

Chapter II Finances of the State

2.1 Introduction

This chapter provides a broad perspective of the finances of the State, analyses critical changes in major fiscal aggregates relative to the previous year, overall trends during the five-year period from 2016-17 to 2020-21, 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* 2019-20

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 2020-21 compared to 2019-20

Revenue Receipts	<ul style="list-style-type: none">✓ Revenue receipts of the State increased by 3.83 <i>per cent</i>✓ Own Tax receipts of the State decreased by 0.63 <i>per cent</i>✓ Own Non-tax receipts increased by 61.80 <i>per cent</i>✓ State's Share of Union Taxes and Duties decreased by 6.89 <i>per cent</i>✓ Grants-in-aid from Government of India increased by 23.20 <i>per cent</i>
Revenue Expenditure	<ul style="list-style-type: none">✓ Revenue expenditure increased by 9.44 <i>per cent</i>✓ Revenue expenditure on General Services increased by 14.13 <i>per cent</i>✓ Revenue expenditure on Social Services increased by 7.88 <i>per cent</i>✓ Revenue expenditure on Economic Services increased by 3.09 <i>per cent</i>✓ Expenditure on Grants-in-aid decreased by 0.05 <i>per cent</i>
Capital Expenditure	<ul style="list-style-type: none">✓ Capital expenditure decreased by 11.18 <i>per cent</i>✓ Capital expenditure on General Services decreased by 27.07 <i>per cent</i>✓ Capital expenditure on Social Services decreased by 27.38 <i>per cent</i>✓ Capital expenditure on Economic Services decreased by 12.73 <i>per cent</i>

Loans and Advances	<ul style="list-style-type: none"> ✓ Disbursement of Loans and Advances increased by 79.79 per cent ✓ Recoveries of Loans and Advances increased by 125.21 per cent
Public Debt	<ul style="list-style-type: none"> ✓ Public Debt Receipts decreased by 0.36 per cent ✓ Repayment of Public Debt decreased by 33.46 per cent
Public Account	<ul style="list-style-type: none"> ✓ Public Account Receipts increased by 5.85 per cent ✓ Disbursement from Public Account increased by 9.24 per cent
Cash Balance	<ul style="list-style-type: none"> ✓ Cash balance increased by ₹ 6,581 crore (25.64 per cent)

Source: Finance Accounts

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 2020-21 with 2019-20, while **Charts 2.1** and **2.2** give the details of receipts into and expenditure from the Consolidated Fund during 2020-21 in terms of percentages.

Table 2.2: Details of Sources and Application of funds during 2019-20 and 2020-21

Parameters	Particulars	2019-20	2020-21	Increase/ Decrease
		(₹ in crore)		
Sources	Opening Cash Balance with RBI	17,607	25,665	8,058
	Revenue Receipts	1,42,914	1,48,394	5,480
	Recoveries of Loans and Advances	67	150	83
	Misc. Capital Receipts	0	0	0
	Public Debt Receipts (Net)	35,286	48,539	13,253
	Contingency Fund	0	12	12
	Public Account Receipts (Net)	9,615	2,725	(-)6,890
	Total	2,05,489	2,25,485	19,996
Application	Revenue Expenditure	1,62,575	1,77,921	15,346
	Capital Outlay	15,971	13,034	(-)2,937
	Contingency Fund Disbursement	11	7	(-)4
	Disbursement of Loans and Advances	1,267	2,277	1,010
	Closing Cash Balance with RBI	25,665	32,246	6,581
	Total	2,05,489	2,25,485	19,996

Source: Finance Accounts

A. Sources of Funds:

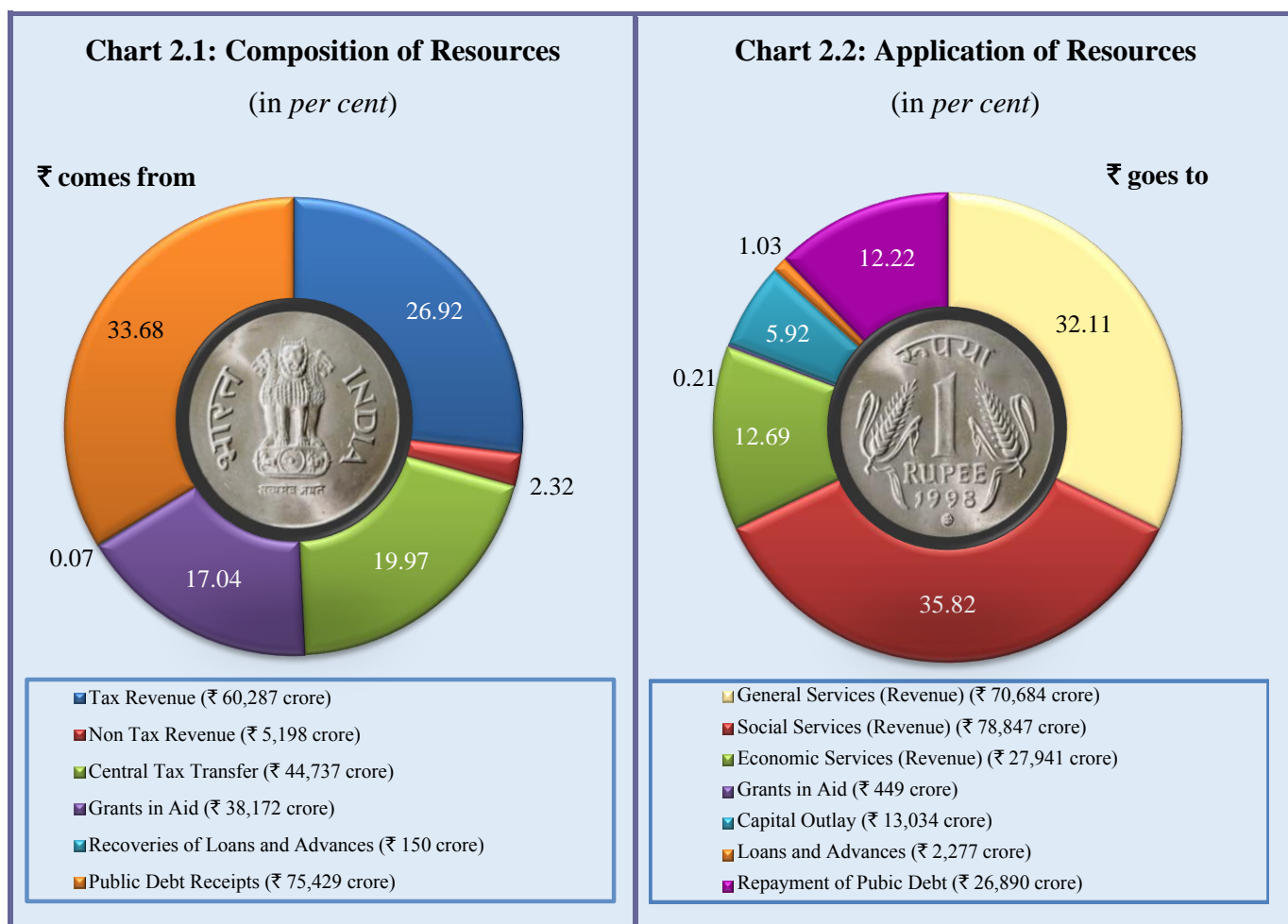
Revenue Receipts in the shape of State's own revenue (₹ 65,485 crore) and Central tax transfer/grants (₹ 82,909 crore), emerged as a major contributor to the State's resources. However, contribution of Revenue Receipts in the total resources of the State decreased to 66 *per cent* during 2020-21 from 70 *per cent* in 2019-20. Net Public Debt Receipts⁸ which is backed by market borrowings and loans & advances from GoI, increased to 22 *per cent* from 17 *per cent* in 2019-20. The contribution through non-debt capital receipts in the shape of recovery of loans and advances marginally increased to 0.07 *per cent* from 0.03 *per cent* in 2019-20. The relative share of the other two major components, namely, opening cash balance with RBI and Net Public Account Receipts⁹ changed to 11 and one *per cent* respectively from eight and five *per cent* in 2019-20.

B. Application of Funds:

Out of the total resources mobilised during the year, 50 *per cent* was spent on committed expenditure, comprising, salaries and wages (51 *per cent*), interest payments (30 *per cent*) and expenditure on pensions (19 *per cent*). From the balance, after accounting for capital outlay (six *per cent*), disbursement of loans and advances and contingency fund disbursement (one *per cent*) and closing cash balance with RBI (14 *per cent*), Government was left with 29 *per cent* of its gross mobilisation to spend on various purposes under the social and economic sectors.

⁸ Difference between the borrowings received and repayment on borrowings

⁹ Difference between the receipt from Public Accounts and disbursement from Public Accounts



Source: Finance Accounts

Analysis revealed that:

- Revenue Expenditure was primarily met out of the Revenue Receipts with Public Debt also being a contributor;
- In General Services (Revenue), Interest Payments comprised 47.79 per cent;
- Beside Repayment of Public Debt (12.22 per cent), Interest Payments constituted 17.48 per cent, thereby taking overall Repayments to 29.70 per cent of the total expenditure;
- The deficit was financed through borrowings which accounted for 33.68 per cent of total resources.

2.4 Resources of the State

The resources of the State are described below:

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

receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GoI.

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

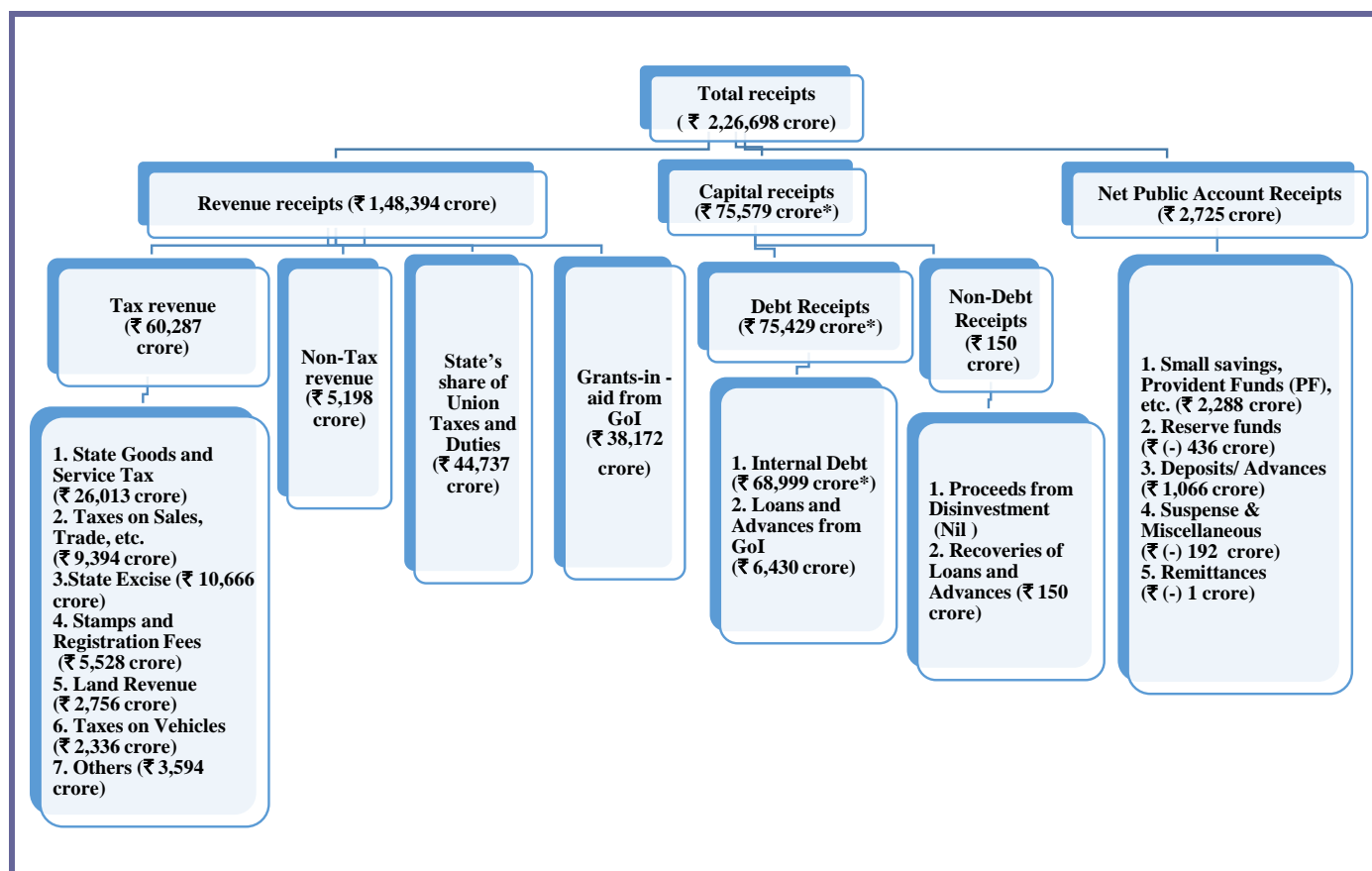
3. **Net Public Accounts receipts:** There are receipts and disbursements in respect of certain transactions, such as, small savings & provident funds, reserve funds, deposits, suspense, remittances, etc. which do not form part of the Consolidated Fund.

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

2.4.1 Receipts of the State

Composition of receipts of the State during 2020-21 is given in **Chart 2.3**.

Chart 2.3: Composition of receipts of the State during 2020-21



Source: Finance Accounts

*including Ways and Means Advances (WMA) of ₹8,155 crore in 2020-21

In total receipts during 2020-21, contribution from Revenue Receipts, Capital Receipts and Net Public Account Receipts were 65.46, 33.34 and 1.20 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 (2016-21).

Table 2.3: Trend in Revenue Receipts

Parameters	2016-17	2017-18	2018-19	2019-20	2020-21
Revenue Receipts (RR) (₹ in crore)	1,17,832	1,31,270	1,45,975	1,42,914	1,48,394
Rate of growth of RR (in per cent)	7.38	11.40	11.20	(-2.10)	3.83
Own Tax Revenue (₹ in crore)	45,466	52,721	60,732	60,669	60,287
Non-Tax Revenue (₹ in crore)	2,950	3,117	3,657	3,213	5,198
Rate of growth of Own Revenue (Own Tax and Non-tax Revenue) (in per cent)	9.16	15.33	15.31	(-0.79)	2.51
State's share of Union Taxes and Duties (₹ in crore)	44,625	49,321	55,776	48,048	44,737
Grants-in-aid from Government of India (₹ in crore)	24,791	26,111	25,810	30,984	38,172
Gross State Domestic Product (₹ in crore) (2011-12 Series)	8,72,527	9,74,700	11,02,283	12,07,823	13,01,017
Rate of growth of GSDP (in per cent)	9.44	11.71	13.09	9.57	7.72
RR/ GSDP (in per cent)	13.50	13.47	13.24	11.83	11.41
Buoyancy Ratios¹⁰					
Revenue Buoyancy w.r.t GSDP	0.78	0.97	0.86	(-0.22)	0.50
State's Own Revenue Buoyancy w.r.t GSDP	0.97	1.31	1.17	(-0.08)	0.33

Source: Finance Accounts and for GSDP, figures issued by Ministry of Statistics and Programme Implementation (MoSPI), Government of India dated 2 August 2021

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

- Revenue Receipts increased by ₹ 5,480 crore (3.83 per cent) during 2020-21 over the previous year. State's share of Union Taxes and Duties decreased by ₹ 3,311 crore (6.89 per cent) followed by tax revenue by ₹ 382 crore (0.63 per cent) set-off by increase in Grants from GoI by

¹⁰ 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.

₹ 7,188 crore (23.20 per cent) and non-tax revenue by ₹ 1,985 crore (61.80 per cent).

- During 2020-21, 44 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.
- Revenue buoyancy measures the percentage change in the revenue receipts to the percentage change in GSDP. As can be seen from **Table 2.3** above, Revenue buoyancy remained lower than one during 2016-21 indicating that revenue receipts have not kept pace with the rate at which GSDP grew during 2016-21. As GSDP grows, the ability of the State Government to mobilise its own revenue should also increase. **Table 2.3** also shows that the State was able to increase its own resources during 2017-19 in tandem with GSDP. However, lower growth in collection of State's own revenue compared to the growth of GSDP turned own revenue buoyancy to a level lower than one during 2020-21.
- There was wide fluctuation in the revenue buoyancy of the State, as extraneous factors such as Finance Commission (FC) Award (14th FC 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), 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 2016-21 are given in **Appendix 2.1**.

2.5.2.1 Own Tax Revenue

Own tax revenue 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 2016-21 is shown in **Table 2.4**.

Table 2.4: Components of State's own tax revenue

(₹ in crore)

Revenue Head	2016-17	2017-18	2018-19	2019-20	2020-21
Sales Tax	27,983	12,999	7,813	7,161	9,394
SGST	0	14,964	27,067	27,308	26,013
State Excise	5,226	9,340	10,622	11,232	10,666
Taxes on Vehicles	1,870	2,317	2,563	2,601	2,336
Stamps and Registration Fees	4,383	5,261	5,620	6,026	5,528
Land Revenue	2,569	2,875	2,847	2,728	2,756
Taxes on Goods and Passengers	934	1,532	435	34	322
Other Taxes	2,501	3,433	3,765	3,579	3,272
Total	45,466	52,721	60,732	60,669	60,287

Source: Finance Accounts

State's OTR maintained growth ranging between seven and 15.96 per cent during 2016-19. However, during 2019-20 and 2020-21, the growth trajectory reversed as OTR decreased by 0.10 per cent (₹ 63 crore) and 0.63 per cent (₹ 382 crore) respectively over the previous year of the respective years. As can be seen from **Table 2.4** above, collection on all major components like SGST, State Excise, Taxes on Vehicles and Stamps and Registration fees decreased by 4.74, 5.04, 10.19 and 8.26 per cent respectively over 2019-20. This was mainly due to decline in economic activity in the first half of 2020-21 owing to the COVID-19 pandemic followed by imposition of strict lockdown. This is further corroborated by the fact that receipts from the above four components decreased by 6.30, 39.50, 31.79 and 45.72 per cent respectively over the same period of 2019-20. On the contrary, Sales Tax increased by 31.18 per cent in 2020-21 backed by higher collection on motor spirits and petroleum products after decline during 2018-20. Decline in revenue collection under taxes on goods and passengers by 78.98 per cent in 2020-21, 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 2021-22 revealed that at the end of 2020-21, arrears in realisation of revenue was ₹ 18,610 crore. Against this arrear, there was no dispute regarding realisation of ₹ 4,248 crore, of which cases exceeding one to two years involved ₹ 242 crore, two to five years ₹ 3,344 crore, five to 10 years ₹ 289 crore and more than 10 years ₹ 373 crore. Circumstances under which revenue of ₹ 4,248 crore could not be realised was not explained in the MTFPS. As mentioned above, undisputed arrears on account of revenue are lying unrealised for period ranging between one year and more than 10 years. Such arrears in realisation 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 2016-17 to 2020-21 is given in **Table 2.5** below.

Table 2.5: Components of State's non-tax revenue

Revenue Head	2016-17	2017-18	2018-19	2019-20	2020-21
Interest Receipts	1,201	1,396	806	321	2,824
Dividend and Profits	1	37	47	82	2
Other Non-Tax Receipts, <i>of which</i>	1,748	1,684	2,804	2,810	2,372
a) Major and Medium Irrigation	7	9	16	15	4
b) Road Transport	105	124	74	64	62
c) Urban Development	37	34	22	26	29
d) Education	177	68	63	63	30
e) Non-Ferrous Mining	400	422	326	215	173
f) Others or Misc.	1,022	1,027	2,303	2,427	2,074*
Total	2,950	3,117	3,657	3,213	5,198

Source: Finance Accounts

*Includes collection from State Lotteries (₹1,327 crore), Medical & Public Health (₹260 crore) and Police (₹125 crore), etc.

Contribution of Non-tax revenue in Revenue receipts increased to 8.62 per cent in the current year from 5.30 per cent in 2019-20. During 2020-21, it increased by ₹ 1,985 crore (61.78 per cent) over the previous year due to withdrawal of ₹ 2,498 crore from the Consolidated Sinking Fund (CSF) for meeting borrowing commitments in the COVID-19 pandemic situation, and accounted for as revenue receipts under the major head '0049-Interest Receipts'.

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 2020-21, Central transfers increased to ₹ 82,909 crore from ₹ 79,032 crore in 2019-20 due to increase in receipts of Finance Commission grants following the recommendation of the 15th FC.

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 7.519 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 2016-21 is shown in **Table 2.6**.

Table 2.6: Central Tax Transfers (₹ in crore)

Head	2016-17	2017-18	2018-19	2019-20	2020-21
Central Goods and Services Tax (CGST)	0	701	13,766	13,635	13,282
Integrated Goods and Services Tax (IGST)	0	4,980	1,099	0	0
Corporation Tax	14,314	15,107	19,397	16,383	13,508
Taxes on Income other than Corporation Tax	9,948	12,757	14,285	12,837	13,849
Customs	6,157	4,979	3,954	3,046	2,368
Union Excise Duties	7,031	5,204	2,627	2,117	1,502
Service Tax	7,142	5,594	511	0	195
Other Taxes ¹¹	33	0	137	30	33
Central Tax transfers	44,625	49,321	55,776	48,048	44,737
Percentage of increase over the previous year	20	11	13	(-)14	(-)7
Percentage of Central tax transfers to Revenue Receipts	38	38	38	34	30

Source: Finance Accounts

The Central tax transfers at ₹ 44,737 crore in 2020-21 decreased by 6.89 per cent (₹ 3,311 crore) over the previous year. Decrease in transfer of sharable proceeds from direct taxes and indirect taxes attributed to this shortfall. In direct taxes, shortfall was mainly noticed under Corporation tax by ₹ 2,875 crore (17.55 per cent). In case of indirect taxes, shortfall was on account of decrease in transfer under (i) Customs by ₹ 678 crore (22.26 per cent) and (ii) Union Excise duties by ₹ 615 crore (29.05 per cent).

2.5.3.2 Grants from GoI

Grants from Government of India increased by ₹ 7,188 crore (23.20 per cent) over the previous year to ₹ 38,171 crore in 2020-21. This was owing to significant increase in FC Grants by ₹ 6,325 crore (105 per cent).

As per recommendation of the 15th FC, GoWB received Post devolution Revenue Deficit Grants (₹ 5,013 crore) in the current year. This was in addition to increase in Grants-in-Aid for Rural Local Bodies, Urban Local Bodies and Disaster relief by ₹ 709 crore, ₹ 243 crore and ₹ 361 crore, respectively over the previous year.

Under the component 'Centrally sponsored schemes' major increases were noticed under schemes for (i) PMAY¹² by ₹ 1,039 crore, (ii) PMGSY¹³ by ₹ 621 crore and (iii) NHM¹⁴ by ₹ 258 crore set-off by decrease under (a) MGNREGA¹⁵ by ₹ 237 crore, (b) Anganwadi services by ₹ 127 crore, and (c) BADP¹⁶ by ₹ 115 crore.

In the component 'Other transfers/grants to States with Legislature', major increases were noticed under (i) compensation for the loss of revenue on account

¹¹ Include Taxes on Wealth, Other Taxes on Income and Expenditure, Other Taxes and Duties on commodities and Services

¹² Pradhan Mantri Awas Yojana

¹³ Pradhan Mantri Gram Sadak Yojana

¹⁴ National Health Mission

¹⁵ Mahatma Gandhi National Rural Employment Guarantee Act

¹⁶ Border Area Development Programme

of implementation of GST (₹ 1,417 crore), (ii) NDRF¹⁷ (₹ 1,292 crore) partially set-off by decrease under (iii) grants from Central Road Fund (₹ 316 crore).

2.5.3.3 Fifteenth Finance Commission Grants

During 2020-21, Fifteenth Finance Commission (15th FC) provided grants-in-aid for local bodies of ₹ 6,326 crore and State disaster relief and mitigation fund of ₹ 1,348 crore including State's share of ₹ 337 crore. Being a revenue deficit state, West Bengal also received post devolution revenue deficit grants of ₹ 5,013 crore. While analysing the grants, audit noticed the following:

Delayed release of grants for Local Bodies

Para 5.3(xiii) of 15th FC recommendations stated that to incentivise improvement in air quality in million-plus cities, the second instalment shall be disbursed in January 2021 against the stipulated performance-based outcomes in terms of year-on-year improvement in air quality.

GoWB did not receive the second instalment of Urban Local Bodies grants amounting to ₹ 209.50 crore (25.84 per cent of the total allocation) for the purpose of 'Grants for million-plus cities to the State Government for Air quality improvement' during 2020-21. The grant was received by GoWB only on 6 May 2021. Non-fulfilment of the performance-based outcomes by the State Government led to belated release of the second instalment.

Avoidable payment of interest

Fifteenth FC recommended that the States should release grants to gram panchayats and municipalities within 10 days of its being credited to the State Government's account by the Union Government. Any delay in the release of the above grants would attract penal interest as per the effective rate of interest on market borrowings/ State Development Loans (SDLs) for the previous year.

It was observed that 15th FC grants of ₹ 5,223.50 crore (Rural Bodies grants of ₹ 3,309 crore plus Urban Local Grants of ₹ 1,914.50 crore) were released with delays ranging between one and 28 days due to which, GoWB had to pay interest of ₹ 62.68 crore (RLBs: ₹ 40.78 crore and ULBs: ₹ 21.90 crore) during 2020-21.

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

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 2.7 shows the trends in growth and composition of net capital receipts during the period 2016-21.

¹⁷ National Disaster Response Fund

Table 2.7: Trends in growth and composition of net capital receipts
(₹ in crore)

Sources of State's Receipts	2016-17	2017-18	2018-19	2019-20	2020-21
Capital Receipts	40,757	45,957	71,693	75,766	75,579
Public debt receipts	37,524	45,743	70,197	75,699	75,429
Public debt repayment	12,304	25,011	45,786	40,413	26,890
Net Public Debt Receipts	25,220	20,732	24,411	35,286	48,539
Growth rate (in per cent)	(-)1.36	(-)17.80	17.75	44.55	37.56
Miscellaneous Capital Receipts	0	0	692	0	0
Recovery of Loans and Advances	3,233	214	804	67	150
Non-debt capital receipts	3,233	214	1,496	67	150
Net capital receipts	15,920	1,609	1,325	18,116	33,378
Growth rate (in per cent)	15.60	(-)89.89	(-)17.65	1,267.25	84.25
Net Internal Debt*	25,676	19,708	24,286	34,400	43,553
Growth rate (in per cent)	(-)0.19	(-)23.24	23.23	41.65	26.61
Net Loans and advances from GoI	(-)456	1,024	125	886	4,986
Growth rate (in per cent)	188.61	(-)324.56	(-)87.79	608.80	462.75
Rate of growth of debt Capital Receipts (in per cent)	(-)17.97	21.90	53.46	7.84	(-)0.36
Rate of growth of non-debt capital receipts (in per cent)	117.71	(-)93.38	599.07	(-)95.52	123.88
Rate of growth of GSDP (in per cent)	9.44	11.71	13.09	9.57	7.72
Buoyancy of Net Public Debt Receipts w.r.t GSDP	(-)0.14	(-)1.52	1.36	4.65	4.87
Rate of growth of Capital Receipts (in per cent)	(-)13.71	12.76	56.00	5.68	(-)0.25

Source: Finance Accounts and GSDP data sourced from MoSPI, Government of India dated 2 August 2021

*Including gross figures under WMA of ₹1,208 crore in 2016-17, ₹5,395 crore in 2017-18, ₹25,005 crore in 2018-19, ₹15,860 crore in 2019-20 and ₹8,155 crore in 2020-21

Capital Receipts (₹ 75,579 crore) in the current year marginally decreased by ₹ 187 crore (0.25 per cent) over 2019-20 due to decrease in WMA by 49 per cent over the PY to ₹ 8,155 crore partially offset by increase in Loans and Advances from GoI and Market Borrowings (MB) of ₹ 4,413 crore (219 per cent) and ₹ 2,688 crore (4.71 per cent) respectively over the PY.

Net capital receipts increased by 84.25 per cent from ₹ 18,116 crore to ₹ 33,378 crore in 2020-21, mostly due to increase in net public debt receipts. Net public debt receipts with respect to GSDP in the current year (4.87 per cent) remained more buoyant than the previous year (4.65 per cent). This was mainly due to

increase in net GoI loans of ₹ 4,100 crore over the increase of ₹ 761 crore in 2019-20. During 2020-21, net utilisation of MB and GoI loans were ₹ 50,180 crore and ₹ 4,986 crore, respectively set off by repayment of NSSF loans (₹ 6,340 crore) and more repayment over receipt on loans from Financial Institutions (₹ 286 crore). The above factors helped Net Public Debt receipts to increase by 37.56 per cent to ₹ 48,539 crore.

Public debt receipts create future repayment obligations. During 2020-21, 36 per cent of public debt receipts were used for repayment of public debts raised in earlier years.

Non-debt capital receipts in the shape of recoveries of loans and advances and Miscellaneous Receipts increased by 123.88 per cent to ₹ 150 crore due to improved recovery of loans from Public Sector Enterprises/ Bodies/ Authorities. However, disbursement of loans and advances on this account increased by ₹ 1,011 crore (79.86 per cent) in 2020-21 over that in 2019-20. 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 2020-21 has been shown in **Table 2.8**.

Table 2.8: Tax and non-tax receipts vis-à-vis projections

Particulars	FC projections	Budget Estimates	Actual	Percentage variation of actual over	
				FC projections	Budget estimates
(₹ in crore)					
Own Tax revenue	81,409	70,807	60,287	(-)25.95	(-)14.86
Non-tax revenue	4,128	4,266	5,198	25.92	21.85

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

As could be seen from **Table 2.8**, while the State Government fell short of achieving the targets for own tax revenue set in the 15th FC and budget estimates by 26 per cent (₹ 21,122 crore) and 15 per cent (₹ 10,520 crore) respectively, it exceeded the corresponding targets for non-tax revenue by 26 per cent (₹ 1,070 crore) and 22 per cent (₹ 932 crore). Overall, short collection of State's own revenue contributed in widening the gap of revenue deficit with respect to FC projections and budget estimates.

2.7 Application of Resources

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

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

2.7.1 Growth and composition of expenditure

Table 2.9 gives the trend of total expenditure and its composition while **Table 2.10** gives relative share of various sectors in expenditure during the period 2016-21. The expenditure under various sectors in respect of revenue and capital and their relative share in GSDP during 2016-21 are given in **Appendix 2.1**.

Table 2.9: Total expenditure and its composition

Parameters	2016-17	2017-18	2018-19	2019-20	2020-21
	(₹ in crore)				
Total Expenditure (TE)	1,46,451	1,60,414	1,80,956	1,79,813*	1,93,232
Revenue Expenditure (RE)	1,33,918	1,41,077	1,56,374	1,62,575	1,77,921
Capital Outlay (CO)	11,336	19,368	23,717	15,971	13,034
Loans and Advances	1,197	(-31)	865	1,267*	2,277
<i>As a percentage of GSDP</i>					
TE/ GSDP	16.78	16.46	16.42	14.89	14.85
RE/ GSDP	15.35	14.47	14.19	13.46	13.68
CO/ GSDP	1.30	1.99	2.15	1.32	1.00
Loans and Advances/ GSDP	0.14	0.00	0.08	0.10	0.18

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

State's total expenditure (TE) consists of Revenue Expenditure (RE), Capital Outlay (CO) and disbursement of loans and advances. TE during the current year increased by ₹ 13,419 crore (7.46 per cent) over the previous year. This was mainly due to increase of RE by ₹ 15,346 crore (9.44 per cent). With respect to GSDP, RE increased by 0.22 per cent while CO reduced by 0.32 per cent over that of 2019-20. During 2016-21, CO as a percentage of GSDP was the lowest at 1.00 in 2020-21. 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 was, however, slightly higher as compared to the previous year.

Table 2.10: Relative share of various sectors of expenditure

Parameters	2016-17	2017-18	2018-19	2019-20	2020-21
	(in per cent)				
General Services	34.81	33.30	31.94	34.86	36.86
Social Services	42.00	41.89	42.05	43.67	42.85
Economic Services	21.99	24.52	25.26	20.52	18.88
Others (Grants to Local Bodies and Loans and Advances)	1.20	0.29	0.75	0.95	1.41

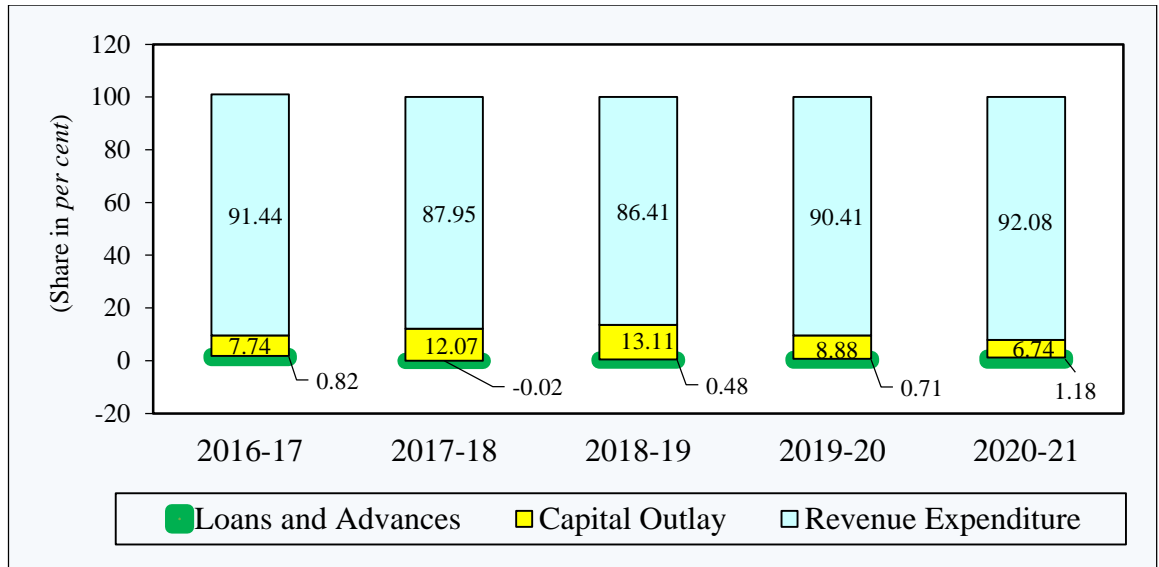
Source: Finance Accounts

Expenditure under Social Sector constituted a major portion of the State's Expenditure. As can be seen from **Table 2.10** above, around 42 to 44 per cent of the total expenditure was in this sector during 2016-21 indicating Government's priority on spending on social activities. In the current year, the relative share of this sector, however slightly reduced by 0.82 per cent over the previous year to

42.85. The relative share of expenditure on General Services increased by two per cent to almost 37 per cent, largely driven by increased interest payments and expenditure on pensions. In the case of Economic Services, the relative share decreased by 1.64 per cent over the previous year to 18.88, indicating that the expenditure in this sector remained compressed.

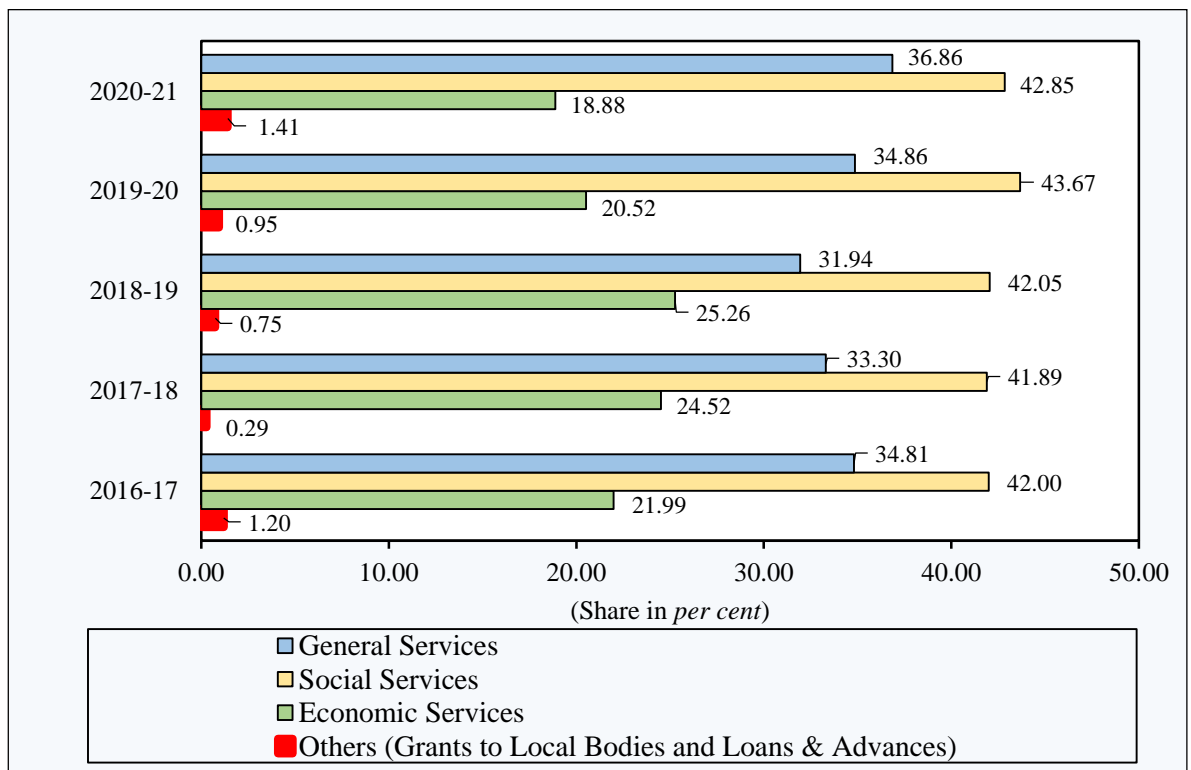
Chart 2.4 presents the trends in share of components of Total Expenditure (TE) while **Chart 2.5** presents TE by activity during 2016-21. **Chart 2.6** presents the composition of expenditure during 2020-21.

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



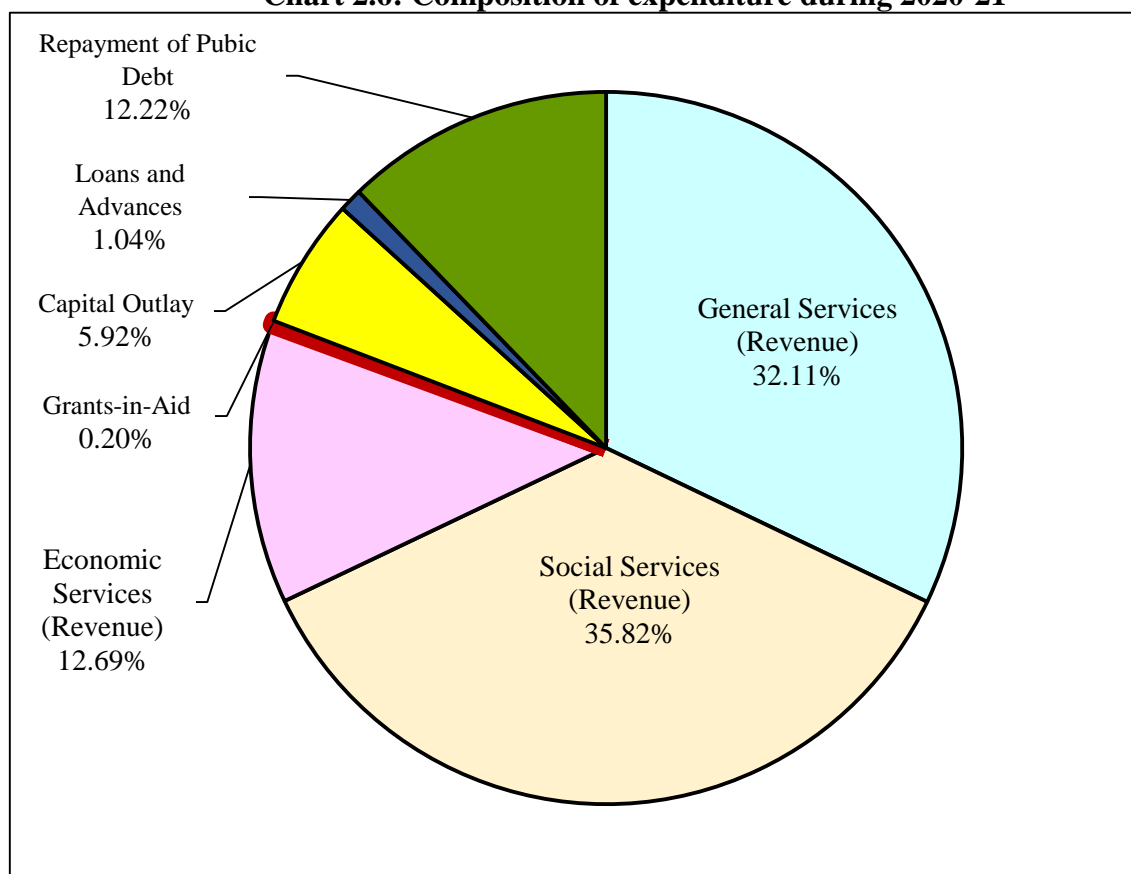
Source: Finance Accounts

Chart 2.5: Total expenditure - Expenditure by activities



Source: Finance Accounts

Chart 2.6: Composition of expenditure during 2020-21



Source: Finance Accounts

As is evident from the **Chart 2.4**, Capital Outlay (CO) had increased significantly during 2016-19, with its share as a percentage of Total Expenditure (TE) increasing from 7.74 *per cent* in 2016-17 to 12.07 *per cent* in 2017-18 and further to 13.11 *per cent* during 2018-19. From 2019-20, the share of CO, however, witnessed a declining trend from 8.88 *per cent* in 2019-20 and further to 6.74 *per cent* in 2020-21. This is attributable to the fact that RE with respect to TE in the current year went up to 92.08 *per cent* whereas during 2019-20 it had remained at 90.41 *per cent*. The major components of RE i.e., salary, interest payments and pensions increased by 16.66, 6.68 and 22.52 *per cent* over the previous year.

2.8 Revenue Expenditure

Revenue expenditure is incurred to maintain the current level of services and payments for past obligations. 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 2016-21 are shown in **Table 2.11**.

Table 2.11: Revenue Expenditure- Basic Parameters

Parameters	2016-17	2017-18	2018-19	2019-20	2020-21
	(₹ in crore)				
Total Expenditure (TE)	1,46,451	1,60,414	1,80,956	1,79,812	1,93,232
Revenue Expenditure (RE)	1,33,918	1,41,077	1,56,374	1,62,575	1,77,921
Rate of Growth of RE (<i>per cent</i>)	12.70	5.35	10.84	3.97	9.44
Revenue Expenditure as percentage of TE	91.44	87.95	86.42	90.41	92.08
RE/ GSDP (<i>per cent</i>)	15.35	14.47	14.19	13.46	13.68
RE as percentage of RR	113.65	107.47	107.12	113.76	119.90
Buoyancy of Revenue Expenditure with					
GSDP (ratio)	1.35	0.46	0.83	0.41	1.22
Revenue Receipts (ratio)	1.72	0.47	0.97	(-)1.89	2.46

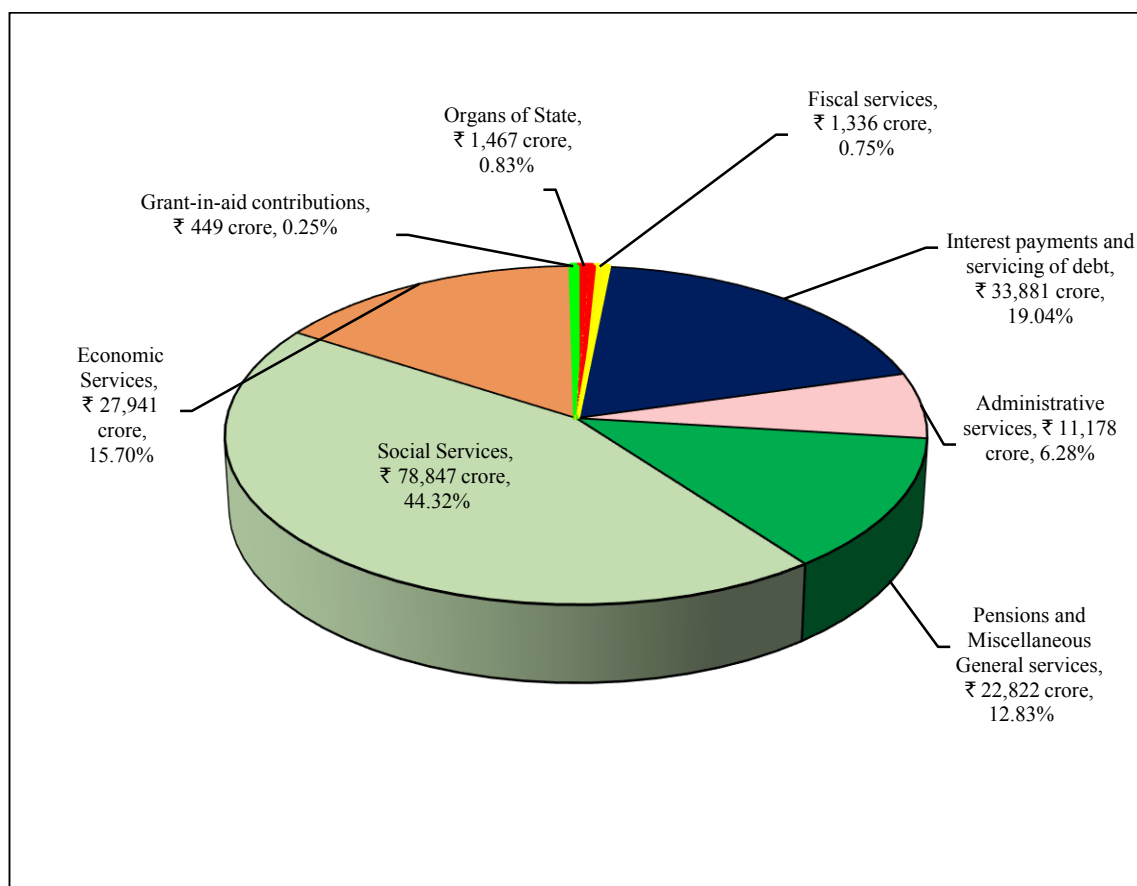
Source: Finance Accounts

Revenue Expenditure (RE) constituted a significant portion of the total expenditure. Its share in total expenditure (TE) increased by 1.67 *per cent* over the previous year. This was due to significant growth of RE (9.44 *per cent*) during 2020-21 compared to growth of 3.97 *per cent* in 2019-20. While analysing the last five years' data, it was observed that RE as a percentage of RR was highest during 2020-21, indicating increased Revenue Deficit. As can be seen from the above table, buoyancy of RE with GSDP though higher during 2016-17, dipped to less than one during 2017-20 and further rose to 1.22 during 2020-21, indicating that RE remained more buoyant *vis-à-vis* GSDP. Buoyancy of RE *vis-à-vis* RR during 2017-20 was below one, indicating that the growth of RE remained more buoyant than RR. During 2020-21, this ratio turned to 2.46 as the rate of growth of RE exceeded the RR by 5.61 *per cent* over the previous year.

During 2016-21, 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 2020-21 has been shown in **Chart 2.7**.

Chart 2.7: Sector-wise distribution of revenue expenditure during 2020-21



Source: Finance Accounts

2.8.1 Major changes in Revenue Expenditure

Revenue Expenditure (₹ 1,77,921 crore) increased by 9.44 per cent (₹ 15,346 crore) over the previous year. Increase in General Services by 14 per cent (₹ 8,753 crore) followed by Social Services by eight per cent (₹ 5,757 crore) and Economic Services by three per cent (₹ 836 crore) set off by decrease in Grants-in aid and contributions by 0.05 per cent (₹ 0.23 crore) contributed to this growth.

In General Services, major increases were noticed in (i) payments of Pension by ₹ 3,931 crore (23 per cent), (ii) Interest Payment by ₹ 2,114 crore (seven per cent) and (iii) expenditure towards Police by ₹ 1,556 crore (22 per cent).

In Social Services, major increases were noticed in (i) Education, Sports, Art and Culture by ₹ 3,770 crore (12 per cent), (ii) Health and Family Welfare by ₹ 1,747 crore (17 per cent) and (iii) welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities by ₹ 1,565 crore (88 per cent) which was partially offset by decrease in Social Welfare and Nutrition by ₹ 2,011 crore (nine per cent).

In Economic services, major increases were noticed in Rural Development by ₹ 426 crore (three per cent) followed by Energy by ₹ 344 crore (33 per cent).

Significant variations noticed in major heads of account during 2020-21 *vis-à-vis* 2019-20 has been shown in **Table 2.12**.

Table 2.12: Variation in Revenue Expenditure during 2020-21 compared to 2019-20

Major Heads of Account	2019-20	2020-21	Increase (+)/ Decrease (-)
	(₹ in crore)		
2202- General Education	30,590	34,190	3,600
2049- Interest Payments	31,668	33,782	2,114
2210- Medical and Public Health	9,221	10,777	1,556
2071- Pensions and Other Retirement benefits	17,462	21,394	3,932
2055- Police	7,227	8,783	1,556
2245- Relief on account of Natural Calamities	1,683	3,606	1,923
2505- Rural Employment	8,725	10,737	2,012
2225- Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities	1,770	3,336	1,566
2235- Social Security and Welfare	18,532	15,508	(-),3,024
2515- Other Rural Development Programmes	7,581	5,669	(-),1,912

Source: Finance Accounts

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

- Assistance to Non-Government Primary Schools increased to ₹ 8,974 crore, an increase of 24.84 *per cent* from ₹ 7,189 crore in 2019-20;
- Expenditure on Public Health increased to ₹ 1,585 crore, an increase of 124.51 *per cent* from ₹ 706 crore;
- Expenditure on District Police increased to ₹ 5,781 crore, an increase of 21.69 *per cent* from ₹ 4,750 crore;
- Assistance to States from National Calamity contingency fund increased to ₹ 2,250 crore, an increase of 134.70 *per cent* from ₹ 959 crore;
- Expenditure on Minorities' Education increased to ₹ 1,209 crore, an increase of 68.67 *per cent* from ₹ 571 crore;
- Expenditure on Women's Welfare decreased to ₹ 988 crore, a reduction of 57.19 *per cent* from ₹ 2,308 crore; and
- Assistance to Gram Panchayats decreased to ₹ 1,576 crore, a reduction of 58.45 *per cent* from ₹ 3,794 crore.

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 2016-21 has been shown in **Table 2.13**.

Table 2.13: Components of Committed Expenditure

Components of Committed Expenditure	2016-17	2017-18	2018-19	2019-20	2020-21
	(₹ in crore)				
Salaries & Wages	34,688	37,803	41,541	48,567	56,660
Of which, Grants-in-aid salary ¹⁸	19,417	21,510	23,574	27,815	32,592
Expenditure on Pensions	13,945	14,588	16,063	17,462	21,394
Interest Payments	25,703	28,074	28,911	31,668	33,782
Total	74,336	80,465	86,515	97,697	1,11,836
As a percentage of Revenue Receipts (RR)					
Salaries & Wages	29.44	28.80	28.46	33.98	38.18
Expenditure on Pensions	11.84	11.11	11.00	12.22	14.42
Interest Payments	21.81	21.39	19.81	22.16	22.76
Total	63.09	61.30	59.27	68.36	75.36
As a percentage of Revenue Expenditure (RE)					
Salaries & Wages	25.90	26.80	26.57	29.87	31.85
Expenditure on Pensions	10.41	10.34	10.27	10.74	12.02
Interest Payments	19.19	19.90	18.49	19.48	18.99
Total	55.50	57.04	55.33	60.09	62.86

Source: Finance Accounts

As can be seen from **Table 2.13** above, committed expenditure constituted over 55 per cent of Revenue Expenditure during 2016-21, while it accounted for over 59 per cent and above of the Revenue Receipts of the State during the same period. During 2020-21, the share of committed expenditure with respect to Revenue Expenditure and Revenue Receipts was 63 and 75 per cent respectively.

- **Salaries and Wages**

Share of salaries in Revenue Expenditure varied between 26 and 32 per cent during 2016-21. During the year 2020-21, its share in RE increased by two per cent to 32 per cent. The increase during the year 2020-21 was ₹ 8,097 crore (16.66 per cent) compared to an increase of ₹ 7,026 crore (16.91 per cent) during 2019-20. Revision of pay with effect from 1 January 2020, pursuant to West Bengal Services (Revision of Pay and Allowance) Rules¹⁹, 2019 contributed to this increase. Expenditure on Salary grew at a CAGR of 13.05 per cent during the period 2016-21.

¹⁸ Salaries for employees of grantee bodies (e.g. aided schools and colleges), as distinct from government servants

¹⁹ Deemed effective from 1 January 2016, without having any arrears of pay from 1 January, 2016 to 31 December, 2019

- **Interest Payments**

Interest Payments accounted for 22.77 per cent of Revenue Receipts during 2020-21, which was higher than the ceiling of 18.26 per cent prescribed in the Fiscal Policy Strategy Statement (FPSS), placed along with the budget for 2020-21. Expenditure on Interest Payments (₹ 33,782 crore) grew by ₹ 2,114 crore (6.68 per cent) from the previous year (₹ 31,668 crore) due to increase in interest payment on Market loans by 14.43 per cent.

Besides this, GoWB paid interest of ₹ 65 crore for making repayment of CCL (availed through off budget route), taken during 2020-21 for funding various state sponsored schemes. The interest outgo on CCL was booked in the Accounts as grants-in-aid (₹ 59 crore) and loans disbursed (₹ 5 crore), instead of interest payment. As such, actual interest of ₹ 33,782 crore was understated by ₹ 65 crore with consequent overstatement of grants-in-aid (₹ 59 crore) and loans disbursed (₹ 5 crore).

- **Pensions**

Expenditure on Pension in Revenue Expenditure varied between 10 and 12 per cent during 2016-21. Pension payment grew at a CAGR of 11.29 per cent during this period. During 2020-21, expenditure on Pension increased by 22.51 per cent (₹ 3,931 crore) over 2019-20 owing to revision of pension from 1st January 2020, pursuant to WBS ROPA²⁰, 2019

2.8.3 Undischarged liabilities in National Pension System

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

During 2020-21, out of the required transfer of ₹ 8.80 crore to NSDL (National Securities Depositories Limited)/ Trustee Bank, only ₹ 8.75 crore was transferred, leaving a balance of ₹ 0.05 crore. Uncollected, unmatched and untransferred amounts, with accrued interest, represent outstanding liabilities under the Scheme.

2.8.4 Subsidies

Expenditure on subsidies for the period from 2016-17 to 2020-21 has been shown in **Table 2.14**.

Table 2.14: Expenditure on subsidies during 2016-21

Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
Subsidies (₹ in crore)	9,587	11,677	13,403	9,709	12,377
Subsidies as a percentage of Revenue Receipts	8.14	8.90	9.18	6.79	8.34
Subsidies as a percentage of Revenue Expenditure	7.16	8.28	8.57	5.97	6.96

Source: Finance Accounts

²⁰ West Bengal Services (Revision of Pay & Allowances) Rules, 2019

Detailed payment of subsidy is shown in **Appendix-II** of the Finance Accounts. As can be seen from **Table 2.14** above, there was a steep upward trend in subsidies from 2016-17 to 2018-19. During 2020-21, there was a sharp increase in subsidies by ₹ 2,668 crore (27.48 per cent) from the level of ₹ 9,709 crore in 2019-20.

Increase in supply of subsidised rice to the APL/BPL families in the TPDS²¹ from ₹ 6,613 crore in 2019-20 to ₹ 8,810 crore during the current year was the main contributing factor. Besides this, Power and Transport subsidies also increased to ₹ 1,375 crore and ₹ 1,019 crore respectively from ₹ 1,019 crore and ₹ 883 crore in 2019-20. During 2020-21, subsidy as a percentage of revenue receipts and revenue expenditure increased by 1.55 and 0.99 per cent respectively over the previous year.

In the following two departments, the State Government incurred expenditure of ₹ 834 crore in the nature of subsidies during 2020-21 (**Table 2.15**).

Table 2.15: Details of expenditure in the nature of subsidies during 2020-21

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	833.11
2.	State subsidy for supply of rice to the APL/BPL families in the TPDS	Food & Supplies	0.54
3.	Transport cost subsidy for carrying foodgrains through the State for smooth functioning of PDS	Food & Supplies	0.08
Total			833.73

Source: Appropriation Accounts of Government of West Bengal (2020-21)

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

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

Financial assistance of ₹ 63,131 crore was provided by the State Government to local bodies and other institutions by way of grants in 2020-21 (**Table 2.16**). There was an increase in the overall quantum of assistance by ₹ 1,509 crore (2.45 per cent) in comparison to the previous year (₹ 61,622 crore). Assistance as a

²¹ Targeted Public Distribution System

percentage of Revenue Expenditure, however decreased by three *per cent* to 35 *per cent*.

Table 2.16: Financial Assistance to Local Bodies and other Institutions

(₹ in crore)

Financial Assistance to Institutions	2016-17	2017-18	2018-19	2019-20	2020-21
Local Bodies					
Municipal Corporations and Municipalities	3,825	4,786	4,787	4,529	5,166
Panchayati Raj Institutions	14,347	15,180	11,678	13,466	11,285
Total (A)	18,172	19,966	16,465	17,995	16,451
Others					
Educational Institutions (Universities)	1,530	1,419	1,345	7,507	8,447
Development Authorities	382	320	295	0	0
Other Autonomous Bodies	2,137	2,008	1,403	0	0
Co-operative Institutions	211	305	214	249	147
Public Sector Undertakings (PSUs)	4,872	1,893	1,117	298	179
Non-Government Organisations (NGOs)	15,941	21,123	19,461	23,244	27,048
Others	9,430	7,931	17,289	12,329	10,859
Total (B)	34,503	34,999	41,124	43,627	46,680
Total (A+B)	52,675	54,965	57,589	61,622	63,131
Revenue Expenditure	1,33,918	1,41,077	1,56,374	1,62,575	1,77,921
Assistance as percentage of Revenue Expenditure	39	39	37	38	35

Source: Finance Accounts

During 2020-21, in order to implement various schemes, GoWB raised CCL of ₹ 4,312 crore through various Government owned or controlled Public Sector Enterprises or Societies, via the off-budget route. During 2020-21, Government had borne its commitments on account of principal (₹ 1,474 crore) and interest (₹ 59 crore) from its budget by way of grants-in-aid. Thus grant-in-aid of ₹ 63,131 crore was overstated by ₹ 1,533 crore with an understatement of principal repayment of debt (₹ 75,429 crore) and interest payments (₹ 33,782 crore) by ₹ 1,474 crore and ₹ 59 crore respectively.

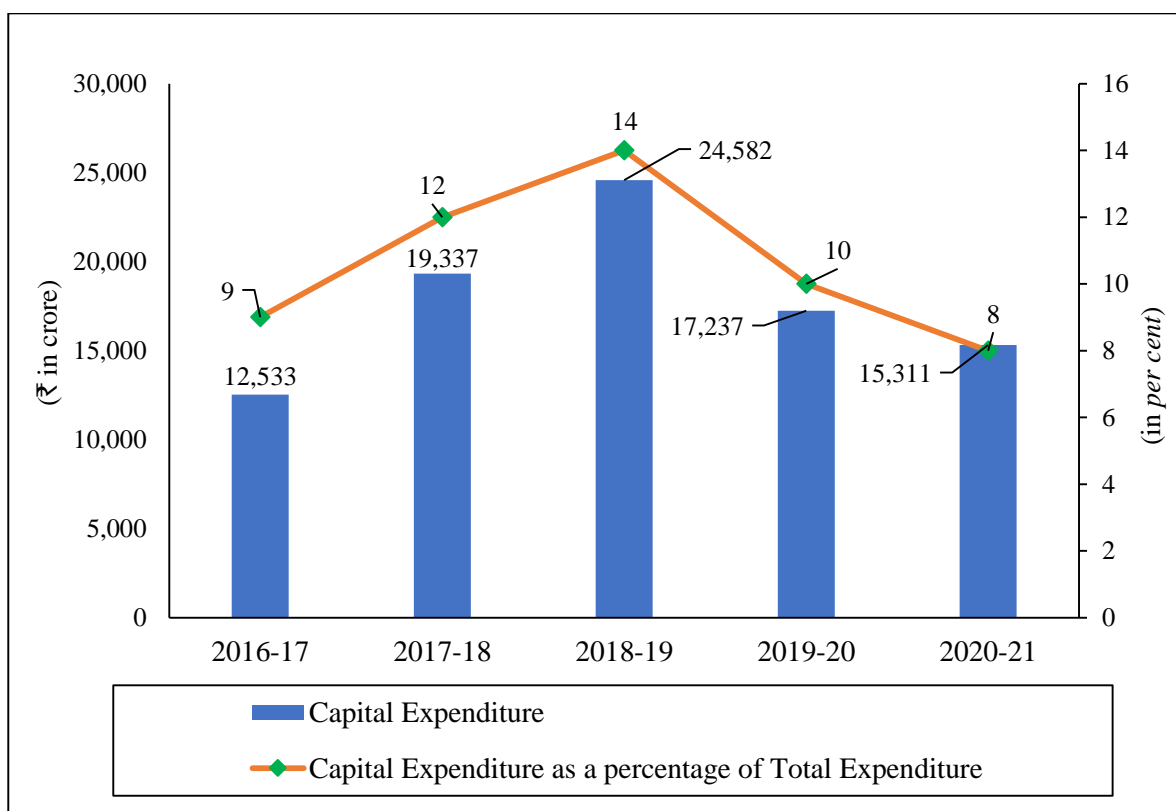
As can be seen from **Table 2.16**, 26.24 *per cent* of RE during 2020-21 was incurred on Financial Assistance to institutions where the State Government has no proper monitoring mechanism to ensure accountability. This is a matter of concern particularly when the State has Revenue deficit. Further out of 26.24 *per cent*, 80.90 *per cent* has gone to NGOs and others 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 2021 as discussed in **Paras 2.9.3** and **4.12**. Release of financial assistance without insisting on rendering timely accounts is detrimental to public accountability and indicated poor financial management.

2.9 Capital Expenditure

Capital Expenditure of the State and its contribution to Total Expenditure for 2016-21 has been shown in **Chart 2.8**.

Chart 2.8: Capital expenditure in the State



Source: Finance Accounts

Chart 2.8 shows that in the current year, capital expenditure as a percentage of total expenditure dropped by two *per cent*. The percentage decrease of capital expenditure is mainly due to increase in revenue expenditure by ₹ 15,346 crore (9.44 *per cent*) relative to total expenditure which rose by only ₹ 13,420 crore (7.46 *per cent*) over 2019-20.

Again, the booking of Capital Expenditure (₹ 15,311 crore) has to be viewed in the light of the fact that ₹ 1,187 crore was incorrectly booked under capital section instead of revenue (**Table 1.9** and **Para 3.3.2**). Out of ₹ 1,187 crore, expenditure of ₹ 504.36 crore in the nature of Grants-in-Aid was misclassified as Capital Outlay (CO) (**Para 2.9.1**).

2.9.1 Major changes in Capital Expenditure

Capital Expenditure comprises CO and disbursement of loans & advances. Major changes in CO during 2020-21 *vis-à-vis* 2019-20 has been shown in **Table 2.17**.

Table 2.17: Capital Outlay during 2020-21 compared to 2019-20

Major Heads of Accounts	2019-20	2020-21	Increase (+)/ Decrease (-)
	(₹ in crore)		
4515- Capital Outlay on other Rural Development Programmes	356	1,915	1,559
4210- Capital Outlay on Medical and Public Health	558	903	345
4700- Capital Outlay on Major Irrigation	347	600	253
4202- Capital Outlay on Education, Sports, Art and Culture	430	224	(-)207
4217- Capital Outlay on Urban Development	1,821	1,500	(-)321
4575- Capital Outlay on other Special Areas Programmes	974	561	(-)413
4235- Capital Outlay on Social Welfare and Nutrition	870	314	(-)556
4215- Capital Outlay on Water Supply and Sanitation	1,384	656	(-)728
4801- Capital Outlay on Power Projects	1,550	605	(-)945
5054- Capital Outlay on Roads and Bridges	4,128	3,047	(-)1,081

Source: Finance Accounts

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

- Road works under PMGSY increased to ₹ 1,801 crore, a rise of 659.92 *per cent* from ₹ 237 crore in 2019-20;
- Construction works for improvement of State Roads & Bridges decreased to ₹ 751 crore, a reduction of 38.79 *per cent* from ₹ 1,227 crore in 2019-20;
- Piped water supply schemes for Rural areas decreased to ₹ 296 crore, a reduction of 69.10 *per cent* from ₹ 958 crore;
- Multi-sectoral development scheme for minorities decreased to ₹ 11 crore, a reduction of 96.54 *per cent* from ₹ 318 crore; and
- Scheme for development of North Bengal decreased to ₹ 201 crore, a reduction of 49.11 *per cent* from ₹ 395 crore.

It can be seen from **Table 2.16** that assistance to NGOs had increased by 16.37 *per cent* (₹ 3,804 crore) and the overall position of Financial Assistance increased 2.45 *per cent* to ₹ 63,131 crore in 2020-21. In this backdrop, analysis of CO under three important sectors was undertaken to assess the approach

adopted by the State Government. The CO during the last five years under these sectors are shown in **Table 2.18**.

Table 2.18: Capital Outlay during 2016-21 in respect of some major areas

Major Heads of Accounts	2016-17	2017-18	2018-19	2019-20	2020-21
	(₹ in crore)				
Roads and Bridges	1,887	3,528	5,059	4,128	3,047
Urban Development	1,419	2,365	1,906	1,821	1,500
Power Projects	725	827	1,752	1,550	605

Source: Finance Accounts

Analysis revealed that:

- Roads and Bridges led by CO of ₹ 1,108 crore for ‘Development/ Improvement of State Roads & Bridges’, witnessed a significant outlay during 2018-19 and 2019-20. In 2020-21, CO reduced significantly by 54.89 *per cent* with respect to the previous year owing to cuts imposed on outlay in all major infrastructure projects;
- There was an increase of CO 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, CO under this head registered a downward trend. In the current year, CO in this sector reduced by 17.63 *per cent* with respect to the previous year;
- In Power projects, CO significantly increased during 2018-19 owing to equity participation of the State Government in power utilities. In the current year, CO in Power reduced by 58.88 *per cent* over 2019-20.

It was observed that the expenditure on these sectors have significantly come down in 2020-21 by 18 to 59 *per cent* as compared to the PY. This indicated that there was a need to prioritise the significant areas of expenditure and accordingly align the budget so that the resources are effectively utilised.

Misclassification of grants-in-aid as Capital Outlay

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

The Centrally Sponsored Scheme AMRUT²² 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.

²² Atal Mission for Rejuvenation and Urban Transformation

During 2020-21, GoWB booked ₹ 504.36 crore in AMRUT which includes Central share²³ of ₹ 261.20 crore and State share of ₹ 243.16 crore. Audit noticed that the sanctioned amount was released to SUDA²⁴ 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 budgeted²⁵ and booked as capital outlay. Consequently, capital outlay was overstated by ₹ 504.36 crore with corresponding understatement of revenue expenditure and revenue deficit.

The practice of booking of grants-in-aid as Capital Outlay instead of as revenue expenditure in contravention of IGAS-2 was continued despite being pointed out in the 'State Finances Audit Reports' for the years 2016-17, 2017-18 and 2019-20.

2.9.2 Quality of capital expenditure

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

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

As of 31 March 2021, the State Government's investment stood at ₹ 18,288 crore in Statutory Corporations, Government Companies, Joint Stock Companies and Co-operatives. During 2020-21, the total investment made by the Government was ₹ 134 crore with the major investments being in WBHDCL²⁶ (₹ 50 crore), BGVB²⁷ (₹ 33 crore) and WBSHWCSL²⁸ (₹ 16 crore). The average return on this investment remained negligible (0.01 *per cent*). The position of return on investments²⁹ during 2016-21 is given in **Table 2.19**.

²³ Released by Ministry of Housing & Urban Affairs on 23rd November 2020 and 1st December 2020

²⁴ State Urban Development Agency

²⁵ Being Central share of ₹ 550 crore and State share of ₹ 200 crore

²⁶ West Bengal Highway Development Corporation Limited

²⁷ Bangiya Gramin Vikash Bank

²⁸ West Bengal State Handloom Weavers' Co-operative Society Limited

²⁹ In Statutory Corporations, Government Companies, Co-operative Societies and Banks

Table 2.19: Return on Investment

Investment/return/ cost of borrowings	2016-17	2017-18	2018-19	2019-20	2020-21
Investment at the end of the year (₹ in crore) (A)	14,015	15,884	17,427	18,154	18,288
Return (₹ in crore) (B)	1	37	47	82	2
Return (<i>per cent</i>) (B/A*100)=C	0.01	0.25	0.28	0.45	0.01
Average rate of interest on Government Borrowings (<i>per cent</i>) (D)	7.99	8.04	7.67	7.66	7.34
Difference between interest rate and return (<i>per cent</i>) (D-C)=E	7.98	7.79	7.38	7.20	7.33

Source: Finance Accounts

The Government earned a meagre return of ₹ 2 crore in 2020-21 on its investment of ₹ 18,288 crore in various Corporations/ Companies. The return on investment was negligible at 0.01 *per cent* during 2020-21, far lower than the average rate of interest (7.34 *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 2.20** presents the outstanding loans and advances as on 31 March 2021 along with interest receipts during the five-year period from 2016-17 to 2020-21.

Table 2.20: Quantum of loans disbursed and recovered during the last five years

Quantum of loans disbursed and recovered	2016-17	2017-18	2018-19	2019-20	2020-21
	(₹ in crore)				
Opening Balance of loans outstanding	14,999	12,963	12,718	12,779	13,979
Amount advanced during the year	1,197	(-)31	865	1,267*	2,277*
Amount recovered during the year	3,233	214	804	67	150
Closing Balance of the loans outstanding	12,963	12,718	12,779	13,979	16,106
Net addition	(-)2,036	(-)245	61	1,200	2,127
Interest received	833	1,031	548	122	118

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

The total amount of outstanding loans and advances as on 31 March 2021 was ₹ 16,106 crore. The amount of loans disbursed during the year increased by 79.72 *per cent* from ₹ 1,267 crore in 2019-20 to ₹ 2,277 crore in 2020-21. State Government's borrowing commitments on account of CCL availed through off-budget route (Principal: ₹ 1,753 crore; Interest: ₹ 5 crore) by three PSUs³⁰, was accounted for as loan disbursements, which significantly contributed to the

³⁰ West Bengal Women Development Undertaking: ₹ 1,260.54 crore; West Bengal Scheduled Castes, Scheduled Tribes and Other Backward Classes Development and Finance Corporation: ₹491.50 crore; West Bengal Folk and Tribal Cultural Centre (₹ 5.05 crore)

increase during 2020-21.

Government loans to 11 Government Companies/Statutory Corporations/ Cooperatives amounting to ₹ 43 crore in 2020-21 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 increased by ₹ 83 crore from ₹ 67 crore in 2019-20 to ₹ 150 crore in 2020-21 due to increase in recovery of loans for Power Projects by ₹ 73 crore. Against the estimation, actual recovery was only 29.59 per cent. Interest received marginally decreased from ₹ 122 crore in 2019-20 to ₹ 118 crore in the current year. Low recovery led to arrears of ₹ 6,631 crore on account of principal (mainly on Government Companies: ₹ 4,099 crore and Statutory Corporations: ₹ 638 crore) and ₹ 9,326 crore on account of interest (mainly on Government Companies: ₹ 6,363 crore and Statutory Corporations: ₹ 986 crore) overdue for realisation as of 31 March 2021. 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.

2.9.4 Capital Outlay 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 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 a negative balance of ₹ 437.21 crore as of 31 March 2020. During 2020-21, ₹ 300 crore was transferred to WBCETF from one capital outlay head (Major Head-5054). Disbursement from the WBCETF stood at ₹ 68.34 crore during 2020-21. Resultantly, the closing balance in WBCETF continued to remain adverse at ₹ 205.55 crore.

Such inadequate contribution to WBCETF, which was not sufficient to cover the closing balance as on 31 March 2020 as well as disbursement during 2020-21, was indicative of the accounting procedure being defective.

2.9.5 Expenditure priorities

Enhancing human development levels requires the States to step up their expenditure on key social services like education, health etc. Low fiscal priority (ratio of expenditure under a category to aggregate expenditure) is attached to a particular sector, if the allocation is below the respective average of General Category States³¹ 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 2.21**.

Table 2.21: Expenditure priority of the State with regards to Health, Education and Capital expenditure

Particulars	AE/ GSDP	DE/ AE	CE/ AE	Education/ AE	Health/ AE
	(in per cent)				
General Category States (GCS) Average (2015-16)	16.89	70.61	18.78	15.45	5.45
West Bengal	16.57	64.29	10.05	16.17	5.95
General Category States Average (2020-21)	16.18	66.29	13.03	15.00	6.74
West Bengal	14.85	62.90	7.92	18.14	6.64

Source: Finance Accounts and MoSPI data

Note: AE: Aggregate Expenditure, CE: Capital Expenditure and DE: Development Expenditure

Analysis of expenditure priorities of the State revealed the following:

- The State lagged behind in the area of Development Expenditure in comparison to GCS. State's share of expenditure on economic services with respect to aggregate expenditure being 19.02 per cent attributed this. In case of the neighbouring States of Bihar, Odisha and Jharkhand, those ratios were 35.96, 34.10 and 25.45 per cent respectively.
- In the area of Capital Expenditure with respect to aggregate expenditure, though the difference between West Bengal and GCS decreased from the level of 2015-16, the State still lagged behind GCS in 2020-21 by 5.11 per cent.
- West Bengal laid emphasis on Social Sector spending. As a percentage of aggregate expenditure, spending on this account was higher than the combined average of GCS (38.97 per cent) by 4.92 per cent. Two of the neighbouring States (Jharkhand: 34.96 per cent and Odisha: 38.68 per cent) lagged behind West Bengal (43.89 per cent).

³¹ States other than North Eastern (NE) and Himalayan States

- West Bengal fared favourably in its focus on Education (₹ 35,053 crore) in comparison to other GCS. As a percentage of aggregate expenditure, the State's performance (18.14 *per cent*) was higher than Bihar (17.55 *per cent*), Odisha (15.25 *per cent*) and Jharkhand (14.16 *per cent*).
- In the current year, State's performance in the Health sector (₹ 12,832 crore) was marginally lower than the combined average of GCS. As a percentage of GSDP, expenditure on health remained at 0.99 *per cent*. The State's expenditure on this count (6.64 *per cent*) was lower than Bihar (23.82 *per cent*) and Odisha (6.86 *per cent*) but higher than Jharkhand (5.72 *per cent*).

2.9.6 Object head wise expenditure

Finance Accounts depict transactions only up to Minor Head level. Therefore, a drill down view of budgetary allocations and the extent of expenditure incurred at the object heads (₹ 10,000 crore and above) are given in **Table 2.22**.

Table 2.22: Object Head-wise Expenditure *vis-à-vis* budget authorisation

Head	Budget	Actual Expenditure	Utilisation
	(₹ in crore)		(in <i>per cent</i>)
Grants-in-Aid-General	44,916	30,539	67.99
Interest/ Dividend	35,998	33,703	93.62
Grants-in-Aid-Salaries	30,133	32,592	108.16
Major Works/ Land and Buildings	27,546	12,678	46.02
Salaries	20,915	19,840	94.86
Pension/ Gratuities	20,785	21,320	102.58
Subsidies	11,713	12,377	105.67

Source: Voucher Level Computerisation, Office of the Pr. Accountant General (A&E), West Bengal

As can be seen from the above table, expenditure exceeded the budgetary allocation under three object heads. Under two object heads, budgetary allocation of above 90 *per cent* was spent while in one object head, the utilisation was below 50 *per cent*. The total expenditure during 2020-21 was ₹ 1,93,232 crore. Out of this, Salaries including Grants-in-Aid salaries and Interest/ Dividend accounted for 27.13 and 17.44 *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 2.23**.

Table 2.23: Component-wise increase/decrease in net balances in Public Account as of 31 March of the year

Sector	Sub Sector	2016-17	2017-18	2018-19	2019-20	2020-21
		(₹ in crore)				
I. Small Savings, Provident Funds, etc.	Small Savings, Provident Funds, etc.	857	1,164	1,128	1,593	2,288
J. Reserve Funds	(a) Reserve Funds bearing Interest	867	(-978)	215	887	774
	(b) Reserve Funds not bearing Interest	1,356	133	2,199	645	(-1,210)
K. Deposits and Advances	(a) Deposits bearing Interest	1,385	1,846	3,373	2,749	3,340
	(b) Deposits not bearing Interest	3,103	761	2,339	(-93)	(-2,274)
	(c) Advances	0	0	0	0	0
L. Suspense and Miscellaneous	(a) Suspense	41	54	139	182	(-227)
	(b) Other Accounts	(-770)	1,580	(-1,572)	3,666	35
M. Remittances	(a) Money Orders, and other Remittances	0	0	0	0	0
	(b) Inter-Governmental Adjustment Account	(-23)	5	2	(-14)	(-1)
Total		6,816	4,565	7,823	9,615	2,725

Source: Finance Accounts

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

Net Public Accounts Receipts decreased by ₹ 6,890 crore (71.66 per cent) over 2019-20 mainly owing to net outflow in the balances on (i) Suspense and Miscellaneous heads (₹ 4,040 crore), (ii) Reserve Funds (₹ 1,968 crore) and (iii) Deposits and Advances (₹ 1,590 crore) partially offset by net inflow in the balance on Small Savings and Provident Funds (₹ 695 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 Accounts 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 receipts³² 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 2021, ₹ 89.04 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 ₹ 89.04 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 ₹ 13,589 crore lying in these funds as on 31 March 2021, an amount of ₹ 11,663 crore was under 15 non-interest bearing Reserve Funds and ₹ 1,926 crore was under two Interest bearing Reserve Funds. There are no in-operative reserve funds in 2020-21. Out of the total accumulated balance in these funds, ₹ 11,026 crore (81.14 *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 liabilities³³ at the end of the previous year to the CSF. During 2020-21, GoWB’s contribution was ₹ 907 crore of which Government’s contribution to CSF was only ₹ 100 crore and interest earned on investment from CSF was ₹ 807 crore. This, however, fell short of the prescribed contribution of ₹ 2,167.38 crore³⁴. The closing balance of ₹ 10,197 crore at the end of 31 March 2021 was invested.

³² (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

³³ Public Debt and Liabilities in Public Account

³⁴ Based on 0.5 per cent of outstanding liabilities of ₹ 4,33,475 crore at the end of March 2020

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 2021, a balance of ₹ 1,692.61 crore was lying in the fund, of which ₹ 183.63 crore remained invested. Contributions to the SDRF were effected through book adjustment without any actual cash involvement. The residual amount of ₹ 1,508.98 crore remained un-invested. Such non-investment goes against the spirit of the SDRF. Moreover, as transfer of fund was effected through book adjustment and no investment was made out of the SDRF, the residual amount of ₹ 1,508.98 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 2021 stood at ₹ 645.89 crore. During 2020-21, State Government did not contribute any amount against the required contribution of ₹ 40.89 crore³⁵.

The guidelines of GRF *inter alia* stipulated that guarantee commission collected was to be transferred to the fund. During 2020-21, guarantee commission³⁶ of ₹ 20.41 crore earned was not transferred to the GRF.

Non-payment of the required contribution and non-transfer of guarantee commission resulted in understatement of revenue deficit and fiscal deficit by ₹ 61.30 crore (Refer **Table 1.9**).

2.12 Debt Management

Outstanding debt (₹ 4,86,430 crore³⁷) during 2016-21 increased at a CAGR of 9.55 per cent. During 2020-21, the outstanding debt grew at a rate of 12.22 per cent which exceeded the growth during 2019-20 (10.21 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 2016-21 are given in **Table 2.24**.

³⁵Based on 0.5 per cent of the outstanding guarantees (₹ 8,178.43 crore) as on 31 March 2020

³⁶Booked under '0075-Miscellaneous General Service-108-Guarantee Fees'

³⁷The effective outstanding fiscal liabilities would be ₹ 4,81,999 crore as GST compensation of ₹ 4,431 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 2.24: Component wise debt trends

	2016-17	2017-18	2018-19	2019-20	2020-21	
Outstanding Overall Debt* (₹ in crore)	3,37,682	3,60,961	3,93,300	4,33,475	4,86,430	
Public Debt	Internal Debt (₹ in crore)	2,82,069	3,01,778	3,26,064	3,60,464	4,04,017
	Loans from GoI (₹ in crore)	13,209	14,233	14,358	15,244	20,230
Liabilities on Public Account (₹ in crore)	42,404	44,950	52,878	57,767	62,183	
Rate of growth of outstanding Overall debt (percentage)	10.34	6.89	8.96	10.21	12.22	
Gross State Domestic Product (GSDP) (₹ in crore)	8,72,527	9,74,700	11,02,283	12,07,823	13,01,017	
Debt/ GSDP (per cent)	38.70	37.03	35.68	35.89	37.05 [#]	
Total Debt Receipts (₹ in crore)	1,04,895	1,27,580	1,61,383	1,81,007	1,86,034	
Total Debt Repayments (₹ in crore)	73,255	1,04,301	1,29,044	1,40,832	1,33,079	
Interest Payment (₹ in crore)	25,703	28,074	28,911	31,668	33,782	
Total Debt available (₹ in crore)	31,640	23,279	32,339	40,175	52,955	
Debt Repayments/ Debt Receipts (percentage)	69.84	81.75	79.96	77.80	71.53	

Source: Finance Accounts

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

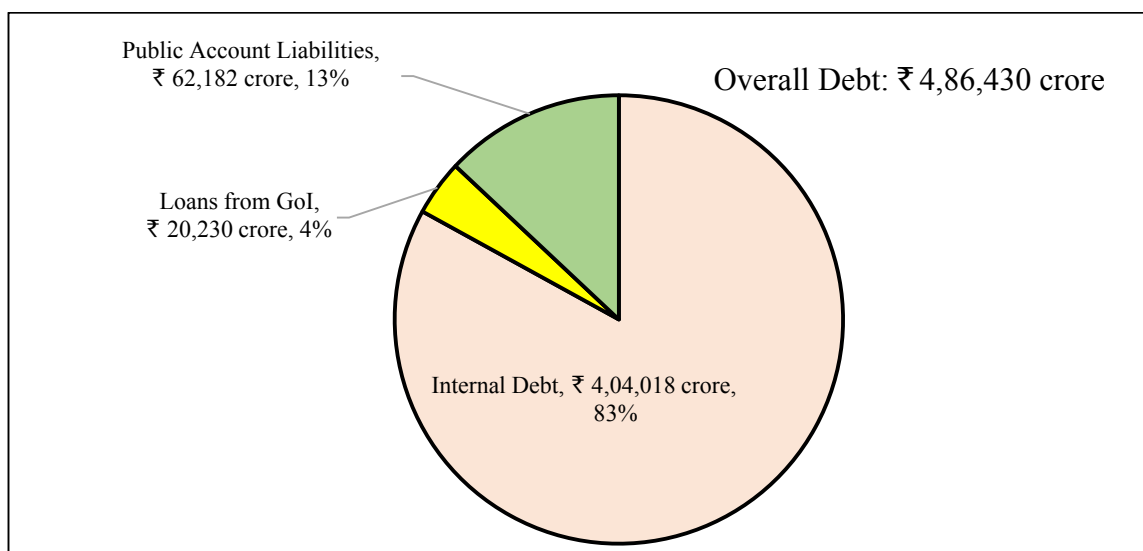
[#]The Debt to GSDP ratio as per the Finance Accounts is 37.39 per cent. However, the effective debt to GSDP ratio has been arrived at after exclusion of GST compensation of ₹ 4,431 crore received as back to back loan under debt receipts from the outstanding overall debt.

The effective outstanding overall debt would be ₹ 4,81,999 crore as the Department of Expenditure, GoI has decided that GST compensation of ₹ 4,431 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.

Rate of growth of outstanding debt during 2020-21 surpassed its growth during 2019-20. Debt as a percentage of GSDP had also increased to 37.05 in 2020-21 from 35.89 in 2019-20 and it is much more than the target of 34.30 per cent set in the WBFRBM (Amendment) Act. Interest payments relative to Revenue Receipts at 22.77 per cent also crossed the target of 18.26 per cent set out in the FPSS presented with the budget as per FRBM Act. During 2019-20, this ratio was 22.16 per cent. The above three parameters indicate that Government's debt management was healthier in the previous year than in the current year.

Chart 2.9 represents the break-up of outstanding debt at the end of the financial year 2020-21.

Chart 2.9: Break up of Outstanding Overall Debt at the end of FY



Source: Finance Accounts

2.12.2 Debt sustainability

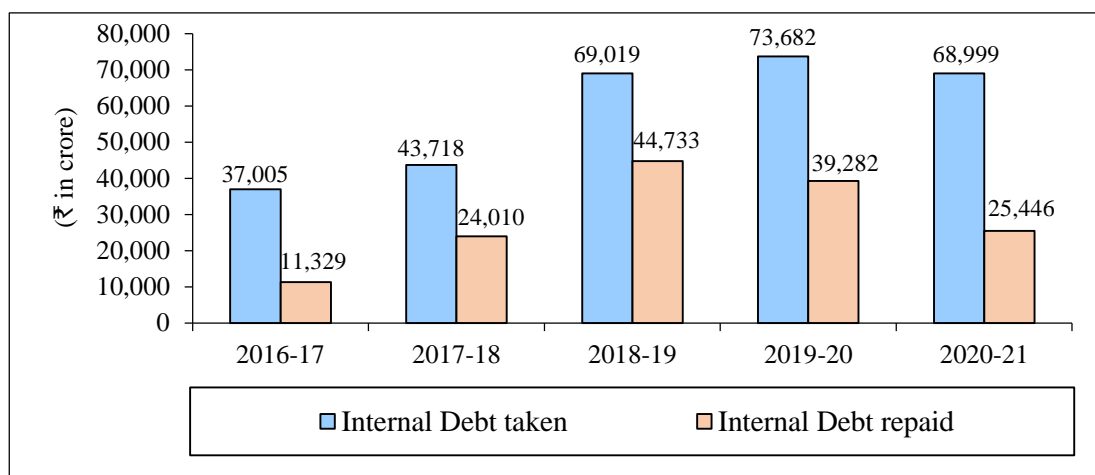
Debt is considered sustainable if the borrower, in this case the State, is in a position to service its debt now, and in the future. Debt sustainability indicators accordingly seek to assess the credit worthiness and the liquidity position of the borrower by examining their ability to service the debt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

During 2020-21, the ratio of debt to GSDP at 37.05 *per cent* crossed the ceiling of 34.30 *per cent* set in the WBFRBM (Amendment) Act 2020. The ratio of Interest payments to Revenue Receipts (22.77 *per cent*) was also above the ceiling of WBFRBM Act (18.26 *per cent*).

As discussed in **Paras 2.8.2 and 2.12.4**, of the CCL of ₹ 4,312 crore, raised through off-budget route by PSUs, repayment on account of principal was ₹ 3,226 crore thereby leaving a balance of ₹ 1,085 crore outstanding at the end of the year. Besides this, Government also paid interest of ₹ 65 crore for this CCL. Actual debt-GSDP ratio and ratio of interest payments to revenue receipts, therefore would be 37.47 and 22.81 *per cent* respectively instead of 37.05 and 22.77 *per cent*.

Internal debt taken *vis-à-vis* repaid during 2016-21 has been shown in **Chart 2.10**.

Chart 2.10: Internal debt taken vis-a-vis repaid

Source: Finance Accounts

Note: Internal debt taken and repaid included WMA of ₹1,208 crore in 2016-17, ₹5,395 crore in 2017-18, ₹25,005 crore in 2018-19, ₹15,860 crore in 2019-20 and ₹8,155 crore in 2020-21. Here Internal debt taken and repaid indicate the receipt and repayments under the Head of Account '6003'.

Chart 2.10 shows that internal debt taken rose steadily during the period 2016-20. During 2020-21, internal debt repaid reduced by 35.22 per cent whereas internal debt taken reduced by only 6.36 per cent over 2019-20. This led to increase in the availability of borrowed funds for utilisation out of internal debt to 63.12 per cent from 46.69 per cent in 2019-20. The ratio of 63.12 per cent would be changed to 60.89 per cent if the CCL of ₹4,312 crore raised by PSUs through off-budget route and repayment of ₹3,226 crore there-against by GoWB are factored in.

The above facts indicate that though the situation has improved in the current year, it still fell short as compared to utilisation of 69.39 per cent of the borrowed funds in 2016-17. 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 Composition and Financing of Fiscal Deficit

Fiscal Deficit represents the total financing the State requires (predominantly by drawing on its cash and investment balances with the Reserve Bank of India and by borrowing) to meet the excess of revenue and capital expenditure (including loans and advances) over revenue and non-debt receipts. The composition and financing of fiscal deficit for the period from 2016-17 to 2020-21 has been shown in **Table 2.25**.

Table 2.25: Components of fiscal deficit and its financing pattern

(₹ in crore)

Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
Composition of Fiscal Deficit	25,386	28,930	33,485	36,831	44,688
1 Revenue Deficit	16,086	9,807	10,399	19,661	29,527
2 Net Capital Outlay	11,336	19,368	23,025	15,971	13,034
3 Net Loans and Advances	(-)2,036	(-)245	61	1,199	2,127
Financing Pattern of Fiscal Deficit					
1 Market Borrowings	31,230	25,304	30,431	40,882	50,180
2 Loans from GOI	(-)457	1,024	125	886	4,986
3 Special Securities issued to NSSF	(-)5,893	(-)5,976	(-)6,125	(-)6,340	(-)6,340
4 Loans from Financial Institutions	340	380	(-)20	(-)143	(-)287
5 Small Savings, PF, etc.	857	1,164	1,128	1,593	2,288
6 Deposits and Advances	4,488	2,607	5,712	2,656	1,066
7 Suspense and Miscellaneous	(-)729	1,634	(-)1,433	3,848	(-)192
8 Remittances	(-)23	5	2	(-)14	(-)1
9 Reserve Fund	2,223	(-)845	2,414	1,532	(-)436
10 Contingency Fund	-	(-)1	(-)1	(-)11	5
11 Overall Deficit	32,036	25,296	32,233	44,889	51,269
12 Increase (-)/ Decrease (+) in cash balance	(-)6,650	3,634	1,252	(-)8,058	(-)6,581
13 Fiscal Deficit	25,386	28,930	33,485	36,831	44,688

Source: Finance Accounts

Fiscal Deficit (FD), both in quantitative terms and also in comparison to GSDP (3.43 per cent) increased over the previous year (3.05 per cent). High level of FD is good for the economy if the borrowing which financed the FD are used for creation of productive assets like highways, roads and bridges and other infrastructure projects that boost economic growth and results in job creation. Thus, there is a need to augment the capital outlay in order to accelerate growth and promote equitable growth. Reduction in the ratio of Net Capital Outlay to FD from 43.36 per cent in 2019-20 to 29.17 per cent indicates that creation of productive assets from the FD was much lower in the current year.

Borrowed funds, used for meeting revenue expenditure, create liability for future years without creating any assets. It is evident that, substantial amount of market borrowing (58.84 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.

Market borrowings continued to be the major component of borrowings during 2020-21. Revenue Deficit, Net Capital Outlay and Net Loans and Advances which contributed to 66.07, 29.17 and 4.76 per cent respectively of Fiscal Deficit

(₹ 44,688 crore) during 2020-21, was financed from Net Market borrowings to the extent of 89.06 *per cent*. Further, 25.97 *per cent* of the net inflow from market borrowings was used to finance net Capital Outlay.

2.12.4 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 2020-21 at three *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 instances where the GoWB resorted to off-budget borrowing amounting ₹ 4,312 crore through six statutory body/State Government company by means of Cash Credit Loan (CCL) for financing its revenue spending during the year 2020-21 (Table 2.26). 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 2.26: Details of off-budget borrowing pertaining to 2020-21

Sl. No.	Loans raised by	Purpose of loans taken	Amount of loans raised	Principal repayment of loans	Outstanding at the end of the year
1.	Swasthya Sathi Samiti under Health & Family Welfare department	Swasthya Sathi Scheme	720.66	551.24	169.41
2.	West Bengal State Seed Corporation Ltd under	Crop Insurance Coverage to farmers under Bangla Shasthya	638.16	638.16	-

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Sl. No.	Loans raised by	Purpose of loans taken	Amount of loans raised	Principal repayment of loans	Outstanding at the end of the year
			(₹ in crore)		
	Agriculture department	Bima Yojana (BSBY)			
		Farmers' Old age pension (FOAP) under Jai Bangla Scheme 2020	16.44	16.44	-
3.	West Bengal Folk & Tribal Cultural Centre under Information & Cultural Affairs department	Jai Bangla Scheme 2020 & Lok Prasar Prakalpa	75.20	75.20	-
4.	West Bengal Comprehensive Area Development Corporation under Panchayat & Rural Development department	Jai Bangla Scheme 2020	396.61	-	396.61
5.	West Bengal Women Development Undertaking under Women Child Development and Social Welfare department	Kanyashree	1,122.17	746.90	375.27
		Rupashree	485.93	353.56	132.37
		Jai Bangla Scheme 2020	365.12	353.42	11.70
6.	West Bengal Scheduled Castes, Scheduled Tribes and Other Backward Classes Development and Finance Corporation under the control of Backward Classes Welfare department	Taposili Bandhu & Jai Johor Pension Scheme under Jai Bangla Scheme 2020	491.50	491.50	-
Total			4,311.79	3,226.42	1,085.36

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

Against the CCL of ₹ 4,312 crore raised during 2020-21, ₹ 1,474 crore and ₹ 1,753 crore respectively were repaid as principal through Grants-in-aid and disbursement of loans, as mentioned in **Paras 2.8.5** and **2.9.3** respectively, leaving a balance of ₹ 1,085 crore due upto March 2021. Thus, the borrowings of the above six entities are direct liabilities of the State Government despite being off-budget. 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.

2.12.5 Debt Profile: Maturity and Repayment

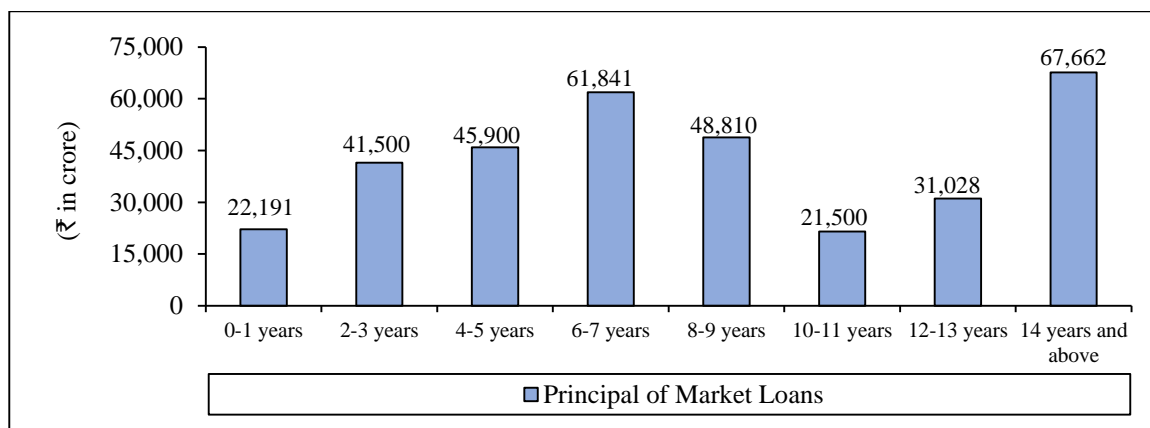
Debt maturity and repayment profile indicates commitment on the part of the Government for debt repayment or debt servicing. **Table 2.27** shows the debt maturity profile in the coming years.

Table 2.27: Debt Maturity profile of repayment of State debt

Period of repayment (Years)	Amount (₹ in crore)	Percentage (w.r.t. Public debt)
0 – 1	22,863	5.39
2 – 3	42,844	10.10
4 – 5	47,148	11.11
6 – 7	62,889	14.82
8 and above	1,72,107	40.57
Others ³⁸	76,396	18.01
Total	4,24,247	100.00

Source: Finance Accounts

In the ensuing three, five and seven years, debt maturity will be 15.49, 26.60 and 41.42 *per cent* respectively of total outstanding debt. Debt maturity would be much higher in the coming years given the fact that maturity details for ₹ 76,396 crore (18.01 *per cent* of total debt) are not available. Further, the CCL of ₹ 1,085.36 crore which has not been accounted for also remained outstanding. **Chart 2.11** represents the schedule of principal repayment of market loans.

Chart 2.11: Principal repayment schedule of market loans

Source: Finance Accounts

Market loans formed a significant portion of the debt repayments. By March 2041, the State would have to repay the principal of market loans amounting to ₹ 3,40,432 crore. At the end of the first, third, fifth and seventh years, the principal repayment of market loans would be ₹ 22,191 crore, ₹ 63,691 crore, ₹ 1,09,591 crore and ₹ 1,71,432 crore respectively.

2.12.6 Public Debt Sustainability Analysis

Public Debt Sustainability indicators during 2016-21 has been shown in **Table 2.28**.

³⁸ Payment schedule of this amount is not being maintained by the Pr. Accountant General (A&E).

Table 2.28: Public Debt sustainability indicators

Public Debt Sustainability Indicators	2016-17	2017-18	2018-19	2019-20	2020-21
Outstanding Public Debt* (₹ in crore)	2,95,278	3,16,011	3,40,422	3,75,708	4,24,247
Rate of Growth of Outstanding Public Debt	9.34	7.02	7.72	10.37	12.92
GSDP (₹ in crore)	8,72,527	9,74,700	11,02,283	12,07,823	13,01,017
Rate of Growth of GSDP	9.44	11.71	13.09	9.57	7.72
Public Debt/ GSDP	0.34	0.32	0.31	0.31	0.33
Debt Maturity profile of repayment of State debt – including default history, if any	-	-	-	-	-
Average interest Rate of Outstanding Public Debt (<i>per cent</i>)	8.46	8.40	8.13	8.05	7.79
Percentage of Interest payment [§] to Revenue Receipts	20.29	19.55	18.28	20.16	21.00
Percentage of Debt Repayment to Debt Receipts	32.79	54.68	65.23	53.39	35.65
Net Debt available to the State [#] (₹ in crore)	1,310	(-)4,936	(-)2,268	6,472	17,374
Net Debt available as <i>per cent</i> to Debt Receipts	3.49	(-)10.79	(-)3.23	8.55	23.03
Primary Surplus (+)/ Deficit (-)	317	(-)856	(-)4,574	(-)5,163	(-)10,906
Debt Stabilisation (Quantum spread + Primary Deficit) (₹ in crore)	3,201	9,610	12,314	576	(-)11,229

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 2.28**, revealed the following:

- Decrease of quantum spread³⁹ together with primary deficit, helped in increasing Public debt-GSDP ratio. In the initial year *i.e.*, 2016-17, there was primary surplus which was later converted to primary deficit during 2017-21 with an increase ranging between 13 and 434 *per cent*. In the current year, primary deficit rose by 111 *per cent* with respect to 2019-20;
- Increase in the Public Debt-GSDP ratio as the rate of growth of outstanding public debt (12.92 *per cent*) surpassed the growth of GSDP (7.72 *per cent*);

³⁹ Debt multiplied by rate spread (GSDP growth rate minus interest rate)

- Contraction in average interest rate of outstanding public debt from the year 2016-17 though Interest payment to Revenue Receipt increased by 0.84 per cent over 2019-20;
- Decrease in the ratio of debt repayment to debt receipt to 35.65 in 2020-21 from 53.39 in 2019-20 helped increase in availability of net debt by ₹ 10,902 crore.

2.13 Utilisation of Borrowed Funds

Borrowed funds should ideally be used to fund capital creation and developmental activities. Utilisation of borrowed funds and trends of its utilisation during 2016-21 have been shown in **Table 2.29** and **Chart 2.12** respectively.

Table 2.29: Utilisation of borrowed funds

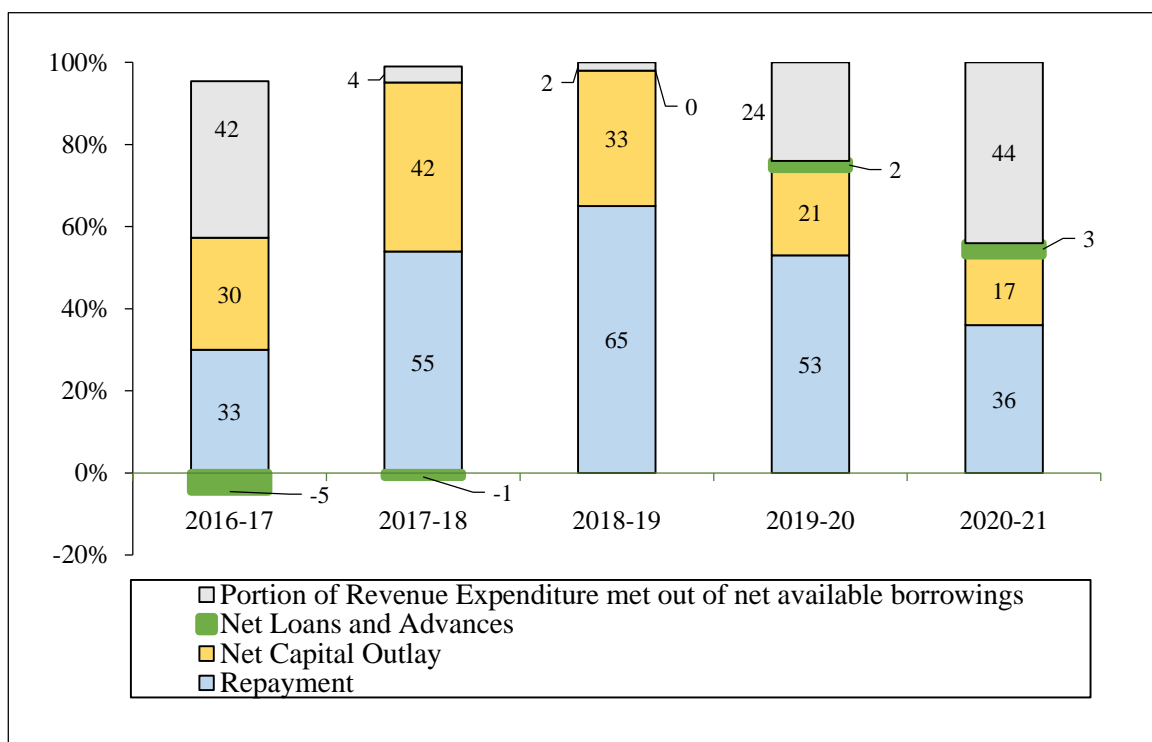
Year	2016-17	2017-18	2018-19	2019-20	2020-21
	(₹ in crore)				
Total Borrowings* (1)	37,524	45,743	70,197	75,699	75,429
Repayment of earlier borrowings (Principal)# (2)	12,304	25,011	45,786	40,413	26,889
Net capital outlay (3)	11,336	19,368	23,025	15,971	13,034
Net loans and advances (4)	(-)2,036	(-)245	61	1,200	2,127
Portion of Revenue expenditure met out of net available borrowings (5) = (1-2-3-4)	15,920	1,609	1,325	18,115	33,379

Source: Finance Accounts

*Represents total Public Debt Receipts during the year;

#Represents total Public Debt Repayments during the year

Chart 2.12: Trends of Utilisation of borrowed funds



Source: Finance Accounts

As can be seen from **Chart 2.12** 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 reduced to 36 *per cent* which led to increase in portion of revenue expenditure met out of borrowings to 44 *per cent* from 24 *per cent* in 2019-20. Nevertheless, utilisation of borrowed funds on revenue expenditure, capital outlay and disbursement of loans and advances being 64 *per cent* in the current year still remained less than 67 *per cent* in 2016-17.

As is evident from the above chart, the State could utilise only 17 *per cent* (₹ 13,034 crore) of the borrowed funds for net capital outlay which represented a decline from the range of 21 to 42 *per cent* in the preceding four financial years. Utilisation of borrowed funds for meeting commitment on net loans and advances in the current year was only three *per cent* (₹ 2,127 crore).

Apart from meeting its capital expenditure and repayments, as outlined above, the State utilised ₹ 33,379 crore (44 *per cent*) for discharging its Interest payment liabilities which represented around 99 *per cent* of total interest payment (₹ 33,782 crore). Thereby, commitments on account of repayments (Principal plus Interest) were ₹ 60,268 crore which was about 80 *per cent* of the total borrowings.

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

Status of Guarantees – Contingent Liabilities

Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee has been extended by the State Government. WBCGA⁴⁰ 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 (₹ 8,212 crore) (Table 2.30) at the beginning of 2020-21 stood at 5.63 per cent of the total Revenue Receipts of the second preceding year (₹ 1,45,975 crore in 2018-19) and was thus well within the ceiling of the WBCGA.

Table 2.30: Guarantees given by the State Government**(₹ in crore)**

Guarantees	2016-17	2017-18	2018-19	2019-20	2020-21
Ceiling applicable to the outstanding amount of guarantees including interest (Criteria)	77,863	98,759	1,06,049	1,18,143	1,31,378
Maximum amount guaranteed	15,613	15,034	16,050	14,228	15,292
Outstanding amount of guarantees including interest	7,817	8,570	6,603	8,212	7,821

Source: Finance Accounts

Out of total outstanding guarantees including interest as on 31 March 2021, share of Power Sector and Co-operatives stood at ₹ 4,740 crore (61 per cent) and ₹ 1,115 crore (14 per cent) respectively.

It was noticed that during 2020-21, Government raised borrowing through off-budget route amounting to ₹ 4,312 crore wherein Government was the guarantor. However, Guarantee Statement of the Government as mentioned in Budget Publication No. 6 of 2021-22 showed that the Government did not provide guarantee of ₹ 1,860 crore in respect of (i) West Bengal State Seed Corporation Limited (₹ 860 crore) under the Agriculture department and (ii) Comprehensive Area Development Corporation (₹ 1,000 crore) under the Panchayat & Rural Development department for availing CCL for funding of various schemes implemented by the State. Resultantly, maximum amount of guarantee (₹ 15,292 crore) as mentioned in the Finance Accounts remained understated by ₹ 1,860 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

⁴⁰ West Bengal Ceiling on Government Guarantee Act

institutions, were required to pay guarantee commission at the rate of one *per cent* (minimum) on the total amounts guaranteed. Upto 2020-21, shortfall in receipt of guarantee commission was ₹ 259.04 crore as against the receivable commission of ₹ 516.02 crore, the State Government received only ₹ 256.98 crore. In the current year, the shortfall was ₹ 65.38 crore (76.21 *per cent*).

Short receipt of guarantee commission understated the revenue receipts by ₹ 65.38 crore.

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

- Outstanding guarantee commission amounting to ₹ 15.95 crore was paid by WBSSEDCL⁴¹ in 2020-21.
- WBPDCCL attributed shortage of cash flows for their inability to pay the outstanding guarantee commission of ₹ 33.09 crore at the end of 2020-21; and
- DPL stated that the company is facing financial crunch and is not in a position to pay the guarantee commission of ₹ 67.64 crore due at the end of 2020-21.

2.14 Management of Cash Balances

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

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

Cash balances and their investment during 2020-21 is shown in **Table 2.31**.

Table 2.31: Cash Balances and their investment

(₹ in crore)

Particulars	Opening balance on 1 April 2020	Closing balance on 31 March 2021
A. General Cash Balance		
Cash in treasuries	0.17	0.05
Deposits with Reserve Bank of India	(-)20.26	(-)20.37
Total	(-)20.09	(-)20.32

⁴¹ West Bengal State Electricity Distribution Company Limited

Particulars	Opening balance on 1 April 2020	Closing balance on 31 March 2021
Investments held in Cash Balance investment account	13,158.80	21,237.69
Total (A)	13,138.71	21,217.37
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	2.63	2.64
Investment in earmarked funds	12,523.76	11,026.29
Total (B)	12,526.03	11,028.57
Total (A + B)	25,664.74	32,245.94
Interest realised	97.33	62.87

Source: Finance Accounts

Cash balance of the State Government at the end of the current year increased significantly by ₹ 6,581 crore (25.64 per cent) from ₹ 25,665 crore in 2019-20 to ₹ 32,246 crore in 2020-21. This was mainly due to increase in investment of cash balances by ₹ 8,079 crore from ₹ 13,159 crore in 2019-20 to ₹ 21,238 crore in 2020-21. The State Government earned an interest of ₹ 63 crore on these investments during 2020-21.

Out of the investment of ₹ 11,026 crore in earmarked funds, ₹ 10,197 crore was invested in the CSF, ₹ 646 crore in GRF and ₹ 183 crore in SDRF at the end of the year.

The cash balance investments of the State during the five-year period 2016-17 to 2020-21 are given in **Table 2.32** below.

Table 2.32: Cash Balance Investment Account (Major Head-8673)

Year	Opening Balance	Closing Balance	Increase (+)/ Decrease (-)	Interest earned
2016-17	6,853	12,546	5,693	273.84
2017-18	12,546	8,570	(-)3,976	364.75
2018-19	8,570	5,977	(-)2,593	164.84
2019-20	5,977	13,159	7,182	97.33
2020-21	13,159	21,238	8,079	62.87

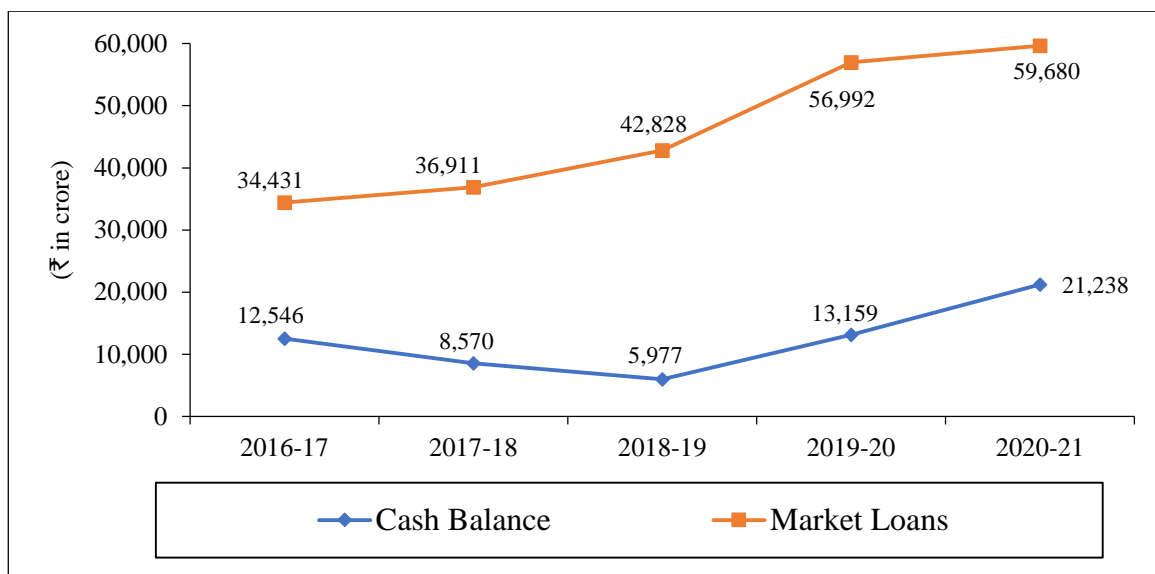
Source: Finance Accounts

Trend analysis of the cash balance investment of the State Government during 2016-21 revealed that investment increased significantly in 2020-21 and stood at 7.48 per cent of the State budget. 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 2.13 compares the balances available in the cash balance investment account and the market loans taken by the State during 2016-21. Market loans

were taken at higher interest rates whereas investment in treasury bills yielded interests at lower rates.

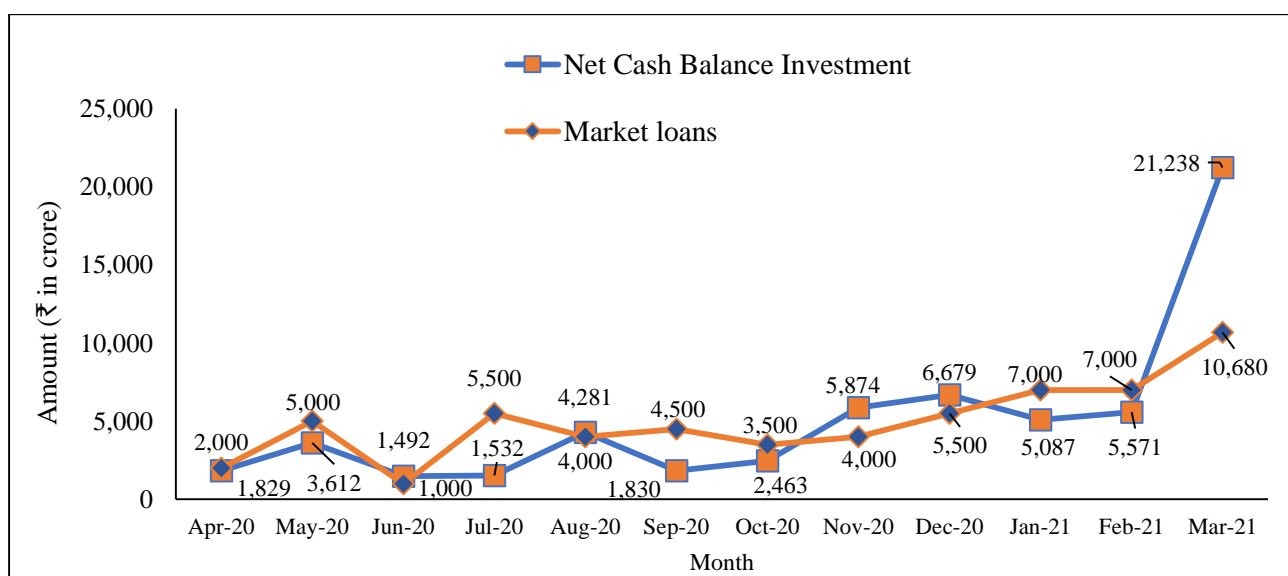
Chart 2.13: Market loans raised vis-à-vis Investments held in Cash Balance Investment Accounts



Source: Finance Accounts

Chart 2.14 compares the month-wise Cash Balance Investment Account with the market loans obtained by the State.

Chart 2.14: Month wise movement of Cash Balances Investment account and market loans during 2020-21



Source: Finance Accounts and O/o the Pr. AG (A&E), West Bengal

Chart 2.14 indicates that the State Government had taken recourse to market loans during the months of November, December and March during the year despite having sufficient cash balances. During the year 2020-21, the State Government raised ₹ 59,680 crore from the market while at the same time, the balances available in cash balance investment account increased from ₹ 13,159

crore in 2019-20 to ₹ 21,238 crore in 2020-21 indicating that Government could have avoided the borrowings to that extent.

Further, borrowings are normally resorted to for investment in capital projects and creation of assets. There has been a decrease in the capital outlay of the State during 2020-21 as compared to 2019-20, as brought out in **Para 2.13**. Therefore, there appears to be little rationale for borrowing at a higher rate of interest while the cash balances were significant throughout the year.

2.15 Conclusion and Recommendations

Positive Indicators	Parameters requiring close watch
Contribution of Non-tax revenue in the Revenue Receipts increased to 8.62 <i>per cent</i> from 5.30 <i>per cent</i> in 2019-20	Revenue Deficit to GSDP increased to 2.27 <i>per cent</i> from 1.63 <i>per cent</i> in 2019-20
	Fiscal Deficit to GSDP increased to 3.43 <i>per cent</i> from 3.05 <i>per cent</i> in 2019-20
	Committed expenditure to Revenue Receipts increased to 75.37 <i>per cent</i> from 68.36 <i>per cent</i> in 2019-20
	Capital Expenditure with respect to Total Expenditure decreased to 7.92 <i>per cent</i> from 9.59 <i>per cent</i> in 2019-20
	Interest Payment to Revenue Receipts increased to 22.77 <i>per cent</i> from 22.16 <i>per cent</i> in 2019-20
	Debt to GSDP increased to 37.05 <i>per cent</i> from 35.89 <i>per cent</i> in 2019-20