tax transfers | 1966 |
| 3995 | 4. | Non-Tax Revenue | 3272 |
| 2996 | 5. | Other Receipts | 1837 |
| 223 | 6. | Non-Debt Capital Receipts (7+8) | 200 |
| 52 | 7. | Capital Receipts | 18 |
| 171 | 8. | Recovery of Loans and Advances | 182 |
| 18098 | 9. | Total Receipts (1+6) | 18448 |
| 19676 | 10. | Non-Plan Expenditure (11+13+14) | 20783 |
| 19373 | 11. | On Revenue Account | 18645 |
| 4949 | 12. | Of which, interest payments | 5857 |
| 131 | 13. | On Capital Account | 159 |
| 172 | 14. | Of which Loans disbursed | 1979 |
| 4451 | 15. | Plan Expenditure (16+18+19) | 6807 |
| 2067 | 16. | On Revenue Account | 3309 |
| | 17. | Of which interest payments | 18 |
| 2210 | 18. | On Capital Account | 3052 |
| 174 | 19. | Of which Loans disbursed | 446 |
| 24127 | 20. | Total Expenditure (10+15) | 27590 |
| 3565 | 21. | Revenue Deficit (11+16-1) | 3706 |
| 6029 | 22. | Fiscal Deficit (20-1-6) | 9142 |
| 1080 | 23. | Primary Deficit (22-12-17) | 3267 |

1.3 Summary of Receipts and Disbursements for the year

Table 1 summarises the finances of the State Government for the year 2003-04 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 2003-2004

| (Rupees in crore) | | | | | | | |
|--------------------|--------------------------------------|----------|----------|----------------------------------|------------|---------|----------|
| 2002-03 | Receipts | 2003-04 | 2002-03 | Disbursements | 2003-04 | | |
| Section-A: Revenue | | | | | | | |
| | | | | | Non-Plan | Plan | Total |
| 17875.33 | I Revenue receipts | 18247.52 | 21440.13 | I Revenue expenditure | 18645.05 | 3309.09 | 21954.14 |
| 9520.66 | Tax revenue | 11173.43 | 8302.50 | General Services | 9174.02 | 76.14 | 9250.16 |
| 3995.58 | Non-tax revenue | 3271.96 | 6539.22 | Social Services | 5480.03 | 1595.65 | 7075.68 |
| 1363.22 | Share of Union Taxes/Duties | 1965.48 | 6494.27 | Economic Services | 3891.02 | 1637.30 | 5528.32 |
| 2995.87 | Grants from Govt. of India | 1836.65 | 104.14 | Grants-in-aid / Contributions | 99.98 | | 99.98 |
| Section-B: Capital | | | | | | | |
| 52.00 | II Misc. Capital Receipts | 17.95 | 2341.30 | II Capital Outlay | 159.38 | 3052.05 | 3211.43 |
| 171.45 | III Recoveries of Loans and Advances | 181.60 | 345.66 | III Loans and Advances disbursed | 1978.36 | 446.44 | 2424.80 |
| 9683.67 | IV Public debt receipts* | 15007.75 | 3203.31 | IV Repayment of Public Debt | # 5395.39 | | 5395.39 |
| 20665.87 | V Public accounts receipts | 25038.70 | 20064.80 | V Public accounts disbursements | # 25021.96 | | 25021.98 |
| 580.14 | Opening Balance | 1483.20 | 1483.20 | Closing Balance | | | 1887.95 |
| 49028.46 | Total | 59976.72 | 48878.40 | Total | 51200.13 | 6807.58 | 59895.69 |

Note : *- Includes net ways and means advances and overdraft 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 2003-04 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 mobilisation 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.

| Box 1.2 Reporting Parameters |
|--|
| <p>Fiscal aggregates like tax and non-tax revenue, revenue and capital expenditure, internal and external debt and revenue and fiscal deficits have been presented as percentage to the GSDP at current market prices. The New GSDP series with 1993-94 as base as published by the Bureau of Economics and Statistics Department of the State Government have been used.</p> <p>For tax revenues, non-tax revenues, revenue expenditure etc, buoyancy projections have also been provided for a further estimation of the range of fluctuations with reference to the base represented by GSDP.</p> <p>For most series a trend growth during 1999-2004 has been indicated. The ratios with respect to GSDP have also been depicted. Some of the terms used here are explained in Appendix-V.</p> |

The accounts of the state Government are kept in three parts (i) Consolidated Fund, (ii) Contingency Fund and (iii) Public Account.

| Box 1.3 State Government Funds and the Public Account | |
|--|--|
| <p>Consolidated Fund</p> <p>All revenues received by the State Government, all loans raised, ways and means advances 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>Contingency Fund</p> <p>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>Public Account</p> <p>Besides the normal receipts and expenditure of Government which relate to the Consolidated Fund, certain other transactions enter Government Accounts, in respect of which Government acts more as a banker. Transactions relating to provident funds, small savings, other deposits, etc. are a few examples. The public moneys thus received are kept in the Public Account set up under Article 266(2) of the Constitution and the related 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 consist of tax revenues, non-tax revenues, State's share of union taxes and duties and grants-in-aid from the Central Government. Capital receipts comprise 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 2003-04 was Rs.58495 crore. Of these, the revenue receipts of the State Government was Rs.18248 crore only, constituting 31 *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) |
|------------------------------------|-------------------------------------|-------------------|
| I Revenue Receipts | | 18248 |
| II Capital Receipts | | 15208 |
| a | Miscellaneous Receipts | 18 |
| b | Recovery of Loans and Advances | 182 |
| c | Public Debt Receipts | 15008* |
| III Public Account Receipts | | 25039 |
| a | Small Savings, Provident Fund, etc. | 895 |
| b | Reserve Fund | 370 |
| c | Deposits and Advances | 9668 |
| d | Suspense and Miscellaneous | 9770 |
| e | Remittances | 4336 |
| Total Receipts | | 58495 |

1.5.1 Revenue receipts

Statement-11 of the Finance Accounts details the Revenue Receipts of the State 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.

* Excluded ways and means advances

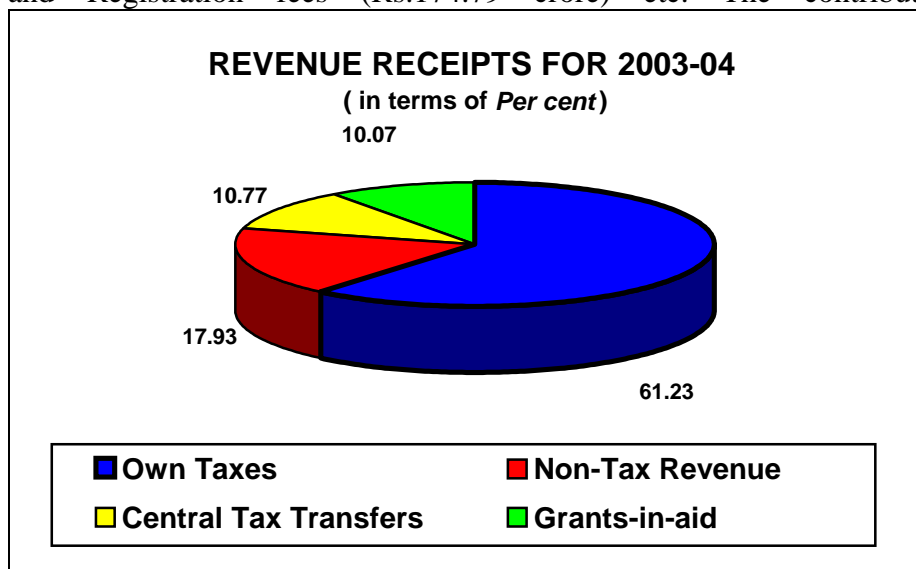
Table 3: Revenue Receipts – Basic Parameters(Value: Rupees in crore and others in *per cent*)

| | 1999-2000 | 2000-01 | 2001-02 | 2002-03 | 2003-04 |
|-----------------------|-----------|----------|----------|----------|----------|
| Revenue Receipts | 13971.00 | 15739.00 | 15986.00 | 17875.00 | 18248.00 |
| Own Taxes | 58.42 | 57.48 | 57.84 | 53.25 | 61.23 |
| Non-Tax Revenue | 21.40 | 21.28 | 23.53 | 22.36 | 17.93 |
| Central tax Transfers | 11.92 | 10.00 | 9.31 | 7.63 | 10.77 |
| Grants-in aid | 8.26 | 11.24 | 9.32 | 16.76 | 10.07 |
| Rate of Growth | 9.64 | 12.65 | 1.57 | 11.82 | 2.08 |
| Revenue Receipt/GSDP | 12.68 | 14.10 | 12.57 | 12.93 | 12.45 |
| Revenue Buoyancy | 2.09 | 9.74 | 0.11 | 1.36 | 0.35 |
| GSDP Growth | 4.62 | 1.30 | 13.97 | 8.72 | 5.96 |

(Note:- Due to revision of GSDP figures, the ratios and percentages involving GSDP figures (1999-2003) have undergone change from last Audit Report.)

Revenue receipts of the State increased from Rs. 13971 crore in 1999-2000 to Rs.18248 crore in 2003-2004. There was a moderate increase of 11.82 *per cent* in 2002-03. However, the growth rate declined to 2.08 *per cent* in 2003-04. This happened primarily due to 39 *per cent* decrease in grants-in-aid from Government of India.

The increase in the tax revenue during the year 2003-2004 was mainly on Sales Tax (Rs.917.45 crore), Taxes on vehicles (Rs.128.28 crore) and Stamps and Registration fees (Rs.174.79 crore) etc. The contribution of



own tax revenue to the revenue receipts, after showing significant decline from 58.42 *per cent* in 1999-00 to 53.25 *per cent* in 2002-03, again reached to 61.23 *per cent* in 2003-04.

Sales tax was the major source of State's own tax revenue having contributed 64 *per cent* of the tax revenue followed by taxes and duties on electricity (14 *per cent*), taxes on Vehicles (8 *per cent*) etc.

Of non-tax revenue sources, interest receipts (27 *per cent*) and non ferrous mining and metallurgical industries receipts (41 *per cent*) were principal contributors. The current levels of cost recovery in supply of merit goods and services by Government are 0.35 *per cent* for secondary education, 0.35 *per cent* for university and higher education, 0.05 *per cent* for technical education, 1.30 *per cent* for health and family welfare, 0.03 *per cent* for water supply and sanitation, 6.20 *per cent* for major and medium irrigation and 0.33 *per cent* in minor irrigation.

Besides, the arrears of revenues increased by 155 *per cent* from Rs.4129 crore in 1999-00 to Rs.10517 crore at the end of 2003-04. Of these, Rs.664 crore were outstanding for a period of more than 5 years. Arrears were mainly in respect of Taxes on Sales, Trade, etc. (Rs. 650 crore). The deterioration in the position of arrears of revenue showed a slackening of the revenue realising efforts of the State Government.

The receipts under different heads and GSDP during 1999-2004 are 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 | | |
| 1999-00 | 13971 | 146 | 4623 | 22453 | 41193 | 110167 |
| 2000-01 | 15739 | 2227 | 7686 | 25129 | 50781 | 111599 |
| 2001-02 | 15986 | 2207 | 8158 | 23703 | 50054 | 127191 |
| 2002-03 | 17875 | 171 | 9684 | 20666 | 48396 | 138285 |
| 2003-04 | 18248 | 200 | 15008 | 25039 | 58495 | 146530 |

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 heads. The total expenditure of the State increased from Rs.20838 crore in 1999-2000 to Rs.27590 crore in 2003-2004.

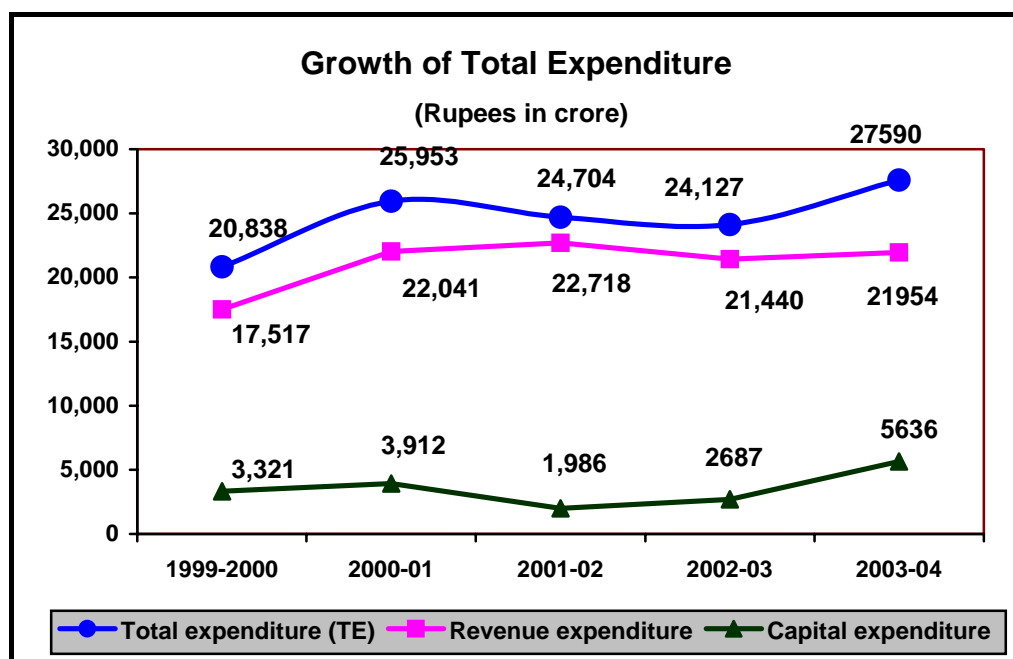
Total expenditure of the State, its trend and annual growth, ratio of expenditure to the State's GSDP and revenue receipts and its buoyancy with regard to GSDP and revenue receipts are indicated in Table-5 below:

Table 5: Total Expenditure – Basic Parameters(Value: Rupees in crore and others in *per cent*)

| | 1999-2000 | 2000-01 | 2001-02 | 2002-03 | 2003-04 |
|---|-----------|----------|----------|----------|----------|
| Total Expenditure | 20838.00 | 25953.00 | 24704.00 | 24127.00 | 27590.00 |
| Rate of Growth | 11.86 | 24.55 | -4.81 | -2.34 | 14.35 |
| TE/GSDP | 18.92 | 23.26 | 19.42 | 17.45 | 18.83 |
| Revenue Receipt / TE Ratio | 67.05 | 60.64 | 64.71 | 74.09 | 66.14 |
| Buoyancy of Total Expenditure with | | | | | |
| GSDP | 2.57 | 18.88 | Negative | Negative | 2.41 |
| Revenue Receipts | 1.23 | 1.94 | Negative | Negative | 6.88 |

(Due to revision of GSDP figures, the ratios and percentages involving GSDP figures (1999-2003) have undergone change from last Audit Report)

There was slight decline in the ratio of revenue receipts to total expenditure from 67.05 *per cent* in 1999-2000 to 66.14 *per cent* in 2003-2004, indicating that 66 *per cent* of the State's total expenditure was met from its revenue receipts, leaving the balance to be met from borrowings.

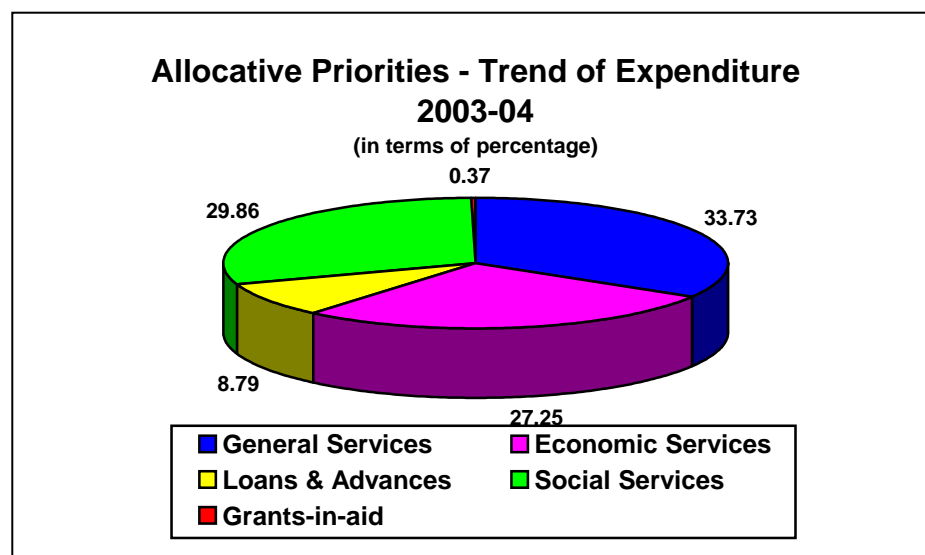


In terms of activities, total expenditure comprised of expenditure on General Services including interest payments, Social and Economic Services and Loans and Advances. The relative share of these components in total expenditure are indicated in Table 6.

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

| | 1999-2000 | 2000-01 | 2001-02 | 2002-03 | 2003-04 |
|---------------------------------|-----------|---------|---------|---------|---------|
| General Services | 27.76 | 23.83 | 29.12 | 34.57 | 33.73 |
| Social Services | 32.92 | 33.78 | 34.74 | 31.32 | 29.86 |
| Economic Services | 36.08 | 38.67 | 34.99 | 32.25 | 27.25 |
| Grants-in-aid and contributions | 0.24 | 0.19 | 0.22 | 0.43 | 0.37 |
| Loans & Advances | 3.00 | 3.53 | 0.93 | 1.43 | 8.79 |

The movement of relative share of these components indicates that while the share of Economic Services in total expenditure declined sharply from 36.08 per cent in 1999-2000 to 27.25 per cent in 2003-2004; the relative share of General Services considered as non-developmental, increased from 27.76 per cent in 1999-2000 to 33.73 per cent in 2003-2004. The share of Social Services declined from 32.92 per cent in 1999-2000 to 29.86 per cent in 2003-2004.



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.17517 crore in 1999-2000 to Rs.21954 crore in 2003-2004. The increase of Rs.514 crore in the revenue expenditure during the year was mainly due to increase in expenditure on interest payment (Rs.926 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*)

| | 1999-2000 | 2000-01 | 2001-02 | 2002-03 | 2003-04 |
|---|-----------|----------|----------|----------|----------|
| Revenue Expenditure | 17517.00 | 22041.00 | 22718.00 | 21440.00 | 21954.00 |
| Rate of Growth | 12.25 | 25.83 | 3.07 | -5.63 | 2.40 |
| RE/GSDP | 15.90 | 19.75 | 17.86 | 15.50 | 14.98 |
| RE as <i>per cent</i> of TE | 84.06 | 84.93 | 91.96 | 88.86 | 79.57 |
| RE as <i>per cent</i> to Revenue Receipt | 125.38 | 140.04 | 142.11 | 119.94 | 120.32 |
| Buoyancy of Revenue Expenditure with | | | | | |
| GSDP | 2.65 | 19.87 | 0.22 | Negative | 0.40 |
| Revenue Receipts | 1.27 | 2.04 | 1.96 | Negative | 1.15 |

(Note-Due to revision of GSDP figures, the ratios and percentages involving GSDP figures (1999-2003) have undergone change from last Audit Report.)

Revenue expenditure accounted for 78 *per cent* of total funds available during 2003-2004. This was higher than the share of revenue receipts (65 *per cent* in total receipts) of the State Government. As only 83 *per cent* of revenue expenditure could be financed from revenue receipts, this led to revenue deficit. Though the ratio of revenue expenditure to revenue receipts declined from 125.38 *per cent* in 1999-2000 to 120.32 *per cent* in 2003-04, dependence of the State on borrowings, for meeting its current expenditure, continues primarily due to the fact that interest payments (Rs.5875 crore) and Pensions (Rs.1734 crore) alone consumed 35 *per cent* of total revenue receipts of the State during the year.

• **Huge expenditure on pension payments**

Pension payments have increased by 15.10 *per cent* from Rs.1506.51 crore in 1999-2000 to Rs.1733.94 crore in 2003-04. Year-wise break-up of expenditure incurred on pension payments during the years 1999-2000 to 2003-2004 was as under:

Table 8

| Year | Expenditure | Percentage to total Revenue Receipts |
|-----------|-----------------|--------------------------------------|
| | Rupees in crore | |
| 1999-2000 | 1506.51 | 11 |
| 2000-2001 | 1438.60 | 9 |
| 2001-2002 | 1502.17 | 9 |
| 2002-2003 | 1588.33 | 9 |
| 2003-2004 | 1733.94 | 10 |

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 an all time high of 32 *per cent* during the year 2003-04.

Table 9

| Year | Interest payment | Percentage of interest payment with reference to | |
|-----------|-------------------|--|---------------------|
| | (Rupees in crore) | Revenue Receipts | Revenue Expenditure |
| 1999-2000 | 2808 | 20 | 16 |
| 2000-2001 | 3131 | 20 | 14 |
| 2001-2002 | 4206 | 26 | 19 |
| 2002-2003 | 4949 | 28 | 23 |
| 2003-2004 | 5875 | 32 | 27 |

In absolute terms, interest payments increased steadily by 109 *per cent* from Rs.2808 crore in 1999-2000 to Rs.5875 crore in 2003-04 primarily due to increasing borrowings for financing the fiscal deficit. The increase in interest payments was mainly due to increased Interest on Internal Debt (Rs.949 crore), as the Government had borrowed a large amount on Special Securities Fund of the Central Government.

• **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 five years, State Government paid the subsidies under various schemes as under:

Table 10

| (Rupees in crore) | | | | | | |
|-------------------|---|----------------------|----------------------|----------------|----------------|----------------|
| Sr. No | Particulars | 1999-2000 | 2000-01 | 2001-02 | 2002-03 | 2003-04 |
| 1 | Gujarat Electricity Board (GEB) | 1329.87 [#] | 2021.26 [#] | 3359.93 | 1858.75 | 2460.05 |
| 2 | Others | N.A | N.A | 715.92 | 191.41 | 364.13 |
| | Total | 1329.87 | 2021.26 | 4075.85 | 2050.16 | 2824.18 |
| 1 | Percentage of subsidy to total expenditure* | 6.58 | 8.07 | 16.65 | 8.62 | 11.22 |

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

[#] **Figures adopted from AR(Commercial)**

The Power Sector continues to be highly subsidised and subsidy of Rs.2460 crore was paid during 2003-04 which constitutes 87 *per cent* of the total subsidy during the year. The State should initiate steps for reforming the Power Sector.

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)**

| | 1999-2000 | 2000-01 | 2001-02 | 2002-03 | 2003-04 |
|-------------------------|-----------|---------|---------|---------|---------|
| Plan Expenditure | 26.44 | 23.42 | 14.08 | 17.98 | 25.28 |
| Capital Expenditure | 13.33 | 11.96 | 7.18 | 9.84 | 12.76 |
| Development Expenditure | 71.14 | 75.10 | 70.38 | 64.49 | 62.61 |

* 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 these components declined during 1999-2004, Plan Expenditure declined from 26.44 *per cent* of total expenditure in 1999-2000 to 25.28 *per cent* in 2003-2004. Similarly, Capital Expenditure also declined from 13.33 to 12.76 *per cent*. There was also a decline in the share of Development Expenditure from 71.14 *per cent* in 1999-2000 to 62.61 *per cent* in 2003-2004 indicating increasing trend in non-development expenditure.

Out of the Development Expenditure (Rs.15757 crore), Social Services (Rs.8238 crore) accounted for 52 *per cent* of the Development Expenditure during the year. General Education, Health and Family Welfare, Water Supply, Sanitation, Housing and Urban Development consumed 74 *per cent* of the expenditure on social sector.

Table 12: Social Sector Expenditure

(Rupees in crore)*

| | 1999-2000 | 2000-01 | 2001-02 | 2002-03 | 2003-04 |
|---|-------------|-------------|-------------|-------------|-------------|
| General Education | 3412 (3.10) | 3685 (3.30) | 3264 (2.57) | 3634 (2.63) | 3693 (2.52) |
| Health & Family Welfare | 951 (0.86) | 919 (0.82) | 729 (0.57) | 864 (0.63) | 887 (0.61) |
| Water Supply, Sanitation, Housing and Urban Development | 1189 (1.08) | 1701 (1.52) | 796 (0.63) | 1142 (0.83) | 1480 (1.02) |
| Total | 5552 | 6305 | 4789 | 5640 | 6060 |

* the expenditure as percentage of GSDP in brackets

Similarly, the expenditure on Economic Services (Rs.7519 crore) accounted for 48 *per cent* of the Developmental Expenditure. Of which Energy (Rs.2570 crore), Irrigation and Flood Control (Rs.1710 crore) and Transport (Rs.1275 crore) accounted for 74 *per cent* of the expenditure on economic sector.

Table 13: Economic Sector Expenditure

(Rupees in crore)*

| | 1999-2000 | 2000-01 | 2001-02 | 2002-03 | 2003-04 |
|------------------------------|----------------|----------------|----------------|----------------|----------------|
| Energy | 1392 (1.26) | 3578 (3.21) | 3503 (2.75) | 2133 (1.54) | 2570 (1.75) |
| Irrigation and flood control | 3200 (2.90) | 3101 (2.78) | 2335 (1.84) | 2787 (2.02) | 1710 (1.17) |
| Transport | 924 (0.84) | 1006 (0.90) | 838 (0.66) | 1086 (0.79) | 1275 (0.87) |
| Total | 5516 | 7685 | 6676 | 6006 | 5555 |

* the expenditure as percentage of GSDP in brackets

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 2003-2004 was as follows:

Table 14

(Rupees in crore)

| Sr. No. | Bodies/authorities, etc. | 1999-2000 | 2000-01 | 2001-02 | 2002-03 | 2003-04 |
|---------|---|----------------|---------------|----------------|----------------|----------------|
| 1. | Universities and Educational Institutions | 1066.00 | *N.A. | 100.63 | 95.45 | 85.01 |
| 2. | Municipal Corporations and Municipalities | 311.22 | 331.72 | 208.89 | 222.71 | 244.03 |
| 3. | Zilla Parishads and Panchayati Raj Institutions | 694.21 | 288.83 | 1470.91 | 1637.43 | 1572.61 |
| 4. | Other Institutions (including statutory bodies) | 491.87 | 213.32 | 1191.95 | 1011.97 | 1058.32 |
| | Total | 2563.30 | 833.87 | 2972.38 | 2967.56 | 2959.97 |
| | Percentage increase (+) / decrease (-) over previous year | 209 | (-)67 | 256 | Negligible | Negligible |
| | Assistance as a percentage of revenue receipts | 18 | 5 | 19 | 17 | 16 |

* 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 2004 is given in **Appendix VI**.

1.7.2 Misappropriations, defalcations, etc.

The State Government reported that final action on 176 cases involving Rs.6.72 crore on account of misappropriations, defalcations etc. of Government money, pertaining to the period from 1952-53 to the end of March 2004, was pending at the end of September 2004. 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 2003-2004, Rs.3.95 lakh representing losses due to theft, fire and irrecoverable revenue etc. were written off in three 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. | Home | 1 | 3.35 |
| 2. | Revenue | 2 | 0.60 |
| | Total | 3 | 3.95 |

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 2004, compared with the corresponding position on 31 March 2003. 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 1999-2004.

1.8.1 Financial results of irrigation works

The financial results of one major and four medium irrigation projects[®] with capital expenditure of Rs.228.58 crore showed that revenue realised during 2003-2004 (Rs.19.49 crore) was only 8.53 *per cent* of the capital expenditure. After meeting the working and maintenance expenditure (Rs.13.84 crore) and interest charges (Rs.33.90 crore), the net loss was Rs.28.25 crore.

As per information received from the State Government, as of 31 March 2004, there were 80 incomplete projects in which Rs.279 crore were blocked.

1.8.2 Investments and returns

As on 31 March 2004, Government had invested Rs 11220 crore in Statutory Corporations, Joint Stock Companies and Co-operatives. Government's return on this investment was not only meager (less than one *per cent*) but also significantly declined to 0.27 *per cent* during 2003-04 as indicated in Table 16 below.

[®] The details of other irrigation projects could not be compiled for want of proforma accounts from the State Government

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 |
|-----------|-----------------------------------|--------|----------------------|--|
| 1999-2000 | 3772 | 27.03 | 0.72 | 9.97 |
| 2000-2001 | 4707 | 26.07 | 0.55 | 8.75 |
| 2001-2002 | 4978 | 27.52 | 0.55 | 9.86 |
| 2002-2003 | 5014 | 42.02 | 0.84 | 10.11 |
| 2003-2004 | #11220 | 29.89 | 0.27 | 10.17 |

Four Statutory Corporations and 23 Government Companies with an aggregate investment of Rs.1039 crore upto 2003-2004 were incurring losses and their accumulated losses amounted to Rs 8802 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.5185 crore as on 31 March 2004 (Table 17). Overall, interest received against these advances declined to 2.87 *per cent* during 2003-2004. 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)

| | 1999-2000 | 2000-01 | 2001-02 | 2002-03 | 2003-04 |
|--|-----------|----------|----------|---------|---------|
| Opening Balance | 5574.00 | 6054.00 | 4744.00 | 2767.00 | 2942.00 |
| Amount advanced during the year | 626.00 | 917.00 | 229.00 | 346.00 | 2425.00 |
| Amount repaid during the year | 146.00 | 2227.00 | 2206.00 | 171.00 | 182.00 |
| Closing Balance | 6054.00 | 4744.00 | 2767.00 | 2942.00 | 5185.00 |
| Net addition | 480.00 | -1310.00 | -1977.00 | 175.00 | 2243.00 |
| Interest received | 347.00 | 371.00 | 67.00 | 82.00 | 0.01 |
| Interest received as percent to Loans advanced | 5.97 | 6.87 | 1.78 | 2.87 | 0.00 |
| Average rate of interest paid by the State | 9.97 | 8.75 | 9.86 | 10.11 | 10.17 |
| Difference between interest paid and received | -4.00 | -1.88 | -8.08 | -7.24 | -10.17 |

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 203 days as against 219 days last year although it raised borrowings of Rs 4961 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 21 days on 3 occasions during the year as against for 47 days on 13 occasions last year.

The total investment of Rs.4417 crore booked under SSNNL escaped depiction in respective years, which is included in the current year

Table 18: Ways and Means and Overdrafts of the State and Interest paid thereon**(Rupees in crore)**

| | 1999-2000 | 2000-01 | 2001-02 | 2002-03 | 2003-04 |
|---------------------------------------|-----------|---------|----------|---------|---------|
| Ways and Means Advances | | | | | |
| Taken in the year | 1311.69 | 1371.57 | 7059.00 | 5092.13 | 5394.18 |
| Outstanding | 227.05 | 888.89 | 452.20 | 42.44 | 42.44 |
| Interest paid | 1.36 | 7.32 | 21.78 | 12.28 | 11.62 |
| Overdraft | | | | | |
| Taken in the year | 20.44 | 3259.90 | 10212.54 | 9624.93 | 1766.93 |
| Outstanding | Nil | Nil | 145.05 | Nil | Nil |
| Interest paid | 0.01 | 0.82 | 1.54 | 3.00 | 0.46 |
| Number of Days State was in Overdraft | 1 | 45 | 72 | 47 | 21 |

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 overall fiscal liabilities of the State increased from Rs.31561 crore in 1999-2000 to Rs.62876 crore in 2003-2004. These liabilities as ratio to GSDP increased from 28.65 *per cent* in 1999-2000 to 42.91 *per cent* in 2003-2004 and stood at 3.45 times of its revenue receipts and 4.35 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*)**

| | 1999-2000 | 2000-01 | 2001-02 | 2002-03 | 2003-04 |
|--|-----------|---------|---------|---------|---------|
| Fiscal Liabilities | 31561 | 40007 | 45301 | 52572 | 62876 |
| Rate of Growth | 27.480 | 26.760 | 13.230 | 16.050 | 19.600 |
| Ratio of Fiscal Liabilities to | | | | | |
| GSDP | 28.648 | 35.849 | 35.617 | 38.017 | 42.910 |
| Revenue Receipt | 225.900 | 254.200 | 283.400 | 294.100 | 344.580 |
| Own Resources | 283.000 | 322.700 | 348.300 | 389.000 | 435.270 |
| Buoyancy of Fiscal Liabilities to | | | | | |
| GSDP | 5.953 | 20.588 | 0.947 | 1.840 | 3.287 |
| Revenue Receipt | 2.852 | 2.115 | 8.432 | 1.358 | 9.393 |
| Own Resources | 3.706 | 2.399 | 2.680 | 4.110 | 2.852 |

(Due to revision of GSDP figures, the ratios and percentages involving GSDP figures (1999-2003) have undergone change from last Audit Report)

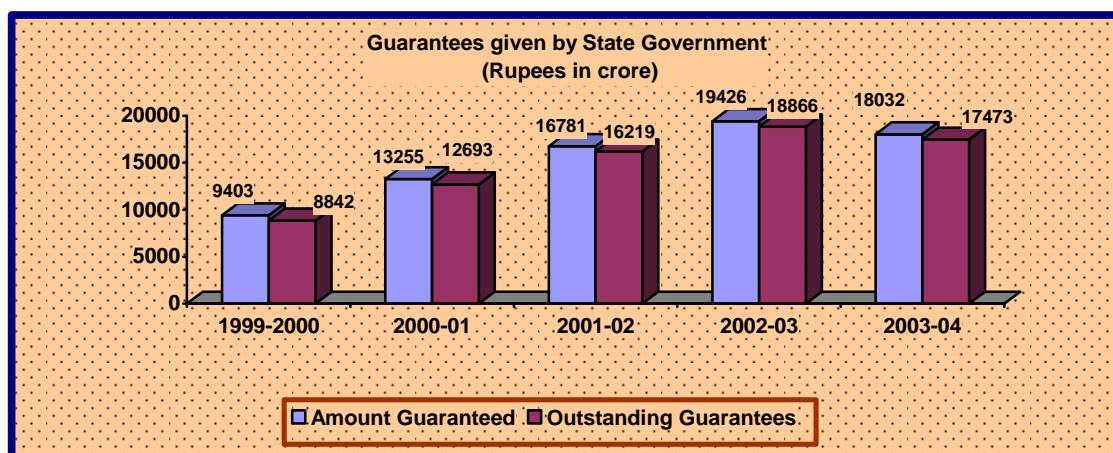
• **Guarantees**

In addition to the above liabilities, Government had guaranteed loans of its various Corporations and others, which in 2003-2004 stood at Rs.17473 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 2004 was as under:

Table-20: Guarantees given by the Government of Gujarat

| (Rupees in crore) | | | |
|-------------------|---------------------------|---|-----------------------------|
| Year | Maximum amount guaranteed | Outstanding ^A amount of guarantees | Percentage to total revenue |
| 1999-2000 | 9403 | 8842 | 63 |
| 2000-2001 | 13255 | 12693 | 81 |
| 2001-2002 | 16781 | 16219 | 101 |
| 2002-2003 | 19426 | 18866 | 105 |
| 2003-2004 | 18032 | 17473 | 96 |

The outstanding guarantees (Rs.17473 crore) amounted to 96 *per cent* of the revenue receipt (Rs.18248 crore) of the State Government.



Out of the total outstanding guarantees of Rs.17473 crore almost 75 *per cent* was towards Sardar Sarovar Narmada Nigam Limited (SSNNL) and Gujarat Electricity Board (GEB).

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 growth of GSDP.

^A As per Finance Accounts of respective years

Increasing liabilities raise 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

| | 1999-2000 | 2000-01 | 2001-02 | 2002-03 | 2003-04 |
|------------------------|-----------|---------|---------|---------|---------|
| Weighted Interest Rate | 9.97 | 8.75 | 9.86 | 10.11 | 10.17 |
| GSDP Growth | 4.617 | 1.300 | 13.971 | 8.722 | 5.962 |
| Interest spread | 5.355 | 7.450 | 4.111 | 1.391 | 4.215 |

(in per cent)

(Due to revision of GSDP figures, the ratios and percentages involving GSDP figures (1999-2003) 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 five 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 22 per cent to 14 per cent during 1999 to 2004.

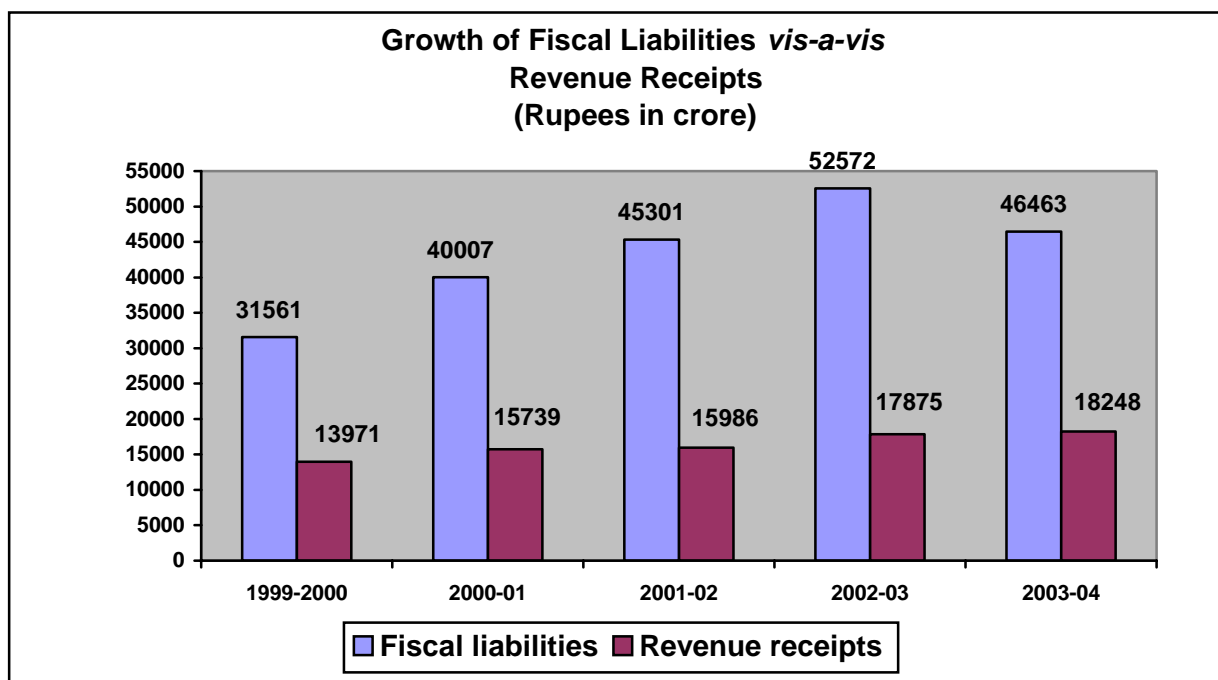


Table 22: Net Availability of Borrowed Funds

(Rupees in crore)

| | 1999-2000 | 2000-01 | 2001-02 | 2002-03 | 2003-04 |
|--|-----------|---------|---------|---------|---------|
| Internal Debt * | | | | | |
| Receipt | 887 | 7121 | 5926 | 8365 | 12004 |
| Repayment (Principal + Interest) | 552 | 671 | 1715 | 2339 | 3436 |
| Loans and Advances from GOI | | | | | |
| Receipt | 3581 | -98 | 2231 | 1318 | 3004 |
| Repayment (Principal + Interest) | 2397 | 3060 | 2834 | 4780 | 7135 |
| Other Liabilities | | | | | |
| Receipt | 12704 | 15259 | 10759 | 10898 | 9508 |
| Repayment (Principal + Interest) | 10374 | 13898 | 12989 | 10470 | 10456 |
| Total Liabilities | | | | | |
| Receipt | 17172 | 22282 | 18916 | 20581 | 24516 |
| Repayment (Principal + Interest) | 13323 | 17629 | 17538 | 17589 | 21027 |
| Net Fund Available | 3849 | 4653 | 1378 | 2992 | 3489 |
| Net Fund Available (<i>per cent</i>) | 22.41 | 20.88 | 7.28 | 14.54 | 14.23 |

* Internal debt excluding ways and means advances and overdraft

The State Government raised market loans of Rs 4961.04 crore during the year. The weighted average rate of market borrowing (Rs.4961 crore) during the year was 6.43 *per cent*. As on 31 March 2004, 31 *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 14 *per cent* of the total market loans are repayable within next five years while remaining 86 *per cent* loans have a longer maturity.

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.

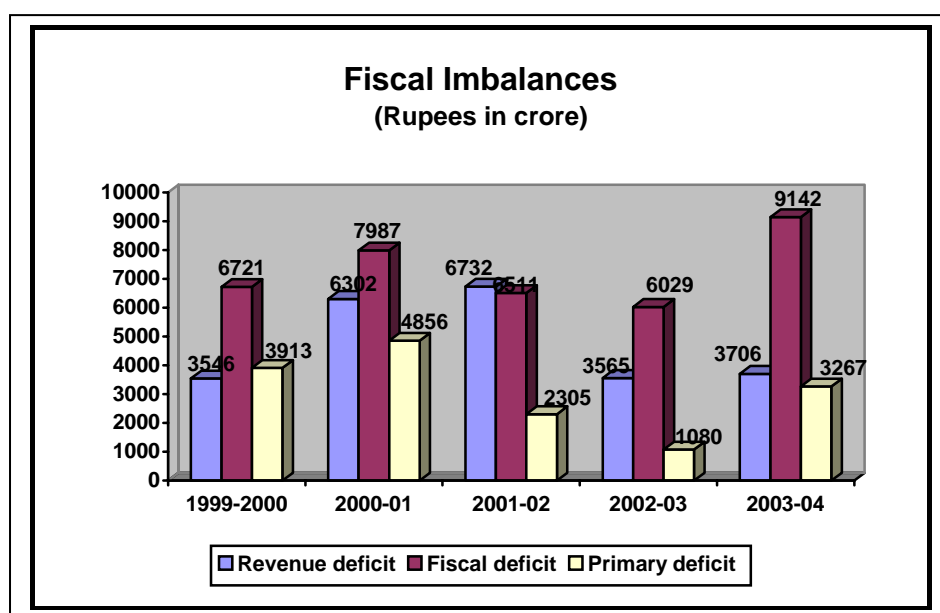
The revenue deficit of the State, which is the excess of its revenue expenditure over revenue receipts increased from Rs.3565 crore in 2002-03 to Rs.3706 crore in 2003-04. The fiscal deficit increased significantly from Rs.6029 crore in 2002-03 to Rs.9142 crore in 2003-04. The primary deficit of the State also increased from Rs.1080 crore in 2002-03 to Rs.3267 crore in 2003-04.

Table 23: Fiscal Imbalances – Basic Parameters

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

| | 1999-2000 | 2000-01 | 2001-02 | 2002-03 | 2003-04 |
|-----------------|-----------|---------|---------|-------------------|---------|
| Revenue deficit | 3546 | 6302 | 6732 | 3565 | 3706 |
| Fiscal deficit | 6721 | 7987 | 6511 | 6029 [@] | 9142 |
| Primary deficit | 3913 | 4856 | 2305 | 1080 [@] | 3267 |
| RD/GSDP | 3.219 | 5.647 | 5.293 | 2.578 | 2.529 |
| FD/GSDP | 6.101 | 7.157 | 5.119 | 4.360 | 6.239 |
| PD/GSDP | 3.552 | 4.351 | 1.812 | 0.781 | 2.230 |
| RD/FD | 52.76 | 78.90 | 103.39 | 59.13 | 40.54 |

(Due to revision of GSDP figures, the ratios and percentages involving GSDP figures (1999-2003) have undergone change from the Audit Report for 2001-02)



As proportion to GSDP revenue deficit had decreased to 2.53 per cent in 2003-2004 and fiscal deficit to 6.25 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 1999-2004, with reference to certain key indicators that help assess 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 had increased continuously till 2001-02 and thereafter decreased nominally in

[@] Figures changed because of readjustment of capital receipt

2003-04 (79.57 per cent). The ratio of capital expenditure to total expenditure has shown continuous decrease till 2001-2002 with a nominal increase in 2003-2004 (12.76 per cent). The 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 | 1999-2000 | 2000-01 | 2001-02 | 2002-03 | 2003-04 |
|--|-----------|---------|----------|----------|----------|
| Resource Mobilisation | | | | | |
| Revenue Receipt/GSDP | 12.682 | 14.103 | 12.568 | 12.926 | 12.453 |
| Revenue Buoyancy | 2.087 | 9.736 | 0.112 | 1.355 | 0.350 |
| Own tax/GSDP | 0.072 | 0.074 | 0.081 | 0.072 | 0.069 |
| Expenditure Management | | | | | |
| Total Expenditure/GSDP | 18.195 | 23.256 | 19.423 | 17.447 | 18.829 |
| Revenue Receipts / Total Expenditure | 67.050 | 60.640 | 64.710 | 74.090 | 66.140 |
| Revenue Expenditure/ Total Expenditure | 84.060 | 84.930 | 91.960 | 88.860 | 79.570 |
| Capital Expenditure / Total Expenditure | 13.330 | 11.960 | 7.180 | 9.840 | 12.760 |
| Development Expenditure/ Total Expenditure (RE + CE) | 71.140 | 75.100 | 70.380 | 64.490 | 62.615 |
| Buoyancy of TE with RR | 1.231 | 1.940 | (-)3.067 | (-)0.198 | 6.878 |
| Buoyancy of RE with RR | 1.271 | 2.041 | 1.957 | 0.476 | 1.152 |
| Management of Fiscal Imbalances | | | | | |
| Revenue deficit (Rs in crore) | 3546 | 6302 | 6732 | 3565 | 3706 |
| Fiscal deficit (Rs in crore) | 6721 | 7987 | 6511 | 6029 | 9142 |
| Primary deficit (Rs in crore) | 3913 | 4856 | 2305 | 1080 | 3267 |
| Revenue deficit/Fiscal deficit | 52.760 | 78.900 | 103.390 | 59.30 | 40.54 |
| Management of Fiscal Liabilities (FL) | | | | | |
| Fiscal Liabilities/GSDP | 28.648 | 35.849 | 35.617 | 38.017 | 42.910 |
| Fiscal Liabilities/RR | 225.900 | 254.200 | 283.400 | 294.100 | 344.583 |
| Buoyancy of FL with RR | 2.852 | 2.115 | 8.432 | 1.358 | 9.393 |
| Buoyancy of FL with OR | 3.706 | 2.399 | 2.680 | 4.110 | 2.852 |
| Interest spread | -5.355 | -7.450 | 4.111 | -1.391 | 4.215 |
| Net Fund Available | 22.41 | 20.88 | 7.28 | 14.54 | 14.23 |
| Other Fiscal Health Indicators | | | | | |
| Return on Investment | 0.720 | 0.550 | 0.550 | 0.840 | 0.270 |
| BCR (Rs in crore) | -1759.0 | -4246.0 | -6048.0 | -2370.0 | - 1771.0 |
| Financial Assets/Liabilities | 0.76 | 0.65 | 0.56 | 0.55 | 0.56 |

(Due to revision of GSDP figures, the ratios and percentages involving GSDP figures (1999-2003) have undergone change from last Audit Report)

This trend is unsustainable in the long run and may lead the State into a debt trap situation. 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 State Government has also not taken any steps for pension reforms to meet the fast rising unproductive expenditure on account of pension payable to the retiring employees.

Further, aggravating the situation of the State is the unproductive investment in companies with either nil or negligible returns. The much awaited reforms in the power sector are still to take-off and the State continues to support to this sector in the form of huge subsidy.

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.