CHAPTER II

Finances of the State

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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 2017-18 to 2021-22, 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* 2020-21

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 2021-22 compared to 2020-21

Revenue Receipts	✓ Revenue receipts of the State increased by 20.06 *per cent* ✓ Own Tax receipts of the State increased by 17.91 *per cent* ✓ Own Non-tax receipts decreased by 67.49 *per cent* ✓ State's Share of Union Taxes and Duties increased by 46.50 *per cent* ✓ Grants-in-aid from Government of India increased by 4.39 *per cent*
Revenue Expenditure	✓ Revenue expenditure increased by 18.12 *per cent* (*would be 19.25 per cent considering misclassification between Revenue and Capital expenditure*) ✓ Revenue expenditure on General Services increased by 11.05 *per cent* (*would be 11.30 per cent considering misclassification between General and Social services*) ✓ Revenue expenditure on Social Services increased by 29.97 *per cent* (*would be 21.52 per cent considering misclassification between Social & Economic services and Social & General services*) ✓ Revenue expenditure on Economic Services increased by 3.20 *per cent* (*would be 33.58 per cent considering misclassification between Economic and Social services*) ✓ Expenditure on Grants-in-aid decreased by 21.16 *per cent*

Capital Expenditure	✓ Capital expenditure increased by 34.14 *per cent* (*would be 18.74 per cent considering misclassification between Revenue and Capital expenditure*) ✓ Capital expenditure on General Services decreased by 0.14 *per cent* (*would be 0.29 per cent considering misclassification between Revenue and Capital expenditure*) ✓ Capital expenditure on Social Services increased by 88.29 *per cent* (*would be 59.88 per cent considering misclassification between Revenue and Capital expenditure*) ✓ Capital expenditure on Economic Services increased by 11.29 *per cent* (*would be 0.92 per cent considering misclassification between Revenue and Capital expenditure*)
Loans and Advances	✓ Disbursement of Loans and Advances decreased by 51.59 *per cent* ✓ Recoveries of Loans and Advances decreased by 61.34 *per cent*
Public Debt	✓ Public Debt Receipts increased by 2.85 *per cent* ✓ Repayment of Public Debt increased by 17.30 *per cent*
Public Account	✓ Public Account Receipts increased by 15.27 *per cent* ✓ Disbursement from Public Account increased by 14.53 *per cent*
Cash Balance	✓ Cash balance increased by ₹ 356 crore (1.10 *per cent*)

Source: Finance Accounts

***Note 1**: During 2021-22, Revenue Expenditure of ₹2,008 crore was incorrectly booked as Capital Expenditure.*

***Note 2:** During 2021-22, Revenue Expenditure of ₹ 12,941 crore in the Public Distribution System, misclassified in Social Services (SS) instead of Economic Services (ES). Similarly, in the Pradhan Mantri Aawas Yojana, ₹ 5,015 crore misclassified in ES instead of SS; Election expenditure of ₹ 175 crore misclassified in SS instead of GS; and expenditure on Health of ₹ 323 crore misclassified in ES instead of SS.*

Each of the above indicators is analysed in the succeeding paragraphs.

2.3 Sources and Application of Funds

Table 2.2 below compares the sources and application of funds of the State during 2021-22 with 2020-21, while **Charts 2.1** and **2.2** give the details of receipts into and expenditure from the Consolidated Fund during 2021-22 in terms of percentages.

Table 2.2: Details of Sources and Application of funds during 2020-21 and 2021-22

Parameters	Particulars	2020-21	2021-22	Increase/ Decrease
		(₹ in crore)		
Sources	Opening Cash Balance with RBI	25,665	32,246	6,581
	Revenue Receipts	1,48,394	1,78,159	29,765
	Recoveries of Loans and Advances	150	58	(-)92
	Misc. Capital Receipts	0	0	0
	Public Debt Receipts (Net)	48,539	46,041	(-)2,498
	Contingency Fund	12	0	(-)12
	Public Account Receipts (Net)	2,725	4,895	2,170
	Total	**2,25,485**	**2,61,399**	**35,914**
Application	Revenue Expenditure	1,77,921	2,10,159*	32,238
	Capital Expenditure	13,034	17,484*	4,450
	Contingency Fund Disbursement	7	52	45
	Disbursement of Loans and Advances	2,277	1,102	(-)1,175
	Closing Cash Balance with RBI	32,246	32,602	356
	Total	**2,25,485**	**2,61,399**	**35,914**

Source: Finance Accounts

** Revenue Expenditure (RE) of ₹ 2,008 crore during 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.*

A. Sources of Funds:

Revenue Receipts in the shape of State's own revenue (₹ 72,772 crore) and Central tax transfer and grants (₹ 1,05,387 crore), emerged as a major contributor to the State's resources during 2021-22. Contribution of Revenue Receipts in the total resources of the State increased to 68.16 *per cent* in the current year from 65.81 *per cent* in the PY. Share of Net Public Debt Receipts[9] which is mainly backed by market borrowings and loans & advances from GoI, decreased to 17.61 *per cent* from 21.53 *per cent* in the PY. The contribution through non-debt capital receipts, in the form of recovery of loans and advances, significantly decreased to 0.02 *per cent* from 0.07 *per cent* in the PY. The relative share of the other two major components, namely, opening cash balance with RBI and Net Public Account Receipts[10] changed to 12.34 and 1.87 *per cent* respectively from 11.38 and 1.21 *per cent* in the PY.

B. Application of Funds:

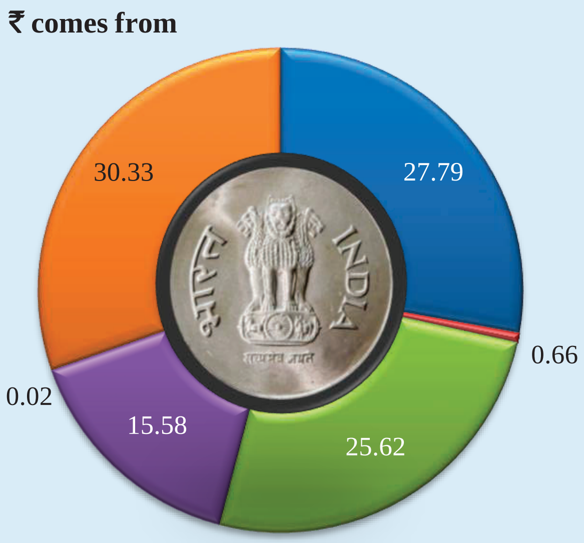
Out of the total resources mobilised during the year, 46.95 *per cent* was spent on committed expenditure (₹ 1,22,727 crore), comprising, salaries and wages (48.38 *per cent*), interest payments (29.88 *per cent*) and expenditure on pensions (21.74

[9] Difference between the borrowings received and repayment on borrowings
[10] Difference between the receipt from Public Accounts and disbursement from Public Accounts

per cent). From the balance, after accounting for capital expenditure (6.69 *per cent*), disbursement of loans and advances (0.42 *per cent*), contingency fund disbursement (0.02 *per cent*) and closing cash balance with RBI (12.47 *per cent*), Government was left with 33.45 *per cent* (₹ 87,432 crore) of its gross mobilisation for spending revenue expenditure on various purposes.

Chart 2.1: Composition of Resources

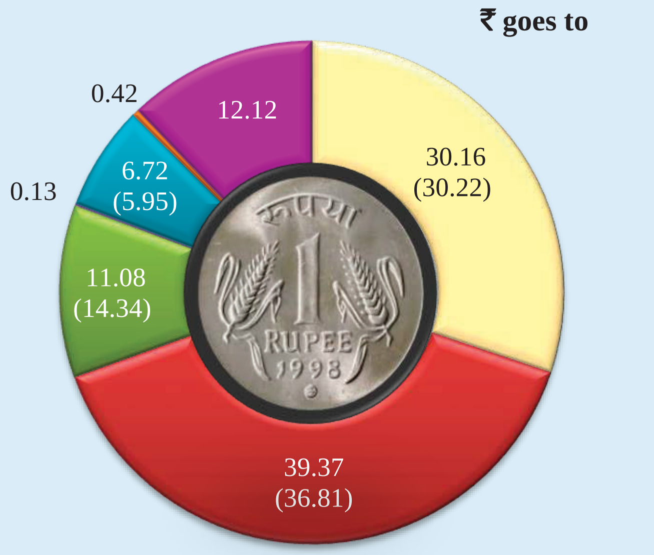
(in *per cent*)



- Own Tax Revenue (₹ 71,082 crore)
- Non Tax Revenue (₹ 1,690 crore)
- Central Tax Transfer (₹ 65,541 crore)
- Grants in Aid (₹ 39,846 crore)
- Recoveries of Loans and Advances (₹ 58 crore)
- Public Debt Receipts (₹ 77,581 crore)

Chart 2.2: Application of Resources

(in *per cent*)



- General Services (Revenue) (₹ 78,495 crore)
- Social Services (Revenue) (₹ 1,02,475 crore)
- Economic Services (Revenue) (₹ 28,835 crore)
- Grants in Aid (₹ 354 crore)
- Capital Expenditure (₹ 17,484 crore)
- Loans and Advances (₹ 1,102 crore)
- Repayment of Pubic Debt (₹ 31,540 crore)

Source: Finance Accounts

***Note 1:** Revenue Expenditure (RE) of ₹2,008 crore 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.*

***Note 2:** During 2021-22, Revenue Expenditure of ₹ 12,941 crore in the Public Distribution System, misclassified in Social Services (SS) instead of Economic Services (ES). Similarly, in the Pradhan Mantri Aawas Yojana, ₹5,015 crore misclassified in ES instead of SS; Election expenditure of ₹ 175 crore misclassified in SS instead of GS; and expenditure on Health of ₹323 crore misclassified in ES instead of SS. Revised percentage shares in the application of resources have been shown in brackets (**Chart 2.2**).*

Analysis revealed that:

- Revenue Expenditure was primarily met out of the Revenue Receipts with Public Debt also being a contributor;
- In General Services (Revenue) expenditure, Interest Payments comprised 46.72 *per cent;*

- Beside Repayment of Public Debt (12.12 *per cent*), Interest Payments constituted 14.09 *per cent*, thereby taking overall Repayments to 26.21 *per cent* of the total expenditure in Consolidated Fund;
- The deficit in Consolidated fund was mainly financed through Public Debt Receipts (₹ 77,581 crore) while the remaining deficit was financed from the available balances held in Public Accounts.

Analysis in the light of misclassification pointed out by audit, revealed that in the application of resources:

- Share of Social Services (Revenue) would be changed to 36.76 *per cent* replacing 39.37 *per cent*.
- Share of Economic Services (Revenue) would increase to 14.46 *per cent* replacing 11.08 *per cent*.
- Share of Capital Expenditure would decrease to 5.95 *per cent* replacing 6.72 *per cent.*

2.4 Resources of the State

The resources of the State are described below:

1. **Revenue Receipts** consist of State's own revenue comprising own tax revenue and non-tax revenue, State's share of Union taxes and duties and grants-in-aid from the Government of India (GoI).
2. **Capital Receipts** comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GoI.

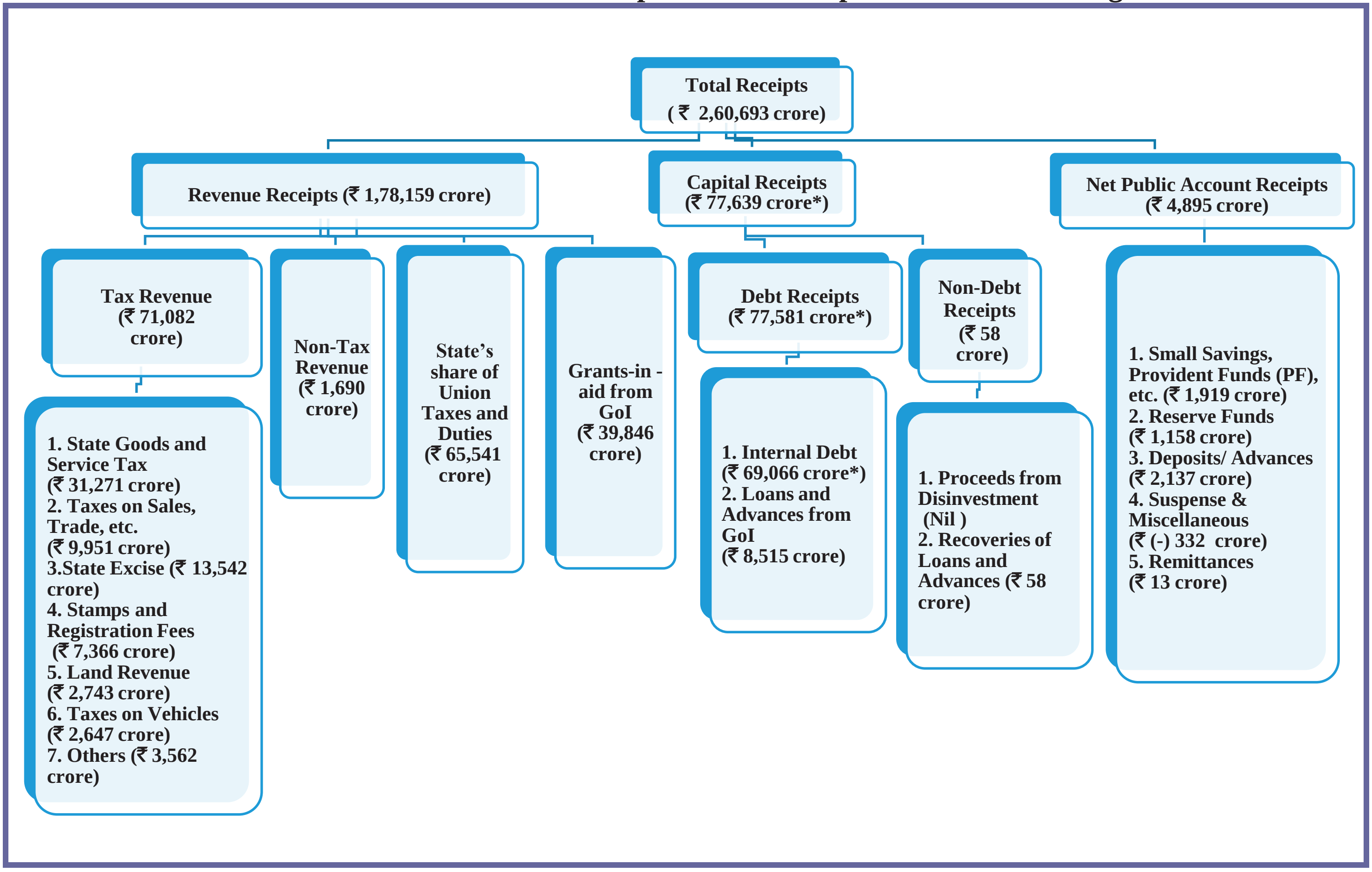
   Both revenue and capital receipts form part of the Consolidated Fund of the State.
3. **Net Public Accounts receipts:** There are receipts and disbursements in respect of certain transactions, such as, small savings & provident funds, reserve funds, deposits, suspense, remittances, etc. which do not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

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

2.4.1 Receipts of the State

Composition of receipts of the State during 2021-22 is given in **Chart 2.3**.

Chart 2.3: Composition of receipts of the State during 2021-22



Source: Finance Accounts
**including Ways and Means Advances (WMA) of ₹193 crore in 2021-22*

In total receipts during 2021-22, contribution from Revenue Receipts, Capital Receipts and Net Public Account Receipts were 68.34, 29.78 and 1.88 *per cent* respectively, details of which have been discussed in subsequent paragraphs.

2.5 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 State's own receipts and receipts from the Central Government.

2.5.1 Trends and growth of Revenue Receipts

Table 2.3 shows the trend in revenue receipts and its components as well as revenue buoyancy with respect to GSDP over the five-year period (2017-22).

Table 2.3: Trend in Revenue Receipts

Parameters	2017-18	2018-19	2019-20	2020-21	2021-22
Revenue Receipts (RR) (₹ in crore)	1,31,270	1,45,975	1,42,914	1,48,394	1,78,159
Rate of growth of RR (in *per cent*)	11.40	11.20	(-)2.10	3.83	20.06

Parameters	2017-18	2018-19	2019-20	2020-21	2021-22
Own Tax Revenue (₹ in crore)	52,721	60,732	60,669	60,287	71,082
Non-Tax Revenue (₹ in crore)	3,117	3,657	3,213	5,198	1,690
Rate of growth of Own Revenue (Own Tax and Non-tax Revenue) (in *per cent*)	15.33	15.31	(-)0.79	2.51	11.13
State's share of Union Taxes and Duties (₹ in crore)	49,321	55,776	48,048	44,737	65,541
Grants-in-aid from Government of India (₹ in crore)	26,111	25,810	30,984	38,172	39,846
Gross State Domestic Product (₹ in crore) (2011-12 Series)	9,74,700	11,02,283	12,07,823	13,01,017	15,36,681
Rate of growth of GSDP (in *per cent*)	11.71	13.09	9.57	7.72	18.11
RR/ GSDP (in *per cent*)	13.47	13.24	11.83	11.41	11.59
Buoyancy Ratios[11]					
Revenue Buoyancy w.r.t GSDP	0.97	0.86	(-)0.22	0.50	1.11
State's Own Revenue Buoyancy w.r.t GSDP	1.31	1.17	(-)0.08	0.33	0.61

Source: Finance Accounts and GSDP figure of 2021-22 is collected from Budget Estimates 2022-23.

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

- Revenue Receipts increased by ₹ 29,765 crore (20.06 *per cent*) during 2021-22 over the previous year backed by increase in State's share of Union Taxes and Duties by ₹ 20,804 crore (46.50 *per cent*) followed by State's own tax revenue by ₹ 10,795 crore (17.91 *per cent*), Grants-in-aid from GoI by ₹ 1,674 crore (4.39 *per cent*) set-off by decrease in non-tax revenue by ₹ 3,508 crore (67.49 *per cent*).

- During 2021-22, 41 *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. In the PY, share of State's own resources was 44 *per cent*.

- Revenue buoyancy with respect to GSDP measures the percentage change in the revenue receipts to the percentage change in GSDP. As GSDP grows, the ability of the State Government to mobilise its own revenue should also increase. As can be seen from **Table 2.3** above, Revenue buoyancy remained lower than one during 2017-21 indicating that revenue receipts have not kept pace with the rate at which GSDP grew during 2017-21. However, during 2021-22, revenue collection of the State during 2021-22 was in tandem with the GSDP.

- There was wide fluctuation in the revenue buoyancy of the State, as extraneous factors such as Finance Commission (FC) Award (14th FC

[11] 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.

during 2015-20 and 15th FC from 2020-21), implementation of GST (from 2017-18 onwards) and lockdown owing to COVID-19 pandemic (from the end of March 2020 to September 2020 and May 2021), 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 2017-22 are given in ***Appendix 2.1***.

2.5.2.1 Own Tax Revenue

Own tax revenue (OTR) of the State consists of State Goods and Services Tax (SGST), State excise, taxes on vehicles, stamps and registration fees, land revenue and taxes on goods and passengers, etc.

State's own tax revenue and its components during 2017-22 is shown in **Table 2.4**.

Table 2.4: Components of State's Own Tax Revenue

(₹ in crore)

Revenue Head	2017-18	2018-19	2019-20	2020-21	2021-22
Sales Tax	12,999	7,813	7,161	9,394	9,951
SGST	14,964	27,067	27,308	26,013	31,271
State Excise	9,340	10,622	11,232	10,666	13,542
Taxes on Vehicles	2,317	2,563	2,601	2,336	2,647
Stamps and Registration Fees	5,261	5,620	6,026	5,528	7,366
Land Revenue	2,875	2,847	2,728	2,756	2,743
Taxes on Goods and Passengers	1,532	435	34	322	5
Other Taxes	3,433	3,765	3,579	3,272	3,557
Total	**52,721**	**60,732**	**60,669**	**60,287**	**71,082**

Source: Finance Accounts

Buoyancy of three major components of State's OTR, i.e., SGST, State Excise and Stamps & Registration fees *vis-a-vis* Revenue Expenditure in the current year compared with 2019-20 remained at 0.50, 0.70 and 0.76 respectively which indicates that the growth of these components are not commensurate with the growth of Revenue Expenditure.

Revenue collection dropped during 2020-21 and in the first quarter of 2021-22 owing to imposition of full/partial lockdowns for COVID-19 pandemic. Easing of lockdown restrictions and lifting of preventive measures from July 2021 had a positive impact on the collection of State's OTR during 2021-22. This may be corroborated from the fact that collection from all major components of OTRs i.e., Sales Tax, SGST, State Excise, Taxes on Vehicles and Stamps & Registration fees increased by 5.93, 20.21, 26.96, 13.31 and 33.25 *per cent*, respectively over 2020-21 (**Table 2.4)**. Higher collection of revenues helped to raise the OTR collections by 17.91 *per cent* during 2021-22 after negative growth of 0.63 *per cent* during 2020-21 over 2019-20. Besides this, effective 9 July 2021, fiscal measures were taken by the State Government in the form of rebate of stamp duty by two *per cent* for registration of sale or lease of land, houses or flats and reduction of rates of registration of immovable properties by 10 *per cent*. Such fiscal measures proved crucial as it impacted the State revenue favourably and hinted to growth in the construction and its associated sectors as well as growth in the SGST of the State. Decline in revenue collection under taxes on goods and passengers by 99.67 *per cent* in 2021-22, from the levels of 2017-18, was due to this tax being subsumed in GST.

2.5.2.2 Arrears of revenue

Arrears of revenue indicate delayed realisation of revenue due to the Government. MTFPS presented with the Budget 2022-23 revealed that at the end of 2021-22, arrears in realisation of revenue were ₹ 11,603 crore. Against these arrears, there was no dispute regarding realisation of ₹ 3,466 crore, of which cases exceeding one to two years involved ₹ 22 crore, two to five years ₹ 2,171 crore, five to 10 years ₹ 885 crore and more than 10 years ₹ 388 crore. Circumstances under which revenue of ₹ 3,466 crore could not be realised was not explained in the MTFPS. As mentioned above, undisputed arrears on account of revenue lying unrealised for period ranging between one year and more than 10 years adversely affects both the revenue receipt and revenue deficit.

2.5.2.3 Non-Tax Revenue

Components of State's non-tax revenue for the period from 2017-18 to 2021-22 is given in **Table 2.5** below.

Table 2.5: Components of State's Non-Tax Revenue

(₹ in crore)

Revenue Head	2017-18	2018-19	2019-20	2020-21	2021-22
Interest Receipts	1,396	806	321	2,824	306
Dividend and Profits	37	47	82	2	158
Other Non-Tax Receipts, *of which*	1,684	2,804	2,810	2,372	1,226
a) Major and Medium Irrigation	9	16	15	4	5
b) Road Transport	124	74	64	62	67
c) Urban Development	34	22	26	29	61
d) Education	68	63	63	30	55
e) Non-Ferrous Mining	422	326	215	173	195
f) Others or Misc.	1,027	2,303	2,427	2,074	843
Total	**3,117**	**3,657**	**3,213**	**5,198**	**1,690**

Source: Finance Accounts

During 2021-22, Non-tax revenue decreased by ₹ 3,508 crore (67.49 *per cent*) over the PY. Its contribution in Revenue receipts decreased to 0.95 *per cent* in the current year from 3.50 *per cent* in 2020-21. This was mainly due to accounting of "withdrawal of ₹ 2,498 crore from the Consolidated Sinking Fund (CSF) for meeting borrowing commitments in the COVID-19 pandemic situation" as revenue receipts under the major head '0049-Interest Receipts' during 2020-21.

2.5.2.4 Non-booking of interest receipts on the unspent scheme funds

The mechanism of accounting of the interest receipts on the unspent state schemes and funds lying outside the state exchequer in the savings bank accounts of the DDOs has not yet been framed.

Test check revealed that ₹ 380.50 crore[12] earned as interest on scheme funds/ other public funds lying in the Savings Accounts with the Commercial Banks, had not been accounted as Non-tax Revenue of the state for the financial year 2021-22. Resultantly, Revenue Receipts remained understated by ₹ 380.50 crore with consequent overstatement of Revenue and Fiscal Deficit to that extent (**Table 1.8**).

2.5.3 Transfers from the Centre

The two main components of transfers from the GoI are Central tax transfers *i.e.*, State's share in Union taxes & duties and Grants-in-aid.

During 2021-22, Central transfers increased to ₹ 1,05,387 crore from ₹ 82,909 crore in 2020-21, mainly due to increase in devolution of Central tax transfer by ₹ 20,804 crore.

2.5.3.1 Central Tax Transfers

The Fifteenth Finance Commission (15th FC) recommended that the States' share of Central taxes is to be decreased to 41 *per cent* from 42 *per cent* of sharable proceeds recommended by the Fourteenth Finance Commission (14th FC). Further, West Bengal's share in the net proceeds of Central taxes (divisible pool) has been revised to 7.523 *per cent* of sharable proceeds under 15th FC from 7.324 *per cent* during 14th FC.

Actual devolution of Central tax transfers and its components for the period 2017-22 is shown in **Table 2.6**.

Table 2.6: Central Tax Transfers **(₹ in crore)**

Head	2017-18	2018-19	2019-20	2020-21	2021-22
Central Goods and Services Tax (CGST)	701	13,766	13,635	13,282	19,025
Integrated Goods and Services Tax (IGST)	4,980	1,099	0	0	0
Corporation Tax	15,107	19,397	16,383	13,508	18,165
Taxes on Income other than Corporation Tax	12,757	14,285	12,837	13,849	19,791
Customs	4,979	3,954	3,046	2,368	4,892
Union Excise Duties	5,204	2,627	2,117	1,502	2,715
Service Tax	5,594	511	0	195	880
Other Taxes[13]	0	137	30	33	73
Central Tax transfers	**49,321**	**55,776**	**48,048**	**44,737**	**65,541**
Percentage of increase over the previous year	11	13	(-)14	(-)7	47
Percentage of Central tax transfers to Revenue Receipts	38	38	34	30	37

Source: Finance Accounts

[12] ₹ 312.85 crore for Krishak Bandhu, ₹ 60.20 crore for Food & Supplies Department and ₹ 7.45 crore for Laxmir Bhandar

[13] Include Taxes on Wealth, Other Taxes on Income and Expenditure, Other Taxes and Duties on commodities and Services

The Central tax transfers at ₹ 65,541 crore in 2021-22 increased by 46.50 *per cent* (₹ 20,804 crore) over the previous year. Increase in transfer of sharable proceeds from direct taxes and indirect taxes attributed to this rise. In direct taxes, increase was mainly noticed under (a) Taxes on Income other than Corporation tax by ₹ 5,942 crore (42.91 *per cent*) and (b) Corporation Tax by ₹ 4,657 crore (34.48 *per cent*). In case of indirect taxes, growth was on account of increase in transfer under (i) CGST by ₹ 5,743 crore (43.24 *per cent*) and (ii) Customs by ₹ 2,524 crore (106.59 *per cent*).

2.5.3.2 Grants from GoI

Grants-in-aid given by the Government of India during 2017-22 are shown in **Table 2.7**.

Table 2.7: Grants-in-aid from Government of India

(₹ in crore)

Head	2017-18	2018-19	2019-20	2020-21	2021-22
Grants for Centrally Sponsored Schemes	15,734	15,688	16,963	17,604	11,077
Grants for Special Plan Schemes	-	-	-	-	-
Finance Commission Transfers	5,283	4,189	6,025	12,351	23,517
Other Transfer/Grants to States/Union Territories with Legislature	5,094	5,933	7,996	8,217	5,252
Total Grants	**26,111**	**25,810**	**30,984**	**38,172**	**39,846***
Percentage of increase over the previous year	5.32	(-)1.15	20.05	23.20	4.39
Revenue Receipts	1,31,270	1,45,975	1,42,914	1,48,394	1,78,159
Percentage of GIA to Revenue Receipts	19.89	17.68	21.68	25.72	22.37

Source: Finance Accounts
**Difference of ₹1 crore is due to rounding*

Grants from Government of India increased by ₹ 1,674 crore (4.39 *per cent*) over the previous year to ₹ 39,846 crore in 2021-22. This was mainly attributable to increase in Finance Commission Transfers (*as discussed in Paragraph 2.5.3.4*).

2.5.3.3 Grants 'in kind' from GoI remained unaccounted

LMMHA[14] issued by the CGA[15], GoI stipulated that value of the material received as aid to the State Government is to be credited in the functional Major Head '1601-Grants-in-aid from the Central Government'. PFMS portal of the MoHFW[16] showed that GoI, during 2021-22, issued 68 sanctions amounting to ₹ 192.86 crore being the cost adjustment of vaccine supplies 'in kind' given to the GoWB. State Government, however, did not issue necessary sanction orders enabling credit of ₹ 192.86 crore in the State accounts.

Consequently, Grants from GoI remained understated by ₹ 192.86 crore with consequent overstatement of Revenue and Fiscal Deficit to that extent **(Table 1.8)**.

[14] List of Major and Minor Heads of Accounts
[15] Controller General of Accounts
[16] Ministry of Health and Family Welfare

2.5.3.4 Fifteenth Finance Commission Grants

During 2021-22, GoI released Fifteenth Finance Commission (15th FC) grants of ₹ 23,308 crore against the allocation of ₹ 24,314 crore. Released grants included Post Devolution Revenue Deficit grants of ₹ 17,607 crore, local bodies grants of ₹ 4,690 crore[17] and grants for State disaster response and mitigation of ₹ 1,011 crore. Release of grants by GoI *vis-à-vis* the allocations, recommended by 15th FC during the year 2021-22 are detailed in **Table 2.8.**

Table 2.8: Release of 15th FC grants with respect to the allocation during 2021-22

Sl. No.	Grants recommended by the 15th FC	Allocation	Actual release	Short/Non release
		(₹ in crore)		
1.	Grants to RLBs (Tied grants)	1,956.60	1,930.21	26.39
	Grants to RLBs (Untied grants)	1,304.40	1,286.81	17.59
2.	Grants to ULBs for Non-Million Plus Cities (Tied grants)	583.80	291.90	291.90
	Grants to ULBs for Non-Million Plus Cities (Untied grants)	389.20	194.60	194.60
	Grants to ULBs for Million Plus Cities in respect of Air Quality Improvement	211.00	158.25	52.75
	Grants to ULBs for Million Plus Cities in respect of Service level benchmarks for urban drinking water supply, sanitation and solid waste management	422.00	0.00	422.00
3.	Health Grant for Local Bodies	829.00	828.07	0.93
4.	State Disaster Response Fund (SDRF)	808.80	808.80	-
	State Disaster Mitigation Fund (SDMF)	202.20	202.20	-
5.	Post Devolution Revenue Deficit Grants	17,607.00	17,607.00	-
Total		**24,314.00**	**23,307.84**	**1,006.16**

Source: Finance Accounts and Departmental records

Details of 15th FC grants have been described below:

(A) Post Devolution Revenue Deficit Grants

15th FC, based upon assessment of revenues and expenditures of the State calculated pre-devolution revenue deficits. Further, from the assessed devolution of taxes based on the horizontal devolution formula factoring the weightages assigned for each criterion[18], as mentioned in the 15th FC Report, the post-devolution revenue deficit (PDRD) was derived. States which still had shown a revenue deficit after apportioning PDRD, were recommended PDRD grants. Being a revenue deficit State, 15th FC recommended PDRD grants of ₹ 45,128 crore to West Bengal during 2020-25 (**Table 2.9**).

[17] Excluded ₹ 209.50 crore received during 2021-22, earmarked for the year 2020-21 in connection with 'Million plus cities in respect of air quality improvement'

[18] Population (15 *per cent*), Area (15 *per cent*), Forest and ecology (10 *per cent*), Income distance (45 *per cent*), Tax and fiscal efforts (2.5 *per cent*) and demographic performance (12.5 *per cent*)

Table 2.9: Details of PDRD Grants recommended for the period 2020-25

Year	PDRD Grants recommended by 15th FC (₹ in crore)
2020-21	5,013
2021-22	17,607
2022-23	13,587
2023-24	8,353
2024-25	568
Total	**45,128**

Source: 15th FC Report

PDRD grants provided to West Bengal upto 2021-22 and actual Revenue Deficit registered, are shown in **Table 2.10**.

Table 2.10: Details of receipt of PDRD Grants

Name of FC	Year	PDRD Grants	Actual Revenue Deficit
		(₹ in crore)	
14th FC	2015-16	8,449	9,095
	2016-17	3,311	16,086
15th FC	2020-21	5,013	29,527
	2021-22	17,607	32,000

Source: FC Reports and Finance Accounts

Thus, the State Government failed to contain the RD, despite receipt of PDRD grants from GoI.

(B) Short/ non receipt of 15th FC Grants from the GoI

As shown in the **Table 2.8**, there was a short receipt of grants amounting to ₹ 1,006 crore from the GoI.

- In respect of un-tied grants, 15th FC did not mention any conditionalities for release. However, reasons for short receipt of un-tied grants amounting to ₹ 212 crore for Local Bodies, were not on record.
- Finance Department, despite pursuance, did not furnish reasons for short/non-receipt of tied grants amounting to ₹ 794 crore from the GoI.

(C) Avoidable payment of Interest

Fifteenth FC provided that the States should release grants to local bodies within 10 working days of its being credited to State Government's account by the Government of India. Any delay in the release of above grants would attract penal interest as per the effective rate of interest on market borrowings/State Development Loans for the previous year.

It was observed that 15th FC grants of ₹ 4,071.27 crore[19] were released with delays ranging between six to 71 days due to which, GoWB had to pay interest of ₹ 11.48 crore[20] during 2021-22.

(D) Pending Interest Payment

Para 7 of the State Disaster Risk Management Fund guidelines stipulated that immediately upon contribution of GoI's share of SDRF, the State should transfer it along with its share to the Public Account within 15 days of its receipt. Any delay in transfer for the number of days of delay would attract penal interest at the bank rate of RBI.

It was observed GoWB did not pay interest of ₹ 4.88 crore till October 2022, despite delayed transfer[21] of SDRF grants (₹ 1,427.23 crore[22]) to the Public Account during 2018-22. Interest outstanding for the year 2021-22 was ₹ 2.19 crore.

Finance Department did not furnish reasons for payment/pending payment of interest owing to delayed disbursements by GoWB despite those being called for (November 2022).

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. The net public debt receipts after discharging public debt plus other capital receipts is the net capital receipts.

Table 2.11 shows the trends in growth and composition of net capital receipts during the period 2017-22.

Table 2.11: Trends in growth and composition of net capital receipts

(₹ in crore)

Sources of State's Receipts	2017-18	2018-19	2019-20	2020-21	2021-22
Capital Receipts	**45,957**	**71,693**	**75,766**	**75,579**	**77,639**
Public debt receipts	45,743	70,197	75,699	75,429	77,581
Public debt repayment	25,011	45,786	40,413	26,890	31,540
Net Public Debt Receipts (1)	**20,732**	**24,411**	**35,286**	**48,539**	**46,041**
Growth rate (in *per cent*)	(-)17.80	17.75	44.55	37.56	(-)5.15
Miscellaneous Capital Receipts	0	692	30	0	0
Recovery of Loans and Advances	214	804	67	150	58
Non-debt capital receipts (2)	**214**	**1,496**	**67**	**150**	**58**
Capital Expenditure (3)	19,368	23,717	15,971	13,034	17,484
Disbursement of Loans and Advances (4)	(-)31	865	1,266	2,277	1,102
Net capital receipts (1+2-3-4)	**1,609**	**1,325**	**18,116**	**33,378**	**27,513**
Growth rate (in *per cent*)	**(-)89.89**	**(-)17.65**	**1,267.25**	**84.25**	**(-)17.57**

[19] RLB grants of ₹ 3,217.02 crore *plus* ULB grants of ₹ 854.25 crore
[20] RLBs: ₹ 7.14 crore and ULBs: ₹ 4.34 crore
[21] Delay ranged from five to 124 days
[22] (Central Share: ₹ 1,077.90 crore and State Share: ₹ 349.33 crore)

Sources of State's Receipts	2017-18	2018-19	2019-20	2020-21	2021-22
Net Internal Debt*	19,708	24,286	34,400	43,553	38,848
Growth rate (in *per cent*)	(-)23.24	23.23	41.65	26.61	(-)10.80
Net Loans and advances from GoI	1,024	125	886	4,986	7,193
Growth rate (in *per cent*)	(-)324.56	(-)87.79	608.80	462.75	44.26
Rate of growth of debt Capital Receipts (in *per cent*)	21.90	53.46	7.84	(-)0.36	2.85
Rate of growth of non-debt capital receipts (in *per cent*)	(-)93.38	599.07	(-)95.52	123.88	(-)61.33
Rate of growth of GSDP (in *per cent*)	11.71	13.09	9.57	7.72	18.11
Buoyancy of Net Public Debt Receipts w.r.t GSDP	(-)1.52	1.36	4.65	4.87	(-)0.28
Rate of growth of Capital Receipts (in *per cent*)	12.76	56.00	5.68	(-)0.25	2.73

Source: Finance Accounts; GSDP figure of 2021-22 is collected from Budget Estimates 2022-23.
**Including gross figures under WMA of ₹5,395 crore in 2017-18, ₹25,005 crore in 2018-19, ₹15,860 crore in 2019-20, ₹8,155 crore in 2020-21 and ₹193 crore in 2021-22*

Capital Receipts (₹ 77,639 crore) in the current year increased by ₹ 2,060 crore (2.73 *per cent*) over 2020-21 mainly due to increase in Market Borrowings (MBs) and Loans & Advances from GoI by ₹ 7,710 crore (13 *per cent*) and ₹ 2,084 crore (32 *per cent*) respectively over the PY partially *offset* by decrease in WMA of ₹ 7,961 crore (98 *per cent*) over the PY.

Net capital receipts decreased by 17.57 *per cent* from ₹ 33,378 crore to ₹ 27,513 crore in 2021-22, mostly due to decrease in net public debt receipts by ₹ 2,498 crore (5.15 *per cent*) over the PY. Net public debt receipts (NPDR) buoyancy with respect to GSDP in the current year being (-)0.28 *per cent* became less buoyant than the previous year (4.87 *per cent*). This implies that the NPDR tends to decrease by 0.28 *per cent* even if the GSDP increases by one *per cent*. NPDR in the current year decreased by 5.15 *per cent* to ₹ 46,041 crore from the level of ₹ 48,539 crore in the PY owing to higher Public Debt Repayment this year over the PY.

Public debt receipts create future repayment obligations. In the current year, public debt receipts used for repayment of public debts raised in earlier years increased to 40.65 *per cent* from the level of 35.65 *per cent* in the PY. Increase in debt repayment from the debt receipts indicate contraction of productive expenditure from the debt receipts.

Non-debt capital receipts in the shape of recoveries of loans and advances and Miscellaneous Receipts decreased by 61.33 *per cent* to ₹ 58 crore due to less recovery of loans from Public Sector Enterprises/ Bodies/ Authorities. This indicates that there is 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 15th FC projections and Budget Estimates during 2021-22 has been shown in **Table 2.12**.

Table 2.12: Tax and non-tax receipts *vis-à-vis* projections

Particulars	FC projections	Budget Estimates	Actual	Percentage variation of actual over	
	(₹ in crore)			FC projections	Budget estimates
Own Tax revenue	68,467	75,416	71,082	3.82	(-)5.75
Non-tax revenue	3,302	4,612	1,690	(-)48.82	(-)63.36

Source: 15th FC Report, Budget Publications and Finance Accounts

As could be seen from **Table 2.12**, State's Own Tax Revenue exceeded the target set by the projection of FC by four *per cent* (₹ 2,615 crore) but fell short of the targets set in the budget estimates by six *per cent* (₹ 4,334 crore). In case of non-tax revenue, corresponding targets fell short by 49 *per cent* (₹ 1,612 crore) and 63 *per cent* (₹ 2,922 crore). Overall, short collection of State's own revenue contributed to widening the gap of revenue deficit with respect to 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 2.13 gives the trend of total expenditure and its composition while **Table 2.14** gives relative share of various sectors in expenditure during the period 2017-22. The expenditure under various sectors in respect of revenue and capital and their relative share in GSDP during 2017-22 are given in ***Appendix 2.1***.

Table 2.13: Total expenditure and its composition

Parameters	2017-18	2018-19	2019-20	2020-21	2021-22
	(₹ in crore)				
Total Expenditure (TE)	1,60,414	1,80,956	1,79,812	1,93,232	2,28,745
Revenue Expenditure (RE)	1,41,077	1,56,374	1,62,575	1,77,921	2,10,159
Capital Expenditure (CE)	19,368	23,717	15,971	13,034	17,484
Loans and Advances	(-)31	865	1,266	2,277	1,102
As a percentage of GSDP					
TE/ GSDP	16.46	16.42	14.89	14.85	14.89
RE/ GSDP	14.47	14.19	13.46	13.68	13.68
CE/ GSDP	1.99	2.15	1.32	1.00	1.14
Loans and Advances/ GSDP	0.00	0.08	0.10	0.18	0.07

Source: Finance Accounts; GSDP figure of 2021-22 is collected from Budget Estimates 2022-23.
Note: *Revenue Expenditure (RE) of ₹ 2,008 crore during 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. On the contrary, actual CE during 2021-22 would be ₹ 15,476 crore instead of ₹ 17,484 crore.*

State's total expenditure (TE) consists of Revenue Expenditure (RE), Capital Expenditure (CE) and disbursement of loans and advances. TE during the current year increased by ₹ 35,513 crore (18.38 *per cent*) over the previous year. This was mainly due to increase of RE by ₹ 32,238 crore (18.12 *per cent*) backed by Lakshmir Bhandar scheme (₹ 5,765 crore) in Social Services and Krishak Bandhu scheme (₹ 3,801 crore) in Economic Services. With respect to GSDP, RE remained same as the PY (13.68 *per cent*) while CE increased by 0.14 *per cent* over that of 2020-21. During 2017-22, CE as a percentage of GSDP was second lowest, at 1.14, in the current year. This is not encouraging as Investment in Capital Assets is considered to be an indicator of growth of any State economy. Payment of Loans and Advances to GSDP reduced by 0.11 *per cent.*

Table 2.14: Relative share of various sectors of expenditure

Parameters	2017-18	2018-19	2019-20	2020-21	2021-22
	(in *per cent*)				
General Services	33.30	31.94	34.86	36.86	34.55
Social Services	41.89	42.05	43.67	42.85	48.05
Economic Services	24.52	25.26	20.52	18.88	16.76
Others (Grants to Local Bodies and Loans and Advances)	0.29	0.75	0.95	1.41	0.64

Source: Finance Accounts

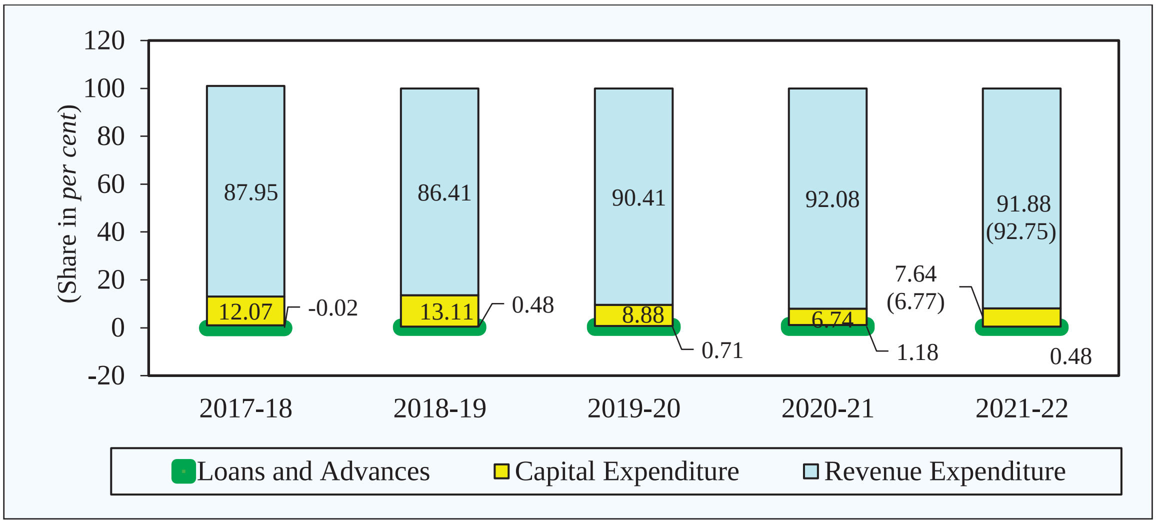
***Note**: During 2021-22, Revenue Expenditure of ₹ 12,941 crore in the Public Distribution System, misclassified in Social Services (SS) instead of Economic Services (ES). Similarly, in the Pradhan Mantri Aawas Yojana, ₹5,015 crore misclassified in ES instead of SS; Election expenditure of ₹ 175 crore misclassified in SS instead of GS; and expenditure on Health of ₹323 crore misclassified in ES instead of SS. Resultantly, relative shares of expenditure under GS, SS and ES would be 34.63, 44.65 and 20.08 instead of 34.55, 48.05 and 16.76 respectively.*

Expenditure under Social Sector constituted a major portion of the State's Expenditure. As can be seen from **Table 2.14** above, around 42 to 48 *per cent* of the total expenditure was covered under this sector during 2017-22 indicating Government's priority on spending on social activities. In the current year, the relative share of this sector being at 48.05 *per cent* increased by 5.20 *per cent* over the PY owing to expenditure of ₹ 5,765 crore incurred for 'West Bengal Lakshmir Bhandar Scheme[23]. The relative share of expenditure on General Services reduced by 2.31 *per cent* to 34.55 *per cent*. In the case of Economic Services, the relative share decreased by 2.12 *per cent*, over the previous year, to 16.76 *per cent*, indicating that the expenditure in this sector remained compressed.

Chart 2.4 presents the trends in share of components of Total Expenditure (TE) while **Chart 2.5** presents TE by activity during 2017-22 and **Chart 2.6** presents the total expenditure out of the Consolidated Fund during 2021-22.

[23] A welfare scheme launched by Government of West Bengal during 2021-22 for providing financial support (₹ 500 per month to General category and ₹ 1,000 per month to SC/ST category) to female household who do not have any of the sources of income to carry on their livelihood.

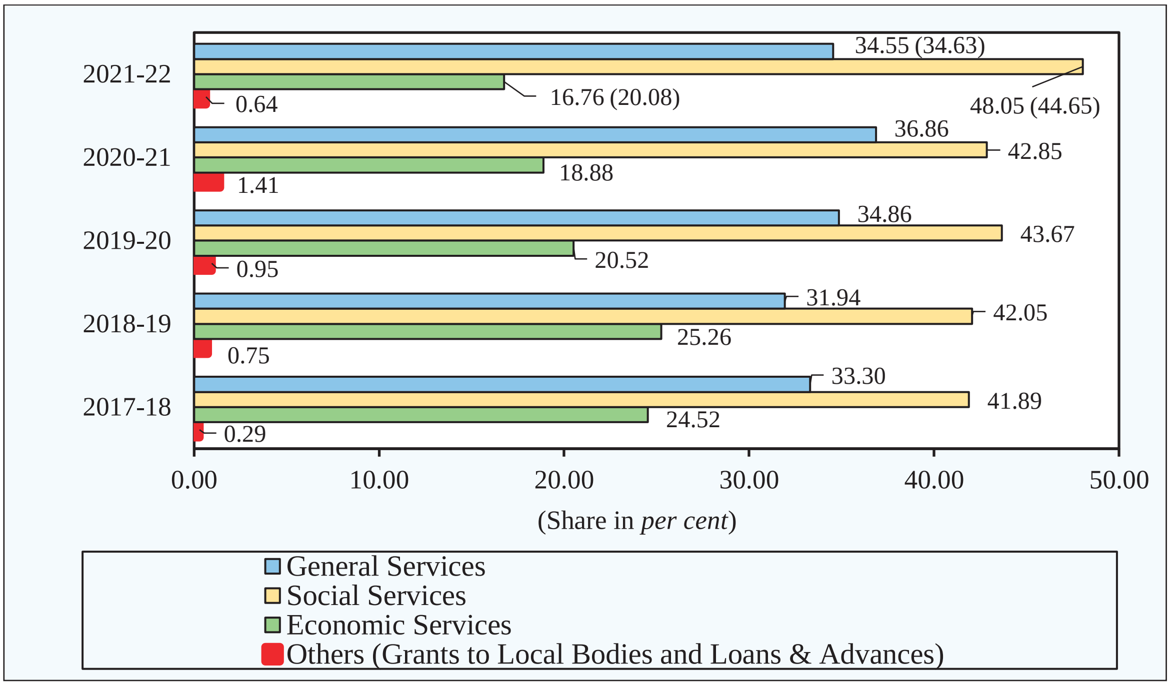
Chart 2.4: Total Expenditure: Trends in share of its components



Source: Finance Accounts

Note: Shares of Revenue Expenditure (RE) and Capital Expenditure (CE) in Total Expenditure would be changed (as shown in brackets) during 2021-22 if the misclassification of ₹2,008 crore between RE and CE as pointed out by Audit in Note below Table 2.13 is factored in.

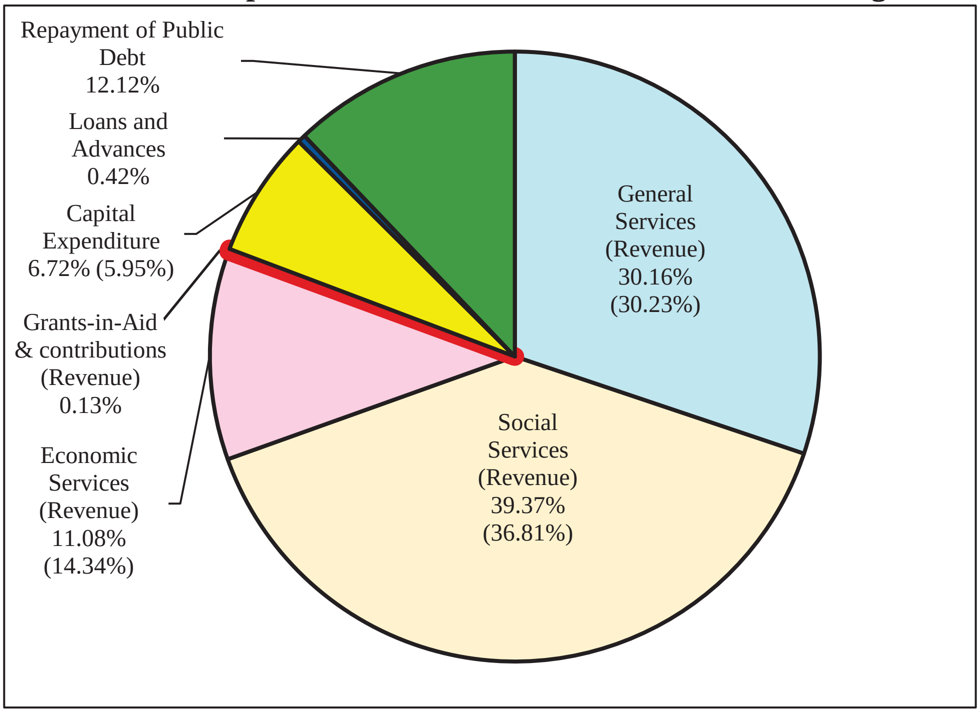
Chart 2.5: Total expenditure - Expenditure by activities



Source: Finance Accounts

***Note:** Shares of expenditures on General, Social and Economic Services with respect to the Total Expenditure would be changed (as shown in brackets) during 2021-22 if the misclassification between RE & CE and misclassification of RE among General, Social and Economic sectors, as pointed out by Audit in Note below Table 2.13 and Note below Table 2.14 respectively, is factored in.*

Chart 2.6: Total Expenditure out of the Consolidated Fund during 2021-22



Source: Finance Accounts

Note: Shares of Capital Expenditure and expenditures on general, social and economic sectors in Revenue section would be changed (as shown in brackets) if the misclassification between RE & CE and misclassification of RE among General, Social and Economic sectors, as pointed out by Audit in Note below Table 2.13 and Note below Table 2.14 respectively, is factored in.

As evident from the **Chart 2.4**, Capital Expenditure (CE) had increased significantly during 2017-19, with its share as a percentage of Total Expenditure (TE) increasing from 12.07 *per cent* in 2017-18 to 13.11 *per cent* in 2018-19. From 2019-20, the share of CE, however, witnessed a declining trend from 8.88 *per cent* in 2019-20 and further to 6.74 *per cent* in 2020-21. During 2021-22, the share of CE increased to 7.64 though it remained below the levels during 2017-20. This is attributable to the fact that as disbursement of Loans and Advances with respect to TE reduced by 0.70 *per cent* to 0.48 *per cent* in the current year.

2.8 Revenue Expenditure

Revenue expenditure is incurred to maintain the current level of services and payments for past obligations. As such, it does not result in any addition to the State's infrastructure and service network.

The overall revenue expenditure, its rate of growth, its ratio to total expenditure and buoyancy *vis-à-vis* GSDP and revenue receipts during 2017-22 are shown in **Table 2.15**.

Table 2.15: Revenue Expenditure- Basic Parameters

Parameters	2017-18	2018-19	2019-20	2020-21	2021-22
	(₹ in crore)				
Total Expenditure (TE)	1,60,414	1,80,956	1,79,812	1,93,232	2,28,745
Revenue Expenditure (RE)	1,41,077	1,56,374	1,62,575	1,77,921	2,10,159

Parameters	2017-18	2018-19	2019-20	2020-21	2021-22
	(₹ in crore)				
Rate of Growth of RE (*per cent*)	5.35	10.84	3.97	9.44	18.12
Revenue Expenditure as percentage of TE	87.95	86.42	90.41	92.08	91.87
RE/ GSDP (*per cent*)	14.47	14.19	13.46	13.68	13.68
RE as percentage of RR	107.47	107.12	113.76	119.90	117.96
Buoyancy of Revenue Expenditure with					
GSDP (ratio)	0.46	0.83	0.41	1.22	1.00
Revenue Receipts (ratio)	0.47	0.97	(-)1.89	2.46	0.90

Source: Finance Accounts; GSDP figure of 2021-22 is collected from Budget Estimates 2022-23.

Note*: Revenue Expenditure (RE) of ₹2,008 crore in 2021-22 was misclassified as Capital Expenditure (CE). Rate of growth of RE during 2021-22 would be 19.25 instead of 18.12 per cent, if misclassification between RE and CE is factored in. RE as a percentage of TE would also be changed to 92.75 instead of 91.87.*

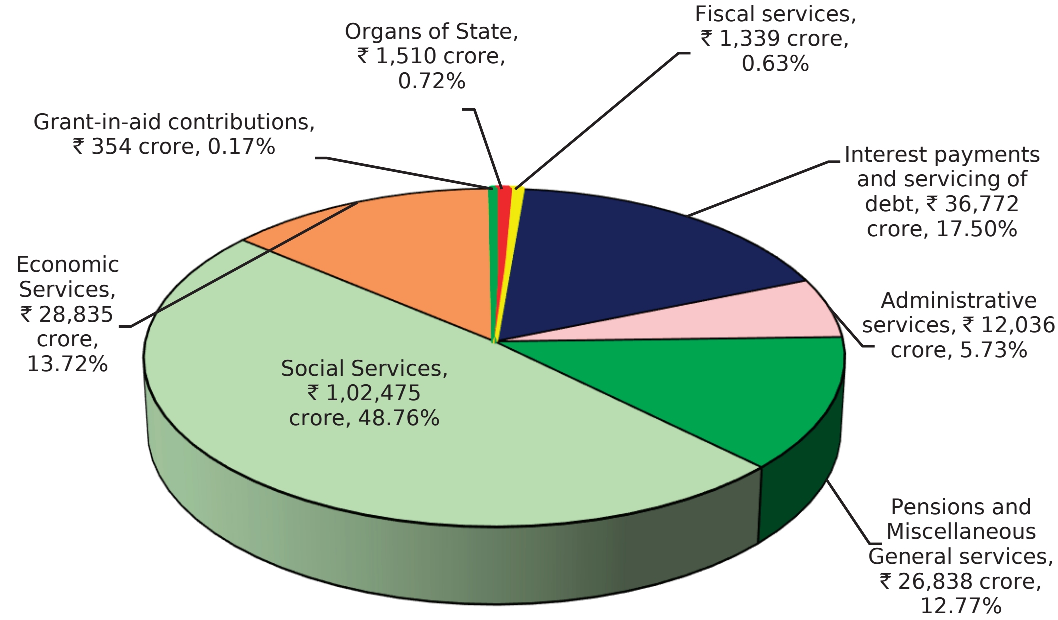
Revenue Expenditure (RE) constituted a significant portion (91.87 *per cent*) of the total expenditure. Its share in total expenditure (TE) decreased by 0.21 *per cent* over the previous year. While analysing the last five years' data, it was observed that RE as a percentage of RR has been highest during 2020-21 (119.90 *per cent*) which was again similar in the year 2021-22 which results into increased Revenue Deficit.

The trend of RE with GSDP over the last five years (about 13 to 14 *per cent* of GSDP) has almost been constant indicating less elasticity of the revenue expenditure in terms of GSDP. In contrast, the ratio of state's revenue receipts to GSDP has been decreasing from 13.47 *per cent* to 11.59 *per cent* (**Table 2.3**). These trends may result into widening the gap of the revenue deficit. This is further confirmed with the data in **Table 2.3** wherein the State's own revenue has increased in the ratio of 0.61 to the increase in GSDP in the year 2021-22.

During 2017-22, the excess of RE over RR ranged between 7.12 and 19.90 *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 2021-22 has been shown in **Chart 2.7**.

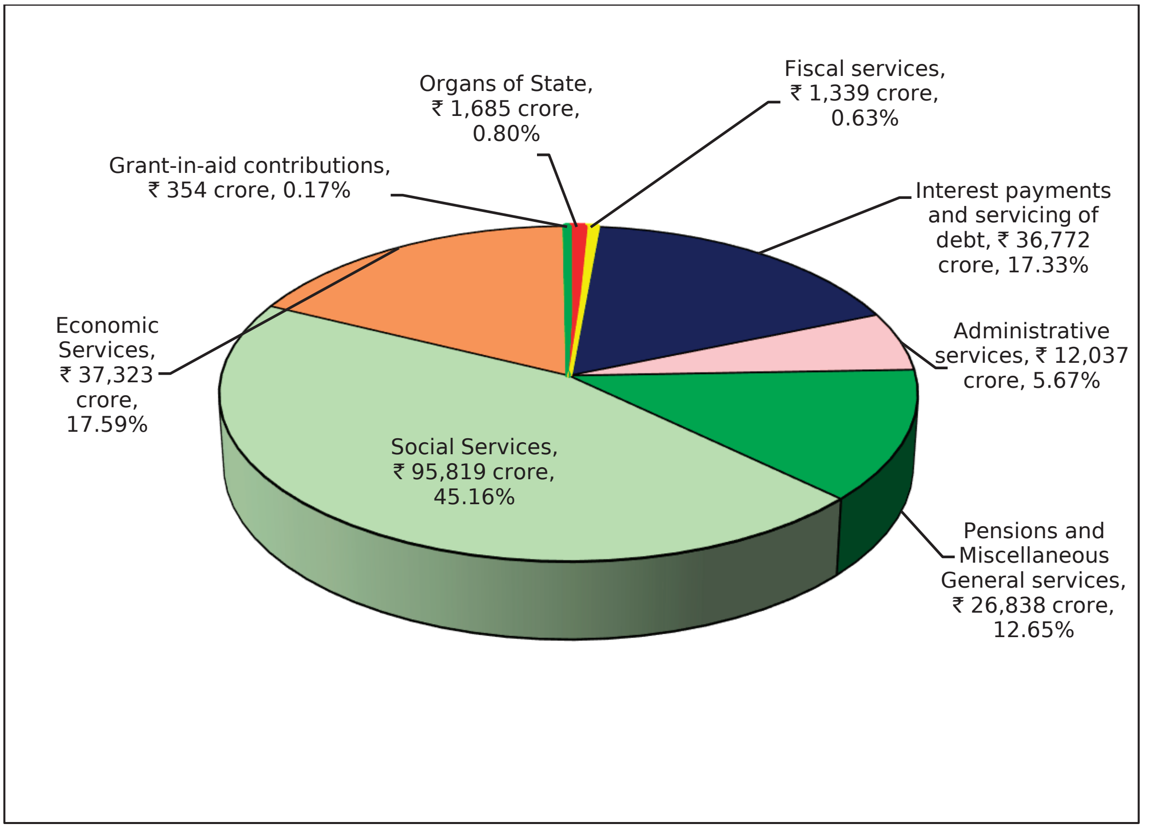
Chart 2.7: Sector-wise distribution of revenue expenditure during 2021-22



Source: Finance Accounts

The sector-wise distribution of Revenue Expenditure during 2021-22 in **Chart 2.7** would be impacted as shown in **Chart 2.7(A)**, if the misclassifications of Revenue Expenditure as Capital Expenditure (*vide* note below **Table 2.15**) and expenditures on General, Social & Economic sectors in Revenue section (*vide* note below **Table 2.14)**, are factored in.

Chart 2.7(A): Sector-wise distribution of revenue expenditure during 2021-22



2.8.1 Major changes in Revenue Expenditure

Revenue Expenditure (₹ 2,10,159 crore) increased by 18.12 *per cent* (₹ 32,238 crore) over the previous year. Increase in Social Services by 30 *per cent* (₹ 23,628 crore) followed by General Services by 11 *per cent* (₹ 7,811 crore) and Economic Services by three *per cent* (₹ 894 crore) set off by decrease in Grants-in aid and contributions by 21 *per cent* (₹ 95 crore) contributed to this growth.

In Social Services, major increases were noticed in (i) Social Welfare and Nutrition by ₹ 14,806 crore (75 *per cent*), (ii) Health and Family Welfare by ₹ 3,750 crore (31 *per cent*) and (iii) Water Supply, Sanitation, Housing and Urban Development by ₹ 2,485 crore (34 *per cent*).

In General Services, major increases were noticed in (i) payments of Pension by ₹ 5,282 crore (25 *per cent*) and (ii) Interest Payment by ₹ 2,891 crore (nine *per cent*).

In Economic services, major increase was noticed in Agriculture and Allied Activities by ₹ 3,496 crore (76 *per* cent) which was partially offset by decrease in Rural Development by ₹ 2,684 crore (16 *per cent*).

Significant variations noticed in major heads of account during 2021-22 *vis-à-vis* 2020-21 have been shown in **Table 2.16**.

Table 2.16: Variation in Revenue Expenditure during 2021-22 compared to 2020-21

Major Heads of Account	2020-21	2021-22	Increase (+)/ Decrease (-)
	(₹ in crore)		
2235-Social Security and Welfare	15,508	31,127	15,619
2071-Pensions and Other Retirement benefit	21,394	26,676	5,282
2210-Medical and Public Health	10,777	14,448	3,671
2401-Crop Husbandry	2,563	5,781	3,218
2049-Interest Payments	33,781	36,672	2,891
2202-General Education	34,190	36,340	2,150
2217-Urban Development	5,969	8,026	2,057
2515-Other Rural Development Programmes	5,669	7,177	1,508
2236-Nutrition	691	1,781	1,090
2505-Rural Employment	10,737	6,658	(-)4,079
2245-Relief on account of Natural Calamities	3,606	1,704	(-)1,902
2075-Miscellaneous General Services	1,428	162	(-)1,266

Source: Finance Accounts

***Note**: During 2021-22, ₹12,941 crore was wrongly booked under '2235' instead of '2408'; Similarly, ₹2,035 crore and ₹2,980 crore booked under '2217' and '2505' respectively instead of '2216'; ₹175 crore booked under '2217' in lieu of '2015'; ₹323 crore booked under '2515' in lieu of '2210'. As a result, increase in expenditure under '2235', '2210' and '2515' would be changed to ₹2,678 crore, ₹3,994 crore and ₹1,185 crore respectively and increase of ₹2,057 crore under '2217' would be changed to decrease of ₹153 crore. On the contrary, decrease under '2505' would be changed to ₹7,059 crore.*

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

- Expenditure on 'Women's Welfare' increased to ₹ 6,365 crore, an increase of 544.36 *per cent* from ₹ 988 crore in 2020-21;
- Expenditure on 'Special component plan for Scheduled Castes' under Social Welfare increased to ₹ 3,277 crore, an increase of 395.02 *per cent* from ₹ 662 crore in 2020-21;
- Expenditure on 'Swasthya Sathi' increased to ₹ 2,371 crore, an increase of 245.12 *per cent* from ₹ 687 crore in 2020-21;
- Expenditure on 'Jawahar Gram Samridhi Yojana' decreased to ₹ 2,341 crore, a decrease of 49.85 *per cent* from ₹ 4,667 crore in 2020-21;
- Expenditure on State Lotteries decreased to ₹ 9 crore, a decrease of 99.32 *per cent* from ₹ 1,295 crore;
- Assistance for repairs/reconstruction of houses for relief on account of natural calamities decreased to ₹ 69 crore, a decrease of 96.36 *per cent* from ₹ 1,888 crore;

- Expenditure on 'Special component plan for Scheduled Castes' under Crop Husbandry increased to ₹ 2,273 crore, an increase of 1,778.51 *per cent* from ₹ 121 crore in 2020-21.

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 during the period 2017-22 has been shown in **Table 2.17**.

Table 2.17: Components of Committed Expenditure

Components of Committed Expenditure	2017-18	2018-19	2019-20	2020-21	2021-22
	(₹ in crore)				
Salaries & Wages	37,803	41,541	48,567	56,660	59,379
***Of which*, Grants-in-aid salary**[24]	21,510	23,574	27,815	32,592	33,978
Expenditure on Pensions	14,588	16,063	17,462	21,394	26,676
Interest Payments	28,074	28,911	31,668	33,782	36,672
Total	**80,465**	**86,515**	**97,697**	**1,11,836**	**1,22,727**
As a *percentage* of Revenue Receipts (RR)					
Salaries & Wages	28.80	28.46	33.98	38.18	33.33
Expenditure on Pensions	11.11	11.00	12.22	14.42	14.97
Interest Payments	21.39	19.81	22.16	22.76	20.59
Total	**61.30**	**59.27**	**68.36**	**75.36**	**68.89**
As a *percentage* of Revenue Expenditure (RE)					
Salaries & Wages	26.80	26.57	29.87	31.85	28.26
Expenditure on Pensions	10.34	10.27	10.74	12.02	12.69
Interest Payments	19.90	18.49	19.48	18.99	17.45
Total	**57.04**	**55.33**	**60.09**	**62.86**	**58.40**

Source: Finance Accounts

As can be seen from **Table 2.17** above, committed expenditure constituted over 55 *per cent* of Revenue Expenditure during 2017-22 while it accounted for over 59 *per cent* and above of the Revenue Receipts of the State during the same period. Though the share of expenditure available for utilisation out of the Revenue Expenditure, after meeting the committed expenditure, progressed to 42 *per cent* in the current year from 37 *per cent* in 2020-21, it has remained almost constant over the last three years. In the Committed Expenditure during 2017-22, share of Salaries and Wages constituted 47 to 51 *per cent* while the share of expenditure on Pension constituted 18 to 22 *per cent*.

[24] Salaries for employees of grantee bodies (e.g. aided schools and colleges), as distinct from government servants

Buoyancy of Committed Expenditure *vis-a-vis* Revenue Receipts in the current year compared with 2019-20 remained at 1.04, implying that the growth of Committed Expenditure is far ahead than the growth of Revenue Receipts. In the case of General States (GS), the ratio was 0.86.

- ***Salaries and Wages***

Share of salaries in Revenue Expenditure varied between 27 and 32 *per cent* during 2017-22. Of the total salaries, Grants-in-Aid salaries hovered between 56-57 *per cent.* During the year 2021-22, share of salaries in RE decreased by four *per cent* to 28 *per cent.* The increase during the year 2021-22 was ₹ 2,719 crore (4.80 *per cent*) compared to an increase of ₹ 8,093 crore (16.66 *per cent*) during 2020-21. Revision of pay with effect from 1 January 2020, pursuant to West Bengal Services (Revision of Pay and Allowance) Rules[25], 2019 contributed to the increase during 2020-21. Expenditure on Salary grew at a CAGR of 11.95 *per cent* during the period 2017-22.

- ***Interest Payments***

Interest Payments accounted for 20.59 *per cent* of Revenue Receipts during 2021-22, which was higher than the ceiling of 17.49 *per cent* prescribed in the Fiscal Policy Strategy Statement (FPSS), placed along with the budget for 2021-22. Expenditure on Interest Payments (₹ 36,672 crore) grew by ₹ 2,890 crore (8.55 *per cent*) from the previous year (₹ 33,782 crore) due to increase in interest payment on Market loans by 13.81 *per cent* (₹ 3,305 crore).

Besides this, GoWB paid interest of ₹ 46 crore for making repayment of Cash Credit Loans (CCLs) (availed through off budget route), taken before 2021-22 for funding various state sponsored schemes. The interest outgo on CCLs was booked in the Accounts as grants-in-aid (₹ 45 crore) and subsidy (₹ 1 crore) instead of interest payment. As such, actual interest of ₹ 36,672 crore was understated by ₹ 46 crore with consequent overstatement of grants-in-aid and subsidy as mentioned *ibid.*

- ***Pensions***

Expenditure on Pension in Revenue Expenditure varied between 10 and 13 *per cent* during 2017-22. Pension payment grew at a CAGR of 16.29 *per cent* during this period. During 2021-22, expenditure on Pension increased by 24.69 *per cent* (₹ 5,282 crore) over 2020-21.

Buoyancy of Pension Payments *vis-a-vis* Revenue Receipts in the current year compared with 2020-21 remained at 1.23, implying that the increase in Pension is much higher than the growth of Revenue Receipts.

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

[25] Deemed effective from 1 January 2016, without having any arrears of pay from 1 January, 2016 to 31 December, 2019

to the State recruited on or after 1 January 2004. This scheme is not applicable for State Government employees.

During 2021-22, out of the required transfer of ₹ 6.23 crore to NSDL (National Securities Depositories Limited)/ Trustee Bank, Government's contribution of ₹ 6.28 crore was transferred.

2.8.4 Subsidies

Expenditure on subsidies for the period from 2017-18 to 2021-22 has been shown in **Table 2.18.**

Table 2.18: Expenditure on subsidies during 2017-22

Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
Subsidies (₹ in crore)	11,677	13,403	9,709	12,377	16,660
Subsidies as a percentage of Revenue Receipts	8.90	9.18	6.79	8.34	9.35
Subsidies as a percentage of Revenue Expenditure	8.28	8.57	5.97	6.96	7.93

Source: Finance Accounts

Detailed payment of subsidy is shown in **Appendix-II** of the Finance Accounts. As can be seen from **Table 2.18** above, there was sharp downward trend of subsidies in 2019-20 from the levels of 2017-18 and 2018-19. However, there was a sharp increase in subsidies by ₹ 2,668 crore (27.48 *per cent*) in 2020-21 followed by ₹ 4,283 crore (34.60 *per cent*) in 2021-22 from the levels of the respective previous years.

Increase in supply of subsidised rice to the APL/BPL families in the TPDS[26] from ₹ 8,810 crore in 2020-21 to ₹ 12,314 crore during the current year was the main contributing factor. Besides this, Power and Transport subsidies also increased to ₹ 1,550 crore and ₹ 1,110 crore respectively from ₹ 1,375 crore and ₹ 1,019 crore in 2020-21. During 2021-22, subsidy as a percentage of revenue receipts and revenue expenditure increased by 1.01 and 0.97 *per cent* respectively over the previous year.

In the following four departments, the State Government incurred expenditure of ₹ 1,073 crore in the nature of subsidies during 2021-22 (**Table 2.19**).

Table 2.19: Details of expenditure in the nature of subsidies during 2021-22

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	970.06

[26] Targeted Public Distribution System

Sl. No.	Scheme/Subsidy	Name of Department	Amount (₹ in crore)
2.	Somobyathi – Financial Assistance to bereaved family members of deceased person who are in extreme financial necessity	Panchayats & Rural Development	69.66
3.	Incentive for encouraging the setting up of new enterprises and expansion of existing enterprises	Micro, Small & Medium Enterprises and Textile	30.57
4	Incentive to Private Sector for construction of tourism units as defined under W.B. Incentive Scheme, 2008 for Tourism unit (for large and medium Industries)	Tourism	2.15
	Total		**1,073.04**

Source: Appropriation Accounts of Government of West Bengal (2021-22)

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 ₹ 79,966 crore was provided by the State Government to local bodies and other institutions by way of grants in 2021-22 (**Table 2.20**). There was an increase in the overall quantum of assistance by ₹ 16,835 crore (26.67 *per cent*) in comparison to the previous year (₹ 63,131 crore). Assistance as a percentage of Revenue Expenditure, increased by three *per cent* to 38 *per cent.*

Table 2.20: Financial Assistance to Local Bodies and other Institutions

(₹ in crore)

Financial Assistance to Institutions	2017-18	2018-19	2019-20	2020-21	2021-22
Local Bodies					
Municipal Corporations and Municipalities	4,786	4,787	4,529	5,166	5,965
Panchayati Raj Institutions	15,180	11,678	13,466	11,285	11,494
Total (A)	**19,966**	**16,465**	**17,995**	**16,451**	**17,459**
Others					
Educational Institutions (Universities)	1,419	1,345	7,507	8,447	7,419
Development Authorities	320	295	0	0	0
Other Autonomous Bodies	2,008	1,403	0	0	0
Co-operative Institutions	305	214	249	147	176
Public Sector Undertakings (PSUs)	1,893	1,117	298	179	181
Non-Government Organisations (NGOs)	21,123	19,461	23,244	27,048	28,408

Financial Assistance to Institutions	2017-18	2018-19	2019-20	2020-21	2021-22
Others[27]	7,931	17,289	12,329	10,859	26,323
Total (B)	**34,999**	**41,124**	**43,627**	**46,680**	**62,507**
Total (A+B)	**54,965**	**57,589**	**61,622**	**63,131**	**79,966**
Revenue Expenditure	1,41,077	1,56,374	1,62,575	1,77,921	2,10,159
Assistance as percentage of Revenue Expenditure	39	37	38	35	38

Source: Finance Accounts

To implement various State sponsored schemes, GoWB, in and before 2021-22, raised CCL through various Government owned or controlled Public Sector Enterprises or Societies, via the off-budget route. During 2021-22, Government had borne its commitments on account of principal (₹ 1,166 crore) and interest (₹ 46 crore) from its budget by way of grants-in-aid (₹ 1,195.40 crore) and subsidy (₹ 16.55 crore). Thus, grants-in-aid and subsidy of ₹ 79,966 crore and ₹ 16,660 crore were overstated by ₹ 1,195.40 crore and ₹ 16.55 crore, respectively with an understatement of principal repayment of debt (₹ 31,540 crore) and interest payments (₹ 36,672 crore) by ₹ 1,166 crore and ₹ 46 crore, respectively.

As can be seen from **Table 2.20**, 13.52 and 12.53 *per cent* of RE during 2021-22 was incurred on NGOs and Others, respectively 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 2022 as discussed in **Paras 4.12** and **5.12.** Release of financial assistance without insisting on rendering timely accounts is detrimental to public accountability and indicated poor financial management.

2.8.6 Delayed formation of the State Finance Commission and non-sharing of the agreed devolution of funds to the Local Bodies

(I) Delayed formation of the State Finance Commission

Articles 243I of the Constitution mandates that the State, within one year from the commencement of the Seventy-third amendment Act, 1992 and, thereafter, at the expiration of every fifth year, constitute a State Finance Commission (SFC). SFCs recommend measures to augment the Consolidated Fund of a State to supplement the resources of local governments.

As per the Constitutional provision, setting up of the SFC becomes due prior to the completion of two years before the previous SFC. The SFC is required to submit its report to the Government within one year from the date of its constitution. Government accepts its recommendations by placing the Action Taken Report (ATR) before the State Legislature.

A synoptic view of the status of the constitution of different SFCs of West Bengal, submission of their reports and publication of ATRs by the Government,

[27] Includes grants released for 'National Old Age Pension Scheme (State Share), 'Annapurna Scheme for welfare of aged, infirm and destitute' and 'Scheme for financial assistance to the workers in locked-out industrial units' etc.

is given in **Table 2.21**.

Table 2.21: Status of constitution of State Finance Commissions

SFC	Date of Notification of constitution	Report submitted to the Government	ATR published by the State Government	Acceptance of ATR from the date of submission of the Report	Implementation Year
First	30.05.1994	27.11.1995	22.07.1996	238 days	1996-97 to 2000-01
Second	14.07.2000	06.02.2002	15.07.2005	1,255 days	2001-02 to 2005-06
Third	22.02.2006	31.12.2008	16.07.2009	197 days	2008-09 to 2012-13
Fourth	30.04.2013	02.02.2016	06.06.2022	2,316 days	2015-16 to 2019-20
Fifth*	23.05.2022	-	-	-	2020-21 to 2024-25

Source: Reports of different State Finance Commissions
**Not yet implemented*

- Thus, Government did not constitute SFCs regularly as scheduled i.e. at the interval of every five years. As can be seen from **Table 2.21**, periods of Third and Fourth SFCs had commenced two years later from the original period of implementation, and the fifth SFC was set up only in May 2022, resulting in non-transfer of funds to Local Bodies during the intervening periods, which deprived them of their share of State Finances.
- As per its terms of reference, the Fourth SFC was to submit its Report by 30 April 2014. The report was, however, submitted to Government after an extension of 22 months.
- There were delays in acceptance of ATRs, ranging between 238 and 2,316 days from the date of submission of the Reports to the Government. In the Fourth SFC, Government took six years and four months in submitting the ATRs on the recommendations of the Fourth SFC.

Significant delays in constitution and submission of recommendations of the SFCs and delayed placement of ATRs deprived the Local Bodies from getting their share of state revenues, at an enhanced rate, in a time-bound manner.

(II) Non-transfer of the agreed devolution of funds

Fourth SFC proposed to devolve ₹ 1,104 crore (basing it as 2.5 *per cent* of the projected own tax revenue) in 2015-16 to the Local Bodies bearing the shares of RLB and ULB as 59.91 and 40.09 *per cent* respectively. The proposed devolution was to be increased 15 *per cent* from 2016-17 to 2019-20. Government of West Bengal, in the ATR, however, agreed to devolve ₹ 900 crore in 2016-17 to the Local Bodies with an annual increase of three *per cent* from 2017-18 to 2019-20. Thus, the SFC's recommended devolution for the financial year 2015-16 remained un-transferred by the Government to the local bodies.

A) Rural Local Bodies

Transfer of Fourth SFC grants by Panchayats and Rural Development (P&RD) department against the recommended and agreed devolution is given in **Table 2.22**.

Table 2.22: Fourth SFC Grants transferred to RLBs against the recommended and agreed devolution

Year	Recommended devolution	Agreed devolution@	Actually transferred to RLBs	Shortfall against the Agreed devolution	Shortfall (in *per cent*)
	(₹ in crore)				
2015-16	661.31	0	0	0	0
2016-17	760.51	539.19	0	539.19	100
2017-18	874.58	555.37	153.00	402.37	72.45
2018-19	1,005.77	572.03	178.53	393.50	68.79
2019-20	1,156.63	589.19	422.88	166.31	28.23
Total	**4,458.80**	**2,255.78**	**754.41**	**1,501.37**	**66.56**

Source: Fourth SFC Report, Action Taken Report and Departmental records
@At annual increase of three per cent

- The total agreed devolution (₹ 2,256 crore) of funds to RLBs, in four year (2016-20), was only 51 *per cent* of the amount recommended by the Fourth SFC.
- Further, as against the amount of ₹ 2,256 crore, the Government transferred only ₹ 754 crore to the RLBs. The Government transferred only 33 *per cent* of the amount agreed to the RLBs and thus, 67 *per cent* of the agreed funds were not devolved by the Government.
- Third SFC (2008-09 to 2012-13) grants amounting to ₹ 132 crore were transferred to RLBs in the year 2017-18 i.e. after five years and in the year of implementation of the Fourth SFC. This reflects the arbitrariness in transfer of funds by the Government to RLBs.

Since the GoWB constituted the Fifth SFC belatedly in May 2022, though due from 2020-21, the devolution of funds was to be regulated with the previous SFC recommendations i.e. increasing rate of three *per cent* per annum. **Table 2.23** below shows that, Government, transferred only ₹ 234 crore to the RLBs, as against the devolutions due for ₹ 1,232 crore, which is merely 19 *per cent* of the amount due. Thus, Government's transfers were less by ₹ 998 crore to the RLBs during 2020-22.

Table 2.23: Transfer against the agreed devolution during 2020-22

Year	Due amount	Actual transfer	Shortfall	Shortfall (in *per cent*)
	(₹ in crore)			
2020-21	606.87	0	606.87	100
2021-22	625.08	233.66	391.42	62.62
Total	**1,231.95**	**233.66**	**998.29**	**81.03**

B) Urban Local Bodies

Transfer of Fourth SFC grants by Urban Development and Municipal Affairs (UD&MA) Department against the recommended and agreed devolution is given in **Table 2.24**.

Table 2.24: Transfers to ULBs under Fourth SFC

Year	Recommended devolution	Agreed devolution[@]	Transferred to ULBs	Shortfall against the Agreed devolution	Shortfall (in *per cent*)	Transferred in/from	Delay in release of grants
	(₹ in crore)						
2015-16	442.49	-	21.44	(-)21.44	-	2018-19	3 years
2016-17	508.86	360.81	225.59	135.22	37.48	2018-19 to 2021-22	2 to 5 years
2017-18	585.19	371.63	161.68	209.95	56.49	2018-19 to 2021-22	1 to 4 years
2018-19	672.97	382.78	61.44	321.34	83.95	2019-20 to 2021-22	1 to 3 years
2019-20	773.92	394.26	27.06	367.20	93.14	2020-21 to 2021-22	1 to 2 years
Total	**2,983.43**	**1,509.48**	**497.21**	**1,012.27**	**67.06**		

Source: Fourth SFC Report, Action Taken Report and Departmental records
[@]At annual increase of three per cent

- Government in its ATR agreed to devolve ₹ 1,509 crore in four years (2016-20) to ULBs, which is 51 *per cent* of the devolution, recommended by the Fourth SFC. However, Government transferred ₹ 497 crore (33 *per cent*) only to the ULBs, which is 67 *per cent* less than the agreed devolution.
- Grants for the respective years were transferred with a delay ranging from one to five years. Allocation for 2016-17 was transferred during 2021-22, i.e. with a delay of five years.

Since the GoWB constituted the Fifth SFC belatedly, the funds were to be devolved with reference to the previous SFC, with three *per cent* increase per annum. Accordingly, an amount of ₹ 824.36 crore was to be devolved. However, Government during 2021-22, transferred only ₹ 8 crore which may virtually be termed as 'no transfers' (**Table 2.25**).

Table 2.25: Transfer to ULBs for the FYs 2020-22

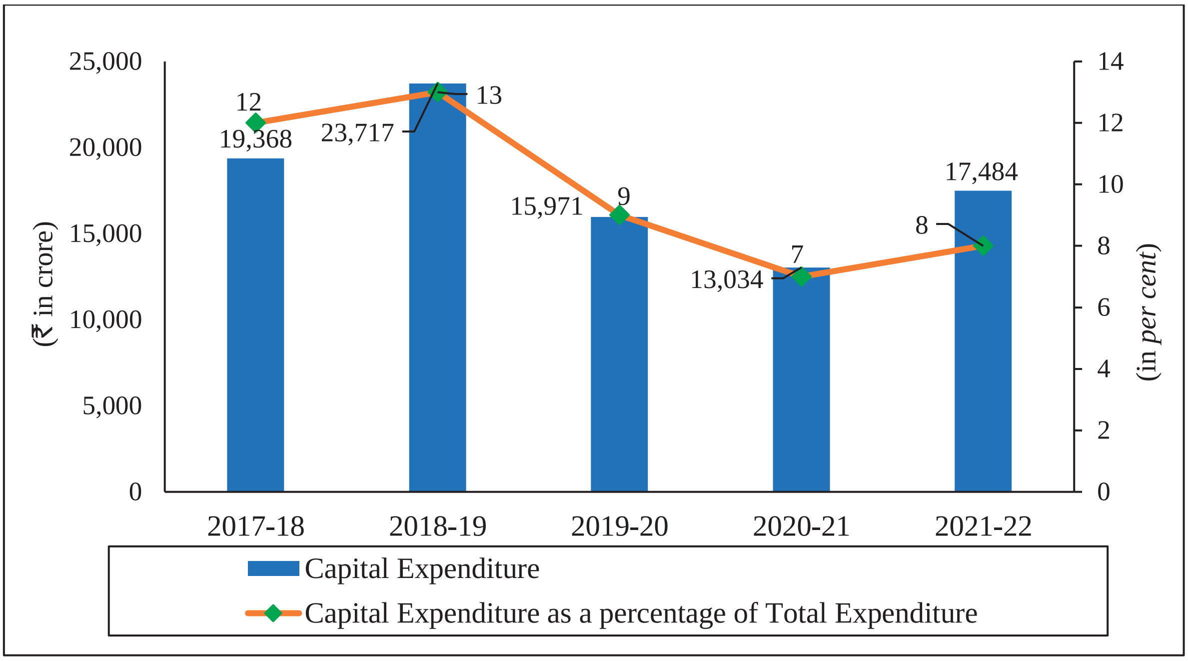
Year	Amount Due	Actual Transfer	Shortfall	Shortfall (in *per cent*)
	(₹ in crore)			
2020-21	406.09	0	406.09	100
2021-22	418.27	8.00	410.27	98.09
Total	**824.36**	**8.00**	**816.36**	**99.03**

The arbitrary transfer and the significant shortfall in transfer against the agreed devolution frustrated the objective of the constitutional mechanism of sharing State Finances with the local bodies.

2.9 Capital Expenditure

Capital Expenditure of the State and its contribution to Total Expenditure for 2017-22 has been shown in **Chart 2.8**.

Chart 2.8: Capital expenditure in the State



Source: Finance Accounts

***Note**: Revenue Expenditure (RE) of ₹ 2,008 crore during 2021-22 was incorrectly booked as Capital Expenditure (CE). Actual CE during 2021-22 would thus be ₹15,476 crore instead of ₹17,484 crore. Hence, during 2021-22 CE as a percentage of TE would be 7 per cent instead of 8 per cent.*

Chart 2.8 shows that in the current year, capital expenditure as a percentage of total expenditure increased by just one *per cent* from seven *per cent* though the quantum of expenditure increased by ₹ 4,450 crore (34.14 *per cent*) over the PY. The increase of one percentage is mainly due to increase in revenue expenditure by ₹ 32,238 crore (18.12 *per cent*) relative to total expenditure which rose by ₹ 35,513 crore (18.38 *per cent*) over 2020-21.

Again, the booking of Capital Expenditure (₹ 17,484 crore) has to be viewed in the light of the fact that ₹ 2,008 crore was incorrectly booked under capital section instead of revenue (**Table 1.8** and **Para 3.3.2**). Out of ₹ 2,008 crore, expenditure of ₹ 497.52 crore in the nature of Grants-in-Aid was misclassified as Capital Expenditure (CE) (**Para 2.9.1**).

2.9.1 Major changes in Capital Expenditure

Major changes in CE during 2021-22 *vis-à-vis* 2020-21 have been shown in **Table 2.26**.

Table 2.26: Capital Expenditure during 2021-22 compared to 2020-21

Major Heads of Accounts	2020-21	2021-22	Increase (+)/ Decrease (-)
	(₹ in crore)		
4215-Capital Expenditure on Water Supply and Sanitation	656	3,643	2,987
5054-Capital Expenditure on Roads and Bridges	3,047	4,079	1,032
4801-Capital Expenditure on Power Projects	605	1,301	696
4217-Capital Expenditure on Urban Development	1,500	1,957	457
4885-Other Capital Expenditure on Industries and Minerals	52	370	318
4711-Capital Expenditure on Flood Control Projects	587	899	312
4515-Capital Expenditure on other Rural Development Programmes	1,915	482	(-)1,433

Source: Finance Accounts
***Note**: During 2021-22, Revenue Expenditure of ₹ 1,060 crore was incorrectly booked under '4217' as Capital Expenditure. Thus, increase in expenditure of ₹ 457 crore would be reversed to decrease in expenditure of ₹ 603 crore.*

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

- Special repair to Flood damaged infrastructures increased to ₹ 215 crore, an increase of 56.93 *per cent* from ₹ 137 crore in 2020-21;
- Expenditure on Special Infrastructure Projects under Road works increased to ₹ 652 crore, an increase of 111.00 *per cent* from ₹ 309 crore;
- Expenditure on Special Infrastructure Projects under Power sector increased to ₹ 892 crore, an increase of 202.37 *per cent* from ₹ 295 crore;
- Piped water supply schemes for Rural areas increased to ₹ 3,230 crore, an increase of 991.22 *per cent* from ₹ 296 crore;
- Road works under PMGSY decreased to ₹ 229 crore, a reduction of 87.28 *per cent* from ₹ 1,801 crore.

Capital Expenditure during 2017-22 in respect of the following major areas has been shown in **Table 2.27**.

Table 2.27: Capital Expenditure during 2017-22 in respect of some major areas

Major Heads of Accounts	2017-18	2018-19	2019-20	2020-21	2021-22
	(₹ in crore)				
Roads and Bridges	3,528	5,059	4,128	3,047	4,079
Urban Development	2,365	1,906	1,821	1,500	1,957
Power Projects	827	1,752	1,550	605	1,301

Source: Finance Accounts

Analysis revealed that capital expenditure on the following three sectors have increased in 2021-22 by 30 to 115 *per cent* as compared to the PY:

- Roads and Bridges led by CE for 'Road Works', witnessed a significant outlay of ₹ 2,948 crore during 2021-22. Compared to 2020-21, expenditure for CE on this count enhanced by ₹ 735 crore (33 *per cent*) which contributed to increase in expenditure on this sector;
- There was an increase of CE of ₹ 946 crore in Urban Development during 2017-18 mainly due to development/construction of roads/buildings by KMDA, SJDA and other development authorities. However, from 2018-19 onwards, CE under this sector registered a downward trend. In the current year, CE in this sector enhanced by 30.47 *per cent* with respect to the previous year;
- In Power projects, CE significantly increased during 2018-19 owing to equity participation of the State Government in power utilities. In the current year, CE led by special infrastructure projects in Power sector increased by ₹ 597 crore (202.37 *per cent*) over the previous year which attributed to the enhancement in this sector.

Misclassification of grants-in-aid as Capital Expenditure

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[28] 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 2021-22, GoWB booked ₹ 497.52 crore in AMRUT which includes Central share of ₹ 259.45 crore and State share of ₹ 238.07 crore. Audit noticed that the sanctioned amount was released to SUDA[29] 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 budgeted[30] and booked as capital expenditure. Consequently, capital expenditure was overstated by ₹ 497.52 crore with corresponding understatement of revenue expenditure and revenue deficit.

The practice of booking of grants-in-aid as Capital Expenditure 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, 2017-18, 2019-20 and 2020-21.

[28] Atal Mission for Rejuvenation and Urban Transformation
[29] State Urban Development Agency
[30] Being Central share of ₹ 514 crore and State share of ₹ 157.50 crore

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

As of 31 March 2022, the State Government's investment stood at ₹ 18,705 crore in Statutory Corporations, Government Companies, Joint Stock Companies and Co-operatives. During 2021-22, the total investment made by the Government was ₹ 417 crore with the major investments being in WBFC[31] (₹ 142 crore), WBSEDCL[32] (₹ 115 crore), WBHDCL[33] (₹ 46 crore) and GCGSCL[34] (₹ 34 crore). The average return on this investment, however, remained negligible (0.84 *per cent*). The position of return on investments[35] during 2017-22 is given in **Table 2.28**.

Table 2.28: Return on Investment

Investment/return/ cost of borrowings	2017-18	2018-19	2019-20	2020-21	2021-22
Investment at the end of the year (₹ in crore) (A)	15,884	17,427	18,154	18,288	18,705
Return (₹ in crore) (B)	37	47	82	2	158
Return (*per cent)* (B/A*100) = C	0.25	0.28	0.46	0.01	0.84
Average rate of interest on Government Borrowings (*per cent*) (D)	8.04	7.67	7.66	7.34	7.17
Difference between interest rate and return (*per cent*) (D-C) = E	7.79	7.38	7.20	7.33	6.33

Source: Finance Accounts

The Government earned a meagre return of ₹ 158 crore in 2021-22 on its investment of ₹ 18,705 crore in various Corporations/ Companies. Dividends received only from PSUs (₹ 157.74 crore) and Co-operative Banks & Societies (₹ 0.20 crore). The return on investment was negligible at 0.84 *per cent* during 2021-22, far lower than the average rate of interest (7.17 *per cent*) paid by the Government on its borrowings.

In addition to investments in co-operative societies, corporations and companies, Government also provided loans and advances to many of these institutions/ organisations. **Table 2.29** presents the outstanding loans and advances as on 31 March 2022, along with interest receipts during the five-year period from 2017-18 to 2021-22.

Table 2.29: Quantum of loans disbursed and recovered during the last five years

Quantum of loans disbursed and recovered	2017-18	2018-19	2019-20	2020-21	2021-22
	(₹ in crore)				
Opening Balance of loans outstanding	12,963	12,718	12,779	13,979	16,106
Amount advanced during the year	(-)31	865	1,267*	2,277	1,102
Amount recovered during the year	214	804	67	150	58

[31] West Bengal Financial Corporation
[32] West Bengal State Electricity Distribution Company Limited
[33] West Bengal Highway Development Corporation Limited
[34] Greater Calcutta Gas Supply Corporation Limited
[35] In Statutory Corporations, Government Companies, Co-operative Societies and Banks

Quantum of loans disbursed and recovered	**2017-18**	**2018-19**	**2019-20**	**2020-21**	**2021-22**
	(₹ in crore)				
Closing Balance of the loans outstanding	12,718	12,779	13,979	16,106	17,150
Net addition	(-)245	61	1,200	2,127	1,044
Interest received	1,031	548	122	118	97

*Source: Finance Accounts; * Difference of ₹1 crore is due to rounding.*

The total amount of outstanding loans and advances as on 31 March 2022 was ₹ 17,150 crore. The amount of loans disbursed during the year decreased by 51.60 *per cent* from ₹ 2,277 crore in 2020-21 to ₹ 1,102 crore in 2021-22.

Government loans to eight Government Companies amounting to ₹ 835 crore and one Urban Local Bodies amounting to ₹ 257 crore in 2021-22 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 (**Para 4.12**).

Recovery of loans and advances decreased by ₹ 92 crore from ₹ 150 crore in 2020-21 to ₹ 58 crore in 2021-22 mainly due to decrease in recovery of loans for Power Projects by ₹ 42 crore. Power utilities like WBPDCL[36] and DPL[37] expressed their inabilities to repay the loan owing to acute financial crisis. Against the estimation, actual recovery was only 41.73 *per cent*. Interest received decreased from ₹ 1,031 crore in 2017-18 to ₹ 97 crore in the current year despite increase in outstanding loans from ₹ 12,718 crore to ₹ 17,150 crore in the aforesaid period. Low recovery led to arrears of ₹ 2,573 crore on account of principal (mainly on Government Companies: ₹ 1,427 crore and Statutory Corporations: ₹ 738 crore) and ₹ 3,320 crore on account of interest (mainly on Government Companies: ₹ 1,641 crore and Statutory Corporations: ₹ 1,044 crore) overdue for realisation as of 31 March 2022. 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.

2.9.3 Capital Expenditure transferred to Public Account

West Bengal Compensatory Entry Tax Fund (WBCETF) was established (July 2012) to develop and facilitate trade, commerce and industry by constructing roads, transport, electricity infrastructure, etc. in the State and providing finance, grants and subsidies to the local bodies/government agencies for the specified purpose. Entry tax collected in the State was credited to the fund and actual

[36] West Bengal Power Development Corporation Limited
[37] Durgapur Projects Limited

expenditure initially accounted for under various heads in Consolidated Fund booked in WBCETF in reduction of expenditure in respective head of accounts where it was booked initially.

WBCETF, operated under Public Works Department (PWD), had negative balance of ₹ 205.55 crore as of 31 March 2021. During 2021-22, ₹ 4.72 crore was transferred to WBCETF from one capital expenditure head (Major Head-5054) while disbursement from the WBCETF stood at ₹ 177.21 crore during 2021-22. Resultantly, the closing balance in WBCETF continued to remain adverse at ₹ 378.04 crore.

Such inadequate contribution to WBCETF, which was not sufficient to cover the closing balance as on 31 March 2021 as well as disbursement during 2021-22, was indicative of the accounting procedure being defective.

2.9.4 Expenditure priorities

Enhancing human development levels requires the States to step up their expenditure on key social services like education, health etc. Low fiscal priority (ratio of expenditure under a category to aggregate expenditure) is attached to a particular sector, if the allocation is below the respective average of General States[38] 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 2.30**.

Table 2.30: Expenditure priority of the State with regard to Health, Education and Capital expenditure

Particulars	TE/GSDP	DE/TE	CE/TE	Education/TE	Health/TE
	(in *per cent*)				
General States (GS) Average (2016-17)	17.17	70.77	15.19	14.89	4.76
West Bengal	16.78	64.80	7.74	15.70	5.64
General States Average (2021-22)	15.84	66.74	13.29	14.66	6.20
West Bengal	14.89	65.29	7.64	16.24	7.33

Source: Finance Accounts and MoSPI data; For West Bengal, GSDP figure for 2021-22 is collected from Budget Estimates 2022-23.
Note: *TE: Total Expenditure, CE: Capital Expenditure and DE: Development Expenditure*

Analysis of expenditure priorities of the State revealed the following:

- The share of capital expenditure was lower in the State compared to the GS average affecting physical capital formation with a cascading impact on economic growth in the long run.
- Despite higher spending on social services (48.18 *per cent*) with respect to TE compared to GS (38.31 *per cent*), State lagged behind in the area of development expenditure as the spending on economic services (17.11

[38] States other than North Eastern (NE) and Himalayan States

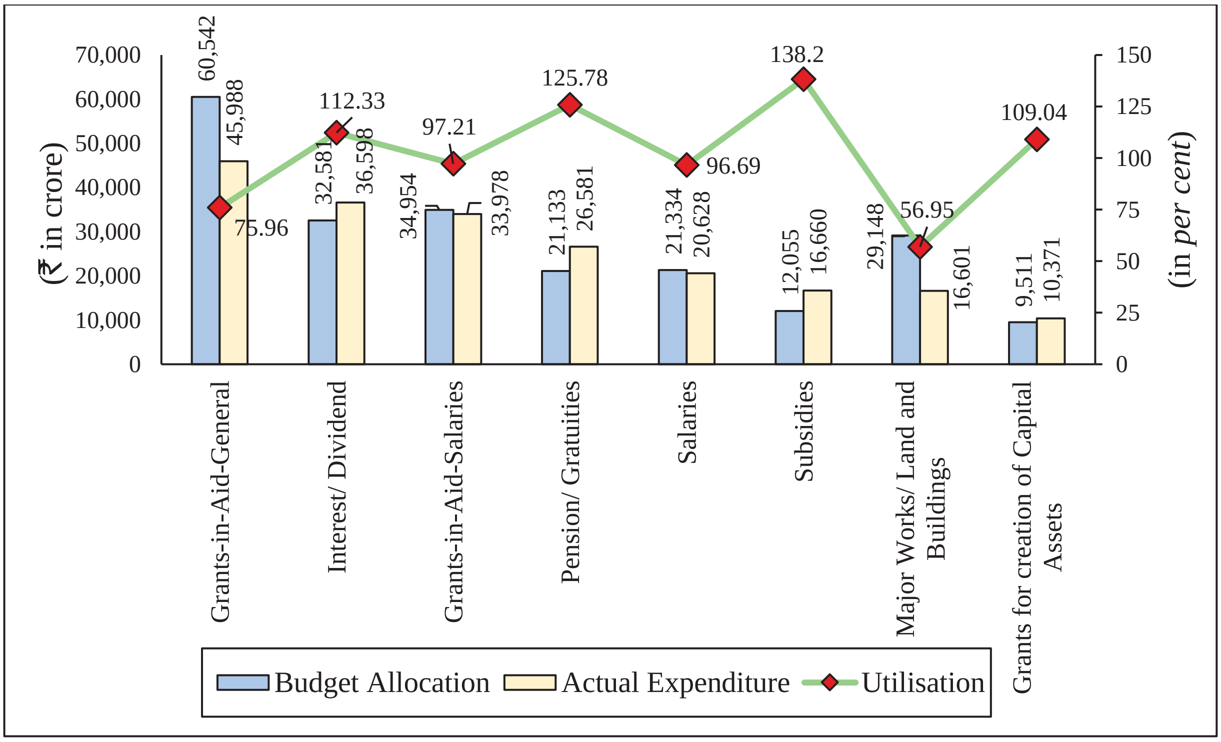
per cent) with respect to TE lagged behind the GS (28.44 *per cent*). In the case of neighbouring States of Bihar, Odisha and Jharkhand, DE with respect to TE were 71.54, 72.63 and 69.68 *per cent* respectively.

- The share of expenditure on Education and Health in the State as a proportion of total expenditure was higher than the corresponding GS average. State's expenditure in Education (₹ 37,143 crore) was lower than Bihar (19.45 *per cent*) but higher than Odisha (14.15 *per cent*) and Jharkhand (15.16 *per cent*). Similarly, in the Health, State's expenditure (₹ 16,768 crore) was higher than Bihar (6.24 *per cent*) and Jharkhand (6.55 *per cent*) but lower than Odisha (7.79 *per cent*). As a percentage of GSDP, expenditure on health remained at 1.09 *per cent.*

2.9.5 Object head wise expenditure

Finance Accounts depict transactions only up to Minor Head level. Therefore, a drill down view of budgetary allocations and the extent of expenditure incurred at the object heads (₹ 10,000 crore and above) are given in **Chart 2.9**.

Chart 2.9: Object Head-wise Expenditure *vis-à-vis* budget authorisation



Source: VLC data and Finance Accounts (2021-22)

As can be seen from the above chart, expenditure exceeded the budgetary allocation under four object heads. Under two object heads, budgetary allocation of above 90 *per cent* was spent while in one object head, the utilisation was below 60 *per cent*. The total expenditure during 2021-22 was ₹ 2,28,745 crore. Out of this, Salaries including Grants-in-Aid salaries, Grants-in-Aid-General and Interest/ Dividend accounted for 23.87, 20.10 and 16 *per cent* respectively.

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 Increase/decrease of net balances in Public Account

Component-wise increase/decrease in net balances in Public Account of the State are given in **Table 2.31**.

Table 2.31: Component-wise increase/decrease in net balances in Public Account as of 31 March of the year

Sector	Sub Sector	2017-18	2018-19	2019-20	2020-21	2021-22
		(₹ in crore)				
I. Small Savings, Provident Funds, etc.	Small Savings, Provident Funds, etc.	1,164	1,128	1,593	2,288	1,919
J. Reserve Funds	(a) Reserve Funds bearing Interest	(-)978	215	887	774	325
	(b) Reserve Funds not bearing Interest	133	2,199	645	(-)1,210	833
K. Deposits and Advances	(a) Deposits bearing Interest	1,846	3,373	2,749	3,340	3,276
	(b) Deposits not bearing Interest	761	2,339	(-)93	(-)2,274	(-)1,139
	(c) Advances	0	0	0	0	0
L. Suspense and Miscellaneous	(a) Suspense	54	139	182	(-)227	(-)52
	(b) Other Accounts	1,580	(-)1,572	3,666	35	(-)280
M. Remittances	(a) Money Orders, and other Remittances	0	0	0	0	0
	(b) Inter-Governmental Adjustment Account	5	2	(-)14	(-)1	13
Total		**4,565**	**7,823**	**9,615**	**2,725**	**4,895**

Source: Finance Accounts

Note: +ve denotes debit balance and –ve denotes credit balance.

Net Public Accounts Receipts increased by ₹ 2,170 crore (79.63 *per cent*) over 2020-21 mainly owing to net inflow in the balances on Reserve Funds (₹ 1,594 crore), Deposits and Advances (₹ 1,071 crore) partially *offset* by net outflow in the balance on Small Savings and Provident Funds (₹ 369 crore). The details of Reserve Funds have been discussed in **Para 2.11** while details of Suspense, Remittances and Deposits & Advances have been discussed in **Chapter IV** of this Report.

2.10.2 Maintenance of West Bengal Electricity Regulatory Commission fund in Bank Account instead of Public Account

Article 266(2) of the Constitution of India 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'.

The West Bengal Electricity Regulatory Commission (WBERC) was constituted under the Electricity Act, 2003 (Act). Section 103 of the Act stipulates creation of a fund called 'State Electricity Regulatory Commission Fund' wherein receipts[39] of the commission are to be credited and expenses therefrom are to be made. GoWB enacted the WBERC (Manner of application of Fund Rules), 2006, and in terms of rule 4 of these Rules, the WBERC was permitted to open a bank account for accommodating such receipts and making expenses therefrom. In keeping with the rule *ibid*, funds were kept in a bank account and as of March 2022, ₹ 90.39 crore remained in bank account instead of public account of the State.

Resultantly, not only the Constitutional mandate stood violated, but the Public Account balance also stood understated by ₹ 90.39 crore, which could have helped to finance the Fiscal Deficit. In this context, it may be mentioned that funds of Central Electricity Regulatory Commission are kept in Public Account of the GoI.

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 ₹ 14,748 crore lying in these funds as on 31 March 2022, an amount of ₹ 12,497 crore was under 15 non-interest bearing Reserve Funds and ₹ 2,251 crore was under three Interest bearing Reserve Funds. There are no in-operative reserve funds in 2021-22. Out of the total accumulated balance in these funds, ₹ 12,233 crore (82.95 *per cent*) was invested.

2.11.1 Consolidated Sinking Fund

As per recommendation of the 12th 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[40] at the end of the previous year to the CSF. During 2021-22, GoWB's contribution was ₹ 905 crore of which Government's contribution to CSF was only ₹ 100 crore and interest earned on investment from CSF was ₹ 805 crore. This,

[39] (a) Any grants and loans made to the State Commission by the State Government; (b) all fees received by the State Commission under this Act; and (c) all sums received by the State Commission from such other sources as may be decided upon by the State Government

[40] Public Debt and Liabilities in Public Account

however, fell short of the prescribed contribution of ₹ 2,432.15 crore[41]. The closing balance of ₹ 11,102 crore at the end of 31 March 2022 was invested.

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 2022, a balance of ₹ 1,528.97 crore was lying in the fund, of which ₹ 383.63 crore remained invested. Contributions to the SDRF were effected through book adjustment without any actual cash involvement. The residual amount of ₹ 1,145.34 crore remained un-invested. Such non-investment goes against the spirit of the SDRF. Moreover, as transfer of fund was effected through book adjustment, the residual amount of ₹ 1,145.34 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 2022 stood at ₹ 747.87 crore. During 2021-22, State Government contributed ₹ 50 crore against the required contribution of ₹ 38.64 crore[42].

The guidelines of GRF *inter alia* stipulated that guarantee commission (GC) collected was to be transferred to the fund. In the current year, State Government did not receive any GC against the receivable of ₹ 150 crore. Non- receipt of GC led to understatement of the balances in GRF by ₹ 150 crore during 2021-22.

2.12 Debt Management

Outstanding debt (₹ 5,36,478 crore[43]) during 2017-22 increased at a CAGR of 10.41 *per cent.* In the current year, it grew by 10.29 *per cent.*

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 2017-22 are given in **Table 2.32**.

[41] Based on 0.5 per cent of outstanding liabilities of ₹ 4,86,430 crore at the end of March 2021

[42] Based on 0.5 per cent of the outstanding guarantees (₹ 7,727.68 crore) as on 31 March 2021

[43] The effective outstanding fiscal liabilities would be ₹ 5,30,053 crore as 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.

Table 2.32: Component wise debt trends

		2017-18	2018-19	2019-20	2020-21	2021-22
Outstanding Overall Debt* (₹ in crore)		3,60,961	3,93,300	4,33,475	4,86,430	5,36,478
Public Debt	***Internal Debt (₹ in crore)***	3,01,778	3,26,064	3,60,464	4,04,017	4,42,866
	Loans from GoI (₹ in crore)	14,233	14,358	15,244	20,230	27,423
Liabilities on Public Account (₹ in crore)		44,950	52,878	57,767	62,183	66,189
Rate of growth of outstanding Overall debt (*percentage*)		6.89	8.96	10.21	12.22	10.29
Gross State Domestic Product (GSDP) (₹ in crore)		9,74,000	11,02,283	12,07,823	13,01,017	15,36,681
Debt/ GSDP (*per cent*)		37.03	35.68	35.89	37.05#	34.49#
Total Debt Receipts (₹ in crore)		1,27,580	1,61,383	1,81,007	1,86,034	1,97,690
Total Debt Repayments (₹ in crore)		1,04,301	1,29,044	1,40,832	1,33,079	1,47,642
Interest Payment (₹ in crore)		28,074	28,911	31,668	33,782	36,672
Interest Payment/Revenue Receipts (*percentage*)		21.39	19.80	22.16	22.77	20.58
Total Debt available (₹ in crore)		23,279	32,339	40,175	52,955	50,048
Debt Repayments/ Debt Receipts (*percentage*)		81.75	79.96	77.80	71.53	74.68

Source: Finance Accounts

**Outstanding Overall Debt refers to the cumulative balance of Public Debt and other Liabilities.*

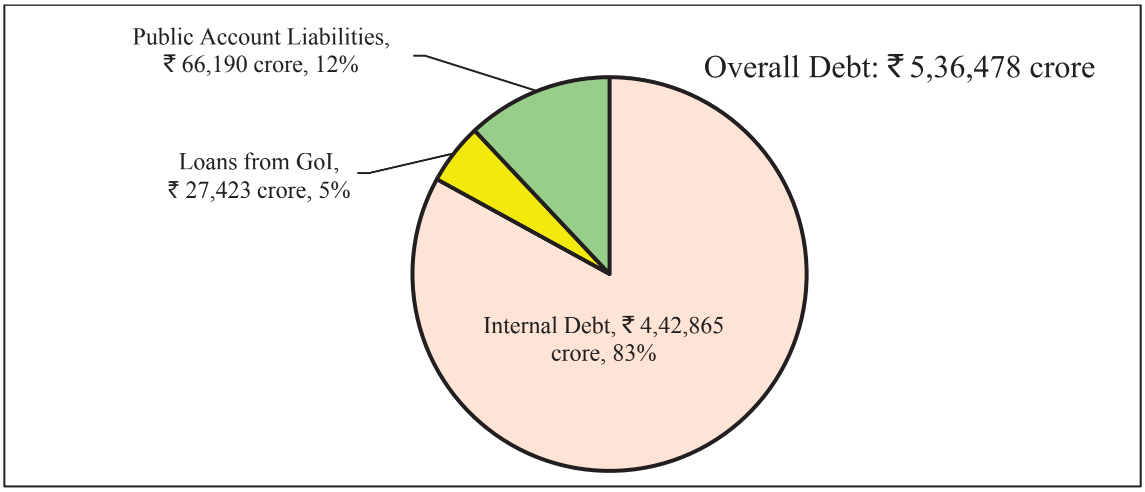
#The Debt to GSDP ratios during 2020-21 and 2021-22 were 37.39 and 34.91 per cent respectively (as per Finance Accounts). However, the effective debt to GSDP ratio have been arrived at after exclusion of GST compensation of ₹4,431 crore and ₹ 6,425 crore received during 2020-21 and 2021-22 respectively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

The effective outstanding overall debt 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.

During the period 2017-22, the borrowed funds were mostly utilized for debt repayment and filling the gap of Revenue account, which reduces the productivity of the borrowed funds.

Chart 2.10 represents the break-up of outstanding debt at the end of the financial year 2021-22.

Chart 2.10: Break up of Outstanding Overall Debt at the end of FY



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.

WBFRBM (Amendment) Act 2020 targeted the Outstanding Debt to be not more than 34.30 *per cent* of GSDP at the end of 2021-22. The State Government failed to adhere to the target, as the Outstanding Debt-GSDP ratio was 34.49 *per cent* as on 31 March 2022.

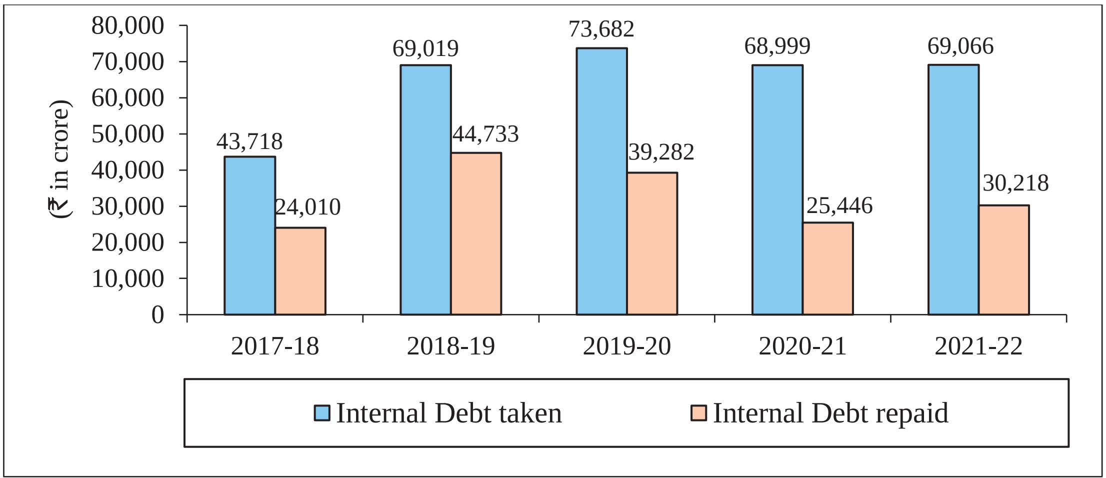
Interest payments relative to Revenue Receipts, at 20.58 *per cent,* also crossed the target of 17.49 *per cent* set out in the FPSS presented with the budget as per WBFRBM Act. Besides this, as mentioned in **Para 2.8.2**, Government also paid interest of ₹ 46 crore through grants-in-aid/subsidy for the CCL availed through off-budget route during 2009-11 and 2020-22. Ratio of interest payments to revenue receipts, therefore, would be 20.61 *per cent* instead of 20.58 *per cent.*

Approximately 72 to 82 *per cent* of borrowed funds were used for repayment of debt during the period 2017-18 to 2021-22, indicating the State is borrowing primarily for restructuring of previous debts rather than for infrastructure creation.

Internal debt, which is primarily market borrowings through issue of State Development Loans (SDLs), loans from financial institutions and special securities issued to NSSF, accounts for 82.55 *per cent* of the total outstanding debt.

The details of receipt and repayment of internal debt during the years 2017-22 are given in **Chart 2.11.**

Chart 2.11: Internal debt taken *vis-a-vis* repaid



Source: Finance Accounts

Note: *Internal debt taken and repaid included WMA of ₹ 5,395 crore in 2017-18, ₹ 25,005 crore in 2018-19, ₹ 15,860 crore in 2019-20, ₹ 8,155 crore in 2020-21 and ₹ 193 crore in 2021-22. Here Internal debt taken and repaid indicate the receipt and repayments under the Head of Account '6003'.*

As on 31 March 2022, market borrowings (₹ 3,85,634 crore) formed a major portion (87.08 *per cent*) of the outstanding internal debt (₹ 4,42,866 crore) of the State Government, with interest rates ranging from 6.65 to 7.48 *per cent*. State Government paid an interest of ₹ 33,042 crore on Internal Debt. **Chart 2.11** shows that internal debt taken rose steadily during the period 2017-20 and during 2020-22. During 2021-22, internal debt repaid increased by 18.75 *per cent* whereas internal debt taken increased by only one *per cent* over 2020-21. This led to decrease in the availability of borrowed funds for utilisation out of internal debt to 56.25 *per cent* from 63.12 *per cent* in 2020-21. The ratio of 56.25 *per cent* would be changed to 54.56 *per cent* if the CCL raised by PSUs through off-budget route and principal repayment of ₹ 1,166 crore there-against by GoWB are factored in. This implied that a large portion of internal debt taken in the current year has been used to repay the debts taken in earlier years, as mentioned in **Para 2.13**. Higher repayment from internal debt led to contraction of productive expenditure.

2.12.3 Public Debt Sustainability Analysis

Public Debt Sustainability indicators during 2017-22 has been shown in **Table 2.33**.

Table 2.33: Public Debt sustainability indicators

Public Debt Sustainability Indicators	2017-18	2018-19	2019-20	2020-21	2021-22
Outstanding Public Debt* (₹ in crore)	3,16,011	3,40,422	3,75,708	4,24,247	4,70,288
Rate of Growth of Outstanding Public Debt	7.02	7.72	10.37	12.92	10.85
GSDP (₹ in crore)	9,74,700	11,02,283	12,07,823	13,01,017	15,36,681
Rate of Growth of GSDP	11.71	13.09	9.57	7.72	18.11
Public Debt/ GSDP	0.32	0.31	0.31	0.33	0.31
Debt Maturity profile of repayment of State debt – including default history, if any	-	-	-	-	-
Average interest Rate of Outstanding Public Debt (*per cent)*	8.40	8.13	8.05	7.79	7.51
Percentage of Interest payment$ to Revenue Receipts	19.55	18.28	20.16	21.00	18.84
Percentage of Debt Repayment to Debt Receipts	54.68	65.23	53.39	35.65	40.65
Net Debt available to the State# (₹ in crore)	(-)4,936	(-)2,268	6,472	17,374	12,469
Net Debt available as *per cent* to Debt Receipts	(-)10.79	(-)3.23	8.55	23.03	16.07
Primary Surplus (+)/ Deficit (-)	(-)856	(-)4,574	(-)5,163	(-)10,906	(-)13,856
Interest spread	3.31	4.96	1.53	(-)0.08	10.61
Quantum spread[44]	10,460	16,885	5,748	(-)339	49,898

[44] Quantum Spread = Debt Stock * Interest Spread where Interest Spread means GSDP growth *minus* Average Interest Rate

Public Debt Sustainability Indicators	2017-18	2018-19	2019-20	2020-21	2021-22
Debt Stabilisation (Quantum spread + Primary Deficit) (₹ in crore)	9,604	12,311	585	(-)11,245	36,042

Source: Finance Accounts

[*]Sum of balances under the Heads of Account '6003-Internal Debt' and '6004- Loans and Advances from the Central Government';

[$]Represents Interest Payment on Public Debt;

[#]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 2.33**, revealed the following:

- High increase of quantum spread[45] because of high growth rate of GSDP helped in increasing debt stabilisation though Primary Deficit was on rise;
- Decrease in the Public Debt-GSDP ratio as the rate of growth of GSDP (18.11 *per cent*) surpassed the growth of outstanding public debt (10.85 *per cent*);
- Contraction in average interest rate of outstanding public debt from the year 2017-18 onwards leading to decrease in Interest payment to Revenue Receipt by 2.16 *per cent* over 2020-21;
- Increase in the ratio of debt repayment to debt receipt to 40.65 from 35.65 in 2020-21 leading to decrease in availability of net debt by ₹ 4,905 crore (28.23 *per cent*).

Repayment of Principal and Interest of the outstanding debt stock on the present debt liabilities in the next 10 years from 2021-22 has been shown in **Table 2.34** and the outgo on account of repayment of outstanding Public debt from 2021-22 to 2031-32 has been shown in **Chart 2.12**.

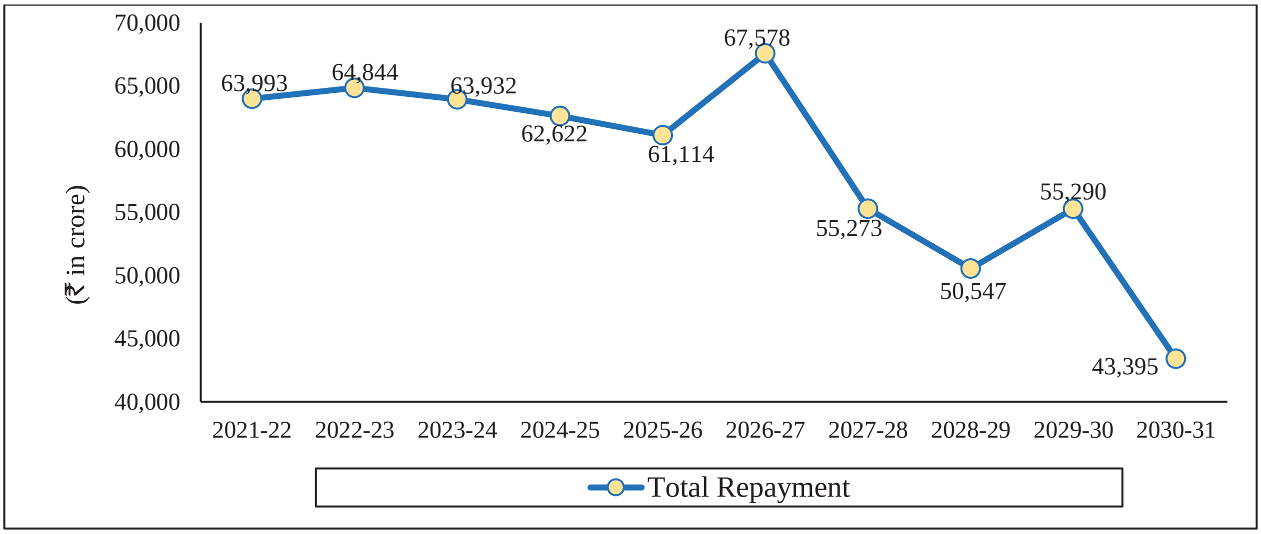
Table 2.34: Component wise Public debt trends

Year	Repayment of		
	Principal	Interest	Total
	(₹ in crore)		
2021-22	30,532	33,461	63,993
2022-23	29,158	35,686	64,844
2023-24	28,778	35,154	63,932
2024-25	30,092	32,530	62,622
2025-26	31,112	30,002	61,114
2026-27	40,134	27,444	67,578
2027-28	30,805	24,468	55,273
2028-29	28,785	21,762	50,547
2029-30	35,722	19,568	55,290
2030-31	26,608	16,787	43,395
Total	**3,11,726**	**2,76,862**	**5,88,588**

Source: Finance Department, Government of West Bengal

[45] Debt multiplied by rate spread (GSDP growth rate minus interest rate)

Chart 2.12: Repayment schedule of Outstanding Public Debt during 2021-31



Source: Finance Department, Government of West Bengal

In the ensuing ten years from 2021-22, the State will have to repay ₹ 5,88,588 crore of outstanding debt with the outgo on account of principal and interest being ₹ 3,11,726 crore and ₹ 2,76,862 crore, respectively. Outgo on account of repayment of outstanding debt along with interest may go up further given the trend of increased tendency in the State's borrowing requirements in the last five years, as shown in **Table 2.38**. An increasing trend of further borrowings, in the ensuing years, cannot be ruled out, which may result in increased outgo on account of interest payment and principal repayment, which may be much more than the figures indicated above.

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 in future years. **Table 2.35** shows the debt maturity profile in the coming years.

Table 2.35: Debt Maturity profile of repayment of State debt

Period of repayment (Years)	Amount (₹ in crore)	Percentage (w.r.t. Public debt)
0 – 1	19,172	4.08
2 – 3	46,244	9.83
4 – 5	59,549	12.66
6 – 7	52,696	11.20
8 and above	2,14,719	45.66
Others[46]	77,908	16.57
Total	**4,70,288**	**100.00**

Source: Finance Accounts

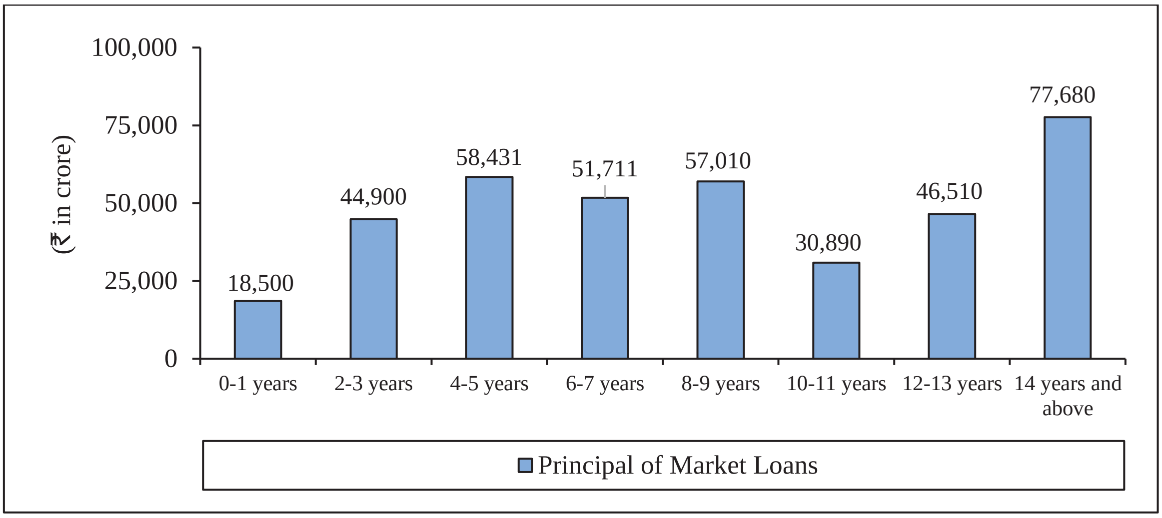
In the ensuing five and seven years, debt maturity will be 26.57 and 37.77 *per cent* respectively of total outstanding debt. Debt maturity would be much higher in the coming years given the fact that maturity details for ₹ 57,234 crore

[46] Payment schedule of this amount is not being maintained by the Accountant General (A&E)

(12.17 *per cent* of total debt) are not available. State Government has to mobilise additional revenue resources and formulate a well thought out debt strategy to meet this debt burden. Unless there is a definite plan to meet this liability, the resources available for development will shrink further.

Chart 2.13 represents the schedule of principal repayment of market loans.

Chart 2.13: Principal repayment schedule of market loans



Source: Finance Accounts

Market loans formed a significant portion of the debt repayments. By March 2035, the State would have to repay the principal of market loans amounting to ₹ 3,07,952 crore. At the end of the first, third, fifth and seventh years, the principal repayment of market loans would be ₹ 18,500 crore, ₹ 63,400 crore, ₹ 1,21,831 crore and ₹ 1,73,542 crore respectively.

2.12.5 Off-budget borrowings

The borrowings of the State Government are governed by Article 293(1) of the Constitution of India, under which the State Governments can borrow money within the territory of India upon security of the Consolidated Fund of the State. The limits on such borrowings are regulated under Article 293(3) of the Constitution of India under which the State must obtain prior consent of GoI to raise any loan. The State Government is, therefore, required to furnish to GoI, the financial statements showing the estimates of receipts and repayments of all sources of borrowings including open market borrowings, other liabilities arising out of Public Account transfers etc., based on which the GoI gives the consent for raising loans and fixes the borrowing ceiling for the State Government. GoI had fixed Net Borrowing of the State for 2021-22 at four *per cent* of the estimated GSDP in line with recommendations of the Finance Commission.

Off-budget borrowing refers to use of those financial resources by the State Government for meeting expenditure requirements in a particular year or years, which are not reflected in the budget for that year or those years, for seeking grant/appropriation. Hence, these off-budget borrowings remain outside Legislative control. They are financed through State Government owned or controlled public sector enterprises or societies, which raise the resources through market borrowings on behalf of the State Government. However, the State Government has to repay and service the debt from its budget.

Audit noticed that GoWB repaid off-budget borrowing amounting ₹ 1,212 crore which was raised through nine State Public Sector Undertakings and Autonomous Bodies by means of Cash Credit Loan (CCL) upto 2021-22 (**Table 2.36**) for implementation of Government schemes. Though, these entities borrowed funds for financing various Government schemes, the expenditure on account of such borrowings are not disclosed in the budget or in the Finance Accounts of the State.

Table 2.36: Details of repayment of off-budget borrowing during 2021-22

<table>
<tr><th rowspan="2">Sl. No.</th><th rowspan="2">Loans raised by</th><th rowspan="2">Department involved</th><th rowspan="2">Loans raised for</th><th>Principal repaid</th><th>Interest paid</th><th>Total repayment during the year</th></tr>
<tr><th colspan="3">(₹ in crore)</th></tr>
<tr><td>1.</td><td>Swasthya Sathi Samiti</td><td>Health & Family Welfare</td><td>Swasthya Sathi Scheme</td><td>171.95</td><td>3.46</td><td>175.41</td></tr>
<tr><td rowspan="2">2.</td><td rowspan="2">West Bengal State Seed Corporation Ltd.</td><td rowspan="2">Agriculture</td><td>Crop Insurance Coverage to farmers under Bangla Shashya Bima Yojana (BSBY)</td><td>0</td><td>7.92</td><td>7.92</td></tr>
<tr><td>Farmers’ Old age pension (FOAP) under Jai Bangla Scheme 2020</td><td>62.83</td><td>0.19</td><td>63.02</td></tr>
<tr><td>3.</td><td>West Bengal Comprehensive Area Development Corporation</td><td>Panchayat & Rural Development</td><td>Jai Bangla Scheme 2020</td><td>396.61</td><td>10.92</td><td>407.53</td></tr>
<tr><td rowspan="3">4.</td><td rowspan="3">West Bengal Women Development Undertaking</td><td rowspan="3">Women Child Development and Social Welfare</td><td>Kanyashree</td><td>370.69</td><td>4.17</td><td>374.86</td></tr>
<tr><td>Rupashree</td><td>126.43</td><td>1.66</td><td>128.09</td></tr>
<tr><td>Jai Bangla Scheme 2020</td><td>3.56</td><td>6.35</td><td>9.91</td></tr>
<tr><td rowspan="3">5.</td><td>BENFED</td><td rowspan="3">Agriculture Marketing and Food & Supplies</td><td rowspan="3">Potato Procurement 2010</td><td>7.18</td><td>2.87</td><td>10.05</td></tr>
<tr><td>CONFED</td><td>3.98</td><td>2.97</td><td>6.95</td></tr>
<tr><td>WBECSC</td><td>22.90</td><td>5.31</td><td>28.21</td></tr>
<tr><td></td><td colspan="3">Total</td><td>1,166.13</td><td>45.82</td><td>1,211.95</td></tr>
</table>

Source: Departmental figures; Difference of ₹0.01 crore is due to rounding.

Against the principal repayment (₹ 1,166 crore) of CCL, ₹ 1,151 crore and ₹ 15 crore respectively were repaid through Grants-in-aid and subsidy, as mentioned in **Para 2.8.2**. Similarly, against the interest repayment (₹ 46 crore) of CCL, ₹ 45 crore and ₹ 1 crore, respectively were repaid through Grants-in-aid and subsidy, as mentioned in **Para 2.8.5.** Thus, the repayment of borrowings of the above seven entities were direct liabilities of the State Government despite being raised through off-budget route.

Further, it was noticed during audit scrutiny that at the end of 2021-22, repayment of ₹ 36 crore towards principal was due upto March 2022 from two entities (BENFED[47]: ₹ 21 crore and CONFED[48]: ₹ 15 crore). Thus, the overall outstanding debt (₹ 5,36,478 crore) of the State would increase by ₹ 36 crore to ₹ 5,36,514 crore. Interest, estimated at ₹ 7 crore (BENFED: ₹ 4 crore and CONFED: ₹ 3 crore), was also pending from these entities. Exhaustive position of outstanding liability could not be arrived at since the State Government did not disclose the off-budget liabilities in their budget documents/ annual financial statements. Consequently, the actual impact on the overall outstanding debt and its comparison vis-à-vis the GSDP remained unassessed.

These off-budget borrowings not only reflect lack of disclosure in budget and accounts, but also puts expenditure incurred on various schemes out of these funds beyond the control and scrutiny of Legislature.

The State Government may consider depicting such off-budget borrowings by the public sector undertakings in "total outstanding debt/ liabilities" where the principal is to be serviced out of the State budget. This would render transparency in the Accounts and facilitate the State Government in assessing the clear liabilities in the event of default by the entities.

2.12.6 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 & capital expenditure and loans & advances over revenue and non-debt receipts. The composition and financing of fiscal deficit for the period from 2017-18 to 2021-22 has been shown in **Table 2.37**.

Table 2.37: Components of fiscal deficit and its financing pattern

(₹ in crore)

Particulars		**2017-18**	**2018-19**	**2019-20**	**2020-21**	**2021-22**
Composition of Fiscal Deficit		**28,930**	**33,485**	**36,831**	**44,688**	**50,528**
1	Revenue Deficit	9,807	10,399	19,661	29,527	32,000
2	Net Capital Expenditure	19,368	23,025	15,971	13,034	17,484
3	Net Loans and Advances	(-)245	61	1,199	2,127	1,044
Financing Pattern of Fiscal Deficit						
1	Market Borrowings	25,304	30,431	40,882	50,180	45,199
2	Loans from GOI	1,024	125	886	4,986	7,193
3	Special Securities issued to NSSF	(-)5,976	(-)6,125	(-)6,340	(-)6,340	(-)6,340
4	Loans from Financial Institutions	380	(-)20	(-)143	(-)287	(-)11
5	Small Savings, PF, etc.	1,164	1,128	1,593	2,288	1,919
6	Deposits and Advances	2,607	5,712	2,656	1,066	2,137
7	Suspense and Miscellaneous	1,634	(-)1,433	3,848	(-)192	(-)332
8	Remittances	5	2	(-)14	(-)1	13
9	Reserve Fund	(-)845	2,414	1,532	(-)436	1,158
10	Contingency Fund	(-)1	(-)1	(-)11	5	(-)52
11	**Overall Deficit**	**25,296**	**32,233**	**44,889**	**51,269**	**50,884**

[47] West Bengal State Co-operative Marketing Federation Limited
[48] West Bengal State Consumers' Co-operative Federation Limited

Particulars		2017-18	2018-19	2019-20	2020-21	2021-22
12	Increase (-)/ Decrease (+) in cash balance	3,634	1,252	(-)8,058	(-)6,581	(-)356
13	**Fiscal Deficit**	**28,930**	**33,485**	**36,831**	**44,688**	**50,528**

Source: Finance Accounts

Fiscal Deficit (FD), in quantitative terms increased over the previous year by ₹ 5,840 crore (13.07 *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. However, in 2021-22, ₹ 17,484 crore was the capital expenditure. Thus, there is a need to augment the capital expenditure in order to accelerate growth and promote equitable growth. Increase in the ratio of Net Capital expenditure to FD from 29.17 *per cent* in 2020-21 to 34.60 *per cent* indicates that creation of productive assets from the FD was higher in the current year though it remained much lower compared to the ratios of 66.95 and 68.76 *per cent* in 2017-18 and 2018-19 respectively.

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 (70.80 *per cent*) 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. Using borrowed funds for meeting current consumption and repayment of interest on outstanding debt is not sustainable.

During 2021-22, major component of borrowings continued to be the Market borrowings and Loans from GoI. Further, the Fiscal Deficit (₹ 50,528 crore) which comprises Revenue Deficit (63.33 *per cent*), Net Capital Expenditure (34.60 *per cent*) and Net Loans and Advances (2.07 *per cent*) in 2021-22, was financed from net Market borrowings and net Loans from GoI to the extent of 96.44 *per cent*. Further, 38.68 and 2.31 *per cent* of the net inflow from market borrowings was used to finance net Capital Expenditure and net Loans & Advances respectively.

2.13 Utilisation of Borrowed Funds

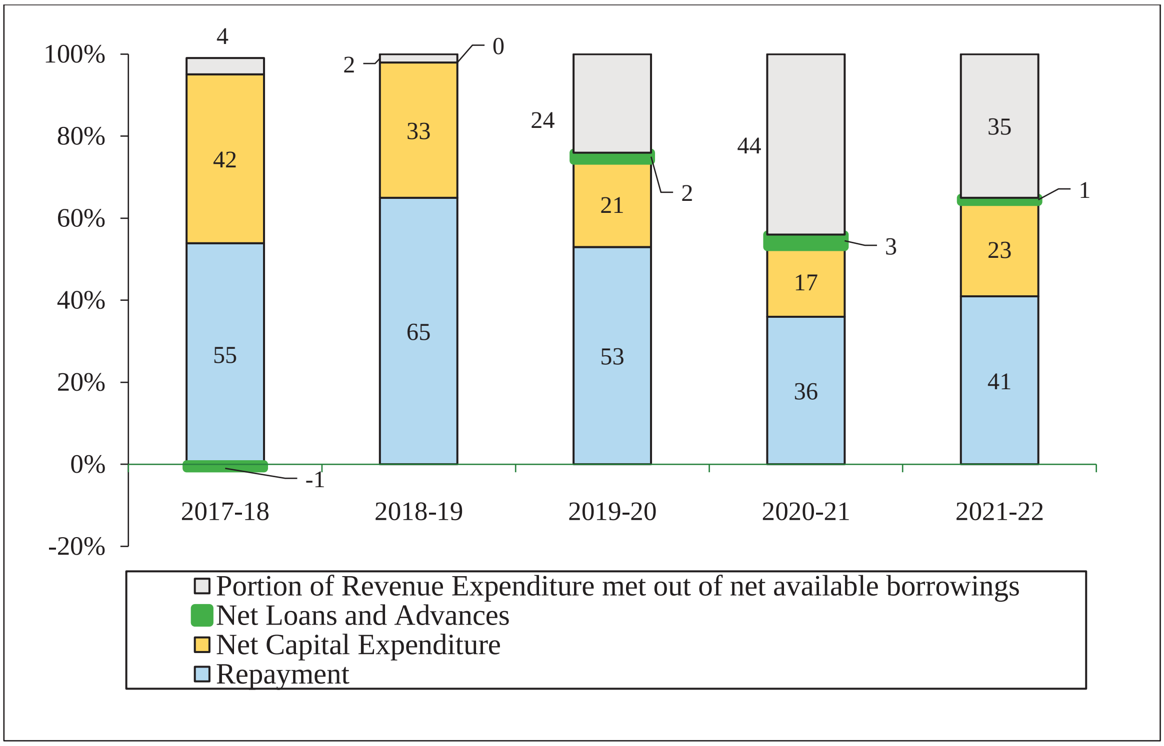
Borrowed funds should ideally be used for capital creation and developmental activities. Utilisation of borrowed funds and trends of its utilisation during 2017-22 have been shown in **Table 2.38** and **Chart 2.14** respectively.

Table 2.38: Utilisation of borrowed funds

Year	2017-18	2018-19	2019-20	2020-21	2021-22
	(₹ in crore)				
Total Borrowings* (1)	45,743	70,197	75,699	75,429	77,581
Repayment of earlier borrowings (Principal)# (2)	25,011	45,786	40,413	26,889	31,540
Net capital expenditure (3)	19,368	23,025	15,971	13,034	17,484
Net loans and advances (4)	(-)245	61	1,200	2,127	1,044
Portion of Revenue expenditure met out of net available borrowings (5) = (1-2-3-4)	1,609	1,325	18,115	33,379	27,513

Source: Finance Accounts
**Represents total Public Debt Receipts during the year;*
#Represents total Public Debt Repayments during the year
Note: During 2021-22, Revenue Expenditure (RE) of ₹2,008 crore was incorrectly booked as Capital Expenditure (CE). Hence, net capital expenditure of ₹17,484 crore would be changed to ₹15,476 crore. On the contrary, portion of RE met out of net available borrowings would be changed to ₹29,521 crore owing to this misclassification

Chart 2.14: Trends of Utilisation of borrowed funds



Source: Finance Accounts

As can be seen from **Chart 2.14** above, there was little scope for utilisation of borrowed funds for developmental activities during 2017-20 since a significant portion of borrowed funds were used to repay the borrowings (53 to 65 *per cent*) made in earlier years. In the current year, the involvement on repayment from borrowings increased to 41 *per cent* which led to decrease in portion of revenue expenditure met out of borrowings to 35 *per cent* from 44 *per cent* in 2020-21. Nevertheless, utilisation of borrowed funds on revenue expenditure, capital expenditure and disbursement of loans and advances being 59 *per cent* in the current year still remained less than 64 *per cent* in 2020-21.

As is evident from the above chart, the State could utilise only 23 *per cent* (₹ 17,484 crore) of the borrowed funds for net capital expenditure during 2021-22 which represented a decline from the range of 33 to 42 *per cent* during 2017-19. Utilisation of borrowed funds for meeting commitment on net loans and advances in the current year was only one *per cent* (₹ 1,044 crore).

Apart from meeting its capital expenditure and repayments, as outlined above, the State utilised ₹ 27,513 crore (35 *per cent*) for discharging its Interest payment liabilities which represented around 75 *per cent* of total interest payment (₹ 36,672 crore). Thereby, commitments on account of repayments (Principal plus Interest) were ₹ 59,053 crore which was about 76 *per cent* of the total borrowings. Utilisation of borrowed funds for meeting repayment of borrowings is not sustainable.

Prudential borrowing norms suggest that borrowed funds should be deployed in such a manner that return from deployment of borrowed funds is more than borrowing cost of debt to be sustainable. It is, therefore, essential that there should be a policy framework for deployment of borrowed funds keeping in mind the cost of borrowing and potential increase in income.

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[49] 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 (₹ 7,821 crore) (**Table 2.39**) at the beginning of 2021-22 stood at 5.47 *per cent* of the total Revenue Receipts of the second preceding year (₹ 1,42,914 crore in 2019-20) and was thus well within the ceiling of the WBCGA.

Table 2.39: Guarantees given by the State Government

(₹ in crore)

Guarantees	2017-18	2018-19	2019-20	2020-21	2021-22
Ceiling applicable to the outstanding amount of guarantees including interest (Criteria)	98,759	1,06,049	1,18,143	1,31,378	1,28,623
Maximum amount guaranteed	15,034	16,050	14,228	15,292	15,129
Outstanding amount of guarantees including interest	8,570	6,603	8,212	7,821	16,885

Source: Finance Accounts

[49] West Bengal Ceiling on Government Guarantee Act

The outstanding guarantees including interest amounting to ₹ 16,885 crore at the end of the year 2021-22 included guarantees extended to 28 institutions/ companies under various sectors[50].

GoWB introduced (August 2021) the 'Students Credit Card scheme' enabling students of West Bengal to pursue academic, professional, and competitive education without having any financial constraints. Under this Scheme, for any loan availed under this Credit Card, a student can obtain a maximum loan of ₹ 10 lakh at the rate of four per cent per annum simple interest from the State Cooperative Bank and Public/Private Sector Banks having repayment period of 15 years. Accordingly, MOAs[51] were executed (December 2021) between GoWB and the Banks. During 2021-22, education loan disbursed to 6,780 students stood at ₹ 72.74 crore. However, Guarantee Statement as mentioned in Budget Publication No. 6 of 2022-23 showed that the Government did not provide guarantee of ₹ 72.74 crore in respect of Students' credit card loan. Resultantly, maximum amount of guarantee (₹ 15,129 crore) as mentioned in the Finance Accounts remained understated by ₹ 72.74 crore. Such non depiction in the Budget Publication as well as in the Finance Accounts indicated lack of an internal control system in the Finance Department.

Further, in terms of Section 10 of the 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. In the current year, State Government did not receive any guarantee commission against the receivable of ₹ 150 crore.

Short receipt of guarantee commission understated the revenue receipts by ₹ 150 crore.

During test-check, of the status of un-paid guarantee commissions of power utilities, the following were noticed:

- DPL stated that guarantee commission of ₹ 94.06 crore at the end of 2021-22 could not be made by the company due to acute financial crisis; and
- WBPDCL attributed shortage of cash flows for their inability to pay the outstanding guarantee commission of ₹ 55.59 crore at the end of 2021-22.

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

[50] Power (₹ 8,681 crore against 8 guarantees), Finance (₹ 4,950 crore against 9 guarantees), Food & Supplies (₹ 2,000 crore against 2 guarantees), Cooperation (₹ 1,146 crore against 3 guarantees), Backward Classes Welfare (₹ 94 crore against 5 guarantees) and Tribal Development (₹ 14 crore against 1 guarantee)

[51] Memorandum of Agreements

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 2021-22 is shown in **Table 2.40**.

Table 2.40: Cash Balances and their investment

(₹ in crore)

Particulars	Opening balance on 1 April 2021	Closing balance on 31 March 2022
A. General Cash Balance		
Cash in treasuries	0.05	0.14
Deposits with Reserve Bank of India	(-)20.37	6.90
Total	**(-)20.32**	**7.04**
Investments held in Cash Balance investment account	21,237.69	20,359.69
Total (A)	**21,217.37**	**20,366.73**
B. Other Cash Balances and Investments		
Cash with departmental officers viz., Public Works, Forest Officers	(-)0.36	(-)0.36
Permanent advances for contingent expenditure with department officers	2.64	2.65
Investment in earmarked funds	11,026.29	12,233.16
Total (B)	**11,028.57**	**12,235.45**
Total (A + B)	**32,245.94**	**32,602.18**
Interest realised	62.87	95.34

Source: Finance Accounts

Cash balance of the State Government at the end of the current year increased significantly by ₹ 356 crore (1.10 *per cent*) from ₹ 32,246 crore in 2020-21 to ₹ 32,602 crore in 2021-22. This was mainly due to increase in investment in earmarked funds by ₹ 1,207 crore offset by decrease in cash balance investments by ₹ 878 crore. The State Government earned an interest of ₹ 95 crore on these investments during 2021-22.

Out of the investment of ₹ 12,233 crore in earmarked funds, ₹ 11,102 crore was invested in the CSF, ₹ 748 crore in GRF and ₹ 383 crore in SDRF at the end of the year.

The cash balance investments of the State during the five-year period 2017-18 to 2021-22 are given in **Table 2.41** below.

Table 2.41: Cash Balance Investment Account (Major Head-8673)

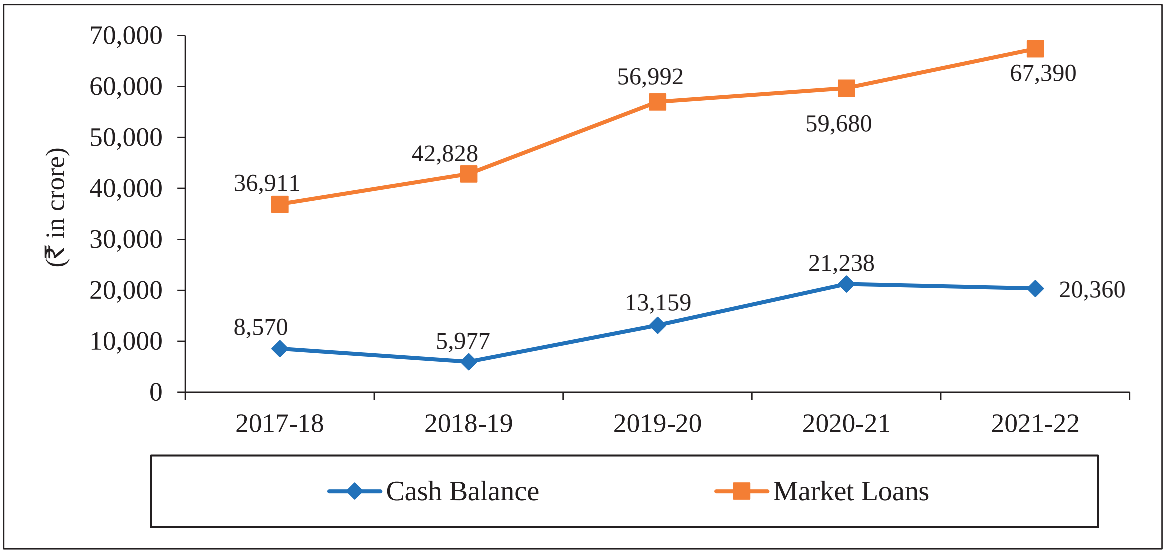
Year	Opening Balance	Closing Balance	Increase (+)/ Decrease (-)	Interest earned
	(₹ in crore)			
2017-18	12,546	8,570	(-)3,976	364.75
2018-19	8,570	5,977	(-)2,593	164.84
2019-20	5,977	13,159	7,182	97.33
2020-21	13,159	21,238	8,079	62.87
2021-22	21,238	20,360	(-)878	95.34

Source: Finance Accounts

Trend analysis of the cash balance investment of the State Government during 2017-22 revealed that investment increased significantly in 2020-21 and further decreased to ₹ 20,360 crore in 2021-22 and stood at 6.11 *per cent* of the State budget (₹ 3,32,961 crore). However, interest earned from cash balance investment fell from 2017-18 onwards, indicating interest earned compressed in line with reducing average balances held in cash balance investment account.

Chart 2.15 compares the balances available in the cash balance investment account and the market loans taken by the State during 2017-22. Market loans were taken at higher interest rates whereas investment in treasury bills yielded interests at lower rates.

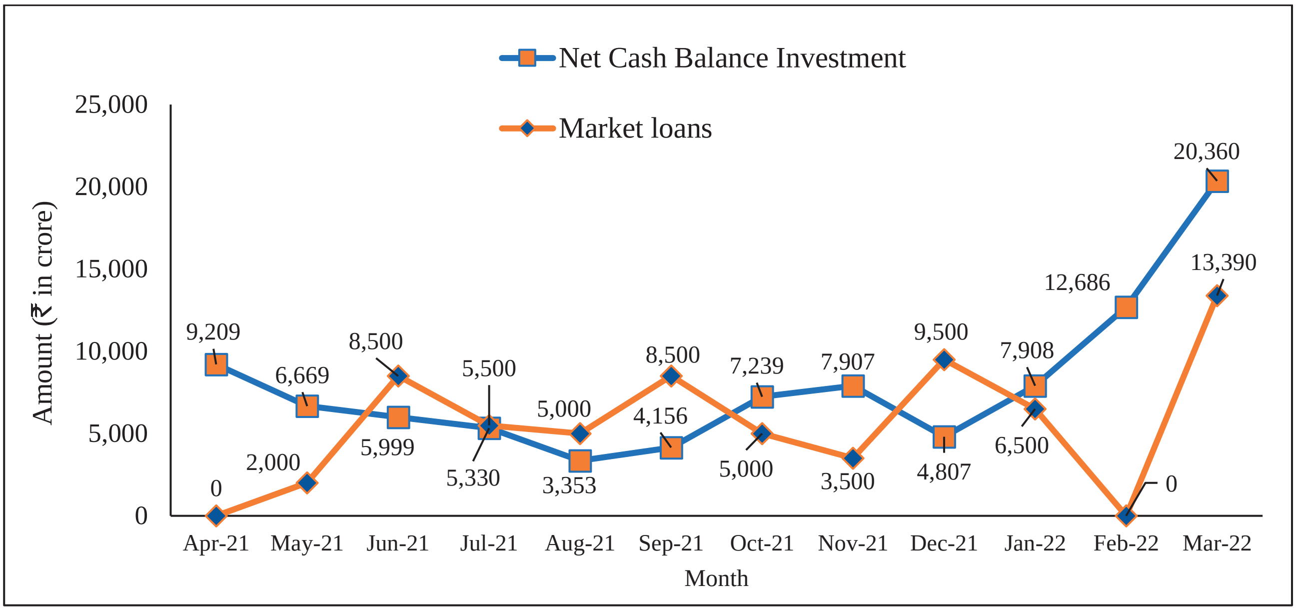
Chart 2.15: Market loans raised *vis-à-vis* Investments held in Cash Balance Investment Accounts



Source: Finance Accounts

Chart 2.16 compares the month-wise Cash Balance Investment Account with the market loans obtained by the State.

Chart 2.16: Month wise movement of Cash Balances Investment account and market loans during 2021-22



Source: Finance Accounts 2021-22 and figures given by the O/o The Principal Accountant General (A&E), West Bengal

Chart 2.16 indicates that the State Government had taken recourse to market loans during the months of May, October, November, January and March during the current fiscal despite having sufficient cash balances. Thus, borrowings could have been avoided to the extent of availability of balances in the cash balance investment.

2.15 Conclusion

Positive Indicators	Parameters requiring close watch
Share of Capital Expenditure in the Total Expenditure increased to 7.64 *per cent* from 6.75 *per cent* in 2020-21.	Interest payments relative to Revenue Receipts, at 20.58 *per cent*, crossed the target of 17.49 *per cent* set out in the FPSS presented with the budget as per WBFRBM Act.
Revenue Deficit to GSDP decreased to 2.08 *per cent* from 2.27 *per cent* in 2020-21.	Percentage of Debt Repayment to Debt Receipts increased to 40.65 from 35.65 in 2020-21.
Fiscal Deficit to GSDP decreased to 3.29 *per cent* from 3.43 *per cent* in 2020-21.	Recovery of loans and advances from Statutory Corporations, Government Companies and Autonomous Bodies, decreased to ₹ 58 crore in 2021-22 from ₹ 150 crore in 2020-21. Further, interest received from these entities also decreased from ₹ 1,031 crore in 2017-18 to ₹ 97 crore in the current year despite increase in outstanding loans from ₹ 12,718 crore to ₹ 17,150 crore in the aforesaid period.

Positive Indicators	Parameters requiring close watch
Debt to GSDP decreased to 34.49 *per cent* from 37.05 *per cent* in 2020-21.	
Committed expenditure to Revenue Receipts decreased to 68.89 *per cent* from 75.36 *per cent* in 2020-21.	

2.16 Recommendations

1. *Capital expenditure needs to be increased significantly for infrastructure creation to provide stimulus for economic growth.*
2. *In view of the increasing growth rate of its public debt, the State Government may make efforts to augment its own Revenues and reduce its Revenue Expenditure so as to avoid pressure on repayment of Public Debt and interest liabilities on Public Debt in forthcoming years.*
3. *The State Government may keep the cash balance position in mind while taking any decision on raising market loans.*