

Chapter-I

FINANCES OF THE STATE GOVERNMENT

Profile of Goa

Goa was incorporated with the Indian Union as a Union Territory with Legislative Assembly in 1962. It was granted Statehood on 30 May 1987. As indicated in **Appendix 1.1**, the density of population in Goa has increased from 258 persons per sq. km. (2001 census) to 394 persons per sq. km. (2011 census).

The State population increased from 0.13 crore in 2001 to 0.15 crore in 2011 recording a decadal growth of 8.17 *per cent*. The State percentage of population below the poverty line (six *per cent*) is less than the all India average of 29.50 *per cent*. The State literacy rate increased from 82.01 *per cent* (as per 2001 census) to 88.70 *per cent* (as per 2011 census). The Gross State Domestic Product (GSDP) in 2014-15 at current prices was ₹ 52,673 crore. The State has shown higher economic growth in the past decade as the compound annual growth rate of its GSDP for the period 2005-06 to 2014-15 has been 15.56 *per cent* as compared to 15.44 *per cent* in General Category States of the country.

The social indicators *viz.*, literacy rate, rate of infant mortality and life expectancy were better than the all India average (**Appendix 1.1, Part A**).

Gross State Domestic Product (GSDP)

GSDP is the market value of all officially recognised final goods and services produced within the State in a given period of time. The growth of GSDP of the State is an important indicator of the State economy as it indicates the standard of living of the State population. The trends in the annual growth rate of India's GDP and that of the State GSDP at current prices are indicated below:

Annual growth rate of GDP and GSDP at current prices

Year	2010-11	2011-12	2012-13	2013-14 (AE)*	2014-15 (QE) *
India's GDP (₹ in crore)	7248860	8391691	9388876	10472807	11509810
Growth rate of GDP (in per cent)	18.66	15.77	11.88	11.54	9.90
State GSDP (₹ in crore) [§]	33605	43255	42407	48897	52673
Growth rate of GSDP (in per cent)	15.38	28.72	(-).96	15.30	7.72

*QE-Quick Estimates, AE-Advance Estimates

[§]Quick estimates of 2014-15 provided by Directorate of Planning, Statistics and Evaluation Department, Government of Goa

It could be seen from the above table that during 2014-15, the State GSDP growth rate at current prices (7.72 *per cent*) was below the growth rate of country's GDP (9.90 *per cent*). Tertiary sector and Secondary sector continued to be the dominant source of GSDP and it accounted for 49 *per cent* and 42 *per cent* of the GSDP during 2014-15. The contribution of Primary sector during the current year was nine *per cent*.

The sector wise data relating to GSDP of the State are given in **Appendix 1.2, Part A.**

1.1 Introduction

This chapter is based on the audit of Finance Accounts and makes an assessment of the State fiscal position as on 31 March 2015. It provides a broad perspective of the finances of the State during 2014-15 and analyses critical changes observed in the major fiscal aggregates in relation to the previous year, keeping in view the overall trends during the last five years. The structure and form of government accounts is depicted in **Appendix 1.1, Part B.** The methodology adopted for assessment of the fiscal position and norms/ceilings prescribed by the Goa Fiscal Responsibility and Budget Management (FRBM) Act, 2006 and Goa FRBM (First Amendment) Act, 2014 of the State are given in **Appendix 1.2, Part B.**

1.1.1 Summary of current year's fiscal operations

A summary of the State Government's fiscal transactions during 2014-15 *vis-à-vis* the previous year is presented in **Table 1.1** below. **Appendix 1.3** provides details of receipts and disbursements as well as the overall fiscal position during the year 2014-15.

Table 1.1: Summary of current year's fiscal operations

(₹ in crore)

Receipts	2014-15	2013-14	Disbursements	2014-15			2013-14
				Total	Non-Plan	Plan	
Section-A: Revenue							
Revenue receipts	7688.69	6449.77	Revenue expenditure	7410.25	5708.80	1701.45	6803.28
Tax revenue	3895.92	3582.48	General services	2369.91	2336.35	33.56	2075.62
Non-tax revenue	2325.63	1661.56	Social services	1929.34	949.55	979.79	1863.49
Share of Union taxes/duties	900.58	848.53	Economic services	2091.46	1684.52	406.94	1923.14
Grants from Government of India	566.56	357.20	Grants-in-aid and Contributions	1019.54	738.38	281.16	941.03
Section –B: Capital and others							
Misc Capital receipts	-	-	Capital Outlay	1234.11	-1.49	1235.60	1008.22
Recoveries of Loans and Advances	9.96	12.57	Loans and Advances disbursed	2.92	2.73	0.19	4.25
Public Debt receipts*	1267.36	1348.78	Repayment of Public Debt*	365.86	365.86	-	385.06
Contingency Fund	200.01	-	Contingency Fund	200.00	-	-	0.01
Public Account receipts	9289.67	8496.00	Public Account disbursements	9233.45	-	-	8026.81
Opening Cash Balance	783.40	703.91	Closing Cash Balance	792.50	-	-	783.40
Total	19239.09	17011.03	Total	19239.09	-	-	17011.03

(Source: Finance Accounts of the State)

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

Significant changes in fiscal position of the State during 2014-15 over the previous year are given below:

Revenue Receipts	<ul style="list-style-type: none"> • Increased by 19.21 <i>per cent</i> • Non-tax revenue increased 39.95 <i>per cent</i> • Tax revenue increased by 8.77 <i>per cent</i>
Revenue Expenditure	<ul style="list-style-type: none"> • Increased by 8.92 <i>per cent</i> • Non-Plan expenditure increased by 12.12 <i>per cent</i> • Plan expenditure marginally decreased by 0.58 <i>per cent</i>
Capital Expenditure	<ul style="list-style-type: none"> • Increased by 22.42 <i>per cent</i>
Loans and Advances	<ul style="list-style-type: none"> • Recoveries decreased by 23.07 <i>per cent</i> • Disbursements decreased by 25 <i>per cent</i>
Public Debt	<ul style="list-style-type: none"> • Receipts decreased by 6.08 <i>per cent</i> • Disbursements decreased by 4.93 <i>per cent</i>
Cash Balance	<ul style="list-style-type: none"> • Increased by 1.28 <i>per cent</i>

The Government of Goa achieved revenue surplus (₹ 279 crore) during the year. Fiscal deficit (₹ 948 crore) stood at 1.80 *per cent* of GSDP during the current year compared to 2.76 *per cent* during 2013-14. This was within the ceiling of three *per cent* prescribed by the Goa FRBM Act, and the Thirteenth Finance commission (ThFC). Further details are provided in **Paragraph 1.11**.

1.1.2 Fiscal reforms path in Goa

Government of Goa enacted the Goa Fiscal Responsibility and Budget Management Act (FRBM), 2006 which came into force on 15 May 2006 to ensure prudence in fiscal management and fiscal stability by progressive elimination of revenue deficit, greater transparency in fiscal operations of the Government and conduct of fiscal policy in a Medium Term Fiscal Framework. In compliance with the Act, Goa FRBM Rules, 2007 was introduced by the Finance department in November 2007. The Act was amended with effect from March 2014 by passing the Goa FRBM (First Amendment) Act, 2014 in March 2014.

As per the stipulation in the Goa FRBM Act, 2006 and Rules 2007, the State Government was required to prepare Medium Term Fiscal Plan (MTFP) and fiscal indicators, covering fiscal rolling targets fixed for the ensuing three financial years, and submit these disclosures along with the budget documents to the State legislature.

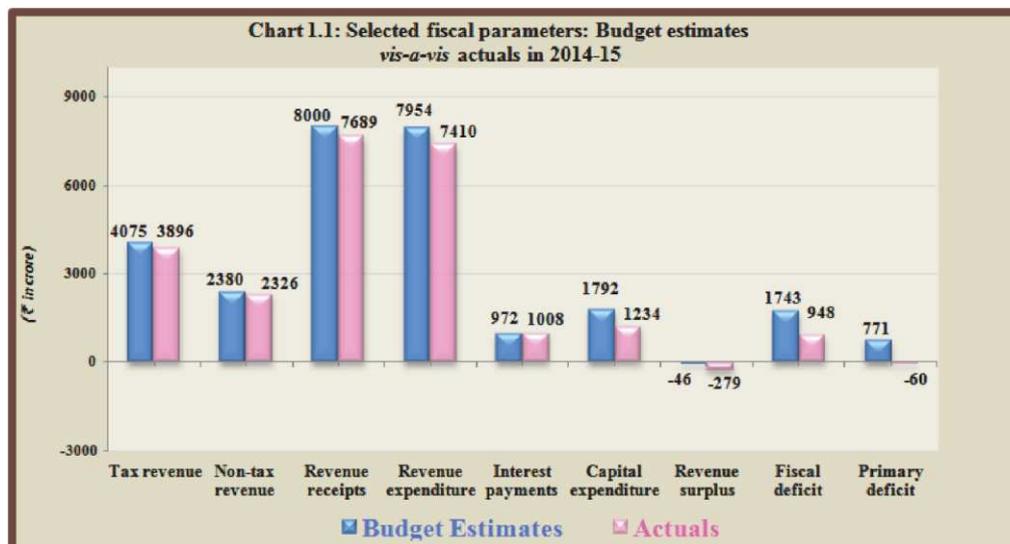
However, the rolling targets for the years 2011-12 onwards in respect of fiscal indicators specified in the FRBM Act, had not been prepared by the Finance Department, Government of Goa (December 2015).

1.1.3 Budget estimates vis-à-vis actual

The budget papers presented by the State Government provide estimation of revenue and expenditure for a particular fiscal year. The importance of accuracy in estimation of revenue and expenditure is widely accepted in the context of effective implementation of fiscal policies for overall

economic management. Deviations from budget estimates are indicative of non-attainment and non-optimisation of desired fiscal objectives.

Actuals *vis-à-vis* budget estimates of selected parameters for 2014-15 are shown in **Chart 1.1**.



(Source: Annual Financial Statement and Finance Accounts)

There was variation between budget estimates and actual in several key parameters. The budget estimates envisaged revenue receipts of ₹ 8,000 crore against which the actual realisation was ₹ 7,689 crore, a shortfall of ₹ 311 crore (3.89 per cent). The decrease in revenue receipts was the net result of decrease in tax revenue by four per cent, non-tax revenue by two per cent, share of union taxes by three per cent and grants-in-aid from Government of India (GoI) by eight per cent.

Revenue expenditure was less by seven per cent as compared to the budget estimates, mainly because of less expenditure under social services (eight per cent) and economic services (16 per cent). Excess over expenditure were noticed in general services (four per cent).

Interest payments were projected at ₹ 972 crore against which the actual payments were ₹ 1,008 crore. As against the capital outlay of ₹ 1,792 crore, the actual capital expenditure was less by ₹ 558 crore (31 per cent) compared to budget estimates. The shortfall was mainly under education, sports, art and culture (₹ 122 crore), water supply, sanitation, housing and urban development (₹ 78 crore), transport (₹ 95 crore) and agriculture and allied activities (₹ 42 crore).

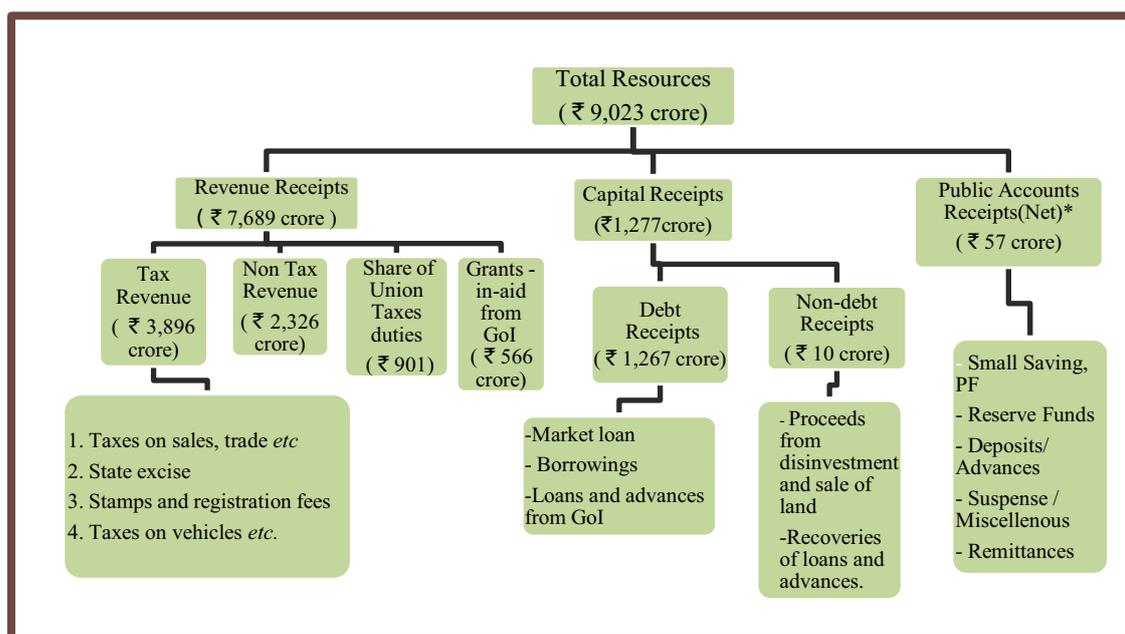
The revenue surplus (₹ 279 crore) exceeded the budget estimates (₹ 46 crore) by five times. The actual fiscal deficit (₹ 948 crore) against the budget estimates (₹ 1,743 crore) was mainly due to shortfall in capital expenditure (₹ 558 crore) and excess revenue surplus (₹ 233 crore).

1.2 Resources of the State

1.2.1 Resources of the State as per Finance Accounts

Revenue and Capital are the two streams of receipts that constitute the resources of the State Government. Revenue receipts consist of tax revenues, non-tax revenues, State share of union taxes and duties and grants-in-aid from the GoI. Capital receipts comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GoI. Besides the funds available in the Public accounts after disbursement is also utilised by the Government to finance its deficits. **Table 1.1** presents the receipts and disbursements of the State during the current year as recorded in its Finance Accounts while **Chart 1.1** depicts the actual against the budget in various components of the fiscal variables of the State during 2014-15. Further, **Chart 1.2** depicts the composition of resources of the State during the current year.

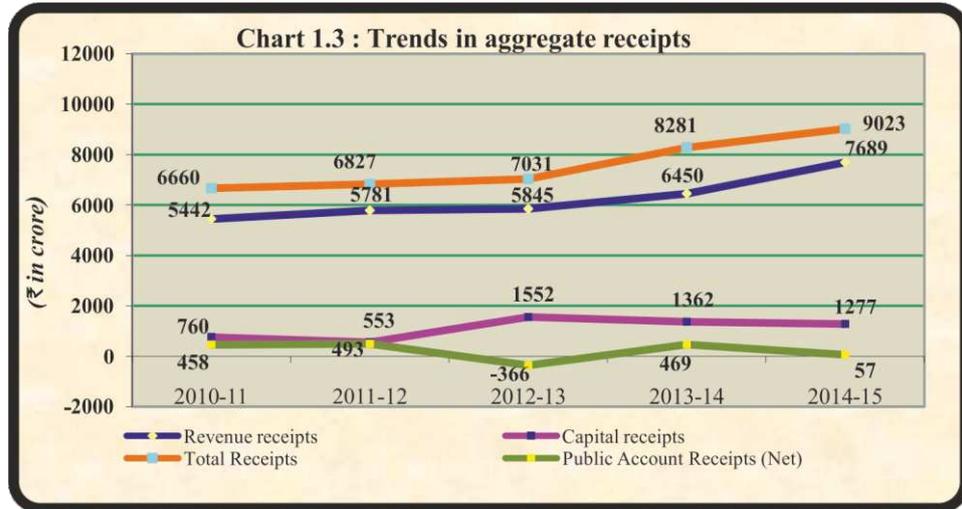
Chart 1.2: Components and sub-components of resources



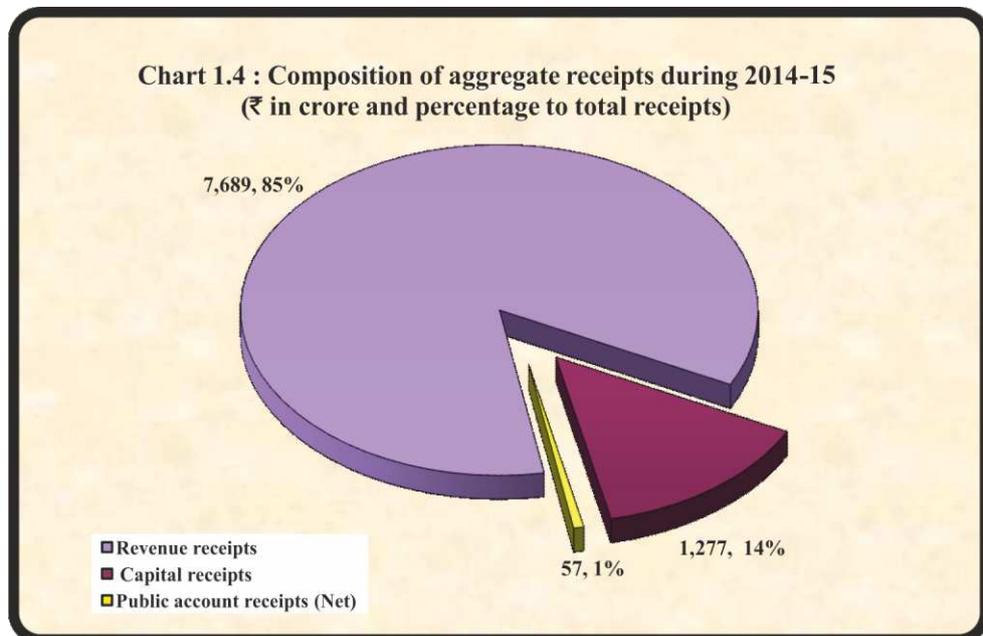
(Source: Finance Accounts of the State)

*Public Account Receipts (₹ 9,290 crore) - Public Account Disbursement (₹ 9,233 crore)

Chart 1.3 depicts the trends in various components of receipts during 2010-15, while **Chart 1.4** depicts the composition of resources of the State during the year 2014-15.



(Source: State Finance Accounts of the respective years)



(Source: Finance Accounts of the State)

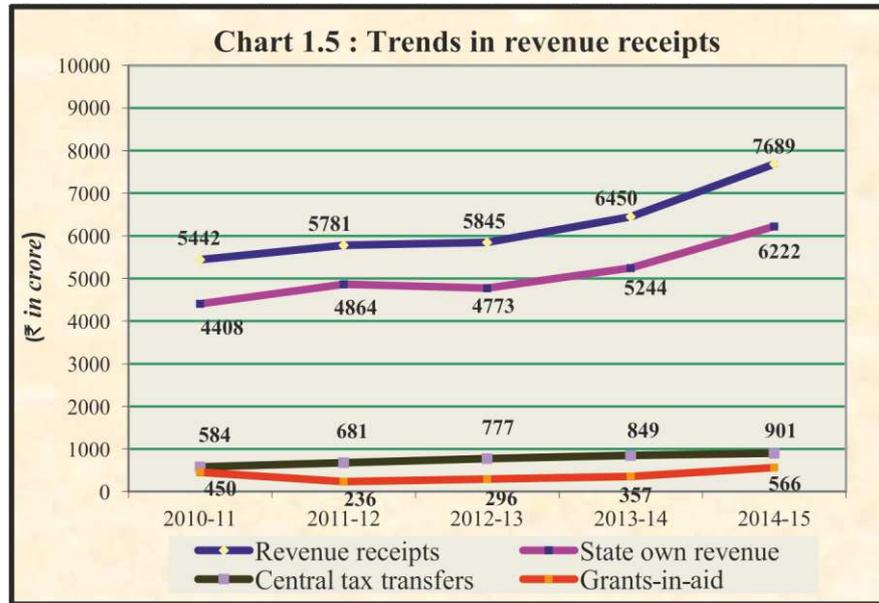
The total receipts of the State increased by ₹ 2,363 crore (35.48 per cent) from ₹ 6,660 crore in 2010-11 to ₹ 9,023 crore in 2014-15. The increase of ₹ 2,363 crore could be attributed to increase in revenue receipts and capital receipts by ₹ 2,247 crore and ₹ 517 crore respectively during 2010-15, offset by a decrease in net public account receipts by ₹ 401 crore.

The share of revenue receipts in total receipts of the State increased from 78 per cent in 2013-14 to 85 per cent in 2014-15. During 2014-15, Capital receipts accounted for 14 per cent of total receipts.

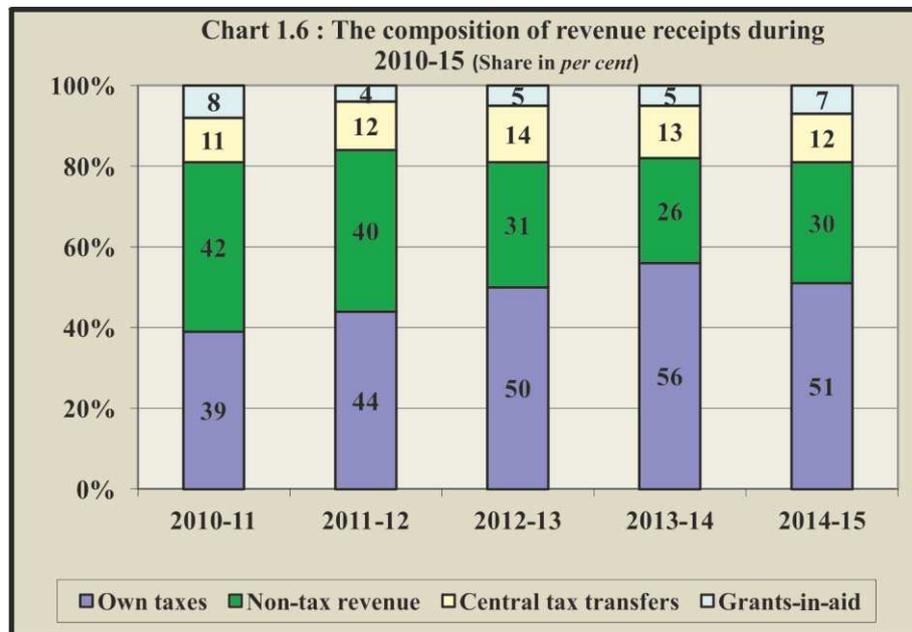
Public Account receipts refer to those receipts for which the Government acts as a banker/trustee for the public money. Net Public Account receipts which totaled ₹ 469 crore in 2010-11 decreased to ₹ 57 crore in 2014-15 with negative growth of 88 per cent during the year compared to 2013-14.

1.3 Revenue receipts

Statement 11 of the Finance Accounts details the revenue receipts of the Government. These consist of the State own tax and non-tax revenues, Central tax transfers and grants-in-aid from GoI. The trends of revenue receipts over the period 2010-15 are presented in **Appendix 1.4** and **Chart 1.5** and **1.6** respectively.



(Source: State Finance Accounts of the respective years)



(Source: State Finance Accounts of the respective years)

It would be seen from the charts that the revenue receipts have shown a progressive increase from ₹ 5,442 crore in 2010-11 to ₹ 7,689 crore in 2014-15 and increased by ₹ 19.21 per cent (₹ 1,239 crore) during

2014-15 over the previous year. While 81 *per cent* of the revenue receipts during 2014-15 came from the State own resources comprising of tax and non-tax revenue, the central tax transfers and grants-in-aid together contributed the remaining 19 *per cent*.

State own resources consist of tax revenue and non-tax revenue. The share of tax revenue in revenue receipts was between 39 and 56 *per cent* during 2010-14. During 2014-15, the share of State own tax in revenue receipts decreased by five percentage points compared to previous year (2013-14) on account of increase in share of receipts from the Union within revenue receipts.

Non-tax revenue as a *per cent* of revenue receipts had decreased from 42 *per cent* in 2010-11 to 30 *per cent* in 2014-15.

During 2005-06 to 2013-14, the compound growth rate of State revenue receipts (14.59 *per cent*) was lower than that of other General Category States (15.76 *per cent*). This growth rate for the period 2005-06 to 2014-15 increased to 15.10 *per cent* (Appendix 1.1).

The trends in revenue receipts relative to GSDP at current prices are presented in Table 1.2.

Table 1.2: Trends of revenue receipts relative to GSDP

	2010-11	2011-12	2012-13	2013-14	2014-15
Revenue Receipts (RR) (₹ in crore)	5442	5781	5845	6450	7689
States' own taxes (₹ in crore)	2139	2551	2940	3582	3896
Rate of growth of RR (<i>per cent</i>)	32.73	6.22	1.11	10.35	19.21
Rate of growth of own taxes (<i>per cent</i>)	21.39	19.26	15.24	21.84	8.77
RR/GSDP (<i>per cent</i>)	16.19	13.36	13.78	13.19	14.60
Buoyancy ratio's¹					
Revenue Buoyancy w.r.t. GSDP	2.13	0.22	-*	0.68	2.49
State own taxes buoyancy w.r.t. GSDP	1.39	0.67	-*	1.43	1.14
Gross State Domestic Product (GSDP)	33605	43255	42407	48897	52673
Growth rate of GSDP	15.38	28.72	-1.96	15.30	7.72

(Source: Finance Accounts for the years 2010-11 to 2014-15)

*GSDP growth rate in 2012-13 being negative, buoyancy ratios cannot be calculated

The rate of growth of revenue receipts has been fluctuating during the last five years and accounted for 19.21 *per cent* growth during the current year over 2013-14. However, the State was able to increase the momentum of growth of revenue receipts during 2013-14 and 2014-15. The rate of growth of revenue receipts increased from 10.35 *per cent* in 2013-14 to 19.21 *per cent* in 2014-15. This was due to net effect of increase in non-tax revenue by ₹ 664 crore (39.95 *per cent*), tax revenue by ₹ 314 crore (8.77 *per cent*), grants from the GoI ₹ 209 crore (58.54 *per cent*), and share of Union taxes and duties by ₹ 52 crore (6.12 *per cent*).

¹Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For instance, revenue buoyancy at 0.6 implies that revenue receipts tend to increase by 0.6 percentage points, if the GSDP increases by one *per cent*

Revenue buoyancy, which is directly proportionate to growth of revenue receipts and GSDP, widely fluctuated during the period due to fluctuations in the growth rate of revenue receipts. The higher growth rate of revenue receipts relative to GSDP increased the revenue buoyancy ratio from 0.68 in 2013-14 to 2.49 in 2014-15. The ratio of State own tax buoyancy with reference to GSDP decreased from 1.43 in 2013-14 to 1.14 in 2014-15. This was due to lower growth rate of State own tax ratio compared to GSDP growth rate.

1.3.1 State's own resources

As the State share in Central taxes and grants-in-aid are determined on the basis of recommendations of the Finance Commission, collection of Central tax receipts, Central assistance for Plan Schemes *etc.*, the State performance in mobilisation of additional resources should be assessed in terms of its own resources comprising revenue from its own tax and non-tax sources.

The State actual tax and non-tax receipts for the year 2014-15 *vis-a-vis* assessment made by ThFC and budget estimates of the State Government are given in **Table 1.3** and **Table 1.4**.

Table 1.3: Revenue receipts relative to ThFC and budget estimates

(₹ in crore)

	ThFC projection	Budget Estimates	Actuals	Percentage variation of actual over	
				ThFC projection	Budget Estimates
Tax revenue	3977.28	4075.57	3895.92	(-)2.03	(-)4.41
Non-tax revenue	918.29	2380.52	2325.63	153.37	(-)2.31

(Source: Finance Accounts 2014-15, Budget books, ThFC report)

It is seen from the **Table 1.3** above that the actual realisation of tax revenue during the year was lower than the normative assessment of ThFC and budget estimates by 2.03 *per cent* and 4.41 *per cent* respectively. The non-tax revenue of the State fell short of budget estimates by 2.31 *per cent*.

Table-1.4: Growth rate of Tax/Non-Tax revenue during the period 2010-15

	2010-11	2011-12	2012-13	2013-14	2014-15
Tax revenue (₹ in crore)	2139	2551	2940	3582	3896
Rate of growth (in <i>per cent</i>)	21.40	19.26	15.25	21.84	8.77
Non-Tax revenue (₹ in crore)	2269	2314	1833	1662	2326
Rate of growth (in <i>per cent</i>)	31.08	1.98	-20.79	-9.33	39.95

(Source: Finance Accounts of the respective years)

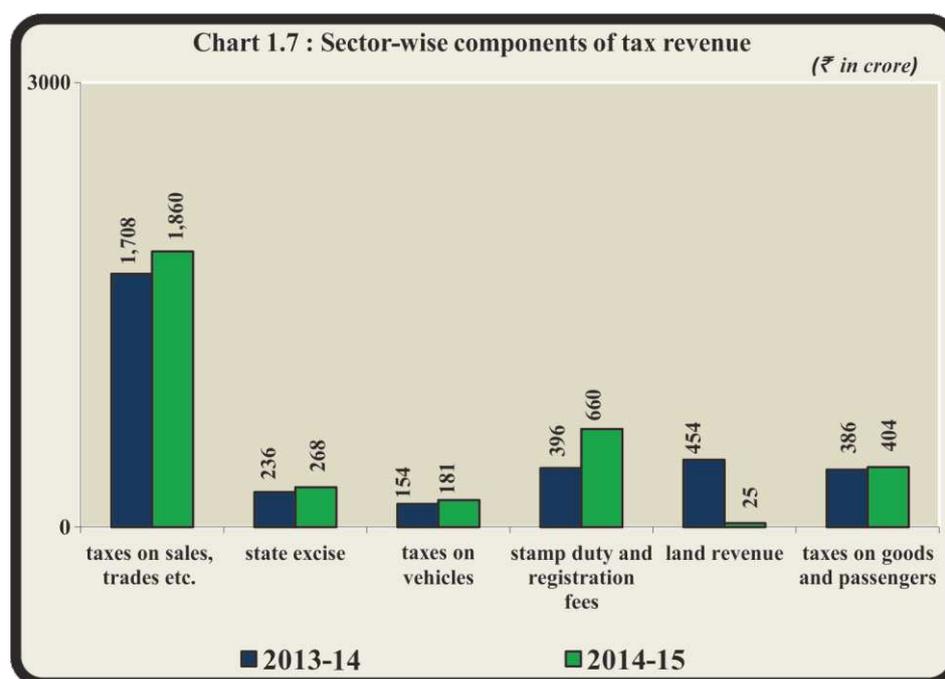
1.3.1.1 Tax revenue

The State own tax revenue increased from ₹ 3,582 crore in 2013-14 to ₹ 3,896 crore in 2014-15. This increase was only nine *per cent* compared to 22 *per cent* achieved during the previous year. The components of State resource mobilisation during the period 2013-14 and 2014-15 are presented in **Table 1.5** and **Chart 1.7**.

Table 1.5: Components of State's resource mobilisation

Revenue head	Actuals for 2013-14	BE for 2014-15	Actuals for 2014-15	Percentage increase(+) decrease(-) w.r.t. to BE	Percentage increase(+) decrease(-) during the year	Share in total tax revenue
	₹ in crore					
Taxes on sales, trades etc.	1708	2304	1860	-19.27	8.90	47.74
State excise	236	290	268	-7.59	13.56	6.88
Taxes on vehicles	154	170	181	6.47	17.53	4.65
Stamp duty and Registration fees	396	544	660	21.32	66.67	16.94
Land revenue	454	253	25	-90.12	-94.49	0.64
Taxes on goods and passengers	386	260	404	55.38	4.66	10.37
Other taxes	248	254	498	96.06	100.81	12.78
Total	3582	4075	3896	-4.39	8.77	100

(Source: State Finance Accounts of the respective years)



(Source: State Finance Accounts of the respective years)

The tax revenue in 2014-15 increased by ₹ 314 crore (8.77 per cent) over the previous year. 'Taxes on Sales, Trade etc.' was the major source of State own revenue (48 per cent) during the last two years. The increase in revenue over the previous year was mainly under 'Taxes on Sales, Trade etc.' due to improved collection under Central Sales Tax Act and Value Added Tax, Stamps and Registration fee, Taxes on goods and passengers, Taxes on vehicles and State excise etc.

During 2005-06 to 2013-14, the compound growth rate of tax revenue (15.95 per cent) was higher than the growth rate of other General Category States (15.32 per cent). This growth rate for the period 2005-06 to 2014-15 however decreased to 15.13 per cent (Appendix 1.1).

1.3.1.2 Non-tax revenue

Details of components of non-tax revenue receipts are shown in Table 1.6.

Table-1.6: Components of Non-Tax Revenue

(₹ in crore)

Revenue head	2013-14	2014-15	Percentage increase(+) /decrease(-) in 2014-15 over 2013-14	Share in total non-tax revenue
Interest receipts	14.12	17.18	21.67	0.74
Dividends and Profits	1.11	1.82	63.96	0.08
Other Non-Tax receipts	1646.33	2306.63	40.10	99.18
Total Non-Tax revenue	1661.56	2325.63	39.95	-

(Source: Finance Accounts of the State for respective years)

Collection under non-tax revenue increased by 39.95 per cent from ₹ 1,662 crore in 2013-14 to ₹ 2,326 crore in 2014-15. Substantial increase was recorded mainly under non-ferrous mining and metallurgical industries (₹ 484 crore) and power (₹ 134 crore).

During 2005-06 to 2013-14, the compound growth rate of non-tax revenue (10.26 per cent) was lower than the growth rate of other General Category States (13.53 per cent). This growth rate for the period 2005-06 to 2014-15 however increased to 13.22 per cent (Appendix 1.1).

1.3.1.3 Cost of collection

The cost of collection of major State tax revenue is given in Table 1.7:

Table 1.7: Cost of collection of revenue

Head of revenue	Year	Gross collection (₹ in crore)	Expenditure on collection (₹ in crore)	Percentage of expenditure to gross collection	All India average percentage for the year
Taxes on sales, trade etc.	2012-13	1577.42	11.77	0.75	0.73
	2013-14	1708.05	12.69	0.74	0.88
	2014-15*	1859.86	13.69	0.74	-
State Excise	2012-13	212.90	9.54	4.48	2.96
	2013-14	235.76	11.74	4.98	1.81
	2014-15*	268.00	12.80	4.77	-
Taxes on Vehicles	2012-13	148.34	2.68	1.81	4.17
	2013-14	153.91	3.08	2.00	6.25
	2014-15*	180.88	3.37	1.86	-
Stamp duty and Registration fee	2012-13	524.42	5.95	1.13	3.25
	2013-14	396.10	7.04	1.78	3.37
	2014-15*	659.84	8.07	1.22	-

(Source: Finance Accounts of the State)

*Note: All India Averages for the year 2014-15 not yet available

Though the State expenditure on tax collection (2012-13 and 2013-14) in respect of State Excise was higher than the all India average, it was less than the all India average in case of Taxes on Vehicles, Stamp Duty and Registration fee, Taxes on Sales, Trade *etc.*

1.3.2 Grants-in-aid from Government of India

Details of Grants-in-aid from GoI are shown in **Table 1.8**.

Table 1.8: Grants-in-aid from Government of India

	2012-13	2013-14	2014-15	Percentage of increase during the year	Percentage share in total grants-in-aid
	(₹ in crore)				
Grants for State Plan schemes	155.79	185.88	116.55	-37.30	20.57
Non-Plan grants	29.63	95.60	257.23	169.07	45.40
Grants for Central Plan Schemes	5.07	6.28	40.30	541.72	7.11
Grants for Central and Centrally Sponsored Schemes	105.17	69.44	152.48	119.59	26.91
Total	295.66	357.20	566.56	58.61	100
Total grants as a percentage of Revenue Receipts	5.06	5.54	7.37	-	-

(Source: Finance Accounts of the State)

The grants-in-aid from GoI increased by ₹ 209.36 crore (58.61 *per cent*) from ₹ 357.20 crore in 2013-14 to ₹ 566.56 crore in 2014-15. The increase was mainly under Non-Plan grants, Central Plan Schemes and Central and Centrally Sponsored Plan Schemes.

1.3.3 Central tax transfers

Central tax transfers increased by six *per cent* (₹ 52 crore) from ₹ 848.53 crore in 2013-14 to ₹ 900.58 core in 2014-15. The increase was mainly under taxes on income other than Corporation Tax (₹ 36.67 crore), Customs Duty (₹ 7.23 crore) and Corporation Tax (₹ 29.04 crore), while the net proceeds towards Service Tax and Excise duties decreased to ₹ 5.46 crore and ₹ 15.55 crore respectively.

1.3.4 Revenue arrears

The arrears of revenue as on 31 March 2015 in respect of some principal heads of revenue as furnished by the Departments amounted to ₹ 1,351.23 crore as indicated in **Table 1.9**.

Table 1.9 Arrears of revenue

(₹ in crore)

Head of Revenue	Amount of arrears as on 31 March 2015	Arrears more than three years old	Cases pending in court		Revenue arrears pending recovery	Amount of arrears as on 31 March 2011
			No.	Amount		
Commercial Taxes	910.57	467.77	1268	35.05	875.52	460.27
State Excise	1.88	0.33	-	-	1.88	1.25
Taxes on vehicles	18.15	4.16	345	0.82	17.33	11.56

Chief Engineer – Water Resources Department						
i) Water Tax	4.76	2.80	-	-	4.76	1.21
ii) Water Charges	42.95	28.57	-	-	42.95	31.50
iii) Rent on shops	3.02	2.58	3	0.01	3.01	2.50
iv) Hire charges of machinery	0.33	0.33	-	-	0.33	0.35
Chief Engineer - Public Works Department						
i) Rent of Building/ Shops	0.54	0.27	-	-	0.54	0.64
ii) Water charges, meter rent and sewerage charges	51.90	16.60	3701	11.78	40.12	19.08
Chief Electrical Engineer Energy charges	310.88	105.84	8757	12.66	298.22	89.91
Agriculture	1.51	1.21	-	-	1.51	0.20
Printing & Stationery	0.58	-	-	-	0.58	1.71
Tourism	0.73	0.29	7	0.42	0.31	0.74
Director General of Police	3.37	0.37	2	0.05	3.32	0.28
River Navigation Department Barge Tax	0.06	0.06	1	0.06	-	0.06
Total	1351.23	631.18	14084	60.85	1290.38	621.26

(Source: Information furnished by concerned Departments)

The arrears of revenue increased by 117.50 *per cent* during the last five years from ₹ 621.26 crore in 2010-11 to ₹ 1,351.23 crore at the end of 2014-15. This was equal to 21.72 *per cent* of the State own resources during the year. Of the total outstanding arrears in 2014-15, ₹ 631.18 crore was outstanding for more than three years. The Government should ensure the speedy recovery of the arrears of revenue.

1.4 Capital receipts

The Capital receipts of the State include non-debt and debt receipts. The non-debt receipts include largely the proceeds from disinvestment of equity in government companies/corporations and recoveries of loans and advances and debt capital receipts, credited under Public debt section of the consolidated fund.

The debt receipts include Public debt which is further divided into broadly two categories (a) loans/advances from the GoI and (b) Internal debt-borrowings from banks, financial institutions through negotiated loans or open market borrowings through issue of State Development loans.

The trends and composition of Capital receipts during the years 2010-15 are presented in **Table 1.10**.

Table 1.10 Trends in growth and composition of Capital receipts(*₹ in crore*)

Sources of State Receipts	2010-11	2011-12	2012-13	2013-14	2014-15
Capital Receipts	760	553	1552	1362	1277
Miscellaneous Capital Receipts	0	0	0	0	0
Recovery of Loans and Advances	15	16	15	13	10
Public Debt Receipts	745	537	1537	1349	1267
<i>Internal debt</i>	<i>717</i>	<i>324</i>	<i>1371</i>	<i>1199</i>	<i>1064</i>
<i>Growth rate (in per cent)</i>	<i>-0.27</i>	<i>-54.81</i>	<i>323.14</i>	<i>-12.54</i>	<i>-11.26</i>
<i>Loans and Advances from GoI</i>	<i>28</i>	<i>213</i>	<i>167</i>	<i>150</i>	<i>203</i>
<i>Growth rate (in per cent)</i>	<i>132.18</i>	<i>660.71</i>	<i>-21.60</i>	<i>-10.17</i>	<i>35.33</i>
Growth rate of debt capital receipts (in per cent)	17.87	-27.91	186.22	-12.23	-6.08
Growth rate of non-debt capital receipts (in per cent)	15.38	6.66	-6.25	-13.33	-23.08
Growth rate of GSDP (in per cent)	15.38	28.72	-1.96	15.30	7.72
Rate of growth of CR (per cent)	17.82	-27.24	180.65	-12.24	-6.24

(Source : Finance Accounts of the State for the respective years)

Capital receipts increased by ₹ 517 crore (68 per cent) from ₹ 760 crore in 2010-11 to ₹ 1,277 crore in 2014-15. Debt receipts had a prominent share in capital receipts and were between 97 per cent and 99 per cent during the period 2010-15.

Recoveries of loans and advances

During the year, the State Government had released an amount of ₹ 2.92 crore as loans and advances to various institutions and at the end of March 2015, an amount of ₹ 83.66 crore was outstanding under this head. Against this balance, principal amount recovered was ₹ 9.96 crore, which was 11.90 per cent of the outstanding balance under loans and advances.

Debt receipts from internal sources

The Public Debt receipts of the State Government decreased by ₹ 82 crore (six per cent) from ₹ 1,349 crore in 2013-14 to ₹ 1,267 crore in 2014-15. This includes internal debt of ₹ 1,064 crore (84 per cent) and Loans and Advances from GoI of ₹ 203 crore (16 per cent). Market borrowings had a predominant share under internal debt (75 per cent) followed by negotiated loans (14 per cent) and NSSF loans (11 per cent).

1.5 Public Account 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/trustee for the public money. The balance after disbursements is the fund available with the Government for use for various activities.

The net transactions under Public Account covering the period 2010-15 are indicated in **Table 1.11**.

Table 1.11: Net transactions under Public Account

(₹ in crore)

Resources under various heads	2010-11	2011-12	2012-13	2013-14	2014-15
Net Public Account Receipts²					
a. Small Savings, Provident Fund <i>etc</i>	155	171	150	115	112
b. Reserve Fund	129	67	169	112	128
c. Deposits and Advances	170	158	192	336	110
d. Suspense and Miscellaneous	-1	101	-699	-179	-180
e. Remittances	5	-4	-178	85	-113
Total	458	493	-366	469	57

(Source: Finance Accounts of the State for the respective years)

The above table shows that overall net receipts under public account decreased by ₹ 412 crore from ₹ 469 crore in 2013-14 to ₹ 57 crore in 2014-15.

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 the public expenditure financed by deficit or borrowings. It is therefore, important to ensure that the ongoing fiscal correction and consolidation process at the State level is not at the cost of expenditure especially directed towards development and social sectors.

1.6.1 Growth and composition of expenditure

The total expenditure of the State Government consists of revenue expenditure as well as capital expenditure which include expenditure on loans and advances. The trends in various components of total expenditure-Plan and Non-Plan revenue expenditure, committed expenditure such as salaries and wages, interest payments, pension payments and subsidies, financial assistance to local bodies, *etc.*, are discussed in succeeding paragraphs.

The total expenditure and its compositions during the years 2010-11 to 2014-15 are presented in the **Table 1.12**.

²Net Public Account receipts= Public Account Receipts-Disbursement and Suspense and Miscellaneous and Reserve fund figures depicted after excluding Investment figures

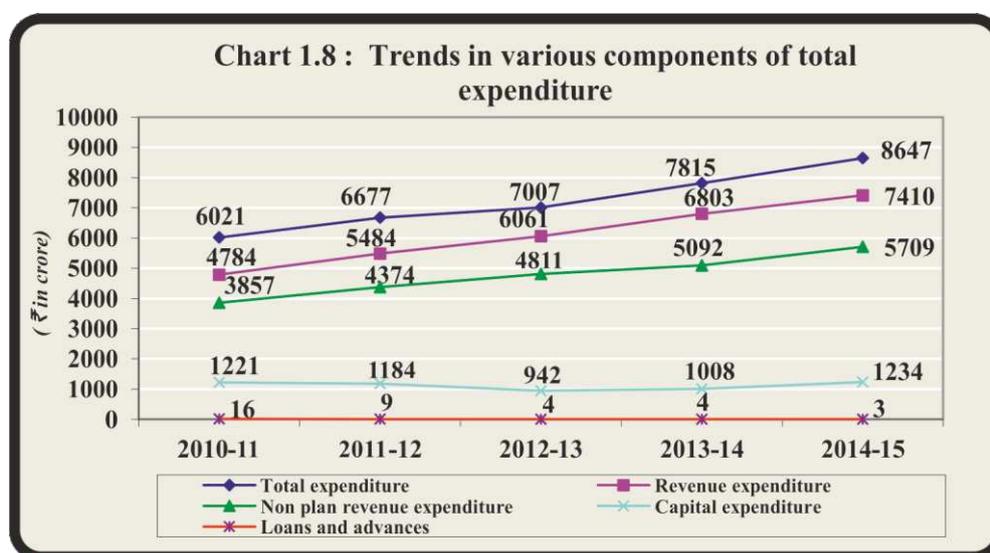
Table 1.12: Total expenditure and its composition

	2010-11	2011-12	2012-13	2013-14	2014-15
Total Expenditure	6021	6677	7007	7815	8647
Revenue Expenditure	4784 (79)	5484 (82)	6061 (87)	6803 (87)	7410 (86)
of which, Non-Plan Revenue Expenditure	3857	4374	4811	5092	5709
Capital Expenditure	1221 (20)	1184 (18)	942 (13)	1008 (13)	1234 (14)
Loans and Advances	16 (1)	9 (1)	4	4	3

(Source: Finance Accounts of the State)

Figures in parentheses indicate percentage to total expenditure

Chart 1.8 presents the trends in total expenditure over a period of last five years (2010-15) and its composition in terms of ‘expenditure by activities’ is depicted in **Chart 1.9**.



(Source: Finance Accounts of the State)

Total expenditure

The total expenditure of the State increased (10.65 per cent) from ₹ 7,815 crore in 2013-14 to ₹ 8,647 crore in 2014-15. The total expenditure, its annual growth rate, the ratio of expenditure to the GSDP and to revenue receipts and its buoyancy with respect to GSDP and revenue receipts are indicated in **Table 1.13**.

During 2005-06 to 2013-14, the compound growth rate of total expenditure (13.80 per cent) was lower than the growth rate of other General Category States (15.23 per cent). This growth rate decreased to 13.45 per cent for the period 2005-06 to 2014-15 (**Appendix 1.1**).

Table 1.13: Total expenditure – basic parameters*(₹ in crore)*

	2010-11	2011-12	2012-13	2013-14	2014-15
Total expenditure (TE)	6021	6677	7007	7815	8647
Rate of growth of TE(per cent)	12.58	10.89	4.94	11.53	10.65
Revenue receipts (RR)	5442	5781	5845	6450	7689
Rate of growth of RR (per cent)	32.73	6.22	1.11	10.35	19.21
TE/GSDP ratio (per cent)	17.92	15.44	16.52	15.98	16.42
RR /TE ratio (per cent)	90.38	86.58	83.42	82.53	88.92
Buoyancy of total expenditure with reference to :					
GSDP (ratio)	0.82	0.38	--*	0.75	1.38
RR (ratio)	0.38	1.75	4.46	1.11	0.55

*(Source: Finance Accounts of the State)***GSDP figures in 2012-13 being negative, buoyancy ratio cannot be calculated*

The increase of ₹ 832 crore (10.65 per cent) in total expenditure during 2014-15 over the previous year was on account of an increase of ₹ 607 crore and ₹ 226 crore in revenue and capital expenditure respectively offset by a marginal decrease in expenditure under disbursement of loans and advances by ₹ one crore.

The ratio of total expenditure to GSDP increased from 15.98 per cent in 2013-14 to 16.42 per cent in 2014-15, mainly due to increase in the growth rate in total expenditure as compared to GSDP growth rate. The ratio of revenue receipts to total expenditure increased from 82.53 per cent in 2013-14 to 88.92 per cent in 2014-15 which shows that 88.92 per cent of the total expenditure was met from revenue receipts.

The ratio of buoyancy of total expenditure with reference to GSDP was 1.38 in 2014-15. This indicated that during 2014-15 for each one per cent increase in GSDP total expenditure grew by 1.38 per cent.

Of the total expenditure of ₹ 8,647 crore during 2014-15, Non-Plan expenditure contributed 66 per cent while Plan expenditure was 34 per cent. Of the increase of ₹ 832 crore in total expenditure, the Non-Plan expenditure accounted for 73 per cent, while the contribution of Plan expenditure was 27 per cent.

During 2005-06 to 2013-14, the compound growth rate of capital expenditure (7.15 per cent) was lower than the growth rate of other General Category States (14.61 per cent). This growth rate for the period 2005-06 to 2014-15, increased to 8.75 per cent (**Appendix 1.1**).

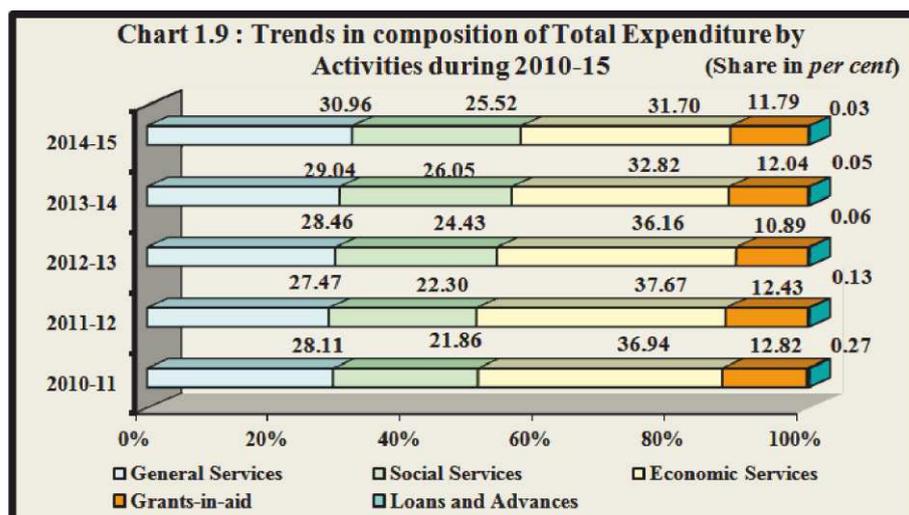
Trends in total expenditure in terms of activities

In terms of the activities, total expenditure could be considered as being composed of expenditure on General Services including interest payments, Social and Economic Services, grants-in-aid and loans and advances. Relative shares of these components in the total expenditure are indicated in **Table 1.14** and **Chart 1.9**.

Table 1.14: Components of expenditure – relative shares

	(in per cent)				
	2010-11	2011-12	2012-13	2013-14	2014-15
General Services	28.11	27.47	28.46	29.04	30.96
<i>of which, Interest Payments</i>	10.79	10.55	11.43	11.40	11.66
Social Services	21.86	22.30	24.43	26.05	25.52
Economic Services	36.94	37.67	36.16	32.82	31.70
Grants-in-aid	12.82	12.43	10.89	12.04	11.79
Loans and Advances	0.27	0.13	0.06	0.05	0.03

(Source: Finance Accounts of the State)



It may be seen from **Table 1.14** that during 2014-15, the movement of the relative shares showed nearly two *per cent* increase under General services, one *per cent* decrease in Economic services and a marginal decrease under Social Services over the previous year.

Revenue expenditure

Revenue expenditure constituted 85.69 per cent of the total expenditure in 2014-15 as indicated in **Table 1.15**. During the current year, revenue expenditure increased by ₹ 607 crore (8.92 per cent) over 2013-14, mainly due to increase in expenditure on General Services (₹ 294 crore), Social Services (₹ 65 crore), Economic Services (₹ 168 crore) and increase in Grants-in-aid and contributions (₹ 79 crore). While 23 *per cent* of expenditure was incurred under Plan head, the remaining 77 *per cent* was under Non-Plan head.

The major heads that registered increases include interest payments (₹ 117 crore), Pension and other retirement benefits (₹ 95 crore), General Education (₹ 94 crore), Police (₹ 30 crore), Medical and Public health (₹ 44 crore) and Social security and nutrition (₹ 29 crore).

Incidence of revenue expenditure

The bulk of total expenditure goes towards revenue expenditure. Revenue expenditure is incurred to maintain the current level of services and payment for past obligations and as such, does not result in any addition to the State infrastructure and service network. The overall revenue

expenditure, its rate of growth, the ratio of non-plan revenue expenditure to GSDP and to revenue receipts and buoyancy of revenue expenditure with GSDP and revenue receipts during the last five years are indicated in **Table 1.15**.

Table 1.15: Revenue expenditure – basic parameters

	2010-11	2011-12	2012-13	2013-14	2014-15
Revenue Expenditure (RE), of which	4784	5484	6061	6803	7410
Non-Plan Revenue Expenditure (NPRE)	3857	4373	4811	5092	5709
Plan Revenue Expenditure (PRE)	927	1110	1250	1711	1701
Rate of Growth of					
RE (<i>per cent</i>)	13.17	14.63	10.52	12.24	8.92
NPRE (<i>per cent</i>)	11.18	13.40	10.02	5.84	12.12
PRE (<i>per cent</i>)	22.29	19.74	12.61	36.88	-0.58
Revenue Expenditure as percentage to TE	79.45	82.13	86.50	87.05	85.69
NPRE/GSDP (<i>per cent</i>)	11.48	10.11	11.34	10.41	10.84
NPRE as percentage of TE	64.05	65.50	68.66	65.16	66.02
NPRE as percentage of RR	70.87	75.64	82.31	78.95	74.25
Buoyancy of Revenue Expenditure with					
GSDP (ratio)	0.86	0.51	--*	0.80	1.16
Revenue Receipts (ratio)	0.40	2.35	9.50	1.18	0.46

(Source : Finance Accounts of the State)

* GSDP growth rate in 2012-13 being negative, buoyancy cannot be calculated

The revenue expenditure in 2014-15 increased by ₹ 607 crore (8.92 *per cent*) over the previous year. The buoyancy ratio of revenue expenditure with reference to both GSDP and revenue receipts showed a fluctuating trend. The revenue expenditure was less by seven *per cent* than the assessment made by the State Government in its budget estimates (₹ 7,954 crore) for the year 2014-15.

Plan Revenue Expenditure

The Plan Revenue Expenditure decreased by ₹ 10 crore (0.58 *per cent*) during 2014-15 over the previous year. The decrease in expenditure was under Education, Sports, Art and Culture, Rural development and Industry and minerals. During 2014-15, the State Plan revenue expenditure in total revenue expenditure decreased by three percentage points compared to previous year (2013-14).

Non-Plan Revenue Expenditure

The Non-Plan Revenue Expenditure (NPRE) in 2014-15 constituted a dominant share of 77.04 *per cent* in the revenue expenditure and increased by ₹ 617 crore (12.11 *per cent*) over the previous year. The variations in NPRE under the major heads indicate increase in expenditure under Interest payments (₹ 117 crore); Education, Sports, Art and Culture (₹ 111 crore); Pension and other retirement benefits (₹ 95 crore); Health and Family Welfare (₹ 36 crore) and Water supply, Sanitation, Housing and Urban Development (₹ 23 crore).

The NPRE as percentage of revenue receipts increased from 70.87 *per cent* in 2010-11 to 82.31 *per cent* in 2012-13. However, it reduced to 74.25 *per cent* during 2014-15 indicating that 74.25 *per cent* of the revenue receipts were used to meet the NPRE.

Table-1.16 provides the comparative position of NPRE with reference to assessments made by ThFC and the projections of the State Government in the budget estimates.

Table 1.16: NPRE *vis-à-vis* assessment made by the ThFC, budget and actual

(₹ in crore)

Year	Assessments made by the ThFC	Projections in the budget	Actuals
2013-14	3173.93	5130.81	5091.74
2014-15	3439.00	5628.13	5708.80

The NPRE remained significantly higher than the normative assessments made by the ThFC during the years 2013-14 and 2014-15 but was less than the projections made in the budget during the year 2013-14. However, the NPRE exceeded the budget estimates during 2014-15 by one *per cent*.

Subsidies

Subsidies given during the years 2010-11 to 2014-15 are presented in the **Table 1.17**.

Table 1.17: Subsidies

(₹ in crore)

	2010-11	2011-12	2012-13	2013-14	2014-15	2014-15
					BE	Actuals
Subsidies	72.02 (1.32)	102.59 (1.77)	132.34 (2.26)	160.15 (2.48)	272.41 (3.40)	192.55 (2.50)
Total Revenue Expenditure	4784	5484	6061	6803	7954	7410
Revenue Receipts	5442	5781	5845	6450	8000	7689

(Source : Finance Accounts of the State)

Figures in parentheses indicate percentage to Revenue Receipts

The above table indicates that expenditure under subsidies increased by 20 *per cent* from ₹ 160.15 crore in 2013-14 to ₹ 192.55 crore in 2014-15. During the current year, subsidies constituted 2.50 *per cent* of revenue receipts and about 2.60 *per cent* of the total revenue expenditure. The major recipients of subsidy include Agriculture and Allied Activities (₹ 117.24 crore) and Transport (₹ 55.80 crore).

Capital expenditure

Capital expenditure (₹ 1,234 crore) constituted 14.27 per cent of the total expenditure in 2014-15. The increase of ₹ 226 crore (22.42 per cent) in capital expenditure during 2014-15 was mainly on account of increase in expenditure on Miscellaneous General Services, Education, Sports, Art and Culture, Energy, Water supply, Sanitation, Housing and Urban Development and Transport.

Loans and advances

Loans and advances (₹ three crore) constituted only 0.03 *per cent* of the total expenditure in 2014-15. Disbursement of loans and advances during 2014-15 decreased by 36 *per cent* (₹ one crore).

1.6.2 Committed expenditure

The committed expenditure of the State Government on revenue account mainly consists of interest payments, expenditure on salaries and wages and pensions. Despite recommendations of the Twelfth Finance Commission, the statement of committed liabilities is not included in the Finance Accounts by the State Government. **Chart 1.10** and **Table 1.18** present the trends in the expenditure on these components during 2010-15.

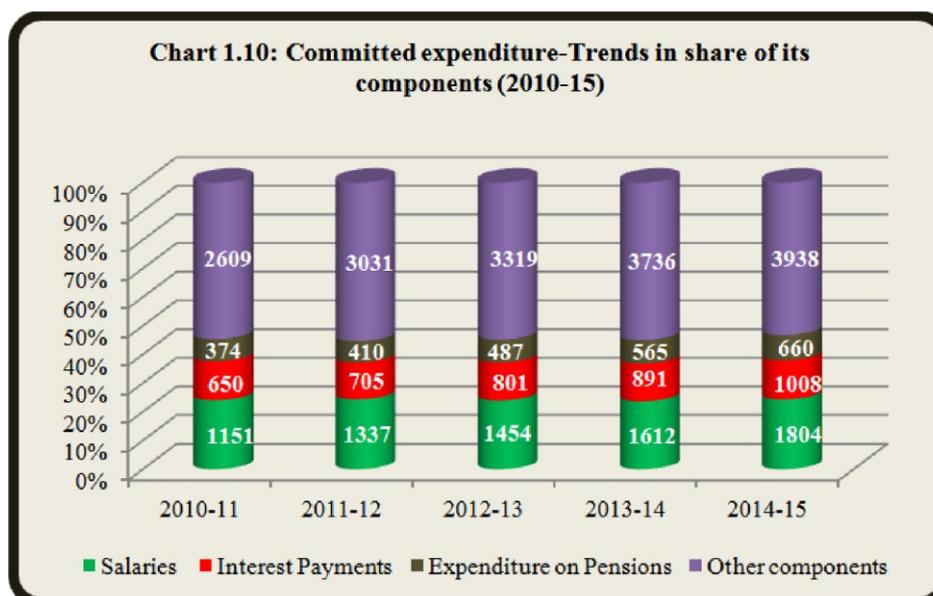
Table 1.18: Components of Committed expenditure

Components of Committed Expenditure	2010-11	2011-12	2012-13	2013-14	2014-15	
					BE	Actuals
Salaries & Wages of which						
<i>Non-Plan Head</i>	967.89	1097.27 (18.98)	1196.83 (20.47)	1324.07 (20.53)	1553 (19.41)	1447.73 (18.83)
<i>Plan Head</i>	182.73	239.30 (4.14)	257.50 (4.41)	287.92 (4.46)	390 (4.88)	326.52 (4.25)
Total	1150.62 (21.14)	1336.57 (23.12)	1454.33 (24.88)	1611.99 (24.99)	1943 (24.29)	1804.25* (23.47)
Interest Payments	650.36 (11.95)	705.17 (12.20)	800.71 (13.70)	890.66 (13.81)	972 (12.15)	1007.53 (13.10)
Pensions	373.81 (6.87)	410.30 (7.10)	487.41 (8.34)	564.99 (8.76)	545 (6.81)	659.96 (8.58)
Total Committed expenditure	2174.79 (39.96)	2452.04 (42.41)	2742.45 (46.91)	3067.64 (47.56)	3460 (43.25)	3471.74 (45.15)
Other Components	2608.99 (47.94)	3031.46 (52.44)	3318.89 (56.78)	3735.64 (57.92)	4494 (56.18)	3938.51 (51.22)
Total Revenue Expenditure	4783.78	5483.50	6061.34	6803.28	7954	7410.25
Revenue Receipts	5441.94	5780.73	5845.43	6449.77	8000	7688.69

(Source : Finance Accounts of the State)

Figures in parentheses indicate percentage to Revenue Receipts

*Salaries : ₹ 1,779.32 crore + Wages : ₹ 24.93 crore (Finance Accounts)



Salaries and Wages

The average annual growth in salaries and wages during 2010-15 was 14.20 *per cent*. The expenditure on salaries and wages (including grants-in-aid component) increased by ₹ 192.26 crore (11.92 *per cent*) from ₹ 1,611.99 crore in 2013-14 to ₹ 1,804.25 crore in 2014-15. Salaries and wages were 23.47 *per cent* of the revenue receipts.

During 2005-06 to 2013-14, the compound growth rate of salary and wages (17.62 *per cent*) was higher than the growth rate of other General Category States (15.23 *per cent*). This growth rate for the period 2005-06 to 2014-15, however, decreased to 16.97 *per cent* (**Appendix 1.1**).

Pension payments

The expenditure on pension payments increased at an average annual growth of 19.13 *per cent*. The increase in pension payments of ₹ 94.97 crore (16.80 *per cent*) during 2014-15 over the previous year was due to more expenditure on superannuation and retirement allowances, pensions to employees of State aided educational institutions, gratuity and family pensions.

During 2005-06 to 2013-14, the compound growth rate of pension (17.17 *per cent*) was lower than the growth rate of other General Category States (18.70 *per cent*). This growth rate for the period 2005-06 to 2014-15 further decreased to 13.24 *per cent* (**Appendix 1.1**).

Table 1.19 below shows actual pension and other retirement benefits with reference to assessment made by the ThFC and projections of the Government in the budget.

Table 1.19: Pension and other retirement benefits vis-à-vis ThFC assessment and State projection

(₹ in crore)			
Year	Assessments made by the ThFC	Projections in the budget	Actuals
2013-14	257.61	508.19	564.99
2014-15	283.38	545.35	659.96

The expenditure on pension and other retirement benefits to State Government employees during the year was ₹ 659.96 crore. The pension payments during 2013-14 and 2014-15 were higher than the projections made in budget and normative assessment made by the ThFC by 118.99 per cent and 133.21 per cent respectively.

In order to limit future pension liabilities, the Government had introduced the Defined Contribution Pension Scheme for employees recruited after 05 August 2005. During the year 2014-15, an amount of ₹ 150.82 crore towards employee's contribution and employer's share was deposited under the head '8342-Other Deposits, 117-Defined Contribution Pension Scheme for Government employees'. The State Government's liability on this account as on 31 March 2015 was ₹ 426.96 crore.

The Director of Accounts stated (November 2015) that 21,610 employees of the State Government were registered under New Pension Scheme and an amount of ₹ 92 crore (22 per cent) has been transferred to National Securities Depository Limited (Pension Fund Manager) as on 31 March 2015. The process for transfer of balance funds (₹ 334.96 crore) to the Fund Manager was stated to be under consideration.

Interest payments

The expenditure on interest payments increased at an average annual growth of 13.72 per cent from ₹ 650.36 crore in 2010-11 to ₹ 1,007.53 crore in 2014-15, primarily due to an increase in debt liabilities. However, relative to revenue receipts, interest payments increased from 11.95 per cent in 2010-11 to 13.81 per cent in 2013-14. However, it decreased to 13.10 per cent during 2014-15.

Table 1.20: Interest payments vis-à-vis ThFC assessments and State projections in the budget

(₹ in crore)			
Year	Assessments made by the ThFC	Projections in the budget	Actuals
2013-14	934.51	825.60	890.66
2014-15	1038.72	971.56	1007.53

The interest payments during 2013-14 and 2014-15 were lower than the normative assessments made by the ThFC. However, during these periods interest payments exceeded the projections of the State Government by 7.88 per cent and 3.70 per cent respectively.

The increase in interest payments by ₹ 116.87 crore (13.12 per cent) in 2014-15 over the previous year was mainly due to increase in interest paid on market loans (₹ 91 crore), interest on special securities issued to the National Small Savings Fund of the Central Government and other

debts (₹ three crore), interest on State Provident Fund (₹ seven crore) and interest on deposits (₹ 16 crore).

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

Financial assistance to local bodies and other institutions constituted 13.76 per cent of the revenue expenditure during 2014-15.

The quantum of assistance provided by way of grants and loans to local bodies and others during 2014-15 relative to the previous years is presented below:

Table 1.21: Financial assistance to local bodies and other institutions

(₹ in crore)						
Sl No.	Institutions	2010-11	2011-12	2012-13	2013-14	2014-15
1	Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	530.61	516.61	607.70	656.72	752.31
2	Municipal Corporations and Municipalities	78.36	71.56	53.97	51.82	58.29
3	Zilla Parishads and Other Panchayati Raj Institutions	74.22	34.80	72.73	79.31	51.78
4	Other Institutions	52.88	212.82	61.55	153.34	157.35
	Total	736.07	835.79	795.95	941.19	1019.73
	Assistance as per percentage of RE	15.39	15.24	13.13	13.83	13.76

(Source : Finance Accounts of the State)

It would be seen from **Table 1.21** that the financial assistance by the Government increased from ₹ 736.07 crore in 2010-11 to ₹ 1,019.73 crore in 2014-15. As compared to previous year, the assistance in 2014-15 increased by 8.34 per cent.

During the year 2014-15, financial assistance given to (a) Educational Institutions (Aided schools, Aided colleges, Universities etc.) increased by ₹ 96 crore mainly due to payment of more assistance to government aided schools and colleges.

1.6.3.1 State Finance Commission

The Second State Finance Commission (SSFC) was set up in August 2005 to recommend devolution of powers, functions, responsibilities and resources to Urban Local Bodies (ULBs). The Commission recommended (December 2007) devolution of all the 11 functions to ULBs for economic development and social justice as listed in the Goa Municipalities Act, 1968. Of the 11 functions to be devolved to the ULBs only seven functions and one activity in one function have been transferred as of February 2015. In addition to this, the function of Urban Poverty Alleviation and the activity of Solid Waste Management under Public Health and Sanitation not envisaged in the Act have also been transferred to ULBs.

Similarly, the SSFC recommended devolution of all the 28 functions and 74 activities to Village Panchayats (VPs) and 25 functions and 47 activities to Zilla Panchayats (ZPs) for economic development and

social justice as listed in Schedule I and II of the Goa Panchayat Raj Act, 1994 respectively.

The Government constituted a committee of Group of Ministers (February 2013) to study/examine the recommendations of the SSFC on activity mapping and prepare explanatory memorandum on the recommendations of the SSFC. The report of the committee is awaited (February 2015). The recommendations of the SSFC are yet to be approved though the five year period as envisaged by the Commission ended in March 2012.

The Third State Finance Commission for the period from 2012-13 to 2016-17 has not been constituted so far (February 2015).

1.6.3.2 Audit arrangements

The audit of ULBs and VPs is carried out by the CAG under section 14 of CAG's (Duties, Powers and Conditions of Service) Act, 1971. The Government of Goa has entrusted Technical Guidance and Supervision over accounts and audit of Local Bodies to the CAG in November 2006. By virtue of section 194 of the Goa Panchayat Raj Act, 1994 the CAG is the sole auditor for ZPs. The audit is conducted under section 20 (1) of the CAG's DPC Act, 1971.

1.7 Quality of expenditure

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

1.7.1 Adequacy of public expenditure

The expenditure responsibilities relating to the social sector and the economic infrastructure assigned to the State Governments are largely State subjects. Enhancing human development levels requires the States to step up their expenditure on key social services like education, health *etc.* Low fiscal priority (ratio of expenditure under a category to aggregate expenditure) is attached to a particular sector, if it is below the respective national average. An analysis of the fiscal priority of the State Government with regard to development expenditure, social expenditure and capital expenditure during 2011-12 and 2014-15 has been indicated in **Table 1.22**.

Table 1.22: Fiscal priority of the State in 2011-12 and 2014-15

Fiscal priority by the State	AE/ GSDP	DE/ [#] AE	SSE/ AE	ESE/ AE	CE/ AE	Education, sports, art and culture/AE	Health and family welfare/AE
General Category States Average (Ratio) 2011-12	15.98	65.39	36.63	28.76	13.23	17.10	4.68
Goa's Average (Ratio) 2011-12	15.43	72.45	32.81	39.56	17.73	15.36	6.03
General Category Average (Ratio) 2014-15	16.49 [§]	69.12	36.50	32.61	14.01	16.23	5.04
Goa Average (Ratio) 2014-15	16.41	69.01	35.76	33.24	14.27	15.73	5.86

(Source: GSDP, of 2014-15 provided by Directorate of Statistics and Planning Department, GoG)

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

Development Expenditure includes Development Revenue Expenditure, Development Capital Expenditure and Loans and Advances disbursed

[§] Based on 17 States except Goa and Puducherry

Analysis of the fiscal priorities of the State Government as shown in **Table 1.22** reveals the following:

- The ratio of AE to GSDP in 2011-12 and 2014-15 (15.43 *per cent* and 16.41 *per cent*) were lower in the State as compared to the General Category States (15.98 *per cent* and 16.49 *per cent*). This meant that General Category States were spending more as a proportion of their GSDP when compared to Goa State.
- Development expenditure³ as a proportion of aggregate expenditure in the State (72.45 *per cent*) was higher than the General Category State's average (65.39 *per cent*) in 2011-12 whereas in 2014-15 the expenditure incurred by the State (69.01 *per cent*) had come close to the average expenditure incurred by General category states (69.12 *per cent*).
- Capital expenditure increases the asset creation which will generate opportunities for higher growth. In Goa, the ratio of CE to the AE was higher as compared to General Category State's during 2011-12 and 2014-15.
- Development expenditure consists of both economic and social service sector expenditure. The ratio of expenditure on social sector to AE increased from 32.81 *per cent* in 2011-12 to 35.76 *per cent* in 2014-15, but was lower than the General Category States. Priority was given to economic sector as the expenditure on economic sector was higher than the General Category States. As observed from the above table, adequate priority needs to be given to education sector as the ratio

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

under this sector was below the General Category States average during 2011-12 and 2014-15.

- The State Government has given fiscal priority to Health and Family Welfare during 2011-12 and 2014-15, as their ratios to AE were higher than the ratios of General Category States.

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 the State Governments to take appropriate expenditure rationalisation measures and lay emphasis on provision of core public⁴ and merit goods⁵. Apart from improving the allocation towards development expenditure, particularly in view of the fiscal space being created on account of decline in debt servicing in recent years, the efficiency of expenditure use is also reflected by the ratio of capital expenditure to total expenditure (and/or GSDP) and proportion of revenue expenditure being spent on operation and maintenance of the existing social and economic services. The higher the ratio of these components to total expenditure (and/or GSDP), the better would be the quality of expenditure. **Table 1.23** and **Chart 1.11** present the trends in DE relative to the AE of the State during the current year *vis-à-vis* budget estimates of the current year and the actual expenditure during the previous years.

Table 1.23: Development expenditure

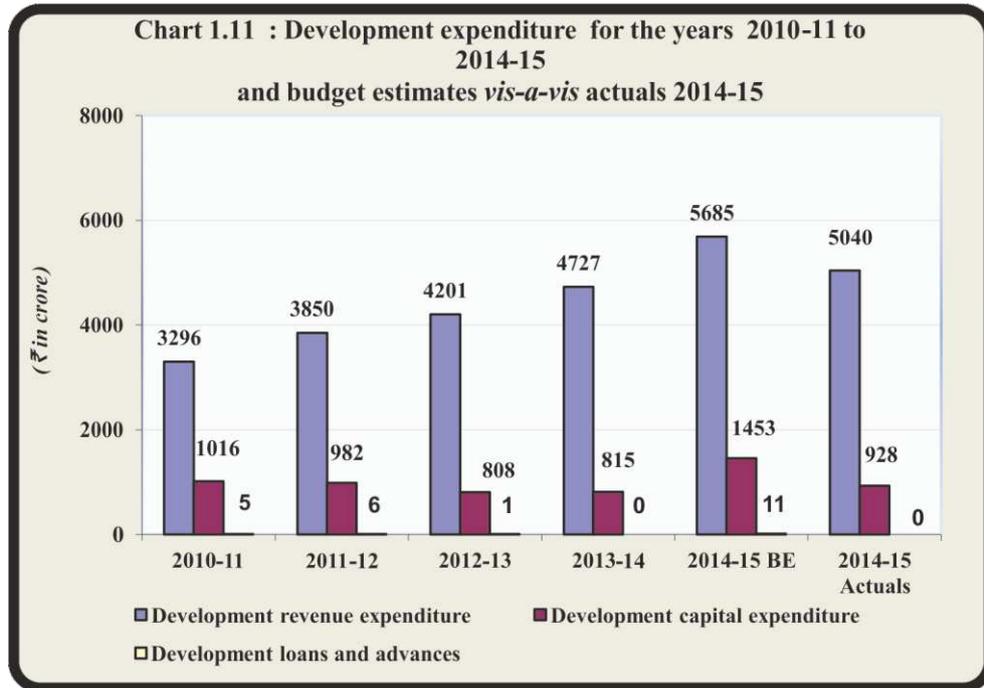
Components of Development Expenditure	2010-11	2011-12	2012-13	2013-14	2014-15	
					BE	Actuals
Development Expenditure (a to c)	4317 (71.70)	4838 (72.45)	5010 (71.50)	5542 (70.91)	7149 (73.24)	5968 (69.01)
a. Development Revenue Expenditure	3296 (54.74)	3850 (57.66)	4201 (59.95)	4727 (60.48)	5685 (58.24)	5040 (58.28)
b. Development Capital Expenditure	1016 (16.87)	982 (14.71)	808 (11.53)	815 (10.42)	1453 (14.88)	928 (10.73)
c. Development Loans and Advances	5 (0.08)	6 (0.08)	1 (0.01)	0 (0.00)	11 (0.11)	0 (0.00)

(Source : Finance Accounts of the State)

Figures in the parentheses indicate as percentage of total expenditure

⁴Core public goods are those which all citizens enjoy in common in the sense that each individual's consumption of such goods leads to no subtractions from any other individual's consumption of those goods, e.g. enforcement of law and order, security and protection of citizen's rights; pollution free air and other environmental goods and road infrastructure etc.

⁵Merit goods are commodities that the public sector provides free or at subsidised rates because an individual or society should have them on the basis of concept of need, rather than ability and willingness to pay the Government and therefore wishes to encourage their consumption. Examples of such goods includes 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.



(Source: Finance Accounts of the State)

Development expenditure

The development expenditure increased by 38 per cent (₹ 1,651 crore) from ₹ 4,317 crore in 2010-11 to ₹ 5,968 crore in 2014-15. However, during 2014-15, 84 per cent of the development expenditure was development revenue expenditure. Share of capital expenditure and loans and advances was only 16 per cent.

Development revenue expenditure

The development revenue expenditure increased by ₹ 313 crore (seven per cent) from ₹ 4,727 crore in 2013-14 to ₹ 5,040 crore in 2014-15. The increase was mainly due to increase in expenditure under the sub-sectors energy (₹ 142 crore), health and family welfare (₹ 45 crore), social welfare and nutrition (₹ 40 crore) and water supply, sanitation, housing and urban development (₹ 37 crore). The actual development revenue expenditure in 2013-14 was less than the State projection in the budget by ₹ 645 crore.

Development capital expenditure

The development capital expenditure increased by ₹ 113 crore (13.86 per cent) from ₹ 815 crore in 2013-14 to ₹ 928 crore in 2014-15. The decrease was mainly under the sub-sectors education, sports, art and culture (₹ 72 crore), water supply, sanitation, housing and urban development (₹ 24 crore) and energy (₹ 24 crore). The actual development capital expenditure was also less than the State projection in the budget by ₹ 525 crore.

Development loans and advances

Development expenditure in respect of loans and advances during 2014-15 was 'nil'. The actual development loans and advances were less than the State projections in the budget of 2014-15 by ₹ 11 crore.

Table 1.24 provides the details of capital expenditure and the component of revenue expenditure incurred on the maintenance of the selected social and economic services.

Table 1.24: Efficiency of expenditure use in selected Social and Economic Services

Social/Economic Infrastructure	2013-14		2014-15	
	Share of CE to TE	Share of salaries in RE	Share of CE to TE	Share of salaries in RE
<i>(in per cent)</i>				
Social Services (SS)				
Educations, Sports, Art and Culture	4.87	23.38	9.93	25.46
Health and Family Welfare	3.76	74.67	3.33	75.94
Water supply, Sanitation, Housing and Urban Development	22.48	12.03	24.75	11.47
Total (SS)	6.15	27.76	9.00	28.57
Economic Services (ES)				
Agriculture and Allied Activities	9.55	34.02	7.62	36.04
Irrigation and Flood Control	62.08	37.70	57.89	42.58
Power and Energy	10.94	13.81	11.34	14.73
Transport	48.43	28.51	47.67	28.94
Total (ES)	23.47	19.56	22.60	20.89
Total (SS+ES)	14.70	24.13	15.55	25.18

(Source: Finance Accounts of the State for the years 2013-14 and 2014-15)

TE: Total expenditure in the concerned sub sector; CE: Capital Expenditure; RE: Revenue Expenditure

The trends presented in **Table 1.24** reveal that development capital expenditure as a percentage to total expenditure in the sub-sector increased from 14.70 *per cent* in 2013-14 to 15.55 *per cent* in 2014-15. The percentage of capital expenditure on Social Services to the total expenditure in the sub sector increased from 6.15 *per cent* in 2013-14 to 9.00 *per cent* in 2014-15. The increase was mainly seen under education, sports, art and culture and water supply, sanitation, housing and urban development. The percentage of capital expenditure on Economic Services to the total expenditure in the sub sector decreased from 23.47 *per cent* in 2013-14 to 22.60 *per cent* in 2014-15. The decrease was mainly seen under irrigation and flood control and transport.

The share of salaries in revenue expenditure increased from 24.13 *per cent* in 2013-14 to 25.18 *per cent* in 2014-15. The share of salaries in revenue expenditure on Social services increased from 27.76 *per cent* in 2013-14 to 28.57 *per cent* in 2014-15. The increase was mainly under education, sports, art and culture and health and family welfare. The share of salaries in revenue expenditure on Economic Services increased from 19.56 *per cent* in 2013-14 to 20.89 *per cent* in 2014-15. The increase was mainly under irrigation and flood control and agriculture and allied activities.

1.8 Analysis of Government expenditure and investments

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

1.8.1 Financial results of irrigation works

The financial results in respect of irrigation works have not been worked out. The Government incurred expenditure of ₹ 52.70 crore on maintenance of irrigation projects in the State during 2014-15, which was ₹ 3.21 crore more than the maintenance expenditure during the previous year (₹ 49.49 crore)⁶.

1.8.2 Incomplete projects

Department-wise information of the incomplete projects is given in Table 1.26.

Table 1.26: Department-wise Profile of Incomplete Projects

(₹ in crore)				
Department	Number of incomplete projects	Initial budgeted cost	Revised total cost of projects	Cumulative actual expenditure as on 31.3.2015
Public Works Department	66	227.37	Not available	63.95
Water Resources Department	21	143.64	524.78	632.62
Total	87	371.01	524.78	696.57

(Source: Finance Accounts of the State and information received from Water Resources Department)

As of 31 March 2015, there were 87 incomplete projects valuing more than ₹ one crore each, on which ₹ 696.57 crore had already been expended.

The Tillari Irrigation project, a joint venture of the Government of Maharashtra and the Government of Goa, which commenced in 1986 remained incomplete mainly due to delay in proceedings of land acquisition and is expected to be completed in March 2016. The Goa Tillari Irrigation project had since been dissolved in September 2014 as per Section 65 of the Goa Tillari Irrigation Development Corporation Act,

⁶The previous year's (2013-14) figure reported by the Water Resources Department in 2014-15 was different from those furnished last year (₹ 58.39 crore). However, the reasons for difference in figures were not furnished by the Department.

1999 and the assets and liabilities of the Corporation had been transferred to Water Resources Department.

1.8.3 Investments and returns

As of 31 March 2015, Government had invested ₹ 488 crore in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives (Table 1.27). The average return on this investment was 0.28 per cent in the last five years while the Government paid average interest rate ranging from 7.44 per cent to 7.69 per cent on its borrowings during 2010-15.

Table 1.27: 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)	382.16	401.17	445.72	449.13	488.00
Return (₹ in crore)	0.19	1.48	1.73	1.10	1.82
Return (per cent)	0.04	0.36	0.39	0.24	0.37
Average rate ⁷ of interest on Govt. borrowing (per cent)	7.62	7.59	7.69	7.44	7.59
Difference between interest rate and return(per cent)	7.58	7.23	7.30	7.20	7.22

(Source : Finance Accounts of the State)

The increase in investments by ₹ 38.87 crore during 2014-15 was mainly due to increased capital contributions in Information Technology Corporation of Goa (₹ 16 crore), Goa State Scheduled Caste and Other Backward Classes Development Corporation (₹ 10 crore), Kadamba Transport Corporation (₹ five crore) and State run Co-operative Banks and Societies (₹ seven crore).

1.8.4 Departmental commercial undertakings

There are two Departmentally managed quasi-commercial undertakings viz., the Electricity Department and the River Navigation Department in the State. Table 1.28 depicts the Department-wise position of the investments made by the Government up to the year for which *proforma* accounts have been audited, net profits/loss as well as return on capital invested in these undertakings.

Table 1.28: Summarised financial statement of Departmentally managed quasi-commercial undertakings

Sl. No.	Name of the undertaking	Period of accounts audited	Amount invested by Government	Turn-over/income	Net profit/loss	Accumulated profit/loss	Interest on capital	Total return	Percentage of return on capital
1	Electricity Department	2010-11	1018.73	897.56	(-)101.91	757.62	-	(-)101.91	Nil
2	River Navigation Department	2005-06	108.29	1.07	(-)10.53	(-) 106.68	0.41	(-)10.12	Nil

(₹ in crore)

⁷Interest payment/[(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities)/2]*100

An amount of ₹ 1,018.73 crore had been invested by the State Government in the Electricity Department and the River Navigation Department at the end of the financial year up to which their accounts were finalised. As per the accounts for the year 2010-11, the Electricity Department suffered a net loss amounting to ₹ 101.91 crore against a capital investment of ₹ 1,018.73 crore, thereby yielding negative return of 10 per cent.

The River Navigation Department (RND) was incurring losses every year and the accumulated deficit as at the end of the year 2005-06 was ₹ 106.68 crore against the total investment of ₹ 108.29 crore. The Government needs to review its working so as to wipe out its losses in the short run and to make itself sustaining in the medium to long term. Though, this was reported in the Audit Reports since 2008-09, no Action Taken Report has been received from the State Government.

1.8.5 Loans and advances by State Government

In addition to investments in co-operative societies, corporations and companies, the Government has also been providing loans and advances to many of these institutions/organisations. Table 1.29 presents the outstanding loans and advances as on 31 March 2015, interest receipts vis-à-vis interest payments during the last three years.

Table 1.29: Average interest received on loans and advances by the State Government

(₹ in crore)

Quantum of loans/interest receipts/cost of borrowings	2012-13	2013-14	2014-15
Opening Balance	109.59	99.00	90.69
Amount advanced during the year	3.98	4.25	2.92
Amount repaid during the year	14.57	12.56	9.96
Closing Balance	99.00	90.69	83.65
<i>of which</i> Outstanding balance for which terms and conditions have been settled	-	-	-
Net addition	(-)10.59	(-)8.31	(-)7.04
Interest Receipts	7.17	2.16	2.02
Interest receipts as percentage of outstanding Loans and advances	6.87	2.27	2.31
Interest payments as percentage of outstanding fiscal liabilities of the State Government	7.13	7.01	7.26
Difference between interest payments and interest receipts (<i>per cent</i>)	(-)0.26	(-)4.74	(-)4.95

(Source: Finance Accounts of the State)

The total outstanding loans and advances as on 31 March 2015 decreased by ₹ 7.04 crore as compared to previous year. The total amount of loans disbursed during the year decreased from ₹ 4.25 crore in 2013-14 to ₹ 2.92 crore in 2014-15. Of the total loans and advances disbursed ₹ 0.19 crore went to Co-operation under Economic sector.

Interest received against these loans and advances decreased from ₹ 2.16 crore in 2013-14 to ₹ 2.02 crore in 2014-15. Interest spread on Government borrowings was negative during the period 2012-15 which

indicated that the State borrowings were more expensive than the loans advanced by it.

1.8.6 Cash balances and investment of cash balances

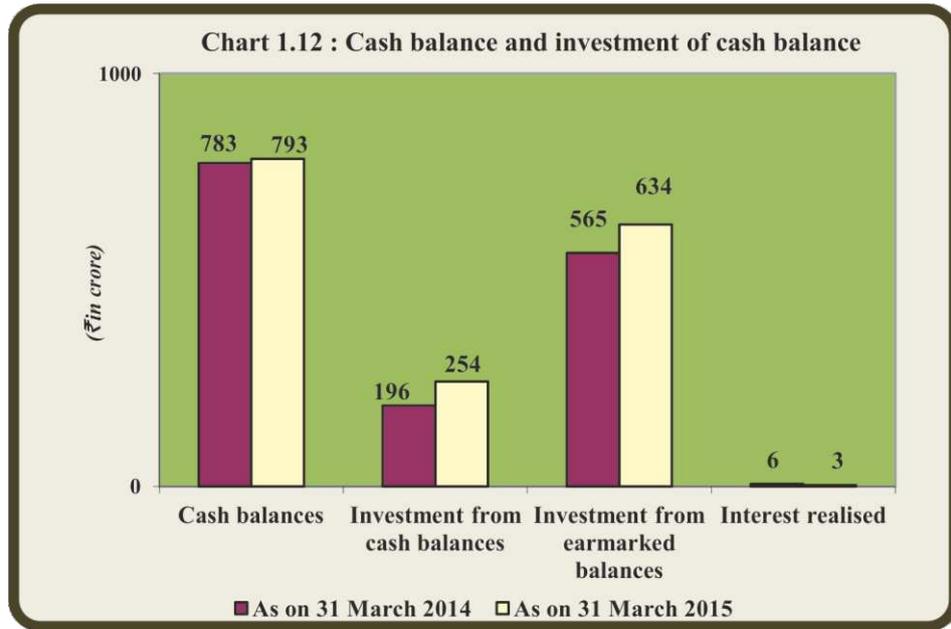
Table 1.30 and Chart 1.12 depicts the cash balances and investments made by the State Government out of cash balances during the year.

Table 1.30: Cash balances and investment of cash balances

(₹ in crore)

Particulars	As on 31 March 2014	As on 31 March 2015	Increase (+)/ Decrease(-)
Cash in treasuries	-	-	-
Deposits with Reserve Bank	20.96	-97.37	-118.33
Remittances in transit-Local	-	-	-
Cash with the Departmental officers	1.48	1.48	-
Permanent advance for contingent expenditure with Departmental officers	0.25	0.26	0.01
Investments from cash balances (a to d)	196.06	253.90	57.84
a. GoI Treasury Bills	193.83	251.78	57.85
b. GoI Securities	-	-	-
c. Other Securities	-	-	-
d. Other Investments	2.23	2.12	-0.11
Funds-wise break-up of investment from Earmarked balances (a to c)	564.65	634.23	69.58
a. General and other Reserve Funds	198.89	223.23	24.34
b. Sinking Fund	365.76	411.00	45.24
c. Miscellaneous Deposits	-	-	-
Total Cash Balances	783.40	792.50	9.10
Interest Realised	5.69	2.66	(-) 3.03

(Source : Finance Accounts of the State)



(Source: Finance Accounts of the State)

The State Government's cash balance of ₹ 793 crore at the end of the current year showed an increase of 1.28 *per cent* over the previous year (₹ 783 crore). Of the above, ₹ 254 crore was invested in GoI Treasury Bills which earned an interest of ₹ 2.66 crore during the year. Further, ₹ 634 crore was invested in earmarked funds. The cash balances of the State Government at the end of March 2015 (₹ 793 crore) was around nine *per cent* of the total expenditure (₹ 8,647 crore) of the State Government during the year.

Under an agreement with the RBI, the State Government has to maintain a minimum cash balance of ₹ 19 lakh with the Bank on all days. The balance in excess of ₹ 19 lakh is invested by the RBI in 14 days Intermediate Treasury bills for a minimum amount of ₹ one lakh and in multiple of ₹ one lakh. Whenever the balance falls below the agreed minimum limit on any day, treasury bills are rediscounted and the balance restored. In the event of balance remaining low the deficiency is made good by taking normal/special ways and means advances/overdraft from the bank.

During the year 2014-15, the State Government had obtained normal ways and means advances on 109 occasions (₹ 1,028 crore) and overdrafts (₹ 38.81 crore) on 12 occasions. The Government repaid ₹ 1,066.96 crore to RBI during the year. The State also paid ₹ 1.17 crore as interest on these ways and means advances and over drafts.

1.9 Assets and Liabilities

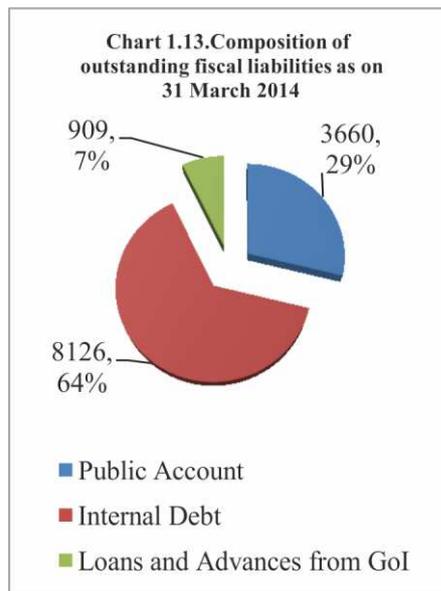
1.9.1 Growth and composition of assets and liabilities

In the existing cash-based Government accounting system, comprehensive accounting of fixed assets like land and buildings owned by the Government is not done. However, the Government accounts do

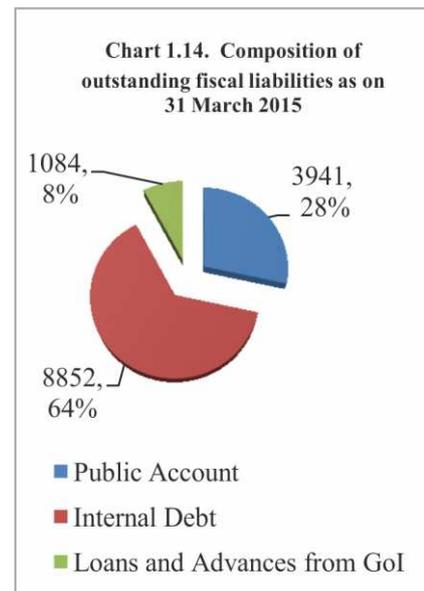
capture the fiscal liabilities⁸ of the Government and the assets created out of the expenditure incurred. **Appendix 1.3 Part B** gives an abstract of such liabilities and the assets as on 31 March 2015, compared with the corresponding position as on 31 March 2014. While the liabilities consist mainly of internal borrowings, loans and advances from the GoI, receipts from the Public Account and Reserve Funds, the assets mainly comprise the capital outlay and loans and advances given by the State Government and cash balances.

1.9.2 Fiscal liabilities

The composition of fiscal liabilities during the year 2014-15 *vis-à-vis* the previous year is presented in **Chart 1.13** and **Chart 1.14**.



(Source: Finance Accounts of the State)



(Source: Finance Accounts of the State)

Though the Internal debt as percentage of fiscal liabilities (64 *per cent*) was the same as last year, the Public Account liabilities decreased by one percentage point over the same period. The outstanding loans and advances from GoI increased from seven *per cent* in 2013-14 to eight *per cent* in 2014-15.

Table 1.31 gives the fiscal liabilities of the State, their rate of growth, the ratio of these liabilities to GSDP, to revenue receipts and to the State own resources as also the buoyancy of fiscal liabilities with reference to these parameters.

⁸Internal debt (market loans, loans from NSSF, ways and means advances and loans from other financial institutions), loans and advances from GoI, the liabilities arising from the transactions in the Public Account of the State

Table 1.31: Fiscal liabilities – basic parameters

	2010-11	2011-12	2012-13	2013-14	2014-15
Fiscal Liabilities (₹ in crore)	8985	9579	11232	12695	13877
Rate of Growth (per cent)	11.26	6.61	17.26	13.03	9.31
Ratio of fiscal liabilities to:					
GSDP (per cent)	26.74	22.15	26.49	25.96	26.35
Revenue Receipts (per cent)	165.10	165.69	192.16	196.82	180.48
Own Resources (per cent)	419.86	375.50	382.04	354.41	356.19
Buoyancy of Fiscal Liabilities with reference to:					
GSDP (ratio)	0.733	0.230	-*	0.851	1.206
Revenue Receipts (ratio)	0.344	1.061	15.587	1.258	0.485
Own Resources (ratio)	0.027	0.018	0.045	0.037	0.026

(Source: Finance Accounts of the State)

* GSDP growth rate in 2012-13 being negative, buoyancy ratio cannot be calculated

The overall fiscal liabilities of the State increased from ₹ 12,695 crore in 2013-14 to ₹ 13,877 crore in 2014-15, a growth rate of 9.31 per cent, this was 3.72 per cent less than the growth rate shown in the previous year.

During the year, a fiscal liability as a percentage of GSDP was 26.35 per cent against 25.96 per cent in the previous year. This was almost in line with the target fixed (27 per cent) in the GFRBM (amendment) Act, 2014 and lower than the projections made in ThFC (29.10 per cent).

These liabilities were approximately twice the revenue receipts and more than twice the State own resources at the end of 2014-15. The buoyancy of these liabilities relative to GSDP during 2014-15 was 1.206, indicating that for each one per cent increase in GSDP, fiscal liabilities grew by 1.206 per cent.

Of the total fiscal liabilities during 2014-15, the share of public debt was maximum (72 per cent), followed by Small Savings, Provident fund⁹ etc. (13 per cent), deposits¹⁰ (12 per cent) and Reserve funds (three per cent). Fiscal liabilities increased by ₹ 1,182 crore as compared to previous year mainly due to increase in Public Debt (₹ 902 crore), Small Savings and Provident Funds (₹ 112 crore), Deposits (₹ 110 crore) and Reserve Funds (₹ 58 crore).

The State Government has set up a Consolidated Sinking fund during 1999-2000 for amortization of open market loans. As on 31 March 2015, the closing balance in the sinking fund was ₹ 411 crore which included ₹ 20 crore for 2014-15 and the entire balance was invested.

1.9.3 Transactions under Reserve Fund

Reserves and reserve funds are created for specific and well defined purposes under the Sector 'J' in the accounts of the State Government

⁹ Small Savings and Provident Fund include State Provident Fund and Pension Funds which are liable to be repaid by the Government to the subscribers and depositors

¹⁰ Deposits include Security Deposits, Deposits from Government Companies, Corporations etc., Defined Contribution Pension Scheme for Government Employees and Civil Deposits, which are liable to be repaid by the Government to the subscribers and depositors

(Public Account). These funds are in the form of contribution or grants from the Consolidated Fund of India or State.

As per Statement 19 of Finance Accounts, nine Reserve funds have been created and maintained in the accounts of the State Government. The total accumulated balance as on 31 March 2015 was ₹ 1,080.89 crore (₹ 1,064.28 crore active funds and ₹ 16.61 crore in inoperative funds). However, investment out of this balance was only ₹ 634.23 crore.

Table 1.32: Active and Inoperative Reserve Funds

(₹ in crore)

Classification	Opening balance	Receipt	Payment	Closing balance
Active Reserve Funds				
8121-122-State Disaster Response Fund	22.55	6.43	1.92	27.06
8222-101-Sinking Fund	365.76	45.25	0.00	411.01
8229-110-Electricity Development Fund	367.88	77.80	25.26	420.42
8235-117-Guarantee Redemption Fund	183.11	22.68	0.00	205.79
Total	939.30	152.16	27.18	1064.28
Inoperative Reserve Funds				
8229-123-State Consumer Welfare Funds	0.10	0.02	0	0.12
8235-119-National Calamity Relief Fund	2.99	0	0	2.99
8235-200-Beaches Improvement Fund	10.32	3.27	0.17	13.42
8235-200-Special Fund for Compensatory Afforestation	0.08	0	0	0.08
Total	13.49	3.29	0.17	16.61
Grand Total	952.79	155.45	27.35	1080.89

The transactions relating to certain funds are discussed in the following paragraph.

State Disaster Response fund

The State Disaster Response Fund (SDRF), constituted under Disaster Management Act, 2005 is operative from 2010-11 under Reserve Fund bearing interest. As per the SDRF guidelines the accretions to the SDRF together with the income earned on the investment of the SDRF are to be invested in one or more of instruments *viz.* Central Government dated securities, auctioned treasury bills interest earning deposits and certificates of deposits with Scheduled Commercial Banks. Further, the State Government has to pay interest to the SDRF at the rate applicable to overdrafts and credit the same on a half yearly basis. While 75 per cent of the contribution was to be drawn from GoI, the balance 25 per cent was to be provided by the State Government.

The contributions to the fund for the year 2014-15 was ₹ 4.78 crore (Central share of ₹ 3.92 crore and State share ₹ 0.86 crore). An amount of ₹ 1.65 crore as interest earned on investment was credited to the fund. Disbursement of ₹ 1.92 crore was made during 2014-15 under SDRF from the fund.

Consolidated sinking fund

The Government has constituted a Sinking fund from 1999-2000 for open market loans. This fund shall be utilised as an amortization fund for redemption of the outstanding internal debt and Public Account liabilities beginning from the year 2004-05. However, no amount has been utilised by the Government up to 2014-15.

As per paragraph 5 of the scheme for constitution and administration of the consolidated sinking fund, the rate of contribution to the consolidated sinking fund was 0.5 per cent of the outstanding liabilities as at the end of the previous year. According to this, the State Government had to contribute ₹ 63.47 crore during 2014-15 to the consolidated sinking fund. However, the State Government contributed only ₹ 20 crore to the fund during the year. The balance outstanding in the sinking fund as on 31 March 2015 was ₹ 411 crore.

Guarantee redemption fund

The State has set up a Guarantee Redemption Fund during 2003-04 with the objective of meeting the payment of obligations arising out of the guarantees issued by the State Government on behalf of State level autonomous bodies. The State Government has exempted the borrowing institutions from the payment of guarantee fees. During the current year, the Government contributed ₹10 crore to the Guarantee redemption fund and the amount invested in this fund was ₹ 205.80 crore at the end of 31 March 2015. No guarantee was invoked during 2014-15.

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 for whom the guarantee has been extended.

The maximum amount for which guarantees were given by the State and outstanding guarantees for the last three years as given in the Statement 9 of the Finance Accounts (Volume II), are summarised in **Table 1.33**.

Table 1.33: Guarantees given by the Government of Goa

	(₹ in crore)		
Guarantees	2012-13	2013-14	2014-15
Maximum amount guaranteed	259.54	575.41	695.65
Outstanding amount of guarantees	122.67	292.74	337.06
Percentage of maximum amount guaranteed to total revenue receipt	4.44	8.92	9.04

(Source: Finance Accounts of the State)

The FRBM Act, 2006 specified that the Government should cap the total outstanding guarantees within the specified limit under the Goa State Guarantees Act, 1993. The Goa Legislature had fixed a limit of ₹ 800 crore on the outstanding guarantees in March 2005. The outstanding guarantees at ₹ 337 crore during 2014-15 were well within

the ceiling limit specified by the Legislature. The outstanding guarantee during 2014-15 was 0.65 *per cent* of the GSDP.

1.10 Debt management

(i) Debt sustainability

Debt sustainability implies State ability to service the debt. Apart from the magnitude of debt of the State Government, it is important to analyse the various indicators that determine the debt sustainability of the State. The analysis of various debt sustainability indicators of the State for the period of five years beginning from 2010-11 is given below.

Table 1.34: Debt Sustainability: Indicators and Trends

Indicators of Debt Sustainability	2010-11	2011-12	2012-13	2013-14	2014-15
Outstanding Debt (₹ in crore)	8985	9579	11232	12695	13877
Debt/GSDP ratio (<i>in per cent</i>)	26.73	22.14	26.48	25.96	26.34
Debt/RR ratio (<i>in per cent</i>)	165.10	165.69	192.16	196.82	180.48
Burden of interest payments (IP/RR ratio)	12	12	14	14	13
Sufficiency of Non debt receipts (Resource gap)	671	-316	-267	-205	404
Net availability of borrowed funds	260	-111	851	572	175

(Source: Finance Accounts of the State)

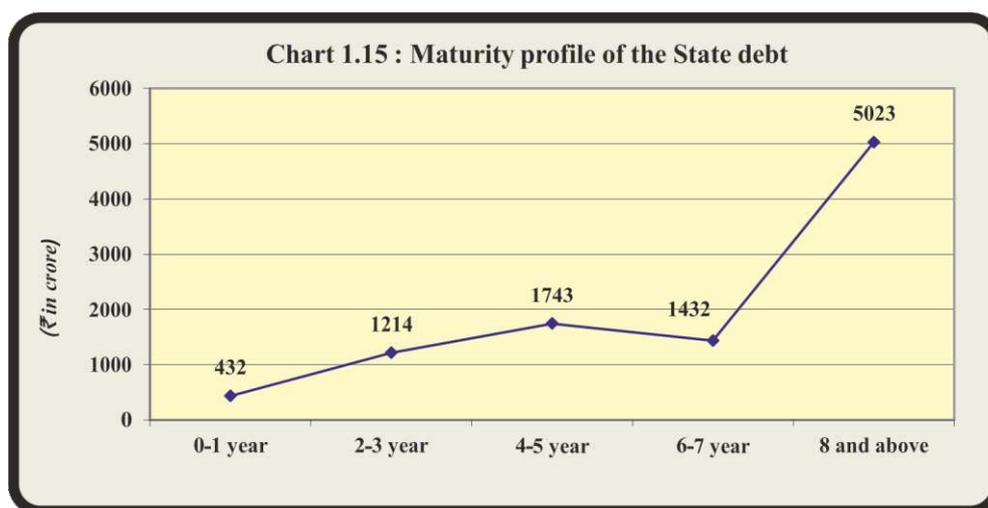
The above table reveals that the outstanding debt increased from ₹ 8,985 crore in 2010-11 to ₹ 13,877 crore in 2014-15 and the Debt-GSDP ratio showed a considerable variation during the five year period. The Debt-GSDP ratio increased from 25.96 *per cent* in 2013-14 to 26.34 *per cent* in 2014-15. However, the outstanding debt at the end of 2013-14 represented 196.82 *per cent* of the revenue receipts which reduced to 180.48 *per cent* in 2014-15.

The persistent negative resource gap is indicative of the non-sustainability of debt while positive resource gap strengthens the capacity of the State to sustain the debt. The negative resource gap for three consecutive years during the period 2011-12 to 2013-14 turned positive during 2014-15. It happened mainly on account of 10.32 *per cent* increase in primary expenditure against 19.12 *per cent* increase in non-debt receipts during the current year. The net funds available from borrowed funds after providing for the interest and repayment declined from ₹ 851 crore in 2012-13 to ₹ 175 crore in 2014-15.

Table 1.35: Maturity profile of State debt

Maturity Profile (in years)	Amount (₹ in crore)	Per cent
0 – 1	432.26	4.35
2 – 3	1214.25	12.22
4 – 5	1743.62	17.55
6 – 7	1431.55	14.41
8 and above	5023.05	50.55
Loans pertaining to Ex-Union Territory	91.30	0.92
Total	9936.03	100

(Source: Finance Accounts of the State)



(Source Finance Accounts of the State)

The maturity of the State debt as per **Table 1.35** and **Chart 1.15** indicates that ₹ 3,390.13 crore of the total State debt of ₹ 9,936.03 crore is repayable within the next five years while the remaining 6,545.90 crore is payable from sixth year onwards. **Table 1.35** further indicates that the liability of the State to repay the debt would be ₹ 1,743 crore during the period 2018-20 and ₹ 1,432 crore during 2020-22 which would put a strain on the Government budget during that period.

A well thought out debt repayment strategy will have to be worked out by the Government to ensure that no additional borrowings, which mature in these critical years are made.

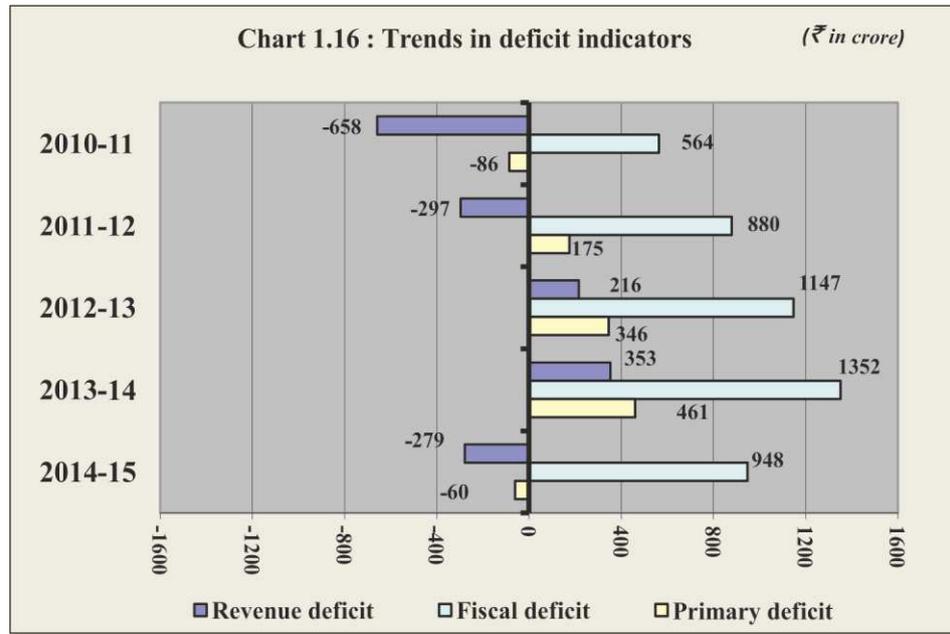
1.11 Fiscal Imbalances

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

financing these deficits *vis-à-vis* targets set under Goa FRBM (first amendment) Act, 2014.

1.11.1 Trends in deficits

Charts 1.16 and 1.17 present the trends in deficit indicators over the period 2010-15.

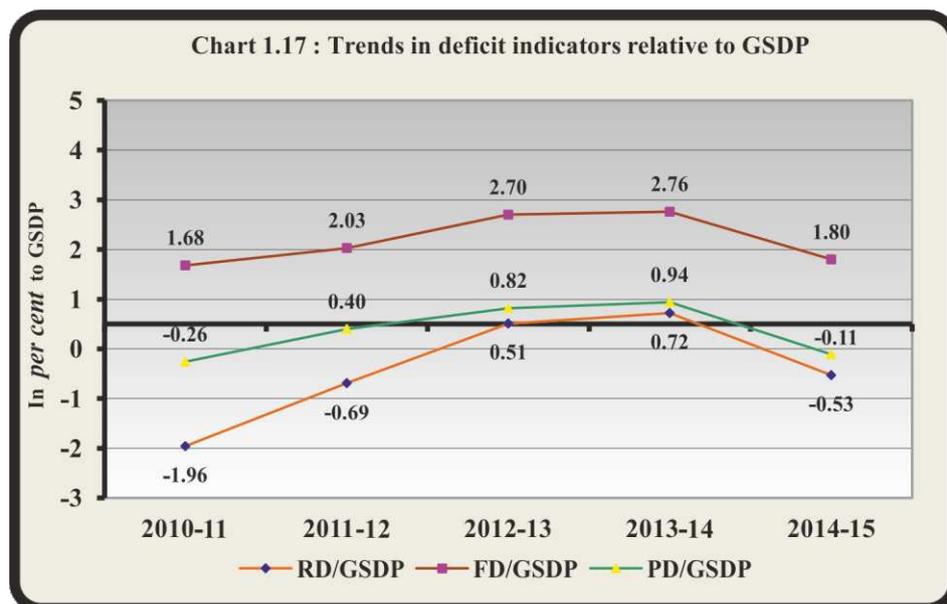


(Source: Finance Accounts of the State)

The revenue deficit of ₹ 353 crore during 2013-14 turned into revenue surplus of ₹ 279 crore during 2014-15. This was mainly due to increase in revenue receipts by 19.21 *per cent* against an increase in revenue expenditure by 8.92 *per cent* over the previous year. Thus, the State was able to contain the revenue deficit and turned into revenue surplus which was within limits as per the GFRBM (first amendment) Act, 2014.

The fiscal deficit, which represents the total borrowing of the State *i.e.* total resource gap increased steadily during the period 2010-14. The fiscal deficit of ₹ 1,352 crore (2.76 *per cent* of GSDP) during 2013-14 reduced to ₹ 948 crore (1.80 *per cent* of GSDP) during 2014-15. This was due to result of revenue surplus (₹ 279 crore) and net capital expenditure (₹ 1,234 crore) and increase in net loans and advances disbursed (₹ seven crore) over the previous year. However, the fiscal deficit as a percentage of GSDP (1.80 *per cent*) in the current year was within the target of three *per cent* fixed by the GFRBM (first amendment) Act, 2014 and projection made by the ThFC. The primary deficit during the period 2011-14 had turned to primary surplus (₹ 60 crore) during the current year.

The State Government should work to continue to achieve revenue surplus as per target fixed under the Goa FRBM (first amendment) Act, 2014.



1.11.2 Composition of fiscal deficit and its financing pattern

Fiscal deficit normally represents the net incremental liabilities of the Government or its additional borrowings. The shortfall could be met either by additional public debt (internal or external) or by the use of surplus funds from Public Account. The financing patterns of the fiscal deficit during the period 2010-11 to 2014-15 are reflected in the Table 1.36.

Table 1.36: Components of fiscal deficit and its financing pattern

		(₹ in crore)				
	Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
	Composition of Fiscal Deficit (a)	564	880	1147	1352	948
		(1.68)	(2.03)	(2.70)	(2.76)	(1.80)
1	Revenue Deficit/Surplus	-658	-297	216	353	-279
		(-1.96)	(-0.69)	(0.51)	(0.72)	(-0.53)
2	Net Capital Expenditure	1221	1184	942	1008	1234
		(3.63)	(2.74)	(2.22)	(2.06)	(2.34)
3	Net Loans and Advances	01	- 7	- 11	- 9	-7
		(0.00)	(-0.02)	(-0.03)	(-0.02)	(-0.01)
Financing Pattern of Fiscal Deficit						
1	Market Borrowings	211	151	995	881	667
		(0.63)	(0.35)	(2.35)	(1.80)	(1.27)
2	Loans from GoI	1	62	139	124	175
		(0.00)	(0.14)	(0.33)	(0.25)	(0.33)
3	Loans from Financial Institutions	325	45	65	-42	59
		(0.97)	(0.10)	(0.15)	(-0.09)	(0.11)
4	Ways and Means advances	-	-	-	-	-
		-	-	-	-	-

5	Small Savings, PF <i>etc.</i>	155	171	150	115	112
		(0.46)	(0.40)	(0.35)	(0.24)	(0.21)
6	Deposits and Advances	170	157	192	336	110
		(0.51)	(0.36)	(0.45)	(0.69)	(0.21)
7	Suspense and Miscellaneous	-	101	- 699	-179	-180
		(0.00)	(0.23)	(-1.65)	(-0.37)	(-0.34)
8	Remittances	5	- 4	- 178	86	-114
		(0.01)	(-0.01)	(-0.42)	(0.18)	(-0.22)
9	Reserve Fund	128	67	169	111	128
		(0.38)	(0.15)	(0.40)	(0.23)	(0.24)
10	Contingency Fund	3	-	-	-1	-
		(0.01)	-	-	(0.00)	-
11	Total (1 to 10) (b)	998	750	833	1431	957
12	Increase(-)/Decrease(+) in cash balance(a) - (b)	-434	130	314	-79	-9
		(-1.29)	(0.30)	(0.74)	(-0.16)	(-0.02)
13	Overall deficit (11+12)	564	880	1147	1352	948
		(1.68)	(2.03)	(2.70)	(2.76)	(1.80)

(Source: Finance Accounts of the State)

Figures in parenthesis indicate per cent to GSDP

Table 1.36 reveals that during the last five years market borrowings and net accretions in Public Account (small savings, deposits and advances, reserve fund *etc.*) are the main source utilised by the State Government to finance the fiscal deficit. During 2014-15, while 70 per cent of the fiscal deficit was financed through net market borrowings (₹ 667 crore), the balance amount was financed through accretions in the small savings, deposits and advances *etc.*, loans from GoI and financial institutions.

During 2014-15, the State Government raised ₹ 800 crore as market loans at an average rate of 8.92 per cent, ₹ 149 crore from National Bank for Agriculture and Rural Development at an interest rate of 7.40 per cent, ₹ 0.12 crore from National Co-operative Development Corporation at an interest rate of 12.50 per cent and ₹ 115 crore from National Small Savings fund at an interest of 9.50 per cent. The Government also received loans amounting to ₹ 203 crore from GoI during the year for which the details of interest rate on all loans were not available.

As could be seen from **Table 1.37** during the period 2014-15, there was decrease in cash balance after financing the fiscal deficit.

Table 1.37: Receipts and disbursements under components financing the fiscal deficit during 2014-15

(₹ in crore)

Particulars		Receipts	Disbursements	Net
1	Market Borrowings	800	133	667
2	Loans from GoI	203	28	175
3	Loans from Financial Institutions	1331	1272	59
4	Small Savings, PF etc.	366	254	112
5	Deposits and Advances	399	289	110
6	Suspense and Miscellaneous	4957	5137	-180
7	Remittances	3412	3526	-114
8	Reserve Funds	155	27	128
9	Contingency Fund	-	-	-
10	Appropriation to/from Contingency Fund	-	-	-
11	Total (1 to 10)			957
12	Increase(-)/Decrease (+) in Cash Balance			-9
13	Overall deficit (11+12)			948

(Source : Finance Accounts of the State)

1.11.3 Quality of deficit/surplus

The ratio of revenue deficit to fiscal deficit and the bifurcation of primary deficit into primary revenue deficit and capital expenditure (including loans and advances) would indicate the quality of deficit in the States' finances. The ratio of revenue deficit to fiscal deficit indicates the extent to which borrowed funds were used for current consumption.

Non-debt receipts of the State were enough to meet the primary revenue expenditure during the period 2010-15. But non-debt receipts were not enough to meet the primary expenditure resulting in primary deficit during the years 2011-14. However, during 2014-15, non debt receipts were sufficient to meet the expenditure requirements both under revenue and capital account resulting in primary surplus. The details are indicated in **Table 1.38**.

Table 1.38: Primary deficit/surplus – bifurcation of factors

(₹ in crore)

Year	Non-debt receipts	Primary Revenue Expenditure	Capital Expenditure	Loans and Advances	Primary Expenditure	Primary revenue deficit(+)/surplus(-)	Primary deficit (+)/surplus (-)
1	2	3	4	5	6(3+4+5)	7(2-3)	8(6-2)
2010-11	5457	4134	1221	16	5371	1323	(-) 86
2011-12	5797	4779	1184	9	5972	1018	175
2012-13	5860	5260	942	4	6206	600	346
2013-14	6463	5912	1008	4	6924	551	461
2014-15	7699	6402	1234	3	7639	1297	(-) 60

(Source: Finance Accounts of the State)

The capital expenditure as a percentage to primary expenditure¹¹ decreased from 22.73 *per cent* during 2010-11 to 14.55 *per cent* during 2013-14 and increased to 16.16 *per cent* during 2014-15.

1.12 Follow up

State Finance Report is being presented to the State Legislature from 2008-09 onwards. The Public Accounts Committee discussed the paragraphs on State Finance Report for the years 2008-09 and 2009-10 and recommendations of the PAC have been issued for these reports.

1.13 Conclusion and Recommendations

Fiscal Position

The State Government has improved its fiscal situation during 2014-15. The revenue deficit of ₹ 353 crore (0.72 *per cent* of GSDP) during 2013-14 turned into revenue surplus of ₹ 279 crore (0.53 *per cent* of GSDP) during 2014-15. This was attributed mainly due to increase in revenue receipts by 19.21 *per cent* against an increase in revenue expenditure by 8.92 *per cent* over the previous year.

The fiscal deficit of ₹ 1,352 crore (2.76 *per cent* of GSDP) during 2013-14 reduced to ₹ 948 crore (1.80 *per cent* of GSDP) during 2014-15. The fiscal deficit as a percentage of GSDP in the current year was within the target of three *per cent* fixed by the GFRBM (first amendment) Act, 2014 and projection made by the ThFC.

The State Government should continue with its commendable work of achieving revenue surplus and containing fiscal deficit with in the targets fixed under the Goa FRBM (First Amendment) Act, 2014 in the coming years.

Revenue receipts

Revenue receipts increased by 19.21 *per cent* in 2014-15 over 2013-14 mainly due to net effect of increase in non-tax revenue by ₹ 664 crore (39.95 *per cent*), tax revenue by ₹ 314 crore (8.77 *per cent*), grants from the GoI ₹ 209 crore (58.54 *per cent*), and share of Union taxes and duties by ₹ 52 crore (6.12 *per cent*).

The actual realisation of Tax revenue during the year was lower than the normative assessment of ThFC and budget estimates by 2.03 *per cent* and 4.41 *per cent* respectively. The Non -Tax revenue of the State fell short of budget estimates by 2.31 *per cent*. However, Non -Tax revenue exceeded the ThFC projections by 153.37 *per cent*.

¹¹ Primary expenditure of the State defined as the total expenditure net of the interest payments indicates the expenditure incurred on the transactions undertaken during the year

Revenue expenditure

Revenue expenditure continued to be a dominant component (85.69 *per cent*) of the total expenditure in 2014-15. The NPRE constituted 77.04 *per cent* of the revenue expenditure. The NPRE (₹ 5,709 crore) remained significantly higher than the normative assessments of the ThFC (₹ 3,439 crore) and the projections made in the budget (₹ 5,628 crore) during 2014-15.

The Government may like to take steps to contain NPRE so as to continue to remain revenue surplus. The Government may consider reducing tax arrears.

Quality of expenditure

Capital expenditure constituted 14.27 *per cent* of the total expenditure in 2013-14. The percentage of developmental expenditure to total expenditure decreased from 70.91 *per cent* in 2012-13 to 69.01 *per cent* in 2013-14.

The return from investment of ₹ 488 crore as of March 2015 in companies/corporations was negligible (₹ 1.82 crore) while the average return on this investment was 0.28 *per cent* in the last five years. On the other hand the Government paid average interest rate of 7.59 *per cent* on its borrowings during 2010-15.

The Government may take suitable measures to improve the working of the companies/corporations so that returns for investments is sufficient to meet the cost of borrowing thereby making the company/corporations self sustainable.