

Chapter I Overview

1.1 Profile of the State

West Bengal is located in the eastern region of India along the Bay of Bengal. It includes the Darjeeling Himalayan hill region, the Ganges delta, the Rarh region¹ and the coastal Sundarbans. The State is spread over a geographical area of 88,752 sq.km (2.70 *per cent* of the country's total geographical area) and is home to around 9.17 crore (7.52 *per cent* of the population of the country) as per Census 2011. It is the fourth-most populous State and the fourteenth largest by area in India. The State has 23 districts and one autonomous region (Gorkhaland Territorial Administration). The per capita GSDP of the State is ₹ 1,32,212. A profile of the State with demographics and other details is given in *Appendix 1.1*.

1.2 Gross State Domestic Product of the State

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

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

Trends in annual growth of West Bengal's GSDP (nominal) *vis-à-vis* that of the country for the period from 2016-17 to 2020-21 are given in **Table 1.1**.

Table 1.1: Trends in GSDP compared to the national GDP

(₹ in crore)

Year	2016-17	2017-18	2018-19	2019-20	2020-21
National GDP (2011-12 Series)	1,53,91,669	1,70,90,042	1,88,86,957	2,03,51,013	1,97,45,670
Growth rate of GDP over previous year (in <i>per cent</i>)	11.76	11.03	10.51	7.75	(-)2.97
State's GSDP (2011-12 Series)	8,72,527	9,74,700	11,02,283	12,07,823	13,01,017

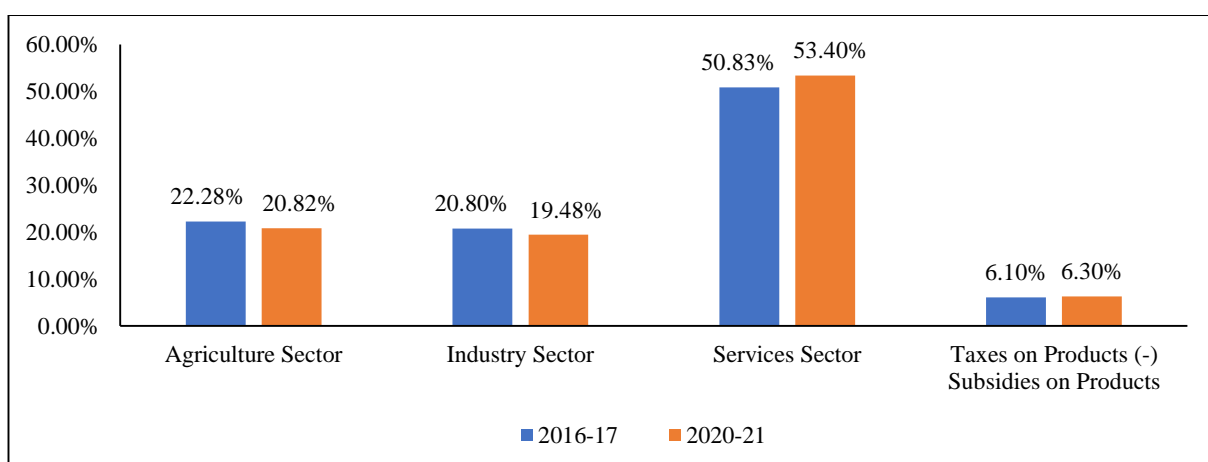
¹ Rarh Bengal, is a region in Eastern India that lies between the Chhota Nagpur Plateau on the west and the Ganges Delta on the east. Districts of West Bengal like Purulia, Bankura, Birbhum and Burdwan lie in this region.

Year	2016-17	2017-18	2018-19	2019-20	2020-21
Growth rate of GSDP over previous year (in per cent)	9.44	11.71	13.09	9.57	7.72

Source: Ministry of Statistics and Programme Implementation (MoSPI), Government of India dated 2 August 2021

GSDP of West Bengal grew at a faster rate than the National GDP during 2017-21. In the current year, growth of State's GSDP exceeded the national GDP by 10.69 per cent. **Chart 1.1** captures the sectoral contribution of GSDP during 2020-21 vis-à-vis 2016-17.

Chart 1.1: Change in sectoral contribution to GSDP (2016-17 and 2020-21)



Source: Ministry of Statistics and Programme Implementation (MoSPI), Government of India dated 2 August 2021

Services Sector, which contributed more than half of the GSDP of the State, had increased its relative share by 2.57 per cent during 2020-21 over 2016-17. Relative share of Agriculture and Industry sectors contracted by 1.46 and 1.32 per cent respectively during 2020-21 over 2016-17. **Table 1.2** captures the year-wise increase in GSDP and its contributing sectors during 2016-17 to 2020-21.

Table 1.2: Year-wise increase in GSDP and its contributing sectors (2016-21)

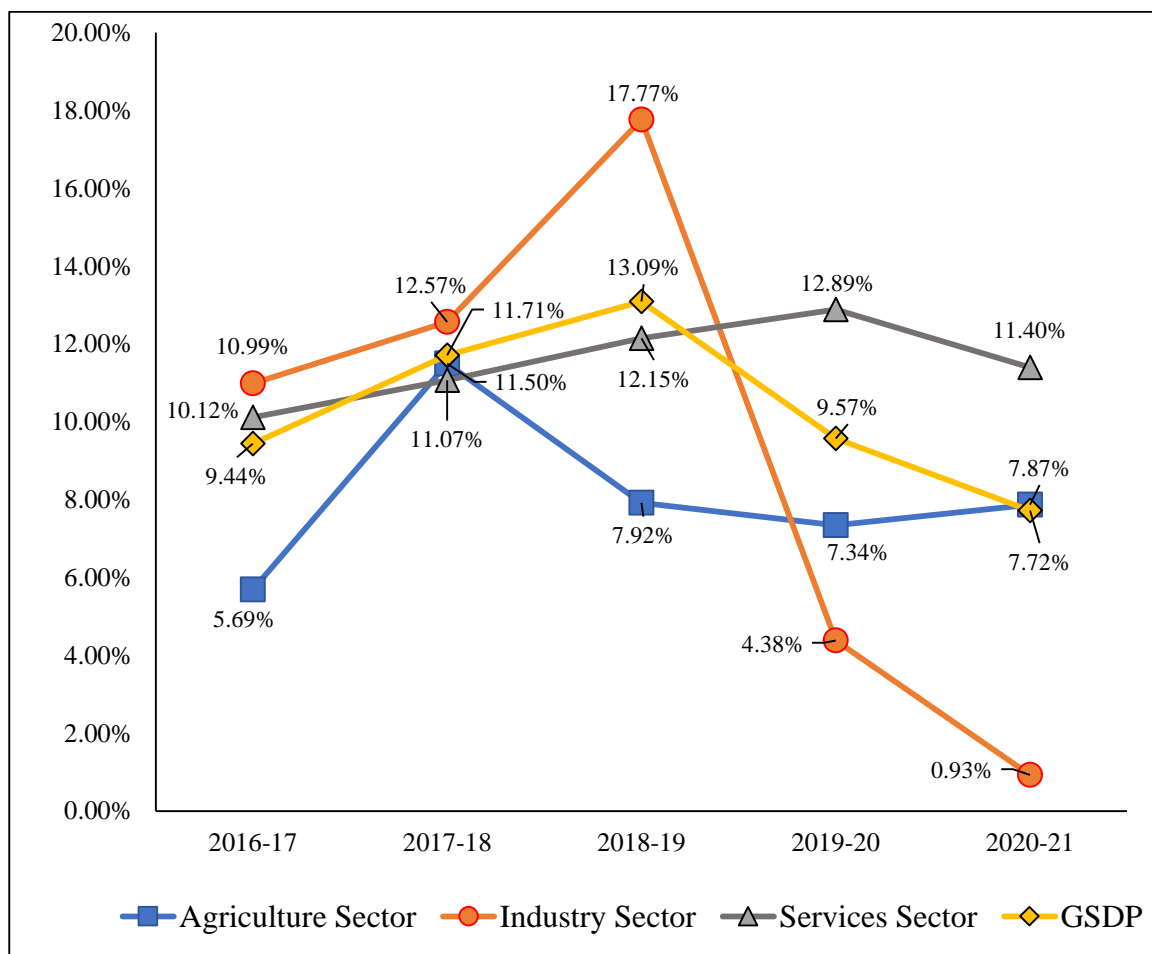
Year	2016-17	2017-18	2018-19	2019-20	2020-21
	(₹ in crore)				
GSDP	75,227	1,02,173	1,27,583	1,05,540	93,194
Agriculture Sector	10,459	22,354	17,166	17,168	19,769
Industry Sector	17,969	22,808	36,296	10,542	2,336
Services Sector	40,748	49,106	59,841	71,210	71,089

Source: Ministry of Statistics and Programme Implementation (MoSPI), Government of India dated 2 August 2021

The contribution of Industry sector in overall increase in growth of GSDP has declined from 28.45 in 2018-19 to 9.99 in 2019-20 and further to 2.51 per cent in 2020-21. During the same period, the contribution of Agriculture sector increased from 13.45 to 16.27 and then to 21.21 per cent. Contribution of Services sector also increased from 46.90 to 67.47 and then to 76.28 per cent in the same period.

Chart 1.2 captures the sectoral rate of growth for the period from 2016-17 to 2020-21.

Chart 1.2: Sectoral rate of growth



Source: Ministry of Statistics and Programme Implementation (MoSPI), Government of India dated 2 August 2021

The rate of growth of Agriculture sector declined from 2018-19 onwards after a considerable increase in rate by 5.81 per cent during 2017-18. In the current year, rate of growth increased marginally by 0.53 per cent compared to decrease in rate of growth by (-) 0.58 per cent during the previous year.

Industry sector, after a steady increase in growth rate during 2016-19 started declining from 2019-20 onwards. During last two years, decline in growth rate in this sector was 13.39 and 3.45 per cent respectively. In this connection, Medium Term Fiscal Policy Statement (MTFPS) and the Fiscal Policy Strategy Statement (FPSS) presented with the budget for the year 2021-22 was

consulted. It was observed that the growth rates of IIP² at base 2011-12 relating to Manufacturing and General Sectors had declined to 5.8 and 2.4 respectively in 2019-20 from 6.5 and 7.2 in 2018-19. This apart, COVID-19 pandemic had also been mentioned in the budget statement as the reason for decline in the growth of 2020-21. Such steep decline in the growth rate of this sector affects the overall economic development of the State and is a matter of concern.

Services Sector maintained steady upside rate of growth during 2016-20 and more than half of State's GSDP was largely driven by this sector. In the current year, rate of growth of this sector reduced by 1.49 *per cent* over the previous year.

1.3 Basis and Approach to State Finances Audit Report

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

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

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

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

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

² Index of Industrial Production

1.4 Report Structure

The SFAR is structured into the following five Chapters:

Chapter - I	Overview This chapter describes the basis and approach to the Report and the underlying data, provides an overview of structure of government accounts, budgetary processes, macro-fiscal analysis of key indices and State's fiscal position including the deficit/surplus.
Chapter - II	Finances of the State This chapter provides a broad perspective of the finances of the State, analyses the critical changes in major fiscal aggregates relative to the previous year, overall trends during the period from 2016-17 to 2020-21, debt profile of the State and key Public Account transactions, based on the Finance Accounts of the State.
Chapter - III	Budgetary Management This chapter is based on the Appropriation Accounts of the State and reviews the appropriations and allocative priorities of the State Government and reports on deviations from Constitutional provisions relating to budgetary management.
Chapter - IV	Quality of Accounts & Financial Reporting Practices This chapter comments on the quality of accounts rendered by various authorities of the State Government and issues of non-compliance with prescribed financial rules and regulations by various departmental officials of the State Government.
Chapter - V	Functioning of State Public Sector Enterprises (SPSEs) This Chapter presents the financial performance of 'Government Companies', 'Statutory Corporations' and 'Government controlled Other Companies'.

1.5 Overview of Government Account Structure and Budgetary Processes

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

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

This Fund comprises all revenues received by the State Government, all loans raised by the State Government (market loans, bonds, loans from the Central Government, loans from Financial Institutions, Special Securities issued to National Small Savings Fund, etc.), Ways and Means advances extended by the Reserve Bank of India and all moneys received by the State Government in repayment of loans. No moneys can be appropriated from this Fund except

in accordance with law and for the purposes and in the manner provided by the Constitution of India. Certain categories of expenditure (e.g., salaries of Constitutional authorities, loan repayments etc.), constitute a charge on the Consolidated Fund of the State (Charged expenditure) and are not subject to vote by the Legislature. All other expenditure (Voted expenditure) is voted by the Legislature.

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

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

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

Apart from the above, all other public moneys received by or on behalf of the Government, where the Government acts as a banker or trustee, are credited to the Public Account. The Public Account includes repayables like Small Savings and Provident Funds, Deposits (bearing interest and not bearing interest), Advances, Reserve Funds (bearing interest and not bearing interest), Remittances and Suspense heads (both of which are transitory heads, pending final booking). The net cash balance available with the Government is also included under the Public Account. The Public Account is not subject to the vote of the Legislature.

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

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

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

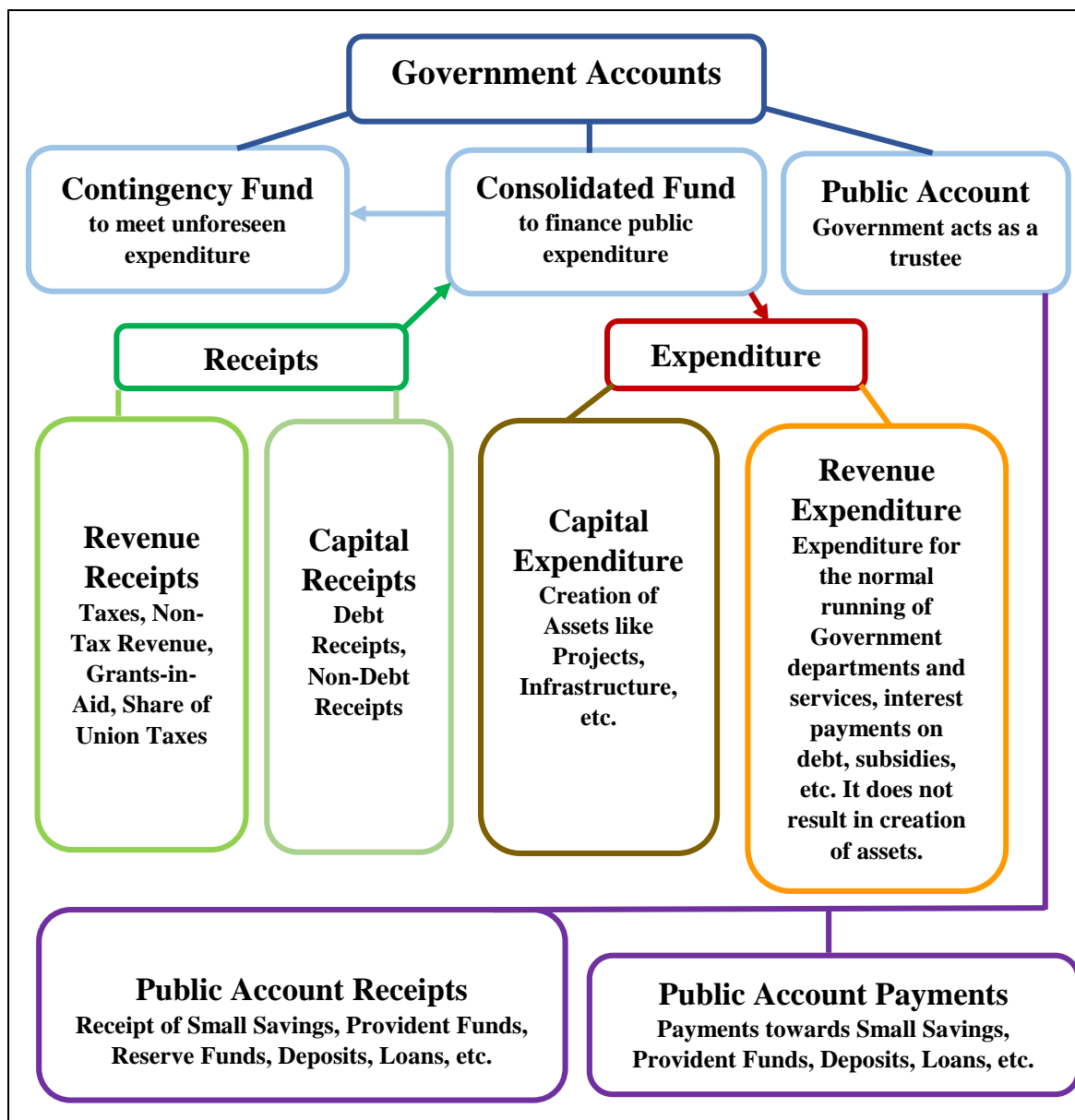
The **Capital Receipts** consist of:

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

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

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

Chart 1.3: Pictorial depiction of the structure of Government Accounts



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

Budgetary Processes

In terms of Article 202 of the Constitution of India, the Governor of the State cause to be laid before the State Legislature, a statement of the estimated receipts and expenditure of the State, in the form of an **Annual Financial Statement**. In terms of Article 203, the statement is submitted to the State

Legislature in the form of Demands for Grants/Appropriations and after approval of these, the Appropriation Bill is passed by the Legislature under Article 204 to provide for appropriation of the required money out of the Consolidated Fund.

The State Budget Manual details the budget formulation process and guides the State Government in preparing its budgetary estimates and monitoring its expenditure activities. Results of audit scrutiny of the budget and implementation of other budgetary initiatives of the State Government are detailed in **Chapter III** of this Report.

1.6 Snapshot of Finances

The following table provides the details of actual financial results *vis-à-vis* Budget Estimates for the year 2020-21 and actuals of 2019-20.

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

Sl. No.	Components	2019-20 (Actuals)	2020-21 (Budget Estimate)	2020-21 (Actuals)	Percentage of Actuals to BE	Percentage of Actuals to GSDP
		(₹ in crore)				
1	Tax Revenue	60,669	70,807	60,287	85.14	4.63
2	Non-Tax Revenue	3,213	4,266	5,198	121.85	0.40
3	Share of Union taxes/duties	48,048	65,835	44,737	67.95	3.44
4	Grants-in-aid and Contributions	30,984	38,490	38,172	99.17	2.93
5	Revenue Receipts (1+2+3+4) (a)	1,42,914	1,79,398	1,48,394	82.72	11.41
6	Recovery of Loans and Advances	67	507	150	29.59	0.01
7	Miscellaneous Capital Receipts	0	0	0	--	0.00
8	Non-Debt Receipts (5+6+7)	1,42,981	1,79,905	1,48,544	82.57	11.42
9	Borrowings and other Liabilities (b)	36,832	43,045	44,688	103.82	3.43
10	Revenue Expenditure	1,62,575	1,79,398	1,77,921	99.18	13.68
11	Interest Payments	31,668	32,758	33,782	103.13	2.60
12	Capital Outlay	15,971	31,038	13,034	41.99	1.00
13	Loan and advances	1,266	943	2,277	241.46	0.18
14	Capital Expenditure (c) (12+13)	17,237	31,981	15,311	47.88	1.18
15	Total Expenditure (10+14)	1,79,812	2,11,379	1,93,232	91.41	14.85
16	Revenue Deficit (10-5)	19,661	0	29,527	--	2.27
17	Fiscal Deficit (15-8)	36,831	31,474	44,688	141.98	3.43
18	Primary Deficit (17-11)	5,163	(-),1,284	10,906	(-),849.38	0.84

Source: Finance Accounts

(a) Includes State's share of Union Taxes;

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

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

Actual revenue receipts was higher than the previous year's receipts by ₹ 5,480 crore. This was primarily due to increased share of Grants-in-aid and Contributions from Central Government than the previous year in the case of Finance Commission Grants (by ₹ 6,325 crore), National Disaster Response Fund (by ₹ 1,292 crore) and higher collection in State's Non-tax revenue (by ₹ 1,985 crore). This was partly *offset* by lower receipts from the share of Union taxes and duties (by ₹ 3,311 crore) over the previous year. The revenue gap further widened as State's own tax Revenue collection fell short over the previous year by ₹ 382 crore. Shortfall in collections from State Goods & Service Taxes and State Excise with respect to previous year by ₹ 1,295 crore and ₹ 566 crore respectively decreased tax revenue collection.

Revenue Expenditure fell short of the BEs by a modest one *per cent* but exceeded the expenditure of 2019-20 by 9.44 *per cent* owing to introduction of the West Bengal Services (Revision of Pay and Allowance) Rules, 2019 with effect from 1 January 2020.

The State has to borrow more funds (12.78 *per cent* increase) in 2020-21 than the previous year to meet its revenue expenditure. **Table 1.4** indicates the trend of receipts and expenditure on Revenue and Capital account during 2016-21.

Table 1.4: Trend of Receipts and Expenditure during 2016-21

Year	Revenue		Percent of Revenue expenditure to Revenue receipts	Capital		Percent of Capital expenditure to Capital receipts
	Receipts	Expenditure		Receipts	Expenditure	
	(₹ in crore)			(₹ in crore)		
2016-17	1,17,832	1,33,918	113.65	40,757	12,533	30.75
2017-18	1,31,270	1,41,077	107.47	45,957	19,337	42.08
2018-19	1,45,975	1,56,374	107.12	71,693	24,582	34.29
2019-20	1,42,914	1,62,575	113.76	75,766	17,237	22.75
2020-21	1,48,394	1,77,921	119.90	75,579	15,311	20.26

Source: Finance Accounts

- For every ₹ 100 of revenue receipt, an extra ₹ 7.12 to ₹ 19.90 had to be borrowed to cover its revenue expenditure.
- While capital expenditure has been reducing, revenue expenditure has been increasing at a much faster rate.
- For every ₹ 100 of capital receipt, Capital Expenditure fell from ₹ 42.08 in 2017-18 to ₹ 20.26 in 2020-21.

Capital Expenditure³ fell short of the BEs and previous year's expenditure by 52.12 and 11.17 *per cent* respectively. This was mainly on account of significant curtailment in capital outlay on Roads & Bridges, Power Projects and Social Security & Welfare.

Significant shortfall in actual revenue receipts rather than decrease in actual revenue expenditure with respect to BEs, resulted in larger than anticipated

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

revenue deficit. This, combined with higher shortfall in recoveries of loans and advances compared with the disbursement, resulted in higher than anticipated fiscal deficit.

Audit analysis of the possible reasons for this situation revealed that even though there were clear trends of shortfall in tax revenues, recovery from loans and advances and capital expenditure at the end of the preceding two financial years, these were not factored in while calculating the Budget Estimates (BEs) for the current year.

GST Compensation is the revenue of the State Government under GST (Compensation to States) Act, 2017. However, in addition to receiving the GST compensation of ₹ 5,293.87 crore as revenue receipts, due to inadequate balance in GST compensation fund during the year 2020-21, West Bengal also received back-to-back loan of ₹ 4,431 crore under debt receipts of the State Government, with no repayment liability for the State. Due to this arrangement, the revenue deficit of ₹ 29,527 crore and fiscal deficit of ₹ 44,688 crore during the year 2020-21 may be read in conjunction with debt receipt of ₹ 4,431 crore in lieu of GST compensation.

1.7 Snapshot of Assets and Liabilities of the Government

Government accounts capture the financial liabilities of the Government and the assets created out of the expenditure incurred. The liabilities consist mainly of internal borrowings, loans and advances from GoI, receipts from public account and reserve funds, and the assets comprise mainly the capital outlay and loans and advances given by the State Government and cash balances. Table 1.5 provides the details of assets and liabilities during 2019-20 and 2020-21.

Table 1.5: Summarised position of Assets and Liabilities

(₹ in crore)

Liabilities					Assets					
		2019-20	2020-21	Per cent increase			2019-20	2020-21	Per cent increase	
Consolidated Fund										
A	Internal Debt	3,60,464	4,04,017	12.08	A	Gross Capital Outlay	1,38,106	1,51,140	9.44	
B	Loans and Advances from GoI	15,244	20,230	32.71	B	Loans and Advances	13,980	16,106	15.21	
Contingency Fund		8	13	62.50						
Total		3,75,716	4,24,260	12.92	Total	1,52,086	1,67,246	9.97		
Public Account										
A	Small Savings, Provident Funds, etc.	17,230	19,518	13.28	A	Advances	29	29	0.00	
B	Deposits	39,036	40,102	2.73	B	Remittance	498	499	0.20	
C	Reserve Funds	14,025	13,589	(-)3.11	C	Suspense and Miscellaneous	(-)5,759	(-)5,566	(-)3.35	
D	Remittances	-	-	-	Cash balance (including investment in Earmarked Fund)		25,665	32,246	25.64	
Total		70,291	73,209	4.15	Total	20,433	27,208	33.16		
							Deficit in Revenue Account	2,73,488	3,03,015	10.80
Total		4,46,007	4,97,469	11.54	Total	4,46,007	4,97,469	11.54		

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

Liabilities of the Government increased by 11.54 *per cent* as compared to 10.14 *per cent* in the PY⁴. Market loans contributed 70 *per cent* of the total outstanding liabilities during 2020-21. Net increase in liabilities on market loans by 17 *per cent* (₹ 50,180 crore) as compared to 16 *per cent* (₹ 40,882 crore) in the PY was the main contributing factor. Variations under other items are dealt with in **Chapter II**.

1.8 Fiscal Balance: Achievement of deficit and total debt targets

1.8.1 Compliance with provisions of WBFRBM Act

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

The WBFRBM (Amendment) Act, 2011 was further amended in March 2020 and February 2021 and renamed as the 'WBFRBM (Amendment) Acts, 2020 and 2021' effective from 2019-20 and 2020-21 respectively. The amendment effected in sub-section (2) of section 4 of the WBFRBM Act, 2010 is as under:

The target set for Revenue Deficit (RD) relative to Gross State Domestic Product (GSDP) in clause (b) of the principal Act stands omitted from the WBFRBM (Amendment) Acts, 2020 and 2021. Those Acts including amended Acts also envisaged that the State Government shall limit Fiscal Deficit (FD) as percentage of GSDP to three *per cent* in each year up to the end of the financial year 2024-25 provided that maximum FD as percentage of GSDP shall be limited to 3.34 and five *per cent* respectively for the years 2019-20 and 2020-21.

The WBFRBM (Amendment) Act, 2020 envisaged that the State Government would limit the total outstanding debt⁵ to GSDP to 34.30 *per cent* for the years from 2019-20 to 2024-25.

A trend analysis of targets relating to key fiscal parameters prescribed in the MTFPS for the period 2016-19 and WBFRBM (Amendment) Acts 2020 and 2021 for the year 2019-20 and 2020-21 respectively *vis-à-vis* achievements during the last five-year (2016-21) is given in **Table 1.6**.

⁴ Previous Year

⁵ Includes all debts and other liabilities

Table 1.6: Compliance with provisions of State FRBM Act

Fiscal Parameters	Fiscal targets set in the Act	Achievement (₹ in crore)				
		2016-17	2017-18	2018-19	2019-20	2020-21
Revenue Deficit (-) / Surplus (+) (₹ in crore)	As stated in the MTFPS 2016-17 & 2018-19 and WBFRBM (Amendment) Acts 2020 & 2021	-16,086	-9,807	-10,399	-19,661	-29,527
		X	X	X	X [#]	
Fiscal Deficit (-)/ Surplus (+) (₹ in crore) (as percentage of GSDP)		-25,386 (-2.91)	-28,930 (-2.97)	-33,485 (-3.04)	-36,831 (-3.05)	-44,688 (-3.43)
		X	X	X	✓	✓
Ratio of total outstanding debt to GSDP (in per cent)		38.70	37.03	35.68	35.89	37.05
	X	X	✓	X	X	

Source: MTFPS (2016-17 and 2018-19), WBFRBM (Amendment) Acts 2020 & 2021 and Finance Accounts (2016-21)

[#] As no targets for RD were prescribed in the MTFPS and WBFRBM (Amendment) Acts for 2019-21, 13th FC's recommendation (elimination of RD by 2014-15) in this regard has been considered.

The ratio of total outstanding debt to GSDP as per the Finance Accounts is 37.39 per cent. However, the effective debt to GSDP ratio (37.05 per cent) has been arrived at after excluding GST compensation of ₹ 4,431 crore received as back to back loan under debt receipts from the total outstanding liabilities as the Department of Expenditure, GoI has decided that it will not be treated as debt of the State for any norms which may be prescribed by the Finance Commission.

Analysis of the data shown in the **Table 1.6** revealed the following:

- The Revenue Deficit of the State was not eliminated despite target of 'Zero' set in MTFPS 2016-19. For 2019-21, FC's target as referred *ibid* has been considered in lieu of FRBM Act. 15th FC, after assessing the revenue and expenditure of the State, recommended post-devolution revenue deficit (PDRD) grants of ₹ 5,013 crore for the year 2020-21. However, despite receipt of PDRD grants, RD increased by 50.18 per cent (₹ 9,866 crore) as compared to the increase of 89.07 per cent (₹ 9,262 crore) in the PY. Ratio of RD to Revenue Receipts also increased to 19.90 per cent in 2020-21 from 13.76 per cent in 2019-20.
- During the three-year period from 2016-17 to 2018-19, Fiscal Deficit of the State crossed the norms prescribed in the MTFPS under the WBFRBM Act. Fiscal Deficit (₹ 44,688 crore) in 2020-21 increased by 21.33 per cent in comparison to the preceding year (₹ 36,831 crore). FD as a percentage of GSDP was 3.05 and 3.43 per cent during 2019-20 and 2020-21 and was within the targets of 3.34 and five per cent set in the WBFRBM (Amendment) Acts 2020 and 2021 respectively.
- Ratio of RD to FD increased to 66.07 per cent during 2020-21 from 53.38 per cent in 2019-20.
- During the two-year period from 2016-17 to 2017-18, outstanding debt of the State crossed the norms prescribed in the MTFPS under WBFRBM Act. During 2018-19, outstanding debt relative to GSDP

(35.68 per cent) was within the norms of 37.63 per cent. In 2019-20 and 2020-21, the total outstanding debt being 35.89 and 37.05 per cent of the GSDP respectively, was above the target of 34.30 per cent set in the WBFRBM (Amendment) Act 2020. The outstanding debt (₹ 4,86,430 crore⁶) grew by 12.22 per cent (₹ 52,955 crore) over the previous year (₹ 4,33,475 crore).

1.8.2 Medium Term Fiscal Policy

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

Table 1.7 indicates the variation between the projections made for 2020-21 in MTFP presented to the State Legislature along with the Actuals of the year 2020-21.

Table 1.7: Actuals vis-à-vis projection in MTFP for 2020-21

Sl. No.	Fiscal Variables	Projection as per MTFP	Actuals (2020-21)	Variation
		(₹ in crore)		(in per cent)
1	Own Tax Revenue	70,807	60,287	(-)14.86
2	Non-Tax Revenue	4,266	5,198	21.85
3	Share of Central Taxes	65,835	44,737	(-)32.05
4	Grants-in-aid from GoI	38,490	38,172	(-)0.83
5	Revenue Receipts (1+2+3+4)	1,79,398	1,48,394	(-)17.28
6	Revenue Expenditure	1,79,398	1,77,921	(-)0.82
7	Revenue Deficit (-)/ Surplus (+) (5-6)	0	(-)29,527	NA
8	Fiscal Deficit (-)/ Surplus (+)	(-)31,483	(-)44,688	41.94
9	Debt-GSDP ratio (per cent)	32.89	37.05*	12.65
10	GSDP growth rate at current prices (per cent)	9.80	7.72	(-)21.21

Source: Finance Accounts, MTFPS 2019-20 & 2020-21, Table 1.1

* Arrived at after exclusion of GST compensation of ₹ 4,431 crore received as back to back loan under debt receipts from the total outstanding liabilities.

As may be seen from the table above, the actual non-tax revenue improved significantly during 2020-21 vis-à-vis the projections made in MTFPS. However, the targets projected for other revenue variables, i.e., tax revenue, share of Central taxes and Grant-in-Aid from GoI were not met during 2020-21. Further, the State could not achieve the targets set for three key fiscal variables, i.e., Revenue Deficit, Fiscal Deficit and Debt-GSDP ratio. In the

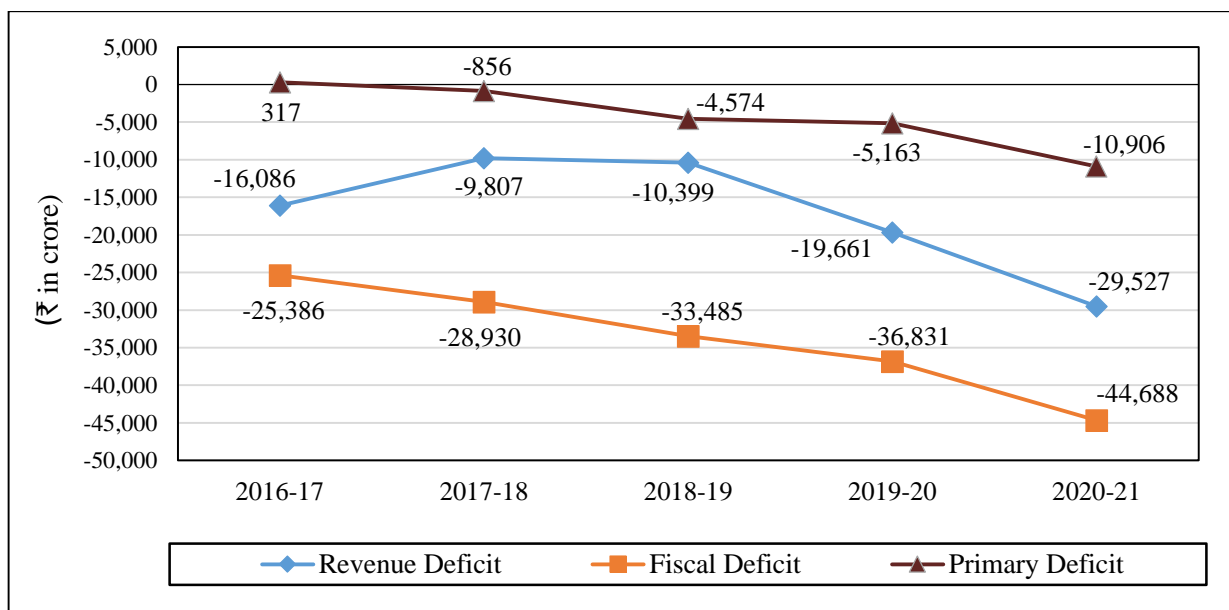
⁶ The effective outstanding fiscal liabilities would be ₹ 4,81,999 crore as the Department of Expenditure, GoI has decided that GST compensation of ₹ 4,431 crore given to the State as back to back loan under debt receipts would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission.

case of growth rate of GSDP also, actuals were below the projection of MTFP. Variations in the above fiscal variables have been discussed in subsequent sections of this Chapter.

1.8.3 Trend of Deficit/ Surplus

The trend of surplus and deficits over the five-year period from 2016-17 to 2020-21 is depicted in **Chart 1.4** and trend in surplus or deficit relative to GSDP is given in **Table 1.8**.

Chart 1.4: Trends in deficit parameters



Source: Finance Accounts

Table 1.8: Trends in Surplus (+)/ Deficit (-) relative to GSDP

(in per cent)

Year	2016-17	2017-18	2018-19	2019-20	2020-21
RD/ GSDP	(-1.84)	(-1.01)	(-0.94)	(-1.63)	(-2.27)
FD/ GSDP	(-2.91)	(-2.97)	(-3.04)	(-3.05)	(-3.43)
PD/ GSDP	0.04	(-0.09)	(-0.41)	(-0.43)	(-0.84)

Source: Finance Accounts

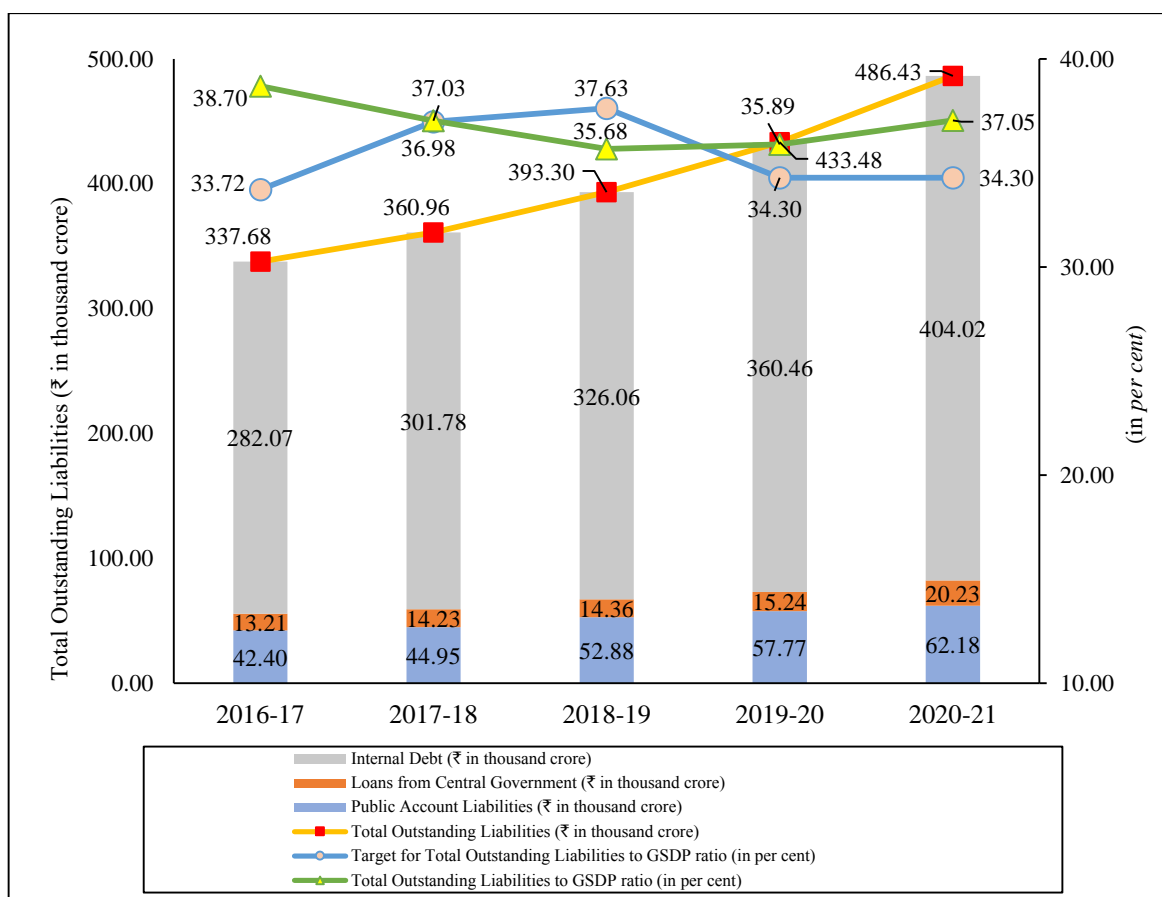
The State had a fiscal deficit of ₹ 44,688 crore during the year 2020-21, representing 3.43 per cent of GSDP and constituted 23.13 per cent of the Total Expenditure. Revenue Deficit rose 50.18 per cent to ₹ 29,527 crore during 2020-21, with significant higher revenue expenditure over 2019-20 emerging as the major contributing factor. Primary Deficit (PD) rose 111.23 per cent to ₹ 10,906 crore as the growth of expenditure was more than that of receipts over 2019-20 and hence widened the gap of deficit.

Significant deficit on Revenue Account during the current year was mainly due to the fact that the Revenue Receipts fell short of BE by 17.28 per cent whereas Revenue Expenditure fell short of BE by only 0.82 per cent. Compared to

2019-20, Revenue Receipts increased by 3.83 per cent (₹ 5,480 crore) while Revenue Expenditure increased by 9.44 per cent (₹ 15,346 crore). Revenue Receipts and Revenue Expenditure have been discussed in detail in **Chapter II** of this Report.

Trends in Outstanding Liabilities, its ratio with respect to GSDP and components of Outstanding Liabilities during 2016-21 are shown in **Chart 1.5**.

Chart 1.5: Trends in Outstanding Liabilities and GSDP



Source: Finance Accounts; Targets for Total Outstanding Liabilities to GSDP ratio for 2016-17 to 2018-19 are the Budget Estimates of the said ratio given in the MTFPSs of 2016-17 and 2018-19 respectively whereas those of 2019-20 and 2020-21 have been taken from the WBFRBM (Amendment) Act 2020.

Chart 1.5 shows the rising trend of liabilities during 2016-21. During this period, it increased at a CAGR of 9.55 per cent. Fiscal liabilities with respect to GSDP, after a fall in 2017-18 and 2018-19, moved upwards in the succeeding years. The ratio at 35.89 and 37.05 per cent respectively for 2019-20 and 2020-21, failed to achieve the target of 34.30 per cent set in WBFRBM (Amendment) Act 2020.

1.8.4 Actual Revenue and Fiscal Deficit

Excessive focus on short-term objectives for overcoming budget deficit, encourages creative accounting and recourse to one-off deficit-reducing measures. **Table 1.9** assesses actual deficit after taking into account short/non-

contribution to funds and incorrect classifications/ booking by the State Government during 2020-21.

Table 1.9: Actual Revenue and Fiscal Deficit

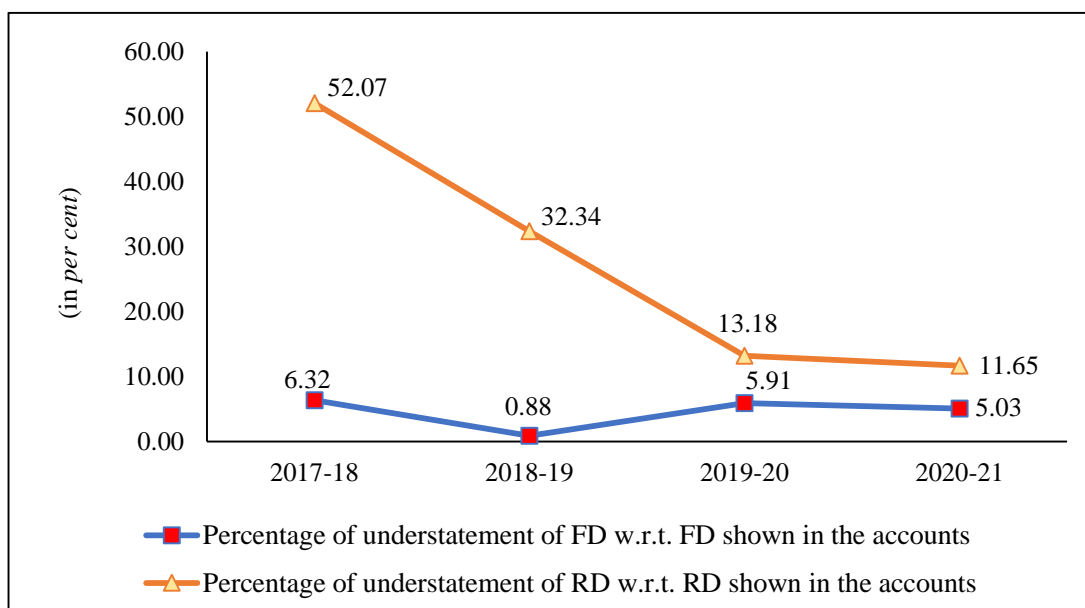
Particulars	Impact on Revenue Deficit (Understated (+)/ Overstated (-))	Impact on Fiscal Deficit (Understated (+)/ Overstated (-))	Paragraph Reference
	₹ in crore		
Non-contribution to Guarantee Redemption Fund	61.30	61.30	2.11.3
Incorrect classification on refund of Capital Outlay from Personal Deposit Account	11.13	-	4.6
Misclassification between Capital and Revenue Expenditure	1,187.00	-	2.(ii) of Notes to Finance Accounts (FA)
Non-payment of interest on State Compensatory Afforestation Deposit	8.28	8.28	2.(x) of Notes to FA
Non-payment of interest on State Disaster Response Fund	37.79	37.79	2.(x) of Notes to FA
Non-recoupment of Contingency Fund drawal	0.01	6.70	3 of Notes to FA
Non-transfer of Cess collected as Other Cess	2,134.84	2,134.84	4.(vi)(c) of Notes to FA
Total	3,440.35	2,248.91	

Source: Finance Accounts and Audit Analysis

As may be seen from the table above, there was understatement of RD and FD by ₹ 3,440.35 crore and ₹ 2,248.91 crore respectively. Thus, the State's actual RD and FD would stand at ₹ 32,967.35 crore and ₹ 46,936.91 crore respectively instead of ₹ 29,527 crore and ₹ 44,688 crore, if the items mentioned in the above table are factored in.

Persistent understatement of RD and FD during 2017-21 have been shown in **Chart 1.6**.

Chart 1.6: Persistent understatement of deficits



Source: Finance Accounts and Audit Analysis

1.8.5 Post audit- Total Debt

At the end of 2020-21, outstanding debt of the State Government increased to ₹ 4,81,999 crore⁷ from ₹ 4,33,475 crore in the previous year. Besides this, there were some borrowings by the Government for meeting its own commitments on various schemes which were not routed through the budget as well as the accounts and thus remained outside legislative control. These borrowings were raised, on behalf of the State Government, through Government owned or controlled public sector enterprises or societies.

GoWB during 2020-21 borrowed ₹ 4,312 crore through the off-budget route by means of Cash Credit Loans (CCLs). These borrowings were raised by Government owned or controlled public sector enterprises or societies from the West Bengal Central Co-operative Bank to fund various State sponsored schemes. Against such CCLs, repayment of ₹ 1,085 crore towards principal was due upto March 2021. Thus, the overall outstanding debt (₹ 4,81,999 crore) of the State would increase by 0.23 per cent (₹ 1,085 crore) to ₹ 4,83,084 crore and the overall debt as a percentage of GSDP during 2020-21 would also increase from 37.05 per cent to 37.13 per cent. Details of off-budget borrowings have been discussed in **Chapter II** of this Report.

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

⁷ After excluding GST compensation of ₹ 4,431 crore received as back to back loans under debt receipts.