

# CHAPTER-I FINANCES OF THE STATE GOVERNMENT

## 1.1 Introduction

The accounts of the State Government are kept in three parts (i) Consolidated Fund (ii) Contingency Fund and (iii) Public Account (*Appendix 1.1- Part A*). 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 of Rajasthan. The lay out of the Finance Accounts is depicted in *Appendix 1.1-Part B*.

### 1.1.1 Summary of Receipts and Disbursements

Table-1 summarises the finances of the Government of Rajasthan for the year 2006-07 covering revenue receipts and expenditure, capital receipts and expenditure and public accounts receipts/disbursements as emerging from Statement-1 of Finance Accounts and other detailed statements.

**Table-1: Summary of receipts and disbursements for the year 2006-07**

(Rupees in crore)							
2005-06	Receipts	2006-07	2005-06	Disbursements	2006-07		
<b>Section-A: Revenue</b>							
					Non Plan	Plan	Total
20,839.19	Revenue receipts	25,592.18	21,499.20	Revenue expenditure	21,153.68	3,800.12	24,953.80
9,880.23	Tax revenue	11,608.24	8,820.32	General services	10,267.69	81.09	10,348.78
2,737.67	Non-tax revenue	3,430.61	7,994.39	Social services	7,333.53	1,601.00	8,934.53
5,300.08	Share of Union Taxes/Duties	6,760.37	4,682.92	Economic services	3,544.90	2,118.03	5,662.93
2,921.21	Grants from Government of India	3,792.96	1.57	Grants-in-aid and Contributions	7.56	-	7.56
<b>Section-B: Capital</b>							
0.81	Miscellaneous Capital Receipts	-	4,294.49	Capital Outlay	141.79	4,667.58	4,809.37
237.60	Recoveries of Loans and Advances	513.90	434.18	Loans and Advances disbursed	14.98	297.66	312.64
5,495.29	Public debt receipts*	4,222.14	992.48	Repayment of Public Debt*	-	-	1,780.42
-	Contingency Fund	-	-	Contingency Fund	-	-	-
49,189.20	Public Account receipts	58,456.69	47,452.15	Public Account disbursements	-	-	55,859.08
463.17	Opening Cash Balance	1,552.76	1,552.76	Closing Cash Balance	-	-	2,622.36
<b>76,225.26</b>	<b>Total</b>	<b>90,337.67</b>	<b>76,225.26</b>	<b>Total</b>			<b>90,337.67</b>

\* Includes net Ways and Means Advances and Overdraft

Following are the significant changes during 2006-07 over the previous year:

- Revenue receipts grew by Rs 4,753 crore over the previous year. The increase was mainly contributed by tax revenue (Rs 1,728 crore), Non-tax revenue (Rs 693 crore), State's share of Union Taxes and Duties

(Rs 1,460 crore) and Grants-in-aid from Government of India (Rs 872 crore).

- Revenue expenditure and capital expenditure increased by Rs 3,455 crore and Rs 514 crore respectively over the previous year.
- Sharp increase in recovery of loans and advances were reported during current year (Rs 514 crore) compared to the previous year (Rs 238 crore). This was mainly due to recovery of Rs 288 crore from loan to Government servants partly offset by fall in recovery of loans (Rs 21 crore) from Water Supply, Sanitation, Housing and Urban Development.
- Public Debt receipts decreased by Rs 1,273 crore over the previous year.
- Public Account receipts and disbursements increased by Rs 9,267 crore and Rs 8,407 crore respectively over the previous year.
- Cash balance of the State increased by Rs 1,070 crore over the previous year.

### 1.1.2 State Fiscal Position by Key Indicators

The fiscal position of the State Government as reflected by the key fiscal indicators during the current year as compared to the previous year is given in Table-2.

Table-2

(Rupees in crore)

2005-06	S. No.	Major Aggregates	2006-07
20,839	1.	<b>Revenue Receipts (2+3+4)</b>	25,592
9,880	2.	Tax Revenue (Net)	11,608
2,738	3.	Non-Tax Revenue	3,431
8,221	4.	Other Receipts	10,553
239	5.	<b>Non-Debt Capital Receipts</b>	514
238	6.	<i>Of which</i> Recovery of Loans	514
21,078	7.	<b>Total Receipts (1+5)</b>	26,106
18,461	8.	<b>Non-Plan Expenditure</b>	21,311
18,368	9.	On Revenue Account	21,154
5,210	10.	<i>Of which</i> Interest Payments	5,702
62	11.	On Capital Account	142
31	12.	On Loans disbursed	15
7,767	13.	<b>Plan Expenditure</b>	8,765
3,131	14.	On Revenue Account	3,800
4,233	15.	On Capital Account	4,667
403	16.	On Loans disbursed	298
26,228	17.	<b>Total Expenditure (13+8)</b>	30,076
(-) 660	18.	Revenue Surplus (+)/Deficit (-) [(1)-(9+14)]	(+) 638
(-) 5,150	19.	Fiscal Surplus (+)/Deficit (-) [(1+5)-17]	(-) 3,970
(+) 60	20.	Primary Surplus (+)/Deficit (-) [(1+5)-(17-10)]	(+) 1,732

During the current year revenue receipts increased by 23 per cent (Rs 4,753 crore) while revenue expenditure increased by 16 per cent (Rs 3,455 crore) over the previous year resulting a surplus of Rs 1,298 crore in Revenue Account during 2006-07. Given the Revenue deficit Rs 660 crore in 2005-06,

a Revenue surplus of Rs 638 crore was noticed during 2006-07. Given the surplus in revenue account and the increase of Rs 275 crore in non-debt capital receipts and the net increase of Rs 393 crore in capital expenditure and loan and advances disbursed during 2006-07 over the previous year resulted into a decline of Rs 1,180 crore in fiscal deficit during the current year. The decline in fiscal deficit accompanied with an increase of Rs 492 crore in interest payments during 2006-07 over the previous year led to a primary surplus of Rs 1,732 crore during the year.

## 1.2 Methodology adopted for assessment of Fiscal position

The trends in the major fiscal aggregates of receipts and expenditure as emerging from the Statements of Finance Accounts were analysed wherever necessary over the period 2001-07 and observations have been made on their behavior. In its Restructuring Plan of State finances, Twelfth Finance Commission (TFC) recommended the norms/ceiling for some fiscal aggregates and also made normative projections for others. In addition, TFC also recommended that all States are required to enact the Fiscal Responsibility (FR) Act and draw their fiscal correction path accordingly for the five year period (2005-06 to 2009-10) so that fiscal position of the State could be improved as committed in their respective FR Acts/Rules during medium to long run. The norms/ceilings prescribed by the TFC as well as its projections for fiscal aggregates along with the commitments/projections made by the State Government in their FR Acts and in other Statements required to be laid in the legislature under the Act were used to make qualitative assessment of the trends and pattern of major aggregates during the current year. Assuming that Gross State Domestic Product (GSDP)<sup>1</sup> is a good indicator of the performance of the State's economy, major fiscal aggregates like tax and non-tax revenue, revenue and capital expenditure, internal and external debt and revenue and fiscal deficits have been presented as percentage to the GSDP at current market prices. The buoyancy coefficients for tax revenue, non-tax revenue, revenue expenditure etc, with reference to the base represented by GSDP have also been worked out to assess as to whether the mobilisation of resources, pattern of expenditure etc, are keeping pace with the change in the base or these fiscal aggregates have also been affected by factors other than GSDP. The trends in the growth of GSDP as provided by Directorate of Economic and Statistics, Government of Rajasthan are given in Table-3.

**Table-3: Trends in Growth and Composition of GSDP**

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
GSDP (Rs in crore)	90,045	86,293	1,08,322	1,13,403	1,24,199	1,39,928
Rate of Growth of GSDP (in per cent)	11.2	- 4.2	25.5	4.7	9.5	12.7

Source: Directorate of Economic and Statistics, Government of Rajasthan.

1. GSDP is defined as the total income of the State or the market value of goods and services produced using labour and all other factors of production.

The key fiscal aggregates for the purpose have been grouped under four major heads: (i) Trends and Composition of Aggregate Receipts, (ii) Application of Resources, (iii) Assets and Liabilities and (iv) Management of Deficits (**Appendix-1.3 to 1.6**). The overall financial performance of the State Government as a body corporate has been presented by the application of a set of ratios commonly adopted for the relational interpretation of fiscal aggregates. The definitions of some of the selected terms used in assessing the trends and pattern of fiscal aggregates are given in **Appendix 1.1- Part C**.

### **1.2.1 The Rajasthan Fiscal Responsibility and Budget Management (FRBM) Act, 2005**

The State Government has enacted the Rajasthan Fiscal Responsibility and Budget Management (FRBM) Act, 2005 to ensure prudence in fiscal management and to maintain fiscal stability in the State. To improve the fiscal position and to bring fiscal stability, the Act envisages progressive elimination of revenue deficit, reduction in fiscal deficit and prudent debt management consistent with fiscal sustainability. To ensure fiscal prudence the Act also provides for greater fiscal transparency in fiscal operations of the Government and conduct of fiscal policy in a medium term framework and matters connected therewith or thereto. To give effect to the fiscal management principles as laid down in the Act, and/or the rules framed thereunder prescribed the following fiscal targets for the State Government:

- reduce revenue deficit to zero within a period of four financial years beginning from 1<sup>st</sup> day of April 2005 and ending on the 31<sup>st</sup> day of March 2009 by following a path of average annual reduction of three *per cent* in the ratio of revenue deficit to revenue receipts;
- reduce fiscal deficit to three *per cent* of the estimated GSDP by following a path of minimum average annual reduction of 0.4 *per cent* in the ratio of fiscal deficit to GSDP;
- ensure that total outstanding debt, excluding public account and risk weighted outstanding guarantees in a year shall not exceed twice of the estimated receipts in the Consolidated Fund of the State at the close of the financial year;
- ensure to bring out annual statement giving prospects for the State economy and related fiscal strategy.

#### **1.2.1.1 Roadmap to achieve the Fiscal Targets as laid down in FRBM Act/Rules**

The State Government has developed its Own Fiscal Correction Path (FCP) indicating the milestones of outcome indicators with target dates of implementation during the period from 2004-05 to 2009-10 keeping in view the fiscal targets laid down in the FRBM Act and/or the rules made there under (**Appendix-1.2**).

### 1.2.1.2 Fiscal Policy Statement(s) 2006-07

As prescribed in the Act, the State Government laid a Medium Term Fiscal Policy Statement (MTFPS) and a Fiscal Policy Strategy Statement along with the budget before the legislature during 2006-07.

### 1.2.1.3 Mid Term Review of Fiscal Situation

In compliance with Section 9(2) of FRBM Act, 2005, the State Government undertook the mid term review of the fiscal performance in November 2006 and observed that achievements with regard to all the major fiscal variables including receipts and expenditure were as per the budget targets and therefore no remedial measures were required to be taken by the State Government.

The performance of the State during 2006-07 in terms of key fiscal targets laid down in FRBM Act, 2005 is given in Table-4.

**Table-4: Trends in Major Fiscal Parameters/Variables vis-à-vis projection for 2006-07**

Fiscal variables	(Rupees in crore and others in per cent)			
	2006-07			
	TFC/FRBM Act	FCP	MTFPS	Actuals
Revenue deficit (-)/Surplus (+) (Rs in crore)	0.0 (31.03.2009)	(-) 1,035	(-) 43	(+) 638
Revenue deficit /Revenue Receipts (in per cent)	0.0 (31.03.2009)	4.51	0.18	*
Fiscal deficit (FD) (Rs in crore)	-	(-) 6,146	(-) 5,141	(-) 3,970
FD/GSDP ratio	3.0 or below	4.4	3.82	2.8
Ratio of Outstanding Debt liabilities to total receipts of CFS (per cent)	Not to exceed 200 per cent	-	-	197

\* State achieved revenue surplus during 2006-07.

The comparative position presented in the Table above reveals that the State has achieved the targets for revenue and fiscal deficits as laid down in the FRBM Act, 2005 as well as in MTFPS and FCP for the year 2006-07. The State has achieved fiscal targets as laid down in the FRBM Act much before the timeline indicated therein with the current year ending in revenue surplus of Rs 638 crore and fiscal deficit of Rs 3,970 crore which was 2.8 per cent of GSDP. The ratio of outstanding debt liabilities (excluding public account and risk weighted outstanding guarantees in a year) during 2006-07 was also within the ceiling limit prescribed under the FRBM Act. As a result, the State Government received a debt and interest relief of Rs 617.40 crore from Government of India under Debt Consolidation and Relief Facility<sup>2</sup> for the years 2005-06 and 2006-07.

2. In pursuance of the recommendations of the Twelfth Finance Commission (TFC) for fiscal consolidation and elimination of revenue deficit of the State, Government of India formulated a scheme "The States' Debt Consolidation and Relief Facility (DCRF) (2005-06 to 2009-10)" under which general debt relief is provided by consolidating and rescheduling at substantially reduced rate of interest the Central loans granted to States on enacting the FRBM Act and debt waiver is granted based on fiscal performance, linked to the reduction of revenue deficits of State.

### 1.3 Trends and Composition of Aggregate Receipts

The aggregate receipts of State Government consist of revenue receipts and capital receipts, revenue receipts consist of tax revenue, non-tax revenue, State's share of union taxes and duties and grants-in-aid from the Government of India (GOI). Capital receipts comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GOI as well as accruals from Public Account. Table-5 shows that the total receipts of the State Government for the year 2006-07 were Rs 88,785 crore. Of these, the revenue receipts were Rs 25,592 crore, constituting 29 *per cent* of the total receipts. The balance came from capital receipts, borrowings and Public Account receipts.

**Table-5: Trends in growth and composition of Aggregate Receipts**

(Rupees in crore)						
Sources of State's receipts	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
<b>I Revenue Receipts</b>	<b>12,153</b>	<b>13,082</b>	<b>15,424</b>	<b>17,763</b>	<b>20,839</b>	<b>25,592</b>
<b>II Capital Receipts</b>	<b>6,048</b>	<b>7,811</b>	<b>9,189</b>	<b>10,107</b>	<b>5,734</b>	<b>4,736</b>
Recovery of Loans and Advances	69	125	159	125	238	514
Public Debt Receipts	5,979	7,686	9,025	9,982	5,495	4,222
Miscellaneous Capital Receipts	-	-	5	-	1	-
<b>III Contingency Fund</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>IV Public Account Receipts</b>	<b>27,771</b>	<b>34,592</b>	<b>39,459</b>	<b>44,156</b>	<b>49,189</b>	<b>58,457</b>
a. Small Savings, Provident Fund etc	1,916	1,918	2,160	2,177	2,471	2,611
b. Reserve Fund	334	837	1,037	830	589	1,446
c. Deposits and Advances	23,738	29,787	33,741	38,533	42,951	50,587
d. Suspense and Miscellaneous	59	19	67	38	38	74
e. Remittances	1,724	2,031	2,454	2,578	3,140	3,739
<b>Total Receipts</b>	<b>45,972</b>	<b>55,485</b>	<b>64,072</b>	<b>72,026</b>	<b>75,762</b>	<b>88,785</b>

The revenue and capital (including Public Account receipts) receipts constituted 29 and 71 *per cent* of total receipts respectively. The total receipts of the State increased from Rs 45,972 crore in 2001-02 to Rs 88,785 crore in 2006-07. The Debt capital receipts which create future repayment obligation decreased from Rs 5,979 crore in 2001-02 to Rs 4,222 crore in 2006-07. The recovery of loans and advances has improved by Rs 276 crore over the previous year.

Deposits and Advances constitute about 87 *per cent* of the total receipts under Public Account. While 82 *per cent* (Rs 41,244 crore) of the Deposits and Advances have come from State Electricity Boards Working Funds, Personal Deposits constituted seven *per cent* (Rs 3,701 crore), 94 *per cent* (Rs 3,531 crore) of the remittances have come from Public Works Remittances.

#### 1.3.1 Revenue Receipts

Statement-11 of the Finance Accounts details the revenue receipts of the Government. The revenue receipts consist of tax and non-tax revenue, Central tax transfers and grants-in-aid from GOI. Overall revenue receipts, their annual rate of growth, ratio of these receipts to the GSDP and its buoyancies are indicated in Table-6.

**Table-6: Revenue Receipts - Basic Parameters****(Value: Rupees in crore and others in per cent)**

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Revenue Receipts (RR)	12,153	13,082	15,424	17,763	20,839	25,592
Own Taxes ( <i>per cent</i> )	5,671 (46.7)	6,253 (47.8)	7,246 (47.0)	8,415 (47.4)	9,880 (47.4)	11,608 (45.4)
Non-Tax Revenue ( <i>per cent</i> )	1,508 (12.4)	1,569 (12.0)	2,072 (13.4)	2,146 (12.1)	2,738 (13.2)	3,431 (13.4)
Central Tax Transfers ( <i>per cent</i> )	2,883 (23.7)	3,063 (23.4)	3,602 (23.4)	4,305 (24.2)	5,300 (25.4)	6,760 (26.4)
Grants-in-aid ( <i>per cent</i> )	2,091 (17.2)	2,197 (16.8)	2,504 (16.2)	2,897 (16.3)	2,921 (14.0)	3,793 (14.8)
Rate of growth of RR ( <i>per cent</i> )	(-) 2.0	7.6	17.9	15.2	17.3	22.8
Rate of growth of State's own taxes	7.0	10.3	15.9	16.1	17.4	17.5
RR/GSDP ( <i>per cent</i> )	13.5	15.2	14.2	15.7	16.8	18.3
Revenue Buoyancy (ratio)	(-) 0.2*	(-) 1.8*	0.7	3.2	1.8	1.8
State's own taxes Buoyancy (ratio)	0.6	(-) 2.5*	0.6	3.4	1.8	1.4
Revenue Buoyancy with reference to State's own taxes (ratio)	(-) 0.3*	0.7	1.1	0.9	1.0	1.3
GSDP Growth ( <i>per cent</i> )	11.1	(-) 4.2	25.5	4.7	9.5	12.7

\* Either rate of growth of Revenue Receipts or GSDP was negative.

**General Trends:**

The revenue receipts have shown a progressive increase over the period 2001-07 with only marginal changes in its composition i.e. the share of Own taxes, non-tax revenue and Central transfers almost remained same. The sharp increase of 23 *per cent* in Revenue Receipts during 2006-07 was on account of increase in State's own taxes (17.5 *per cent*), non-tax revenue (25.3 *per cent*), Central tax transfers (27.5 *per cent*) and Grant-in-aid (29.9 *per cent*).

**Tax Revenue:**

The tax revenue was increased by 17.5 *per cent* during the current year (Rs 11,608 crore) over previous year (Rs 9,880 crore). The revenue from Taxes on Sales not only contributed major share of tax revenue (58 *per cent*) but also increased by 20 *per cent* over the previous year. The Finance Accounts of the State reveal that the sharp increase in sales tax revenue during the year was mainly due to the effective enforcement of collection of taxes by the State. State Excise, Stamps and Registration fees and taxes on vehicles remained other major contributors in the State's tax revenue. Table-7 below shows the trends and composition of tax revenue during 2001-07.

**Table-7: Tax Revenue****(Rupees in crore)**

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Taxes on Sales, Trade etc.	3,069	3,438	3,986	4,798	5,594	6,721
State Excise	1,110	1,142	1,163	1,276	1,522	1,591
Taxes on Vehicles	566	646	904	817	908	1,024
Other Taxes	926	1,027	1,193	1,524	1,856	2,272*
<b>Total</b>	<b>5,671</b>	<b>6,253</b>	<b>7,246</b>	<b>8,415</b>	<b>9,880</b>	<b>11,608</b>

\* It includes Stamps and Registration Fees: Rs 1,294 crore, Taxes and Duties on Electricity: Rs 516 crore and Taxes on Goods and Passengers: Rs 247 crore.

**Non-Tax Revenue:**

The non-tax revenue which constituted 13.4 *per cent* of total revenue receipts increased by Rs 693 crore during 2006-07 recording a growth rate of 25 *per cent* over previous year. The booking of debt and interest relief (Rs 617.40 crore) given by GOI under DCRF for the years 2005-06 and 2006-07 under the head 'Miscellaneous General Services' led to a sharp increase in non-tax revenue of the State. Another major contributor to the increase in non-tax revenue during the years was an increase of Rs 382 crore in receipts from Non-Ferrous Mining and Metallurgical Industries. However, on account of transfer of housing advance portfolio of State Government employees to State Bank of Bikaner and Jaipur, Government has transferred Rs 289 crore from the head 'Miscellaneous General Services' and shown as receipts under the head 'Loans to Government Servants etc.' as a balancing entry. Further, the amount of Rs 737.47 crore shown as realised towards interest from Departmental Commercial Undertaking included Rs 730.29 crore arising out of book adjustments, which was notional in nature

The actual receipts under State's tax and non-tax revenue vis-à-vis assessment made by TFC and the State Government in FCP and MTFP are given below:

**(Rupees in crore)**

	Assessments made by TFC	Assessments made by State Government in FCP	Budget Estimates	Actual
State's Tax Revenue	10,987	10,923	10,932	11,608
State's Own Non-Tax Revenue	1,887	2,609	2,702	3,431

The tax revenue as well as the non-tax revenue receipts in 2006-07 exceeded normative assessments made by TFC by 5.7 *per cent* and by 81.8 *per cent* respectively. Actual realisation also exceeded the assessments made by the State Government in its FCP as well as Budget Estimates for 2006-07.

**Central Tax Transfers:**

The Central tax transfers increased by Rs 1,460 crore over the previous year and constituted 26 *per cent* of revenue receipts. The increase was mainly under Corporation Tax (Rs 647 crore), Customs duties (Rs 285 crore), Service Tax (Rs 258 crore) and Taxes on Income other than Corporation Tax (Rs 250 crore).

**Grants-in-aid:**

The Grants-in-aid from GOI increased (Rs 872 crore) from Rs 2,921 crore in 2005-06 to Rs 3,793 crore in 2006-07. The increase was under Non-Plan Grants (Rs 354 crore), Grants for Centrally Sponsored Plan schemes (Rs 278 crore) and Grants for State/Union Territory Plan schemes (Rs 252 crore) partly offset by decrease in Central Plan scheme (Rs 6 crore) and Special Plan schemes (Rs 6 crore). As per the recommendations of TFC, the GOI released Rs 355.10 crore during the current year under Non-Plan for



specific purposes viz. roads and bridges (Rs 158.33 crore), maintenance of buildings (Rs 53.27 crore), education (Rs 20 crore), historical monuments maintenance (Rs 12.50 crore), maintenance of Forests (Rs 5 crore), Indira Gandhi Nahar Project (Rs 88.50 crore) and drinking water scarcity in border and desert districts (Rs 17.50 crore). Details of Grants-in-aid from GOI are given in Table-8.

**Table-8: Grants-in-aid from GOI**

(Rupees in crore)						
	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Grants for State Plan schemes	342	617	924	1,019	877	1,128
Non-Plan Grants	1,008	814	749	930	855	1,209
Grants for Central, Centrally Sponsored Plan schemes and Special Plan schemes	741	766	831	948	1,189	1,456
Total	2,091	2,197	2,504	2,897	2,921	3,793
Percentage of increases/decrease over previous year	(-) 18.6	5.1	14.0	15.7	0.8	29.9

### ***Revenue Arrears***

The arrears of revenue were increased by 117 *per cent* from Rs 1,532 crore in 2001-02 to Rs 3,323 crore at the end of 2006-07. Of these, Rs 898 crore was outstanding for a period of more than five years. The arrears of revenue were increased by Rs 338 crore during 2006-07 over the previous year. Arrears were mainly in respect of Taxes on Sales, Trade, etc. (Rs 2,634 crore), State Excise (Rs 224 crore), Miscellaneous General Services- Sale of Land (Rs 140 crore) and Stamp Duty and Registration Fee (Rs 101 crore). Out of Rs 3,323 crore, demand for only Rs 404 crore was stayed by the High court/Judicial authorities/Government.

## **1.4 Application of Resources**

### **1.4.1 Growth of Expenditure**

Statement 12 of the Finance Accounts depicts the detailed revenue expenditure by minor heads and capital expenditure by major heads. States raise resources to perform their sovereign functions, maintain their existing nature of delivery of social and economic services, to extend the network of these services through capital expenditure and investments and to discharge their debt service obligations. The total expenditure of the State increased from Rs 17,971 crore in 2001-02 to Rs 30,076 crore in 2006-07. Total expenditure, its annual growth rate and ratio of expenditure to the State GSDP and to revenue receipts and its buoyancy with respect to GSDP and revenue receipts are indicated in Table-9.

**Table-9: Total Expenditure – Basic Parameters**

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

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Total expenditure (TE)* of which	17,971	19,321	22,955	24,034	26,228	30,076
Revenue Expenditure	15,949	17,016	18,848	19,906	21,499	24,954
Capital Expenditure	1,818	2,027	3,181	3,488	4,295	4,809
Loans and Advances	204	278	926	640	434	313
Rate of Growth of TE	6.7	7.5	18.8	4.7	9.1	14.7
TE/GSDP (Ratio)	20.0	22.4	21.2	21.2	21.1	21.5
RR /TE (Ratio)	67.6	67.7	67.2	73.9	79.5	85.1
Buoyancy of Total Expenditure with reference to:						
GSDP (ratio)	0.6	(-) 1.8**	0.7	1.0	1.0	1.2
RR (ratio)	(-) 3.4**	1.0	1.1	0.3	0.5	0.6

\* Total expenditure includes revenue expenditure, capital expenditure and loans and advances.

\*\* Either rate of growth of Revenue Receipts or GSDP was negative.

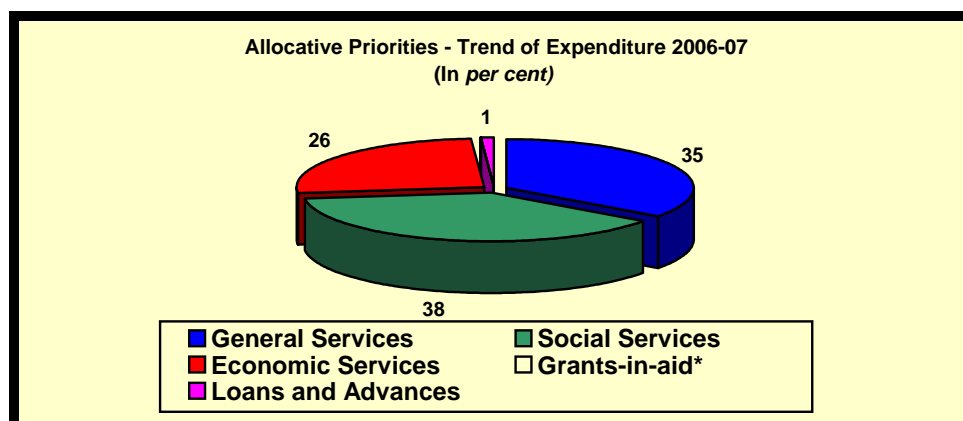
The total expenditure during the current year increased by Rs 3,848 crore over the previous year of which revenue expenditure shared Rs 3,455 crore and capital expenditure contributed Rs 514 crore (mainly on account of Rs 434 crore under Plan head), partly offset by decrease in repayment of loans and advance Rs 121 crore. During the current year, 85 per cent of total expenditure was met from revenue receipts and the remaining from capital receipts and borrowed funds. The buoyancy of total expenditure to GSDP stood at 1.2 in 2006-07 indicating tendency to spend more than the increase in income and higher elasticity of total expenditure with respect to GSDP.

**Trends in Total Expenditure by Activities:** 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, grants-in-aid and loans and advances. Relative share of these components in total expenditure is indicated in Table-10.

**Table-10: Components of Expenditure – Relative Share**

(in per cent)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
<b>General Services</b>	<b>40.1</b>	<b>39.8</b>	<b>37.0</b>	<b>36.3</b>	<b>34.1</b>	<b>35.0</b>
Of which, Interest payments	21.6	22.3	20.8	21.5	19.9	19.0
<b>Social Services</b>	<b>39.4</b>	<b>38.0</b>	<b>37.0</b>	<b>36.2</b>	<b>37.1</b>	<b>37.6</b>
<b>Economic Services</b>	<b>19.3</b>	<b>20.8</b>	<b>22.0</b>	<b>24.8</b>	<b>27.2</b>	<b>26.3</b>
<b>Grants-in-aid</b>	<b>0.1</b>	<b>&lt; 0.1</b>	<b>&lt; 0.1</b>	<b>&lt; 0.1</b>	<b>&lt; 0.1</b>	<b>&lt; 0.1</b>
<b>Loans and Advances</b>	<b>1.1</b>	<b>1.4</b>	<b>4.0</b>	<b>2.7</b>	<b>1.6</b>	<b>1.1</b>
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>



\*0.025 per cent only.

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 40 *per cent* and 39 *per cent* in 2001-02 to 35 *per cent* and 38 *per cent* in 2006-07 respectively, the relative share of economic service increased from 19 *per cent* in 2001-02 to 26 *per cent* in 2006-07. The share of interest payments was lowest at 19 *per cent* in 2006-07. Expenditure considered as non-developmental on general services, alone accounted for 35 *per cent* in 2006-07 as against 34.1 *per cent* in 2005-06. On the other hand, developmental expenditure i.e., expenditure on social and economic services together accounted for 63.9 *per cent* in 2006-07 as against 64.3 *per cent* in 2005-06. This indicates increase in non-developmental expenditure and decrease in developmental expenditure in comparison to the previous year.

#### 1.4.2 Incidence of Revenue Expenditure

Revenue expenditure had the predominant share in the total expenditure. Revenue expenditure is incurred to maintain the current level of services and payments, for the past obligations and as such does not result in any addition to the States infrastructure and service network. The overall revenue expenditure, its rate of growth, ratio of revenue expenditure to GSDP and to revenue receipts and its buoyancy are indicated in Table-11.

**Table-11: Revenue Expenditure: Basic Parameters**

(Rupees in crore)						
	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Revenue Expenditure (RE)	15,949	17,016	18,848	19,906	21,499	24,954
Of which						
Non-Plan Revenue Expenditure (NPRE)	13,763	14,744	16,617	17,164	18,368	21,154
Plan Revenue Expenditure (PRE)	2,186	2,272	2,231	2,742	3,131	3,800
<b>Rate of Growth and Ratios (per cent)</b>						
Rate of Growth of RE	6.1	6.7	10.8	5.6	8.0	16.1
Rate of Growth of NPRE	4.7	7.1	12.7	3.3	7.0	15.2
Rate of Growth of PRE	16.0	3.9	(-) 1.8	22.9	14.2	21.4
NPRE/GSDP (per cent)	15.3	17.1	15.3	15.1	14.8	15.1
NPRE as per cent of TE	76.6	76.3	72.4	71.4	70.0	70.3
NPRE as per cent of RR	113.2	112.7	107.7	96.6	88.1	82.7
NPRE as per cent of RE	86.3	86.6	88.2	86.2	85.4	84.8
<b>Buoyancy of Revenue Expenditure with</b>						
GSDP (ratio)	0.5	(-) 1.6*	0.4	1.2	0.8	1.3
Revenue Receipts (ratio)	(-) 3.1*	0.9	0.6	0.4	0.5	0.7

\* Either rate of growth of Revenue Receipts or GSDP was negative.

The revenue expenditure increased by 56 *per cent* from Rs 15,949 crore in 2001-02 to Rs 24,954 crore in 2006-07. The NPRE has shown consistent increase at an average rate of eight *per cent* over the period and continued to share the dominant proportion varying in the narrow range of 85 to 88 *per cent* of the revenue expenditure. The rate of growth in Plan expenditure which showed wide fluctuation during the period 2001-07 increased by 21 *per cent* (Rs 669 crore) in 2006-07 as compared to previous year.

The increase in NPRE during the current year was mainly due to increase in expenditure on interest payment and servicing of debt (Rs 842 crore), pensions and other retirement benefits (Rs 466 crore), power (Rs 401 crore), general

education (Rs 330 crore), relief on account of natural calamities (Rs 307 crore) and roads and bridges (Rs 128 crore). The increase in PRE by Rs 669 crore over previous year was mainly due to increase in Energy (Rs 141 crore), Rural Development (Rs 56 crore), Urban Development (Rs 43 crore), welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes (Rs 68 crore), Social Security and Welfare (Rs 94 crore), Medical and Public Health (Rs 51 crore), Transport (Rs 55 crore) and Nutrition (Rs 44 crore).

The actual Non-Plan revenue expenditure vis-à-vis assessments made by TFC and State Government are given below:

(Rupees in crore)				
	Assessments made by TFC	Assessments made by State Government in FCP	MTFPS	Actuals
Non-Plan revenue expenditure	17,540	19,925	20,295	21,154

The actual NPRE exceeded the normative assessment made by TFC by Rs 3,614 crore and the assessment made by the State Government both in its FCP and MTFPS for the year 2006-07 by Rs 1,229 crore and Rs 889 crore respectively.

### 1.4.3 Committed Expenditure

#### 1.4.3.1 Expenditure on Salaries and Wages

The trends in expenditure on salaries both under Plan and Non-Plan heads are presented in Table-12.

Table-12: Expenditure on Salaries

(Rupees in crore)						
Heads	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Expenditure on Salaries & Wages	5,349	5,311	5,791	6,150	6,892	7,374 <sup>\$</sup>
Of which						
Non-Plan Head	4,667	5,006	5,442	5,767	6,398	6,863
Plan Head*	682	305	349	383	494	511
RE net of Interest Payments and Pensions	10,386	11,033	12,229	13,108	14,638	17,136
As per cent of RE, net of Interest Payments and Pensions	51.5	48.1	47.4	46.9	47.1	43.0
As per cent of GSDP	5.9	6.2	5.3	5.4	5.5	5.3
As per cent of RR	44.0	40.6	37.5	34.6	33.1	28.8

\$ Salaries: Rs 7,113 crore (Finance Accounts) + Wages: Rs 261 crore (VLC data of AG-A&E)

\* Plan Head also includes the salaries and wages paid under Centrally sponsored schemes.

Expenditure on salaries under Non-Plan and Plan during the current year is Rs 6,863 crore and Rs 511 crore respectively recording a growth rate of seven per cent and three per cent respectively. The expenditure on salary and wages at 43 per cent of revenue expenditure net of interest and pension payments is marginally higher than the norm of 35 per cent recommended by the TFC. The salary expenditure at Rs 7,113 crore is however marginally less than the assessment made by the State Government in its FCP (Rs 7,311 crore) for the year 2006-07.

### 1.4.3.2 Pension Payments

The year-wise break up of expenditure incurred on pension payments during 2001-07 is indicated in Table-13.

**Table-13: Expenditure on Pensions**

Heads	(Rupees in crore)					
	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Expenditure on Pensions	1,685	1,683	1,842	1,626	1,651	2,116
Rate of Growth	(-) 0.5	(-) 0.1	9.4	(-) 11.7	1.5	28.2
As per cent of GSDP	1.9	2.0	1.7	1.4	1.3	1.5
As per cent of RR	13.9	12.9	11.9	9.2	7.9	8.3
As per cent of RE	10.6	9.9	9.8	8.2	7.7	8.5

The pension payments during current year have increased by Rs 465 crore recording a growth rate of 28 per cent over the previous year. The increase in expenditure under pension was due to increase in number of pensioners by 8,678 over previous year. The comparative analysis of actual pension payments and the assessment/projection made by TFC and the State Government (Table-14) reveals that actual pension payment during the current year was almost within the limits as assessed by State Government, however it exceeded the projections made by TFC by Rs 482 crore.

**Table-14: Pension Payments vis-à-vis assessment made by TFC, FCP and MTFPS**

	(Rs in crore)			
	Assessments made by TFC	Assessments made by State Government in FCP	MTFPS	Actuals
Pension Payments	1,634	2,325	2,328	2,116

To meet the increasing pension liabilities, the Government has introduced a new contribution funded pension scheme under which the State Government employees recruited on or after 1 January 2004 contribute 10 per cent of basic pay and dearness allowance to the pension fund.

### 1.4.3.3 Interest Payments

Interest payments and their ratio to revenue receipts and revenue expenditure during 2001-07 are detailed in Table-15.

**Table-15: Interest payments**

Year	Total Revenue Receipts	Total Revenue Expenditure	Interest payments	Percentage of Interest payments with reference to	
				Revenue Receipts	Revenue Expenditure
	(Rupees in crore)				
2001-02	12,153	15,949	3,878	31.9	24.3
2002-03	13,082	17,016	4,300	32.9	25.3
2003-04	15,424	18,848	4,777	31.0	25.3
2004-05	17,763	19,906	5,172	29.1	26.0
2005-06	20,839	21,499	5,210	25.0	24.2
2006-07	25,592	24,954	5,702	22.3	22.9

The major source of borrowings is market loans at the interest rate varying from six per cent to 14 per cent. The increase in interest payment was mainly due to payment of interest on special securities issued to National Small Savings Fund of the Central Government by State Government (Rs 335 crore),

interest on small savings, provident funds etc. (Rs 117 crore). The interest payments during the year is almost at par with the assessment made by State Government in FCP (Rs 5,654 crore), however it remained lower than the projections made in TFC (Rs 6,075 crore) and MTFPS (Rs 5,802 crore) for the year 2006-07.

#### 1.4.3.4 Subsidies

The State Government has been giving general subsidies as well as the subsidies to various *Nigams*, Corporations, etc. The Finance Accounts do not indicate the expenditure incurred exclusively on giving general subsidies to various target groups. However, the trends in the subsidies given to various commercial organisations, as revealed by the Commercial Audit are given in Table-16.

Table-16: Subsidies

(Rupees in crore)							
S. No.	Particulars	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
1	Power Sector	-	422.64	980.16	1,178.46	1,129.22	1,233.68
2	Others	7.58	9.82	20.10	20.79	25.81	20.21
	<b>Total</b>	<b>7.58</b>	<b>432.46</b>	<b>1,000.26</b>	<b>1,199.25</b>	<b>1,155.03</b>	<b>1,253.89</b>
	Percentage of Subsidy in total expenditure	*	2.2	4.4	5.0	4.4	4.2

\* In 2001-02 only 0.04 per cent.

Out of total subsidies of Rs 1,253.89 crore, the subsidy of Rs 1,233.68 crore (98.4 per cent) alone was paid to the power sector<sup>3</sup>. The subsidy of power sector during the year 2006-07 was Rs 256 crore higher than the assessment of the State Government in FCP for 2006-07 (Rs 978 crore).

## 1.5 Expenditure by Allocative Priorities

### 1.5.1 Quality of Expenditure

The availability of better social and physical infrastructure in the State reflects its quality of expenditure. Therefore ratio of capital expenditure to total expenditure as well as to GSDP and proportion of revenue expenditure being spent on running efficiently and effectively the existing social and economic services would determine the quality of expenditure. Higher the ratio of these components to total expenditure and GSDP better the quality of expenditure. Table-17 gives these ratios during 2001-07.

3. Rajasthan Renewable Energy Corporation Limited: Rs 1.00 crore, Rajasthan *Rajya Vidyut Utpadan Nigam* Limited: Rs 0.05 crore, Rajasthan *Rajya Vidyut Prasaran Nigam* Limited: Rs 3.36 crore, Jaipur *Vidyut Vitran Nigam* Limited: Rs 358.02 crore, Jodhpur *Vidyut Vitran Nigam* Limited: Rs 353.99 crore and Ajmer *Vidyut Vitran Nigam* Limited: Rs 517.26 crore

Table-17: Indicators of Quality of Expenditure

(Rupees in crore)						
	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
<b>Capital Expenditure</b>	1,818	2,027	3,181	3,488	4,295	4,809
<b>Revenue Expenditure</b>	15,949	17,016	18,848	19,906	21,499	24,954
<i>Of which</i>						
Social and Economic Services with	8,754	9,371	10,399	11,253	12,677	14,597
(i) Salary & Wage Component	4,055 (46.3)	3,988 (42.6)	4,347 (41.8)	4,569 (40.6)	5,176 (40.8)	5,536 (37.9)
(ii) Non-Salary & Wage Component	4,699 (53.7)	5,383 (57.4)	6,052 (58.2)	6,684 (59.4)	7,501 (59.2)	9,061 (62.1)
<b>As per cent of Total Expenditure</b>						
Capital Expenditure	10.1	10.5	13.9	14.5	16.4	16.0
Revenue Expenditure	88.7	88.1	82.1	82.8	82.0	83.0
<b>As per cent of GSDP</b>						
Capital Expenditure	2.0	2.3	2.9	3.1	3.5	3.4
Revenue Expenditure	17.7	19.7	17.4	17.6	17.3	17.8

The capital and revenue expenditure of the State for the year 2006-07 were Rs 4,809 crore and Rs 24,954 crore respectively constituting 16 per cent and 83 per cent of the total expenditure. The capital expenditure showed an increasing trend during the period 2001-07 and during 2006-07 it was Rs 4,809 crore as against Rs 4,811 crore assessed by the State Government in FCP and Rs 5,024 crore in MTFPS for 2006-07. However, within the revenue expenditure incurred on social and economic services, the share of salary and wage component declined from 46 per cent in 2001-02 to 38 per cent in 2006-07 while the share of non-salary components has exhibited the increasing trend during the period. These trends indicate that the State was gradually picking up momentum in creating productive assets and developing social and economic infrastructure.

### 1.5.2 Expenditure on Social Services

Given the fact that the human development indicators such as access to basic education, health services and drinking water and sanitation facilities etc. have a strong linkage with eradication of poverty and economic progress, it would be prudent to make an assessment with regard to the expansion and efficient provision of these services in the State. Table-18 summarises the expenditure incurred by the State Government in expanding and strengthening of social services in the State during 2001-07.

Table-18: Expenditure on Social Services

(Rupees in crore)						
	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
<b>General Education</b>						
<b>Revenue Expenditure</b>	3,359	3,242	3,565	3,870	4,565	4,828
<i>Of which</i>						
(a) Salary & Wage Component	2,183	2,125	2,328	2,454	2,867	3,068
(b) Non-Salary & Wage Component	1,176	1,117	1,237	1,416	1,698	1,760
<b>Capital Expenditure</b>	24	19	16	11	23	26
<b>Total</b>	<b>3,383</b>	<b>3,261</b>	<b>3,581</b>	<b>3,881</b>	<b>4,588</b>	<b>4,854</b>

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
<b>Health and Family Welfare</b>						
Revenue Expenditure	973	899	1,014	1,049	1,137	1,246
<i>Of which</i>						
(a) Salary & Wage Component	736	720	780	839	921	984
(b) Non-Salary & Wage Component	237	179	234	210	216	262
Capital Expenditure	24	14	19	29	66	67
<b>Total</b>	<b>997</b>	<b>913</b>	<b>1,033</b>	<b>1,078</b>	<b>1,203</b>	<b>1,313</b>
<b>Water Supply, Sanitation, Housing and Urban Development</b>						
Revenue Expenditure	1,233	1,399	952	1,023	1,071	1,096
<i>Of which</i>						
(a) Salary & Wage Component	328	323	357	383	422	456
(b) Non-Salary & Wage Component	905	1,076	595	640	649	640
Capital Expenditure	519	652	1,236	1,439	1,552	2,110
<b>Total</b>	<b>1,752</b>	<b>2,051</b>	<b>2,188</b>	<b>2,462</b>	<b>2,623</b>	<b>3,206</b>
<b>Other Social Services</b>						
Revenue Expenditure	840	1,046	1,611	1,206	1,221	1,764
<i>Of which</i>						
(a) Salary & Wage Component	165	205	223	235	252	269
(b) Non-Salary & Wage Component	675	841	1,388	971	969	1,495
Capital Expenditure	98	66	66	69	98	176
<b>Total</b>	<b>938</b>	<b>1,112</b>	<b>1,677</b>	<b>1,275</b>	<b>1,319</b>	<b>1,940</b>
<b>Total (Social Services)</b>						
Revenue Expenditure	6,405	6,586	7,142	7,148	7,994	8,934
<i>Of which</i>						
(a) Salary & Wage Component	3,412	3,373	3,688	3,911	4,462	4,777
(b) Non-Salary & Wage Component	2,993	3,213	3,454	3,237	3,532	4,157
Capital Expenditure	665	751	1,337	1,548	1,739	2,379
<b>Grand Total</b>	<b>7,070</b>	<b>7,337</b>	<b>8,479</b>	<b>8,696</b>	<b>9,733</b>	<b>11,313</b>

The allocation to social sector increased from Rs 7,070 crore in 2001-02 to Rs 11,313 crore in 2006-07 indicating the Government commitment to improve social well being of the society. Expenditure on Social Sector during current year (Rs 11,313 crore) accounted for 38 *per cent* of total expenditure and 59 *per cent* of developmental expenditure<sup>4</sup>. Expenditure on General Education increased by Rs 266 crore over the previous year mainly due to increased expenditure in Non-Formal Education and Government Secondary School while the expenditure on Health and Family Welfare has shown an increase of Rs 110 crore over the previous year. Recognising the need to improve the quality of education and health services, TFC recommended that the Non-Plan salary expenditure under education and health and family welfare should increase by five to six *per cent* while non-salary expenditure under Non-Plan heads should increase by 30 *per cent* per annum during the award period. However, trends in expenditure (taking under both the Plan and Non-Plan heads) revealed that the salary and wage component and non-salary component under education increased by seven *per cent* and four *per cent* respectively over 2005-06. Similarly, under Health and Family Welfare sector, the salary and wage component increased by seven *per cent* while non-salary and wage component increased by 21 *per cent*. The expenditure pattern both in education and health services needs correction in the ensuing years, if the norms of the TFC are to be achieved.

4. Development expenditure is defined as the total expenditure made on social and economic services.



### 1.5.3 Expenditure on Economic Services

The expenditure on economic services includes all such expenditures as to promote directly or indirectly, productive capacity within the States' economy. The expenditure on Economic Services (Rs 7,907 crore) accounted for 27 per cent of the total expenditure and 41 per cent of developmental expenditure (Table-19). Of this, Irrigation and Flood Control and Power and Energy consumed nearly 53 per cent of the expenditure under economic sector.

**Table-19: Expenditure on Economic Sector**

	(Rupees in crore)					
	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
<b>Agriculture, Allied Activities.</b>						
<b>Revenue Expenditure</b>	524	507	556	622	851	883
<i>Of which</i>						
(a) Salary & Wage Component	343	342	366	353	408	434
(b) Non-Salary & Wage Component	181	165	190	269	443	449
<b>Capital Expenditure</b>	21	12	48	90	113	102
<b>Total</b>	<b>545</b>	<b>519</b>	<b>604</b>	<b>712</b>	<b>964</b>	<b>985</b>
<b>Irrigation and Flood Control</b>						
<b>Revenue Expenditure</b>	777	750	824	891	928	994
<i>Of which</i>						
(a) Salary & Wage Component	178	155	165	166	156	167
(b) Non-Salary & Wage Component	599	595	659	725	772	827
<b>Capital Expenditure</b>	404	380	891	830	991	756
<b>Total</b>	<b>1,181</b>	<b>1,130</b>	<b>1,715</b>	<b>1,721</b>	<b>1,919</b>	<b>1,750</b>
<b>Power &amp; Energy</b>						
<b>Revenue Expenditure</b>	319	663	943	1,186	1,200	1,743
<i>Of which</i>						
(a) Salary & Wage Component	. <sup>5</sup>	. <sup>5</sup>	. <sup>5</sup>	. <sup>5</sup>	. <sup>5</sup>	. <sup>5</sup>
(b) Non-Salary & Wage Component	319	663	943	1,186	1,200	1,743
<b>Capital Expenditure</b>	333	333	283	350	631	699
<b>Total</b>	<b>652</b>	<b>996</b>	<b>1,226</b>	<b>1,536</b>	<b>1,831</b>	<b>2,442</b>
<b>Transport</b>						
<b>Revenue Expenditure</b>	191	257	273	279	507	689
<i>Of which</i>						
(a) Salary & Wage Component	42	40	45	50	51	53
(b) Non-Salary & Wage Component	149	217	228	229	456	636
<b>Capital Expenditure</b>	150	291	253	264	300	281
<b>Total</b>	<b>341</b>	<b>548</b>	<b>526</b>	<b>543</b>	<b>807</b>	<b>970</b>
<b>Other Economic Services</b>						
<b>Revenue Expenditure</b>	538	608	661	1,127	1,197	1,354
<i>Of which</i>						
(a) Salary & Wage Component	80	78	83	89	99	105
(b) Non-Salary & Wage Component	458	530	578	1,038	1,098	1,249
<b>Capital Expenditure</b>	218	219	319	324	406	406
<b>Total</b>	<b>756</b>	<b>827</b>	<b>980</b>	<b>1,451</b>	<b>1,603</b>	<b>1,760</b>
<b>Total (Economic Services)</b>						
<b>Revenue Expenditure</b>	<b>2,349</b>	<b>2,785</b>	<b>3,257</b>	<b>4,105</b>	<b>4,683</b>	<b>5,663</b>
<i>Of which</i>						
(a) Salary & Wage Component	<b>643</b>	<b>615</b>	<b>659</b>	<b>658</b>	<b>714</b>	<b>759</b>
(b) Non-Salary & Wage Component	<b>1,706</b>	<b>2,170</b>	<b>2,598</b>	<b>3,447</b>	<b>3,969</b>	<b>4,904</b>
<b>Capital Expenditure</b>	<b>1,126</b>	<b>1,235</b>	<b>1,794</b>	<b>1,858</b>	<b>2,441</b>	<b>2,244</b>
<b>Grand Total</b>	<b>3,475</b>	<b>4,020</b>	<b>5,051</b>	<b>5,963</b>	<b>7,124</b>	<b>7,907</b>

Out of total expenditure on Economic Services during 2006-07, 31 per cent on Power and Energy, 22 per cent on Irrigation and Flood Control and 12 per cent each on Transport and Agriculture and allied activities was

5. 2001-02: Rs 0.20 crore, 2002-03: Rs 0.20 crore, 2003-04: Rs 0.20 crore, 2004-05: Rs 0.22 crore, 2005-06: Rs 0.26 crore and 2006-07: Rs 0.28 crore.

incurred. As compared to 2001-02, significant increases in 2006-07 were observed in Power and Energy (275 per cent), Transport services (184 per cent), Agriculture and allied activities (81 per cent) and Irrigation and Flood Control (48 per cent). The salary component in total expenditure on Economic Services ranged between 19 and 10 per cent during the period. The non-salary component consistently increased from Rs 1,706 crore in 2001-02 to Rs 4,904 crore in 2006-07 at an average rate of growth of 31 per cent per annum.

The trends in revenue and capital expenditure on Economic Services indicate that the capital expenditure has increased from Rs 1,126 crore (32 per cent) in 2001-02 to Rs 2,244 crore (28 per cent) in 2006-07, while the revenue expenditure increased from Rs 2,349 crore (68 per cent) in 2001-02 to Rs 5,663 crore (72 per cent) in 2006-07. An increase of Rs 980 crore (21 per cent) in revenue expenditure during 2006-07 over the previous year was mainly due to increase in Power and Energy (Rs 543 crore), Transport (Rs 182 crore) and Irrigation and Flood Control (Rs 66 crore). Of the revenue expenditure, salary component increased from Rs 643 crore (27 per cent) in 2001-02 to Rs 759 crore (13 per cent) in 2006-07 whereas non-salary component increased from Rs 1,706 crore (73 per cent) to Rs 4,904 crore (87 per cent) indicating allocative priorities probably towards their maintenance and the better quality of services.

#### 1.5.4 Financial Assistance by the State Government 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 2002-07 was as follows:

(Rupees in crore)

S. No.	Bodies/authorities etc.	2002-03	2003-04	2004-05	2005-06	2006-07
1.	Universities and Educational Institutions	182.96	196.48	201.14	214.26	209.23
2.	Municipal Corporations and Municipalities	460.56	501.39	615.20	678.20	720.21
3.	Zila Parishads and Panchayati Raj Institutions	1,167.76	1,172.21	1,885.82	2,112.38	2,050.78*
4.	Development Agencies	247.88	275.13	68.82	4.88	48.41
5.	Hospitals and other Charitable Institutions	7.22	31.07	34.05	193.97	86.50
6.	Other Institutions	797.69	1,191.98	1,522.30	1,806.80	2,738.66**
	<b>Total</b>	<b>2,864.07</b>	<b>3,368.26</b>	<b>4,327.33</b>	<b>5,010.49</b>	<b>5,853.79</b>
	Percentage increase (+)/ decrease (-) over previous year	11	18	28	16	17
	Assistance as a percentage of revenue receipts	22	22	24	24	23
	Percentage of assistance to revenue expenditure	17	18	22	23	23

\* Includes General Education: Rs 1,047.97 crore and 'Other Rural Development Programmes': Rs 848.09 crore.

\*\*Includes Power: Rs 1,742.20 crore, Crop Husbandry: Rs 234.03 crore, Relief on account of Natural Calamities: Rs 219.29 crore and General Education: Rs 135.61 crore.

### 1.5.5 Delay in furnishing of Utilisation Certificates

Out of 14,493 utilisation certificates (UCs) due in respect of grants aggregating Rs 2,805.66 crore paid during April 1994 to March 2006, 12,954 UCs for Rs 2,755.34 crore had been furnished by 31 March 2007. Thus, 1,539 UCs for Rs 50.32 crore were in arrears indicating increase (603) in the number of pending UCs (936) over 31 March 2006 as further UCs became due on release of grants during the year 2005-06. Department-wise break-up of outstanding UCs is given in *Appendix-1.7*.

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.

### 1.6 Misappropriation and defalcation of Government money

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 discovered in a treasury, any other office/Department shall be reported immediately by the officer concerned to the next higher authority as well as to the Principal Accountant General. As of June 2007, 1057 cases of various Departments<sup>6</sup> amounting to Rs 32.08 crore regarding embezzlement (353) and theft/loss (704) of the Government money have been reported (March 2007) and were pending for corrective action as under:

Particulars	Number of cases	Amount (Rupees in crore)
Cases reported upto March 2005 and outstanding at the end of August 2005	1,114	22.53
Cases reported during 2005-06 and 2006-07	209	11.62
Cases disposed off between September 2005 and June 2007	266	2.07
Total cases reported upto March 2007 and outstanding as of June 2007.	1,057	32.08

Analysis of the pending embezzlement cases revealed that the cases were related mainly 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. Theft/loss cases were related to theft of cash, stores/stock, vehicles and parts of vehicles, machinery and equipment etc. Out of 1,057 cases pending as on June 2007, 706 cases (Rs 16.77 crore) were more than five years old and 169 cases (Rs 4.58 crore) were three to five years old. In 625 cases Rs 14.30 crore were pending recovery and other cases were pending for want of departmental investigation, decision of court and write-off sanction. In 42 cases out of the total cases reported, the amount of theft and embezzlement was not informed by the Department concerned despite regular

6. Revenue: 71 cases- Rs 2.66 crore; Education: 177 cases- Rs 2.45 crore; Works: 551 cases- Rs 15.47 crore; Medical: 72 cases- Rs 2.16 crore and Others: 186 cases-Rs 9.34 crore.

pursuance and position appraising from time to time to the Department and the Government.

Keeping in view of the measures suggested by 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 cases and intimate progress to the Principal Accountant General. As 706 cases were more than five years old, Government needs to take suitable steps to finalise the cases in a time bound manner. The matter was reported to the Government in May 2007; reply has not been received (September 2007).

## **1.7 Assets and Liabilities**

In the Government accounting system, comprehensive accounting of fixed assets like land and buildings owned by the Government is not done. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred. **Appendix-1.3** gives an abstract of such liabilities and the assets as on 31 March 2007, compared with the corresponding position on 31 March 2006. While the liabilities consist mainly of internal borrowings, loans and advances from the GOI, receipts from the Public Account and Reserve Funds, the assets comprise mainly of the capital outlay and loans and advances given by the State Government and cash balances. In real terms the assets grew by Rs 5,364 crore (13 *per cent*) and liabilities grew by Rs 4,726 crore (seven *per cent*) over the previous year. High priority on capital outlay and increased expenditure on developmental activities have very good impact on asset formation. Though during the current year the assets have increased substantially, the ratio of liabilities to assets remained at 0.64. Thus 36 *per cent* liabilities did not have asset back up. **Appendix-1.6** depicts the time series data on State Government finances for the period 2001-07.

### **1.7.1 Lack of accountability of departmental commercial undertakings**

Activities of quasi-commercial nature are performed by the departmental undertakings of certain Government departments. These undertakings are to prepare *pro forma* accounts in the prescribed format annually showing the working results of financial operations so that the Government can assess their working. The Heads of Department in the Government are to ensure that the undertakings prepare such accounts and submit the same to Accountant General for audit. As of March 2007, there were 12 such undertakings<sup>7</sup>, out of which only Patta Tendu Scheme of Forest Department had not prepared accounts from 2005-06. An amount of Rs 5,552.55 crore had been invested by the State Government in these 12 undertakings at the end of financial year

---

7. This does not include: Scheme for purchase and sale of pumping sets and Rajasthan Ground Water Department, Jodhpur which were declared non-commercial with effect from December 1987. However, the *pro forma* accounts of these departmental undertakings from 1975-76 to 1987-88 and 1974-75 to 1987-88 respectively, were pending.

upto which their accounts were finalised as detailed in **Appendix-1.8**. Points of interest noticed during the course of audit were as under:

- Of the 12 undertakings, seven undertakings<sup>8</sup> were incurring losses continuously for more than five years. The accumulated losses of these seven departmental undertakings were Rs 4,430.88 crore as against the total investment of Rs 5,552.55 crore.
- In *pro forma* accounts of *Patta Tendu* Scheme for the year 2004-05, a sum of Rs 30.53 lakh was outstanding against debtors of which Rs 26.60 lakh related to the period from 1974-75 to 1998-99, the recovery of which was doubtful.
- Despite being pointed out in the Report of the Comptroller and Auditor General of India (Civil) for the year ended 31 March 2002, Rajasthan Water Supply and Sewerage Management Board, Jaipur did not maintain essential Ledgers/Reports<sup>9</sup>. The age-wise break-up of Sundry debtors of Rs 144.95 crore was also not available. In absence of Fixed Assets Registers and their physical verification, the existence of Fixed Assets (Rs 1,090.03 crore) could not be verified in audit.

In view of the heavy losses of some of the undertakings, Government should review their working so as to make them self supporting.

### 1.7.2 Incomplete projects

The department-wise information pertaining to incomplete projects as on 31 March 2007 is given in the Table-20.

**Table-20: Department-wise Profile of Incomplete Projects**

(Rupees in crore)						
Department	Number of Incomplete Projects	Initial Budgeted Cost	No. of Projects where cost revised	Revised Total Cost of Projects	Cost over-runs	Actual Expenditure Upto 31.03.2007
Irrigation Works/Projects	152	1,249	28	2,418	1,169	1,563
Public Works Department/ Project	207	449	9	451	2	203
Bisalpur Drinking Water Cum Irrigation Project	6	44	2	45	1	21
Public Health Engineering Department	80	2,401	6	2,418	17	990
<b>Total</b>	<b>445</b>	<b>4,143</b>	<b>45</b>	<b>5,332</b>	<b>1,189</b>	<b>2,777</b>

As per information received from the State Government, as of 31 March 2007, there were 445 incomplete projects (total cost more than Rs 1 crore of each project) in which Rs 2,777 crore were blocked. Of these, 340 projects

8. Jail Manufacture, Ajmer (Rs 1.01 crore), Alwar (Rs 0.35 crore), Bikaner (Rs 0.72 crore), Jaipur (Rs 1.45 crore), Jodhpur (Rs 1.12 crore), Kota (Rs 0.25 crore) and Rajasthan Water Supply and Sewerage Management Board, Jaipur (Rs 4,425.98).

9. Material-at-Site account, Completion Reports, Works Abstract, Journal, Journal Vouchers, General Ledgers, Subsidiary Ledgers, Bills Receivable Registers and Fixed Assets Registers.

involving Rs 652 crore remained incomplete for less than five years, 105 projects involving an amount of Rs 2,125 crore remained incomplete for periods ranging from five to 15 years. The cost of incomplete projects increased by 29 *per cent* from Rs 4,143 crore (initial budgeted cost) to Rs 5,332 crore (total revised cost) on account of revision in costs for 45 projects only. Out of the total cost overrun of Rs 1,189 crore, Rs 1,169 crore pertain to Irrigation Works/Projects which was 94 *per cent* of initial budgeted cost. The revised cost overrun is mainly under Narmada Jalore Project Rs 979 crore (82 *per cent* of total cost overrun).

### **1.7.3 Financial Results of Irrigation Works**

The financial results of five major and 12 medium irrigation projects with a capital outlay of Rs 3,861 crore at the end of March 2007 showed that revenue realised (Rs 54 crore) from these projects during 2006-07 was only 1.4 *per cent* of the capital expenditure which was not sufficient to cover the direct working expenses. After meeting the working and maintenance expenditure (Rs 94 crore) and interest charges (Rs 378 crore), the schemes suffered a net loss of Rs 418 crore. State Government was required to increase water charges from Rs 191 per hectare (ha) in 1999-2000 to Rs 550 per ha by 2005-06. No such revision was made after 1999.

Indira Gandhi Nahar Project (IGNP) is the largest irrigation project under execution in Rajasthan and various stages of it have been completed over the years. At the end of March 2007 the capital expenditure on IGNP was Rs 3,061.60 crore. During 2006-07 the revenue realised from IGNP was Rs 14.87 crore comprising just 0.5 *per cent* of the capital expenditure. This revenue was negligible (4.2 *per cent*) even with reference to total working and maintenance expenditure (Rs 50.09 crore) incurred and the interest charges of (Rs 300.48 crore) relating to 2006-07.

### **1.7.4 Unproductive expenditure on construction of Minor Irrigation Projects**

Water Resource Department spent Rs 6.35 crore on construction of two Minor Irrigation Projects (MIPs) viz. Pipla Minor Irrigation Project (Rs 2.45 crore and Jawanpura Dhabai Minor Irrigation Project, District Jaipur (Rs 3.90 crore) to provide irrigation in 765 acre and 540 hectare respectively. The projects have been completed in March 1998 and August 2000.

There was nil inflow in the dam since their completion as against anticipated inflow in Pipla MIP<sup>10</sup> and Jawanpura Dhabai<sup>11</sup> despite rainfall ranging between 11.71 to 22 inch (Pipla MIP) and 10 to 38 inch (Jawanpura Dhabai MIP). Nil inflow in the dam of MIPs constructed at a cost of Rs 6.35 crore indicated wrong projection of the catchment area/selection of wrong site for dam.

---

10. 1998: 73.42 mcft; 1999: 38.30 mcft; 2003: 82.06 mcft; 2004: 14.23 mcft; 2005: 27.66 mcft.

11. 2001: 177 mcft; 2002: 20 mcft; 2003: 625 mcft; 2004: 93 mcft; 2005: 396 mcft.

The Government stated (March and July 2007) that inflow in dam depends upon the pattern of rainfall and there was no heavy down pour in the catchment area. The reply was not tenable as intensity of rainfall was not taken into consideration while proposing the projects and nil inflow in the dam despite substantial rainfall indicated inadequate hydrological study of the area.

### 1.7.5 Government investments and returns

As of 31 March 2007, Government invested Rs 5,485 crore in Statutory Corporations, Rural Banks, Government Companies, Joint Stock Companies and Co-operatives Bank/Societies (Table-21). The return on this investment was 0.1 to 0.9 *per cent* during 2001-07 while Government paid interest at the average rate of 8.2 *per cent* to 10.5 *per cent* on its borrowings.

**Table-21: Return on Investment**

Year	Investment at the end of the year	Return	Percentage of return	Average rate of interest on Government borrowing	Difference between interest rate and return
	(Rupees in crore)		(per cent)		
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
2005-06	4,770.43	22.57	0.5	8.2	7.7
2006-07	5,485.26	9.62	0.2	8.3	8.1

The investment of State Government included Rs 4,791 crore in 32 Government Companies, of which only five companies declared dividend aggregating to Rs 8 crore. During 2006-07, the State Government has invested Rs 714.83 crore in Government Companies and Co-operative Banks and Societies. The sectors/companies where major investments were made during 2006-07 were (i) Co-operative Banks and Societies (Rs 14.61 crore), (ii) Rajasthan *Rajya Vidyut Utpadan Nigam* Limited (Rs 352 crore), (iii) Rajasthan *Rajya Vidyut Prasaran Nigam* Limited (Rs 90 crore) (iv) Jaipur *Vidyut Vitran Nigam* Limited (Rs 88 crore), (v) Jodhpur *Vidyut Vitran Nigam* Limited (Rs 81 crore) and (vi) Ajmer *Vidyut Vitran Nigam* Limited (Rs 83 crore). As on 31 March 2007, five power companies in which Government had invested Rs 4,424.09 crore (81 per cent of total investment) showed nil Profit/Loss in their accounts and no dividend paid to Government.

### 1.7.6 Loans and Advances by State Government

In addition to investments in Co-operative societies, Corporations and Companies, Government has also been providing loans and advances to many of these institutions/organizations. Total outstanding loans and advances as on 31 March 2007, were Rs 4,231 crore (Table-22), out of which Rs 1,666 crore was outstanding against erstwhile Rajasthan State Electricity Board. Although the Rajasthan State Electricity Board was unbundled on 19 July 2000 into five successor Power Companies, the aforesaid loan has still not been distributed amongst the successor companies by the Government (March 2007) despite

lapse of more than six years. Interest received against these loans advanced was three *per cent* during 2006-07 as against 2.7 *per cent* in previous year.

**Table-22: Average Interest Received on Loans Advanced by the State Government**

**(Rupees in crore)**

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Opening Balance	2,664	2,801 <sup>12</sup>	2,954	3,721	4,236	4,432
Amount advanced during the year	204	278	926	640	434	313
Amount repaid during the year	69	125	159	125	238	514
Closing Balance	2,799	2,954	3,721	4,236	4,432	4,231
Net addition	135	153	767	515	196	(-) 201
Interest Received	83	85	115	114	119	128
Interest received as <i>per cent</i> to outstanding Loans and advances	3.0	3.0	3.4	2.9	2.7	3.0
Average interest rate (in <i>per cent</i> ) paid on borrowings by State Government.	10.5	10.0	9.6	9.1	8.2	8.3
Difference between average interest paid and received ( <i>per cent</i> )	(-) 7.5	(-) 7.0	(-) 6.2	(-) 6.2	(-) 5.5	(-) 5.3

During the current year major portion of loan was advanced to Rajasthan *Rajya Vidyut Utpadan Nigam Limited* (Rs 15 crore), Jaipur *Vidyut Vitran Nigam Limited* (Rs 102.50 crore), Jodhpur *Vidyut Vitran Nigam Limited* (Rs 75.75 crore), Ajmer *Vidyut Vitran Nigam Limited* (Rs 81.75 crore), Rajasthan Pensioner Medical Fund (Rs 10 crore) for Indoor Medical facility Scheme to Pensioners and Food Storage and Warehousing (Rs 10.50 crore) for godown construction in rural areas.

During 2006-07, the recovery of Loans and Advances increased by Rs 276 crore mainly on account of book adjustment of Rs 289 crore by the State Government from the head 'Miscellaneous General Services' to the head 'Loans to Government Servants etc'.

### **1.7.7 Management of cash balances**

It is generally desirable that the State's flow of resources should match its expenditure obligations. However, to take care of any temporary mismatches in the flow of resources and expenditure obligations, a mechanism of Ways and Means Advances (WMA) - ordinary and special - from Reserve Bank of India has been put in place. The operative limit for Normal Ways and Means Advances is reckoned on the three year average of revenue receipts and the operative limit for Special Ways and Means Advances is fixed by Reserve Bank of India from time to time depending on the holding of Government securities.

The limit of the State Government was fixed at Rs 505 crore for Normal Ways and Means advances and Special Ways and Means advances revised by the Bank from time to time during 2006-07.

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



The State Government's cash balances at the end of current year amounted to Rs 2,622 crore. The major portion of which (Rs 2,350 crore) is invested in Government of India Securities and earned an interest of Rs 163 crore during the year. Further an amount of Rs 249.72 crore is invested in earmarked funds, i.e. Other Funds (Rs 172.08 crore) and Other Funds-Investment Accounts (Rs 77.64 crore).

Ways and Means Advances and Overdrafts availed, the number of occasions it was availed and interest paid by the State during 2001-07 is detailed in Table-23.

**Table-23: Ways and Means and Overdrafts of the State**

(Rupees in crore)						
	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
<b>Ways and Means Advances</b>						
Availed in the Year	2,635.01	4,893.81	5,870.88	1,808.96	-	59.21
Outstanding WMAs, if any	446.24	235.70	-	-	-	59.21
Interest Paid	20.67	23.68	24.59	1.45	-	-
Number of Day(s)	141	206	213	89	-	1
<b>Overdraft</b>						
Availed in the year	5,370.54	4,656.06	3,708.40	-	-	-
Outstanding	625.09	-	-	-	-	-
Interest Paid	4.28	6.19	6.33	-	-	-
Number of Day(s)	168	150	93	-	-	-

## 1.8 Undischarged Liabilities

According to Rajasthan Fiscal Responsibility and Budget Management Act, 2005, the total liability means the explicit liabilities under Consolidated Fund of the State and the Public Account of the State including General Provident Fund.

### 1.8.1 Fiscal Liabilities – Public Debt and Guarantees

There are two sets of liabilities namely, public debt and other liabilities. Public debt consists of internal debt of the State and is reported in the Annual Financial Statements under the Consolidated Fund-Capital Accounts. It includes market loans, special securities issued by RBI and loans and advances from the Central Government. The Constitution of India provides that a 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 the Act of its Legislature and give guarantees within such limits as may be fixed. However, no law has been passed in the State to lay down any such limit for Fiscal Liabilities. Other liabilities, which are a part of public account, include deposits under small savings scheme, provident funds and other deposits.

Table-24 gives the fiscal liabilities of the State, its rate of growth, ratio of these liabilities to GSDP, to revenue receipts and to own resources as also the buoyancy of fiscal liabilities with respect to these parameters.

**Table-24: Fiscal Liabilities – Basic Parameters**

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

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Fiscal Liabilities <sup>13</sup>	39,970	45,871	53,361	60,134	66,407	71,146
Rate of Growth	18.0	14.8	16.3	12.7	10.4	7.1
<b>Ratio of Fiscal Liabilities to</b>						
GSDP	44.4	53.2	49.3	53.0	53.5	50.8
Revenue Receipts	328.9	350.6	346.0	338.5	318.7	278.0
Own Resources	556.8	586.4	572.7	569.4	526.3	473.1
<b>Buoyancy of Fiscal Liabilities to</b>						
GSDP (ratio)	1.6	(-) 3.5*	0.6	2.7	1.1	0.6
Revenue Receipts (ratio)	(-) 9.0*	1.9	0.9	0.8	0.6	0.3
Own Resources (ratio)	6.7	1.6	0.9	1.0	0.5	0.4

\* Either rate of growth of Revenue Receipts or GSDP was negative.

Overall fiscal liabilities of the State have increased by 78 per cent from Rs 39,970 crore in 2001-02 to Rs 71,146 crore in 2006-07. Fiscal Liabilities of the State comprised Consolidated Fund liabilities and Public Account liabilities. The Consolidated Fund Liability (Rs 50,504 crore) comprised of market loan (Rs 16,071 crore), loans from Government of India (Rs 7,637 crore) and other loans (Rs 26,796 crore). The Public Account liabilities (Rs 20,642 crore) comprise of Small Saving, Provident Fund (Rs 14,303 crore), interest bearing obligations (Rs 2,271 crore) and non-interest bearing obligations like deposits and other earmarked funds (Rs 4,068 crore). The growth rate of fiscal liability was 7.1 per cent during 2006-07 over previous year. The ratio of fiscal liabilities to GSDP increased from 44 per cent in 2001-02 to 51 per cent in 2006-07. These liabilities stood at 2.78 times of revenue receipts and 4.73 times of the States own resources as at the end of 2006-07. The State's GSDP had grown faster than the fiscal liabilities. The buoyancy of these liabilities with respect to GSDP during the year was 0.6. The State Government has set up the Consolidated Sinking Fund in pursuance to TFC recommendation and Rs 350 crore has been transferred in the Fund during 2006-07.

### 1.8.2 Status of Guarantees – Contingent liabilities

Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee has been extended. As per the Statement 6 of the Finance Accounts, the maximum amount for which guarantees were given by the State and outstanding guarantees at the end of year since 2001-02 is given in Table 25.

**Table-25: Guarantees given by the Government of Rajasthan**

(Rupees in crore)

Year	Maximum amount guaranteed	Outstanding amount of guarantees	Revenue receipts	Percentage of Maximum amount guaranteed to revenue receipt
2001-02	19,117	12,912	12,153	157.3
2002-03	21,887	14,968	13,082	167.3
2003-04	24,585	17,239	15,424	159.4
2004-05	20,457	12,703	17,763	115.2
2005-06	21,342	13,171	20,839	102.4
2006-07	27,402	14,709	25,592	107.1

13. Includes in Fiscal Liabilities all internal debt, loans and advances from GOI, small savings, provident funds etc., interest bearing obligations such as depreciation reserve fund of commercial undertakings, deposits and non-interest bearing obligations such as deposits of local fund, civil deposit and other earmarked fund.

The Government set up a Guarantee Redemption Fund in 1999-2000 and as on 31 March 2007, there were Rs 106.57 crore under this Fund. In the current year the Government received Rs 15.42 crore as guarantee commission.

### 1.8.3 Off-Budget Borrowings

The borrowings of a State are governed under Article 293(1) of the Constitution of India. In addition to the liabilities shown in Table-25, the State guaranteed loans availed of by Government companies/corporations. These companies/corporations borrowed funds from the market/financial institutions for implementation of various State plan programmes projected outside the State budget. Although the estimates of the plan programmes of the State Government project that funds for these programmes would be met out of the resources of the companies/corporations outside the State budget, however, in reality the borrowings of many of these concerns ultimately turn out to be the liabilities of the State Government termed as 'off-budget borrowings'. Though off-budget borrowings are not permissible under Article 293 (3), the State continues to undertake such off-budget borrowings as per the data furnished by the Finance Department (August 2007). Table-26 captures the trends in the off-budget borrowings by the State during 2001-07.

**Table-26: Borrowings by the Public Sector Undertakings for Fulfillment of State Plans**

**(Rupees in crore)**

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	Total
Power Utilities	737.91	476.79	359.69	337.12	605.12	877.26	3,393.89
Rajasthan State Road Transport Corporation	36.32	51.46	62.29	74.31	95.43	68.98	388.79
Rajasthan State Road Development and Construction Corporation Limited	27.76	20.39	1.93	31.75	15.80	6.67	104.30
Public Health Engineering Department	16.61	18.21	-	-	-	-	34.82
Rajasthan State Mines and Minerals Limited	20.00	29.86	-	-	-	-	49.86
Rajasthan Housing Board	9.75	18.19	8.57	9.31	0.40	-	46.22
<b>Total</b>	<b>848.35</b>	<b>614.90</b>	<b>432.48</b>	<b>452.49</b>	<b>716.75</b>	<b>952.91</b>	<b>4,017.88</b>

### 1.9 Debt Sustainability

The debt sustainability is defined as the ability of the State to maintain a constant debt-GSDP ratio over a period of time and also embodies the concern about the ability to service its debt. Sustainability of debt therefore also refers to sufficiency of liquid assets to meet current or committed obligations and the capacity to keep balance between costs of additional borrowings with returns from such borrowings. It means that rise in fiscal deficit should match with the increase in capacity to service the debt. A prior condition for debt sustainability is the debt stabilization in terms of debt/GSDP ratio.

### 1.9.1 Debt Stabilisation

A necessary condition for stability states that if the rate of growth of economy exceeds the interest rate or cost of public borrowings, the debt-GSDP ratio is likely to be stable provided primary balances are either zero or positive or are moderately negative. Given the rate spread (GSDP growth rate - interest rate) and quantum spread (Debt\* rate spread), debt sustainability condition states that if quantum spread together with primary deficit is zero, debt-GSDP ratio would be constant or debt would stabilize eventually. On the other hand, if primary deficit together with quantum spread turns out to be negative, debt-GSDP ratio would be rising and in case it is positive, debt-GSDP ratio would eventually be falling. Trends in fiscal variables indicating the progress towards the debt stabilization are indicated in Table-27.

**Table-27: Debt Sustainability–Interest Rate and GSDP Growth**

	(in per cent)					
	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Average Interest Rate	10.5	10.0	9.6	9.1	8.2	8.3
GSDP Growth	11.1	(-) 4.2	25.5	4.7	9.5	12.7
Interest spread	0.6	(-) 14.2	15.9	(-) 4.4	1.3	4.4
Outstanding Debt (Rs in crore)	33,874	39,970	45,871	53,361	60,134	66,407
Quantum Spread (Rs in crore)	203	(-) 5,676	7,293	(-) 2,348	782	2,922
Primary Surplus (+)/ Deficit (-) (Rs in crore)	(-) 1,871	(-) 1,814	(-) 2,590	(-) 974	(+) 60	(+) 1,732

The sum of Quantum spread and Primary deficit was negative during the period 2001-05 except in the year 2003-04 in which debt-GSDP ratio marginally declined. This sum was however positive during the last two years (2005-06 and 2006-07) indicating declining trend in debt-GSDP ratio. These trends indicate that the State is moving towards the debt stabilization which in turn might improve the debt sustainability position of the State.

### 1.9.2 Sufficiency of Non-debt Receipts

Another indicator for debt stability and its sustainability is the adequacy of incremental non-debt receipts of the State to cover the incremental interest liabilities and incremental primary expenditure. The debt sustainability could be significantly facilitated if the incremental non-debt receipts could meet the incremental interest burden and the incremental primary expenditure. Table-28 indicates the resource gap as defined for the period 2001-07.

**Table-28: Incremental revenue receipts and revenue expenditure**

Period	Incremental				Resource Gap
	Non-debt Receipts	Primary Expenditure	Interest Payments	Total Expenditure	
1	2	3	4	5 (3+4)	6 (2-5)
2001-02	(-) 304	594	539	1,133	(-) 1,437
2002-03	985	928	422	1,350	(-) 365
2003-04	2,381	3,157	477	3,634	(-) 1,253
2004-05	2,300	684	395	1,079	1,221
2005-06	3,190	2,156	38	2,194	996
2006-07	5,028	3,356	492	3,848	1,180

The persistent negative resource gap indicates the non-sustainability of debt while the positive resource gap strengthens the capacity of the State to sustain the debt. While 2001-04 reflects the negative gap, 2004-07 reflects the positive gap indicating the increasing capacity of the State to sustain the debt in the medium to long run.

### 1.9.3 Net availability of Borrowed Funds

The debt sustainability of the State also depends on (i) the ratio of the debt redemption (Principal + Interest Payments) to total debt receipts and (ii) application of available borrowed funds. The ratio of debt redemption to debt receipts indicates the extent to which the debt receipts are used in debt redemption indicating the net availability of borrowed funds. The solution to the Government debt problem lies in application of borrowed funds, i.e. they are (a) not being used for financing revenue expenditure; and (b) being used efficiently and productively for capital expenditure which either provides returns directly or results in increased productivity of the economy in general which may result in increase in Government revenue.

Table-29 gives the position of the receipts and repayment of internal debt and other fiscal liabilities of the State as well as the net availability of the borrowed funds over the last five years.

**Table-29: Net Availability of Borrowed Funds**

	(Rupees in crore)					
	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
<b>Internal Debt*</b>						
Receipt	1,609	2,701	3,263	3,460	24,144	3,822
Repayment (Principal + Interest)	1,322	1,436	1,789	2,817	4,137	5,019
Net Fund Available	287	1,265	1,474	643	20,007	(-) 1,197
Net Fund Available ( <i>per cent</i> )	17.8	46.8	45.2	18.6	82.9	-
<b>Loans and Advances from GOI*</b>						
Receipt	3,673	4,787	5,762	6,522	(-) 18,649	341
Repayment (Principal + Interest)	2,334	3,757	4,994	6,234	989	1,267
Net Fund Available	1,339	1,030	768	288	(-) 19,638	(-) 926
Net Fund Available ( <i>per cent</i> )	36.5	21.5	13.3	4.4	-	-
<b>Other obligations</b>						
Receipt	25,957	32,519	36,888	41,481	45,974	54,611
Repayment (Principal + Interest)	25,717	32,158	36,151	40,810	45,281	53,510
Net Fund Available	240	361	737	671	693	1,101
Net Fund Available ( <i>per cent</i> )	0.9	1.1	2.0	1.6	1.5	2.0
<b>Total liabilities*</b>						
Receipt	31,239	40,007	45,913	51,463	51,469	58,774
Repayment (Principal + Interest)	29,373	37,351	42,934	49,861	50,407	59,796
Net Fund Available	1,866	2,656	2,979	1,602	1,062	(-) 1,022
Net Fund Available ( <i>per cent</i> )	6.0	6.6	6.5	3.1	2.1	-

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

The net funds available on account of the internal debt and loans and advances from Government of India and other obligations after providing for the interest and repayment varied turned into negative during 2006-07 from 2 per cent in 2005-06. During the current year the Government repaid internal debt of Rs 1,144 crore; Government of India loans of Rs 636 crore and also discharged other obligations of Rs 52,314 crore along with interest of Rs 5,702 crore as a result of which no borrowed funds were available. During the year, in view of the large cash balances, the focus of the Government seems to be on

discharging the past debt obligations both on account of principal and interest payments on loans raised from the market as well as from the Government of India.

## 1.10 Management of Deficits

The deficit in the Government accounts represents 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 raised and applied are important pointers to its fiscal health.

### 1.10.1 Trends in Deficits

The trends in fiscal parameters depicting the position of fiscal equilibrium in the State are presented in Table-30.

**Table-30: Fiscal Imbalances: Basic Parameters**

Parameters	(Rupees in crore)					
	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Revenue Surplus (+)/Deficit (-)	(-)3,796	(-)3,934	(-)3,424	(-)2,143	(-)660	(+) 638
Fiscal Surplus (+)/Deficit (-)	(-)5,749	(-)6,114	(-)7,367	(-)6,146	(-)5,150	(-)3,970
Primary Surplus (+)/Deficit (-)	(-)1,871	(-)1,814	(-)2,590	(-)974	(+)60	(+)1,732
RD/GSDP (per cent)	(-) 4.2	(-) 4.6	(-) 3.2	(-) 1.9	(-) 0.5	-
FD/GSDP (per cent)	(-) 6.4	(-) 7.1	(-) 6.8	(-) 5.4	(-) 4.1	(-) 2.8
PD/GSDP (per cent)	(-) 2.1	(-) 2.1	(-) 2.4	(-) 0.9	-	-
RD/FD (per cent)	66.0	64.3	46.5	34.9	12.8	-

Table-30 reveals that the revenue account experienced a situation of huge deficit during the period 2001-05 which hovered around an average of Rs 3,324 crore during these years. The deficit was reduced sharply to Rs 660 crore during 2005-06 and revenue account turned into a surplus of Rs 638 crore during the current year. The turnaround situation in revenue account during the current year was mainly on account of an increase of Rs 4,753 crore in revenue receipts (23 per cent) against the increase of Rs 3,455 crore in revenue expenditure (16 per cent). The increase in revenue receipts may however be seen in view of the booking of debt and interest relief (Rs 617.40 crore) given by GOI under DCRF for the years 2005-06 and 2006-07 under the head 'Miscellaneous General Services' and transfer of Rs 289 crore from 'Miscellaneous General Services' to non-debt capital receipts under the head 'Loans to Government Servants, etc'.

The fiscal deficit, which represents the total borrowing of the Government and its total resource gap, decreased from Rs 5,749 crore in 2001-02 to Rs 3,970 crore in 2006-07. Despite an increase of Rs 514 crore in capital expenditure and decrease of Rs 121 crore in loans and advance disbursed during the current year over the previous year, fiscal deficit was reduced by Rs 1,180 crore on account of surplus of Rs 1,298 crore in revenue account and increase of Rs 275 crore in non-debt capital receipts during 2006-07 over the previous year. FD-GSDP ratio decreased from 4.1 per cent in 2005-06 to 2.8 per cent in

2006-07 which is within the target of three *per cent* as prescribed by FRBM Act for 2008-09.

The primary deficit<sup>14</sup> which persisted in the State budget till 2004-05 also took a turnaround and resulted into a primary surplus during last two years. The primary surplus increased from Rs 60 crore in 2005-06 to Rs 1,732 crore in 2006-07.

### 1.10.2 Quality of Deficit/Surplus

The ratio of RD to FD and the decomposition of Primary deficit into primary revenue deficit<sup>15</sup> and capital expenditure (including loans and advances) would indicate the quality of deficit in the States' finances. The ratio of revenue deficit to fiscal deficit indicates the extent to which borrowed funds were used for current consumption. The ratio of RD to FD which moderately declined during 2002-05 was reduced very steeply during 2005-06 and RD was wiped out and turned into surplus during the current year. This trajectory shows a consistent improvement in the quality of the deficit and during 2006-07 all borrowings (fiscal liabilities) were used in activities resulting in expansion in the asset backup of the State.

The bifurcation of the factors resulting into primary deficit or surplus of the State during the period 2001-07 reveals (Table-31) that throughout this period, the primary deficit was on account of capital expenditure incurred and loans and advances disbursed by the State Government. In other words, non-debt receipts of the State were enough to meet the primary expenditure<sup>16</sup> requirements in the revenue account, rather left some receipts to meet the expenditure under the capital account. But the surplus non-debt receipts were not enough to meet the expenditure requirement under capital account resulting in primary deficit. This indicates the extent to which the primary deficit has been on account of enhancement in capital expenditure which may be desirable to improve the productive capacity of the State's economy.

**Table-31: Primary deficit/Surplus – Bifurcation of factors.**

(Rupees in crore)

Year	Non-debt receipts	Primary revenue expenditure	Capital expenditure	Loans and Advances	Primary Expenditure	Primary Revenue deficit(-)/ surplus (+)	Primary deficit(-)/ surplus (+)
1	2	3	4	5	6(3+4+5)	7(2-3)	8(2-6)
2001-02	12,222	12,071	1,818	204	14,093	(+) 151	(-) 1,871
2002-03	13,207	12,716	2,027	278	15,021	(+) 491	(-) 1,814
2003-04	15,588	14,071	3,181	926	18,178	(+) 1,517	(-) 2,590
2004-05	17,888	14,734	3,488	640	18,862	(+) 3,154	(-) 974
2005-06	21,078	16,289	4,295	434	21,018	(+) 4,789	(+) 60
2006-07	26,106	19,252	4,809	313	24,374	(+) 6,854	(+) 1,732

14. Primary deficit defined as the fiscal deficit net of interest payments indicates the extent of deficit which is an outcome of the fiscal transactions of the State during the course of the year.

15. Primary revenue deficit defined as gap between non-interest revenue expenditure of the State and its non-debt receipts indicates the extent to which the non-debt receipts of the State are able to meet the primary expenditure incurred under revenue account.

16. Primary expenditure of the State defined as the total expenditure net of the interest payments indicates the expenditure incurred on the transactions undertaken during the year.

## 1.11 Fiscal Ratios

The finances of a State should be sustainable, flexible and non-vulnerable. Table-32 below presents a summarised position of Government finances over 2001-07, with reference to certain key indicators that help to assess the adequacy and effectiveness of available resources and their applications, highlights areas of concern and captures its important facts.

**Table-32: Indicators of Fiscal Health**

(in per cent)

Fiscal Indicators	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
<b>I Resource Mobilization</b>						
Revenue Receipt/GSDP	13.5	15.2	14.2	15.7	16.8	18.3
Revenue Buoyancy	- 0.2*	- 1.8*	0.7	3.2	1.8	1.8
Own Tax/GSDP	6.3	7.2	6.7	7.4	8.0	8.3
Own Taxes Buoyancy	0.6	(-) 2.5	0.6	3.4	1.8	1.4
<b>II Expenditure Management</b>						
Total Expenditure/GSDP	20.0	22.4	21.2	21.2	21.1	21.5
Revenue Receipts/Total Expenditure	67.6	67.7	67.2	73.9	79.5	85.1
Revenue Expenditure/Total Expenditure	88.7	88.1	82.1	82.8	82.0	83.0
Capital Expenditure/Total Expenditure	10.1	10.5	13.9	14.5	16.4	16.0
Development Expenditure/Total Expenditure	58.7	58.8	58.9	61.0	64.3	63.9
Buoyancy of TE with RR	- 3.4*	1.0	1.1	0.3	0.5	0.6
Buoyancy of RE with RR	- 3.1*	0.9	0.6	0.4	0.5	0.7
<b>III Management of Fiscal Imbalances</b>						
Revenue surplus (+)/deficit (-) (Rs in crore)	(-) 3,796	(-) 3,934	(-) 3,424	(-) 2,143	(-) 660	(+) 638
Fiscal surplus (+)/deficit (-) (Rs in crore)	(-) 5,749	(-) 6,114	(-) 7,367	(-) 6,146	(-) 5,150	(-) 3,970
Primary surplus (+)/deficit (-) (Rs in crore)	(-) 1,871	(-) 1,814	(-) 2,590	(-) 974	(+) 60	(+) 1,732
Revenue Deficit/Fiscal Deficit	66.0	64.3	46.5	34.9	12.8	**
<b>IV Management of Fiscal Liabilities</b>						
Fiscal Liabilities/GSDP	44.4	53.2	49.3	53.0	53.5	50.8
Fiscal Liabilities/RR	328.9	350.6	346.0	338.5	318.7	278.0
Buoyancy of FL with RR	- 9.0*	1.9	0.9	0.8	0.6	0.3
Buoyancy of FL with Own Receipts	6.7	1.6	0.9	1.0	0.5	0.4
Interest spread	0.6	(-) 14.2	15.9	(-) 4.4	1.3	4.4
Net Funds Available	6.0	6.6	6.5	3.1	2.1	#
<b>V Other Fiscal Health Indicators</b>						
Return on Investment	0.2	0.3	0.1	0.9	0.5	0.2
Balance from Current Revenue (Rs in crore)	- 2,692	- 3,045	- 2,948	- 1,368	405	2,204
Financial Assets/Liabilities	0.59	0.56	0.56	0.57	0.60	0.64

\* Either rate of growth of Revenue Receipts or GSDP was negative.

\*\* Revenue surplus.

# Net funds available are negative.

The ratio of revenue receipts and State's own taxes to GSDP indicate the adequacy of the resources. The buoyancy of the revenue receipts indicates the nature of the tax regime and the State's increasing access to resources. Revenue receipts are comprised not only of the tax and non-tax resources of



the State but also the transfers from Union Government. The ratio of revenue receipts to GSDP during the current year was 18 *per cent*, an increase of one percentage points over the previous year. During 2001-07, the ratio of own taxes to GSDP showed continued improvement except in 2003-04 when it declined marginally.

Various ratios concerning the expenditure management of the State indicate quality of its expenditure and sustainability of these in relation to its resource mobilization efforts. The ratio of revenue expenditure to total expenditure during the current year was 83 *per cent*, an increase of one percentage points over the previous year. Increasing reliance on revenue receipts to finance the total expenditure which was 85 *per cent* during 2006-07 indicated decreasing dependence on borrowed funds, as also reflected by the decreasing ratio of financial liabilities to revenue receipts.

Revenue surplus and significant decline in fiscal deficit during 2006-07 indicated an improvement in fiscal position of the State. The Balance from Current Revenue which became positive during 2005-06 was Rs 2,204 crore during 2006-07 as compared to Rs 405 crore in 2005-06 indicating ample funds were available for creation of assets and to meet State plan schemes.

### **1.12 Conclusion**

During 2006-07, Government succeeded in taking appropriate measures to eliminate revenue deficit and build up revenue surplus and also contain fiscal deficit to three *per cent* ahead of two years than stipulated in FRBM Act, 2005. The revenue surplus of Rs 638 crore during current year was due to increase in revenue receipts by 23 *per cent* against 16 *per cent* increase in revenue expenditure over the previous year. The increase in revenue receipts may however be seen in view of the booking of debt and interest relief (Rs 617.40 crore) given by GOI under DCRF for the years 2005-06 and 2006-07 under the head 'Miscellaneous General Services' and transfer of Rs 289 crore from 'Miscellaneous General Services' to non-debt capital receipts under the head 'Loans to Government Servants, etc'. The negligible return on government investments (less than one per cent) especially in the power sector and inadequate recovery of interest receipts on loans and advances vis-à-vis the higher cost of the borrowed funds, directly or indirectly put the strain on the fiscal budget of the state and therefore continued to be a cause of concern.