



सत्यमेव जयते

**Report of the  
Comptroller and Auditor General of India  
State Finances Audit Report  
for the year ended March 2020**



लोकहितार्थं सत्यनिष्ठा  
Dedicated to Truth in Public Interest



**Government of West Bengal  
Report No. 3 of 2021**



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Comptroller and Auditor General of India**

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## Preface

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This Report has been prepared for submission to the Governor of West Bengal under Article 151 of the Constitution.

Chapter I of this Report contains the basis and approach to the State Finances Audit Report, structure of the Report, structure of Government Accounts, budgetary processes, trends in key fiscal parameters like revenue surplus/ deficit, fiscal surplus/ deficit, etc. and fiscal correction path.

Chapters II and III of the Report contain Audit findings on matters arising from an examination of the Finance Accounts and Appropriation Accounts respectively, of the State Government for the year ended 31 March 2020. Information has been obtained from Government of West Bengal, wherever necessary.

Chapter IV on 'Quality of Accounts and Financial Reporting Practices' provides an overview and status of the State Government's compliance with various financial rules, procedures and directives during the current year.

The Reports containing the findings of Performance Audit and Compliance Audit in various Government departments, observations arising out of audit of Statutory Corporations, Boards and Government Companies and observations on Revenue Receipts are presented separately.



# **EXECUTIVE SUMMARY**



## Executive Summary

Based on the audited accounts of the Government of West Bengal for the year ended March 2020, this Report provides an analytical review of the finances of the State Government.

### 1. Audit Findings

#### 1.1 Fiscal Position

Government of West Bengal amended the FRBM Act with regard to the targets for the six-year period 2019-20 to 2024-25 prospectively, during March 2020.

The fiscal parameters of the State as reflected in its Revenue and Fiscal deficits, were negative throughout the five-year period 2015-20. Primary Deficits, were also negative during 2018-20. There were instances of misclassification of revenue transactions under capital section and non-accountal of other liabilities, which would have pushed up the Deficits to a further extent, as brought out in this Report, as well as in the State Finances Audit Report of the CAG over the last few years.

Outstanding liabilities were also above the targets during 2015-18 and 2019-20. The liabilities of the State have been increasing year-on-year and over 48 *per cent* of market borrowings during the year 2019-20 were utilised to balance Revenue Account of the State thereby restricting asset creation in the State.

*(Chapter I)*

#### 1.2 Finances of the State

The State witnessed a decrease of 2.10 *per cent* in Revenue Receipts during the year 2019-20 as compared to the previous year, primarily due to decrease in collection of State's Own Revenue and tax transfers from the Government of India.

Revenue Expenditure increased by around four *per cent* owing to introduction of West Bengal Services (Revision of Pay and Allowance) Rules, 2019 with effect from 1 January 2020. This resulted in increase of Revenue Deficit of the State by 89.07 *per cent* as compared to the previous year. Simultaneously, State Government has reduced the expenditure on asset creation by 32.66 *per cent* over the previous year.

Committed expenditure on Salaries & Wages, Interest Payments and Expenditure on Pension with respect to Revenue Receipts was 68.36 *per cent*, which crossed the previous year's ratio (59.27 *per cent*). Quality of expenditure on physical infrastructure was lower than the average of General Category States.

Outstanding Public Debt at the end of the year has increased by 10.37 *per cent*. In the ensuing five and seven years, debt maturity will be 42.92 and 64.02 *per cent* respectively of total outstanding public debt (₹ 3,68,058 crore).

*(Chapter II)*

### 1.3 Budgetary Management

Sound budgetary management requires advance planning and accurate estimation of revenues and expenditure. There were instances of incurring excess expenditure (₹ 2,459.76 crore) in nine grants or large savings (₹ 50,067 crore) with reference to provisions made during the year, which point to flaws in expenditure monitoring and control. A majority of Controlling Officers did not explain the reasons for variations in expenditure *vis-à-vis* allocations, to the Principal Accountant General (A&E), which affects the accountability mechanism of Government and weakens legislative control over public finances.

In eight cases (where supplementary provision was ₹ 200 crore or more in each case) actual expenditure was less than the original provisions and hence the supplementary provisions were unnecessary.

During 2019-20, there was re-appropriation amounting to ₹ 2,047 crore in respect of 607 sub-heads constituting 51 grants. However, despite re-appropriation, there was savings of ₹ 2,069 crore in respect of 96 sub-heads and excess of ₹ 8,662 crore in respect of 78 sub-heads.

Persistent excess expenditure over grants approved by the State Legislature is violative of the will of the Legislature and needs to be viewed seriously. There has been a persistent excess over authorisation during the last five years on account of 'Special Programme under NRHM (State share)'. Government needs to estimate its resources more realistically and manage its expenditure judiciously and ensure that prior legislative sanction is obtained for anticipated requirement of additional funds. Despite flagging this issue every year over the last five years, the State Government had failed to take corrective measures in this regard.

(Chapter III)

### 1.4 Quality of Accounts and Financial Reporting practices

Indiscriminate operation of omnibus Minor Head 800-Other Expenditure/Receipts affected transparency in financial reporting and obscured proper analysis of allocative priorities and quality of expenditure.

West Bengal Treasury Rule 6.09 provides that 'Personal Deposit Account created by debit to the Consolidated Fund of the State shall be closed at the end of the financial year by minus debit of the balance to the relevant service heads in the Consolidated Fund of the State'. It was, however, noticed that there was a balance of ₹ 5,240 crore in 160 PD Accounts as on 31 March 2020. During 2019-20, an amount of ₹ 768 crore was transferred in March 2020 from the Consolidated Fund of the State. This is 25.29 *per cent* of the total yearly inflow into the PD accounts, of which, ₹ 13.89 crore was transferred on the last working day of March 2020. This was intended to avoid the lapse of budget provisions.

In respect of 51 Autonomous Bodies which were to render annual accounts to CAG, only ten bodies/ authorities had submitted accounts up to 2019-20 while four District Legal Services Authorities (DLSAs) did not submit accounts since their inception in 1998-99. As of September 2020, 271 annual accounts due up

to 2019-20 remained pending. Non-submission of accounts by Autonomous Bodies is in violation of prescribed financial rules and directives and points to inadequate internal controls and deficient monitoring mechanism of the State Government departments.

Rule 4.138 (5) of WBTR requires that advances drawn through AC bills are to be adjusted through Detailed Contingent bills (DC bills) within one month from the date of completion of the purpose. Audit scrutiny revealed that as of September 2020, a total of 9,714 DC bills in respect of AC bills aggregating ₹ 3,077 crore had not been submitted.

Rule 330A of the West Bengal Treasury Rules (WBTR) and Subsidiary Rules (SR) 1997 read with Finance Department's order (August 2005) stipulates that Utilisation Certificates (UCs) in respect of Grants-in-aid received by the grantee should be obtained by the departmental officers from the grantees within one year from the dates of release of the grants provided for specific purposes. Audit scrutiny revealed that as of September 2020, a total of 4,02,964 UCs in respect of grants aggregating ₹ 2,25,712 crore had not been submitted.

*(Chapter IV)*



# **CHAPTER I**

## **OVERVIEW**



# 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   |

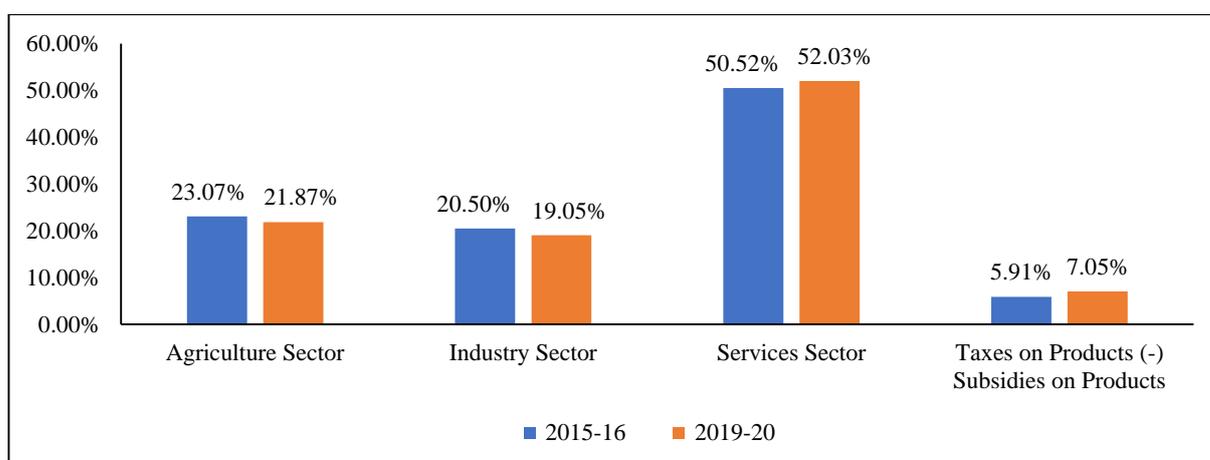
<sup>1</sup> Rarh Bengal, is a region in Eastern India that lies between the Chhota Nagpur Plateau on the west and the Ganges Delta on the east. Districts of West Bengal like Purulia, Bankura, Birbhum and Burdwan lie in this region.

| 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)**

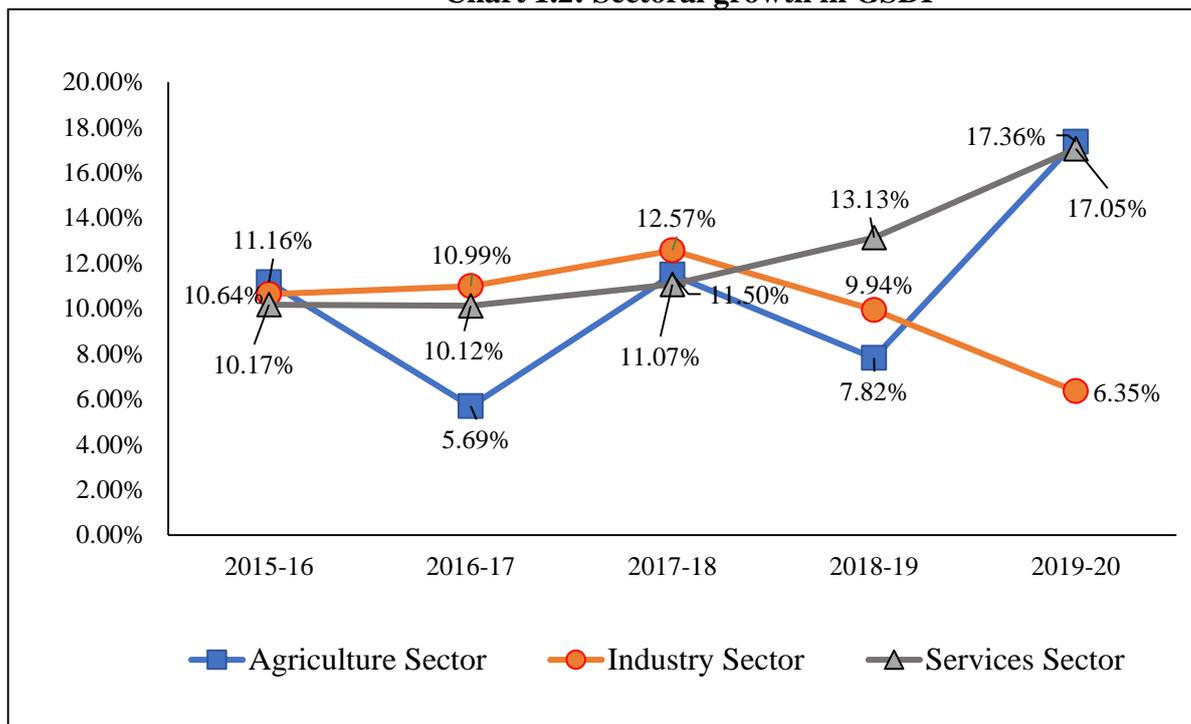
(₹ in crore)

| 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><br>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><br>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><br>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).

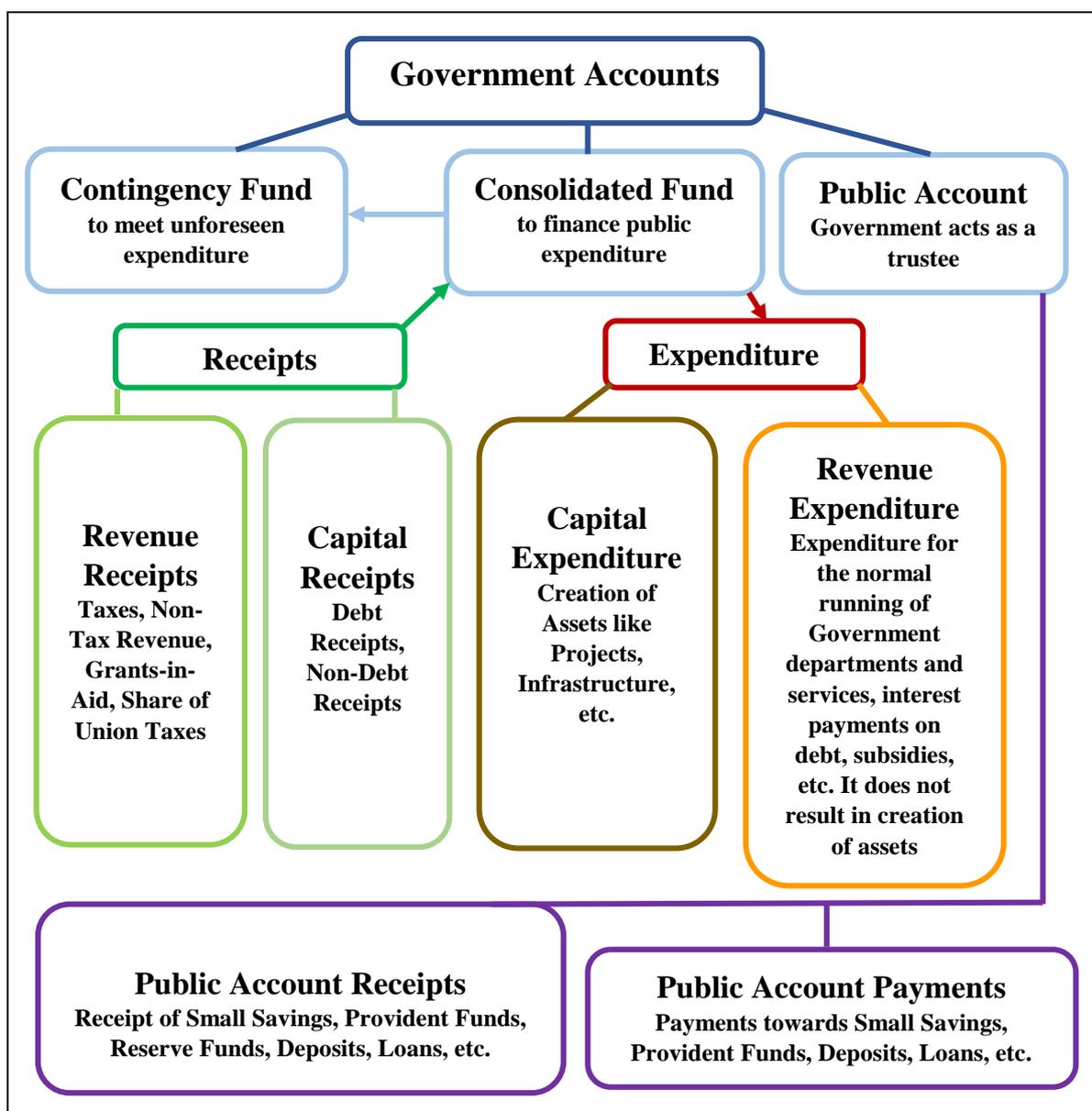
The **Capital Receipts** consist of:

- **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<br>(Actuals) | 2019-20<br>(Budget Estimate) | 2019-20<br>(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 percentage of GSDP) | As stated in the MTFPS 2015-20 and WBFRBM (Amendment) Act, 2020 | -20,891<br>(-2.62) | -25,386<br>(-2.91) | -28,930<br>(-2.89) | -33,485<br>(-2.84) | -36,831<br>(-2.94) |
|  |   | X                  | X                  | X                  | X                  | ✓                  |
| Ratio of total outstanding debt to GSDP (in per cent)                | 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                            |

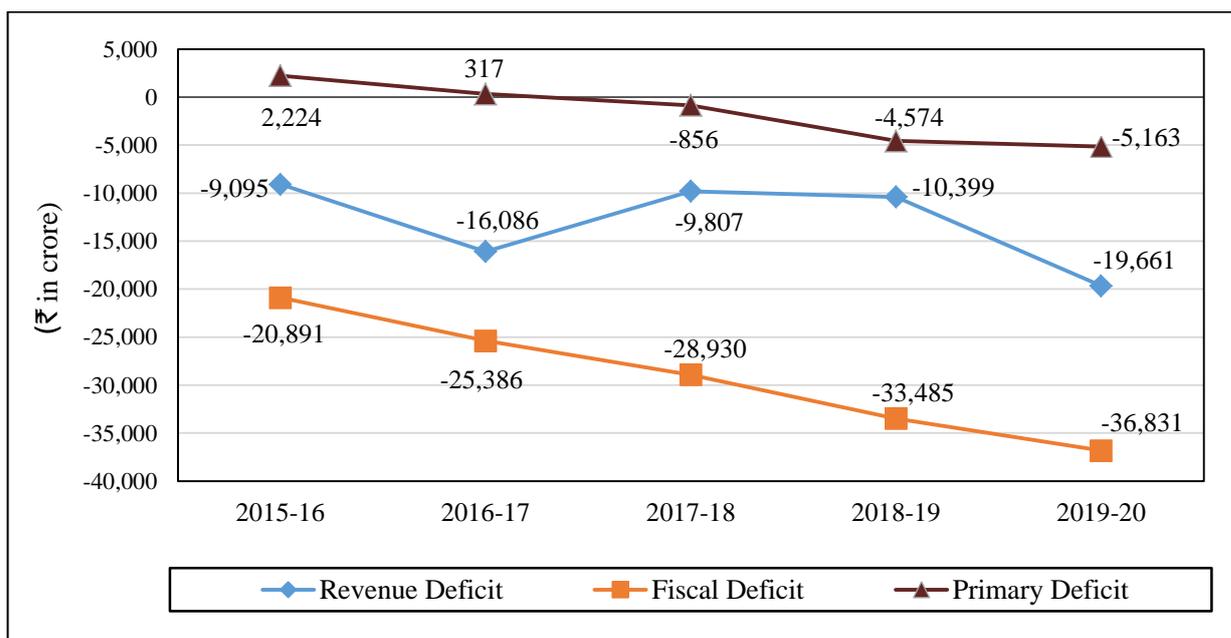
*Source: Finance Accounts & MTFPS 2019-20*

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

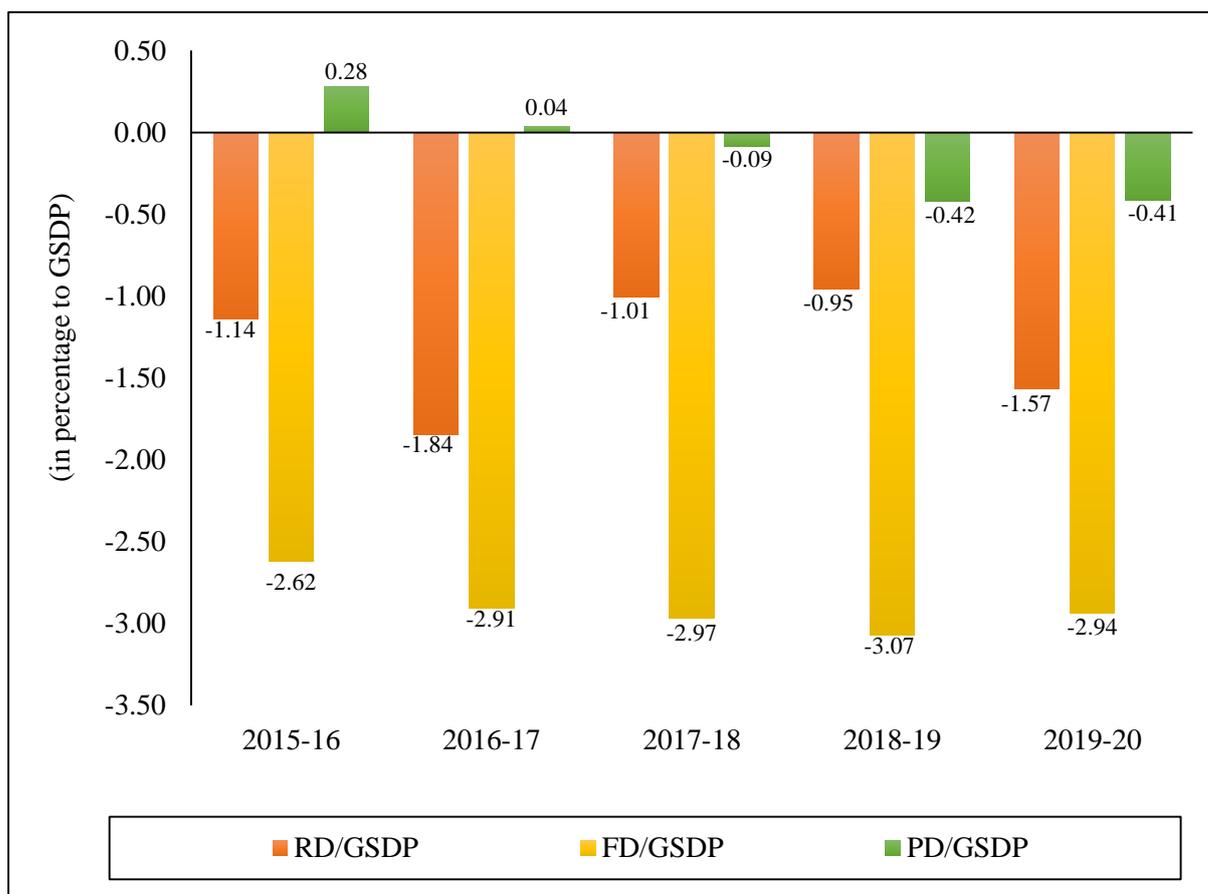
The State could not meet the targets with regard to the key fiscal parameters during 2019-20. It had a fiscal deficit of ₹ 36,831 crore during the year 2019-20, representing 2.94 per cent of GSDP and constituted 20.48 per cent of the Total Expenditure. Revenue Deficit rose 89.07 per cent to ₹ 19,661 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**

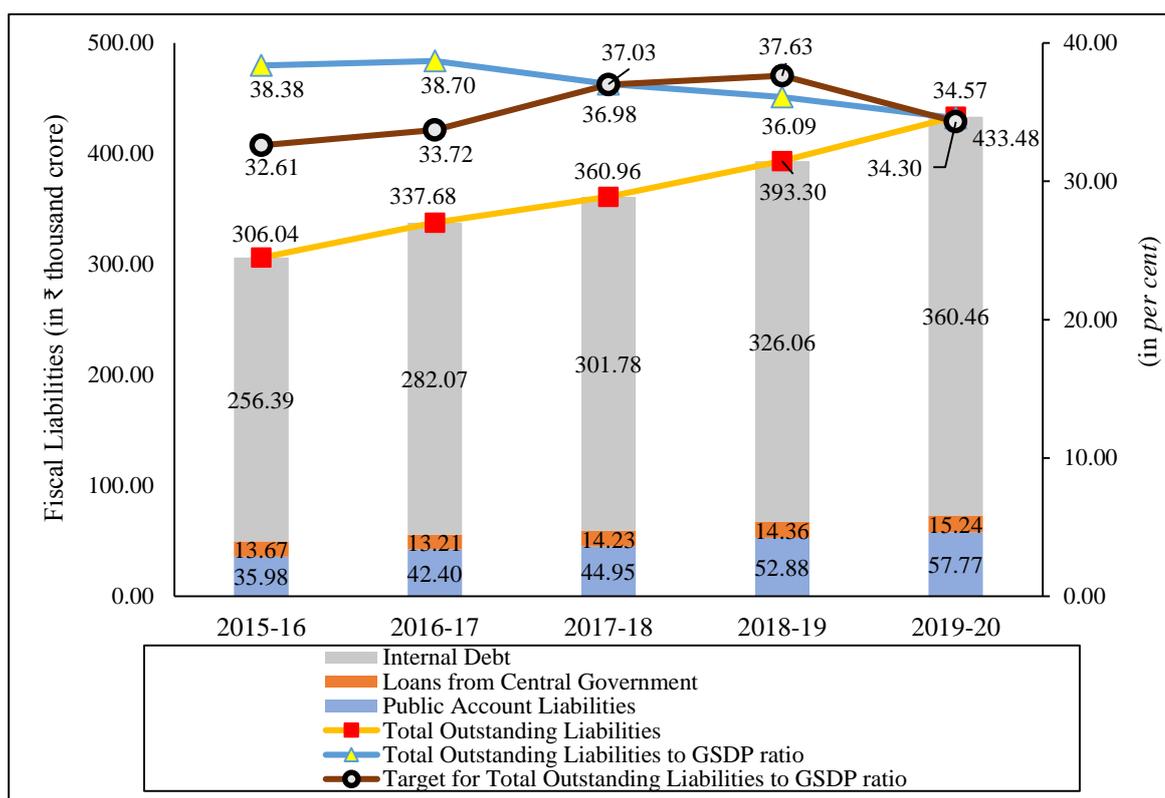


Source: Finance Accounts

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) |

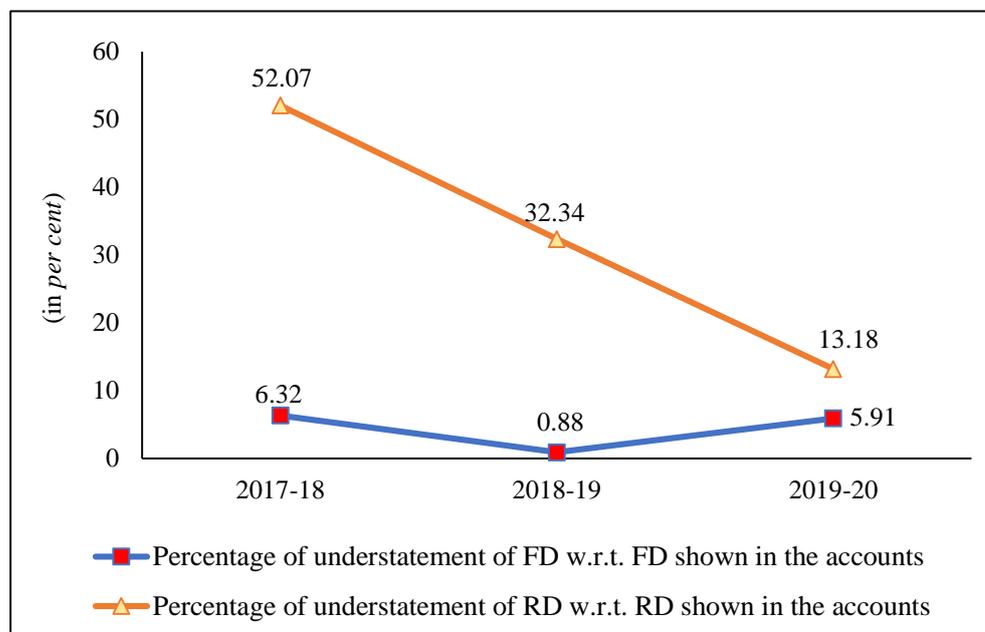
| Particulars  | Impact on Revenue Deficit (Understated (+)/ Overstated(-)) (₹ in crore) | Impact on Fiscal Deficit (Understated (+)/ Overstated(-)) (₹ in crore) | Paragraph Reference       |
|--|---|--|---------------------------|
| Short contribution of Government in NPS  | 0.08  | 0.08   | 3.(i)(b) 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

# **CHAPTER II**

## **Finances of the State**



# Chapter II Finances of the State

## 2.1 Introduction

This chapter provides a broad perspective of the finances of the State, analyses critical changes in major fiscal aggregates relative to the previous year, overall trends during the five-year period from 2015-16 to 2019-20, debt sustainability of the State and key Public Account transactions, based on the Finance Accounts of the State. Information was also obtained from the State Government where necessary.

## 2.2 Major changes in Key fiscal aggregates *vis-à-vis* 2018-19

**Table 2.1** 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.

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

|                            |   |
|----------------------------|---|
| <b>Revenue Receipts</b>    | <ul style="list-style-type: none"><li>✓ Revenue receipts of the State decreased by 2.10 <i>per cent</i></li><li>✓ Own Tax receipts of the State decreased by 0.10 <i>per cent</i></li><li>✓ Own Non-tax receipts decreased by 12.14 <i>per cent</i></li><li>✓ State's Share of Union Taxes and Duties decreased by 13.86 <i>per cent</i></li><li>✓ Grants-in-aid from Government of India increased by 20.05 <i>per cent</i></li></ul>        |
| <b>Revenue Expenditure</b> | <ul style="list-style-type: none"><li>✓ Revenue expenditure increased by 3.97 <i>per cent</i></li><li>✓ Revenue expenditure on General Services increased by 8.91 <i>per cent</i></li><li>✓ Revenue expenditure on Social Services increased by 6.29 <i>per cent</i></li><li>✓ Revenue expenditure on Economic Services decreased by 10.41 <i>per cent</i></li><li>✓ Expenditure on Grants-in-aid decreased by 7.98 <i>per cent</i></li></ul> |
| <b>Capital Expenditure</b> | <ul style="list-style-type: none"><li>✓ Capital expenditure decreased by 29.88 <i>per cent</i></li><li>✓ Capital expenditure on General Services decreased by 19.31 <i>per cent</i></li></ul>   |

|                           |  |
|---------------------------|--|
|                           | <ul style="list-style-type: none"> <li>✓ Capital expenditure on Social Services decreased by 23.44 per cent</li> <li>✓ Capital expenditure on Economic Services decreased by 33.61 per cent</li> </ul> |
| <b>Loans and Advances</b> | <ul style="list-style-type: none"> <li>✓ Disbursement of Loans and Advances increased by 46.47 per cent</li> <li>✓ Recoveries of Loans and Advances decreased by 91.67 per cent</li> </ul>             |
| <b>Public Debt</b>        | <ul style="list-style-type: none"> <li>✓ Public Debt Receipts increased by 7.84 per cent</li> <li>✓ Repayment of Public Debt decreased by 11.74 per cent</li> </ul>                                    |
| <b>Public Account</b>     | <ul style="list-style-type: none"> <li>✓ Public Account Receipts decreased by 1.59 per cent</li> <li>✓ Disbursement of Public Account decreased by 2.44 per cent</li> </ul>                            |
| <b>Cash Balance</b>       | <ul style="list-style-type: none"> <li>✓ Cash balance increased by ₹ 8,058 crore (45.77 per cent) during 2019-20 compared to previous year</li> </ul>  |

### 2.3 Sources and Application of Funds

During the year, the State Government mobilised total resources of ₹ 2,05,489 crore which were applied for various purposes. **Table 2.2** below compares the sources and application of funds of the State during 2019-20 with 2018-19.

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

| Parameters     | Particulars                      | 2018-19         | 2019-20         | Increase/<br>Decrease |
|----------------|----------------------------------|-----------------|-----------------|-----------------------|
|                |                                  | (₹ in crore)    |                 |                       |
| <b>Sources</b> | Opening Cash Balance with RBI    | 18,859          | 17,607          | -1,252                |
|                | Revenue Receipts                 | 1,45,975        | 1,42,914        | -3,061                |
|                | Recoveries of Loans and Advances | 804             | 67              | -737                  |
|                | Misc. Capital Receipts           | 692             | 0               | -692                  |
|                | Public Debt Receipts (Net)       | 24,411          | 35,286          | 10,875                |
|                | Contingency Fund                 | 0               | 0               | 0                     |
|                | Public Account Receipts (Net)    | 7,823           | 9,615           | 1,792                 |
|                | <b>Total</b>                     | <b>1,98,564</b> | <b>2,05,489</b> | <b>6,925</b>          |

| Parameters  | Particulars                        | 2018-19         | 2019-20         | Increase/<br>Decrease |
|-------------|------------------------------------|-----------------|-----------------|-----------------------|
|             |                                    | (₹ in crore)    |                 |                       |
| Application | Revenue Expenditure                | 1,56,374        | 1,62,575        | 6,201                 |
|             | Capital Outlay                     | 23,717          | 15,971          | -7,746                |
|             | Contingency Fund Disbursement      | 1               | 11              | 10                    |
|             | Disbursement of Loans and Advances | 865             | 1,267           | 402                   |
|             | Closing Cash Balance with RBI      | 17,607          | 25,665          | 8,058                 |
|             | <b>Total</b>                       | <b>1,98,564</b> | <b>2,05,489</b> | <b>6,925</b>          |

Source: Finance Accounts

### A. Sources of Funds:

Revenue Receipts in the shape of State's own revenue (₹ 63,882 crore) and Central tax transfer/grants (₹ 79,032 crore), emerged as a major contributor in the State's resources. However, contribution of Revenue Receipts in the total resources of the State decreased to 70 per cent during 2019-20 from 74 per cent in 2018-19. Net Public Debt Receipts<sup>7</sup> which is backed by market borrowings and loans & advances from GoI, increased to 17 per cent from 12 per cent in 2018-19. The contribution through non-debt capital receipts in the shape of recovery of loans and advances drastically reduced to 0.03 per cent from 0.40 per cent in 2018-19. The relative share of other two major components, namely, opening cash balance with RBI and Net Public Account Receipts<sup>8</sup> marginally changed to eight and five per cent respectively from 10 and four per cent in 2018-19.

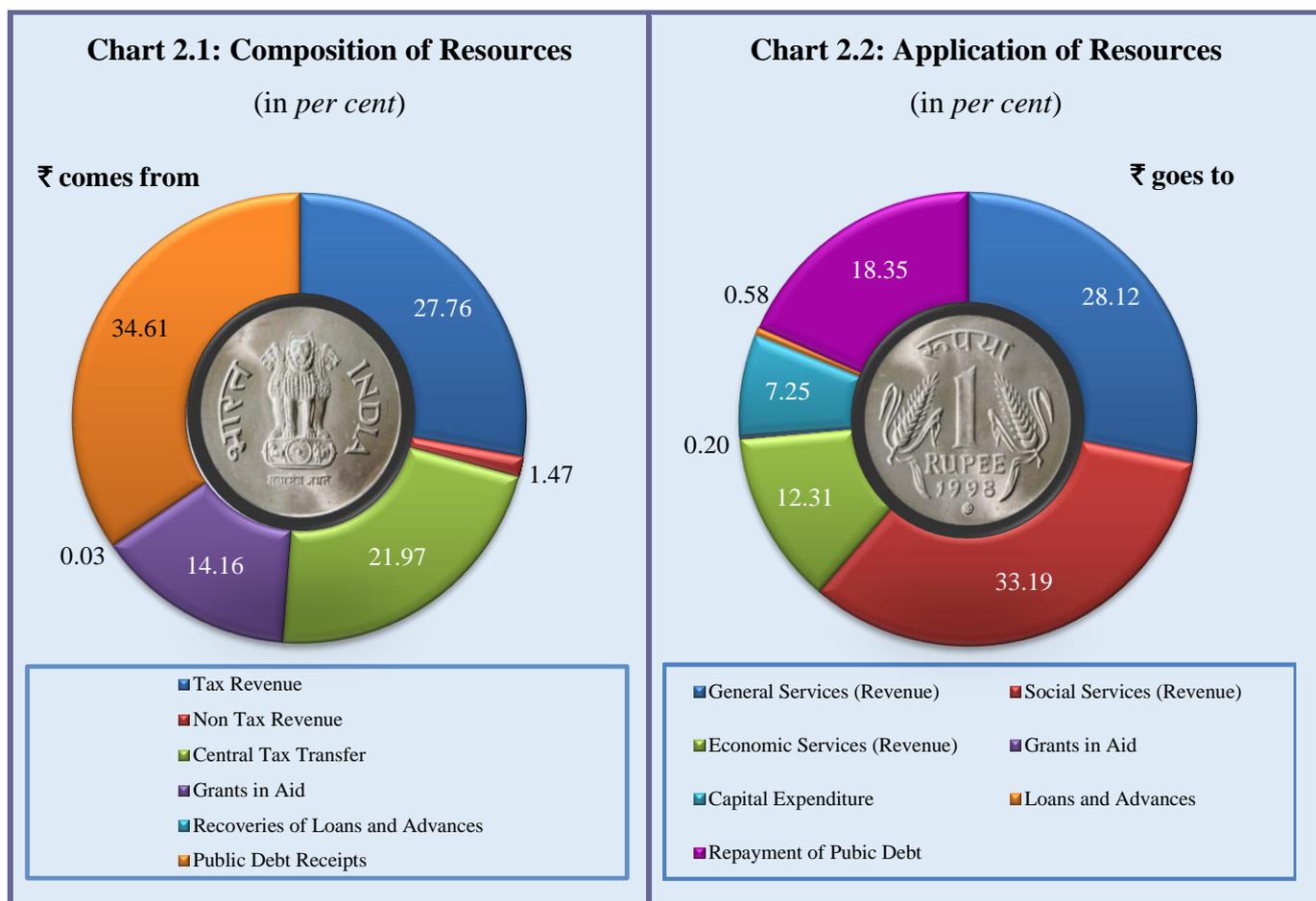
### B. Application of Funds:

Out of the total resources mobilised during the year, 48 per cent was spent on committed expenditure, comprising, salaries and wages (50 per cent), interest payments (32 per cent) and expenditure on pensions (18 per cent). From the balance, after accounting for capital outlay (eight per cent), disbursement of loans and advances and contingency fund disbursement (nearly one per cent) and closing cash balance with RBI (12 per cent), Government was left with 31 per cent of its gross mobilisation to spend on various purposes under the social and economic sectors.

**Charts 2.1** and **2.2** give the details of receipts into and expenditure from the Consolidated Fund during 2019-20 in terms of percentages.

<sup>7</sup> Difference between the borrowings received and repayment on borrowings

<sup>8</sup> Difference between the receipt from Public Accounts and disbursement from Public Accounts



Source: Finance Accounts

Analysis revealed that:

- Revenue Expenditure was primarily met out of the Revenue Receipts with Public Debt also being a contributor;
- In General Services (Revenue), Interest Payments comprised 51.13 per cent;
- Beside Repayment of Public Debt (18.35 per cent), Interest Payments constituted 14.38 per cent, thereby taking overall Repayments to 32.73 per cent of the total expenditure;
- The deficit was financed through borrowings which accounted for 34.61 per cent of total resources.

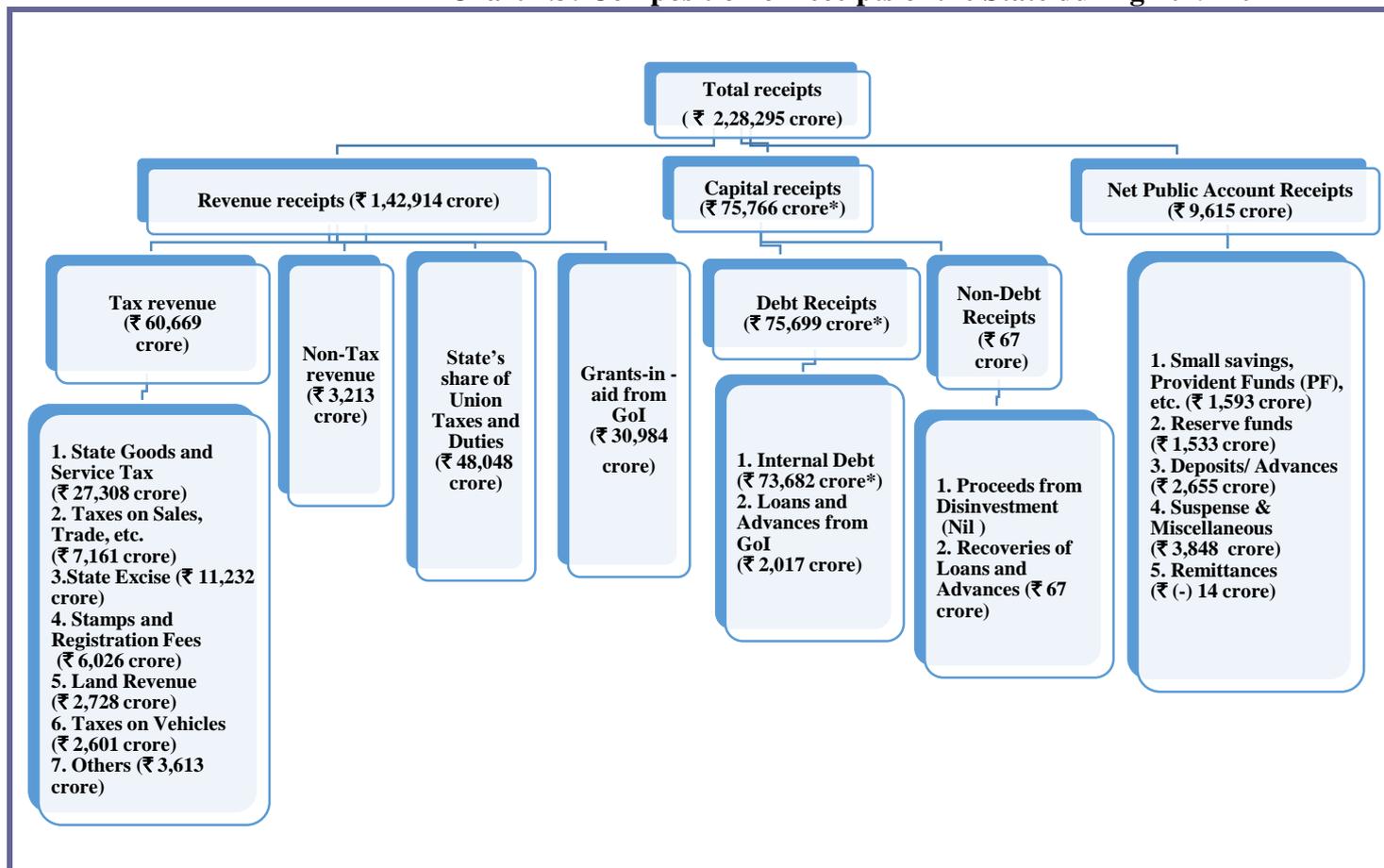
## 2.4 Resources of the State

Revenue Receipts and Capital Receipts are two streams of receipts that constitute resources of the State Government. **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). **Capital Receipts** comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GoI.

Besides, funds available in the **Public Account** after disbursements, are also utilised by the Government to finance its deficit.

Composition of receipts of the State during 2019-20 is given in **Chart 2.3**.

**Chart 2.3: Composition of receipts of the State during 2019-20**



Source: Finance Accounts

\*including WMA of ₹ 15,860 crore in 2019-20

In total receipts during 2019-20, contribution from Revenue Receipts, Capital Receipts and Net Public Account Receipts were 62.60, 33.19 and 4.21 *per cent* respectively, details of which have been discussed in subsequent paragraphs.

## 2.5 State's Revenue Receipts

This paragraph analyses trends in total revenue receipts and its components. It is followed by analysis of trends in the receipts bifurcated into receipts from the Central Government and State's own receipts.

### 2.5.1 Trends and growth of Revenue Receipts

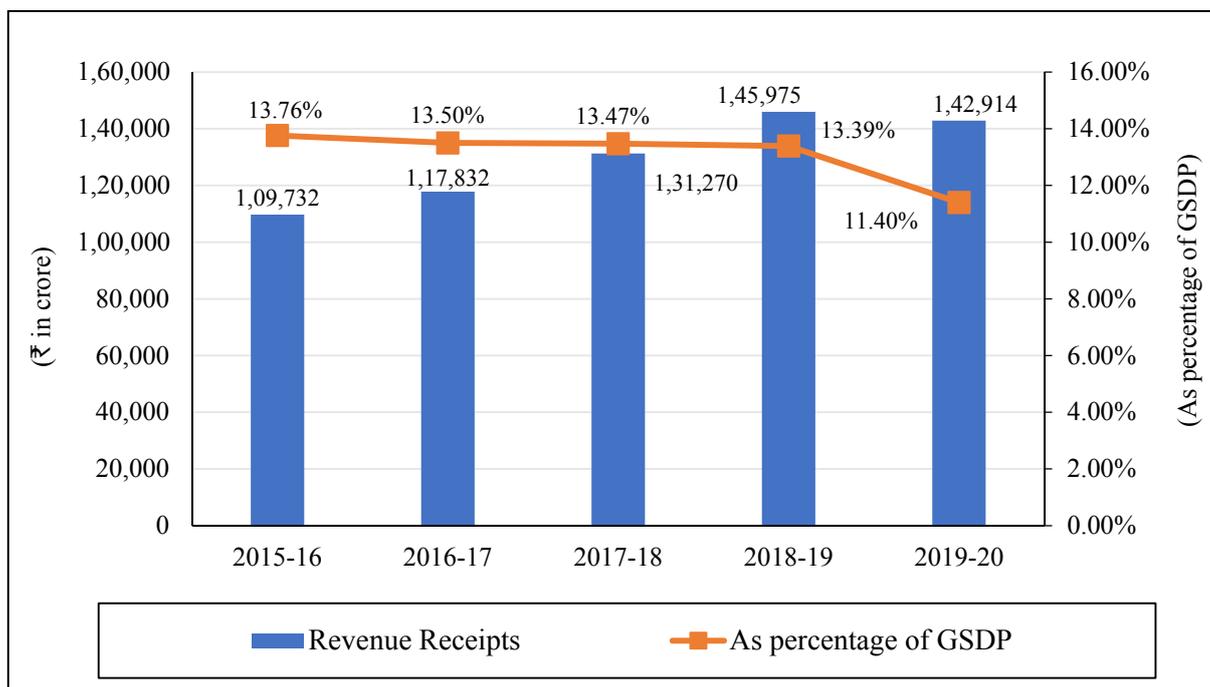
**Table 2.3** shows the trend in Revenue Receipts while **Charts 2.4** and **2.5** show the trend of Revenue Receipts as well as relative share with respect to GSDP and trend of components of Revenue Receipts for the period from 2015-16 to 2019-20.

**Table 2.3: Trend in Revenue Receipts**

| Parameters  | 2015-16  | 2016-17  | 2017-18  | 2018-19   | 2019-20   |
|---|----------|----------|----------|-----------|-----------|
| <b>Revenue Receipts (RR)<br/>(₹ in crore)</b>   | 1,09,732 | 1,17,832 | 1,31,270 | 1,45,975  | 1,42,914  |
| <b>Rate of growth of RR (per cent)</b>  | 26.84    | 7.38     | 11.40    | 11.20     | -2.10     |
| <b>Own Tax Revenue (₹ in crore)</b>   | 42,492   | 45,466   | 52,721   | 60,732    | 60,669    |
| <b>Non-Tax Revenue (₹ in crore)</b>   | 1,862    | 2,950    | 3,117    | 3,657     | 3,213     |
| <b>Rate of growth of Own Revenue<br/>(Own Tax and Non-tax Revenue)<br/>(per cent)</b> | 8.08     | 9.16     | 15.33    | 15.31     | -0.79     |
| <b>Gross State Domestic Product<br/>(₹ in crore) (2011-12 Series)</b>                 | 7,97,300 | 8,72,527 | 9,74,700 | 10,89,898 | 12,53,832 |
| <b>Rate of growth of GSDP (per cent)</b>  | 11.03    | 9.44     | 11.71    | 11.82     | 15.04     |
| <b>RR/GSDP (per cent)</b>   | 13.76    | 13.50    | 13.47    | 13.39     | 11.40     |
| <b>Buoyancy Ratios<sup>9</sup></b>  |          |          |          |           |           |
| <b>Revenue Buoyancy w.r.t GSDP</b>  | 2.43     | 0.78     | 0.97     | 0.95      | -0.14     |
| <b>State's Own Revenue Buoyancy<br/>w.r.t GSDP</b>                                    | 0.73     | 0.97     | 1.31     | 1.30      | -0.05     |

Source: Finance Accounts and for GSDP, figures issued by Ministry of Statistics and Programme Implementation (MoSPI), Government of India dated 29 May 2020

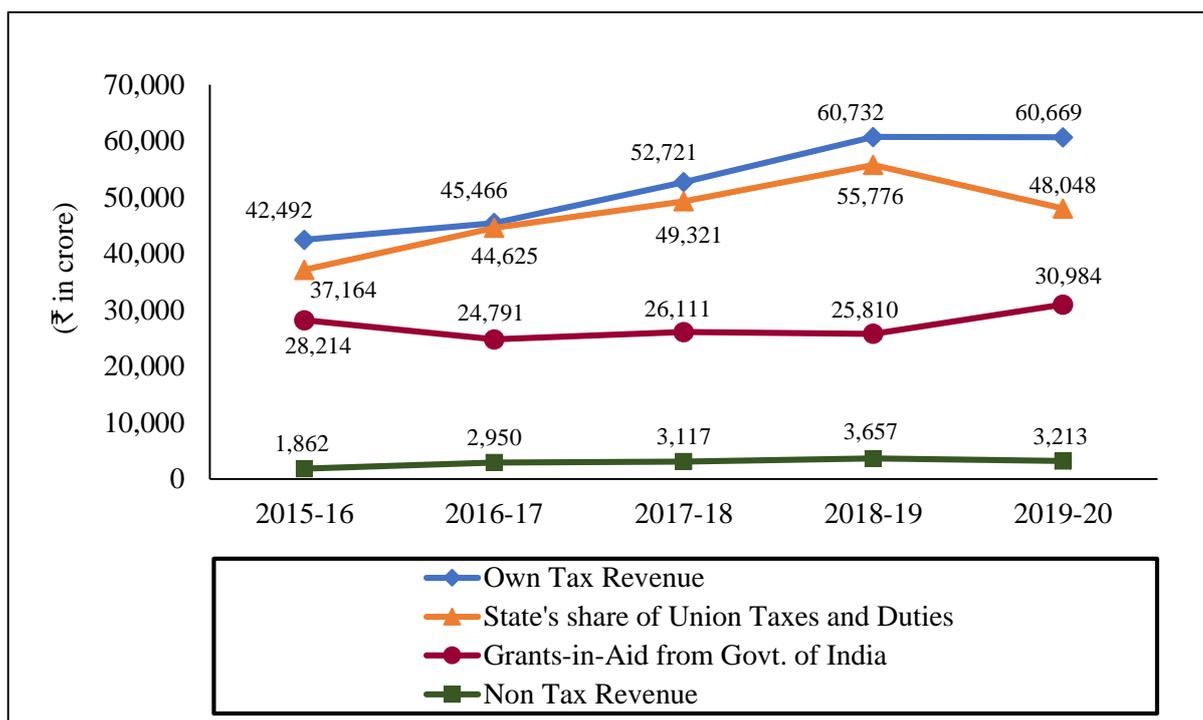
**Chart 2.4: Trend of Revenue Receipts as well as relative share w.r.t. GSDP**



Source: Finance Accounts and for GSDP, figures issued by Ministry of Statistics and Programme Implementation (MoSPI), Government of India dated 29 May 2020

<sup>9</sup> Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For instance, revenue buoyancy with respect to GSDP at 1.85 implies that Revenue Receipts tend to increase by 1.85 percentage points, if the GSDP increases by one per cent.

Chart 2.5: Trend of components of Revenue Receipts



Source: Finance Accounts

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

- Statement 14 of the Finance Accounts contains details of the revenue receipts of the Government. These consist of the State's own tax and non-tax revenues, Central tax transfers and Grants-in-aid from the Government of India. Revenue Receipts decreased by ₹ 3,061 crore (2.10 per cent) during 2019-20 over the previous year. State's share of Union Taxes and Duties decreased by ₹ 7,728 crore (13.86 per cent) followed by non-tax revenue by ₹ 444 crore (12.14 per cent) and tax revenue by 63 crore (0.10 per cent) set-off by increase in Grants-in-aid from GoI by ₹ 5,174 crore (20.05 per cent).
- During 2019-20, 45 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 West Bengal's fiscal position is largely influenced by tax transfers and grants-in-aid from GoI.
- Revenue buoyancy measures the percentage change in the revenue receipts to the percentage change in GSDP. As can be seen from **Table 2.3** above, Revenue buoyancy though higher than one during 2015-16, dipped to less than one during 2016-20 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 2017-19 in tandem with GSDP. However, decrease in collection of own tax revenue and non-tax revenue during 2019-20 decreased own revenue buoyancy to a negative level.

- There was wide fluctuation in the revenue buoyancy of the State, as extraneous factors such as Finance Commission Award (14<sup>th</sup> FC impact on and from 2015-16) and implementation of GST (from 2017-18 onwards), impacted the actual receipts under different components of revenue.

## 2.5.2 State's Own Resources

State's share in Central taxes is determined on the basis of recommendations of the Finance Commission. Grants-in-aid from the Central Government is determined by the quantum of collection of Central tax receipts and anticipated Central assistance for schemes, etc. State's performance in mobilisation of additional resources should be assessed in terms of its own resources comprising revenue from its own tax and non-tax sources.

The gross collections in respect of major tax and non-tax revenue and their relative share in GSDP during 2015-20 are given in *Appendix 2.1*.

### 2.5.2.1 Own Tax Revenue

State's own tax revenue and its components during 2015-20 has been shown in **Table 2.4**.

**Table 2.4: Components of State's own tax revenue**

(₹ in crore)

| Revenue Head                       | 2015-16       | 2016-17       | 2017-18       | 2018-19       | 2019-20       |
|------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Sales Tax                          | 26,050        | 27,983        | 12,999        | 7,813         | 7,161         |
| SGST                               | 0             | 0             | 14,964        | 27,067        | 27,308        |
| State Excise                       | 4,015         | 5,226         | 9,340         | 10,622        | 11,232        |
| Taxes on Vehicles                  | 1,707         | 1,870         | 2,317         | 2,563         | 2,601         |
| Stamp Duties and Registration Fees | 4,175         | 4,383         | 5,261         | 5,620         | 6,026         |
| Land Revenue                       | 2,456         | 2,569         | 2,875         | 2,847         | 2,728         |
| Taxes on Goods and Passengers      | 838           | 934           | 1,532         | 435           | 34            |
| Other Taxes                        | 3,251         | 2,501         | 3,433         | 3,765         | 3,579         |
| <b>Total</b>                       | <b>42,492</b> | <b>45,466</b> | <b>52,721</b> | <b>60,732</b> | <b>60,669</b> |

Source: Finance Accounts

State's OTR maintained upward growth ranging between eight and 15 per cent during 2015-19. During 2019-20, the growth trajectory reversed as OTR dropped by 0.10 per cent (₹ 63 crore) over 2018-19. Exemption of one rupee per litre from aggregate amount of tax payable on sales of Motor Spirit (commonly

known as petrol) and High Speed Diesel, effective from 28 June 2019 to 31 March 2020, led to shortfall in collection of Sales Tax. Again, exemption of payment of Education Cess and Rural Employment Cess by Tea Estates producing green tea leaves for a period of two years (effective 1 April 2019), contributed to shortfall in collection of Land Revenue. Moreover, decline in revenue collection under taxes on goods and passengers by 97.78 per cent in 2019-20, from the levels of 2017-18, was due to this tax being subsumed in GST.

### 2.5.2.2 Analysis of arrears of revenue

Arrears of revenue indicate delayed realisation of revenue due to the Government. MTFPS 2021-22 revealed that at the end of 2019-20, arrears in realisation of revenue was ₹ 18,610 crore. Against this arrear, there was no dispute regarding realisation of ₹ 4,248 crore, of which cases exceeding one to two years involved ₹ 242 crore, two to five years ₹ 3,344 crore, five to 10 years ₹ 289 crore and more than 10 years ₹ 373 crore. Circumstances under which revenue of ₹ 4,248 crore could not be realised was not explained in the MTFPS. As mentioned above, undisputed arrears on account of revenue are lying unrealised for period ranging between one year and more than 10 years. Such arrears in realisation clearly affects both the revenue receipt and revenue deficit, adversely.

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

The cases of evasion of tax detected by the Finance Department, cases finalised and the demands for additional tax raised are important indicators of revenue collection efforts of the State Government. Promptness in disposal of refund cases is an important indicator of the Department's performance. Details of cases of evasion of tax detected and refund cases have been shown in **Table 2.5** and **2.6** respectively.

**Table 2.5: Evasion of Tax detected**

| Sl. No. | Head of revenue                 | Cases of tax evasion, detected in earlier years but pending as on 31 March 2019 | Cases of tax evasion detected during 2019-20 | Total | Against cases of tax evasion detected, number of cases in which assessment / investigation completed and additional demand with penalty etc., raised |                               | No. of cases of tax evasion pending for finalisation as on 31 March 2020 |
|---------|---------------------------------|---|--|-------|--|-------------------------------|--|
|         |                                 |   |  |       | No. of cases   | Amount of demand (₹ in crore) |  |
| 1.      | GST                             | 246   | 2,979  | 3,225 | 2,224  | 13,067.78                     | 1,001  |
| 2.      | Taxes/ VAT on sales, Trade etc. | 78  | 74   | 152   | 53   | 5.64                          | 99   |

Source: Directorate of Commercial Taxes

In the current year, 69 per cent of the GST cases amounting to ₹ 13,068 crore were settled whereas in the case of VAT/ Sales tax, the achievement was 35 per cent amounting to ₹ 6 crore. Information on realisation against demands raised has not been furnished by the Department. At the end of the year, GST evasion cases pending for finalisation rose significantly by 755 (307 per cent)

over the previous year whereas in VAT/ Sales tax evasion cases, the increase was 21 (27 per cent).

**Table 2.6: Details of refund cases**

| Sl. No. | Particulars                                     | GST          |                     | Sales tax/VAT |                     |
|---------|---|--------------|---------------------|---------------|---------------------|
|         |   | No. of cases | Amount (₹ in crore) | No. of cases  | Amount (₹ in crore) |
| 1.      | Claims outstanding at the beginning of the year | 1,121        | 115.77              | 1,074         | 92.94               |
| 2.      | Claims received during the year                 | 8,104        | 1,150.21            | 2,980         | 237.89              |
| 3.      | Refunds made during the year                    | 6,440        | 835.80              | 3,096         | 234.64              |
| 4.      | Refunds rejected during the year                | 1,455        | 110.52              | 133           | 14.10               |
| 5.      | Balance outstanding at the end of year          | 1,330        | 319.66              | 825           | 82.08               |

Source: Directorate of Commercial Taxes

As against the previous year, claims outstanding in respect of GST cases increased by 209 amounting to ₹ 204 crore whereas in the case of Sales Tax/VAT it reduced by 249 amounting to ₹ 11 crore.

#### 2.5.2.4 Non Tax Revenue

Components of State's non-tax revenue for the period from 2015-16 to 2019-20 is given in **Table 2.7** below.

**Table 2.7: Components of State's non-tax revenue (₹ in crore)**

| Revenue Head                   | 2015-16      | 2016-17      | 2017-18      | 2018-19      | 2019-20      |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|
| Interest Receipts              | 335          | 1,201        | 1,396        | 806          | 321          |
| Dividend and Profits           | 12           | 1            | 37           | 47           | 82           |
| Other Non-Tax Receipts         | 1,515        | 1,748        | 1,684        | 2,804        | 2,810        |
| a) Major and Medium Irrigation | 9            | 7            | 9            | 16           | 15           |
| b) Road Transport              | 83           | 105          | 124          | 74           | 64           |
| c) Urban Development           | 46           | 37           | 34           | 22           | 26           |
| d) Education                   | 58           | 177          | 68           | 63           | 63           |
| e) Non-Ferrous Mining          | 292          | 400          | 422          | 326          | 215          |
| f) Others or Misc.             | 1,027        | 1,022        | 1,027        | 2,303        | 2,427        |
| <b>Total</b>                   | <b>1,862</b> | <b>2,950</b> | <b>3,117</b> | <b>3,657</b> | <b>3,213</b> |

Source: Finance Accounts

Non-tax revenue decreased by ₹ 444 crore (12.14 per cent) over the previous year due to short realisation on (i) interest receipts against miscellaneous loans and advances by ₹ 323 crore (99 per cent), (ii) guarantee fees by ₹ 167 crore (97.68 per cent), (iii) non-ferrous mining by ₹ 111 crore (34.05 per cent) on account of rents and royalties, (iv) interest from PSUs by ₹ 98 crore (46.89 per cent), (v) realisation of fees/fines by Police by ₹ 72 crore (28.51 per cent) and (vi) interest realised on investment of cash balances by ₹ 68 crore (41.21 per

cent) set-off by increased collection on State lotteries by ₹ 143 crore (12.98 per cent).

- **Non-crediting of Motor Transport Workers' Welfare Cess**

As per West Bengal Budget Manual (WBBM), income derived from cess imposed by law was to be credited to the Consolidated Fund.

GoWB levied Motor Transport Workers' Welfare Cess as per the West Bengal Motor Transport Workers' Welfare Cess Act, 2010<sup>10</sup>. The Act did not contain any accounting procedure to be followed. The Finance Department did not comply with conditions stated in the WBBM and changed it through administrative orders<sup>11</sup>. Consequently, the cess (₹ 35.41 crore) collected during 2019-20 was directly booked under Public Account instead of 'Non-tax receipts'. Thus, Non-tax receipts were understated by ₹ 35.41 crore.

## 2.5.3 Transfers from the Centre

### 2.5.3.1 Central Tax Transfers

During the current year, central transfers of ₹ 79,032 crore decreased by ₹ 2,554 crore (3.13 per cent) from 2018-19 and constituted 55 per cent of the Revenue Receipts.

Central Tax Transfers and its components for the period from 2015-16 to 2019-20 has been shown in **Table 2.8** below.

**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)                   | 0             | 0             | 701           | 13,766        | 13,635        |
| Integrated Goods and Services Tax (IGST)                | 0             | 0             | 4,980         | 1,099         | 0             |
| Corporation Tax   | 11,702        | 14,314        | 15,107        | 19,397        | 16,383        |
| Taxes on Income other than Corporation Tax              | 8,129         | 9,948         | 12,757        | 14,285        | 12,837        |
| Customs   | 5,951         | 6,157         | 4,979         | 3,954         | 3,046         |
| Union Excise Duties                                     | 4,958         | 7,031         | 5,204         | 2,627         | 2,117         |
| Service Tax   | 6,394         | 7,142         | 5,594         | 511           | 0             |
| Other Taxes <sup>12</sup>                               | 30            | 33            | 0             | 137           | 30            |
| <b>Central Tax transfers</b>                            | <b>37,164</b> | <b>44,625</b> | <b>49,321</b> | <b>55,776</b> | <b>48,048</b> |
| Percentage of increase over the previous year           | 51            | 20            | 11            | 13            | -14           |
| Percentage of Central tax transfers to Revenue Receipts | 34            | 38            | 38            | 38            | 34            |

Source: Finance Accounts

During 2019-20, Central tax transfers of ₹ 48,048 crore decreased by ₹ 7,728 crore (13.86 per cent) over the previous year. Decrease in transfer of sharable proceeds from Direct taxes and Indirect taxes attributed to this downfall. In Direct taxes, shortfall was mainly noticed under (i) Corporation tax by ₹ 3,014 crore (15.54 per cent) and (ii) taxes on income other than Corporation taxes by

<sup>10</sup> The Act did not prescribe the accounting procedure to be followed as per the prevalent accounting principle.

<sup>11</sup> Issued by Finance Department in June 2014 and September 2016

<sup>12</sup> Include Taxes on Wealth, Other Taxes on Income and Expenditure, Other Taxes and Duties on commodities and Services

₹ 1,448 crore (10.14 per cent). In case of Indirect taxes, shortfall was on account of decrease in transfer under (i) Customs by ₹ 908 crore (22.96 per cent) and (ii) Union Excise duties by ₹ 510 crore (19.41 per cent).

### **2.5.3.2 Grants-in-aid from GoI**

Grants-in-aid from Government of India increased by ₹ 5,174 crore (20.05 per cent) over the previous year. This was owing to increase in transfer of grants under the component 'Centrally Sponsored schemes' by ₹ 1,275 crore (8.13 per cent). Major increase was noticed in the schemes for (i) NSAP<sup>13</sup> by ₹ 846 crore, (ii) NHM<sup>14</sup> by ₹ 597 crore, (iii) MGNREGA<sup>15</sup> by ₹ 588 crore and (iv) NEM<sup>16</sup> by ₹ 413 crore set-off by decrease under (a) PMGSY<sup>17</sup> by ₹ 1,079 crore and (b) AMRUT<sup>18</sup> by ₹ 311 crore.

In the component 'Finance Commission grants', major increases were noticed under (i) Basic grants for Rural Local Bodies by ₹ 962 crore, (ii) SDRF<sup>19</sup> by ₹ 381 crore and (iii) Performance grants for Urban Local Bodies by ₹ 295 crore.

In the component 'Other transfers/grants to States with Legislature', major increases were noticed under (i) compensation for the loss of revenue on account of implementation of GST (₹ 2,382 crore), (ii) NDRF<sup>20</sup> (₹ 958 crore) owing to cyclonic storm 'Bulbul' set-off by decrease under (iii) Food Subsidy (₹ 1,638 crore).

### **2.5.3.3 Fourteenth Finance Commission Grants**

14<sup>th</sup> FC provided grants to the States for local bodies and SDRF. Out of ₹ 23,685 crore recommended by the 14<sup>th</sup> FC, total release was ₹ 20,847 crore, leading to a shortfall of ₹ 2,838 crore (11.98 per cent). While analysing the shortfall, the following were noticed:

#### ***Shortfall in receipt of grants for Local Bodies***

There was a shortfall in receipts of Local Bodies grants by ₹ 2,658 crore of which the share of basic grants and performance grants were ₹ 735 crore<sup>21</sup> (4.06 per cent of the total allocation) and ₹ 1,923 crore<sup>22</sup> (70 per cent of the total allocation) respectively.

#### ***Shortfall in receipt of grants for Disaster Relief***

Pursuant to SDRF guidelines (July 2015), GoI contribution to disaster relief for West Bengal during the award period (2015-20) of the 14<sup>th</sup> FC was fixed at 75

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<sup>13</sup> National Social Assistance Programme

<sup>14</sup> National Health Mission

<sup>15</sup> Mahatma Gandhi National Rural Employment Guarantee Act

<sup>16</sup> National Education Mission

<sup>17</sup> Pradhan Mantri Gram Sadak Yojana

<sup>18</sup> Atal Mission for Rejuvenation and Urban Transformation

<sup>19</sup> State Disaster Response Fund

<sup>20</sup> National Disaster Response Fund

<sup>21</sup> PRIs- ₹ 439 crore (3.44 per cent); ULBs- ₹ 296 crore (5.57 per cent)

<sup>22</sup> PRIs- ₹ 1,150 crore (81.04 per cent); ULBs- ₹ 773 crore (58.21 per cent)

per cent of the total allocation<sup>23</sup>. From the year 2018-19, GoI share, however, was enhanced to 90 per cent.

It was observed that against the 14<sup>th</sup> FC's mandated GoI allocation of ₹ 1,103 crore<sup>24</sup> during the period 2018-20, there was a shortfall of ₹ 183 crore (₹ 88 crore in 2018-19 and ₹ 95 crore in 2019-20). During the same period, GoWB released ₹ 29 crore in excess of its matching share which led to shortfall of ₹ 154 crore from the overall allocation (₹ 1,226 crore).

#### ***Avoidable payment of interest***

Fourteenth FC recommended that the States should release grants to gram panchayats and municipalities within 15 days of its being credited to the State Government's account by the Union Government. Again, as per SDRF guidelines, the State was to transfer the Union share of SDRF along with its own share to the Public Account within 15 days of its receipt. Any delay in the release of the above two types of grants would attract penal interest at the bank rate of RBI.

It was observed that 14<sup>th</sup> FC grants of ₹ 11,879 crore (Local Bodies grants of ₹ 10,252 crore plus SDRF of ₹ 1,627 crore) were released with delays ranging between one and 189 days due to which, GoWB had to pay interest of ₹ 61.91 crore during 2015-20. Payment of interest for the fiscal 2019-20 was ₹ 15.58 crore.

The Finance Department did not furnish reasons for shortfall in receipts of Local Bodies grants and SDRF from GoI and payment of interest owing to delayed disbursements by GoWB despite pursuance.

## **2.6 Capital Receipts**

**Capital Receipts** comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market borrowings, borrowings from financial institutions/commercial banks) and loans and advances from GoI.

Trend of Capital Receipts and its composition during the period 2015-20 has been shown in **Table 2.9**.

**Table 2.9: 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        |
|---------------------------------|---------------|---------------|---------------|---------------|----------------|
| <b>Capital Receipts</b>         | <b>47,232</b> | <b>40,757</b> | <b>45,957</b> | <b>71,693</b> | <b>75,766</b>  |
| Miscellaneous Capital Receipts  | 653           | 0             | 0             | 692           | 0              |
| Recovery of Loans and Advances  | 832           | 3,233         | 214           | 804           | 67             |
| <b>Net Public Debt Receipts</b> | <b>25,568</b> | <b>25,220</b> | <b>20,732</b> | <b>24,411</b> | <b>35,286^</b> |

<sup>23</sup> For 2015-16: ₹ 516 crore; 2016-17: ₹ 542 crore; 2017-18: ₹ 569 crore; 2018-19: ₹ 598 crore and 2019-20: ₹ 628 crore as per recommendation of the 14<sup>th</sup> FC

<sup>24</sup> 90 per cent of ₹ 1,226 crore (₹ 598 crore during 2018-19 plus ₹ 628 crore during 2019-20)

| Sources of State's Receipts                            | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 |
|--|---------|---------|---------|---------|---------|
| Growth rate (per cent)                                 | 8.74    | -1.36   | -17.80  | 17.75   | 44.55   |
| Internal Debt*   | 45,088  | 37,005  | 43,718  | 69,019  | 73,682  |
| Growth rate (per cent)                                 | -16.24  | -17.93  | 18.14   | 57.87   | 6.76    |
| Loans and advances from GoI                            | 659     | 519     | 2,025   | 1,178   | 2,017   |
| Growth rate (per cent)                                 | -51.65  | -21.24  | 290.17  | -41.83  | 71.22   |
| Rate of growth of debt Capital Receipts (per cent)     | -17.11  | -17.97  | 21.90   | 53.46   | 7.84    |
| Rate of growth of non-debt capital receipts (per cent) | 743.75  | 117.71  | -93.38  | 599.07  | -95.52  |
| Rate of growth of GSDP (per cent)                      | 11.03   | 9.44    | 11.71   | 11.82   | 15.04   |
| Buoyancy of Net Public Debt Receipts w.r.t. GSDP       | 0.79    | -0.14   | -1.52   | 1.50    | 2.96    |
| Rate of growth of Capital Receipts (per cent)          | -14.70  | -13.71  | 12.76   | 56.00   | 5.68    |

Source: Finance Accounts and GSDP data sourced from MoSPI, Government of India dated 29 May 2020  
 \*including gross figures under Ways and Means Advances (WMA) of ₹ 11,139 crore in 2015-16, ₹ 1,208 crore in 2016-17, ₹ 5,395 crore in 2017-18, ₹ 25,005 crore in 2018-19 and ₹ 15,860 crore in 2019-20; ^Difference of ₹ 1 crore is due to rounding.

Capital Receipts (₹ 75,766 crore) in the current year increased by ₹ 4,073 crore (5.68 per cent) over 2018-19. This was owing to increase in market borrowings (MB) by 33 per cent. In the current year, ₹ 56,992 crore was taken as MB (as discussed in **Paragraph 2.12.3**) with a redemption period of 10 to 15 years. Its contribution in capital receipts increased to 75 per cent from 60 per cent in 2018-19. Loans and advances from GoI increased by 71 per cent to ₹ 2,017 crore whereas dependency on WMA reduced by 37 per cent to ₹ 15,860 crore.

Net Public Debt Receipts with respect to GSDP in the current year (2.96 per cent) remained more buoyant than the previous year (1.50 per cent). This was due to increase in net MB of ₹ 10,452 crore (34.35 per cent) over the increase of ₹ 5,126 crore (20.26 per cent) in 2018-19. During 2019-20, net utilisation of MB and GoI loans were ₹ 40,882 crore and ₹ 886 crore, respectively set off by repayment of NSSF loans (₹ 6,340 crore) and more repayment over receipt on loans from Financial Institutions (₹ 143 crore). The above factors helped Net Public Debt receipts to increase by 44.55 per cent to ₹ 35,286 crore.

Non-debt capital receipts in the shape of recoveries of loans and advances and Miscellaneous Receipts reduced by 91.67 per cent to ₹ 67 crore due to poor recovery of loans from Public Sector Enterprises/ Bodies/ Authorities though disbursement of loans and advances on this account increased by ₹ 401 crore in 2019-20 over that in 2018-19. This scenario pointed to the fact that there was an urgent need to assess the essentiality of services being rendered by these entities and initiate necessary measures to ensure increase in the effectiveness of their functioning.

### 2.6.1 State's performance in 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 mobilisation of resources with respect to FC projections and Budget Estimates during 2019-20 has been shown in **Table 2.10**.

**Table 2.10: Tax and non-tax receipts vis-à-vis projections**

| Particulars            | FC projections | Budget Estimates | Actual | Percentage variation of actual over |                  |
|------------------------|----------------|------------------|--------|-------------------------------------|------------------|
|                        |                |                  |        | FC projections                      | Budget estimates |
|                        | (₹ in crore)   |                  |        |                                     |                  |
| <b>Own Tax revenue</b> | 1,07,575       | 65,546           | 60,669 | 43.60                               | 7.44             |
| <b>Non-tax revenue</b> | 6,048          | 3,987            | 3,213  | 46.88                               | 19.41            |

Source: 14<sup>th</sup> FC Report, Budget Publication and Finance Accounts

As can be seen from **Table 2.10** above, there was a shortfall in State's own revenue collection. There was a huge shortfall of ₹ 46,906 crore (43.60 per cent) and ₹ 4,877 crore (7.44 per cent) respectively against the 14th FC projection and budget estimates in case of Own Tax Revenue. In case of Non-tax revenue collection, the corresponding shortfall was to the tune of ₹ 2,835 crore (46.88 per cent) and ₹ 774 crore (19.41 per cent). Short collection of State's own revenue contributed in widening the gap of revenue deficit with respect to FC projections and budget estimates.

## 2.7 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 development of capital infrastructure and social sector. This paragraph along with sub-paragraphs gives the analysis of allocation of expenditure in the State.

### 2.7.1 Growth and composition of expenditure

**Table 2.11** gives the trend of total expenditure and its composition while **Table 2.12** gives relative share of various sectors in expenditure during the period 2015-20.

**Table 2.11: Total expenditure and its composition**

| Parameters                      | 2015-16      | 2016-17  | 2017-18  | 2018-19  | 2019-20  |
|---------------------------------|--------------|----------|----------|----------|----------|
|                                 | (₹ in crore) |          |          |          |          |
| <b>Total Expenditure (TE)</b>   | 1,32,108     | 1,46,451 | 1,60,414 | 1,80,956 | 1,79,812 |
| <b>Revenue Expenditure (RE)</b> | 1,18,827     | 1,33,918 | 1,41,077 | 1,56,374 | 1,62,575 |
| <b>Capital Outlay (CO)</b>      | 12,420       | 11,336   | 19,368   | 23,717   | 15,971   |
| <b>Loans and Advances</b>       | 861          | 1,197    | -31      | 865      | 1,266    |
| <i>As a percentage of GSDP</i>  |              |          |          |          |          |
| <b>TE/GSDP</b>                  | 16.57        | 16.78    | 16.46    | 16.60    | 14.34    |

| Parameters              | 2015-16      | 2016-17 | 2017-18 | 2018-19 | 2019-20 |
|-------------------------|--------------|---------|---------|---------|---------|
|                         | (₹ in crore) |         |         |         |         |
| RE/GSDP                 | 14.90        | 15.35   | 14.47   | 14.35   | 12.97   |
| CO/GSDP                 | 1.56         | 1.30    | 1.99    | 2.18    | 1.27    |
| Loans and Advances/GSDP | 0.11         | 0.14    | 0.00    | 0.08    | 0.10    |

Source: Finance Accounts

State's total expenditure (TE) consists of Revenue Expenditure (RE), Capital Outlay (CO) and disbursement of loans and advances. TE during the current year reduced by ₹ 1,144 crore (0.63 per cent) over the previous year. This was mainly due to reduction of CO by ₹ 7,746 crore (32.66 per cent). With respect to GSDP, RE and CO reduced by 1.38 and 0.91 per cent respectively over that of 2018-19. During 2015-20, CO as a percentage of GSDP was the lowest at 1.27 in 2019-20. This is not encouraging as Investment in Capital Assets is considered to be an indicator of the growth of any State economy. Payment of Loans and Advances to GSDP was, however, almost the same as compared to the previous year.

**Table 2.12: Relative share of various sectors of expenditure**

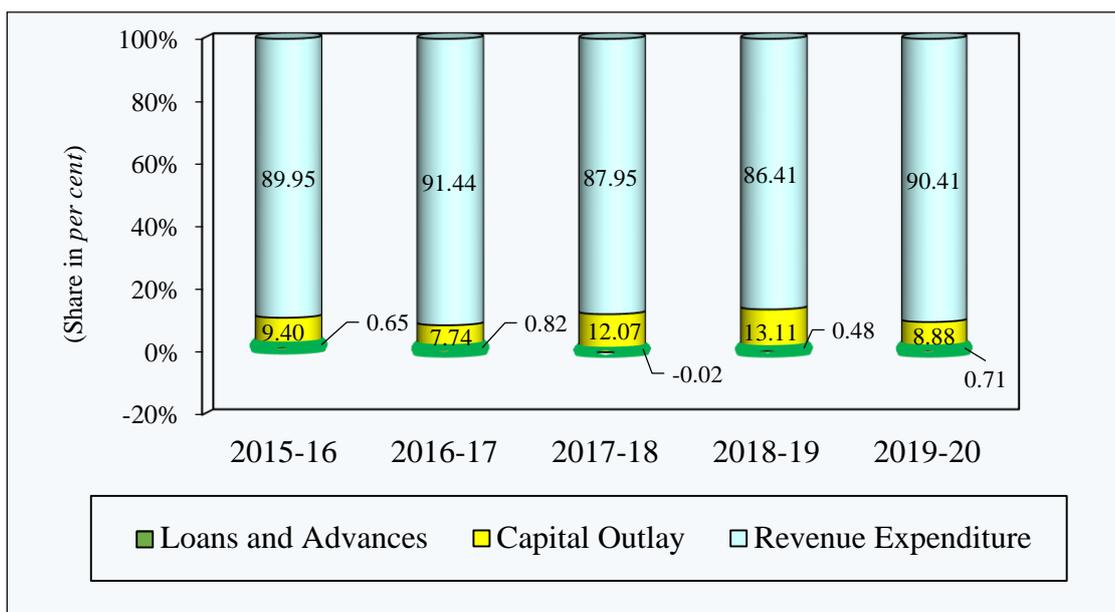
| Parameters   | 2015-16       | 2016-17 | 2017-18 | 2018-19 | 2019-20 |
|--|---------------|---------|---------|---------|---------|
|  | (in per cent) |         |         |         |         |
| General Services                                       | 35.12         | 34.81   | 33.30   | 31.94   | 34.86   |
| Social Services  | 39.37         | 42.00   | 41.89   | 42.05   | 43.67   |
| Economic Services                                      | 24.27         | 21.99   | 24.52   | 25.26   | 20.52   |
| Others (Grants to Local Bodies and Loans and Advances) | 1.24          | 1.20    | 0.29    | 0.75    | 0.95    |

Source: Finance Accounts

Expenditure under Social Sector constituted a major portion of the State's Expenditure. As can be seen from **Table 2.12** above, around 42 per cent of the total expenditure was in this sector during 2016-19. In the current year, the relative share of this sector increased by 1.62 per cent, indicating Government's priority on spending on social activities. During 2015-19, the relative share of expenditure on General Services decreased. However, in the current year, the share increased by nearly three per cent over the previous year, largely driven by increased interest payments and expenditure on pensions. In the case of Economic Services, the relative share decreased by nearly five per cent over the previous year to 20.52, indicating that the expenditure in this sector remained compressed.

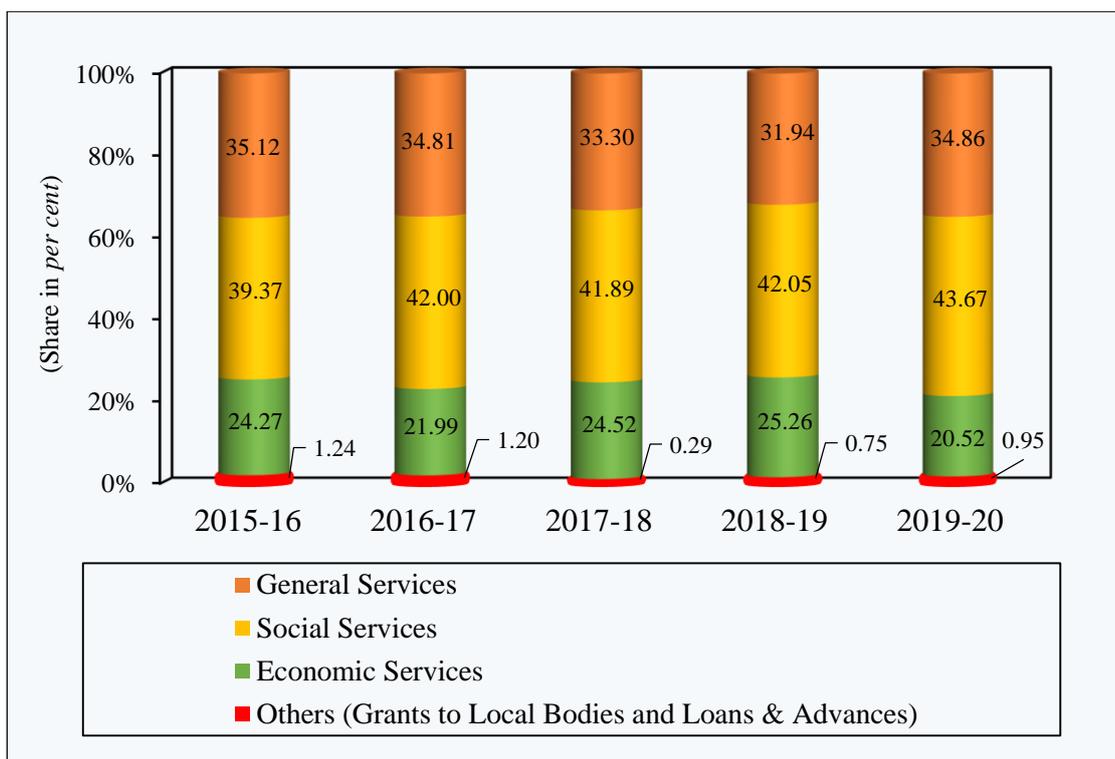
**Chart 2.6** presents the trends in share of components of TE while **Chart 2.7** presents TE by activity during 2015-20. **Chart 2.8** presents the composition of expenditure during 2019-20.

**Chart 2.6: Total Expenditure: Trends in share of its components**



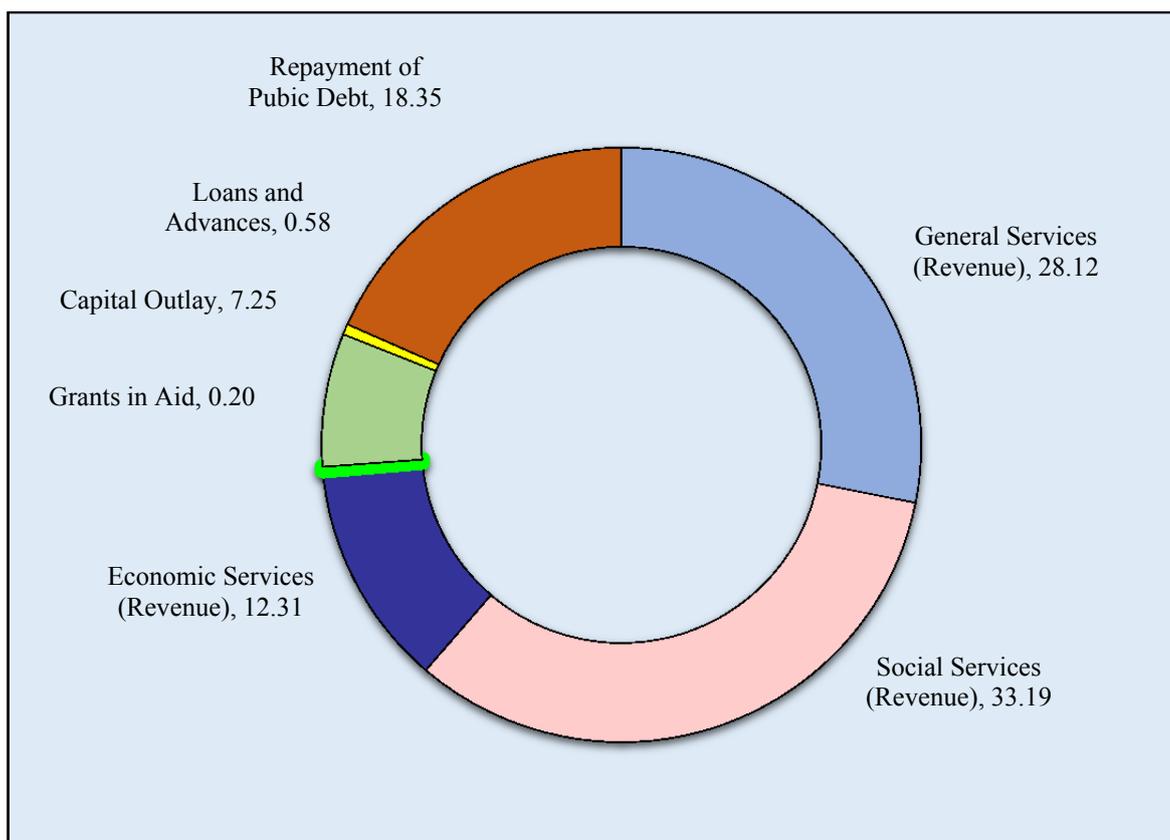
Source: Finance Accounts

**Chart 2.7: Total expenditure - Expenditure by activities**



Source: Finance Accounts

**Chart 2.8: Composition of expenditure (in per cent)**



Source: Finance Accounts

As is evident from the **Chart 2.6**, Capital Outlay (CO) had increased significantly, with its share as a percentage of Total Expenditure (TE) increasing from 7.74 per cent in 2016-17 to 12.07 per cent in 2017-18 and further to 13.11 per cent during 2018-19. During 2019-20, the share of CO, however, decreased to 8.88 per cent. This is attributable to the fact that RE with respect to TE in the current year went up to 90.41 per cent whereas during 2018-19 it was 86.41 per cent. The increase in percentage of RE was due to overall decrease of TE as a result of less mobilisation of resources. The major components of RE i.e., salary, interest payments and pensions increased by 16.91, 9.54 and 8.71 per cent over the previous year.

## 2.8 Revenue Expenditure

Revenue expenditure is incurred to maintain the current level of services and payments for past obligations. **Table 2.13** gives the trend of Revenue expenditure during the period 2015-20.

**Table 2.13: Revenue Expenditure – Basic Parameters**

| Parameters                                      | 2015-16  | 2016-17  | 2017-18  | 2018-19  | 2019-20  |
|---|----------|----------|----------|----------|----------|
| <b>Total Expenditure (TE)</b><br>(₹ in crore)   | 1,32,108 | 1,46,451 | 1,60,414 | 1,80,956 | 1,79,812 |
| <b>Revenue Expenditure (RE)</b><br>(₹ in crore) | 1,18,827 | 1,33,918 | 1,41,077 | 1,56,374 | 1,62,575 |

| Parameters                                  | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 |
|---|---------|---------|---------|---------|---------|
| Rate of Growth of RE<br>(per cent)          | 14.64   | 12.70   | 5.35    | 10.84   | 3.97    |
| Revenue Expenditure as<br>percentage of TE  | 89.95   | 91.44   | 87.95   | 86.42   | 90.41   |
| RE/GSDP (per cent)                          | 14.90   | 15.35   | 14.47   | 14.35   | 12.97   |
| RE as percentage of RR                      | 108.29  | 113.65  | 107.47  | 107.12  | 113.76  |
| <b>Buoyancy of Revenue Expenditure with</b> |         |         |         |         |         |
| GSDP (ratio)                                | 1.33    | 1.35    | 0.46    | 0.92    | 0.26    |
| Revenue Receipts (ratio)                    | 0.55    | 1.72    | 0.47    | 0.97    | -1.89   |

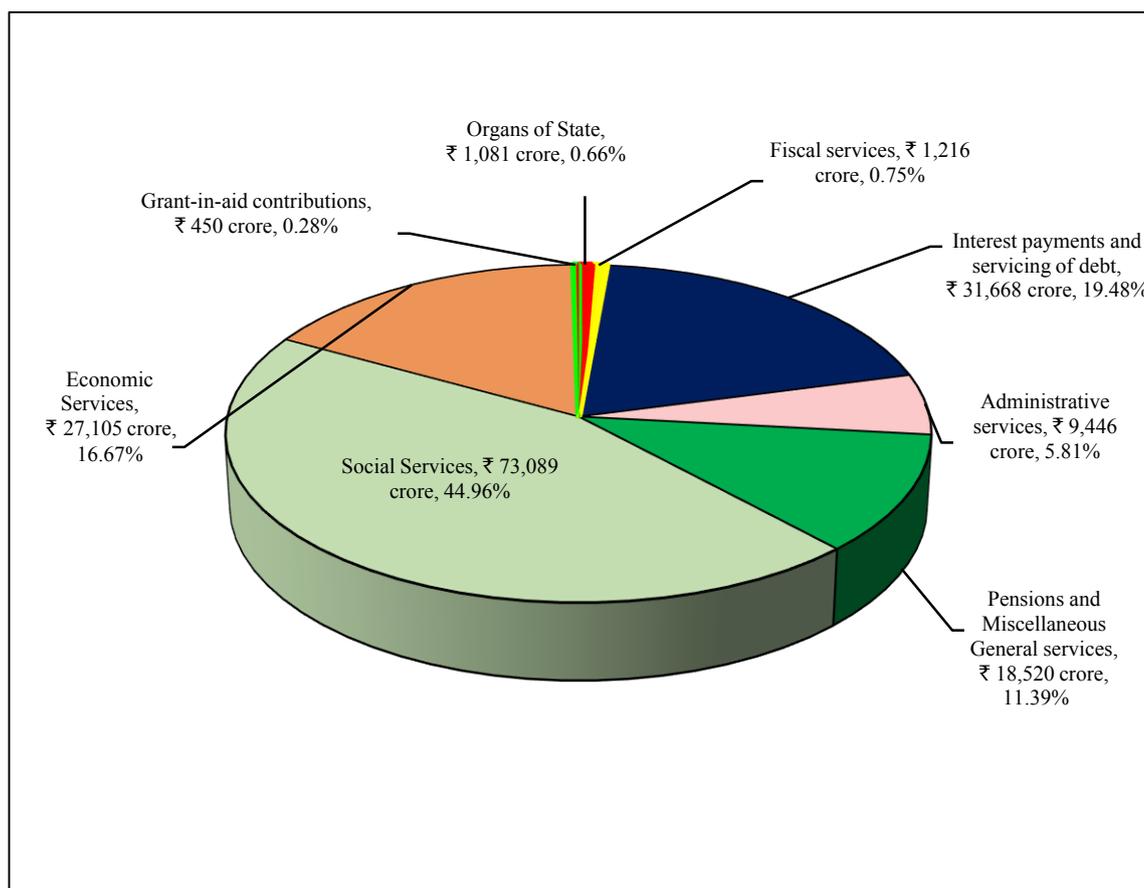
Source: Finance Accounts of respective years

Revenue Expenditure (RE) constituted a significant portion of the total expenditure. Its share in total expenditure (TE) increased by four *per cent* over the previous year. This was despite the fact that the growth of RE was not significant (four *per cent*) during 2019-20 compared to growth of 11 *per cent* in 2018-19. While analysing the last five years' data, it was observed that RE as a percentage of RR was highest during 2019-20, indicating increased Revenue Deficit. As can be seen from the above table, buoyancy of RE with GSDP though higher during 2015-17, dipped to less than one during 2017-19, indicating that RE remained less buoyant *vis-à-vis* GSDP. Buoyancy of RE *vis-à-vis* RR except during 2016-17 was above one, indicating that the growth of RE remained less buoyant than RR. During 2019-20, this ratio turned adverse as the growth of RR over the previous year turned negative by 2.10 *per cent*.

During 2015-20, the excess of RE over RR ranged between 7.12 and 13.76 *per cent* leading to Revenue Deficit (RD). RD was financed through borrowing which in turn adversely affected creation of assets and wealth generation.

Sector-wise distribution of Revenue Expenditure during 2019-20 has been shown in **Chart 2.9**.

**Chart 2.9: Sector-wise distribution of revenue expenditure during 2019-20**



Source: Finance Accounts

### 2.8.1 Major changes in Revenue Expenditure

Revenue Expenditure (₹ 1,62,575 crore) increased by four *per cent* (₹ 6,201 crore) over the previous year. Increase in General Services by nine *per cent* (₹ 5,066 crore) followed by Social services by six *per cent* (₹ 4,325 crore) set off by decrease of 10 *per cent* (₹ 3,151 crore) and eight *per cent* (₹ 39 crore) respectively in Economic services and Grants-in aid and contributions contributed to this growth.

In General Services, major increases were noticed in (i) Interest Payment by ₹ 2,757 crore (10 *per cent*), (ii) payments of Pension by ₹ 1,399 crore (nine *per cent*) and (iii) expenditure towards Police by ₹ 1,004 crore (16 *per cent*).

In Social services, major increases were noticed in (i) Education, Sports, Art and Culture by ₹ 3,514 crore (12 *per cent*), which was counter-balanced by decrease in Water Supply, Sanitation, Housing and Urban Development by ₹ 1,207 crore (15 *per cent*).

In Economic services, major reduction was noticed in Agriculture and allied activities by ₹ 3,325 crore (42 *per cent*) which was counter-balanced by increase in Rural Development by ₹ 1,438 crore (nine *per cent*).

Significant variations noticed in major heads of account during 2019-20 *vis-à-vis* 2018-19 has been shown in **Table 2.14**.

**Table 2.14: Variation in Revenue Expenditure during 2019-20 compared to 2018-19**

| Major Heads of Account                        | 2018-19      | 2019-20 | Increase (+)/<br>Decrease (-) |
|---|--------------|---------|-------------------------------|
|   | (₹ in crore) |         |                               |
| 2202- General Education                       | 26,644       | 30,590  | 3,946                         |
| 2049- Interest Payments                       | 28,911       | 31,668  | 2,757                         |
| 2210- Medical and Public Health               | 7,621        | 9,221   | 1,601                         |
| 2071- Pensions and Other Retirement benefits  | 16,063       | 17,462  | 1,399                         |
| 2515- Other Rural Development Programmes      | 6,421        | 7,581   | 1,160                         |
| 2055- Police                                  | 6,223        | 7,227   | 1,004                         |
| 2245- Relief on account of Natural Calamities | 682          | 1,683   | 1,001                         |
| 2401- Crop Husbandry                          | 5,662        | 2,345   | (-) 3,317                     |

Source: Finance Accounts

The main reasons for variation in revenue expenditure with respect to the previous year were as follows:

- Assistance to Non-Government Secondary Schools increased to ₹ 14,317 crore, an increase of 23.79 per cent from ₹ 11,566 crore in 2018-19;
- Assistance to Gram Panchayats increased to ₹ 3,794 crore, an increase of 42.47 per cent from ₹ 2,663 crore;
- Expenditure on District Police increased to ₹ 4,750 crore, an increase of 17.25 per cent from ₹ 4,051 crore;
- 'Nil' Payment under 'Krishakbandhu' scheme against payment of ₹ 4,000 crore a year ago.

### 2.8.2 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 first charge on Government resources. Upward trend in committed expenditure leaves the Government with lesser flexibility for development expenditure.

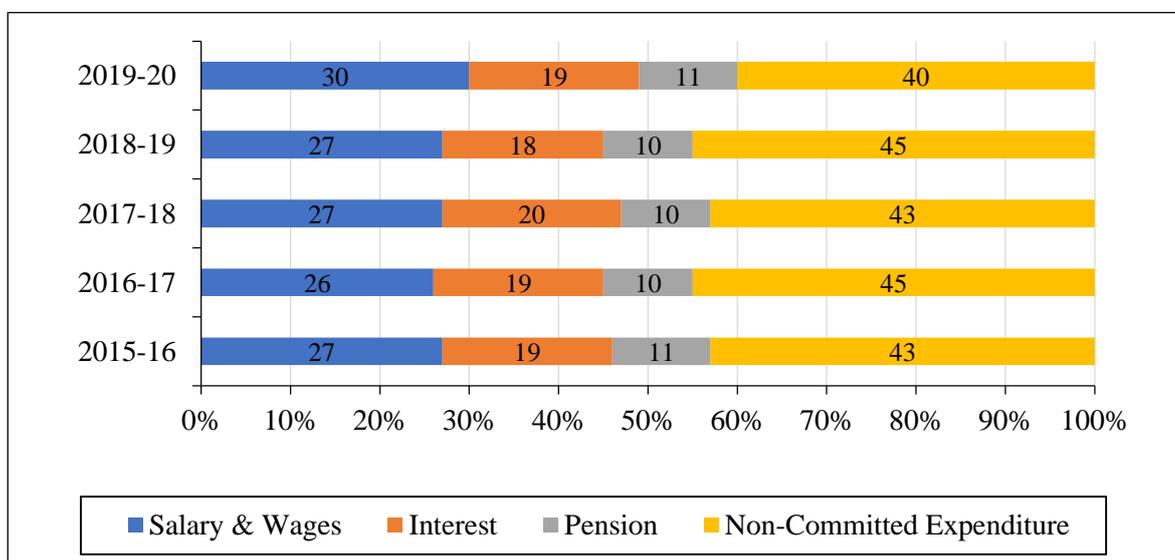
Components of Committed Expenditure and share of committed expenditure in Revenue Expenditure during the period 2015-20 has been shown in **Table 2.15** and **Chart 2.10**.

**Table 2.15: Components of Committed Expenditure**

| Components of Committed Expenditure                | 2015-16       | 2016-17       | 2017-18       | 2018-19       | 2019-20       |
|--|---------------|---------------|---------------|---------------|---------------|
|  | (₹ in crore)  |               |               |               |               |
| Salaries & Wages                                   | 31,931        | 34,688        | 37,803        | 41,541        | 48,567        |
| <i>Of which, Grants-in-aid salary<sup>25</sup></i> | 17,725        | 19,417        | 21,510        | 23,574        | 27,815        |
| Expenditure on Pensions                            | 12,860        | 13,945        | 14,588        | 16,063        | 17,462        |
| Interest Payments                                  | 23,115        | 25,703        | 28,074        | 28,911        | 31,668        |
| <b>Total</b>                                       | <b>67,906</b> | <b>74,336</b> | <b>80,465</b> | <b>86,515</b> | <b>97,697</b> |
| <b>As a percentage of Revenue Receipts (RR)</b>    |               |               |               |               |               |
| Salaries & Wages                                   | 29.10         | 29.44         | 28.80         | 28.46         | 33.98         |
| Expenditure on Pensions                            | 11.72         | 11.83         | 11.11         | 11.00         | 12.22         |
| Interest Payments                                  | 21.06         | 21.81         | 21.39         | 19.81         | 22.16         |
| <b>Total</b>                                       | <b>61.88</b>  | <b>63.08</b>  | <b>61.30</b>  | <b>59.27</b>  | <b>68.36</b>  |
| <b>As a percentage of Revenue Expenditure (RE)</b> |               |               |               |               |               |
| Salaries & Wages                                   | 26.87         | 25.90         | 26.80         | 26.57         | 29.87         |
| Expenditure on Pensions                            | 10.82         | 10.41         | 10.34         | 10.27         | 10.74         |
| Interest Payments                                  | 19.45         | 19.19         | 19.90         | 18.49         | 19.48         |
| <b>Total</b>                                       | <b>57.14</b>  | <b>55.50</b>  | <b>57.04</b>  | <b>55.33</b>  | <b>60.09</b>  |

Source: Finance Accounts

**Chart 2.10: Share of Committed expenditure in total Revenue Expenditure**



Source: Finance Accounts

As can be seen from **Table 2.15** above, committed expenditure constituted over 55 per cent of Revenue Expenditure during 2015-20, while it accounted for over 59 per cent of the Revenue Receipts of the State during the same period. During

<sup>25</sup> Salaries for employees of grantee bodies (e.g., aided schools and colleges), as distinct from government servants

2019-20, the share of committed expenditure with respect to Revenue Expenditure and Revenue Receipts was 60 and 68 *per cent* respectively.

- **Salaries and Wages**

Share of salaries in Revenue Expenditure varied between 25.90 and 29.87 *per cent* during 2015-20. During the year 2019-20, its share increased by 3.30 *per cent* to 29.87 *per cent*. The increase during the year 2019-20 was ₹ 7,026 crore (16.91 *per cent*) compared to an increase of ₹ 3,738 crore (9.89 *per cent*) during 2018-19. Revision of pay with effect from 1 January 2020, pursuant to West Bengal Services (Revision of Pay and Allowance) Rules<sup>26</sup>, 2019 contributed to this increase. Salary Expenditure in the month of January 2020 was ₹ 3,210 crore compared to ₹ 2,963 crore in the same period of 2018-19. Expenditure on Salary grew at a CAGR of 11.05 *per cent* during the period 2015-20.

- **Interest Payments**

Interest Payments accounted for 22.16 *per cent* of Revenue Receipts during 2019-20, which was higher than the ceiling of 18.96 *per cent* prescribed in the Fiscal Policy Strategy Statement (FPSS), placed along with the budget for 2019-20. Expenditure on Interest Payments (₹ 31,688 crore) grew by ₹ 2,757 crore (9.54 *per cent*) from the previous year (₹ 28,811 crore) due to increase in interest payment on Market loans by 15.43 *per cent*.

- **Pensions**

Expenditure on Pension in Revenue Expenditure varied between 10 and 11 *per cent* during 2015-20. Pension payment grew at a CAGR of 7.95 *per cent* during this period. During 2019-20, expenditure on Pension increased by 8.71 *per cent* (₹ 1,399 crore) over 2018-19.

### 2.8.3 Undischarged liabilities in National Pension System

Government introduced the 'National Pension System' (NPS) for All India Service (AIS) officers and other Central Government employees on Deputation to the State recruited on or after 1 January 2004. This scheme is not applicable for State Government employees.

Finance Department, GoWB vide its Notification (April 2019) has changed the State Government's contribution to 14 *per cent* of basic pay and dearness allowance of the employee from the earlier 10 *per cent*. In line with the notification, against the required contribution of ₹ 4.57 crore during 2019-20, GoWB contributed only ₹ 4.49 crore which led to understatement of Revenue and Fiscal deficit by ₹ 0.08 crore.

During 2019-20, out of the required transfer of ₹ 7.89 crore to NSDL (National Securities Depositories Limited)/ Trustee Bank, only ₹ 7.79 crore was transferred, leaving a balance of ₹ 0.10 crore. Uncollected, unmatched and untransferred amounts, with accrued interest, represent outstanding liabilities under the Scheme.

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<sup>26</sup> Deemed effective from 1 January 2016, without having any arrears of pay from 1 January, 2016 to 31 December, 2019

## 2.8.4 Subsidies

Expenditure on subsidies for the period from 2015-16 to 2019-20 has been shown in **Table 2.16**.

**Table 2.16: Expenditure on subsidies during 2015-20**

| Particulars                                      | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 |
|--|---------|---------|---------|---------|---------|
| Subsidies (₹ in crore)                           | 5,098   | 9,587   | 11,677  | 13,403  | 9,709   |
| Subsidies as a percentage of Revenue Receipts    | 4.65    | 8.14    | 8.90    | 9.18    | 6.79    |
| Subsidies as a percentage of Revenue Expenditure | 4.29    | 7.16    | 8.28    | 8.57    | 5.97    |

Source: Finance Accounts

Detailed payment of subsidy is shown in **Appendix-II** of the Finance Accounts. As can be seen from **Table 2.16** above, there was a steep upward trend in disbursement of subsidy from 2015-16 to 2018-19. During 2019-20, there was a sharp decrease of ₹ 3,694 crore (27.56 per cent) from ₹ 13,403 crore in 2018-19. During the last quarter of 2019-20, subsidy payment stood at ₹ 4,885 crore compared to ₹ 6,538 crore during the same period of the previous year.

In the FPSS presented along with the budget during 2019-20, it was stated that State Government's borrowing was for meeting the requirement for development expenditure by way of payment of subsidy to PSUs. However, during 2019-20, payment of subsidy with respect to borrowing reduced to 12.83 per cent from 19.10 per cent in 2018-19. Reduction in supply of subsidised rice to the APL/BPL families in the TPDS<sup>27</sup> from ₹ 10,293 crore during 2018-19 to ₹ 6,613 crore during the current year was responsible for this reduction. During 2019-20, subsidy as a percentage to revenue receipts and revenue expenditure decreased by 2.39 and 2.60 per cent respectively over the previous year. It was noticed from the Finance Accounts 2019-20 that ₹ 52.47 crore was disbursed to PSUs by way of subsidy for meeting retirement liabilities.

In the following five departments, the State Government incurred expenditure of ₹ 1,002 crore in the nature of subsidies during 2019-20 (**Table 2.17**).

**Table 2.17: Details of expenditure in the nature of subsidies**

| Sl. No. | Scheme/Subsidy   | Name of Department                    | Amount (₹ in crore) |
|---------|--|---------------------------------------|---------------------|
| 1.      | Grants to Kolkata Municipal Corporation/Howrah Municipal Corporation/Other Urban Local Bodies for adjustment of Energy Bills of Calcutta Electric Supply Corporation Limited/ West Bengal State Electricity Distribution Company Limited | Urban Development & Municipal Affairs | 972.53              |

<sup>27</sup> Targeted Public Distribution System

| Sl. No.      | Scheme/Subsidy   | Name of Department                        | Amount (₹ in crore) |
|--------------|--|---|---------------------|
| 2.           | State subsidy for supply of rice to the APL/BPL families in the TPDS   | Food & Supplies                           | 42.82               |
| 3.           | Subsidies for interest liabilities in respect of share croppers, small farmers and self-employed persons   | Cooperation                               | 5.84                |
| 4.           | Subsidised distribution of seed planting materials   | Food Processing Industries & Horticulture | 0.67                |
| 5.           | Subsidy on short-term credit to the small fish farmers, fish venders and entrepreneurs in the development of pisciculture, door to door vending, setting up of small fish markets and fish-meal plants | Fisheries                                 | 0.22                |
| <b>Total</b> |  |   | <b>1,022.08</b>     |

Source: Appropriation Accounts of Government of West Bengal (2019-20)

It was seen that a major portion of the subsidies was spent on payment of electricity bills to ULBs and not for social and economic activities. Though, these were in the nature of subsidies, they were not reflected as subsidies and the subsidies shown in the accounts are understated to that extent.

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

Financial assistance of ₹ 61,622 crore was provided by the State Government to local bodies and other institutions by way of grants in 2019-20 (Table 2.18). There was an increase in the overall quantum of assistance by ₹ 4,033 crore (seven per cent) in comparison to the previous year (₹ 57,589 crore). Assistance as a percentage of Revenue Expenditure also increased by one per cent to 38 per cent.

**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       |
| <b>Local Bodies</b>                       |               |               |               |               |               |
| Municipal Corporations and Municipalities | 3,562         | 3,825         | 4,786         | 4,787         | 4,529         |
| Panchayati Raj Institutions               | 15,153        | 14,347        | 15,180        | 11,678        | 13,466        |
| <b>Total (A)</b>                          | <b>18,715</b> | <b>18,172</b> | <b>19,966</b> | <b>16,465</b> | <b>17,995</b> |

| Financial Assistance to Institutions            | 2015-16       | 2016-17       | 2017-18       | 2018-19       | 2019-20       |
|---|---------------|---------------|---------------|---------------|---------------|
| <b>Others</b>                                   |               |               |               |               |               |
| Educational Institutions (Universities)         | 1,125         | 1,530         | 1,419         | 1,345         | 7,507         |
| Development Authorities                         | 556           | 382           | 320           | 295           | 0             |
| Other Autonomous Bodies                         | 86            | 2,137         | 2,008         | 1,403         | 0             |
| Cooperative Institutions                        | 20            | 211           | 305           | 214           | 249           |
| Public Sector Undertakings (PSUs)               | 72            | 4,872         | 1,893         | 1,117         | 298           |
| Non-Government Organisations (NGOs)             | 367           | 15,941        | 21,123        | 19,461        | 23,244        |
| Others  | 28,519        | 9,430         | 7,931         | 17,289        | 12,329        |
| <b>Total (B)</b>                                | <b>30,745</b> | <b>34,503</b> | <b>34,999</b> | <b>41,124</b> | <b>43,627</b> |
| <b>Total (A+B)</b>                              | <b>49,460</b> | <b>52,675</b> | <b>54,965</b> | <b>57,589</b> | <b>61,622</b> |
| Revenue Expenditure                             | 1,18,827      | 1,33,918      | 1,41,077      | 1,56,374      | 1,62,575      |
| Assistance as percentage of Revenue Expenditure | 42            | 39            | 39            | 37            | 38            |

Source: Finance Accounts

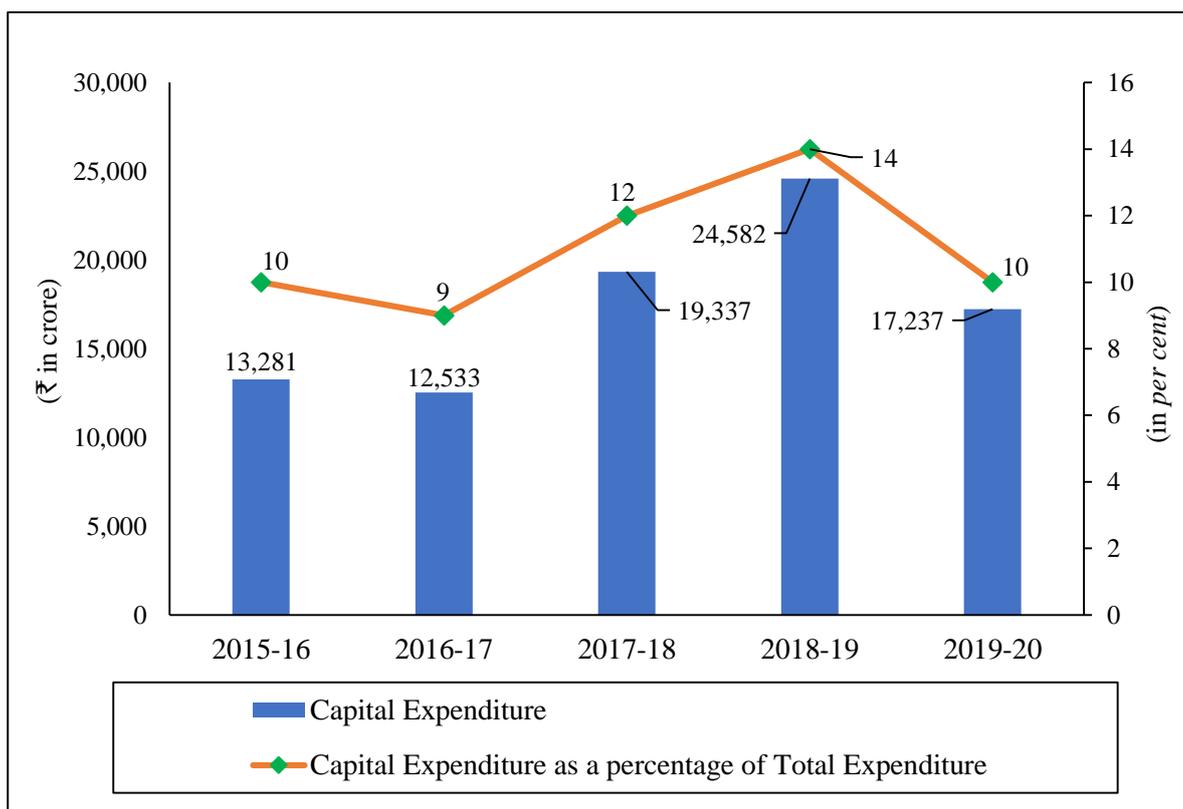
Thirty eight *per cent* of RE during 2019-20 was incurred on Financial Assistance to institutions where the State Government has no proper monitoring mechanism to ensure accountability. This is a matter of concern particularly when the State has Revenue deficit. Further out of 38 *per cent*, 37.72 *per cent* has gone to NGOs who are not accountable to the Government and do not come under the ambit of Audit.

The Public Sector Undertakings, Autonomous Bodies and Authorities had arrear of accounts as of March 2020 as discussed in **Paragraphs 2.9.3** and **4.12**. Release of financial assistance without insisting on rendering timely accounts is detrimental to public accountability and indicated poor financial management.

## 2.9 Capital Expenditure

Capital Expenditure of the State and its contribution to Total Expenditure for 2015-20 has been shown in **Chart 2.11**.

Chart 2.11: Capital expenditure in the State



Source: Finance Accounts

**Chart 2.11** shows that in the current year, Capital Expenditure as a percentage of Total Expenditure dropped by four *per cent*. Decrease in Revenue Receipts and Recovery of Loans and Advances by ₹ 3,061 crore and ₹ 737 crore respectively over 2018-19 were the contributing factors for decrease of Capital Expenditure.

Again, the booking of Capital Expenditure (₹ 17,237 crore) has to be viewed in the light of the fact that ₹ 415.62 crore was booked under capital section instead of revenue (**Table 1.7** and **Paragraph 3.3.2**). Out of ₹ 415.62 crore, expenditure of ₹ 322.22 crore in the nature of Revenue Expenditure (RE) was misclassified as Capital Outlay (CO) (**Paragraph 2.9.1**).

### 2.9.1 Major changes in Capital Expenditure

Capital Expenditure comprises CO and disbursement of loans & advances. Major changes in CO during 2019-20 *vis-à-vis* 2018-19 has been shown in **Table 2.19**.

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

| Major Heads of Accounts   | 2018-19      | 2019-20 | Increase (+)/<br>Decrease (-) |
|---|--------------|---------|-------------------------------|
|   | (₹ in crore) |         |                               |
| 4225-Capital Outlay on Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities | 73           | 256     | 183                           |
| 4700- Capital Outlay on Major Irrigation  | 248          | 347     | 99                            |

| Major Heads of Accounts                                   | 2018-19      | 2019-20 | Increase (+)/<br>Decrease (-) |
|---|--------------|---------|-------------------------------|
|   | (₹ in crore) |         |                               |
| 4202-Capital Outlay on Education, Sports, Art and Culture | 997          | 430     | -567                          |
| 4215-Capital Outlay on Water Supply and Sanitation        | 1,952        | 1,384   | -568                          |
| 4210-Capital Outlay on Medical and Public Health          | 1,237        | 558     | -679                          |
| 4575-Capital Outlay on other Special Areas Programmes     | 1,868        | 974     | -894                          |
| 5054-Capital Outlay on Roads and Bridges                  | 5,059        | 4,128   | -931                          |
| 4515-Capital Outlay on other Rural Development Programmes | 2,576        | 356     | -2,220                        |

Source: Finance Accounts

The main reasons for variation in Capital Outlay with respect to the previous year were as follows:

- Construction works for upgradation of schools under elementary and secondary education decreased to ₹ 54 crore, a reduction of 89.39 per cent from ₹ 509 crore in 2018-19;
- Infrastructure works under Rural Water Supply decreased to ₹ 829 crore, a reduction of 29.86 per cent from ₹ 1,182 crore;
- Road works under Pradhan Mantri Gram Sadak Yojana decreased to ₹ 237 crore, a reduction of 90 per cent from ₹ 2,369 crore;
- Construction of road works under State Highways decreased to ₹ 1,955 crore, a reduction of 24.08 per cent from ₹ 2,575 crore.

It can be seen from **Table 2.18** that assistance to NGOs had increased by 19.44 per cent (₹ 3,783 crore) and the overall position of Financial Assistance increased seven per cent to ₹ 61,622 crore in 2019-20. In this backdrop, analysis of CO under three important sectors was undertaken to assess the approach adopted by the State Government. The CO during the last five years under these sectors are shown in **Table 2.20**.

**Table 2.20: Capital Outlay during 2015-20 in respect of major social areas**

| Major Heads of Accounts     | 2015-16      | 2016-17 | 2017-18 | 2018-19 | 2019-20 |
|-----------------------------|--------------|---------|---------|---------|---------|
|                             | (₹ in crore) |         |         |         |         |
| Medical and Public Health   | 1,839        | 1,242   | 931     | 1,237   | 558     |
| Water Supply and Sanitation | 167          | 116     | 2,095   | 1,952   | 1,384   |
| Education                   | 610          | 388     | 454     | 997     | 430     |

Source: Finance Accounts

Analysis revealed that:

- Medical and Public Health (M&PH) led by CO of ₹ 578 crore for 'Upgradation/ expansion of District, Sub-divisional and other Urban hospitals', witnessed a significant inflow of outlay during 2015-16.

Except for 2018-19, in which CO for M&PH increased due to medical education projects, there was reduction of outlay in the remaining three years. In 2019-20, CO reduced significantly by 54.89 per cent with respect to the previous year owing to cuts imposed on outlay in all major infrastructure projects;

- There was a surge of CO of ₹ 1,911 crore in Water Supply and Sanitation (WS&S) during 2017-18 mainly due to expenditure on the scheme 'Piped water supply schemes for rural areas'. However, from 2018-19 onwards, CO under this head registered a downward spiral. In the current year, CO in WS&S reduced by 29.10 per cent with respect to previous year;
- In Education, CO significantly increased during 2018-19 owing to an outlay of ₹ 290 crore for the purpose of 'Upgradation of 300 schools from Secondary to Higher Secondary'. In the current year, CO in Education reduced by 56.87 per cent over 2018-19.

It was observed that the expenditure on these sectors have significantly come down in 2019-20 by 29 to 57 per cent as compared to the PY. This indicated that there was a need to prioritise the significant areas of expenditure and accordingly align the budget so that the resources are effectively utilised.

#### ***Misclassification of grants-in-aid as Capital Outlay***

As per Indian Government Accounting Standards (IGAS)-2, Grants-in-aid in the nature of pass-through grants is classified as revenue expenditure.

The Centrally Sponsored Scheme AMRUT<sup>28</sup> was introduced (June 2015) by GoI with the aim to improve basic infrastructure by developing sewerage connection, greenery and reduction of pollution. As per para 7.6 of AMRUT guidelines, funds were to be provided to ULBs through the States. Accordingly, these grants are in the nature of pass-through grants and shall be booked as revenue expenditure in the books of the State Government.

During 2019-20, GoWB booked ₹ 322.22 crore in AMRUT which includes Central share<sup>29</sup> of ₹ 164.36 crore and State share of ₹ 157.86 crore. Audit noticed that the sanctioned amount was released to SUDA<sup>30</sup> for subsequent transfer of funds to ULBs for implementation of projects. As the funds are meant for creation of assets by the ULBs, the expenditure was to be booked as revenue expenditure. However, departing from the provision contained in IGAS-2, the funds were booked as capital outlay. Consequently, capital outlay was overstated by ₹ 322.22 crore with corresponding understatement of revenue expenditure and revenue deficit.

The practice of booking of grants-in-aid as Capital Outlay instead of as revenue expenditure in contravention of IGAS-2 was continued despite being pointed out in the 'State Finances Audit Reports' for the years 2016-17 and 2017-18.

<sup>28</sup> Atal Mission for Rejuvenation and Urban Transformation

<sup>29</sup> Released by Ministry of Housing & Urban Affairs on 28 June 2019 and 9 September 2019

<sup>30</sup> State Urban Development Agency

### 2.9.2 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 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. Analysis of investments and disbursement of loans and advances undertaken by the Government during the current year are discussed in the succeeding paragraphs.

### 2.9.3 Quality of investments and loans in the companies, corporations and other bodies

As of 31 March 2020, the State Government's investment stood at ₹ 18,154 crore in Statutory Corporations, Government Companies, Joint Stock Companies and Co-operatives. During 2019-20, the total investment made by the Government was ₹ 727 crore with the major investments being in WBPDC<sup>31</sup> (₹ 587 crore), WBHDCL<sup>32</sup> (₹ 50 crore) and GCGSCL<sup>33</sup> (₹ 25 crore). The average return on this investment remained negligible (0.45 per cent). The position of return on investments<sup>34</sup> during 2015-20 is given in **Table 2.21**.

**Table 2.21: Return on Investment**

| Investment/return/ cost of borrowings  | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 |
|--|---------|---------|---------|---------|---------|
| Investment at the end of the year (₹ in crore) (A)   | 13,390  | 14,015  | 15,884  | 17,427  | 18,154  |
| Return (₹ in crore) (B)  | 12      | 1       | 37      | 47      | 82      |
| Return (per cent) (B/A*100)=C  | 0.09    | 0.01    | 0.25    | 0.28    | 0.45    |
| Average rate of interest on Government Borrowings (per cent) (D)                               | 7.92    | 7.99    | 8.04    | 7.67    | 7.66    |
| Difference between interest rate and return (per cent) (D-C)=E                                 | 7.83    | 7.98    | 7.79    | 7.38    | 7.20    |
| Difference between interest on Government borrowings and return on investment (₹ in crore) (F) | 23,103  | 25,702  | 28,037  | 28,864  | 31,586  |

Source: Finance Accounts

The Government earned a meagre return of ₹ 82 crore in 2019-20 on its investment of ₹ 18,154 crore in various Corporations/Companies. The return on investment was negligible at 0.45 per cent during 2019-20, far lower than the average rate of interest (7.66 per cent) paid by the Government on its borrowings.

<sup>31</sup> West Bengal Power Development Corporation Limited

<sup>32</sup> West Bengal Highway Development Corporation Limited

<sup>33</sup> Greater Calcutta Gas Supply Corporation Limited

<sup>34</sup> In Statutory Corporations, Government Companies, Co-operative Societies and Banks

While analysing the investments made during 2019-20, Audit noticed that in the following cases, ₹ 15.37 crore booked under the object head '54-Investment', were not actually in the nature of investment -

- Contribution (₹ 7.83 crore) to Commissioner, Commercial Taxes, West Bengal for advance user charges of GSTN (Goods and Services Tax Network) for the year 2019-20;
- Payment of outstanding dues (₹ 5.93 crore) to West Bengal Industrial Development Finance Corporation by Durgapur Chemicals Limited;
- Payment for drainage work (₹ 0.86 crore) to West Bengal Small Industries Development Corporation Limited by Sriniketan Shantiniketan Development Authority; and
- Compensation (₹ 0.75 crore) to West Bengal Transport Infrastructure Development Corporation Limited for land acquisition against Joka-BBD Bag Metro Project.

In spite of the fact that PSUs suffered recurring losses upto 2018-19, the State Government extended budgetary support in the form of fresh loans (₹ 919 crore) and investment (₹ 98 crore) to 26 loss making PSUs<sup>35</sup> (*Appendix 2.2*).

In addition to investments in co-operative societies, corporations and companies, Government also provided loans and advances to many of these institutions/organisations. **Table 2.22** presents the outstanding loans and advances as on 31 March 2020 along with interest receipts during the five-year period from 2015-16 to 2019-20.

**Table 2.22: Quantum of loans disbursed and recovered during the last five years**

| Quantum of loans disbursed and recovered | 2015-16      | 2016-17 | 2017-18 | 2018-19 | 2019-20 |
|--|--------------|---------|---------|---------|---------|
|  | (₹ in crore) |         |         |         |         |
| Opening Balance of loans outstanding     | 14,970       | 14,999  | 12,963  | 12,718  | 12,779  |
| Amount advanced during the year          | 861          | 1,197   | -31     | 865     | 1,267*  |
| Amount recovered during the year         | 832          | 3,233   | 214     | 804     | 67      |
| Closing Balance of the loans outstanding | 14,999       | 12,963  | 12,718  | 12,779  | 13,979  |
| Net addition                             | 29           | -2,036  | -245    | 61      | 1,200   |
| Interest received                        | 95           | 833     | 1,031   | 548     | 122     |

\* Difference of ₹1 crore is due to rounding.

Source: Finance Accounts

<sup>35</sup> Based on available accounts submitted by PSUs

The total amount of outstanding loans and advances as on 31 March 2020 was ₹ 12,779 crore. The amount of loans disbursed during the year increased by 46.47 per cent from ₹ 865 crore in 2018-19 to ₹ 1,267 crore in 2019-20. This was due to increase in disbursement of loans for (i) Industries & Minerals by ₹ 174 crore for the purpose of salary, wages and retirement benefits and (ii) Transport Services by ₹ 176 crore for maintenance and repairs.

Out of the total amount of loans advanced during the year, Social Services received ₹ 455 crore, Economic Services received ₹ 809 crore and the remaining ₹ 2 crore was provided to Government servants. Within Social Services, Urban Development (61 per cent) received the major share; in Economic Services, the major share was given to power projects (62 per cent) followed by Transport (22 per cent) and Industry and Minerals (13 per cent).

Government loans to 12 Government Companies/Statutory Corporations/Cooperatives amounting to ₹ 973 crore in 2019-20 did not specify any terms and conditions, like schedule of repayment, rate of interest, number of instalments, etc. Government was also providing loans to Government Companies/ Statutory Corporations and Autonomous Bodies, whose annual accounts were in arrears (**Paragraph 4.12**).

Recovery of loans and advances decreased by ₹ 737 crore from ₹ 804 crore in 2018-19 to ₹ 67 crore in 2019-20 due to decrease in recovery of loans for Power Projects by ₹ 593 crore. Against the estimation, actual recovery was only 19.14 per cent. Interest received also decreased from ₹ 548 crore in 2018-19 to ₹ 122 crore in the current year mainly due to decrease in interest receipts on loans for power projects from ₹ 59 crore to ₹ 10 crore. Low recovery led to arrears of ₹ 6,054 crore on account of principal (mainly on Government Companies: ₹ 3,666 crore) and ₹ 8,941 crore on account of interest (mainly on Government Companies: ₹ 6,162 crore and Statutory Corporations: ₹ 900 crore) overdue for realisation as of 31 March 2020. None of these loans were, however, written off during the year.

Such significant arrears of principal and interest against disbursed loans and advances require formulation of a specific policy for addressing this issue. The Government may consider laying down a definitive plan/ strategy for recovery of loans and advances. Moreover, the Government kept releasing funds to many PSUs, without taking into account the meagre recovery thereof and on many occasions, even ignoring non-submission of accounts. This dilutes the accountability mechanism in utilisation of these loans by these PSUs.

Audit noticed that as per available audited 52 accounts for the financial years 2005-20 pertaining to 84 PSUs upto December 2020, repayments of ₹ 12,382 crore (Principal: ₹ 6,196 crore and Interest: ₹ 6,186 crore) were in arrears (**Table 2.23**). This assumes significance since 62 per cent of PSUs have arrear in repayments. Due to non-availability of accounts of 76 out of 84 PSUs during 2019-20, comprehensive position of outstanding repayments could not be arrived at.

**Table 2.23: Status of outstanding repayments of loans disbursed by Government in respect of Public Sector Undertakings (PSUs)**

| Sl. No.      | Accounts available upto | Number of PSUs who had submitted their Accounts | Number of PSUs against which repayments were in arrears | Outstanding Principal | Outstanding Interest |
|--------------|-------------------------|---|---|-----------------------|----------------------|
|              |                         |   |   | (₹ in crore)          |                      |
| 1.           | 2019-20                 | 8   | 3   | 742.16                | 165.23               |
| 2.           | 2018-19                 | 52  | 34  | 4,869.59              | 5,524.71             |
| 3.           | 2017-18                 | 10  | 7   | 335.61                | 370.54               |
| 4.           | 2016-17                 | 4   | 1   | 4.63                  | 0.15                 |
| 5.           | 2015-16                 | 3   | 3   | 106.70                | 12.11                |
| 6.           | 2014-15                 | 1   | 0   | NIL                   | NIL                  |
| 7.           | 2012-13                 | 2   | 0   | NIL                   | NIL                  |
| 8.           | 2011-12                 | 1   | 1   | 26.78                 | 25.98                |
| 9.           | 2010-11                 | 1   | 1   | 2.34                  | 4.91                 |
| 10.          | 2007-08                 | 1   | 1   | 26.69                 | 47.43                |
| 11.          | 2005-06                 | 1   | 1   | 81.60                 | 34.49                |
| <b>Total</b> |                         | <b>84</b>                                       | <b>52</b>   | <b>6,196.10</b>       | <b>6,185.55</b>      |

Source: Audited Accounts of PSUs

PSUs of Power sector like WBPDC<sup>36</sup> and DPL<sup>37</sup> stated that cash crunch did not permit them to repay the government loans. DPL also stated that they had requested the State Government to convert the loans into equity and waive off interest thereon as a part of the measure of financial restructuring owing to which no loan repayment had been made during 2018-20.

#### 2.9.4 Capital Outlay transferred to Public Account

West Bengal Compensatory Entry Tax Fund (WBCETF) operated under Public Works Department (PWD) had a negative balance of ₹ 191.85 crore as of 31 March 2019. During 2019-20, ₹ 30.15 crore was transferred to WBCETF from one capital outlay head (Major Head-5054). Disbursement from the WBCETF stood at ₹ 275.51 crore during 2019-20. Resultantly, the closing balance in WBCETF continued to remain adverse at ₹ 437.21 crore.

Such inadequate contribution to WBCETF, which was not sufficient to cover the closing balance as on 31 March 2019 as well as disbursement during 2019-20, was indicative of the accounting procedure being defective.

#### 2.9.5 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

<sup>36</sup> West Bengal Power Distribution Company Limited

<sup>37</sup> Durgapur Projects Limited

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.

Expenditure priority of the State with respect to some key areas has been shown in **Table 2.24**.

**Table 2.24: Expenditure priority of the State with regards to Health, Education and Capital expenditure**  
(in per cent)

| Particulars  | AE/GSDP | CE/AE | Education/AE | Health/ AE |
|--|---------|-------|--------------|------------|
| <b>General Category States (GCS) Average (2014-15)</b> | 15.99   | 13.98 | 16.54        | 4.92       |
| <b>West Bengal</b>                                     | 15.88   | 8.66  | 18.57        | 5.59       |
| <b>General Category States Average (2019-20)</b>       | 15.15   | 12.97 | 15.91        | 5.21       |
| <b>West Bengal</b>                                     | 14.34   | 8.88  | 17.97        | 6.03       |

Source: Finance Accounts and MoSPI data

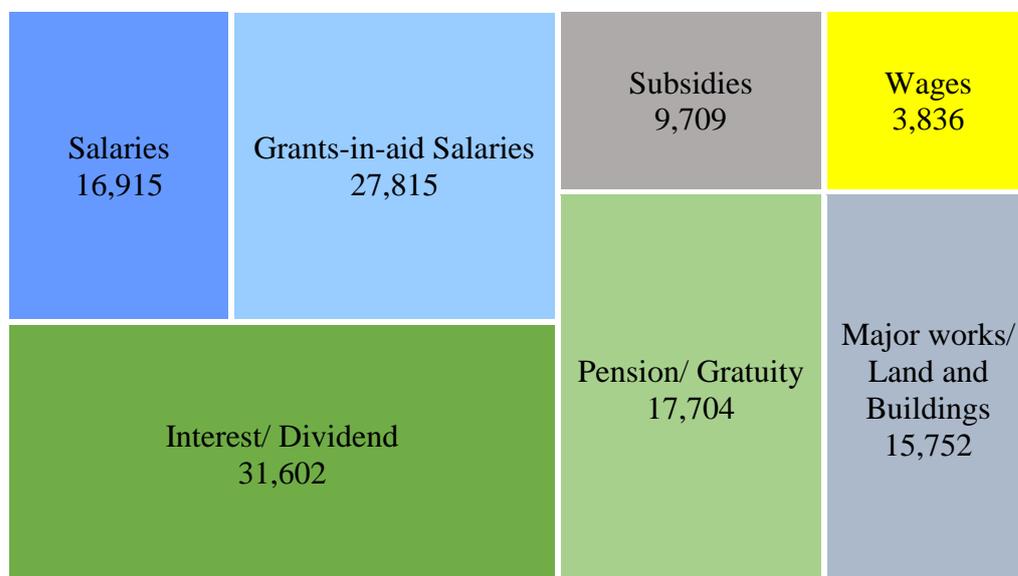
Analysis of expenditure priorities of the State revealed the following:

- The State lagged behind in the area of Capital Expenditure in comparison to other GCS. The State's expenditure on this account (8.88 per cent) was lower than Odisha (16.78 per cent), Jharkhand (14.86 per cent) and Bihar (13.52 per cent).
- In the area of Development Expenditure (₹ 1,16,680 crore), the State's performance with respect to aggregate expenditure (64.89 per cent) was lower than GCS (65.42 per cent), Odisha (73.69 per cent) and Jharkhand (69.91 per cent) but higher than Bihar (64.39 per cent). West Bengal fared favourably in its focus on Education (₹ 32,309 crore) in comparison to other GCS. As a percentage to Total Expenditure, the State's performance (17.97 per cent) was lower than that of Bihar (18.77 per cent) but higher than Jharkhand (15.04 per cent) and Odisha (14.89 per cent).
- Also, in the Health sector (₹ 10,834 crore), the State's performance was higher than the GCS. As a percentage of GSDP, expenditure remained at 0.86 per cent. The State's expenditure on this count (6.03 per cent) was higher than Bihar (5.34 per cent), Jharkhand (4.72 per cent) and Odisha (5.12 per cent).
- West Bengal laid emphasis on Social Sector spending. As a percentage of Total Expenditure, spending on this account was higher than the combined average of General Category States (GCS) by 7.20 per cent. All three neighbouring states (Bihar: 40.90 per cent; Odisha: 40.38 per cent and Jharkhand: 34.44 per cent) lagged behind West Bengal (43.93 per cent).

### 2.9.6 Object head wise expenditure

Finance Accounts depict transactions only up to Minor Head level. Therefore, a drill down view of the extent of expenditure (above ₹ 500 crore) incurred on the actual items at the Object head level are given in **Chart 2.12**.

**Chart 2.12: Object head wise expenditure** (₹ in crore)



Source: Finance Accounts

Out of a total budget allocation of ₹ 2,72,739 crore, the actual expenditure on various Object Heads during 2019-20 was ₹ 1,78,546 crore. The above seven major object heads (₹ 500 crore and above) constituted 69.08 per cent of the total expenditure.

## 2.10 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 as 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.

### 2.10.1 Net Balances in Public Account

Component-wise net balances in Public Account of the State is given in **Table 2.25**.

**Table 2.25: Component-wise net balances in Public Account as of 31 March of the year**

| Sector   | Sub-Sector                                | 2015-16      | 2016-17      | 2017-18      | 2018-19      | 2019-20      |
|--|---|--------------|--------------|--------------|--------------|--------------|
|  |   | (₹ in crore) |              |              |              |              |
| <b>I. Small Savings, Provident Funds, etc.</b> | Small Savings, Provident Funds, etc.      | 741          | 857          | 1,164        | 1,128        | 1,593        |
| <b>J. Reserve Funds</b>                        | (a) Reserve Funds bearing Interest        | -439         | 867          | -978         | 215          | 887          |
|  | (b) Reserve Funds not bearing Interest    | -598         | 1,356        | 133          | 2,199        | 645          |
| <b>K. Deposits and Advances</b>                | (a) Deposits bearing Interest             | 1,164        | 1,385        | 1,846        | 3,373        | 2,749        |
|  | (b) Deposits not bearing Interest         | 2,252        | 3,103        | 761          | 2,339        | -93          |
|  | (c) Advances                              | 0            | 0            | 0            | 0            | 0            |
| <b>L. Suspense and Miscellaneous</b>           | (a) Suspense (Dr)                         | -210         | 41           | 54           | 139          | 182          |
|  | (b) Other Accounts                        | -967         | -770         | 1,580        | -1,572       | 3,666        |
| <b>M. Remittances</b>                          | (a) Money Orders, and other Remittances   | -1,763       | 0            | 0            | 0            | 0            |
|  | (b) Inter-Governmental Adjustment Account | 28           | -23          | 5            | 2            | -14          |
| <b>TOTAL</b>                                   |   | <b>208</b>   | <b>6,816</b> | <b>4,565</b> | <b>7,823</b> | <b>9,615</b> |

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

Source: Finance Accounts

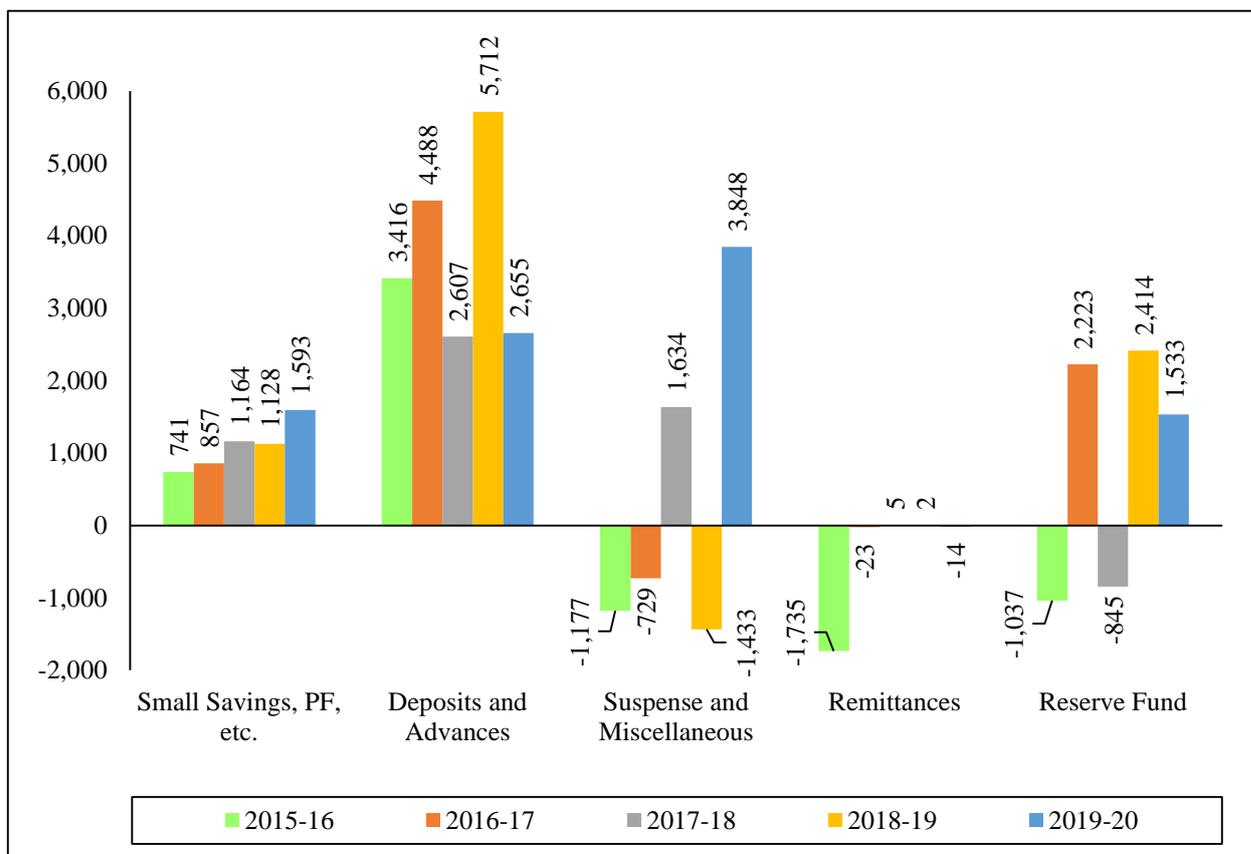
Net Public Accounts Receipts increased by ₹ 1,792 crore (22.91 per cent) over 2018-19 owing to net inflow in the balances on (i) Suspense and Miscellaneous heads (₹ 5,281 crore) and (ii) Small Savings and Provident Funds (₹ 465 crore). This was counterbalanced by net decrease in the balances on (a) Deposits and Advances (₹ 3,057 crore) and (b) Reserve Funds (₹ 881 crore).

The increase in the balance under Suspense and Miscellaneous heads was owing to un-cleared Treasury Electronic Advices of ₹ 5,218 crore in 2019-20 from ₹ 1,489 crore in the PY. Directorate of Treasuries and Accounts, in their reply (June 2021) attributed this to the decision of the Finance Department to defer payments of a large number of high value bills, against which Treasury Vouchers were generated in March 2020, to April 2020 as a part of Cash Management process during the unprecedented COVID 19 pandemic situation.

The yearly changes in composition of balances in Public Account over the five-year period 2015-20 are given in **Chart 2.13**.

Chart 2.13: Yearly changes in composition of Public Account balances

₹ in crore)



Source: Finance Accounts of respective years

## 2.11 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 India/State. Against the gross accumulated balance of ₹ 14,025 crore lying in these funds as on 31 March 2020, an amount of ₹ 12,874 crore was under 17 non-interest bearing Reserve Funds and ₹ 1,151 crore was under two Interest bearing Reserve Funds. Out of the total accumulated balance in these funds, ₹ 12,524 crore (89.30 per cent) was invested.

### 2.11.1 Consolidated Sinking Fund

As per recommendation of the 12<sup>th</sup> Finance Commission, the State had set up the Consolidated Sinking Fund (CSF) for amortisation of loans. According to the guidelines, the State may contribute 0.5 per cent of the outstanding liabilities<sup>38</sup> at the end of the previous year. During 2019-20, GoWB's contribution was only through interest earned on investment from CSF of ₹ 849.41 crore. This, however, fell short of the prescribed contribution of ₹ 1,966.50 crore<sup>39</sup>. The closing balance of ₹ 11,788.17 crore at the end of 31 March 2020 was invested.

<sup>38</sup> Public Debt and Liabilities in Public Account

<sup>39</sup> Based on 0.5 per cent of outstanding liabilities of ₹ 3,93,300 crore at the end of March 2019

### 2.11.2 State Disaster Response Fund

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 contributions are to be transferred to the Public Account under Major Head 8121-122-SDRF.

As on 31 March 2020, a balance of ₹ 914.98 crore was lying in the fund, of which ₹ 183.63 crore remained invested. Contributions to the SDRF were effected through book adjustment without any actual cash involvement. The residual amount of ₹ 731.35 crore remained un-invested. Such non-investment goes against the spirit of the SDRF. Moreover, as transfer of fund was effected through book adjustment and no investment was made out of the SDRF, the residual amount of ₹ 731.35 crore merely remained as book balance in the Accounts. This also goes against the principle of cash basis of accounting which forms the cornerstone of Government Accounting.

### 2.11.3 Guarantee Redemption Fund

The Twelfth Finance Commission had recommended opening of the Guarantee Redemption Fund (GRF) for discharging the liability of the Government towards invocation of the guarantees extended by it. State Government had constituted the GRF in January 2015 and the closing balance as of March 2020 stood at ₹ 551.97 crore. During 2019-20, State Government did not contribute any amount against the required contribution of ₹ 32.97 crore<sup>40</sup>.

The guidelines of GRF *inter alia* stipulated that guarantee commission collected was to be transferred to the fund. During 2014-20, guarantee commission<sup>41</sup> of ₹ 198.72 crore earned was not transferred to the GRF. The amount of guarantee commission for 2019-20 was ₹ 3.96 crore.

Non-payment of the required contribution and non-transfer of guarantee commission resulted in understatement of revenue deficit and fiscal deficit by ₹ 36.93 crore (Refer **Table 1.7**).

## 2.12 Debt Management

Outstanding debt during 2015-20 increased at a CAGR of 9.09 *per cent*. During 2019-20, the outstanding debt grew at a rate of 10.21 *per cent* which exceeded the growth during 2018-19 (8.96 *per cent*). Debt as a percentage of GSDP had, however, reduced to 34.57 in 2019-20 from 36.09 in 2018-19.

### 2.12.1 Debt profile: Components

The details relating to total debt received, repayment of debt, ratio of debt to GSDP and the actual quantum of debt available to the State during the five-year period 2015-20 are given in **Table 2.26**.

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<sup>40</sup> Based on 0.5 per cent of the outstanding guarantees (₹ 6,593.31 crore) as on 31 March 2019

<sup>41</sup> Booked under '0075-Miscellaneous General Service-108-Guarantee Fees'

Table 2.26: Component wise debt trends

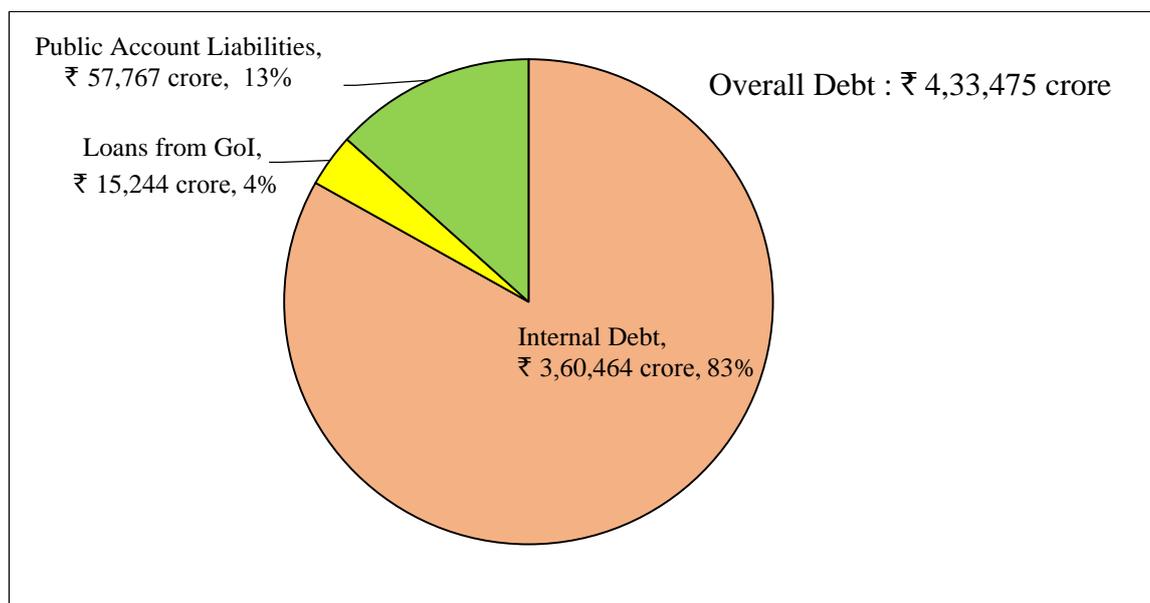
|  |                                    | 2015-16  | 2016-17  | 2017-18  | 2018-19   | 2019-20   |
|--|------------------------------------|----------|----------|----------|-----------|-----------|
| <b>Outstanding Overall Debt (₹ in crore)</b>                   |                                    | 3,06,043 | 3,37,682 | 3,60,961 | 3,93,300  | 4,33,475  |
| <b>Public Debt</b>   | <b>Internal Debt (₹ in crore)</b>  | 2,56,393 | 2,82,069 | 3,01,778 | 3,26,064  | 3,60,464  |
|  | <b>Loans from GoI (₹ in crore)</b> | 13,666   | 13,209   | 14,233   | 14,358    | 15,244    |
| <b>Liabilities on Public Account (₹ in crore)</b>              |                                    | 35,984   | 42,404   | 44,950   | 52,878    | 57,767    |
| <b>Rate of growth of outstanding Overall debt (percentage)</b> |                                    | 10.25    | 10.34    | 6.89     | 8.96      | 10.21     |
| <b>Gross State Domestic Product (GSDP) (₹ in crore)</b>        |                                    | 7,97,300 | 8,72,527 | 9,74,700 | 10,89,898 | 12,53,832 |
| <b>Debt/GSDP (per cent)</b>                                    |                                    | 38.38    | 38.70    | 37.03    | 36.09     | 34.57     |
| <b>Total Debt Receipts (₹ in crore)</b>                        |                                    | 1,00,761 | 1,04,895 | 1,27,580 | 1,61,383  | 1,81,017  |
| <b>Total Debt Repayments (₹ in crore)</b>                      |                                    | 72,298   | 73,255   | 1,04,301 | 1,29,044  | 1,40,832  |
| <b>Interest Payment (₹ in crore)</b>                           |                                    | 23,115   | 25,703   | 28,074   | 28,911    | 31,668    |
| <b>Total Debt available (₹ in crore)</b>                       |                                    | 28,463   | 31,640   | 23,279   | 32,339    | 40,185    |
| <b>Debt Repayments/Debt Receipts (percentage)</b>              |                                    | 71.75    | 69.84    | 81.75    | 79.96     | 77.80     |

Source: Finance Accounts

Rate of growth of outstanding debt during 2019-20 surpassed its growth during 2018-19. Interest payments relative to Revenue Receipts at 22.16 *per cent* also crossed the target of 18.96 *per cent* set out in the FPSS presented with the budget as per FRBM Act. During 2018-19, this ratio was 19.81 *per cent*. Debt Repayment as a percentage of Tax Revenue had increased to 232.13 *per cent* from 212.48 *per cent* in 2018-19. The above three parameters indicate that Government's debt management was healthier in the previous year than in the current year.

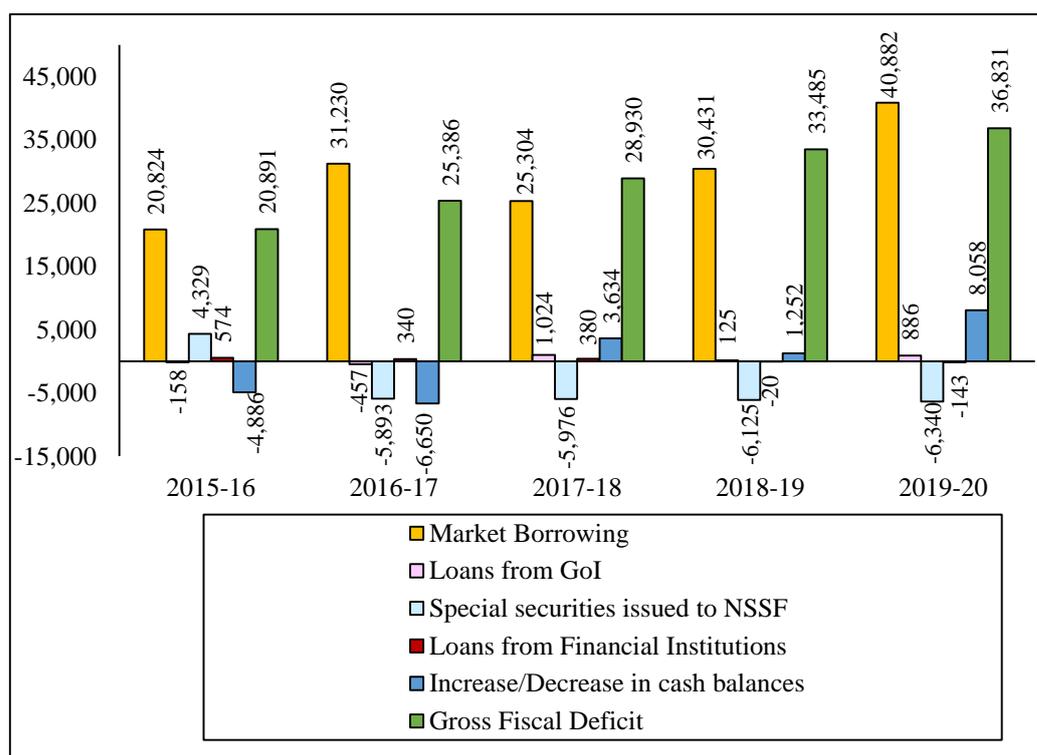
**Chart 2.14** represents the break-up of outstanding debt at the end of financial year 2019-20 while component-wise debt trend during 2015-20 has been shown in **Chart 2.15**.

**Chart 2.14: Break up of Outstanding Overall Debt at the end of FY**



Source: Finance Accounts

**Chart 2.15: Component wise debt trends (₹ in crore)**



Source: Finance Accounts

### 2.12.2 Debt sustainability

Debt is considered sustainable if the borrower, in this case the State, is in a position to service its debt now, and in the future. Debt sustainability indicators accordingly seek to assess the credit worthiness and the liquidity position of the

borrower by examining their ability to service the debt through timely interest payments and repayment of debt out of current and regular sources of revenue.

This section assesses the sustainability of debt of the State Government in terms of debt/GSDP ratio, Fiscal Deficit, burden of interest payments (measured by ratio of interest payments to Revenue Receipts) and maturity profile of State Government debt.

The fiscal consolidation roadmap recommended by the 14<sup>th</sup> FC had set the following targets during 2019-20 relating to debt sustainability-

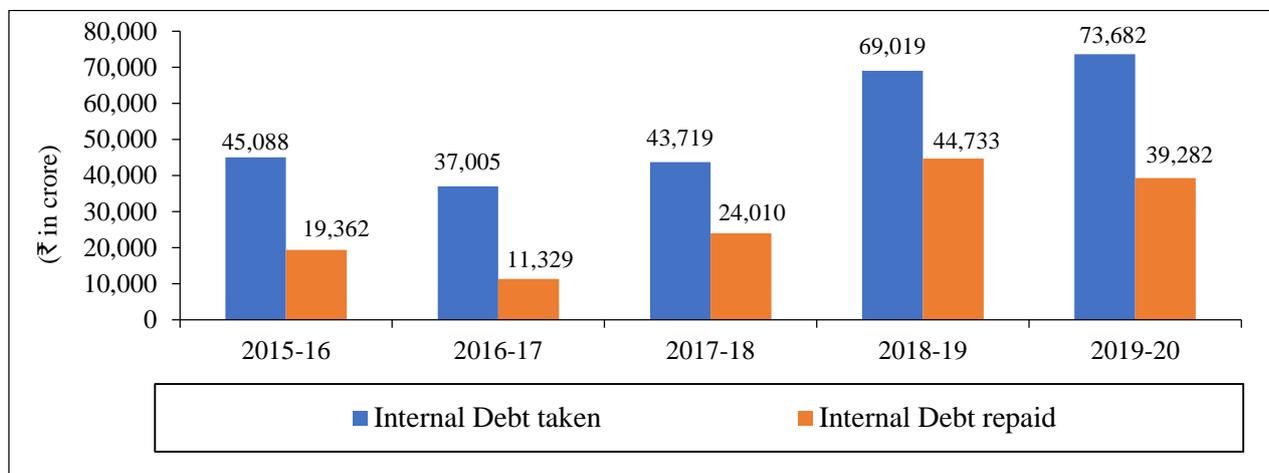
- Debt should be less than 33.46 *per cent* of GSDP; and
- Interest payments should be less than 18.01 *per cent* of Revenue Receipts.

During 2015-20, the ratio of debt to GSDP was above the projected figure recommended by the 14<sup>th</sup> FC. The ceiling set in WBFRBM Act was achieved only during 2018-19 and in 2019-20, the ratio (34.57 *per cent*) crossed the ceiling (34.30 *per cent*) set in the WBFRBM (Amendment) Act 2020.

The ratio of Interest payments to Revenue Receipts during 2016-19 was well within the projected figure recommended by the 14<sup>th</sup> FC. During 2019-20, this ratio (22.16 *per cent*) was, however, above the target set by the 14<sup>th</sup> FC (18.01 *per cent*) and WBFRBM Act (18.96 *per cent*).

Internal debt taken *vis-à-vis* repaid during 2015-20 has been shown in **Chart 2.16**.

**Chart 2.16: Internal debt taken *vis-à-vis* repaid**



Source: Finance Accounts

Note: Internal debt taken and repaid included WMA of ₹11,139 crore in 2015-16, ₹1,208 crore in 2016-17, ₹5,395 crore in 2017-18, ₹25,005 crore in 2018-19 and ₹15,860 crore in 2019-20.

**Chart 2.16** shows that Internal Debt taken has been steadily rising from the year 2016-17. Ratio of Internal Debt Repaid to Internal Debt Taken increased to 0.53 in 2019-20 from 0.31 in 2016-17. This corroborates the fact that a large portion of internal debt taken in the current year has been used to repay the debts taken in earlier years. Higher repayment from internal debt led to contraction of productive expenditure.

### 2.12.3 Composition and Financing of Fiscal Deficit

Fiscal Deficit represents the total financing the State requires (predominantly by drawing on its cash and investment balances with the Reserve Bank of India and by borrowing) to meet the excess of revenue and capital expenditure (including loans and advances) over revenue and non-debt receipts. The composition and financing of fiscal deficit for the period from 2015-16 to 2019-20 has been shown in **Table 2.27**.

**Table 2.27: Components of fiscal deficit and its financing pattern**

(₹ in crore)

| Particulars                                | 2015-16       | 2016-17       | 2017-18       | 2018-19       | 2019-20       |
|--|---------------|---------------|---------------|---------------|---------------|
| <b>Composition of Fiscal Deficit</b>       | <b>20,891</b> | <b>25,386</b> | <b>28,930</b> | <b>33,485</b> | <b>36,831</b> |
| 1 Revenue Deficit                          | 9,095         | 16,086        | 9,807         | 10,399        | 19,661        |
| 2 Net Capital Outlay                       | 11,767        | 11,336        | 19,368        | 23,025        | 15,971        |
| 3 Net Loans and Advances                   | 29            | (-2,036)      | (-245)        | 61            | 1,199         |
| <b>Financing Pattern of Fiscal Deficit</b> |               |               |               |               |               |
| 1 Market Borrowings                        | 20,824        | 31,230        | 25,304        | 30,431        | 40,882        |
| 2 Loans from GOI                           | (-158)        | (-457)        | 1,024         | 125           | 886           |
| 3 Special Securities issued to NSSF        | 4,329         | (-5,893)      | (-5,976)      | (-6,125)      | (-6,340)      |
| 4 Loans from Financial Institutions        | 574           | 340           | 380           | (-20)         | (-143)        |
| 5 Small Savings, PF, etc.                  | 741           | 857           | 1,164         | 1,128         | 1,593         |
| 6 Deposits and Advances                    | 3,416         | 4,488         | 2,607         | 5,712         | 2,656         |
| 7 Suspense and Miscellaneous               | (-1,177)      | (-729)        | 1,634         | (-1,433)      | 3,848         |
| 8 Remittances                              | (-1,735)      | (-23)         | 5             | 2             | (-14)         |
| 9 Reserve Fund                             | (-1,037)      | 2,223         | (-845)        | 2,414         | 1,532         |
| 10 Contingency Fund                        | -             | -             | (-1)          | (-1)          | (-11)         |
| <b>11 Overall Deficit</b>                  | <b>25,777</b> | <b>32,036</b> | <b>25,296</b> | <b>32,233</b> | <b>44,889</b> |
| 12 Increase(-)/Decrease(+) in cash balance | (-4,886)      | (-6,650)      | 3,634         | 1,252         | (-8,058)      |
| <b>13 Fiscal Deficit</b>                   | <b>20,891</b> | <b>25,386</b> | <b>28,930</b> | <b>33,485</b> | <b>36,831</b> |

Source: Finance Accounts

Fiscal Deficit (FD), both in quantitative terms and also in comparison to GSDP (2.94 per cent) increased over the previous year (2.84 per cent). High level of FD is good for the economy if the borrowing which financed the FD are used for creation of productive assets like highways, roads and bridges and other infrastructure projects that boost economic growth and results in job creation. Thus, there is a need to augment the capital outlay in order to accelerate growth and promote equitable growth. Reduction in the ratio of Net Capital Outlay to FD from 68.76 per cent in 2018-19 to 43.36 per cent indicates that creation of productive assets from the FD was much lower in the current year.

Borrowed funds, used for meeting revenue expenditure, create liability for future years without creating any assets. It is evident that, substantial amount of market borrowing (48.09 per cent) was continued to be committed to finance the deficit

on Revenue Account thereby restricting asset creation in the State. Borrowing to meet Revenue Deficit year after year would not augur well for State Finances in the long run since a substantial portion of the interest payment obligation would have to be met in the ensuing years due to borrowing.

Market borrowings continued to be the major component of borrowings during 2019-20. Revenue Deficit, Net Capital Outlay and Net Loans and Advances which contributed to 53.38, 43.36 and 3.26 *per cent* respectively of Fiscal Deficit (₹ 36,831 crore) during 2019-20, was financed from Net Market borrowings to the extent of 90.09 *per cent*. Net inflow from market borrowings was used to finance net Capital Outlay by 39.07 *per cent*.

#### 2.12.4 Debt Profile: Maturity and Repayment

Debt maturity and repayment profile indicates commitment on the part of the Government for debt repayment or debt servicing. **Table 2.28** shows the debt maturity profile in the coming years.

**Table 2.28: Debt Maturity profile of repayment of State debt**

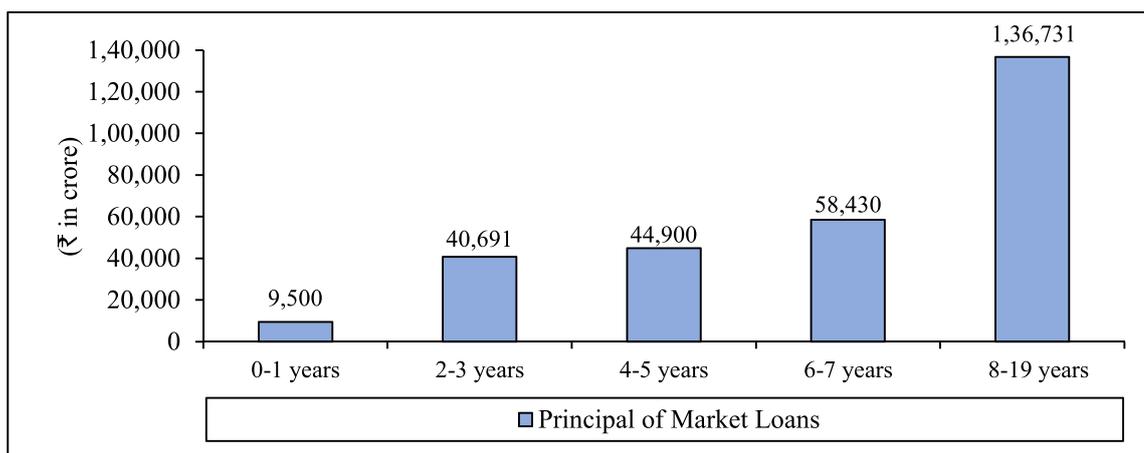
| Period of repayment (Years) | Amount (₹ in crore) | Percentage (w.r.t. Public debt) |
|-----------------------------|---------------------|---------------------------------|
| 0 – 1                       | 10,172              | 2.76                            |
| 1 – 3                       | 65,707              | 17.85                           |
| 3 – 5                       | 82,121              | 22.31                           |
| 5 – 7                       | 77,650              | 21.10                           |
| 7 and above                 | 55,044              | 14.96                           |
| Others <sup>42</sup>        | 77,364              | 21.02                           |
| <b>Total</b>                | <b>3,68,058</b>     | <b>100</b>                      |

Source: Finance Accounts

In the ensuing five and seven years, debt maturity will be 42.92 and 64.02 *per cent* respectively of total outstanding debt. Debt maturity would be much higher in the coming years given the fact that maturity details for ₹ 77,364 crore (21.02 *per cent* of total debt) are not available. **Chart 2.17** represents the schedule of principal repayment of market loans.

<sup>42</sup> Payment schedule of this amount is not being maintained by the Accountant General (A&E).

**Chart 2.17: Schedule of principal repayment of market loans**



Source: Finance Accounts

Note: Maturity year against ₹3.26 crore is not available and hence excluded.

Market loans formed a significant portion of the debt repayments. By March 2039, the State would have to repay principal of market loans amounting to ₹ 2,90,252 crore. At the end of the first, third, fifth and seventh year, the principal repayment of market loans would be ₹ 9,500 crore, ₹ 50,191 crore, ₹ 95,091 crore and ₹ 1,53,521 crore respectively.

### 2.12.5 Public Debt Sustainability Analysis

Public Debt Sustainability indicators and its trends during 2015-20 have been shown in **Table 2.29** and **Chart 2.18** respectively.

**Table 2.29: Public Debt sustainability indicators**

| Public Debt Sustainability Indicators  | 2015-16  | 2016-17  | 2017-18  | 2018-19   | 2019-20   |
|--|----------|----------|----------|-----------|-----------|
| Outstanding Public Debt* (₹ in crore)  | 2,70,059 | 2,95,278 | 3,16,011 | 3,40,422  | 3,75,708  |
| Rate of Growth of Outstanding Public Debt  | 10.46    | 9.34     | 7.02     | 7.72      | 10.37     |
| GSDP (₹ in crore)  | 7,97,300 | 8,72,527 | 9,74,700 | 10,89,898 | 12,53,832 |
| Rate of Growth of GSDP   | 11.03    | 9.44     | 11.71    | 11.82     | 15.04     |
| Public Debt/ GSDP  | 0.34     | 0.34     | 0.32     | 0.31      | 0.30      |
| Debt Maturity profile of repayment of State debt – including default history, if any | -        | -        | -        | -         | -         |
| Average interest Rate of Outstanding Public Debt ( <i>per cent</i> )                 | 8.37     | 8.46     | 8.40     | 8.13      | 8.05      |
| Percentage of Interest payment to Revenue Receipt                                    | 19.63    | 20.29    | 19.55    | 18.28     | 20.16     |
| Percentage of Debt Repayment to Debt Receipt   | 44.11    | 32.79    | 54.68    | 65.23     | 53.39     |

| Public Debt Sustainability Indicators                              | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 |
|--|---------|---------|---------|---------|---------|
| Net Debt available to the State <sup>#</sup> (₹ in crore)          | 4,032   | 1,310   | -4,936  | -2,268  | 6,473   |
| Net Debt available as <i>per cent</i> to Debt Receipts             | 8.81    | 3.49    | -10.79  | -3.23   | 8.55    |
| Primary Surplus (+)/Deficit (-)                                    | 2,224   | 317     | -856    | -4,574  | 5,163   |
| Debt Stabilisation (Quantum spread + Primary Deficit) (₹ in crore) | 9,408   | 3,211   | 9,604   | 7,988   | 21,099  |

Source: Finance Accounts

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

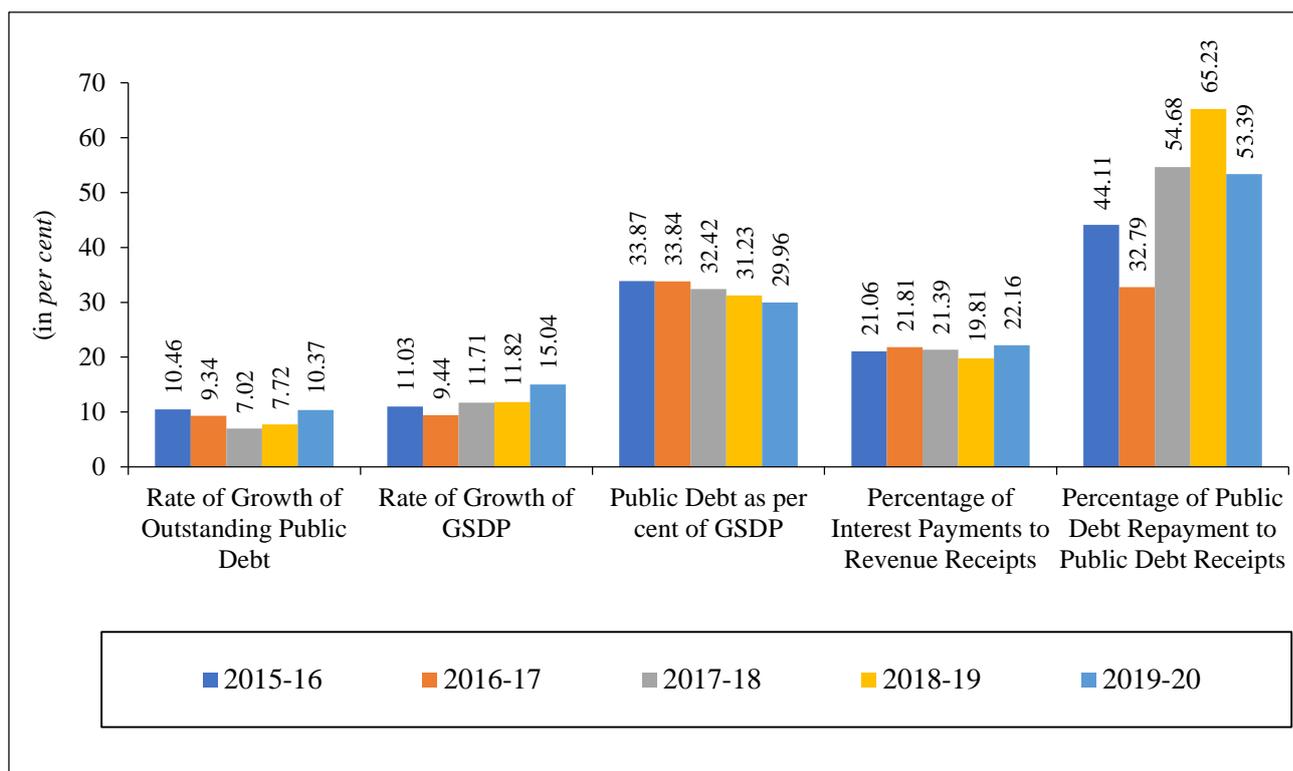
<sup>#</sup>Net debt available to the State Government is calculated as excess of Public debt receipts over Public debt repayment and interest payment on Public Debt.

Analysis of the data contained in **Table 2.29**, revealed the following:

- Upward increase of quantum spread<sup>43</sup> together with primary deficit, helped in decreasing Public debt-GSDP ratio though primary deficit has been on the increase since 2016-17;
- Though there was decline in the Public Debt-GSDP ratio, rate of growth of outstanding debt increased by 2.65 *per cent* over 2018-19;
- Contraction in average interest rate of outstanding public debt from the year 2016-17 though Interest payment to Revenue Receipt increased by 1.88 *per cent* over 2018-19;
- Decrease in the ratio of debt repayment to debt receipt to 53.39 in 2019-20 from 65.23 in 2018-19 as debt receipts increased by 7.84 *per cent* but debt repayments decreased by 11.74 *per cent*.

<sup>43</sup> Debt multiplied by rate spread (GSDP growth rate minus interest rate)

**Chart 2.18: Trends of Public Debt Sustainability indicators**



Source: Finance Accounts

### 2.13 Utilisation of Borrowed Funds

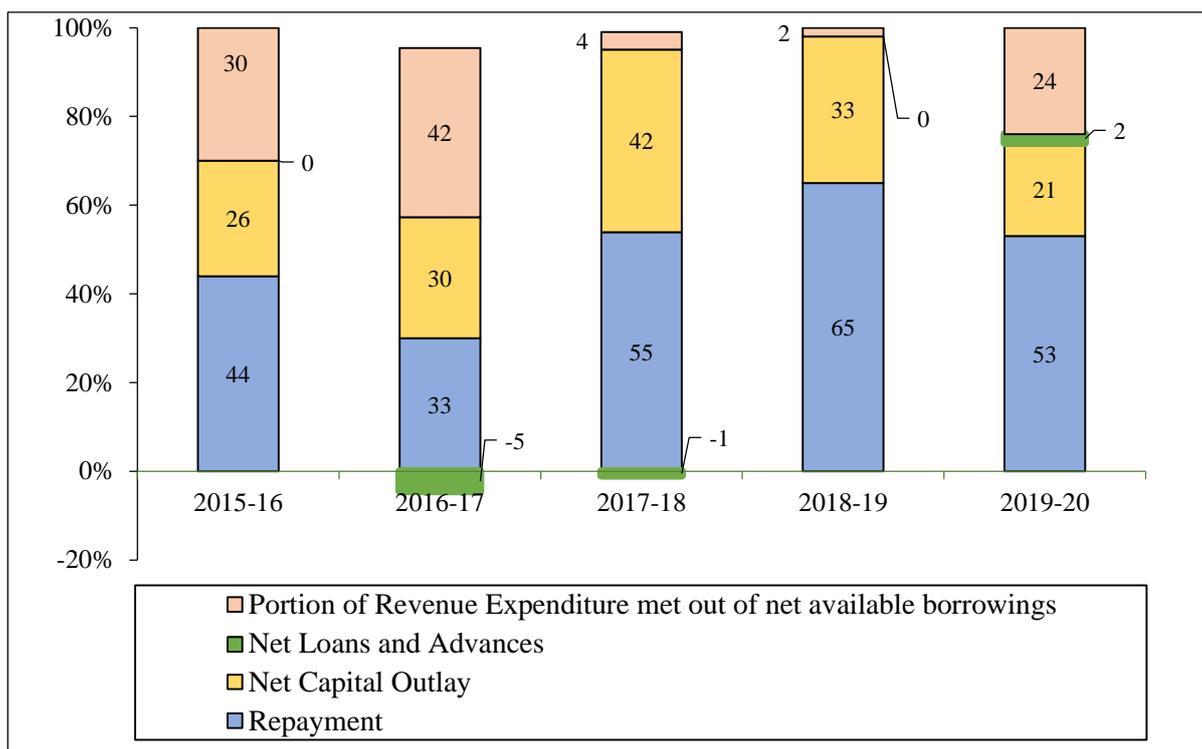
Borrowed funds should ideally be used to fund capital creation and developmental activities. Utilisation of borrowed funds and trends of its utilisation during 2015-20 have been shown in **Table 2.30** and **Chart 2.19**, respectively.

**Table 2.30: Utilisation of borrowed funds**

| Year  | 2015-16      | 2016-17 | 2017-18 | 2018-19 | 2019-20 |
|---|--------------|---------|---------|---------|---------|
|   | (₹ in crore) |         |         |         |         |
| <b>Total Borrowings (1)</b>   | 45,747       | 37,524  | 45,743  | 70,197  | 75,699  |
| <b>Repayment of earlier borrowings (Principal) (2)</b>                                  | 20,179       | 12,304  | 25,011  | 45,786  | 40,413  |
| <b>Net capital outlay (3)</b>   | 11,767       | 11,336  | 19,368  | 23,025  | 15,971  |
| <b>Net loans and advances (4)</b>   | 29           | -2,036  | -245    | 61      | 1,200   |
| <b>Portion of Revenue expenditure met out of net available borrowings (5)=(1-2-3-4)</b> | 13,772       | 15,920  | 1,609   | 1,325   | 18,115  |

Source: Finance Accounts

Chart 2.19: Trends of Utilisation of borrowed funds



Source: Finance Accounts

In the initial two years of 2015-20, utilisation of borrowed funds on revenue expenditure, capital outlay and disbursement of loans and advances, remained 56 to 67 per cent. Funds borrowed during 2017-20 left little scope for utilisation since significant portion of borrowed funds were used to repay the borrowings (53 to 65 per cent) taken in earlier years. In the current year, the involvement on repayment from borrowing was 53 per cent (₹ 40,413 crore) which led to increase in portion of revenue expenditure met out of borrowings to 24 per cent from two per cent in 2018-19.

As can be seen from **Chart 2.19** above, the State could utilise net capital outlay to the extent of only 21 per cent (₹ 15,971 crore) in the current year out of the borrowed funds, which represented a decline from the range of 26 to 42 per cent of net capital outlay utilisation in the preceding four financial years. Utilisation of borrowed funds for meeting commitment on net loans and advances in the current year was only two per cent (₹ 1,200 crore).

Apart from meeting its capital expenditure and repayments, as outlined above, the State utilised ₹ 18,115 crore (24 per cent) for discharging its Interest payment liabilities which represented around 57 per cent of total interest payment. Thereby, commitments on account of repayments (Principal plus Interest) was ₹ 58,528 crore which was about 77 per cent of the total borrowings. Further, this amount of ₹ 18,115 crore contributed to around 92 per cent of the total revenue deficit (₹ 19,661 crore) of the State.

Utilisation of borrowed funds for meeting repayment of borrowings is not sustainable.

### 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 by the State Government. WBCGA<sup>44</sup> 2001 stipulates that the total outstanding Government guarantees as on the first day of April of any year shall not exceed 90 per cent of the State Revenue Receipts of the second preceding year. Finance Department acts as the tracking authority in respect of guarantees. The outstanding guarantees including interest (₹ 6,603 crore) (Table 2.31) at the beginning of 2019-20 stood at 5.03 per cent of the total Revenue Receipts of the second preceding year (₹ 1,31,270 crore in 2017-18) and was thus well within the ceiling of the WBCGA.

**Table 2.31: Guarantees given by the State Government**

(₹ in crore)

| Guarantees  | 2015-16 | 2016-17 | 2017-18 | 2018-19  | 2019-20  |
|---|---------|---------|---------|----------|----------|
| <b>Ceiling applicable to the outstanding amount of guarantees including interest (Criteria)</b> | 65,594  | 77,863  | 98,759  | 1,06,049 | 1,18,143 |
| <b>Outstanding amount of guarantees including interest</b>                                      | 8,858   | 7,817   | 8,570   | 6,603    | 8,212    |

Source: Finance Accounts

Out of total outstanding guarantees including interest as on 31 March 2020, share of Power Sector, State Financial Corporation and Co-operatives stood at ₹ 4,804 crore (58.50 per cent), ₹ 1,516 crore (18.46 per cent) and ₹ 943 crore (11.48 per cent) respectively.

Further, in terms of Section 10 West Bengal Finance Act, 2002, the loanees for whom the State Government had provided guarantees to the financial institutions, were required to pay guarantee commission at the rate of one per cent (minimum) on the total amounts guaranteed. Upto 2019-20, shortfall in receipt of guarantee commission was ₹ 193.66 crore as against the receivable commission of ₹ 430.23 crore, the State Government received only ₹ 236.57 crore. In the current year, the shortfall was ₹ 52.19 crore (92.95 per cent).

Short receipt of guarantee commission understated the revenue receipts by ₹ 52.19 crore.

<sup>44</sup> West Bengal Ceiling on Government Guarantee Act

On a review of the status of un-paid guarantee commissions of power utilities, the following were noticed:

- Guarantee commission amounting to ₹ 15.95 crore remained outstanding from WBSEDCL<sup>45</sup> since 2016-17. In reply, the company stated that the said commission could not be paid due to acute financial crisis being faced by the company.
- WBPDCCL expressed their inability in paying the outstanding guarantee commission of ₹ 22.02 crore at the end of 2019-20 stating shortage of cash flows; and
- DPL stated that the company is facing financial crunch and is not in a position to pay the guarantee commission of ₹ 45.09 crore due at the end of 2019-20.

## 2.14 Management of Cash Balances

As per the 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). The limit for ordinary WMA to the State Government are 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 and Guarantee Redemption Fund as well.

Cash balances and their investment during 2019-20 is shown in **Table 2.32**.

**Table 2.32: Cash Balances and their investment (₹ in crore)**

| Particulars  | Opening balance on<br>1 April 2019 | Closing balance on 31<br>March 2020 |
|--|------------------------------------|-------------------------------------|
| <b>A. General Cash Balance</b>                         |                                    |                                     |
| Cash in treasuries                                     | 0.37                               | 0.17                                |
| Deposits with Reserve Bank of India                    | -5.82                              | -20.26                              |
| <b>Total</b>   | <b>-5.45</b>                       | <b>-20.09</b>                       |
| Investments held in Cash Balance<br>investment account | 5,976.95                           | 13,158.80                           |
| <b>Total (A)</b>                                       | <b>5,971.50</b>                    | <b>13,138.71</b>                    |

<sup>45</sup> West Bengal State Electricity Distribution Company Limited

| <b>B. Other Cash Balances and Investments</b>                          |                  |                  |
|--|------------------|------------------|
| Cash with departmental officers viz., Public Works, Forest Officers    | -0.36            | -0.36            |
| Permanent advances for contingent expenditure with department officers | 2.60             | 2.63             |
| Investment in earmarked funds  | 11,633.37        | 12,523.77        |
| <b>Total (B)</b>   | <b>11,635.61</b> | <b>12,526.04</b> |
| <b>Total (A + B)</b>   | <b>17,607.11</b> | <b>25,664.75</b> |
| <b>Interest realised</b>   | <b>164.84</b>    | <b>97.33</b>     |

Source: Finance Accounts

Cash balance of the State Government at the end of the current year increased significantly by ₹ 8,058 crore from ₹ 17,607 crore in 2018-19 to ₹ 25,665 crore in 2019-20. This was mainly due to increase in investment of cash balances by ₹ 7,182 crore from ₹ 5,977 crore in 2018-19 to ₹ 13,159 crore in 2019-20. The State Government earned an interest of ₹ 97 crore on these investments during 2019-20.

Out of the investment of ₹ 12,524 crore in earmarked funds, ₹ 11,788 crore was invested in the CSF, ₹ 552 crore in GRF and ₹ 184 crore in SDRF at the end of the year.

The cash balance investments of the State during the five-year period 2015-16 to 2019-20 are given in **Table 2.33** below:

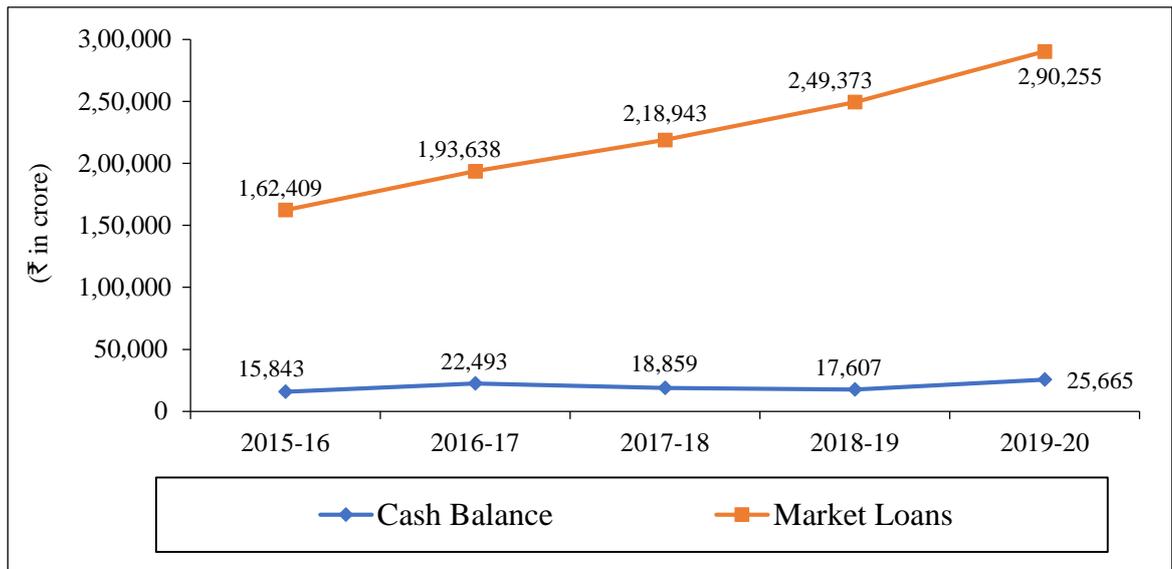
**Table 2.33: Cash Balance Investment Account (Major Head-8673)**

| Year    | Opening Balance | Closing Balance | Increase (+) /decrease (-) | Interest earned |
|---------|-----------------|-----------------|----------------------------|-----------------|
|         | (₹ in crore)    |                 |                            |                 |
| 2015-16 | 2,725           | 6,853           | 4,128                      | 105.18          |
| 2016-17 | 6,853           | 12,546          | 5,693                      | 273.84          |
| 2017-18 | 12,546          | 8,570           | -3,976                     | 364.75          |
| 2018-19 | 8,570           | 5,977           | -2,593                     | 164.84          |
| 2019-20 | 5,977           | 13,159          | 7,182                      | 97.33           |

Source: Finance Accounts

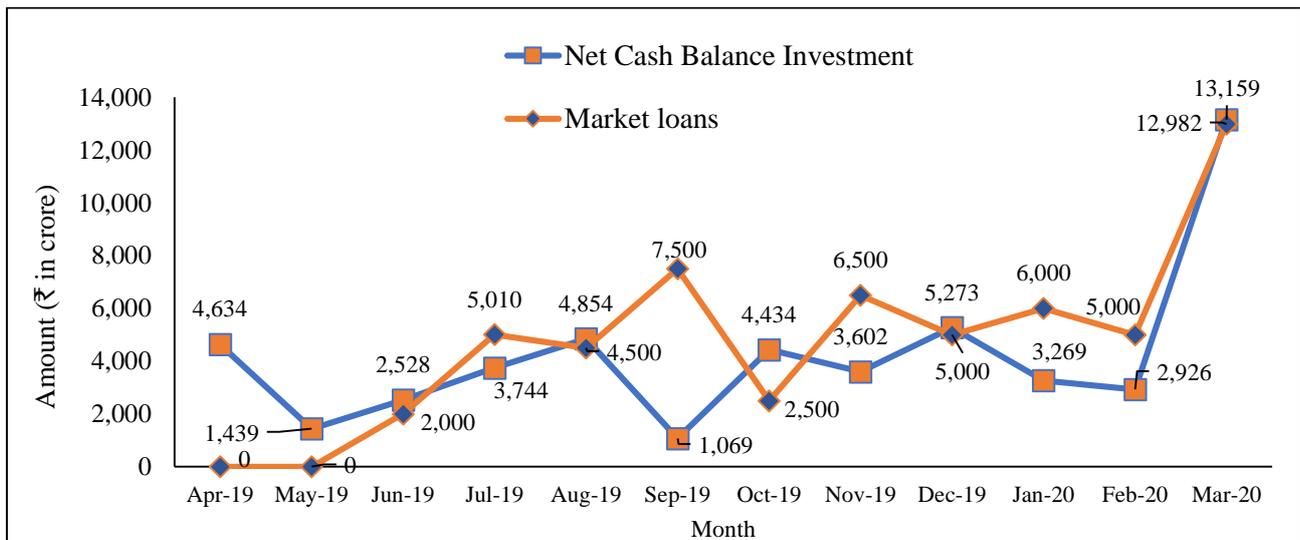
Trend analysis of the cash balance investment of the State Government during 2015-20 revealed that investment increased significantly in 2019-20 and stood at 4.82 per cent of the State budget.

**Chart 2.20** compares the balances available in the cash balance investment account and the market loans taken by the State during 2015-20. Market loans were taken at higher interest rates whereas investment in treasury bills yielded interests at lower rates.

**Chart 2.20: Outstanding Market loans vis-à-vis Cash Balance**

Source: Finance Accounts

**Chart 2.21** compares the month-wise Cash Balance Investment Account with the market loans obtained by the State.

**Chart 2.21: Month wise movement of Cash Balances Investment account and market loans during 2019-20**

Source: Finance Accounts

**Chart 2.21** indicates that the State Government had taken recourse to market loans during the months of June, August and October during the year despite having sufficient cash balances. During the year 2019-20, the State Government raised ₹ 56,992 crore from the market while at the same time cash balance investment increased significantly from ₹ 5,977 crore in 2018-19 to ₹ 13,159 crore in 2019-20 indicating that borrowing to that extent was avoidable.

Further, borrowings are normally resorted to for investment in capital projects and creation of assets. There has been a decrease in the capital outlay of the State during 2019-20 as compared to 2018-19, as brought out in **Paragraph 2.13**.

Therefore, there appears to be little rationale for borrowing at a higher rate of interest while the cash balances were significant throughout the year.

## **2.15 Conclusion and Recommendations**

| <b>Positive Indicators</b>   | <b>Parameters requiring close watch</b>   |
|--|---|
| Debt to GSDP declined to 34.57 <i>per cent</i> from 36.09 <i>per cent</i> in 2018-19 | Revenue Deficit to GSDP increased to 1.57 <i>per cent</i> from 0.95 <i>per cent</i> in 2018-19                          |
|  | Fiscal Deficit to GSDP increased to 2.94 <i>per cent</i> from 2.84 <i>per cent</i> in 2018-19                           |
|  | Committed expenditure to Revenue Receipts increased to 68 <i>per cent</i> from 59 <i>per cent</i> in 2018-19            |
|  | Capital Expenditure with respect to Total Expenditure declined to 10 <i>per cent</i> from 14 <i>per cent</i> in 2018-19 |
|  | Interest Payment to Revenue Receipts increased to 22.16 <i>per cent</i> from 19.81 <i>per cent</i> in 2018-19           |

# **CHAPTER III**

## **Budgetary Management**

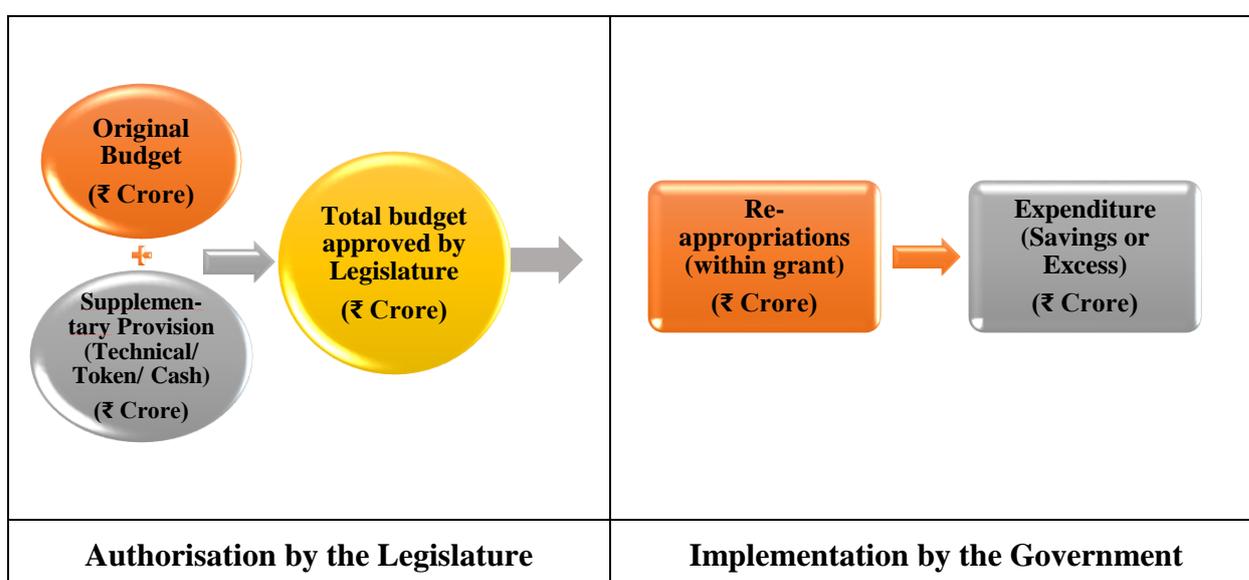


## Chapter III

# Budgetary Management

### 3.1 Budget Process

The annual exercise of budgeting is a means for detailing the roadmap for efficient use of public resources. The Budget process commences with the issue of the Budget Circular, normally in August each year, providing guidance to the Departments in framing their estimates, for the next financial year. The various components of the budget are depicted in the chart below:



Source: Based on the procedure prescribed in Budget Manual and Appropriation Accounts

#### 3.1.1 Summary of total provisions, actual disbursements and savings during financial year

A summarised position of total budget provision, disbursement and savings/excess with its further bifurcation into voted/charged is shown in **Table 3.1**.

**Table 3.1: Budget provision, disbursement and savings/excess during 2019-20**

(₹ in crore)

|                | Total Budget Provision |               | Disbursements   |               | Saving        |               | Excess       |          |
|----------------|------------------------|---------------|-----------------|---------------|---------------|---------------|--------------|----------|
|                | Voted                  | Charged       | Voted           | Charged       | Voted         | Charged       | Voted        | Charged  |
| <b>Revenue</b> | 1,55,203               | 34,405        | 1,33,655        | 31,890        | 23,961        | 2,517         | 2,413        | 2        |
| <b>Capital</b> | 32,872                 | 50,259        | 19,171          | 40,417        | 13,746        | 9,843         | 45           | Nil      |
| <b>Total</b>   | <b>1,88,075</b>        | <b>84,664</b> | <b>1,52,826</b> | <b>72,307</b> | <b>37,707</b> | <b>12,360</b> | <b>2,458</b> | <b>2</b> |

Source: Appropriation Accounts

Analysis of the budget provision, disbursements and savings/excess during 2019-20 revealed that:

- Revenue (Voted) section had savings of 15.44 *per cent*. This was mainly due to savings of ₹ 6,290 crore in Grant No. 21-Food and Supply which accounted for 26.25 *per cent* of the savings under this section.
- Revenue (Charged) section had savings of 7.32 *per cent*. This was mainly due to savings of ₹ 2,442 crore in Grant No. 18-Finance which accounted for 97.02 *per cent* of the savings under this section.
- Capital (Voted) section had savings of 41.82 *per cent*. This was mainly due to savings of ₹ 2,065 crore in Grant No. 72-Urban Development and Municipal Affairs which accounted for 15.02 *per cent* of the savings under this section.
- Capital (Charged) section had savings of 19.58 *per cent*. This was mainly due to savings of ₹ 9,820 crore in Grant No. 18-Finance which accounted for 99.77 *per cent* of the savings under this section.
- Revenue (Voted) section had excess of 1.55 *per cent*. This was mainly due to excess of ₹ 869 crore in Grant No. 74-Women & Child Development and Social Welfare which accounted for 36.01 *per cent* of the excess
- Capital (Voted) section had excess of 0.14 *per cent*. This was mainly due to excess of ₹ 26 crore in Grant No. 8-Cooperation which accounted for 57.78 *per cent* of the excess under this section.

### 3.1.2 Charged and voted disbursements

Charged and voted expenditure during 2015-20 including trend analysis of savings and excess is discussed in **Table 3.2**.

**Table 3.2: Details of disbursement, savings and excess (charged and voted) for the last five years**

(₹ in crore)

| Year    | Disbursements |         | Net Savings |         | Net Excess |         |
|---------|---------------|---------|-------------|---------|------------|---------|
|         | Voted         | Charged | Voted       | Charged | Voted      | Charged |
| 2015-16 | 1,12,197      | 43,740  | 15,906      | 20,606  | Nil        | Nil     |
| 2016-17 | 1,22,244      | 38,513  | 18,881      | 31,535  | Nil        | Nil     |
| 2017-18 | 1,38,908      | 53,456  | 22,394      | 24,816  | Nil        | Nil     |
| 2018-19 | 1,56,129      | 75,346  | 11,324      | Nil     | Nil        | 2,818   |
| 2019-20 | 1,52,826      | 72,307  | 35,249      | 12,358  | Nil        | Nil     |

Source: Appropriation Accounts;

Note: Net Savings (-)/Excess (+) arrived at after deducting the gross savings from the gross excess

During 2015-20, net savings under Voted section ranged from ₹ 11,324 crore to ₹ 35,249 crore while net savings under Charged section ranged between ₹ 12,358 crore and ₹ 31,535 crore, excepting 2018-19. Net excess under Charged section

stood at ₹ 2,818 crore during 2018-19. Reasons for savings/excess have been explained below.

Major savings in Voted section occurred owing to savings of ₹ 1,134 crore, ₹ 2,052 crore and ₹ 2,544 crore respectively in the 'Sarva Shiksha Abhiyan' under Grant No. 15- School Education in 2015-16, 2016-17 and 2017-18. Savings of ₹ 438 crore in the scheme 'Nirmal Bharat Abhiyan' under Grant No. 40-Panchayat and Rural Development is attributable to the savings during 2018-19. In the current year, savings in this section was largely driven by the departments of Food and Supplies (Grant No. 21), Urban Development and Municipal Affairs (Grant No. 72) and Agriculture (Grant No. 5). Savings in the following major schemes contributed to savings in these departments during 2019-20:

- In the scheme 'Supply of rice to APL/BPL families in the TPDS at subsidised rate' under Grant No. 21-Food & Supplies department, against the budget provision of ₹ 4,930 crore, expenditure was ₹ 1,877 crore leading to savings of ₹ 3,053 crore.
- In the scheme 'Pradhan Mantri Awas Yojana-Urban' under Grant No. 72-Urban Development and Municipal Affairs department, against the provision of ₹ 580 crore, expenditure was ₹ 137 crore leading to savings of ₹ 443 crore.

Major savings in the Charged section happened due to savings of ₹ 15,613 crore, ₹ 22,772 crore and ₹ 18,585 crore respectively in 'Ways and Means Advances from the RBI-Special' during 2015-16, 2016-17 and 2017-18 under Grant No.18-Finance. In the current year also, high percentage of savings in this section was largely driven by the Finance Department (₹ 12,262 crore), reasons for which are discussed below.

- No new loan was taken during 2019-20 under 'Market Loans (Administrative Expenditure): 8.00% West Bengal Loan (New Loan)'. Hence, there was no payment of interest under the sub-head 'Interest on Market Loans (Administrative Expenditure): 8.00% West Bengal Loan (New Loan)', though budget provision of ₹ 2,215 crore had been made for the purpose under Grant No. 18-Finance;
- Similarly, under 'Special Securities issued to NSSF of the Central Government (Administrative Expenditure)- 9.50 % Government of West Bengal (NSSF) (Non-Transferable) Special Securities, 2008' under Grant No. 18-Finance, against the budget provision of ₹ 653 crore, expenditure was only ₹ 52 crore.

During 2018-19, excess in Charged section was owing to excess of ₹ 824 crore and ₹ 725 crore in 'Ways and Means Advances from the Reserve Bank of India –Overdraft' and '9.50 per cent Government of West Bengal (NSSF) Special Securities 2016' respectively under 18-Finance.

## 3.2 Appropriation Accounts

Audit of appropriations by the CAG seeks to ascertain whether the expenditure actually incurred under various grants is in accordance with the authorisation given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution (Article 202) is so charged. It also ascertains whether the expenditure incurred is in conformity with the laws, relevant rules, regulations and instructions.

## 3.3 Comments on integrity of the Budgetary and Accounting Process

### 3.3.1 Expenditure incurred without authority of law

No money shall be withdrawn from the Consolidated Fund of the State except under appropriation made by law passed in accordance with the provisions of the Article 204 of the Constitution. Expenditure on a new scheme should not be incurred on a scheme/service without provision of funds except after obtaining additional funds by re-appropriation, supplementary grant or appropriation or an advance from the Contingency Fund of the State. It can be seen from **Table 3.3** below that expenditure of ₹ 29.08 crore was incurred for two new schemes under two head of accounts without budget provision.

**Table 3.3: Summary of Expenditure without Budget Provision**

| Grant/<br>Appropriation | Head of Accounts | Expenditure<br>(₹ in crore) | Number<br>of<br>Schemes/<br>Sub<br>Heads |
|-------------------------|------------------|-----------------------------|--|
| 21                      | 2408             | 0.17                        | 1  |
| 65                      | 4225             | 28.91                       | 1  |
| <b>Total</b>            |                  | <b>29.08</b>                | <b>2</b>                                 |

Source: Appropriation Accounts

In the following major schemes, expenditure was incurred without budget provision:

- Infrastructure development project (₹ 28.91 crore) under Grant No 65- Tribal Development; and
- Maintenance of office premises (₹ 0.17 crore) under Grant No.21- Food and Supplies.

Incurring such expenditure without budget provision (original or supplementary) not only undermines the authority of the Legislature but is also a violation of the will of the Legislature.

### 3.3.2 Misclassification of capital expenditure as revenue expenditure and charged expenditure as voted expenditure and vice versa

Misclassification of expenditures and receipts has a great impact on the integrity of the financial statements.

Audit noticed that ₹ 415.62 crore to be booked as Revenue Expenditure was incorrectly booked as Capital Expenditure as shown in **Table 3.4** below.

**Table 3.4: Revenue Expenditure misclassified as Capital Expenditure**

| Sl. No.      | Object of Expenditure   | Head of account as per voucher | Head of account in which the amount was to be booked | Amount (₹ in crore) |
|--------------|---|--------------------------------|--|---------------------|
| 1.           | Procurement of Lab equipment for Science & Engineering Department of Aliah University (a Grantee Institution) | 4202                           | 2202   | 11.70               |
| 2.           | Purchase of hospital consumables  | 4210                           | 2210   | 20.48               |
| 3.           | Maintenance of Bituminous Roads   | 4217                           | 2217   | 2.69                |
| 4.           | Implementation of projects sanctioned under SAAP-III under AMRUT  |                                |  | 322.22              |
| 5.           | Newtown Kolkata Smart City Mission  |                                |  | 58.00               |
| 6.           | Emergent repair of roads and payment of wages   | 5054                           | 3054   | 0.53                |
| <b>Total</b> |   |                                |  | <b>415.62</b>       |

Source: Finance Accounts

Due to the above misclassifications, revenue deficit was understated by ₹ 415.62 crore as discussed in **Table 1.7** and **Paragraph 2.9**.

### 3.3.3 Unnecessary or excessive supplementary grants

As per Article 205 of the Constitution, a Supplementary or Additional Grant or Appropriation over the provision made by the Appropriation Act for the year can be made during the current financial year but not after the expiry of the current financial year. Unnecessary supplementary grants (₹ 200 crore or more in each case) is shown in **Table 3.5**.

**Table 3.5: Details of cases where supplementary provision (₹ 200 crore or more in each case) proved unnecessary**

| Sl. No.                | Name of the Grant                        | Original provision | Supp. Provision | Total Provision | Actual Expenditure | Savings out of Provision |
|------------------------|--|--------------------|-----------------|-----------------|--------------------|--------------------------|
| (₹ in crore)           |  |                    |                 |                 |                    |                          |
| <b>Revenue (Voted)</b> |  |                    |                 |                 |                    |                          |
| 1.                     | 05-Agriculture                           | 5,421              | 270             | 5,691           | 2,922              | 2,769                    |
| 2.                     | 15-School Education                      | 26,955             | 2,483           | 29,438          | 26,866             | 2,572                    |
| 3.                     | 21-Food & Supplies                       | 7,894              | 5,442           | 13,336          | 7,046              | 6,290                    |
| 4.                     | 38-Minority Affairs & Madrasah Education | 2,417              | 700             | 3,117           | 1,954              | 1,163                    |
| 5.                     | 40-Panchayats & Rural Development        | 18,653             | 1,282           | 19,935          | 18,529             | 1,406                    |
| <b>Total</b>           |  | <b>61,340</b>      | <b>10,177</b>   | <b>71,517</b>   | <b>57,317</b>      | <b>14,200</b>            |

| Sl. No.                  | Name of the Grant                          | Original Provision | Supp. Provision | Total Provision | Actual Expenditure | Savings out of Provision |
|--------------------------|--|--------------------|-----------------|-----------------|--------------------|--------------------------|
| <b>Capital (Voted)</b>   |  |                    |                 |                 |                    |                          |
| 1.                       | 38-Minority Affairs & Madrasah Education   | 1,600              | 454             | 2,054           | 971                | 1,083                    |
| 2.                       | 72-Urban Development and Municipal Affairs | 3,362              | 948             | 4,310           | 2,245              | 2,065                    |
| <b>Total</b>             |  | <b>4,962</b>       | <b>1,402</b>    | <b>6,364</b>    | <b>3,216</b>       | <b>3,148</b>             |
| <b>Capital (Charged)</b> |  |                    |                 |                 |                    |                          |
| 1                        | 18-Finance                                 | 45,974             | 4,205           | 50,179          | 40,358             | 9,821                    |
| <b>Total</b>             |  | <b>45,974</b>      | <b>4,205</b>    | <b>50,179</b>   | <b>40,358</b>      | <b>9,821</b>             |
| <b>Grand Total</b>       |  | <b>1,12,276</b>    | <b>15,784</b>   | <b>1,28,060</b> | <b>1,00,891</b>    | <b>27,169</b>            |

Source: Appropriation Accounts

It can be seen from **Table 3.5** that in all the above cases, actual expenditure was less than the original provisions and hence the supplementary provisions were unnecessary. As such, further supplementary provisions of ₹ 10,177 crore, ₹ 1,402 crore and ₹ 4,205 crore in Revenue (Voted), Capital (Voted) and Capital (Charged) sections respectively proved unnecessary. As actual expenditure was only 89.86 per cent of the original provision, there was no need to augment the fund through supplementary provision. Thus the supplementary provision of ₹ 15,784 crore (14.06 per cent of original provision) proved unnecessary.

### 3.3.4 Re-appropriations undertaken require prior Legislative authorisation

Re-appropriation means the transfer, by a competent authority, of savings from one unit of appropriation to meet additional expenditure under another unit within the same grant or charged appropriation. The Government is thus allowed to re-appropriate provisions from one unit of appropriation to another within the same Grant, thus altering the destination of an original provision for one purpose to another, subject to the limits and restrictions laid down. The provisions relating to re-appropriation are laid down in individual State Budget Manuals. However, there are certain broad instructions that are universally applicable:

1. Limitation for Executive:
  - (i) No re-appropriation is permissible from Capital to Revenue & vice versa.
  - (ii) No re-appropriation is permissible from Voted to Charged & vice versa.
  - (iii) No re-appropriation is permissible from one Grant to another.

During 2019-20, there was re-appropriation amounting to ₹ 2,047 crore in respect of 607 sub-heads constituting 51 grants. However, despite re-appropriation, there was savings of ₹ 2,069 crore in respect of 96 sub-heads and excess of ₹ 8,662 crore in respect of 78 sub-heads. Audit scrutiny further revealed that there were three cases of savings (₹ 70.58 crore) and one case of excess expenditure (₹ 66.19 crore) even after re-appropriation on the last working day.

Lapses noticed in re-appropriation cases are discussed in subsequent paragraphs.

### 3.3.5 Unnecessary, excessive or insufficient re-appropriation

- In 37 grants, re-appropriation amounting to ₹ 494 crore proved unnecessary in respect of 136 sub-heads.
- In 23 grants, re-appropriation amounting to ₹ 223 crore proved excessive in respect of 53 sub-heads.
- In 17 grants, re-appropriation amounting to ₹ 532 crore proved insufficient in respect of 40 sub-heads.

### 3.3.6 Irregular re-appropriation of funds

Rule 380 (VI) (A) of West Bengal Financial Rule (WBFR) proscribes transfer of funds from Revenue head to Capital head or vice-versa within the Grant.

It was, however, noticed that in two grants, re-appropriation involving ₹ 75.16 crore was made from Revenue head to Capital head in violation of WBFR.

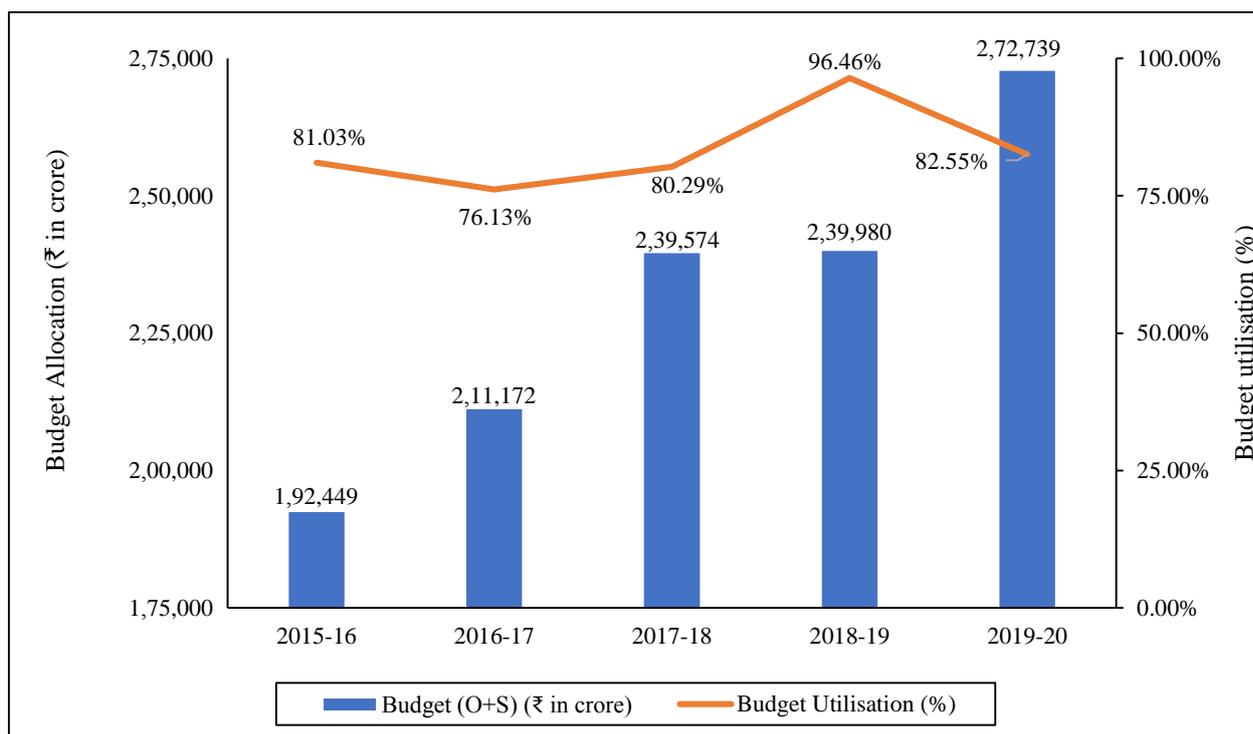
### 3.3.7 Unspent amount and surrendered appropriations and/or large savings/ surrenders

Budgetary allocations based on unrealistic proposals, poor expenditure monitoring mechanism, weak scheme implementation capacities/ weak internal controls etc., promote release of funds towards the end of the financial year, and increase the propensity of the departments to retain huge balances outside the Government account in Bank Accounts. Excessive savings also deprives other departments of the funds which they could have utilised. During 2019-20, of the total savings of ₹ 50,067 crore, only ₹ 9,561 crore (19.10 *per cent* of savings) was surrendered leaving a balance of ₹ 40,506 crore. Again, of the surrendered amount of ₹ 9,561 crore, ₹ 374 crore was surrendered on the last day of the financial year (3.91 *per cent*). The above instances indicate inadequate financial management on the part of the controlling officers.

Out of savings of ₹ 38,170 crore (in respect of grants having savings exceeding ₹ 1,000 crore), only ₹ 7,087 crore, was surrendered (18.57 *per cent*) leaving a balance of ₹ 31,083 crore. In Grant No. 5 – Agriculture, the surrendered amount (₹ 2,920 crore) exceeded the savings (₹ 2,769 crore) by ₹ 151 crore (5.45 *per cent*). Un-surrendered savings (81.43 *per cent*) as well as excess surrender over savings indicate ineffective budgetary control.

Budget Utilisation during 2015-16 to 2019-20 has been shown in **Chart 3.1**.

Chart 3.1: Budget Utilisation during 2015-16 to 2019-20



Source: Appropriation Accounts

Budgetary allocations during 2015-20 increased at a CAGR of 9.11 per cent. Budget utilisation during that period ranged between 76 and 96 per cent. In the current year, 17.45 per cent of budget allocation remained un-utilised whereas in the year 2018-19 it was only 3.54 per cent. Such instances of budgetary provisions remaining unutilised clearly indicates lacuna in the budget preparation process.

### 3.3.8 Excess expenditure and its regularisation

Article 205(1) (b) of the Constitution provides that if any money has been spent on any service during a financial year in excess of the amount granted for that service and for that year, the Governor shall cause to be presented to the Legislative Assembly of the State, a demand for such excess.

Although no time limit for regularisation of excess expenditure has been prescribed under the Article, the regularisation of excess expenditure is done after the completion of discussion of the Appropriation Accounts by the Public Accounts Committee (PAC). Failure to do so is in contravention of constitutional provisions and defeats the objective of ensuring accountability by the Legislature of the executive over utilisation of public money.

In 2019-20, in nine grants, excess expenditure of ₹ 2,459.76 crore over provisions is yet to be regularised (**Table 3.6**).

**Table 3.6: Summary of excess disbursements over grants/appropriations during 2019-20**

(₹ in crore)

| Grant- Name of Department                       | Revenue         |             | Capital      |          | Total           |
|---|-----------------|-------------|--------------|----------|-----------------|
|   | Voted           | Charged     | Voted        | Charged  |                 |
| 08- Cooperation                                 | -               | -           | 26.47        | -        | 26.47           |
| 24- Health & family Welfare                     | 775.56          | -           | -            | -        | 775.56          |
| 25- Public Works                                | 63.37           | -           | -            | -        | 63.37           |
| 33- Correctional Administration                 | -               | -           | 18.45        | -        | 18.45           |
| 37- Law   | 0.76            | -           | -            | -        | 0.76            |
| 58- Paschimanchal Unnayan Affairs               | 4.50            | -           | -            | -        | 4.50            |
| 72- Urban Development and Municipal Affairs     | -               | 1.62        | -            | -        | 1.62            |
| 73-Disaster Management & Civil Defence          | 700.12          | -           | -            | -        | 700.12          |
| 74-Women & Child Development and Social Welfare | 868.91          | -           | -            | -        | 868.91          |
| <b>Total</b>                                    | <b>2,413.22</b> | <b>1.62</b> | <b>44.92</b> | <b>-</b> | <b>2,459.76</b> |

Source: Appropriation Accounts

**3.3.8.1 Persistent excesses in certain Grants**

A number of grants witness excess expenditure year after year. **Table 3.7** shows that in Revenue (Voted) section under Health and Family Welfare, excess expenditure persistently occurred from 2015-16 to 2019-20.

**Table 3.7: Persistent excess of the department of Health & Family Welfare for 2015-20**

| Description of Grant/Appropriation                    | 2015-16             | 2016-17 | 2017-18 | 2018-19 | 2019-20 |
|---|---------------------|---------|---------|---------|---------|
| <b>24-Health &amp; Family Welfare (Revenue-Voted)</b> | <b>(₹ in crore)</b> |         |         |         |         |
| Total Provision                                       | 5,165               | 6,720   | 7,519   | 8,203   | 9,337   |
| Actual Expenditure                                    | 5,896               | 6,888   | 7,894   | 8,383   | 10,112  |
| Excess Expenditure                                    | 731                 | 168     | 375     | 180     | 775     |

Source: Appropriation Accounts

On scrutiny, it was noticed that excess expenditure persistently occurred in the scheme 'Special Programme under NRHM (State share)' against the Head of Account '2210-03-800-013'. Such repeated excess over grants under Revenue-Voted category, approved by the State legislature are in violation of the will of the Legislature and the basic principle of democracy that not a rupee can be spent without the approval of the State Legislative Assembly and, therefore, needs to be viewed seriously.

### 3.3.8.2 Regularisation of excess expenditure of previous financial years

Excess expenditure remaining un-regularised for extended periods dilutes legislative control over the executive. In 45 grants, excess expenditure of ₹ 36,464.49 crore for the period covering 2009-19 is yet to be regularised. For this purpose, the departments concerned are required to submit explanatory notes for excess expenditure to PAC through the Finance Department.

PAC, based on such explanatory notes and after due discussion with departmental heads in presence of Principals Accountant General (A&E) and Audit-I, recommended<sup>46</sup> regularisation of excess expenditure under both voted grants and charged appropriations for the financial years 2009-14. However, the Government is yet to regularise the excess expenditure pertaining to the years 2009-14 as of February 2021.

### 3.3.9 Grant-in-aid for creation of capital assets

Grants-in-aid are payments in the nature of assistance, donations or contributions made by one government to another government, body, institution or individual. Grants-in-aid are given for specified purpose of supporting an institution including construction of assets.

As per IGAS 2, Grant-in-aid disbursed by a grantor to a grantee shall be classified and accounted for as revenue expenditure irrespective of the purpose for which the funds disbursed as Grants-in-aid are to be spent by the grantee, except in cases where it has been specifically authorised by the President on the advice of the Comptroller and Auditor General of India. Misclassification of GIA as Capital Outlay and its impact on Revenue deficit is given in **Table 3.8**.

**Table 3.8: Extent of classification of GIA as Capital Outlay**

| Particulars  | (₹ in crore) |   |  |   |   |
|--|--------------|---|--|---|---|
|  | 2015-16      | 2016-17   | 2017-18  | 2018-19   | 2019-20   |
| GIA booked as Capital Outlay   | NIL          | 875   | 1,072  | 4,734   | 322   |
| Total Capital Outlay   | 12,420       | 11,336  | 19,368   | 23,717  | 15,971  |
| Share of GIA in Capital Outlay (in per cent)   | NIL          | 7.72  | 5.53   | 19.96   | 2.02  |
| Impact on Revenue Deficit (-) / Revenue Surplus (+), if expenditure from GIA is treated as Revenue Expenditure | NIL          | RD<br>(₹ 16,086 cr.)<br>understated<br>by ₹ 875 cr. | RD<br>(₹ 9,807 cr.)<br>understated by<br>₹ 1,072 cr. | RD<br>(₹ 10,399 cr.)<br>understated by<br>₹ 4,734 cr. | RD<br>(₹ 19,661 cr.)<br>understated<br>by ₹ 322 cr. |

Source: Notes to Accounts of Finance Accounts (2015-20)

**Table 3.8** shows that due to booking of Grants-in-aid as Capital Outlay during 2016-20, Revenue Deficit was understated to that extent.

<sup>46</sup> Recommendation for the years 2009-12 and 2012-14 given in November 2019 and February 2021, respectively

### 3.4 Comments on effectiveness of budgetary and accounting process

#### 3.4.1 Budget projection and gap between expectation and actual

Efficient management of tax administration/other receipts and public expenditure holds the balance for achievement of various fiscal indicators. Budgetary allocations based on unrealistic proposals, poor expenditure monitoring mechanism and weak scheme implementation capacities/ weak internal controls lead to sub-optimal allocation among various developmental needs. Excessive savings in some departments deprives other departments of the funds which they could have utilised. A summarised position of Actual Expenditure *vis-à-vis* Budget (Original/Supplementary) provisions during the financial year is given in **Table 3.9**.

**Table 3.9: Summarised position of Actual Expenditure *vis-à-vis* Budget (Original/Supplementary) provisions during the financial year**

| Nature of expenditure                      |                             | Original Grant/App. | Supplementary Grant/App. | Total           | Actual expenditure | Net of Savings (-) | Surrender during March |              |
|--|-----------------------------|---------------------|--------------------------|-----------------|--------------------|--------------------|------------------------|--------------|
|  |                             |                     |                          |                 |                    |                    | Amount                 | Per cent     |
| (₹ in crore)                               |                             |                     |                          |                 |                    |                    |                        |              |
| Voted                                      | I. Revenue                  | 1,33,737            | 21,466                   | 1,55,203        | 1,33,655           | 21,548             | 3,651                  | 16.94        |
|  | II. Capital                 | 27,187              | 4,063                    | 31,250          | 17,905             | 13,345             | 2,107                  | 15.79        |
|  | III. Loans & Advances       | 938                 | 684                      | 1,622           | 1,266              | 356                | 50                     | 14.05        |
|  | <b>Total</b>                | <b>1,61,862</b>     | <b>26,213</b>            | <b>1,88,075</b> | <b>1,52,826</b>    | <b>35,249</b>      | <b>5,808</b>           | <b>16.48</b> |
| Charged                                    | I. Revenue                  | 31,799              | 2,606                    | 34,405          | 31,890             | 2,515              | 0                      | 0            |
|  | II. Capital                 | 9                   | 2                        | 11              | 3                  | 8                  | 0                      | 0            |
|  | III. Public Debt- Repayment | 46,032              | 4,216                    | 50,248          | 40,413             | 9,835              | 0                      | 0            |
|  | <b>Total</b>                | <b>77,840</b>       | <b>6,824</b>             | <b>84,664</b>   | <b>72,306</b>      | <b>12,358</b>      | <b>0</b>               | <b>0</b>     |
| Appropriation to Contingency Fund (if any) |                             | Nil                 |                          |                 |                    |                    |                        |              |
| <b>Grand Total</b>                         |                             | <b>2,39,702</b>     | <b>33,037</b>            | <b>2,72,739</b> | <b>2,25,132</b>    | <b>47,607</b>      | <b>5,808</b>           | <b>12.20</b> |

Source: Appropriation Accounts

**Table 3.9** shows that net savings (₹ 47,607 crore) was 17.46 *per cent* of the total provision. Of the 9,147 schemes, variations in savings or excess occurred in 2,252 (25 *per cent*) schemes. Amongst these cases, explanations were received only in 13 cases which represented 0.58 *per cent*. Short receipt of explanations violates the basic norms approved by the PAC of West Bengal Legislature, adopted for comments on the Appropriation Accounts.

During 2019-20, in nine new schemes (₹ 100 crore or more), ₹ 5,048 crore was initially allotted which was further revised to ₹ 6,828 crore. However, no expenditure was incurred against these schemes.

### 3.4.2 Rush of expenditure

Rush of expenditure towards the end of the financial year is regarded as a breach of financial propriety. Maintaining a steady pace of expenditure is a crucial component of sound public financial management.

During 2019-20, in four grants constituting four sub-heads (₹ 100 crore and above), 100 per cent expenditure was incurred in the month of March 2020. Details are given in **Table 3.10**.

**Table 3.10: Sub-Head (Schemes) where entire expenditure was incurred in March 2020**

| Sl. No. | Grant No. | Head of Account (upto Sub-head)   | 100 per cent expenditure during March 2020 (₹ in crore) |
|---------|-----------|---|---|
| 1.      | 40        | 4515-00-103-001-Road works under Pradhan Mantri Gram Sadak Yojana (PMGSY) (Central Share) | 150   |
| 2.      | 24        | 2210-05-105-034-Human Resource in Health and Medical Education (Central Share)            | 143   |
| 3.      | 15        | 2202-01-108-004-Printing of Nationalised Text Books for Children at Primary Stage         | 131   |
| 4.      | 73        | 2245-02-282-001-Expenses on Public Health Measures  | 100   |

Source: Appropriation Accounts

### 3.5 Recommendations

1. Government should be more realistic in its budgetary assumptions and ensure efficient control mechanism to curtail savings/excess expenditure.
2. The State Government may consider writing back balance under Deposit Accounts to the respective Major/Minor Heads at the close of the year to ensure legislative scrutiny.
3. Excess expenditure over grants approved by the Legislature are in violation of the will of the Legislature. It therefore, needs to be viewed seriously and regularised at the earliest.
4. State Governments needs to formulate a realistic budget based on reliable assumptions of the needs of the departments and their capacity to utilise the allocated resources.
5. An appropriate control mechanism needs to be instituted by the Government to enforce proper implementation and monitoring of budget to ensure that savings are curtailed, large savings within the Grant/Appropriations are controlled, and anticipated savings are identified and surrendered within the specified timeframe.

# **CHAPTER IV**

**Quality of Accounts**

**&**

**Financial Reporting Practices**



A sound internal financial reporting system with relevant and reliable information significantly contributes to efficient and effective governance by the State Government. Compliance with financial rules, procedures and directives as well as the timeliness and quality of reporting on the status of such compliance is, thus, one of the attributes of good governance. Reports on compliance and controls, if effective and operational, assist the Government in meeting its basic stewardship responsibilities, including strategic planning and decision-making.

### Issues related to completeness of accounts

#### 4.1 Funds outside Public Account of the State

Article 266 (1) of the Constitution subject to the provisions of Article 267, provides that all revenues received by the Government of a State, all loans raised by that Government by issue of treasury bills, loans or ways and means advances and all moneys received by that Government in repayment of loans shall form one consolidated fund to be entitled “the Consolidated Fund of the State”. Article 266 (2) provides that all other public moneys received by or on behalf of the Government of a State shall be credited to the Public Account of the State, as the case may be.

It was observed that funds meant to be credited to the Public Account was not credited therein as discussed in detail below:

- **Rural Employment Cess**

The West Bengal Rural Employment and Production Act, 1976 was enacted with the objective to provide for additional resources for promotion of employment in rural areas and for implementing rural production programmes. The Act envisaged a levy of surcharge on land revenue and imposition of Rural Employment Cess on all immovable properties on which road and public work cesses are assessed. The Act also envisaged creation of the West Bengal Rural Employment and Production Fund (WBREPF) for this purpose.

Audit noticed that WBREPF was not created by the State Government. During 2019-20, an amount of ₹ 1,534.16 crore<sup>47</sup> was collected as Rural Employment Cess. Non-transfer of ₹ 1,534.16 crore, being collection of Rural Employment Cess has resulted in overstatement of revenue receipts of the Government and understatement of revenue deficit and fiscal deficit (Refer **Table 1.7**).

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<sup>47</sup> ₹ 1,525.57 crore on Rural Employment Cess on coal mines and ₹ 8.59 crore on Rural Employment Cess (other than tea states and coal mines)

## 4.2 Non-discharge of liability in respect of interest towards interest bearing reserve funds

At the beginning of 2019-20, under the category 'Reserve Fund bearing Interest' there was a balance of ₹ 265 crore in the State Disaster Response Fund (SDRF), of which ₹ 184 crore was invested. Interest payment towards the remaining balance (₹ 81 crore) had been estimated at ₹ 4.45 crore. During 2019-20, despite budget provision of ₹ 37 crore, Government did not pay interest (Table 4.1) in the fund.

**Table 4.1: Non-discharge of liability in respect of interest towards interest bearing reserve funds**

| Name of the Interest bearing reserve funds | Balance as on 31 March 2019 | Budget provision during 2019-20 | Interest paid during the year |
|--|-----------------------------|---------------------------------|-------------------------------|
|  | (₹ in crore)                |                                 |                               |
| State Disaster Response Fund               | 81                          | 37                              | Nil                           |

Note: Interest rate calculated taking average Ways and Means interest rate of 5.49 per cent

Source: Finance Accounts

Due to non-payment of interest, Revenue Deficit and Fiscal Deficit was understated by ₹ 4.45 crore (Refer Table 1.7).

## 4.3 Funds transferred directly to State implementing agencies

The Union Government transfers substantial funds directly to State implementing agencies/ Non-Governmental Organisations for implementation of various schemes and programmes. Since these funds are not routed through the State Budget, these were not reflected in the Accounts of the State Government.

During 2019-20, in respect of MPLAD<sup>48</sup> scheme, ₹ 210 crore was allotted to 23 District Magistrates (DMs) and the Commissioner, Kolkata Municipal Corporation. Test check of records of eight DMs revealed that of the GoI allotment of ₹ 45.10 crore, only ₹ 10.86 crore (24 per cent) was incurred as of March 2020 (Table 4.2). The DMs could not furnish reasons for funds remaining unspent. Moreover, the impact on implementation of the scheme due to non-utilisation of funds could also not be assessed in the absence of proper replies/ information.

**Table 4.2: Funds transferred by Government of India directly to State implementing agencies**

| Sl. No. | Name of the Implementing Agencies | Government of India releases during 2019-20 | Expenditure during 2019-20 |
|---------|-----------------------------------|---|----------------------------|
|         |                                   | (₹ in crore)                                |                            |
| 1.      | DM, Hooghly                       | 7.50  | 2.47                       |
| 2.      | DM, Burdwan East                  | 10.00                                       | 0.85                       |
| 3.      | DM, Malda                         | 5.00  | 0.15                       |
| 4.      | DM, Dakshin Dinajpur              | 2.57  | 1.20                       |

<sup>48</sup> Member of Parliament Local Area Development

| Sl. No.      | Name of the Implementing Agencies | Government of India releases during 2019-20 | Expenditure during 2019-20 |
|--------------|-----------------------------------|---|----------------------------|
|              |                                   | (₹ in crore)                                |                            |
| 5.           | DM, Burdwan West                  | 2.53  | 2.49                       |
| 6.           | DM, Murshidabad                   | 7.50  | 3.41                       |
| 7.           | DM, Bankura                       | 5.00  | 0.29                       |
| 8.           | DM, Nadia                         | 5.00  | Nil                        |
| <b>Total</b> |                                   | <b>45.10</b>                                | <b>10.86</b>               |

Source: Finance Accounts and Departmental records

## Issues related to transparency

### 4.4 Delay in submission of Utilisation Certificates

Rule 330A of the West Bengal Treasury Rules (WBTR) and Subsidiary Rules (SR) 1997 read with Finance Department's order (August 2005) stipulates that Utilisation Certificates (UCs) in respect of Grants-in-aid received by the grantee should be obtained by the departmental officers from the grantees within one year from the dates of release of the grants provided for specific purposes.

Audit scrutiny revealed that as of September 2020, a total of 4,02,964 UCs in respect of grants aggregating ₹ 2,25,712 crore had not been submitted. Age-wise details of delays in submission of UCs is given in **Table 4.3**.

**Table 4.3: Age-wise arrears in submission of Utilisation Certificates**

| Year                 | Opening Balance as on 1 April 2019 |                     | Addition during 2019-20 |                     | Clearance during 2019-20 |                     | Due for submission upto 2019-20 |                     |
|----------------------|------------------------------------|---------------------|-------------------------|---------------------|--------------------------|---------------------|---------------------------------|---------------------|
|                      | No.                                | Amount (₹ in crore) | No.                     | Amount (₹ in crore) | No.                      | Amount (₹ in crore) | No.                             | Amount (₹ in crore) |
| <b>Up to 2017-18</b> | 2,88,705                           | 1,57,947            | -                       | -                   | 45                       | 9                   | 2,88,660                        | 1,57,937            |
| <b>2018-19</b>       | 67,952                             | 42,826              | -                       | -                   | 42                       | 7                   | 67,910                          | 42,819              |
| <b>2019-20</b>       | -                                  | -                   | -                       | -                   | -                        | -                   | 46,394                          | 24,956              |
| <b>Total</b>         |                                    |                     |                         |                     |                          |                     | <b>4,02,964</b>                 | <b>2,25,712</b>     |

\*UCs for the GIA disbursed during 2018-19 became due during 2019-20.

Difference of ₹1 crore is due to rounding.

Source: Finance Accounts (2018-19 and 2019-20)

Though such instances of non-submission of UCs are being reported in the Reports of the CAG of India regularly, there has been no improvement as number of pending UCs and the amount increased by 90.16 per cent and 164.88 per cent respectively, over that reported in the Audit Report of 2015-16 (2,11,917 UCs for ₹ 85,212 crore).

Year-wise breakup of outstanding Utilisation Certificates is given in **Table 4.4**.

**Table 4.4: Year-wise breakup of outstanding Utilisation Certificates  
(₹ in crore)**

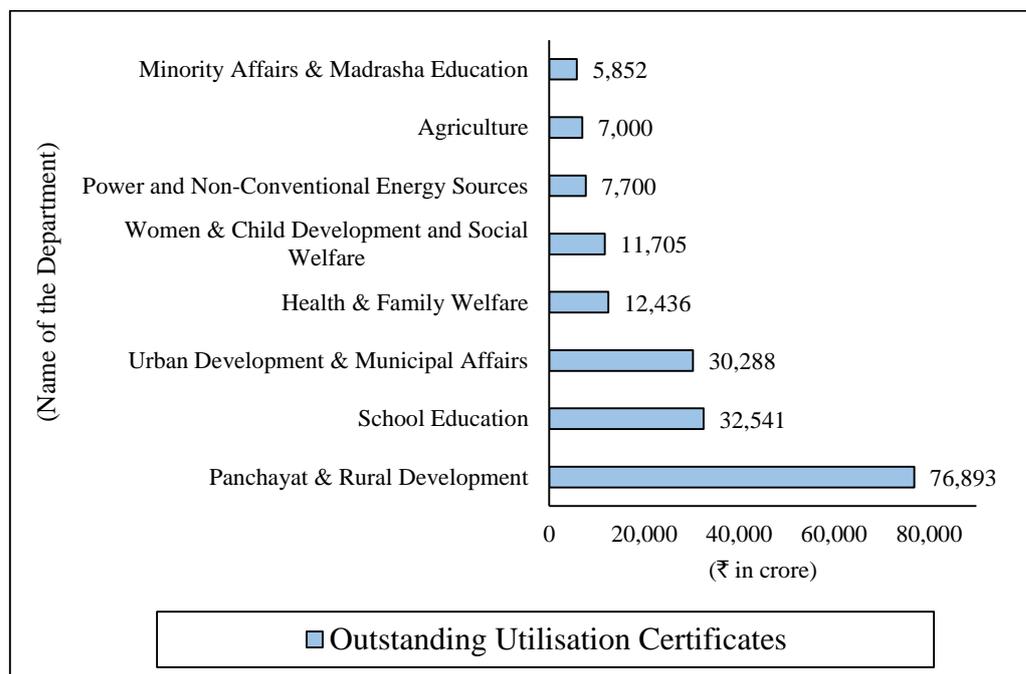
| Year         | Number of UCs   | Amount          |
|--------------|-----------------|-----------------|
| Upto 2010-11 | 1,67,077        | 37,663          |
| 2011-12      | 8,672           | 5,406           |
| 2012-13      | 6,149           | 5,055           |
| 2013-14      | 6,603           | 4,949           |
| 2014-15      | 4,621           | 4,871           |
| 2015-16      | 18,400          | 25,012          |
| 2016-17      | 34,621          | 36,944          |
| 2017-18      | 42,517          | 38,037          |
| 2018-19      | 67,910          | 42,819          |
| 2019-20      | 46,394          | 24,956          |
| <b>Total</b> | <b>4,02,964</b> | <b>2,25,712</b> |

Source: VLC data and Finance Accounts

It can be seen from **Table 4.4** that the outstanding UCs in 2017-20 accounted for 46.88 per cent of the total amount of the outstanding UCs.

Status in respect of eight departments with maximum amount of outstanding UCs (since 2002-03) is given in **Chart 4.1**.

**Chart 4.1: Outstanding amount of UCs in respect of eight departments  
(since 2002-03)**



Source: Finance Accounts

Major cases of non-submission of UCs upto 2019-20 pertained to the departments of Panchayat & Rural Development (66,765 UCs for ₹ 76,893 crore), School Education (29,855 UCs for ₹ 32,541 crore) and Urban Development & Municipal Affairs (32,761 UCs for ₹ 30,288 crore). Outstanding

UCs of these three departments accounted for 32.11 *per cent* of the total UCs outstanding and 61.90 *per cent* of the total outstanding amount.

In the absence of UCs, it could not be ascertained whether the recipients had utilised the grants for the purposes for which these were given. This assumes greater importance as pendency in non-submission of UCs is fraught with the risk of misappropriation.

#### 4.5 Abstract Contingent bills

Rule 4.108 of the West Bengal Treasury Rules (WBTR) 2005 stipulates that AC bills are meant for drawal of fund with a view to incurring of expenditure on items which are contingent in nature. Rule 4.138 (5) of WBTR requires that advances drawn through AC bills are to be adjusted through Detailed Contingent bills (DC bills) within one month from the date of completion of the purpose. In no case, this should exceed 60 days from the date of drawal of the AC bill. Year-wise progress in submission of DC bills against the AC bills upto 2017-18, 2018-19 and 2019-20 is given in **Table 4.5**.

**Table 4.5: Year wise progress in submission of DC bills against AC bills**

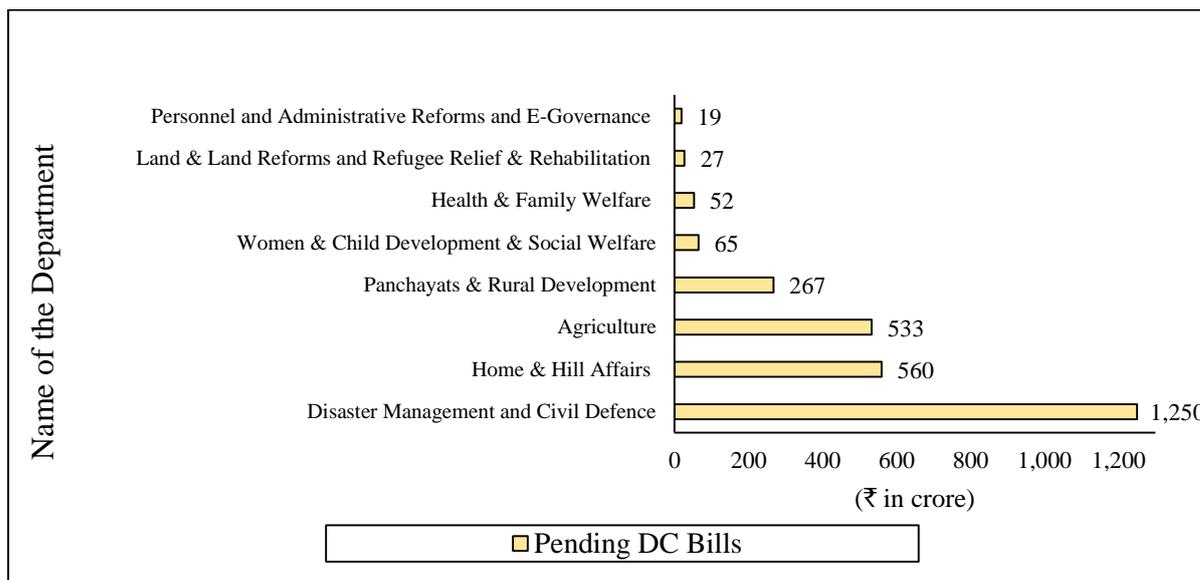
| Year          | Opening Balance as on 1 April 2019 |                     | Addition during 2019-20 |                     | Clearance during 2019-20 |                     | Closing Balance as on 2019-20 |                     |
|---------------|------------------------------------|---------------------|-------------------------|---------------------|--------------------------|---------------------|-------------------------------|---------------------|
|               | No.                                | Amount (₹ in crore) | No.                     | Amount (₹ in crore) | No.                      | Amount (₹ in crore) | No.                           | Amount (₹ in crore) |
| Up to 2017-18 | 8,286                              | 1,739               |                         |                     | 533                      | 64                  | 7,753                         | 1,675               |
| 2018-19       | 1,241                              | 433                 | -                       | -                   | 517                      | 204                 | 724                           | 229                 |
| 2019-20       | -                                  | -                   | 1,988                   | 1,439               | 751                      | 266                 | 1,237                         | 1,173               |
| <b>Total</b>  | <b>9,527</b>                       | <b>2,172</b>        | <b>1,988</b>            | <b>1,439</b>        | <b>1,801</b>             | <b>534</b>          | <b>9,714</b>                  | <b>3,077</b>        |

Source: Finance Accounts

Pending DC Bills reflects on accounting indiscipline by the Government functionaries and controlling authorities leading to risk of fraud, temporary misappropriation and embezzlement of funds and therefore, requires close monitoring by the respective DDOs. Further, to the extent of non-receipt of DC bills, the expenditure shown in the Finance Accounts cannot be asserted as correct or final.

DC bills pending upto 2019-20 against eight departments where pendency is significant is shown in the **Chart 4.2**.

**Chart 4.2: Pending DC Bills in respect of eight departments as on 21 September 2020**



Source: Finance Accounts

The departments of Disaster Management and Civil Defence (₹ 1,250 crore; 2,479 AC bills), Home & Hill Affairs (₹ 560 crore; 2,644 AC bills) and Agriculture (₹ 533 crore; 147 AC bills) accounted for 54.25 per cent of the total outstanding AC bills.

Two departments which cleared maximum AC bills through submission of DC bills were Home & Hill Affairs (₹ 2,781 crore; 36.15 per cent) and Disaster Management & Civil Defence (₹ 1,604 crore; 20.84 per cent).

Audit review of the reasons behind AC bills remaining unadjusted in respect of four DDOs<sup>49</sup> revealed the following:

- AC bills amounting to ₹ 30 crore drawn (between December 2018 and February 2019) by the Accounts Officer, NBMC<sup>50</sup> for upgradation of NBMC, Darjeeling under PMSSY-III<sup>51</sup> (State share) schemes remained unadjusted owing to non-completion of the schemes. Drawal of funds through AC bills in this case violates Rule 4.108 of WBTR since upgradation of NBMC was a work of capital nature with funds being allocated by the State Government under Major Head '4210'.
- Commandant, State Armed Police, 6<sup>th</sup> Battalion, Barrackpur stated that AC Bills of ₹ 43.79 crore drawn (between February 2018 and March 2020) for purchase of arms was yet to be adjusted since arms were not supplied by the vendors.

<sup>49</sup> (i) Accounts Officer, North Bengal Medical College; (ii) Commandant, State Armed Police, 6<sup>th</sup> Battalion, Barrackpur; (iii) Accounts Officer, State Election Commission and (iv) Deputy Director of Agriculture (Administration), Paschim Medinipur

<sup>50</sup> North Bengal Medical College

<sup>51</sup> Pradhan Mantri Swasthya Suraksha Yojana-III

- Accounts Officer, State Election Commission stated that AC bills of ₹ 180 crore drawn (March 2018) for conducting Panchayat General Election-2018 remained unadjusted as the amount was yet to be spent.
- AC bills of ₹ 196 crore drawn (between December 2019 and March 2020) by Deputy Director of Agriculture (Administration), Paschim Medinipur for providing compensation to *Bulbul*<sup>52</sup> affected farmers was stated to be unadjusted owing to the pandemic from the middle of March 2020.

## 4.6 Personal Deposit Accounts

Personal Deposits (PD) are maintained in the treasuries in the nature of banking accounts. These are commonly known as Personal Ledger (PL) Accounts or Personal Deposit Accounts.

As per the WBTR, the PD Accounts enable its Holders/ Administrators to incur expenditure pertaining to a scheme, for which funds are placed at their disposal, by transfer from the Consolidated Fund of the State.

As per Rule 6.09 (1) of the WBTR, PD Accounts shall be closed at the end of the financial year by minus debit of the balance to the relevant service head in the Consolidated Fund of the State<sup>53</sup>. The account may be opened again in the following year, if necessary.

Analysis revealed the following:

- (a) In terms of WBTR, the Personal Deposit Accounts are to be opened Administrator-wise and scheme-wise, should not be omnibus and opened only if it is absolutely necessary. No details<sup>54</sup> in this regard were furnished to Audit by the State Government, though called for.

Consequently, the extent of adherence to the procedural norms, could not be vouchsafed in Audit.

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

### 4.6.1 Status of PD Accounts in West Bengal

West Bengal Treasury Rule 6.09 provides that 'Personal Deposit Account created by debit to the Consolidated Fund of the State shall be closed at the end of the financial year by minus debit of the balance to the relevant service heads

<sup>52</sup> Very severe Cyclonic Storm which struck West Bengal in November 2019 causing storm surge, heavy rains and flash floods across the Sunderban delta and its adjoining areas

<sup>53</sup> Except, where personal deposits are created by law or rules having the force of law for discharging the liabilities arising out of special enactments

<sup>54</sup> PD/ PL accounts- (i) Department/ Administrator/ Scheme-wise; (ii) Remained inoperative for more than a period of two years along-with reasons for their non-closure and (iii) Holders' status of annual verification and reconciliation of balances with the treasury

in the Consolidated Fund of the State'. It was, however, noticed that there was a balance of ₹ 5,240 crore in 160 PD Accounts as on 31 March 2020 as shown in **Table 4.6**. Similar such year-end balances were noticed in 2018-19 (₹ 5,466 crore in 159 PD Accounts), in 2017-18 (₹ 4,282 crore in 157 PD Accounts), in 2016-17 (₹ 5,141 crore in 153 PD Accounts) and in 2015-16 (₹ 3,158 crore in 150 PD Accounts).

**Table 4.6: Details of PD Accounts**

| Sl. No. | Description  | No. of Accounts | Amount (₹ in crore) |
|---------|--|-----------------|---------------------|
| 1       | Number of PD Accounts at the beginning of the year | 159             | 5,466               |
| 2       | Addition <sup>#</sup> during the year 2019-20      | 1               | 3,038               |
| 3       | Cleared <sup>@</sup> during the year 2019-20       | 0               | 3,264               |
| 4       | PD Accounts existing at the end of the year        | 160             | 5,240               |

<sup>#</sup>Indicates amounts transferred and credited through challans to existing as well as newly opened PD Accounts (8443-106)

<sup>@</sup>Indicate amounts surrendered and expended from PD Accounts (8443-106)

Source: Finance Accounts of Government of West Bengal (2019-20)

The correctness of the closing balances in PD Accounts as of March 2020 could not be ascertained as the monthly as well as annual verification of balances in the Treasuries was found to be deficient, as elaborated in **Paragraph 4.6.2**.

Non-transfer of unspent balances lying in PD Accounts to the Consolidated Fund of the State entails the risk of misuse of public fund, fraud and misappropriation.

#### 4.6.2 Operation of PD Accounts

(i) Under Rule 6.08 of West Bengal Treasury Rules, non-lapsable PD Accounts, if not operated for a period of two years and if there is reason to believe that the need for such PD Accounts has ceased, are required to be closed.

Test-check in 73 out of 91 treasuries, conducted in 2019-20 in respect of transactions for the year 2018-19, revealed that PD Accounts of 11 operators amounting to ₹ 19.42 crore (pertaining to 75 inoperative schemes) were lying inoperative for more than two years. The amount lying in the PD Accounts resulted in overstatement of expenditure to that extent.

(ii) During 2019-20, an amount of ₹ 768 crore was transferred in March 2020 from the Consolidated Fund of the State. This is 25.29 per cent of the total yearly inflow into the PD accounts, of which, ₹ 13.89 crore was transferred on the last working day of March 2020. This was intended to avoid lapse of budget provisions.

(iii) Test-check of PD Accounts maintained by four DDOs<sup>55</sup> revealed the following deficiencies:

<sup>55</sup> District Magistrates (DM) of Howrah, Hooghly, South 24 Parganas and North 24 Parganas

- Discrepancy in closing balance of PD Account Cash Book (₹ 24.56 crore) and corresponding Treasury Pass Book (₹ 36.24 crore) of DM, Howrah due to non-reconciliation as required under WBTR.
  - Retention of unutilised BEUP<sup>56</sup> funds (₹ 14.49 crore) of the 15<sup>th</sup> Legislative Assembly by DM, South 24 Parganas even after its dissolution (25 May 2016). As per BEUP guidelines the fund was to be refunded to the Government Account by 31 March 2017.
  - Two DDOs<sup>57</sup> parked ₹ 0.73 crore in their respective PD Accounts which remained unutilised as of March, 2020.
  - Drawal (29 December 2017) of ₹ 0.10 crore in excess of the balance for payment of honorarium to the staff of Madarasah Siksha by DM, Hooghly.
- (iv) Treasury Inspection during 2019-20 revealed that in 15 out of 73 test-checked Treasuries, monthly as well as annual verification and reconciliation of balances were not carried out by the Administrators of the PD Accounts. Thus, correctness of balances lying in these Accounts remained un-verified.

#### 4.7 Indiscriminate use of Minor head 800

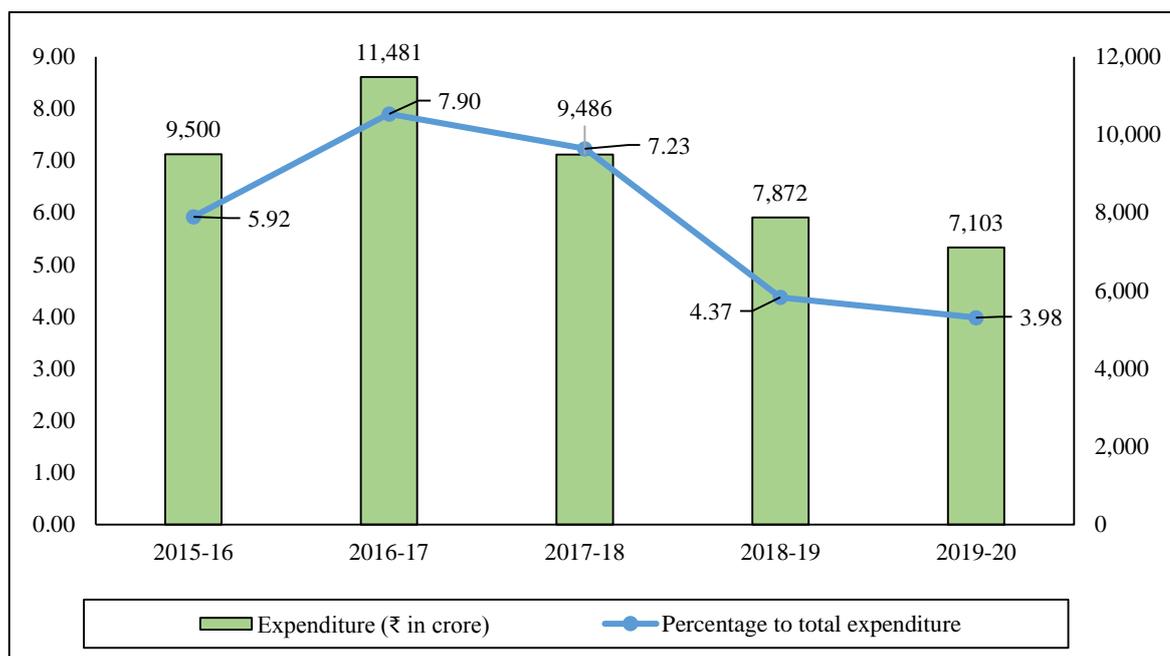
The omnibus Minor Head 800 relating to Other Receipts/ Other Expenditure is to be operated only in cases where the appropriate Minor Head has not been provided under a Major Head in the accounts. If such instances occur on a regular basis, it is the responsibility of the State Government to discuss with the Principal Accountant General (A&E) and obtain approval to open appropriate Minor Heads. Indiscriminate booking of receipts and expenditure under Minor Head 800 affects transparency and nature of transactions, and renders the accounts opaque.

Government of West Bengal has operated Minor Head 800 extensively during 2015-20. The quantum of expenditure booked under this Minor Head showed a mixed trend over the years. During 2019-20, the State Government booked an expenditure of ₹ 7,103 crore under Minor Head 800 against 63 revenue and capital Major Heads of Account, constituting 3.98 *per cent* of the total revenue and capital expenditure of ₹ 1,78,546 crore. The extent of operation of 'Minor Head 800- Other Expenditure' as a percentage of Total Expenditure during 2015-20 is given in **Chart 4.3**.

<sup>56</sup> Bidhyak Elaka Unnayan Prakalpa

<sup>57</sup> District Magistrates of Hooghly (₹ 0.45 crore) & North 24 Parganas (₹ 0.28 crore)

**Chart 4.3: Operation of Minor Head 800- Other Expenditure during 2015-20**



Source: Finance Accounts

Instances of a significant proportion (50 per cent or more) of the expenditure within a Major Head, being classified under the 'Minor Head 800- Other Expenditure' during 2019-20, are given in Table 4.7.

**Table 4.7: Significant expenditure booked under Minor Head 800- Other Expenditure**

| Major Head   | Expenditure under<br>Minor Head 800 | Total<br>Expenditure | Percentage |
|--|-------------------------------------|----------------------|------------|
|  | (₹ in crore)                        |                      |            |
| 4235- Capital Outlay on Social Security and Welfare  | 642.01                              | 870.79               | 73.79      |
| 4700-Capital Outlay on Major Irrigation              | 199.64                              | 346.75               | 57.58      |
| 2205-Art & Culture                                   | 269.13                              | 319.25               | 84.30      |
| 2250-Other social Services                           | 160.63                              | 163.79               | 98.07      |
| 4408-Capital Outlay on Food Storage and Warehousing  | 121.63                              | 139.68               | 87.08      |
| 5055-Capital Outlay on Road Transport                | 104.98                              | 123.51               | 85.00      |
| 5056-Capital Outlay on Inland Water Transport        | 68.14                               | 68.14                | 100        |
| 4885-Other Capital Outlay on Industries and Minerals | 53.28                               | 53.28                | 100        |
| 5452-Capital Outlay on Tourism                       | 29.77                               | 51.87                | 57.39      |
| 3051-Port and Lighthouses                            | 1.00                                | 1.14                 | 87.19      |

Source: Finance Accounts

DDOs against whom major expenditure occurred under the head of account '800' were (i) Executive Officer, Board of Waqfs, West Bengal (₹ 103 crore), (ii) Managing Director, WBIDCL (₹ 103 crore), (iii) Joint Director of Industry (₹ 100 crore) and (iv) Executive Engineer, Teesta Canal Division (₹ 40 crore).

Receipts amounting to ₹ 1,039 crore (0.73 per cent of total receipts) covering 57 Major Heads were booked under Minor Head 800 during 2019-20. Cases where significant receipts were booked under this Minor Head are given in **Table 4.8**.

**Table 4.8: Significant receipts booked under Minor Head 800 – Other Receipts**

| Major Head   | Receipts under<br>Minor Head 800 | Total<br>Receipts | Percentage |
|--|----------------------------------|-------------------|------------|
|  | (₹ in crore)                     |                   |            |
| 1054-Roads and Bridges   | 41.68                            | 64.33             | 64.79      |
| 0408-Food Storage and Warehousing  | 29.36                            | 29.36             | 100        |
| 0217-Urban Development   | 25.61                            | 25.61             | 100        |
| 0059-Public Works  | 16.48                            | 19.05             | 86.51      |
| 1456-Civil Supplies  | 14.37                            | 14.37             | 100        |
| 0215-Water supply and sanitation   | 5.01                             | 7.38              | 67.88      |
| 0701-Medium Irrigation   | 4.40                             | 6.33              | 69.44      |
| 0220-Information and Publicity   | 5.26                             | 5.32              | 98.76      |
| 0071-Contribution and Recoveries<br>towards Pension and Other Retirement<br>benefits | 1.83                             | 3.14              | 58.27      |
| 1452-Tourism   | 2.02                             | 2.02              | 100        |

Source: Finance Accounts

Classification of large amounts under the omnibus Minor Head 800 affects transparency in financial reporting and distorts proper analysis of allocative priorities and quality of expenditure.

## Issues related to measurement

### 4.8 Outstanding balance under major Suspense and DDR (Debt, Deposit and Remittances) heads

The Finance Accounts reflect the net balances under Suspense and Remittance Heads. The outstanding balances under these heads are worked out by aggregating the outstanding debit and credit balances separately under various heads.

Balances under Suspense and Remittance heads at the end of the year is shown in **Table 4.9**.

**Table 4.9: Balances under Suspense and Remittance Heads for the last three years**

(₹ in crore)

| Sl. No.  | Head of Account                                   | 2017-18             |           | 2018-19             |           | 2019-20             |           |
|--|---|---------------------|-----------|---------------------|-----------|---------------------|-----------|
|  | Ministry/Department with which pending            | Dr.                 | Cr.       | Dr.                 | Cr.       | Dr.                 | Cr.       |
| <b>8658-Suspense Account</b>   |   |                     |           |                     |           |                     |           |
| 1  | 101-PAO Suspense                                  | 184.68              | -0.21     | 168.05              | 3.92      | 187.75              | 5.63      |
|  | Net   | <b>184.89 (Dr.)</b> |           | <b>164.13 (Dr.)</b> |           | <b>182.12 (Dr.)</b> |           |
| 2  | 102-Suspense Account-Civil                        | 697.97              | 756.99    | 718.98              | 869.13    | 1,064.16            | 1285.36   |
|  | Net   | <b>59.02 (Cr.)</b>  |           | <b>150.15 (Cr.)</b> |           | <b>221.20 (Cr.)</b> |           |
| 3  | 109-Reserve Bank Suspense-Headquarters            | -5.64               | -4.51     | -8.2                | -1.92     | -5.2                | -1.46     |
|  | Net   | <b>1.13 (Cr.)</b>   |           | <b>6.28 (Cr.)</b>   |           | <b>3.74 (Cr.)</b>   |           |
| 4  | 123-A.I.S. Officer Group Insurance Scheme         | 4.02                | 2.93      | 4.29                | 3.03      | 4.49                | 3.13      |
|  | Net   | <b>1.09 (Dr.)</b>   |           | <b>1.26(Dr.)</b>    |           | <b>1.36 (Dr.)</b>   |           |
| 5  | 129-Material purchase settlement Suspense Account | 0.02                | 67.46     | 0.02                | 67.46     | 0.02                | 67.46     |
|  | Net   | <b>67.44 (Cr.)</b>  |           | <b>67.44 (Cr.)</b>  |           | <b>67.44 (Cr.)</b>  |           |
| <b>8782-Cash Remittances and Adjustments between officers rendering account to the same Accounts Officer</b> |   |                     |           |                     |           |                     |           |
| 1  | 102-P.W. Remittances                              | 66,362.27           | 66,465.99 | 66,362.27           | 66,465.96 | 66,362.27           | 66,465.96 |
|  | Net   | <b>103.72 (Cr.)</b> |           | <b>103.69 (Cr.)</b> |           | <b>103.69 (Cr.)</b> |           |
| 2  | 103-Forest Remittances                            | 6,127.5             | 6,102.29  | 6,127.5             | 6,102.29  | 6,127.5             | 6,102.29  |
|  | Net   | <b>25.21 (Dr.)</b>  |           | <b>25.21 (Dr.)</b>  |           | <b>25.21 (Dr.)</b>  |           |
| 3  | 8793-Inter State Suspense Accounts                | 17.15               | 0.28      | 14.88               | 0.22      | 29.97               | 0.75      |
|  | Net   | <b>16.87 (Dr.)</b>  |           | <b>14.66 (Dr.)</b>  |           | <b>29.22 (Dr.)</b>  |           |
| <b>Grand Total</b>   |   | <b>3.25 (Cr.)</b>   |           | <b>122.30 (Cr.)</b> |           | <b>158.16 (Cr.)</b> |           |

Source: Finance Accounts

It can be seen from **Table 4.9** that owing to non-clearance of suspense and remittance balances, aggregate cash balances were inflated by ₹ 3.25 crore, ₹ 122.30 crore and ₹ 158.16 crore respectively during 2017-18, 2018-19 and 2019-20. Details of suspense and remittance balances and their effect on cash balances during 2019-20 has been shown in **Appendix 4.1**. The reasons for non-clearance of significant balances in suspense and remittance heads were as follows:

- Failed transaction of ₹ 227.31 crore under e-Pradan system in IFMS. On clearance, cash balance will decrease;
- Purchases amounting to ₹ 67.44 crore made on credit by 61 P.W. Divisions remained pending. On clearance, cash balance will decrease;

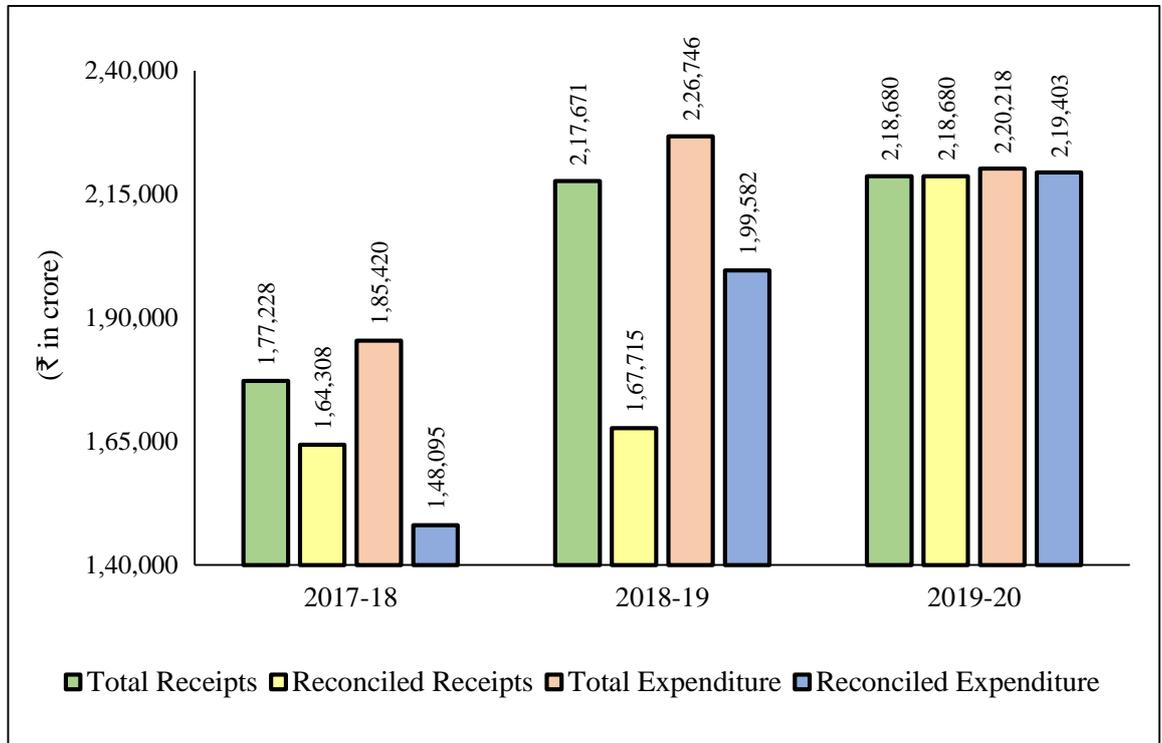
- Cheques amounting to ₹ 322.66 crore and ₹ 114.77 crore issued by Forest and P.W divisions respectively were not encashed at the Treasury. On clearance, cash balance will decrease;
- Remittances of cash/cheque amounting to ₹ 347.87 crore and ₹ 11.08 crore by Forest and P.W Division respectively, were not acknowledged by Treasuries. On being acknowledged, cash balance will increase.

#### 4.9 Non-reconciliation of Departmental figures

Rule 385 of West Bengal Financial Rules (WBFR) stipulates that expenditure recorded in the departments books of account be reconciled every month with the books of the Accountant General (A&E). Reconciliation enables the Chief Controlling Officers (CCOs) to exercise effective control over budget and expenditure. It also ensures accuracy of the accounts. The Public Accounts Committee had also recommended (December 2011) adherence to the stipulations of the WBFR.

Reconciliation and verification of figures is an important tool of financial management. Failure to exercise/adhere to the codal provisions and executive instructions in this regard not only results in misclassification and incorrect booking of receipts and expenditure in the accounts, but also defeats the very objective of the budgetary process. **Chart 4.4** shows the status of reconciliation of receipts and expenditure *vis-à-vis* total receipts/expenditure.

**Chart 4.4: Status of reconciliation during the three years 2017-20**



Source: Finance Accounts

During the year 2019-20, reconciliation of receipts was 100 *per cent* while that of expenditure was 99.63 *per cent*. Reconciliation has shown improvement over the past three years.

#### 4.10 Reconciliation of Cash Balances

There should be no difference between the Cash Balance of the State as per the books of Accounts of the Principal Accountant General (A&E), and the Cash Balance as reported by the Reserve Bank of India (RBI). As per the Statement of closing balance as on 31 March 2020 worked out by the RBI on 10 April 2020, the State had a credit balance of ₹ 1.62 crore while the closing cash balance as certified by the Principal Accountant General (A&E), West Bengal the State showed a credit balance of ₹ 20.26 crore. Thus, there was a difference of ₹ 18.64 crore (net credit) between the cash balance worked out by the Principal Accountant General (A&E) and reported by the RBI, which requires reconciliation.

#### Issues related to disclosure

#### 4.11 Compliance with Accounting Standards

As per Article 150 of the Constitution of India, the President of India may, on the advice of the Comptroller and Auditor General of India, prescribe the form of accounts of the Union and of the States. In accordance with this provision, the President of India has so far notified three Indian Government Accounting Standards (IGAS). Compliance to these Accounting Standards by Government of West Bengal in 2019-20 and deficiencies therein are detailed in **Table 4.10**.

**Table 4.10: Compliance to Accounting Standards**

| Sl. No. | Accounting Standards  | Essence of IGAS  | Compliance by State Government | Impact of deficiency  |
|---------|---|--|--------------------------------|---|
| 1.      | <b>IGAS-1:</b><br><i>Guarantees Given by the Government – Disclosure requirements</i> | The standard requires the Government to disclose the maximum amount of guarantees given during the year in its financial statements along with additions, deletions, invoked, discharged and outstanding at the end of the year. | Partly complied                | While the Government has disclosed the maximum amount of guarantees given during the year, detailed information like invocation of guarantees and automatic debit mechanism were not furnished.   |
| 2.      | <b>IGAS-2:</b><br><i>Accounting and Classification of Grants-in-aid</i>               | Grants-in-aid are to be classified as revenue expenditure in the accounts of the grantor and as revenue receipts in the accounts of the grantee, irrespective of the end use.  | Not complied                   | State Government made budgetary provision and classified GIA amounting to ₹ 357.62 crore under Capital Major Heads of Account, instead of under the Revenue section. It did not furnish any information regarding GIA paid in kind during the year. |

| Sl. No. | Accounting Standards   | Essence of IGAS  | Compliance by State Government | Impact of deficiency  |
|---------|--|--|--------------------------------|---|
|         |  |  |                                | Non-compliance led to understatement of revenue deficit and overstatement of capital outlay.  |
| 3.      | <b>IGAS-3:</b><br><i>Loans and Advances made by Government</i> | The standard relates to recognition, measurement, valuation and reporting in respect of loans and advances made by the Government in its Financial Statements to ensure complete, accurate and uniform accounting practices. | Partly complied                | While the State Government complied with the format prescribed by the Standard, the information in this regard is incomplete since (i) interest payments in arrears from Universities, Government Companies, Co-operative Societies, Banks, Government servants and miscellaneous groups and (ii) repayments in arrears from Government servants and miscellaneous groups were not available. |

Source: Finance Accounts

#### 4.12 Submission of Accounts/ Separate Audit Reports of Autonomous Bodies

Certification of accounts of Autonomous Bodies (ABs) set up by the State Government is conducted under Sections 19 or 20 of Comptroller and Auditor General of India (Duties, Powers and Conditions of Service) Act, 1971 (CAG's DPC Act).

The ABs coming under the audit purview as per Section 19 or 20 of CAG's DPC Act are required to submit the annual accounts of a financial year to Audit by 30 June of the succeeding year. In respect of 51 ABs which were to render annual accounts to CAG, there were delays in submission of accounts as detailed in **Table 4.11**.

**Table 4.11: Age-wise details of delay in submission of Annual Accounts of Autonomous Bodies, as of 30 September 2020**

| Sl. No.      | Delay in Number of Years | No. of Bodies/ Authorities |
|--------------|--------------------------|----------------------------|
| 1            | 0-1                      | 10                         |
| 2            | 1-2                      | 12                         |
| 3            | 2 and above              | 29                         |
| <b>Total</b> |                          | <b>51</b>                  |

Source: Records of Autonomous bodies

The status of rendering of accounts to Audit are indicated in **Appendix 4.2**. Out of 51 bodies/ authorities, only ten bodies/ authorities had submitted accounts up to 2019-20 while four District Legal Service Authorities (DLSAs) did not submit accounts since their inception in 1998-99. As of September 2020, 271 annual accounts due up to 2019-20 remained pending.

### 4.13 Follow up action on State Finances Audit Report

Rules of procedure of the Committee on Public Accounts of the West Bengal Assembly, promulgated in 1977, provide that after tabling the Report in the State Legislature, the State Government departments are required to submit replies to the audit observation within one month. Status of tabling of Audit Reports for the period from 2013-14 to 2018-19 have been shown in **Table 4.12**.

**Table 4.12: Status of laying of Audit Reports on State Finances**

| Year    | Submission of Audit Report on State Finances for placement in the Legislative Assembly | Date of laying of Audit Report |
|---------|--|--------------------------------|
| 2013-14 | 03.03.2015   | 04.07.2016                     |
| 2014-15 | 25.02.2016   |                                |
| 2015-16 | 30.01.2017   | 07.03.2018                     |
| 2016-17 | 26.03.2018   | 11.07.2019                     |
| 2017-18 | 17.02.2020   | ----                           |
| 2018-19 | 25.08.2020   | ----                           |

Source: Records of the Office of the Principal Accountant General (Audit-I), West Bengal and West Bengal Legislative Assembly

SFAR 2015-16 was discussed by the PAC in December 2019. In February 2021, PAC had brought out a report on these paragraphs containing its recommendations. Action Taken Note on such recommendations is yet to be furnished by the State Government. Replies on SFAR 2016-17 are yet to be furnished by the State Government. Such lack of responsiveness especially in respect of SFAR 2016-17, is a matter of serious concern and goes against the basic tenet of legislative control over expenditure from the public exchequer and undermines the importance of the Legislature.

### 4.14 Conclusions

| Positive Indicators  | Negative Indicators  |
|--|--|
| Decreased tendency in booking under minor head 800 – Other Receipts/ Expenditure | Non-payment of accrued liabilities for interest bearing reserve funds                              |
|  | Upward trend of outstanding UCs  |
| Improved status in reconciliation of departmental figures                        | Increased tendency in keeping of fund in PD accounts   |
|  | Increased arrear of annual accounts in respect of Autonomous Bodies and Public Sector Undertakings |

#### 4.15 Recommendations

- i. The Government may ensure timely submission of utilisation certificates by the departments in respect of the grants released for specific purposes.
- ii. The Finance Department should review all PD accounts to ensure that all amounts unnecessarily lying in these PD accounts are immediately remitted to the Consolidated Fund. Further, the Finance Department should reiterate the instructions contained in the financial rules and ensure that appropriate action is taken against departmental officers who fail to follow the rules.
- iii. Finance Department should consider evolving a system to expedite the process of compilation and submission of annual accounts by autonomous bodies and departmentally run undertakings in order to assess their financial position.
- iv. The Government may consider carrying out adjustment of Abstract Contingent bills within the stipulated period, as required under the Rules.
- v. The Finance Department should, in consultation with the Accountant General (A&E), conduct a comprehensive review of all items presently appearing under minor head 800 and ensure that all such receipts and expenditure are in future booked under the appropriate heads of account.

Kolkata  
The 27 July, 2021

  
(SARAT CHATURVEDI)  
Principal Accountant General  
(Audit-I)  
West Bengal

Countersigned

New Delhi  
The

  
(GIRISH CHANDRA MURMU)  
Comptroller and Auditor General of India

02 AUG 2021



# **APPENDICES**



# APPENDIX 1.1

(Refer Paragraph 1.1 in Chapter I)

## A Brief Profile of West Bengal

### A. General Data

| Sl. No. | Particulars   | Figures                   |                |
|---------|---|---------------------------|----------------|
| 1.      | Area  | 88,752 sq. km.            |                |
|         | Population  |                           |                |
| 2.      | a. As per 2001 Census   | 8.02 crore                |                |
|         | b. As per 2011 Census   | 9.13 crore                |                |
| 3.      | a. Density of Population (as per 2001 Census) (All India Density = 325 persons / sq. km.)                 | 903 persons per sq. km.   |                |
|         | b. Density <sup>@</sup> of Population (as per 2011 Census) (All India Density = 382 persons / sq. km.)    | 1,028 persons per sq. km. |                |
| 4.      | Population Below Poverty Line (BPL) <sup>#</sup> (All India Average = 21.90 per cent)                     | 19.90 per cent            |                |
| 5.      | a. Literacy rate (as per 2001 Census) (All India Average = 64.80 per cent)                                | 68.64 per cent            |                |
|         | b. Literacy rate <sup>^</sup> (as per 2011 Census) (All India Average = 73 per cent)                      | 76.26 per cent            |                |
| 6.      | Infant mortality rate <sup>*</sup> (per 1,000 live births) (All India Average = 33 per 1,000 live births) | 24                        |                |
| 7.      | Life Expectancy at birth <sup>*</sup> (All India Average = 69.40 years)                                   | 71.60 years               |                |
|         | Gini Coefficient <sup>§</sup>   |                           |                |
| 8.      | a. Rural (All India = 0.29)   | 0.24                      |                |
|         | b. Urban (All India = 0.38)   | 0.38                      |                |
|         | Human Development Index <sup>@@</sup>   |                           |                |
| 9.      | a. 2018 (All India Average = 0.647)   | 0.492                     |                |
|         | b. 2019 (All India Average = 0.645)   | -----                     |                |
| 10.     | Gross State Domestic Product (GSDP) 2019-20 at current price <sup>**</sup>                                | ₹ 12,53,832 crore         |                |
| 11.     | Per capita GSDP CAGR (2011-12 to 2019-20)   | West Bengal               | 10.51 per cent |
|         |   | General Category States   | 10.53 per cent |
| 12.     | GSDP CAGR (2011-12 to 2019-20)  | West Bengal               | 11.62 per cent |
|         |   | General Category States   | 11.98 per cent |
| 13.     | Population Growth (2010-11 to 2019-20)  | West Bengal               | 6.71 per cent  |
|         |   | General Category States   | 10.98 per cent |

### B. Financial Data

| Particulars                            | 2010-11 to 2018-19      |             | 2018-19 to 2019-20      |             |
|--|-------------------------|-------------|-------------------------|-------------|
|  | General Category States | West Bengal | General Category States | West Bengal |
| a. of Revenue Receipts                 | 13.65                   | 15.14       | 2.08                    | (-) 2.10    |
| b. of Own Tax Revenue                  | 12.21                   | 14.11       | 2.12                    | (-) 0.10    |
| c. of Non-Tax Revenue                  | 11.19                   | 5.52        | 23.44                   | (-) 12.14   |
| d. of Total Expenditure                | 13.87                   | 13.19       | 4.09                    | (-) 0.63    |
| e. of Capital Expenditure              | 14.64                   | 34.41       | (-) 3.86                | (-) 32.66   |
| f. of Revenue Expenditure on Education | 11.58                   | 8.92        | 11.81                   | 12.39       |
| g. of Revenue Expenditure on Health    | 15.43                   | 12.39       | 9.48                    | 20.63       |
| h. of Salary and Wages                 | 10.78                   | 6.58        | 9.51                    | 16.91       |
| i. of Pension                          | 14.14                   | 8.97        | 9.74                    | 8.71        |

<sup>@</sup>Census of India 2011: Final Population Totals

<sup>#</sup>Economic Survey 2019-20, Vol. II Page A169

<sup>^</sup>Economic Survey 2019-20, Vol. II, Page A164

<sup>\*</sup>Economic Survey 2019-20, Vol. II, Page A160

<sup>@@</sup>UNDP Report HDR 2019, Page 302 and HDR 2020, Page 243

<sup>\*\*</sup>For GSDP, the information as available from Press Note issued by Ministry of Statistics and Programme Implementation (MoSPI), Government of India dated 29 May 2020

<sup>§</sup>Measures the degree of inequality in a distribution

## APPENDIX 2.1

(Refer Paragraph 2.5.2 in Chapter II)

## Time Series Data on the State Government Finances

| Sl. No.                                  | Particulars  | 2015-16      | 2016-17 | 2017-18 | 2018-19 | 2019-20 |
|--|--|--------------|---------|---------|---------|---------|
|  |  | (₹ in crore) |         |         |         |         |
| <b>Part A. Receipts</b>                  |  |              |         |         |         |         |
| 1  | Revenue Receipts   | 109732       | 117832  | 131270  | 145975  | 142914  |
| (i)                                      | Own Tax revenue  | 42492        | 45466   | 52721   | 60732   | 60669   |
|  | Goods and Service Tax  | 0            | 0       | 14964   | 27067   | 27307   |
|  | Taxes on Agricultural Income                                     | 8            | 7       | 7       | 1       | 1       |
|  | Taxes on Sales, Trade, etc.                                      | 26050        | 27983   | 12999   | 7813    | 7161    |
|  | State Excise   | 4015         | 5226    | 9340    | 10622   | 11232   |
|  | Taxes on Vehicles  | 1707         | 1870    | 2317    | 2563    | 2601    |
|  | Stamps and Registration Fees                                     | 4175         | 4383    | 5261    | 5620    | 6026    |
|  | Land Revenue   | 2456         | 2569    | 2875    | 2847    | 2728    |
|  | Other taxes  | 4081         | 3428    | 4958    | 4199    | 3613    |
| (ii)                                     | Non-Tax Revenue  | 1862         | 2950    | 3117    | 3657    | 3213    |
| (iii)                                    | State's share of Union taxes and duties                          | 37164        | 44625   | 49321   | 55776   | 48048   |
| (iv)                                     | Grants-in-Aid from GoI   | 28214        | 24791   | 26111   | 25810   | 30984   |
| 2  | Misc. Capital Receipts   | 653          | 0       | 0       | 692     | 0       |
| 3  | Recovery of Loans & Advances                                     | 832          | 3233    | 214     | 804     | 67      |
| 4  | Non-debt receipts (1+2+3)  | 111217       | 121065  | 131484  | 147471  | 142981  |
| 5  | Public Debt Receipts   | 45747        | 37524   | 45743   | 70197   | 75699   |
| (i)                                      | Internal Debt  | 45088        | 37005   | 43718   | 69019   | 73682   |
| (a)                                      | Internal Debt (excluding Ways and Means Advances and Overdrafts) | 33949        | 35797   | 38323   | 44014   | 57822   |
| (b)                                      | Ways and Means Advances and Overdrafts                           | 11139        | 1208    | 5395    | 25005   | 15860   |
| (ii)                                     | Loans and Advances from GoI                                      | 659          | 519     | 2,025   | 1178    | 2017    |
| 6  | Total receipts in the Consolidated fund (4+5)                    | 156964       | 158589  | 177227  | 217668  | 218680  |
| 7  | Contingency Fund Receipts  | 0            | 0       | 0       | 0       | 0       |
| 8  | Public Account Receipts  | 149608       | 169633  | 202108  | 232785  | 229078  |
| 9  | Total Receipts of the State (6+7+8)                              | 306572       | 328222  | 379335  | 450453  | 447758  |
| <b>Part B. Expenditure/ Disbursement</b> |  |              |         |         |         |         |
| 10                                       | Revenue Expenditure  | 118827       | 133918  | 141077  | 156374  | 162575  |
|  | Plan   | 38361        | 36854   | 37515   | 0       | 0       |
|  | Non-Plan   | 80466        | 97064   | 103562  | 0       | 0       |
|  | General Service (Including Interest Payments)                    | 45689        | 50131   | 52416   | 56865   | 61931   |
|  | Social Services  | 47389        | 57067   | 59591   | 68764   | 73089   |
|  | Economic Services  | 24973        | 26156   | 28582   | 30256   | 27105   |
|  | Grants-in-Aid and contribution                                   | 776          | 564     | 488     | 489     | 450     |

| Sl. No.                                 | Particulars  | 2015-16      | 2016-17 | 2017-18 | 2018-19 | 2019-20 |
|---|--|--------------|---------|---------|---------|---------|
|   |  | (₹ in crore) |         |         |         |         |
| 11                                      | Capital Outlay   | 12420        | 11336   | 19368   | 23717   | 15971   |
|   | Plan   | 12420        | 11338   | 19373   | 0       | 0       |
|   | Non-Plan   | 0            | -2      | -5      | 0       | 0       |
|   | General Services   | 705          | 853     | 1003    | 927     | 748     |
|   | Social Services  | 4628         | 4438    | 7606    | 7324    | 5439    |
|   | Economic Services  | 7087         | 6045    | 10759   | 15466   | 9784    |
| 12                                      | Disbursement of Loans & Advances                                 | 861          | 1197    | -31     | 865     | 1266    |
| 13                                      | Total (10+11+12)   | 132108       | 146451  | 160414  | 180956  | 179812  |
| 14                                      | Repayment of Public Debt   | 20179        | 12304   | 25011   | 45786   | 40413   |
|   | Internal Debt  | 19362        | 11329   | 24010   | 44733   | 39282   |
|   | Internal Debt (excluding Ways and Means Advances and Overdrafts) | 8223         | 10121   | 18615   | 19728   | 23422   |
|   | Ways and Means Advances and Overdrafts                           | 11139        | 1208    | 5395    | 25005   | 15860   |
|   | Loans and Advances from GoI                                      | 817          | 975     | 1001    | 1053    | 1131    |
| 15                                      | Appropriation to Contingency Fund                                | 0            | 0       | 0       | 0       | 0       |
| 16                                      | Total Disbursement out of Consolidated Fund (13+14+15)           | 152287       | 158755  | 185425  | 226742  | 220225  |
| 17                                      | Contingency Fund Disbursements                                   | 0            | 0       | 1       | 1       | 11      |
| 18                                      | Public Accounts Disbursements                                    | 149400       | 162817  | 197543  | 224962  | 219463  |
| 19                                      | Total disbursement by the state (16+17+18)                       | 301687       | 321572  | 382969  | 451705  | 439699  |
| <b>Part C. Deficits</b>                 |  |              |         |         |         |         |
| 20                                      | Revenue Deficit (1-10)   | -9095        | -16086  | -9807   | -10399  | -19661  |
| 21                                      | Fiscal Deficit (4-13)  | -20891       | -25386  | -28930  | -33485  | -36831  |
| 22                                      | Primary Deficit (21-23)  | 2224         | 317     | -856    | -4574   | -5163   |
| <b>Part D. Other data</b>               |  |              |         |         |         |         |
| 23                                      | Interest Payment   | 23115        | 25703   | 28074   | 28911   | 31668   |
| 24                                      | Arrears of Revenue   | NA           | NA      | NA      | NA      | NA      |
| 25                                      | Financial Assistance to Local Bodies etc.                        | 49460        | 52675   | 54965   | 57589   | 61622   |
| 26                                      | Ways and Means Advances/Overdrafts availed (days)                | 78           | 3       | 22      | 149     | 107     |
| 27                                      | Interest on WMA/Overdrafts                                       | 11           | 0       | 1       | 21      | 11      |
| 28                                      | GSDP (At current prices)   | 797300       | 872527  | 974700  | 1089898 | 1253832 |
| 29                                      | Outstanding Fiscal Liabilities (year-end)                        | 306043       | 337682  | 360961  | 393300  | 433475  |
|   | Guarantees including interest                                    | 8858         | 7817    | 8570    | 6623    | 8212    |
| 30                                      | Outstanding Guarantees (year-end) (Principal)                    | 8789         | 7801    | 8545    | 6593    | 8178    |
|   | Outstanding Guarantees (year-end) (Interest)                     | 69           | 16      | 25      | 30      | 34      |
| 31                                      | Maximum amount guaranteed  | 14625        | 15613   | 15034   | 16050   | 14228   |
| 32                                      | Number of Incomplete Projects                                    | NA           | NA      | NA      | NA      | NA      |
| 33                                      | Capital blocked in incomplete projects                           | 3533         | 3708    | NA      | NA      | NA      |
| <b>Part E. Fiscal health Indicators</b> |  |              |         |         |         |         |

| Sl. No.                                     | Particulars  | 2015-16      | 2016-17 | 2017-18 | 2018-19 | 2019-20 |
|---|--|--------------|---------|---------|---------|---------|
|   |  | (₹ in crore) |         |         |         |         |
| <b>I. Resource Mobilisation</b>             |  |              |         |         |         |         |
| 34  | Own Tax Revenue/GSDP                                     | 0.053        | 0.052   | 0.054   | 0.056   | 0.048   |
| 35  | Own Non-Tax Revenue/GSDP                                 | 0.002        | 0.003   | 0.003   | 0.003   | 0.003   |
| 36  | Central Tax/GSDP   | 0.047        | 0.051   | 0.051   | 0.051   | 0.038   |
| <b>II. Expenditure Management</b>           |  |              |         |         |         |         |
| 37  | Total Expdr./GSDP (%)                                    | 16.57        | 16.78   | 16.46   | 16.60   | 14.34   |
| 38  | Total Revenue Expdr./Receipts (%)                        | 108.29       | 113.65  | 107.47  | 107.12  | 113.76  |
| 39  | Revenue Expdr./Total Expdr. (%)                          | 89.95        | 91.44   | 87.95   | 86.42   | 90.41   |
| 40  | Expdr. on Social Service (Total)                         | 52090        | 61590   | 67374   | 76462   | 78983   |
| 41  | Expdr. on SS/TE (%)                                      | 39.43        | 42.06   | 42.00   | 42.25   | 43.93   |
| 42  | Expdr. on Eco. Service (Total)                           | 32846        | 33310   | 39131   | 46212   | 37697   |
| 43  | Expdr. on ES/TE(%)                                       | 24.86        | 22.74   | 24.39   | 25.54   | 20.96   |
| 44  | CO/ Total outlay (%)                                     | 9.40         | 7.74    | 12.07   | 13.11   | 8.88    |
| 45  | CO on Social and Eco. Service                            | 11715        | 10483   | 18365   | 22790   | 22790   |
| 46  | CO on SS and ES/TE(%)                                    | 8.87         | 7.16    | 11.45   | 12.59   | 12.67   |
| <b>III. Management of Fiscal Imbalances</b> |  |              |         |         |         |         |
| 47  | Revenue Deficit/GSDP(%)                                  | 1.14         | 1.84    | 1.01    | 0.95    | 1.57    |
| 48  | Fiscal Deficit/GSDP(%)                                   | 2.62         | 2.91    | 2.97    | 3.07    | 2.94    |
| 49  | Primary Deficit/GSDP(%)                                  | -0.28        | -0.04   | 0.09    | 0.42    | 0.41    |
| 50  | Revenue Deficit/Fiscal Deficit (%)                       | 43.54        | 63.37   | 33.90   | 31.06   | 53.38   |
| 51  | Primary Revenue Balance                                  | 14020        | 9617    | 18267   | 18512   | 12007   |
| 52  | Primary Revenue Balance/GSDP                             | 0.018        | 0.011   | 0.019   | 0.017   | 0.010   |
| <b>IV. Management of Fiscal Liabilities</b> |  |              |         |         |         |         |
| 53  | Fiscal liabilities/GSDP(%)                               | 38.38        | 38.70   | 37.03   | 36.09   | 34.57   |
| 54  | Fiscal Liabilities/RR                                    | 278.90       | 286.58  | 274.98  | 269.43  | 303.31  |
| 55  | Debt Receipts (Total)                                    | 100761       | 104895  | 127580  | 161383  | 181007  |
| 56  | Debt Payment (Total)                                     | 72298        | 73255   | 104301  | 129044  | 140832  |
| 57  | Total Debt Redemption (Principal + Interest)             | 95413        | 98958   | 132375  | 157955  | 172500  |
| 58  | Debt Redemption(Principal+Interest)/ Total debt receipts | 0.95         | 0.94    | 1.04    | 0.98    | 0.95    |
| <b>V. Other Fiscal health Indicators</b>    |  |              |         |         |         |         |
| 59  | Return on Investment (in per cent)                       | 0.09         | 0.01    | 0.25    | 0.28    | 0.28    |
| 60  | BCR (₹ in crore)   | 13104        | 6544    | 1797    | NA*     | NA*     |
| 61  | Financial Assets/ Liabilities                            | 0.31         | 0.33    | 0.35    | 0.38    | 0.39    |
| 62  | IP/ RR   | 21.06        | 21.81   | 21.39   | 19.81   | 22.16   |

Source: Finance Accounts

\*NA i.e., Not Applicable since Plan & Non Plan have are deleted from the year 2018-19 onwards.

**APPENDIX 2.2***(Refer Paragraph 2.9.3 in Chapter II)***Statement showing Investment and Loans given by the State Government to loss making Companies during 2019-20**

| Sl. No. | Company/ Corporation                                       | Profit/ Loss after tax as per latest available Accounts | Investment in Share Capital by WB Govt. during 2019-20 | Cumulative investment in Share Capital by WB Govt. upto 2018-19 | Loan given by WB Govt. during 2019-20 | Cumulative loan given by WB Govt. upto 2018-19 | Company Accounts available upto |
|---------|--|---|--|---|---------------------------------------|--|---------------------------------|
|         |  |   |  |   |                                       |  |                                 |
| 1.      | Basumati Corporation Limited                               | (11.51)   | 0.00   | 0.10  | 1.80                                  | 73.87  | 2017-18                         |
| 2.      | Britannia Engineering Limited                              | (16.54)   | 0.00   | 145.87  | 6.44                                  | 26.95  | 2017-18                         |
| 3.      | Calcutta State Transport Corporation                       | (68.02)   | 0.00   | 8.62  | 30.38                                 | 547.69   | 2018-19                         |
| 4.      | Durgapur Chemicals Limited                                 | (18.01)   | 11.25  | 588.02  | 157.53                                | 0.00   | 2018-19                         |
| 5.      | Greater Calcutta Gas Supply corporation Limited            | (31.45)   | 25.00  | 68.40   | 20.29                                 | 163.71   | 2018-19                         |
| 6.      | Infusions (India) Limited                                  | (3.86)  | 0.00   | 7.49  | 0.58                                  | 14.73  | 2015-16                         |
| 7.      | Kalyani Spinning Mills Limited                             | (94.49)   | 0.00   | 14.63   | 38.80                                 | 6.98   | 2018-19                         |
| 8.      | Krishna Silicates and Glass (1987) Limited                 | (7.28)  | 0.00   | 0.00  | 0.09                                  | 60.94  | 2005-06                         |
| 9.      | National Iron & Steel Company (1984) Limited               | (19.07)   | 0.00   | 11.50   | 1.23                                  | 12.23  | 2018-19                         |
| 10.     | Neo Pipes & Tubes Co Limited                               | (9.93)  | 0.00   | 2.20  | 0.86                                  | 7.04   | 2018-19                         |
| 11.     | North Bengal State Transport Corporation                   | (37.06)   | 0.00   | 3.63  | 27.73                                 | 437.34   | 2018-19                         |
| 12.     | Pulver Ash Projects Limited                                | (0.07)  | 0.00   | 0.00  | 0.02                                  | 0.00   | 2018-19                         |
| 13.     | Silpabarta Printing Press Limited                          | (2.55)  | 0.00   | 0.89  | 1.87                                  | 5.07   | 2018-19                         |
| 14.     | South Bengal State Transport Corporation                   | (94.93)   | 0.00   | 10.06   | 35.00                                 | 358.58   | 2018-19                         |
| 15.     | The Shalimar Works (1980) Limited                          | (32.14)   | 0.00   | 1.25  | 7.07                                  | 138.95   | 2018-19                         |
| 16.     | West Bengal Film Development Corpn Limited                 | (7.36)  | 0.00   | 0.00  | 1.29                                  | 40.66  | 2017-18                         |
| 17.     | West Bengal Handloom & Powerloom Development Corpn Limited | (0.09)  | 0.00   | 33.75   | 0.00                                  | 0.47   | 2016-17                         |
| 18.     | West Bengal Highway Development Corporation Limited        | (60.77)   | 50.00  | 1163.24   | 0.00                                  | 50.00  | 2018-19                         |

**State Finances Audit Report for the year ended March 2020**

| Sl. No.      | Company/ Corporation  | Profit/ Loss after tax as per latest available Accounts | Investment in Share Capital by WB Govt. during 2019-20 | Cumulative investment in Share Capital by WB Govt. upto 2018-19 | Loan given by WB Govt. during 2019-20 | Cumulative loan given by WB Govt. upto 2018-19 | Company Accounts available upto |
|--------------|---|---|--|---|---------------------------------------|--|---------------------------------|
|              |   | (₹ in crore)  |  |   |                                       |  |                                 |
| 19.          | West Bengal Pharmaceutical & Phytochemical Development Corporation Limited                  | (4.13)  | 0.00   | 25.96   | 2.42                                  | 12.35  | 2017-18                         |
| 20.          | West Bengal State Electricity Distribution Company Limited                                  | (1,275.77)  | 11.58  | 1,680.46  | 500.00                                | 114.77   | 2018-19                         |
| 21.          | West Bengal State Leather Industries Development Corpn Limited                              | (0.46)  | 0.00   | 5.64  | 0.13                                  | 2.27   | 2010-11                         |
| 22.          | West Bengal Surface Transport Corporation Limited   | (89.98)   | 0.00   | 1.01  | 24.01                                 | 319.25   | 2018-19                         |
| 23.          | West Bengal Tourism Development Corpn Limited   | (2.75)  | 0.00   | 16.93   | 4.00                                  | 0.55   | 2018-19                         |
| 24.          | West Bengal Transport Corpn Limited {Formerly The Calcutta Tramways company (1978) Limited} | (89.98)   | 0.00   | 20.40   | 32.75                                 | 329.47   | 2018-19                         |
| 25.          | West Dinajpur Spinning Mills Limited  | (42.81)   | 0.00   | 12.75   | 17.47                                 | 184.41   | 2018-19                         |
| 26.          | Westing House Saxby Farmer Limited  | (14.36)   | 0.00   | 386.87  | 7.24                                  | 61.99  | 2017-18                         |
| <b>TOTAL</b> |   | <b>(2,035.36)</b>                                       | <b>97.83</b>   | <b>4,209.67</b>   | <b>919.00</b>                         | <b>2,970.27</b>                                |                                 |

Source: Company Accounts

**APPENDIX 4.1***(Refer Paragraph 4.8 in Chapter IV)***Suspense and Remittance Balances which impact the Cash Balance**

| Sl. No.                      | Head of Account Ministry/Department with which pending                     | Balance as on 31 March 2020 |          | Impact of outstanding on cash balance    |
|------------------------------|--|-----------------------------|----------|--|
|                              |  | Dr.                         | Cr.      |  |
| (₹ in crore)                 |  |                             |          |  |
| <b>8658-Suspense Account</b> |  |                             |          |  |
| 1                            | 101-PAO Suspense Ministry of Transport and Highways                        | 113.78                      | 13.59    | Cash balance will increase on settlement |
|                              | Net  | 100.19 (Dr.)                |          |  |
|                              | 101-PAO Suspense Ministry of External Affairs                              | 1.42                        | 0.26     | Cash balance will increase on settlement |
|                              | Net  | 1.16 (Dr.)                  |          |  |
|                              | 101- PAO Suspense Central Pension Accounting Office (IAS officers pension) | 70.33                       | 0.45     | Cash balance will increase on settlement |
|                              | Net  | 69.88 (Dr.)                 |          |  |
|                              | 101- PAO Suspense Ministry of Finance (Central Freedom Fighter Pension)    | 1.15                        | 0        | Cash balance will increase on settlement |
|                              | Net  | 1.15 (Dr.)                  |          |  |
|                              | 101- PAO Suspense Other Central Ministry                                   | 1.07                        | -8.67    | Cash balance will increase on settlement |
| Net                          | 9.74 (Dr.)   |                             |          |  |
| 2                            | 102-Suspense Account (Civil) Account with Defence                          | 204.79                      | 198.22   | Cash balance will increase on settlement |
|                              | Net  | 6.57 (Dr.)                  |          |  |
|                              | 102-Suspense Account (Civil) Eastern Railway                               | 4.23                        | 4.32     | Cash balance will increase on settlement |
|                              | Net  | 0.09 (Cr.)                  |          |  |
|                              | 102-Suspense Account (Civil) South Easter Railway                          | 15.88                       | 16.95    | Cash balance will decrease on settlement |
|                              | Net  | 1.07 (Cr.)                  |          |  |
|                              | 102-Suspense Account (Civil) Other Railway Accounts                        | 2.25                        | 1.55     | Cash balance will increase on settlement |
|                              | Net  | 0.7 (Dr.)                   |          |  |
|                              | 102-Suspense Account (Civil) Un credited amount under e-Payment            | 837.01                      | 1,064.32 | Cash balance will decrease on settlement |
| Net                          | 227.31 (Cr.)   |                             |          |  |
| 3                            | 109-Reserve Bank Suspense-Headquarters                                     | -5.2                        | -1.46    | Cash balance will decrease on settlement |
|                              | Net  | 3.74 (Cr.)                  |          |  |

| Sl. No.  | Head of Account Ministry/Department with which pending | Balance as on 31 March 2020 |           | Impact of outstanding on cash balance    |
|--|--|-----------------------------|-----------|--|
|  |  | Dr.                         | Cr.       |  |
|  |  | (₹ in crore)                |           |  |
| 4  | 123-A.I.S. Officer Group Insurance Scheme              | 4.49                        | 3.13      | Cash balance will increase on settlement |
|  | Net  | 1.36 (Dr.)                  |           |  |
| 5  | 129-Material purchase settlement Suspense Account      | 0.02                        | 67.46     | Cash balance will decrease on settlement |
|  | Net  | 67.44 (Cr.)                 |           |  |
| <b>8782-Cash Remittances and Adjustments between officers rendering account to the same Accounts Officer</b> |  |                             |           |  |
| 1  | 102-P.W. Remittances                                   | 14,156.28                   | 14,145.2  | Cash balance will increase on settlement |
|  | I-Remittances into Treasuries                          |                             |           |  |
|  | Net  | 11.08 (Dr.)                 |           |  |
|  | 102-P.W. Remittances                                   | 52,205.99                   | 52,320.76 | Cash balance will decrease on settlement |
|  | II- PW Cheques   |                             |           |  |
|  | Net  | 114.77 (Cr.)                |           |  |
| 2  | 103-Forest Remittances                                 | 2,158.31                    | 1,810.44  | Cash balance will increase on settlement |
|  | I-Remittances into Treasuries                          |                             |           |  |
|  | Net  | 347.87 (Dr.)                |           |  |
|  | 103-Forest Remittances                                 | 3,969.19                    | 4,291.85  | Cash balance will decrease on settlement |
|  | II-Forest Cheques                                      |                             |           |  |
|  | Net  | 322.66 (Cr.)                |           |  |
| 3  | 8793-Inter State Suspense Accounts                     | 29.97                       | 0.75      | Cash balance will increase on settlement |
|  | Net  | 29.22 (Dr.)                 |           |  |

*Source: Finance Accounts*

**APPENDIX 4.2***(Refer Paragraph 4.12 in Chapter IV)***Arrears of Accounts of Bodies or Authorities**

| Sl. No. | Name of Body or Authority   | Accounts pending since | No. of Accounts pending up to F.Y 2019-20 |
|---------|---|------------------------|---|
| 1       | West Bengal Human Rights Commission   | 2015-16                | 5   |
| 2       | West Bengal Building and other Construction Workers Welfare Board                               | 2019-20                | 1   |
| 3       | West Bengal State Legal Services Authority  | 2016-17                | 4   |
| 4       | District Legal Services Authorities, rest of 4 districts <sup>58</sup>                          | 1998-99                | 88  |
| 5       | District Legal Services Authority, Bankura  | 2015-16                | 5   |
| 6       | District Legal Services Authority, Birbhum  | 2014-15                | 6   |
| 7       | District Legal Services Authority, Burdwan  | 2008-09                | 12  |
| 8       | District Legal Services Authority, Cooch behar  | 2018-19                | 2   |
| 9       | District Legal Services Authority, Darjeeling   | 2017-18                | 3   |
| 10      | District Legal Services Authority, Uttar Dinajpur   | 2012-13                | 8   |
| 11      | District Legal Services Authority, Dakshin Dinajpur   | 2019-20                | 1   |
| 12      | District Legal Services Authority, Howrah   | 2009-10                | 11  |
| 13      | District Legal Services Authority, Jalpaiguri   | 2014-15                | 6   |
| 14      | District Legal Services Authority, Malda  | 2013-14                | 7   |
| 15      | District Legal Services Authority, Purba Medinipur  | 2019-20                | 1   |
| 16      | District Legal Services Authority, Paschim Medinipur  | 2018-19                | 2   |
| 17      | District Legal Services Authority, Nadia  | 2016-17                | 4   |
| 18      | District Legal Services Authority, Purulia  | 2016-17                | 4   |
| 19      | District Legal Services Authority, Hooghly  | 2018-19                | 2   |
| 20      | West Bengal Heritage Commission   | 2018-19                | 2   |
| 21      | West Bengal Housing Board   | 2016-17                | 4   |
| 22      | West Bengal Comprehensive Area Development Corporation  | 2016-17                | 4   |
| 23      | West Bengal Commission for Women  | 2017-18                | 3   |
| 24      | West Bengal Commission for Backward Classes   | 2019-20                | 1   |
| 25      | West Bengal Unorganised Sector Workers Welfare Board  | 2015-16                | 3 (Audit entrusted up to 2017-18)         |
| 26      | W. B. Minorities Development & Finance Corporation  | 2017-18                | 3   |
| 27      | West Bengal Scheduled Caste, Scheduled Tribes & other Backward Classes Dev. & Fin. Corporation. | 2019-20                | 1   |
| 28      | W.B. State Warehousing corporation  | 2017-18                | 3   |
| 29      | Kolkata Metropolitan Dev. Authority   | 2018-19                | 2   |

<sup>58</sup> 1. DLSA 24 Parganas (N), 2. DLSA 24 Parganas (S), 3. DLSA Murshidabad, 4. DLSA Kolkata

| <b>Sl. No.</b> | <b>Name of Body or Authority</b>   | <b>Accounts pending since</b>            | <b>No. of Accounts pending up to F.Y 2019-20</b>       |
|----------------|--|--|--|
| 30             | Commissioners for Rabindra Setu (CRS)  | 2019-20                                  | 1  |
| 31             | Darjeeling Gorkha Hill Council (DGHC) <sup>59</sup>  | 2011-12 to 2012-13<br>(up to 01.08.2012) | 2  |
| 32             | Gorkhaland Territorial Administration (GTA) <sup>60</sup>  | 2015-16                                  | 5  |
| 33             | West Bengal Khadi & Village Industries Board (WBKVIB)  | 2019-20                                  | 1  |
| 34             | West Bengal Biodiversity Board (WBBB)  | 2017-18                                  | 3  |
| 35             | West Bengal University of Animal & Fishery Sciences (WBUAFS)   | 2010-11                                  | 10   |
| 36             | East Kolkata Wetland Management Authority (EKWMA)  | 2019-20                                  | 1  |
| 37             | West Bengal Veterinary Council (WBVC)  | 2018-19                                  | 2  |
| 38             | West Bengal State Compensatory Afforestation Fund Management and Planning Authority (WB State CAMPA) | 2018-19                                  | 2  |
| 39             | Asansol Durgapur Development Authority   | 2012-13                                  | 8  |
| 40             | Burdwan Development Authority  | 2016-17                                  | 4  |
| 41             | Bhangore Rajarhat Area Development Authority   | 2010-11                                  | 2 (BRADA has been merged with HIDCO w.e.f. 01.08.2011) |
| 42             | Digha Sankarpur Development Authority  | 2019-20                                  | 1  |
| 43             | Haldia Development Authority   | 2019-20                                  | 1  |
| 44             | Jaigaon Development Authority  | 2017-18                                  | 1 (Audit entrusted up to 2017-18)                      |
| 45             | Midnapore Kharagpur Development Authority  | 2013-14                                  | 5 (Audit entrusted up to 2017-18)                      |
| 46             | Siliguri Jalpaiguri Development Authority  | 2018-19                                  | 2  |
| 47             | West Bengal Central School Service Commission  | 2014-15                                  | 3 (Audit entrusted up to 2016-17)                      |
| 48             | West Bengal Regional School Service Commission (Eastern Region)                                      | 2014-15                                  | 3 (Audit entrusted up to 2016-17)                      |
| 49             | West Bengal Regional School Service Commission (Northern Region)                                     | 2015-16                                  | 2(Audit entrusted up to 2016-17)                       |
| 50             | West Bengal Regional School Service Commission (Southern Region)                                     | 2015-16                                  | 2(Audit entrusted up to 2016-17)                       |
| 51             | West Bengal State Council of Technical Education   | 2004-05                                  | 12 (Audit entrusted up to 2015-16)                     |
| <b>Total</b>   |  |  | <b>271</b>   |

Note: Annual accounts received up to September 2020 have been considered.

<sup>59</sup> DGHC ceased to exist and was replaced by GTA w.e.f. 02.08.2012.

<sup>60</sup> Accounts for the period 2012-13 (from 02.08.2012), 2013-14 and 2014-15 were received in July 2019.

## APPENDIX 4.3 Glossary of Terms

| Terms                          | Description  |
|--------------------------------|--|
| Appropriation Accounts         | Appropriation Accounts present the total amount of funds (Original and Supplementary) authorised by the Legislative Assembly in the budget grants under each voted grant and charged appropriation <i>vis-à-vis</i> the actual expenditure incurred against each and the unspent provisions or excess under each grant or appropriation. Any expenditure in excess of the grants requires regularisation by the Legislature.   |
| Autonomous Bodies              | Autonomous Bodies (usually registered Societies or Statutory Corporations) are set up whenever it is felt that certain functions need to be discharged outside the Governmental set-up with some amount of independence and flexibility without day-to-day interference of the Governmental machinery.   |
| Buoyancy ratio                 | Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable.  |
| Committed expenditure          | The committed expenditure of the State Government on revenue account mainly consists of interest payments, expenditure on salaries and wages, pensions and subsidies on which the present executive has limited control.   |
| Consolidated Fund of the State | The fund constituted under Article 266 (1) of the Constitution of India into which all receipts, revenues and loans flow. All expenditure from the Consolidated Fund of the State is by appropriation: voted or charged. It consists of two main divisions namely Revenue Account (Revenue Receipts and Revenue Expenditure) and Capital Account (Public Debt and Loans, <i>etc.</i> ).  |
| Contingency Fund               | Contingency Fund is in the nature of an imprest into which is paid from time to time such sums as may be determined by law, and the said fund is placed at the disposal of the Governor to enable advances to be made by him out of it for the purpose of meeting unforeseen expenditure pending authorisation of such expenditure by Legislature Assembly by law under Article 115 or Article 116 of the Constitution.  |
| Contingent liability           | Contingent liability is a liability which may or may not be incurred by an entity depending on the outcome of a future event such as a court case.   |
| Debt sustainability            | The Debt sustainability is defined as the ability of the State to maintain a constant debt-GSDP ratio over a period of time and also embodies the concern about the ability to service its debt. Sustainability of debt therefore also refers to sufficiency of liquid assets to meet current or committed obligations and the capacity to keep balance between costs of additional borrowings with returns from such borrowings. It means that rise in fiscal deficit should match with the increase in capacity to service the debt. |
| Guarantees                     | 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.   |
| Public Accounts Committee      | A Committee constituted by the Legislative Assembly for the examination of the reports of the Comptroller and Auditor General of India.  |

| <b>Terms</b>                    | <b>Description</b>   |
|---------------------------------|--|
| Re-appropriation                | Means the transfer of funds from one primary unit of appropriation to another such unit.   |
| Sinking Fund                    | A Fund into which the Government sets aside money over time, in order to retire its debt.  |
| Supplementary grants            | If the amount authorised by any law made in accordance with the provisions of Article 114 of the Constitution to be expended for a particular service for the current financial year is found to be insufficient for the purpose of that year or when a need has arisen during the current financial year for the supplementary or additional expenditure upon some 'new service' not contemplated in the original budget for that year, Government is to obtain supplementary grants or appropriations in accordance with the provision of Article 115(1) of the Constitution.  |
| Surrenders of unspent provision | Departments of the State Government are to surrender to the Finance Department, before the close of the financial year, all the anticipated unspent provisions noticed in the grants or appropriations controlled by them. The Finance Department is to communicate the acceptance of such surrenders, as are accepted by them to the Audit Officer and/or the Accounts Officer, as the case may be, before the close of the financial year.   |
| Suspense and Miscellaneous      | Items of receipts and payments which cannot at once be taken to a final head of receipt or charge owing to lack of information as to their nature or for any other reasons, may be held temporarily under the major head "8658-Suspense Account" in the sector "L. Suspense and Miscellaneous" of the Accounts, (Footnotes under the major head in the list of major/minor heads of account may be referred to for further guidance). A service receipt of which full particulars are not given must not be taken to the head "Suspense Account" but should be credited to the minor head "Other Receipt" under the revenue major head to which it appears to belong pending eventual transfer to the credit of the correct head on receipt of detailed particulars. |
| Net Debt Available              | Excess of Public Debt Receipts and Public Account Receipts over Public Debt Repayment, Public Account disbursement and payment of Interest.  |

**List of Abbreviations Used**

| <b>Abbreviations</b> | <b>Full Form</b>                                       |
|----------------------|--|
| A&E                  | Accounts & Entitlement                                 |
| AB                   | Autonomous Body  |
| AC                   | Abstract Contingent                                    |
| AE                   | Aggregate Expenditure                                  |
| AIS                  | All India Service                                      |
| AMRUT                | Atal Mission for Rejuvenation and Urban Transformation |
| APL                  | Above Poverty Line                                     |
| BCR                  | Balance from Current Revenue                           |
| BE                   | Budget Estimate  |
| BEUP                 | Bidhayak Elaka Unnayan Prakalpa                        |
| BPL                  | Below Poverty Line                                     |
| BRADA                | Bhangore Rajarhat Area Development Authority           |
| CAG                  | Comptroller and Auditor General                        |
| CAGR                 | Compound Annual Growth Rate                            |
| CCO                  | Chief Controlling Officer                              |
| CE                   | Capital Expenditure                                    |
| CGA                  | Controller General of Accounts                         |
| CGST                 | Central Goods and Services Tax                         |
| CO                   | Capital Outlay   |
| COPPY                | Corresponding Period of the Previous Year              |
| CRS                  | Commissioners for Rabindra Setu                        |
| CSS                  | Centrally Sponsored Scheme                             |
| DC                   | Detailed Contingent                                    |
| DDO                  | Drawing and Disbursing Officer                         |
| DDR                  | Debt, Deposit and Remittances                          |
| DGHC                 | Darjeeling Gorkha Hill Council                         |
| DLSA                 | District Legal Services Authority                      |
| DM                   | District Magistrate                                    |
| DPC                  | Duties, Powers and Conditions                          |
| DPL                  | Durgapur Projects Limited                              |
| DSA                  | Debt Sustainability Analysis                           |
| EKWMA                | East Kolkata Wetland Management Authority              |

| <b>Abbreviations</b> | <b>Full Form</b>                                       |
|----------------------|--|
| FC                   | Finance Commission                                     |
| FD                   | Fiscal Deficit   |
| FPSS                 | Fiscal Policy Strategy Statement                       |
| FRBM                 | Fiscal Responsibility and Budget Management            |
| FY                   | Financial Year   |
| GCGSCL               | Greater Calcutta Gas Supply Corporation Limited        |
| GCS                  | General Category State                                 |
| GDP                  | Gross Domestic Product                                 |
| GIA                  | Grants-in-Aid  |
| GoI                  | Government of India                                    |
| GoWB                 | Government of West Bengal                              |
| GRF                  | Guarantee Redemption Fund                              |
| GSDP                 | Gross State Domestic Product                           |
| GST                  | Goods and Services Tax                                 |
| GSTN                 | Goods and Services Tax Network                         |
| GTA                  | Gorkhaland Territorial Administration                  |
| HDR                  | Human Development Report                               |
| HIDCO                | Housing Infrastructure Development Corporation Ltd     |
| IAS                  | Indian Administrative Service                          |
| IFMS                 | Integrated Financial Management System                 |
| IGST                 | Integrated Goods and Services Tax                      |
| IGAS                 | Indian Government Accounting Standard                  |
| IP                   | Interest Payments                                      |
| MB                   | Market Borrowing                                       |
| MGNREGA              | Mahatma Gandhi National Rural Employment Guarantee Act |
| MIS                  | Management Information System                          |
| MoSPI                | Ministry of Statistics and Programme Implementation    |
| MPLAD                | Member of Parliament Local Area Development            |
| MTFP                 | Medium Term Fiscal Policy                              |
| MTFPS                | Medium Term Fiscal Policy Statement                    |
| NBMC                 | North Bengal Medical College                           |
| NDRF                 | National Disaster Response Fund                        |

| <b>Abbreviations</b> | <b>Full Form</b>                         |
|----------------------|--|
| NEM                  | National Education Mission               |
| NHM                  | National Health Mission                  |
| NPS                  | National Pension System                  |
| NRHM                 | National Rural Health Mission            |
| NSAP                 | National Social Assistance Programme     |
| NSDL                 | National Securities Depositories Limited |
| NSSF                 | National Small Savings Fund              |
| NTA                  | Notes to Accounts                        |
| OD                   | Overdraft                                |
| OTR                  | Own Tax Revenue                          |
| PAC                  | Public Accounts Committee                |
| PAO                  | Pay and Accounts Office                  |
| PD                   | Personal Deposit / Primary Deficit       |
| PDA                  | Personal Deposit Account                 |
| PE                   | Provisional Estimate                     |
| PF                   | Provident Fund                           |
| PL                   | Personal Ledger                          |
| PMGSY                | Pradhan Mantri Gram Sadak Yojana         |
| PMSSY                | Pradhan Mantri Swasthya Suraksha Yojana  |
| PSU                  | Public Sector Undertaking                |
| PWD                  | Public Works Department                  |
| PY                   | Previous Year                            |
| RBI                  | Reserve Bank of India                    |
| RD                   | Revenue Deficit                          |
| RE                   | Revised Estimate/ Revenue Expenditure    |
| RR                   | Revenue Receipts                         |
| SAR                  | Separate Audit Report                    |
| SDRF                 | State Disaster Response Fund             |
| SFAR                 | State Finances Audit Report              |
| SGST                 | State Goods and Services Tax             |
| SS                   | Social Service                           |
| SUDA                 | State Urban Development Agency           |

| <b>Abbreviations</b> | <b>Full Form</b>   |
|----------------------|--|
| SWMA                 | Special Ways and Means Advance                             |
| TE                   | Total Expenditure  |
| TPDS                 | Targeted Public Distribution System                        |
| UC                   | Utilisation Certificate                                    |
| ULB                  | Urban Local Body   |
| UNDP                 | United Nations Development Programme                       |
| VAT                  | Value Added Tax  |
| VLC                  | Voucher Level Computerisation                              |
| WBBB                 | West Bengal Biodiversity Board                             |
| WBBM                 | West Bengal Budget Manual                                  |
| WBCETF               | West Bengal Compensatory Entry Tax Fund                    |
| WBCGA                | West Bengal Ceiling on Government Guarantee Act            |
| WBFR                 | West Bengal Financial Rule                                 |
| WBFRBM               | West Bengal Fiscal Responsibility and Budget Management    |
| WBHDCL               | West Bengal Highway Development Corporation Limited        |
| WBIDCL               | West Bengal Industrial Development Corporation Limited     |
| WBKVIB               | West Bengal Khadi & Village Industries Board               |
| WBPDCCL              | West Bengal Power Development Corporation Limited          |
| WBREPF               | West Bengal Rural Employment and Production Fund           |
| WBSEDCL              | West Bengal State Electricity Distribution Company Limited |
| WBTR                 | West Bengal Treasury Rule                                  |
| WBUAFS               | West Bengal University of Animal and Fishery Sciences      |
| WBVC                 | West Bengal Veterinary Council                             |
| WMA                  | Ways and Means Advance                                     |



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