

Executive Summary

Fiscal Situation of the State

Revenue Receipts (₹ 1,45,975 crore) of the Government constituting 12.40 *per cent* of the Gross State Domestic Product (GSDP) (₹ 11,77,586 crore), increased by 11.20 *per cent* over the previous year (₹ 1,31,270 crore). Revenue Expenditure (₹ 1,56,374 crore) was higher than the previous year's figures (₹ 1,41,077 crore) by 10.84 *per cent*.

(Paragraphs 1.4.2 and 1.5.1)

The State registered a Revenue Deficit of ₹ 10,399 crore during 2018-19 from ₹ 9,807 crore during 2017-18. The Revenue Deficit of the State during the years 2015-19 had not been eliminated despite receipt of post-devolution Revenue Deficit Grants of ₹ 11,760 crore from GoI during the years 2015-17 as per the recommendations of 14th FC. At 0.88 *per cent* of the GSDP it exceeded the target of 'Zero' set out in the Medium Term Fiscal Policy Statement (MTFPS) under WBFRBM Act.

Fiscal Deficit (₹ 33,485 crore) in 2018-19, increased by ₹ 4,555 crore (15.74 *per cent*) in comparison to preceding year (₹ 28,930 crore). Fiscal Deficit as a percentage to GSDP was 2.84 *per cent* and was beyond the target of 2.27 *per cent* fixed under the WBFRBM Act in the MTFPS.

Net effects on Revenue Deficit (RD) and Fiscal Deficit (FD) were understatement of ₹ 3,362.61 crore and ₹ 294.60 crore respectively, on account of (i) Misclassification, (ii) Erroneous booking, (iii) Non-contribution to statutory funds and (iv) Miscellaneous issues. Effectively, there was a Revenue Deficit of ₹ 13,761.61 crore and Fiscal Deficit of ₹ 33,779.60 crore (2.87 *per cent* of GSDP).

The outstanding debt stood at 33.40 *per cent* of the GSDP, which was within the target of 37.63 *per cent* as per MTFPS of the State Government.

Primary Deficit stood at ₹ 4,574 crore after a significant increase of 434.35 *per cent* over 2017-18. As a result, non-debt receipts in 2018-19 were insufficient to meet the Primary Expenditure.

(Paragraph 1.3.1)

Mobilisation and application of Resources

Revenue Receipts (₹ 1,45,975 crore) in 2018-19 were marginally lower than the budget estimates by ₹ 2,643 crore. The decrease in Revenue Receipts was the net result of decrease in Grants-in-Aid from Government of India by 21.10 *per cent*, counter-balanced by increase in Tax Revenue by 10.02 *per cent*.

Revenue Expenditure (₹ 1,56,374 crore) increased by ₹ 7,756 crore (5.22 *per cent*) over the budget estimates mainly because of excess expenditure under Social Services (8.57 *per cent*) and Economic Services (6.46 *per cent*).

Capital Expenditure (₹ 23,717 crore) was lower than the budget estimates by ₹ 2,039 crore (7.92 per cent) mainly because of short expenditure under Social Services (30.43 per cent).

Recommendation: *The Finance Department may rationalise the budget preparation exercise, so that the gap between the budget estimates and actuals is bridged.*

(Paragraph 1.3.2)

Committed Expenditure

The burden of committed expenditure (₹ 99,918 crore) in 2018-19 measured as a percentage of Revenue Expenditure of the State (63.90 per cent), was steadily rising due to increase in interest payments by ₹ 837 crore (2.98 per cent over 2017-18) and expenditure on subsidy by ₹ 1,726 crore (14.78 per cent over 2017-18).

Four departments incurred expenditures of ₹ 883 crore during 2018-19 which were in the nature of subsidies. These expenditures were, however, not classified as subsidies and the expenditure on subsidy, thus, was understated to that extent.

(Paragraph 1.5.2.1)

National Pension System (NPS)

14th Finance Commission recommended that the States which have not adopted the NPS so far to immediately consider doing so for their new recruits in order to reduce their future burden. However, the State did not adopt the NPS for its own employees recruited on or after 1 January 2004.

(Paragraph 1.5.2.3)

Adequacy of public expenditure

West Bengal fared favourably in its focus on Education (₹ 29,362 crore), Health (₹ 9,678 crore) and Development Expenditure (₹ 1,22,674 crore) in comparison to other General Category States. The State, however, lagged behind in the area of Capital Expenditure (₹ 23,717 crore).

In the *Krishak Bandhu* scheme, out of ₹ 4,000 crore released (January 2019) to the West Bengal State Seed Corporation Limited (WBSSCL), ₹ 3,500 crore was parked in Term Deposit while ₹ 379.47 crore retained in four current accounts, maintained by WBSSCL. Thus, the fund released in January 2019 by the State Government to WBSSCL left little scope to implement the scheme during the year.

(Paragraphs 1.5.1 and 1.5.4.1)

Investment and Returns in Public Sector Undertakings

As of 31 March 2019, the State Government's investment in Statutory Corporations, Government Companies, Joint Stock Companies and

Co-operative stood at ₹ 17,427 crore. The Return on Investment (RoI) from Corporations/ Companies was negligible at 0.28 *per cent*.

(Paragraph 1.6.2)

Loans and Advances given by the State Government

As of 31 March 2019, Loans and Advances of ₹ 12,779 crore were given by the Government mainly to Government Companies, Municipalities/ Municipal Corporations and Statutory Corporations.

Against the estimation of ₹ 2,823 crore in the budget to be recovered in 2018-19, the actual recovery of loans was only ₹ 804 crore (28.48 *per cent*).

Government loans to 13 PSUs/ Co-operatives amounting to ₹ 627.72 crore in 2018-19 did not specify any terms and conditions, like schedule of repayment, rate of interest, number of installments, *etc*. Government was providing loans to Government Companies/ Statutory Corporations and Autonomous Bodies, whose annual accounts were in arrears.

Recommendation: *The Finance Department and the concerned administrative departments should consider initiating action to restructure loans and advances made to entities that have neither repaid the principal nor even paid interest for the past several years.*

(Paragraph 1.6.3)

Reserve Funds

In spite of earning guarantee commission of ₹ 194.76 crore during 2014-19, no amount was transferred to Guarantee Redemption Fund (GRF); neither interest of ₹ 3.12 crore paid by the State Government against the balance of ₹ 81.07 crore remaining un-invested in State Disaster Response Fund (SDRF).

(Paragraph 1.7.1)

Guarantees

Guarantees (₹ 8,545 crore) given by the Government at the beginning of 2018-19 stood at 7.25 *per cent* of total Revenue Receipts of the second preceding year (₹ 1,17,832 crore) and was within the ceiling of 90 *per cent*.

As per West Bengal Finance Act 2002, the loanees for whom the State Government had provided guarantees to the financial institutions, were required to pay guarantee commission at the rate of one *per cent* (minimum) on the total amounts guaranteed. The State Government, upto 2018-19, received ₹ 232.61 crore as guarantee commission against the receivable of ₹ 374.08 crore.

(Paragraph 1.7.2)

Debt Management

Outstanding debt (₹ 3,93,300 crore) increased by 8.96 *per cent* in 2018-19 over the preceding year, at a slower pace than the growth of GSDP (17.81 *per cent*).

The net availability (₹ 3,428 crore) of borrowed funds (₹ 1,36,378 crore) after providing for interest payments (₹ 28,911 crore) and repayment of borrowings (₹ 1,04,039 crore), was positive (2.51 *per cent*) in 2018-19. However, net availability of borrowed funds was insufficient for developmental purposes. The interest payments relative to revenue receipts were slightly higher at 19.81 *per cent* compared to the target of 18.49 *per cent* set in the Fiscal Policy Strategy Statement presented with the budget as per FRBM Act.

The maturity profile of outstanding public debt as of March 2019 showed that around 41 *per cent* (₹ 1,39,813 crore) of total public debt is to be repaid over the next seven years. The debt maturity position during the forthcoming years could be more alarming given the fact that maturity details of around 24 *per cent* of the public debt was not available.

(Paragraph 1.7.3)

Fiscal Reform Path

The State Government, in compliance with the recommendations of the Twelfth Finance Commission (12th FC), enacted the Fiscal Responsibility and Budget Management (FRBM) Act, 2010 (amended in 2011). Important targets relating to fiscal variables are to be amended from time to time in accordance with the Central Finance Commission's recommendations. Government of West Bengal, however, is yet to amend its FRBM Act in accordance with the recommendations of the 14th FC.

FRBM Act, 2010 also requires the State Government to make disclosures and statements under Section 5 of FRBM Act, 2010 together with Rule 7 of Fiscal Responsibility and Budget Management Rules, 2011. The State Government, however, did not make three out of eight disclosures required to be made.

(Paragraph 1.8)

Excess Expenditure

Excess expenditure of ₹ 9,769.23 crore was incurred in 17 grants. Majority of the excess expenditure in 2018-19 occurred in Finance Department (₹ 4,278 crore), Power and Non-Conventional Energy Sources Department (₹ 939 crore) and Women & Child Development and Social Welfare Department (₹ 466 crore). A total expenditure of ₹ 6,478 crore was incurred at sub-head level without any budget provision in 158 cases in respect of 31 grants and two appropriations. Persistent excess expenditure occurred in the grants related to Backward Classes Welfare, Health & Family Welfare, Power & Non-Conventional Energy Sources and Transport departments.

Recommendation: *The State Government may analyse the reasons for persistent excess expenditure on priority basis. The Finance Department should ensure that no departmental controlling officers, including the Finance Department itself, resort to excess expenditure over the regular allocations approved by the State Legislature.*

(Paragraph 2.2.2.1)

Excess Expenditure requiring regularisation

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get excess expenditure over a grant/ appropriation regularised by the State Legislature. State Government did not get the excess expenditure of ₹ 26,695.26 crore, over and above the allocation pertaining to the years 2009-10 to 2017-18 regularised.

Recommendation: All the existing cases of excess expenditure need to be regularised at the earliest and, in future, such un-voted expenditure may be completely stopped.

(Paragraph 2.2.2.2)

Savings

In the year 2018-19, the total savings were ₹ 18,275 crore. Of which, ₹ 7,128 crore (39 per cent) pertain to 16 grants with savings of more than ₹ 100 crore each and by more than 20 per cent of the total provision. In addition, during the years 2014-19, there were cases of persistent savings of more than ₹ 100 crore in 10 Departments.

Persistent savings under Animal Resources Development, Micro, Small and Medium Enterprises & Textiles, School Education, Minority Affairs and Madrasah Education, Panchayats & Rural Development, Tourism, Finance, Agriculture, Irrigation & Waterways and Water Resources Investigation & Development indicate that the schemes under these departments did not receive the required priority by the Government and there was inefficiency in implementation by the departments concerned/ implementing agencies.

(Paragraph 2.2.2.3)

Re-appropriation

Re-appropriations are meant for transfer of saving from one scheme/ unit to another within the same grant and under the same section (*i.e.*, Capital, Revenue or Loans). There were savings of ₹ 3,305.61 crore in 107 sub-heads (₹ 5 crore and above) under 33 grants and excesses of ₹ 3,172.25 crore in 24 sub-heads (₹ 5 crore and above) under 13 grants due to re-appropriation.

Recommendation: Leveraging advancements in Information Technology, the State Government may issue re-appropriations on the basis of real-time data on committed expenses and actual receipts.

(Paragraph 2.2.4)

Personal Deposit Accounts

Article 202 of the Constitution of India provides for legislative financial control over public expenditure through the annual financial statement/ Budget. Not transferring the unspent balances lying in PD Accounts to the Consolidated Fund before the closure of the financial year violates legislative intent, which is to ensure that funds approved by it for the financial year are spent during the financial year itself.

West Bengal Treasury Rule 6.09 states 'Personal Deposit Account created by debit to the Consolidated Fund of the State shall be closed at the end of the financial year by minus debit of the balance to the relevant service heads in the Consolidated Fund of the State'. It was, however, observed that there was a balance of ₹ 5,466.07 crore in 159 PD Accounts as on 31 March 2019. Non-transfer of unspent balances lying in PD accounts to Consolidated Fund of the State entails the risk of misuse of public fund, fraud and misappropriation.

Test-check of 65 Treasuries out of 91, conducted in 2018-19 showed 123 inoperative schemes under PD Accounts of 20 Administrators amounting to ₹ 47.96 crore yet to be closed at the end of 2018-19. Amounts lying in PD Accounts resulted in overstatement of expenditure to that extent. Moreover, in five Treasuries out of 65 test-checked Treasuries, the Administrators had not reconciled and verified their balances with the Treasury figures as of 31 March 2019.

Recommendation: *The Finance Department is required to review all PD Accounts and ensure that amounts unnecessarily lying in these accounts are immediately remitted to the Consolidated Fund and all inoperative PD accounts are closed.*

(Paragraph 3.1)

Non-submission of Annual Accounts by Autonomous Bodies/ Local Bodies

In respect of 51 ABs which were to render annual accounts to CAG, there were delays in submission of accounts. As of September 2019, 769 annual accounts of 193 bodies/ authorities due up to 2018-19, had not been received. Therefore, utilisation of funds for the intended purposes could not be verified in regard to these bodies/ authorities.

Recommendation: *The Finance Department should review the cases of all Autonomous Bodies/Local Bodies that are in arrears of accounts, ensure that the accounts are made current within a reasonable period.*

(Paragraphs 3.5 and 3.6)

Non-submission of Utilisation Certificates

As of September 2019, a total of 3,56,657 UCs were awaited for an amount of ₹ 2,00,772.17 crore. Major defaulting departments are Panchayat and Rural Development, School Education and Urban Development & Municipal Affairs. Huge pendency in submission of UCs is fraught with the risk of fraud and misappropriation of funds.

Recommendation: *The Finance Department should develop a mechanism to ensure submission of UCs which have become due without delay and review all UCs pending for submission before release of fresh grants.*

(Paragraph 3.7)

Non- submission of Detailed Contingent Bills

Detailed Contingent bills (9,527) of funds drawn through Abstract Contingent (AC) Bills for items of contingent nature were not submitted for ₹ 2,171.83

crore as of August 2019. Out of the above, 5,856 bills worth ₹ 1,769.23 crore pertain to only five Departments. Advances drawn and not accounted for increase the possibility of wastage/ misappropriation/ malfeasance, etc.

Recommendation: Finance Department may ensure that all Controlling Officers submit the required DC bills to adjust all pending AC bills in a time-bound manner.

(Paragraph 3.8)