

# Chapter I Overview

## 1.1 Profile of the State

West Bengal is located in the eastern region of India along the Bay of Bengal. It includes the Darjeeling Himalayan hill region, the Ganges delta, the Rarh region<sup>1</sup> and the coastal Sundarbans. The State is spread over a geographical area of 88,752 sq.km. (2.70 per cent of the country's total geographical area) and is home to around 9.17 crore (7.52 per cent of the population of the country) as per Census 2011. It is the fourth-most populous State and the fourteenth largest by area in India. The State has 23 districts and one autonomous region (Gorkhaland Territorial Administration). The per capita GSDP of the State is ₹ 1,26,121. A profile of the State with demographics and other details is given in *Appendix 1.1*.

## 1.2 Gross State Domestic Product of the State

Gross State Domestic Product (GSDP) is the value of all the goods and services produced within the boundaries of the State in a given period of time. Growth of GSDP is an important indicator of the State's economy, as it denotes the extent of changes in the level of economic development of the State over a period of time.

Changes in sectoral contribution to the GSDP is also important to understand the changing structure of the economy. Economic activity is generally divided into Primary, Secondary and Tertiary sectors, which correspond to the Agriculture, Industry and Service sectors.

Trends in annual growth of West Bengal's GSDP (nominal) *vis-à-vis* that of the country for the period from 2015-16 to 2019-20 are given in **Table 1.1**.

**Table 1.1: Trends in GSDP compared to the national GDP**

(₹ in crore)

Year	2015-16	2016-17	2017-18	2018-19	2019-20
National GDP (2011-12 Series)	1,37,71,874	1,53,91,669	1,70,98,304	1,89,71,237	2,03,39,849
Growth rate of GDP over previous year (in per cent)	10.46	11.76	11.09	10.95	7.21
State's GSDP (2011-12 Series)	7,97,300	8,72,527	9,74,700	10,89,898	12,53,832

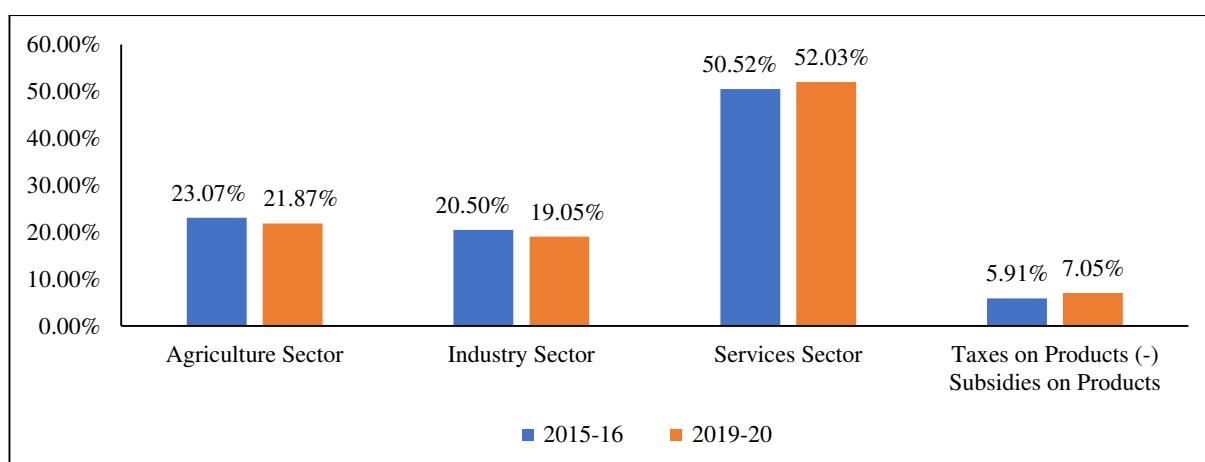
<sup>1</sup> Rarh Bengal, is a region in Eastern India that lies between the Chhota Nagpur Plateau on the west and the Ganges Delta on the east. Districts of West Bengal like Purulia, Bankura, Birbhum and Burdwan lie in this region.

Year	2015-16	2016-17	2017-18	2018-19	2019-20
Growth rate of GSDP over previous year (in per cent)	11.03	9.44	11.71	11.82	15.04

Source: Ministry of Statistics and Programme Implementation (MoSPI), Government of India dated 29 May 2020

GSDP of West Bengal grew at a faster rate than the National GDP in 2015-16 and during 2017-20. In the current year, growth of State's GSDP exceeded the national GDP by 7.83 per cent. **Chart 1.1** captures the sectoral contribution of GSDP during 2019-20 vis-à-vis 2015-16.

**Chart 1.1: Change in sectoral contribution to GSDP (2015-16 and 2019-20)**



Source: Department of Planning, Statistics and Programme Monitoring, Government of West Bengal

Services Sector, which contributed more than half of the GSDP of the State, had increased its relative share by 1.51 per cent during 2019-20 over 2015-16. Relative share of Industry and Agriculture sectors contracted by 1.45 and 1.20 per cent respectively during 2019-20 over 2015-16. **Table 1.2** captures year-wise growth of sectors under GSDP during 2015-16 to 2019-20.

**Table 1.2: Year-wise growth of sectors under GSDP (2015-16 to 2019-20)**

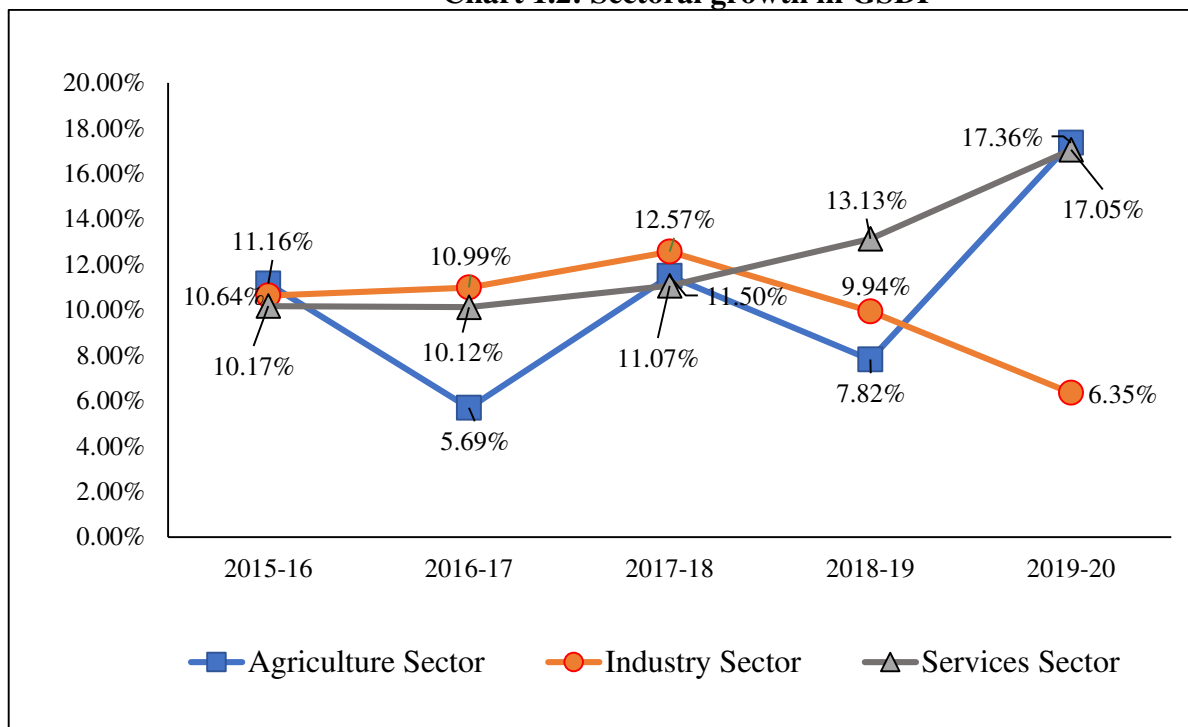
(₹ in crore)

Year	2015-16	2016-17	2017-18	2018-19	2019-20
Agriculture Sector	18,464	10,460	22,354	16,951	40,578
Industry Sector	15,719	17,969	22,808	20,296	14,254
Services Sector	37,180	40,748	49,106	64,684	95,040

Source: Ministry of Statistics and Programme Implementation (MoSPI), Government of India dated 15 March 2021

**Chart 1.2** captures the sectoral growth in GSDP for the period from 2015-16 to 2019-20.

Chart 1.2: Sectoral growth in GSDP



Source: Department of Planning, Statistics and Programme Monitoring, Government of West Bengal

Agriculture sector witnessed ‘w-shaped’ growth during 2015-20. In the current year, this sector grew significantly (17.36 per cent) compared to the growth during the previous year (7.82 per cent).

Industry sector, after a steady increase in growth rate during 2015-18 started declining from 2018-19 onwards. In the last two years, decline in growth rate in this sector was 2.63 and 3.59 per cent respectively. Such steep decline in the growth rate of this sector affects the overall economic development of the State and is a matter of concern.

Services Sector maintained steady upside growth during 2015-20 and the State’s GSDP was largely driven by this sector. In the current year, rate of growth of this sector was around four per cent over the previous year. Under this Sector, (i) Trade, repair, hotels and restaurant services and (ii) Real Estate, Ownership of dwelling and professional services increased at a CAGR<sup>2</sup> of 16.56 and 11.73 per cent respectively during 2015-20.

### 1.3 Basis and Approach to State Finances Audit Report

In terms of Article 151(2) of the Constitution of India, the reports of the Comptroller and Auditor General of India (CAG) relating to the accounts of a State are to be submitted to the Governor of the State, who shall cause them to be laid before the Legislature of the State. The State Finances Audit Report (SFAR) is prepared and submitted under Article 151(2) of the Constitution of India.

Principal Accountant General (Accounts & Entitlements) prepares the Finance Accounts and Appropriation Accounts of the State annually, from the vouchers,

<sup>2</sup> Compounded Annual Growth Rate

challans and initial and subsidiary accounts rendered by the treasuries, offices and departments responsible for keeping of such accounts functioning under the control of the State Government, and the statements received from the Reserve Bank of India. These accounts are audited independently by the Principal Accountant General (Audit-I), and certified by the CAG.

Finance Accounts and Appropriation Accounts of the State constitute the core data for this report. Other sources include the following:

- Budget of the State: for assessing the fiscal parameters and allocative priorities *vis-à-vis* projections, as well as for evaluating the effectiveness of its implementation and compliance with the relevant rules and prescribed procedures;
- Results of audit carried out by the Office of the Principal Accountant General (Audit-I);
- Other data with Departmental Authorities and Treasuries (accounting as well as MIS);
- GSDP data and other State related statistics; and
- Information and data provided by Offices of the Principal Accountant General (Accounts & Entitlement) and (Audit-II), West Bengal.

The analysis is also carried out in the context of recommendations of the XIV Finance Commission (FC), State Financial Responsibility and Budget Management Act and best practices and guidelines of the Government of India.

## **1.4 Report Structure**

The SFAR is structured into the following four Chapters:

<b>Chapter - I</b>	<b>Overview</b> This chapter describes the basis and approach to the Report and the underlying data, provides an overview of structure of government accounts, budgetary processes, macro-fiscal analysis of key indices and State's fiscal position including the deficit/ surplus.
<b>Chapter - II</b>	<b>Finances of the State</b> This chapter provides a broad perspective of the finances of the State, analyses the critical changes in major fiscal aggregates relative to the previous year, overall trends during the period from 2015-16 to 2019-20, debt profile of the State and key Public Account transactions, based on the Finance Accounts of the State.
<b>Chapter - III</b>	<b>Budgetary Management</b> This chapter is based on the Appropriation Accounts of the State and reviews the appropriations and allocative priorities

	of the State Government and reports on deviations from Constitutional provisions relating to budgetary management.
<b>Chapter - IV</b>	<p><b>Quality of Accounts &amp; Financial Reporting Practices</b></p> <p>This chapter comments on the quality of accounts rendered by various authorities of the State Government and issues of non-compliance with prescribed financial rules and regulations by various departmental officials of the State Government.</p>

## 1.5 Overview of Government Account Structure and Budgetary Processes

The Accounts of the State Government are kept in three parts:

### **Part - I: Consolidated Fund of the State (Article 266(1) of the Constitution of India)**

This Fund comprises all revenues received by the State Government, all loans raised by the State Government (market loans, bonds, loans from the Central Government, loans from Financial Institutions, Special Securities issued to National Small Savings Fund, etc.), Ways and Means advances extended by the Reserve Bank of India and all moneys received by the State Government in repayment of loans. No moneys can be appropriated from this Fund except in accordance with law and for the purposes and in the manner provided by the Constitution of India. Certain categories of expenditure (e.g., salaries of Constitutional authorities, loan repayments etc.), constitute a charge on the Consolidated Fund of the State (Charged expenditure) and are not subject to vote by the Legislature. All other expenditure (Voted expenditure) is voted by the Legislature.

### **Part-II: Contingency Fund of the State (Article 267(2) of the Constitution of India)**

This Fund is in the nature of an imprest which is established by the State Legislature by law, and is placed at the disposal of the Governor to enable advances to be made for meeting unforeseen expenditure pending authorisation of such expenditure by the State Legislature. The fund is recouped by debiting the expenditure to the concerned functional major head relating to the Consolidated Fund of the State.

### **Part- III: Public Accounts of the State (Article 266(2) of the Constitution)**

Apart from above, all other public moneys received by or on behalf of the Government, where the Government acts as a banker or trustee, are credited to the Public Account. The Public Account includes repayables like Small Savings and Provident Funds, Deposits (bearing interest and not bearing interest), Advances, Reserve Funds (bearing interest and not bearing interest),

Remittances and Suspense heads (both of which are transitory heads, pending final booking). The net cash balance available with the Government is also included under the Public Account. The Public Account is not subject to the vote of the Legislature.

**Annual Financial Statement:** There is a constitutional requirement in India (Article 202) to present before the House or Houses of the Legislature of the State, a statement of estimated receipts and expenditures of the government in respect of every financial year. This 'Annual Financial Statement' constitutes the main budget document. Further, the budget must distinguish expenditure on the revenue account from other expenditures.

**Revenue Receipts** consists of tax revenue, non-tax revenue, share of Union Taxes/Duties, and grants from Government of India.

**Revenue Expenditure** consists of all those expenditures of the government which do not result in creation of physical or financial assets. It relates to those expenses incurred for the normal functioning of the government departments and various services, interest payments on debt incurred by the government, and grants given to various institutions (even though some of the grants may be meant for creation of assets).

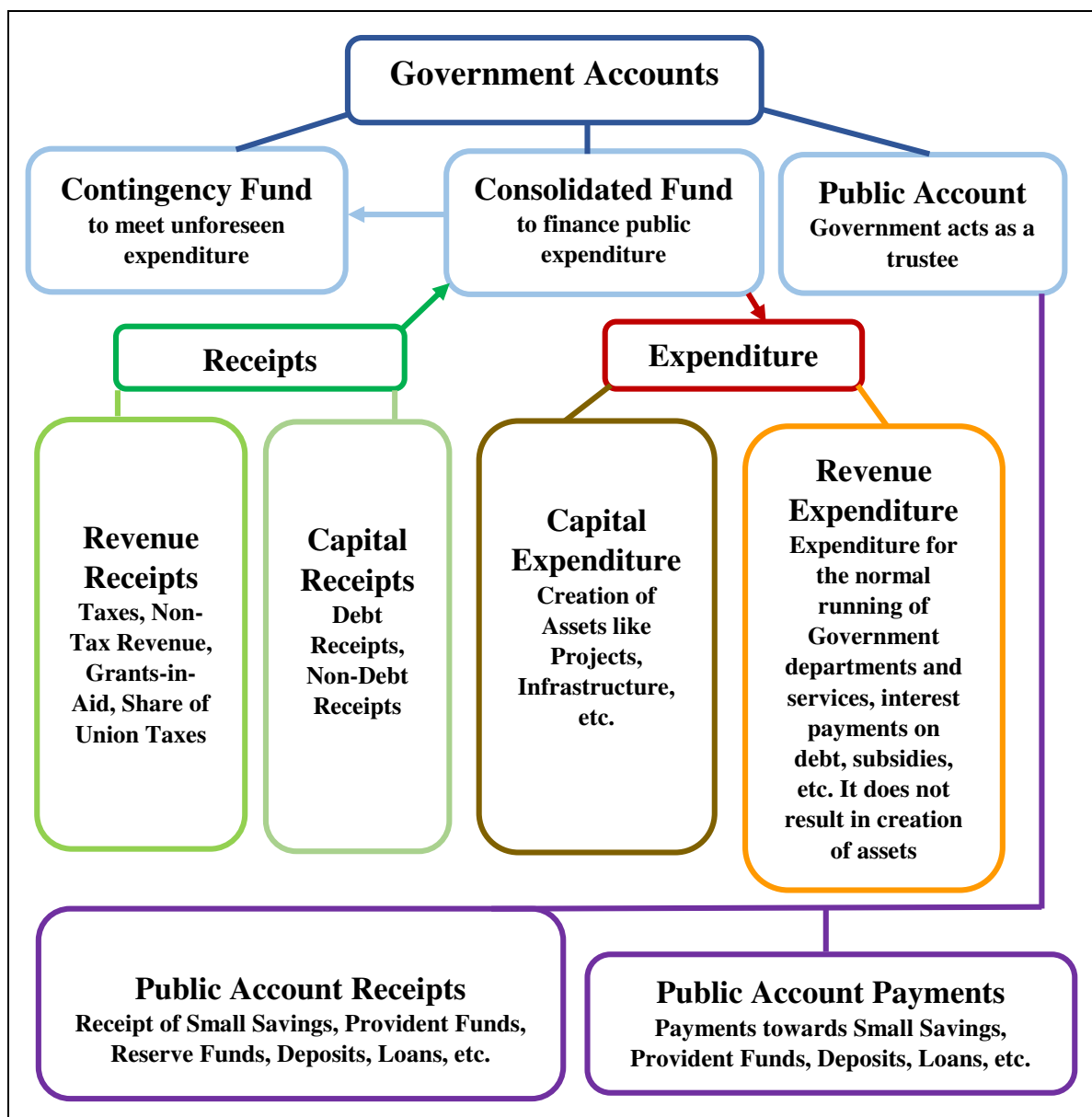
The **Capital Receipts** consist of:

- **Debt Receipts:** Market Loans, Bonds, Loans from financial institutions, Net transaction under Ways and Means Advances, Loans and Advances from Central Government, etc.;
- **Non-Debt Receipts:** Proceeds from disinvestment, Recoveries of loans and advances.

**Capital Expenditure** includes expenditure on the acquisition of land, building, machinery, equipment, investment in shares, and loans and advances by the government to PSUs and other parties.

A pictorial depiction of the structure of Government Accounts is given in **Chart 1.3**.

Chart 1.3: Pictorial depiction of the structure of Government Accounts



Fund based accounting coupled with functional and economic classification of transactions facilitates an in-depth analysis of Government activities/ transactions and enables Legislative oversight over public finances.

### Budgetary Processes

In terms of Article 202 of the Constitution of India, the Governor of the State cause to be laid before the State Legislature, a statement of the estimated receipts and expenditure of the State, in the form of an **Annual Financial Statement**. In terms of Article 203, the statement is submitted to the State Legislature in the form of Demands for Grants/Appropriations and after approval of these, the Appropriation Bill is passed by the Legislature under Article 204 to provide for appropriation of the required money out of the Consolidated Fund.

The State Budget Manual details the budget formulation process and guides the State Government in preparing its budgetary estimates and monitoring its

expenditure activities. Results of audit scrutiny of the budget and implementation of other budgetary initiatives of the State Government are detailed in **Chapter III** of this Report.

## 1.6 Snapshot of Finances

The following table provides the details of actual financial results *vis-à-vis* Budget Estimates for the year 2019-20 and actuals of 2018-19.

**Table 1.3: Actual *vis-à-vis* Budget Estimates**

Sl. No.	Components	2018-19 (Actuals)	2019-20 (Budget Estimate)	2019-20 (Actuals)	Percentage of Actuals to B.E.	Percentage of Actuals to GDP
		₹ in crore				
1	Tax Revenue	60,732	65,546	60,669	92.56	4.84
2	Non-Tax Revenue	3,657	3,987	3,213	80.59	0.26
3	Share of Union taxes/duties	55,776	62,397	48,048	77.00	3.83
4	Grants-in-aid and Contributions	25,810	32,398	30,984	95.64	2.47
5	<b>Revenue Receipts (1+2+3+4) (a)</b>	<b>1,45,975</b>	<b>1,64,328</b>	<b>1,42,914</b>	<b>86.97</b>	<b>11.40</b>
6	Recovery of Loans and Advances	804	350	67	0.18	0.01
7	Miscellaneous Capital Receipts	692	0	0	--	0.00
8	<b>Non-Debt Receipts (5+6+7)</b>	<b>1,47,471</b>	<b>1,64,678</b>	<b>1,42,981</b>	<b>86.82</b>	<b>11.40</b>
9	Borrowings and other Liabilities (b)	33,485	36,602	36,832	100.63	2.94
10	<b>Revenue Expenditure</b>	<b>1,56,374</b>	<b>1,64,328</b>	<b>1,62,575</b>	<b>98.93</b>	<b>12.97</b>
11	Interest Payments	28,911	31,151	31,668	101.66	2.53
12	Capital Outlay	23,717	26,667	15,971	59.89	1.27
13	Loan and advances	865	938	1,266	134.97	0.10
14	<b>Capital Expenditure (c) (12+13)</b>	<b>24,582</b>	<b>27,605</b>	<b>17,237</b>	<b>62.44</b>	<b>1.37</b>
15	<b>Total Expenditure (10+14)</b>	<b>1,80,956</b>	<b>1,91,933</b>	<b>1,79,812</b>	<b>93.68</b>	<b>14.34</b>
16	<b>Revenue Deficit (10-5)</b>	<b>10,399</b>	<b>0</b>	<b>19,661</b>	<b>--</b>	<b>1.57</b>
17	<b>Fiscal Deficit (15-8)</b>	<b>33,485</b>	<b>27,255</b>	<b>36,831</b>	<b>135.13</b>	<b>2.94</b>
18	<b>Primary Deficit (17-11)</b>	<b>4,574</b>	<b>-3,896</b>	<b>5,163</b>	<b>-132.52</b>	<b>0.41</b>

Source: Finance Accounts

(a) Includes State's share of Union Taxes

(b) Borrowings and other Liabilities: Net (Receipts-Disbursements) of Public Debt + Net of Contingency Fund + Net (Receipts - Disbursements) of Public Account + Net of Opening and Closing Cash Balance

(c) Expenditure on Capital Account includes Capital Outlay and Loans and Advances disbursed

Actual revenue receipts was lower than the previous year's receipts. This was primarily due to share of Union taxes and duties being less than the previous year in the case of Corporation Tax (by ₹ 3,014 crore), Taxes on income other than corporation tax (by ₹ 1,448 crore) and Goods and Services Tax (by ₹ 1,230 crore) partly *offset* by excess receipts of Grants-in-aid from GoI backed by



finance commission grants (by ₹ 1,836 crore) and National Disaster Response Fund (by ₹ 958 crore). The revenue gap further widened as State's own revenue collection fell short of the collection during the previous year by ₹ 507 crore. Short collections from State Goods and Service Taxes and Interest Receipts with respect to Budget Estimates (BEs) by ₹ 2,582 crore and ₹ 1,262 crore respectively decreased own revenue collection.

Revenue Expenditure fell short of the BEs by a modest one *per cent* but exceeded the expenditure of 2018-19 by around four *per cent* owing to introduction of the West Bengal Services (Revision of Pay and Allowance) Rules, 2019 with effect from 1 January 2020.

Capital Expenditure<sup>3</sup> fell short of the BEs and previous year's expenditure by 37.56 and 29.88 *per cent* respectively. This was mainly on account of significant curtailment in capital outlay on Rural Development Programmes, Roads and Bridges and Medical & Public Health.

Significant shortfall in actual revenue receipts rather than decrease in actual revenue expenditure with respect to BEs, resulted in larger than anticipated revenue deficit. This, combined with higher shortfall in recoveries of loans and advances compared with the disbursement, resulted in higher than anticipated fiscal deficit.

Audit analysis of the possible reasons for this situation revealed that even though there were clear trends of shortfall in revenue and capital expenditure as at the end of December 2019, these were not factored in the Revised Estimates (REs). To illustrate, though the trend of non-debt receipts during the year (the position as at the end of December 2019 was 58.47 *per cent* of BEs for the year; COPPY<sup>4</sup> - 62.88 *per cent*), was consistent and indicated that the targets for the year were unlikely to be achieved, the BEs and REs for non-debt receipts were almost similar. Ultimately, actual non-debt receipts fell short of REs by 12.68 *per cent* (COPPY-3.56 *per cent*). Similar was the case of tax revenues (65.85 *per cent* of BEs at the end of December 2019; COPPY- 72.70 *per cent*), where the BEs and REs were only slightly different, but actual tax revenues were consistent with the trend and lower than REs by 7.80 *per cent*. So was the trend in capital outlay (34.93 *per cent* at the end of December 2019; COPPY- 36.46 *per cent* respectively), where estimates at RE stage were marginally increased by 0.76 *per cent* against which actual achievement was significantly short by 40.56 *per cent*. All these indicate an unrealistic assessment of financial resources which, in turn, led to underestimation of revenue and fiscal deficits in the BEs and REs.

<sup>3</sup> Combination of Capital outlay (Appropriations spent for the purchase of goods and services, the benefits of which extend beyond the fiscal year and which add to the assets of government, including investments in the capital stock of government-owned or controlled corporations and their subsidiaries) and Loans and Advances given by the State Government

<sup>4</sup> Corresponding period of the previous year

## 1.7 Snapshot of Assets and Liabilities of the Government

Government accounts capture the financial liabilities of the Government and the assets created out of the expenditure incurred. The liabilities consist mainly of internal borrowings, loans and advances from GoI, receipts from public account and reserve funds, and the assets comprise mainly the capital outlay and loans and advances given by the State Government and cash balances. **Table 1.4** provides the details of assets and liabilities during 2018-19 and 2019-20.

**Table 1.4: Summarised position of Assets and Liabilities**

(₹ in crore)

Liabilities				Assets					
	2018-19	2019-20	Per cent increase		2018-19	2019-20	Per cent increase		
<b>Consolidated Fund</b>									
A	Internal Debt	3,26,064	3,60,464	10.55	A	Gross Capital Outlay	1,22,135	1,38,106	13.08
B	Loans and Advances from GoI	14,358	15,244	6.17	B	Loans and Advances	12,780	13,980	9.39
<b>Contingency Fund</b>		19	8	-57.89					
<b>Public Account</b>									
A	Small Savings, Provident Funds, etc.	15,637	17,230	10.19	A	Advances	29	29	0.00
B	Deposits	36,380	39,036	7.30	B	Remittance	484	498	2.89
C	Reserve Funds	12,494	14,025	12.25	C	Suspense and Miscellaneous	-1,910	-5,759	201.52
D	Remittances	-	-	-		<b>Cash balance (including investment in Earmarked Fund)</b>	17,607	25,665	45.77
						<b>Total</b>	<b>16,210</b>	<b>20,433</b>	<b>26.05</b>
						<b>Deficit in Revenue Account</b>	2,53,827	2,73,488	7.75
<b>Total</b>		<b>4,04,952</b>	<b>4,46,007</b>	<b>10.14</b>	<b>Total</b>		<b>4,04,952</b>	<b>4,46,007</b>	<b>10.14</b>

Source: Finance Accounts

Liabilities of the Government increased by 10.14 per cent from 8.62 per cent in the PY<sup>5</sup>. Market loans which contribute around 67 per cent of the total outstanding liabilities during 2019-20, was the key factor. Net increase in liabilities on market loans by 16 per cent (₹ 40,882 crore) from 14 per cent (₹ 30,430 crore) in the PY can be mainly attributed to this increase. Variations under other items are dealt with in **Chapter II**.

<sup>5</sup> Previous Year

## 1.8 Fiscal Balance: Achievement of deficit and total debt targets

### 1.8.1 Compliance with provisions of WBFRBM Act

The State Government, in compliance with the recommendations of the Twelfth Finance Commission (12<sup>th</sup> FC), enacted the West Bengal Fiscal Responsibility and Budget Management (WBFRBM) Act, 2010. The Act was amended in 2011 and came into force from 7 February 2011. As per WBFRBM (Amendment) Act, 2011, targets for fiscal parameters were set for a period of five years commencing from 2010-11. From 2015-16, revised targets relating to key fiscal parameters were presented in the Medium Term Fiscal Policy Statement (MTFPS) along with the budget as per statute of the WBFRBM Act.

The WBFRBM (Amendment) Act, 2011 was further amended in March 2020 and renamed as the 'West Bengal Fiscal Responsibility and Budget Management (Amendment) Act, 2020', effective from 2019-20. The amendment effected in sub-section (2) of section 4 of the WBFRBM Act, 2010 is as under:

The State Government shall limit Fiscal Deficit (FD) as percentage of Gross State Domestic Product (GSDP) to three *per cent* in each year up to the end of the financial year 2024-25 provided that maximum FD as percentage of GSDP shall be limited to 3.34 *per cent* for the year 2019-20 only.

Further, the Act also envisaged that the State Government would limit the total outstanding debt<sup>6</sup> to GSDP to 34.30 *per cent* up to the end of financial year 2024-25. The target set for Revenue Deficit (RD) in clause (b) of the principal Act stands omitted from the WBFRBM (Amendment) Act, 2020.

Targets relating to key fiscal parameters presented in the MTFPS for the period from 2015-16 to 2018-19 as well as target for 2019-20 set in WBFRBM (Amendment) Act, 2020 and their achievement during the five-year period from 2015-16 to 2019-20 are given in **Table 1.5**.

**Table 1.5: Compliance with provisions of State FRBM Act**

Fiscal Parameters	Fiscal targets set in the Act	Achievement				
		2015-16	2016-17	2017-18	2018-19	2019-20
Revenue Deficit (-) / Surplus (+) (₹ in crore)	As stated in the MTFPS 2015-20 and WBFRBM (Amendment) Act, 2020	-9,095	-16,086	-9,807	-10,399	-19,661
		X	X	X	X	-
Fiscal Deficit (-)/ Surplus (+) (₹ in crore) (as <i>percentage of GSDP</i> )	As stated in the MTFPS 2015-20 and WBFRBM (Amendment) Act, 2020	-20,891 (-2.62)	-25,386 (-2.91)	-28,930 (-2.89)	-33,485 (-2.84)	-36,831 (-2.94)
		X	X	X	X	✓
Ratio of total outstanding debt to GSDP (in <i>per cent</i> )	As stated in the MTFPS 2015-20 and WBFRBM (Amendment) Act, 2020	38.38	38.70	37.03	36.09	34.57
		X	X	X	✓	X

Source: MTFPS (2015-20), WBFRBM (Amendment) Act 2020 and Finance Accounts (2015-20)

<sup>6</sup> Includes all debts and other liabilities

- The Revenue Deficit of the State during the period 2015-19 was not eliminated despite target of 'Zero' set in the MTFPS 2015-19. During 2019-20, RD increased by 89 *per cent* (₹ 9,262 crore) as compared to the increase of six *per cent* (₹ 592 crore) in the PY. Ratio of RD to Revenue Receipts increased to 11.40 *per cent* in 2019-20 from 7.12 *per cent* in 2018-19.
- During the four-year period from 2015-16 to 2018-19, Fiscal Deficit of the State crossed the norms prescribed in the MTFPS under the WBFRBM Act. Fiscal Deficit (₹ 36,831 crore) in 2019-20 increased by 9.99 *per cent* in comparison to the preceding year (₹ 33,485 crore). FD as a percentage of GSDP was 2.94 *per cent* and was within the target of 3.34 *per cent* set in the WBFRBM (Amendment) Act 2020.
- Ratio of RD to FD increased to 53.38 *per cent* during 2019-20 from 43.54 *per cent* during 2015-16.
- During the four-year period from 2015-16 to 2017-18 and 2019-20, outstanding debt of the State crossed the norms prescribed in the MTFPS under WBFRBM Act. In 2019-20, the total outstanding debt being 34.57 *per cent* of the GSDP, was above the target of 34.30 *per cent* set in the WBFRBM (Amendment) Act 2020. The outstanding debt (₹ 4,33,475 crore) grew by 10.21 *per cent* (₹ 40,175 crore) over the previous year (₹ 3,93,300 crore).

### **1.8.2 Medium Term Fiscal Policy**

As per the WBFRBM Act, the State Government has to lay before the State Legislature, a Five-Year Fiscal Policy along with the Annual Budget. The Medium Term Fiscal Policy (MTFP) has to set forth a five-year rolling target for the prescribed fiscal indicators.

**Table 1.6** indicates the variation between the projections made for 2019-20 in MTFP presented to the State Legislature along with the Annual Budget for 2019-20 and Actuals of the year.

**Table 1.6: Actuals *vis-à-vis* projection in MTFP for 2019-20 (₹ in crore)**

Sl. No.	Fiscal Variables	Projection as per MTFP	Actuals (2019-20)	Variation (in <i>per cent</i> )
1	Own Tax Revenue	65,546	60,669	-7.44
2	Non-Tax Revenue	3,987	3,213	-19.41
3	Share of Central Taxes	62,397	48,048	-23.00
4	Grants-in-aid from GoI	32,398	30,984	-4.36
5	Revenue Receipts (1+2+3+4)	1,64,328	1,42,914	-13.03
6	Revenue Expenditure	1,64,328	1,62,575	-1.07
7	Revenue Deficit (-)/ Surplus (+) (5-6)	0	-19,661	NA
8	Fiscal Deficit (-)/ Surplus (+)	-27,254	-36,831	35.14
9	Debt-GSDP ratio ( <i>per cent</i> )	32.86	34.57	5.21
10	GSDP growth rate at current prices ( <i>per cent</i> )	14.31	15.04	5.10

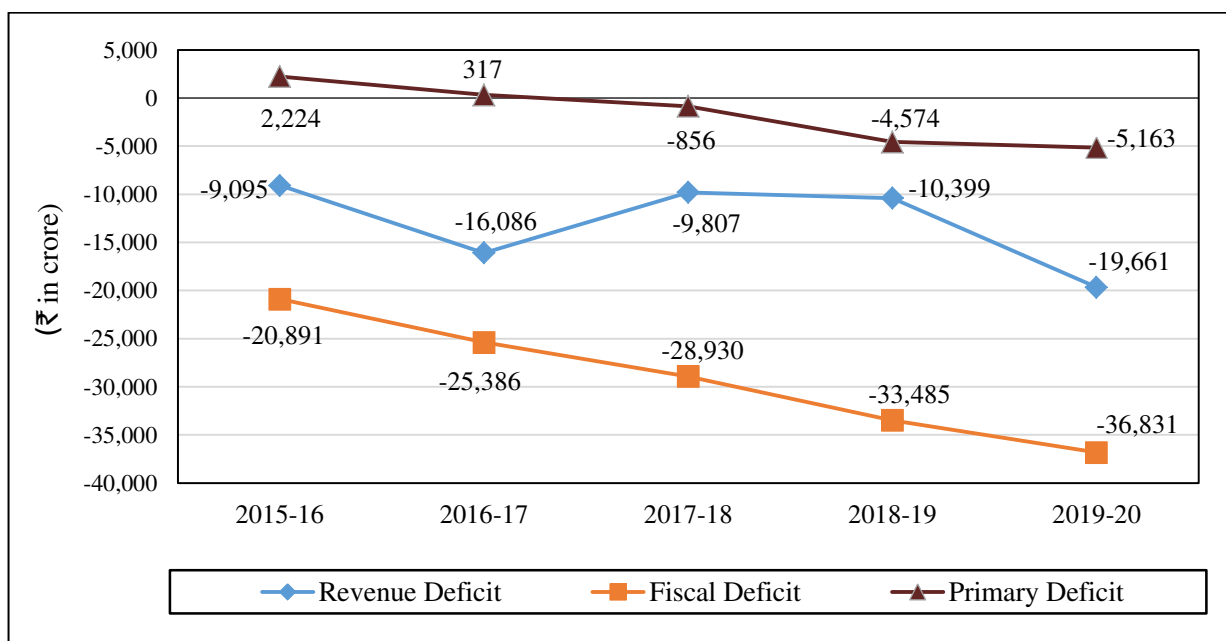
*Source: Finance Accounts & MTFPS 2019-20*

In all revenue and expenditure variables as depicted in **Table 1.6**, actuals were below the projection set in the MTFPS. The State could not achieve the targets set in the MTFPS relating to three key fiscal variables, i.e., Revenue Deficit, Fiscal Deficit and Debt-GSDP ratio. Only in the case of GSDP growth rate, actuals surpassed the projection of MTFP. Variations in the above fiscal variables have been discussed in subsequent sections of this Chapter.

### 1.8.3 Trend of Deficit/Surplus

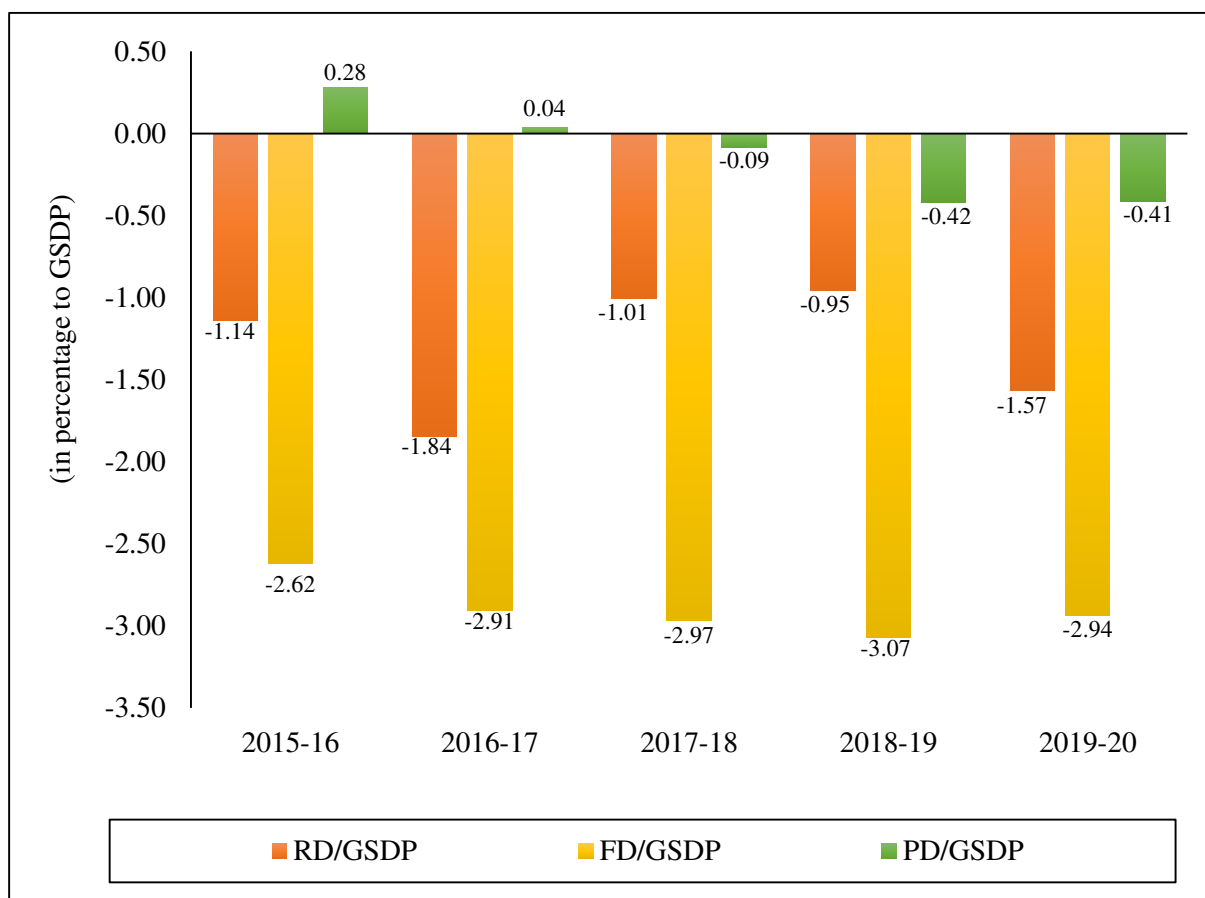
The State could not meet the targets with regard to the key fiscal parameters during 2019-20. It had a fiscal deficit of ₹ 36,831 crore during the year 2019-20, representing 2.94 per cent of GSDP and constituted 20.48 per cent of the Total Expenditure. Revenue Deficit rose 89.07 per cent to ₹ 19,661 crore during 2019-20, with shortfall in revenue receipts over 2018-19 emerging as the major contributing factor. Primary Deficit rose 12.88 per cent to ₹ 5,163 crore, with increase in Fiscal Deficit over 2018-19 as the major contributing factor. The trend of surplus and deficits over the five-year period from 2015-16 to 2019-20 is depicted in **Chart 1.4** and trend in surplus or deficit relative to GSDP is given in **Chart 1.5**.

**Chart 1.4: Trends in deficit parameters**



Source: Finance Accounts

**Chart 1.5: Trends in Surplus/Deficit relative to GSDP**

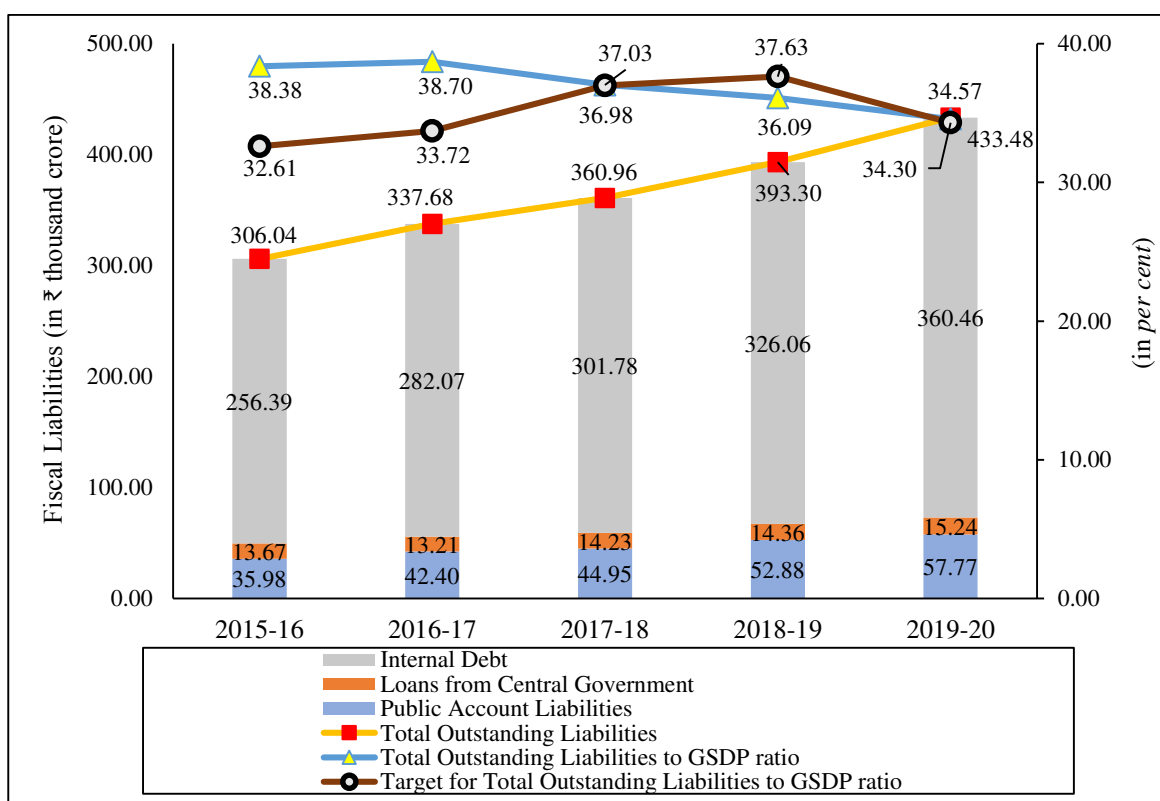


Source: Finance Accounts

Significant deficit on Revenue Account during the current year was mainly due to the fact that the Revenue Receipts fell short of BE and RE by 13.03 and 12.46 per cent respectively. Compared to 2018-19, Revenue Receipts decreased by 2.10 per cent (₹ 3,061 crore) while Revenue Expenditure increased by 3.97 per cent (₹ 6,201 crore). Revenue Receipts and Revenue Expenditure have been discussed in detail in **Chapter II** of this Report.

Trends in Fiscal Liabilities as well its components and outstanding liabilities with respect to GSDP during 2015-20 are shown in **Chart 1.6**.

Chart 1.6: Trends in Fiscal Liabilities and GSDP



Source: Finance Accounts; Targets for Total Outstanding Liabilities to GSDP ratio for 2015-16 to 2018-19 are the Budget Estimates of the said ratio given in the MTFPSs of respective years and that of 2019-20 has been taken from the FRBM (Amendment) Act, 2020.

**Chart 1.6** shows the rising trend of liabilities during 2015-20. Fiscal liabilities with respect to GSDP moved downwards except in the year 2016-17 and failed to achieve the targets set in the WBFRBM (Amendment) Act in 2019-20 (34.30 per cent). In 2019-20, the ratio was 34.57 per cent.

#### 1.8.4 Actual Revenue and Fiscal Deficit

Excessive focus on short-term objectives for overcoming budget deficit, encourages creative accounting and recourse to one-off deficit-reducing measures. **Table 1.7** assesses actual surplus/deficit after taking into account short/non-contribution to funds and incorrect classifications/booking by the State Government during 2019-20.

Table 1.7: Actual Revenue and Fiscal Deficit

Particulars	Impact on Revenue Deficit (Understated (+)/ Overstated(-)) (₹ in crore)	Impact on Fiscal Deficit (Understated (+)/ Overstated(-)) (₹ in crore)	Paragraph Reference
Non-contribution to Guarantee Redemption Fund	36.93	36.93	2.11.3
Misclassification between Capital and Revenue Expenditure	415.62		2.(i) of Notes to Finance Accounts (FA)

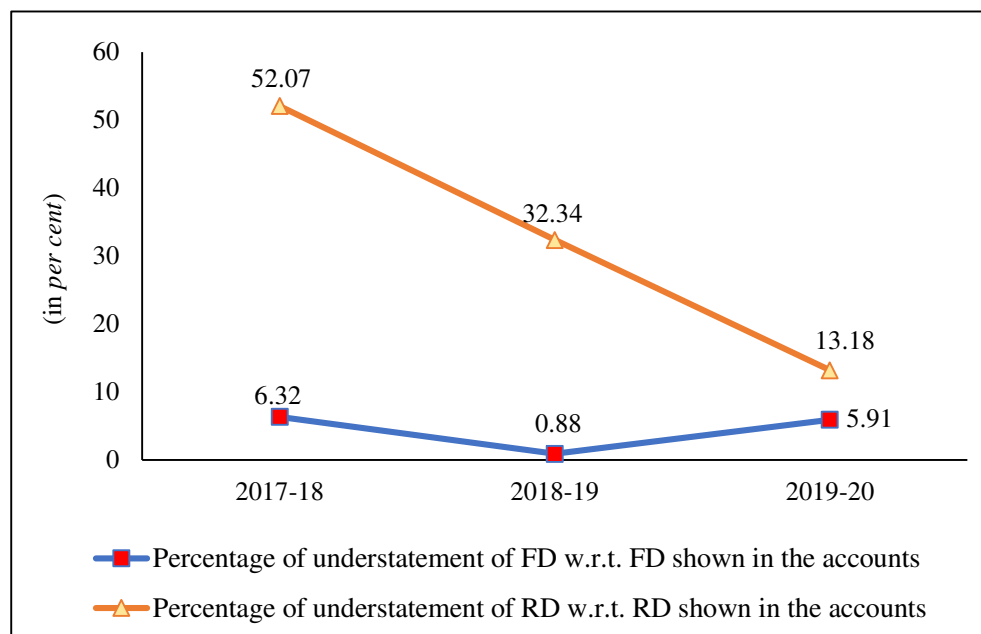
Particulars	Impact on Revenue Deficit (Understated (+)/ Overstated(-)) (₹ in crore)	Impact on Fiscal Deficit (Understated (+)/ Overstated(-)) (₹ in crore)	Paragraph Reference
Short contribution of Government in NPS	0.08	0.08	3.(i)(b) of Notes to FA
Non-accountal of interest payment on Reserve Funds and Deposits bearing interest	4.45	4.45	3.(v)B.(c) of Notes to FA
Non-recoupment of Contingency Fund drawal	11.83	11.83	3.(ix) of Notes to FA
Non booking of decretal dues to final head of accounts	166.05	166.05	3.(x) of Notes to FA
Non Transfer of Cess collected as Rural Employment Cess	1,534.16	1,534.16	3.(xv)(d) of Notes to FA
Non Transfer of Cess collected as other Cess	422.13	422.13	3.(xv)(e) of Notes to FA
<b>Total</b>	<b>2,591.25</b>	<b>2,175.63</b>	

Source: Finance Accounts and Audit Analysis

The net effects on RD and FD were understatement of ₹ 2,591.25 crore and ₹ 2,175.63 crore respectively. Effectively, the RD was ₹ 22,252.25 crore and the FD was ₹ 39,006.63 crore instead of ₹ 19,661 and ₹ 36,831 respectively.

Persistent understatement of RD and FD during 2017-20 have been shown in **Chart 1.7**.

**Chart 1.7: Persistent understatement of deficits**



Source: Finance Accounts and Audit Analysis