

CHAPTER I

FINANCES OF THE STATE GOVERNMENT

Profile of Goa

Goa is situated in the western coastal region known as Konkan, bounded by Arabian sea in the west, Maharashtra in the north and Karnataka to the east and south. Goa is the smallest State in terms of geographical area (3,702 sq. km.) and has a coastline of about 131 km. Goa was incorporated as a Union Territory with Legislature in 1962. It was granted Statehood on 30 May 1987. The basic statistics of the State is given in **Appendix 1.1**.

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 density of population in the State increased from 364 persons per sq. km. to 394 persons per sq. km. in the last decade from 2001 to 2011 as against the all India average of 382.

The population below the poverty line was 9.90 *per cent* as compared to 21.90 *per cent* for the Country. The State's Gross State Domestic Product (GSDP) in 2017-18 at current prices was ₹ 70,267 crore¹. The per capita GSDP of the State at ₹ 4,60,467 during 2017-18 was higher than the all India average of ₹ 1,29,800 during the same period. 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 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 State GSDP at current prices² from 2013-18 are indicated below:

Table 1.1: Annual growth rate of GSDP at current prices

Year	2013-14	2014-15	2015-16	2016-17	2017-18
India's GDP (₹ in crore) ³	11233522	12467959	13764037	15253714	16773145
Growth rate of GDP (in per cent)	12.97	10.99	10.40	10.82	9.96
State GSDP (₹ in crore) ⁴ (base year 2011-12)	35921	47814	54785 (P)	62336 (Q)	70267(A)
Growth rate of GSDP (in per cent)	(-)5.77	33.11	14.58	13.78	12.72

(Q) Quick estimates(P) Provisional Estimates(A) Advanced Estimates

The GSDP figures of the State grew at the rate of 12.72 *per cent* which was lower than the projection made in the Fourteenth Finance Commission

¹ Advanced estimates for 2017-18 provided by Directorate of Planning, Statistics and Evaluation, Government of Goa

² Base year 2011-12

³ Ministry of Statistics and Programme Implementation, Central Statistical Office

⁴ Directorate of Planning and Statistical Evaluation, Government of Goa

(FC XIV) (14.52 per cent). Comparison of Country’s GDP and State’s GSDP is depicted in **Chart 1.1**.

Chart 1.1: Comparison of growth rate of Country’s GDP to State’s GDP

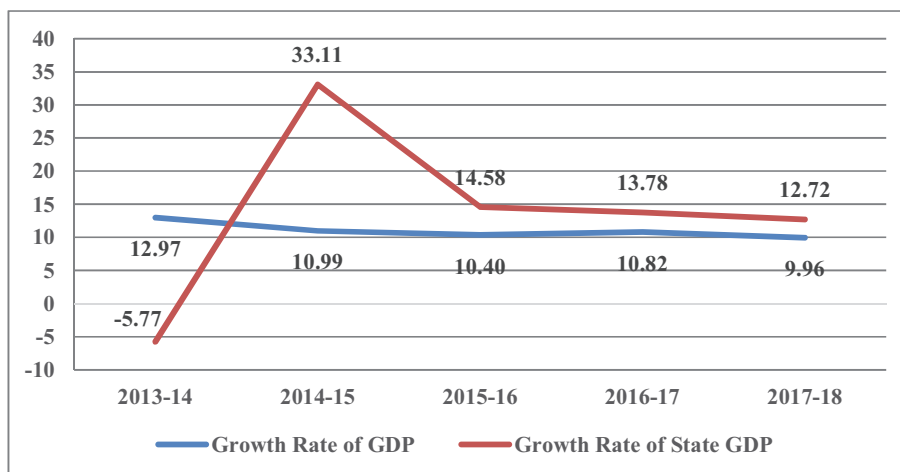
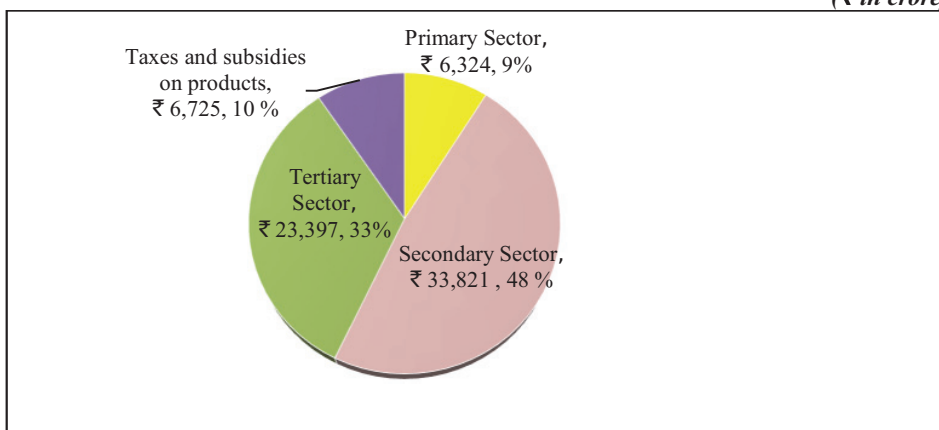


Chart 1.1 shows that though the annual growth rate of GSDP of the State during 2013-14 recorded a negative growth, it showed a positive trend in the subsequent years. The GSDP of the State grew at a higher pace compared to India’s GDP during the period 2014-15 to 2017-18.

The sector-wise comparison of GSDP at market price by industry of origin of the State for the year 2017-18 is presented below.

Chart 1.2: Sector-wise composition of GSDP during 2017-18

(₹ in crore)



(Source: Department of Planning, Statistics and Evaluation)

Chart 1.2 shows that the secondary sector and tertiary sector continued to be a dominant source of GSDP and it accounted for 48 per cent and 33 per cent respectively. Out of remaining 19 per cent, primary sector contributed nine per cent and taxes and subsidies on products contributed 10 per cent.

1.1 Introduction

This chapter provides a broad perspective on the finances of the Government of Goa during the current year and analyses critical changes in the major

fiscal aggregates relative to the previous year and the overall trends during the preceding five years. The structure of Government Accounts and the layout of the Finance Accounts are shown in **Appendix 1.1, Part B** and **Part C**. The methodology adopted for assessment of the fiscal position of the State is given in **Appendix 1.2**.

1.1.1 Summary of Fiscal Operations in 2017-18

A summary of the State Government’s fiscal transactions during 2017-18 *vis-à-vis* previous years (2013-18) is presented in **Table 1.2** below. Details of receipts and disbursements and the overall fiscal position during 2017-18 are given in **Appendix 1.3**.

Table 1.2: Summary of fiscal operations during 2013-14 to 2017-18

<i>(₹ in crore)</i>					
Receipts	2013-14	2014-15	2015-16	2016-17	2017-18
Revenue receipts	6450	7689	8552	9565	11054
Tax revenue	3582	3896	3975	4261	4731
Non-tax revenue	1662	2326	2432	2712	3033
Share of Union Taxes/Duties	848	901	1924	2299	2544
Grants from Government of India	357	566	221	293	745
Capital Receipts	1310	1277	1857	1528	2013
Miscellaneous Capital Receipts	0	0	0	0	0
Recoveries of Loans and Advances	13	10	10	9	7
Public debt receipts*	1297	1267	1847	1519	2006
Appropriation from Contingency Fund	0	200	130	0	0
Public Account Receipts	8496	9290	10941	11128	13377
Opening Cash Balance					
a) Earmarked Balances	501	565	634	671	762
b) Cash balance	203	218	158	96	220
Total	16960	19239	22273	22987	27426

Disbursements	2013-14	2014-15	2015-16	2016-17	2017-18
Revenue expenditure	6803	7410	8420	8866	10543
General services	2076	2370	2560	2872	3517
Social services	1864	1929	2191	2266	2732
Economic services	1923	2091	2472	2403	2659
Grants-in-aid and Contributions	941	1020	1197	1325	1635
Capital Outlay	1008	1234	1622	1639	2094
Loans and Advances disbursed	4	3	3	3	34
Repayment of Public Debt*	332	366	439	468	790
Appropriation to Contingency Fund	0	200	130	0	0
Public Account Disbursements	8027	9233	10893	11029	12969
Closing Cash Balance					
a) Earmarked Balances	566	634	671	763	848
b) Cash balance	218	158	96	220	148
Total	16960	19239	22273	22987	27426

(Source: Finance Accounts of the State Government for the years 2013-14 to 2017-18)

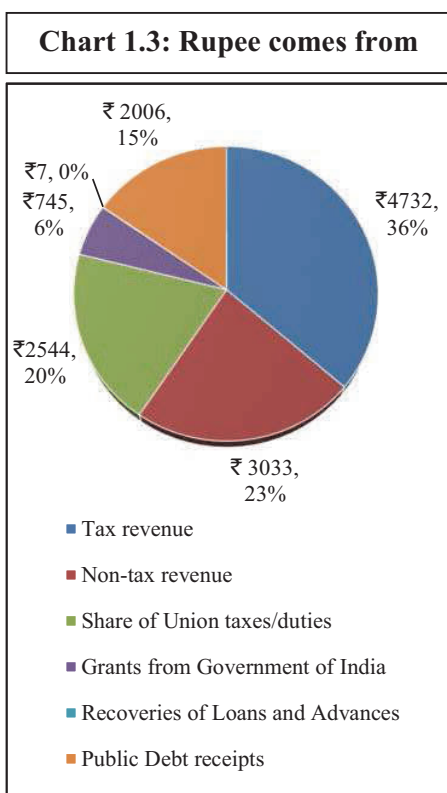
**Excluding net transactions under ways and means advances and overdrafts*

- Revenue receipts grew by ₹ 1,489 crore (15.56 per cent) over the previous year. All the components of revenue receipts showed an increasing trend during 2017-18. The grants from Government of India (GoI) increased by ₹ 452 crore (154.47 per cent), non-tax revenue by ₹ 321 crore (11.84 per cent), State's share of Union taxes by ₹ 245 crore (10.65 per cent) while State's tax revenue increased by ₹ 470 crore (11.05 per cent).
- Revenue expenditure increased by ₹ 1,677 crore (18.91 per cent) over the previous year mainly due to increase in expenditure on General Services by ₹ 645 crore (22.45 per cent), Social Services by ₹ 467 crore (20.61 per cent) and Economic Services by ₹ 256 crore (10.65 per cent). The grants-in-aid released by the State Government increased by ₹ 310 crore (23.40 per cent) over the previous year.
- Capital outlay increased by ₹ 455 crore (27.77 per cent) over the previous year and the disbursement of loans and advances also increased by ₹ 31 crore.
- The Public Debt receipts increased by ₹ 487 crore whereas, Public Debt repayments increased by ₹ 322 crore.
- The net Public Account receipts increased by ₹ 309 crore.

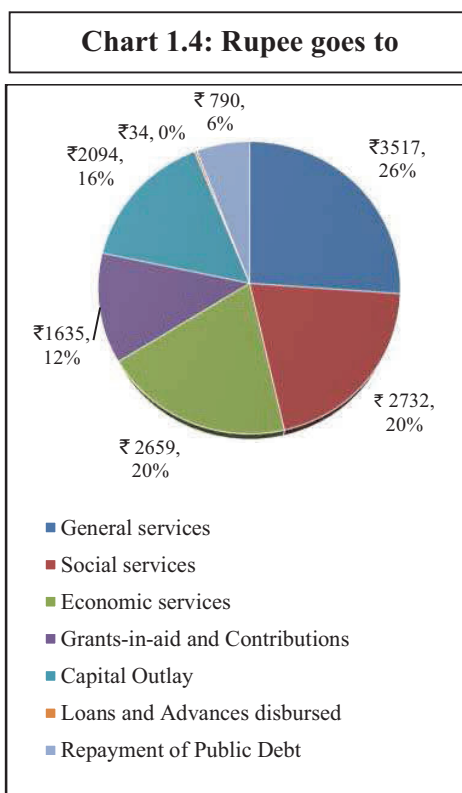
The status of other fiscal indicators *i.e.* revenue surplus, fiscal deficit and primary deficit are discussed in paragraphs 1.1.3 and 1.11 of this Report.

1.1.2 Composition of sources and application of funds in the consolidated fund during 2017-18

(₹ in crore)



(Source: Finance Accounts of the State)



(Source: Finance Accounts of the State)

1.1.3 Review of fiscal situation

In pursuance of the recommendations of the Twelfth Finance Commission, Government of Goa enacted the Goa Fiscal Responsibility and Budget Management (FRBM) Act, 2006. It 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 in a medium term fiscal framework. In compliance with the Act, Goa FRBM Rules, 2007 were 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 Goa FRBM Act, 2006 and Rules, 2007, the State Government, in each financial year, was required to prepare and lay before the Legislative Assembly a Medium Term Fiscal Plan (MTFP) along with the Budget. The MTFP was to include three years rolling targets in respect of the following fiscal indicators:

- Revenue deficit as a percentage of total revenue receipt;
- Fiscal deficit as a percentage of GSDP;
- Outstanding total liabilities as a percentage of GSDP; and
- Ratio of Interest payment to total revenue receipt.

However, the State Government has not prepared MTFP and set rolling targets in respect of the fiscal indicators specified above from 2011-12 onwards.

Review of fiscal position of the State further revealed the following:

- As per provision of Section 5(a) of the Goa FRBM (First Amendment) Act, 2014, the State Government was to eliminate revenue deficit⁵ from the financial year 2014-15 and maintain at that level or generate revenue surplus thereafter. The State Government achieved this target in 2014-15 and has maintained revenue surplus since then. The budget estimates (BE), revised estimates (RE) and actual figures in respect of revenue deficit/surplus during last three years is summarised below.

Table 1.3: Revenue deficit/surplus in last three years

(₹ in crore)

Revenue deficit(-)/surplus(+) as per	2015-16	2016-17	2017-18
Budget estimates	408	159	203
Revised estimates	(-)137	49	309
Actuals	132	699	511

(Source: Finance Accounts and Budget documents of the State)

- Section 5(b) of the Goa FRBM (First Amendment) Act, 2014 envisaged achievement of fiscal deficit⁶ at three *per cent* of GSDP by 2013-14 and thereafter to maintain the ratio or reduce it. The fiscal deficit to GSDP

⁵ Revenue deficit = Revenue receipts – Revenue expenditure; (+) indicates surplus and (-) indicates deficit

⁶ Fiscal deficit = Revenue deficit or revenue surplus + net capital expenditure + Net loans and advances

ratio was first brought below three *per cent* in 2014-15 and it remained so thereafter.

Table 1.4: Fiscal deficit/GSDP

	Budget estimates	Revised estimates	Actuals
2015-16	4.95	5.61	2.71
2016-17	5.23	4.78	1.50
2017-18	5.73	4.81	2.29

(Source: Finance Accounts and Budget documents of the State)

- The provisions of Section 5(d) of the Goa FRBM (First Amendment) Act, 2014 prescribed that total outstanding debt⁷ to GSDP be brought down to 27 *per cent* by 31 March 2015 and thereafter maintained below 25 *per cent*. Over the period 2013-14 to 2016-17, the ratio of outstanding debt to GSDP reduced from 35.34 *per cent* to 26.99 *per cent*. In 2017-18, it showed a marginal decrease to 26.40 *per cent*.
- Against the primary deficit⁸ of ₹ 2,808 crore projected in BE and ₹ 2,164 crore projected in RE of 2017-18, actual primary deficit stood at ₹ 366 crore.

1.1.4 Budget estimates vis-à-vis actuals

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 BE are indicative of non-attainment/non-optimisation of desired fiscal objectives due to various reasons, some within the control of the Government and some beyond its control. The State Government presented its RE of financial year 2017-18 along with BE of 2018-19 on 22 February 2018.

A comparison of actuals *vis-à-vis* BE and RE for the year 2017-18 is given in **Table 1.5** and detailed comparison is shown in **Appendix 1.4**.

⁷ Total outstanding debt includes public debt and public account liabilities. Public debt includes only internal debt and loans from GoI. Public account liability includes liabilities under small saving funds, GPF, reserve funds *etc.*

⁸ Primary deficit = Fiscal deficit – Interest payments

Table 1.5: Budget estimates, revised estimates and actuals for the year 2017-18(*₹ in crore*)

Fiscal parameters	Budget estimates	Revised estimates	Actuals	Difference between actuals and BE	Difference between actuals and RE
Own tax revenue	4800	4847	4732	(-)68	(-)115
Non-tax revenue	2848	2856	3033	185	177
State's share of Union taxes and duties	2551	2544	2544	(-)7	Nil
Grants-in-aid from GoI	674	674	745	71	71
Revenue receipts	10873	10921	11054	181	133
Revenue expenditure	10670	10612	10543	(-)127	(-)69
Interest payments	1276	1276	1244	(-)32	(-)32
Net Capital outlay	(-)4193	(-)3716	(-)2094	2099	1622
Net loans and advances	(-)94	(-)33	(-)27	67	06
Revenue deficit (-)/surplus (+)	203	309	511	308	202
Fiscal deficit (-)/surplus (+)	(-)4084	(-)3440	(-)1610	2474	1830
Primary deficit (-)/surplus(+)	(-)2808	(-)2164	(-)366	2442	1798

(Source: Finance Accounts and budget documents of the State)

The important parameters are analysed below.

Revenue receipts

Revenue receipts were higher than the BE and RE by ₹ 181 crore (1.66 per cent) and ₹ 133 crore (1.22 per cent) respectively mainly due to more collections under power, taxes on vehicles etc. However, collections under tax revenue was lower than the BE by ₹ 68 crore and RE by ₹ 115 crore mainly due to less revenue collection under Taxes on Sales, Trade etc. and Taxes on Goods and Passengers.

Revenue expenditure

Actual revenue expenditure was marginally less than the BE and RE by 1.19 per cent and 0.65 per cent respectively. The revenue expenditure decreased as compared to RE and BE mainly due to decline in expenditure under economic services.

Capital expenditure

During 2017-18, the capital expenditure was less than BE and RE by ₹ 2,099 crore (50.06 per cent) and ₹ 1,622 crore (43.65 per cent) respectively. The shortfall in capital expenditure as compared to RE was mainly under Water Supply and Sanitation (₹ 497 crore); Energy (₹ 278 crore); Public Works (₹ 217 crore); Education, Sports, Art and Culture (₹ 145 crore); Miscellaneous General Services (₹ 111 crore); and Health and Family Welfare (₹ 73 crore).

Deficit/surplus

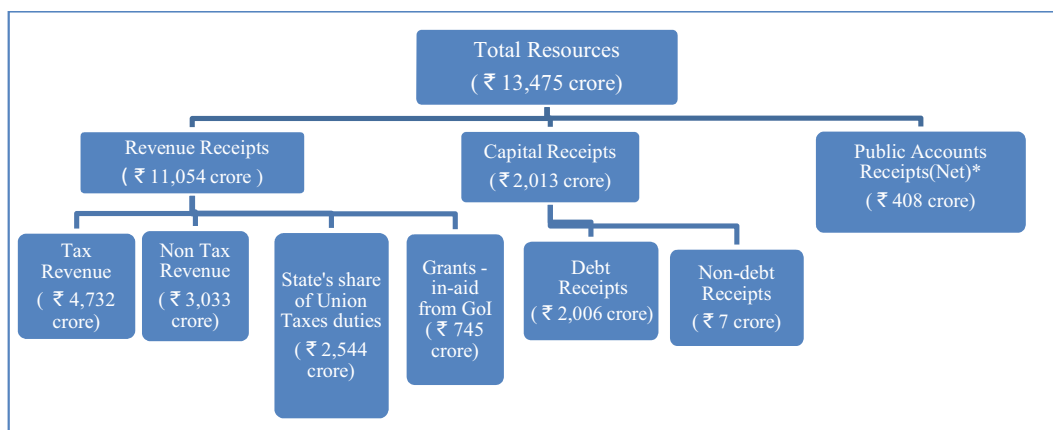
Against the projected revenue surplus of ₹ 203 crore and ₹ 309 crore in BE and RE respectively, the State had an actual revenue surplus of ₹ 511 crore. Against primary deficit of ₹ 2,808 crore and ₹ 2,164 crore as projected in BE and RE respectively, the State had primary deficit of ₹ 366 crore. In 2017-18, fiscal deficit stood at ₹ 1,610 crore which was lower than estimates in BE and RE by ₹ 2,474 crore and ₹ 1,830 crore respectively.

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's 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 State Government to finance its deficits. **Table 1.2** presents the receipts and disbursements of the State during the current year as recorded in the Annual Finance Accounts. **Chart 1.5** depicts the components and sub-components of resources during the year 2017-18.

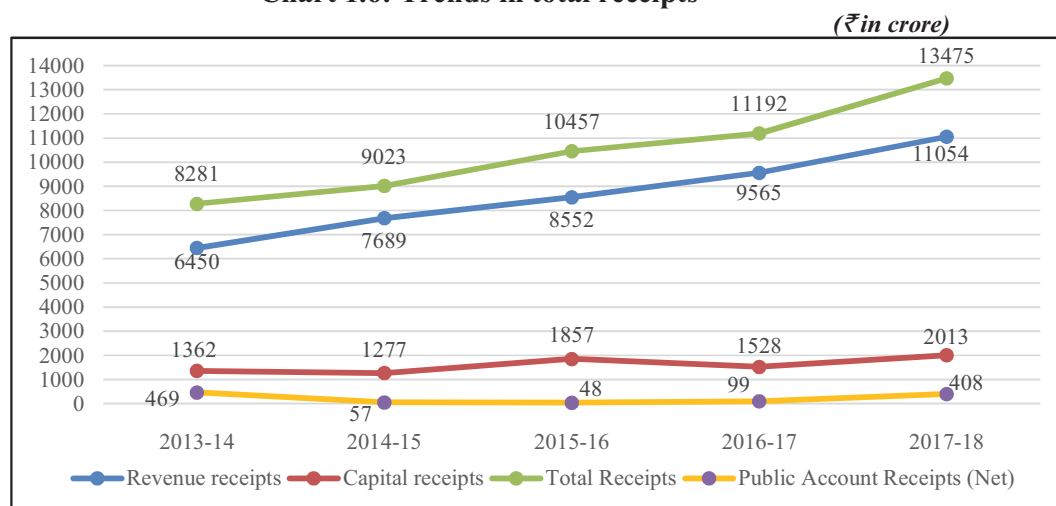
Chart 1.5: Components and sub-components of resources in 2017-18



* Public account receipts-Public account disbursements (₹ 13377 - ₹ 12969= ₹ 408) crore

Chart 1.6 depicts the trends of various components of receipts of the State during the period 2013-18.

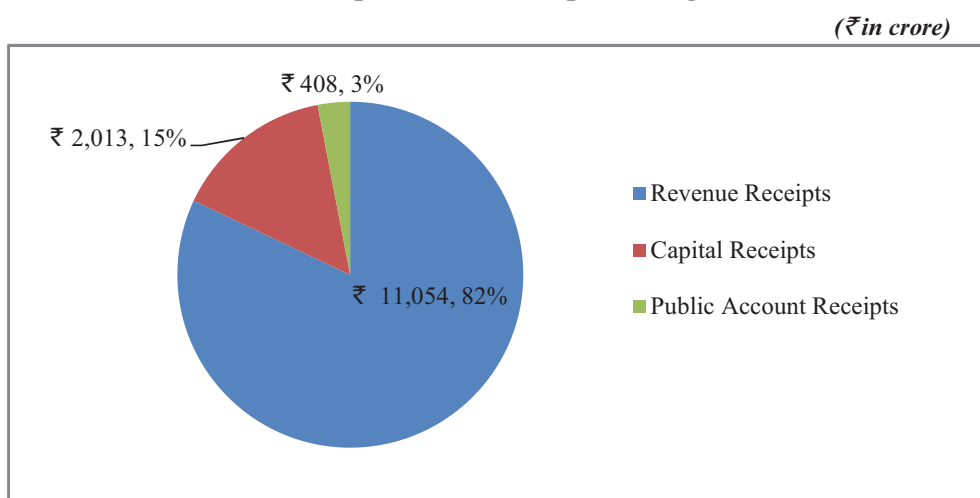
Chart 1.6: Trends in total receipts



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

Chart 1.7 depicts the composition of resources of the State in total receipts during the current year 2017-18.

Chart 1.7: Composition of Receipts during 2017-18



(Source: Finance Accounts of the State)

The total receipts of the State increased from ₹ 8,281 crore in 2013-14 to ₹ 13,475 crore in 2017-18 showing an increase of 62.72 per cent during the last five years. During 2017-18, the total receipts increased by ₹ 2,283 crore (20 per cent) over the previous year.

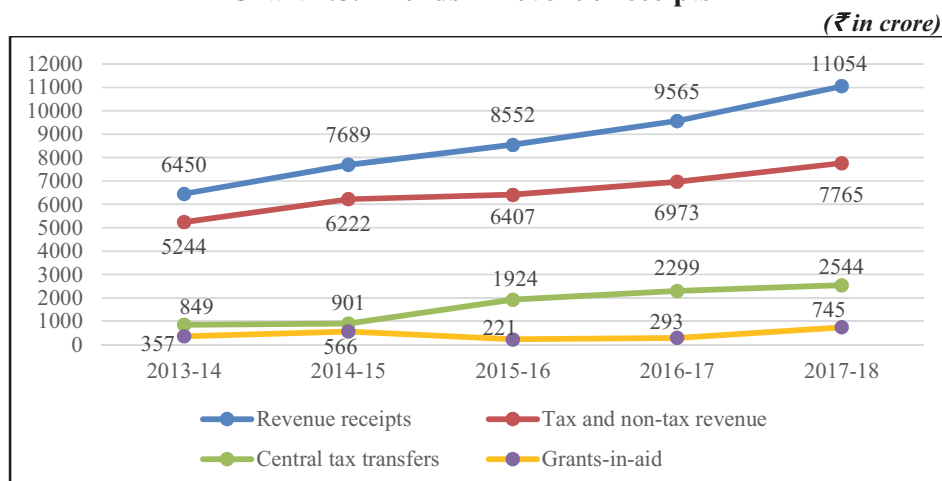
The share of revenue receipts in total receipts was 82 per cent during 2017-18. The net public account receipts (₹ 408 crore) accounted for three per cent of total receipts during 2017-18.

Capital receipts increased from ₹ 1,362 crore in 2013-14 to ₹ 2,013 crore in 2017-18 with an average annual growth rate of eight per cent during the period and also accounted for 15 per cent of total receipts during 2017-18.

1.3 Revenue receipts

The revenue receipts of the Government are detailed in Statement No. 14 of the Finance Accounts. Revenue receipts consist of the State’s own tax and non-tax revenues, Central tax transfers and grants-in-aid from GoI. The trends of revenue receipts over the period 2013-18 are presented in **Chart 1.8** and also in **Appendix 1.5**.

Chart 1.8: Trends in revenue receipts

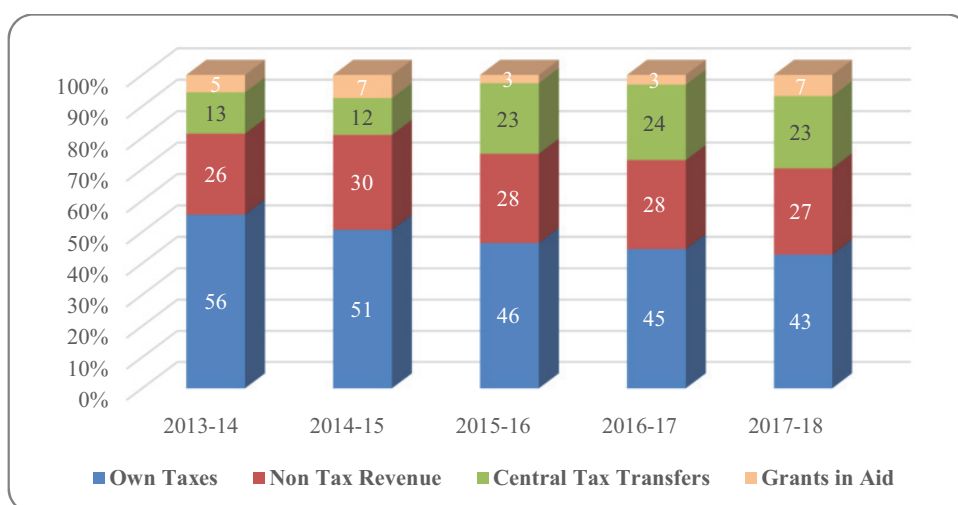


(Source: Finance Accounts of the State for respective years)

Revenue receipts grew by ₹ 1,489 crore (15.56 per cent) over 2016-17. The increase in revenue receipts was the net effect of increase in own tax revenue by ₹ 471 crore (11.05 per cent), non-tax revenue by ₹ 321 crore (11.84 per cent), share of Union taxes and duties by ₹ 245 crore (10.66 per cent) and in grants from the GoI by ₹ 452 crore (154.27 per cent).

The composition of revenue receipts over the period 2013-18 are presented in **Chart 1.9**.

Chart 1.9: Composition of State’s revenue receipts during 2013-18



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

Chart 1.9 shows that 70 per cent of the revenue came from State’s own resources (own tax and non-tax revenue) during 2017-18 and the remaining

30 per cent came from GoI in the form of State's share of taxes and grants-in-aid. The share of own tax revenue in revenue receipts decreased substantially from 56 per cent in 2013-14 to 43 per cent in 2017-18, whereas, the share of non-tax revenue ranged between 26 and 30 per cent during 2013-18.

During 2008-09 to 2016-17, the compound annual growth rate (CAGR) of State revenue receipts (13.28 per cent) was lower than growth rate (15.10 per cent) of general category states (GCS). The growth rate of State revenue receipts during 2017-18 (15.56 per cent) was higher than GCS (11.30 per cent) (Appendix 1.1).

1.3.1 Trends of revenue receipts relative to GSDP

The trends in revenue receipts relative to GSDP at current prices are presented in Table 1.6.

Table 1.6: Trends of revenue receipts relative to GSDP

	2013-14	2014-15	2015-16	2016-17	2017-18
Revenue Receipts (RR) (₹ in crore)	6450	7689	8552	9565	11054
Rate of growth of RR (per cent)	10.35	19.21	11.22	11.84	15.56
State's own taxes (₹ in crore)	3582	3896	3975	4261	4732
Rate of growth of own taxes (per cent)	21.84	8.77	2.03	7.19	11.05
Percentage of RR to GSDP	17.96	16.08	15.61	15.34	15.73
Percentage of State's own taxes to GSDP	9.97	8.15	7.26	6.84	6.73
Percentage of State's own taxes to RR	56	51	46	45	43

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

The revenue receipts grew at an average annual growth rate of 13.64 per cent and increased from ₹ 6,450 crore in 2013-14 to ₹ 11,054 crore in 2017-18. The annual growth rate of revenue receipts fluctuated during 2013-14 to 2017-18, ranging between a high of 19.21 per cent in 2014-15 and a low of 10.35 per cent in 2013-14. GSDP at current prices increased from ₹ 62,336 crore in 2016-17 to ₹ 70,267 crore in 2017-18, representing growth of 12.72 per cent. Revenue Receipts grew by 15.56 per cent over the previous year. Revenue receipts to GSDP ratio decreased from 17.96 per cent in 2013-14 to 15.73 per cent in 2017-18. The ratio of State's own taxes to GSDP had been continuously on a decline from 2013-14 onwards, meaning that State's own taxes have not kept pace with the rate at which the GSDP grew during 2013-18.

1.3.2 Trends of buoyancy ratios

Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. The value of more than one indicates high degree of responsiveness of a fiscal variable with respect to the base variable. As GSDP grows, the ability of the Government to mobilise revenue should also increase. The trends of buoyancy of revenue receipts with respect to change in GSDP are presented in Table 1.7.

Table 1.7: Trends of buoyancy of revenue receipts

Buoyancy ratios	2013-14	2014-15	2015-16	2016-17	2017-18
Revenue buoyancy with respect to GSDP	*	0.58	0.77	0.86	1.22
State's own tax buoyancy with respect to GSDP	*	0.26	0.14	0.52	0.87
Revenue buoyancy with respect to State's own taxes	0.47	2.19	5.53	1.65	1.41

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

*GSDP growth rate in 2013-14 being negative, buoyancy ratios cannot be calculated

As can be seen from the above table, though the buoyancy of revenue receipts to GSDP was less than one during the period 2014-15 to 2016-17, it improved to 1.22 in 2017-18, indicating that revenue receipts grew at a higher rate than the growth rate of GSDP. Likewise, the State's own tax buoyancy ratio to GSDP improved from 0.52 in 2016-17 to 0.87 in 2017-18.

1.3.3 State's own resources

The State's share in Central taxes and grants-in-aid are determined on the basis of recommendations of the Union Finance Commission and central assistance for Schemes. The State's performance in mobilisation of resources should be assessed in terms of its own resources comprising revenue from its own tax and non-tax sources.

The State's actual tax and non-tax receipts for the year 2017-18 *vis-a-vis* assessment made by FC XIV and BE and RE of the State Government are given in **Table 1.8** and the growth rate of tax/non-tax revenue during 2013-18 is shown in **Table 1.9**.

Table 1.8: Tax and non-tax revenue projections and actuals for 2017-18

	FC XIV projection	Budget estimates	Revised estimates	Actuals
Tax revenue	6874	4800	4847	4732
Non-tax revenue	932	2848	2856	3033

(₹ in crore)

(Source: Finance Accounts 2017-18, Budget estimates, FC XIV report)

The actual tax revenue of the State in 2017-18 was lower than the projections made in the FC XIV, BE and RE. The actual tax revenue was lower than RE mainly due to less collection of Stamps and Registration Fees (₹ 71 crore) and State Goods and Services Tax (₹ 247 crore). The actual non-tax revenue was more than the BE and RE which was mainly due to increase in collections under 'Power' (₹ 300 crore).

Table 1.9: Growth rate of tax/non-tax revenue during the period 2013-18

	2013-14	2014-15	2015-16	2016-17	2017-18
Tax revenue (₹ in crore)	3582	3896	3975	4261	4732
Rate of growth (in per cent)	21.84	8.77	2.03	7.19	11.05
Non-tax revenue (₹ in crore)	1662	2326	2432	2712	3033
Rate of growth (in per cent)	(-)9.33	39.95	4.56	11.52	11.84

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

It may be seen that the rate of growth of tax revenue during 2017-18 over previous year increased by around four per cent. The rate of growth of non-tax revenue increased marginally by 0.32 per cent over the previous year.

1.3.4 Tax revenue

The main components of the State's tax revenue during 2013-14 to 2017-18 are given in Table 1.10.

Table 1.10: Main components of State's tax revenue

Revenue head	2013-14	2014-15	2015-16	2016-17	2017-18	Percentage increase (+) decrease(-) during the year
	(₹ in crore)					
Goods and Services Tax ^{9s}	Not Applicable				1464	26.58
Taxes on sales, trade etc.	1708	1860	2116	2438	1622	
State Excise	236	268	319	321	410	27.73
Taxes on Vehicles	154	181	196	244	314	28.69
Stamp duty and Registration fee	396	660	525	365	530	45.21
Land Revenue	454	25	24	39	42	7.69
Taxes on goods and passengers	386	404	464	454	210	(-)53.74
Other taxes	248	498	331	400	140	(-)65.00
Total	3582	3896	3975	4261	4732	11.05

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

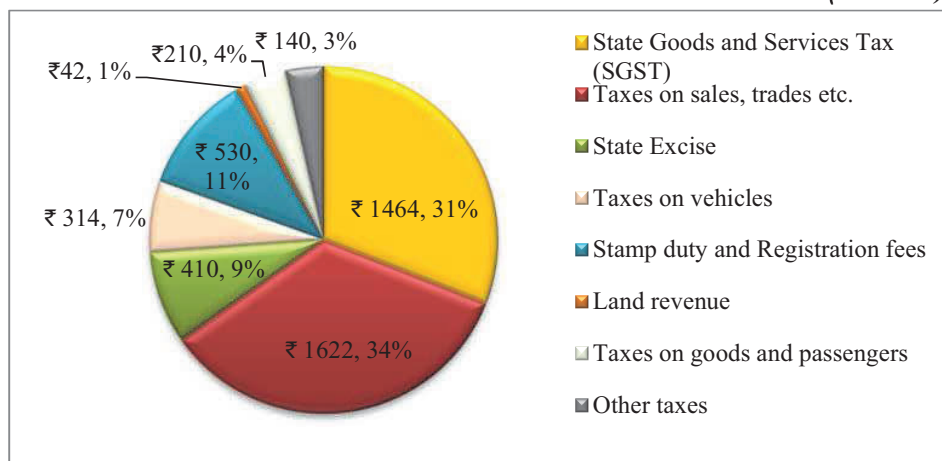
^s Includes Advance apportionment from IGST and Apportionment of IGST- Transfer-in of Tax Component to SGST

⁹ Implemented w.e.f. 01 July 2017

The components of tax revenue for the year 2017-18 are presented in Chart 1.10.

Chart 1.10: Sector-wise components of tax revenue for the year 2017-18

(₹ in crore)



(Source: Finance Accounts of the State)

The State's own tax revenue in 2017-18 increased by ₹ 471 crore (11.05 per cent) over the previous year. Taxes on Sales, Trade etc. and SGST accounted for nearly 34 per cent and 31 per cent of the total tax revenue. The 33 per cent decrease in receipts from Taxes on Sales, Trade etc. over the previous year was due to implementation of GST from 01 July 2017. The overall receipts from taxes subsumed¹⁰ into GST decreased by ₹ 1,321 crore (66.07 per cent) over the previous year.

State excise increased by ₹ 89 crore (27.73 per cent) over the previous year, even as the collections under medicinal and toilet preparations containing alcohol, opium etc. declined by ₹ two crore as these were subsumed in SGST.

During 2017-18, own tax revenue as a percentage of GSDP (6.73 per cent) was lower than the normative assessment of FC XIV (8.31 per cent). Own Tax revenue relative to GSDP of the State at 6.73 per cent was better than the neighboring States of Maharashtra (6.70 per cent), Gujarat (5.40 per cent) and Karnataka (6.60 per cent).

Implementation of Goods and Services Tax

Goa implemented GST with effect from 01 July 2017. GST is levied on *intra-State* supply of goods or services (except alcohol for human consumption and five¹¹ specified petroleum products) and its components are shared by the Centre (CGST) and the State (SGST). Further, IGST is levied and collected by the Central Government on *inter-State* supply of goods and services. The IGST so collected is apportioned between the Centre and the concerned State where the goods and services are consumed.

¹⁰ Taxes on Sales, Trade etc.; entry tax; entertainment tax/luxury tax; and taxes from medicinal and toilet preparations containing alcohol, opium etc.

¹¹ Petroleum crude, High speed diesel, Motor spirit (Petrol), Natural gas and aviation turbine fuel

The GoI enacted the Goods and Services Tax (Compensation to States) Act, 2017 to compensate the States, should the share of a State falls short of the revenue earned in the pre-GST regime. The compensation was to be given by considering the base figure of revenue of a State for the year 2015-16, escalated by 14 *per cent* per annum for the next five years commencing from 01 July 2017. For the State of Goa, the audited base year (2015-16) revenue to be subsumed¹² by the GST regime was fixed by GoI at ₹ 2,181.38 crore. Thus, the protected revenue for Goa worked out to ₹ 2,126.19 crore¹³ for the period 01 July 2017 to 31 March 2018.

Against the protected revenue of ₹ 2,126.19 crore, the State Government earned a revenue of ₹ 1,887.81 crore¹⁴ during 01 July 2017 to 31 March 2018 and therefore, entitled to a compensation of ₹ 238.38 crore. The revenue earned was inclusive of ₹ 95 crore representing advance apportionment of unsettled IGST on *ad hoc* basis in terms of Section 11(3) of GST Settlement of Funds Rules, 2017, which was subject to adjustment in 10 installments in next financial year *i.e.* 2018-19 against the amount finally apportioned.

GoI released compensation of ₹ 357.63 crore to the State in the form of grants-in-aid. The actual amount of compensation would be worked out after the amount released by GoI as provisional/advance apportionment of IGST is finally settled and the assessment of revenue on account of VAT and Central tax collected in respect of alcoholic liquor for human consumption and five specified petroleum products is completed.

During 2008-09 to 2016-17, the CAGR of tax revenue (12.22 *per cent*) was slower than the growth rate of GCS (14.90 *per cent*). Compared to 2016-17, the growth rate of own tax revenue in 2017-18 (11.05 *per cent*) was lower than the growth of GCS (12.20 *per cent*) (**Appendix 1.1**).

1.3.5 Non-tax revenue

The main components of the State's non-tax revenue receipts during 2013-14 to 2017-18 are shown in **Table 1.11**.

¹² Taxes that have been subsumed under GST were Value Added Tax, Central Sales Tax, Entertainment Tax, Luxury Tax, Entry tax, Cesses & Surcharges, Duties on Excise on medicinal and toilet preparations excluding VAT and CST on alcohol for human consumption and five specified petroleum products

¹³ Base year revenue of ₹ 2,181.38 crore escalated at compound rate of 14% annually for two years (2016-17 and 2017-18) worked out to ₹ 2,834.92 crore for 2017-18. Therefore, the *pro-rata* protected revenue for nine months (01 July 2017 to 31 March 2018) was ₹ 2,126.19 crore

¹⁴ Pre-GST collection (from 01/04/2017 to 30/06/2017): ₹ 424.07 crore; SGST collection by State: ₹ 918.45 crore; Provisional apportionment of IGST: ₹ 450.29 crore; Advance apportionment of IGST: ₹ 95 crore. Provisional apportionment and Advance apportionment of IGST are released by GoI

Table 1.11: Main components of State’s non-tax revenue

(₹ in crore)

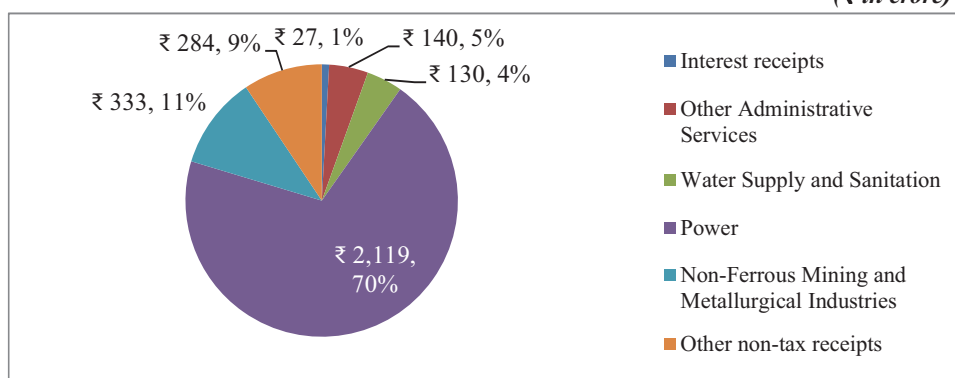
Revenue head	2013-14	2014-15	2015-16	2016-17	2017-18	Percentage increase(+)/ decrease(-) in 2017-18 over 2016-17
Interest receipts	14	17	18	20	27	35.00
Other Administrative Services	88	123	109	152	140	(-)7.89
Water Supply and Sanitation	104	102	115	120	130	8.33
Power	1188	1322	1709	1766	2119	19.98
Non-Ferrous Mining and Metallurgical Industries	46	531	217	348	333	(-)4.31
Other non-tax receipts	221	231	264	306	284	(-)7.19
Total non-tax revenue	1661	2326	2432	2712	3033	11.84

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

During 2013-14 to 2017-18, non-tax revenue showed a continuous increase from ₹ 1,661 crore in 2013-14 to ₹ 3,033 crore in 2017-18. The components of non-tax revenue for the year 2017-18 are presented in **Chart 1.11** below.

Chart 1.11: Components of non-tax revenue

(₹ in crore)



Collection under non-tax revenue increased by 11.84 per cent from ₹ 2,712 crore in 2016-17 to ₹ 3,033 crore in 2017-18. Receipt under ‘Power’ (₹ 2,119 crore) has been the major source of non-tax revenue (70 per cent) of the State during the year. However, the net yield from ‘Power’ was ₹ 449 crore as there was an expenditure of ₹ 1,670 crore under revenue head by the Electricity Department. There was an increase of ₹ 246 crore over the last year’s net receipt of ₹ 203 crore.

During 2008-09 to 2016-17, the CAGR of non-tax revenue (10.32 per cent) was higher than the growth rate of GCS (9.50 per cent). Compared to 2016-17, the growth rate of non-tax revenue in 2017-18 (11.84 per cent) was almost twice the growth rate of GCS (5.90 per cent) (**Appendix 1.1**).

1.3.6 Grants-in-aid from Government of India

Details of Grants-in-aid from GoI are shown in **Table 1.12**.

Table 1.12: Grants-in-aid from Government of India

	2013-14	2014-15	2015-16	2016-17	2017-18	Percentage increase during the year
	(₹ in crore)					
Grants for State Plan Schemes	185.88	116.55	45.21	90.95	20.47	(-) <i>77.49</i>
Non-Plan grants	95.60	257.23	21.19	17.16	66.20	285.78
Grants for Central Plan Schemes	6.28	40.30	28.22	26.03	23.66	(-) <i>9.10</i>
Grants for Centrally Sponsored Schemes	69.44	152.48	126.56	158.47	276.66	74.58
Compensation for loss of Revenue arising out of implementation of GST	Not Applicable				357.63	--
Total	357.20	566.56	221.18	292.61	744.62	154.48
Total grants as a percentage of Revenue Receipts	5.54	7.37	2.59	3.06	6.74	

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

The grants-in-aid from GoI increased by ₹ 452 crore (155 per cent) in 2017-18 over the previous year. This increase was mainly due to allocations for Smart City Mission (₹ 110 crore) and ‘Compensation for loss of Revenue arising out of implementation of GST’ (₹ 358 crore). The increase was partially offset by reduction in grants under Central Road Fund (₹ 14 crore) and National Cyclone Risk Mitigation (₹ 24 crore).

1.3.7 Central tax transfers

Consequent upon acceptance of the recommendations of the FC XIV (award period 2015-16 to 2019-20) by GoI, the devolution to States with effect from 2015-16 was increased from 32 per cent to 42 per cent. The State’s share in the net proceeds of Central tax and Service tax has been fixed at 0.378 per cent and 0.379 per cent respectively. The devolution of components of the State’s share of Union taxes and duties from GoI during the period 2013-14 to 2017-18 is given in **Table 1.13**.

Table 1.13: Devolution of different components of Central taxes and duties from GoI

	2013-14	2014-15	2015-16	2016-17	2017-18	Percentage of increase during the year
<i>(₹ in crore)</i>						
Central GST	Not Applicable				351.48	Not Applicable
Integrated GST	Not Applicable				257.03	Not Applicable
Corporation tax	285.42	314.46	609.34	738.76	779.68	5.54
Taxes on income other than corporation tax	187.94	224.61	426.38	513.44	658.39	28.23
Taxes on wealth	0.78	0.90	0.10	1.69	(-)0.02	(-)101.18
Customs	138.46	145.69	307.39	317.78	187.65	(-)40.95
Union Excise duties	97.78	82.23	253.10	362.89	194.37	(-)46.44
Service tax	138.15	132.69	326.47	364.63	115.68	(-)68.27
Others taxes and duties on commodities and services	Nil	Nil	0.98	0.01	Nil	(-)100
Total share of net proceeds of tax	848.53	900.58	1923.76	2299.20	2544.26	10.66
Devolution as a percentage of revenue receipts	13.16	11.71	22.50	24.03	23.02	

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

In 2017-18, the State Government's share of Union taxes and duties increased by ₹ 245 crore over the previous year and constituted 23 per cent of revenue receipts.

1.3.8 Grants awarded by the Fourteenth Finance Commission

The FC XIV had recommended only three types of grants-in-aid to States viz. local Government, disaster management and post-devolution revenue deficit. For the period 2017-18, the State received two types of grants from GoI i.e. grants for local Government and disaster management amounting ₹ 31.43 crore. The FC XIV did not recommend the post-devolution revenue deficit grant to the State Government, being a revenue surplus State. The details of amounts awarded and received for the year 2017-18 are shown in Table 1.14.

Table 1.14: Details of amounts awarded and received for the award period 2017-18

<i>(₹ in crore)</i>			
Sl. No.	Transfers	Amount awarded	Amount received
1	Local bodies		
	General Basic Grants to Panchayati Raj Institutions	23.10	11.55
	General Performance Grants to Panchayati Raj	2.97	Nil
	General Basic Grants to Urban Local Bodies	33.76	16.88
	General Performance Grants to Urban Local Bodies	9.76	Nil
2	State Disaster Relief Fund	3	3
	Total	73.59	31.43

(Source: Information provided by Directorate of Municipal Administration and Director of Panchayats)

The local bodies received only first installment of General Basic Grants of ₹ 28.43 crore from the Central Government for the year 2017-18 due to late submission of Utilisation Certificates of previous years. Further, the local bodies also failed to meet certain conditions¹⁵ prescribed by FC XIV and therefore, not eligible for General Performance Grants of ₹ 12.73 crore for the year 2017-18.

1.4 Capital receipts

The capital receipts of the State include non-debt and debt receipts, whose composition is discussed in **Paragraph 1.2**. The Public debt receipt during the year (₹ 2,006 crore) comprised internal debt of ₹ 1,928 crore (96 per cent) and loans and advances from GoI ₹ 78 crore (four per cent). Market borrowings (₹ 1,800 crore) had a predominant share of 90 per cent in the total borrowings while the remaining ₹ 128 crore (six per cent) and ₹ 78 crore (four per cent) comprised of negotiated loans and loans from GoI respectively. The trends and composition of capital receipts are shown in **Table 1.15**.

Table 1.15: Trends in growth and composition of capital receipts

(₹ in crore)

Sources of capital receipts	2013-14	2014-15	2015-16	2016-17	2017-18
Capital receipts	1362	1277	1857	1528	2013
Public debt receipts	1349	1267	1847	1519	2006
Non-debt capital receipts	13	10	10	9	7
Consisting of					
a) Miscellaneous capital receipts	Nil	Nil	Nil	Nil	Nil
b) Recovery of loans and advances	13	10	10	9	7
Rate of growth of capital receipts (per cent)	(-)12.24	(-)6.24	45.42	(-)17.72	31.74
Rate of growth of GSDP(per cent)	(-)5.77	33.11	14.58	13.78	12.72
Rate of growth of public debt receipts (per cent)	(-)12.23	(-)6.08	45.78	(-)17.76	32.06
Rate of growth of non-debt capital receipts (per cent)	(-)13.33	(-)23.08	Nil	(-)10.00	(-)22.22

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

Capital receipts increased by ₹ 485 crore (31.74 per cent) from ₹ 1,528 crore in 2016-17 to ₹ 2,013 crore in 2017-18. Non-debt capital receipts registered a negative growth of 22 per cent from ₹ nine crore in 2016-17 to ₹ seven crore in 2017-18. The share of public debt receipts to capital receipts stood at 99.65 per cent in 2017-18.

The trends in public debt receipts during the last five years are shown in **Table 1.16**.

¹⁵ Completed audited annual accounts; Increase in own revenue sources; and Publishing of service level benchmarks

Table 1.16: Trends in public debt receipts

(*₹ in crore*)

Public debt receipts	2013-14	2014-15	2015-16	2016-17	2017-18
Open market borrowings	990 (76)	800 (63)	1450 (78)	1320 (87)	1800 (90)
National small savings fund	50 (4)	115 (9)	165 (9)	0.00 (0)	0.00 (0)
Loans from other financial institutions	107 (8)	149 (12)	121 (7)	107 (7)	128 (6)
Total internal debt	1147 (88)	1064 (84)	1736 (94)	1427 (94)	1928 (96)
Loans and advances from GoI	150 (12)	203 (16)	111 (6)	92 (6)	78 (4)
Total public debt receipts	1297	1267	1847	1519	2006
Public debt repayments	385	366	439	468	790

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

Figures in parenthesis indicate percentage to public debt receipts

The share of open market borrowings in public debt receipts has steadily increased in the last five years except in 2014-15. As per FC XIV recommendations, the involvement of the State in the National Small Savings Fund (NSSF) Scheme is limited solely to discharging the debt obligations already incurred by it till April 2015. During 2017-18, the amount discharged towards NSSF was ₹ 190.21 crore.

The share of internal debt in total public debt receipts increased from 88 per cent in 2013-14 to 96 per cent in 2017-18. The share of loans and advances by the GoI in public debt receipts decreased from 12 per cent in 2013-14 to four per cent in 2017-18 due to discharge of debt from previous loans and less receipt of loans from GoI.

During 2017-18, the public debt receipts increased by 32 per cent (₹ 487 crore) and public debt repayment increased by 69 per cent (₹ 322 crore), resulting in a net increase of ₹ 165 crore in public debt receipts over the previous year.

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 State Government acts as a banker/trustee for public money. The balances after disbursements are the funds available with the State Government for use for various activities. The net transactions under public account covering the period 2013-18 are indicated in Table 1.17.

Table 1.17: Net transactions under public account

(₹ in crore)

Resources under various heads	2013-14	2014-15	2015-16	2016-17	2017-18
Net public account receipts					
a. Small savings, provident fund etc.	115	112	113	123	236
b. Reserve fund	112	128	286	169	184
c. Deposits and advances	336	110	(-72)	(-2)	177
d. Suspense and miscellaneous	(-179)	(-180)	(-185)	(-51)	(-25)
e. Remittances	85	(-113)	(-94)	(-139)	(-164)
Total	469	57	48	99	408

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

The net public account receipts increased from ₹ 99 crore in 2016-17 to ₹ 408 crore in 2017-18. The net public account receipts available for use to the State Government during 2017-18 stood at ₹ 408 crore.

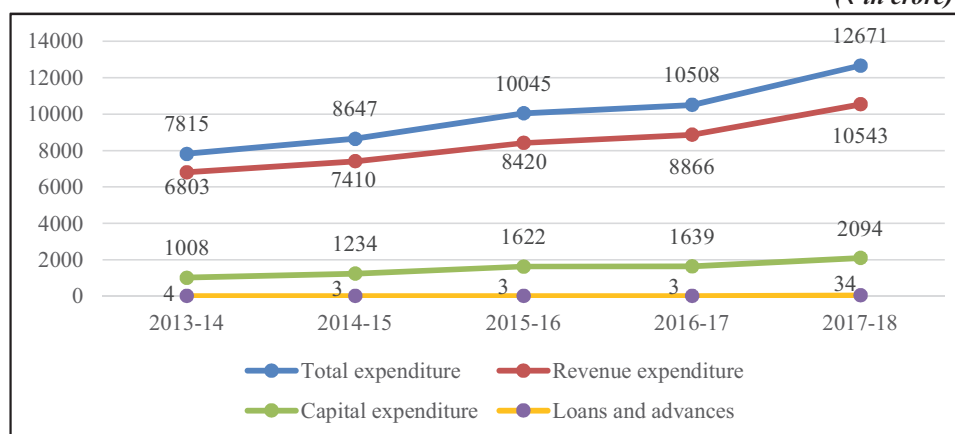
1.6 Application of resources

Since major expenditure responsibilities are entrusted to the State Government, allocation of expenditure at the State Government level assumes significance. 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 sector.

1.6.1 Total expenditure

Chart 1.12 presents the trends in total expenditure over a period of five years (2013-18), and its composition both in terms of 'economic classification' and 'expenditure by activities' are depicted in Table 1.18 and Table 1.19 respectively.

Chart 1.12: Trends in various components of total expenditure

(₹ in crore)

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

Total expenditure of the State increased at an average annual growth rate of 12.71 per cent during 2013-18. During 2017-18, it increased by ₹ 2,163 crore (20.58 per cent) over the previous year on account of an increase in revenue

expenditure by ₹ 1,677 crore, capital expenditure by ₹ 455 crore and disbursement of loans and advances by ₹ 31 crore.

Table 1.18: Trends in total expenditure in terms of economic classification

(Share in per cent)

Components of total expenditure	2013-14	2014-15	2015-16	2016-17	2017-18
Revenue expenditure	87.05	85.69	83.82	84.37	83.20
Capital expenditure	12.90	14.27	16.15	15.60	16.53
Loans and advances	0.05	0.04	0.03	0.03	0.27

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

During 2013-18, the share of revenue expenditure to total expenditure decreased continuously, except for a marginal increase in 2016-17. The share of revenue expenditure to total expenditure in 2017-18 stood at 83.20 *per cent*. The share of capital expenditure to total expenditure increased continuously during 2013-18, except for a marginal decrease in 2016-17.

In term of 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 share of these components in total expenditure are indicated in the **Table 1.19**.

Table 1.19: Trends in total expenditure in terms of expenditure by activities

(Share in per cent)

	2013-14	2014-15	2015-16	2016-17	2017-18
General Services	29.04	30.96	28.17	29.27	30.98
Social Services	26.05	25.52	25.23	25.68	26.73
Economic Services	32.82	31.70	34.65	32.41	29.12
Grants-in-aid	12.04	11.79	11.92	12.61	12.91
Loans and Advances	0.05	0.03	0.03	0.03	0.27

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

It may be seen from above that while share of general services, social services, loans and advances and grants-in-aid in total expenditure increased during 2017-18, there was a decrease in the share of economic services. Further, during 2013-18, economic services had the largest share amongst all three services. However, during 2017-18, the highest expenditure was under general services followed by economic services.

The share of loans and advances in total expenditure increased from 0.03 *per cent* in 2016-17 to 0.27 *per cent* in 2017-18. The increase was mainly on account of loans given to housing boards (₹ 32 crore).

The increase in social services expenditure during 2017-18 was mainly under Water Supply, Sanitation, Housing and Urban Development (₹ 398 crore); Education, Sports, Art and Culture (₹ 338 crore); and Health and Family Welfare (₹ 252 crore). Under general services, the increase was mainly under Pension (₹ 319 crore); Miscellaneous General Services (₹ 143 crore); Police (₹ 130 crore); and Interest Payments (₹ 96 crore). The decrease in economic services expenditure during 2017-18 was mainly under Industry and Minerals (₹ 31 crore).

1.6.2 Revenue expenditure

In the context of State finances, the quality of expenditure has always been an important issue. During the current year, revenue expenditure increased by ₹ 1,677 crore (19 per cent) over 2016-17, due to increase in expenditure on general services (₹ 644 crore), social services (₹ 810 crore) and economic services (₹ 223 crore). As compared to previous year, the growth rate of general services, social services and economic services (including grants-in-aid) was 22 per cent, 24 per cent and eight per cent respectively.

The overall revenue expenditure, its rate of growth and ratio to GSDP are indicated in **Table 1.20**.

Table 1.20: Revenue expenditure – basic parameters

	2013-14	2014-15	2015-16	2016-17	2017-18
Revenue expenditure (RE) (₹ in crore)	6803	7410	8420	8866	10543
Rate of growth of RE (per cent)	12.24	8.92	13.63	5.30	18.91
RE/GSDP (per cent)	18.94	15.50	15.37	14.22	15.00

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

Revenue expenditure increased continuously from ₹ 6,803 crore in 2013-14 to ₹ 10,543 crore in 2017-18 and grew by 18.91 per cent (₹ 1,677 crore) during 2017-18 over the previous year. The major heads that registered increase during 2017-18 include Pension and Other Retirement Benefits (₹ 319 crore), General Education (₹ 272 crore), Power (₹ 107 crore), Medical and Public Health (₹ 228 crore) and Police (₹ 130 crore).

The growth rate of revenue expenditure fluctuated widely from 5.30 per cent in 2016-17 to a high of 18.91 per cent in 2017-18. Revenue expenditure as a per cent of GSDP stood at 15 per cent during 2017-18.

1.6.3 Capital expenditure

Capital expenditure (₹ 2,094 crore) constituted 16.53 per cent of the total expenditure in 2017-18. The increase of ₹ 455 crore (27.76 per cent) in capital expenditure during 2017-18 over previous year was mainly on account of increase in expenditure on capital outlay on Water Supply, Sanitation, Housing, and Urban Development (₹ 185 crore); Health and Family Welfare (₹ 21 crore); and Transport (₹ 98 crore) offset by decrease in Energy (₹ 53 crore).

The percentage share of capital expenditure to total expenditure increased from 15.60 per cent in 2016-17 to 16.53 per cent in 2017-18. However, during the five year period 2013-18, capital expenditure increased by 107.73 per cent, while the total expenditure increased by 62.14 per cent during the same period. During 2017-18, capital expenditure (₹ 2,094 crore) exceeded the total public debt receipts (₹ 2,006 crore) by ₹ 88 crore.

Capital expenditure relative to GSDP of the State at 2.98 per cent was better than the neighboring States of Maharashtra (1.10 per cent), Gujarat (2.00 per cent) and Karnataka (2.70 per cent).

During 2008-09 to 2016-17, the CAGR of Capital expenditure (7.83 per cent) was lower than the growth rate of GCS (14.0 per cent). However, compared to 2016-17, the growth rate of Capital expenditure in 2017-18

(27.77 per cent) was substantially higher than the growth rate of GCS (one per cent) (Appendix 1.1).

1.6.4 Subsidies

Subsidies given during the years 2013-18 are presented in Table 1.21.

Table 1.21: Subsidies

	(₹ in crore)				
	2013-14	2014-15	2015-16	2016-17	2017-18
Subsidies	160.15 (2.48)	192.55 (2.50)	244.21 (2.85)	247.90 (2.59)	262.66 (2.38)
Total revenue expenditure	6803	7410	8420	8866	10543
Revenue receipts	6450	7689	8552	9565	11054

(Source: Finance Accounts of the State for respective years)
(Figures in parenthesis indicate percentage w.r.t to revenue receipts)

The expenditure on subsidies increased by 5.95 per cent from ₹ 247.90 crore in 2016-17 to ₹ 262.66 crore in 2017-18. The major recipients of subsidy during 2017-18 were Agriculture and Allied Activities (₹ 124.58 crore) and Transport (₹ 84.67 crore). During the current year, subsidies constituted 2.38 per cent of revenue receipts and about 2.49 per cent of the total revenue expenditure.

1.6.5 Committed expenditure

The committed expenditure of the State Government on revenue account mainly consists of interest payments, expenditure on salaries and wages and pensions. Table 1.22 and Chart 1.13 present the trends in the expenditure on these components during 2013-14 to 2017-18.

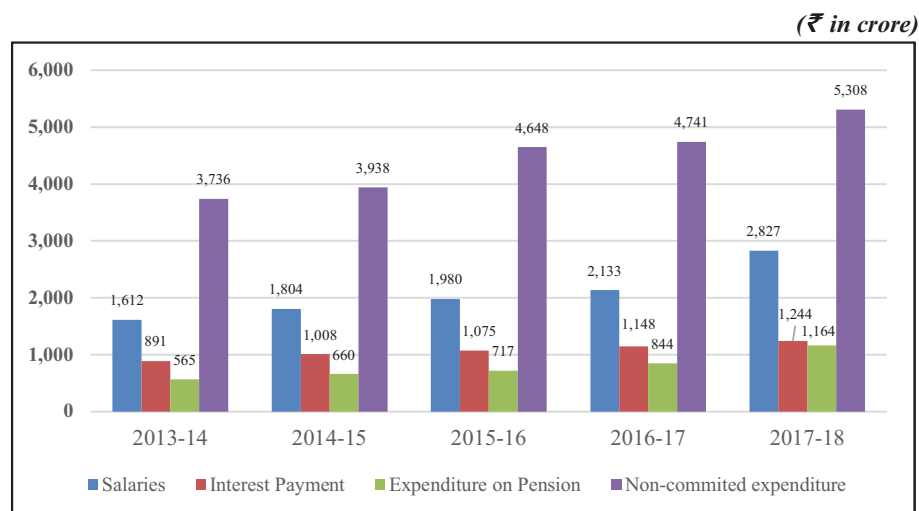
Table 1.22: Components of committed expenditure

	(₹ in crore)				
Components of committed expenditure	2013-14	2014-15	2015-16	2016-17	2017-18
Salaries and wages	1611.99 (24.99)	1804.25 (23.47)	1979.70 (23.15)	2132.79 (22.30)	2827.20* (25.58)
Interest payment	890.66 (13.81)	1007.53 (13.10)	1074.70 (12.57)	1148.03 (12.00)	1244.28 (11.26)
Pension	564.99 (8.76)	659.96 (8.58)	716.85 (8.38)	844.33 (8.83)	1163.59 (10.53)
Total committed expenditure	3067.64 (47.56)	3471.74 (45.15)	3771.25 (44.10)	4125.15 (43.13)	5235.07 (47.36)
Non-committed expenditure	3735.64 (57.92)	3938.51 (51.22)	4648.31 (54.35)	4740.83 (49.56)	5307.82 (48.02)
Total revenue expenditure	6803.28	7410.25	8419.56	8865.98	10542.89
Revenue receipts	6449.77	7688.69	8552.24	9564.97	11053.52
Committed expenditure as percentage of revenue expenditure	45.09	46.85	44.79	46.53	49.65

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

Figures in parentheses indicate percentage to Revenue Receipts

*Salaries: ₹ 2797.65 crore + Wages: ₹ 29.55 crore

Chart 1.13: Trends of committed and non-committed expenditure during 2013-18

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

The committed expenditure amounted to ₹ 5,235.07 crore in 2017-18, which was 47.36 per cent of revenue receipts and 49.65 per cent of the revenue expenditure.

Salaries and Wages

The expenditure on salaries and wages during 2013-18 increased at an average annual growth rate of 14.56 per cent. In 2017-18, expenditure on salaries increased by 32.56 per cent over 2016-17, as compared to an increase of 7.73 per cent in 2016-17 over 2015-16. The increase in expenditure towards salary and wages was mainly under Administrative Services (₹ 175 crore); Education, Sports, Art and Culture (₹ 115 crore); and Health and Family Welfare (₹ 134 crore). Expenditure on salaries and wages (₹ 2,827 crore) in 2017-18 was higher by ₹ 333 crore against the projections made in RE (₹ 2,494 crore). As a percentage of revenue receipts, expenditure on salary and wages increased from 22.30 per cent in 2016-17 to 25.58 per cent in 2017-18.

Pension payments

The expenditure on pension payments during 2013-18 increased at an average annual growth rate of 19.39 per cent. There was an increase in pension payments of ₹ 319 crore (37.81 per cent) during 2017-18 over the previous year, mainly on account of implementation of seventh pay commission. Expenditure on pension in 2017-18 accounted for 10.53 per cent of the total revenue receipts of the State.

A comparative analysis of actual pension payments with the assessment/projection made by FC XIV shows that the actual pension payment (₹ 1,164 crore) during 2017-18 exceeded normative assessment of FC XIV (₹ 714 crore) by 63 per cent. Expenditure on pension and other retirement benefits to the State Government employees was 11 per cent of total revenue expenditure.

Migration to New Pension Scheme

In order to limit future pension liabilities, the State Government introduced the Defined Contribution Pension Scheme known as New Contributory Pension Scheme (NPS) for employees recruited after 05 August 2005. As per Scheme guidelines, it is mandatory for every employee to contribute 10 *per cent* of his/her basic pay and dearness allowance every month which is matched by the State Government and the entire amount is transferred to the designated fund manager through National Securities Depository Limited (NSDL)/Trustee Bank. The State Government signed (January 2010) an agreement with the NPS trust for fund management of the Scheme and adopted the Central framework for implementation of the Scheme.

During the year 2017-18, the State Government collected ₹ 120.07 crore from the employees as contribution towards NPS and also contributed an equal amount of ₹ 120.07 crore as its share towards the scheme. Further, against the total collected funds of ₹ 417.06 crore (including previous year's balance of ₹ 176.92 crore), the State Government transferred only ₹ 289.96 crore to the designated authority (NSDL) and did not transfer ₹ 127.10 crore to NSDL for further investment as per provisions of the Scheme. Thus, there was a short-transfer of ₹ 127.10 crore to the NSDL during 2017-18. The current liability of 2017-18 (₹ 127.10 crore) together with an interest liability of ₹ 11.10 crore (for late transfer) totaling ₹ 138.20 crore was discharged during 2018-19 in four installments between April and September 2018.

The Directorate of Accounts, Government of Goa stated (April 2019) that the process of developing software (in consultation with NIC) for enabling transfers to NSDL on a monthly basis had been taken up.

Recommendation 1: The State Government needs to ensure that the entire contribution (made by the employees and the Government) is transferred to NSDL in a timely manner so as to avoid interest liability on the State exchequer as well as to provide an assurance to the pensioners about the returns on their investment.

Interest payments

Interest payments increased at an average annual growth rate by 9.24 *per cent* from ₹ 891 crore in 2013-14 to ₹ 1,244 crore in 2017-18. During 2017-18, interest payments increased by ₹ 96 crore (8.36 *per cent*) over the previous year. Component-wise details of interest payments made by the State Government during 2013-18 are shown in **Table 1.23**.

Table 1.23: Component-wise details of interest payments made by the State Government during 2013-18

(₹ in crore)					
Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Interest payments	891	1008	1075	1148	1244
Of which, interest payments made on					
1. Internal debt	656	749	814	907	981
i. Market loans	325	416	478	579	669
ii. National small savings fund (NSSF)	292	288	284	276	265
iii. National bank for agriculture and rural development (NABARD)	27	34	40	41	39
Loans from other financial institutions	11	9	7	5	5
Ways and means advances	Nil	1	4	4	1
Management of debt (payable to RBI for open market borrowings)	1	1	2	2	2
2. Loans from GoI	23	23	21	19	18
Deposits, small savings and PF etc.	212	236	239	222	245
i. Small savings and PF	140	148	159	156	172
ii. Deposits	72	88	80	66	73

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

Interest payments of ₹ 1,244 crore during 2017-18 constituted interest on internal debt (₹ 981 crore), loans and advances from Central Government (₹ 18 crore) and interest on small savings, PF etc. (₹ 245 crore).

The interest on internal debt increased by ₹ 74 crore (8.16 per cent) from ₹ 907 crore in 2016-17 to ₹ 981 crore in 2017-18 on account of increase in payment of interest on market loans (₹ 90 crore) offset by a decrease in payment of interest on NSSF (₹ 11 crore), NABARD (₹ two crore), ways and means advances (₹ three crore). During 2013-18, ₹ 5,366 crore had been spent on interest payments, indicating that 12.39 per cent of the total revenue receipts of last five years (₹ 43,310 crore) had been utilised on debt servicing.

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

Financial assistance to local bodies and other institutions constituted 15.55 per cent of the revenue expenditure during 2017-18.

The quantum of assistance provided by way of grants and loans to local bodies and other institutions during 2017-18 relative to the previous years is presented in Table 1.24 below.

Table 1.24: Financial assistance to local bodies and other institutions

(₹ in crore)						
Sl. No.	Institutions	2013-14	2014-15	2015-16	2016-17	2017-18
1	Panchayati Raj Institutions (PRIs)	65.57	36.35	81.18	96.62	92.31
2	Urban Local Bodies (ULBs)	50.55	49.81	59.09	75.52	180.48
3	Public Sector Undertakings	42.49	49.79	63.43	73.65	60.25
4	Autonomous Bodies	641.53	701.83	768.23	862.18	990.41
5	Others	144.90	184.75	227.10	219.12	315.54
	Total	945.04¹⁶	1022.53¹⁷	1199.03¹⁸	1327.09¹⁹	1638.99*
	Assistance as percentage of RE	13.89	13.80	14.24	14.97	15.55

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

* Excludes ₹ 3.74 crore pertaining to refund of grants-in-aid of previous years

¹⁶ Excludes ₹ 4.02 crore pertaining to refund of grants-in-aid of the previous years

¹⁷ Excludes ₹ 2.99 crore pertaining to refund of grants-in-aid of the previous years

¹⁸ Excludes ₹ 2.45 crore pertaining to refund of grants-in-aid of the previous years

¹⁹ Excludes ₹ 1.79 crore pertaining to refund of grants-in-aid of the previous years

Financial assistance to local bodies and other institutions continuously increased from ₹ 945.04 crore in 2013-14 to ₹ 1,638.99 crore in 2017-18. The assistance in 2017-18 increased by 23.50 per cent compared to previous year. As a percentage of revenue expenditure, the assistance increased from 13.89 per cent in 2013-14 to 15.55 per cent in 2017-18.

During the year 2017-18, financial assistance given to ULBs increased by ₹ 105 crore mainly due to release of more financial assistance to Municipal Corporation and Municipal Councils.

1.6.6.1 State Finance Commission

The Second State Finance Commission (SSFC) 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. However, only seven functions and one activity in one function have been transferred as of July 2019. In addition, the function of Urban Poverty Alleviation and the activity of Solid Waste Management under Public Health and Sanitation not recommended by SSFC 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 was awaited (July 2019).

The Third State Finance Commission was constituted (January 2017); it was to submit its report within one year. The report of the commission was awaited (July 2019).

1.6.6.2 Audit arrangements

The audit of ULBs and VPs is carried out by the Comptroller and Auditor General (CAG) of India 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 quality of expenditure basically involves three aspects *viz.*, adequacy of the expenditure, efficiency of expenditure use and its effectiveness.

1.7.1 Adequacy of public expenditure

Expenditure responsibilities relating to social sector and the economic infrastructure are assigned to the State Governments as these 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 is attached to a particular sector, if it is below the respective national average. **Table 1.25** shows the fiscal priority of the State with regard to aggregate expenditure, development expenditure, social sector expenditure, economic sector expenditure and capital expenditure *vis-à-vis* GCS during 2013-18.

Table 1.25: Fiscal priority of the State in 2013-14 and 2017-18

Fiscal priority by the State	Aggregate expenditure/ GSDP	Development expenditure# / Aggregate Expenditure	Social sector expenditure / Aggregate Expenditure	Economic sector expenditure / Aggregate Expenditure	Capital expenditure / Aggregate expenditure	Education, sports, art and culture/ Aggregate expenditure	Health and family welfare/ Aggregate expenditure
General category states Average (Ratio) 2013-14	14.70	66.50	37.60	28.90	13.60	17.20	4.50
Goa's Average (Ratio) 2013-14	21.75	70.91	35.92	35.00	12.90	16.41	5.91
General Category States Average (Ratio) 2017-18	16.10	67.90	36.70	29.60	14.40	15.50	4.90
Goa's Average (Ratio) 2017-18	18.03	69.00	38.21	30.79	16.53	15.07	7.28

(Source: Finance Accounts of the State for 2013-14 and 2017-18)

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

Analysis of the fiscal priorities of the State as shown in **Table 1.25** reveals the following:

- The ratio of Aggregate Expenditure (AE) to GSDP for Goa in 2013-14 and 2017-18 was higher as compared to GCS. This meant that Goa was spending more as a proportion of its GSDP when compared to GCS.
- Development expenditure (DE) as a proportion of AE for Goa was higher than GCS in 2013-14 and 2017-18. DE consists of both economic sector expenditure and social sector expenditure. The ratio of social sector expenditure to AE was lower in 2013-14 but improved in 2017-18 as compared to GCS. The expenditure on economic sector as a proportion of AE in the State was higher than the GCS average in 2013-14 and in 2017-18.
- Capital expenditure (CE) increases the asset creation which will generate opportunities for higher growth. In respect of CE to AE, the State improved its position during 2017-18 compared to GCS.

- Goa’s spending on Education, Sports, Art and Culture as a proportion of AE was less than GCS in 2013-14 and 2017-18.
- The State Government has given higher fiscal priority to health and family welfare during 2013-14 and 2017-18, as their ratios to AE were significantly higher than that of GCS.

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 public²⁰ and merit goods²¹. Apart from improving the allocation towards development expenditure²², the efficiency of expenditure use is also reflected by the ratio of capital expenditure to AE (and/or GSDP) and proportion of revenue expenditure on operation and maintenance of the existing social and economic services. The higher the ratio of these components to AE (and/or GSDP), the better would be the quality of expenditure. **Table 1.26** presents the trends in DE relative to the AE of the State during the period 2013-18.

Table 1.26: Development expenditure

(₹ in crore)

Components of development expenditure	2013-14	2014-15	2015-16	2016-17	2017-18
a) Development revenue expenditure	4727 (60.48)	5040 (58.28)	5856 (58.30)	5993 (57.03)	7026 (55.45)
b) Development capital expenditure	815 (10.42)	928 (10.73)	1351 (13.45)	1435 (13.66)	1685 (13.30)
c) Development loans and advances	0 (0.00)	0 (0.00)	0 (0.00)	0 (0.00)	32 (0.25)
Development expenditure (a+b+c)	5542 (70.91)	5968 (69.01)	7207 (71.75)	7428 (70.69)	8743 (69.00)
Total expenditure	7815	8647	10045	10508	12671

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

Figures in the parentheses indicate the percentage to total expenditure

Development expenditure

Development expenditure comprises revenue expenditure, capital expenditure and loans and advances on social and economic services. During 2017-18, growth rate of total expenditure was 20.58 per cent while the growth rate of

²⁰ Core 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.

²¹ Merit goods are commodities that the public sector provides free or at subsidised rates because an individual or society should have them on the basis of some concept of need, rather than ability and willingness to pay the Government and therefore wishes to encourage their consumption. Examples of such goods include the provision of free or subsidised food for the poor to support nutrition, delivery of health services to improve quality of life and reduce morbidity, providing basic education to all, drinking water and sanitation etc.

²² The 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.

development expenditure was 17.70 *per cent* over the previous year. As a percentage of total expenditure, it decreased from 70.91 *per cent* during 2013-14 to 69 *per cent* during 2017-18. Of the total expenditure incurred during 2017-18, development revenue expenditure accounted for 55.45 *per cent* and development capital expenditure accounted for 13.30 *per cent*.

Development revenue expenditure

Development revenue expenditure increased by ₹ 1,033 crore (17.24 *per cent*) from ₹ 5,993 crore in 2016-17 to ₹ 7,026 crore in 2017-18. The increase was due to increase of expenditure under social services by ₹ 810 crore and economic services by ₹ 223 crore. In Social Services, the increase was mainly under sub-sectors Education, Sports and Art and Culture (₹ 325 crore) and Health and Family Welfare (₹ 230 crore).

Out of the total development revenue expenditure of ₹ 7,026 crore incurred during 2017-18, salaries and wages accounted for ₹ 1,452 crore (20.67 *per cent*).

Development capital expenditure

The development capital expenditure increased by ₹ 250 crore (17.42 *per cent*) from ₹ 1,435 crore in 2016-17 to ₹ 1,685 crore in 2017-18. The increase in development capital expenditure was mainly seen under Water Supply, Sanitation, Housing and Urban Development (₹ 185 crore) and Energy (₹ 53 crore).

Development loans and advances

Development expenditure in respect of loans and advances during 2017-18 was ₹ 32.06 crore as against the projected BE of ₹ 102 crore and RE of ₹ 42 crore for the year 2017-18.

1.7.2.1 Efficiency of expenditure use in select social and economic services

Table 1.27 shows the share of capital expenditure in total expenditure and that of salaries in revenue expenditure during 2016-18 in select sub-sectors under social and economic services.

Table 1.27: Efficiency of expenditure use in select social and economic services

(in per cent)

Social/Economic Services	2016-17		2017-18	
	Share of CE to TE in the sub-sector	Share of salaries in RE	Share of CE to TE in the sub-sector	Share of salaries in RE
Social Services (SS)				
Education, Sports, Art and Culture	6.69	25.03	6.19	26.90
Health and Family Welfare	8.84	71.37	8.72	67.71
Water supply, Sanitation, Housing and Urban Development	40.39	10.92	42.69	9.29
Total (SS)	11.43	27.93	13.60	29.26
Economic Services (ES)				
Agriculture and Allied Activities	19.07	35.28	16.86	42.95
Irrigation and Flood Control	52.72	34.88	47.53	37.13
Energy	12.45	14.65	9.19	19.53
Transport	58.64	25.04	60.33	29.34
Total (ES)	27.48	19.57	26.42	24.76
Total (SS+ES)	19.32	24.24	19.35	27.42

(Source: Finance Accounts of the State for 2016-17 and 2017-18)

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

The trends presented in **Table 1.27** reveal that development capital expenditure as a percentage to total expenditure in select sub-sectors showed a marginal increase from 19.32 *per cent* in 2016-17 to 19.35 *per cent* in 2017-18. The share of salaries in revenue expenditure showed an increase from 24.24 *per cent* in 2016-17 to 27.42 *per cent* in 2017-18.

The percentage of capital expenditure to total expenditure on social services in the sub-sector increased from 11.43 *per cent* in 2016-17 to 13.60 *per cent* in 2017-18. The increase was mainly seen under Water Supply, Sanitation, Housing and Urban Development. The percentage of capital expenditure to total expenditure on Economic Services in the sub-sector decreased from 27.48 *per cent* in 2016-17 to 26.42 *per cent* in 2017-18. The decrease was mainly seen under Irrigation and Flood Control and Energy.

1.8 Analysis of Government expenditure and investments

The State is expected to keep its fiscal deficit (and borrowings) not only at low levels but also to meet its capital expenditure/investment (including loans and advances) requirements. In addition, instead of 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 State 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 by the State Government. The State Government incurred an expenditure of ₹ 79.58 crore on maintenance of irrigation projects in the State during 2017-18, which was ₹ 12.64 crore more than the maintenance expenditure incurred during the previous year (₹ 66.94 crore).

1.8.2 Incomplete projects

Department-wise information of incomplete projects is given in Table 1.28.

Table 1.28: Department-wise profile of incomplete projects

(₹ in crore)			
Department	Number of incomplete projects	Initial budgeted cost	Cumulative actual expenditure as on 31 March 2018
Roads, Bridges and Buildings	111	437.47	331.34
Irrigation, Water Supply and Sanitation	42	434.99	872.88
Total	153	872.46	1204.22

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

As of 31 March 2018, there were 153 incomplete projects valuing more than ₹ one crore each on which ₹ 1,204.22 crore had already been spent. Significant time and cost escalation was noticed in Tillari Irrigation project (a joint venture of Government of Maharashtra and Government of Goa) which remained incomplete due to delay in land acquisition. The cost escalation (if any) in other projects was not provided by Directorate of Accounts in the Finance Accounts.

Recommendation 2: As delay in completion of projects entail the risk of cost escalation and denial of intended benefits to the beneficiaries, the State Government may re-evaluate the cost of all incomplete projects and evolve a mechanism for timely completion of projects.

1.8.3 Investments and returns

Statement No. 19 of the Annual Finance Accounts contains the details of investments made by the State Government in Statutory Corporations, Joint Stock Companies and Co-operative Banks and Societies. As of 31 March 2018, the State Government invested ₹ 613 crore in these entities (Table 1.29).

The average return on investments was 0.27 per cent during 2013-18 while the State Government paid an average interest rate of 7.03 per cent to 7.59 per cent on its borrowings during the same period.

Table 1.29: Return on investment

Investment/Return/Cost of borrowings	2013-14	2014-15	2015-16	2016-17	2017-18
Investment at the end of the year (₹ in crore)	449.13	488.00	525.00	560.94	613.02
Return (₹ in crore)	1.10	1.82	1.43	0.86	1.96
Return (in percentage)	0.24	0.37	0.27	0.15	0.32
Average rate of interest on Government borrowings (in percentage)	7.44	7.59	7.30	7.09	7.03
Difference between interest rate and return (in percentage)	7.20	7.22	7.03	6.94	6.71

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

The table shows that during 2013-18, the State Government's investments increased by ₹ 164 crore. The increase in investments by ₹ 52.08 crore during 2017-18 over the previous year was mainly on account of increased capital

contributions in Kadamba Transport Corporation Limited (KTCL) (₹ 13.81 crore), Konkan Railway Corporation limited (₹ 18.60 crore) and Apex Co-operative Bank (₹ 15 crore). In respect of KTCL, it was seen that its net worth eroded to the extent of (-) ₹ 118.61 crore as on 31 March 2018. However, the State Government invested ₹ 13.81 crore during the year. This should have been accounted for as a grant-in-aid rather than capital expenditure.

The State Government acquired shares totaling ₹ 3.60 lakh in Joint Stock Companies during the takeover of assets of the Hospicio Trust. The acquired shares include shares of several different companies like Associated Cement Company, M/s Mahindra and Mahindra, Hindustan Unilever Limited, Forbes Gokak Limited, Bombay Dyeing, Bombay Suburban Electricity Supply Company Limited, Wimco Limited *etc.* The State Government has not earned any return on these investments²³ as it has failed to get the shares acquired transferred to its name.

Recommendation 3: Since the chances of obtaining return on investment, made in Companies incurring losses and where the accumulated losses has resulted in erosion of the net-worth, are remote, the State Government should consider making future payments to these Companies in form of Grants instead of Share Capital so as to reduce the disparity in investment vis-à-vis return.

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 1.30** depicts the Department-wise position of investments made by the State 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 1.30: Summarised financial Statement of departmentally managed quasi-commercial undertakings

<i>(₹ in crore)</i>									
Sl. No.	Name of the under-taking	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	2014-15	1357.52	1245.49	(-)203.18	(-)323.13	-	(-)203.18	(-)14.97
2	River Navigation Department	2005-06	108.29	1.07	(-) 10.53	(-) 106.68	0.41	(-) 10.12	Nil

An amount of ₹ 1,465.81 crore had been invested by the State Government in the Electricity Department and the River Navigation Department (RND) at the end of the financial year up to which their accounts were finalised. As per the accounts for the year 2014-15, the Electricity Department suffered a net

²³ Except for dividends received from Laxmi Mills Company Limited and Peria Karmalai Tea and Produce Company Limited during 2016-17

loss of ₹ 203.18 crore against a capital investment of ₹ 1,357.52 crore, thereby yielding negative return of 15 per cent.

The RND was incurring losses every year and the accumulated loss as at the end of the year 2005-06 was ₹ 106.68 crore against the total investment of ₹ 108.29 crore.

Recommendation 4: The State Government needs to review the working of the departmentally managed quasi-commercial undertakings so as to wipe out their losses in the short run and to make them self-sustaining in the medium to long-term.

1.8.5 Loans and advances by State Government

In addition to investments in Co-operative Societies, Corporations and Companies, the State Government has also been providing loans and advances to many of these institutions/organisations. **Table 1.31** presents the outstanding loans and advances as on 31 March 2018, interest receipts *vis-à-vis* interest payments during the last three years.

Table 1.31: Average interest received on loans and advances given by the State Government

	(₹ in crore)		
Quantum of loans/interest receipts/cost of borrowings	2015-16	2016-17	2017-18
Opening Balance	83.65	76.14	71.03
Amount advanced during the year	2.69	3.41	33.93
Amount repaid during the year	10.20	8.52	7.15
Closing Balance	76.14	71.03	97.81
of which, Outstanding balance for which terms and conditions have been settled	-	-	-
Net addition	(-)7.51	(-)5.11	26.78
Interest Receipts	2.58	2.30	1.79
Interest receipts as <i>per cent</i> to average of outstanding Loans and advances	3.22	3.12	2.12
Interest payments as <i>per cent</i> to outstanding fiscal liabilities of the State Government	6.90	6.82	6.71
Difference between interest payments and interest receipts (<i>per cent</i>)	(-)3.68	(-)3.70	(-)4.59

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

The total amount of outstanding loans and advances increased from ₹ 76.14 crore in 2016-17 to ₹ 97.81 crore in 2017-18. Loans advanced during the year increased from ₹ 3.41 crore in 2016-17 to ₹ 33.93 crore in 2017-18 mainly on account of loans and advances (₹ 32.00 crore) disbursed to Housing Boards in the State and ₹ 1.87 crore to Government Servants for purchase of motor conveyances and computers. The average interest earned by the State on loans decreased from 3.22 per cent to 2.12 per cent during 2015-18 while the State Government paid an average interest of 6.71 per cent to 6.90 per cent on its borrowings.

Interest spread on Government borrowings was negative during the period 2015-18 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 1.32 depicts the cash balances and investments made by the State Government out of cash balances during the year.

Table 1.32: Cash balances and investment of cash balances

	(₹ in crore)		
	Opening balance on 1 April 2017	Closing balance on 31 March 2018	Increase(+)/ Decrease (-)
(a) General Cash Balance			
Cash in Treasuries	0.00	0.00	0.00
Deposits with Reserve Bank	(-)126.49	(-)6.51	119.98
Remittances in transit - Local	0.00	0.00	0.00
Investments held in cash balance investment account	344.25	153.16	(-)191.09
Total (a)	217.76	146.65	(-)71.11
(b) Other cash balances and investments			
Cash with departmental officers viz., Public Works Department Officers, Forest Department Officers, District Collectors etc.	1.48	1.48	0.00
Permanent advances for contingent expenditure with departmental officers	0.29	0.30	0.01
Investment of earmarked funds	762.67	847.34	84.67
Total (b)	764.44	849.12	84.68
Grand total (a)+ (b)	982.20	995.77	13.57
<i>Interest realised</i>	<i>3.78</i>	<i>8.99</i>	<i>5.21</i>

(Source: Finance Accounts of the State)

The State Government's cash balances of ₹ 996 crore at the end of the current year showed an increase of ₹ 13.57 crore (1.38 per cent) over the previous year. During the year, the State Government invested ₹ 153 crore in GoI Treasury Bills which earned an interest of ₹ 8.99 crore. Further, ₹ 847 crore was invested in earmarked/reserve funds which earned an interest of ₹ 54.67 crore²⁴ during the year. The transactions under earmarked/reserve funds are discussed in Paragraph 1.9.3.

There was also an outstanding balance under 'Cheques and Bills' amounting to ₹ 15.15 crore. Hence, the resultant effective cash balance of the State Government as on 31 March 2018 was ₹ 133.28 crore²⁵ which was 1.05 per cent of the total expenditure of the State Government (₹ 12,671 crore) during the year.

During 2017-18, the State Government obtained ways and means advances on 88 occasions totaling ₹ 1,155.07 crore. This was repaid to RBI during the year. The State Government paid ₹ 0.80 crore as interest on these ways and means advances. No overdrafts were availed of by the State Government during the year.

²⁴ State Disaster Response Fund: ₹ 2.19 crore; Consolidated Sinking Fund: ₹ 35.53 crore; Guarantee Redemption Fund: ₹ 16.95 crore

²⁵ Cash balance (₹ 995.77 crore)- Investment in earmarked funds (₹ 847.34 crore)- Outstanding balance under 'Cheques and bills' (₹ 15.15 crore)

1.8.7 Outstanding balances under the head ‘Cheques and Bills’

The Major Head-8670-Cheques and Bills is an intermediary account head for initial record of transactions representing the amount of un-encashed cheques which are to be cleared eventually. As on 31 March 2018, there was an outstanding balance of ₹ 15.15 crore under this Major Head. The outstanding balance in the current year reduced by ₹ 24.47 crore compared to the previous year.

1.9 Assets and Liabilities

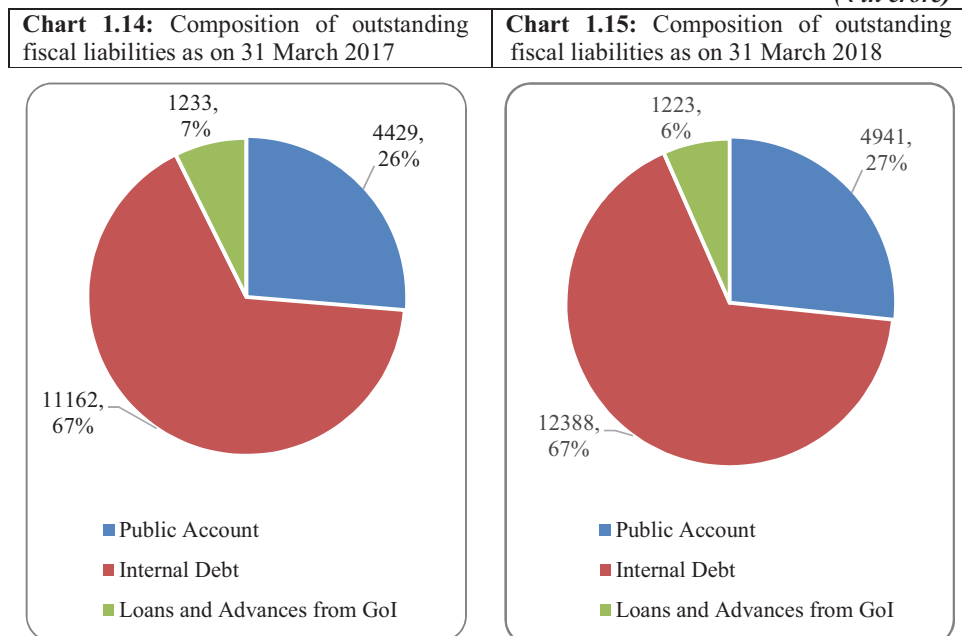
1.9.1 Growth and composition of assets and liabilities

In the existing Government accounting system, comprehensive accounting of fixed assets like land and buildings owned by the Government is not done. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred. **Appendix 1.3, Part B** gives an abstract of such liabilities and the assets as on 31 March 2018, compared with the corresponding position as on 31 March 2017. 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 liabilities²⁶ during 2017-18 *vis-à-vis* the previous year is presented in **Charts 1.14 and 1.15**.

(₹ in crore)



(Source: Finance Accounts of the State)

²⁶ Internal debt (market loans, loans from NSSF, ways and means advances and loans from other financial institutions), loans and advances from GoI, liabilities arising from the transactions in the Public Account of the State

Chart 1.15 shows that the outstanding fiscal liabilities of the State Government at the end of financial year 2017-18 (₹ 18,552 crore) comprised internal debt of ₹ 12,388 crore (67 per cent), public account of ₹ 4,941 crore (27 per cent) and loans and advances from GoI of ₹ 1,223 crore (six per cent). The internal debt largely comprised of market loans (₹ 9,160 crore), special securities issued to NSSF (₹ 2,540 crore) and NABARD (₹ 620 crore).

The trends in fiscal liabilities related to GSDP, revenue receipts and own resources are shown in **Table 1.33**.

Table 1.33: Fiscal liabilities – basic parameters

	2013-14	2014-15	2015-16	2016-17	2017-18
Fiscal liabilities (₹ in crore)	12695	13877	15575	16824	18552
Rate of growth (per cent)	13.03	9.31	12.24	8.02	10.27
Ratio of fiscal liabilities to:					
GSDP (per cent)	35.34	29.02	28.43	26.99	26.40
Revenue receipts (per cent)	196.82	180.48	182.12	175.89	167.83
Own resources (per cent)	242.09	223.03	243.09	241.27	238.93
Buoyancy of fiscal liabilities to					
GSDP (ratio)	*	0.28	0.84	0.58	0.81
Revenue receipts (ratio)	1.25	0.48	1.09	0.68	0.66
Own resources (ratio)	1.32	0.50	4.12	0.91	0.90

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

*Growth rate of GSDP being negative for 2013-14, buoyancy cannot be calculated

Table 1.33 shows that the overall fiscal liabilities of the State increased by 10.27 per cent from ₹ 12,695 crore in 2013-14 to ₹ 18,552 crore at the end of 2017-18. Over a period of five years, the ratio of fiscal liabilities to GSDP reduced from 35.34 per cent in 2013-14 to 26.40 per cent in 2017-18. This was only marginally higher than the target fixed (25 per cent) in the Goa FRBM (First Amendment) Act, 2014 and 25.31 per cent projected by FC XIV. The fiscal liabilities were nearly 1.68 times the revenue receipts and more than twice the State's own resources during 2017-18.

1.9.3 Transactions under reserve funds

There were eight reserve funds earmarked for specific purposes during 2017-18 of which, four funds were inoperative with a balance of ₹ 24.68 crore. The total accumulated balance in these funds as on 31 March 2018 was ₹ 1,719.77 crore of which, ₹ 847.34 crore was invested. Transactions under reserve fund during 2017-18 are shown in **Appendix 1.6**. An account of these funds is included in Statement No. 22 of Finance Accounts 2017-18.

Recommendation 5: The State Government may review the inoperative reserve funds and take necessary action to close these inoperative reserve funds.

1.9.3.1 State disaster response fund

As per recommendation of the Thirteenth Finance Commission, the State Government had been operating the 'State disaster response fund' with effect from 2010-11. In terms of GoI guidelines (September 2010), the Central and

State Governments were required to contribute to the fund in the ratio of 75:25.

As on 01 April 2017, the fund had an opening balance of ₹ 40.39 crore. During 2017-18, the State Government transferred ₹ 6.19 crore (Central share: ₹ three crore, State share: ₹ one crore and interest: ₹ 2.19 crore) to the fund. Of the total available balance of ₹ 46.58 crore, an expenditure of ₹ 0.42 crore was incurred during the year, leaving a balance of ₹ 46.16 crore in the fund at the end of March 2018. Out of ₹ 46.16 crore, the Government invested ₹ 27.89 crore during the year and the remaining ₹ 18.27 crore was held in cash.

1.9.3.2 Consolidated sinking fund

The State Government constituted a consolidated sinking fund from 1999-2000 for amortisation of outstanding liabilities. The Scheme for ‘Constitution and Administration of the Consolidated Sinking Fund of Government of Goa’ notified on 17 December 2009 provided for a minimum annual contribution by the State Government at 0.5 *per cent* of the outstanding liabilities at the end of the previous financial year.

The fund had an opening balance of ₹ 491.01 crore on 01 April 2017. The State Government made a contribution ₹ 20 crore to the fund during 2017-18. Interest credited to the fund during the year was ₹ 35.53 crore. The fund had a balance of ₹ 546.54 crore as on 31 March 2018.

1.9.4 Contingent liabilities

Status of guarantees

Guarantees are liabilities contingent on the Consolidated Fund of the State in cases of defaults by borrowers for whom guarantees have been extended by the State Government. The maximum amount for which guarantees were given by the State Government and outstanding guarantees for the last three years is given in **Table 1.34**.

Table 1.34: Guarantees given by the Government of Goa

Guarantees	2015-16	2016-17	2017-18
Ceiling limit on Government guarantees	1500.00	1500.00	1500.00
Maximum amount guaranteed	712.65	932.01	961.75
Outstanding amount of guarantees	622.55	841.91	740.94
Percentage of outstanding amount of guarantees to total revenue receipts	7.28	8.80	6.70

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

The Goa Legislature fixed (September 2015) a limit of ₹ 1,500 crore on the outstanding guarantees. The outstanding guarantees at ₹ 741 crore during 2017-18 were well within the ceiling limit specified by the Legislature. Of the total outstanding guarantees of ₹ 741 crore, ₹ 372 crore (50.20 *per cent*) pertained to Goa State Infrastructure Development Corporation, and ₹ 69 crore (9.31 *per cent*) pertained to Sewage and Infrastructure Development Corporation. The outstanding guarantees accounted for 6.70 *per cent* of the total revenue receipts of the State Government

(₹ 11,054 crore). The State Government has exempted the borrowing institutions from the payment of guarantee fee.

The State Government set up a guarantee redemption fund during 2003-04 with the objective of meeting payment obligations arising out of guarantees issued by it. At the beginning of the year, ₹ 245.96 crore was available in the fund. With contribution of ₹ 10 crore and interest received on the investment at the end of the year (₹ 16.95 crore), the closing balance in the fund was ₹ 272.91 crore. The entire balance of ₹ 272.91 crore was reinvested in Government securities. During 2017-18, no amount was paid by the State Government on account of invocation of guarantees.

1.10 Debt management

1.10.1 Debt sustainability

Debt sustainability implies State's ability to service the debt in future. Apart from the magnitude of debt of the State Government, it is important to analyse various indicators that determine the debt sustainability of the State. Analysis of various debt sustainability indicators for the period from 2013-14 to 2017-18 is given in **Table 1.35**.

Table 1.35: Debt Sustainability: Indicators and trends

Indicators of debt sustainability	(₹ in crore)				
	2013-14	2014-15	2015-16	2016-17	2017-18
Interest Payment	891	1008	1075	1148	1244
Burden of interest payment in <i>per cent</i> (IP/RR)	13.81	13.11	12.58	12.00	11.25
Debt repayment	880	2075	3595	3183	2888
Debt receipts	2343	3257	5293	4432	4616
Net debt available to the State	572	174	623	101	484

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

Net availability of borrowed funds

Net availability of borrowed funds is defined as the ratio of the debt redemption (principal and interest payments) to total debt receipts and indicates the extent to which the debt receipts were used for redemption of old debts. During 2017-18, net availability of borrowed funds increased from ₹ 101 crore in 2016-17 to ₹ 484 crore in 2017-18.

Interest burden

The ratio of interest payments to revenue receipts is one of the indicators that determine the debt sustainability of the State. The ratio of interest payments to revenue receipts, during the year 2017-18 was 11.25 *per cent*. This was less than the projected ratio (12.04 *per cent*) prescribed by the FC XIV.

Servicing of Public Debt

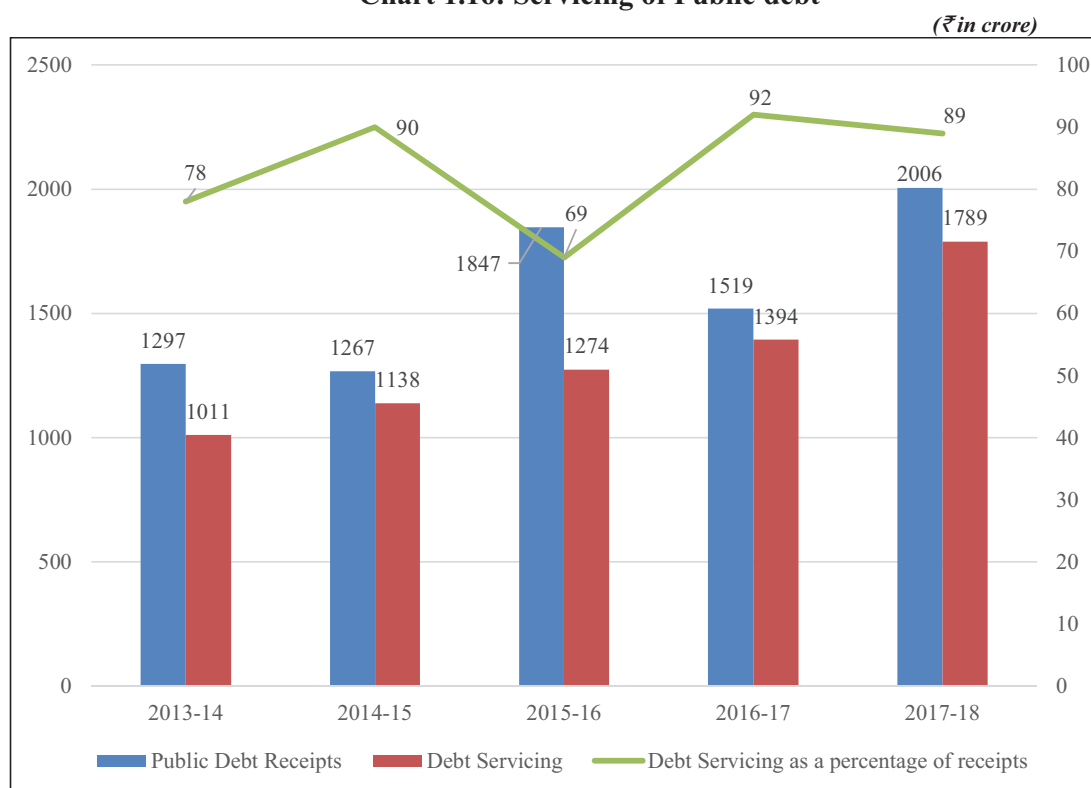
The interest payment and repayment of principal on public debt for the period from 2013-14 to 2017-18 is given in **Table 1.36**.

Table 1.36: Servicing of Public Debt

Period	Public Debt									Debt servicing			As a percentage of receipts
	Public Debt Receipts			Repayment of Principal			Interest payment			(Repayment of principal + interest payment)			
	Internal debt	Loans from GoI	Total	Internal debt	Loans from GoI	Total	Internal debt	Loans from GoI	Total	Internal debt	Loans from GoI	Total	
2013-14	1147	150	1297	306	26	332	656	23	679	962	49	1011	78
2014-15	1064	203	1267	338	28	366	749	23	772	1087	51	1138	90
2015-16	1736	111	1847	412	27	439	814	21	835	1226	48	1274	69
2016-17	1427	92	1519	441	27	468	907	19	926	1348	46	1394	92
2017-18	1928	78	2006	702	88	790	981	18	999	1683	106	1789	89
Total			7936			2395			4211			6606	83

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

Chart 1.16: Servicing of Public debt



It can be seen from **Table 1.36** and **Chart 1.16** that during 2013-18, 78 per cent to 92 per cent of the public debt receipts were used for debt servicing. In 2017-18, the debt servicing out of public debt receipts was 89 per cent as against 92 per cent in 2016-17. Thus, the average expenditure on debt servicing during 2013-18 was ₹ 1,321 crore which accounted for 83 per cent of average public debt receipts (₹ 1,587 crore) during the same period, implying that a larger percentage of debt was being used for debt servicing. This also indicated that a very insignificant portion of the debt was available for meeting developmental expenditure to promote growth. However, increase in public account balances provides the other source to meet the deficit.

1.10.2 Debt maturity profile

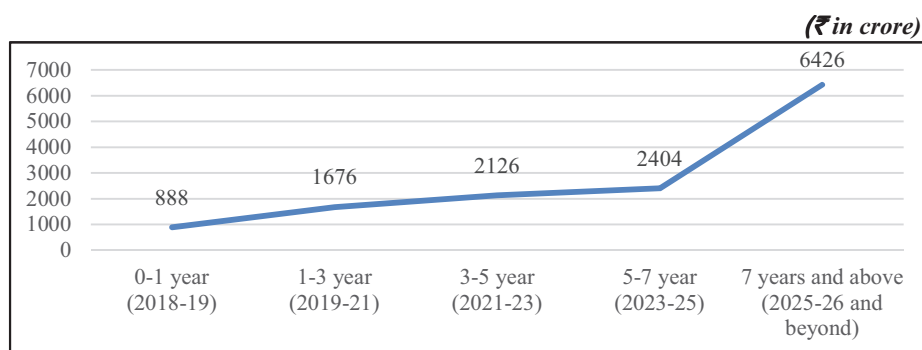
Of the total outstanding liabilities of ₹ 18,552 crore as at the close of 2017-18, ₹ 4,941 crore pertained to ‘Other Liabilities’. The maturity profile of the remaining public debt (₹ 13,611 crore) is shown in **Table 1.37** and **Chart 1.17**.

Table 1.37: Maturity profile of State debt

Maturity Profile (in years)	Amount (₹ in crore)	Per cent
0 – 1	887.53	6.52
1 – 3	1676.06	12.31
3 – 5	2125.89	15.62
5 – 7	2403.93	17.66
7 and above	6426.39	47.22
Loans pertaining to Ex-Union Territory	91.30	0.67
Total	13611.10	100

(Source: Finance Accounts of the State)

Chart 1.17: Maturity profile of the State debt



(Source: Finance Accounts of the State)

The maturity profile of the State debt indicates that the liability of the State to repay the debt during the periods 2018-19, 2019-21 and 2021-23 would be ₹ 888 crore, ₹ 1,676 crore and ₹ 2,126 crore respectively, which may put a strain on the Government budget during that period. Further, ₹ 7,093.41 crore *i.e.* 52.11 *per cent* of the total public debt would be repayable within the next seven years. Therefore, the State Government would have to work out a well-thought out borrowing-repayment strategy to avoid falling into a debt trap.

Recommendation 6: *The State Government may consider developing a debt sustainability framework for achieving improved long-term sustainability in fiscal deficit management and to guide the borrowing decisions of the State in a way that matches their financing needs with current and prospective repayment.*

1.11 Fiscal Imbalances

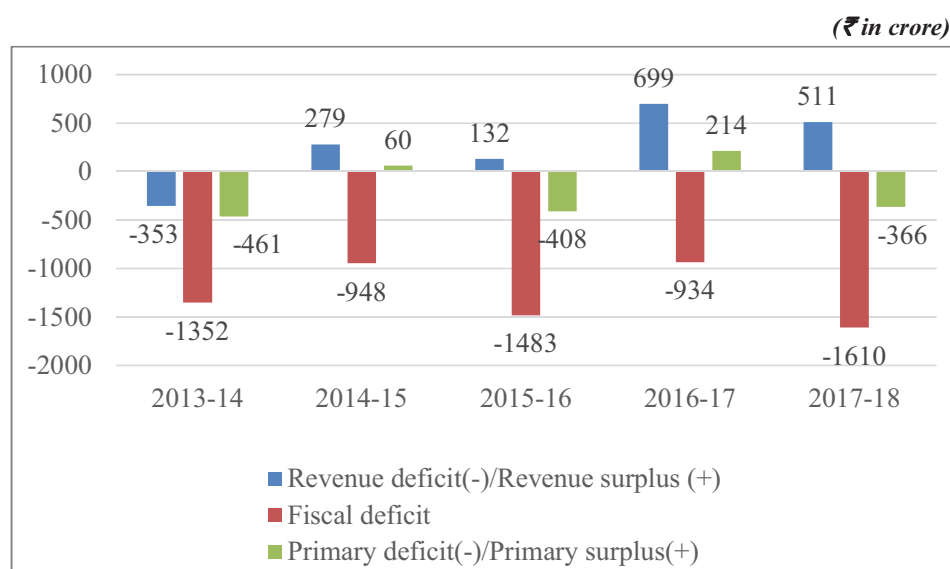
Three key fiscal parameters *viz.*, ‘revenue, fiscal and primary deficits’ indicate the extent of overall fiscal imbalances in the finances of the State Government during a specified period. The deficit in the Government

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 deficits are financed and the resources raised and applied are important pointers to its fiscal health. This section presents the trends, nature, magnitude and the manner of financing these deficits and also the assessment of actual levels of revenue and fiscal deficits *vis-à-vis* the targets set under Goa FRBM (First Amendment) Act, 2014.

1.11.1 Trends in deficits

Chart 1.18 presents the trends in deficit indicators over the period 2013-18.

Chart 1.18: Trends in deficit indicators



The revenue surplus of ₹ 132 crore in 2015-16 increased to ₹ 699 crore in 2016-17 and decreased to ₹ 511 crore during 2017-18. The decrease in revenue surplus during the current year was on account of increase of ₹ 1,677 crore (18.91 *per cent*) in the revenue expenditure against increase of ₹ 1,489 crore (15.56 *per cent*) in revenue receipts.

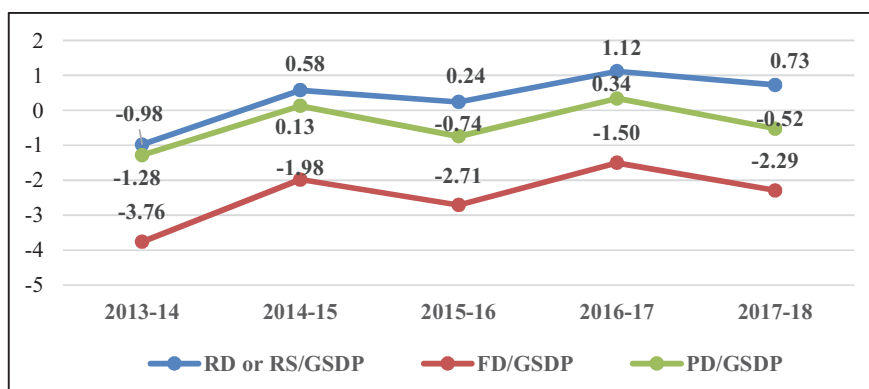
Fiscal deficit normally represents the net incremental liabilities of the Government or its additional borrowings. The shortfall could be met either by additional public debt (internal or external) or by the use of surplus funds from Public Account. The fiscal deficit showed a fluctuating trend during the last five years. It declined from ₹ 1,352 crore in 2013-14 to ₹ 948 crore in 2014-15. Thereafter, the fiscal deficit increased to ₹ 1,483 crore in 2015-16 and again decreased to ₹ 934 crore in 2016-17. During 2017-18, the fiscal deficit (₹ 1,610 crore) increased by ₹ 676 crore (72.38 *per cent*) over the previous year on account of increase in capital expenditure by ₹ 455 crore, net loans and advances by ₹ 33 crore and decrease in revenue surplus by ₹ 188 crore.

However, the fiscal deficit as a percentage of GSDP (2.29 *per cent*) in the current year was within the limit of three *per cent* fixed by the Goa FRBM (First Amendment) Act, 2014 and the FC XIV.

An increase of ₹ 676 crore in fiscal deficit during 2017-18 together with an increase of ₹ 96 crore in interest payment over the previous year turned the primary surplus of ₹ 214 crore in 2016-17 to primary deficit of ₹ 366 crore in 2017-18.

Chart 1.19 shows the trends in deficit indicators related to GSDP.

Chart 1.19: Trends in deficit indicators relative to GSDP



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

RD: Revenue deficit; RS: Revenue surplus; FD: Fiscal deficit; PD: Primary deficit

1.11.2 Composition of fiscal deficit and its financing pattern

The financing pattern of fiscal deficit during 2013-18 is reflected in Table 1.38.

Table 1.38: Components of fiscal deficit and its financing pattern

(₹ in crore)

	Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Composition of fiscal deficit*		(-1352)	(-948)	(-1483)	(-934)	(-1610)
1	Revenue deficit(-)/surplus(+)	(-353)	279	132	699	511
2	Net capital expenditure ²⁷	(-1008)	(-1234)	(-1622)	(-1639)	(-2094)
3	Net loans and advances	9	7	7	6	(-27)
Financing pattern of fiscal deficit*						
1	Market borrowings	881	667	1285	1171	1400
2	Special securities issued to NSSF	(-83)	(-15)	11	(-194)	(-190)
3	Loans from financial institutions	41	74	28	9	16
4	Loans from GoI	124	175	84	65	(-10)
5	Small savings, PF etc.	115	112	113	122	236
6	Deposits and advances	336	110	(-72)	(-2)	177
7	Suspense and miscellaneous	(-179)	(-180)	(-186)	(-51)	(-25)
8	Remittances	86	(-114)	(-93)	(-139)	(-164)
9	Reserve fund	111	128	286	169	184
10	Contingency fund	(-1)	-	-	-	-
11	Total (1 to 10)	1431	957	1456	1150	1624
12	Increase(+)/Decrease(-) in cash	79	9	(-27)	216	14

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

*Figures are net of disbursements/outflows during the year

²⁷ Net capital expenditure is the total of miscellaneous capital receipts minus capital expenditure

Table 1.38 reveals that during the last five years, market borrowings and net accretions to Public Account (small savings, reserve fund *etc.*) had been the main sources utilised by the State Government to finance fiscal deficit. During 2017-18, net market borrowings (₹ 1,400 crore) and net accretions to small savings, PF *etc.* (₹ 236 crore) were used for bridging the fiscal deficit of the State.

During 2017-18, the State Government raised ₹ 1,800 crore as market loans at an average rate of 7.70 *per cent*, ₹ 128 crore from NABARD at 4.78 *per cent*. The State Government also received loans amounting to ₹ 78 crore from GoI during the year for externally aided projects.

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) indicate the quality of deficit in the State’s finances. The ratio of revenue deficit to fiscal deficit indicates the extent to which borrowed funds were used for current consumption. Persistent high ratio of revenue deficit to fiscal deficit indicates that the asset base of the State is continuously shrinking and a part of the borrowings (fiscal liabilities) did not have adequate assets backup.

The bifurcation of the primary deficit (**Table 1.39**) indicated the extent to which the deficit was on account of increase in capital expenditure, which may be desirable to improve the productive capacity of the State’s economy.

Table 1.39: Primary deficit/surplus – bifurcation of factors

(₹ in crore)

Year	Non-debt receipts	Primary revenue expenditure	Capital expenditure	Loans and advances disbursed	Primary expenditure	Primary revenue deficit(-)/surplus(+)	Primary deficit (-)/surplus (+)
1	2	3	4	5	6(3+4+5)	7(2-3)	8(2-6)
2013-14	6463	5912	1008	4	6924	551	(-)461
2014-15	7699	6402	1234	3	7639	1297	60
2015-16	8562	7345	1622	3	8970	1217	(-)408
2016-17	9574	7718	1639	3	9360	1856	214
2017-18	11061	9299	2094	34	11427	1762	(-)366

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

Non-debt receipts of the State were sufficient to meet the primary expenditure requirements under revenue account. During 2013-14, 2015-16 and 2017-18, non-debt receipts were insufficient to meet the primary expenditure resulting in primary deficit. However, during 2014-15 and 2016-17, incremental non-debt receipts were sufficient to meet the primary expenditure resulting in primary surplus in these two years.

1.12 Follow up

The State Finances Audit Report is being presented to the State Legislature from 2008-09 onwards. The Public Accounts Committee (PAC) discussed the paragraphs from the State Finances Audit Reports for the years 2008-09 and 2009-10, and recommendations of the PAC have been issued for these Reports.