

## CHAPTER-I FINANCES OF THE STATE GOVERNMENT

### Summary

Large Revenue and Fiscal Deficit year after year indicate continued macro level imbalances in the State. In Rajasthan while the revenue deficit remained more than Rs 2,000 crore during the last five years the Fiscal Deficit increased by 43 *per cent* from Rs 4,312 crore in 2000-01 to Rs 6,146 crore in 2004-05. The ratio of revenue receipts to total expenditure stood at 74 *per cent* in 2004-05. Revenue of the State consisted mainly of its own tax and non-tax revenue, central tax transfers and grants-in-aid from Government of India. Overall revenue receipts increased by 43 *per cent* from Rs 12,402 crore in 2000-01 to Rs 17,763 crore in 2004-05. There were significant inter year variations in the growth rates. During the current year revenue receipts grew by 15 *per cent*. This was due to 16 *per cent* increase in tax revenue and four *per cent* increase in non-tax revenue. Arrears of revenue were high at Rs 2,978 crore and represented 28 *per cent* of tax and non-tax revenue receipts. Around 59 *per cent* of the revenue during the year 2004-05 came from the State's own resources.

Overall expenditure of the State increased by 43 *per cent* from Rs 16,838 crore in 2000-01 to Rs 24,034 crore in 2004-05. The total expenditure during the year increased by Rs 1,079 crore in comparison to previous year. This was due to increase in expenditure on other rural development programmes, interest payments, general education and power etc. Revenue expenditure constituted 83 *per cent* of total expenditure during the year. The rate of growth in Revenue expenditure decreased from 11 *per cent* in 2003-04 to 6 *per cent* in 2004-05. Interest payments increased by 55 *per cent* from Rs 3,339 crore in 2000-01 to Rs 5,172 crore in 2004-05 primarily due to continued reliance on borrowings for financing the fiscal deficit.

Though the revenue deficit, fiscal deficit, primary deficit and ratio of revenue deficit to fiscal deficit decreased and percentage of Plan, Capital and Developmental expenditure to total expenditure increased during the year in comparison to previous year, indicating a favourable trend for the State finances, other factors such as increased interest payments, outstanding fiscal liabilities, ratio of fiscal liabilities to State's Gross Domestic Product (GSDP), ratio of total expenditure to GSDP, decreased rate of growth of GSDP, weighted interest rate being higher than the rate of growth of GSDP, besides bulk of the borrowings (91 *per cent*) being spent on repayment of old borrowing etc. were indicative of deterioration in state's fiscal situation.

## **1.1 Introduction**

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

### **Box 1**

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

Statement No. 1 presents the summary of transactions of the State Government – receipts and expenditure, revenue and capital, public debt receipts and disbursements etc. in the Consolidated Fund, Contingency Fund and Public Account of the State.

Statement No. 2 contains the summarised statement of capital outlay showing progressive expenditure to the end of 2004-05.

Statement No. 3 gives financial results of irrigation works, their revenue receipts, working expenses and maintenance charges, capital outlay, net profit or loss, etc.

Statement No. 4 indicates the summary of debt position of the State, which includes borrowings from internal debt, Government of India, other obligations and servicing of debt.

Statement No. 5 gives the summary of loans and advances given by the State Government during the year, repayments made, recoveries in arrears, etc.

Statement No. 6 gives the summary of guarantees given by the Government for repayment of loans etc. raised by the statutory corporations, local bodies and other institutions.

Statement No. 7 gives the summary of cash balances and investments made out of such balances.

Statement No. 8 depicts the summary of balances under Consolidated Fund, Contingency Fund and Public Account as on 31 March 2005.

Statement No. 9 shows the revenue and expenditure under different heads for the year 2004-05 as a percentage of total revenue/expenditure.

Statement No. 10 indicates the distribution between the charged and voted expenditure incurred during the year.

Statement No. 11 indicates the detailed account of revenue receipts by minor heads.

Statement No. 12 provides accounts of revenue expenditure by minor heads under non-plan, State plan and Centrally sponsored schemes separately and capital expenditure major head-wise.

Statement No. 13 depicts the detailed capital expenditure incurred during and to the end of 2004-05.

Statement No. 14 shows the details of investment of the State Government in statutory corporations, government companies, other joint stock companies, cooperative banks and societies etc. up to the end of 2004-05.

Statement No. 15 depicts the capital and other expenditure to the end of 2004-05 and the principal sources from which the funds were provided for that expenditure.

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

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

Statement No. 18 provides the detailed account of loans and advances given by the Government of Rajasthan, the amount of loan repaid during the year, the balance as on 31 March 2005, and the amount of interest received during the year.

Statement No. 19 gives the details of earmarked balances of reserved funds.

## 1.2 Trend of Finances with reference to previous year

Finances of the State Government during the current year compared to previous year were as under:

(Rupees in crore)

2003-04	S. No.	Major Aggregates	2004-05
15,424	1.	<b>Revenue Receipts (2+3+4)</b>	17,763
7,246	2.	Tax Revenue	8,415
2,072	3.	Non-Tax Revenue	2,146
6,106	4.	Other Receipts	7,202
164	5.	<b>Non-Debt Capital Receipts (6+7)</b>	125
5	6.	Miscellaneous Capital Receipts	-
159	7.	Recovery of Loans	125
15,588	8.	<b>Total Receipts (1+5)</b>	17,888
16,743	9.	<b>Non-Plan Expenditure (10+12+13)</b>	17,271
16,617	10.	On Revenue Account	17,164
4,777	11.	Of which, Interest Payments	5,172
64	12.	On Capital Account	68
62	13.	On Loans disbursed	39
6,212	14.	<b>Plan Expenditure (15+16+17)</b>	6,763
2,231	15.	On Revenue Account	2,742
3,117	16.	On Capital Account	3,420
864	17.	On Loans disbursed	601
22,955	18.	<b>Total Expenditure (9+14)</b>	24,034
7,367	19.	<b>Fiscal Deficit (18-1-5)</b>	6,146
3,424	20.	<b>Revenue Deficit (10+15-1)</b>	2,143
2,590	21.	<b>Primary Deficit (19-11)</b>	974

## 1.3 Summary of Receipts and Disbursements for the year

Table-1 as given below summarises the finances of the State Government of Rajasthan for the year 2004-05 covering revenue receipts and expenditure, capital receipts and expenditure, public debt receipts and disbursements and public accounts receipts and disbursements made during the year as emerging from Statement-1 of Finance Accounts and other detailed statements.

Table 1: SUMMARY OF RECEIPTS AND DISBURSEMENTS FOR THE YEAR 2004-05

(Rupees in crore)

2003-04	Receipts	2004-05	2003-04	Disbursements	2004-05		
<b>Section-A: Revenue</b>							
					<b>Non-Plan</b>	<b>Plan</b>	<b>Total</b>
15,423.85	<b>I. Revenue receipts</b>	17,763.59	18,848.29	<b>I. Revenue expenditure</b>	17,164.22	2,741.97	19,906.19
7,246.19	Tax revenue	8,414.82	8,443.63	General Services	8,615.36	36.86	8,652.22
2,071.64	Non-tax revenue	2,146.15	7,142.19	Social Services	6,005.74	1,142.00	7,147.74
3,602.21	Share of Union Taxes/Duties	4,305.61	3,257.38	Economic Services	2,541.85	1,563.11	4,104.96
2,503.81	Grants from Government of India	2,897.01	5.09	Grants-in-aid / Contributions	1.27	-	1.27

(Rupees in crore)

2003-04	Receipts	2004-05	2003-04	Disbursements	2004-05		
<b>Section-B: Capital</b>							
4.68	II. Miscellaneous Capital Receipts	-	3,180.98	II. Capital Outlay	67.79	3,420.50	3,488.29
158.98	III. Recoveries of Loans and Advances	124.63	925.37	III. Loans and Advances disbursed	39.17	600.55	639.72
9,025.20	IV. Public Debt receipts*	9,982.44	3,150.11	IV. Repayment of Public Debt*	#	#	4,872.59
39,458.77	V. Public Account receipts	44,156.09	37,843.98	V. Public Account disbursements	#	#	42,494.11
(-) 285.43	Opening Cash Balance	(-) 162.68	(-) 162.68	Closing Cash Balance	#	#	463.17
63,786.05	<b>Total</b>	<b>71,864.07</b>	<b>63,786.05</b>	<b>Total</b>			<b>71,864.07</b>

\* Includes net ways and means advances and overdraft also.

# Bifurcation of plan and non- plan not available.

## 1.4 Audit Methodology

Audit observations on the Finance Accounts bring out the trends in the major fiscal aggregates of receipts and expenditure and from the statements of the Finance Accounts for the year 2004-05. Wherever necessary the observations show these trends in the light of time series data and periodic comparisons. Major fiscal aggregates such as tax and non-tax revenue, revenue and capital expenditure, internal debt and loans and advances etc. have been presented as percentages to the Gross State Domestic Product (GSDP) at current market prices. For tax revenues, non-tax revenues, revenue expenditure etc., buoyancy projections have also been provided for a further estimation of the range of fluctuations with reference to the base represented by GSDP. The key indicators adopted for the purpose are (i) resources by volumes and sources, (ii) application of resources, (iii) assets and liabilities and (iv) management of deficits. Audit observations have also taken into account the cumulative impact of resource mobilisation efforts, debt servicing and corrective fiscal measures. Overall financial performance of the State Government as a body corporate has been presented by the application of a set of ratios commonly adopted for the relational interpretation of fiscal aggregates.

In addition, the section also contains a paragraph (Fiscal ratios) on indicators of financial performance of the Government. Some of the terms used in the chapter are explained in *Appendix-I*.

## State Finances by Key Indicators

### 1.5 Resources by volumes and sources

Resources of the State Government consist of revenue receipts and capital receipts. Revenue receipts consist of tax revenues, non-tax revenues, State's

share of union taxes and duties and grants-in-aid from the Central Government. Capital receipts comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources viz. market loans, borrowings from financial institutions/ commercial banks etc. and loans and advances from the Government of India as well as accruals from Public Accounts.

Table-2 would show that the total receipts of the State Government for the year 2004-05 were Rs 72,026 crore, while the revenue receipts were Rs 17,763 crore constituting only 25 per cent of total receipts. The balance of receipts came from Capital receipts and Public Account receipts.

**Table 2 – Resources of Rajasthan**

	(Rupees in crore)
<b>I. Revenue Receipts</b>	<b>17,763</b>
<b>II. Capital Receipts</b>	<b>10,107</b>
a. Miscellaneous Receipts	-
b. Recovery of Loans and Advances	125
c. Public Debt Receipts	9,982
<b>III. Public Account Receipts</b>	<b>44,156</b>
a. Small Savings, Provident Fund, etc.	2,177
b. Reserve Fund	830
c. Deposits and Advances	38,533
d. Suspense and Miscellaneous	38
e. Remittances	2,578
<b>Total Receipts</b>	<b>72,026</b>

### 1.5.1 Revenue receipts

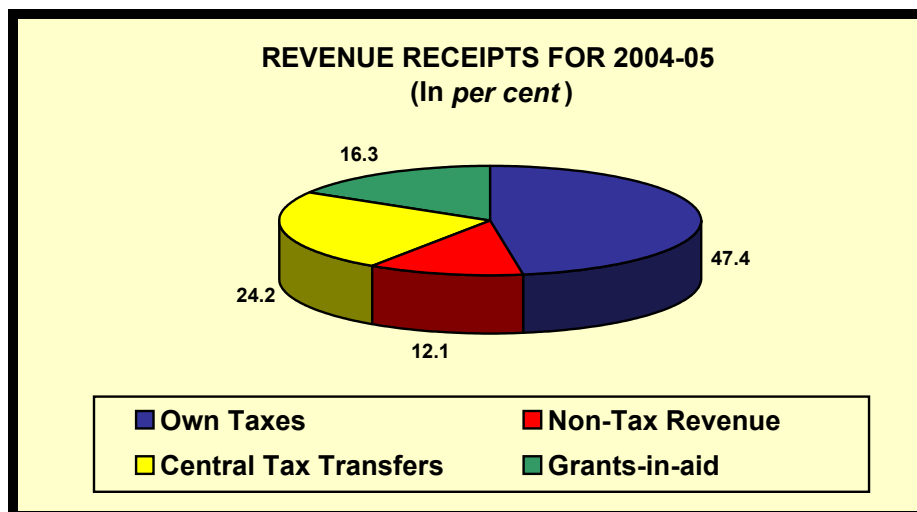
The Revenue Receipts of the State consist mainly of its own tax and non-tax revenues, central tax transfers and grants-in-aid from Government of India. Overall revenue receipts, their annual rate of growth, ratio of these receipts to the GSDP and their buoyancy are indicated in Table-3.

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

	2000-01	2001-02	2002-03	2003-04	2004-05
Revenue Receipts	12,402	12,153	13,082	15,424	17,763
Own Taxes	42.7	46.7	47.8	47.0	47.4
Non-Tax Revenue	13.6	12.4	12.0	13.4	12.1
Central Tax Transfers	22.9	23.7	23.4	23.4	24.2
Grants-in-aid	20.8	17.2	16.8	16.2	16.3
Rate of Growth	26.7	(-) 2.0	7.6	17.9	15.2
Own Taxes Growth	17.0	7.0	10.3	15.9	16.1
Revenue Receipts/GSDP	15.6	13.8	15.3	14.8	16.3
Revenue Buoyancy	26.7	*	*	0.8	3.7
Own Taxes Buoyancy	17.0	0.6	*	0.7	3.9
GSDP Growth	1.0	11.1	(-)3.0	22.3	4.1

\* Rate of growth of Revenue Receipts and GSDP was negative.

Revenue receipts of the State increased by 43 *per cent* from Rs 12,402 crore in 2000-01 to Rs 17,763 crore in 2004-05. There were significant inter year variations in the growth rate. The increase in revenue receipts during the year 2004-05 over 2003-04 was mainly on Taxes on Sales, Trade etc. (Rs 812 crore), Corporation Tax (Rs 248 crore), Share of the State in Union Taxes and Duties (Rs 703 crore), Stamps and Registration Fees (Rs 206 crore), Taxes and Duties on Electricity (Rs 162 crore), Non-Ferrous Mining and Metallurgical Industries (Rs 132 crore), State Excise (Rs 113 crore) and Grants-in-aid from the Central Government (Rs 393 crore).



While on an average nearly 59 *per cent* of the revenue came from the State's own resources, central tax transfers and grants-in-aid together continued to contribute around 41 *per cent* of the total revenue. Sales tax was the major source of State's own tax revenue having contributed 57 *per cent* of the tax revenue followed by State Excise (15 *per cent*), Taxes on Vehicles (10 *per cent*) etc. Of non-tax revenue sources, Interest Receipts (35 *per cent*), Non-Ferrous Mining and Metallurgical Industries (30 *per cent*) and Water Supply and Sanitation (8 *per cent*) were the principal contributors. The increase under Interest Receipts (Rs 70 crore), however, was neutralised by higher Interest Payments (Rs 395 crore) during the year mainly due to more interest payments on Loans and Advances from the Central Government (Rs 216 crore), Interest on Small Savings, Provident Funds etc. (Rs 102 crore) and Interest on Internal Debt (Rs 64 crore) in comparison to previous year.

The arrears of revenues increased by 123 *per cent* from Rs 1,333 crore in 2000-01 to Rs 2,978 crore at the end of 2004-05. Of these, Rs 540 crore were outstanding for a period of more than five years. Arrears were mainly in respect of Taxes on Sales, Trade, etc. (Rs 2,249 crore), State Excise (Rs 213 crore), Miscellaneous General Services- Sale of Land (Rs 127 crore), Non-Ferrous Mining and Metallurgical Industries (Rs 67 crore), Land Revenue (Rs 68 crore), Major and Medium Irrigation (Rs 64 crore) and Taxes on Immovable property other than Agricultural land (Rs 59 crore). The

increase in arrears of revenue indicated slackness in the revenue realising efforts of the State Government.

The source of total receipts under different heads and GSDP during 2000-05 is indicated in Table-4.

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

(Rupees in crore)

Year	Revenue Receipts	Capital Receipts			Total Receipts	Gross State Domestic Product
		Non-Debt Receipts	Debt Receipts	Accruals in Public Account		
2000-01	12,402	124	4,204	25,677	42,407	79,295
2001-02	12,153	69	5,979	27,771	45,972	88,077
2002-03	13,082	125	7,686	34,592	55,485	85,464
2003-04	15,424	164	9,025	39,459	64,072	1,04,483
2004-05	17,763	125	9,982	44,156	72,026	1,08,734

## 1.6 Application of resources

### 1.6.1 Trend of Growth

Statement 12 of the Finance Accounts depicts the detailed revenue expenditure by minor heads and capital expenditure major head wise. The total expenditure of the State increased by 43 *per cent* from Rs 16,838 crore in 2000-01 to Rs 24,034 crore in 2004-05. Revenue receipts could cover only 74 *per cent* of total expenditure in 2004-05 leaving the balance to be financed from borrowings.

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

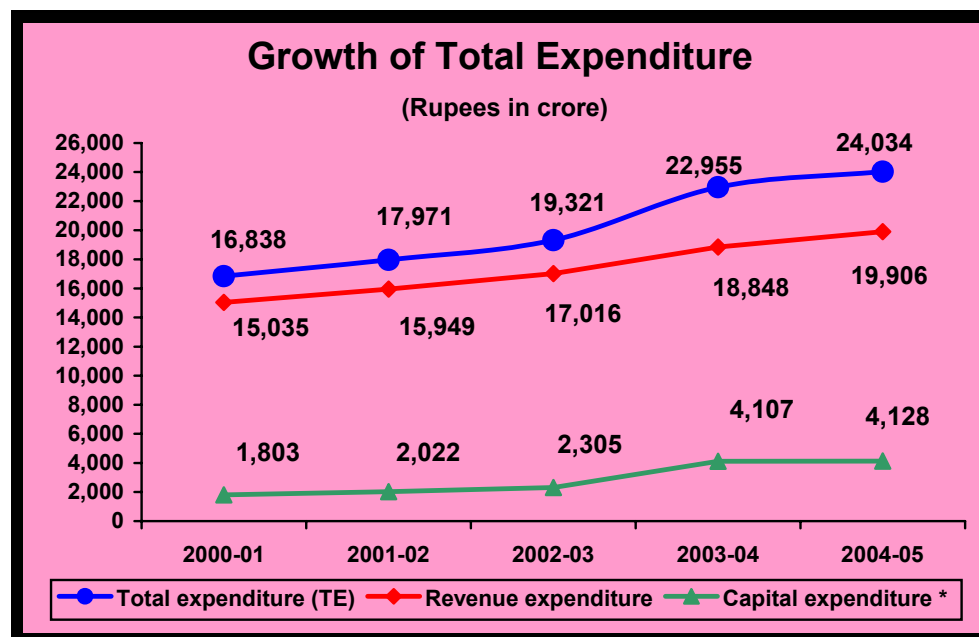
**Table-5: Total Expenditure – Basic Parameters (Value: Rupees in crore and others in *per cent*)**

	2000-01	2001-02	2002-03	2003-04	2004-05
Total Expenditure	16,838	17,971	19,321	22,955	24,034
Rate of Growth	10.3	6.7	7.5	18.8	4.7
TE/GSDP	21.2	20.4	22.6	22.0	22.1
Revenue Receipts/TE	73.7	67.6	67.7	67.2	73.9
<b>Buoyancy of Total Expenditure with</b>					
GSDP	10.3	0.6	*	0.8	1.1
Revenue Receipts	0.4	*	1.0	1.1	0.3

\* Rate of growth of Revenue Receipts and GSDP was negative.

The total expenditure during the year increased by Rs 1,079 crore in comparison to previous year. Revenue expenditure increased by Rs 1,058 crore (mainly due to more expenditure on Other Rural Development Programmes: Rs 462 crore, Interest Payments: Rs 395 crore, General Education: Rs 305 crore and Power: Rs 242 crore, offsetted by less expenditure on Relief on account of Natural Calamities: Rs 484 crore). Capital expenditure increased by Rs 307 crore (mainly due to more expenditure on Urban Development: Rs 181 crore, Power: Rs 67 crore and Water Supply and

Sanitation: Rs 52 crore) offsetted by decrease of Rs 286 crore in loans and advances. The ratio of revenue receipts to total expenditure indicated that approximately only 74 per cent of the State's total expenditure was met from its current revenue, leaving the balance to be financed from borrowings.



\* Including Loans and Advances given by the State Government.

In terms of the activities, total expenditure could be considered as being composed of expenditure on general services including interest payments, social and economic services and loans and advances. The relative share of these components in the total expenditure is indicated in Table-6.

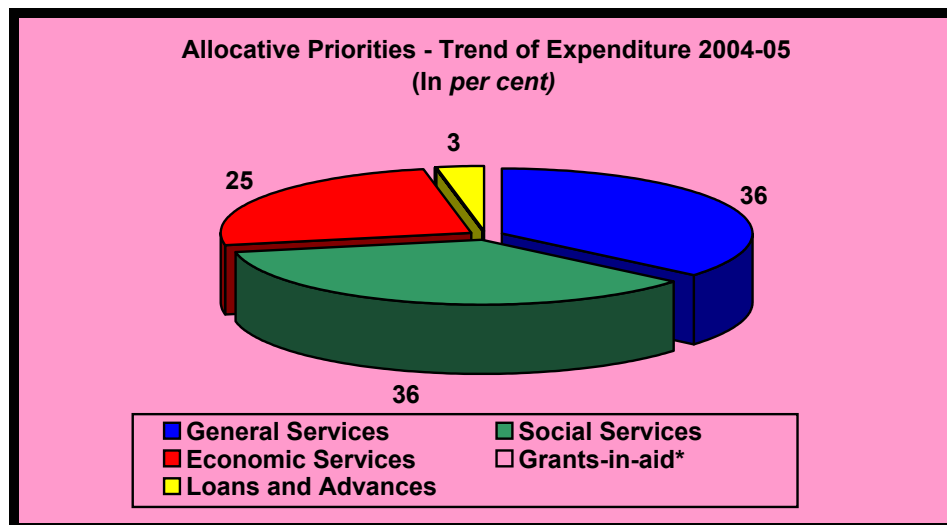
**Table-6: Components of expenditure – Relative Share (in per cent)**

	2000-01	2001-02	2002-03	2003-04	2004-05
General Services	39.2	40.1	39.8	37.0	36.3
Social Services	39.9	39.4	38.0	37.0	36.2
Economic Services	18.3	19.3	20.8	22.0	24.8
Grants-in-aid	0.1	0.1	*	*	*
Loans and advances	2.5	1.1	1.4	4.0	2.7
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

\* In 2002-03, 2003-04 and 2004-05 only 0.0006, 0.022 and 0.004 per cent respectively.

The movement of relative share of these components of expenditure indicated that while the share of general services and social services in total expenditure declined from 39 per cent and 40 per cent in 2000-01 to 36 per cent each during 2004-05, the relative share of economic services increased from 18 per cent in 2000-01 to around 25 per cent in 2004-05.





\* 0.004 per cent only.

### 1.6.2 Incidence of Revenue expenditure

Revenue expenditure had the predominant share in total expenditure. Revenue expenditure is usually incurred to maintain the current level of assets and services. Overall revenue expenditure, its rate of growth, ratio of revenue expenditure to State's GSDP, total expenditure and revenue receipts and its buoyancy with GSDP and revenue receipts is indicated in Table-7 below:

Table-7: Revenue Expenditure – Basic Parameters (Value: Rupees in crore and others in per cent)

	2000-01	2001-02	2002-03	2003-04	2004-05
Revenue Expenditure	15,035	15,949	17,016	18,848	19,906
Rate of Growth	12.0	6.1	6.7	10.8	5.6
RE/GSDP	19.0	18.1	19.9	18.0	18.3
RE as per cent of TE	89.3	88.7	88.1	82.1	82.8
RE as per cent to Revenue Receipts	121.2	131.2	130.1	122.2	112.1
<b>Buoyancy of Revenue Expenditure with</b>					
GSDP	12.0	0.5	*	0.5	1.4
Revenue Receipts	0.4	*	0.9	0.6	0.4

\* Rate of growth of Revenue Receipts and GSDP was negative.

Revenue expenditure of the State increased by 32 per cent from Rs 15,035 crore in 2000-01 to Rs 19,906 crore in 2004-05. This was higher than the share of revenue receipts (72 per cent of total receipts) of the State Government, which led to revenue deficit. Though the ratio of revenue expenditure to revenue receipts declined from 121 per cent in 2000-01 to 112 per cent in 2004-05, dependency of the State on borrowings, for meeting its current expenditure continued primarily due to the fact that salaries (Rs 5,910 crore), interest payments (Rs 5,172 crore) and pensions (Rs 1,626 crore) alone consumed 72 per cent of total revenue receipts of the State.

### 1.6.3 Expenditure on Salary and Pension Payments

The expenditure on salaries increased from Rs 4,908 crore in 2000-01 to Rs 5,910 crore in 2004-05. While expenditure on salaries and pension

payments during 2004-05 accounted for 33 and nine *per cent* of the revenue receipts, it was 30 and eight *per cent* of revenue expenditure respectively. Expenditure on salary increased by six *per cent* during the year in comparison to previous year. A new defined fully contribution funded pension scheme has been introduced according to which both the State Government as well as the employees recruited on or after 1 January 2004 shall contribute 10 *per cent* of basic pay and dearness allowance to this pension fund.

Table-8: Expenditure on Salary and Pension Payments (Value: Rupees in crore and others in *per cent*)

	2000-01	2001-02	2002-03	2003-04	2004-05
Expenditure on Salary Payment	4,908	5,116	5,099	5,563	5,910
Salary as <i>per cent</i> of Revenue Receipts	39.6	42.1	39.0	36.1	33.3
Salary as <i>per cent</i> of Revenue Expenditure	32.6	32.1	30.0	29.5	29.7
Expenditure on Pension Payment	1,693	1,685	1,683	1,842	1,626
Pension as <i>per cent</i> of Revenue Receipts	13.7	13.9	12.9	11.9	9.2
Pension as <i>per cent</i> of Revenue Expenditure	11.3	10.6	9.9	9.8	8.2

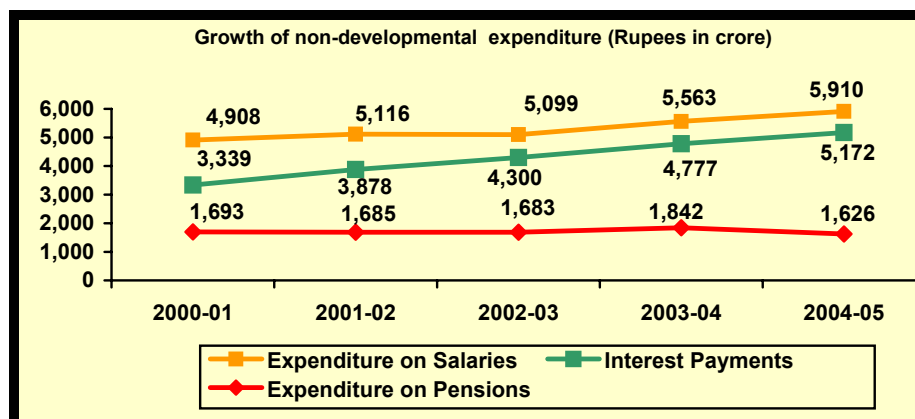
#### 1.6.4 Interest payments

The Eleventh Finance Commission recommended (July 2000) that as a medium term objective, states should endeavour to limit interest payments as a ratio to revenue receipts to 18 to 20 *per cent*. It was, however, observed that interest payments as percentage of revenue receipts ranged between 27 and 33 during the period 2000-05.

Table-9

Year	Interest Payments	Percentage of interest payment with reference to	
	(Rupees in crore)	Revenue Receipts	Revenue Expenditure
2000-01	3,339	26.9	22.2
2001-02	3,878	31.9	24.3
2002-03	4,300	32.9	25.3
2003-04	4,777	31.0	25.3
2004-05	5,172	29.1	26.0

In absolute terms, interest payments increased steadily by 55 *per cent* from Rs 3,339 crore in 2000-01 to Rs 5,172 crore in 2004-05 primarily due to continued reliance on borrowings for financing the fiscal deficit. Higher interest payments, increasing year after year, left less funds for expenditure on Public Works, Relief on account of Natural Calamities, Family Welfare, Command Area Development, Road Transport etc.



### 1.6.5 Subsidies by the Government

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

**Table-10** (Rupees in crore)

S. No.	Particulars	2000-01	2001-02	2002-03	2003-04	2004-05
1.	Power Sector	2.25	-	422.64	980.16	1,178.46
2.	Others	10.26	7.58	9.82	20.10	20.79
	<b>Total</b>	<b>12.51</b>	<b>7.58</b>	<b>432.46</b>	<b>1,000.26</b>	<b>1,199.25</b>
	Percentage Increases (+)/ Decreases (-) over previous years	(-) 97	(-) 39	5605	131	20
	Subsidy as percentage of total expenditure*	**	**	2.3	4.5	5.1

\* Total Expenditure excludes Loans and Advances.

\*\* In 2000-01 and 2001-02 only 0.08 and 0.04 *per cent* respectively.

During the current year, subsidies constituted five *per cent* of the total expenditure out of which 98 *per cent* was paid to Power Sector alone.

### 1.7 Expenditure by Allocative Priorities

The actual expenditure of the State in the nature of plan expenditure, capital expenditure and developmental expenditure emerging from Statement 12 of Finance Accounts reflect the allocative priorities of the State. Higher the ratio of these components to total expenditure, better is deemed to be the quality of expenditure. Table-11 below gives the percentage share of these components of expenditure in the State's total expenditure\*.

**Table 11: Quality of expenditure (per cent to total expenditure\*)**

	2000-01	2001-02	2002-03	2003-04	2004-05
Plan Expenditure	19.5	22.1	22.2	24.2	26.3
Capital Expenditure	8.4	10.2	10.6	14.4	14.9
Developmental Expenditure	59.7	59.4	59.6	61.4	62.7

\* Total expenditure excludes expenditure on loans and advances.

All the three components of expenditure show a relative increase during 2000-05. Plan expenditure increased from 20 *per cent* of total expenditure in 2000-01 to 26 *per cent* in 2004-05. Similarly, capital expenditure also increased from eight *per cent* in 2000-01 to 15 *per cent* in 2004-05. There was also increase in the share of developmental expenditure from 60 *per cent* in 2000-01 to 63 *per cent* in 2004-05.

Out of the developmental expenditure (Rs 14,659 crore), social services (Rs 8,696 crore) accounted for 59 *per cent* of the developmental expenditure during the year. Education, Sports, Art and Culture (Rs 3,975 crore), Health and Family Welfare (Rs 1,078 crore), Water Supply, Sanitation, Housing and Urban Development (Rs 2,462 crore) and Social Welfare and Nutrition

(Rs 890 crore) consumed nearly whole (97 per cent) of the expenditure on Social sector.

Similarly, the expenditure on Economic Services (Rs 5,963 crore) accounted for 41 per cent of the developmental expenditure. Of which, Agriculture and Allied Activities (Rs 712 crore), Rural Development (Rs 1,141 crore), Irrigation and Flood Control (Rs 1,721 crore), Energy (Rs 1,536 crore) and Transport (Rs 543 crore) accounted for 95 per cent of the expenditure on Economic sector.

### 1.7.1 Financial Assistance to Local Bodies and Others

Autonomous bodies and authorities including local bodies and other institutions registered under the State Co-operative Societies Act, Companies Act, 1956 etc. are granted substantial financial assistance by the Government to implement various programmes.

The quantum of assistance provided to various bodies during 2000-05 was as follows:

(Rupees in crore)

S. No.	Bodies/authorities etc.	2000-01	2001-02	2002-03	2003-04	2004-05
1.	Universities and Educational Institutions	148.10	247.53	182.96	196.48	201.14
2.	Municipal Corporations and Municipalities	416.42	460.91	460.56	501.39	615.20
3.	Zila Parishads and Panchayati Raj Institutions	1,082.48	1,413.71	1,167.76	1,172.21	1,885.82
4.	Development Agencies	3.13	39.35	247.88	275.13	68.82
5.	Hospitals and other Charitable Institutions	30.16	14.04	7.22	31.07	34.05
6.	Other Institutions*	596.70	415.65	797.69	1,191.98	1,522.30
	<b>Total</b>	<b>2,276.99</b>	<b>2,591.19</b>	<b>2,864.07</b>	<b>3,368.26</b>	<b>4,327.33</b>
	Percentage increase (+)/ decrease (-) over previous year	12	14	11	18	28
	Assistance as a percentage of revenue receipts	18	21	22	22	24
	Percentage of assistance to revenue expenditure	15	16	17	18	22

\* Aggregate amount of assistance given to institutions for various purposes.

### 1.7.2 Delay in furnishing of utilisation certificates

Out of 12,603 utilisation certificates (UCs) due in respect of grants aggregating Rs 2,716.17 crore paid during the years 1993-2004, 11,778 UCs for Rs 2,680.91 crore had been furnished by 31 March 2005 and 825 certificates for Rs 35.26 crore were in arrears which represents increase in the number of pending UCs over the previous year as further UCs became due on release of grants during the year 2003-04. Department-wise break-up of outstanding UCs is given in *Appendix-II*.

In the absence of the certificates it could not be ascertained whether the recipients had utilised the grants for the purposes for which these were given.

### 1.7.3 Misappropriation, Embezzlement/Defalcation and Theft of Government funds

Rule 20 of General Financial and Accounts Rules Part-I provides that any loss of public money, departmental revenue or receipts, stamps, stores or other property held by or on behalf of Government caused by misappropriation fraudulent drawal/payment or otherwise which is discovered in a treasury, any other office/department shall be immediately reported by the officer concerned to the next higher authority as well as to the Accountant General. At the end of August 2005 there were 1,114 cases amounting to Rs 22.53 crore<sup>1</sup> regarding misappropriation, embezzlement and theft etc. of the Government money or property reported (upto March 2005) to or detected by Audit were pending for want of required action as under:

Particulars	Number of cases	Amount (Rupees in crore)
Cases reported upto March 2003 and outstanding at the end of September 2003	1,344	19.80
Cases reported during 2003-04 and 2004-05	279	47.40
Cases disposed of between October 2003 and August 2005	509	44.67
Cases reported upto March 2005 and outstanding at the end of August 2005	1,114	22.53

Analysis of the pending embezzlement and defalcation cases revealed that the cases were mainly related to forgery in cash books, bungling in stocks kept in stores, improper maintenance of cash books and non-depositing of Government money in Treasury/Bank and theft cases were related to theft of stores/stocks, vehicles, cash, machinery and equipment etc.

The extent of delay in finalisation of 1,114 cases pending with 65 offices as on August 2005 was as under:

S. No.	Particulars	Number of cases	Amount (Rupees in crore)
1.	Cases more than 10 years old	394	4.30
2.	Cases between 7 and 10 years old	192	4.42
3.	Cases between 5 and 7 years old	120	1.89
4.	Cases between 3 and 5 years old	134	6.16
5.	Cases upto 3 years old	274	5.76
	<b>Total</b>	<b>1,114</b>	<b>22.53</b>

1: Excluding amount of 86 cases for which no detail was made available.

The reasons for pendency were as under:

S. No.	Reasons	Number of cases	Amount (Rupees in crore)
1.	For want of investigation at departmental level	222	3.45
2.	For want of recovery	626	14.30
3.	For want of decision of Court	100	3.49
4.	For want of sanction of competent authority for write-off	166	1.29
	<b>Total</b>	<b>1,114</b>	<b>22.53</b>

Keeping in view the measures suggested by the Public Accounts Committee (1986-87), the Government issued instructions to the Heads of Department concerned in December 1986 and reiterated in August 1995 to initiate action on the pending embezzlement and defalcation cases and intimate progress to the Principal Accountant General.

As the oldest case pertains to the year 1965-66, the Government needs to take suitable steps to finalise the cases in a time bound manner.

#### 1.7.4 Delay in submission of accounts

Government/Heads of Departments were required to furnish to audit every year detailed information about the financial assistance given to various institutions, the purpose for which assistance was sanctioned and the actual expenditure incurred there against by the institution. Information for the years 1999-2005 called for during May 2004 to April 2005 was awaited (May 2005) from Heads of the Departments/offices as detailed in *Appendix-III*.

### 1.8 Assets and Liabilities

The Government accounting system does not attempt a comprehensive accounting of fixed assets, i.e. land, buildings etc., owned by the Government. The Government accounts do capture the financial liabilities of the Government and the assets created out of expenditure. Statement 16 read with details in Statement 17 of Finance Accounts show the year-end balances under the Debt, Deposits and Remittances heads from which the liabilities and assets are worked out. **Exhibit-I** presents an abstract of such liabilities and the assets as on 31 March 2005, compared with the corresponding position on 31 March 2004. While the liabilities in this statement consist mainly of money owed by the State Government such as internal borrowings, loans and advances from the Government of India, receipts from the Public Account and Reserve Fund, the assets comprise mainly the capital expenditure and loans and advances given by the State Government. The liabilities of the Government of Rajasthan depicted in the Finance Accounts, however, do not include pension, other retirement benefits payable to serving/retired State employees, guarantees/ letters of comforts issued by the State Government.

**Exhibit-IV** depicts the Time Series Data on State Government Finances for the period 2000-05.

### 1.8.1 Financial results of irrigation works

The financial results of five major and 12 medium irrigation projects with a capital outlay of Rs 3507 crore at the end of March 2005 showed that revenue realised (Rs 76 crore) from these projects during 2004-05 was only two *per cent* of the capital outlay which was not sufficient to cover even the direct working expenses. After meeting the working and maintenance expenditure (Rs 82 crore) and interest charges (Rs 337 crore), the schemes suffered a net loss of Rs 343 crore.

### 1.8.2 Incomplete projects

As per information received from the State Government, as of 31 March 2005, there were 373 incomplete projects in which Rs 2,877 crore were blocked. Of these, 210 projects involving an amount of Rs 521 crore remained incomplete for less than five years, 163 projects involving an amount of Rs 2,356 crore remained incomplete for periods ranging from five to 43 years. This showed that the Government was spreading its resources thinly, which failed to yield any return.

### 1.8.3 Investments and returns

As on 31 March 2005, Government had invested Rs 4,092.60 crore in Statutory Corporations, Rural Banks, Government Companies, Joint Stock Companies, Partnership Concerns and Cooperative Banks/Societies. Government's return on this investment was less than one *per cent* during the last five years as indicated in Table-12 below. Of these, two statutory corporations, nine rural banks, 10 government companies and seven joint stock companies with an aggregate investment of Rs 300.43 crore upto 2004-05 were incurring losses and their accumulated losses amounted to Rs 1,938.16 crore as per the accounts furnished by these companies upto 2004-05 (*Appendix-IV*). The negligible returns on investment as compared to high cost of borrowing with average interest upto 10.5 *per cent* led to implicit subsidy.

**Table-12: Return on Investment**

Year	Investment at the end of the year	Return	Percentage of return	Average rate of interest on Government borrowing ( <i>per cent</i> )	Difference between interest rate and return ( <i>per cent</i> )
	(Rupees in crore)				
2000-01	2,596.35	5.57	0.2	10.5	10.3
2001-02	2,936.76	4.78	0.2	10.5	10.3
2002-03	3,268.03	8.26	0.3	10.0	9.7
2003-04	3,700.96	2.44	0.1	9.6	9.5
2004-05	4,092.60	37.19	0.9	9.1	8.2

### 1.8.4 Loans and advances by State Government

In addition to its investment, Government has also been providing loans and advances to many of these bodies. Total outstanding balance of the loans advanced was Rs 4,236 crore as on 31 March 2005 (Table-13). Overall, interest received against these advances declined from four *per cent* in 2000-01 to three *per cent* in 2004-05. Further, in most cases, Government orders sanctioning the loans did not specify the terms and conditions for these loans.

Table-13: Average Interest Received on Loans Advanced by the State Government (Rupees in crore)

	2000-01	2001-02	2002-03	2003-04	2004-05
Opening Balance	2,369	2,664	2,801 <sup>2</sup>	2,954	3,721
Amount advanced during the year	419	204	278	926	640
Amount repaid during the year	124	69	125	159	125
<b>Closing Balance</b>	<b>2,664</b>	<b>2,799</b>	<b>2,954</b>	<b>3,721</b>	<b>4,236</b>
Net Addition (+) / Reduction (-)	295	135	153	767	515
Interest received	108	83	85	115	114
Interest received as <i>per cent</i> to outstanding Loans and advances	4.3	3.0	3.0	3.4	2.9
Average rate of interest paid by the State	10.5	10.5	10.0	9.6	9.1
Difference between interest paid and received	(-) 6.2	(-) 7.5	(-) 7.0	(-) 6.2	(-) 6.2

### 1.8.5 Management of cash balances

It is generally desirable that State's flow of resources should match its expenditure obligations. However, to take care of any temporary mis-matches in the flow of resources and the expenditure obligations, a mechanism of Ways and Means Advances (WMA) from Reserve Bank of India has been put in place. During the year, the State used this mechanism for 89 days as against 213 days last year although it raised borrowings of Rs 2,391 crore from the market on six occasions. Resort to overdraft, which is over and above the WMA limits, is all the more undesirable. Overdraft facilities were not used by the State any single day during the year as against 93 days last year.

Table-14: Ways and Means and Overdraft of the State and Interest paid thereon

	2000-01	2001-02	2002-03	2003-04	2004-05
<b>(Rupees in crore)</b>					
<b>Ways and Means Advances</b>					
Taken in the Year	3,445.78	2,635.01	4,893.81	5,870.88	1,808.96
Outstanding	374.67	446.24	235.70	-	-
Interest Paid	22.75	20.67	23.68	24.59	1.45
<b>Overdraft</b>					
Taken in the Year	2,684.96	5,370.54	4,656.06	3,708.40	-
Outstanding	-	625.09	-	-	-
Interest Paid	4.74	4.28	6.19	6.33	-
Number of Days State was in Overdraft	103	168	150	93	-

2: *Pro forma* correction regarding prior period adjustments due to conversion of investment into loans amounting to Rs 2.45 crore.



### 1.8.6 Undischarged Liabilities

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

The Constitution of India provides that the State may borrow within the territory of India, upon the security of its Consolidated Fund, within such limits as may, from time to time, be fixed by an act of Legislature. No such law was passed by the State to lay down any such limit. The State Government through a resolution had decided (May 1999) that its total debt (excluding other liabilities) and outstanding amount of guarantees as on the last day of any financial year will not be more than double the estimated receipts in its consolidated fund.

It was observed that the overall fiscal liabilities of the State increased by 78 *per cent* from Rs 33,874 crore in 2000-01 to Rs 60,134 crore in 2004-05. These liabilities as ratio to GSDP increased from 43 *per cent* in 2000-01 to 55 *per cent* in 2004-05 and stood at 3.39 times of its revenue receipts and 5.69 times of its own resources comprising its own tax and non-tax revenue. Table-15 below gives the fiscal liabilities of the State, its rate of growth, ratio of these liabilities to GSDP, revenue receipts and own resources and buoyancy of these liabilities with respect to these parameters.

**Table-15: Fiscal Imbalances–Basic Parameters (Rupees in crore and Ratios in *per cent*)**

	2000-01	2001-02	2002-03	2003-04	2004-05
Fiscal Liabilities	33,874	39,970	45,871	53,361	60,134
Rate of growth	12.9	18.0	14.8	16.3	12.7
<b>Ratio of Fiscal Liabilities to</b>					
GSDP	42.7	45.4	53.7	51.1	55.3
Revenue Receipts	273.1	328.9	350.6	346.0	338.5
Own Resources	484.7	556.8	586.4	572.7	569.4
<b>Buoyancy of Fiscal Liabilities to</b>					
GSDP	12.9	1.6	*	0.7	3.1
Revenue Receipts	0.5	*	1.9	0.9	0.8
Own Resources	0.9	6.7	1.6	0.9	1.0

\* Rate of Growth of Revenue Receipts and GSDP was negative.

In addition to these liabilities, Government had guaranteed loans of its various Corporations and others, which in 2004-05 stood at Rs 12,703 crore. The guarantees are in the nature of contingent liabilities of the State and in the event of non-payment of loans, there may be an obligation on the State to honour these commitments. Currently, the fiscal liabilities including the contingent liabilities exceed four times the revenue receipts of the State. The direct fiscal liabilities of the State have grown much faster as compared to its rate of growth of GSDP.

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

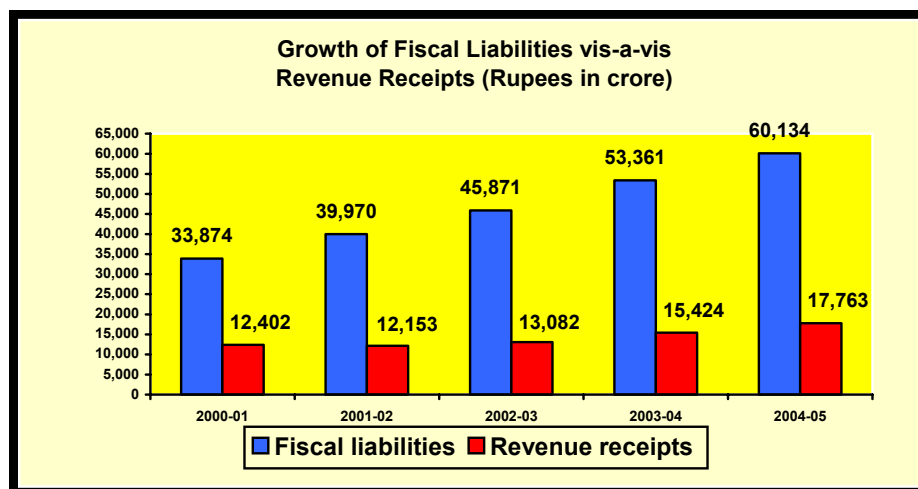
Debt sustainability with reference to weighted interest rate, GSDP growth rate and interest spread is indicated in Table-16.

**Table-16: Debt Sustainability – Interest Rate and GSDP Growth (in per cent)**

	2000-01	2001-02	2002-03	2003-04	2004-05
Weighted Interest Rate	10.5	10.5	10.0	9.6	9.1
GSDP Growth	1.0	11.1	- 3.0	22.3	4.1
Interest spread*	- 9.5	0.6	- 13.0	12.7	- 5.0

\* Interest spread = GSDP Growth – Weighted Interest Rate.

In the case of Rajasthan during the year 2004-05 the weighted interest rate was higher than the rate of GSDP growth indicating that fiscal liabilities were increasingly becoming unsustainable.



Another important indication of debt sustainability is net availability of funds after payment of the principal on account of the earlier contracted liabilities and interest. Table-17 below gives the position of the receipts and repayments of internal debt and loans and advances from the Government of India over the last five years. The net funds available on account of the internal debt and loans and advances from the Government of India after providing for the interest and repayments declined from 27 per cent in 2000-01 to nine per cent in 2004-05 indicating only one-ten funds were available in the current year.

**Table-17: Net Availability of Borrowed Funds (Rupees in crore)**

<b>Internal Debt*</b>	2000-01	2001-02	2002-03	2003-04	2004-05
Receipts	1,510	1,609	2,701	3,263	3,460
Repayments (Principal + Interest)	1,084	1,322	1,436	1,789	2,817
Net Funds Available	426	287	1,265	1,474	643
Net Funds Available ( <i>per cent</i> )	28.2	17.8	46.8	45.2	18.6
<b>Loans and Advances from the Government of India*</b>					
Receipts	2,644	3,673	4,787	5,762	6,522
Repayments (Principal + Interest)	1,957	2,334	3,757	4,994	6,234
Net Funds Available	687	1,339	1,030	768	288
Net Funds Available ( <i>per cent</i> )	26.0	36.5	21.5	13.3	4.4
<b>Total Public Debt*</b>					
Receipts	4,154	5,282	7,488	9,025	9,982
Repayments (Principal + Interest)	3,041	3,656	5,193	6,783	9,051
Net Funds Available	1,113	1,626	2,295	2,242	931
Net Funds Available ( <i>per cent</i> )	26.8	30.8	30.6	24.8	9.3

\* Excluding ways and means advances and overdrafts from RBI/GOI.

The State Government raised market loans of Rs 2,391 crore during the year. The average rate of interest of market borrowings during the year was seven *per cent*. As on 31 March 2005, 43 *per cent* of the existing market loans of the State Government carried interest rate exceeding 10 *per cent*. Thus, the effective cost of borrowings on their past loans is much higher than the rate at which they are able to raise resources at present from the market. The maturity profile of the State Government market loans indicate that nearly 29 *per cent* of the total market loans are repayable within the next five years while the remaining 71 *per cent* loans are required to be repaid in more than five years.

## 1.9 Recommendations of Eleventh Finance Commission

### 1.9.1 Medium Term Fiscal Reforms Programme

Eleventh Finance Commission (EFC) in its report laid down broad parameters of fiscal correction in the State Sector. Each State was required to draw up the Medium Term Fiscal Reforms Programme (MTFRP) to achieve the objective of zero revenue deficit. The MTFRP was to form the basis of a Memorandum of Understandings (MOU) entered into between the State and Ministry of Finance. Further, the EFC recommended an Incentive Fund from which grants were to be released to States based on their fiscal performance. On the basis of the recommendations of the EFC, the Government of India (GOI) created Fiscal Reforms Facility (2000-01 to 2004-05) to motivate the States to undertake MTFRP. Release from the Incentive Fund was to be based on achieving a minimum improvement of five percentage points in the revenue deficit as proportion of its revenue receipts each year till 2004-05 over the base year 1999-2000.

Government of India released Rs 120.38 crore during 2004-05 towards incentive funds pertaining to their share for the year 2003-04 (Rs 59.77 crore) and 2004-05 (Rs 60.61 crore).

State Government formulated its MTFRP in March 2003 and an MOU had been signed by the Rajasthan Government with GOI in March 2003. According to MOU (25 March 2003), the revenue deficit as a proportion of Revenue Receipts was to be reduced by five *per cent* each year from 1999-2000 (base year). Accordingly, the revenue deficit of 37 *per cent* during 1999-2000 was to be restricted to 12 *per cent* of revenue receipts during the year 2004-05. The revenue deficit was 12 *per cent* during the year, but it was due to incorrect classification of expenditure of Rs 696 crore on account of Grant-in-aid to local bodies, which was classified by the State Government as capital expenditure instead of revenue expenditure, resulting in understatement of revenue expenditure and revenue deficit. The correct classification of the amount would result in percentage of the revenue deficit to the revenue receipts increase to 16 *per cent*.

## 1.10 Management of deficits

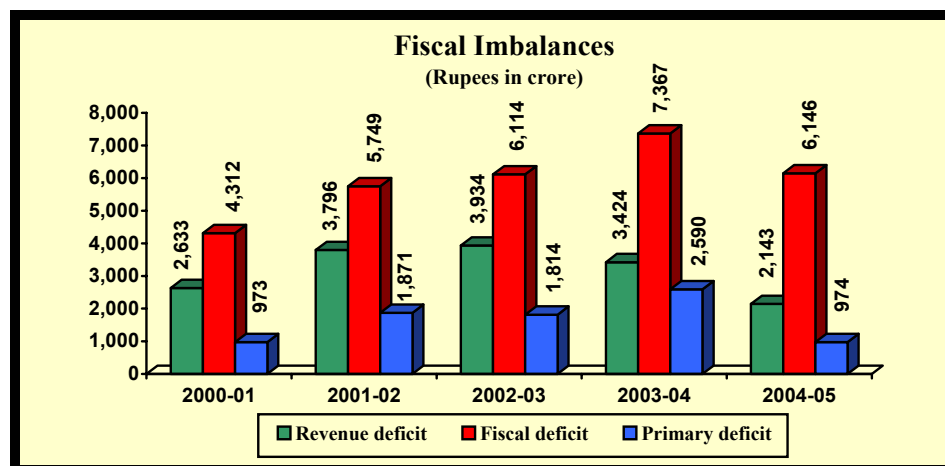
### 1.10.1 Fiscal imbalances

The deficits in the Government accounts represent the gap between its receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources so raised are applied are important pointers to the fiscal health.

The revenue deficit (Statement 1 of Finance Accounts) of the State, which is the excess of its revenue expenditure over revenue receipts, however, declined from Rs 2,633 crore in 2000-01 to Rs 2,143 crore in 2004-05. This decrease, however, was due to wrong classification of Rs 696 crore by the State Government as explained in para 1.9.1. The fiscal deficit, which represents the total borrowing of the Government and its total resource gap, increased from Rs 4,312 crore in 2000-01 to Rs 6,146 crore in 2004-05. The primary deficit slightly increased from Rs 973 crore in 2000-01 to Rs 974 crore in 2004-05 as indicated in Table-18.

Table-18: Fiscal Imbalances – Basic Parameters (Value: Rupees in crore and Ratios in per cent)

	2000-01	2001-02	2002-03	2003-04	2004-05
Revenue deficit	2,633	3,796	3,934	3,424	2,143
Fiscal deficit	4,312	5,749	6,114	7,367	6,146
Primary deficit	973	1,871	1,814	2,590	974
RD/GSDP	3.3	4.3	4.6	3.3	2.0
FD/GSDP	5.4	6.5	7.2	7.1	5.7
PD/GSDP	1.2	2.1	2.1	2.5	0.9
RD/FD	61.1	66.0	64.3	46.5	34.9



The ratio of revenue deficit to fiscal deficit has declined from 61 per cent in 2000-01 to 35 per cent in 2004-05. Persistent revenue deficit, however, indicated that the revenue receipts of the State were not able to meet its revenue expenditure and Government had to borrow to meet its current obligations. As a proportion of GSDP, revenue deficit declined from three per

cent in 2000-01 to two per cent in 2004-05 whereas fiscal deficit moved between five and seven per cent during 2000-05.

### 1.11 Fiscal Ratios

The finances of a State should be sustainable, flexible and non-vulnerable. Table-19 below presents a summarized position of Government Finances over 2000-05, with reference to certain key indicators that help assess the adequacy and effectiveness of available resources and their applications, highlight areas of concern and capture its important facets.

The ratios of revenue receipts and State's own taxes to GSDP indicate the adequacy of the resources. The buoyancy of revenue receipts indicates the nature of the tax regime and the State's increasing access to resources with increase in GSDP. Revenue receipts comprise not only the tax and non-tax resources of the State but also the transfers from Union Government. There were significant inter year variations in these ratios.

Various ratios concerning the expenditure management of the State indicate quality of its expenditure and sustainability of these in relation to its resources mobilisation. The ratio of revenue expenditure to total expenditure has declined while its capital expenditure and developmental expenditure as percentage to total expenditure has increased in 2004-05 in comparison to 2000-01.

**Table-19: Ratios of Fiscal Efficiency (in per cent)**

Fiscal Ratios	2000-01	2001-02	2002-03	2003-04	2004-05
<b>Resources Mobilisation</b>					
Revenue Receipts/GSDP	15.6	13.8	15.3	14.8	16.3
Revenue Buoyancy	26.7	- 0.2*	- 2.5*	0.8	3.7
Own Tax/GSDP	6.7	6.4	7.3	6.9	7.7
<b>Expenditure Management</b>					
Total Expenditure/GSDP	21.2	20.4	22.6	22.0	22.1
Revenue Receipts/ Total Expenditure	73.7	67.6	67.7	67.2	73.9
Revenue Expenditure/Total Expenditure	89.3	88.7	88.1	82.1	82.8
Capital Expenditure/Total Expenditure**	8.4	10.2	10.6	14.4	14.9
Developmental Expenditure/Total Expenditure (RE+CE)**	59.7	59.4	59.6	61.4	62.7
Buoyancy of TE with RR	0.4	- 3.4*	1.0	1.1	0.3
Buoyancy of RE with RR	0.4	- 3.1*	0.9	0.6	0.4
<b>Management of Fiscal Imbalances</b>					
Revenue deficit (Rs in crore)	2,633	3,796	3,934	3,424	2,143 <sup>3</sup>
Fiscal deficit (Rs in crore)	4,312	5,749	6,114	7,367	6,146
Primary deficit (Rs in crore)	973	1,871	1,814	2,590	974
Revenue deficit/Fiscal deficit	61.1	66.0	64.3	46.5	34.9
<b>Management of Fiscal Liabilities</b>					
Fiscal Liabilities/GSDP	42.7	45.4	53.7	51.1	55.3
Fiscal Liabilities/RR	273.1	328.9	350.6	346.0	338.5
Buoyancy of FL with RR	0.5	- 9.0*	1.9	0.9	0.8
Buoyancy of FL with OR	0.9	6.7	1.6	0.9	1.0
Interest Spread	- 9.5	0.6	- 13.0	12.7	- 5.0
Net Fund Available	26.8	30.8	30.6	24.8	9.3
<b>Other Fiscal Health Indicators</b>					

3. Rs 696 crore paid as Grants-in-aid to local bodies has been misclassified by the State Government as Capital expenditure instead of Revenue expenditure as a result of which revenue deficit has been understated to that extent.

Fiscal Ratios	2000-01	2001-02	2002-03	2003-04	2004-05
Return on Investment	0.21	0.16	0.25	0.07	0.91
BCR (Rs in crore)	- 1,998	- 2,692	- 3,045	- 2,948	-1,368
Financial Assets/Liabilities (Ratio)	0.63	0.59	0.56	0.56	0.57

\* Rate of growth of Revenue Receipts and GSDP was negative.

\*\* Total expenditure excludes expenditure on loans and advances.

## 1.12 Conclusion

Government did well in reducing the revenue deficit, fiscal deficit, primary deficit by 37 per cent, 17 per cent and 62 per cent respectively, and decreased percentage of expenditure on salary to revenue receipts and increase in percentage of Plan, Capital and Developmental expenditure to total expenditure during the year in comparison to previous year. This shows a favourable trend for the State finances. This decrease in deficits and increase in Plan, Capital and Developmental expenditure was, however, due to wrong classification of Rs 696 crore by the State Government as capital expenditure instead of revenue expenditure. The GSDP growth of the State decrease from 22 per cent in 2003-04 to four per cent in 2004-05 and weighted interest rate was higher than the rate of growth of GSDP during the year indicating deterioration in fiscal position of the State. Revenue receipts could cover only 74 per cent of total expenditure during the year, leaving the balance to be financed from borrowings. Salaries, interest payments and pensions alone consumed 72 per cent of total revenue receipts of the State. Interest payments increased steadily (55 per cent) during last five years primarily due to continued reliance on borrowings for financing the fiscal deficit. Fiscal liabilities of the State increased by 78 per cent from Rs 33,874 crore in 2000-01 to Rs 60,134 crore in 2004-05. The ratio of fiscal liabilities to GSDP increased from 43 per cent to 55 per cent during the period. Most of the borrowings (91 per cent) were spent on interest and repayment of old borrowings during the year 2004-05. This is bound to push up in future the already high interest burden, leaving very little for developmental expenditure. The State's low return (less than one per cent) on investment, huge amount lying blocked in incomplete projects, continued negative Balance from Current Revenues (BCR), low ratio of assets to its liabilities and increasing arrears of revenues showed the weaknesses of State Government finances. Nearly 43 per cent of the liabilities of the State also had no assets back-up. All these indicated deterioration of the State's fiscal situation.

**EXHIBIT-I**  
**SUMMARISED FINANCIAL POSITION OF THE**  
**GOVERNMENT OF RAJASTHAN**

(Rupees in crore)

As on 31 March 2004	Liabilities		As on 31 March 2005
14,496.95	<b>Internal Debt</b>		16,615.35
	12,281.54	Market Loans bearing interest 14,358.48	
	5.70	Market Loans not bearing interest 4.91	
	103.18	Loans from Life Insurance Corporation of India 990.56	
	94.94	Loans from the General Insurance Corporation of India 89.99	
	953.77	Loans from the National Bank for Agriculture and Rural Development 286.72	
	35.03	Loans from the National Cooperative Development Corporation 28.51	
	1,022.79	Loans from other Institutions, etc. 856.18	
	-	Ways and Means Advances from RBI -	
-	<b>Overdrafts from Reserve Bank of India</b>		-
23,952.13	<b>Loans and Advances from Central Government</b>		26,943.58
	458.19	Pre 1984-85 Loans 409.22	
	16,001.45	Non-Plan Loans 19,851.69	
	7,329.03	Loans for State Plan Schemes 6,505.26	
	0.91	Loans for Central Plan Schemes 0.87	
	162.55	Loans for Centrally Sponsored Plan Schemes 176.54	
	-	Ways and Means Advances from GOI -	
35.00	<b>Contingency Fund</b>		35.00
10,515.65	<b>Small Savings, Provident Funds, etc.</b>		11,681.44
3,815.69	<b>Deposits</b>		3,978.23
580.79	<b>Reserve Funds</b>		915.80
344.30	<b>Deposits with Reserve Bank<sup>4</sup></b>		467.43
53,740.51	<b>Total</b>		60,636.83
As on 31 March 2004	Assets		As on 31 March 2005
26,004.54	<b>Gross Capital Expenditure</b>		29,492.83
	3,700.96	Investments in shares of Companies, Corporations, etc. 4,092.60	
	22,303.58	Other Capital Expenditure 25,400.23	
3,720.55	<b>Loans and Advances</b>		4,235.64
	2,870.89	Loans for Power Projects 3,389.95 <sup>5</sup>	
	531.97	Other Development Loans 538.37	
	317.69	Loans to Government Servants and Miscellaneous loans 307.32	
-	<b>Reserve Fund Investments</b>		-
1.56	<b>Advances</b>		1.41
23.89	<b>Remittance Balances</b>		13.76
42.38	<b>Suspense and Miscellaneous Balances</b>		54.02
181.62	<b>Cash</b>		930.60
	1.08	Cash in Treasuries and Local Remittances (-) 0.72	
	0.91	Departmental Cash Balance 0.94	
	0.58	Permanent Advances 0.58	
	179.05	Cash Balance Investments 929.80	
23,765.97	<b>Deficit on Government Accounts</b>		25,908.57
	3,424.44	(i) Revenue Deficit of the Current Year 2,142.60	
	20,346.08	(ii) Accumulated deficit upto preceding year 23,765.97	
	0.13	(iii) Write off from Heads of Accounts closing to balance -	
	(-) 4.68	Less : Capital Receipts of current year -	
53,740.51	<b>Total</b>		60,636.83

4. Included on liabilities side as the balances were in negative.

5. Includes Rs 0.04 crore booked under major head 6853 (Industry and Minerals Sector).

**EXHIBIT-II**  
**ABSTRACT OF RECEIPTS AND DISBURSEMENTS FOR THE YEAR 2004-05**  
**(Rupees in crore)**

2003-04	Receipts		2004-05	2003-04	Disbursements		2004-05		
					Non-Plan	Plan	Total		
<b>15,423.85</b>	<b>I.</b>	<b>Section-A: Revenue</b>			<b>I.</b>				
7,246.19		<b>Revenue receipts</b>	<b>17,763.59</b>	<b>8,443.63</b>	<b>Revenue Expenditure</b>	<b>8,615.36</b>	<b>36.86</b>	<b>8,652.22</b>	
		Tax revenue 8,414.82		<b>7,142.19</b>	<b>General Services</b>	<b>6,005.74</b>	<b>1,142.00</b>	<b>7,147.74</b>	
2,071.64		Non-tax revenue 2,146.15		3,634.88	<b>Social Services</b>	3,558.32	391.77	3,950.09	
				1,013.89	Education, Sports, Art and Culture				
3,602.21		State's share of Union Taxes and Duties 4,305.61		951.89	Health and Family Welfare	810.36	238.59	1,048.95	
					Water Supply, Sanitation, Housing and Urban Development	922.32	100.72	1,023.04	
748.95		Non-Plan grants 930.00		10.95	Information and Broadcasting	10.09	0.17	10.26	
				138.69	Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	33.95	142.08	176.03	
924.21		Grants for State Plan Schemes 1,018.88		39.82	Labour and Labour Welfare	40.80	2.53	43.33	
				1,341.20	Social Welfare and Nutrition	618.10	266.14	884.24	
830.65		Grants for Central, Centrally Sponsored Plan Schemes and Special Plan Schemes 948.13		10.87	Others	11.80	-	11.80	
				<b>3,257.38</b>	<b>Economic Services</b>	<b>2,541.85</b>	<b>1,563.11</b>	<b>4,104.96</b>	
				555.81	Agriculture and Allied Activities	460.54	161.67	622.21	
				455.60	Rural Development	416.41	495.31	911.72	
				(-) 0.09	Special Areas Programmes	-	(-) 0.04 <sup>6</sup>	(-) 0.04	
				823.75	Irrigation and Flood Control	872.49	18.91	891.40	
				943.60	Energy	480.30	705.28	1,185.58	
				76.99	Industry and Minerals	55.28	4.85	60.13	
				273.48	Transport	210.88	67.87	278.75	
				3.22	Science, Technology and Environment	2.32	2.30	4.62	
				125.02	General Economic Services	43.63	106.96	150.59	
				<b>5.09</b>	<b>Grants-in-aid and Contributions</b>	<b>1.27</b>	<b>-</b>	<b>1.27</b>	
<b>3,424.44</b>	<b>II.</b>	<b>Revenue deficit carried over to Section-B</b>	<b>2,142.60</b>		<b>Total</b>	<b>17,164.22</b>	<b>2,741.97</b>	<b>19,906.19</b>	
<b>18,848.29</b>		<b>Total</b>	<b>19,906.19</b>	<b>18,848.29</b>					
<b>(-) 285.43</b>	<b>III.</b>	<b>Section-B - Others</b>		<b>3,180.98</b>	<b>II.</b>	<b>Capital Expenditure</b>	<b>67.79</b>	<b>3,420.50</b>	<b>3,488.29</b>
		<b>Opening Cash balance including Permanent Advances and Cash Balance Investments</b>	<b>(-) 162.68</b>	<b>49.76</b>	<b>General Services</b>	<b>25.77</b>	<b>55.96</b>	<b>81.73</b>	
				<b>1,337.20</b>	<b>Social Services</b>	<b>41.95</b>	<b>1,506.37</b>	<b>1,548.32</b>	
				20.20	Education, Sports, Art and Culture	-	24.64	24.64	
<b>4.68</b>	<b>IV.</b>	<b>Miscellaneous Capital Receipts</b>	<b>-</b>	<b>19.20</b>	Health and Family Welfare	-	29.60	29.60	
				<b>1,236.22</b>	Water Supply, Sanitation, Housing and Urban Development	41.95	1,397.05	1,439.00	
				0.39	Information and Broadcasting	-	0.21	0.21	
				55.01	Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	-	48.85	48.85	
				5.64	Social Welfare and Nutrition	-	5.39	5.39	
				0.54	Others	-	0.63	0.63	
				<b>1,794.02</b>	<b>Economic Services</b>	<b>0.07</b>	<b>1,858.17</b>	<b>1,858.24</b>	
				48.22	Agriculture and Allied Activities	-	90.21	90.21	
				226.70	Rural Development	-	229.05	229.05	
				38.32	Special Areas Programmes	-	45.97	45.97	
				891.53	Irrigation and Flood Control	-	829.68	829.68	
				282.76	Energy	-	350.00	350.00	
				23.08	Industry and Minerals	-	21.08	21.08	
				253.13	Transport	-	264.46	264.46	
				0.20	Science, Technology and Environment	-	0.51	0.51	
				30.08	General Economic Services	0.07	27.21	27.28	

6. Minus expenditure is due to deposit of unspent balance of previous years.



(Rupees in crore)

2003-04	Receipts		2004-05	2003-04	Disbursements		2004-05
158.98	<b>V. Recoveries of Loans and Advances</b>		124.63	925.37	<b>III. Loans and Advances disbursed</b>		639.72
2.66	From Power Projects	19.93		834.56	For Power Projects	538.99	
47.95	From Government Servants	10.44		48.72	To Government Servants	0.07	
108.37	From Others	94.26		42.09	To Others	100.66	
9,025.20	<b>VI. Public Debt Receipts</b>		9,982.44	3,424.44	<b>IV. Revenue deficit brought down</b>		2,142.60
				3,150.11	<b>V. Repayment of Public Debt</b>		4,872.59
3,263.20	Internal debt other than Ways and Means Advances and Overdraft	3,460.48		407.68	Internal debt other than Ways and Means Advances and Overdraft	1,342.08	
-	Net transactions under Ways and Means Advances including Overdraft	-		235.70	Net transactions under Ways and Means Advances including Overdraft	-7	
5,762.00	Loans and Advances from Central Government	6,521.96		2,506.73	Repayment of Loans and Advances to Central Government	3,530.51	
39,458.77	<b>VII. Public Account Receipts</b>		44,156.09	37,843.98	<b>VI. Public Account disbursements</b>		42,494.11
2,160.09	Small Savings, Provident Funds, etc.	2,177.01		1,212.88	Small Savings, Provident Funds, etc.	1,011.22	
1,036.78	Reserve Funds	829.86		872.83	Reserve Funds	494.85	
67.45	Suspense and Miscellaneous	37.75		74.08	Suspense and Miscellaneous	49.39	
2,453.71	Remittances	2,578.38		2,447.40	Remittances	2,568.25	
33,740.74	Deposits and Advances	38,533.09		33,236.79	Deposits and Advances	38,370.40	
				(-) 162.68	<b>VII. Cash Balance at end</b>		463.17
				1.08	Cash in Treasuries and Local Remittances	(-) 0.72	
				(-) 344.30	Deposits with Reserve Bank	(-) 467.43	
				1.49	Departmental Cash Balance including permanent Advances	1.52	
				179.05	Cash Balance Investment	929.80	
48,362.20	<b>Total</b>		54,100.48	48,362.20	<b>Total</b>		54,100.48

7. Represents receipts: Rs 1,808.96 crore and disbursements: Rs 1,808.96 crore.

**EXHIBIT-III**  
**SOURCES AND APPLICATION OF FUNDS**

(Rupees in crore)

2003-04	Sources	2004-05
15,423.85	<b>Revenue receipts</b>	17,763.59
4.68	<b>Miscellaneous Capital Receipts</b>	-
158.98	<b>Recoveries of Loans and Advances</b>	124.63
5,875.09	<b>Increase in Public Debt</b>	5,109.85
1,614.79	<b>Net receipts from Public Account</b>	1,661.98
	947.21 Increase in Small Savings, Provident Funds, etc. 1,165.79	
	503.95 Net effect in Deposits and Advances 162.69	
	163.95 Net effect in Reserve Funds 335.01	
	(-) 6.63 Net effect of Suspense and Miscellaneous transactions (-) 11.64	
	6.31 Net effect of Remittance transactions 10.13	
<b>23,077.39</b>	<b>Total</b>	<b>24,660.05</b>
2003-04	Application	2004-05
18,848.29	<b>Revenue expenditure</b>	19,906.19
925.37	<b>Lending for development and other purposes</b>	639.72
3,180.98	<b>Capital expenditure</b>	3,488.29
122.75	<b>Increase in closing cash balance</b>	625.85
<b>23,077.39</b>	<b>Total</b>	<b>24,660.05</b>

**Explanatory Notes for Exhibits -I, II and III:**

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, as shown in Exhibit-I, 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 in stock figures etc., do not figure in the accounts.
3. Suspense and Miscellaneous balances include cheques issued but not paid, payments made on behalf of the State and other pending settlement etc.
4. There was a difference of Rs 2.08 crore (net Credit) between the figures reflected in the accounts and that intimated by the RBI under "Deposit with Reserve Bank". Following reconciliation and subsequent adjustments, a difference of Rs 0.19 crore (net Credit) remained to be reconciled as of May 2005.

**EXHIBIT-IV**  
**TIME SERIES DATA ON STATE GOVERNMENT FINANCES**  
**(Rupees in crore)**

	2000-01	2001-02	2002-03	2003-04	2004-05
<b>Part A. Receipts</b>					
<b>1. Revenue Receipts</b>	<b>12,402</b>	<b>12,153</b>	<b>13,082</b>	<b>15,424</b>	<b>17,763</b>
(i) Tax Revenue	5,300 (43)	5,671(47)	6,253(48)	7,246(47)	8,415(47)
Taxes on Sales, Trade, etc.	2,821(53)	3,069(54)	3,438(55)	3,986(55)	4,798(57)
State Excise	1,119(21)	1,110(20)	1,142(18)	1,163(16)	1,276(15)
Taxes on Vehicles	511(10)	566(10)	646(10)	904(13)	817(10)
Other Taxes	849(16)	926(16)	1,027(17)	1,193(16)	1,524(18)
(ii) Non-Tax Revenue	1,688(14)	1,508(12)	1,569(12)	2,072(13)	2,146(12)
(iii) State's share of Union taxes and duties	2,837(23)	2,883(24)	3,063(23)	3,602(24)	4,305(24)
(iv) Grants-in-aid from GOI	2,577(20)	2,091(17)	2,197(17)	2,504(16)	2,897(17)
<b>2. Miscellaneous Capital Receipts</b>	-	-	-	5	-
<b>3. Total revenue and Non-debt Capital Receipts<sup>8</sup> (1+2)</b>	<b>12,402</b>	<b>12,153</b>	<b>13,082</b>	<b>15,429</b>	<b>17,763</b>
<b>4. Recoveries of Loans and Advances</b>	<b>124</b>	<b>69</b>	<b>125</b>	<b>159</b>	<b>125</b>
<b>5. Public Debt Receipts</b>	<b>4,204</b>	<b>5,979</b>	<b>7,686</b>	<b>9,025</b>	<b>9,982</b>
Internal Debt (excluding Ways and Means Advances and Overdraft)	1,510(36)	1,609(27)	2,701(35)	3,263(36)	3,460(35)
Net transactions under Ways and Means Advances and Overdraft	-	697(12)	-	-	-
Loans and Advances from Government of India <sup>9</sup>	2,694(64)	3,673(61)	4,985(65)	5,762(64)	6,522(65)
<b>6. Total receipts in the Consolidated Fund (3+4+5)</b>	<b>16,730</b>	<b>18,201</b>	<b>20,893</b>	<b>24,613</b>	<b>27,870</b>
<b>7. Contingency Fund Receipts</b>	-	-	-	-	-
<b>8. Public Account Receipts</b>	<b>25,677</b>	<b>27,771</b>	<b>34,592</b>	<b>39,459</b>	<b>44,156</b>
<b>9. Total receipts of the State (6+7+8)</b>	<b>42,407</b>	<b>45,972</b>	<b>55,485</b>	<b>64,072</b>	<b>72,026</b>
<b>Part B. Expenditure/Disbursement</b>					
<b>10. Revenue Expenditure</b>	<b>15,035</b>	<b>15,949</b>	<b>17,016</b>	<b>18,848</b>	<b>19,906</b>
Plan	1,885(13)	2,186(14)	2,272(13)	2,231(12)	2,742(14)
Non-Plan	13,150(87)	13,763(86)	14,744(87)	16,617(88)	17,164(86)
General Services (excluding Interest payments)	3,239(22)	3,299(21)	3,345(20)	3,667(20)	3,480(17)
Interest Payments	3,339(22)	3,878(24)	4,300(25)	4,777(25)	5,172(26)
Social Services	6,128(41)	6,405(40)	6,586(39)	7,142(38)	7,148(36)
Economic Services	2,312(15)	2,349(15)	2,785(16)	3,257(17)	4,105(21)
Grants-in-aid and Contributions	17 (-)	18(-)	<sup>10</sup>	5(-)	1(-)
<b>11. Capital Expenditure</b>	<b>1,384</b>	<b>1,818</b>	<b>2,027</b>	<b>3,181</b>	<b>3,488</b>
Plan	1,322(98)	1,745(96)	1,956(96)	3,117(98)	3,420(98)
Non-Plan	62 (2)	73(4)	71(4)	64(2)	68(2)
General Services	21 (1)	27(1)	41(2)	50(2)	82(2)
Social Services	593(43)	665(37)	751(37)	1,337(42)	1,548(45)
Economic Services	770(56)	1,126(62)	1,235(61)	1,794(56)	1,858(53)
<b>12. Disbursement of Loans and Advances</b>	<b>419</b>	<b>204</b>	<b>278</b>	<b>926</b>	<b>640</b>
<b>13. Total (10+11+12)</b>	<b>16,838</b>	<b>17,971</b>	<b>19,321</b>	<b>22,955</b>	<b>24,034</b>
<b>14. Repayments of Public Debt</b>	<b>1,211</b>	<b>1,024</b>	<b>3,056</b>	<b>3,150</b>	<b>4,873</b>
Internal Debt (excluding Ways and Means Advances and Overdraft)	186(15)	297(29)	281(9)	407(13)	1,342(28)
Net transactions under Ways and Means Advances and Overdraft	556(46)	-	836(27)	236(7)	-
Loans and Advances from Government of India <sup>9</sup>	469(39)	727(71)	1,939(64)	2,507(80)	3,531(72)
<b>15. Appropriation to Contingency Fund</b>	-	-	-	-	-
<b>16. Total disbursement out of Consolidated Fund (13+14+15)</b>	<b>18,049</b>	<b>18,995</b>	<b>22,377</b>	<b>26,105</b>	<b>28,907</b>
<b>17. Contingency Fund disbursements</b>	-	-	-	-	-
<b>18. Public Account disbursements</b>	<b>24,530</b>	<b>26,893</b>	<b>33,315</b>	<b>37,844</b>	<b>42,494</b>
<b>19. Total disbursement by the State (16+17+18)</b>	<b>42,579</b>	<b>45,888</b>	<b>55,692</b>	<b>63,949</b>	<b>71,401</b>
<b>Part C. Deficits</b>					
<b>20. Revenue Deficit (1-10)</b>	<b>2,633</b>	<b>3,796</b>	<b>3,934</b>	<b>3,424</b>	<b>2,143</b>
<b>21. Fiscal Deficit (3+4-13)</b>	<b>4,312</b>	<b>5,749</b>	<b>6,114</b>	<b>7,367</b>	<b>6,146</b>
<b>22. Primary Deficit (21-Interest Payments)</b>	<b>973</b>	<b>1,871</b>	<b>1,814</b>	<b>2,590</b>	<b>974</b>
<b>Part D. Other data</b>					
<b>23. Balance from Current Revenues (BCR)</b>	<b>(-1,998)</b>	<b>(-2,692)</b>	<b>(-3,045)</b>	<b>(-2,948)</b>	<b>(-1,368)</b>
<b>24. Arrears of Revenue</b>	<b>1,333(19)</b>	<b>1,532( 21)</b>	<b>2,249(29)</b>	<b>2,409(26)</b>	<b>2,978(28)</b>
<b>25. Ways and Means Advances/Overdraft availed (days)</b>	<b>349</b>	<b>309</b>	<b>356</b>	<b>306</b>	<b>89</b>
<b>26. Interest on Ways and Means Advances/Overdraft</b>	<b>27</b>	<b>25</b>	<b>30</b>	<b>31</b>	<b>1</b>
<b>27. Gross State Domestic Product (GSDP)<sup>11</sup></b>	<b>79,295</b>	<b>88,077</b>	<b>85,464</b>	<b>1,04,483</b>	<b>1,08,734</b>
<b>28. Outstanding Debt (year end)</b>	<b>33,874</b>	<b>39,970</b>	<b>45,871</b>	<b>53,361</b>	<b>60,134</b>
<b>29. Outstanding guarantees including interest (year end)</b>	<b>11,954</b>	<b>12,912</b>	<b>14,968</b>	<b>17,239</b>	<b>12,703</b>
<b>30. Maximum amount guaranteed (year end)</b>	<b>16,746</b>	<b>19,117</b>	<b>21,887</b>	<b>24,585</b>	<b>20,457</b>
<b>31. Number of incomplete projects</b>	<b>423</b>	<b>300</b>	<b>531</b>	<b>374</b>	<b>373</b>
<b>32. Capital blocked in incomplete projects</b>	<b>2,670</b>	<b>1,760</b>	<b>2,277</b>	<b>2,559</b>	<b>2,877</b>

Note: Figures in brackets represent percentages (rounded) to total of each sub-heading.

8. Excluding recoveries of loans and advances.
9. Includes Ways and Means Advance from GOI.
10. Only Rs 11,85,105.
11. Source: Economic Review- 2004-05. Changes due to adoption of revised GSDP figures.

