CHAPTER - I

FINANCES OF THE STATE GOVERNMENT

This chapter provides a broad perspective of the finances of the Government of Goa during the current year and analyses critical changes in the major fiscal aggregates relative to the previous year, keeping in view the overall trends during the last five years. The structure of Government Accounts and the layout of the Finance Accounts are shown in **Appendix 1.1**. The methodology adopted for the assessment of the fiscal position of the State is given in **Appendix 1.2.**

1.1 Summary of Current Year's Fiscal Transactions

Table 1.1 presents the summary of the State Government's fiscal transactions during the current year (2008-09) vis-à-vis the previous year, while **Appendix 1.4** provides details of receipts and disbursements as well as the overall fiscal position during the current year.

Table 1.1 Summary of Current Year's Fiscal Operations

(***Rupees in crore***)

2007-08	Receipts	2008-09	2007-08	Disbursements	2008-09		
Section-A: Revenue							
					Non-Plan	**Plan**	**Total**
2943.90	**Revenue receipts**	**3528.27**	**2777.76**	**Revenue expenditure**	**2806.63**	**618.85**	**3425.48**
1358.91	Tax revenue	1693.55	837.18	General Services	1052.65	9.22	1061.87
1042.82	Non-tax revenue	1236.16	637.80	Social Services	466.72	334.85	801.57
393.72	Share of Union Taxes/Duties	415.44	970.11	Economic Services	957.00	162.88	1119.88
148.45	Grants from Government of India	183.12	332.67	Grant-in-aid and Contributions	330.26	111.90	442.16
Section-B: Capital and others							
--	**Misc Capital Receipts**	--	**688.52**	**Capital Outlay**	**(-)0.95**	**898.02**	**897.07**
6.18	**Recoveries of Loans and Advances**	**9.77**	**24.59**	**Loans and Advances Disbursed**	**22.47**	**6.20**	**28.67**
504.78	**Public Debt Receipts***	**662.83**	**68.30**	**Repayment of Public Debt***	--	--	**166.29**
170.00	**Contingency Fund**	--	**170.00**	**Contingency Fund**	--	--	**0.06**
4038.07	**Public Account Receipts**	**5025.45**	**3704.41**	**Public Account Disbursements**	--	--	**4642.30**
495.78	**Opening Cash Balance**	**725.13**	**725.13**	**Closing Cash Balance**	--	--	**791.58**
8158.71	**Total**	**9951.45**	**8158.71**	**Total**			**9951.45**

(Source: Finance Accounts for the years 2007-08 and 2008-09)

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

The following are the significant changes during 2008-09 over the previous year:

- Revenue receipts grew by Rs 584 crore (20 *per cent*) over the previous year. The increase was mainly contributed by tax revenue (Rs 335 crore), non-tax revenue (Rs 193 crore), State's share of Union taxes and duties (Rs 22 crore) and grants from Government of India (Rs 34 crore).
- Revenue expenditure increased by Rs 648 crore over the previous year. The increase was mainly under General Education (Rs 148 crore), Health and Family Welfare (Rs 73 crore), Power and Energy (Rs 109 crore), Pension and Retirement Benefits (Rs 75 crore).
- Receipts under Public Debt increased by Rs 158 crore and repayment of Public Debt increased by Rs 98 crore over the previous year. Thus, the net increase in receipts during the year was Rs 60 crore.
- Public Account receipts and disbursements increased by Rs 987 crore and Rs 938 crore respectively over the previous year. Thus, the net increase during the year was Rs 49 crore.
- The cash balance at the end of the year increased by Rs 66 crore.

As per the normative projections made by the Twelfth Finance Commission (TFC), the State's own tax revenue and own non-tax revenue would be Rs 1,693.24 crore and Rs 418.93 crore respectively in 2008-09 against which the Government collected tax revenue of Rs 1,693.55 crore and non-tax revenue of Rs 1,236.16 crore. Similarly, against a Non-Plan revenue expenditure projection of Rs 1,609.65 crore, the actual Non-Plan revenue expenditure incurred was Rs 2,806.63 crore.

Chart 1.1 presents the budget estimates and actuals of some important fiscal parameters.

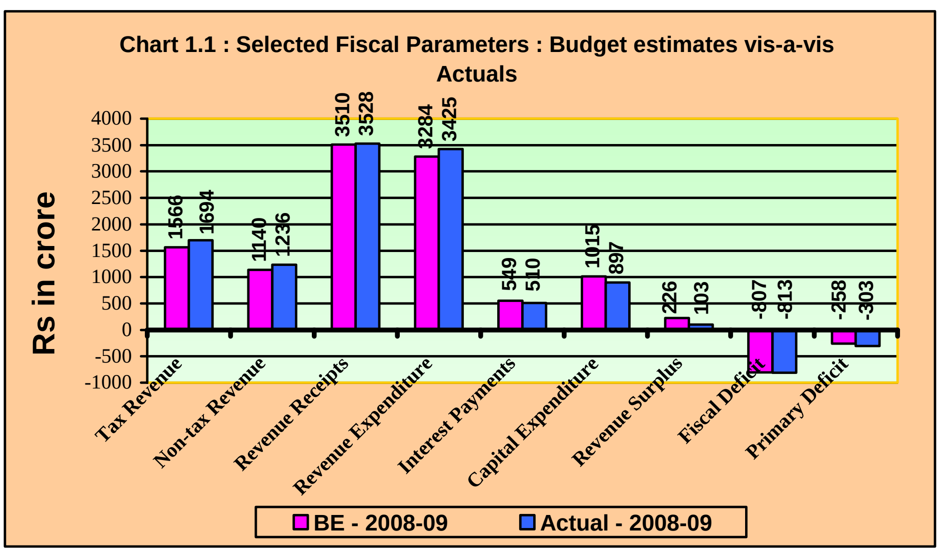


Chart 1.1 shows that compared to the budget estimates, the actual revenue receipts were more by Rs 18 crore while actual revenue expenditure was more by Rs 141 crore. Resultantly, the revenue surplus of Rs 226 crore decreased to Rs 103 crore.

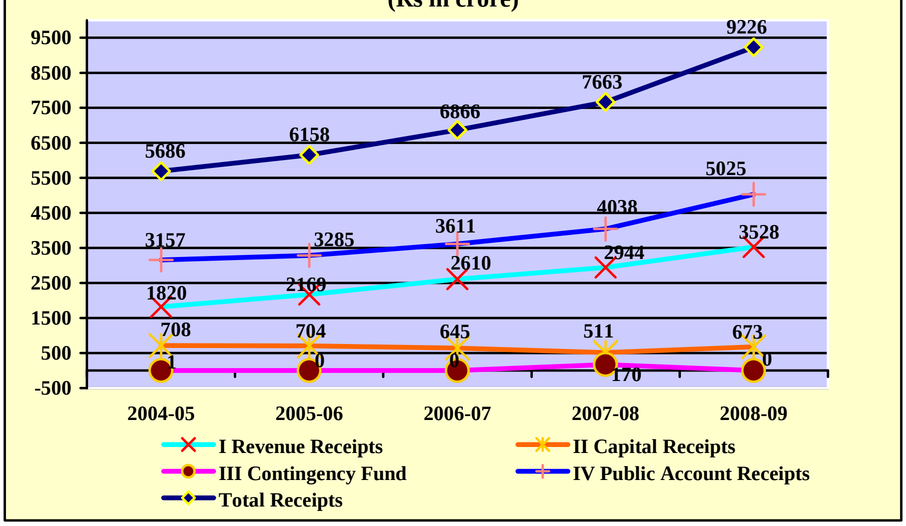
There were considerable variations between budget estimates and actual in the case of several key parameters. Despite the year being one of general slowdown, it was encouraging to note that revenue receipts actually had a marginal positive variation over the budget estimates, mainly due to better than expected performance in value added tax, entry tax and power sectors.

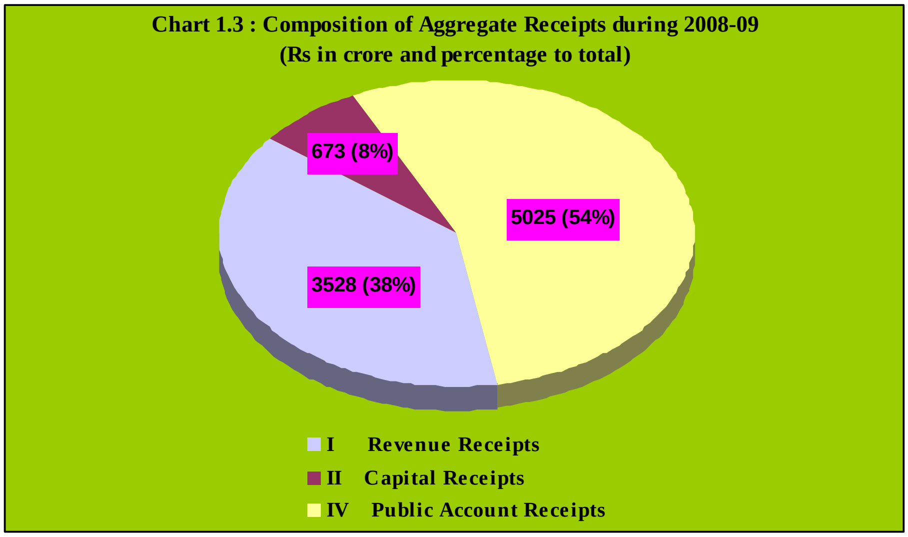
1.2 Resources of the State

1.2.1 Resources of the State as per Annual Finance Accounts

Revenue and capital are the two streams of receipts that constitute the resources of the State Government. Revenue receipts consist of tax revenues, non-tax revenues, State's share of Union taxes and duties and grants-in-aid from the Government of India (GOI). Capital receipts comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GOI as well as accruals from the Public Account. **Table-1.1** presents the receipts and disbursements of the State during the current year as recorded in its Annual Finance Accounts while **Chart 1.2** depicts the trends in various components of the receipts of the State during 2004-09. **Chart 1.3** depicts the composition of resources of the State during the current year.

Chart 1.2 : Trends in Receipts
(Rs in crore)





The revenue receipts increased from Rs 1,820 crore in 2004-05 to Rs 3,528 crore in 2008-09, Public Account receipts increased from Rs 3,157 crore in 2004-05 to Rs 5,025 crore in 2008-09 whereas capital receipts decreased from Rs 708 crore in 2004-05 to Rs 673 crore in 2008-09.

Chart 1.2 shows that the total receipts of the State Government for the year 2008-09 were Rs 9,226 crore. Of these, the revenue receipts were Rs 3,528 crore, constituting 38 *per cent* of the total receipts. The balance came from capital receipts, borrowings and Public Account receipts.

Capital receipts (including Public Account receipts) constituted 62 *per cent* of the total receipts. The total receipts of the State increased by 62 *per cent* from Rs 5,686 crore in 2004-05 to Rs 9,226 crore in 2008-09.

1.2.2 Funds transferred to State Implementing Agencies outside the State Budget

The Central Government has been transferring a sizeable quantum of funds directly to State implementing agencies[1] for the implementation of various schemes/programmes in social and economic sectors which are recognized as critical. As these funds are not routed through the State Budget/State Treasury System, the Annual Finance Accounts do not capture the flow of these funds and to that extent, the State's receipts and expenditure as well as other fiscal variables/parameters derived from them are underestimated. The funds directly transferred to State implementing agencies are presented in **Table 1.2.**

[1] State implementing agencies include any organization/institution including non-Governmental organization which is authorized by the State Government to receive funds from the Government of India for implementing specific programmes in the State, e.g. State Implementation Society for SSA, State Health Mission for NRHM etc.

Table 1.2: Funds transferred by GOI directly to State implementing agencies

(Rupees in crore)

Sr. No.	Programme/Scheme	Implementing agency in the State	Amount
1	Sarva Shiksha Abhiyan	Goa Sarva Shiksha Abhiyan Society	8.04
2	Member of Parliament Local Area Development Scheme (MPLAD)	District Collector	6.00
3	ASIDE Assistance to States for developing export infrastructure	Goa Industrial Development Corporation	5.70
4	National Rural Health Mission (NRHM)	State Health Welfare Society	3.71
5	National Aids Control	State Health Welfare Society	2.24
6	National Horticulture Mission	Goa State Horticultural Corporation Ltd.	1.02
7	DRDA Administration Strengthening of District Planning	DRDA	1.53
8	National Rural Employment Guarantee Scheme (NREGS)	DRDA	6.18
9	Indira Awas Yojana (IAY)	DRDA	2.89
10	Swarnajayanti Gram Swarojgar Yojana (SGSY)	DRDA	1.19
11	Other programmes/schemes	NGOs and other institutions	3.41
		Total	**41.91**

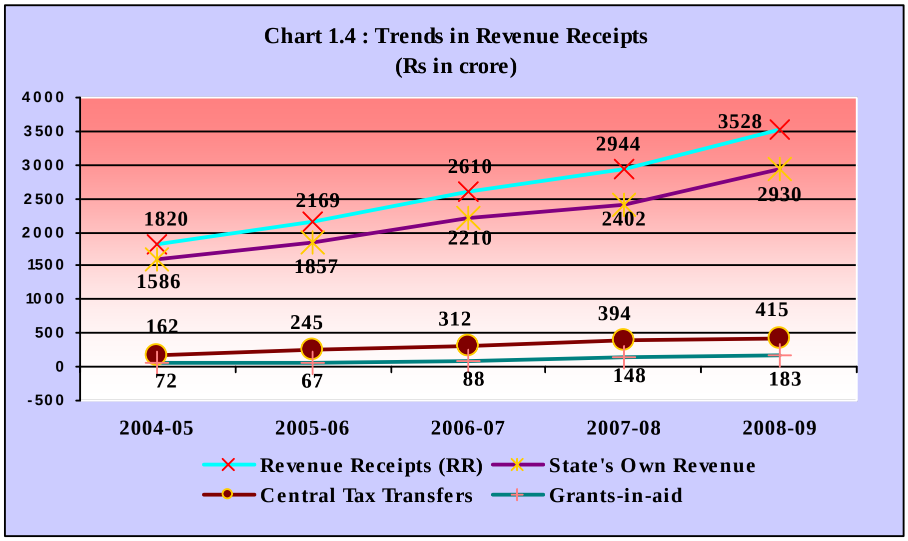
(Source: e-lekha portal of the Controller General of Accounts, Ministry of Finance, Government of India)

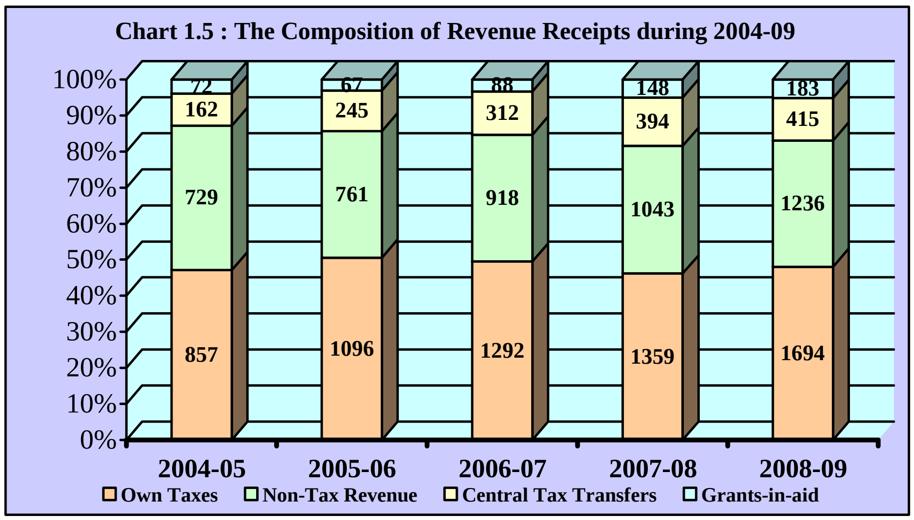
GOI directly transferred to State implementing agencies Rs 41.91 crore during 2008-09. Out of this, the transfer of Rs 11.79 crore (28 *per cent*) was to DRDAs alone. However, a confirmation in respect of the funds transferred by GOI directly to State implementing agencies is still awaited.

Direct transfers from the Union to State implementing agencies without routing them through the State budget can be risky unless uniform accounting practices are diligently followed by all these agencies. Further, without proper documentation and timely reporting of expenditure, it would be difficult to monitor the end use of these direct transfers.

1.3 Revenue Receipts

Statement-11 of the Finance Accounts details the revenue receipts of the Government. The revenue receipts consist of the State's own tax and non-tax revenues, Central tax transfers and grants-in-aid from GOI. The trends and composition of revenue receipts over the period 2004-09 are presented in **Appendix 1.4** and also depicted in **Charts 1.4** and **1.5** respectively.





The Revenue receipts showed a progressive increase over the period 2004-09 with only marginal changes in the share of own taxes, non-tax revenue and Central transfers.

The increase of 20 *per cent* in revenue receipts during 2008-09 was on account of increase in the State's own taxes (25 *per cent*), non-tax revenue (*19 per cent*), Central tax transfers (six *per cent*) and grants from GOI (23 *per cent*).

The grants-in-aid from GOI increased by Rs 35 crore, from Rs 148 crore in 2007-08 to Rs 183 crore in 2008-09. The increase was mainly under grants for State Plan schemes (Rs 37 crore). However, under Non-Plan grants, there was a decrease by Rs four crore from Rs 22 crore in 2007-08 to Rs 18 crore in 2008-09.

Table-1.3: Trends in Revenue Receipts relative to GSDP

	2004-05	2005-06	2006-07	2007-08	2008-09
Revenue Receipts (RR) *(Rupees in crore)*	**1820**	**2169**	**2610**	**2944**	**3528**
State's own Taxes *(Rupees in crore)*	857	1096	1292	1359	1694
Rates of growth					
Revenue Receipts (*per cent*)	12.14	19.18	20.33	12.80	19.85
State's own Taxes *(per cent)*	20.70	27.89	17.88	5.18	24.65
RR/GSDP (*per cent*)	15.85	16.24	17.37	17.42	18.55
Buoyancy Ratios					
Revenue Receipts with GSDP	0.52	1.18	1.63	1.02	1.59
State's own taxes with GSDP (ratio)	0.88	1.71	1.43	0.41	1.97
Revenue buoyancy with reference to State's own taxes	0.59	0.69	1.14	2.47	0.81

(Source: Finance Accounts for the years 2004-05 to 2008-09)

In 2004-05, the growth of GSDP was 23.45 *per cent* whereas revenue receipts increased by 12.14 *per cent*. In remaining years, the growth of revenue receipts was more than the growth of GSDP. Further in 2007-08, the ratio of the State's own taxes to its GSDP declined considerably due to decline in tax revenue of Rs 25 crore under 'Taxes on Goods and Passengers' from Rs 138 crore in 2006-07 to Rs 113 crore in 2007-08. In the current year, there was considerable growth (39.68 *per cent*) in this category of taxes over the previous year.

1.3.1 State's Own Resources

The gross collection in respect of major taxes and duties during the years from 2004-05 to 2008-09 are presented in **Appendix 1.3.**

Tax revenue increased by 25 *per cent* during the current year (Rs 1,694 crore) over the previous year (Rs 1,359 crore). Revenue from 'Taxes on sales' not only contributed the major share of tax revenue (67 *per cent*) but also increased by 29 *per cent* over the previous year. Stamps and registration fees and taxes on goods and passengers remained other major contributors to the State's tax revenue. However, there was a marginal decline in revenue from stamps and registration fees over the previous year due to less receipt of documents for registration.

Non-tax revenue increased by 18 *per cent* during the current year (Rs 1,236 crore) over the previous year (Rs 1,043 crore), 80 *per cent* of which is from Electricity charges/fees (Rs 987 crore).

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

(Rupees in crore)

	Assessments made by TFC	Actual
States's own Tax Revenue	1693	1694
State's own Non-Tax Revenue	419	1236

The State could achieve the targets assessed by the TFC in respect of tax and non-tax revenue.

1.3.2 Loss of Revenue due to Evasion of Taxes, Write off/Waivers

Eighteen cases of evasion of taxes/duties pending as on 31 March 2009 were reported by the Commissioner of State Excise. Steps need to be taken to dispose of these cases.

During the year 2008-09, losses amounting to Rs 0.34 lakh in 116 cases were written off by the competent authorities as detailed below:

Sr. No.	Name of the Department/Office	No. of cases	Amount (In Rupees)
1	Director, Animal Husbandry & Veterinary Services	19	14430
2	Principal, Goa College of Pharmacy	97	19296
	Total	**116**	**33726**

1.3.3 Revenue Arrears

The arrears of revenue as on 31 March 2009, in respect of some principal heads of revenue amounted to Rs 396.18 crore as indicated in **Table-1.4.**

Table 1.4: Revenue arrears

(Rupees in crore)

Head of Revenue	Amount of arrears as on 31 March 2009	Arrears more than three years old	Cases pending in courts		Amount involved in cases pending due to other reasons
			No.	Amount	
Commercial Taxes	174.67	75.17	1247	16.40	158.27
State Excise	0.66	0.11	1	0.06	0.60
Taxes on vehicles	7.59	3.81	--	--	7.59
Chief Engineer – Water Resources Department					
i) Water Tax	1.02	0.74	147	0.03	0.99
ii) Water Charges	38.55	11.50	--	--	38.55
iii) Rent on shops	2.08	0.90	3	0.01	2.07
iv) Hire charges of machinery	0.35	0.35	--	--	0.35
Chief Engineer - PWD					
i) Rent of Building / Shops	0.34	0.19	--	--	0.34
ii) Water charges, meter rent and sewerage charges	15.68	6.37	1916	4.73	10.95
Chief Electrical Engineer Energy charges	149.27	Not available	5114	40.92	108.35
Agriculture	3.15	2.99	4	0.00♣	3.15
River Navigation	0.56	0.50	5	0.07	0.49
Printing & Stationery	1.74	--	--	--	1.74
Tourism	0.52	0.04	10	0.30	0.22
Total	**396.18**	**102.67**	**8447**	**62.52**	**333.66**

(Source : Information furnished by concerned departments)

♣ Amount involved is only Rs 9,160

The arrears of revenue increased by 23 *per cent* during the last five years from Rs 322 crore in 2004-05 to Rs 396.18 crore at the end of 2008-09, which accounted for 13.5 *per cent* of the State's own resources during the year. The outstanding arrears, however, declined by Rs 64 crore in 2008-09 from the level of Rs 460 crore of the previous year. Of the total outstanding arrears in 2008-09, Rs 102.67 crore was outstanding for more than three years and only Rs 62.52 crore was pending in the Revenue Recovery courts. In view of the large arrears, being 13.5 *per cent* of the State's own resources, efforts need to be stepped up to recover the revenue arrears.

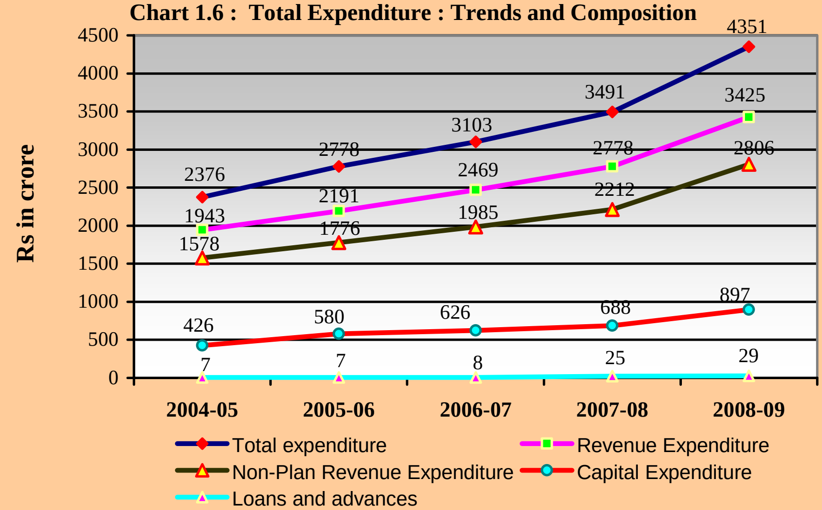
1.4 Application of Resources

Analysis of the allocation of expenditure at the State Government level assumes significance since major expenditure responsibilities are entrusted with them. Within the framework of fiscal responsibility legislations, there are budgetary constraints in raising public expenditure financed by deficit or borrowings. It is, therefore, important to ensure that the ongoing fiscal correction and consolidation process at the State level is not at the cost of expenditure, especially the expenditure directed towards development of social sectors.

1.4.1 Growth and Composition of Expenditure

Chart 1.6 presents the trends in total expenditure over a period of five years (2004-09) and its composition both in terms of 'economic classification' and 'expenditure by activities' is depicted in **Charts 1.7 and 1.8** respectively**.**

Chart 1.6 : Total Expenditure : Trends and Composition



The total expenditure of the State increased by 83 *per cent* from Rs 2,376 crore in 2004-05 to Rs 4,351 crore in 2008-09. The total expenditure during the current year increased by Rs 860 crore over the previous year. Of the total expenditure, revenue expenditure shared Rs 3,425 crore, capital expenditure Rs 897 crore, loans and advances Rs 29 crore. The revenue and capital expenditure increased by 23 *per cent* and 30 *per cent* respectively over the previous year. Similarly, the Non-Plan revenue expenditure increased by

27 *per cent* during the year and exceeded the assessment made by the TFC by Rs 1,196 crore.

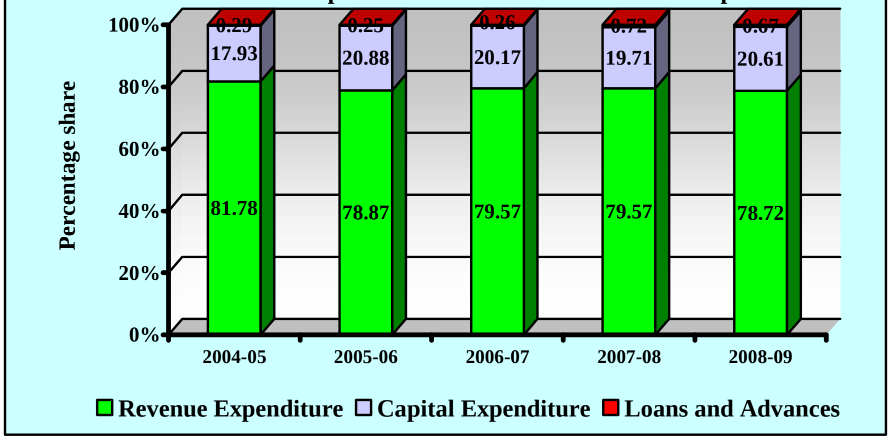


Chart 1.7 : Total Expenditure : Trends in share of its components

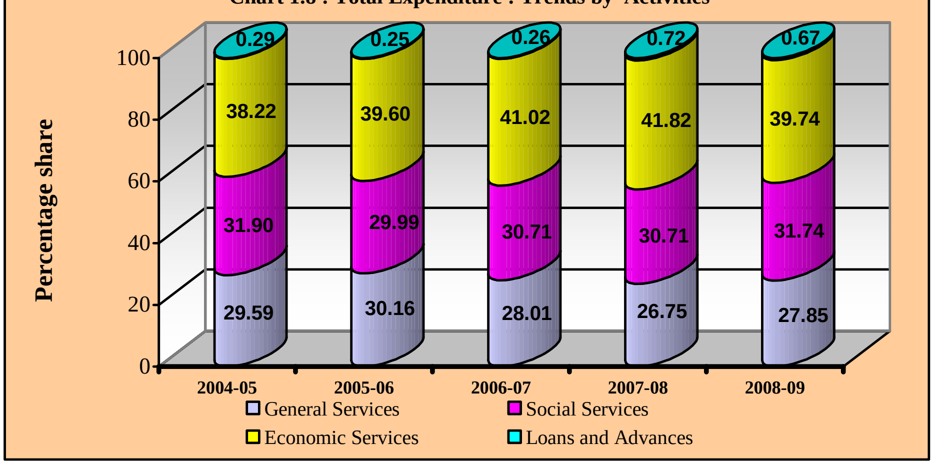


Chart 1.8 : Total Expenditure : Trends by Activities

(*GIA is included in Social and Economic Services)*

The trend of relative shares of these components of total expenditure indicated that while the share of General Services and Social Services in the total expenditure declined from 29.59 and 31.90 *per cent* in 2004-05 to 27.85 and 31.74 *per cent* in 2008-09 respectively with slight inter-year variations, the expenditure on Economic Services ranged between 38.22 *per cent* and 41.82 *per cent* during these years.

Developmental expenditure, i.e. expenditure on Social and Economic Services together accounted for 71.5 *per cent* in 2008-09 as against 72.5 *per cent* in 2007-08.

The revenue expenditure increased by 76 *per cent* from Rs 1,943 crore in 2004-05 to Rs 3,425 crore in 2008-09. The Non-Plan revenue expenditure showed consistent increase and continued to share a dominant proportion, varying in the narrow range of 80 to 82 *per cent* of the revenue expenditure during the period 2004-09. The Plan revenue expenditure showed a progressive increase over the period 2004-09.

The assessed Non-Plan revenue expenditure (NPRE) as per TFC projections from 2005-06 to 2008-09 was Rs 1,217 crore, Rs 1,321 crore, Rs 1,483 crore and Rs 1,610 crore respectively. However, the actual NPRE at Rs 1,776 crore, Rs 1,985 crore, Rs 2,212 crore and Rs 2,806 crore respectively during the period 2005-09, far exceeded the TFC's normative projections.

1.4.2 Committed Expenditure

The committed expenditure of the State Government on revenue account mainly consists of interest payments, expenditure on salaries and wages, pensions and subsidies. **Table 1.5** present the trends in the expenditure on these components during 2004-09 and **Chart 1.9** present the trends during 2006-09.

Table 1.5: Components of Committed Expenditure

(*Rupees in crore*)

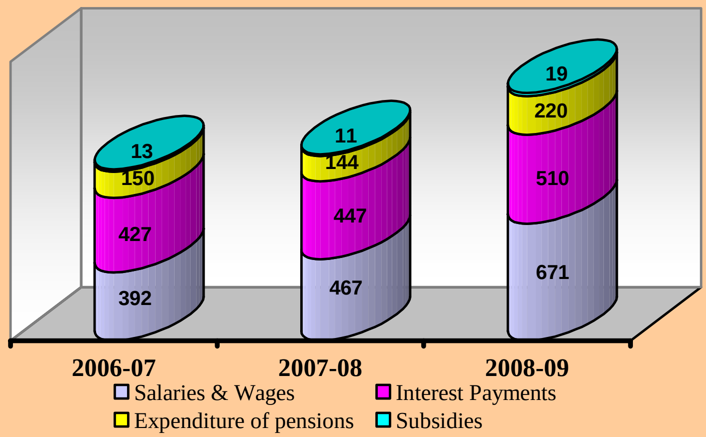
Components of Committed Expenditure	2004-05	2005-06	2006-07	2007-08	2008-09	
					BE	Actuals
Salaries & Wages**,** *of which*	422.05 (23.19)	440.22 (20.30)	471.50 (18.07)	578.53 (19.65)	631.86	802.27 (22.74)
Non-Plan Head	*352.79*	*367.76*	*391.87*	*467.39*	*509.30*	*670.83*
Plan Head	*69.26*	*72.46*	*79.63*	*111.14*	*122.56*	*131.44*
Interest Payments	323.00 (17.75)	400.00 (18.44)	427.00 (16.36)	447.00 (15.18)	549.00	510.00 (14.46)
Expenditure on Pension @	140.34 (7.71)	158.86 (7.32)	150.28 (5.76)	144.36 (4.90)	268.75	219.71 (6.23)
Subsidies	30.44 (1.67)	43.70 (2.01)	39.72 (1.52)	36.28 (1.23)	58.15	55.17 (1.56)
Other components	1027.17 (56.44)	1148.22 (52.94)	1380.50 (52.89)	1571.83 (53.39)	1776.24	1837.85 (52.09)
Total Revenue Expenditure	**1943.00**	**2191.00**	**2469.00**	**2778.00**	**3284.00**	**3425.00**
Revenue Receipts	**1820.00**	**2169.00**	**2610.00**	**2944.00**	**--**	**3528.00**

Figures in parentheses indicate percentage to Revenue Receipts.

@ Includes expenditure on pension under Social Security Schemes.

(Source: Finance Accounts for the years 2004-05 to 2008-09 and Budget Estimates for 2008-09)

Chart 1.9 : Share of Committed Expenditure in Non-Plan Revenue Expenditure during 2006-09
(Value in Lables in crores of rupees)



Expenditure on salaries under Non-Plan and Plan during the current year was Rs 671 crore and Rs 131 crore respectively. The increase in salaries by Rs 224 crore over the previous year was mainly due to implementation of the Sixth Pay Commission's recommendations. However, salary expenditure at 30 *per cent* of revenue expenditure net of interest and pension payments during 2008-09 was well within the norm of 35 *per cent,* recommended by the TFC.

Pension payments during current year increased by Rs 75 crore, recording a growth rate of 52 *per cent* over the previous year. The increase in expenditure was mainly due to implementation of the Sixth Pay Commission's recommendations. The normative assessment made by the TFC was Rs 181 crore whereas the actual expenditure stood at Rs 220 crore. The State adopted the new Defined Pension Contribution Scheme with effect from August 2005. The major source of borrowing was market loans. Rupees 395 crore was incurred on payment of interest on internal debt, Rs 60 crore on small savings and provident fund, Rs 35 crore on loans and advances from GOI and Rs 20 crore on other obligations.

In absolute terms, the subsidy increased from Rs 36 crore in 2007-08 to Rs 55 crore in 2008-09. However, as a percentage of the total revenue expenditure, subsidies remained around 1.5 to two *per cent* during the period 2004-05 to 2008-09. The areas which received the major chunk of subsidies in 2008-09 were Crop Husbandry (Rs 9.52 crore), Fisheries (Rs 11.31 crore), Food, Storage and Warehousing (Rs 8.36 crore) and Transport (Rs 9.45 crore).

1.4.3 Financial Assistance by State Government to local bodies and other institutions

The quantum of assistance provided by way of grants and loans to local bodies and others during the current year relative to the previous years is presented in **Table 1.6.**

Table 1.6: Financial Assistance

(*Rupees in crore*)

Financial Assistance to Institutions	2004-05	2005-06	2006-07	2007-08	2008-09
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	153.60	196.47	206.82	232.32	318.17
Municipal Corporations and Municipalities	16.96	35.96	40.39	43.77	50.38
Zilla Parishads and Other Panchayati Raj Institutions	32.75	39.70	41.98	35.68	51.17
Other Institutions	15.02	23.99	24.81	32.16	28.64
Total	**218.53**	**296.12**	**314.00**	**343.93**	**448.36**
Assistance as percentage of revenue expenditure	11.25	13.52	12.72	12.38	13.09

(Source : Directorate of Accounts)

Financial assistance to educational institutions mainly consists of salary and maintenance grants to aided schools, colleges and Goa University, financial assistance for sports and youth affairs etc. This increased by Rs 86 crore mainly due to implementation of the Sixth Pay Commission's recommendations.

1.5 Quality of Expenditure

The availability of better social and physical infrastructure in the State generally reflects the quality of its expenditure. The improvement in the quality of expenditure basically involves three aspects, viz., adequacy of the expenditure (i.e. adequate provisions for providing public services); efficiency of expenditure use and its effectiveness (assessment of outlay-outcome relationships for select services).

1.5.1 Adequacy of Public Expenditure

The expenditure responsibilities relating to the social sector and the economic infrastructure assigned to the State Governments are largely State subjects. Enhancing human development levels requires the States to step up their expenditure on key social services like education, health etc. Low level of spending on any sector by a particular State may be either due to low fiscal priority attached by the State Government or on account of the low fiscal capacity of the State Government or due to both working together. Low fiscal priority (ratio of expenditure category to aggregate expenditure) is attached to a particular sector if it is below the respective national averages while low fiscal capacity is reflected if the State's per capita expenditure under each category is below the national averages even after having fiscal priorities that are more than or equal to the national averages. **Table 1.7** analyses the fiscal priorities and fiscal capacities of the State Government with regard to development expenditure, social sector expenditure and capital expenditure during the current year.

Table 1.7: Fiscal Priority and Fiscal Capacity of the State in 2005-06 and 2008-09

Fiscal Priority	**AE/GSDP**	**DE/AE**	**SSE/AE**	**CE/AE**
All States Average* (Ratio) 2005-06	19.50	61.44	30.41	14.13
Goa's Average (Ratio) 2005-06	24.71	69.83	29.99	20.88
All States Average* (Ratio) 2008-09	19.16	67.68	33.90	16.87
Goa's Average (Ratio)* 2008-09	22.88	71.62	31.73	20.62
Fiscal Capacity	**DE#**	**SSE**	**CE**	
All States' Average Per Capita Expenditure 2005-06	3010	1490	692	
Goa's Per Capita Expenditure (Amount in Rs) in 2005-06	12933	5553	3867	
All States' Average Per Capita Expenditure 2008-09	5030	2520	1254	
Goa's Per Capita Expenditure (Amount in Rs) in 2008-09	19475	8630	5606	

* As *per cent* of GSDP

** Calculated as per the methodology explained in the Appendix 1.2

AE: Aggregate Expenditure which includes DE- Development Expenditure, SSE:- Social Sector Expenditure and CE - Capital Expenditure.

Population of Goa : 0.15 crore in 2005-06 and 0.16 crore in 2008-09.

\# Development expenditure includes Development Revenue Expenditure, Development Capital Expenditure and Loans and Advances disbursed.

Source : (1) For GSDP, the information was collected from the State's Directorate of Economics and Statistics (2) Population figures were taken from Projection 2001-2026 of the Registrar General & Census Commissioner India.
(Website: http://www.censusindia.gov.in) Population = Average of Projected population for 2005 and 2006.

Data for Arunachal Pradesh has not been included in All States average.

In **Table 1.7**, we are comparing the fiscal priority given to different categories of expenditure and the fiscal capacity of Goa in 2005-06 (the first year of the Award Period of the TFC) and the current year 2008-09. In 2005-06, the Goa Government gave adequate fiscal priority to Aggregate Expenditure (AE), Developmental Expenditure (DE) and Capital Expenditure (CE) since AE/GSDP, DE/AE and CE/AE in the case of Goa was higher than the national average. The priority given to SSE in Goa was, however, not adequate as the SSE/AE ratio for Goa (29.99 *per cent*) was marginally lower than the All States Average of 30.41 *per cent*. In 2008-09, it was observed that the SSE/AE ratio for Goa was not only less than the national average but the deviation from the national average has increased compared to 2005-06.

In both the years under consideration, the per capita expenditure in all categories of expenditure, be it DE, SSE or CE, was higher in the case of Goa than the All India average because of the relatively low population of the State.

1.5.2 Efficiency of Expenditure Use

In view of the importance of public expenditure on development heads from the point of view of social and economic development, it is important for the

State Governments to take appropriate expenditure rationalization measures and lay emphasis on provision of core public and merit goods[2]. Apart from improving the allocation towards development expenditure[3], particularly in view of the fiscal space being created on account of the decline in debt servicing in recent years, the efficiency of expenditure use is also reflected by the ratio of capital expenditure to total expenditure (and/or GSDP) and the proportion of revenue expenditure being incurred on operation and maintenance of the existing social and economic services. The higher the ratio of these components to the total expenditure (and/or GSDP), the better would be the quality of expenditure. While **Table 1.8** presents the trends in development expenditure relative to the aggregate expenditure of the State during the current year vis-à-vis budgeted and the previous years, **Table 1.9** provides the details of capital expenditure and the components of revenue expenditure incurred on the maintenance of the selected social and economic services.

Table 1.8: Development Expenditure

(Rupees in crore)

Components of Development Expenditure	2004-05	2005-06	2006-07	2007-08	2008-09	
					BE	Actuals
Development Expenditure (a to c)	1671 (70.3)	1936 (69.7)	2231 (71.9)	2544 (72.9)	3055	3116 (71.6)
a. Development Revenue Expenditure	1310 (55.1)	1448 (52.1)	1683 (54.2)	1941 (55.6)	2183	2364 (54.3)
b. Development Capital Expenditure	356 (15.0)	485 (17.5)	543 (17.5)	592 (17.0)	870	746 (17.1)
c. Development Loans and Advances	5 (0.2)	3 (0.1)	5 (0.2)	11 (0.3)	2	6 (0.2)
Figures in parentheses indicate percentage of aggregate expenditure						

(Source : Finance Accounts for the years 2004-05 to 2008-09 and Budget Estimates for 2008-09)

Non-development expenditure on General Services and Loans and Advances accounted for 28.4 *per cent* in 2008-09, as against 27.1 *per cent* in 2007-08. Development expenditure exceeded the assessment made by the State

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2 Core public goods are goods which all citizens enjoy in common in the sense that each individual's consumption of such a good leads to no subtractions from any other individual's consumption of that good, e.g. enforcement of law and order, security and protection of our rights; pollution free air and other environmental goods, road infrastructure etc. Merit goods are commodities that the public sector provides free or at subsidized rates because an individual or society should have them on the basis of some concept of need, rather than the ability and willingness to pay the Government and therefore wishes to encourage their consumption. Examples of such goods include the provision of free or subsidized food for the poor to support nutrition, delivery of health services to improve quality of life and reduce morbidity, providing basic education to all, drinking water and sanitation etc.

3 The analysis of expenditure data is disaggregated into development and non-development expenditure. All expenditure relating to Revenue Account, Capital Outlay and Loans and Advances is categorized into Social Services, Economic Services and General Services. Broadly, the Social and Economic Services constitute development expenditure, while expenditure on General Services is treated as non-development expenditure.

Government in its budget estimates by Rs 61 crore. The development revenue and capital expenditure increased by 22 *per cent* (Rs 423 crore) and 26 *per cent* (Rs 154 crore) respectively over the previous year.

The increase in development revenue expenditure was mainly under General Education (Rs 148 crore), Health and Family Welfare (Rs 73 crore), Water Supply, Sanitation, Housing and Urban Development (Rs 59 crore) and Power and Energy (Rs 109 crore).

Table 1.9: Efficiency of Expenditure Use under Selected Social and Economic Services

(Percentage)

Social/Economic Infrastructure	2007-08		2008-09	
	Ratio of CE to TE	In RE, the share of S & W	Ratio of CE to TE	In RE, the share of S & W
Social Services (SS)				
General Education	8.90	30.67	8.80	26.21
Health and Family Welfare	8.62	68.95	8.54	69.27
WS, Sanitation, H&UD	34.09	8.98	33.28	9.35
Total (SS)	**13.23**	**28.58**	**13.63**	**29.64**
Economic Services (ES)				
Agri & Allied Activities	18.21	44.36	8.74	46.70
Irrigation and Flood Control	82.11	39.39	81.68	48.24
Power & Energy	15.51	9.56	18.39	11.16
Transport	52.22	17.14	55.60	23.90
Total (ES)	**30.81**	**14.90**	**32.28**	**18.20**
Total (SS+ES)	**23.37**	**21.46**	**24.00**	**23.97**
TE: Total expenditure in the concerned sub sector; CE: Capital Expenditure; RE: Revenue Expenditure; S & W: Salaries and Wages.				

(Source: Finance Accounts for the year 2007-08 and 2008-09)

It can be seen that during the current year, the ratio of capital expenditure to total expenditure declined in the entire Social Services Sector and Agriculture and Allied Activities and Irrigation and Flood Control in the Economic Services Sector, whereas it slightly increased in respect of Power and Energy and Transport. The overall ratio of capital expenditure to total expenditure of these services increased only by 0.63 *per cent* over the previous year.

The ratio of salary and wages to revenue expenditure under Social and Economic Services during the current year was 23.97 *per cent*, an increase of 2.51 percentage points over the previous year. The increase in salaries and wages over the previous year was mainly due to implementation of the award of the Sixth Pay Commission.

1.6 Financial Analysis of Government Expenditure and Investments

In the post-FRBM framework, the State is expected to keep its fiscal deficit (and borrowings) not only at low levels but also meet its capital expenditure/investment (including loans and advances) requirements. In addition, in a transition to complete dependence on market-based resources, the State Government needs to initiate measures to earn adequate returns on its investments, recover its cost of borrowed funds rather than bearing the same on its budget in the form of implicit subsidies and take requisite steps to infuse transparency in financial operations. This section presents the broad financial analysis of investments and other capital expenditure undertaken by the Government during the current year vis-à-vis the previous years.

1.6.1 Financial Results of Irrigation Works

Irrigation works have not been declared as commercial undertakings in the State of Goa. Hence, the financial results in respect of irrigation works have not been worked out. However, the Government incurred expenditure of Rs 17.20 crore on maintenance of the irrigation projects in the State during the year, which was Rs 0.80 crore more than the maintenance expenditure during the previous year (Rs 16.40 crore).

1.6.2 Incomplete projects

The department-wise information pertaining to incomplete projects as on 31 March 2009, is given in **Table 1.10.**

Table 1.10: Department-wise Profile of Incomplete Projects

(***Rupees in crore***)

Department	Number of Incomplete Projects	Initial Budgeted Cost	Revised Total Cost of Projects	Cost Over Run	Cumulative Actual Expenditure as on 31.3.2009
Fisheries Department	1	2.05	--	--	0.75
Public Works Department	3	6.31	9.14	2.83	6.76
Water Resources Department (i) Tillari Irrigation Project	1	161.18	965.00[4]	803.82	712.94
Total	**5**	**169.54**	**974.14**	**806.65**	**720.45**

(Source: Information furnished by concerned departments)

As per information received from the departments as of 31 March 2009, there were five incomplete projects costing more than Rupees one crore each, in which Rs 720.45 crore was blocked. Tillari Irrigation project, a joint venture of Government of Maharashtra and Government of Goa, which commenced in 1986 was incomplete mainly due to insufficient budgetary support and was expected to be completed in 2010-11.

1.6.3 Investment and Returns

As of 31 March 2009, Government had invested Rs 329.66 crore in statutory corporations, rural banks, joint stock companies and co-operatives **(Table 1.11)**. The average return on these investments was 0.18 *per cent* in

[4] *Indicates the share of the Government of Goa in the revised total cost of the project (Rs1,390.04 crore) as revised as per 2007 price level.*

the last three years while the Government paid an average interest rate of 7.69 *per cent* on its borrowings during 2007-09.

Table 1.11: Return on Investment

	2004-05	2005-06	2006-07	2007-08	2008-09
Investment at the end of the year (Rupees in crore)	220.93	235.84	266.06	299.17	329.66
Return (Rupees in crore)	0.27	0.18	0.40	0.33	0.89
Return *(per cent)*	0.12	0.07	0.15	0.11	0.27
Average rate of interest on Govt. borrowings *(per cent)*	7.89	8.54	7.97	7.46	7.64
Difference between interest rate and return *(per cent)*	7.77	8.47	7.82	7.35	7.37

(Source: Finance Accounts of the State)

The investments of the State Government included Rs 259.52 crore in 18 Government companies of which only two companies declared dividend aggregating Rs 74.94 lakh. The State Government invested Rs 18.01 crore in two statutory corporations and Rs 3.60 lakh in 78 joint stock companies. However, no dividends were received during 2008-09 on these investments. Further, an investment of Rs 52.09 crore was made in co-operative banks and societies where the dividend received during 2008-09 was Rs 13.67 lakh only.

1.6.4 Departmentally managed quasi-commercial undertakings

There are two departmentally managed quasi-commercial undertakings viz., the Electricity Department and the River Navigation Department in the State. The department-wise position of the investment made by the Government upto the year for which *proforma* accounts have been finalised, net profits/loss as well as return on capital invested in these undertakings are given in **Appendix 1.5.** It was observed that:

- An amount of Rs 629.54 crore had been invested by the State Government in Electricity Department and River Navigation Department at the end of financial year upto which their accounts were finalised.
- The Electricity Department earned a net profit amounting to Rs 94.43 crore against the capital investment of Rs 536.97 crore, thereby yielding the rate of return of 17.59 *per cent*.
- The River Navigation Department was incurring losses for last years and the accumulated deficit was Rs 89.91 crore as against the total investment of Rs 92.57 crore. The Government needs to review its working so as to wipe out its losses in the short run and to make itself sustaining in the medium to long term.

1.6.5 Loans and advances by State Government

In addition to investments in co-operative societies, corporations and companies, the Government has also been providing loans and advances to many institutions and organisations. **Table 1.12** presents the outstanding loans and advances as on 31 March 2009 and interest receipts vis-à-vis interest payments during the last three years**.**

Table1.12: Average Interest Received on Loans Advanced by the State Government

(*Rupees in crore*)

Quantum of Loans/Interest Receipts/ Cost of Borrowings	**2004-05**	**2005-06**	**2006-07**	**2007-08**	**2008-09**
Opening balance	47.78	49.66	50.38	52.74	71.15
Amount advanced during the year	7.46	7.05	8.14	24.59	28.67
Amount repaid during the year	5.58	6.33	5.78	6.18	9.77
Closing balance	49.66	50.38	52.74	71.15	90.05
Of which outstanding balance for which terms and conditions have been settled	--	--	--	--	--
Net addition	(+) 1.88	(+) 0.72	(+) 2.36	(+) 18.41	(+) 18.90
Interest receipts	2.44	2.10	2.03	2.19	2.07
Interest receipts as percentage of average outstanding loans and advances	5.01	4.20	3.94	3.54	2.57
Interest payments as percentage of outstanding fiscal liabilities of the State Government	7.43	7.97	7.50	7.11	7.23
Difference between interest payments and interest receipts (*per cent*)	(-) 2.88	(-) 4.28	(-) 4.03	(-) 3.57	(-) 4.66

(Source: Finance Accounts of the State)

Out of loans totalling Rs 28.67 crore disbursed during 2008-09, Rs 22.47 crore was given to Government servants. Out of the remaining Rs 6.20 crore, Rs 4.50 crore was disbursed for educational, sports, art and cultural purposes and Rs 1.24 crore to co-operative institutions.

1.6.6 Cash Balances and Investment of Cash Balances

Table 1.13 depicts the cash balances and investments made by the State Government out of the cash balances during the year.

Table 1.13: Cash Balances and Investment of Cash Balances

(Rupees in crore)

Particulars	**As on 1 April 2008**	**As on 31 March 2009**	**Increase(+)/ Decrease(-)**
Cash Balances	725.13	791.58	(+) 66.45
Investments from Cash Balances (a to d)	655.46	536.06	(-) 119.40
a. GOI Treasury Bills	653.85	534.22	(-) 119.63
b. GOI Securities	1.61	1.84	(+) 0.23
c. Other Securities, if any	-	-	-
d. Other Investments	-	-	-
Funds-wise break-up of Investment from earmarked balances (a *and* b)	167.96	250.84	(+) 82.88
a. Sinking Fund	107.55	162.22	(+) 54.67
b. General and other Reserve Funds	60.41	88.62	(+) 28.21
Interest realized	14.14	17.89	(+) 3.75

(Source: Finance Accounts of the State)

The interest realized against investments on the cash balances increased from Rs 14.14 crore in 2007-08 to Rs 17.89 crore in 2008-09. The State Government's cash balances at the end of the current year amounted to Rs 792 crore. It increased by Rs 66 crore over the previous year. It was observed that Rs 536 crore invested in Government of India Securities. Besides, Rs 251 crore was invested in earmarked funds.

The efficiency of handling of cash balances by the State can be assessed by monitoring the trends of the monthly daily average of cash balances held by the State to meet its normal banking transactions. **Table 1.14** presents the trends of monthly average daily cash balances and the investments in Auction Treasury Bills for the last three years (2006-09).

Table 1.14: Trends in Monthly Average Daily Cash Balances and the Investments in Auction Treasury Bills

(Rupees in crore)

	Monthly Average Daily Cash Balances			Investment in 14 days Treasury Bills			Investment in Auction Treasury Bills		
Month	**2006-07**	**2007-08**	**2008-09**	**2006-07**	**2007-08**	**2008-09**	**2006-07**	**2007-08**	**2008-09**
April	0.19	0.19	0.19	358.55	602.52	814.98	510.62	662.69	1101.88
May	0.19	0.19	0.19	425.99	657.08	763.13	331.74	676.77	730.53
June	0.19	0.19	0.19	543.12	726.35	829.12	494.54	641.40	803.41
July	0.19	0.19	0.19	683.08	726.48	912.46	619.94	724.29	950.28
August	0.19	0.19	0.19	547.53	644.76	626.45	646.78	720.16	750.83
September	0.19	0.19	0.19	485.19	438.77	532.67	472.64	529.72	538.53
October	0.19	0.19	0.19	411.68	297.42	435.53	423.25	352.15	523.01
November	0.19	0.19	0.19	406.03	579.64	741.97	442.77	440.26	559.58
December	0.19	0.19	0.19	600.85	579.15	739.10	564.73	564.76	788.79
January	0.19	0.19	0.19	577.48	633.61	637.89	433.58	601.62	623.68
February	0.19	0.19	0.19	805.26	596.12	981.80	762.11	611.66	842.96
March	0.19	0.19	0.19	983.74	1030.16	948.42	1043.41	700.16	886.41

(Source: Directorate of Accounts)

The State Government maintained a minimum cash balance of Rs 19 lakh as per agreement with the Reserve Bank of India during the last three years as exhibited in **Table 1.14.**

1.7 Assets and Liabilities

1.7.1 Growth and Composition of Assets and Liabilities

In the existing Government accounting system, comprehensive accounting of fixed assets like land and buildings owned by the Government is not done. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred. **Appendix 1.4** gives an abstract of such liabilities and assets as on 31 March 2009, compared with the corresponding position on 31 March 2008. While the liabilities consist mainly of internal borrowings, loans and advances from GOI, receipts from the Public Account and Reserve Funds, the assets comprise mainly the capital outlay and loans and advances given by the State Government and cash balances.

1.7.2 Fiscal Liabilities – Public Debt and Guarantees

The trends in outstanding fiscal liabilities of the State are presented in **Appendix 1.3.** However, the composition of fiscal liabilities during the current year vis-à-vis the previous year are presented in **Charts 1.10** and **1.11.**

Chart 1.10 : Composition of Outstanding Fiscal Liabilities as on 01.04.2008 (Rs in crore)

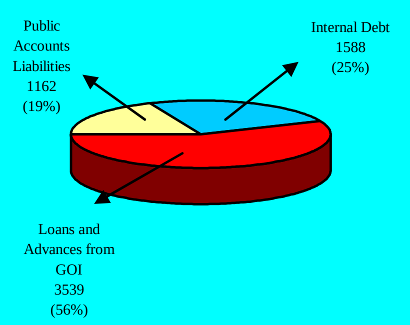
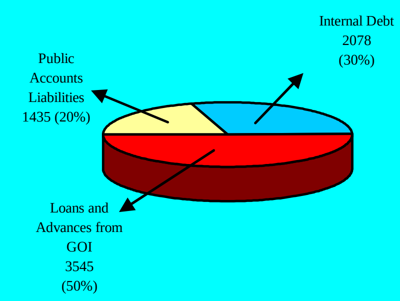


Chart 1.11 : Composition of Outstanding Fiscal Liabilities as on 01.04.2009 (Rs in crore)



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

Table 1.15 gives the fiscal liabilities of the State, its rate of growth, ratio of these liabilities to GSDP, to revenue receipts and to its own resources as also the buoyancy of fiscal liabilities with respect to these parameters.

Table 1.15: Fiscal Liabilities – Basic Parameters

	2004-05	2005-06	2006-07	2007-08	2008-09
Fiscal Liabilities *(Rs in crore)*	4350	5018	5694	6289	7058
Rate of Growth (*per cent*)	13.34	15.36	13.47	10.45	12.23
Ratio of Fiscal Liabilities to					
GSDP (*per cent*)	37.89	37.58	37.90	37.21	37.12
Revenue Receipts (*per cent*)	239.01	231.35	218.16	213.63	200.06
Own Resources (*per cent*)	274.27	270.22	257.65	261.85	240.89
Buoyancy of Fiscal Liabilities to					
GSDP (ratio)	0.57	0.94	1.08	0.84	0.98
Revenue Receipts (ratio)	1.10	0.80	0.66	0.82	0.62
Own Resources (ratio)	1.27	0.90	0.71	1.20	0.56

(Source : Finance Accounts of the State)

The overall fiscal liabilities of the State increased from Rs 4,350 crore in 2004-05 to Rs 7,058 crore in 2008-09. This included loans of Rs 409.35 crore given by GOI to the erstwhile Union Territory of Goa, Daman and Diu. The growth rate of fiscal liabilities was 12.23 *per cent* during 2008-09 over the previous year. *The ratio of fiscal liabilities to GSDP decreased from 37.89 per cent in 2004-05 to 37.12 per cent in 2008-09. This ratio is still on the higher side keeping in view the target of 30 per cent to be achieved by 31 March 2009 as laid down in the Goa Fiscal Responsibility and Budget Management Act, 2006.* The fiscal liabilities constituted market loans comprising Rs 1,881.12 crore, loans and advances from Central Government of Rs 3,544.82 crore, loans from financial institutions to the extent of Rs 197.09 crore and Public Account liabilities of Rs 1,434.82 crore.

Government constituted a sinking fund for amortization of loans raised in the open market and Rs 20 crore was contributed towards the same during 2008-09. The balance in the sinking fund as on 31 March 2009 was Rs 162.22 crore and the entire balance was invested in GOI securities.

1.7.3 Status of Guarantees – Contingent liabilities

Guarantees are liabilities contingent on the Consolidated Fund of the State in cases of defaults by the borrowers for whom the guarantees have been extended.

As per Statement 6 of the Finance Accounts, the maximum amount for which guarantees were given by the State and the outstanding guarantees for the last three years is given in **Table1.16.**

Table 1.16: Guarantees given by the Government of Goa

(Rupees in crore)

Guarantees	2006-07	2007-08	2008-09
Maximum amount guaranteed	714.62	527.77	602.80
Outstanding amount of guarantees	623.99	311.09	165.66
Percentage of maximum amount guaranteed to total revenue receipt	27.38	17.93	17.09

(Source : Finance Accounts of the State)

The Goa Fiscal Responsibility and Budget Management Act, 2006 specified that the Government should cap the total outstanding guarantees within the specified limit under the Goa State Guarantees Act, 1993. The Goa Legislature fixed a limit of Rs 800 crore on the outstanding guarantees in March 2005. The outstanding guarantees at Rs 165.66 crore during 2008-09 were well within the ceiling limit specified by the Legislature. The State has set up a Guarantee Redemption Fund and the amount invested against this fund as on 31 March 2009 was Rs 76.96 crore.

1.8 Debt Sustainability

Apart from the magnitude of debt of the State Government, it is important to analyze the various indicators that determine the debt sustainability[5]of the State. This section assesses the sustainability of debt of the State Government in terms of debt stabilization[6]; sufficiency of non-debt receipts[7]; net availability of borrowed funds[8]; burden of interest payments (measured by interest payments to revenue receipts ratio) and the maturity profile of State Government securities. **Table 1.17** analyzes the debt sustainability of the State according to these indicators for a period of three years beginning from 2006-07.

Table 1.17: Debt Sustainability: Indicators and Trends

(Rupees in crore)

Indicators of Debt Sustainability	2006-07	2007-08	2008-09
Debt Stabilization (Quantum Spread + Primary Deficit)	167.32	192.98	2.65
Sufficiency of Non-debt Receipts (Resource Gap)	116	(-) 54	(-) 276
Net Availability of Borrowed Funds	250	149	260
Burden of Interest Payments Ratio (IP/RR)	0.16	0.15	0.14

(Source: Finance Accounts of the State)

When we observe the various indicators of debt stabilisation, we find that although the quantum spread plus primary deficit figure is positive, which is a good sign, there has been an alarming fall in this figure. If this trend continues and the figure becomes negative, debt stabilization may become a serious concern for the Government. Similarly, the increasing resource gap is

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5 Debt sustainability is defined as the ability of the State to maintain a constant debt-GDP ratio over a period of time and also embodies the concern about the ability to service its debt. Sustainability of debt, therefore, also refers to sufficiency of liquid assets to meet current or committed obligations and the capacity to keep a balance between the costs of additional borrowings and the returns from such borrowings. It means that the rise in fiscal deficit should match the increase in capacity to service the debts.

6 A necessary condition for stability states that if the rate of growth of economy exceeds the interest rate or cost of public borrowings, the debt-GDP ratio is likely to be stable provided primary balances are either zero, positive or moderately negative. Given the rate spread (GSDP growth rate – interest rate) and the quantum spread (Debt x rate spread), the debt sustainability condition states that if the quantum spread together with the primary deficit is zero, debt-GSDP ratio would be constant or debt would stabilize eventually. On the other hand, if the primary deficit together with the quantum spread turns out to be negative, the debt-GSDP ratio would be rising. In case it is positive, the debt-GSDP ratio would eventually be falling.

7 Adequacy of incremental non-debt receipts of the State to cover incremental interest liabilities and incremental primary expenditure. Debt sustainability could be significantly facilitated if the incremental non-debt receipts could meet the incremental interest burden and the incremental primary expenditure.

8 Defined as the ratio of debt redemption (principal + interest payments) to total debt receipts and indicates the extent to which the debt receipts are used in debt redemption, indicating the net availability of borrowed funds.

also a cause for concern. Unless concerted efforts are made to increase non-debt receipts in the coming years, or to contain primary expenditure, debt repayment could become a major worry in future. At present, the IP/RR ratio seems to be manageable at 14 *per cent*.

Maturity Profile of State Debt (In Years)

(As per Finance Accounts)

(Rupees in crore)

Upto 31.3.2010	141.19
2012	389.91
2014	596.40
2016	665.82
After 31.3.2016	3829.71*
Total	**5623.03**

The maturity profile of the State Government's Public Debt indicates that nearly 20 *per cent* of the total Public Debt is repayable within the next five years while 73 *per cent* loans are required to be repaid after five years. The balance seven *per cent* loan pertains to the erstwhile Union Territory of Goa, Daman and Diu.

1.9 Fiscal Imbalances

Three key fiscal parameters - revenue, fiscal and primary deficits - indicate the extent of overall fiscal imbalances in the finances of the State Government during a specified period. The deficit in the Government accounts represents the gap between its receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources are raised and applied are important pointers to its fiscal health. This section presents the trends, nature, magnitude and manner of financing these deficits and also the assessment of actual levels of revenue and fiscal deficits vis-à-vis targets set under FRBM Act/Rules for the financial year 2008-09.

* including Rs 409.35 crore pertaining to Ex- Union Territory.

1.9.1 Trends in Deficit/Surplus

Charts 1.12 and **1.13** present the trends in deficit indicators over the period 2004-09.

Chart 1.12 : Trends in Deficit Indicators

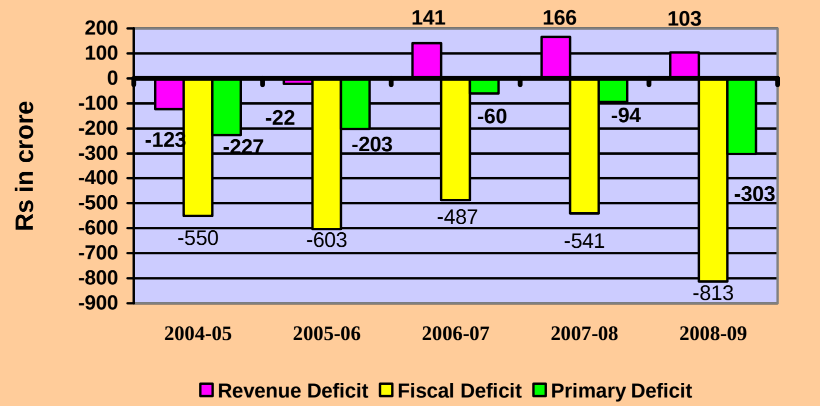
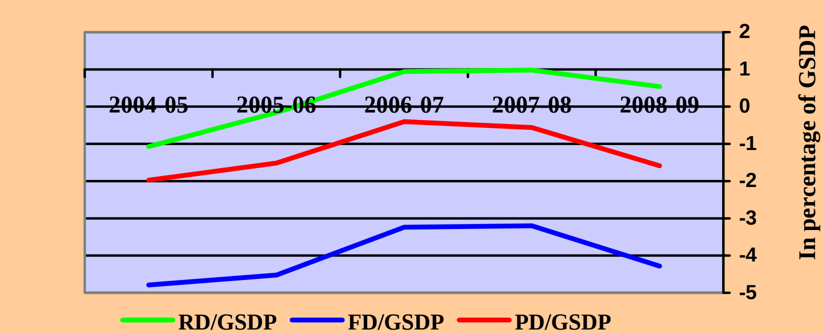


Chart 1.13 : Trends in Deficit Indicators relative to GSDP



As per the Goa FRBM Act 2006, the Government had to reduce the revenue deficit to nil by 31 March 2009 and adhere to it thereafter. The revenue deficit was reduced from Rs 123 crore in 2004-05 to a revenue surplus of Rs 103 crore in 2008-09. The Goa FRBM Act 2006 prescribed a road map of reducing the Fiscal Deficit (FD) by 0.5 *per cent* of GSDP in each financial year beginning from 1 April 2006. Though the ratio of FD to GSDP was reduced by 0.04 *per cent* during the year 2007-08 over the previous year, there was an increase of 1.08 *per cent* during 2008-09 over the previous year.

Further, during the year, the revenue surplus was reduced to Rs 103 crore from Rs 166 crore of the previous year. Similarly, the primary deficit increased from Rs 94 crore to Rs 303 crore during the year.

1.9.2 Components of Fiscal Deficit and its Financing Pattern

The financing pattern of the fiscal deficit has undergone a compositional shift as reflected in the **Table 1.18.**

Table 1.18: Components of Fiscal Deficit and its Financing Pattern

(Rupees in crore)

	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
Decomposition of Fiscal Deficit						
		550	**603**	**487**	**541**	**813**
1	Revenue Deficit/Surplus	(-) 123	(-) 22	(+) 141	(+) 166	(+) 103
2	Net Capital Expenditure	426	580	626	688	897
3	Net Loans and Advances	1	1	2	19	19
Financing Pattern of Fiscal Deficit*						
1	Market Borrowings	118	66	81	369	404
2	Loans from GOI	425	581	508	74	5
3	Loans from Financial Institutions	(-) 6	(-) 19	(-) 23	(-) 7	87
4	Ways and Means	(-) 66	-	-	-	-
5	Small Savings, PF etc.	42	47	59	89	166
6	Deposits and Advances	-	(-) 7	51	69	106
7	Suspense and Miscellaneous	81	67	(-) 49	90	(-) 37
8	Remittances	36	16	(-) 1	51	-
9	Reserve Fund	27	28	32	35	148
10	Increase(-)/Decrease(+) in cash balance	(-) 107	(-) 176	(-) 171	(-) 229	(-) 66
11	Overall Deficit	550	603	487	541	813
*All these figures are net of disbursements/outflows during the year						

(Source : Finance Accounts of the State)

During 2008-09, the fiscal deficit of Rs 813 crore was mainly met out of market borrowings of Rs 404 crore and small savings, provident funds, etc. of Rs 166 crore. The net market borrowing and the small savings, provident fund etc. increased by nine *per cent* and 87 *per cent* respectively over the previous year, thus increasing the interest burden in future.

1.9.3 Quality of Deficit/Surplus

The ratio of revenue deficit to fiscal deficit and the decomposition of primary deficit into primary revenue deficit and capital expenditure (including loans and advances) would indicate the quality of deficit in the States' finances. The ratio of revenue deficit to fiscal deficit indicates the extent to which borrowed funds were used for current consumption. Further, persistently high ratios of revenue deficit to fiscal deficit also indicate that the asset base of the State was continuously shrinking and a part of the borrowings (fiscal liabilities) did not have any asset backup. The bifurcation of the primary deficit **(Table 1.19)** would indicate the extent to which the deficit had been on account of enhancement in capital expenditure, which may have been desirable to improve the productive capacity of the State's economy.

Table 1.19: Primary Deficit/Surplus – Bifurcation of factors

(Rupees in crore)

Year	Non-debt Receipts	Primary Revenue Expenditure	Capital Expenditure	Loans and Advances	Primary Expenditure	Non debt Receipts vis-à-vis primary revenue expenditure	Primary deficit (-) /surplus (+)
1	2	3	4	5	6 (3+4+5)	7 (2-3)	8 (2-6)
2004-05	1826	1620	426	7	2053	206	(-) 227
2005-06	2175	1791	580	7	2378	384	(-) 203
2006-07	2616	2042	626	8	2676	574	(-) 60
2007-08	2950	2331	688	25	3044	619	(-) 94
2008-09	3538	2915	897	29	3841	623	(-) 303

(Source : Finance Accounts of the State)

The non-debt receipts were higher than the primary revenue expenditure during the last five years, resulting in a primary revenue surplus. Though the non-debt receipts in the past five years were enough to cover primary revenue expenditure, the receipts were not enough to cover capital expenditure. Hence, there was a primary deficit in all the years. In 2006-07 and 2007-08, the primary deficit fell, but in 2008-09 it once again increased significantly to Rs 303 crore, mainly due to an increase in capital expenditure from Rs 688 crore in 2007-08 to Rs 897 crore in 2008-09.

1.9.4 State's Own Revenue and Deficit Correction

It is worthwhile to observe the extent to which deficit correction has been achieved by the State on account of improvement in its own resources. This is an indicator of the durability of the corrections in deficit indicators. **Table 1.20** presents the changes in revenue receipts of the State and the corrections of the deficit during the last three years.

Table 1.20: Change in Revenue Receipts and corrections of Deficit

(Per cent of GSDP)

Parameters	2006-07	2007-08	2008-09	
			BE	Actual
Revenue Receipts (a to d)	**17.38**	**17.42**	**18.46**	**18.55**
a. State's Own Tax Revenue	8.60	8.04	8.24	8.91
b. State's Own Non- tax Revenue	6.11	6.17	6.00	6.50
c. State's Share in Central Taxes and Duties	2.08	2.33	2.44	2.18
d. Grants-in-Aid	0.59	0.88	1.78	0.96
Revenue Expenditure	**16.43**	**16.44**	**17.27**	**18.02**
Revenue Surplus	**0.94**	**0.98**	**1.19**	**0.54**
Fiscal Deficit	**3.24**	**3.20**	**4.24**	**4.28**

(Source: Finance Accounts of the State)

The ratio of revenue receipts to GSDP increased from 17.42 *per cent* in 2007-08 to 18.55 *per cent* in the current year. Correspondingly, the percentage of revenue expenditure to GSDP also increased by 1.58 percentage points from the previous year.

1.10 Conclusion

During the current year, revenue receipts and revenue expenditure increased by Rs 584 crore (20 *per cent*) and Rs 648 crore (23 *per cent*) respectively. The normative assessment of the tax revenue and non-tax revenue made by the TFC was Rs 1,693 crore and Rs 419 crore respectively. The Government could achieve both targets. The capital expenditure increased by Rs 209 crore (30 *per cent*).

The Non-Plan revenue expenditure (NPRE) increased by 27 *per cent* over the previous year. The NPRE exceeded the normative assessment made by the TFC by Rs 1,196 crore. The expenditure on salaries at 30 *per cent* of revenue expenditure net of interest and pension payment during 2008-09 was well within the norm of 35 *per cent* recommended by the TFC.

The ratio of fiscal liabilities to GSDP at 37 *per cent* was higher than the norms of 31 *per cent as* recommended by the TFC.

The average return on investment made by the State was 0.18 *per cent* in the last three years against an average interest rate of 7.69 *per cent* on its borrowings.

The outstanding guarantees at Rs 166 crore were well within the ceiling limit of Rs 800 crore specified by the Legislature.

1.11 Recommendations

- Though the State Government has achieved the FRBM target in reducing the revenue deficit to zero, the fiscal deficit still continues to be more than 3.5 *per cent* of the GSDP (4.3 *per cent*) which needs urgent attention through effective revenue collection and curtailing of unproductive expenditure.
- Government should reduce its dependence on borrowed funds to arrest the increase in fiscal liabilities.
- The performance of the public sector undertakings needs to be monitored to improve the average rate of returns on the capital invested. The functioning of the River Navigation Department needs to be reviewed so as to wipe out its losses in the short run and to make it self sustaining in the medium to long term.
- Concerted efforts should be made to recover the revenue arrears.
- Systems should be built to monitor the funds directly given by Government of India to the State implementing agencies.