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[1] 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 9.86 crore (7.18 *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 ₹ 1,56,160. A profile of the State with demographics and other details is given in ***Appendix 1.1.***

1.2 Gross State Domestic Product

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.

Conventionally, in the State Finances Audit Report (SFAR), GDP and GSDP figures for the last five years are sourced from the Ministry of Statistics and Programme Implementation (MoSPI), Government of India. GDP and GSDP figures for the current year and the last three years are mentioned as Provisional Estimates (PE), 1st Revised Estimates (RE), 2nd RE and 3rd RE, respectively. In the MoSPI release (1 August 2022), GDP figures have been shown, maintaining this rationality. In the said release, PE figure of West Bengal for the current year (2021-22) is not available. Hence, in this Report, 1st Advanced Estimates (AE) figure for the year 2021-22, mentioned in the budget document 2022-23, have been considered for comparing various fiscal parameters.

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

Trends in annual growth of West Bengal's GSDP *vis-à-vis* the GDP of the country, for the period from 2017-18 to 2021-22, are given in **Table 1.1.**

[1] 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.

Table 1.1: Trends in GSDP compared to GDP

Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
GDP (2011-12 Series) (₹ in crore)	1,70,90,042	1,88,99,668	2,00,74,856	1,98,00,914	2,36,64,637
Growth rate of GDP (in *per cent*)	11.03	10.59	6.22	(-) 1.36	19.51
GSDP (2011-12 Series) (₹ in crore)	9,74,700	11,02,283	12,07,823	13,01,017	15,36,681
Growth rate of GSDP (in *per cent*)	11.71	13.09	9.57	7.72	18.11

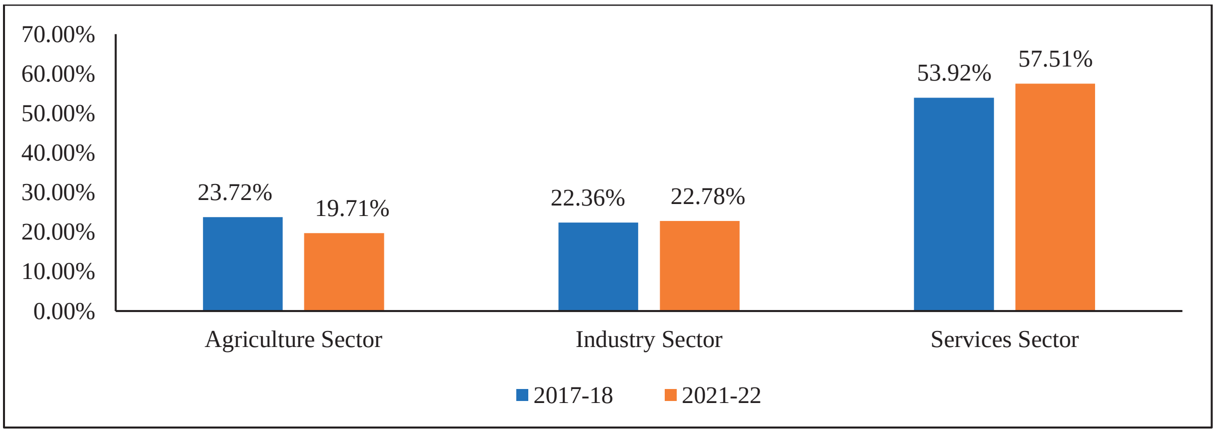
Source: Ministry of Statistics and Programme Implementation (MoSPI), Government of India dated 01 August 2022 (in respect of GDP for 2017-18 to 2021-22 and GSDP for 2017-18 to 2020-21); GSDP for the year 2021-22 collected from the 1st Advanced Estimates, Bureau of Applied Economics and Statistics, Government of West Bengal, placed with the Budget 2022-23

The GSDP of West Bengal had grown at a faster rate than the National GDP during 2017-21. In the current year, however, the growth of GDP of India exceeded the growth of State's GSDP, by 1.40 *per cent.*

GSDP measures the total value of products and services that the state manufactures or delivers while the Gross State Value Added (GSVA) measures the value added to the product to enhance its worth. GSVA is calculated as GSDP *minus* (Taxes on Products *minus* Subsidies on Products).

The sectoral contribution to GSVA during 2021-22 *vis-à-vis* 2017-18 in respect of primary, secondary and tertiary sectors is shown in **Chart 1.1.**

Chart 1.1: Change in sectoral contribution to GSVA (2017-18 and 2021-22)



Source: GSVA for the year 2017-18 collected from Ministry of Statistics and Programme Implementation (MoSPI), Government of India dated 1 August 2022 while for the year 2021-22, figure collected from the MTFPS, placed with the Budget for the year 2022-23.
Note: Since one of the components of GSDP i.e., 'Taxes on Products minus Subsidies on Products' is not available in the Budget documents of West Bengal (2022-23), hence the sectoral breakup of components have been done based on the GSVA.

The relative share of the Services Sector, which contributed more than half of the GSVA, had increased by 3.59 *per cent* during 2021-22 over 2017-18 implying that the Services sector is the primary driver of the State's economy. Relative share of Agriculture sector contracted by 4.01 *per cent* while the share of the Industry sector increased by 0.42 *per cent* during 2021-22 over 2017-18.

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, 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).

The 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 the Principal Accountant General (Audit-II), West Bengal.

The analysis is also carried out in the context of recommendations of the XIV and XV Finance Commissions (FCs), 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 five Chapters:

Chapter - I	**Overview** 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.
Chapter - II	**Finances of the State** 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 2017-18 to 2021-22, debt profile of the State and key Public Account transactions, based on the Finance Accounts of the State.
Chapter - III	**Budgetary Management** 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.
Chapter - IV	**Quality of Accounts & Financial Reporting Practices** 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.
Chapter - V	**Functioning of State Public Sector Enterprises (SPSEs)** This Chapter presents the financial performance of 'Government Companies', 'Statutory Corporations' and 'Government controlled Other Companies'.

1.5 Overview of the structure of Government Accounts 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 of 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 the 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 consist 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).

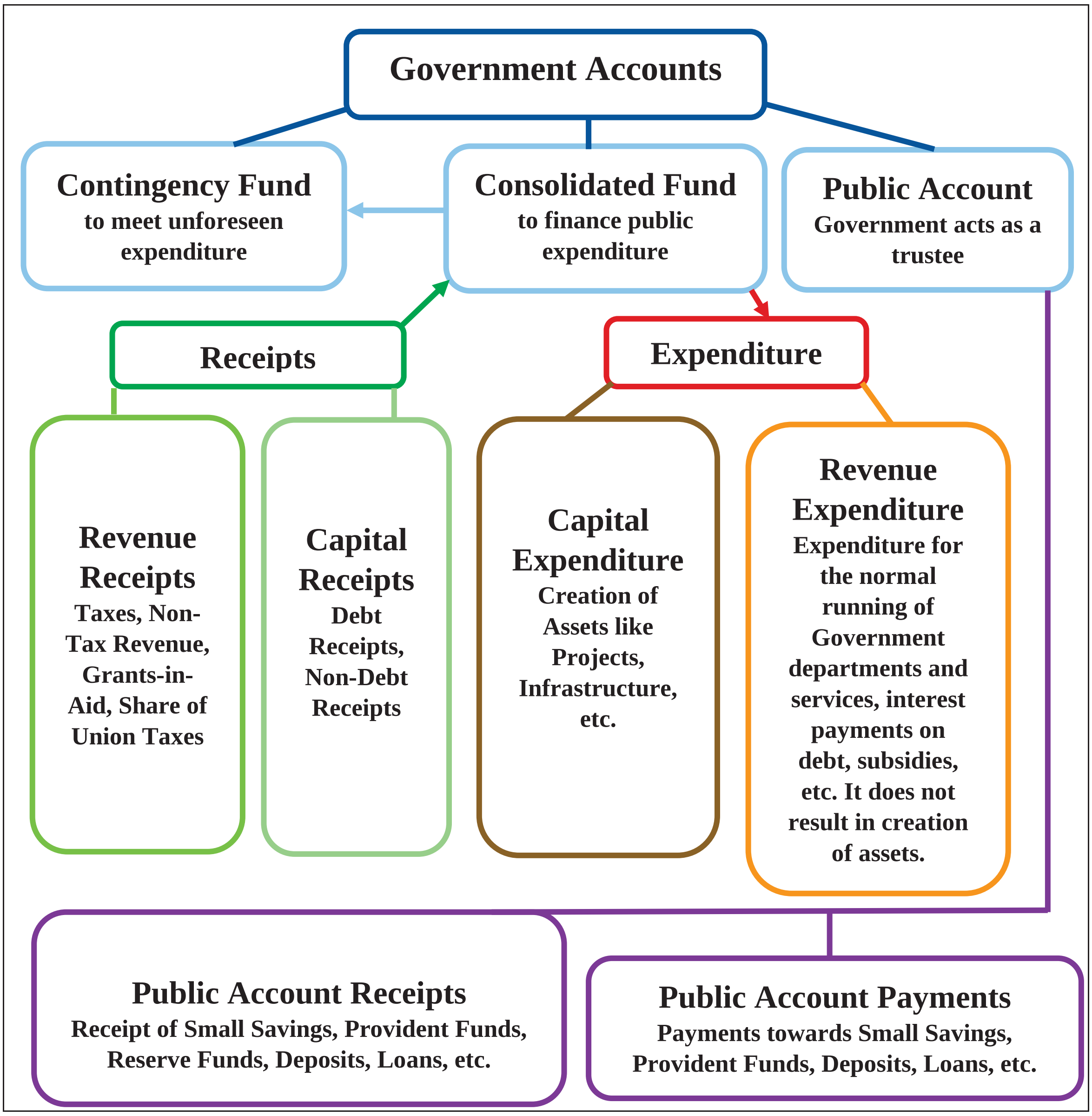
The **Capital Receipts** consist of:

- **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 1.2.**

Chart 1.2: 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 causes 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 2021-22 and actuals of 2020-21.

Table 1.2: Actual *vis-à-vis* Budget Estimates

Sl. No.	Components	2020-21 (Actuals)	2021-22 (Budget Estimate)	2021-22 (Actuals)	Percentage of Actuals to BE	Percentage of Actuals to GSDP
		(₹ in crore)				
1	Tax Revenue	**1,05,024**	**1,25,486**	**1,36,623**	**108.88**	8.89
i)	Own Tax Revenue	60,287	75,416	71,082	94.25	4.63
ii)	Share of Union taxes/duties	44,737	50,070	65,541	130.90	4.27
2	Non-Tax Revenue	5,198	4,612	1,690	36.64	0.11
3	Grants-in-aid and Contributions	38,172	56,583	39,846	70.42	2.59
4	**Revenue Receipts (1+2+3) (a)**	**1,48,394**	**1,86,681**	**1,78,159**	**95.43**	**11.59**
5	Recovery of Loans and Advances	150	139	58	41.73	0.00
6	Miscellaneous Capital Receipts	0	0	0	-	-
7	**Non-Debt Receipts (4+5+6)**	**1,48,544**	**1,86,820**	**1,78,217**	**95.40**	**11.60**
8	Borrowings and other Liabilities (b)	44,688	60,860	50,528	83.02	3.29
9	**Revenue Expenditure**	**1,77,921**	**2,13,436**	**2,10,159***	**98.46**	**13.68**
10	Interest Payments	33,782	32,658	36,672	112.29	2.39
11	Capital Expenditure	13,034	32,774	17,484*	53.35	1.14
12	Loan and advances	2,277	1,474	1,102	74.76	0.07
13	**Total Expenditure (9+11+12)**	**1,93,232**	**2,47,684**	**2,28,745**	**92.35**	**14.89**
14	**Revenue Deficit (9-4)**	**29,527**	**26,755**	**32,000**	**119.60**	**2.08**
15	**Fiscal Deficit (13-7)**	**44,688**	**60,864**	**50,528**	**83.02**	**3.29**
16	**Primary Deficit (15-10)**	**10,906**	**28,206**	**13,856**	**49.12**	**0.90**

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; and

** Revenue Expenditure (RE) of ₹ 2,008 crore in 2021-22 was incorrectly booked as Capital Expenditure (CE). Actual RE during 2021-22 would thus be ₹ 2,12,167 crore instead of ₹ 2,10,159 crore. Similarly, actual CE during 2021-22 would be ₹ 15,476 crore instead of ₹ 17,484 crore.*

Actual revenue receipts were higher than the previous year's receipts by ₹ 29,765 crore (20.06 *per cent*). This was primarily due to increased share of Union Taxes and Duties than the PY[2] by ₹ 20,804 crore mainly in the case of Taxes on Income other than Corporation Tax (by ₹ 5,942 crore), CGST[3] (by ₹ 5,743 crore), Corporation Taxes (by ₹ 4,657 crore) and higher collection in State's Own-tax revenue by ₹ 10,795 crore than the PY in the case of SGST[4] (by ₹ 5,258 crore), State Excise (by ₹ 2,876 crore) and Stamps & Registration fees (by ₹ 1,838 crore). Increased receipts of Grants in Aid from the Government of India (by ₹ 1,674 crore) also contributed to this hike.

Actual revenue expenditure was more than previous year's revenue expenditure by ₹ 32,238 crore (18.11 *per cent*). Capital Expenditure fell short of the BEs by 46.65 *per cent* but exceeded the expenditure of 2020-21 by 34.14 *per cent.* This was mainly on account of significant enhancement of capital expenditure on Water Supply & Sanitation, Roads & Bridges and Power Projects.

Revenue Deficit was more than the BEs by 19.60 *per cent* as Grants-in-Aid from GoI and State's Own Revenue[5] fell short of the BEs by 29.58 and 9.07 *per cent* respectively. Shortfall in actual revenue receipts rather than decrease in actual revenue expenditure with respect to BEs, resulted in larger than anticipated revenue deficit.

Fiscal Deficit was within the BEs but exceeded the fiscal deficit of 2020-21 by 13.07 *per cent* as Capital Expenditure and Revenue Deficit increased by 34.14 *per cent* and 8.38 *per cent* respectively over 2020-21. This, combined with higher shortfall in recoveries of loans and advances compared with the disbursement, resulted in higher than anticipated fiscal deficit over the PY.

To meet this increased Fiscal Deficit, the State had to borrow ₹ 5,840 crore (13.07 *per cent*) more than the borrowings of PY.

GST Compensation is the revenue of the State Government under GST (Compensation to States) Act, 2017. However, in addition to receiving the GST compensation of ₹ 4,531 crore as revenue receipts, due to inadequate balance in the GST compensation fund during the year 2021-22, West Bengal also received back-to-back loan of ₹6,425 crore under debt receipts of the State Government, with no repayment liability for the State. Due to this arrangement, the revenue deficit of ₹ 32,000 crore and fiscal deficit of ₹ 50,528 crore during the year 2021-22 may be read in conjunction with debt receipt of ₹ 6,425 crore in lieu of GST compensation.

Table 1.3 indicates the trend of receipts and expenditure on Revenue and Capital account during 2017-22.

[2] Previous Year
[3] Central Goods and Services Tax
[4] State Goods and Services Tax
[5] Combination of State's tax revenue and non-tax revenue

Table 1.3: Trend of Receipts and Expenditure during 2017-22

Year	Revenue				Capital			
	Receipts	Expenditure	Growth Rate of RR	Growth Rate of RE	Receipts	Expenditure	Growth Rate of CR	Growth Rate of CE
	(₹ in crore)		(in *per cent*)		(₹ in crore)		(in *per cent*)	
2017-18	1,31,270	1,41,077	-	-	45,957	19,368	-	-
2018-19	1,45,975	1,56,374	11.20	10.84	71,693	23,717	56.00	22.45
2019-20	1,42,914	1,62,575	(-)2.10	3.97	75,766	15,971	5.68	(-)32.66
2020-21	1,48,394	1,77,921	3.83	9.44	75,579	13,034	(-)0.25	(-)18.39
2021-22	1,78,159	2,10,159	20.06	18.12	77,639	17,484	2.73	34.14

Source: Finance Accounts

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 expenditure and loans and advances given by the State Government and cash balances. **Table 1.4** provides the details of assets and liabilities during 2020-21 and 2021-22.

Table 1.4: Summarised position of Assets and Liabilities

Liabilities					Assets				
Components		2020-21	2021-22	*Per cent* increase	Components		2020-21	2021-22	*Per cent* increase
		(₹ in crore)					(₹ in crore)		
Consolidated Fund									
A	Internal Debt	4,04,017	4,42,865	9.62	A	Gross Capital Expenditure	1,51,140	1,68,624	11.57
B	Loans and Advances from GoI	20,230	27,423	35.56	B	Loans and Advances	16,106	17,150	6.48
Contingency Fund		13	(-)39	(-)400.00					
Total		**4,24,260**	**4,70,249**	**10.84**	**Total**		**1,67,246**	**1,85,774**	**11.08**
Public Account									
A	Small Savings, Provident Funds, etc.	19,518	21,436	9.83	A	Advances	29	29	0.00
B	Deposits	40,102	42,239	5.33	B	Remittance	499	486	(-)2.61
C	Reserve Funds	13,589	14,748	8.53	C	Suspense and Miscellaneous	(-)5,566	(-)5,234	(-)5.96
D	Remittances	-	-	-	**Cash balance[6]**		32,246	32,602	1.10
Total		**73,209**	**78,423**	**7.12**	**Total**		**27,208**	**27,883**	**2.48**
					Deficit in Revenue Account		3,03,015	3,35,015	10.56
Total		**4,97,469**	**5,48,672**	**10.29**	**Total**		**4,97,469**	**5,48,672**	**10.29**

Source: Finance Accounts

Liabilities of the Government increased by 10.29 *per cent* (₹ 51,203 crore) as compared to the increase of 11.54 *per cent* in the PY. Internal debt constituted around 81 *per cent* of the total liabilities of the State Government. Market loans

[6] Includes investment in Earmarked Fund of ₹ 11,026 crore and ₹ 12,233 crore at the end of 2020-21 and 2021-22, respectively

which contributed around 87 *per cent* of the Internal debt during 2021-22, increased by ₹ 45,199 crore (13 *per cent*) in the current year as compared to the increase of ₹ 50,180 crore (17 *per cent*) in the PY. Further, Loans and Advances from GoI which contributed around five *per cent* of the Liabilities, increased by ₹ 7,193 crore (35.56 *per cent*) as compared to the increase of ₹ 4,986 crore (32.71 *per cent*) in the PY. Above two components primarily contributed to the increase in liabilities of the Government.

On the Assets side, the cumulative Capital Expenditure constituted only 30.73 *per cent* of the total assets of the State Government. It was noticed that 11-12 *per cent* of the cumulative Capital Expenditure consisted of investments of the State Government in PSUs, Co-operative Banks & Societies and Statutory Corporations. The balance, being 88-89 *per cent*, constituted cumulative expenditure for creation of infrastructure for transport sector, power, health, public works etc. A significant reduction in the Cash Balance Investment of the State Government could be noted. This item records transactions connected with temporary investment of cash balance. The reduction was to the extent of ₹ 878 crore (4.13 *per cent*) in 2021-22 and represented a diminution in cash balances of the State Government with RBI available for investment. Variations under other items are dealt with in **Chapter II**.

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 (12th 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 followed by amendments in February 2021 and March 2022 and renamed as the ‘WBFRBM (Amendment) Acts, 2020, 2021 and 2022’ effective from 2019-20, 2020-21 and 2021-22, respectively. The amendment effected in sub-section (2) of section 4 of the WBFRBM Act, 2010, is as under:

As per the WBFRBM (Amendment) Act, 2011, Revenue Deficit (RD) was to be eliminated from 2014-15. In the MTFPS from 2018-19 to 2021-22, the targets with respect to GSDP were shown as ‘Nil’ throughout the period 2017-21 whereas in the MTFPS 2022-23, the target for the year 2021-22 was shown as 1.74 *per cent*. The target set for RD, relative to the GSDP, in clause (b) of the Principal Act, stands omitted from the WBFRBM (Amendment) Acts, 2020, 2021 and 2022.

As per the MTFPS 2018-19, Fiscal Deficit (FD) was to be limited to 1.95 *per cent* of GSDP in 2017-18. Those Acts including amended Acts also envisaged that the State Government shall limit FD as percentage of GSDP to three *per* *cent* in 2018-19, 3.34 *per cent* in 2019-20 and thereafter five *per cent* each at the end of the financial years 2020-21 and 2021-22 only.

In the MTFPS 2018-19 and 2019-20, the targets with respect to the total outstanding debt[7] to GSDP were shown as 36.98 *per cent* and 34.33 *per cent* during 2017-18 and 2018-19 respectively. The WBFRBM (Amendment) Act, 2020 envisaged that the State Government would limit the total outstanding debt to GSDP to 34.30 *per cent* for the years from 2019-20 to 2024-25.

A trend analysis of targets relating to key fiscal parameters prescribed in the MTFPS for the period 2018-20 and WBFRBM (Amendment) Acts 2020, 2021 and 2022 for the year 2019-20, 2020-21 and 2021-22 respectively *vis-à-vis* achievements during the last five-year (2017-22) is given in **Table 1.5.**

Table 1.5: Compliance with provisions of State FRBM Act

Fiscal Parameters	Fiscal targets set in the Act	Achievement				
		2017-18	2018-19	2019-20	2020-21	2021-22
Revenue Deficit (-)/ Surplus (+) (₹ in crore)	As stated in the MTFPS 2018-19 to 2021-22 and WBFRBM (Amendment) Acts 2020 to 2022	(-)9,807	(-)10,399	(-)19,661	(-)29,527	(-)32,000
		✗	✗	✗	✗	✗
Fiscal Deficit (-)/ Surplus (+) (₹ in crore) (as *percentage of GSDP*)		(-)28,930 (-2.97)	(-)33,485 (-3.04)	(-)36,831 (-3.05)	(-)44,688 (-3.43)	(-)50,528 (-3.29)
		✗	✗	✓	✓	✓
Ratio of total outstanding debt to GSDP (in *per cent*)		37.03	35.68	35.89	37.05	34.49
		✗	✗	✗	✗	✗

Source: MTFPS 2018-19 to 2021-22, WBFRBM (Amendment) Acts 2020 to 2022 and Finance Accounts (2017-22)

Note: *'✓' denotes target achieved, '✗' denotes target not achieved.*

The ratio of total outstanding debt to GSDP as per the Finance Accounts is 37.39 and 34.91 *per cent* during 2020-21 and 2021-22 respectively. However, the effective debt to GSDP ratios of 37.05 and 34.49 *per cent* have been arrived at after excluding GST compensation of ₹ 4,431 crore and ₹ 6,425 crore during 2020-21 and 2021-22 respectively, received as back to back loan under debt receipts from the total outstanding liabilities as the Department of Expenditure, GoI has decided that it will not be treated as debt of the State for any norms which may be prescribed by the Finance Commission.

Analysis of the data shown in the **Table 1.5** revealed the following:

- The Revenue Deficit of the State was not eliminated despite target of 'Zero' set in MTFPS 2017-21. During 2021-22, in respect of Revenue Deficit to GSDP, State set a target of 1.74 *per cent* in the MTFPS 2021-22, which however stood at 2.08 *per cent*. 15th FC, after assessing the revenue and expenditure of the State, recommended post-devolution revenue deficit (PDRD) grants of ₹ 17,607 crore for the year 2021-22.

[7] Includes all debts and other liabilities

However, despite receipt of PDRD grants, RD increased by ₹ 2,473 crore (8.38 *per cent*) over the PY.

- Though Fiscal Deficit (₹ 50,528 crore) in 2021-22 increased by 13.07 *per cent* in comparison to the preceding year (₹ 44,688 crore). FD as a percentage of GSDP was within the targets set in the WBFRBM (Amendment) Acts 2020, 2021 and 2022 respectively.
- Ratio of RD to FD slightly decreased to 63.33 *per cent* during 2021-22 from 66.07 *per cent* in 2020-21 but it is still very high. This reflects that most of the State's borrowings are used to finance Revenue Deficit. Borrowed funds used for meeting revenue expenditure create liability for future years without creating any assets.
- During the last five years, the outstanding debt relative to GSDP was not as per the limits set in the respective WBFRBM (Amendment) Acts. The outstanding debt (₹ 5,36,478 crore[8]) grew by 10.29 *per cent* (₹ 50,048 crore) over the previous year (₹ 4,86,430 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 2021-22 in MTFP presented to the State Legislature along with the Actuals of the year 2021-22.

Table 1.6: Actuals *Vs.* Projections in MTFP for 2021-22

Sl. No.	Fiscal Variables	Projection as per MTFP	Actuals (2021-22)	Variation
		(₹ in crore)		(in *per cent*)
1	Own Tax Revenue	75,416	71,082	(-)5.75
2	Non-Tax Revenue	4,612	1,690	(-)63.36
3	Share of Central Taxes	50,070	65,541	30.90
4	Grants-in-aid from GoI	56,583	39,846	(-)29.58
5	Revenue Receipts (1+2+3+4)	1,86,681	1,78,159	(-)4.57
6	Revenue Expenditure	2,13,436	2,10,159*	(-)1.54
7	Revenue Deficit (-)/ Surplus (+) (5-6)	(-)26,755	(-)32,000	19.60
8	Fiscal Deficit (-)/ Surplus (+)	(-)60,864	(-)50,528	(-)16.98
9	Debt-GSDP ratio (*per cent*)	35.47	34.49#	(-)2.76

Source: Finance Accounts, MTFPS 2021-22
**Actual figure would be ₹2,12,167 crore if ₹2,008 crore, incorrectly booked as Capital Expenditure is considered. Resultantly, variation of actuals w.r.t. MTFP would be (-)0.59 per cent.*
 # Arrived at after exclusion of GST compensation of ₹ 6,425 crore, received as back-to-back loan under debt receipts.

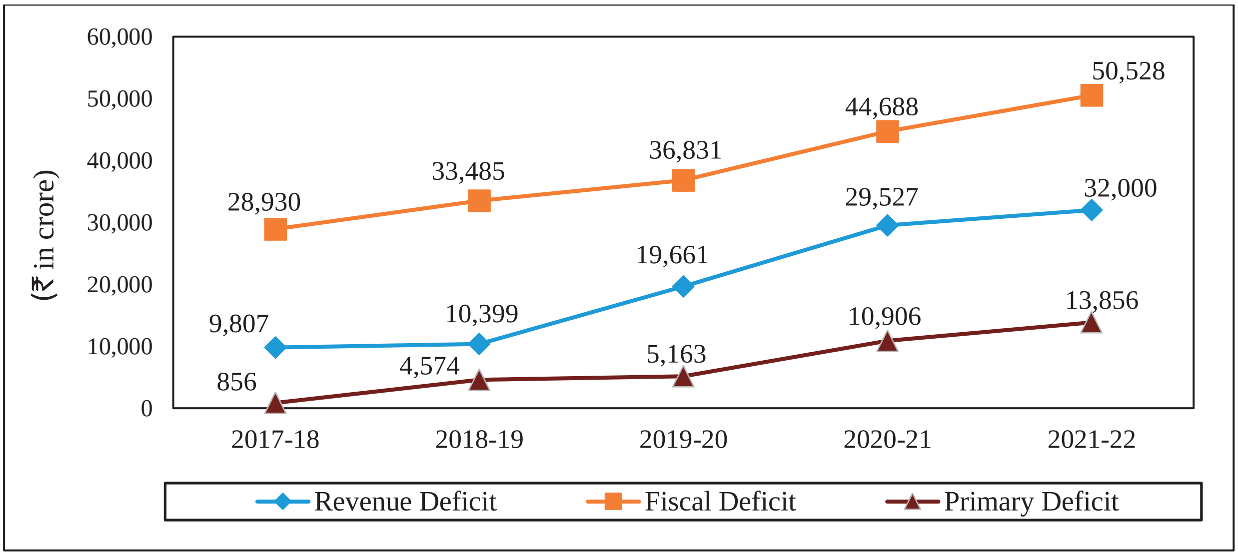
[8] The effective outstanding fiscal liabilities would be ₹ 5,30,053 crore as the Department of Expenditure, GoI has decided that GST compensation of ₹ 6,425 crore given to the State as back to back loan under debt receipts would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission.

As may be seen from the table above, three out of the four revenue variables were lower than the projections made in MTFPS. Amongst these, collection on State's Non-Tax Revenue was significantly lower. Further, the State could not achieve the targets set for Revenue Deficit which overshot the MTFP projections by 19.20 *per cent*. Variations in the above fiscal variables have been discussed in subsequent sections of this Chapter.

1.8.3 Trend of Deficit/ Surplus

The trend of surplus and deficits over the five-year period from 2017-18 to 2021-22 is depicted in **Chart 1.3** and trend in surplus or deficit relative to GSDP is given in **Table 1.7.**

Chart 1.3: Trends in deficit parameters



Source: Finance Accounts
Note: *Please refer Chart 1.5*

Table 1.7: Trends in Surplus (+)/Deficit (-) relative to GSDP (in *per cent*)

Year	2017-18	2018-19	2019-20	2020-21	2021-22
RD/GSDP	(-)1.01	(-)0.94	(-)1.63	(-)2.27	(-)2.08
FD/GSDP	(-)2.97	(-)3.04	(-)3.05	(-)3.43	(-)3.29
PD/GSDP	(-)0.09	(-)0.41	(-)0.43	(-)0.84	(-)0.90

Source: Finance Accounts

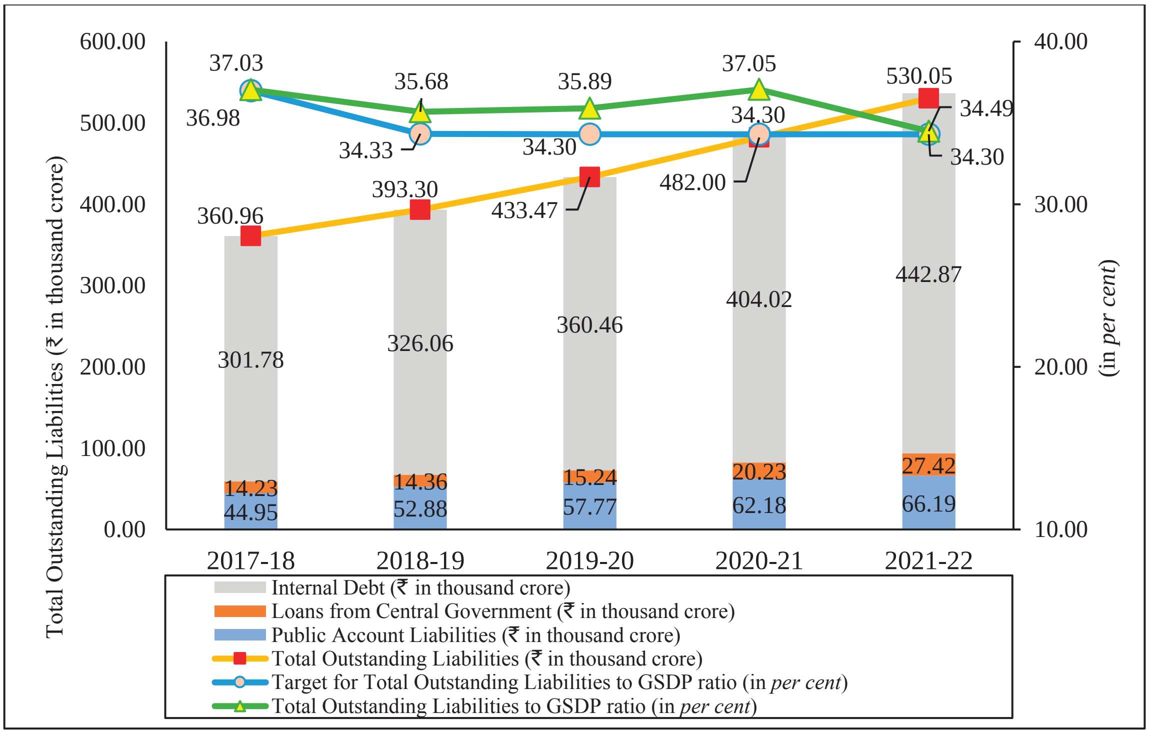
The State had a fiscal deficit of ₹ 50,528 crore during the year 2021-22, representing 3.29 *per cent* of GSDP and constituted 22.09 *per cent* of the Total Expenditure.

Significant deficit on Revenue Account during the current year was mainly due to the fact that the Revenue Receipts fell short of BE by 4.57 *per cent* (₹ 8,522 crore) whereas Revenue Expenditure fell short of BE by only 1.54 *per* cent (₹ 3,277 crore). Though Revenue Receipts grew by 20.06 *per cent*, Revenue Expenditure also increased by 18.12 *per cent* which resulted in increase in Revenue deficit by 8.38 *per cent* to ₹ 32,000 crore during 2021-22. Revenue Receipts and Revenue Expenditure have been discussed in detail in **Chapter II** of this Report.

Primary Deficit (PD) rose 27.05 *per cent* to ₹ 13,856 crore as the growth of expenditure was more than that of receipts over 2020-21 and hence widened the gap of deficit.

Trends in Outstanding Liabilities, its ratio with respect to GSDP and components of Outstanding Liabilities during 2017-22 are shown in **Chart 1.4.**

Chart 1.4: Trends in Outstanding Liabilities and GSDP



Source: Finance Accounts; Targets for Total Outstanding Liabilities to GSDP ratio for 2017-18 to 2018-19 are the Budget Estimates of the said ratio given in the MTFPS of 2018-19 whereas those of 2019-20, 2020-21 and 2021-22 have been taken from the WBFRBM (Amendment) Act 2020.

Note: *The Debt to GSDP ratios during 2020-21 and 2021-22 were 37.39 and 34.91 per cent respectively. However, the effective debt to GSDP ratio have been arrived at after exclusion of GST compensation of ₹4,431 crore and ₹ 6,425 crore received during 2020-21 and 2021-22 respectively as back-to-back loan under debt receipts from the outstanding overall debt.*

Chart 1.4 shows the rising trend of liabilities during 2017-22. During this period, it increased at a CAGR of 10.08 *per cent*. Outstanding liabilities with respect to GSDP, after a fall in 2018-19 and 2019-20, moved upwards in the succeeding year. In the year 2021-22, the ratio (34.49 *per cent*) moved downwards but still crossed the target (34.30 *per cent*) set in WBFRBM (Amendment) Act 2020.

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 1.8** assesses actual deficit after taking into account short/non-contribution to funds and incorrect classifications/ booking by the State Government during 2021-22.

Table 1.8: Actual Revenue and Fiscal Deficit

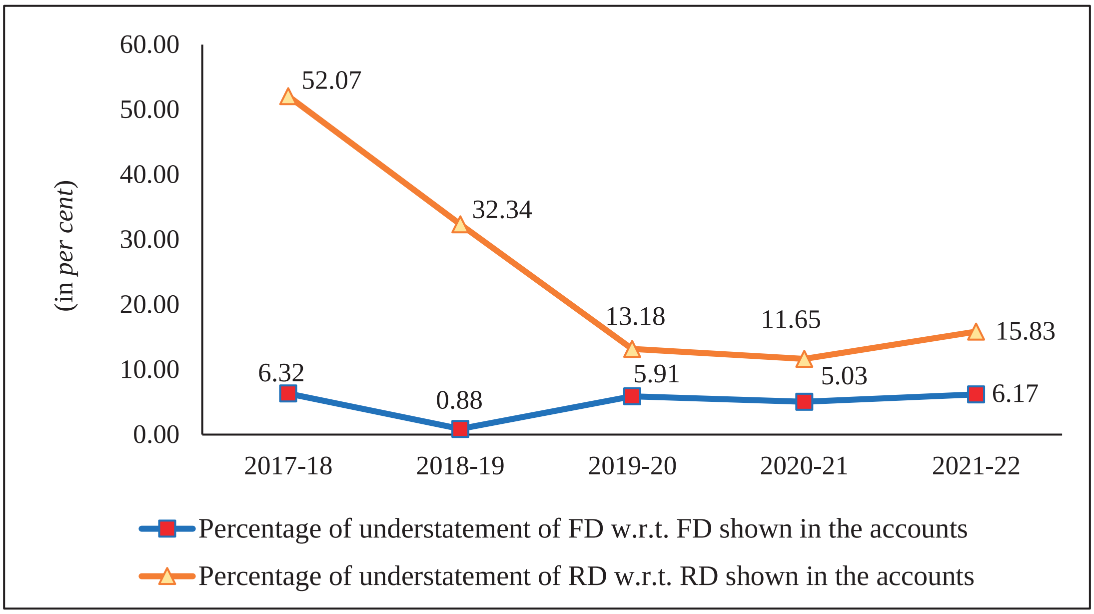
Particulars	Impact on Revenue Deficit (Understated (+)/ Overstated (-))	Impact on Fiscal Deficit (Understated (+)/ Overstated (-))	Paragraph Reference
	(₹ in crore)		
Non booking of interest receipts on the unspent scheme funds lying in the bank account	(-)380.50	(-)380.50	2.5.2.3
Grants 'in kind' from GoI remained unaccounted owing to non-issuance of sanction orders by the GoWB	(-)192.86	(-)192.86	2.5.3.3
Incorrect classification on refund of Capital Expenditure from Personal Deposit Account	0.22	-	4.6.2
Misclassification between Capital and Revenue Expenditure	2,007.89	-	3.(iii) of Notes to Finance Accounts (NTFA)
Short payment of interest on Interest bearing Reserve Funds and Deposits bearing interest	141.48	141.48	4.2
Unremitted interest to the State exchequer from the Single Nodal Account in respect of Centrally Sponsored Schemes	(-)49.76	(-)49.76	4.7.3
Non-recoupment of Contingency Fund drawal	-	58.47	3 of NTFA
Non-transfer of Cess	2,012.81	2,012.81	5.(vii) of NTFA and Para 4.1
Non-contribution to Consolidated Sinking Fund	1,527.26	1,527.26	5.(ii)(B)(a) of NTFA
Total	**5,066.54**	**3,116.90**	

Source: Finance Accounts and Audit Analysis

As may be seen from the table above, there was understatement of RD and FD by ₹ 5,066.54 crore and ₹ 3,116.90 crore respectively. Thus, the State's actual RD and FD would stand at ₹ 37,066.54 crore and ₹ 53,644.90 crore respectively instead of ₹ 32,000 crore and ₹ 50,528 crore, if the items mentioned in the above table are factored in.

Persistent understatement of RD and FD during 2017-22 have been shown in **Chart 1.5.**

Chart 1.5: Persistent understatement of deficits



Source: Finance Accounts and Audit Analysis

1.8.5 Post audit- Total Debt

There were some borrowings by the Government for meeting its own commitments on various schemes which were not routed through the budget as well as the accounts and thus remained outside legislative control. These borrowings were raised, on behalf of the State Government, through Government owned or controlled public sector enterprises or societies.

GoWB during 2009-11 and 2020-22 raised Cash Credit Loans (CCLs) through nine State Public Sector Undertakings and Autonomous Bodies for implementation of Government schemes in the shape of off-budget borrowings. These borrowings were raised from the West Bengal Central Co-operative Bank. Government during 2021-22 repaid ₹ 1,166 crore as principal and ₹ 46 crore as interest to these entities, which were accounted for as Grants-in-Aid/Subsidies. At the end of 2021-22, repayment of ₹ 36 crore and ₹ 7 crore towards principal and interest, respectively were due upto March 2022 from two entities. This position of outstanding off-budget liability emerged from audit scrutiny on a test basis. The State Government did not disclose all its off-budget liabilities in their budget documents/ annual financial statements. Details of off-budget borrowings have been discussed in **Chapter II** of this Report.