Chapter-I

An Overview of the Finances of the State Government

1.1 Introduction

This Chapter discusses the financial position of the State Government, based on an analysis of the information contained in the Finance Accounts. The analysis is based on the trends in the receipts and expenditure, the quality of expenditure and the financial management of the State Government. In addition, the Chapter also contains a section on the indicators of financial performance of the State Government, based on certain ratios and indices developed on the basis of the information contained in the Finance Accounts and other information furnished by the State Government. Some of the terms used in this Chapter are described in *Appendix*-1.

1.2 Financial position of the State

In the Government accounting system, comprehensive accounting of the fixed assets like land and buildings etc. owned by the Government is not done. However, the accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred by it. The following table gives an abstract of such liabilities and assets as on 31 March 2000, compared with the corresponding position as on 31 March 1999.

(Rupees in crore)

As on 31 March 1999		Liabilities		As on 31 March 2000
1857.28		**Internal Debt**		**1932.23**
	576.58	Market Loans bearing interest	632.32	
	133.07	Loans from LIC	194.72	
	39.40	Loans from other Institutions	80.85	
	1108.23	Overdrafts from Jammu and Kashmir Bank	1024.34	
3420.18		**Loans and Advances from Central Government**		**4158.28**
	863.77	Pre-1984-85 Loans	762.04	
	903.00	Non-Plan Loans	1070.86	
	1570.28	Loans for State Plan Schemes	1957.68	
	27.38	Loans for Central Plan Schemes	10.10	
	52.74	Loans for Centrally Sponsored Plan Schemes	54.35	
	3.01	Ways and Means Advances	303.25	
0.38		**Contingency Fund**		**0.35**
1080.08		**Small Savings, Provident Funds, etc.**		**1675.59**
48.46		**Deposits**		**(-) 49.46**
429.33		**Reserve Funds**		**465.49**
968.94		**Remittance Balances**		**1107.59**
1762.01		**Surplus on Government Account:**		**1220.45**
		Revenue Surplus as on 31 March 1999	1762.01	
		Revenue Deficit for 1999-2000	541.56	
9566.66		**Total**		**10510.52**

(Rupees in crore)

As on 31 March 1999		Assets		As on 31 March 2000
8660.90		**Gross Capital Outlay on Fixed Assets**		**9371.79**
	341.53	Investments in shares of Companies, Corporations, etc.	355.05	
	8319.37	Other Capital Outlay	9016.74	
469.07		**Loans and Advances**		**555.17**
	214.74	Industries and Minerals	244.13	
	135.81	Transport	164.25	
	--	Energy	31.00	
	30.95	Agriculture and Allied Activity	30.98	
	56.56	Other Development Loans	56.68	
	31.01	Loans to Government servants and Miscellaneous loans	28.13	
4.57		**Advances**		**4.88**
208.64		**Suspense and Miscellaneous Balances**		**304.52**
223.48		**Cash**		**274.16**
	19.90	Cash in Treasuries and Local Remittances	25.32	
	66.26	Deposits with Bank	130.93	
	(-) 3.78	Departmental Cash Balance	(-) 7.00*	
	0.12	Permanent Advances	0.12	
	37.39	Cash Balance Investments	37.39	
	103.59	Reserve fund investments	87.40	
9566.66		**Total**		**10510.52**

* Minus balance is due to more adjustment/receipts than disbursements.

While liabilities consist mainly of internal borrowings, loans and advances from Government of India, receipts from Public Account and Reserve Funds, the assets comprise mainly the capital outlay, loans and advances given by the State Government and the cash balances. It would be seen from the table that while the liabilities grew by 19 *per cent,* the assets grew by only 10 *per cent* during 1999-2000, mainly as a result of increase of revenue deficit on Government account from Rs 400 crore during 1998-99 to Rs 541 crore during 1999-2000. This shows an overall deterioration in the financial position of the Government.

1.3 Sources and application of funds

1.3.1 The following table gives the position of the sources and applications of funds during the current and the preceding year.

(Rupees in crore)

1998-99		**S.No.**	**Sources**		**1999-2000**
4509.14		1.	Revenue receipts		**5513.59**
4.29		2.	Recoveries of Loans and Advances		**4.54**
286.89		3.	Net receipts from Public Debt other than Overdraft		**896.94**
104.51		4.	Net effect of overdraft		**(-) 83.89**
723.63		5.	Net receipts from Public Accounts:		**576.21**
	108.67		Net receipts from Small Savings, Provident funds, etc.	595.51	
	(-) 11.32		Net effect of Deposits and Advances	(-) 98.23	
	75.82		Net receipts from Reserve funds	36.16	
	76.81		Net effect of Suspense and Miscellaneous transactions	(-) 95.88	
	473.65		Net effect of Remittance transactions	138.65	
0.01		6.	Net effect of Contingency Fund transactions		**(-) 0.03**
5628.47			**Total**		**6907.36**
			Application		
4909.26		1.	Revenue expenditure		**6055.15**
62.00		2.	Lending for developmental and other purposes		**90.64**
596.44		3.	Capital expenditure		**710.89**
60.77		4.	Increase in closing cash balance		**50.68**
5628.47			**Total**		**6907.36**

The main sources of funds include the revenue receipts of the Government and capital receipts like recoveries of loans and advances and the receipts in the Public Account. These were applied mainly on revenue and capital expenditure and on lending for developmental purposes. It would be seen that the revenue receipts constitute the most significant source of funds for the State Government. However, its relative share decreased from 80.11 *per cent* in 1998-99 to 79.82 *per cent* during 1999-2000. The share of net receipts from the public debt (excluding overdraft/temporary advances obtained from Jammu and Kashmir Bank) increased from 5 *per cent* in 1998-99 to 13 *per cent* in 1999-2000. In absolute terms, the receipts from public debt, other than overdrafts increased by Rs 580 crore, over the preceding year indicating that the State was increasingly becoming dependent on borrowings. Share of net receipts from Public Account decreased from 13 *per cent* in 1998-99 to 8 *per cent* in 1999-2000. The outstanding on account of overdrafts obtained from Jammu and Kashmir Bank, however, decreased by Rs 83.89 crore during 1999-2000.

1.3.2 The available funds were applied mainly for revenue expenditure, share of which in total expenditure was not only 88 *per cent* in 1999-2000, but was also higher than the share of the revenue receipts (80 *per cent*) in total receipts of the State Government. This led to the Revenue Deficit of Rs 541 crore. Share of capital expenditure on the other hand remained stagnant at 11 *per cent* during 1998-99 and 1999-2000 and lending for developmental purposes formed only 1 *per cent* of total expenditure during 1999-2000. Evidently, the asset formation and the development activities received low priority during the year.

1.4 Financial operations of the State Government

1.4.1 Exhibit-I gives the details of the receipts and disbursements. The revenue expenditure (Rs 6055.15 crore) during the year exceeded the revenue receipts (Rs 5513.59 crore) resulting in a revenue deficit of Rs 541.56 crore. The revenue receipts comprised tax revenue (Rs 578 crore), non-tax revenue (Rs 405 crore), State's share of Union taxes and duties (Rs 1232 crore) and grants-in-aid received from the Central Government (Rs 3299 crore). The main sources of tax revenue were state excise (47 *per cent)*, sales tax (41 *per cent)* and taxes on vehicles (4 *per cent)*. Non-tax revenue came mainly from sale of power (54 *per cent*), interest receipts (25 *per cent*) and forestry and wild life (8 *per cent).*

1.4.2 The capital receipts comprised Rs 1148 crore from public debt and Rs 4.54 crore from recoveries of loans and advances. Against this, the expenditure was Rs 711 crore on capital outlay, Rs 91 crore on disbursement of loans and advances and Rs 251 crore* on repayment of public debt. The gross receipts (exclusive of remittance transactions) in the Public Account amounted to Rs 1297 crore, against which the disbursements made were Rs 859 crore. The net effect of the transactions in the Consolidated Fund, Contingency Fund and Public Account was an increase of Rs 51 crore in the cash balance from Rs 223 crore at the beginning of 1999-2000 to Rs 274 crore at the end of the year.

* Excludes Rs 84 crore on account of net repayment of overdrafts/temporary loans

1.4.3 The financial operations of the State Government, pertaining to its receipts and expenditure are discussed in the succeeding paragraphs with reference to the information contained in Exhibit-I and the time series data for the five-year period from 1995-96 to 1999-2000, presented in the following table.

Time series data on State Government Finances

(Rupees in crore)

	1995-96	1996-97	1997-98	1998-99	1999-2000
Part-A Receipts					
1. Revenue Receipts	**3319**	**3223**	**4642**	**4509**	**5514**
(i) Tax Revenue	292 (9)	294 (9)	368 (8)	437 (10)	578 (11)
Taxes on sales, trade, etc.	113 (39)	119 (41)	145 (40)	180 (41)	236 (41)
State Excise	146 (50)	135 (46)	162 (44)	206 (47)	274 (47)
Taxes on vehicles	12 (4)	12 (4)	15 (4)	18 (4)	22 (4)
Stamps and Registration fees	6 (2)	8 (3)	11 (3)	12 (3)	15 (3)
Land Revenue	1 (*)	1 (*)	*	3 (1)	2 (*)
Other Taxes	14 (5)	19 (6)	35 (9)	17 (4)	29 (5)
(ii) Non Tax Revenue	204 (6)	183 (6)	248 (5)	283 (6)	405 (7)
(iii) State's share of Union taxes and duties	644 (19)	626 (19)	834 (18)	1212 (27)	1232 (22)
(iv) Grants-in-aid from GOI	2179 (66)	2120 (66)	3192 (69)	2577 (57)	3299 (60)
2. Misc. Capital receipts	-	-	-	-	-
3. Total revenue and non-debt capital receipts (1+2)	**3319**	**3223**	**4642**	**4509**	**5514**
4. Recoveries of Loans and Advances	**3**	**3**	**4**	**4**	**5**
5. Public Debt receipts	**345**	**655**	**907**	**673**	**1148**
Internal Debt (excluding Ways and Means Advances and Overdrafts)	126	65	139	122	213
Net transactions under Ways and Means Advances and Overdrafts	-	142	254	105	-
Loans and advances from GOI!	219	448	514	446	935
6. Total receipts in the Consolidated fund (3+4+5)	**3667**	**3881**	**5553**	**5186**	**6667**
7. Contingency fund receipts	**0.25**	**0.36**	**0.30**	**0.09**	**0.33**
8. Public Account receipts	**9091**	**11460**	**12795**	**13020**	**15828**
9. Total receipts of the State (6+7+8)	**12758**	**15341**	**18348**	**18206**	**22495**
Part-B Expenditure/disbursement					
10. Revenue Expenditure	**2815**	**3129**	**4191**	**4909**	**6055**
Plan	296 (11)	348 (11)	445 (11)	526 (11)	704 (12)
Non Plan	2519 (89)	2781 (89)	3746 (89)	4383 (89)	5351 (88)
General Services (Including interest payments)	*1007 (36)*	*994 (32)*	*1717 (41)*	*1907 (39)*	*2414 (40)*
Social Services	*799 (28)*	*929 (30)*	*1048 (25)*	*1241 (25)*	*1526 (25)*
Economic Services	*1009 (36)*	*1206 (38)*	*1426 (34)*	*1761 (36)*	*2115 (35)*
Grants-in-aid and contributions	-	*0.04*	-	-	-
11. Capital Expenditure	**729**	**1000**	**889**	**596**	**711**
Plan	708 (97)	924 (92)	908 (102)	608 (102)	791 (111)
Non Plan	21 (3)	76 (8)	(-) 19 (-2)	(-) 12 (-2)	(-) 80 (-11)∂
General Services	*21 (3)*	*25 (3)*	*39 (4)*	*35 (6)*	*49 (7)*
Social Services	*182 (25)*	*241 (24)*	*236 (27)*	*210 (35)*	*208 (29)*
Economic Services	*526 (72)*	*734 (73)*	*614 (69)*	*351 (59)*	*454 (64)*

(Contd.)

* Negligible

! Includes Ways and Means Advances from GOI

∂ Minus expenditure is due to recoveries of Rs 126 crore.

Time series data on State Government Finances (concl.)

(Rupees in crore)

	1995-96	1996-97	1997-98	1998-99	1999-2000
12. Disbursement of loans and advances	**45**	**51**	**67**	**62**	**91**
13. Total (10+11+12)	**3589**	**4180**	**5147**	**5567**	**6857**
14. Repayment of Public Debt	**161**	**48**	**315**	**281**	**335**
Internal Debt (excluding Ways and Means advances and Overdraft)	8	44	3	24	54
Net transactions under Ways and Means Advances and Overdraft	0.51	-	-	-	84
Loans and Advances from Government of India~	152	4	312	257	197
15. Appropriation to Contingency Fund	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**
16. Total disbursement out of Consolidated Fund (13+14+15)	**3750**	**4228**	**5462**	**5848**	**7192**
17. Contingency fund disbursements	**0.35**	**0.26**	**0.33**	**0.08**	**0.36**
18. Public Account disbursements	**9026**	**11074**	**12883**	**12297**	**15252**
19. Total disbursements by the State (16+17+18)	**12776**	**15302**	**18345**	**18145**	**22444**
Part C. Deficits					
20. Revenue Deficit (1-10)	**(+) 504**	**(+) 94**	**(+) 451**	**(-) 400**	**(-) 541**
21. Fiscal Deficit (3+4-13)	**267**	**954**	**501**	**1054**	**1338**
22. Primary Deficit (21-23)	**(-) 100**	**(+) 743**	**(-) 314**	**(+) 389**	**(+) 493**
Part D. Other data					
23. Interest Payments (included in revenue expenditure)	**367**	**211**	**815**	**665**	**845**
24. Arrears of Revenue (percentage of Tax and non-Tax Revenue Receipts)ψ	**NA**	**295 (62)**	**359 (58)**	**748 (104)**	**886 (90)**
25. Financial Assistance to local bodies, etc.	**61**	**74**	**88**	**122**	**186**
26. Ways and Means Advances/Overdraft availed (days)	**366**	**365**	**365**	**365**	**366**
27. Interest on WMA/Overdraft	**74**	**91**	**117**	**148**	**99%**
28. Gross State Domestic Product^ (GSDP)	**8097**	**9124**	**10286**	**11415**	**12669**
29. Outstanding debt (year end)	**3687**	**4294**	**4886**	**5277**	**6091**
30. Outstanding guarantees (year end)ϕ	**599**	**583**	**602**	**573**	**581**
31. Maximum amount guaranteed (year end)	**748**	**743**	**856**	**848**	**668**
32. Number of incomplete projects	**NA**	**24**	**27**	**33**	**73**
33. Capital blocked in Incomplete projects	**NA**	**149**	**132**	**138**	**221**

(percentage in brackets)

~ Includes Ways and Means Advances from GOI

ψ Figures of arrears of revenue available under Sales Tax, State Excise, Passenger Tax and Forestry and Wild Life.

% Under reconciliation

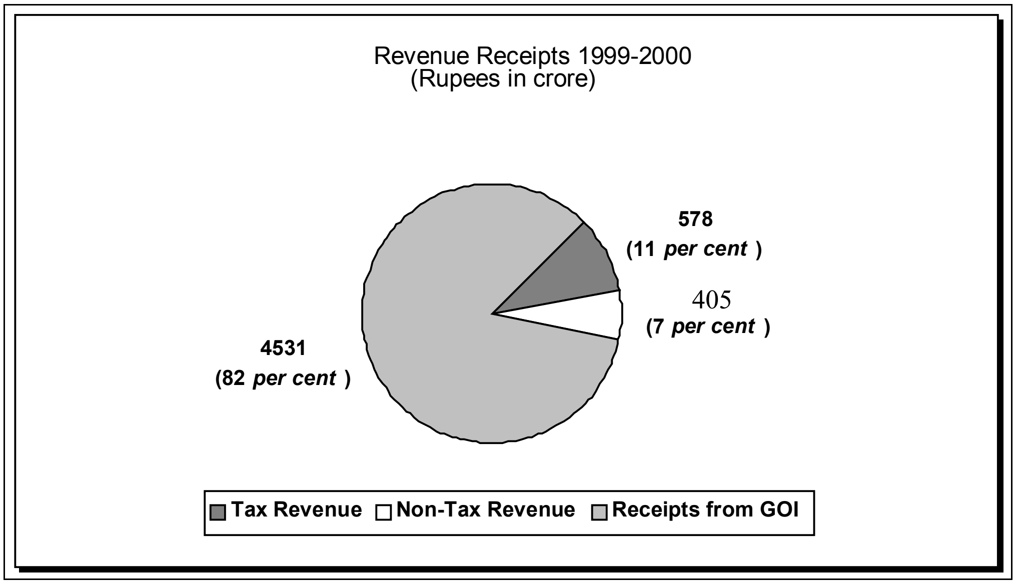
^ Figures of GSDP for 1995-96 to 1998-1999 are based on the revised information supplied by the State Government. Figures for 1999-2000 are provisional and have been arrived at on the basis of average growth for 1998-99 over 1997-98.

ϕ Excludes information in respect of 3 private firms and 4 co-operative societies.

1.5 Revenue receipts

1.5.1 The revenue receipts consist mainly of tax and non-tax revenue and receipts from Government of India (GOI). Their relative shares are shown in Figure-1. The revenue receipts grew at an average annual rate of 13 *per cent* during 1995-96 to 1999-2000.

Figure-1



1.5.2 Tax Revenue

Tax revenue constituted 11 *per cent* of the revenue receipts. Its share in the total revenue receipts increased from 10 *per cent* in 1998-99 to 11 *per cent* in 1999-2000 mainly due to growth in sales tax (31 *per cent)* and state excise receipts (33 *per cent)*. The relative contribution of sales tax has gone up marginally from 39 *per cent* in 1995-96 to 41 *per cent* in 1999-2000, while that of state excise came down from 50 to 47 *per cent* during the corresponding period. The contribution of other constituents of the tax revenue viz., taxes on vehicles, stamps and registration fees, land revenue and taxes on goods and passengers, etc. was insignificant at 12 *per cent* and their relative shares varied between 11 and 16 *per cent* during 1995-96 to 1999-2000.

1.5.3 Non-tax revenue

Non-tax revenue constituted only 7 *per cent* of the revenue receipts of the Government and its share in the revenue receipts varied between 5 and 7 *per cent* during 1995-2000. The growth rate of non-tax revenue during the above period was erratic. While the growth rate was negative during 1996-97 compared to 1995-96, it increased by 43 *per cent* during 1999-2000 compared to 1998-99.

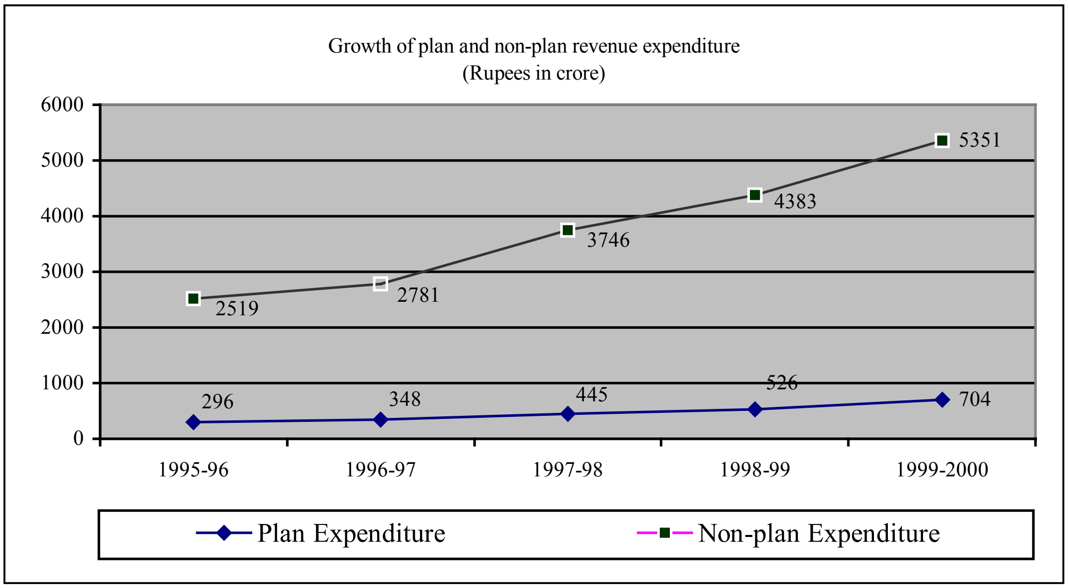
1.5.4 State's share of Union taxes and duties and grants-in-aid from the Central Government

The State's share of Union taxes (excise duties and taxes on income other than corporation tax) increased by 1.7 *per cent* during the year, while receipts on account of grants-in-aid from the Central Government increased by 28 *per cent*. However, as a percentage of revenue receipts (both taken together) these declined from 85 *per cent* in 1995-96 to 82 *per cent* during 1999-2000. This was mainly due to decrease (from 66 to 60 *per cent)* in the share of grants-in-aid from Government of India which offset increase (from 19 to 22 *per cent)* in the State's share of Union taxes and duties.

1.6 Revenue expenditure

1.6.1 Revenue expenditure accounted for major portion (89 *per cent)* of the expenditure of the State Government and increased by 23 *per cent* during 1999-2000. The increase was higher on the non-plan side and a major constituent of the non-plan revenue expenditure was salaries which amounted to Rs 3500 crore (approximately). Figure-2 shows the trend of growth of plan and non-plan revenue expenditure during the period 1995-2000. Trend analysis shows that the Government had made no effort to arrest the increasing trend in the revenue expenditure which has risen from 79 *per cent* in 1995-96 to 89 *per cent* in 1999-2000. Despite proposals of the State Government to enforce economy in expenditure during 1999-2000, the revenue expenditure had increased by Rs 1146 crore over that in 1998-99. The increase was mainly due to more expenditure incurred by the Government on Power (Rs 260 crore), Police (Rs 254 crore), Education (Rs 139 crore) and on payment of interest (Rs 180 crore) during 1999-2000.

Figure-2



1.6.2 Sector-wise analysis shows that the expenditure on Economic Services increased by 110 *per cent* (from Rs 1009 crore in 1995-96 to Rs 2115 crore in 1999-2000). The corresponding increase in expenditure on General and Social Services was 140 and 91 *per cent* respectively. As a proportion of total expenditure, the share of expenditure on Economic and Social Services decreased from 36 *per cent* and 28 *per cent* in 1995-96 to 35 and 25 *per cent* respectively in 1999-2000, while that of General Services increased from 36 *per cent* to 40 *per cent* during this period.

1.6.3 Interest payments

Interest payments ranged between Rs 211 crore and Rs 845 crore during the period from 1995-96 to 1999-2000. During 1999-2000, total interest payments amounted to Rs 845 crore[&] which formed 14 *per cent* of revenue expenditure. Interest paid by the Government on debts including loans and advances received from Government of India amounted to Rs 600 crore, which formed 71 *per cent* of total interest payments. Further details about interest payments are discussed in the section on financial indicators.

[&] This included Rs 128 crore on account of interest on State Provident Fund accounts for the years 1997-98 and 1998-99.

1.6.4 Financial assistance to local bodies and other institutions

The quantum of assistance provided in the shape of grants to different local bodies, etc. during the period of four years ending 1999-2000 was as follows:

(Rupees in crore)

	1996-97	**1997-98**	**1998-99**	**1999-2000**
Housing and Urban Development	27.40	34.26	77.46	99.42
Education	35.54	40.89	29.38	61.79
Agriculture and Allied Activities	6.28	6.19	6.64	12.71
Art and Culture	2.60	4.02	3.11	4.00
General Administration	0.03	1.25	1.53	2.22
Health and Medical Education	1.26	0.66	0.44	0.34
Other Institutions	0.96	1.03	3.29	5.46
Total	**74.07**	**88.30**	**121.85**	**185.94**
Percentage of growth over previous year	22	19	38	53
Assistance as a percentage of revenue expenditure	2	2	2	3

Financial assistance to educational institutions and housing and urban development bodies increased substantially by 110 and 28 *per cent* respectively during 1999-2000.

1.6.5 Loans and Advances by the State Government

The Government gives loans and advances to Government companies, corporations, local bodies, autonomous bodies, co-operatives, non-governmental institutions, etc. for developmental and non-developmental activities. The position for the last five years as given below shows that while outstanding loans increased by 115 *per cent* during 1995-2000, repayments remained insignificant at 1 *per cent* of the loan outstanding at the close of each year during 1995-2000. The poor recovery of loans and advances contributed to the increase in the gross fiscal deficit of the State.

(Rupees in crore)

	1995-96	**1996-97**	**1997-98**	**1998-99**	**1999-2000**
Opening balance	258.26	300.52	347.96	411.36	469.07
Amount advanced during the year	45.01	50.79	67.22	62.00	90.64
Amount repaid during the year	2.75	3.35	3.82	4.29	4.54
Closing balance	300.52	347.96	411.36	469.07	555.17
Net addition	42.26	47.44	63.40	57.71	86.10
Interest received	0.28	0.22	0.51	0.44	0.67

Out of loans advanced to various bodies like Municipalities, Corporations as also to Government servants etc. the detailed accounts of which were kept by the Accountant General, recovery of Rs 34.49 crore (principal: Rs 29.71 crore and interest: Rs 4.78 crore) was in arrears as on 31 March 2000. In respect of loans etc. the detailed accounts of which are maintained by the departmental officers, Rs 518.07 crore were outstanding as on 31 March 2000. Information regarding overdue amounts in arrears had not been furnished by any of the controlling officers, though called for repeatedly.

1.7 Capital expenditure

Capital expenditure leads to asset creation. In addition, financial assets arise from investments made by Government in institutions or undertakings outside Government viz. public sector undertakings, corporations, etc. and from loans and advances made for developmental purposes. While the capital expenditure increased from Rs 729 crore in 1995-96 to Rs 1000 crore in 1996-97, it decreased to Rs 711 crore in 1999-2000. As a result, its share in the total expenditure decreased from 24 *per cent* in 1996-97 to 11 *per cent* in 1999-2000. Decrease in the level of capital expenditure was likely to result in a serious shortfall in capital formation which can have long-term impact on the State's economy. Time series data (Paragraph: 1.4.3) shows that most of the capital expenditure has been on Economic and Social Services under the Plan sector. The share of expenditure on these services, however, declined from 97 *per cent* in 1995-96 to 93 *per cent* in 1999-2000, with corresponding increase in expenditure on General Services.

1.8 Quality of Expenditure

1.8.1 Government spends money for different activities ranging from maintenance of law and order and regulatory functions to various developmental activities. Government expenditure is broadly classified into Plan/non-Plan and Revenue/Capital. While Plan and Capital expenditures are usually associated with asset creation, the non-Plan and Revenue expenditures are identified with expenditure on establishment, maintenance and services. By definition, therefore, in general, the Plan and Capital expenditure can be viewed as contributing to the quality of expenditure.

1.8.2 Wastage in public expenditure, diversion of funds and funds locked up in incomplete projects would also impinge negatively on the quality of expenditure. Similarly, funds transferred to Deposit heads in the Public Account, after booking them as expenditure, can also be considered as a negative factor in judging the quality of expenditure; when expenditure is not actually incurred in the concerned year, it should be excluded from the figures of expenditure for that year. Another possible indicator is the increase in the expenditure on General Services, to the detriment of Economic and Social Services.

The following table lists out the trend in these indicators:

S.No.		1995-96	1996-97	1997-98	1998-99	1999-2000
1.	Plan expenditure as a percentage of:					
	Revenue expenditure	11	11	11	11	12
	Capital expenditure	97	92	102	102	111
2.	Capital expenditure (*per cent*)	21	24	18	11	11
3.	Expenditure on General Services as a percentage of:					
	Revenue	36	32	41	39	40
	Capital	3	3	4	6	7
4.	Amount* of wastages and diversion of funds detected during test audit (Rupees in crore)	70.64	51.52	47.84	103	38.31
5.	Non-remunerative expenditure on incomplete projects (Rupees in crore)	NA	149	132	138	221
6.	Unspent balances under deposit heads, booked as expenditure at the time of their transfer to the deposit head@ (Rupees in crore)	0.10	27.42	7.21	2.28	12.77

It would be seen that the share of Plan expenditure on the revenue side did not register any significant increase and remained stagnant at 11 *per cent* during 1995-96 to 1998-99 registering a marginal increase of one *per cent* during 1999-2000. The share of capital expenditure in the total expenditure, however, declined from 21 to 11 *per cent* during the period 1995-2000 except during 1996-97 when it was 24 *per cent*. The expenditure on General Services, at the same time, varied between 32 and 41 *per cent* on the revenue side and increased from 3 to 7 *per cent* on capital side during the same period.

1.9 Financial Management

The issue of financial management in the Government should relate to efficiency, economy and effectiveness of its revenue and expenditure operations. Subsequent chapters of this Report deal extensively with these issues especially as they relate to the expenditure management in the Government, based on the findings of the test audit. Some other parameters, which can be segregated from the accounts and other related financial information of the Government, are discussed in this Section.

---

* Based on Audit Reports
@ On the basis of test-audit

1.9.1 Investments and returns

Investments are made out of the capital outlay by the Government to promote developmental, manufacturing, marketing and social activities. The sector-wise details of investments made and the number of concerns involved were as under:

(Rupees in crore)

S.No	Sector	Number of concerns	Amount invested	
			As on 31 March 2000	During 1999-2000
1.	Statutory Corporations	3	138.70[$]	5.00
2.	Government Companies	19	192.66[@ ^]	2.14
3.	Joint Stock Companies	2	0.35	Nil
4.	Co-operative Institutions	10	23.34	0.50
	Total	**34**	**355.05**	**7.64**

The details of investments made and returns thereon during the last five years by way of dividend were as follows:

Year	Investments	Returns	Percentage of returns on investment	Rate of interest on Government borrowings (*per cent)*
	(Rupees in crore)			
1995-96	272.25	Nil	-	16
1996-97	287.47	Nil	-	14 to 20.75
1997-98	324.76	Nil	-	12.30 to 20.75
1998-99	341.53	1.23	0.36	12.30 to 21.42
1999-2000	355.05	7.73	2.18	11.85 to 21.42

Thus, while the Government was raising high cost borrowings from the market, its investments in Government companies, etc. fetched insignificant returns. 15 Government companies in which Government had invested Rs 135.58 crore up to 31 March 2000, were incurring losses and the accumulated loss aggregated Rs 126.10 crore as per their latest finalised accounts.

1.9.2 Financial results of Irrigation works

$ Includes Rs 88.01 lakh invested by the State Government in Jammu and Kashmir State Road Transport Corporation in the previous year but adjusted in the current year.

@ Includes Rs 5 crore invested by the State Government in Jammu and Kashmir State Power Development Corporation in the previous year but adjusted in the current year

^ Includes Rs 0.10 crore invested by the State Government in National Projects Construction Corporation Limited (a Central Government company).

The financial results of 6 irrigation projects with a capital outlay of Rs 78.10 crore at the end of March 2000 showed that revenue realised during 1999-2000 (Rs 8.84 lakh) from these projects was only 0.12 *per cent* of their capital outlay which was not sufficient even to cover the direct working expenses (Rs 1.02 crore). After meeting the working expenses (direct and indirect) of Rs 1.25 crore, these schemes suffered a loss of Rs 1.16 crore. The loss was substantial (Rs 1.14 crore) in the Pratap Canal (Rs 49.05 lakh), Ranbir Canal (Rs 35.65 lakh) and Kathua Feeder Channel (Rs 28.90 lakh).

1.9.3 Incomplete Projects

As of 31 March 2000, there were 73 incomplete projects costing Rs 50 lakh and above in which Government investment of Rs 221 crore was blocked. The position had deteriorated as compared to the position on 31 March 1999. This showed that the Government was spreading its resources thinly, which failed to yield any return.

1.9.4 Arrears of revenue

The arrears of revenue in respect of Sales Tax, Passenger Tax, Forestry and Wild Life and State Excise pending collection increased by 18 *per cent* during the year. The outstanding arrears registered an increase during the preceding three years (refer paragraph: 1.4.3) and their percentage increased from 58 *per cent* of the revenue raised during 1997-98 to 90 *per cent* during 1999-2000. Of the arrears of Rs 886 crore as of March 2000, Rs 491 crore (55 *per cent)* were pending for more than five years, and pertained mainly to Forestry and Wild Life (Rs 293 crore) and Sales Tax (Rs 187 crore). The overall deterioration in the position of arrears of revenue showed a slackening of the revenue efforts of the State Government.

1.9.5 Ways and means advances and overdraft

The State Government obtains overdrafts/temporary loans from Jammu and Kashmir Bank Limited for its ways and means requirements. The maximum limit up to which temporary loans can be obtained at any time, as approved by the Government of India, is Rs 3 crore. Interest at rates varying between 14.03 *per cent* and 21.42 *per cent* was charged on temporary loans during 1999-2000.

The position of temporary loans taken by the Government and interest paid thereon during the period from 1995-96 to 1999-2000 was as under:

(Rupees in crore)

Year	Temporary loans/overdrafts	Interest paid

	Taken during the year	Outstanding at the end of the year	
1995-96	2737.94	608.01	74.39
1996-97	3454.74	750.11	90.65
1997-98	3861.84	1003.72	117.48
1998-99	3973.61	1108.23	148.22
1999-2000	5274.58	1024.34	99.23

The temporary loans (gross) obtained during the year had increased from Rs 2738 crore in 1995-96 to Rs 5275 crore in 1999-2000 constituting an increase of 93 *per cent*. Taking recourse to ways and means advances and overdrafts indicates mismatch between receipts and expenditure of the Government and also reflects poorly on its financial management. Due to chronic overdraft problem, the dependence of the State Government on overdrafts/temporary loans for meeting its ways and means requirements, was increasing year after year and resulted in payment of considerable amounts towards interest.

1.9.6 Deficit

1.9.6.1 Deficits in Government account represent gaps between the receipts and expenditure. The nature of deficit is an important indicator of financial management in the Government. Further, the ways of financing the deficit and the application of the funds raised in this manner are important pointers to the fiscal prudence of the Government. The discussion in this Section relates to three concepts of deficits viz., revenue deficit, fiscal deficit and primary deficit.

1.9.6.2 The revenue deficit is the excess of revenue expenditure over revenue receipts. The fiscal deficit is the excess of revenue and capital expenditure (including net loans given) over the revenue receipts (including grants-in-aid and certain non-debt capital receipts). The State had a revenue deficit of Rs 541 crore during 1999-2000. Fiscal deficit of the State had shown an increasing trend for the 5 years ending 1999-2000. It had increased from Rs 267 crore in 1995-96 to Rs 1338 crore in 1999-2000. The following table gives a break-up of the deficits in Government account.

(Rupees in crore)

Consolidated Fund				
Receipt	Amount		**Disbursement**	Amount
Revenue	5514	**Revenue deficit: 541**	Revenue	6055
Misc. capital receipt			Capital	711
Recovery of loans and advances	5		Loans and advances disbursement	91
Sub-Total	5519	**Gross fiscal deficit: 1338**	Sub-Total	6857
Public debt receipts	1148		Public debt repayments	335
Total	**6667**	**A: Deficit in Consolidated fund: 525**		**7192**
Public Account				
Small savings, Provident Funds, etc.	785		Small savings, Provident Funds, etc.	189
Reserve funds	73		Reserve funds	37
Deposits and advances	371		Deposits and advances	469
Suspense and Miscellaneous balances	68		Suspense and Miscellaneous balances	164
Remittances	14531		Remittances	14393
Total Public Account	**15828**	**B: Surplus in Public Account: 576 was utilised to meet Deficit in CF (525) and balance surplus led to increase in cash balance.**		**15252**
Increase in cash balance (B-A): 51				

The table shows that the revenue deficit of Rs 541 crore was met by borrowings. The fiscal deficit of Rs 1338 crore was financed by net proceeds of the public debt (Rs 813 crore) and partly by the surplus (Rs 576 crore) from Public Account. The State had a revenue surplus upto 1997-98 after which a very significant deterioration in the financial position of the State resulted in Revenue deficit of Rs 400 crore during 1998-99 which increased to Rs 541 crore in 1999-2000.

1.9.6.3 Application of the borrowed funds (Fiscal Deficit)

The fiscal deficit represents total net borrowings of the Government. These borrowings are applied for meeting the Revenue deficit, for incurring Capital expenditure and for giving loans to various bodies for developmental and other purposes. The relative proportions of these applications would indicate the financial prudence of the State Government and also the sustainability of its operations because continued borrowing for revenue expenditure would not be sustainable in the long run. The following table shows the position in respect of the State for the year 1999-2000.

Ratio of	1999-2000

Revenue deficit to fiscal deficit	0.41
Capital expenditure to fiscal deficit	0.53
Net loans to fiscal deficit	0.06
Total	1.00

It would be seen that the State Government resorts to borrowings not only to finance its developmental activities but also to cover a significant portion of revenue expenditure. The ratio of revenue deficit to fiscal deficit increased from 0.38 during 1998-99 to 0.41 during 1999-2000 which indicated that more and more borrowed funds were applied for revenue expenditure. Therefore, if revenue expenditure is not controlled, capital formation would be adversely affected.

1.9.7 Guarantees given by the State Government

Guarantees are given by the State Government for due discharge of certain liabilities like repayment of loans, share capital, etc. raised by the statutory corporations, Government companies and co-operative institutions, etc. and payment of interest and dividend by them. These constitute contingent liabilities of the State. No law under Article 293 of the Constitution had been passed by the State Legislature laying down the maximum limits within which Government may give guarantees on the security of the Consolidated Fund of the State. The guaranteed sums outstanding at the end of each year during 1995-2000 are indicated in the time series data (Paragraph: 1.4.3). No amount was received as guarantee commission during 1999-2000 and Rs 1.41 crore was outstanding on this account for recovery from 9 Government Companies and 4 Statutory Corporations as on 31 March 2000.

1.10 Public debt

1.10.1 The Constitution of India provides that a State may borrow within the territory of India, upon the security of Consolidated Fund of the State within such limits, if any, as may from time to time be fixed by an Act of Legislature of the State. No law had been passed by the State Legislature laying down any such limit. The details of the total liabilities of the State Government as at the end of the last five years are given in the following table.

(Rupees in crore)

Year	Internal debt	Loans and advances from Central Government	Total public debt	Other liabilities[♦]	Total liabilities	Ratio of debt to GSDP
1995-96	1102.44	2584.41	3686.85	1142.08	4828.93	0.46
1996-97	1265.70	3028.61	4294.31	1259.77	5554.08	0.47
1997-98	1654.98	3231.09	4886.07	1384.30	6270.37	0.48
1998-99	1857.28	3420.18	5277.46	1557.87	6835.33	0.46
1999-2000	1932.23	4158.28	6090.51	2091.62	8182.13	0.48

During the five-year period, the total indebtedness of the State Government had grown by 69 *per cent.* The increase in indebtedness was on account of 75 *per cent* growth in internal debt, 61 *per cent* growth in loans and advances from Government of India and 83 *per cent* growth in other liabilities. During 1999-2000, Government borrowed Rs 100.57 crore in the open market at interest rates varying between 11.85 and 12.25 *per cent* per annum.

1.10.2 The amount of funds raised through Public debt, repayments thereagainst and net funds available are given in the following table:

(Rupees in crore)

		1995-96	1996-97	1997-98	1998-99	1999-2000
1.	**Internal debt**					
	Receipts during the year	2864	3520	4001	4095	5487
	Repayments (principal and interest)	2863	3472	3768	4244	5622
	Net funds available (*per cent*)	1	48 (1)	233 (6)	(-) 149	(-) 135
2.	**Loans and advances from GOI**					
	Receipts during the year	219	448	514	446	935
	Repayments (principal and interest)	404	4	880	556	587
	Net funds available (*per cent*)	(-) 185	444 (99)	(-) 366	(-) 110	348 (37)
3.	**Other liabilities**					
	Receipts during the year	448	609	753	772	1098[1]
	Repayments	405	491	628	598	564
	Net funds available (*per cent*)	43 (10)	118 (19)	125 (17)	174 (23)	534 (49)

It would be seen that the outstanding debt has been increasing year after year as a result of which the outgo of funds is likely to increase. The mounting debt

♦ These comprise small savings, provident funds, reserve funds and deposits.

1 Comprises Small Savings, Reserve Funds and Deposits.

service reduces the availability of resources for asset formation and other developmental activities.

1.11 Indicators of financial performance

1.11.1 A Government may either wish to maintain its existing level of activity or increase its level of activity. For maintaining its current level of activity, it would be necessary to know how far the means of financing are sustainable. Similarly, if Government wishes to increase its level of activity it would be pertinent to examine the flexibility of the means of financing. Finally, Government's vulnerability increases in the process. State Governments increase the level of their activity principally through Five-Year Plans which translate to Annual Development Plans provided for in the State Budget. Broadly, it can be stated that non-plan expenditure represents Government maintaining the existing level of activity, while plan expenditure entails expansion of activity. Both these activities require resource mobilisation, increasing Government's vulnerability. In short, financial health of a Government can be described in terms of sustainability, flexibility and vulnerability. These terms are defined as follows:

(i) Sustainability

Sustainability is the degree to which Government can maintain existing programmes and meet existing creditor requirements without increasing the debt burden.

(ii) Flexibility

Flexibility is the degree to which a Government can increase its financial resources to respond to rising commitments by either expanding its revenues or increasing its debt burden.

(iii) Vulnerability

Vulnerability is the degree to which a Government becomes dependent on and therefore vulnerable to sources of funding outside its control or influence, both domestic and international.

(iv) Transparency

There is also the issue of financial information provided by the Government. This consists of annual Financial Statement (Budget) and the Accounts. As regards the budget the important parameters are timely presentation indicating the efficiency of the budgetary process and accuracy of the estimates. As regards accounts, timeliness in submission, for which milestones exist and completeness of accounts would be the principal criteria.

1.11.2 Information available in Finance Accounts can be used to work out Sustainability, Flexibility and Vulnerability that can be expressed in terms of certain indices/ratios. The list of such indices/ratios is given in *Appendix*-1. Exhibit II indicates the behaviour of these indices/ratios over the period from 1995-96 to 1999-2000. The implications of these indices/ratios for the state of the financial health of the State Government are discussed in the following paragraphs.

1.11.3 The behaviour of the indices/ratios is discussed below:

(i) Balance from current revenues (BCR)

BCR is defined as revenue receipts minus plan assistance grants and non-plan revenue expenditure. A positive BCR shows that the State Government has surplus from its revenues for meeting plan expenditure. Exhibit-II shows that the State Government has had negative BCRs in all the five years up to 1999-2000 suggesting that Government had to depend entirely on borrowings for meeting its plan expenditure.

(ii) Interest ratio

The higher the interest ratio, the lower would be the ability of the Government to service any fresh debt and meet its revenue expenditure from its revenue receipts.

In case of Jammu and Kashmir, the ratio has moved in the range of 0.04 to 0.16. The high ratio also indicates constraint on the development expenditure of the Government due to increase in the expenditure on account of interest payments. The ratio increased substantially during 1997-98 and declined marginally during the period 1998-99 and 1999-2000. A rising interest ratio has adverse implications on sustainability since it indicates a rising interest burden.

(iii) Capital outlay/capital receipts

This ratio would indicate the extent to which the capital receipts are utilised for capital formation. A ratio of less than one would not be sustainable in the long term in as much as it indicates that a part of the capital receipt is being diverted to unproductive revenue expenditure. On the contrary, a ratio of more than one would indicate that capital investments are being made from revenue surplus as well. The trend analysis of this ratio would throw light on the fiscal performance of the State Government. A rising trend would mean an improvement in the performance.

In the case of Jammu and Kashmir, the ratio was more than one during the years 1995-96 to 1997-98 which was mainly due to revenue surplus during these years. During 1998-99 and 1999-2000 the ratio was below one due to revenue deficit indicating deterioration in the financial health of the State Government.

(iv) Tax receipts vs Gross State Domestic Product (GSDP)

Tax receipts consist of State taxes and State's share of Central taxes. The latter can also be viewed as Central taxes paid by people living in the State. Tax receipts suggest sustainability. But the ratio of tax receipts to GSDP would have implications for flexibility as well. While a low ratio would imply that the Government can tax more, and hence it possessed flexibility, a high ratio would indicate that the limits of this source had been reached.

Time series analysis shows that in case of Jammu and Kashmir the ratio of total tax to GSDP and State tax receipts to GSDP during the period 1995-96 to 1999-2000 ranged between 0.10 and 0.14 and between 0.3 and 0.5 respectively. This ratio suggests that while the State Government had the option to raise more resources through taxation, it chose the easier option of borrowing to meet its expenditure.

(v) Return on Investment (ROI)

The ROI is the ratio of the earnings to the capital employed. A high ROI suggests sustainability. The table (Exhibit-II) presents the return on Government's investments in statutory corporations, Government companies, joint stock companies and co-operative institutions. It shows that no returns had accrued to Government during the period 1995-96 to 1997-98 while during 1998-99 and 1999-2000 these were negligible at 0.36 and 2.18 *per cent* respectively, indicating investments in the Public Sector Undertakings were used to finance their losses rather than generating revenue.

(vi) Capital repayments vs Capital borrowings

The ratio would indicate the extent to which the capital borrowings are available for investment. The lower the ratio, the higher would be the availability of capital for investment. In case of Jammu and Kashmir Government this ratio has been in the range of 0.09 to 0.49 during the last 5 years.

(vii) Debt vs Gross State Domestic Product (GSDP)

The GSDP is the total internal resource base of the State Government, which can be used to service debt. An increasing ratio of Debt/GSDP would signify a reduction in the Government's ability to meet its debt obligations and therefore increasing risk for the lender. In case of Jammu and Kashmir, this ratio has moved in the range of 0.46 and 0.48 during the last five years which was a negative trend, suggesting greater vulnerability.

(viii) Revenue deficit/Fiscal deficit

Revenue deficit is the excess of revenue expenditure over revenue receipts and represents the revenue expenditure financed by borrowings etc. Evidently, the higher the revenue deficit, the more vulnerable is the State. Since fiscal deficit represents the aggregate of all the borrowings, the revenue deficit as a percentage of fiscal deficit would indicate the extent to which the borrowings of the Government are being used to finance non-productive revenue expenditure. Thus, a higher ratio would imply that the debt burden is increasing without adding to the repayment capacity of the State. During 1999-2000, 0.41 *per cent* of the borrowings were applied to revenue expenditure against 0.38 during 1998-99 which reflected an unfavourable trend.

(ix) Primary deficit vs Fiscal deficit

Primary deficit is the fiscal deficit minus interest payments. In other words, the lower the ratio the lower would be the availability of funds for capital investment. During 1998-99 and 1999-2000, the interest payments accounted for 63 *per cent* of the fiscal deficit (net proceeds from the borrowings). Evidently, this was not a sustainable position.

(x) Guarantees vs Revenue receipts

Outstanding guarantees, including the letters of comfort issued by the Government, indicate the risk exposure of a State Government and should, therefore, be compared with the ability of the Government to pay viz., from its revenue receipts. Thus, the ratio of the total outstanding guarantees to total revenue receipts of the Government would indicate the degree of vulnerability of the State Government. In case of Jammu and Kashmir this ratio decreased from 0.18 during 1995-96 to 0.13 in 1997-98 and 1998-99 and came down further to 0.11 during 1999-2000.

(xi) Assets vs Liabilities

This ratio indicates the solvency of the Government. A ratio of more than one would indicate that the State Government is solvent (assets are more than the liabilities) while a ratio of less than one would be a contra indicator. This ratio has all along been around one and has moved in the narrow range of 1.13 to 1.32.

(xii) Budget

There was no delay in submission of the budget and its approval.

Chapter-II of this Report carries a detailed analysis of variations in the budget estimates and the actual expenditure as also of the quality of the budgetary process and control over expenditure. It indicates defective budgeting and inadequate control over expenditure, as evidenced by persistent significant variations (excess/saving) between the final modified grant and actual expenditure. Further test-check of vouchers for February/March 2000 revealed that Rs 12.77 crore was transferred to personal ledger accounts/other deposits thus inflating the expenditure under the consolidated fund during the year.

1.11.4 Conclusion

The increasing fiscal deficit of the State Government over the years and adverse financial indicators point to improper fiscal management. While the revenue expenditure of the State Government increased from Rs 3129 crore in 1996-97 to Rs 6055 crore in 1999-2000-an increase of 94 *per cent*, Capital expenditure decreased by 29 *per cent* from Rs 1000 crore to Rs 711 crore during the same period which revealed a decline in growth-inducing planned development expenditure rather than curtailing unnecessary consumption expenditure. The investments already made were unremunerative, as the returns therefrom were negligible. The net outflow of funds under internal debt and increasing liability of interest payments also indicate deterioration in the financial position of the Government restricting its asset creating activities. Further a static tax to GSDP ratio shows that the State Government has preferred the easier option of borrowing to that of improving its tax revenues, which is the least costly means of financing Government expenditure. There is, thus, a need for sustained fiscal adjustments including cuts in unproductive expenditure for bringing down deficits.

Exhibit -I
Abstract of Receipts and Disbursements for the year 1999-2000

(Rupees in crore)

Receipts				Disbursements					
1998-99			**1999-2000**	**1998-99**					**1999-2000**
	Section-A: Revenue					**Non-Plan**	**Plan**	**Total**	
4509.14	**I. Revenue receipts**		**5513.59**	**4909.26**	**I. Revenue expenditure**	**5351.01**	**704.14**	**6055.15**	**6055.15**
436.61	Tax revenue	*577.63*		**1906.83**	**General Services**	**2386.22**	**27.63**	**2413.85**	
				1241.29	**Social Services**	**1196.98**	**329.66**	**1526.64**	
283.25	Non-tax revenue	*405.28*		*623.71*	Education, Sports, Art and Culture	*626.04*	*151.72*	*777.76*	
				282.36	Health and Family Welfare	*230.82*	*104.43*	*335.25*	
1212.05	State's share of Union taxes	*1231.60*		*203.46*	Water Supply, Sanitation, Housing and Urban Developm-ent	*241.16*	*27.16*	*268.32*	
				8.61	Information and Broadcast-ing	*7.65*	*0.86*	*8.51*	
330.56	Non-Plan grants	*415.53*		*10.92*	Welfare of Scheduled Castes, Scheduled tribes and Other Backward Classes	*6.86*	*6.32*	*13.18*	
				9.11	Labour and Labour Welfare	*5.22*	*5.63*	*10.85*	
2121.83	Grants for State Plan Schemes	*2668.28*		*97.60*	Social Welfare and Nutrition	*73.15*	*33.54*	*106.69*	
				5.52	Others	*6.08*	-	*6.08*	
124.84	Grants for Central and Centrally Sponsored Plan Schemes	*215.27*							
				1761.14	**Economic Services**	**1767.81**	**346.85**	**2114.66**	
				340.33	Agriculture and Allied Activities	*248.25*	*152.05*	*400.30*	
				64.92	Rural Development	*43.52*	*37.40*	*80.92*	
				110.33	Special Areas Programmes	*51.64*	*11.94*	*63.58*	
				111.58	Irrigation and Flood Control	*74.65*	*56.44*	*131.09*	
				983.24	Energy	*1243.04*	-	*1243.04*	

Receipts				Disbursements					
1998-99			1999-2000	1998-99		Non-Plan	Plan	Total	1999-2000
				74.63	Industries and Minerals	*56.44*	*32.59*	*89.03*	
				24.99	Transport	*17.77*	*0.43*	*18.20*	
				4.62	Science, Technology and Environment	*1.12*	*5.14*	*6.26*	
				46.50	General Economic Services	*31.38*	*50.86*	*82.24*	
400.12	**II. Revenue deficit carried over to Section -B**		**541.56**		**II. Revenue Surplus Carried over to Section-B**	**-**	**-**	**-**	**-**
4909.26	**Total Section-A**		**6055.15**	**4909.26**	**Total Section -A**				**6055.15**
	Section-B								
162.71	**III.Opening Cash balance including Permanent Advances and Cash Balance Investment**		**223.48**						
	IV. Misc. Capital receipts			**596.44**	**III. Capital Outlay**	**(-) 80.14**	**791.03**	**710.89**	**710.89**
				35.03	**General Services**	**12.05**	**37.47**	**49.52**	
				210.50	**Social Services**	**(-) 8.02**	**215.62**	**207.60**	
				13.75	Education, Sports, Art and Culture	*1.09*	*20.24*	*21.33*	
				17.09	Health and Family Welfare	*5.99*	*41.45*	*47.44*	
				171.20	Housing & Urban Development	*0.13*	*152.30*	*152.43*	
				0.53	Welfare of Scheduled Castes, Scheduled tribes and Other Backward classes	-	*0.58*	*0.58*	
				7.93	Social Welfare and Nutrition	*(-) 15.23*	*1.05*	*(-) 14.18*	
				350.91	**Economic Services**	**(-) 84.17**	**537.94**	**453.77**	
				10.35	Agriculture and Allied Activities	*(-) 105.68*	*36.97*	*(-) 68.71*	
				2.01	Rural Development	*18.51*	*2.03*	*20.54*	
				24.86	Special Areas Programmes	*1.70*	*35.30*	*37.00*	

Receipts				Disbursements					
1998-99			**1999-2000**	**1998-99**		**Non-Plan**	**Plan**	**Total**	**1999-2000**
				36.01	Irrigation and Flood Control	0.17	13.36	13.53	
				142.75	Energy	-	301.54	301.54	
				15.97	Industries and Minerals	0.89	25.14	26.03	
				103.38	Transport	0.09	98.79	98.88	
				15.58	General Economic Services	0.15	24.81	24.96	
4.29	**V. Recoveries of Loans and Advances**		**4.54**	**62.00**	**IV.Loans and Advances disbursement**				**90.64**
0.50	Industries and Minerals	0.50		36.61	Industries and Minerals			29.89	
				20.13	Road Transport			28.44	
3.07	Government servants	3.67		3.63	Government servants			0.79	
0.72	Others	0.37		1.63	Others			31.52	
	VI. Revenue surplus brought down		**-**	**400.12**	**V. Revenue deficit brought down**				**541.56**
672.51	**VII. Public debt receipts**		**1147.91**	**281.11**	**VI. Repayment of Public Debt**				**334.87**
121.64	Internal debt other than Ways and Means Advances and overdraft	212.69		23.84	Internal debt other than ways and means advances and overdraft			53.86	
446.36	Loans and Advances from GOI	935.22		257.27	Repayment of loans and advances from GOI.			197.12	
104.51	Net transactions under Overdrafts from J&K Bank@	-		-	Net transactions under ways and Means advances including Overdrafts			83.89	
	VIII.Appropriation to Contingency Fund				**VII. Appropriation to Contingency Fund**				
0.09	**IX. Amount recouped to contingency fund**		**0.33**	**0.08**	**VIII Expenditure from Contingency Fund**				**0.36**

@ Represents receipts : Rs 5274.57 crore and payments : Rs 5358.46 crore

Receipts				Disbursements					
1998-99			**1999-2000**	**1998-99**		**Non-plan**	**Plan**	**Total**	**1999-2000**
13020.31	**X. Public Account receipts**		**15828.39**	*12296.68*	**IX Public Account disbursements**				**15252.17**
241.11	Small Savings and Provident funds	*784.72*		*132.44*	Small Savings and Provident funds			*189.21*	
77.55	Reserve funds	*73.56*		*1.73*	Reserve funds			*37.41*	
452.87	Deposits and Advances	*370.62*		*464.19*	Deposits and Advances			*468.84*	
175.61	Suspense and Miscella-neous	*67.89*		*98.80*	Suspense and Miscella-neous			*163.77*	
12073.17	Remitt-ances	*14531.60*		*11599.52*	Remittances			*14392.94*	
				223.48	**X. Cash Balance at end**				**274.16**
				19.90	Cash in Treasuries and Local Remittances			*25.32*	
				66.26	Deposits with Banks			*130.93*	
				(-) 3.66	Departmental Cash Balance Including permanent Advances			*(-) 6.88*	
				37.39	Cash Balance Investment			*37.39*	
				103.59	Reserve fund investment			*87.40*	
13859.91	**Total Section-B**		**17204.65**	**13859.91**	**Total Section-B**				**17204.65**

Explanatory Notes

1. The abridged accounts in the foregoing statements have to be read with comments and explanations in the Finance Accounts.

2. Government accounts being mainly on cash basis, the deficit on Government account indicates the position on cash basis, as opposed to accrual basis in commercial accounting. Consequently, items payable or receivable or items like depreciation or variation on stock figures etc. do not figure in the accounts.

3. Suspense and Miscellaneous balances include cheques issued but not paid and payments made on behalf of the State and others pending settlement etc.

4. There was a difference of Rs 1 lakh between the figures reflected in the accounts under cash in Banks and the figures conveyed by the Finance Department. The difference was under reconciliation (August 2000).

Exhibit-II

Financial indicators for Government of Jammu and Kashmir

	1995-96	1996-97	1997-98	1998-99	1999-2000
Sustainability					
BCR (Rs in crore)	(-) 620	(-) 1256	(-) 1626	(-) 2120	(-) 2721
Primary Deficit (PD) (-) /Surplus (+) (Rs in crore)	(-) 100	(+) 743	(-) 314	(+) 389	(+) 493
Interest Ratio	0.08	0.04	0.16	0.13	0.14
Capital outlay/Capital receipts	2.22	1.77	1.25	0.96	0.43
Total Tax receipts/GSDP	0.12	0.10	0.12	0.14	0.14
State Tax receipts/GSDP	0.04	0.03	0.04	0.04	0.05
Return on investment ratio	-	-	-	0.36	2.18
Flexibility					
BCR (Rs in crore)	(-) 620	(-) 1256	(-) 1626	(-) 2120	(-) 2721
Capital repayments/Capital borrowings	0.47	0.09	0.48	0.49	0.22
State Tax receipts/GSDP	0.04	0.03	0.04	0.04	0.05
Debt/GSDP	0.46	0.47	0.48	0.46	0.48
Vulnerability					
Revenue Deficit (RD) (Rs in crore)	-	-	-	400	542
Fiscal Deficit (FD) (Rs in crore)	267	954	501	1054	1338
Primary Deficit (PD) (-)/ Surplus (+) (Rs in crore)	(-) 100	(+) 743	(-) 314	(+) 389	(+) 493
PD/FD	(-) 0.37	(+) 0.78	(-) 0.62	(+) 0.37	(+) 0.37
RD/FD	-	-	-	(-) 0.38	(-) 0.41
Outstanding Guarantees/revenue receipts	0.18	0.18	0.13	0.13	0.11
Assets/Liabilities	1.31	1.28	1.32	1.23	1.13

Explanatory Notes

1. Primary deficit is defined as fiscal deficit less by interest payments.
2. The interest payments in 1995-96 and 1997-98 were more than the fiscal deficit, hence the negative figure for primary deficit in these years.
3. Fiscal deficit has been calculated as sum total of Revenue and Capital expenditure including net loans and advances disbursed less revenue receipts.
4. In the ratio Capital outlay vs. Capital receipts, the denominator has been worked out by adding Internal loans (excluding overdrafts), Loans and Advances from Government of India, net receipts from small savings, Provident Funds etc. less by net loans advanced by State Government.
5. Capital repayments/borrowings include disbursements and receipts under Major Heads 6003 and 6004 (excluding transactions on account of overdrafts).
6. Interest ratio has been calculated as ratio of interest payments (less by interest receipts) and Revenue receipts (less by interest receipts).