

CHAPTER I

Finances of the State Government

Summary

Large Revenue and Fiscal Deficits year after year indicate continued macro-imbalances in the State. In West Bengal, both the Revenue and Fiscal Deficit declined in 2002-2003 by 2.49 *per cent* and 10.45 *per cent* respectively mainly due to reduction in plan expenditure both on revenue and capital account.

The ratio of revenue receipts to total expenditure stood at 57.39 *per cent* in 2002-2003. Overall revenue receipts of the State increased from Rs 9387 crore in 1998-1999 to Rs 14525 crore in 2002-2003 at an average trend rate of 12.24 *per cent* per annum. During the current year, however, the growth rate was negative at (-) 0.09 *per cent*. On an average around 53 *per cent* of revenue had come from State's own resources while central tax transfers and Grants-in-aid together contributed 47 *per cent* of the total revenue.

Overall expenditure of the State increased from Rs 16536 crore in 1998-1999 to Rs 25308 crore in 2002-2003 at an average trend rate of 14.91 *per cent* per annum. The rate of growth achieved a peak of 32.52 *per cent* in 1999-2000 and declined thereafter to 3.82 *per cent* in 2001-2002 and was negative at (-) 4.53 *per cent* in 2002-2003. In fact, the major burden of a curtailment in the growth of total expenditure has been borne by a decline in the proportion of development expenditure to total expenditure. The proportion of development expenditure declined from 58.97 *per cent* in 1998-1999 to 46.33 *per cent* in 2002-2003. Revenue expenditure which constituted 91.52 *per cent* of total expenditure grew at a trend rate of 15.99 *per cent* over the period with the lowest growth of (-) 1.00 *per cent* in 2002-2003. Interest payments increased steadily by 165 *per cent* from Rs 2950 crore in 1998-1999 to Rs 7810 crore in 2002-2003 primarily due to continued reliance on borrowings for financing fiscal deficit. Interest payments are consuming an increasing chunk of the revenue receipts up to 54 *per cent* in 2002-2003.

Fiscal liabilities of the State increased from Rs 31954 crore in 1998-1999 to Rs 77515 crore in 2002-2003 at an average rate of 25.80 *per cent* during 1998-2003.

State's fiscal imbalances were also increasing and a larger part of the fiscal deficit was used for meeting current expenditure. Increasing ratios of fiscal liabilities to its Gross State Domestic Product, revenue receipts and own resources indicated that the debt stock was increasingly becoming unsustainable.

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 revenue deficits (which though declined in the current year), a larger part of its liabilities were not having an asset back up. The ratio of its assets to its liabilities had declined to 0.35 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.

1.1 Introduction

The Finance Accounts of the Government of West Bengal are laid out in nineteen statements, presenting receipts and expenditure, revenue as well as capital, in the Consolidated Fund, Contingency Fund and the Public Accounts of the State Government. The layout of the Finance Accounts is depicted below :

Box 1.1

Layout of Finance Accounts

Statement No 1 presents the summary of transactions of the State Government –receipts and expenditure, revenue and capital, public debt receipts and disbursements etc in the consolidated fund, contingency fund and public account of the state.

Statement No 2 contains the summarised statement of capital outlay showing progressive expenditure to the end of 2002-2003.

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

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

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

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

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

Statement No.8 depicts the summary of balances under consolidated fund, contingency fund and public account as on 31 March 2003.

Statement No.9 shows the revenue and expenditure under different heads for the year 2002-2003 as a percentage of total revenue/expenditure.

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

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

Statement No.12 shows revenue expenditure by minor heads under non plan, State plan and centrally sponsored schemes and capital expenditure by major heads.

Statement No.13 depicts the detailed capital expenditure incurred during and to the end of 2002-2003.

Statement No.14 shows the details of investment of the State Government in statutory corporations, government companies, other joint stock companies, cooperative banks and societies etc. up to the end of 2002-2003.

Statement No.15 depicts the capital and other expenditure to the end of 2002-2003 and the principal sources from which the funds were provided for that expenditure.

Statement No.16 gives the detailed account of receipts, disbursements and balances under heads of account relating to debt, contingency fund and public account.

Statement No.17 present detailed account of debt and other interest bearing obligations of the Government of West Bengal.

Statement No.18 provides the detailed account of loans and advances given by the Government of West Bengal, the amount of loan repaid during the year, the balance as on 31 March 2003, and the amount of interest received during the year.

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

1.2 Trend of finances with reference to previous year

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

2001-2002 (Rupees in crore)	Sl. No.	Major Aggregates	2002-2003 (Rupees in crore)
14538.43	1	Revenue Receipts (2+3+4)	14525.45
6534.49	2	Tax Revenue	7046.40
775.88	3	Non-Tax Revenue	654.33
7228.06	4	Other Receipts	6824.72
167.95	5	Non-Debt Capital Receipts	213.35
167.95	6	Of which Recovery of Loans	213.35
14706.38	7	Total Receipts (1+5)	14738.80
21365.03	8	Non-Plan Expenditure	22069.09
20518.68	9	On Revenue Accounts	21376.73
6495.39	10	Of which, Interest Payments	7810.47
846.35	11	On Capital Accounts	692.36
821.38	12	Of which Loans disbursed	671.62
5145.41	13	Plan Expenditure (14+15)	3238.81
2875.84	14	On Revenue Account	1784.04
2269.57	15	On Capital Account	1454.77
1029.01	16	Of which Loans disbursed	691.16
26510.44	17	Total Expenditure (8+13)	25307.90
11804.06	18	Fiscal Deficit (17-7)	10569.10
8856.09	19	Revenue Deficit (9+14-1)	8635.32
5308.67	20	Primary Deficit (18-10)	2758.63

1.3 Summary of Receipts and Disbursements for the year

Table 1 summarises the finances of the State Government for the year 2002-2003 covering revenue receipts and expenditure, capital receipts and expenditure, public debt receipts and disbursements, public accounts receipts and disbursements and appropriation from Contingency fund made during the year as emerging from Statement-1 of Finance Accounts and other detailed statements.

Table 1 SUMMARY OF RECEIPTS AND DISBURSEMENTS FOR THE YEAR 2002-2003 (Rupees in crore)

2001-2002	Receipts	2002-2003	2001-2002	Disbursements	2002-2003		
					Non-Plan	Plan	Total
14538.43	I. Revenue Receipts	14525.45	23394.52	I. Revenue expenditure	21376.73	1784.04	23160.77
6534.49	Tax revenue	*7046.40	11243.23	General services	12517.46	70.57	12588.03
775.88	Non-tax revenue	654.33	8303.68	Social Services	6478.63	1120.40	7599.03
4289.37	Share of Union Taxes/ Duties	*4586.74	3586.43	Economic Services	2151.44	590.56	2742.00
2938.69	Grants from Government of India	2237.98	261.18	Grants-in-aid/ Contributions	229.20	2.51	231.71
Section-B: Capital							
Nil	II. Misc. Capital Receipts	Nil	1265.53	II Capital Outlay	20.74	763.61	784.35
167.95	III. Recoveries of Loans and Advances	213.35	1850.39	III Loans and Advances disbursed	671.62	691.16	1362.78
	IV. Public debt receipts ¹			IV Repayment of Public Debt			
11517.63	Other than Overdraft	15576.31	1568.37	Other than Overdraft	2990.98	-	2990.98
1355.86	Overdraft		668.32	Overdraft	1355.86	-	1355.86
26437.91	V. Public account receipts	24060.16	25356.14	V Public account disbursements	24605.22 ²	-	24605.22
544.44	Opening Balance	458.36	458.36	Closing balance	573.44	-	573.44
54562.22	Total	54833.63	54561.63	Total	51594.59		54833.40
-	Appropriations from Contingency Fund	-	0.59	Appropriations from Contingency Fund	0.23 ²		0.23
54562.22	Grand Total	54833.63	54562.22	Grand Total	51594.82	3238.81	54833.63

* Share of Union Taxes/Duties of Rs 31.34 crore has been incorrectly exhibited in Audit Report (Revenue Receipts) as tax revenue raised by the State resulting in increase in tax revenue and equivalent decrease in share of union Taxes/Duties figures shown therein.

¹ Includes net ways and means advances and overdraft also

1.4 Audit Methodology

Audit observations on the Finance Accounts bring out the trends in the major fiscal aggregates of receipts and expenditure and from the statements of the Finance Accounts for the year 2002-2003 and wherever necessary, show these in the light of time series data and periodic comparisons. The key indicators adopted for the purpose are (i) resources by volumes and sources, (ii) application of resources (iii) assets and liabilities and (iv) management of deficits. Audit observations have also taken into account the cumulative impact of resource mobilization efforts, debt servicing and corrective fiscal measures. Overall financial performance of the State government as a body corporate has been presented by the application of a set of ratios commonly adopted for the relational interpretation of fiscal aggregates.

The reporting parameters are depicted in the Box 1.2.

Box 1.2 Reporting Parameters
<p>Fiscal aggregates like tax and non-tax revenue, revenue and capital expenditure, internal and external debt and revenue and fiscal deficits have been presented as percentage to the GSDP at current market prices. The New GSDP series with 1993-94 as base as published by the Bureau of Economics and Statistics of the State Government have been used.</p> <p>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</p> <p>For most series a trend growth during 1998-2003 has been indicated. The ratios with respect to GSDP have also been depicted. Some of the terms used here are explained in Appendix 1.</p>

The accounts of the state Government are kept in three parts (i) Consolidated Fund (ii) Contingency Fund and (iii) Public Account. These are defined below:

Box 1.3 State Government Funds and the Public Account	
<p>Consolidated Fund All revenues received by the State Government, all loans raised by issue of treasury bills, internal and external loans and all moneys received by the Government in repayment of loans shall form one consolidated fund entitled 'The Consolidated Fund of State' established under Article 266 (1) of the Constitution of India.</p>	<p>Contingency Fund Contingency Fund of State established under Article 267 (2) of the Constitution is in the nature of an imprest placed at the disposal of the Governor to enable him to make advances to meet urgent unforeseen expenditure, pending authorisation by Legislature. Approval of the Legislature for such expenditure and for withdrawal of an equivalent amount from the Consolidated Fund is subsequently obtained, whereupon the advances from the Contingency Fund are recouped to the Fund.</p>
<p style="text-align: center;">Public Account</p> <p>Besides the normal receipts and expenditure of Government which relate to the Consolidated Fund, certain other transactions enter Government Accounts, in respect of which Government acts more as a banker. Transactions relating to provident funds, small savings, other deposits, etc. are a few examples. The public moneys thus received are kept in the Public Account set up under Article 266 (2) of the Constitution and the related disbursements are made from it.</p>	

1.5 State Finances by key Indicators

1.5.1 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 the Central Government. Capital receipts comprise of miscellaneous capital receipts like proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources viz. market loans, borrowings from financial institutions/commercial banks etc and loans and advances from Government of India as well as accruals from Public accounts.

Table 2 shows that the total receipts of the State Government for the year 2002-2003 were Rs 54374 crore. Of which, the revenue receipts of the State Government was Rs 14525 crore only, constituting 27 per cent of the total receipts. The balance of receipts came from borrowings and public account receipts.

Table 2 – Resources of West Bengal

		(Rupees in crore)
I Revenue Receipts		14525
II Capital Receipts		15789
a	Miscellaneous Receipts	-
b	Recovery of Loans and Advances	213
c	Public Debt Receipts	15576
III Public Account Receipts		24060
a	Small Savings, Provident Fund, etc.	1077
b	Reserve Fund	82
c	Deposits and Advances	9762
d	Suspense and Miscellaneous	11383
e	Remittances	1756
Total Receipts		54374

1.5.2 Revenue receipts

Statement-11 of the Finance Accounts details the Revenue Receipts of the Government. The Revenue Receipts of the State consist mainly of its own tax and non-tax revenues, central tax transfers and grants-in-aid from Government of India. Overall revenue receipts, its annual rate of growth, ratio of these receipts to the State's Gross Domestic Product (GSDP) and its buoyancy are indicated in *Table 3*.

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

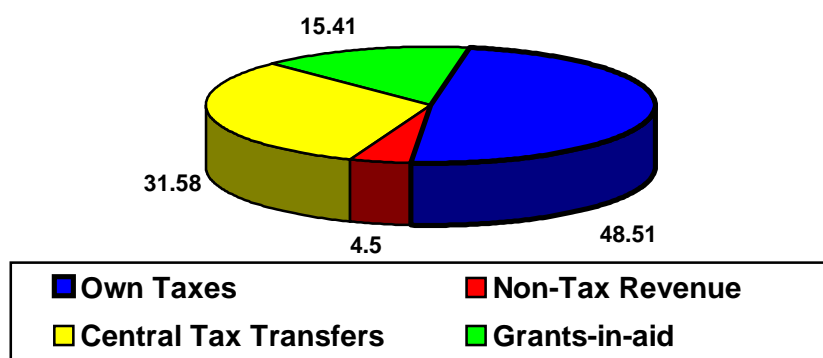
	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	Average
Revenue Receipts	9387	10211	14522	14538	14525	12637
Own taxes *	50.86	49.96	40.94	44.95	48.51	47.04
Non-Tax Revenue *	4.10	5.75	8.36	5.33	4.50	5.61
Central Tax Transfers *	28.68	29.22	28.98	29.50	31.58	29.59
Grants-in-aid *	16.36	15.07	21.72	20.22	15.41	17.76
Rate of Growth	(-) 3.98	8.78	42.22	0.11	(-) 0.09	12.24
Revenue Receipts/GSDP	10.41	8.84	10.13	9.81	9.14	9.63
Revenue Buoyancy	0.338	0.312	1.750	0.033	(-) 0.012	0.781
GSDP Growth	11.771	28.153	24.119	3.352	7.190	15.675

* As a percentage of Revenue Receipts

Revenue receipts of the State increased from Rs 9387 crore in 1998-1999 to Rs 14525 crore in 2002-2003 at an average trend rate of 12.24 *per cent* per annum. There were, however, significant inter year variations in the growth rates. After a significant increase of 42.22 *per cent* in 2000-2001, the growth rate plummeted to (-) 0.09 *per cent* in 2002-2003. The decrease in revenue receipts during 2002-2003 was due to less receipts under grants-in-aid from GOI (Rs 701 crore) and less collection under non-tax revenue (Rs 121 crore) partly offset by more collection under tax-revenue (Rs 809 crore). The increase in tax revenue during the year over the previous year was mainly on Sales Tax (Rs 389 crore), Stamps and Registration Fees (Rs 165 crore), Other Taxes and Duties on Commodities and Services (Rs 124 crore) etc., partially offset by less collection under Taxes and Duties on Electricity (Rs 209 crore) etc.

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. Sales Tax was the major source of State's own tax revenue contributing 60 *per cent* of the tax revenue followed by Stamps and Registration (10 *per cent*), Land Revenue (9 *per cent*) etc. Of non-tax revenue sources interest receipts (16 *per cent*), Food, Storage and Warehousing (12 *per cent*) and Police (10 *per cent*) were the principal contributors. Compared to 1998-1999, the contribution of the State's own taxes in its total revenue receipts declined from 51 *per cent* to 49 *per cent*. Contribution of grants-in-aid also decreased from 22 *per cent* in 2000-2001 to 15 *per cent* in 2002-2003. The grants-in-aid which nearly doubled from Rs 1539 crore in 1999-2000 to Rs 3154 crore in 2000-2001 declined thereafter consequent upon the recommendations of the Eleventh Finance Commission, which had recommended non-plan revenue deficit grants for 2001-2004 on a tapering basis. These grants will cease to be available from 2004-2005 onwards. A decline in these grants in 2002-2003, compared to the previous year, significantly reduced the revenue growth of the State. A further decline in these grants in 2003-2004 may constrain the State's resources even further.

REVENUE RECEIPTS FOR 2002-03
(Rupees in crore)



Tax Administration

While presenting the Budget proposals for the year 2002-2003, Finance Minister in his speech assured net Additional Resource Mobilisation (ARM) of Rs 351 crore besides budget proposals for Rs 8244.11 crore under tax revenue. The State Government, during 2002-2003, realised Rs 7046.40 crore, shortfall being to the tune of Rs 1548.71 crore including ARM. Scrutiny revealed that Government failed to fulfil the budgeted targets. ARM was achieved only under “Stamp and Registration Fees” where against the budgeted target of Rs 680.50 crore the actuals were Rs 720.41 crore. The major areas of shortfall were (i) Rs 649.46 crore under Land Revenue – due to less realisation of Rates and Cesses on Land- Rs 632.98 crore; (ii) Rs 523.49 crore under Taxes on Sales, Trades, etc. (iii) Rs 65 crore under other taxes on income and expenditure; (iv) Rs 42.65 crore under State Excise and (v) Rs 39.35 crore under Taxes and Duties on Electricity.

While the State Government could realise 83 *per cent* of its estimated tax revenue, collection of non-tax revenue (Rs 654.33 crore) was however far from satisfactory, collection being only 36 *per cent* of what was estimated (Rs 1808.10 crore). The major areas of shortfall were (i) Interest Receipts – Rs 795.05 crore, (ii) Medical and Public Health – Rs 65.60 crore, (iii) Food, Storage and Warehousing – Rs 107.61 crore and (iv) Contribution and Recoveries towards Pension and other Retirement Benefits – Rs 38.73 crore.

The Memorandum of Understanding signed by the Government of West Bengal with the Government of India provides for improving cost recoveries for Government services by enhancing user charges. The current level of cost recovery in supply of merit goods and services by Government was 0.005 *per cent* in Secondary Education, 0.076 *per cent* in higher education, one *per cent* in technical education, 3.68 *per cent* in health and family welfare, 1.18 *per cent* in water supply and sanitation, 2.30 *per cent* in major and medium irrigation and 2.98 *per cent* in minor irrigation.

Arrears in Collection of Revenue

The arrears of revenue on 31 March 2003 in respect of some principal heads of revenue aggregated Rs 1514.71 crore as against Rs 1634.57 crore in 1998-1999. Of these, Rs 74.77 crore were outstanding for a period of more than 5 years. Arrears were mainly in respect of Sales Tax (Rs 1304.09 crore), Taxes and Duties on Electricity Duty (Rs 148.59 crore) and Taxes on Agricultural Income (Rs 29.94 crore).

The source of receipts under different heads and GSDP during 1998-2003 is indicated in **Table 4**.

Table 4 – Sources of Receipts: Trends

(Rupees in crore)

Year	Revenue Receipts	Capital Receipts			Total Receipts	Gross State Domestic product
		Non-Debt Receipts	Debt Receipts	Accruals in Public Account		
1998-1999	9387	39	6306	16078	31810	90160(A)
1999-2000	10211	37	8350	22229	40827	115543(A)
2000-2001	14522	93	10925	22749	48289	143411(A)
2001-2002	14538	168	12205	26438	53349	148218(A)
2002-2003	14525	213	15575	24060	54373	158875(A)

A = Advance

1.6 Application of resources

1.6.1 Trend of Growth

Statement 12 of the Finance Accounts depicts the detailed revenue expenditure by minor heads and capital expenditure major head wise. The total expenditure of the State increased from Rs 16536 crore in 1998-1999 to Rs 25308 crore in 2002-2003 at an average trend rate of 14.91 *per cent* per annum.

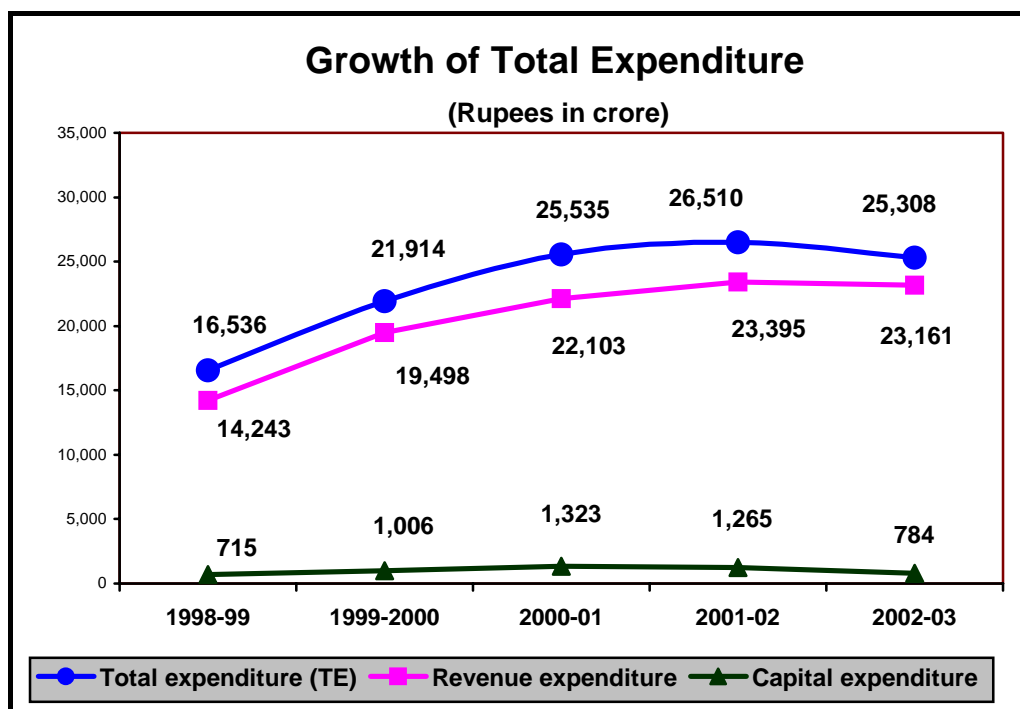
Total expenditure of the State, its trend and annual growth, ratio of expenditure to the State's GSDP and revenue receipts and its buoyancy with regard to GSDP and revenue receipts is indicated in **Table 5** below:

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

	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	Average
Total Expenditure	16536	21914	25535	26510	25308	23161
Rate of Growth	26.27	32.52	16.52	3.82	(-) 4.53	14.91
TE/GSDP Ratio	18.34	18.97	17.81	17.89	15.93	17.65
Revenue Receipts /TE Ratio	56.77	46.60	56.87	54.84	57.39	54.49
<i>Buoyancy of Total Expenditure with</i>						
GSDP	2.232	1.155	0.685	1.139	(-) 0.631	0.951

Expenditure Management

While revenue earnings of the Government were much lower than that estimated, Government could lower its deficit level by reducing expenditure. This was however achieved mainly by curtailing plan expenditure both on revenue and capital account. Expenditure on revenue account of the State during 2002-2003 stood at Rs 23160.77 crore as against Rs 23394.52 crore in 2001-2002. Expenditure on this score was estimated at Rs 25695.91 crore. Shortfall, therefore, was to the extent of Rs 2301.39 crore. Expenditure in all the three sectors viz. Social Services, General Services and Economic Services was lower than that incurred in 2001-2002. Capital expenditure, on the other hand, was to the tune of Rs 784.34 crore against estimated Rs 3596 crore. Capital expenditure during 2001-2002 was Rs 1265.53 crore. A close scrutiny in the nature of plan, capital and developmental expenditure would further reveal that ratios of these components to total expenditure had a declining trend during the last five years.



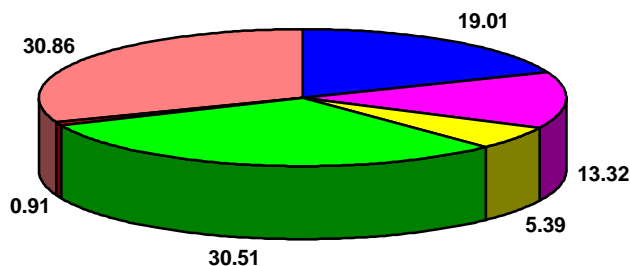
In terms of the activities total expenditure could be considered as being composed of expenditure on general services, interest payments, social and economic services, grants-in-aid and other contributions to institutions and loans and advances. The relative share of these components in total expenditure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

Table 6: Components of Expenditure –Relative Share (in per cent)

	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	Average
General Services (Excl. interest payments)	18.04	18.07	17.31	18.09	19.01	18.10
Interest Payments	17.84	19.05	20.90	24.50	30.86	22.63
Social Services	34.72	38.20	33.73	31.89	30.51	33.81
Economic Services	18.61	17.14	18.94	17.56	13.32	17.12
Grants-in-aid	1.25	1.11	0.86	0.98	0.91	1.02
Loans and Advances	9.54	6.43	8.26	6.98	5.39	7.32

The movements of the relative share to these components indicate that the share of general services inclusive of interest payment has increased over the years, while the share of social and economic services has declined. Expenditure on general services (including interest payments) considered as non developmental, accounted for 50 per cent of total expenditure in 2002-2003 as compared to 36 per cent in 1998-1999.

**Allocative Priorities - Trend of Expenditure 2002-2003
(Relative share in per cent)**



■ General Services (Excluding Interest Payments)
■ Economic Services
■ Loans and Advances
■ Social Services
■ Grants-in-aid
■ Interest Payments

1.6.2 Incidence of Revenue expenditure

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

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

	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	Average
Revenue Expenditure	14243	19498	22103	23395	23161	20480
Rate of Growth	25.80	36.90	13.36	5.85	(-) 1.00	15.99
RE/GSDP	15.80	16.88	15.41	15.78	14.58	15.60
RE as % of TE	86.13	88.98	86.56	88.25	91.52	88.43
RE as % to Revenue Receipt	151.73	190.95	152.20	160.92	159.46	162.07
<i>Buoyancy of Revenue Expenditure</i>						
GSDP	2.192	1.311	0.554	1.744	0.139	1.020

Revenue expenditure of the State increased from Rs 14243 crore in 1998-1999 to Rs 23161 crore in 2002-2003, at an average trend rate of 15.99 per cent. During the year the revenue expenditure witnessed a decline of Rs 233.75 crore mainly due to less expenditure under Economic and Social services viz Urban Development (Rs 436 crore), Other Rural Development (Rs 300 crore), Water Supply and Sanitation (Rs 151 crore), General Education (Rs 118 crore), Power (Rs 101 crore) etc. offset by excess expenditure under General services viz. Interest Payments (Rs 1291 crore), Pension and other retirement benefits (Rs 154 crore) and Relief on account of Natural Calamities (Rs 111 crore) in comparison to previous year.

The ratio of revenue expenditure to total expenditure increased from 86.13 per cent in 1998-1999 to 91.52 per cent in 2002-2003. As percentage to revenue receipts, revenue expenditure increased from 151.73 per cent in 1998-1999 to 159.46 per cent in 2002-2003, indicating a widening gap and continuance of the State on borrowings for meeting its current expenditure primarily due to the fact that Salaries (Rs 8570 crore), Interest Payments

(Rs 7810 crore) and Pensions (Rs 2408 crore) alone accounted for 131.08 per cent of total revenue receipts of the State during the year.

1.6.3 High expenditure on salary and pension payments

Salaries alone accounted for 59 per cent of the revenue receipts of the State. The expenditure on salaries, though declined as a percentage of GSDP and Revenue Receipts, increased from Rs 6548 crore in 1998-99 to Rs 8570 crore in 2002-2003 as indicated in the Table 8 below:

Table 8

Heads	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003
	(R u p e e s i n c r o r e)				
Salary expenditure	6548.41	8867.50	8716.71	8612.39	8569.78
As percentage of GSDP	7.26	7.67	6.08	5.81	5.39
As percentage of Revenue Receipts	69.76	86.84	60.02	59.24	59.00

Pension payments have increased by 138 per cent from Rs 1011.75 crore in 1998-1999 to Rs 2408.15 crore in 2002-2003. Year-wise breakup of expenditure incurred on pension payments during the years 1998-1999 to 2002-2003 was as under:

Table 9

Year	Expenditure (Rupees in crore)	Percentage to total revenue
1998-1999	1011.75	11
1999-2000	1582.29	15
2000-2001	1937.17	13
2001-2002	2253.79	15
2002-2003	2408.15	17

With the increase in the number of retirees, the pension liabilities are likely to increase further in future. The State Government has not constituted any fund to meet the fast rising pension liabilities of the retired State employees. Considering the rate at which pension liabilities are increasing, reforms in the existing pension schemes assume critical importance.

1.6.4 Interest payments

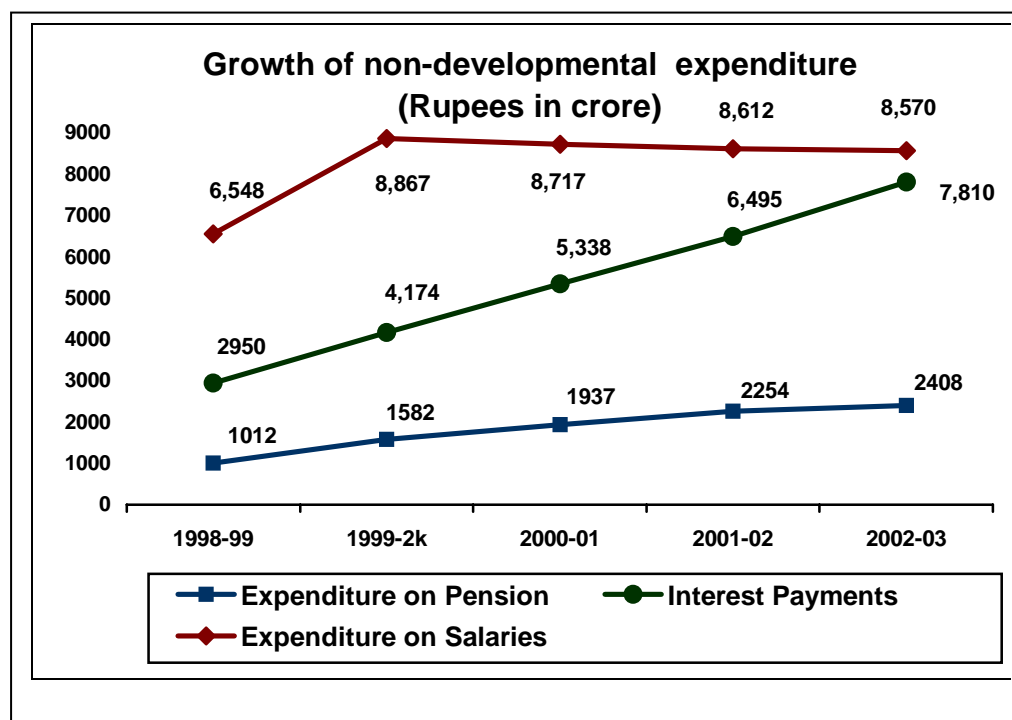
The Eleventh Finance Commission (August 2000) has recommended that as a medium term objective, states should endeavour to keep interest payment revenue receipts ratio at 18 per cent. It was however observed that interest payments as percentage of revenue receipts reached an all time high of 54 per cent during 2002-03.

Table 10

Year	Interest Payment	Percentage of interest payment with reference to	
	(Rupees in crore)	Revenue Receipts	Revenue Expenditure
1998-1999	2950	31	21
1999-2000	4174	41	21
2000-2001	5338	37	24
2001-2002	6495	45	28
2002-2003	7810	54	34

In absolute terms, Interest payments increased steadily by 165 per cent from Rs 2950 crore in 1998-99 to Rs 7810 crore in 2002-2003 primarily due to continued reliance on borrowings for financing the fiscal deficit. Large interest payments, increasing year after year, due to continued reliance on borrowing for meeting the deficits, crowd out the expenditure on primary education, health and social welfare schemes. The interest payments as a percentage of revenue receipts as compared to Tamilnadu, Kerala, and Andhra Pradesh were as below:

Year	Interest payments as a percentage of revenue receipts			
	West Bengal	Tamilnadu	Kerala	Andhra Pradesh
1998-1999	31	15	20	19
1999-2000	41	17	25	18
2000-2001	37	17	26	19
2001-2002	45	19	27	21
2002-2003	54	20	28	27



1.6.5 Subsidies by the Government

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

Table 11

Sl. No.	Particulars	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003
1	Road Transport Corporations	123.45	164.55	181.05	223.14	214.65
2	West Bengal State Electricity Board	49.06	49.30	57.37	100.00	-
	Total	172.51	213.85	238.42	323.14	214.65
	Percentage Increases (+)/ Decreases (-) over previous years	17	24	11	36	(-) 33

1.7 Expenditure by Allocative Priorities

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

Table 12: Quality of Expenditure (per cent to total expenditure)

	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	Average
Plan Expenditure	17.08	15.60	18.71	16.69	10.64	15.75
Capital Expenditure	4.78	4.91	5.65	5.13	3.27	4.75
Developmental Expenditure	58.97	59.15	57.41	53.15	46.33	55.00

*Total expenditure does not include Loans and Advances

All the three components of expenditure indicated a decline and the ratios in 2002-2003 were significantly lower than their levels in 1998-1999. Plan expenditure, despite its initial low values in 1998-1999 at 17.08 per cent further steeply declined to a mere 10.64 per cent over the years, indicating that a lower proportion of incremental expenditure got allocated to plan expenditure. In case of developmental expenditure, its ratio to total expenditure declined from 58.97 per cent in 1998-1999 to 46.33 per cent in 2002-2003.

The decrease in capital expenditure (Rs 481.18 crore) was mainly due to less investment under Roads and Bridges (Rs 292.96 crore), Petro-chemical Industries (Rs 194.16 crore) and Irrigation and Flood Control (Rs 81.42 crore) partially offset by more investment under Power projects (Rs 140.84 crore).

Out of the developmental expenditure (Rs 11093 crore), social services (Rs 7722 crore) accounted for nearly 70 per cent of the developmental expenditure during the year. General Education, Medical and Public Health and Water Supply and Sanitation consumed three-fourths (75 per cent) of the expenditure on social sector.

Table 13 :Expenditure under Social Sector

	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003
	(R u p e e s i n c r o r e)				
General Education	2921 (3.24)	4859 (4.21)	4425 (3.09)	4395 (2.97)	4273 (2.69)
Medical and Public Health	999 (1.11)	1149 (0.99)	1320 (0.92)	1243 (0.84)	1212 (0.76)
Water Supply and Sanitation	279 (0.31)	323 (0.28)	406 (0.28)	407 (0.27)	302 (0.19)
Total	4199	6331	6151	6081	5787

Percentage of GSDP in brackets

Similarly, the expenditure on Economic Services (Rs 3371 crore) accounted for 30 per cent of the developmental expenditure. Of this, Rural Development (Rs 612 crore), Special Areas Programme (Rs 350 crore), Power (Rs 144 crore), Irrigation and Flood Control (Rs 619 core) and Transport

(Rs 655 crore) etc accounted for 71 per cent of the expenditure in economic sector.

Table 14 : Expenditure under Economic Sector

	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003
	(R u p e e s i n c r o r e)				
Rural Development	733.39	738.81	768.02	916.42	611.57
Special Areas Programmes	196.67	251.22	382.79	378.72	349.51
Power	52.20	63.18	191.95	103.45	143.97
Irrigation and flood control	610.33	749.93	941.44	841.23	619.25
Transport	288.78	804.69	1174.49	1067.45	654.59
Total	1881.37	2607.83	3458.69	3305.27	2378.89

1.7.1 Financial assistance to local bodies and other institutions

Autonomous bodies and authorities perform non-commercial functions of public utility services. These bodies/authorities receive substantial financial assistance from Government. Government also provides substantial financial assistance to other institutions such as those registered under the respective State Co-operative Societies Act, Companies Act, 1956, etc. to implement various programmes of Government. The grants are given by Government mainly for maintenance of educational institutions, hospitals, charitable institutions, construction and maintenance of schools and hospital buildings, improvement of roads and other communication facilities under municipalities and local bodies.

The quantum of assistance provided to different Bodies during the period of five years ending 2002-2003 was as follows:

Table 15

Bodies/authorities, etc.	1998-99	1999-2000	2000-2001	2001-2002	2002-2003
	(R u p e e s i n c r o r e)				
Universities and Educational Institutions	2759.65	3918.70	3969.38	3972.04	3945.16
Municipal Corporations and Municipalities	72.48	17.97	32.77	800.01	380.57
Zilla Parishads and Panchayati Raj Institutions	159.53	312.18	40.21	0.24	407.38
Development Agencies	96.28	200.76	458.49	174.80	1427.89
Hospitals and other Charitable Institutions	13.60	6.23	17.66	0.03	1.00
Other Institutions (including statutory bodies)	228.26	338.67	247.96	419.55	366.66
Total	3329.80	4794.51	4766.47	5366.67	6528.66
Percentage increase(+)/ decrease (-) over previous year	13.86	43.99	(-) 0.58	12.59	21.65
Assistance as a percentage of revenue receipts	35.47	46.96	32.82	36.92	44.95
Percentage of assistance to revenue expenditure	23.38	24.59	21.56	22.94	28.19

Delay in furnishing utilisation certificates

Out of grants aggregating Rs 281.87 crore disbursed between 1997-1998 and 2001-2002, in respect of which utilisation certificates were required to be furnished, utilisation certificates for only Rs 60.25 crore (169 cases) were

furnished as of June 2003, and certificates for the balance amount of Rs 221.62 crore (570 cases) were awaited. Of these, 107 certificates involving Rs 38.36 crore were pending for more than three years, the earliest pertaining to 1997-1998. The department-wise break-up of outstanding utilisation certificates is given in **Appendix 2**.

Delay in submission of accounts by Autonomous Bodies

The audited reports in respect of ten* autonomous bodies/authorities entrusted under the provisions of section 19(2) and 19(3) of the Comptroller and Auditor General's (DPC) Act, 1971 were required to be laid before the State Legislature along with the annual accounts of the respective autonomous bodies/authorities concerned. However, the State Government failed to lay the reports in case of seven bodies/authorities before the Legislature as detailed in **Appendix 3**. As a result, the Legislature was deprived of access to the audited accounts of these bodies in which Rs 396.02 crore were spent during these years. The detailed information regarding status of audit is given in **Appendix 4**.

Audit arrangements

During the year 2002-2003, audit of 492 annual accounts of 47 bodies/authorities (excluding Panchayats/Rural Institutions/Urban Local Bodies) which attracted audit by Comptroller and Auditor General of India was conducted.

Seventy five (75) annual accounts of different bodies/authorities for 2002-2003 and earlier years had not been received as of July 2003 by the Accountant General (Local Bodies Audit). The details are given in **Appendix 5**. It would reveal that accounts were due even for more than 12 years.

Unutilised grants

Grants aggregating Rs 101.35 crore, meant for development purposes, were lying unspent with 37 bodies (Universities/District Primary School Council/Fish Farmers' Development Agencies/Local Library Authorities, etc.) whose accounts for varying periods between 1984-1985 and 2001-2002 were audited during 2001-2002. The details are given in **Appendix 6**. The concerned bodies did not furnish reasons for non-utilisation and non-refund of the Government grants. There was nothing on record to show any action having been taken to adjust/refund the unutilised grants.

1.7.2 Misappropriations, defalcations, etc.

State Government reported 788 cases involving Rs 650.21 crore on account of misappropriations, defalcations, etc. of Government money. These cases

* 1. Commissioners for Rabindra Setu, 2. West Bengal Comprehensive Area Development Corporation, 3. Hooghly River Bridge Commissioners, 4. Kolkata Metropolitan Development Authority, 5. West Bengal Housing Board, 6. Darjeeling Gorkha Autonomous Hill Council 7. West Bengal Commission for Women 8. West Bengal University of Animal and Fishery Sciences, 9. West Bengal Human Rights Commission. 10. West Bengal State Legal Services Authority.

pertained to the period from 1949-1950 to the end of March 2003 on which final action was pending at the end of June 2003.

	Number of cases	Amount (Rupees in lakh)
Cases outstanding as on 31 March 2002	784	664.47
Cases reported during 2002-2003	6	24.77
Cases disposed of till March 2003	2	39.03
Cases outstanding as on 31 March 2003	788	650.21

Appendix 7 contains department-wise details of the outstanding cases. Of the 788 cases outstanding as of March 2003, 756 cases (amount involved : Rs 553.62 lakh) were pending for more than two years. Fifty *per cent* of these cases related to the Land and Land Reforms Department.

1.8 Assets & Liabilities

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. Statement 16 read with details in Statement 17 of Finance Accounts show the year-end balances under the Debt Deposit and Remittance heads from which the liabilities and assets are worked out. Statement I of this chapter (page 29) presents an abstract of such liabilities and assets as on 31 March 2003, compared with the corresponding position on 31 March 2002. 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 of Government of West Bengal depicted in the Finance Accounts, however, do not include the pension, other retirement benefits payable to serving/retired state employees, guarantees/letters of comforts etc issued by the State. Statement I shows that while the liabilities grew by 18 *per cent*, the assets increased by only 14 *per cent*. This shows a continuing deterioration of the financial conditions of the State.

Statement II (page 30) gives details of the receipts and disbursement of the State Government, Statement III (page 33) gives sources and application of funds while Statement IV (page 34) depicts the time series data on State Government Finances for the period 1998-2003.

1.8.1 Financial results of irrigation works

The financial results of the four major and four medium irrigation and three drainage projects with a capital outlay of Rs 1487.03 crore at the end of 31 March 2003 showed that the revenue of Rs 2.37 crore realised from these during 2002-2003 was insignificant in comparison to even the direct operating expenses. After considering the operation and maintenance expenses of Rs 50.23 crore and interest charges of Rs 33.99 crore, the schemes suffered a net loss of Rs 81.85 crore.

1.8.2 Incomplete projects

The amount blocked up in incomplete projects during 1998-2003, continued to rise from Rs 949 crore in 1998-1999 to Rs 1159 crore in 2002-2003. The amount blocked in these projects was 13 *per cent* of the cumulative capital outlay of the State as on 31 March 2003. Details are given in **Appendix 8**.

1.8.3 Investments and returns

As on 31 March 2003, Government had invested Rs 4203.70 crore² in its statutory corporations, rural banks, joint stock companies and cooperatives. Of which investment in Government Company viz. West Bengal Power Development Corporation was Rs 2337.05 crore. Government's return on this investment was negligible in last five years as shown in **Table 16**. 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 1998-2003, this implicit subsidy amounted to Rs 2094.58 crore.

Table 16 : Return on Investment (Rupees in crore)

Year	Investment at the end of the year	Return	Percentage of return	Rate of interest on Government borrowings (%)
1998-1999	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
2002-2003	4203.70	1.38	0.03	10.92

1.8.4 Loans and advances by State Government

In addition to its investment, Government has also been providing loans and advances to many of these bodies. Total outstanding balances of the loans advanced as on 31 March 2003 was Rs 12679.51 crore. Interest received on such loans had varied from 0.07 *per cent* to 6.41 *per cent* during 1998-2003 (**Table 17**). Government in most cases only acted as an intermediary and provided 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 1998-2003, on arranging such loans was Rs 4569.19 crore. In addition to the implicit subsidy involved in these investments and loans, these assets in themselves had become non-performing ones. Further, in most cases, Government orders sanctioning the loans did not specify the terms and conditions of these loans.

Table 17: Average Interest Received on Loans Advanced by the State Government

	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003
	(R u p e e s i n c r o r e)				
Opening Balance	4920.64	6458.97	7831.55	9847.64	11530.08
Amount advanced during the year	1577.79	1409.82	2109.33	1850.39	1362.78
Amount repaid during the year	39.46	37.24	93.24	167.95	213.35
Closing Balance	6458.97	7831.55	9847.64	11530.08	12679.51
Net addition	1538.33	1372.58	2016.09	1682.44	1149.43
Interest Received	8.61	6.61	567.04	25.81	8.86
Interest Received as <i>per cent</i> of loans	0.15	0.09	6.41	0.24	0.07
Average Interest rate paid by the State	10.35	11.10	10.97	10.85	10.92
Difference in rate (interest paid and received)	10.20	11.01	4.56	10.61	10.85

² Differs from those shown in Audit Report (Commercial) which is under reconciliation

1.8.5 Commercial activities

Lack of accountability in the use of public funds by departmentally run commercial undertakings

Activities of quasi-commercial nature are performed by the departmentally run units of certain Government departments. These undertakings are to prepare annual *pro forma* accounts in the prescribed format annually showing their financial operations to enable the Government to assess their performance. The Heads of Departments in Government are to ensure that the undertakings, which are funded by budgetary release, prepare the accounts on timely basis for submission to the Principal Accountant General for audit. As of June 2003, out of 25 such units, nine had not prepared their accounts since inception, as detailed at **Appendix 9**. In the remaining 16 units, Government had invested Rs 1018.86 crore as per their last accounts. As of June 2003, four units had not prepared their accounts for more than 10 years, four for more than five years and eight for one to five years. Details are given in **Appendix 10**.

Thus, there was no accountability of the Management and Government in respect of public funds spent by these undertakings.

1.8.6 Management of cash balances

It is generally desirable that State's flow of resources should match its expenditure obligations. However, to take care of any temporary mis-matches in the flow of resources and the expenditure obligations, a mechanism of Ways and Means Advances (WMA) from Reserve Bank of India has been put in place. West Bengal had the ordinary WMA limit of Rs 360 crore from 1 April 2002 subsequently enhanced to Rs 420 crore from March 3, 2003. During the year, the State has used this mechanism for 318 days although it raised borrowings of Rs 2506 crore from the market on four occasions. Resort to overdraft, which is over and above the WMA limits, is all the more undesirable. The State used the OD facilities for 260 days on 28 occasions during the year as against 253 days last year.

Table 18: Ways and Means and Overdrafts of the State and Interest paid thereon (Rupees in crore)

	1998-99	1999-2000	2000-2001	2001-2002	2002-2003	Average
Ways and Means Advances						
Taken in the Year	1920.43	5297.20	6536.12	1914.26	2435.62	3620.73
Outstanding	-	594.73	680.32	742.46	162.33	435.98
Interest Paid	0.96	20.69	37.44	17.03	51.07	25.44
Overdraft						
Taken in the Year	309.13	3524.89	4720.82	11665.32	12399.77	6523.99
Outstanding	-	731.59	670.80	1358.34	-	552.14
Interest Paid	0.33	0.97	6.78	46.20	25.38	15.73
Number of Days State was in Overdraft	9	109	156	253	260	158

1.9 Undischarged Liabilities

1.9.1 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. Statement 4, read with statements 16 and 17 of Finance Accounts, shows the year-end balances under Debt Deposit and Remittance heads from which the liabilities are worked out.

It would be observed that the overall fiscal liabilities of the State increased from Rs 31954 crore in 1998-1999 to Rs 77515 crore in 2002-2003 at an average rate of 25.80 per cent during 1998-2003. The ratio of these liabilities to GSDP also increased from 35.44 per cent in 1998-99 to 48.79 per cent in 2002-2003, and stood at 5.34 times of its revenue receipts and 10.07 times of its own resources comprising its own tax and non-tax revenue.

Table 19 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 19: Fiscal Imbalances- Basic Parameters (Rupees in crore and ratios in per cent)

	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	Average
Fiscal Liabilities	31954	43227	54119	65583	77515	54480
Rate of Growth	27.68	35.28	25.20	21.18	18.19	25.80
<i>Ratio of Fiscal Liabilities to</i>						
GSDP	35.44	37.41	37.74	44.25	48.79	41.51
Revenue Receipt	340.41	423.34	372.67	451.11	533.67	414.12
Own Resources	619.38	759.97	755.85	897.17	1006.69	786.00
<i>Buoyancy of Fiscal Liabilities to</i>						
GSDP	2.352	1.253	1.045	6.320	2.530	1.646
Revenue Receipt	6.962	4.019	0.597	192.262	- 203.462	2.108
Own resources	7.123	3.441	0.974	10.111	3.410	2.442

In addition to these liabilities, Government had guaranteed loans of its various corporations and others, which in 2002-2003 stood at Rs 11194 crore³ (80 per cent of revenue receipt of 2000-2001). Guarantees to the loans, which are in the nature of Contingent liabilities of the State, are generally not risk weighted and do not constitute part of the fiscal liabilities as per existing accounting practice. Nevertheless, these liabilities pose fiscal risk as they could be activated depending on occurrence of defaults by the principal borrowers. Currently, the fiscal liabilities including the Contingent liabilities exceed six times the revenue receipts of the State. The direct fiscal liabilities of the State have grown much faster as compared to its rate of growth of

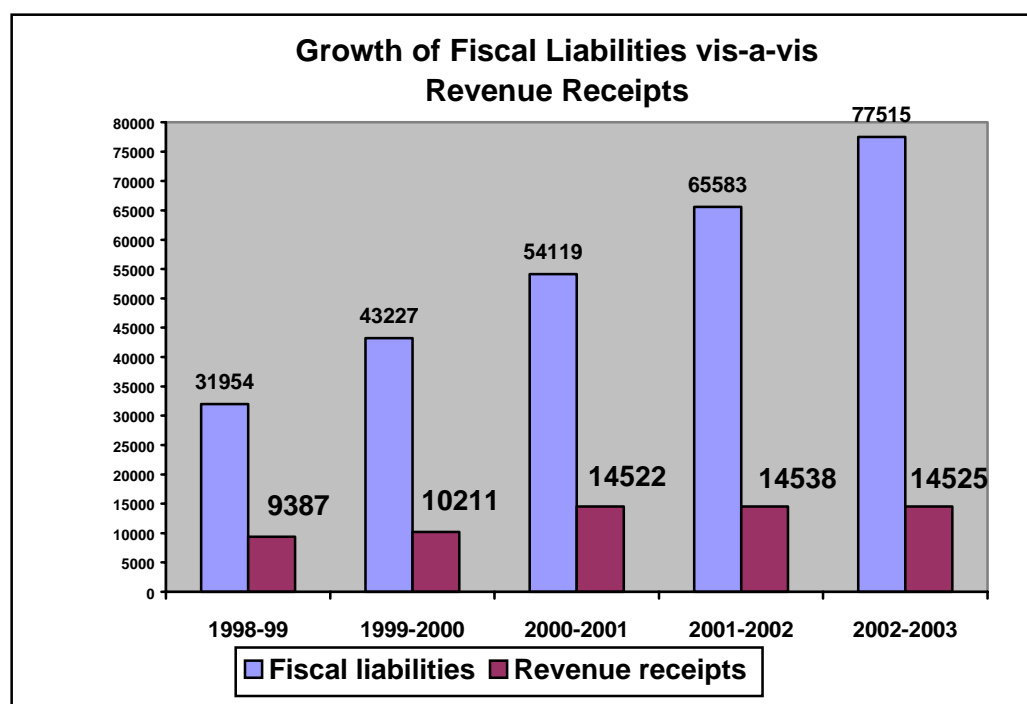
³ Differs from those shown in Audit Report (Commercial) which is under reconciliation

GSDP. On average for each one *per cent* increase in GSDP, the direct fiscal liabilities of the State have gone up by 1.646 *per cent*.

Increasing liabilities had raised the issue of sustainability of the State Government finances. Fiscal liabilities are not only required to be stable in relation to the GSDP, average interest paid on these liabilities should also be less than the rate of growth of its GSDP. Debt sustainability with reference to weighted interest rate, GSDP growth rate and interest spread are indicated in **Table 20**.

Table 20: Debt Sustainability- Interest Rate and GSDP Growth (in *per cent*)

	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	Average
Weighted Interest Rate	10.35	11.10	10.97	10.85	10.92	10.84
GSDP Growth	11.77	28.15	24.12	3.35	7.19	15.67
Interest spread	1.42	17.05	13.15	-7.50	-3.73	4.84



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

Table 21 below gives the position of receipt and repayments of internal debt over the last five years. The net funds available on account of the internal debt and loans and advances from Government of India after providing for the interest and repayments declined from 48 *per cent* to 40 *per cent* during 1998-2003.

Table 21: Net Availability of Borrowed Funds (Rupees in crore)

	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	Average
Internal Debt						
Receipt	903	5554	9361	9783	13007	7722
Repayment(Principal + Interest)	643	877	2074	3220	4572	2277
Net funds available	260	4677	7287	6563	8435	5445
Net funds available (<i>per cent</i>)	29	84	78	67	65	71
Loans and Advances from Government of India						
Receipt	5403	1470	1539	1672	2568	2530
Repayment(Principal + Interest)	2665	3450	3890	4133	4811	3790
Net funds available	2738	(-) 1980	(-) 2351	(-) 2461	(-) 2243	(-) 1259
Net funds available (<i>per cent</i>)	51	(-) 135	(-) 153	(-) 147	(-) 87	(-) 94
Total Public Debt						
Receipts	6306	7024	10900	11455	15575	10252
Repayment (Principal + Interest)	3308	4327	5964	7353	9383	6067
Net Receipts	2998	2697	4936	4102	6192	4185
Net Funds Available as % to total Receipts	48	38	45	36	40	41

* Internal debt excluding ways and means advances

The State Government raised market loans of Rs 2506.13 crore during the year. The weighted average rate of interest of market borrowing (Rs 2506 crore) during the year was 7.33 *per cent* whereas the State Government borrowed Rs 8585.80 crore from National Small Savings Funds at the rate of 10.5 *per cent* per annum and Rs 2568.43 crore at the rate of 11.5 *per cent* per annum from Government of India. The State Government used the option of raising the market borrowings of Rs 152.65 crore at competitive rate through auction. As on 31 March 2003, 65 *per cent* of the existing market borrowings of the State Government carried interest rate exceeding 10 *per cent*. Thus, the effective cost of borrowings on their past loans is much higher than the rate at which they are able to raise resources at present from the market. The maturity profile of the State Government market loans indicate that 27 *per cent* of the total market loans are re-payable within the next five years while the remaining loans are required to be repaid within the next six to ten years.

Huge additions under internal debt (Rs 27843.27 crore) were mainly due to taking of more ways and means advance/overdraft (Rs 14835.39 crore) and larger receipt under "Special Securities issued to National Small Savings Funds of the Central Government" (Rs 8585.48 crore). Huge repayment under internal debt (Rs 17550.13 crore) was mainly due to larger repayment of ways and means advances/overdraft of Rs 16773.86 crore.

1.10 Issue and Management of guarantees

Government before giving guarantees against loans did not assess the financial viability of the loanees. As a result, the loanees very often failed to repay the loan and interest thereon to the financial institution and the State Government sanctioned loan and grant to the loanees for repayment of loan and interest thereon.

Test-check of records of two departments viz. Urban Development and Housing revealed the following :

1.10.1 Urban Development Department

Haldia Development Authority (HDA) obtained (April 1984) a loan of Rs 9 crore from the Life Insurance Corporation of India for financing the water supply project at Haldia Industrial Complex at Geonkhali, against the State Government guarantee. HDA however did not repay any loan and interest thereon to the LIC. As a guarantor, the State Government sanctioned to HDA a loan of Rs 15 crore up to March 2003 for repayment of principal and interest to the financial institution. The outstanding dues of loan payable to LIC as on 31 March 2003 was Rs 49.95 lakh.

The HDA neither repaid any principal or interest on loan to the State Government nor paid the guarantee commission of Rs 85.50 lakh accrued up to 31 March 2003.

HDA borrowed (September 1999) funds of Rs 5 crore as loan from WBIDFC for infrastructure development at Haldia with the State Government guarantee of Rs 50 crore. The guarantee stipulated that the repayment of loan and interest should be made by the Authority by generating fund from the projects and no financial liability could be devolved on the State Government on this account.

Nevertheless, the Authority failed to make payment of interest on loan and the State Government sanctioned (September 2000) loan of Rs 91.47 lakh to HDA for payment of interest accrued up to September 2000 to WBIDFC.

Kolkata Metropolitan Development Authority (KMDA) floated loan bonds of Rs 357.21 crore for development activities against the State Government guarantee up to 31 March 2003. The outstanding guarantee against such loan fund was Rs 191.67 crore as of March 2003. The debt service charge against fund raised through bonds, investment in sinking fund for redemption of loan bond, etc. were met out of grants from the State Government. As such the fund raised through bonds against State Government guarantee made the State Government liable for repayment of principal and interest. During 1998-1999 to 2000-2001, KMDA paid Rs 158.25 crore and Rs 60.56 crore on account of 'interest on loan bonds' and 'transfer to sinking fund' respectively out of Government grants.

1.10.2 Housing Department

The West Bengal Housing Board (WBHB) obtained a loan of Rs 67.36 crore from WBIDFC for development of New Township Project at Kolkata during the period from February 1999 to March 2002 against State Government guarantee of Rs 100 crore. The Project was taken over by West Bengal Housing Infrastructure Development Corporation (HIDCO) from WBHB with effect from 1 January 2002.

The State Government, to reduce debt burden of the project, provided budgetary support to HIDCO for periodic interest payment on account of WBIDFC loan and sanctioned revenue grant of Rs 27.07 crore during the period from November 1999 to January 2002.

WBHB obtained (between April 1989 and September 1990) a loan of Rs 12 crore from Housing and Urban Development Corporation (HUDCO) for disbursement to the cyclone-affected people in 1988 through North and South 24 Parganas Zilla Parishads against the State Government guarantee. The Board repaid loan and interest thereon amounting to Rs 7.99 crore up to June 1998 against which the Zilla Parishads reimbursed only Rs 1.31 crore to WBHB up to June 1999. The Board discontinued repayment of the loan and interest to HUDCO on account of non-reimbursement of dues by the Zilla Parishads. The State Government as a guarantor had to release Rs 6.55 crore as revenue grant to WBHB for repayment of loan and interest thereon during the period from October 2000 to February 2003. The outstanding dues for repayment of loan and interest as of December 2002 were Rs 7.24 crore.

Invocation of guarantee

West Bengal Surface Transport Corporation (WBSTC) and South Bengal State Transport Corporation (SBSTC) borrowed funds from the West Bengal Co-operative Bank Limited for procurement of new buses against State Government guarantee. Due to poor financial condition, the undertakings defaulted in making payments to the Bank. The Bank in turn served (March 2003) a demand notice for payment of Rs 8.27 crore to the Government. Government paid the amount direct to the Bank.

Grant of subvention for shortfall of dividend guaranteed to the shareholders

The State Government provided guarantee to the shareholders of the West Bengal Financial Corporation (WBFC) for payment of guaranteed dividend at a rate between 2.5 *per cent* and 7.5 *per cent* per annum in terms of Section 6 (1) of the State Financial Corporation Act, 1951 prior to the Amendment in May 2000.

As the WBFC failed to make payment of such dividend, the State Government sanctioned (in 2001-2002 and 2002-2003) Rs 5.79 crore for the purpose of payment of subvention to the Corporation to meet the shortfall in dividend liabilities to the shareholders.

Guarantee Commission not realised

The loanees are to pay guarantee fee/commission at the rate of half *per cent* on the sums guaranteed by the State Government. The rate was increased to one *per cent* with effect from June 2001.

Section 10 of the West Bengal Act I of 2002 states that no guarantee commission shall be charged by the Government where the loan is raised by the West Bengal Infrastructure Development Finance Corporation Limited and such loan amount is fully availed of by the Government itself for funding different infrastructure projects.

No records were maintained by the Administrative Departments to control the State Government guarantee as well as realisation of guarantee fees from the loanees. The Departments were not also aware of the realisable amount of the guarantee fee from the respective loanee. No effective steps were also taken by the Administrative Departments for realisation of the outstanding fees.

The guarantee fees outstanding from loanees under four departments as on 31 March 2003 as computed by Audit were as follows:

Department	Guarantee outstanding as on 31-03-2003	Guarantee exempted for payment of fee	Guarantee subjected to commission	Guarantee fee outstanding
	(R u p e e s i n c r o r e)			
Finance	7666.88	6611.78	1055.10	19.96
Transport	32.29	Nil	32.29	3.01
Housing	59.20	Nil	59.20	1.52
Urban Development	193.83	Nil	193.83	20.12
			1340.42	44.61

1.11 Management of loans and advances given by the State Government

Test-check of records of Finance and three other (Transport, Housing and Urban Development) departments for the period 1998-2003 revealed that the departments did not maintain any systematic records of loans, repayment schedule, actual repayment made, amounts overdue for repayment. Finance Department also did not maintain any centralised records of loans sanctioned. The table below depicts the position of outstanding loans, overdue amount of principal and interest, non-settlement of terms and conditions of loan by the departments as of March 2003.

Name of the Department	Outstanding loan as on 31.3.2003		Overdue amount of loan as on 31.03.2002			Non settlement of terms and conditions as on 31.3.2002		
	No. of units	Amount (Rs in crore)	No. of units	Principal (Rs in crore)	Interest (Rs in crore)	No. of loans	Amount (Rs in crore)	Earlier year for which the settlement awaited
Transport	8	1062.91	8	162.25	295.89	7	285.57	1965-1966 to 2001-2002
Housing	3	19.73	3	2.40	2.35	2	13.50	1994-1995 to 2001-2002
Urban Development	9	515.04	9	160.91	392.91	Nil	Nil	-
		1597.68		325.56	691.15		299.07	

The Administrative departments did not take any effective step for settlement of terms and conditions of loan amounting to Rs 299.07 crore sanctioned between 1965 and 2002 and also failed to ensure recovery of overdue loans (Rs 1016.71 crore including interest) in respect of which the terms and conditions had been settled. Although the loanees never repaid any amount of loan and interest the State Government continued to sanction loans to the defaulting units without considering the viability of the project or the scheme for which loans were being sanctioned.

The three departments also sanctioned loans for repayment of loans to financial institutions and for meeting establishment expenditure, converted loans into equity shares or revenue grant and waived interest on loan as enumerated below:

Government on receiving an additional Central assistance of Rs 6 crore during 1999-2000 towards development of New Town Kolkata in the form of 30 per cent grant and 70 per cent soft loan at 12 per cent interest per annum, disbursed (April 2000) the amount as loan to the West Bengal Housing

Infrastructure Development Corporation Limited (HIDCO) carrying 14 *per cent* interest with 2.5 *per cent* rebate for timely re-payment. This loan was converted (March 2002) into equity. The interest upto the date of conversion into equity amounting to Rs 1.64 crore had not been credited to the Government accounts as of March 2003.

The Transport Department converted Rs 12.33 lakh (Rs 10 lakh + Rs 2.33 lakh) of loan sanctioned to Calcutta State Transport Corporation, into grant. The terms and conditions of the loan were, however, not settled.

Government converted loans either into grant or share capital and the interest accrued up to the date of conversion was also waived as detailed below:

West Bengal Financial Corporation prayed (October 2001) for waiver of interest on loan due to poor liquidity position of the Corporation. KMDA never paid any interest on loan though substantial grants were provided to them to meet the revenue expenditure.

Road transport organisations and other statutory bodies obtained loans from financial institutions against State Government guarantee. The loanees failed to repay the loans and interest thereon to the financial institutions due to poor financial conditions.

The Transport Department sanctioned loan of Rs 33.81 crore to the road transport organisations between 1997 and 2002 and the Housing Department sanctioned Rs 11.46 crore to the Haldia Development Authority between 1998 and 2003 for repayment of loan and interest thereon to the financial institutions.

1.12 Management of deficits

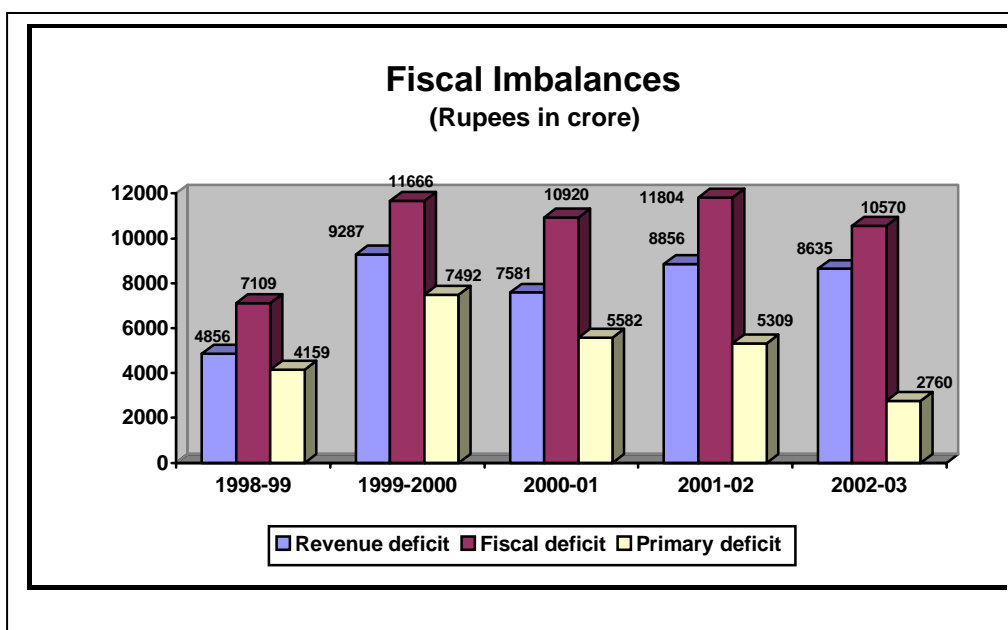
1.12.1 Fiscal imbalances

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 (Statement 1 of Finance Accounts) of the State, which is the excess of its revenue expenditure over revenue receipts, increased from Rs 4856 crore in 1998-1999 to Rs 8856 crore in 2001-2002 and thereafter marginally reduced to Rs 8635 crore in 2002-2003 (**Table 22**). The fiscal deficit which represents the total borrowings of the Government and its total resource gap, also increased from Rs 7109 crore in 1998-1999 to Rs 11804 crore in 2001-2002 and then reduced to Rs 10569 crore in 2002-2003. However, the primary deficit of the State had decreased from Rs 4159 crore in 1998-1999 to Rs 2760 crore in 2002-2003.

Table 22: Fiscal Imbalances- Basic Parameters (Values in Rupees in crore and Ratios in per cent)

	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	Average
Revenue deficit	-4856	-9287	-7581	-8856	- 8635	- 7843
Fiscal deficit	-7109	-11666	-10920	-11804	- 10569	- 10414
Primary Deficit	-4159	-7492	-5582	-5309	- 2759	- 5060
RD/GSDP	-5.39	-8.04	-5.29	-5.98	- 5.44	- 5.98
FD/GSDP	-7.88	-10.10	-7.61	-7.96	- 6.65	- 7.93
PD/GSDP	-4.61	-6.48	-3.89	-3.58	- 1.74	- 3.86
RD/FD	68.31	79.61	69.42	75.03	81.70	75.32



Persistent revenue deficit indicated that revenue receipts of the State were not sufficient to meet its revenue expenditure because of poor tax administration and Government had to borrow funds to meet its current obligations. The ratio of revenue deficit to fiscal deficit had also increased from 68.31 per cent in 1998-1999 to 81.70 per cent in 2002-2003 indicating that nearly 82 per cent of the net incremental borrowings of the State were used for the current consumption. In proportion to GSDP, revenue deficit was 5.44 per cent in 2002-2003 and fiscal deficit was 6.65 per cent.

1.13 Fiscal Ratios

Finances of the State should be sustainable, flexible and non-vulnerable. **Table 23** below presents a summarized position of Government finances over 1998-2003, with reference to certain key indicators that help assess the adequacy and effectiveness of available resources and their applications, highlight areas of concern and capture its important facets.

The ratios of revenue receipts and State's own taxes to GSDP indicate the adequacy of the resources. The buoyancy of the revenue receipts indicates the nature of the tax regime and the State's increasing access to resources with increase in GSDP. All the three resource mobilization ratios had declined in

2002-2003 compared to 1998-1999 indicating fragility of State's resources and its continuous deterioration.

Various ratios concerning expenditure management indicate quality of its expenditure and sustainability of these in relation to its resources mobilisation. Again, all these ratios show a deteriorating trend. The ratios of capital expenditure and developmental expenditure, which indicate the quality aspect of the expenditure, had lower values in 2002-2003 compared to 1998-1999. Medium term tendency of these ratios was also of deceleration. Both its total expenditure and revenue expenditure when compared to its revenue expenditure and revenue receipts have shown a comparatively higher buoyancy. All these indicate State's increasing dependence on borrowings for meeting its revenue expenditure and inadequate expansion of its developmental activities.

Table 23: Indicators of Fiscal Health (in per cent)

Fiscal Indicators	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	Average
Resource Mobilization						
Revenue Receipt/GSDP	10.41	8.84	10.13	9.81	9.14	9.63
Revenue Buoyancy	0.338	0.312	1.750	0.033	- 0.012	0.781
Own tax/GSDP	5.295	4.415	4.145	4.409	4.435	4.480
Expenditure Management						
Total Expenditure/GSDP	18.34	18.97	17.81	17.89	15.93	17.65
Revenue Receipts / Total Exp.	56.77	46.60	56.87	54.84	57.39	54.49
Revenue Expenditure/ Total Exp.	86.13	88.98	86.56	88.25	91.52	88.43
Plan Expenditure/Total Exp.	17.08	15.60	18.71	16.69	10.64	15.75
Capital Expenditure / Total Exp.	4.78	4.91	5.65	5.13	3.27	4.75
Development Expenditure/ Total Exp.	58.97	59.15	57.41	53.15	46.33	55.00
Buoyancy of TE with RR	6.606	3.705	0.391	34.656	50.706	1.218
Buoyancy of RE with RR	6.488	4.203	0.316	53.054	11.185	1.306
Management of Fiscal Imbalances						
Revenue deficit (Rs in crore)	-4856	-9287	-7581	-8856	- 8635	- 7843
Fiscal deficit (Rs in crore)	-7109	-11666	-10920	-11804	- 10569	- 10414
Primary Deficit (Rs in crore)	-4159	-7492	-5582	-5309	- 2759	- 5060
Revenue Deficit/Fiscal Deficit	68.31	79.61	69.42	75.03	81.70	75.32
Management of Fiscal Liabilities						
Fiscal Liabilities/GSDP	35.44	37.41	37.74	44.25	48.79	41.51
Fiscal Liabilities/RR	340.41	423.34	372.67	451.11	533.67	414.12
Buoyancy of FL with RR	6.962	4.019	0.597	192.262	- 203.462	2.108
Buoyancy of FL with OR	7.123	3.441	0.974	10.044	3.410	2.442
Interest spread	1.42	17.05	13.15	-7.50	- 3.73	4.84
Net Fund Available	26.51	27.82	18.21	13.53	10.31	19.28
Other Fiscal Health Indicators						
Return on Investment	0.01	0.03	0.08	0.09	0.03	0.054
BCR (Rs in crore)	-4178	-8115	-7102	-7222	- 7994	- 6922
Financial Assets/Liabilities	0.49	0.41	0.39	0.36	0.35	0.40

It is not uncommon for a State to borrow for increasing its social and economic infrastructure support and creating additional income generating assets. However, large revenue and fiscal deficit year after year, together with low or no return on investments indicate that the State is gradually getting into a debt trap. Similarly, the higher buoyancy of the debt with regard to its revenue receipts indicate its increasing unsustainability. There has also been a decline in net availability of funds for infrastructural development from its borrowings as a larger portion of these funds were being used for debt servicing and on establishment expenditure. The State's continuous declining low return on investment indicates an implicit subsidy and use of high cost borrowing for investments, which yields very little to it. Investments in loss making companies are not sustainable. The ratio of State's total financial assets to liabilities has also deteriorated indicating that a greater part of liabilities are without an asset back-up. This indicates that either the State has to generate more revenue out of its existing assets or need to provide from its current revenues for servicing its debt obligations. The balance of current revenue of the State has also continued to be negative. The BCR plays a critical role in determining its plan size and a negative BCR adversely affects the same and reduces availability of fund for additional infrastructure support and other revenue generating investment.

STATEMENT I
Summarised financial position of the State Government as on 31 March 2003

Amount as on 31 March 2002	L i a b i l i t i e s	Amount as on 31 March 2003	Amount as on 31 March 2002	A s s e t s	Amount as on 31 March 2003
(R u p e e s i n c r o r e)					
30670.00	Internal debt including Ways and Means Advance (Market Loans, Loans from LIC and others)	40963.14	12500.61	Gross Capital outlay	13284.96
	6877.01 Market loans bearing interest	9284.95		4143.73 Investments in shares of Companies, Corporations	4203.70
	8.26 Market loans not bearing interest	7.50	11530.08	8356.88 Other Capital outlay	9081.26
	52.16 Loans from Life Insurance Corporation of India	47.37		620.49 Loans for Social Services	635.09
	6786.52 Loans from other Institutions	8030.26		7389.93 Loans for Energy	8371.84
	2100.80 Ways and Means Advances including Overdraft	162.33		3185.07 Loans for Economic Services excluding Energy	3354.58
	14845.25 Spl. Securities issued to NSS Fund of Central Government	23430.73		334.01 Loans to Government Servants	317.42
23717.36	Loans and Advances from the Central Government	24653.70	28.86	0.58 Miscellaneous purposes	0.58
	589.83 Pre 1984-85 Loans	489.81	349.93	Advances	28.89
	14428.19 Non-Plan Loans	14373.44	(-)1138.11 ⁴	Remittance Balance	401.64
	8629.62 Loans for State Plan Schemes	9723.81	0.60	Suspense and Miscellaneous	56.81
	63.41 Loans for Centrally sponsored Plan Schemes	60.69	457.76	Investment in earmarked Funds	0.60
	6.31 Loans for Central Plan Schemes	5.95		Cash	572.84
19.34	Contingency Fund	19.11		9.16 Cash in treasuries and local remittances	1.10
4078.52	Small Savings, Provident Funds, etc.	4265.82	41902.21	12.66 Departmental cash balance including permanent advance	13.03
7049.55	Deposits	7398.16		(-)17.05 Deposit with Reserve Bank of India	105.57
97.17	Reserve Funds	262.85		452.99 Cash Balance	453.14
				Investment Account	
				Deficit on Government Account	50537.53
				33046.12 Accumulated deficit up to 31 March 2002	41902.21
				8856.09 Add: Deficit of Current year	8635.32
				Nil Less : Net Miscellaneous receipt	Nil
65631.94		77562.78	65631.94		77562.78

⁴ Minus balance is due to credits under Treasury cheques (Rs 1639.44 crore) awaiting clearance

STATEMENT II
ABSTRACT OF RECEIPTS AND DISBURSEMENTS FOR THE YEAR 2002-2003

2001-2002	Receipt		2002-2003	2001-2002	Disbursements				2002-2003
(R u p e e s i n c r o r e)									
						Non-Plan	Plan	Total	
14538.43	I	Section A : Revenue							
		Revenue Receipts	14525.45	23394.52	I Revenue Expenditure	21376.73	1784.04	23160.77	23160.77
				11243.23	General Services	12517.46	70.57	12588.03	
6534.49		- Tax revenue	7046.40	8303.68	<u>Social Services</u>	6478.63	1120.40	7599.03	
775.88		- Non-tax revenue	654.33	4543.41	- Education, Sports, Arts and Culture	4276.60	124.21	4400.81	
				1322.78	- Health and Family Welfare	1085.60	243.47	1329.07	
4289.37		- State's share of Union taxes and duties	4586.74	1453.53	- Water Supply, Sanitation, Housing and Urban Development	529.68	325.54	855.22	
1577.14		- Non-Plan grants	951.28	32.56	- Information and Broadcasting	28.93	3.86	32.79	
690.97		- Grants for State Plan Scheme	746.58		- Welfare of Scheduled Castes, Scheduled Tribes and Other				
				202.78	Backward Classes	70.60	110.32	180.92	
670.58		- Grants for Central and Centrally sponsored Plan Schemes	540.12	55.07	- Labour and Labour Welfare	52.96	0.21	53.17	
				607.81	- Social Welfare and Nutrition	405.56	292.00	697.56	
				85.74	- Others	28.70	20.79	49.49	
				3586.43	<u>Economic Services</u>	2151.44	590.56	2742.00	
				832.92	- Agriculture and Allied Activities	656.46	95.12	751.58	
				916.42	- Rural Development	396.13	215.44	611.57	
				353.48	- Special Areas Programmes	151.15	177.01	328.16	
				594.98	- Irrigation and Flood Control	418.61	35.81	454.42	
				102.45	- Energy	-	2.13	2.13	
				177.43	- Industry and Minerals	69.66	37.54	107.20	
				533.89	- Transport	394.62	17.02	411.64	
				1.42	- Science, Technology and Environment	0.05	1.23	1.28	
				73.44	- General Economic Services	64.76	9.26	74.02	
				261.18	- Grants-in-aid and Contributions	229.20	2.51	231.71	
8856.09	II	Revenue deficit carried over to Section B	8635.32						
23394.52			23160.77	23394.52	Total				23160.77

Differences of 0.01 due to rounding

2001-2002	Receipt			2002-2003	2001-2002	Disbursements			2002-2003		
(R u p e e s i n c r e)											
						Non-Plan	Plan	Total			
544.44	Section B										
III	Opening Cash Balance including Permanent Advances and Cash Balance Investment		458.36		668.32	III	Opening Overdraft from RBI		1355.86		
Nil	IV Miscellaneous Capital receipts		Nil		1265.53	IV	Capital Outlay	20.74	763.61	784.35	784.35
					46.89		<u>General Services</u>	0.55	31.42	31.97	
					149.02		<u>Social Services</u>	10.14	112.55	122.69	
					9.04		- Education, Sports, Arts And Culture	-	4.91	4.91	
					90.43		- Health and Family Welfare	-	41.53	41.53	
							- Water Supply, Sanitation, Housing and Urban Development	8.89	61.66	70.55	
					34.73		- Information and Broadcasting	-	0.46	0.46	
					1.76		- Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	1.25	0.31	1.56	
					4.96		- Labour and Labour Welfare	-	-	-	
					Nil		- Social Welfare and Nutrition	-	2.92	2.92	
					7.01		- Other Social Services	-	0.76	0.76	
					1.09		<u>Economic Services</u>	10.05	619.64	629.69	
					1069.62		- Agriculture and Allied Activities	8.14	9.77	17.91	
					27.89		- Rural Development	-	-	-	
					Nil		- Special Areas Programmes	-	21.35	21.35	
					25.24		- Irrigation and Flood Control	(-0.43)	165.26	164.83	
					246.25		- Energy	-	141.84	141.84	
					1.00		- Industry and Minerals	1.99	36.48	38.47	
					232.62		- Transport	-	242.95	242.95	
					533.56		- Science, Technology and Environment	-	-	-	
					Nil		- General Economic Services	0.35	1.99	2.34	
167.95	V Recoveries of Loans and Advances		213.35		1850.39	V	Loans and Advances disbursed	671.62	691.16	1362.78	1362.78
					1517.22		- For Power Projects	510.99	612.76	1123.75	
1.00	- From Power Projects	141.84			87.63		- To Government Servants	36.27	-	36.27	
45.82	- From Government Servants	52.86			245.54		- To Others	124.36	78.40	202.76	
121.13	- From Others	18.65									

Audit Report(Civil) for the year ended 31 March 2003

2001-2002	Receipt			2002-2003	2001-2002	Disbursements			2002-2003							
	(R	u			p	e	e		s)	i	n	c	r	o
					8856.09	VI Revenue deficit brought down	Non-Plan	Plan	Total							8635.32
11517.63	VII Public debt receipts			15576.31	1568.37	VII Repayment of Public Debt										2990.98
9783.56	- Internal debt other than Ways and Means Advances and Overdraft	13007.88			507.76	- Internal debt other than Ways and Means Advances and Overdraft	776.28									
62.14	- Ways and Means Advances				Nil	- Ways and Means Advances	582.61									
1671.93	- Loans and Advances from Central Government	2568.43			1060.61	- Repayment of Loans and Advances to Central Government	1632.09									
	VIII Amount transferred to Contingency Fund			-	0.59	VIII Expenditure from Contingency Fund										0.23
26437.91	IX Public Account receipts			24060.16	25356.14	IX Public Account disbursements										24605.22
1057.95	- Small Savings and Provident Funds	1077.26			668.40	- Small Savings and Provident Funds	889.96									
161.21	- Reserve Funds	81.91			122.95	- Reserve Funds	(-)83.77									
11652.02	- Suspense and Miscellaneous	11382.44			11384.24	- Suspense and Miscellaneous	12577.35									
2203.59	- Remittances	1756.42			2218.14	- Remittances	1808.13									
11363.14	- Deposits and Advances	9762.13			10962.41	- Deposits and Advances	9413.55									
					Nil	- Miscellaneous Government Account	Nil									
1355.86	X Closing Overdraft from Reserve Bank of India			Nil	458.36	X Cash balance at end										573.44
					9.16	- Cash in Treasuries and Local Remittances	1.10									
					(-) 17.05	- Deposits with Reserve Bank	105.57									
					12.66	- Departmental Cash Balance including Permanent Advances	13.03									
					0.60	- Investment in earmarked funds	0.60									
					452.99	- Cash Balance Investment	453.14									
40023.79	Total			40308.18	40023.79	Total										40308.18

STATEMENT III
SOURCES AND APPLICATION OF FUNDS

(Rupees in crore)

		Sources		
2001-2002				2002-2003
14538.43	1.	Revenue receipts		14525.45
167.95	2.	Recoveries of Loans and Advances		213.35
9949.25	3(a)	Increase in Public debt other than overdraft		11229.48
687.54	3(b)	Increase in overdraft		Nil
	4.	Net receipts from Public account		
389.55		Increase in Small Savings		187.30
400.73		Increase in Deposits and Advances		348.58
267.79		Net effect of suspense and Miscellaneous		
38.25	5.	Increase in Reserve Funds		165.68
86.09	6.	Decrease in closing cash balance		
26525.58		Total		26669.84
Applications				
2001-2002				2002-2003
23394.52	1.	Revenue expenditure		23160.77
1850.39	2.	Lending for development and other purposes		1362.78
1265.53	3.	Capital expenditure		784.35
-	4.	Net effect of Miscellaneous Government Account		-
-	5.	Increase in closing cash balance		115.08
-	6.	Net effect of Suspense and Miscellaneous		1194.92
14.55	7.	Net effect of remittance		51.71
0.59	8.	Net effect of Contingency Fund		0.23
26525.58		Total		26669.84

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 72.91 crore (credit) between the figures reflected in the accounts and that intimated by the RBI under "Deposit with Reserve Bank". The difference was under reconciliation (September 2003).

STATEMENT-IV
TIME SERIES DATA ON STATE GOVERNMENT FINANCES

	1998-99	1999-2000	2000-2001	2001-2002	2002-2003
	(R u p e e s i n C r o r e)				
Part A. Receipts					
I. Revenue Receipts	9387	10211	14522	14538	14525
(i) Tax Revenue	4774(51)	5101(50)	5945(41)	6534(45)	7046(48)
Taxes on Agricultural Income	16	8	3	1	2
Taxes on Sales, Trade, etc.	3118 (65)	3429(67)	3671(62)	3802(58)	4192(60)
State Excise	400(9)	443(9)	462(8)	512(8)	567(8)
Taxes on Vehicles	158(3)	186(4)	283(5)	209(3)	249(4)
Stamps and Registration fees	372(8)	412(8)	474(8)	555(9)	720(10)
Land Revenue	325(7)	148(3)	511(8)	711(11)	658(9)
Other taxes	385(8)	475(9)	541(9)	744(11)	658(9)
(ii) Non Tax Revenue	385(4)	587(6)	1215(8)	776(5)	654(5)
(iii) State's share of Union taxes and duties	2692(29)	2984(29)	4208(29)	4289(30)	4587(32)
(iv) Grants in aid from GOI	1536(16)	1539(15)	3154(22)	2939(20)	2238(15)
2. Misc. Capital Receipts	Nil	Nil	Nil	Nil	Nil
3. Total revenue and Non debt capital receipts (1+2)	9387	10211	14522	14538	14525
4. Recoveries of Loans and Advances	39	37	93	168	213
5. Public Debt Receipts	6306	8350	10925	12205	15575
Internal Debt (excluding Ways and Means Advances and Overdrafts)	903(14)	5554(66)	9361(86)	9783(80)	13007(84)
Net transactions under Ways and Means Advances and Overdrafts	Nil	1326(16)	25	750(6)	-
Loans and Advances from Government of India	5403(86)	1470(18)	1539(14)	1672(14)	2568(16)
6. Total receipts in the Consolidated Fund (3+4+5)	15732	18598	25540	26911	30313
7. Contingency Fund Receipts	0.26	0.10	0.35		
8. Public Account receipts	16078	22229	22749	26438	24060
9. Total receipts of the State (6+7+8)	31810.26	40827.10	48289.35	53349.00	54373
Part B. Expenditure /Disbursement					
10. Revenue Expenditure	14243(86)	19498(89)	22103(87)	23395(88)	23161(92)
Plan	1864(13)	2214(11)	3121(14)	2876(12)	1784(8)
Non-Plan	12379(87)	17284(89)	18982(86)	20519(88)	21377(92)
General Services (including Interests Payments)	5874(41)	8041(41)	9713(44)	11243(48)	12588(54)
Social Services	5640(40)	8189(42)	8415(38)	8304(36)	7599(33)
Economic Services	2524(18)	3026(16)	3755(17)	3586(15)	2742(12)
Grants-in-aid and Contribution	205(1)	242(1)	220(1)	261(1)	232(1)
11. Capital Expenditure	715(4)	1006(5)	1323(5)	1265(5)	784(3)
Plan	691(97)	985(98)	1263(95)	1240(98)	764(97)
Non-Plan	24(3)	21(2)	60(5)	25(2)	20(3)
General Services	59(8)	93(9)	44(3)	47(4)	32(4)
Social Services	102(14)	183(18)	197(15)	149(12)	123(16)
Economic Services	554(78)	730(73)	1082(82)	1069(84)	629(80)
12. Disbursement of Loans and Advances	1578(10)	1410(6)	2109(8)	1850(7)	1363(5)
13. Total (10+11+12)	16536	21914	25535	26510	25308
14. Repayments of Public Debt	618	762	1205	1568	4346
Internal Debt (excluding Ways and Means Advances and Overdrafts)	119	175	297	508	776
Net transactions under Ways and Means Advances and Overdrafts	Nil	Nil	Nil	Nil	1938
Loans and Advances from Government of India	499	587	908	1060	1632
15. Appropriation to Contingency Fund	Nil	Nil	Nil	Nil	Nil
16. Total disbursement out of Consolidated Fund (13+14+15)	17154	22676	26740	28078	29654
17. Contingency Fund disbursements	0.17	0.28	0.07	0.59	0.23
18. Public Account disbursements	14715	17959	21518	25356	24605
19. Total disbursement by the state (16+17+18)	31869.17	40635.28	48258.07	53434.59	54259.23
Part C Deficits					
20. Revenue Deficit (1-10)	4856	9287	7581	8856	8635
21 Fiscal Deficit (3+4-13)	7109	11666	10920	11804	10570
22. Primary Deficit (21-23)	4159	7492	5582	5309	2760
Part D Other data					
23. Interest Payments (included in revenue exp.)	2950	4174	5338	6495	7810
24. Arrears of Revenue (Percentage of Tax & non-tax Revenue Receipts)	648(13)	558(10)	305(4)	NA	211(3)
25. Financial Assistance to local bodies etc.	3330	4795	4766	5367	6529
26. Ways and Means Advances/Overdraft availed (days)	80	336	360	365	348
27. Interest on WMA/Overdraft	1	22	37	63	76
28. Gross State Domestic Product (GSDP)	90160(A)	115543(A)	143411(A)	148218(A)	158875(A)
29. Outstanding Debt (year end)	31954	43227	54119	65583	77515
30. Outstanding guarantees (year end)	3379	3907	6960	7643	11194
31. Maximum amount guaranteed(year end)	6099	5606	9677	12912	17649
32. Number of incomplete projects	19	19	19	19	19
33. Capital blocked in incomplete projects ⁶	949	1006	1083	1137	1159

⁵ Includes Ways and Means Advances from GOI

Note : Figures in brackets represent percentage (rounded)

⁶ Represents progressive amount blocked in incomplete projects at the end of the year based on figures collected from departmental heads (Details in Appendix 2)

