

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 fixed assets like land and buildings etc. owned by the Government is not done. The accounts 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 2002, compared with the corresponding position as on 31 March 2001.

Table No. 1.1

(Rupees in crore)

As on 31 March 2001		Liabilities		As on 31 March 2002
2382.51		Internal Debt		3032.29
	870.97	Market Loans bearing interest	1026.60	
	187.26	Loans from LIC	335.27	
	140.73	Loans from other Institutions	287.87	
	1183.55	Overdraft from Jammu and Kashmir Bank	1382.55	
4387.61		Loans and Advances from Central Government		4382.29
	666.30	Pre 1984-85 Loans	570.57	
	1307.50	Non-Plan Loans	1439.51	
	2041.58	Loans for State Plan Schemes	2165.74	
	12.67	Loans for Central Plan Schemes	26.92	
	56.31	Loans for Centrally Sponsored Plan Schemes	56.31	
	303.25	Ways and Means Advances	123.24	
0.34		Contingency Fund		0.30
2128.99		Small Savings, Provident Funds, etc.		2386.02
463.99		Reserve Funds		520.76
(-) 139.30		Deposits		121.62
1805.67		Remittance Balances		2315.48
259.77		Surplus on Government Account		--
11289.58		Total:		12758.76
Assets				
10239.19		Gross Capital Outlay on Fixed Assets		11463.69
	359.60	Investments in shares of Companies, Corporations, etc.	363.35	
	9879.59	Other Capital Outlay	11100.34	
599.93		Loans and Advances		515.25
	267.53	Industries and Minerals	275.90	
	181.50	Transport	181.64	
	22.94	Energy	(-) 67.70	

	43.06	Agriculture and Allied Activities	43.34	
	59.50	Other Development Loans	59.09	
	25.40	Loans to Government servants and Miscellaneous Loans	22.98	
4.95		Advances		6.21
364.91		Suspense and Miscellaneous Balances		407.43
80.60		Cash		291.64
	21.35	Cash in Treasuries and Local Remittances	20.61	
	19.22	Deposits with Bank	221.96	
	(-) 8.37	Departmental Cash Balance	0.70	
	0.12	Permanent Advances	0.12	
	37.39	Cash Balance Investments	37.39	
	10.89	Reserve Fund Investments	10.86	
		Deficit on Government Account:		74.54
		Revenue surplus as on 31 March 2001	259.77	
		Revenue deficit for 2001-02	334.31*	
11289.58		Total		12758.76

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 16 per cent, the assets grew by only 12 per cent during 2001-02.

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

(Rupees in crore)

2000-01		S.No.	Sources		2001-02
5660.16		1.	Revenue receipts		6489.21
13.82		2.	Recoveries of Loans and Advances		131.80
520.40		3.	Net receipts from Public Debt other than Overdraft		445.46
159.21		4.	Net receipts from overdraft		199.00*
999.68		5.	Net receipts from Public Accounts:		1040.75
	453.40		Net receipts from Small Savings, Provident funds, etc.	257.03	
	(-) 89.92		Net effect of Deposits and Advances	259.66	
	(-) 1.49		Net receipts from Reserve funds	56.77	
	(-) 60.39		Net effect of Suspense and Miscellaneous transactions	(-)42.52	
	698.08		Net effect of Remittance transactions	509.81	
193.56			Utilisation of cash balance		
7546.83			Total:		8306.22
			Application		
6620.84		1.	Revenue expenditure		6823.52
58.58		2.	Lending for developmental and other purposes		47.12
867.40		3.	Capital expenditure		1224.50
0.01		4.	Expenditure met from Contingency		0.04

* Adopted Rs 334.31 crore for Rs 334.32 crore for the purpose of rounding

* Receipts: Rs 6000.15 crore; payments: Rs 5801.15 crore

			Fund but not recouped		
-		5.	Increase in closing cash balance		211.04
7546.83			Total		8306.22

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 and capital expenditure and on lending for developmental purposes. It would be seen that revenue receipts constitute the most significant source of funds for the State Government. Its relative share increased from 75 *per cent* in 2000-01 to 78 *per cent* during 2001-02. The share of net receipts from Public Debt (excluding overdraft/temporary loans obtained from Jammu and Kashmir Bank) decreased from 7 *per cent* in 2000-01 to 5 *per cent* in 2001-02. Share of net receipts from Public Account, however, remained static at 13 *per cent* during 2000-01 and 2001-02. The net receipts on account of overdrafts obtained from Jammu and Kashmir Bank increased from Rs 159.21 crore during 2000-01 to Rs 199 crore during 2001-02 indicating that the State continues to be dependent on borrowings.

1.5 The available funds were applied mainly for revenue expenditure, the share of which in the total expenditure was not only 84 *per cent* in 2001-02, but was also higher than the share of the revenue receipts (78 *per cent*) in total receipts of the State Government. This led to a revenue deficit of Rs 334.31 crore. While the share of capital expenditure increased from 11 *per cent* in 2000-01 to 15 *per cent* during 2001-02, lending for developmental purposes decreased from Rs 58.58 crore during 2000-01 to Rs 47.12 crore during 2001-02 and comprised less than one *per cent* of the total expenditure during the current and the preceding years.

Financial operations of the State Government

1.6 Exhibit-I gives the details of the receipts and disbursements. The revenue expenditure (Rs 6823.52 crore) during the year exceeded the revenue receipts (Rs 6489.21 crore) resulting in a revenue deficit of Rs 334.31 crore. There was an increase of 14.65 *per cent* in the revenue receipts during 2001-02 over that of 2000-01 compared to 2.65 *per cent* during 2000-01 over 1999-2000. The revenue receipts comprised tax revenue (Rs 804.17 crore), non-tax revenue (Rs 462.62* crore), State's share of Union taxes and duties (Rs 575.79 crore) and grants-in-aid received from the Central Government (Rs 4646.63 crore). The main sources of tax revenue were sales tax (51 *per cent*), state excise (21 *per cent*) and taxes on vehicles (3 *per cent*). Non-tax revenue came mainly from sale of power (50 *per cent*), interest receipts (24 *per cent*) and forestry and wild life (10 *per cent*).

1.7 The capital receipts comprised Rs 862.51 crore from public debt[‡] and Rs 131.80 crore from recoveries of loans and advances. Against this, the expenditure was Rs 1224.50 crore on capital outlay, Rs 47.12 crore on disbursement of loans and advances and Rs 417.05 crore on repayment of public debt. The gross receipts (exclusive of remittance transactions) in the Public Account amounted to Rs 1621.06 crore, against which the disbursements made were Rs 1090.12 crore. The net effect of the transactions in the Consolidated Fund, Contingency Fund and

* Rs 462.62 crore for Rs 462.61 crore adopted for the purpose of rounding

‡ Excludes Rs 199 crore on account of net receipt of overdrafts/temporary loans

Public Account was increase of Rs 211.04 crore in the cash balance (from Rs 80.60 crore at the beginning of 2001-02 to Rs 291.64 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 1997-98 to 2001-02, presented in table 1.3.

Table No. 1.3
Time series data on State Government Finances

(Rupees in crore)

	1997-98	1998-99	1999-2000	2000-01	2001-02
Part-A Receipts					
1. Revenue Receipts	4642	4509	5514	5660	6489
(i) Tax Revenue	368 (8)	437 (10)	578 (11)	746 (13)	804 (12)
Taxes on sales, trade, etc.	145 (40)	180 (41)	236 (41)	357 (48)	407 (51)
State Excise	162 (44)	206 (47)	274 (47)	298 (40)	165 (21)
Taxes on vehicles	15 (4)	18 (4)	22 (4)	23 (3)	28 (3)
Stamps and Registration fees	11 (3)	12 (3)	15 (3)	21 (3)	26 (3)
Land Revenue	*	3 (1)	2 (*)	4 (*)	8 (1)
Other Taxes	35 (9)	17 (4)	29 (5)	43 (6)	170(21)
(ii) Non Tax Revenue	248 (5)	283 (6)	405 (7)	444 (8)	462 (7)
(iii) State's share of Union taxes and duties	834 (18)	1212 (27)	1232 (22)	675 (12)	576 (9)
(iv) Grants-in-aid from GOI	3192 (69)	2577 (57)	3299 (60)	3795 (67)	4647 (72)
2. Miscellaneous capital receipts	-	-	-	-	-
3. Total revenue and non-debt capital receipts (1+2)	4642	4509	5514	5660	6489
4. Recoveries of Loans and Advances	4	4	5	14	132
5. Public Debt receipts	907	673	1148	902	1062
Internal Debt (excluding Ways and Means Advances and Overdraft)	139	122	213	308	470
Net transactions under Ways and Means Advances and Overdraft	254	105	-	159	199
Loans and advances from GOI ^{&}	514	446	935	435	393
6. Total receipts in the Consolidated Fund (3+4+5)	5553	5186	6667	6576	7683
7. Contingency Fund receipts	0.30	0.09	0.33	0.19	0.35
8. Public Account receipts	12795	13020	15828	18177	17615
9. Total receipts of the State (6+7+8)	18348	18206	22495	24753	25298
Part-B Expenditure/disbursement					
10. Revenue Expenditure	4191 (81)	4909 (88)	6055 (88)	6621 (88)	6823 (84)
Plan	445 (11)	526 (11)	704 (12)	735 (11)	813 (12)
Non-Plan	3746 (89)	4383 (89)	5351 (88)	5886 (89)	6010 (88)
General Services (including interest payments)	1717 (41)	1907 (39)	2414 (40)	2448 (37)	2985 (44)
Social Services	1048 (25)	1241 (25)	1526 (25)	1650 (25)	1674 (24)
Economic Services	1426 (34)	1761 (36)	2115 (35)	2523 (38)	2164 (32)
Grants-in-aid and contributions	-	-	-	-	-
11. Capital Expenditure	889 (17)	596 (11)	711 (10)	867 (11)	1225 (15)
Plan	908 (102)	608 (102)	791 (111)	802 (93)	1305 (107)
Non-Plan	(-) 19 (-)2	(-) 12 (-)2	(-) 80 (-)11	65 (7)	(-)80 (-)7
General Services	39 (4)	35 (6)	49 (7)	32 (4)	43 (4)
Social Services	236 (27)	210 (35)	208 (29)	240 (28)	270 (22)
Economic Services	614 (69)	351 (59)	454 (64)	595 (68)	912 (74)

* Negligible

& Includes Ways and Means Advances

(Contd.)

Time series data on State Government Finances (concl.)

(Rupees in crore)

	1997-98	1998-99	1999-2000	2000-01	2001-02
12. Disbursement of loans and advances	67 (2)	62 (1)	91 (2)	59 (1)	47 (1)
13. Total (10+11+12)	5147	5567	6857	7547	8095
14. Repayment of Public Debt	315	281	335	222	417
Internal Debt (excluding Ways and Means Advances and Overdraft)	3	24	54	16	19
Net transactions under Ways and Means Advances and Overdraft	-	-	84	-	-
Loans and Advances from Government of India ^o	312	257	197	206	398
15. Appropriation to Contingency Fund	Nil	Nil	Nil	Nil	Nil
16. Total disbursement out of Consolidated Fund (13+14+15)	5462	5848	7192	7769	8512
17. Contingency Fund disbursements	0.33	0.08	0.36	0.20	0.39
18. Public Account disbursements	12883	12297	15252	17178	16574
19. Total disbursements by the State (16+17+18)	18345	18145	22444	24947	25086
Part C. Deficits					
20. Revenue Surplus (+)/Deficit (-) (1-10)	(+) 451	(-) 400	(-) 541	(-) 961	(-) 334
21. Fiscal Deficit (3+4-13)	501	1054	1338	1873	1474
22. Primary Deficit (21-23)	(+) 314	(-) 389	(-) 493	(-) 1104	(-) 427
Part D. Other data					
23. Interest Payments (included in revenue expenditure)	815 (19)	665 (14)	845 (14)	769 (12)	1047 (15)
24. Arrears of Revenue (percentage of Tax and non-Tax Revenue Receipts) ^ψ	359 (58)	748 (104)	886 (90)	988 (83)	1074 (85)
25. Financial Assistance to local bodies, etc.	88	122	186	210	215
26. Ways and Means Advances/overdraft availed (days)	365	365	366	365	365
27. Interest on WMA/Overdraft	117	148	99	72	131
28. Gross State Domestic Product (GSDP*)	10286	11415	13961	15278	17076
29. Outstanding debt (year end)	4886	5277	6091	6770	7415
30. Outstanding guarantees (year end) ^φ	602	573	581	776	1294
31. Maximum amount guaranteed (year end)	856	848	668	982	1774
32. Number of incomplete projects	27	33	73	111	151
33. Capital blocked in incomplete projects	132	138	221	296	690

(Percentage in brackets)

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

^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 and under Urban Immovable property Tax.

* Figures for GSDP for 1999-2000 and 2000-01 are based on revised information supplied by the State Government.

^φ Excludes information in respect of Himalayan Wool Combers Limited, Jammu and Kashmir State Handloom Handicrafts Raw Material Supplies Organisation Limited, 3 private firms and 4 co-operative societies.

revenue receipts grew at an average annual rate of 10 *per cent* during 1997-98 to 2001-02.

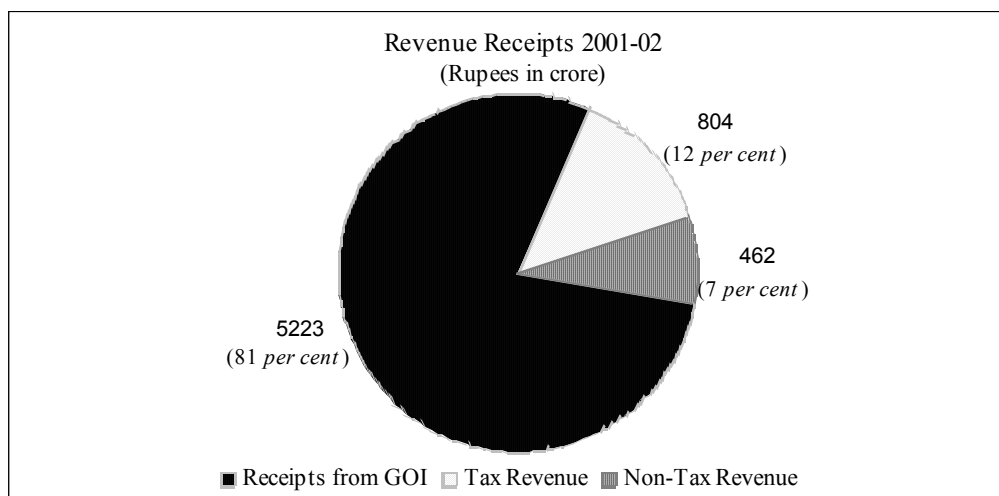


Chart 1.1

Tax revenue

1.10 Tax revenue constituted 12 *per cent* of the revenue receipts. Its share in the total revenue receipts decreased from 13 *per cent* in 2000-01 to 12 *per cent* in 2001-02. While the relative contribution of sales tax remained stagnant at around 41 *per cent* during 1997-98 to 1999-2000, it, however, increased to 48 *per cent* in 2000-01 and further to 51 *per cent* in 2001-02. The receipts on account of state excise came down from 44 *per cent* in 1997-98 to 21 *per cent* in 2001-02. 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 28 *per cent* during 2001-02 and their relative shares varied between 12 and 16 *per cent* during 1997-98 to 2000-01. The increased realisation during 2001-02 was mainly due to increase in receipts of taxes on goods and passengers from Rs 24 crore in 1997-98 to Rs 143 crore in 2001-02.

Non-tax revenue

1.11 Non-tax revenue constituted only 7 *per cent* of the revenue receipts during 2001-02 and its share in revenue receipts varied between 5 and 8 *per cent* during 1997-2001. In absolute terms, non-tax revenue increased from Rs 444 crore in 2000-01 to Rs 462 crore during 2001-02, an increase of only 4 *per cent* against 10 *per cent* during 2000-01 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 and duties (excise duties, taxes on income other than corporation tax, etc.) decreased by 15 *per cent* (from Rs 675 crore in 2000-01 to Rs 576 crore in 2001-02) during the year. Receipts on account of grants-in-aid from the Central Government, however, increased by 22 *per cent* during 2001-02. As a percentage of revenue receipts (both taken together) these increased from 79 *per cent* in 2000-01 to 81 *per cent* during 2001-02. This was mainly due to increase in the grants-in-aid receipts from the Central Government (from 67 to 72

per cent) partly offset by decrease in the State's share of Union taxes and duties (from 12 to 9 per cent).

Revenue expenditure

1.13 Revenue expenditure of Rs 6823 crore accounted for the major portion (84 per cent) of the expenditure of the State Government during 2001-02. Despite proposals of the State Government to enforce economy in expenditure during 2001-02, the revenue expenditure had increased by Rs 202 crore as compared to 2000-01. The increase was mainly due to more expenditure incurred by the Government on interest payments (Rs 278.65 crore), Police (Rs 175.24 crore) and on Pension and Other Retirement Benefits (Rs 106.70 crore) during 2001-02. Chart 1.2 shows the trend of growth of Plan and non-Plan revenue expenditure during the period 1997-2002. Trend analysis shows that the Government had made no effort to arrest the increasing trend in the revenue expenditure which had risen from 81 per cent in 1997-98 to 84 per cent during 2001-02.

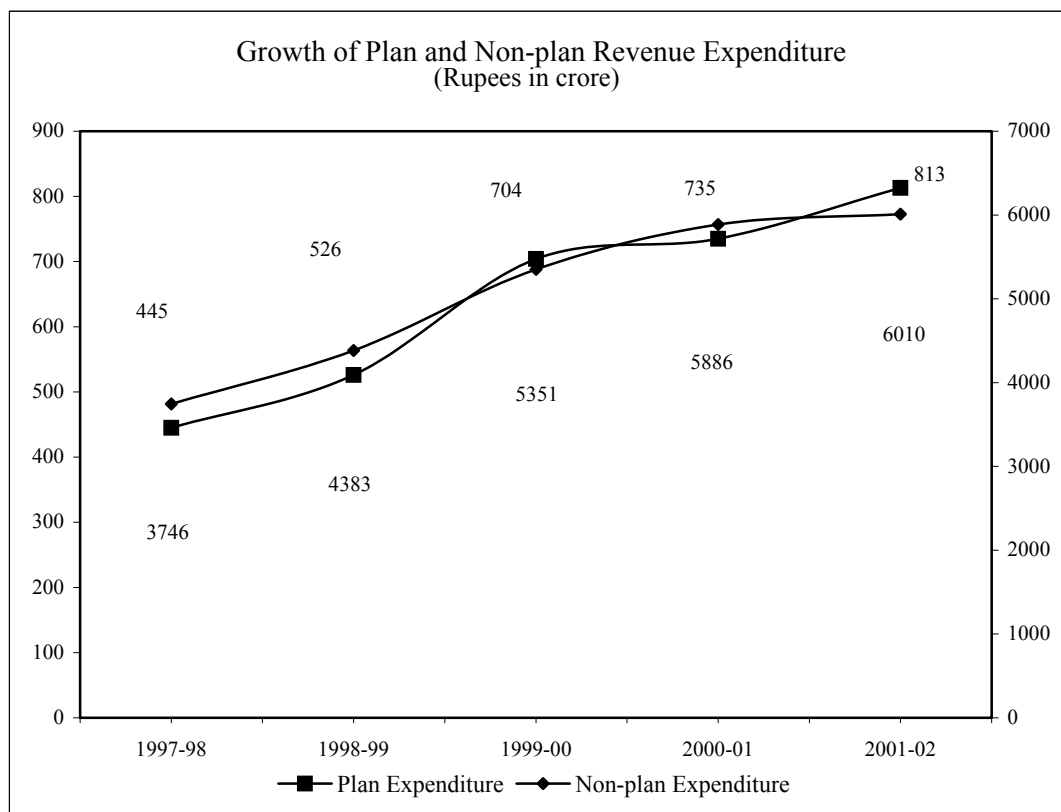


Chart-1.2

1.14 Sector-wise analysis shows that the expenditure on General Services increased by 74 per cent (from Rs 1717 crore in 1997-98 to Rs 2985 crore in 2001-02). Increase in expenditure on Social and Economic Services was only 60 and 52 per cent, respectively. As a proportion of total expenditure, the share of expenditure on Economic and Social Services decreased from 59 per cent in 1997-98 to 56 per cent in 2001-02 while that of General Services increased from 41 per cent to 44 per cent during the period.

Interest payments

1.15 Interest payments during the period from 1997-98 to 2001-02 ranged between Rs 665 crore and Rs 1047 crore. During 2001-02, interest payments amounted to Rs 1047 crore which formed 15 *per cent* of revenue expenditure. Interest paid by the Government on debts including loans and advances received from Government of India amounted to Rs 853.14 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. During 2001-02 the interest payments increased by 36 *per cent* over the previous year. This had an inevitable bearing on 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 15 crore) to the Government, at the minimum (overdraft) borrowing rate of 13.75 *per cent* in test-checked cases alone, exceeded Rs 4 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 five years ending 2001-02 was as follows:

Table No. 1.4

(Rupees in crore)

Activities/departments	1997-98	1998-99	1999-2000	2000-01	2001-02
Housing and Urban Development	34.26	77.46	99.42	61.27	61.62
Education	40.89	29.38	61.79	77.66	76.02
Agriculture and Allied Activities	6.19	6.64	12.71	46.21	40.40
Art and Culture	4.02	3.11	4.00	4.28	4.52
General Administration	1.25	1.53	2.22	2.40	2.93
Health and Medical Education	0.66	0.44	0.34	0.52	0.55
Other Institutions	1.03	3.29	5.46	17.97	28.99*
Total	88.30	121.85	185.94	210.31	215.03
Percentage of growth over previous year	19	38	53	13	2
Assistance as a percentage of revenue expenditure	2	2	2	3	3

1.17 Financial assistance for educational and agricultural and allied activities decreased by 6 *per cent* during 2001-02.

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 25 *per cent* during 1997-98 to 2001-02, repayments varied between 0.82 and

* Transport: Rs 21.05 crore; Industries: Rs 2.89 crore; Tourism: Rs 2.66 crore; Law and Justice: Rs 1.22 crore; Ladakh Affairs: Rs 1.01 crore; Social Welfare and Nutrition: Rs 15.69 lakh; Public Works: Rs 0.35 lakh and Irrigation and Flood Control: Rs 0.20 lakh.

25.58 *per cent* of the loan outstanding at the close of each year during this period. 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)

	1997-98	1998-99	1999-2000	2000-01	2001-02
Opening balance	347.96	411.36	469.07	555.17	599.93
Amount advanced during the year	67.22	62.00	90.64	58.58	47.12
Amount repaid during the year	3.82	4.29	4.54	13.82	131.80
Closing balance	411.36	469.07	555.17	599.93	515.25
Net addition/reduction (-)	63.40	57.71	86.10	44.76	(-) 84.68
Interest received	0.51	0.44	0.67	1.64	2.36

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 22.10 crore (principal: Rs 17.49 crore and interest: Rs 4.61 crore) was in arrears as on 31 March 2002. In respect of loans etc. the detailed accounts of which are maintained by the departmental officers, Rs 480.40 crore were outstanding as on 31 March 2002. Information regarding overdue amounts in arrears had not been furnished by any of the controlling officers, despite constant follow up.

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 share of capital expenditure in the total expenditure was 15 *per cent* in 2001-02 against 17 *per cent* in 1997-98. 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, ranged between 93 and 96 *per cent* during 1997-2002.

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 expenditure are usually associated with asset creation, non-Plan and revenue expenditure 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 comment adversely on the quality of expenditure, as also funds transferred to Deposit heads in the Public Account, which are not really 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.		1997-98	1998-99	1999-2000	2000-01	2001-02
1.	Plan expenditure as a percentage of:					
	Revenue expenditure	11	11	12	11	12
	Capital expenditure	102	102	111	93	107
2.	Capital expenditure (<i>per cent</i>)	17	11	10	11	15
3.	Expenditure on General Services as a percentage of:					
	Revenue expenditure	41	39	40	37	44
	Capital expenditure	4	6	7	4	4
4.	Amount* of wastages and diversion of funds detected during test-audit (Rupees in crore)	47.84	103	38.31	94.38	168.82
5.	Non-remunerative expenditure on incomplete projects (Rupees in crore)	132	138	221	296	690
6.	Unspent balances under deposit heads, booked as expenditure at the time of their transfer to the deposit head@ (Rupees in crore)	7.21	2.28	12.77	1.29	7.40

1.23 It would be seen that the share of Plan expenditure on the revenue side did not register any significant increase and ranged between 11 and 12 *per cent* during 1997-98 to 2001-02. The share of capital expenditure in the total expenditure, however, declined from 17 to 15 *per cent* during the period 1997-2002. The expenditure on General Services, varied between 37 and 44 *per cent* on the revenue side and from 4 to 7 *per cent* on the capital side during the 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 2002	During 2001-02
1.	Statutory Corporations	3 [#]	142.52	0.45
2.	Government Companies	21 ^φ	195.84 [§]	1.37
3.	Joint Stock Companies	2	0.34	-
4.	Co-operative Institutions	11	24.65 ^{&}	-
	Total	37	363.35	1.82

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

(Rupees in crore)

Year	Investments	Returns	Percentage of returns on investment	Rate of interest on Government borrowings (per cent)
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 19.5
2001-02	363.35	19.33	5.32	8 to 19.5

1.27 Thus, while Government was raising high cost borrowings from the market, its investments in Government companies, etc. fetched no returns during 1997-98 and 2000-01 and insignificant returns during 1998-99, 1999-2000 and 2001-02. 14 Public Sector Undertakings in which Government had invested Rs 263.43 crore up to 31 March 2002, were incurring losses and the accumulated loss aggregated Rs 685.78 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 103.41 crore at the end of March 2002 showed that revenue realised during 2001-02 (Rs 17.60 lakh) from these projects was only 0.17 per cent of their capital outlay and was not sufficient even to cover the direct working expenses (Rs 20.49 lakh). After meeting the working expenses (direct and indirect) of Rs 25.20 lakh and interest on capital outlay (Rs 5.93 lakh), four of these six schemes suffered a loss of Rs 17.10 lakh* and the remaining two earned a profit of Rs 3.57 lakh.

[#] Excludes State Electricity Board

^φ Includes investment of Rs 10 lakh in National Projects Construction Corporation Limited (a Central Government company) and Rs 80.40 lakh in Tawi Scooters Limited (a non-working company).

[§] Includes Rs 2.05 crore invested by the Government in Jammu and Kashmir Police Housing Corporation up to 2000-01 (details shown awaited in the Finance Accounts 2000-01) and excludes Rs 1.42 crore representing Central share of paid-up capital of J & K Handloom Development Corporation Limited, owing to bifurcation of paid-up capital of Rs 3.17 crore during 2000-01.

[&] Includes Rs 1.37 crore invested by Government in State Co-operative Agriculture and Rural Development Bank, Srinagar up to 2000-01 and excludes Rs 7 lakh representing Government's share in one society up to 2000-01, but repaid to Government in April 2001.

* Martand Canal (Rs 12.22 lakh), Partap Canal (Rs 3.84 lakh), Ranbir Canal (Rs 0.78 lakh) and Kathua Feeder Channel (Rs 0.26 lakh).

Incomplete projects

1.29 As of 31 March 2002, there were 151 incomplete projects costing Rs one crore and above in which Government investment of Rs 690.17 crore was locked up. The position had deteriorated compared to the position as on 31 March 2001. 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, Urban Immovable Property Tax and State Excise pending collection increased by 9 *per cent* during the year. The outstanding arrears registered an increase during 1997-98 to 2001-02 (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* during 1997-98 to 2001-02. Of the arrears of Rs 1073.55 crore as of March 2002, Rs 431.35 crore (40 *per cent*) were pending for more than five years and pertained mainly to Forestry and Wild Life (Rs 296.55 crore) and Sales Tax (Rs 103.37 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. Interest at rates varying between 13 and 19.5 *per cent* was charged on temporary loans during 2001-02. The position of temporary loans taken by the Government and interest paid thereon during the period from 1997-98 to 2001-02 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	
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
2001-02	6000.15	1382.55	130.88

1.32 The temporary loans (gross) obtained during the year had increased from Rs 3861.84 crore in 1997-98 to Rs 6000.15 crore in 2001-02 constituting an increase of 55 *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 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 Revenue deficit is the excess of revenue expenditure over revenue receipts. Fiscal deficit is the excess of revenue and capital expenditure (including net loans given) over revenue receipts (including grants-in-aid and certain non-debt capital receipts). The State had a revenue deficit of Rs 334.31 crore during 2001-02. Fiscal deficit of the State had shown an increasing trend during 1997-2001 and touched a new high of Rs 1873 crore during 2000-01. It, however, declined to Rs 1474 crore during 2001-02.

Table No. 1.10

(Rupees in crore)

Consolidated Fund				
Receipt	Amount		Disbursement	Amount
Revenue	6489.21	Revenue deficit: 334.31	Revenue	6823.52
Misc. capital receipt			Capital	1224.50
Recovery of loans and advances	131.80		Loans and advances	47.12
Sub-Total	6621.01	Gross fiscal deficit: 1474.13	Sub-Total	8095.14
Public debt receipts	1061.51		Public debt repayments	417.05
Total	7682.52	A: Deficit in Consolidated Fund: 829.67		8512.19
Contingency Fund				
Amount recouped to contingency fund	0.35	B: Deficit in Contingency Fund: 0.04	Expenditure from contingency fund	0.39
Public Account				
Small savings, Provident Funds, etc.	603.89		Small savings, Provident Funds, etc.	346.86
Reserve funds	132.00		Reserve funds	75.23
Deposits and advances	838.60		Deposits and advances	578.94
Suspense and Miscellaneous balances	46.57		Suspense and Miscellaneous balances	89.09
Remittances	15994.18		Remittances	15484.37
Total Public Account	17615.24	C: Surplus in Public Account: 1040.75. Out of the surplus funds in Public Account Rs 829.71 crore was utilised to meet deficit in Consolidated Fund and Contingency Fund.		16574.49
Increase in cash balance (A+B-C): 211.04				

1.35 The table shows that the revenue deficit of Rs 334.31 crore was met by borrowings. The fiscal deficit of Rs 1474 crore was financed by net proceeds of the Public Debt (Rs 644 crore) and partly by surplus (Rs 1041 crore) from Public Account. The State, which was having revenue surplus during 1997-98 became a revenue deficit State from 1998-99. Revenue deficit of Rs 334 crore during 2001-02 was despite increase of Rs 852 crore in flow of grants-in-aid from the Government of India during the year. This indicates continuous 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 2001-02.

Table No. 1.11

Ratio of:	
Revenue deficit to fiscal deficit	0.23
Capital expenditure to fiscal deficit	0.83
Net loans to fiscal deficit	(-) 0.06 ^ψ
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 was 0.23 during 2001-02. This indicated that 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 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. Details regarding guaranteed sums outstanding at the end of each year, actual amounts lifted against the guarantees and information about suits, if any, filed against any institution to whom guarantees had been given by the Government, were not maintained by the Government. The guaranteed sums outstanding at the end of each year during 1997-2002 (on the basis of information collected from Public Sector Undertakings, etc.) are indicated in the time series data (Table No: 1.3). No amount was received as guarantee commission during 2001-02 and Rs 4.12 crore were outstanding from 7 Government companies and three statutory corporations on this account as on 31 March 2002.

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

^ψ Negative figure is due to more recovery of loans and advances than their disbursements

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
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	0.44
2000-01	2382.51	4387.61	6770.12	2453.68	9223.80	0.44
2001-02	3032.29	4382.29	7414.58	3028.40	10442.98	0.43

1.40 During the five-year period, the total indebtedness of the State Government had grown by 67 per cent. The increase in indebtedness was due to growth of 83 per cent in internal debt, 36 per cent in loans and advances from Central Government and 119 per cent in other liabilities. During 2001-02, Government borrowed Rs 469.76 crore in the open market at interest rates varying between 8 and 10.35 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)

	1997-98	1998-99	1999-2000	2000-01	2001-02
1. Internal debt					
Receipts during the year	4001	4095	5487	6236	6470
Repayments (principal and interest)	3768	4244	5622	5999	6225
Net funds available (per cent)	233 (6)	(-) 149	(-) 135	237 (4)	245 (4)
2. Loans and advances from GOI					
Receipts during the year	514	446	935	435	393
Repayments (principal and interest)	880	556	587	615	846
Net funds available (per cent)	(-) 366	(-) 110	348 (37)	(-) 180	(-) 453
3. Other liabilities					
Receipts during the year	753	772	1098	1100	1408 [#]
Repayments	628	598	564	738	833
Net funds available (per cent)	125 (17)	174 (23)	534 (49)	362 (33)	575 (41)

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 mounting debt servicing has reduced availability of resources for asset formation and other developmental activities from Rs 747 crore (1999-2000) to Rs 367 crore (2001-02).

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

[♦] These comprise small savings, provident funds, reserve funds and deposits

[#] Comprises small savings, reserve funds and deposits

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 1997-98 to 2001-02. 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 had negative BCRs in all the five years up to 2001-02 suggesting that Government had to depend entirely on Central assistance and borrowings for meeting even its non-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 the case of Jammu and Kashmir, the ratio has moved in the range of 0.12 to 0.16 during the period 1997-98 to 2001-02. 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 the case of Jammu and Kashmir, the ratio was more than one during 1997-98 after which it was below one up to 2000-01. The ratio increased to more than one during 2001-02 due to lower revenue deficit.

Tax receipts vs Gross State Domestic Product (GSDP)

(a) 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 the case of Jammu and Kashmir the ratio of total tax to GSDP and State tax receipts to GSDP during the period 1997-98 to 2001-02 ranged between 0.08 and 0.14 and between 0.04 and 0.05 respectively.

Return on investment (ROI)

(b) 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 1997-98 and 2000-01, while during 1998-99 and 1999-2000 these were negligible at 0.36 and 2.18 *per cent* respectively. The returns during 2001-02 were 5.32 *per cent* indicating that investments in the Public Sector Undertakings were used to finance their losses rather than generating revenue.

Capital repayments vs capital borrowings

(c) 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 the case of Jammu and Kashmir Government this ratio has been in the range of 0.22 to 0.49 during the last 5 years.

Debt vs Gross State Domestic Product (GSDP)

(d) 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 Jammu and Kashmir, this ratio has moved in the range of 0.43 and 0.48 during the last five years which was a negative trend, suggesting greater vulnerability.

Revenue deficit/fiscal deficit

(e) 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 2001-02, 23 *per cent* of the borrowings were applied to revenue expenditure affecting adversely capitalisation of borrowed funds.

Primary deficit vs fiscal deficit

(f) 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 2001-02, the interest payments accounted for 41 to 71 *per cent* of the fiscal deficit (net proceeds from the borrowings). Evidently, this was not a sustainable position.

Guarantees vs revenue receipts

(g) 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 Jammu and Kashmir, this ratio increased to 0.20 during 2001-02 against 0.14 in the preceding year.

Assets vs liabilities

(h) 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 declined steadily from 1.32 (1997-98) to 0.99 (2001-02).

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 2002 revealed that Rs 7.40 crore were

transferred to personal ledger accounts/other deposits which inflated the expenditure under the Consolidated Fund during the year.

Conclusion

1.47 The continuous revenue and fiscal deficits 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 4191 crore in 1997-98 to Rs 6823 crore in 2001-02 an increase of 63 *per cent*, capital expenditure increased by 38 *per cent* from Rs 889 crore to Rs 1225 crore during the same period which revealed inability of the Government to curtail 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. 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 2001-02

(Rupees in crore)

Receipts			Disbursements						
2000-01		2001-02	2000-01						2001-02
Section-A: Revenue					Non-Plan	Plan	Total		
5660.16	I. Revenue receipts	6489.21	6620.84	I. Revenue expenditure	6009.82	813.70	6823.52		6823.52
745.98	Tax revenue	804.17	2448.10	General Services	2954.83	30.35	2985.18		
			1649.45	Social Services	1304.23	369.76	1673.99		
444.29	Non-tax revenue	462.62	835.10	Education, Sports, Art and Culture	646.47	171.25	817.72		
			361.05	Health and Family Welfare	281.28	107.12	388.40		
675.40	State's share of Union taxes	575.79	293.98	Water Supply, Sanitation, Housing and Urban Development	256.55	32.14	288.69		
			8.99	Information and Broadcasting	8.20	0.97	9.17		
2169.20	Non-Plan grants	2523.73	13.39	Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	8.27	11.47	19.74		
			12.99	Labour and Labour Welfare	5.63	9.76	15.39		
1479.67	Grants for State Plan	1931.42	117.51	Social Welfare and	91.20	37.05	128.25		

Audit Report for the year ended 31 March 2002

	Schemes				Nutrition				
				6.44	Others	6.63	-	6.63	
114.74	Grants for Central and Centrally Sponsored Plan Schemes	190.78							
30.88	Grants for Special Plan Schemes	0.70		2523.29	Economic Services	1750.76	413.59	2164.35*	
				437.32	Agriculture and Allied Activities	264.88	205.83	470.71	
				78.51	Rural Development	42.64	47.76	90.40	
				59.18	Special Areas Programmes	185.86	28.25	214.11	
				142.06	Irrigation and Flood Control	91.30	49.27	140.57	
				1569.94	Energy	994.03	0.05	994.08	
Receipts				Disbursements					
2000-01			2001-02	2000-01		Non-Plan	Plan	Total	2001-02
				122.77	Industries and Minerals	79.67	30.76	110.43	
				38.04	Transport	50.75	2.03	52.78	
				8.30	Science, Technology and Environment	0.35	8.18	8.53	
				67.17	General Economic Services	41.28	41.46	82.74	
960.68	II. Revenue deficit carried over to Section - B		334.31		II. Revenue Surplus Carried over to Section-B				-
6620.84	Total Section-A		6823.52	6620.84					
	Section-B								6823.52
274.16	III. Opening Cash balance including Permanent Advances and Cash Balance Investment		80.60						
	IV. Misc. Capital receipts		-	867.40	III. Capital Outlay	(-) 80.49	1304.99	1224.50	1224.50
				32.44	General Services	15.29	27.69	42.98	
				240.38	Social Services	(-) 35.00	304.92	269.92	
				31.74	Education, Sports, Art and Culture	-	47.10	47.10	
				21.56	Health and	-	43.28	43.28	

* Rs 2164.35 for Rs 2164.36 adopted for the purpose of rounding

					Family Welfare				
				204.82	Housing & Urban Development	-	210.85	210.85	
				0.22	Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	-	2.84	2.84	
				(-) 18.00	Social Welfare and Nutrition	(-) 35.00	0.85	(-) 34.15	
				0.04	Other Social Services	-	-	-	
				594.58	Economic Services	(-) 60.78	972.38	911.60	
				109.23	Agriculture and Allied Activities	(-)60.78	46.41	(-)14.37	
				11.85	Rural Development	-	51.23	51.23	
				29.87	Special Areas Programmes	-	185.85	185.85	

Receipts				Disbursements					
2000-01			2001-02	2000-01		Non-Plan	Plan	Total	2001-02
				25.05	Irrigation and Flood Control	-	36.31	36.31	
				241.52	Energy	-	404.43	404.43	
				19.19	Industries and Minerals	-	29.05	29.05	
				138.59	Transport	-	192.64	192.64	
				19.28	General Economic Services	-	26.46	26.46	
13.82	V. Recoveries of Loans and Advances		131.80	58.58	IV. Loans and Advances disbursement				47.12
1.32	Industries and Minerals	0.27		24.72	Industries and Minerals			8.64	
8.06	Energy	125.64		17.25	Energy			35.00	
3.92	Government servants	3.26		1.19	Government servants			0.84	
0.52	Others	2.63		15.42	Others			2.64	
	VI. Revenue surplus		-	960.68	V. Revenue deficit				334.31
901.81	VII. Public debt receipts		1061.51	222.19	VI. Repayment of Public Debt				417.05
307.54	Internal debt other than Ways and Means	469.76		16.46	Internal debt other than Ways and Means Advances and			18.99	

Audit Report for the year ended 31 March 2002

	Advances and Overdraft				Overdraft				
435.06	Loans and Advances from GOI	392.75		205.73	Repayment of loans and advances from GOI.			398.06	
159.21	Net transactions under Overdrafts from J&K Bank	199.00		-	Net transactions under Ways and Means Advances including Overdrafts			-	
-	VIII.Appropriation to Contingency Fund				VII. Appropriation to Contingency Fund				-
0.19	IX. Amount recouped to contingency fund		0.35	0.20	VIII-Expenditure from Contingency Fund				0.39
Receipts					Disbursements				
2000-01			2001-02	2000-01		Non-Plan	Plan	Total	
18177.38	X. Public Account receipts		17615.24	17177.71	IX-Public Account disbursements				16574.49
711.63	Small Savings and Provident Funds	603.89		258.23	Small Savings and Provident Funds			346.86	
95.74	Reserve Funds	132.00		97.23	Reserve Funds			75.23	
432.44	Deposits and Advances	838.60		522.36	Deposits and Advances			578.94	
36.66	Suspense and Miscellaneous	46.57		97.05	Suspense and Miscellaneous			89.09	
16900.91	Remittances	15994.18		16202.84	Remittances			15484.37	
				80.60	X. Cash balance at end				291.64
				21.35	Cash in Treasuries and Local Remittances			20.61	
				19.22	Deposits with Banks			221.96	
				(-) 8.25	Departmental Cash Balance Including Permanent Advances			0.82	
				37.39	Cash balance investment			37.39	
				10.89	Reserve Fund investment			10.86	
19367.36	Total Section-B		18889.50	19367.36					18889.50

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 2002).

Exhibit-II

Financial indicators for Government of Jammu and Kashmir

	1997-98	1998-99	1999-2000	2000-01	2001-02
Sustainability					
BCR (Rupees in crore)	(-) 1626	(-) 2120	(-) 2721	(-) 1820	(-) 1644
Primary deficit (PD) (-) /surplus (+) (Rupees in crore)	(-) 314	(+) 389	(+) 493	(+) 1104	(-) 427
Interest ratio	0.16	0.13	0.14	0.12	0.15
Capital outlay/capital receipts	1.25	0.96	0.43	0.75	1.02
Total tax receipts/GSDP	0.12	0.14	0.13	0.09	0.08
State tax receipts/GSDP	0.04	0.04	0.04	0.05	0.05
Return on investment (percentage)	-	0.36	2.18	-	5.32
Flexibility					
BCR(Rupees in crore)	(-) 1626	(-) 2120	(-) 2721	(-) 1820	(-) 1644
Capital repayments/capital borrowings	0.48	0.49	0.22	0.30	0.48
State tax receipts/GSDP	0.04	0.04	0.04	0.05	0.05
Debt/GSDP	0.48	0.46	0.44	0.44	0.43
Vulnerability					
Revenue deficit (RD) (Rupees in crore)	-	400	542	961	334
Fiscal deficit (FD)(Rupees in crore)	501	1054	1338	1873	1474
Primary deficit (PD) (-))/Surplus (+) (Rupees in crore)	(-) 314	(+) 389	(+) 493	(+) 1104	(-) 427
PD/FD	0.62	0.37	0.37	0.59	0.29
RD/FD	-	0.38	0.41	0.51	0.23
Outstanding guarantees/revenue receipts	0.13	0.13	0.11	0.14	0.20
Assets/liabilities	1.32	1.23	1.13	1.02	0.99

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 this year.

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).