

CHAPTER I

FINANCES OF THE STATE GOVERNMENT

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Summary

Revenues of the State Government consist mainly of its own tax and non-tax revenue, central tax transfers and grants-in-aid from the Government of India. When compared with 2004-05, the revenue receipts during 2005-06 increased by 19.4 *per cent* to Rs 33960 crore and the revenue expenditure by 9.8 *per cent* to Rs 32009 crore. Consequently, the State Government had a revenue surplus of Rs 1951 crore which enabled reduction in fiscal deficit and achievement of an overall primary surplus. Moreover, this helped the State Government to manage its cash balance by getting lesser ways and means advance from Reserve Bank of India.

The targets set for 2005-06 under the Medium Term Fiscal Reforms Plan were mostly achieved by the Government except for the target set for capital outlay.

The fiscal liabilities of the State during 2005-06 was Rs 62310 crore and was about 1.83 times the revenue receipts, indicating the critical position of Government borrowing and the same requires immediate attention.

Return on investment of the Government funds in companies, cooperative units etc., continued to be meagre and fetched only 0.8 *per cent* during 2005-06 while the Government continued to borrow funds from market at a higher rate of interest.

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 I- Part A**). The Finance Accounts of the Government of Tamil Nadu are laid out in 19 statements, presenting receipts and expenditure, revenue as well as capital, in the Consolidated Fund, Contingency Fund and the Public Accounts of the State of Tamil Nadu. The lay out of the Finance Accounts is depicted in **Appendix I-Part B**.

1.1.1 Summary of Receipts and Disbursements

Table 1 summarises the finances of the Government of Tamil Nadu for the year 2005-06 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 2005-06

(Rupees in crore)

2004-05	Receipts	2005-06	2004-05	Disbursements	2005-06		
Section-A: Revenue					Non Plan	Plan	Total
28452	Revenue receipts	33960	29155	Revenue expenditure	26627	5382	32009
19357	Tax revenue	23326	12058	General services	12611	280	12891
2209	Non-tax revenue	2601	9683	Social services	7879	3437	11316
4236	Share of Union Taxes/Duties	5013	5454	Economic services	4436	1337	5773
2650	Grants from Government of India	3020	1960	Grants-in-aid and Contributions	1701	328	2029
Section-B: Capital							
--	Misc Capital Receipts	--	4564	Capital Outlay	(-)18	4072	4054
783	Recoveries of Loans and Advances	892	1086	Loans and Advances disbursed	717	323	1040
12136	Public Debt receipts*	8966	7188	Repayment of Public Debt*			2046
--	Contingency Fund	--	--	Contingency Fund			16
31864	Public Account receipts	39603	30735	Public Account disbursements			38132
685	Opening Cash Balance	1192	1192	Closing Cash Balance			7316
73920	Total	84613	73920	Total			84613

* Excluding net transactions under ways and means advances and overdraft.

The revenue receipts increased by Rs 5508 crore over last year as all components of it viz Tax Revenue, Non-tax Revenue, share of Union Taxes/duties and Grants from Government of India (GOI) increased sizeably. Though the receipts under Public Debt decreased, the increase under Public Accounts receipts along with the increased revenue receipts contributed to the overall increase in total receipts of the State Government. The increase under revenue expenditure over last year was mainly due to increase in expenditure under Social services. The increase in revenue expenditure along with increase in Public Accounts disbursements mainly contributed to the increase in total expenditure of the State Government.

1.2 Overview of Fiscal Situation of the State

1.2.1 Trends in Fiscal Aggregates

The fiscal position of the State Government during the current year as compared to the previous year is given in **Table 2**.

Table 2 (Rupees in crore)

2004-05	Sl. No	Major Aggregates	2005-06
28452	1.	Revenue Receipts (2+3+4)	33960
19357	2.	Tax Revenue (Net)	23326
2209	3.	Non-Tax Revenue	2601
6886	4.	Other Receipts	8033
783	5.	Non-Debt Capital Receipts	892
783	6.	<i>Of which</i> Recovery of Loans	892
29235	7.	Total Receipts (1+5)	34852
26384	8.	Non-Plan Expenditure	27326
25251	9.	On Revenue Account	26627
4755	10.	<i>Of which</i> Interest Payments	4559
1133	11.	On Capital Account	699
849	12.	<i>Of which</i> Loans disbursed	716
8421	13.	Plan Expenditure	9777
3904	14.	On Revenue Account	5382
4517	15.	On Capital Account	4395
237	16.	<i>Of which</i> Loans disbursed	323
34805	17.	Total Expenditure (8+13)	37103
(-) 703	18.	Revenue Deficit (-)/ Revenue Surplus (+) (1-9-14)	(+) 1951
(-) 5570	19.	Fiscal Deficit (1+5-17)	(-) 2251
(-) 815	20.	Primary Deficit (-)/ Primary Surplus (+) (19 -10)	(+) 2308

1.3 Audit Methodology

Audit observations on the Statements of Finance Accounts for the year 2005-06 bring out the trends in the major fiscal aggregates of receipts and expenditure; wherever necessary analyse them and show these in the light of time series data (**Appendix II**), Abstract of Receipts and Disbursement (**Appendix III**), Sources and applications of funds (**Appendix IV**) and summarised Financial position of Government of Tamil Nadu (**Appendix V**). 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 Gross State Domestic Product (GSDP) at current market prices. The New GSDP series with 1993-94 as base, as published by the Director of Economics and Statistics of the State Government have been used. For tax revenues, non-tax revenues, revenue expenditure etc., buoyancy projections have also been provided for a further estimation of the range of fluctuations with reference to the base represented by GSDP. The key indicators adopted for the purpose are (i) resources by volume and sources, (ii) application of resources, (iii) assets and liabilities and (iv) management of deficits. Audit observations also take into account the cumulative impact of

resource mobilisation efforts, debt servicing and corrective fiscal measures. 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. In addition, selected indicators of financial performance of the Government are also listed in this section; some of the terms used in this context are explained in **Appendix VI**.

1.4 State Finances by key Indicators

1.4.1 Resources by Volumes and Sources

Resources of the State Government consist of revenue receipts and capital receipts. Revenue receipts consist of tax revenues, non-tax revenues, State's share of union taxes and duties and grants-in-aid from GOI. Capital receipts comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/ commercial banks) and loans and advances from GOI as well as accruals from Public Account. **Table 3** shows that the total receipts of the State Government for the year 2005-06 were Rs 83421 crore. Of these, revenue receipts were Rs 33960 crore, constituting 41 *per cent* of the total receipts. The balance came from borrowings, receipts from Contingency Fund and Public Account.

Table 3: Resources of Government of Tamil Nadu

		(Rupees in crore)
I	Revenue Receipts	33960
II	Capital Receipts	9858
	Recovery of Loans and Advances	892
	Public Debt Receipts	8966
	Miscellaneous Capital Receipts	--
III	Contingency Fund	--
IV	Public Account Receipts	39603
	a. Small Savings, Provident Fund <i>etc</i>	2943
	b. Reserve Fund	6310
	c. Deposits and Advances	8914
	d. Suspense and Miscellaneous	19308
	e. Remittances	2128
Total Receipts		83421

1.4.2 Revenue Receipts

Statement 11 of the Finance Accounts details the revenue receipts of the Government. The revenue receipts consist of its own tax and non-tax revenues, central tax transfers and grants-in-aid from GOI. Overall revenue receipts, its annual rate of growth, ratio of these receipts to the GSDP and its buoyancies are indicated in **Table 4**.

Table 4: Revenue Receipts - Basic Parameters

	2001-02	2002-03	2003-04	2004-05	2005-06
Revenue Receipts (RR) (Rupees in crore)	18818	20837	23706	28452	33960
Own Taxes (<i>per cent</i>)	13010 (69)	14342 (69)	15945 (67)	19357 (68)	23326 (68)
Non-Tax Revenue (<i>per cent</i>)	1557 (8)	1861 (9)	2094 (9)	2209 (8)	2601 (8)
Central Tax Transfers (<i>per cent</i>)	2870 (16)	3047 (14)	3544 (15)	4236 (15)	5013 (15)
Grants-in-aid (<i>per cent</i>)	1381 (7)	1587 (8)	2123 (9)	2650 (9)	3020 (9)
Rate of growth of RR (<i>per cent</i>)	2.7	10.7	13.8	20.0	19.4
RR/GSDP (<i>per cent</i>)	13.1	13.4	14.1	15.1	16.4
Revenue Buoyancy (ratio) with GSDP	1.59	1.32	1.60	1.65	1.98
State's own taxes Buoyancy (ratio) with GSDP	3.47	1.26	1.30	1.77	2.09
Revenue Buoyancy with reference to State's own taxes (ratio)	0.46	1.05	1.23	0.93	0.95
GSDP Growth (<i>per cent</i>)	1.7	8.1	8.6	12.1	9.8

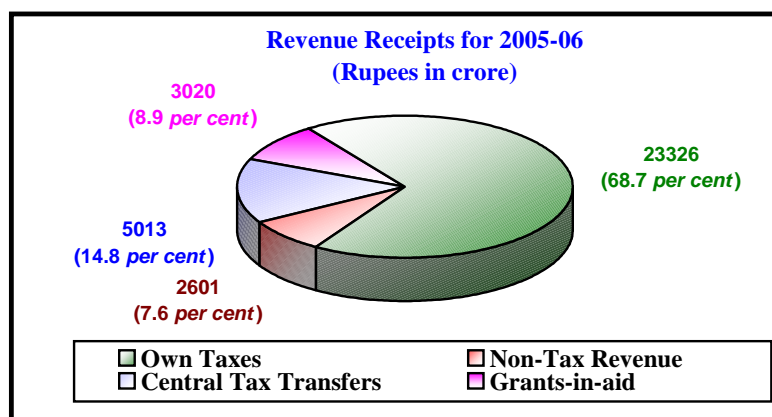
1.4.3 Sources of Receipts

The source of receipts under different heads as well as GSDP during 2001-06 is indicated in **Table 5**.

Table 5: Source of Receipts – Trends

(Rupees in crore)

Year	Revenue Receipts	Capital Receipts			Accruals in Public Account	Total Receipts	Gross State Domestic Product
		Non-Debt Receipts	Debt Receipts	Contingency Fund Receipts			
2001-02	18818	325	4522	..	21209	44874	143517
2002-03	20837	433	9396	..	27156	57822	155099
2003-04	23706	575	9723	..	28107	62111	168457
2004-05	28452	783	12136	..	31864	73235	188921
2005-06	33960	892	8966	..	39603	83421	207503



Overall revenue receipts of the State increased during the last five years by 80.5 *per cent* i.e. from Rs 18818 crore in 2001-02 to Rs 33960 crore in

2005-06. The revenue receipts rose by 19.4 *per cent* during 2005-06 over last year mainly due to increased collection towards Sales Tax (Rs 2559 crore), State Excise (Rs 628 crore), Stamps and Registration Fees (Rs 481 crore), Taxes on Goods and Passengers (Rs 221 crore), Taxes on income other than corporation tax (Rs 199 crore), Corporation tax (Rs 178 crore), under Tax Revenue and Interest Receipts (Rs 232 crore) and Food, storage and warehousing (Rs 194 crore) under Non-Tax Revenue besides the increase under Grants-in-aid from GOI (Rs 371 crore).

Overall growth of the four components of revenue receipts during the five years viz. 2001-06 had also differed significantly. While the State's own taxes recorded a growth of 79.3 *per cent*, the non-tax revenue recorded a growth of 67.1 *per cent*. The growth of revenue from Central tax transfers and grants-in-aid was 74.7 and 118.7 *per cent* respectively.

The revenue from the State's own resources (Tax and Non-tax revenue) after increasing from 77.4 *per cent* of the total revenue receipts in 2001-02 to 77.8 *per cent* during 2002-03, decreased to 76.3 *per cent* during 2005-06. The contribution of Central tax transfers and grants-in-aid from GOI together, increased from 22.6 *per cent* of the total revenue receipts in 2001-02 to 24.1 *per cent* in 2004-05 and decreased to 23.6 *per cent* in 2005-06. In absolute terms also, the Central tax transfers and grants-in-aid increased from Rs 2870 crore and Rs 1381 crore to Rs 5013 crore and Rs 3020 crore respectively during 2001-06.

1.4.4 Arrears of Revenue

The arrears of revenue which was Rs 9424 crore in 2002-03 decreased to Rs 7247 crore during 2003-04 and then increased to Rs 11132.07 crore during 2005-06. Outstanding revenue, as a percentage of tax and non-tax revenue increased from 35.8 *per cent* in 2004-05 to 42.9 *per cent* in 2005-06. Of the arrears of Rs 11132.07 crore as of March 2006, Rs 3330.60 crore (30 *per cent*) were outstanding for more than five years. The arrears mainly pertained to Sales Tax (Rs 10507.52 crore), Mines and Minerals (Rs 261.63 crore), Stamp Duty and Registration Fees (Rs 174.64 crore) and Urban Land Tax (Rs 107.26 crore).

1.5 Application of resources

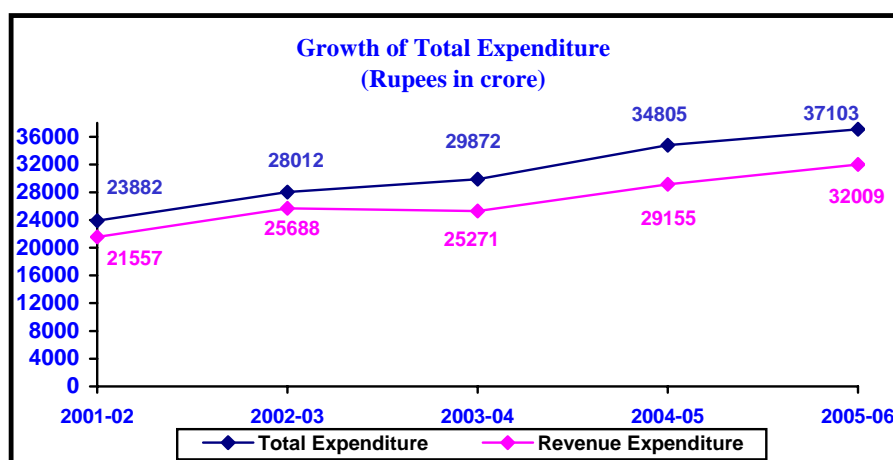
1.5.1 Growth of Expenditure

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. Total expenditure, its annual growth rate and ratio of expenditure to the State GSDP and to revenue receipts and its buoyancy with respect to GSDP and revenue receipts are indicated in **Table 6**.

Table 6: Total Expenditure – Basic Parameters

	2001-02	2002-03	2003-04	2004-05	2005-06
Total expenditure (TE)* (Rupees in crore)	23882	28012	29872	34805	37103
Rate of Growth (<i>per cent</i>)	0.5	17.3	6.6	16.5	6.6
TE/GSDP Ratio (<i>per cent</i>)	16.6	18.1	17.7	18.4	17.9
RR /TE Ratio (<i>per cent</i>)	78.8	74.2	79.4	81.8	91.5
Buoyancy of Total Expenditure with reference to:					
GSDP (ratio)	0.29	2.14	0.77	1.36	0.67
RR (ratio)	0.19	1.62	0.48	0.83	0.34

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



Total expenditure of the Government comprising revenue expenditure, capital expenditure and the loans and advances increased from Rs 23882 crore in 2001-02 to Rs 37103 crore in 2005-06. The rate of growth of total expenditure after increasing from 6.6 *per cent* in 2003-04 to 16.5 *per cent* in 2004-05 declined to 6.6 *per cent* in 2005-06. While the revenue expenditure during 2005-06 increased by 9.8 *per cent* as compared to the previous year, the capital expenditure and loans and advances disbursed decreased by 11.2 *per cent* and 4.1 *per cent* over the previous year's figures. The percentage of total expenditure to revenue receipts during 2005-06 was 109.3 indicating that about 91.5 *per cent* of the State's total expenditure was met from its current revenue, leaving the balance to be financed by borrowings.

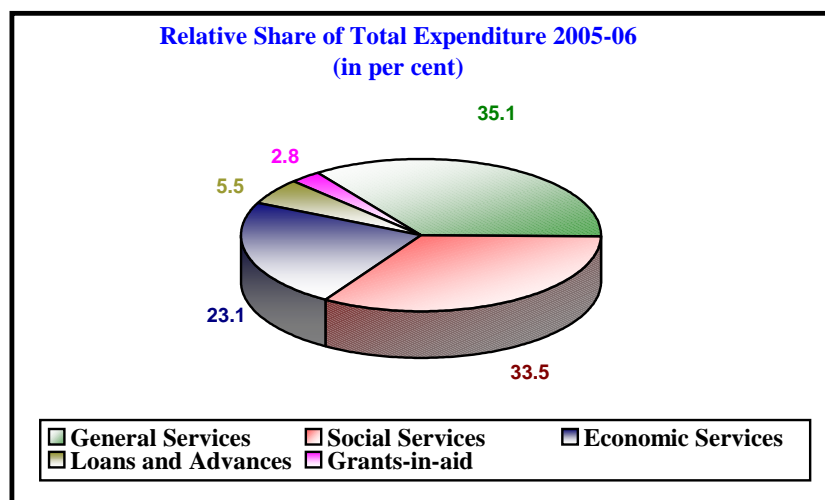
1.5.1.1 Trends in Total Expenditure by Activities

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 7**.

Table 7: Components of Expenditure – Relative Share

	(in per cent)				
	2001-02	2002-03	2003-04	2004-05	2005-06
General Services	38.0	35.9	36.3	35.7	35.1
<i>Of which</i> Interest payments	14.7	14.7	15.7	13.7	12.3
Social Services	34.9	30.7	33.9	34.9	33.5
Economic Services	21.8	25.3	21.5	20.7	23.1
Grants-in-aid	3.0	5.6	4.9	5.6	5.5
Loans and Advances	2.3	2.5	3.4	3.1	2.8

Interest payments and expenditure on General Services considered as non-developmental expenditure together accounted for 35.1 *per cent* of total expenditure in 2005-06. The share of Social Services after declining from 34.9 *per cent* in 2001-02 to 30.7 *per cent* in 2002-03, increased to 34.9 *per cent* in 2004-05 and then declined to 33.5 *per cent* in 2005-06. The share of Economic Services after increasing from 21.8 *per cent* in 2001-02 to 25.3 *per cent* in 2002-03, declined to 20.7 *per cent* in 2004-05 and then slightly recovered to 23.1 *per cent* in 2005-06.



1.5.2 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 payment for the past obligations and as such does not result in any addition to the State's 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 8**.

Table 8: Revenue Expenditure: Basic Parameters

	(Rupees in crore)				
	2001-02	2002-03	2003-04	2004-05	2005-06
Revenue Expenditure (RE)	21557	25688	25271	29155	32009
<i>Of which</i>					
Non-Plan Revenue Expenditure (NPRE)	19130	22715	20835	25251	26627
Plan Revenue Expenditure (PRE)	2427	2973	4436	3904	5382
Rate of Growth (<i>per cent</i>)					
NPRE	(-) 1.5	18.7	(-)8.3	21.2	5.4
PRE	3.9	22.5	49.2	(-)12.0	37.9
NPRE/GSDP (<i>per cent</i>)	13.3	14.6	12.4	13.4	12.8
NPRE as <i>per cent</i> of TE	80.1	81.1	69.7	72.5	71.8
NPRE as <i>per cent</i> of RR	101.7	109.0	87.9	88.7	78.4
Buoyancy of Revenue Expenditure with					
GSDP (ratio)	(-)0.53	2.37	(-)0.19	1.27	1.0
Revenue Receipts (ratio)	(-)0.33	1.79	(-)0.11	0.77	0.51

Overall revenue expenditure of the Government, after increasing from Rs 21557 crore in 2001-02 to Rs 25688 crore in 2002-03, declined to Rs 25271 crore in 2003-04 and then increased to Rs 32009 crore in 2005-06. The percentage of increase over 2004-05 was 9.8. While the increase under non-plan revenue expenditure was 5.4 *per cent*, the increase under plan revenue expenditure was 37.9 *per cent*. The non-plan revenue expenditure as a percentage of GSDP declined from 14.6 *per cent* in 2002-03 to 12.8 *per cent* in 2005-06. As a percentage of total expenditure and revenue receipts, the non-plan revenue expenditure declined from 81.1 *per cent* to 71.8 *per cent* and 109 *per cent* to 78.4 *per cent* during 2002-06. This indicated that 71.8 *per cent* of total revenue expenditure was non-plan revenue expenditure and 78.4 *per cent* of revenue receipts was utilised towards non-plan revenue expenditure during 2005-06.

1.5.3 Committed Expenditure

1.5.3.1 Expenditure on Salaries

Table 9: Expenditure on Salaries

	(Rupees in crore)				
Heads	2001-02	2002-03	2003-04	2004-05	2005-06
Expenditure on Salaries	7265	7225	7066	8238	8342
As <i>per cent</i> of GSDP	5.1	4.7	4.2	4.4	4.0
As <i>per cent</i> of RR	38.6	34.7	29.8	28.9	24.6

The salary expenditure including Dearness Allowance of the State Government over the last five years is given above (**Table 9**). Salaries alone consumed nearly 24.6 *per cent* of the revenue receipts of the Government during 2005-06. Expenditure on salaries after decreasing from Rs 7265 crore

in 2001-02 to Rs 7066 crore in 2003-04, increased to Rs 8342 crore in 2005-06. While salary expenditure as a percentage of GSDP decreased from 4.4 to 4.0 with reference to previous year, the same as a percentage of revenue receipts declined from 28.9 to 24.6 over the same period.

1.5.3.2 Pension Payments

Table 10: Expenditure on Pensions

(Rupees in crore)

Heads	2001-02	2002-03	2003-04	2004-05	2005-06
Expenditure on Pensions	3050	3327	3280	3902	4460
As per cent of GSDP	2.1	2.1	1.9	2.1	2.1
As per cent of RR	16.2	16.0	13.8	13.7	13.1
As per cent of NPPE	15.9	14.6	15.7	15.5	16.8

Pension payments consumed 13.1 per cent of the revenue receipts of the Government during 2005-06 and increased by 46.2 per cent from Rs 3050 crore in 2001-02 to Rs 4460 crore in 2005-06. Significant increase in expenditure on pension during 2005-06 was mainly due to increase of 41.5 per cent over last year's expenditure under commuted value of pensions, 7.2 per cent under superannuation and retirement benefits and 15.5 per cent under pensions to employees of State aided Educational Institutions. As a percentage of non-plan revenue expenditure, it constituted about 16.8 per cent during 2005-06.

1.5.3.3 Interest payments

Interest payments made during the period 2001-02 to 2005-06 along with its percentage to Revenue Receipts and Revenue Expenditure are given in **Table 11** below:

Table 11: Interest payments

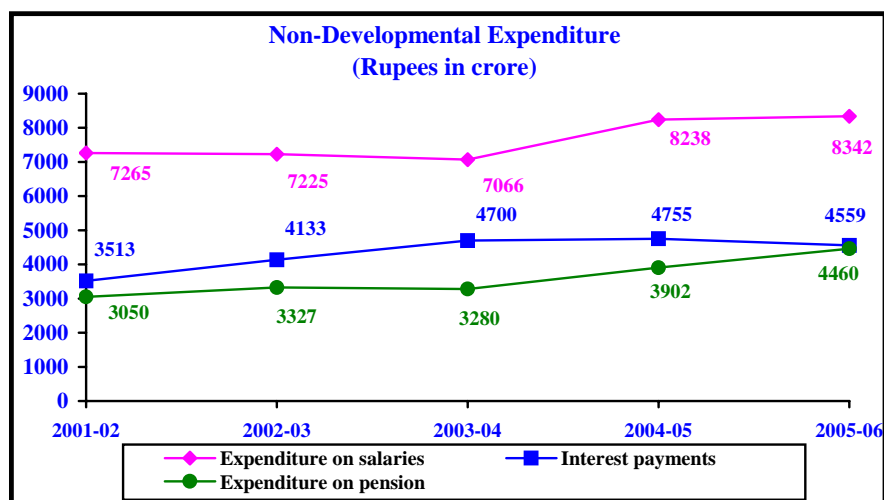
Year	Interest Payments (Rupees in crore)	Percentage of Interest payments with reference to	
		Revenue Receipts	Revenue Expenditure
2001-02	3513	18.7	16.3
2002-03	4133	19.8	16.1
2003-04	4700	19.8	18.6
2004-05	4755	16.7	16.3
2005-06	4559	13.4	14.2

Interest payments increased by 29.8 per cent from Rs 3513 crore in 2001-02 to Rs 4559 crore in 2005-06 (the average growth rate being 8.2 per cent) primarily due to continued reliance on borrowings to meet the Fiscal Deficit. During 2005-06, the Government raised Rs 1618.88 crore from open market at a weighted average rate of interest of 7.7 per cent per annum. It also borrowed Rs 6093.83 crore from National Small Savings Fund at 9.5 per cent per annum and Rs 441.68 crore at 9 per cent per annum from GOI during the year. The Twelfth Finance Commission recommended that States should

endeavour to keep interest payments as a ratio of revenue receipts to 15 per cent by 2009-10. As against this by 2005-06 the ratio of interest payment to revenue receipt was 13.4 per cent.

1.5.3.4 Non-developmental expenditure

The growth of salaries, pensions and interest payments termed as non-development expenditure is depicted in the following chart.



1.5.4 Subsidies

Despite the finances of the State being under strain, State Government has been paying subsidies to various corporations besides paying subsidies also to individuals. The trends in the subsidies given by the State Government during the last four years are given in **Table 12**.

Table 12: Subsidies

Year	Amount (Rupees in crore)	Percentage increase (+)/ decrease (-) over previous year	Percentage of subsidy in revenue expenditure
2002-03	1768	(-) 19.9	6.9
2003-04	1680	(-) 5.0	6.6
2004-05	2513	49.6	8.6
2005-06	3426	36.3	10.7

The increase in subsidy payments to the tune of Rs 913 crore during 2005-06 over 2004-05 figures was mainly due to consumer subsidies to Tamil Nadu Civil Supplies Corporation (Rs 365 crore), assistance to farmers under relief on natural calamities (Rs 352 crore), reimbursement of social cost of concessional bus fare for students (Rs 114 crore) and subsidies for food grain crops (Rs 113 crore).

1.6 Capital, Revenue and Developmental Expenditure

1.6.1 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 is quality of expenditure. **Table 13** gives these ratios during 2001-06.

Table 13: Indicators of Quality of Expenditure

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06
Capital Expenditure	1778	1628	3590	4564	4054
Revenue Expenditure	21557	25688	25271	29155	32009
<i>As per cent of Total Expenditure</i>					
Capital Expenditure	7.4	5.8	12.0	13.1	10.9
Revenue Expenditure	90.3	91.7	84.6	83.8	86.3
<i>As per cent of GSDP</i>					
Capital Expenditure	1.2	1.0	2.1	2.4	2.0
Revenue Expenditure	15.0	16.6	15.0	15.4	15.4

Revenue expenditure as a percentage of total expenditure, decreased from 91.7 in 2002-03 to 86.3 in 2005-06. Capital expenditure which was 7.4 per cent and 5.8 per cent of total expenditure during 2001-02 and 2002-03, increased to 13.1 per cent in 2004-05 and then decreased to 10.9 per cent in 2005-06. As compared to GSDP, capital expenditure increased marginally from one per cent in 2002-03 to 2.4 per cent in 2004-05 and then decreased to two per cent in 2005-06. However, the revenue expenditure, as a percentage of GSDP declined from 16.6 in 2002-03 to 15.4 in 2005-06. The ratio of Government's plan expenditure and development expenditure which includes expenditure on Social Services, Economic Services and Grants-in-aid to total expenditure (excluding loans and advances), as reflected in Statement 12 of Finance Accounts is given in **Table 14** below:

**Table 14: Category of expenditure
(as a percentage of total expenditure)**

	2001-02	2002-03	2003-04	2004-05	2005-06
Plan expenditure	17.5	16.4	27.4	24.3	26.2
Development expenditure	61.1	63.1	62.4	63.1	53.0

Plan expenditure after increasing from 16.4 per cent of total expenditure in 2002-03 to 27.4 per cent in 2003-04, decreased to 24.3 per cent in 2004-05 and then slightly recovered to 26.2 per cent in 2005-06. However, the share of development expenditure to total expenditure which showed marginal

decrease in 2003-04 has again come to the level of 2002-03 (i.e.) 63.1 per cent in 2004-05 and then sharply decreased to 53 per cent in 2005-06.

1.6.2 Financial Assistance to local bodies and other institutions

The quantum of assistance provided by way of grants and loans to local bodies etc., during the period of five years ending 2005-06 was given in **Table 15** below:

Table 15: Financial Assistance to local bodies and other institutions

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	761	316	325	388	484
Municipal Corporations and Municipalities	505	866	847	919	954
Zilla Parishads and Other Panchayati Raj Institutions	630	1351	1735	1584	1287
Development Agencies	571	186	312	189	202
Hospital and Other Charitable Institutions	2	4	19	9	20
Other Institutions	508	3265	1890	2395	2119
Total	2977	5988	5128	5484	5066
Assistance as a percentage of RE	14	23	20	19	16

As seen from the above table, grants-in-aid extended to Panchayati Raj Institutions and Other Institutions decreased during 2005-06, as compared to last year.

1.6.3 Misappropriation, losses, etc.

Cases of misappropriation of the Government money reported to Audit upto March 2006 and on which report on final action viz., write-off or recovery was pending at the end of June 2006 were given below in **Table 16**.

Table 16: Misappropriation cases

	Number of cases	Amount (Rupees in lakh)
Cases reported up to the end of March 2005 and outstanding at the end of June 2005	362	666.38
Cases reported during April 2005 to March 2006	4	69.64
Total	366	736.02
Cases cleared during July 2005 to June 2006	76	36.96
Cases outstanding at the end of June 2006	290	699.06

Department-wise and year-wise analysis of the pending cases are given in **Appendix VII**. In all these cases, report on the Departmental action taken and results of the proceedings against the Government servants responsible, which are required to be sent to audit, were still awaited.

Further, 254 cases of shortage, theft, damage to property, etc., involving Rs 1.75 crore were reported to audit upto March 2006 by Departments other

than Public Works, Highways and Forest Departments. Besides, 2,821 cases involving Rs 16.96 crore were either reported by or noticed during audit of Public Works, Highways and Forest Departments upto March 2006. Department-wise and year-wise analysis of these cases are contained in **Appendix VIII**.

1.6.4 Delay in furnishing utilisation certificates

Of the 8,127 utilisation certificates (UC) due in respect of grants and loans aggregating Rs 438.59 crore paid upto 2004-05, 6,928 UCs for an aggregate amount of Rs 356.90 crore were in arrears. Details of department-wise break-up of outstanding UCs are given in **Appendix IX**.

1.7 Assets and Liabilities

In the Government accounting system, comprehensive accounting of fixed assets like land and buildings owned by the Government is not done. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred. **Appendix V** gives an abstract of such liabilities and the assets as on 31 March 2006, compared with the corresponding position on 31 March 2005. While the liabilities in this Appendix consist mainly of internal borrowings, loans and advances from the GOI, receipts from the Public Account and Reserve Funds, the assets comprise mainly, the capital outlay and loans and advances given by the State Government and cash balances. **Appendix II** depicts the time series data on State Government finances for the period 2001-06.

During 2005-06, the liabilities grew by 14.2 *per cent*. Similarly, assets comprise mainly capital expenditure and loans and advances given by the Government and grew by 35 *per cent* during 2005-06.

1.7.1 Financial results of Irrigation Works

Statement 3 of the Finance Accounts depicts the financial results of five major and 47 medium irrigation projects involving capital expenditure of Rs 2363.50 crore at the end of March 2005. It shows that revenue realised from these projects during 2004-05 was Rs 16.17 crore only and this was not sufficient to cover even the direct working expenses. After meeting the working and maintenance expenditure (Rs 103.60 crore) and interest charges (Rs 116.19 crore), the projects suffered a net loss of Rs 203.71 crore. The losses comprised of Rs 138.94 crore on the major irrigation projects and Rs 64.77 crore on the medium irrigation projects.

1.7.2 Incomplete projects

As per information received from the State Government, there were 64 incomplete projects which were scheduled for completion before 31 March 2006 on which Rs 951 crore of capital expenditure was incurred. Each of these projects cost more than Rs 1 crore but were incomplete for reasons such

as non-receipt of revised administrative sanction, pending land acquisition, delay in finalisation of tenders, etc.

1.7.3 Investments and returns

As of 31 March 2006, Government had invested Rs 2744.60 crore in statutory corporations, Rural Banks, Joint Stock Companies and Cooperatives (**Table 17**). The return on this investment was between 0.8 and 1.1 *per cent* in the last five years while the Government paid interest at the average rate of 7.8 to 10.1 *per cent* on its borrowings during this period.

Table 17: Return on Investment

Year	Investment at the end of the year	Return	Percentage of return	Average rate of interest on government borrowing	Difference between interest rate and return
	(Rupees in crore)			(per cent)	
2001-02	2967.46	33.45	1.1	9.8	8.7
2002-03	3131.26	25.99	0.8	10.1	9.3
2003-04	2464.36	27.20	1.1	10.1	9.0
2004-05	2557.71	24.25	0.9	9.1	8.2
2005-06	2744.60	20.92	0.8	7.8	7.0

The loss making Government companies and cooperatives in which investment aggregated Rs 1565.25 crore, had incurred a cumulative loss of Rs 3952.43 crore as of March 2006.

1.7.4 Loans and advances by State Government

In addition to investments in Cooperative societies, corporation 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 2006, was Rs 5499 crore (**Table 18**). Average rate of interest received against these loans advanced was 5.4 *per cent* during 2005-06 as against 3.4 *per cent* in previous year.

Table 18: Average Interest Received on Loans Advanced by the State Government

	(Rupees in crore)				
	2001-02	2002-03	2003-04	2004-05	2005-06
Opening Balance	4125	4348	4612	5048	5351
Amount advanced during the year	547	697	1011	1086	1040
Amount repaid during the year	324	433	575	783	892
Closing Balance	4348	4612	5048	5351	5499
Net addition	223	264	436	303	148
Interest Received	271	311	215	175	292
Average rate of interest earned (in <i>per cent</i>)	6.4	6.9	4.5	3.4	5.4
Weighted interest rate paid on borrowings by State Government. (in <i>per cent</i>)	9.8	10.1	10.1	9.1	7.8
Difference between weighted interest paid and average rate of interest received (in <i>per cent</i>)	(-) 3.4	(-) 3.2	(-) 5.6	(-) 5.7	(-) 2.4

The above table indicates that the difference between the average rate of interest paid by the State Government over that earned after increasing from 3.2 per cent in 2002-03 to 5.7 per cent in 2004-05, decreased to 2.4 per cent in 2005-06.

1.7.5 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 (RBI) has been put in place.

Ways and Means Advances and Overdrafts availed, the number of occasions it was availed and interest paid by the State is detailed in **Table 19**.

Table 19: Ways and Means Advances and Overdrafts of the State

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06
Ways and Means Advances					
Availed in the Year	4855.47	8624.44	1710.13	1337.07	675.12
Outstanding WMAs, if any	101.63	651.42	596.33	391.45	--
Number of Days	206	284	41	23	14
Interest Paid	21.88	20.46	7.64	1.40	0.61
Overdraft					
Availed in the year	4110.24	1911.22	--	--	--
Number of Days	148	71	2	--	--
Interest Paid	4.72	3.98	0.86	--	--

The Ways and Means Advance availed of during 2005-06 declined sharply with reference to earlier years as indicated in **Table 19**. Moreover, no overdraft was availed of during the last three years (2003-04 to 2005-06), reversing the trend of earlier years.

1.8 Undischarged Liabilities

1.8.1 Fiscal Liabilities – Public Debt and Guarantees

There are two sets of liabilities namely, public debt and other liabilities. Public debt consists of internal debt of the State and is reported in the Annual Financial Statements under the Consolidated Fund – Capital Accounts. It includes market loans, special securities issued by RBI and loans and advances from the Central Government. The Constitution of India provides that a State may borrow, within the territory of India, upon the security of its Consolidated Fund, within such limits, as may from time to time, be fixed by the Act of its Legislature and give guarantees within such limits as may be fixed. Other liabilities, which are a part of public account, include deposits under small

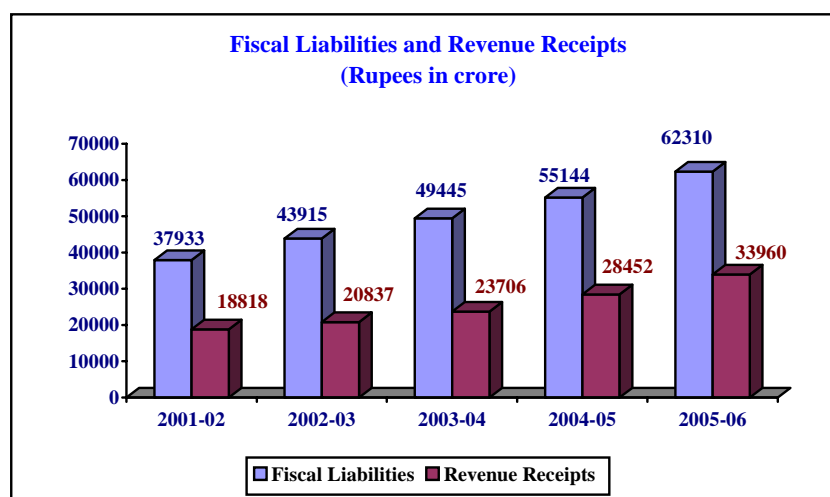
savings scheme, provident funds and other deposits. Statement 4 read with Statements 16 and 17 of the Finance Accounts show the year end balances under Debt, Deposit and Remittance heads from which the liabilities are worked out.

Table 20 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 20: Fiscal Liabilities – Basic Parameters

	2001-02	2002-03	2003-04	2004-05	2005-06
Fiscal Liabilities (Rupees in crore)	37933	43915	49445	55144	62310
Rate of Growth (<i>per cent</i>)	13.5	15.8	12.6	11.5	13
Ratio of Fiscal Liabilities to					
GSDP (<i>per cent</i>)	26.4	28.3	29.3	29.2	30
Revenue Receipts (<i>per cent</i>)	201.6	210.8	208.6	193.8	183.5
Own Resources (<i>per cent</i>)	260.4	271.0	274.1	255.7	240.3
Buoyancy of Fiscal Liabilities to					
GSDP (ratio)	7.94	1.95	1.47	0.95	1.33
Revenue Receipts (ratio)	5.0	1.48	0.9	0.58	0.67
Own Resources (ratio)	3.29	1.41	1.1	0.59	0.64

The overall fiscal liabilities of the State increased from Rs 37933 crore in 2001-02 to Rs 62310 crore in 2005-06. The growth rate was 13 *per cent* during 2005-06 over previous year. The ratio of fiscal liabilities to GSDP also increased from 26.4 *per cent* in 2001-02 to 30 *per cent* in 2005-06. These liabilities stood at 1.83 times the revenue receipts and 2.40 times of the State's own resources at the end of 2005-06. The fiscal liabilities had grown faster than the State's GSDP. The buoyancy of these liabilities with respect to GSDP during the year was 1.33 indicating that for each one *per cent* increase in GSDP, fiscal liabilities grew by 1.33 *per cent*.



1.8.2 The Tamil Nadu Fiscal Responsibility (TNFR) Act, 2003

The State Government has enacted the Tamil Nadu Fiscal Responsibility Act, 2003 in May 2003, to ensure prudence in fiscal management and fiscal stability by progressive elimination of revenue deficit, reduction in fiscal deficit, prudent debt management consistent with fiscal sustainability, greater fiscal transparency in fiscal operations of the Government and conduct of fiscal policy in a medium term framework.

To give effect to the fiscal management principles as laid down in the Act, and/or the rules framed thereunder prescribed the following fiscal targets for the State Government:

- reduce revenue deficit in each of the financial year so as to eliminate it by 31 March 2009 and generate revenue surplus thereafter,
- reduce fiscal deficit in each of the financial year so as to bring it down to not more than three *per cent* of GSDP by 31 March 2009,
- Cap the total outstanding guarantee to hundred *per cent* of the total revenue receipts in the preceding year or at 10 *per cent*, of the previous year GSDP whichever is lower and
- Cap the risk weighted guarantees to 75 *per cent* of the total revenue receipts in the preceding year or at 7.5 *per cent* of the GSDP, whichever is lower.

1.8.2.1 Roadmap to achieve the Fiscal Targets as laid down in TNFR Act/Rules

This Act was subsequently amended to bring it in line with the requirements prescribed by the Twelfth Finance Commission. According to Section 3(1) of this Act, the Government is required to place before the Legislative Assembly a Medium Term Fiscal Plan (MTFP) along with the Budget. Section 3(2) of this Act, requires that the MTFP shall set forth a multi-year rolling target for the fiscal indicators like revenue deficit and fiscal deficit while clearly indicating the underlying assumptions made to arrive at those projections.

1.8.2.2 Fiscal Policy Statement(s) 2005-06

In compliance with this Act, a MTFP based on current fiscal trends and policy initiatives undertaken by the Government has been prepared with the projections for the period 2005-08 and it was placed before the Legislative Assembly along with the Budget for 2005-06 on 2 March 2005.

The table below depicts the main targets set for 2005-06 and the actual achievements thereagainst. The actual position with the relevant key indicators at the end of 2005-06 was as given below:

Table 21: Position of key indicators

(Rupees in crore)

	Projected in MTFP	Projected in Revised Estimate 2005-06	Actuals	Target achieved with reference to Revised Estimate Yes (Y)/ No (N)
Total Revenue Receipts (TRR)	26609	32653	33960	Y
State's Own Revenues (SOR)	20283	24357	25927	Y
State's Own Tax Receipts (SOTR)	18788	22164	23326	Y
Non-Tax Revenue	1495	2193	2601	Y
Central Revenue	6325	8296	8033	N
(a) Shared taxes	4407	5041	5013	N
(b) Grants-in-aid	1918	3255	3020	N
Total Revenue Expenditure	29505	33013	32009	Y
Capital Outlay	3275	4846	4054	N
Salaries	9611	9551	8579	Y
Pension and Retirement benefits	5213	4681	4460	Y
Subsidies	5941	9656	3426	Y
Interest payments	5798	4691	4559	Y
Revenue Deficit	2897	360	1951 (RS)	Y
Fiscal Deficit	6441	5444	2251	Y
Primary Deficit	643	753	2308 (PS)	Y
GSDP	194550	211592	207503	N
Rate of growth of GSDP (<i>per cent</i>)	8.5	12	9.8	N
Percentage of RD to				
(a) TRR	(-) 10.9	(-) 1.1	(+) 5.7	Y
(b) FD	44.97	6.61	(-) 86.7	Y
Percentage of Interest payment to TRR	21.79	14.37	13.4	Y

The above table indicates that the Government achieved most of the targets set for 2005-06 under the MTFP.

1.8.3 Status of Guarantees – Contingent liabilities

Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee has been extended.

As per the Statement 6 of the Finance Accounts, the maximum amount for which guarantees were given by the State and outstanding guarantees at the end of year since 2001-02 is given in **Table 22**.

Table 22: Guarantees given by the Government of Tamil Nadu

(Rupees in crore)

Year	Maximum amount guaranteed	Outstanding amount of guarantees	Percentage of maximum amount guaranteed to total revenue receipt
2001-02	14695	8570	78.1
2002-03	16353	8677	78.5
2003-04	18843	10098	79.5
2004-05	17220	8424	60.5
2005-06	13669	5564	40.3

As provided under Article 293 of the Constitution, the Government give guarantees for the due discharge of certain liabilities like repayment of loans, share capital, etc., raised by the statutory corporations, Government companies, cooperative institutions, etc. These guarantees constitute contingent liabilities of the State since in the event of non-payment of loans, there may be an obligation on the Government to honour these commitments.

1.8.4 Capping of total outstanding guarantees as per TNFR Act, 2003

According to the TNFR Act passed by the State Legislature in May 2003 as amended in February 2004 and May 2005 the Government should cap the total outstanding guarantees to 100 per cent of the total revenue receipts in the preceding year or at 10 per cent of GSDP, whichever is lower and cap the risk weighted guarantees to 75 per cent of the total revenue receipts of the preceding year or at 7.5 per cent of GSDP, whichever is lower.

Table 23: Outstanding guarantee compared to revenue receipts and GSDP

(Rupees in crore)

Year	Outstanding amount of guarantee at the end of the year	Revenue Receipts of the previous year	Percentage of column (2) figures to column (3) figures	10 percent of GSDP of the previous year	Percentage of column(2) to column (5)
(1)	(2)	(3)	(4)	(5)	(6)
2003-04	10098	20837	48.5	15510	65.1
2004-05	8424	23706	35.5	16846	50.0
2005-06	5564	28452	19.6	18892	29.5

From the above figures, it was seen that maximum amount of guarantees as on 31 March 2006 was Rs 13669 crore against which sums outstanding on that date were Rs 5564 crore (Principal: Rs 5488 crore; Interest: Rs 76 crore). The outstanding amount for 2005-06 was 19.6 per cent of revenue receipts and 29.5 per cent of 10 per cent of GSDP for the previous year viz., 2004-05. The details of risk weighted outstanding guarantees¹ as on 31 March 2006 were yet to be made available by Finance Department.

1.8.5 Guarantee Redemption Fund

Government constituted a Guarantee Redemption Fund (GRF) in March 2003 for discharge of invoked guarantees. An amount of Rs 174 crore (2004-05:

¹ Guarantees in respect of institutions that are not in good financial health including those who have been or are likely to be wound up are classified as Very High risk with 80 per cent risk weightage assigned to it. The remaining categories are High Risk (60 per cent weightage), Medium risk (40 per cent weightage), low risk (25 per cent weightage) and Nil Risk (Zero per cent weightage).

Rs 100 crore and 2005-06: Rs 74 crore) was credited to the Fund up to the end of 2005-06 and Rs 161.48 crore (2004-05: Rs 93.50 crore and 2005-06: Rs 67.98 crore) were met from the Fund. Guarantees were invoked for Rs 93.50 crore in seven cases during 2004-05 and for Rs 67.98 crore in four cases during 2005-06.

Though the accretions to the Fund were to be invested in specified securities, no investment was made. The Balance at the credit of the Fund as on 31 March 2006 was Rs 12.52 crore.

1.8.6 Net Availability of Funds

Another important indicator of debt sustainability is the net availability of funds after the payment of the principal on account of earlier contracted liabilities and interest.

Table 24 below gives the position of the receipt and repayment of internal debt and other fiscal liabilities of the State over the last five years.

Table 24: Net Availability of Borrowed Funds

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06
Internal Debt					
Receipt	12575	17883	10410	12215	9200
Repayment (Principal + Interest)	10855	11851	5774	7216	5841
Net Fund Available	1720	6032	4636	4999	3359
Net Fund Available (<i>per cent</i>)	14	34	45	41	37
Loans and Advances from GOI					
Receipt	913	920	1023	1259	442
Repayment (Principal + Interest)	2108	3164	4608	5270	728
Net Fund Available	(-) 1195	(-) 2244	(-) 3585	(-) 4011	(-) 286
Net Fund Available (<i>per cent</i>)	--	--	--	--	--
Total Public Debt					
Receipt	13488	18803	11433	13474	9642
Repayment (Principal + Interest)	12963	15015	10382	12486	6569
Net Fund Available	525	3788	1051	988	3073
Net Fund Available (<i>per cent</i>)	3.9	20.1	9.2	7.3	31.9

Another important indicator of debt sustainability is net availability of funds after repayment of the principal on account of the earlier contracted liabilities and interest. The net funds available on account of internal debt and loans and advances from GOI after declining from Rs 3788 crore in 2002-03 to Rs 988 crore in 2004-05, increased to Rs 3073 crore in 2005-06. The **Table 24** above gives the position of the receipt and repayment of internal debt over the last five years. The net funds available, after providing for the interest and repayments, varied between 3.9 *per cent* and 31.9 *per cent* during 2001-06.

1.9 Management of deficits

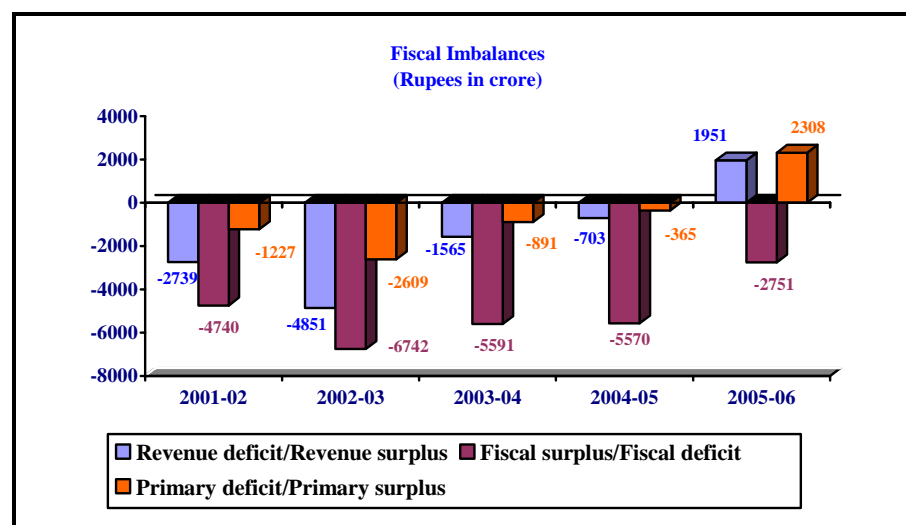
The deficit in the Government accounts represents the gap between its receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources raised are applied are important pointers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

Table 25 given below showing the basic parameters of fiscal imbalances during the period 2001–06 revealed that the State Government improved its financial position over the years and achieved revenue surplus and primary surplus during 2005–06 but continued to have fiscal deficit.

Table 25: Fiscal Imbalances: Basic Parameters

Parameters	2001-02	2002-03	2003-04	2004-05	2005-06
Revenue deficit (RD) (-) / Revenue Surplus (RS) (+) (Rupees in crore)	(-) 2739	(-) 4851	(-) 1565	(-) 703	(+) 1951
Fiscal deficit (FD) (Rupees in crore)	(-) 4740	(-) 6742	(-) 5591	(-) 5570	(-) 2251
Primary deficit (PD) (-) / Primary surplus (PS) (+) (Rupees in crore)	(-) 1227	(-) 2609	(-) 891	(-) 815	(+) 2308
RD or RS/GSDP (per cent)	(-) 1.9	(-) 3.1	(-) 0.9	(-) 0.4	(+) 0.9
FD/GSDP (per cent)	(-) 3.3	(-) 4.3	(-) 3.3	(-) 2.9	(-) 1.1
PD or PS/GSDP (per cent)	(-) 0.9	(-) 1.7	(-) 0.5	(-) 0.2	(-) 1.1
RD or RS/FD (per cent)	(-) 57.8	(-) 72.0	(-) 28.0	(-) 12.6	(-) 86.7

The revenue deficit of the State, which is the excess of its revenue expenditure over revenue receipts (Statement 1 of the Finance Accounts), after increasing from Rs 2739 crore in 2001-02 to Rs 4851 crore in 2002-03 declined sharply to Rs 703 crore in 2004-05. During 2005-06, there was a revenue surplus of Rs 1951 crore. The fiscal deficit, which represents the total borrowing of the Government and its total resource gap, after increasing from Rs 4740 crore in 2001-02 to Rs 6742 crore in 2002-03, decreased to Rs 2251 crore in 2005-06. The primary deficit of the State, after rising from Rs 1227 crore in 2001-02 to Rs 2609 crore in 2002-03, fell sharply to Rs 815 crore in 2004-05. During 2005-06 the State had a primary surplus of Rs 2308 crore.



The ratio of revenue surplus to fiscal deficit was 86.7 *per cent* in 2005-06. As a proportion to State's GSDP, revenue surplus was 0.9 *per cent* in 2005-06 and fiscal deficit was 1.1 *per cent*

1.10 Fiscal Ratios

The finances of a State should be sustainable, flexible and non-vulnerable. **Table 26** below presents a summarised position of Government finances over 2001-2006, 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 26: Indicators of Fiscal Health (in *per cent*)

Fiscal Indicators	2001-02	2002-03	2003-04	2004-05	2005-06
I Resource Mobilisation					
Revenue Receipt/GSDP	13.1	13.4	14.1	15.1	16.4
Revenue Buoyancy	1.59	1.32	1.60	1.65	1.98
Own Tax/GSDP	3.47	1.26	1.30	1.77	2.09
II Expenditure Management					
Total Expenditure/GSDP	16.6	18.1	17.7	18.4	17.9
Total Expenditure/Revenue Receipts	126.9	134.4	126.0	122.3	109.3
Revenue Expenditure/Total Expenditure	90.3	91.7	84.6	83.8	86.3
Capital Expenditure/Total Expenditure	7.4	5.8	12.0	13.1	10.9
Buoyancy of TE with RR	0.19	1.62	0.48	0.83	0.34
Buoyancy of RE with RR	0.33	1.79	0.11	0.77	0.51
III Management of Fiscal Imbalances					
Revenue deficit (-)/Revenue Surplus (+) (Rs in crore)	(-)2739	(-)4851	(-)1565	(-)703	(+) 1951
Fiscal deficit (Rs in crore)	(-)4740	(-)6742	(-)5591	(-)5570	(-)2251
Primary Deficit (-)/ Primary Surplus (+) (Rs in crore)	(-)1227	(-)2609	(-)891	(-)815	(+)2308
Revenue Deficit/Fiscal Deficit	57.8	72.0	28.0	12.6	(-)86.7
IV Management of Fiscal Liabilities					
Fiscal Liabilities/GSDP	26.4	28.3	29.3	29.2	30.0
Fiscal Liabilities/RR	201.6	210.8	208.6	193.8	183.5
Buoyancy of FL with RR	5.00	1.48	0.91	0.58	0.67
Buoyancy of FL with Own Receipt	3.29	1.41	1.11	0.59	0.64
Net Funds Available under Public Debt	3.9	20.1	9.2	7.3	31.9
V Other Fiscal Health Indicators					
Return on Investment	1.1	0.8	1.1	0.9	0.8
Balance from Current Revenue (Rs in crore)	(-)1526	(-)3010	(+)1280	(+)1962	(+)6054
Financial Assets/Liabilities	0.44	0.42	0.45	0.51	0.61

1.11 Conclusions

Though Government had a revenue surplus and reduced fiscal deficit during 2005-06, the fiscal liabilities of the State was about 1.83 times the revenue receipts, indicating the criticality of Government borrowing. Though the lesser rate of growth of fiscal liabilities than that of revenue receipts during

2003-06 indicated improvement in Government's capacity to sustain its fiscal liability, the continued high interest payment during 2001-06 showed the reliance of the Government on borrowings. The investments of the Government funds in companies, cooperative units etc., fetched only a meagre return ranging between 0.8 to 1.1 *per cent* during 2001-06, while the Government continued to borrow funds from market at higher rates of interest. The percentage of total expenditure to revenue receipts was 109.3 indicating that about 91.5 *per cent* of the State's total expenditure was met from its current revenues, leaving only a small portion of revenue receipts for new ventures and for which Government has to borrow necessarily.