CHAPTER I

OVERVIEW

Chapter I Overview

1.1 Introduction

This chapter provides a brief profile of the State and describes the basis and approach to the Report. The underlying data provides an overview of the structure of Government Accounts, budgetary processes, macro-fiscal analysis of key indices and State's fiscal position including the deficits/surplus.

1.2 Profile of the State

- **Social Indicators**

West Bengal is located in the eastern region of India along the Bay of Bengal. It includes the Darjeeling Himalayan hill region, the Ganges delta, the Rarh region[1] and the coastal Sundarbans. The State is spread over a geographical area of 88,752 sq. km (2.70 *per cent* of the country's total geographical area) and is home to around 9.86 crore people (7.18 *per cent* of the population of the country), as per Census 2011. It is the fourth-most populous State and the fourteenth largest by area in India. The State has 23 districts and one autonomous region (Gorkhaland Territorial Administration).

- **Economic Indicators**

The Gross State Domestic Product (GSDP), in 2022-23, at current prices, was ₹ 15,54,992 crore (₹ 13,63,926 crore in 2021-22), with a growth rate of 14.01 *per cent* over the previous year. The GSDP growth rates of the Agriculture, Industries and Service sectors, were 5.58, 14.98 and 18.13 *per cent*, respectively, during 2022-23, over the previous year.

The per capita GSDP of the State is ₹ 1,57,254, against the National per capita GDP of ₹ 1,96,983. A profile of the State, with demographics and other details, is given in ***Appendix 1.1.***

1.2.1 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. The 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.

It is important to understand changes in sectoral contribution to the GSDP, since they indicate changing structure of economy. Economic activity is

[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.

generally divided into the Primary, Secondary and Tertiary sectors, which correspond to the Agriculture, Industry and Service sectors.

Trends in the annual growth of GDP and the GSDP of the State, at current prices, are indicated in **Table 1.1.**

Table 1.1: Trends in GSDP compared to GDP (at current prices)

(₹ in crore)

Particulars	2018-19	2019-20	2020-21	2021-22	2022-23
INDIA					
GDP (2011-12 Series)	1,88,99,668	2,01,03,593	1,98,29,927	2,34,71,012	2,72,40,712
Gross Value Added (GVA)	1,71,75,128	1,83,81,117	1,81,88,780	2,14,38,883	2,47,42,871
Growth rate of GDP over the previous year (in *per cent*)	10.59	6.37	(-)1.36	18.36	16.06
Growth rate of GVA over the previous year (in *per cent*)	10.77	7.02	(-)1.05	17.87	15.41
Per Capita GDP (in ₹)	1,42,424	1,49,915	1,46,301	1,71,498	1,96,983
WEST BENGAL					
GSDP (2011-12 Series)	11,02,054	11,79,097	11,55,821	13,63,926	15,54,992
Gross State Value Added (GSVA)	10,26,683	11,02,641	10,91,981	12,99,459	14,90,844
Growth rate of GSDP over the previous year (in *per cent*)	13.07	6.99	(-)1.97	18.00	14.01
Growth rate of GSVA over the previous year (in *per cent*)	12.38	7.40	(-)0.97	19.00	14.73
Per Capita GSDP (in ₹)	1,14,022	1,21,229	1,18,096	1,38,605	1,57,254

Source: Data released by the Ministry of Statistics and Programme Implementation (MoSPI), Government of India dated 01 August 2023

Note: In respect of GDP, GVA, GSDP and GSVA, the figures shown against 2022-23, 2021-22, 2020-21 and 2019-20, are Provisional Estimates (PE), 1st Revised Estimates (RE), 2nd RE and 3rd RE, respectively, while the data for 2018-19 is final figure.

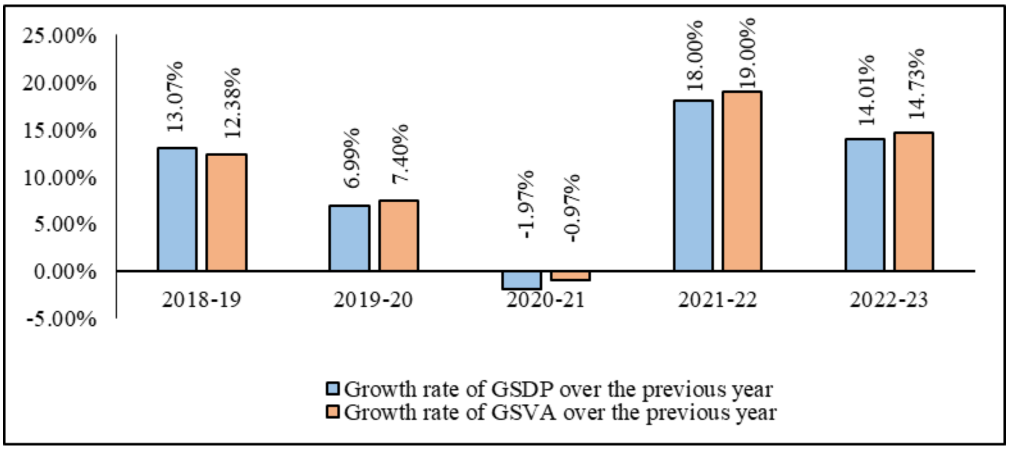
Gross State Domestic Product (GSDP) (at current prices) grew at an average growth rate of 10.02 *per cent* from ₹ 11,02,054 crore in 2018-19 to ₹ 15,54,992 crore in 2022-23. Both - the GSDP, as well as the national GDP-in aggregate, had experienced a contraction (negative growth) in 2020-21, owing to the COVID-19 pandemic. During the last five years' period, excepting for 2018-19 and 2019-20, the GSDP of West Bengal grew at a slower rate than the National GDP. In the current year, the growth of the national GDP exceeded the growth of GSDP by 2.05 *per cent*. In effect, during 2018-23, the CAGR of the National Per Capita GDP (8.45 *per cent*) outperformed the CAGR of State's Per Capita GSDP (8.37 *per cent*).

1.2.2 Gross State Value Added (GSVA)

The GSDP of a State indicates the State's economic activity from the consumers' side or demand perspective, whereas its GSVA gives a picture of the state's economic activity from the producers' side or supply perspective. GSDP is calculated as GSVA *plus* Taxes on Products *minus* Subsidies on Products.

The trends of GSDP and GSVA, for the period from 2018-19 to 2022-23, is shown in **Chart 1.1**.

Chart 1.1: Growth rate of GSDP vs GSVA (2018-19 and 2022-23)



Source: The figures of GSVA at basic prices and GSDP at current prices, for West Bengal, for the period 2011-12 to 2022-23 (as on 01 August 2023), released by the Ministry of Statistics and Programme Implementation (MoSPI), Government of India

Chart 1.1 indicates that, during the last five years' period, the growth of GSDP, at current prices, was in tandem with the growth of GSVA.

The sectoral contribution of GSVA and the trends in sectoral growth during the period from 2018-19 to 2022-23, are indicated in **Table 1.2** and **Chart 1.2,** respectively.

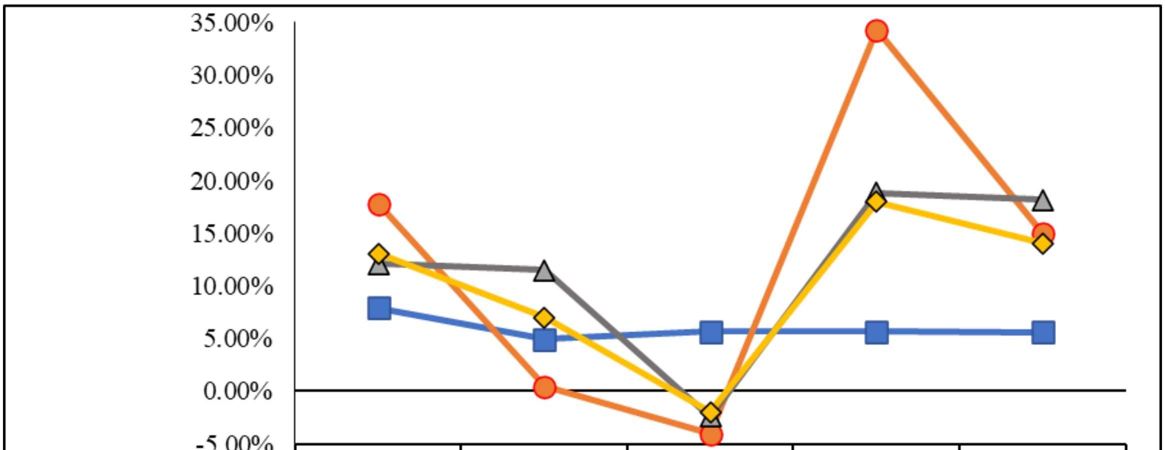
Table 1.2: Sectoral Contribution: GSVA

(₹ in crore)

Particulars	2018-19	2019-20	2020-21	2021-22	2022-23
Gross State Value Added (GSVA)	10,26,683	11,02,641	10,91,981	12,99,459	14,90,844
Agriculture Sector/GSVA (in *per cent*)	22.78	22.26	23.75	21.09	19.41
Industry Sector/GSVA (in *per cent*)	23.43	21.92	21.23	23.97	24.02
Services Sector/GSVA (in *per cent*)	53.79	55.82	55.02	54.94	56.57

Source: The figures of GSVA at basic prices and GSDP at current prices, for West Bengal, for the period 2011-12 to 2022-23 (as on 01 August 2023), released by the Ministry of Statistics and Programme Implementation (MoSPI), Government of India

Chart 1.2: Trends in Sectoral growth rates *vis-a-vis* growth rates of GSDP



	2018-19	2019-20	2020-21	2021-22	2022-23
Agriculture Sector	7.92%	4.95%	5.65%	5.67%	5.58%
Industry Sector	17.77%	0.45%	-4.05%	34.32%	14.98%
Services Sector	12.10%	11.46%	-2.40%	18.84%	18.13%
GSDP	13.07%	6.99%	-1.97%	18.00%	14.01%

Source: The figures of Gross State Value Added by economic activity, at current prices, for West Bengal, for the period 2011-12 to 2022-23 (as on 01 August 2023), released by the Ministry of Statistics and Programme Implementation (MoSPI), Government of India

Table 1.2 shows that the services sector, the contribution of which ranged between 54 to 57 *per cent* of the GSVA, during 2018-23, is the main driver of economic growth. The rebound of contact-based[2] services, driven by pent-up demand, ease of mobility restrictions, were substantially responsible for the comeback of the services sector in 2021-22, to the pre-pandemic levels. The sector maintained upside growth during 2021-22 (**Chart 1.2**). However, the growth of the sector, in the current year, declined marginally by 0.71 *per cent,* from the level of growth during 2021-22. Decline in the growth of sectors like Air Transport, from 87.52 *per cent* to 43.81 *per cent* and Real Estate, Ownership of Dwelling and Professional services, from 33.27 *per cent* to 29.34 *per cent*, contributed to this.

The Industry sector contributed around 21 to 24 *per cent* to the GSVA, and had a robust rate of growth, at 34.32 *per cent,* during 2021-22, on account of release of 'pent-up' demand after COVID. This growth rate, however, declined to 14.98 *per cent* in 2022-23. Contraction in the growth rates of the Construction and Manufacturing sectors, by 32.19 and 16.97 *per cent,* respectively, contributed to this decline. The steep decline in the rate of growth of the Industry sector, affects the overall economic development of the State and is a matter of concern.

The Agricultural sector, contributed around 19 to 24 *per cent* of the GSVA, and grew continuously since 2019-20, before falling marginally by 0.09 *per*

[2] Services rendered through Tourism, retail, trade, hotels *etc.*

cent in 2022-23. The decline in the growth rate of Forestry & Logging, by 2.20 *per cent,* contributed to this.

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.

The 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, as also from the statements received from the Reserve Bank of India. These accounts are audited independently by the Principal Accountant General (Audit-I).

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

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

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

1.4 Overview of the structure of Government Accounts and Budgetary Processes

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

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

This Fund comprises of all revenues received by the State Government, all loans raised by the State Government (market loans, bonds, loans from the Central Government, loans from Financial Institutions, Special Securities issued to National Small Savings Fund, etc.), Ways and Means advances extended by the Reserve Bank of India and all moneys received by the State Government in repayment of loans. No moneys can be appropriated from this Fund except in accordance with law and for the purposes and in the manner provided by the Constitution of India. Certain categories of expenditure (e.g., salaries of Constitutional authorities, loan repayments etc.), constitute a charge on the Consolidated Fund of the State (Charged expenditure) and are not subject to vote by the Legislature. All other expenditure (Voted expenditure) is voted upon 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 heads 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.

1.4.1 Budget Documents

Article 202 of the Constitution mandates that a statement of estimated receipts and expenditures of the Government, in respect of every financial year, be presented before the House or Houses of the Legislature of the State. 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).

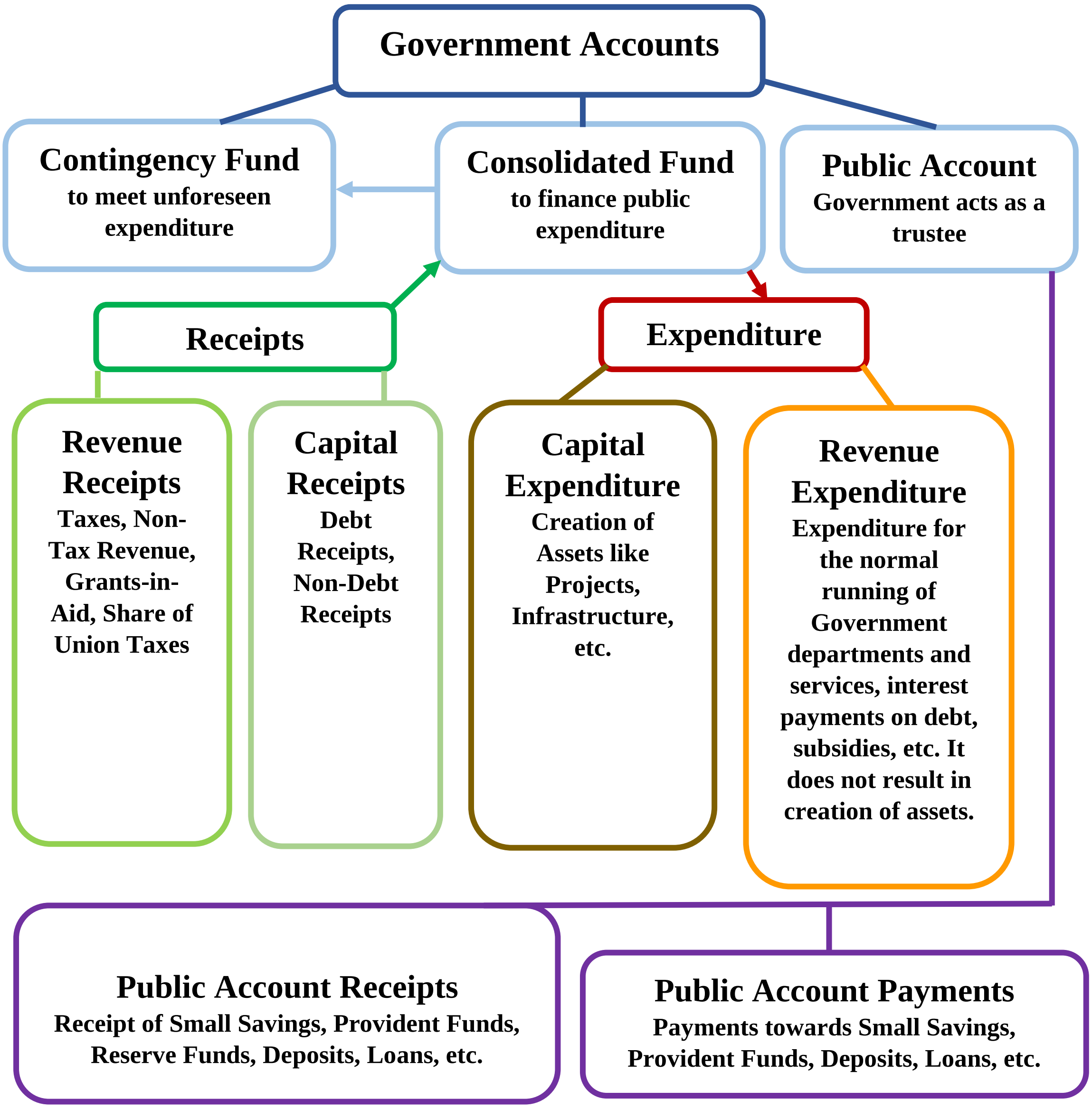
The **Capital Receipts** consist of:

- **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, buildings, 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: Structure of Government Accounts



Public Debt and Public Liability: In this Report, 'Public Debt' has been taken to comprise market borrowings, institutional loans, special securities issued to the National Small Savings Fund (NSSF), loan given by the Central Government etc. For this purpose, the major heads '6003' and '6004' have been taken into consideration.

Further, transactions relating to 'Small Savings, Provident Fund etc.', 'Reserve Funds' and 'Deposits and Advances', under the Public Account, are such that the Government incurs a liability to repay the moneys received or has a claim to recover the amounts paid. Transactions relating to 'Remittances' and 'Suspense' under the Public Account embrace all merely adjusting heads under which appear such transactions as remittances of cash between treasuries and currency chests and transfer between different accounting circles.

In this Report, 'Public Liability' has been taken to include transactions under the major heads '8001' to '8554', relating to 'Small Savings, Provident Fund etc.', 'Reserve Funds' and 'Deposits and advances', along with transactions under the major heads '6003' and '6004'.

1.4.2 Budgetary Processes

In terms of Article 202 of the Constitution of India, the Governor of the State causes to be laid before the State Legislature, a statement of the estimated receipts and expenditure of the State, in the form of an **Annual Financial Statement**. In terms of Article 203, the statement is submitted to the State Legislature, in the form of Demands for Grants/Appropriations and, after approval of these, the Appropriation Bill is passed by the Legislature, under Article 204, to provide for appropriation of the required money out of the Consolidated Fund.

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

1.5 Snapshot of Finances

Table 1.3 provides the details of actual financial results, *vis-à-vis* the Budget Estimates, for the year 2022-23, along with the actuals of 2021-22.

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

Sl. No.	Components	2021-22 (Actuals)	2022-23 (Budget Estimate)	2022-23 (Actuals)	Percentage of Actuals to BE	Percentage of Actuals to GSDP
		(₹ in crore)				
1	Tax Revenue	**1,36,623**	**1,40,784**	**1,55,043**	**110.13**	**9.97**
i)	Own Tax Revenue	71,082	79,347	83,608	105.37	5.38
ii)	Share of Union taxes/duties	65,541	61,437	71,435	116.27	4.59
2	Non-Tax Revenue	1,690	6,672	2,197	32.93	0.14
3	Grants-in-aid and Contributions	39,846	50,591	38,304	75.71	2.46
4	**Revenue Receipts (1+2+3)**	**1,78,159**	**1,98,047**	**1,95,544**	**98.74**	**12.58**
5	Recovery of Loans and Advances	58	185	82	44.32	0.01

Sl. No.	Components	2021-22 (Actuals)	2022-23 (Budget Estimate)	2022-23 (Actuals)	Percentage of Actuals to BE	Percentage of Actuals to GSDP
		(₹ in crore)				
6	Miscellaneous Capital Receipts	0	0	0	-	0.00
7	**Non-Debt Receipts (4+5+6)**	**1,78,217**	**1,98,232**	**1,95,626**	**98.69**	**12.58**
8	Borrowings and other Liabilities (a)	50,528	62,402	49,787^	79.78	3.20
9	**Total Receipts (7+8)**	**2,28,745**	**2,60,634**	**2,45,413**	**94.16**	**15.78**
10	**Revenue Expenditure**	**2,10,159**	**2,26,327**	**2,22,839***	**98.46**	**14.33**
11	Interest Payments	36,672	39,111	40,018	102.32	2.57
12	**Capital Expenditure**	**17,484**	**33,144**	**22,009***	**66.40**	**1.42**
13	Loan and advances	1,102	1,158	565	48.79	0.04
14	**Total Expenditure (10+12+13)**	**2,28,745**	**2,60,629**	**2,45,413^**	**94.16**	**15.78**
15	**Revenue Deficit (10-4)**	**32,000**	**28,280**	**27,295**	**96.52**	**1.76**
16	**Fiscal Deficit (14-7)**	**50,528**	**62,397**	**49,787**	**79.79**	**3.20**
17	**Primary Deficit (16-11)**	**13,856**	**23,286**	**9,769**	**41.95**	**0.63**

Source: Finance Accounts

(a) 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.

^ Excluding Appropriation to Contingency Fund of ₹ 180 crore.

**Revenue Expenditure (RE) of ₹ 3,232 crore in 2022-23 was incorrectly booked as Capital Expenditure (CE). Actual RE during 2022-23 would thus be ₹ 2,26,071 crore instead of ₹ 2,22,839 crore. Similarly, actual CE during 2022-23 would be ₹ 18,777 crore instead of ₹ 22,009 crore.*

Actual revenue receipts were higher than the previous year's receipts by ₹ 17,385 crore (9.76 *per cent*). This was primarily due to increased collection of State's Own Tax Revenue (OTR) than the PY[3] by ₹ 12,526 crore, mainly in the case of SGST[4] (by ₹ 6,696 crore), State Excise (by ₹ 2,724 crore), as also due to increase in the State's share of Union Taxes and Duties by ₹ 5,894 crore (mainly on account of increase in the State's share of Corporation Tax by ₹ 5,781 crore). Increased collection of State's Non-Tax Revenue (NTR) by ₹ 507 crore, over the PY, also contributed to this hike. The higher revenue receipts were partly counter-balanced by fall in the receipts of Grants - in - Aid from the Government of India (by ₹ 1,542 crore). However, the buoyancy of Tax Revenue with respect to Revenue Receipts, being at 1.38, remained lower than the Budget Estimates at 2.00.

The actual revenue expenditure was more than PY's revenue expenditure by ₹ 12,680 crore (6.03 *per cent*), mainly due to enhanced expenditure under the *Lakshmir Bhandar* scheme (by ₹ 6,215 crore). Capital Expenditure fell short of the BEs by 33.60 *per cent* but exceeded the expenditure of PY by 25.88 *per cent.* This was mainly on account of significant enhancement of expenditure for infrastructure projects under 'Urban Development' and 'Medical & Public Health'.

The Revenue Deficit was less than the BEs by 3.48 *per cent,* as the State's share of Union Taxes & Duties and OTR, were higher than the BEs, by 16.27 and 5.37 *per cent,* respectively. This apart, revenue expenditure being lower than BEs, resulted in lesser than anticipated revenue deficit.

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[3] Previous Year
[4] State Goods and Services Tax

The Fiscal Deficit was within the BEs and decreased by 1.47 *per cent* over 2021-22, as capital expenditure was lower than the BEs by 33.60 *per cent*. This, combined with lower Revenue Deficit over the BE, resulted in lower than anticipated fiscal deficit over the BE.

1.6 Snapshot of Assets and Liabilities of the Government

Government accounts capture the financial liabilities of the Government and the assets created out of the expenditure incurred. The liabilities consist mainly of internal borrowings, loans and advances from GoI, receipts from public account and reserve funds, and the assets comprise mainly the capital expenditure and loans and advances given by the State Government and cash balances. The summarised position of the state's assets and liabilities is shown in **Table 1.4**.

Table 1.4: Summarised position of Assets and Liabilities

Liabilities					Assets				
Components		2021-22	2022-23	*Per cent* increase	Components		2021-22	2022-23	*Per cent* increase
		(₹ in crore)					(₹ in crore)		
Consolidated Fund									
A	Internal Debt	4,42,865	4,79,797	8.34	A	Gross Capital Expenditure	1,68,624	1,90,633	13.05
B	Loans and Advances from GoI	27,423	30,966	12.92	B	Loans and Advances	17,150	17,633	2.82
					C	Appropriation to Contingency Fund	0	180	-
Contingency Fund		20	200	900.00	**Contingency Fund**		59	11	(-)81.36
Total		**4,70,308**	**5,10,963**	8.64	**Total**		**1,85,833**	**2,08,457**	12.17
Public Account									
A	Small Savings, Provident Funds, etc.	21,436	22,627	5.56	A	Advances	29	29	0.00
B	Deposits	42,239	48,232	14.19	B	Remittance	486	(-)1	(-)100.21
C	Reserve Funds	14,748	16,965	15.03	C	Suspense and Miscellaneous	(-)5,234	(-)4,047	22.68
D	Remittances	-	-	-	**Cash balance[5]**		32,602	32,039	(-)1.73
Total		**78,423**	**87,824**	11.99	**Total**		**27,883**	**28,020**	0.49
					Deficit in Revenue Account		3,35,015	3,62,310	8.15
Total		**5,48,731**	**5,98,787**	9.12	**Total**		**5,48,731**	**5,98,787**	9.12

Source: Finance Accounts

During 2022-23, the Liabilities of the Government increased by 9.12 *per cent* (₹ 50,056 crore). The internal debt constituted around 80 *per cent* of the total liabilities of the State Government. Outstanding balances of Market loans, which contributed around 89 *per cent* of the Internal debt during 2022-23, increased by ₹ 42,500 crore (11 *per cent*) over the PY. Further, balances of Deposits under the Public Account, which contributed around eight *per cent* of the liabilities, increased by ₹ 5,993 crore (14.19 *per cent*). The above two components primarily contributed to the increase in the liabilities of the Government.

[5] Includes investment in Earmarked Fund of ₹ 12,233 crore and ₹ 13,419 crore at the end of 2021-22 and 2022-23, respectively

On the Assets side, the cumulative Capital Expenditure constituted only 31.84 *per cent* of the total assets of the State Government. 10.40 *per cent* of the cumulative Capital Expenditure consisted of investments of the State Government in PSUs, Co-operative Banks & Societies and Statutory Corporations. The balance 89.60 *per cent*, comprised of cumulative expenditure for creation of infrastructure for transport sector, power, health, public works etc. The cash balance position of the State, which accounted for around five *per cent* of the Assets, decreased by ₹ 563 crore over the PY, because of reduction in the investment of cash balance by the State Government which has been discussed in **Paragraph 2.15** of the Report.

1.7 Fiscal Balance: Achievement of Deficit and Total Debt Targets

The State Government, in compliance of 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 on 7 February 2011. As per the 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 the provisions of the WBFRBM Act.

The WBFRBM (Amendment) Act, 2011, was amended in March 2020, followed by amendments in February 2021 and March 2022, with the amended Act being renamed as the 'WBFRBM (Amendment) Acts, 2020, 2021 and 2022', effective from 2019-20, 2020-21 and 2021-22, respectively. The amendments effected in sub-section (2) of section 4 of the WBFRBM Act, 2010, are explained in the succeeding paragraph.

As per the WBFRBM (Amendment) Act, 2011, Revenue Deficit (RD) was to be eliminated from 2014-15. In the MTFPSs from 2019-20 to 2021-22, the targets in regard to RD, with respect to GSDP, were shown as 'Nil' throughout the period 2018-21, whereas, in the MTFPSs for the FYs 2022-23 and 2023-24, the targets for the years 2021-22 and 2022-23 were shown as 1.74 and 1.82 *per cent,* respectively. The target set for RD, relative to the GSDP, in clause (b) of the Principal Act, stands omitted from the WBFRBM (Amendment) Acts, 2020, 2021 and 2022.

The WBFRBM Act, and its amendments effected from time to time, envisaged that the State Government shall limit Fiscal Deficit (FD) as a percentage of the GSDP, to three *per cent* in 2018-19, 3.34 *per cent* in 2019-20 and, thereafter, five *per cent* each for the financial years 2020-21 and 2021-22. In November 2022, sub-section (2) under section 4 of the WBFRBM Act, 2010, was amended and renamed as WBFRBM (Second) Amendment Act, 2022, wherein the maximum FD, as a percentage of the GSDP, was fixed at four *per cent,* for the year 2022-23.

In the MTFPS 2019-20, the target with respect to the total Outstanding Debt (OD) to GSDP, was shown as 34.33 *per cent*, for the financial year 2018-19. The WBFRBM (Amendment) Act, 2020, envisaged that the State

Government would limit the total outstanding debt to GSDP to 34.30 *per cent,* for the years from 2019-20 to 2024-25.

A trend analysis of the targets relating to key fiscal parameters, prescribed in the MTFPS for the year 2018-19, WBFRBM (Amendment) Acts 2020, 2021, 2022 and 2023, applicable for the years 2019-20, 2020-21, 2021-22 and 2022-23, respectively, *vis-à-vis* achievements during the last five-years (2018-23), is given in **Table 1.5.**

Table 1.5: Compliance with the provisions of the State FRBM Act

Fiscal Parameters		Achievement *vis-à-vis* targets				
		2018-19	2019-20	2020-21	2021-22	2022-23
Revenue Deficit (-)/Surplus (+) (₹ in crore)	Target	0	0	0	(-)26,755	(-)28,280
	Achievement	(-)10,399 ✗	(-)19,661 ✗	(-)29,527 ✗	(-)32,000 ✗	(-)27,295 ✓
Fiscal Deficit (-)/Surplus (+) (₹ in crore)	Target	(-)23,805	(-)27,254	(-)31,483	(-)60,834	(-)62,397
	Achievement	(-)33,485 ✗	(-)36,831 ✗	(-)44,688 ✗	(-)50,528 ✓	(-)49,787 ✓
Ratio of total outstanding debt to GSDP (in *per cent*)	Target	34.33	34.30	34.30	34.30	34.30
	Achievement	35.69 ✗	36.76 ✗	41.70 ✗	38.86 ✗	37.63 ✗

Source: MTFPSs 2018-19 to 2022-23, WBFRBM (Amendment) Acts and Finance Accounts (2018-23)
Note 1: '✓' denotes target achieved, '✗' denotes target not achieved.

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

- The Revenue Deficit of the State was not eliminated, despite the target of 'Zero' set in MTFPS 2018-21. 15th FC, after assessing the revenue and expenditure of the State, recommended post-devolution revenue deficit (PDRD) grants of ₹ 13,587 crore, for the year 2022-23. However, despite receipt of PDRD grants, the State registered RD of ₹ 27,295 crore (1.76 *per cent* of GSDP) in 2022-23 from ₹ 10,399 crore (0.94 *per cent* of GSDP), in 2018-19. During 2018-23, RD grew at an average annual rate of 9.68 *per cent.*
- Fiscal Deficit (₹ 49,787 crore), in 2022-23, decreased by 1.47 *per cent,* in comparison to the preceding year (₹ 50,528 crore). FD, as a percentage of GSDP, was within the target of four *per cent,* set in the WBFRBM (Second) Amendment Act, 2022. In the current year, this percentage, however, increased to 3.20 *per cent* from 3.04 *per cent*, registered in 2018-19.
- Ratio of RD to FD slightly decreased to 54.82 *per cent* during 2022-23, from 63.33 *per cent* in 2021-22, which was still very high, indicating that most of the State's borrowings were used to finance the Revenue Deficit. Borrowed funds, used for meeting revenue expenditure, create liability for future years, without creating any assets.
- During 2022-23, Outstanding debt (₹ 5,85,169 crore) grew by 9.08 *per cent* (₹ 48,691 crore) over the previous year (₹ 5,36,478 crore). During the last five years, the ratio of OD to GSDP, was above the

limits set in the MTFPS (2019-20) and WBFRBM (Amendment) Act, 2020.

1.7.1 Targets of fiscal variables in the 15th FC and Budget – achievement thereagainst

Table 1.6 shows the targets specified for major fiscal variables during 2022-23, in the 15th FC Report, as well as in the Budget documents, and the actuals thereagainst.

Table 1.6: Targets *vis-à-vis* achievements in respect of major fiscal aggregates for the year 2022-23

Fiscal Variables	Targets as prescribed by 15th FC	Targets in the Budget	Actuals	Percentage variation of actuals over	
				Targets of 15th FC	Targets in Budget
Revenue Deficit (-)/Surplus (+) w.r.t. GSDP (in *per cent*)	0.80	(-)1.65	(-)1.76	(-)320.00	(-)6.67
Fiscal Deficit (-)/Surplus (+) w.r.t. GSDP (in *per cent*)	(-)3.50	(-)3.64	(-)3.20	8.57	12.09
Debt# w.r.t. GSDP (in *per cent*)	42.60	34.23	37.63	11.67	(-)9.93

Source: Recommendations of 15th FC, MTFPS 2022-23 and Finance Accounts 2022-23

#Here Debt denotes Outstanding Debt

(-) denotes targets remained unachieved

- The 15th FC, in its Report, mentioned that shortfall in the estimated revenue deficit of the State, is met by an equivalent provision of PDRD grant. **Table 1.6,** however, shows that the State continued to budget revenue deficits, deviating from the estimations of the FC, undermining the fiscal consolidation path suggested by the FC, thereby causing difficulty in attainment of fiscal sustainability.
- The Fiscal Deficit target, with respect to the 15th FC and Budget, was achieved.
- In regard to the ratio of Debt to GSDP, the actuals were lower than the target of the 15th FC, by 4.97 *per cent* but higher than the target of the Budget, by 3.40 *per cent*.

1.7.2 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 2022-23, in the MTFP presented to the State Legislature, along with the Actuals of the year 2022-23.

Table 1.7: Actuals *vs.* Projections in the MTFP for 2022-23

Sl. No.	Fiscal Variables	Projection as per MTFP	Actuals (2022-23)	Variation
		(₹ in crore)		(in *per cent*)
1	Own Tax Revenue	79,347	83,608	5.37
2	Non-Tax Revenue	6,672	2,197	(-)67.07
3	Share of Central Taxes	61,437	71,435	16.27
4	Grants-in-aid from GoI	50,591	38,304	(-)24.29
5	Revenue Receipts (1+2+3+4)	1,98,047	1,95,544	(-)1.26
6	Revenue Expenditure	2,26,327	2,22,839*	(-)1.54
7	Revenue Deficit (-)/Surplus (+) (5-6)	(-)28,280	(-)27,295	3.48
8	Fiscal Deficit (-)/Surplus (+)	(-)62,397	(-)49,787	20.21
9	Debt-GSDP ratio (*per cent*)	34.23	37.63	(-)9.93#

Source: Finance Accounts, MTFPS 2022-23
**Actual figure would be ₹2,26,071 crore if ₹3,232 crore, incorrectly booked as Capital Expenditure is considered. Resultantly, variation of actuals w.r.t. MTFP would be (-)0.11 per cent.*
#Here (-) sign denotes targets remained unachieved

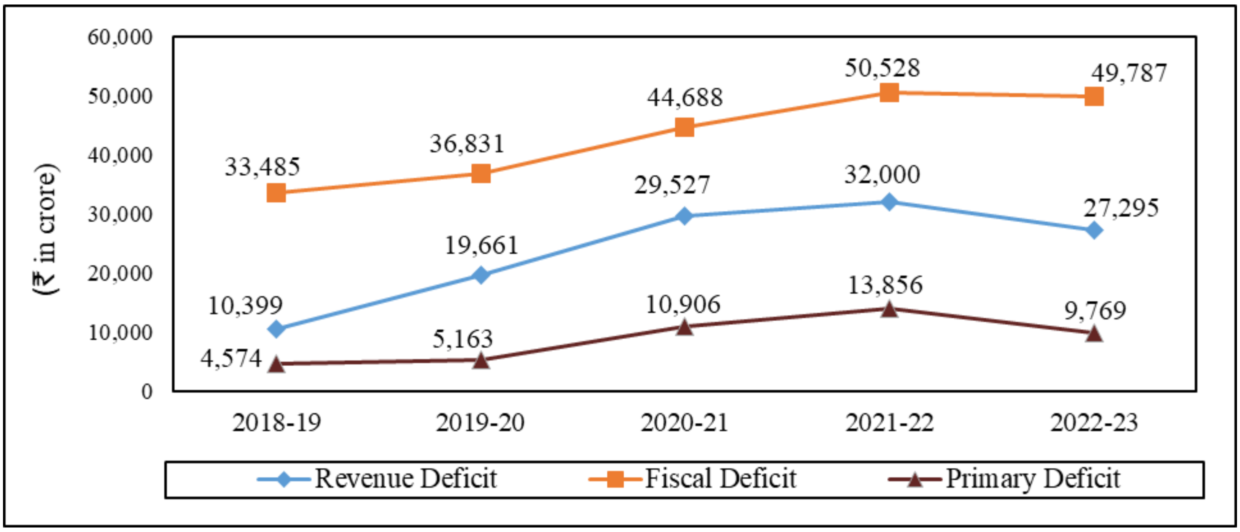
As may be seen from **Table 1.7**, two out of the four revenue variables and one out of the three fiscal variables, were lower than the projections made in MTFPS. Amongst these, collection on State's Non-Tax Revenue was significantly lower than the projection, by 67.07 *per cent*. Following the WBFRBM (Amendment) Act 2011, RD was to be eliminated from the year 2014-15. However, the State set a target of ₹ 28,280 crore for the RD, which was achieved, alongwith other two fiscal variables (FD and Debt). Variations in the above fiscal variables have been discussed in subsequent sections of this Chapter, while the revenue variables have been discussed in **Chapter II** of this report.

1.7.3 Fiscal Parameters

The three key fiscal parameters – revenue, fiscal and primary deficits indicate the extent of overall fiscal imbalances during a specified period.

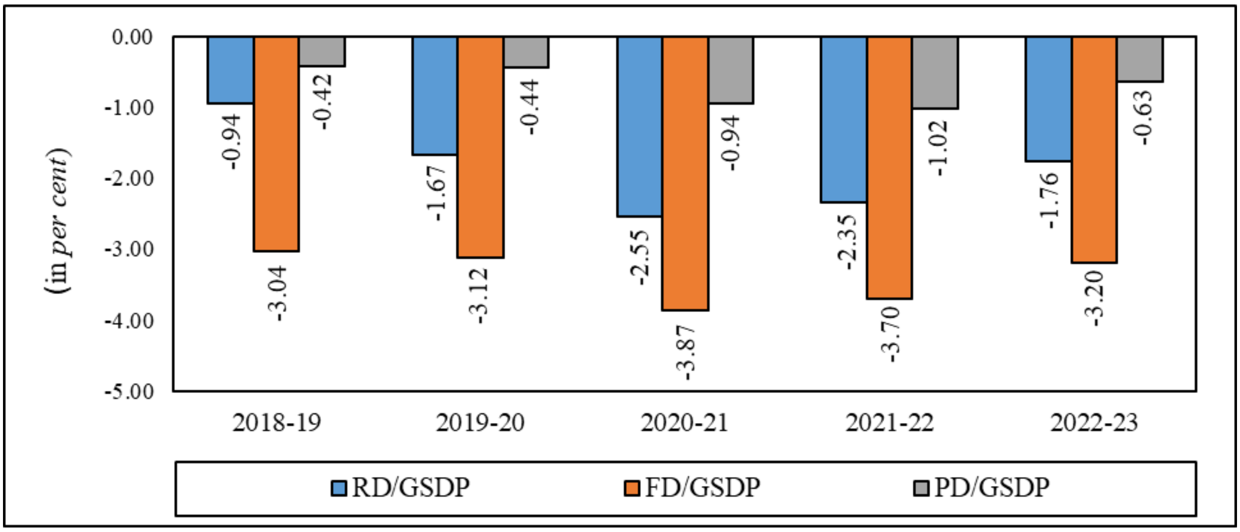
Charts 1.4 and **1.5** present the trends in deficit parameters and trends relative to GSDP, respectively, over the period 2018-23.

Chart 1.4: Trends in deficit parameters



Source: Finance Accounts

Chart 1.5: Trends in Surplus (+)/Deficit (-) relative to GSDP



Source: Finance Accounts

During 2022-23, Revenue Expenditure grew by 6.03 *per cent,* whereas Revenue Receipts grew by 9.76 *per cent*, which led to decrease in the Revenue deficit by 14.70 *per cent,* to ₹ 27,295 crore, from the level of ₹ 32,000 crore during 2021-22. Revenue Receipts and Revenue Expenditure have been discussed in detail in **Chapter II** of this Report.

The State had a fiscal deficit of ₹ 49,787 crore during the year 2022-23, representing 3.20 *per cent* of the GSDP and 20.29 *per cent* of the Total Expenditure. Despite the growth of Capital Expenditure by 25.88 *per cent*, FD reduced by 1.47 *per cent* (₹ 741 crore), as the RD decreased by 14.70 *per cent*.

Primary Deficit (PD) decreased by 29.50 *per cent* to ₹ 9,769 crore, as the growth of receipts was more than that of expenditure over 2021-22, narrowing the gap of deficit.

1.7.4 Performance of the State Government with respect to borrowings according to the limits fixed by Government of India

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. Such borrowings are regulated under Article 293(3) of the Constitution of India, under which the State is required to obtain consent of GoI. The State Government is, therefore, for raising open market borrowings (OMBs), required to obtain consent from Ministry of Finance, Government of India.

In line with the recommendations of the 15th FC, GoI had fixed the borrowing limit of the State, for the year 2022-23, at 3.50 *per cent* of the estimated GSDP. The State was also eligible for additional borrowing of 0.50 *per cent* of GSDP, linked to the performance of the power sector. Against the GoI's permissible limit of borrowing of ₹ 91,376 crore for the financial year 2022-23, GoWB has availed OMBs of ₹ 63,000 crore.

1.8 Deficits post examination by Audit

Table 1.8 shows the actual position of deficits, after taking into account short/non-contribution to funds and incorrect classifications/booking by the State Government, during 2022-23.

Table 1.8: Actual Revenue and Fiscal Deficit

Particulars	Impact on Revenue Deficit (Understated (+)/Overstated (-))	Impact on Fiscal Deficit (Understated (+)/Overstated (-))	Paragraph Reference
	(₹ in crore)		
Short payment of interest on Interest bearing Reserve Funds and Deposits bearing interest	1.59	1.59	Paragraph 4.3 of this Report and Para 3(x) of Notes to Finance Accounts (NTFA)
Misclassification between Capital and Revenue Expenditure	3,231.57	-	Paragraph 3.3.2 of this Report and Para 3(iii) of NTFA
Non-recoupment of Contingency Fund drawal	3.94	11.03	Paragraph 2.11 of this Report and Para 4 of NTFA
Non-contribution to Consolidated Sinking Fund	1,507.90	1,507.90	Paragraph 2.12.3.1 of this Report and Para 5(ii)(B)(a) of NTFA

Particulars	Impact on Revenue Deficit (Understated (+)/Overstated (-))	Impact on Fiscal Deficit (Understated (+)/Overstated (-))	Paragraph Reference
	(₹ in crore)		
Non-contribution to Guarantee Redemption Fund	34.42	34.42	Paragraph 2.12.3.3 of this Report and Para 5(ii)(B)(b) of NTFA
Total	**4,779.42**	**1,554.94**	

Source: Finance Accounts and Audit Analysis

As may be seen from **Table 1.8**, there was understatement of RD and FD, by ₹ 4,779 crore and ₹ 1,555 crore, respectively. Thus, the State's actual RD and FD would stand at ₹ 32,074 crore and ₹ 51,342 crore, respectively, instead of ₹ 27,295 crore and ₹ 49,787 crore (as mentioned in Paragraph 1.7.3), if the items mentioned in **Table 1.8** are factored in.

1.9 Post Audit– Total Outstanding Debt

As per the WBFRBM Act, 2010, 'total liabilities' refer to the liabilities under the Consolidated Fund and the Public Account of the State, referred to in Article 266 of the Constitution of India. The outstanding debt/liabilities can be split into various components, as shown in **Table 1.9.**

Table 1.9: Components of Outstanding Debt/Liabilities as on 31 March 2023

Borrowings and other liabilities, as per Finance Accounts	Amount (₹ in crore)
Internal Debt (A)	**4,79,797.26**
Market Loans bearing interest	4,28,133.96
Market Loans not bearing interest	0.00
Bonds	2.30
Loans from Financial Institutions	7,344.57
Special Securities issued to the National Small Savings Fund of the Central Government	44,316.43
Loans and Advances from the Central Government (B)	**30,965.96**
Loans for Centrally Sponsored Plan Schemes	(-)0.03
Other Loans for States Schemes	19,199.63
Pre-1984-85 Loans	4.83
Non-Plan Loans	3,452.39
Loans for State/Central Plan Schemes	8,309.14
Liabilities under the Public Accounts (C)	**74,405.73**
Small Savings, Provident Funds, etc.	22,627.35
Reserve Funds	3,546.05
Deposits	48,232.33
Total (A+B+C)	**5,85,168.95**

Source: Finance Accounts

Out of the total outstanding debt/liabilities, as on 31 March 2023, Internal Debt constituted 82 *per cent,* followed by liabilities under the Public Account at 12.71 *per cent* and loans & advances from Central Government at 5.29 *per cent*.

During 2022-23, GoWB did not borrow outside the state budget. However, there were some borrowings, prior to 2022-23, by the Government for meeting its own commitments on various schemes, which were not routed through the budget as well as the accounts, and, thus, remained outside legislative control. These borrowings were raised on behalf of the State Government, through Government owned or controlled public sector enterprises or societies.

GoWB, during 2009-11, raised Cash Credit Loans (CCLs) through two State Public Sector Undertakings[6], for implementation of the scheme 'Potato Procurement 2010', in the shape of off-budget borrowings. These borrowings were raised from the West Bengal Central Co-operative Bank. Government, during 2022-23, repaid ₹ 12 crore as principal and ₹ 4 crore as interest, to these entities, which was accounted for as Grants-in-Aid. At the end of 2022-23, repayment of ₹ 20 crore and ₹ 4 crore, towards principal and interest, respectively, were due upto March 2023, from these two entities. Thus, Outstanding Debt/Liabilities of ₹ 5,85,169 crore, as on 31 March 2023, shown in the Finance Accounts, remained understated by ₹ 20 crore. This position of outstanding off-budget liability emerged from audit scrutiny, on a test basis. The State Government did not disclose all its off-budget liabilities, in its budget documents/annual financial statements. Details of off-budget borrowings have been discussed in **Chapter II** of this Report.

[6] West Bengal State Co-operative Marketing Federation Limited (BENFED) and West Bengal State Consumers' Co-operative Federation Limited (CONFED)