

CHAPTER 1

Finances of the State Government

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Profile of West Bengal

The State is located in the eastern part of the Gangetic basin. It is the 13th largest State in terms of geographical area (88,752 sq. km) and the fourth largest by population. As indicated in *Appendix 1.1* the State's population increased from 801.76 lakh in 2001 to 912.76 lakh¹ in 2011 recording a decadal growth of 13.84 *per cent*. The percentage of population below the poverty line was lower than the all-India average². The State's Gross State Domestic Product (GSDP) in 2013-14 at current prices was ₹ 700117 crore. The State's literacy rate³ increased from 68.64 *per cent* (as per 2001 census) to 77.08 *per cent* (as per 2011 census). The per capita income of the State⁴ stands at ₹ 70615 at current prices against the country average of ₹ 74920. General data relating to the State is given in *Appendix 1.1*.

Gross State Domestic Product (GSDP)

GSDP is the market value of all officially recognised final goods and services produced within the State in a year. The trends in the annual growth of India's GDP and that of the State's GSDP at current prices are indicated below:

Table 1.1 Growth of GSDP of the State vis-à-vis GDP of India

Year	2009-10	2010-11	2011-12	2012-13	2013-14	CAGR ⁵ (in per cent)
India's GDP (₹ in crore)	6108903	7248860	8391691	9388876	10472807	
Growth rate of GDP (percentage)	15.18	18.66	15.77	11.88	11.54	14.43
State's GSDP (₹ in crore)	398880	460959	528316	612701	700117	
Growth rate of GSDP (percentage)	16.65	15.56	14.61	15.97	14.27	15.10

(Source: Central Statistics office, Ministry of Statistics and Programme implementation as on 1 August 2014).
Figures of GSDP and GDP for the year 2011-12 to 2013-14 are estimates.

1.1 Introduction

This chapter provides a broad perspective of the finances of the Government of West Bengal (GoWB) 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 Finance Accounts are shown in *Appendix 1.2*. The methodology adopted in analysing the trends of State Government finances has been discussed in *Appendix 1.3*.

¹ Source: Registrar General of India, Ministry of Home Affairs

² Source: Annual Report 2013-14, Planning Commission

³ Source: Registrar General of India, Ministry of Home Affairs

⁴ Source: Economic Review 2013-14, Government of West Bengal and Central Statistics Office

⁵ Compound Annual Growth Rate

1.1.1 Summary of Fiscal Transactions in 2013-14

Table 1.2 presents the summary of the State Government's fiscal transactions during the current year (2013-14) *vis-à-vis* the previous year (2012-13), while *Appendix 1.4* provides details of receipts and disbursements as well as overall fiscal position during the current year.

Table 1.2: Summary of Fiscal Operations in 2013-14

(₹ in crore)

Receipts	Disbursements						
	2012-13	2013-14	2012-13	2013-14			
				Non Plan	Plan	Total	
Section A: Revenue							
Revenue Receipts	68296	72882	Revenue Expenditure	82111	70999	20798	91797
Tax Revenue	32809	35831	General Services	35325	40671	163	40834
Non-Tax Revenue	1918	2023	Social Services	34212	23622	14640	38262
Share of Union Taxes/Duties	21226	23175	Economic Services	12043	6129	5954	12083
Grants from GoI	12343	11853	Grants-in-aid and Contributions	531	577	41	618
Section B: Capital							
Misc. Capital Receipts	-	-	Capital Outlay	4547	45	6882	6927
Recoveries of Loans and Advances	280	1158	Loans and Advances Disbursed	1064	183	480	663
Public Debt Receipts*	28291	30932	Repayment of Public Debt*	10142			12802
Contingency Fund	1	-	Contingency Fund	-			-
Public Account Receipts	105827	116179	Public Account Disbursements	101736			108202
Opening Cash Balance ⁶	8423	11518	Closing Cash Balance ⁶	11518			12278
Total	211118	232669	Total	211118			232669

Source: Finance Accounts; Differences of one is due to rounding.

*Including net transactions under ways and means advances and overdraft

Significant changes that occurred during 2013-14 as compared to the previous year are enumerated below:

- Revenue Receipts of the State increased by ₹ 4586 crore (6.71 per cent) while the Revenue Expenditure registered an increase of ₹ 9686 crore (11.80 per cent) over the previous year.
- Revenue Receipts excluding the Grants from GoI (₹ 61029 crore) were not sufficient to meet the Committed Expenditure (₹ 65141 crore) which formed the bulk of the Revenue Expenditure (₹ 91797 crore).
- Revenue expenditure on General and Social Services constituted 86 per cent while expenditure on Economic Services was 13 per cent.
- Proportion of Capital Outlay in the Economic services decreased from 63 per cent to 57 per cent while the proportion of Capital Outlay on General

⁶ Cash balance includes i) Cash in Treasuries and Local Remittances, ii) Departmental Balances, iii) Permanent Imprest, iv) Cash Balance Investments, v) Deposit with RBI and vi) Investments from Earmarked Funds.

and Social Services increased from 37 per cent to 43 per cent over the previous year.

- Market borrowings formed 80 per cent of the total Public Debt Receipts. Interest outflow on the market borrowing constitutes 50 per cent of the total interest payments (₹ 20757 crore).

1.1.2 Review of the fiscal situation

With a view to ensuring prudence in fiscal management and fiscal stability by progressive elimination of revenue deficit, reduction of fiscal deficit, prudent debt management and greater transparency in fiscal operations of the State Government, West Bengal Fiscal Responsibility and Budget Management Act, 2010, was passed by the West Bengal State Legislature in July 2010. In compliance with the Act, WBFRBM Rules, 2011 was introduced by the Finance department in February 2011. The Act was amended with effect from 7 February 2011 by passing the WBFRBM (Amendment) Act 2011 in April 2011. Extract of the WBFRBM Act 2010 and the Amendment Act are given in *Appendix 1.5*.

As per the Act, the State Government was required to bring out the following fiscal documents in prescribed *pro forma* and table the same along with the Budget before the Legislative Assembly:

- Medium-Term Fiscal Policy Statement (MTFPS);
- Fiscal Policy Strategy Statement (FPSS);
- Documents in the nature of Budget in brief, containing separate statements on indicators of fiscal situation, components of State Government's liabilities and interest i.e. cost of borrowing, guarantee given by the State, Guarantee Redemption Fund, Statement of Assets, etc.

The third MTFPS and FPSS were presented before the Legislature along with the Budget for the year 2014-15 in February 2014.

Major fiscal variables provided in the budget based on the recommendations of the 13th Finance Commission (FC) and as targeted in the WBFRBM Act along with the actuals for 2013-14 are depicted in **Table 1.3**:

Table 1.3 : Targets for major fiscal variables

(in per cent)

Fiscal variables	2013-14				
	13th FC targets for the State	Targets as prescribed in FRBM Act	Targets proposed in the Budget	Projections made in Five Year Fiscal plan/MTFP**	Actuals for 2013-14
Revenue Deficit/GSDP	0.50	0.50	0.49	1.70	2.70
Fiscal Deficit/GSDP	3.00	3.00	1.89	3.08	3.62
Ratio of total Outstanding Debt of the Government to GSDP	35.90	35.90	34.85	35.33	35.99

Source: 13th FC Report, WBFRBM Act, Budget Publication 2013-14 and MTFPS

**In the MTFP, RE figures for 2013-14 were mentioned

In the FPSS for the year 2014-15, it was stated that despite an excessive financial burden, the State was moving towards achieving the targets in respect of fiscal indicators as prescribed in the WBFRBM Act. However, the fiscal targets prescribed for 2013-14 in the MTFP are yet to be achieved as can be seen from **Table 1.3**.

According to WBFRBM Act 2010, the State Government at the time of presentation of the budget is required to disclose significant changes in the Accounting Standard, policies and practices affecting or likely to affect the compliance of the prescribed fiscal indicators. However, no such disclosure has been made by the State Government. Similarly, no disclosure has been made regarding Major Works and Contracts, Committed liabilities in respect of land acquisition charges, Claims in respect of unpaid bills on works and supplies, and Statement of Assets and also in respect of weighted average interest rates on Government liabilities.

1.1.3 Budget Estimates vis-à-vis Actuals

Budget papers presented by the State Government provide projections or estimations of revenue and expenditure for a particular fiscal year. The importance of accuracy in the estimation of revenue and expenditure is widely accepted in the context of effective implementation of fiscal policies for overall financial management. Deviations from budget estimates are indicative of non-attainment and non-optimisation of the desired fiscal objectives due to a variety of causes, some within and some beyond the control of the Government.

Budget estimates vis-à-vis actuals for the major fiscal variables for the year 2013-14 is depicted in **Appendix 1.6** and in **Table 1.4**.

Table 1.4: Budget estimate vis-a-vis actuals during 2013-14

Particulars	Budget Estimates	Actual	Percentage variations
	₹ in crore		
Revenue Receipts	88403	72882	-17.56
Tax Revenue	39784	35831	-9.94
Land Revenue	3943	2254	-42.84
Goods and Passenger	1438	1000	-30.46
Stamps and Registration fees	4500	4053	-9.93
Non-Tax Revenue	1756	2023	15.21
Interest Receipts	478	986	106.28
Revenue Expenditure	91892	91797	-0.10
Irrigation and Flood Control	1297	987	-23.90
Energy	1214	1030	-15.16
Capital Outlay	9319	6927	-25.67
Revenue Deficit (-)/Surplus(+)	(-)3488	(-)18915	442.29
Fiscal Deficit(-)/Surplus(+)	(-)13414	(-) 25347	88.96
Primary Deficit(-)/Surplus(+)	6078	(-) 4590	(-) 175.52

Source: Budget publications and Finance Accounts

New initiatives were taken in respect of implementation of *Kanyashree*, an incentive scheme for unmarried girls below the age of eighteen, targeting the economically weaker families and aiming to prevent child marriage, trafficking and school dropout and bringing about improvement in maternal and child health through prevention of early pregnancies.

In order to fund the increased development expenditure, the following changes in the rate of tax were introduced in the WBVAT Act 2003:

- Escalation of the rate of tax from 25 *per cent* to 35 *per cent* in respect of goods particularly tobacco products as mentioned in serial number 1 and 2 of schedule D of the *ibid* Act.
- Increase in the rate of tax from 13.5 *per cent* to 14.5 *per cent* in respect of unspecified items covered under schedule CA of the *ibid* Act.
- Rise in the rate of tax from 4 *per cent* to 5 *per cent* in respect of drugs and medicines, plant and machinery as well as specified IT products covered under schedule C of the *ibid* Act.

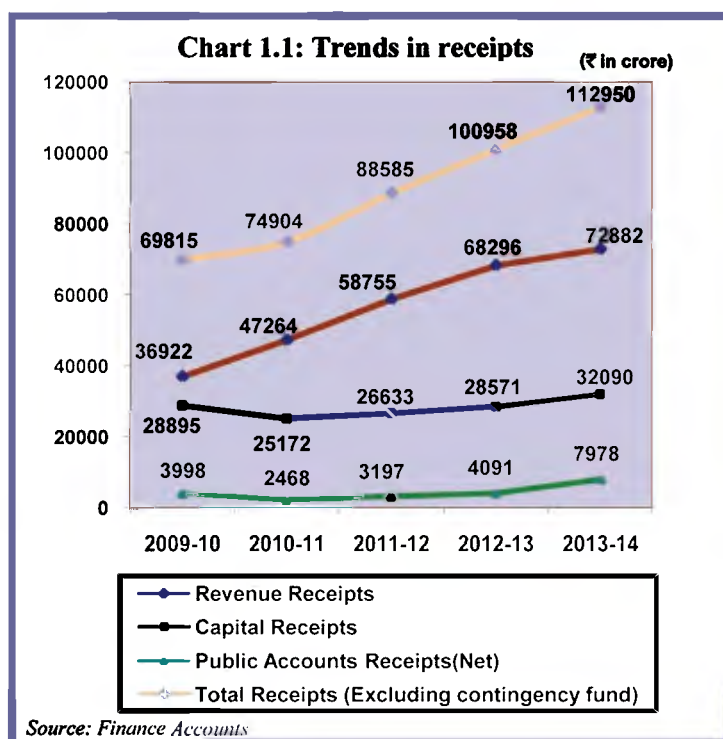
Shortfall in actual receipts under tax revenue over the budgetary estimates by ₹ 3953 crore (10 *per cent*) was primarily due to short collections in taxes on Land Revenue (by ₹ 1689 crore), Goods and Passengers (by ₹ 438 crore), Stamps and Registration fees (by ₹ 447 crore). Non-tax revenue was, however, higher (by 15 *per cent*) compared to the BE, mainly because of interest realized on investment under Treasury Bills (₹ 228 crore) and receipt of guarantee fee.

Capital outlay fell short of the budgetary estimates by 26 *per cent* due to shortfalls in allocation for Irrigation and Flood Control (by 71 *per cent*) followed by Agriculture and Allied Activities (by 21 *per cent*) under economic services.

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 revenue, non-tax revenue, State's share of union taxes and duties and grants received from the Government of India (GoI). Capital Receipts comprise debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks), loans and advances from GoI and miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances. **Table 1.2** presents the receipts and disbursements of the State during the current year as recorded in its Annual Finance Accounts while **Chart 1.1** depicts the trends in various components of the receipts of the State during the years 2009-14.



Total receipts (including net Public Accounts receipts) of the State grew at a CAGR of 12.78 per cent during the period 2009-10 to 2013-14. Increase of receipts in 2013-14 over the previous year was ₹ 11992 crore (12 per cent excluding contingency fund receipts).

Revenue receipts grew at a CAGR of 18.53 per cent while capital receipts grew at a CAGR of 2.66 per cent during 2009-10 to 2013-14. The share of revenue receipts in total receipts varied between 53 per cent and 68 per cent during 2009-14 and stood at 65 per cent during 2013-14. The share of capital receipts in total receipts fluctuated during the last five years and accounted for around 28 per cent of total receipts during 2013-14.

1.2.2 Funds transferred by Central Government to State Implementing Agencies outside the State Budget

GoI has been transferring a sizeable quantum of funds directly to the State implementing agencies⁷ for implementation of various schemes/programmes in social and economic sectors, which are recognised as critical. Under the existing mechanism, these funds are not routed through the State Budget/State Treasury System and hence the flows of these funds are not captured in the Finance Accounts of the State. The total funds directly transferred to State Implementing Agencies are presented in Table 1.5.

Table 1.5: Overall position of release of funds by GoI Ministries

Type of Schemes → Recipient agency ↓	Assistance to State Plan	Central Sector	Centrally sponsored	Amount released during 2013-14	Amount released during 2012-13
(₹ in crore)					
State PSUs	—	75	5	80	48
Statutory bodies	—	291	14	305	573
Local bodies	326	6	—	332	296
Government Autonomous bodies	—	1280	7227	8507	9162
State Government institutions	—	16	64	80	71
NGOs	1	103	—	104	68
Others ⁸	—	59	2	61	65
Total direct transfer	327	1830	7312	9469	10283

Source: Website of CGA

⁷ State implementing agencies include any organisation/institution including Non-Governmental organisation which is authorised by the State Government to receive funds from GoI for implementing specific programmes in the State.

⁸ Others include private sector companies, trusts and individuals.

The funds transferred directly to the State Implementing Agencies by various GoI Ministries outside the State budget are captured in the Central Plan Scheme Monitoring System (CPSMS) portal of the website of Controller General of Accounts (CGA). During 2013-14, ₹ 9469 crore was transferred by the Central Government to the State implementing agencies outside the State budget, while the total grants received by the State Government from the Centre within their budget stood at ₹ 11853 crore during the year. **Table 1.5** shows that there has been eight *per cent* decrease in direct transfer of funds in 2013-14 compared to previous year.

The major centrally sponsored schemes where funds were directly transferred by the Central Government is presented in **Table 1.6**:

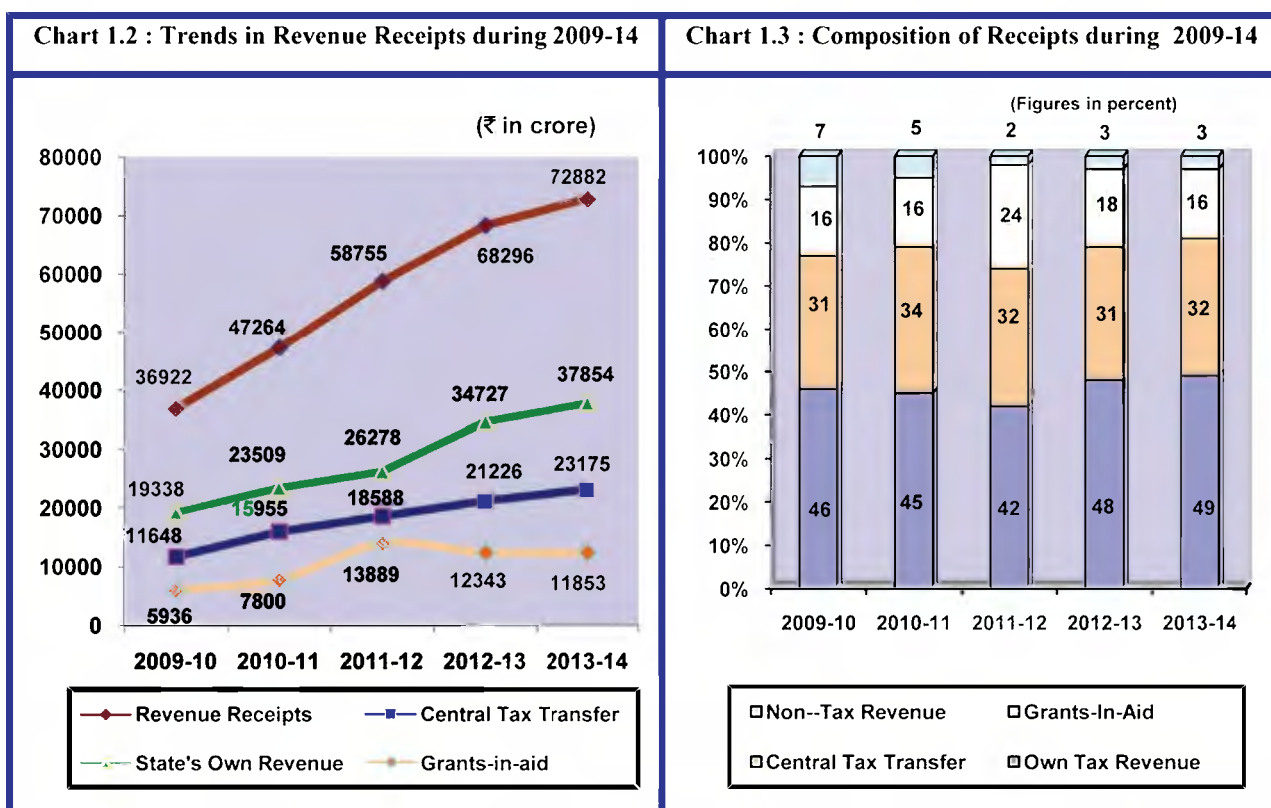
Table 1.6: Funds transferred directly to State Implementing Agencies

Programme/Scheme	Implementing Agency in the State	Funds transferred directly by GoI during 2013-14 (₹ in crore)
Mahatma Gandhi National Rural Employment Guarantee Scheme	State Employment Guarantee Funds (WB)	2894
Sarva Shiksha Abhiyan (SSA)	Paschim Banga Sarva Shiksha Mission (PBSSM)	1532
Rural Housing -IAY	District Rural Development Agencies (DRDAs)	866
National Rural Health Mission (NRHM) Centrally Sponsored	West Bengal State Health & Family Welfare Samiti	720
National Rural Drinking Water Programme	State Water and Sanitation Mission, West Bengal	486
MPs Local Area Development Scheme (MPLADS)	Commissioner, Kolkata Municipal Corporation & Others	326
Pradhan Mantri Gram Sadak Yojana (PMGSY)	West Bengal State Rural Development Agency, Kolkata	306
Support to Indian Institute of Technology (IITs)	Indian Institute of Technology, Kharagpur	260
Museums	National Council of Science Museum	194
National Food Security Mission (NFSM)	State Food Security Agency	60
Total		7644

Source: Finance Accounts

1.3 Revenue Receipts

The trends and composition of revenue receipts over the period 2009-14 are presented in **Appendix 1.7** and also depicted in **Chart 1.2** and **1.3** respectively.



Source : Finance Accounts

Revenue Receipts have shown progressive increases during 2009-14 despite reduction in grants-in-aid for the last two consecutive years. Grants-in-aid reduced from 24 *per cent* of the revenue receipts in 2011-12 to 16 *per cent* in 2013-14. The increase in revenue receipts during 2013-14 (6.71 *per cent*) as compared to previous year was due to the net effect of increase in tax revenue by nine *per cent* (₹ 3022 crore), State's share of Union Excise and Duties by nine *per cent* (₹ 1949 crore), non-tax revenue by five *per cent* (₹ 105 crore) and was partly offset by decrease in Grants from GoI by four *per cent* (₹ 490 crore).

The trend in revenue receipts relative to GSDP is presented in Table 1.7:

Table 1.7: Trends in Revenue Receipts relative to GSDP

	2009-10	2010-11	2011-12	2012-13	2013-14
Revenue Receipts (RR) (₹ in crore)	36922	47264	58755	68296	72882
Rate of growth of RR (<i>per cent</i>)	0.05	28.01	24.31	16.24	6.71
State's Own Tax Revenue (₹ in crore)	16900	21129	24938	32809	35831
Rate of growth of States Own Tax Revenue (<i>per cent</i>)	7.21	25.02	18.03	31.56	9.21
RR/GSDP (<i>per cent</i>)	9.26	10.25	11.12	11.15	10.41
Buoyancy Ratios					
Revenue Receipts Buoyancy <i>w.r.t.</i> GSDP	0.00	1.80	1.66	1.02	0.47
State's Own Tax Buoyancy <i>w.r.t.</i> GSDP	1.03	1.61	.23	1.98	0.65
Revenue Receipts Buoyancy <i>w.r.t.</i> State's own taxes	0.00	1.12	1.35	0.51	0.73

Source: Finance Accounts

The growth rate of revenue (6.71 *per cent*) during the current year, however, was lower than the growth rate during 2012-13 (16.24 *per cent*), primarily due to slow growth rate of State's own tax revenue from 32 *per cent* in 2012-13 to only nine *per cent* growth rate in 2013-14.

The ratio of revenue receipts to GSDP has remained between nine to 11 *per cent* during these five years.

1.3.1 State's Own Resources

As the State's share in central taxes and grants-in-aid is determined on the basis of recommendations of the Finance Commission, collection of central tax receipts, central assistance for plan schemes, etc., the State's performance in mobilization of resources was assessed in terms of its own resources comprising own tax and non-tax sources. The gross collection in respect of major taxes and duties as well as collection under non-tax receipts are given in *Appendix 1.7*.

The State's actual tax and non-tax receipts for the year 2013-14 *vis-à-vis* assessment made by 13th FC and MTFPS (2013-14) is given in **Table 1.8**:

Table 1.8: Actual tax and Non-Tax Revenue *vis-à-vis* projections

(₹ in crore)

	13th FC projection	Budget estimates	MTFP projection ⁹	Actual
Own Tax Revenue	41432	39784	39100	35831
Non-Tax Revenue	3958	1756	1895	2023

(Source: 13th FC Report, Budget Publication 2013-14, MTFPS and Finance Accounts)

Table 1.8 shows that the actual realization of tax revenue was lower than the normative assessment of the 13th FC (by 14 *per cent*) followed by Budget (10 *per cent*) and MTFP Projection (by eight *per cent*). The non-tax revenue of the Government was lower than the normative assessment of the 13th FC (by 49 *per cent*) but higher than the budget (by 15 *per cent*) and MTFP projection (by seven *per cent*).

1.3.1.1 Tax Revenue

The gross collection in respect of major taxes and duties for the period 2009-14 is given in **Table 1.9**.

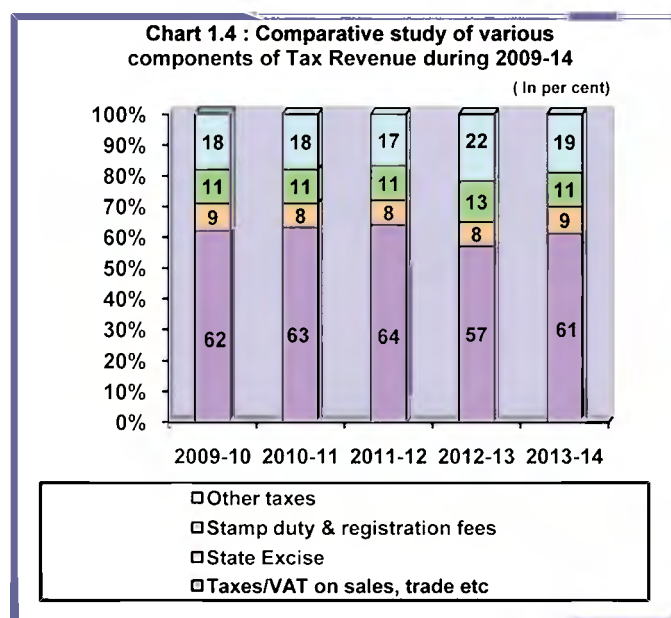
⁹In the MTFPS, RE figures for 2013-14 were mentioned

Table 1.9: Components of State's own tax revenue

(₹ in crore)						
Revenue Fund	2009-10	2010-11	2011-12	2012-13	2013-14	CAGR
Taxes/VAT on Sales, Trade etc	10510	13276	15888	18555	21931	20.19
Stamp Duty and Registration fees	1814	2265	2732	4357	4053	22.26
State Excise	1444	1783	2117	2621	3018	20.24
Land Revenue	929	1254	1872	2024	2254	24.81
Taxes on Vehicles	774	936	1007	1222	1351	14.94
Taxes on Goods and Passengers	-	-	(-)	1284	1000	-
Taxes and Duties on Electricity	665	769	408	1837	1213	16.21
Other taxes	764	846	915	909	1011	7.25
Total	16900	21129	24938	32809	35831	20.67

Source: Finance Accounts

CAGR of State's own tax revenue collection during 2009-14 was 20.67 per cent. The overall increase of tax revenue by ₹ 3022 crore (nine per cent) over the previous year was mainly due to increase in revenue collection under (a) taxes/VAT on sales, trades, etc by ₹ 3376 crore (18 per cent) due to increase in rates of taxes of some items under WBVAT Act, 2003, (b) state excise by ₹ 397 crore (15 per cent) and (c) land revenue by ₹ 230 crore (11 per cent) mainly due to Misc. receipts not connected with Government estates and recoveries on account of Land Acquisition Establishment set off by decrease under (i) taxes and duties on electricity by ₹ 624 crore (34 per cent) due to waiving of duty under West Bengal Incentive Scheme, 1993 and waiving of duty to low and medium voltage consumers upto a specific quantum of consumptions, (ii) stamp duty and registration fees by ₹ 304 crore (seven per cent) due to lower receipt on stamp duty collection and (iii) taxes on goods and passengers by ₹ 284 crore (22 per cent) due to exemption of entry tax on some goods.



Source: Finance Accounts

Note-Other taxes also includes Land revenue, taxes on vehicles, goods and passenger and, Taxes and duties on electricity

During the period 2009-14, tax/ VAT on sales, trade, etc. (57 to 64 per cent) was the major component of State's own tax revenue. There were no significant variations among relative shares of the major components of tax revenue in 2013-14 compared to 2009-10. While contribution of sales tax to total revenue declined from 62 per cent in 2009-10 to 61 per cent in 2013-14, the share of other taxes increased from 18 per cent to 19 per cent during the aforesaid period.

1.3.1.2 Non Tax Revenue

Table 1.10: Components of Non Tax Revenue

Revenue Head						(₹ in crore)
	2009-10	2010-11	2011-12	2012-13	2013-14	Percentage increase over previous year
Interest receipts	363(14.89)	717(30.13)	292(21.79)	934(48.70)	986(48.74)	5.57
Dividends and Profit	1(0.04)	1(0.04)	1(0.07)	2(0.10)	8(0.40)	300.00
Other non-tax receipts	2074(85.07)	1662(69.83)	1047(78.14)	982(51.20)	1029(50.86)	4.79
Total	2438	2380	1340	1918	2023	

Source: Finance Accounts

Figures in brackets indicate the share of the components.

Non-tax revenue was three *per cent* of the revenue receipts during 2013-14 and mainly comprised interest realized on investment under treasury bills (₹ 228 crore), 13th FC benefit on interest relief on NSSF (₹ 404.53 crore) and interest received from Public Sector and other Undertakings (₹ 165.49 crore).

1.3.2 Grants-in-aid from Government of India

The trends of release of grants-in-aid by GoI under Non-Plan, State Plan, Centrally Sponsored and Central Plan Schemes is shown in Table 1.11.

Table 1.11: Components of Grants-in-aid

Particulars						(₹ in crore)
	2009-10	2010-11	2011-12	2012-13	2013-14	
Non-Plan Grants	1395	2536	3537	4032	3790	
Grants for State Plan Schemes	2734	3127	6529	5004	4149	
Grants for Central Plan Schemes	89	163	203	150	187	
Grants for Centrally Sponsored Schemes	1718	1974	3620	3157	3727	
Grants for Special Plan Schemes	-	-	-	-	-	
Total	5936	7800	13889	12343	11853	
Percentage of increase over previous year	(-) 4.21	31.42	78.06	(-) 11.13	(-) 3.97	
Total grants as a percentage of Revenue Receipts	16.07	16.50	23.64	18.07	16.26	

Source: Finance Accounts

During 2013-14, grants-in aid from GoI reduced by ₹ 490 crore (four *per cent*) mainly due to decrease in Non-Plan grants by six *per cent* (₹ 242 crore) and grants for State plan schemes by 17 *per cent* (₹ 855 crore) which was partly *offset* by rise in grants for Centrally Sponsored Schemes by 18 *per cent* (₹ 570 crore). Under non-plan grants decrease was mainly in Subsidy to West Bengal for distribution of Rice under Targeted Public Distribution System to BPL families by 26 *per cent* (₹ 466 crore) and under State Plan Schemes the decrease was in Special Central Assistance for Integrated Action Plan under BRGF (State component) for State Annual Plan by 57 *per cent* (₹ 848 crore) followed by

Additional Central Assistance (ACA) grants under Stream II of the Rashtriya Krishi Vikash Yojana by 28 per cent (₹ 105 crore) due to, *inter alia*, non-submission of UCs for previously released grants, failure to submit action plans, etc.

1.3.3 Central Tax Transfers

Under recommendations of the 13th FC, all States' share of central taxes was increased to 32 per cent from 30.50 per cent as recommended by Twelfth Finance Commission. The State's share in the net proceeds of central tax (excluding Service Tax) and net proceeds of Service Tax has been fixed at 7.26 and 7.38 per cent respectively.

During 2013-14, central tax transfers stood at ₹ 23175 crore with an increase of nine per cent over the previous year and constituted 32 per cent of revenue receipts. The increase was mainly under Service Tax by 22 per cent (₹ 676 crore) and Taxes on Income other than Corporation Tax by 12 per cent (₹ 567 crore).

1.3.4 Optimisation of the 13th FC grants

The status on utilisation of 13th FC grants allocated upto the year 2013-14 is depicted below.

Table 1.12: Status on utilisation of 13th FC grants

(₹ in crore)

Sl. No.	Transfer	Recommendation of the FC (Allocation upto 2013-14)	Actual release by GoI	Expenditure ¹⁰	Unutilised amount ¹¹
	Local Bodies	4057	2578	2578	-
	Grants to PRIs	2922	2000	2000	-
1	General performance grants to PRIs	935	401	401	-
	Grants to ULBs	1135	579	579	-
	General performance grants to ULBs	365	138	138	-
2	Disaster Relief	1005	1000	1000	-
3	Improving outcome grants	380	100	12 ¹²	88
4	Environment related grants	281	133	127	6
5	Elementary education	1799	1799	1251	548
6	Roads and bridges	482	482	431	51
7	State specific grants	1277	932	584	348
	Total	14638	10142	9101	1041

Source: 13th FC Report and departmental figures

¹⁰ As per UCs received

¹¹ As deduced from UCs not received

¹² Figure has been revised by Finance Department owing to non-submission of UC in prescribed format by Judicial Department.

1.3.4.1 Failure to avail 13th FC grants

Audit scrutiny (August 2014) of records of Finance department revealed that various departments of GoWB could not avail the 13th FC grants amounting to ₹ 1898.29 crore allocated by the GoI for the various sector/components for the period 2013-14 as detailed in **Appendix 1.8** due to non-compliance with the conditions / prerequisites imposed by 13th FC and suitably adopted by GoI. Had the departments paid due attention to the requirements of submission of annual action plan/ timely submission of utilisation certificate for funds released in previous years, the situation could have been avoided. Some of these are enumerated below:

- As per status report submitted by Municipal Affairs (MA) Department, progress of expenditure of previously released (pertaining to 2012-13) performance grant and basic grant were only 54 per cent and 66 per cent respectively as of January 2014.
- In pursuance to the order of Ministry of Finance, GoI (April 2011), release of grant for Water Sector Management is incumbent upon setting up a Water Regulatory Authority (WRA) by March 2012. The Authority is yet to be formed (August 2014).
- For improvement of statistical systems, 13th FC allocated ₹ 15.20 crore for 2010-14 (₹ 3.80 crore annually) for Statistics & Programme Implementation Department. Though the first instalment of ₹ 3.80 crore was released by GoI in 2010-11, the department utilised only ₹ 1.70 crore as of August 2014 and is yet to furnish the UCs even for the said amount.
- As per recommendation of 13th FC GoI was to release grants amounting to ₹ 19 crore in two instalments to Planning Department towards District Innovation fund. The first instalment of ₹ 9.50 crore was received by Planning department in 2011-12, but it failed to submit UC in prescribed format inspite of repeated pursuance by Finance Department, GoWB. It ultimately submitted UC in prescribed *pro forma* only in April 2014 resulting in non receipt of the balance amount from GoI.
- Home (Political) Department received ₹ 20.84 crore in 2010-11 (out of ₹ 166.72 crore receivable during 2010-14) for Unique Identification programme. The Department, however, after a lapse of three years intimated the State's High Level Monitoring Committee (August 2014) that no funds could be utilized due to complexities involved in beneficiary selection. Consequently funds amounting to ₹ 20.84 crore remained idle since 2010-11 and balance of the Grant amounting to ₹ 145.88 crore could not be availed by the Department.
- Under the programme Improvement of Justice and Delivery, 13th FC recommended grants of ₹ 168.72 crore receivable by the State during 2010-14 in four equal instalments of ₹ 42.18 crore each. GoI released ₹ 63.27 crore against the total amount (₹ 42.18 crore in 2010-11 and ₹ 21.09 crore in 2011-12), against which ₹ 38.06 crore (60 per cent) was

utilized by Judicial Department as of August 2014. Further even for the amount utilised, the Department had not submitted UC in prescribed format as of August 2014.

1.3.4.2 Short release of State specific grants

Out of ₹ 1277.25 crore allocated by the GoI for State specific grants under 13th FC during 2011-12 to 2013-14 to seven departments¹³ for construction, upgradation and maintenance purposes, GoWB could avail only ₹ 931.70 crore indicating a shortfall of ₹ 345.55 crore upto March 2014 due to *inter alia* non-fulfillment of preconditions and delayed submission of UC for the initial installments released by GoI as detailed in *Appendix 1.9*.

1.4 Capital Receipts

The trends in growth and composition of capital receipts for the period 2009-14 are depicted in **Table 1.13**.

Table 1.13: Trends in growth and composition of capital receipts

	(₹ in crore)				
Sources of State's Receipts	2009-10	2010-11	2011-12	2012-13	2013-14
Capital Receipts (CR)	28895	24566	26633	28571	32090
Recovery of Loans and Advances	387	372	78	280	1158
Public Debt Receipts ¹⁴	28508	24194	26555	28291	30932
<i>of which Market Loans</i>	18353	10556	23591	23006	24676
Rate of growth of Public Debt	78.28	(-) 15.13	9.76	6.54	9.34
Rate of growth of GSDP	16.65	15.56	14.61	15.97	14.27

Source: Finance Accounts

During 2013-14, capital receipts increased by 12 *per cent* over the previous year. This was mainly due to increase in public debt receipts by ₹ 2641 crore and recovery of loans and advances by ₹ 878 crore. Increase in public debt receipts was mainly on account of seven *per cent* growth in Market Loans (₹ 1670 crore) and 45 *per cent* growth in Special Securities issued to NSSF of the GoI (₹ 1329 crore) which was partly *offset* by decrease in GoI loans by ₹ 760 crore (51 *per cent*). Increase in recovery of loans and advances was owing to substantial repayment of the Power Project loans (₹ 1067 crore) during the current year.

1.5 Public Accounts Receipts

Receipts and disbursements in respect of certain transactions such as small savings, provident funds, reserve funds, deposits, suspense, remittances, etc. which do not form part of the Consolidated Fund, are kept in the Public Account set up under Article 266(2) of the Constitution and are not subject to vote by the State Legislature. Here the Government acts as a banker. The net accrual to the Public Account is available with the Government for financing the fiscal deficit. The trends and composition in net Public Accounts receipts for the period 2009-14 is depicted in **Table 1.14**.

¹³ Home (Police), Irrigation and Waterways, Fire & Emergency Services, Health & Family Welfare, Women & Child Development & Social Welfare Department, Home (Political), Information & Cultural Affairs.

¹⁴ Excluding Ways and means advances from RBI

Table 1.14: Trends in growth and composition of Net Public Accounts Receipts

(₹ in crore)

Resources under various heads	2009-10	2010-11	2011-12	2012-13	2013-14
Public Accounts Receipts					
a. Small Savings, Provident Fund, etc.	738	1129	1032	945	841
b. Reserve Fund	676	1192	1296	533	1189
c. Deposits and Advances	1364	870	1367	2944	2627
d. Suspense and Miscellaneous	1162	-458	-823	-559	2928
e. Remittances	58	-265	325	228	393
Total	3998	2468	3197	4091	7978

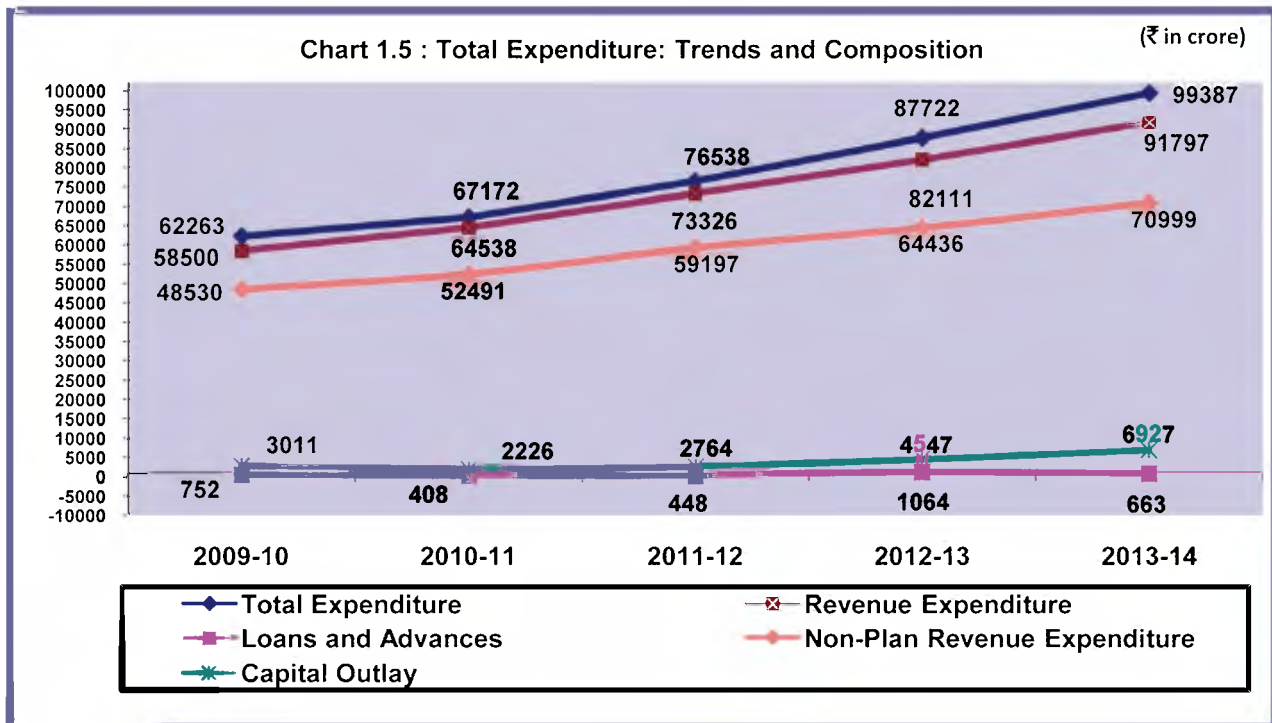
Source: Finance Accounts

1.6 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 sector.

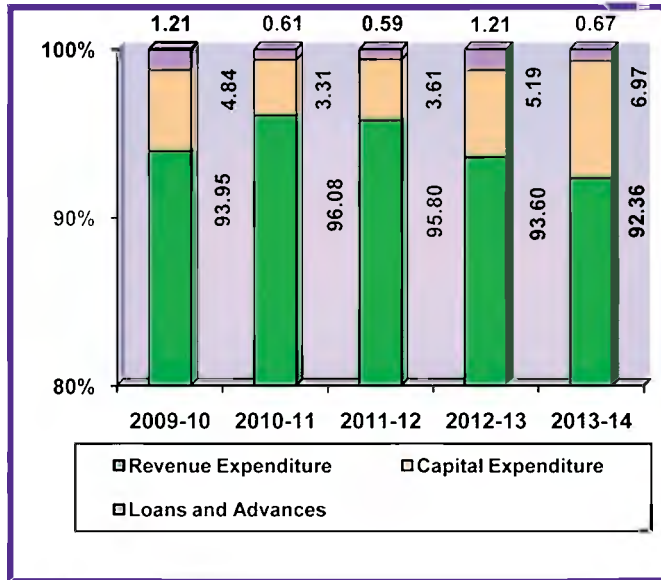
1.6.1 Growth and composition of expenditure

Chart 1.5 presents the trends in total expenditure over the period 2009-14. The composition of total and sectorial expenditure are depicted in Charts 1.6 and 1.7 respectively.



Source: Finance Accounts

Chart 1.6 : Total Expenditure: Trends in share of its components (in percent)

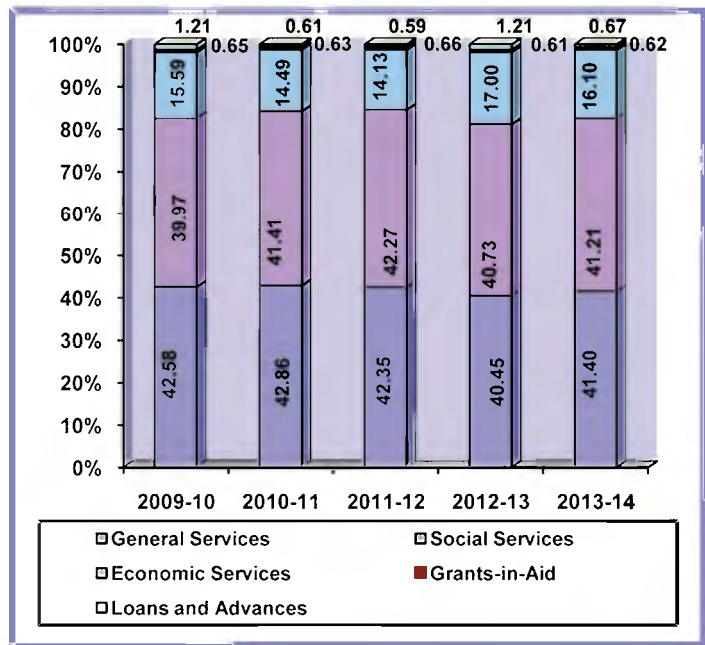


Source: Finance Accounts

Total expenditure during 2013-14 increased by ₹ 11665 crore (13.30 per cent) over the previous year mainly due to increases in revenue expenditure (₹ 9686 crore) and capital outlay (₹ 2380 crore) offset by reduction in loans and advances disbursed (₹ 401 crore). Revenue expenditure constituted 92.36 per cent while Capital outlay constituted only 6.97 per cent of the total expenditure during 2013-14.¹⁵

In terms of activities, total expenditure is composed of expenditure on general services (which includes interest payments and payment of pensions and other retirement benefits as its major components), social and economic services, grants-in-aid and loans and advances. The structure of expenditure in terms of the relative share of these components has remained more or less similar in the last five years.

Chart 1.7 : Total Expenditure : Trends by activities(in percent)



Source: Finance Accounts

Significant Capital Outlays

During 2013-14, plan capital outlay mainly consisted of expenditure on Roads and Bridges (₹ 1473 crore), equity participation in power projects (₹ 692 crore), Housing schemes¹⁶ (₹ 620 crore), infrastructure on Education sector (₹ 617 crore), infrastructure in Medical and Public Health (₹ 573 crore), Flood control projects (₹ 538 crore). Of these the expenditure of ₹ 597 crore (widening and strengthening of roads) and ₹ 300 crore (construction of sub-divisional and other hospitals) was incurred under Backward Region Grant Fund (BRGF).

¹⁵ Total expenditure shown here does not include repayment of public debt.

¹⁶ These include funds allocated for Economically weaker sections of the community- ₹ 434 crore; Scheduled Castes- ₹ 84 crore; Scheduled Tribes- ₹ 41 crore

1.6.2 Revenue Expenditure

During the period 2009-10 to 2013-14, revenue expenditure increased at a CAGR of 11.92 per cent. Non-Plan Revenue Expenditure (NPRE) (₹ 70999 crore) constituted 77 per cent of the total revenue expenditure during 2013-14 and was substantially higher (by 28 per cent) than the normative projections of 13th FC (₹ 55298 crore). Major areas of increased expenditure are discussed in the succeeding paragraphs.

1.6.3 Committed Expenditure

Committed expenditure of the State Government on revenue account mainly consists of interest payments, expenditure on salaries and wages, pensions and subsidies. Table 1.15 presents the trends in the expenditure on these components during 2009-14.

Table-1.15 : Components of Committed Expenditure

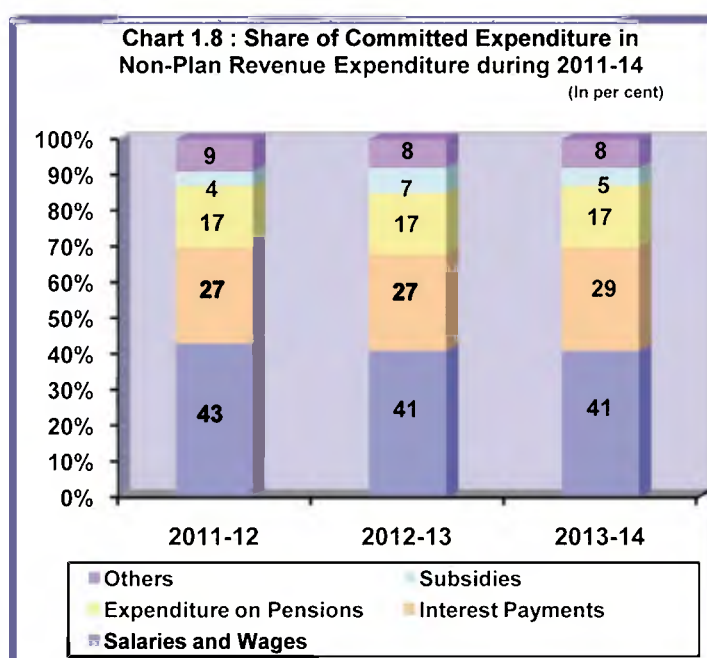
(₹ in crore)

Components of Committed Expenditure	2009-10	2010-11	2011-12	2012-13	2013-14	
					BE	Actuals
Salaries* & Wages, Of which	21903(59)	24954(53)	27031(46)	28342(41)	32773	29309(40)
Non-Plan Head	20849	23728	25537	26685		27678
Plan Head**	1054	1226	1494	1657		1631
Interest Payments	13305(36)	13817(29)	15896(27)	17571(26)	19492	20757(28)
Expenditure on Pensions	6511(18)	8078(17)	10066(17)	11036(16)	10487	11638(16)
Subsidies	2556(7)	2093 (4)	2564(4)	4404(6)	2172	3437(5)
Total	44275	48942	55557	61353		65141

Source: Finance Accounts, Voucher Level Computerisation (VLC) done by Pr. A.G. (A&E) and Budget Publications
Figures in the parentheses indicate percentage to revenue receipts.

* It also includes the salaries paid out of grants-in-aid.

**Plan Head also includes the salaries and wages paid under Centrally Sponsored Schemes



Source: Finance Accounts

Committed expenditure of the State grew at a CAGR of 10.13 per cent during 2009-14. Proportion of committed expenditure with respect to revenue expenditure hovered between 71 and 76 per cent during 2009-14 indicating little improvement in terms of flexibility enjoyed by the State in managing the resources. The share of committed expenditure in NPRE during 2011-14 is depicted in Chart 1.8. During the period 2011-14, expenditure under salary and wages constituted the major share of NPRE followed by interest payments and expenditure on pensions.

Expenditure on salaries and wages :

Expenditure on salaries and wages (₹ 29309 crore) grew at a CAGR of 7.55 per cent during 2009-14. During 2013-14, salary expenditure was lower than the budgetary estimates (₹ 32773 crore) by ₹ 3464 crore (11 per cent). Expenditure on salaries constituted 40.21 per cent of the revenue receipts during the current year.

Pension payments :

Expenditure on Pensions (₹ 11638 crore) grew at a CAGR of 15.63 per cent during 2009-14. It surpassed the budgetary estimates (₹ 10487 crore) by ₹ 1151 crore (11 per cent) in 2013-14. Expenditure on pensions constituted 15.97 per cent of the revenue receipts and 16.39 per cent of the NPRES during the current year.

The expenditure on pension during 2013-14 surpassed the 13th FC projection (₹ 7830 crore) by 48.63 per cent.

Contributory Pension Scheme for All India Service officers :

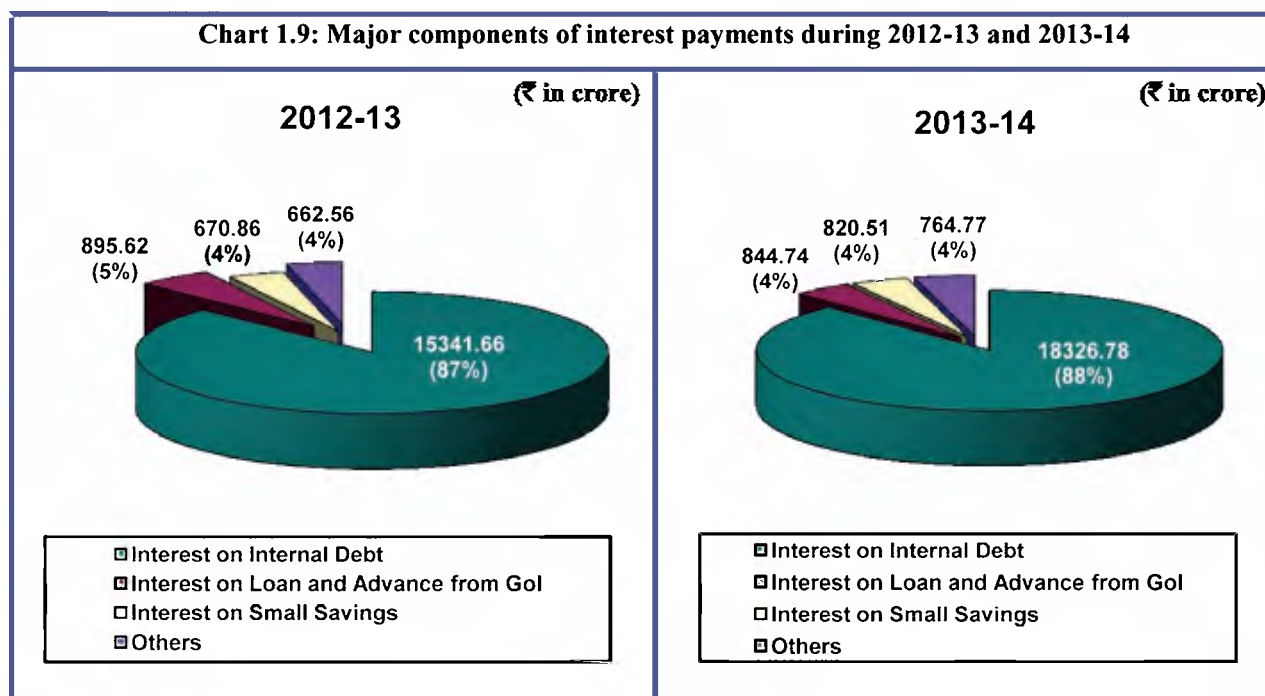
All India Service (AIS) officers recruited on or after 1 January 2004 are covered under the New Pension Scheme (NPS), which is a defined contributory pension scheme. In terms of the scheme, the employee contributes 10 per cent of his basic pay and dearness allowances, which is matched by the State Government and the entire fund is transferred to the designated fund manager through the National Securities Depository Limited (NSDL)/Trustee bank. The amount of employees' and Government's contributions receivable in the scheme since inception was not estimated. During 2013-14, the State Government transferred ₹ 1.10 crore to NSDL/Trustee bank, which included ₹ 0.47 crore towards employees' contribution and ₹ 0.63 crore towards Government's contribution, leaving a balance of ₹ 0.17 crore (₹ 0.06 crore Government's contribution and ₹ 0.11 crore employees' contribution) as on March 2014 remaining to be transferred to NSDL/Trustee bank. Uncollected, unmatched and un-transferred amounts, with accrued interest, represented outstanding liabilities under the scheme.

GoWB is yet to migrate to the NPS for other employees of the State Government despite recommendation of the 13th FC.

Interest payments :

Expenditure on Interest Payments grew at a CAGR of 11.76 per cent during 2009-14. It constituted 28 per cent of the revenue receipts and 29 per cent of NPRES during 2013-14. As depicted in **Chart 1.9** interest on internal debt comprised major share of interest payments being 88 per cent in 2013-14. In Internal Debt, interest on market loans and interest on special securities issued to NSSF constituted 50 per cent and 36 per cent respectively of the interest payments during 2013-14.

Against the 13th FC projection of ₹ 17911 crore during 2013-14, actual expenditure incurred on interest payment was higher by 16 per cent.



Source: Finance Accounts;

"Others" include interest on Loans from the Govt. of Japan, Asian Development Bank, Reserve Funds and interest on Deposits.

Interest payment on market loans as percentage of revenue receipts is depicted in **Table 1.16** :

Table 1.16: Interest payment as percentage of Revenue Receipts

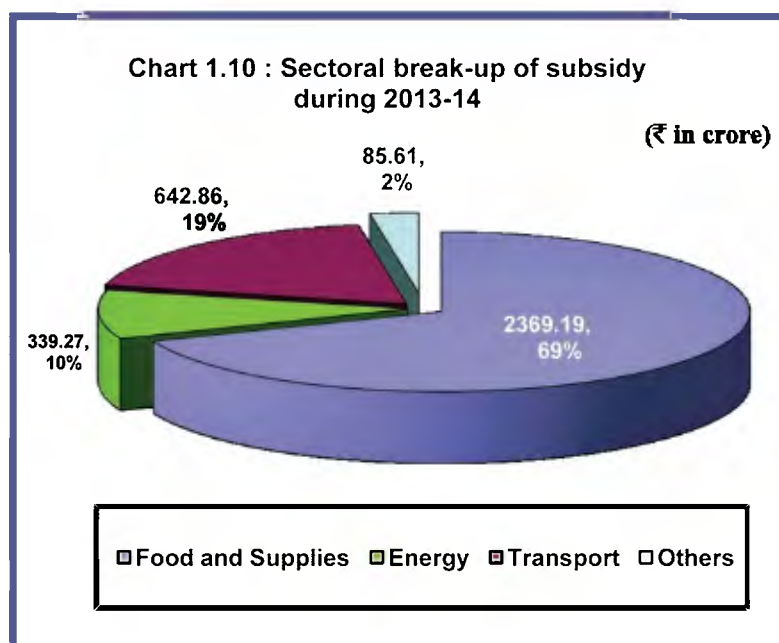
Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Interest payment on market loans (₹ in crore)	3831	4899	5839	7455	10345
Percentage of Revenue Receipts	10	10	10	11	14

Source: Finance Accounts

Payment of interest on market loans grew at a CAGR of 28.19 per cent during 2009-14. Of the total interest paid during 2013-14, market loans alone accounted for 50 per cent. Interest payment increased by 28 per cent (₹ 1616 crore) during 2012-13 and again by 39 per cent (₹ 2890 crore) during 2013-14 over the respective previous years.

Payment of subsidies

Expenditure on subsidies grew at a CAGR of 7.68 per cent during the period 2009-14. The sectoral segregation of subsidies is depicted in **Chart 1.10**.



Source: Finance Accounts

Payment of subsidy reduced by ₹ 967 crore (22 per cent) over the previous year. Maximum reduction took place in the Power sector by ₹ 772 crore (69 per cent) owing to reduction of subsidy to WBSEDCL for subsidization of power tariff to its consumers. In Food & Supply segment, cut was ₹ 417 crore (15 per cent) due to lower subsidy in supply of rice to the APL/BPL families in the TPDS. However, in Transport sector, increase was 40 per cent mainly due to ₹ 133 crore¹⁷ assistance to the State Transport Corporations for implementation of the Voluntary Retirement Scheme.

Implicit subsidy

State Government incurred an expenditure of ₹ 320.46 crore which was booked as Grants-in-Aid/Other charges. These includes:

- ₹ 167.52 crore assistance to mitigate the financial losses of the depositors of Sharada chit fund in the shape of Government assistance towards compensation under 'West Bengal Compensation scheme for affected persons under the Sharada Scam 2013' following notification of the GoWB (September 2013).
- Payment of electricity charges to WBSEDCL on account of minor irrigation schemes (₹ 122.51 crore).

Significant policies, projects entailing committed expenditure on the State

Major policy decisions during the year 2013-14 on new schemes proposed in the budget had implications for annual revenue expenditure. During 2013-14, GoWB launched following two social sector schemes-

- 'Kanyashree', a GoWB sponsored incentive scheme for unmarried girls having annual family income less than ₹ 1.2 lakh per annum, targeting the economically weaker sections aiming to prevent child marriage, trafficking and school dropout including improvement of maternal and child health through prevention of early pregnancies. During 2013-14, ₹ 272.86 crore was spent against a budgetary provision of ₹ 192.86 crore.
- 'Yuba Utsaha Prakalpa', a scheme meant for extending monthly (₹ 1500) financial support to the unemployed youth in the age group of 18-45 years and have passed Standard-VIII who are registered with Employment Bank. During 2013-14 against a budgetary provision of ₹ 26.38 crore, expenditure incurred was ₹ 100.61 crore.

¹⁷ North Bengal Transport Corporation: ₹ 95 crore; South Bengal State Transport Corporation: ₹ 16 crore; Calcutta Tramways Company: ₹ 11 crore; Calcutta State Transport Corporation : ₹ 11 crore

1.6.4 Financial assistance by State Government to local bodies and other institutions

Introduction to Local Bodies

The West Bengal Panchayat Act, 1973 was enacted, *inter alia* to reorganize Panchayats in rural areas of West Bengal. The Act depicted the broad aspects of duties, powers and functions of three tier Panchayati Raj Institutions (PRIs) in West Bengal. Municipal Bodies have been accorded constitutional status in the 74th Constitutional Amendment Act of 1992. The Urban Local Bodies (ULBs) in West Bengal are governed by the West Bengal Municipal Act, 1993. With effect from November 2008, all municipal corporations (except Kolkata and Howrah) have been brought under the West Bengal Municipal Corporation Act, 2006. The PRIs and ULBs were entrusted with the implementation of key socio-economic development programmes through devolution of funds and functions as per recommendations of the successive Central/ State Finance Commissions.

In exercise of the powers conferred by the above stated Panchayat Act and Municipal Acts of the State, the Examiner of Local Accounts (ELA), West Bengal was appointed as the Auditor entrusted with the responsibility to audit the PRIs and ULBs. The Panchayat Act stipulates that the report of the ELA on PRIs shall be laid before the State Legislature and in terms of the Rules of Procedure and Conduct of Business in the WBLA, matters relating to scrutinising the Report have been entrusted to the Standing Committee on Panchayats and Rural Development (P & RD), Land & Land Reforms and Sundarban Development, WBLA. The Municipal Acts envisage that the Auditor shall prepare a report on the accounts examined and send it to the Chairman / Mayor and a copy thereof to the Director of Local Bodies. For examining Audit Reports on ULBs, a State Level Audit Committee¹⁸ (SLAC) was constituted in February 2006.

Financial Assistance to Local Bodies and others

The quantum of assistance provided by way of grants-in-aid to local bodies and others during the current year relative to the previous years is presented below:

Table 1.17: Financial Assistance to Local Bodies/Institutions, etc

Financial Assistance to Local Bodies/Institutions	2009-10	2010-11	2011-12	2012-13	2013-14
	(₹ in crore)				
Panchayati Raj Institutions (PRIs)	2180	2192	2670	5623	5672
Urban Local Bodies(ULBs)	2105	2435	2365	2500	2808
Public Sector Undertakings	86	66	67	89	97
Autonomous Bodies(ABs)	1712	2028	2332	2310	2772
Others	13508	16935	19334	17611	21817
Total	19591	23656	26768	28133	33166
Assistance as per percentage of Revenue Expenditure	33	37	37	34	36

Source: Finance Accounts

¹⁸ Comprising the Chief Secretary (Chairman), Principal Secretary / Secretary of the P & RD Department (Member), Principal Secretary / Secretary of the Municipal Affairs Department (Member), Principal Secretary of the Finance Department (Member), Pr. Accountant General, West Bengal (Member) and Principal Secretary of the Finance (IA) Department (Member-Secretary)- Notification No. 4010-F.B. dated 23 February 2006 of the Finance Department, Government of West Bengal.

Table 1.17 indicates that during 2013-14 financial assistance to Local Bodies/Institutions over the previous year increased by ₹ 5033 crore (18 per cent). In respect of assistance to Others during the year, major increase of ₹ 1418 crore (172 per cent) over the previous year was recorded under the National Old Age Pension scheme (₹ 2240 crore¹⁹).

Besides, grants for creation of capital assets of ₹ 2562 crore were paid to PRIs, ULBs, ABs and other institutions during 2013-14 as against ₹ 2884 crore paid during 2012-13.

1.7 Quality of Expenditure

The availability of good social and physical infrastructure in the State generally reflects the quality of its expenditure. 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 the effectiveness of the expenditure incurred (assessment of outlay-outcome relationships for selected services).

1.7.1 Adequacy of Public Expenditure

Enhancing human development levels require the States to step up their expenditure on key social services like education, health, etc. **Table 1.18** analyses fiscal priority of the State Government with regard to Development Expenditure (DE), Social Sector Expenditure (SSE), Capital Expenditure (CE) and expenditure under Education²⁰ and Health²¹ sectors during 2010-11 and 2013-14.

Table-1.18: Fiscal priority of the State for 2010-11 and 2013-14

		(in per cent)					
		AE/GSDP	DE [#] /AE	SSE/AE	CE/AE	Expenditure on Education/AE	Expenditure on Health/AE
2010-11	*General category States' Average (Ratio)	15.78	61.75	36.88	13.49	17.48	4.37
	West Bengal's figure (Ratio)	14.57	56.51	41.62	3.31	21.43	5.21
2013-14	*General category States' Average (Ratio)	15.92	62.77	37.57	13.62	17.20	4.51
	West Bengal's figure (Ratio)	14.20	57.98	41.28	6.97	18.83	4.88

* States other than 11 states termed as Special Category States (Arunachal Pradesh, Assam, Jammu and Kashmir, Himachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura and Uttarakhand). All India average of General Category States has been calculated on the basis of figures provided by 16 General Category States excluding Delhi, Goa and Puducherry.

[#]Development Expenditure includes Development Revenue Expenditure, Development Capital Expenditure and Development Loans and Advances disbursed

Source: Ratios relating to West Bengal were arrived at on the basis of Finance Accounts figures

AE: Aggregate Expenditure; DE: Development Expenditure; SSE: Social Sector Expenditure; CE: Capital Expenditure

Source: For GSDP, Central Statistics office of Ministry of Statistics and Programme Implementation.

¹⁹ Central Share - ₹ 1129 crore; State Share - ₹ 1111 crore

²⁰ Education, Sports, Art and Culture sector

²¹ Health and Family Welfare sector

- The above table shows that during both the years, the **ratio of aggregate expenditure to the GSDP** for West Bengal was lower compared to that of all general category States.
- Expenditure incurred on social and economic sectors taken together is considered as **Developmental Expenditure**. The proportion of expenditure in these sectors was lower compared to corresponding all general category States' averages in both these years. However, the State incurred higher percentage of expenditure on Health and Education sectors, as compared to what the general category States were spending on average during 2013-14. Consequently, in the **Social Sector**, level of expenditure has been higher than the average of all general category States' expenditure in 2013-14.
- Proportion of capital expenditure in aggregate expenditure (3.31 per cent and 6.97 per cent) was significantly lower compared to general category States' average of 13.49 and 13.62 per cent during 2010-11 and 2013-14 respectively, which is a matter of concern.

Table 1.19 and **Chart 1.11** present the trends in various components of development expenditure relative to the aggregate expenditure of the State during the current year *vis-à-vis* that budgeted and of the previous years.

Table-1.19: Development Expenditure

(₹ in crore)

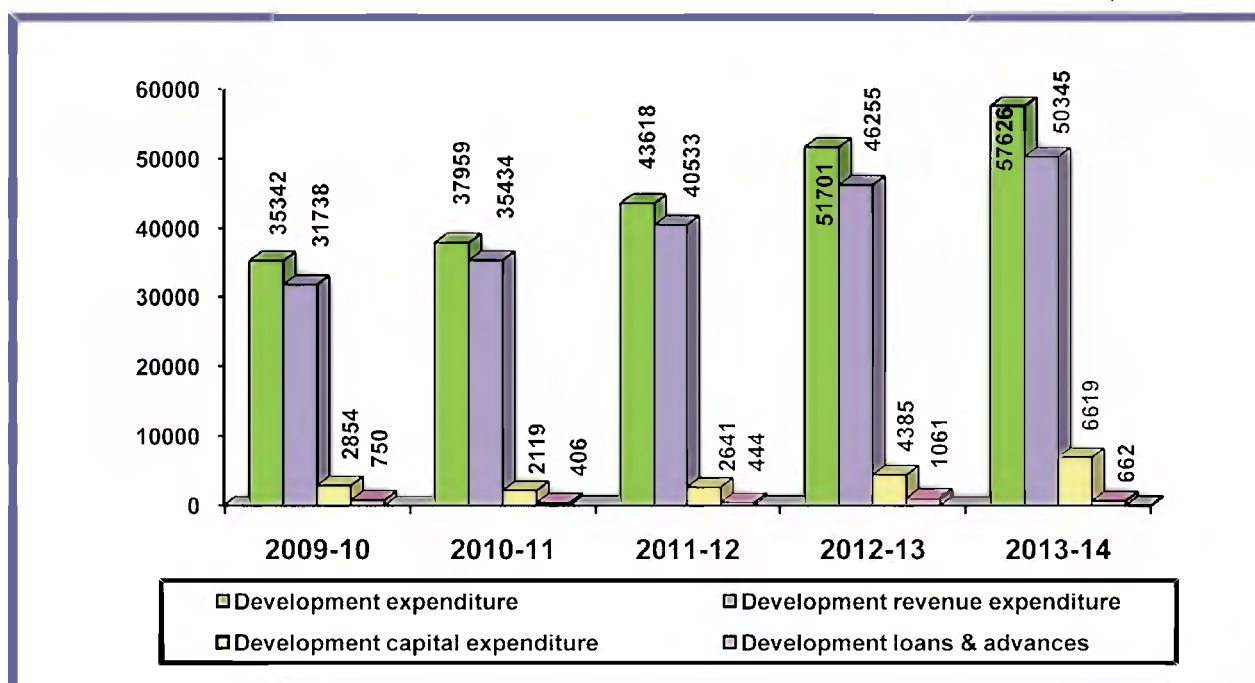
Components of Development Expenditure	2009-10	2010-11	2011-12	2012-13	2013-14	
					BE	Actuals
Revenue Expenditure	58500 (94)	64538 (96)	73326 (96)	82111 (94)	91892	91797
Development Revenue Expenditure	31738 (51)	35434 (53)	40533 (53)	46255 (53)	53487	50345
Capital Expenditure	3011 (5)	2226 (3)	2764 (4)	4547 (5)	9319	6927
Development Capital Expenditure	2854 (5)	2119 (3)	2641 (3)	4385 (5)	8925	6619
Loans and Advances	752 (1)	408 (1)	448 (1)	1064 (1)	768	663
Development Loans and Advances	750 (1)	406 (1)	444 (1)	1061 (1)	762	662
Development Expenditure	35342 (57)	37959 (57)	43618 (57)	51701 (59)	63174	57626
Aggregate Expenditure	62263	67172	76538	87722	101979	99387
Planned Expenditure	13926	14616	17216	22491	31930	28160
Non-planned Expenditure	48337	52556	59322	65231	70049	71227

Source: Finance Accounts and Budget Publications

Figures in parentheses indicate percentage to aggregate expenditure

As depicted in **Table 1.19**, development capital expenditure fell significantly short of the budgetary estimates by 26 per cent during 2013-14. As a whole, development expenditure during 2013-14 fell short of the budgetary estimates by ₹ 5548 crore (nine per cent). Shortfall in development capital expenditure was mainly due to significantly lower capital expenditure on Water Supply, Sanitation, Housing, Urban Development, Social Welfare and Nutrition in social sector and Irrigation, Flood Control and Special Areas Programme in economic sector.

Chart 1.11: Trend in Development Expenditure during 2009-14 (₹ in crore)



Source: Finance Accounts

1.7.2 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 State Governments to take appropriate expenditure rationalisation measures and lay emphasis on provision of core public and merit goods²². Apart from improving the allocation towards development expenditure, particularly in view of the fiscal space being created on account of 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 proportion of revenue expenditure being spent on operation and maintenance of the existing social and economic services. The higher the ratio of these components to total expenditure (and/or GSDP), the better would be the quality of expenditure. Table 1.20 presents the efficiency of expenditure in selected social and economic services.

²²Core public goods are 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 and road infrastructure etc. Merit goods are commodities that the public sector provides free or at subsidised rates because an individual or society should have them on the basis of some concept of need, rather than ability and willingness to pay the government and therefore wishes to encourage their consumption. Examples of such goods include the provision of free or subsidised 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.

Table 1.20: Efficiency of Expenditure Use in Selected Social and Economic Services

Social/Economic Infrastructure	2012-13			2013-14		
	Ratio of CE to TE	In RE, the share of		Ratio of CE to TE	In RE, the share of	
		S&W	O&M**		S&W	O&M**
(In per cent)						
Social Services (SS)						
Education, Sports, Art and Culture	1.78	79.57	0.01	3.30	78.15	0.01
Health and Family Welfare	2.93	71.65	0.32	11.82	66.98	0.34
WS, Sanitation, & HUD	14.61	29.35	3.19	17.24	26.13	5.78
Total (SS)	4.23	56.05	0.50	6.58	51.73	0.88
Economic Services (ES)						
Agriculture & Allied Activities	7.64	57.42	0.48	19.21	59.92	0.53
Irrigation and Flood Control	42.27	67.12	12.90	42.25	57.95	15.20
Power & Energy	5.71	0.08	-	35.07	0.19	-
Transport	43.50	15.19	30.98	49.38	13.75	29.52
Total (ES)	18.09	30.00	3.72	23.61	30.00	4.14
Total (SS+ES)	8.48	49.26	1.34	11.49	46.52	1.66

Source: Finance Accounts and VLC

TE: Total Expenditure; CE: Capital Expenditure (excluding loans and advances); RE: Revenue Expenditure; S&W: Salaries and Wages; O&M: Operations & Maintenance ** As could be identified, may not reflect the complete picture

As would be evident from above, the quality of expenditure improved both under social and economic services over the previous year except minor reduction in capital outlay in Irrigation and Flood Control under economic services.

1.8 Financial Analysis of Government Expenditure and Investments

In the post-WBFRBM framework, the State is expected to keep its Fiscal Deficit (and borrowings) at low levels. In addition, the State Government needs to initiate measures to earn adequate returns on its investments and recover its cost of borrowed funds. 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.

1.8.1 Financial Results of Irrigation Works

Works in Irrigation department are classified²³ as productive or unproductive according to whether the net revenue (gross revenue less working expenses) derived from each work on the expiry of ten years from the date of closure of the construction covers or does not cover the prescribed annual interest charges on the capital invested. Going by this defined criterion, there was no productive work in the State at the end of 2013-14. Revenue realised from 15 schemes during 2013-14 was only ₹ 5.70 crore (0.25 per cent of the capital outlay of ₹ 2275.10 crore). The revenue receipts of none of these schemes were sufficient to cover even the direct working expenses. After meeting the working expenses and interest charges, the 15 schemes suffered a net loss of ₹ 213.51 crore

²³ If a work classed as unproductive succeeds in yielding for three successive years the prescribed return, it is transferred to the productive class. Similarly, if a work classed as productive fails to yield the prescribed return for three successive years, it is transferred to the Unproductive class.

(9.38 per cent of the capital outlay). The major loss making projects were Damodar Valley Project (₹ 67.70 crore), Kangsabati Reservoir Project (₹ 57.29 crore), Teesta Barrage Project (₹ 44.28 crore) and Mayurakshi Reservoir Project (₹ 28.51 crore).

1.8.2 Incomplete projects

As of March 2014, there were 798 incomplete capital works²⁴. A total of ₹ 2293 crore was invested in these projects by the Government.

Table 1.21: Work-wise Profile of Incomplete Projects

(₹ in crore)

Types of Works	Number	Estimated cost of works	Expenditure upto March 2014	Cases for which revised estimates were available		
				Number	Original estimates	Revised estimates
Roads	222	2495	967	11	318	462
Buildings	16	43	24	2	9	12
Canal	33	260	77	-	-	-
Irrigation	134	2138	567	4	78	97
Sundarban Affairs	393	1840	658	15	73	69
Total	798	6776	2293	32	478	640

Source: Finance Accounts

There have been cost over-runs, since initial budgeted costs have been scaled up in the cases of time over-run. In 32 out of 798 cases, for which original as well as revised estimates were available, there were escalation of ₹ 162 crore (34 per cent) over the estimated cost. Non-completion of these projects/ works within the stipulated period not only resulted in increase of cost, but also deprived the State of the intended benefits for prolonged periods.

1.8.3 Investment and returns

As on 31 March 2014, Government invested ₹ 12358 crore in Statutory Corporations, banks, Government companies, joint stock companies and co operatives (Table 1.22). The average return on this investment was negligible.

Table-1.22 : Return on Investment

Investment/Return/Cost of Borrowings	2009-10	2010-11	2011-12	2012-13	2013-14
Investment at the end of the year (₹ in crore)	10676	10850	11156	11521	12358
Return (₹ in crore)	-	1	1	2	9
Return (per cent)	-	0.01	0.01	0.02	0.07
Average rate of interest on Government borrowing (per cent)	8.51	7.78	8.05	8.03	8.62
Difference between interest rate and return (per cent)	8.51	7.77	8.04	8.01	8.55

Source: Finance Accounts

²⁴ Works costing ₹ one crore and above have only been included. Works with incomplete information, works which have not been commenced and works clubbed under broad scheme names were excluded.

During 2013-14, Government earned dividend of rupees nine crore only (0.07 per cent) on its investment of ₹ 12358 crore. No dividend was received from Banks and Statutory Corporations. Also, there was no case of disinvestment during the year. Further scrutiny showed that in many cases the companies having Government investment have suffered substantial losses leading to erosion of their net worth. *Appendix 1.10* shows an illustrative list of some such companies. Of these, in four non-working Government companies, accumulated losses amounted to ₹ 633 crore as per the latest accounts received. The negative net worth of these companies amounted to ₹ 607 crore.

The possibility of any return on Government investments made in these companies is remote.

1.8.4 Loans and advances by State Government

In addition to investments in co-operative societies, corporations and companies, Government also provided loans and advances to many of these institutions/organisations. **Table 1.23** presents the outstanding loans and advances, interest receipts *vis-à-vis* interest payments during the last five years.

Table-1.23: Average interest received on loans given by the State

(₹ in crore)

Quantum of Loans/Interest Receipts/ Cost of Borrowings	2009-10	2010-11	2011-12	2012-13	2013-14	
					BE	Actuals
Opening Balance	13582	13947	13982	14352		15136
Amount advanced during the year	752	408	448	1064	768	663
Amount repaid during the year	387	373	78	280	161	1158
Closing Balance	13947	13982	14352	15136		14641
<i>Of which</i>						
Outstanding balance for which terms and conditions have not been settled	1435	1300	1303	1302		1347
Net addition to outstanding loans and advances during the year	365	35	370	784		(-) 495
Interest receipts from loans and advances	234	580	163	516		274

Source: Finance Accounts

During 2013-14, major portion of the loan went to West Bengal Power Distribution Corporation Limited (₹ 219.88 crore) and Transport services (₹ 111.06 crore) in economic sector, while in social sector, major portion went to Kolkata Municipal Corporation for Kolkata Environmental Improvement Project (₹ 54.70 crore). Recovery of loans and advances increased by ₹ 878 crore (314 per cent) over the previous year mainly on account of recoveries from power projects (₹ 1067.48 crore) under economic sector. Interest receipts significantly fell by ₹ 241.82 crore (47 per cent) over the previous year. At the end of the year, arrears of ₹ 4750.63 crore on account of principal and ₹ 7321.20 crore on account of interest were overdue for realisation. No irrecoverable loans were, however, written off during the year.

Only 16 out of 167 loanees confirmed the loan balances. Confirmation/acceptance of the outstanding balance of loans advanced (₹ 12578.23 crore) as at the end of March 2014, was not available. Such non-confirmation/acceptance served as a hindrance to the authentic depiction of loan balances.

Scrutiny revealed that loans amounting to ₹ 896.74 crore relating to 17 departments remained unaltered for long periods, the oldest item being 47 years' old. Fifteen of these departments had outstanding loans worth more than ₹ 1 crore, as shown in Table 1.24. In addition, 6977 Government loans aggregating to ₹ 4789.11 crore were sanctioned to 38 Autonomous Bodies/Authorities, etc. by nine departments by the end of 2013-14, though no repayments were made in respect of previous loans by the concerned loanees.

Table 1.24: Cases of old loans without any recovery

	Name of the Department	Loans with no recovery	Period of drawal
		Amount (₹ in crore)	
1	Industrial Reconstruction	259.62	1976-77 to 2008-09
2	Public Enterprise	192.50	1975-76 to 2005-06
3	Power and Non-Conventional Energy Sources	150.51	1995-96 to 2004-05
4	Commerce and Industries	122.55	1974-75 to 2004-05
5	Urban Development	69.26	1966-67 to 2008-09
6	Micro and Small Enterprises & Textile	37.90	1974-75 to 1998-99
7	Agriculture	27.50	1984-85 to 1992-93
8	Water Resources Investigation & Development	15.23	1984-85 to 1990-91
9	Transport	8.91	1982-83 to 1989-90
10	Public Health Engineering	2.44	1983-84 to 1997-98
11	Municipal Affairs	2.23	1966-67 to 1969-70
12	Food Processing Industries and Horticulture	2.21	1988-89 to 1998-99
13	Panchayat and Rural Development	2.14	1968-69
14	Fisheries	1.73	1977-78 to 1993-94
15	Tourism	1.11	1975-76 to 1992-93
16	Housing	0.47	1965-66 to 1976-77
17	Animal Resources Development	0.43	1974-75 to 1978-79
	Total	896.74	

Source: Finance Accounts

1.8.5 Cash Balances and investment of Cash Balances

Under an agreement with the Reserve Bank of India, the State Government has to maintain with the Bank a daily minimum balance of ₹ 2.48 crore with effect from 1 May 2000. If the balance falls below the agreed minimum limit on any day, the deficiency is made good by taking special or normal ways and means advance/overdraft from the bank. During the year 2013-14, the State Government had to resort to special and normal ways & means advances and overdrafts for 132, 21 and 11 days respectively (total 164 days). During 2013-14, the quantum of such advances was ₹ 20017.60 crore. The State had to pay ₹ 19.24 crore as interest on ways and means advances and overdrafts. Treasury bills amounting to ₹ 34914.48 crore and ₹ 34280.52 crore respectively were purchased and sold during the period 2013-14. An amount of ₹ 228.46 crore was received as interest on investment under treasury bills during the year. The investment made out of general cash balance and earmarked funds up to end of March 2014 is given in Table 1.25.

Table-1.25: Cash Balances and Investment of Cash Balances

(₹ in crore)

	As on 1st April 2013	As on 31 March 2014	Increase/ Decrease
(a) General Cash Balance			
Cash in Treasuries	0.42	0.26	(-) 0.16
Deposits with Reserve Bank of India	404.90	(-) 23.01	(-) 427.91
Deposits with other Banks (B)	-	-	-
Remittances in transit - Local	-	-	-
Total	405.32	(-) 22.75	(-) 428.07
Investments held in Cash Balance investment account	4464.27	5098.23	633.96
Total (a)	4869.59	5075.48	205.89
(b) Other Cash Balances and Investments			
Cash with departmental officers viz. Public Works, Department Officers, Forest Department Officers, District Collectors	34.21	19.10	(-) 15.11
Permanent advances for contingent expenditure with departmental officers	1.81	1.87	0.06
Investment of earmarked funds	6612.34	7181.11	568.77
Total (b)	6648.36	7202.08	553.72
Grand total (a) + (b)	11517.95	12277.56	759.61

Source: Finance Accounts

1.9 Assets and Liabilities

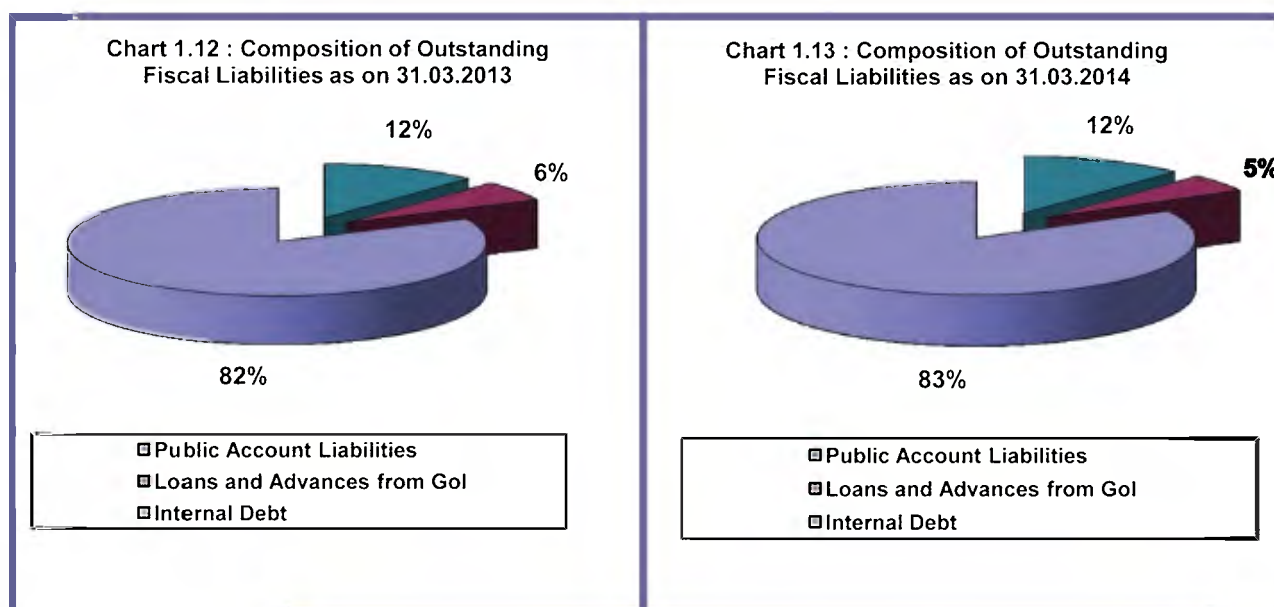
1.9.1 Growth and composition of Assets and Liabilities

Government accounts capture the financial liabilities of the Government and assets created out of the expenditure incurred. *Appendix 1.4* gives an abstract of such Assets and Liabilities as on 31 March 2014 compared with the corresponding position on 31 March 2013. While the liabilities consist mainly of internal borrowings, loans and advances from the GoI, receipts from the Public Account and Reserve Funds, assets comprise mainly the capital outlay and loans and advances given by the State Government and cash balances. During 2009-14, assets-liability ratio hovered around 0.26 to 0.27 and stood at 0.27 in 2013-14.

1.9.2 Fiscal Liabilities

There are two sets of liabilities namely, public debt and other liabilities. Public debt consists of internal debt of the State and is reported under the Consolidated Fund - Capital Accounts. It includes market loans including loans from financial institutions and loans and advances from the Central Government. Other liabilities, which are part of Public Account, include net accruals under small savings, provident funds and other accounts, reserve funds as well as deposits & advances heads.

The trends in outstanding fiscal liabilities of the State are presented in *Appendix 1.7*. The composition of fiscal liabilities during the current year *vis-à-vis* the previous year almost remained the same as depicted in **Charts 1.12** and **1.13**.



Source: Finance Accounts

Fiscal Liabilities of the State, their rate of growth, ratio of these liabilities to GSDP, revenue receipts and own resources are brought out in Table 1.26.

Table-1.26: Trend in Fiscal Liabilities of the State

(₹ in crore and ratios in percentage)

	2009-10	2010-11	2011-12	2012-13	2013-14
Fiscal Liabilities	167682	187387	207702	229779	251997
Rate of growth	15.58	11.75	10.84	10.63	9.67
Ratio of Fiscal Liabilities to					
GSDP	42.04	40.65	39.31	37.50	35.99
Revenue Receipts	454.15	396.47	353.51	336.45	345.76
Own resources	867.11	797.09	790.40	661.67	665.71

Source: Finance Accounts

The overall fiscal liabilities of the State show an increasing trend, growing at a CAGR of 10.72 per cent during the period 2009-10 to 2013-14. The ratio of fiscal liabilities to GSDP was above the target stipulated in WBFRBM (Amendment) Act, 2011 (35.90 per cent), though it has been showing a declining trend during 2009-14.

1.9.3 Transactions under Reserve Funds

There were 40 Reserve Funds earmarked for specific purposes, out of which 17 funds were active and 23 were inactive for more than five years. As of 31 March 2014, the total accumulated credit balance in these funds was ₹ 8470.90 crore²⁵. Investment out of this balance was ₹ 7181.11 crore (84.77 per cent). During the year, an amount of ₹ 2280.71 crore was transferred as annual contribution in various reserve funds.

²⁵ Of which ₹ 8449.82 crore (credit) was in active funds, ₹ 21.08 crore (credit) and ₹ 0.60 crore (debit) in the inoperative ones.

State Disaster Response Fund

On the recommendation of the 13th FC, the State Disaster Response Fund (SDRF) was constituted in June 2011 with the corpus of contribution by Centre (75 per cent) and State (25 per cent). During the year 2013-14, an amount of ₹ 352.87 crore²⁶ was transferred to SDRF. An expenditure of ₹ 367.29 crore incurred on natural calamities was met from this fund. In 2013-14, only ₹ 29.67 crore²⁷ was invested leaving an amount of ₹ 327.87 crore lying in the fund without investment as of March 2014.

Consolidated Sinking Fund

As per reports of the 12th FC and reports of the Technical Group (RBI) on borrowings by States, GoWB has set up a revised model scheme for Consolidated Sinking Fund (CSF) from the financial year 2008-09. The fund was to be utilised as an amortisation fund for redemption of the outstanding liabilities of the Government commencing from the financial year 2013-14. The corpus of the fund was to consist of periodic contributions as well as income accruing to the fund. The contribution was to be on a modest scale of at least 0.5 per cent of the outstanding liabilities (addition of internal debt and public account) as at the end of the previous year. Accordingly, the State Government was to contribute ₹ 1148.89 crore²⁸ during 2013-14. However, during 2013-14 there was a contribution of only ₹ 100 crore to the fund.

The balance in the fund as of March 2014 stood at ₹ 7100.68 crore after the accrued interest (₹ 439.10 crore) was reinvested in the fund during the year.

Guarantee Redemption Fund

12th Finance Commission recommended opening of the Guarantee Redemption Fund (GRF) for discharging the liability of the Government towards invocation of the guarantees extended by it. As per the guidelines of the RBI (the administering authority of the fund) the State Government was required to make minimum annual contributions to the Fund at the rate of one per cent in the first and at the rate of 0.5 per cent of the outstanding guarantees at the end of the previous year. However, the State Government had not constituted the fund so far.

1.9.4 Contingent liabilities

Status of Guarantees

Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower to whom the guarantee has been extended. The West Bengal Ceiling on Government Guarantees Act, 2001 stipulated that the total outstanding Government guarantees 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. Finance department acts as the tracking authority in respect of guarantees.

²⁶ Central share: ₹ 264.65 crore and State share: ₹ 88.22 crore

²⁷ Including re-investment of interest earned from investment deposits of ₹ 4.67 crore

²⁸ Outstanding liabilities as at the end of the year 2012-13 was ₹ 229778.76 crore

As per Finance Accounts, the maximum amount for which guarantees were given by the State and outstanding guarantees for the last five years is given in Table 1.27.

Table-1.27: Guarantees given by the Government of West Bengal

	(₹ in crore)				
	1 April 2010	1 April 2011	1 April 2012	1 April 2013	1 April 2014
Maximum amount guaranteed	20298	19860	20106	18981	14818
Outstanding amount of guarantees	10355	11943	10192	8821	4550
Ceiling fixed by State Government Act (90 per cent of Revenue Receipt of the second preceding year)	33214	33230	42538	52880	61466
Percentage of outstanding amount guaranteed to Revenue Receipts of the second preceding year	28	32	22	15	7

Source: Finance Accounts

The outstanding Government guarantees during 2009-14 were well within the limits prescribed under the West Bengal Ceiling on Government Guarantees Act, 2001. Out of total 586 guarantees outstanding as on 31 March 2014, Power sector alone accounted for 402 guarantees (69 per cent). No guarantee, however, has been invoked during 2013-14.

Further, in terms of Section 10 of West Bengal Finance Act of 2002, the loanee for whom the State Government has provided guarantee to the financial institutions was required to pay guarantee fee at the rate of one per cent (minimum) on the total amount guaranteed. Accordingly, during 2013-14, the State Government was to receive fee of ₹ 27.16 crore against which ₹ 19.46 crore only was received. Out of the balance of ₹ 7.70 crore receivable, Roads and Transport sector alone accounted for ₹ 4.17 crore (54 per cent).

Sums paid by the Government in the event of invocation of guarantees are charged to the Consolidated Fund of the State under the concerned loan head and irrecoverable sums are adjusted under the concerned revenue expenditure heads, where the Guarantee Redemption Fund does not exist and to the Guarantee Redemption Fund, where it exists. In the FPSS for 2014-15, it was stated that State Government has not created "Guarantee Redemption Fund"; instead contribution to Consolidated Sinking Fund has been increased. However it was found that the contribution to the Consolidated Sinking Fund fell significantly short of the prescribed norms during 2013-14 as discussed in para 1.9.3. Even in 2012-13 the contribution to the fund was only ₹ 50 crore.

1.9.5 Analysis of Borrowings of Government

As in the previous years, market loans comprised the major source of borrowing by the State Government during 2013-14. During the year the State Government raised an amount of ₹ 21000 crore as market loan bearing interest rates ranging between 7.63 per cent and 9.94 per cent. During 2013-14, market loans amounting to ₹ 3901 crore were repaid leaving an outstanding balance of ₹ 123064.08 crore.

Besides, ways and means advances for ₹ 20017.60 crore was taken from the RBI which was repaid in full during the year and an amount of ₹ 19.24 crore was paid as interest on this advance. The State also borrowed an amount of ₹ 4307.20 crore as special securities issued to NSSF followed by loans taken from GoI (₹ 729.02 crore), Other Institutions (₹ 1200 crore) and National Co-operative Development Corporation (₹ 19.94 crore).

1.10 Debt Management

Apart from the magnitude of debt of the State Government, it is important to analyse various indicators that determine the debt sustainability²⁹ of the State. This section assesses the sustainability of debt of the State Government in terms of debt stabilisation³⁰, net debt utilised, burden of interest payments (measured by ratio of interest payments to revenue receipts) and maturity profile of State Government securities. **Table 1.28** analyses the debt sustainability of the State according to these indicators during the five year period 2009-14.

Table 1.28: Debt Sustainability: Indicators and Trends

Sustainability Indicators of Debt	(₹ in crore)				
	2009-10	2010-11	2011-12	2012-13	2013-14
Debt Stabilisation (Quantum Spread + Primary Deficit)	1080 {12729+ (-) 11649}	8093 {13812+ (-)5719}	11170 {12979+ (-)1809}	15793 {17368+ (-)1575}	9020 {13610+ (-)4590}
Debt-GSDP ratio	0.42	0.41	0.39	0.38	0.36
Net debt utilised ³¹	8104	5099	2100	1129	(-) 547
Ratio of Net Debt utilised to Total Debt Received (<i>per cent</i>)	28.43	20.56	7.91	3.99	(-) 1.77
Burden of Interest Payments (IP/RR Ratio)	0.36	0.29	0.27	0.26	0.28

Source: Figures from Finance Accounts

Changes in figures of previous years are due to changes in GSDP figures

The sum of quantum spread and primary deficit was positive during all five years resulting in declining trend in debt-GSDP ratio from 42.04 *per cent* in 2009-10 to 35.99 *per cent* in 2013-14. These trends indicate that the State is moving towards debt stabilisation. Interest payments with respect to revenue receipts depicted a healthy trend from 2009-10 to 2012-13 as the ratio declined from 36 *per cent* to 26 *per cent* in this period, but in 2013-14 it rose to 28 *per cent*. There was, however, noticeable decline in the ratio of net debt utilised to total debt received during the last five years, indicating increasing non-availability of borrowed funds for purposes other than debt repayment. In 2013-14, this ratio was negative indicating inadequacy of the borrowed funds to meet the debt service obligations.

²⁹ See glossary at page 138

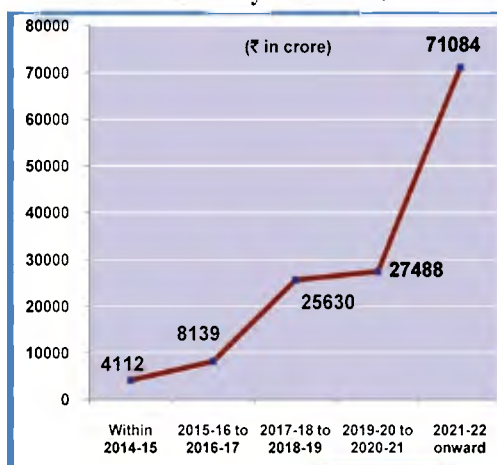
³⁰ See glossary at page 137

³¹ Total public debt received less debt repayment including interest less net disbursement of loans and advances by the State

Maturity profile of the State Debt

The maturity profile of the State debt as depicted in Table 1.29 and Chart 1.14 indicates that the liability of the State to repay the debt would be on the rise in coming years which would put a strain on the State finances during those periods. The State will have to borrow further to repay those loans and an appropriate debt repayment strategy will have to be worked out by the Government to ensure that no additional borrowings, which mature in these critical years, are made. Non-availability of maturity profile of ₹ 84524 crore (38.25 per cent) of the State debt would seriously affect the planning and preparedness of the State in repaying its debt.

Chart 1.14 : Maturity Profile of State Debt



Source : Finance Accounts

Table 1.29 : Maturity Profile of State Debt

Period	Maturity amount of State debt (₹ in crore)	Maturity amount of Market loans (₹ in crore)	Maturity amount as % of total outstanding market loans
Details of Maturity year not available	84524	Nil	-
Within 2014-15	4112	3296	2.68
2015-16 to 2016-17	8139	6250	5.08
2017-18 to 2018-19	25630	24004	19.50
2019-20 to 2020-21	27488	25827	20.99
2021-22 onwards	71084	63691	51.75
Total redeemable debt	220977	123068	

Source : Finance Accounts

1.10.1 Debt consolidation and relief facility

NSSF loan contracted till 2006-07 and outstanding at the end of 2009-10 was to be reset at a common interest rate of nine per cent in place of 10.5 per cent or 9.5 per cent. In terms of the recommendation of the 13th FC, benefit in respect of interest relief on loans availed from NSSF would be made available to the States on bringing the necessary amendments/enactments of FRBM Acts. The interest relief recommended by 13th FC was ₹ 1669.43 crore³² during 2010-14 against which GoWB received ₹ 678.58 crore³³ as arrear amount of relief under "Debt Relief to States - Reset of NSSF Interest Rates" upto March 2014. The shortfall in receipt of interest relief as on 31 March 2014 worked out to ₹ 990.85 crore during 2010-14. Shortfall in receipt of relief was attributable to the delay in amendment/enactment of FRBM Act.

1.11 Fiscal Imbalances

Three key fiscal parameters - revenue, fiscal and primary deficits - indicate the extent of overall fiscal imbalance in Government finances. Deficit in Government accounts represents the gap between receipts and expenditure. Nature of deficit is an indicator of prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources raised are applied are important pointers to its fiscal health. This section presents trends, nature,

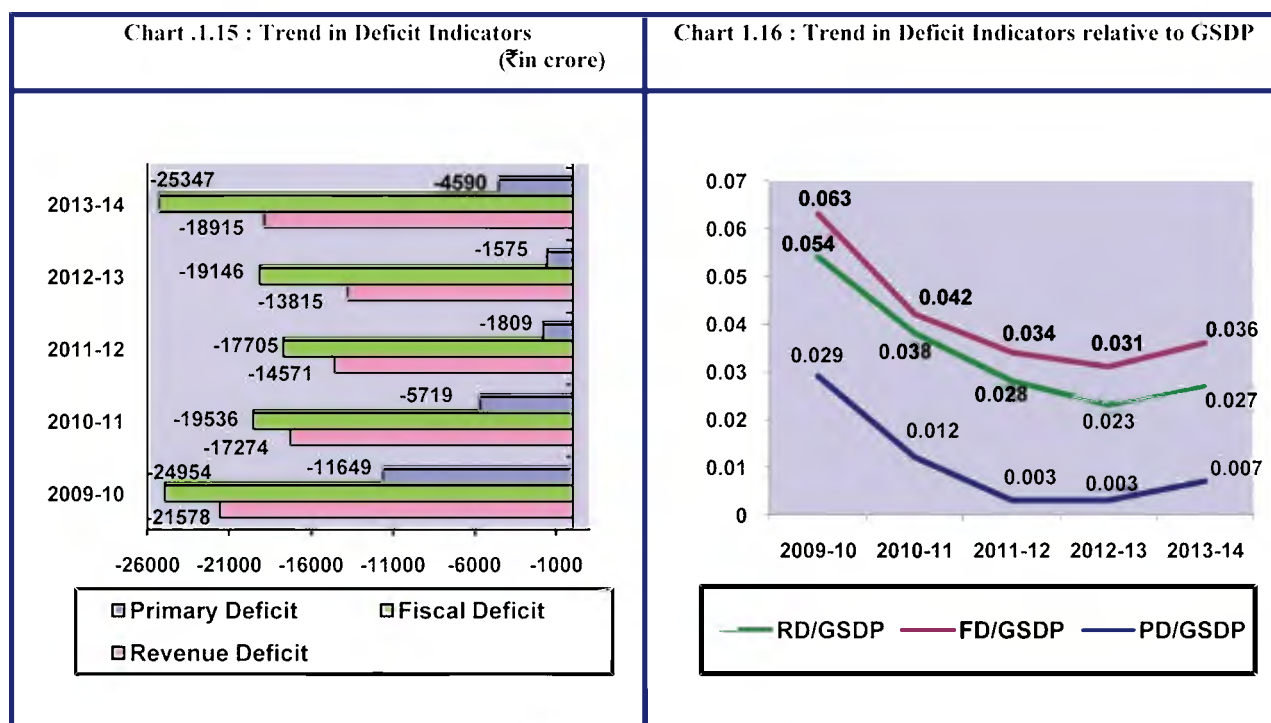
³² 2010-2011 - ₹ 455.85 crore; 2011-2012 - ₹ 431.28 crore; 2012-2013 - ₹ 404.53 crore & 2013-14 - ₹ 377.77 crore

³³ 2012-13 - ₹ 274.05 crore and 2013-2014 - ₹ 404.53 crore

magnitude and the manner of financing these deficits and also the assessment of actual levels of revenue and fiscal deficits for the financial year 2013-14.

1.11.1 Trends in Deficits

Charts 1.15 and 1.16 present trends in deficit indicators over the period 2009-10 to 2013-14:



Source: Finance Accounts and data furnished by Ministry of Statistics and Programme Implementation for GSDP

Increase in revenue deficit (by ₹ 5100 crore) in 2013-14 over the year 2012-13, was attributable to seven *per cent* increase in revenue receipts compared to 12 *per cent* increase in revenue expenditure over the previous year. The increase in fiscal deficit (by ₹ 6201 crore) was attributable to significant increase in capital outlay (by 52 *per cent*).

1.11.2 Components of Fiscal Deficit and its financing pattern

Fiscal Deficit is the total borrowing requirement of the State and is the excess of revenue expenditure and capital expenditure including loans and advances over revenue and non-debt capital receipts. Decomposition of fiscal deficit reveals the extent of various borrowings resorted to by the State to meet its requirement of funds over and above revenue and non-debt receipts as reflected in Table 1.30.

Table 1.30: Components of Fiscal Deficit and its Financing Pattern

	(₹ in crore)				
Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Decomposition of Fiscal Deficit (1 to 3) (a)	24954	19536	17705	19146	25347
	(6.26)	(4.24)	(3.35)	(3.12)	(3.62)
1 Revenue Deficit	21578	17274	14571	13815	18915
	(5.41)	(3.75)	(2.76)	(2.25)	(2.70)
2 Capital Outlay	3011	2226	2764	4547	6927
3 Net Loans and Advances	365	36	370	784	(-) 495

	Particulars	2009-10	2010-11	2011-12	2012-13	2013-14		
						Net disbursements/outflows	Receipts	Disbursement
1	Market Borrowings	15605	8445	20800	17993	24675	7577	17098
2	Loans from GoI	(-)1009	(-) 249	(-)91	858	729	670	59
3	Special Securities Issued to NSSF	6431	10089	(-)989	(-) 49	4307	3156	1151
4	Loans from Financial Institutions and Bonds	(-)191	(-) 936	(-)1859	(-) 653	1220	1399	-179
5	Ways and Means	-	606	(-) 606	-	20018	20018	-
6	Small Savings, PF, etc.	738	1129	1032	945	3138	2297	841
7	Reserve Fund	676	1192	1296	533	2281	1092	1189
8	Deposits and Advances	1364	870	1367	2944	40879	38252	2627
9	Suspense and Miscellaneous	1162	(-) 458	(-) 823	(-) 559	60795	57867	2928
10	Remittances	58	(-) 265	325	228	9086	8693	393
11	Contingency Fund	(-) 1	3	-	1	-	-	-
12	Appropriation to/from Contingency Fund	-	-	-	-	-	-	-
13	Total (1 to 12)	24833	20426	20452	22241			26107
14	Increase (-) / Decrease (+) in Cash Balance	(+) 121	(-) 890	(-) 2747	(-) 3095			(-) 760
15	Overall Surplus/Deficit (13 +14)	24954	19536	17705	19146			25347

Figures in brackets indicate the per cent to GSDP
Differences with Finance Accounts are due to rounding
Source: Finance Accounts

It is seen from **Table 1.30** that during 2013-14, market borrowings financed the major portion of the fiscal deficit (67.46 per cent).

1.11.3 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) indicate the quality of deficit. The ratio of revenue deficit to fiscal deficit indicates the extent to which borrowed funds were used for current consumption. The bifurcation of primary deficit (**Table 1.31**) indicates the extent to which deficit has been on account of enhancement in capital expenditure which is desirable for improvement of the productive capacity of the State's economy.

Table 1.31: Analysis of Primary Deficit/Surplus

(₹ in crore)

Period	Primary Revenue Deficit (-) / Surplus (+)	Capital Outlay	Loans and Advances	Primary Deficit (-) / Surplus (+)
2009-10	(-) 7886	3011	752	(-) 11649
2010-11	(-) 3085	2226	408	(-) 5719
2011-12	(+) 1403	2764	448	(-) 1809
2012-13	(+) 4036	4547	1064	(-) 1575
2013-14	(+) 3000	6927	663	(-) 4590

Source: Finance Accounts

It can be seen that the State generated revenue surplus in the primary account only in three years (2011-14) during the period 2009-14 as depicted in **Table 1.31**.

1.12 Conclusion

The State failed to achieve the FRBMA targets of revenue deficit and fiscal deficit during 2013-14. The Government is yet to work out its liability on account of its contribution (as also that of the employees) to the Contributory Pension Fund Scheme for All India Service Officers from the inception of the scheme. The interest payable on the amounts that have been lying in the Fund without transfer to NSDL/Trustee Bank has also not been estimated and accounted for.

The increase in Revenue receipt in the current year was less than the increase in revenue expenditure resulting in increase in the revenue deficit by 37 per cent over the previous year. Fiscal deficit too increased by 32 per cent over the previous year. The committed expenditure, which mainly consisted of payment of salaries and wages, pensions and interest, constituted around 71 per cent of the Revenue expenditure leaving little flexibility for reduction of the revenue expenditure.

As far as capital expenditure is concerned, though there was an increase of 52 per cent in the capital outlay in the current year, its ratio to Aggregate expenditure of the State was only 6.97 per cent against the all India General category's State average of 13.62. Interest payment on Market loan has increased from 11 per cent of the revenue receipts in 2012-13 to 14 per cent in 2013-14. Direct subsidy reduced from seven per cent of the total committed expenditure in 2012-13 to five per cent in 2013-14. The subsidy, however, did not include expenditure of ₹ 320.46 crore which was in the nature of subsidy but booked under grants- in aid/other charges.

Ratio of outstanding debt of the Government to GSDP has reduced from 36.93 per cent in 2012-13 to 35.99 per cent in 2013-14.

Government is getting meagre return from its capital outlay on irrigation works. Return on investment in Statutory Corporations, rural banks, etc. was less than one per cent.

Recommendations

- *Government may consider that action needs to be taken to close the inoperative reserve funds and remit the balances into the Consolidated Fund of the State.*
- *Government may consider issuing instructions to all the departments for timely submission of annual action plan, utilisation certificate and forming of Water Regulatory Authority, etc., to enable availment of full amount of 13th FC grants allocated by the GoI.*