

Chapter-I

An Overview of the Finances of the State Government

Introduction

1.1 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*.

Financial position of the State

1.2 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. Table 1.1 gives an abstract of such liabilities and assets as on 31 March 2001, compared with the corresponding position as on 31 March 2000.

(Table No. 1.1)

(Rupees in crore)

As on 31 March 2000		Liabilities		As on 31 March 2001
1932.23		Internal Debt		2382.51
	632.32	Market Loans bearing interest	870.97	
	194.72	Loans from LIC	187.26	
	80.85	Loans from other Institutions	140.73	
	1024.34	Overdrafts from Jammu and Kashmir Bank	1183.55	
4158.28		Loans and Advances from Central Government		4387.61
	762.04	Pre-1984-85 Loans	666.30	
	1070.86	Non-Plan Loans	1307.50	
	1957.68	Loans for State Plan Schemes	2041.58	
	10.10	Loans for Central Plan Schemes	12.67	
	54.35	Loans for Centrally Sponsored Plan Schemes	56.31	
	303.25	Ways and Means Advances	303.25	
0.35		Contingency Fund		0.34
1675.59		Small Savings, Provident Funds, etc.		2128.99
465.49		Reserve Funds		463.99
(-) 49.46		Deposits[#]		(-) 139.30
1107.59		Remittance Balances		1805.67
1220.45		Surplus on Government Account:		259.77
	1762.01	Revenue Surplus as on 31 March 2000	1220.45	
	541.56	Revenue Deficit for 2000-2001	960.68**	
10510.52		Total		11289.58

(Rupees in crore)

As on 31 March 2000		Assets		As on 31 March 2001
9371.79		Gross Capital Outlay on Fixed Assets		10239.19
	355.05	Investments in shares of Companies, Corporations, etc.	359.60	
	9016.74	Other Capital Outlay	9879.59	
555.17		Loans and Advances		599.93
	244.13	Industries and Minerals	267.53	
	164.25	Transport	181.50	
	31.00	Energy	22.94	
	30.98	Agriculture and Allied Activity	43.06	
	56.68	Other Development Loans	59.50	
	28.13	Loans to Government servants and Miscellaneous loans	25.40	
4.88		Advances		4.95
304.52		Suspense and Miscellaneous Balances		364.91
274.16		Cash		80.60
	25.32	Cash in Treasuries and Local Remittances	21.35	
	130.93	Deposits with Bank	19.22	
	(-) 7.00*	Departmental Cash Balance	(-) 8.37	
	0.12	Permanent Advances	0.12	
	37.39	Cash Balance Investments	37.39	
	87.40	Reserve Fund Investments	10.89	
10510.52		Total		11289.58

[#] Minus balance under Deposits is mainly on account of adverse balance of Rs 146.45 crore under State Electricity Board Working Fund and Rs 213.22 crore under Ladakh Autonomous Hill Development Council Fund (LAHDC) of which, Rs 168.47 crore was due to short/non-transfer of funds from MHs 2575/4575 to the Deposit Head during 1997-98 to 2000-01. The adverse balances are under investigation

** Revenue deficit has been overstated by Rs 10.01 lakh (Rs 27.51 lakh minus Rs 17.50 lakh) due to classification of grants-in-aid of Rs 17.50 lakh to Notified Area Committee, Kargil as capital expenditure instead of revenue expenditure and erroneous crediting of Rs 27.51 lakh (realised by LAHDC) to Council Fund instead of Consolidated Fund of the State.

* Minus balance is due to more adjustments/receipts than disbursements

1.2.1 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 7 *per cent* during 2000-01, mainly as a result of increase of revenue deficit on Government account from Rs 541.56 crore during 1999-2000 to Rs 960.68 crore during 2000-01. This shows an overall deterioration in the financial position of the Government.

Sources and application of funds

1.3 Table 1.2 gives the position of the sources and application of funds during the current and the preceding year.

(Table No. 1.2)

(Rs in crore)

1999-2000		S.No.	Sources		2000-01
5513.59		1.	Revenue receipts		5660.16 ^{\$}
4.54		2.	Recoveries of Loans and Advances		13.82
896.94		3.	Net receipts from Public Debt other than Overdraft		520.40
-		4.	Net receipts from overdraft		159.21 ^Y
576.21		5.	Net receipts from Public Accounts:		999.68
	595.51		Net receipts from Small Savings, Provident funds, etc.	453.40	
	(-) 98.23		Net effect of Deposits and Advances	(-) 89.92	
	36.16		Net receipts from Reserve funds	(-) 1.49	
	(-) 95.88		Net effect of Suspense and Miscellaneous transactions	(-) 60.39	
	138.65		Net effect of Remittance transactions	698.08	
-			Utilisation of cash balance		193.56
6991.28			Total		7546.83
			Application		
6055.15		1.	Revenue expenditure		6620.84 [#]
90.64		2.	Lending for developmental and other purposes		58.58
710.89		3.	Capital expenditure		867.40
83.89		4.	Net repayment of overdraft		-
0.03		5.	Expenditure met from Contingency Fund but not recouped		0.01
50.68		6.	Increase in closing cash balance		-
6991.28			Total		7546.83

^{\$} Understated to the extent of Rs 27.51 lakh due to crediting of the amount realised by LAHDC to Council Fund instead to the Consolidated Fund of the State.

^Y Receipts: Rs 5928.19 crore; Repayments: Rs 5768.98 crore

[#] Understated to the extent of Rs 17.50 lakh due to classification of grants-in-aid to NAC, Kargil as capital expenditure instead of as revenue expenditure.

1.4 The main sources of funds are the revenue and capital receipts of the Government. The capital receipts include recoveries of loans and advances and receipts in the Public Debt and Public Account. The funds are applied mainly on revenue/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 *per cent* in 1999-2000 to 75 *per cent* during 2000-01. The share of net receipts from Public Debt (excluding overdraft/temporary loans obtained from Jammu and Kashmir Bank) decreased from 13 *per cent* in 1999-2000 to 7 *per cent* in 2000-01. Share of net receipts from Public Account, however, increased from 8 *per cent* in 1999-2000 to 13 *per cent* in 2000-01. The net receipts on account of overdrafts obtained from Jammu and Kashmir Bank also were Rs 159.21 crore during 2000-01 indicating that the State was increasingly becoming dependent on borrowings.

1.5 The available funds were applied mainly for revenue expenditure, share of which in total expenditure was not only 88 *per cent* in 2000-01, but was also higher than the share of the revenue receipts (75 *per cent*) in total receipts of the State Government. This led to the Revenue Deficit of Rs 960.68 crore. While share of capital expenditure increased from 10 *per cent* in 1999-2000 to 11 *per cent* during 2000-01, lending for developmental purposes decreased from Rs 90.64 crore during 1999-2000 to Rs 58.58 crore during 2000-01 and comprised only 0.78 *per cent* of total expenditure during the current year against 1.30 *per cent* in 1999-2000. Evidently, the asset formation and the developmental activities received low priority during the year.

Financial operations of the State Government

1.6 Exhibit-I gives the details of the receipts and disbursements. The revenue expenditure (Rs 6620.84 crore) during the year exceeded the revenue receipts (Rs 5660.16 crore) resulting in a revenue deficit of Rs 960.68 crore. There was a marginal increase of 2.7 *per cent* in the revenue receipts during 2000-01 over that of 1999-2000 compared to 22 *per cent* during 1999-2000 over 1998-99. The revenue receipts comprised tax revenue (Rs 745.98 crore), non-tax revenue (Rs 444.29 crore), State's share of Union taxes and duties (Rs 675.40 crore) and grants-in-aid received from the Central Government (Rs 3794.49 crore). The main sources of tax revenue were state excise (40 *per cent*), sales tax (48 *per cent*) and taxes on vehicles (3 *per cent*). Non-tax revenue came mainly from sale of power (54 *per cent*), interest receipts (24 *per cent*) and forestry and wild life (13 *per cent*).

1.7 The capital receipts comprised Rs 742.60 crore from public debt[‡] and Rs 13.82 crore from recoveries of loans and advances. Against this, the expenditure was Rs 867.40 crore on capital outlay, Rs 58.58 crore on disbursement of loans and advances and Rs 222.19 crore on repayment of public debt. The gross receipts (exclusive of remittance transactions) in the

[‡] Excludes Rs 159.21 crore on account of net receipt of overdrafts/temporary loans.

Public Account amounted to Rs 1276.47 crore, against which the disbursements made were Rs 974.87 crore. The net effect of the transactions in the Consolidated Fund, Contingency Fund and Public Account was decrease of Rs 193.56 crore in the cash balance from Rs 274.16 crore at the beginning of 2000-01 to Rs 80.60 crore at the end of the year.

1.8 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 1996-97 to 2000-01, presented in table 1.3.

(Table No. 1.3)

Time series data on State Government Finances

	(Rupees in crore)				
	1996-97	1997-98	1998-99	1999-2000	2000-01
Part-A Receipts					
1. Revenue Receipts	3223	4642	4509	5514	5660
(i) Tax Revenue	294 (9)	368 (8)	437 (10)	578 (11)	746 (13)
Taxes on sales, trade, etc.	119 (41)	145 (40)	180 (41)	236 (41)	357 (48)
State Excise	135 (46)	162 (44)	206 (47)	274 (47)	298 (40)
Taxes on vehicles	12 (4)	15 (4)	18 (4)	22 (4)	23 (3)
Stamps and Registration fees	8 (3)	11 (3)	12 (3)	15 (3)	21 (3)
Land Revenue	1 (*)	*	3 (1)	2 (*)	4 (*)
Other Taxes	19 (6)	35 (9)	17 (4)	29 (5)	43 (6)
(ii) Non Tax Revenue	183 (6)	248 (5)	283 (6)	405 (7)	444 (8)
(iii) State's share of Union taxes and duties	626 (19)	834 (18)	1212 (27)	1232 (22)	675 (12)
(iv) Grants-in-aid from GOI	2120 (66)	3192 (69)	2577 (57)	3299 (60)	3795 (67)
2. Misc. Capital receipts	-	-	-	-	-
3. Total revenue and non-debt capital receipts (1+2)	3223	4642	4509	5514	5660
4. Recoveries of Loans and Advances	3	4	4	5	14
5. Public Debt receipts	655	907	673	1148	902
Internal Debt (excluding Ways and Means Advances and Overdrafts)	65	139	122	213	308
Net transactions under Ways and Means Advances and Overdrafts	142	254	105	-	159
Loans and advances from GOI ^{&}	448	514	446	935	435
6. Total receipts in the Consolidated Fund (3+4+5)	3881	5553	5186	6667	6576
7. Contingency Fund receipts	0.36	0.30	0.09	0.33	0.19
8. Public Account receipts	11460	12795	13020	15828	18177
9. Total receipts of the State (6+7+8)	15341	18348	18206	22495	24753
Part-B Expenditure/disbursement					
10. Revenue Expenditure	3129 (75)	4191 (81)	4909 (88)	6055 (88)	6621 (88)
Plan	348 (11)	445 (11)	526 (11)	704 (12)	735 (11)
Non-Plan	2781 (89)	3746 (89)	4383 (89)	5351 (88)	5886 (89)
General Services (Including interest payments)	994 (32)	1717 (41)	1907 (39)	2414 (40)	2448 (37)
Social Services	929 (30)	1048 (25)	1241 (25)	1526 (25)	1650 (25)
Economic Services	1206 (38)	1426 (34)	1761 (36)	2115 (35)	2523 (38)
Grants-in-aid and contributions	0.04	-	-	-	-
11. Capital Expenditure	1000 (24)	889 (17)	596 (11)	711 (10)	867 (11)
Plan	924 (92)	908 (102)	608 (102)	791 (111)	802 (93)
Non-Plan	76 (8)	(-) 19 (-2)	(-) 12 (-2)	(-) 80 (-11)	65 (7)
General Services	25 (3)	39 (4)	35 (6)	49 (7)	32 (4)
Social Services	241 (24)	236 (27)	210 (35)	208 (29)	240 (28)
Economic Services	734 (73)	614 (69)	351 (59)	454 (64)	595 (68)

(Contd.)

* Negligible
& Includes Ways and Means Advances

Time series data on State Government Finances (concl.)

	(Rupees in crore)				
	1996-97	1997-98	1998-99	1999-2000	2000-01
12. Disbursement of loans and advances	51	67	62	91	59
13. Total (10+11+12)	4180	5147	5567	6857	7547
14. Repayment of Public Debt	48	315	281	335	222
Internal Debt (excluding Ways and Means Advances and Overdraft)	44	3	24	54	16
Net transactions under Ways and Means Advances and Overdraft	-	-	-	84	-
Loans and Advances from Government of India ^o	4	312	257	197	206
15. Appropriation to Contingency Fund	Nil	Nil	Nil	Nil	Nil
16. Total disbursement out of Consolidated Fund (13+14+15)	4228	5462	5848	7192	7769
17. Contingency Fund disbursements	0.26	0.33	0.08	0.36	0.20
18. Public Account disbursements	11074	12883	12297	15252	17178
19. Total disbursements by the State (16+17+18)	15302	18345	18145	22444	24947
Part C. Deficits					
20. Revenue Deficit (1-10)	(+) 94	(+) 451	(-) 400	(-) 541	(-) 961
21. Fiscal Deficit (3+4-13)	954	501	1054	1338	1873
22. Primary Deficit (21-23)	(-) 743	(+) 314	(-) 389	(-) 493	(-) 1104
Part D. Other data					
23. Interest Payments (included in revenue expenditure)	211 (7)	815 (19)	665 (14)	845 (14)	769 (12)
24. Arrears of Revenue (percentage of Tax and non-Tax Revenue Receipts)^ψ	295 (62)	359 (58)	748 (104)	886 (90)	988 (83)
25. Financial Assistance to local bodies, etc.	74	88	122	186	210
26. Ways and Means Advances/Overdraft availed (days)	365	365	365	366	365
27. Interest on WMA/Overdraft	91	117	148	99	72
28. Gross State Domestic Product* (GSDP)	9124	10286	11415	13332	14497
29. Outstanding debt (year end)	4294	4886	5277	6091	6770
30. Outstanding guarantees (year end)^φ	583	602	573	581	776
31. Maximum amount guaranteed (year end)	743	856	848	668	982
32. Number of incomplete projects	24	27	33	73	111
33. Capital blocked in incomplete projects	149	132	138	221	296

(Percentage in brackets)

^o Includes Ways and Means Advances^ψ Figures of arrears of revenue available under Sales Tax, State Excise, Passenger Tax and Forestry and Wild Life.^{*} Figures of GSDP for 1999-2000 and 2000-01 are based on the revised information supplied by the State Government^φ Excludes information in respect of State Electricity Board, 3 private firms and 4 co-operative societies.

Revenue receipts

1.9 The revenue receipts consist mainly of tax and non-tax revenue and receipts from Government of India. Their relative shares are shown in Chart-1.1. The revenue receipts grew at an average annual rate of 15 per cent during 1996-97 to 2000-01.

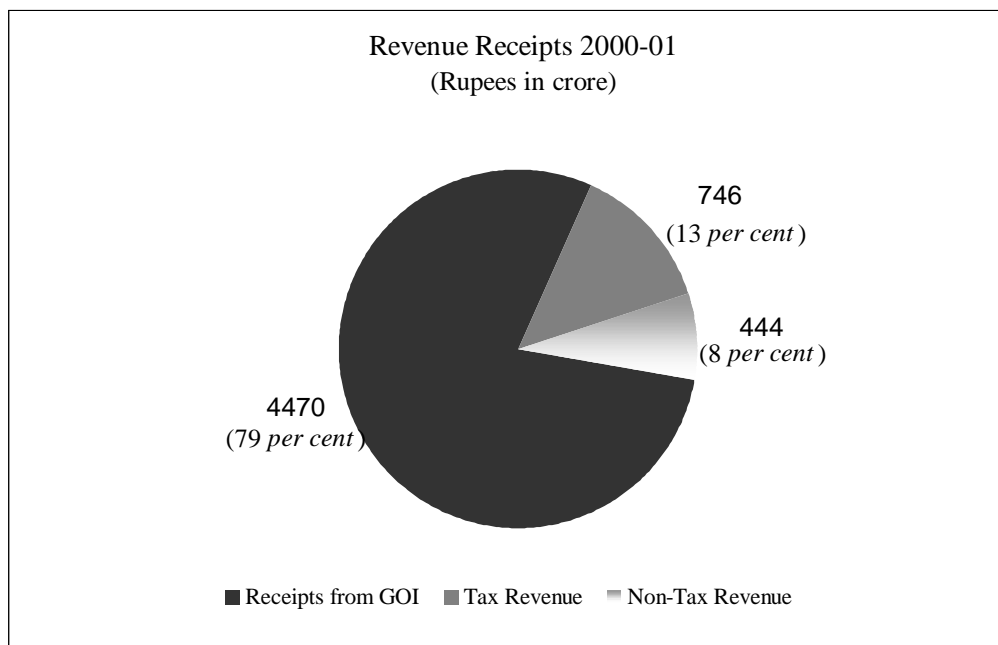


Chart 1.1

Tax Revenue

1.10 Tax revenue constituted 13 per cent of the revenue receipts. Its share in the total revenue receipts increased marginally from 11 per cent in 1999-2000 to 13 per cent in 2000-01 mainly due to growth in sales tax (51 per cent) and state excise receipts (9 per cent). While the relative contribution of sales tax remained stagnant at around 40 per cent during 1996-97 to 1999-2000, it increased to 48 per cent in 2000-01. The receipts on account of state excise came down from 46 per cent in 1996-97 to 40 per cent in 2000-01. 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 12 and 16 per cent during 1996-97 to 2000-01.

Non-tax revenue

1.11 Non-tax revenue constituted only 8 per cent of the revenue receipts of the Government and its share in the revenue receipts varied between 5 and 8 per cent during 1996-2001. In absolute terms non-tax revenue increased from Rs 405 crore in 1999-2000 to Rs 444 crore during 2000-01- an increase of 10

per cent against increase of 43 *per cent* during 1999-2000 over the preceding year.

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

1.12 The State's share of Union taxes (excise duties and taxes on income other than corporation tax) decreased by 45 *per cent* (from Rs 1232 crore in 1999-2000 to Rs 675 crore in 2000-01) during the year. Receipts on account of grants-in-aid from the Central Government, however, increased by 15 *per cent*. As a percentage of revenue receipts these (both taken together) declined from 85 *per cent* in 1996-97 to 79 *per cent* during 2000-01. This was mainly due to decrease in the State's share of union taxes and duties (from 19 to 12 *per cent*) which offset increase in the grants-in-aid from the Central Government (from 66 to 67 *per cent*).

Revenue expenditure

1.13 Revenue expenditure accounted for major portion (88 *per cent*) of the expenditure of the State Government and increased by 9 *per cent* during 2000-01. The increase was higher on the non-plan side (10 *per cent*) as compared to plan side (4 *per cent*). Chart 1.2 shows the trend of growth of plan and non-plan revenue expenditure during the period 1996-2001. Trend analysis shows that the Government had made no effort to arrest the increasing trend in the revenue expenditure which had risen from 75 *per cent* in 1996-97 to 88 *per cent* in 1998-99 and remained constant thereafter. Despite proposals of the State Government to enforce economy in expenditure during 2000-01, the revenue expenditure had increased by Rs 566 crore over the year of 1999-2000. The increase was mainly due to more expenditure incurred by the Government on Power (Rs 326.90 crore), Education (Rs 53.73 crore) and on pension and other retirement benefits (Rs 36 crore) during 2000-01.

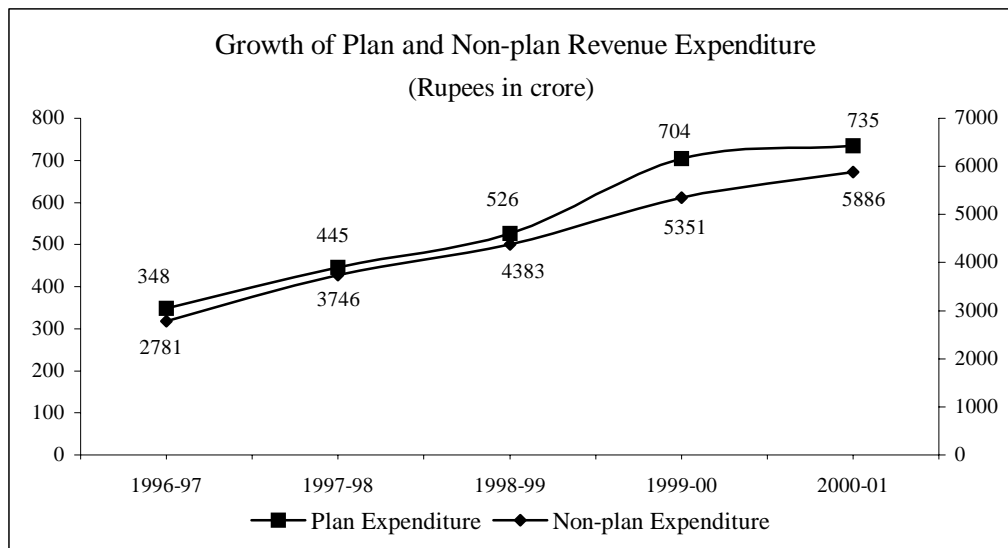


Chart-1.2

1.14 Sector-wise analysis shows that the expenditure on Economic Services increased by 109 *per cent* (from Rs 1206 crore in 1996-97 to Rs 2523 crore in 2000-01). Increase in expenditure on General and Social Services was 146 and 78 *per cent* respectively. As a proportion of total expenditure, the share of expenditure on Economic and Social Services decreased from 68 *per cent* in 1996-97 to 63 *per cent* in 2000-01, while that of General Services increased from 32 *per cent* to 37 *per cent* during this period.

Interest payments

1.15 Interest payments during the period from 1996-97 to 2000-01 ranged between Rs 211 crore and Rs 845 crore. During 2000-01, total interest payments amounted to Rs 769 crore which formed 12 *per cent* of revenue expenditure. Interest paid by the Government on debts including loans and advances received from Government of India amounted to Rs 623.08 crore, which formed 81 *per cent* of total interest payments. Further details about interest payments are discussed in the section on financial indicators. Interest payments over the years have progressively grown. This was having an inevitable bearing over the availability of funds for the business of the Government. Audit examination of selected units in various departments revealed that the problem was further compounded by inefficient fiscal management leading to large funds remaining outside the Government accounts for long periods and creation of non-performing assets. The cost of such funds (aggregating Rs 29 crore) to the Government, at the weighted cost of 15 *per cent* in test-checked cases alone, exceeded Rs 12 crore during the germane period.

Financial assistance to local bodies and other institutions

1.16 The quantum of assistance provided in the shape of grants to different local bodies, etc. during the period of four years ending 2000-01 was as follows:

(Table No. 1.4)

	(Rupees in crore)				
	1996-97	1997-98	1998-99	1999-2000	2000-01
Housing and Urban Development	27.40	34.26	77.46	99.42	61.27
Education	35.54	40.89	29.38	61.79	77.66
Agriculture and Allied Activities	6.28	6.19	6.64	12.71	46.21
Art and Culture	2.60	4.02	3.11	4.00	4.28
General Administration	0.03	1.25	1.53	2.22	2.40
Health and Medical Education	1.26	0.66	0.44	0.34	0.52
Other Institutions	0.96	1.03	3.29	5.46	17.97
Total	74.07	88.30	121.85	185.94	210.31
Percentage of growth over previous year	22	19	38	53	13
Assistance as a percentage of revenue expenditure	2	2	2	3	3

1.17 Financial assistance to educational institutions and on agricultural and allied activities increased by 66 *per cent* during 2000-01.

Loans and Advances by the State Government

1.18 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 100 *per cent* during 1996-2001, repayments varied between 0.82 and 2.3 *per cent* of the loan outstanding at the close of each year during 1997-2001. The poor recovery of loans and advances contributed to the increase in the gross fiscal deficit of the State.

(Table No. 1.5)

	(Rupees in crore)				
	1996-97	1997-98	1998-99	1999-2000	2000-01
Opening balance	300.52	347.96	411.36	469.07	555.17
Amount advanced during the year	50.79	67.22	62.00	90.64	58.58
Amount repaid during the year	3.35	3.82	4.29	4.54	13.82
Closing balance	347.96	411.36	469.07	555.17	599.93
Net addition	47.44	63.40	57.71	86.10	44.76
Interest received	0.22	0.51	0.44	0.67	1.64

1.19 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 32.71 crore (principal: Rs 27.84 crore and interest: Rs 4.87 crore) was in arrears as on 31 March 2001. In respect of loans etc. the detailed accounts of which are maintained by the departmental officers, Rs 564.70 crore were outstanding as

on 31 March 2001. Information regarding overdue amounts in arrears had not been furnished by any of the controlling officers, though called for repeatedly.

Capital expenditure

1.20 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. The capital expenditure decreased from Rs 1000 crore in 1996-97 to Rs 867 crore in 2000-01. As a result, its share in the total expenditure decreased from 24 *per cent* in 1996-97 to 10 *per cent* in 1999-2000 and slightly increased to 11 *per cent* in 2000-01. 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 (Table No: 1.3) 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, increased from 93 *per cent* in 1999-2000 to 96 *per cent* in 2000-01.

Quality of Expenditure

1.21 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.

1.22 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. Table 1.6 lists out the trend in these indicators:

(Table No. 1.6)

S.No.		1996-97	1997-98	1998-99	1999-2000	2000-01
1.	Plan expenditure as a percentage of:					
	Revenue expenditure	11	11	11	12	11
	Capital expenditure	92	102	102	111	93
2.	Capital expenditure (<i>per cent</i>)	24	18	11	11	11
3.	Expenditure on General Services as a percentage of:					
	Revenue expenditure	32	41	39	40	37
	Capital expenditure	3	4	6	7	4
4.	Amount* of wastages and diversion of funds detected during test-audit (Rupees in crore)	51.52	47.84	103	38.31	94.38
5.	Non-remunerative expenditure on incomplete projects (Rupees in crore)	149	132	138	221	296
6.	Unspent balances under deposit heads, booked as expenditure at the time of their transfer to the deposit head [@] (Rupees in crore)	27.42	7.21	2.28	12.77	1.29

1.23 It would be seen that the share of Plan expenditure on the revenue side did not register any significant increase and remained stagnant between 11 and 12 *per cent* during 1996-97 to 2000-01. The share of capital expenditure in the total expenditure, however, declined from 24 to 11 *per cent* during the period 1996-2001 except during 1997-98 when it was 18 *per cent*. The expenditure on General Services, at the same time, varied between 32 and 41 *per cent* on the revenue side and from 3 to 7 *per cent* on capital side during the same period.

Financial Management

1.24 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.

Investments and returns

1.25 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:

* Based on Audit Reports

@ On the basis of test-audit

(Table No. 1.7)

(Rupees in crore)

S.No	Sector	Number of concerns	Amount invested	
			As on 31 March 2001	During 2000-01
1.	Statutory Corporations	3 [#]	142.07	3.37
2.	Government Companies	21	193.84 [⊗]	1.18
3.	Joint Stock Companies	2	0.35	Nil
4.	Co-operative Institutions	10	23.34	Nil
	Total	36	359.60	4.55

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

(Table No. 1.8)

Year	Investments	Returns	Percentage of returns on investment	Rate of interest on Government borrowings (<i>per cent</i>)
	(Rupees in crore)			
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
2000-01	359.60	Nil	-	10.5 to 12

1.27 Thus, while the Government was raising high cost borrowings from the market, its investments in Government companies, etc. fetched no returns during 1996-97, 1997-98 and 2000-01 and insignificant returns during 1998-99 and 1999-2000. 14 Government working companies in which Government had invested Rs 135.78 crore up to 31 March 2001, were incurring losses and the accumulated loss aggregated Rs 144.60 crore as per their latest finalised accounts.

Financial results of Irrigation works

1.28 The financial results of 6 irrigation projects with a capital outlay of Rs 88.66 crore at the end of March 2001 showed that revenue realised during 2000-01 (Rs 12.44 lakh) from these projects was only 0.14 *per cent* of their capital outlay and was not sufficient even to cover the direct working expenses (Rs 1.04 crore). After meeting the working expenses (direct and indirect) of Rs 1.28 crore and interest on capital outlay (Rs 9.05 lakh), these schemes suffered a loss of Rs 1.25 crore. The loss was substantial in the Pratap Canal (Rs 31.83 lakh), Ranbir Canal (Rs 71.79 lakh) and Kathua Feeder Channel (Rs 21.81 lakh).

[#] Excludes State Electricity Board

[⊗] Includes investment of Rs 10 lakh in National Projects Construction Corporation (a Central Government Company) and Rs 80.40 lakh in Tawi Scooters Limited (a non-working company)

Incomplete Projects

1.29 As of 31 March 2001, there were 111 incomplete projects costing Rs 50 lakh and above in which Government investment of Rs 296 crore was locked up. The position had deteriorated compared to the position as on 31 March 2000. This showed that the Government was spreading its resources thinly, which failed to yield any return.

Arrears of revenue

1.30 The arrears of revenue in respect of Sales Tax, Passenger Tax, Forestry and Wild Life and State Excise pending collection increased by 12 *per cent* during the year. The outstanding arrears registered an increase during 1996-97 to 2000-01 (refer Table No: 1.3). As a percentage of tax and non-tax revenue, the arrears of revenue constituted between 58 and 104 *per cent* of the revenue raised by the State Government during 1996-97 to 2000-01. Of the arrears of Rs 988.40 crore as of March 2001, Rs 399.11 crore (40 *per cent*) were pending for more than five years and pertained mainly to Forestry and Wild Life (Rs 296.95 crore) and Sales Tax (Rs 82.88 crore). The overall deterioration in the position of arrears of revenue showed a slackening of the revenue collection efforts of the State Government.

Ways and means advances and overdraft

1.31 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 13.75 and 19.5 *per cent* was charged on temporary loans during 2000-01. The position of temporary loans taken by the Government and interest paid thereon during the period from 1996-97 to 2000-01 was as under:

(Table No. 1.9)

(Rupees in crore)

Year	Temporary loans/overdrafts		Interest paid
	Taken during the year	Outstanding at the end of the year	
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
2000-01	5928.19	1183.55	71.57

1.32 The temporary loans (gross) obtained during the year had increased from Rs 3454.74 crore in 1996-97 to Rs 5928.19 crore in 2000-01 constituting an increase of 72 *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.

Deficit

1.33 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 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.

1.34 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 961 crore during 2000-01. Fiscal deficit of the State had shown an increasing trend for the three years ending 2000-01. It had increased from Rs 501 crore in 1997-98 to Rs 1873 crore in 2000-01. Table 1.10 gives a break-up of the deficits in Government account.

(Table No. 1.10)

(Rupees in crore)

Consolidated Fund				
Receipt	Amount		Disbursement	Amount
Revenue	5660.16	Revenue deficit: 960.68	Revenue	6620.84
Misc. capital receipt			Capital	867.40
Recovery of loans and advances	13.82		Loans and advances	58.58
Sub-Total	5673.98	Gross fiscal deficit: 1872.84	Sub-Total	7546.82
Public debt receipts	901.81		Public debt repayments	222.19
Total	6575.79	A: Deficit in Consolidated fund: 1193.22		7769.01
Contingency Fund				
Amount recouped to contingency fund	0.19	B: Deficit in contingency fund: 0.01	Expenditure from contingency fund	0.20
Public Account				
Small savings, Provident Funds, etc.	711.63		Small savings, Provident Funds, etc.	258.23
Reserve funds	95.74		Reserve funds	97.23
Deposits and advances	432.44		Deposits and advances	522.36
Suspense and Miscellaneous balances	36.66		Suspense and Miscellaneous balances	97.05
Remittances	16900.91		Remittances	16202.84
Total Public Account	18177.38	C: Surplus in Public Account: 999.67		17177.71
		Deficit in CF (1193.22) and Contingency Fund (0.01) was partly met by surplus in public account (999.67) and balance by utilising cash balance (193.56).		
Decrease in cash balance (A+B-C): 193.56				

1.35 The table shows that the revenue deficit of Rs 961 crore was met by borrowings. The fiscal deficit of Rs 1873 crore was financed by net proceeds

of the Public Debt (Rs 679 crore), surplus (Rs 1000 crore) from Public Account and partly by utilising cash balance (Rs 194 crore). The State which was having revenue surplus during 1996-97 and 1997-98 turned out to be a revenue deficit State during 1998-99 (Rs 400 crore). The deficit increased to Rs 961 crore in 2000-01. This indicates serious deterioration in the financial position of the State.

Application of the borrowed funds (Fiscal Deficit)

1.36 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. Table 1.11 shows the position in respect of the State for the year 2000-01.

(Table No. 1.11)

Ratio of	
Revenue deficit to fiscal deficit	0.51
Capital expenditure to fiscal deficit	0.46
Net loans to fiscal deficit	0.03
Total	1.00

1.37 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 0.41 during 1999-2000 to 0.51 during 2000-01 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.

Guarantees given by the State Government

1.38 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 1996-01 are indicated in the time series data (Table No: 1.3). No amount was received as guarantee commission during 2000-01 and Rs 2.27 crore was outstanding on this account for recovery from 11 Government Companies and 2 Statutory Corporations as on 31 March 2001.

Public debt

1.39 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 table 1.12.

(Table No. 1.12)

(Rupees in crore)

Year	Internal debt	Loans and advances from Central Government	Total public debt	Other liabilities*	Total liabilities	Ratio of debt to GSDP
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	0.46
2000-01	2382.51	4387.61	6770.12	2453.68	9223.80	0.47

1.40 During the five-year period, the total indebtedness of the State Government had grown by 66 per cent. The increase in indebtedness was on account of 88 per cent growth in internal debt, 45 per cent growth in loans and advances from Government of India and 95 per cent growth in other liabilities. During 2000-01, Government borrowed Rs 238.65 crore in the open market at interest rates varying between 10.5 and 12 per cent per annum.

1.41 The amount of funds raised through Public debt, repayments thereagainst and net funds available are given in table 1.13:

(Table No.1.13)

(Rupees in crore)

	1996-97	1997-98	1998-99	1999-2000	2000-01
1. Internal debt					
Receipts during the year	3520	4001	4095	5487	6236
Repayments (principal and interest)	3472	3768	4244	5622	5999
Net funds available (per cent)	48 (1)	233 (6)	(-) 149	(-) 135	237 (4)
2. Loans and advances from GOI					
Receipts during the year	448	514	446	935	435
Repayments (principal and interest)	4	880	556	587	615
Net funds available (per cent)	444 (99)	(-) 366	(-) 110	348 (37)	(-) 180
3. Other liabilities					
Receipts during the year	609	753	772	1098	1100 [#]
Repayments	491	628	598	564	738
Net funds available (per cent)	118 (19)	125 (17)	174 (23)	534 (49)	362 (33)

1.42 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

* These comprise Small Savings, Provident Funds, Reserve Funds and Deposits

Comprises Small Savings, Reserve Funds and Deposits

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

Indicators of financial performance

1.43 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:

Sustainability

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

Flexibility

(ii) 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.

Vulnerability

(iii) 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.

Transparency

(iv) 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.

1.44 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

1996--97 to 2000-01. The implications of these indices/ratios for the state of the financial health of the State Government are discussed in the following paragraphs.

Balance from current revenues (BCR)

(a) 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 2000-01 suggesting that Government had to depend entirely on borrowings for meeting its plan expenditure.

Interest ratio

(b) 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. This 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 to 2000-01. A rising interest ratio has adverse implications on sustainability since it indicates a rising interest burden.

Capital outlay/capital receipts

(c) 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.

1.45 In case of Jammu and Kashmir, the ratio was more than one during the years 1996-97 and 1997-98 which was mainly due to revenue surplus during these years. During 1998-99 to 2000-01 the ratio was below one due to revenue deficit indicating deterioration in the financial health of the State Government.

Tax receipts vs Gross State Domestic Product (GSDP)

(d) 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 1996-97 to 2000-01

ranged between 0.10 and 0.14 and between 0.03 and 0.05 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.

Return on Investment (ROI)

(e) 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 1996-97, 1997-98 and 2000-01 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.

Capital repayments vs Capital borrowings

(f) 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.

Debt vs Gross State Domestic Product (GSDP)

(g) 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.

Revenue deficit/Fiscal deficit

(h) 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 2000-01, 51 *per cent* of the borrowings were applied to revenue expenditure against 41 *per cent* applied during 1999-2000 which reflected worsening of the fiscal position of the State.

Primary deficit vs Fiscal deficit

(i) 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 to 2000-01, the interest payments accounted for 41 to 63 *per cent* of the fiscal deficit (net proceeds from the borrowings). Evidently, this was not a sustainable position.

Guarantees vs Revenue receipts

(j) 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 1996-97 to 0.14 during 2000-01.

Assets vs Liabilities

(k) 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 range of 1.02 to 1.32.

1.46 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. Test-check of vouchers for March 2001 revealed that Rs 1.29 crore were transferred to personal ledger accounts/other deposits which inflated the expenditure under the consolidated fund during the year.

Conclusion

1.47 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 6621 crore in 2000-01 an increase of 112 *per cent*, Capital expenditure decreased by 13 *per cent* from Rs 1000 crore to Rs 867 crore during the same period which revealed a decline in growth-inducing planned development expenditure rather than curtailing unnecessary consumption expenditure. The investments 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 2000-01

(Rupees in crore)

Receipts				Disbursements					
1999-2000			2000-01	1999-2000					2000-01
	Section-A: Revenue					Non-Plan	Plan	Total	
5513.59	I. Revenue receipts		5660.16	6055.15	I. Revenue expenditure	5885.98	734.86	6620.84	6620.84
577.63	Tax revenue	745.98		2413.85	General Services	2417.66	30.44	2448.10	
				1526.64	Social Services	1294.92	354.53	1649.45	
405.28	Non-tax revenue	444.29		777.76	Education, Sports, Art and Culture	669.36	165.74	835.10	
				335.25	Health and Family Welfare	256.61	104.44	361.05	
1231.60	State's share of Union taxes	675.40		268.32	Water Supply, Sanitation, Housing and Urban Development	259.07	34.91	293.98	
				8.51	Information and Broadcasting	8.40	0.59	8.99	
415.53	Non-Plan grants	2169.20		13.18	Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	3.76	9.63	13.39	
				10.85	Labour and Labour Welfare	5.77	7.22	12.99	
2668.28	Grants for State Plan Schemes	1479.67		106.69	Social Welfare and Nutrition	85.51	32.00	117.51	
				6.08	Others	6.44	-	6.44	
215.27	Grants for Central and Centrally Sponsored Plan Schemes	114.74							
-	Grants for Special Plan Schemes	30.88		2114.66	Economic Services	2173.40	349.89	2523.29	
				400.30	Agriculture and Allied Activities	272.78	164.54	437.32	
				80.92	Rural Development	47.44	31.07	78.51	
				63.58	Special Areas Programmes	46.24	12.94	59.18	
				131.09	Irrigation and Flood Control	85.64	56.42	142.06	
				1243.04	Energy	1569.93	0.01	1569.94	

Receipts				Disbursements					
1999-2000			2000-01	1999-2000		Non-Plan	Plan	Total	2000-01
				89.03	Industries and Minerals	90.86	31.91	122.77	
				18.20	Transport	27.82	10.22	38.04	
				6.26	Science, Technology and Environment	0.55	7.75	8.30	
				82.24	General Economic Services	32.14	35.03	67.17	
541.56	II. Revenue deficit carried over to Section -B		960.68	-	II. Revenue Surplus Carried over to Section-B	-	-		-
6055.15	Total Section-A		6620.84	6055.15	Total Section-A				6620.84
	Section-B								
223.48	III. Opening Cash balance including Permanent Advances and Cash Balance Investment		274.16						
	IV. Misc. Capital receipts		-	710.89	III. Capital Outlay	65.30	802.10	867.40	867.40
				49.52	General Services	6.70	25.74	32.44	
				207.60	Social Services	(-) 15.65	256.03	240.38	
				21.33	Education, Sports, Art and Culture	2.62	29.12	31.74	
				47.44	Health and Family Welfare	-	21.56	21.56	
				152.43	Housing & Urban Development	0.15	204.67	204.82	
				0.58	Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	-	0.22	0.22	
				(-) 14.18	Social Welfare and Nutrition	(-) 18.42	0.42	(-) 18.00	
					Other Social Services	-	0.04	0.04	
				453.77	Economic Services	74.25	520.33	594.58	
				(-) 68.71	Agriculture and Allied Activities	65.33	43.90	109.23	
				20.54	Rural Development	0.29	11.56	11.85	
				37.00	Special Areas Programmes	0.97	28.90	29.87	

Receipts				Disbursements				
1999-2000			2000-01	1999-2000		Non-Plan	Plan	Total
				13.53	Irrigation and Flood Control	0.04	25.01	25.05
				301.54	Energy	-	241.52	241.52
				26.03	Industries and Minerals	-	19.19	19.19
				98.88	Transport	3.97	134.62	138.59
				24.96	General Economic Services	3.65	15.63	19.28
4.54	V. Recoveries of Loans and Advances		13.82	90.64	IV. Loans and Advances disbursement			58.58
0.50	Industries and Minerals	1.32		29.89	Industries and Minerals			24.72
-	Energy	8.06		28.44	Road Transport			17.25
3.67	Government servants	3.92		0.79	Government servants			1.19
0.37	Others	0.52		31.52	Others			15.42
	VI. Revenue surplus brought down		-	541.56	V. Revenue deficit brought down			960.68
1147.91	VII. Public debt receipts		901.81	334.87	VI. Repayment of Public Debt			222.19
212.69	Internal debt other than Ways and Means Advances and Overdraft	307.54		53.86	Internal debt other than Ways and Means Advances and Overdraft			16.46
935.22	Loans and Advances from GOI	435.06		197.12	Repayment of loans and advances from GOI.			205.73
-	Net transactions under Overdrafts from J&K Bank	159.21		83.89	Net transactions under Ways and Means Advances including Overdrafts			-
	VIII. Appropriation to Contingency Fund	-			VII. Appropriation to Contingency Fund			-
0.33	IX. Amount recouped to contingency fund		0.19	0.36	VIII. Expenditure from Contingency Fund			0.20

Receipts				Disbursements					
1999-2000			2000-01	1999-2000		Non-Plan	Plan	Total	
15828.39	X. Public Account receipts		18177.38	15252.17	IX-Public Account disbursements				17177.71
784.72	Small Savings and Provident Funds	711.63		189.21	Small Savings and Provident Funds			258.23	
73.56	Reserve Funds	95.74		37.41	Reserve Funds			97.23	
370.62	Deposits and Advances	432.44		468.84	Deposits and Advances			522.36	
67.89	Suspense and Miscellaneous	36.66		163.77	Suspense and Miscellaneous			97.05	
14531.60	Remittances	16900.91		14392.94	Remittances			16202.84	
				274.16	X. Cash Balance at end				80.60
				25.32	Cash in Treasuries and Local Remittances			21.35	
				130.93	Deposits with Banks			19.22	
				(-) 6.88	Departmental Cash Balance Including Permanent Advances			(-) 8.25	
				37.39	Cash Balance investment			37.39	
				87.40	Reserve Fund investment			10.89	
17204.65	Total Section-B		19367.36	17204.65	Total Section-B				19367.36

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 (September 2001).

Exhibit-II

Financial indicators for Government of Jammu and Kashmir

	1996-97	1997-98	1998-99	1999-2000	2000-01
Sustainability					
BCR (Rs in crore)	(-) 1256	(-) 1626	(-) 2120	(-) 2721	(-) 1820
Primary Deficit (PD) (-) /Surplus (+) (Rs in crore)	(+) 743	(-) 314	(+) 389	(+) 493	(+) 1104
Interest Ratio	0.04	0.16	0.13	0.14	0.12
Capital outlay/Capital receipts	1.77	1.25	0.96	0.43	0.75
Total Tax receipts/GSDP	0.10	0.12	0.14	0.14	0.10
State Tax receipts/GSDP	0.03	0.04	0.04	0.04	0.05
Return on investment (percentage)	-	-	0.36	2.18	-
Flexibility					
BCR (Rs in crore)	(-) 1256	(-) 1626	(-) 2120	(-) 2721	(-) 1820
Capital repayments/Capital borrowings	0.09	0.48	0.49	0.22	0.30
State Tax receipts/GSDP	0.03	0.04	0.04	0.04	0.05
Debt/GSDP	0.47	0.48	0.46	0.48	0.47
Vulnerability					
Revenue Deficit (RD) (Rs in crore)	-	-	400	542	961
Fiscal Deficit (FD) (Rs in crore)	954	501	1054	1338	1873
Primary Deficit (PD) (-)/ Surplus (+) (Rs in crore)	(+) 743	(-) 314	(+) 389	(+) 493	(+) 1104
PD/FD	(+) 0.78	(-) 0.62	(+) 0.37	(+) 0.37	(+) 0.59
RD/FD	-	-	(-) 0.38	(-) 0.41	(-) 0.51
Outstanding Guarantees/revenue receipts	0.18	0.13	0.13	0.11	0.14
Assets/Liabilities	1.28	1.32	1.23	1.13	1.02

Explanatory Notes

1. Primary deficit is defined as fiscal deficit less by interest payments.
2. The interest payments in 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).