

EXECUTIVE SUMMARY

Based on the audited accounts of the Government of Bihar for the year ended March 2021, this report provides an analytical review of the finances of the State Government.

Audit Findings

Fiscal Position

The State recorded a Fiscal Deficit of ₹ 29,827 crore during the year which had increased by ₹ 15,103 crore over the previous year. During 2020-21, the State suffered a revenue deficit of ₹ 11,325 crore for the 2nd time since 2004-05. There were instances of misclassification of revenue transactions under the capital section and non-accounting of other liabilities, which would have pushed up the deficits to a further extent, as brought out in the Report.

Although the fiscal deficit as a percentage of GSDP was within the revised targets of the BFRBM but the same was not as per the Budget Estimates. However, outstanding debt to GSDP was also within the projection of XVth FC.

(Chapter I)

Finances of the State

The State witnessed an increase of ₹ 3,936 crore (3.17 *per cent*) in Revenue Receipts during the year 2020-21 as compared to the previous year, primarily due to increase in Own Non-Tax.

Revenue Expenditure increased by ₹ 13,476 crore (10.69 *per cent*) mainly due to increase in committed expenditure during the year. Simultaneously, State Government has increased the expenditure on asset creation by 47.99 *per cent* over the previous year.

Outstanding Public Debt at the end of the year has increased by ₹ 29,035 crore (19.59 *per cent*) over the previous year.

The liabilities of the State have been increasing year-on-year and over 53.92 *per cent* of the borrowings were utilised for its repayment during the year 2020-21, affecting the asset creation in the State.

(Chapter II)

Budgetary Management

State Government has incurred expenditure of ₹ 1,67,915.40 crore (68.39 *per cent*) against the total provision (₹ 2,45,522.62 crore) during the year. The supplementary provision (₹ 33,761.12 crore) becomes completely unnecessary as the expenditure was not even up to the level of original provision.

Out of total savings of ₹ 77,607.22 crore, only 16.84 *per cent* (₹ 13,067.33 crore) was surrendered during the year resulting in a non-surrender of savings aggregating to ₹ 64,539.89 crore (83.16 *per cent* of total savings).

During 2020-21, in 44 cases (35 grants/appropriations), supplementary provisions amounting to ₹ 17,855.06 crore (₹ 1 crore or more in each case) proved unnecessary and remained fully

unutilised as the expenditure (₹ 1,10,142.09 crore) had not even reached up to the level of the original provision (₹ 1,50,136.86 crore).

In Gender Budget, no expenditure was incurred against 29 Category 'A' schemes despite having a fund of ₹ 2,932.69 crore. State government failed to spend a single rupee on 48 schemes despite having funds of ₹ 2,958.33 crore in Child Welfare Budget. GoB was first in the country to prepare Green Budget. A provision of ₹ 5,693.88 crore was made for 231 schemes under six categories. However, out of 66 schemes categorised as Group A, no expenditure was incurred in 13 schemes.

(Chapter III)

Quality of Accounts and Financial Reporting practices

Even though a separate sub head (8443-00-108-0004) has been opened for collection of Labour Cess, not all the amount collected during the Financial Year 2020-21 has been transferred to Building and Other Construction Welfare Board. The head 8443-00-108-0004 still had a closing balance of ₹ 85.53 crore as on 31.03.2021. No separate sub head has been opened for the collection of funds for the Bihar District Mineral Foundation which makes accounting and monitoring of these funds difficult.

There were 252 PD accounts with a closing balance of ₹ 3,811.33 crore as on 31st March 2021. There were 90 new PD accounts that have been opened in which an amount of ₹ 199.17 crore was credited. It is imperative to curtail the usage of Personal Deposit Accounts to maintain the sanctity of the budgetary process as the amount credited to these deposit accounts are booked as expenditure by the state government without actual expenditure taking place in the fields.

Further, there was a gap in the number of PD Accounts and the amount lying in them as per Comprehensive Financial Management System (CFMS) and Finance Accounts, primarily due to non-transfer or error in the transfer of balances from CTMIS to CFMS system. This requires reconciliation, as significant variations were observed between the balances of CFMS and Finance Accounts.

As on 31 March 2021, UCs were outstanding for an amount of ₹ 92,687.31 crore which is fraught with the risk of misappropriation of funds and fraud.

The total of 26,504 AC Bills amounting to ₹ 13,459.71 crore, had not been adjusted till March 2021. Out of these, 1833 AC Bills amounting to ₹ 429.32 crore (8.88 *per cent* of the total drawn 6308 AC Bills amounting to ₹ 4,834.28 crore) were drawn in March 2021. Non-submission of Detailed Contingent bills against drawal of Abstract Contingent bills has increased the possibility of wastage and misappropriation.

Funds under 102- Suspense Account-civil have increased (net Dr. 14,527.78 crore) during 2020-21 in comparison to the previous year 2019-20 (net Dr. 9,857.46 crore).

(Chapter IV)

State Public Sector Enterprises (SPSEs)

The SPSEs covered in this report registered an annual turnover of ₹ 19,352.10 crore as per their latest finalised accounts. This turnover was equal to 3.13 *per cent* of GSDP for the year 2020-21 (₹ 6,18,628.00 crore).

As on 31 March 2021, the total investment (equity and long term loans) in SPSEs covered in this report was ₹ 45,798.12 crore. The investment consisted of 84.74 *per cent* (₹ 38,807.43 crore) towards equity and 15.26 *per cent* (₹ 6,990.69 crore) in long-term loans. The State Government had an equity holding of ₹ 38,419.14 crore in share capital. The loans given by State Government which was outstanding as on 31 March 2021 amounted to ₹ 1,897.21 crore. Compared to the previous year, holding of the State Government in equity of SPSEs registered a net increase of ₹ 33.01 crore.

Government provided budgetary support to the tune of ₹ 20,145.84 crore to 15 working State Public Sector Enterprises (SPSEs), two Statutory Corporations and 16 non-working SPSEs up to August 2021 whose Accounts were in arrears as on 31 March 2021. These SPSEs have not finalised their Accounts for the last one to 44 years in violation of provisions of the Companies Act/Acts of the respective Statutory Corporations/ SPSEs.

Out of 18 SPSEs covered in the report, nine SPSEs earned profit during the year 2020-21. The profit earned increased to ₹ 724.17 crore in 2020-21 from ₹ 600.99 crore in 2019-20. The top profit-making company in 2020-21 was Bihar Grid Company Limited (₹ 154.82 crore). The Net worth of nine SPSEs that earned profit during 2020-21 was ₹ 10,072.57 crore. The Return on Equity (ROE) of these nine SPSEs was 7.19 *per cent* as compared to 6.10 *per cent* in 2019-20. ROE of all the 18 SPSEs i.e., including five loss making and four no profit no loss companies was (-)12.10 *per cent* in 2020-21.

As on 31 March 2021, out of 18 SPSEs, there were only five SPSEs which incurred losses amounting to ₹ 3,213.13 crore. The accumulated losses and net worth of these five SPSEs were ₹ 19,629.17 crore and ₹ 9,223.73 crore respectively against equity investment of ₹ 28,852.90 crore. The net worth of five SPSEs was completely eroded, and it was (-)₹ 587.82 crore against equity investment of ₹ 85.60 crore as on 31 March 2021.

(Chapter V)