

CHAPTER 1

Finances of the State Government

Profile of West Bengal

West Bengal 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 913.48 lakh¹ in 2011 recording a decadal growth of 13.93 *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 2014-15 at current prices was ₹ 800868 crore. The State's literacy rate³ increased from 68.64 *per cent* (as per 2001 census) to 76.26 *per cent* (as per 2011 census). The per capita income of the State⁴ stands at ₹ 78903 at current prices. 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 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | CAGR ⁵ (in per cent) |
|----------------------------------|---------|---------|---------|----------|-----------|------------------------------------|
| India's GDP (₹ in crore) | 7248860 | 8391691 | 9388876 | 10472807 | 11509810# | |
| Growth rate of GDP (percentage) | 18.66 | 15.77 | 11.88 | 11.54 | 9.90 | 12.25 |
| State's GSDP (₹ in crore) | 460959 | 528316 | 603311 | 706561 | 800868 | |
| Growth rate of GSDP (percentage) | 15.56 | 14.61 | 14.20 | 17.11 | 13.35 | 14.81 |

Source: For GSDP, the information as available on CSO website as on 31st July, 2015.

GSDP figures for the year 2014-15 relating to Gujarat, Himachal Pradesh, Kerala, Manipur, Mizoram, Sikkim and Tripura have been obtained from respective AGs/Directorate of Economics and Statistics. #Exclude three States/UTs namely Goa, Andaman & Nicobar Islands and Chandigarh.

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: Directorate of Economics & Statistics, Government of West Bengal

⁵ Compound Annual Growth Rate (CAGR)

1.1.1 Summary of Fiscal Transactions in 2014-15

Table 1.2 presents the summary of the State Government's fiscal transactions during the current year (2014-15) *vis-à-vis* the previous year (2013-14), 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 2014-15

(₹ in crore)

| Receipts | | | Disbursements | | | | |
|-----------------------------------|---------------|---------------|-----------------------------------|---------------|----------|-------|---------------|
| | 2013-14 | 2014-15 | | 2013-14 | 2014-15 | | |
| | | | | | Non-Plan | Plan | Total |
| Section-A: Revenue | | | | | | | |
| Revenue Receipts | 72882 | 86514 | Revenue Expenditure | 91797 | 73877 | 29775 | 103652 |
| Tax Revenue | 35831 | 39412 | General Services | 40834 | 42539 | 173 | 42712 |
| Non-Tax Revenue | 2023 | 1627 | Social Services | 38262 | 24221 | 15935 | 40156 |
| Share of Union Taxes/Duties | 23175 | 24595 | Economic Services | 12083 | 6548 | 13609 | 20157 |
| Grants from GoI | 11853 | 20880 | Grants-in-aid and Contributions | 618 | 568 | 59 | 627 |
| Section-B: Capital | | | | | | | |
| Misc. Capital Receipts | - | - | Capital Outlay | 6927 | - | 9879 | 9879 |
| Recoveries of Loans and Advances | 1158 | 176 | Loans and Advances Disbursed | 663 | 264 | 241 | 505 |
| Public Debt Receipts* | 30932 | 35812 | Repayment of Public Debt* | 12802 | | | 12300 |
| Contingency Fund | - | - | Contingency Fund | - | | | - |
| Public Account Receipts | 116179 | 131865 | Public Account Disbursements | 108202 | | | 129352 |
| Opening Cash Balance ⁶ | 11518 | 12278 | Closing Cash Balance ⁶ | 12278 | | | 10957 |
| Total | 232669 | 266645 | Total | 232669 | | | 266645 |

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

*Excluding net transactions under ways and means advances and overdraft

Significant changes that occurred during 2014-15 as compared to the previous year are enumerated below:

- Revenue Receipts of the State increased by ₹ 13632 crore (18.70 per cent) while the Revenue Expenditure registered an increase of ₹ 11855 crore (12.91 per cent) over the previous year.
- Share of Tax Revenue in the Revenue Receipts decreased to 46 per cent from 49 per cent while the share of Grants from Government of India (GoI) increased to 24 per cent from 16 per cent. Increase in the share of grants was due to substantial inflow of funds to the Consolidated Fund of the State consequent upon the abolition of direct transfer of funds

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.

to implementing agencies in respect of Centrally Sponsored Schemes (CSS) in 2013-14.

- Revenue Receipts excluding the Grants from GoI (₹ 65634 crore) were not sufficient to meet the Committed Expenditure⁷ (₹ 66609 crore) which formed the bulk (64 *per cent*) of Revenue Expenditure (₹ 103652 crore).
- Public Debt receipts increased by 16 *per cent* (₹ 4880 crore) mainly due to increase in loans from special securities issued to NSSF⁸ of the GoI (₹ 3405 crore). Public Debt Repayments decreased by four *per cent* owing to less repayments from market borrowings by 12 *per cent* (₹ 502 crore).
- Market borrowings (₹ 25192 crore) formed 70 *per cent* of the total Public Debt Receipts while special securities issued to NSSF of the GoI (₹ 7712 crore) formed 22 *per cent*. Interest outflow on the market borrowings and NSSF constitutes 50 *per cent* and 36 *per cent* respectively of the total interest payments (₹ 21588 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 (WBFRBM) Act, 2010, was passed by the West Bengal State Legislature in July 2010. In compliance with the Act, WBFRBM Rules, 2011 were 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 fourth MTFPS and FPSS were presented before the Legislature along with the Budget for the year 2015-16 in February 2015.

⁷ Includes salary, pension, subsidy and interest payments

⁸ National Small Savings Fund

Major fiscal variables provided in the budget based on the recommendations of the 13th Finance Commission (FC) and as per the WBFRBM Act along with the actuals for 2014-15 are depicted in **Table 1.3**.

Table 1.3: Targets for major fiscal variables

(in per cent)

| Fiscal variables | 2014-15 | | | | |
|-----------------------------------------------------------|-------------------------------|-----------------------------------|--------------------------------|--------------------------------------------------|---------------------|
| | 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 2014-15 |
| Revenue Deficit/GSDP | - | - | - | 1.29 | 2.14 |
| Fiscal Deficit/GSDP | 3.00 | 3.00 | 1.91 | 2.98 | 3.41 |
| Ratio of total Outstanding Debt of the Government to GSDP | 34.30 | 34.30 | 34.32 | 34.28 | 34.66 |

Source: 13th FC Report, WBFRBM Act, Budget Publication 2014-15 and MTFPS
 **In the MTFP, RE figures for 2014-15 were mentioned

In the MTFPS for the year 2015-16, it was stated that the targets set out for 2014-15 under the WBFRBM Act, 2010 has become a challenge due to accumulation of huge debt burden over years coupled with steady decline of grants in aid from Government of India over the last few years. However, the contention of the State Government cannot be validated since grants in aid from Government of India has increased substantially during 2014-15, by ₹ 9027 crore.

The fiscal targets prescribed for 2014-15 in the MTFPS could not be achieved as seen from **Table 1.3**. In the FPSS for the year 2015-16, it was stated that since figures specified against debt stock, revenue deficit and fiscal deficit in the WBFRBM Act, 2010 were yet to be achieved by 2014-15⁹, “the targets might be put in extension for future years without bringing any necessary amendment in the Act”. Modifying the fiscal indicators would not only jeopardize the objective of the Act but also doing the same without amending the Act would violate the basic tenets of law.

Disclosures regarding major works and contracts, committed liabilities in respect of land acquisition charges, unpaid bills on works and supplies, statement of assets, etc., as prescribed in the WBFRBM Act, 2010, were not given in the MTFPS, thereby affecting the transparency in fiscal operations of the State Government.

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 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 2014-15 are depicted in **Appendix 1.6** and in **Table 1.4**.

⁹ Concluding year of target as per the WBFRBM Act, 2010

Table 1.4: Budget estimate *vis-a-vis* actuals during 2014-15

| Particulars | Budget Estimates | Actuals | Percentage variations |
|--------------------------------|------------------|-----------|-----------------------|
| | ₹ in crore | | |
| Revenue Receipts | 105978 | 86514 | (-) 18.37 |
| Tax Revenue | 45414 | 39412 | (-) 13.22 |
| Land Revenue | 2829 | 2276 | (-) 19.55 |
| Taxes on Sales, Trade etc. | 27473 | 24022 | (-) 12.56 |
| Goods and Passenger | 1652 | 859 | (-) 48.00 |
| Stamps and Registration fees | 5399 | 4196 | (-) 22.28 |
| Tax on Vehicles | 1668 | 1505 | (-) 9.77 |
| Non-Tax Revenue | 1990 | 1627 | (-) 18.24 |
| Interest Receipts | 775 | 277 | (-) 64.26 |
| Revenue Expenditure | 105978 | 103652 | (-) 2.19 |
| Irrigation and Flood Control | 1385 | 952 | (-) 31.26 |
| Energy | 677 | 354 | (-) 47.71 |
| Capital Outlay | 15121 | 9879 | (-) 34.67 |
| Revenue Deficit (-)/Surplus(+) | Nil | (-) 17138 | - |
| Fiscal Deficit(-)/Surplus(+) | (-) 15290 | (-) 27346 | 78.85 |
| Primary Deficit(-)/Surplus(+) | (+) 6215 | (-) 5758 | (-) 192.65 |

Source: Budget publications and Finance Accounts

The budget for the year 2014-15 emphasised creating additional employment opportunities in the State and the following new initiatives were proposed in the budget:

- Construction of new tourist destinations at Jharkhali in Suderbans, Gajoldoba in Jalpaiguri and Jhargram in West Midnapore in order to promote eco-tourism, tea tourism and rural tourism.
- Construction of 102 *Krishak Bazars*.
- Setting up of 500 *Karma Tirtha* (market complex) aimed at selling of small scale produce.
- Introduction of *Gatidhara*, a scheme enabling unemployed persons to purchase vehicles with assistance from the State.
- Setting up of integrated Power Loom Park at Ashoknagar, North 24 Parganas under Public Private Partnership.

In order to fund the increased development expenditure following changes in tax proposals were made with a view to increasing State's own tax revenue:

- Automatic VAT registration of a dealer upon filing of online application.

- Doing away with the provision of requirement of proof of submission of sale invoices having a minimum of ₹ 50 thousand for applying VAT registration.
- Appointment of single nodal officer for statutory compliance with regard to VAT, Sales Tax, CST, Profession Tax and Entry Tax.
- *e-stamping* in property registration.
- Charging of stamp duty at six *per cent* for market value of property up to ₹ 30 lakh from the earlier ₹ 25 lakh.
- Introduction of automatic enrolment and registration in professional tax.

Shortfall in actual receipts under tax revenue over the budgetary estimates by ₹ 6002 crore (13 *per cent*) was primarily due to short collections in taxes on Sales, Trade etc. (by ₹ 3451 crore), Stamps and Registration fees (by ₹ 1203 crore), Goods and Passengers (by ₹ 793 crore). Non-tax revenue was, also lower (by 18 *per cent*) compared to the BE, mainly because of short interest received from Public Sector and other Undertakings (₹ 80 crore) followed by investment under Treasury Bills (₹ 69 crore).

Capital outlay fell short of the budgetary estimates by 35 *per cent* due to shortfalls in allocation for Education, Sports, Art & Culture (by 76 *per cent*) in social services followed by Irrigation and Flood Control (by 21 *per cent*) under economic services.

1.2 Resources of the State

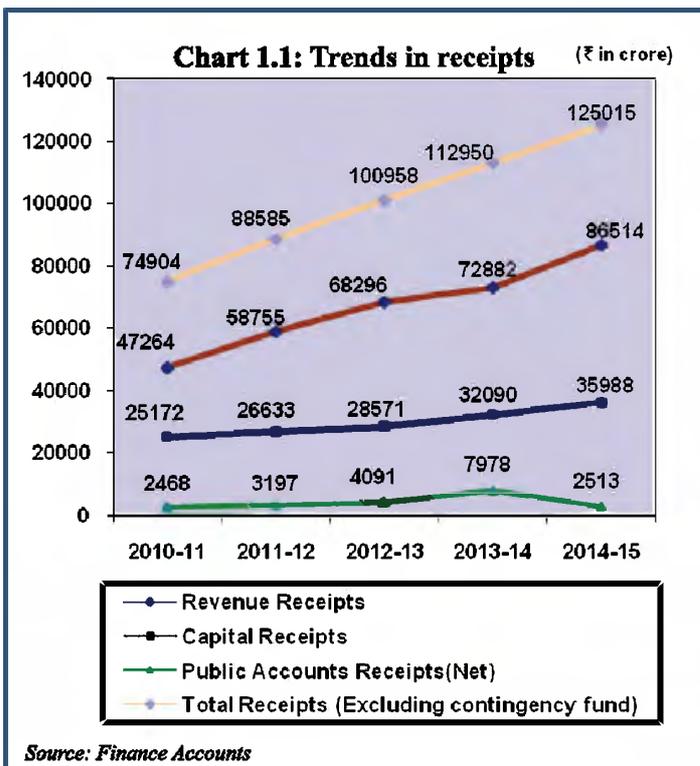
1.2.1 Resources of the State as per Annual Finance Accounts

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 as well as grants received from the 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 2010-15.

Total receipts (including net Public Accounts receipts) of the State grew at a CAGR of 13.66 per cent during the period 2010-11 to 2014-15. Increase of receipts in 2014-15 over the previous year was ₹12065 crore (11 per cent excluding contingency fund receipts).

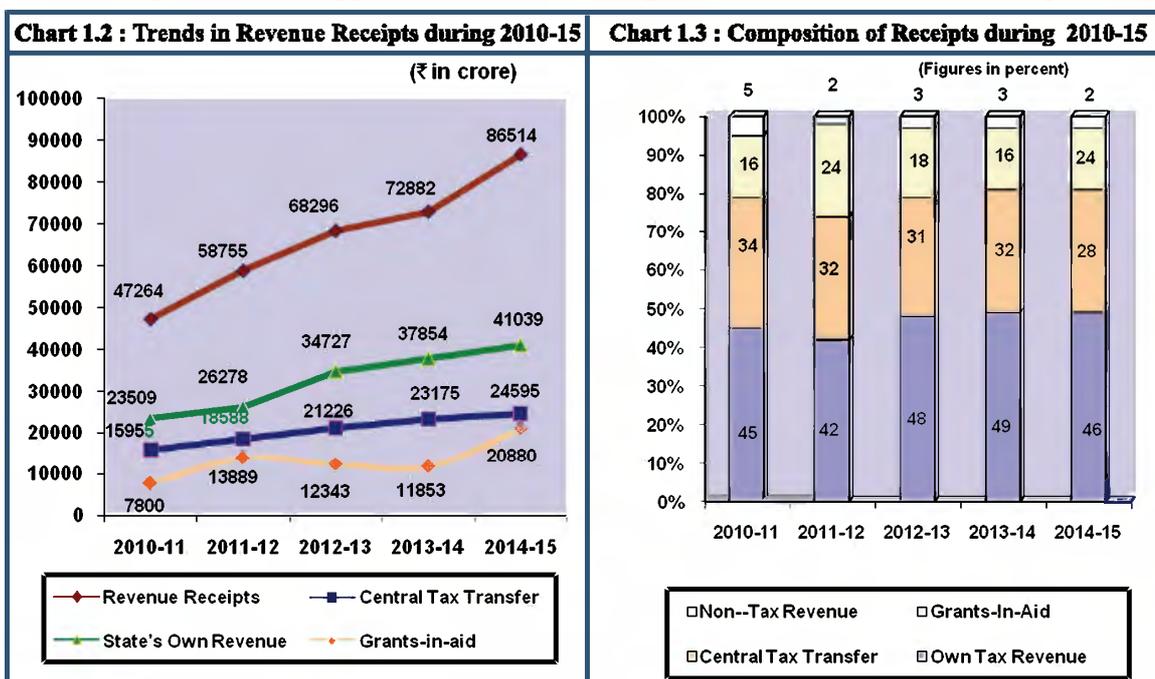
Revenue receipts grew at a CAGR¹⁰ of 16.32 per cent while capital receipts grew at a CAGR of 9.35 per cent during 2010-11 to 2014-15. The share of revenue receipts in total receipts varied between 63 per cent and 69 per cent during

2010-15 and stood at 69 per cent during 2014-15. The share of capital receipts in total receipts fluctuated between 28 per cent and 34 per cent during the last five years and accounted for around 29 per cent of total receipts during 2014-15.



1.3 Revenue Receipts

The trends and composition of revenue receipts over the period 2010-15 are presented in Appendix 1.7 and also depicted in Chart 1.2 and 1.3 respectively.



¹⁰ Linear compounded annual growth rates have been used as a proxy for CAGR.

Revenue Receipts have shown progressive increases during 2010-15 despite reduction in Non-Tax revenue in 2014-15. Grants-in-aid increased to 24 *per cent* of the revenue receipts in 2014-15 from 16 *per cent* in 2013-14. The increase in revenue receipts during 2014-15 (18.70 *per cent*) as compared to previous year was due to the net effect of increase in Grants from GoI by 76 *per cent* (₹ 9027 crore), tax revenue by 10 *per cent* (₹ 3581 crore), State's share of Union Excise and Duties by six *per cent* (₹ 1420 crore) and was partly *offset* by decrease in non-tax revenue by 20 *per cent* (₹ 396 crore).

The trend in revenue receipts relative to GSDP is presented in **Table 1.5**:

Table 1.5: Trends in Revenue Receipts relative to GSDP

| | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|-----------------------------------------------------------|---------|---------|---------|---------|---------|
| Revenue Receipts (RR) (₹ in crore) | 47264 | 58755 | 68296 | 72882 | 86514 |
| Rate of growth of RR (<i>per cent</i>) | 28.01 | 24.31 | 16.24 | 6.71 | 18.70 |
| State's Own Tax Revenue (₹ in crore) | 21129 | 24938 | 32809 | 35831 | 39412 |
| Rate of growth of State's Own Tax Revenue | 25.02 | 18.03 | 31.56 | 9.21 | 9.99 |
| RR/GSDP (<i>per cent</i>) | 10.25 | 11.12 | 11.32 | 10.32 | 10.80 |
| Buoyancy Ratios | | | | | |
| Revenue Receipts Buoyancy <i>w.r.t.</i> GSDP | 1.80 | 1.66 | 1.14 | 0.39 | 1.40 |
| State's Own Tax Buoyancy <i>w.r.t.</i> GSDP | 1.61 | 1.23 | 2.22 | 0.54 | 0.75 |
| Revenue Receipts Buoyancy <i>w.r.t.</i> State's own taxes | 1.12 | 1.35 | 0.51 | 0.73 | 1.87 |

Source: Finance Accounts

The growth rate of revenue (18.70 *per cent*) during the current year was higher than the growth rate during 2013-14 (6.71 *per cent*), primarily due to increased release of Grants from GoI by ₹ 9027 crore (76 *per cent*). However, during the year, the share of revenue receipts in GSDP came down to 10.80 *per cent* from 11.32 *per cent* during 2012-13 due to decrease in the share of State's own tax revenues.

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 2014-15 *vis-à-vis* assessment made by 13th FC and MTFPS (2014-15) is given in **Table 1.6**:

Table 1.6: Actual Tax and Non-Tax Revenue vis-à-vis projections

(₹ in crore)

| | 13 th FC projection | Budget estimates | MTFP projection ¹¹ | Actual |
|-----------------|--------------------------------|------------------|-------------------------------|--------|
| Own Tax Revenue | 49862 | 45414 | 40062 | 39412 |
| Non-Tax Revenue | 4342 | 1990 | 2202 | 1627 |

(Source: 13thFC Report, Budget Publication 2014-15, MTFPS and Finance Accounts)

Table 1.6 shows that the actual realization of tax revenue was lower than the normative assessment of the 13th FC (by 21 *per cent*) followed by Budget (13 *per cent*) and MTFP Projection (by two *per cent*). The non-tax revenue of the Government was also lower than the normative assessment of the 13th FC (by 63 *per cent*) followed by budget (18 *per cent*) and MTFP projection (by 26 *per cent*).

During 2010-15, State's aggregate own revenue (₹ 163407 crore) was lower than normative projection of 13th FC (₹ 195826 crore) by 17 *per cent*.

1.3.1.1 Tax Revenue

The gross collection in respect of major taxes and duties for the period 2010-15 is given in **Table 1.7**.

Table 1.7: Components of State's own tax revenue

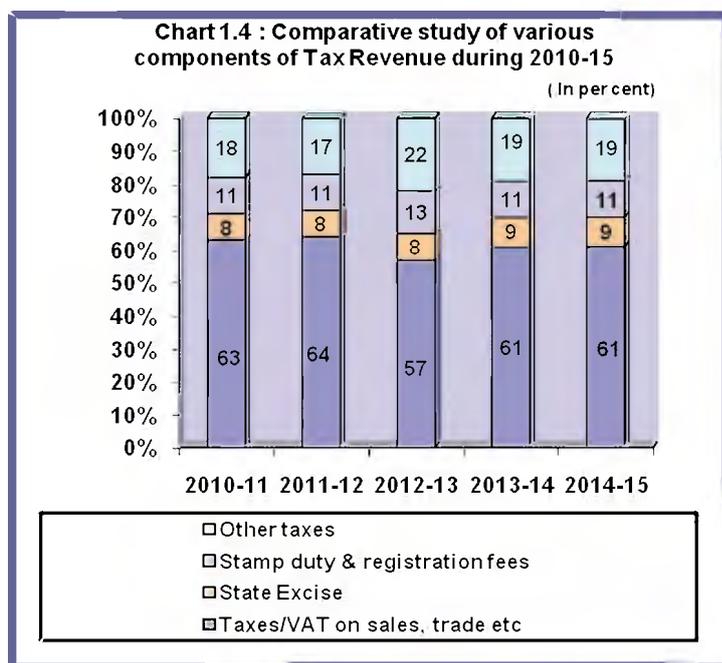
(₹ in crore)

| Revenue Head | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | CAGR |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Taxes/VAT on Sales, Trade etc | 13276 | 15888 | 18555 | 21931 | 24022 | 15.98 |
| Stamp Duty and Registration fees | 2265 | 2732 | 4357 | 4053 | 4196 | 16.67 |
| State Excise | 1783 | 2117 | 2621 | 3018 | 3587 | 19.10 |
| Land Revenue | 1254 | 1872 | 2024 | 2254 | 2276 | 16.07 |
| Taxes on Vehicles | 936 | 1007 | 1222 | 1351 | 1505 | 12.61 |
| Taxes on Goods and Passengers | - | (-) | 1284 | 1000 | 859 | - |
| Taxes and Duties on Electricity | 769 | 408 | 1837 | 1213 | 1947 | 26.14 |
| Other taxes | 846 | 915 | 909 | 1011 | 1020 | 4.79 |
| Total | 21129 | 24938 | 32809 | 35831 | 39412 | 16.87 |

(Source: Finance Accounts)

CAGR of State's own tax revenue collections during 2010-15 was 16.87 *per cent*. The total tax revenue increased by ₹ 3581 crore over the previous year mainly due to increase in revenue collection under (a) taxes/VAT on sales, trades, etc. by ₹ 2091 crore (10 *per cent*) due to simplifying VAT registration and strengthening anti evasion measures, (b) taxes and duties on electricity by ₹ 734 crore (61 *per cent*) consequent to hike of power tariffs across all categories of consumers and (c) State excise by ₹ 569 crore (19 *per cent*) due to higher receipts in foreign liquors and spirits.

¹¹ In the MTFPS, RE figures for 2014-15 were mentioned



Source: Finance Accounts

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

During the period 2010-15, 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 2014-15 compared to 2010-11. While contribution of sales tax to total revenue declined from 63 per cent in 2010-11 to 61 per cent in 2013-15, the share of other taxes and state excise increased by one per cent during the aforesaid period.

1.3.1.2 Non-Tax Revenue

Table 1.8: Components of Non-Tax Revenue

(₹ in crore)

| Revenue Head | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | Percentage increase over previous year |
|------------------------|-------------|--------------|-------------|-------------|-------------|----------------------------------------|
| Interest receipts | 717(30.13) | 292 (21.79) | 934(48.70) | 986(48.74) | 277(17.02) | (-) 71.91 |
| Dividends and Profit | 1 (0.04) | 1(0.07) | 2 (0.10) | 8(0.40) | 6(0.37) | (-) 25.00 |
| Other non-tax receipts | 1662(69.83) | 1047 (78.14) | 982 (51.20) | 1029(50.86) | 1344(82.61) | 30.61 |
| Total | 2480 | 1340 | 1918 | 2023 | 1627 | |

Source: Finance Accounts

Figures in brackets indicate the share of the components.

Non-tax revenue was two per cent of the revenue receipts during 2014-15 as against three per cent during 2013-14 due to smaller contribution of interest from investment of surplus cash balances under treasury bills (₹ 69 crore) compared to that in the previous year (₹ 228 crore). The increase of other non-tax receipts (₹ 315 crore) was mainly on account of recovery of employer's share of Contributory Provident Fund of staff of non-government aided educational institutions (₹ 243 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 1.9.

Table 1.9 : Components of Grants-in-aid

(₹ in crore)

| Particulars | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|--------------------------------------------------|-------------|--------------|--------------|--------------|--------------|
| Non-Plan Grants | 2536 | 3537 | 4032 | 3790 | 3271 |
| Grants for State Plan Schemes | 3127 | 6529 | 5004 | 4149 | 17250 |
| Grants for Central Plan Schemes | 163 | 203 | 150 | 187 | 365 |
| Grants for Centrally Sponsored Schemes | 1974 | 3620 | 3157 | 3727 | (-) 6 |
| Grants for Special Plan Schemes | - | - | - | - | - |
| Total | 7800 | 13889 | 12343 | 11853 | 20880 |
| Percentage of increase over previous year | 31.42 | 78.06 | (-) 11.13 | (-) 3.96 | 76.16 |
| Total grants as a percentage of Revenue Receipts | 16.50 | 23.64 | 18.07 | 16.26 | 24.13 |

Source: Finance Accounts

In 2014-15, the Centrally Sponsored Schemes were restructured into 66 programmes for greater synergy and more effective implementation. The funds under these programmes are now being released as central assistance to State plans (CASP) giving the States greater autonomy, authority and responsibility in implementation of the schemes. Therefore, the central assistance which was previously released from central plan either through Consolidated Fund of the State (CFS) or direct transfer route are now flowing as CASP through CFS. As a result, aggregate grants-in-aid from GoI in 2014-15 increased by ₹ 9027 crore (76 per cent) over the previous year. Increase in grants-in-aid was mainly due to CASP schemes by 316 per cent (₹ 13101 crore) and central plan schemes by 95 per cent (₹ 178 crore) and partly offset by reduction in non-plan grants by 14 per cent (₹ 519 crore).

During 2014-15, share of central grants had been substantially increased in respect of the following major flagship schemes viz, (a) Pradhan Mantri Gram Sadak Yojana by 290 per cent, (b) Indira Awas Yojana by 143 per cent and (c) Mahatma Gandhi National Rural Employment Guarantee Scheme by 29 per cent while share dropped in (i) Sarva Shiksha Abhiyan by 37 per cent (ii) National Food Security Mission by 10 per cent and (iii) National Rural Drinking Water Mission by nine per cent.

In 2014-15, under grants-in-aid, there was exclusion of ₹ 288 crore for 'Special Central Assistance for Backward Region Grant Fund (BRGF)' on account of State plan schemes due to late receipt of sanction orders and excess inclusion of ₹ 104 crore¹² under State plan (₹ 98 crore) and non-plan (₹ 4 crore) schemes owing to erroneous accounting leading to overstatement of fiscal deficit by ₹ 184 crore (0.67 per cent).

¹² Additional Central Assistance for Externally Aided Projects (₹ 3.58 crore), Normal Central Assistance under State Plan schemes (₹ 94.90 crore), Grants under the proviso to Article 275 (1) of the Constitution (₹ 3.80 crore) and Additional Central Assistance for Left Wing Extremist Affected districts for States Annual Plan (₹ 2 crore)

1.3.3 Central Tax Transfers

Under recommendations of the 13th FC, share of all States in the divisible pool of central taxes and duties was increased to 32 per cent from 30.50 per cent. State's share in the net proceeds of central divisible pool (excluding service tax) and net proceeds of service tax had been fixed at 7.26 per cent and 7.38 per cent respectively for the period 2010-15.

During 2014-15, central tax transfers stood at ₹ 24595 crore with an increase of six per cent over the previous year and constituted 28 per cent of revenue receipts. The increase was mainly under Taxes on Income other than corporation tax by 20 per cent (₹ 1001 crore), corporation tax by 10 per cent (₹ 795 crore) which was partly offset due to lower proceeds from union excise duties by 16 per cent (₹ 425 crore) and service tax by four per cent (₹ 150 crore).

1.3.4 Optimisation of the 13th FC grants

The status on utilisation of 13th FC grants awarded during 2010-15 is depicted in Table 1.10, from which it can be seen that ₹ 1592 crore were lying unutilised as at the end of 2014-15.

Table 1.10: Status on utilisation of 13th FC grants

(₹ in crore)

| Sl. No. | Transfer | Recommendation of the FC (Allocation for 2010-15) | Actual release by GoI | Expenditure ¹³ | Unutilised amount ¹⁴ |
|---------|-----------------------------------------------|---------------------------------------------------|-----------------------|---------------------------|---------------------------------|
| (A) | (B) | (C) | (D) | (E) | (F) |
| 1 | Local Bodies | | | | |
| | Grants to PRIs | 4158 | 3068 | 2534 | 534 |
| | Grants to ULBs | 1615 | 615 | 579 | 6 |
| 2 | Grants for Disaster Relief | 1288 | 1288 | 1283 | 5 |
| 3 | Improving outcome grants | 468 | 117 | 62 | 55 |
| 4 | Grants for reduction in Infant Mortality Rate | 78 ¹⁵ | 78 | 18 | 60 |
| 5 | Environment related grants | 375 | 153 | 127 | 26 |
| 6 | Grants for Elementary education | 2359 | 2359 | 1799 | 560 |
| 7 | Grants for Roads and bridges | 673 | 673 | 482 | 191 |
| 8 | Grants for Power sector | 8 | 8 | - | 8 |
| 9 | State specific grants | 1703 | 1160 | 1043 | 117 |
| | Total | 12725 | 9519 | 7927 | 1592 |

Source: 13th FC Report and departmental figures

¹³ As per UCs received

¹⁴ As deduced from UCs not received

¹⁵ 13th FC allocated ₹ 5000 crore for all States. Each State's eligibility determined annually based upon improvement in the IMR index.

1.3.4.1 Failure to avail 13th FC grants

Audit scrutiny (September 2015) of records of Finance Department revealed that various departments of GoWB could not avail 13th FC grants amounting to ₹ 3176¹⁶ crore allocated by the GoI for the various sector/components under the award period 2010-15 due to non-compliance with the conditions stipulated for release.

(A) Non-State Specific Grants

GoWB had not been able to receive ₹ 2662 crore (24 per cent of the allocation) as detailed in *Appendix 1.8*. Reasons for short/non-receipt of grants were as follows:

Improving Outcome Grants

- Belated submission (March 2015) of UCs for ₹ 63 crore for the previously released installments (released during 2010-12) led to short receipt of grants of ₹ 148 crore (70 per cent of the allocation) earmarked for eight initiatives of improving judicial outcome.
- In case of incentives for issuing Unique Identification (UIDs), inability on the part of the Home Department to utilise the funds before March 2015 by finalising the beneficiary selection process resulted in short receipt of grants ₹ 188 crore.
- District Innovation Fund of ₹ 7 crore (38 per cent of the allocation) was not released as the nodal department failed to submit UCs for the previously released installment (₹ 10 crore during 2011-12) in the prescribed format.
- Non-fulfillment of pre-released conditions for release (100 per cent utilisation of first and second installments for release during 2010-11 and 2011-12 respectively and at least two-thirds utilisation of funds for the third installment during 2012-13) led to short receipt of Grants of ₹ 8 crore on account of Improvement of Statistical System.

Environment related Grants

Non-establishment of the Water Regulatory Authority and lower recovery rates¹⁷ (4.48 per cent during 2011-12 and 3.42 per cent during 2012-13) compared to 13th FC's recommendations (20 per cent and 25 per cent) rendered the State ineligible for receipt of grants of ₹ 222 crore (75 per cent of the allocation) under water sector management.

Grants-in-aid for Local Bodies

Local Bodies Grant¹⁸ amounting to ₹ 2090 crore (36 per cent of the allocation)

¹⁶ Excluding unreleased grants (₹ 30 crore) towards construction of Anganwadi centres for which no conditionality was attached.

¹⁷ Ratio of Aggregate Non-Plan Revenue Receipt under Major Heads :0700, 0701 and 0702 to Aggregate Non-Plan Revenue Expenditure under Major Heads : 2700, 2701 and 2702

¹⁸ Grants to Panchayati Raj Institutions: ₹ 1090 crore; Grants to Urban Local Bodies: ₹ 1000 crore

was short released to PRIs and ULBs due to delay in submission of UCs for previously released installments.

(B) State specific grants

GoWB could not avail ₹ 543 crore (32 *per cent* of the allocation) as detailed in *Appendix 1.9*. Reasons for short/non-receipt of grants are enumerated below:

- Belated preparation (August 2014) of Action Plan for 2013-14 and 2014-15 for creation of drainage structure in Sundarban region, beyond the scheduled time-frame, led to short release of grants of ₹ 136 crore (30 *per cent* of the allocation).
- Entire grants of ₹ 72 crore for construction of Subsidiary Police Training School for Kolkata Police forfeited by GoI as Home (Police) Department could not identify the requisite 50 acres of land.
- Home (Police) Department failed to submit UC for ₹ 23 crore¹⁹ (released during 2011-12) within the tenure of 13th FC (March 2015) and as such Finance Department, GoWB could not claim the remaining allocation of ₹ 68 crore to GoI, earmarked for the training school of West Bengal Police at Salua.
- Health and Family Welfare Department could not receive the residual grants of ₹ 75 crore (25 *per cent* of the allocation) earmarked for construction of health centres as ₹ 20 crore remained unutilised as of March 2015 against the grants of ₹ 225 crore released between December 2011 and February 2015.
- Receipt of fourth installment of grants of ₹ 38 crore during 2014-15 for the component 'Upgradation of Fire and Emergency Services' was incumbent upon utilisation of 90 *per cent* of the grants of ₹ 101 crore released upto 2013-14. As the Administrative department could utilise only ₹ 74 crore till February 2015, GoI did not release the residual share.
- Owing to non-fulfillment of condition (utilisation of 100 *per cent* of the first and two-thirds of second installments) of previously released grants of ₹ 56 crore for maintenance of historical monuments during 2011-13 led to short receipt of ₹ 44 crore.

1.3.4.2 Avoidable payment of interest

13th FC recommended that States with easily accessible banking infrastructure had to transfer the grants to Local Bodies within five days of receipt of funds from GoI and within ten days for States with inaccessible banking infrastructure. Any delay in release of grants would attract payment of additional interest²⁰ to the grantees.

¹⁹ In aggregate, ₹ 32.77 crore was released by GoWB (13th FC grant- ₹ 22.72 crore and from its own budget allocation - ₹ 10.05 crore in anticipation of receipt of 13th FC Grant. However, GoI did not release any fund.

²⁰ Rate of interest fixed by RBI

Scrutiny revealed that grants²¹ of ₹ 2797 crore (77 per cent of the GoI release) were released to Local Bodies with delays ranging between eight and 146 days beyond the stipulated time frame (*Appendix 1.10*). Due to this delay, GoWB had to pay interest of ₹ 25 crore.

1.3.4.3 Submission of UC without actual utilisation

13th FC guidelines stipulated that UCs collected from the line departments were to be collected and forwarded to GoI through Finance Department of the State. Scrutiny of records however revealed that UCs for ₹ 705 crore sent to GoI included ₹ 66 crore, which were lying with three departments till the date of audit.

1.4 Capital Receipts

The trends in growth and composition of capital receipts for the period 2010-15 are depicted in **Table 1.11**.

Table 1.11: Trends in growth and composition of capital receipts

(₹ in crore)

| Sources of State's Receipts | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|----------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Capital Receipts (CR) | 24566 | 26633 | 28571 | 32090 | 35988 |
| Recovery of Loans and Advances | 372 | 78 | 280 | 1158 | 176 |
| Public Debt Receipts ²² | 24194 | 26555 | 28291 | 30932 | 35812 |
| <i>of which Market Loans</i> | 10556 | 23591 | 23006 | 24676 | 25192 |
| Rate of growth of Public Debt Receipts | (-) 15.13 | 9.76 | 6.54 | 9.34 | 15.78 |
| Rate of growth of GSDP | 15.56 | 14.61 | 14.20 | 17.11 | 13.35 |

Source: Finance Accounts

During 2014-15, capital receipts increased by 12 per cent over the previous year. This was mainly due to increase in public debt receipts by ₹ 4880 crore. Increase in public debt receipts was mainly on account of 79 per cent growth in Special Securities issued to NSSF (₹ 3405 crore) and 87 per cent growth in loans from GoI (₹ 634 crore) which was partly *offset* due to decrease in recovery of loans and advances by ₹ 982 crore (85 per cent).

1.5 Net 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 2010-15 is depicted in **Table 1.12**.

²¹ General Basic Grant, General Performance Grant, Special Area Performance Grant and amount of performance grant forfeited by non-performing states

²² Excluding Ways and means advances from RBI

Table 1.12: Trends in growth and composition of Net Public Accounts Receipts

| (₹ in crore) | | | | | |
|----------------------------------------|-------------|-------------|-------------|-------------|-------------|
| Resources under various heads | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
| Public Accounts Receipts | | | | | |
| a. Small Savings, Provident Fund, etc. | 1129 | 1032 | 945 | 841 | 1007 |
| b. Reserve Fund | 1192 | 1296 | 533 | 1189 | 1268 |
| c. Deposits and Advances | 870 | 1367 | 2944 | 2627 | 1173 |
| d. Suspense and Miscellaneous | -458 | -823 | -559 | 2928 | -1107 |
| e. Remittances | -265 | 325 | 228 | 393 | 172 |
| Total | 2468 | 3197 | 4091 | 7978 | 2513 |

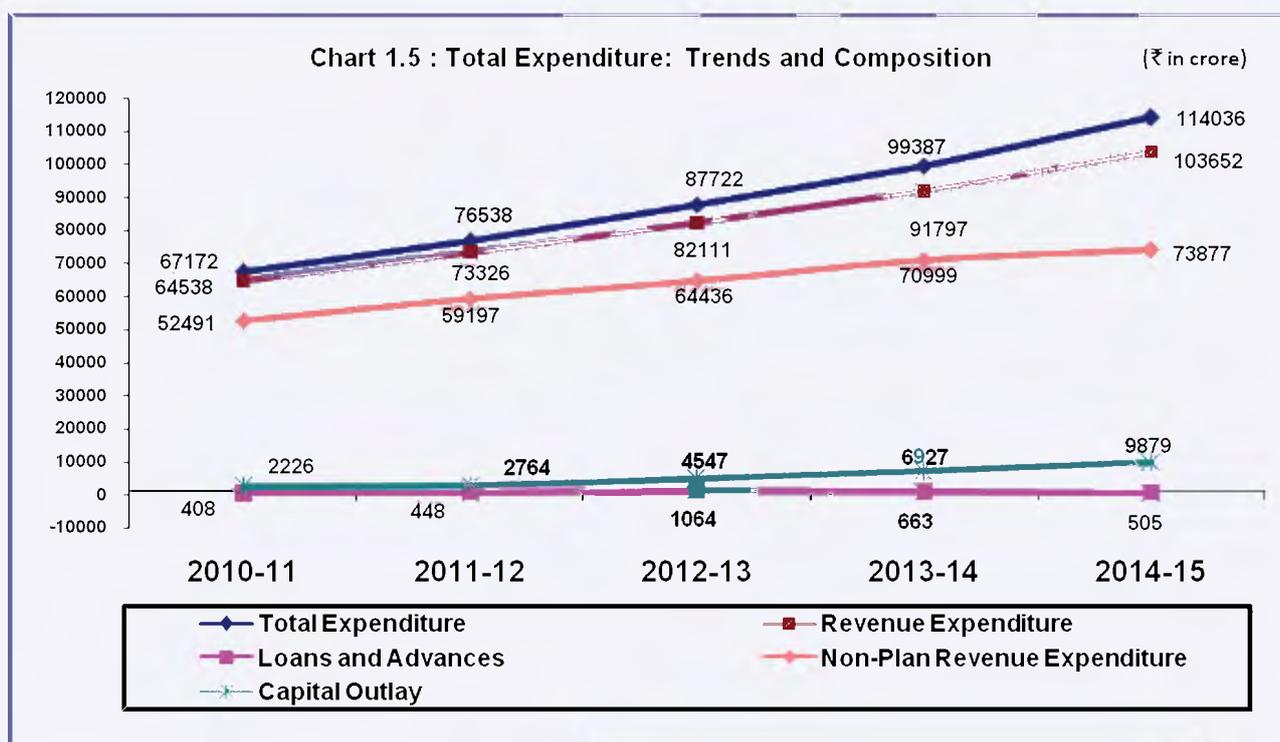
Source: Finance Accounts

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 processes at the State level is not at the cost of expenditure, especially the expenditure directed towards development of social sector.

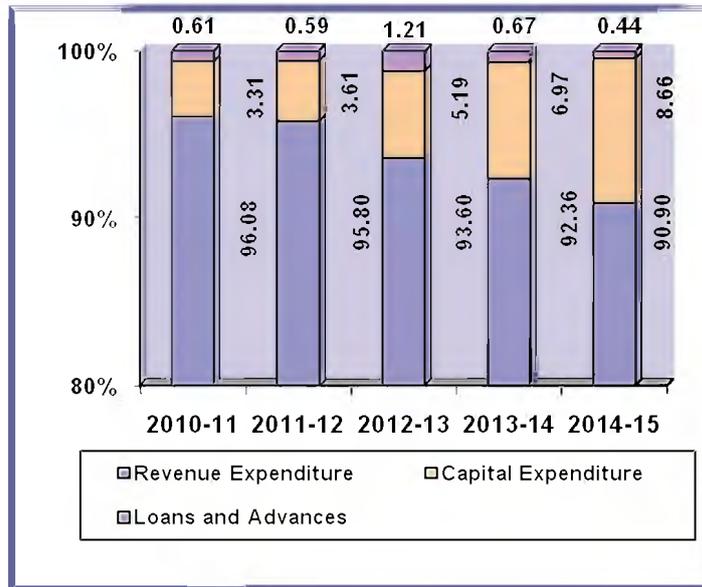
1.6.1 Growth and composition of expenditure

Chart 1.5 presents the trends in total expenditure over the period 2010-15. 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 per cent)

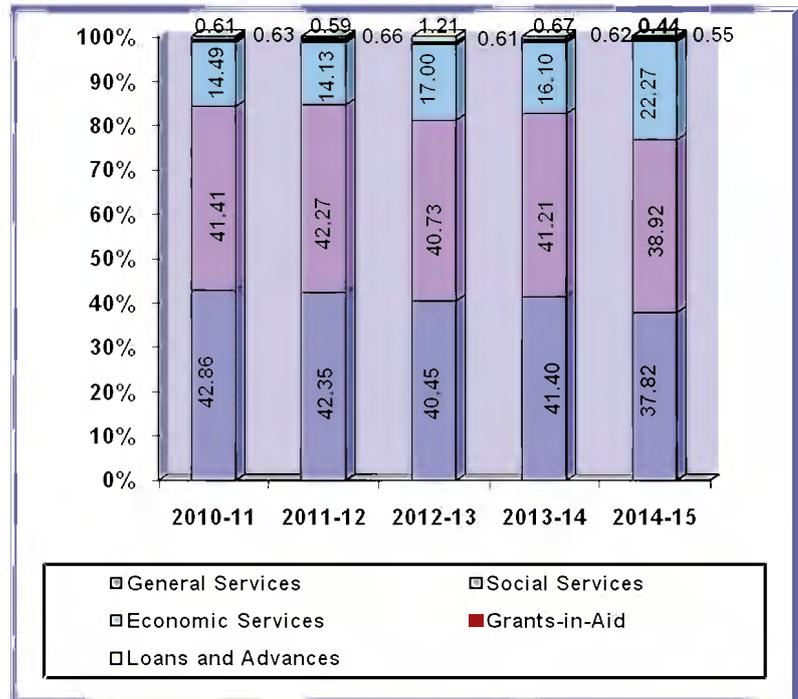


Total expenditure²³ during 2014-15 increased by ₹ 14649 crore (14.74 per cent) over the previous year mainly due to increases in revenue expenditure (₹ 11855 crore) and capital outlay (₹ 2952 crore) which was partly offset by reduction in loans and advances disbursed (₹ 158 crore).

Source: Finance Accounts

Chart 1.7 : Total Expenditure : Trends by activities(in per cent)

In terms of activities, total expenditure is composed of expenditure on general services (which includes interest payments, payment of pensions and other retirement benefits as its major components), social and economic services, grants-in-aid and loans and advances.



Source: Finance Accounts

The structure of expenditure in terms of the relative share of these components has remained more or less similar during 2010-14. Only in 2014-15, the share of expenditure on Economic Services registered a modest growth over the previous years.

²³ Total expenditure shown here does not include repayment of public debt.

Significant Capital Outlays

During 2014-15, plan capital outlay mainly consisted of expenditure on Roads and Bridges (₹ 1262 crore), Power projects (₹ 1068 crore), infrastructure in Medical and Public Health²⁴ (₹ 1065 crore), Urban Development (₹ 1007 crore), Flood control projects (₹ 882 crore), Housing schemes²⁵ (₹ 686 crore) and Social Security and Welfare (₹ 626 crore).

Parking of capital outlay outside Government Account without implementation

With a view to energising irrigation pumpsets by creating separate dedicated electric feeder system for the irrigation sector, GoWB during 2014-15 launched 'Sech Bandhu' scheme. The scheme, targeted to improve the financial condition of the poor farmers and economically weaker section of the society, was to be implemented with a funding of ₹ 260 crore in 2014-15 and ₹ 240 crore in 2015-16. As per the implementation schedule, detailed project report, bid process and issuance of letter of award was to be submitted within three months from the date of approval (September 2014) of the scheme. However, till June 2015, no such targets have been fixed against the key parameters of the scheme. Power and Non-Conventional Energy Sources Department during 2014-15 released the entire ₹ 500 crore as advance to West Bengal State Electricity Distribution Company Limited (WBSEDCL) for implementation of the scheme. Instead of utilisation, the entire fund was invested in the term deposits by WBSEDCL and remained parked in the bank account till August 2015.

Assistance of grants-in-aid nature booked under capital outlay

In respect of housing schemes for economically weaker sections of the community, State Government incurred expenditure during 2014-15. The guidelines of these schemes²⁶ stipulated that for construction of dwelling houses, no contractor/middleman should be engaged and the work should not be executed departmentally by the Local Bodies; instead, beneficiaries were required to construct their own houses. The dwelling houses so constructed would be in the name of the beneficiaries with ownership vested with them.

Government incurred ₹ 563 crore in the nature of grants for these schemes under capital heads of accounts²⁷ in violation of the Government Accounting Rule, 1990²⁸ thereby inflating the capital outlay to that extent.

1.6.2 Revenue Expenditure

During the period 2010-11 to 2014-15, revenue expenditure increased at a CAGR of 12.57 per cent. Non-Plan Revenue Expenditure (NPRE) (₹ 73877 crore)

²⁴ Include funds allocated under BRGF (₹ 570 crore); 13th FC (₹ 183 crore)

²⁵ Include funds allocated for Economically weaker sections of the community- ₹ 498 crore; Scheduled Castes- ₹ 59 crore; Scheduled Tribes- ₹ 29 crore

²⁶ 'Gitanjali' & 'AamarThikhana'

²⁷ '4216-02-103-SP001-53', '4216-03-103-SP001-53' & '4216-03-789-SP001-53' in Grant Number 28

²⁸ As per Note below Rule 30(1), expenditure on temporary assets and expenditure on Grants-in-aid to Local Bodies/Institutions (for the purpose of creating assets which would belong to those Local Bodies/Institutions) cannot ordinarily be classified as Capital Expenditure

constituted 71 per cent of the total revenue expenditure during 2014-15 and was substantially higher (by 23 per cent) than the normative projections of 13th FC (₹ 59942 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 1.13 presents the trends in the expenditure on these components during 2010-15.

Table-1.13: Components of Committed Expenditure

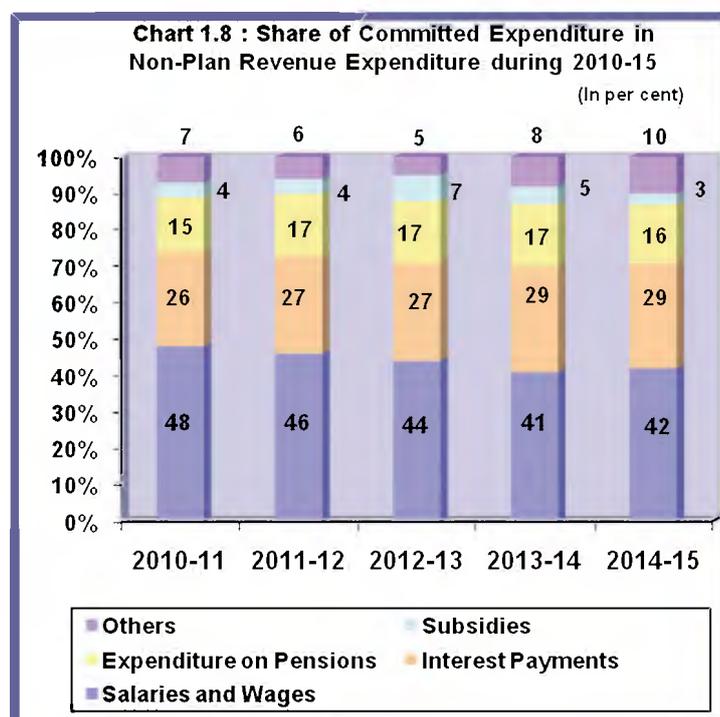
(₹ in crore)

| Components of Committed Expenditure | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | |
|----------------------------------------|------------------|------------------|------------------|------------------|-------------------|------------------|
| | | | | | BE | Actuals |
| Salaries* & Wages, of which | 24954(53) | 27031(46) | 28342(41) | 29309(40) | 33625 | 30984(36) |
| Non-Plan Head | 25728 | 25537 | 26685 | 27678 | | 29325 |
| Plan Head** | 1226 | 1494 | 1657 | 1631 | | 1659 |
| Interest Payments | 13817(29) | 15896(27) | 17571(26) | 20757 (28) | 21505 | 21588(25) |
| Expenditure on Pensions | 8078(17) | 10066(17) | 11036(16) | 11638 (16) | 13568 | 12128(14) |
| Subsidies | 2093 (4) | 2564(4) | 4404(6) | 3437(5) | 2240 [■] | 1909(2) |
| Total | 48942 | 54667 | 61353 | 65141 | | 66609 |

Source: Finance Accounts, Voucher Level Computerisation (VLC) done by 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 8.01 per cent during 2010-15. Proportion of committed expenditure to revenue expenditure reduced to 64 per cent during 2014-15 from 76 per cent during 2010-11 indicating little improvement in terms of flexibility enjoyed by the State in managing the resources. The share of committed expenditure in NPRE during 2010-15 is depicted in Chart 1.8. Proportion of salary expenditure to NPRE reduced by six per cent while the proportion of interest payments to NPRE rose by three per cent from 2010-11 to 2014-15.

Expenditure on salaries and wages

Expenditure on salaries and wages (₹ 30984 crore) grew at a CAGR of 5.56 per cent during 2010-15 and constituted 35.81 per cent of the revenue receipts during the current year. However during the current year, state brought down the salary expenditure as a proportion to NPRE by six per cent from 2010-11. During 2014-15, it fell short of budgetary estimates (₹ 33625 crore) by ₹ 2641 crore (eight per cent). Expenditure on salaries grew by six per cent (₹ 1675 crore) over the previous year mainly due to seven per cent (₹ 1145 crore) growth in salary through Grants-in-Aid and five per cent (₹ 161 crore) growth in salary for Home Department personnel.

Pension payments

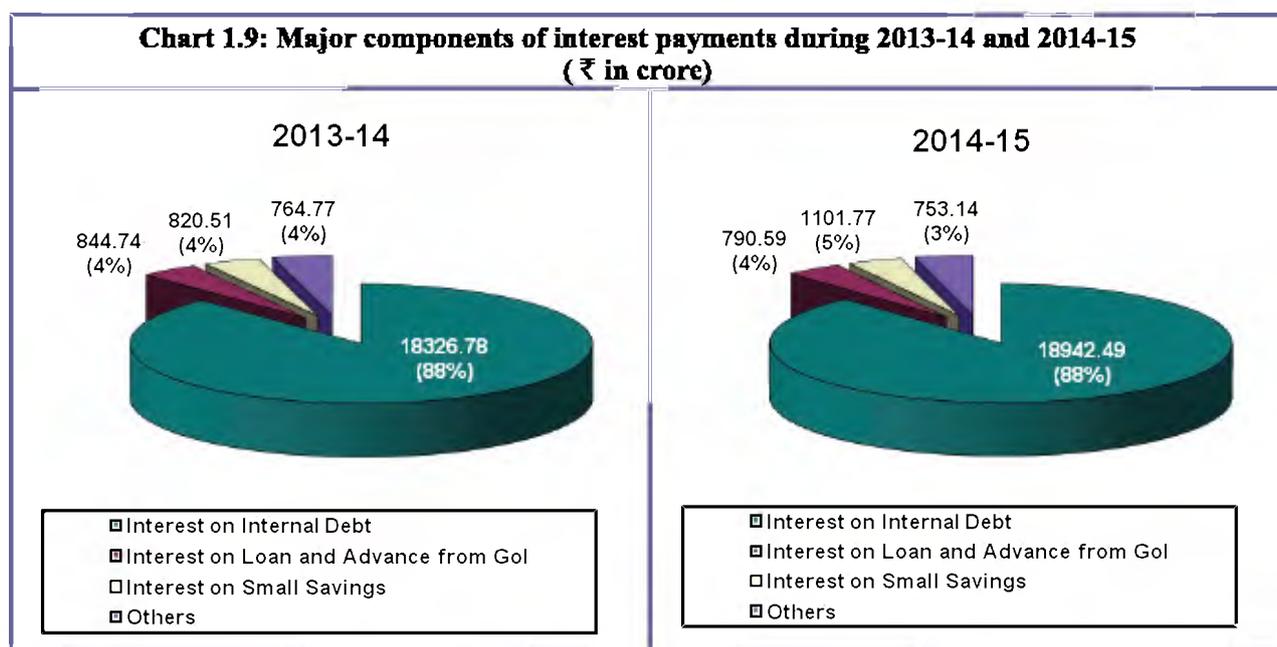
Expenditure on Pensions (₹ 12128 crore) grew at a CAGR of 10.69 per cent during 2010-15. It fell short of the budgetary estimates (₹ 13568 crore) by ₹ 1440 crore (11 per cent) in 2014-15. Expenditure on pensions constituted 14 per cent of the revenue receipts and 16 per cent of the NPRE during the current year.

The expenditure on pension during 2014-15 surpassed the 13th FC projection (₹ 8613 crore) by 41 per cent.

Interest payments

Expenditure on Interest Payments grew at a CAGR of 11.80 per cent during 2010-15. It constituted 55 per cent of the Tax Revenue during 2014-15 and its proportion in the NPRE increased to 29 per cent from 26 per cent during 2010-11. As depicted in Chart 1.9 interest on internal debt comprised the major share of interest payments (88 per cent in 2014-15). 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 2014-15.

Against the 13th FC projection of ₹ 19570 crore during 2014-15, actual expenditure incurred on interest payments was higher by 10 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 1.14:

Table 1.14: Interest payment as percentage of Revenue Receipts

| Particulars | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|--------------------------------------------------|---------|---------|---------|---------|---------|
| Interest payment on market loans (₹ in crore) | 4899 | 5839 | 7455 | 10345 | 10826 |
| Percentage of Revenue Receipts | 10 | 10 | 11 | 14 | 13 |

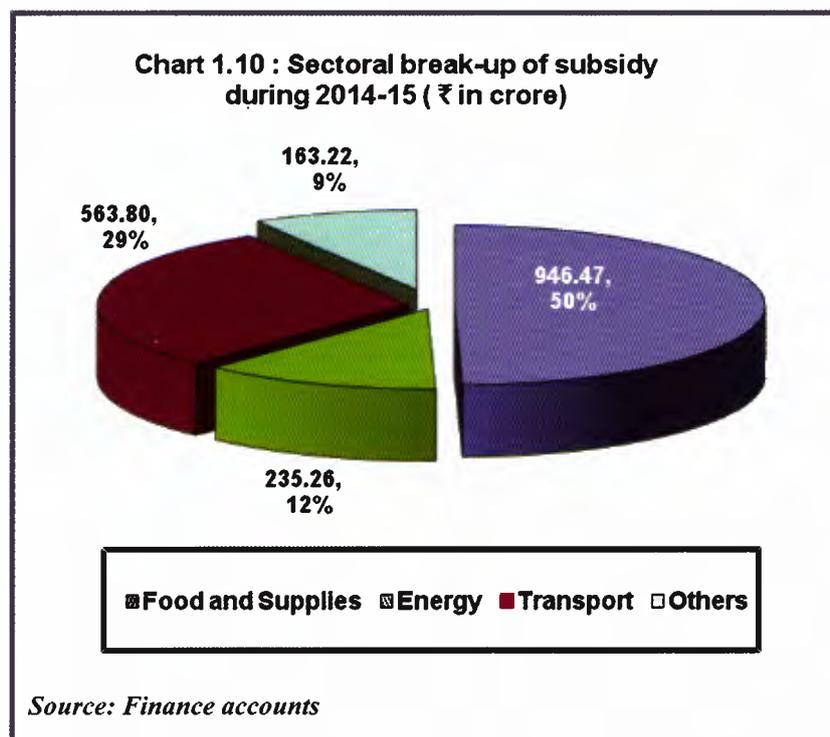
Source: Finance Accounts

Payment of interest on market loans grew at a CAGR of 21.92 per cent during 2010-15. Of the total interest paid during 2014-15, market loans alone accounted for 50 per cent. Interest payment increased by 39 per cent (₹ 2890 crore) during 2013-14 and again four per cent (₹ 831 crore) during 2014-15 over the respective previous years.

Payment of subsidies

Expenditure on subsidies (₹ 1909 crore in 2014-15) reduced at a CAGR of 2.27 per cent during the period 2010-15. The sectoral segregation of subsidies is depicted in Chart 1.10.

Payment of subsidy drastically reduced by ₹ 1528 crore (44 per cent) over the



previous year. Its share in the NPRES decreased to three per cent from seven per cent in 2012-13. Maximum reduction took place in the Food & Supply segment by ₹ 1423 crore (60 per cent) due to cessation of subsidy in supply of rice to the APL/BPL families in the Targeted Public Distribution System. In Power Sector, cut was ₹ 104 crore (31 per cent) due to reduction of subsidy to WBSEDCL for subsidisation in power tariff to its consumers. However, in Labour sector, Udiyaman Swanirbhar Karmasansthan Prakalpa-2008 (₹ 100 crore) registered substantial growth from only ₹ 2 crore in 2013-14.

Implicit subsidy

State Government incurred an expenditure of ₹ 286 crore on implicit subsidy which was booked as Grants-in-aid/Other charges. This includes:

- Payment of electricity charges to WBSEDCL on account of minor irrigation schemes (₹ 123 crore).

- ₹120 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).

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

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 1.15: Financial Assistance to Local Bodies/Institutions, etc.

| Financial Assistance to Local Bodies/Institutions | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|-----------------------------------------------------|---------------------|--------------|--------------|--------------|--------------|
| | (₹ i n c r o r e) | | | | |
| Panchayati Raj Institutions (PRIs) | 2192 | 2670 | 5623 | 5672 | 12775 |
| Urban Local Bodies(ULBs) | 2435 | 2365 | 2500 | 2808 | 3960 |
| Public Sector Undertakings | 66 | 67 | 89 | 97 | 64 |
| Autonomous Bodies(ABs) | 2028 | 2332 | 2310 | 2772 | 1594 |
| Others | 16935 | 19334 | 17611 | 21817 | 25487 |
| Total | 23656 | 26768 | 28133 | 33166 | 43880 |
| Assistance as per percentage of Revenue Expenditure | 37 | 37 | 34 | 36 | 42 |

Source: Finance Accounts

Table 1.15 indicates that during 2014-15, financial assistance to Local Bodies/Institutions over the previous year increased by ₹ 10714 crore (32 per cent). Major increase was recorded in respect of grants released to PRIs (₹ 7103 crore). The assistance to ABs, however, reduced by ₹ 1178 crore (42 per cent) to ₹ 1594 crore.

Grants for creation of capital assets of ₹ 2094 crore were paid to LBs, ABs and other institutions during 2014-15 as against ₹ 2562 crore paid during 2013-14.

Kolkata Metropolitan Development Authority (KMDA) is a statutory body formed under KMDA Act, 1972, for carrying out major infrastructure development in Kolkata Metropolitan Area. It is neither a Local Body/ Municipality nor an elected self-government in Kolkata Metropolitan area. Incorrect budget provision as Grants-in-aid to KMDA was made under “3604- Compensation and Assignments to Local Bodies and Panchayati Raj Institutions”. Expenditure incurred (₹ 248 crore) thereunder thus flouted the guiding principles enshrined for depiction of classifications of expenditure in the accounts and led to excess exhibition of financial assistance to Local Bodies/Institutions to the same extent during 2014-15.

1.7 Quality of Expenditure

Improvement in the quality of expenditure basically involves three aspects, viz., adequacy of 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 1.16 analyses fiscal priority of the State Government with regard to Development Expenditure (DE), Social Sector Expenditure (SSE), Capital Expenditure (CE) and expenditure under Education²⁹ and Health³⁰ sectors during 2011-12 and 2014-15.

Table-1.16: Fiscal priority of the State for 2011-12 and 2014-15

(in per cent)

| | | AE/GSDP | DE#/AE | SSE/AE | CE/AE | Expenditure on Education / AE | Expenditure on Health / AE |
|---------|-------------------------------------------|---------|--------|--------|-------|-------------------------------|----------------------------|
| 2011-12 | *General category States' Average (Ratio) | 15.98 | 65.39 | 36.63 | 13.23 | 17.10 | 4.68 |
| | West Bengal's figure (Ratio) | 14.49 | 56.99 | 42.41 | 3.61 | 20.89 | 5.22 |
| 2014-15 | *General category States' Average (Ratio) | 16.49 | 69.12 | 36.50 | 14.01 | 16.23 | 5.04 |
| | West Bengal's figure (Ratio) | 14.24 | 61.63 | 38.92 | 8.66 | 18.57 | 5.59 |

* 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, the information as available on CSO website as on 31 July, 2015 except in case of Kerala, Gujarat where the figures were provided by PAsG.

- 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 the corresponding averages of all general category States in both these years. The State incurred higher

²⁹ Education, Sports, Art and Culture sector

³⁰ Health and Family Welfare sector

percentage of expenditure on education and health sectors, as compared to the average spending of all general category States in both the years. Consequently, in the Social Sector, level of expenditure was higher than the average expenditure of all general category States.

- Proportion of capital expenditure in aggregate expenditure (3.61 *per cent* and 8.66 *per cent*) was significantly lower compared to general category States' average of 13.23 and 14.01 *per cent* during 2011-12 and 2014-15 respectively.

Table 1.17 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-1.17: Development Expenditure

(₹ in crore)

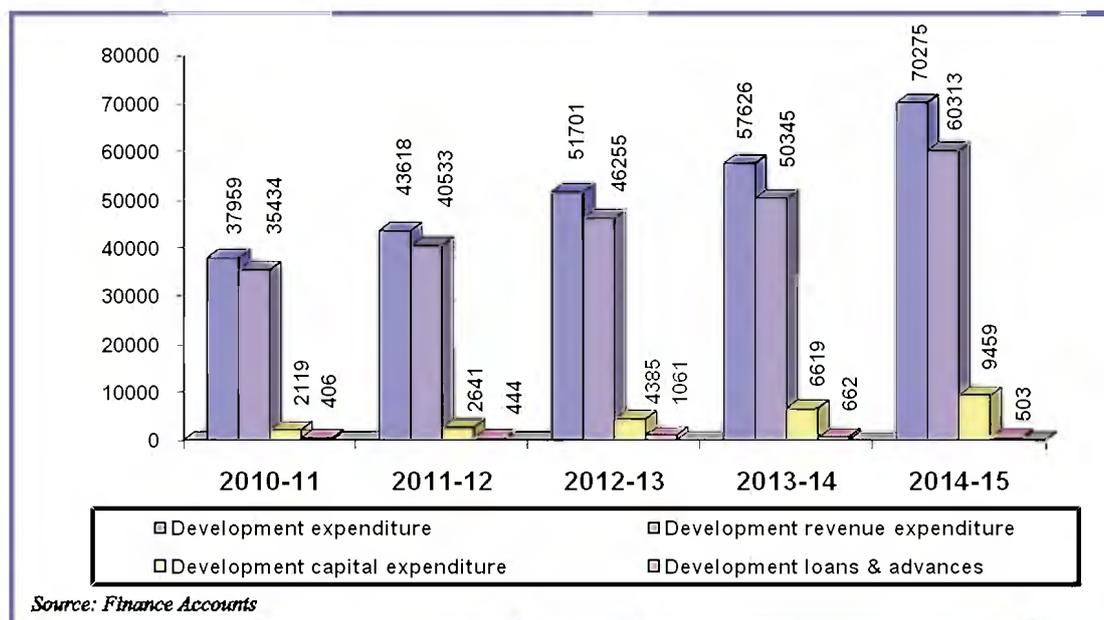
| Components of Development Expenditure | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | |
|---------------------------------------|-------------------|-------------------|-------------------|------------------|---------------|-------------------|
| | | | | | BE | Actuals |
| Revenue Expenditure | 64538 (96) | 73326 (96) | 82111 (94) | 91797(92) | 105978 | 103652(91) |
| Development Revenue Expenditure | 35434 (53) | 40533 (53) | 46255 (53) | 50345(51) | 61248 | 60313(54) |
| Capital Expenditure | 2226 (3) | 2764 (4) | 4547 (5) | 6927(7) | 15121 | 9879(9) |
| Development Capital Expenditure | 2119 (3) | 2641 (3) | 4385 (5) | 6619(7) | 14569 | 9459(8) |
| Loans and Advances | 408 (1) | 448 (1) | 1064 (1) | 663(1) | 477 | 505 |
| Development Loans and Advances | 406 (1) | 444 (1) | 1061 (1) | 662(1) | 471 | 503 |
| Development Expenditure | 37959 (57) | 43618 (57) | 51701 (59) | 57626(58) | 76288 | 70275(62) |
| Aggregate Expenditure | 67172 | 76538 | 87722 | 99387 | 121576 | 114036 |
| Planned Expenditure | 14616 | 17216 | 22491 | 28160 | 42694 | 39895 |
| Non-planned Expenditure | 52556 | 59322 | 65231 | 71227 | 78882 | 74141 |

Source: Finance Accounts and Budget Publications

Figures in parentheses indicate percentage to aggregate expenditure

As depicted in **Table 1.17**, during 2014-15, the proportion of development expenditure to aggregate expenditure increased to 62 *per cent* from 57 *per cent* during 2010-11. However, development capital expenditure fell significantly short of the budgetary estimates by 35 *per cent* during 2014-15. As a whole, development expenditure during 2014-15 fell short of the budgetary estimates by ₹ 6013 crore (eight *per cent*). Shortfall in developmental capital expenditure was mainly due to significantly lower capital expenditure on education, sports, art and culture in the social sector and agriculture, irrigation, flood control and special areas programme in the economic sector.

Chart 1.11: Trend in Development Expenditure during 2010-15
(₹ in crore)



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 services and merit goods³¹. Apart from improving the allocation towards development expenditure, the efficiency of expenditure use is also reflected by the ratio of capital expenditure (CE) to total expenditure (TE) and proportion of revenue expenditure (RE) being spent on operation and maintenance (O&M) of the existing social and economic services. The higher the ratio of these components to total expenditure, the better would be the quality of expenditure. Table 1.18 presents the efficiency of expenditure in selected social and economic services.

³¹ Core 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 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 1.18: Efficiency of Expenditure Use in Selected Social and Economic Services

| Social/Economic Infrastructure | 2013-14 | | | 2014-15 | | |
|------------------------------------|----------------------|---------------------|-------------|----------------------|---------------------|-------------|
| | 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** |
| <i>In per cent</i> | | | | | | |
| Social Services (SS) | | | | | | |
| Education, Sports, Art and Culture | 3.30 | 78.15 | 0.01 | 2.70 | 74.11 | 0.03 |
| Health and Family Welfare | 11.82 | 66.98 | 0.34 | 16.70 | 55.56 | 0.30 |
| WS, Sanitation & HUD | 17.24 | 26.13 | 5.78 | 25.62 | 27.15 | 4.26 |
| (Total SS) | 6.58 | 51.73 | 0.88 | 9.52 | 52.55 | 0.63 |
| Economic Services (ES) | | | | | | |
| Agriculture & Allied Activities | 19.21 | 59.92 | 0.53 | 24.53 | 49.59 | 0.41 |
| Irrigation and Flood Control | 42.25 | 57.95 | 15.20 | 59.07 | 59.14 | 14.39 |
| Power & Energy | 35.07 | 0.19 | - | 68.46 | 0.00 | 0.00 |
| Transport | 49.38 | 13.75 | 29.52 | 46.07 | 11.10 | 29.09 |
| Total (ES) | 23.61 | 30.00 | 4.14 | 20.22 | 17.88 | 2.77 |
| Total (SS+ES) | 11.49 | 46.52 | 1.66 | 13.46 | 40.97 | 1.35 |

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

Source: Finance Accounts and VLC

As would be evident from above, overall quality of expenditure improved a little as proportion of CE to TE increased marginally. However, the share of expenditure in O&M as a proportion of RE reduced marginally.

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 classified³² 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 2014-15. Revenue realised from 15 schemes during 2014-15 was only ₹ 5 crore (0.22 per cent of the capital outlay of ₹ 2293 crore). Barring Eden Canal under Medium Irrigation (Commercial), the revenue receipts of none of 14 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 ₹ 225 crore (9.82 per cent of the capital outlay). The major loss making projects were Damodar Valley Project (₹ 75 crore), Kangsabati Reservoir Project (₹ 61 crore), Teesta Barrage Project (₹ 45 crore) and Mayurakshi Reservoir Project (₹ 30 crore).

1.8.2 Incomplete projects

As of March 2015, there were 816 incomplete capital works³³. A total of ₹ 1381 crore was invested in these projects by the Government.

Table 1.19: Work-wise Profile of Incomplete Projects

(₹ in crore)

| Types of Works | Number | Estimated cost of works | Expenditure up to March 2015 | Cases for which revised estimates were available | | |
|----------------|------------|-------------------------|------------------------------|--------------------------------------------------|--------------------|-------------------|
| | | | | Number | Original estimates | Revised estimates |
| Roads | 158 | 2354 | 1045 | 22 | 369 | 533 |
| Public Health | 591 | 4053 | 122 | - | - | - |
| Buildings | 66 | 421 | 213 | 9 | 24 | 38 |
| Others | 1 | 5 | 1 | - | - | - |
| Total | 816 | 6833 | 1381 | 31 | 393 | 571 |

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 31 out of 816 cases, for which original as well as revised estimates were available, there were escalation of ₹ 178 crore (45 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.

³² 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 as per code for Irrigation & Waterways Department, Government of West Bengal.

³³ 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.

Time and cost overrun of Irrigation Projects

Besides, two³⁴ major and six³⁵ minor irrigation projects started between 1975-83 and 1994-95 were scheduled to be completed between 1980-81 and 2001-02 at a total estimated cost of ₹ 295 crore. As of June 2015, none of the projects could be completed by the Irrigation & Waterways Department even after a time overrun ranging from 13 to 34 years and cost overrun of ₹ 4787 crore (1623 per cent). As a result, targeted benefits could not be achieved from the projects.

Government attributed land disputes, court/arbitration cases, delayed clearances from GoI, delay in land acquisition and forest clearances for canal systems etc. to the non-completion of these projects.

1.8.3 Investment and returns

As on 31 March 2015, Government invested ₹ 12653 crore in Statutory Corporations, banks, Government companies, joint stock companies and co-operatives (Table 1.20). The average return on this investment was negligible.

Table-1.20: Return on Investment

| Investment/Return/Cost of Borrowings | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|-------------------------------------------------------------|---------|---------|---------|---------|---------|
| Investment at the end of the year (₹ in crore) | 10850 | 11156 | 11521 | 12358 | 12653 |
| Return (₹ in crore) | 1 | 1 | 2 | 9 | 6 |
| Return (per cent) | 0.01 | 0.01 | 0.02 | 0.07 | 0.05 |
| Average rate of interest on Government borrowing (per cent) | 7.78 | 8.05 | 8.03 | 8.62 | 8.15 |
| Difference between interest rate and return (per cent) | 7.77 | 8.04 | 8.01 | 8.55 | 8.10 |

Source: Finance Accounts

During 2014-15, Government earned dividend of rupees six crore only (0.05 per cent) on its investment of ₹ 12653 crore. Like in the previous years, no dividend was received from Banks and Statutory Corporations during 2014-15 also. Further scrutiny showed that in many cases the companies having Government investment have suffered substantial losses leading to erosion of their net worth. **Appendix 1.11** shows an illustrative list of some such companies. Of these, in 11 non-working Government companies, accumulated losses amounting to ₹ 1131 crore as per the latest accounts received. The negative net worth of these companies amounted to ₹ 1039 crore. The possibility of any economic return on Government investments made in these companies is remote.

Non-realisation of disinvestment proceeds

Disinvestment proceeds amounting to ₹ 147 crore could not be realised despite completion of the legal procedure for transfer of equity shares of Kolkata Metro Rail Corporation Limited (KMRCL) in favour of Ministry of Railways (in November 2012 and February 2013) by GoWB.

³⁴ Teesta Barrage Project and Subarnarekha Barrage Project

³⁵ Patloi, Tatko, Futuary, Golmarajore, Beko and Extension of Bandhu Irrigation Projects

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 1.21** presents the outstanding loans and advances and interest receipts *vis-à-vis* interest payments during the last five years.

Table-1.21: Average interest received on loans given by the State

(₹ in crore)

| Quantum of Loans/Interest Receipts/ Cost of Borrowings | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | |
|--------------------------------------------------------------------------|--------------|--------------|--------------|--------------------|---------|--------------|
| | | | | | BE | Actual |
| Opening Balance | 13947 | 13982 | 14352 | 15136 | | 14641 |
| Amount advanced during the year | 408 | 448 | 1064 | 663 | 477 | 505 |
| Amount repaid during the year | 373 | 78 | 280 | 1158 ³⁶ | 309 | 176 |
| Closing Balance | 13982 | 14352 | 15136 | 14641 | | 14970 |
| <i>Of which</i> | | | | | | |
| Outstanding balance for which terms and conditions have not been settled | 1300 | 1303 | 1302 | 1347 | | 1528 |
| Net addition to outstanding loans and advances during the year | 35 | 370 | 784 | (-) 495 | | 329 |
| Interest receipts from loans and advances | 580 | 163 | 516 | 274 | | 126 |

Source: Finance Accounts

During 2014-15, out of total loans of ₹ 505 crore, ₹ 496 crore disbursed for economic services and the rest for social services (₹ 7 crore), Government Servants (₹ 2 crore). Among the economic services, major portion of the loan went to Power Projects³⁷ (₹ 138 crore) followed by WBIDCL (₹ 117 crore) and Road Transport services³⁸ (₹ 109 crore) and while for social services, major portion went to West Bengal Film Development Corporation (₹ 4 crore). Interest receipts significantly fell by ₹ 148 crore (54 per cent) over the previous year. At the end of the year, arrears of ₹ 5382 crore on account of principal and ₹ 7969 crore on account of interest were overdue for realisation. No unrecoverable loans were, however, written off during the year.

Only 15 out of 167 borrowers confirmed the loan balances. Confirmation/acceptance of the outstanding balance of loans advanced (₹ 12476 crore) as at the end of March 2015 was not available. Such non-confirmation/acceptance served as a hindrance to the authentic depiction of loan balances.

Scrutiny revealed that loans amounting to ₹ 898 crore relating to 17 departments remained unaltered for long periods, the oldest item being 48 years old. Fifteen of these departments had outstanding loans worth more than ₹ 1 crore, as shown in **Table 1.22**. In addition, 7113 Government loans aggregating to ₹ 5095 crore were sanctioned to 43 Autonomous Bodies/Authorities, etc. by 10 departments by the end of 2014-15, though no repayments were made in respect of previous loans to these organisations.

³⁶ The high recovery of loans and advances in 2013-14 was due to conversion of outstanding EAP loans into equity in favour of WBPDCCL for implementation of Sagardighi Thermal Power Project

³⁷ WBPDCCL - ₹ 78 crore; DPL - ₹ 57 crore; WBSIEDCL - ₹ 3 crore

³⁸ CSTC - ₹ 29 crore; WBSTC - ₹ 28 crore; CTC - ₹ 25 crore; NBSTC - ₹ 21 crore; SBSTC - ₹ 20 crore

Table 1.22: Cases of old loans without any recovery

| | Name of the Department | Loans with no recovery | Period of drawal |
|----|---------------------------------------------|------------------------|--------------------|
| | | Amount (₹ in crore) | |
| 1 | Industrial Reconstruction | 260.45 | 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 | 897.57 | |

Source: Finance Accounts

Short exhibition of loans disbursed

Commerce & Industries department approved (March 2010) the scheme of 'interest free bridge loan to WBIDCL for meeting the interest cost of loan to be raised from the banks/financial institutions' for the purpose of acquiring land for establishing Land Bank, but the provisioning of budgetary estimates and issuance of subsequent grants-in-aid sanction orders under the Revenue Sector led to understatement of loans disbursed by ₹ 4.50 crore during the current year and ₹ 85 crore upto 31 March 2015 with corresponding overstatements of grants-in-aid.

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 2014-15, the State Government had to resort to special and normal ways and means advances for 135 and 29 days respectively (total 164 days). During 2014-15, the quantum of such advances was ₹ 19381 crore. The State had to pay ₹ 20 crore as interest on ways and means advances and overdrafts. Treasury bills amounting to ₹ 38457 crore and ₹ 40831 crore respectively were purchased and sold during the period 2014-15.

An amount of ₹ 69 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 2015 is shown in Table 1.23.

Table-1.23: Cash Balances and Investment of Cash Balances

(₹ in crore)

| | As on 31 March 2014 | As on 31 March 2015 | Increase/ Decrease |
|-------------------------------------------------------------------------------------------------------------------------|------------------------|------------------------|-----------------------|
| (a) General Cash Balance | | | |
| Cash in Treasuries | 0.26 | 0.31 | 0.05 |
| Deposits with Reserve Bank of India | (-) 23.01 | (-) 326.74 | (-) 303.73 |
| Deposits with other Banks | - | - | - |
| Remittances in transit – Local | - | - | - |
| Total | (-) 22.75 | (-) 326.43 | (-) 303.68 |
| Investments held in Cash Balance investment account | 5098.23 | 2724.68 | (-) 2373.55 |
| Total (a) | 5075.48 | 2398.25 | (-) 2677.23 |
| (b) Other Cash Balances and Investments | | | |
| Cash with departmental officers viz. Public Works, Department Officers, Forest Department Officers, District Collectors | 19.10 | (-) 0.36 | (-) 19.46 |
| Permanent advances for contingent expenditure with departmental officers | 1.87 | 1.92 | 0.05 |
| Investment of earmarked funds | 7181.11 | 8557.52 | 1376.41 |
| Total (b) | 7202.08 | 8559.08 | 1357.00 |
| Grand total (a) + (b) | 12277.56 | 10957.33 | (-) 1320.23 |

Source: Finance Accounts

Exclusion of transactions

It was noticed in audit that total receipts booked in the accounts were ₹ 170499 crore against ₹ 185888 crore reported by RBI-CAS. Similarly, against ₹ 170777 crore booked as total payments in the accounts, while RBI-CAS reported ₹ 186216 crore. This resulted in short accounting of receipts and payments of ₹ 15389 crore and ₹ 15439 crore respectively and the excess of payments over receipts on this count stood at ₹ 50 crore³⁹. Closing balance of ₹ 381 crore⁴⁰ (debit), as on 31 March 2015, reported by RBI included this excess of payments over receipts of ₹ 50 crore indicating that receipt and payment transactions of ₹ 15389 crore and ₹ 15439 crore respectively represented *bonafide* transactions of the State Government, which remained unaccounted for in the accounts of financial year 2014-15, thereby affecting the completeness of accounts. This led to understatement of cash balance depicted in the Finance Accounts by ₹ 50 crore³⁹.

³⁹ Actual figure ₹ 50.47 crore before rounding off

⁴⁰ Actual figure ₹ 381.31 crore before rounding off

1.9 Assets and Liabilities

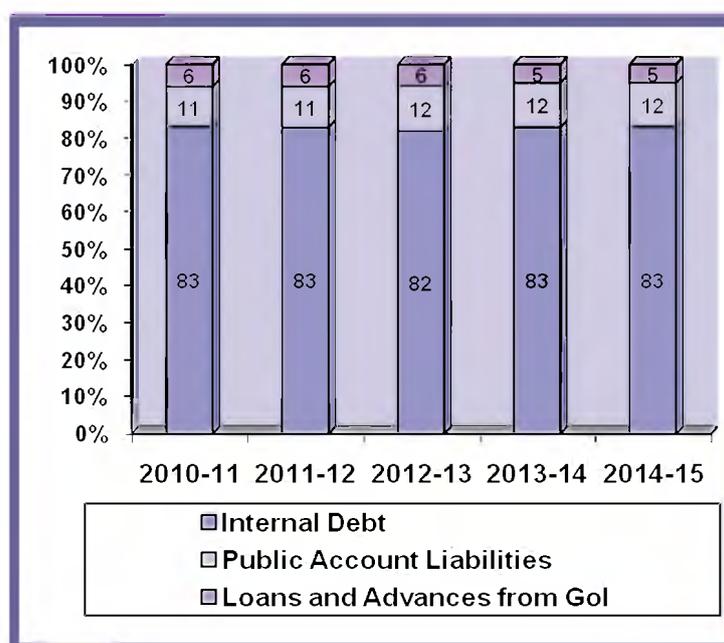
1.9.1 Growth and composition of Assets and Liabilities

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 2015, compared with the corresponding position on 31 March 2014. 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 capital outlay and loans and advances given by the State Government and cash balances.

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 and advances heads.

Chart 1.12 : Composition of Outstanding Fiscal Liabilities (in per cent)



Source: Finance Accounts

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 **Chart 1.12**.

Fiscal Liabilities of the State, their rates of growth, ratio of these liabilities to GSDP, revenue receipts and own resources are brought out in **Table 1.24**.

Table-1.24: Trend in Fiscal Liabilities of the State**(₹ in crore and ratios in percentage)**

| | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|---------------------------------------|---------|---------|---------|---------|---------|
| Fiscal Liabilities | 187387 | 207702 | 229779 | 251997 | 277579 |
| Rate of growth | 11.75 | 10.84 | 10.63 | 9.67 | 10.15 |
| Ratio of Fiscal Liabilities to | | | | | |
| GSDP | 40.65 | 39.31 | 38.09 | 35.67 | 34.66 |
| Revenue Receipts | 396.47 | 353.51 | 336.45 | 345.76 | 320.85 |
| Own resources | 797.09 | 790.40 | 661.67 | 665.71 | 676.38 |

Source: Finance Accounts

The overall fiscal liabilities of the State show an increasing trend, growing at a CAGR of 10.32 *per cent* during the period 2010-11 to 2014-15. The ratio of fiscal liabilities to GSDP was above the target stipulated in the 13th FC and WBFRBM (Amendment) Act, 2011 (34.30 *per cent*); it has also been showing a declining trend over the years.

Apart from the above, there were cases where the Government did not account for outstanding liabilities amounting to ₹ 1364 crore as at the end of March 2015 on account of the following:

- Outstanding liability of ₹ 1029 crore of the State Government to Ministry of Home Affairs, GoI, in respect of the cost of deployment for CRPF personnel in the State of West Bengal remains undischarged;
- In the SASPFUW⁴¹ under the Labour Department, State's matching contribution against subscribers' subscription of ₹ 193 crore including interest (₹ 185 crore) on the balance at the credit of the subscribers remains unpaid;
- State Government pays subsidy to the WBSEDCL for supplying power at subsidised rate to earmarked consumers. As per Electricity Act, 2003, subsidised power tariff is determined after receiving upfront commitment from the State Government. WBSEDCL had informed that ₹ 142 crore subsidy is receivable from the State Government which remains undischarged as on 31 March 2015.

The liabilities depicted in the Finance Accounts stand understated by ₹ 1364 crore on account of the above.

1.9.3 Transactions under Reserve Funds

There were 41 Reserve Funds earmarked for specific purposes, out of which 18 funds were active and 23 were inactive for more than five years. As of 31 March 2015, the total accumulated credit balance in these funds was ₹ 9739 crore⁴². Investment out of this balance was ₹ 8558 crore (88 *per cent*). During the year, an amount of ₹ 1770 crore was transferred as annual contribution to various reserve funds.

⁴¹ State Assisted Scheme of Provident Fund for Un-organized Workers

⁴² ₹ 9719 crore (credit) was in active funds, ₹ 21 crore (credit) and ₹ 1 crore (debit) in the inoperative ones

Consolidated Sinking Fund

As per reports of the 12th FC and Reports of the Technical Group (RBI) on borrowings by States, GoWB had set up a revised model scheme for Consolidated Sinking Fund (CSF) from the financial year 2008-09. The fund is 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 is built up from periodic contributions as well as income accruing to the fund from its investments – investments are to be made only on GoI securities. The contribution is to be made at the rate of at least 0.5 *per cent* of the outstanding liabilities (sum of internal debt and public account liabilities) as at the end of the previous year. Accordingly, the State Government was to contribute ₹ 1260 crore⁴³ during 2014-15. However, during 2014-15, there was a contribution of only ₹ 100 crore to the fund leading to understatement of fiscal deficit by ₹ 1160 crore. The balance in the fund as of March 2015 stood at ₹ 8373 crore⁴⁴ after the accrued interest (₹ 315 crore) reinvested in the fund during the year.

There was a difference (₹ 1923 crore) between the closing balance of CSF as per the records of RBI CAS, Nagpur (₹ 6450 crore⁴⁵) and Finance Accounts (₹ 8373 crore) due to non-reconciliation between investment value as reflected in the Finance Accounts and face value of GoI securities as reflected in the RBI-CAS records.

Guarantee Redemption Fund

12th Finance Commission had 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), State Government was required to make minimum annual contributions to the Fund at the rate of one *per cent* in the first year and thereafter at the rate of 0.5 *per cent* of the outstanding guarantees at the end of the previous year. In January 2015, State Government had constituted the fund and contributed ₹ 46 crore against the required ₹ 46.45 crore⁴⁶.

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 guarantees have 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.

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 1.25**.

⁴³ 0.5 *per cent* of the Outstanding liabilities (₹ 251996.59 crore) at the end of the year 2013-14

⁴⁴ Actual figure ₹ 8373.44 crore before rounding off

⁴⁵ Actual figure ₹ 6449.80 crore before rounding off

⁴⁶ One *per cent* of the outstanding guarantee of ₹ 4645.37 crore (Principal - ₹ 4549.70 crore and Interest - ₹ 95.67 crore) at the end of 2013-14

Table-1.25: Guarantees given by the Government of West Bengal**(₹ in crore)**

| | 1 April 2011 | 1 April 2012 | 1 April 2013 | 1 April 2014 | 1 April 2015 |
|-----------------------------------------------------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Maximum amount guaranteed | 19860 | 20106 | 18981 | 14818 | 15184 |
| Outstanding amount of guarantees | 11943 | 10192 | 8821 | 4550 | 9322 |
| Ceiling fixed by State Government Act (90 per cent of Revenue Receipt of the second preceding year) | 33230 | 42538 | 52880 | 61466 | 65594 |
| Percentage of outstanding amount guaranteed to Revenue Receipts of the second preceding year | 32 | 22 | 15 | 7 | 14 |

Source: Finance Accounts

The outstanding Government guarantees during 2010-15 were well within the limits prescribed under the West Bengal Ceiling on Government Guarantees Act, 2001. Out of total 533 guarantees outstanding as on 31 March 2015, Power sector alone accounted for 399 guarantees (75 per cent). No guarantee, however, had been invoked during 2014-15.

Further, in terms of Section 10 of West Bengal Finance Act of 2002, the loanes for whom the State Government has provided guarantees to the financial institutions were required to pay guarantee fees at the rate of one per cent (minimum) on the total amounts guaranteed. Accordingly, during 2014-15, the State Government was to receive guarantee fees of ₹ 93.86 crore against which only ₹ 1.40 crore was received. Short receipt of ₹ 92.46 crore overstated the fiscal deficit to that extent.

1.9.5 Analysis of Borrowings of Government

As in the previous years, market loans comprised the major sources of borrowing by the State Government during 2014-15. During the year the State Government raised an amount of ₹ 21900 crore as market loans bearing interest rates ranging between 8.08 per cent and 9.40 per cent. During 2014-15, market loans bearing interest amounting to ₹ 3382 crore were repaid leaving an outstanding balance of ₹ 141582 crore. The total outstanding borrowing of the State Government stood at ₹ 244490 crore, which increased by 10.64 per cent over the previous year. Besides, ways and means advances for ₹ 19381 crore was taken from the RBI which were repaid in full during the year and an amount of ₹ 20 crore was paid as interest on this advance. The State also borrowed an amount of ₹ 7712 crore as special securities issued to NSSF, ₹ 1363 crore from GoI and ₹ 1540 crore from other Financial Institutions, besides ₹ 5 crore from the National Co-operative Development Corporation.

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 sustainability⁴⁷ of the State. This section assesses the sustainability of debt of the State Government in terms

⁴⁷ See glossary at page 135

of debt stabilisation⁴⁸, net debt utilised, burden of interest payments (measured by the ratio of interest payments to revenue receipts) and maturity profile of State Government securities. **Table 1.26** analyses the debt sustainability of the State according to these indicators during the five-year period 2010-15.

Table 1.26: Debt Sustainability: Indicators and Trends

(₹ in crore)

| Sustainability Indicators of Debt | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|-----------------------------------------------------------------------|------------------------------|-------------------------------|-------------------------------|-------------------------------|------------------------------|
| Debt Stabilisation (Quantum Spread + Primary Deficit) | 8094 {13813+ (-) 5719} | 11161 {12970+ (-) 1809} | 11904 {13479+ (-) 1575} | 15878 {20468+ (-) 4590} | 7996 {13754+ (-) 5758} |
| Debt as a percentage of GSDP | 40.65 | 39.31 | 38.09 | 35.67 | 34.66 |
| Net debt utilised ⁴⁹ | 5099 | 2100 | 1129 | (-) 547 | 3450 |
| Ratio of Net Debt utilised to Total Debt Received (<i>per cent</i>) | 20.56 | 7.91 | 3.99 | (-) 1.77 | 9.63 |
| Burden of Interest Payments (IP/RR Ratio) | 0.29 | 0.27 | 0.26 | 0.28 | 0.25 |

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 the five years resulting in a declining trend in debt: GSDP ratio which reduced from 40.65 *per cent* in 2010-11 to 34.66 *per cent* in 2014-15, indicating a movement towards debt stabilisation. However, the ratio of net debt utilised to total debt received (10 *per cent* during 2014-15 from 21 *per cent* during 2010-11) had declined noticeably indicating the increasing non-availability of borrowed funds for purposes other than debt repayment.

Interest payments with respect to revenue receipts depicted a healthy trend as the ratio declined to 24.95 *per cent* during 2014-15 from 29.23 *per cent* during 2010-11.

Maturity profile of the State Debt

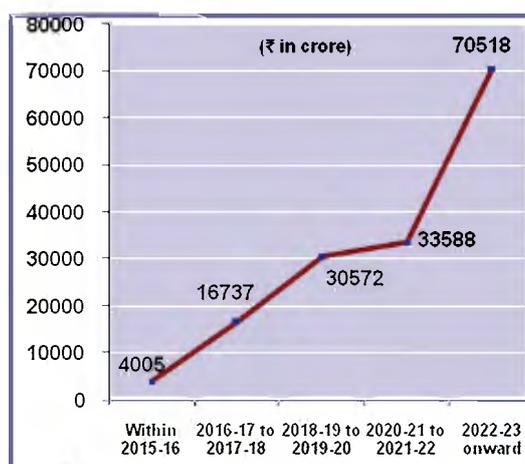
The maturity profile of the State debt as depicted in **Table 1.27** and **Chart 1.13** indicates that the liability of the State would steeply rise in from 2016-17 onwards which would put a strain on the State finances during those periods.

The State will have to put in place a mechanism for augmentation of resources, exploring new sources of revenue and prioritising expenditure to ensure that debt which mature in these critical years are met through an appropriate debt repayment strategy and fresh borrowings channelised for development expenditure only.

⁴⁸ See glossary at page 134

⁴⁹ Total public debt received less debt repayment including interest less net disbursement of loans and advances by the State

Chart 1.13 : Maturity Profile of State Debt



Source : Finance Accounts

Table 1.27 : 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 | 89070 | Nil | - |
| Within 2015-16 | 4005 | 2963 | 2.09 |
| 2016-17 to 2017-18 | 16737 | 14808 | 10.46 |
| 2018-19 to 2019-20 | 30572 | 28724 | 20.29 |
| 2020-21 to 2021-22 | 3588 | 31691 | 22.38 |
| 2022-23 onwards | 70518 | 63400 | 44.78 |
| Total redeemable debt | 244490 | 141586 | |

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* with effect from 2010-11. In terms of recommendation of the 13th FC, benefits in respect of interest relief on loans availed from NSSF are available to the States on making the necessary amendments/enactments of FRBM Acts. The interest relief available to the State on this account was ₹ 2020 crore⁵⁰ during 2010-15, against which GoWB received ₹ 679 crore⁵¹ under “Debt Relief to States - Reset of NSSF Interest Rates” till March 2015. During 2014-15, no relief was received, leaving a shortfall of ₹ 1341 crore.

1.11 Fiscal Imbalances

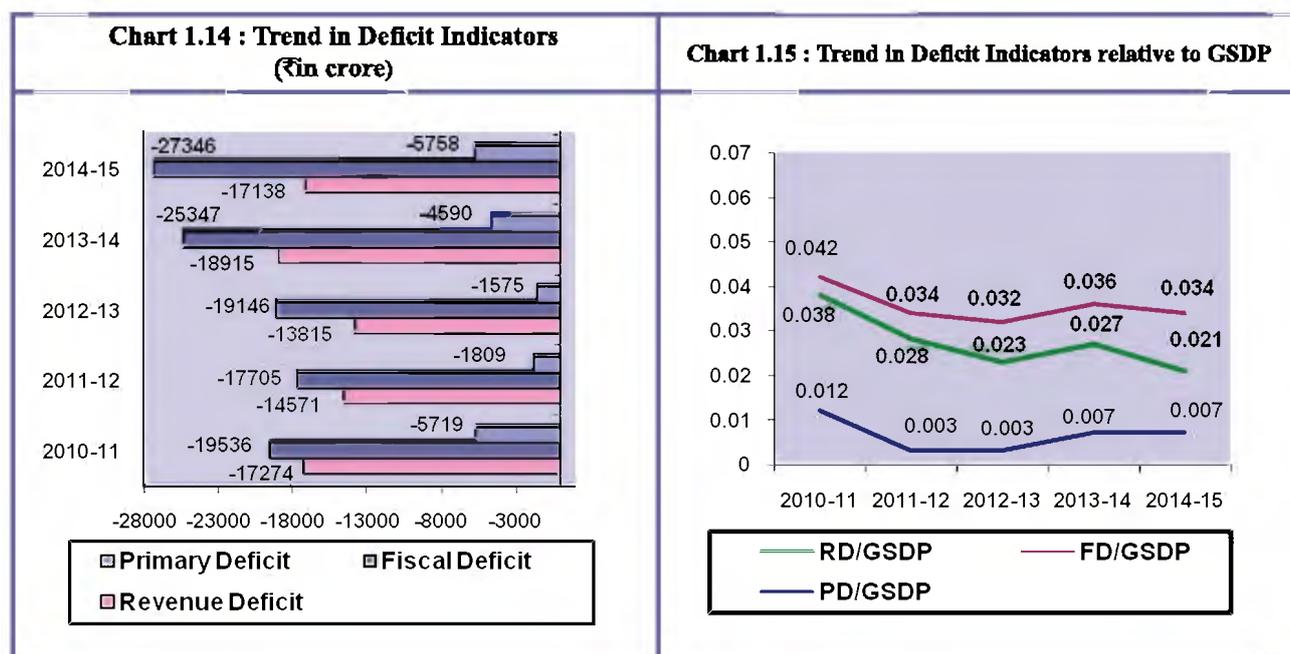
Three key fiscal parameters - revenue, fiscal and primary deficits - indicate the extent of overall fiscal imbalance in Government finances. Deficit in Government accounts represents the gap between receipts and expenditure. Nature of deficit is an indicator of prudence of fiscal management of the Government. 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, magnitude and the manner of financing these deficits and also the assessment of actual levels of revenues and fiscal deficits for the financial year 2014-15.

1.11.1 Trends in Deficits

Charts 1.14 and 1.15 present trends in deficit indicators over the period 2010-11 to 2014-15.

⁵⁰ 2010-2011 - ₹ 455.85 crore; 2011-2012 - ₹ 431.28 crore; 2012-2013 - ₹ 404.53 crore; 2013-14 - ₹ 377.77 crore and 2014-15- ₹ 351.02 crore

⁵¹ 2012-13 - ₹ 274.05 crore and 2013-2014- ₹ 404.53 crore



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

Decrease in revenue deficit (by ₹ 1777 crore) in 2014-15 over the year 2013-14 was attributable to 19 per cent increase in revenue receipts compared to 13 per cent increase in revenue expenditure over the previous year. The increase in fiscal deficit (by ₹ 1999 crore) was attributable to significant increase in capital outlay (by 43 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 borrowings resorted to by the State to meet its requirement of funds over and above revenue and non-debt receipts as reflected in Table 1.28.

Table 1.28: Components of Fiscal Deficit and its Financing Pattern

(₹ in crore)

| Particulars | | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | | |
|-----------------------------------------------------|---------------------------------------------|-----------------------------------|------------------------|------------------------|------------------------|------------------------|---------------------|--------------|
| Decomposition of Fiscal Deficit (1 to 3) (a) | | 19536 (4.24) | 17705 (3.35) | 19146 (3.17) | 25347 (3.59) | 27346 (3.41) | | |
| 1 | Revenue Deficit | 17274 (3.75) | 14571 (2.76) | 13815 (2.29) | 18915 (2.68) | 17138 (2.14) | | |
| 2 | Capital Outlay | 2226 | 2764 | 4547 | 6927 | 9879 | | |
| 3 | Net Loans and Advances | 36 | 370 | 784 | (-) 495 | 329 | | |
| Financing Pattern of Fiscal Deficit (b) | | Net disbursements/outflows | | | | Receipts | Disbursement | Net |
| 1 | Market Borrowings | 8445 | 20800 | 17993 | 17098 | 25192 | 6674 | 18518 |
| 2 | Loans from GoI | (-) 249 | (-) 91 | 858 | 59 | 1363 | 683 | 680 |
| 3 | Special Securities Issued to NSSF | 10089 | (-) 989 | (-) 49 | 1151 | 7712 | 3239 | 4473 |
| 4 | Loans from Financial Institutions and Bonds | (-) 936 | (-) 1859 | (-) 653 | (-) 179 | 1545 | 1704 | (-) 159 |
| 5 | Ways and Means | 606 | (-) 606 | - | - | 19381 | 19381 | 0 |
| 6 | Small Savings, PF, etc. | 1129 | 1032 | 945 | 841 | 3441 | 2434 | 1007 |
| 7 | Reserve Fund | 1192 | 1296 | 533 | 1189 | 2951 | 1683 | 1268 |
| 8 | Deposits and Advances | 870 | 1367 | 2944 | 2627 | 43035 | 41862 | 1173 |
| 9 | Suspense and Miscellaneous | (-) 458 | (-) 823 | (-) 559 | 2928 | 72744 | 73851 | (-) 1107 |
| 10 | Remittances | (-) 265 | 325 | 228 | 393 | 9694 | 9522 | 172 |
| 11 | Contingency Fund | 3 | - | 1 | - | - | - | - |
| 12 | Appropriation to/from Contingency Fund | - | - | - | - | - | - | - |
| 13 | Total (1 to 12) | 20426 | 20452 | 22241 | 26107 | | | 26025 |
| 14 | Increase (-) / Decrease (+) in Cash Balance | (-) 890 | (-) 2747 | (-) 3095 | (-) 760 | | | 1321 |
| 15 | Overall Surplus/Deficit (13 +14) | 19536 | 17705 | 19146 | 25347 | | | 27346 |

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 1.28** that during 2014-15, market borrowings (67.72 per cent) and special securities issued to NSSF (16.36 per cent) financed the major portion of the fiscal deficit.

1.12 Conclusion and Recommendations

The State failed to achieve the FRBMA targets of revenue and fiscal deficit during 2014-15. 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.

Fiscal deficit increased by eight per cent over the previous year. The committed expenditure, which mainly consisted of payment of salaries and wages, pensions and interest, constituted around 64 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 43 per cent in the capital outlay in the current year, its ratio to Aggregate expenditure of the State was only 8.66 per cent against the all India General Category States' average of 14.01 per cent. Interest payment on market loans increased by five per cent over the previous year. Direct subsidy reduced from five per cent of the total committed expenditure in 2013-14 to three per cent in 2014-15.

Ratio of outstanding debt of the Government to GSDP has reduced from 35.67 per cent in 2013-14 to 34.66 per cent in 2014-15. Government is getting hardly any return from its capital outlay. Return on investment in Statutory Corporations, rural banks, etc. was less than one per cent.

Recommendations

- *Government may consider closing inoperative reserve funds.*
- *Government may ensure timely utilisation of funds and submission of utilisation certificates in time to fully avail of the Government of India grants.*