

## 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 layout 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 2007-08 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 2007-08**

(Rupees in crore)							
2006-07	Receipts	2007-08	2006-07	Disbursements	2007-08		
<b>Section-A: Revenue</b>							
					<b>Non Plan</b>	<b>Plan</b>	<b>Total</b>
<b>25,592.18</b>	<b>Revenue receipts</b>	<b>30,780.62</b>	<b>24,953.80</b>	<b>Revenue expenditure</b>	<b>23,993.97</b>	<b>5,133.67</b>	<b>29,127.64</b>
11,608.24	Tax revenue	13,274.73	10,348.78	General services	10,779.68	142.59	10,922.27
3,430.61	Non-tax revenue	4,053.93	8,934.53	Social services	8,280.89	1,919.13	10,200.02
6,760.37	Share of Union Taxes/Duties	8,527.60	5,662.93	Economic services	4,916.85	3,071.95	7,988.80
3,792.96	Grants from Government of India	4,924.36	7.56	Grants-in-aid and Contributions	16.55	-	16.55
<b>Section-B: Capital</b>							
-	Miscellaneous Capital Receipts	1.16	4,809.37	Capital Outlay	944.28	5,611.27	6,555.55
513.90	Recoveries of Loans and Advances	1,780.73	312.64	Loans and Advances disbursed	89.01	198.68	287.69
4,222.14	Public debt receipts*	5,063.34	1,780.42	Repayment of Public Debt*	-	-	1,845.81
-	Contingency Fund	-	-	Contingency Fund	-	-	-
58,456.69	Public Account receipts	77,596.56	55,859.08	Public Account disbursements	-	-	74,734.69
1,552.76	Opening Cash Balance	2,622.36	2,622.36	Closing Cash Balance	-	-	5,293.39
<b>90,337.67</b>	<b>Total</b>	<b>1,17,844.77</b>	<b>90,337.67</b>	<b>Total</b>			<b>1,17,844.77</b>

\* Includes net Ways and Means Advances and Overdraft

Following are the significant changes during 2007-08 over the previous year:

- Revenue receipts grew by Rs 5,189 crore (20 per cent) over the previous year. The increase was mainly contributed by tax revenue (Rs 1,667 crore), Non-tax revenue (Rs 623 crore), State's share of Union Taxes and Duties (Rs 1,768 crore) and Grants-in-aid from Government of India (Rs 1,131 crore).
- Revenue expenditure increased by Rs 4,174 crore over the previous year. The increase was mainly under Power (Rs 1,321 crore), Urban Development (Rs 620 crore), General Education (Rs 481 crore), Pensions and Other Retirement Benefits (Rs 448 crore), Secretariat-Economic Services (Rs 413 crore), Other Rural Development Programmes (Rs 289 crore) and Interest Payments (Rs 241 crore).
- Capital expenditure increased by Rs 1,746 crore over the previous year mainly on account of transfer of Rs 822 crore from the Consolidated Fund of the State to Rajasthan State Investment Fund created in Public Account, Water Supply and Sanitation (Rs 690 crore), Power Projects (Rs 364 crore), partly offset by a decline of Rs 465 crore in Integrated Development of Small and Medium Towns under Urban Development.
- Sharp increase in recovery of loans and advances were reported during current year (Rs 1,781 crore) compared to the previous year (Rs 514 crore). This was mainly due to recovery of loans amounting to Rs 1,588 crore from Power Projects partly offset by fall in recovery of loans (Rs 323 crore) from loan to Government servants (Rs 290 crore) and Agriculture and Allied Activities (Rs 33 crore). The recovery of loans from Power Projects was only a book adjustment as loan amount of Rs 1,666 crore outstanding against erstwhile Rajasthan State Electricity Board (RSEB) was adjusted as subsidies to erstwhile RSEB during the year.
- Public Debt receipts increased by Rs 841 crore and repayment of Public Debt increased by Rs 66 crore over the previous year. Thus, net receipt increase during the year was Rs 775 crore.
- Public Account receipts and disbursements increased by Rs 19,139 crore and Rs 18,876 crore respectively over the previous year. Thus, net receipt increase during the year was Rs 263 crore.
- Cash balance of the State increased by Rs 2,671 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)

2006-07	S. No.	Major Aggregates	2007-08
<b>25,592</b>	<b>1.</b>	<b>Revenue Receipts (2+3+4)</b>	<b>30,781</b>
11,608	2.	Tax Revenue (Net)	13,275
3,431	3.	Non-Tax Revenue	4,054
10,553	4.	Other Receipts	13,452
<b>514</b>	<b>5.</b>	<b>Non-Debt Capital Receipts</b>	<b>1,782</b>
514	6.	<i>Of which</i> Recovery of Loans	1,781
<b>26,106</b>	<b>7.</b>	<b>Total Receipts (1+5)</b>	<b>32,563</b>
<b>21,311</b>	<b>8.</b>	<b>Non-Plan Expenditure</b>	<b>25,027</b>
21,154	9.	On Revenue Account	23,994
5,702	10.	<i>Of which</i> Interest Payments	5,943
142	11.	On Capital Account	944
15	12.	On Loans disbursed	89
<b>8,765</b>	<b>13.</b>	<b>Plan Expenditure</b>	<b>10,944</b>
3,800	14.	On Revenue Account	5,134
4,667	15.	On Capital Account	5,611
298	16.	On Loans disbursed	199
<b>30,076</b>	<b>17.</b>	<b>Total Expenditure (13+8)</b>	<b>35,971</b>
(+) 638	18.	Revenue Surplus (+)/Deficit (-) [(1)-(9+14)]	(+) 1,653
(-) 3,970	19.	Fiscal Surplus (+)/Deficit (-) [(1+5)-(17)]	(-) 3,408
(+) 1,732	20.	Primary Surplus (+)/Deficit (-) [(1+5)-(17-10)]	(+) 2,535

During the current year revenue receipts increased by 20 per cent (Rs 5,189 crore) while revenue expenditure increased by 17 per cent (Rs 4,174 crore) over the previous year resulting an increase of Rs 1,015 crore in Revenue surplus during 2007-08 over previous year. Given the increment in revenue surplus and the increase of Rs 1,268 crore in non-debt capital receipts and the net increase of Rs 1,721 crore in capital expenditure and loan and advances disbursed during 2007-08 over the previous year resulted into a decline of Rs 562 crore in fiscal deficit during the current year. The decline in fiscal deficit accompanied with an increase of Rs 241 crore in interest payments during 2007-08 over the previous year led to an increase of Rs 803 crore in a primary surplus 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 2003-08 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**

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
GSDP (Rs in crore)	88,550	1,11,606	1,15,288	1,24,224*	1,42,036 <sup>\$</sup>	1,59,515 <sup>#</sup>
Rate of Growth of GSDP (in per cent)	- 2.0	26.0	3.3	7.8*	14.3 <sup>\$</sup>	12.3 <sup>#</sup>

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

\* Provisional Estimates

\$ Quick Estimates

# Advance Estimates

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:

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.

- reduce revenue deficit to zero within a period of four financial years beginning 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 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) 2007-08**

As prescribed in the Act, the State Government has laid the following statement(s) of fiscal policy along with the budget before the legislature during 2007-08:

- Fiscal Policy Strategy (FPS) statement containing an overview of the Fiscal Policy for the ensuing year relating to taxation, expenditure, borrowings, strategic priorities and measures for restructuring the State finances as recommended by the Twelfth Finance Commission (TFC).
- Medium Term Fiscal Policy Statement (MTFPS) prescribing fiscal targets and assumptions for achieving them.

The State Government in its MTFPS projected its own tax revenue at Rs 12,913 crore and non-tax revenue at Rs 3,384 crore for the year 2007-08 (BE). The State Government also projected the growth rate of 41.5 *per cent* and 8.5 *per cent* for the plan and non-plan revenue expenditure respectively for the year 2007-08 over the previous year. The growth rates of salaries and pension payments were projected at 13 *per cent* and 14 *per cent* respectively.

#### **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 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 2007-08 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 2007-08**

**(Rupees in crore and others in per cent)**

Fiscal variables	2007-08			
	TFC/FRBM Act	FCP	MTFPS	Actuals
Revenue deficit (-)/Surplus (+) (Rs in crore)	0.0 (31.03.2009)	(-) 736	(+) 215	(+) 1,653
Revenue deficit /Revenue Receipts (in per cent)	0.0 (31.03.2009)	2.87	-	Revenue Surplus
Fiscal deficit (FD) (Rs in crore)	-	(-) 6,146	(-) 5,322	(-) 3,408
FD/GSDP ratio	3.0 or below	3.9	3.5	2.1
Ratio of Outstanding Debt liabilities* to total receipts of CFS (per cent)	Not to exceed 200 per cent	-	173	158

\* Debt Liabilities means total outstanding debt excluding public account and risk weighted outstanding guarantees.

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 2007-08. 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 1,653 crore and fiscal deficit of Rs 3,408 crore which was 2.1 per cent of GSDP. The ratio of outstanding debt liabilities (excluding public account and risk weighted outstanding guarantees in a year) during 2007-08 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 308.70 crore from Government of India under Debt Consolidation and Relief Facility<sup>2</sup> for the year 2007-08.

### 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

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.

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 2007-08 were Rs 1,15,222 crore. Of these, the revenue receipts were Rs 30,781 crore, constituting 27 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	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
<b>I Revenue Receipts</b>	<b>13,082</b>	<b>15,424</b>	<b>17,763</b>	<b>20,839</b>	<b>25,592</b>	<b>30,781</b>
<b>II Capital Receipts</b>	<b>7,811</b>	<b>9,189</b>	<b>10,107</b>	<b>5,734</b>	<b>4,736</b>	<b>6,845</b>
Recovery of Loans and Advances	125	159	125	238	514	1,781
Public Debt Receipts	7,686	9,025	9,982	5,495	4,222	5,063
Miscellaneous Capital Receipts	-	5	-	1	-	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>34,592</b>	<b>39,459</b>	<b>44,156</b>	<b>49,189</b>	<b>58,457</b>	<b>77,596</b>
a. Small Savings, Provident Fund etc.	1,918	2,160	2,177	2,471	2,611	2,844
b. Reserve Fund	837	1,037	830	589	1,446	2,148
c. Deposits and Advances	29,787	33,741	38,533	42,951	50,587	67,279
d. Suspense and Miscellaneous	19	67	38	38	74	159
e. Remittances	2,031	2,454	2,578	3,140	3,739	5,166
<b>Total Receipts</b>	<b>55,485</b>	<b>64,072</b>	<b>72,026</b>	<b>75,762</b>	<b>88,785</b>	<b>1,15,222</b>

The revenue and capital (including Public Account receipts) receipts constituted 27 per cent and 73 per cent of total receipts respectively. The total receipts of the State increased from Rs 55,485 crore in 2002-03 to Rs 1,15,222 crore in 2007-08. The Debt capital receipts which create future repayment obligation decreased from Rs 7,686 crore in 2002-03 to Rs 5,063 crore in 2007-08. The recovery of loans and advances has improved by Rs 1,267 crore over the previous year mainly due to book adjustment of loans amounting to Rs 1,666 crore because of erstwhile Rajasthan State Electricity Board (RSEB).

Deposits and Advances constitute about 87 per cent of the total receipts under Public Account. Major share of the Deposits and Advances (Rs 54,560 crore: 81 per cent) were in the form of working funds of five companies formed after the dismantling of RSEB and channelized through the 'Minor Head 107 - State Electricity Boards Working Funds'. Similarly, 93 per cent (Rs 4,793 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)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Revenue Receipts (RR)	13,082	15,424	17,763	20,839	25,592	30,781
Own Taxes ( <i>per cent</i> )	6,253 (47.8)	7,246 (47.0)	8,415 (47.4)	9,880 (47.4)	11,608 (45.4)	13,275 (43.1)
Non-Tax Revenue ( <i>per cent</i> )	1,569 (12.0)	2,072 (13.4)	2,146 (12.1)	2,738 (13.2)	3,431 (13.4)	4,054 (13.2)
Central Tax Transfers ( <i>per cent</i> )	3,063 (23.4)	3,602 (23.4)	4,305 (24.2)	5,300 (25.4)	6,760 (26.4)	8,528 (27.7)
Grants-in-aid ( <i>per cent</i> )	2,197 (16.8)	2,504 (16.2)	2,897 (16.3)	2,921 (14.0)	3,793 (14.8)	4,924 (16.0)
Rate of growth of RR ( <i>per cent</i> )	7.6	17.9	15.2	17.3	22.8	20.3
Rate of growth of State's own taxes	10.3	15.9	16.1	17.4	17.5	14.4
RR/GSDP ( <i>per cent</i> )	14.8	13.8	15.4	16.8	18.0	19.3
Revenue Buoyancy (ratio)	(-) 3.8*	0.7	4.6	2.2	1.6	1.7
State's own taxes Buoyancy (ratio)	(-) 5.2*	0.6	4.9	2.2	1.2	1.2
Revenue Buoyancy with reference to State's own taxes (ratio)	0.7	1.1	0.9	1.0	1.3	1.4
GSDP Growth ( <i>per cent</i> )	(-) 2.0	26.0	3.3	7.8	14.3	12.3

\* Rate of growth of GSDP was negative.

**General Trends:**

The revenue receipts have shown a progressive increase over the period 2002-08 with only marginal changes in its composition i.e. the share of Own taxes, non-tax revenue and Central transfers in revenue exhibited relative stability during the period 2003-08 with marginal inter-year variations. The increase of 20 *per cent* in Revenue Receipts during 2007-08 was on account of increase in State's own taxes (14.4 *per cent*), non-tax revenue (18.2 *per cent*), Central tax transfers (26.2 *per cent*) and Grant-in-aid (29.8 *per cent*).

**Tax Revenue:**

The tax revenue was increased by 14.4 *per cent* during the current year (Rs 13,275 crore) over previous year (Rs 11,608 crore). The revenue from Taxes on Sales not only contributed major share of tax revenue (58 *per cent*) but also increased by 15 *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 on account of extending the coverage of sales tax to incorporate lubricants, yellow cloth, fan belts, etc. under the composition scheme announced by the State government during the year. The State Excise, Stamps and Registration Fees and Taxes on Vehicles remained other major contributors in the State's tax revenue. The State excise increased by Rs 214 crore over the previous year mainly due to more receipt from sale of country spirits, malt liquor and foreign liquor and spirits while the Stamps and Registration Fees increased by Rs 250 crore over the previous year mainly due to more receipts from sale of non-judicial stamps and duty on impressing of documents. Table-7 below shows the trends and composition of tax revenue during 2002-08.



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

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Taxes on Sales, Trade etc.	3,438	3,986	4,798	5,594	6,721	7,751
State Excise	1,142	1,163	1,276	1,522	1,591	1,805
Taxes on Vehicles	646	904	817	908	1,024	1,164
Stamps and Registration Fees	516	612	818	1,032	1,294	1,544
Other Taxes	511	581	706	824	978	1,011*
<b>Total</b>	<b>6,253</b>	<b>7,246</b>	<b>8,415</b>	<b>9,880</b>	<b>11,608</b>	<b>13,275</b>

\* It includes Taxes and Duties on Electricity: Rs 584 crore, Taxes on Goods and Passengers: Rs 161 crore and Land Revenue Rs 155 crore.

**Non-Tax Revenue:**

The non-tax revenue which constituted 13.2 *per cent* of total revenue receipts increased by Rs 623 crore during 2007-08 recording a growth rate of 18 *per cent* over previous year. The transfer of Rs 350 crore on account of winding up of Sinking Fund under Public Account to Consolidated Fund of the State as receipts from Miscellaneous General Services; an increase of Rs 82 crore on account of sale of land and property; an increase of Rs 46 crore in interest receipts as book adjustment from Departmental Irrigation Projects; Rs 48 crore as receipts from other governments due to supply of police force to them mainly resulted an increase of non-tax revenue during the year. The cost<sup>3</sup> of non-tax revenue under social services and economic services were three *per cent* and 30 *per cent* respectively during the year.

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 MTFPS are given below:

**(Rupees in crore)**

	Assessments made by TFC	Assessments made by State Government in FCP	Budget Estimates	Actual
State's Tax Revenue	12,675	12,431	12,913	13,275
State's Own Non-Tax Revenue	2,167	2,766	3,384	4,054

The tax revenue as well as the non-tax revenue receipts in 2007-08 exceeded normative assessments made by TFC by 4.7 *per cent* and by 87.1 *per cent* respectively. Actual realisation also exceeded the assessments made by the State Government in its FCP as well as Budget Estimates for 2007-08.

**Central Tax Transfers:**

The Central tax transfers increased by Rs 1,768 crore over the previous year and constituted 28 *per cent* of revenue receipts. The increase was mainly under Corporation Tax (Rs 596 crore), Taxes on Income other than Corporation Tax (Rs 535 crore), Customs (Rs 293 crore) and Service Tax (Rs 203 crore).

## 3. Cost on non-tax revenue arrived as under:

For Social Services: Receipts under social services/Non-plan revenue expenditure under social services (Rs 285 crore/Rs 8,281 crore) and For Economic Services: Receipts under economic services/Non-plan revenue expenditure under economic services (Rs 1,491 crore/Rs 4,917 crore).

**Grants-in-aid:**

The Grants-in-aid from GOI increased (Rs 1,131 crore) from Rs 3,793 crore in 2006-07 to Rs 4,924 crore in 2007-08. The increase was under Grants for State/Union Territory Plan schemes (Rs 640 crore) and Grants for Centrally Sponsored Plan schemes (Rs 632 crore) partly offset by decrease in Non-Plan Grants (Rs 158 crore). As per the recommendations of TFC, the GOI released Rs 451.48 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 10 crore), historical monuments maintenance (Rs 12.50 crore), maintenance of Forests (Rs 5 crore), Indira Gandhi Nahar Project (Rs 113 crore) and drinking water scarcity in border and desert districts (Rs 99.38 crore). Details of Grants-in-aid from GOI are given in Table-8.

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

(Rupees in crore)						
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Grants for State Plan schemes	617	924	1,019	877	1,128	1,768
Non-Plan Grants	814	749	930	855	1,209	1,051
Grants for Central, Centrally Sponsored Plan schemes and Special Plan schemes	766	831	948	1,189	1,456	2,105
Total	2,197	2,504	2,897	2,921	3,793	4,924
Percentage of increases/decrease over previous year	5.1	14.0	15.7	0.8	29.9	29.8

The Grants for State Plan schemes increased by Rs 640 crore over the previous year. The increase was mainly due to more receipt under Block Grants (Rs 310 crore) and Central assistance under Backwards Regions Grant Fund (Rs 188 crore).

The Grants for Central, Centrally Sponsored Plan schemes and Special Plan schemes increased by Rs 649 crore over the previous year. The increase was mainly due to more receipt under Rural Water Supply Programmes (Rs 361 crore) and Mid-Day Meal *Yojana* (Rs 207 crore).

**Revenue Arrears**

The arrears of revenue were increased by 79 per cent from Rs 2,249 crore in 2002-03 to Rs 4,024 crore at the end of 2007-08. Of these, Rs 961 crore was outstanding for a period of more than five years. The arrears of revenue were increased by Rs 701 crore during 2007-08 over the previous year. Arrears were mainly in respect of Taxes on Sales, Trade, etc. (Rs 2,995 crore), Taxes on immovable property other than agriculture (Rs 227 crore), State Excise (Rs 223 crore), Major and medium irrigation (Rs 129 crore), Miscellaneous General Services- Sale of Land (Rs 127 crore) and Non-ferrous mining and metallurgical industries (Rs 101 crore).

## 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 19,321 crore in 2002-03 to Rs 35,971 crore in 2007-08. 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)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Total expenditure (TE)*	19,321	22,955	24,034	26,228	30,076	35,971
of which						
Revenue Expenditure	17,016	18,848	19,906	21,499	24,954	29,128
Capital Expenditure	2,027	3,181	3,488	4,295	4,809	6,555
Loans and Advances	278	926	640	434	313	288
Rate of Growth of TE	7.5	18.8	4.7	9.1	14.7	19.6
TE/GSDP (Ratio)	21.8	20.6	20.8	21.1	21.2	22.6
RR/TE (Ratio)	67.7	67.2	73.9	79.5	85.1	85.6
Buoyancy of Total Expenditure with reference to:						
GSDP (ratio)	(-) 3.8**	0.7	1.4	1.2	1.0	1.6
RR (ratio)	1.0	1.1	0.3	0.5	0.6	1.0

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

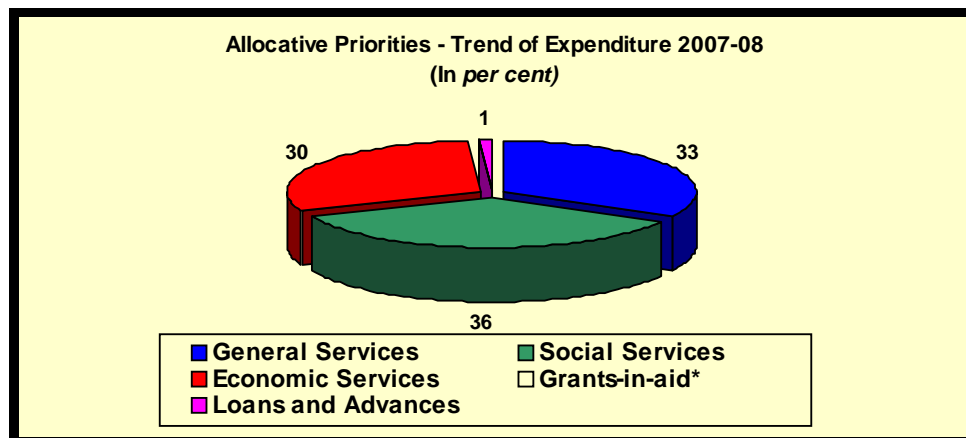
\*\* Rate of growth of GSDP was negative.

The total expenditure during the current year increased by Rs 5,895 crore over the previous year of which revenue expenditure shared Rs 4,174 crore and capital expenditure contributed Rs 1,746 crore (mainly on account of Rs 944 crore under Plan head), partly offset by decrease in repayment of loans and advances of Rs 25 crore. The revenue expenditure and capital expenditure increased by 17 per cent and 36 per cent respectively during the year over the previous year. Similarly, the plan and non-plan component increased by 25 per cent and 18 per cent respectively during the year relative to the projections of 17 per cent and eight per cent made by the State Government in MTFPS for 2007-08. During the current year, 86 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 1.6 in 2007-08 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)					
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
<b>General Services</b>	39.8	37.0	36.3	34.1	35.0	33.1
Of which, Interest payments	22.3	20.8	21.5	19.9	19.0	16.5
<b>Social Services</b>	38.0	37.0	36.2	37.1	37.6	36.1
<b>Economic Services</b>	20.8	22.0	24.8	27.2	26.3	29.9
<b>Grants-in-aid</b>	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	0.1
<b>Loans and Advances</b>	1.4	4.0	2.7	1.6	1.1	0.8
<b>Total</b>	100.0	100.0	100.0	100.0	100.0	100.00



\*0.046 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 38 per cent in 2002-03 to 33 per cent and 36 per cent in 2007-08 respectively, the relative share of economic service increased from 21 per cent in 2002-03 to 30 per cent in 2007-08 mainly due to increase in revenue expenditure amounting to Rs 1,666 crore on account of book adjustment shown under Power sector. The share of interest payments was lowest at 17 per cent in 2007-08. Expenditure considered as non-developmental on general services, alone accounted for 33.1 per cent in 2007-08 as against 35 per cent in 2006-07. On the other hand, developmental expenditure i.e., expenditure on social and economic services together accounted for 66 per cent in 2007-08 as against 63.9 per cent in 2006-07.

### 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)**

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Revenue Expenditure (RE)	17,016	18,848	19,906	21,499	24,954	29,128
Of which						
Non-Plan Revenue Expenditure (NPRE)	14,744	16,617	17,164	18,368	21,154	23,994
Plan Revenue Expenditure (PRE)	2,272	2,231	2,742	3,131	3,800	5,134
<b>Rate of Growth and Ratios (per cent)</b>						
Rate of Growth of RE	6.7	10.8	5.6	8.0	16.1	16.7
Rate of Growth of NPRE	7.1	12.7	3.3	7.0	15.2	13.4
Rate of Growth of PRE	3.9	(-) 1.8	22.9	14.2	21.4	35.1
NPRE/GSDP (per cent)	16.7	14.9	14.9	14.8	14.9	15.0
NPRE as per cent of TE	76.3	72.4	71.4	70.0	70.3	66.7
NPRE as per cent of RR	112.7	107.7	96.6	88.1	82.7	78.0
NPRE as per cent of RE	86.6	88.2	86.2	85.4	84.8	82.4
<b>Buoyancy of Revenue Expenditure with</b>						
GSDP (ratio)	(-) 3.4*	0.4	1.7	1.0	1.1	1.4
Revenue Receipts (ratio)	0.9	0.6	0.4	0.5	0.7	0.8

\* Rate of growth of GSDP was negative.

The revenue expenditure increased by 71 per cent from Rs 17,016 crore in 2002-03 to Rs 29,128 crore in 2007-08. The NPRE has shown consistent increase at an average rate of 10 per cent over the period and continued to share the dominant proportion varying in the narrow range of 82 to 88 per cent of the revenue expenditure during the period 2003-08. The rate of growth in Plan expenditure which showed wide fluctuations during the period 2002-08 increased by 35 per cent (Rs 1,334 crore) in 2007-08 but was below the projected increase of 41.5 per cent in MTFPS for 2007-08.

The increase in NPRE during the current year was mainly due to enhanced subsidies of Rs 1,666 crore to erstwhile Rajasthan State Electricity Board (RSEB) adjusted against the recovery of outstanding loans from Power Projects during the year, special grants to Municipal Corporations and Municipalities/Municipal Councils under Urban Development (Rs 600 crore), Pensions and other Retirement Benefits (Rs 448 crore), assistance to Local Bodies for Primary Education, Government Primary Schools and Government Secondary Schools (Rs 408 crore), Interest Payments (Rs 241 crore) and Medical and Public Health (Rs 89 crore).

The increase in PRE by Rs 1,334 crore over previous year was mainly due to increase in transfer of Rs 432 crore to Rajasthan Development and Poverty Eradication Fund under Public Account, increase in assistance to *Zila Parishads*/District Level Panchayats for Backward District Development Fund (Rs 275 crore), increased expenditure on National Rural Employment Guarantee Scheme under Rural Employment (Rs 140 crore), Special Component Plan for Scheduled Castes (Rs 36 crore), Welfare of Scheduled Tribes under Education (Rs 20 crore), Non-formal education (Rs 113 crore) and Crop Insurance (Rs 33 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	19,889	22,263	23,242	23,994

The actual NPRE exceeded the normative assessment made by TFC by Rs 4,105 crore and the assessment made by the State Government both in its FCP and MTFPS for the year 2007-08 by Rs 1,731 crore and Rs 752 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	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Expenditure on Salaries and Wages	5,311	5,791	6,150	6,892	7,374	8,072 <sup>s</sup>
Of which						
Non-Plan Head	5,006	5,442	5,767	6,398	6,863	7,579
Plan Head*	305	349	383	494	511	493
RE net of Interest Payments and Pensions	11,033	12,229	13,108	14,638	17,136	20,621
As per cent of RE, net of Interest Payments and Pensions	48.1	47.4	46.9	47.1	43.0	39.1
As per cent of GSDP	6.0	5.2	5.3	5.5	5.2	5.1
As per cent of RR	40.6	37.5	34.6	33.1	28.8	26.2

\$ Salaries: Rs 7,774 crore (Finance Accounts) + Wages: Rs 298 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 7,579 crore and Rs 493 crore respectively. The expenditure on salary and wages at 39 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 7,774 crore is however, marginally higher than the assessment made by the State Government in its FCP (Rs 7,750 crore) and Budget Estimates (Rs 7,654 crore) for the year 2007-08.

#### 1.4.3.2 Pension Payments

The year-wise break up of expenditure incurred on pension payments during 2002-08 is indicated in Table-13.

**Table-13: Expenditure on Pensions**

(Rupees in crore)						
Heads	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Expenditure on Pensions	1,683	1,842	1,626	1,651	2,116	2,564
Rate of Growth	(-) 0.1	9.4	(-) 11.7	1.5	28.2	21.2
As per cent of GSDP	1.9	1.7	1.4	1.3	1.5	1.6
As per cent of RR	12.9	11.9	9.2	7.9	8.3	8.3
As per cent of RE	9.9	9.8	8.2	7.7	8.5	8.8

The pension payments during current year have increased by Rs 448 crore recording a growth rate of 21 per cent over the previous year. The increase in expenditure under pension was due to increase in number of pensioners by

10,329 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 767 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	1,797	2,558	2,655	2,564

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 2002-08 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)				
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
2007-08	30,781	29,128	5,943	19.3	20.4

The major source of borrowings is market loans at the interest rate varying from six *per cent* to 10 *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 110 crore), interest on small savings, provident funds etc. (Rs 101 crore). However, the interest payments (Rs 5,943 crore) made during the year remained lower than the projections made in TFC (Rs 6,075 crore), MTFPS (Rs 6,126 crore) and assessment made by State Government in FCP (Rs 6,163 crore) for the year 2007-08.

### 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	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
1	Power Sector	422.64	980.16	1,178.46	1,129.22	1,233.68	3,035.13
2	Others	9.82	20.10	20.79	25.81	20.21	70.00
	<b>Total</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>	<b>3,105.13*</b>
	Percentage of Subsidy in total expenditure	2.2	4.4	5.0	4.4	4.2	8.4

\* As per Finance Accounts 2007-08

Out of total subsidies of Rs 3,105.13 crore, the subsidy of Rs 3,035.13 crore (97.7 per cent) alone was paid to the power sector. The subsidies to power sector increased by Rs 1,801 crore during the current year mainly due to enhanced subsidies of Rs 1,666 crore to erstwhile Rajasthan State Electricity Board (RSEB) adjusted against the recovery of outstanding loans from Power Projects during the year. The subsidy of power sector during the year 2007-08 was Rs 2,024 crore higher than the assessment made by the State Government in FCP for 2007-08 (Rs 1,011 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 2002-08.

**Table-17: Indicators of Quality of Expenditure**

		(Rupees in crore)					
		2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
<b>Capital Expenditure</b>		2,027	3,181	3,488	4,295	4,809	6,555
<b>Revenue Expenditure</b>		17,016	18,848	19,906	21,499	24,954	29,128
<i>Of which</i>							
Social and Economic Services with		9,371	10,399	11,253	12,677	14,597	18,189
(i) Salary and Wage Component*		3,988 (42.6)	4,347 (41.8)	4,569 (40.6)	5,176 (40.8)	5,536 (37.9)	6,059 (33.3)
(ii) Non-Salary and Wage Component		5,383 (57.4)	6,052 (58.2)	6,684 (59.4)	7,501 (59.2)	9,061 (62.1)	12,130 (66.7)
<b>As per cent of Total Expenditure **</b>							
Capital Expenditure		10.5	13.9	14.5	16.4	16.0	18.2
Revenue Expenditure		88.1	82.1	82.8	82.0	83.0	81.0
<b>As per cent of GSDP</b>							
Capital Expenditure		2.3	2.9	3.0	3.5	3.4	4.1
Revenue Expenditure		19.2	16.9	17.3	17.3	17.6	18.3

\* Excluding salary and wage component of Grant-in-aid.

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

The capital and revenue expenditure of the State for the year 2007-08 were Rs 6,555 crore and Rs 29,128 crore respectively constituting 18 per cent and



81 per cent of the total expenditure. The capital expenditure exhibited an increasing trend during the period 2003-08 and increased by 36 per cent during 2007-08. The sharp increase in current year was however on account of transfer of Rs 822 crore from the Consolidated Fund of the State to Rajasthan State Investment Fund created in Public Account which was classified as capital expenditure in Finance Accounts of the State. However, within the revenue expenditure incurred on social and economic services, the share of salary and wage component declined from 43 per cent in 2002-03 to 33 per cent in 2007-08 while the share of non-salary components has exhibited the increasing trend during the period. As major part of incremental capital and non-salary component of revenue expenditure during the current year was observed to be on account of book adjustments under various heads, it is difficult to make an observation on the quality of expenditure on the basis of trends emerging from Table-17.

### 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 2002-08.

Table-18: Expenditure on Social Services

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
<b>General Education</b>						
<b>Revenue Expenditure</b>	3,242	3,565	3,870	4,565	4,828	5,310
<i>Of which</i>						
(a) Salary and Wage Component*	2,125	2,328	2,454	2,867	3,068	3,337
(b) Non-Salary and Wage Component	1,117	1,237	1,416	1,698	1,760	1,973
<b>Capital Expenditure</b>	19	16	11	23	26	33
<b>Total</b>	<b>3,261</b>	<b>3,581</b>	<b>3,881</b>	<b>4,588</b>	<b>4,854</b>	<b>5,343</b>
<b>Health and Family Welfare</b>						
<b>Revenue Expenditure</b>	899	1,014	1,049	1,137	1,246	1,429
<i>Of which</i>						
(a) Salary and Wage Component*	720	780	839	921	984	1,088
(b) Non-Salary and Wage Component	179	234	210	216	262	341
<b>Capital Expenditure</b>	14	19	29	66	67	96
<b>Total</b>	<b>913</b>	<b>1,033</b>	<b>1,078</b>	<b>1,203</b>	<b>1,313</b>	<b>1,525</b>
<b>Water Supply, Sanitation, Housing and Urban Development</b>						
<b>Revenue Expenditure</b>	1,399	952	1,023	1,071	1,096	1,747
<i>Of which</i>						
(a) Salary and Wage Component*	323	357	383	422	456	510
(b) Non-Salary and Wage Component	1,076	595	640	649	640	1,237
<b>Capital Expenditure</b>	652	1,236	1,439	1,552	2,110	2,475
<b>Total</b>	<b>2,051</b>	<b>2,188</b>	<b>2,462</b>	<b>2,623</b>	<b>3,206</b>	<b>4,222</b>
<b>Other Social Services</b>						
<b>Revenue Expenditure</b>	1,046	1,611	1,206	1,221	1,764	1,714
<i>Of which</i>						
(a) Salary and Wage Component*	205	223	235	252	269	302
(b) Non-Salary and Wage Component	841	1,388	971	969	1,495	1,412
<b>Capital Expenditure</b>	66	66	69	98	176	196
<b>Total</b>	<b>1,112</b>	<b>1,677</b>	<b>1,275</b>	<b>1,319</b>	<b>1,940</b>	<b>1,910</b>

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
<b>Total (Social Services)</b>						
<b>Revenue Expenditure</b>	6,586	7,142	7,148	7,994	8,934	10,200
<i>Of which</i>						
(a) Salary and Wage Component*	3,373	3,688	3,911	4,462	4,777	5,237
(b) Non-Salary and Wage Component	3,213	3,454	3,237	3,532	4,157	4,963
<b>Capital Expenditure</b>	751	1,337	1,548	1,739	2,379	2,800
<b>Grand Total</b>	<b>7,337</b>	<b>8,479</b>	<b>8,696</b>	<b>9,733</b>	<b>11,313</b>	<b>13,000</b>

\* Excluding salary and wage component of Grant-in-aid.

The allocation to social sector increased from Rs 7,337 crore in 2002-03 to Rs 13,000 crore in 2007-08 indicating the Government commitment to improve social well being of the society. Expenditure on Social Sector during current year (Rs 13,000 crore) accounted for 36 *per cent* of total expenditure and 55 *per cent* of developmental expenditure<sup>4</sup>. Expenditure on General Education increased by Rs 489 crore over the previous year mainly due to increased expenditure in Assistance to Local Bodies for Primary Education (Rs 110 crore), Government Primary Schools, Non-Formal Education and Government Secondary Schools while the increase in expenditure on Health and Family Welfare (Rs 212 crore) was mainly under Urban Health Services-Allopathy (Hospital and Dispensaries) and Public Health (Prevention and Control of Diseases). Non-salary and wages component on Water Supply and Sanitation, Housing and Urban Development increased by Rs 597 crore over the previous year mainly due to increase in special grants to Municipalities/Municipal Councils and Municipal Corporations.

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 nine *per cent* and 12 *per cent* respectively over 2006-07 while under Health and Family Welfare sector, these components increased by 11 *per cent* and 30 *per cent* respectively.

### 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 10,760 crore) accounted for 30 *per cent* of the total expenditure and 45 *per cent* of developmental expenditure (Table-19). Of this, Irrigation and Flood Control and Power and Energy consumed nearly 56 *per cent* of the expenditure under economic sector.

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

Table-19: Expenditure on Economic Sector

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
<b>Agriculture, Allied Activities</b>						
Revenue Expenditure	507	556	622	851	883	946
<i>Of which</i>						
(a) Salary and Wage Component*	342	366	353	408	434	478
(b) Non-Salary and Wage Component	165	190	269	443	449	468
Capital Expenditure	12	48	90	113	102	85
<b>Total</b>	<b>519</b>	<b>604</b>	<b>712</b>	<b>964</b>	<b>985</b>	<b>1,031</b>
<b>Irrigation and Flood Control</b>						
Revenue Expenditure	750	824	891	928	994	1,051
<i>Of which</i>						
(a) Salary and Wage Component*	155	165	166	156	167	177
(b) Non-Salary and Wage Component	595	659	725	772	827	874
Capital Expenditure	380	891	830	991	756	878
<b>Total</b>	<b>1,130</b>	<b>1,715</b>	<b>1,721</b>	<b>1,919</b>	<b>1,750</b>	<b>1,929</b>
<b>Power &amp; Energy</b>						
Revenue Expenditure	663	943	1,186	1,200	1,743	3,064
<i>Of which</i>						
(a) Salary and Wage Component*	.5	.5	.5	.5	.5	.5
(b) Non-Salary and Wage Component	663	943	1,186	1,200	1,743	3,064
Capital Expenditure	333	283	350	631	699	1,063
<b>Total</b>	<b>996</b>	<b>1,226</b>	<b>1,536</b>	<b>1,831</b>	<b>2,442</b>	<b>4,127</b>
<b>Transport</b>						
Revenue Expenditure	257	273	279	507	689	658
<i>Of which</i>						
(a) Salary and Wage Component*	40	45	50	51	53	56
(b) Non-Salary and Wage Component	217	228	229	456	636	602
Capital Expenditure	291	253	264	300	281	355
<b>Total</b>	<b>548</b>	<b>526</b>	<b>543</b>	<b>807</b>	<b>970</b>	<b>1,013</b>
<b>Other Economic Services</b>						
Revenue Expenditure	608	661	1,127	1,197	1,354	2,270
<i>Of which</i>						
(a) Salary and Wage Component*	78	83	89	99	105	111
(b) Non-Salary and Wage Component	530	578	1,038	1,098	1,249	2,159
Capital Expenditure	219	319	324	406	406	390
<b>Total</b>	<b>827</b>	<b>980</b>	<b>1,451</b>	<b>1,603</b>	<b>1,760</b>	<b>2,660</b>
<b>Total (Economic Services)</b>						
Revenue Expenditure	2,785	3,257	4,105	4,683	5,663	7,989
<i>Of which</i>						
(a) Salary and Wage Component*	615	659	658	714	759	822
(b) Non-Salary and Wage Component	2,170	2,598	3,447	3,969	4,904	7,167
Capital Expenditure	1,235	1,794	1,858	2,441	2,244	2,771
<b>Grand Total</b>	<b>4,020</b>	<b>5,051</b>	<b>5,963</b>	<b>7,124</b>	<b>7,907</b>	<b>10,760</b>

\* Excluding salary and wage component of Grant-in-aid.

Out of total expenditure on Economic Services during 2007-08, 38 per cent on Power and Energy, 18 per cent on Irrigation and Flood Control and nine per cent on Transport and 10 per cent on Agriculture and allied activities was incurred. As compared to 2002-03, significant increases in 2007-08 were observed in Power and Energy (314 per cent) mainly to book adjustment of outstanding loan amount of Rs 1,666 crore against erstwhile RSEB transferred to the revenue account, Agriculture and allied activities (99 per cent), Transport services (85 per cent) and Irrigation and Flood Control (71 per cent).

5. 2002-03: Rs 0.20 crore, 2003-04: Rs 0.20 crore, 2004-05: Rs 0.22 crore, 2005-06: Rs 0.26 crore, 2006-07: Rs 0.28 crore and 2007-08: Rs 0.35 crore.

The trends in revenue and capital expenditure on Economic Services indicate that the capital expenditure increased by 124 *per cent* from Rs 1,235 crore in 2002-03 to Rs 2,771 crore in 2007-08, while the revenue expenditure increased by 187 *per cent* from Rs 2,785 crore in 2002-03 to Rs 7,989 crore in 2007-08. Within the revenue expenditure, the salary and wage component and non-salary and wage component increased by eight *per cent* and 46 *per cent* respectively over the previous year.

#### 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 2003-08 was as follows:

(Rupees in crore)

S. No.	Bodies/authorities etc.	2003-04	2004-05	2005-06	2006-07	2007-08
1.	Universities and Educational Institutions	196.48	201.14	214.26	209.23	202.27
2.	Municipal Corporations and Municipalities	501.39	615.20	678.20	720.21	793.82
3.	Zila Parishads and Panchayati Raj Institutions	1,172.21	1,885.82	2,112.38	2,050.78	2,651.43 <sup>#</sup>
4.	Development Agencies	275.13	68.82	4.88	48.41	49.72
5.	Hospitals and other Charitable Institutions	31.07	34.05	193.97	86.50	135.63
6.	Other Institutions	1,191.98	1,522.30	1,806.80	2,738.66	1,402.86 <sup>s</sup>
	<b>Total</b>	<b>3,368.26</b>	<b>4,327.33</b>	<b>5,010.49</b>	<b>5,853.79</b>	<b>5,235.73</b>
	Percentage increase (+)/ decrease (-) over previous year	18	28	16	17	(-11)
	Assistance as a percentage of revenue receipts	22	24	24	23	17
	Percentage of assistance to revenue expenditure	18	22	23	23	18

<sup>#</sup> Includes General Education: Rs 1,167 crore, Other Rural Development Programmes: Rs 1,138 crore and Rural Employment: Rs 224 crore

<sup>s</sup> Includes General Education: Rs 568 crore, Relief on account of Natural Calamities: Rs 189 crore, Crop Husbandry: Rs 184 crore and Taxes on Sales, Trade etc.: Rs 100 crore.

Financial Assistance to Local Bodies and other institutions increased by 55 *per cent* from Rs 3,368.26 crore in 2003-04 to Rs 5,235.73 crore in 2007-08 and ranged between 18 to 23 *per cent* of revenue expenditure during the period 2003-08. The sharp decrease in financial assistance to other institutions during the year was mainly on account of exclusion of subsidy to power sector from the financial assistance from 2007-08 which was included in previous years.

#### 1.5.5 Delay in furnishing of Utilisation Certificates

Out of 14,887 Utilisation Certificates (UCs) due in respect of grants aggregating Rs 2,838.07 crore paid during April 1994 to March 2007, 14,127 UCs for Rs 2,807.35 crore had been furnished by 31 March 2008. Thus, 760

UCs for Rs 30.72 crore were in arrears. 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 Assets and Liabilities

In the existing 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 2008, compared with the corresponding position on 31 March 2007. 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. The assets grew by Rs 8,656 crore (19 *per cent*) while the liabilities grew by Rs 7,003 crore (10 *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 0.69. Thus, 31 *per cent* liabilities did not have asset back up. **Appendix-1.6** depicts the time series data on State Government finances for the period 2002-08.

### 1.6.1 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 2008, there were 12 such undertakings<sup>6</sup>, out of which only *Tendu Patta* Scheme of Forest Department had not prepared accounts from 2006-07. An amount of Rs 6,268.64 crore had been invested by the State Government in these 12 undertakings at the end of financial year upto which their accounts were finalized as detailed in **Appendix 1.8**. Points of interest noticed during the course of audit were as under:

- Of the 12 undertakings, seven undertakings were incurring losses continuously for more than five years and one undertaking (Jail Manufacture, Udaipur) for two years. The accumulated losses of these eight departmental

6. 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.

undertakings<sup>7</sup> were Rs 4,975.19 crore as against the total investment of Rs 6,268.64 crore.

- Despite being pointed out in the Report of the Comptroller and Auditor General of India (Civil) for the year ended 31 March 2007, Rajasthan Water Supply and Sewerage Management Board, Jaipur did not maintain essential Ledgers/Reports<sup>8</sup>. The year-wise break-up of Sundry debtors of Rs 164.33 crore was also not available. In absence of Fixed Assets schedules and their physical verification, the existence of Fixed Assets (Rs 1,224.16 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 wipe out their losses in the short run and to make them self-sustaining in medium to long term.

### 1.6.2 Incomplete projects

The department-wise information pertaining to incomplete projects as on 31 March 2008 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 31.03.2008
Irrigation Works/Projects	177	1,343.87	36	1,882.88	1,239.15	1,779.94
Public Works Department/ Project	306	808.51	16	41.72	11.38	333.72
Bisalpur Drinking Water Cum Irrigation Project	2	2.74	2	3.49	0.75	2.91
Public Health Engineering Department	131	3,766.76	9	92.09	24.67	1,159.31
<b>Total</b>	<b>616</b>	<b>5,921.88<sup>9</sup></b>	<b>63</b>	<b>2,020.18</b>	<b>1,275.95</b>	<b>3,275.88</b>

\* Pertaining to 63 incomplete projects.

As per information received from the State Government, as of 31 March 2008, there were 616 incomplete projects (total cost more than Rs 1 crore of each project) in which Rs 3,276 crore were blocked. Of these, 540 projects involving Rs 1,070 crore remained incomplete for less than five years, 76 projects involving an amount of Rs 2,206 crore remained incomplete for periods ranging from five to 20 years. The revised cost of 63 incomplete projects increased by 171 *per cent* from Rs 744 crore (initial budgeted cost) to Rs 2,020 crore (total revised cost). Out of the total cost overrun of Rs 1,276 crore, Rs 1,239 crore pertain to Irrigation Works/Projects which was 92 *per cent* of initial budgeted cost. The cost over-run is mainly under Narmada Jalore Project Rs 1,074 crore (84 *per cent* of total cost overrun).

7. Jail Manufacture, Ajmer (Rs 1.09 crore), Alwar (Rs 0.38 crore), Bikaner (Rs 0.82 crore), Jaipur (Rs 1.45 crore), Jodhpur (Rs 1.17 crore), Kota (Rs 0.27 crore), Udaipur (Rs 0.63 crore) and Rajasthan Water Supply and Sewerage Management Board, Jaipur (Rs 4,969.38 crore).

8. Material at site account, Work completion reports, Works Abstract, Journal Vouchers, General Ledgers, Subsidiary registers, Trial Balance and Docket vouchers.

9. Initial budgeted cost of two projects not received.

### 1.6.3 Financial Results of Irrigation Works

The financial results of six major and 11 medium irrigation projects with a capital outlay of Rs 4,104 crore at the end of March 2008 showed that revenue realised (Rs 51 crore) from these projects during 2007-08 was only 1.2 *per cent* of the capital expenditure which was not sufficient to cover the direct working expenses. After meeting the working and maintenance expenditure (Rs 98 crore) and interest charges (Rs 397 crore), the projects suffered a net loss of Rs 444 crore.

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 2008 the capital expenditure on IGNP was Rs 3,232.97 crore. During 2007-08 the revenue realised from IGNP was Rs 12.86 crore comprising just 0.4 *per cent* of the capital expenditure. This revenue was negligible (3.52 *per cent*) even with reference to total working and maintenance expenditure (Rs 50.46 crore) incurred and the interest charges of (Rs 314.41 crore) relating to 2007-08.

### 1.6.4 Government investments and returns

As of 31 March 2008, Government invested Rs 6,576 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 2002-08 while Government paid interest at the average rate of eight *per cent* to 10 *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)		
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
2007-08	6,575.97	12.67	0.2	8.0	7.8

The investment of State Government included Rs 5,857 crore in 32 Government Companies, of which only four companies declared dividend aggregating to Rs 11.61 crore. During 2007-08, the State Government has invested Rs 1,090.71 crore in Government Companies and Co-operative Banks and Societies. The sectors/companies where major investments were made during 2007-08 were (i) Co-operative Banks and Societies (Gross Rs 20.61 crore), (ii) Rajasthan *Rajya Vidyut Utpadan Nigam Limited* (Rs 658 crore), (iii) Rajasthan *Rajya Vidyut Prasaran Nigam Limited* (Rs 125 crore) (iv) Jaipur *Vidyut Vitran Nigam Limited* (Rs 80 crore), (v) Jodhpur *Vidyut Vitran Nigam Limited* (Rs 80 crore) and (vi) Ajmer *Vidyut Vitran Nigam Limited* (Rs 120 crore). As on 31 March 2008, five power companies in which

Government had invested Rs 5,487.09 crore (83 *per cent* of total investment) showed nil Profit/Loss in their accounts and no dividend paid to Government. These companies were not showing any accumulated losses in their accounts.

### 1.6.5 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/organisations. Total outstanding loans and advances as on 31 March 2008, were Rs 2,738 crore (Table-22). Interest received against these loans advanced was four *per cent* during 2007-08 as against three *per cent* in previous year.

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

	(Rupees in crore)					
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Opening Balance	2,801	2,954	3,721	4,236	4,432	4,231
Amount advanced during the year	278	926	640	434	313	288
Amount repaid during the year	125	159	125	238	514	1,781
Closing Balance	2,954	3,721	4,236	4,432	4,231	2,738
Net addition	153	767	515	196	(-) 201	(-) 1,493
Interest Received	85	115	114	119	128	140
Interest received as <i>per cent</i> to outstanding Loans and advances	3.0	3.4	2.9	2.7	3.0	4.0
Average interest rate (in <i>per cent</i> ) paid on borrowings by State Government.	10.0	9.6	9.1	8.2	8.3	8.0
Difference between average interest paid and received ( <i>per cent</i> )	(-) 7.0	(-) 6.2	(-) 6.2	(-) 5.5	(-) 5.3	(-) 4.0

During the current year major portion of loan was advanced to Jaipur *Vidyut Vitran Nigam Limited* (Rs 57 crore), Jodhpur *Vidyut Vitran Nigam Limited* (Rs 54 crore), Ajmer *Vidyut Vitran Nigam Limited* (Rs 57 crore), Rajasthan Pensioner Medical Fund for Indoor Medical facility Scheme to Pensioners (Rs 10 crore), Loan to Rajasthan Agriculture Marketing Board (Rs 40 crore), Macro Co-operative Development Project (Rs 13 crore) and Government Companies (Rs 34 crore).

During 2007-08, the recovery of Loans and Advances increased by Rs 1,267 crore mainly due to enhanced recoveries of outstanding loans from the power projects. The recovery of loans from Power Projects was however only a book adjustment as loan amount of Rs 1,666 crore outstanding against erstwhile Rajasthan State Electricity Board (RSEB) was adjusted as subsidies to erstwhile RSEB during the year.

### 1.6.6 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 2007-08.

Ways and Means Advances and Overdrafts availed, the number of occasions it was availed and interest paid by the State during 2003-08 is detailed in Table-23.

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

(Rupees in crore)						
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
<b>Ways and Means Advances</b>						
Availed in the Year	4,893.81	5,870.88	1,808.96	-	59.21	-
Outstanding WMAs, if any	235.70	-	-	-	59.21	-
Interest Paid	23.68	24.59	1.45	-	-	0.02
Number of Day(s)	206	213	89	-	1	-
<b>Overdraft</b>						
Availed in the year	4,656.06	3,708.40	-	-	-	-
Outstanding	-	-	-	-	-	-
Interest Paid	6.19	6.33	-	-	-	-
Number of Day(s)	150	93	-	-	-	-

The State Government's cash balances at the end of current year amounted to Rs 5,293 crore. It was observed that Rs 5,839 crore were invested in Government of India Securities and earned an interest of Rs 177 crore during the year. Further, Rs 348.47 crore was invested in earmarked funds. However, balances with Reserve Bank of India were (-) Rs 912.41 crore during the year.

## 1.7 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.

### 1.7.1 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)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Fiscal Liabilities <sup>10</sup>	45,871	53,361	60,134	66,407	71,146	77,138
Rate of Growth	14.8	16.3	12.7	10.4	7.1	8.4
<b>Ratio of Fiscal Liabilities to</b>						
GSDP	51.8	47.8	52.2	53.5	50.1	48.4
Revenue Receipts	350.6	346.0	338.5	318.7	278.0	250.6
Own Resources	586.4	572.7	569.4	526.3	473.1	445.1
<b>Buoyancy of Fiscal Liabilities to</b>						
GSDP (ratio)	(-) 7.4*	0.6	3.8	1.3	0.5	0.7
Revenue Receipts (ratio)	1.9	0.9	0.8	0.6	0.3	0.4
Own Resources (ratio)	1.6	0.9	1.0	0.5	0.4	0.5

\* Rate of growth of GSDP was negative.

Overall fiscal liabilities of the State have increased by 68 per cent from Rs 45,871 crore in 2002-03 to Rs 77,138 crore in 2007-08. Fiscal Liabilities of the State comprised Consolidated Fund liabilities and Public Account liabilities. The Consolidated Fund Liability (Rs 53,721 crore) comprised of market loan (Rs 19,303 crore), loans from Government of India (Rs 7,683 crore) and other loans (Rs 26,735 crore). The Public Account liabilities (Rs 23,417 crore) comprise of Small Saving, Provident Fund (Rs 15,422 crore), interest bearing obligations (Rs 2,369 crore) and non-interest bearing obligations like deposits and other earmarked funds (Rs 5,626 crore). The growth rate of fiscal liability was 8.4 per cent during 2007-08 over previous year. The ratio of fiscal liabilities to GSDP was 48 per cent in 2007-08 and was higher than the norm of 30 per cent recommended by the TFC for the terminal year (2009-10). These liabilities stood at 2.51 times of revenue receipts and 4.45 times of the States own resources at the end of 2007-08. The State's GSDP had grown faster than the fiscal liabilities. The buoyancy of these liabilities with respect to GSDP during the year was 0.7.

### 1.7.2 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 2002-08 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 outstanding amount guaranteed to revenue receipt
2002-03	21,887	14,968	13,082	114.4
2003-04	24,585	17,239	15,424	111.8
2004-05	20,457	12,703	17,763	71.5
2005-06	21,342	13,171	20,839	63.2
2006-07	27,402	14,709	25,592	57.5
2007-08	37,029	19,770	30,781	64.2

10. 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 outstanding guarantees increased by 34 per cent from Rs 14,709 crore in 2006-07 to Rs 19,770 crore in 2007-08. The outstanding guarantees of Rs 19,770 crore are given mainly to Government Companies (Rs 18,016 crore: 91 per cent).

According to FRBM Act, State Government shall ensure that the 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. The outstanding guarantees were 64 per cent of the revenue receipts of the Government which were well within the ceiling limit prescribed by the FRBM Act. The Government set up a Guarantee Redemption Fund in 1999-2000 and as on 31 March 2008, there were Rs 121.99 crore under this Fund. During the year the Government received Rs 17.49 crore as guarantee commission.

### 1.7.3 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-24, 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 (July 2008). Table-26 captures the trends in the off-budget borrowings by the State during 2002-08.

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

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	Outstanding Balance as on 31.03.2008
Power Utilities	476.79	359.69	337.12	605.12	877.26	3,751.94 <sup>11</sup>	6,918.85 <sup>11</sup>
Rajasthan State Road Transport Corporation	51.46	62.29	74.31	95.43	68.98	59.82	149.21
Rajasthan State Road Development and Construction Corporation Limited	20.39	1.93	31.75	15.80	6.67	-	25.17
Public Health Engineering Department	18.21	-	-	-	-	-	66.62
Rajasthan State Mines and Minerals Limited	29.86	-	-	-	-	-	5.71
Rajasthan Housing Board	18.19	8.57	9.31	0.40	-	-	30.60
<b>Total</b>	<b>614.90</b>	<b>432.48</b>	<b>452.49</b>	<b>716.75</b>	<b>952.91</b>	<b>3,811.76</b>	<b>7,196.19</b>

11. The bifurcation of repayment made in respect of Renewable Energy Corporation (REC) loans under Plan and Non Plan is not available. Hence the total repayment figures have been taken in to account and the closing balance is inclusive of both.

It is pertinent to note that if the liabilities arising out of the outstanding guarantees and off-budget borrowings are added to the fiscal liabilities of the State Government at the close of the current year, the total liabilities to GSDP ratio would increase to 65 per cent from 48 per cent estimated with fiscal liabilities only.

## 1.8 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.

### 1.8.1 Debt Stabilization

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)					
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Average Interest Rate	10.0	9.6	9.1	8.2	8.3	8.0
GSDP Growth	(-) 2.0	26.0	3.3	7.8	14.3	12.3
Interest spread	(-) 12.0	16.4	(-) 5.8	(-) 0.4	6.0	4.3
Outstanding Debt (Rs in crore)	39,970	45,871	53,361	60,134	66,407	71,146
Quantum Spread (Rs in crore)	(-) 4,796	7,523	(-) 3,095	(-) 241	3,984	3,059
Primary Surplus (+)/ Deficit (-) (Rs in crore)	(-) 1,814	(-) 2,590	(-) 974	(+) 60	(+) 1,732	(+) 2,535

The sum of Quantum spread and Primary deficit was negative during the period 2002-06 except in the year 2003-04 in which debt-GSDP ratio marginally declined. This sum however continued to remain positive during the last two years (2006-07 to 2007-08) resulting in declining trend in debt-GSDP ratio. These trends indicate that the State is moving towards the debt stabilization which if continued would eventually improve the debt sustainability position of the State.

### 1.8.2 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 2002-08.

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

(Rupees in crore)

Period	Incremental				Resource Gap
	Non-debt Receipts	Primary Expenditure	Interest Payments	Total Expenditure	
1	2	3	4	5 (3+4)	6 (2-5)
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
2007-08	6,457	5,654	241	5,895	562

The trends in Table-28 reveal that the debt sustainability of the State in terms of the resource gap oscillated between the negative and positive phases during the period 2002-08. The incremental non-debt receipts of the State had been able to meet the incremental interest liabilities and incremental primary expenditure since 2004-05. Moreover, the persistent positive resource gap during the last four years (2004-08) is a pointer towards the fiscal and debt sustainability of the State.

### 1.8.3 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)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
<b>Internal Debt*</b>						
Receipt	2,701	3,263	3,460	24,144	3,822	4,636
Repayment (Principal + Interest)	1,436	1,789	2,817	4,137	5,019	5,436
Net Fund Available	1,265	1,474	643	20,007	(-) 1,197	(-) 800
Net Fund Available ( <i>per cent</i> )	46.8	45.2	18.6	82.9	-	-

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
<b>Loans and Advances from GOI*</b>						
Receipt	4,787	5,762	6,522	(-) 18,649	341	427
Repayment (Principal + Interest)	3,757	4,994	6,234	989	1,267	995
Net Fund Available	1,030	768	288	(-) 19,638	(-) 926	(-) 568
Net Fund Available ( <i>per cent</i> )	21.5	13.3	4.4	-	-	-
<b>Other obligations</b>						
Receipt	32,519	36,888	41,481	45,974	54,611	72,244
Repayment (Principal + Interest)	32,158	36,151	40,810	45,281	53,510	70,768
Net Fund Available	361	737	671	693	1,101	1,476
Net Fund Available ( <i>per cent</i> )	1.1	2.0	1.6	1.5	2.0	2.0
<b>Total liabilities*</b>						
Receipt	40,007	45,913	51,463	51,469	58,774	77,307
Repayment (Principal + Interest)	37,351	42,934	49,861	50,407	59,796	77,199
Net Fund Available	2,656	2,979	1,602	1,062	(-) 1,022	108
Net Fund Available ( <i>per cent</i> )	6.6	6.5	3.1	2.1	-	0.1

\* 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 declined from 6.6 *per cent* in 2002-03 to only 0.1 *per cent* in 2007-08. During the current year the Government repaid internal debt of Rs 1,405 crore; Government of India loans of Rs 382 crore and also discharged other obligations of Rs 69,469 crore along with interest of Rs 5,943 crore as a result only Rs 108 crore were available on account of borrowed funds. 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.

## 1.9 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.

### 1.9.1 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

(Rupees in crore)						
Parameters	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Revenue Surplus (+)/Deficit (-)	(-)3,934	(-)3,424	(-)2,143	(-)660	(+) 638	(+)1,653
Fiscal Surplus (+)/Deficit (-)	(-)6,114	(-)7,367	(-)6,146	(-)5,150	(-)3,970	(-)3,408
Primary Surplus (+)/Deficit (-)	(-)1,814	(-)2,590	(-)974	(+)60	(+)1,732	(+)2,535
RD/GSDP ( <i>per cent</i> )	(-) 4.4	(-) 3.1	(-) 1.9	(-) 0.5	-	-
FD/GSDP ( <i>per cent</i> )	(-) 6.9	(-) 6.6	(-) 5.3	(-) 4.1	(-) 2.8	(-) 2.1
PD/GSDP ( <i>per cent</i> )	(-) 2.0	(-) 2.3	(-) 0.8	-	-	-
RD/FD ( <i>per cent</i> )	64.3	46.5	34.9	12.8	-	-

Table-30 reveals that the revenue account experienced a situation of huge deficit during the period 2002-05 which hovered around an average of Rs 3,167 crore during these years. The deficit was reduced sharply to Rs 660 crore during 2005-06 and thereafter turned into a surplus of Rs 638 crore during 2006-07 which increased to Rs 1,653 crore in the current year. The increase of Rs 1,015 crore in revenue surplus during the current year was mainly on account of an increase of Rs 5,189 crore in revenue receipts (20 *per cent*) against the increase of Rs 4,174 crore in revenue expenditure (17 *per cent*). It may however be observed that 56 *per cent* of the incremental revenue receipts (Rs 5,189 crore) is contributed by central transfers comprising State's share in Union taxes and duties and grants-in-aid from GOI. Moreover, 17 *per cent* of the incremental State's own resources (Rs 2290 crore) during the year were on account of book adjustments only, i.e. transfer of Rs 350 crore from Public Account under Miscellaneous General Services on account of winding up of Sinking Fund and classified as non-tax receipts of the State.

The fiscal deficit, which represents the total borrowing of the Government and its total resource gap, decreased from Rs 6,114 crore in 2002-03 to Rs 3,408 crore in 2007-08 with inter-year variations prior to 2004-05 and declined continuously hereafter. With a cushion of Rs 1,015 crore in the form of revenue surplus and an increase of Rs 1,268 crore in non-debt capital receipts during 2007-08 over the previous year, fiscal deficit was reduced by Rs 562 crore despite an increase of Rs 1,746 crore in capital expenditure during 2007-08 over the previous year. Fiscal deficit relative to GSDP decreased from 2.8 *per cent* in 2006-07 to 2.1 *per cent* in 2007-08 which was within the target of three *per cent* as prescribed by FRBM Act for 2008-09.

The primary deficit<sup>12</sup> which persisted in the State budget till 2004-05 also took a turnaround and resulted into a primary surplus in 2005-06 which increased sharply and consistently thereafter. A decline of Rs 562 crore in fiscal deficit and an increase of Rs 241 crore in interest payments resulted in an increase of Rs 803 crore in primary surplus in 2007-08 over the previous year.

### 1.9.2 Quality of Deficit/Surplus

The ratio of RD to FD and the decomposition of Primary deficit into primary revenue deficit<sup>13</sup> and capital expenditure (including loans and advances) would indicate the quality of deficit in the State's 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 last two years. This trajectory shows a consistent improvement in the quality of the deficit and

12. 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.

13. 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.

during 2006-08 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 from 2002-03 to 2007-08 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>14</sup> requirements in the revenue account, rather spread 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 till 2004-05 and thereafter the non-debt receipts were sufficient to meet the primary expenditure requirement leading to emergence of primary surplus since 2005-06. 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)
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
2007-08	32,563	23,185	6,555	288	30,028	(+) 9,378	(+) 2,535

### 1.10 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 2002-08, 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	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
<b>I Resource Mobilization</b>						
Revenue Receipt/GSDP	14.8	13.8	15.4	16.8	18.0	19.3
Revenue Buoyancy	(-) 3.8*	0.7	4.6	2.2	1.6	1.7
Own Tax/GSDP	7.1	6.5	7.3	8.0	8.2	8.3
Own Taxes Buoyancy	(-) 5.2	0.6	4.9	2.2	1.2	1.2
<b>II Expenditure Management</b>						
Total Expenditure/GSDP	21.8	20.6	20.8	21.1	21.2	22.6
Revenue Receipts/Total Expenditure	67.7	67.2	73.9	79.5	85.1	85.6

14 . 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.



(in per cent)

Fiscal Indicators	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Revenue Expenditure/Total Expenditure	88.1	82.1	82.8	82.0	83.0	81.0
Capital Expenditure/Total Expenditure	10.5	13.9	14.5	16.4	16.0	18.2
Development Expenditure/Total Expenditure	58.8	58.9	61.0	64.3	63.9	66.1
Buoyancy of TE with RR	1.0	1.1	0.3	0.5	0.6	1.0
Buoyancy of RE with RR	0.9	0.6	0.4	0.5	0.7	0.8
<b>III Management of Fiscal Imbalances</b>						
Revenue surplus (+)/deficit (-) (Rs in crore)	(-) 3,934	(-) 3,424	(-) 2,143	(-) 660	(+) 638	(+) 1,653
Fiscal surplus (+)/deficit (-) (Rs in crore)	(-) 6,114	(-) 7,367	(-) 6,146	(-) 5,150	(-) 3,970	(-) 3,408
Primary surplus (+)/deficit (-) (Rs in crore)	(-) 1,814	(-) 2,590	(-) 974	(+) 60	(+) 1,732	(+) 2,535
Revenue Deficit/Fiscal Deficit	64.3	46.5	34.9	12.8	**	**
Sum of Primary Deficit/Surplus and Quantum Spread (Rs in crore)	(-) 4,796	7,523	(-) 3,095	(-) 241	(-) 3,984	3,059
<b>IV Management of Fiscal Liabilities</b>						
Fiscal Liabilities/GSDP	51.8	47.8	52.2	53.5	50.1	48.4
Fiscal Liabilities/RR	350.6	346.0	338.5	318.7	278.0	250.6
Buoyancy of FL with RR	1.9	0.9	0.8	0.6	0.3	0.4
Buoyancy of FL with Own Receipts	1.6	0.9	1.0	0.5	0.4	0.6
Interest spread	(-) 12.0	16.4	(-) 5.8	(-) 0.4	6.0	4.3
Net Funds Available	6.6	6.5	3.1	2.1	#	0.1
<b>V Other Fiscal Health Indicators</b>						
Return on Investment	0.3	0.1	0.9	0.5	0.2	0.2
Balance from Current Revenue (Rs in crore)	(-) 3,045	(-) 2,948	(-) 1,368	405	2,204	2,914
Financial Assets/Liabilities	0.56	0.56	0.57	0.60	0.64	0.69

\* Rate of growth of 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 and accessibility of the State to them. 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 19 per cent, an increase of one percentage points over the previous year. During 2002-08, 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 81 per cent, a decrease of two percentage points over the previous year. Increasing reliance on revenue receipts to finance the total expenditure which was 86 per cent during 2007-08 indicated decreasing dependence on borrowed funds, which is also reflected by the decreasing ratio of financial liabilities to revenue receipts. The ratio of capital expenditure to total expenditure during the current year was 18 per cent, an increase of two percentage points over the previous year. The buoyancy of revenue expenditure and total expenditure with reference to revenue receipts are in increasing trend over the previous year.

Revenue surplus and significant decline in fiscal deficit during 2007-08 indicated an improvement in fiscal position of the State. The Balance from Current Revenue which became positive during 2005-06 was Rs 2,914 crore during 2007-08 as compared to Rs 2,204 crore in 2006-07 indicating ample funds were available for creation of assets and to meet State plan schemes.

### **1.11 Conclusion**

The key fiscal parameters – revenue, fiscal and primary deficits – reveal a significant improvement in the fiscal situation of the State during 2007-08 over the previous year. An increase of Rs 1,015 crore in revenue surplus in 2007-08 relative to the previous year may however be assessed in view of the fact that 56 *per cent* of the incremental revenue receipts (Rs 5,189 crore) is contributed by central transfers comprising State's share in Union taxes and duties and grants-in-aid from GOI. Moreover, 17 *per cent* of the incremental State's own resources (Rs 2,290 crore) during the year were on account of book adjustments only, i.e. transfer of Rs 350 crore from Public Account under Miscellaneous General Services on account of winding up of Sinking Fund and classified as non-tax receipts of the State. The expenditure pattern of the state reveals that the revenue expenditure as a percentage to total expenditure although indicated declining trends but it still constitutes 81 *per cent* of the total expenditure during 2007-08. The non-plan revenue expenditure (NPRE) at Rs 23,994 crore during 2007-08 was higher than both the normatively assessed level of Rs 19,889 crore by the TFC and the projected level of Rs 22,263 crore by the State Government in MTFPS/FCP for the 2007-08. Moreover, within the NPRE four components – Salary expenditure, pension liabilities, interest payment and subsidies constitute about 77 *per cent* of NPRE during 2007-08. It is further revealed that 47 *per cent* (Rs 822 crore) of the total increase of Rs 1,746 crore in capital expenditure over the previous year was on account of transfer from the Consolidated Fund of the State to Rajasthan State Investment Fund created under Public Account and classified as capital expenditure during the year. Moreover, of the total recovery of loans from power projects amounting to Rs 1,730 crore, Rs 1,666 crore was adjusted against the enhanced subsidies to erstwhile Rajasthan State Electricity Board (RSEB) during the year which notionally increased both the non-debt capital receipts and NPRE of the State Government during the year. The increasing fiscal liabilities accompanied with negligible rate of return on government investments and inadequate interest cost recovery on loans and advances continued to be a cause of concern. Moreover, although the fiscal liabilities relative to GSDP ratio exhibited a declining trends since 2005-06 and reached the level of 48 *per cent* in 2007-08 but if the contingent liabilities and off budget borrowings are also included in the total liabilities of the State, this ratio exceeds 65 *per cent* indicating the significance of the latter from the point of view of the fiscal and debt sustainability of the State.