

This chapter provides an audit perspective of the finances of the GoB for the year 2019-20 and analyses critical changes in major fiscal aggregates based on the details contained in the Finance Accounts of the State related to the previous years and an assessment of the fiscal position as on 31 March 2020.

2.1 Major changes in Key fiscal aggregates vis-à-vis 2018-19

This section gives a bird's eye view of the major changes in key fiscal aggregates of the State during the financial year, compared to the previous year. Each of these indicators analyses in the following paragraphs.

Table 2.1: Changes in key fiscal aggregates in 2019-20 compared to 2018-19

Revenue Receipts	<ul style="list-style-type: none"> ✓ Revenue receipts of the State decreased by 5.74 per cent. ✓ Own Tax receipts of the State increased by 2.55 per cent. ✓ Own Non-tax receipts decreased by 10.43 per cent. ✓ State's Share of Union Taxes and Duties decreased by 13.85 per cent. ✓ Grants-in-Aid from the Government of India increased by 9.40 per cent.
Revenue Expenditure	<ul style="list-style-type: none"> ✓ Revenue expenditure increased by 0.90 per cent. ✓ Revenue expenditure on General Services increased by 7.59 per cent. ✓ Revenue expenditure on Social Services decreased by 0.80 per cent. ✓ Revenue expenditure on Economic Services decreased by 4.82 per cent. ✓ Expenditure on Grants-in-Aid decreased by 59.34 per cent.
Capital Expenditure	<ul style="list-style-type: none"> ✓ Capital expenditure decreased by 41.57 per cent. ✓ Capital expenditure on General Services decreased by 27.88 per cent. ✓ Capital expenditure on Social Services decreased by 30.99 per cent. ✓ Capital expenditure on Economic Services decreased by 48.03 per cent.
Loans and Advances	<ul style="list-style-type: none"> ✓ Disbursement of Loans and Advances decreased by 54.69 per cent ✓ Recoveries of Loans and Advances decreased by 98.33 per cent
Public Debt	<ul style="list-style-type: none"> ✓ Public Debt Receipts increased by 56.12 per cent. ✓ Repayment of Public Debt decreased by 1.66 per cent.
Public Account	<ul style="list-style-type: none"> ✓ Public Account Receipts increased by 19.67 per cent. ✓ Disbursement of Public Account increased by 21.36 per cent.
Cash Balance	<ul style="list-style-type: none"> ✓ Cash balance increased by ₹ 430.95 crores (19.56 per cent) during 2019-20 compared to the previous year.

2.2 Sources and Application of Funds

This section compares the components of the sources and application of funds of the State during the financial year compared to the previous year. The details are included in *Appendix 2.1*.

Table 2.2: Details of Sources and Application of funds during 2018-19 and 2019-20

(₹ in crore)

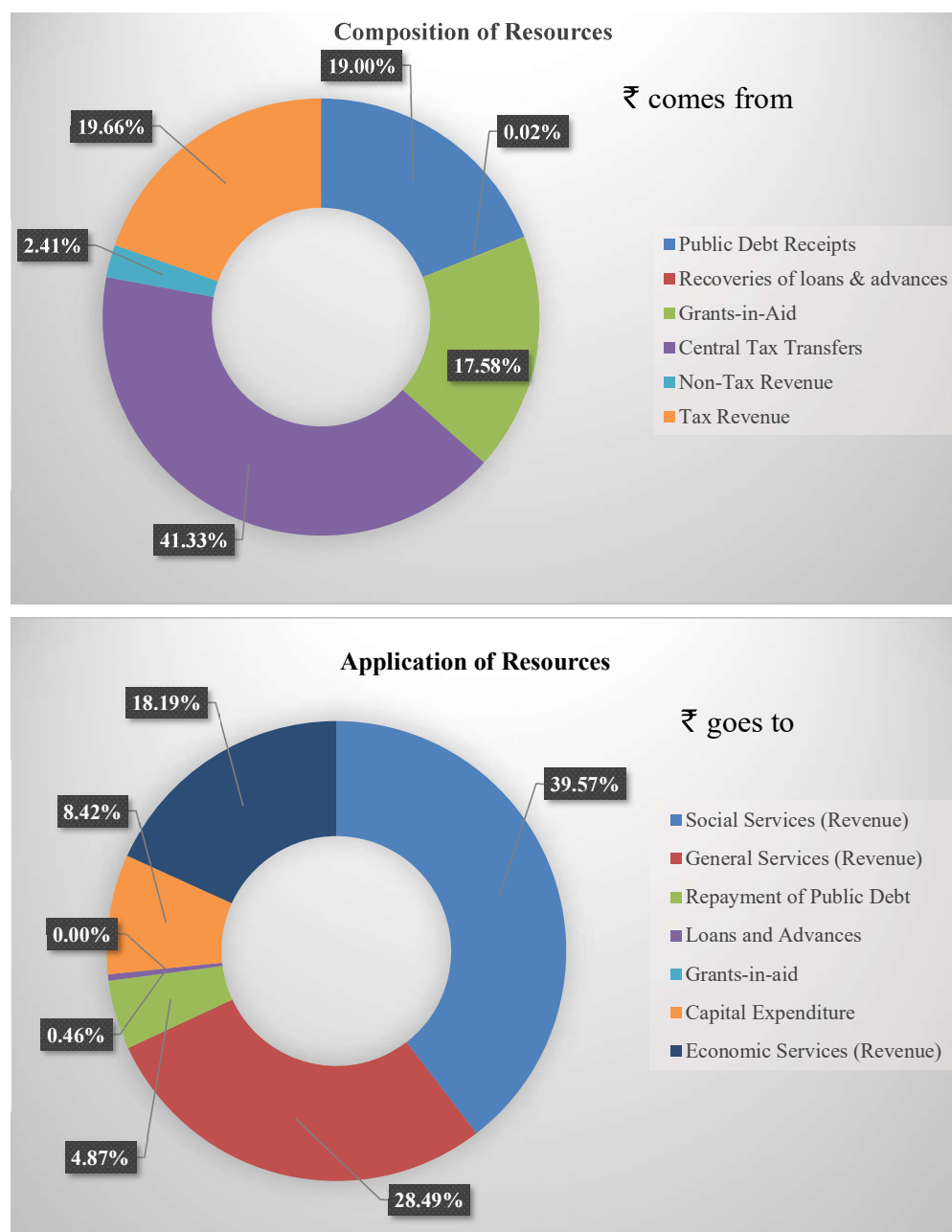
	Particulars	2018-19	2019-20	Increase/ Decrease
Sources	Opening Cash Balance with RBI	22,081	20,837	(-)1,244
	Revenue Receipts	1,31,794	1,24,233	(-)7,561
	Recoveries of Loans and Advances	1,825	30	(-)1,795
	Public Debt Receipts (Net)	11,438	22,035	10,597
	Public Account Receipts (Net)	1,124	(-)3,235	(-)4,359
	Total	1,68,262	1,63,900	(-)4,362

	Particulars	2018-19	2019-20	Increase/ Decrease
Application	Revenue Expenditure	1,24,897	1,26,017	1,120
	Capital Expenditure	21,058	12,304	(-)8,754
	Disbursement of Loans and Advances	1,470	666	(-)804
	Closing Cash Balance with RBI	20,837	24,913	4,076
	Total	1,68,262	1,63,900	(-)4,362

(Source: Finance Accounts for the year 2019-20)

Charts 2.1 give the details of receipts into and expenditure from the Consolidated Fund during 2019-20 in terms of percentages.

Chart 2.1: Composition / Application of Resources



(Source: Finance Accounts for the year 2019-20)

Analysis revealed that:

- Revenue Expenditure was primarily met out of the Revenue Receipts with Public Debt also being a contributor;
- In the General Services (Revenue), Salaries and wages comprised 46.38 *per cent*;
- Beside Repayment of Public Debt (35.85 *per cent*), Interest Payments constituted 06.70 *per cent*, thereby taking overall Repayments to 42.55 *per cent* of the Consolidated Fund;
- The deficit financing was compensated through borrowings, which accounted for seven *per cent* of total resources.

2.3 Resources of the State

The resources of the State are described below:

1. **Revenue receipts** consist of tax revenue, non-tax revenue. State's share of Union taxes and duties and grants-in-aid from the Government of India (GoI).
2. **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.

Both revenue and capital receipts form part of the Consolidated Fund of the State.

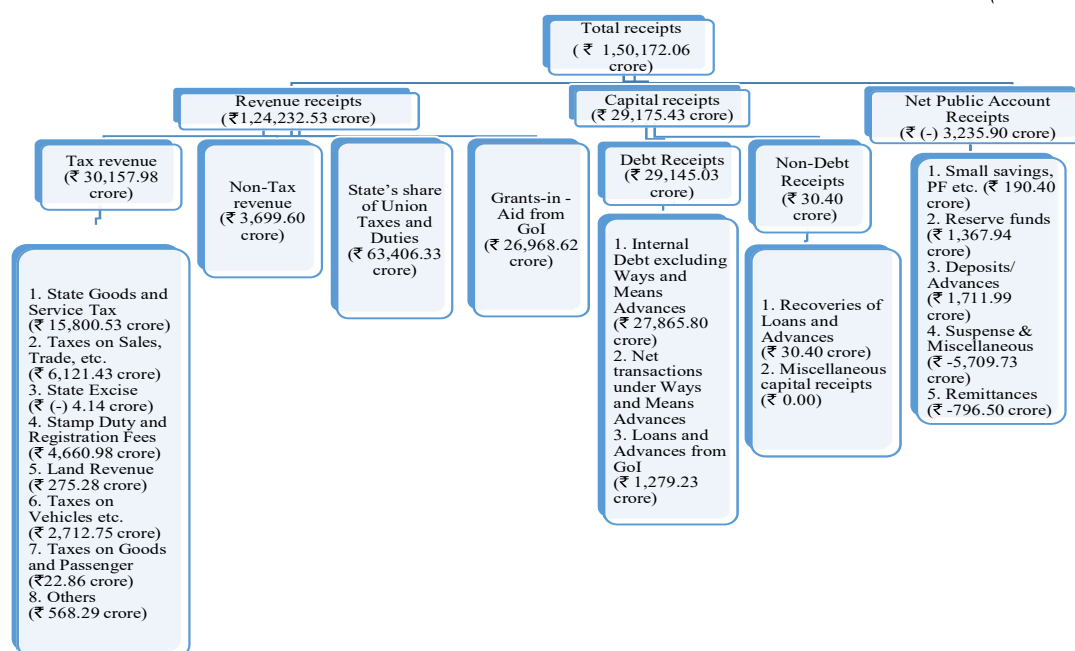
3. **Net Public Accounts receipts:** There are receipts and disbursements in respect of certain transactions such as small savings, provident funds, reserve funds, deposits, suspense, remittances, etc. which do not form part of the Consolidated Fund.

These are kept in the Public Account set up under Article 266 (2) of the Constitution and are not subject to vote by the State Legislature. Here, the Government acts as a banker. The balance after disbursements is the fund available with the Government for use.

2.3.1 Receipts of the State

It provides the composition of the overall receipts. Besides, the Capital and Revenue Receipts, funds available in the Public Account (net of disbursement made from it) are also utilised by the Government to finance its deficit.

Chart 2.2: Composition of receipts of the State during 2019-20

(*₹ in crore*)

(Source: Finance Accounts for the year 2019-20)

Total receipts during 2019-20, contribution from Revenue Receipts, Capital Receipts and Net Public Account Receipts were 82.72 per cent, 19.43 per cent and (-) 02.15 per cent respectively, details of which have been discussed in subsequent paragraphs.

2.3.2 State's Revenue Receipts

It gives the trends in total revenue receipts and their components. It is followed by trends in the receipts bifurcated into receipts from the Central Government and State's own receipts.

2.3.2.1 Trends and growth of Revenue Receipts

The trends in revenue receipts relative to GSDP and the composition of revenue receipts are given in Table 2.3.

Table 2.3: Trend in Revenue Receipts

Parameters	2015-16	2016-17	2017-18	2018-19	2019-20
Revenue Receipts (RR) (₹ in crore)	96,123	1,05,585	1,17,447	1,31,794	1,24,233
Rate of growth of RR (per cent)	22.58	9.84	11.23	12.22	(-) 5.74
Own Tax Revenue	25,449	23,742	23,137	29,408	30,158
Non-Tax Revenue	2,186	2,403	3,507	4,131	3,700
Rate of growth of Own Revenue (Own Tax and Non-tax Revenue) (per cent)	23.88	(-) 5.39	1.91	25.88	0.95
Gross State Domestic Product Current Price (₹ in crore) (2011-12 Series)	3,71,602	4,21,051	4,68,746	5,30,363	6,11,804
Rate of growth of GSDP (per cent)	8.35	13.31	11.33	13.15	15.36
RR/GSDP (per cent)	25.87	25.08	25.06	24.85	20.31
Buoyancy Ratios ³					
Revenue Buoyancy w.r.t GSDP	2.7	0.74	0.99	0.93	(-) 0.37
State's Own Revenue Buoyancy w.r.t GSDP	2.86	(-) 0.40	0.17	1.97	0.06

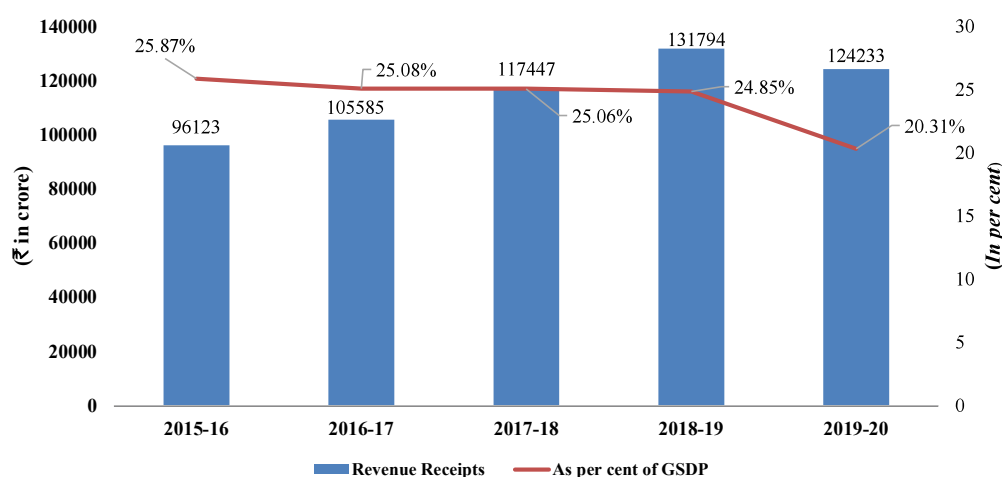
(Source of GSDP figures: MoSPI Press Release dated 31.07.2020)

³ Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable.

The rate of growth of revenue receipts in 2019-20 has decreased by 5.74 *per cent* as compared to that of the previous year. During this year, revenue buoyancy w.r.t GSDP has also been seen in negative. The percentage of revenue receipts to GSDP has lowered to 20.31 *per cent* during the last five years. The reason for the decrease in revenue receipts was less receipts under the share of union taxes by ₹ 10,196.80 crore and State's non-tax by ₹ 430.96 crore.

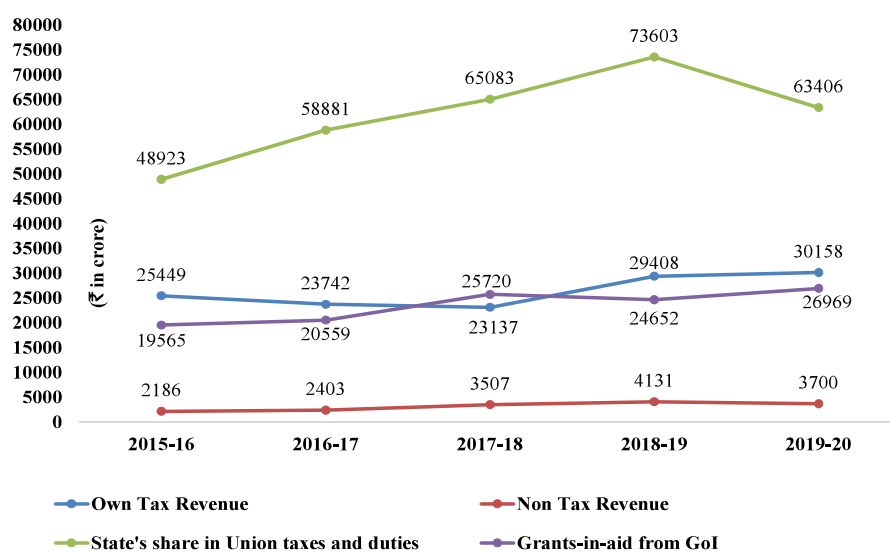
The State Government has got its net proceeds of union taxes mainly in the months of October 2019 (56 *per cent*), February 2020 (17 *per cent*), and March 2020 (19 *per cent*). Major chunk of Grants-in-aid (GIA) from Central Government was also received in October 2019 (about 32 *per cent* of GIA and March 2020 (about 38 *per cent* of GIA). Together, net proceeds of union taxes and GIA constitutes about 73 *per cent* of the State's total revenue receipts. Due to this, the State Government's revenue receipts have more fund flow in the above periods whereas fund receipts were nominal during the month of April 2019 to August 2019. Therefore, the State maintained its expenditure from April 2019 to August 2019 from Cash balance investment accounts, States own tax revenue and non-tax revenue.

Chart 2.3: Trend of Revenue Receipts as well as relative share w.r.t GSDP



(Source: Finance Accounts of the respective year)

Chart 2.4: Trend of components of Revenue Receipts



(Source: Finance Accounts of the respective year)

Above **Chart 2.4** indicates that the major components of revenue receipts were Share of union taxes and duties (51 *per cent*) and Grants-in-aid from GoI (22 *per cent*). Only 27 *per cent* of revenue receipts is part of the State's own tax revenue which shows that the GoB is highly dependent on the GoI as 73 *per cent* of its revenue comes from GoI.

General trends relating to Revenue Receipts of the State are as follows:-

- Revenue Receipts decreased by ₹ 7,561 crore (5.74 *per cent*) during 2019-20 over the previous year. State's share of Union Taxes and Duties decreased by ₹ 10,197 crore (13.85 *per cent*) followed by non-tax revenue by ₹ 431 crore (10.43 *per cent*). Whereas tax revenue by 750 crore (2.55 *per cent*) and Grants-in-aid from GoI by ₹ 2,317 crore (9.40 *per cent*) increased.
- During 2019-20, 27.25 *per cent* of the Revenue came from the State's own resources and the balance was from GoI in the form of central tax transfers and grants-in-aid. This is indicative of the fact that Bihar's fiscal position is largely influenced by tax transfers and Grants-in-Aid from GoI.
- As can be seen from **Table 2.3**, Revenue Buoyancy though higher than two during 2015-16, dipped to less than two during 2019-20 indicating that Revenue Receipts remained less buoyant vis-à-vis GSDP. As GSDP grows, the ability of the State Government to mobilise its own revenue should also increase. **Table 2.3** also shows that the State was able to increase its own resources during 2018-19 keeping in tandem with GSDP. However, decrease in collection of non-tax revenue during 2019-20 decreased revenue buoyancy to a negative level.

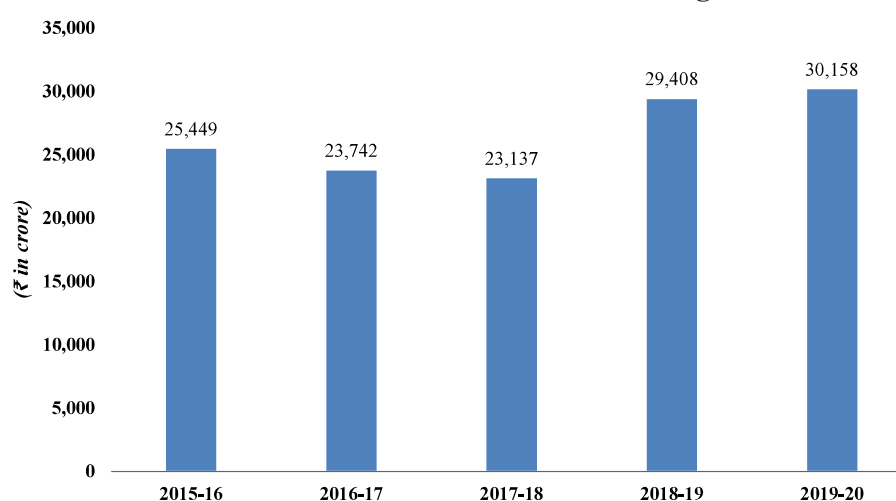
2.3.2.2 State's Own Resources

State's performance in mobilisation of additional resources can be assessed in terms of its own resources comprising revenue from its own tax and non-tax sources.

Own Tax revenue

Own tax revenues of the State consist of State GST, Stamp duty and Registration fees, taxes on vehicles, taxes on Sales, Trade, etc., land revenue, taxes on goods and passengers, etc.

Chart 2.5: Growth of Own Tax Revenue during 2015-20



(Source: Finance Accounts of the respective year)

Table 2.4: Components of State's own tax revenue*(₹ in crore)*

Component of State own tax Revenue						
	2015-16	2016-17	2017-18	2018-19	2019-20	Spark line
Taxes on Sales, Trade etc.	10,603	11,873	8,298	6,584	6,121	
SGST	0	0	6,747	15,288	15,801	
State excise	3,142	30	-3	-10	-4	
Stamp duty and Registration fees	3,409	2,982	3,726	4,189	4,661	
Taxes on vehicles	1,081	1,257	1,599	2,086	2,713	
Land revenue	695	971	779	477	275	
Tax on goods and passengers	6,087	6,245	1,645	399	23	
Other Taxes	432	384	346	395	568	
Total	25,449	23,742	23,137	29,408	30,158	

*(Source: Finance Accounts of the respective year)***Other taxes includes⁴*

The decrease in taxes on Sales, Trade, etc., and Goods and Passengers were due to the implementation of the Goods and Service Tax (GST) from July 2017. The increase in SGST was mainly due to more receipts under Tax and input tax credit cross utilisation of SGST and IGST. In addition, an increase in Stamp duty and Registration fees was due to increase in Duty of Impressing of documents and fees for registering documents. Decrease in state excise duty was due to prohibition imposed in the state from April 2016. The negative balance appeared was due to refunds.

As per monthly civil accounts, the State receives less revenue in April 2019 and May 2019, whereas a major chunk was received in months of September 2019 (20 *per cent*) owing to high receipts in SGST Head and March 2020 (15 *per cent*) due to receipts through sales and trade head.

State Goods and Service Tax (SGST)

According to GST (Compensation to the States) Act 2017, Central Government will compensate the States for loss of revenue arising on account of implementation of GST considering an annual growth of 14 *per cent* from the base year, for a period of five years. The Centre levies the Integrated GST (IGST) on inter-state supply of goods and services, and apportions the state's share of tax to the State where the goods or services are consumed.

The protected revenue for the year 2019-20 (1st April 2019 to 31st March 2020) in accordance with the base year figure was ₹ 21,315.60 crore. Against the protected revenue of ₹ 21,315.60 crore, the revenue receipt of the State Government under GST during the year 2019-20 was ₹ 15,869.97 crore (excluding ₹ 326.00 crore received for 2018-19). The compensation received during 2019-20 by GoB was ₹ 3,198.78 crore. The deficit on account of implementation of GST, ₹ 2246.85 crore (₹ 2265.20 crore) was received as compensation in next financial year i.e. 2020-21 (₹ 18.35 crore was received in excess of its actual compensation).

⁴ Taxes on Professions, Trades, Callings and Employment, Taxes on Duties on Electricity and Other Taxes and Duties on Commodities and Services

Further, the Government of India's decision to provide access to Pan-India data at GSTN (Goods and Service Tax Network) premises was conveyed on 22nd June 2020. No access to GST backend data was provided by the State Government till 31 March 2020. Though, access to GST back-end systems data, user ID and password of the concerned officials has been created (February 2021), however, access to only MIS information was provided rather than original documents generated in GST portal. The accounts for the year 2019-20 have, therefore, been certified on the basis of test audit, as was being done when records were being maintained manually, pending full implementation of the Government of India's decision to provide access to GSTN data to Audit.

Analysis of arrears of revenue and arrears of assessment

The arrears of revenue indicate delayed realisation of revenue due to the Government. Similarly, arrears of assessment indicate potential revenue which is blocked due to delayed assessment. Both deprive the State of potential revenue receipts and affect ultimately the revenue deficit. Details of arrears of revenue are in **Table 2.5**.

Table 2.5: Arrears of revenue

(₹ in crore)

Sl. No.	Head of revenue	Name of Department	Total amount outstanding as on 31 March 2019	Total amount outstanding as on 31 March 2020	Amount outstanding for more than five years
1.	Taxes on vehicles	Transport	179.30	187.07	-
2.	State excise	Prohibition, excise and registration	46.54	53.19	17.38
3.	VAT/Sales trade etc.	Commercial tax	3,351.16	3,696.69	2,782.00
4.	Non-ferrous Mining and Metallurgical Industries	Mines and Geology	-	360.33	218.12
5.	Revenue & Land Reform	Revenue & Land Reform	-*	256.96	115.10
Total			3,577.00	4,554.24	3,132.60

(Source: Concerned departments)

* Information has not been provided by the Department for 2018-19

It can be seen from the above table that arrears of revenue increased in VAT/Sales Trade by ₹ 345.53 crore (10.31 *per cent*) compared to the previous year (₹ 3,351.16 crore) 2018-19. The various reasons observed for the arrears of revenue were recoveries of arrears of land revenue, recoveries stayed by Courts/Appellate authorities, recoveries held up due to assesses/dealers becoming insolvent, etc.

Details of evasion of tax detected by the Department, refund cases, etc.

The cases of evasion of tax detected by the Excise & Taxation Department, cases finalised and the demands for additional tax raised are important indicators of revenue collection efforts of the State Government. Promptness in the disposal of refund cases is an important indicator of the performance of the Department. Evasion of tax detected is in **Table 2.6**.

Table 2.6: Evasion of Tax Detected

Sl. No.	Head of revenue	Cases pending as on 31 March 2019	Cases detected during 2019-20	Total	No. of cases in which assessment / investigation completed and additional demand with penalty etc. raised		No. of cases pending for finalisation as on 31 March 2020
					No. of cases	Amount of demand (₹ in crore)	
1.	Taxes/GST on sales, Trade	-	266	266	223	554.08	43
2.	Excise	11	-	11	-	0.44	11
Total		11	266	277	223	554.52	54

(Source: Concerned departments of GoB)

During the year, 266 cases were detected in VAT/Sales Trade/GST for assessment/ investigation. Out of which assessment of 223 cases had been completed and additional demand with the penalty of ₹ 554.08 crore was raised. Total 54 cases were pending for finalisation as on 31st March 2020. Further in State Excise Department, an amount of ₹ 62.28 crore was still outstanding in nine cases.

Non Tax Revenue

Non-Tax revenue consists of interest receipts, dividends, and profits, mining receipts, departmental receipts, etc. Components of non-tax revenue of the State are depicted in Table 2.7.

Table 2.7: Components of State's non-tax revenue

(₹ in crore)

Component of Non-tax Revenue						
	2015-16	2016-17	2017-18	2018-19	2019-20	Spark line
Interest Receipts	583.66	939.91	1,577.24	1,371.94	1,416.48	
Dividends and Profits	14.84	3.73	1.34	13.67	1.62	
Other non-tax receipts	1,587.14	1,459.48	1,928.16	2,744.95	2,281.50	
(a) Major and medium irrigation	20.25	16.58	27.43	52.77	24.32	
(b) Road Transport	0.14	0.19	0.17	0.19	0.20	
(c) Urban Development	0.00	0.71	7.43	0.94	4.80	
(d) Education	41.30	17.09	21.47	18.85	17.13	
(e) Non-ferrous mining	971.34	997.60	1,082.67	1,560.65	1,572.07	
(f) Other or misc.	554.11	427.31	788.99	1,111.55	662.98	
Total	2,185.64	2403.12	3,506.74	4,130.56	3,699.60	

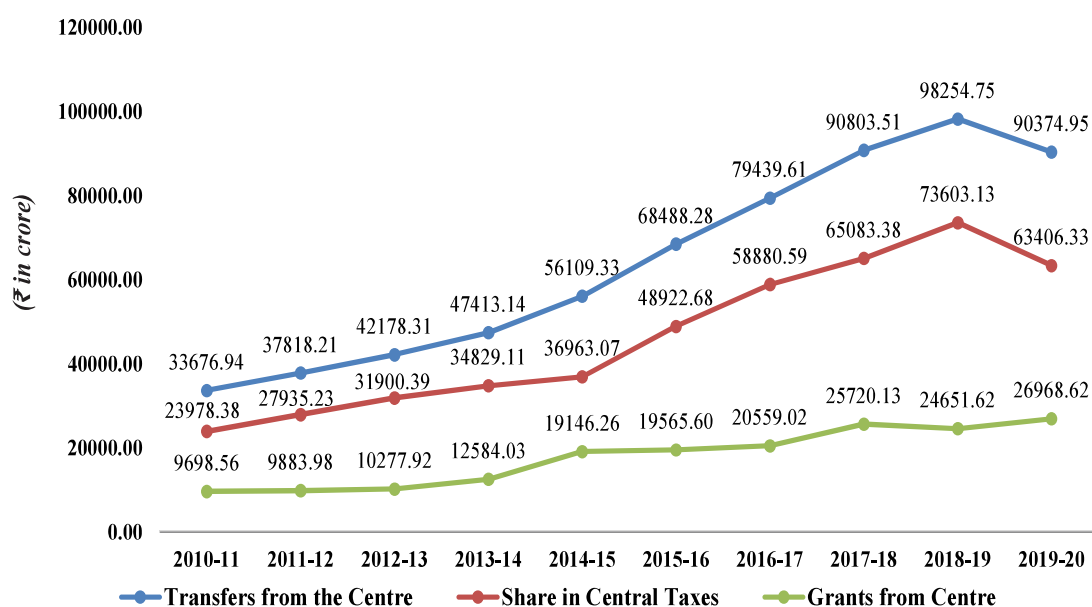
(Source: Finance Accounts of the respective year)

The Non-tax revenue has decreased from ₹ 4,130.56 crore to ₹ 3,699.60 crore during the year. It was mainly due to less receipts under contribution and recoveries towards pension and other retirement benefits by ₹ 557.13 crore (apportionment of pension liabilities between successor States shall be on the basis of population ratio). Further, dividends and profits of the State have decreased by ₹12.05 crore. However, an increase in interest receipts was attributed to interests from the investment of cash balances (₹ 938.84 crore), co-operative societies (₹ 121.64 crore), and other receipts (₹ 478.09 crore).

2.3.2.3 Transfers from the Centre

Fund transfers from the Centre mainly depends upon Finance Commission recommendations and it constitutes around more than 70 *per cent* of Revenue receipts of the State for the last five years. Details of GoI grants are given below in **Chart 2.6**.

Chart 2.6: Trends in transfers from Centre



(Source: Finance Accounts of the respective year)

Transfers from the Centre increased from ₹ 33,676.94 crore in 2010-11 to ₹ 90,374.95 crore in 2019-20 but decreased significantly in comparison to the previous year due to decrease in share in central taxes by ₹ 10,196.80 crore.

Central tax transfer

Table 2.8: Central Tax Transfers

(₹ in crore)					
Head	2015-16	2016-17	2017-18	2018-19	2019-20
Central Goods and Services Tax (CGST)	-	-	925.48	18,166.79	17,992.97
Integrated Goods and Services Tax (IGST)	-	-	6,572.00	1,449.80	0.00
Corporation Tax	15,377.40	18,889.20	19,935.56	25,596.84	21,618.94
Taxes on Income other than Corporation Tax	10,643.04	13,128.06	16,834.16	18,850.99	16,939.90
Customs	7,849.43	8,125.40	6,570.00	5,217.40	4,019.07
Union Excise Duties	6,577.11	9,278.51	6,867.50	3,467.28	2,794.34
Service Tax	8,430.37	9,416.01	7,379.29	673.31	0.00
Other Taxes ⁵	45.33	43.41	(-) 0.61	180.72	41.11
Central Tax transfers	48,922.68	58,880.59	65,083.38	73,603.13	63,406.33
Percentage of increase over previous year	32.36	20.35	10.53	13.09	(-)13.85
Percentage of Central tax transfers to Revenue Receipts	50.90	55.77	55.42	55.85	51.04

(Source: Finance Accounts of the respective year)

⁵ Include Taxes on Wealth, Other Taxes on Income and Expenditure, Other Taxes and Duties on commodities and Services

Central tax transfers decreased by ₹ 10,196.80 crore (13.85 *per cent*) over the previous year due to the reduced share of net proceeds assigned to the State. During the year, devolution in IGST has gone to zero compared to ₹ 1,449.80 crore in the previous year.

Grants-in-aid from GoI

The State Government receives grants-in-aid and share of Union taxes and duties, based on recommendations of the Finance Commission. Details of GoI grants are given below in Table 2.9.

Table 2.9: Grants-in-aid from Government of India

(₹ in crore)

Head	2015-16	2016-17	2017-18	2018-19	2019-20
Non-Plan Grants	3,434.43	4,505.51	(-) 5.00	-	-
Grants for State Plan Schemes	13,886.33	13,952.92	(-) 2.20	(-) 2.82	(-) 40.27
Grants for Central Plan Schemes*	2,083.98	1,422.91	-	-	-
Grants for Centrally Sponsored Schemes (CSS)	-	-	13,312.26	16,322.72	15,302.04
Grants for Centrally Sponsored Plan Schemes	160.86	677.68	(-) 1.00	-	-
Finance Commission Grants	-	-	4,525.06	4,775.20	7,343.61
Other transfers/Grants to States/Union Territories with Legislature	-	-	7,891.01	3,556.52	4,363.24
Total	19,565.60	20,559.02	25,720.13	24,651.62	26,968.62
Percentage of increase over the previous year	2.19	5.08	25.10	(-) 4.15	9.40
Percentage of GIA to Revenue Receipts	20.35	19.47	21.90	18.70	21.71

(Source: Finance Accounts of the respective year)

*There are no figures since the nomenclature of plan and non-plan grants was removed with effect from the year 2017-18 and replaced by Grants for CSS, Finance Commission Grants, and Other Grants to States.

Grants-in-aid from the GoI have increased from ₹19,565.60 crore in 2015-16 to ₹ 26,968.62 crore in 2019-20. The increase was shown mainly due to grants released under GST Compensation (37.10 *per cent*) and Finance Commission Grants (53.79 *per cent*). During 2019-20, GoB received ₹ 15,302.04 crore for implementation of Centrally Sponsored Schemes (Appendix-V of Finance Accounts 2019-20) which was 6.25 *per cent* less than from the previous year. The trend of total grants from GoI as a percentage of revenue receipts ranged between 18.70 *per cent* to 21.90 *per cent* during 2015-20. Some of the major components are grants for timely education (Primary education)- ₹ 2524.96 crore and National Disaster Response Fund (NDRF)- ₹ 553.17 crore in which allocation was not made in the previous year. Grants for Rural Local Bodies increased by ₹ 1475 crore under Finance Commission Grants over the previous year. Major portion of GIA has been received in months i.e. October 2019 (₹ 8,756.40 crore) and March 2020 (₹ 10,277.09 crore). The rest of the months have received nominal amounts.

2.3.3 Capital receipts

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.

Table 2.10: Trends in growth and composition of capital receipts*(₹ in crore)*

Sources of State's Receipts	2015-16	2016-17	2017-18	2018-19	2019-20
Capital Receipts	18,402	21,600	13,191	20,493	29,175
Recovery of Loans and Advances	19	23	22	1,825	30
Public Debt Receipts	18,383	21,577	13,169	18,668	29,145
<i>Internal Debt</i>	<i>17,565</i>	<i>20,065</i>	<i>11,771</i>	<i>16,134</i>	<i>27,866</i>
<i>Growth rate</i>	<i>33.08</i>	<i>14.23</i>	<i>(-)41.34</i>	<i>37.07</i>	<i>72.72</i>
<i>Loans and advances from GoI</i>	<i>818</i>	<i>1,512</i>	<i>1,398</i>	<i>2,534</i>	<i>1,279</i>
<i>Growth rate</i>	<i>14</i>	<i>85</i>	<i>(-) 8</i>	<i>81</i>	<i>(-) 50</i>
Rate of growth of debt Capital Receipts	32	17	(-) 39	42	56
Rate of growth of non-debt capital receipts	(-) 99	21	(-) 4	8,195	(-) 98
Rate of growth of GSDP	8.35	13.31	11.33	13.15	15.36
Rate of growth of Capital Receipts (<i>per cent</i>)	19	17	(-) 39	55	42

(Source: Finance Accounts and for GSDP– MoSPI dated 31.07.2020)

Capital receipts increased mainly due to an increase in internal debt from the previous year by 72.72 *per cent*. The share of public debt receipt in capital receipts was 99.89 *per cent*. The rate of growth of debt capital receipts was increasing in trend over the previous year. This was mainly because of increase in revenue deficit during the year.

Capital Receipts (₹ 29,175 crore) in the current year increased by ₹ 8,682 crore (42.36 *per cent*) over 2018-19. This was owing to increase in market borrowings by 107.02 *per cent*. In the current year, ₹ 22,572.54 crore was taken as borrowings (as discussed in **para 2.6.1**). Its contribution in capital receipts increased to 77.36 *per cent* from 53.20 *per cent* in 2018-19. Loans and advances from GoI decreased by 49.52 *per cent*.

Net Public Debt Receipts with respect to GSDP in the current year (3.60 *per cent*) remained more buoyant than the previous year (2.15 *per cent*). This was due to increase in net borrowings of ₹ 11,669.47 crore (107.02 *per cent*) over the increase of ₹ 10,903.07 crore (22.39 *per cent*) in 2018-19.

Non-debt capital receipts in the shape of recoveries of loans and advances shown reduced due to book adjustment in recovery of loans from PSEs/Bodies/Authorities during previous year.

Although Capital Receipts increased by 42.36 *per cent* over the previous year, the Capital Expenditure decreased by 41.57 *per cent* over previous year.

2.3.4 State's performance in the mobilisation of resources

State's performance in mobilisation of resources is assessed in terms of its own resources comprising own-tax and non-tax sources.

The State's own resources (tax and non-tax revenue) have slightly increased from ₹ 33,539 crore in 2018-19 to ₹ 33,858 crore in 2019-20. The State's tax revenues and non-tax revenues *vis-à-vis* budget projections are shown in **Table 2.11**.

Table 2.11: Tax and non-tax receipts vis-à-vis projections*(₹ in crore)*

	FC projections	Budget Estimates	Actual	Percentage variation of actual over	
				Budget estimates	FC projections
Own Tax revenue	68,956	33,800	30,158	(-)10.78	(-)56.26
Non-tax revenue	4,015	4,806	3,700	(-)23.01	(-)7.85

(Source: Finance Accounts 2019-20, Finance Commission Report and Budget Estimates of GoB)

Thus, it can be seen that State's own tax revenue, as well as non-tax revenue, was less than the Budget estimates of the State and Finance Commission's projection as well.

2.4 Application of resources

The State Government is vested with the responsibility of incurring expenditure within the framework of fiscal responsibility legislations, while at the same time ensuring that the ongoing fiscal correction and consolidation process of the State is not at the cost of expenditure directed towards the development of capital infrastructure and social sector.

2.4.1 Growth and composition of expenditure

Trend analysis of overall expenditure and its components along with their percentage of GSDP is depicted in **Table 2.12**.

Table 2.12: Total expenditure and its composition

(₹ in crore)					
Parameters	2015-16	2016-17	2017-18	2018-19	2019-20
Total Expenditure (TE)	1,08,203	1,22,087	1,31,774	1,47,425	1,38,987 ⁶
Revenue Expenditure (RE)	83,616	94,765	1,02,624	1,24,897	1,26,017
Capital Expenditure (CE)	23,966	27,208	28,907	21,058	12,304
Loans and Advances	621	114	243	1,470	666
As a percentage of GSDP					
TE/GSDP	29.12	29.00	28.11	27.80	22.72
RE/GSDP	22.50	22.51	21.89	23.55	20.60
CE/GSDP	6.45	6.46	6.17	3.97	2.01
Loans and Advances/GSDP	0.17	0.03	0.05	0.28	0.11

(Source: Finance Accounts of respective years)

From the above table, it can be seen that the State's capital expenditure has decreased by ₹ 8,754 crore (41.57 per cent), during 2019-20 w.r.t. 2018-19, indicating that the State has spent less on the creation of capital assets. Around 89 per cent of total expenditure was met from revenue receipts. The overall revenue and capital expenditure as a percentage of GSDP were very low 20.60 per cent and 2.01 per cent respectively in the last five years. During 2018-19 to 2019-20, the CAGR of total expenditure (-2.59 per cent) was lower than the growth rate of General Category State (4.09 per cent) and also lower than neighbouring states Odisha (9.83 per cent) and Jharkhand (5.85 per cent).

Changes in the composition of the expenditure in terms of economic classification and expenditure by activities are depicted in **Table 2.13**.

Table 2.13: Relative share of various sectors of expenditure

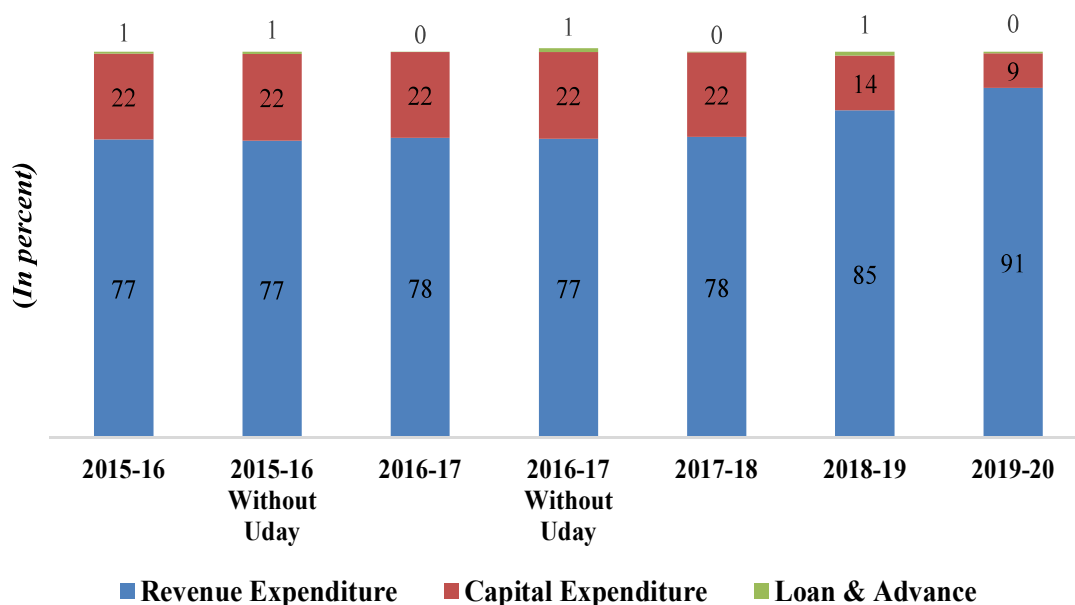
(₹ in crore)					
Parameters	2015-16	2016-17	2017-18	2018-19	2019-20
General Services	31,589 (29.19)	32,697 (26.78)	36,139 (27.43)	42,002 (28.49)	44,016 (31.67)
Social Services	38,683 (35.75)	44,329 (36.31)	50,028 (37.97)	62,345 (42.29)	60,619 (43.61)
Economic Services	37,306 (34.48)	44,943 (36.81)	45,360 (34.42)	41,604 (28.22)	33,684 (24.24)
Others (Grants to Local Bodies and Loans and Advances)	625 (0.58)	118 (0.10)	247 (0.19)	1,474 (1)	668 (0.48)
(Figures in parentheses indicate percentage to Total expenditure)					

(Source: Finance Accounts of respective years)

⁶ Excludes expenditure of ₹7149.67 crore kept under suspense account as disclosed in para 4(XXV) of NTA.

From the above table, it can be seen that the State Government has spent more amount in general services w.r.t economic services whereas marginal variation has been seen in social services in activity components of total expenditure during 2019-20. The major increase in expenditure was seen in election (₹ 491.96 crore), interest payments (₹ 920.27 crore) and pension and other retirement benefits (₹ 1082.62 crore) over the previous year under general services. It shows that the State Government is spending less on developmental expenditure compared to the previous year. Further, in economic services, the State has spent the lowest amount in the last five years. These are the major components where less expenditure vis-à-vis previous years were irrigation and flood control (35.95 *per cent*), power (13.69 *per cent*), non ferrous mining and metallurgical industries (19.57 *per cent*) and tourism (76.06 *per cent*) etc. **Chart 2.7** presents the trends in share of components of total expenditure during 2015-20.

Chart 2.7: Total Expenditure: Trends in share of its components



(Source: Finance Accounts of respective years)

Chart 2.7 implies that State's total expenditure has about 9 *per cent* in capital formation and the remaining 91 *per cent* of expenditure goes into day-to-day expenses i.e., revenue expenditure. Further, the debt of DISCOMs which have been taken by the State did not impact much on the State debt profile. In 2015-16, only one *per cent* of State debt increased and in 2016-17 it did not change percentage-wise. The loans and advances given by the State are negligible.

2.4.2 Revenue Expenditure

Revenue expenditure is incurred to maintain the current level of services and payment for the past obligation. As such, it does not result in any addition to the State's infrastructure and service network. Trend analysis of the growth of revenue expenditure is depicted in **Table 2.14**.

Table 2.14: Revenue Expenditure – Basic Parameters*(₹ in crore)*

Parameters	2015-16	2016-17	2017-18	2018-19	2019-20
Total Expenditure (TE)	1,08,203	1,22,087	1,31,774	1,47,425	1,38,987
Revenue Expenditure (RE)	83,616	94,765	1,02,624	1,24,897	1,26,017
Rate of Growth of RE (<i>per cent</i>)	15.22	13.33	8.29	21.70	0.90
RE as a percentage of TE	77.28	77.62	77.88	84.72	90.67
RE/GSDP (<i>per cent</i>)	22.5	22.51	21.89	23.55	20.60
RE as a percentage of RR	86.99	89.75	87.38	94.77	101.44
The buoyancy of RE with					
GSDP (ratio)	1.82	1.00	0.73	1.65	0.06
Revenue Receipts (ratio)	0.67	1.35	0.74	1.78	(-)0.16

(Source: Finance Accounts of the respective years)

Revenue expenditure constituted 90.67 *per cent* of the total expenditure and only 8.85 *per cent* was left for capital expenditure. State has revenue deficit because revenue expenditure is higher than revenue receipts during this year for the 1st time since 2008-09. In addition to this, revenue receipts decreased by 5.74 *per cent* whereas revenue expenditure increased by 0.90 *per cent*. Consequently, the gap has been met by States public debt. Revenue expenditure as a percentage of revenue receipts has been increasing for the last five years except 2017-18. The buoyancy ratio of revenue expenditure with revenue receipts as well as GSDP is lowest in the last five years which is not a good sign of the State's finances.

2.4.2.1 Major changes in Revenue Expenditure

Significant variations under various Heads of Account with regard to revenue expenditure of the State during the current year and the previous year are given in **Table 2.15**.

Table 2.15: Variation in Revenue Expenditure during 2019-20 compared to 2018-19*(₹ in crore)*

Major Heads of Account	2018-19	2019-20	Increase (+)/ Decrease (-)
2245-Relief on account of Natural Calamities	1,607.14	3,592.41	1,985.27
2071-Pensions and Other Retirement Benefits	16,027.75	17,110.38	1,082.63
2235-Social Security and Welfare	5,127.47	6,050.00	922.53
2049-Interest Payments	10,071.14	10,991.42	920.28
2210-Medical and Public Health	5,427.11	6,117.98	690.87
3054-Roads and Bridges	1,696.02	2,293.99	597.97
2015-Elections	122.51	614.47	491.96
2070-Other Administrative Services	768.64	1,141.86	373.22
2515-Other Rural Development Programmes	9,416.39	9,774.24	357.85
2406-Forestry and Wild Life	314.77	619.15	304.38
2215-Water Supply and Sanitation	5,387.28	2,071.76	(-)3,315.52
2801-Power	6,909.68	5,950.24	(-)959.44
3055-Road Transport	1,095.51	189.64	(-)905.87

(Source: Finance Accounts of the year 2019-20)

Table 2.15 indicates that expenditure increased in relief on account of natural calamities (especially in gratuitous relief) and pension and other retirement benefits (under government contribution to defined contributory pension scheme) were one of the reasons for increase in the State's revenue expenditure. In water supply and sanitation, less expenditure occurred under sanitation services and the special component plan for scheduled castes. Scrutiny of budget estimates revealed that revenue expenditure on water supply and sanitation showed less expenditure (only 35 *per cent*) despite having sufficient budget provision of ₹ 5,967.18 crore during the year. In road transport, though the expenditure in 2018-19 was 93 *per cent* of the budget provision (₹ 1,175.00 crore) in which assistance to public sector and other undertaking (₹ 1,016.14 crore) was major component. Only 28 *per cent* of the last year's budget (₹ 329.00 crore) was provisioned for the current year, out of which department was able to spend only 58 *per cent*. Further, social security and welfare have spent 64 *per cent* of the budget provision in the previous year whereas 72 *per cent* was spent against its budget provision during 2019-20.

2.4.2.2 Committed expenditure

The committed expenditure of the State Government on revenue account consists of interest payments; expenditure on salaries and wages and pensions. It has the first charge on Government resources. The upward trend on committed expenditure leaves the Government with lesser flexibility for the development sector. Trend analysis of committed expenditure is depicted in **Table 2.16**.

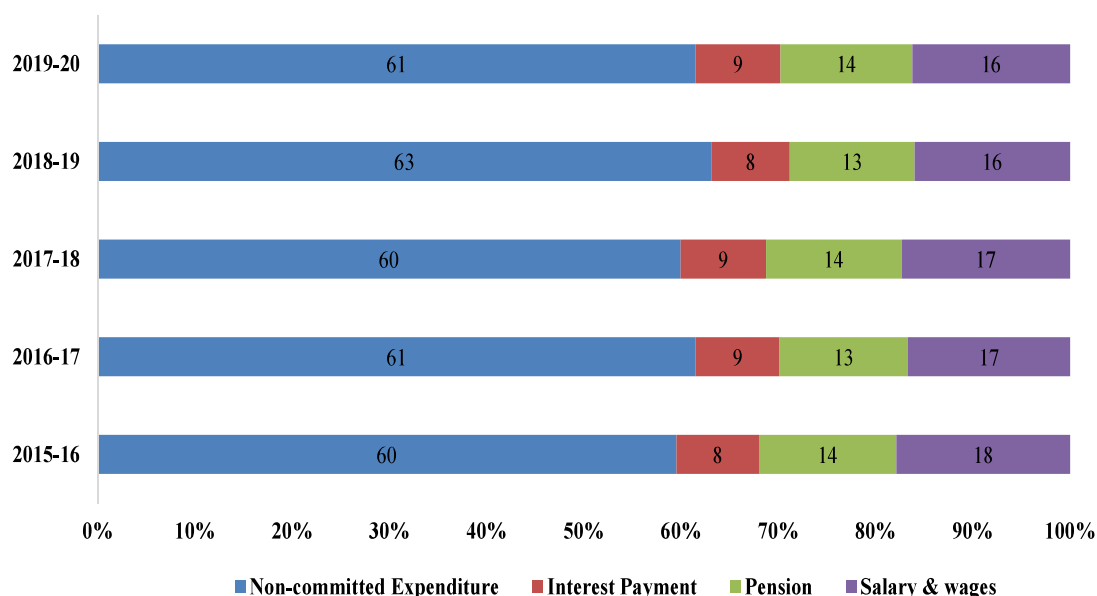
Table 2.16: Components of Committed Expenditure

	(₹ in crore)				
Components of Committed Expenditure	2015-16	2016-17	2017-18	2018-19	2019-20
Salaries & Wages ⁷	14,923.73	15,784.04	17,778.74	19,968.39	20,418.41
Expenditure on Pensions	11,830.46	12,514.52	14,293.48	16,027.75	17,110.38
Interest Payments	7,097.69	8,190.70	9,053.78	10,071.14	10,991.42
Total	33,851.88	36,489.26	41,126.00	46,067.28	48,520.21
As a percentage of Revenue Receipts (RR)					
Salaries & Wages	15.53	14.95	15.14	15.15	16.44
Expenditure on Pensions	12.31	11.85	12.17	12.16	13.77
Interest Payments	7.38	7.76	7.71	7.64	8.85
Total	35.22	34.56	35.02	34.95	39.06
As a percentage of Revenue Expenditure (RE)					
Salaries & Wages	17.85	16.66	17.32	15.99	16.20
Expenditure on Pensions	14.15	13.21	13.93	12.83	13.58
Interest Payments	8.49	8.64	8.82	8.06	8.72
Total	40.49	38.51	40.07	36.88	38.50

(Source: Finance Accounts of the respective years)

Trend analysis of committed expenditure in total revenue expenditure is depicted in **Chart 2.8**.

⁷ The expenditure on grants-in-aid (Salary), which reflects salaries for employees of grantee bodies (e.g. aided schools and colleges), as distinct from government servants, may also be shown, but separately.

Chart 2.8: Share of committed expenditure in total revenue expenditure

(Source: Finance Accounts of the respective years)

During the year, the total committed expenditure was ₹ 48,520.22 crore and it was 38.50 *per cent* of total revenue expenditure and 39.06 *per cent* of revenue receipts. This comprises of spending on salaries (16.44 *per cent*), pension (13.77 *per cent*) and interest payment (8.85 *per cent*) of revenue receipts. A larger proportion of the budget allocated for committed expenditure items limits the state's flexibility to decide the other expenditure priorities such as capital outlay.

2.4.2.3 Undischarged liabilities in National Pension System

State Government employees recruited on or after 1 September 2005 are covered under the National Pension System (NPS), which is a Defined Contributory Pension Scheme. Under the Scheme, the employee contributes 10 *per cent* of his basic pay and dearness allowance and an equal contribution is made by the State Government. The State Government has increased its contribution to 14 *per cent* from July 2019. The entire amount (employees' contribution and employer's contribution) is to be transferred to the designated Fund Manager through the National Securities Depository Limited (NSDL)/Trustee Bank.

During the year 2019-20, employees' contribution was ₹ 688.65 crore and the Government was required to contribute ₹ 910.77 crore to NPS. An amount of ₹ 1,505.23 crore (employees' contribution ₹ 688.65 crore and employer's contribution ₹ 816.58 crore) was transferred to MH-8342-117 and ₹ 0.01 crore to MH 8011-106 under Public Account during the year. The entire amount of ₹ 1,505.24 crore (₹ 1,505.23 crore + ₹ 0.01 crore) was required to be deposited to NSDL. There was a short contribution of ₹ 94.19 crore (₹ 910.77 crore minus ₹ 816.58 crore) by the Government during the year which has resulted in understatement of Revenue deficit to that extent.

The State Government deposited ₹ 1,302.58 crore with NSDL/Trustee Bank during the year. As on 31 March 2020, ₹ 390.97 crore (₹ 349.85 crore under MH-8342-117 and ₹ 41.12 crore under MH-8011-106) lying in the Public Account as closing balance which

is yet to be deposited to the NSDL/Trustee Bank. This includes ₹ 188.32 crore for earlier years and ₹ 202.65 crore for FY-2019-20.

During the year 2018-19, an amount of ₹188.32 crore was left in the account as a closing balance which was not transferred to NSDL/Trustee Bank. The State Government was required to pay interest of ₹ 15.06 crore on the closing balance of ₹ 188.32 crore. However, no interest was paid by the State Government during the year 2019-20. Non-payment of interest of ₹15.06 crore and short contribution of ₹ 94.19 crore by the Government to NPS has resulted in understatement of revenue deficit and fiscal deficit by ₹ 109.25 crore (₹ 15.06 crore + ₹ 94.19 crore).

2.4.2.4 Subsidies

In any welfare State, it is common to provide subsidies/subventions to disadvantaged sections of the society. Subsidies are dispensed not only explicitly but also implicitly by providing subsidised public services to the people. Budgetary support to financial institutions, inadequate returns on investments and poor recovery of user charges from social and economic services provided by the Government fall in the category of implicit subsidies.

The total subsidies during the current year were ₹ 7,121.27 crore which was 14.45 per cent less than the previous year and constituted 5.73 per cent of revenue receipts. Trend analysis of expenditure on subsidies is depicted in **Table 2.17**.

Table 2.17: Expenditure on subsidies during 2015-20

Particular	2015-16	2016-17	2017-18	2018-19	2019-20
Subsidies (₹ in crore)	9,010.45	8,757.44	5,023.06	8,323.97	7,121.27
Subsidies as a percentage of Revenue Receipts	9.37	8.29	4.27	6.32	5.73
Subsidies as a percentage of Revenue Expenditure	10.78	9.24	4.89	6.66	5.65

(Source: Finance Accounts of the respective years)

Due to less subsidies given by the State Government to Transport Department by ₹ 785.60 crore and to Energy Department by ₹ 544.03 crore, the total subsidies have decreased by ₹ 1,202.70 crore compared to the previous year.

2.4.2.5 Financial assistance by the State Government to Local Bodies and Other Institutions

The quantum of assistance provided by way of grants and loans to local bodies and others during the current year compared to the previous years is presented in **Table 2.18**.

Table 2.18: Financial Assistance to Local Bodies etc.

(₹ in crore)

Financial Assistance to Institutions	2015-16	2016-17	2017-18	2018-19	2019-20
(A) Local Bodies					
Municipal Corporations and Municipalities	1,826.28	3,135.50	1,794.52	2,892.56	1,533.24
Panchayati Raj Institutions	3,178.20	2,659.04	7,572.94	7,517.61	9,971.64
Total (A)	5,004.48	5,794.54	9,367.46	10,410.17	11,504.88

Financial Assistance to Institutions	2015-16	2016-17	2017-18	2018-19	2019-20
(B) Others					
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	2,924.50	3,101.99	4,683.27	1,905.37	3,925.89
Development Authorities	5,356.39	11,645.91	1,786.76	5,860.77	5,839.49
Hospitals and Other Charitable Institutions	0.00	0.00	0.00	0.00	0.00
Other Institutions ⁸	13,140.84	15,666.90	27,521.24	33,587.98	25,311.28
Total (B)	21,421.73	30,414.8	33,991.27	41,354.12	35,076.66
Total (A+B)	26,426.21	36,209.34	43,358.73	51,764.29	46,581.54
Revenue Expenditure	83,615.94	94,765.18	1,02,623.73	1,24,896.81	1,26,016.66
Assistance as percentage of Revenue Expenditure	31.60	38.21	42.25	41.45	36.96

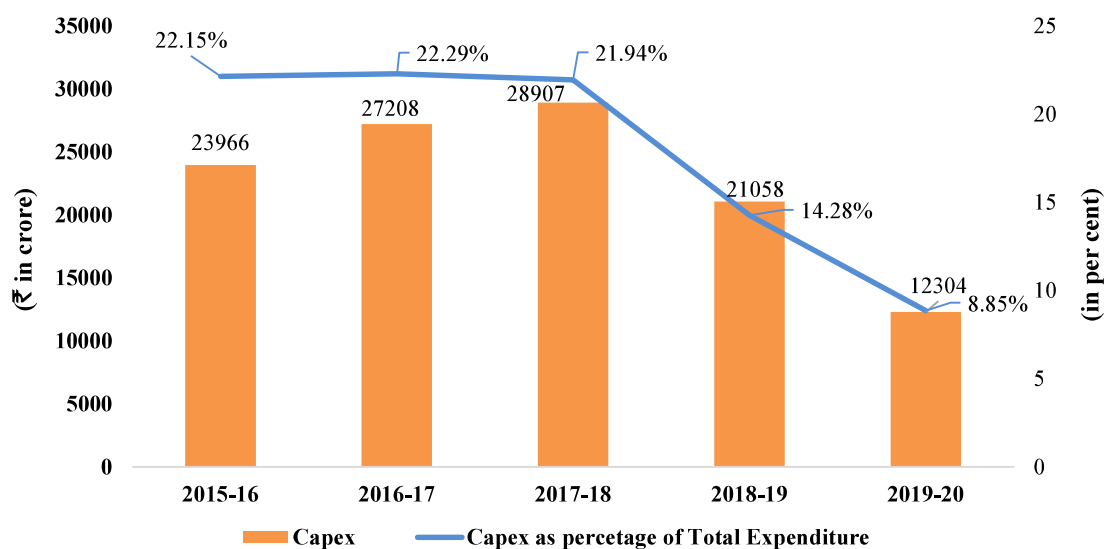
(Source: Finance Accounts of the respective years)

Financial assistance to Local Bodies and Other Institutions by the State Government has decreased by ₹ 5,128.75 crore during this year and its percentage of revenue expenditure has decreased to 36.96 *per cent*. Release of financial assistance without insisting on rendering timely accounts is detrimental to public accountability and indicated poor financial management (detailed in Para 4.15).

2.4.3 Capital Expenditure

Capital Expenditure (capex) is primarily expenditure on the creation of fixed infrastructure assets such as roads, buildings, etc. Capex in the State is being met from budgetary support and extra-budgetary resources. Trend analysis of Capex is depicted in **Chart 2.9**.

Chart 2.9: Capital expenditure in the State



(Source: Finance Accounts of the respective years)

The capital expenditure was 66.38 *per cent* lower than the assessment made by the State Government in budget estimates. The State spent only 8.85 *per cent* on capital formation and 91.15 *per cent* of its total expenditure occurred for routine expenditure. During the analysis, it observed that capital expenditure decreased in general service from ₹ 3,311.32 crore

⁸ Other institutions involves- PSUs, Autonomous Bodies, Co-operative Institutions

to ₹ 2,388.26 crore, social service from ₹ 4,061.21 crore to ₹ 2,802.51 crore and the major decrease was seen in economic services from ₹ 13,685.70 crore to ₹ 7,113.13 crore over the previous year 2018-19. The ratio of capital expenditure to capital receipts was decreasing trend during the last three years which impact of overall economic downturn. It shows the State's poor resource capitalisation. Further, the amount of capital expenditure is only treated as book expenditure as its major chunk has been parked in the Public Account of the State. The detailed analysis has been covered in **Para 4.5 of Chapter IV** of this Report.

2.4.3.1 Major changes in Capital Expenditure

Significant variations under various Major Heads of Account with regard to capital expenditure of the state during the current year compared to the previous year are depicted in **Table 2.19**.

Table 2.19: Capital expenditure during 2019-20 compared to 2018-19

(₹ in crore)

Major Heads of Accounts	2018-19	2019-20	Increase (+)/ Decrease (-)
4059-Capital Outlay on Public Works	1,781.73	1,029.04	(-)752.69
4202-Capital Outlay on Education, Sports, Art, and Culture	1,056.22	197.68	(-)858.54
4210-Capital Outlay on Medical and Public Health	1,145.71	862.34	(-)283.37
4515-Capital Outlay on other Rural Development Programmes	960.40	1,590.73	630.34
4700-Capital Outlay on Major Irrigation	636.98	379.92	(-)257.06
4711-Capital Outlay on Flood Control Projects	1,243.88	(-)39.10	(-)1,282.97
4801-Capital Outlay on Power Projects	5,035.36	3,067.32	(-)1,968.04
5053-Capital Outlay on Civil Aviation	0.00	152.44	152.44
5054-Capital Outlay on Roads and Bridges	5,263.69	1,202.05	(-)4,061.64
5075-Capital Outlay on other Transport Services	3.00	160.00	157.00

(Source: Finance Accounts of the respective years)

The expenditure on capital account decreased mainly due to a decrease in capital expenditure on roads and bridges programmes by ₹ 4,061.64⁹ crore, power projects by ₹ 1,968.04 crore and flood control projects by ₹ 1,282.97 crore. Scrutiny of budget estimates revealed that capital outlay on flood control projects showed negative expenditure (recoveries) despite having sufficient budget provision of ₹ 2,212.77 crore during the year. Further, roads and bridges have spent more than 90 *per cent* of the budget provision in the previous year whereas only 22 *per cent* was spent against its budget provision during 2019-20. In power project, major component backward region grant fund (₹ 1,391.33 crore) was not utilised.

2.4.3.2 Quality of capital expenditure

If the State Government keeps on making investments in loss-making government companies, whose net worth is completely eroded, there are no chances of return on investment. Similarly, experience has shown the inevitability of the write-off of the loans given to loss-making corporations and other bodies such as sugar mills, financial corporations, etc. Requisite steps have to be taken to infuse transparency in such financial operations. This section presents an analysis of investments and other capital expenditures undertaken by the Government during the current year.

⁹ Includes under State Highway- Bridges-₹ 367.96 crore, Major Roads-₹ 412.48 crore, Central Road Fund-₹ 141.33 and Roads-₹ 379.22. Major Roads-₹ 365.85 under Special component plan for Scheduled Caste.

Quality of investments in the companies, corporations, and other bodies

Capital expenditure in the companies, corporations, and other bodies, which are loss-making or where net worth is completely eroded is not sustainable.

Return on investment in share capital invested in PSUs and history of repayment of loans given to various bodies is an important determinant of quality of capital expenditure. Trend analysis of return on investment is given in **Table 2.20**.

Table 2.20: Return on Investment*(₹ in crore)*

Investment/return/ cost of borrowings	2015-16	2016-17	2017-18	2018-19	2019-20
Investment at the end of the year (₹ in crore)	9,940.24	15,916.47	23,037.29	28,327.00	31,667.39
Return (₹ in crore)	14.84	3.73	1.34	11.34	1.62
Return (<i>per cent</i>)	0.15	0.02	0.01	0.04	0.01
Average rate of interest on Government Borrowings (<i>per cent</i>)	6.58	6.42	6.13	6.18	6.07
Difference between interest rate and return (<i>per cent</i>)	5.94	5.88	5.82	6.14	6.06
Difference between interest on Government borrowings and return on investment (₹ in crore)[#]	590.45	935.89	1,340.77	1,739.28	1,919.04

(Source: Finance Accounts of the respective years)

[#] Investment at the end of the year

Over the past five years, the State Government has incurred a notional loss of ₹ 1,919.04 crore on return on investment in various entities on account of difference between the Government borrowing cost and the return on investment. It was noticed that the State Government had extended the budgetary support of ₹ 91.80 crore in the form of equity to one loss-making PSU during 2019-20. Investments made in loss-making companies are depicted in **Table 2.21**.

Table 2.21: Investments made in loss-making companies*(₹ in crore)*

Sl. No.	Company/ Corporation	Accumulated Loss	Investment made during the year	Cumulative investment as on 31 March 2020
1	Bihar State Minority Finance Corporation Ltd.	7.58	91.80	528.75

(Source: Finance Accounts 2019-20)

Further, ₹ 3,338.47 crore which was actually invested in four PSUs has been classified as capital expenditure during the year 2019-20. Accordingly, the effective capital expenditure during this year was ₹ 8,965.43 crore. Capital expenditure treated as Investments is depicted in **Table 2.22**.

Table 2.22: Capital expenditure treated as Investments*(₹ in crore)*

Sl. No.	Company/ Corporation	Major Head of Capital Expenditure	Amount
1	Bihar State Minority Finance Corporation Ltd.	5465	91.80
2	Bihar State Electronics Development Corporation Ltd.	5465	19.35
3	Bihar State Power (Holding) Company Ltd.	4801	3,067.32
4	Patna Metro Rail Corporation Ltd.	5075	160.00
Total			3,338.47

(Source: Finance Accounts 2019-20)

State Government has not formulated any Dividend policy of PSUs as on 31 March 2020. As per Finance Accounts, only one company i.e., Bihar Rajya Pul Nirman Nigam Limited (₹ 1.05 crore) and two co-operatives (₹ 0.57 crore) have contributed dividends during the year.

In addition to investments in co-operative societies, corporations and companies, the government has also provided loans and advances to many of these institutions & organisations. Details are given in **Table 2.23**.

Table 2.23: Quantum of loans disbursed and recovered during five years

(₹ in crore)

Quantum of loans disbursed and recovered	2015-16	2016-17	2017-18	2018-19	2019-20
Opening Balance of loans outstanding	20,255.00	20,857.73	20,948.29	21,169.17	20,814.33
Amount advanced during the year	621.23	113.87	242.78	1,470.56	666.30
Amount recovered during the year	18.50	23.31	21.89	1,825.40	30.40
Closing Balance of the loans outstanding	20,857.73	20,948.29	21,169.18	20,814.33	21,450.23
Net addition	602.73	90.56	220.89	(-) 354.84	635.90
Interest received	-	-	-	-	-
Interest rate on loan and advances given by the government	Not ascertainable				
Rate of interest paid on the outstanding borrowings of the government	6.09	5.90	5.77	5.96	5.68
Difference between the rate of interest paid and interest received (per cent)	Not ascertainable				

(Source: Finance Accounts of the respective years)

As per Finance Accounts, it appears that the interest received by the State Government against loans given is zero. Scrutiny of documents revealed that in many cases, even the rate of interest charged by the Government is not finalised with the loanee. In some cases, the rate of interest is not disclosed with the loan amount. In consequence, it is not ascertainable for audit to determine the rate of interest charged by the government to the loanee.

Capital locked in incomplete projects

An assessment of trends in capital blocked in incomplete capital works would also indicate the quality of capital expenditure. Blocking of funds on incomplete projects/ works impinges negatively on the quality of expenditure and deprives the State of the intended benefits for prolonged periods. Further, the funds borrowed for the implementation of these projects during the respective years lead to the extra burden in terms of servicing of debt and interest liabilities. The details of the incomplete project are depicted in **Table 2.24**.

Table 2.24: Capital locked in incomplete projects

Table: Age profile of incomplete projects as on 31 March 2020 (₹ in crore)				Table : Department-wise profile of incomplete projects during 31 March 2020 (₹ in crore)			
Year	No. of incomplete projects	Estimated cost	Expenditure (as on 31 March)	Department	No. of incomplete projects	Estd. cost	Expenditure
2011-12	380	3,395.35	1,579.46	Water Resources Department	43	803.03	254.93
2012-13	298	3,829.75	1,487.57	Public Health Engineering Department	36	126.54	58.09

Table: Age profile of incomplete projects as on 31 March 2020 (₹ in crore)				Table : Department-wise profile of incomplete projects during 31 March 2020 (₹ in crore)			
Year	No. of incomplete projects	Estimated cost	Expenditure (as on 31 March)	Department	No. of incomplete projects	Estd. cost	Expenditure
2013-14	227	3,129.86	1,273.67	Building Construction Department	26	227.82	202.85
2014-15	211	3,404.88	1,300.78	Local Area Engineering Organisation	9	15.92	6.84
2015-16	144	1,728.18	731.56	Road Construction Department	27	2,181.07	477.20
2016-17	130	2,269.08	1,521.31	Rural works	2	2.26	1.04
2017-18	127	1,819.64	892.21				
2018-19	68	790.99	315.11				
2019-20	143	3,396.64	1,000.95	Total	143	3,396.64	1,000.95

(Source: Finance Accounts of the respective years)

Out of ₹ 3,396.64 crore of estimated cost, only ₹ 1,000.95 crore has been spent till 2019-20 and out of 143 projects, costs were revised for eight projects only. The details are presented in Appendix IX of Finance Accounts Vol-II. Since the details of the remaining 135 projects with an estimated cost of ₹ 3,195.82 crore were not furnished by the Departments, their revised cost was not exhibited in the Finance Accounts and was thus not ascertainable.

Implementation of Ujwal Discom Assurance Yojana (UDAY)

The Ministry of Power, Government of India (GoI) had launched (November 2015) the Ujwal Discom Assurance Yojana (UDAY) Scheme for the financial turnaround of Power Distribution Companies (DISCOMs).

With an objective to improve the operational and financial efficiency of the State DISCOMs, a tripartite Memorandum of Undertaking (MoU) was executed between the Ministry of Power (GoI), the concerned State Government and the State Power Distribution Companies. This scheme facilitated State Governments to take over 75 per cent of DISCOM's outstanding debt over a period of two years.

The outstanding debt of the DISCOMs was taken over in the form of equity, loan and grant/subsidy. The loan extended to DISCOMs under UDAY has to be converted into grant and equity in the subsequent three years. Accordingly, the States had to convert the loan into equity and subsidy.

Further, the State Government will have to takeover losses, if any, of the DISCOMs in a graded manner as mentioned in **Table 2.25**.

Table 2.25: Loss to be taken over by State

Year	2015-16	2016-17
Loss to be taken over by State.	50% of loss of 2015-16	25% of loss of 2016-17

(Source: Finance Accounts of the respective years)

Under the scheme, State was to take over 75 per cent of the DISCOM debt (₹ 3,109.05 crore) as on 30 September 2015 by issuing Non-SLR Bonds to take over the debt and transfer the

proceeds to DISCOMs in the form of grants, loans, and equity. The liability of the State Government under the package was ₹ 2,331.78 crore depicted in **Table 2.26**.

Table 2.26: Position of Equity/Loan/ Subsidy under UDAY

(₹ in crore)

Year	Equity Investment	Loan	Subsidy	Total
2015-16	-	-	1,369.89	1,369.89
2016-17	-	-	961.89	961.89
Total			2,331.78	2,331.78

(Source: Finance Accounts of the respective years)

Provisional Accounts of DISCOMs for the year 2019-20 revealed that the return on capital employed of both the DISCOMs was yielding negative return and the same (-) 39.55 *per cent* (SBPDCL) and (-) 13.42 *per cent* (NBPDCCL). Further as on 31 March 2020, ₹ 3,000.99 crore of loan was outstanding on both the DISCOMs (SBPDCL ₹ 1,519.72 crore and NBPDCCL ₹ 1,481.27 crore). The State Government has paid interest of ₹ 191.36 crore in 2019-20 on the bonds issued under the UDAY Scheme.

Despite all tariff subsidies and loan obligations being met by the State Government, the DISCOMs are still having operational losses.

2.4.4 Expenditure priorities

Enhancing human development levels requires the States to step up their expenditure on key social services like education, health, etc. Low fiscal priority (ratio of expenditure under a category to aggregate expenditure) is attached to a particular sector if the allocation is below the respective national average. The higher the ratio of these components to total expenditure, the quality of expenditure is considered to be better. Analysis on Expenditure priority of the State with regards to Health, Education and Capital expenditure are depicted in **Table 2.27**.

Table 2.27: Expenditure priority of the State with regards to Health, Education and Capital expenditure during 2019-20

(In per cent)

	AE/GSDP	CE/AE	Education/AE	Health/ AE
All India Average/ General Category States Average (2014-15)	15.99	13.98	16.54	4.92
State	26.56	19.93	18.15	3.96
All India Average/ General Category States Average (2019-20)	15.15	12.97	15.91	5.21
State	23.47	13.52	18.77	5.34

(Source: MoSPI & Finance Accounts)

The expenditure priority of the State with regards to health, education and capital expenditure was better than All India Average (General Category States Average) during 2019-20, which is a good sign for the state for capacity building.

2.4.5 Object head wise expenditure

Object head wise expenditure is depicted in **Chart 2.10** below.

Chart 2.10: Object head wise expenditure



(Source: VLC system)

From above **Chart 2.10**, it can be seen that a larger proportion of budget allocated for committed expenditure items¹⁰ (40 per cent) which limits the flexibility to increase the other developmental expenditure priorities such as investment, construction, etc. Further, the expenditure on salary was 2.25 per cent higher than the previous year, 3.34 per cent of GSDP and constituted 16.20 per cent of revenue expenditure. The expenditure on pension was 6.75 per cent higher the previous year, 2.80 per cent of GSDP and 13.59 per cent of revenue expenditure. This shows that the major components committed expenditure are increasing year on year. During 2019-20, expenditure on committed liabilities was 34.9 per cent while capital expenditure was only 8.85 per cent of total expenditure which is not a good sign for the state's financial health.

2.5 Public Account

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. The Government acts like a banker in respect of these. The balance after disbursements during the year is the fund available with the Government for use for various purposes.

2.5.1 Net Public Account Balances

The component-wise net balances in the Public Account of the State are given in **Table 2.28**.

Table 2.28: Component-wise net balances in Public Account as of 31 March of the year 2020

(₹ in crore)

Sector	Sub Sector	2015-16	2016-17	2017-18	2018-19	2019-20
I. Small Savings, Provident Funds, etc.	Small Savings, Provident Funds, etc.	(-)73.58	99.63	(-)80.24	277.79	190.40
J. Reserve Funds	(a) Reserve Funds bearing Interest	(-)401.15	(-)712.03	(-)696.39	0.01	522.95
	(b) Reserve Funds not bearing Interest	0	0	0	0	0

¹⁰ Salaries, Pension, Interest Payments, Repayment of debt

Sector	Sub Sector	2015-16	2016-17	2017-18	2018-19	2019-20
K. Deposits and Advances	(a) Deposits bearing Interest	15.46	24.46	(-)1.62	60.25	202.65
	(b) Deposits not bearing Interest	3,722.89	5,369.64	10,317.65	368.13	1509.34
	(c) Advances	(-)6.67	(-)0.71	(-)1.72	(-)96.85	0
L. Suspense and Miscellaneous	(b) Suspense	(-)571.80	(-)894.39	579.80	(-)345.13	(-)5773.58
	(c) Other Accounts	(-)4,674.15	(-)4,772.25	(-)4,393.75	2,138.36	(-)2735.55
	(d) Accounts with Governments of Foreign Countries	(-)0.01	0	0	(-)0.01	(-)0.01
	(e) Miscellaneous	-	-	-	-	-
M. Remittances	(a) Money Orders, and other Remittances	6.06	(-)7.05	(-)2.76	76.05	(-)2.44
	(b) Inter-Governmental Adjustment Account	0	0	0	0	(-)794.07
Total		(-)1982.95	(-)892.70	5,720.97	2478.60	(-)6,880.31*

Note: (+ve) denotes debit balance and (-ve) denotes credit balances

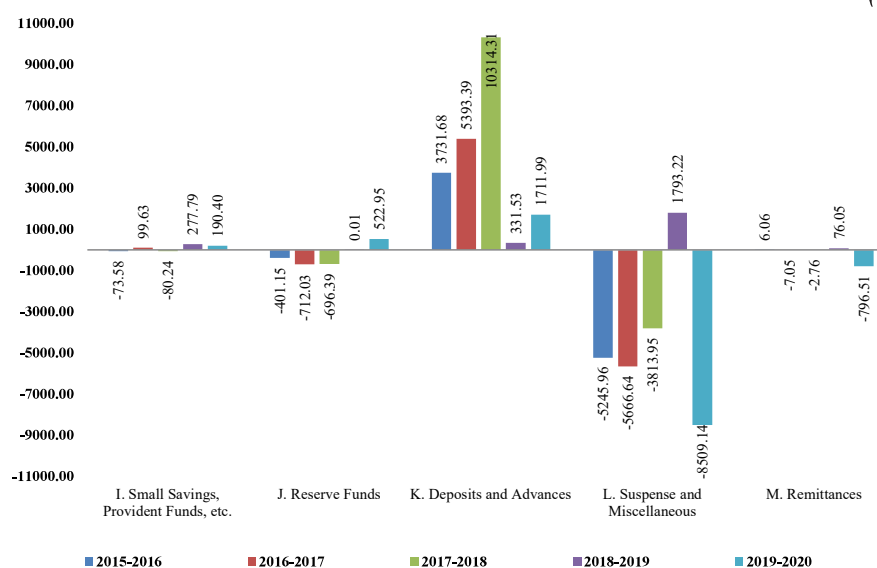
* this includes Cash Balance Investment Accounts and Sinking Fund Investment Accounts.

(Source: Finance Accounts of the respective years)

The outstanding cash balance of the Public Account has increased due to negative balances under suspense and miscellaneous funds particularly shown in the suspense account (civil). Negative figures could not be taken to the final head of expenditure or receipts due to the non-availability of vouchers. Office of AG (A&E) has made objection of vouchers amounting to ₹ 7,149.67 crore and challan amounting to ₹ 63.59 crore. Inter Governmental adjustment account was also increased due to transactions made on behalf of other States. During 2019-20, the State Government received ₹ 522.95 crore for credit to the CAMPA Fund under reserve funds bearing interest. The State Government did not incur any expenditure out of the fund.

Chart 2.11: Yearly changes in the composition of Public Account balances

(₹ in crore)



(Source: Finance Accounts of the respective years)

2.5.2 Reserve Funds

Reserve Funds are created for specific and defined purposes under the Public Account of the State Government. These funds are met from contributions or grants from the Consolidated Fund of the State.

As per the Finance Accounts, the State Government has nine active Reserve Funds (three¹¹ interest-bearing and six¹² non-interest bearing). The total accumulated balance at the end of 31 March 2020 in these funds was ₹ 549.27 crore. Out of which, ₹ 522.95 crore was under interest-bearing Reserve Funds and ₹ 26.32 crore under Non-interest bearing Reserve Funds.

Further, Reserve Funds valued at ₹ 26.32 crore have not been operated since 2001-02. Details of such Reserve Funds are given in **Table 2.29**.

Table 2.29- Information regarding in-operative Reserve Funds

(₹ in lakh)

Sl. No.	Major and Minor heads with nomenclature		No. of Reserve Fund	Balance as on 31 March 2020		Year of the last transaction
1	8115	103-Depreciation Reserve Funds-Government Commercial Department and Undertakings	Not available	Cr.	0.15	2018-19
2	8223	101- Famine Relief Fund	Not available	Cr.	33.98	*
		102- Famine Relief Fund Investment Account	Not available	Dr.	9.61	*
3	8229	101- Development Funds for Educational Purposes	Not available	Cr.	0.54	*
4	8235	101-General Reserve Funds for Government Commercial Departments/ Undertakings	Not available	Cr.	314.41	2001-02
		102-Zamindari Abolition Fund	Not available	Cr.	206.55	*
		200- Other Funds	Not available	Cr.	2,085.99	2001-02
Grand Total				Cr.	2,632.01	

(Source: Finance Accounts for the year 2019-20)

* Inherited figure from undivided Bihar. Since 15 November 2000, no transaction took place.

2.5.2.1 Consolidated Sinking Fund (CSF)

The 12th Finance Commission had recommended that States should set up sinking funds for amortisation of all loans including loans from banks, liabilities on account on national small savings fund, etc., and that these funds should not be used for any other purpose, except for the redemption of loans. The guidelines of the Reserve Bank of India (RBI), which is responsible for administering the fund, stipulate a minimum annual contribution of 0.5 *per cent* of outstanding liabilities at the beginning of the year. Further, the entire fund is invested by RBI and the details of investment are given in Statement-22 of Finance Accounts.

The State Government set up a Consolidated Sinking Fund in 2008-09 which was only for amortisation of market loans and from 2014-15, it was to be utilised for the redemption of

¹¹ Depreciation Reserve Funds-Government Commercial Department and Undertaking, State Disaster Response Fund and State Compensatory Afforestation Fund (SCAF)

¹² Sinking Fund Investment Account, Famine Relief Fund-Investment Account, Development Funds for Educational Purposes, General Reserve Funds of Government Commercial Departments/Undertaking, Zamindari Abolition Fund and Other Funds.

the outstanding liabilities of the Government. However, it has not been utilised since its inception. The closing balance of the fund as on 31 March 2020 was ₹ 5,740.12 crore. The accrued interest as on 31 March 2020 is ₹ 150.44 crore.

2.5.2.2 State Disaster Response Fund

The government of India (GoI) replaced the erstwhile Calamity Relief Fund with the State Disaster Response Fund (SDRF) with effect from 1 April 2010. In terms of the guidelines of the Fund, the Centre and States are required to contribute to the Fund in a certain proportion. The contributions are to be transferred to the Public Account to Major Head – 8121. Expenditure during the year is incurred by operating Major Head – 2245.

The State Governments are required to pay interest to the SDRF at the rate applicable to overdrafts under overdraft Regulation Guidelines of the RBI. The interest is to be credited on a half yearly basis. The accretions to the SDRF together with the income earned on the investment of SDRF are to be invested in Central Government dated Securities, auctioned Treasury Bills and other interest earning deposits with Scheduled Commercial Banks.

The SDRF is to be used only for meeting the expenditure for providing immediate relief to the victims of a disaster and the provision for disaster preparedness, restoration, reconstruction and mitigation should not be a part of SDRF. Such expenditure has to be built into the normal budgetary heads/ State Plan Funds, etc. Details of expenditure charged to SDRF are depicted in **Table 2.30**.

Table 2.30: Details of expenditure charged to SDRF

(₹ in crore)

2245	Relief on account of Natural Calamities-	Establishment and Committed	Scheme		Expenditure during 2019-20
			State Scheme	CSS/ CAS	
<i>01 Drought</i>					
101	Gratuitous Relief	597.57	0.00	0.00	597.57
102	Drinking Water Supply	0.00	0.00	0.00	0.00
282	Public Health	12.39	0.00	0.00	12.39
911	Deduct - Recoveries of Overpayments	(-)0.11	0.00	0.00	(-)0.11
	Total: 01	609.85	0.00	0.00	609.85
<i>02 Floods, Cyclones, etc.</i>					
001	Direction and Administration	0.00	0.00	0.00	0.00
101	Gratuitous Relief	2,229.06	0.00	0.00	2,229.06
102	Drinking Water Supply	0.21	0.00	0.00	0.21
104	Supply of Fodder	0.51	0.00	0.00	0.51
106	Repairs and restoration of damaged roads	105.44	0.00	0.00	105.44
109	Repairs and restoration of damaged water supply, drainage and sewerage works	0.41	0.00	0.00	0.41
112	Evacuation of population	37.08	0.00	0.00	37.08
113	Assistance for repairs/reconstruction of Houses	7.95	0.00	0.00	7.95
114	Assistance to Farmers for purchase of agricultural inputs	528.21	0.00	0.00	528.21
117	Assistance to Farmers for purchase of livestock	0.40	0.00	0.00	0.40
118	Assistance for repairs/replacement of damaged boats and equipment for fishing	0.13	0.00	0.00	0.13
122	Repairs and restoration of damaged Irrigation and flood control works	3.73	0.00	0.00	3.73
799	Suspense	(-)0.13	0.00	0.00	(-)0.13
800	Other Expenditure	15.50	0.00	0.00	15.50

2245	Relief on account of Natural Calamities-	Establishment and Committed	Scheme		Expenditure during 2019-20
			State Scheme	CSS/ CAS	
911	Deduct - Recoveries of Overpayments	(-)6.28	(-)1.24	0.00	(-)7.52
Total: 02		2,922.22	(-)1.24	0.00	2,920.99
<i>05 State Disaster Relief Fund</i>					
101	Transfer to Reserve Funds and Deposit Accounts- State Disaster Response Fund	1,241.50	0.00	0.00	1,241.50
901	Deduct- Amount met from State Disaster Response Fund	(-)1,241.50	0.00	0.00	(-)1,241.50
Total : 05		(-)0.00	0.00	0.00	(-)0.00
<i>06 Earthquake</i>					
113	repairing of home-assistance	0.01	0.00	0.00	0.01
Total: 06		0.01	0.00	0.00	0.01
<i>80 General</i>					
001	Direction and Administration	22.35	0.00	0.99	23.34
102	Management of Natural Disasters- Contingency Plans in disaster -prone areas	41.34	0.11	0.00	41.45
800	Other Expenditure	0.00	0.40	0.00	0.40
911	Deduct - Recoveries of Overpayments	(-)3.52	(-)0.00	0.00	(-)3.53
Total: 80		60.16	0.51	0.99	61.66
Total : 2245		3,592.14	(-)0.73	0.99	3,592.41

(Source: Finance Accounts for the year 2019-20)

Further, an amount of ₹ 553.17 crore of National Disaster Response Fund from the Central Government has been received which has not been transferred to the fund under MH-8121 in the Public Accounts. This resulted in an understatement of revenue deficit and fiscal deficit to that extent.

2.5.2.3 Guarantee Redemption Fund

State Government constitutes 'Guarantee Redemption Fund' for meeting the payment obligations arising out of the guarantees issued by the Government in respect of bonds issued and other borrowings by the State Public Sector Undertakings or other Bodies and invoked by the beneficiaries. The accumulations in the Fund are to be utilised only towards payment of the guarantees issued by the Government and not paid by the institutions on whose behalf the guarantee was issued.

The State Government has neither created a Guarantee Redemption Fund in terms of the recommendations of the 12th Finance Commission nor framed any rules for fixing a ceiling on guarantees. The State Government did not make a minimum annual contribution of ₹ 27.51 crore (0.5 per cent of outstanding guarantees of ₹ 5,501.86 crore at the beginning of the year 2019-20) in terms of those recommendations.

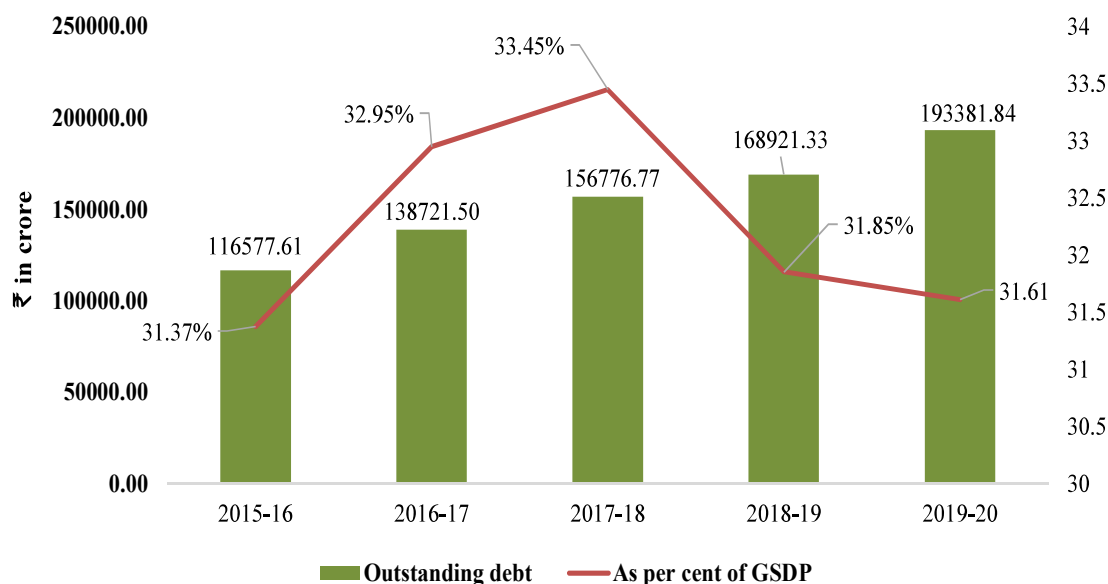
The State Government was required to contribute an amount equivalent to at least 0.5 per cent of the outstanding guarantees at the end of the second financial year preceding the current financial year as reflected in the books of accounts maintained by the Accountant General (A&E). The funds are invested by the RBI.

2.6 Debt management

Debt management is the process of establishing and executing a strategy for managing the Government's debt in order to raise the required amount of funding, achieve its risk and cost objectives, and meet any other sovereign debt management goals that the Government may

have set through enactment or any other annual budget announcements. Trend analysis of outstanding debt of the state is depicted in **Chart 2.12**.

Chart 2.12: Outstanding debt of the State



(Source: Finance Accounts & MoSPI of the respective years)

Debt as a percentage of GSDP had however reduced to 31.61 in 2019-20 from 31.85 in 2018-19 but far away from the BFRBM target 25.73 per cent.

2.6.1 Debt profile: Components

Total debt of the State Government typically constitutes of Internal debt of the State (market loans, ways and means advances from RBI, special securities issued to National Small Savings Fund and loans from financial institutions, etc.), loans and advances from the Central Government, and Public Account Liabilities. Component wise debt trends are shown in **Table 2.31**.

Table 2.31: Component wise debt trends

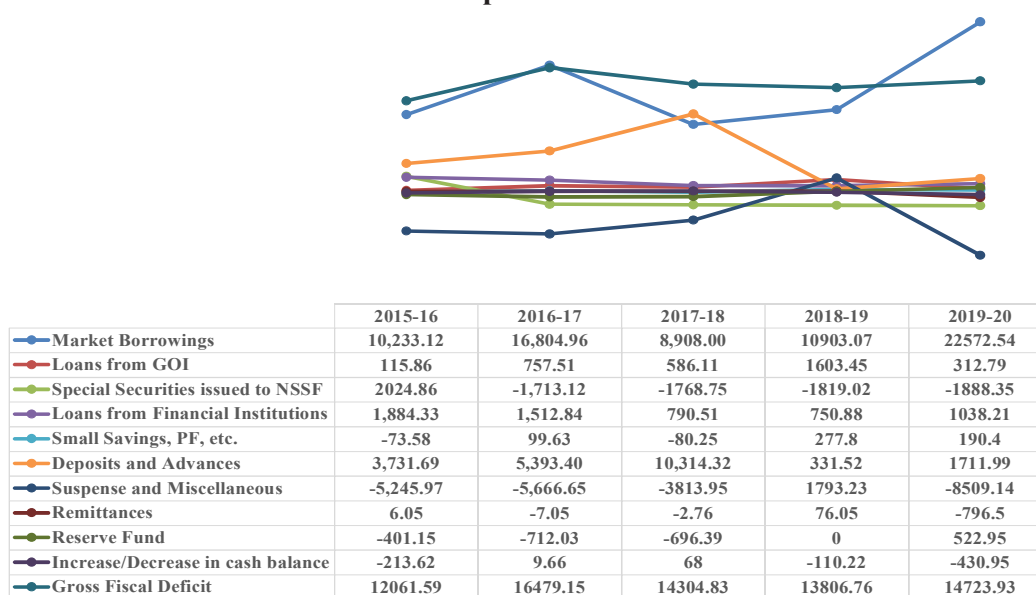
(₹ in crore)

	2015-16	2016-17	2017-18	2018-19	2019-20
Outstanding Overall Debt	1,16,577.60	1,38,721.50	1,56,776.77	1,68,921.33	1,93,381.85
Public Debt	Internal Debt	79,990.32	96,595.00	1,04,524.76	1,14,359.69
	Loans from GoI	8,838.30	9,595.81	10,181.92	11,785.37
Liabilities on Public Account	27,748.98	32,530.69	42,070.09	42,776.27	45,201.60
Rate of growth of outstanding Overall debt (percentage)	17.69	18.99	13.02	7.75	14.48
Gross State Domestic Product (GSDP)	3,71,602	4,21,051	4,68,746	5,30,363	6,11,804
Debt/GSDP (per cent)	31.37	32.95	33.45	31.85	31.61
Total Debt Receipts	56,030.22	72,845.19	59,412.45	73,806.02	94,193.12
Total Debt Repayments	38,508.43	50,701.29	41,357.18	61,661.46	69,732.59
Total Debt Available	17,521.79	22,143.90	18,055.27	12,144.56	24,460.53
Debt Repayments/Debt Receipts (percentage)	68.73	69.60	69.61	83.55	74.03

(Source: Finance Accounts & MoSPI of the respective years)

From the above table, it can be seen that the outstanding debt to GSDP ratio ranged from 31.37 per cent to 33.45 per cent during 2015-20. State's overall debt has been increasing for the last five years. The major component was internal debt (68 per cent to 70 per cent) which includes market borrowings. The debt to GSDP ratio is almost constant compared to the previous year but still higher than State's budget estimate. The debt to GSDP ratio is higher than the projection in FFC (24.93 per cent) and BFRBM (25.73 per cent). The outstanding liabilities of Public Account have also increased from the previous year which was 7.38 per cent of GSDP and 23.37 per cent of outstanding overall debt. The outstanding overall debt was growing at the rate of 14.48 per cent. During 2019-20, the state suffered a revenue deficit for the 1st time since 2008-09 and this has been compensated from Public debt. The ratio of capital expenditure to capital receipts was showing a decreasing trend during the last three years, which had an impact of overall economic downturn.

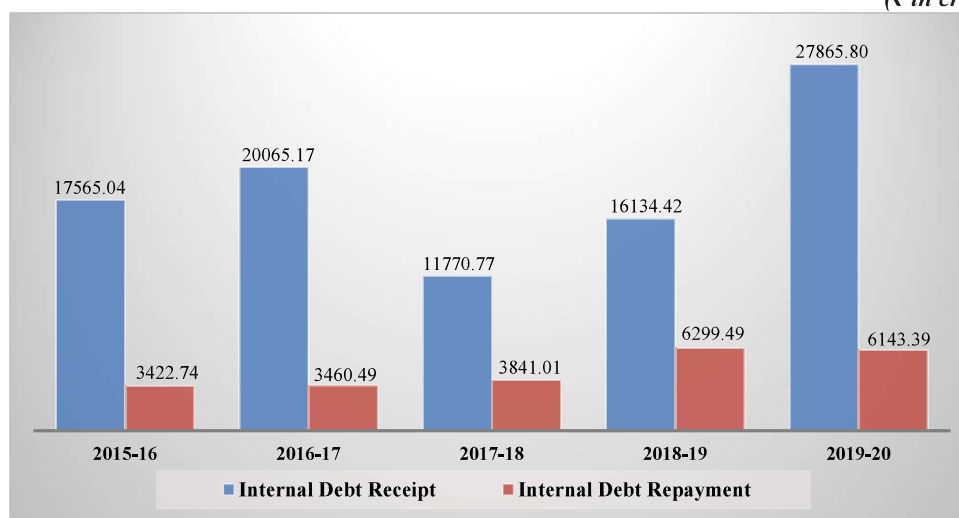
Chart 2.13: Component wise debt trends



(Source: Finance Accounts of the respective years)

Chart 2.14: Internal debt taken vis-a-vis repaid

(₹ in crore)



(Source: Finance Accounts of the respective years)

Table 2.32: Components of fiscal deficit and its financing pattern

(₹ in crore)

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
Composition of Fiscal Deficit					
1 Revenue Surplus(+) /Deficit(-)	12,507.16	10,819.81	14,823.01	6,896.65	(-)1784.13
2 Net Capital Expenditure	23,966.02	27,208.40	28,906.95	21,058.25	12,303.90
3 Net Loans and Advances	602.73	90.56	220.90	(-)354.84	635.90
Financing Pattern of Fiscal Deficit					
1 Market Borrowings	10,233.12	16,804.96	8,908.00	10,903.07	22,572.54
2 Loans from GOI	115.86	757.51	586.11	1,603.45	312.79
3 Special Securities issued to NSSF	2,024.86	(-)1,713.12	(-)1,768.75	(-)1,819.02	(-)1,888.35
4 Loans from Financial Institutions	1,884.33	1,512.84	790.51	750.88	1,038.22
5 Small Savings, PF, etc.	(-)73.58	99.63	(-)80.25	277.8	190.40
6 Deposits and Advances	3,731.69	5,393.40	10,314.32	331.52	1,711.99
7 Suspense and Miscellaneous	(-)5,245.97	(-)5,666.65	(-)3,813.95	1,793.23	(-)8,509.14
8 Remittances	6.05	(-)7.05	(-)2.76	76.05	(-)796.50
9 Reserve Fund	(-)401.15	(-)712.03	(-)696.39	0	522.95
10 Overall Deficit					15,154.89
11 Increase/Decrease in cash balance	(-)213.62	9.66	68	(-)110.22	(-)430.95
12 Fiscal Deficit	12,061.59	16,479.15	14,304.83	13,806.76	14,723.93

(Source: Finance Accounts of the respective years)

Fiscal Deficit (FD), both in quantitative terms and also in comparison to GSDP (2.41 *per cent*) decreased over the previous year (2.60 *per cent*). During 2019-20 Capital expenditure was 41.57 *per cent* of the previous year indicates that creation of productive assets from the FD was much lower in the current year.

2.6.2 Debt profile: Maturity and Repayment

Debt maturity and repayment profile indicate a commitment on the part of the Government for debt repayment or debt servicing.

Table 2.33: Debt Maturity profile of repayment of State debt

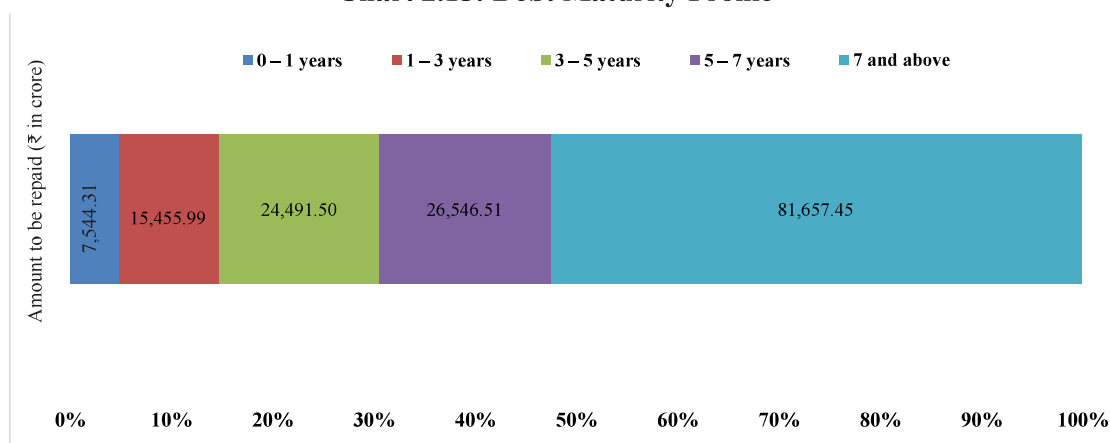
Period of repayment (Years)	Amount (₹ in crore)	Percentage (w.r.t. Public debt)
0 – 1	7,544.31	4.85
1 – 3	15,455.99	9.92
3 – 5	24,491.50	15.73
5 – 7	26,546.51	17.05
7 and above	81,657.45	52.45
Others ¹³	0	-
Total	1,55,695.76	100.00

(Source: Finance Accounts for the year 2019-20)

From the above table, it can be noticed that more than 50 *per cent* of the State's debt is due for seven and above years. The maturity profile of the States debt indicates a year-on-year increase in its repayment burden.

¹³ Payment schedule of this amount is not being maintained by the Accountant General (A&E).

Chart 2.15: Debt Maturity Profile



(Source: Finance Accounts for the year 2019-20)

2.7 Debt Sustainability Analysis (DSA)

Debt sustainability indicates the ability of the State to service its debts in the 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. **Table 2.34** presents indicators of debt sustainability for the period 2015-20.

Table 2.34: Trends in debt Sustainability indicators

(₹ in crore)

Debt Sustainability Indicators	2015-16	2016-17	2017-18	2018-19	2019-20
Outstanding Public Debt*	88,828.63	1,06,190.81	1,14,706.68	1,26,145.06	1,48,180.25
Rate of Growth of Outstanding Public Debt	19.12	19.55	8.02	9.97	17.47
GSDP	3,71,602	4,21,051	4,68,746	5,30,363	6,11,804
Rate of Growth of GSDP	8.35	13.31	11.33	13.15	15.36
Debt/GSDP	0.24	0.25	0.24	0.24	0.24
The debt Maturity profile of repayment of State debt – including default history, if any	4,124.85	4,214.57	4,653.55	7,229.82	7,109.83
Average interest Rate of Outstanding Public Debt (per cent)	7.68	7.67	7.73	7.68	7.58
Percentage of Interest payment to Revenue Receipt	6.53	7.09	7.27	7.02	8.37
Percentage of Debt Repayment to Debt Receipt	22.44	19.53	35.34	38.73	24.39
Net Debt available to the State [#]	7,980.99	9,881.42	(-) 24.97	2,190.02	11,631.63
Net Debt available as per cent to Debt Receipts	43.42	45.80	(-) 0.19	11.73	39.91
Debt Stabilisation (Quantum spread + Primary Deficit)	64,569.49	6,06,690.61	4,17,593.18	6,93,163.81	11,55,222.71

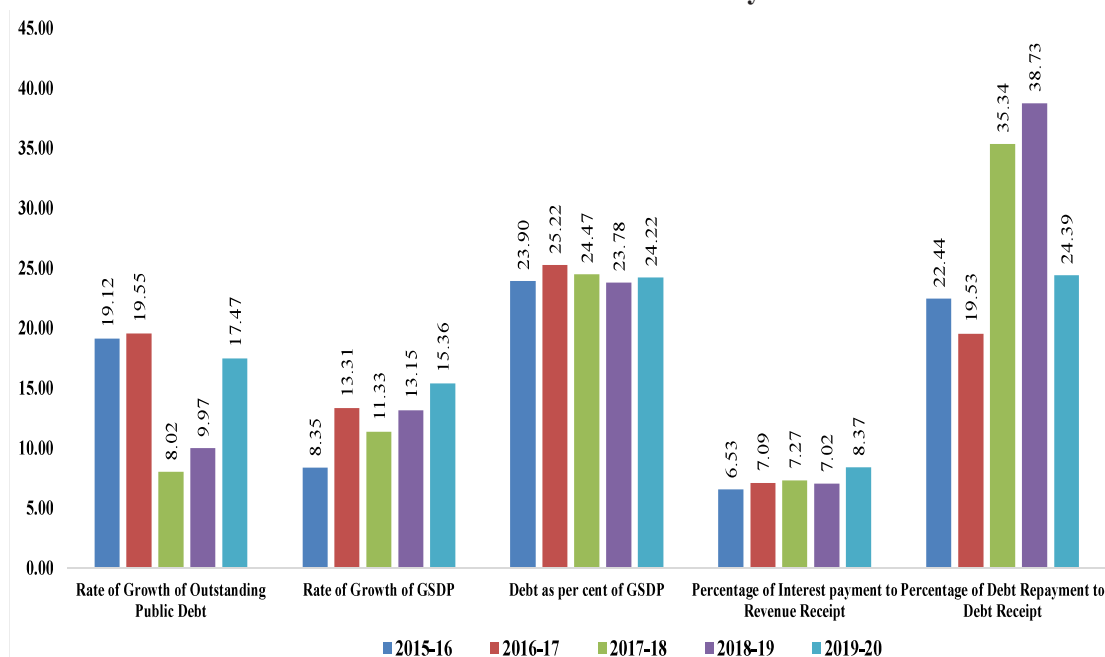
(Source: Finance Accounts of the respective years)

*Outstanding Public Debt is the sum of outstanding balances under the heads 6003-Internal Debt and 6004- Loans and Advances from the Central Government.

[#]Net debt available to the State Government is calculated as the excess of Public debt receipts over Public debt repayment and interest payment on Public Debt.

The growth rate of public debt is higher than the growth rate of GSDP during the year, which is not good sign of fiscal indicator. The percentage of interest payment to revenue receipts is highest among last five years and above from the projection of FFC (6.03 *per cent*) but within the limit of BFRBM (less than 10 *per cent* of revenue receipts). Percentage of debt repayment to debt receipt has been decreasing from the previous year which indicates that State has more debt after repayment for other purposes. The rate of growth of States public debt shows an increasing trend but the rate of growth of capital expenditure shows a negative trend for the last three years. This implies that State's public debt is not being utilised for capital creation.

Chart 2.16: Trends of Debt Sustainability indicators



(Source: Finance Accounts of the respective years)

2.7.1 Utilisation of borrowed funds

Borrowed funds should ideally be used to fund capital creation and developmental activities. Using borrowed funds for meeting current consumption and repayment of interest on outstanding loans is not sustainable. Utilisation of borrowed funds is shown in Table 2.35 below.

Table 2.35: Utilisation of borrowed funds

(₹ in crore)

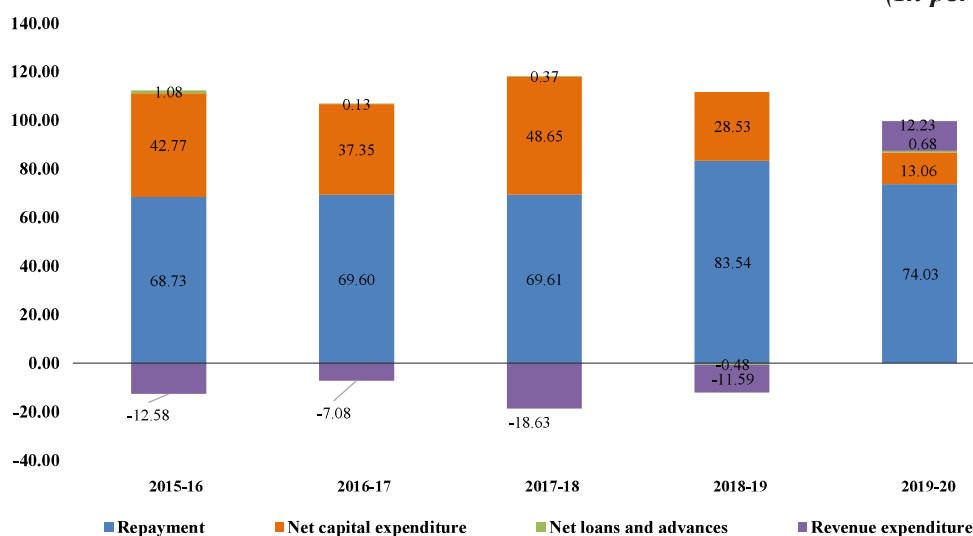
Year		2015-16	2016-17	2017-18	2018-19	2019-20
Total Borrowings	2	56,030.22	72,845.19	59,412.45	73,806.02	94,193.12
Repayment of earlier borrowings (Principal) (percentage)	3	38,508.43	50,701.29	41,357.18	61,661.46	69,732.59
Net capital expenditure (Percentage)	4	23,966.02	27,208.40	28,906.95	21,058.25	12,303.90
Net loans and advances	5	602.73	90.56	220.90	(-)354.84	635.90
Portion of Revenue expenditure met out of net available borrowings	6= 2-3-4-5	(-)7,046.96	(-)5,155.06	(-)11,072.58	(-)8,558.85	11,520.73

(Source: Finance Accounts of the respective years)

From the above table, it can be seen that the state's total borrowings have been spent for repayment of earlier borrowings and capital expenditure but during 2019-20, an amount of ₹ 11,520.73 crore has been spent on revenue expenditure met out of net available borrowings.

Chart 2.17: Trends of Utilisation of borrowed funds

(In percentage)



(Source: Finance Accounts of the respective years)

From the above chart, it can be seen that more than 60 *per cent* of state debt is being spent for repayment of previous debts for the last five years. This leaves little room for utilization of borrowed funds capital expenditure, as the trend shows a reducing trend for Capex from borrowed funds. For the year 2019-20, 12.23 *per cent* has been utilised as revenue expenditure because of State's revenue deficit.

2.7.2 Status of Guarantees – Contingent Liabilities

Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee has been extended. The State Governments have come out with legislations or instructions with regard to the cap on the guarantees. For instance, in some States, the Government guarantees are to be restricted to a certain percentage of the State's Tax and Non-Tax Revenue of the second preceding year. Guarantees given by the State Government are shown in **Table 2.36**.

Table 2.36: Guarantees given by the State Government

(₹ in crore)

Guarantees	2015-16	2016-17	2017-18	2018-19	2019-20
Ceiling applicable to the outstanding amount of guarantees including interest (Criteria)	9,763.37	13,459.21	20,581.52	21,181.52	21,181.52
Outstanding amount of guarantees including interest	4,838.64	4,637.62	5,271.70	5,501.86	5,484.56

(Source: Finance Accounts of the respective years)

The composition of the outstanding amount guaranteed was towards power (₹ 12,166.91 crore), co-operatives (₹ 1268.84 crore), irrigation (₹ 4.93 crore), road and transport (₹ 2,000.00 crore),

State Financial Corporation (₹ 183.57 crore), Urban development and housing (₹ 90.00 crore), other infrastructure (₹ 33.76 crore) and others (₹ 5,086.09 crore).

In order to enable PSUs to obtain financial assistance from banks and financial institutions, the State government gives a guarantee subject to limits prescribed by the Constitution of India for which a guarantee fee is charged. As per the resolution of GoB 7498 dated 5th of July, 1974 the PSUs are liable to pay a guarantee fee at 1/8 per cent annually on the guarantee amount of more than ₹ 10 lakh. There was no clause in the guarantee deed for the recovery of the guarantee fee. GoB also did not claim the guarantee fee from the PSUs. However, a guarantee fee amounting to ₹ 3.13 crore was received from only one company (Bihar State Food and Civil Supplies Corporation) in 2019-20.

2.7.3 Management of Cash Balances

As per an agreement with the Reserve Bank of India, State Governments have to maintain a minimum daily cash balance with the Bank. If the balance falls below the agreed minimum on any day, the deficiency is made good by taking ordinary Ways and Means Advances (WMA)/Special Ways and Means Advances (SWMA)/Overdrafts (OD) from time to time. The limit for ordinary WMA to the State Government is revised by the RBI from time to time.

State Government invests its surplus cash balance in short and long-term GoI Securities and Treasury Bills. The profits derived from such investments are credited as receipts under the head '0049-Interest Receipts'. The cash balances are invested in the Consolidated Sinking Fund Guarantee Redemption Fund as well.

It is not desirable that State Government take recourse to market loans despite having large cash balances leading to further accretion to cash balances without putting it to productive use. Details of Cash Balances and their investment and Cash Balance Investment Accounts are shown in Table 2.37 and 2.38 respectively.

Table 2.37: Cash Balances and their investment

(₹ in crore)

	Opening balance on 1 April 2019	Closing balance on 31 March 2020
A. General Cash Balance		
Cash in treasuries	-	-
Deposits with Reserve Bank of India	157.12	588.07
Deposits with other Banks	-	-
Remittances in transit – Local	-	-
Investments held in Cash Balance investment account	14,791.80	17,588.74
Total (A)	14,948.92	18,176.81
B. Other Cash Balances and Investments		
Cash with departmental officers viz., Public Works, Forest Officers	234.65	234.65
Permanent advances for contingent expenditure with department officers	758.52	760.97
Investment in earmarked funds	4,895.22	5,740.22
Total (B)	5,888.39	6,735.84
Total (A + B)	20,837.31	24,912.65
Interest realised	909.08	938.84

(Source: Finance Accounts for the year 2019-20)

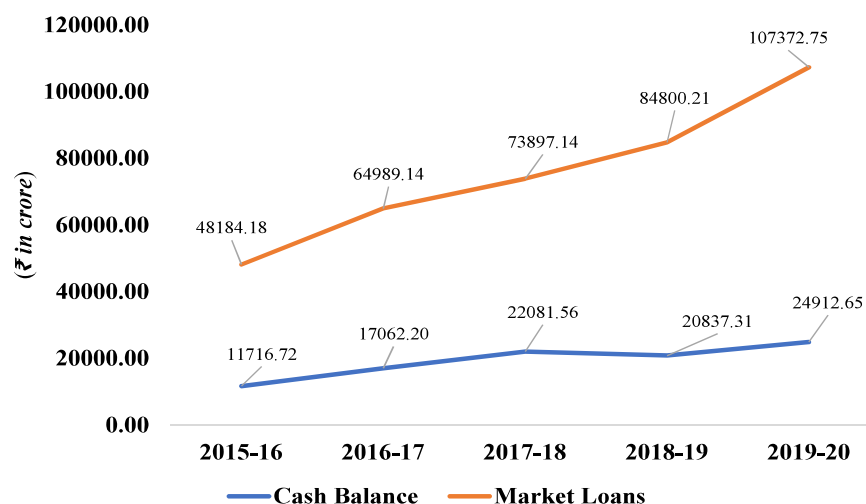
Table 2.38: Cash Balance Investment Account (Major Head-8673)

(₹ in crore)

Year	Opening Balance	Closing Balance	Increase (+) / decrease (-)	Interest earned
2015-16	3,528.80	8,199.24	4,670.44	453.33
2016-17	8,199.24	13,001.71	4,802.47	804.44
2017-18	13,001.71	17,395.63	4,393.92	799.82
2018-19	17,395.63	14,791.80	(-)2,603.83	909.08
2019-20	14,791.80	17,588.74	2,796.94	938.84

(Source: Finance Accounts of the respective years)

Chart 2.18: Market loans vis-à-vis Cash Balance

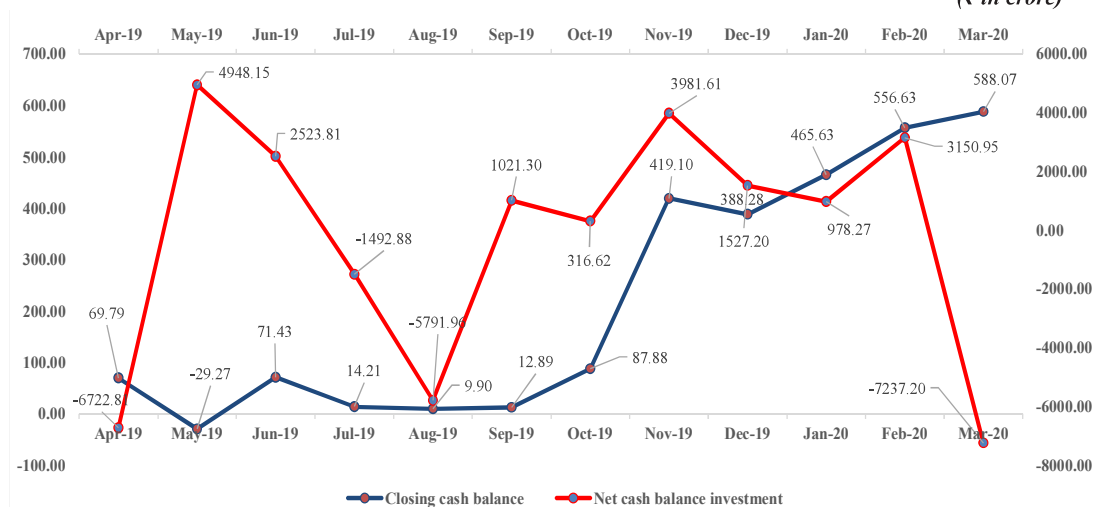


(Source: Finance Accounts of the respective years)

The Government took recourse to market loans despite having the closing balance of ₹ 17,588.74 crore in the Cash Balance investment account whereas the net market loan for this year is ₹ 22,572.54 crore. It is worth mentioning that the amount of Cash Balance Investment Account is cumulative.

Chart 2.19: Month wise movement of Cash Balances and net cash balance investments during the year

(₹ in crore)



(Source: Monthly Civil Accounts for the year 2019-20)

The chart above shows that the cash balances in the second half of the year are higher than the first half owing to the majority of funds from GoI (73 *per cent*) coming in this period. Further, the same period also shows that State has been debiting the cash balance investment accounts in this period owing to surplus cash.

2.8 Conclusion and recommendations

Deficit indicators, revenue augmentation and expenditure management are major yardsticks for judging the fiscal performance of the Government.

Positive indicators	Negative indicators
Fiscal Deficit was well within the limit of the State's FRBM Act.	Revenue receipts of the State decreased
The State's own resources (tax and non-tax revenue) has slightly increased.	Decreasing percentage of capital expenditure to the total expenditure
Grants-in-aid from the Government of India has increased.	Increasing committed expenditure
Investment in sinking fund investment account has been increased.	Increasing debt to GSDP ratio beyond FRBM Act ceiling.
	Worsening debt sustainability indicators
	Non-creation of Guarantee Redemption Fund.

Recommendations

The Finance Department should review

- The budget preparation exercise, so that the persisting gap between budget estimates and actual may be bridged.
- Devise a mechanism to ensure that arrears of revenue can be collected expeditiously so that the burden of the State on fiscal deficit may be mitigated.
- To ensure that employee's deductions are fully deducted, fully matched by government contributions, and fully transferred to NSDL in a timely manner.
- A mechanism to ensure timely completion of projects. The revised estimates of all the incomplete projects should be prepared and approved on priority so as to have a realistic assessment of the funds required to complete these projects.
- Investment in entities whose financial performance does not even meet the borrowing cost of capital, no investment should be made or loans extended to entities whose accounts were in arrears.
- All reserve funds which have had no transactions for the past several years should be closed.
- To constrain its interest payment to make achieving the budgeted fiscal deficit target.