

## CHAPTER I

### An Overview of the Finances of the State Government

#### **1.1 Introduction**

This Chapter discusses the financial position of the State Government based on the information contained in the Finance accounts. The analysis is based on the receipts and expenditure, the quality of expenditure and the financial management of the Government. In addition, the Chapter also contains a section on analysis of financial performance of the Government and comparative position over last five years. Some of the terms used in the Chapter are explained in Appendix 1.

#### **1.2 Financial position of the State**

The Government accounting system does not attempt a comprehensive accounting of fixed assets, i.e. land, buildings etc., owned by Government. However, the Government accounts do capture the financial liabilities and the assets created out of the expenditure incurred. Exhibit I (page 16) presents an abstract of such liabilities and assets as on 31 March 2002, compared with the corresponding position on 31 March 2001. While the liabilities in this Statement consist of monies owed by the Government such as internal borrowings, loans and advances from Government of India, receipts from Public Account and Reserve Funds, the assets comprise mainly the cumulative capital expenditure and outstanding balances of its investment, loans and advances. The liabilities do not include the contingent liability of State Government guarantees and future pension obligations. Exhibit I shows that while the liabilities grew by *21 per cent*, its assets increased by only *12 per cent*, widening the gap between its assets and liabilities and increasing the proportion of liabilities which did not have an asset back up. This shows a continuing deterioration of the financial conditions of the State.

Exhibit II (page 17) gives details of the receipts and disbursement by the State Government while Exhibit IV (page 21) depicts the time series data on State Government Finances for the period 1997-2002.

#### **1.3 Sources and Application of Funds**

Exhibit III (Page 20) gives the position of sources and application of funds during the current and the preceding year. The main sources of the funds include the revenue receipts, recoveries of loans and advances, public debt and net incremental accruals from the public account. These were applied mainly on revenue and capital expenditure, debt servicing and lending for developmental and other purposes. Revenue receipts were the most significant source of funds for the State contributing *55 per cent* to the total fund flow. The contribution of the revenue receipts, however, declined from *57 per cent* in 2000-2001 to *55 per cent* in the current year. Public debt accounted for

40 per cent of total funds and its relative contribution increased by two percentage points to reach 40 per cent in 2001-2002. The remaining 5 per cent of the funds came from surpluses in public accounts and recovery of loans.

The application of funds was mainly on revenue expenditure, whose share increased from 86.45 per cent in 2000-2001 to 88.20 per cent in the current year and significantly exceeded the share of revenue receipts. This led to a high revenue deficit (Rs 8856 crore), constituting nearly 61 per cent of the revenue receipts. Capital expenditure accounted for 4.77 per cent of the total expenditure and the loans and advances accounted for 6.97 per cent of total expenditure. Relative share of both these components declined compared to the previous year.

#### 1.4 Revenue Receipts

The revenue receipts of the State consist mainly of its own taxes and non-tax revenues, central tax transfers and grants-in-aid from Government of India. Overall revenue receipts of the State increased from Rs 9028 crore in 1997-1998 to Rs 14538 crore in 2001-2002 at an average trend rate of 13.26 per cent. There were, however, significant inter-year variations in the growth rates. Annual growth of revenue receipts after a significant increase of 42.22 per cent in 2000-2001 declined sharply to 0.11 per cent in 2001-2002. Overall revenue receipts, its annual and trend rate of growth, ratio of these receipts to the State's Gross Domestic Product (GSDP) and its buoyancy is indicated in table 1.

Table 1: Revenue Receipts- Basic Parameters (Values in Rs crore and others in per cent)

	1997-1998	1998-1999	1999-2000	2000-2001	2001-2002	Average
Revenue Receipts	9028	9387	10211	14522	14538	11537
Rate of Growth	9.74	3.98	8.78	42.22	0.11	13.26
Revenue Receipt/GSDP	11.19	10.41	8.84	10.13	9.81	9.98
Revenue Buoyancy	0.649	0.338	0.312	1.750	0.033	0.747
GSDP Growth	15.013	11.771	28.153	24.119	3.352	17.739

During the Ninth Five-Year Plan (1997-2002), State had a buoyant economy with its GSDP growth averaging 17.74 per cent. However, revenue growth remained much lower than the rate of growth of GSDP with an average buoyancy of 0.747 indicating that for each one per cent increase in GSDP, revenue receipts grew by only 0.747 per cent. Due to a lower buoyancy, the ratio of these receipts to GSDP also declined from 11.19 per cent in 1997-1998 to 9.81 per cent in 2001-2002.

Composition of the revenue receipts of the State and relative share of the four components of revenue for last five years is indicated in table 2. While on an average around 53 per cent of revenue had come from State's own resources comprising of taxes and users charges, central tax transfers and grants-in-aid together contributed 47 per cent of the total revenue. Compared to 1997-1998, the contribution of the State's own taxes in its total revenue receipt declined sharply from 50.03 per cent to 44.95 percent. On the other hand, contribution of grants in aid increased sharply from 11.23 per cent in 1997-98 to

20.22 *per cent* in 2001-2002. The grants in aid nearly doubled from Rs 1539 crore in 1999-2000 to Rs 3154 crore in 2000-2001 consequent upon the recommendation of the Eleventh Finance Commission, which had recommended non-plan revenue deficit grants for 2000-2003 on a tapering basis. These grants will cease to be available from 2003-2004 onwards. A decline in these grants in 2001-2002, compared to the previous year, significantly reduced the revenue growth of the State. A further decline in these grants in 2002-2003 may constrain the State's resources even further.

**Table 2: Components of Revenue Receipt – relative Share in *per cent***

	1997-98	1998-99	1999-2000	2000-2001	2001-2002	Average
Own Taxes	50.03	50.86	49.96	40.94	44.95	47.35
Non-Tax Revenue	4.98	4.10	5.75	8.36	5.33	5.70
Central tax Transfers	33.76	28.68	29.22	28.98	29.50	30.03
Grants-in aid	11.23	16.36	15.07	21.72	20.22	16.92

Overall growth of these four components of revenue receipt during 1997-2002 had also differed significantly. Own taxes of the State had the lowest annual growth of 9.05 *per cent* while the grants-in-aid were the most buoyant with an annual growth of 26.33 *per cent*. The rate of growth of central transfers was also lower compared to the overall growth of revenue receipts. The trend of annual growth of these components of revenue, their average ratios as percent to GSDP, buoyancy, relative share in total revenue receipts and average annual rate of shift in relative contribution is indicated in table 3.

**Table 3: Components of Revenue- Basic Parameters 1997-2002 (*Per cent*)**

	ROG	GSDP Share	Buoyancy	Relative Share	Shift Rate
Own Taxes	9.05	4.649	0.510	47.35	-3.72
Non-Tax Revenue	20.45	0.590	1.153	5.70	6.36
Central tax Transfers	11.89	2.979	0.670	30.03	-1.21
Grants-in aid	26.33	1.762	1.484	16.92	11.55

The grants-in-aid had highest buoyancy of 1.484, while the State's own taxes had the buoyancy of only 0.510. As a result of this lower buoyancy, the relative share of own taxes in the State's total revenue witnessed a declining trend with an average annual shift rate of (-) 3.72 *per cent*. Central tax transfers also had low buoyancy which was reflected in a decline in their relative share at an annual shift rate of (-) 1.21 *per cent*. Grants in aid and non-tax revenue had higher buoyancy and a positive shift rate.

### 1.5 Expenditure

Over all expenditure of the State comprising the revenue expenditure, capital expenditure and loans and advances increased from Rs 13096 crore in 1997-1998 to Rs 26510 in 2001-2002 at an average annual trend rate of 18.71 *per cent*. Rate of growth of total expenditure was significantly higher compared to the rate of growth of revenue receipt and GSDP. As a result the revenue receipt expenditure ratio declined from 68.94 *per cent* in 1997-98 to 54.84 *per cent* in 2001-2002. Consequently the extent of short fall and the

quantum of expenditure that was required to be met from borrowings increased from 31 *per cent* in 1997-1998 to 45 *per cent* in 2001-2002. Total expenditure of this State, its trend and annual growth rate, ratio of expenditure to State's GSDP and revenue receipts and its buoyancy with regard to GSDP and revenue receipts is indicated in table 4.

**Table 4: Total Expenditure- Basic Parameters (Value in Rs Crore and others in *per cent*)**

	1997-1998	1998-1999	1999-2000	2000-2001	2001-2002	Average
Total Expenditure	13096	16536	21914	25535	26510	20718
Rate of Growth	3.90	26.27	32.52	16.52	3.82	18.71
TE/GSDP Ratio	16.24	18.34	18.97	17.81	17.89	17.92
Revenue Receipts /TE Ratio	68.94	56.77	46.60	56.87	54.84	56.80
<b>Buoyancy of Total Expenditure with</b>						
GSDP	0.259	2.232	1.155	0.685	1.139	1.055
Revenue Receipts	0.400	6.606	3.705	0.391	34.656	1.411

During 1997-2002, average buoyancy of expenditure both with regard to GSDP and revenue receipt exceeded one. With regard to revenue receipts, the buoyancy of expenditure was 1.411 indicating that for each one- *per cent* increase in revenue receipts, expenditure increased by 1.411 *per cent*. The buoyancy of expenditure with revenue receipt reached an all time high of 34.65 *per cent* in the current year, despite a moderate growth of 3.82 *per cent* due to near stagnant revenues. The buoyancy of the expenditure with GSDP averaged 1.055 resulting in an increase in total expenditure GSDP ratio from 16.24 *per cent* in 1997-1998 to 17.89 *per cent* in 2001-2002.

In terms of activities, total expenditure could be considered as being composed of expenditure on the general services, interest payments, social and economic services, grants-in-aid and other contributions to institutions and loans and advances. The relative share of these components in total expenditure is indicated in table 5.

**Table 5: Components of Expenditure –Relative Share (in *per cent*)**

	1997-1998	1998-1999	1999-2000	2000-2001	2001-2002	Average
General Services	17.58	18.04	18.07	17.31	18.09	17.82
Interest Payments	18.40	17.84	19.05	20.90	24.50	20.14
Social Services	34.03	34.72	38.20	33.73	31.89	34.51
Economic Services	19.72	18.61	17.14	18.94	17.56	18.40
Loans and Advances	8.70	9.54	6.43	8.26	6.98	7.98

The movements of the relative share to these components indicate that the share of general services and interest payment has increased over the years, while the share of social and economic services has declined. Interest payment and expenditure on general services considered as non developmental, together accounted for 43 *per cent* of total expenditure in 2001-2002 as compared to around 36 *per cent* in 1997-1998.

In the total expenditure, revenue expenditure had the predominant share. Revenue expenditure is incurred to maintain the current level of services and payment for past obligations and as such do not result in any addition to the State's infrastructure and service net work. Overall revenue expenditure of the

State increased from Rs 11322 crore in 1997-1998 to Rs 23395 crore in 2001-2002, at an average trend rate of 20.04 *per cent*. Rate of growth of revenue expenditure reached a level 36.9 *per cent* in 1999-2000 and since then it has decelerated. However, despite of this deceleration in growth rate, the revenue expenditure- GSDP ratio witnessed an increase from 14.04 *per cent* in 1997-1998 to 15.78 *per cent* in 2001-2002. There was also an increase in the ratio of revenue expenditure to total expenditure from 86.45 *per cent* in 1997-1998 to 88.25 *per cent* in 2001-2002. As percentage to revenue receipt, revenue expenditure increased from 125.41 *per cent* in 1997-1998 to 160.92 *per cent* in 2001-2002, indicating a widening gap. The overall revenue expenditure, its rate of growth, ratio of revenue expenditure to GSDP and revenue receipts and its buoyancy is indicated in table 6.

**Table 6: Revenue Expenditure- Basic Parameters (Values in Rs crore and others in *per cent*)**

	1997-1998	1998-1999	1999-2000	2000-2001	2001-2002	Average
Revenue Expenditure	11322	14243	19498	22103	23395	18112
Rate of Growth	9.26	25.80	36.90	13.36	5.85	20.04
RE/GSDP	14.04	15.80	16.88	15.41	15.78	15.67
RE as % of TE	86.45	86.13	88.98	86.56	88.25	87.42
RE as % to Revenue Receipt	125.41	151.73	190.95	152.20	160.92	156.97
<b>Buoyancy of Revenue Expenditure</b>						
GSDP	0.617	2.192	1.311	0.554	1.744	1.130
Revenue Receipts	0.952	6.488	4.203	0.316	53.054	1.512

The growth of revenue expenditure exceeded the rate of growth of total expenditure, GSDP and the revenue receipts. Average buoyancy of revenue expenditure was 1.130 for GSDP and 1.512 for revenue receipts, indicating that for each one *per cent* increase in GSDP and revenue receipt, revenue expenditure increased by 1.13 and 1.51 *per cent* respectively.

The expenditure of the State in the nature of plan expenditure, capital expenditure and developmental expenditure reflects its quality. Higher the ratio of these components to total expenditure, better is the quality of expenditure. Table 7 below gives these ratios during 1997-2002.

**Table 7: Quality of Expenditure (*per cent* to total expenditure)**

	1997-1998	1998-1999	1999-2000	2000-2001	2001-2002	Average
Plan Expenditure	17.23	17.08	15.60	18.71	16.69	17.06
Capital Expenditure	5.30	4.78	4.91	5.65	5.13	5.15
Developmental Expenditure	58.88	58.97	59.15	57.41	53.15	57.51

(Total expenditure do not include Loans and Advances)

All the three components of expenditure indicated a decline and the ratios in 2001-2002 were significantly lower than their levels in 1997-1998. Plan expenditure, despite its initial low values in 1997-1998 at 17.23 *per cent* further declined to 16.69 *per cent*. Over the years, a lower proportion of incremental expenditure got allocated to plan expenditure. In case of developmental expenditure, its ratio to total expenditure declined

Activity-wise expenditure during 1997-2002 further revealed that the average trend of growth of its various components had significant variations. Interest payment was the fastest growing component with an average annual growth of 28.49 *per cent*. Increasing debt liabilities contributed to this situation. The relative share of interest payments averaged 20.14 *per cent*, which also witnessed an increase and a positive shift at an average annual rate of 8.24 *per cent*. Interest payments also grew much faster compared to both GSDP and revenue receipt. Buoyancy of interest payments was 1.606 with regard to GSDP and 2.149 with regard to revenue receipts indicating that for each one *per cent* increase in GSDP and revenue receipt, interest payments rose by 1.606 and 2.149 *per cent*. General services was the other component of expenditure, which had a positive shift rate for its share. Economic services, however, was the only component, which had buoyancy of less than one both with respect to the revenue receipts and GSDP. This component of expenditure also had the lowest annual growth of 10.31 *per cent*. With non-developmental expenditure comprising expenditure on general services and interest payments, increasing at a faster rate, relative allocation for economic services was curtailed. Activity wise trend rate, their ratios with GSDP, relative share in total expenditure, annual shift rate in relative contribution and buoyancy parameters is indicated in table 8 below.

Table 8: Activity wise Expenditure –Basic Parameters (in *per cent*)

	ROG	GSDP Share	Relative Share	Share Shift	Buoyancy with	
					GSDP	Revenue Receipt
General Services	20.70	3.19	17.82	1.68	1.167	1.562
Interest Payments	28.49	3.70	20.14	8.24	1.606	2.149
Social Services	18.49	6.17	34.51	-0.18	1.042	1.395
Economic Services	10.31	3.27	18.40	-7.07	0.581	0.778
Loans and Advances	18.49	1.40	7.98	-0.18	1.042	1.395

### 1.6 Fiscal Imbalances

The deficit in Government accounts represents the gap between its receipts and expenditure. The nature of the deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources so raised are applied, are important pointers to the fiscal health. The revenue deficit of the State, which in turn indicates the excess of its revenue expenditure over revenue receipts, increased from Rs 2294 crore in 1997-1998 to Rs 8856 crore in 2001-2002 (Table 9). The fiscal deficit which represents the total borrowings of the Government and the total resource gap increased from Rs 4008 crore in 1997-1998 to Rs 11804 crore in 2001-2002. State also had a primary deficit which had increased from Rs 1598 crore in 1997-1998 to Rs 5309 crore in 2001-2002.

The existence of revenue deficit indicated that revenue receipts of the State were not sufficient enough to meet its revenue expenditure and Government had to resort to borrowing to meet even its current obligations. Further, the revenue deficit of the State had not been a transient one, rather it had persisted.

The ratio of revenue deficit to fiscal deficit also increased from 57.24 *per cent* in 1997-1998 to 75.03 *per cent* in 2001-2002 indicating that 75 *per cent* of the net incremental borrowings of the State was used for current consumption. Persistently high ratio of revenue deficit to fiscal deficit also indicated that the asset base of the State was continuously shrinking and increasingly a larger part of borrowings (fiscal liabilities) were not having an asset back up. As proportion to the State's GSDP, revenue deficit had reached 5.98 *per cent* and fiscal deficit had reached 7.96 *per cent* of GSDP in 2001-2002.

**Table 9: Fiscal Imbalances- Basic Parameters (Values in Rs crore and Ratios in *per cent*)**

	1997-1998	1998-1999	1999-2000	2000-2001	2001-2002	Average
Revenue deficit	-2294	-4856	-9287	-7581	-8856	-6575
Fiscal deficit	-4008	-7109	-11666	-10920	-11804	-9101
Primary Deficit	-1598	-4159	-7492	-5582	-5309	-4828
RD/GSDP	-2.84	-5.39	-8.04	-5.29	-5.98	-5.69
FD/GSDP	-4.97	-7.88	-10.10	-7.61	-7.96	-7.87
PD/GSDP	-1.98	-4.61	-6.48	-3.89	-3.58	-4.18
RD/FD	57.24	68.31	79.61	69.42	75.03	72.24

### 1.7 Fiscal Liabilities – Public Debt and Guarantees

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. In July 2001, Government introduced the West Bengal ceiling on Government Guarantees Act 2001 in terms of which total outstanding guarantee (other than guarantee given to West Bengal Infrastructure Development Finance Corporation Limited) as on the first day of April of any year shall not exceed 90 *per cent* of the State Revenue receipts of the second preceding year of such year. Table 10 below gives the fiscal liabilities of the State, its rate of growth, ratio of these liabilities to GSDP, revenue receipts and own resources and the buoyancy of these liabilities with respect to these parameters.

**Table 10: Fiscal Liabilities- Basic Parameters**

	1997-1998	1998-1999	1999-2000	2000-2001	2001-2002	Average
Fiscal Liabilities	25026	31954	43227	54119	65583	43982
Rate of Growth	18.56	27.68	35.28	25.20	21.18	26.71
<b>Ratio of Fiscal Liabilities</b>						
GSDP	31.02	35.44	37.41	37.74	44.25	38.05
Revenue Receipt	277.20	340.41	423.34	372.67	451.11	362.13
Own Resources	503.95	619.38	759.97	755.85	897.05	680.04
<b>Buoyancy of Fiscal Liabilities</b>						
GSDP	1.236	2.352	1.253	1.045	6.320	1.505
Revenue Receipt	1.906	6.962	4.019	0.597	192.262	2.015
Own resources	2.993	7.123	3.441	0.974	10.044	2.528

Overall fiscal liabilities of the State increased from Rs 25026 crore in 1997-1998 to Rs 65583 crore in 2001-2002 at an average rate of 26.71 *per cent*

during 1997-2002. The ratio of these liabilities to GSDP also increased from 31.02 *per cent* in 1997-1998 to 44.25 *per cent* in 2001-2002, as percentage to revenue receipt, fiscal liabilities increased to 451.11 *per cent* in 2001-2002. Further, since nearly half of the State's resources had originated from sources other than its own, the ratio of fiscal liabilities to its own resources had reached the level of 897.05 *per cent* in 2001-2002. Contingent liabilities of the State, which are in the nature of guarantees to the loans, interest and other investments of its parastatals, do not constitute part of the fiscal liabilities according to the existing accounting practice. Nevertheless, these liabilities pose fiscal risk as they could be activated depending on occurrence of defaults by the principal borrowers. As on 31 March 2002, such contingent liabilities of the State were Rs 7643 crore, nearly 12 *per cent* of its direct fiscal liabilities. These together with the direct liabilities would push the ratio of fiscal liabilities to GSDP to over 50 *per cent*.

Fiscal liabilities had grown faster than the State's GSDP, revenue receipt and own resources. Average buoyancy of these liabilities with respect to GSDP was 1.505 indicating that for each one percent increase in GSDP, fiscal liabilities were growing at the rate of 1.505 *per cent*. The buoyancy of the fiscal liabilities with respect to revenue receipts and its own resources were even higher. In the current year, because of a meagre growth in its revenue receipts and high growth of fiscal liabilities, buoyancy had reached 192.262.

Increasing liabilities had raised the issue of its sustainability. Fiscal liabilities are not only required to be stable in relation to the GSDP, average rate of interest on these liabilities should also be less than the rate of growth of its GSDP. However, in case of West Bengal, while the ratio of fiscal liabilities to GSDP has been increasing continuously, average interest spread indicated by the difference between the rate of growth of GSDP and the average rate of interest paid on the liabilities was positive (Table 11). However, in 2001-2002 with GSDP growth decelerating to 3.35 *per cent*, the interest spread had become negative. Persistence of this phenomenon in later years may endanger debt sustainability.

**Table 11: Debt Sustainability- Interest Rate and GSDP Growth (in *per cent*)**

	1997-1998	1998-1999	1999-2000	2000-2001	2001-2002	Average
Weighted Interest Rate	10.45	10.35	11.10	10.97	10.85	10.75
GSDP Growth	15.01	11.77	28.15	24.12	3.35	17.74
Interest spread	4.57	1.42	17.05	13.15	-7.50	6.99

Another important indicator of the debt sustainability is the net availability of the borrowed funds after payment of principal and interest. The table 12 below gives the position of receipt and repayment of internal debt and other fiscal liabilities of the State over last five years. The net funds available on account of public debt, loans and advances from Government of India and other debt receipts (including public account) averaged 19.19 *per cent*. Net funds as *per cent* to total gross debt receipts declined from 27.82 *per cent* in 1999-2000 to 13.53 *per cent* in 2001-2002.



Table 12: Net Availability of Borrowed Funds (Rs in crore)

	1997-1998	1998-1999	1999-2000	2000-2001	2001-2002	Average
<b>Internal Debt</b>						
Receipt	3455	3132	14376	20618	23363	12989
Repayment(Principal + Interest)	3344	2874	8394	13344	16113	8814
<b>Loans and Advances from Government of India</b>						
Receipt	3607	5403	1470	1539	1672	2738
Repayment(Principal + Interest)	2144	2665	3450	3890	4133	3256
<b>Other Fiscal Liabilities</b>						
Receipt	5351	6473	9687	8849	12582	8588
Repayment(Principal + Interest)	5418	5491	6585	8126	12280	7580
<b>Total Fiscal Liabilities</b>						
Receipts	12413	15008	25533	31006	37617	24315
Repayment (Principal+Interest)	10906	11030	18429	25360	32526	19650
Net Receipts	1507	3978	7104	5646	5091	4665
Net Funds Available as % to total Receipts	12.14	26.51	27.82	18.21	13.53	19.19

### 1.7.1 Issue and Management of Guarantees

Records of four Administrative Departments viz., Commerce and Industries (CI), Cottage and Small Scale Industries (CSSI), Public Enterprises (PE) and Industrial Reconstruction (IR) for the period 1997-2002 revealed the following:

#### (i) Avoidable payment of Rs 19.53 crore to prevent invocation of guarantees

Guarantees were given as per approval of the Cabinet without considering the financial solvency/credit worthiness of the loanee units. The department also had no control/monitoring mechanism to ensure timely and regular repayment of loan to the financial institutions against which Government stood guarantor. This resulted in avoidable payment of Rs 19.53 crore which had to be made by Government by one time settlement of outstanding dues with the financial institutions by way of sanctioning loan to prevent invocation of guarantees as shown below:

Name of the department which provided guarantee	Name of the loanee units	Financial Institutions who extended loan against guarantee	Date of guarantee	Outstanding dues reached after one time settlement	Amount of loan sanctioned to clear the dues (Date of sanction)	Remarks
				(Rupees in crore)		
Commerce and Industries	Greater Calcutta Gas Supply Corporation Limited	IDBI IFCI UTI LICI GICIs and its subsidiaries	December 1998	33.71 (March 2001) (Rs 43.71 crore less Rs 10 crore paid by the company from own funds)	13.23 (March 2001 and June 2002)	Payment to be made in quarterly instalments by March 2004
Cottage and Small Scale Industries	West Dinajpur Spinning Mills Limited	IDBI IFCI	January 1983	1.10 (May 2001)	1.10 (November 2001)	
Public Enterprises	a) Gluconate Health Limited	United Bank of India	February 1995	2.10 (March 1997)	2.10 (March 1997 and	

	b) Indian Paper Pulp Limited	Allahabad Bank and Canara Bank	1980-81	2.30 (March 2001)	March 1998) 2.30 (March 2001)	
Industrial Reconstruction	Carter Pooler Engineering Company Limited	West Bengal State Co-operative Bank Limited	September 1993	0.80 (September 2000)	0.80 (December 2000)	
<b>Total</b>				<b>40.01</b>	<b>19.53</b>	

Thus due to deficiencies in the system and issue and management of guarantee, the State Government sustained actual liability of Rs 40.01 crore of which Rs 19.53 crore had already been discharged by way of sanction of fresh loan to the loanees on whose behalf Government stood guarantor.

**ii) Enhancement of guarantees in favour of insolvent units**

Despite failure to clear the dues of West Bengal State Co-operative Bank Limited, the CSSI (2 units) and the IR (1 unit) departments enhanced (November and December 2001) the limit of guarantees as detailed below:

Name of the department	Name of the loanee units	Date of guarantee	Original limit of guarantee	Enhanced guarantee	Date of Govt. order
			(Rupees in crore)		
Cottage and Small Scale Industries	i) West Bengal Handloom and Powerloom Dev. Corporation Ltd. (Tantusree)	January 1994	15.00	38.00	December 2001
	ii) West Bengal State Leather Industries Development Corporation (Charmaja)	June 1992	3.00	9.97	November 2001 (Deed executed)
Industrial Reconstruction	Alkond Employees Industrial Co-operative Society Ltd.	April 1993	4.50	14.00	December 2001
<b>Total</b>				<b>61.97</b>	

Thus, Government had furthered its contingent liability to Rs 61.97 crore due to enhancement of guarantee in favour of insolvent companies.

**1.8 Investments and returns**

As on 31 March 2002, Government had invested Rs 4143.73 crore in its statutory corporations, rural banks, joint stock companies and cooperatives. Government's return on this investment was less than one tenth of one *per cent* in last five years. Since Government was investing the interest bearing borrowed funds, the difference between the rate of return on these investments and the average interest rate on its outstanding liabilities represented an implicit subsidy. During 1997-2002, this implicit subsidy amounted to Rs 1990.70 crore.

**Table 13: Return on Investment**

Year	Investment at the end of the year	Return	Percentage of Return	Weighted interest rate
1997-98	3408.14	1.85	0.05	10.45
1998-99	3531.68	0.44	0.01	10.35
1999-2000	3654.30	1.23	0.03	11.10
2000-2001	3867.95	3.18	0.08	10.97
2001-2002	4143.73	3.77	0.09	10.85

In addition to the investment in cooperatives, corporations and companies, Government has also been providing support in terms of loans and advances to many of these parastatals. Total outstanding balances as on 31 March 2002 were Rs 11530.08 crore. Interest received on such loans had varied from 0.09 *per cent* to 6.41 *per cent* during 1997-2002 (Table 14). Government in most cases only acted as an intermediary and had provided the interest bearing borrowed funds to these entities. The difference in interest received and the average interest on its liabilities was an implicit subsidy to these entities. Total implicit subsidy during 1997-2002, on arranging such loans was Rs 3352.80 crore. In addition to the implicit subsidy involved in these investments and loans, these assets in themselves had become non-performing ones.

**Table 14: Average Interest Received on Loans Advanced by the State Government**

	1997-1998	1998-1999	1999-2000	2000-2001	2001-2002
	( R u p e e s i n c r o r e )				
Opening Balance	3840.76	4920.64	6458.97	7831.55	9847.64
Amount advanced during the year	1139.87	1577.79	1409.82	2109.33	1850.39
Amount repaid during the year	59.99	39.46	37.24	93.24	167.95
Closing Balance	4920.64	6458.97	7831.55	9847.64	11530.08
Net addition	1079.88	1538.33	1372.58	2016.09	1682.44
Interest Received	9.2	8.61	6.61	567.04	25.81
Interest Received as <i>per cent</i> of loans	0.21	0.15	0.09	6.41	0.24
Average Interest rate paid by the State	10.45	10.35	11.1	10.97	10.85
Difference in rate (interest paid and received)	10.24	10.20	11.01	4.56	10.61

### 1.8.1 Management of loans and advances

Records of Finance Department and four other departments mentioned below for the period from 1997-2002 revealed that the departments did not maintain any systematic records of loan, repayment schedule, actual repayment made, amounts overdue for repayment. Besides, Finance Department did not maintain any centralised records of loans sanctioned. Position of outstanding loan, overdue amount of principal and interest, non-settlement of terms and conditions of loan by the departments as of March 2002 are given in the following table.

Name of the departments	Total outstanding loan as of March 2002		Overdue amount as of March 2002			Terms and condition not settled		
	Number of units involved	Amount (Rupees in crore)	Number of units involved	Principal loan (Rupees in Crore)	Interest	Number of units involved	Amount (Rupees in Crore)	Period of sanction
Commerce and Industries (CI)	24	446.69	17	131.29	127.11	7	120.03	1975-2002
Cottage and Small Scale Industries (CSSI)	24	230.71	13	22.03	24.99	11	141.63	1974-2002
Industrial Reconstruction (IR)	9	196.10	6	65.61	66.05	3	5.66	1988-2002
Public Enterprises (PE)	58	799.33	46	291.27	327.05	12	25.33	1973-2002
<b>Total</b>	<b>115</b>	<b>1672.83</b>	<b>82</b>	<b>510.20</b>	<b>545.20</b>	<b>33</b>	<b>292.65</b>	

The administrative departments did not take effective steps for settlement of terms and conditions of loans amounting to Rs 292.65 crore sanctioned between 1973 and 2002 and also failed to ensure recovery of outstanding loans (Rs 1055.40 crore inclusive of interest) in respect of which the terms and conditions had been settled.

The four departments also sanctioned loans and converted loans and interest into equity shares of insolvent companies as shown below:

(i) The Cottage and Industries (CI) Department converted (March 2002) the loan of Rs 13.94 crore sanctioned to Greater Calcutta Gas Supply Corporation Limited (an insolvent unit) into equity. This tantamounted to waiver of loan.

(ii) Though West Bengal Sugar Industries Development Corporation (WBSIDC) failed to repay the outstanding loan of Rs 23.76 crore as of March 1997, the CI department sanctioned further loans of Rs 13.38 crore during 1997-2002. As of March 2002, total outstanding dues thus stood at Rs 72.17 crore including interest of Rs 35.03 crore, the prospect of recovery of which was remote in view of its huge accumulated loss of Rs 77.19 crore (March 2002).

(iii) Despite failure to repay outstanding loan of Rs 7 crore (March 1997), the CI department sanctioned (1997-2002) further loan of Rs 17.45 crore to West Bengal Electronics Industries Development Corporation Limited (WBEIDC).

(iv) The Public Enterprises (PE) department converted (between March 1997 and December 2000) outstanding loans on Electro Medical and Allied Industries Limited (EMAIL) amounting to Rs 9.23 crore along with interest of Rs 2.30 crore into equity resulting in virtual waiver of loan/interest

(v) Due to insolvency of Sundarban Sugarbeet Processing Company Limited (SSPC), PE department sanctioned (September 2001) loan of Rs 0.87 crore to SSPC to clear its bank dues. Prospect of recovery of the loan from the insolvent company was bleak.

### 1.9 Financial results of irrigation projects

The financial results of the 4 major and 4 medium irrigation and 2 drainage projects with a capital outlay of Rs 1398.69 crore at the end of 31 March 2002 showed that the revenue realised from these during 2001-2002 amounting to Rs 2.22 crore was insignificant in comparison to even the direct operating expenses. After considering the operation and maintenance expenses of Rs 52.98 crore and interest charges of Rs 33.64 crore, the schemes suffered a net loss of Rs 84.40 crore.

### 1.10 Incomplete projects

The amount blocked up in incomplete projects during 1997-2002 (Appendix 2), continued to rise from Rs 886 crore in 1997-1998 to Rs 1137 crore in 2001-2002. The amount blocked in these projects was 14 per cent of the cumulative capital outlay of the State as on 31 March 2002.

### 1.11 Financial Indicators of the Government of West Bengal

Finances of the State should be adequate, sustainable in the medium and long run, flexible and non-vulnerable. Table 15 below presents a summarized position of Government finances during 1997-2002, with reference to certain key indicators that help assess the adequacy, effectiveness and sustainability of its available resources and applications thereof and captures its important facets to highlight areas of strength and concerns.

Table 15: Indicators of Fiscal Health (in per cent)

Fiscal Indicators	1997-98	1998-99	1999-20	2000-01	2001-02	Average
<b>Resource Mobilization</b>						
Revenue Receipt/GSDP	11.19	10.41	8.84	10.13	9.81	9.98
Revenue Buoyancy	0.649	0.338	0.312	1.750	0.033	0.747
Own tax/GSDP	5.600	5.295	4.415	4.145	4.409	4.649
<b>Expenditure Management</b>						
Total Expenditure/GSDP	16.24	18.34	18.97	17.81	17.89	17.92
Revenue Receipts / Total Exp.	68.94	56.77	46.60	56.87	54.84	56.80
Revenue Expenditure/ Total Exp.	86.45	86.13	88.98	86.56	88.25	87.42
Plan Expenditure/Total Exp.	17.23	17.08	15.60	18.71	16.69	17.06
Capital Expenditure / Total Exp.	5.30	4.78	4.91	5.65	5.13	5.15
Development Expenditure/ Total Exp.	58.88	58.97	59.15	57.41	53.15	57.51
Buoyancy of TE with RR	0.400	6.606	3.705	0.391	34.656	1.411
Buoyancy of RE with RR	0.952	6.488	4.203	0.316	53.054	1.512
<b>Management of Fiscal Imbalances</b>						
Revenue deficit (Rs in crore)	-2294	-4856	-9287	-7581	-8856	-6575
Fiscal deficit (Rs in crore)	-4008	-7109	-11666	-10920	-11804	-9101
Primary Deficit (Rs in crore)	-1598	-4159	-7492	-5582	-5309	-4828
Revenue Deficit/Fiscal Deficit	57.24	68.31	79.61	69.42	75.03	72.24
<b>Management of Fiscal Liabilities</b>						
Fiscal Liabilities/GSDP	31.02	35.44	37.41	37.74	44.25	38.05

Fiscal Liabilities/RR	277.20	340.41	423.34	372.67	451.11	362.13
Buoyancy of FL with RR	1.906	6.962	4.019	0.597	192.262	2.015
Buoyancy of FL with OR	2.993	7.123	3.441	0.974	10.044	2.528
Interest spread	4.57	1.42	17.05	13.15	-7.50	6.99
Net Fund Available	12.14	26.51	27.82	18.21	13.53	19.19
<b>Other Fiscal Health Indicators</b>						
Return on Investment	0.05	0.01	0.03	0.08	0.09	0.05
BCR (Rs in crore)	-1705	-4178	-8115	-7102	-7222	-5664
Financial Assets/Liabilities	0.55	0.49	0.41	0.39	0.36	0.45

The ratio of revenue receipt and State's own taxes to its GSDP indicate the adequacy of resources. The buoyancy of revenue receipts indicates the nature of the tax regime and the ability of the State to increase its access to resources. State's own tax-GSDP ratio also indicates its access to non-obligatory sources of revenue and its non-vulnerability. Revenue receipts comprises not only the State's own resources but central tax transfers and grants-in-aid and indicates sum total of State's access. This captures the diverse elements in its revenue, some of which have no direct service-providing obligations, while others are related to its ability to recover the cost of providing social and economic services through user charges and its entitlement from central taxes. All the three ratios had declined in 2001-2002 compared to 1997-1998 indicating fragileness of State's resources and secular deterioration.

Various ratios concerning expenditure management indicate quality of its expenditure and their sustainability in relation to its resources. Again, all these ratios showed a deteriorating trend. The ratios of capital expenditure and developmental expenditure, which indicate the quality aspect of the expenditure, had lower values in 2001-2002 compared to 1997-1998. Medium term tendency of these ratios was also of deceleration. Both its total expenditure and revenue expenditure had been buoyant relative to its revenue receipts indicating increasing vulnerability and unsustainability. Revenue receipts were increasingly meeting less and less of State's expenditure and increasing dependence on borrowings.

State's fiscal imbalances were also increasing and a larger part of the fiscal deficit was used for meeting current expenditure. The ratios relating to its management of fiscal liabilities also depicted the same picture. Fiscal liabilities were growing faster than its revenue receipts and own resources, ratio of fiscal liabilities to GSDP was on rise, net funds available from out of the gross borrowings (including public accounts) were declining and interest spread, one of the critical parameters of debt sustainability had turned negative. It is not uncommon for the State to borrow for increasing its social and economic infrastructure base. However, increasing ratios of fiscal liabilities to its GSDP, revenue receipts and own resources indicated that the debt stock was increasingly becoming unsustainable.

State's low return on investment and its own outstanding advances indicated an implicit subsidy. High cost funds were being allocated to these investments, which yielded very little to the State. The balance from its current revenue (BCR), which plays an important role in plan size, was not only consistently

negative, its magnitude was on the increase. Further, with a growing revenue deficit, increasingly a larger part of its liabilities were not having an asset back up. The ratio of its assets to its liabilities had declined to 0.36 indicating that more than half of the State's fiscal liabilities had ceased to have an asset back up. All these indicate continuing deterioration of the State's fiscal situation.

**EXHIBIT I**  
**Summarised financial position of the State Government as on 31 March 2002**

Amount as on 31 March 2001	Liabilities	Amount as on 31 March 2002	Amount as on 31 March 2001	A s s e t s	Amount as on 31 March 2002
(	R u p e e s	i	n	c r o r e	)
<b>20644.53</b>	Internal debt including Ways and Means Advance (Market Loans, Loans from LIC and others)	<b>30670.00</b>	<b>11235.08</b>	Gross Capital outlay	<b>12500.61</b>
	5846.91 Market loans bearing interest	6877.01		3867.95 Investments in shares of Companies, Corporations	4143.73
	6.01 Market loans not bearing interest	8.26		7367.13 Other Capital outlay	8356.88
	56.96 Loans from Life Insurance Corporation of India	52.16	<b>9847.64</b>	Loans and Advances	<b>11530.08</b>
	4327.50 Loans from other Institutions	6786.52		585.85 Loans for Social Services	620.49
	1351.12 Ways and Means Advances including Overdraft	2100.80		5873.71 Loans for Energy	7389.93
	9056.03 Spl. Securities issued to NSS Fund of Central Government	14845.25		3095.31 Loans for Economic Services excluding Energy	3185.07
<b>23106.04</b>	Loans and Advances from the Central Government	<b>23717.36</b>	<b>28.96</b>	292.19 Loans to Government Servants	334.01
	690.28 Pre 1984-85 Loans	589.83	<b>335.38</b>	Loans for Miscellaneous 0.58 purposes	0.58
	14800.51 Non-Plan Loans	14428.19	<b>()870.32</b>	Advances	<b>28.86</b>
	7548.02 Loans for State Plan Schemes	8629.62		Remittance Balance	<b>349.93</b>
	60.72 Loans for Centrally sponsored Plan Schemes	63.41	<b>544.44</b>	Suspense and Miscellaneous	<b>(-1138.11<sup>1</sup>)</b>
	6.51 Loans for Central Plan Schemes	6.31		Cash	<b>458.36</b>
<b>19.93</b>	Contingency Fund	<b>19.34</b>		0.50 Cash in treasuries and local remittances	9.16
	Small Savings, Provident Funds, etc.	<b>4078.52</b>	<b>33046.12</b>	17.16 Departmental cash balance including permanent advance	12.66
<b>6648.91</b>	Deposits	<b>7049.55</b>		5.67 Investment in earmarked Funds	0.60
	Reserve Funds	<b>97.17</b>		68.12 Deposit with Reserve Bank of India	(-)17.05
<b>58.92</b>		<b>97.17</b>		452.99 Cash Balance	452.99
				Investment Account	
				Deficit on Government Account	<b>41902.21</b>
				25464.85 Accumulated deficit up to 31 March 2000	33046.12
				7581.27 Add: Deficit of Current year	8856.09
<b>54167.30</b>		<b>65631.94</b>	<b>54167.30</b>		<b>65631.94</b>

<sup>1</sup> Minus balance is due to credits under Treasury cheques (Rs 1639.44 crore) awaiting clearance



**EXHIBIT II**  
**ABSTRACT OF RECEIPTS AND DISBURSEMENTS FOR THE YEAR 2001-2002**

2000-2001		Receipt		2001-2002		2000-2001		Disbursements			2001-2002	
( R u p e e s i n c r o r e )												
								Non-Plan	Plan	Total		
		<b>Section A : Revenue</b>										
<b>14522.18</b>	I	Revenue Receipts		<b>14538.43</b>	<b>22103.45</b>	I	Revenue Expenditure	20518.68	2875.84	23394.52	<b>23394.52</b>	
					<b>9712.96</b>		<u>General Services</u>	<b>11214.44</b>	<b>28.79</b>	<b>11243.23</b>		
5944.72		- Tax revenue	6534.49		<b>8415.36</b>		<u>Social Services</u>	<b>6748.96</b>	<b>1554.72</b>	<b>8303.68</b>		
					4564.29		- Education, Sports, Arts and Culture	4321.48	221.93	4543.41		
1214.53		- Non-tax revenue	775.88		1376.62		- Health and Family Welfare	1049.79	272.99	1322.78		
							- Water Supply, Sanitation, Housing and Urban Development					
4208.44		- State's share of Union taxes and duties	4289.37		1221.93		- Information and Broadcasting	27.54	5.02	32.56		
							- Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	69.91	132.87	202.78		
424.59		- Non-Plan grants	1577.14		30.42		- Labour and Labour Welfare					
							- Social Welfare and Nutrition					
2206.24		- Grants for State Plan Scheme	690.97		219.50		- Others	28.72	57.02	85.74		
							<u>Economic Services</u>	<b>2299.15</b>	<b>1287.28</b>	<b>3586.43</b>		
523.66		- Grants for Central and Centrally sponsored Plan Schemes	670.58		56.62		- Agriculture and Allied Activities	678.10	154.82	832.92		
							- Rural Development	328.10	588.32	916.42		
							- Special Areas Programmes	150.86	202.62	353.48		
							- Irrigation and Flood Control	451.98	143.00	594.98		
							- Energy	100.00	2.45	102.45		
							- Industry and Minerals	71.93	105.50	177.43		
							- Transport	456.35	77.54	533.89		
							- Science, Technology and Environment	0.05	1.37	1.42		
							- General Economic Services	61.78	11.66	73.44		
							- Grants-in-aid and Contributions	<b>256.13</b>	<b>5.05</b>	<b>261.18</b>		
					<b>220.50</b>							
<b>7581.27</b>	II	Revenue deficit carried over to Section B		<b>8856.09</b>								
<b>22103.45</b>				<b>23394.52</b>	<b>22103.45</b>		<b>Total</b>					<b>23394.52</b>

*Differences of 0.01 due to rounding*

*Audit Report (Civil) for the year ended 31 March 2002*

2000-2001		Receipt			Disbursements			2001-2002	
		2001-2002			2000-2001			2001-2002	
( R u p e e s i n c r o r e )									
							Non-Plan	Plan	Total
		<b>Section B</b>							
<b>514.10</b>	III	Opening Cash Balance including Permanent Advances and Cash Balance Investment	<b>544.44</b>	<b>729.09</b>	III	Opening Overdraft from RBI			<b>668.32</b>
<b>Nil</b>	IV	Miscellaneous Capital receipts		<b>1322.80</b>	IV	Capital Outlay	24.97	1240.56	<b>1265.53</b>
				<b>43.80</b>		<b>General Services</b>	<b>1.59</b>	<b>45.30</b>	<b>46.89</b>
				<b>196.63</b>		<b>Social Services</b>	<b>7.01</b>	<b>142.01</b>	<b>149.02</b>
				17.33		- Education, Sports, Arts			
						- And Culture	-	9.04	9.04
				129.38		- Health and Family Welfare	-	90.43	90.43
						- Water Supply, Sanitation, Housing and Urban Development	7.01	27.72	34.73
				38.32					
				1.13		- Information and Broadcasting	-	1.76	1.76
						- Welfare of Scheduled Castes, Scheduled Tribes and Other			
				1.71		- Backward Classes			
				Nil		- Labour and Labour Welfare	-	-	-
				7.72		- Social Welfare and Nutrition	-	7.01	7.01
				1.04		- Other Social Services	-	1.09	1.09
				<b>1082.37</b>		<b>Economic Services</b>	<b>16.37</b>	<b>1053.25</b>	<b>1069.62</b>
						- Agriculture and Allied Activities			
				18.19			13.43	14.46	27.89
				Nil		- Rural Development	Nil	Nil	Nil
				23.07		- Special Areas Programmes	-	25.24	25.24
				223.14		- Irrigation and Flood Control	0.60	245.65	246.25
				42.15		- Energy	-	1.00	1.00
				157.85		- Industry and Minerals	1.99	230.63	232.62
				616.03		- Transport	0.09	533.47	533.56
						- Science, Technology and Environment			
				Nil			-	-	-
				1.94		- General Economic Services	0.26	2.80	3.06
<b>93.24</b>	V	Recoveries of Loans and Advances	<b>167.95</b>	<b>2109.33</b>	V	Loans and Advances disbursed	<b>821.38</b>	<b>1029.01</b>	<b>1850.39</b>
						- For Power Projects	601.80	915.42	1517.22
42.00		- From Power Projects	1.00	88.17		- To Government Servants	87.63	Nil	87.63
39.43		- From Government Servants	45.82	318.79		- To Others	131.95	113.59	245.54
11.81		- From Others	121.13						

2000-2001		Receipt		2001-2002		2000-2001		Disbursements			2001-2002	
( R u p e e s i n c r o r e )												
								Non-Plan	Plan	Total		
							7581.27	VI	Revenue deficit brought down			8856.09
10985.69	VII	Public debt receipts		11517.63		1205.20	VII	Repayment of Public Debt				1568.37
9361.33		- Internal debt other than Ways and Means Advances and Overdraft	9783.56			297.22		- Internal debt other than Ways and Means Advances and Overdraft	507.76			
85.59		- Ways and Means Advances	62.14			Nil		- Ways and Means Advances	Nil			
1538.77		- Loans and Advances from Central Government	1671.93					- Repayment of Loans and Advances to Central Government				
						907.98			1060.61			
0.35	VIII	Amount transferred to Contingency Fund		-			VIII	Expenditure from Contingency Fund				0.59
						0.07						
22748.64	IX	Public Account receipts		26437.91		21518.14	IX	Public Account disbursements				25356.14
		- Small Savings and Provident Funds	1057.95			441.92		- Small Savings and Provident Funds	668.40			
112.30		- Reserve Funds	161.21			105.45		- Reserve Funds	122.95			
11393.29		- Suspense and Miscellaneous	11652.02			11395.99		- Suspense and Miscellaneous	11384.24			
2506.33		- Remittances	2203.59			2445.34		- Remittances	2218.14			
7772.26		- Deposits and Advances	11363.14			7129.44		- Deposits and Advances	10962.41			
						Nil		- Miscellaneous Government Account	Nil			
668.32	X	Closing Overdraft from Reserve Bank of India		1355.86		544.44	X	Cash balance at end				458.36
								- Cash in Treasuries and Local				
						0.50		Remittances	9.16			
						68.12		- Deposits with Reserve Bank	(-) 17.05			
								- Departmental Cash Balance				
								including Permanent				
						17.16		Advances	12.66			
						5.67		Investment in earmarked Funds	0.60			
						452.99		- Cash Balance Investment	452.99			
35010.34		<b>Total</b>		<b>40023.79</b>		<b>35010.34</b>		<b>Total</b>				<b>40023.79</b>

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

(Rupees in crore)

2000-2001	Sources		2001-2002
14522.18	1.	Revenue receipts	14538.43
93.24	2.	Recoveries of Loans and Advances	167.95
9780.49	3(a)	Increase in Public debt other than overdraft	9949.25
	3(b)	Increase in overdraft	687.54
	4.	Net receipts from Public account	
522.55		Increase in Small Savings	389.55
642.82		Increase in Deposits and Advances	400.73
.-		Net effect of suspense and Miscellaneous transactions	267.79
60.99		Net effect of Remittance transactions	-
0.28	5.	Net effect of Contingency Fund transactions	-
6.85	6.	Increase in Reserve Funds	38.25
	7	Decrease in closing cash balance	86.09
<b>25629.40</b>		<b>Total</b>	<b>26525.58</b>
2000-2001	Applications		2001-2002
22103.45	1.	Revenue expenditure	23394.52
2109.33	2.	Lending for development and other purposes	1850.39
1322.80	3.	Capital expenditure	1265.53
-	4.	Net effect of Contingency Fund transactions	-
-	5.	Net effect of Miscellaneous Government Account	-
30.35	6.	Increase in closing cash balance	-
60.77	7.	Decrease in overdraft	-
-	8.	Decrease in Reserve funds	-
2.70	9.	Net effect of Suspense and Miscellaneous	-
	10.	Net effect of remittance	14.55
	11.	Net effect of Contingency Fund	0.59
<b>25629.40</b>		<b>Total</b>	<b>26525.58</b>

***Explanatory Notes for Exhibit I, II and III***

1. The abridged accounts in the foregoing statements have to be read with comments and explanations in the Finance Accounts.
2. Government accounts being mainly on cash basis, the deficit on Government account, as shown in Exhibit I indicates the position on cash basis, as opposed to accrual basis in commercial accounting. Consequently, items payable or receivable or items like depreciation or variation in stock figures, etc. do not figure in the accounts.
3. Suspense and Miscellaneous balances include cheques issued but not paid, payments made on behalf of the State and other pending settlement, etc.
4. There was an unreconciled difference of Rs 1300.73 crore (net credit) between the figures reflected in the accounts and that intimated by the RBI under "Deposit with Reserve Bank". The difference was under reconciliation (August 2002).

**EXHIBIT-IV**  
**TIME SERIES DATA ON STATE GOVERNMENT FINANCES**

	1997-98	1998-99	1999-2000	2000-2001	2001-2002
	( R u p e e s i n C r o r e )				
<b>Part A. Receipts</b>					
<b>1. Revenue Receipts</b>	<b>9028</b>	<b>9387</b>	<b>10211</b>	<b>14522</b>	<b>14538</b>
(i) Tax Revenue	4517(50)	4774(51)	5101(50)	5945(41)	6534(45)
Taxes on Agricultural Income	7	16	8	3	1
Taxes on Sales, Trade, etc.	2844(63)	3118 (65)	3429(67)	3671(62)	3802(58)
State Excise	359(8)	400(9)	443(9)	462(8)	512(8)
Taxes on Vehicles	148(3)	158(3)	186(4)	283(5)	209(3)
Stamps and Registration fees	336(7)	372(8)	412(8)	474(8)	555(9)
Land Revenue	439(10)	325(7)	148(3)	511(8)	711(11)
Other taxes	384(9)	385(8)	475(9)	541(9)	744(11)
(ii) Non Tax Revenue	449(5)	385(4)	587(6)	1215(8)	776(5)
(iii) State's share of Union taxes and duties	3048(34)	2692(29)	2984(29)	4208(29)	4289(30)
(iv) Grants in aid from GOI	1014(11)	1536(16)	1539(15)	3154(22)	2939(20)
<b>2. Misc. Capital Receipts</b>	Nil	Nil	Nil	Nil	Nil
<b>3. Total revenue and Non debt capital receipts (1+2)</b>	<b>9028</b>	<b>9387</b>	<b>10211</b>	<b>14522</b>	<b>14538</b>
<b>4. Recoveries of Loans and Advances</b>	60	39	37	93	168
<b>5. Public Debt Receipts</b>	<b>4239</b>	<b>6306</b>	<b>8350</b>	<b>10925</b>	<b>12205</b>
Internal Debt (excluding Ways and Means Advances and Overdrafts)	632(15)	903(14)	5554(66)	9361(86)	9783(80)
Net transactions under Ways and Means Advances and Overdrafts	Nil	Nil	1326(16)	25	750(6)
Loans and Advances from Government of India <sup>2</sup>	3607(85)	5403(86)	1470(18)	1539(14)	1672(14)
<b>6. Total receipts in the Consolidated Fund (3+4+5)</b>	<b>13327</b>	<b>15732</b>	<b>18598</b>	<b>25540</b>	<b>26911</b>
<b>7. Contingency Fund Receipts</b>	0.28	0.26	0.10	0.35	-
<b>8. Public Account receipts</b>	13305	16078	22229	22749	26437
<b>9. Total receipts of the State (6+7+8)</b>	<b>26632.28</b>	<b>31810.26</b>	<b>40827.10</b>	<b>48289.35</b>	<b>53349.00</b>
<b>Part B. Expenditure /Disbursement</b>					
<b>10. Revenue Expenditure</b>	<b>11322(86)</b>	<b>14243(86)</b>	<b>19498(89)</b>	<b>22103(87)</b>	<b>23395(88)</b>
Plan	1460(13)	1864(13)	2214(11)	3121(14)	2876(12)
Non-Plan	9862(87)	12379(87)	17284(89)	18982(86)	20519(88)
General Services (including Interests Payments)	4673(41)	5874(41)	8041(41)	9713(44)	11243(48)
Social Services	4391(39)	5640(40)	8189(42)	8415(38)	8304(36)
Economic Services	2054(18)	2524(18)	3026(16)	3755(17)	3586(15)
Grants-in-aid and Contribution	204(2)	205(1)	242(1)	220(1)	261(1)
<b>11. Capital Expenditure</b>	<b>634(5)</b>	<b>715(4)</b>	<b>1006(5)</b>	<b>1323(5)</b>	<b>1265(5)</b>
Plan	600(95)	691(97)	985(98)	1263(95)	1240(98)
Non-Plan	34(5)	24(3)	21(2)	60(5)	25(2)
General Services	39(6)	59(8)	93(9)	44(3)	47(4)
Social Services	66(10)	102(14)	183(18)	197(15)	149(12)
Economic Services	529(84)	554(78)	730(73)	1082(82)	1069(84)
<b>12. Disbursement of Loans and Advances</b>	<b>1140(9)</b>	<b>1578(10)</b>	<b>1410(6)</b>	<b>2109(8)</b>	<b>1850(7)</b>
<b>13. Total (10+11+12)</b>	<b>13096</b>	<b>16536</b>	<b>21914</b>	<b>25535</b>	<b>26510</b>
<b>14. Repayments of Public Debt</b>	461	618	762	1205	1568
Internal Debt (excluding Ways and Means Advances and Overdrafts)	45	119	175	297	508
Net transactions under Ways and Means Advances and Overdrafts	Nil	Nil	Nil	Nil	Nil
Loans and Advances from Government of India <sup>3</sup>	416	499	587	908	1060
<b>15. Appropriation to Contingency Fund</b>	Nil	Nil	Nil	Nil	Nil
<b>16. Total disbursement out of Consolidated Fund (13+14+15)</b>	<b>13557</b>	<b>17154</b>	<b>22676</b>	<b>26740</b>	<b>28078</b>
<b>17. Contingency Fund disbursements</b>	0.21	0.17	0.28	0.07	0.59
<b>18. Public Account disbursements</b>	12962	14715	17959	21518	25351
<b>19. Total disbursement by the state (16+17+18)</b>	<b>26519.21</b>	<b>31869.17</b>	<b>40635.28</b>	<b>48258.07</b>	<b>53429.59</b>
<b>Part C Deficits</b>					
<b>20. Revenue Deficit (1-10)</b>	2294	4856	9287	7581	8856
<b>21. Fiscal Deficit (3+4-13)</b>	4008	7109	11666	10920	11804
<b>22. Primary Deficit (21-23)</b>	1598	4159	7492	5582	5309
<b>Part D Other data</b>					
23. Interest Payments (included in revenue exp.)	2410	2950	4174	5338	6495
24. Arrears of Revenue (Percentage of Tax & non-tax Revenue Receipts)	661(13)	648(13)	558(10)	305(4)	NA
25. Financial Assistance to local bodies etc.	2967	3449	5022	5099	5230
26. Ways and Means Advances/Overdraft availed (days)	164	80	336	360	365
27. Interest on WMA/Overdraft	6	1	22	37	63
28. Gross State Domestic Product (GSDP)	80665(P)	90160(A)	115543(A)	143411(A)	148218(A)
29. Outstanding Debt (year end)	25026	31954	43227	54119	65583
30. Outstanding guarantees (year end)	2978	3379	3907	6960	7643
31. Maximum amount guaranteed(year end)	5863	6099	5606	9677	12912
32. Number of incomplete projects	19	19	19	19	19
33. Capital blocked in incomplete projects <sup>3</sup>	886	949	1006	1083	1137

<sup>2</sup> Includes Ways and Means Advances from GOI

Note : Figures in brackets represent percentage (rounded)

<sup>3</sup> Represents progressive amount blocked in incomplete projects at the end of the year based on figures collected from departmental heads (Details in Appendix 2)